

The Second Medium-term Management Plan

FY2021～FY2023

『 **Denyo 2023** 』

～Powering up for the future～

May 13, 2021

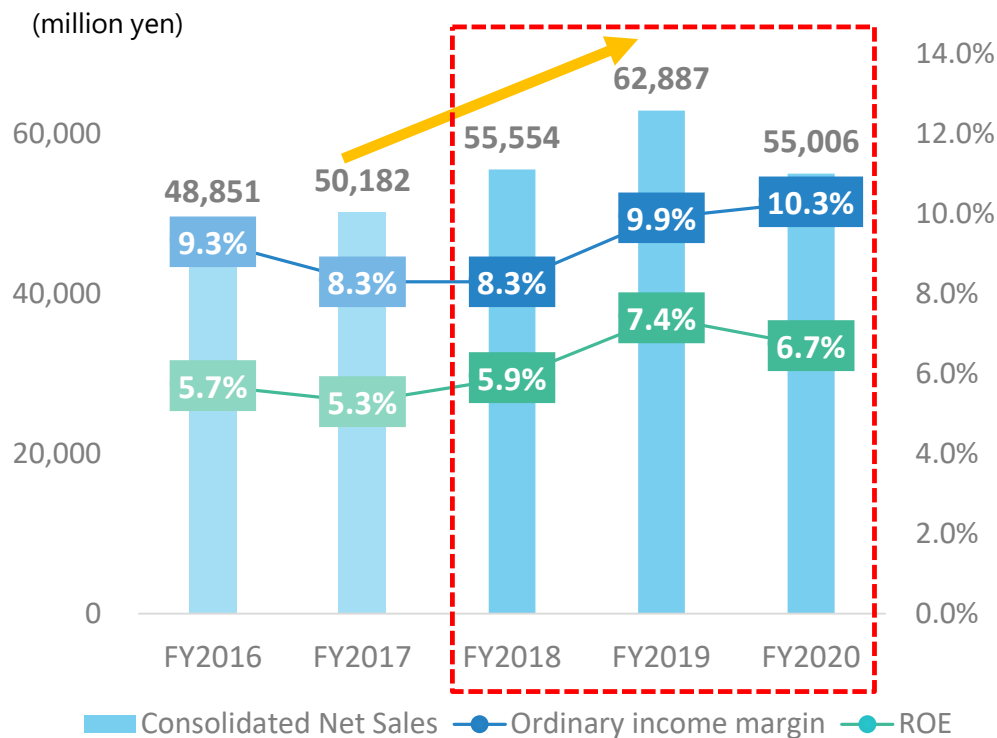
Denyo Co., Ltd.

Summary of the Previous Medium- Term Management Plan

FY2018-2020

Summary of Business Performance and Summary by Sector (FY2018-FY2020)

Summary of Business Performance



(Target: Net Sales 58 ^{billion yen}, Ordinary Income margin 11%, ROE 7.0%)

