

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



Photo: Fukui Plant (Japan)

November 11, 2021

Denyo Co., Ltd.

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

Makoto Tanabe, Director and Senior Executive Officer,
Chief Executive, Administration Division

II. Outlook for FY2022/3

Shoichi Shiratori, President

Overview of Results for the First Half of FY2022/3

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

Key Point

Both Net sales and incomes decreased year on year.

(million yen)

	First half of FY2021/3		First half of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales	25,346	100%	24,836	100%	△ 510	△ 2.0%
Operating income	2,014	7.9%	1,615	6.5%	△ 399	△ 19.8%
Ordinary income	2,167	8.5%	1,689	6.8%	△ 478	△ 22.0%
Profit attributable to owners of parent	1,442	5.7%	1,173	4.7%	△ 269	△ 18.6%
Capital investment	906		219		△ 687	△ 75.8%
Depreciation	528		674		146	27.7%
Net income per share	69.17 yen		56.25 yen		△ 12.92yen	△ 18.7%
ROE	5.0%	Annualized	4.0%	Annualized		
Interim dividends per share	22.0 yen		22.0 yen			

Sales Trends by Product (Consolidated)

Overview

1. Sales of generators decreased by 774 million yen (3.9%).
2. Sales of welders increased by 293 million yen (13.3%).
3. Sales of compressors decreased by 40 million yen (9.6%).

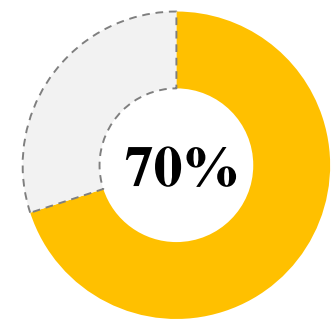
(million yen)

		First half of FY2021/3		First half of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		25,346	100%	24,836	100%	△ 510	△ 2.0%
By product	Generators	20,072	79.2%	19,297	77.7%	△ 774	△ 3.9%
	Welders	2,206	8.7%	2,499	10.1%	293	13.3%
	Compressors	424	1.7%	383	1.5%	△ 40	△ 9.6%
	Others	2,642	10.4%	2,654	10.7%	12	0.5%

Engine Generators (Consolidated)

	First half of FY2021/3	First half of FY2022/3	Rate of change (YoY)
Generators	20,072 ^{million yen}	19,297 ^{million yen}	Δ 3.9%

- In Japan, shipment of the large-type generators for construction work increased. Shipment of the emergency generators decreased.
- Overseas, shipment to the Middle East increased, but shipment to America decreased.



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

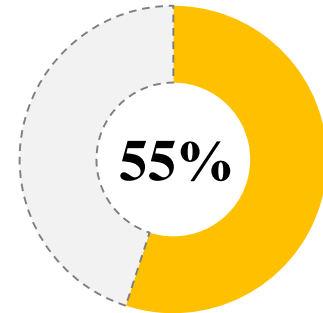
Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	First half of FY2021/3	First half of FY2022/3	Rate of change (YoY)
Welders	2,206 ^{million yen}	2,499 ^{million yen}	13.3%

- Shipment to Japan slightly decreased.
- Shipmen to overseas market increased, mainly for the small-type welding machines.



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.

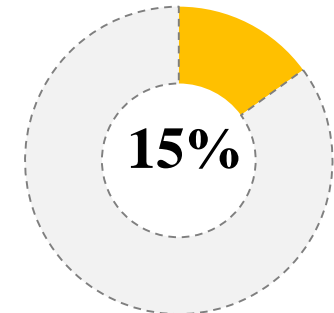
Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO₂ welder, etc.

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

Engine Compressors (Consolidated)


	First half of FY2021/3	First half of FY2022/3	Rate of change (YoY)
Compressors	424 million yen	383 million yen	Δ 9.6%

- Shipment to America 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)

	First half of FY2021/3	First half of FY2022/3	Rate of change (YoY)
Others	2,642 ^{million yen}	2,654 ^{million yen}	0.5%

- Sales of Parts attached to products etc. increased.

