



Denryo Co., Ltd.

Briefing on Results for the First quarter of the
Fiscal Year ending March 31, 2020



Overview of Results for the First quarter of FY2020/3

(April 1, 2019 ~ June 30, 2019)

Highlights of Results for the First quarter of FY2020/3 (Consolidated)

(million yen)

	First quarter of FY2019/3		First quarter of FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales	11,847	100%	13,552	100%	1,705	14.4%
Operating income	598	5.1%	799	5.9%	201	33.6%
Ordinary income	698	5.9%	740	5.5%	42	6.0%
Profit attributable to owners of parent	458	3.9%	417	3.1%	△ 41	△ 9.1%
Capital investment	322	—	637	—	315	97.8%
Depreciation	281	—	290	—	9	3.2%
Net income per share	21.60 ^{yen}	—	19.91 ^{yen}	—	△ 1.69 ^{yen}	△ 7.8%

Sales Trends by Product (Consolidated)

(million yen)

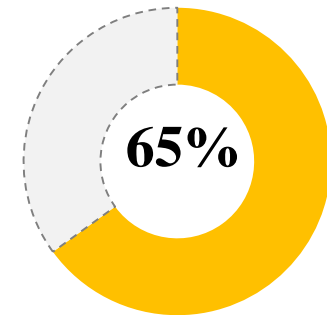
		First quarter of FY2019/3		First quarter of FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales		11,847	100%	13,552	100%	1,705	14.4%
By product	Generators	9,180	77.5%	10,520	77.6%	1,340	14.6%
	Welders	1,229	10.4%	1,216	9.0%	△ 12	△ 1.0%
	Compressors	236	2.0%	263	1.9%	27	11.7%
	Others	1,201	10.1%	1,551	11.5%	349	29.1%

Engine Generators (Consolidated)

(million yen)

	First quarter of FY2019/3	First quarter of FY2020/3	Rate of change (YoY)
Generators	9,180	10,520	14.6%

- In Japan, shipment to the rental company increased and shipment of the generators for handling the blackout remain robust.
- Overseas, shipment to America remained strong.



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



Simul generator



Stand-by generating sets

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

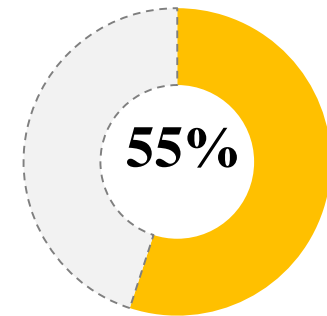
- Mobile-type generators
 - Power source on a construction site and for civil engineering work and disaster recovery/restoration, etc.
- Stand-by generating sets (stationary type)
 - Back-up power source such as disaster prevention equipment and offices, etc.
- Power-supply vehicles, etc.

Engine Welders (Consolidated)

(million yen)

	First quarter of FY2019/3	First quarter of FY2020/3	Rate of change (YoY)
Welders	1,229	1,216	△ 1.0%

- In Japan, shipment of the small-type machines increased
- Overseas, shipment decreased.



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.

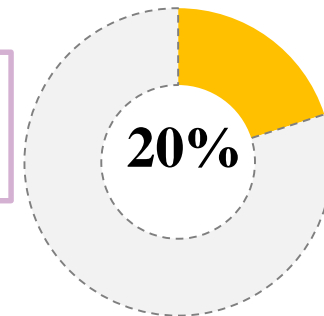
- Welding of steel construction for buildings, condominiums and bridges.
- Welding of important structures such as petroleum storage tanks and pipelines.

Engine Compressors (Consolidated)

(million yen)

	First quarter of FY2019/3	First quarter of FY2020/3	Rate of change (YoY)
Compressors	236	263	11.7%

- Shipment to Japan is unchanged from the previous year, and shipment to America increased.



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 FY2019/3	First quarter of FY2020/3	Rate of change (YoY)
Others	1,201	1,551	29.1%

- Shipment of the self-propelled lifer, etc. increased.

