



Briefing on Results for the First Half of the Fiscal Year ending March 31, 2025

Denyo Co., Ltd.

Stock code: 6517

Stock exchange listing: Tokyo



I . Overview of Results for the First Half of FY2025/3

II. Outlook for FY2025/3



I. Overview of Results for the First Half of FY2025/3



Key Point

- Net Sales decreased year on year, mainly due to a decrease in shipments to the United States.
- Incomes increased year-on-year, due to price revisions for some products and the impact of yen depreciation.

(million yen)

	First Half of FY2024/3		First Half of FY2025/3		Change (YoY)	Rate of change (YoY)
Net sales	34,201	100%	34,020	100%	△ 181	△ 0.5%
Operating income	2,167	6.3%	3,089	9.1%	922	42.5%
Ordinary income	2,305	6.7%	3,427	10.1%	1,122	48.7%
Profit attributable to owners of parent	1,598	4.7%	2,294	6.7%	695	43.5%
Capital investment	554	–	4,659		4,105	
Depreciation	613	–	592		△ 21	
Earnings per share	77.46 ^{yen}		111.11 ^{yen}		33.65 ^{yen}	
ROE	4.8%	Annualized	6.2%	Annualized		
Interim dividends per share	24.0 ^{yen}	–	30.0 ^{yen}			

Overview

1. Sales of generators decreased by 718 million yen (2.5%).
2. Sales of welders increased by 2 million yen (0.1%).
3. Sales of compressors decreased by 23 million yen (6.4%).

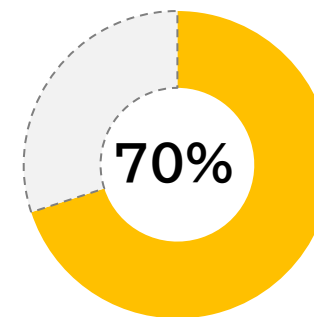
(million yen)

		First Half of FY2024/3		First Half of FY2025/3		Change (YoY)	Rate of change (YoY)
Net sales		34,201	100%	34,020	100%	△ 181	△ 0.5%
By product	Generators	29,201	85.4%	28,483	83.7%	△ 718	△ 2.5%
	Welders	2,122	6.2%	2,124	6.2%	2	0.1%
	Compressors	364	1.1%	341	1.0%	△ 23	△ 6.4%
	Others	2,512	7.2%	3,070	9.0%	558	22.2%



	First Half of FY2024/3	First Half of FY2025/3	Rate of change (YoY)
Generators	29,201 million yen	28,483 million yen	△ 2.5%

- In Japan, shipments of mobile-type generators remained steady. Sales of stand-by generating sets for disaster prevention equipment remained robust.
- Overseas, shipment to the United States remained sluggish.



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

Domestic market share of engine generators (mobile-type)



Soundless generator "Mälie"



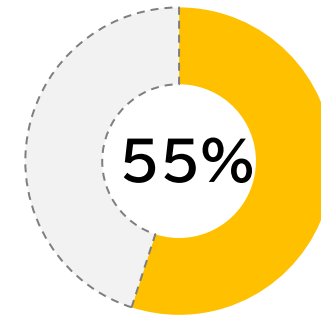
Generator with operational data recording function

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..

	First Half of FY2024/3	First quarter of FY2025/3	Rate of change (YoY)
Welders	2,122 million yen	2,124 million yen	0.1%

- Both Japan and overseas sales were on a par with the same period of the previous year.



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

Domestic market share of engine welders



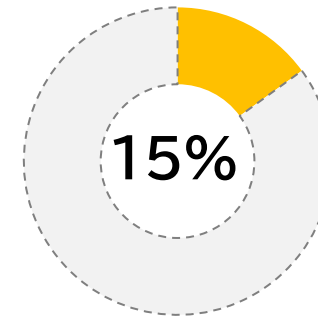
CO₂ welder

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.

	First Half of FY2024/3	First Half of FY2025/3	Rate of change (YoY)
Compressors	364 million yen	341 million yen	△ 6.4%

- Japan sales increased, but overseas sales decreased.



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

Domestic market share of engine compressors



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..

	First Half of FY2024/3	First Half of FY2025/3	Rate of change (YoY)
Others	2,512 million yen	3,070 million yen	22.2%

- Self-propelled lifters and parts increased.

Sales of other products

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



Self-propelled lifters



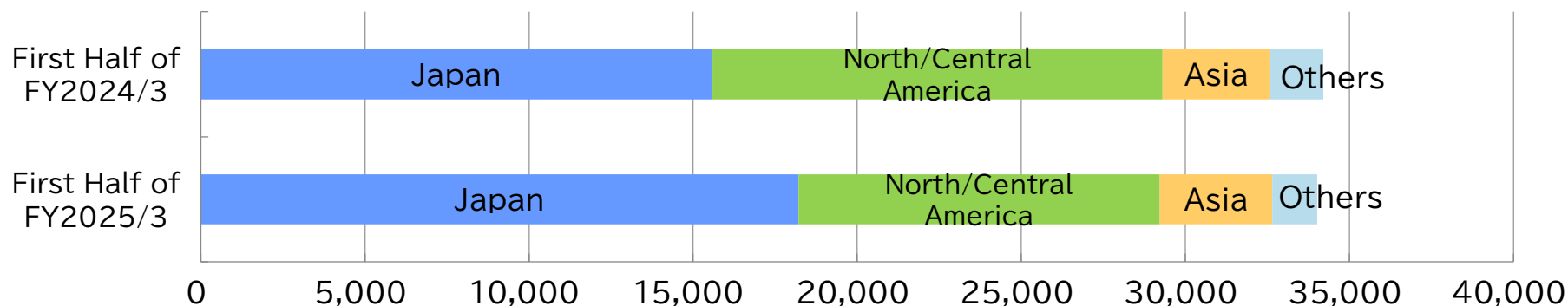
Load testing equipment



Sales Trends by Region (Consolidated)

(million yen)

		First Half of FY2024/3		First Half of FY2025/3		Change (YoY)	Rate of change (YoY)
Net sales		34,201	100%	34,020	100%	△ 181	△ 0.5%
Domestic sales		15,589	45.6%	18,208	53.5%	2,619	16.8%
Overseas sales		18,612	54.4%	15,811	46.5%	△ 2,800	△ 15.0%
By region	North/Central America	13,714	40.1%	11,011	32.4%	△ 2,703	△ 19.7%
	Asia	3,281	9.6%	3,429	10.1%	147	4.5%
	Others	1,616	4.7%	1,371	4.0%	△ 244	△ 15.2%



Increase in Operating Income

Increased due to gross profit improvement.

