

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



Photo: Denyo Europe B.V.

May 13, 2021

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

**I. Overview of Results for FY2021/3**

**II. Outlook for FY2022/3**

# **Overview of Results for FY2021/3**

# Highlights of Results for FY2021/3 (Consolidated)

## Key Point

Both Net sales and profits decreased from the previous fiscal year.

(million yen)

	FY2020/3		FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales	62,887	100%	55,006	100%	△ 7,880	△ 12.5%
Operating income	6,057	9.6%	5,332	9.7%	△ 725	△ 12.0%
Ordinary income	6,202	9.9%	5,645	10.3%	△ 557	△ 9.0%
Profit attributable to owners of parent	4,071	6.5%	3,860	7.0%	△ 211	△ 5.2%
Capital investment	1,201		1,918		717	59.7%
Depreciation	1,162		1,167		5	0.4%
Net income per share	194.3 <sup>yen</sup>		185.1 <sup>yen</sup>		△ 9.2 <sup>yen</sup>	△ 4.7%
ROE	7.4%		6.7%			
Cash dividends per share	46.0 <sup>yen</sup>		47.0 <sup>yen</sup>			

# Sales Trends by Product (Consolidated)

## Overview

1. Sales of generators decreased by 6,416 million yen (12.7%).
2. Sales of welders decreased by 686 million yen (13.5%).
3. Sales of compressors decreased by 257 million yen (25.4%).

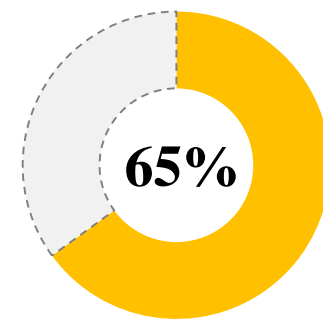
(million yen)

		FY2020/3		FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales		62,887	100%	55,006	100%	△ 7,880	△ 12.5%
By product	Generators	50,436	80.2%	44,020	80.0%	△ 6,416	△ 12.7%
	Welders	5,072	8.1%	4,386	8.0%	△ 686	△ 13.5%
	Compressors	1,012	1.6%	755	1.4%	△ 257	△ 25.4%
	Others	6,365	10.1%	5,845	10.6%	△ 520	△ 8.2%

# Engine Generators (Consolidated)

	FY2020/3	FY2021/3	Rate of change (YoY)
Generators	50,436 <sup>million yen</sup>	44,020 <sup>million yen</sup>	Δ 12.7%

- In Japan, shipment to the rental industry decreased, but shipment of the back-up power source increased.
- Overseas, shipment to America and Asia decreased significantly due to the impact of COVID-19.



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



Soundless generator "Mālie"



Generator with operational data recording function

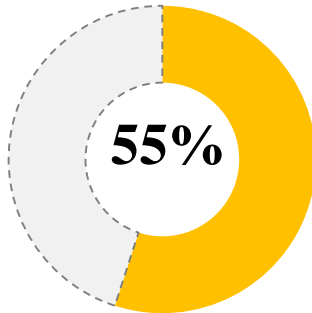
## Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	FY2020/3	FY2021/3	Rate of change (YoY)
Welders	5,072 <sup>million yen</sup>	4,386 <sup>million yen</sup>	△ 13.5%

- In Japan, sales decreased due to the impact of the cancellation of product exhibitions, etc.
- Overseas, shipment to America and Asia were sluggish.



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.**

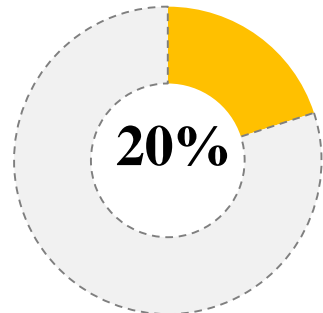
**Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO<sub>2</sub> welder, etc.**

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

# Engine Compressors (Consolidated)

	FY2020/3	FY2021/3	Rate of change (YoY)
Compressors	1,012 million yen	755 million yen	△ 25.4%

- The shipment remained sluggish both in Japan and overseas.



