



Denryo Co., Ltd.

Briefing on Results for the First quarter of the
Fiscal Year ending March 31, 2021

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the First quarter of FY2021/3

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I . Overview of Results for the First quarter of FY2021/3

(April 1, 2020 ~ June 30, 2020)

Highlights of Results for the First quarter of FY2021/3 (Consolidated)

Key points

- Net sales decreased, but profit increased because of a decrease in SG&A expenses and other factors.
- The impact of the spread of infection from COVID-19 was limited in Japan. Overseas, the impact of results for the first quarter of FY 2021/3 was small because overseas subsidiaries close their accounts at the end of March for the first quarter. The consolidated results for the second quarter will be affected by the spread of COVID-19 infection.

(million yen)

| | First quarter of FY2020/3 | | First quarter of FY2021/3 | | Change (YoY) | Rate of change (YoY) |
|--|------------------------------|------|------------------------------|------|-----------------|----------------------------|
| | | | | | | |
| Net sales | 13,552 | 100% | 13,070 | 100% | △ 482 | △ 3.6% |
| Operating income | 799 | 5.9% | 1,095 | 8.4% | 296 | 36.9% |
| Ordinary income | 740 | 5.5% | 1,216 | 9.3% | 476 | 64.3% |
| Profit attributable to owners of parent | 417 | 3.1% | 846 | 6.5% | 429 | 102.9% |
| Capital investment | 637 | — | 408 | — | △ 229 | △ 35.9% |
| Depreciation | 290 | — | 266 | — | △ 24 | △ 8.3% |
| Net income per share | 19.91 yen | — | 40.60 yen | — | 20.69 yen | 103.9% |

Sales Trends by Product (Consolidated)

(million yen)

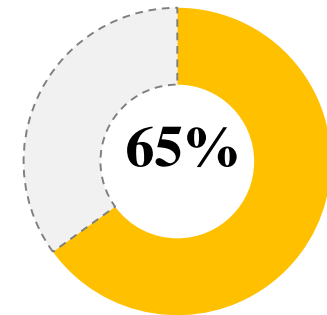
| | | First quarter of FY2020/3 | | First quarter of FY2021/3 | | Change (YoY) | Rate of change (YoY) |
|------------|-------------|------------------------------|-------|------------------------------|-------|-----------------|----------------------------|
| Net sales | | 13,552 | 100% | 13,070 | 100% | △ 482 | △ 3.6% |
| By product | Generators | 10,520 | 77.6% | 10,365 | 79.3% | △ 155 | △ 1.5% |
| | Welders | 1,216 | 9.0% | 1,178 | 9.0% | △ 37 | △ 3.1% |
| | Compressors | 263 | 1.9% | 266 | 2.0% | 2 | 0.8% |
| | Others | 1,551 | 11.4% | 1,259 | 9.6% | △ 291 | △ 18.8% |

Engine Generators (Consolidated)

(million yen)

| | First quarter of FY2020/3 | First quarter of FY2021/3 | Rate of change (YoY) |
|------------|------------------------------|------------------------------|-------------------------|
| Generators | 10,520 | 10,365 | △ 1.5% |

- In Japan, shipment to the rental company decreased, but the shipment of the emergency generators remain robust.
- Overseas, shipment to America settled down.



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



Silent generator
“Mālie”



Vertical type minimum space
Stand-by generating sets

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

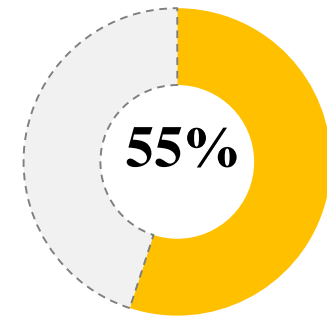
- Mobile-type generators
Power source on a construction site and for civil engineering work and disaster recovery/restoration, etc.
- Stand-by generating sets (stationary type)
Back-up power source such as disaster prevention equipment and offices, etc.
- Power-supply vehicles, etc.

Engine Welders (Consolidated)

(million yen)

| | First quarter of FY2020/3 | First quarter of FY2021/3 | Rate of change (YoY) |
|---------|------------------------------|------------------------------|-------------------------|
| Welders | 1,216 | 1,178 | △ 3.1% |

- Shipment of the specialized welding machines increased but shipment of the small-type machines decreased.



Domestic market share of
engine welders

*According to a
Company survey



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.

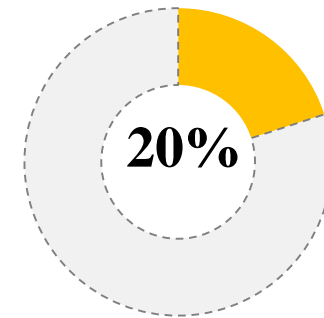
- Welding of steel construction for buildings, condominiums and bridges.
- Welding of important structures such as petroleum storage tanks and pipelines.