(million yen)

	First Half of FY2024/3	First Half of FY2025/3	Change (YoY)
Operating income	2,167	3,089	922
Operating income margin (%)	6.3%	9.1%	2.8 percentage points

	First Half of FY2024/3	First Half of FY2025/3	Rate of Change (YoY)
Gross profit margin	19.4%	23.4%	4.0 percentage points
Ratio of SG&A to sales	13.1%	14.3%	1.2 percentage points
Ratio of operating income to sales	6.3%	9.1%	2.8 percentage points

- The gross profit margin improved, partly due to the effect of reflecting a portion of cost increases in sales prices and partly due to the effect of the depreciation of the yen.
- The ratio of SG&A to sales increased due to an increase in labor costs, etc..



Overview

1. Current assets decreased by 2,569 million yen mainly due to decreases in trade receivables.
2. Fixed assets increased by 4,026 million yen mainly due to the construction of Nishihatsu's new headquarters plant.
3. Current liabilities decreased by 2,609 million yen mainly due to a decrease in trade and other payable.

(million yen)

	At the end of FY2024/3	First Half of FY2025/3	Change from the end of FY2024/3
Current assets	68,239	65,670	△ 2,569
Non-current assets	32,301	36,327	4,026
Total assets	100,540	101,997	1,457
Current liabilities	20,275	17,666	△ 2,609
Long-term liabilities	4,421	5,331	909
Total liabilities	24,697	22,997	△ 1,699
Total net assets	75,843	78,999	3,156
Total liabilities and net assets	100,540	101,997	1,457

Overview

1. Cash flow from operating activities was 4,339 million yen, mainly due to income before income taxes and minority interests.
2. Balance of cash and cash equivalents increased by 210 million yen from the end of the previous fiscal year.

(million yen)

	First Half of FY2024/3	First Half of FY2025/3
I Cash flow from operating activities	2,894	4,339
II Cash flow from investing activities	△ 692	△ 4,845
I + II Free cash flows	2,202	△ 506
III Cash flow from financing activities	△ 658	115
IV Foreign currency translation adjustments on cash and cash equivalents	155	600
V Net increase or decrease in cash and cash equivalents	1,698	210
VI Cash and cash equivalents, end of the period	24,029	24,239

II. Outlook for FY2025/3



Key points

1. The forecast at the beginning of the period remains unchanged.
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 the United States are expected to decrease, partly as a reaction to the rapid increase over the past two years.

(million yen)

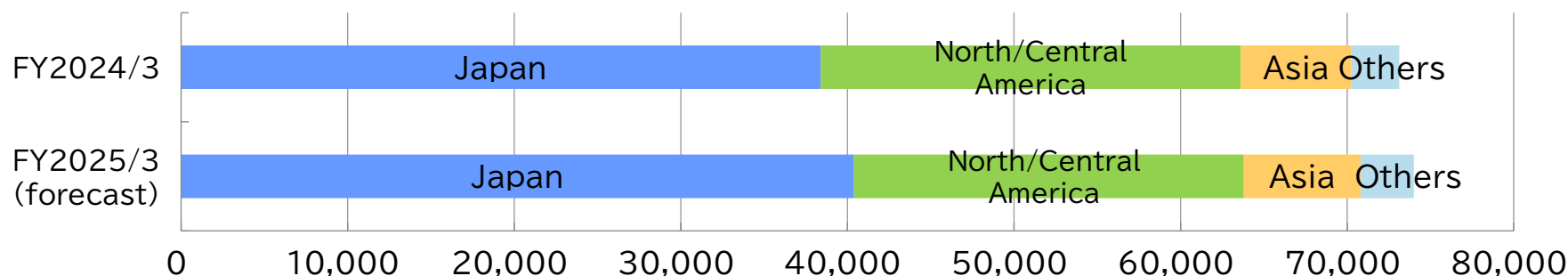
		FY2024/3		FY2025/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		73,140	100%	74,000	100%	860	1.2%
By product	Generators	61,487	84.1%	61,700	83.4%	213	0.3%
	Welders	4,437	6.1%	4,900	6.6%	463	10.4%
	Compressors	693	0.9%	700	0.9%	7	1.0%
	Others	6,521	8.9%	6,700	9.1%	179	2.7%



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..

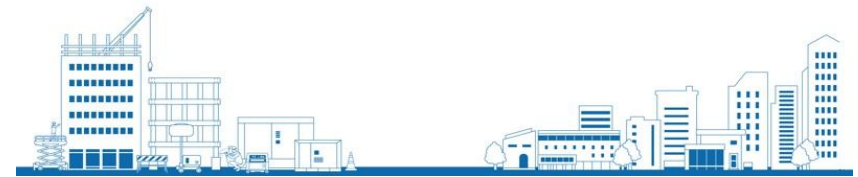
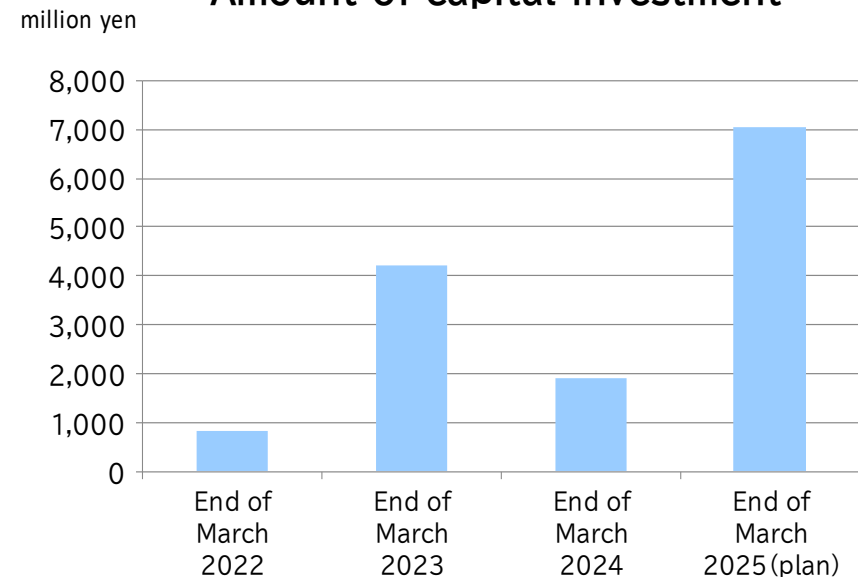


	End of March 2022	End of March 2023	End of March 2024	End of March 2025 (plan)
Cost of equipment	839	4,213	1,913	7,050
Main uses	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 290 •Nishihatsu 50 •U.S. Plant 20 •Vietnam Plant 20 •Others 460 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 360 •Nishihatsu 2,500 •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

