

# Briefing on Results for the Fiscal Year ending March 31, 2019



Photo: Denyo Europe B.V.

May 22, 2019

***Denyo Co., Ltd.***

## **I. Overview of Results for FY2019/3**

**Toshiya Tozawa,** Director and Managing Executive Officer,  
Chief Executive Administration Division

## **II. Outlook for FY2020/3**

**Shoichi Shiratori,** President

# **Overview of Results for FY2019/3**

# Highlights of Results for FY2019/3 (Consolidated)

## Key Point

Net sales reached a record high, operating income, ordinary income and profit attributable to owners of parent are more than the previous fiscal year.

(million yen)

	FY2018/3		FY2019/3		Change (YoY)	Rate of change (YoY)
Net sales	50,182	100%	55,554	100%	5,372	10.7%
Operating income	3,902	7.8%	4,201	7.6%	299	7.7%
Ordinary income	4,187	8.3%	4,592	8.3%	405	9.7%
Profit attributable to owners of parent	2,762	5.5%	3,166	5.7%	404	14.7%
Capital investment	870		1,499		629	72.3%
Depreciation	1,198		1,132		△66	△5.5%
Net income per share	130.0 <sup>yen</sup>		149.8 <sup>yen</sup>		19.8 <sup>yen</sup>	15.2%
ROE	5.3%		5.9%			
Cash dividends per share	40.0 <sup>yen</sup>		42.0 <sup>yen</sup>			

# Sales Trends by Product (Consolidated)

## Overview

1. Sales of generators increased by 5,007 million yen (13.0%).
2. Sales of welders increased by 195 million yen (4.0%).
3. Sales of compressors decreased by 23 million yen (2.2%).

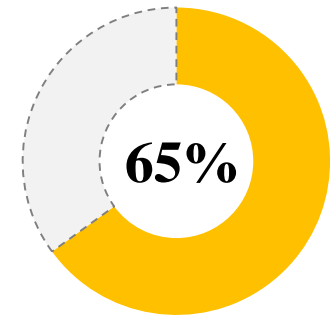
(million yen)

		FY2018/3		FY2019/3		Change (YoY)	Rate of change (YoY)
Net sales		50,182	100%	55,554	100%	5,372	10.7%
By product	Generators	38,653	77.0%	43,660	78.6%	5,007	13.0%
	Welders	4,919	9.8%	5,115	9.2%	195	4.0%
	Compressors	1,083	2.2%	1,059	1.9%	△ 23	△ 2.2%
	Others	5,525	11.0%	5,719	10.3%	193	3.5%

# Engine Generators (Consolidated)

	FY2018/3	FY2019/3	Rate of change (YoY)
Generators	38,653 <sup>million yen</sup>	43,660 <sup>million yen</sup>	13.0%

- In Japan, shipment to the rental industry increased, and shipment of the stand-by generating sets remain robust.
- Overseas, shipment to America remain strong, and shipment to Asia and the Middle and near East decreased.



Domestic market share of engine generators (mobile-type) \*According to a Company survey (5-year average)



Vertical type minimum space Stand-by generating sets



NEW Simul Generator

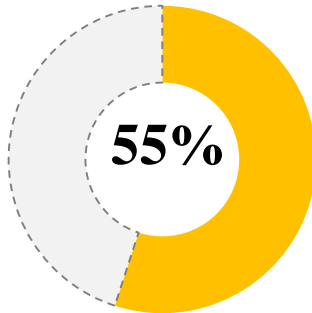
## Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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 for disaster prevention equipment and offices, etc.
- Power-supply vehicles, etc.

# Engine Welders (Consolidated)

	FY2018/3	FY2019/3	Rate of change (YoY)
Welders	4,919 <sup>million yen</sup>	5,115 <sup>million yen</sup>	4.0%

- In Japan, shipment of the small-type welders and TIG welders increased.
- Overseas, shipment to America increased but shipment to Europe decreased.



Domestic market share of engine welders

\*According to a Company survey (5-year average)



Engine welder

**The Company developed the first engine-driven welder for outdoor work in Japan.**

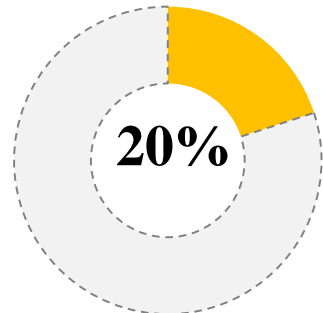
**Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO2 welder, etc.**

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

# Engine Compressors (Consolidated)

	FY2018/3	FY2019/3	Rate of change (YoY)
Compressors	1,083 <sup>million yen</sup>	1,059 <sup>million yen</sup>	△ 2.2%

- The shipment to America increased, but the shipment to the domestic market decreased.



Domestic market share of engine compressors

\*According to a Company survey (5-year average)



Engine compressor



Motor compressor

**Manufacturing compressors with air discharge amounts from 1.7 m<sup>3</sup>/min to 45.3 m<sup>3</sup>/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.