Engine Compressors (Consolidated)

(million yen)

| | First quarter of FY2020/3 | First quarter of FY2021/3 | Rate of change (YoY) |
|-------------|------------------------------|------------------------------|-------------------------|
| Compressors | 263 | 266 | 0.8% |

- Shipment to Japan and overseas were unchanged from the previous year.



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 FY2020/3 | First quarter of FY2021/3 | Rate of change (YoY) |
|--------|------------------------------|------------------------------|-------------------------|
| Others | 1,551 | 1,259 | △ 18.8% |

- Shipment of the self-propelled lifters and the purchased merchandises, etc. decreased.

Sales of other products

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



Self-propelled lifter

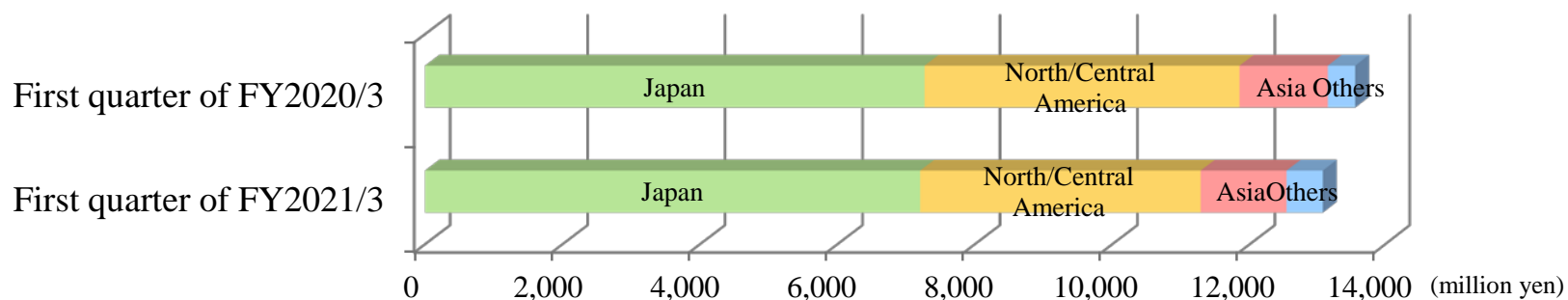


Load testing
equipment

Sales Trends by Region (Consolidated)

(million yen)

| | | First quarter of FY2020/3 | | First quarter of FY2021/3 | | Change (YoY) | Rate of change (YoY) |
|----------------|-----------------------|---------------------------|-------|---------------------------|-------|--------------|----------------------|
| Net sales | | 13,552 | 100% | 13,070 | 100% | △ 482 | △ 3.6% |
| Domestic sales | | 7,267 | 53.6% | 7,204 | 55.1% | △ 63 | △ 0.9% |
| Overseas sales | | 6,285 | 46.4% | 5,866 | 44.9% | △ 419 | △ 6.7% |
| By region | North/Central America | 4,584 | 33.8% | 4,081 | 31.2% | △ 502 | △ 11.0% |
| | Asia | 1,292 | 9.5% | 1,250 | 9.6% | △ 41 | △ 3.2% |
| | Others | 408 | 3.0% | 533 | 4.1% | 124 | 30.6% |



Factor Analysis of Changes in Operating Income (Consolidated)

Increase in
Operating income

- The operating income increased because of a decrease in SG&A expenses.

(million yen)

| | First quarter of FY2020/3 | First quarter of FY2021/3 | Change(YoY) |
|-------------------------|------------------------------|------------------------------|---------------------------------|
| Operating income | 799 | 1,095 | 296 |
| Operating income margin | 5.9% | 8.4% | 2.5 _{percentage point} |

| | First quarter of FY2020/3 | First quarter of FY2021/3 | Rate of change (YoY) |
|------------------------------------|------------------------------|------------------------------|----------------------------------|
| Gross profit margin | 22.1% | 22.4% | 0.3 _{percentage point} |
| Ratio of SG&A to sales | 16.2% | 14.0% | △2.2 _{percentage point} |
| Ratio of operating income to sales | 5.9% | 8.4% | 2.5 _{percentage point} |

- Gross profit margin increased by an increase in the sales ratio of the product with relatively high profitability.
- Ratio of SG&A to sales is improved by a decrease of expenses.



II . Outlook for FY2021/3

Outlook for FY2021/3: Consolidated Income and Loss

Key points

- The impact of the spread of infection from COVID-19 was not included in that forecast, depending on the situation, it may affect the forecast of business results.
- Currently, all of the Denyo group's domestic and overseas sales offices and production facilities are operating as usual.
- Assumed exchange rate is 105 yen/dollar.