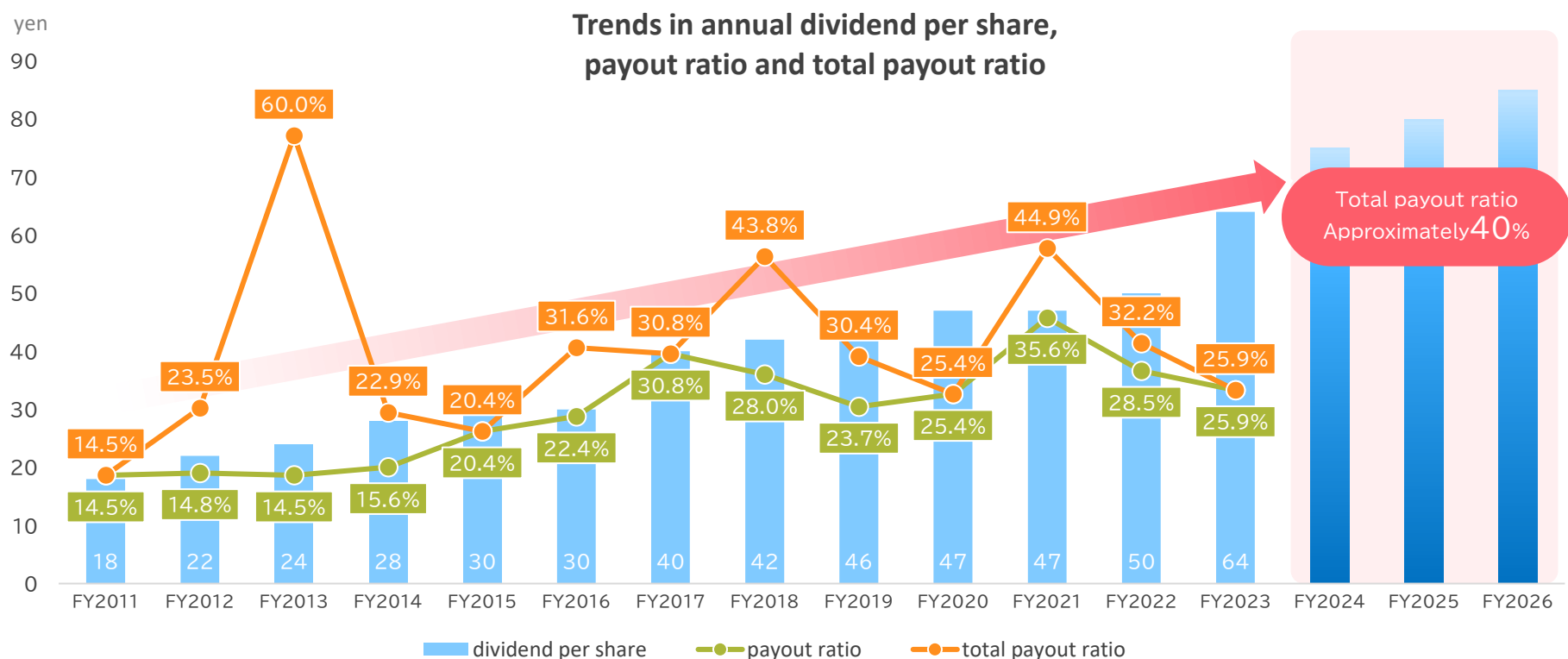


New headquarters plant of Nishihatsu Co., Ltd scheduled to start operation in January 2025.

Amount of capital investment

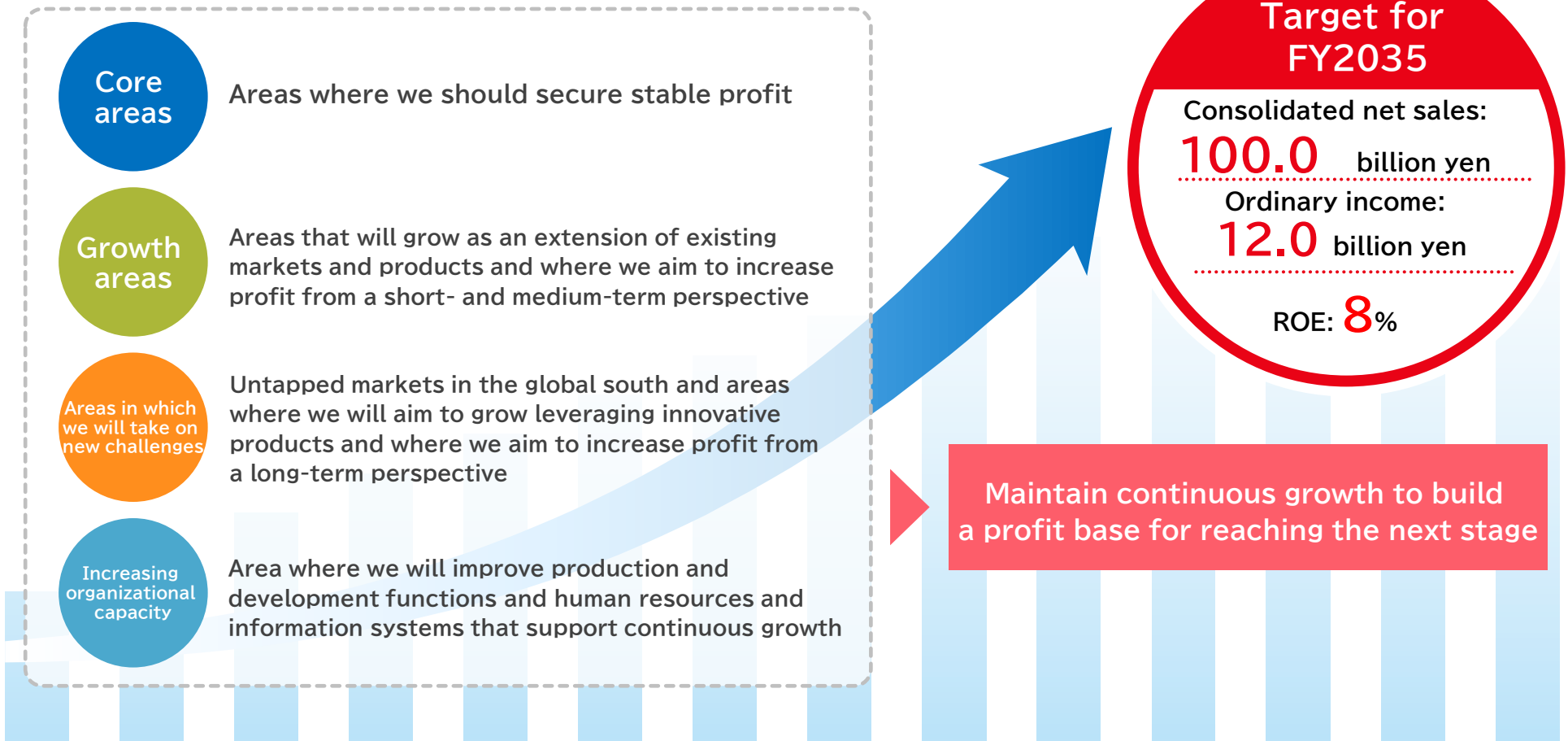


- We are aware that it is important to increase the profit returned to shareholders as well as striving to improve earning strength and financial strength.
- We will continue our progressive dividend policy and flexibly acquire treasury shares to allocate results at an approximate total payout ratio 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.



