

Briefing on Results for the Fiscal Year ending March 31, 2020



Photo: Denyo Europe B.V.

May 14, 2020

Denyo Co., Ltd.

I. Overview of Results for FY2020/3

II. Response to the COVID-19 Coronavirus and its Impact on Forecasts for the Consolidated Financial Results for FY2021/3.

III. Outlook for FY2021/3

Overview of Results for FY2020/3

Highlights of Results for FY2020/3 (Consolidated)

Key Point

Net sales and profits are greatly increased.

(million yen)

	FY2019/3		FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales	55,554	100%	62,887	100%	7,332	13.2%
Operating income	4,201	7.6%	6,057	9.6%	1,856	44.2%
Ordinary income	4,592	8.3%	6,202	9.9%	1,610	35.1%
Profit attributable to owners of parent	3,166	5.7%	4,071	6.5%	905	28.6%
Capital investment	1,499		1,201		△ 298	△ 19.9%
Depreciation	1,132		1,162		30	2.7%
Net income per share	149.8 ^{yen}		194.3 ^{yen}		44.5 ^{yen}	29.7%
ROE	5.9%		7.4%			
Cash dividends per share	42.0 ^{yen}		46.0 ^{yen}			

Sales Trends by Product (Consolidated)

Overview

1. Sales of generators increased by 6,776 million yen (15.5%).
2. Sales of welders decreased by 42 million yen (0.8%).
3. Sales of compressors decreased by 47 million yen (4.5%).

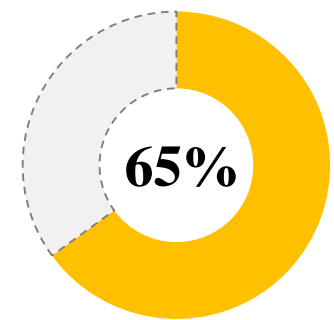
(million yen)

		FY2019/3		FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales		55,554	100%	62,887	100%	7,332	13.2%
By product	Generators	43,660	78.6%	50,436	80.2%	6,776	15.5%
	Welders	5,115	9.2%	5,072	8.1%	△ 42	△ 0.8%
	Compressors	1,059	1.9%	1,012	1.6%	△ 47	△ 4.5%
	Others	5,719	10.3%	6,365	10.1%	646	11.3%


Engine Generators (Consolidated)

	FY2019/3	FY2020/3	Rate of change (YoY)
Generators	43,660 ^{million yen}	50,436 ^{million yen}	15.5%


- In Japan, shipment to the rental industry slightly decreased, but shipment of the back-up power source are good shape.
- Overseas, shipment to America greatly increased.



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



Vertical type minimum space
Stand-by generating sets



Simul Generator

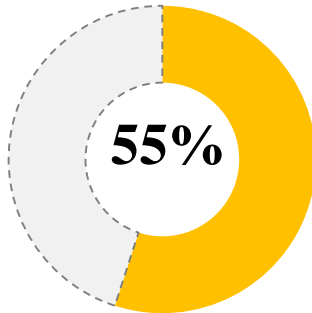
Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	FY2019/3	FY2020/3	Rate of change (YoY)
Welders	5,115 ^{million yen}	5,072 ^{million yen}	△ 0.8%

- In Japan, shipment of the CO₂ welders and TIG welders increased.
- Overseas, shipment to America decreased.



Domestic market share of engine welders

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



CO₂ welder

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

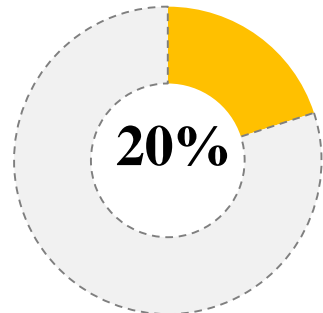
Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO₂ welder, etc.

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

Engine Compressors (Consolidated)

	FY2019/3	FY2020/3	Rate of change (YoY)
Compressors	1,059 ^{million yen}	1,012 ^{million yen}	△ 4.5%

- 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 m³/min to 45.3 m³/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)

	FY2019/3	FY2020/3	Rate of change (YoY)
Others	5,719 ^{million yen}	6,365 ^{million yen}	11.3%

