



Briefing on Results for the Third quarter of the
Fiscal Year ending March 31, 2019



Overview of Results for the Third quarter of FY2019/3

(April 1, 2018 ~ December 31, 2018)

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Highlights of Results for the Third quarter of FY2019/3 (Consolidated)

(million yen)

	Third quarter of FY2018/3		Third quarter of FY2019/3		Change (YoY)	Rate of change (YoY)
Net Sales	36,198	100%	39,982	100%	3,784	10.5%
Operating income	2,678	7.4%	2,651	6.6%	△27	△1.0%
Ordinary income	2,852	7.9%	2,945	7.4%	93	3.3%
Profit attributable to owners of parent	1,816	5.0%	1,947	4.9%	131	7.2%
Capital investment	585	—	987	—	402	68.7%
Depreciation	892	—	834	—	△58	△6.5%
Net income per share	85.51yen	—	91.88円	—	6.37円	7.4%
ROE(%)	4.7	Annualized	4.8	Annualized	—	—

Sales Trends by Product (Consolidated)

(million yen)

		Third quarter of FY2018/3		Third quarter of FY2019/3		Change (YoY)	Rate of Change (YoY)
Net sales		36,198	100%	39,982	100%	3,783	10.5%
By product	Generators	27,577	76.2%	31,223	78.1%	3,645	13.2%
	Welders	3,775	10.4%	3,746	9.4%	△29	△0.8%
	Compressors	737	2.0%	862	2.2%	125	17.0%
	Others	4,108	11.3%	4,150	10.4%	41	1.0%

Engine Generators (Consolidated)

(million yen)

	Third quarter of FY2018/3	Third quarter of FY2019/3	Rate of change (YoY)
Generators	27,577	31,223	13.2%

- In Japan, shipment to the major rental industry mainly increased.
- Overseas, shipment to America remained strong.

Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

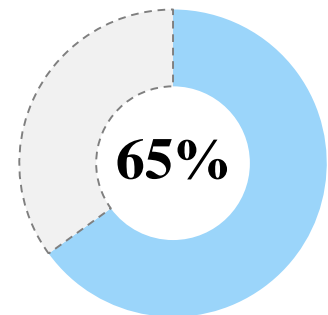
- Mobile-type generators
Power source on a construction site and for civil engineering work and disaster recovery/restoration, etc.
- Stand-by generating sets (stationary type)
Back-up power source such as disaster prevention equipment and offices, etc.
- Power-supply vehicles, power light, etc.



New Simul Generator



Stand-by generating sets



Domestic market share of
engine generators (mobile-type)

*According to a Company survey

Engine Welders (Consolidated)

(million yen)

	Third quarter of FY2018/3	Third quarter of FY2019/3	Rate of change (YoY)
Welders	3,775	3,746	△0.8%

- Shipment to the domestic market increased while shipment to Europe decreased.

The Company developed the first engine-driven welder for outdoor work in Japan. Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO2 welder, etc.

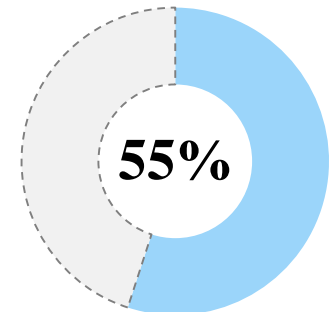
- Welding of steel construction for buildings, condominiums and bridges
- Welding of important structures such as petroleum storage tanks and pipelines



Engine welder



TIG welder



Domestic market share of
engine welders

*According to a Company survey

Engine Compressors (Consolidated)

(million yen)

	Third quarter of FY2018/3	Third quarter of FY2019/3	Rate of change (YoY)
Compressors	737	862	17.0%

- Shipment to America increased mostly.

**Manufacturing compressors
with air discharge amounts from 1.6m³/min to 42.4m³/min.**

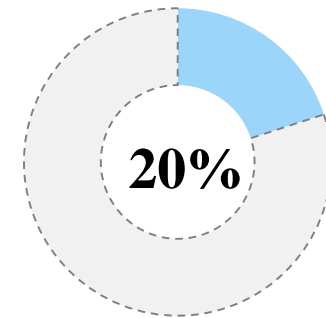
- Breaking-up of roads and ground improvement work of roads
- Mortar spraying work for preventing landslides of mountain roads
- For artificial snow machines on ski slopes, etc.



Engine compressor



Motor compressor



Domestic market share of
engine compressors

*According to a Company survey

Others (Consolidated)

(million yen)

	Third quarter of FY2018/3	Third quarter of FY2019/3	Rate of change (YoY)
Others	4,108	4,150	1.0%

- Sales of purchased merchandise and Parts sales, etc. increased.

Sales of other products

- Self-propelled lifters
- Parts
- Secondhand equipment and purchased merchandise
- Repair sales, etc.