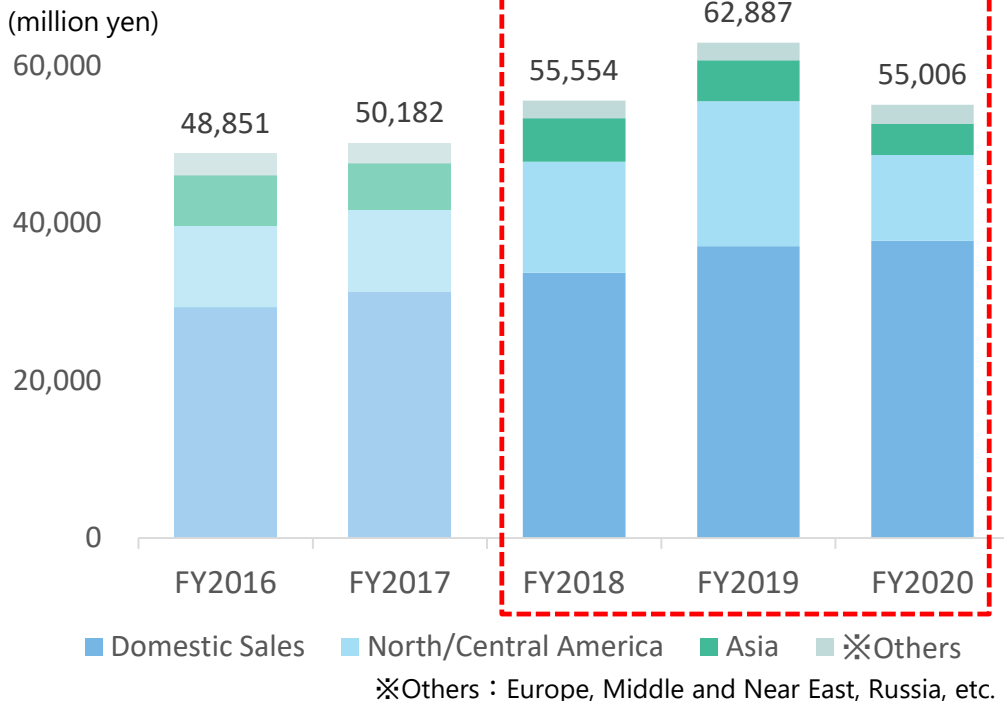
- In FY2020, the effects of COVID-19 led to a deterioration in performance, including a slump in overseas business, but, in FY2019, net sales reached a record high. Net sales and ROE exceeded targets.

Summary by Sector

| Sector | Evaluation | Achievements and Issues |
|---|------------|--|
| Strategies in the Domestic Market | ○ | Business in the domestic market was generally brisk due to the launch of new products and strong cooperation with Group companies. Sales of stationary generators in particular increased on the back of heightened awareness of disaster management and BCP driven by more frequent natural disasters and growing demand associated with government measures. |
| Strategies in Overseas Markets | △ | In FY2019, sales grew, especially in the United States, but FY2020 saw a sharp decline in sales, reflecting the severe impact of COVID-19. The issue of establishing a structure to increase sales of stationary generators, which had been identified as a priority, still needs to be addressed. |
| Reinforcing the Operating Foundation | ○ | We made progress developing products to meet market needs and launched numerous new models. In response to significant sales growth in FY2019, we mobilized the full capacity of the Group's production bases. |

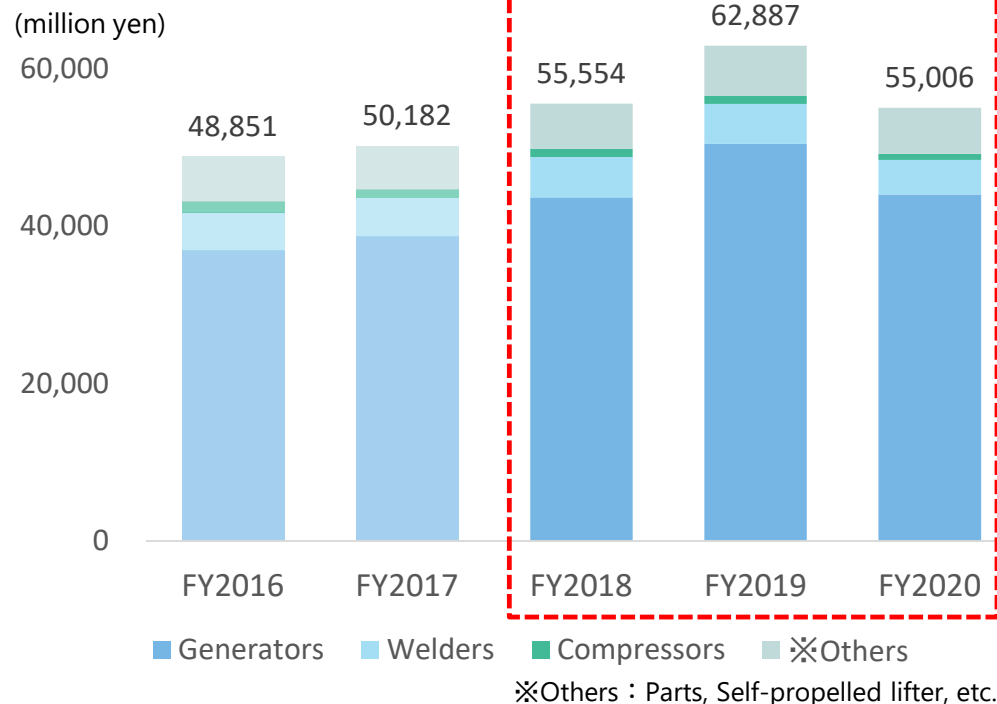
Summary of Sales Plan (FY2018-FY2020)

