

# Briefing on Results for the First Half of the Fiscal Year ending March 31, 2021



Photo: Fukui Plant (Japan)

November 12, 2020

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

# **Overview of Results for the First Half of FY2021/3**

# Highlights of Results for the First Half of FY2021/3 (Consolidated)

## Key Point

Both Net sales and incomes decreased year on year.

(million yen)

	First half of FY2020/3		First half of FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales	30,176	100%	25,346	100%	△ 4,829	△ 16.0%
Operating income	2,649	8.8%	2,014	7.9%	△ 635	△ 24.0%
Ordinary income	2,646	8.8%	2,167	8.5%	△ 479	△ 18.1%
Profit attributable to owners of parent	1,828	6.1%	1,442	5.7%	△ 386	△ 21.1%
Capital investment	741		906		165	22.3%
Depreciation	579		528		△ 51	△ 8.8%
Net income per share	87.22 yen		69.17 yen		△ 18.05yen	△ 20.7%
ROE	6.8%	Annualized	5.0%	Annualized		
Interim dividends per share	22.0 yen		22.0 yen			

# Sales Trends by Product (Consolidated)

## Overview

1. Sales of generators decreased by 4,094 million yen (16.9%).
2. Sales of welders decreased by 227 million yen (9.4%).
3. Sales of compressors decreased by 88 million yen (17.2%).

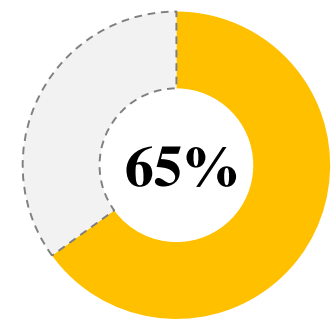
(million yen)

		First half of FY2020/3		First half of FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales		30,176	100%	25,346	100%	△ 4,829	△ 16.0%
By product	Generators	24,167	80.1%	20,072	79.2%	△ 4,094	△ 16.9%
	Welders	2,434	8.1%	2,206	8.7%	△ 227	△ 9.4%
	Compressors	512	1.7%	424	1.7%	△ 88	△ 17.2%
	Others	3,061	10.1%	2,642	10.4%	△ 418	△ 13.7%

# Engine Generators (Consolidated)

	First half of FY2020/3	First half of FY2021/3	Rate of change (YoY)
Generators	24,167 <sup>million yen</sup>	20,072 <sup>million yen</sup>	Δ 16.9%

- In Japan, shipment to the rental industry were sluggish but shipment of the generators for handling the blackout remain robust.
- Overseas, due to the impact of the novel coronavirus infection, shipment mainly to America fell sharply.



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



Soundless generator "Mālie"



Vertical type minimum space Stand-by generating sets

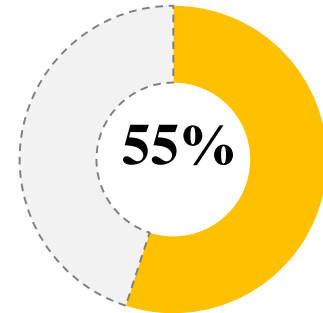
## Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	First half of FY2020/3	First half of FY2021/3	Rate of change (YoY)
Welders	2,434 <sup>million yen</sup>	2,206 <sup>million yen</sup>	Δ 9.4%

- The shipment of the specialized welding machines increased but the small-type machines decreased.



Domestic market share of engine welders

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



CO<sub>2</sub> welder

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

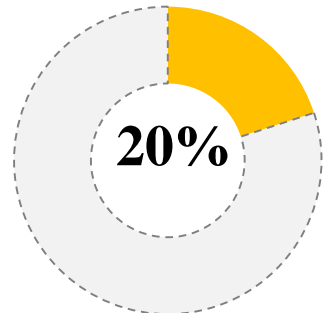
**Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO2 welder, etc.**

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

# Engine Compressors (Consolidated)

	First half of FY2020/3	First half of FY2021/3	Rate of change (YoY)
Compressors	512 <sup>million yen</sup>	424 <sup>million yen</sup>	△ 17.2%

- The shipment mainly 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)

	First half of FY2020/3	First half of FY2021/3	Rate of change (YoY)
Others	3,061 <sup>million yen</sup>	2,642 <sup>million yen</sup>	△ 13.7%

- Sales of self-propelled lifters and the purchased merchandise etc. decreased.