- 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

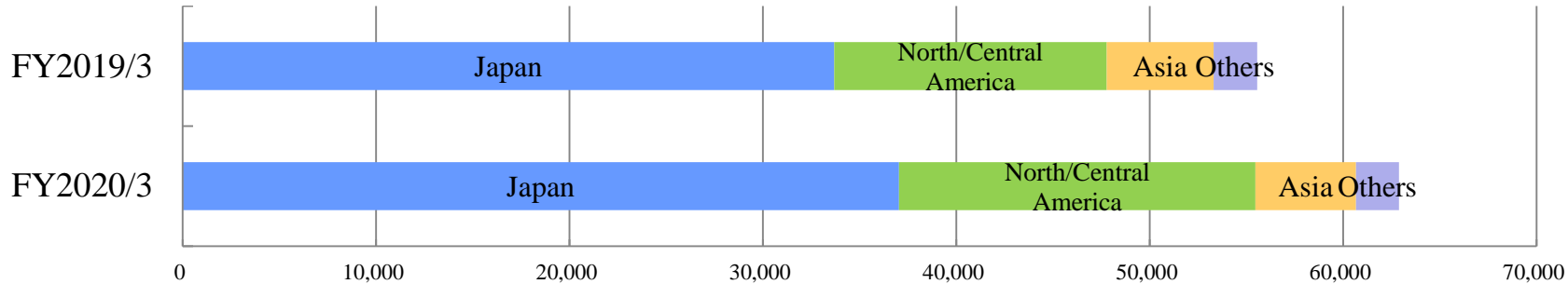


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		FY2019/3		FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales		55,554	100%	62,887	100%	7,332	13.2%
Domestic sales		33,693	60.6%	37,043	58.9%	3,349	9.9%
Overseas sales		21,860	39.3%	25,844	41.1%	3,984	18.2%
By region	North/Central America	14,080	25.3%	18,430	29.3%	4,349	30.9%
	Asia	5,527	9.9%	5,197	8.3%	△ 330	△ 6.0%
	Others	2,252	4.1%	2,216	3.5%	△ 36	△ 1.6%



Factor Analysis of Changes in Operating Income

Increase in Operating Income

The operating income increased because of an increase of the net sales and improvement of the operating income margin.

(million yen)

	FY2019/3	FY2020/3	Change (YoY)
Operating income	4,201	6,057	1,856
Operating income margin (%)	7.6%	9.6%	2.0percentage points

	FY2019/3	FY2020/3	Change (YoY)
Gross profit margin	22.3%	23.2%	0.9percentage points
Ratio of SG&A to sales	14.8%	13.6%	△ 1.2percentage points
Ratio of operating income to sales	7.6%	9.6%	2.0percentage points

- The gross profit margin is improved by an increase in the sales of high profitable products.
- The ratio of SG&A to sales is improved by a decrease of the rate of the fixed cost such as personnel expenses which is caused by an increase of the net sales.

Consolidated Balance Sheets

Overview

1. Current assets increased by 3,083 million yen mainly due to an increase in cash and deposits, etc.
2. Current liabilities decreased by 372 million yen mainly due to a decrease in trade payables, etc.

(million yen)

	At the end of FY2019/3	At the end of FY2020/3	Change from the end of FY2019/3
Current assets	49,849	52,932	3,083
Non-current assets	24,236	22,694	△ 1,542
Total assets	74,085	75,626	1,541
Current liabilities	14,624	14,252	△ 372
Long-term liabilities	3,170	3,019	△ 151
Total liabilities	17,794	17,272	△ 522
Total net assets	56,290	58,354	2,064
Total liabilities and net assets	74,085	75,626	1,541

Changes in Consolidated Cash Flows

Overview

1. Cash flow from operating activities was 7,257 million yen, mainly due to the recording of the income before income taxes, etc.
2. Balance of cash and cash equivalents increased by 4,883 million yen from the end of the previous fiscal year.

(million yen)

	FY2019/3	FY2020/3
I Cash flow from operating activities	4,085	7,257
II Cash flow from investing activities	△ 164	△ 874
I + II Free cash flow	3,921	6,398
III Cash flow from financing activities	△ 1,315	△ 1,528
IV Foreign currency translation adjustments on cash and cash equivalents	△ 146	13
V Net increase or decrease in cash and cash equivalents	2,458	4,883
VI Cash and cash equivalents, end of period	16,170	21,054

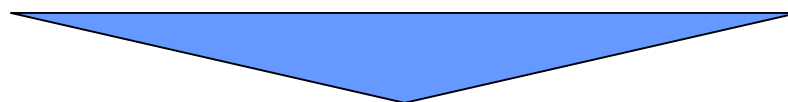
II. Response to the COVID-19 Coronavirus and its Impact on Forecasts for the Consolidated Financial Results for FY2021/3.

Response to the COVID-19 Coronavirus

Current measures

The Company is implementing measures, with the health and safety of every stakeholder as the top priority.

For customers	<ul style="list-style-type: none">• Customer visits are prohibited, basically.• Maintenance of production and delivery systems under restriction
For employees	<ul style="list-style-type: none">• Facilitation of telework, shift work and staggered working hours.• Measures to ensure mask wearing, handwashing, gargling and sanitization are practiced.• Provision of masks to every employee.• Domestic and overseas business trips are prohibited, basically.• Measures to ensure that meetings are held online wherever possible.• Offering special paid leave to employees during temporary school shutdowns if their children are junior high school students or younger, etc.
From financial perspectives	<ul style="list-style-type: none">• Holding approximately 21.0 billion yen cash on hand in the form of cash and equivalents on a consolidated basis (equivalent to consolidated net sales for approximately four months).• Concluding agreements with four partner financial institutions for commitment lines totaling 3.0 billion yen.



