

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)



November 14, 2019

Company name: Denyo Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6517 URL: <http://www.denyo.co.jp/>
 Representative: President Shoichi Shiratori
 Inquiries: Director & Managing Executive Officer Toshiya Tozawa TEL 03-6861-1111
 Scheduled date to file Quarterly Securities Report: November 14, 2019
 Scheduled date to commence dividend payments: December 9, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2019	30,176	19.5	2,649	84.6	2,646	59.6	1,828	65.1
Six months ended September 30, 2018	25,258	10.9	1,435	0.2	1,657	8.6	1,107	17.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	87.22		-	
Six months ended September 30, 2018	52.11		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	74,430	57,096	73.8
As of March 31, 2019	74,085	56,290	73.1

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, 2019	-	20.00	-	22.00	42.00
Year ending March 31, 2020	-	22.00			
Year ending March 31, 2020 (Forecast)			-	22.00	44.00

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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
Full year	59,500	7.1	5,200	23.8	5,400	17.6	3,600	13.7	171.70

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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, 2019	22,859,660 shares	As of March 31, 2019	22,859,660 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	1,886,479 shares	As of March 31, 2019	1,901,761 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, 2019	20,961,513 shares	Six months ended September 30, 2018	21,245,546 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	15,189	17,769
Notes and accounts receivable - trade	19,250	18,808
Electronically recorded monetary claims - operating	3,503	2,430
Securities	999	999
Merchandise and finished goods	4,258	4,183
Work in process	1,236	1,538
Raw materials and supplies	5,152	4,772
Other	263	202
Allowance for doubtful accounts	(5)	(4)
Total current assets	49,849	50,702
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,303	7,120
Machinery, equipment and vehicles, net	1,989	1,957
Land	4,834	4,832
Construction in progress	101	407
Other, net	184	158
Total property, plant and equipment	14,414	14,476
Intangible assets	364	622
Investments and other assets		
Investment securities	9,104	8,272
Other	358	361
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	9,457	8,629
Total non-current assets	24,236	23,728
Total assets	74,085	74,430

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,296	9,356
Electronically recorded obligations - operating	2,146	1,814
Short-term borrowings	431	210
Accrued expenses	670	617
Income taxes payable	538	711
Provision for bonuses	636	688
Provision for bonuses for directors (and other officers)	75	38
Provision for product warranties	99	89
Other	728	570
Total current liabilities	14,624	14,096
Non-current liabilities		
Long-term borrowings	1,110	1,079
Lease obligations	0	289
Deferred tax liabilities	1,323	1,217
Retirement benefit liability	432	395
Other	304	255
Total non-current liabilities	3,170	3,238
Total liabilities	17,794	17,334
Net assets		
Shareholders' equity		
Share capital	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	48,793	50,139
Treasury shares	(2,107)	(2,090)
Total shareholders' equity	50,420	51,782
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,464	3,145
Foreign currency translation adjustment	301	57
Remeasurements of defined benefit plans	(32)	(28)
Total accumulated other comprehensive income	3,732	3,174
Non-controlling interests	2,137	2,138
Total net assets	56,290	57,096
Total liabilities and net assets	74,085	74,430

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	25,258	30,176
Cost of sales	19,509	23,188
Gross profit	5,748	6,987
Selling, general and administrative expenses	4,313	4,338
Operating profit	1,435	2,649
Non-operating income		
Interest income	17	23
Dividend income	95	104
Rental income from buildings	41	41
Share of profit of entities accounted for using equity method	25	–
Foreign exchange gains	40	–
Other	39	81
Total non-operating income	260	251
Non-operating expenses		
Interest expenses	19	29
Sales discounts	9	11
Share of loss of entities accounted for using equity method	–	167
Foreign exchange losses	–	33
Other	8	13
Total non-operating expenses	37	254
Ordinary profit	1,657	2,646
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	–	218
Total extraordinary income	0	218
Extraordinary losses		
Loss on disposal of non-current assets	2	19
Loss on sales of investment securities	1	22
Total extraordinary losses	4	41
Profit before income taxes	1,653	2,822
Income taxes - current	468	878
Income taxes - deferred	(23)	11
Total income taxes	445	889
Profit	1,207	1,933
Profit attributable to		
Profit attributable to owners of parent	1,107	1,828
Profit attributable to non-controlling interests	100	105
Other comprehensive income		
Valuation difference on available-for-sale securities	219	(317)
Foreign currency translation adjustment	(597)	(288)
Remeasurements of defined benefit plans, net of tax	6	4
Share of other comprehensive income of entities accounted for using equity method	2	(1)
Total other comprehensive income	(368)	(602)
Comprehensive income	839	1,330
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	809	1,269
Comprehensive income attributable to non-controlling interests	29	60

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,653	2,822
Depreciation	558	578
Interest and dividend income	(112)	(127)
Interest expenses	19	29
Share of loss (profit) of entities accounted for using equity method	(25)	167
Loss (gain) on sales of investment securities	1	(195)
Decrease (increase) in trade receivables	1,997	1,394
Decrease (increase) in inventories	(1,115)	40
Increase (decrease) in trade payables	791	(175)
Other, net	104	(92)
Subtotal	3,874	4,441
Interest and dividends received	133	140
Interest paid	(19)	(29)
Income taxes paid	(640)	(710)
Net cash provided by (used in) operating activities	3,346	3,842
Cash flows from investing activities		
Purchase of property, plant and equipment	(626)	(787)
Proceeds from sales of property, plant and equipment	1	–
Purchase of intangible assets	(2)	(8)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	–	390
Net decrease (increase) in time deposits	1,111	–
Other, net	(0)	(39)
Net cash provided by (used in) investing activities	480	(446)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	217	(219)
Purchase of treasury shares	(0)	(0)
Dividends paid	(552)	(479)
Dividends paid to non-controlling interests	(41)	(58)
Net cash provided by (used in) financing activities	(376)	(758)
Effect of exchange rate change on cash and cash equivalents	(149)	(55)
Net increase (decrease) in cash and cash equivalents	3,301	2,581
Cash and cash equivalents at beginning of period	13,712	16,170
Cash and cash equivalents at end of period	17,013	18,752

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on-year	
			Change	%
Generators	19,661	24,167	4,505	22.9
Welders	2,417	2,434	16	0.7
Compressors	558	512	(46)	(8.3)
Others	2,620	3,061	441	16.8
Total	25,258	30,176	4,917	19.5

(2) Sales results by region

(Millions of yen)

Region	Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on-year	
			Change	%
Japan	14,689	17,386	2,696	18.4
North/Central America	6,758	9,509	2,751	40.7
Asia	2,649	2,423	(226)	(8.5)
Others	1,161	856	(305)	(26.3)
Total	25,258	30,176	4,917	19.5