# Others (Consolidated)

	FY2018/3	FY2019/3	Rate of change (YoY)
Others	5,525 <sup>million yen</sup>	5,719 <sup>million yen</sup>	3.5%

- Sales of self-propelled lifters and parts ,etc. increased.

## Sales of other products

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



Self-propelled lifters

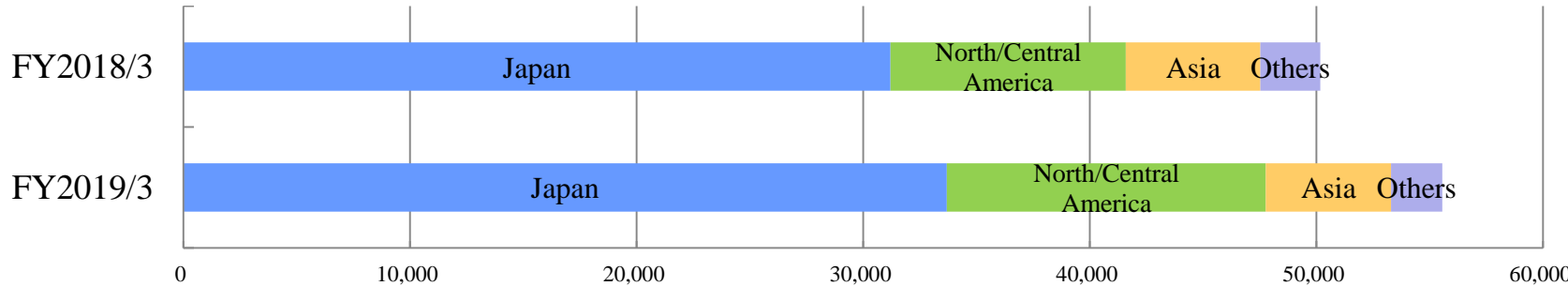


Load testing equipment

# Sales Trends by Region (Consolidated)

(million yen)

		FY2018/3		FY2019/3		Change (YoY)	Rate of change (YoY)
Net sales		50,182	100%	55,554	100%	5,372	10.7%
Domestic sales		31,211	62.2%	33,693	60.6%	2,481	8.0%
Overseas sales		18,970	37.8%	21,860	39.3%	2,890	15.2%
By region	North/Central America	10,382	20.7%	14,080	25.3%	3,697	35.6%
	Asia	5,938	11.8%	5,527	9.9%	△ 410	△ 6.9%
	Others	2,648	5.3%	2,252	4.1%	△ 395	△ 14.9%



# Factor Analysis of Changes in Operating Income

## Increase in Operating Income

Although the operating income margin declined slightly, the operating income increased because of an increase of the net sales.

(million yen)

	FY2018/3	FY2019/3	Change (YoY)
Operating income	3,902	4,201	299
Operating income margin (%)	7.8%	7.6%	△0.2percentage points

	FY2018/3	FY2019/3	Change (YoY)
Gross profit margin	24.1%	*22.3%	*△1.7percentage points
Ratio of SG&A to sales	16.3%	*14.8%	*△1.5percentage points
Ratio of operating income to sales	7.8%	7.6%	△0.2percentage points

\* As a result of reviewing the scope of the cost accounting in some overseas subsidiaries, the classification of some expenses has been reorganized from SG & A expenses to the cost of sales since the fiscal year ending March 31,2019.

- **Gross profit margin is worsen by the impact of reviewing the scope of cost accounting in some overseas subsidiaries (△0.6%) ,and also affected by an increase in the raw materials, etc.**
- **Ratio of SG&A to sales is improved by the impact of reviewing the scope of cost accounting in some overseas subsidiaries (△0.6%) ,and also deceased because of the rate of the fixed cost decline which is caused by an increase of the net sales.**

# Consolidated Balance Sheets

## Overview

1. Current assets increased by 3,511 million yen mainly due to an increase in trade receivables, etc.
2. Current liabilities increased by 2,304 million yen mainly due to an increase in trade payables, etc.

(million yen)

	At the end of FY2018/3	At the end of FY2019/3	Change from the end of FY2018/3
Current assets	* 46,337	49,849	3,511
Non-current assets	* 25,872	24,236	△ 1,636
Total assets	* 72,210	74,085	1,875
Current liabilities	12,319	14,624	2,304
Long-term liabilities	* 3,757	3,170	△ 586
Total liabilities	* 16,077	17,794	1,717
Total net assets	56,132	56,290	157
Total liabilities and net assets	* 72,210	74,085	1,875

\*From the first quarter of this fiscal year, [partial revision of [accounting standards of tax effect accounting] ] is applied , these accounting standards apply to the previous year's figure retrospectively, thus the figure of the previous year is adjusted.

# Changes in Consolidated Cash Flows

## Overview

1. Cash flow from operating activities was 4,085 million yen, mainly due to the recording of the income before income taxes, etc.
2. Balance of cash and cash equivalents increased by 2,458 million yen from the end of the previous fiscal year.