The Company, working together as one with its group companies, will maintain its product supply systems, and thereby provide power sources to support social infrastructure.

Response to the COVID-19 Coronavirus

Status of production sites

So far, there has been no major impact on product supply operations.

Japan (Fukui Plant, Shiga Sub-Plant, and Nishihatsu Co., Ltd. (in Karatsu))	<ul style="list-style-type: none">• All facilities are operating as usual.• Delays occurred in the delivery of certain parts. However, impact was limited because it was possible to replace these parts with parts in stock or alternative parts.
United States (Denyo Manufacturing Corporation)	<ul style="list-style-type: none">• Operations were temporary shut down from March 24 until April 3.• Currently, the facility is operating in a limited fashion by restricting the number of staff working in the facility.
Indonesia (P.T. Dein Prima Generator)	<ul style="list-style-type: none">• Operations were temporarily shut down on March 30 and March 31.• The facility is operating as usual now.
Vietnam (Denyo Vietnam Co., Ltd.)	<ul style="list-style-type: none">• The facility is operating as usual.

Response to the COVID-19 Coronavirus

Status of sales companies

Sales activities are restricted and delivery operations are affected at sales companies in Singapore and the Netherlands.

Japan	<ul style="list-style-type: none">• All facilities, while undertaking measures such as telework and shift work, are operating as usual.• Sales activities are affected due to a range of factors such as the postponement or cancelation of exhibitions in many places.
Singapore (Denyo United Machinery Pte. Ltd.)	<ul style="list-style-type: none">• The facility has been implementing a teleworking system since April 7.• Its office will reopen for business from June 2.• Delivery operations are affected in Singapore due to teleworking.
Vietnam (Denyo Trading Vietnam Co., Ltd.)	<ul style="list-style-type: none">• The facility implemented a teleworking system from March 24 until April 25.• The facility is a sales company established in February this year and began operations on April 1. Therefore, its operations have not been affected in any significant way.
Netherlands (Denyo Europe B.V.)	<ul style="list-style-type: none">• The facility has been implementing a teleworking system since March 12.• Its office will reopen for business from May 19.• Sales activities and delivery operations are affected due to the lockdowns enforced across Europe.

Impact on Forecasts for the Consolidated Financial Results for FY2021/3

In light of the current situation, where there is uncertainty over when the COVID-19 coronavirus will be under control and the government's declared state of emergency is in place, the Company has difficulty making reasonable calculations on the impact of COVID-19 on financial results. The Company therefore announced forecasts for the consolidated financial results for the fiscal year ending March 31, 2021 on May 14, without factoring in the impact of the coronavirus (which applies to "III. Outlook for FY2021/3").

It may make downward revision to earnings forecasts depending on how the situation develops, going forward.

Here are the main risk factors that the Company assumes may contribute to downward revisions to earnings results forecasts at this time.

Main risk factors that the Company assumes may contribute to downward revisions to earnings results forecasts at this time

- Decrease in demand for generators due to the cancelation of events and other activities expected to take place in a range of areas.
- Postponement of deliveries due to the cancellation or rescheduling of the installation of emergency generators.
- Decline in product demand as a result of the cancellation or postponement of overseas projects.
- Measures taken by construction equipment rental companies to reduce investments due to economic uncertainty
- Delay in the delivery of parts from suppliers and subcontractors (particularly, delays in the delivery of engines, which are key parts the Company procures externally, may have a significant impact)
- Slowdown or delay in sales operations, production and/or development as a result of the Group's employees and/or their family members becoming infected with the coronavirus.

Outlook for FY2021/3

Outlook for FY2021/3: Consolidated Income and Loss

Key points

1. The impact of the spread of infection from COVID-19 was not included in that forecast, depending on the situation, it may affect the forecast of business results.
2. Assumed exchange rate is 105 yen/dollar.

(million yen)

	FY2020/3		FY2021/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	62,887	100%	58,000	100%	△ 4,887	△ 7.8%
Operating income	6,057	9.6%	4,900	8.4%	△ 1,157	△ 19.1%
Ordinary income	6,202	9.9%	5,200	9.0%	△ 1,002	△ 16.2%
Profit attributable to owners of parent	4,071	6.5%	3,500	6.0%	△ 571	△ 14.0%
Capital investment	1,201		2,000		799	66.5%
Depreciation	1,162		1,250		88	7.6%
Net income per share	194.3yen		167.9yen		△ 26.4yen	
ROE	7.4%		* 6.2%			
Cash dividends per share	46.0yen		46.0yen			

* Equity is calculated by using the amount of money at the end of FY2020/3.

Outlook for Sales by Product (Consolidated)

Overview

The net sales are expected to be worsen because of reactionary fall in sales of Engine Generators for the American market which the sales greatly increased in a prior period and decrease of sales of Engine Generators for construction sites in Japan.

