

Briefing on Results for the Fiscal Year ending March 31, 2024

May 9, 2024

Denyo Co., Ltd.

Stock code: 6517

Stock exchange listing: Tokyo

I. Overview of Results for FY2024/3

II. Outlook for FY2025/3

I. Overview of Results for FY2024/3

Key Point

Both consolidated net sales and profits increased from the previous year.

(million yen)

	FY2023/3		FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales	64,311	100%	73,140	100%	8,829	13.7%
Operating income	4,874	7.6%	7,089	9.7%	2,215	45.4%
Ordinary income	5,180	8.1%	7,378	10.1%	2,197	42.4%
Profit attributable to owners of parent	3,633	5.7%	5,095	7.0%	1,461	40.2%
Capital investment	4,213		1,913		△ 2,300	△ 54.6%
Depreciation	1,266		1,228		△ 38	△ 3.0%
Net income per share	175.64 ^{yen}		246.83 ^{yen}		71.19 ^{yen}	40.5%
ROE	5.7%		7.3%			
Cash dividends per share	50.0 ^{yen}		64.0			

Overview

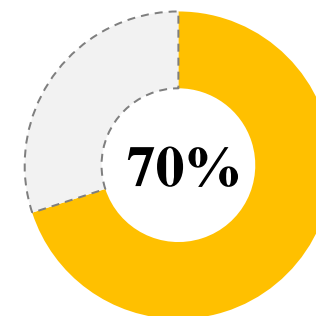
1. Sales of generators increased by 7,787 million yen (14.5%).
2. Sales of welders increased by 36 million yen (0.8%).
3. Sales of compressors decreased by 33 million yen (4.6%).

(million yen)

		FY2023/3		FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales		64,311	100%	73,140	100%	8,829	13.7%
By product	Generators	53,700	83.5%	61,487	84.1%	7,787	14.5%
	Welders	4,401	6.8%	4,437	6.1%	36	0.8%
	Compressors	727	1.1%	693	0.9%	△ 33	△ 4.6%
	Others	5,482	8.5%	6,521	8.9%	1,038	18.9%

	FY2023/3	FY2024/3	Rate of change (YoY)
Generators	53,700 ^{million yen}	61,487 ^{million yen}	14.5%

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



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



Soundless generator "Mälie"



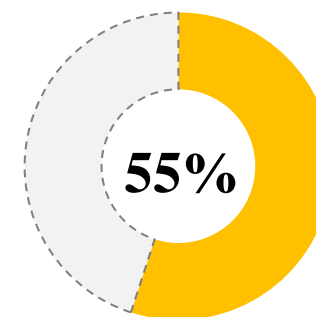
Generator with operational data recording function

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.

	FY2023/3	FY2024/3	Rate of change (YoY)
Welders	4,401 million yen	4,437 million yen	0.8%

- Although parts shortages hampered production of some products, TIG welder machines and large machines for overseas markets remain robust.



Domestic market share of engine welders

*According to a Company survey (5-year average)



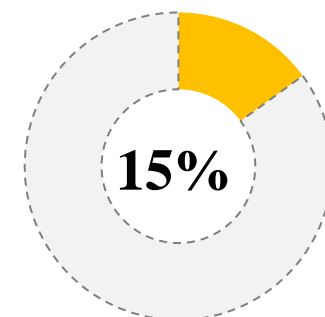
CO₂ welder

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.

	FY2023/3	FY2024/3	Rate of change (YoY)
Compressors	727 million yen	693 million yen	△ 4.6%

- Engine compressor for the domestic market decreased slightly.



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 1.7m³/min to 45.3m³/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.

	FY2023/3	FY2024/3	Rate of change (YoY)
Others	5,482 million yen	6,521 million yen	18.9%

- Self-propelled lifters increased on the back of construction demand.
- Sales of parts associated with products also increased.

