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Company name:	Denyo Co., Ltd.		May 9, 2024
Stock exchange listing:	Tokyo	(Stock code: 6517)	
Representative:	President	Takanori Yoshinaga	
Inquiries:	Director & Managing Executive Officer	Makoto Tanabe	TEL +81-3-6861-1111
	Chief Executive Administration Division		

Notice Regarding Formulating the Medium-term Management Plan

Denyo group, has established a new long-term vision for FY2035 and formulated a three-year medium-term management "Denyo 2026", covering from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027, and announced the plan here.

Description

I . Long-term vision for FY2035

Endeavor to serve society through the provision of power sources to realize a sustainable society and increase corporate value while addressing different issues regarding sustainability.

Targets for FY2035

A. Financial targets

	Target for FY 2035
Consolidated net sales	100.0 billion yen
Ordinary income	12.0 billion yen (ordinary income margin: 12%)
ROE	8%

B. Non-financial targets

Item	Targets
Decarbonized products	33%
Reduction of Scope 1 and 2 emissions	*1 50%
Percentage of female managers	*2 15%

*1 Applicable to the group companies in Japan, calculated using the emission intensity per unit of consolidated net sales.

*2 Applicable to Denyo Co., Ltd. only

II. Overview of Medium-term Management Plan “Denyo 2026”

A. Basic Policy

Invest in growth to realize the long-term vision which contributes to the prosperity of society and push ahead with the construction of a management base.

B. Key Management Targets

1. Financial targets

	Target for FY 2026
Consolidated net sales	80.0 billion yen
Ordinary income	8 billion yen (ordinary income margin 10%)
ROE	7%
Total payout ratio	Approximate 40%

2. Non-financial targets

Item	Targets
Sales of decarbonized products	3.0 billion yen

For details, please refer to the attached document.

End of Text

Medium-term Management Plan FY2024-FY2026

Denyo 2026

Denyo Builds the Future with Technology

May 9, 2024

President Takanori Yoshinaga



New Medium-term Management Plan

Denyo2026(FY2024-FY2026)



As a pioneer in outdoor power sources, we supply engine-driven generators, welders, compressors and other products to Japan and to at least 150 other countries and regions.

Engine welders



Features

- Engine-driven welders used outdoors

Applications

- Used for welding steel materials in piping, bridge, pipeline and other construction work

Engine compressors



Features

- Compressing air to supply compressed air
- Allowing air tools to be used in any place since they require no power source

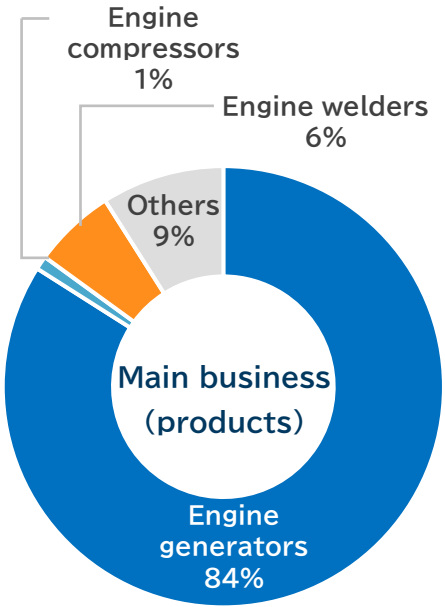
Applications

- Rock drills and machinery for soil improvement
- Used in spray concrete work

Company name Denyo Co.,Ltd.

Establishment July 1948

Number of employees (consolidated) 596 (1,408) as of March 31, 2024



Engine generators



• Mobile generators

Features

- These are generators that can be transported with trucks. As a kind of portable power plant, they stably supply high quality electricity at any location.
- An extensive lineup of products with outputs ranging from 1 kVA to 1,100 kVA
- Civil engineering, construction, port, harbor and other worksites

Applications

- Outdoor events
- Broadcasting trucks and many other situations

• Stationary power generators

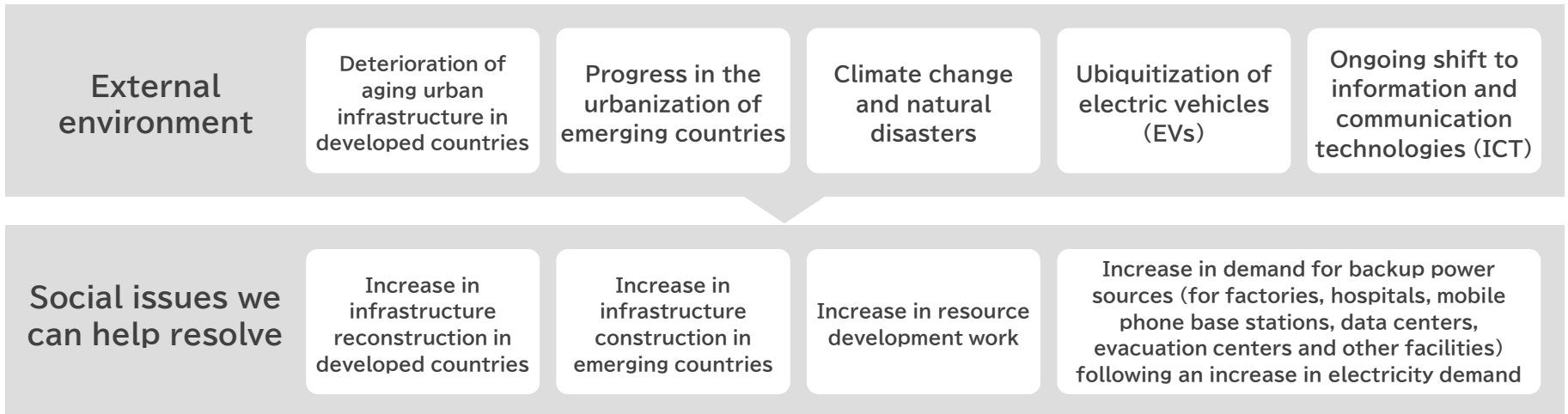
Features

- General-use and standby generators installed on the rooftops of buildings and in basements
- Manufacturing and sales of standby generators used as backup power sources mainly in the event of a power failure

Applications

- Generators for disaster resilience
Installed in department stores, hotels and other buildings where the general public gathers and used as backup power sources for sprinklers and other fire-fighting equipment
- Generators for non-disaster power failures
Installed in office buildings, factories, hospitals and other facilities and used as backup power sources for electric equipment

The need for the stable supply of electricity to various devices is increasing on many different worksites around the world in environments ranging from deserts to very cold regions.