Summary by Region



- In Japan, we exceeded the plan, despite signs of a lull in construction demand, by expanding sales in other sectors such as emergency generators.
- Sales to the United States increased sharply mainly thanks to growing demand in the rental market.
- In FY2020, sales plummeted, especially overseas, due weaker demand than the previous year and the impact of COVID-19.

Summary by Product



- Sales of generators exceeded the target in FY2019, driven by growing demand for stationary generators and market expansion in the United States.
- Sales of welders and other products also held firm but, in FY2020, the blow to demand from COVID-19 was strongly reflected in sales performance.

The Second Medium-term Management Plan

FY2021～FY2023

Second medium-term Management Plan Slogan

Powering up for the future

Further accelerate initiatives for the realization of *a sustainable society*, and work to reinforce *operating foundations* to enhance *corporate value in the long term*.



Outlook for Business Environment

Domestic Market

- The construction sector is predicted to remain firm, bolstered by the construction work to address aging infrastructure and disaster countermeasures and redevelopment projects.
- In other sectors, products for the BCP measures of the private sector and local authorities will perform solidly and products for events are also expected to recover gradually.

Overseas Markets

- In the United States, infrastructure investment can be expected and recovery of rental demand is also anticipated.
- In Asia, there is strong potential demand, with expansion in infrastructure investment and the resource-related and rental markets.
- In Russia and the Middle East, the resource-related market is expected to rebound on the back of global economic recovery.
- The outlook for the European market remains unclear mainly due to Brexit.



Changes in Trends and Operating Environment

- Acceleration of paradigm shift due to COVID-19
- Changes in stakeholder values
- Growing expectation that companies contribute to sustainability and solve social issues

Our SDGs (ESG) Commitment

Through sustainable, sincere and responsible business activities based on our management philosophy and code of ethics, we implement ESG management practices which help protect the environment (E) and realize a sustainable society (S) and which ensure governance (G) for the long-term enhancement of corporate value. In accordance with this policy, when implementing specific measures over the period of the second Medium-term Management Plan, we will help achieve the sustainable development goals (SDGs) by incorporating elements of the SDGs into our business activities as much as possible.

| Category | Our Commitment | Relevant SDGs |
|---|---|---|
|  Environment | <p>◆ Environmental Protection</p> <ul style="list-style-type: none"> • Development and provision of products and services with the highest environmental performance • Reduction and recycling of waste for the creation of a recycling-oriented society, and reduction of GHG emissions |  |
|  Social | <p>◆ Employees</p> <ul style="list-style-type: none"> • Fair and equitable treatment • Creation of safe, comfortable and fulfilling workplace culture • Provision of opportunities enabling diverse human resources to achieve their full potential |  |
| | <p>◆ Customers/Products & Services</p> <ul style="list-style-type: none"> • Customer first mindset • Contribution to the prosperity of society through the development of infrastructure and disaster management and disaster mitigation products • Provision of safe and secure products |  |
| | <p>◆ Selection of Appropriate Suppliers</p> <ul style="list-style-type: none"> • Avoidance of companies which commit labor and human rights violations and destroy the environment • Selection based on reasonable criteria such as price, quality and lead time |  |
| | <p>◆ Realization of Prosperous and Livable Local Communities</p> <ul style="list-style-type: none"> • Creation of partnerships with local communities |  |
|  Governance | <p>◆ Enhancement of Effectiveness of Corporate Governance</p> <ul style="list-style-type: none"> • Compliance with laws and regulations, social norms, ethics, internal regulations and other relevant rules • Promotion of fair business activities |  |

Overview of the Second Medium-term Management Plan(FY2021-FY2023)

Corporate Philosophy

Contribute to enriching society and become **the company most trusted by investors, business partners and suppliers** by providing safe, secure power sources based on "**Benefits for Three Parties**" (which expresses our aim to see the user (*customer*), the seller (*dealership*), and the manufacturer (*Denyo*) prosper together).

