

Briefing on Results for the First Half of the Fiscal Year ending March 31, 2015



Photo: Laboratory & Training Center

November 21, 2014

Denyo Co., Ltd.

I. Overview of Results for the First Half of FY2015/3

Shoichi Shiratori, Director and Managing Executive Officer
Administration Division

II. Outlook for FY2015/3 and Future Management Policy

Shigeru Koga, President

Overview of Results for the First Half of FY2015/3

Highlights of Results for the First Half of FY2015/3 (Consolidated)

Key Point

Both sales and income increased year on year.

(million yen)

	First half of FY2014/3		First half of FY2015/3		Rate of change (YoY)
Net sales	21,990	100%	24,281	100%	10.4%
Operating income	* 1,635	7.4%	1,951	8.0%	19.3%
Ordinary income	* 1,811	8.2%	2,123	8.7%	17.2%
Net income	* 1,280	5.8%	1,398	5.8%	9.2%
Capital investment	361		858		
Depreciation	393		480		
Net income per share	* 56.30 yen		65.00 yen		
ROE (%)	6.4 %	Annualized	6.4%	Annualized	
Interim dividends per share	11.0 yen		12.0 yen		

* The Company's accounting policy has been changed.

Sales Trends by Product (Consolidated)

Overview

1. Sales of generators increased 1,531 million yen (9.2%).
2. Sales of welders rose 631 million yen (26.6%).
3. Sales of compressors were up 53 million yen (11.5%).

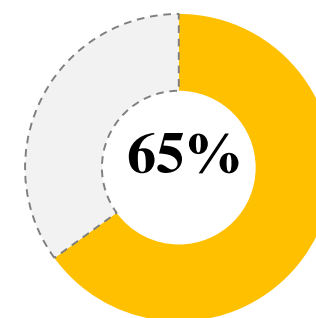
(million yen)

		First half of FY2014/3		First half of FY2015/3		Change (YoY)	Rate of change (YoY)
Net sales		21,990	100%	24,281	100%	2,291	10.4%
By product	Generators	16,675	75.8%	18,206	75.0%	1,531	9.2%
	Welders	2,369	10.8%	3,000	12.4%	631	26.6%
	Compressors	462	2.1%	515	2.1%	53	11.5%
	Others	2,483	11.3%	2,560	10.5%	77	3.1%

Engine Generators (Consolidated)

	First half of FY2014/3	First half of FY2015/3	Rate of change (YoY)
Generators	16,675 million yen	18,206 million yen	9.2%

- In Japan, shipment to the leasing and rental industry, which is the Company's major customers, increased.
Shipment of stand-by generating sets run on LP gas declined.
- Overseas, shipment to North America and the Middle East increased.



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



Mobile-type generator



Stand-by generating sets

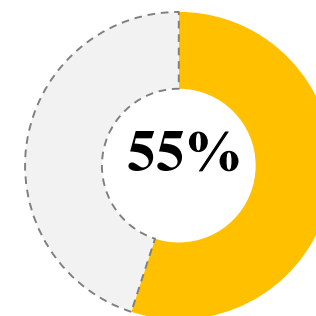
Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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, power light, etc.

Engine Welders (Consolidated)

	First half of FY2014/3	First half of FY2015/3	Rate of change (YoY)
Welders	2,369 ^{million yen}	3,000 ^{million yen}	26.6%

- In Japan, the shipment of small welders increased.
- Overseas, the shipment to North America and Russia increased.



Domestic market share of
engine welders

*According to a
Company survey



Engine welder

The Company developed the first engine-driven welder for outdoor work in Japan.

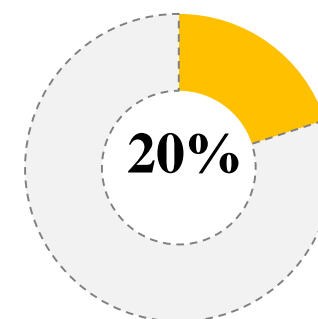
Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO2 welder, etc.

- 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 FY2014/3	First half of FY2015/3	Rate of change (YoY)
Compressors	462 million yen	515 million yen	11.5%

- Shipments to the domestic market increased.



