

# Briefing on Results for the Fiscal Year ending March 31, 2023



Photo: Service Center Kanto

May 11, 2023

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

**I. Overview of Results for FY2023/3**

**II. Outlook for FY2024/3**

# **Overview of Results for FY2023/3**

# Highlights of Results for FY2023/3 (Consolidated)

## Key Point

Net sales reached a record high, operating income, ordinary income and profit attributable to owners of parent are more than the previous fiscal year.

(million yen)

	FY2022/3		FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales	55,168	100%	64,311	100%	9,143	16.6%
Operating income	3,653	6.6%	4,874	7.6%	1,220	33.4%
Ordinary income	4,029	7.3%	5,180	8.1%	1,151	28.6%
Profit attributable to owners of parent	2,753	5.0%	3,633	5.7%	880	32.0%
Capital investment	839		4,213		3,374	402.1%
Depreciation	1,361		1,266		95	△ 7.0%
Net income per share	132.0 <sup>yen</sup>		175.6 <sup>yen</sup>		43.6 <sup>yen</sup>	40.2%
ROE	4.6%		5.7%			
Cash dividends per share	47.0 <sup>yen</sup>		50.0 <sup>yen</sup>			

# Sales Trends by Product (Consolidated)

## Overview

1. Sales of generators increased by 9,945 million yen (22.7%).
2. Sales of welders decreased by 428 million yen (8.9%).
3. Sales of compressors were on par with the previous fiscal year.

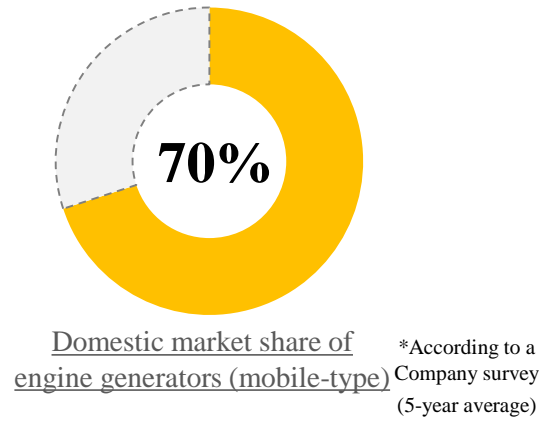
(million yen)

		FY2022/3		FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales		55,168	100%	64,311	100%	9,143	16.6%
By product	Generators	43,754	79.3%	53,700	83.5%	9,945	22.7%
	Welders	4,829	8.8%	4,401	6.8%	△428	△8.9%
	Compressors	727	1.3%	727	1.1%	0	0.0%
	Others	5,856	10.6%	5,482	8.5%	△374	△6.4%

# Engine Generators (Consolidated)

	FY2022/3	FY2023/3	Rate of change (YoY)
Generators	43,754 <sup>million yen</sup>	53,700 <sup>million yen</sup>	22.7%

- In Japan, shipment of the mobile-type generators remain robust. Stand-by generating sets for disaster prevention equipment decreased.
- Overseas, shipment to America and Asia increased.



Soundless generator "Mālie"



Generator with operational data recording function

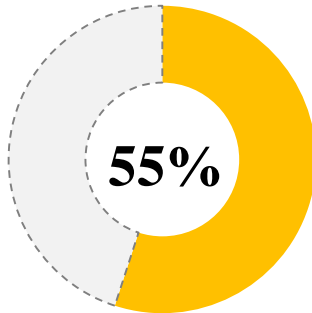
## Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	FY2022/3	FY2023/3	Rate of change (YoY)
Welders	4,829 <sup>million yen</sup>	4,401 <sup>million yen</sup>	Δ8.9%

- Due to the difficulty in procuring some parts, both domestic and overseas sales 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.**

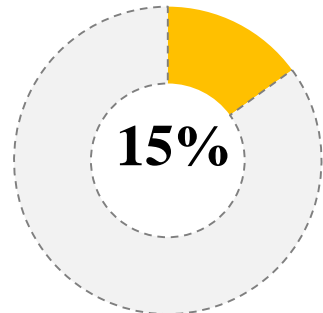
**Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO<sub>2</sub> welder, etc.**

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

# Engine Compressors (Consolidated)

	FY2022/3	FY2023/3	Rate of change (YoY)
Compressors	727 million yen	727 million yen	0.0%

- The shipment to the domestic market decreased, but the shipment to America increased.