## Sales of other products

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



Self-propelled lifter



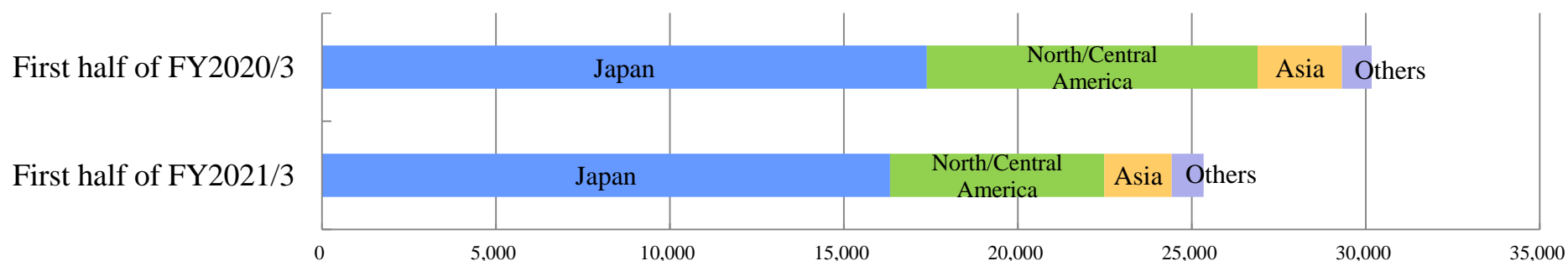
Load testing equipment



# Sales Trends by Region (Consolidated)

(million yen)

		First half of FY2020/3		First half of FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales		30,176	100%	25,346	100%	△ 4,829	△ 16.0%
Domestic sales		17,386	57.6%	16,329	64.4%	△ 1,057	△ 6.1%
Overseas sales		12,789	42.4%	9,017	35.6%	△ 3,772	△ 29.5%
By region	North/Central America	9,509	31.5%	6,156	24.3%	△ 3,353	△ 35.3%
	Asia	2,423	8.0%	1,938	7.6%	△ 484	△ 20.0%
	Others	856	2.8%	921	3.6%	65	7.6%



# Factor Analysis of Changes in Operating Income

## Decrease in Operating Income

The operating income decreased mainly due to a decrease of the net sales.

(million yen)

	First half of FY2020/3	First half of FY2021/3	Change (YoY)
Operating income	2,649	2,014	△ 635
Operating income margin (%)	8.8%	7.9%	△ 0.9 percentage points

	First half of FY2020/3	First half of FY2021/3	Change (YoY)
Gross profit margin	23.2%	23.0%	△ 0.2 percentage points
Ratio of SG&A to sales	14.4%	15.0%	0.6 percentage points
Ratio of operating income to sales	8.8%	7.9%	△ 0.9 percentage points

- The gross profit margin was expected to be only dropped by 0.2 percentage point by the increase in the component ratio of relatively profitable products were expected to be remain robust, although the net sales decreased.
- The ratio of SG&A to sales were expected to be worsen by significant decrease of the net sales, although the SG&A expenses decreased.

# Consolidated Balance Sheets

## Overview

1. A 1,577 million yen decrease in current assets was mainly due to an decrease in trade receivables, etc.
2. A 706 million yen decrease in current liabilities was mainly due to a decrease in accounts payables, etc.

(million yen)

	At the end of FY2020/3	First half of FY2021/3	Change from the end of FY2019/3
Current assets	52,932	51,354	△ 1,577
Non-current assets	22,694	23,392	698
Total assets	75,626	74,747	△ 879
Current liabilities	14,252	13,546	△ 706
Long-term liabilities	3,019	1,877	△ 1,141
Total liabilities	17,272	15,423	△ 1,848
Total net assets	58,354	59,323	969
Total liabilities and net assets	75,626	74,747	△ 879

# Changes in Consolidated Cash Flows

## Overview

- 1,961 million yen cash flow from operating activities was mainly due to a decrease in trade receivables, etc.
- Balance of cash and cash equivalents increased 217 million yen from the end of the previous fiscal year.

