



Briefing on Results for the First Half of the Fiscal Year ending March 31, 2024



Photo: Service Center Kanto

November 9, 2023

Denyo Co., Ltd.

I. Overview of Results for the First Half of FY2024/3

II. Outlook for FY2024/3

Overview of Results for the First Half of FY2024/3

Highlights of Results for the First Half of FY2024/3 (Consolidated)

Key Point

Both Net sales and profits exceeded those of the same period of the previous year.

(million yen)

	First half of FY2023/3		First half of FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales	28,271	100%	34,201	100%	5,930	21.0%
Operating profit	1,083	3.8%	2,167	6.3%	1,083	100.0%
Ordinary profit	1,157	4.1%	2,305	6.7%	1,148	99.3%
Profit attributable to owners of parent	800	2.8%	1,598	4.7%	797	99.6%
Capital investment	967		554		△ 413	△ 42.7%
Depreciation	606		613		7	1.6%
Earnings per share	38.64 ^{yen}		77.46 ^{yen}		38.84 ^{yen}	100.5%
ROE	2.6%	Annualized	4.8%	Annualized		
Interim dividends per share	23.0 ^{yen}		24.0 ^{yen}			

Sales Trends by Product (Consolidated)

Overview

1. Sales of generators increased by 5,917 million yen (25.4%).
2. Sales of welders decreased by 15 million yen (0.7%).
3. Sales of compressors decreased by 21 million yen (5.5%).

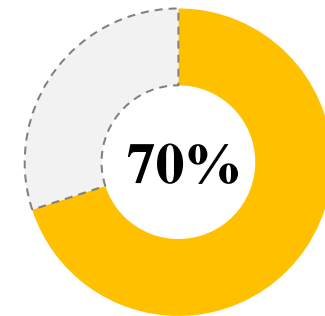
(million yen)

		First half of FY2023/3		First half of FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales		28,271	100%	34,201	100%	5,930	21.0%
By product	Generators	23,284	82.4%	29,201	85.4%	5,917	25.4%
	Welders	2,138	7.6%	2,122	6.2%	△ 15	△ 0.7%
	Compressors	385	1.4%	364	1.1%	△ 21	△ 5.5%
	Others	2,461	8.7%	2,512	7.3%	50	2.1%

Engine Generators (Consolidated)

	First half of FY2023/3	First half of FY2024/3	Rate of change (YoY)
Generators	23,284 million yen	29,201 million yen	25.4%

- In Japan, shipment of the large mobile-type generators increased. Stand-by generating sets for disaster prevention equipment remain robust.
- Overseas, shipment to America remain strong.



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

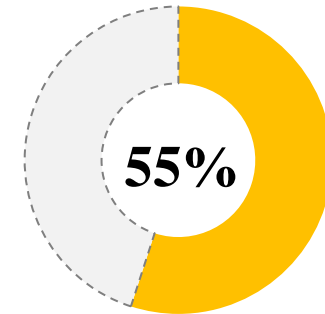
Manufacturing engine-driven generators with capacity from 1kVA to 1100kVA

- 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)

	First half of FY2023/3	First half of FY2024/3	Rate of change (YoY)
Welders	2,138 ^{million yen}	2,122 ^{million yen}	△ 0.7%

- Due to parts shortages slightly decreased.



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.

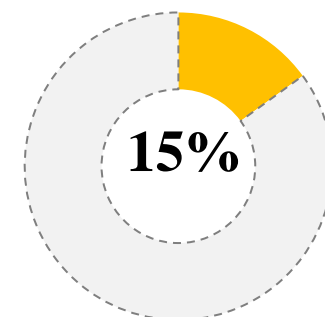
Ranging from 135A for welding light-gauge steel to a 500A engine-driven welder for heavy-gauge steel, a TIG welder and a CO₂ welder, etc.

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

Engine Compressors (Consolidated)

	First half of FY2023/3	First half of FY2024/3	Rate of change (YoY)
Compressors	385 million yen	364 million yen	△ 5.5%

- The shipment to the domestic market 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)

	First half of FY2023/3	First half of FY2024/3	Rate of change (YoY)
Others	2,461 ^{million yen}	2,512 ^{million yen}	2.1%

- Parts associated with products and maintenance increased.

