



Kanadevia Corporation

Announcement of Financial Results for FY2025

May 13, 2026

Event Summary

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[Participants]		
[Number of Speakers]	3	
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	Koichiro Oshima	Senior Managing Executive Officer, General Manager of Corporate Planning Headquarters & Group Chief Financial Officer
	Hideyuki Shinonaga	Manager of Investor Relations Section, Corporate Planning Headquarters
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	Masayasu Noguchi	SBI SECURITIES
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Shinonaga: Hello, everyone. As the appointed time has arrived, we would like to begin the Kanadevia Corporation's earnings briefing for the fiscal year ended March 2026.

Thank you very much for attending our financial results briefing today. I am Shinonaga of the Investor Relations Section, Corporate Planning Headquarters, and I will be the moderator today. Thank you.

As for today's materials, please have on hand the financial results presentation materials and the factbook in Excel file which were posted on our website on Tuesday, May 12. The structure of the financial results presentation materials and the factbook have been revised starting this time. Order intake, net sales, and operating income by company and segment are shown in the Appendix of the financial results briefing materials and factbook.

I will introduce today's attendees. Today's keynote speaker, Mr. Michi Kuwahara, President and Group Chief Executive Officer.

Kuwahara: Thank you.

Shinonaga: Mr. Koichiro Oshima, General Manager of Corporate Planning Headquarters and Group Chief Financial Officer.

Oshima: Thank you.

Shinonaga: These are the two attendees today. Today, Mr. Oshima will explain the financial results for FY2025, the evaluation of the medium-term management plan Forward 25, the financial forecast for FY2026, capital policy, and shareholder returns.

Then, Mr. Kuwahara will explain the recognition of issues for medium- and long-term growth, strategic responses, and efforts to prevent recurrence of quality-related inappropriate actions. We will conclude with a question-and-answer session. The entire session will last up to 90 minutes, including Q&A.

Before we begin this briefing, I would like to offer a brief disclaimer. In the presentation that follows, we may discuss future outlooks based on current projections; however, please be aware that all such statements are subject to various risks and uncertainties. We ask for your understanding that actual results may differ from these projections.

We will now begin our briefing. Group CFO Oshima, please begin.

Key Messages for Today

Addressing FY2025 technology and quality challenges and entering the next phase of growth in FY2026

- **Net sales and order intake reached record highs in FY2025, supported by strong demand in overseas markets**
- **Operating income is expected to recover in FY2026, driven by the absence of one-off expenses related to technology issues recognized in FY2025**
- **Strengthening global governance and strategically capturing growth opportunities to drive sustainable value creation**

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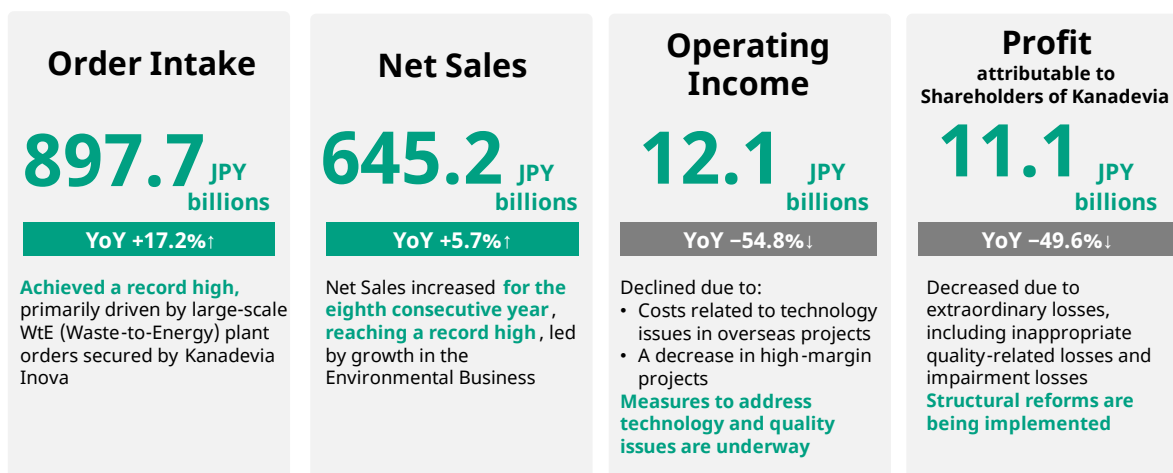
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Oshima: Now, I would like to first briefly convey today's key points.

In FY2025, we expanded the scale of our business with record-high order intake and net sales, but profits declined significantly due to expenses incurred in dealing with transient technical problems in overseas projects. However, as these costs were already fully covered in FY2025, we anticipate entering the next phase of growth in FY2026, premised upon our normal earnings capacity.

FY2025 Performance Highlights

Order Intake and Net Sales reached record highs, while profits declined due to one-off costs related to overseas technology issues



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I will now begin to explain the results for FY2025. First, you will see the company-wide results, and then I will explain the details of each business segment.

Here are the consolidated results for FY2025. Order intake and sales reached JPY897.7 billion and JPY645.2 billion, respectively, both record highs. This was mainly driven by the acquisition of several large WtE projects at our overseas subsidiary, Inova.

On the other hand, operating income declined substantially to JPY12.1 billion. As mentioned earlier, the main reason for this was the cost of dealing with transient technical problems in overseas projects, which was compounded by a decrease in high-profit projects in Japan and an increase in costs associated with the strengthening of human capital.

FY2025 Consolidated Financial Results Summary (YoY)

Net sales increased year on year, while profit declined due to the recording of costs related to technology issues, a decrease in high-margin projects, and increased investment in human capital

(JPY billions)	FY24 Results	FY25 Results	YoY
Order Intake	765.9	897.7	131.8
Net Sales	610.5	645.2	34.7
Gross profit	114.1	109.1	-5.0
Selling, General and Administrative Expenses	87.2	96.9	9.7
Operating Income	26.9	12.1	-14.8
% to Net Sales	4.4%	1.9%	-2.5pt
Non-Operating Income	-2.6	1.5	+4.1
Ordinary Income	24.3	13.6	-10.7
Extraordinary Income and Loss	-0.7	-2.6	-1.9
Profit attributable to Shareholders of Kanadevia	22.1	11.1	-11.0

Order Intake/Net Sales

Increased due to the progress of overseas projects

Operating Income

Decreased due to:

- Costs related to technology issues
- Decrease in high-margin projects
- Increased expenses for investment in human capital

Profit attributable to Shareholders of Kanadevia

Decreased due to:

- Decline in operating income
- Recognition of extraordinary losses, including quality-related losses and impairment losses associated with business restructuring

As this page contains some duplicate content, I will omit the explanation here.

FY2025 Consolidated Financial Results Summary (vs. Forecast)

Operating income fell short of the previous forecast due to the recognition of provisions for future risks related to technology issues, while profit attributable to Shareholders exceeded the forecast due to a review of tax expenses

(JPY billions)	FY2025			vs. Initial Forecast	vs. Previous Forecast
	Initial Forecast	Previous Forecast	Results		
Order Intake	700.0	720.0	897.7	+197.7	+177.7
Net Sales	620.0	620.0	645.2	+25.2	+25.2
Operating Income	27.0	13.5	12.1	-14.9	-1.4
% to Net Sales	4.4%	2.2%	1.9%	-2.5pt	-0.3pt
Non-Operating Income	-4.0	-0.5	1.5	+5.5	+2.0
Ordinary Income	23.0	13.0	13.6	-9.4	+0.6
Extraordinary Income and Loss	-	-3.2	-2.6	-	+0.6
Profit attributable to Shareholders of Kanadevia	16.0	5.0	11.1	-4.9	+6.1

Order Intake

Exceeded both initial and previous forecasts significantly due to large project orders at Inova

Operating Income

Fell short of the previous forecast due to the conservative recognition of provisions for future risks related to technology issues