Sales of other products

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



Self-propelled lifters

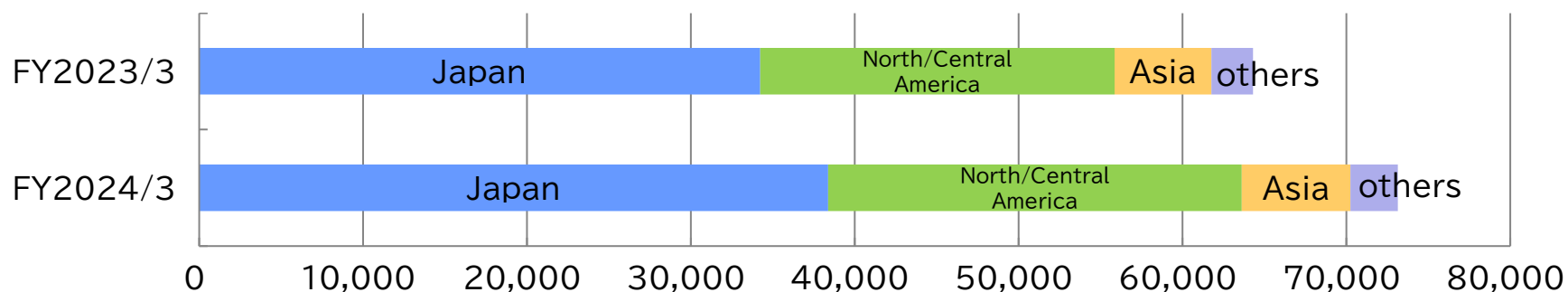


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		FY2023/3		FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales		64,311	100%	73,140	100%	8,829	13.7%
Domestic sales		34,244	53.2%	38,389	52.5%	4,145	12.1%
Overseas sales		30,066	46.8%	34,750	47.5%	4,683	15.6%
By region	North/Central America	21,617	33.6%	25,230	34.5%	3,613	16.7%
	Asia	5,902	9.2%	6,642	9.1%	740	12.5%
	Others	2,547	4.0%	2,877	3.9%	329	12.9%



Increase in Operating Income

Although there was an impact from higher purchasing prices for major parts, operating income also increased due to a significant increase in sales.

(million yen)

	FY2023/3	FY2024/3	Change (YoY)
Operating income	4,874	7,089	2,215
Operating income margin (%)	7.6%	9.7%	2.1 percentage point

	FY2023/3	FY2024/3	Change (YoY)
Gross profit margin	21.2%	22.2%	1.0 percentage point
Ratio of SG&A to sales	13.6%	12.5%	△ 1.1 percentage point
Ratio of operating income to sales	7.6%	9.7%	2.1 percentage point

- The gross profit margin increased due to the effect of partially reflecting cost increases in sales prices and an increase in relatively profitable products.
- The ratio of SG&A to sales decreased due to a significant increase in sales, although personnel costs and fixed costs increased.

Overview

1. Current assets increased 6,722 million yen mainly due to increases in cash and deposits, trade receivables, etc.
2. Non-current assets increased 4,074 million yen mainly due to revaluation of investment securities.
3. Current liabilities increased by 2,575 million yen mainly due to an increase in trade payables, etc.

(million yen)

	At the end of FY2023/3	At the end of FY2024/3	Change from the end of FY2023/3
Current assets	61,517	68,239	6,722
Non-current assets	28,227	32,301	4,074
Total assets	89,744	100,540	10,796
Current liabilities	17,700	20,275	2,575
Long-term liabilities	3,385	4,421	1,036
Total liabilities	21,085	24,697	3,611
Total net assets	68,658	75,843	7,184
Total liabilities and net assets	89,744	100,540	10,796

Overview

1. Cash flow from operating activities was 4,176 million yen, mainly due to the recording of the income before income taxes, etc.
2. Cash flow from investing activities was -1,835 million yen, due to the acquisition of tangible fixed assets.
3. Balance of cash and cash equivalents increased by 1,698 million yen from the end of the previous fiscal year.

(million yen)

	FY2023/3	FY2024/3
I Cash flow from operating activities	2,031	4,176
II Cash flow from investing activities	△ 4,116	△ 1,835
I + II Free cash flow	△ 2,085	2,341
III Cash flow from financing activities	937	△ 819
IV Foreign currency translation adjustments on cash and cash equivalents	119	177
V Net increase or decrease in cash and cash equivalents	△ 1,027	1,698
VI Cash and cash equivalents, end of period	22,331	24,029

II. Outlook for FY2025/3

Key points

1. Net sales are expected to be 74 billion yen.
2. Assumed exchange rate is 140 yen/dollar.

(million yen)

	FY2024/3		FY2025/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	73,140	100%	74,000	100%	860	1.2%
Operating income	7,089	9.7%	6,700	9.1%	△ 389	△ 5.5%
Ordinary income	7,378	10.1%	7,000	9.5%	△ 378	△ 5.1%
Profit attributable to owners of parent	5,095	7.0%	4,700	6.4%	△ 395	△ 7.8%
Capital investment	1,913		7,050		5,137	268.5%
Depreciation	1,228		1,400		172	14.0%
Net income per share	246.83 ^{yen}		227.62 ^{yen}		△ 19.21 ^{yen}	
ROE	7.3%		*6.5%			
Cash dividends per share	64.0 ^{yen}		70.0 ^{yen}			

* Equity is calculated by using the amount of money at the end of FY2024/3.