Contribution to the prosperity of society through the provision of power sources

Product strengths

- ✓ High quality
- ✓ High durability
- ✓ Low noise
- ✓ Low gas emissions
- ✓ Brand power



Mobile engine generator



Engine welder



Engine compressor



Backup power source

We are conducting multi-faceted research and development based on many different simulations to address the risks involved in the shift to a decarbonized society.

Addressing the risks involved in
the shift to a decarbonized society

Research and development of
products whose features are better
than the features of existing products



Engine generator, welder and compressor

Support for biofuels
and synthetic fuels



Research and development of battery
products and innovative products



Backpack-type
battery welder

Battery
floodlight

Small generators and welders

➔ Shift to battery-powered
models



Dedicated
Hydrogen
Generator

Fuel-cell
mobile
generator

Medium-sized and large
generators and welders

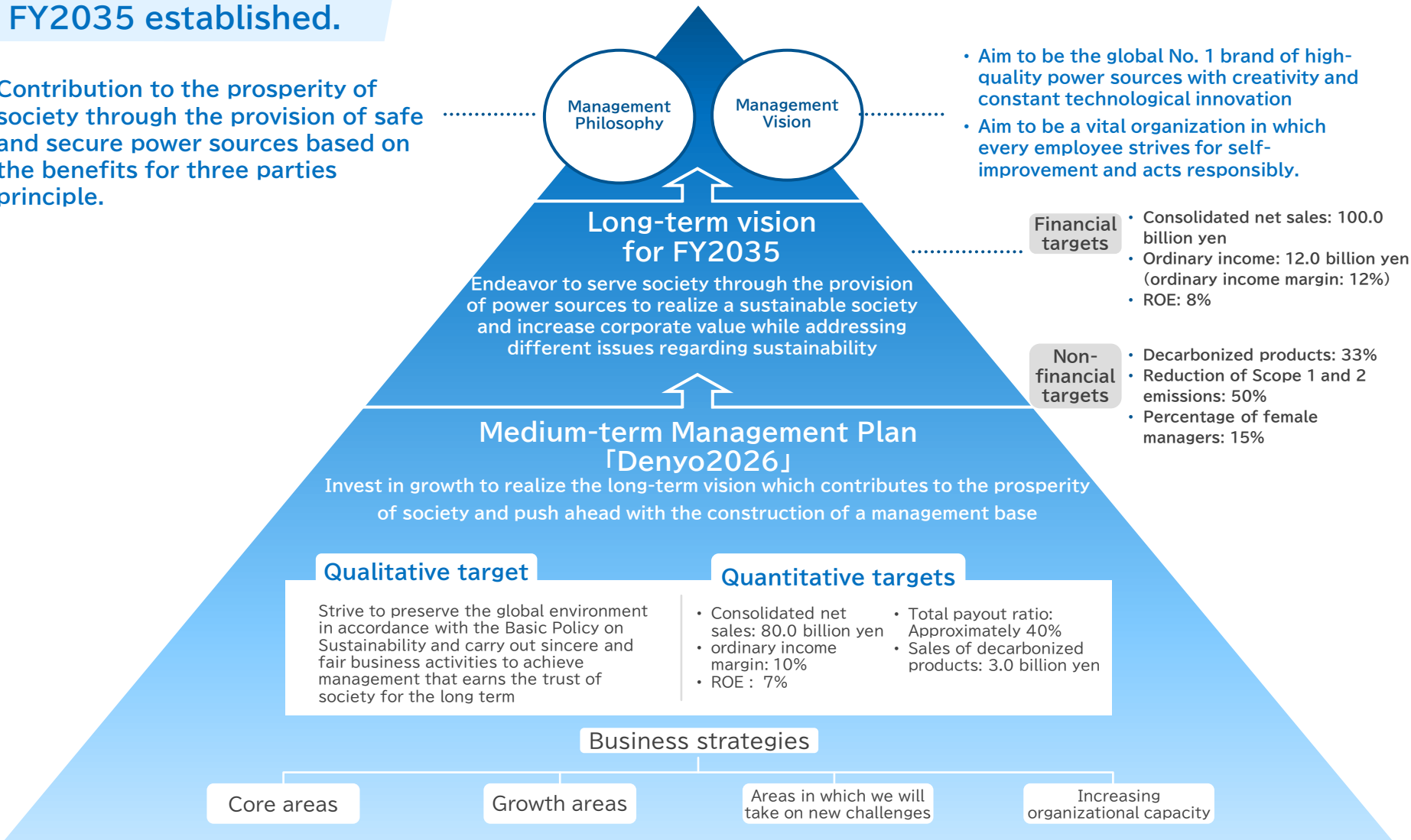
➔ Shift to hydrogen fuel
products

Our strengths

- ✓ We have skills, experience and a track record in meeting the wide-ranging needs of customers and workers for at least 70 years since our foundation as a pioneer in the field of outdoor power sources.

Long-term vision for FY2035 established.

Contribution to the prosperity of society through the provision of safe and secure power sources based on the benefits for three parties principle.



