

The cover features a large white circle in the center. To the left of the circle is a lush green forest, and to the right is a deep blue ocean with white-capped waves. Two concentric, semi-transparent circular bands are overlaid on the background, framing the central white circle.

# Kanadevia

Technology for people and planet

**Kanadevia Group**

**INTEGRATED REPORT 2024**

In October 2024, Hitachi Zosen Corporation changed its company name to Kanadevia Corporation.

# Kanadevia

Technology for people and planet

The name Kanadevia has been coined by combining the Japanese verb “kanaderu” (meaning “to play music in harmony”) with the Latin word “via” (meaning “way” or “method”). Ever since it was first established, we have contributed, through technology and integrity, toward the building of a prosperous society. Now, in line with our brand concept of “Taking on the challenge, through the power of technology, to create a world that lives in balance with nature,” we are taking a new step forward as Kanadevia.

With respect for diversity and a tireless commitment to technology innovation, we will be blazing a new path (“via”) toward the realization of harmony between humanity and nature, like musicians in an orchestra playing in harmony (“kanaderu”) with one another.

# The Source of Our Value Creation

We aim to create a world that lives in balance with nature, using our “spirit of challenge” and “human resources” as the wellspring of value creation



## Our founder, Edward Hazlett Hunter (1843–1917)

British entrepreneur; arrived in Japan in 1865; contributed to Japan’s modernization through the development of industries, notably shipbuilding.

The Kanadevia Group’s long history of over 140 years began on April 1, 1881, with the founding of Osaka Iron Works by the British entrepreneur Edward Hazlett Hunter. Recognizing the growth potential of Japan’s shipping industry, Hunter set up the new company to engage in shipbuilding. At that time, most of Japan’s major shipyards had started up thanks to the provision of government surplus land and other materials. In contrast, Osaka Iron Works was a shipyard established solely by an individual foreign entrepreneur. It was, therefore, a huge challenge.

Even today, when Hitachi Zosen has shifted its core business from shipbuilding to decarbonization, resource circulation, and the development of safe and prosperous communities, this spirit of challenge lives on. We advocate “strive boldly to achieve success” as one of our standards of business behavior, and each and every director and employee continues to take on challenges with the aim of creating a world that lives in balance with nature.

## Kanadevia Value

### Corporate philosophy

We create value useful to society with technology and integrity to contribute to a prosperous future.

### Our management stance

#### Making safety the first priority

We give top priority to safety in all business activities.

#### Thorough implementation of compliance

We comply with domestic and foreign laws and regulations, and respect social conventions and culture.

#### Coexistence with society

We value coexistence with all stakeholders, including enhancing employee satisfaction, and live up to their trust.

#### Always pursuing quality

We are always aware of the improvement of technology and pursue quality that satisfies our customers.

### Standards of business behavior

Strive boldly to achieve success

Communicate with sincerity

Learn widely, think deeply

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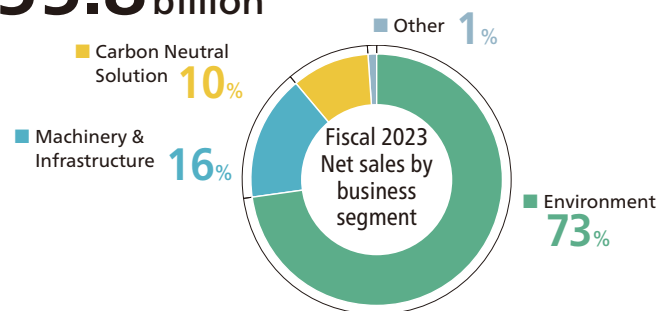
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## At a Glance

Net sales (fiscal 2023)

**¥555.8 billion**



Date of founding

**1881**

Number of employees,  
consolidated basis (March 2024)

**12,148**

Number of Group  
companies in Japan

**84**

Number of Group  
companies overseas

**78**

Total number of Group companies **162**

Major manufacturing  
bases in Japan

**7**

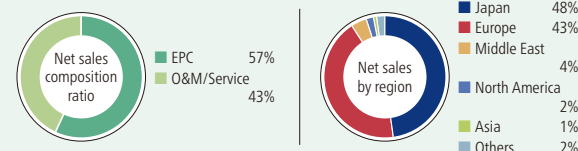
### Environment Business

Net sales (fiscal 2023) **¥407.3 billion**

Our main businesses include EPC (engineering, procurement, and construction) and O&M/Service (operation, maintenance and services) of environmental facilities such as Waste to Energy (WtE) plants, biogas plants, sludge recycling centers, and desalination plants. We seek to differentiate ourselves by adding value in terms of power generation efficiency, treatment capacity, and environmental performance, and contribute to the realization of a resource-recycling society by meeting the increasing demand for waste treatment, energy, and water due to global population growth.

#### Main businesses

- WtE plants and recycling facilities
- Biogas facilities
- Water and sludge treatment facilities
- Energy systems (power generation equipment)
- Biomass utilization systems
- Desalination plants and various other plants
- Electricity wholesale



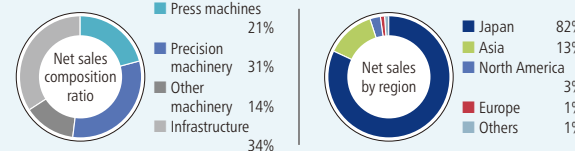
### Machinery & Infrastructure Business

Net sales (fiscal 2023) **¥91.0 billion**

In the machinery field, we address the challenges faced by customers in various industries. Our efforts include streamlining manufacturing processes for car body press machines and various types of precision machinery for the semiconductor, food, and medical sectors. We offer integrated support from development to after-sales service. We are also active in the infrastructure field. In addition to building structures like bridges, hydraulic gates, and flap gates, we work on monitoring and extending the useful life of existing facilities. We have developed a wide range of products that enable us to help create safe and prosperous communities.

#### Main businesses

- Press machines for automobiles
- Boilers
- Plastic machinery
- Food machinery
- Pharmaceutical machinery
- Precision machinery
- Electronics and control systems
- Bridges
- Hydraulic gates
- Stacks
- Marine civil engineering
- Shield tunneling machines
- Disaster-prevention systems



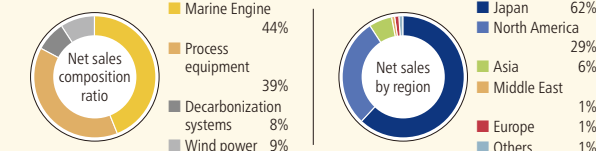
### Carbon Neutral Solution Business

Net sales (fiscal 2023) **¥55.2 billion**

In order to further accelerate innovation in technologies to counter global warming, we established the Carbon Neutral Solution Business Headquarters in April 2022. We will contribute to the realization of a decarbonized society by providing CO<sub>2</sub> reduction technologies and clean energy, including fuel conversion for marine engines, initiatives for marine LNG and ammonia fuel tanks and ammonia production-plant equipment, casks for spent nuclear fuel, hydrogen generation systems, methanation equipment, and wind power generation.

#### Main businesses

- Marine diesel engines
- NOx removal catalysts
- Various process equipment such as pressure vessels
- Nuclear power related equipment
- Electrolyzers / PtG
- Wind power generation





## Message from the Chairman and CEO



**As Kanadevia, we will be taking a major step forward, and writing a new page in our history.**

# Kanadevia

**Sadao Mino**

Representative Director,  
Chairman of the Board and Chief Executive Officer

### The meaning that our new name embodies

The origins of our Company can be traced back to the founding of the Osaka Iron Works in 1881 by Edward Hazlett Hunter, a British entrepreneur who is commemorated in the placename Hunter Hill in the Ijinkan-gai district of Kobe, and who was focused on the future of marine transport and shipbuilding in Japan. Despite the changing of the company name to Hitachi Zosen Corporation in 1943, Hunter's spirit—which was reflected in his enthusiasm for taking on the challenge of setting up new businesses, his respect for Japanese culture and willingness to collaborate closely with Japanese partners in his business operations, and his public-spirit- edness, as evidenced in his efforts in his native Britain to bring about revision of the unfair treaties imposed on Japan by the nations of Europe and by the USA in the 19th century—has remained part of our corporate DNA.

We spun off our shipbuilding business in 2002, and we are now engaged in global business operations in the fields of decarboniza- tion, resource circulation, and the development of safe and prosper- ous communities. With "Taking on the challenge, through the power of technology, to create a world that lives in balance with nature" as the new brand concept for our business group, we have made the decision to change our company name, to help us chart a new course into the future. The name Kanadevia has been coined by combining the Japanese verb "kanaderu" (meaning "to play music in harmony") with the Latin word "via" (meaning "way" or "method"). The name embodies the idea that, with respect for diversity and a tireless commitment to technology innovation, we will be blazing a new path ("via") toward the realization of harmony between humanity and nature, like musicians in an orchestra play- ing in harmony ("kanaderu") with one another.

### The reason for establishing our new management structure

In FY2022, we formulated our Sustainable Vision, which outlines where we aim to be by 2050. As one of the milestones on the way

## Message from the Chairman and CEO

to realizing this, we have updated our 2030 Vision long-term vision, and, by backcasting, we have drawn up our Forward 25 medium-term management plan (for implementation over the period FY2023-25). In FY2023, the first year of implementation of the Forward 25 plan, our performance surpassed the original targets in terms of orders received, net sales, and the various profitability indicators, making this the sixth consecutive fiscal year in which we posted growth in both sales and profits. The share of total Group sales held by overseas sales reached 45%, so we achieved our key performance indicator (KPI) target of having 40% overseas sales by FY2025 ahead of schedule. In the area of human capital management, which I have been focusing on in my role as CEO, we have been undertaking the cultivation of management talent, global talent and digital transformation (DX) talent in a way that is linked closely with our business strategy, as well as making changes to the compensation system for directors and executive officers and to the personnel system for management positions.

In April 2024, I stepped down as President and took on the roles of Chairman of the Board and CEO, while Mr. Michi Kuwahara took up the positions of President and Chief Operating Officer (COO). We are starting to get a sense of real progress in terms of completing the Forward 2025 plan and achieving our 2030 Vision, and to ensure that we meet our targets, we have adopted a new two-person system whereby the Chairman and CEO and the President and COO work together, thereby strengthening our management structure.

Mr. Kuwahara has the ability to listen carefully to other people's views and then calmly make the right decision. He has a background in finance and accounting, and possesses a wealth of overseas experience. In 2018, he took on the position of Chairman of at Kanadevia Inova (based in Switzerland), which had seen deteriorating performance since 2016, and implemented bold management reforms that brought about a rapid recovery and renewed growth from 2019 onwards. Today, Kanadevia Inova is an important driver of growth for the Group as a whole.

I myself have mainly been involved in technology development since I first joined the Company, and have spent around 35 years undertaking design and development work in our environmental business (which is now a key business area for the Company).

Going forward, by utilizing our respective areas of expertise so that we complement one another, we will be working to achieve the goals of Forward 25 and the 2030 Vision, and will be striving to achieve even higher levels of growth for the Kanadevia Group.

### Working to realize our Sustainable Vision and our 2030 Vision

Kanadevia's Sustainable Vision outlines our vision of what the Group should look like in 2050. Specifying the types of value provision that every officer and employee must strive to achieve from their various different perspectives, the Sustainable Vision will act as a compass guiding us toward the realization of sustainable growth for our Group. We have also defined "seven pillars of success" (materiality) that are vital for the achievement of our Sustainable Vision. These have clarified the kinds of problems affecting society that exist within the supply chain as a whole, from raw materials procurement through to disposal of used products, and how our Group can contribute toward solving these problems. Taking these as the foundation, we are breaking our materiality down in detail at the level of each individual workplace, and drawing up a roadmap for realizing our vision of where we want to be in 2050.

I imagine that some people may be skeptical about the positive impact that sustainability initiatives could have on profits and on the share price. However, bearing in mind that society as a whole is focusing more and more on carbon neutrality and on resource recycling, it can be anticipated that there will be increased investment in these areas. This implies that there will be opportunities for our Group to grow our businesses and boost profits. In Europe, there is increasingly vigorous investment in renewable energy; our Group has already begun implementing development, investment, operation and sales initiatives in relation to the biogas business. For the Kanadevia Group, which has had as its main business area the construction of equipment and plant facilities in response to orders from customers, and the provision of after-sales services, this trend represents a new challenge that we can take on.

Besides the biogas business, we are also planning to invest 75 billion yen in future growth areas, including wind power and

waste recycling, over a three-year period starting in FY2023. We have already been making preparations for this, including the establishment of an Investment Committee to make investment decisions in relation to projects associated with these investments, and to implement post-investment monitoring. Developing new business areas always involves some degree of risk, but I believe that we need to adopt a proactive attitude toward investment decision-making, while keeping in mind the requirement to maintain sound finances and to boost our return on invested capital.

### To our stakeholders

In July 2024, there was a public announcement regarding inappropriate conduct, notably in relation to the data of fuel consumption efficiency in our Group's marine engine business. I would like to express my sincere apologies to our customers, and to all of our stakeholders, for our having failed to live up to the trust that they placed in us, and for the disruption and concern that our actions have caused. We have taken this matter very seriously. Besides collaborating fully with the in-depth investigation conducted by a special investigative committee whose members comprise third-party experts, we are formulating preventive strategies and measures, based on the root causes of the problem, to prevent reoccurrence, and we are committed to building a robust organizational structure that will enable us to regain stakeholders' trust, by working to strengthen compliance throughout the Group.

I want us to be an enterprise that will grow together with our stakeholders.

We will be working to explain, in an easy-to-understand format, the value enhancement that our Group is aiming to achieve, and we will be making a proactive effort to listen to the views and expectations of our stakeholders, which we attach great importance to, and striving to build a relationship of real mutual benefit.

I hope that you will join me in eagerly anticipating the emergence of a Kanadevia Group that is able to maintain sustainable growth.

## A History of Creating New Value

### Creating new businesses leveraging technologies developed since the establishment of our Company

Building on the foundation provided by the technology that we developed in our shipbuilding business, our Group has been transforming our business portfolio by developing new businesses that are not directly related to shipbuilding. Going forward, we are aiming to create value that is genuinely useful to society, by continuing to take on the challenge of addressing society's problems, which are constantly changing with the passage of time.

# Kanadevia

October 1, 2024

We changed our company name to Kanadevia Corporation

1881  
Founded

1900  
Started venturing into non-shipbuilding businesses

1949  
Listed on the Tokyo and Osaka Stock Exchanges

1960  
Technological collaboration with Swiss company Von Roll Environmental Technology Ltd. (Currently Kanadevia Inova)

1977  
Record-high net sales in shipbuilding

2002  
Separated shipbuilding business

2010  
Made Swiss company Inova a subsidiary

2013  
Made US company NAC a subsidiary

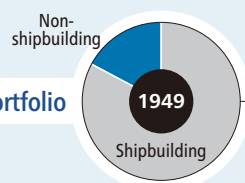
2017  
Made Australian company Osmoflo a subsidiary

2021  
Integrated shield tunneling machine business with Kawasaki Heavy Industries, Ltd.

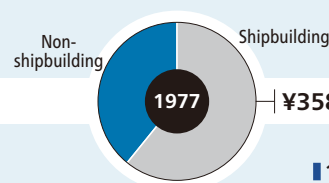
2022  
Made German company Steinmüller a subsidiary

2023  
Spun off our marine engine business as a separate company, and began alliance with Imabari Shipbuilding Co., Ltd.

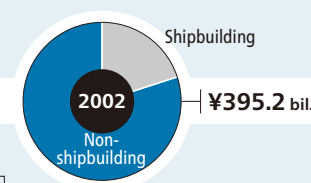
#### Changes in the business portfolio



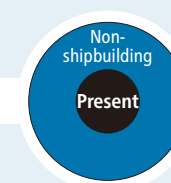
¥5.6 bil.



¥358.5 bil.



¥395.2 bil.



FY2023 Net sales  
¥555.8 billion

#### Changes in sales structure

Note: The starting point for net sales below is fiscal 1949, when our stock went public. Figures before fiscal 1976 are non-consolidated (Kanadevia only).

Non-shipbuilding segment

Shipbuilding

1996  
Record high net sales  
¥635.2 bil.

Contributing to the creation of a sustainable, safe, and secure society

1880 1900 1940 1960 1980 2000 2020 2030



# A History of Creating New Value

## How our business has changed over time

1881

Started shipbuilding business

### Social needs

Increasing need to trade with foreign countries through growing international ties after Meiji Restoration

### Driving the growth of the shipbuilding sector

With a high level of technological competence and willingness to take on every challenge, we led the growth of the domestic shipbuilding industry by building Japan's first steel-hulled ship and tanker. In 1957, we launched 240,000 gross tons of new ships (26 vessels), ranking second in the world.



### Leveraging large structure manufacturing technologies

From wooden to steel bridges

Increased demand for hydropower generation

Spectacular progress of welding technology

Increased demand for sewerage development

The era of long-span bridges

Increased awareness of disaster prevention

Increased demand for renewable energy

1900  
Started bridge business



1923  
Started hydraulic gate business



1950s  
Production of all-welded bridge ahead of others in the industry (Furue Bridge, Osaka Prefecture)



1967  
First shield tunneling machine delivered (Nissan Construction Co., Ltd.,\* Yokohama City's sewerage installation)  
\*Currently Rinkai Nissan Construction Co., Ltd.



1980s and 1990s  
Participated in the manufacturing and construction of underwater caissons and superstructures for long-span bridges



(Honshu-Shikoku Bridge Authority\*, Akashi-Kaikyo Bridge)  
\*Currently Honshu-Shikoku Bridge Expressway Company Limited

2013  
Started flap-gate type seawall against flood disaster business



2019  
Started demonstrated operation of floating off-shore wind power system



Machinery & Infrastructure

### Leveraging machine manufacturing technologies

Developing chemical industry

Larger ships

Wave of motorization

Period of growth for the beverage industry

Increase of nuclear power plants

Prevention of oceanic air pollution

1920s  
Started process equipment business using platemaking technologies such as marine boilers and tanks



1950  
Introduced marine diesel engine technology (B&W Ltd.,\* Denmark)  
\*Currently MAN Energy Solutions SE



1955  
Introduced press machine technology for auto production (Clearing, USA)



1971  
Delivery of Japan's first aluminum can beer canning machine (Large delivery of our product to the Nishinomiya Plant of Asahi Breweries, Ltd.)



1978  
First nuclear casks delivered (for a power company)



2017  
Delivery of first SCR system for marine engines (for a shipbuilding company)



2022  
Established the Carbon Neutral Solution Business Headquarters

Carbon Neutral Solution

Environment

### Leveraging plant technologies

Rapid increase of terrestrial work

Increasing waste, increasing air pollution

Increased demand for water & power in Middle East

Use of organic waste for energy

1930s  
Start of manufacturing industrial machinery and plants in a wide range of fields (1,000-ton blast furnace for Nippon Steel)



1965  
Japan's first Waste to Energy plant delivered (Nishiyodo Plant, Osaka)



1979  
First unit of desalination plant delivered (Saudi Saline Water Conversion Corporation)



2018  
Started in-house operations of the first Kompogas® plant in the United States (California)



1880

1900

1920

1940

1960

1980

2000

2020

2030

## Expanding Value Provision

### All over the world our technologies are facilitating affluent life and conservation of the global environment

The Kanadevia Group is developing businesses all over the world to contribute to solving global social issues.

#### Europe

Waste treatment facilities  
**519**  
Biogas facilities  
**407**

#### Middle East

Waste treatment facilities  
**4**  
Water treatment facilities  
**31**  
Process equipment  
**506**

#### Africa

Waste treatment facilities  
**3**

#### Asia

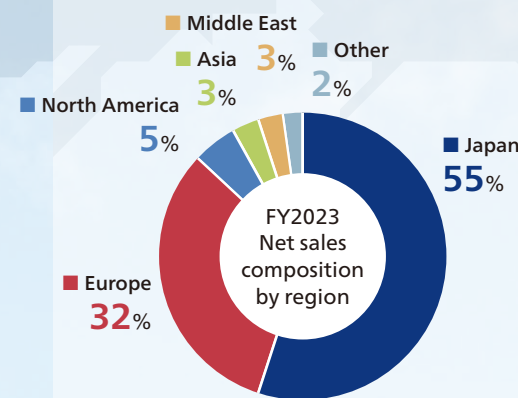
Waste treatment facilities  
**271**  
Water treatment facilities  
**7**  
Press machines for automobiles  
**761**  
Marine diesel engines  
**307**  
Process equipment  
**494**

#### Japan

Waste treatment facilities  
**540**  
Water treatment facilities  
**25**

#### Australia

Waste treatment facilities  
**3**  
Water treatment facilities  
**214**



Track record (as of the end of March 2024)

Waste treatment facilities  
**1,442**  
(including licensees)

Water treatment facilities  
**282\***  
\* Including desalination, treatment of brackish water, and mine drainage.

#### North America

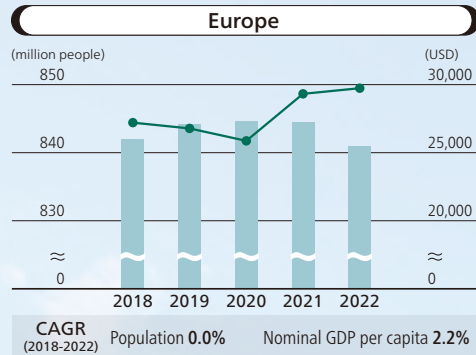
Waste treatment facilities  
**101**  
Water treatment facilities  
**1**  
Biogas facilities  
**3**  
Press machines for automobiles  
**216**  
Spent fuel casks  
**905**

#### Latin America

Waste treatment facilities  
**1**  
Water treatment facilities  
**4**

## Expanding Value Provision

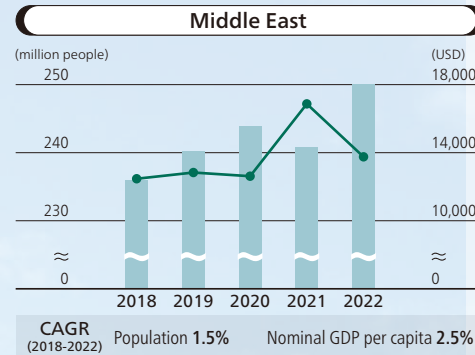
### Global population and economic growth



Waste-to-energy plants have been widespread, particularly in the UK and in the EU. Government policies have encouraged the building of new biogas facilities to strengthen energy security.

#### Main Products

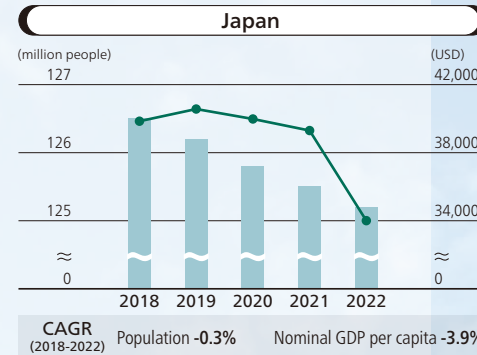
- Waste treatment facilities
- Biogas facilities
- Press machines for automobiles



The Middle East has for many years been an important market for seawater desalination plants. The last few years have seen increased investment in clean energy, and demand for waste-to-energy plants is emerging.

#### Main Products

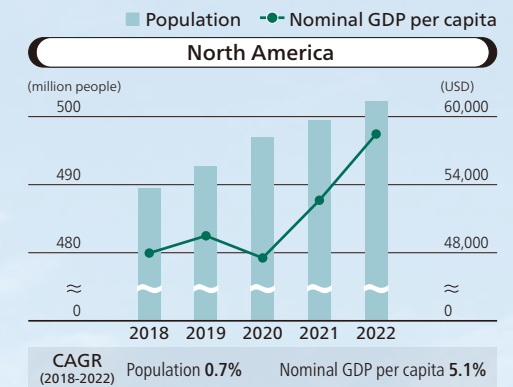
- Waste treatment facilities
- Water treatment facilities
- Press machines for automobiles
- Process equipment



Japan already has comprehensive infrastructure throughout the country, so the main source of demand in the future will be for replacement of existing facilities. With the government aiming to make Japan carbon neutral by 2050, renewable energy is expanding.

#### Main Products

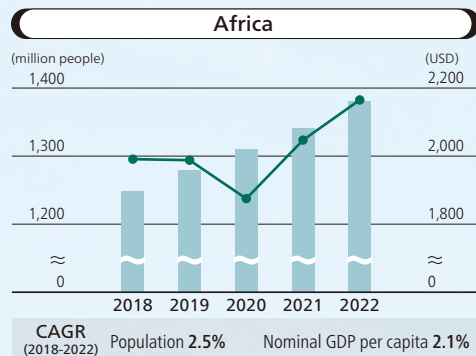
- Waste treatment facilities
- Water treatment facilities
- Biogas facilities
- Press machines for automobiles
- Precision machinery
- Bridges and hydraulic gates
- Marine engines
- NOx removal system
- Process equipment
- Spent fuel casks



Landfill is still the main method use for waste disposal, but it can be anticipated that demand for biogas facilities will emerge.

#### Main Products

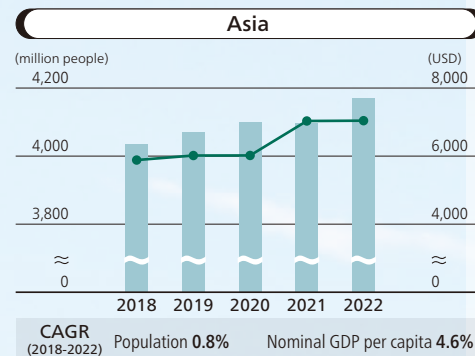
- Waste treatment facilities
- Biogas facilities
- Press machines for automobiles
- NOx removal system
- Process equipment
- Spent fuel casks



Looking ahead, there is significant latent demand for waste-to-energy plants in this market as the population increases.

#### Main Products

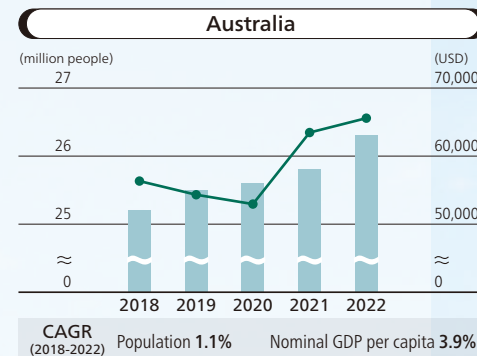
- Waste treatment facilities
- Water treatment facilities
- Press machines for automobiles
- Process equipment



Rapid economic development in Southeast Asia and India has been accompanied by growing demand for infrastructure. In China, waste-to-energy plants are spreading under the policy of domestic production.

#### Main Products

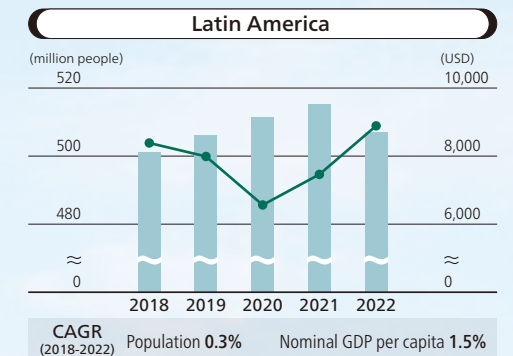
- Waste treatment facilities
- Water treatment facilities
- Chemical plants
- Press machines for automobiles
- Precision machinery
- Bridges and hydraulic gates
- Marine engines
- NOx removal system
- Process equipment
- Spent fuel casks



Although landfill remains the main waste disposal method, there is significant potential for a shift toward waste-to-energy, due to the adoption of new landfill taxes and rising environmental consciousness.

#### Main Products

- Waste treatment facilities
- Water treatment facilities



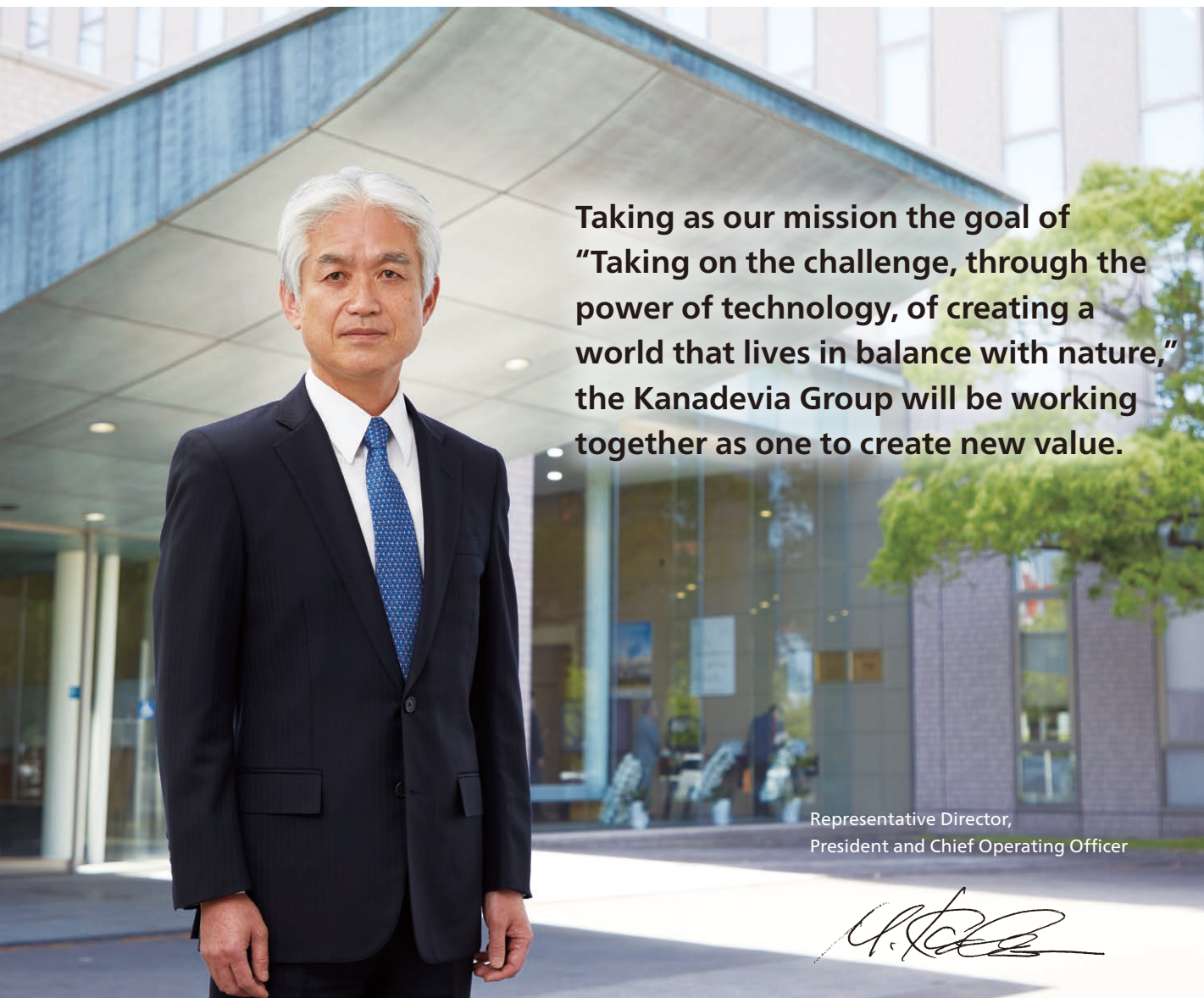
The adoption of clean energy such as waste-to-energy plants is expected to be a slow process.

#### Main Products

- Waste treatment facilities
- Water treatment facilities
- Press machines for automobiles



## Message from the President and COO



**Taking as our mission the goal of  
“Taking on the challenge, through the  
power of technology, of creating a  
world that lives in balance with nature,”  
the Kanadevia Group will be working  
together as one to create new value.**

Representative Director,  
President and Chief Operating Officer

### My background

My name is Michi Kuwahara; I took on the roles of President and COO at Kanadevia Corporation (formerly Hitachi Zosen Corporation) in April 2024. Since joining the Company in 1986, I have mainly been working in accounting, finance, and corporate planning, and have spent time working overseas, in the USA and Switzerland. While on assignment in the USA, I played a major role in a project relating to the bankruptcy filing of one of our main customers. This was a very challenging project, but the experience that I gained through it was extremely useful to me later, in regard to the acquisition and management reform of what is now Kanadevia Inova (based in Switzerland, hereinafter referred to as 'Inova'). In turn, my experience at Inova now helps to support me in my current role.

While working at Inova in Switzerland, I was a minority and I had to overcome significant cultural and linguistic barriers. As this was a period of continued uncertainty regarding the Company's operations, I presume that the local employees felt considerable unease about the future. Under these circumstances, what was particularly important in enabling me to overcome the various obstacles facing me was getting people to realize that I was someone they could trust. To this end, I made real efforts to support people, listening carefully to what other people had to say, and engaging in vigorous discussion when necessary in order to strengthen mutual understanding.

Today, I see my mission as President as being basically two-fold. One part of my mission is to expand our overseas business. We have set ourselves the target of bringing the shares of total sales and of total operating profit held by our overseas business up to 50% by 2030, but in fact, in order to realize our 2030 Vision, we will need to increase these shares to more than 50%.

Of course, we will not just be growing globally; we are also aiming to achieve growth within the Japanese domestic market. As Japan is already a mature market, to realize growth here we will

## Message from the President and COO

need to expand the scope of our business areas and to grow our market share.

The other key part of my mission is the rapid development of effective portfolio management. What is required here is investment of resources in those businesses that we need to grow, and ensuring that the funds required for this are available. To realize this, I believe that it is vitally important for us to further clarify our vision and to narrow down the areas that we should focus on. Regarding the overhauling of our business portfolio, this is not just a case of making changes to unprofitable businesses; rather, it is important to think, from multiple perspectives, about whether each business can provide growth opportunities for the Group as a whole, and who the optimal owner of that business would be. As I see it, we need to make steady progress on overhauling our business portfolio during the implementation period of the medium-term management plan.

FY2023 compared to the previous year, down to 39%. However, this was mainly due to the rapid growth of Inova's engineering, procurement and construction (EPC) business; in fact, our existing businesses were continuing to grow steadily. In June this year, Inova purchased a company in Denmark that is engaged in the provision of after-sales services, so further growth in overseas sales can be anticipated in the future.

With regard to the creation and expansion of growth businesses, we plan to invest 140 billion yen over the three-year period from FY2023 to FY2025, of which 75 billion yen will be invested in key areas such as Waste-to-X and wind power generation. In FY2023, we invested 38.4 billion yen overall, of which 15 billion yen was invested in business investment. In Europe, given the growing awareness of the importance of energy security, and the transition toward renewable energy, the biogas business is

expected to see strong growth, and we are focusing on developing this business area, with Inova playing a central role. In FY2023, we invested in business development in both Germany and Italy. These projects are scheduled to begin operation from FY2025 onwards, and they are expected to generate an internal rate of return (EIRR) of around 10% of over an operational period of 10–20 years.

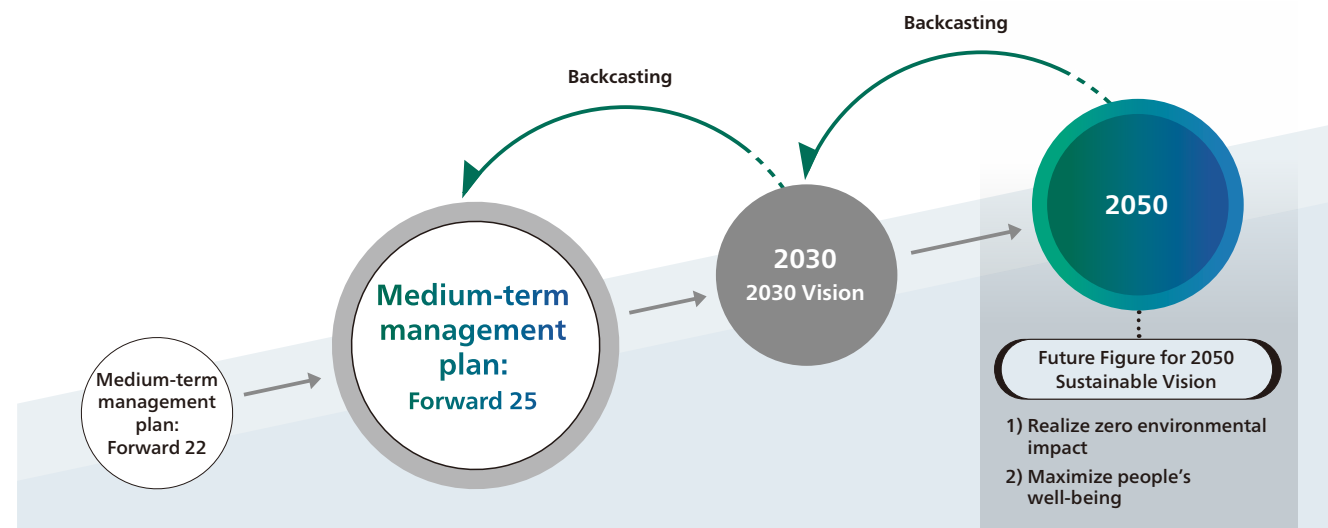
As regards promoting sustainable management, in 2023 we launched various human talent cultivation programs in order to strengthen the human capital that will be needed to promote sustainable management, and in 2024 we have made changes to the compensation system for company officers and to the personnel system for managerial personnel, as well as introducing performance-based stock remuneration and transitioning from a function management system to a role-based grade system. I

### Looking back on the first year of implementation of the Forward 25 medium-term management plan

Under the Forward 25 medium-term management plan, we will be proceeding with various key initiatives in line with three basic policies: Sustainable growth of existing businesses, creation and expansion of growth businesses, and promoting sustainable management. I am also positioning Forward 25 as a period in which we will prepare for the next medium-term management plan.

Regarding the sustainable growth of existing businesses, one of the KPIs that we set for this is to have our overseas business account for 40% of total sales. In FY2023, Inova achieved significant growth, which pushed overseas business's share of total sales over the target to 45%. At the same time, although we had set another KPI of having operation and maintenance (O&M) services account for 50% of total sales, this percentage actually fell in

#### Overview of our long-term vision



## Message from the President and COO



believe that these changes represent an important turning point for us, one that is necessary in order for us to compete effectively in the market for human talent.

### Transforming our corporate culture and becoming a truly global enterprise

To realize our 2030 Vision, we need to transform our corporate culture. I believe that, in this regard, Inova offers a valuable model of what can be achieved. Switzerland, where Inova is based, has a relatively small land area and is surrounded by larger nations. This situation affects not only the country, but also the business enterprises operating there. If a company fails to successfully develop business in the other countries of Europe, with their diverse cultures, languages, and legal and taxation systems, and if it fails to grow, it will go out of business; this awareness of danger has been an important driver pushing Swiss companies to strive for growth. A dynamic approach whereby, rather than trying to adopt new technologies and develop new business models by relying solely

on the company's own resources, the company instead works together with partner companies, is an important model that Kanadevia can learn from. Also, I believe that a major reason why Inova has become the main driver of growth for the Kanadevia Group is that, besides having a first-class local management team, local staff have faith in us, and were therefore willing to implement reforms.

With its high rates of human talent turnover, the European market also constitutes a useful reference in terms of strengthening human capital. Currently, our Company is promoting the cultivation of managerial talent, global talent and digital transformation (DX) talent. During my time at Inova, I was able to experience for myself a human resources strategy that proactively

recruits the human talent needed to drive business growth from outside the company. It is now more than 10 years since Inova became a member of the Kanadevia Group, and during that time a cumulative total of around 50 employees from our Company in Japan have been posted on assignment to Inova. The first and second "generations" of these employees have, after returning to Japan, been able to share the experience and knowhow that they acquired at Inova with those around them, which has led to a significant reduction in the differences in mindset between Japan and Switzerland. I believe that, by increasing the numbers of such people, and sharing their experience widely, we can drive the fusion of organizational cultures and realize global growth for the Kanadevia Group as a whole.

### Major initiatives relating to business portfolio management that have been implemented since 2020

Date	Content	Acquisition	Strategic alliance	Transfer
April 2020	Inova acquired French maintenance company ESTI	○		
November 2020	NAC International invested in US company Deep Isolation		○	
July 2021	Inova acquired a German biogas-related company from Schmack Group	○		
October 2021	Kanadevia began alliance with Kawasaki Heavy Industries Ltd. in shield machine business		○	
February 2022	Inova acquired German company Steinmüller	○		
April 2022	Inova acquired French company EST Industries	○		
September 2022	Kanadevia transferred shares in a subsidiary that manufactures deck machinery for ships			○
October 2022	Kanadevia formed a joint venture company with Tokyo Electric Power Company Holdings to manufacture spent fuel casks		○	
January 2023	NAC International acquired US company Philotechnics	○		
February 2023	Kanadevia transferred 66.6% of the shares in a subsidiary providing logistics services			○
April 2023	Kanadevia spun off its marine engine business, and began alliance with Imabari Shipbuilding Co., Ltd.		○	
May 2023	Kanadevia established an operations tie-up with TRE Holdings Corporation in the environmental business segment		○	
June 2023	NAC International acquired Canadian company NIAGARA ENERGY PRODUCTS	○		
March 2024	Inova acquired Italian company Schmack Biogas	○		
June 2024	Inova acquired Danish company Babcock & Wilcox Renewable Service	○		



## Message from the President and COO

### Building the future of Kanadevia together with our stakeholders

Ever since our Company was first established, the spirit of being willing to take on a challenge that we inherited from our founder has been part of our corporate DNA. Recently, however, when stakeholders were asked about the image that they have of our Company, quite a few reported that they did not associate the Company with a willingness to take on challenges. I believe that the changing of our company name to Kanadevia in October 2024 represents a marvelous opportunity to rekindle the spirit of challenge that is in our corporate DNA among all of our employees. I am firmly convinced that, in order for the Kanadevia Group to realize meaningful further growth, we need to be working as one to bring about a transformation of our corporate ethos and of employees' attitudes.

The future that we envisage is a future that we will be building together with our stakeholders. We occupy a unique position in the world in relation to waste management. As a company that has the ability to enhance overall value by providing integrated project development, engineering, procurement, construction, operation and maintenance services, and adding in new technology, I believe that we are unique and rare worldwide.

