

Report of Consolidated Financial Results

For the Nine Months Ended December 31, 2024

February 5, 2025

Name of Company: Kanadevia Corporation
Code Number: 7004 URL: <https://www.kanadevia.com/>
Stock Exchange Listing: Tokyo
Representative: Michi Kuwahara, President & Chief Operating Officer
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This "Consolidated Financial Results" has been prepared in accordance with accounting principles generally accepted in Japan.

(Figures are rounded down to the nearest million yen.)

1. Business results and financial position for the nine months ended December 31, 2024 (April 1 - December 31, 2024)

(1) Results of operations (Accumulated)

(Percentages show rates of increase or decrease from the period a year earlier.)

	Net sales (million yen) (%)		Operating income (million yen) (%)		Ordinary income (million yen) (%)		Profit attributable to shareholders of Kanadevia (million yen) (%)	
9 months ended Dec. 31, 2024	413,432	11.0	9,746	2.5	5,917	-35.5	5,393	-9.5
9 months ended Dec. 31, 2023	372,317	12.3	9,511	63.3	9,147	159.5	5,983	138.2

	Net income per share (yen)	Net income per share-diluted (yen)
9 months ended Dec. 31, 2024	32.04	—
9 months ended Dec. 31, 2023	35.36	—

(2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)
As of December 31, 2024	540,363	174,894	30.8
As of March 31, 2024	533,593	168,946	30.5

(Note) Shareholders' equity: Yen 166,330 million (December 31, 2024), Yen 162,658 million (March 31, 2024)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2024	0.0	23.0	23.0
Year ending March 31, 2025	0.0		
Year ending March 31, 2025 (Forecast)		23.0	23.0

(Note) Revisions to the dividends forecast most recently announced : None

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages show rates of increase or decrease from the period a year earlier.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of Kanadevia		Net income per share – basic
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
Year ending March 31, 2025	590,000	6.1	26,000	6.9	22,000	-14.2	18,000	-5.3	106.81

(Note) Revisions to the forecast of consolidated earnings most recently announced : No

4. Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly consolidated: Kanadevia Inova Denmark A/S, Iona Capital Ltd

(2) Specific accounting policies applied in the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and restatements

(i) Changes in accounting policies as per the revision of accounting standards: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding (including treasury stock)

December 31, 2024 170,214,843 shares

March 31, 2024 170,214,843 shares

(ii) Number of shares held in treasury

December 31, 2024 2,025,786 shares

March 31, 2024 1,692,716 shares

(iii) Average number of shares during the respective periods

Nine months ended December 31, 2024 168,336,574 shares

Nine months ended December 31, 2023 168,525,695 shares

(Note) The number of treasury stock at end of period includes the Company's shares held by the BIP (Board Incentive Plan) Trust established for the remuneration plan for the Company's directors, etc. (329,630 shares as of December 31, 2024, - shares as of March 31, 2024). The Company's shares held by the BIP Trust are included in the number of shares of treasury stock which are deducted from the number of shares when calculating the average number of shares outstanding during the period.

(5) Review for attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

(6) Forward-looking statements are based on information currently available to Kanadevia Corporation. Therefore, those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited, to the economic conditions surrounding Kanadevia Corporation.

5. Analysis of Financial Results

In this chapter, we analyze the consolidated operating results and consolidated financial position. Numerical figures are quoted from "8. Supplementary information" of this report.

(1) Overview of consolidated operating results

The economic situation in the third quarter of the year under review is at a standstill in some areas but gradually picking up. Looking ahead, a gradual recovery is expected to continue under the improving employment, income environment and the impact of the various policies. But the downward swing of foreign economy like high interest rate in Europe and the USA or continuing to be at a standstill of real estate market in China is a risk for downtrend of domestic economy. And also we need to pay close attention to the effects of rising prices, Middle East situation and fluctuations in financial and capital markets, in addition to the downside risks of overseas economies.

Under such circumstances, based on the medium-term management plan "Forward 25" that started in the fiscal year 2023, the Group has been promoting various key measures with the basic policies; sustainable growth of existing businesses, creation and expansion of growth businesses and promotion of sustainable management (enhancement of corporate value).

As a result of the above efforts, for the nine months ended December 31, 2024, Order intake was Yen 446.8 billion, decreased by 17.3% from the same period in the last fiscal year mainly due to a decrease in Environment Business and Carbon Neutral Solution Business. Net sales were Yen 413.4 billion, increased by 11.0% from the same period in the previous fiscal year mainly due to an increase in Environment Business.

In terms of profit and loss, Operating income was Yen 9.7 billion, increased by 2.5% from the same period of the previous year, mainly due to the improve of in Environment Business despite worse of Machinery & Infrastructure Business

Although Operating income was increased, Ordinary income was decreased by 35.3% to Yen 5.9 billion, due to share of loss of entities accounted for using equity method and investigation costs of inappropriate conduct.

As a result, profit attributable to shareholders of Kanadevia decreased by 9.5% to Yen 5.3 billion.

Business results by segments are as follows.