Self-propelled lifter

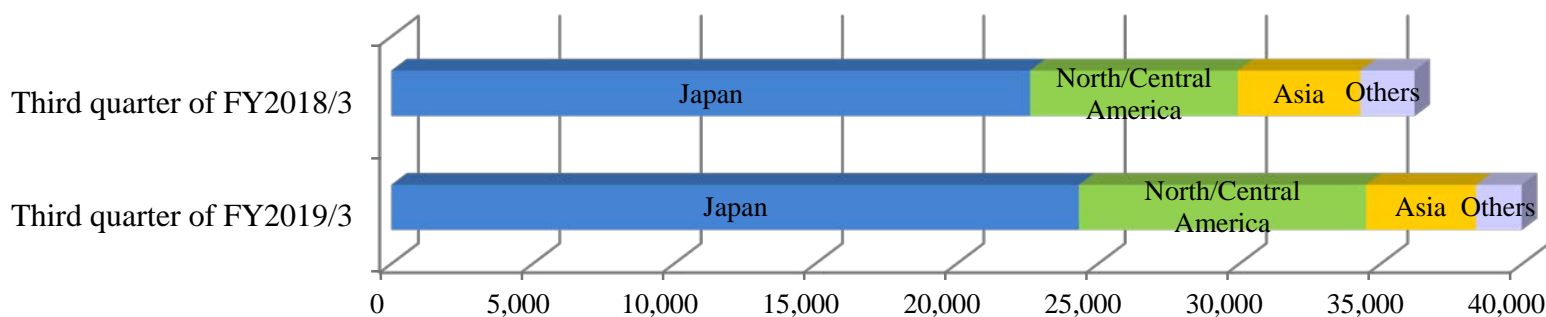


Load testing equipment

Sales Trend by Region (Consolidated)

(million yen)

		Third quarter of FY2018/3		Third quarter of FY2019/3		Change (YoY)	Rate of change (YoY)
Net sales		36,198	100%	39,982	100%	3,783	10.5%
Domestic sales		22,593	62.4%	24,322	60.8%	1,728	7.7%
Overseas sales		13,605	37.6%	15,659	39.2%	2,054	15.1%
By region	North/Central America	7,351	20.3%	10,163	25.4%	2,812	38.3%
	Asia	4,331	12.0%	3,883	9.7%	△447	△10.3%
	Others	1,922	5.3%	1,612	4.0%	△309	△16.1%



Factor Analysis of Changes in Operating Income (Consolidated)

Decrease in Operating income

- Net sales increased, but due to decline in the gross profit margin, the operating income decreased

(million yen)

	Third quarter of FY2018/3	Third quarter of FY2019/3	Change(YoY)
Operating income	2,678	2,651	△27
Operating income margin	7.4%	6.6%	△0.8 _{percentage point}
	Third quarter of FY2018/3	Third quarter of FY2019/3	Rate of change (YoY)
Gross profit margin	24.3%	22.9%	△1.4 _{percentage point}
Ratio of SG&A to sales	16.9%	16.2%	△0.7 _{percentage point}
Ratio of operating income to sales	7.4%	6.6%	△0.8 _{percentage point}

- Gross profit margin is worsen by a rise in raw materials prices and etc.
- Ratio of SG&A to sales is improved by the decrease in the fixed cost rate which is caused from the increase of the net sales.

Outlook for FY2019/3

Outlook for FY2019/3 : Consolidated Income and Loss

Key points

- Net sales are expected to be 52.7 billion yen.
- Assumed exchange rate is 110 yen/dollar.

(million yen)

	FY2018/3		FY2019/3(forecast)		Change(YoY)	Rate of Change(YoY)
Net sales	50,182	100%	52,700	100%	2,518	5.0%
Operating income	3,902	7.8%	4,600	8.7%	698	17.9%
Ordinary income	4,187	8.3%	4,900	9.3%	713	17.0%
Profit attributable to owners of parent	2,762	5.5%	3,200	6.1%	438	15.9%
Capital investment	870	—	2,100	—	1,230	141.4%
Depreciation	1,198	—	1,300	—	102	8.5%
Net income per share	130.0yen	—	150.6yen	—	20.6 yen	—
ROE	5.3%	—	5.8%	—	—	—
Cash dividends per share	40.0yen	—	40.0yen	—	—	—

Outlook for Sales by Product (Consolidated)

Overview

- Sales of generators are expected to increase by 2,097 million yen (5.4 %).
- Sales of welders are anticipated to increase by 31 million yen (0.6%).
- Sales of compressors are forecasted to be up by 17 million yen (1.6%).