Overview

- In Japan, sales are expected to remain steady on the back of solid construction demand.
- Overseas, demand in America are expected to decrease, partly as a reaction to the rapid increase over the past two years.

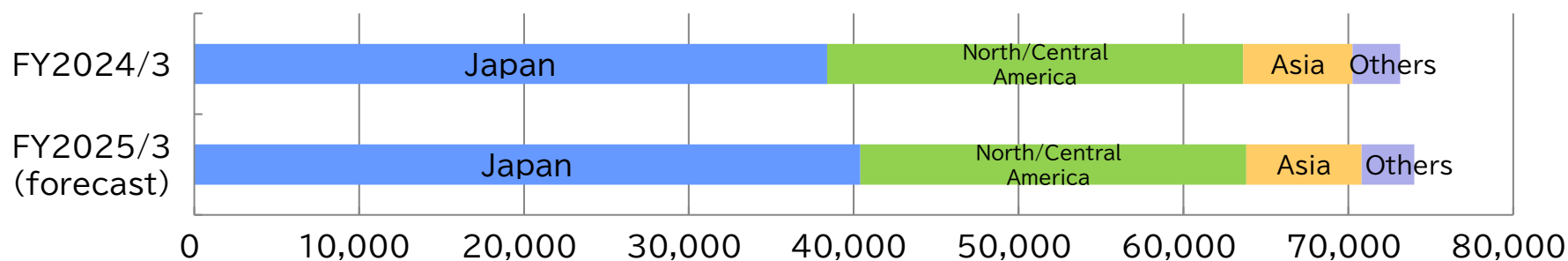
(million yen)

		FY2024/3		FY2025/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		73,140	100%	74,000	100%	860	1.1%
By product	Generators	61,487	84.1%	61,700	83.4%	213	0.3%
	Welders	4,437	6.1%	4,900	6.6%	463	10.4%
	Compressors	693	0.9%	700	0.9%	7	1.0%
	Others	6,521	8.9%	6,700	9.1%	179	2.7%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2024/3		FY2025/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		73,140	100%	74,000	100%	860	1.2%
Domestic sales		38,389	52.5%	40,400	54.6%	2,011	5.2%
Overseas sales		34,750	47.5%	33,600	45.4%	△ 1,150	△ 3.3%
By region	North/ Central America	25,230	34.5%	23,400	31.6%	△ 1,830	△ 7.3%
	Asia	6,642	9.1%	7,000	9.5%	358	5.4%
	Others	2,877	3.9%	3,200	4.3%	323	11.2%



Decrease in Operating Income

Operating income is expected to decrease due to an increase in expenses.

(million yen)

	FY2024/3	FY2025/3 (forecast)	Change (YoY)
Operating income	7,089	6,700	△ 389
Operating income margin	9.7%	9.1%	△ 0.6 percentage point

	FY2024/3	FY2025/3 (forecast)	Change (YoY)
Gross profit margin	22.2%	22.0%	△ 0.2 percentage point
Ratio of SG&A to sales	12.5%	13.0%	0.5 percentage point
Ratio of operating income to sales	9.7%	9.1%	△ 0.6 percentage point

- The gross profit margin is expected to decline due to increases in labor costs and depreciation costs.
- The ratio of SG&A to sales are expected to rise due to increases in personnel costs, domestic logistics costs, etc..

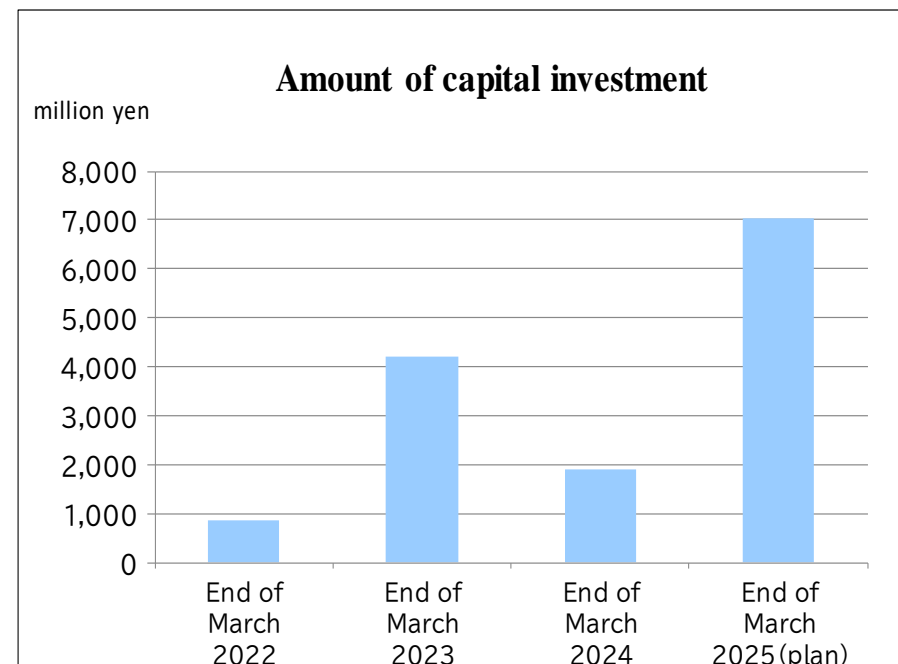
Changes in the Amount of Capital Investment