Strengthen investments for growth and our management base
and carry out measures in different areas steadily with a view
towards the long-term vision for FY2035

Denyo 2026 Four categories of initiatives

Core areas

Areas where we should secure stable profit

Growth areas

Areas that will grow as an extension of existing markets and products and where we aim to increase profit from a short- and medium-term perspective

Areas in which we will take on new challenges

Untapped markets in the global south and areas where we will aim to grow leveraging innovative products and where we aim to increase profit from a long-term perspective

Increasing organizational capacity

Area where we will improve production and development functions and human resources and information systems that support continuous growth

Long-term vision

Target for FY2035

Consolidated net sales:

100.0 billion yen

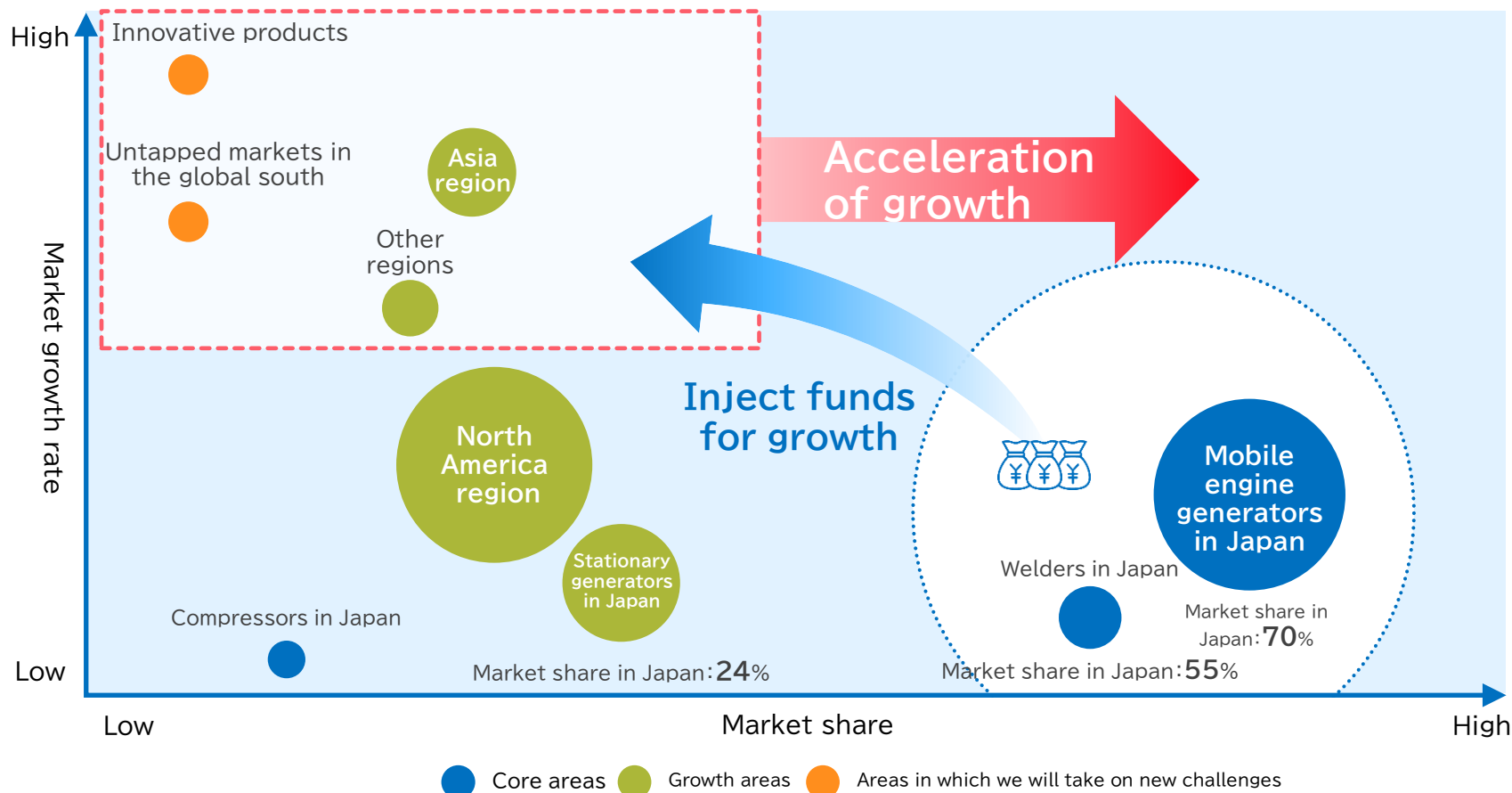
Ordinary income:

12.0 billion yen

ROE: **8%**

Maintain continuous growth to build a profit base for reaching the next stage

We will inject funds gained in core areas into our growth areas and areas in which we will take on new challenges to foster businesses which can be expected to grow stably.



※Size of each circle indicates the scale of sales. (Image)

※The market shares represent five-year averages based on data collected by Denyo Co., Ltd. The share of the stationary generator market in Japan is the share of the generators for the disaster resilience market.



Construction-related markets in Japan

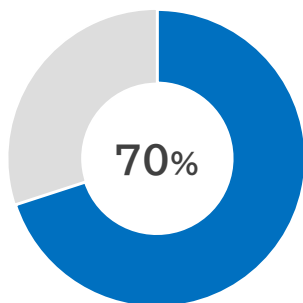
(mobile generators, welders and compressors)

Maintain and increase the market shares held by top-brand products such as mobile engine generators, welders and other products in the Japanese market to secure stable profit.

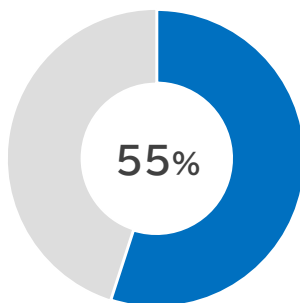
- ✓ Develop and introduce new products to increase market share as well as the number of customers.
- ✓ Enhance the education system to increase sales strength.
- ✓ Enrich the service structure continually using the large repair base in East Japan and another base in West Japan which will begin operating in January 2025.