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)

	FY2020/3	FY2021/3	Rate of change (YoY)
Others	6,365 <sup>million yen</sup>	5,845 <sup>million yen</sup>	△ 8.2%

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

## Sales of other products

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



Self-propelled lifters

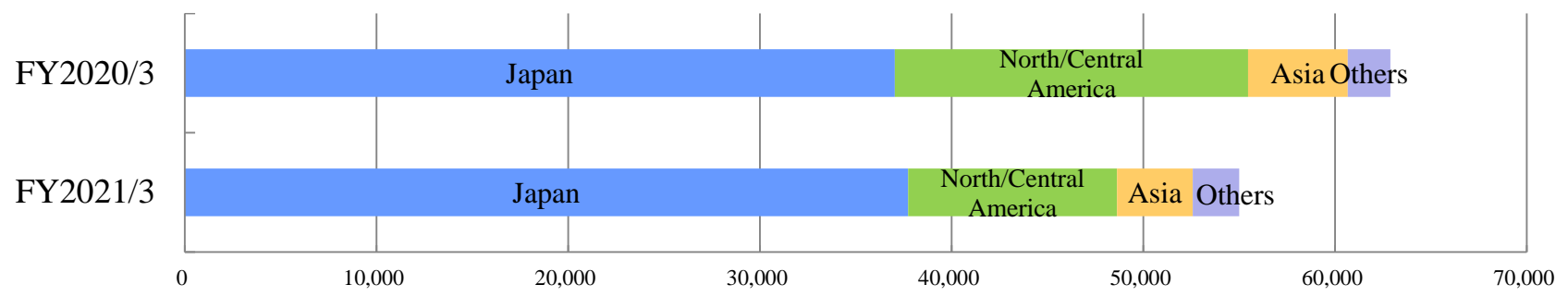


Load testing equipment

# Sales Trends by Region (Consolidated)

(million yen)

		FY2020/3		FY2021/3		Change (YoY)	Rate of change (YoY)
Net sales		62,887	100%	55,006	100%	Δ 7,880	Δ 12.5%
Domestic sales		37,043	58.9%	37,737	68.6%	694	1.9%
Overseas sales		25,844	41.1%	17,269	31.4%	Δ 8,574	Δ 33.2%
By region	North/Central America	18,430	29.3%	10,897	19.8%	Δ 7,532	Δ 40.9%
	Asia	5,197	8.3%	3,948	7.2%	Δ 1,249	Δ 24.0%
	Others	2,216	3.5%	2,423	4.4%	207	9.4%



# 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)

	FY2020/3	FY2021/3	Change (YoY)
Operating income	6,057	5,332	△ 725
Operating income margin (%)	9.6%	9.7%	0.1 percentage points

	FY2020/3	FY2021/3	Change (YoY)
Gross profit margin	23.2%	24.2%	1.0 percentage points
Ratio of SG&A to sales	13.6%	14.5%	0.9 percentage points
Ratio of operating income to sales	9.6%	9.7%	0.1 percentage points

- The gross profit margin was improved by an increase in the sales of relatively high profitable products although the net sales significantly decreased.
- The ratio of SG&A to sales was worsened by significant decrease of the net sales although the SG&A decreased due to restriction on sales activities, etc.

# Consolidated Balance Sheets

## Overview

1. Current assets increased by 1,511 million yen mainly due to an increase in cash and deposits, etc.
2. Current liabilities increased by 1,181 million yen mainly due to the transfer of long-term loan receivable to short-term loan receivable.

(million yen)

	At the end of FY2020/3	At the end of FY2021/3	Change from the end of FY2020/3
Current assets	52,932	54,443	1,511
Non-current assets	22,694	24,613	1,919
Total assets	75,626	79,057	3,431
Current liabilities	14,252	15,434	1,181
Long-term liabilities	3,019	2,058	△ 960
Total liabilities	17,272	17,493	220
Total net assets	58,354	61,564	3,210
Total liabilities and net assets	75,626	79,057	3,431

# Changes in Consolidated Cash Flows

## Overview

1. Cash flow from operating activities was 4,941 million yen, mainly due to the recording of the income before income taxes, etc.
2. Balance of cash and cash equivalents increased by 1,859 million yen from the end of the previous fiscal year.