Sales of other products

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



Self-propelled lifter

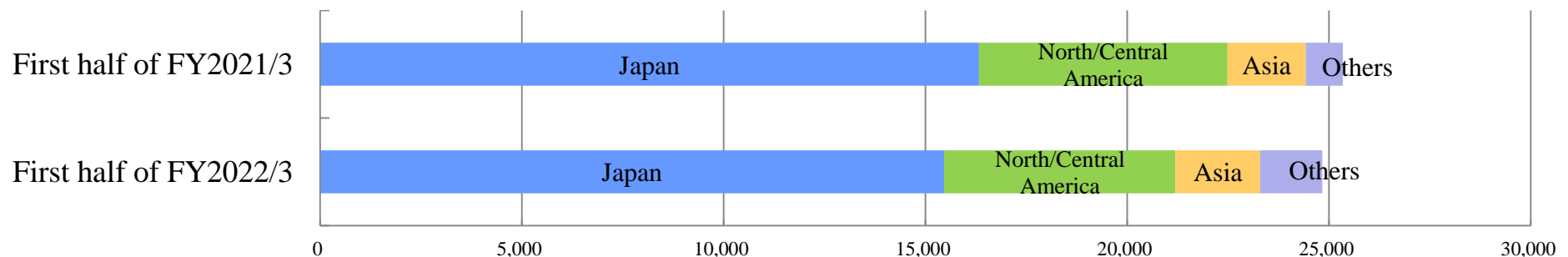


Load testing
equipment

Sales Trends by Region (Consolidated)

(million yen)

		First half of FY2021/3		First half of FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		25,346	100%	24,836	100%	△ 510	△ 2.0%
Domestic sales		16,329	64.4%	15,465	62.3%	△ 864	△ 5.3%
Overseas sales		9,017	35.6%	9,371	37.7%	354	3.9%
By region	North/Central America	6,156	24.3%	5,736	23.1%	△ 420	△ 6.8%
	Asia	1,938	7.6%	2,095	8.4%	157	8.1%
	Others	921	3.6%	1,539	6.2%	617	67.0%



Factor Analysis of Changes in Operating Income

Decrease in Operating Income

The cost to sales ratio and the SG&A expense ratio increased.

(million yen)

	First half of FY2021/3	First half of FY2022/3	Change (YoY)
Operating income	2,014	1,615	△ 399
Operating income margin (%)	7.9%	6.5%	△ 1.4 percentage points

	First half of FY2021/3	First half of FY2022/3	Change (YoY)
Gross profit margin	23.0%	22.4%	△ 0.6 percentage points
Ratio of SG&A to sales	15.0%	15.9%	0.9 percentage points
Ratio of operating income to sales	7.9%	6.5%	△ 1.4 percentage points

- **Gross profit margin declined due to higher raw material prices and a decrease in the proportion of relatively profitable products.**
- **The ratio of SG&A to sales rose due to increases in logistics costs and labor costs.**

Consolidated Balance Sheets

Overview

1. A 310 million yen decrease in current assets was mainly due to an decrease in trade receivables, etc.
2. A 2,852 million yen decrease in current liabilities was mainly due to a decrease in accounts payables and short-term loans payables, etc.

(million yen)

	At the end of FY2021/3	First half of FY2022/3	Change from the end of FY2021/3
Current assets	54,443	54,133	△ 310
Non-current assets	24,613	24,324	△ 289
Total assets	79,057	78,458	△ 599
Current liabilities	15,434	12,582	△ 2,852
Long-term liabilities	2,058	2,820	762
Total liabilities	17,493	15,403	△ 2,090
Total net assets	61,564	63,054	1,490
Total liabilities and net assets	79,057	78,458	△ 599

Changes in Consolidated Cash Flows

Overview

1. 2,633 million yen cash flow from operating activities was mainly due to a decrease in trade receivables, etc.
2. Balance of cash and cash equivalents increased 1,699 million yen from the end of the previous fiscal year.