Leading market share

Share of the mobile engine generator market in Japan

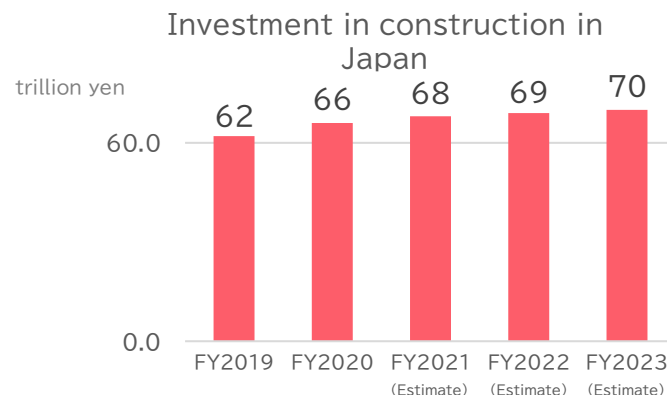


Share of the engine welder market in Japan



※Five-year averages based on data collected by Denyo Co., Ltd.

Investment in construction in Japan



Source: Ministry of Land, Infrastructure, Transport and Tourism: Estimate of Construction Investment FY2023

Ensuring stable earnings



Stationary generator market in Japan

Seek to increase our market share mainly in emergency generators.

Production capacity:
Approx. 30% increase



New head office plant of Nishihatsu Co., Ltd.

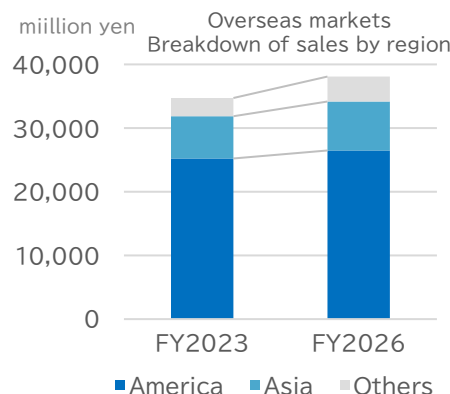


Generators for disaster resilience

- ✓ Step up collaboration between the three group companies in Japan
- ✓ Maximize the investment effect of the Nishihatsu's new head office plant, scheduled to come into operation in the second half of FY2024 to manufacture and sell generators for disaster resilience
- ✓ Increase profit in maintenance

Overseas markets

Enhance and expand the overseas sales and service networks to disseminate the Denyo brand.



- ✓ Cultivate markets deeply with existing products.
- ✓ Promote sales of newly developed products in existing markets to cultivate these markets.
- ✓ Strengthen the sales and service network in Asia, in the Middle East and elsewhere to respond to new needs.



Untapped markets in the global south

Enter untapped regions that are expected to grow.



- ✓ Conduct research and studies with a view toward expanding into untapped regions.
- ✓ Discuss the region to expand into and the form of the expansion including M&A.

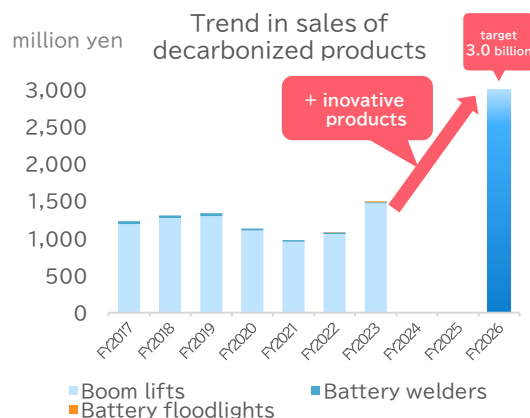
Innovative products

(Hydrogen mixed combustion generators, Fuel cell mobile generators, and Others)

Aim to implement innovative products in society



Hydrogen mixed
combustion generators



- ✓ Continue and accelerate development of innovative products.
- ✓ Prepare sales, service and production structures



Development and production

Build a structure for stable production

- ✓ Quickly create products that meet customers' requests.
- ✓ Introduce machinery and automation in the production process.
- ✓ Improve the environment of the manufacturing workplaces and take BCP measures.

IT system

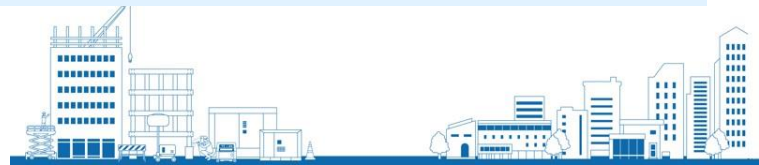
Construct systems that achieve both enhanced productivity and efficiency and security.

- ✓ Improve and construct core systems.
- ✓ Strengthen information security and BCP measures.

Human resources

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

- ✓ Advance the human resources development program.
- ✓ Improve the workplace environment, including renovation and construction to replace aging office buildings or relocate from them.



Non-financial targets are clearly defined as constituent key management targets and the total payout ratio target is added to the financial targets.

Financial targets

- 1 Consolidated Net Sales Plan **80.0** billion yen
- 2 Ordinary income **8.0** billion yen (ordinary income margin: **10.0%**)
- 3 ROE **7.0%**
- 4 Total payout ratio Approximately **40%**

Non-financial targets

- 1 Sales of decarbonized products **3.0** billion yen
- 2 SCOPE1,2 **50%** reduction*1
- 3 Percentage of female managers **15%***2

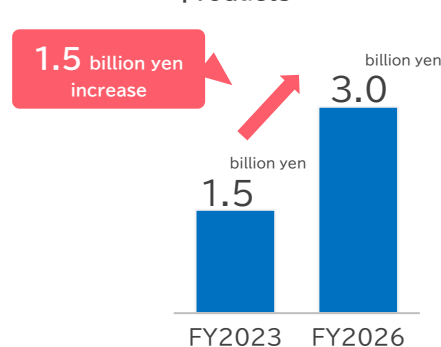
*1 A target of the long-term vision for FY2035 applicable to the group companies in Japan, calculated using the emission intensity per unit of consolidated net sales.