Sales of other products

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



Self-propelled lifters

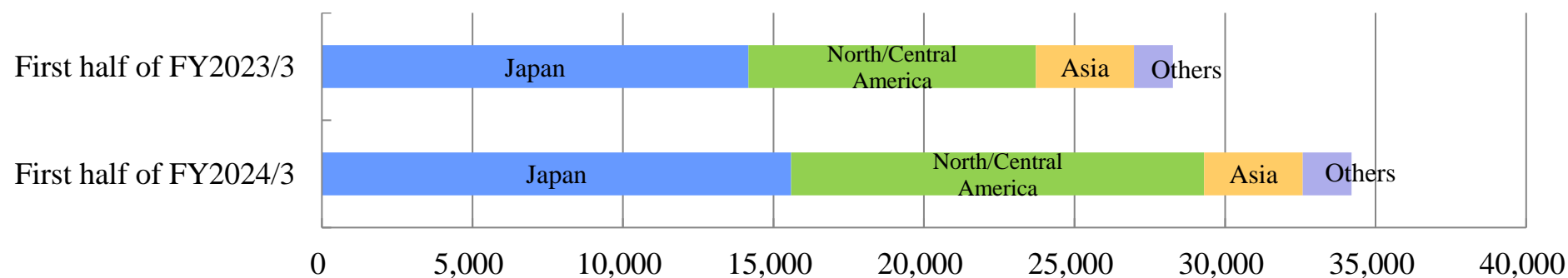


Load testing equipment

Sales Trends by Region (Consolidated)

(million yen)

		First half of FY2023/3		First half of FY2024/3		Change (YoY)	Rate of change (YoY)
Net sales		28,271	100%	34,201	100%	5,930	21.0%
Domestic sales		14,164	50.1%	15,589	45.6%	1,424	10.1%
Overseas sales		14,106	49.9%	18,612	54.4%	4,506	31.9%
By region	America	9,551	33.8%	13,714	40.1%	4,163	43.6%
	Asia	3,258	11.5%	3,281	9.6%	23	0.7%
	Others	1,296	4.6%	1,616	4.7%	319	24.6%



Factor Analysis of Changes in Operating Income

Increase in Operating Income

Despite the impact of higher purchase prices for key components, the cost of sales ratio decreased due to a significant increase in sales.

(million yen)

	First half of FY2023/3	First half of FY2024/3	Change (YoY)
Operating income	1,083	2,167	1,083
Operating income margin (%)	3.8%	6.3%	2.5 percentage points

	First half of FY2023/3	First half of FY2024/3	Change (YoY)
Gross profit margin	19.2%	19.4%	0.2 percentage points
Ratio of SG&A to sales	15.3%	13.1%	△ 2.2 percentage points
Ratio of operating income to sales	3.8%	6.3%	2.5 percentage points

- The gross profit margin improved only slightly due to price increases for key components.
- The ratio of SG&A to sales declined due to higher sales, despite an increase in personnel and other expenses.

Consolidated Balance Sheets

Overview

1. Current assets increased by 3,175 million yen mainly due to increases in cash and deposits and trade receivables.
2. Current liabilities increased by 1,071 million yen mainly due to an increase in trade and other payable.

(million yen)

	At the end of FY2023/3	First half of FY2024/3	Change from the end of FY2023/3
Current assets	61,517	64,692	3,175
Non-current assets	28,227	30,224	1,997
Total assets	89,744	94,916	5,172
Current liabilities	17,700	18,772	1,071
Long-term liabilities	3,385	3,968	583
Total liabilities	21,085	22,740	1,654
Total net assets	68,658	72,176	3,517
Total liabilities and net assets	89,744	94,916	5,172

Changes in Consolidated Cash Flows

Overview

1. Cash flow from operating activities was 2,894 million yen, mainly due to income before income taxes and minority interests.
2. Balance of cash and cash equivalents increased by 1,698 million yen from the end of the previous fiscal year.

(million yen)

	First half of FY2023/3	First half of FY2024/3
I Cash flow from operating activities	2,536	2,894
II Cash flow from investing activities	△ 1,030	△ 692
I + II Free cash flows	1,506	2,202
III Cash flow from financing activities	△ 399	△ 658
IV Foreign currency translation adjustments on cash and cash equivalents	83	155
V Net increase or decrease in cash and cash equivalents	1,190	1,698
VI Cash and cash equivalents, end of quarterly period	24,548	24,029

Outlook for FY2024/3

Outlook for FY2024/3: Consolidated Income and Loss

Key points

1. Net sales are expected to be 69.5 billion yen.
2. Assumed exchange rate is 135 yen/dollar.

(million yen)

	FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Net sales	64,311	100%	69,500	100%	5,189	8.1%
Operating profit	4,874	7.6%	5,300	7.6%	426	8.7%
Ordinary profit	5,180	8.1%	5,600	8.1%	420	8.1%
Profit attributable to owners of parent	3,633	5.7%	3,800	5.5%	167	4.6%
Capital investment	4,213		1,800		△ 2,413	△ 57.3%
Depreciation	1,266		1,300		34	2.7%
Earnings per share	175.6 ^{yen}		184.1 ^{yen}		8.5 ^{yen}	
ROE	5.7%		*5.8%			
Interim dividends per share	50.0 ^{yen}		53.0 ^{yen}			

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

Outlook for Sales by Product (Consolidated)

Overview

- In Japan, sales are expected to grow steadily on the back of solid construction demand.
- Overseas, sales are expected to remain robust, especially in the U.S. market.

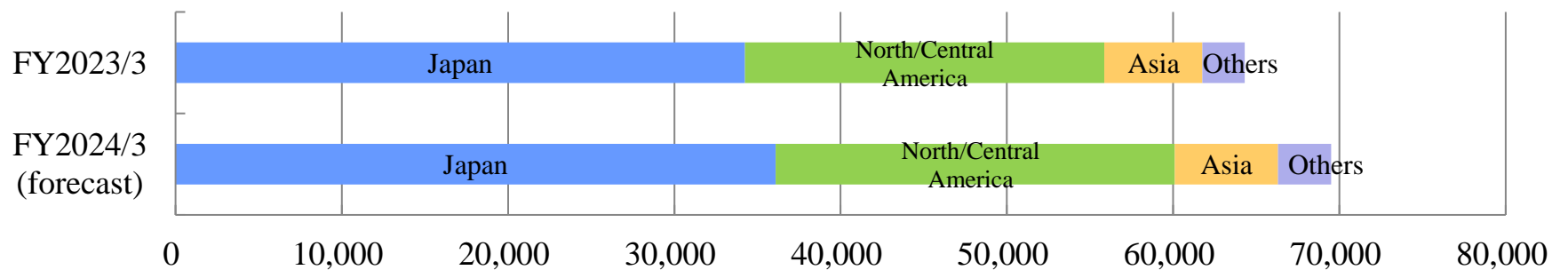
(million yen)

		FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		64,311	100%	69,500	100%	5,189	8.1%
By product	Generators	53,700	83.5%	58,700	84.5%	5,000	9.3%
	Welders	4,401	6.8%	4,500	6.5%	99	2.2%
	Compressors	727	1.1%	700	1.0%	△ 27	△ 3.7%
	Others	5,482	8.5%	5,600	8.1%	118	2.2%

Outlook for Sales by Region (Consolidated)

(million yen)

		FY2023/3		FY2024/3 (forecast)		Change (YoY)	Rate of change (YoY)
Consolidated sales		64,311	100%	69,500	100%	5,189	8.1%
Domestic sales		34,244	53.2%	36,100	51.9%	1,856	5.4%
Overseas sales		30,066	46.8%	33,400	48.1%	3,334	11.1%
By region	America	21,617	33.6%	24,000	34.5%	2,383	11.0%
	Asia	5,902	9.2%	6,200	8.9%	298	5.0%
	Others	2,547	4.0%	3,200	4.6%	653	25.6%



Details of the Operating Income Forecast

Increase in operating income

Operating income is expected to increase due to a lower expense ratio resulting from a significant increase in sales.

(million yen)

	FY2023/3	FY2024/3 (forecast)	Change (YoY)
Operating income	4,874	5,300	426
Operating income margin	7.6%	7.6%	0.0 percentage point

	FY2023/3	FY2024/3 (forecast)	Change (YoY)
Gross profit margin	21.2%	20.5%	△ 0.7 percentage point
Ratio of SG&A to sales	13.6%	12.9%	△ 0.7 percentage point
Ratio of operating income to sales	7.6%	7.6%	0.0 percentage point

- The Gross profit margin is expected to decrease from the previous year, although the effect of raw material price hikes will be reflected in selling prices.
- The ratio of SG&A to sales is expected to decrease due to higher sales.