Profit attributable to Shareholders of Kanadevia

Exceeded the previous forecast due to a review of tax expenses

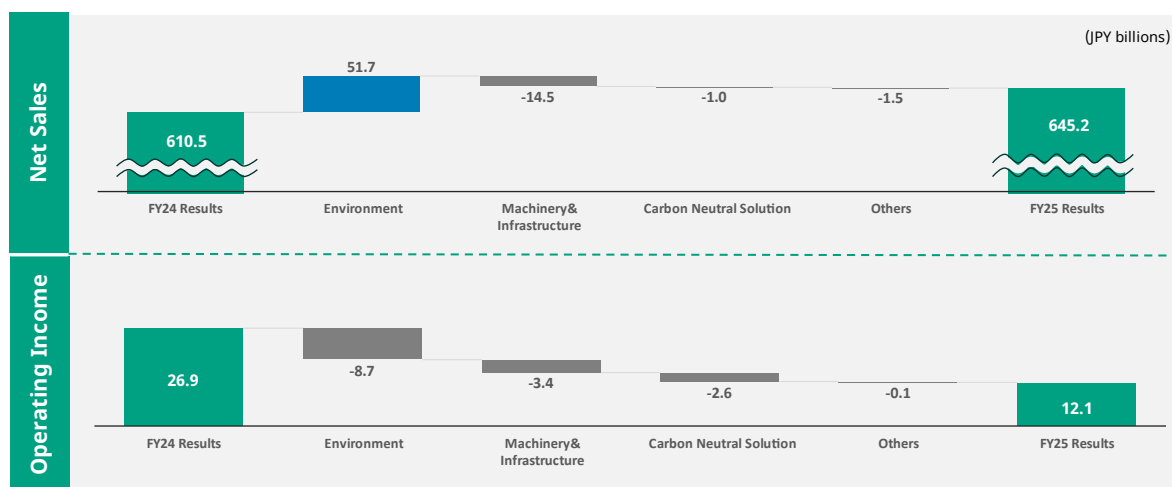
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This is a comparison with the beginning of the period and the previous forecast. As you can see, order intake has been significantly higher. This is mainly due to the large WtE projects at Inova.

On the other hand, operating income fell short of the previous forecast. This is not due to a deterioration in actual performance, but rather to a judgment made in conservatively estimating future risks related to technical issues and recording a provision for them. Net income for the period under review was boosted by a review of tax expenses and other factors.

FY2025 Net Sales and Operating Income Changes by Segment (YoY)

Net sales increased to JPY 645.2 billion, while operating income declined due to costs related to technology issues in the Environmental Business



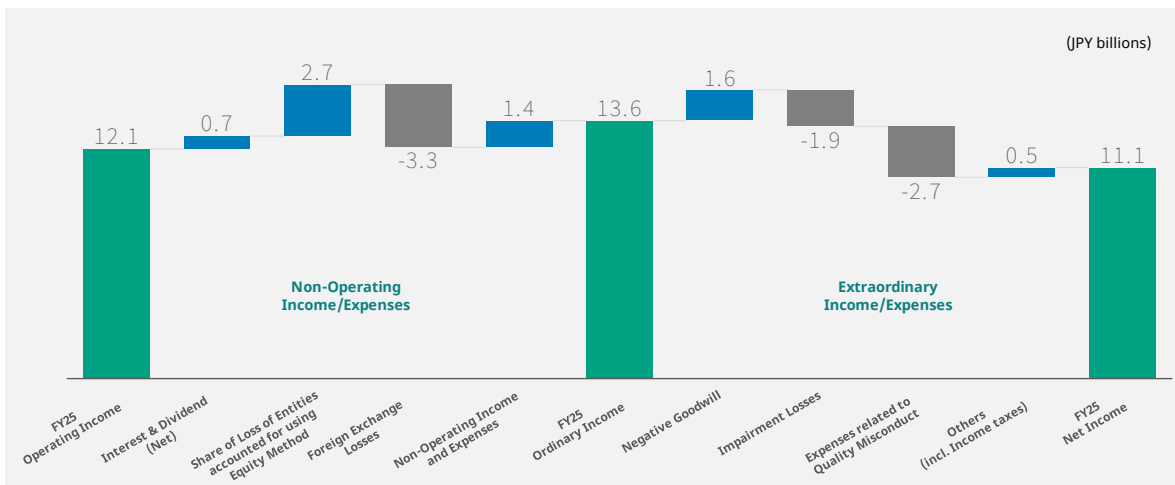
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Here is the YoY difference in net sales and operating income by segment. The Environment Business led the company's growth in terms of sales, with an increase of over JPY50 billion.

On the other hand, profits decreased due to the impact of expenses related to the technical issues mentioned earlier. In the other segment, both sales and profits declined due to business portfolio transformation and changes in the mix of projects, resulting in weak results.

Bridge from Operating Income to Net Income

Recorded gain on negative goodwill from M&A, as well as costs related to structural reforms and quality issues



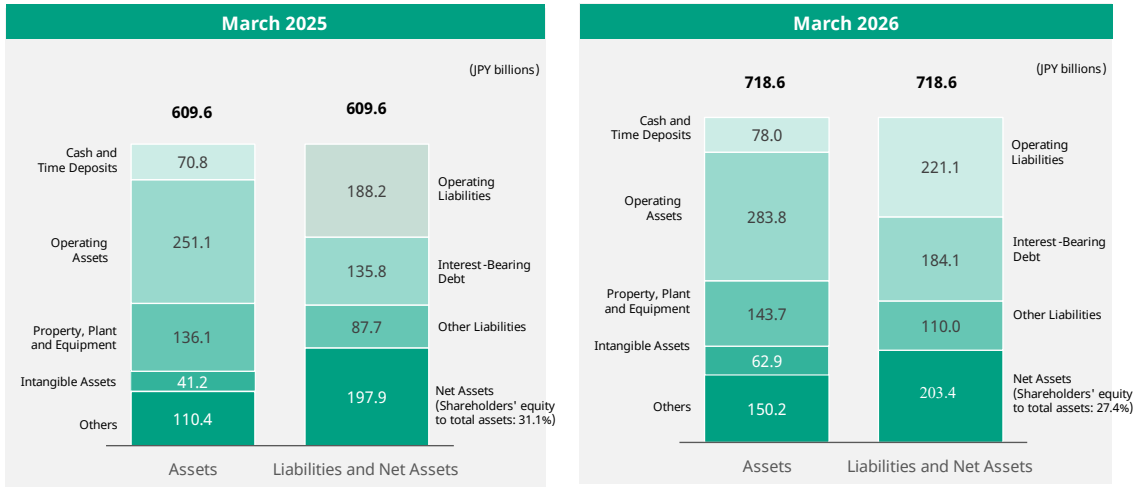
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The chart above shows the factors for the change in net income, starting from operating income. Non-operating income and expenses included equity in earnings of affiliates and foreign exchange effects, but these factors contributed to the overall increase in income.

In extraordinary income/loss, a gain on negative goodwill resulting from M&A was recorded, while impairment losses associated with structural reforms and expenses related to inappropriate quality-related actions were recorded as extraordinary losses. As a result, net income was JPY11.1 billion.