Domestic market share of
engine compressors

*According to a
Company survey



Engine compressor



Motor compressor

**Manufacturing compressors with air discharge
amounts from 1.6m³/min to 42.4m³/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 FY2014/3	First half of FY2015/3	Rate of change (YoY)
Others	2,483 million yen	2,560 million yen	3.1%

- Sales of self-propelled lifters and purchased merchandise sales increased.

Sales of other products

- Self-propelled lifters
- Water-related equipment
- Parts
- Secondhand equipment and purchased merchandise
- Repair sales, etc.



Self-propelled lifter

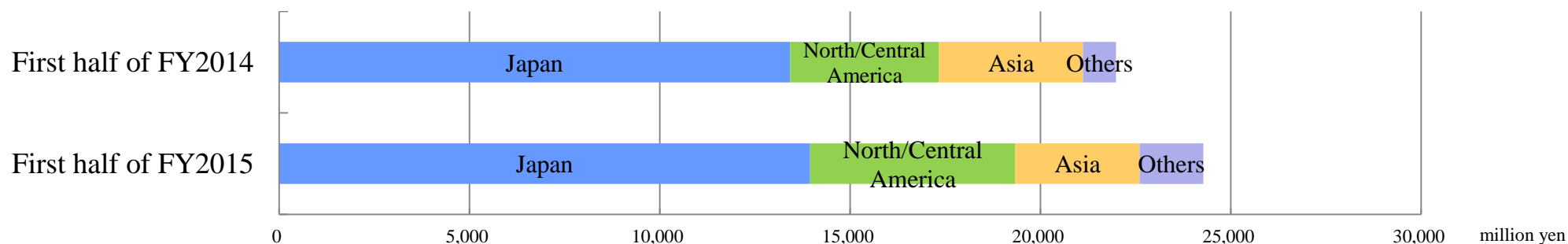


Water-related equipment

Sales Trends by Region (Consolidated)

(million yen)

		First half of FY2014/3		First half of FY2015/3		Change (YoY)	Rate of change (YoY)
Net sales		21,990	100%	24,281	100%	2,291	10.4%
Domestic sales		13,425	61.1%	13,951	57.5%	526	3.9%
Overseas sales		8,562	38.9%	10,330	42.5%	1,768	20.6%
By region	North/Central America	3,912	17.8%	5,388	22.2%	1,476	37.7%
	Asia	3,784	17.2%	3,270	13.5%	△514	△13.6%
	Others	866	3.9%	1,671	6.9%	805	93.0%



Factor Analysis of Changes in Operating Income

Increase in Operating Income

- Higher income margin in overseas Group companies made a contribution.

(million yen)

	First half of FY2014/3	First half of FY2015/3	Change (YoY)
Operating income	* 1,635	1,951	316
Operating income margin (%)	7.4%	8.0%	0.6 percentage points

	First half of FY2014/3	First half of FY2015/3	Rate of change (YoY)
Gross profit margin	23.9%	23.9%	0.0 percentage points
Ratio of SG&A to sales	16.5%	15.9%	△0.6 percentage points
Ratio of operating income to sales	7.4%	8.0%	0.6 percentage points

- Gross profit margin worsened in Japan due to a fall in the shipment of profitable products and a rise in raw material prices but improved overseas due to stable production in Denyo Vietnam, etc.
- Ratio of SG&A to sales improved due to higher sales.

* The Company's accounting policy has been changed.

Consolidated Balance Sheets

Overview

1. A 1,984 million yen increase in non-current assets was mainly due to an increase in investment securities.
2. A 580 million yen decrease in current liabilities was mainly due to declines in short-term bank loans and accrued income taxes.

(million yen)

	First half of FY2014/3	At the end of FY2014/3	First half of FY2015/3	Change from the end of FY2014/3
Current assets	36,966	* 38,626	38,129	△497
Non-current assets	20,855	* 22,891	24,875	1,984
Total assets	57,821	* 61,518	63,004	1,486
Current liabilities	11,135	* 12,837	12,257	△580
Long-term liabilities	3,511	* 4,357	4,918	561
Total liabilities	14,646	* 17,194	17,176	△18
Total net assets	43,174	* 44,323	45,828	1,505
Total liabilities and net assets	57,821	* 61,518	63,004	1,486

* The Company's accounting policy has been changed.