Strengthen investments for growth and our management base and carry out measures in different areas steadily with a view towards the long-term vision for FY2035

Denyo 2026 Four categories of initiatives



Construction-related markets in Japan

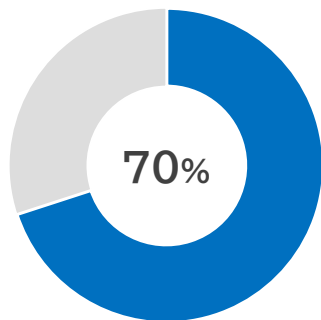
(mobile generators, welders and compressors)

Maintain and increase the market shares held by top-brand products such as mobile engine generators, welders and other products in the Japanese market to secure stable profit.

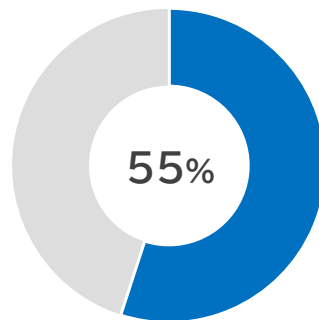
- ✓ Develop and introduce new products to increase market share as well as the number of customers.
- ✓ Enhance the education system to increase sales strength.
- ✓ Enrich the service structure continually using the large repair base in East Japan and another base in West Japan which will begin operating in April 2025.

Leading market share

Share of the mobile engine generator market in Japan

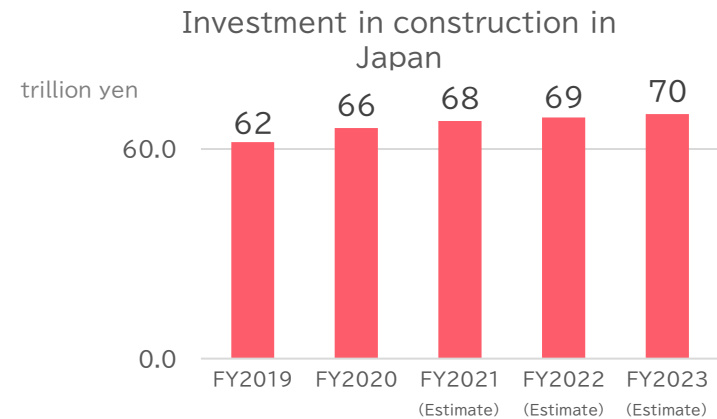


Share of the engine welder market in Japan



※Five-year averages based on data collected by Denyo Co., Ltd.

Investment in construction in Japan



Source: Ministry of Land, Infrastructure, Transport and Tourism: Estimate of Construction Investment FY2023

Ensuring stable earnings

Stationary generator market in Japan

Seek to increase our market share mainly in emergency generators.

Production capacity:
Approx. 30% increase



New head office plant of Nishihatsu Co., Ltd.

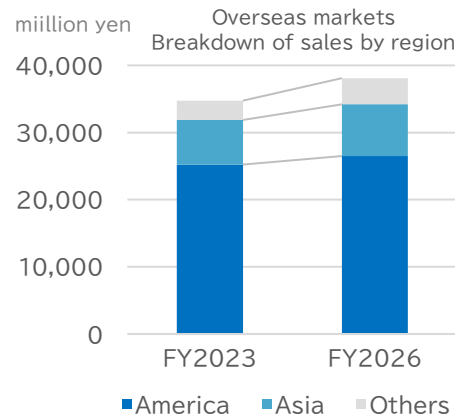


Generators for disaster resilience

- ✓ Step up collaboration between the three group companies in Japan
- ✓ Maximize the investment effect of the Nishihatsu's new head office plant, scheduled to come into operation in January 2025 to manufacture and sell generators for disaster resilience
- ✓ Increase profit in maintenance

Overseas markets

Enhance and expand the overseas sales and service networks to disseminate the Denyo brand.



- ✓ Cultivate markets deeply with existing products.
- ✓ Promote sales of newly developed products in existing markets to cultivate these markets.
- ✓ Strengthen the sales and service network in Asia, in the Middle East and elsewhere to respond to new needs.

Untapped markets in the global south

Enter untapped regions that are expected to grow.



- ✓ Conduct research and studies with a view toward expanding into untapped regions.
- ✓ Discuss the region to expand into and the form of the expansion including M&A.

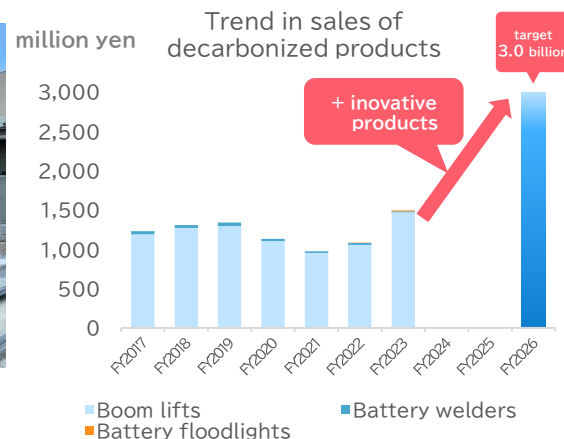
Innovative products

(Hydrogen mixed combustion generators, Fuel cell mobile generators, and Others)



Hydrogen mixed combustion generators

Aim to implement innovative products in society



- ✓ Continue and accelerate development of innovative products.
- ✓ Prepare sales, service and production structures

Development and production

Build a structure for stable production

- ✓ Quickly create products that meet customers' requests.
- ✓ Introduce machinery and automation in the production process.
- ✓ Improve the environment of the manufacturing workplaces and take BCP measures.

IT system

Construct systems that achieve both enhanced productivity and efficiency and security.

- ✓ Improve and construct core systems.
- ✓ Strengthen information security and BCP measures.