Financial Position

Total assets increased with business expansion, while interest -bearing debt rose to fund growth investments



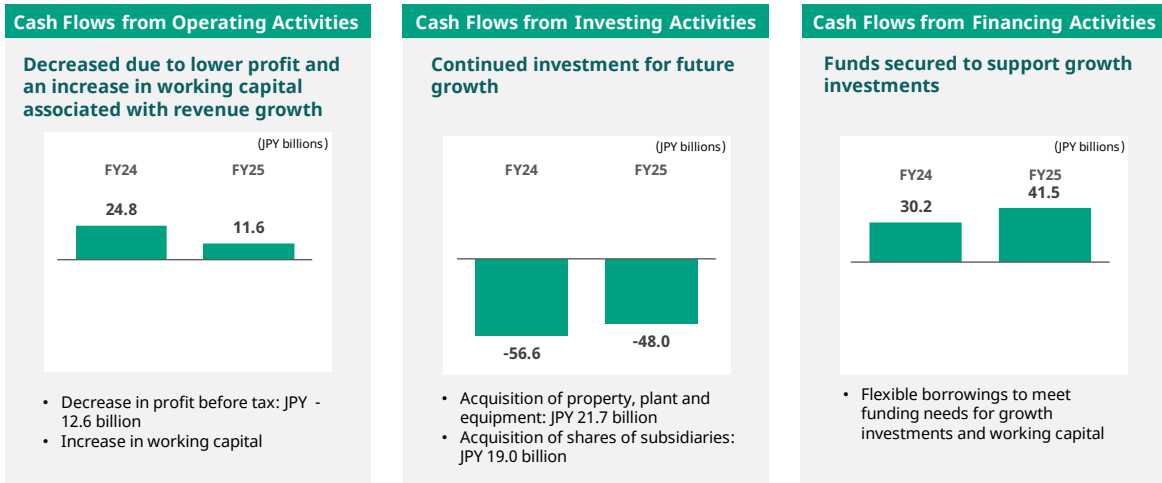
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Next is the balance sheet. Total assets increased due to the expansion of business scale and the depreciation of the yen. Interest-bearing debt has increased in line with investments for growth and M&A, but all of these are planned uses of funds based on the assumption of medium- to long-term earnings growth.

While our equity ratio has temporarily declined, we prioritize the quality of our investments and our future earnings potential over the ratio level itself; going forward, we intend to improve this metric through a recovery in our profitability.

Cash Flow

Stable liquidity maintained through flexible financing to meet funding needs for working capital expansion and growth investments



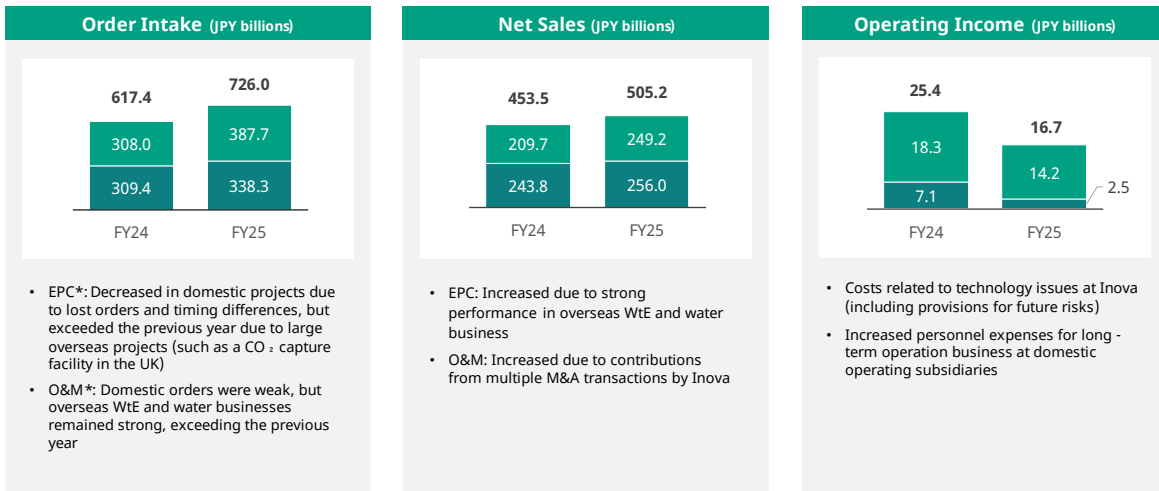
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This is cash flow. Operating cash flow decreased due to lower profit levels and an increase in working capital in line with sales growth. Regarding investment cash flow, we have continued to invest in growth over the past several years and will continue to do so in FY2025. We are responding to these funding needs by raising funds in a flexible manner, and we believe that our liquidity is sufficient.



FY2025 Results – Environment Business

Orders received and revenue increased in both EPC and recurring business, while profit declined due to costs related to technology issues



*EPC (Engineering, Procurement, Construction)
*O&M (Operation & Maintenance including after-sales services)

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I will now explain results by segment. Order intake in the Environment Business totaled JPY726 billion, with increases in both EPC and O&M. Although there were some timing delays in Japan, sales also increased to JPY505.2 billion as a result of growth in large WtE projects overseas. In addition to progress in the overseas WtE and water businesses, M&A in Inova has contributed to the company's performance.

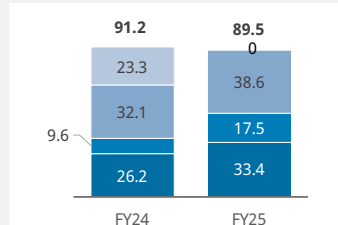
On the other hand, operating income declined to JPY16.7 billion. This was due to costs associated with the temporary technical issues I have been explaining, as well as measures taken to address rising personnel costs within our domestic operation business.

FY2025 Results – Machinery & Infrastructure Business

Press Machine (Machinery)
Precision Machinery (Machinery)
Others (Machinery)
Infrastructure

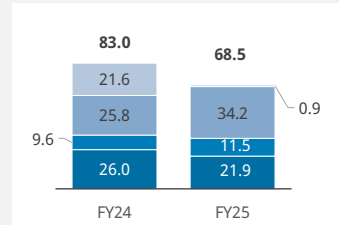
Order intake, net sales, and operating income decreased due to the transfer of the Press business and deterioration in the performance of the Bridge business

Order Intake (JPY billions)



- Press Machine: Orders decreased to zero due to the transfer of business subsidiary (May 2025)
- Precision Machinery: Large-scale project orders (Spring-8 II)
- Others: Received orders for boilers, etc.
- Infrastructure: Although bridge-related orders declined, orders increased due to strong performance in floodgates, including projects for Sakuma Dam

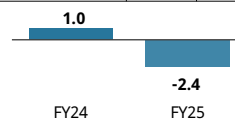
Net Sales (JPY billions)



- Increased net sales in Precision Machinery
- Overall net sales decreased due to the transfer of the Press business subsidiary and a decline in Infrastructure

Operating Income (JPY billions)

	FY24	FY25
Press Machine	1.4	0
Precision Machinery	-0.1	1.4
Others	0.2	0.5
Infrastructure	-0.5	-4.3



- Operating income recovered in Precision Machinery due to increased sales of high-margin projects
- However, overall operating income decreased due to:
 - Loss of profit from the transfer of the Press business
 - Deterioration in the performance of Infrastructure (Bridge business)

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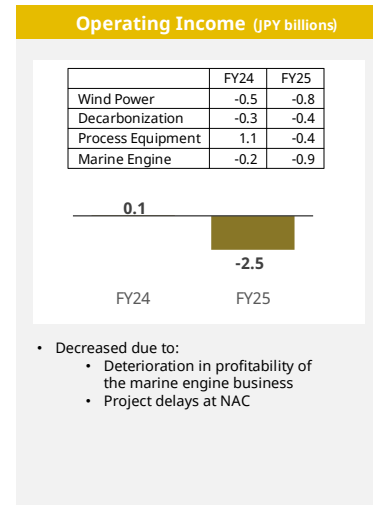
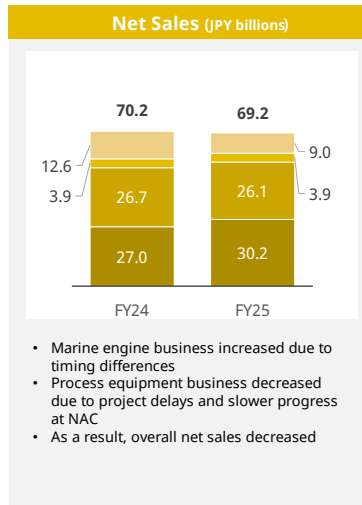
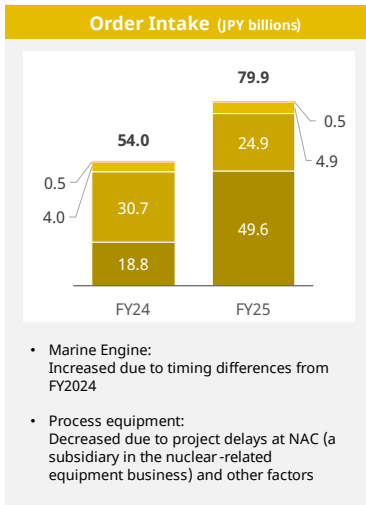
Next is the Machinery and Infrastructure Business. Both order intake and net sales were lower than the previous fiscal year. The main factors were the loss of orders due to the transfer of a press machinery subsidiary and a decrease in projects in the bridge business. Meanwhile, in our precision business, revenue generated from large-scale orders is serving to underpin our performance.