(million yen)

	First half of FY2020/3	First half of FY2021/3
I Cash flow from operating activities	3,842	1,961
II Cash flow from investing activities	△ 446	△ 1,003
<b>I + II Free cash flows</b>	<b>3,396</b>	<b>958</b>
III Cash flow from financing activities	△ 758	△ 602
IV Foreign currency translation adjustments on cash and cash equivalents	△ 55	△ 137
V Net increase or decrease in cash and cash equivalents	2,581	217
VI Cash and cash equivalents, end of quarterly period	18,752	21,272

# **Outlook for FY2021/3**

# Outlook for FY2021/3: Consolidated Income and Loss

## Key points

- Considering the impact of the spread of infection from COVID-19, we revised down the consolidated forecast financial results.
- 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%	52,000	100%	△ 10,887	△ 17.3%
Operating income	6,057	9.6%	4,100	7.9%	△ 1,957	△ 32.3%
Ordinary income	6,202	9.9%	4,400	8.5%	△ 1,802	△ 29.1%
Profit attributable to owners of parent	4,071	6.5%	2,800	5.4%	△ 1,271	△ 31.2%
Capital investment	1,201		2,000		799	66.5%
Depreciation	1,162		1,250		88	7.6%
Net income per share	194.3 <sup>yen</sup>		134.3 <sup>yen</sup>		△ 60.0 <sup>yen</sup>	
ROE	7.4%		*5.0%			
Cash dividends per share	46.0 <sup>yen</sup>		46.0 <sup>yen</sup>			

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

# Outlook for Sales by Product (Consolidated)

## Overview

- The sales of generators for America are expected to be worsen because of reactionary fall in sales which the sales greatly increased in a prior period and the impact of the novel corona virus infection.
- In Japan, the sales of generators for rental industry are expected to be decreased.

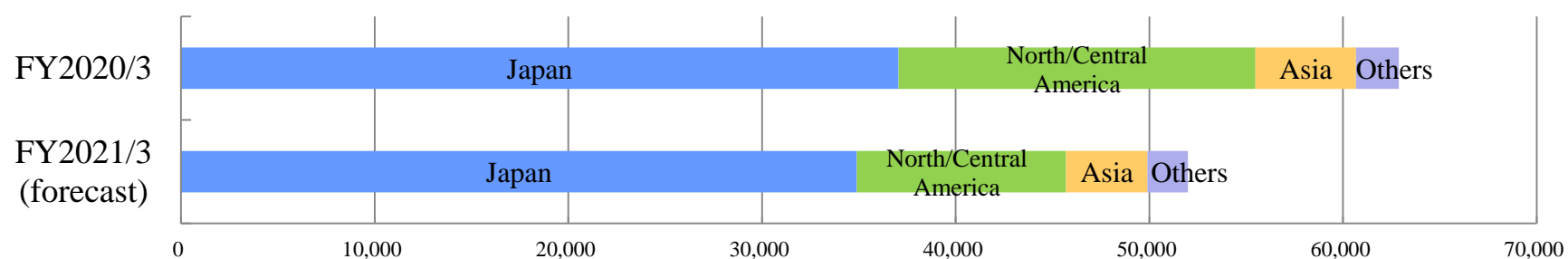
(million yen)

		FY2020/3		FY2021/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		62,887	100%	52,000	100%	△ 10,887	△ 17.3%
By product	Generators	50,436	80.2%	41,700	80.2%	△ 8,736	△ 17.3%
	Welders	5,072	8.1%	4,300	8.3%	△ 772	△ 15.2%
	Compressors	1,012	1.6%	900	1.7%	△ 112	△ 11.1%
	Others	6,365	10.1%	5,100	9.8%	△ 1,265	△ 19.9%

# Outlook for Sales by Region (Consolidated)

(million yen)