Changes in Consolidated Cash Flows

Overview

1. A 2,347 million yen cash flow from operating activities was mainly due to a decrease in trade notes and accounts receivable.
2. Balance of cash and cash equivalents increased 16 million yen from the end of the previous fiscal year.

(million yen)

	First half of FY2014/3	First half of FY2015/3
I Cash flow from operating activities	2,732	2,347
II Cash flow from investing activities	71	△ 1,254
I + II Free cash flows	2,803	1,093
III Cash flow from financing activities	△ 765	△ 1,000
IV Foreign currency adjustments on cash and cash equivalents	141	△ 75
V Net increase or decrease in cash and cash equivalents	2,180	16
VI Cash and cash equivalents, end of period	12,700	9,848

Outlook for FY2015/3 and Future Management Policy

Outlook for FY2015/3: Consolidated Income and Loss

Key points

1. Net sales are expected to be 51.0 billion yen.
2. Assumed exchange rate is 100 yen/dollar.

(million yen)

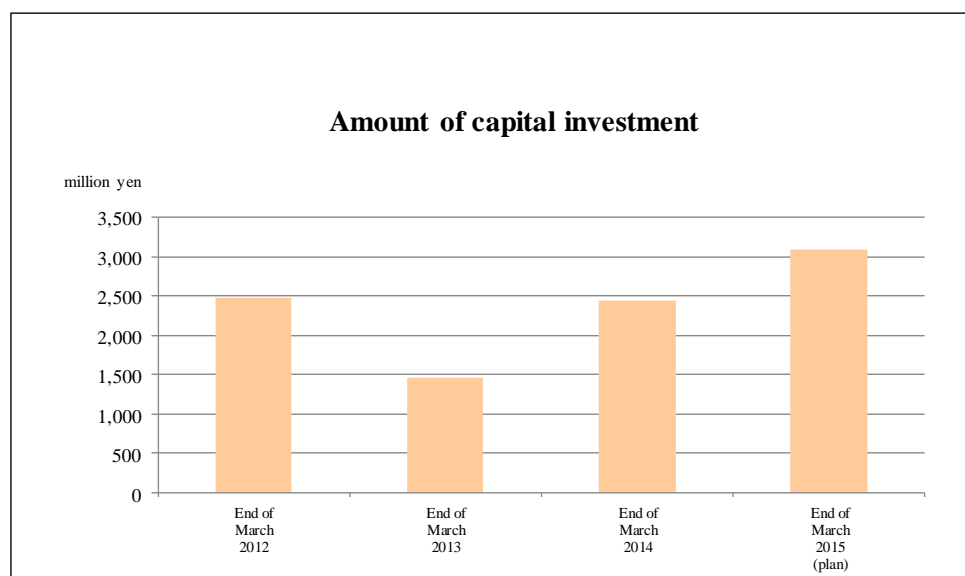
	FY2014/3		FY2015/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	49,832	100%	51,000	100%	1,168	2.3%
Operating income	* 5,407	10.9%	5,400	10.6%	△ 7	△0.1%
Ordinary income	* 5,723	11.5%	5,700	11.2%	△ 23	△0.4%
Net income	* 3,726	7.5%	3,550	7.0%	△ 176	△4.7%
Capital investment	2,453		3,100		647	26.4%
Depreciation	837		900		63	7.5%
Net income per share	* 165.2 yen		165.0 yen		△0.2 yen	
ROE (%)	* 9.1%		8.3%	*Shareholders' equity is calculated by using the amount of money at the end of the previous fiscal year.		
Cash dividends per share (yen)	24.0 yen		24.0 yen			

* The Company's accounting policy has been changed.

