

Briefing on Results for the Fiscal Year ending March 31, 2022



Photo: Denyo Europe B.V.

May 12, 2022

Denyo Co., Ltd.

I. Overview of Results for FY2022/3

II. Outlook for FY2023/3

Overview of Results for FY2022/3

Highlights of Results for FY2022/3 (Consolidated)

Key Point

Net sales is more than the previous fiscal year, operating income ordinary income and profit attributable to owners of parent are less than the previous fiscal year.

(million yen)

	FY2021/3		FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales	55,006	100%	55,168	100%	162	0.3%
Operating income	5,332	9.7%	3,653	6.6%	△ 1,679	△ 31.5%
Ordinary income	5,645	10.3%	4,029	7.3%	△ 1,616	△ 28.6%
Profit attributable to owners of parent	3,860	7.0%	2,753	5.0%	△ 1,107	△ 28.7%
Capital investment	1,918		839		△ 1,079	△ 56.3%
Depreciation	1,167		1,361		194	16.6%
Net income per share	185.1 ^{yen}		132.0 ^{yen}		△53.1 ^{yen}	△ 28.6%
ROE	6.7%		4.6%			
Cash dividends per share	47.0 ^{yen}		47.0 ^{yen}			

Sales Trends by Product (Consolidated)

Overview

1. Sales of generators decreased by 265 million yen (0.6%).
2. Sales of welders increased by 443 million yen (10.1%).
3. Sales of compressors decreased by 27 million yen (3.7%).

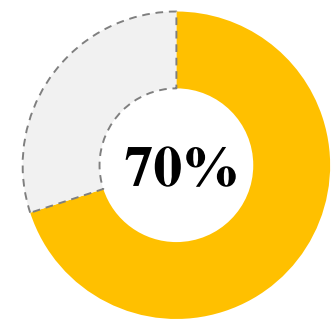
(million yen)

		FY2021/3		FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		55,006	100%	55,168	100%	161	0.3%
By product	Generators	44,020	80.0%	43,754	79.3%	△ 265	△ 0.6%
	Welders	4,386	8.0%	4,829	8.8%	443	10.1%
	Compressors	755	1.4%	727	1.3%	△ 27	△ 3.7%
	Others	5,845	10.6%	5,856	10.6%	11	0.2%

Engine Generators (Consolidated)

	FY2021/3	FY2022/3	Rate of change (YoY)
Generators	44,020 ^{million yen}	43,754 ^{million yen}	Δ 0.6%

- In Japan, shipment of the small-type emergency generators etc. decreased.
- Overseas, shipment to America and Asia increased.



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



Soundless generator "Mālie"



Generator with operational data recording function

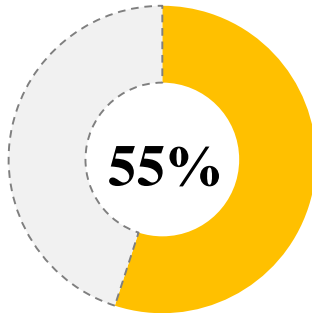
Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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.

Engine Welders (Consolidated)

	FY2021/3	FY2022/3	Rate of change (YoY)
Welders	4,386 ^{million yen}	4,829 ^{million yen}	10.1%

- In Japan, shipment of the small-type welders decreased.
- Overseas, shipment to America and Asia increased.



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.

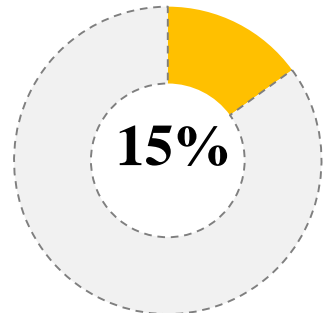
Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO₂ welder, etc.

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

Engine Compressors (Consolidated)

	FY2021/3	FY2022/3	Rate of change (YoY)
Compressors	755 million yen	727 million yen	Δ 3.7%

- The shipment to the domestic market increased, but the shipment to America decreased.



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 1.7 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)

	FY2021/3	FY2022/3	Rate of change (YoY)
Others	5,845 ^{million yen}	5,856 ^{million yen}	0.2%

- Sales of parts, etc. increased.
- Shipment of self-propelled lifters decreased.