		FY2020/3		FY2021/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		62,887	100%	52,000	100%	△ 10,887	△ 17.3%
Domestic sales		37,043	58.9%	34,900	67.1%	△ 2,143	△ 5.8%
Overseas sales		25,844	41.1%	17,100	32.9%	△ 8,744	△ 33.8%
By region	North/ Central America	18,430	29.3%	10,800	20.8%	△ 7,630	△ 41.4%
	Asia	5,197	8.3%	4,200	8.1%	△ 997	△ 19.2%
	Others	2,216	3.5%	2,100	4.0%	△ 116	△ 5.2%





# Details of the Operating Income Forecast

## Decrease in operating income

Mainly with the decrease of the net sales, operating income is expected to decrease by 1,957 million yen.

(million yen)

	FY2020/3	FY2021/3 (forecast)	Change (YoY)
Operating income	6,057	4,100	△ 1,957
Operating income margin	9.6%	7.9%	△ 1.7 percentage point

	FY2020/3	FY2021/3 (forecast)	Change (YoY)
Gross profit margin	23.2%	23.0%	△ 0.2 percentage point
Ratio of SG&A to sales	13.6%	15.1%	1.5 percentage point
Ratio of operating income to sales	9.6%	7.9%	△ 1.7 percentage point

- The gross profit margin is expected to be only dropped by 0.2 percentage point 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 significant decrease of the net sales, although the SG&A expenses decrease.

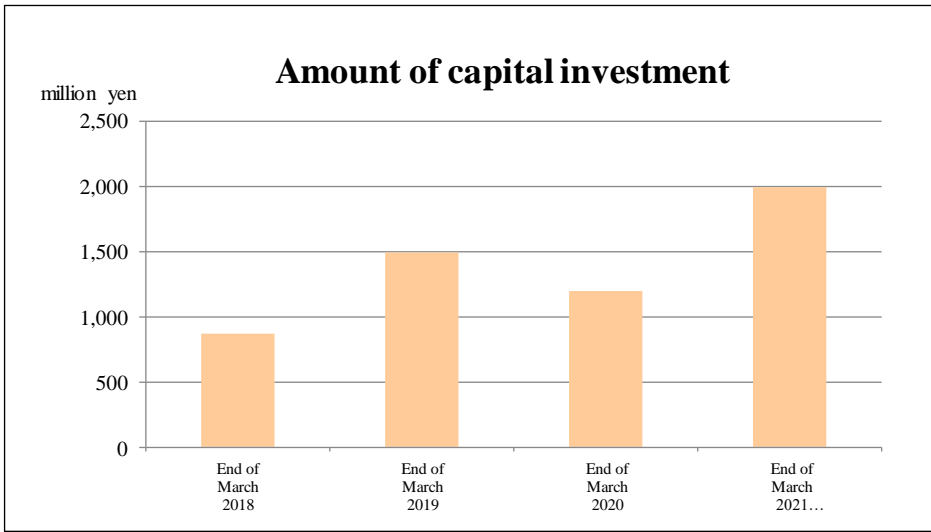
# Changes in the Amount of Capital Investment

(million yen)

	End of March 2018	End of March 2019	End of March 2020	End of March 2021 (plan)
<b>Cost of equipment</b>	<b>870</b>	<b>1,499</b>	<b>1,201</b>	<b>2,000</b>
<b>Main uses</b>	<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. 810</li> <li>•Nishihatsu 20</li> <li>•U.S. Plant 290</li> <li>•Vietnam Plant 10</li> <li>•Others 70</li> </ul>	<ul style="list-style-type: none"> <li>•Machinery of Fukui plant, etc. 1,600</li> <li>•Nishihatsu 50</li> <li>•U.S. Plant 150</li> <li>•Vietnam Plant 80</li> <li>•Others 120</li> </ul>



Denyo Manufacturing Corporation (U.S.A.)