(million yen)

	First half of FY2021/3	First half of FY2022/3
I Cash flow from operating activities	1,961	2,633
II Cash flow from investing activities	△ 1,003	△ 307
I + II Free cash flows	958	2,326
III Cash flow from financing activities	△ 602	△ 905
IV Foreign currency translation adjustments on cash and cash equivalents	△ 137	279
V Net increase or decrease in cash and cash equivalents	217	1,699
VI Cash and cash equivalents, end of quarterly period	21,272	24,613

Outlook for FY2022/3

Outlook for FY2022/3: Consolidated Income and Loss

Key points

- Net sales are expected to be 53.0 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%	53,000	100%	△ 2,006	△ 3.6%
Operating income	5,332	9.7%	3,900	7.4%	△ 1,432	△ 26.9%
Ordinary income	5,645	10.3%	4,100	7.7%	△ 1,545	△ 27.4%
Profit attributable to owners of parent	3,860	7.0%	2,750	5.2%	△ 1,110	△ 28.8%
Capital investment	1,918		1,150		△ 768	△ 40.0%
Depreciation	1,167		1,400		233	20.0%
Net income per share	185.1yen		131.8yen		△ 53.3yen	
ROE	6.7%		*4.8%			
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

- Overseas sales are expected to recover to a certain degree, but domestic sales are expected to decline in reaction to the strong sales of emergency generator in the previous fiscal year.
- Production delays of some models due to parts shortages are expected to affect the financial results.

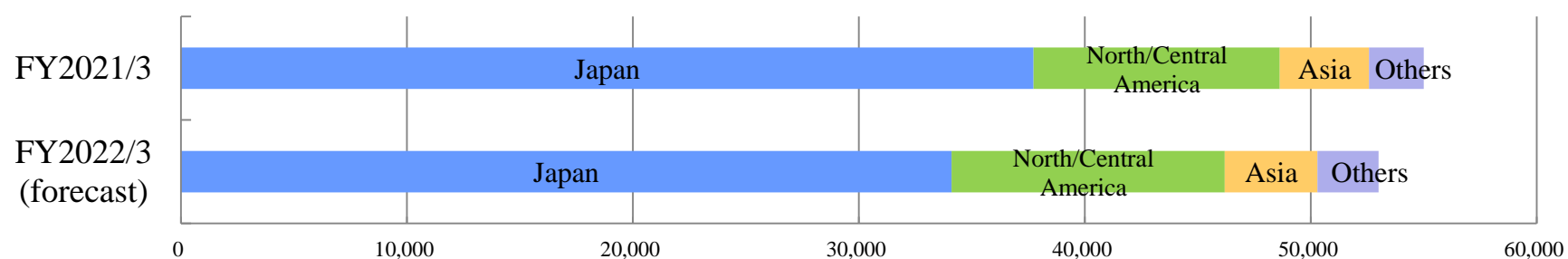
(million yen)

		FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,006	100%	53,000	100%	△ 2,006	△ 3.6%
By product	Generators	44,020	80.0%	42,300	79.8%	△ 1,720	△ 3.9%
	Welders	4,386	8.0%	4,300	8.1%	△ 86	△ 2.0%
	Compressors	755	1.4%	800	1.5%	45	6.0%
	Others	5,845	10.6%	5,600	10.6%	△ 245	△ 4.2%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2021/3		FY2022/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,006	100%	53,000	100%	△ 2,006	△ 3.6%
Domestic sales		37,737	68.6%	34,100	64.3%	△ 3,637	△ 9.6%
Overseas sales		17,269	31.4%	18,900	35.7%	1,631	9.4%
By region	North/ Central America	10,897	19.8%	12,100	22.8%	1,203	11.0%
	Asia	3,948	7.2%	4,100	7.7%	152	3.9%
	Others	2,423	4.4%	2,700	5.1%	277	11.4%



Details of the Operating Income Forecast

Decrease in operating income

With the decrease of the net sales and the gross profit margin, operating income is expected to decrease by 1,432 million yen.