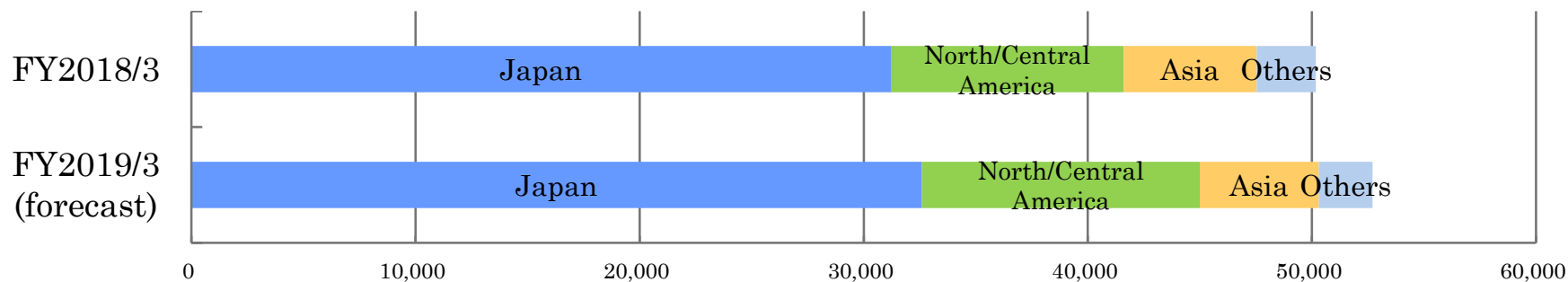
(million yen)

		FY2018/3		FY2019/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		50,182	100%	52,700	100%	2,518	5.0%
By products	Generators	38,653	77.0%	40,750	77.3%	2,097	5.4%
	Welders	4,919	9.8%	4,950	9.4%	31	0.6%
	Compressors	1,083	2.2%	1,100	2.1%	17	1.6%
	Others	5,525	11.0%	5,900	11.2%	375	6.8%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2018/3		FY2019/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		50,182	100%	52,700	100%	2,518	5.0%
Domestic sales		31,211	62.2%	32,600	61.9%	1,389	4.5%
Overseas sales		18,970	37.8%	20,100	38.1%	1,130	6.0%
By region	North/Central America	10,382	20.7%	12,400	23.5%	2,018	19.4%
	Asia	5,938	11.8%	5,300	10.1%	△638	△10.7%
	Others	2,648	5.3%	2,400	4.5%	△248	△9.4%



Details of the Operating Income Forecast (Consolidated)

Increase in operating income

- With the implement of the medium-term management plan, operating income is aimed to increase by 698 million yen.

(million yen)

	FY2018/3	FY2019/3 (forecast)	Change (YoY)
Operating income	3,902	4,600	698
Operating income margin	7.8%	8.7%	0.9 _{percentage point}

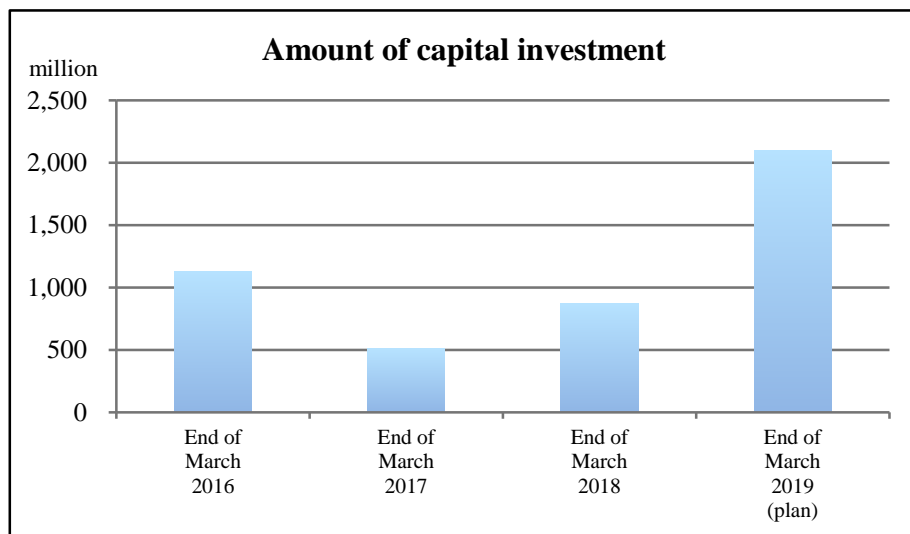
	FY2018/3	FY2019/3 (forecast)	Change (YoY)
Gross profit margin	24.1%	24.5%	0.4 _{percentage point}
Ratio of SG&A to sales	16.3%	15.7%	△0.6 _{percentage point}
Ratio of operating income to sales	7.8%	8.7%	0.9 _{percentage point}

- The gross profit margin is aimed to be improved by enhancement of the sales in the profitable product and the cost reduction activities.
- The ratio of SG&A to sales are expected to be improved by the decrease in the fixed cost rate which is caused from the increase in the sales.

Changes in the Amount of Capital Investment (Consolidated)

(million yen)

	End of March 2016	End of March 2017	End of March 2018	End of March 2019 (plan)
Cost of equipment	1,125	511	870	2,100
Main uses	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 430 Nishihatsu 80 Vietnam Plant 100 Singapore 280 	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 100 Nishihatsu 50 U.S. Plant 250 Vietnam Plant 20 	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 310 Nishihatsu 50 U.S. Plant 450 Vietnam Plant 20 Others 40 	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 830 Nishihatsu 70 U.S. Plant 930 Vietnam Plant 20 Others 250



Denyo Manufacturing Corporation (U.S.A.)

Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of February 14, 2019. Actual results may differ materially from projected values due to future economic changes and competition.

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