Operating income improved in the precision machinery business, but overall operating income declined due to a drop in profits in the press machine business and deteriorating profitability in the infrastructure business, especially in the bridge business. The Company has decided to withdraw from the bridge business in FY2030.

FY2025 Results – Carbon Neutral Solution Business

Operating income declined due to project delays at a subsidiary in the nuclear -related business and deterioration in profitability of the marine engine business

Wind Power
Decarbonization System
Process Equipment
Marine Engine







Next is the Carbon Neutral Solution Business. Order intake increased in the marine engine business due to the shift in timing from the previous fiscal year. On the other hand, there have been delays in projects by a subsidiary engaged in the nuclear-related equipment business. Consequently, performance has become uneven across different business segments.

Although net sales increased in marine engine business, overall sales were slightly below the previous fiscal year's level due to delayed progress of projects in the process equipment business. Operating income decreased due to deteriorated earnings in the marine engine business and the impact of nuclear-related equipment business. The marine engine business was deconsolidated at the end of FY2025 due to the partial transfer of shares of a subsidiary.

Major Orders received in FY2025

Received projects globally that contribute to carbon neutrality and resource circulation

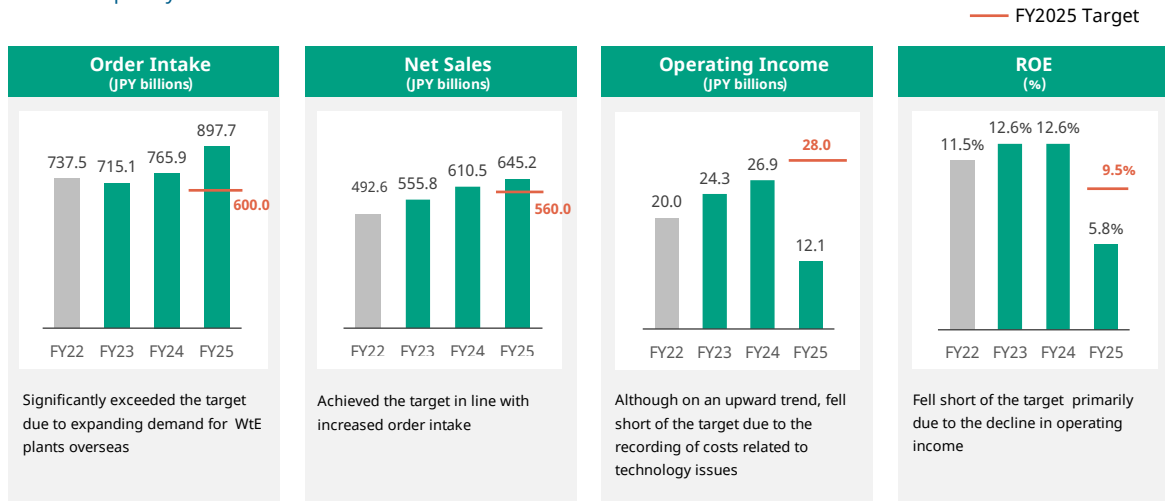
<p>WtE Malaysia</p> <p>Addressing Environmental Issues caused by Landfill Waste Disposal while Supplying Energy</p>  <p>Details : Design, Procurement, and SV dispatch for WtE plant Capacity : Processing capacity 1,056t/day, power generation 22MW Construction Site : Malacca, Malaysia Completion : May 2029 (planned)</p>	<p>Seawater Desalination Republic of Cabo Verde</p> <p>Providing Access to Safe and Stable Water in an Island Nation with Scarce Water Resources</p>  <p>Details : Design and equipment supply for seawater desalination plant Capacity : Total 15,000 m³/day Construction site : Santiago Island, Republic of Cabo Verde Completion : January 2029 (planned)</p>
<p>CO₂ Capture Facility at WtE UK</p> <p>The UK's First Project to Capture CO₂ from WtE Plant Flue Gas</p>  <p>Details : Design, Procurement, and Construction of CO₂ Capture Facility Capacity : CO₂ capture of 370,000 t/year Construction site : Cheshire, England, UK Completion : 2029 (planned)</p>	<p>Dam Revitalization Project (Sluice Gate Renovation Work) Japan</p> <p>Contributing to Further Expansion of Renewable Energy and Value Creation with Local Communities</p>  <p>Details : Procurement, fabrication, transportation, installation, testing, and inspection of surface water intake facility (bottom intake gate) Construction site: Sakuma Power Station, Sakuma Dam (Hamamatsu City) Completion: Unit 1: 2031 (planned), Unit2: 2035 (planned)</p>

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Finally, we present here a selection of the projects we secured globally during FY2025. These are just a few examples, but we have received orders globally for large-scale projects that contribute to decarbonization and resource recycling, such as WtE, CO₂ capture, and seawater desalination. These successes reflect the high regard in which our Group's track record is held, and these projects are now accumulating as a robust backlog that will support medium- to long-term growth.

Forward 25 | Financial Targets and Results

Order intake and net sales significantly exceeded targets and reached record highs. Operating income and ROE fell short due to temporary factors



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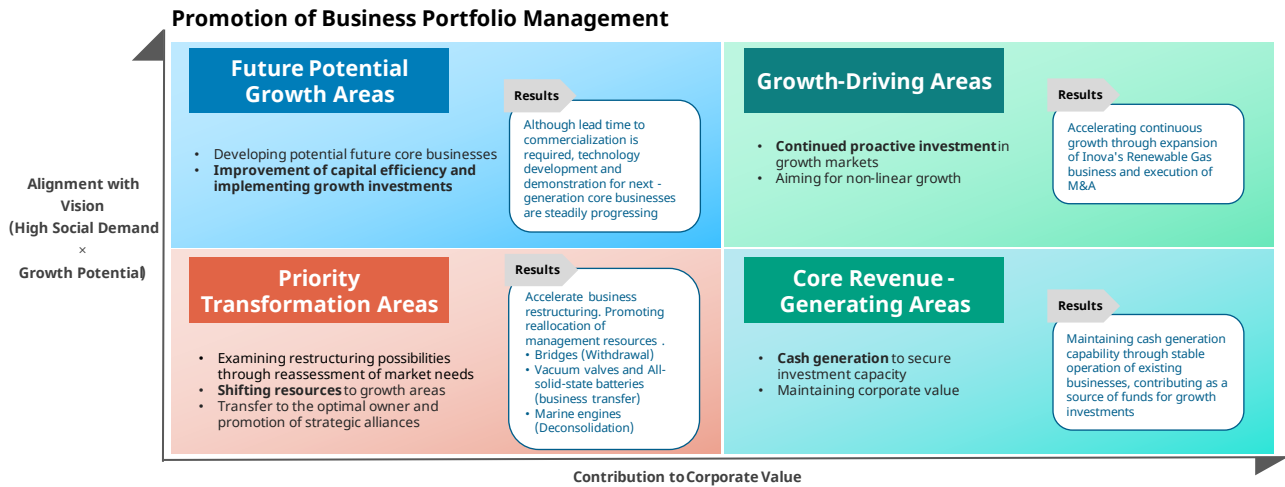
Next, I would like to explain our evaluation of the medium-term management plan, Forward 25. Since FY2025 is the final year of the medium-term plan, I will focus here mainly on the achievement of financial targets and the evaluation of the results.