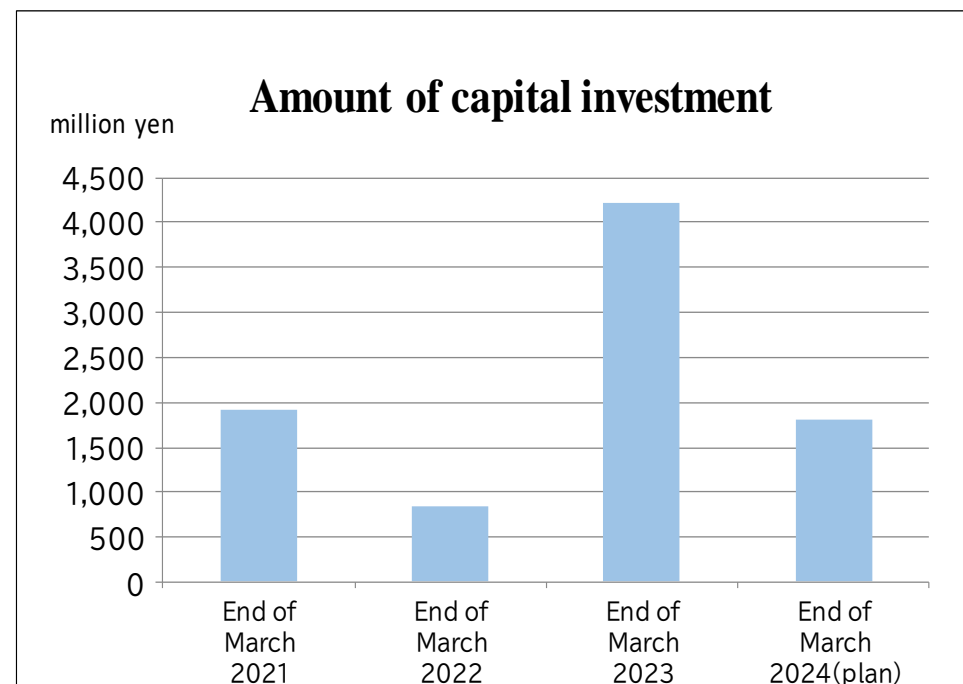
Changes in the Amount of Capital Investment

(million yen)

	End of March 2021	End of March 2022	End of March 2023	End of March 2024 (plan)
Cost of equipment	1,918	839	4,213	1,800
Main uses	<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. 360 ▪ Nishihatsu 2500 ▪ U.S. Plant 20 ▪ Vietnam Plant 70 ▪ Others 1,260 	<ul style="list-style-type: none"> ▪ Machinery of Fukui plant, etc. 800 ▪ Nishihatsu 150 ▪ U.S. Plant 200 ▪ Vietnam Plant 200 ▪ Others 450



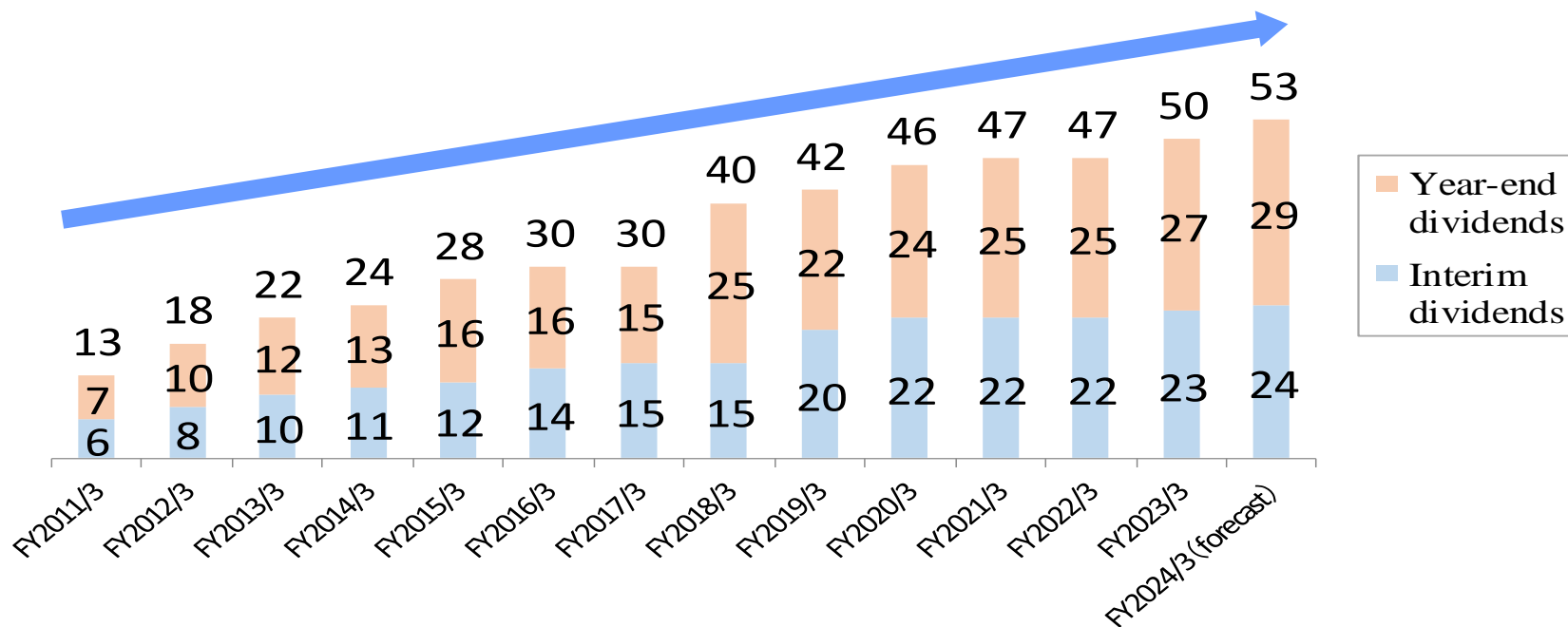
New plant under construction (NISHIHATSU, Karatsu City, Saga Prefecture)