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)

	FY2022/3	FY2023/3	Rate of change (YoY)
Others	5,856 <sup>million yen</sup>	5,482 <sup>million yen</sup>	△6.4%

- Shipment of self-propelled lifters increased, but Sales of 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

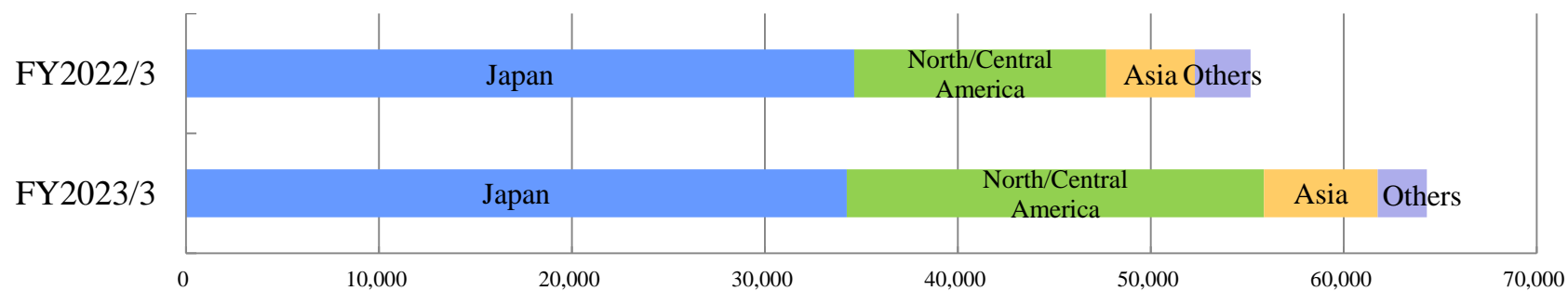


Load testing equipment

# Sales Trends by Region (Consolidated)

(million yen)

		FY2022/3		FY2023/3		Change (YoY)	Rate of change (YoY)
Net sales		55,168	100%	64,311	100%	9,143	16.6%
Domestic sales		34,632	62.8%	34,244	53.2%	△ 387	△ 1.1%
Overseas sales		20,536	37.2%	30,066	46.8%	9,530	46.4%
By region	North/Central America	13,052	23.7%	21,617	33.6%	8,564	65.6%
	Asia	4,596	8.3%	5,902	9.2%	1,306	28.4%
	Others	2,886	5.2%	2,547	4.0%	△ 339	△ 11.8%



# Factor Analysis of Changes in Operating Income

## Increase in Operating Income

The operating income increased due to the significant increase in sales and the effect of reflecting part of the cost increase in the selling price.

(million yen)

	FY2022/3	FY2023/3	Change (YoY)
Operating income	3,653	4,874	1,220
Operating income margin (%)	6.6%	7.6%	1.0percentage points

	FY2022/3	FY2023/3	Change (YoY)
Gross profit margin	21.2%	21.2%	0.0percentage points
Ratio of SG&A to sales	14.6%	13.6%	△ 1.0percentage points
Ratio of operating income to sales	6.6%	7.6%	1.0percentage points

- The gross profit margin recovered to the same level as the previous fiscal year due to the effect of reflecting part of the cost increase in selling prices, mainly in the second half.
- The ratio of SG&A to sales decreased due to a significant increase in sales despite an increase in SG&A expenses due to a recovery in sales activities.

# Consolidated Balance Sheets

## Overview

1. Current assets increased by 4,644 million yen mainly due to an increase in inventories, etc.
2. Non-current assets increased by 4,324 million yen mainly due to an increase in tangible fixed assets, etc.
3. Current liabilities increased by 3,430 million yen mainly due to an increase in short-term loans payable, etc.

(million yen)

	At the end of FY2022/3	At the end of FY2023/3	Change from the end of FY2022/3
Current assets	56,872	61,517	4,644
Non-current assets	23,902	28,227	4,324
Total assets	80,774	89,744	8,969
Current liabilities	14,269	17,700	3,430
Long-term liabilities	2,744	3,385	640
Total liabilities	17,013	21,085	4,071
Total net assets	63,760	68,658	4,898
Total liabilities and net assets	80,774	89,744	8,969

# Changes in Consolidated Cash Flows

## Overview

1. Cash flow from operating activities was 2,031 million yen, mainly due to the recording of the income before income taxes, etc.
2. Cash flow from investing activities was -4,116 million yen, due to the acquisition of tangible fixed assets.
3. Balance of cash and cash equivalents decreased by 1,027 million yen from the end of the previous fiscal year.

(million yen)

	FY2022/3	FY2023/3
I Cash flow from operating activities	2,695	2,031
II Cash flow from investing activities	△ 819	△ 4,116
<b>I + II Free cash flow</b>	<b>1,876</b>	<b>△ 2,085</b>
III Cash flow from financing activities	△ 1,643	937
IV Foreign currency translation adjustments on cash and cash equivalents	212	119
V Net increase or decrease in cash and cash equivalents	445	△ 1,027
VI Cash and cash equivalents, end of period	23,358	22,331

# **Outlook for FY2024/3**

# Outlook for FY2024/3: Consolidated Income and Loss

## Key points

1. Net sales are expected to be 65 billion yen.
2. Assumed exchange rate is 130 yen/dollar.

(million yen)

	FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	64,311	100%	65,000	100%	689	1.1%
Operating income	4,874	7.6%	5,000	7.7%	126	2.6%
Ordinary income	5,180	8.1%	5,350	8.2%	170	3.3%
Profit attributable to owners of parent	3,633	5.6%	3,700	5.7%	67	1.8%
Capital investment	4,213		1,800		Δ2,413	Δ57.3%
Depreciation	1,266		1,300		34	2.7%
Net income per share	175.6 <sup>yen</sup>		179.3 <sup>yen</sup>		3.7 <sup>yen</sup>	
ROE	5.7%		*5.6%			
Cash dividends per share	50.0 <sup>yen</sup>		51.0 <sup>yen</sup>			

\* Equity is calculated by using the amount of money at the end of FY2023/3.