First, a summary of Forward 25's financial targets and results. Order intake and net sales, as I explained earlier, reached record highs and achieved our targets. On the other hand, operating income and ROE have not been achieved for the reasons I have explained earlier.

As an important point, we evaluate the results of the medium-term plan as the fact that orders themselves, which will lead to future earnings growth, are accumulating more than planned.

Forward 25 | Business Portfolio Management

Through Business Portfolio Management, promoting resource shift to growth businesses and maximizing investment efficiency



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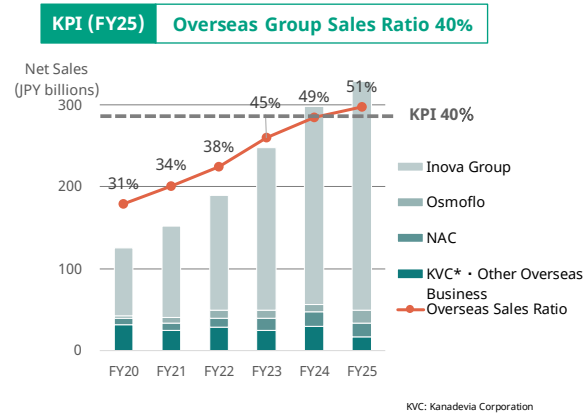
Next is business portfolio management. Under Forward 25, we categorized our businesses into four groups, Growth-Driving, Future Potential Growth, Core Revenue-Generating, and Priority Transformation Areas, and have been steadily advancing a comprehensive shift toward growth-oriented businesses.

Specifically, while stepping up investment in the Environment Business centered on Inova, we have simultaneously been undertaking the restructuring and realignment of businesses within the Priority Transformation Areas. Consequently, for FY2025, we have made the decision to withdraw from or divest our businesses in the areas of bridges, vacuum valves, all-solid-state batteries, and marine engines. Business liquidation itself is not an objective but is positioned as a means to reallocate capital and human resources to growth areas.

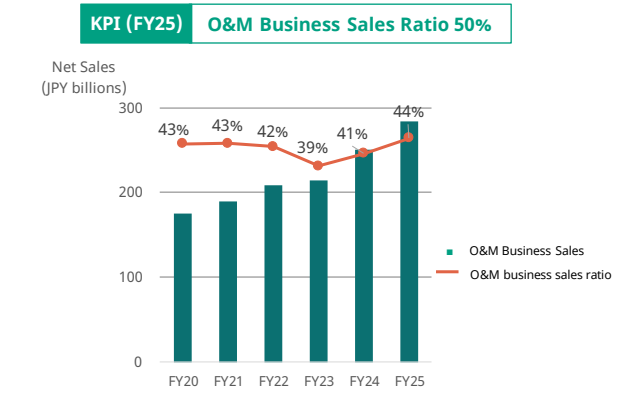
Forward 25 | Growth of Overseas Business and O&M Business

The overseas group sales ratio significantly exceeded the target, while the O&M business sales ratio fell short, although the O&M business sales amount increased steadily

Growth of Overseas Business



Expansion of O&M Business



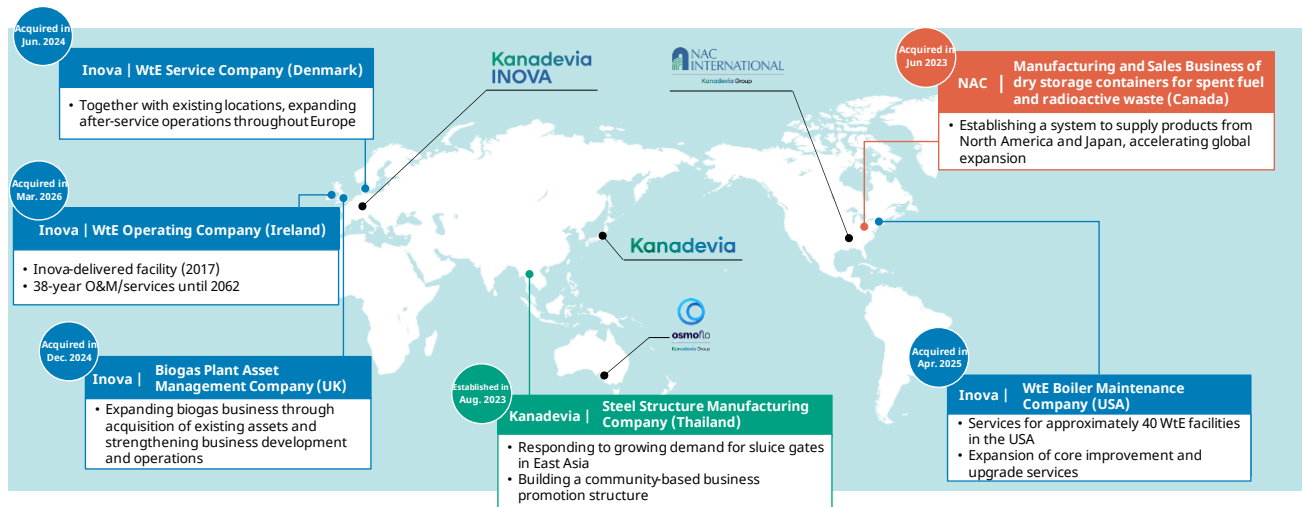
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Here is the status of our overseas business and O&M business. The ratio of overseas group sales to total net sales shown on the left increased significantly, partly due to the impact of foreign exchange rates, to more than 50%. The direction set forth in Forward 25 has been clearly realized.

On the right, the percentage of net sales from O&M business did not reach the target of 50%, but this is the result of EPC business outpacing the growth of O&M business. As you can see, net sales from O&M business are steadily growing, and our policy of growing ongoing businesses as a pillar of earnings over the medium to long term remains unchanged.

Forward 25 | Expansion of Overseas Business Platform

Expanded global business platform through strategic M&A across WtE, biogas, nuclear, and sluice gates



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Next, I would like to discuss the expansion of our overseas business platform. Under Forward 25, we have done strategic M&A in the WtE, biogas, water, and process equipment business, mainly with Inova. As a result, we have established a structure that covers not only EPC but also the entire value chain, including O&M, services, and asset management.

Forward 25 | Progress on Non-Financial Targets

Progress in DX and Environment, with improvements underway in Human Capital and Risk Management

Category	Item	Forward 25 Target	FY23 Results	FY24 Results	FY25 Results	Status
Human Resources	Female New Graduate Hiring Rate(Administrative/Technical)	50% / 10%	28.6% / 13.2%	50.0% / 6.9%	60.0% / 17.5%	Achieved
	Employee Engagement Index*1	70%	42%	44%	48%	Improving
	Male Childcare Leave Acquisition Rate	100%	92.6%	94.8%	(Being compiled)	Improving
	Average Rate of Lifestyle Disease Findings	21%	27.2%	25.5%	25.5%	Improving
Environment	CO ₂ Emissions (Scope 1+2)	34% reduction (vs. FY2013)	42.6% reduction	37.3% reduction	(Being compiled)	Expected to Achieve
DX	Product IoT Rate*2	60%	40.4%	64.2%	69.8%	Achieved
	Number of DX Personnel Trained (cumulative)	500 people	158 people	352 people	544 people	Achieved
Risk Management	Number of Lost-time Accidents	0	12 cases	14 cases	10 cases	Priority Initiative
	Defect Cost Ratio to Sales	0.5% or less	1.3%	1.2%	1.3%	Priority Initiative

※1 Since fiscal year 2023, the survey content has been significantly revised, changing from a survey focused solely on job satisfaction to an engagement survey that emphasizes the connection between employees and the company.