Profit Distribution Policy

- Progressive dividends was introduced from the fiscal year ending March 31, 2024. (Dividend policy of maintaining or increasing dividends without reducing dividends in principle)
→ From the fiscal year ending March 31, 2011, through the fiscal year ending March 31, 2023, we have not reduced the dividend in 13 years and have increased the dividend 10 times in those 13 years. It was introduced to demonstrate a commitment to continue this track record.
- Denyo recognizes the importance of increasing the return of profits to our shareholders while striving to improve our earning power and strengthen our financial position. Comprehensive consideration of business performance, dividend payout ratio, etc. with the assumption that progressive dividends will continue.
- Denyo has increased the year end dividend forecast by 2 yen from 27 yen per share to 29 yen per share(annual dividend of 53 yen per share)

Annual dividend per share



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.

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)

Efforts toward carbon neutrality



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 June 2021

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

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

Intended use

- Night construction, events, etc.

Notes on Our Outlook

This material contains assumptions and outlooks for the future and forecasts based on plans as November 9, 2023.

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.
	2022	Transited to Prime Market in Tokyo Stock Exchange.

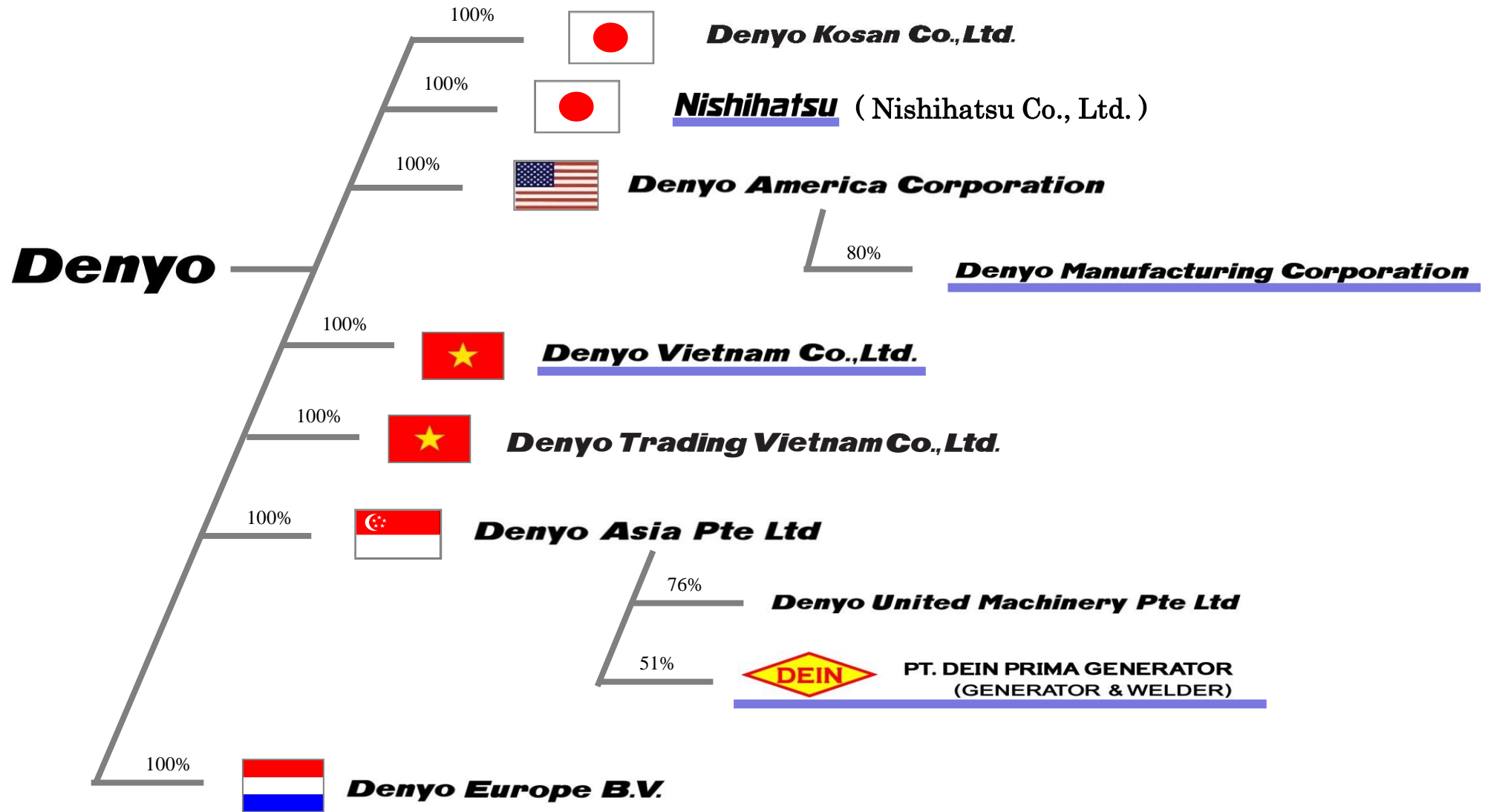
Company size, etc. (FY2023/3 on a consolidated basis) (million yen)