(million yen)

	FY2021/3	FY2022/3 (forecast)	Change (YoY)
Operating income	5,332	3,900	△ 1,432
Operating income margin	9.7%	7.4%	△ 2.3 _{percentage point}

	FY2021/3	FY2022/3 (forecast)	Change (YoY)
Gross profit margin	24.2%	22.6%	△ 1.6 _{percentage point}
Ratio of SG&A to sales	14.5%	15.3%	0.8 _{percentage point}
Ratio of operating income to sales	9.7%	7.4%	△ 2.3 _{percentage point}

- The gross profit margin is expected to be affected by the sharp rise in raw material prices.
- The ratio of SG&A to sales are expected to be worsen due to increased logistics costs and expenses associated with the recovery of sales activities.

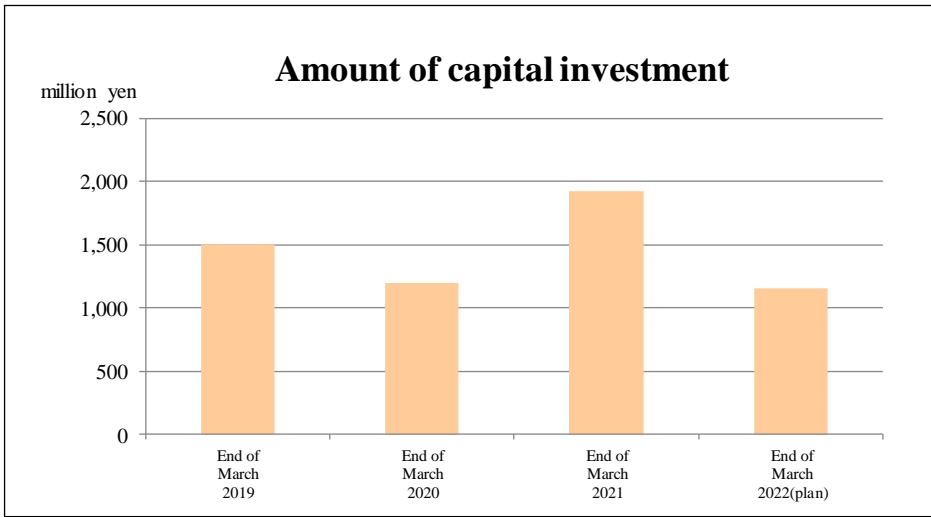
Changes in the Amount of Capital Investment

(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



Denyo Manufacturing Corporation (U.S.A.)