Changes in the Amount of Capital Investment

(million yen)

	End of March 2012	End of March 2013	End of March 2014	End of March 2015 (plan)
Cost of equipment	2,480	1,457	2,453	3,100
Main uses	<ul style="list-style-type: none"> Laboratory & Training Center 744 Fukui office building, company dormitory 397 Vietnam Plant 744 	<ul style="list-style-type: none"> Laboratory & Training Center 814 Machinery of Fukui plant, etc. 150 U.S. Plant 237 Vietnam Plant 127 	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 480 Nishinohon Generator Mfg. 270 Vietnam Plant 440 Singapore 1,100 	<ul style="list-style-type: none"> Machinery of Fukui plant, etc. 370 Nishinohon Generator Mfg. 200 Vietnam Plant 2,000 Singapore 400



Denyo Vietnam

Outlook for Sales by Product (Consolidated)

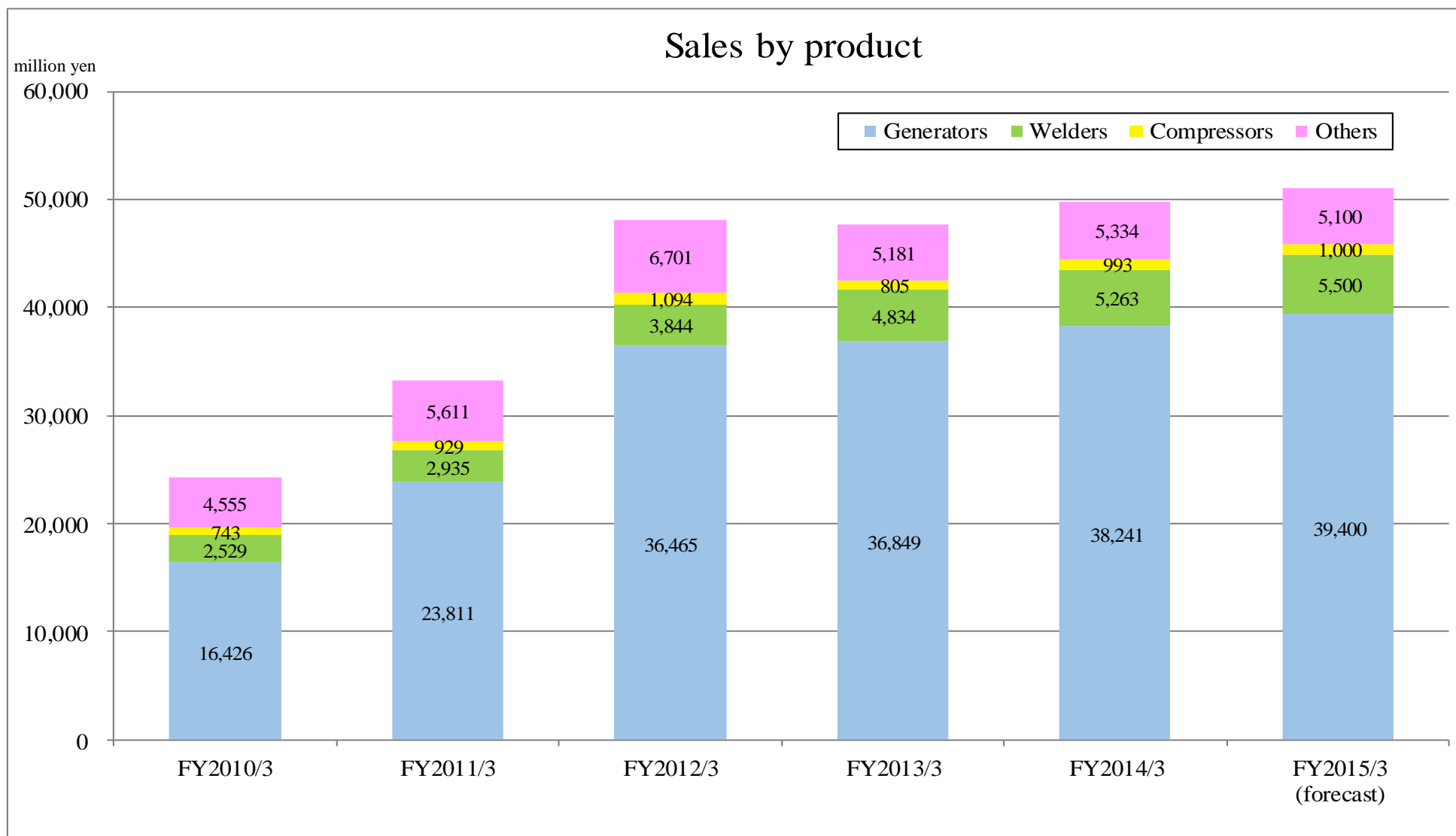
Overview

1. Sales of generators are expected to increase 1,159 million yen (3.0 %).
2. Sales of welders are anticipated to rise 237 million yen (4.5%).
3. Sales of compressors are forecast to be up 157 million yen (0.7%).