Environmental Business:

Net sales increased by 13.5% to Yen 305.7 billion due to the net sales increase of foreign subsidiaries Operating income was increased 63.4% to Yen 11.7 billion due to the reduction of losses in domestic construction projects and improved profitability at foreign subsidiaries.

Machinery & Infrastructure Business:

Net sales decreased by 12.8% to Yen 56.1 billion due to a decrease in Infrastructure. Operating loss was recorded 1.0 billion due to worse earnings of Infrastructure whereas operating income was recorded 1.9 billion in the same period a year earlier.

Carbon Neutral Solution Business:

Net sales increased by 31.9% to Yen 48.8 billion due mainly to an increase of wind power generation instruments and process instruments. Operating loss was recorded 1.5 billion due to worse earnings of carbon neutral solution, whereas operating income was recorded 0.1 billion in the same period a year earlier.

Other Businesses:

Net sales increased to Yen 2.8 billion and Operating income increased to Yen 0.5 billion.

Due to the nature of the Group's business, a large proportion of projects is completed at the end of March, fiscal year closing month, and therefore sales are concentrated at the end of the consolidated fiscal year. Thus, there is a tendency that the Company's operating results experience the seasonal fluctuation.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Total assets increased by Yen 6.8 billion to Yen 540.3 billion from the previous fiscal year-end mainly due to an increase in tangible and intangible fixed assets despite a decrease in trade notes and accounts receivable, and contract assets due to collection of trade receivables. Total liabilities increased by Yen 0.9 billion to Yen 365.4 billion from the previous fiscal year-end owing to increase of interest-bearing debts despite repayment of Notes, Accounts payable and Accrues expenses. Net assets increased by Yen 5.9 billion to Yen 174.9 billion from the last fiscal year-end due to increase of profit attributable to shareholders of Kanadevia and non-controlling interests.

(3) Forecast of consolidated earnings

As the performance for the first nine months of the current fiscal year is generally in line with the plan, there is no change in the forecast for the fiscal year ending March 31, 2025 from the previous forecast (announced on November 7, 2024).

As for the inappropriate conduct in the Group's marine engine business released in a timely manner on July 5, 2024, the investigation report has been submitted to the Ministry of Land, Infrastructure, Transport and Tourism on December 25, 2024. The investigation by the Special Investigation Committee is currently ongoing. Based on the results of the investigation, we will promptly incorporate any results anticipated impact on our business performance into our forecast.

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	71,605	49,612
Notes and accounts receivable - trade, and contract assets	234,806	198,333
Merchandise and finished goods	2,297	2,469
Work in process	7,039	18,363
Raw materials and supplies	10,568	12,682
Other	21,808	31,395
Allowance for doubtful accounts	△1,049	△969
Total current assets	347,076	311,886
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,392	40,944
Land	40,257	40,315
Other, net	34,828	39,431
Total property, plant and equipment	104,478	120,690
Intangible assets		
Goodwill	4,259	19,928
Other	14,999	20,341
Total intangible assets	19,258	40,270
Investments and other assets		
Other	63,444	68,194
Allowance for doubtful accounts	△705	△702
Total investments and other assets	62,738	67,491
Total non-current assets	186,475	228,452
Deferred assets	41	24
Total assets	533,593	540,363

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,945	42,327
Electronically recorded obligations - operating	8,988	8,982
Short-term borrowings	19,588	35,176
Current portion of bonds payable	10,000	10,000
Lease liabilities	1,746	1,396
Accrued expenses	84,084	70,496
Income taxes payable	2,681	3,408
Contract liabilities	48,741	49,906
Provision for construction warranties	18,587	17,068
Provision for loss on construction contracts	6,490	5,782
Provision for demolition and removal	568	568
Other	23,260	18,849
Total current liabilities	273,682	263,960
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	34,443	50,214
Lease liabilities	5,664	5,327
Deferred tax liabilities	449	2,526
Retirement benefit liability	20,985	21,480
Provision for retirement benefits for directors (and other officers)	53	37
Provision for loss on business liquidation	729	—
Provision for loss on litigation	946	946
Provision for demolition and removal	290	290
Asset retirement obligations	3,097	3,164
Other	4,304	7,521
Total non-current liabilities	90,964	101,508
Total liabilities	364,647	365,469
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	7,805	7,802
Retained earnings	100,651	102,148
Treasury shares	△1,034	△1,333
Total shareholders' equity	152,865	154,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,114	1,087
Deferred gains or losses on hedges	737	507
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	2,194	2,028
Remeasurements of defined benefit plans	5,755	8,656
Total accumulated other comprehensive income	9,792	12,271
Non-controlling interests	6,288	8,563
Total net assets	168,946	174,894
Total liabilities and net assets	533,593	540,363