We recognize that getting across to all our stakeholders including investors in an appropriate way the uniqueness of our Company and the contribution that we make to society is an important issue for us. While we continue to attach great importance to returning value to shareholders, the Kanadevia Group is now on a path toward growth, and major opportunities are opening up for us, particularly in overseas markets. With this in mind, we have determined that now is a time when we need to give priority to growth-oriented investment, so that we can make full use of these significant opportunities, while still striving to maintain stable dividends.

As the foundation for this business growth, we have enunciated the Kanadevia Values (management approach): Making safety the

first priority, Thorough implementation of compliance, Coexistence with society, and Always pursuing quality. We aim to be an enterprise that our customers, our employees and all our other stakeholders can interact with over the long term with peace of mind.

However, in July this year, we made a public announcement regarding the inappropriate alteration of test operation records, over an extended period, in our marine engine business. I would like to offer a sincere apology to our stakeholders for the disruption and unease that this issue has caused. We have renewed our determination to address issues relating to compliance awareness and our organizational culture. It is precisely at times like this when one is facing a crisis, that there is a need to unite and work together as a team. We will be investigating the causes of the situation and striving to prevent reoccurrence, and to win back stakeholders' trust.

I firmly believe that "I will not run away." Facing up to reality, engaging in dialog, and not running away from difficult problems are tenets that I live by. Our Group has experienced quite a few mistakes in the past, but each time we have got through it by showing our customers that we will never run away from difficulties. As a company that has made a positive contribution toward the wellbeing of society as a whole ever since it was founded in 1881, this attitude is a part of our corporate DNA that has been handed down over the years.

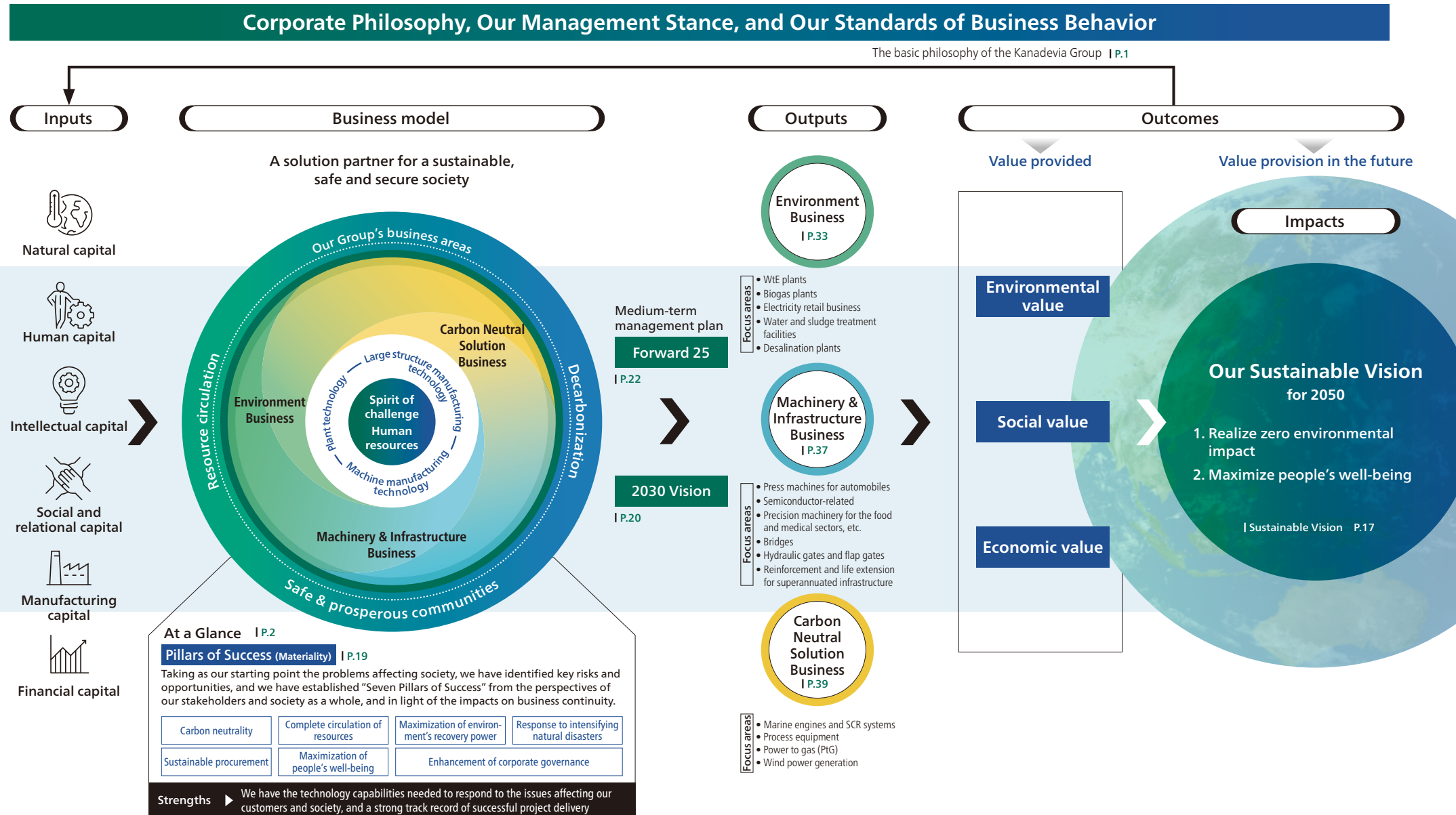
To enhance corporate value, the most important task is to maintain an honest relationship with all stakeholders, including shareholders and customers, and to build trust. My mission is to demonstrate, through our business, that I myself am someone who can be trusted, and that the Kanadevia Group is an enterprise that can be trusted; this is what I am aiming to achieve now. I hope that we will continue to benefit from the valued support of all our stakeholders in the future.

Representative Director, President and Chief Operating Officer

**Michi Kuwahara**



# Value Creation Process



# Value Creation Process

## Inputs



### Natural capital

- Energy consumption\*<sup>1</sup> 4,291 TJ
- Water consumption\*<sup>2</sup> 1,493 thousand m<sup>3</sup>
- Renewable energy sources such as wind and solar



### Human capital

- Number of consolidated employees: 12,148 (Japan: 9,005, overseas: 3,143)



### Intellectual capital

- Core technologies of WtE and biogas plants, rich track record and know-how in large-scale plant EPC
- Technical development to respond to climate change (onshore and offshore wind power generation, hydrogen, methanation, etc.)
- Number of industry-academia collaborative research projects: 45



### Social and relational capital

- Number of Group companies: 162 (Japan: 84, overseas: 78)
- Trust and brand power Track record (worldwide)
- Waste treatment facilities: 1,442 (including licensees)
- Water treatment facilities: 282



### Manufacturing capital

- Capital expenditures ¥9.6 billion
- R&D expenses ¥11.2 billion
- Major manufacturing bases: 7 in Japan



### Financial capital

- Shareholders' equity ¥162.7 billion
- Interest bearing debt ¥91.4 billion

### Medium-term management plan

#### Forward 25

### Fiscal 2025 targets

Order intake	600 billion yen
Net sales	560 billion yen
Operating income	28 billion yen
Operating income margin	5.0%
ROE	9.5%

### Long-term Vision

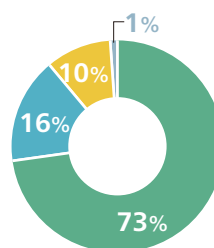
#### 2030 Vision

Net sales	Achieve annual net sales of 1 trillion yen as early as possible in the 2030s
Operating income margin	10%
ROE	More than 10%
Overseas business (for both net sales and operating income)	50%

## Outputs

Net sales by segment in FY2023

555.8 billion yen



- Environment Business
- Machinery & Infrastructure Business
- Carbon Neutral Solution Business
- Other

## Outcomes

### Value provided

- Creation and provision of clean energy and resources (electric power, biogas, hydrogen, other valuable resources, etc.) from waste
- Reducing greenhouse gas (GHG) emissions (by reducing the amount of waste disposed of through landfill, and by CO<sub>2</sub> recovery and utilization, third-party fuel conversion, etc.)

| Greenhouse Gas Emissions Reduction P.51

### Main KPIs

- FY2030 -Contribution to CO<sub>2</sub> emissions reduction by our products\*<sup>3</sup>: 320 million t-CO<sub>2</sub>
- FY2050 -Scope 1, Scope 2, and Scope 3 emissions all reduced to zero
- Close open-dumping sites in target areas
- Establish recycling systems for products, components, and waste

### Environmental value

- Sanitary treatment of waste
- Provision of clean water
- Contributing to energy security (realizing a stable supply of electric power and biogas, etc., and implementing safe, appropriate management of used fuel and radioactive waste)
- Creation and provision of disaster preparedness infrastructure and facilities
- Creation and provision of local communities
- Environmental education
- Sustainable procurement
- Creating employment, promoting DE&I, and enhancing employee motivation

| Environmental Management P.49 / Procurement P.47  
| Human Capital and Human Resources Strategy P.27

### Social value

### Main KPIs

- FY2025 -Employee engagement index: 70%
- Ratio of female new graduate hires (Administrative positions: 50% Technical positions: 10%)
- Male employees taking childcare leave: 100%
- FY2050 -All suppliers have a sustainability promotion score\*<sup>4</sup> of at least 80 points (out of maximum score of 100 points)
- By FY2050: -Generating new disaster preparedness infrastructure technology and improving seismic reinforcement and wind resistance reinforcement technology
- Promoting human rights due diligence, and continuing to implement measures aimed at reducing human rights risk to zero

### Economic value

- TSR (total shareholder return)
- Cumulative total for the past 5 years: 301.1%
- Cumulative total for the past 10 years: 134.5%

### Value provision in the future

## Impacts

### Our Sustainable Vision for 2050

1. Realize zero environmental impact
2. Maximize people's well-being

\*1 Kanadevia Corporation and its main consolidated subsidiaries (accounting for 95% of consolidated net sales)

\*2 Kanadevia Corporation and its main consolidated subsidiaries (accounting for 94% of consolidated net sales)

\*3 Waste-to-energy power generation, biogas power generation, biomass power generation, wind power generation, etc.

\*4 Scores calculated using the UN Global Compact Self-Assessment Questionnaire (SAQ).



# Our Business Model Explained

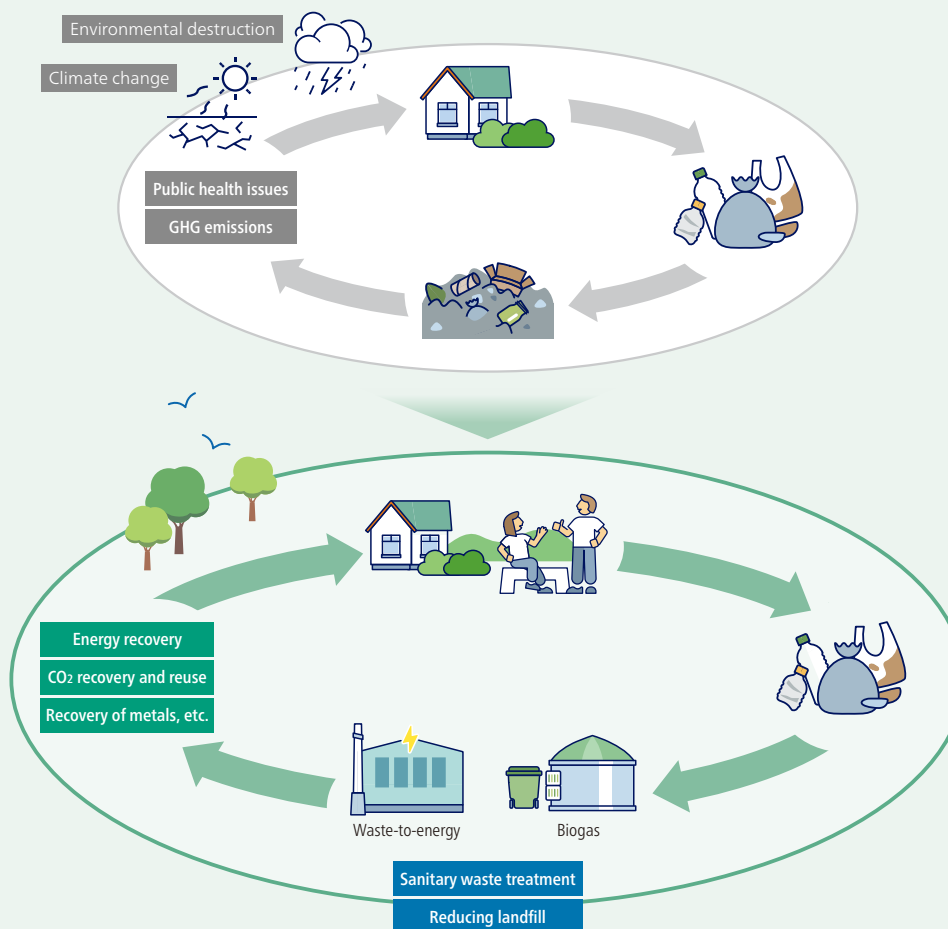
## ● Environment Business

| P.33

Our Environment Business has extensive operations, both within and outside Japan. With a main focus on infrastructure facilities that play a vital role in people's daily lives, including waste-to-energy (WtE) power plants, biogas plants, water processing facilities, etc., we provide engineering, procurement and construction (EPC) services and also undertake long-term operation and maintenance (O&M) contracts for completed facilities. In the case of WtE plants, because properties of the waste used as fuel for these plants are not homogenous, and because they change depending on the location and the time of year, our extensive track record of construction and operation of WtE plants is a major strength for us.

- In Japan, there are many opportunities to secure both EPC and O&M contracts through tendering by local government authorities, and so we have enjoyed stable revenue in this market for many years.  
Japan already has an extensive network of waste incineration plants for household waste that extends throughout the country, so the main source of demand is the replacement and renewal of superannuated facilities.
- Our main overseas markets are the EU and the UK, which have been working actively to reduce the disposal of waste by landfill since the 1990s. However, the last few years have seen rising environmental consciousness throughout the world, and we are now expanding rapidly into new markets, including the Middle East and Australia.  
In overseas markets, there is a trend for waste treatment facilities to get larger, and when securing EPC contracts, the impressive track record and extensive know-how that our Group has built up in the European and Middle Eastern markets is a major factor that enables us to differentiate ourselves from our competitors.
- In Europe, there is an ongoing trend toward outsourcing public services to the private sector. In the past, our main customers in this regional market were waste management companies that handle everything from waste disposal to the sale of electric power, but in recent years we have added renewable energy firms to our customer portfolio, and our Group has increasingly had opportunities to secure long-term O&M contracts in overseas markets.
- We expect that the new construction projects that we are involved in will lead to maintenance, rebuilding and core facility improvement contracts in the future.
- Looking ahead, rather than limiting ourselves to EPC and O&M services, we will be aiming to expand our involvement in self-owned projects that offer more added value, with participation in the development and operation of WtE plants and biogas plants.

### Solutions Provided by Our Group



## Our Business Model Explained

### ● Machinery & Infrastructure Business

| P.37

In our machinery business, we provide machinery used in semiconductor manufacturing processes, and also other products used in a wide range of sectors, including food processing plants, medical-related, and transportation. Our customers are mostly in the private sector. In our infrastructure business, we have for many years now undertaken the design and construction of public infrastructure facilities such as hydraulic gates, bridges, steel stacks, etc., mainly for government agencies.

#### Machinery business

- **Press machines:** We produce a range of large-sized press machines for automotive manufacturing to meet customers' diverse needs, and we provide a comprehensive, integrated solution from product development through to manufacturing and after-sales service. We can also help customers to develop an optimal production line by acting as a total coordinator for the entire press line, including factory automation system products.

- **Precision machinery:** We provide integrated solutions, covering every stage from design and development through to manufacturing, sales, and after-sales service, for vacuum valves used in the manufacturing of semiconductors and flat-panel displays (including LCD and OLED panels) and rupture disks used in various types of plant machinery. With business locations in East Asia and in Silicon Valley in the US, we are able to meet demand both within and outside Japan.

We also provide a wide range of other products, including filling and packaging systems and filter presses, for use in the manufacturing of food, medical and cosmetics products, which play an important role in people's daily lives, and for semiconductor production systems, demand for which has been growing recently. We provide integrated support covering every stage from development through to maintenance, and we contribute toward making all production systems within the production process highly efficient.

#### Infrastructure business

- Through the design, manufacturing and construction of steel structures such as hydraulic gates, bridges and stacks, and by providing seismic reinforcement services for these structures, as well as maintenance and repair of superannuated facilities, we contribute toward enhancing national resilience and toward the building of communities whose residents can enjoy safety and peace of mind. We have also rolled out flap-gate type seawalls, which operate by using the power of tsunamis and high tides against them, thereby helping to build a society that is able to cope well with natural disasters. The last few years have also seen an increase in inquiries for hydraulic gate facilities for hydroelectric power generation, as part of efforts to realize carbon neutrality.

- As regards overseas markets, in order to respond to growing demand for the construction of hydraulic gates in Southeast Asia, we established a plant for the fabrication of hydraulic gates and other steel structures in Thailand in 2023.

### ● Carbon Neutral Solution Business

| P.39

In our Carbon Neutral Solution Business, we are responding to demand arising from the transition to clean energy in our two existing business areas, and also contributing toward the realization of decarbonization through two new growth businesses.

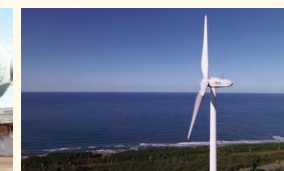
- **Marine Engines:** We manufacture marine engines for large ships such as tankers. Going forward, we will be proceeding with the development of new products that meet shipbuilders' and shipowners' demand for clean energy engines and vessels.

- **Process equipment:** Our process equipment products are mainly pressure vessels for use in the petroleum refining and petrochemical sectors. Looking ahead, we will be aiming to develop and provide new products for clean energy (such as ammonia). We also provide engineering and consulting services, mainly through our US subsidiary, for casks and canisters used to transport and store spent fuel from nuclear power plants.

- **Decarbonization systems:** We manufacture hydrogen generation equipment and methanation equipment using our own technology. We are also undertaking the creation of larger-sized products, to meet demand from the full-scale commercialization of hydrogen energy and synthetic methane energy in the future.

- **Wind power generation:** In the onshore wind power segment, besides investing in and developing related businesses, we also provide a total solution for wind power project engineering, procurement, and construction (EPC) and for operation and maintenance (O&M). We enable wind power operators to realize stable revenue from power generation after wind power projects have been completed.

In the offshore wind power segment, we deliver products to wind power operators as a manufacturer of foundation structures. We are currently undertaking verification testing for both bottom-fixed and floating wind turbine types.



# Sustainable Vision

The Kanadevia Group's corporate philosophy is to "create value useful to society with technology and integrity to contribute to a prosperous future." Our mission is "to take on the challenge, through the power of technology, to create a world that lives in balance with nature," or in other words, to contribute toward solving various problems affecting society, so as to help realize a sustainable society through our business activities. We will spare no effort in making the changes necessary to realize these goals.

## The vision outlining our desired image in the year 2050

- (1) Realize zero environmental impact
- (2) Maximize people's well-being

### Taking on the challenge of using the power of technology to achieve harmony between humanity and the natural world

In line with our brand concept of "to take on the challenge, through the power of technology, to create a world that lives in balance with nature," we are working to realize a sustainable society. Having started out in shipbuilding, we have since expanded into various other businesses, but the Company has always provided technology that supports society's development. Helping to solve society's problems through technology is the foundation of our corporate philosophy.

Our Sustainable Vision, which is to realize zero environmental impact and maximize people's well-being, embodies our awareness of the need to continue challenging ourselves to ensure that, by 2050, we will still have a society in which people can live with peace of mind, and still have a healthy global environment.

In October 2024, our Group took a new step forward with a name change from Hitachi Zosen to Kanadevia. We will be blazing a new path that leads to harmony between humanity and nature, by respecting diversity and achieving ongoing technology innovation.

October 2024

Representative Director  
Chairman of the Board & Chief Executive Officer

*Sadao Tanno*

## Social issues, and risks and opportunities, relating to our Pillars of Success (Materiality)

To clarify the key issues for our Group's business strategy, we have analyzed the problems affecting society from a long-term perspective, and identified the related risks and opportunities. This has provided us with the foundation for considering our Pillars of Success (Materiality).

Seven Pillars of Success (Materiality)	Awareness of social issues	Opportunities	Risks
<b>Carbon neutrality</b>	<ul style="list-style-type: none"> <li>To achieve the 1.5°C target of the Paris Agreement, it is essential for society as a whole to achieve carbon neutrality. The demand for a transition to a decarbonized society is growing rapidly.</li> </ul>	<ul style="list-style-type: none"> <li>Mainstreaming of renewable energy</li> <li>Increasing demand for low-carbon and decarbonized products and technologies</li> </ul>	<ul style="list-style-type: none"> <li>Tightening regulations on GHG emissions, carbon tax, etc.</li> <li>Decreasing demand for high environmental impact products</li> </ul>
<b>Complete circulation of resources</b>	<ul style="list-style-type: none"> <li>The explosive growth of the world's population is causing shortages of energy, resources, food, and water, dwelling problems, waste problems, and the collapse of biodiversity. Demand to make the transition to a society with zero environmental impact is increasing rapidly.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the market for environment-related businesses due to growing awareness of the environment and stricter regulations</li> <li>Creation of new business models through the circular economy</li> </ul>	<ul style="list-style-type: none"> <li>Higher business costs caused by stricter environmental regulations and response to the circular economy</li> </ul>
<b>Maximization of the environment's recovery power</b>	<ul style="list-style-type: none"> <li>To continue sustainable development, it is necessary not to exceed the reproductive capacity of nature, and above that, to restore that capacity.</li> <li>Sustainable development cannot be achieved by solving environmental issues alone; it is also necessary to maintain and restore people's basic needs, especially their health.</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new businesses in response to growing awareness of the need to regenerate open dumping sites and prevent marine pollution, etc.</li> <li>Pandemic-led rapid increase in demand for healthier and safer living</li> </ul>	<ul style="list-style-type: none"> <li>Increasing costs associated with conservation and restoration of ecosystems in developed areas</li> </ul>
<b>Response to intensifying natural disasters</b>	<ul style="list-style-type: none"> <li>To prepare for emergencies such as intense natural disasters, pandemics, and other emergencies, there has been increasing demand for the establishment of a multilayered supply network for energy and food, the improvement of self-sufficiency rates, and the strengthening of social infrastructure. In particular, infrastructure development is an issue in emerging countries, and aging infrastructure is an issue in developed countries.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing demand for infrastructure development necessary for smart cities and resilient urban development</li> <li>Rising demand for disaster preventive and mitigative infrastructure technology in anticipation of severe disasters</li> <li>Increasing demand for establishment of a multilayered energy supply network and improved self-sufficiency</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain disruption in the event of an emergency</li> <li>Increasing need for disaster prevention measures at production bases and risk management in businesses</li> </ul>
<b>Sustainable procurement</b>	<ul style="list-style-type: none"> <li>Expanding environmental and social responsibility in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of social credibility by contributing to the sustainability of the entire value chain by eliminating environmental impact throughout the supply chain and creating social value</li> </ul>	<ul style="list-style-type: none"> <li>Deterioration of reputation due to human rights infringements and environmental impacts in the supply chain</li> </ul>
<b>Maximization of people's well-being</b>	<ul style="list-style-type: none"> <li>To solve environmental issues, sustainable development also requires that people's health, influential power, capacities, equity, meaning and significance be recognized.</li> <li>Demand for the realization of workplaces where diverse human resources can be physically and mentally healthy and make the most of their abilities.</li> <li>Strong requirement not to be complicit in human rights infringements by third parties.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of credibility by creating value for the entire business value chain of our Group</li> <li>Increase of corporate competitiveness by creating innovation through the promotion of DE&amp;I</li> <li>Increase of productivity, efficiency, and motivation by accelerating workstyle reform</li> </ul>	<ul style="list-style-type: none"> <li>Outflow of human resources due to loss of opportunities for diverse human resources to play active roles</li> <li>Decline in competitiveness and slump in business performance due to inability to respond to changes in the business environment</li> </ul>
<b>Enhancement of corporate governance</b>	<ul style="list-style-type: none"> <li>Expanding requirement for highly effective corporate governance</li> <li>Increasing importance of business activities based on high ethical standards and transparency of business activities</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable enhancement of corporate value by realizing highly effective corporate governance</li> <li>Improvement of the credibility of the Company through corporate activities based on high ethical standards</li> </ul>	<ul style="list-style-type: none"> <li>Lack of appropriate management decisions due to dysfunctional corporate governance and internal controls; business stagnation, slumps, and scandals, and loss of stakeholders' confidence due to these</li> <li>Occurrence of compliance violations, including anti-competitive acts, corruption, bribery, etc. due to lack of compliance awareness and ethics among officers and employees</li> </ul>



## Materiality—Indicators and Targets

### The process used to set our Materiality

When setting our Pillars of Success (Materiality), we took our Group's corporate philosophy and Sustainable Vision as the foundation. Our starting point was to identify issues across a wide range of areas, based on an awareness of the external environment from a long-term perspective, and in accordance with four basic Sustainability Principles.\*<sup>1</sup> By considering our Company's business strategy, international sustainability standards and the evaluation criteria used by sustainability assessment providers, etc., we developed an understanding of society's expectations, and identified candidate items for our Pillars of Success. We then selected those items that needed to be prioritized as Pillars of Success, taking into account the perspective of our stakeholders and society as a whole, the impact in terms of business continuity, and the difficulty of achievement (utilizing the Future-Fit Business Benchmark\*<sup>2</sup>). During this evaluation process, we took diverse viewpoints into account, for example by canvassing the views of the members of our Sustainability Promotion Committee and Sustainability Strategy Committee, and engaging in an exchange of views with our outside officers. Following extensive discussion

by the Sustainability Promotion Committee and the Management Strategy Committee, and the final stage of discussion and approval by the Board of Directors, we set seven Pillars of Success. After setting our Sustainable Vision and our Pillars of Success, we asked external experts to evaluate them and to offer suggestions for future improvements.

To ensure that our Pillars of Success are reflected in our business plans in a manner that takes into account changes in the external environment and in society's needs and expectations, it is anticipated that the Pillars of Success will be revised every 3 to 5 years. In this way, besides maintaining the sustainability of our enterprise, we will also be able to ensure the flexibility needed to meet society's expectations.

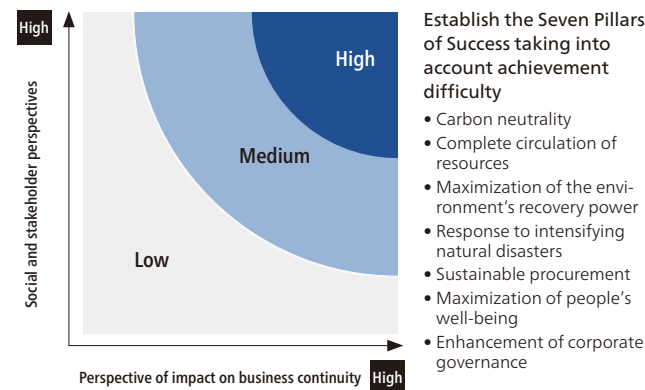
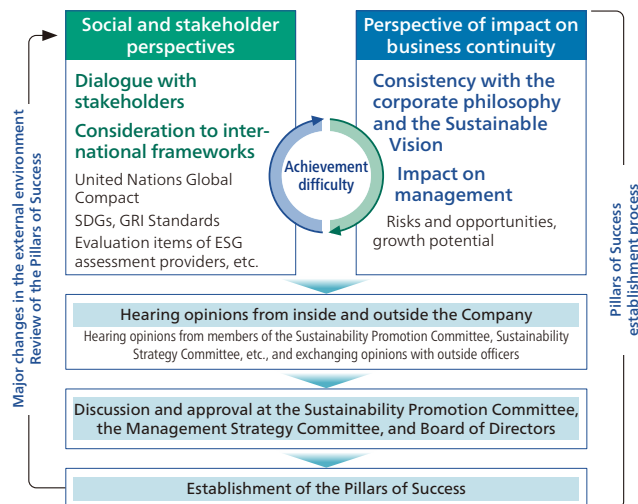
\*1 These are four principles advocated by The Natural Step, an international NGO (<https://thenaturalstep.org/approach/>), for guiding corporate activities with a focus on four of the fundamental reasons for an absence of sustainability: We will not participate in the following types of activities: (1) Activities that lead to increasing concentrations of substances from the earth's crust in the natural environment; (2) Activities that lead to increasing concentrations of substances produced by society in the natural environment; (3) Activities that lead to degradation of the natural environment by physical means; (4) Activities that systematically prevent behavior that meets people's basic needs (in terms of health, influence, competence, impartiality and meaning).

\*2 This is a KPI tool developed by the Future-Fit Foundation in the UK to incorporate the four key principles of sustainability into the promotion of sustainable management by business enterprises.

### Strategies, indicators and goal for realizing the Pillars of Success (Materiality)

We have set a number of strategies for realizing the Pillars of Success (Materiality), and have drawn up roadmaps for each of them. It goes without saying that, with regard to goal management for each individual strategy, it is difficult to gauge the extent to which the Pillars of Success have been achieved in and of themselves, and so we have set targets for each Pillar of Success, and we have put in place a framework for monitoring progress status, with the progress being verified once every six months. The results will be reported to the Sustainability Promotion Committee, and, while maintaining linkage with the monitoring of progress status in relation to the Company's business strategy, the results will also be reported to the Management Strategy Committee and the Board of Directors. The initiatives and targets set for each of the Pillars of Success are outlined on the following page.

#### Materiality establishment process










Opinions from outside experts  
[https://www.kanadevia.com/english/sustainability/policy/pdf/2023\\_thirdpartyopinion\\_E.pdf](https://www.kanadevia.com/english/sustainability/policy/pdf/2023_thirdpartyopinion_E.pdf)

#### Managing indicators and targets for the realization of the Pillars of Success (Materiality)



## Materiality—Indicators and Targets

Seven Pillars of Success (Materiality)	Indicators and targets	Raw materials procurement	Manufacturing (including product development)	Provision of products and services	Disposal of used products	Linkage with the SDGs
		• Zero environmental impact throughout the supply chain				
Carbon neutrality	<ul style="list-style-type: none"> <li>• FY2030 -Contribution to CO<sub>2</sub> emissions reduction through products:*<sup>1</sup> 320 million t-CO<sub>2</sub> (Cumulative total since fiscal year 2020)</li> <li>• FY2050 - Scope 1, Scope 2, and Scope 3 emissions all reduced to zero</li> </ul> <b>  Greenhouse Gas (GHG) Emissions Reduction P.51</b>		<ul style="list-style-type: none"> <li>• Undertake product development and commercialization to meet demand for clean energy, including third-party fuel conversion, hydrogen, synthetic methane, ammonia, etc.</li> <li>• Establish and commercialize Carbon dioxide Capture, Utilization and Storage (CCUS) technology</li> <li>• Expand the onshore and offshore wind power business</li> </ul>			
Complete circulation of resources	<ul style="list-style-type: none"> <li>• FY2050 - Establish recycling systems for products, components, and waste</li> <li>- Reduce the landfill disposal rate*<sup>2</sup> to zero</li> <li>- Achieve water intake reduction targets*<sup>3</sup></li> </ul> <b>  Environmental Management P.49</b>		<ul style="list-style-type: none"> <li>• Implement fuel conversion, enhance our energy self-sufficiency rate, and adopt energy-saving equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Make recycling in manufacturing processes more systematic</li> <li>• Promote recycling-friendly design, use long-lifespan components, and establish long-life technologies</li> </ul>		
Maximization of the environment's recovery power	<ul style="list-style-type: none"> <li>• FY2050 - Close open-dumping sites in target areas</li> <li>- Realize 100% replacement of materials that are environmental pollutants*<sup>4</sup></li> <li>- Ensure that domestic production sites comply with waste gas and waste water standards (additional voluntary standards)</li> </ul>		<ul style="list-style-type: none"> <li>• Invest in forest management, greenification, and offset projects (afforestation)</li> <li>• Undertake conservation and restoration of ecosystems in development zones</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake restoration work to address air, water and soil pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle valuable metals contained in recovered product and waste</li> <li>• Reduce and rehabilitate open-dumping sites</li> <li>• Undertake conservation and restoration of ecosystems in development zones</li> </ul>	
Response to intensifying natural disasters	<ul style="list-style-type: none"> <li>• By FY2050 (continuous)</li> <li>- Generate new disaster preparedness infrastructure technology and improve seismic reinforcement and wind resistance reinforcement technology</li> </ul>		<ul style="list-style-type: none"> <li>• Generate disaster preparedness infrastructure technology to cope with serious natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Provide local disaster response location functionality, and establish mechanisms for collaboration with local government authorities, etc.</li> </ul>		
Sustainable procurement	<ul style="list-style-type: none"> <li>• FY2050 - All suppliers have a sustainability promotion score*<sup>5</sup> of at least 80 points (out of maximum score of 100 points)</li> </ul> <b>  Procurement P.47</b>	<ul style="list-style-type: none"> <li>• Realize thorough dissemination of sustainable procurement principles</li> </ul>				
Maximization of people's well-being	<ul style="list-style-type: none"> <li>• FY2025 - Employee engagement index: 70%</li> <li>• FY2050 - Maintain zero human rights risks</li> <li>- All suppliers have a sustainability promotion score*<sup>5</sup> of at least 80 points (out of maximum score of 100 points)</li> </ul> <b>  Human Capital and Human Resources Strategy P.27</b>		<ul style="list-style-type: none"> <li>• Promote DE&amp;I, expand human capital, and enhance motivation</li> <li>• Realize harmonious coexistence between our business locations and the local community</li> <li>• Spread awareness of our Group's human rights policy</li> </ul>			
Enhancement of corporate governance	<ul style="list-style-type: none"> <li>• FY2025 - Complete the establishment of a sustainable management system throughout the Group</li> </ul> <b>  Corporate Governance P.60</b>		<ul style="list-style-type: none"> <li>• Maintain systems centered on the Sustainability Promotion Committee</li> <li>• Ensure thorough implementation of effective corporate governance and compliance</li> </ul>			

\*1 Waste-to-energy power generation, biogas power generation, biomass power generation, wind power generation, etc. \*2 Assuming compliance with local rules and circumstances. \*3 Due to be set in FY2025. \*4 Specified chemical substances, etc.

\*5 Scores calculated using the UN Global Compact Self-Assessment Questionnaire (SAQ).

## Long-Term Vision: The 2030 Vision

### 2030 Vision Overview

With the Seven Pillars of Success (Materiality) stipulated in the Sustainable Vision in mind, the Kanadevia Group set “decarbonization,” “resource circulation,” and the “development of safe and prosperous community” as the Group’s business fields and actively works to solve social issues in these fields. As for finances, we have set increasing profitability as our priority issue and aim to achieve an operating income margin of 10% in fiscal 2030. By doing our utmost to solve issues through dialogue with customers and the market, we will contribute to the creation of a sustainable society and tie that to improved operating income for the Group.

### 2030 Vision targets

Net Sales	Operating Income Margin	ROE	Overseas Business Ratio	O&M/Service Ratio
<b>1 trillion yen</b> as early as possible in the 2030s	<b>10%</b>	<b>More than 10%</b>	<b>50%</b> of Sales and Operating income	<b>EPC/New &lt; O&amp;M/Service</b>

### Efforts Toward Realization of the 2030 Vision

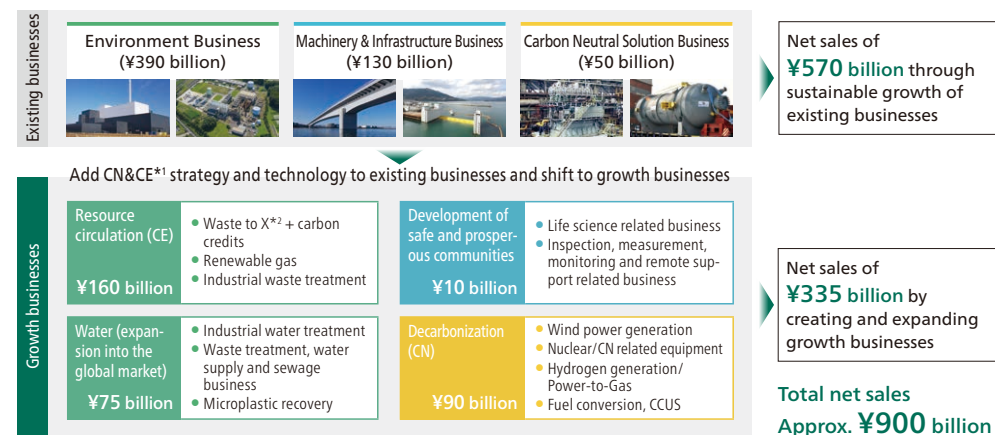
Through 2030 Vision, we are working to create and expand growth businesses on the foundation of sustainable growth of our existing businesses. For existing businesses, we will secure stable earnings by expanding O&M/Service, such as maintenance and outsourced plant operations, as well as increase the value added of products and services through the use of DX technology and other activities. At the same, we will reinforce the Group’s earnings structure by continuing to select and concentrate our businesses.

For growth businesses, our goal is to create highly-profitable business, particularly in the fields of resource circulation and decarbonization, through strategic business investments and investments in development. In overseas markets that are expected to continue to grow, we will reinforce our global business system, implement the optimal strategy for each country and region, and generate synergies within the group, and thus expand the overseas business. In fiscal 2022, new projects and O&M/Service account for about 60% and 40% of net sales, respectively, and through the above initiatives we aim to have O&M/Service account for a majority of net sales and generate 50% of net sales and operating income from overseas businesses by fiscal 2030.

Our goal is to grow the combination of existing businesses and growth businesses into ¥900.0 billion businesses and to achieve net sales of ¥1 trillion as early as possible in the 2030s. Although total assets are expected to increase due to aggressive investment for growth, our policy is to maintain a sound balance sheet and financial structure.

### The 2030 Vision—Our business vision

#### Vision for 2030: Sustainable growth of existing businesses and creation and expansion of growth businesses



\*1 Carbon Neutral & Circular Economy

\*2 Energy, material, chemical, fuel, hydrogen, carbon storage, phosphorus recovery, etc.

### The 2030 Vision—Strategy to increase profitability (operating income margin of 10%)

#### Create growth businesses and highly profitable businesses (operating income margin of 10%) by expanding strategic business and R&D investments



#### Create and expand businesses in the areas of decarbonization, resource circulation, and development of safe and prosperous community

Enhance the underlying earnings base (Improvement of profit margin in new projects)	Create new products, businesses, and business models	Expand O&M/Service in all businesses
<ul style="list-style-type: none"> <li>Labor-saving business, high-added-value, multipurpose development, and solution provision</li> <li>Strengthen competitiveness through strategic partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Optimize strategies by country and region and strengthen global organizational structure</li> <li>Overseas business growth through group synergies</li> </ul>	

\* EPC/New: Projects to hand over new assets to customers in the fields of construction, manufacturing, and sales.

O&M/Service: Incidental projects after the handover of plants or products, such as maintenance, operation, management, and other services, and projects based on long-term contracts, such as power generation.



# Medium-Term Management Plan

## Review of Past Medium-Term Management Plans

Positioning

Three years of laying the foundation to realize the Hitz 2030 Vision

Basic policies

1. Restructure the business foundation and improve productivity

(1) Expand business areas

(2) Utilize ICT technology

(3) Strengthen the risk management system

(4) Actualize and promote measures for high profitability

(5) Strengthen financial position and expand growth investment capacity

2. Maximize the Group's comprehensive strengths

(1) Realize synergies by forming business clusters

(2) Focus on consolidated business management

(3) Develop human resources through job rotation

3. Promote portfolio management

(1) Clarify business positioning through portfolios

(2) Prioritize management resources for growth and new businesses

(3) Consider revitalizing sluggish products and assess their prospects carefully

Financial targets and results

Fiscal 2019 targets  
(at the time of planning)

Order intake **¥460** billion, net sales **¥430** billion,  
operating income **¥20.5** billion  
(Operating income margin 4.8%)

➡

Fiscal 2019 results

Order intake **¥454.1** billion, net sales **¥402.4** billion,  
operating income **¥13.8** billion  
(Operating income margin 3.5%)

Achievements

• Established the Kanadevia Advanced Information Technology Center (A.I/TEC) and implemented a new core business system (SAP) to improve operational efficiency and enhance profitability

• Implemented management reforms under the new CEO and strengthened Kanadevia's governance to restore Inova's earnings.

• Improved the balance sheet: Recorded impairment loss in fiscal 2019 in inventories related to the U.S. shield tunneling machine business and in Japan Marine United stocks

Continuing issues

• Missed targets for operating income and other profit items

• Break away from an earnings structure in which the O&M services of the environmental and plant division support company-wide profits

• Further promote portfolio reform aimed at structural reform of the manufacturing business and optimal allocation of management resources

Forward 22

Fiscal 2020–2022

A period for boosting profitability to ensure that results are achieved

Contribute to the realization of a sustainable, safe, and secure society through all our corporate activities

Boost our own profitability and aim to be a corporate group that can achieve sustainable growth

1. Enhance the added value of products and services

Utilize cutting-edge technologies

Shift business locations and promote interaction with customers and markets

Maximize the Group's comprehensive strengths

2. Promote business selection and concentration and allocate resources to growth areas

Introduce the Goal Achievement Monitoring System

Further promote portfolio management

3. Achieve workstyle reform by improving operational efficiency and productivity

Improve operational efficiency through changes in the Group management system

Review the state of manufacturing businesses

Promote human resource development and workstyle reform

Fiscal 2022 targets  
(at the time of planning)

Order intake and net sales ¥400 billion level,  
operating income margin 5%

➡

Fiscal 2022 results

Order intake ¥737.5 billion, net sales ¥492.6 billion,  
operating income ¥20 billion  
(Operating income margin 4.1%)

Improved Inova's performance through management reform, acquired new WtE business, and won overseas O&M projects

The Goal Achievement Monitoring System: Established system for monitoring KSF and KPI by business unit

Closed and consolidated Kashiwa Works to other facilities, established joint ventures with other companies in shield tunneling machines, marine engines, and radioactive waste-related businesses, and transferred shares in non-core businesses (logistics, deck machinery, etc.)