Sales of other products

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



Self-propelled lifter

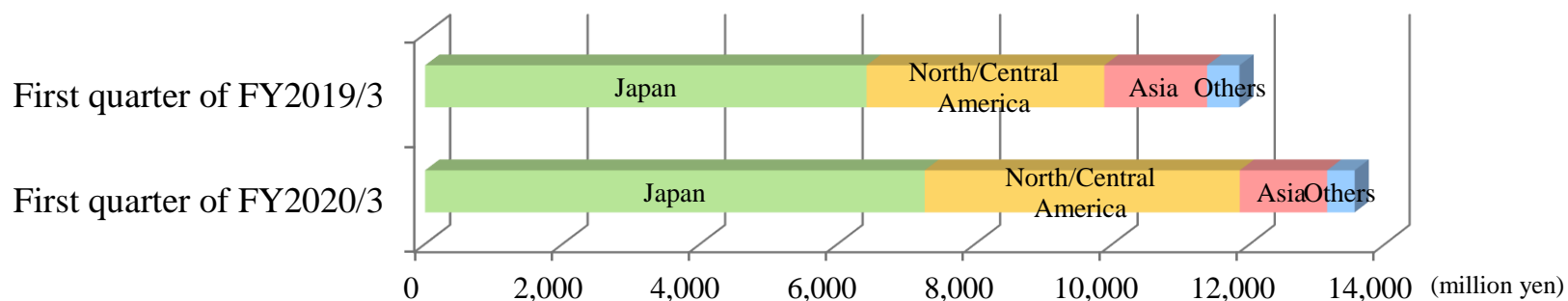


Load testing
equipment

Sales Trends by Region (Consolidated)

(million yen)

		First quarter of FY2019/3		First quarter of FY2020/3		Change (YoY)	Rate of change (YoY)
Net sales		11,847	100%	13,552	100%	1,705	14.4%
Domestic sales		6,422	54.2%	7,267	53.6%	845	13.2%
Overseas sales		5,425	45.8%	6,285	46.4%	860	15.9%
By region	North/Central America	3,458	29.2%	4,584	33.8%	1,125	32.5%
	Asia	1,496	12.6%	1,292	9.6%	△ 204	△ 13.6%
	Others	470	4.0%	408	3.0%	△ 61	△ 13.1%



Factor Analysis of Changes in Operating Income (Consolidated)

Increase in
Operating income

- The operating income increased because of the improvement of the operating income margin and an increase of the net sales.

(million yen)

	First quarter of FY2019/3	First quarter of FY2020/3	Change(YoY)
Operating income	598	799	201
Operating income margin	5.1%	5.9%	0.8 _{percentage point}

	First quarter of FY2019/3	First quarter of FY2020/3	Rate of change (YoY)
Gross profit margin	23.1%	*22.1%	* Δ 1.0 _{percentage point}
Ratio of SG&A to sales	18.0%	*16.2%	* Δ 1.8 _{percentage point}
Ratio of operating income to sales	5.1%	5.9%	0.8 _{percentage point}

* As a result of reviewing the scope of the cost accounting in some overseas subsidiaries, the classification of some expenses has been reorganized from SG & A expenses to the cost of sales.

- Gross profit margin is worsen by the impact of reviewing the scope of cost accounting in some overseas subsidiaries (Δ 0.6%) ,and also affected by an increase in the raw materials, etc.**
- Ratio of SG&A to sales is improved by the impact of reviewing the scope of cost accounting in some overseas subsidiaries (Δ 0.6%) ,and also decreased because of the rate of the fixed cost decline which is caused by an increase of the net sales.**

Outlook for FY2020/3

Outlook for FY2020/3: Consolidated Income and Loss

Key points

- Net sales are expected to be 56.5 billion yen.
- Assumed exchange rate is 110 yen/dollar.