(million yen)

	FY2020/3	FY2021/3
I Cash flow from operating activities	7,272	4,941
II Cash flow from investing activities	△ 874	△ 1,748
<b>I + II Free cash flow</b>	<b>6,398</b>	<b>3,193</b>
III Cash flow from financing activities	△ 1,528	△ 1,086
IV Foreign currency translation adjustments on cash and cash equivalents	13	△ 246
V Net increase or decrease in cash and cash equivalents	4,883	1,859
VI Cash and cash equivalents, end of period	21,054	22,913

# **Outlook for FY2022/3**

# Outlook for FY2022/3: Consolidated Income and Loss

## Key points

1. Net sales are expected to be 56.0 billion yen.
2. Assumed exchange rate is 105 yen/dollar.

(million yen)

	FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	55,006	100%	56,000	100%	994	1.8%
Operating income	5,332	9.7%	4,700	8.4%	△ 632	△ 11.9%
Ordinary income	5,645	10.3%	5,000	8.9%	△ 645	△ 11.4%
Profit attributable to owners of parent	3,860	7.0%	3,300	5.9%	△ 560	△ 14.5%
Capital investment	1,918		1,150		△ 768	△ 40.0%
Depreciation	1,167		1,400		233	20.0%
Net income per share	185.1yen		158.2yen		△ 26.9yen	
ROE	6.7%		* 5.6%			
Cash dividends per share	47.0yen		47.0yen			

\* Equity is calculated by using the amount of money at the end of FY2021/3.

# Outlook for Sales by Product (Consolidated)

## Overview

1. Sales to the domestic rental market and overseas are expected to some degree of recovery.
2. Sales of emergency generators, which were strong in the previous fiscal year are anticipated to decline in reaction.

(million yen)

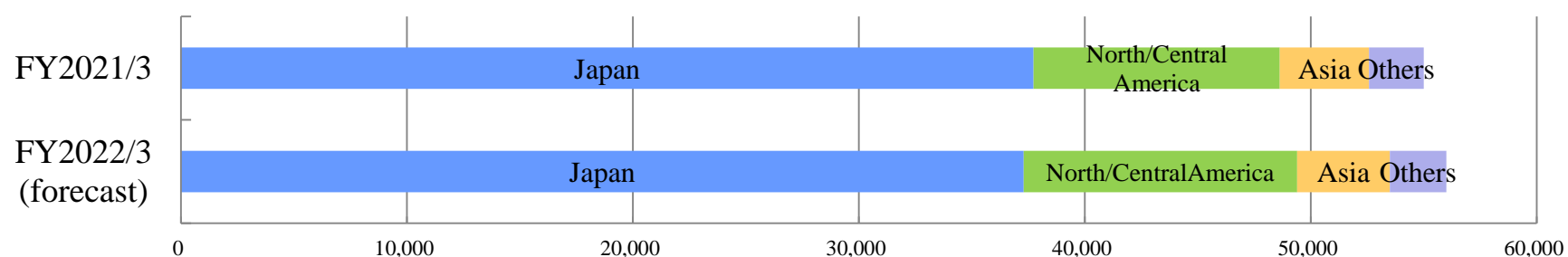
		FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,006	100%	56,000	100%	994	1.8%
By product	Generators	44,020	80.0%	44,700	79.8%	680	1.5%
	Welders	4,386	8.0%	4,600	8.2%	214	4.9%
	Compressors	755	1.4%	800	1.4%	45	6.0%
	Others	5,845	10.6%	5,900	10.5%	55	0.9%



# Outlook for Sales by Region (Consolidated)

(million yen)

		FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,006	100%	56,000	100%	994	1.8%
Domestic sales		37,737	68.6%	37,300	66.6%	△ 437	△ 1.2%
Overseas sales		17,269	31.4%	18,700	33.4%	1,431	8.3%
By region	North/ Central America	10,897	19.8%	12,100	21.6%	1,203	11.0%
	Asia	3,948	7.2%	4,100	7.3%	152	3.9%
	Others	2,423	4.4%	2,500	4.5%	77	3.2%



# Details of the Operating Income Forecast

## Decrease in operating income

With the decrease of the gross profit margin, operating income is expected to decrease by 632 million yen.