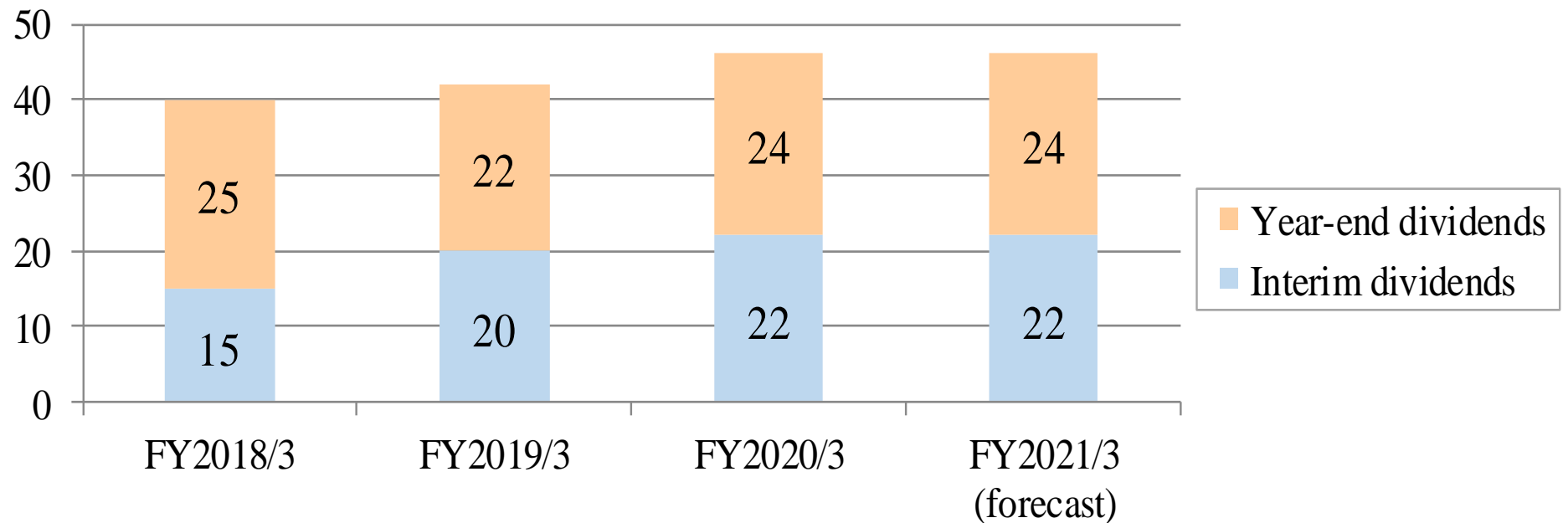


# Profit Distribution Policy

**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.

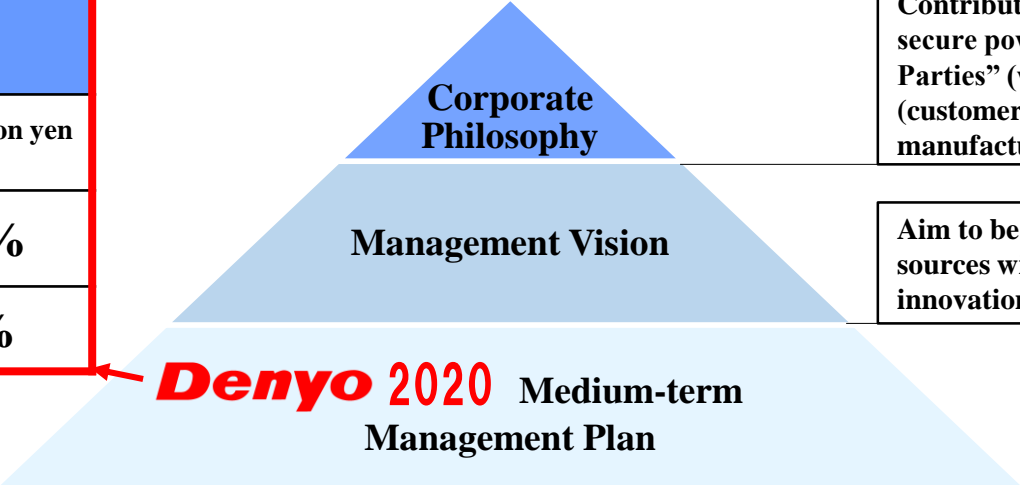
## Changes in cash dividends:

**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

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This material contains assumptions and outlooks for the future and forecasts based on plans as November 12, 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.