Sales of other products

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



Self-propelled lifters

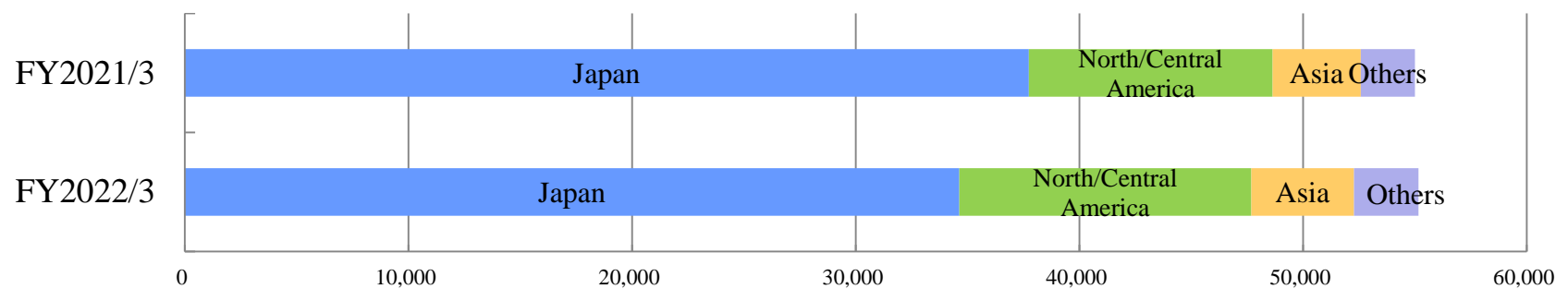


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		FY2021/3		FY2022/3		Change (YoY)	Rate of change (YoY)
Net sales		55,006	100%	55,168	100%	161	0.3%
Domestic sales		37,737	68.6%	34,632	62.8%	△ 3,105	△ 8.2%
Overseas sales		17,269	31.4%	20,536	37.2%	3,266	18.9%
By region	North/Central America	10,897	19.8%	13,052	23.7%	2,155	19.8%
	Asia	3,948	7.2%	4,596	8.3%	647	16.4%
	Others	2,423	4.4%	2,886	5.2%	463	19.1%



Factor Analysis of Changes in Operating Income

Decrease in Operating Income

The operating income decreased mainly due to higher cost of sales ratio.

(million yen)

	FY2021/3	FY2022/3	Change (YoY)
Operating income	5,332	3,653	△ 1,679
Operating income margin (%)	9.7%	6.6%	△ 3.1 percentage points

	FY2021/3	FY2022/3	Change (YoY)
Gross profit margin	24.2%	21.2%	△ 3.0 percentage points
Ratio of SG&A to sales	14.5%	14.6%	0.1 percentage points
Ratio of operating income to sales	9.7%	6.6%	△ 3.1 percentage points

- The gross profit margin was worsened by an increase in the raw materials, etc.
- The ratio of SG&A to sales was around the previous fiscal year due to a decrease in fixed costs despite an increase in logistics costs.

Consolidated Balance Sheets

Overview

1. Current assets increased by 2,428 million yen mainly due to an increase in inventories, etc.
2. Current liabilities decreased by 1,164 million yen mainly due to a decrease in short-term loans payable, etc.

(million yen)

	At the end of FY2021/3	At the end of FY2022/3	Change from the end of FY2021/3
Current assets	54,443	56,872	2,428
Non-current assets	24,613	23,902	△ 711
Total assets	79,057	80,774	1,717
Current liabilities	15,434	14,269	△ 1,164
Long-term liabilities	2,058	2,744	685
Total liabilities	17,493	17,013	△ 480
Total net assets	61,564	63,760	2,196
Total liabilities and net assets	79,057	80,774	1,717

Changes in Consolidated Cash Flows

Overview

1. Cash flow from operating activities was 2,695 million yen, mainly due to the recording of the income before income taxes, etc.
2. Balance of cash and cash equivalents increased by 445 million yen from the end of the previous fiscal year.

(million yen)

	FY2021/3	FY2022/3
I Cash flow from operating activities	4,941	2,695
II Cash flow from investing activities	△ 1,748	△ 819
I + II Free cash flow	3,193	1,876
III Cash flow from financing activities	△ 1,086	△ 1,643
IV Foreign currency translation adjustments on cash and cash equivalents	△ 246	212
V Net increase or decrease in cash and cash equivalents	1,859	445
VI Cash and cash equivalents, end of period	22,913	23,358

Outlook for FY2023/3

Outlook for FY2023/3: Consolidated Income and Loss

Key points

1. Net sales are expected to be 57.5 billion yen.
2. Assumed exchange rate is 110 yen/dollar.

(million yen)

	FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	55,168	100%	57,500	100%	2,332	4.2%
Operating income	3,653	6.6%	3,900	6.8%	247	6.7%
Ordinary income	4,029	7.3%	4,200	7.3%	171	4.2%
Profit attributable to owners of parent	2,753	5.0%	2,800	4.9%	47	1.7%
Capital investment	839		3,700		2,861	341.0%
Depreciation	1,361		1,300		△ 61	△ 4.5%
Net income per share	132.0yen		135.1yen		3.1yen	
ROE	4.6%		*4.6%			
Cash dividends per share	47.0yen		48.0yen			

* Equity is calculated by using the amount of money at the end of FY2022/3.

Outlook for Sales by Product (Consolidated)

Overview

1. In Japan, construction demand and demand for emergency generators are expected to remain robust. Furthermore, event-related demand is expected to recover.
2. Overseas, sales to America and Asia are expected to recover.

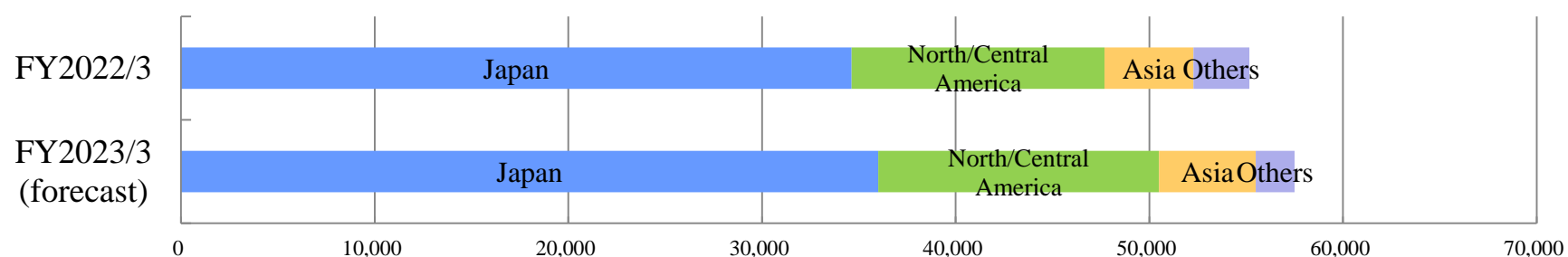
(million yen)

		FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,168	100%	57,500	100%	2,332	4.2%
By product	Generators	43,754	79.3%	45,800	79.7%	2,046	4.7%
	Welders	4,829	8.8%	5,000	8.7%	171	3.5%
	Compressors	727	1.3%	800	1.4%	73	10.0%
	Others	5,856	10.6%	5,900	10.3%	44	0.8%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2022/3		FY2023/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		55,168	100%	57,500	100%	2,332	4.2%
Domestic sales		34,632	62.8%	36,000	62.6%	1,368	4.0%
Overseas sales		20,536	37.2%	21,500	37.4%	964	4.7%
By region	North/ Central America	13,052	23.7%	14,500	25.2%	1,448	11.1%
	Asia	4,596	8.3%	5,000	8.7%	404	8.8%
	Others	2,886	5.2%	2,000	3.5%	△ 886	△ 30.7%



Details of the Operating Income Forecast

Increase in operating income

Operating income is expected to increase due to an increase in sales and an improvement in operating income margin.

(million yen)

	FY2022/3	FY2023/3 (forecast)	Change (YoY)
Operating income	3,653	3,900	247
Operating income margin	6.6%	6.8%	0.2 _{percentage point}