Human resources

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

- ✓ Advance the human resources development program.
- ✓ Improve the workplace environment, including renovation and construction to replace aging office buildings or relocate from them.

Financial targets

- 1 Consolidated Net Sales Plan **80.0** billion yen
- 2 Ordinary income **8.0** billion yen (ordinary income margin: **10.0%**)
- 3 ROE **7.0%**
- 4 Total payout ratio **Approximately 40%**

Non-financial targets

- 1 Sales of decarbonized products **3.0** billion yen
- 2 SCOPE1,2 **50%** reduction *1
- 3 Percentage of female managers **15%** *2

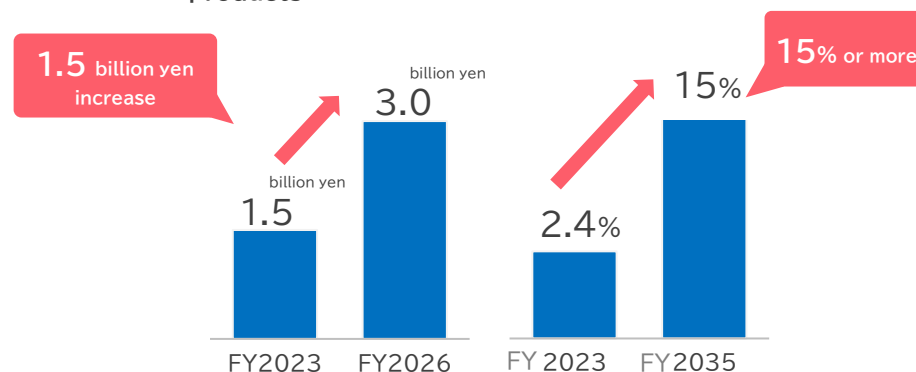
*1 A target of the long-term vision for FY2035 applicable to the group companies in Japan, calculated using the emission intensity per unit of consolidated net sales.

*2 A target of the long-term vision for FY2035 applicable to Denyo Co., Ltd. only

unit: million yen

	FY2023 results	Medium-term Management Plan	
		FY2026	Value or percent change
Consolidated Net Sales	73,140	80,000	6,860
Ordinary income	7,378	8,000	622
ROE	7.3%	7.0%	-
Total payout ratio	25.9%	40.0%	14.1%

Sales of decarbonized products



This material contains assumptions and outlooks for the future and forecasts based on plans as November 14, 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.

Notice:

This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



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.

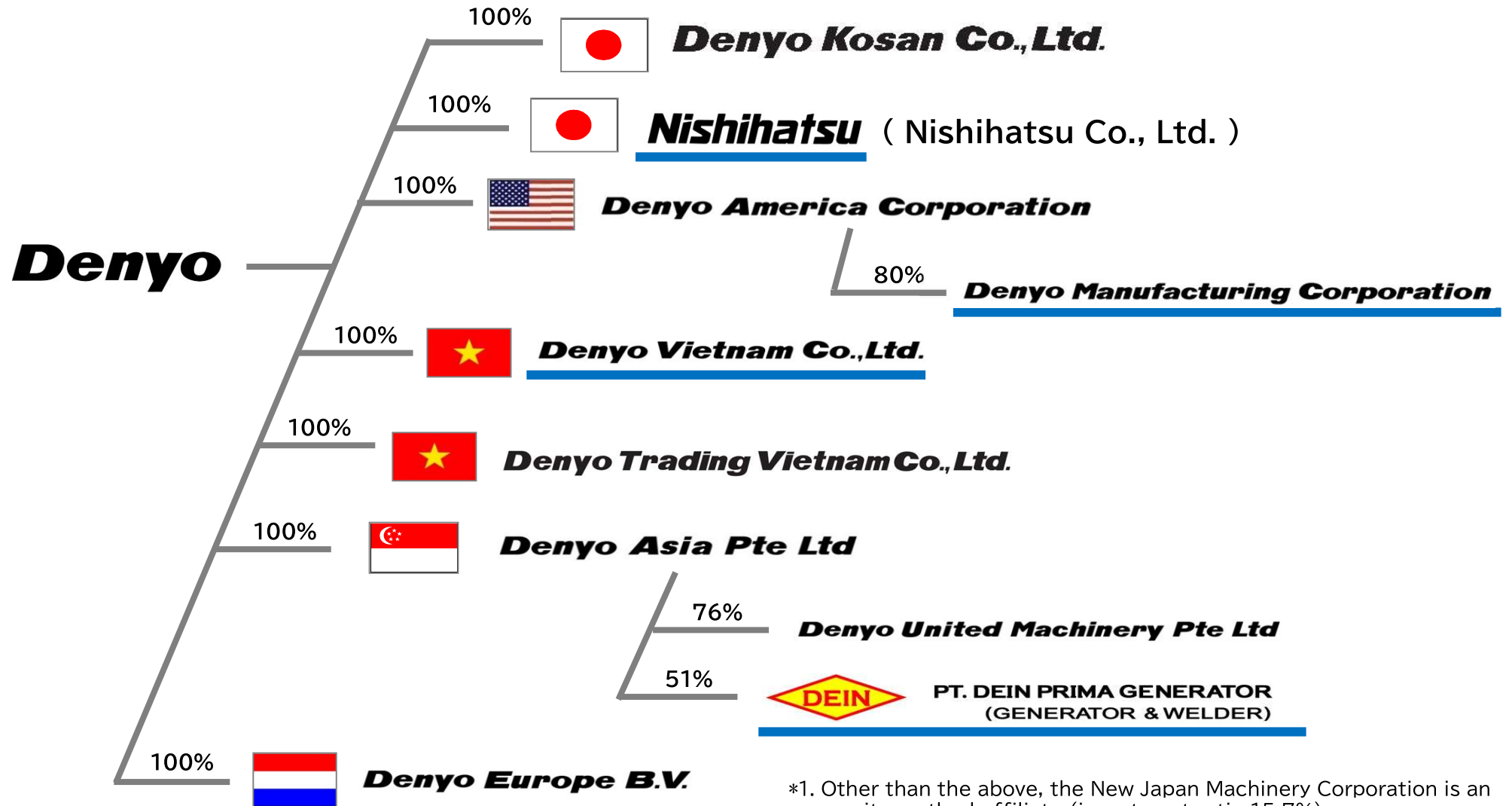
Company size, etc. (FY2024/3 on a consolidated basis) (million yen)

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	1,408 persons



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.



As a pioneer in outdoor power sources, we supply engine-driven generators, welders, compressors and other products to Japan and to at least 150 other countries and regions.