Due to this change, the gap between the previously set target (70%) and actual results has widened

※2 The percentage of our products equipped with IoT functionality that enables data utilization

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Results in the DX and environmental sector were generally in line with plans, including the achievement of targets. On the other hand, we have not achieved our targets for human resources and risk management, which we will continue to address in the next phase of growth.

To be more specific regarding the status of our non-financial goals, while our DX initiatives in the environmental domain are proceeding largely according to plan, we have successfully achieved our targets for the IoT integration of our products and the development of DX talent, and we are steadily advancing initiatives aimed at strengthening our medium-to-long-term competitiveness.

Meanwhile, challenges remain in the areas of human resources and risk management. Regarding engagement and quality-related indicators, we will take seriously the results of FY2025 and continue our efforts to improve them. We will continue to address these non-financial issues as important management issues for the next phase of growth.

Status of Consideration for Business Integration with Nippon Steel Engineering Co., Ltd.

Due Diligence underway since the announcement of business integration consideration on February 5, 2026

Aims of the Business Integration Consideration

- While continuing to pursue standalone growth, considering the possibility of accelerating discontinuous growth through business integration as an important option for capturing greater growth opportunities and strengthening medium - to long-term competitiveness.

Expected Synergies

- Building a stable and growth -oriented earnings base through domestic and international business expansion centered on WtE business.
- Enhancing technological competitiveness to handle design through implementation in decarbonization fields including Carbon Capture and Storage (CCS).
- Strengthening the business operation structure integrating organization, human resources, and operations to support global business expansion .

Current Progress

- Due diligence underway aiming for final agreement in September 2026.
- Integration terms, including the post -integration governance and business operation framework as well as capital conditions such as the integration ratio, will be discussed based on the results of DD .



(Note) : The content described in this document is at the consideration stage toward business integration, and no decisions have been made at this point .

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To conclude this section, I would like to briefly touch upon the status of our deliberations regarding the business integration with Nippon Steel Engineering Co., Ltd.

Since the announcement on February 5, 2026, of the commencement of consideration of the business integration, due diligence is currently underway. While we assume that we will continue to pursue growth on a stand-alone basis, we are considering the possibility of business integration as an option for discontinuous growth to capture greater growth opportunities and to strengthen our competitiveness in the medium to long term.

Anticipated synergies include the expansion of domestic and overseas business, with the WtE business as the core, and the upgrading of technology implementation capabilities in the decarbonization field, including CCS. Please note that, as of this time, no decisions have been made regarding whether integration will take place, or the terms thereof. Going forward, we will proceed with discussions based on the results of the due diligence; should there be any matters requiring disclosure, we will provide appropriate notification.

FY2026 Forecast

Impact of technology issues has already been provisioned in FY2025; significant recovery in Operating Income expected

(JPY billions)

	FY25 Results	FY26 Forecast	Difference
Order Intake	897.7	810.0	-87.7
Net Sales	645.2	640.0	-5.2
Operating Income	12.1	25.5	+13.4
% to Net Sales	1.9%	4.0%	+2.1pt
Ordinary Income	13.6	22.0	+8.4
Profit attributable to Shareholders of Kanadevia	11.1	21.0	+9.9

Order Intake

- Remains at a high level in Environmental Business
- Decrease in some businesses due to portfolio transformation, including deconsolidation of the marine engine subsidiary

Net Sales

- Environmental Business to increase
- Machinery & Infrastructure and Carbon Neutral Solution Business to decrease due to portfolio transformation

Operating Income

- Risk-related costs for technology issues already provisioned in FY2025
- Absence of one-off costs expected to drive significant recovery

Profit attributable to Shareholders

- Includes costs related to quality issues, as well as gains on sale of subsidiary shares and business transfers

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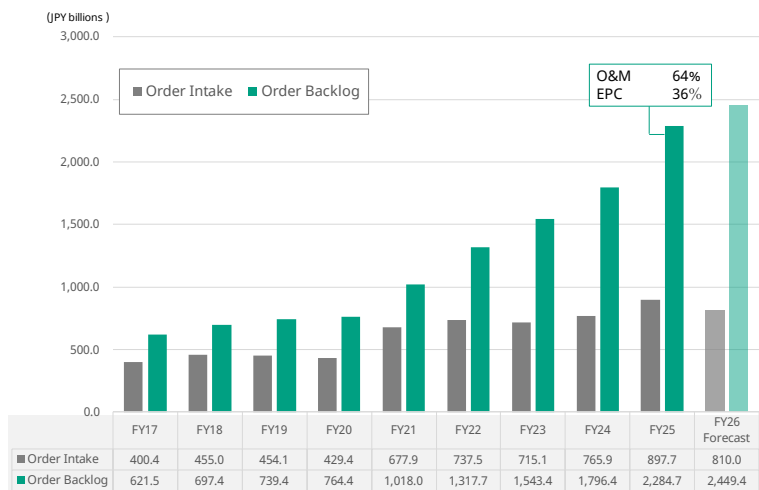
Next, I will explain the full year business forecast for FY2026.

This is an overview of the earnings forecast for FY2026. Net sales are expected to be JPY640 billion, roughly the same as in FY2025. This is not a result of weak demand, but rather the impact of the loss of sales from businesses that were transferred or deconsolidated as a result of business portfolio transformation.

On the other hand, operating income is expected to be JPY25.5 billion, a significant improvement from the previous fiscal year. The plan for FY2026 is predicted on our standard level of earnings capacity. Net income is also expected to improve to JPY21 billion, and we believe that FY2026 will be a year that clearly demonstrates a recovery in profitability.

Order Intake and Order Backlog

Order backlog exceeded JPY 2 trillion, reaching a record high, driven by large -scale projects at Inova and M&A



Secured a long-term earnings base supported by an order backlog equivalent to approximately four times annual revenue



Rendering of the WtE plant for which Inova received an EPC contract in 2026

Construction site : Redcar, Northeast England, UK
Capacity : Up to 450,000t/year
Power Generation : Up to 49.9MW
Scheduled to Start Operation : 2030

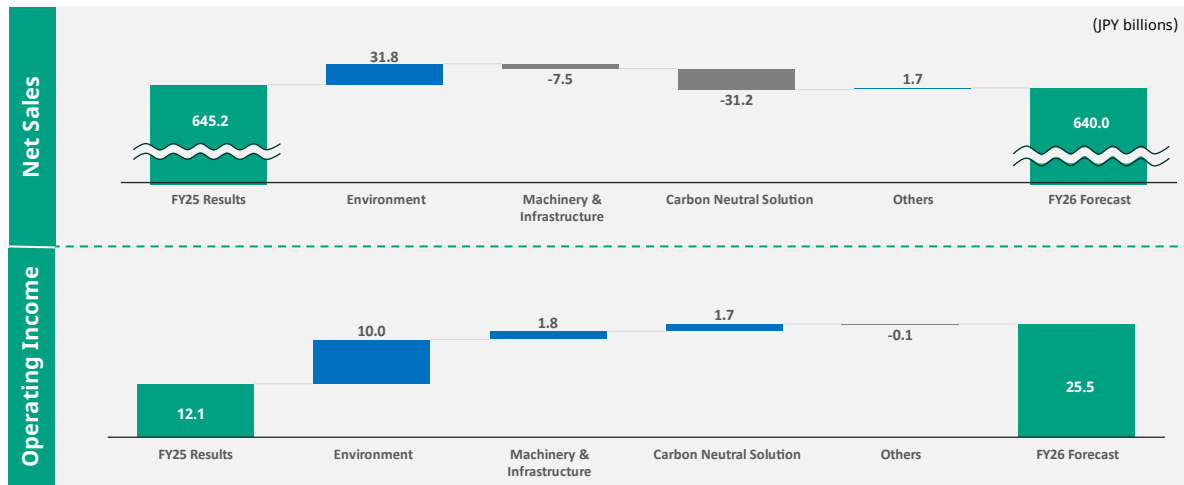
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The following table shows order intake and order backlogs. The order backlog at the end of FY2026 is expected to be approximately JPY2,450 billion, a record high level. We have accumulated order backlog equivalent to approximately four years of sales, and we believe that our medium- to long-term earnings base is sufficiently secured by large-scale overseas projects, centering on Inova.