*2 A target of the long-term vision for FY2035 applicable to Denyo Co., Ltd. only

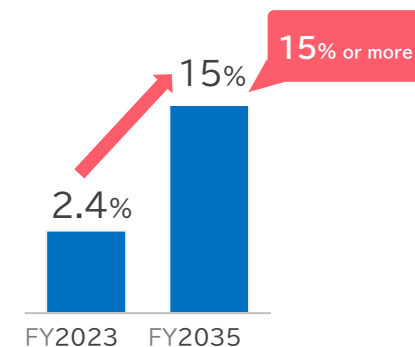
unit: million yen

	FY2023 results	Medium-term Management Plan	
		FY2026	Value or percent change
Consolidated Net Sales	73,140	80,000	6,860
Ordinary income	7,378	8,000	622
ROE	7.3%	7.0%	-
Total payout ratio	25.9%	40.0%	14.1%

Sales of decarbonized products



Percentage of female managers



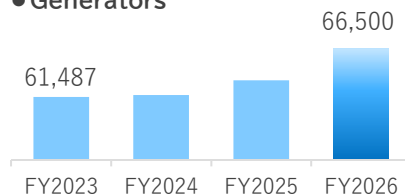
By product

unit: million yen

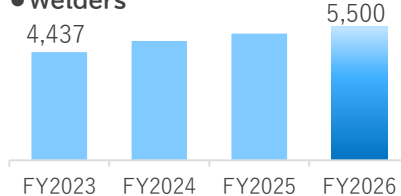
	FY2023 (Results)	FY2026 (Targets)	Value Change	Percent Change
Generators	61,487	66,500	+5,013	+8.2%
Welders	4,437	5,500	+1,063	+24.0%
Compressors	693	1,000	+307	+44.3%
Others*	6,521	7,000	+479	+7.3%
Total	73,140	80,000	+6,860	+9.4%

*Others refers to components, boom lifts and other products.

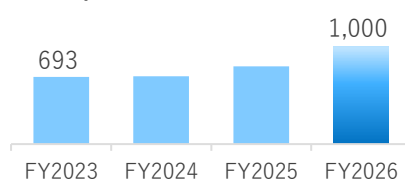
Generators



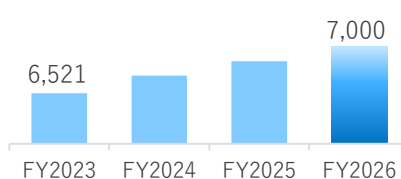
Welders



Compressors



Others



- ✓ Introduce new products and carry out effective sales activities to expand sales of generators, welders and other products.

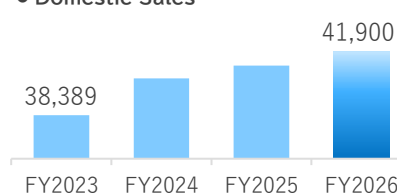
By region

unit: million yen

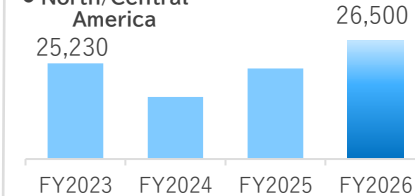
	FY2023 (Results)	FY2026 (Targets)	Value Change	Percent Change
Domestic Sales	38,389	41,900	+3,511	+9.1%
North/Central America	25,230	26,500	+1,270	+5.0%
Asia	6,642	7,700	+1,058	+15.9%
Others*	2,877	3,900	+1,023	+35.6%
Total	73,140	80,000	+6,860	+9.4%

*Others refers to Europe, the Middle East and other regions.

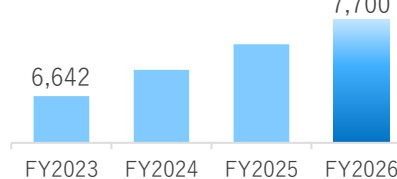
Domestic Sales



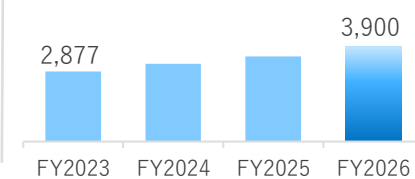
North/Central America



Asia



Others



- ✓ In Japan, increase sales of stationary generators and innovative products.
- ✓ Overseas, step up marketing and enhance and expand the sales and service networks to increase sales.

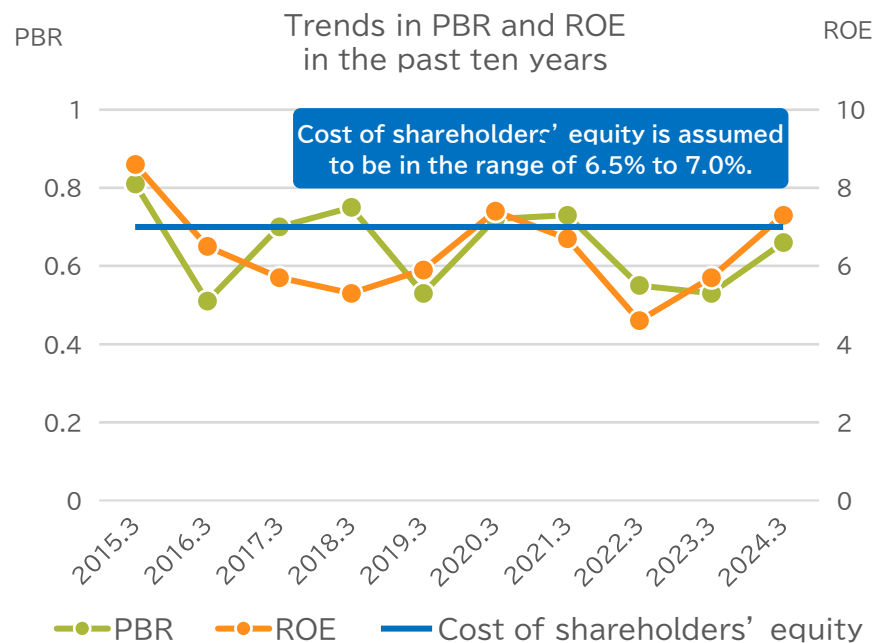
Price book-value ratio (PBR) remains below 1 due to the stagnation of capital profitability.