Management Vision

- Aim to be **the global No1 brand of high-quality power sources** with creativity and constant technological innovations.
- Aim to be **a vital organization** in which every employee strives for self-improvement and acts responsibly.

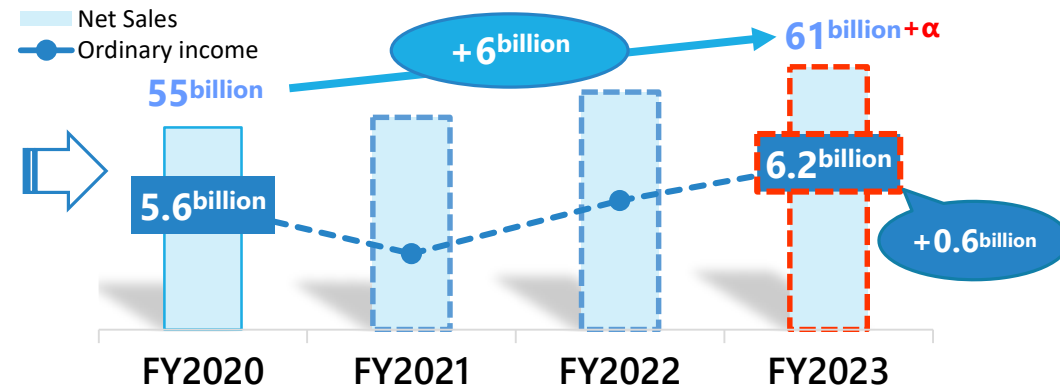
Denyo 2023 Medium-term Management Plan

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

| | FY2020 (Results) | FY2023 (Target) |
|------------------------|---------------------|--------------------------------|
| Consolidated Net Sales | 55.0 billion yen | 61.0 + α billion yen |
| Ordinary income | 5.6 billion yen | 6.2 billion yen |
| ROE | 6.7% | 6.5% or more |



Aim for consolidated net sales: 61 billion yen, ordinary income: 6.2 billion yen (ordinary income margin: 10% or more) for the FY2023 through sustainable growth.

Strategies in the Domestic Market

Construction-related sector

(engine-driven Generators, Welders, Compressors, self-propelled lifter, etc.)

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

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

Non-construction-related sector

(General-use Stand-by Generating sets, Power-Supply Vehicles, etc.)

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

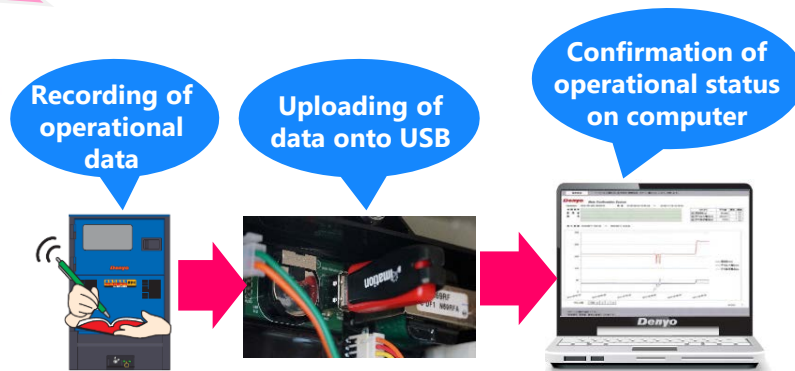
- Enhance training structure to improve specialist knowledge
- Strengthen cooperation among group companies
- Enhance product maintenance structure

Industry-first!*

Generator with operational data recording function



DCA-45LSYE



* According to our research in September 2020



Backup generator installed at financial institution

Strategies in Overseas Markets

Overseas sector (engine-driven Generators, Welders, Compressors, etc.)