(million yen)

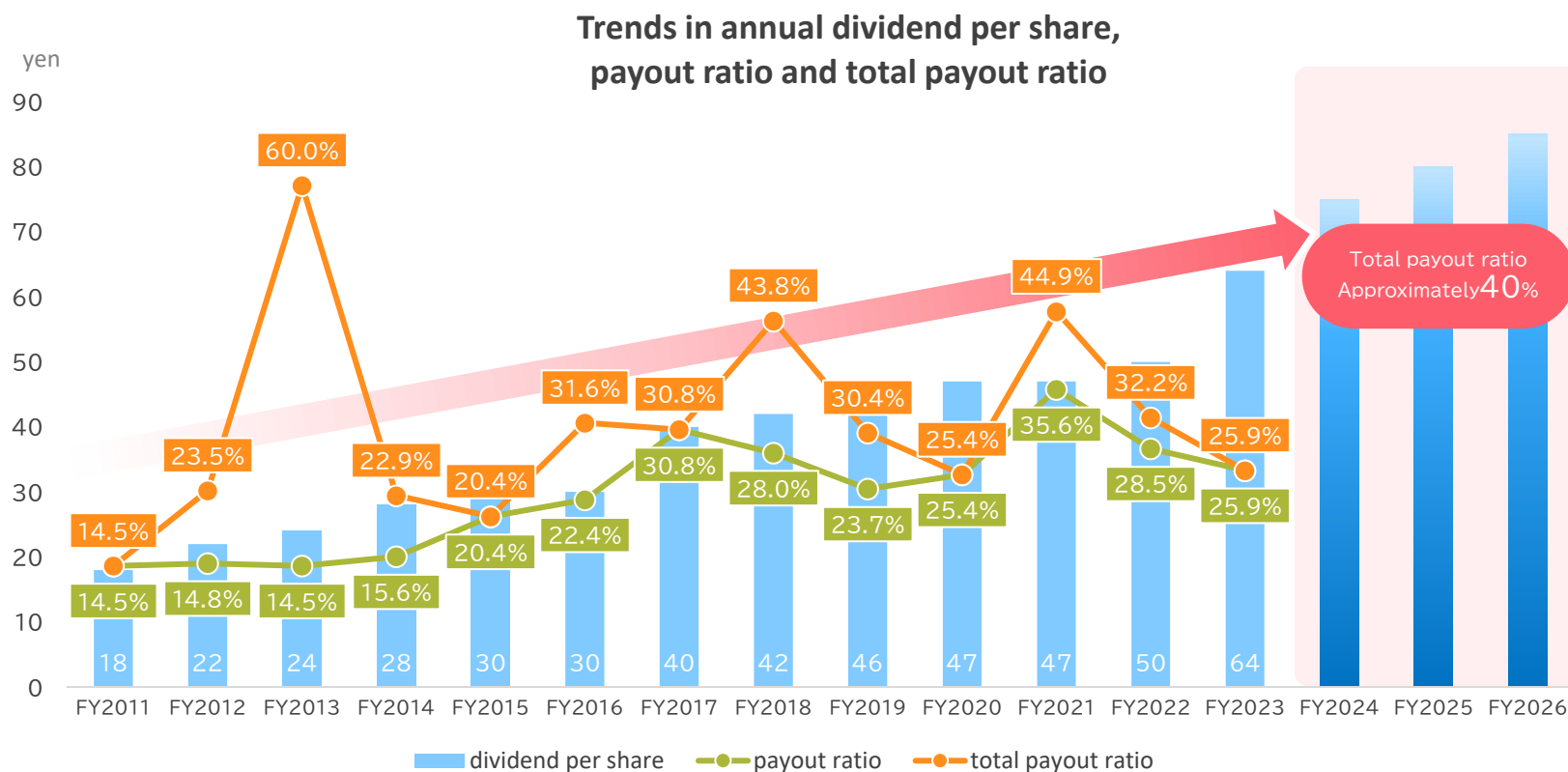
	End of March 2022	End of March 2023	End of March 2024	End of March 2025 (plan)
Cost of equipment	839	4,213	1,913	7,050
Main uses	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 290 •Nishihatsu 50 •U.S. Plant 20 •Vietnam Plant 20 •Others 460 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 360 •Nishihatsu 2500 •U.S. Plant 20 •Vietnam Plant 70 •Others 1,260 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 440 •Nishihatsu 190 •U.S. Plant 170 •Vietnam Plant 20 •Others 1,090 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 760 •Nishihatsu 4,160 •U.S. Plant 100 •Vietnam Plant 200 •Others 1,830