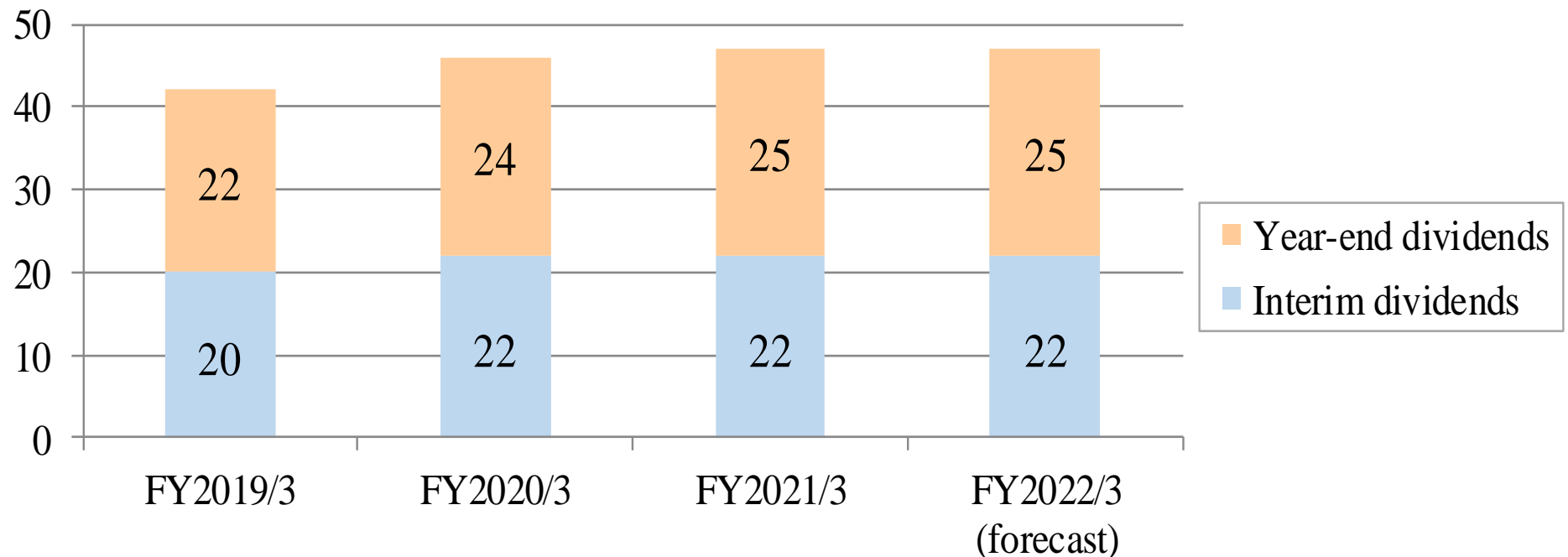


Profit Distribution Policy

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:

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



Future Business Strategy (Overview of the Second Medium-term Management Plan)

Denyo 2023 ~Powering up for the future~

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.

Business Objectives/FY2023

Consolidated Net Sales billion yen
61 +a

Ordinary Income billion yen
6.2

ROE **6.5% or more**

Our SDGs (ESG) Commitment

E : Help protect the environment

- Development and provision of products with the highest environmental performance.
- Reduction and recycling of waste, and reduction of GHG emissions, etc.

S : Realize a sustainable society

- Contribution to the prosperity of society through the development of infrastructure and disaster management and disaster mitigation products.
- Provision of safe and secure products, etc.

G : The Long-term enhancement of corporate value

- Compliance with laws and regulations, social norms, ethics, internal regulations and other relevant rules.
- Promotion of fair business activities, etc.

Strategies in the Domestic Market

【Construction-related sector】

Aim to maintain and increase share of the domestic market focusing on top brand products such as engine-driven generators and welders

- ① Strive to increase market share and expand market by launching new products which meet customer needs
- ② Aim for more efficient, more sophisticated sales activities

【Non-construction-related sector】

Focus on laying the foundations for further expanding sales of stand-by generating sets

- ① Enhance training structure to improve specialist knowledge
- ② Strengthen cooperation among group companies
- ③ Enhance product maintenance structure

Strategies in the Overseas Market

【Overseas Sector】

Aim to increase presence in targeted high quality market

- ① Aim to develop new markets by seeking to enhance product lineup through market research and enhancement of functions and other features
- ② Seek to increase sales capabilities by strengthening sales network in each country and enhancing training structure
- ③ Strengthen marketing capabilities and increase contact with customers
- ④ Continue to develop markets through the release of a series of stationary generators

Reinforcing the Operating Foundation

【Development】

Develop market-leading products as the pioneer of high-quality power sources

- ① Identify market needs accurately and seek to speed up development
- ② Step up action for the development of innovative products

【Production】

Build a globally competitive production system

- ① Establish a flexible and highly efficient production structure by strengthening production site capabilities and promoting the use of IT
- ② Seek to develop more sophisticated production sites in Japan

【Organization】

Create a structure which enables the career advancement of diverse human resources

- ① Aim to achieve both job satisfaction and ease of working through further enhancement of the training structure and a review of personnel systems
- ② Pursue computerization in every process

Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as November 11, 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.

