



Denryo Co., Ltd.

Briefing on Results for the First quarter of the
Fiscal Year ending March 31, 2022

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the First quarter of FY2022/3

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I . Overview of Results for the First quarter of FY2022/3

(April 1, 2021 ~ June 30, 2021)

Highlights of Results for the First quarter of FY2022/3 (Consolidated)

Key points

- Both Net sales and incomes decreased year on year.
- The impact of the spread of infection from COVID-19 was limited in Japan. Overseas demand was also recovering, but the supply side has been affected by the global container shortage and other factors.

(million yen)

	First quarter of FY2021/3		First quarter of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales	13,070	100%	11,973	100%	△ 1,096	△ 8.4%
Operating income	1,095	8.4%	847	7.1%	△ 248	△ 22.6%
Ordinary income	1,216	9.3%	857	7.2%	△ 358	△ 29.4%
Profit attributable to owners of parent	846	6.5%	581	4.9%	△ 265	△ 31.3%
Capital investment	408	—	71	—	△ 337	△ 82.6%
Depreciation	266	—	336	—	70	26.3%
Net income per share	40.60 yen	—	27.87 yen	—	△ 12.73 yen	△ 31.4%

Sales Trends by Product (Consolidated)

(million yen)

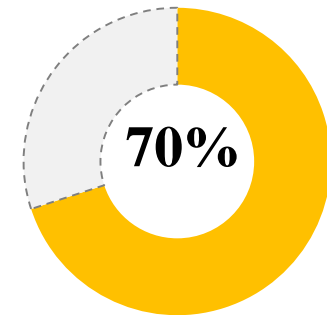
		First quarter of FY2021/3		First quarter of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		13,070	100%	11,973	100%	△ 1,097	△ 8.4%
By product	Generators	10,365	79.3%	9,343	78.0%	△ 1,021	△ 9.9%
	Welders	1,178	9.0%	1,170	9.8%	△ 7	△ 0.7%
	Compressors	266	2.0%	221	1.8%	△ 44	△ 16.7%
	Others	1,259	9.6%	1,237	10.3%	△ 22	△ 1.8%

Engine Generators (Consolidated)

(million yen)

	First quarter of FY2021/3	First quarter of FY2022/3	Rate of change (YoY)
Generators	10,365	9,343	△ 9.9%

- In Japan, shipment of the medium- and large-type generators for construction work and the emergency generators remain robust.
- Overseas, shipment to America decreased.



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



Silent generator
“Mālie”



Generator with operational
data recording function

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

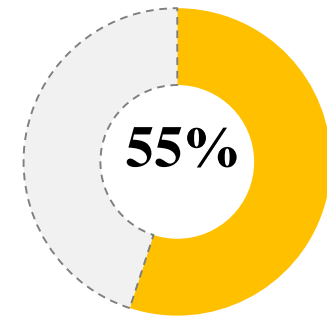
- Mobile-type generators
Power source on a construction site and for civil engineering work and disaster recovery/restoration, etc.
- Stand-by generating sets (stationary type)
Back-up power source such as disaster prevention equipment and offices, etc.
- Power-supply vehicles, etc.

Engine Welders (Consolidated)

(million yen)

	First quarter of FY2021/3	First quarter of FY2022/3	Rate of change (YoY)
Welders	1,178	1,170	△ 0.7%

- Shipment to overseas market increased, but shipment to Japan decreased.



Domestic market share of engine welders

*According to a Company survey



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.

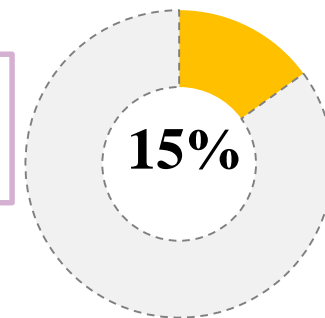
- Welding of steel construction for buildings, condominiums and bridges.
- Welding of important structures such as petroleum storage tanks and pipelines.

Engine Compressors (Consolidated)

(million yen)

	First quarter of FY2021/3	First quarter of FY2022/3	Rate of change (YoY)
Compressors	266	221	△ 16.7%

- Shipment to Japan was unchanged from the previous year but shipment to America decreased.



Domestic market share of engine compressors

*According to a Company survey



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)

(million yen)

	First quarter of FY2021/3	First quarter of FY2022/3	Rate of change (YoY)
Others	1,259	1,237	△ 1.8%

- Shipment of the self-propelled lifters etc. decreased.