Completion of Nishihatsu's new head office plant is scheduled in FY2024.



- We are aware that it is important to increase the profit returned to shareholders as well as striving to improve earning strength and financial strength.
- The year-end dividend for the fiscal year ending March 2024 will be increased by 11 yen to 40 yen per share from the previous forecast of 29 yen.(64 yen per year).
- From the fiscal year ending March 31, 2025, we will change our policy to further clarify our stance of further enhancing profit returns commensurate with business performance. We will continue our progressive dividend policy and flexibly acquire treasury shares to allocate results at an approximate total payout ratio of 40%.
- Under this policy, Denyo plans to pay 70 yen per share (30 yen at the interim and 40 yen at the year-end), taking into consideration the earnings forecast and the total return ratio.



This material contains assumptions and outlooks for the future and forecasts based on plans as May 9, 2024. 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

The leading manufacturer of outdoor power sources such as engine generators and engine welders

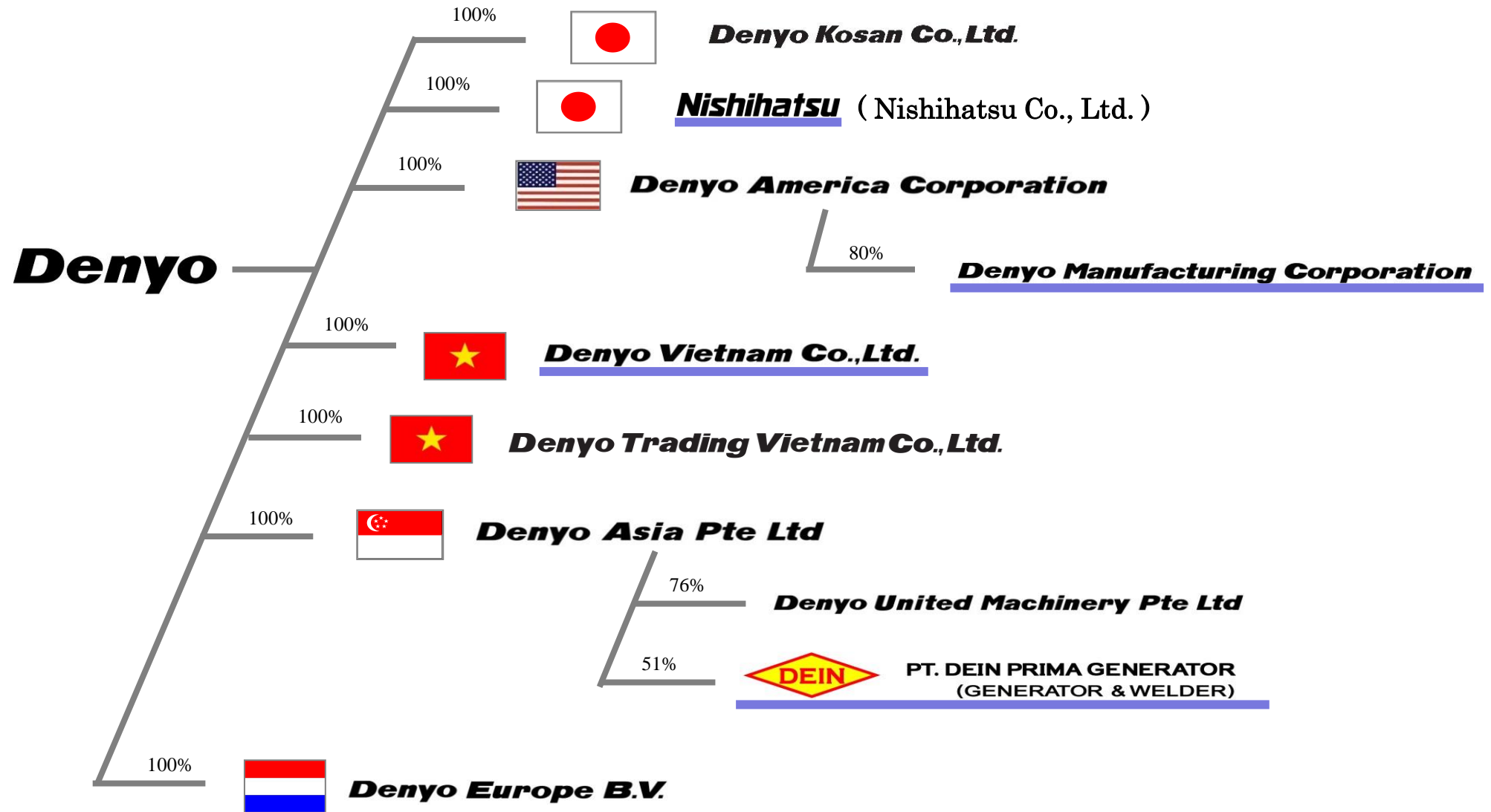
History:	July 2,1948	Established as Japan Power Welding Machine Co., Ltd.
	1959	Developed and launched Japan's first high-speed engine-driven welders.
	1961	Began to manufacture and sell engine-driven generators.
	1966	Developed soundproof engine-driven generators. Changed its corporate name to Denyo 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. (FY2024/3 on a consolidated basis) (million yen)