(million yen)

	FY2018/3	FY2019/3
I Cash flow from operating activities	3,315	4,085
II Cash flow from investing activities	△ 1,121	△ 164
<b>I + II Free cash flow</b>	<b>2,194</b>	<b>3,921</b>
III Cash flow from financing activities	△ 738	△ 1,315
IV Foreign currency translation adjustments on cash and cash equivalents	37	△ 146
V Net increase or decrease in cash and cash equivalents	1,493	2,458
VI Cash and cash equivalents, end of period	13,712	16,170

# **Outlook for FY2020/3**

# Outlook for FY2020/3: Consolidated Income and Loss

## Key points

1. Net sales are expected to be 56.5 billion yen.
2. Assumed exchange rate is 110 yen/dollar.

(million yen)

	FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	55,554	100%	56,500	100%	946	1.7%
Operating income	4,201	7.6%	4,600	8.1%	399	9.5%
Ordinary income	4,592	8.3%	4,900	8.7%	308	6.7%
Profit attributable to owners of parent	3,166	5.7%	3,200	5.7%	34	1.0%
Capital investment	1,499		1,900		401	26.8%
Depreciation	1,132		1,300		168	14.8%
Net income per share	149.8yen		152.7yen		2.9 yen	
ROE	5.9%		*5.9%			
Cash dividends per share	42.0yen		44.0yen			

\* Equity is calculated by using the amount of money at the end of FY2019/3.

# Outlook for Sales by Product (Consolidated)

## Overview

1. Sales of generators are expected to increase by 540 million yen (1.2 %).
2. Sales of welders are anticipated to increase by 185million yen (3.6%).
3. Sales of compressors are forecasted to be up by 141 million yen (13.3%).

(million yen)

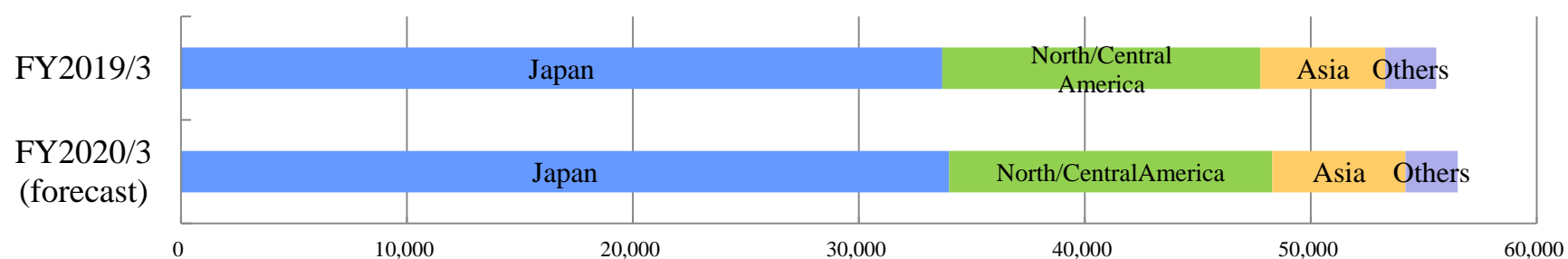
		FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,554	100%	56,500	100%	946	1.7%
By product	Generators	43,660	78.6%	44,200	78.2%	540	1.2%
	Welders	5,115	9.2%	5,300	9.4%	185	3.6%
	Compressors	1,059	1.9%	1,200	2.1%	141	13.3%
	Others	5,719	10.3%	5,800	10.3%	81	1.4%



# Outlook for Sales by Region (Consolidated)

(million yen)

		FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,554	100%	56,500	100%	946	1.7%
Domestic sales		33,693	60.6%	34,000	60.2%	307	0.9%
Overseas sales		21,860	39.3%	22,500	39.8%	640	2.9%
By region	North/ Central America	14,080	25.3%	14,300	25.3%	220	1.6%
	Asia	5,527	9.9%	5,900	10.4%	373	6.7%
	Others	2,252	4.1%	2,300	4.1%	48	2.1%



# Details of the Operating Income Forecast

## Increase in operating income

With the implement of the medium-term management plan, operating income is aimed to increase by 399 million yen.