7. Profit and loss statements

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	372,317	413,432
Cost of sales	310,966	341,393
Gross profit	61,351	72,038
Selling, general and administrative expenses	51,839	62,292
Operating profit	9,511	9,746
Non-operating income		
Interest income	662	948
Dividend income	33	170
Share of profit of entities accounted for using equity method	1,290	—
Foreign exchange gains	—	319
Other	673	936
Total non-operating income	2,660	2,374
Non-operating expenses		
Interest expenses	551	829
Share of loss of entities accounted for using equity method	—	407
Foreign exchange losses	375	—
Other	2,097	4,965
Total non-operating expenses	3,024	6,202
Ordinary profit	9,147	5,917
Extraordinary income		
Settlement income	—	2,205
Reversal of provision for loss on business liquidation	—	729
Total extraordinary income	—	2,934
Extraordinary losses		
Provision for loss on litigation	258	—
Total extraordinary losses	258	—
Profit before income taxes	8,889	8,852
Income taxes	2,986	3,330
Profit	5,902	5,522
Profit (loss) attributable to non-controlling interests	△56	128
Profit attributable to owners of parent	5,958	5,393

8. Supplementary Information

(1) Consolidated Information by segments

i) Order Intake

(Unit: billion yen)

Business Segment	Fiscal year ended Dec. 31, 2023	Fiscal year ended Dec. 31, 2024	Difference	Order backlog as of Dec. 31, 2024
Environment	407.6	359.4	-48.2	1,474.5
Machinery & Infrastructure	65.1	63.0	-2.1	84.9
Carbon Neutral Solution	66.0	22.0	-44.0	75.9
Other	1.6	2.4	0.8	0.6
Total	540.3	446.8	-93.5	1,635.9

ii) Statements of Operations

(Unit: billion yen)

		Fiscal year ended Dec. 31, 2023		Fiscal year ended Dec. 31, 2024		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income Net sales &	Environment	269.3	7.2	305.7	11.7	36.4	4.5
	Machinery & Infrastructure	64.4	1.9	56.1	-1.0	-8.3	-2.9
	Carbon Neutral Solution	37.0	0.1	48.8	-1.5	11.8	-1.6
	Other	1.6	0.3	2.8	0.5	1.2	0.2
	Total	372.3	9.5	413.4	9.7	41.1	0.2
Ordinary Income		9.1		5.9		-3.2	
Profit attributable to shareholders of Kanadevia		5.9		5.3		-0.6	

iii) Consolidated Balance Sheet

(Unit: billion yen)

	As of Mar. 31, 2024	As of Dec. 31, 2024	Difference
Cash and time deposits	71.6	49.6	-22.0
Trade notes and accounts and contract assets	234.8	198.3	-36.5
Inventories	19.9	33.5	13.6
Tangible & intangible fixed assets	123.7	161.0	37.3
Others	83.5	97.9	14.4
Total Assets	533.5	540.3	6.8
Notes and accounts payable	57.9	51.3	-6.6
Interest bearing debt	91.4	112.1	20.7
Others	215.2	202.0	-13.2
Total Liabilities	364.5	365.4	0.9
Shareholders' equity	152.9	154.0	1.1
Accumulated other comprehensive income	9.8	12.3	2.5
Non controlling interests	6.3	8.6	2.3
Total Net Assets	169.0	174.9	5.9
Total Liabilities and Net Assets	533.5	540.3	6.8

iv) Consolidated Statements of Cash Flows

(Unit: billion yen)

	Fiscal year ended Dec. 31, 2023	Fiscal year ended Dec. 31, 2024	Difference
Cash flows from operating activities	-13.0	8.9	21.9
Cash flows from investing activities	-15.6	-42.8	-27.2
Cash flows from financing activities	-4.1	10.8	14.9
Foreign exchange translation	2.5	1.2	-1.3
Increase/decrease in cash & cash equivalents	-30.2	-21.9	8.3
Cash & cash equivalents at beginning of year	84.8	69.7	-15.1
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	3.5	—	-3.5
Cash & cash equivalents at end of year	58.1	47.8	-10.3

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2025

i) Order Intake

(Unit: billion yen)

Business Segment	Forecast Released on Nov 7, 2024	Forecast Released on Feb 5, 2025	(Forecast) Difference
Environment	540.0	540.0	0.0
Machinery & Infrastructure	84.0	84.0	0.0
Carbon Neutral Solution	53.5	53.5	0.0
Other	2.5	2.5	0.0
Total	680.0	680.0	0.0

ii) Statements of Operations

(Unit: billion yen)

		Forecast Released on Nov 7, 2024		Forecast Released on Feb 5, 2025		(Forecast) Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environment	433.0	24.0	436.0	25.6	3.0	1.6
	Machinery & Infrastructure	80.0	0.9	80.0	0.6	0.0	-0.3
	Carbon Neutral Solution	75.0	0.8	72.0	-0.5	-3.0	-1.3
	Other	2.0	0.3	2.0	0.3	0.0	0.0
	Total	590.0	26.0	590.0	26.0	0.0	0.0
Ordinary Income		22.0		22.0		0.0	
Profit attributable to shareholders of Kanadevia		18.0		18.0		0.0	

(Notes)

The forecast remains unchanged from that released on Nov. 7, 2024.

As for the inappropriate conduct in the Group's marine engine business released in a timely manner on July 5, 2024, the investigation report has been submitted to the Ministry of Land, Infrastructure, Transport and Tourism on December 25, 2024. The investigation by the Special Investigation Committee is currently ongoing. Based on the results of the investigation, we will promptly incorporate any results anticipated impact on our business performance into our forecast.