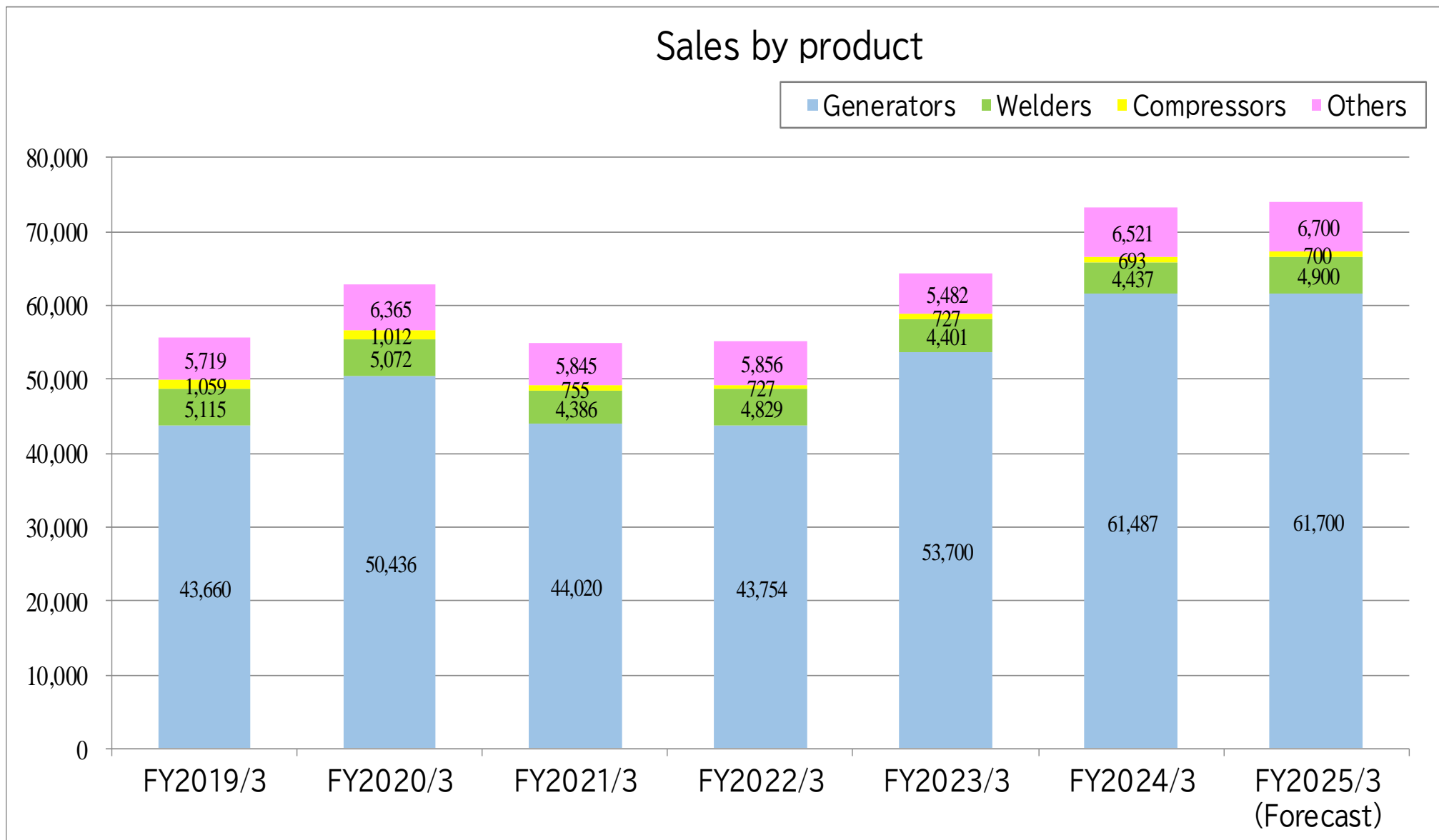
Net sales	73,140
Overseas sales	34,750
Ordinary income	7,378
Profit attributable to owners of parent	5,095
Total assets	100,540
Net assets	75,843
Market capitalization (as of March 31)	53,125
Number of employees	1,408persons