Executed strategic acquisitions to expand WtE, biogas, and O&M businesses in Europe

Established Carbon Neutral Solution Business Headquarters and Global Headquarters

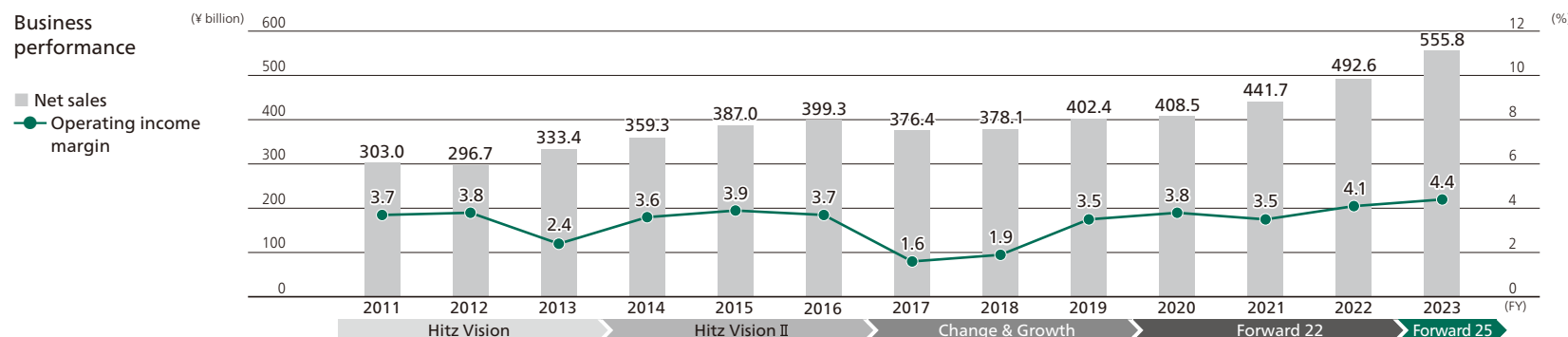
Enhance profitability (reduce defect costs by eliminating technical troubles, respond to global supply chain disruptions, minimize the impact of inflation on earnings)

Strengthen synergies with domestic and overseas Group companies

Continue to implement business portfolio management as part of organizational reforms to expand growth areas and focus businesses

Execute strategic investments to create growth businesses

### Business performance



# Medium-Term Management Plan

## Medium-term management plan Forward 25

### Basic Policy and Priority Measures

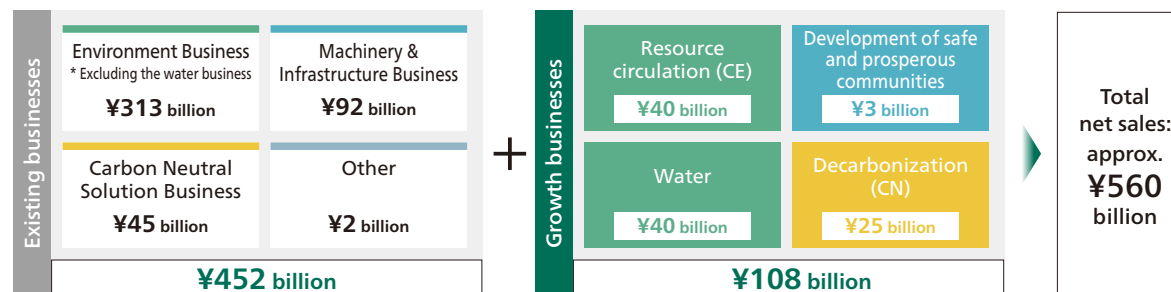
Environmental awareness and issue	Basic policies	Priority measures	Initiatives	KPI (Fiscal 2025) / Numerical targets
<b>External environment</b> <ul style="list-style-type: none"> <li>Domestic WtE market is mature and stable, centered on renewal demand</li> <li>Large potential demand for sanitary treatment of waste, and water, energy due to population growth, especially in emerging countries</li> <li>Growing environmental awareness and transition to a decarbonized society</li> <li>Mobilization of human resources</li> </ul> <b>Management issues</b> <ul style="list-style-type: none"> <li>Majority of consolidated operating income depending on domestic O&amp;M/Service of Environment Business</li> <li>Losses in domestic environmental EPC</li> <li>Profitability issues in some businesses</li> <li>Recruitment, training, and retention of human resources capable of responding to changes in the business environment</li> </ul>	<b>1</b> Sustainable growth of existing businesses	<b>① Expanding overseas businesses</b>	<ul style="list-style-type: none"> <li>Provide long-term O&amp;M services for overseas WtE</li> <li>Generate synergies with overseas Group companies</li> <li>Make domestic EPC profitable (appropriately select projects and eliminate troubles)</li> </ul>	<b>Percentage of overseas sales: 40%</b> <b>Percentage of sales from O&amp;M/Service: 50%</b>
		<b>② Promoting structural reform of businesses</b>	<ul style="list-style-type: none"> <li>Expand O&amp;M/Service for the Machinery &amp; Infrastructure Business and Carbon Neutral Solution Business</li> <li>Review business portfolio</li> <li>Create new business models by shifting businesses locations</li> </ul>	<b>Make new engineering, procurement, and construction (EPC) projects profitable</b>
		<b>③ Expanding O&amp;M services and improving profitability of new EPC projects</b>		
	<b>2</b> Creation and expansion of growth businesses	<b>① Execution of investment strategies</b>	<ul style="list-style-type: none"> <li>Biogas own business in Europe and U.S.</li> <li>Promote "waste to x" initiatives</li> <li>Enter the industrial waste field</li> <li>Globalize the water business and nuclear power-related business</li> <li>Develop waste gasification and other next-generation technologies</li> <li>Conduct R&amp;D that leverages the Green Innovation Fund, etc.</li> </ul>	<b>Total investments during Forward 25: ¥140.0 billion</b>
		<b>② Investment in priority areas</b>		
	<b>3</b> Promotion of sustainable management (enhancement of corporate value)	<b>① Strengthening human capital</b>	<b>Human Capital and Human Resources Strategy P.27</b> <ul style="list-style-type: none"> <li>Secure diverse human resources</li> <li>Develop human resources (management, DX, and global human resources)</li> <li>Promote diversity and inclusion</li> </ul>	<b>Females in new graduate hires: 50%</b> for administrative jobs and <b>10%</b> for technical jobs <b>Male employees taking childcare leave: 100%</b> <b>Employee engagement index: 70%</b> <b>Prevalence of lifestyle disease: 21 or lower</b>
		<b>② Decarbonization in business activities</b>	<b>Environmental Management Greenhouse Gas Emissions Reduction P.49 P.51</b> <ul style="list-style-type: none"> <li>Convert fuel (hydrogen, etc.) and introduce electric vehicles and energy-saving equipment</li> <li>Increase share of renewables in the overall energy mix</li> <li>Ascertain Scope 3 GHG emissions and reduce emissions in the supply chain</li> </ul>	<b>GHG emissions Scope 1, 2 Reduce 34%</b> (compared to fiscal 2013)
		<b>③ Promoting DX Strategies</b>	<b>DX Promotion P.42</b> <ul style="list-style-type: none"> <li>Create business value from the customer's perspective through digital transformation of business (Business DX)</li> <li>Reform both operation process and employee work styles (Corporate DX)</li> <li>Reinforce digital technology foundation and train digital human resources (DX Platform)</li> </ul>	<b>Product IoT rate: 60%</b> <b>Number of DX human resources trained: 500</b>
		<b>④ Thorough risk management</b>	<b>Risk Management P.69</b> <b>Health and Safety P.45</b> <ul style="list-style-type: none"> <li>Manage ordered projects risks</li> <li>Manage business investment project risks</li> <li>Strengthen safety management network through ICT</li> </ul>	<b>Number of lost time injuries 0</b> <b>Defect cost to sales ratio 0.5% or less</b>

### Financial targets

	Fiscal 2023 (result)	Fiscal 2024 (forecast*)	Fiscal 2025 (target)
Order intake	¥715.1 billion	¥660.0 billion	¥600.0 billion
Net sales	¥555.8 billion	¥570.0 billion	¥560.0 billion
Operating income (operating income margin)	¥24.3 billion (4.4%)	¥26.0 billion (4.6%)	¥28.0 billion (5.0%)
ROE	12.6%	9.5%	9.5%

\* As of Q1 fiscal 2024 financial results announcement

### Investment in priority areas



\* Figures are sales targets for fiscal 2025.

# Medium-Term Management Plan

## Sustainable Growth of Existing Businesses

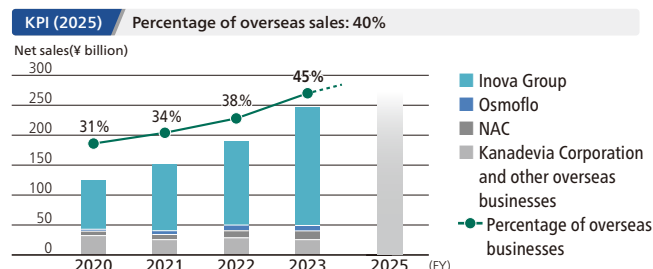
### Expanding overseas businesses

In fiscal 2023, we achieved an overseas business sales ratio of 45%, primarily through Inova's growth, reaching the Forward 25 KPI earlier than planned. With a competitive advantage in the European and Middle Eastern WtE plant markets, Inova has maintained a share of new orders of about 50% since 2020. In addition, in March 2024, Carbon Neutral Solution Business concluded a memorandum of understanding regarding methanation demonstration project in Oman.

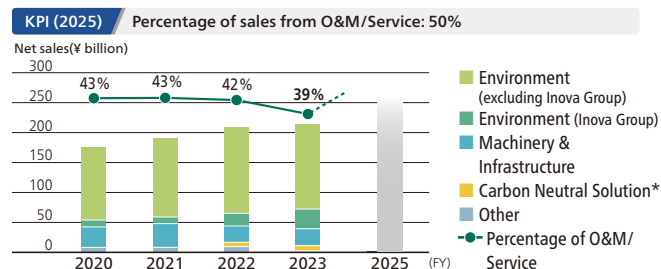
### Promoting structural reform of businesses

We promote strategic alliances with other companies, which has involved establishing the joint venture Hitachi Zosen Marine Engine, with Imabari Shipbuilding Co., Ltd., in April 2023 and concluding a business tie-up agreement with the industrial waste

### Expanding overseas businesses



### Expanding O&M/Service



\* Established Carbon Neutral Solution Business Headquarters in fiscal 2022. For fiscal 2021 and before, Carbon Neutral Solution Business Headquarters figures are included in figures for the Machinery & Infrastructure Headquarters.

treatment company TRE Holdings Corporation in May 2023. In addition, our Group acquired a Canadian manufacturer and supplier of spent nuclear fuel containers as well as a biogas related company that primarily conducts business in Italy in fiscal 2023.

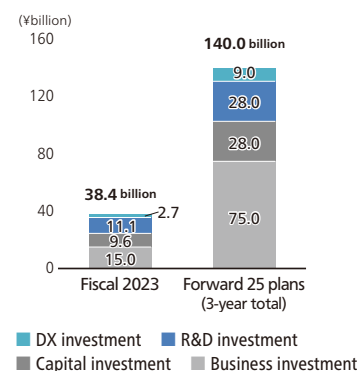
As for managing the business portfolio, we will continue to regularly revise our business strategy and concrete measures by running through the PDCA cycle based on the goal achievement monitoring system and further accelerate the shift of management resources to growth fields.

### Expanding O&M/Service and improving profitability of new EPC projects

O&M service net sales accounted for only 39% of total Group net sales in fiscal 2023, but the business is steadily growing, particularly for the Environment Business. Specifically, Inova saw an increase in opportunities for long-term O&M orders in England and the Middle East, and is moving forward with biogas own business initiative in Europe and the U.S. These are expected to support long-term, stable earnings.

However, there has been insufficient success with expanding O&M/Service for the Machinery & Infrastructure Business and Carbon Neutral Solution Business and making new domestic environment business profitable, but we will continue to tackle these issues.

### State of investments



## Creation and Expansion of Growth Businesses

With plans to invest a total of ¥140.0 billion over the three years of Forward 25, we invested ¥38.4 billion in fiscal 2023, the first year of the plan. As for particulars, we are actively investing in the biogas business, as there is strong demand for biogas in Europe and U.S. The EU has set a plan of raising its renewable energy ratio to 45%, and the outlook is for a dramatic increase in the construction of biogas production facilities. The Kanadevia Group aims to ensure high-value-added, stable earnings by handling the whole value chain from development to construction, operation, and gas sales of biogas businesses. In fiscal 2023, we decided to invest in multiple biogas and related businesses in Germany and Italy. We will steadily invest in promising projects while carefully examining profitability and risks.

As for R&D, we are accelerating initiatives to quickly commercialize technologies and products that contribute to carbon neutrality. We participate in government projects in the development of next-generation waste treatment systems, basic structures for offshore wind power generation, large-scale PtG systems, and other items. By collaborating with other companies and research organizations, we will accumulate know-hows and improve our competitiveness in new markets.

### Main business investment projects in Forward 25

Project name (country)	Timing of investment decision	Outline	Type
Mutsu Ogawara Wind Farm Project (Japan)	March 2023	Construction and O&M for onshore wind power plant (20 years)	Business investment
Dubai (UAE)	December 2020	WtE plant construction and O&M (35 years)	Business investment
Abu Dhabi (UAE)	March 2023	WtE plant construction and O&M (30 years)	Business investment
Apensen (Germany)	October 2022	Company's biogas plant business*	Business investment
Blankenhain (Germany)	July 2023	Company's biogas plant business*	Business investment
Pianfei (Italy)	August 2023	Company's biogas plant business*	Business investment
Schmack Biogas (Italy)	January 2024	Biogas business, primarily in Italy	M&A
EST Industries (France)	February 2022	French boiler service business	M&A
NEP (Canada)	November 2022	Construction and sales of spent nuclear fuel containers	M&A
BWRS (Denmark)	June 2024	After-sales service business, including WtE	M&A

\* Business development, construction, operation, and gas sales, etc.

# Financial Strategy

## Message from the General Manager



**Satoshi Kimura**  
Director, Senior Managing  
Executive Officer  
General Manager of Corporate  
Planning Headquarters

### Aiming for business transformation, focusing on creating and expanding growth businesses and improving profitability

Our Company changed its name in October 2024. This symbolizes that the Group's business is currently in a major period of business transformation. To respond to this transformation, we are also actively pursuing initiatives in finance.

Our long-term vision, with fiscal 2030 as the goal year, sets high targets of 10% ROE and 10% operating income margin. The medium-term management plan Forward 25, which started in fiscal 2023, is positioned as a milestone toward this, and sets final targets for fiscal 2025 of 9.5% ROE and 5.0% operating income margin. With "creation and expansion of growth businesses" as one of the basic policies, we plan to invest a total of 140 billion yen, including 75 billion yen in strategic business investments, aiming to enhance future corporate value.

We would like to deepen dialogue and mutual understanding with shareholders and investors on topics such as stock price, cost of capital, cash allocation, business investment, risk management to support it, and maintaining the soundness of the balance sheet.

Long-Term Vision: The 2030 Vision P.20  
Medium-Term Management Plan Forward 25 P.22

## Review of the First Year of Forward 25

In fiscal 2023, the first year of Forward 25, due to high levels of order backlog and growth in overseas business, we achieved order intake of 715.1 billion yen, net sales of 555.8 billion yen, and operating income of 24.3 billion yen, all exceeding initial forecasts, and achieved increased revenue and profit for the 6th consecutive year. In addition, ROE reached a high level of 12.6% due to the increase in operating income as well as contributions from investment profit on equity method and foreign exchange gains in non-operating income.

Regarding the balance sheet, the equity ratio improved from 29.1% at the end of the previous fiscal year to 30.5% at the end of March 2024. However, to aim for an improvement in our credit rating, we need to further strengthen our financial base. To achieve this, we believe strengthening profitability is the most important issue. During the period of Forward 25, we plan to focus on growing O&M/Service and expanding overseas business across the Group, while actively investing for future growth. In fiscal 2023, we made total investments of 38.4 billion yen, but for business investments, we decided on investments of 15 billion yen, mainly in self-owned and operated biogas plant business in Europe and other renewable gas-related businesses. Furthermore, in our core WtE plant operations, we are working to expand stable earnings by not only receiving EPC (engineering, procurement and construction) orders but also partially investing in projects, such as in the project in Abu Dhabi, United Arab Emirates.

For R&D, we invested 11.2 billion yen, mainly in development themes such as offshore wind power, methanation, and water electrolysis. In parallel, we are working on improving the performance and quality of existing products by utilizing technologies such as AI simulation to enhance product competitiveness.

For capital investments, we invested 9.6 billion yen. In addition, we invested 2.7 billion yen in DX-related areas, and the IoT rate for products reached 40%, while the number of DX human resources developed reached a cumulative total of 158.

## 2030 Vision Targets

Net Sales	Operating Income Margin	ROE
<b>1 trillion yen</b> as early as possible in the 2030s	<b>10%</b>	<b>More than 10%</b>
Overseas Business Ratio	O&M/Service Ratio	
<b>50%</b> of Sales and Operating income	EPC/New* < O&M/Service	

## Forward 25 Targets

Net Sales	Operating Income Margin	ROE
<b>560.0 billion yen</b>	<b>5.0%</b>	<b>9.5%</b>
Overseas Business Ratio	O&M/Service Ratio	
<b>40%</b> of Sales	EPC/New* = O&M/Service	

\* EPC/New: Projects to hand over new assets to customers in the fields of construction, manufacturing, and sales.

## Financial Results and Forecasts

	FY2023 (First Year Results)	FY2024 (Forecasts)*
Order Intake	<b>715.1 billion yen</b>	<b>660.0 billion yen</b>
Net Sales	<b>555.8 billion yen</b>	<b>570.0 billion yen</b>
Operating Income (Margin)	<b>24.3 billion yen (4.4%)</b>	<b>26.0 billion yen (4.6%)</b>
ROE	<b>12.6%</b>	<b>9.5%</b>

\* As of Q1 FY2024 financial results announcement



## Financial Strategy

### Financial Strategy of Medium-term Management Plan Forward 25 (FY2023-2025)

In the value chain of waste treatment and renewable energy businesses, Kanadevia is positioned in the midstream area i.e. engineering and construction. However, as a management issue, we are working to expand this position to upstream areas such as business development and downstream areas such as operation, maintenance, and power sales, that is, to areas with higher added value. Currently in Europe, due to the interruption of natural gas supply from Russia, investment in renewable gas-related facilities is rapidly progressing. This trend aligns with the Kanadevia Group's management strategy, and in particular, Kanadevia Inova is not only constructing biogas plants in Europe and North America, but also working on full-scale development of self-owned businesses, aiming to cover the entire value chain.

**Environment Business** P.33

In DX, we aim to incorporate IoT into 60% of applicable products and services by fiscal 2025, enabling condition monitoring, and to develop 500 DX human resources. To achieve this goal, we plan to invest 9 billion yen over the three years of Forward 25.

**DX Promotion** P.42

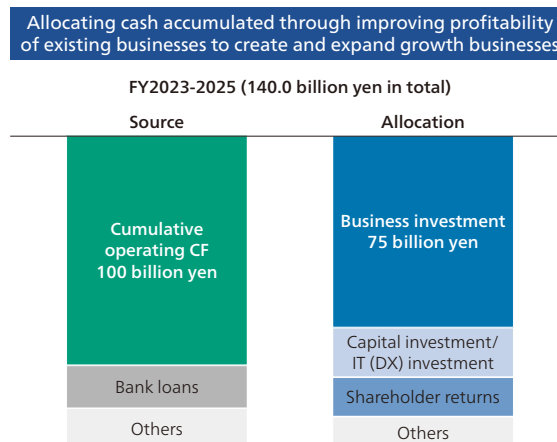
The funding for 140 billion yen investments is planned to be sourced from cash on hand and operating cash flow, with some to be procured through bank loans and corporate bonds. In parallel, we will proceed with asset compression and efficiency improvements to maintain the soundness of financial indicators such as the equity ratio. We will allocate cash considering the balance of three elements: growth investment, financial soundness, and shareholder returns, aiming for sustainable improvement in profitability.

On the other hand, to reliably link business investments to future profits, it is essential to establish risk management and appropriate monitoring systems. From this perspective, we

launched the Investment Committee in April 2023 as a new mechanism. The General Manager of the Corporate Planning Headquarters serves as the chairperson, and the General Managers of the Corporate Planning Department, Finance Department, Accounting Department, Legal Department, and Project Risk Management Department participate to objectively examine the risks of investment target businesses from multiple perspectives such as technical risk, estimation risk, delivery risk, contract risk, credit risk, and business operation risk, and to establish a system for monitoring after investment. The Investment Committee defines exit strategies for each project and investment in advance, and makes decisions to move towards withdrawal from the business if necessary.

Furthermore, while each responsible department currently manages risks individually under the current system, we are considering building an Enterprise Risk Management (ERM) system to centrally manage company-wide risks in the future.

### Medium-Term Management Plan Cash Allocation



### Importance of Dialogue with Shareholders and Investors

Kanadevia aims to further enhance dialogue with shareholders and investors, and we regularly share comments and opinions from investors and analysts at Management Strategy Committee meetings and Board of Directors meetings. We have incorporated opinions on topics such as the ratio of outside directors, introduction of long-term incentives and stock remuneration for director remuneration, as well as initiatives for TCFD and establishment of a specialized sustainability department, into specific measures.

We also sometimes seek opinions on specific themes from our side. For example, we had concrete exchanges of opinions with investors on cash allocation during the three years of Forward 25, especially the balance between growth investments and shareholder returns, and appropriate cost of capital. All of these were very constructive and beneficial, allowing us to confirm that our thinking aligns with investor expectations and, at times, we gained new perspectives. We would like to continue such dialogues in the future.

### Kanadevia's Cost of Capital/Return on Capital, Business Portfolio Management

The shareholders' equity cost calculated based on the Capital Asset Pricing Model (CAPM) is about 8% for Kanadevia, but this value changes daily with fluctuations in the financial market. Therefore, by considering the cost of shareholders' equity to be the expected return for investors, through dialogue with investors, we have come to understand that investors expect a level of 8% to 9% as the expected return on equity. We aim to respond to the expectations of shareholders and investors at a high level.

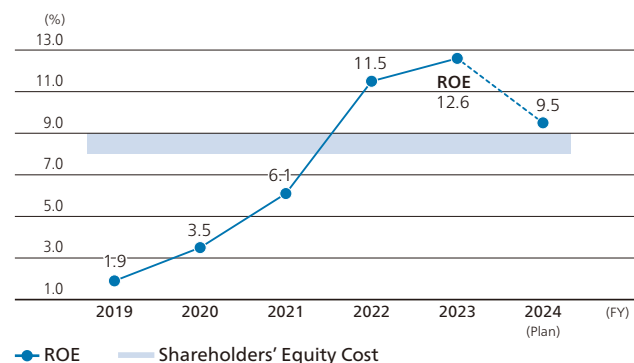
In addition, Kanadevia uses the Weighted Average Cost of Capital (WACC) as the base rate in setting the hurdle rate used as the decision criterion for business investments, and sets detailed

## Financial Strategy

hurdle rates based on factors such as the characteristics, period, and country of the investment target business.

On the other hand, we have adopted the Return on Invested Capital (ROIC) as an indicator to manage the return on capital of businesses. The company-wide ROIC for fiscal 2023 was 7.4%, but for fiscal 2024, it is expected to decline slightly to around 7.0% due to strategic business investments for future growth. In the future, we will further advance the use of ROIC and strengthen business portfolio management. We believe that human capital strategy plays an important role in improving ROIC, and in Forward 25 we are working on human resource development and reform of the personnel system. Although these reforms will increase expenditures, by recruiting and developing personnel with the ability to execute strategies, we believe that the overall strength of the organization will increase in the long term, leading to revenue enhancement such as winning orders and improving productivity.

### ROE/Shareholders' Equity Cost

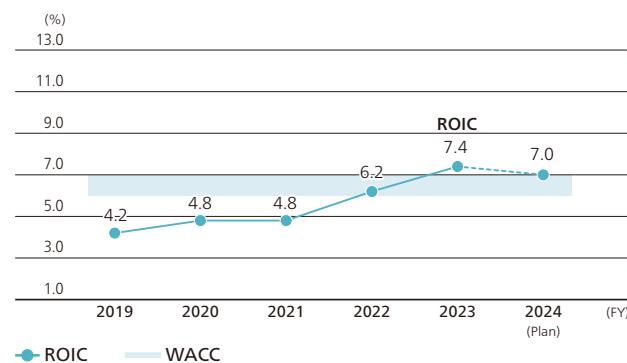


### Shareholder Return Policy

Net income per share for fiscal 2023 was 112.7 yen, and the dividend was 23 yen, an increase of 5 yen. This resulted in a dividend payout ratio of 20.4%. For fiscal 2024, we forecast 94.9 yen, 23 yen, and 24.2%, respectively.

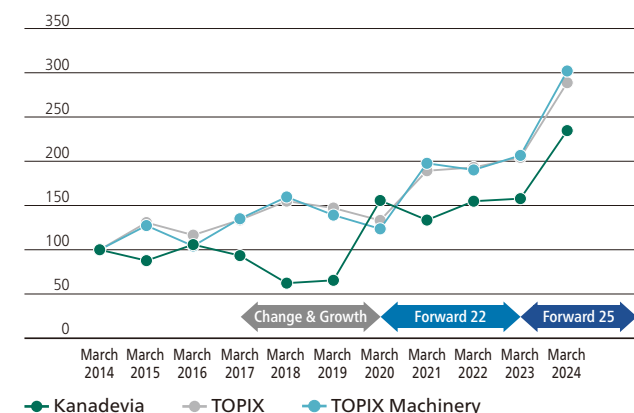
To realize long-term enhancement of shareholder value, Kanadevia is promoting the strengthening of our business foundation and financial base through growth investments, research and development, and capital investments. On top of this, implementing sustainable and stable dividends is our basic policy for shareholder returns during the period of Forward 25. In determining this policy, we received much agreement from shareholders and investors on the idea that "placing emphasis on investment in new businesses, growth of growth businesses, and strengthening the foundation rather than implementing slight dividend increases would benefit shareholders." We will continue to

### ROIC/WACC



actively execute growth investments while aiming to further meet the expectations of shareholders and investors by providing transparent disclosure of the results.

### Total Shareholder Return (TSR)



	Past 5 years		Past 10 years	
	Cumulative	Annual rate	Cumulative	Annual rate
Kanadevia	+301.1%	+32.0%	+134.5%	+8.9%
TOPIX	+96.2%	+14.4%	+188.6%	+11.2%
TOPIX Machinery	+117.0%	+16.8%	+201.8%	+11.7%

\* Total shareholder return (TSR): Represents the total return on investment to shareholders, combining capital gains and dividends.

\* TSR formula: For Kanadevia, the formula is (cumulative dividend amount + stock price change amount) / investment amount (stock price). TOPIX is calculated based on the stock price index including dividends (compiled by the Company from the Tokyo Stock Exchange's monthly statistical report). The annual rate is the geometric mean.

\* The values in the graph are the market value based on TSR using the closing price data as of March 31, 2014 as 100 (until March 31, 2024).

# Human Capital and Human Resources Strategy

## Message from the General Manager



**Toshifumi Makihata**  
Executive Officer  
General Manager of General  
Administration Headquarters

## Working to enhance our human capital

To realize the Kanadevia Group's corporate philosophy and vision, it is vitally important for us to have human talent who share this mindset, and who are committed to growing together with us. We have positioned the strengthening of human capital as one of the priority measures in our medium-term management plan.

In fiscal 2023, we began a new Employee Engagement Survey which has enabled us to undertake more in-depth analysis. We are making effective use of the results obtained in this survey when building the foundations for our human resources strategy, and when implementing the Plan-Do-Check-Act (PDCA) cycle in relation to human resources. We have also adjusted our personnel system for management positions to enhance employee motivation and foster a corporate culture that encourages employees to challenge themselves.

In fiscal 2022, we launched a Management Human Resources Development Program. The first cohort of trainees completed group training in August 2024, and moved on to the next step of individual development. Looking ahead, in parallel with the selection of candidates for the second cohort of trainees, we will also be developing an integrated system for human resources development that also covers development of candidates for general manager and manager positions.

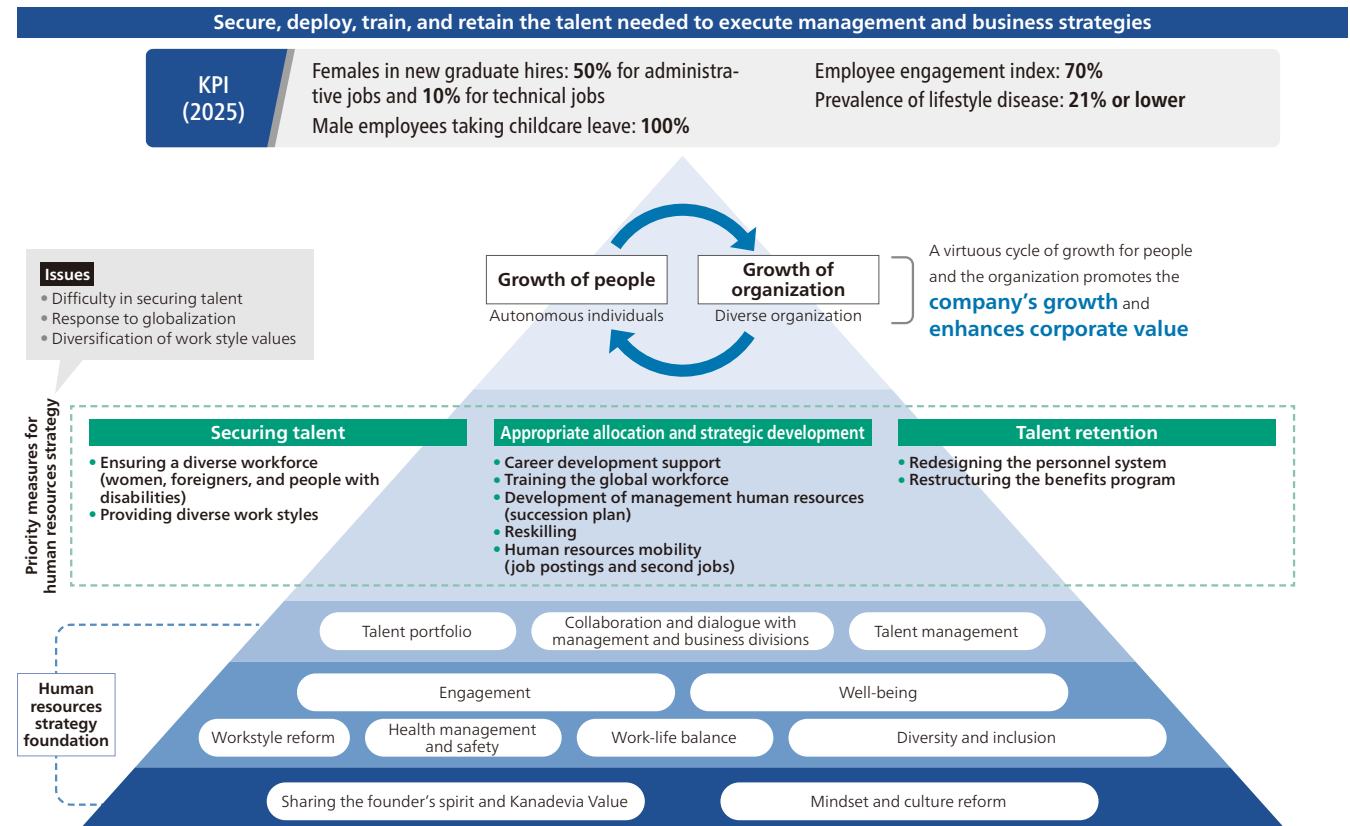
We are currently facing challenges such as intense competition for human talent and diverse workstyle preferences. To remain attractive to potential employees in the future, we will be responding flexibly to change, and building a working environment, systems and organization structure that enable every individual employee to maximize their potential while enjoying safety and peace of mind.

## Strengthening Human Capital Under Forward 25

The Kanadevia Group's Forward 25 Medium-term Management Plan includes strengthening human capital as one of its priority measures. We are implementing various initiatives based on the idea that the virtuous circle of individual growth and organizational growth drives the Company's growth and enhances its corporate value.

Besides strengthening our Company's fundamentals by sharing the spirit of challenge that we inherited from our founder, and the Kanadevia Values, and working to transform attitudes throughout the Company and build a new corporate ethos, we

are also focused on putting in place and strengthening the foundations for our human resources strategy. In Forward 25, to respond to the need to secure human talent, the impact of globalization, and the diversification of workstyles, we have positioned three individual human resources strategies as priority measures: securing talent, appropriate allocation and strategic development, and talent retention. Through these measures, the Kanadevia Group is aiming to realize our management strategy and business strategy in line with our corporate philosophy, which in turn will lead to enhanced corporate value.



# Human Capital and Human Resources Strategy

## Priority Measure: Securing Talent Ensuring a diverse workforce

KPI (2025)	Ratio of female new graduate hires (Administrative positions: <b>50%</b> Technical positions: <b>10%</b> )
Performance (Kanadevia Corporation only)	Administrative positions: <b>28.6%</b> Technical positions: <b>13.2%</b>

The recruitment results for fiscal 2023 are provided.

With regard to the recruitment and securing of human resources, besides clarifying the type of human talent that we need in order to realize sustainable growth and corporate value enhancement for the Kanadevia Group, and implementing appropriate recruitment and development activities, in terms of invigorating the organization and generating news ideas, we are aiming to recruit and secure human talent with diverse backgrounds and outlooks (in terms of gender, nationality, age, etc.).

In our Medium-term Management Plan, we have set raising the share of new hires who are female as a KPI. Although we failed to meet our target for the female share of new hires for administrative roles in fiscal 2023, we did achieve the target with respect to new hires for technical roles. Looking ahead, to realize sustainable growth for the Kanadevia Group, we will be proactively rolling out recruitment activities to recruit diverse talent.

## Providing diverse workstyles

KPI (2025)	Male employees taking childcare leave: <b>100%</b>
Performance (Kanadevia Corporation only)	<b>92.6%</b>

Share of male employees taking childcare leave = (number of male employees who took childcare leave for the first time in that particular fiscal year) / (number of male employees whose partner gave birth during the same year) × 100

The data given in the Integrated Report 2023 (published in 2023) do not include non-statutory childcare leave.

To recruit and secure human resources, it is important to build an organizational ethos that is accepting of diversity, to establish

a workplace environment in which people feel safe from a psychological and emotional standpoint, and an environment in which high levels of physical and mental wellbeing enable employees to maximize their potential. Besides establishing systems for taking leave to handle childcare and other family care responsibilities, and systems to support flexible workstyles (including reduced working hours, working from home, etc.), Kanadevia is also holding seminars and exchange events periodically so that foreign employees do not experience unease or worry due to the need to adapt to a different culture and environment.

In our Medium-term Management Plan, we set a KPI of raising the percentage of eligible male employees taking childcare leave, which in the past had been relatively low, to 100%. The percentage in fiscal 2023 was 92.6%, slightly up on fiscal 2022, when it was 90.3%. To realize our goal of raising the rate to 100%, we will continue to implement measures aimed at building a workplace environment in which male employees feel comfortable taking childcare leave.

## Priority Measure: Appropriate Allocation and Strategic Development Development of management human resources (succession planning)

Since fiscal 2022, we have been implementing the Management Human Resources Development Program, to systematically

implement a cycle of identifying, developing and evaluating human talent who could be candidates for company officer positions (including the position of CEO) in the future. In selecting candidates, we conduct interviews with outside experts, 360-degree evaluations, and task presentations to assess whether or not employees have the ability to execute management strategies and operate businesses as the next generation of officers of the Group, and whether or not they have the ideas, abilities, and behavioral qualities appropriate for fulfilling the Group's corporate philosophy.

Those selected undergo group training, mainly involving lectures and group discussions, after which there is a two to three year period of development based on individual development plans, which may involve transfer to other departments or overseas postings; trainees are then added to our talent pool as future candidates for company officer positions. The first cohort of trainees completed the group training stage in August 2024, and moved on to the individual development plan stage. In parallel with this, we are preparing to implement selection of the second cohort of trainees.

The selection and training of management candidates and the operation and maintenance of the human resource pool are handled by the Human Resources Development Committee, which reports directly to the president. The Nomination and Remuneration Advisory Committee discusses matters such as officer appointments.

We are currently engaging in extensive discussions to develop an

### VOICE

### Becoming the company's first female on-site supervisor



**Tamami Umemoto**  
Environment Business  
Headquarters  
Engineering Business Unit  
Domestic Project Management  
Department, WtE Group

I am currently working as an on-site supervisor for the construction work for a waste-to-energy (WtE) plant project. I was always interested in manufacturing and mathematics, so I studied mechanical engineering in technical college, and joined Kanadevia as a technical employee. Having undergone training in design operations, etc., I am now entering my third year as an on-site supervisor. I am Kanadevia's first female on-site supervisor, and the fact of having a woman on the construction site seems to be quite surprising to the operatives.

When working as an on-site supervisor, process control and coordinating the work are of course important, but the most important thing is on-site safety management. I have to think about what tasks are likely to be hazardous on that particular day, and then conduct accident prevention activities together with the operatives; there is always a sense of relief when I get to the end of the working day without any accidents. The work can be physically challenging sometimes, but when the steady progress made each day leads to a project being completed successfully without problems, the sense of achievement I feel is so great that it is difficult to put into words.

At Kanadevia, there are many opportunities for technical employees to play an active role. Going forward, I hope to become an on-site representative, with responsibility for overseeing construction sites as the company's representative; I will do my utmost to ensure that everyone is able to work on site safely and cheerfully.



# Human Capital and Human Resources Strategy

integrated system that expands the scope of this program to include training for candidates for general manager and manager positions.

## Career development support

Kanadevia is also focusing on the development of digital transformation (DX) talent and global talent.

DX Promotion P.42 / Global Expansion P.43

In addition, we currently provide more than 100 internal training courses. We will continue to promote self-directed learning that meets the needs of employees' roles and career development, and we will proceed with the putting in place of a talent development system that embodies even more attention to detail, including career development support that helps employees to take on new challenges, and re-skilling support, etc.

## Key training programs

- New employee training (two years: induction training, follow-up training, etc.)
- Rank-specific training
- Skills training (skills training school)
- Technical courses
- Career planning training
  - For young to mid-career (2nd/3rd/10th year)
  - For mid-career and experienced employees (age 45–50s)
- Various skills training (logical thinking, accounting and finance, marketing, logical coaching, etc.)
- Language training (English, Chinese, Japanese, etc.)
- External training (external dispatch, study programs in Japan and overseas, etc.)

### Fiscal 2023

• Training expenses	173 million yen
Per employee	45,600 yen
• Training hours	75,280 hours
Per employee	19.9 hours

\* Kanadevia Corporation only (trainings implemented by the Human Resources Department)

## Priority Measure: Talent Retention

### Adjusting the management positions system

In July 2024, we adjusted our management positions system. The new system clarified the compensation based on managerial roles, and we put in place an environment whereby everyone understands their own role, is able to fulfill their potential within that role, and is evaluated appropriately.

## Key changes

<b>Grade system</b>	Three categories of position have been established: Management Positions, Expert Positions, and Specialist Positions. Individual positions are set, and personnel appointed, at one of five grades, based on the role (it is also possible to transfer to a position in another category).
<b>Compensation system</b>	We are moving to compensation levels that are more attractive and that will make the Company more competitive in terms of securing human talent.
<b>Evaluation system</b>	Whereas in the past employee evaluation was mainly based on the performance review, we are now moving to a combination of performance review and action review, which assesses the extent to which the employee has taken the actions required by their role.

Going forward, Kanadevia will strive to achieve further growth by making radical adjustments to our personnel system, including changing the mandatory retirement age to 65 and adjusting the employee compensation system (including new employee welfare measures).

## The Foundations of Our Human Resources Strategy

### Health management

The Kanadevia Group believes that measures to maintain and improve employees' health are vitally important for enhancing corporate value, and represent an investment in the Group's future. Our vision of where we want to be in the future is for our employees to enjoy good physical and emotional health, and to be able to work with enthusiasm and vigor, thereby continuing to create value that is genuinely useful to society, and contributing toward society's sustainable development. To realize this goal, we have set key performance indicators (KPIs), and we are proceeding with related initiatives.

In fiscal 2023, we achieved an increase in the percentage of employees taking their paid annual leave, through promotion of workstyle reform, and we reduced the percentage of employees who smoke, through effective implementation of measures to help people quit smoking. However, employee stress checks revealed a slight increase in the overall, company-wide health risk level, and in the percentage of employees experiencing high stress levels, and the rate of abnormal results in health

examinations indicating the presence of various lifestyle diseases either remained roughly the same or rose slightly.

As measures to improve mental health, besides implementing annual stress checks, we are also providing Line Care training for line managers, implementing fatigue checks to prevent health issues that can be caused by overwork, such as neurological and cardiovascular conditions and mental health issues, and strengthening the provision of guidance by occupational health physicians. In the case of units where stress checks show a high overall health risk level, besides requiring these units to implement workplace environment improvement activities, we are also having the Human Resources Department perform follow-up (including the holding of meetings to clarify the current situation in the workplace). For personnel on long-term assignments, whether in Japan or overseas, we provide various forms of support, including thorough health status checks before employees are sent on assignment, follow-up including regular interviews during the assignment, and provision of consultations by trained counselors.

Going forward, the Kanadevia Group will be making further efforts to promote health management, through a variety of different initiatives, including the strengthening of health education and follow-up systems.



**Kanadevia's Health Management (Available in Japanese only)**  
<https://www.kanadevia.com/sustainability/health>

## Engagement

In fiscal 2023, which was the first year of implementation of our Forward 25 Medium-term Management Plan, we began conducting an Employee Engagement Survey, emphasizing the links between employees and the Company. Since fiscal 2009, we had already been implementing an Employee Awareness Survey every two years to measure employee satisfaction with how employee-friendly the Company is and with the workplace environment, with the aim of creating workplaces that enhance motivation. The new survey explores in greater depth the main factors that affect engagement, and features enhanced functionality to facilitate



# Research and Development, and Intellectual Property Strategy

## Message from the General Manager



**Toshihiko Yasuda**  
Managing Executive Officer,  
General Manager of the R&D  
Headquarters, and Director of the  
Technical Research Institute

### Supporting young researchers as they take on new challenges, and guiding technology development so that it helps solve society's problems

R&D is closely linked to four of Kanadevia's Seven Pillars of Success (Materiality) – carbon neutrality, complete circulation of resources, maximization of the environment's recovery power, and response to intensifying natural disasters – and the R&D Headquarters plays a crucial role in achieving our Company's Sustainable Vision. Our mission is to guide technology development so that it contributes to solving society's problems, and to realize increased earnings for the Group in the future.

