

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 11, 2021

Company name: Denyo Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6517 URL: <https://www.denyo.co.jp/>
 Representative: President Shoichi Shiratori
 Inquiries: Director & Senior Executive Officer Makoto Tanabe TEL 03-6861-1111
 Scheduled date to file Quarterly Securities Report: November 12, 2021
 Scheduled date to commence dividend payments: December 9, 2021
 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, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021	24,836	(2.0)	1,615	(19.8)	1,689	(22.0)	1,173	(18.6)
Six months ended September 30, 2020	25,346	(16.0)	2,014	(24.0)	2,167	(18.1)	1,442	(21.1)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	56.25		-	
Six months ended September 30, 2020	69.17		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	78,458	63,054	77.4
As of March 31, 2021	79,057	61,564	75.1

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, 2021	-	22.00	-	25.00	47.00
Year ending March 31, 2022	-	22.00			
Year ending March 31, 2022 (Forecast)			-	25.00	47.00

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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	53,000	(3.6)	3,900	(26.9)	4,100	(27.4)	2,750	(28.8)	131.81

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021
(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, 2021	22,859,660 shares	As of March 31, 2021	22,859,660 shares
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Number of treasury shares at the end of the period

As of September 30, 2021	1,992,142 shares	As of March 31, 2021	2,003,959 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, 2021	20,860,102 shares	Six months ended September 30, 2020	20,848,623 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	21,913	23,613
Notes and accounts receivable - trade	17,436	–
Notes and accounts receivable - trade, and contract assets	–	13,792
Electronically recorded monetary claims - operating	3,426	3,543
Securities	999	999
Merchandise and finished goods	4,636	5,560
Work in process	1,566	1,662
Raw materials and supplies	4,073	4,625
Other	396	340
Allowance for doubtful accounts	(4)	(4)
Total current assets	54,443	54,133
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,145	7,163
Machinery, equipment and vehicles, net	2,526	2,273
Land	5,047	5,051
Construction in progress	20	15
Other, net	225	240
Total property, plant and equipment	14,964	14,745
Intangible assets	583	633
Investments and other assets		
Investment securities	8,750	8,617
Other	317	331
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,065	8,946
Total non-current assets	24,613	24,324
Total assets	79,057	78,458

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,773	7,578
Electronically recorded obligations - operating	1,991	2,246
Short-term borrowings	1,317	210
Accrued expenses	514	477
Income taxes payable	978	448
Provision for bonuses	637	719
Provision for bonuses for directors (and other officers)	83	37
Provision for product warranties	126	133
Other	1,010	731
Total current liabilities	15,434	12,582
Non-current liabilities		
Long-term borrowings	–	783
Lease obligations	267	277
Deferred tax liabilities	1,358	1,335
Retirement benefit liability	401	391
Other	31	31
Total non-current liabilities	2,058	2,820
Total liabilities	17,493	15,403
Net assets		
Shareholders' equity		
Share capital	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	54,766	55,397
Treasury shares	(2,350)	(2,335)
Total shareholders' equity	56,149	56,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,643	3,612
Foreign currency translation adjustment	(417)	348
Remeasurements of defined benefit plans	(10)	(5)
Total accumulated other comprehensive income	3,215	3,956
Non-controlling interests	2,198	2,301
Total net assets	61,564	63,054
Total liabilities and net assets	79,057	78,458

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	25,346	24,836
Cost of sales	19,529	19,268
Gross profit	5,817	5,567
Selling, general and administrative expenses	3,802	3,952
Operating profit	2,014	1,615
Non-operating income		
Interest income	24	20
Dividend income	83	82
Rental income from buildings	38	41
Foreign exchange gains	38	–
Other	28	27
Total non-operating income	213	171
Non-operating expenses		
Interest expenses	29	26
Sales discounts	11	–
Share of loss of entities accounted for using equity method	8	2
Foreign exchange losses	–	57
Other	11	10
Total non-operating expenses	60	96
Ordinary profit	2,167	1,689
Extraordinary income		
Gain on sale of non-current assets	–	0
Gain on sale of investment securities	–	28
Total extraordinary income	–	29
Extraordinary losses		
Loss on disposal of non-current assets	0	37
Total extraordinary losses	0	37
Profit before income taxes	2,166	1,682
Income taxes - current	658	515
Income taxes - deferred	(3)	(8)
Total income taxes	654	507
Profit	1,512	1,174
Profit attributable to		
Profit attributable to owners of parent	1,442	1,173
Profit attributable to non-controlling interests	70	1
Other comprehensive income		
Valuation difference on available-for-sale securities	339	(30)
Foreign currency translation adjustment	(307)	898
Remeasurements of defined benefit plans, net of tax	6	5
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	38	872
Comprehensive income	1,550	2,047
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,551	1,913
Comprehensive income attributable to non-controlling interests	(0)	134

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,166	1,682
Depreciation	527	673
Interest and dividend income	(107)	(102)
Interest expenses	29	26
Share of loss (profit) of entities accounted for using equity method	8	2
Loss (gain) on sale of investment securities	–	(28)
Decrease (increase) in trade receivables	2,897	3,719
Decrease (increase) in inventories	(1,306)	(1,316)
Increase (decrease) in trade payables	(1,020)	(1,098)
Other, net	(211)	32
Subtotal	2,982	3,588
Interest and dividends received	121	115
Interest paid	(29)	(26)
Income taxes paid	(1,113)	(1,044)
Net cash provided by (used in) operating activities	1,961	2,633
Cash flows from investing activities		
Purchase of property, plant and equipment	(987)	(350)
Purchase of intangible assets	(16)	(7)
Purchase of investment securities	(1)	(1)
Proceeds from sale of investment securities	–	81
Other, net	1	(30)
Net cash provided by (used in) investing activities	(1,003)	(307)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	0	0
Proceeds from long-term borrowings	–	782
Repayments of long-term borrowings	–	(1,107)
Purchase of treasury shares	(0)	(0)
Dividends paid	(520)	(541)
Dividends paid to non-controlling interests	(74)	(30)
Other, net	(7)	(8)
Net cash provided by (used in) financing activities	(602)	(905)
Effect of exchange rate change on cash and cash equivalents	(137)	279
Net increase (decrease) in cash and cash equivalents	217	1,699
Cash and cash equivalents at beginning of period	21,054	22,913
Cash and cash equivalents at end of period	21,272	24,613

Revenue Recognition

[Breakdown of Revenue from Contracts with Customers]

(1) Sales results by product

(Millions of yen)

Product	Three months ended September 30, 2020	Three months ended September 30, 2021	Year-on-year	
			Change	%
Generators	20,072	19,297	(774)	(3.9)
Welders	2,206	2,499	293	13.3
Compressors	424	383	(40)	(9.6)
Others	2,642	2,654	12	0.5
Revenue from contracts with customers	25,346	24,836	(510)	(2.0)
Other revenue	-	-	-	-
Net sales to external customers	25,346	24,836	(510)	(2.0)

(2) Sales results by region

(Millions of yen)

Region	Three months ended September 30, 2020	Three months ended September 30, 2021	Year-on-year	
			Change	%
Japan	16,329	15,465	(864)	(5.3)
Overseas	9,017	9,371	354	3.9
North/Central America	6,156	5,736	(420)	(6.8)
Asia	1,938	2,095	157	8.1
Others	921	1,539	617	67.0
Revenue from contracts with customers	25,346	24,836	(510)	(2.0)
Other revenue	-	-	-	-
Net sales to external customers	25,346	24,836	(510)	(2.0)