(million yen)

		FY2014/3		FY2015/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		49,832	100%	51,000	100%	1,168	2.3%
By product	Generators	38,241	76.7%	39,400	77.3%	1,159	3.0%
	Welders	5,263	10.6%	5,500	10.8%	237	4.5%
	Compressors	993	2.0%	1,000	2.0%	7	0.7%
	Others	5,334	10.7%	5,100	10.0%	△ 234	△ 4.4%

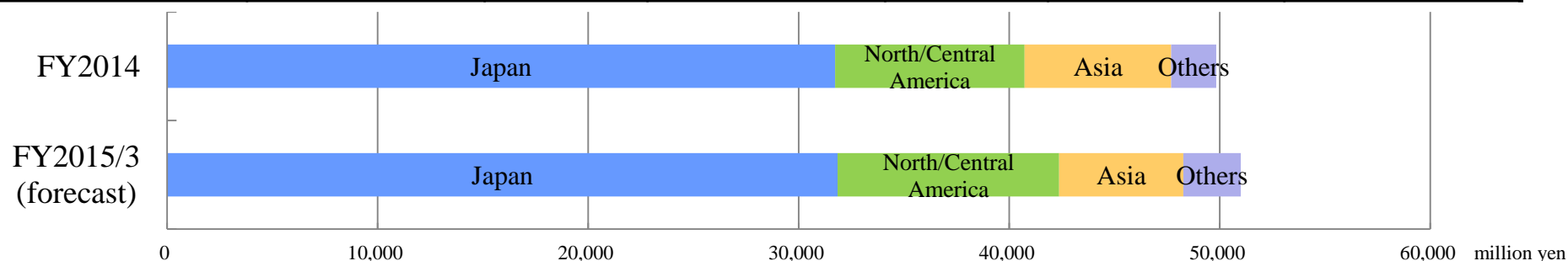
Trends and Forecasts by Product Sales



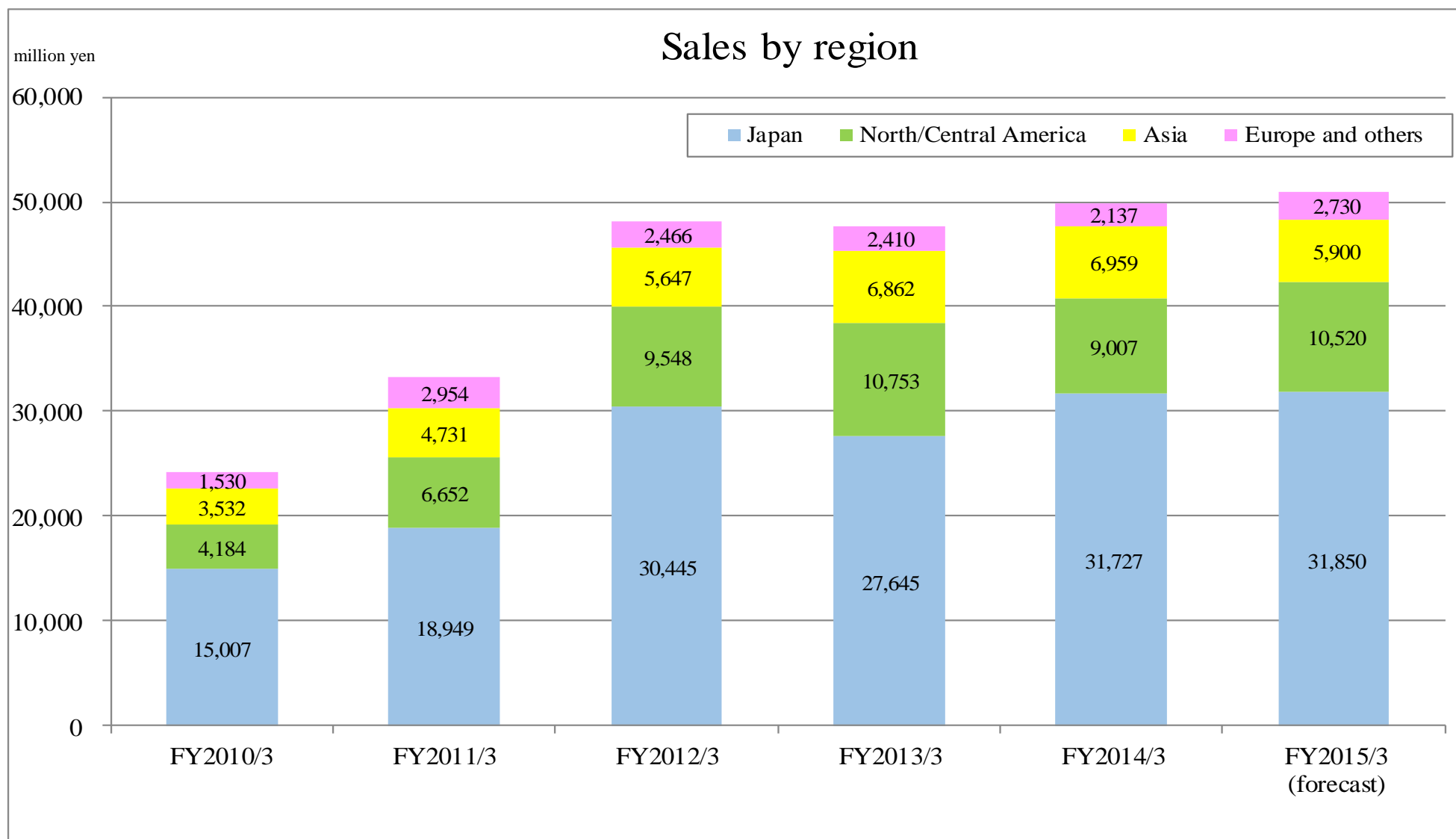
Outlook for Sales by Region (Consolidated)