# Outlook for Sales by Product (Consolidated)

## Overview

1. In Japan, demand for construction is expected to remain robust, and sales of products for construction are expected to increase. Stand-by generating sets for disaster prevention equipment generators are also expected to recover.
2. Overseas, demand in America and Asia are expected to remain at the high level of the previous fiscal year.

(million yen)

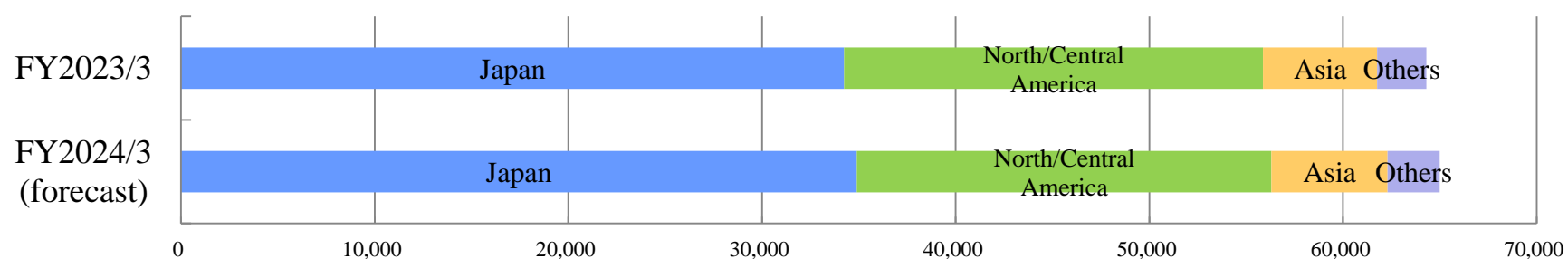
		FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		64,311	100%	65,000	100%	689	1.1%
By product	Generators	53,700	83.5%	53,900	82.9%	200	0.4%
	Welders	4,401	6.8%	4,700	7.2%	299	6.8%
	Compressors	727	1.1%	800	1.2%	73	10.0%
	Others	5,482	8.5%	5,600	8.6%	118	2.2%



# Outlook for Sales by Region (Consolidated)

(million yen)

		FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		64,311	100%	65,000	100%	689	1.1%
Domestic sales		34,244	53.2%	34,900	53.7%	656	1.9%
Overseas sales		30,066	46.8%	30,100	46.3%	34	0.1%
By region	North/ Central America	21,617	33.6%	21,400	32.9%	△ 217	△ 1.0%
	Asia	5,902	9.2%	6,000	9.2%	98	1.7%
	Others	2,547	4.0%	2,700	4.2%	153	6.0%



# Details of the Operating Income Forecast

## Increase in operating income

Operating income is expected to improve due to higher sales prices and cost reduction activities.

(million yen)

	FY2023/3	FY2024/3 (forecast)	Change (YoY)
Operating income	4,874	5,000	126
Operating income margin	7.6%	7.7%	0.1 percentage point

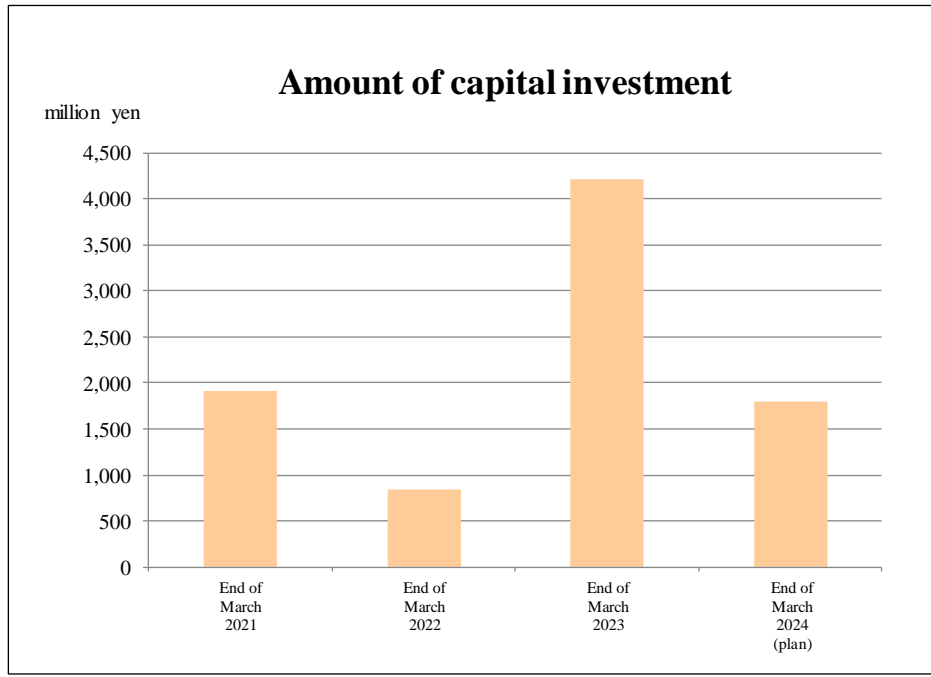
	FY2023/3	FY2024/3 (forecast)	Change (YoY)
Gross profit margin	21.2%	21.9%	0.7 percentage point
Ratio of SG&A to sales	13.6%	14.2%	0.6 percentage point
Ratio of operating income to sales	7.6%	7.7%	0.1 percentage point

- The gross profit margin is expected to improve due to the effect of reflection on selling prices and cost reduction activities, despite price hikes for main parts.
- The ratio of SG&A to sales are expected to be worsen due to increased in labor costs and expenses associated with normalization of sales activities.

