

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**



May 10, 2017

Company name: Denyo Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6517 URL <http://www.denyo.co.jp/>
 Representative: President Shoichi Shiratori
 Inquiries: Senior Executive Officer Toshiya Tozawa TEL 03-6861-1111
 Scheduled date of ordinary general meeting of shareholders: June 29, 2017
 Scheduled date to file Securities Report: June 30, 2017
 Scheduled date to commence dividend payments: June 9, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	48,851	(3.1)	4,247	3.7	4,526	0.7	2,867	(8.6)
Year ended March 31, 2016	50,419	(3.5)	4,097	(23.4)	4,494	(21.9)	3,137	(18.7)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	134.18	–	5.7	6.7	8.7
Year ended March 31, 2016	146.79	–	6.5	6.7	8.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	68,678	53,145	74.4	2,407.30
As of March 31, 2016	66,994	50,812	72.9	2,285.62

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	2,948	(1,253)	(1,080)	12,219
Year ended March 31, 2016	2,973	(775)	(1,181)	11,745

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	–	14.00	–	16.00	30.00	667	20.4	1.3
Year ended March 31, 2017	–	15.00	–	15.00	30.00	665	22.4	1.3
Year ending March 31, 2018 (Forecast)	–	15.00	–	15.00	30.00		20.2	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	24,000	4.8	1,900	14.0	2,050	14.9	1,370	24.2	64.51
Full year	52,000	6.4	4,600	8.3	5,000	10.5	3,150	9.9	148.33

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2017	22,859,660 shares	As of March 31, 2016	22,859,660 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	1,623,221 shares	As of March 31, 2016	1,484,961 shares
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Average number of shares during the period

Year ended March 31, 2017	21,370,441 shares	Year ended March 31, 2016	21,373,141 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	11,245	11,937
Notes and accounts receivable - trade	19,315	19,420
Securities	499	999
Merchandise and finished goods	5,696	6,110
Work in process	1,102	1,101
Raw materials and supplies	3,538	3,493
Deferred tax assets	517	541
Other	355	217
Allowance for doubtful accounts	(25)	(6)
Total current assets	42,246	43,814
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,358	12,246
Accumulated depreciation	(4,861)	(5,228)
Buildings and structures, net	7,497	7,018
Machinery, equipment and vehicles	6,654	6,700
Accumulated depreciation	(3,822)	(4,383)
Machinery, equipment and vehicles, net	2,831	2,317
Land	4,855	4,848
Construction in progress	26	140
Other	1,754	1,793
Accumulated depreciation	(1,546)	(1,618)
Other, net	208	174
Total property, plant and equipment	15,418	14,499
Intangible assets		
Leasehold right	377	358
Software	159	156
Other	57	32
Total intangible assets	594	547
Investments and other assets		
Investment securities	8,412	9,525
Long-term loans receivable	17	14
Deferred tax assets	59	61
Other	250	218
Allowance for doubtful accounts	(5)	(2)
Total investments and other assets	8,734	9,817
Total non-current assets	24,747	24,863
Total assets	66,994	68,678

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,020	8,937
Short-term loans payable	232	210
Accrued expenses	618	556
Income taxes payable	393	630
Provision for bonuses	622	632
Provision for directors' bonuses	78	70
Provision for product warranties	121	108
Other	368	450
Total current liabilities	12,455	11,596
Non-current liabilities		
Long-term loans payable	1,126	1,122
Lease obligations	8	5
Long-term accounts payable - other	91	91
Deferred tax liabilities	1,576	1,907
Net defined benefit liability	440	418
Other	481	390
Total non-current liabilities	3,726	3,936
Total liabilities	16,181	15,532
Net assets		
Shareholders' equity		
Capital stock	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	42,343	44,521
Treasury shares	(1,381)	(1,632)
Total shareholders' equity	44,697	46,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,014	3,735
Foreign currency translation adjustment	1,142	764
Remeasurements of defined benefit plans	0	(1)
Total accumulated other comprehensive income	4,157	4,498
Non-controlling interests	1,957	2,023
Total net assets	50,812	53,145
Total liabilities and net assets	66,994	68,678

Consolidated statements of income and consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	50,419	48,851
Cost of sales	38,262	36,873
Gross profit	12,157	11,977
Selling, general and administrative expenses	8,059	7,730
Operating profit	4,097	4,247
Non-operating income		
Interest income	22	26
Dividend income	152	156
House rent income	83	87
Share of profit of entities accounted for using equity method	92	91
Miscellaneous income	149	66
Total non-operating income	500	428
Non-operating expenses		
Interest expenses	42	65
Commitment fee	7	34
Foreign exchange losses	9	13
Cost of lease revenue	9	9
Sales discounts	24	19
Miscellaneous loss	8	6
Total non-operating expenses	102	149
Ordinary profit	4,494	4,526
Extraordinary income		
Gain on sales of non-current assets	312	2
Total extraordinary income	312	2
Extraordinary losses		
Loss on disposal of non-current assets	1	3
Other	–	0
Total extraordinary losses	1	3
Profit before income taxes	4,805	4,526
Income taxes - current	1,383	1,471
Income taxes - deferred	21	(8)
Total income taxes	1,404	1,463
Profit	3,400	3,062
Profit attributable to		
Profit attributable to owners of parent	3,137	2,867
Profit attributable to non-controlling interests	263	194
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,017)	719
Deferred gains or losses on hedges	(1)	–
Foreign currency translation adjustment	(26)	(421)
Remeasurements of defined benefit plans, net of tax	9	(2)
Share of other comprehensive income of entities accounted for using equity method	(3)	2
Total other comprehensive income	(1,038)	297
Comprehensive income	2,362	3,359
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,182	3,208
Comprehensive income attributable to non-controlling interests	180	150