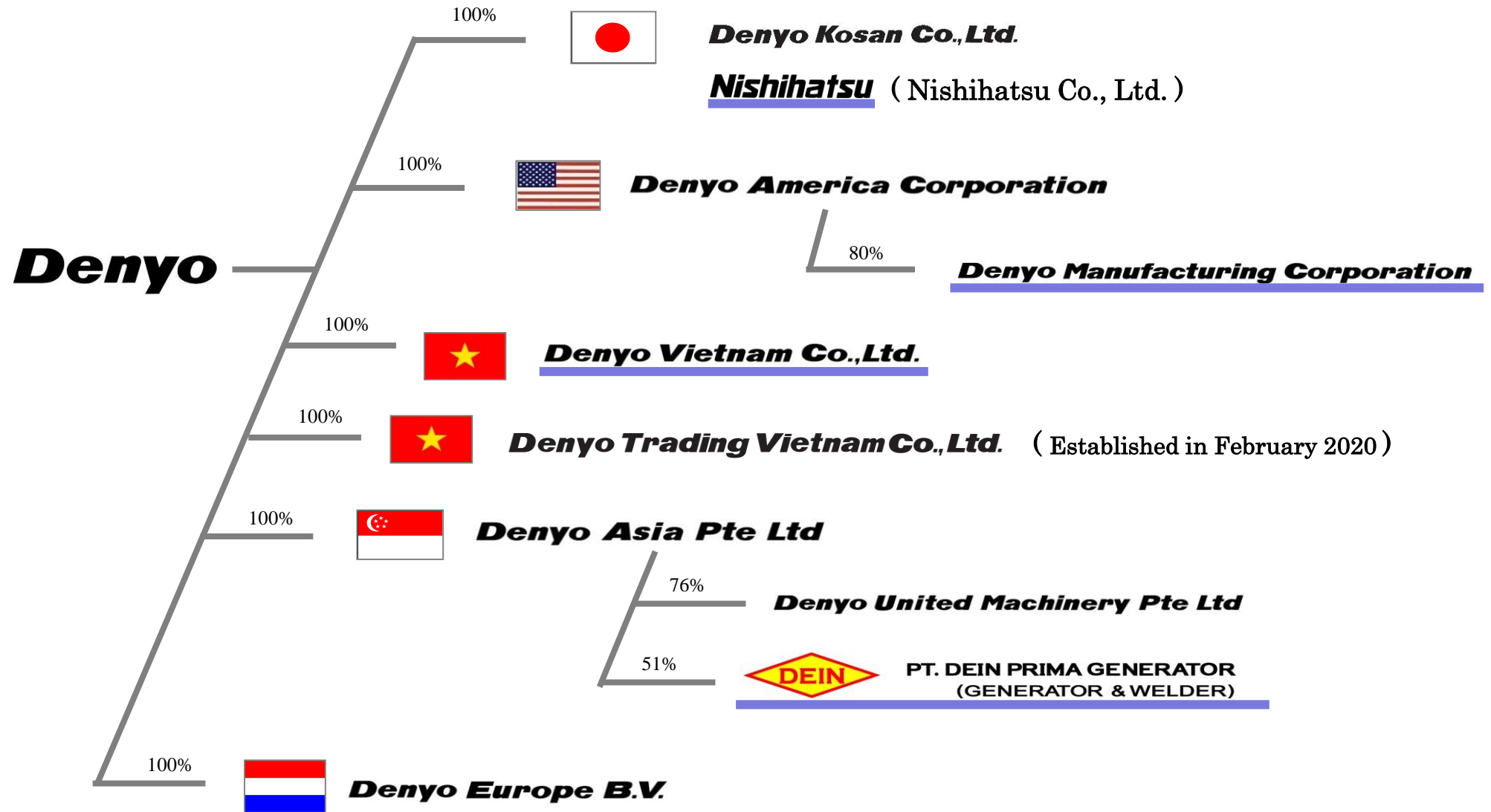
● Company size, etc. (FY2019/3 on a consolidated basis) (million yen)