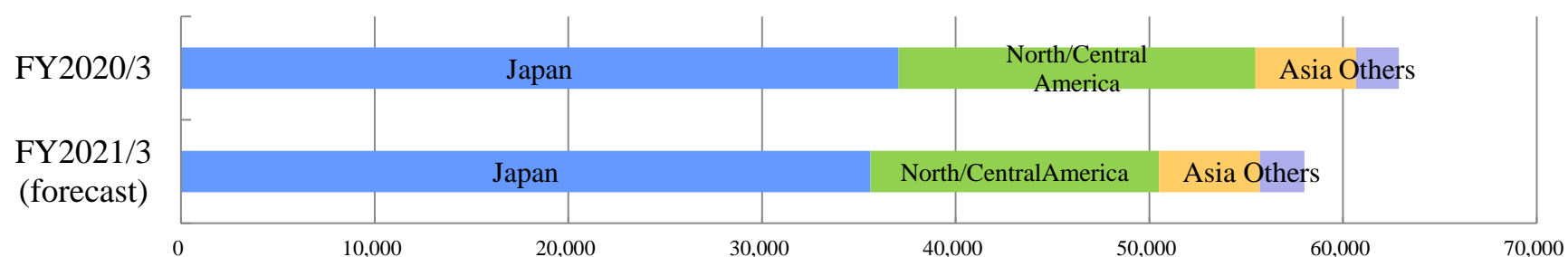
(million yen)

		FY2020/3		FY2021/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		62,887	100%	58,000	100%	△4,887	△ 7.8%
By product	Generators	50,436	80.2%	45,800	79.0%	△4,636	△ 9.2%
	Welders	5,072	8.1%	5,200	9.0%	128	2.5%
	Compressors	1,012	1.6%	1,100	1.9%	88	8.7%
	Others	6,365	10.1%	5,900	10.2%	△ 465	△ 7.3%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2020/3		FY2021/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		62,887	100%	58,000	100%	△ 4,887	△ 7.8%
Domestic sales		37,043	58.9%	35,600	61.4%	△ 1,443	△ 3.9%
Overseas sales		25,844	41.1%	22,400	38.6%	△ 3,444	△ 13.3%
By region	North/ Central America	18,430	29.3%	14,900	25.7%	△ 3,530	△ 19.2%
	Asia	5,197	8.3%	5,200	9.0%	3	0.1%
	Others	2,216	3.5%	2,300	4.0%	84	3.8%



Details of the Operating Income Forecast

Decrease in operating income

With the decrease of the net sales, operating income is expected to decrease by 1,157 million yen.

(million yen)

	FY2020/3	FY2021/3 (forecast)	Change (YoY)
Operating income	6,057	4,900	Δ 1,157
Operating income margin	9.6%	8.4%	Δ 1.2percentage point

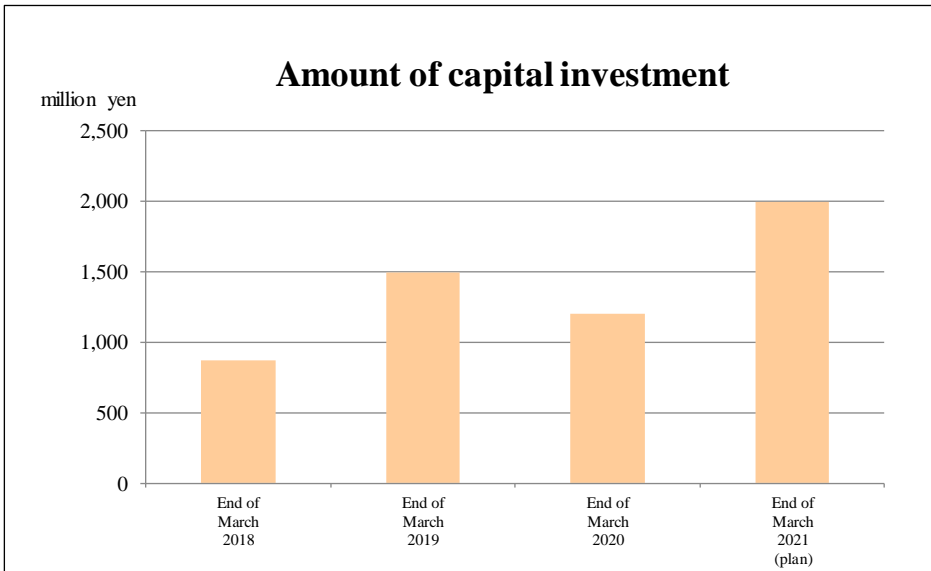
	FY2020/3	FY2021/3 (forecast)	Change (YoY)
Gross profit margin	23.2%	23.1%	Δ 0.1percentage point
Ratio of SG&A to sales	13.6%	14.7%	1.1percentage point
Ratio of operating income to sales	9.6%	8.4%	Δ 1.2percentage point

- The gross profit margin is expected to be slightly decreased by the demand for the relatively profitable products are expected to be remain robust, although the net sales decrease.
- The ratio of SG&A to sales are expected to be worsen by an increase of the rate of fixed cost which is caused by an decrease of the net sales.