(million yen)

| | FY2020/3 | | FY2021/3 (forecast) | | Change (YoY) | Rate of change(YoY) |
|---|----------|------|---------------------|------|--------------|---------------------|
| Net sales | 62,887 | 100% | 58,000 | 100% | △ 4,887 | △ 7.8% |
| Operating income | 6,057 | 9.6% | 4,900 | 8.4% | △ 1,157 | △ 19.1% |
| Ordinary income | 6,202 | 9.9% | 5,200 | 9.0% | △ 1,002 | △ 16.2% |
| Profit attributable to owners of parent | 4,071 | 6.5% | 3,500 | 6.0% | △ 571 | △ 14.0% |
| Capital investment | 1,201 | | 2,000 | | 799 | 66.5% |
| Depreciation | 1,162 | | 1,250 | | 88 | 7.6% |
| Net income per share | 194.3yen | | 167.9yen | | △ 26.4yen | |
| ROE | 7.4% | | *6.2% | | | |
| Cash dividends per share | 46.0yen | | 46.0yen | | | |

* Equity is calculated by using the amount of money at the end of FY2020/3.

Outlook for Sales by Product (Consolidated)

Overview

•The net sales are expected to be worsen because of reactionary fall in sales of Engine Generators for the American market which the sales greatly increased in a prior period and decrease of sales of Engine Generators for construction sites in Japan.

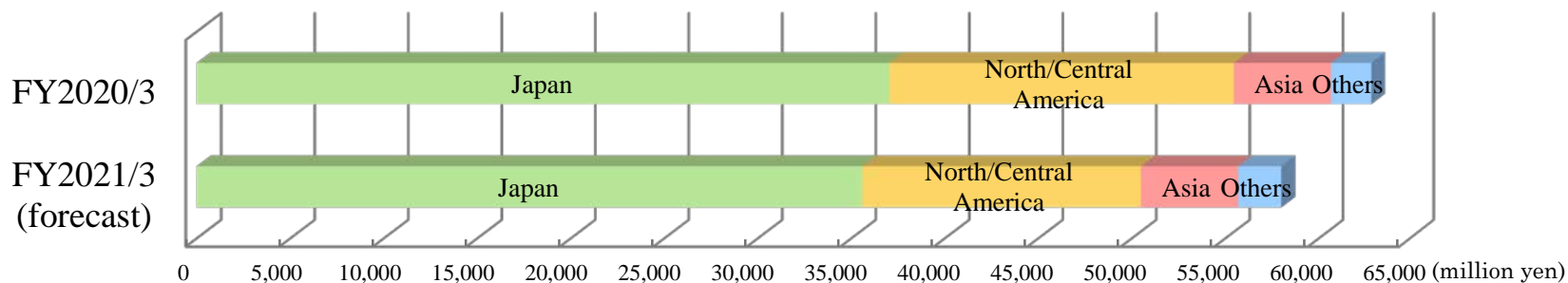
(million yen)

| | | FY2020/3 | | FY2021/3 (forecast) | | Change (YoY) | Rate of change (YoY) |
|--------------------|-------------|----------|-------|---------------------|-------|--------------|----------------------|
| Consolidated sales | | 62,887 | 100% | 58,000 | 100% | △4,887 | △ 7.8% |
| By products | Generators | 50,436 | 80.2% | 45,800 | 79.0% | △4,636 | △ 9.2% |
| | Welders | 5,072 | 8.1% | 5,200 | 9.0% | 128 | 2.5% |
| | Compressors | 1,012 | 1.6% | 1,100 | 1.9% | 88 | 8.7% |
| | Others | 6,365 | 10.1% | 5,900 | 10.2% | △ 465 | △ 7.3% |

Outlook for Sales by Region (Consolidated)

(million yen)

| | | FY2020/3 | | FY2021/3 (forecast) | | Change (YoY) | Rate of change(YoY) |
|--------------------|-----------------------|----------|-------|---------------------|-------|--------------|---------------------|
| Consolidated sales | | 62,887 | 100% | 58,000 | 100% | △ 4,887 | △ 7.8% |
| Domestic sales | | 37,043 | 58.9% | 35,600 | 61.4% | △ 1,443 | △ 3.9% |
| Overseas sales | | 25,844 | 41.1% | 22,400 | 38.6% | △ 3,444 | △ 13.3% |
| By region | North/Central America | 18,430 | 29.3% | 14,900 | 25.7% | △ 3,530 | △ 19.2% |
| | Asia | 5,197 | 8.3% | 5,200 | 9.0% | 3 | 0.1% |
| | Others | 2,216 | 3.5% | 2,300 | 4.0% | 84 | 3.8% |



Details of the Operating Income Forecast

Decrease in operating income

- With the decrease of the net sales, operating income is expected to decrease by 1,157 million yen.