(million yen)

	FY2019/3	FY2020/3 (forecast)	Change (YoY)
Operating income	4,201	4,600	399
Operating income margin	7.6%	8.1%	0.5 percentage point

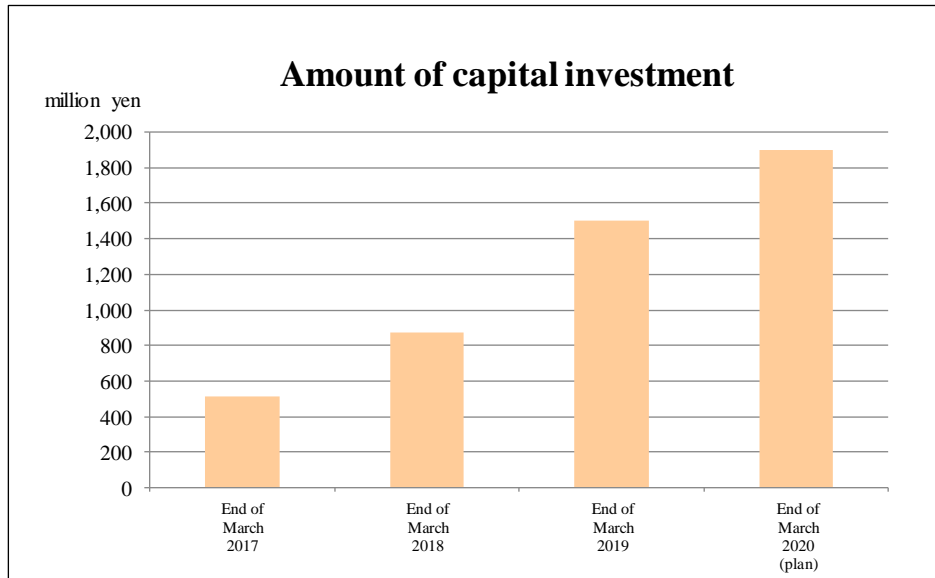
	FY2019/3	FY2020/3 (forecast)	Change (YoY)
Gross profit margin	22.3%	22.8%	0.5 percentage point
Ratio of SG&A to sales	14.8%	14.7%	△0.1 percentage point
Ratio of operating income to sales	7.6%	8.1%	0.5 percentage point

- 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 unchanged from the previous year.

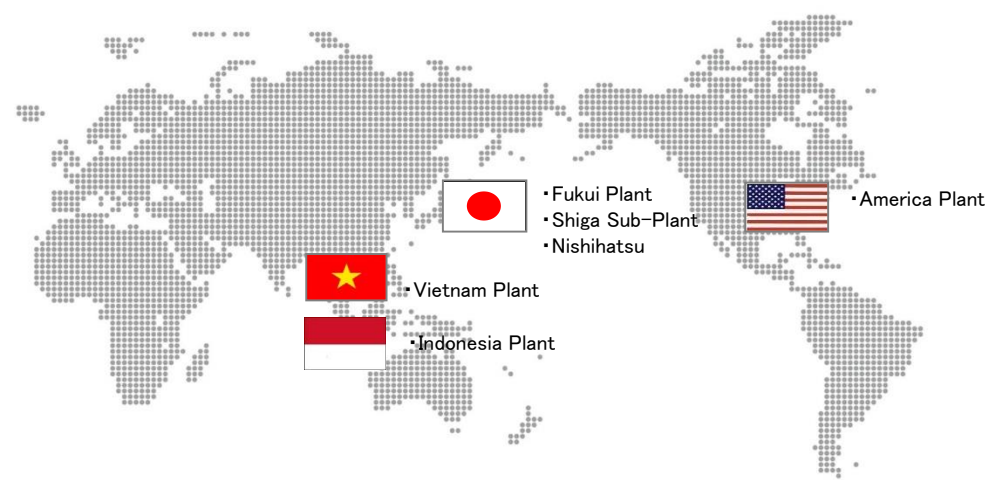
# Changes in the Amount of Capital Investment

(million yen)

	End of March 2017	End of March 2018	End of March 2019	End of March 2020 (plan)
<b>Cost of equipment</b>	<b>511</b>	<b>870</b>	<b>1,499</b>	<b>1,900</b>
<b>Main uses</b>	<ul style="list-style-type: none"> <li>•Machinery of Fukui plant, etc. 100</li> <li>•Nishihatsu 50</li> <li>•U.S. Plant 250</li> <li>•Vietnam Plant 20</li> </ul>	<ul style="list-style-type: none"> <li>•Machinery of Fukui plant, etc. 310</li> <li>•Nishihatsu 50</li> <li>•U.S. Plant 450</li> <li>•Vietnam Plant 20</li> <li>•Others 40</li> </ul>	<ul style="list-style-type: none"> <li>•Machinery of Fukui plant, etc. 730</li> <li>•Nishihatsu 50</li> <li>•U.S. Plant 670</li> <li>•Others 40</li> </ul>	<ul style="list-style-type: none"> <li>•Machinery of Fukui plant, etc. 1,500</li> <li>•Nishihatsu 40</li> <li>•U.S. Plant 260</li> <li>•Vietnam Plant 40</li> <li>•Others 60</li> </ul>