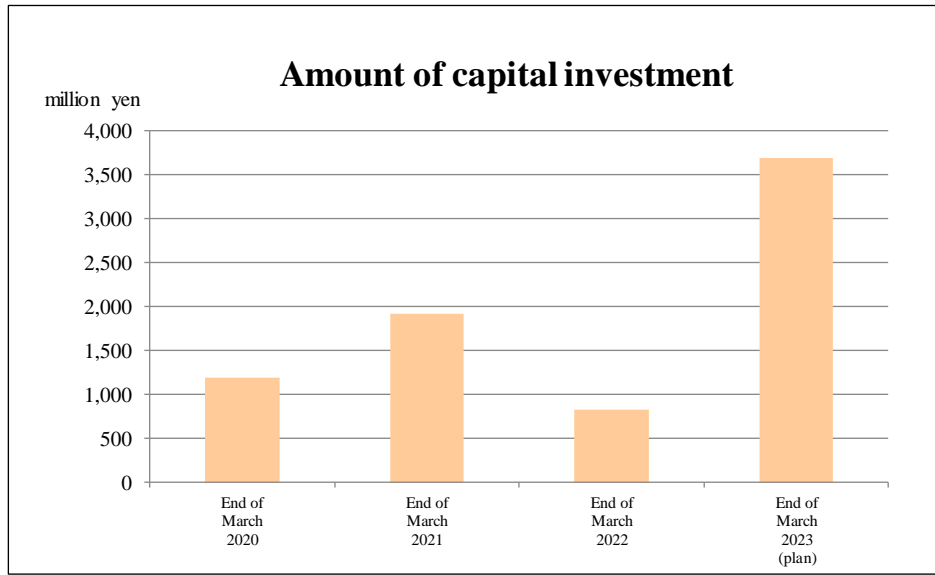
	FY2022/3	FY2023/3 (forecast)	Change (YoY)
Gross profit margin	21.2%	21.7%	0.5 _{percentage point}
Ratio of SG&A to sales	14.6%	14.9%	0.3 _{percentage point}
Ratio of operating income to sales	6.6%	6.8%	0.2 _{percentage point}

- The gross profit margin is expected to improve due to price pass-through and cost reduction activities in response to soaring raw material prices.
- The ratio of SG&A to sales are expected to be worsen due to increased logistics costs and expenses associated with the recovery of sales activities.

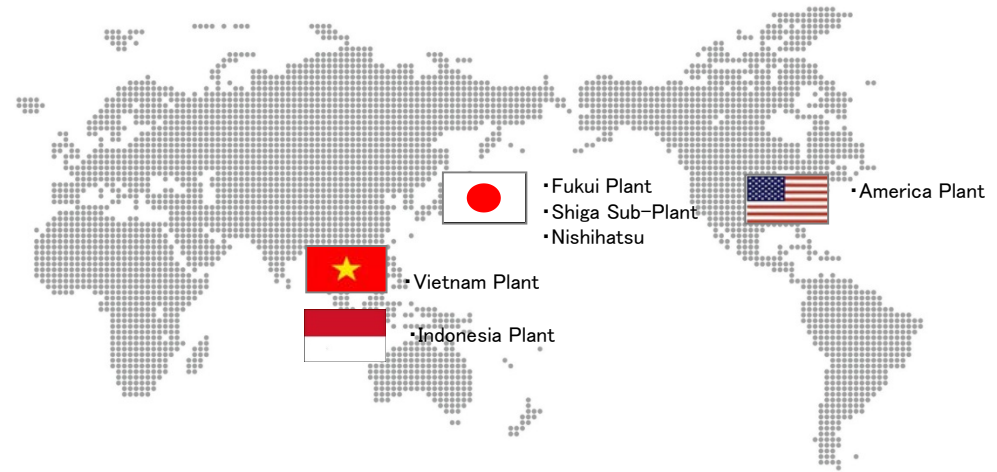
Changes in the Amount of Capital Investment

(million yen)

	End of March 2020	End of March 2021	End of March 2022	End of March 2023 (plan)
Cost of equipment	1,201	1,918	839	3,700
Main uses	<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. 1450 ▪Nishihatsu 110 ▪U.S. Plant 30 ▪Vietnam Plant 20 ▪Others 300 	<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. 540 ▪Nishihatsu 1400 ▪U.S. Plant 160 ▪Vietnam Plant 100 ▪Others 1500



Production Sites:

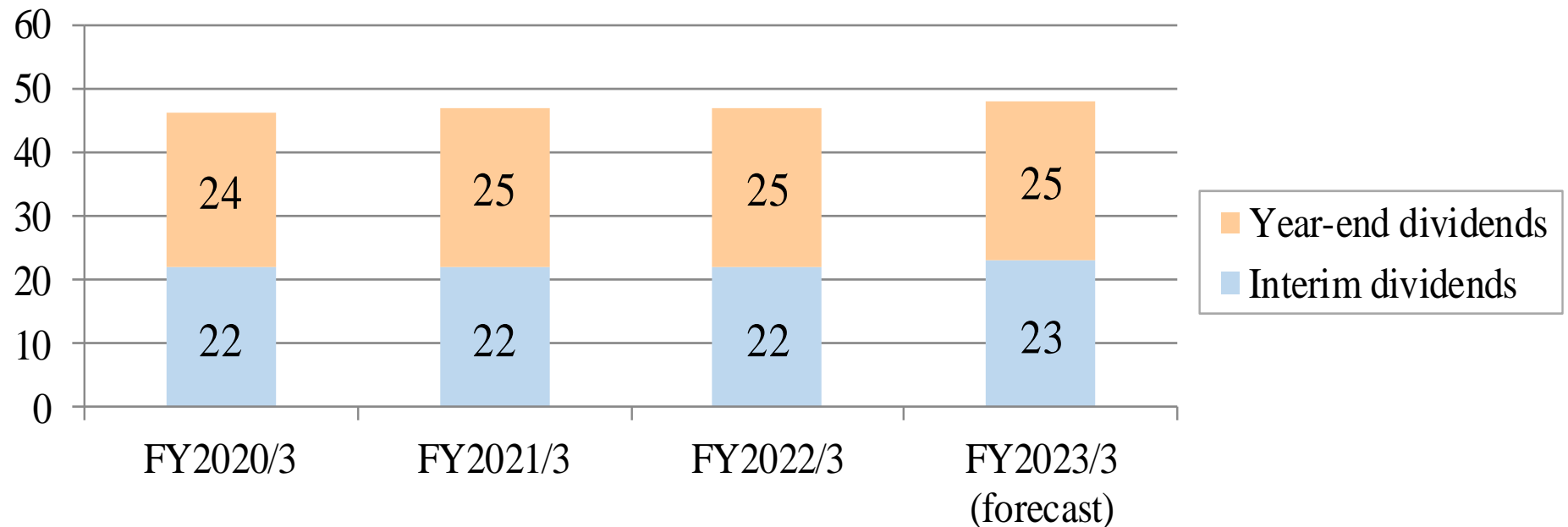


Profit Distribution Policy

Profit distribution: Denyo recognizes the importance of making further efforts to return profits to shareholders, while aiming to strengthen the company's financial structure 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:

47 yen in FY2021/3 ⇒ 47 yen in FY2022/3 ⇒ 48 yen (forecast) in FY2023/3



Future Business Strategy (Overview of the Second Medium-term Management Plan)

Denyo 2023 ~Powering up for the future~

Basic Policy

Establish a profit structure that is resistant to changes in the environment, by increasing the ratios of non construction-related products as well as products for overseas markets, while firmly maintaining our position as the leading provider of high-quality power sources in the construction-related sector.

Business Objectives/FY2023

Consolidated Net Sales billion yen
61 +a

Ordinary Income billion yen
6.2

ROE **6.5% or more**

Our SDGs (ESG) Commitment

E : Help protect the environment

- Development and provision of products with the highest environmental performance.
- Reduction and recycling of waste, and reduction of GHG emissions, etc.

S : Realize a sustainable society

- Contribution to the prosperity of society through the development of infrastructure and disaster management and disaster mitigation products.
- Provision of safe and secure products, etc.

G : The Long-term enhancement of corporate value

- Compliance with laws and regulations, social norms, ethics, internal regulations and other relevant rules.
- Promotion of fair business activities, etc.

Strategies in the Domestic Market

【Construction-related sector】

Aim to maintain and increase share of the domestic market focusing on top brand products such as engine-driven generators and welders

- ① Strive to increase market share and expand market by launching new products which meet customer needs
- ② Aim for more efficient, more sophisticated sales activities

【Non-construction-related sector】

Focus on laying the foundations for further expanding sales of stand-by generating sets

- ① Enhance training structure to improve specialist knowledge
- ② Strengthen cooperation among group companies
- ③ Enhance product maintenance structure

Strategies in the Overseas Market

【Overseas Sector】

Aim to increase presence in targeted high quality market

- ① Aim to develop new markets by seeking to enhance product lineup through market research and enhancement of functions and other features
- ② Seek to increase sales capabilities by strengthening sales network in each country and enhancing training structure
- ③ Strengthen marketing capabilities and increase contact with customers
- ④ Continue to develop markets through the release of a series of stationary generators

Reinforcing the Operating Foundation

【Development】

Develop market-leading products as the pioneer of high-quality power sources

- ① Identify market needs accurately and seek to speed up development
- ② Step up action for the development of innovative products

【Production】

Build a globally competitive production system

- ① Establish a flexible and highly efficient production structure by strengthening production site capabilities and promoting the use of IT
- ② Seek to develop more sophisticated production sites in Japan

【Organization】

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

- ① Aim to achieve both job satisfaction and ease of working through further enhancement of the training structure and a review of personnel systems
- ② Pursue computerization in every process

Efforts toward carbon neutrality

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.