To generate new technologies and products that can be used throughout the world in the future, we attach great importance to cultivating our in-house researchers. We have always been proactive in helping employees obtain Ph.D. and Professional Engineer qualifications, and we are now also making a concerted effort to create a corporate culture that enables young researchers to challenge themselves. By implementing effective job rotations (including to positions in departments other than research institutes), besides being able to carefully scrutinize the capabilities of individual researchers, we can also provide support to help younger researchers actively take on new, forward-looking challenges.

Our Company possesses many technologies that make it unique, and it is vital for us to think, with a wide-ranging outlook, about what kind of contribution each of our technologies can make in the world, and how we should position them, when we are formulating our R&D strategy. Our researchers keep this mind all the time. By formulating and implementing R&D strategies suited to the needs of the times, we can contribute to society by effectively using the unique value our Group has to offer.

## Overall direction and strategies

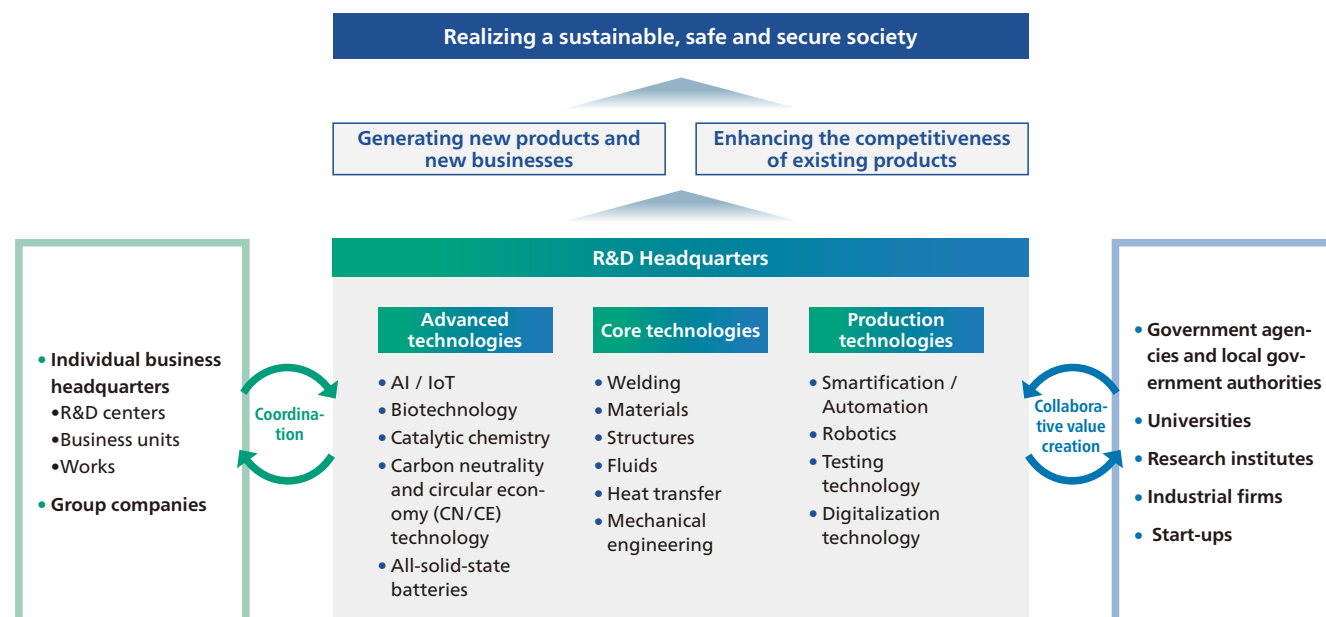
Based on the overall strategic direction of continuously generating new products and new businesses, we will create new businesses through a market-in approach in line with national goals and the social context (including the need to realize carbon neutrality) will lead to increased earnings in the future. At the same time, we are also working to enhance the competitiveness of our existing products by strengthening their functionality and their ability to provide added value, and working to provide technology support to eliminate problems. As regards our R&D system, besides the Technical Research Institute that is supervised directly by the R&D Headquarters, we have also established R&D centers in each individual business headquarters, which carry out verification testing, evaluation and improvement work aimed at new product commercialization.

In line with this overall strategic direction, and on the basis of this system, by selecting R&D topics to address and strengthening the focus on these areas, and by giving priority to promising R&D topics in the allocation of resources (including people, material resources, and money), we are aiming to speed up the development process and bring new products and technologies to market as early as possible. We are also polishing up our existing core technologies, strengthening collaboration with Group companies such as Kanadevia Inova, and making effective use of external resources, as we continue to drive the generation of new value through R&D.

## Initiatives

With the aim of generating new products and new businesses, we are participating in Green Innovation Fund projects supported by

## R&D aimed at realizing a sustainable society



## Research and Development, and Intellectual Property Strategy

Japan's Ministry of Economy, Trade and Industry (METI), using collaboration with government agencies and local government authorities to undertake larger-scale, more intensive verification testing. With the aim of furthering our business development in the future and strengthening our competitiveness, we are currently undertaking five Green Innovation Fund projects. In addition, while implementing numerous R&D projects in collaboration with research institutes and other enterprises, and accumulating technology and know-how in various fields, we are also proceeding with the development of new markets. In addition, we position the enhancement of R&D capabilities as an important issue for the Group, and we are strengthening linkages between Group companies, both within and outside Japan. Besides undertaking joint research and technology exchange with Inova and other

### Participation in Green Innovation Funds projects

#### Hydrogen production using water electrolysis with renewable electricity

- Development of energy demand conversion and utilization technology using a large-scale power-to-gas (PtG) system to achieve carbon neutrality

#### Development of next-generation vessels

- Development of methane slip reduction technology for LNG-fueled vessels through catalyst and engine improvements

#### Cost reduction of offshore wind power generation

- Mass production and cost reduction of semi-submersible hybrid floating structures
- Floating offshore wind power verification testing in Aichi Prefecture, Japan

#### Realizing carbon neutrality in the waste and resource recycling sector

- Development of new waste incineration processing technology based on CO<sub>2</sub> separation and recovery

| Environment Business VOICE P.35

overseas subsidiaries, we are also proceeding with ongoing strengthening of our human talent pool, and with the globalization of our R&D systems.

### Intellectual property

The source of the Kanadevia Group's earnings is its engineering and manufacturing technologies, and the Group recognizes that investing in, using, and protecting rights related to intellectual property are important issues for our management strategy. With a basic policy of strengthening market competitiveness by creating and maintaining intellectual property rights based on our business and development strategies, the Group is working to identify and create inventions, and to apply for and obtain patents that are appropriate to the business model. Specifically, the Group is stepping up various activities, including the acquisition of overseas patents in response to its global business expansion, and the acquisition of intellectual property rights to increase the added value of products and services through AI and IoT. In addition, the Group conducts ethical intellectual property activities for fair competition by using the intellectual property rights acquired by the Group in a fair manner and respecting the rights of others.

### Intellectual property management system

Each unit at our business headquarters and R&D Headquarters has a team member who is in charge of intellectual property promotion activities. These personnel intensively coordinate activities such as identifying patent opportunities and facilitating patent applications in cooperation with the Intellectual Property Department.

### Strategic development of intellectual property

Using technology and patent maps to assess and analyze our patent portfolio as well as those of other companies, we ensure optimal patent applications and acquisitions that suit our business model.

### Intellectual property education

We strive to nurture an intellectual property-oriented corporate culture by holding seminars for each employment level, conducting e-learning programs tailored to different job responsibilities, and providing information in our internal newsletters. In addition, we hold intellectual property seminars that focus on AI and IoT, and we are moving forward with the adoption of more advanced information and communications technology (ICT) throughout the Group.

### Invention award system

We have established awards for the filing and registration of patents and their practical application. We encourage inventions by rewarding employees for the value of their inventions.

### Record of patent applications, acquisitions, and possession (Non-consolidated)

		(applications)		
		Fiscal 2021	Fiscal 2022	Fiscal 2023
No. of patent applications	Japan	72	81	80
	Overseas	85	59	60
No. of patent acquisitions	Japan	93	83	74
	Overseas	60	61	60
No. of patents held	Japan	744	779	789
	Overseas	506	470	485

### Number of design rights and trademark rights held (Non-consolidated)

		(applications)		
		Fiscal 2021	Fiscal 2022	Fiscal 2023
No. of design rights	Japan	100	96	96
	Overseas	46	28	32
No. of trademarks	Japan	170	171	161
	Overseas	51	56	51



Business Strategy

## Environment Business



### Driving the Group's growth by expanding overseas business and strengthening profitability of business in Japan

Takeshi Minemura

Executive Officer  
General Manager of Environment Business Headquarters

The Environment Business accounts for more than 70% of the Group's net sales and operating income, and boasts a strong competitive advantage both in Japan and overseas, particularly for engineering, procurement, and construction (EPC) for Waste to Energy (WtE) plants. Especially, Switzerland-based Kanadevia Inova (hereinafter, Inova), which joined the Group in 2010, is generating growth that dramatically exceeds that of competitors in overseas markets that are expected to continue to grow. On the other hand, the Japan market is mature, and is primarily driven by renewal demand for WtE plants and water treatment facilities, but there is still room to grow profit in the domestic market, and we will improve

profits by expanding O&M/Service (operation and maintenance) and reducing defect costs. As we did for the environment business in Japan, we will reinforce our long-term, stable earnings base by expanding O&M/Service for both the overseas businesses and the water business.

In the medium-term management plan Forward 25, we position expanding overseas businesses and O&M/Service as key strategies. We play a central role in this, and aim to evolve from "waste to energy" to "waste to X," which refers to transforming waste into resources and various types of energy. We will create new value through contributions to society both in Japan and overseas.

#### Waste to Energy (WtE) plants

- Japan: Demand for waste treatment facilities is expected to remain flat, mainly with renewal demand (annual order volume: 3,000–5,000 tons/day).
- Europe: The region began early efforts to prevent and reduce waste emissions and their harmful effects, resulting in widespread use of WtE facilities. The EU issued the Landfill Directive in 1999 to reduce landfill. The EU also plans to significantly expand biogas production to diversify energy sources.
- China: Although the number of new constructions is the largest in the world, it is difficult for foreign companies to be directly involved (the Kanadevia Group grants licenses to local companies).
- New markets: Against a backdrop of increasing environmental awareness, an increase in waste and decreasing capacity at landfills, WtE began to be introduced in earnest from the late 2010s onward and is expanding (Middle East, Australia, Eastern Europe, Southeast Asia).

#### Water treatment facilities

- Needs for water and sewage services in the emerging markets, need for desalination in the Middle East and island countries.

#### Other risks and opportunities

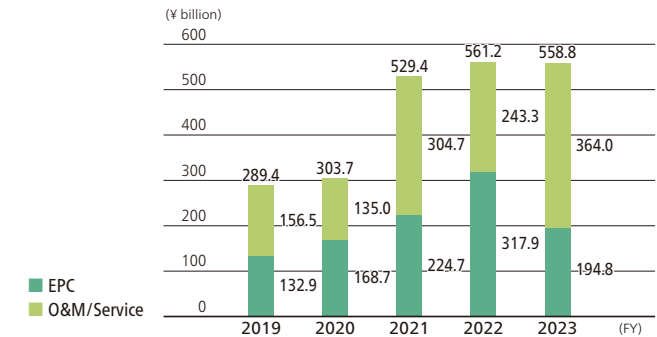
- Growing interest in investing in decarbonization
- Concerns about sharp increases in costs such as energy and material prices, and labor costs.

#### Our strengths

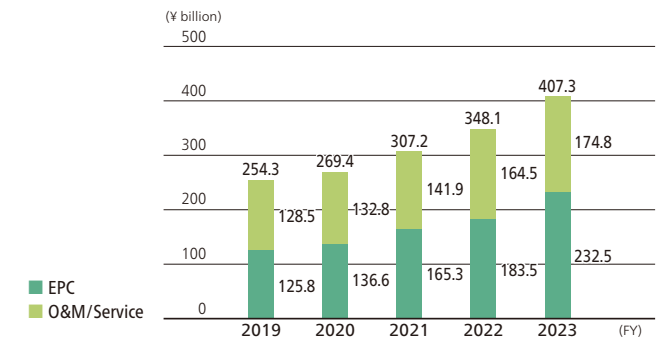
- Core WtE technology and business development, engineering, construction, O&M, and operations capabilities.
- A world-class delivery record and reliability
- Expertise in the combustion of special fuels, i.e., waste, backed by experience, the foundation of the maintenance service business.
- Wide-ranging technology and construction and operating experience in biogas (methane fermentation) facilities.
- Ability to make proposals that integrate technologies possessed by other departments and Group companies such as CO<sub>2</sub> recovery and methanation.



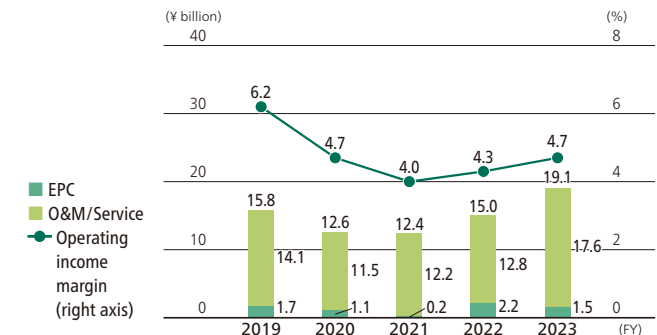
#### Order intake



#### Net sales



#### Operating income/Operating income margin



## Environment Business

### Toward Realization of the Sustainable Vision

Our Sustainable Vision expresses the determination of the Company, whose brand concept is “taking on the challenge, through the power of technology, to create a world that lives in balance with nature.”

In the Environment Business, we aim to contribute to a clean, prosperous future by reducing the environmental impact through our technology and integrity when addressing global environmental issues, such as waste emissions and energy consumption. Using waste as a valuable substance and energy source, we also make contributions to the creation of a resource-recycling society. Furthermore, we will work to create a prosperous society in which people throughout the world can have safe, reliable access to water.

While promoting business development under the new company name Kanadevia and with an eye toward a sustainable world, we will strive to achieve our Sustainable Vision in collaboration with partner companies and other stakeholders who agree with our Vision.

### Results and Progress with Forward 25

#### Inova business

Inova made dramatic contributions to the expansion of overseas businesses and expansion of O&M/Service, two key strategies in the Group's medium-term management plan Forward 25, and the efforts of local management teams and employees have borne fruit.

Inova specialized in WtE EPC in the European market until the latter half of the 2010s, but saw opportunities to conclude long-term operation and maintenance contracts increase as its customer base has become more diverse (power companies in addition to waste management companies) and new markets grew (Middle East, Australia, etc.). The Company will also fully enter higher-value-added fields, which will involve making investments in WtE projects and extensively expanding its biogas business, for both ownership and operation.

In the European and Middle Eastern WtE markets, Inova has established a firm position after surviving the fierce competitive

environment of the 2010s. In addition to its many years of experience and know-how, Inova maintains a market share of about 50%, and has acquired several companies, including Steinmüller (Germany) and Babcock & Wilcox's service business company (Denmark).

#### Inova's long-term operation orders received

Order received	Country	Project	Number of years under operation contract (after plant completion)
2020	Australia	Rockingham	20 years
2021	UAE	Dubai	35 years
2021	UK	Westfield	25 years
2023	UK	Slough	25 years
2023	UK	Earls Gate	25 years
2024	UAE	Abu Dhabi	30 years

We also received orders for design and supply of major equipment (or construction) for the above projects, with the exception of Earls Gate.

#### Domestic environment business

WtE plants and sewage sludge treatment facilities are spreading throughout Japan. In Japan's mature market, we generate profit from the O&M/Service business, which includes long-term operation and maintenance of WtE plants and retrofitting of aging facilities. On the other hand, the EPC business continues to be in the red, but there is still room for improving profitability of the domestic environment business. One issue is trouble expenses in the EPC business. In the past, new technologies and products resulted in substantial additional costs, but we will be sure to make use of that experience in the future. We aim to both take on challenges and generate earnings by strengthening our foresight as well as prediction capabilities. In particular, we will reinforce our post-facility-construction/delivery check system as well as the analysis and use of incidences of trouble. We will also focus on

strengthening not only technical aspects but also business aspects, such as negotiations, contracts, and claims for compensation. In October 2024, we established the new Quality Assurance Unit, which coordinates quality assurance throughout the Company. The whole Company will unite to strive to improve quality.

In addition, we are working to raise the profitability of the water business. In Japan, we handle a range of facilities through Group companies, including sewage sludge treatment facilities, and are working to improve profitability by reinforcing the O&M/Service through best practices at WtE plants—that is, marketing activities that include meticulously tracking customers' facilities and making appropriate, timely proposals, for retrofitting based on that. These results are beginning to be seen in the O&M/Service business's earnings.

#### Future Initiatives

Going beyond the traditional Waste-to-Energy EPC and O&M/Service, the Kanadevia Group is promoting “Waste to X” to realize no wasted-waste, as it views waste material as a reusable resource, not simply garbage. We contribute to the creation of a circular economy by expanding the scope of business to high-value-added fields.

In particular, there is strong demand for biogas for various reasons, including the European Commission's announcement of REPowerEU, which includes dramatic expansion of biogas production facilities, as Europe confronts the issue of energy security. The Kanadevia Group has set a policy of meeting this demand by investing approximately ¥40.0 billion over three years and fully entering the ownership and operation business.

Furthermore, we now handle such operations as sewer water treatment, desalination, and industrial water treatment in Japan, Australia, and some countries in the Middle East through our water business, and our goal is to expand the business globally and make additional contributions to the solution to the water resource problem.

## Environment Business

### Reinforcing project management and risk management

We continue to reinforce in-house systems in order to reduce trouble expenses that arise when new technologies and products are introduced and to strengthen risk management for our growing business investments, which include overseas investments.

I Quality P.48 / Risk Management P.69

### Expanding and reinforcing business through M&As and alliances

With an eye toward expanding business areas, we aim to supplement resources that we lack through M&As and alliances with other companies and make the most of the synergies generated from that.

As an example, in light of the fact that municipal waste and industrial waste are now collected and processed separately in Japan, we expect there to be latent demand for facilities that make it possible to properly process and recycle this waste in an integrated manner. Therefore, in May 2023, we decided to form a partnership with TRE Holdings Corporation, a leader in the areas of industrial waste processing and recycling, to jointly build a mixed treatment facility for municipal and industrial waste in Ichihara City, Chiba Prefecture. Because of this step, we will continue to pursue multifaceted potential.

### Reinforcing collaboration within the Group to increase competitiveness

We are improving our competitiveness by generating greater group synergies through the leveraging of the Group's engineering companies in India and Vietnam for overseas projects, such as those in Southeast Asia. We expect that there is strong latent demand for the WtE and biogas businesses in Asia, and aim to meet this demand through stronger collaboration within the Group and lower costs.

In addition, for WtE plants, our main business, the technical specifications for the main parts of the system have been

standardized between Inova and Kanadevia. Another goal is to standardize these technical specifications throughout the world.

We are also promoting human resource exchanges. Currently, 14 employees are seconded from the Company to Inova, and 2 employees are seconded from Inova to the Company. By doing this, we are promoting exchanges of know-how in a wide range of fields, such as project management, risk management, legal affairs, and accounting and finance.

### Challenge to achieve carbon neutrality

At a time when environmental awareness is growing globally, we are highly competitive and undertake business in the advanced European market in the areas of carbon neutrality and biogas. This track record in Europe is one of the Group's major strengths.

In 2022, leveraging the biomethanation technology possessed by our Group's Kanadevia Inova Schmack, we completed facilities for Switzerland's first industrial biomethanation project. In Japan, too, our research project on Ex-situ type biomethanation reaction technology for sewage sludge digestion gas was selected by the

Ministry of Land, Infrastructure, Transport and Tourism in 2024, and we will conduct a field experiment at the sewage sludge terminal treatment plant in Tottori City.

An analysis of data from the Commissioned Project to Promote the Creation of Circular Carbon Society Model through CO<sub>2</sub> Recycling (Demonstration project to establish a carbon circular model through recycling of carbon dioxide collected from WtE plants), a project commissioned by the Ministry of Environment that we worked on through 2023, revealed that it is possible to use CO<sub>2</sub> emitted from WtE plants to produce synthetic methane of a high enough quality to be used as fuel for gas-powered cars.

In this way, we will move forward with initiatives to achieve carbon neutrality through stronger collaboration between the Environment Business Headquarters and the Carbon Neutral Solution Business Headquarters.

#### VOICE

### Marshalling technology possessed by the whole Group to sustain the challenge of generating new innovation



**Sachiko Ohchi**  
Executive Officer  
Environment Business Headquarters  
General Manager of Business &  
Product Development Center  
(at time of interview)

The Environment Business is actively developing technologies that contribute to decarbonization.

In the field of waste treatment, our core business, "Development of High CO<sub>2</sub> Concentration Waste Incineration Technology" was selected for the Green Innovation Fund Projects in February 2024. The project involves the development of new waste incineration technologies premised on CO<sub>2</sub> separation and recovery, and the goal is to dramatically reduce CO<sub>2</sub> separation and recovery costs by increasing the concentration of CO<sub>2</sub> in waste gas. Furthermore, in the field of sewers, the survey project on ex-situ type biomethanation response technology for sewage sludge digestion gas was selected as a B-DASH FS project in May 2024. This technology, which is possessed by the Group company Kanadevia Inova Schmack GmbH, converts CO<sub>2</sub> in biogas into methane using microorganisms. As we move forward with the development of various technologies, there is also the possibility that they might be technologies that support a carbon-free society.

In addition to promoting development that meets the demands of society through the use of our strengths gained by being top in the WtE field, we continue to generate innovation by bringing together technologies possessed throughout the Group.

## Environment Business

### Kanadevia Inova

#### Overview

Founded in 1933. Based in Zurich, Switzerland. Possesses core WtE and renewable gas technologies. Inova formed a technical partnership with Kanadevia in the 1960s. Joined the Kanadevia Group in 2010.



Kanadevia Inova is a global, vertically integrated green utility, leading innovation in waste infrastructure. We drive decarbonization, resource circularity, and supply security. With strong technology and EPC expertise, we design, build, operate, and maintain Waste-to-Energy and Renewable Gas plants worldwide, positioning the company as the partner of choice for customers around the globe.

**Bruno-Frédéric Baudouin**  
Chief Executive Officer and Member of the Supervisory Board

**Brief biography** Bruno joined Inova in 2018, leveraging his experience from GE and Alstom to lead a restructuring, transforming the company into an agile tech provider. He expanded its value chain into Asset Management. He holds Master's degrees in science and business administration.

#### "We Contribute to a Future Free of Wasted Waste"

The recovery of valuable resources from waste – Waste to X – is our core business. Around this we have built a rich service offering spanning everything from project development and constructing entire plants and system solutions to custom manufacturing spare parts. We work with our clients to deliver pioneering projects for the future – efficiently, reliably, and to the very highest standards of quality.

Core drivers of our growth dynamic are the ability to innovate, leveraging its unparalleled technical expertise; to deliver the corresponding infrastructures, building on its EPC capabilities; and, fundamentally, to care about its partners, striving for solutions to decarbonize waste management infrastructures. Extending our value chain over the full lifecycle of plants opens new revenue streams aimed at further de-risking the business moving forward.

Strong sales from new geographies and recurrent business saw Inova carry its encouraging performance of the previous 12 months through the entire fiscal 2023, despite fierce headwinds from inflation, political uncertainties and higher interest rates.

Highlights of the year included EPC orders for Walsall in the UK and Abu Dhabi, two lighthouse projects leveraging the company's Ultra Large Combustion technology, a revolutionary step-change in the waste treatment space. With 2 more long-term operations and maintenance contracts secured in the UK, and with the acquisition of the Babcock & Wilcox European Service business closing a quarter after year-end, the growth of our after-sales service business is accelerating and contributing to our revenues. Inova has also grown inorganically, with the acquisition in FY23 of Schmack Biogas Italy, a move that will significantly reinforce Inova's position in the southern European renewable gas plant industry.

With Inova capable of making advanced waste thermal and biological treatment solutions ever more affordable, considerably abating carbon emissions and embedding circularity. This is an irreversible path towards making traditional, high-emission waste management solutions such as landfilling obsolete. It uniquely positions Inova to bring tangible value to communities, ultimately contributing to a future free of 'wasted' waste.

### Osmoflo Holdings

#### Overview

Founded in 1991. Based in Adelaide, Australia. Possesses desalination and water treatment technologies. Joined the Kanadevia Group in 2017.



The past financial year has seen the achievement of several important milestones for Osmoflo in pursuing its broader mission of providing innovative, sustainable and value-based water solutions that contribute to a circular economy, that have also actively contributed towards the three Basic Policies of Kanadevia Group's "Forward 25" Medium-Term Management Plan.

**Carmine Ciccocioppo**  
Chief Executive Officer and Managing Director

**Brief biography** Joined Osmoflo in 2010 after holding various senior management positions at Abigroup, United Utilities Australia, and Sinclair Knight Merz. Assumed his current position in April 2022. Director of the Australian Water Association from 2003 to 2011. B.A. of Civil Engineering, Master of Environmental Engineering Science, Master of Business Administration (MBA).

#### Sustainable Growth of Existing Business

Osmoflo commissioned its largest capacity plant in Australia to date, being a 40 ML/day Saline Water Reverse Osmosis (SWRO) plant for Roy Hill Iron ore mine in Western Australia (WA). It also secured its record highest value project in Australia being a 12ML/day SWRO potable water plant for Rio Tinto at Dampier in WA valued at over AUD60m.

Osmoflo was pleased to continue its role in supporting the Belmont 30MLD SWRO project near Newcastle in New South Wales which is on track to achieve commercial close and contract commencement in the second half of 2024.

The financial year also saw a marked increase in recurrent (O&M) revenue and activity with the commencement of the 10-year O&M arrangement for Roy Hill, as well as expansion of existing Build-Own-Operate contracts for Senex in Queensland and FMG in WA.

Osmoflo continued its steady growth in the MENA Region, securing its second major contract with NEOM in KSA for the supply of 8 advanced water potabilization plants on the luxury island of Sindalah. It also continued its international

collaboration with Kanadevia on the development of the 500kLD carbon-free solar powered desalination project in the Maldives.

#### Sustainable Management and the Creation of Growth Businesses

In support of Basic Policy 3 centered on sustainable management and enhancing corporate value, Osmoflo implemented its new Performance Development Plan framework for all staff across the business and saw a steady improvement in retention rates over the course of the year.

Finally, looking forward, and in line with Basic Policy 2 relating to the creation of growth businesses, Osmoflo is excited to be actively developing several new diversification and growth initiatives. These include the launch of the "Cerflo" ceramic membrane solution platform, the commencement of the "OASIS" Division ("Osmoflo's Asset Sustainment and Improvement Service") to deliver asset life extension through brownfield plant upgrades and modifications, and further geographic growth in the MENA and Pacific-New Zealand regions.



Business Strategy

# Machinery & Infrastructure Business



## Contributing to the creation of a safe and prosperous society by adding high value to products

Shinji Shimamura

Senior Managing Executive Officer  
General Manager of Machinery & Infrastructure Business Headquarters

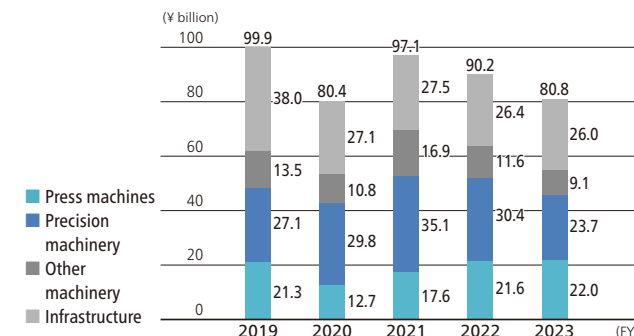
Despite having contributed to society and the diversification of sources of earnings, the Machinery & Infrastructure Business Headquarters is struggling to increase profitability in recent years. We are working to revise its organizational structure and strategy so that the business portfolio creates long-term social value and generates sustainable earnings.

During the period of the medium-term management plan Forward 25, we will create a system to promote the selection and concentration of resources, such as products, people, things, and money. Specifically, we are moving forward with restructuring and reorganization to focus the allocation of resources to products whose markets are expected to grow as well as leverage synergies throughout the Group. These

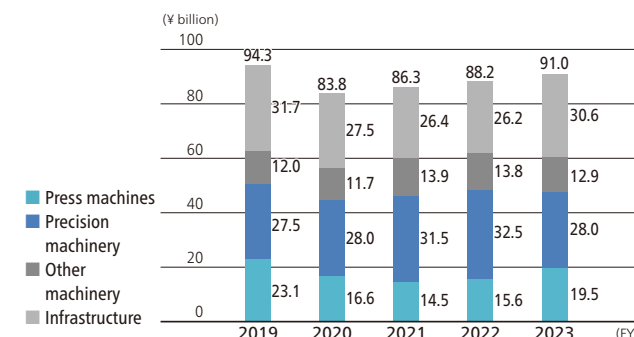
initiatives have targeted the lineup of system machinery, which has not seen major changes for many years, since the first half of fiscal 2024, and in the second half of the fiscal year, we plan to target other machinery and the infrastructure business.

Furthermore, we are revising the marketing and product development systems while also moving forward with reforms to create a more efficient, highly-profitable organization. There is a need for a change in our mindset and prompt action to achieve that, and I will leverage my experiences as the president of a subsidiary that handles semiconductor-related equipment to promote the strengthening of this business foundation.

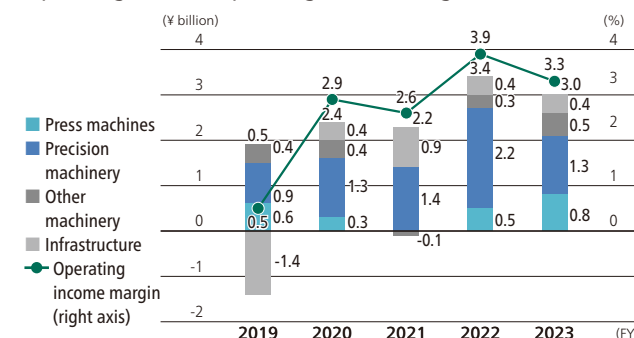
### Order intake



### Net sales



### Operating income/Operating income margin



Market characteristics

Press machines

- Demand for large automotive equipment has recovered to the pre-pandemic level.
- Although the automotive industry is cautious about new investments, demand for maintenance has grown.
- There is the risk of changes in demand for large press machines as a result of standardization and decline in products due to greater use of EVs.

Precision machinery

- Inventory adjustments throughout the semiconductor supply chain were longer than expected. Demand has gradually recovered since 2024, and in 2025, order intake is expected to recover to about 1.5x the level of 2022.

Infrastructure

- Higher budgets for new bridge construction in line with the Fundamental Plan for National Resilience.
- Growth can be expected due to stronger demand for maintenance work in Japan
- For hydraulic gates, there is stronger demand for redevelopment work for existing dams as a result of carbon neutral initiatives and Fundamental Plan for National Resilience.
- Overseas, there is strong demand for hydraulic gates, particularly in Southeast Asia.
- The market for new steel stacks is shrinking as decarbonization picks up, but demolition work is expected to increase in the future.

Our strengths

Press machines

- A product lineup that covers the entire press factory and strong capacity to produce custom orders.

Precision machinery

- High quality, high durability, and strong delivery track record.
- Second largest share of the vacuum slit valve market in terms of sales and strong relationships with semiconductor manufacturing equipment companies.

Prepared for growing demand, having expanded production capacity in Japan, Korea, and China for future growth in the semiconductor market.

Infrastructure

- A high level of technical capabilities in seismic retrofitting and rapid construction.
- Preventive maintenance, monitoring, diagnosis, and other maintenance services using AI and ICT.
- For the hydraulic gate business for Southeast Asia, a system for local production and local use that leverages manufacturing bases in Thailand.



## Machinery & Infrastructure Business

### Toward Realization of the Sustainable Vision

The Machinery & Infrastructure Business Headquarters is positioned as the organization within the Kanadevia Group that will lead the development of a safe and prosperous community. By adding high value to from social infrastructure to various types of machinery, we are working to create a safe and prosperous society and social value. The Kanadevia Group also possess a wide range of products and a high level of technological competency. We will actively allocate resources to achieve our long-term vision and the necessary technologies for that and focus on creating new value added.

### Initiatives in the Medium-Term Management Plan The basic policy of Forward 25

Having positioned the period of Forward 25 as a time to reinforce the foundation for achieving the targets in 2030 Vision, we are transforming the structure of our manufacturing business and business model. Two growth fields related to decarbonization, resource circulation, and development of safe and prosperous community, our business fields, are the inspection, measurement, monitoring and remote support related business and life science-related business. We will actively promote initiatives that target these fields.

### Results and progress of initiatives

As one part of our transition to a business model for the future, we are moving forward with revising the marketing system and R&D organizational structure.

Until now, three machinery & infrastructure business units separately conducted their own sales activities, which has led to orders for customized products that meet the individual needs of customers. Although this can be considered a strength in terms of marketing and technology, it is inefficient in terms of profitability, technical development, and collection of marketing information. Therefore, in FY2024, we merged the marketing departments and

created a system to share information on and conduct cross-selling with the same customer, making it possible to submit timely and precise proposals to customers and avoid lost opportunities. We are also striving to generate sustainable earnings by reflecting customers' needs in product development through greater awareness of marketing, and linking that to the development of mass-produced products for fields that will grow in the future.

For the development system, too, we have established an agile organization to promote new development. While this business headquarters handles numerous products and possesses various elemental technologies, we think it is necessary to establish horizontal links between in-house departments and promote the exchange of information and melding of technology. In fiscal 2023, we revised the structure of the Business & Product Development Center and established a DX Promotion Group, Applied Hydraulics Group, Life Science Group, Smart Factory Group, and the Cell Culture Factor Project Group. The goal is for these groups to become a horizontal force within the business headquarters, making the most of the elemental technologies that exist within the Company and developing products speedily. The members of the groups are primarily in their 30s and 40s, and are expected to think for themselves and move swiftly. The results

of an engagement survey in fiscal 2023 reveal that these members expressed extremely strong engagement compared to those of other departments.

Additionally, as one example, condition-based maintenance (CBM), one of our existing technologies that offers maintenance based on an analysis of data on the state of facilities, was introduced for some other products, resulting in an expansion of new maintenance services. This shows that our initiatives have begun to bear fruit. We aim to generate new synergies, create new businesses, and transform existing businesses into new growth fields with these initiatives.

We are also making progress with initiatives to expand overseas businesses, a goal included in 2030 Vision. For the infrastructure business, we established a joint venture in Thailand in FY2023 so that we can focus on dam restoration and flood countermeasure projects in Southeast Asia and South Asia.

The above mentioned organizational changes and overseas business expansion are initiatives to concentrate resources in growth fields. Through these initiatives, we will provide value-added products and services that leverage our technical capabilities as well as improve profitability.

#### VOICE

#### Contributing to creation of infrastructure in Asia from production bases in Thailand



**Tsuyoshi Hiruma**  
President TANGENT Kanadevia  
Co., Ltd.

We established the joint venture TANGENT Kanadevia in August 2023 to undertake such operations as the production and installation of steel structures, including hydraulic gates in Thailand, in order to expand the hydraulic gate business overseas.

In recent years, demand for hydraulic gates in Southeast Asia has grown as flood control and hydroelectric power projects have increased, and there are plans for flood control projects in Thailand and projects to mitigate flood damage and improve water usage functions in the Philippines, Indonesia, and other countries.

In fiscal 2024, we received an order for the Pasig-Marikina hydraulic gates in the Philippines, an ODA project, and will produce them at the company's plant. In addition, we will meet broad customer needs through the production and maintenance of not only hydraulic gates but also numerous other steel structures.

In the future, we aim to establish an integrated contracted installation system that handles all stages from design and production to installation as a manufacturing and engineering base in Southeast Asia.

Business Strategy

# Carbon Neutral Solution Business



## Driving innovation in climate change mitigation technologies to solve customers' issues and achieve business growth

Junichi Yamamoto

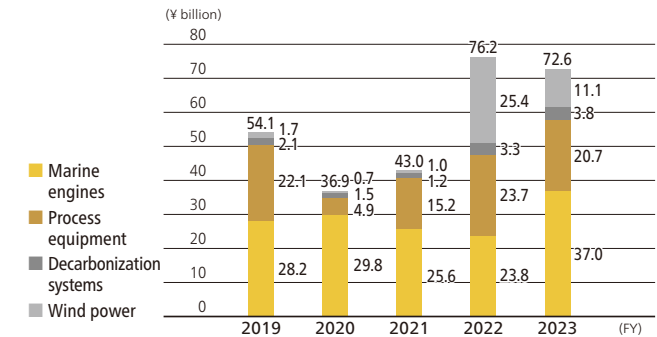
Executive Officer  
General Manager of Carbon Neutral Solution Business Headquarters

The Carbon Neutral Solution Business Headquarters was newly established in April 2022 by merging various in-house organizations related to decarbonization. Many of the Carbon Neutral Solution Business's products are in the early stage, but along with the Environment Business, the business will provide technology that supports a sustainable society in the future. Despite many issues, there is substantial room for the business to grow, and we have set ambitious targets as challenges to achieve our long-term vision 2030 Vision. As our goal is to develop each business and increase new product sales, it is essential that we not only refine individual technologies but also undertake the integrated development of systems, including for plant engineering, and

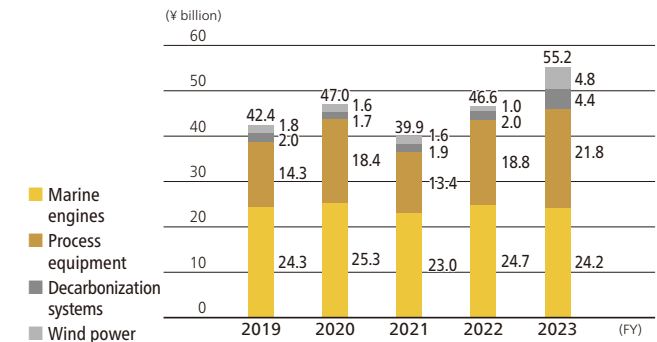
increase the size of facilities and raise efficiency. To beat competition that is growing fiercer throughout the world, it is also important for the whole group to unit to promote business with an eye toward achieving decarbonization.

In addition to working on various aspects of the business, including environment and chemical plants, as an engineer, I spent time at Inova, and was involved in managing overseas projects and reinforcing Inova's governance system. I will accelerate business growth by leveraging this experience and networks in the Group.

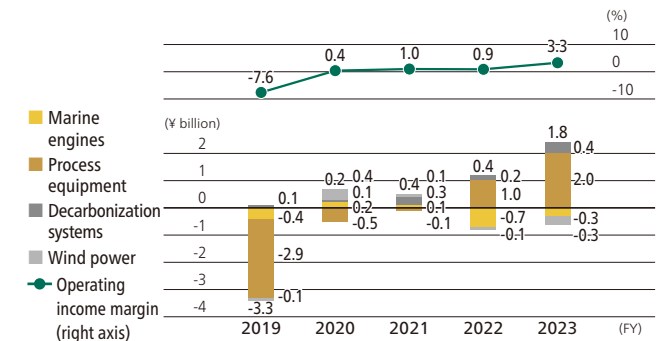
### Order intake



### Net sales



### Operating income/ Operating income margin



Market characteristics

#### Marine engines

- Although the current order intake is steady, buoyed by the favorable new ship-building market, profitability is a challenge due to soaring raw material prices
- New demand for ship exhaust gas regulation and fuel conversion

#### Process equipment

- New demand for tanks for alternative fuels such as ammonia
- Demand for casks and canisters for spent fuel and decommissioned reactors at nuclear power plants in North America, latent demand for the same in Japan

#### Decarbonization systems

- As part of the Green Growth Strategy, the Japanese government has announced a target of injecting 90% synthetic methane into existing infrastructure by 2050 as well as Basic Hydrogen Strategy
- Increasing size and reducing costs will be issues to be resolved for implementation in society

#### Wind power

- The Japanese government has announced and is actively pursuing a target of introducing 10 million kW of offshore wind power generation by 2030 and a maximum of 45 million kW by 2040 (total wind power generation installed in Japan by the end of 2023 was 5.213 million kW)

Our strengths

- Ability to share market information, technology, and know-how within the Group.
- Extensive experience in plant engineering.
- Marine engines: SCR systems combined with NOx removal catalysts.
- Onshore wind power generation: Expertise in integrated development, construction, and operation.
- Offshore wind power generation: Design and manufacturing technology for offshore structures and floating structures.
- Methanation: High-efficiency reaction catalysts developed in-house. Know-how accumulated through demonstration projects. Package proposals including hydrogen generation and CO<sub>2</sub> separation and recovery.



## Carbon Neutral Solution Business

### Toward Realization of the Sustainable Vision

In our long-term vision, we have set ambitious targets for all businesses and types of products, including net sales of ¥140.0 billion for this headquarters in 2030. Achieving these targets will grow the Carbon Neutral Solution Business as a new pillar for the Group, and contribute to achieving not only our Sustainable Vision for 2050 but also carbon neutrality, a goal the government is promoting.

The idea of “taking on the challenge, through the power of technology, to create a world that lives in balance with nature,” which we express in the new company name Kanadevia, is aligned with the direction the headquarters is moving. We aim to grow the business through contributions to society by creating bonds with all stakeholders both in and outside the Company.

### The Basic Policy of Forward 25

We have acquired diverse knowledge and technology over the years, and the Carbon Neutral Solution Business Headquarters is leveraging that knowledge and technology to promote technological innovation to counter global warming. We will create new value by meeting the decarbonization needs of existing customers, such as converting to LNG, methanol, and other fuels and reducing LNG fuel methane slip in the diesel engine business, and developing and providing ammonia tanks in the process equipment business. In the nuclear power related equipment business, we will work with our U.S. subsidiary NAC International (hereinafter NAC) to meet domestic and overseas demand for casks and canisters used to transport and store spent nuclear fuel in anticipation of an increase in the relaunch of operations at and new construction of nuclear power plants.