In addition, 64% of the order backlog at the end of FY2025 consisted of O&M business, and steady progress has been made in improving the business structure to stabilize earnings.

FY2026 Forecast – Net Sales and Operating Income by Segment (YoY)

Net sales expected to remain broadly flat, while Operating Income to increase driven by significant improvement in the Environmental Business and gains across other segments



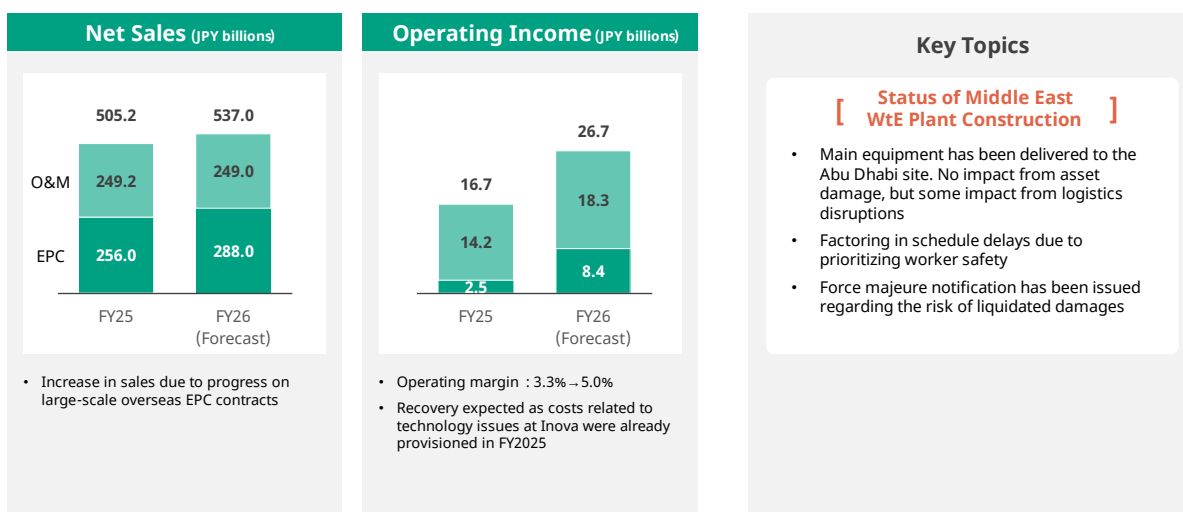
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These are the forecasts for net sales and operating income by segment for FY2026. While we project overall net sales to remain on par with the previous fiscal year, this figure reflects the impact of our business portfolio reforms.

Meanwhile, regarding operating income, we anticipate improvements across all segments, particularly in the Environmental Business, as the one-off factors that weighed down earnings in FY2025 dissipate.

FY2026 Forecast | Environment Business

Revenue to increase steadily, with Operating Income improving due to the absence of one-off costs



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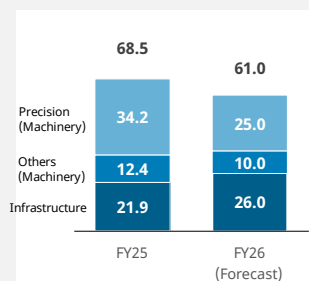
These are the projections for the Environment Business for FY2026. We expect net sales to increase due to progress in large-scale EPC projects, mainly overseas. Operating income is expected to improve significantly due to the absence of one-time expenses recorded in FY2025 and the impact of progress in projects.

As for the WtE plant under construction in the Middle East, the main equipment has already been delivered and there is no physical damage so far. Although there are some logistical constraints, they have been factored into the process, and we believe the impact on FY2026 results will be limited.

FY2026 Forecast | Machinery & Infrastructure Business

Revenue expected to decline due to portfolio transformation, while profitability improves driven by recovery in the Infrastructure business

Net Sales (JPY billions)

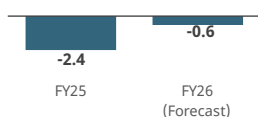


- Decrease due to divestiture of the vacuum valve business

Note) Net sales of "Press Machine" (0.9 billion yen in FY25) is included in "Others (Machinery)"

Operating Income (JPY billions)

	FY25	FY26 Forecast
Precision	1.4	0.5
Others	0.5	0.5
Infrastructure	-4.3	-1.6



- Despite lower sales, profitability expected to improve due to reduced losses in the bridge business recorded in the previous year

Key Topics

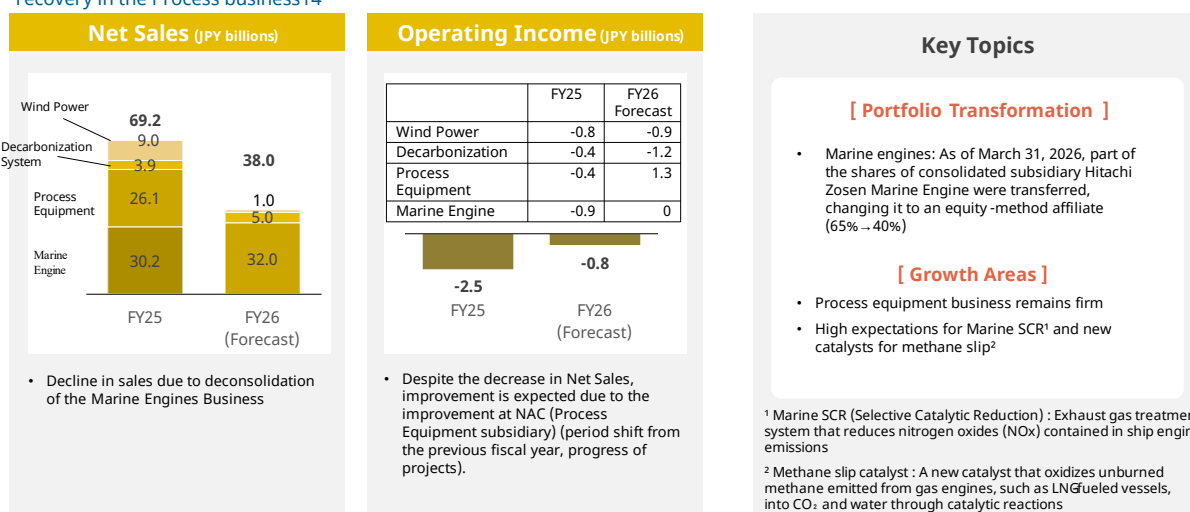
[Portfolio Transformation]

- Vacuum Valve : All shares of wholly-owned subsidiary V TEX are scheduled to be transferred as of June 1, 2026
- All-Solid-State Batteries : Business transfer scheduled as of July 1, 2026
- Bridges Business : New project orders have been suspended since February 2026. After completion of factory production for existing orders, operations at Mukaishima Works are scheduled to end during FY26

Next is the Machinery and Infrastructure business. Net sales are expected to decrease due to the impact of business portfolio reforms, including the sale of the vacuum valve business. On the other hand, operating income is expected to improve despite the decrease in revenue, mainly due to a reduction in losses in the bridge business, which had an impact in FY2025.