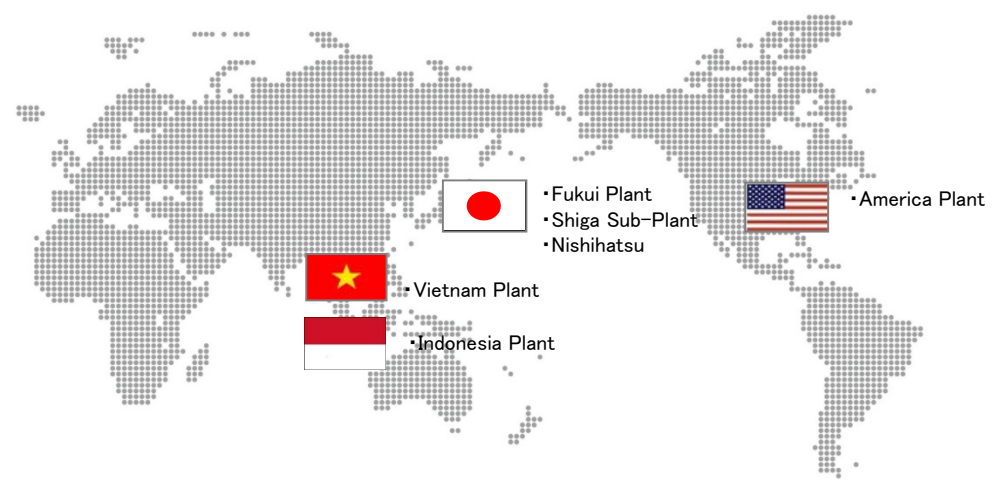
Changes in the Amount of Capital Investment

(million yen)

	End of March 2018	End of March 2019	End of March 2020	End of March 2021 (plan)
Cost of equipment	870	1,499	1,201	2,000
Main uses	<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. 730 ▪Nishihatsu 50 ▪U.S. Plant 670 ▪Others 40 	<ul style="list-style-type: none"> ▪Machinery of Fukui plant, etc. 810 ▪Nishihatsu 20 ▪U.S. Plant 290 ▪Vietnam Plant 10 ▪Others 70 	<ul style="list-style-type: none"> ▪Machinery of Fukui plant, etc. 1600 ▪Nishihatsu 50 ▪U.S. Plant 150 ▪Vietnam Plant 80 ▪Others 120



Production Sites:

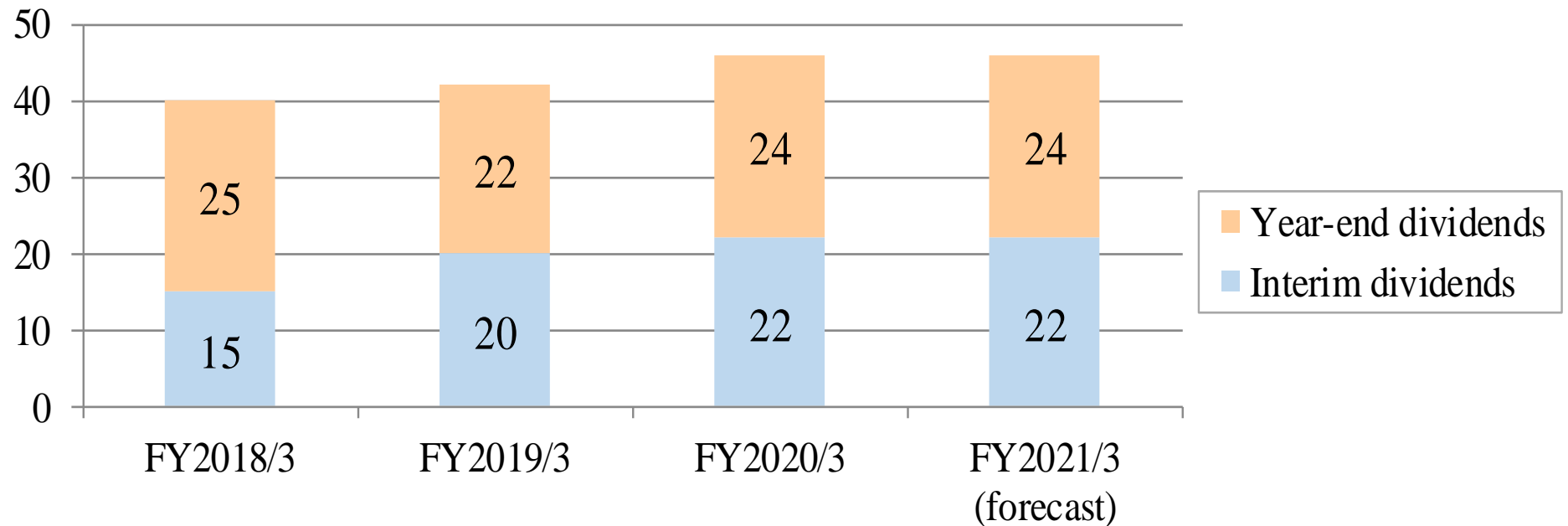


Profit Distribution Policy

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.