(million yen)

| | FY2020/3 | FY2021/3 (forecast) | Change (YoY) |
|-------------------------|----------|------------------------|------------------------|
| Operating income | 6,057 | 4,900 | Δ 1,157 |
| Operating income margin | 9.6% | 8.4% | Δ 1.2 percentage point |

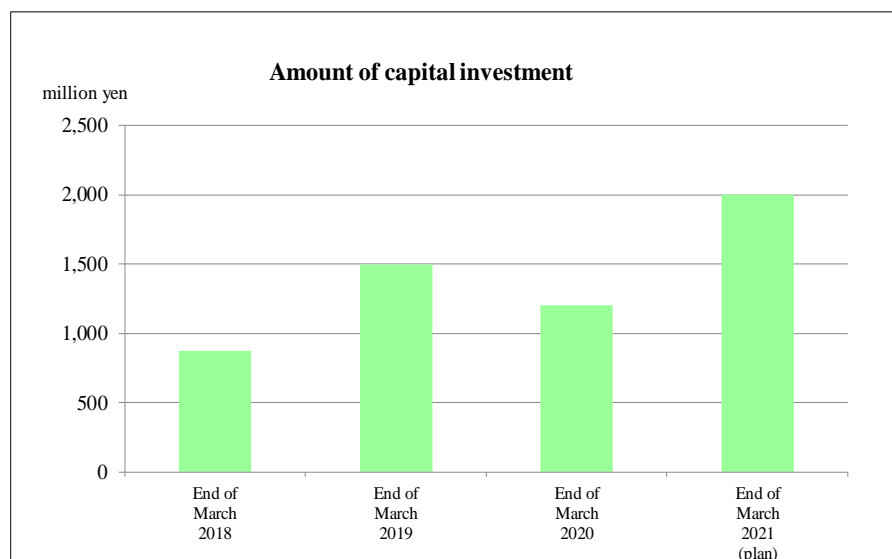
| | FY2020/3 | FY2021/3 (forecast) | Change (YoY) |
|------------------------------------|----------|------------------------|------------------------|
| Gross profit margin | 23.2% | 23.1% | Δ 0.1 percentage point |
| Ratio of SG&A to sales | 13.6% | 14.7% | 1.1 percentage point |
| Ratio of operating income to sales | 9.6% | 8.4% | Δ 1.2 percentage point |

- The gross profit margin is expected to be slightly decreased by the demand for the relatively profitable products are expected to be remain robust, although the net sales decrease.
- The ratio of SG&A to sales are expected to be worsen by an increase of the rate of fixed cost which is caused by an decrease of the net sales.

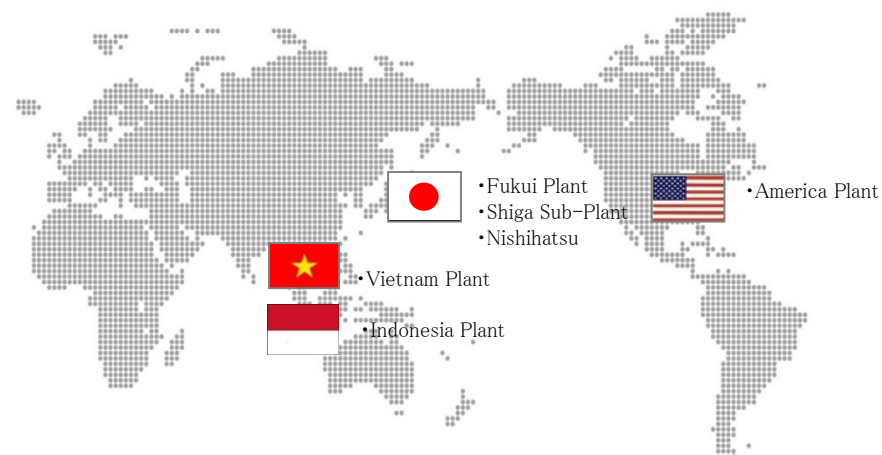
Changes in the Amount of Capital Investment

(million yen)

| | End of March 2018 | End of March 2019 | End of March 2020 | End of March 2021 (plan) |
|-------------------|--|--|--|---|
| Cost of equipment | 870 | 1,499 | 1,201 | 2,000 |
| Main uses | <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. 810 • Nishihatsu 20 • U.S. Plant 290 • Vietnam Plant 10 • Others 70 | <ul style="list-style-type: none"> • Machinery of Fukui plant, etc. 1,600 • Nishihatsu 50 • U.S. Plant 150 • Vietnam Plant 80 • Others 120 |



Production Sites:



Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as of August 6, 2020.

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.