In the field of new technologies, we promote R&D and demonstration projects aimed at growth markets, such as the PtG business, including hydrogen production and methanation, as well as the wind power generation business. We are currently using the Green Innovation Fund to increase the size and efficiency of hydrogen production equipment and to develop floating structures for offshore wind power, working toward early

commercialization while also leveraging external resources through subsidies and collaborations with other companies. We aim to record net sales of ¥45.0 billion for existing businesses and ¥25.0 billion for growth businesses during the period of Forward 25 so that we grow the business and profit.

### Results and Progress of Initiatives

In the **marine engine business**, Hitachi Zosen Marine Engine Co., Ltd., aims to increase profitability by collaborating with Imabari Shipbuilding Co., Ltd., to capture stable engine orders, generate procurement-related synergies, and develop products compatible with new fuels. Although orders for some projects were moved forward and the order intake increased in fiscal 2023, the business continues to face problems related to earnings on account of high material prices and impact of the weak yen.

In the shipping industries, it is expected that there will be a gradual conversion of fuel to LNG, methanol, and ammonia as society decarbonizes. In fiscal 2023, we received an order for a green methanol-compatible dual fuel test engine, which is licensed from MAN Energy Solutions SE and moved forward on various fronts, including building a methanol-compatible marine engine production system at the Ariake Works.

However, in July 2024, we announced we had found inappropriate alteration of test operation records over an extended period. After ascertaining the cause of that, we will thoroughly

implement measures to prevent recurrences and do all that we can to regain stakeholders' trust.

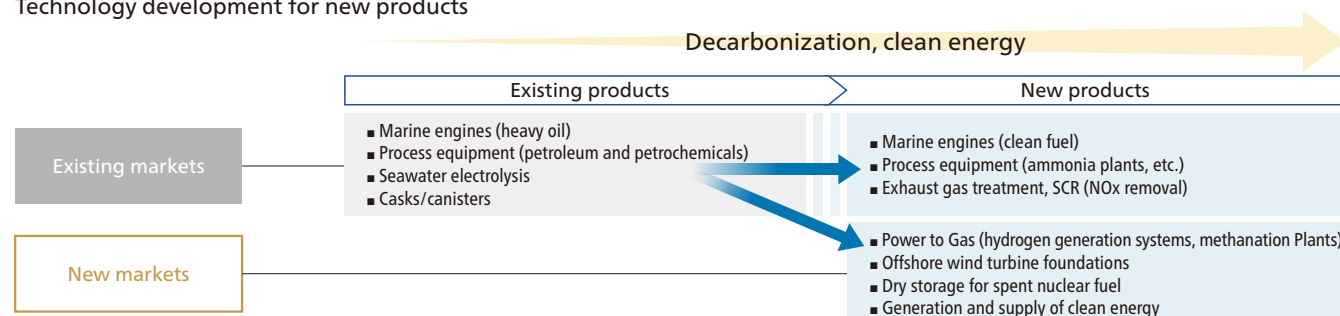
[Regarding Inappropriate Conduct in the Marine Engine Business of the Kanadevia Group](#) P.68

In the **process equipment business**, we strive to develop new products with an eye toward greater demand for storage/transportation tanks for alternative fuels, such as ammonia. We are also focusing on after-sales services to ensure stable earnings.

As for the nuclear power related equipment business, Tousou Mirai Manufacturing, Inc, which was jointly established with Tokyo Electric Power Company Holdings, Inc. in October 2022 to manufacture reactor decommissioning-related products, such as casks for the spent nuclear fuel, plans to launch operations in fiscal 2026. Overseas, NAC acquired a Canadian business that manufactures and sells spent nuclear fuel containers in June 2023. We built a system to supply products from North America and Japan through these business acquisitions. Leveraging our abundant experience, we will expand the business globally by strengthening our collaboration with NAC.

For the **decarbonization system business**, we are moving forward with plans to mass produce hydrogen generation equipment in response to the Japanese government's basic hydrogen strategy. We aim to expand the business and contribute to earnings by strengthening competitiveness through enhanced manufacturing capabilities and reduced costs. In March 2024, we

### Technology development for new products





## Carbon Neutral Solution Business

concluded a memorandum of understanding to commercialize methanation in Oman. Moving from concept design and basic design to demonstration facilities is expected to result in the global expansion of the business.

While the government aims to spread the use of hydrogen and synthetic methane as soon as possible, power-to-gas is expected to make strong contributions to earnings from the latter half of the 2020s onward as demand has not yet materialized. With an eye toward introducing this into society, we are continuing to move forward with increasing the size and efficiency of equipment and strengthening our competitiveness both in Japan and overseas through collaboration with overseas group companies.

As for **wind power generation business**, the onshore wind power generation project at Mutsu Ogawara in Aomori Prefecture was launched in May 2023, and we are proceeding construction with a goal to start operation in April 2026. For this project, we are responsible for managing operation and conducting maintenance for about 20 years after operations starts.

As for offshore wind power, the Floating Offshore Wind Turbine Demonstration Project off the Coast of Aichi Prefecture, which was jointly proposed by five companies, including us, was selected as one of the Green Innovation Fund's Cost Reduction of Offshore Wind Power Generation projects. The goal of the project is to establish technology for commercializing floating offshore wind power at an internationally competitive price by fiscal 2030, and we are responsible for manufacturing the floating structure and other aspects.

In Japan, offshore wind power generation is being actively promoted through fixed-foundation-type projects, and demonstration projects are underway and policy considerations are being worked out in order to form projects for floating types. By 2030, 10 GW of wind power generation capacity is expected to be introduced. We plan to first apply fixed-foundation type suction bucket jacket foundations, which are expected to be a new low-cost, quick-delivery construction method. In the future, we plan to expand a business centered on manufacturing and supplying floating-type basic structures which will make it possible to install equipment in a wider range of locations, using the marine structure and floating structure design and manufacturing technologies we possess.

## NAC International

### Overview

Established in 1968, located in Norcross, Georgia, U.S. Engaged in the design, transport, and consulting related to spent fuel transport and storage equipment. Joined the Kanadevia Group in 2013.



**NAC International (NAC) supports clean energy and environmental conservation through the safe and secure management of radioactive wastes generated in nuclear power plants, as well as engineering and consulting on the entire nuclear fuel cycle, with the aim of realizing a decarbonized society.**

**Kent S. Cole**  
President and Chief Executive Officer

**Brief biography** After gaining experience in engineering and project management in General Electric's nuclear energy business, he joined NAC in 2003, first serving as Vice President of Spent Fuel Projects, before becoming President in 2006. He assumed his current position in 2013. Master of Mechanical Engineering.

In recent years, there has been a growing consensus on Nuclear Energy's vital role in decarbonizing the global economy and in achieving Carbon Neutrality. NAC International has a vital role in supporting clean carbon-free electricity generation from nuclear energy by providing environmentally friendly integrated nuclear materials and waste management solutions. We achieve this goal by delivering safe, secure, reliable, and efficient handling, storage, transportation, and disposal of nuclear materials to customers globally.

As we continue to support these endeavors across core NAC businesses and subsidiaries (NAC LPT, NAC Philotechnics), we acquired Niagara Energy Products (NEP) as a Canadian subsidiary last year. This gives NAC an industry leading market share in the fabrication and delivery of used fuel storage containers, as well as a platform for growth in the vibrant and expanding Canadian nuclear energy market. NAC businesses and all three of its subsidiaries also aim to capitalize on the global growth on nuclear energy, whether in conventional light water reactors (LWRs), small modular reactors (SMRs), or advanced reactors with their innovative fuel cycles and waste requirements. NAC continues to expand its geographic footprint and functional capacity through organic growth, leveraging technology/product innovation, differentiated focus to increase customer satisfaction, as well as strategic teaming and acquisition efforts. NAC expects its 2024 financial performance to demonstrate another year of top line and bottom-line growth and expects its 2023-2025 Medium Term Plan (MTP) performance to roughly double the results from the prior 2020-2022 MTP.

With the growth in the nuclear industry and meeting the needs

such growth demands, recruiting and maintaining the best and brightest human resources will be challenging, but necessary for ambitious long-term goals across NAC and its subsidiaries. It remains true that NAC's employees are its greatest assets, and we aim to provide a rewarding work environment where everyone is given the opportunity to contribute their best work, know their work is valued, and achieve further professional growth.

NAC and its subsidiaries are poised to have a successful 2024 and beyond as we work together to support the industry wide efforts to prioritize carbon neutrality and environmental stewardship.



Used Fuel Dry Storage Containers fabricated by Niagara Energy Products for a Canadian customer

# DX Promotion

## Message from the General Manager



**Munenobu Hashizume**  
Director and Managing Executive  
Officer  
General Manager of Information  
and Communication Technology  
Promotion Headquarters

### Contributing to maximize customer value through DX strategy implementation and DX talent cultivation

Manufacturing and engineering technology have always been key strengths for the Kanadevia Group, but the effective utilization of digital technologies such as IoT and AI is vitally important for anticipating customers' future needs and increasing the added value that our products and services provide. We will continue to leverage digital technology as a source of profits for the Company so that we can continue to grow while also contributing to society with a customer-focused approach.

As one example of our initiatives that make effective use of digital technology, we are proceeding with the development of technology to enable automated operation of control systems at waste-to-energy (WtE) plants. This combines our Company's existing strengths with digital technology, and will reduce costs while also contributing toward addressing problems affecting society, such as the declining birthrate and aging population. For example, even in cases where decision-making and control by experienced staff have been necessary, it will be possible to use the support provided by AI to achieve labor saving or realize unmanned operation. In addition, the use of robots and remote monitoring systems to perform inspections inside facilities will enable preventive maintenance and rapid analysis of the causes of faults, thereby helping customers to keep losses to a minimum. While working to clear the regulatory and other obstacles, we will be striving to achieve progress with these initiatives.

## Overall direction and strategies

In our long-term vision 2030 Vision and our medium-term management plan Forward 25, we have positioned the promotion of our digital transformation (DX) strategy as one of its key measures. Our DX strategy comprises three pillars: Business DX (customers, products, and services), Corporate DX (productivity enhancement and workstyle reform), and the DX Platform (the foundation which supports the other two pillars). With the DX Platform, the main focus is on digital platform building and strengthening, and on DX talent cultivation.

By using this DX strategy to add new value to existing products and services, we are aiming to increase profits while also enhancing customer satisfaction and contributing toward solving society's problems.

## Initiatives

### Strengthening digital platforms and promoting the integration of the IoT with products

In terms of promoting Business DX and Corporate DX, we are focusing on strengthening three digital platforms, specifically: SAP S/4HANA, our core business system (realizing data-driven management through the centralized management and visualization of business data, and through enhanced decision-making, etc.); EVOLIoT, our IoT platform (collection, storage and analysis of operational data for our Company's products and facilities); and A.I/TEC, which enables the effective utilization of ICT in physical facilities (remote monitoring of our Company's products and facilities, monitoring of operational status, and failure prediction).

By fiscal 2023, the IoT adoption rate for our products and services already exceeded 40%. As an example of the results achieved so far, we have connected a polymer electrolyte membrane (PEM) type water electrolysis device manufactured by Kanadevia which is used by Yamanashi Hydrogen Company, Inc., a power-to-gas firm established by Yamanashi Prefecture, the TEPCO Group and Toray, to our EVOLIoT platform, thereby enabling 24-hour data monitoring and the performing of various types of analysis based on this data.

## DX talent cultivation

With DX, the most important question is "What," in terms of what steps to take to address customers' problems and meet society's needs, but "How," in terms of how to go about doing this, is also important. When promoting DX, these are two sides of the same coin. To achieve our DX talent cultivation objectives, in fiscal 2023 we formulated the DX Human Resources Grand Design plan, and from fiscal 2024 we have expanded the scope of DX education to include all employees. We are planning and implementing grade-specific training programs, including training for DX assistance human resources, to help each individual business unit put DX into practice in a self-directed manner ("How").

The DX leader training that we began to implement in fiscal 2021 takes design thinking as its core element. Rather than just giving lectures, the training curriculum aims to generate DX ideas ("What") by inculcating a thorough customer-focused mindset. In addition, starting from fiscal 2024, we have allocated new DX Incubation Promotion Budget (110 million yen) to identify incubation topics from the DX ideas that have been generated, and to enable survey and verification activities aimed at commercialization of these topics. In this way, we are promoting DX human resources cultivation by strengthening not only the education aspect but also the provision of financial support. Our aim is for all company officers and employees to acquire digital skills that will enable them to generate new businesses that can underpin the Kanadevia Group in the future.

## Overview of our DX human resources development



KPI (FY2025)	Results achieved in FY2023		
	Product IoT rate:	60%	40.4%
	Number of DX human resources trained:	500	158 (cumulative total)

# Global Expansion

## Message from the General Manager



**Yuichi Okura**  
Senior Managing Executive  
Officer  
General Manager of Global  
Headquarters

### Strengthening the foundations of our overseas business with an eye on the future

The Kanadevia Group's overseas business has continued to grow smoothly, with Inova playing a central role. In relation to this growth, a key mission of the Global Headquarters has been to not only promote business expansion, but also support the steady, sustained growth of each overseas Group company by putting in place appropriate governance systems and risk management systems. In Kanadevia's Forward 25 medium-term management plan, we have committed ourselves to a strategy of investing proactively not just in Japan, but also with our overseas Group companies. By strengthening the alignment of strategies between companies and by engaging in more in-depth discussion of risk tolerance and the scale of investment, we will be working to put our growth businesses on the right path.

Another important mission for the Global Headquarters is to absorb the dynamism of our overseas Group companies and promote globalization in Kanadevia Corporation itself. If we want to be a truly global company, we need to consider the positioning and strategy of each business together with our overseas Group companies. To realize this, we must have human talent who possess an in-depth understanding of management and who can engage in multi-faceted discussions with people in other countries. Last year, we launched a new global talent cultivation program. Through this program, we will be carefully cultivating, from a long-term perspective, human talent who have accumulated diverse experience and who are able to discuss business risks and opportunities from a global perspective. We look forward to the expansion of our pool of global talent, and the emergence of talent able to lead the growth of our overseas business in the future and take on responsibility for Group management.

## Overall direction and strategies

In the Forward 25 medium-term management plan, expanding overseas business is positioned as a key strategy. The Global Headquarters will be working not only to support business growth by Kanadevia's three main overseas subsidiaries – Kanadevia Inova, Osmoflo Holdings, and NAC International – but also to realize market development and growth in Southeast Asia, South Asia and other key regional markets, and we will begin operation of the Asia Strategy Council for consultation in regard to business strategy and systems. We will be focusing on strengthening the foundations of our overseas business operations with an eye on the future.

## Initiatives

In the past, the Kanadevia Group has experienced a deterioration in performance caused by large-scale projects that ended up making a loss, so we have positioned the strengthening of governance and risk management as an important issue for our overseas Group companies. Over the last few years, Inova has secured a number of contracts to undertake large-scale projects in Europe and the Middle East, and the company's workforce has risen to around 3,000 personnel. Since 2018, a Kanadevia Corporation company officer has been assigned to serve as Chairman of Inova, and in

April 2024 a Chairman's Office was newly established, which is independent from the CEO's office. Besides working to strengthen the governance function (including the dispatch of expatriates from Kanadevia), we are proceeding with further efforts to strengthen coordination and the generation of synergy between Inova and Japan. With regard to global talent cultivation, we launched the first stage of our new global talent cultivation program in October 2023, with 23 employees (who were recommended for participation by their respective units) undergoing training. The plan is for the trainees to be actively involved in our overseas business operations, for example by being assigned to work overseas. While continuing to expand this training program, we are also planning to launch a second-stage talent cultivation program in October 2024. In addition, we are considering implementing a Global Management Talent cultivation program, with the aim of cultivating the human talent that will be needed to run our overseas Group companies in the future.

KPI  
(FY2025)

**Overseas sales ratio: 40%**

Key existing market: Europe, East Asia

Key growth market: Southeast Asia, South Asia

New market development: North America, Middle East

## Column

### Global Meeting

Once a year, the Kanadevia Group holds the Global Meeting, which brings together members of the management teams of our overseas Group companies and overseas business site heads. The 10th annual meeting was held in Osaka on May 29, 2024; leaders of each company gave presentations on business conditions and strategies, and exchanged information and ideas. The level of enthusiasm shown for realizing growth in the participants' respective businesses was very high, and lively discussions continued even during the break periods and evening party. This year's meeting also featured presentations by personnel regarding branding activities, financial strategy, DX strategy, etc., and the brand concept for the newly-renamed Kanadevia Group, and the strategy that we will be following as we enter a new era, was shared with participants.

For the Kanadevia Group, which is in the process of developing its global business, the Global Meeting is an important opportunity to strengthen cohesion within the Group. By enhancing mutual understanding, and by invigorating communication that is based on trust, we are strengthening the Kanadevia Group's global organizational capabilities.



The Global Meeting in progress

# Promoting Sustainability

## Basic Approach

Recognizing that promoting sustainability represents the very essence of Kanadevia Value, the Kanadevia Group established a system for the promotion of sustainability and continues to implement a variety of measures to promote sustainability in order to capture new business opportunities and achieve sustainable growth for the Group. Based on this policy, we aim to be a solution partner that contributes to the realization of a sustainable, safe, and secure society by strengthening our business foundation and decarbonization-related businesses that support sustainable corporate value enhancement.

**Sustainable management**  
<https://kanadevia.com/english/sustainability/policy/>

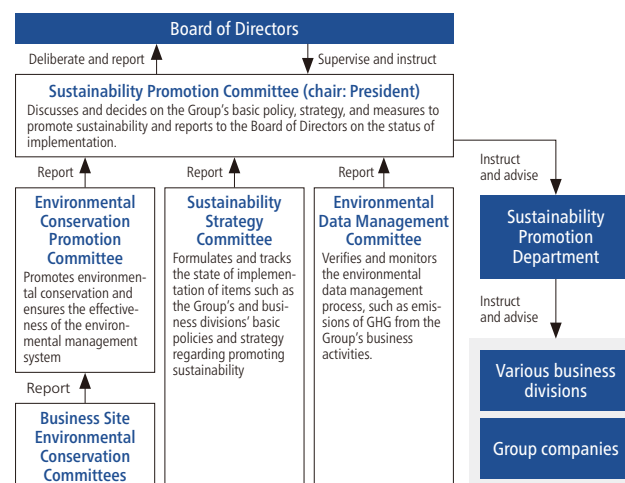
## Promotion System

The Board of Directors is the ultimate decision-making body in relation to our sustainability promotion system. The Sustainability Promotion Committee reports to the Board of Directors; it sets strategies and targets to realize our Sustainable Vision. The Committee receives reports from its three sub-committees regarding the implementation status of strategies and measures targeting key sustainability-related issues throughout the Kanadevia Group, and it performs monitoring and gives instructions. Information regarding implementation status is reported to the Board of Directors. On the basis of the reports that it receives, the Board provides supervision and gives instructions in regard to the implementation of related strategies and measures. In addition, when the Sustainability Promotion Roadmap and the Medium-term Management Plan are being formulated, the Board of Directors and the Sustainability Promotion Committee deliberate on strategies and targets for the realization of the Sustainable Vision, while taking into account sustainability-related risks and opportunities in light of changes in the external environment over the medium to long term.

The Sustainability Promotion Committee meets four times a year, while the Board of Directors holds two meetings a year to consider sustainability-related matters.

The Sustainability Promotion Department provides centralized support for sustainable management promotion within the Group, and also undertakes activities relating to implementation of and support for the setting of sustainability-related policies and Group-wide initiatives, as well as the dissemination of information in regard to these.

## Sustainability Promotion Framework



## Sustainability Promotion Committee

Chaired by the President, and with members that include general managers, business site heads, Group company presidents, etc., the Sustainability Promotion Committee engages in discussion of sustainability-related policies, strategies, and important measures, etc.

Committee Chair	President
Members	General managers, business site heads, Group company presidents, etc.
Items discussed and reported	Various Group sustainability-related policies, strategies, important measures, etc.
Activities in FY2023	No. of meetings held: 4 • Set indicators and targets for the Pillars of Success (Materiality), and implemented follow-up on the roadmap for the Pillars • Reported on environmental data • Discussed the societal value that can be derived from the Sustainable Vision
Secretariat	Sustainability Promotion Department



**Aiko Tomooka**  
General Manager of  
Sustainability Promotion  
Department

## Promoting sustainable management

The Kanadevia Group is developing its business operations in three areas: decarbonization, resource circulation, and the creation of safe and prosperous communities. Our business promotion is closely linked to reducing the burden on the environment (including human rights risk, etc.). In other words, by thoroughly instilling sustainable management in our operations, the Kanadevia Group can generate new business opportunities, which in turn will make it possible to achieve sustainable growth.

In fiscal 2024, as a Taskforce on Nature-related Financial Disclosures (TNFD) Early Adopter, we disclosed natural capital related impacts. In the first fiscal year, we made disclosures regarding the relationship between natural capital and the supply chain for the waste-to-energy business, etc. Through the process of undertaking TNFD-related analysis, we clarified how physical risks and transition risks in the supply chain have the potential to generate business opportunities for the Kanadevia Group.

The problems that the world is facing are enormous, and addressing these issues will require collaboration with all our stakeholders. Going forward, within the Company, besides implementing activities to promote incorporating a sustainability perspective into every stage of day-to-day decision-making, we will also be emphasizing engagement with stakeholders.



# Health and Safety

## Basic Approach

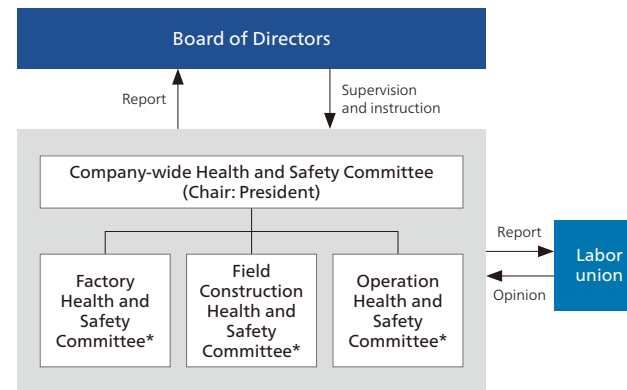
The Group's management stance is to ensure safety-first in all of our business activities. In all processes from equipment procurement to design, manufacturing, delivery, and operation, we are improving our knowledge and skills to place the highest priority on safety. We are also promoting the creation of a system that enables us to put this knowledge and these skills into practice in our business activities. In order to enhance the effectiveness of these initiatives, we have introduced diagnosis and guidance by an external organization in fiscal 2024, and are working to create an organization in which top management takes the lead and managers at all levels practice safety-first management. By developing business activities with a safety-first management stance, we will work to become a company that creates even safer products and services by instilling the concept of safety-first in each and every one of our employees.

## Safety Management System

In July 2023, we established a health and safety management system culminating in a Company-wide Health and Safety Committee in order to develop health and safety management activities that include Group companies. The Committee is chaired by the president and includes the general managers of each business headquarters and headquarters management department.

Based on the basic policies decided by the committee, we are developing the health and safety management activities of each business headquarters and Group company.

### Company-wide Health and Safety Committee organization chart



\* Includes presidents of group companies

## Enhancing the Functions of Safety Management Departments

In fiscal 2023, we established a new Operations Group within the Safety Department at the Head Office to strengthen its functions

in safety training, accident and disaster investigation and statistics, and the dissemination of health and safety information. The Safety Group, which was previously responsible for safety inspections and guidance, has also established teams at the Head Office and Tokyo Head Office, respectively, to enable flexible response tailored to the conditions of construction and operation projects. In the Environment Business Headquarters, which has a particularly large organizational size, the health and safety management system has been strengthened by establishing an Environment Business Safety Department with personnel selected from the design and planning departments.

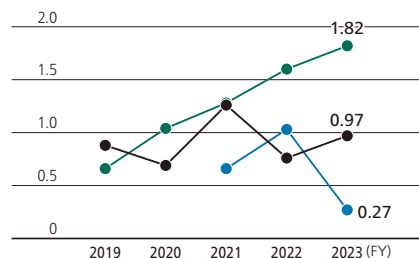
## Liaison Meetings of Safety Group Heads from Each Department

The Safety Department of the Head Office serves as the secretariat for the quarterly liaison meetings of safety group heads in the construction work departments, manufacturing plants, and operation business. At these liaison meetings, the heads of safety groups mainly disseminate and exchange information on measures to prevent recurrence of accidents and disasters and on revisions to laws and regulations, in an effort to improve their knowledge and skills in health and safety management.

### Lost Time Injury Frequency Rate

(Number of fatalities and injuries due to occupational accidents requiring 1 day or more absence from work ÷ cumulative hours worked) x 1,000,000

● On-site work  
● Factory  
● Operation



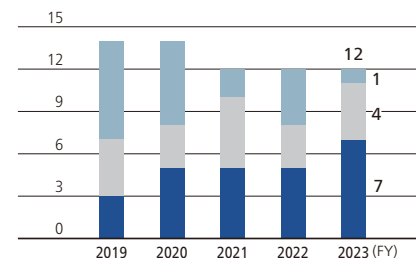
\* Operation is totaled from 2021.

\* On-site construction covers domestic construction only.

### Number of Lost Time Injuries

Occupational accidents requiring 1 day or more absence from work

■ Operation  
■ Factory  
■ On-site work

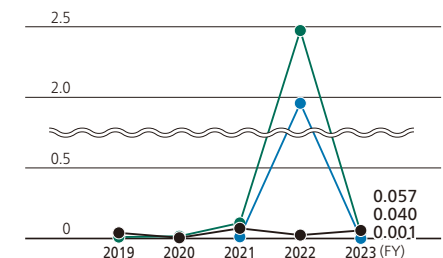


\* On-site construction includes overseas construction.

### Lost Time Injury Severity Rate

(Number of days absent from work ÷ cumulative hours worked) x 1,000

● On-site work  
● Factory  
● Operation



\* Operation is totaled from 2021.

\* On-site construction covers domestic construction only.

## Health and Safety

### Enhancing Safety Training Activities

We provide various training programs with the main focus on maintaining and improving each employee's awareness of health and safety and increasing their sensitivity to hazards and harmful effects. Training is provided mainly for new employees, work supervisors, designers, managers, and technical personnel on the basics and practice of risk assessment, accident and disaster prevention measures, health and safety management systems and methods, making machinery and equipment intrinsically safe, mental health, and other topics. These health and safety education programs are conducted based on a training plan in collaboration with the Safety Department, Human Resources Department, and each business headquarters.

In December 2023, we held safety training for all officers and employees using an e-learning format. This training is designed to raise awareness of safety-first and we intend to implement it on an ongoing basis to foster an organization in which employees are mutually aware of hazards and act safely. The first round of training saw 3,970 employees take part, a 92.7% participation rate, while the rate of correct answers on the comprehension test was 94.8%.

We also provide training to increase sensitivity to danger by using VR equipment and hazard simulation devices to prevent disasters at construction sites and manufacturing plants. Reservations for these training programs are accepted on the in-house website throughout the year, with training taking place at construction sites, operation sites, and manufacturing plants. As of June 2024, a total of 722 employees had participated in these training programs, and in a post-training questionnaire, many employees responded that their awareness of safety had changed.

We plan to continue these training programs by enhancing the content. In the process, we will promote the improvement of the level of understanding of safety throughout the organization and its reflection in our operations.

### Enhancing the Safety Management Network with ICT Technology

All accidents and incidents that occur within the Group are reported to the Safety Department of the head office in Japan. The Group analyzes the data collected and identifies the

underlying issues surrounding accidents and incidents, as well as issues that need to be addressed in order to ensure safety. The results of the data analysis are used as daily safety instructions and reflected in annual safety management policies and medium- and long-term safety management plans.

In addition, we have established an ICT-based safety management system for consolidating damage and support systems for natural disasters caused by typhoons, heavy rains, earthquakes, and other natural disasters. We will continue to leverage ICT technology to create an organization that can respond flexibly to health and safety-related risks.



Training to experience getting caught in machinery

#### Column

#### Safety culture

Regulations and standards to prevent accidents and disasters are agreed upon by all divisions based on our basic policies, and safety management activities are developed therein. Particularly serious events must be reported to the Management Strategy Committee and the Board of Directors, which directs company-wide efforts to prevent recurrence. Past serious events are reflected in the preparation of implementation plans for manufacturing, construction work, and operation projects.

While remembering past failures, we will continue our efforts to deeply and widely root the idea of safety-first, where each individual thinks and acts safely on their own initiative. The ultimate goal of this effort is a safety culture that mutually educates people about safe systems and actions. A safety culture cannot be fostered by a few people or temporary efforts, nor can it be established through autonomous thinking and behavior simply by presenting standards and rules. A safety culture will be formed only when all employees, including top management, can share the importance of safety through proactive, autonomous, and continuous efforts based on the belief that safety is the highest priority. Based on this safety culture, we will continue to create a safe and comfortable working environment for all people involved in the Group's business activities.

#### KPI (FY2025)

#### Number of lost time injuries: 0

We will develop an occupational health and safety management system that focuses on eliminating and reducing risks that lead to lost time injuries, with the goal of eliminating all accidents.

# Procurement

## Message from the General Manager



**Koichi Kaibuchi**  
Executive Officer  
General Manager of  
Procurement Headquarters

## Promoting sustainability across the entire supply chain

In the Procurement Headquarters, we take the lead in promoting sustainable procurement, which has been set as one of the Seven Pillars of Success (Materiality) for achieving the Group's Sustainable Vision. Procurement operations are extremely broad, and thousands of suppliers make up the supply chain alone, and a huge number of people are involved if you include secondary and tertiary business partners. In addition, these activities must meet a wide range of social demands, including environmental conservation, compliance, and BCP, as well as quality and profitability. To address these challenges, it is essential to understand and recognize the importance of sustainability throughout the supply chain. For this reason, the entire Group will promote initiatives for improvement through questionnaires on sustainability. From fiscal 2024, we will strive to spread understanding and raise awareness through communication using guidebooks and other means. We aim to collaborate not only with our suppliers but also with various other stakeholders to promote sustainability and fulfill our social responsibilities throughout the supply chain.

**Kanadevia Group Basic Procurement Principles**  
(Available in Japanese only)

<https://www.kanadevia.com/sustainability/social/procurement.html>

## Policy and Strategy

In November 2023, we formulated the Kanadevia Group Basic Procurement Principles, which incorporates the concept of sustainability, and are working on sustainable procurement with optimal QCD (quality, cost, and delivery) based on fair and equitable transactions. Since fiscal 2019, we have been conducting an annual self-assessment questionnaire (SAQ) to continuously survey the understanding and awareness of sustainability at each supplier. We are working to build a sustainable supply chain through a cycle of survey, assessment, and feedback to each company plus improvement advice and reassessment.

## Initiatives

From fiscal 2023, we have adopted the assessment points of the SAQ as KPIs in our materiality roadmap. By using the results of self-assessments received from target suppliers as indicators, we visualize the progress of sustainability promotion and identify specific areas for improvement. Additionally, in fiscal 2023, we clarified that the aforementioned Kanadevia Group Basic Procurement Principles covers the Group as a whole, and in line with this, we expanded and introduced SAQ surveys not only at Kanadevia but also certain Group companies. This has made it possible to promote sustainability in a wider range of supply chains. In the future, we plan to continue to expand the scope of our activities to the other Group companies.

As part of our efforts in fiscal 2024, we have prepared a Sustainable Procurement Guidebook. This guidebook is based on the Kanadevia Group Basic Procurement Principles and the contents of the SAQ, and is intended to propose to suppliers and the Group what we should specifically do and what actions we should take in order to promote sustainability. To ensure that suppliers understand and agree with the guidebook, we will focus on strengthening communication in parallel with its distribution. From this year's SAQ survey, some questions related to human rights and compliance were set as questions that each supplier

should aim for the highest score, as they are particularly important from a social responsibility perspective and should be addressed with priority.

The SAQ is a two-way activity involving survey, assessment, feedback to each company plus improvement advice and reassessment. In other words, it is an opportunity for the Group to receive many ideas, advice, and guidance from our supply chain. In this environment, we intend to continue to work together with the entire Group and the companies that comprise our supply chain to promote sustainability.

## SAQ

An awareness survey conducted annually with regard to suppliers' sustainability initiatives and prepared by the Global Compact Network Japan (GCNJ) Subcommittee.

### Results in FY2023

**Targets:** 624 companies  
(84.1% of our non-consolidated orders)

**Response rate:** 82.9% (517 companies)

### Survey results and responses:

- Scores in all areas improved by 2% to 4% from the previous year.
- Communication, including interviews, was conducted with suppliers with low scores.

**Initiative: Building a Sustainable Supply Chain**  
(Available in Japanese only)

<https://www.kanadevia.com/sustainability/social/procurement.html>

# Quality

## Basic Approach

The Kanadevia Group's corporate philosophy, Kanadevia Value, places emphasis on always pursuing quality and expresses our commitment by stating that "we are always aware of the improvement of technology and pursue quality that satisfies our customers." To date, we have continued to keep our promises to our customers and deliver high quality products, and have built deep customer trust and a strong presence in the market, which are our assets. In July 2024, however, we discovered that we had continued to engage in inappropriate conduct in our marine diesel engine business. Now is the time to return to Kanadevia Value and work to restore the trust of our customers, employees, and other stakeholders.

**Quality policy**  
<https://www.kanadevia.com/english/company/iso-9001.html>

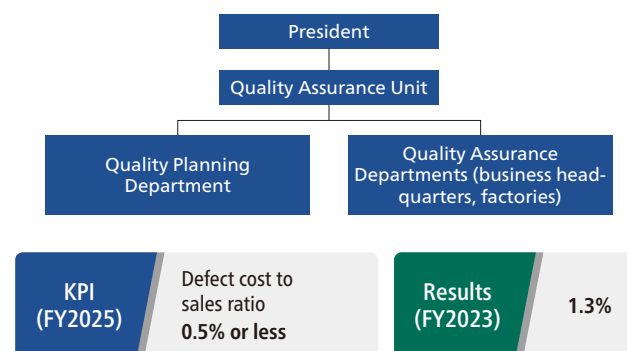
## System for Promoting Initiatives

The Quality Assurance Department had reported directly to the president, and quality assurance sections at each business headquarters and factories had reported to their respective general managers. To strengthen the internal control function, we established the Quality Assurance Unit on October 1, 2024, to oversee all quality assurance departments and report directly to the president. Also, we newly established the Quality Planning Department within the Quality Assurance Unit to plan and formulate strategies necessary to prevent quality irregularities and quality problems.

Since fiscal 2024, we have increased the number of opportunities to discuss strategies for ensuring and improving quality at the Management Strategy Committee, which is attended by top management as well, from annually to quarterly in order to strengthen our quality control system. We are also strengthening cross-divisional collaboration to prevent quality problems from occurring. Risks at the time of accepting an order have been discussed by the risk management department together with each business department and, if necessary, the Technical Research Institute. In addition, from this fiscal year, the quality assurance departments have

also been involved in the discussion of quality-related risks. We are working with the Production Engineering Department to pass on the knowledge gained from quality troubles and risk countermeasures to the entire Company and the next generation. In this way, the quality assurance departments are involved in and organically collaborate with the efforts of each department from the perspective of trouble prevention, thereby verifying projects from multiple perspectives and promoting the achievement of KPIs for fiscal 2025, the pursuit of quality, and thorough risk management.

Quality assurance organization chart (October 2024 onward)

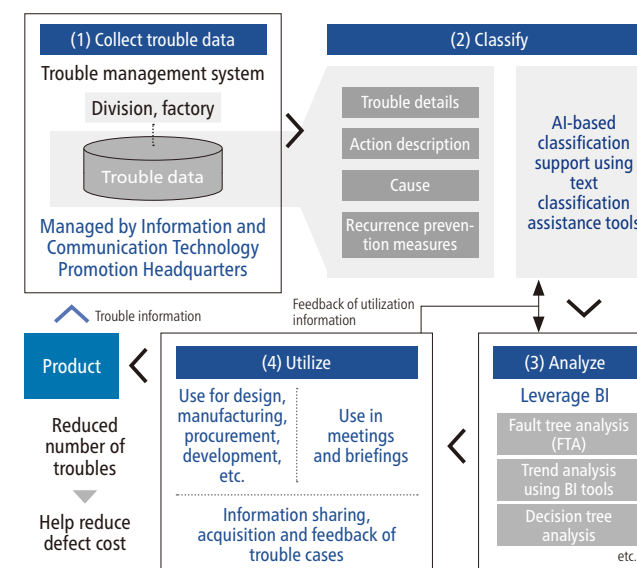


## Database of Quality Troubles and Future Initiatives

We are working to prevent quality problems by utilizing a database of past troubles. In fiscal 2023, we centralized the accumulated knowledge and case studies of skilled workers and past trouble information, and made it into this database that all executives and employees can access and search. As a result, in addition to the accumulation and sharing of trouble information, it is now possible to quantify and analyze this information, such as the cost of troubleshooting and the number of days required for resolution. We will continue to make further improvements by implementing the PDCA cycle in each department to reduce defect costs. In addition, we are refining search functions with the aim of starting operation of a trouble information search system using artificial intelligence (AI) within fiscal 2024. Furthermore, we are

building a system to prevent problems before they occur by extracting quality risks based on trouble information and design review information.

Flow of using trouble data



## Strengthening internal control functions

**Sachiko Ohchi**

**Executive Officer, General Manager of Quality Assurance Unit**

The purpose of quality assurance is to assure not only the quality of products but also the quality of work, and these activities contribute to the optimization of the entire Company's business processes. In order to promote customer-oriented quality assurance and strengthen internal control and governance functions, quality assurance departments were integrated into the independent Quality Assurance Unit which reports directly to the president. We will work to prevent the recurrence of inappropriate conduct, provide company-wide support for the prevention and early resolution of quality problems by promptly sharing trouble information, and further raise awareness of quality.



# Environmental Management

## Basic Approach

To promote environmental conservation activities in our business activities, the Kanadevia Group has established, maintains, and operates an environmental management system based on the Basic Environmental Conservation Policies, ISO 14001, and environmental laws and guidelines in each country and region.

## Structure

The Group's environmental conservation promotion system is led by the Environmental Conservation Promotion Committee, a sub-committee of the Sustainability Promotion Committee, and the Environmental Conservation Committees of each business site, and is aimed at promoting compliance with environmental laws and regulations, preventing environmental risks including climate change-related risks from materializing, and promoting environmental conservation activities.

The Environmental Conservation Promotion Committee sets up an Environmental Conservation Promotion Plan based on the roadmap established for achieving our Sustainable Vision, and regularly follows up and reviews the progress and processes of the plan. In addition, the Committee receives reports on the results of environmental audits conducted by the Sustainability Promotion Department, and provides instructions and guidance to each factory.

| Sustainability promotion framework P.44

## Environmental Conservation Promotion Committee

Committee chair	Members	Items discussed and reported	Meeting frequency
Officer in charge of sustainability promotion	General managers of each business headquarters General managers in charge of environment at each business site	Formulation of basic policies on environmental protection and important implementation items	2 times/year*1

\*1 Three meetings were held in fiscal 2023.

## Acquisition of ISO 14001

ISO 14001 acquisition rate of domestic and overseas business sites: 80% (FY2023) (consolidated net sales basis)

## Environmental management system for Group companies

In principle, the environmental management system of the Kanadevia Group covers its consolidated subsidiaries, including overseas Group companies. The business formats of Group companies include those with manufacturing facilities, those primarily engaged in engineering and field construction, and those with only offices and no manufacturing facilities. To ensure compliance with environmental laws and regulations, prevent environmental risks from materializing, and promote environmental conservation activities, we select items to be managed at each applicable business site based on the industry, impact on the environment and ecosystems, and other factors, and collect environmental information. In addition, we include companies that have manufacturing facilities in the scope of environmental audits.

## Initiatives

### Environmental communication

We promote activities to educate and raise awareness about the environment, such as by hosting tours of Waste to Energy plants and biomass power plants that we have built, and by offering lectures at elementary schools in local communities. In addition, we are promoting social studies field trip support for elementary schools that plan to teach about waste management, providing consistent support for the production of teaching materials, visiting classes, and facility tours.

As part of our SDGs activities, we have been registered as an Odawara SDGs Partner by Odawara City since fiscal 2023, and we are participating in activities such as serving as a presenter at problem-solving workshops on the theme of waste separation. We are promoting initiatives to realize a sustainable local community with "waste" disposal in the community as a keyword.

Overseas, we give presentations on waste disposal and resource recycling to students of the National University of Laos four to five times a year. We have been engaged in environmental awareness activities in Laos since 2015, and in fiscal 2024, we renewed our three-year partnership agreement. In the future, we plan to go beyond presentations and engage in activities to separate and collect garbage and reduce waste.

