



Denyo Co.,Ltd.

Briefing on Results for the First quarter of the
Fiscal Year ending March 31, 2023

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the First quarter of FY2023/3

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I . Overview of Results for the First quarter of FY2023/3

(April 1, 2022 ~ June 30, 2022)

Highlights of Results for the First quarter of FY2023/3 (Consolidated)

Key points

- Net Sales increased year on year, mainly due to an increase in overseas shipments.
- Incomes decreased year-on-year, mainly due to a decline in gross profit margin due to soaring raw material prices.

(million yen)

	First quarter of FY2022/3		First quarter of FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales	11,973	100%	12,792	100%	819	6.8%
Operating income	847	7.1%	336	2.6%	△ 511	△ 60.3%
Ordinary income	857	7.2%	410	3.2%	△ 447	△ 52.2%
Profit attributable to owners of parent	581	4.9%	260	2.0%	△ 321	△ 55.2%
Capital investment	71	—	27	—	△ 44	△ 62.0%
Depreciation	336	—	292	—	△ 44	△ 13.1%
Net income per share	27.87 yen	—	12.59 yen	—	△ 15.28 yen	△ 54.8%

Sales Trends by Product (Consolidated)

(million yen)

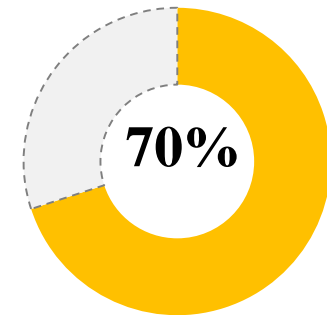
		First quarter of FY2022/3		First quarter of FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales		11,973	100%	12,792	100%	819	6.8%
By product	Generators	9,343	78.0%	10,232	80.0%	889	9.5%
	Welders	1,170	9.8%	1,159	9.0%	△ 11	△ 0.9%
	Compressors	221	1.8%	163	1.3%	△ 58	△ 26.0%
	Others	1,237	10.3%	1,238	9.7%	1	0.0%

Engine Generators (Consolidated)

(million yen)

	First quarter of FY2022/3	First quarter of FY2023/3	Rate of change (YoY)
Generators	9,343	10,232	9.5%

- In Japan, shipment of the large-type generators decreased.
- Overseas, shipment to America market and Asia market recovered.



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

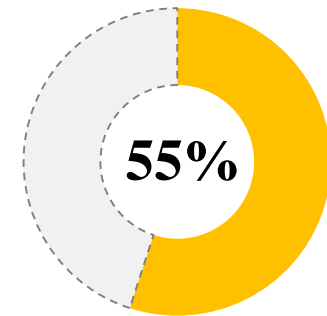
- Mobile-type generators
Power source on a construction site and for civil engineering work and disaster recovery/restoration, etc.
- Stand-by generating sets (stationary type)
Back-up power source such as disaster prevention equipment and offices, etc.
- Power-supply vehicles, etc.

Engine Welders (Consolidated)

(million yen)

	First quarter of FY2022/3	First quarter of FY2023/3	Rate of change (YoY)
Welders	1,170	1,159	△ 0.9%

- 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.

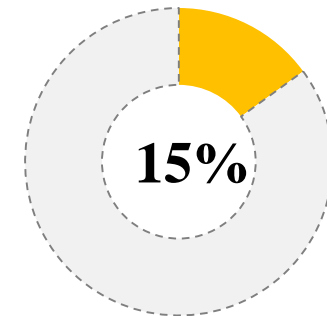
- Welding of steel construction for buildings, condominiums and bridges.
- Welding of important structures such as petroleum storage tanks and pipelines.

Engine Compressors (Consolidated)

(million yen)

	First quarter of FY2022/3	First quarter of FY2023/3	Rate of change (YoY)
Compressors	221	162	△ 26.0%

- Shipments of engine compressors to Japan 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 FY2022/3	First quarter of FY2023/3	Rate of change (YoY)
Others	1,237	1,238	0.0%

- Purchased merchandise decreased, but shipments of the self-propelled lifters increased.