Engine welders



Features

- Engine-driven welders used outdoors

Applications

- Used for welding steel materials in piping, bridge, pipeline and other construction work

Engine compressors

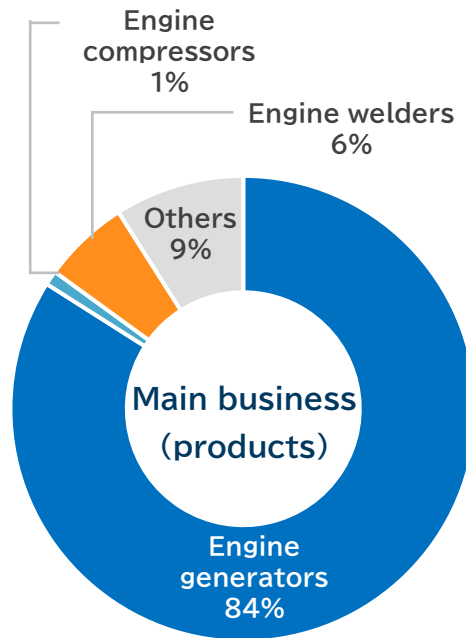


Features

- Compressing air to supply compressed air
- Allowing air tools to be used in any place since they require no power source

Applications

- Rock drills and machinery for soil improvement
- Used in spray concrete work



Engine generators



● Mobile generators

Features

- These are generators that can be transported with trucks. As a kind of portable power plant, they stably supply high quality electricity at any location.
- An extensive lineup of products with outputs ranging from 1 kVA to 1,100 kVA
- Civil engineering, construction, port, harbor and other worksites

Applications

- Outdoor events
- Broadcasting trucks and many other situations

● Stationary power generators

Features

- General-use and standby generators installed on the rooftops of buildings and in basements
- Manufacturing and sales of standby generators used as backup power sources mainly in the event of a power failure
- Generators for disaster resilience
Installed in department stores, hotels and other buildings where the general public gathers and used as backup power sources for sprinklers and other fire-fighting equipment

Applications

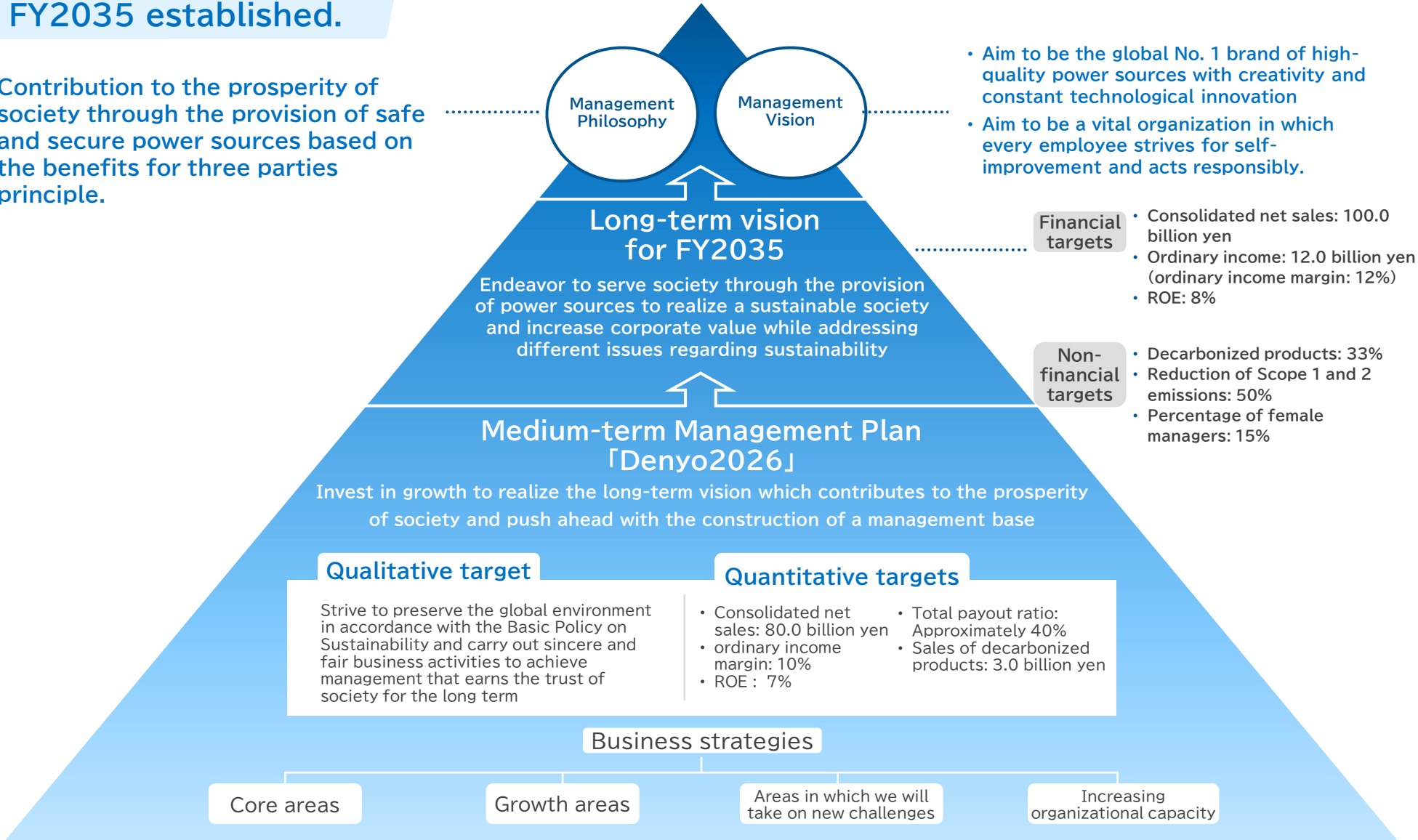
- Generators for non-disaster power failures
Installed in office buildings, factories, hospitals and other facilities and used as backup power sources for electric equipment

Company name	Denyo Co.,Ltd.
Establishment	July 1948
Number of employees (consolidated)	596 (1,408) as of March 31, 2024

Long-term vision for FY2035 established.

Contribution to the prosperity of society through the provision of safe and secure power sources based on the benefits for three parties principle.

- Aim to be the global No. 1 brand of high-quality power sources with creativity and constant technological innovation
- Aim to be a vital organization in which every employee strives for self-improvement and acts responsibly.



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.