(million yen)

	FY2021/3	FY2022/3 (forecast)	Change (YoY)
Operating income	5,332	4,700	△ 632
Operating income margin	9.7%	8.4%	△ 1.3 percentage point

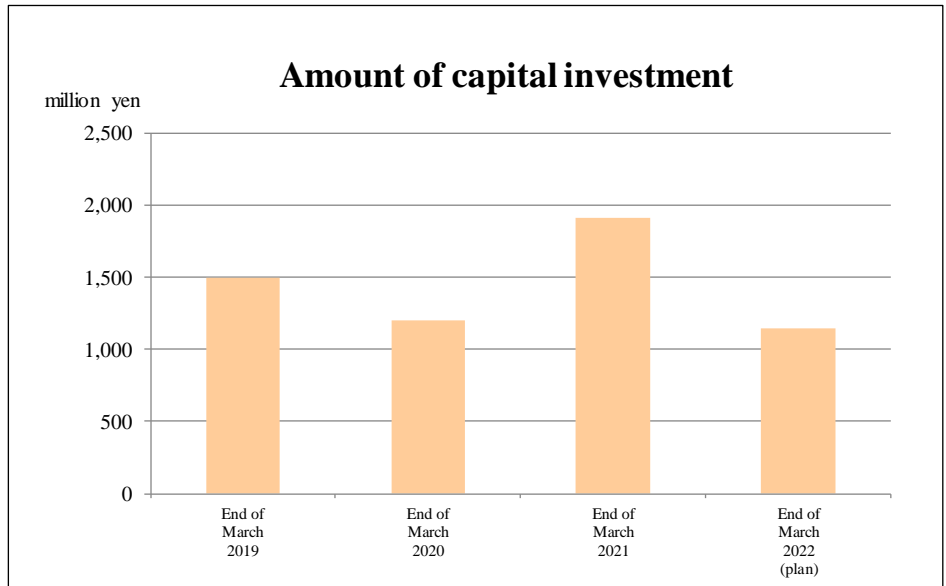
	FY2021/3	FY2022/3 (forecast)	Change (YoY)
Gross profit margin	24.2%	23.1%	△ 1.1 percentage point
Ratio of SG&A to sales	14.5%	14.7%	0.2 percentage point
Ratio of operating income to sales	9.7%	8.4%	△ 1.3 percentage point

- The gross profit margin is expected to be worsened by the shipment of the relatively profitable products are expected to be decreased.
- The ratio of SG&A to sales are expected to be worsen due to increased expenses associated with the recovery of sales activities.

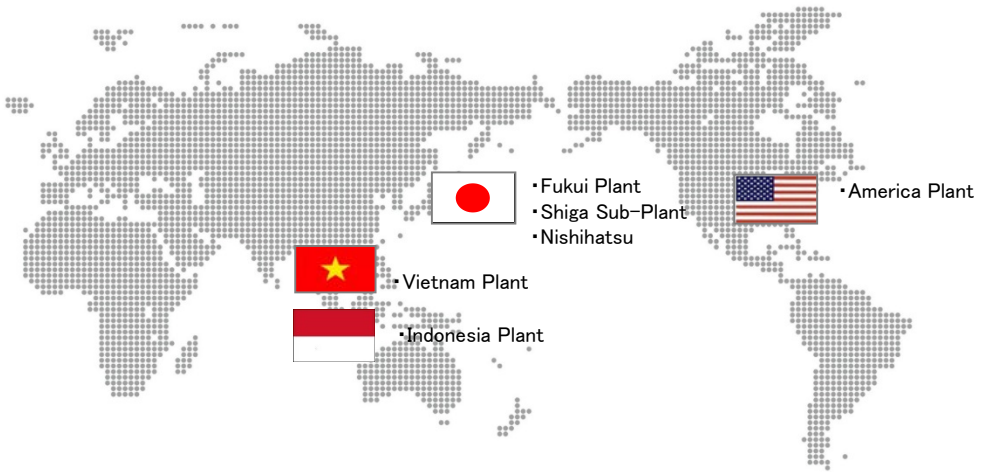
# Changes in the Amount of Capital Investment