👉 Aim to increase presence in targeted high quality market

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



Generators installed on a plant construction site overseas

Overseas sales subsidiaries



Sales subsidiary in Singapore: DUM



Sales subsidiary in Vietnam: DTV

Reinforcing the Operating Foundation

Development



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

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

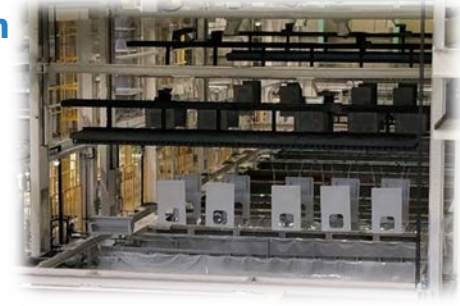


Production



Build a globally competitive production system

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



Organization



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

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



Initiatives for Next-generation energy

- ➔ **Towards carbon neutrality, Aiming for mass production of products compatible with hydrogen and other next-generation energy, and creation of innovative businesses that will lead the future**



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.

Fuel-cell Power Supply Vehicle

- Selected by Japan's Ministry of the Environment as a "Low Carbon Technology Research and Development Program"
- Zero emissions of environmentally hazardous substances during driving and power generation
- Enables up to approximately 72 hours of continuous power supply
- Demonstration operation in progress since September 2020

Intended use

- Disaster-stricken areas without power
- Use of water produced as a by-product of power generation for showers, etc.
- Location where TV reporters are reporting, and event sites, etc.



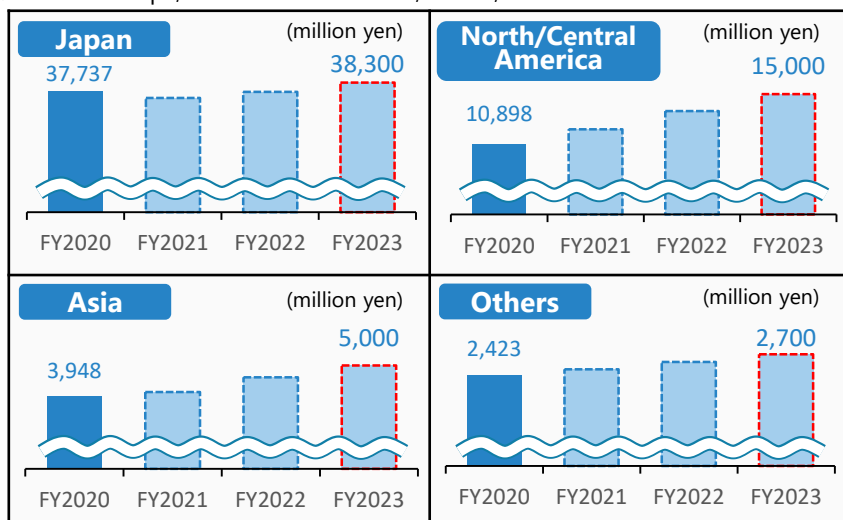
Sales Plan (Consolidated)

■ Sales by Region

(million yen)

| | FY2020 (Result) | FY2023 (Target) | Change | Rate of Change |
|--------------------------|--------------------|--------------------|---------------|-------------------|
| Domestic Sales | 37,737 | 38,300 | +563 | +1.5% |
| North/Central America | 10,898 | 15,000 | +4,102 | +37.6% |
| Asia | 3,948 | 5,000 | +1,052 | +26.6% |
| ※ Others | 2,423 | 2,700 | +277 | +11.4% |
| Total | 55,006 | 61,000 | +5,994 | +10.9% |

※Others : Europe, Middle and Near East, Russia, etc.