Hydrogen-light oil mixed combustion Generator

- Started sales and delivered the first machine to Komatsu Oyama Plant
- Power can be generated with up to 50% hydrogen mixed in with the fuel
- 50% reduction in CO2 emissions compared to using only light oil as fuel
- Successfully commercialized through technology licensing by Komatsu Ltd. and Hitachi, Ltd.
- Expand sales as a key product for building a hydrogen supply chain

Intended use

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



Hydrogen-light oil mixed combustion Generator delivered Komatsu Oyama Plant

■ Specifications of this generator

Generation output	250kW
Output voltage	200/400V
Frequency	50Hz
Hydrogen Fuel Consumption	115Nm ³ /h(50% hydrogen mixed)
Diesel fuel consumption	34L/h(50% hydrogen mixed)
Power generation efficiency	35~40%
Hydrogen mixing ratio range	0%~50%(Can be operated with diesel oil only)



Mass-production type Fuel-cell Portable Generator

- Start of development of mass-production type
- Packaging of FC stack, air compressor, hydrogen circulation pump, etc.
- Aiming to reduce size and weight based on the Knowledge obtained from the demonstration tester

Intended use

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



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



Intended use : Night construction, events, etc.

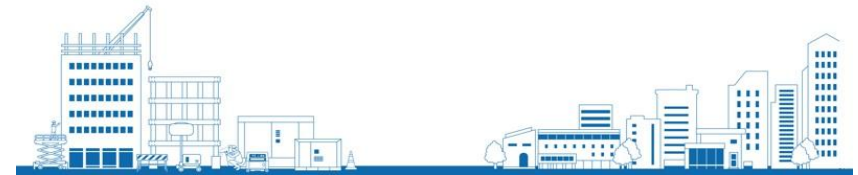
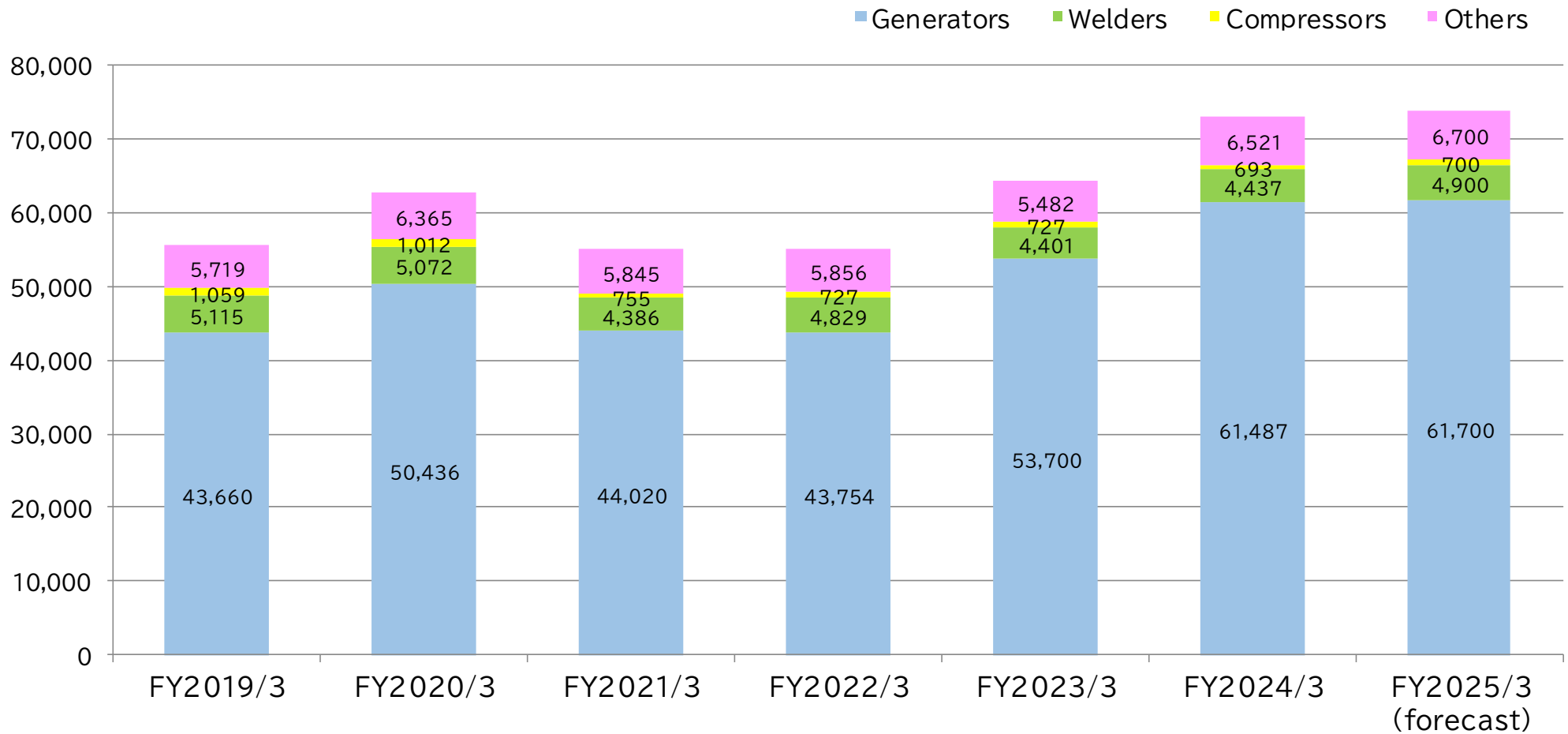
- Quiet and no CO2 emissions
- Uses a detachable cartridge-type lithium-ion battery
- Long operation possible