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)

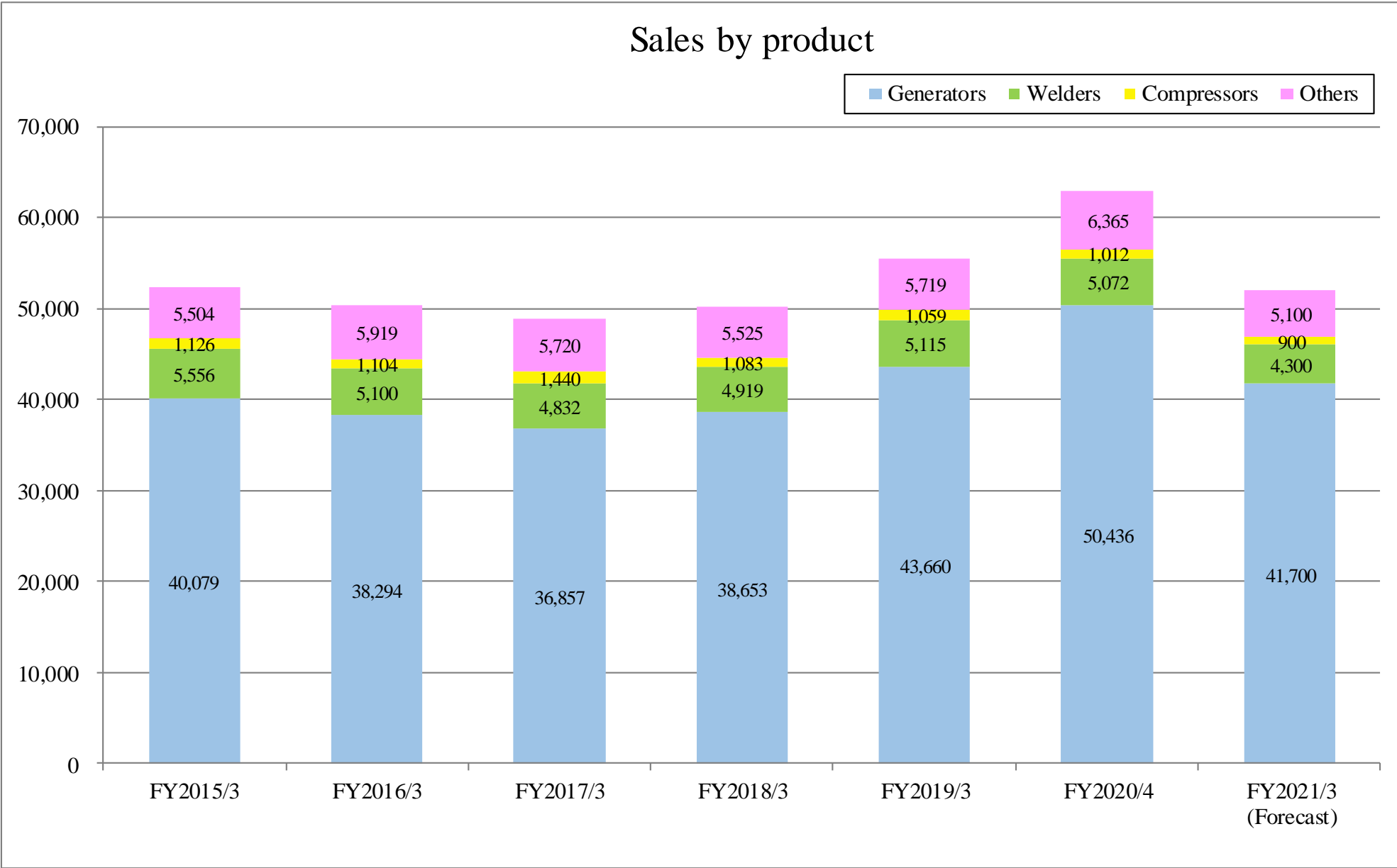
# The Group Companies



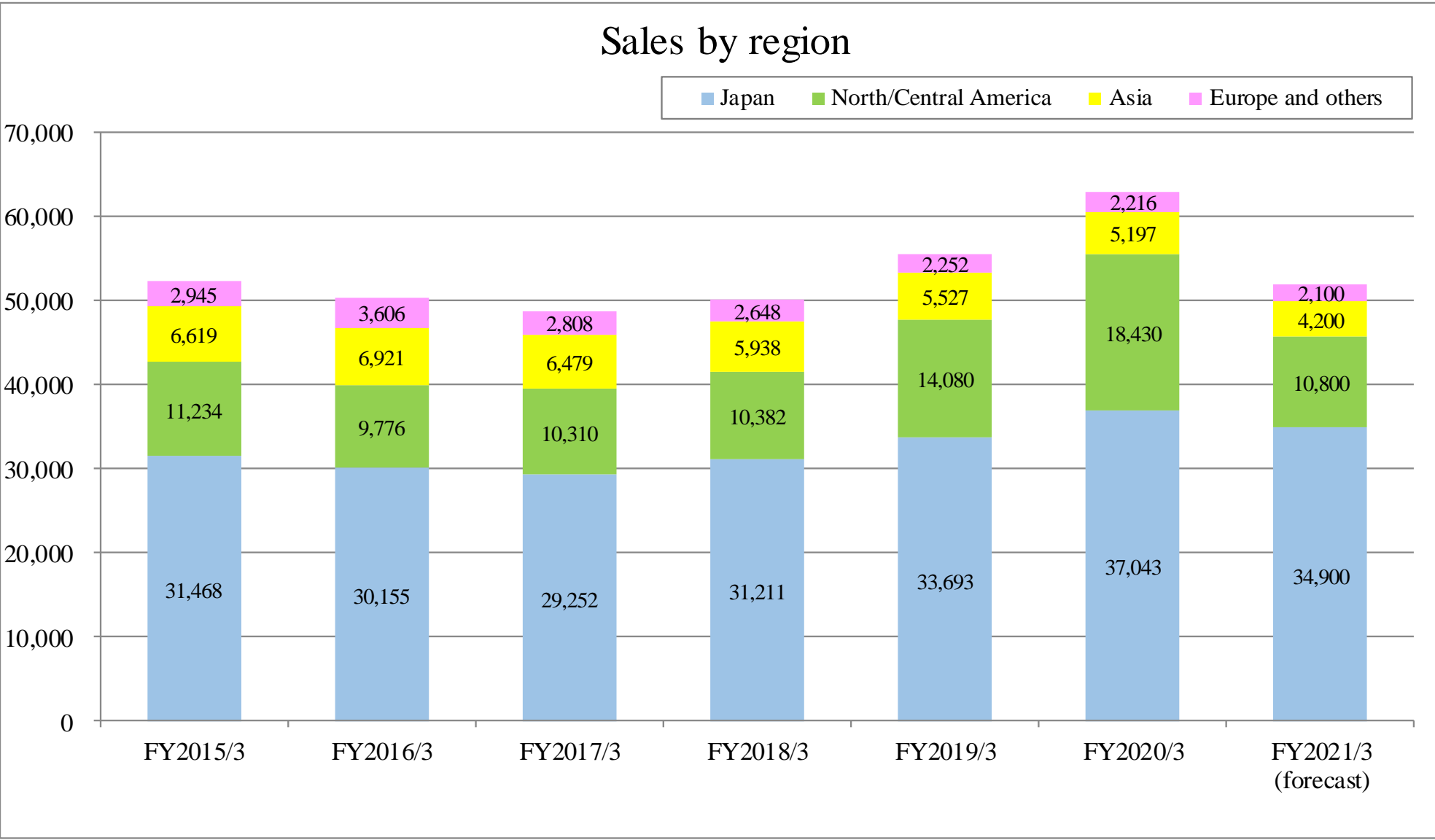
\*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).  
 \*2. Underlined companies are manufacturers.



# Trends and Forecasts by Product Sales



# Changes in Sales by Region and Forecasts



# Changes in Results for the Last 30 Years