**Kanadevia's Initiatives (Available in Japanese only)**  
<https://www.kanadevia.com/newsroom/effort/>



Social studies field trip support (Otemon Gakuin Elementary School)



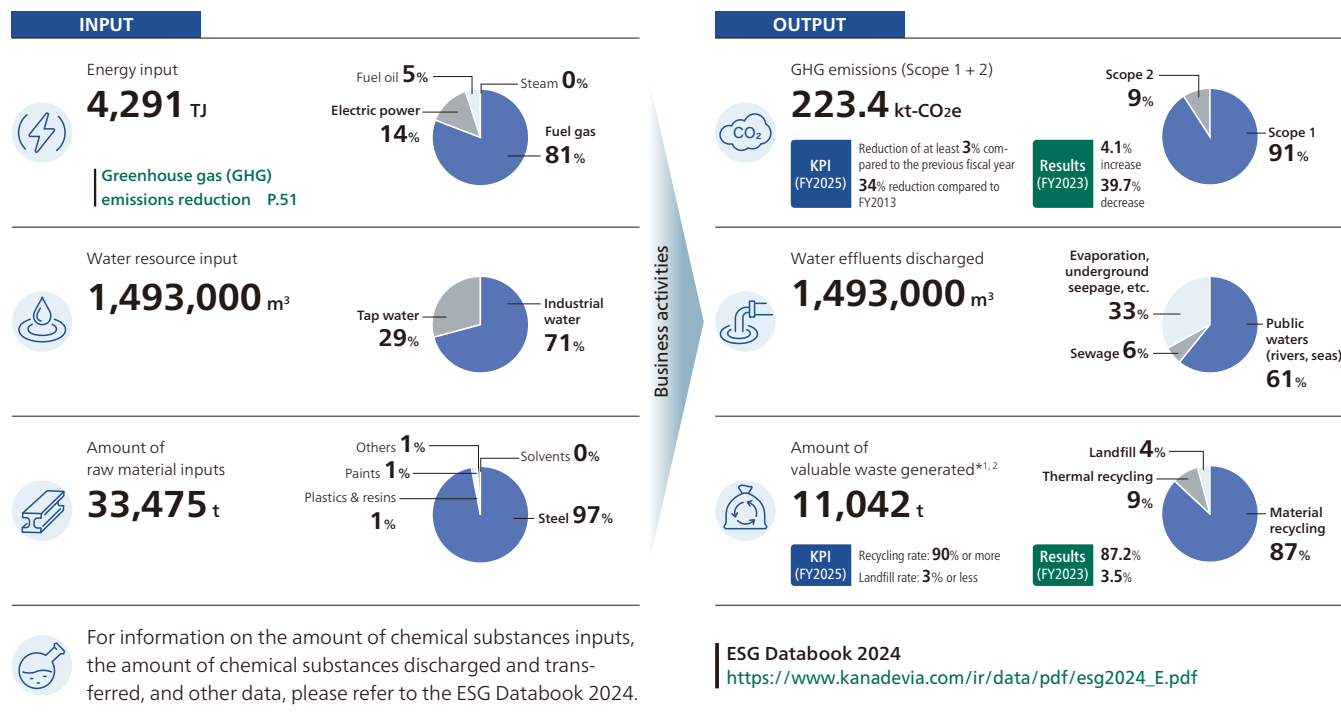
Partnership agreement signing ceremony (National University of Laos)

# Environmental Management

## Environmental Data

### Overview of environmental impacts in our business activities

The Group strives to improve the efficiency of resource use and reduce environmental impact by understanding the correlation between the resources used throughout its business activities and environmental impact data. The results for fiscal 2023 are as follows.



\*1 Waste generated by Kanadevia and manufacturing subsidiaries

\*2 There is some overlap between thermal recycling and certain landfill volumes. For this reason, the figures shown in the pie chart do not match the figures in the ESG Databook.

### Data disclosure boundary / Coverage ratio

Item	Data disclosure boundary (Number of companies)	Coverage ratio (%)
Energy input / GHG emissions (Scope 1 + 2)	Kanadevia and its consolidated subsidiaries (98)	95
Water resource input / waster effluents discharge	Kanadevia and its consolidated subsidiaries (84)	94
Amount of raw materials input	Kanadevia and its consolidated subsidiaries* (7)	37
Amount of valuable waste generated / recycling rate / landfill rate (waste generated by Kanadevia and its manufacturing subsidiaries)	Kanadevia and its consolidated subsidiaries* (11)	58

\* Total number of companies with a manufacturing process: 19

## Utilization of green finance

### Green bonds

In September 2018, the Company became the first Japanese manufacturing company to issue green bonds. In October 2021, we issued our second round of green bonds to fund a wind power generation project.

#### Hitachi Zosen Green Bonds issued in 2021

#### 1 Overview of projects and status

Project	Mutsu Ogawara Onshore Wind Farm Project
Scope of business	Design, construction, and operation of onshore wind power generation facilities
Description	Number of turbines: 4.3 MW class wind power generator x 15 Maximum output: 57,000 kW
Start of operation	Scheduled for April 2026
Current status	Received an order from Mutsu Ogawara Wind Power LLC for construction and long-term operation management. Started foundation work and the ordering and manufacturing of various equipment.

#### 2 Fund allocation (as of March 31, 2024)

	(¥ million)
Amount raised from green bonds	10,000
Investment in special purpose company	-1,353
Construction costs of power generation facilities	-5,810
Unallocated portion	2,837

#### Kanadevia Green Bonds

<https://www.kanadevia.com/english/sustainability/greenbond.html>

## Positive impact finance

In March 2024, we received a Mizuho Positive Impact Finance loan from Mizuho Bank, Ltd. This was made possible by the qualitative and quantitative evaluation of our activities that have an impact on the achievement of the SDGs, especially our materiality initiatives.

#### Details

<https://www.kanadevia.com/english/newsroom/news/assets/pdf/FY2023-101.pdf>

## Greenhouse Gas (GHG) Emissions Reduction

### Basic Approach

In order to achieve carbon neutrality, which is one of our Seven Pillars of Success (Materiality), the Group is focusing on initiatives through products and services, acquisition of new business opportunities, and the creation of business models with the aim of reducing greenhouse gas (GHG) emissions from the Group's business activities to zero.

### Initiatives to Achieve Zero Greenhouse Gas Emissions from Business Activities

The Group has set GHG emissions reduction targets of 34% in fiscal 2025 and 50% in fiscal 2030 compared to the base year of fiscal 2013, and is advancing initiatives.

In fiscal 2023, to better understand the environmental impact of each Group company and set and manage effective targets, we established the Environmental Data Management Guidelines and introduced an environmental data management system to collect environmental data associated with our business activities. We have expanded the scope of GHG emissions data from 20 companies (83% of consolidated net sales) in fiscal 2022 to 98 companies (95% of consolidated net sales) in fiscal 2023.

The collected data is aggregated and analyzed, and issues are then identified and reported to the Sustainability Promotion Committee. The Company use this information to strengthen its activities, such as sharing issues and best practices.

Efforts to lower emissions include reducing fossil energy in the manufacturing process, switching to renewable energy, and promoting efficient energy use.

### Targets and results

#### Energy input

Energy input in fiscal 2023 decreased by 150 TJ from the previous fiscal year to 4,291 TJ (down 3.4% year on year). Although the amount of gasoline, city gas, purchased electricity and other items increased owing to the expansion of the scope of data collection, this decrease was due to lower fuel gas input attributed to a decrease in demand in our power generation business and the

Reduction targets		FY2025	FY2030	FY2050
Kanadevia Group GHG emissions reduction* <sup>1</sup>	Scope 1 and 2	34% reduction* <sup>2</sup>	—	—
	Scope 1, 2 and 3	—	50% reduction* <sup>2</sup>	Carbon neutrality* <sup>3</sup>
CO <sub>2</sub> reduction through our products			Approx. 40 million t-CO <sub>2</sub> annually	

\*1 Reduction of GHG emissions across our activities and our value chain.

\*2 Reduction targets are compared to the base year of fiscal 2013.

\*3 Refers to achieving net zero by subtracting absorption/removal and offset amounts from the Kanadevia Group's emissions and including third-party GHG reduction contributions.

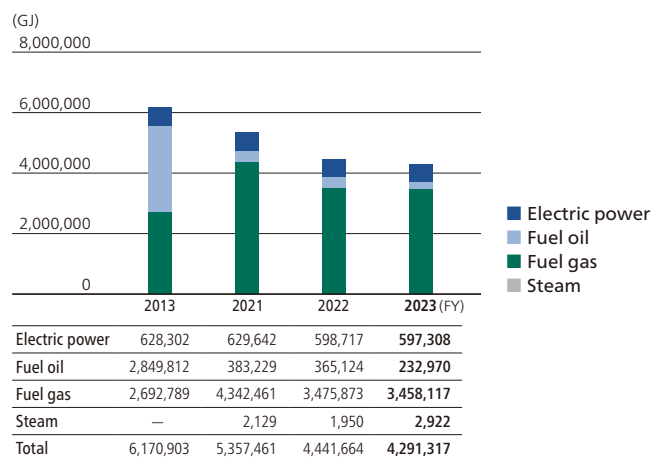
decrease in the amount of fuel oil, especially diesel oil and Bunker A, at the Company's manufacturing sites.

#### Scope 1 and 2 GHG emissions

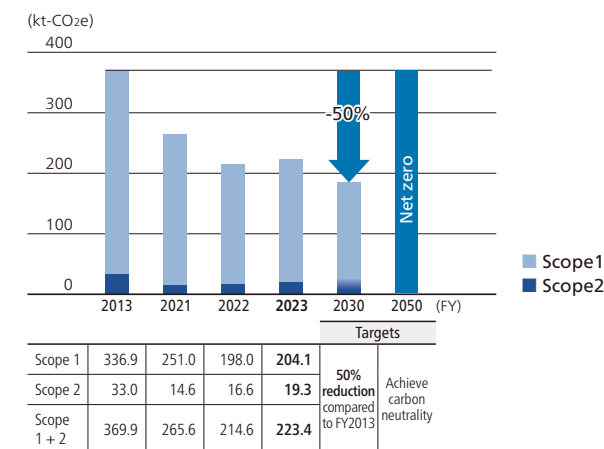
Total Scope 1 and 2 GHG emissions in fiscal 2023 increased by 8.8 kt-CO<sub>2</sub>e from fiscal 2022 to 223.4kt-CO<sub>2</sub>e. Compared to the previous fiscal year, Scope 1 and 2 emissions increased despite a significant reduction in fuel consumption and an increase in renewable

energy electricity consumption, because of a significant increase in the number of companies subject to data collection, the full-scale start of aggregation of non-energy greenhouse gases, and an increase in the emission coefficients of electric power companies with which the Group has contracts. However, we have already achieved a 39.7% reduction compared to the fiscal 2025 target of 34% compared to fiscal 2013. Going forward, we will continue to improve equipment efficiency by introducing and

#### Input Energy input results



#### Output GHG emissions Scope 1 and 2 targets and results



Scope of data disclosure: Kanadevia and 98 consolidated subsidiaries

Coverage ratio: 95%

## Greenhouse Gas (GHG) Emissions Reduction

updating high-efficiency equipment, and promote initiatives such as switching to zero-GHG emission electricity to further reduce Scope 1 and 2 emissions.

For our GHG emissions in fiscal 2023 (for emissions in Japan), we obtained third-party assurance from KPMG AZSA Sustainability Co., Ltd.

**ESG Databook 2024**  
[https://www.kanadevia.com/ir/data/pdf/esg2024\\_E.pdf](https://www.kanadevia.com/ir/data/pdf/esg2024_E.pdf)

### Initiatives for zero environmental impacts through products and services

As a solution partner that contributes to the realization of a sustainable, safe, and secure society, the Group is actively working to solve social issues through the three business fields of decarbonization, resource circulation, and safe and prosperous community development.

In order to achieve carbon neutrality, we are working on third-party fuel conversion, the development and practical application of products compatible with clean energy such as hydrogen, synthetic methane and ammonia, the establishment and practical application of CO<sub>2</sub> capture and utilization technologies, and the expansion of the wind power generation business.

In particular, Waste to Energy (WtE) plants, which the Group has an established track record delivering, generate electricity by burning the special fuel of waste. By combining this technology with technologies such as CO<sub>2</sub> capture and methanation, and by further strengthening biogas facilities, which is one of our focus areas, we will be able to promote recycling from waste, and real-ize resource recycling and decarbonization at the same time.

Through the development of such technologies and their implementation in Japan and overseas, the Group will contribute to the realization of a recycling-oriented and decarbonized society.

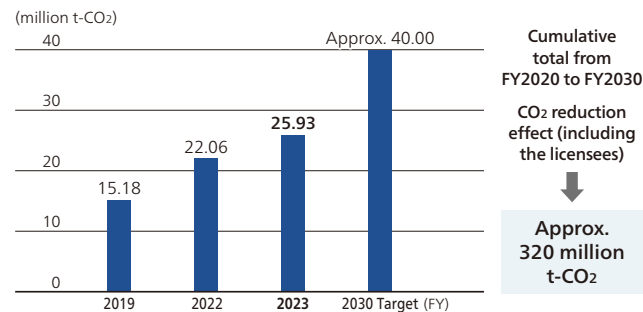
### Targets and results

#### Contribution to CO<sub>2</sub> emissions reduction from the Group's products

Clean energy facilities, including WtE, biogas, biomass, and wind power facilities, using our Group's technologies contribute to reducing CO<sub>2</sub> emissions through our customers' business activities. As of the end of fiscal 2023, our products (including the products of licensees) had reduced CO<sub>2</sub>\* by 25.93 million tons per year worldwide, equivalent to roughly 4.0% of the new target for reducing greenhouse gas emissions announced by the Japanese government in April 2021. We will continue to contribute to CO<sub>2</sub> reduction through our products, aiming to create an annual CO<sub>2</sub> reduction effect of approximately 40 million tons by the end of fiscal 2030.

\* The CO<sub>2</sub> reduction effect was calculated from the power generation capacity of working facilities (excluding use of heat inside facilities), "The Method of Calculating Greenhouse-Gas Emissions and List of Emission Coefficients" issued by the Japanese Ministry of the Environment, and "Global Warming" (emission factors in foreign countries) issued by the Agency for Natural Resources and Energy. The fiscal 2030 target is calculated proportionally based on actual results up to fiscal 2023. Japan's greenhouse gas emissions reduction target for fiscal 2030 is 46% of the 1,408 million tons (CO<sub>2</sub> equivalent) in fiscal 2013, and was used to estimate the Group's contribution rate.

#### Contribution to CO<sub>2</sub> emissions reduction from the Group's products



### Column

#### Manufacturing of high-purity methane gas using biomethanation

Methanation technology makes it possible to store and reuse hard-to-store renewable energies such as wind and solar power in the form of methane. In Switzerland, Kanadevia Inova Schmack, a member of the Kanadevia Group, has put into practical use a bio-methanation technology that produces methane by reacting carbon dioxide contained in digestion gas from sewage treatment, and biogas derived from food waste and agricultural waste with hydrogen by the action of microorganisms. It is less affected by impurities such as hydrogen sulfide and ammonia contained in the biogas raw material, and is a nutrient for microorganisms.

At one of the largest PtG plants in Europe, located in a WtE and sewage treatment complex owned by Swiss utility Regiowerk Limeco in the city of Dietikon, the canton of Zurich, hydrogen for methanation is also generated by the on-site water electrolyzer. Since March 2022, methane with a purity of 98% or more has been generated, contributing to a reduction of 4,000 to 5,000 tons of CO<sub>2</sub> per year, equivalent to the CO<sub>2</sub> emissions of approximately 2,000 households.

Methanation reaction formula:  $4\text{H}_2 + \text{CO}_2 \rightarrow \text{CH}_4 + 2\text{H}_2\text{O}$

In recognition of its forward-thinking efforts, the project was awarded the Watt d'Or award in 2023 by the Swiss Federal Office of Energy, which recognizes innovation and outstanding achievements in the energy sector. Methane is the main component of natural gas, and it is expected to be a next-generation energy source because it can use existing gas supply networks. The Group will continue to contribute to the realization of a sustainable society by utilizing its own technologies such as water electrolysis and methanation, as well as its many years of experience in plant construction.



PtG plant for biomethanation (Switzerland)  
Source: <https://www.powertogas.ch>  
(Available in German only)

**Kanadevia Inova Dietikon Methanation Project**  
<https://www.kanadevia-inova.com/projects/dietikon-che/>



## Response to TCFD/TNFD

### TCFD

The Kanadevia Group expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2021. We work for disclosure of information such as identifying and assessing climate-related risks and opportunities and conducting scenario analyses.

### Governance

The Kanadevia Group has defined "Carbon Neutrality" as one of the Pillars of Success (Materiality) and positions climate change as an important management issue. The Sustainability Promotion Committee, a subordinate organization of the Board of Directors, deliberates on management policies and strategies related to carbon neutrality and receives reports on the implementation status of various measures. Specific operations are executed based on deliberations and decisions made at the Management Meeting and Sustainability Promotion Committee. For other climate change risks, the Environmental Conservation Promotion Committee and Environmental Data Management Committee handle responses and consolidation regarding environmental management and environmental data management.

| Sustainability Promotion System P.44 / Environmental Management P.49

### Risk management

Policies related to climate change in each country and region have a significant impact on the profitability and sustainability of each of our businesses. The Kanadevia Group has conducted scenario analysis for businesses that are likely to be affected by climate change using multiple climate change scenarios such as those from the IEA (International Energy Agency). Subsequently, we analyzed the impacts from both risk and opportunity perspectives and formulated our Pillars of Success (Materiality). Each department collaborates to identify, evaluate, and manage climate change risks and opportunities that have a material impact on our business. We plan to continue to conduct periodic reviews to reflect changes in the external environment as we update our medium-term management plan.

| Sustainable Vision P.17 / Risk Management P.69

### Strategy

We identified and evaluated short-, medium-, and long-term climate change risks and opportunities targeting the period until 2050. Among these, we conducted scenario analysis for three businesses (Waste to Energy (WtE) plant business, biogas plant business, wind power generation business) that are likely to be significantly affected by climate change in 2050.

#### Scenario analysis

We conducted analysis adopting three scenarios assuming global average temperature rises of 4°C, 2°C, and 1.5°C compared to pre-industrial levels by 2100.

#### • Future social image assuming a temperature rise of around 2°C

In the 2°C scenario, policies promoting renewable energy and restraining greenhouse gas (GHG) emissions progress, affecting costs due to rising raw material prices and carbon taxes. On the other hand, as the ratio of renewable energy increases, demand is expected to increase not only for WtE plants but also for biogas plants and offshore wind power generation. Demand for waste

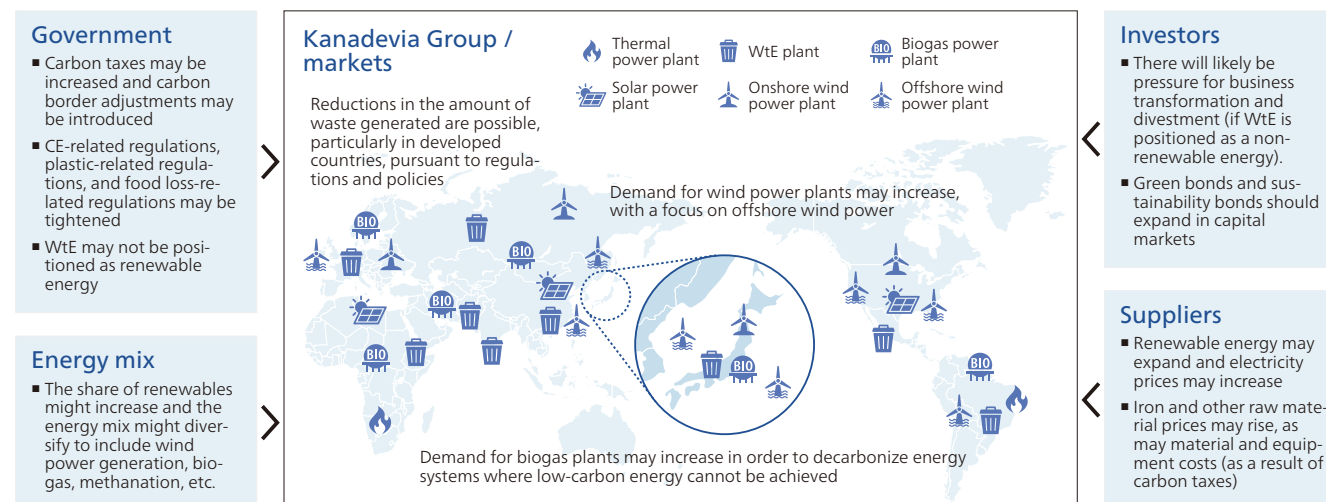
treatment is also expected to grow, especially in emerging countries. However, with the possibility of waste generation suppression progressing in developed countries and waste treatment demand growth slowing, we will monitor trends in each region and promote research and development aimed at technological innovation for sustainable growth.

#### Overview of scenario analysis

Key scenarios	Transition risks and opportunities: NZE, SDS, STEPS by IEA Physical risks and opportunities: RCP 1.9, 2.6, and 8.5 by IPCC
Target Businesses	WtE business, biogas plant business, wind power generation business
Target year	2050

(Note) IEA: International Energy Agency  
NZE: Net Zero Emissions by 2050 Scenario  
SDS: Sustainable Development Scenario  
STEPS: Stated Policies Scenario  
IPCC: Intergovernmental Panel on Climate Change  
RCP: Representative Concentration Pathways

#### Future vision of society under the 2°C scenario



# Response to TCFD/TNFD

## Summary of scenario analysis results

Item			Anticipated changes and worldview		Financial impact			Countermeasures
			Overview ( <div>Risks</div> / <div>Opportunities</div> )		Scenario			
					4°C	2°C	1.5°C	
Transition	Risks	Introduction of carbon taxes	<div>Risks</div>	Operation costs increase as a result of carbon pricing		High	High	<div>■ Set GHG emissions reduction targets and roadmaps</div> <div><div>Sustainable Vision</div> <div>P.17</div></div> <div><div>Greenhouse Gas (GHG) Emissions Reduction</div> <div>P.51</div></div> <div>■ Develop carbon-neutral products</div> <div>■ Consider the introduction of ICP, making it the engine for company-wide decarbonization management</div> <div>■ Participate in the GX (Green Transformation) League (May 2023)</div>
			<div>Risks</div>	If carbon border adjustments are implemented, costs associated with importing and exporting materials and equipment may increase				
		Higher raw material costs	<div>Risks</div>	Procurement costs for energy-intensive materials and equipment rise (items that use iron, copper, cement, plastic, etc. as raw materials)		Medium	Medium	<div>■ Shift costs onto prices and implement open book contracts in response to rising raw material prices.</div> <div>■ Shift to materials and equipment that use raw materials with low carbon impacts</div> <div>■ Curtail use of (materials and equipment that use) raw materials with high carbon impacts</div>
	Changes in policies, regulations, and energy mix	WtE plants	Share of renewable energy varies widely by scenario (WtE plants)		High	Medium	<div>■ Prepare strategic options for each scenario and adjust the business portfolio to reflect changes in policy, regulation, and energy mix</div> <div>■ Focus on O&amp;M in addition to EPC to meet the demand for extended plant life</div> <div>■ Build ecosystems by engaging supply chain companies and prepare for market expansion opportunities</div> <div>■ Expand the Waste to X business to recover and utilize a wide variety of valuable resources from waste sources through open innovation and M&amp;A</div> <div>■ Leverage in-house technologies and extensive delivery track record to help solve the expected problem of increased waste generation in developing countries</div> <div>■ Promote research and development on methods of energy recovery from waste other than incineration, such as biogas and waste gasification</div> <div>■ Promote separation, recovery, and effective utilization of CO<sub>2</sub> generated from waste incineration treatment using high CO<sub>2</sub> concentration waste incineration technology</div> <div><div>Environmental Business</div> <div>P.33</div></div> <div>■ Promote self-building, ownership, and operation (BOO) business of biogas plants to contribute to renewable energy conversion promotion in Europe</div> <div>■ In Japan, contribute to the expansion of offshore wind power introduction through NEDO's commissioned projects</div> <div>■ Formulate Kanadevia Group Basic Procurement Principles, promoting sustainable procurement together with suppliers</div> <div><div>Procurement</div> <div>P.47</div></div>	
			<div>Risks</div>	Regulations on circular economy, plastics, and food losses are strengthened and waste processing volumes decrease to limit temperature rise				
		Biogas plants	<div>Risks</div>	WtE is no longer treated as renewable energy in developed countries and demand for new plants stagnates		High		Medium
Wind power plants	<div>Opportunities</div>	Overseas markets expand substantially as a solution to increased waste generation and landfill problems associated with economic growth in developing countries						
		(Biogas and wind power plants)	<div>Opportunities</div>	Markets expand significantly in low-carbon societies (particularly for offshore wind power)		Medium		
Physical	Risks and opportunities	Worsening natural disasters (floods, lightning strikes, etc.)	<div>Risks</div>	Natural disasters, such as floods, typhoons, heavy rain, and lightning strikes, damage plants, resulting in additional costs to restore plants and reduced revenues during downtime for DBO projects		High		<div>■ Ensure annual provisions for countermeasures based on historical damage levels</div> <div>■ Implement business continuity plans, including insurance to cover natural disaster damage</div> <div>■ Establish an ICT-driven system to ensure that social infrastructure, such as WtE facilities and sludge recycling centers, will not be shut down even in the event of a disaster</div> <div>■ Develop a wide range of disaster prevention infrastructure technologies for major disasters, including flap-gate type seawalls</div>
			<div>Opportunities</div>	Orders for repair work on damaged facilities increase				

## Indicators and Targets

### GHG Emission Reduction

#### Targets

	FY2025	FY2030	FY2050
Scope 1, 2	34% reduction from FY2013	—	—
Scope 1, 2, 3	—	50% reduction from FY2013	Carbon Neutrality*

\* Refers to achieving net zero by subtracting absorption/removal and offset amounts from the Kanadevia Group's emissions and including third-party GHG reduction contributions.

#### Results FY2023 Results

### | Greenhouse Gas (GHG) Emissions Reduction P.51

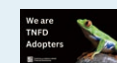
## Medium-Term Management Plan Forward 25

**Targets** FY2025 Sales of Carbon Neutral Solution Business 70 billion yen

**Results** FY2023 Results | [Carbon Neutral Solution Business P.39](#)

## TNFD

### Expressed Support for TNFD Recommendations



The Kanadevia Group expressed support for the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) in December 2023. Among the Kanadevia Group's Sustainable Vision and Seven Pillars of Success (Materiality), those closely related to natural capital such as "Complete circulation of resources" and "Maximization of the environment's recovery power," as well as "Response to intensifying natural disasters" and "Sustainable procurement," align with TNFD's recommendations.

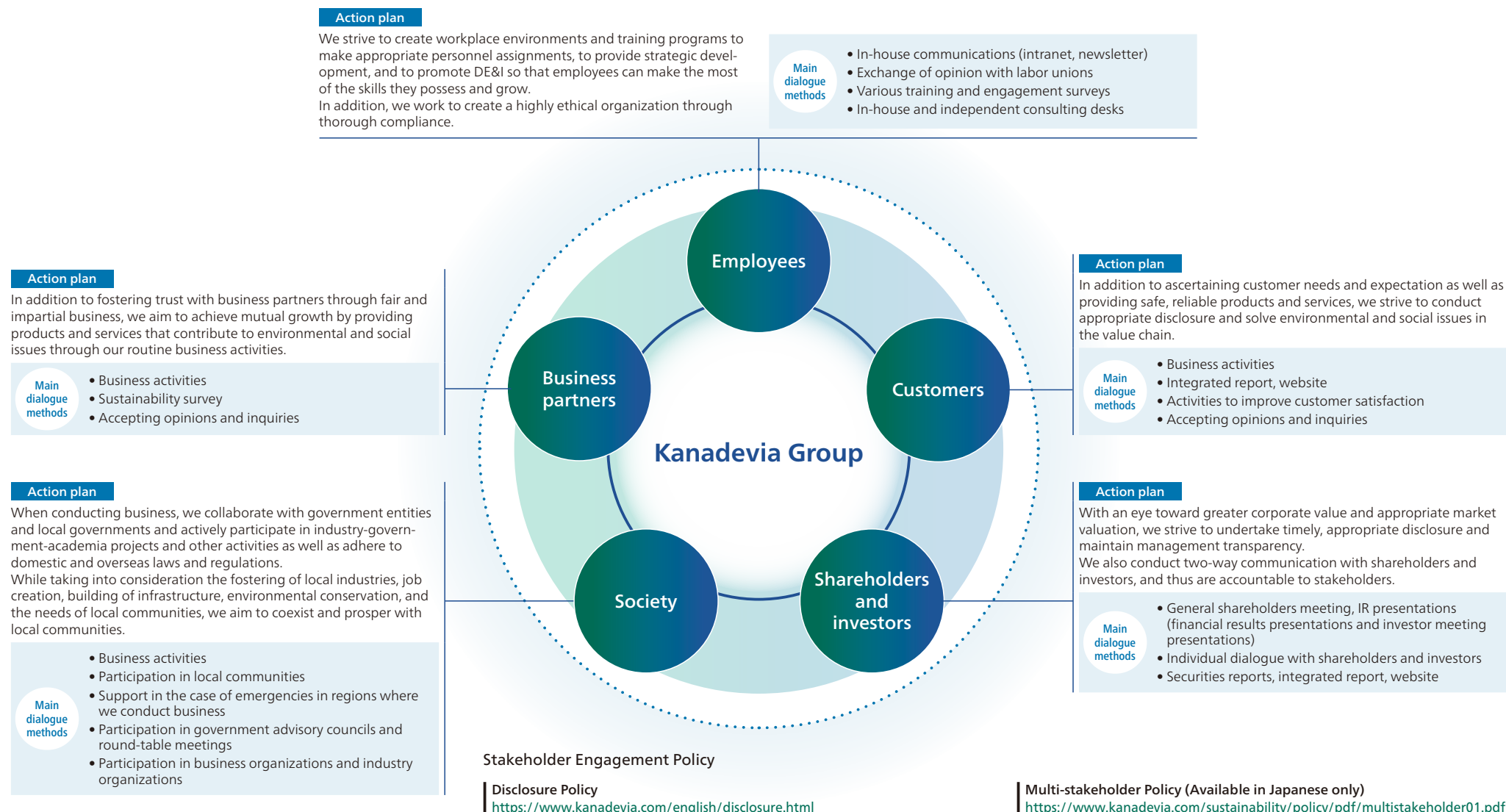
In October 2024, we issued the "TNFD Report 2024." Targeting the Waste to Energy business and the biomass power generation business, we analyzed the environmental impact of our business and value chain, analyzed risks and opportunities, and depicted the business strategy and world view to be reached. We will continue to promote initiatives towards realizing Nature Positive\* along with the TCFD recommendations.

\* A concept aiming to halt the loss of natural ecosystems and reverse them to a recovery trajectory.

**TNFD Report 2024**  
[https://www.kanadevia.com/ir/data/pdf/tnfd2024\\_E.pdf](https://www.kanadevia.com/ir/data/pdf/tnfd2024_E.pdf)

## Co-Creating Value with Stakeholders

The Kanadevia Group thinks that properly ascertaining society's expectations and demands leads to new business opportunities and sustainable business growth. We value proactive disclosure and continuous dialogue in order to strengthen trust with diverse stakeholders.





## Board of Directors and Corporate Auditors



**1** Representative Director  
Chairman of the Board and  
Chief Executive Officer  
**Sadao Mino**

**2** Representative Director  
President and Chief Operating Officer  
**Michi Kuwahara**

**3** Director and Senior Managing  
Executive Officer  
**Satoshi Kimura**

**4** Director and Managing Executive  
Officer  
**Munenobu Hashizume**

**5** Outside Director  
**Tetsuya Shoji**

**6** Outside Director  
**Shinoi Sakata**

**7** Outside Director  
**Akiko Horiguchi**

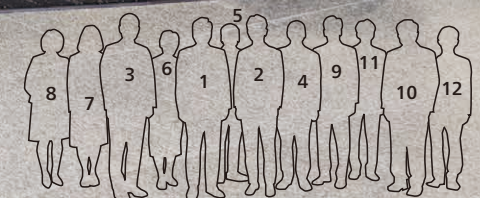
**8** Outside Director  
**Maki Miyazaki**

**9** Full-time Corporate Auditor  
**Kazuhisa Yamamoto**

**10** Full-time Corporate Auditor  
**Masayuki Morikata**

**11** Outside Corporate Auditor  
**Hirofumi Yasuhara**

**12** Outside Corporate Auditor  
**Koji Inada**





# Board of Directors and Corporate Auditors

## Directors

Attendance refers to the number of Board of Directors meetings attended during the fiscal year ending March 2024, and the number of the Company's share owned is as of March 31, 2024.

Representative Director, Chairman of the Board and  
Chief Executive Officer

**Sadao Mino**

1

Number of the Company's share owned: 87,795  
Attendance: 14/14

Apr. 1982 Joined the Company  
Jun. 2015 Managing Director, the Company  
Apr. 2017 Representative Director, Executive Vice-President, the Company  
Apr. 2020 Representative Director, President and Chief Operating Officer,  
the Company  
Apr. 2022 Representative Director, President and Chief Executive Officer,  
the Company  
Apr. 2024 Representative Director, Chairman of the Board and Chief Executive  
Officer, the Company (current position)

Representative Director, President and Chief Operating Officer

**Michi Kuwahara**

2

Number of the Company's share owned: 11,350  
Attendance: 14/14

Apr. 1986 Joined the Company  
Jan. 2018 Chairman of the Supervisory Board of Hitachi Zosen Inova AG  
(currently, Kanadevia Inova AG)  
Jul. 2020 General Manager of General Administration Headquarters, and  
Corporate Planning Headquarters, the Company  
Jun. 2021 Director, the Company  
Apr. 2022 Managing Director, the Company, and General Manager of  
Environment Business Headquarters  
Apr. 2024 Representative Director, President and Chief Executive Officer,  
the Company (current position)

Director

**Satoshi Kimura**

3

Number of the Company's share owned: 16,217

Apr. 1983 Joined the Company  
Apr. 2019 Director & President, OHNAMI CORPORATION  
Apr. 2021 Senior Managing Executive Officer, the Company (current position)  
General Manager of Procurement Headquarters, the Company  
Apr. 2022 General Manager of Corporate Planning Headquarters, the Company  
(current position)  
Jun. 2024 Director, the Company (current position)

Director

**Munenobu Hashizume**

4

Number of the Company's share owned: 577

Apr. 1988 Joined Nippon Telegraph and Telephone Public Corporation  
Jun. 2013 Representative Director & President of NTT DATA TERANOS  
CORPORATION (currently, KNT-CT IT Solutions Co., Ltd.)  
Jul. 2018 Joined the Company  
Apr. 2019 General Manager of Information and Communication Technology  
Promotion Headquarters (current position) and General Manager of  
Advanced Information Technology Center, the Company  
Apr. 2022 Managing Executive Officer, the Company (current position)  
Jun. 2024 Director, the Company (current position)

## Outside Directors

Outside Director

**Tetsuya Shoji**

5

Number of the Company's share owned: None  
Attendance: 14/14

Apr. 1977 Joined Nippon Telegraph and Telephone Public Corporation  
Jun. 2015 President & CEO, Representative Member of the Board, NTT  
Communications Corporation  
Jun. 2020 Corporate Advisor, NTT Communications Corporation (current  
position)  
Dec. 2020 Outside Director, circlace Inc. (current position)  
Mar. 2021 Outside Director, Sapporo Holdings Limited (current position)  
Jun. 2021 Outside Director, the Company (current position)  
Outside Director, Mitsubishi Logistics Corporation (current position)  
Mar. 2022 Outside Director, Japan Tobacco Inc. (current position)

Outside Director

**Shinoi Sakata**

6

Number of the Company's share owned: None  
Attendance: 11/11

Apr. 1979 Joined Sumitomo Chemical Co., Ltd.  
(currently, SUMITOMO CHEMICAL COMPANY, LIMITED)  
Apr. 2013 Executive Officer, Responsible for Intellectual Property Department,  
SUMITOMO CHEMICAL COMPANY, LIMITED  
Apr. 2016 Advisor, SUMITOMO CHEMICAL COMPANY, LIMITED  
Director & Vice President, Sumika Technical Information Service, Inc.  
Jun. 2017 Representative Director & President, Sumika Technical Information  
Service, Inc.  
May 2018 Executive Director, Japan Chemical Industry Association (in charge of  
the chemical management and international affairs)  
Jun. 2020 Outside Director, Nomura Research Institute, Ltd. (current position)  
Jun. 2023 Outside Director, the Company (current position)

Outside Director

**Akiko Horiguchi**

7

Number of the Company's share owned: None  
Attendance: 11/11

Apr. 1985 Joined Oki Electric Industry Co., Ltd.  
Apr. 2015 Director, Oki Consulting Solutions Co., Ltd.  
Apr. 2017 Executive Officer & Head of Human Resources Department, Corporate  
Management Headquarters, Oki Electric Industry Co., Ltd.  
Director, Oki Proserve Co., Ltd. (retired in April 2019)  
Jun. 2018 Director, Japan Institute for Women's Empowerment & Diversity  
Management  
Apr. 2019 Representative Director, President and Executive Officer, Oki Workwel  
Co., Ltd. (current position)  
Apr. 2020 Associate Executive Officer, Corporate Headquarters, Oki Electric  
Industry Co., Ltd.  
Jun. 2023 Outside Director, the Company (current position)

Outside Director

**Maki Miyazaki**

8

Number of the Company's share owned: None

Apr. 1992 Registered as attorney-at-law  
Joined Law Offices of Yumoto, Kogo & Mori (currently, Law Offices of  
Yumoto, Ota & Miyazaki)  
Sep. 1996 Joined Kelley Drye & Warren LLP  
Oct. 1997 Admitted to the bar of the State of New York  
Jan. 2003 Partner, Law Offices of Yumoto & Ota (currently, Law Offices of  
Yumoto, Ota & Miyazaki)  
Jan. 2007 Managing Partner, Law Offices of Yumoto, Ota & Miyazaki (current  
position)  
Jun. 2024 Outside Director, the Company (current position)

(Note) Attendance at the Board of Directors meetings by Ms. Shinoi Sakata and Ms. Akiko Horiguchi counts only the Board of Directors meetings held after their assuming the office of Director on June 21, 2023.

## Corporate Auditors

Attendance refers to the number of Board of Directors meetings (left) and Audit &  
Supervisory Board meetings (right) attended during the fiscal year ending March 2024.

Full-time Corporate Auditor

**Kazuhiya Yamamoto**

9

Number of the Company's share owned: 30,600  
Attendance: 14/14 8/8

Apr. 1982 Joined the Company  
Apr. 2017 General Manager of Environment Business Headquarters,  
the Company  
Jun. 2017 Director, the Company  
Jun. 2019 Managing Director, the Company  
Jun. 2021 Full-time Corporate Auditor, the Company (current position)

Full-time Corporate Auditor

**Masayuki Morikata**

10

Number of the Company's share owned: 57,800  
Attendance: 14/14 8/8

Apr. 1974 Joined the Company  
Jun. 2006 General Manager of Accounting Department  
Jun. 2010 Director, the Company  
Apr. 2012 Managing Director, the Company  
Jun. 2015 General Manager of General Administration Headquarters and  
General Manager of Corporate Planning Headquarters, the Company  
Jun. 2017 Corporate Adviser, the Company  
Jun. 2018 Full-time Corporate Auditor, the Company (current position)

## Outside Corporate Auditors

Attendance refers to the number of Board of Directors meetings (left) and Audit &  
Supervisory Board meetings (right) attended during the fiscal year ending March 2024.

Corporate Auditor

**Hirofumi Yasuhara**

11

Number of the Company's share owned: None  
Attendance: 14/14 8/8

Apr. 1979 Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic  
Holdings Corporation)  
Sep. 1996 Director and CFO, America Matsushita Battery Industrial Co., Ltd.  
(currently, Panasonic Energy Corporation of North America)  
Jun. 2012 Representative Director, PanaHome Corporation (currently, Panasonic  
Homes Co., Ltd.)  
Jun. 2015 Senior Audit & Supervisory Board Member, Panasonic Corporation  
(currently, Panasonic Holdings Corporation)  
Jun. 2019 Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd.  
Mar. 2020 Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd. (current  
position)  
Jun. 2020 Outside Corporate Auditor, the Company (current position)  
Jun. 2023 Outside Director, Sumitomo Denetsu Co., Ltd. (current position)

Corporate Auditor

**Koji Inada**

12

Number of the Company's share owned: None

Apr. 1984 Joined The Kansai Electric Power Company, Incorporated  
Jun. 2019 Representative Director, Executive Vice President, The Kansai Electric  
Power Company, Incorporated  
Outside Director, Toyo Tec Co., Ltd. (current position)  
Jun. 2020 Director, Representative Executive Officer and Vice President,  
The Kansai Electric Power Company, Incorporated  
Jun. 2024 Corporate Adviser, The Kansai Electric Power Company, Incorporated  
(current position)  
Outside Corporate Auditor, the Company (current position)

## Messages from Outside Directors

The Group's decision-making process is based on active discussions, receiving opinions and advice from an independent and neutral standpoint from outside directors with a wealth of experience and a wide range of insight. Through this process, we strive to strengthen management monitoring and supervision functions and realize management that contributes to the enhancement of corporate value.



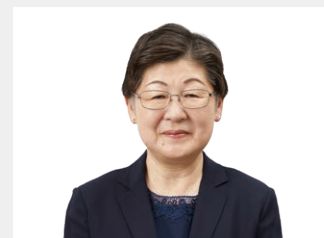
### Approaches to governance for maximizing corporate value

**Tetsuya Shoji**  
Outside Director

The Company's Board of Directors is well-balanced in terms of skill matrix and diversity. With the governance of management execution as its main task, there are lively exchanges of opinions and questions, and important matters such as long-term vision, medium-term management plan, single-year business plan, and large-scale investment projects are discussed openly in order to enhance the quality and effectiveness of planning. Furthermore, the Company is always ready to examine whether the governance of the entire Group, including overseas subsidiaries, is functioning properly. Outside directors recommend that the Board of Directors be equipped with the ability and agility to respond to cases in which the paradigm changes completely, and we strive to manage the Board of Directors in a way that supports "strive boldly to achieve success" in a changing market in a timely and appropriate manner.

As an independent outside director, I began chairing the Company's Nomination and Remuneration Advisory Committee in 2022, after it was established in 2018. The committee is working on key issues such as the selection of directors, the formulation of a succession plan, and the development of a pipeline of executive candidates. The committee has also studied the executive remuneration system and decided to introduce a stock compensation plan. The remuneration system has now become highly transparent and objective, while at the same time raising awareness of the need to contribute to mid- to long-term performance improvement and maximization of corporate value. To ensure that the system continues to function as a sound incentive, the committee periodically conducts a total review of the system, including remuneration levels.

The new management team, led by Chairman & CEO Mino and President & COO Kuwahara since April 2024, will help ensure the achievement of Forward 25, the Company's medium-term management plan, and put in place a framework for the realization of the 2030 Vision. The Company has confirmed that it will use the name change in October as an opportunity to make even greater strides toward becoming a company that has earned the patronage and trust of stakeholders.



### Working toward restoring trust and toward the achievement of sustainable growth

**Shinoi Sakata**  
Outside Director

The year 2024 represents a milestone for the Company as it changes its name to Kanadevia Corporation and passes the torch of Hitachi Zosen's technologies and businesses to realize even greater achievements in the future.