Capital
profitability

ROE: **5.7 %**
(March 2023 results)

Market
assessment

PBR: **0.66x**



Issues

- An imbalance between the increase in shareholders' equity and profit growth affects capital profitability.
- It is necessary to increase ROE in order to improve the PBR.



Carry out growth strategies and address financial strategies with a view toward increasing ROE.

Growth strategies

- Accelerate expansion in overseas markets while stably profiting in the Japanese market in the core areas
- Develop and promote sales of innovative products and other products
- Increase profitability by introducing machinery and automation in the production process
- Maximize the investment effect of the Nishihatsu's new head office plant



Financial strategies

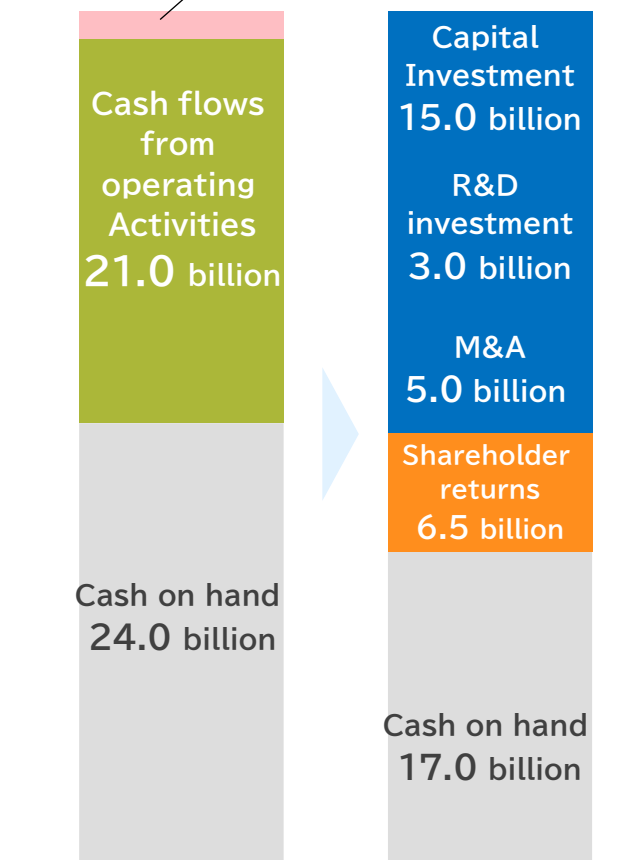
- **Strengthen shareholder returns**
Return profit at an approximate total payout ratio of 40% by flexibly acquiring treasury shares in accordance with our progressive dividend policy
- **Reduce cross-shareholdings**
At least 3 stocks, during the period of this medium-term management Plan (As of the end of March 2024, we owned 28 listed stocks.)



Cash Allocation in the Three Years of the Medium-term Management Plan

We will proactively invest in growth and implement shareholder return using the total cash flow from operating activities and cash on hand in the three years of the Medium-term Management Plan.

Reduce cross-shareholdings
•Borrowing etc 15.0 billion



Investments and shareholder returns

Growth investments

Capital investment

15.0 billion yen

We are planning to build a new plant, open a service base and invest in the rationalization of production facilities.

R&D investment

3.0 billion yen

M&A

5.0 billion yen

Shareholder returns

(at an approximate total payout ratio of 40%)

Dividend

Based on the continuation of the progressive dividend policy, we will allocate results in overall consideration of performance, the payout ratio and other factors.

Acquisition of treasury shares

We will acquire treasury shares in consideration of liquidity.

*Cash flows from operating activities are calculated using this formula: Operating income (added with investments in research and development) + Non-operating income or loss - Income taxes + Depreciation +/- Increase or decrease in working capital



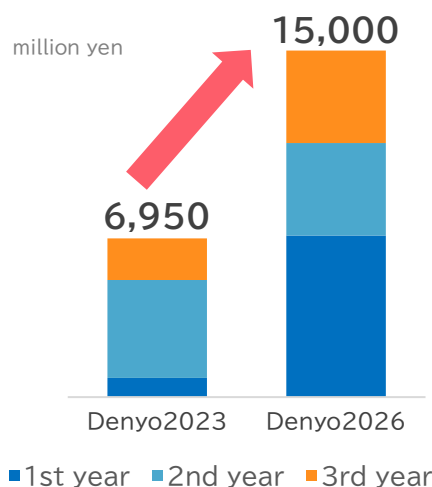
Capital investment

We will invest capital mainly in bases in Japan with a view toward building a foundation for continuous growth.

Active capital investment

- ✓ Construction of a new head office plant of Nishihatsu Co., Ltd. a subsidiary of Denyo
- ✓ Investments in increasing production capacity and the rationalization of the Fukui Plant and other investments
- ✓ Construction of a service base in West Japan
- ✓ Investment in information systems

Capital investment results and plans



Completion of Nishihatsu's new head office plant is scheduled in FY2024.