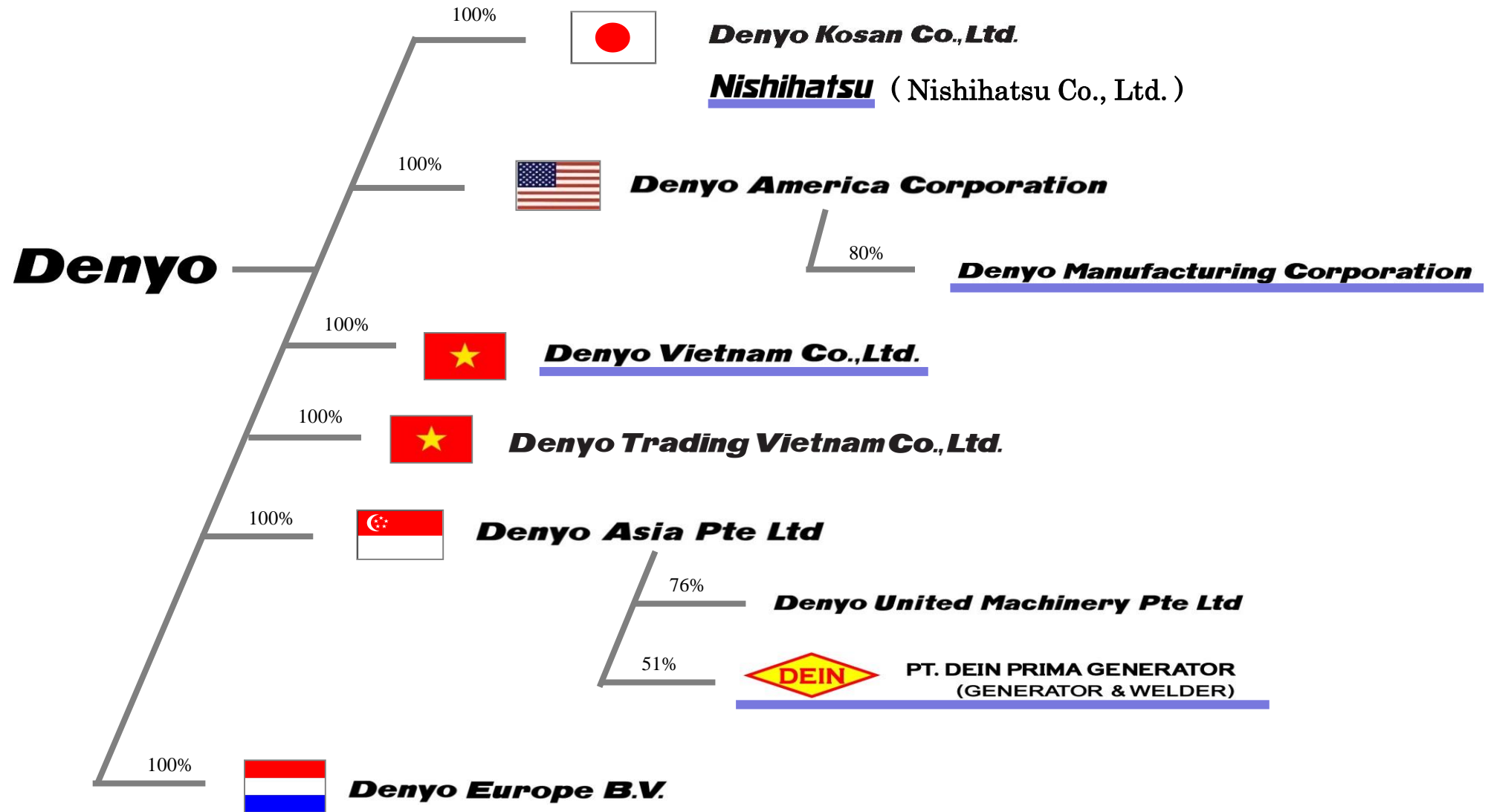
● Company size, etc. (FY2021/3 on a consolidated basis) (million yen)