However, the Company recently uncovered inappropriate conduct in its marine engine business. Our top priority is to restore the trust that has been damaged, by responding to customers and government authorities, and by fulfilling our accountability to stakeholders. I also feel that the Company needs to educate employees on the basics of data handling. I myself had been involved in assuring the reliability of experimental data in the research departments. Based on this experience, I will express my unreserved opinions at the Board of Directors meetings and discuss how to investigate the cause of the problem and prevent its recurrence. I will also support the raising of compliance awareness throughout the Company and the reliable implementation of measures to prevent recurrence.

Fiscal 2024 represents the second year of Forward 25, the Company's medium-term management plan. It will be an important year in our quest to become a sustainable Kanadevia. President & COO Kuwahara is expected to identify and nurture businesses through investments in decarbonization and resource recycling businesses, expand overseas businesses, and create synergies with overseas affiliates.

In order to achieve Forward 25, the Company's management stance is "making safety the first priority," "thorough implementation of compliance," "coexistence with society," and "always pursuing quality." I am committed to proactively providing advice on how to put these into practice. I also believe it is necessary to continue discussions on Group governance in line with the global expansion of the Company's business, return once again to the starting point of "safety takes precedence over everything else," and create a foundation for healthy and active work by employees in all workplaces.

## Messages from Outside Directors



**Management with a sense of speed to  
enhance corporate value**

**Akiko Horiguchi**  
Outside Director

In this era of rapid change, realizing sustainable growth and enhancement of corporate value over the medium to long term requires the Company to address management issues with a sense of speed.

I would like the Board of Directors to spend more time discussing the bigger picture of the Company's strategy to realize Forward 25, looking at the business portfolio and overall market trends. I also recognize that business operations involve a wide variety of risks, but without taking risks, there would be no returns, and it is important to oversee whether the Company is taking appropriate risks.

As an outside director, I try to ask essential questions as much as possible so that the Group can correctly take risks and create value in areas where it has an advantage. Although the Board of Directors tends to spend most of its time on resolutions and approvals for individual projects, I believe that it can speed up decision-making on strategic issues by discussing the bigger picture. It is also important to present a strategic story of medium- to long-term growth and enhanced corporate value, and to increase opportunities for dialogue with stakeholders. This is because, as society as a whole becomes increasingly complex, it is necessary to communicate with, and deepen the understanding of, people with diverse values in order to move the business forward.

President & COO Kuwahara is open and friendly and possesses the high level of communication skills required of a leader. I believe that he will be able to breathe new life into Kanadevia's approach to the future, communicate a changing image, including the organizational culture, and further strengthen the relationship of trust with stakeholders.

As an outside director, I will continue working to enhance the medium- to long-term corporate value and sustainable growth of the Group.



**Message from a Newly Appointed Outside Director**

**A new future built on stronger compliance**

**Maki Miyazaki**  
Outside Director

My first encounter with Kanadevia was in the late 1990s when I was working for a U.S. law firm and was involved in a case involving the Company. At that time, I had only a vague image of the Company's simplicity and sturdiness from the name "zosen (shipbuilding)," but now, as an outside director, I have been given the opportunity to see the Company from the inside. I am deeply moved to see that Company possesses a diverse range of essential technologies for the future of the global environment and is not only committed to sustainable growth through the formulation of business strategies and the achievement of financial targets, but also to transparency in management and the strengthening of governance.

At a time when compliance issues must be addressed, as a result of inappropriate conduct in the marine engine business, I take seriously the fact that my legal expertise has been added to the Board of Directors. I will strive to contribute to the ongoing strengthening of the compliance system by offering a different perspective from that of the directors who come from management positions.

As the Company embarks on this new year as the Kanadevia Group, I am committed to building a new and hopeful Company through discussions at the Board of Directors meetings so that we can earn the trust and support of our stakeholders.

Please refer to p. 65 for the reasons for the appointment of outside directors and outside corporate auditors.

# Corporate Governance

## Basic Approach

Kanadevia recognizes that responding sincerely to the expectations of stakeholders including shareholders, employees, customers, business partners, and local communities, and ensuring management soundness, transparency, and efficiency are essential for sustainable growth and enhancement of medium- to long-term corporate value, and we are working on enhancing corporate governance as an important management issue.

## Board of Directors

The Board of Directors consists of 8 members, including 4 independent outside directors. By making half of the directors independent outside directors, we have strengthened our governance structure. The Board of Directors makes decisions on important matters such as basic management policies and strategies, in addition to matters stipulated by law, and supervises business execution.

Kanadevia has introduced an executive officer system, delegating part of the directors' business execution functions to executive officers (21 members). This aims to achieve both strengthening the supervisory function of the Board of Directors and ensuring the promptness of business execution.

Additionally, to ensure that basic policies and important measures related to management and business operations are deliberated on and management decisions are made in a timely and appropriate manner, we have established a Management Strategy Committee. Particularly important matters are deliberated on at the Management Strategy Committee and then thoroughly discussed at the Board of Directors before deciding on their approval or rejection.

Chairperson: Sadao Mino  
(Chairman of the Board & Chief Executive Officer)  
Number of meetings held in FY2023: 14 Attendance rate: 100%

## Board of Corporate Auditors

The Company has adopted a corporate auditor system.

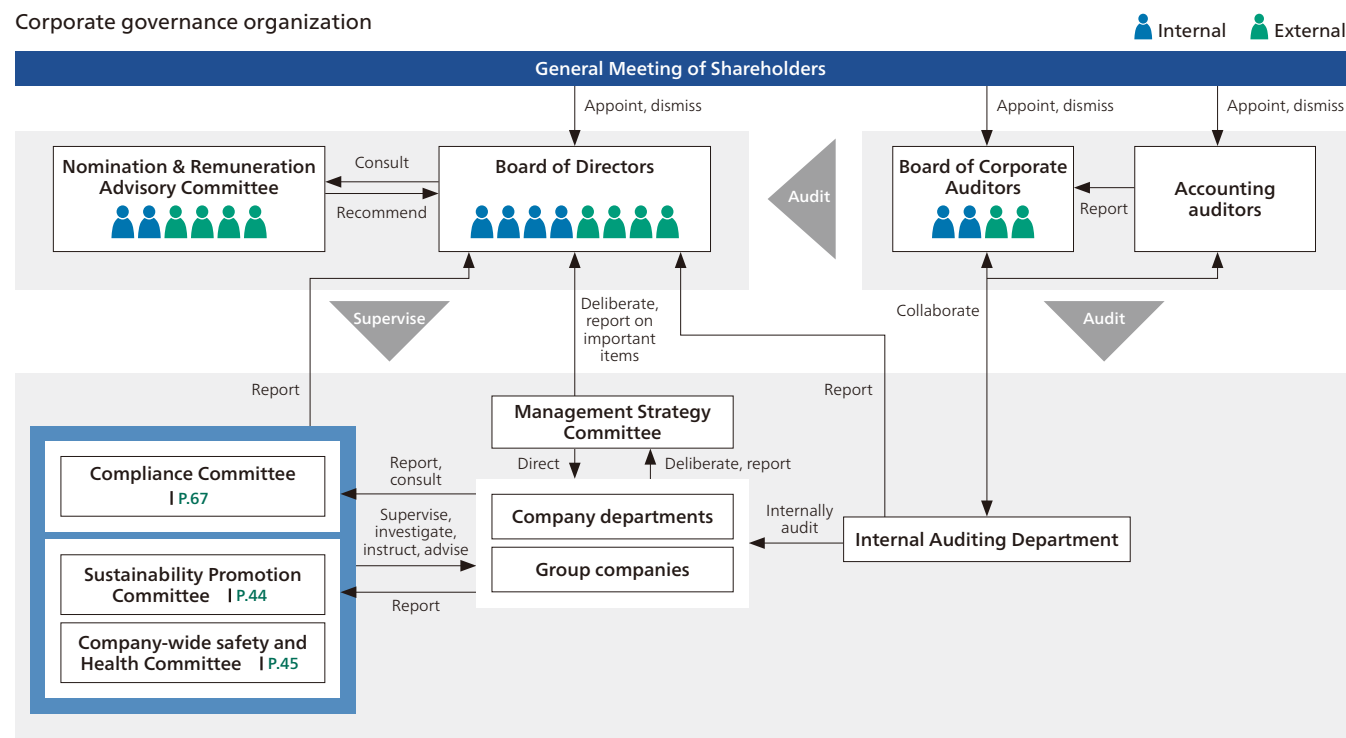
Corporate auditors hold Board of Corporate Auditors meetings to consolidate audit opinions. In addition, they monitor and verify the development and operation status of the internal control system, and take necessary measures such as giving advice and recommendations to directors and executive officers as needed.

Furthermore, all four corporate auditors, including two outside corporate auditors, attend Board of Directors meetings, and the

two full-time corporate auditors also attend important internal meetings including the Management Strategy Committee, expressing opinions from a neutral standpoint and auditing the business execution of directors and executive officers.

Chairperson: Kazuhisa Yamamoto (Full-time Corporate Auditor)  
Number of meetings held in FY2023: 8 Attendance rate: 100%

## Corporate governance organization





# Corporate Governance

## Nomination & Remuneration Advisory Committee

Kanadevia established the Nomination & Remuneration Advisory Committee as a voluntary advisory body in 2018 with the aim of ensuring objectivity and transparency of procedures and fulfilling accountability by having important matters related to the nomination of director and corporate auditor candidates, appointment and dismissal of the President and Representative Directors, and remuneration of directors deliberated and answered by a voluntary committee before being deliberated and decided by the Board of Directors.

This committee consists of six members in total, with an independent outside director as the chairperson, and includes the other three independent outside directors, the Chairperson of the Board and CEO, and the President and COO. By obtaining appropriate involvement and advice from outside officers, we aim to ensure transparency, appropriateness, and objectivity in officer personnel matters and director remuneration. In addition, an independent outside corporate auditor attends the committee as an observer.

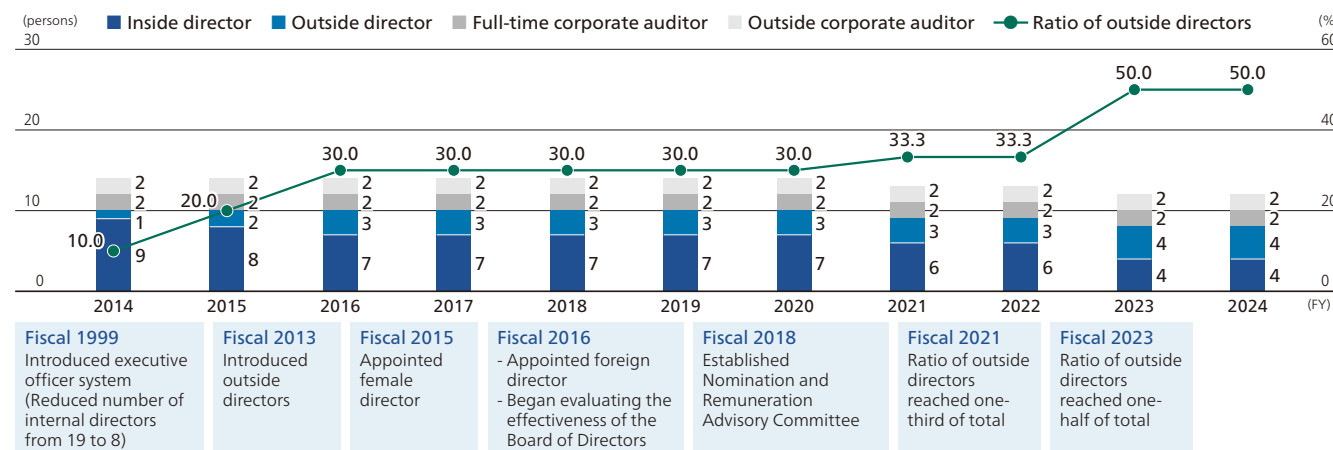
Chairperson: Tetsuya Shoji (outside director)  
Number of meetings held in FY2023: 8 Attendance rate: 100%

## Evaluation of Board of Directors Effectiveness

### Purpose

Based on the belief that identifying issues related to the functions and operations of the Board of Directors and actively working on improvements will contribute to strengthening corporate governance and ultimately enhancing corporate value, we have been conducting evaluations of the effectiveness of the Board of Directors once per fiscal year since fiscal 2016.

## History of enhancing corporate governance



## Method of effectiveness evaluation

We conducted a questionnaire targeting all directors and corporate auditors. The specific evaluation procedures and schedule are as follows.

- (1) Roles and responsibilities of the Board of Directors
- (2) Stimulation of discussions
- (3) Board composition and system
- (4) Optimizing the conduct of meetings
- (5) Roles of the Nomination and Remuneration Advisory Committee

Method of Effectiveness Evaluation	(1) Late March 2024	Confirm the operation status of the Board of Directors in fiscal 2023 regarding issues identified in fiscal 2022 at the Board of Directors meetings, and decide on the implementation method (evaluation method, question items, etc.) for the fiscal 2023 effectiveness evaluation
	(2) Late March to early April 2024	Conduct a questionnaire targeting all directors and corporate auditors. The evaluation targets in the questionnaire are the Board of Directors and the voluntary Nomination & Remuneration Advisory Committee
	(3) Mid-April 2024	The Board of Directors Secretariat (Corporate Planning Dept.) compiles and analyzes the questionnaire results
	(4) Late April 2024	Based on the analysis results, hold an opinion exchange meeting between outside directors, corporate auditors, and the Board of Directors Secretariat. Share current issues and points for improvement, and extract key themes and action policies to be discussed in fiscal 2024
	(5) May 2024	Based on (4) above, discuss current issues and points for improvement at the Board of Directors meeting, and decide on the results of the fiscal 2023 Board effectiveness evaluation and key themes and action policies for fiscal 2024

# Corporate Governance

## Overview of fiscal 2023 evaluation results

The status of initiatives in fiscal 2023 for issues identified in the fiscal 2022 effectiveness evaluation and opinions from outside directors and corporate auditors are as follows.

### Evaluation results overview

It was evaluated that Kanadevia's Board of Directors discussed important agenda items such as reviewing the long-term vision and medium-term management plan, promoting sustainability, branding strategy, selection and concentration of businesses through portfolio management, and investment strategy, while ensuring sufficient discussion time and providing materials and explanations to stimulate active discussions. While some improvements and creativity are needed in the operation method, it was confirmed that the role of the Board of Directors is functioning effectively overall.

### Initiatives for past issues and future actions

(1) Enhancing discussions on important themes at Board of Directors meetings	
<b>FY2023 Action Policy</b>	Incorporate the following important themes into the annual operation plan and strive for discussions under sufficient deliberation time <ul style="list-style-type: none"> <li>■ Promotion of medium-term strategies for personnel, global business, DX, and branding</li> <li>■ Promotion of sustainability</li> <li>■ Risk consideration for investment projects</li> <li>■ Corporate governance approach</li> <li>■ Review of the progress of the medium-term management plan Forward 25</li> </ul>
<b>FY2023 Main Implementation Items</b>	Conduct discussions on the above important themes under sufficient deliberation time based on the annual operation plan (Main themes) <ul style="list-style-type: none"> <li>■ Revision of officer remuneration, promotion of DX strategy, promotion of branding strategy</li> <li>■ Promotion of sustainability (performance review of environmental data and KPI setting for Seven Pillars of Success)</li> <li>■ Risk consideration and investment feasibility study for individual business investment projects (offshore wind power, etc.)</li> <li>■ Risk consideration and investment feasibility study for individual M&amp;A projects (Waste to Energy, nuclear-related equipment)</li> <li>■ Promotion of portfolio management</li> <li>■ Revision of Board of Directors submission and reporting standards (delegation of authority to Management Strategy Committee)</li> </ul>
<b>Opinions from Outside Directors and Corporate Auditors</b>	<ul style="list-style-type: none"> <li>■ We were able to have active discussions on important themes such as portfolio management (including divestment), branding, and officer remuneration system.</li> <li>■ Continued discussions are needed in fiscal 2024 regarding medium- to long-term strategies (group structure/organization, portfolio direction, personnel strategy including management successor development).</li> <li>■ The Board of Directors' involvement with group companies should be "governance" rather than "support," and should be thoroughly discussed from that perspective.</li> </ul>
<b>FY2024 Action Policy</b>	Incorporate medium- to long-term group strategy (structure, organization, governance), personnel strategy, sustainability promotion, and investment-related issues (individual projects, investment policy) as key themes in the annual operation plan and discuss them.
(2) Strengthening governance structure	
<b>FY2023 Action Policy</b>	Work on strengthening the functions of the Nomination & Remuneration Advisory Committee, promote active discussions on themes such as officer remuneration systems, and strengthen the governance structure
<b>FY2023 Main Implementation Items</b>	The Board of Directors worked to strengthen the governance structure through deliberation of important themes. The Nomination & Remuneration Advisory Committee was held eight times and made recommendations to the Board of Directors on revising the officer remuneration system (introduction of performance-linked stock remuneration system). Progress was also made in considering the status of succession planning (Management Human Resources Development Program) and the ideal form of organizational design.

<b>Opinions from Outside Directors and Corporate Auditors</b>	<ul style="list-style-type: none"> <li>■ Reporting and discussion on the status of overall risk management and group governance are necessary. Effective company-wide risk integration can prevent delays in initial response and incorrect management decisions.</li> <li>■ The Board of Directors should be clearly positioned as a place for management consideration and verification from a higher perspective than discussions at the Management Strategy Committee.</li> <li>■ Diversity (age, gender) is important for strengthening Board of Directors functions. Measures to develop female internal Directors should be systematically advanced.</li> <li>■ The Nomination &amp; Remuneration Advisory Committee should also consider personnel planning, etc., and share information with the Board of Directors.</li> </ul>
<b>FY2024 Action Policy</b>	Deepen discussions on risk management and the ideal form of group corporate governance as key themes incorporated into the annual operation plan
(3) Continued implementation of off-site board meetings (voluntary meetings of directors, corporate auditors, and General Managers)	
<b>FY2023 Action Policy</b>	Enrich discussions mainly on themes related to the progress of the medium-term management plan in fiscal 2023, while improving theme selection and content of materials
<b>FY2023 Main Implementation Items</b>	Held 2 times in fiscal 2023. The first meeting discussed "health management" as a theme, contributing to being recognized as one of the White 500 in Health and Productivity Management Outstanding Organizations in April 2024. The second meeting discussed the progress of the medium-term management plan Forward 25 as a theme, sharing issues and response policies for achieving the fiscal 2025 targets.
<b>Opinions from Outside Directors and Corporate Auditors</b>	Free and active discussions at off-site board meetings are reflected in deliberations at Board of Directors meetings.
<b>FY2024 Action Policy</b>	Off-site board meetings are positioned as an important complement to Board of Directors meetings, so we will continue to implement them in fiscal 2024 after devising theme settings.
(4) Enhancement of support system for outside officers	
<b>FY2023 Action Policy</b>	Enhance the quality and quantity of prior explanations to outside officers. For particularly important and urgent themes, increase opportunities and time for explanations even more than before to ensure sufficient understanding by outside officers. This aims to ensure active deliberations at Board meetings.
<b>FY2023 Main Implementation Items</b>	<ul style="list-style-type: none"> <li>■ Through prior explanation meetings for outside officers, etc., we made efforts to ensure sufficient understanding of agenda contents, including the background, issues and response policies, and related information.</li> <li>■ Separately from Board of Directors meetings, we shared information and exchanged opinions with outside officers on important and latest management policies and management information.</li> <li>■ Held meetings between senior management and outside officers for opinion exchange</li> <li>■ Conducted factory visits for outside directors</li> </ul>
<b>Opinions from Outside Directors and Corporate Auditors</b>	<ul style="list-style-type: none"> <li>■ The support system for outside officers has been improving year by year.</li> <li>■ There is room for improvement in shortening explanation time and further refining materials (reducing number of pages, concisely organizing into main and reference sections, clarifying points of discussion and conclusions) to make it easier to understand points for discussion.</li> <li>■ Continuation of providing management policy/information, site visits, and interaction with management candidate layers is requested.</li> </ul>
<b>FY2024 Action Policy</b>	Strive to further activate discussions at Board of Directors meetings and Nomination & Remuneration Advisory Committee meetings, in addition to sharing management information with outside officers, and ensure active deliberations through thorough implementation of easy-to-understand materials focused on key points and concise explanations

## Corporate Governance

Fiscal 2023 meeting record of Board of Directors, Nomination & Remuneration Advisory Committee, etc.

(number of meetings held)

	2023									2024			Total
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Board of Directors meetings	1	2	2	0	1	2	0	1	2	0	1	2	14
Board of Corporate Auditors meetings	0	2	2	1	1	0	0	0	1	0	0	1	8
Nomination & Remuneration Advisory Committee meetings	0	1	0	0	0	2	0	1	1	0	1	2	8
Off-site board meetings	0	0	0	0	0	1	0	0	0	0	0	1	2
Opinion exchange meetings between outside officers and management	0	0	1	0	0	0	0	1	0	0	0	0	2
Management Strategy Committee	2	2	2	2	2	2	2	2	3	1	2	2	24

### Key Themes at Board Meetings

#### 1 Application for Green Innovation Fund Project and Floating Offshore Wind Power Demonstration Test

The business execution department proposed applying for the Green Innovation Fund Project and Floating Offshore Wind Power Demonstration Test (hereinafter, "the demonstration test") public offering conducted by the New Energy and Industrial Technology Development Organization (NEDO) as part of developing new products in offshore wind power generation to expand the wind power generation business, which is one of our growth businesses.

The business execution department explained that in applying for this public offering, (1) the offshore wind power generation market is expected to expand rapidly in the future, (2) participation in this demonstration test can accelerate the commercialization of newly developed products, and (3) although a certain amount of financial contribution will be incurred for this demonstration test, it will be recovered as a growth business in the future.

In response to this proposal, outside directors and outside corporate auditors provided active discussion based on their rich knowledge, pointing out that withdrawal conditions in case of withdrawal after adoption of this demonstration test should be clearly clarified, also measures against price and delivery risks related to equipment procurement, and the Group's overall investment policy considering the impact on other investment projects accompanying the implementation of this demonstration test. As a result of the vote, this proposal was approved as originally proposed.

Regarding this demonstration test, as a result of application by a consortium with C-Tech Corporation (Chubu Electric Power Group) and others, it was adopted by NEDO on June 11, 2024 as the "Floating Offshore Wind Turbine Demonstration Project off the coast of Aichi."

#### 2 Regarding the Change of Trade Name

The business execution department proposed changing the Company's trade name as the culmination of promoting branding to maximize the value creation of the Kanadevia Group's business as shown in the long-term 2030 Vision.

Prior to this trade name change proposal, discussions were also held with outside directors and outside corporate auditors on themes such as what the Group aims to be, what value we should provide to society, and what we should promise to society.

As a result, we derived the brand concept "Taking on challenge, through the power of technology, to create a world that lives in balance with nature" and decided on the brand statement "Technology for people and planet."

The business execution department explained and proposed that after these discussions, our new trade name would be "Kanadevia Corporation," aiming to respect diversity and, through continuous technological innovation, open up a new path ("Via") that brings harmony between humanity and nature, like musicians in an orchestra playing in harmony ("kanaderu" in Japanese).

In response to this proposal, outside directors and outside corporate auditors expressed opinions on branding penetration measures for inside and outside the Company and how to apply the new trade name to group companies, leading to active discussions. As a result of the vote, this proposal was approved as originally proposed.

## Corporate Governance

### Officer Remuneration

Director remuneration consists of fixed remuneration, performance-linked bonuses, and performance-linked share-based remuneration, with each director's remuneration determined within the total amount resolved at the General Meeting of Shareholders. However, remuneration for outside directors consists only of fixed remuneration from the perspective of ensuring independence. Performance-linked share-based remuneration was introduced from fiscal 2024.

To ensure that director remuneration functions as a sound incentive, the Nomination & Remuneration Advisory Committee periodically verifies the remuneration system and remuneration levels.

Additionally, all officer remuneration is determined by the Board of Directors, based on the deliberations and answers of the Nomination & Remuneration Advisory Committee.

#### Fixed Remuneration

This is annual fixed remuneration set by position, with the equivalent amount for one month paid monthly. The amount is determined by the Board of Directors, comprehensively considering factors such as levels at other companies and Kanadevia's performance.

#### Performance-linked Bonus

After the Board of Directors decides on the total amount, the Chairperson of the Board (or the President if there is no Chairperson of the Board), entrusted by the Board of Directors, determines the amount of performance-linked bonus (evaluation allocation) for each director according to the decision method established by the Board of Directors. The indicator for calculation is net income attributable to shareholders of the parent company, which is the final profit resulting from corporate management, as a single-year performance indicator.

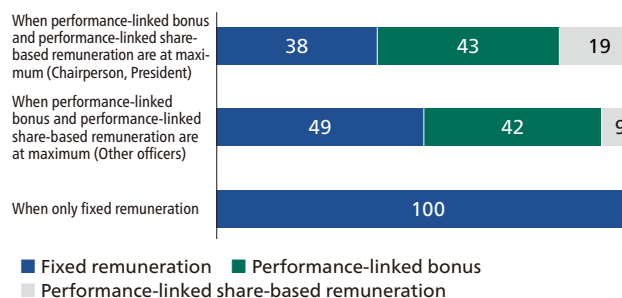
#### Calculation Method for Performance-linked Bonus

The base amount is obtained by multiplying the equivalent amount for one month of the annual fixed remuneration by the number of payment months set according to the net income level, and is determined within the range of 50% to 150% of this base amount, considering the performance of each responsible division and the status of business execution.

#### Performance-linked Share-based Remuneration

Performance-linked share-based remuneration for each director is determined according to the degree of achievement of performance targets for each fiscal year in accordance with the Officer share-based Remuneration Regulations established by resolution of the Board of Directors. The indicators for calculation are the degree of achievement of consolidated operating income margin and consolidated net sales performance for each fiscal year, which are emphasized in management strategy as medium- to long-term performance indicators, as well as evaluation of non-financial value (employee engagement index), etc.

#### Composition ratio of individual remuneration



#### Total amount of remuneration by officer category and remuneration type, and number of eligible officers (fiscal 2023)

Officer category	Total amount of remuneration	Total amount of remuneration by type		Number of eligible officers
		Fixed remuneration	Performance-linked remuneration	
Directors (excluding outside directors)	234	170	63	6
Corporate Auditors (excluding Outside Corporate Auditors)	61	61	—	2
Outside Officers	62	62	—	8

### Policies and Procedures for Appointing Senior Management Team and Director Candidates

To achieve sustainable growth and enhance our corporate value over the medium to long term, we believe that successor development, including for the CEO position, is one of the most important strategic decisions in our Group's management.

Senior management team members must possess a mindset, skills, and ability to act appropriate to lead the Group and implement the corporate philosophy. When appointing and removing senior management team members, the Nomination and Remuneration Advisory Committee discusses the issue, and then the Board of Directors conducts further discussions and decides on the issue.

Director and corporate auditor candidates must possess not only outstanding character and insight but also the knowledge, experience, and skills to appropriately execute the duties required of their position. Outside director and outside corporate auditor candidates must possess abundant experience, expertise, and

#### The ideal CEO should have

- (1) The ability to act in accordance with our corporate philosophy
- (2) Enough energy and physical strength to fulfill the intense workload as a top executive
- (3) Goals to achieve as a top executive (values, ambition, and persistence).
- (4) Appropriate personality to be a top executive (character, dignity, integrity, and intelligence)
- (5) Humanistic appeal in terms of aspirations, dreams, philosophy and trust of all employees
- (6) The ability to strive to understand unfamiliar businesses and manage from a long-term perspective
- (7) The ability to make calm and precise decisions and fulfill the responsibilities even under uncertain circumstances
- (8) Sufficient knowledge and skills to assume the duties of a top executive
- (9) The ability to maintain an innovative mindset and combine innovation with creation
- (10) The ability to establish a vision as a top executive and lead all employees



## Corporate Governance

broad insight related to corporate management and meet the Company's independence criteria.

As for the successor development plan, the policy was decided on by the Board of Directors in February 2020 after consulting with the Nomination and Remuneration Advisory Committee. At

the current time, we are moving forward with fostering CEO candidates based on this plan. The Nomination and Remuneration Advisory Committee receives regular reports on the state of development, and we will steadily move forward with training while receiving advice from the committee.

### Reasons for appointment of outside directors and outside corporate auditors

Position	Years of Service	FY2023 Attendance	Reason for Appointment
Outside Director (Independent) <b>Tetsuya Shoji</b>	3	Board of Directors 14/14	He has abundant experience and broad insight in corporate management, having served as a representative director at a telecommunications company. In Kanadevia, which is promoting strengthening of corporate governance, globalization of business, and digital transformation (DX), he provides appropriate opinions and advice from an independent standpoint as an outside director. Additionally, since January 2022, he has been serving as the chairperson of the Nomination & Remuneration Advisory Committee, playing a role in strengthening the supervisory function over business execution through involvement in officer personnel matters and determination of director remuneration, and these roles can continue to be expected.
Outside Director (Independent) <b>Shinoi Sakata</b>	1	Board of Directors 11/11	Having worked for many years at a chemical manufacturer and served as an executive officer, as well as serving as a representative director of an information company, she has abundant experience and broad insight in corporate management. In Kanadevia, which is promoting strengthening of corporate governance and DX, we can expect her to provide appropriate opinions and advice from an independent standpoint as an outside director, as well as play a role in strengthening the supervisory function over business execution through involvement in officer personnel matters and determination of director remuneration as a member of the Nomination & Remuneration Advisory Committee.
Outside Director (Independent) <b>Akiko Horiguchi</b>	1	Board of Directors 11/11	Having served as public relations general manager and human resources general manager at an information and communication equipment manufacturer, as well as serving as an executive officer and representative director of a special subsidiary company, and as a director of the Japan Institute for Women's Empowerment & Diversity Management, she has abundant experience and broad insight in corporate management and diversity management. In Kanadevia, which is promoting strengthening of corporate governance, DX, diversity management, and human capital management, we can expect her to provide appropriate opinions and advice from an independent standpoint as an outside director, as well as play a role in strengthening the supervisory function over business execution through involvement in officer personnel matters and determination of director remuneration as a member of the Nomination & Remuneration Advisory Committee.
Outside Director (Independent) <b>Maki Miyazaki</b>	(Newly appointed)	—	Having served as a managing partner at a law firm for many years, she has abundant experience and specialized knowledge in international corporate legal affairs. In Kanadevia, which is promoting strengthening of corporate governance and globalization of business, we can expect her to provide appropriate opinions and advice from an independent standpoint as an outside director, as well as play a role in strengthening the supervisory function over business execution through involvement in officer personnel matters and determination of director remuneration as a member of the Nomination & Remuneration Advisory Committee.
Outside Director (Independent) <b>Hirofumi Yasuhara</b>	4	Board of Directors 14/14 Board of Corporate Auditors 8/8	Having served as a standing statutory auditor of an electrical and equipment manufacturer, as well as a representative director and person responsible for accounting departments at a group company of the same company, he has abundant experience and broad insight in corporate management, audit operations, and finance and accounting. As an outside corporate auditor, he provides appropriate opinions and advice from an independent standpoint on Kanadevia's management and business operations. Additionally, he plays a role in strengthening the supervisory function over business execution through involvement in officer personnel matters and determination of director remuneration as a member of the Nomination & Remuneration Advisory Committee, and we can continue to expect him to contribute to enhancing Kanadevia's corporate governance and audit system.
Outside Director (Independent) <b>Koji Inada</b>	(Newly appointed)	—	Having served as the person responsible for the IT department and corporate planning, as well as a director and representative executive officer at an electric power company, he has abundant experience and broad insight in ICT/digital and corporate management. We can expect him to contribute to enhancing Kanadevia's corporate governance and audit system by providing appropriate opinions and advice from an independent standpoint on Kanadevia's management and business operations as an outside corporate auditor.

Note) 1. For Shinoi Sakata and Akiko Horiguchi, attendance at Board of Directors meetings held after the Ordinary General Meeting of Shareholders on June 21, 2023 is shown.

2. As Maki Miyazaki is a newly appointed director elected at the Ordinary General Meeting of Shareholders held on June 20, 2024, her attendance status for fiscal 2023 is not shown.

3. As Koji Inada is a newly appointed Corporate Auditor elected at the Ordinary General Meeting of Shareholders held on June 20, 2024, his attendance status for fiscal 2023 is not shown.

### Skills Matrix

The Board of Directors decided on the skills that the Board as a whole should have to ensure the sustainable growth of the Group and the achievement of its management objectives, following deliberations by the Nomination and Remuneration Advisory Committee.

### Main approach

- As a company that advocates "technology and sincerity" in its corporate philosophy and claims to be a technology-driven company, technology-related skills are essential
- Skills to contribute to our management strategy of expanding overseas businesses and growing services that leverage ICT (stable sources of earnings)
- Skills to perform the corporate and governance functions necessary to promote the above

### Skills matrix criteria

Item	Judgment Criteria
Corporate management	Experience as a top executive (e.g., full-time chairperson, president, vice president, or other representative directors) in the Company, its affiliates, or other companies
Sales, marketing, innovation	Experience as a line manager at or above the divisional level in sales* or as a sales planning manager
R&D	Technical executives (those with science and engineering backgrounds and experience in development departments)
Estimate, engineering, manufacturing, procurement	Technical executives (those with engineering or factory division experience), or experience as a procurement division manager
Finance and accounting	Experience as a line manager at or above the divisional level in finance and accounting*
Human resources development, diversity	Experience as a line manager at or above the divisional level in human resources and general affairs*
Legal affairs and risk management	Experience as a line manager at or above the divisional level in legal affairs or risk management*
ICT, digital	Experience as a line manager at or above the divisional level in ICT*
Global	Experience as an expatriate, project manager, or equivalent manager in overseas local construction

\* Excludes those who have experience only as a supervisor or director in charge.

# Corporate Governance

## Executive skills matrix

### Directors and corporate auditors

Position (As of October 1, 2024)	Supervising/Responsible Operations	Years as Director*	Female	Corporate management	Sales, marketing, innovation	R&D	Estimate, engineering, manufacturing, procurement	Finance and accounting	Human resources development, diversity	Legal and risk management	ICT, digital	Global
Representative Director Chairman of the Board & Chief Executive Officer	Sadao Mino	9 years		●	●	●	●					
Representative Director President & Chief Operating Officer	Michi Kuwahara	3 years		●				●	●	●		●
Director (Concurrent Executive Officer)	Satoshi Kimura	General Manager of Corporate Planning Headquarters, in charge of Safety Department and Sustainability Promotion Department	—	●			●					
Director (Concurrent Executive Officer)	Munenobu Hashizume	General Manager of Information and Communication Technology Promotion Headquarters	—	●							●	
Outside Director	Tetsuya Shoji	Chairman of Nomination & Remuneration Advisory Committee	3 years	●	●				●		●	●
Outside Director	Shinoi Sakata		1 year	●		●					●	
Outside Director	Akiko Horiguchi		1 year	●					●		●	
Outside Director	Maki Miyazaki		—	●						●		●
Full-time Corporate Auditor	Kazuhisa Yamamoto				●	●	●					
Full-time Corporate Auditor	Masayuki Morikata				●			●		●		
Outside Corporate Auditor	Hirofumi Yasuhara			●				●				●
Outside Corporate Auditor	Koji Inada			●						●	●	

### Executive officers

Position (As of October 1, 2024)	Supervising/Responsible Operations	Female	Corporate management	Sales, marketing, innovation	R&D	Estimate, engineering, manufacturing, procurement	Finance and accounting	Human resources development, diversity	Legal and risk management	ICT, digital	Global
Senior Managing Executive Officer (Concurrent Director)	Satoshi Kimura	General Manager of Corporate Planning Headquarters, in charge of Safety Department and Sustainability Promotion Department	●			●					
Senior Managing Executive Officer	Hitoshi Kogi	In charge of Sales, Sales Planning Department, and Yumeshima Area Development Promotion Department		●							
Senior Managing Executive Officer	Yuichi Ohkura	General Manager of Global Headquarters and Chairman of the Board of Directors, NAC International Inc.	●	●			●		●		●
Senior Managing Executive Officer	Shinji Shimamura	General Manager of Machinery & Infrastructure Business Headquarters, in charge of Production Engineering Department	●		●	●				●	●
Managing Executive Officer (Concurrent Director)	Munenobu Hashizume	General Manager of Information and Communication Technology Promotion Headquarters	●							●	
Managing Executive Officer	Toshihiko Yasuda	General Manager of R&D Headquarters and General Manager of Technical Research Institute			●	●					
Executive Officer	Takashi Ibe	General Manager of Global Management Unit, Global Headquarters			●						●
Executive Officer	Toshiki Nakamura	General Manager of Internal Auditing Department					●				
Executive Officer	Akira Kamaya	Deputy General Manager of Machinery & Infrastructure Business Headquarters				●					
Executive Officer	Toshifumi Makihata	General Manager of General Administration Headquarters						●			
Executive Officer	Hiroshi Miyazaki	General Manager of Corporate Planning Department, Corporate Planning Headquarters					●		●		
Executive Officer	Koichi Hinami	General Manager of Solutions Business Unit, Environment Business Headquarters			●	●					
Executive Officer	Koichi Kaibuchi	General Manager of Procurement Headquarters				●					●
Executive Officer	Takashi Fujita	General Manager of Wind Power Business Unit, Carbon Neutral Solution Business Headquarters		●	●	●					
Executive Officer	Mamoru Kondo	Deputy General Manager of Information and Communication Technology Promotion Headquarters			●	●					
Executive Officer	Tadashi Iwanaga	Chairman of the Board of Directors, Kanadevia Inova AG					●		●		●
Executive Officer	Takeshi Minemura	General Manager of Environment Business Headquarters, in charge of Architect Supervision Department			●						
Executive Officer	Hideo Satoh	General Manager of Engineering Business Unit, Environment Business Headquarters				●					
Executive Officer	Sachiko Ohchi	General Manager of Quality Assurance Unit	●		●						
Executive Officer	Toshihiko Akagawa	Seconded to Kanadevia Inova AG				●			●		●
Executive Officer	Junichi Yamamoto	General Manager of Carbon Neutral Solution Business Headquarters				●					●

\* The skills matrix is as of the conclusion of the shareholders' meeting held in June 2024.

# Compliance

## Basic Approach

The Kanadevia Group considers thorough implementation of compliance as one of the most important management issues in order to conduct management that complies with laws and corporate ethics and fulfill our corporate social responsibility. We also include "Enhancement of corporate governance" in the Seven Pillars of Success (Materiality) of our Sustainable Vision, and are working on effective corporate governance and thorough implementation of compliance to realize this. We are advancing initiatives to raise compliance awareness among all officers and employees, ensure thorough implementation of compliance in daily business execution, create an environment where employees can devote themselves to their duties in an open manner and with peace of mind, and realize the acquisition of social trust and enhancement of corporate value for the Kanadevia Group.

## Kanadevia Group Charter of Ethical Behavior

We have established the Kanadevia Group Charter of Ethical Behavior as a fundamental guideline for all Group officers and employees to practice compliance. This code stipulates ethical conduct guidelines that all officers and employees of the Kanadevia Group must comply with, consisting of 12 items including compliance with antitrust laws and prevention of corruption. Every year, we distribute pocket-sized cards to all Group officers and employees, including those overseas. All officers and employees are instructed to always carry this card or be able to check it online, use it to confirm their own actions, and be mindful of acting with good sense and responsibility in accordance with corporate ethics.

Corporate Governance and Compliance  
<https://www.kanadevia.com/english/ir/policy/governance.html>

## Compliance Promotion System

### Compliance Committee

The Compliance Committee implements various measures for compliance with laws and corporate ethics and awareness-raising, and holds a general committee meeting once a year to deliberate and decide on annual activity reports and future activity policies. The activities of the Compliance Committee are reported to the Board of Directors and are supervised by the Board of Directors.

### Marketing Compliance Committee

We have established the Marketing Compliance Committee as an organization to guide and supervise compliance with laws and corporate ethics in sales activities and promotion of proper order-taking activities. By conducting monthly monitoring (physical checks of documents related to estimates, bids, and orders, interviews with department heads and estimation departments, etc.) for each sales department, we verify the presence or absence of fraudulent or illegal acts in order-taking activities and provide supervision and guidance. In addition, at the committee meetings held twice a year, we share measures to be taken company-wide and improvement guidance made in other departments, providing an opportunity to further raise awareness and reaffirm the importance of compliance.

## Compliance Initiatives

### Implementation of education and training

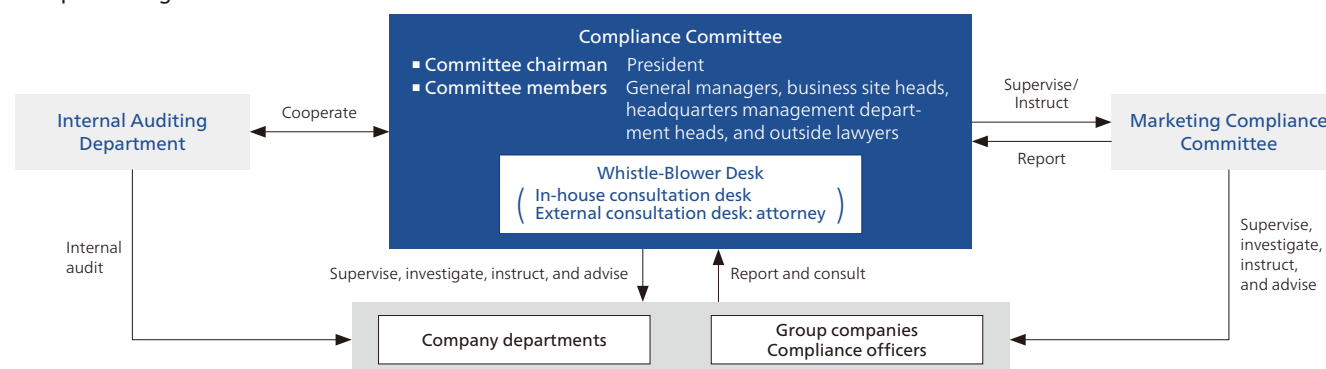
We conduct various training sessions to foster compliance awareness. Since 2004, in principle once a year, all officers and employees learn about the Kanadevia Group Charter of Ethical Behavior through e-learning, and we conduct compliance training to correctly understand and act on compliance with antitrust laws and other competition laws, prevention of bribery, and prevention of harassment. In addition, we revised the Compliance Guidebook in April 2023, reviewing the content based on recent changes in the social environment and legal revisions. It contains explanations of over 100 cases and is used as a judgment criterion for taking appropriate actions as officers and employees of the Kanadevia Group.

