

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)



November 8, 2018

Company name: Denyo Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6517 URL <http://www.denyo.co.jp/>
 Representative: President Shoichi Shiratori
 Inquiries: Director & Senior Executive Officer Toshiya Tozawa TEL 03-6861-1111
 Scheduled date to file Quarterly Securities Report: November 9, 2018
 Scheduled date to commence dividend payments: December 7, 2018
 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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	25,258	10.9	1,435	0.2	1,657	8.6	1,107	17.0
Six months ended September 30, 2017	22,783	(0.5)	1,432	(14.1)	1,526	(14.4)	946	(14.2)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	52.11	—
Six months ended September 30, 2017	44.56	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	73,391	56,390	74.0
As of March 31, 2018	72,210	56,132	74.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	15.00	—	25.00	40.00
Year ending March 31, 2019	—	20.00			
Year ending March 31, 2019 (Forecast)			—	20.00	40.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	52,700	5.0	4,600	17.9	4,900	17.0	3,200	15.9	150.64

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(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: No
- 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, 2018	22,859,660 shares	As of March 31, 2018	22,859,660 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	1,607,397 shares	As of March 31, 2018	1,617,052 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, 2018	21,245,546 shares	Six months ended September 30, 2017	21,238,931 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	13,870	16,013
Notes and accounts receivable - trade	21,479	19,379
Securities	999	999
Merchandise and finished goods	5,254	5,016
Work in process	1,184	1,649
Raw materials and supplies	3,312	4,114
Other	242	228
Allowance for doubtful accounts	(6)	(5)
Total current assets	46,337	47,396
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,121	6,930
Machinery, equipment and vehicles, net	1,789	1,625
Land	4,841	4,834
Construction in progress	197	506
Other, net	196	183
Total property, plant and equipment	14,147	14,081
Intangible assets	471	435
Investments and other assets		
Investment securities	10,822	11,105
Other	436	379
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	11,253	11,478
Total non-current assets	25,872	25,995
Total assets	72,210	73,391

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,554	10,272
Short-term loans payable	210	431
Accrued expenses	595	641
Income taxes payable	473	308
Provision for bonuses	648	713
Provision for directors' bonuses	74	36
Provision for product warranties	108	130
Other	655	528
Total current liabilities	12,319	13,062
Non-current liabilities		
Long-term loans payable	1,062	1,135
Deferred tax liabilities	1,877	1,970
Net defined benefit liability	486	457
Other	330	375
Total non-current liabilities	3,757	3,939
Total liabilities	16,077	17,001
Net assets		
Shareholders' equity		
Capital stock	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	46,620	47,175
Treasury shares	(1,621)	(1,610)
Total shareholders' equity	48,733	49,299
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,617	4,839
Foreign currency translation adjustment	756	229
Remeasurements of defined benefit plans	(40)	(34)
Total accumulated other comprehensive income	5,332	5,035
Non-controlling interests	2,066	2,054
Total net assets	56,132	56,390
Total liabilities and net assets	72,210	73,391

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

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	22,783	25,258
Cost of sales	17,326	19,509
Gross profit	5,457	5,748
Selling, general and administrative expenses	4,024	4,313
Operating profit	1,432	1,435
Non-operating income		
Interest income	14	17
Dividend income	77	95
House rent income	32	41
Share of profit of entities accounted for using equity method	26	25
Foreign exchange gains	–	40
Other	18	39
Total non-operating income	169	260
Non-operating expenses		
Interest expenses	26	19
Sales discounts	10	9
Foreign exchange losses	29	–
Other	9	8
Total non-operating expenses	75	37
Ordinary profit	1,526	1,657
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	1	–
Total extraordinary income	2	0
Extraordinary losses		
Loss on disposal of non-current assets	0	2
Loss on sales of investment securities	–	1
Total extraordinary losses	0	4
Profit before income taxes	1,528	1,653
Income taxes - current	463	468
Income taxes - deferred	39	(23)
Total income taxes	503	445
Profit	1,025	1,207
Profit attributable to		
Profit attributable to owners of parent	946	1,107
Profit attributable to non-controlling interests	79	100
Other comprehensive income		
Valuation difference on available-for-sale securities	1,022	219
Foreign currency translation adjustment	(470)	(597)
Remeasurements of defined benefit plans, net of tax	(0)	6
Share of other comprehensive income of entities accounted for using equity method	2	2
Total other comprehensive income	553	(368)
Comprehensive income	1,579	839
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,560	809
Comprehensive income attributable to non-controlling interests	18	29

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,528	1,653
Depreciation	588	558
Interest and dividend income	(92)	(112)
Interest expenses	26	19
Share of loss (profit) of entities accounted for using equity method	(26)	(25)
Loss (gain) on sales of investment securities	(1)	1
Decrease (increase) in notes and accounts receivable - trade	2,358	1,997
Decrease (increase) in inventories	(45)	(1,115)
Increase (decrease) in notes and accounts payable - trade	50	791
Other, net	(92)	104
Subtotal	4,294	3,874
Interest and dividend income received	104	133
Interest expenses paid	(26)	(19)
Income taxes paid	(823)	(640)
Net cash provided by (used in) operating activities	3,548	3,346
Cash flows from investing activities		
Purchase of property, plant and equipment	(354)	(626)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(10)	(2)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	26	—
Net decrease (increase) in time deposits	(544)	1,111
Other, net	1	(0)
Net cash provided by (used in) investing activities	(882)	480
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	0	217
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(331)	(552)
Dividends paid to non-controlling interests	(74)	(41)
Net cash provided by (used in) financing activities	(406)	(376)
Effect of exchange rate change on cash and cash equivalents	(92)	(149)
Net increase (decrease) in cash and cash equivalents	2,167	3,301
Cash and cash equivalents at beginning of period	12,219	13,712
Cash and cash equivalents at end of period	14,387	17,013

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on-year	
			Change	%
Generators	17,505	19,661	2,156	12.3
Welders	2,365	2,417	52	2.2
Compressors	483	558	75	15.5
Others	2,429	2,620	191	7.9
Total	22,783	25,258	2,474	10.9

(2) Sales results by region

(Millions of yen)

Region	Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on-year	
			Change	%
Japan	13,337	14,689	1,352	10.1
North/Central America	4,936	6,758	1,821	36.9
Asia	3,164	2,649	(514)	(16.3)
Others	1,345	1,161	(183)	(13.7)
Total	22,783	25,258	2,474	10.9