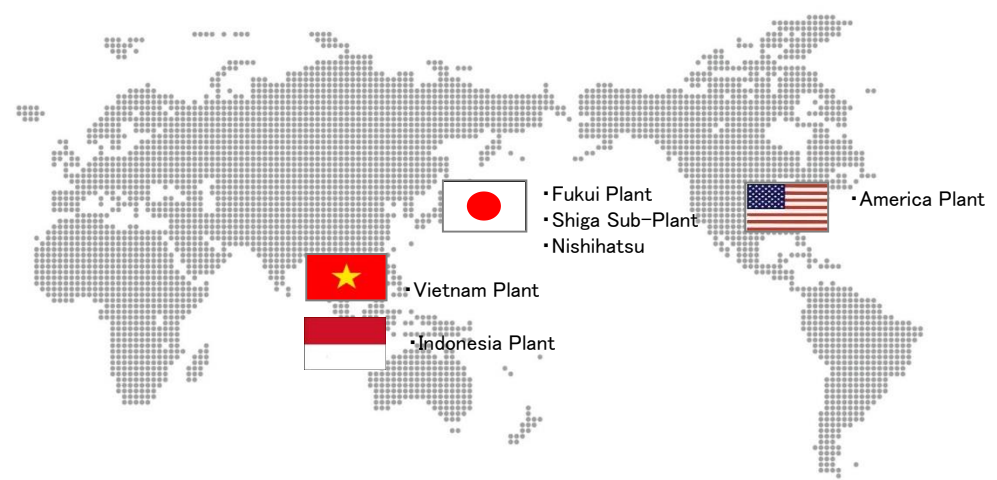
# Changes in the Amount of Capital Investment

(million yen)

	End of March 2021	End of March 2022	End of March 2023	End of March 2024 (plan)
<b>Cost of equipment</b>	<b>1,918</b>	<b>839</b>	<b>4,213</b>	<b>1,800</b>
<b>Main uses</b>	<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. 290</li> <li>• Nishihatsu 50</li> <li>• U.S. Plant 20</li> <li>• Vietnam Plant 20</li> <li>• Others 460</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery of Fukui plant, etc. 360</li> <li>• Nishihatsu 2500</li> <li>• U.S. Plant 20</li> <li>• Vietnam Plant 70</li> <li>• Others 1,260</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery of Fukui plant, etc. 800</li> <li>• Nishihatsu 150</li> <li>• U.S. Plant 200</li> <li>• Vietnam Plant 200</li> <li>• Others 450</li> </ul>