### Compliance training

Fiscal year	2019	2020	2021	2022	2023
New recruit training	119	118	115	99	89
New managerial personnel training	205	244	222	256	214
e-learning	6,197	6,383	6,082	6,423	8,440
Compliance seminar	481	335	560	888	732

(Some also include Group companies)

## Compliance organization



# Compliance

## Internal reporting system “Kanadevia Helpline”

We have established a contact point for officers and employees of Kanadevia and Group companies (including contract employees, seconded employees, and dispatched workers) and related parties of our business partners to consult or report when they become aware of or have questions or suspicions about compliance violations related to Kanadevia. Users can optionally choose between internal and external (external lawyer) contact points. Anonymous consultations and reports are also possible. After receipt, the Compliance Committee investigates the facts, and may entrust the investigation to external experts or specialized institutions if necessary. If the reported content is found to be true, the Compliance Committee considers and implements necessary measures and countermeasures. For cases where compliance violations are recognized, corrective measures are taken and strict disciplinary action is implemented.

## Tax Compliance

The Kanadevia Group complies with the Kanadevia Group Charter of Ethical Behavior and pays appropriate taxes in accordance with tax-related laws and regulations stipulated in each country and region where we conduct business activities, OECD Transfer Pricing Guidelines, and each action plan such as BEPS (Base Erosion and Profit Shifting), contributing to the economic and social development of each country.

Regarding the execution of tax operations, under the supervision of the Director and Senior Managing Executive Officer, General Manager of Corporate Planning Headquarters, we are strengthening our business execution system to reduce tax risks by receiving advice from external tax experts and placing certified tax accountants. We also conduct internal education and awareness-raising activities on appropriate accounting processing and tax returns to raise awareness of tax compliance.

## Security Export Control

To properly implement export control aimed at international security, Kanadevia has established Security Export Control Regulations. Under the Representative Director, who is the

highest responsible person, we have built an export control system consisting of the export control division (Legal Department) and each business department, and conduct strict export control for each individual case. To maintain the above export control system, we conduct education and audits every year.

Furthermore, we have established a system to appropriately share information with internal related parties including

management as well as Group companies about changes in the export control environment, including recent constantly changing export regulation and economic sanction revision trends in each country and their impact on business, from the Export Control Management Department, and have established a system to respond quickly and accurately to such environmental changes.

## Regarding Inappropriate Conduct in the Marine Engine Business of the Kanadevia Group

As announced on July 5, 2024, it was discovered that inappropriate conduct related to fuel consumption and other aspects of marine engines had been carried out at Hitachi Zosen Marine Engine Co., Ltd. (hereinafter, HZME) and IMEX Co., Ltd. (hereinafter, IMEX) of the Group. The Company takes this matter seriously, has established a Special Investigation Committee composed of external experts, and has begun a transparent and effective investigation. In addition, on September 17, 2024, we submitted an interim report to the Ministry of Land, Infrastructure, Transport and Tourism based on the internal investigations conducted by Kanadevia, HZME, and IMEX, and the progress of the Special Investigation Committee's investigation.

### [Main Content of Inappropriate Conduct]

As a result of the investigation up to September 10, 2024, it was discovered that the following inappropriate conduct had been carried out.

	(units)	
	HZME	IMEX
<b>Target Engines</b> Marine engines subject to NOx emission regulations that underwent shop trial tests from July 1999 (September 1999 for IMEX) to June 2024	959	416
[1] Rewriting measurement data by displaying preset fuel consumption on the fuel weight meter display	959	412
[2] Rewriting or incorrectly entering actual measured values when inputting exhaust gas component concentration values into calculation sheets	343	57
[3] Adjusting water brake load displayed values to ensure consistency with engine performance values	569 (142)	52 (246)
[4] Rewriting, incorrectly entering, etc., actual measured values when inputting general performance measurement data (exhaust gas temperature, etc.) into calculation sheets	111 (848)	189 (227)

Numbers in parentheses are units where the presence or absence of inappropriate conduct could not be confirmed

We are currently confirming and investigating whether there are any violations of laws and regulations related to the target engines including NOx and CO2 emission regulations stipulated by the Act on Prevention of Marine Pollution and Maritime Disaster and the International Maritime Organization. As of now, no engines that affect safety have been identified. We will continue to thoroughly investigate the facts and causes, and make every effort to prevent recurrence and restore the trust of our stakeholders.



# Risk Management

## Basic Approach

In the Kanadevia Group, each responsible department evaluates and monitors risks that may arise in business operations, such as compliance, environment, safety, disasters, information security, and others, and conducts education and guidance. Risks that may have a significant impact on the Kanadevia Group's financial condition and business performance are reported to the Board of Directors. To respond quickly and appropriately to significant risks, we have established regulations regarding information transmission means, response policies, and management systems, and are working to strengthen our system. In addition, the internal audit department audits the effectiveness and appropriateness of these and regularly reports to Kanadevia's Board of Directors.

## Risk Management System for Individual Projects and Business Investment Projects

The Kanadevia Group is mainly based on make-to-order production and focuses on risk management in individual projects. If costs exceed the estimated amount, it affects our performance, financial condition, and cash flow.

Additionally, in the medium-term management plan Forward 25, we plan to invest 75 billion yen in business investments, and to thoroughly manage the associated risks, we have newly established an Investment Committee. As investment activities involve different risks (such as risk of impairment of investment funds) from project orders, for individual projects involving investment, the investment-related part is deliberated on by the Investment Committee.

## Major operational risks recognized and managed by the Company

Type of risk	Potential impact	Our response
<b>Risks potentially arising during normal business activities</b>		
<b>Violation of laws and regulations</b>	Risks arise from ignorance of, or unwillingness to comply with, laws, regulations and socially accepted norms. Since public works projects account for a significant percentage of the Group's sales volume, in the event of bid-rigging or other violations of the Antimonopoly Act, the Group could be penalized with fines, damages, suspension of nominations, or loss of social credibility, which could result in losses that would materially affect its financial position and operating results.	The Kanadevia Group positions compliance as a basic management policy and thorough implementation of compliance as one of the most important management issues, and continues to implement various measures related to promoting compliance management. Regarding measures to prevent violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, we have established the Marketing Compliance Committee as a subordinate organization of the Compliance Committee to provide guidance and supervision on sales activities, and in 2021, we revised the "Antimonopoly Act Compliance Guidebook (for Officers and Employees)" and are thoroughly implementing legal compliance through continuous implementation of internal training. <b>I Compliance P.67</b>
<b>Environmental pollution</b>	The natural and human environments of the communities in which our business operations are located may be severely affected by the release of pollutants or noise.	The Kanadevia Group is working on environmental conservation in the areas where each business site and factory is located and at construction sites based on the Environmental Conservation Promotion Plan in accordance with ISO14001 or international guidelines for environmental consideration. In environmental conservation activities at each business site and factory, we set voluntary standard values that go beyond legal requirements for management of air, water, and soil pollutants, as well as noise, vibration, and odor, and conduct monitoring and work on preventive maintenance. <b>I Environmental Management P.49</b>
<b>Accidents and workplace injuries</b>	As the Kanadevia Group's business activities involve engineering and manufacturing, we face the risk of causing personal injury to third parties and occupational accidents to employees directly or indirectly as a result of lack of safety measures, unsafe practices, incorrect operation, or equipment failure.	With the basic policy of "Safety first and a compassionate, pleasant workplace for everyone," we always grasp the situation at work sites and take appropriate measures, developing business by "Making safety the first priority." In addition, to improve the level of understanding of safety throughout the lifecycle of our products until they are operated and disposed of, the Safety Department, Human Resources Department, and each Business Headquarters collaborate to provide various safety and health-related education. <b>I Health and Safety P.45</b>
<b>Information security incidents</b>	Information security risks include tampering with corporate websites, destruction or alteration of data, information leaks, sending of spam emails and denial-of-service (DoS) attacks due to virus infections, unauthorized access, and account hijacking.	We have formulated a Global Security Policy (GSP) and conduct regular education and training for all officers and employees to prevent information leakage due to suspicious emails, websites, and human errors, thoroughly protecting information assets. In terms of external attacks, we have implemented multi-layered defense measures for networks, servers, and clients, and have also established a support system with external security experts in preparation for emergencies. <b>I Information Security P.71</b>
<b>Quality</b>	If unexpected product/service defects, quality deficiencies, or quality fraud occur, it may affect the Kanadevia Group's financial condition and even the existence of the Kanadevia Group due to payment of damages, costs necessary to correct quality deficiencies, loss of social credibility, etc.	We have defined "Always pursuing quality" as one of the basic philosophies of "Kanadevia Value" and are working to always pursue quality that satisfies our customers. We have also built and operate a quality management system based on ISO9001, and conduct regular reviews and continuous improvement to maintain its effectiveness and appropriateness. Furthermore, from this fiscal year, we have integrated quality assurance departments scattered across business headquarters and factories into a direct organization under the President to ensure the independence of the quality assurance department and strengthen internal control functions, while further strengthening the quality management system by enhancing governance functions. <b>I Quality P.48</b>
<b>Risks that cannot be managed by conventional systems</b>		
<b>Natural disasters and terrorism</b>	Human casualties and property damage caused by earthquakes, typhoons, or pandemics may adversely affect the business performance and financial condition of the Kanadevia Group.	In order to minimize human casualties and property damage in the event of a disaster, we have established a business continuity plan (BCP) and carry out inspections and training to respond to such a disaster. We also maintain emergency communication systems. In addition, we are working to commercialize both remote monitoring and operation support technology and unattended operation technology.

# Risk Management

## Risk management for individual projects

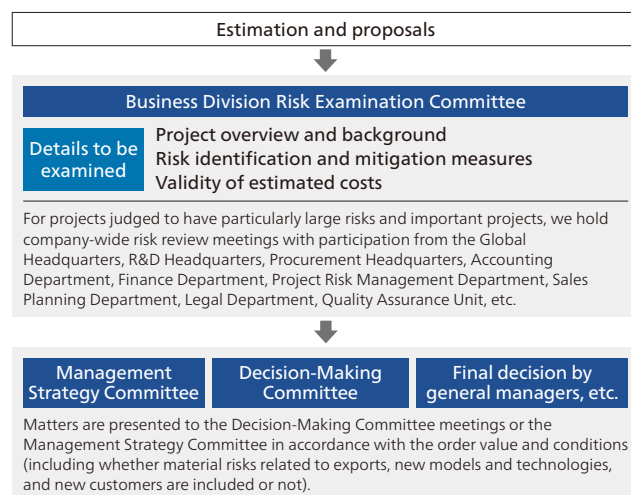
### Decision-making and risk management process at time of order acceptance

To realize expected profits after order acceptance, at the time of order acceptance, the department in charge of the estimated project extracts and evaluates risks related to technology, the estimate, delivery date, contracts, etc., incorporates countermeasures, and thoroughly manages risks at the time of order acceptance through risk review meetings, etc.

- (1) Extract and evaluate all anticipated risks related to technology, delivery date, commercial matters, and customer credit, etc.
- (2) Consider risk avoidance measures
- (3) Consider remaining risks after implementing risk avoidance measures and propose acceptability of remaining risks to decision-makers

Risk items are continuously reviewed based on lessons learned from past problems, and risk reviews are conducted particularly carefully for new products/technologies and products without long-term track records.

### Risk management process up to order acceptance



## Risk management process after order acceptance

As part of risk management for individual projects, we are working on profit management for major large-scale projects of the entire Company and related companies.

- (1) Each business division holds monthly follow-up meetings to monitor the progress status and profit outlook of important projects. Participants from risk management departments, etc., make improvement proposals and give advice.
- (2) Follow up and report on the implementation status of measures and profit status, and expand to other projects.
- (3) Report 3-5 important cases monthly at the Top Management Review Meeting chaired by the President.
- (4) Hold project result reporting meetings for completed projects to share good points, reflections, issues, and future lessons learned from the project, including before order acceptance, and apply them to improve profitability and prevent troubles in ongoing and future projects.

## Risk management for individual projects of overseas group companies

We have delegated authority for decision-making for order acceptance by major overseas group companies based on certain amounts and conditions, but for large-scale projects and projects that require attention to risks, we require Kanadevia's approval, and for projects with particularly large risks, final judgment is made at the Management Strategy Committee. At Kanadevia Inova, a dedicated department was established in 2018 to strengthen risk management for individual projects. Objective analysis and evaluation using numerical data have improved the profit margins of large-scale projects, increased trust in the market, and led to further orders.

## Risk management for business investment projects

To manage risks associated with business investment projects and make timely investment decisions and monitoring, we established an Investment Committee and started full-scale operation from September 2023. The Investment Committee examines various risks related to investment projects in detail, provides advice to responsible departments, and makes or recommends investment

decisions according to the investment amount. Risks to be scrutinized include sponsor risk, completion risk, offtake risk, raw material supply risk, operational risk, market risk, cash flow risk, finance risk, country risk, and withdrawal risk.

### Investment Committee

<b>Chairperson</b>	General Manager of Corporate Planning Headquarters
<b>Members</b>	General Manager of Corporate Planning Department, General Manager of Finance Department, General Manager of Accounting Department, General Manager of Project Risk Management Department, General Manager of Legal Department, and others selected according to the project
<b>FY2023 Meeting Results and Future Response</b>	<ul style="list-style-type: none"> <li>Conducted review of resource circulation business projects and monitoring of Carbon Neutral Solution Business</li> <li>Will establish a monitoring process for overseas subsidiaries' business investments in the future</li> </ul>

## Mid-term monitoring process

For projects where investments have been executed, we verify the possibility of meeting withdrawal conditions, as well as business profitability, cash flow, etc., every six months. If it is foreseen that withdrawal conditions may be met or if there are problems with business profitability, etc., improvement measures are deliberated on.

## Withdrawal decision process

The final withdrawal decision is made at the Management Strategy Committee or the Board of Directors.

# Information Security

## Basic Approach

To protect the information assets possessed by the Kanadevia Group and those entrusted to us by customers from such threats as unauthorized access, crimes, loss, and incidents, the Group stipulated a Global Security Policy (GSP) in 2023.

The policy expresses our plan to pursue greater corporate value through the recognition of information security as an important management issue as well as the stipulation and continual implementation of basic items such as countermeasures and systems to ensure information security at the Group.

In addition to strengthening our own initiatives in line with this basic policy, we support initiatives to improve information security at Group companies.

**Global Security Policy (GSP)**  
<https://www.kanadevia.com/english/security/>

## Information Security Management System

We have established an Information Security Committee, which is headed by the Information Security Committee Chair selected from directors and is composed of the person in charge of information security management in each business headquarters. Furthermore, the Information and Communication Technology Information System Department, which plays a role in information security, undertakes information security management based on a management system related to introducing, operating, and managing IT infrastructure as well as handling operations from information system management planning to implementation.

Furthermore, we have outsourced security monitoring to an independent SOC.\*<sup>1</sup> In the case of an incident, we mitigate the risk of external threats, such as cyberattacks, by having the CSIRT\*<sup>2</sup>, which is composed of in-house experts, collaborate with outside security experts on the response.

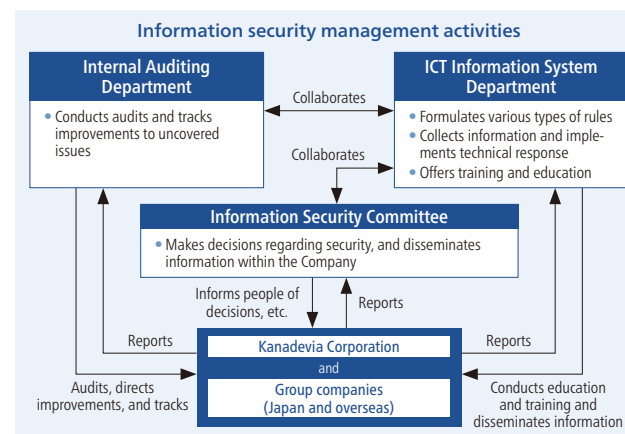
For Group companies, we have increased our involvement in each company's information security through collaboration with the Audit Department and provide necessary guidance and support to undertake security.

Moreover, we are working to ensure even more reliable information security, and one related element was for some departments that provide IT services to outside parties to obtain ISO27001 certification in July 2024.

\*1. Security Operation Center (SOC): This is a specialized organization that undertakes real-time monitoring of items such as networks and systems 24 hours a day, 365 days a year, detects cyberattacks, analyzes incidents, and implements countermeasures.

\*2. Computer Security Incident Response Team (CSIRT) is an entity that responds to information security incidents.

## Information security management organizational structure



## Information Security Training and Education

The Kanadevia Group considers people the ultimate linchpin to information security measures and strives to raise the security level of the overall organization through information security-related education and training.

## Information security training

Fiscal year	2019	2020	2021* <sup>1</sup>	2022* <sup>2</sup>	2023* <sup>3</sup>
e-learning	4,503	4,446	4,062	4,584	5,202

\*1 Only Kanadevia through FY2021

\*2 Kanadevia and 7 consolidated subsidiaries

\*3 Kanadevia and 10 consolidated subsidiaries

At the same time, we encourage greater literacy on the issue by providing information on information security through regular e-mail newsletters and our website. Specifically, we are always on the lookout for email-based cyberattacks, provide annual training on handling suspicious emails to all officers and employees of Kanadevia, and strive to gain experience so that we can quickly address information security issues when they occur.

We are moving forward with initiatives to expand communication with Group companies, too.

## Incident Response

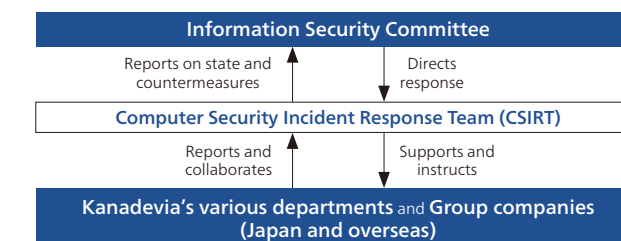
A CSIRT was established in the Information and Communication Technology Promotion Headquarters to handle incidents, and there is a system to conduct investigations of potential incidences and address issues with the support of outside security experts when necessary. In the case of a whistleblower report, there is a system to promptly handle the report, including established response procedures.

Furthermore, the CSIRT provides training to all its members to increase their experience so that they can promptly address incidents.

As for group companies, we not only provide guidance so that they can establish response procedures but are also moving forward with establishing a system for support by Kanadevia.

Moreover, Kanadevia is involved in the response in the case of a major incident.

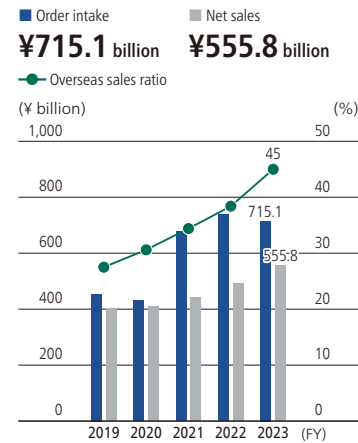
## Organization chart in case of incident



# Financial and Non-Financial Highlights

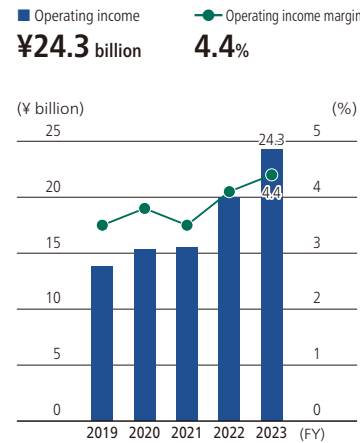
## Financial information

### Order intake / Net sales / Overseas sales ratio



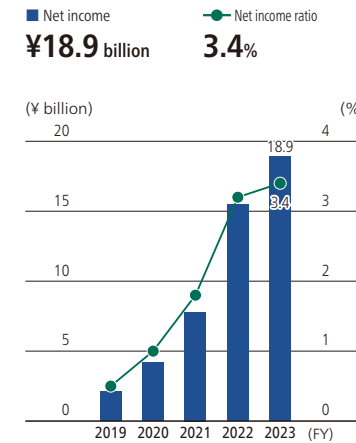
Six consecutive years of increased revenue due to growth in overseas business, achieving the target of 40% overseas sales ratio two years ahead of plan

### Operating income / Operating income margin



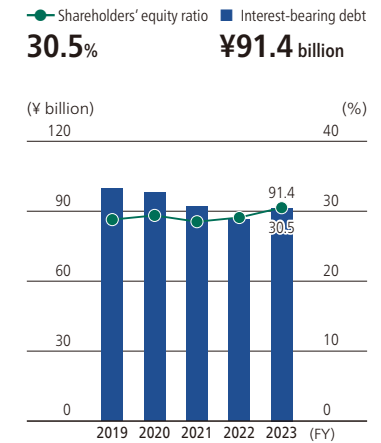
Increased revenue and profit in Environment Business and Carbon Neutral Solution Business, with operating income margin improving for two consecutive years

### Net income / Net income ratio



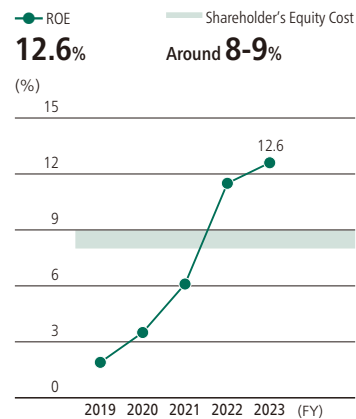
Net income increased by 3.4 billion yen compared to the previous year due to investment profit on equity method, foreign exchange gains, etc.

### Shareholders' equity ratio / Interest-bearing debt



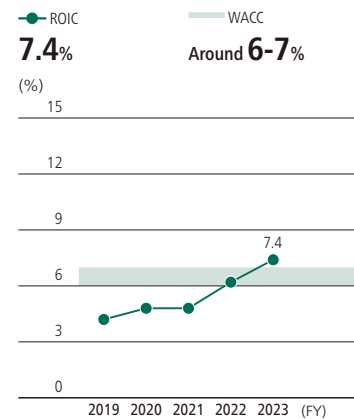
Interest-bearing debt increased due to growth investments, while equity ratio remained at a sound level

### ROE / Shareholder's equity cost



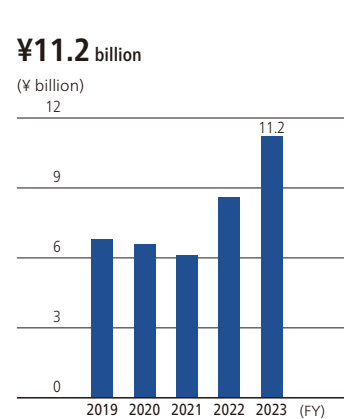
ROE in fiscal 2023 was at a high level due to increased operating income, non-operating income, etc.

### ROIC / WACC



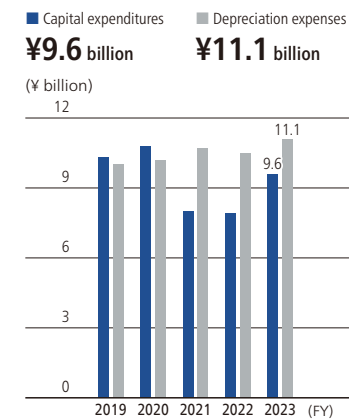
In fiscal 2024, ROIC is expected to decrease due to increased invested capital (growth investments)

### Research and development expenses



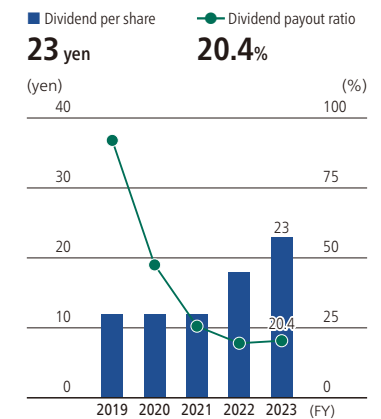
Increased by 2.6 billion yen, mainly focusing on next-generation waste treatment technology and decarbonization technology development

### Capital expenditures / Depreciation expenses



Capital expenditures increased by 1.7 billion yen compared to the previous year, mainly for productivity improvement and aging countermeasures, while depreciation remained at the same level as the previous year

### Dividend per share / Dividend payout ratio



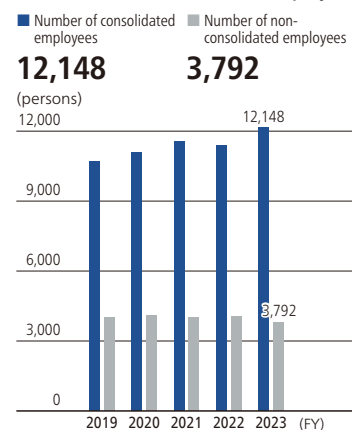
Increased dividend by 5 yen compared to the previous year, considering increased profits under the policy of continuous and stable dividends



## Financial and Non-Financial Highlights

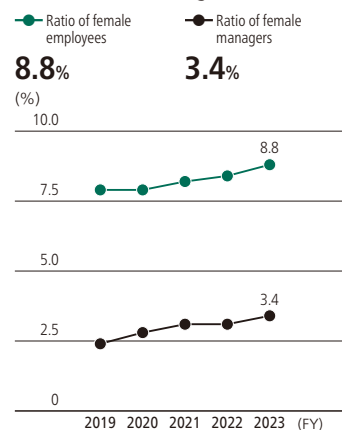
### Non-financial Information

#### Number of consolidated employees / Number of non-consolidated employees



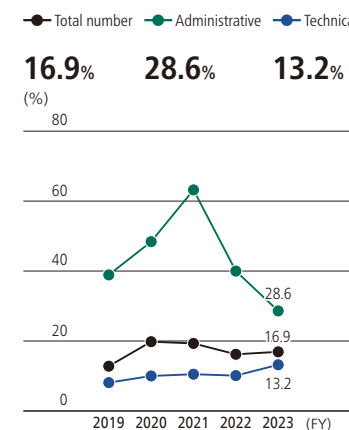
While the number of employees on a non-consolidated basis decreased due to the spin-off of the marine engine business, the number of consolidated employees increased due to M&A

#### Ratio of female employees / Ratio of female managers\*1



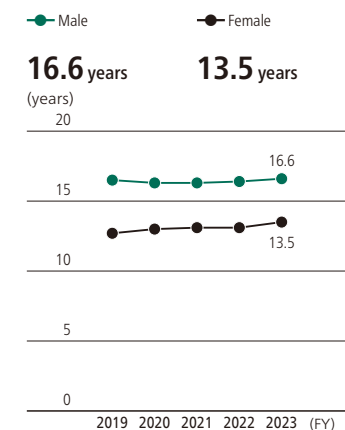
Continue to promote career development and sponsorship cultivation, etc., towards the target of 4% female manager ratio

#### Ratio of female new graduate hires\*1,2



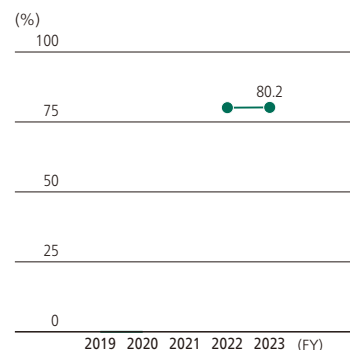
The target is 50% female recruitment for administrative positions and 10% for technical positions, but administrative positions fell short in fiscal 2023

#### Average years of service\*1



#### Gender wage gap\*1

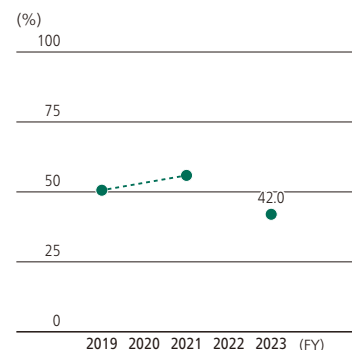
80.2% (Male salaries as 100%)



Influenced by female manager ratio and male childcare leave days, etc., continue efforts for improvement

#### Employee engagement index\*1

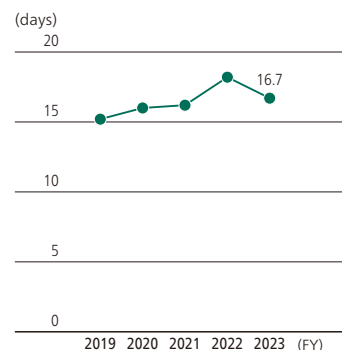
42.0%



Changed to a new engagement survey focusing on the connection between employees and the company from fiscal 2023 (response rate: 95%)

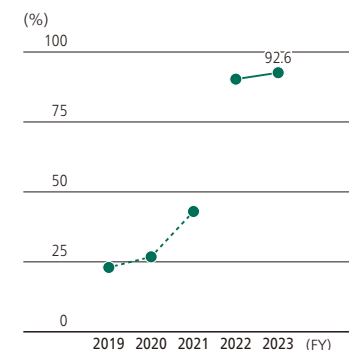
#### Average number of paid annual leave days taken\*1

16.7 days



#### Ratio of men taking childcare leave\*1,3

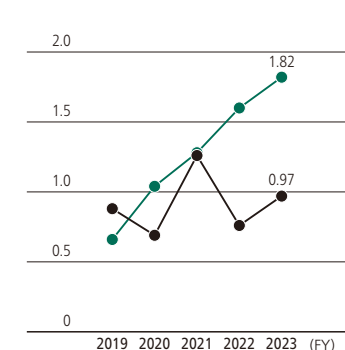
92.6%



Promoting awareness activities such as e-learning for all employees and seminars for managers towards achieving a 100% acquisition rate

#### Lost time injury frequency rate\*4

0.97



Established a company-wide Health and Safety Committee in July 2023 to improve safety management standards, reporting to the Board of Directors

\*1 The Company, non-consolidated

\*2 The recruitment results for fiscal 2023 are provided.

\*3 Prior to fiscal 2021, the figures did not include childcare leave, only childcare absence.

\*4 (Number of fatalities and injuries due to occupational accidents requiring 1 day or more absence from work ÷ cumulative hours worked) x 1,000,000

\*5 Domestic factories and group companies that operate on these premises in accordance with the principles of consolidated financial statements.

\*6 Total of domestic construction work (for projects where the Company was the prime contractor, including subcontractors).

## Eleven-Year Financial Summary

(Fiscal year)

Operating results	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Order intake (¥ million)	328,433	452,757	435,435	398,943	400,461	455,051	454,121	429,421	677,949	737,530	715,134
Net sales (¥ million)	333,433	359,332	387,043	399,331	376,437	378,140	402,450	408,592	441,797	492,692	555,844
Overseas sales ratio (%)	34.8	34.0	33.3	32.8	27.2	25.5	27.5	30.6	34.4	38.4	44.5
Operating income (¥ million)	7,878	12,818	15,112	14,947	5,907	7,358	13,891	15,396	15,541	20,056	24,323
Operating income margin (%)	2.4	3.6	3.9	3.7	1.6	1.9	3.5	3.8	3.5	4.1	4.4
Ordinary income (¥ million)	6,220	7,568	12,272	11,225	3,365	6,720	9,429	11,792	11,783	17,834	25,646
Net income attributable to shareholders of the parent company (¥ million)	3,719	5,100	5,848	5,864	2,171	5,445	2,197	4,258	7,899	15,577	18,999
Research and development expenses (¥ million)	6,285	6,181	6,526	7,089	7,411	7,162	6,897	6,664	6,136	8,581	11,246
Capital expenditures (¥ million)	5,307	11,882	8,194	8,174	9,973	6,896	10,302	10,831	8,057	7,945	9,596
Depreciation expenses (¥ million)	8,198	8,196	8,428	8,536	9,115	8,940	10,090	10,241	10,663	10,515	11,134
<b>Cash flows</b>											
Cash flows from operating activities (¥ million)	299	9,085	8,147	17,304	(3,373)	(5,428)	32,808	22,680	26,858	28,008	478
Cash flows from investing activities (¥ million)	(8,697)	(14,680)	(3,666)	(6,998)	(10,725)	(7,574)	6,179	(13,847)	943	(2,462)	(21,491)
Cash flows from financing activities (¥ million)	(513)	12,178	(15,948)	(8,417)	(4,018)	14,982	(31,364)	(5,271)	(8,759)	(7,841)	(2,606)
Cash and cash equivalents at end of period (¥ million)	49,961	60,769	49,671	50,848	32,743	34,394	41,595	45,812	65,956	84,874	69,774
<b>Financial position (year-end)</b>											
Total assets (¥ million)	379,414	408,803	401,648	393,587	391,860	429,040	409,531	429,336	461,161	479,682	533,593
Shareholders' equity (¥ million)	100,322	108,766	114,158	115,692	116,894	119,479	118,003	126,330	131,299	139,619	162,658
Interest-bearing debt (¥ million)	104,326	119,054	105,133	109,167	107,249	126,343	99,588	98,149	91,880	86,467	91,441
<b>Financial indicators</b>											
Return on equity (%)	3.7	4.9	5.2	5.1	1.9	4.6	1.9	3.5	6.1	11.5	12.6
Return on assets (based on ordinary income) (%)	1.7	1.9	3.0	2.8	0.9	1.6	2.2	2.8	2.6	3.8	5.1
Shareholders' equity ratio (%)	26.4	26.6	28.4	29.4	29.8	27.8	28.8	29.4	28.5	29.1	30.5
<b>Per share data</b>											
Net income (¥)	23.77	30.52	34.96	34.79	12.88	32.31	13.04	25.26	46.87	92.43	112.74
Net assets (¥)	641.16	651.24	677.24	685.83	693.53	708.89	700.15	749.58	779.08	828.47	965.21
Dividend (¥)	10	10	12	12	12	12	12	12	12	18	23
Dividend payout ratio (%)	42.1	32.8	34.3	34.5	93.2	37.1	92.0	47.5	25.6	19.5	20.4

Please refer to this web page for segment-specific data.  
<https://www.kanadevia.com/english/ir/finance/segment.html>

# Investor Information / Corporate Information (as of March 31, 2024)

In accordance with the Kanadevia Value (corporate philosophy, management stance, and standards of business behavior), the Kanadevia Group strives to disclose information in a timely and appropriate manner based on laws and regulations. We also strive to enhance corporate value by actively engaging in dialogue with shareholders and investors to gain sufficient understanding of our management policies and plans, and by reflecting opinions and suggestions obtained through such dialogue in our management.

## General Meeting of Shareholders

In order to enable more shareholders to participate, we are seeking to improve the environment by setting dates for General Meetings of Shareholders that avoid concentrated days, sending and disclosing convocation notices as early as possible, adopting an online system for exercising voting rights, and issuing English translations of convocation notices for overseas investors.

## Dialogue with institutional and individual investors

Our Group strives to disclose information on management policies, business conditions, and other matters in a timely and appropriate manner. We are working to enhance our long-term corporate value by actively engaging in dialogue with investors, including through briefings for analysts and institutional investors at the time of the announcement of quarterly and annual financial results and the release of management plans, and the disclosure of information using various means such as our corporate website and integrated reports.

### Fiscal 2023 dialogue examples

Content	Target	Results
Factory tours (Chikko Works)	Individual shareholders	4 times
Factory tours (Ariake Works)	Analysts, Institutional investors	2 times
IR meetings (Japan/Overseas)	Analysts, Institutional investors	192 times
SR meetings	Institutional investors' voting rights managers, ESG managers	17 times
Small meetings • Kanadevia Inova business strategy presentation • ESG meeting • Environment Business strategy presentation	Institutional investors	1 each
IR Briefings	Individual investors	1 time

| Co-Creating Value with Stakeholders P.55

## Frequently asked questions from investors (FAQ)

### Q1 What is EPC?

EPC refers to Engineering, Procurement, and Construction in plant construction, which is the Kanadevia Group's main business.

### Q2 What is O&M/Service?

O&M/Service refers to operation, maintenance, parts supply, etc. after plant completion, leading to stable earnings. For a long time, the proportion of O&M/Service has been high in the Environment Business in Japan, but we strive to increase the proportion of O&M/Service in other businesses and regions as well.

#### Target

FY2025: 50% of Group sales  
FY2030: Majority in Group sales

### Q3 What is Waste to X?

Until now, we have mainly focused on waste to energy power generation, but now we are working on Waste to X, which transforms waste into some kind of resource or energy. X includes energy, metal, chemicals, fuel, hydrogen, carbon storage, phosphorus recovery, etc.

| Environment Business P.33

### Q4 Why does revenue tend to be concentrated in the second half of each year? Will the tendency for losses in the first half improve in the future?

Our Environment Business and infrastructure business in Japan have many public projects, of which profits tend to be concentrated at the end of the fiscal year, resulting in a loss or near-loss in the first half. In recent years, we have been working on making EPC projects in Japan profitable, and as the overseas sales ratio has increased, the leveling of operating profit throughout the year has gradually progressed. In fiscal 2023, we achieved profitability in the second quarter.

### Q5 What is the development status and sales status of all-solid-state batteries?

In 2023, we conducted a demonstration test in space in collaboration with JAXA, and in 2024, we received our first commercial order for "AS-LiB®" (140mAh type) for semiconductor manufacturing equipment. All-solid-state batteries are characterized by a wide range of usable temperatures, usability in vacuum environments, and high safety. Currently, we are focusing on development for industrial machinery and space applications that can leverage the product's characteristics.

#### All-solid-state lithium-ion batteries

<https://www.kanadevia.com/english/business/field/functional/as-lib.html>

### Q6 What is the shareholder return policy?

During the period of this medium-term management plan Forward 25 (FY2023-2025), from the perspective of long-term shareholder value enhancement, we plan to allocate cash primarily to growth investments that will lead to future corporate value enhancement. Along with this, our basic policy is to implement continuous and stable dividends to our shareholders.

Dividend per share FY2023: 23 yen, FY2024 (forecast): 23 yen

| Financial Strategy P.24

### Q7 What are Kanadevia's ESG initiatives?

The Kanadevia Group has identified the Sustainable Vision of "realize zero environmental impact" and "maximize people's well-being," and the Seven Pillars of Success (Materiality) to realize it, and is advancing initiatives.

| Sustainable Vision P.17, Materiality/Indicators and Targets P.18-19, Promoting Sustainability P.44, Environment (E) P.49-54, Social (S) P.27-30, P.45-48, Governance (G) P.56-68

#### Sustainability

<https://www.kanadevia.com/english/sustainability/>

## Investor Information / Corporate Information (as of March 31, 2024)

### Corporate data

Date of founding	April 1, 1881
Date of establishment	May 29, 1934
Representative	Michi Kuwahara, President and Chief Operating Officer
Capital	45,442,365,005 yen
Number of employees	12,148 (consolidated) / 3,792 (non-consolidated)
Business	Design, construction and manufacture of Waste to Energy plants, desalination plants, water and sewage treatment plants, marine engines, press machines, process equipment, precision machinery, bridges, hydraulic gates, and equipment for use in disaster prevention/mitigation
Number of Group companies	162 (131 consolidated subsidiaries and 31 affiliates)

### Major shareholders (Top 10 shareholders)

Name of shareholder	Number of shares held (Thousands of shares)	Share holdings ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,309	18.0
Custody Bank of Japan, Ltd. (Trust Account)	16,787	10.0
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	6,780	4.0
MUFG Bank, Ltd.	5,291	3.1
HSBC BANK PLC A/C M AND G (ACS) VALUE PARTNERS CHINA EQUITY FUND	3,520	2.1
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS: CLIENT OMNI OM25	3,499	2.1
STATE STREET BANK AND TRUST COMPANY 505019	2,799	1.7
STATE STREET BANK AND TRUST COMPANY 505223	2,674	1.6
Hitachi Zosen Employee Shareholding Association	2,642	1.6
Sompo Japan Insurance Inc.	2,358	1.4

Note: The holding ratio does not include treasury stock.

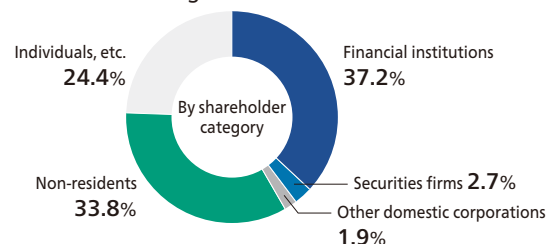
### Shareholder information

Business year	April 1 to March 31
Annual General Meeting of Shareholders	Late June
Final date for voting right registration	March 31
Dividend record date (term-end)	March 31
Dividend record date (interim)	September 30
Public notices	Via Company's website <a href="https://www.kanadevia.com/ir/publication.html">https://www.kanadevia.com/ir/publication.html</a> (Available in Japanese only)
Share trading unit	100 shares
Shareholder registry administrator and special account custodian	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Stock listing	Tokyo Stock Exchange

### Stock data

Number of shares authorized	400,000,000
Number of shares issued	170,214,843 (including 1,692,716 treasury shares)
Number of shareholders	72,038

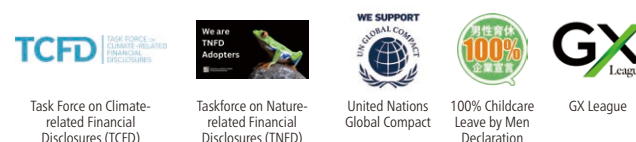
### Distribution of shareholdings



### Sustainability evaluation



### Initiatives for sustainability



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### Note regarding the publication of Integrated Report 2024

In October 2024, our Group changed its name to the Kanadevia Group. Leveraging our technological capabilities and connections with customers and society that we have cultivated so far, with the concept of “taking on the challenge, through the power of technology, to create a world that lives in balance with nature,” we will make every effort to solve customer and market issues and aim for further enhancement of corporate value.

This is the first integrated report to be issued as the Kanadevia Group. To deepen your understanding of how we create social value and enhance corporate value, and our aspirations, we have completely redesigned the report and included new content such as explanations of our business model and feature columns.

We will continue to engage in active dialogue with stakeholders to enhance corporate value, and sincerely listen to your candid opinions. We ask for your continued support for the Kanadevia Group.

**Satoshi Kimura**  
Director  
General Manager of  
Corporate Planning Headquarters

### Editorial policy

To help our shareholders, investors, and other stakeholders better understand the Kanadevia Group's value creation initiatives towards realizing our long-term vision, we have been publishing an Integrated Report since fiscal 2018. In editing, we refer to the framework presented by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation 2.0 by the Ministry of Economy, Trade and Industry. For detailed figures and information on financial information, environmental conservation and protection initiatives, and other general corporate activities, please refer to our corporate website.