Fuel-cell Portable Generator

- Selected by Japan's Ministry of the Environment as a "Low Carbon Technology Research and Development Program"
- Developed a new power conditioner especially for fuel cells, and installed it in the generators
- Demonstration operation will start in May 2021

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



Hydrogen-light oil mixed combustion Generator

- Operates with a light oil/hydrogen mixing ratio of 50%
- 50% reduction in CO2 emissions compared to using only light oil as fuel
- Aiming for mass production of 250kW hydrogen-light oil mixed combustion generator in 2023

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

Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as May 12, 2022.

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 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.

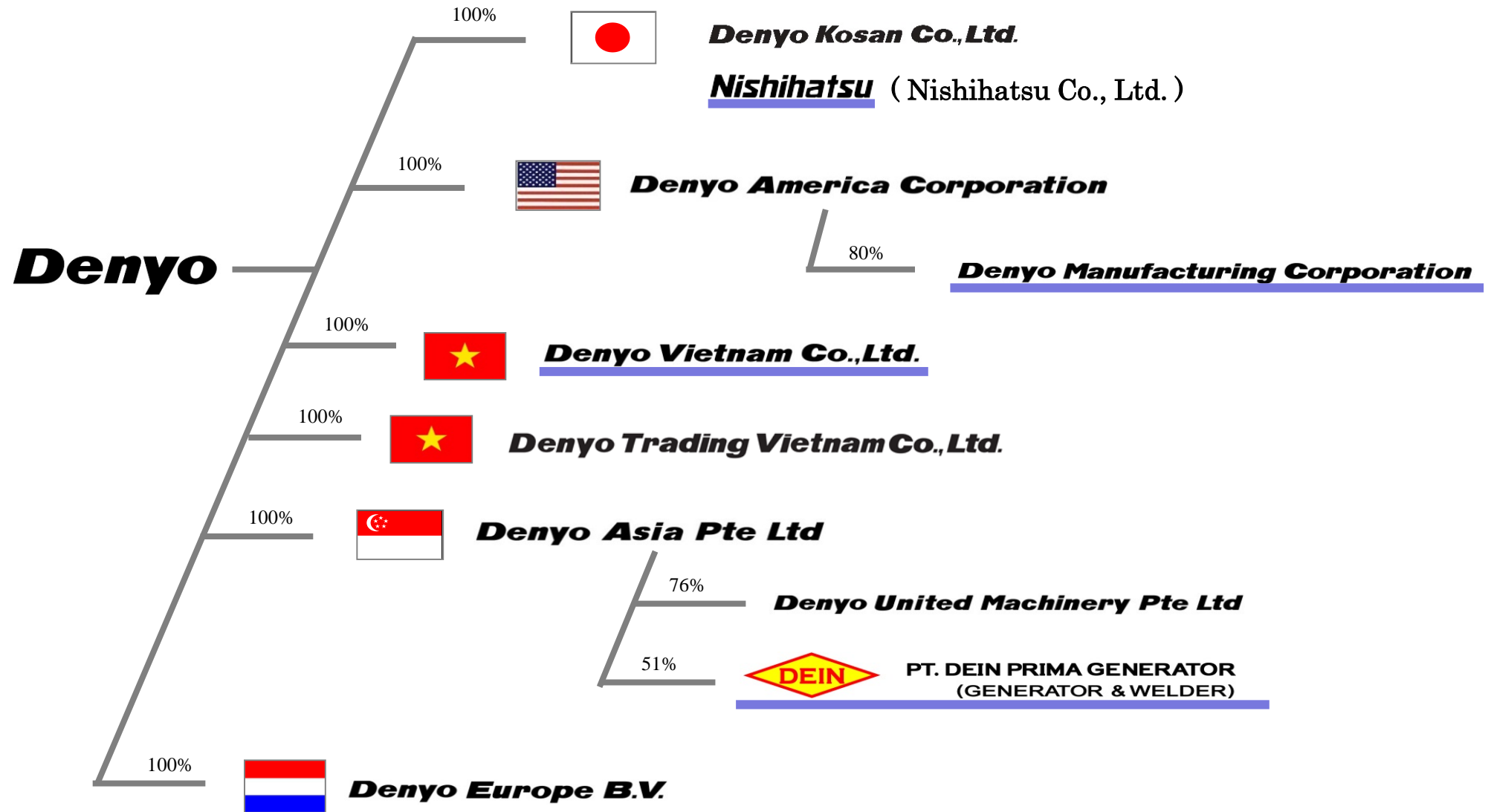
● Company size, etc. (FY2022/3 on a consolidated basis) (million yen)