## Production Sites:

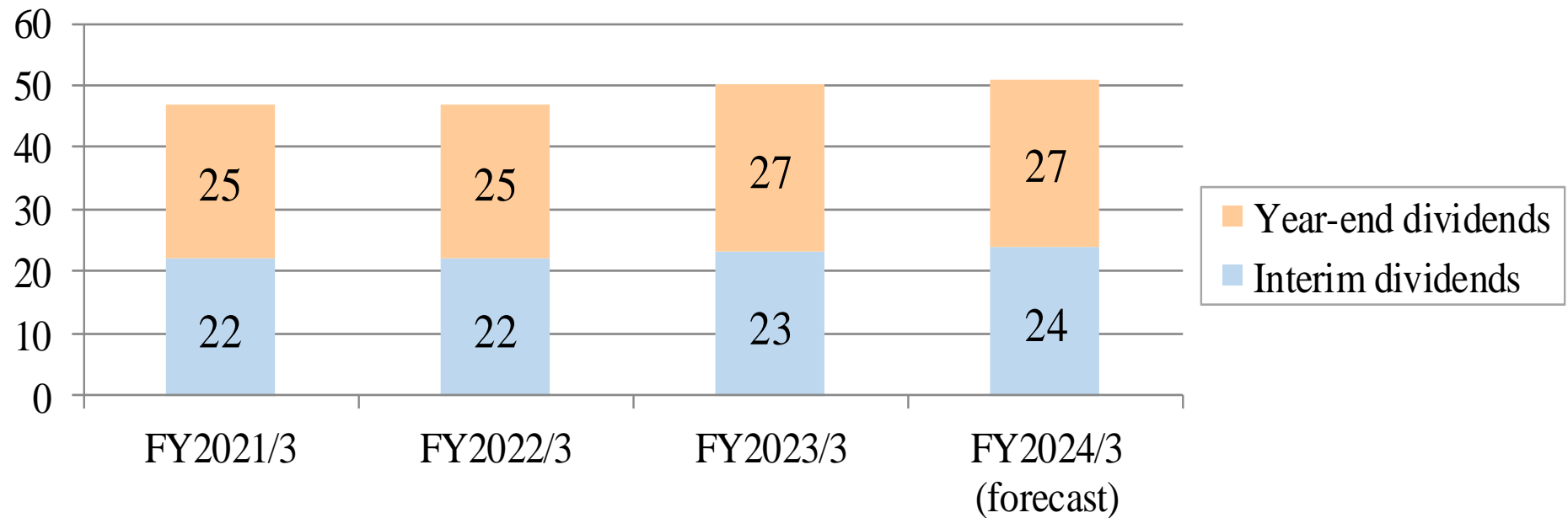


# Profit Distribution Policy

**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:

**47 yen in FY2022/3 ⇒ 50 yen in FY2023/3 ⇒ 51 yen (forecast) in FY2024/3**



# 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	61 <sup>billion yen</sup> +a
Ordinary Income	6.2 <sup>billion yen</sup>
ROE	6.5% or more

### Our SDGs (ESG) Commitment

<b>E : Help protect the environment</b>	<ul style="list-style-type: none"> <li>Development and provision of products with the highest environmental performance.</li> <li>Reduction and recycling of waste, and reduction of GHG emissions, etc.</li> </ul>
<b>S : Realize a sustainable society</b>	<ul style="list-style-type: none"> <li>Contribution to the prosperity of society through the development of infrastructure and disaster management and disaster mitigation products.</li> <li>Provision of safe and secure products, etc.</li> </ul>
<b>G : The Long-term enhancement of corporate value</b>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations, social norms, ethics, internal regulations and other relevant rules.</li> <li>Promotion of fair business activities, etc.</li> </ul>

### 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

# Efforts toward carbon neutrality

Denyo regards global environmental problems as a key management issue, and engages proactively in environmental initiatives. We consider initiatives aimed at creating a hydrogen-based society (such as through the use of hydrogen fuel cells) to be one effective means of reducing CO2 emissions and preventing atmospheric pollution, with the aim of preventing global warming.



## Fuel-cell Portable Generator

- Selected by Japan's Ministry of the Environment as a "Low Carbon Technology Research and Development Program"
- Developed a new power conditioner especially for fuel cells, and installed it in the generators
- Demonstration operation will start in May 2021

- Intended use
- Civil engineering and construction sites
  - Houses without power after a disasters
  - Location where TV reporters are reporting, and event sites, etc.



## Hydrogen-light oil mixed combustion Generator

- Operates with a light oil/hydrogen mixing ratio of 50%
- 50% reduction in CO2 emissions compared to using only light oil as fuel
- Aiming for mass production of 250kW hydrogen-light oil mixed combustion generator in 2023

- Intended use
- Private consumption using byproduct hydrogen
  - Back-up power source in a power outage, etc.

# Efforts toward carbon neutrality



## Dedicated Hydrogen Generator

- Uses only hydrogen as fuel and does not emit CO2
- Starting with the development of the 45kVA class , which is the volume zone
- Aiming for market launch after 2025

Intended use

- Civil engineering, construction sites , harbor construction
- TV broadcasting, various events, leisure, etc.



## Mobile Battery LED floodlights

- Quiet and no CO2 emissions
- Uses a detachable cartridge-type lithium-ion battery
- Long operation possible

Intended use

- Night construction, events, etc.

# Efforts toward carbon neutrality

## Established Service Center Kanto



- As an initiative for decarbonization, we have installed solar power generation equipment on the roof of the factory building, and it is possible to cover the power of the office and the factory buildings.
- Equipped with a 20t class crane, it is possible to maintain indoors up to a large generator of up to 1100kVA.

### <Overview>

1. Location                      Sakura City, Chiba
2. Site area                      2,999m<sup>2</sup>
3. Total floor area              1,925m<sup>2</sup>
4. Building structure          Office building (2 stories), large machine repair factory building, small/medium machine repair factory building (2 stories)



# Notes on Our Outlook

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This material contains assumptions and outlooks for the future and forecasts based on plans as May 11, 2023.

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.
	2022	Transited to Prime Market in Tokyo Stock Exchange.