Net sales	64,311
Overseas sales	30,066
Ordinary income	5,180
Profit attributable to owners of parent	3,633
Total assets	89,774
Net assets	68,658
Market capitalization (as of March 31)	38,884
Number of employees	1,381 persons



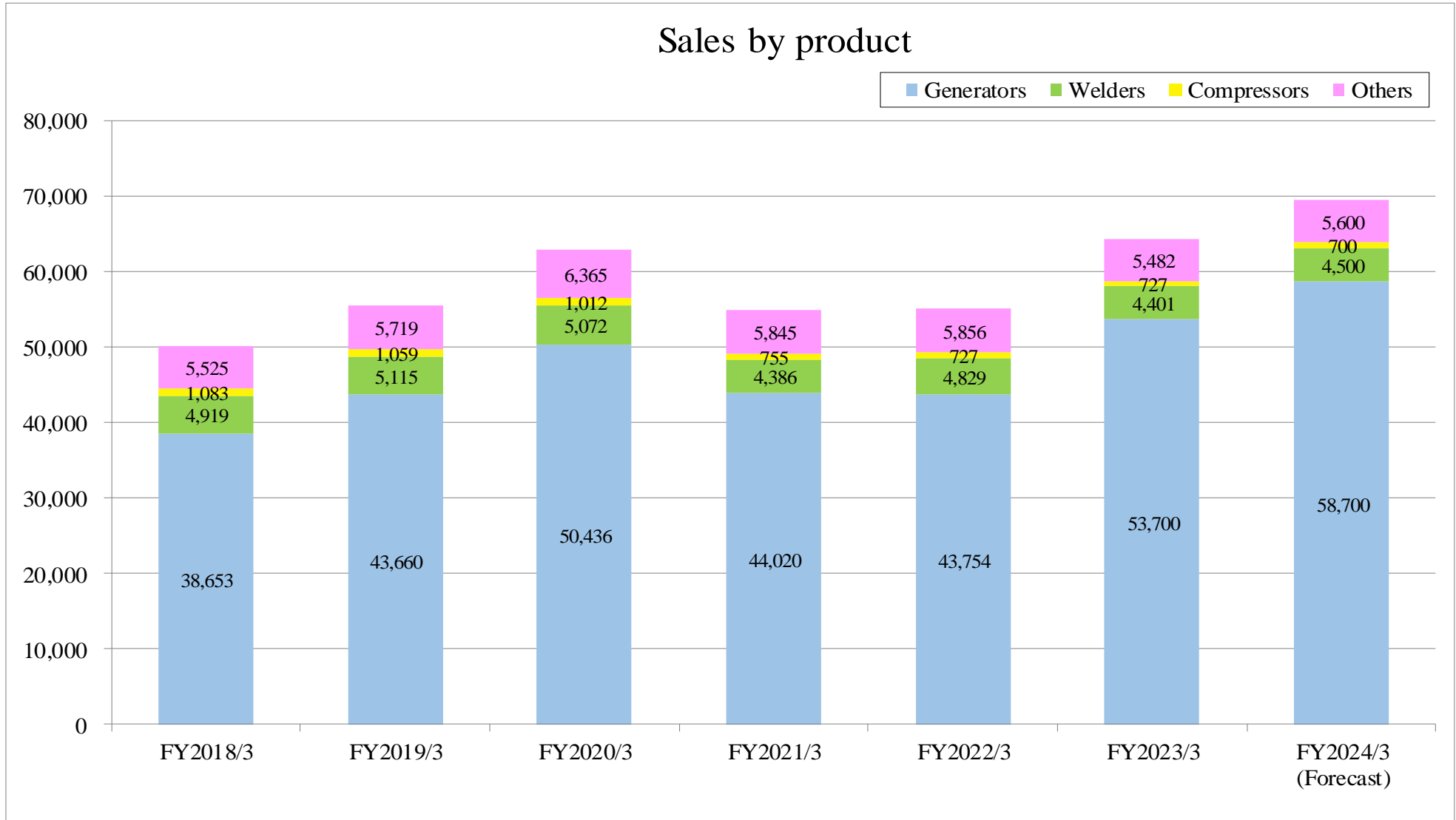
Head Office (Nihonbashi-Horidomecho, Tokyo)