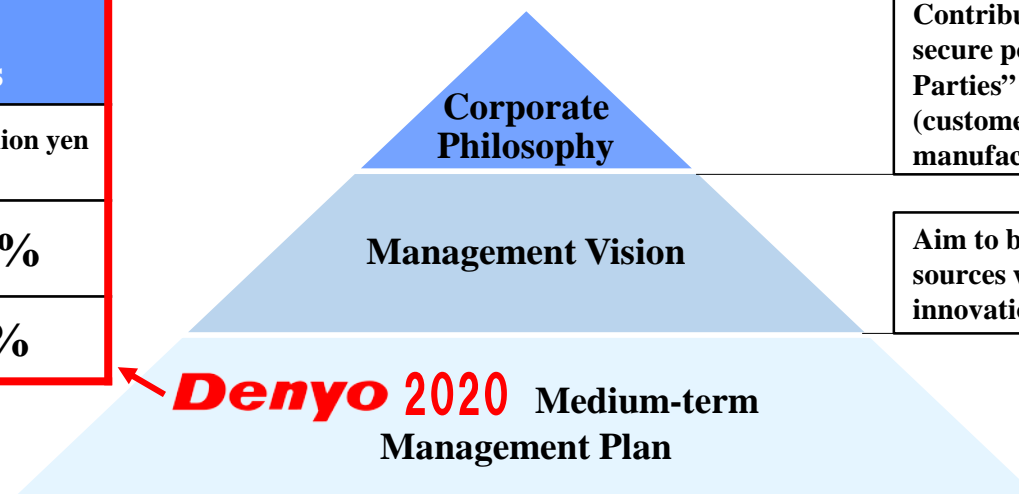
Changes in cash dividends:

42 yen in FY2019/3 ⇒ 46 yen in FY2020/3 ⇒ 46 yen (forecast) in FY2021/3



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

This material contains assumptions and outlooks for the future and forecasts based on plans as May 14, 2020.

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.

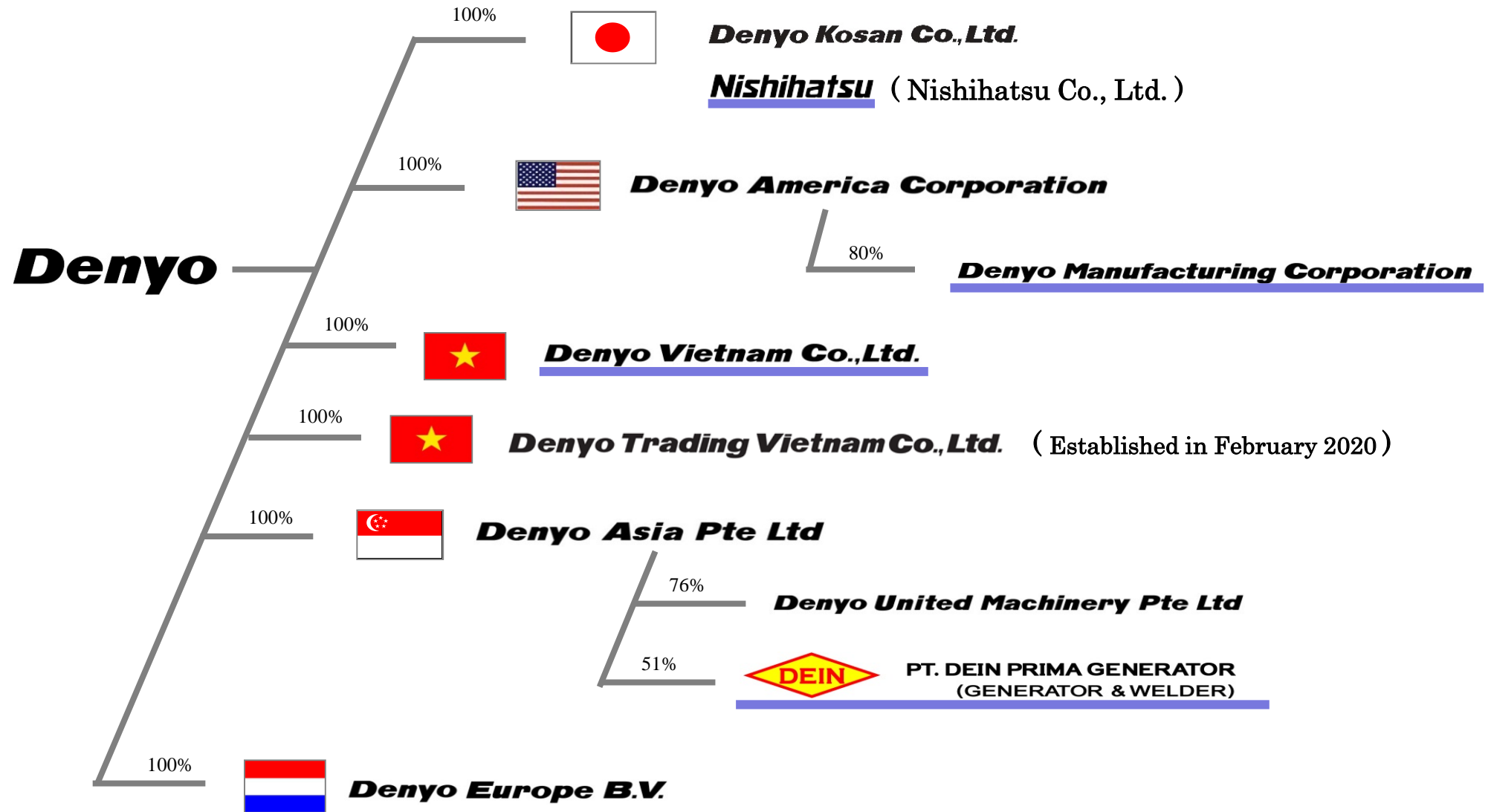
● Company size, etc. (FY2020/3 on a consolidated basis) (million yen)