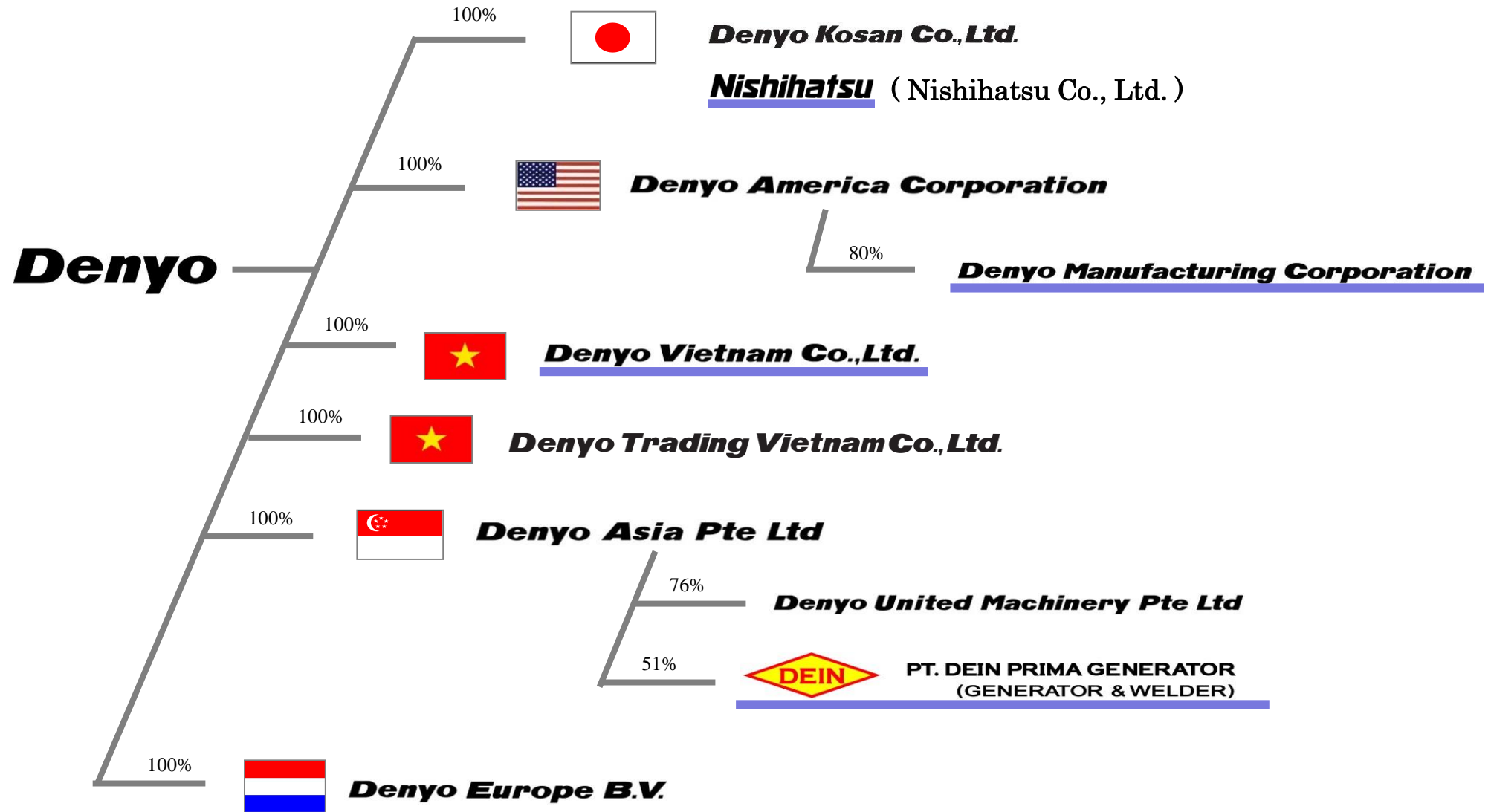
● Company size, etc. (FY2023/3 on a consolidated basis) (million yen)

Net sales	64,311
Overseas sales	30,066
Ordinary income	5,180
Profit attributable to owners of parent	3,633
Total assets	89,774
Net assets	68,658
Market capitalization (as of March 31)	38,884
Number of employees	1,381 persons