WELZACK

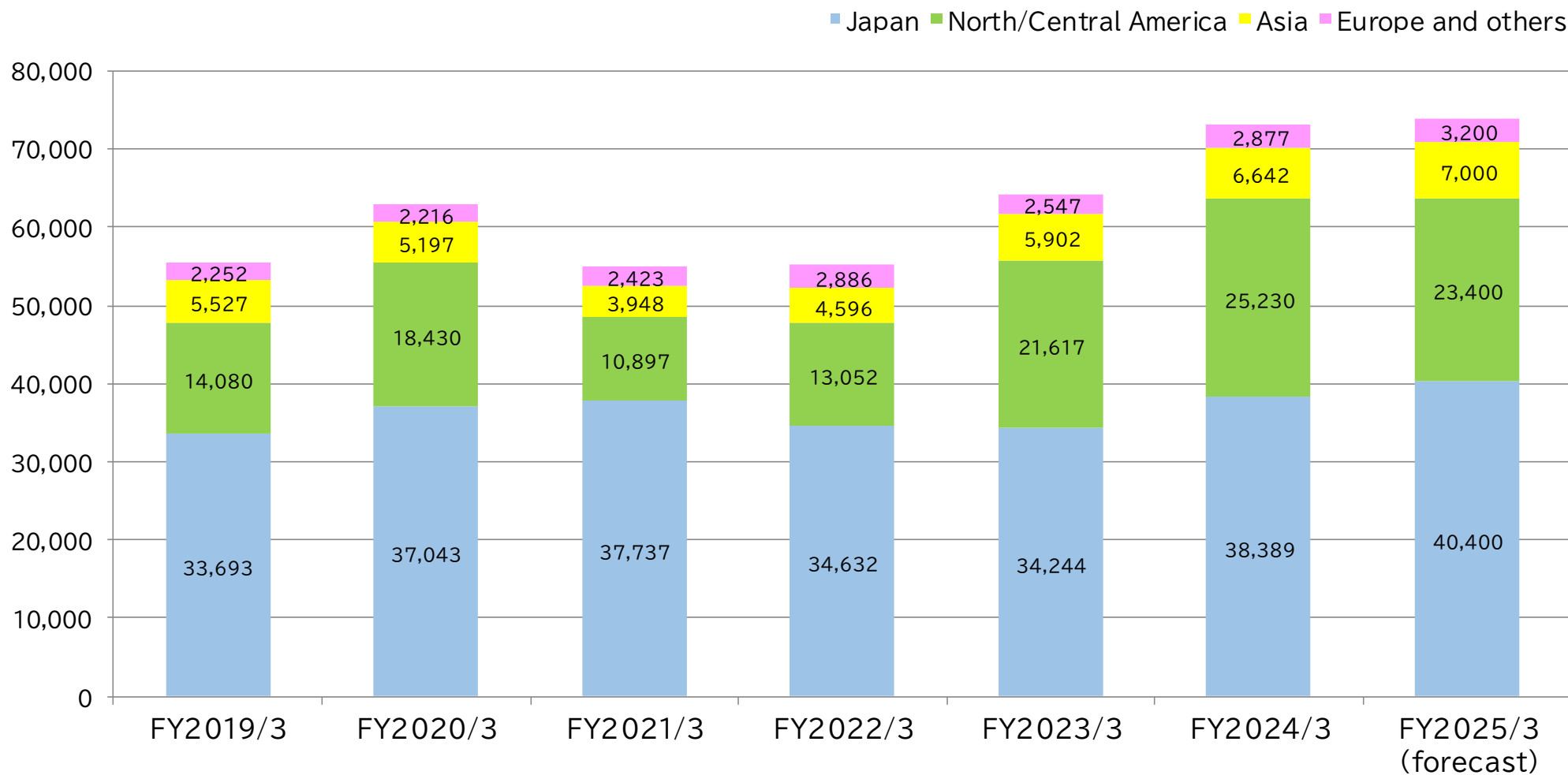


Intended use : Repair work on stairs and narrow areas, etc.

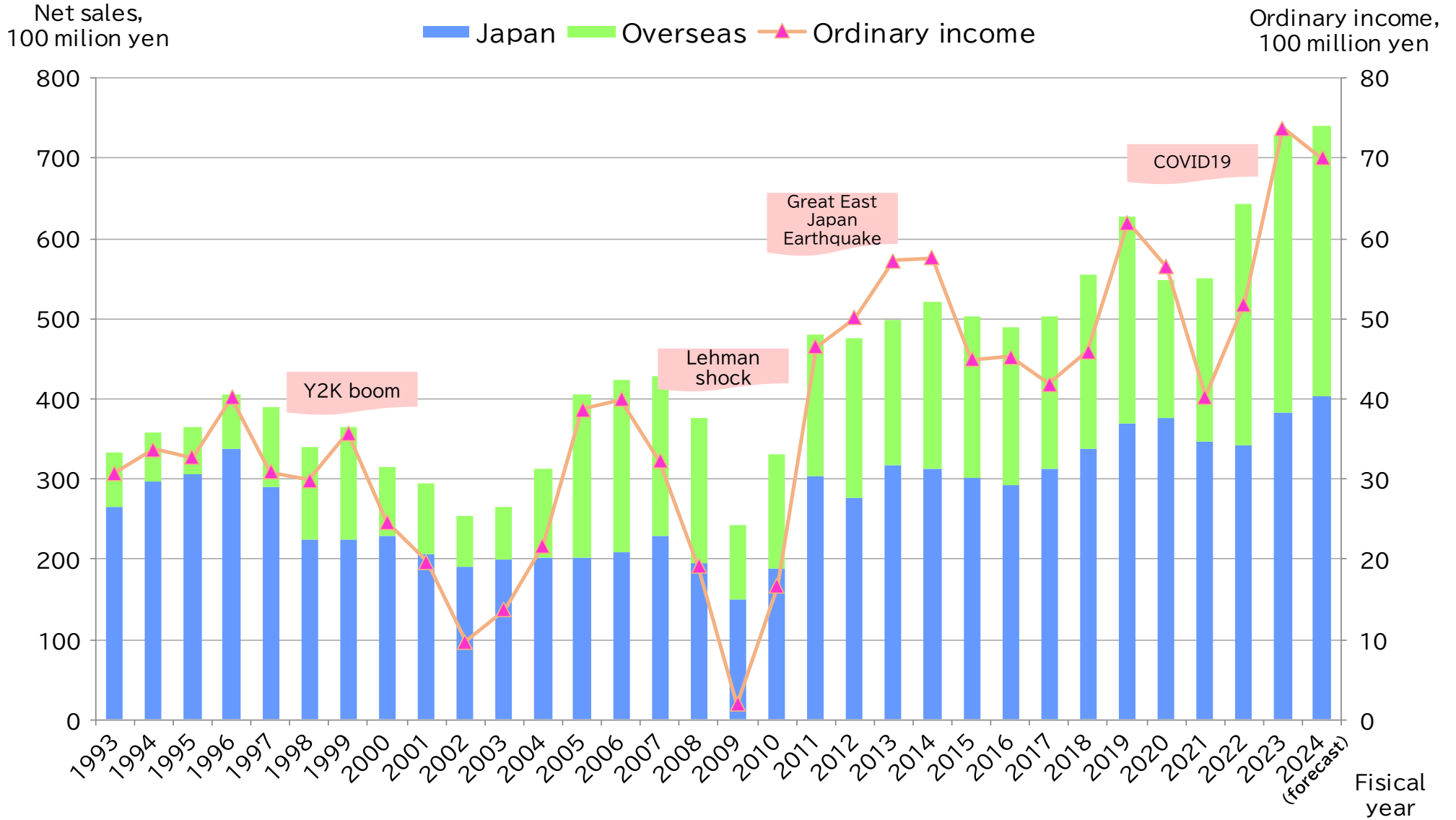
Sales by product



Sales by region



Changes in Results for the Last 30 Years



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