Sales of other products

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



Self-propelled lifter

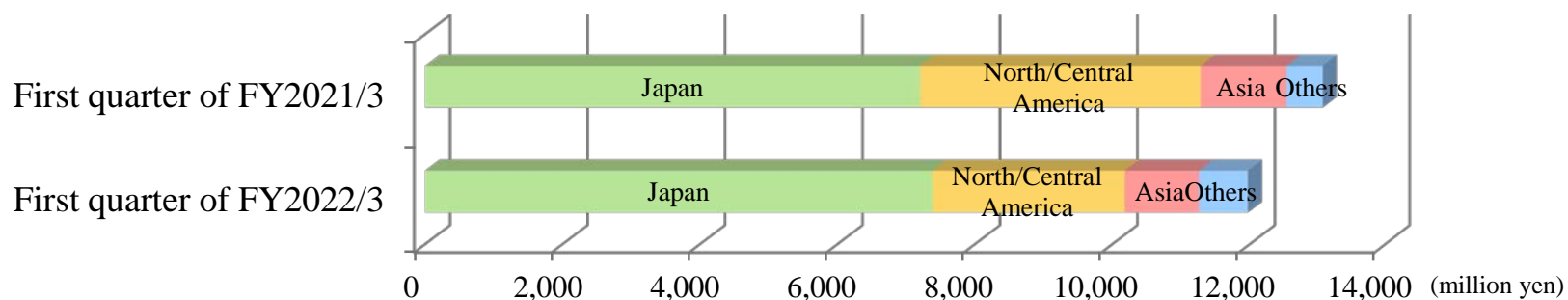


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		First quarter of FY2021/3		First quarter of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		13,070	100%	11,973	100%	△ 1,096	△ 8.4%
Domestic sales		7,204	55.1%	7,385	61.7%	181	2.5%
Overseas sales		5,866	44.9%	4,588	38.3%	△ 1,278	△ 21.8%
By region	North/Central America	4,081	31.2%	2,798	23.4%	△ 1,282	△ 31.4%
	Asia	1,250	9.6%	1,077	9.0%	△ 173	△ 13.9%
	Others	533	4.1%	712	5.9%	178	33.5%



Factor Analysis of Changes in Operating Income (Consolidated)

Decrease in
Operating income

- The operating income decreased due to an increase in SG&A expenses.

(million yen)

	First quarter of FY2021/3	First quarter of FY2022/3	Change(YoY)
Operating income	1,095	847	△ 248
Operating income margin	8.4%	7.1%	△ 1.3 _{percentage point}

	First quarter of FY2021/3	First quarter of FY2022/3	Rate of change (YoY)
Gross profit margin	22.4%	23.4%	1.0 _{percentage point}
Ratio of SG&A to sales	14.0%	16.3%	2.3 _{percentage point}
Ratio of operating income to sales	8.4%	7.1%	△ 1.3 _{percentage point}

- Gross profit margin increased by an increase in the sales ratio of the product with relatively high profitability.
- Ratio of SG&A to sales increased due to increases of personnel expenses and Logistics costs.



II . Outlook for FY2022/3

Outlook for FY2022/3: Consolidated Income and Loss

Key points

- Net sales are expected to be 56.0 billion yen.
- 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	185.1 ^{yen}		158.2 ^{yen}		△ 26.9 ^{yen}	
ROE	6.7%		*5.6%			
Cash dividends per share	47.0 ^{yen}		47.0 ^{yen}			

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

Outlook for Sales by Product (Consolidated)

Overview

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

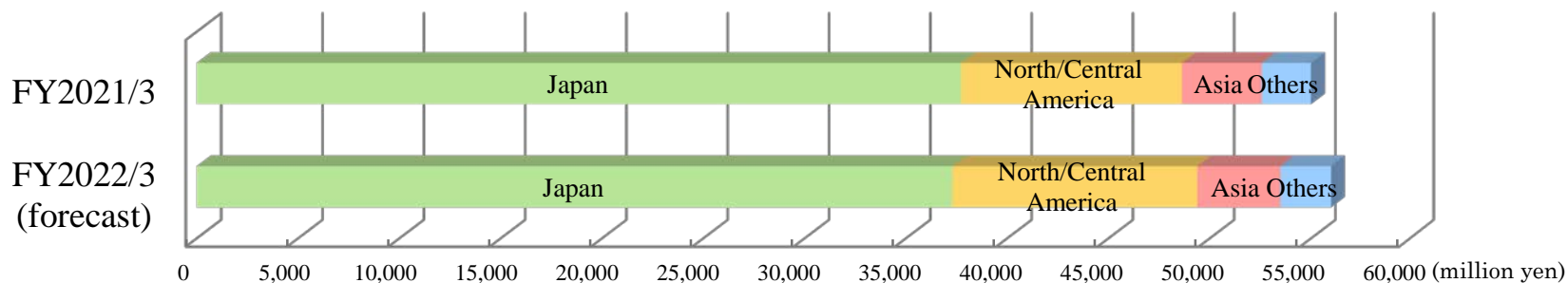
(million yen)

		FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,006	100%	56,000	100%	994	1.8%
By products	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}

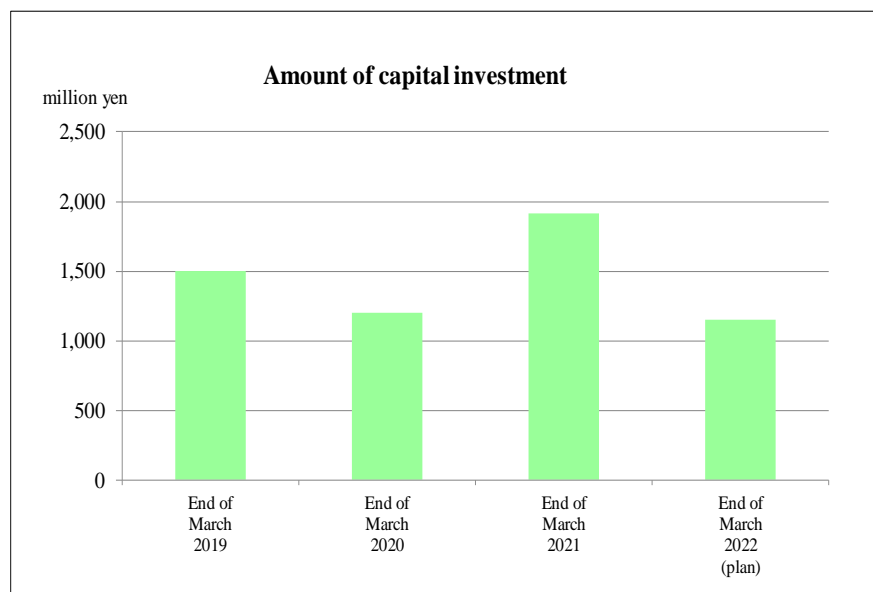
	FY2021/3	FY2022/3 (forecast)	Change (YoY)
Gross profit margin	24.2%	23.1%	△ 0.1 _{percentage point}
Ratio of SG&A to sales	14.5%	14.7%	0.2 _{percentage point}
Ratio of operating income to sales	9.7%	8.4%	△ 1.3 _{percentage point}

- 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.

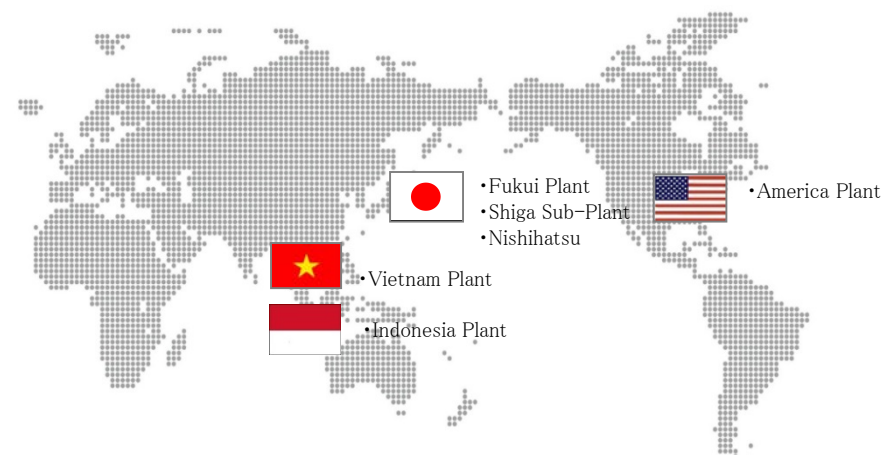
Changes in the Amount of Capital Investment

(million yen)

	End of March 2019	End of March 2020	End of March 2021	End of March 2022 (plan)
Cost of equipment	1,499	1,201	1,918	1,150
Main uses	<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. 1,450 • Nishihatsu 110 • U.S. Plant 30 • Vietnam Plant 20 • Others 300 	<ul style="list-style-type: none"> • Machinery of Fukui plant, etc. 350 • Nishihatsu 50 • U.S. Plant 50 • Vietnam Plant 100 • Others 600



Production Sites:



Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of August 5, 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.