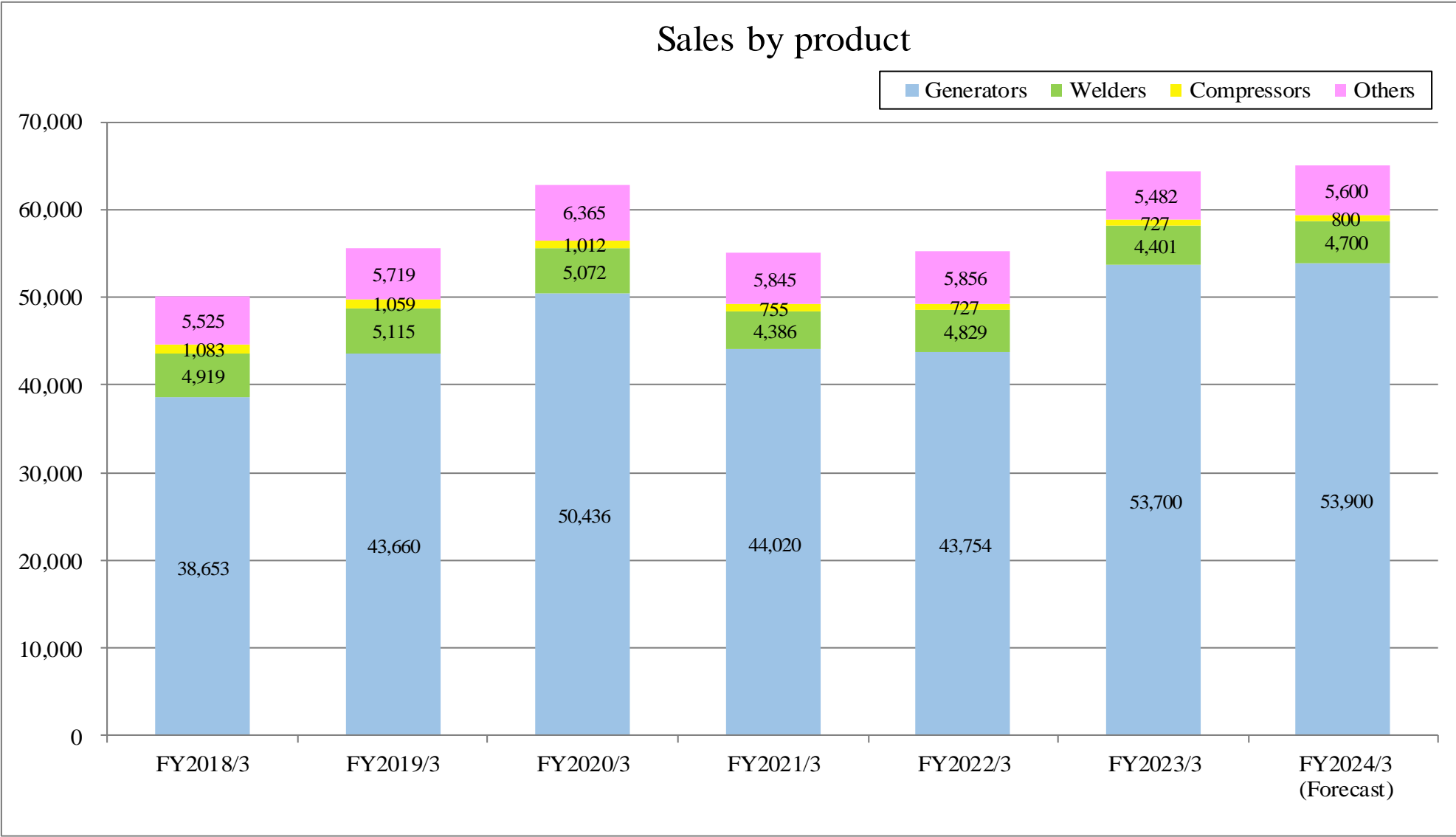
Head Office (Nihonbashi-Horidomecho, Tokyo)