(million yen)

		FY2014/3		FY2015/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		49,832	100%	51,000	100%	1,168	2.3%
Domestic sales		31,727	63.7%	31,850	62.5%	123	0.4%
Overseas sales		18,104	36.3%	19,150	37.5%	1,046	5.8%
By region	North/ Central America	9,007	18.1%	10,520	20.6%	1,513	16.8%
	Asia	6,959	14.0%	5,900	11.6%	△ 1,059	△ 15.2%
	Others	2,137	4.3%	2,730	5.4%	593	27.7%



Changes in Sales by Region and Forecasts



Details of the Operating Income Forecast

Slight decrease in operating income

The operating income margin, as well as the operating income are expected to decline 0.3 percentage point and 7 million yen, respectively.

(million yen)

	FY2014/3	FY2015/3 (forecast)	Change (YoY)
Operating income	* 5,407	5,400	△ 7
Operating income margin (%)	* 10.9%	10.6%	△ 0.3 percentage points

	FY2014/3	FY2015/3 (forecast)	Change (YoY)
Gross profit margin	* 26.0%	25.9%	△ 0.1 percentage point
Ratio of SG&A to sales	* 15.1%	15.3%	0.2 percentage point
Ratio of operating income to sales	* 10.9%	10.6%	△ 0.3 percentage point

Both the gross profit margin and the ratio of SG&A to sales are expected to worsen slightly year on year.

* The Company's accounting policy has been changed.

Future Management Policy

Management philosophy:

Devoting our attention to manufacturing products focusing on safety, economy and environment under the theme of power sources while pursuing

“benefits for three parties”

(so those who use, sell and manufacturer will benefit).



Management strategies:

- (1) As a pioneer in power sources, we aim to become the leader in the high performance generator market, employing our strong technical capabilities and extensive sales network.
- (2) Enhancing the peripheral businesses of generators.
- (3) Entering into new related businesses.