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,954	1,754	39,873	(1,359)	42,223
Changes of items during period					
Dividends of surplus			(666)		(666)
Profit attributable to owners of parent			3,137		3,137
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				4	4
Disposal of treasury stock(BBT)		24		(24)	
Net changes of items other than shareholders' equity					
Total changes of items during period	-	24	2,470	(21)	2,473
Balance at end of current period	1,954	1,779	42,343	(1,381)	44,697

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,034	1	1,086	(9)	5,112	1,859	49,195
Changes of items during period							
Dividends of surplus							(666)
Profit attributable to owners of parent							3,137
Purchase of treasury shares							(1)
Disposal of treasury shares							4
Disposal of treasury stock(BBT)							
Net changes of items other than shareholders' equity	(1,020)	(1)	56	9	(955)	98	(856)
Total changes of items during period	(1,020)	(1)	56	9	(955)	98	1,617
Balance at end of current period	3,014	-	1,142	0	4,157	1,957	50,812

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,954	1,779	42,343	(1,381)	44,697
Changes of items during period					
Dividends of surplus			(689)		(689)
Profit attributable to owners of parent			2,867		2,867
Purchase of treasury shares				(265)	(265)
Disposal of treasury shares				14	14
Disposal of treasury stock(BBT)		-		-	
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,177	(251)	1,926
Balance at end of current period	1,954	1,779	44,521	(1,632)	46,623

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,014	-	1,142	0	4,157	1,957	50,812
Changes of items during period							
Dividends of surplus							(689)
Profit attributable to owners of parent							2,867
Purchase of treasury shares							(265)
Disposal of treasury shares							14
Disposal of treasury stock(BBT)							
Net changes of items other than shareholders' equity	721	-	(377)	(2)	341	65	406
Total changes of items during period	721	-	(377)	(2)	341	65	2,333
Balance at end of current period	3,735	-	764	(1)	4,498	2,023	53,145

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	4,805	4,526
Depreciation	1,284	1,211
Share of (profit) loss of entities accounted for using equity method	(92)	(91)
Increase (decrease) in net defined benefit liability	(24)	(26)
Increase (decrease) in provision for product warranties	31	(13)
Increase (decrease) in provision for bonuses	(76)	10
Increase (decrease) in provision for directors' bonuses	(32)	(7)
Increase (decrease) in allowance for doubtful accounts	(15)	(21)
Interest and dividend income	(175)	(183)
Interest expenses	42	65
Loss (gain) on sales of non-current assets	(312)	(2)
Loss (gain) on disposal of non-current assets	1	3
Decrease (increase) in notes and accounts receivable - trade	(213)	(197)
Decrease (increase) in inventories	(397)	(518)
Increase (decrease) in notes and accounts payable - trade	(54)	(922)
Other, net	(413)	218
Subtotal	4,358	4,050
Interest and dividend income received	186	194
Interest expenses paid	(41)	(65)
Income taxes paid	(1,530)	(1,231)
Net cash provided by (used in) operating activities	2,973	2,948
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,046)	(537)
Proceeds from sales of property, plant and equipment	368	7
Purchase of intangible assets	(96)	(50)
Purchase of investment securities	(2)	(2)
Payments of loans receivable	(11)	(4)
Collection of loans receivable	11	7
Payments into time deposits	(242)	(674)
Proceeds from withdrawal of time deposits	242	-
Other, net	(0)	1
Net cash provided by (used in) investing activities	(775)	(1,253)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	0	(22)
Repayments of long-term loans payable	(400)	-
Proceeds from sales of treasury shares	3	-
Purchase of treasury shares	-	(265)
Cash dividends paid	(666)	(689)
Dividends paid to non-controlling interests	(82)	(85)
Other, net	(35)	(16)
Net cash provided by (used in) financing activities	(1,181)	(1,080)
Effect of exchange rate change on cash and cash equivalents	(47)	(141)
Net increase (decrease) in cash and cash equivalents	969	473
Cash and cash equivalents at beginning of period	10,776	11,745
Cash and cash equivalents at end of period	11,745	12,219

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Generators	38,294	36,857
Welders	5,100	4,832
Compressors	1,104	1,440
Others	5,919	5,720
Total	50,419	48,851

(2) Sales results by region

(Millions of yen)

Region	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Japan	30,115	29,252
North/Central America	9,776	10,310
Asia	6,921	6,479
Others	3,606	2,808
Total	50,419	48,851