# The Group Companies

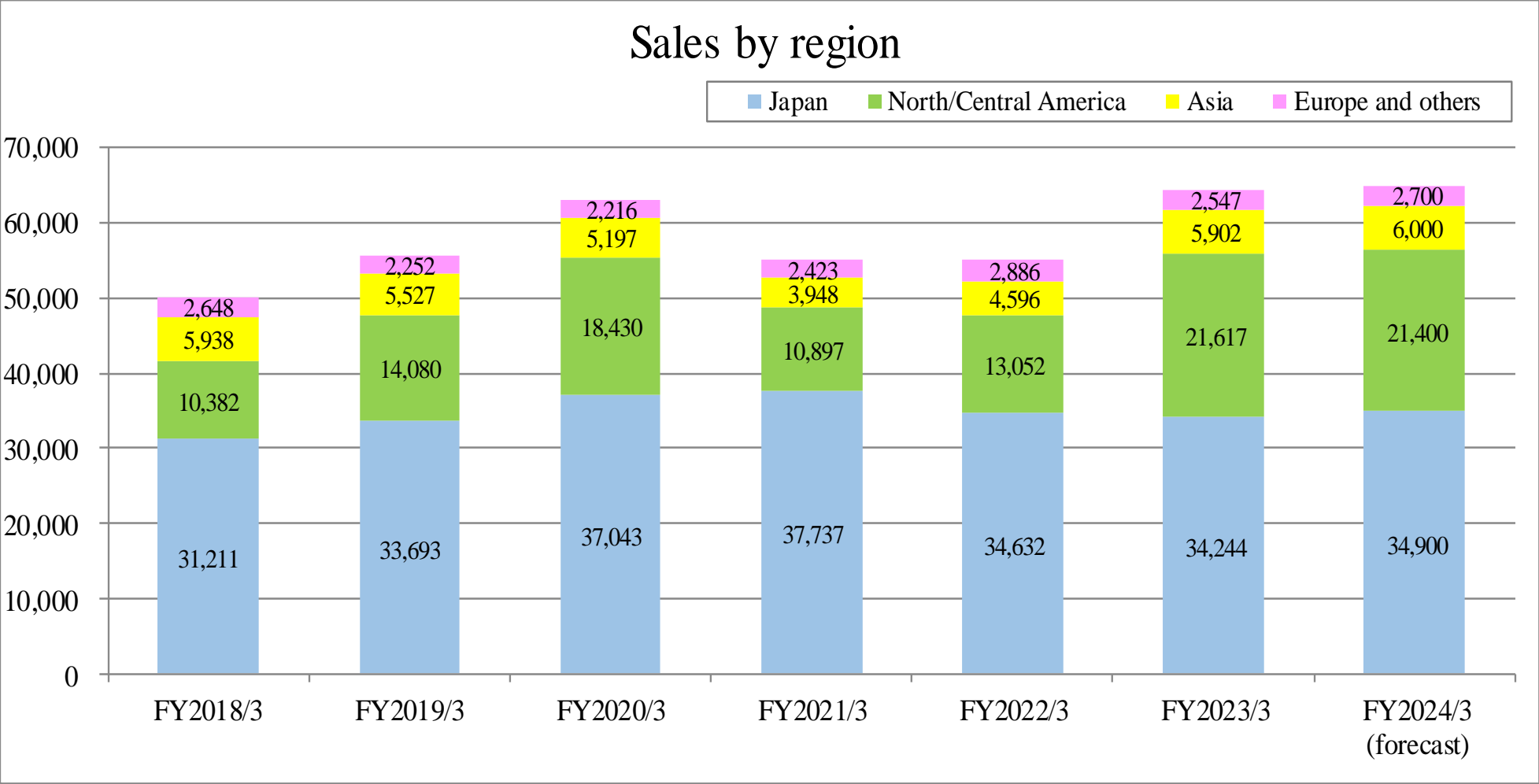


\*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).  
 \*2. Underlined companies are manufacturers.

# Trends and Forecasts by Product Sales



# Changes in Sales by Region and Forecasts

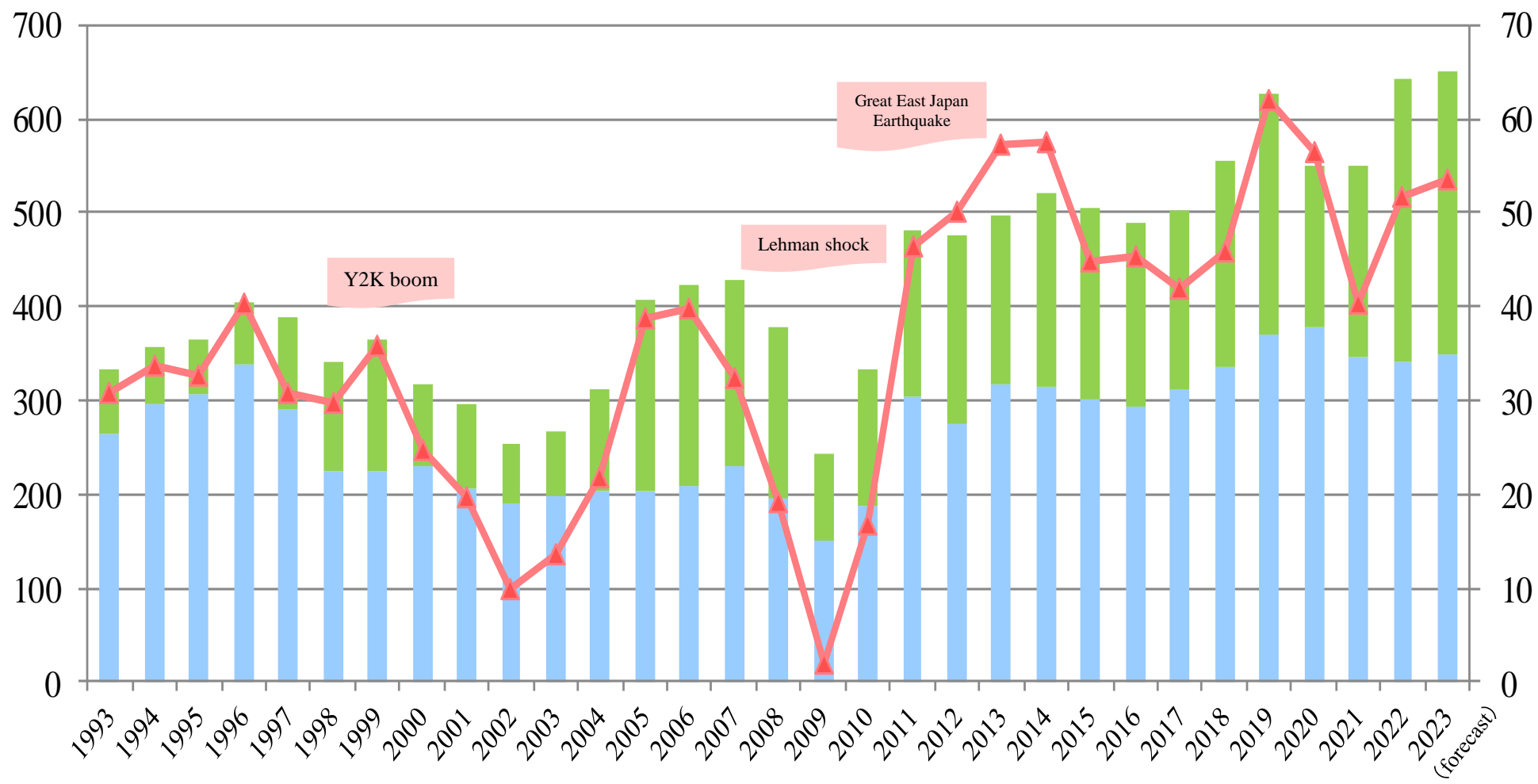


# Changes in Results for the Last 30 Years

Net sales, 100 million yen

■ Japan   
 ■ Overseas   
 ▲ Ordinary income

Ordinary income, 100 million yen



Fiscal Year