Target management indicators:

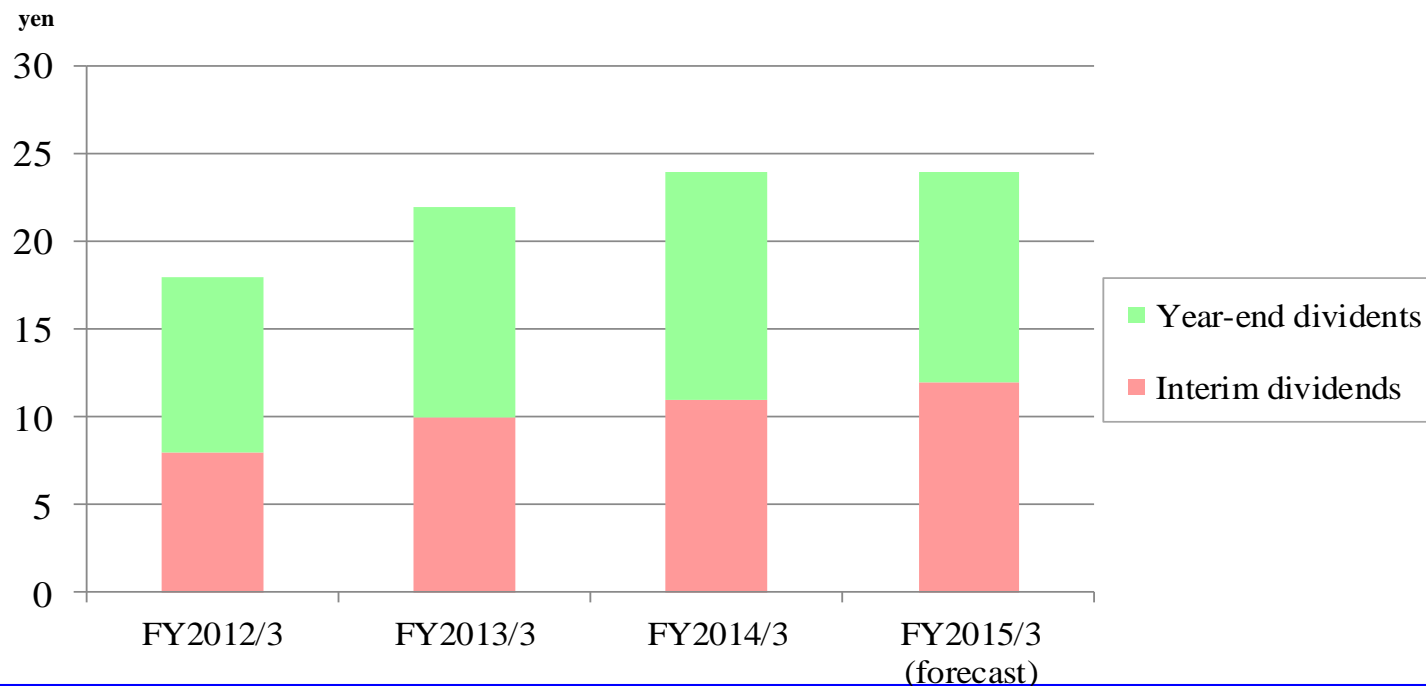
- (1) ROE: 8% or more **(8.9% in FY2014/3)**
- (2) Ratio of ordinary income to sales: 12% or more **(11.3% in FY2014/3)**

Profit Distribution Policy

Profit distribution: Denyo recognizes the importance of returning profits to shareholders, while aiming to strengthen future competitiveness 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:

22 yen in FY2013/3 \Rightarrow 24 yen in FY2014/3 \Rightarrow 24 yen (forecast) in FY2015/3



Future Business Strategies

Key Points

- Enhancement of products for other than construction-related markets
- Development of products with high environmental performance
- Strengthening of overseas business strategies



Eco-base generator

Enhancement of products for
other than construction-
related markets

↓
Enhancement of the stand-by
generating set business
Sales expansion of power-supply
vehicles



Super soundproof type
power-supply vehicle

Development of Product with
high environmental
performance

↓
Contributing to the protection of the
environment by manufacturing a series
of standard feature eco-based
(ecologically-minded) generators and
welders.

Strengthening of overseas
business strategies

- ↓
- Selling products in the American, Asian and European markets in a balanced manner.
 - Plans to manufacture finished products at the Vietnam Plant to respond to the robust Asian market.

Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of November 21, 2014.

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 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.