### Production Sites:

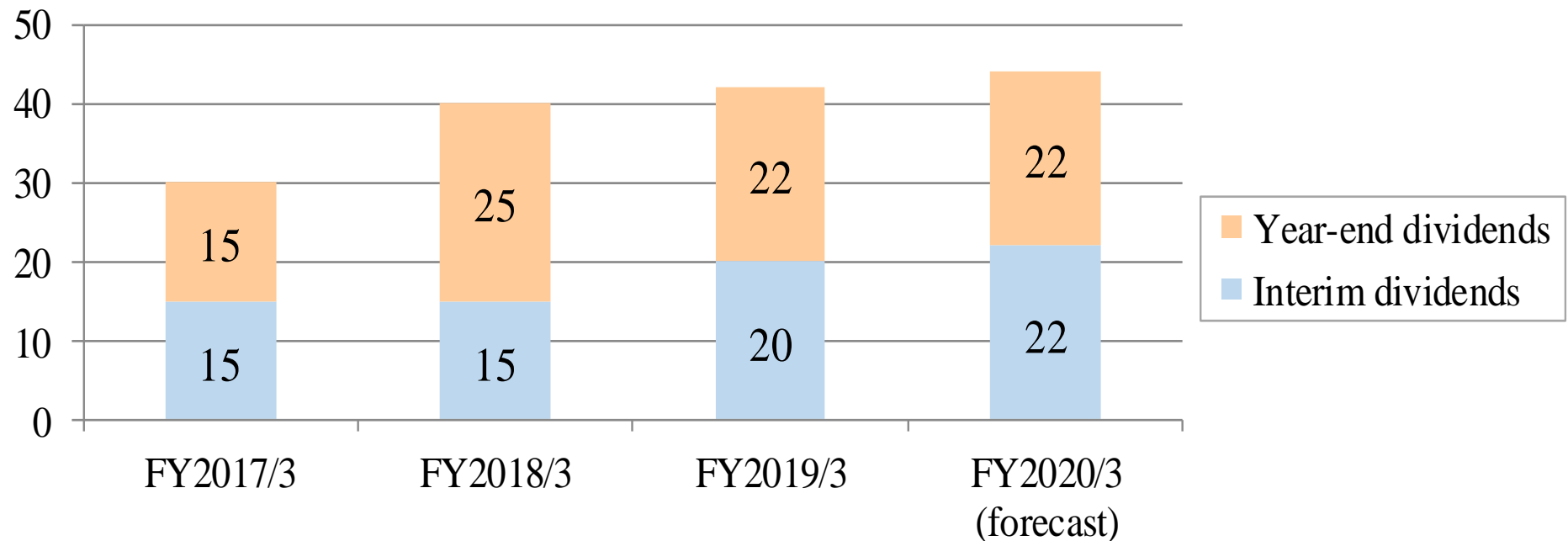


# Profit Distribution Policy

**Profit distribution:** Denyo recognizes the importance of making further efforts to return profits to shareholders, while aiming to strengthen the company's financial structure and profitability, and we will implement an interim and term-end dividend payouts of distribution of results comprehensively calculated by achievement and payout ratio.

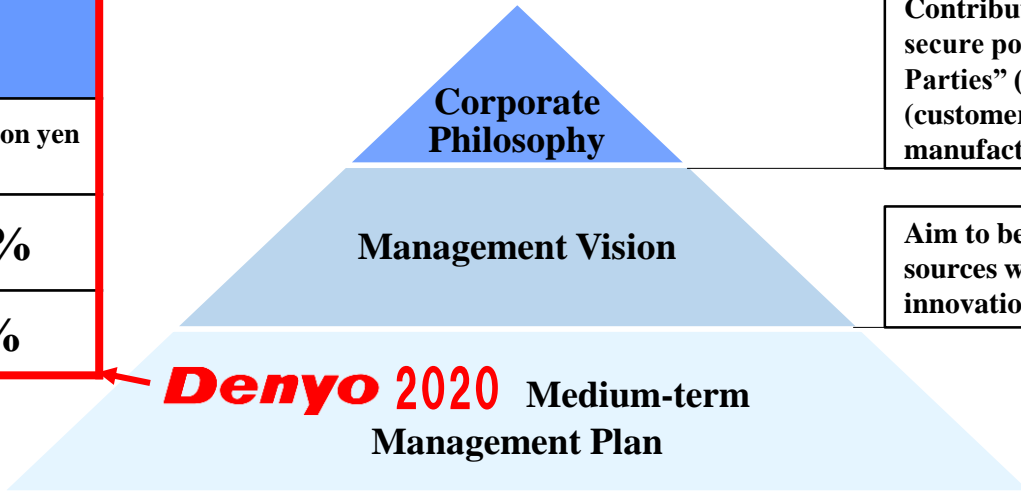
## Changes in cash dividends:

**40 yen in FY2018/3 ⇒ 42 yen in FY2019/3 ⇒ 44 yen (forecast) in FY2020/3**



# Overview of the Medium-term Management Plan

FY2021/3 Business Objectives	
Consolidated Net sales	58.0 billion yen
Ordinary income margin	11.0%
ROE	7.0%



Contribute to enriching society by providing safe, secure power sources based on “Benefits for Three Parties” (which expresses our aim to see the user (customer), the seller (dealership), and the manufacturer (Denyo) prosper together).

Aim to be the global No1 brand of high-quality power sources with creativity and constant technological innovations.