Concept drawing of the service base in West Japan

R&D investment

Research and develop products that employ new technologies, products that answer market needs and innovative products



Fuel Cell Power Vehicles



Fuel-cell mobile generator

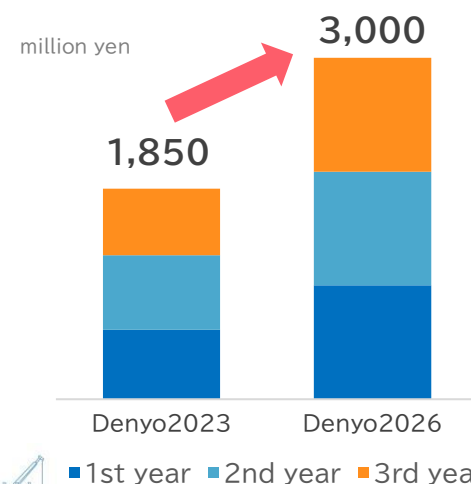


Dedicated hydrogen generator

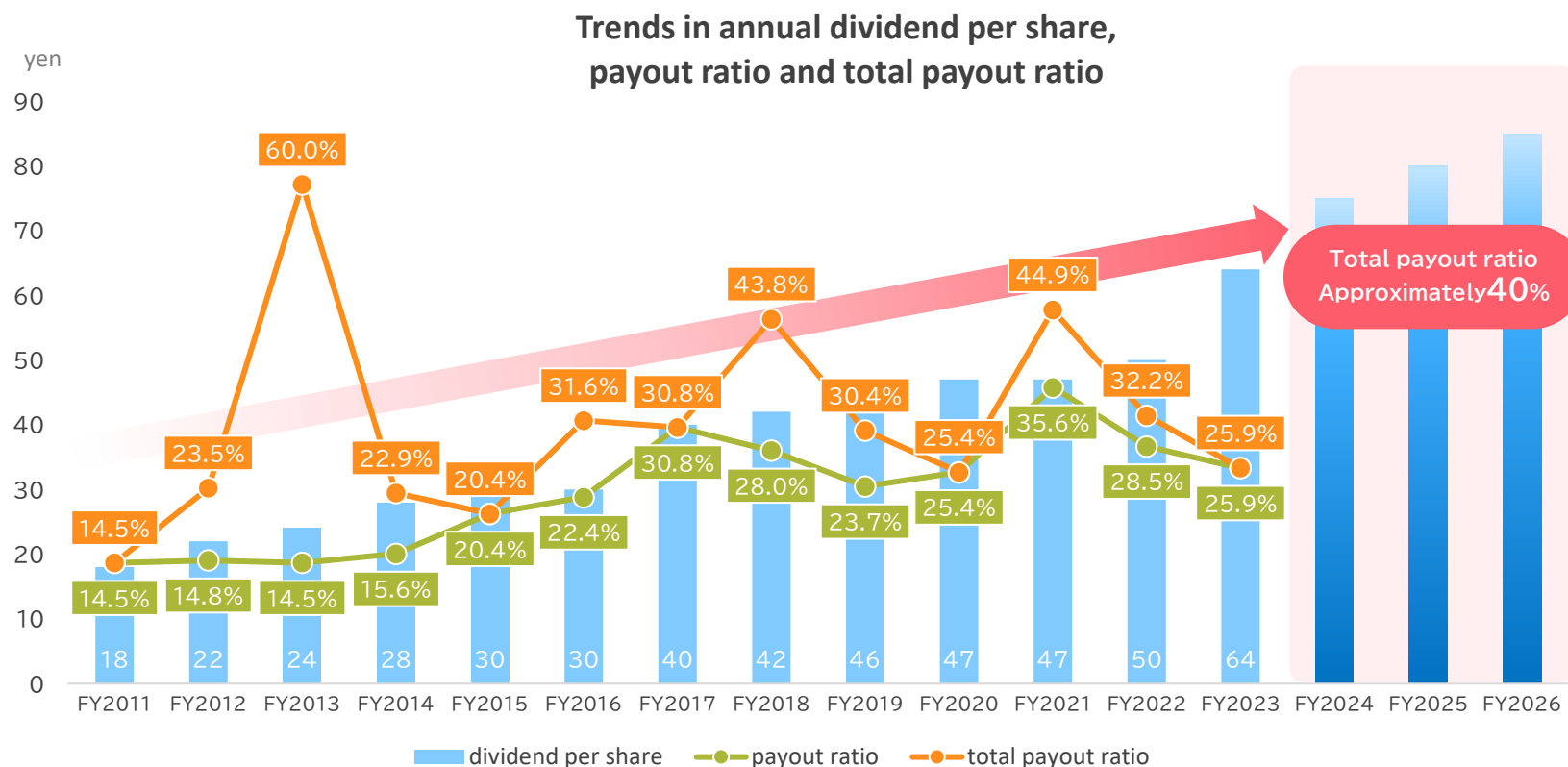


Hydrogen mixed combustion generators

R&D investment results and plans



We are aware that it is important to increase the profit returned to shareholders while investing in research and development and investing capital to maintain and increase product competitiveness as well as striving to improve earning strength and financial strength. **We will continue our progressive dividend policy and flexibly acquire treasury shares to allocate results at an approximate total payout ratio of 40%.**