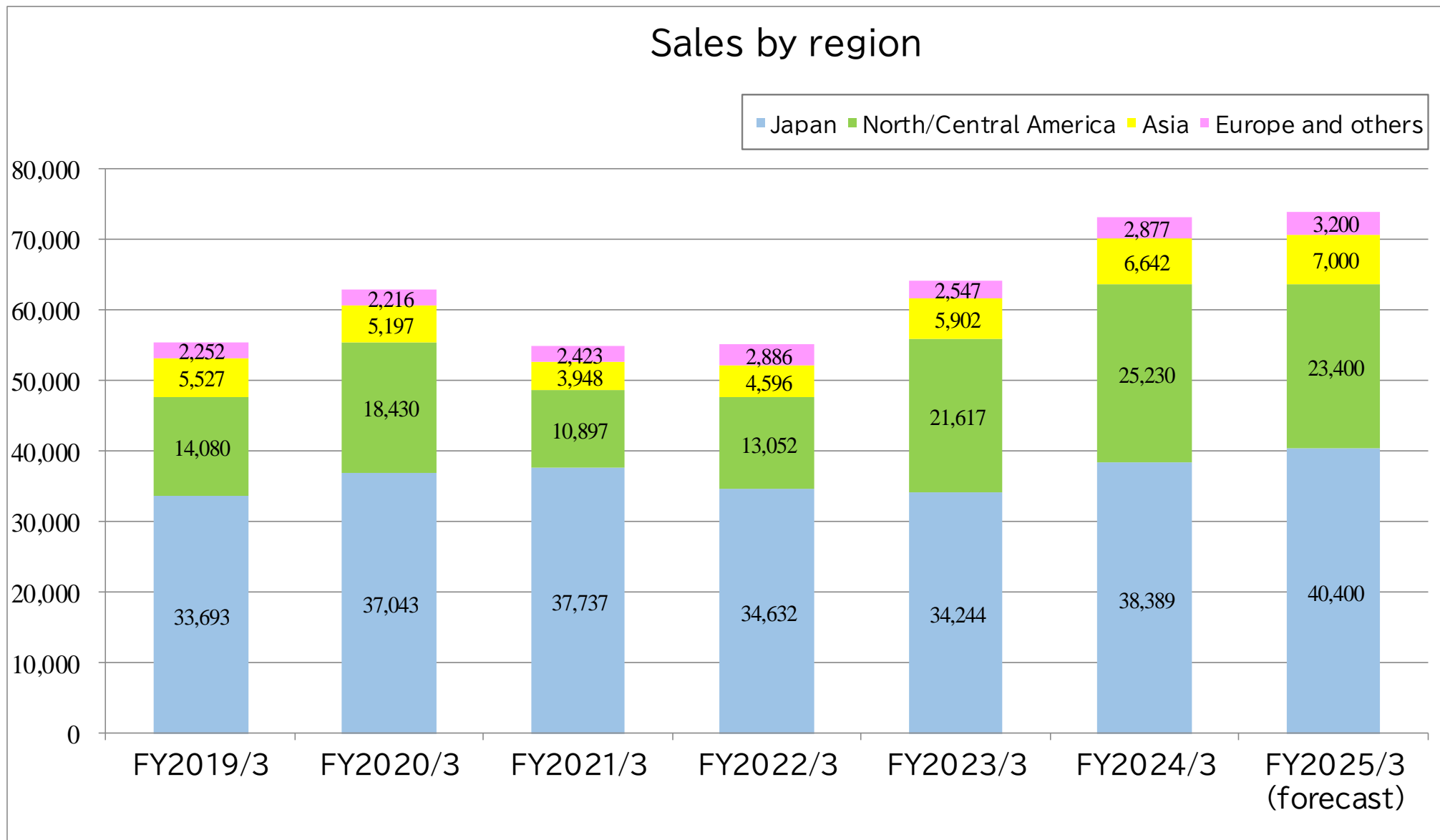


Head Office (Nihonbashi-Horidomecho, Tokyo)