(million yen)

	FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change(YoY)
Net sales	55,554	100%	56,500	100%	946	1.7%
Operating income	4,201	7.6%	4,600	8.1%	399	9.5%
Ordinary income	4,592	8.3%	4,900	8.7%	308	6.7%
Profit attributable to owners of parent	3,166	5.7%	3,200	5.7%	34	1.0%
Capital investment	1,499		1,900		401	26.8%
Depreciation	1,132		1,300		168	14.8%
Net income per share	149.8yen		152.7yen		2.9 yen	
ROE	5.9%		*5.9%			
Cash dividends per share	42.0yen		44.0yen		—	—

* Equity is calculated by using the amount of money at the end of FY2019/3. **11**

Outlook for Sales by Product (Consolidated)

Overview

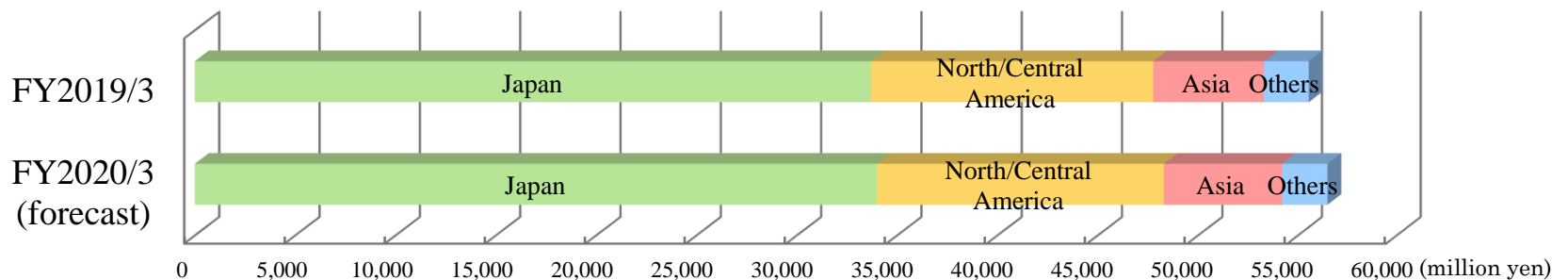
- Sales of generators are expected to increase by 540 million yen (1.2%).
- Sales of welders are anticipated to increase by 185 million yen (3.6%).
- Sales of compressors are forecasted to be up by 141 million yen (13.3%).

		FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change (YoY)
		(million yen)					
Consolidated sales		55,554	100%	56,500	100%	946	1.7%
By products	Generators	43,660	78.6%	44,200	78.2%	540	1.2%
	Welders	5,115	9.2%	5,300	9.4%	185	3.6%
	Compressors	1,059	1.9%	1,200	2.1%	141	13.3%
	Others	5,719	10.3%	5,800	10.3%	81	1.4%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2019/3		FY2020/3 (forecast)		Change (YoY)	Rate of change(YoY)
Consolidated sales		55,554	100%	56,500	100%	946	1.7%
Domestic sales		33,693	60.6%	34,000	60.2%	307	0.9%
Overseas sales		21,860	39.3%	22,500	39.8%	640	2.9%
By region	North/Central America	14,080	25.3%	14,300	25.3%	220	1.6%
	Asia	5,527	9.9%	5,900	10.4%	373	6.7%
	Others	2,252	4.1%	2,300	4.1%	48	2.1%



Details of the Operating Income Forecast

Increase in operating income

- With the implement of the medium-term management plan, operating income is aimed to increase by 399 million yen.