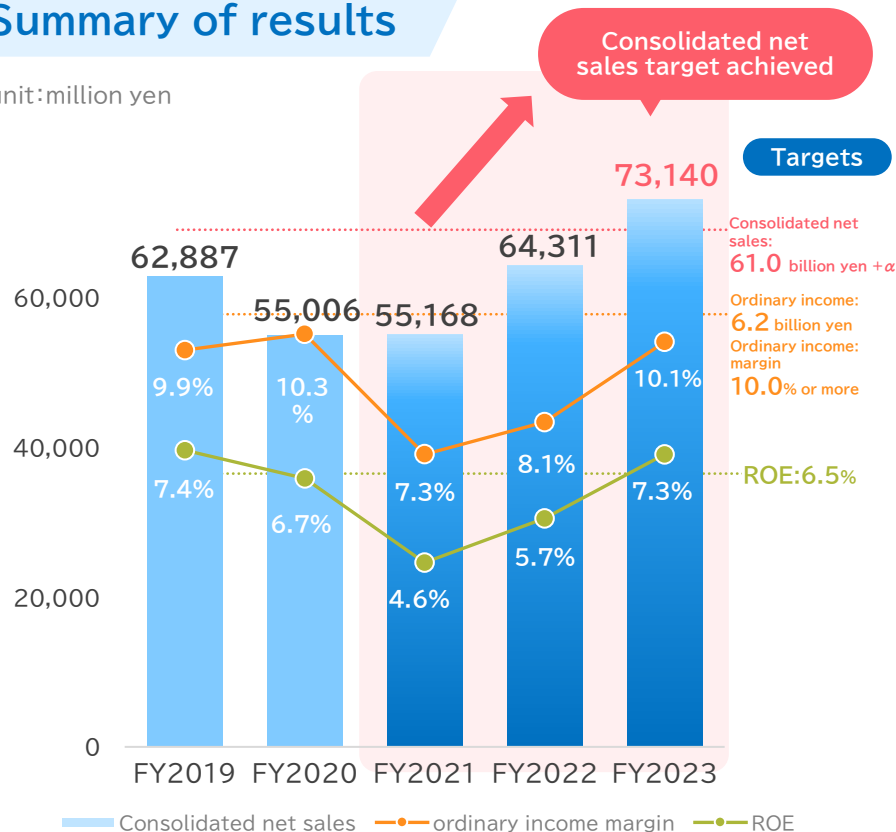
Previous Medium-term Management Plan

Summary of Review of Denyo 2023 (FY2021–FY2023)



Summary of results

unit: million yen



- ✓ During the period of the plan, the circumstances were difficult as raw materials prices rose due to the COVID-19 pandemic and there were restraints on supply following shortages of components. In response, we transferred the increased costs to the selling prices, exchanged materials between group companies and provided support for production. **The net sales and ordinary income and ROE targets were exceeded.**

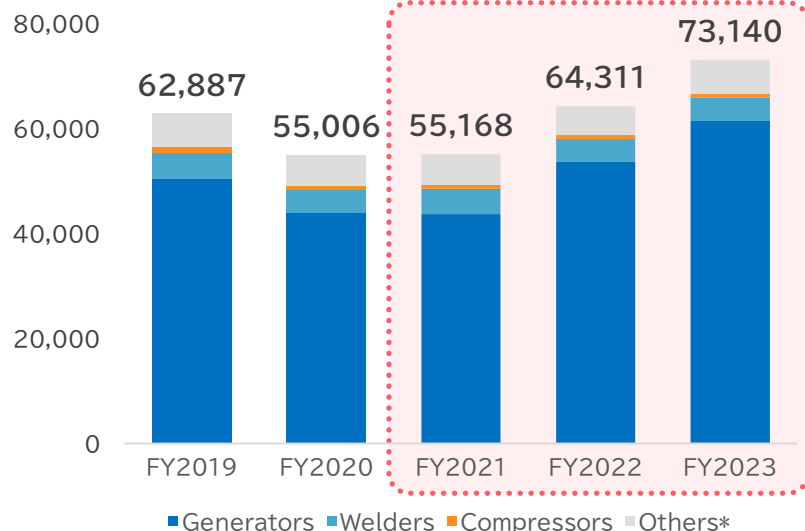
Summary by sector

Sector	Asses-ment	Achievements and issues
Strategies in the domestic market	○	<ul style="list-style-type: none"> ✓ Shipments of mainstay mobile generators remained high. However, some action will be needed for some models. ✓ There was some progress in the development of the education system for emergency generators. ✓ The large repair base in East Japan began operating and the construction of a large repair base in West Japan began.
Strategies in overseas markets	◎	<ul style="list-style-type: none"> ✓ Overseas sales grew mainly in the United States amid the weakening of the yen. ✓ Activities for the development of new products for overseas and the strengthening of the sales networks in individual countries advanced. ✓ In the future, we should carry out sales activities for new products and enhance the after-sales service network.
Reinforcing the operating foundations	○	<ul style="list-style-type: none"> ✓ Hydrogen mixed combustion generators were released. Good progress was made in the development of other innovative products. Improvement of the sales, service and production structures is an issue to be addressed in the future. ✓ Construction of Nishihatsu's new head office plant for generators for disaster resilience began. It is scheduled to start operating in the second half of FY2024.



Review by product

unit: million yen

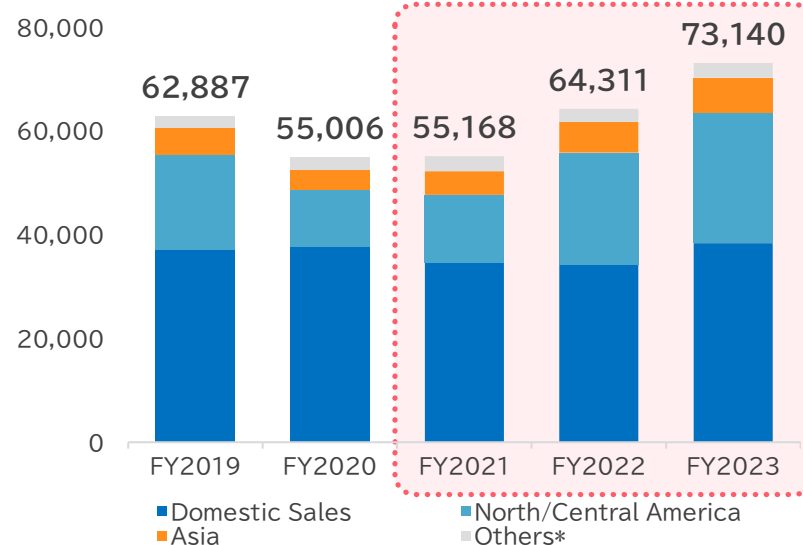


*Others refers to components, boom lifts and other products.

- ✓ Regarding generators, sales, chiefly of large models, were solid in Japan. In the US market there was a massive leap forward which helped us surpass our target.
- ✓ Brisk sales of boom lifts and other products were achieved while sales of welders and compressors were weak.

Summary by region

unit: million yen



*Others refers to Europe, the Middle East and other regions.

- ✓ In Japan, although the shortage of parts disrupted the production of some products such as welders, mobile generators grew on the back of solid construction demand, and the target was achieved.
- ✓ Sales to overseas markets increased significantly as we captured the expansion of demand in the US rental market.



This material contains assumptions and outlooks for the future and forecasts based on plans as May 9, 2024. 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.

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