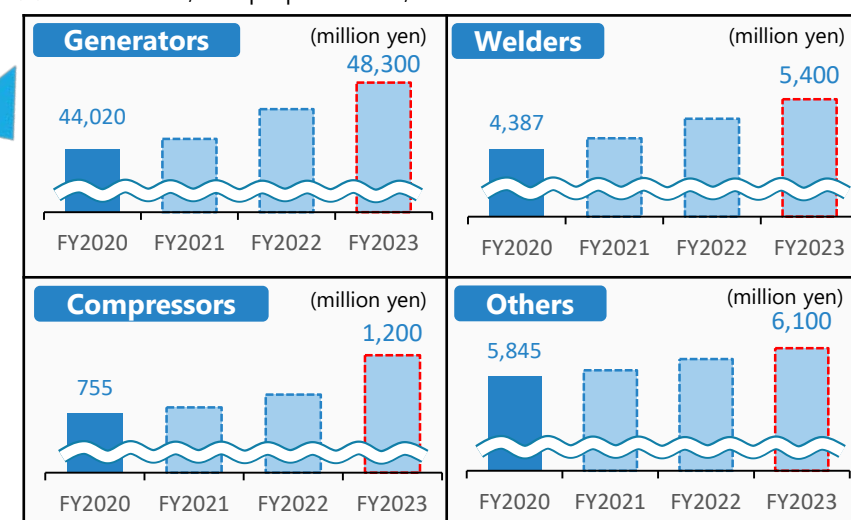
- Increase cooperation among group companies and enhance the service structure in Japan and aim to expand business overseas by strengthening the sales network and sales capabilities.

■ Sales by Product

(million yen)

| | FY2020 (Result) | FY2023 (Target) | Change | Rate of Change |
|--------------|--------------------|--------------------|---------------|-------------------|
| Generators | 44,020 | 48,300 | +4,280 | +9.7% |
| Welders | 4,387 | 5,400 | +1,013 | +23.1% |
| Compressors | 755 | 1,200 | +445 | +58.9% |
| ※ Others | 5,845 | 6,100 | +255 | +4.4% |
| Total | 55,006 | 61,000 | +5,994 | +10.9% |

※Others : Parts, Self-propelled lifter, etc.



- Seek to increase share of markets for various products including generators and welders through the launch of various products which meet market needs and effective sales operations.

Capital Investment Plan

Make aggressive investment

- Expand facilities with increased production capacity in mind
- Introduce and update various systems to encourage greater use of IT
- Build large repair centers to improve customer service

| | |
|---|--|
| Domestic Production Sites (Fukui Plant, Shiga Sub-Plant, Nishihatsu (Saga Pref.)) | Total amount: 7.0 billion yen |
| Overseas Production Sites (America Plant, Vietnam Plant, Indonesia Plant) | Total amount: 0.8 billion yen |
| Others | Total amount: 1.5 billion yen |
| Total | Sum amount: 9.3 billion yen |

Production Sites:



Vietnam Plant



Indonesia Plant



Fukui Plant



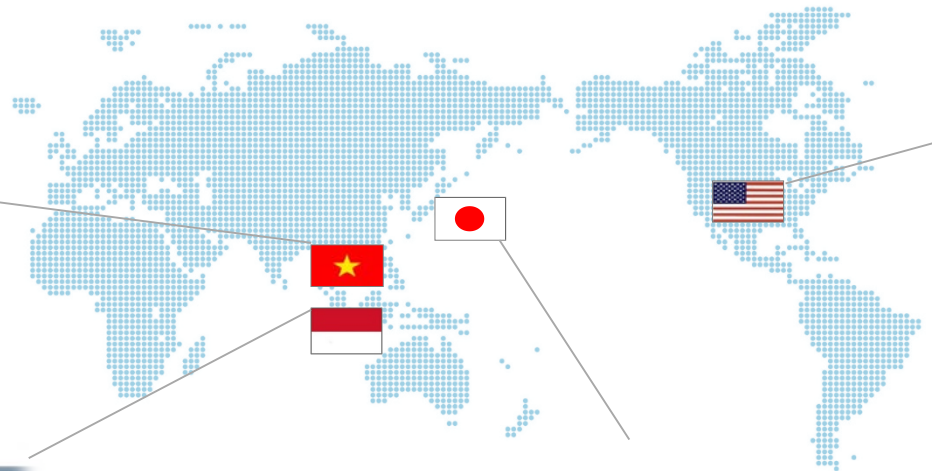
Shiga Sub-Plant



America Plant

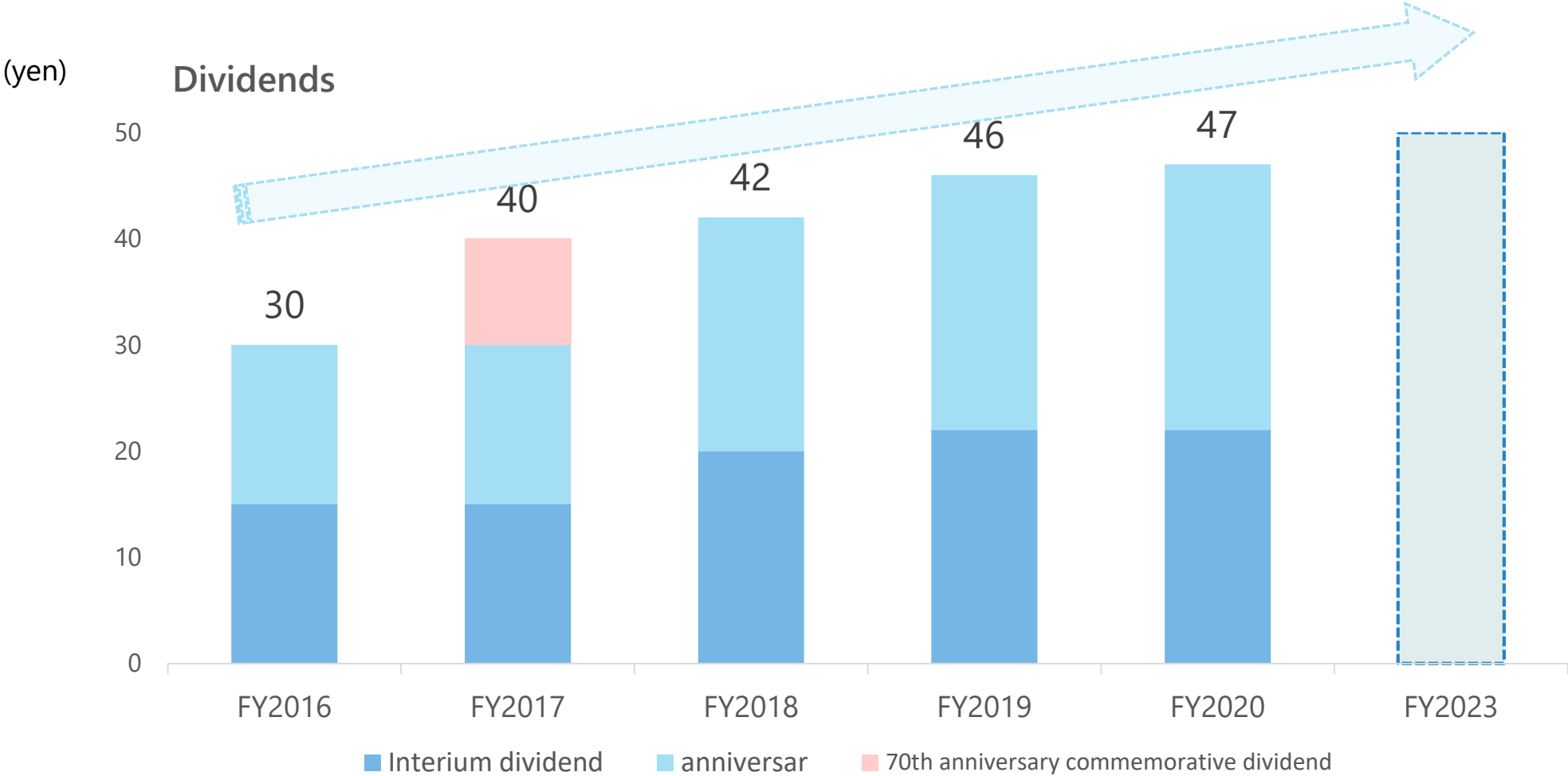


Nishihatsu (Saga Pref.)



Profit Distribution Policy

Denyo recognizes the importance of making further efforts to return 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.



This material contains assumptions and outlooks for the future and forecasts based on plans as May 13, 2021. 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.