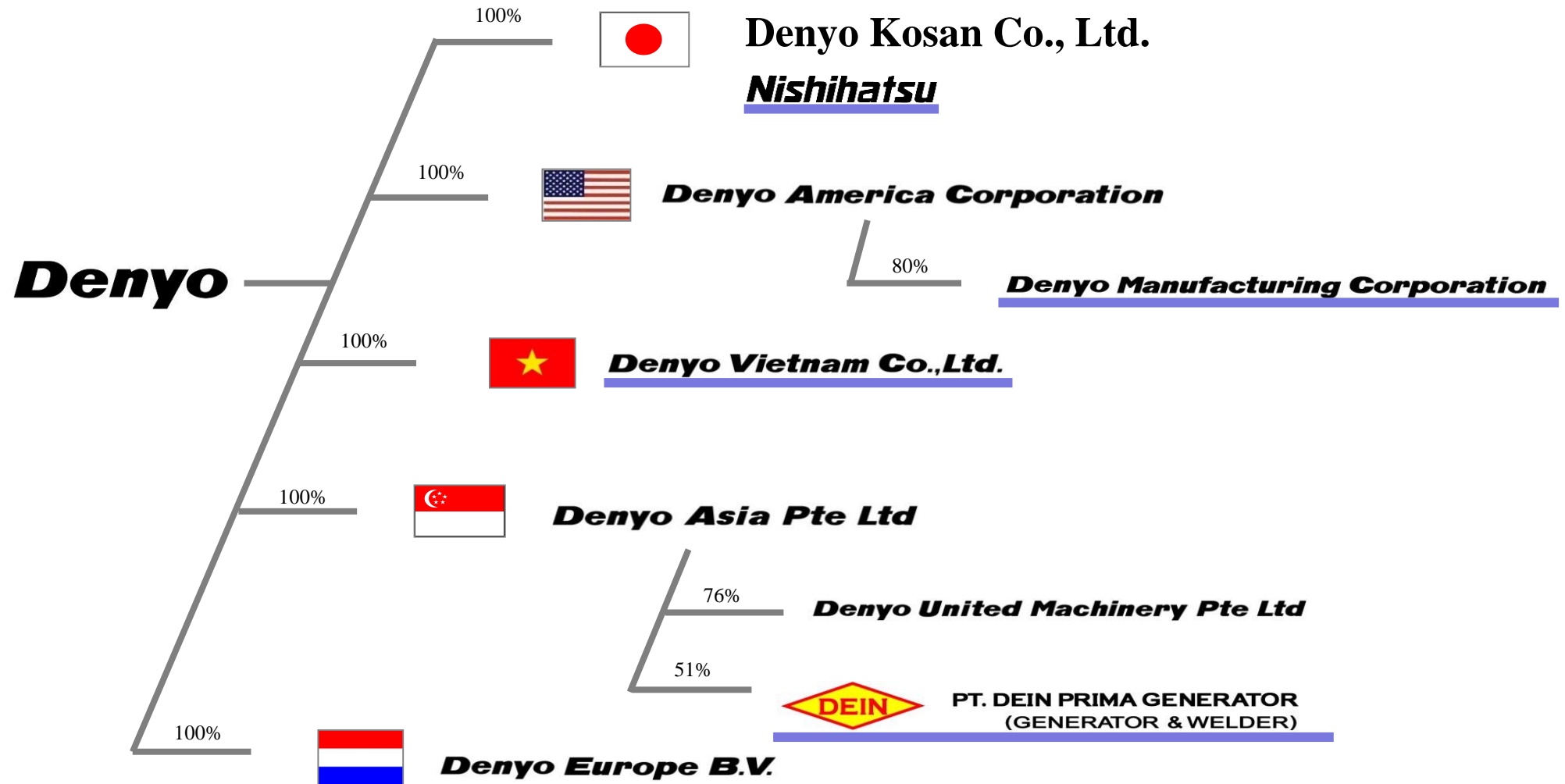
● Company size, etc. (FY2014/3 on a consolidated basis)

	(million yen)
Net sales	49,832
Overseas sales	18,104
Ordinary income	5,723
Net income	3,726
Total assets	61,518
Net assets	44,323
Market capitalization (as of March 31)	42,264
Number of employees	1,056



Head Office (Nihonbashi-Horidomecho)

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.

Changes in Results for the Last 30 Years