Sales of other products

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



Self-propelled lifter

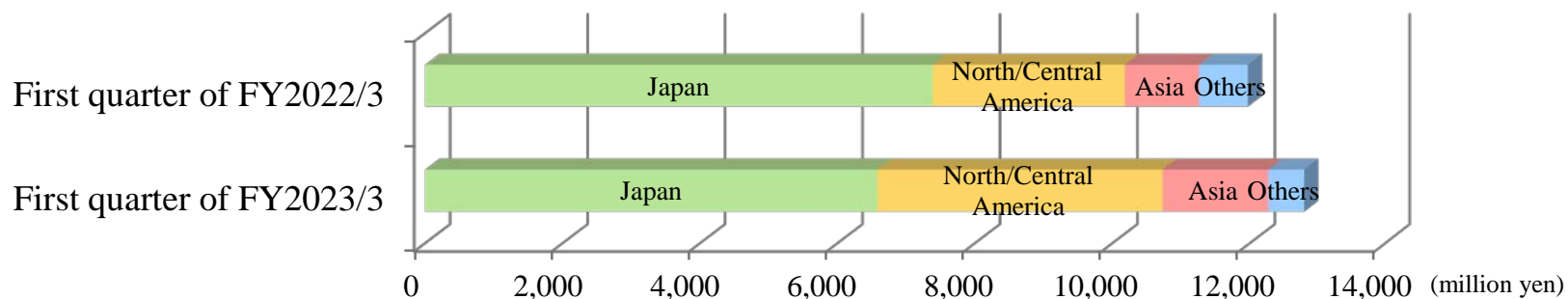


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		First quarter of FY2022/3		First quarter of FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales		11,973	100%	12,792	100%	819	6.8%
Domestic sales		7,385	61.7%	6,581	51.4%	△ 804	△ 10.9%
Overseas sales		4,588	38.3%	6,211	48.6%	1,623	35.4%
By region	North/Central America	2,798	23.4%	4,150	32.5%	1,352	48.3%
	Asia	1,077	9.0%	1,539	12.0%	462	42.8%
	Others	712	5.9%	522	4.1%	△ 190	△ 26.8%



Factor Analysis of Changes in Operating Income (Consolidated)

Decrease in
Operating income

- The operating income decreased due to deterioration of cost of sales ratio and an increase in SG&A expenses.

(million yen)

	First quarter of FY2022/3	First quarter of FY2023/3	Change(YoY)
Operating income	847	336	△ 510
Operating income margin	7.1%	2.6%	△ 4.4percentage point

	First quarter of FY2022/3	First quarter of FY2023/3	Rate of change (YoY)
Gross profit margin	23.4%	19.6%	△ 3.8percentage point
Ratio of SG&A to sales	16.3%	17.0%	0.7percentage point
Ratio of operating income to sales	7.1%	2.6%	△ 4.4percentage point

- Gross profit margin declined due to rising raw material costs prior to the price pass-through for goods.
- Ratio of SG&A to sales were worsen due to increased logistics costs and expenses associated with the recovery of sales activities.



II . Outlook for FY2023/3

Outlook for FY2023/3: Consolidated Income and Loss

Key points

- Net sales are expected to be 57.5 billion yen.
- Assumed exchange rate is 110 yen/dollar.

(million yen)

	FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change(YoY)
Net sales	55,168	100%	57,500	100%	2,332	4.2%
Operating income	3,653	6.6%	3,900	6.8%	247	6.7%
Ordinary income	4,029	7.3%	4,200	7.3%	171	4.2%
Profit attributable to owners of parent	2,753	5.0%	2,800	4.9%	47	1.7%
Capital investment	839		3,700		2,861	341.0%
Depreciation	1,361		1,300		△ 61	△ 4.5%
Net income per share	132.0yen		135.1yen		3.1yen	
ROE	4.6%		4.6%			
Cash dividends per share	47.0yen		48.0yen			

* Equity is calculated by using the amount of money at the end of FY2022/3.

Outlook for Sales by Product (Consolidated)

Overview

- In Japan, construction demand and demand for emergency generators are expected to remain robust. Furthermore, event-related demand is expected to recover.
- Overseas, sales to America and Asia are expected to recover.

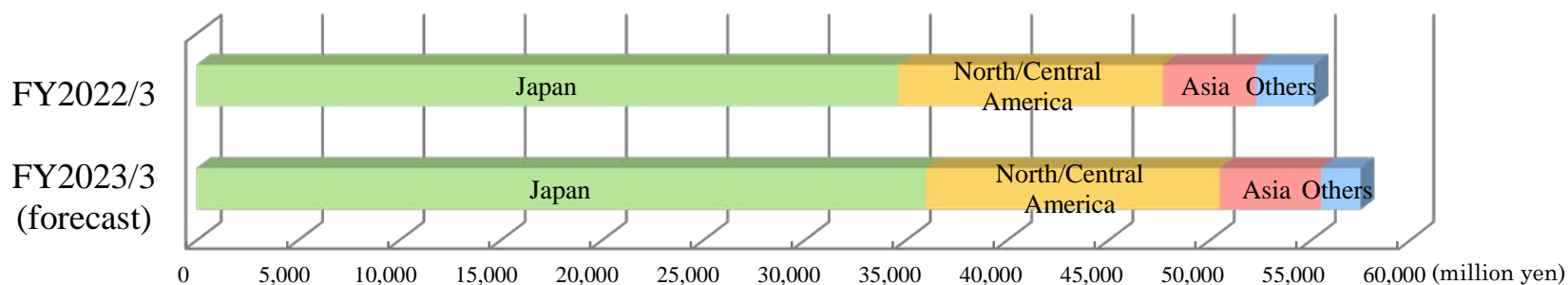
(million yen)

		FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,168	100%	57,500	100%	2,332	4.2%
By products	Generators	43,754	79.3%	45,800	79.7%	2,046	4.7%
	Welders	4,829	8.8%	5,000	8.7%	171	3.5%
	Compressors	727	1.3%	800	1.4%	73	10.0%
	Others	5,856	10.6%	5,900	10.3%	44	0.8%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,168	100%	57,500	100%	2,332	4.2%
Domestic sales		34,632	62.8%	36,000	62.6%	1,368	4.0%
Overseas sales		20,536	37.2%	21,500	37.4%	964	4.7%
By region	North/Central America	13,052	23.7%	14,500	25.2%	1,448	11.1%
	Asia	4,596	8.3%	5,000	8.7%	404	8.8%
	Others	2,886	5.2%	2,000	3.5%	△ 886	△ 30.7%



Details of the Operating Income Forecast

Increase in operating income

- Operating income is expected to increase due to an increase in sales and an improvement in operating income margin.

(million yen)

	FY2022/3	FY2023/3 (forecast)	Change (YoY)
Operating income	3,653	3,900	247
Operating income margin	6.6%	6.8%	0.2 _{percentage point}

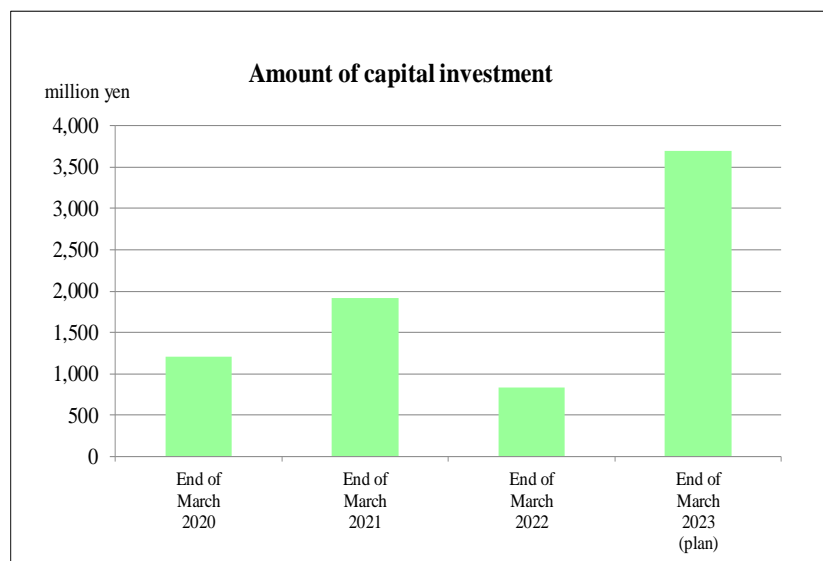
	FY2022/3	FY2023/3 (forecast)	Change (YoY)
Gross profit margin	21.2%	21.7%	0.5 _{percentage point}
Ratio of SG&A to sales	14.6%	14.9%	0.3 _{percentage point}
Ratio of operating income to sales	6.6%	6.8%	0.2 _{percentage point}

- The gross profit margin is expected to improve due to price pass-through and cost reduction activities in response to soaring 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.

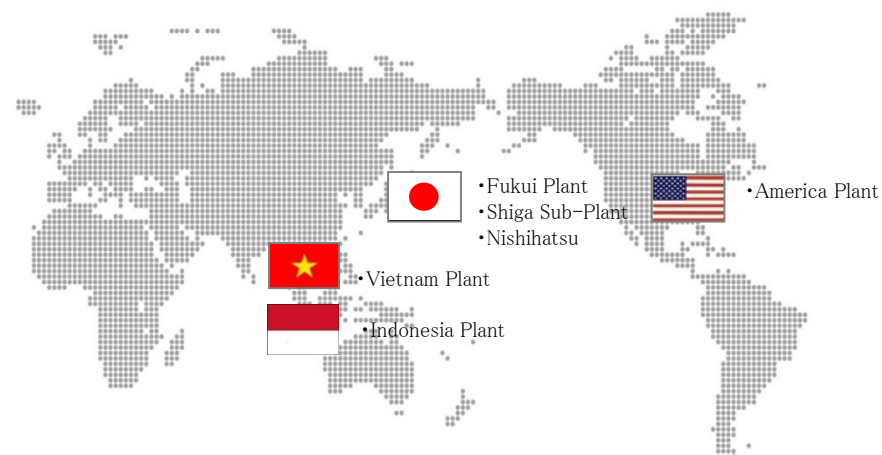
Changes in the Amount of Capital Investment

(million yen)

	End of March 2020	End of March 2021	End of March 2022	End of March 2023 (plan)
Cost of equipment	1,201	1,918	839	3,700
Main uses	<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. 290 • Nishihatsu 50 • U.S. Plant 20 • Vietnam Plant 20 • Others 460 	<ul style="list-style-type: none"> • Machinery of Fukui plant, etc. 540 • Nishihatsu 1,400 • U.S. Plant 160 • Vietnam Plant 100 • Others 1,500



Production Sites:



Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of August 4, 2022.

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.