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.

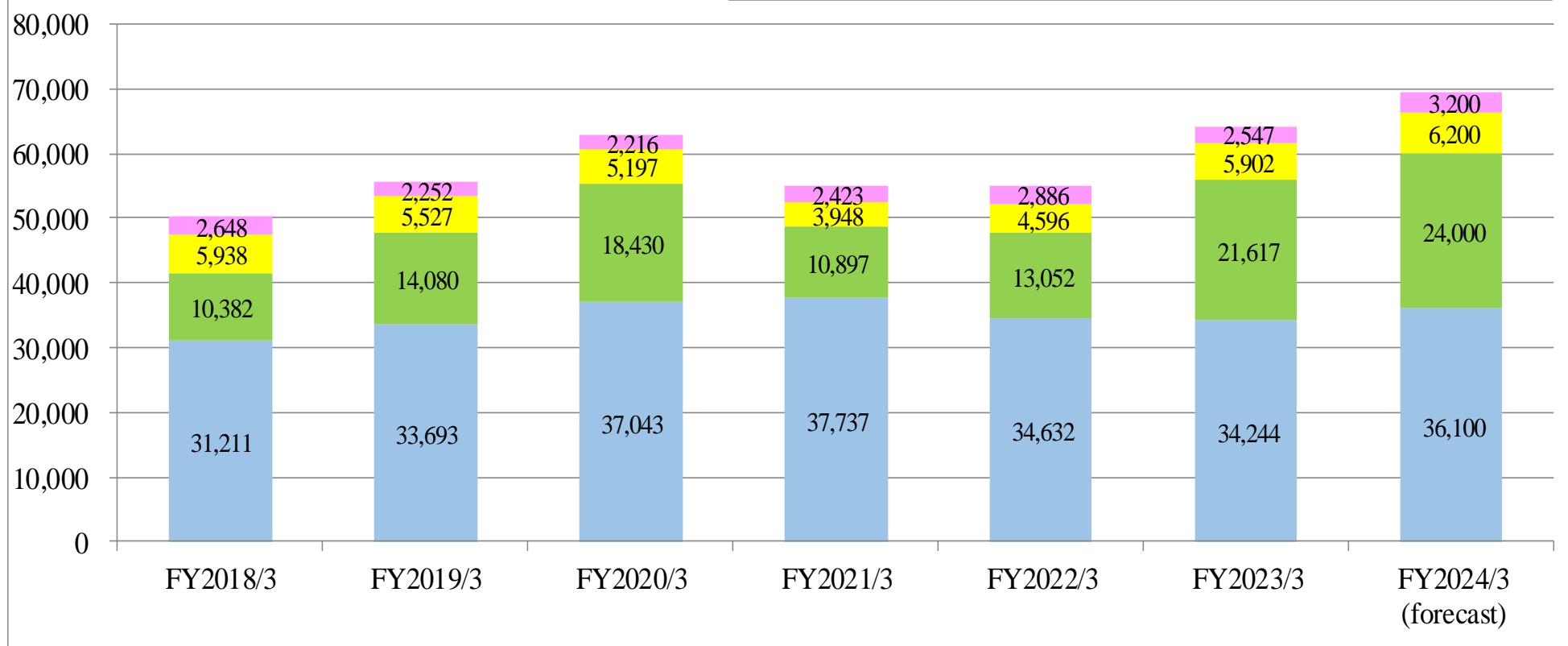
Trends and Forecasts by Product Sales



Changes in Sales by Region and Forecasts

Sales by region

■ Japan ■ North/Central America ■ Asia ■ Europe and others