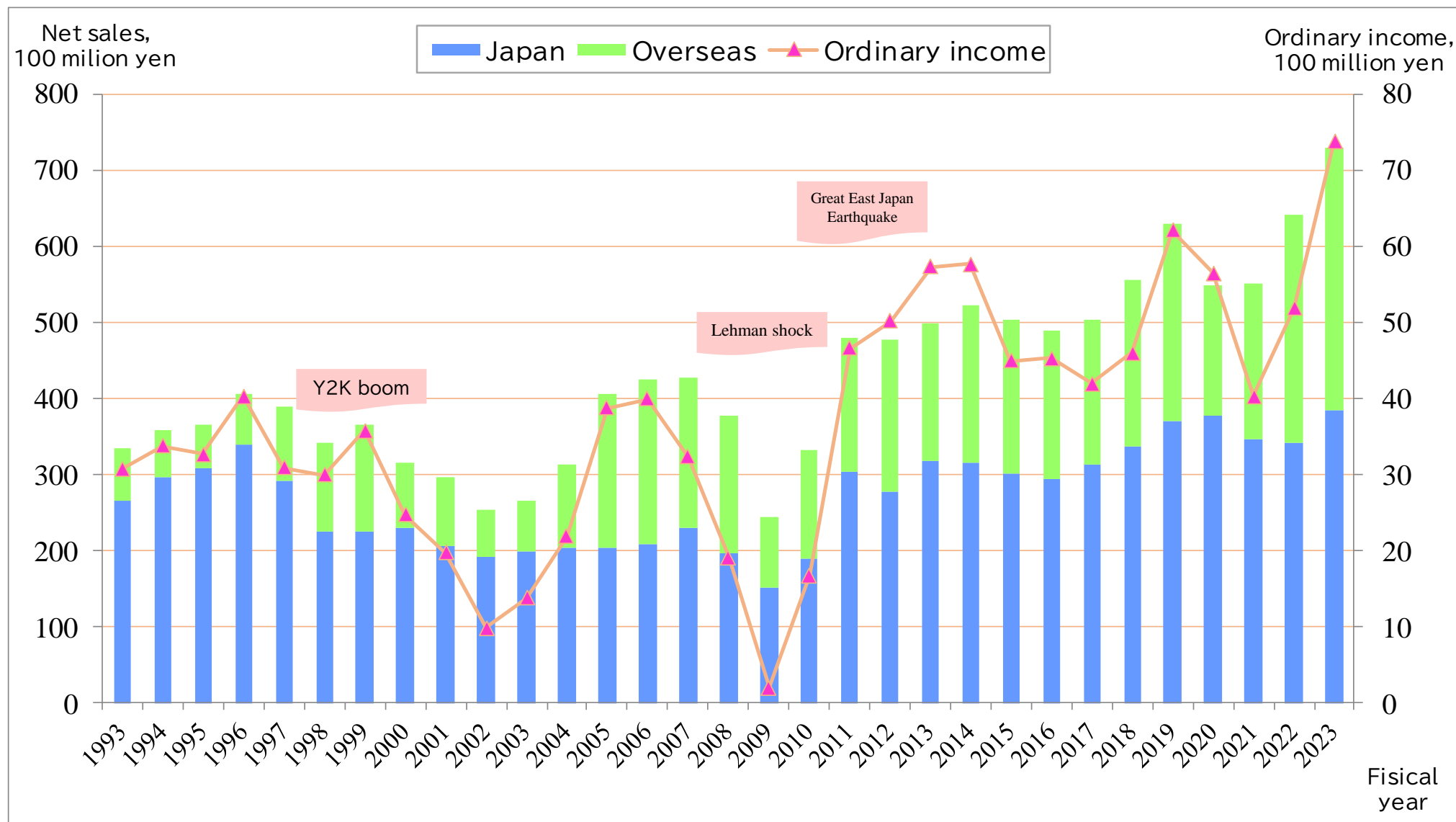


*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).
 *2. Underlined companies are manufacturers.





Changes in Results for the Last 30 Years



Developing Technology Tomorrow's Power Needs.

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