## Basic Policy

Establish a profit structure that is resistant to changes in the environment, by increasing the ratios of non construction-related products as well as products for overseas markets, while firmly maintaining our position as the leading provider of high-quality power sources in the construction-related sector.

## Strategies in the Domestic Market

- Construction-related sector**
  - ◆ Maintain market share by reliably promoting a review of the sales structure and development of new products based on customer needs.
- Non construction-related sector**
  - ◆ Aim to increase market share by reviewing the Group’s sales system through closer cooperation with Nishihatsu Co., Ltd. and enhancing sales activities based on comprehensive proposals.

## Strategies in Overseas Markets

- Overseas sector**
  - ◆ Be proactive in Asia, including the rental market which is expected to expand in the future. Step up activities for strengthening sales and service capabilities in regions including Asia and elsewhere (such as Europe and the Middle and Near East, etc.). Strengthen cooperation with local distributor in the America.
  - ◆ Confirm the specifications demanded in each target market and establish a system for producing and selling stationary generators in Asia and the Middle and Near East.
  - ◆ For welding machines, enhance the lineup of products that each target market demands and focus efforts on developing highly maintainable products.

## Reinforcing the Operating Foundations

- Development**
  - ◆ Identify market needs accurately and develop competitive products promptly. Step up measures for stationary generators in Japan and other countries.
- Production**
  - ◆ Further promote production in optimal locations to supply high-quality products, reduce cost, and ensure quicker delivery.
- Human Resource Development**
  - ◆ Further enhance the training system with a special emphasis on developing globally competitive human resources.

# Notes on Our Outlook

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This material contains assumptions and outlooks for the future and forecasts based on plans as May 9, 2019.

Actual results may differ materially from projected values due to future economic changes and competition.

This material is prepared for the purpose of providing information and is not meant to solicit investment in securities issued by the Company.

Investors are responsible for making their own final investment decision.

# **Reference Materials**

# Overview of the Company

The leading manufacturer of outdoor power sources such as engine generators and engine welders

- History: July 2,1948 Established as Japan Power Welding Machine Co., Ltd.
- 1959 Developed and launched Japan's first high-speed engine-driven welders.
- 1961 Began to manufacture and sell engine-driven generators.
- 1966 Developed soundproof engine-driven generators.  
Changed its corporate name to Denyo Co., Ltd.
- 1983 Listed on the Second Section of the Tokyo Stock Exchange.
- 2000 Listed on the First Section of the Tokyo Stock Exchange.

● Company size, etc. (FY2019/3 on a consolidated basis) (million yen)

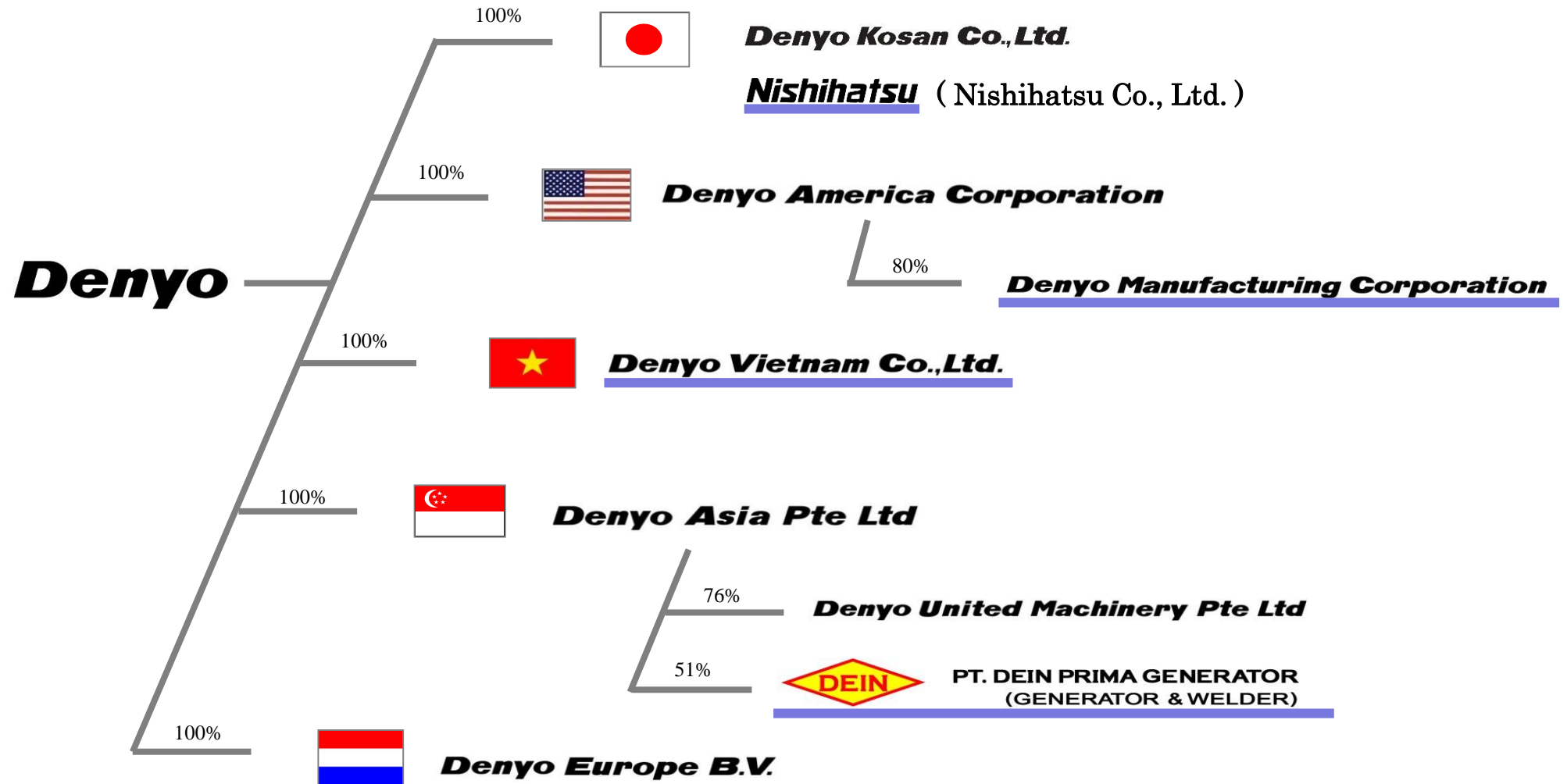
Net sales	55,554
Overseas sales	21,860
Ordinary income	4,592
Profit attributable to owners of parent	3,166
Total assets	74,085
Net assets	56,290
Market capitalization (as of March 31)	31,295
Number of employees	1,350persons