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



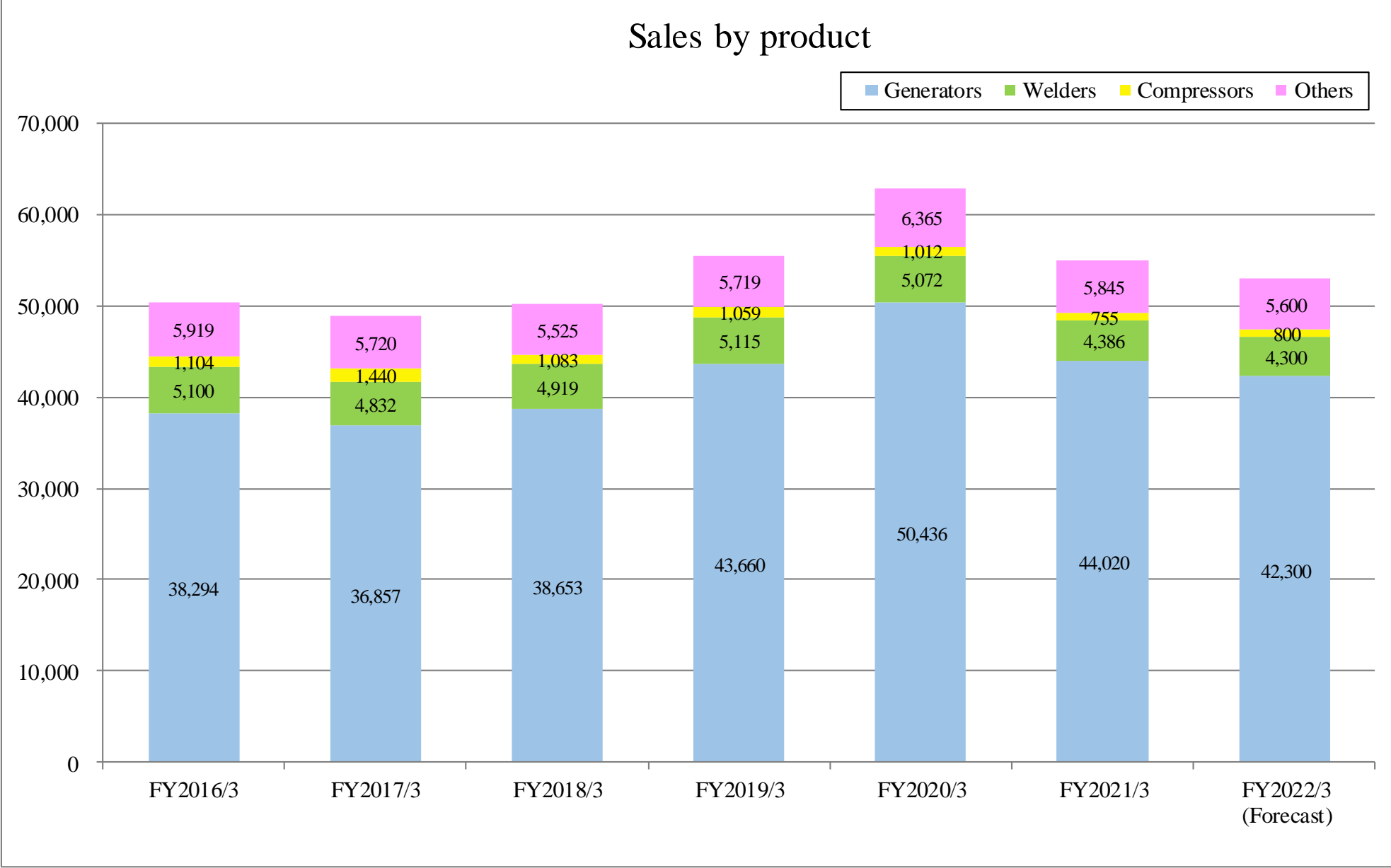
Head Office (Nihonbashi-Horidomecho, Tokyo)