Net sales	62,887
Overseas sales	25,844
Ordinary income	6,202
Profit attributable to owners of parent	4,071
Total assets	75,626
Net assets	58,354
Market capitalization (as of March 31)	44,005
Number of employees	1,370persons



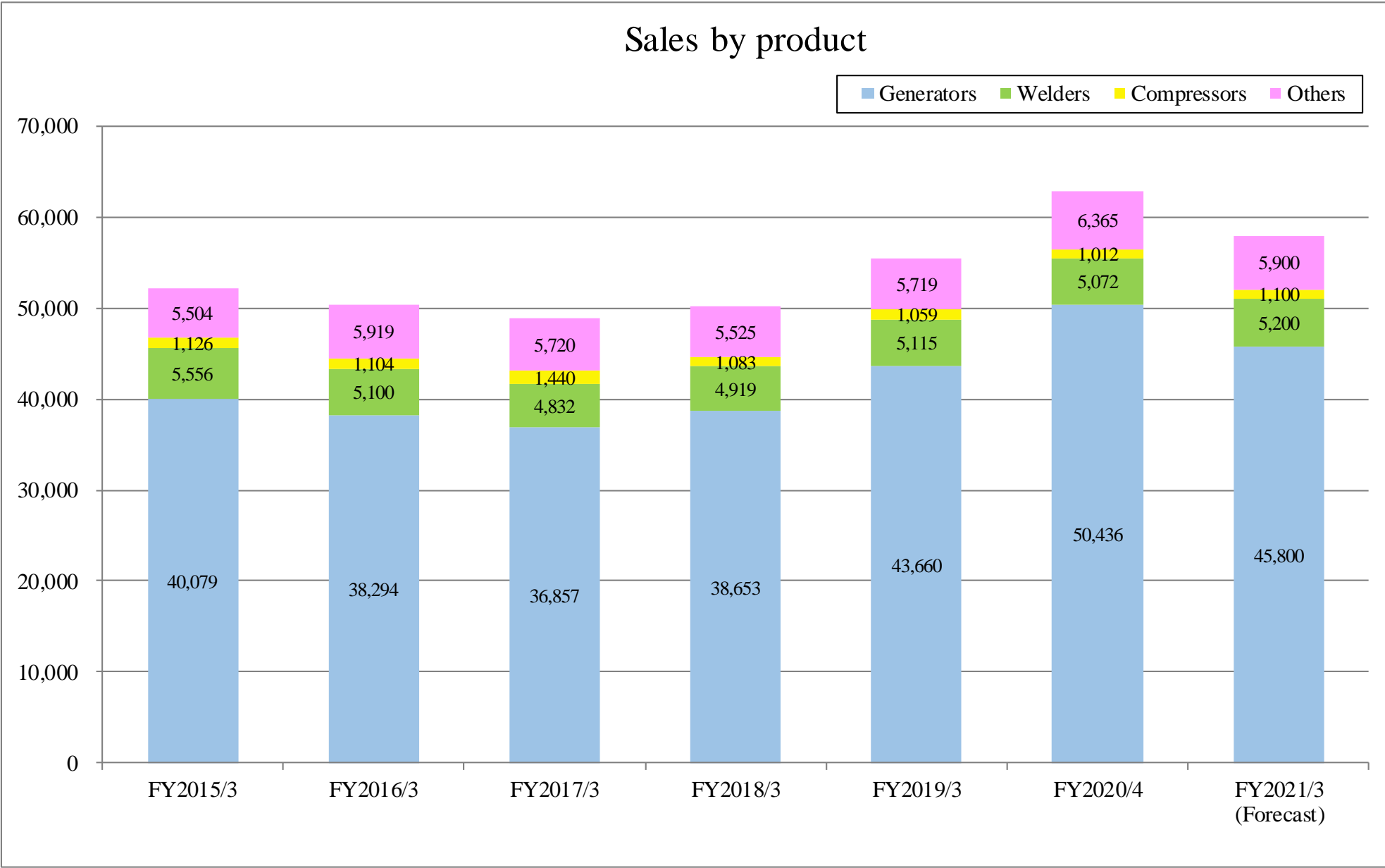
Head Office (Nihonbashi-Horidomecho, Tokyo)

