

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)



November 10, 2016

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 to file Quarterly Securities Report: November 11, 2016
 Scheduled date to commence dividend payments: December 8, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	22,894	(2.8)	1,667	(4.4)	1,784	(5.9)	1,103	(22.0)
Six months ended September 30, 2015	23,560	(3.0)	1,743	(10.7)	1,895	(10.7)	1,414	1.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	51.61		-	
Six months ended September 30, 2015	66.21		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	63,519	50,056	76.0
As of March 31, 2016	66,994	50,812	72.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2016	-	14.00	-	16.00	30.00
Year ending March 31, 2017	-	15.00	-	-	-
Year ending March 31, 2017 (Forecast)	-	-	-	15.00	30.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	50,500	0.2	4,100	0.1	4,500	0.1	2,900	(7.6)	135.67

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2016	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 September 30, 2016	1,477,456 shares	As of March 31, 2016	1,484,961 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2016	21,377,223 shares	Six months ended September 30, 2015	21,371,826 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	11,245	11,779
Notes and accounts receivable - trade	19,315	16,748
Securities	499	499
Merchandise and finished goods	5,696	5,923
Work in process	1,102	756
Raw materials and supplies	3,538	3,484
Other	873	799
Allowance for doubtful accounts	(25)	(16)
Total current assets	42,246	39,974
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,497	6,904
Machinery, equipment and vehicles, net	2,831	2,327
Land	4,855	4,836
Construction in progress	26	24
Other, net	208	182
Total property, plant and equipment	15,418	14,275
Intangible assets	594	516
Investments and other assets		
Investment securities	8,412	8,396
Other	327	361
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	8,734	8,752
Total non-current assets	24,747	23,544
Total assets	66,994	63,519

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,020	7,733
Short-term loans payable	232	233
Accrued expenses	618	572
Income taxes payable	393	422
Provision for bonuses	622	676
Provision for directors' bonuses	78	25
Provision for product warranties	121	127
Other	368	305
Total current liabilities	12,455	10,096
Non-current liabilities		
Long-term loans payable	1,126	1,011
Deferred tax liabilities	1,576	1,584
Net defined benefit liability	440	402
Other	582	367
Total non-current liabilities	3,726	3,366
Total liabilities	16,181	13,463
Net assets		
Shareholders' equity		
Capital stock	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	42,343	43,091
Treasury shares	(1,381)	(1,369)
Total shareholders' equity	44,697	45,455
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,014	2,994
Foreign currency translation adjustment	1,142	(146)
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	4,157	2,848
Non-controlling interests	1,957	1,751
Total net assets	50,812	50,056
Total liabilities and net assets	66,994	63,519

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	23,560	22,894
Cost of sales	17,784	17,266
Gross profit	5,775	5,628
Selling, general and administrative expenses	4,032	3,961
Operating income	1,743	1,667
Non-operating income		
Interest income	17	11
Dividend income	79	80
House rent income	46	44
Share of profit of entities accounted for using equity method	30	30
Other	22	38
Total non-operating income	196	206
Non-operating expenses		
Interest expenses	18	37
Sales discounts	11	8
Foreign exchange losses	4	32
Other	10	11
Total non-operating expenses	44	89
Ordinary income	1,895	1,784
Extraordinary income		
Gain on sales of non-current assets	317	–
Total extraordinary income	317	–
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	2,212	1,784
Income taxes - current	581	577
Income taxes - deferred	48	(11)
Total income taxes	630	565
Profit	1,582	1,218
Profit attributable to		
Profit attributable to owners of parent	1,414	1,103
Profit attributable to non-controlling interests	167	115
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,055)	(19)
Deferred gains or losses on hedges	(2)	–
Foreign currency translation adjustment	151	(1,525)
Remeasurements of defined benefit plans, net of tax	1	(0)
Share of other comprehensive income of entities accounted for using equity method	(4)	0
Total other comprehensive income	(909)	(1,544)
Comprehensive income	673	(326)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	504	(205)
Comprehensive income attributable to non-controlling interests	169	(120)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	2,212	1,784
Depreciation	598	605
Interest and dividend income	(96)	(92)
Interest expenses	18	37
Share of (profit) loss of entities accounted for using equity method	(30)	(30)
Loss (gain) on sales of property, plant and equipment	(317)	–
Decrease (increase) in notes and accounts receivable - trade	2,835	2,126
Decrease (increase) in inventories	149	(349)
Increase (decrease) in notes and accounts payable - trade	(2,706)	(1,888)
Other, net	(503)	(5)
Subtotal	2,158	2,186
Interest and dividend income received	108	104
Interest expenses paid	(17)	(37)
Income taxes paid	(743)	(542)
Net cash provided by (used in) operating activities	1,506	1,711
Cash flows from investing activities		
Purchase of property, plant and equipment	(588)	(247)
Proceeds from sales of property, plant and equipment	374	0
Purchase of intangible assets	(55)	(24)
Purchase of investment securities	(1)	(1)
Payments into time deposits	(241)	(279)
Other, net	0	1
Net cash provided by (used in) investing activities	(510)	(550)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	0	0
Repayments of long-term loans payable	(200)	–
Proceeds from sales of treasury shares	3	–
Purchase of treasury shares	–	(0)
Cash dividends paid	(355)	(355)
Dividends paid to non-controlling interests	(82)	(85)
Other, net	(17)	(16)
Net cash provided by (used in) financing activities	(652)	(458)
Effect of exchange rate change on cash and cash equivalents	25	(425)
Net increase (decrease) in cash and cash equivalents	368	276
Cash and cash equivalents at beginning of period	10,776	11,745
Cash and cash equivalents at end of period	11,144	12,022

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Six months ended September 30, 2015	Six months ended September 30, 2016
Generators	17,595	17,073
Welders	2,731	2,275
Compressors	539	607
Others	2,693	2,938
Total	23,560	22,894

(2) Sales results by region

(Millions of yen)

Region	Six months ended September 30, 2015	Six months ended September 30, 2016
Japan	12,962	12,994
North/Central America	4,785	4,984
Asia	4,041	3,598
Others	1,771	1,316
Total	23,560	22,894