(million yen)

	End of March 2019	End of March 2020	End of March 2021	End of March 2022 (plan)
<b>Cost of equipment</b>	1,499	1,201	1,918	1,150
<b>Main uses</b>	<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. 1450</li> <li>▪Nishihatsu 110</li> <li>▪U.S. Plant 30</li> <li>▪Vietnam Plant 20</li> <li>▪Others 300</li> </ul>	<ul style="list-style-type: none"> <li>▪Machinery of Fukui plant, etc. 350</li> <li>▪Nishihatsu 50</li> <li>▪U.S. Plant 50</li> <li>▪Vietnam Plant 100</li> <li>▪Others 600</li> </ul>



## Production Sites:

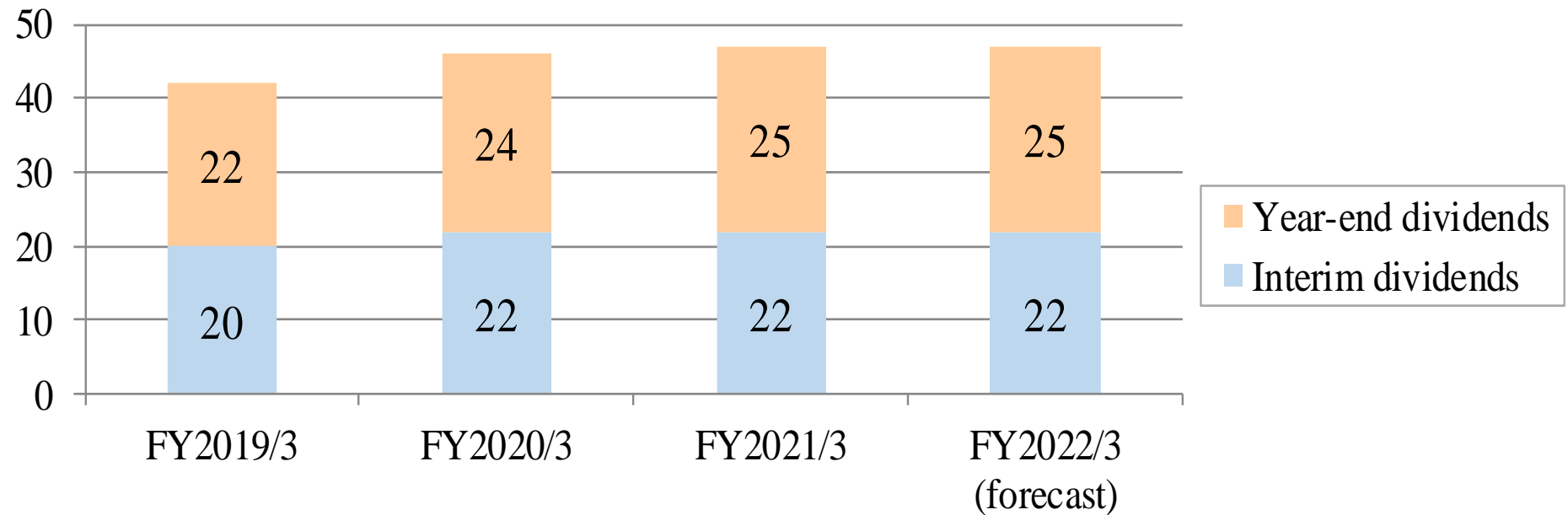


# Profit Distribution Policy

**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:

**46 yen in FY2020/3 ⇒ 47 yen in FY2021/3 ⇒ 47 yen (forecast) in FY2022/3**



# Notes on Our Outlook

---

This material contains assumptions and outlooks for the future and forecasts based on plans as May 13, 2021.

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.