The Group Companies

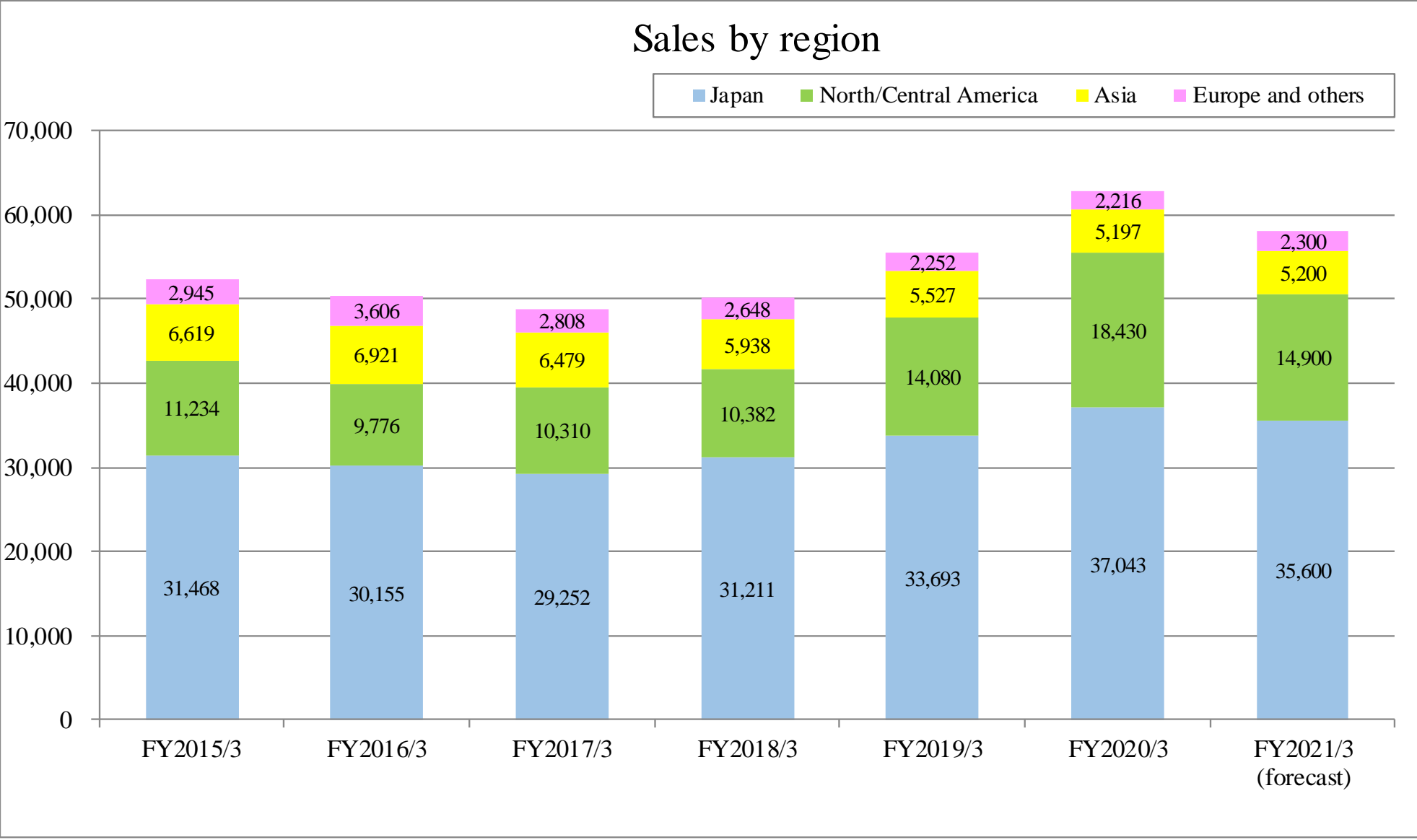


*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).
 *2. Underlined companies are manufacturers.

Trends and Forecasts by Product Sales



Changes in Sales by Region and Forecasts



Changes in Results for the Last 30 Years