Net sales	55,168
Overseas sales	20,536
Ordinary income	4,029
Profit attributable to owners of parent	2,753
Total assets	80,774
Net assets	63,760
Market capitalization (as of March 31)	37,398
Number of employees	1,359persons



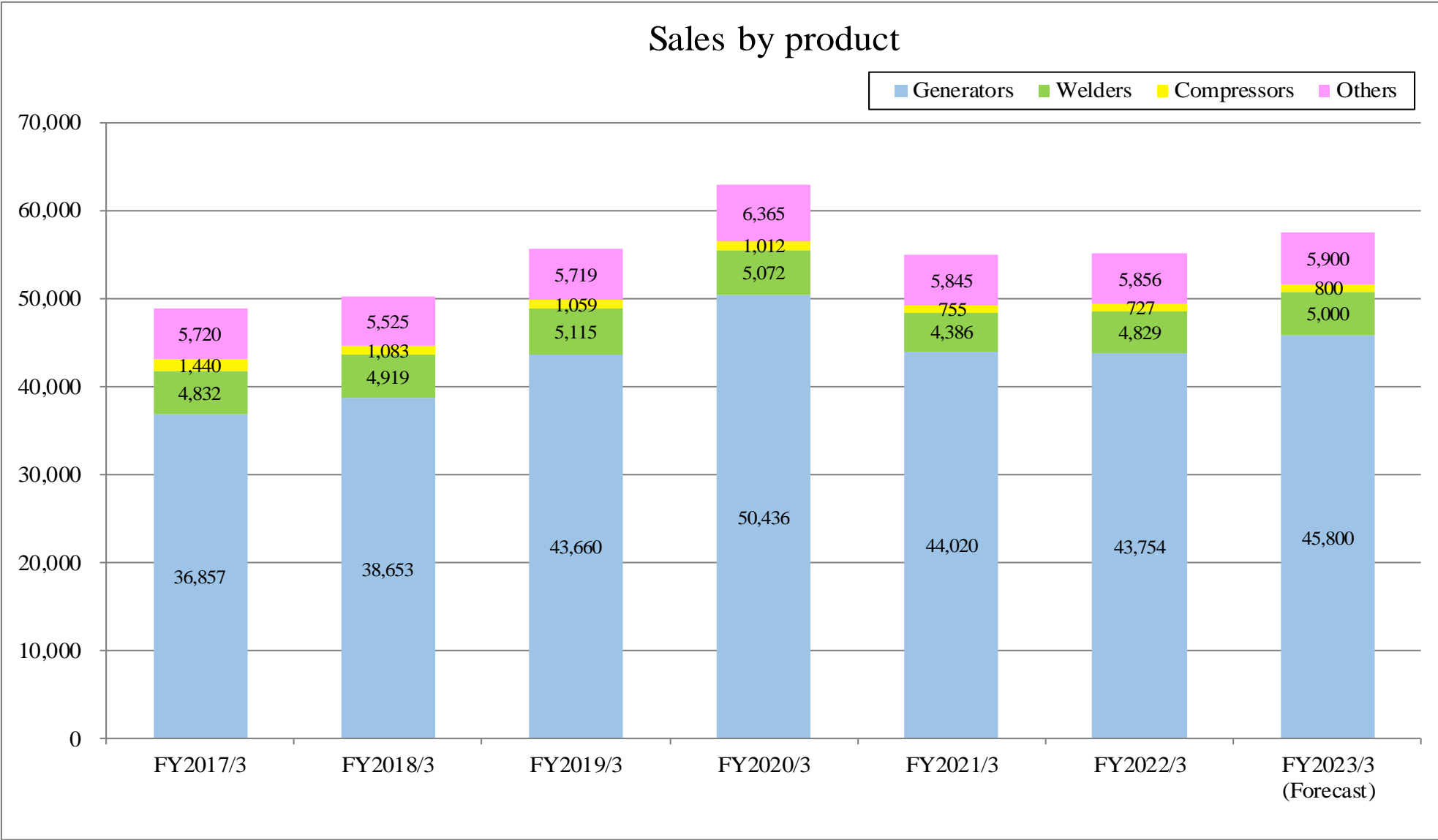
Head Office (Nihonbashi-Horidomecho, Tokyo)