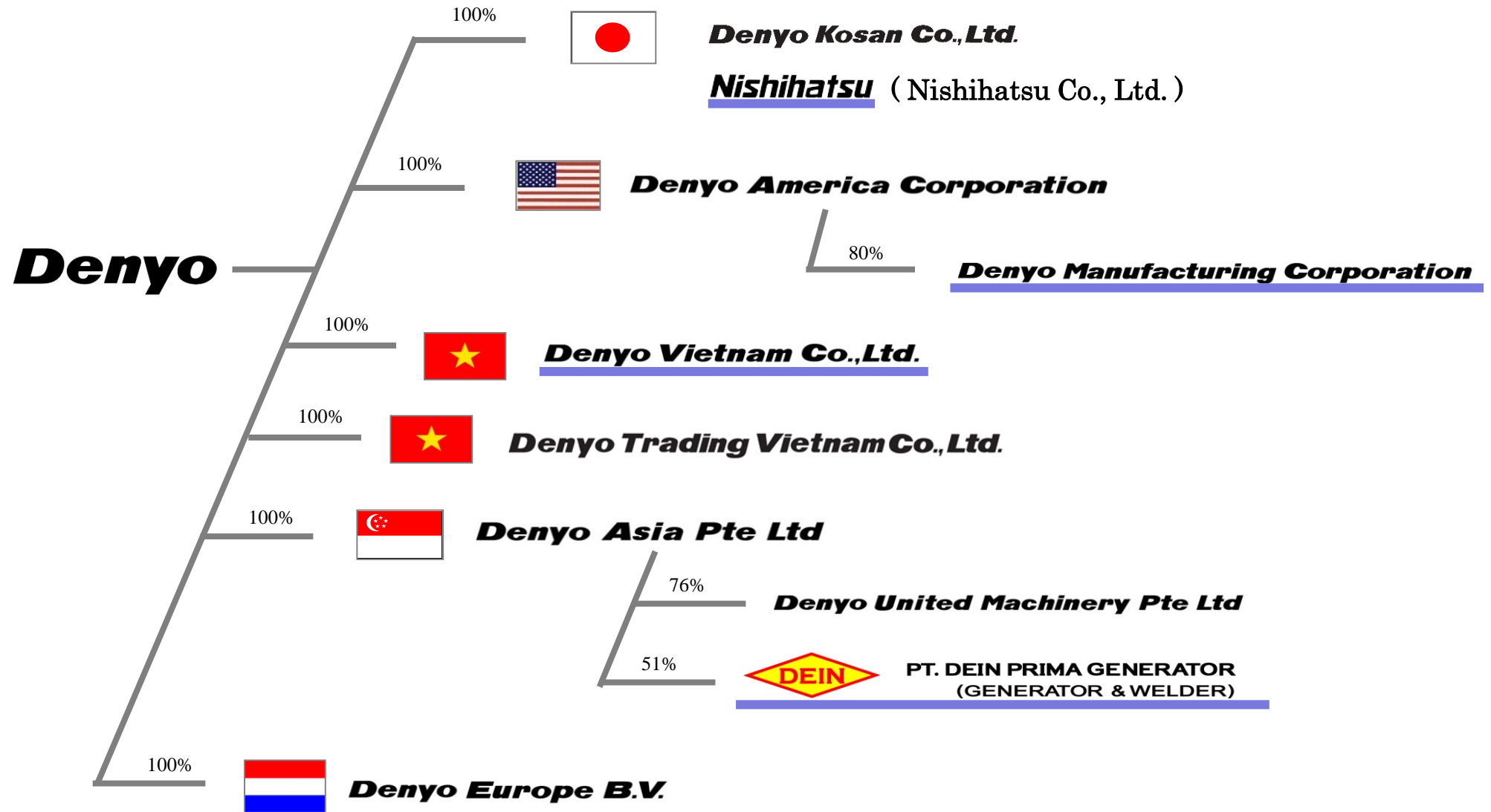
● Company size, etc. (FY2021/3 on a consolidated basis) (million yen)

Net sales	55,006
Overseas sales	17,269
Ordinary income	5,645
Profit attributable to owners of parent	3,860
Total assets	79,057
Net assets	61,564
Market capitalization (as of March 31)	47,822
Number of employees	1,334persons