(million yen)

	FY2019/3	FY2020/3 (forecast)	Change (YoY)
Operating income	4,201	4,600	399
Operating income margin	7.6%	8.1%	0.5percentage point

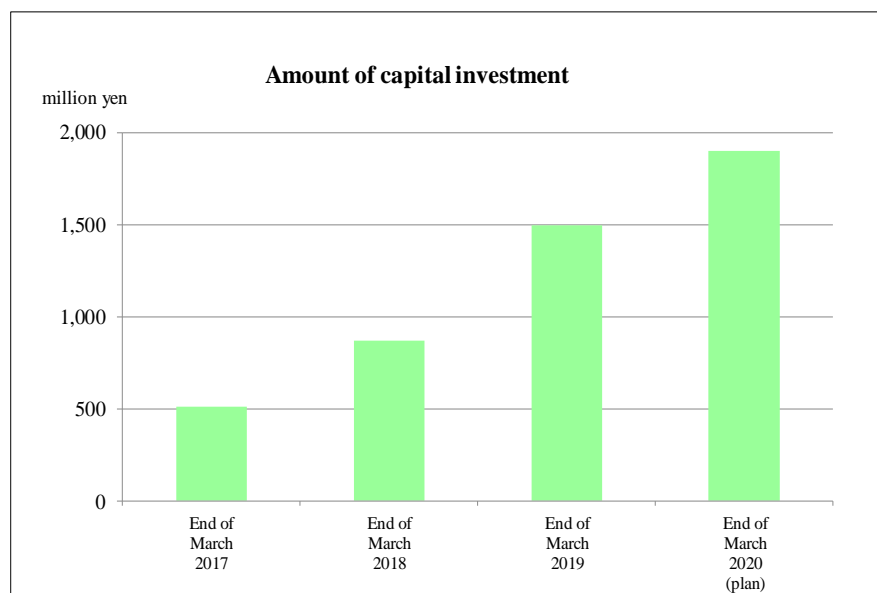
	FY2019/3	FY2020/3 (forecast)	Change (YoY)
Gross profit margin	22.3%	22.8%	0.5percentage point
Ratio of SG&A to sales	14.8%	14.7%	△ 0.1percentage point
Ratio of operating income to sales	7.6%	8.1%	0.5percentage point

- The gross profit margin is aimed to be improved by enhancement of the sales in the profitable product and the cost reduction activities.
- The ratio of SG&A to sales are expected to be unchanged from the previous year.

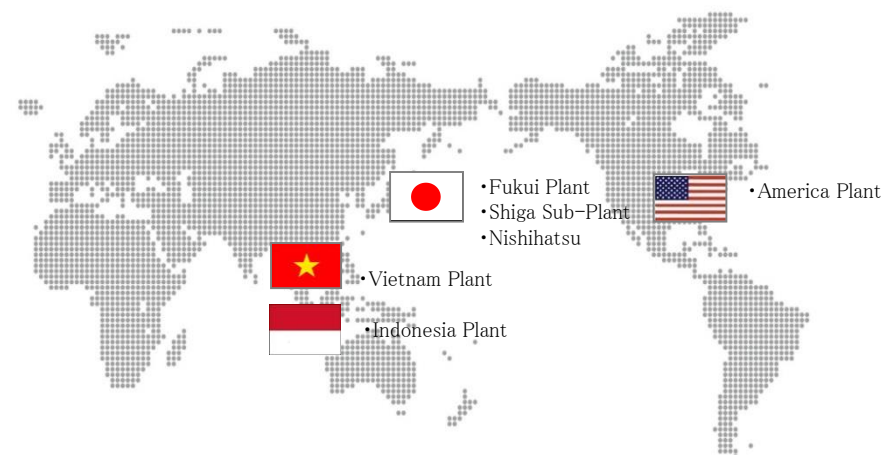
Changes in the Amount of Capital Investment

(million yen)

	End of March 2017	End of March 2018	End of March 2019	End of March 2020 (plan)
Cost of equipment	511	870	1,499	1,900
Main uses	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 100 •Nishihatsu 50 •U.S. Plant 250 •Vietnam Plant 20 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 310 •Nishihatsu 50 •U.S. Plant 450 •Vietnam Plant 20 •Others 40 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 730 •Nishihatsu 50 •U.S. Plant 670 •Others 40 	<ul style="list-style-type: none"> •Machinery of Fukui plant, etc. 1,500 •Nishihatsu 40 •U.S. Plant 260 •Vietnam Plant 40 •Others 60



Production Sites:



Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of August 8, 2019.

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.