The Group Companies

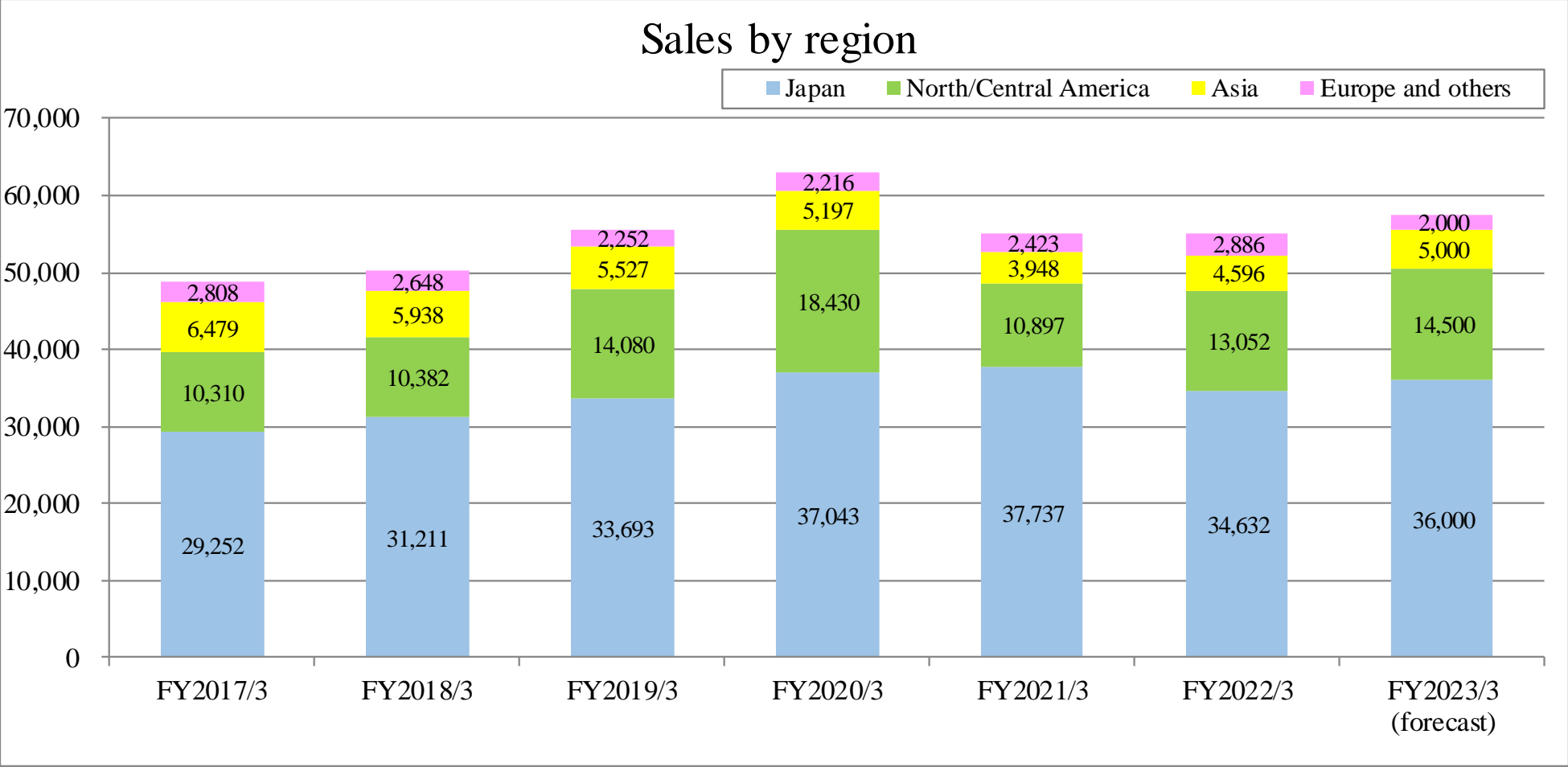


*1. Other than the above, the New Japan Machinery Corporation is an equity-method affiliate (investment ratio 15.7%).
 *2. Underlined companies are manufacturers.

Trends and Forecasts by Product Sales



Changes in Sales by Region and Forecasts



Changes in Results for the Last 30 Years