Head Office (Nihonbashi-Horidomecho, Tokyo)

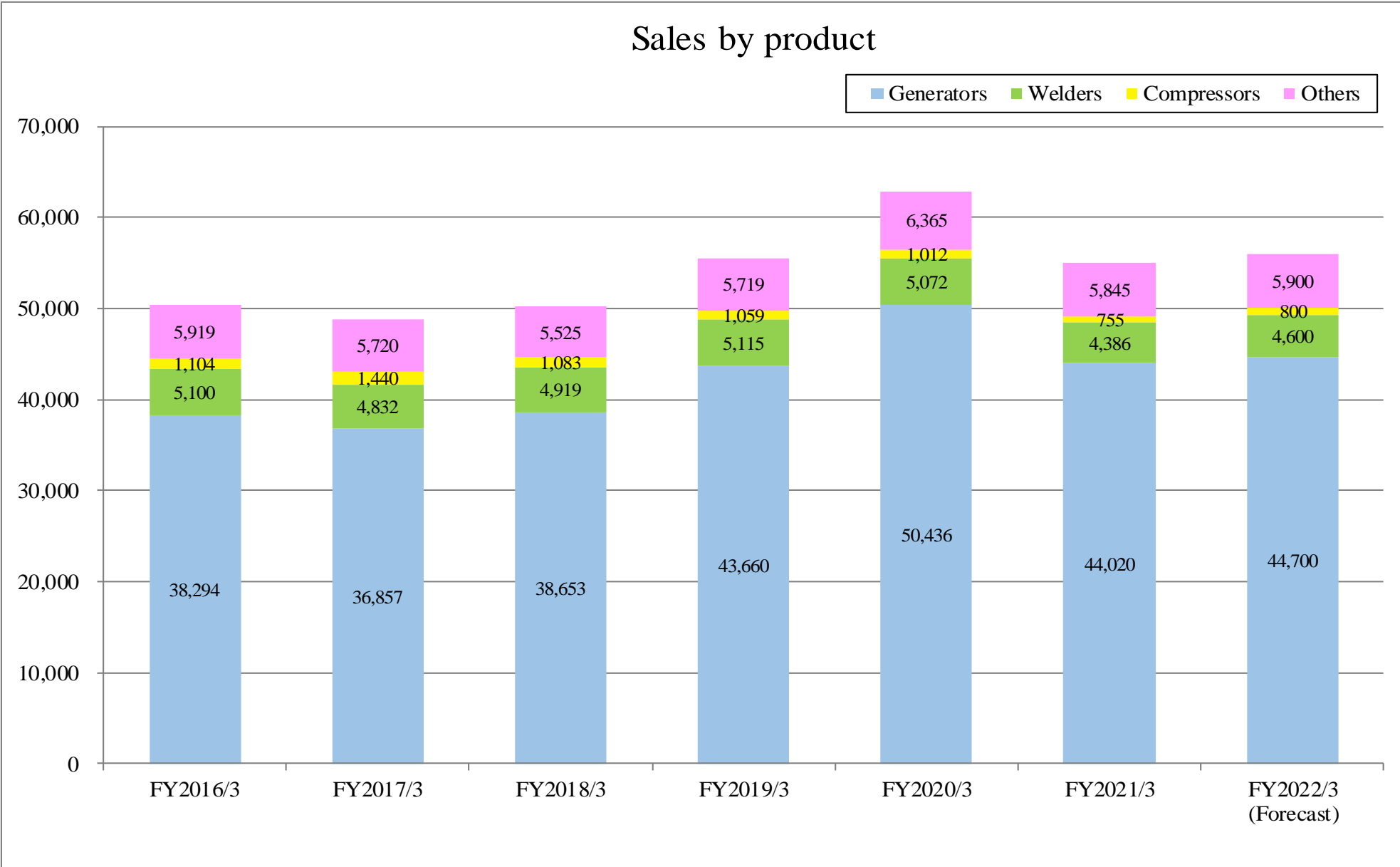
# The Group Companies



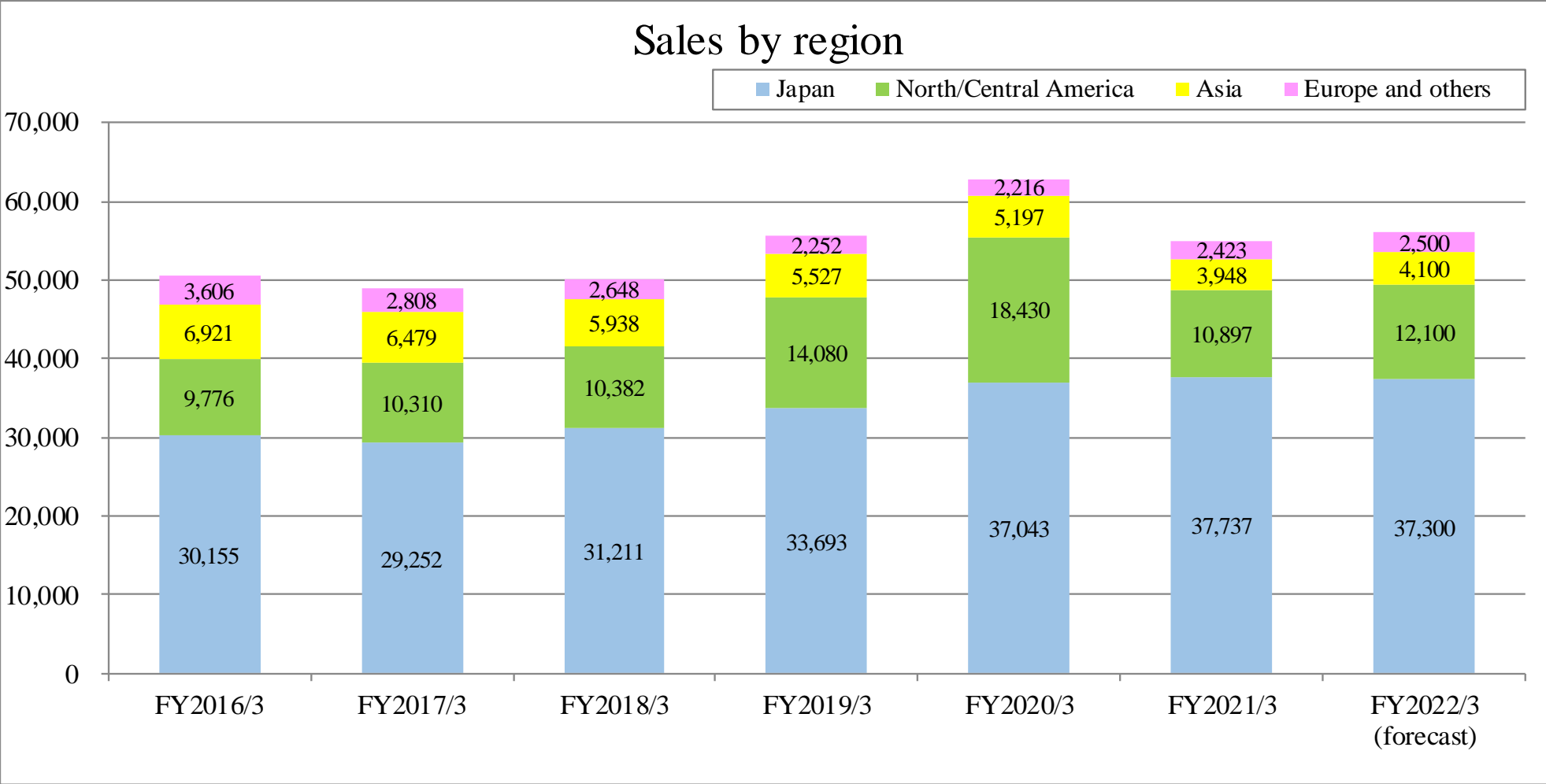
\*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).  
 \*2. Underlined companies are manufacturers.



# Trends and Forecasts by Product Sales



# Changes in Sales by Region and Forecasts



# Changes in Results for the Last 30 Years