The Group Companies

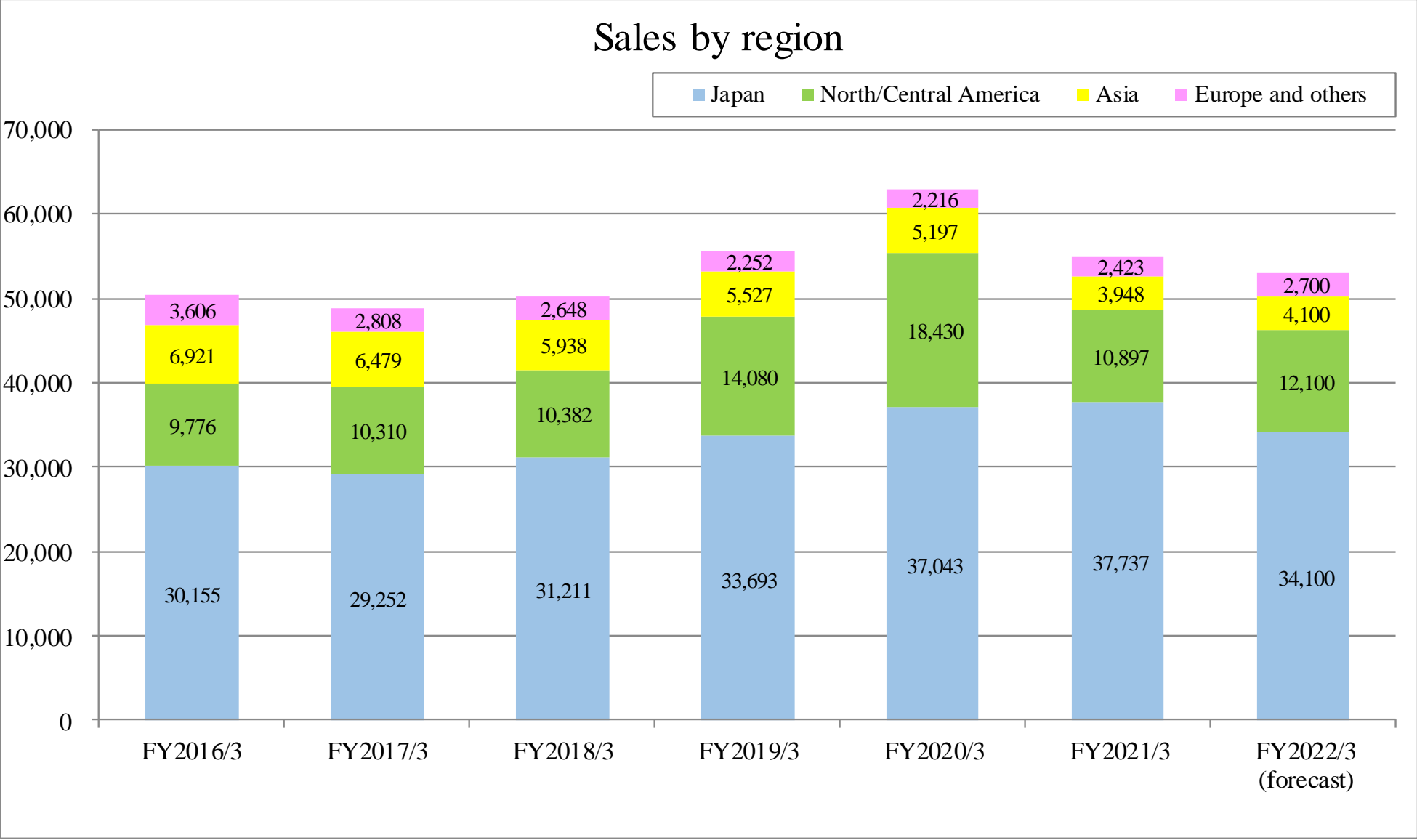


*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).
 *2. Underlined companies are manufacturers.

Trends and Forecasts by Product Sales



Changes in Sales by Region and Forecasts



Changes in Results for the Last 30 Years