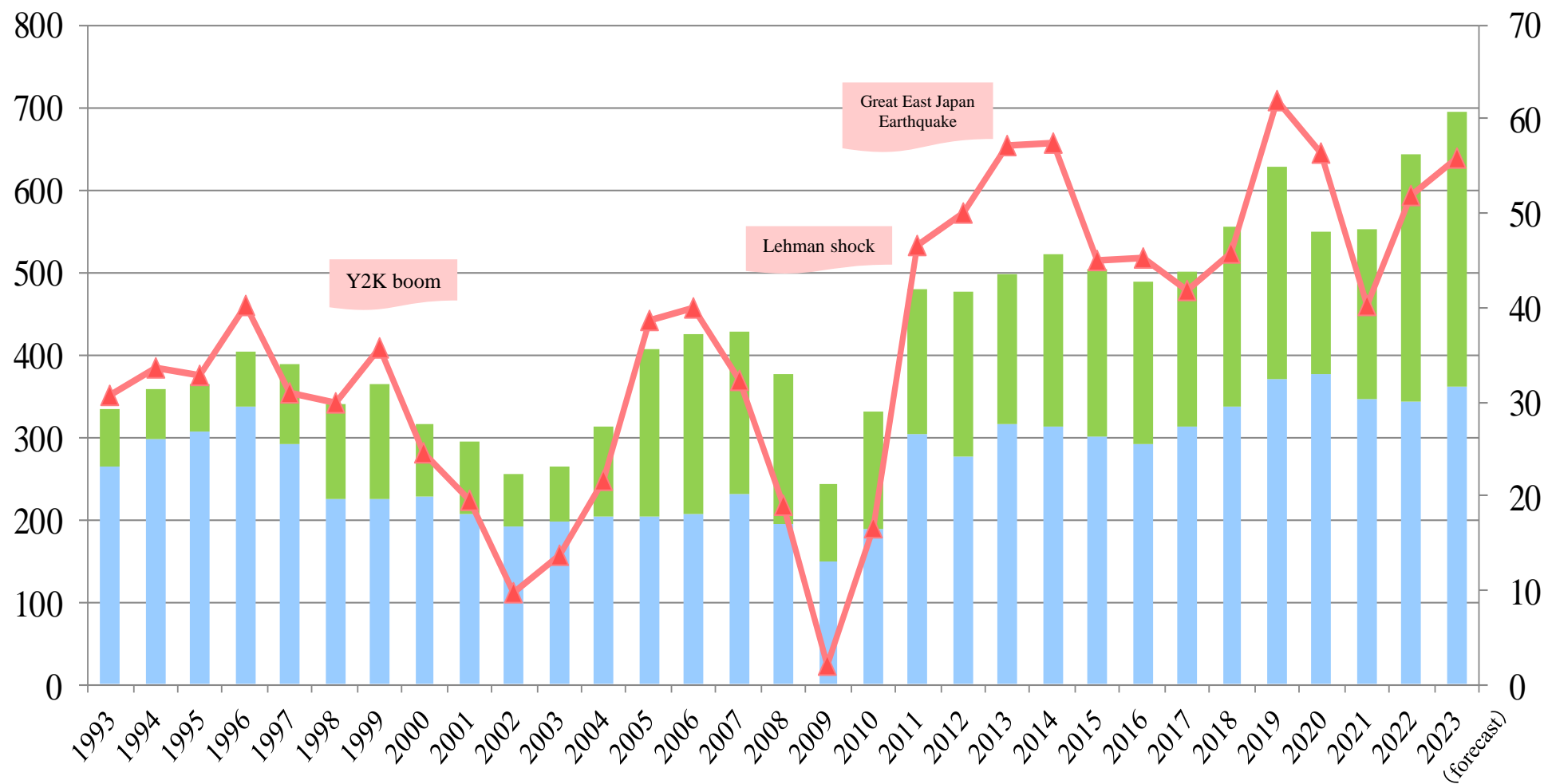


Changes in Results for the Last 30 Years

Net sales, 100 million yen



Ordinary income, 100 million yen



Fiscal Year

Developing Technology Tomorrow's Power Needs.

Denyo[®]

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