Head Office (Nihonbashi-Horidomecho, Tokyo)

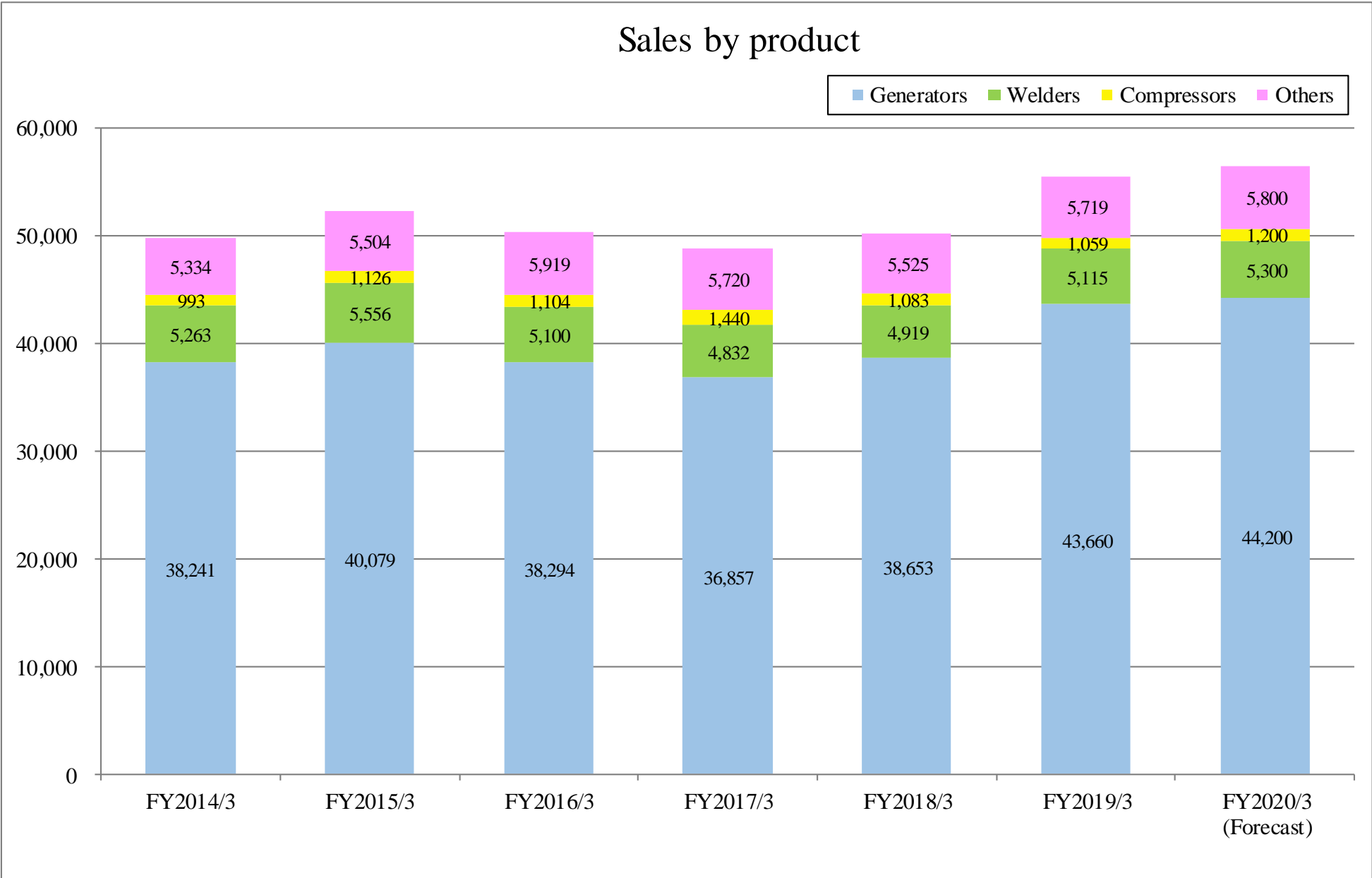


# The Group Companies

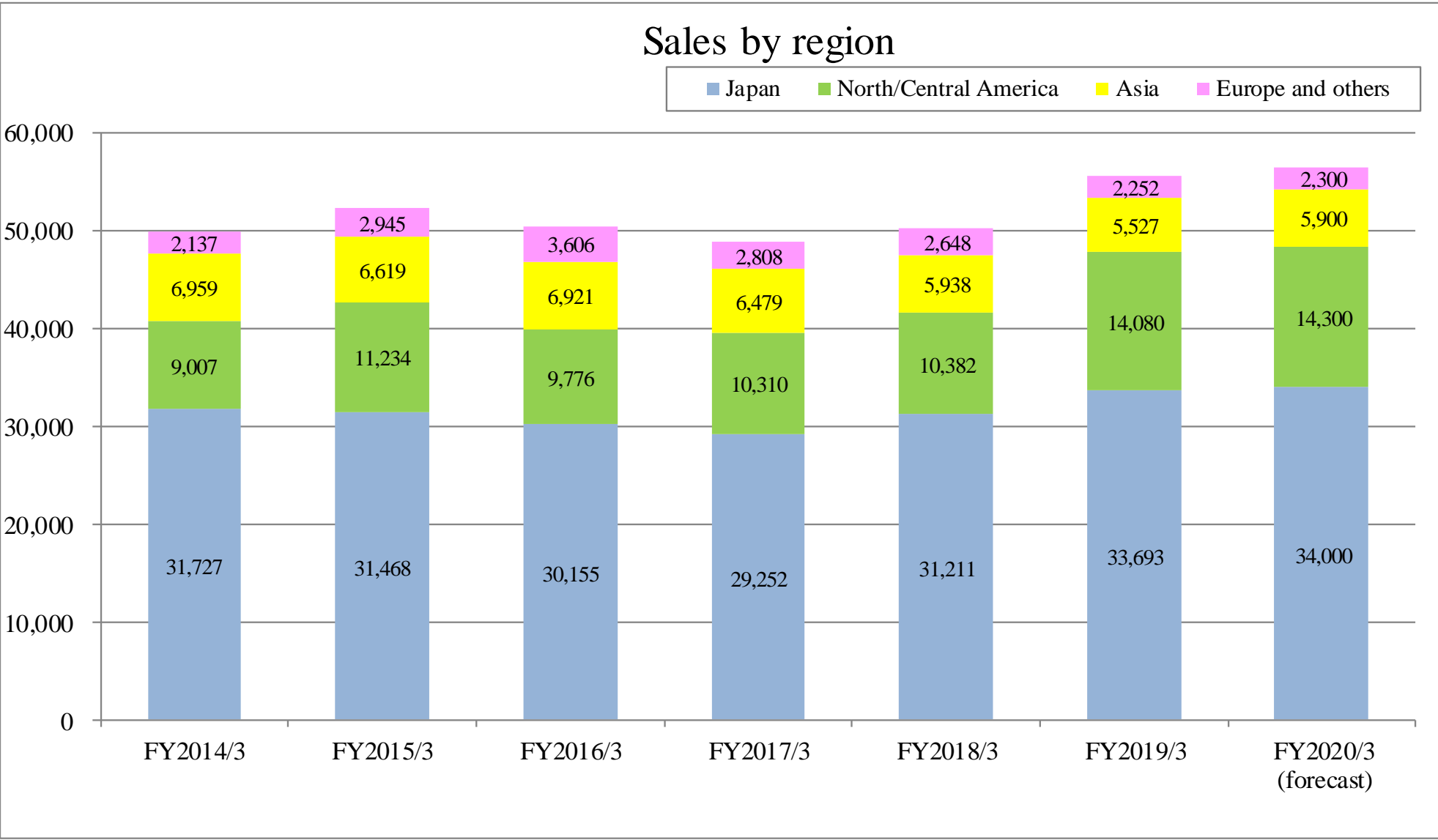


\*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).  
\*2. Underlined companies are manufacturers.

# Trends and Forecasts by Product Sales



# Changes in Sales by Region and Forecasts



# Changes in Results for the Last 30 Years