FY2026 Forecast | Carbon Neutral Solution Business

Net sales expected to decline due to portfolio transformation, while profitability improves driven by recovery in the Process business¹⁴

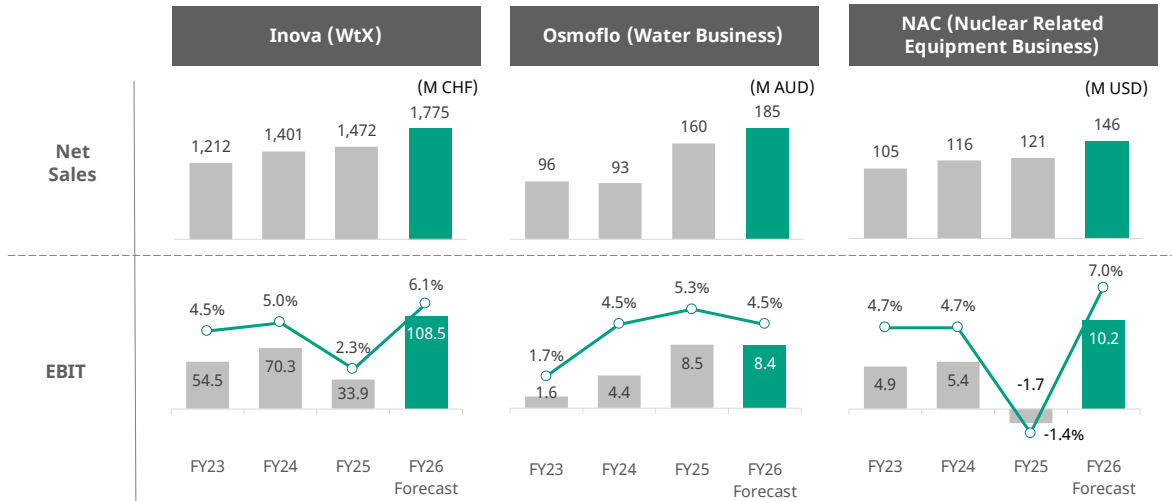
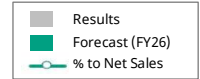


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In the Carbon Neutral Solution Business, net sales are expected to decrease due to the deconsolidation of the marine engine business. On the other hand, operating income is expected to improve due to progress in projects that have been postponed from the previous fiscal year, mainly in the process equipment business. Although the wind power and decarbonization systems business is still expected to remain in the red due to its small scale, we will continue to focus on this business as a future growth business.

(Reference) Overseas Subsidiaries: Net Sales & EBIT Trends

Inova and NAC are expected to achieve record-high performance in FY2026, while Osmoflo continues to steadily expand revenue



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This page presents the earnings forecasts of our major overseas subsidiaries for your reference. Both Inova and NAC expect record-high sales and profits in FY2026, and our overseas subsidiaries are structured to support earnings recovery in FY2026.

That concludes with the earnings forecast for FY2026.

Capital Allocation Policy for Achieving "2030 Vision"

Prioritizing growth investment for sustainable growth while balancing capital efficiency and financial soundness

2030 Vision Targets:
Net Sales: 1 trillion yen (in the 2030s), Operating margin: 10%, ROE: Over 10%

Growth Investment [Top Priority]

As the core of capital allocation, concentrating capital on future earnings growth and enhancement of the business portfolio

- Focused investment in businesses expected to create higher added value and overseas businesses
- Expansion of growth areas through M&A and strategic investments
- Driving medium- to long-term sales and profit growth

Profitability & Capital Efficiency [Investment Discipline]

Toward a profit structure that stably achieves ROE exceeding 10%

- Investment projects are selected with emphasis on ROIC and profitability
- Continuing review of noncore assets and businesses
- Pursuing improvement in capital efficiency while achieving growth

Financial Soundness [Prerequisites for Growth Investment]

Strengthen the financial base while balancing growth investment and financial discipline

- Maintain a sound financial base to support growth investments
- Financial management with emphasis on longterm creditworthiness and funding capacity
- Continuous management of the balance between investment and financial discipline

Shareholder Returns [Distribution of Results]

Sustainable shareholder returns based on growth outcomes

- Returning the outcomes of growth investment to shareholders through earnings growth and improved capital efficiency
- Disciplined shareholder returns based on progress in growth and capital efficiency improvement

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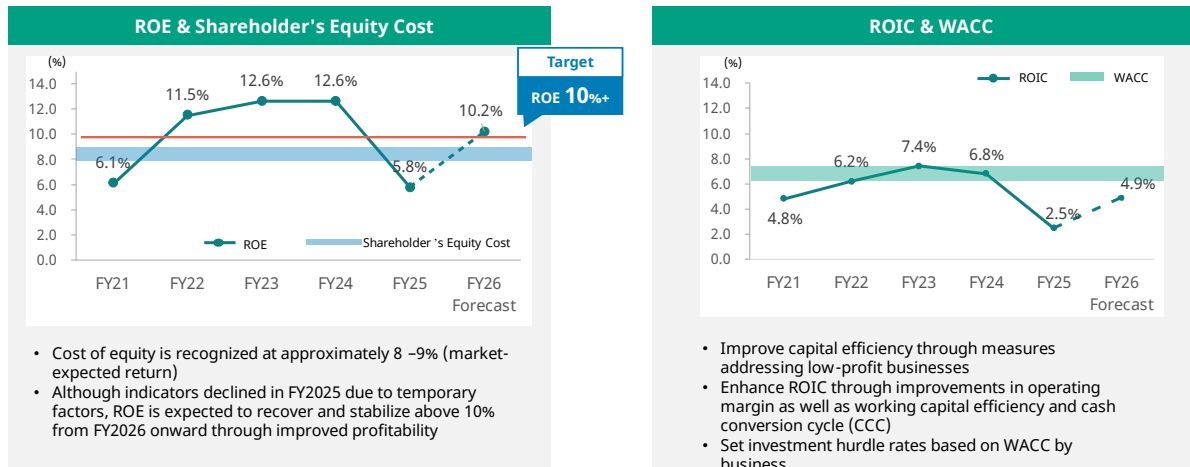
Next, I will explain our capital policy and shareholder returns. I would like to summarize and share with you our thinking on how we balance capital efficiency, financial soundness, and shareholder returns while prioritizing investment for growth.

This is the basic policy for capital allocation to realize the 2030 Vision. We have positioned investment in growth as a top priority. We focus on securing medium- and long-term sales and profit growth through investments in overseas business and high value-added areas, as well as M&A and strategic investments.

At the same time, we will make disciplined decisions on investments, focusing on profitability and capital efficiency. The business portfolio will be continuously reviewed, and resources will be concentrated on growth areas. The results of such growth will be linked to shareholder returns through profit growth and improved capital efficiency, while maintaining financial discipline.

Approach to Improving ROE and ROIC with Awareness of Cost of Capital

Transitioning to execution of business portfolio management based on ROIC, aiming to sustain ROE above 10% through improved profitability



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This page explains our approach to improving capital efficiency. We perceive the cost of equity to be approximately 8% to 9%. In FY2025, the level of ROE, ROIC, etc., temporarily declined due to lower profits and investments for growth, but we will continue to improve capital efficiency, centered on ROIC, through working capital efficiency and business portfolio transformation, in addition to improving profit margins. As a result, we aim to create an earnings structure that consistently achieves ROE in excess of 10%.

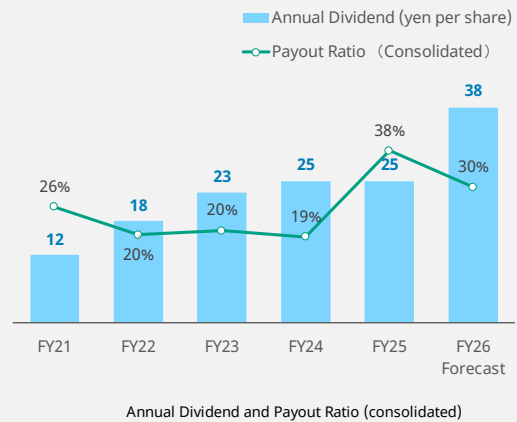
Shareholder Returns

Despite a decline in earnings in FY25, we maintained the dividend at 25 yen per share. For FY26, we plan to increase the dividend to 38 yen per share (+13 yen) in line with earnings recovery and a new policy

Basic Policy for Shareholder Returns

To enhance long-term shareholder value, we are committed to strengthening our management and financial foundations through growth investments, R&D, and capital expenditures, while delivering stable and predictable dividends with increases in line with growth.

As our basic policy, we target a dividend payout ratio of approximately 30% and will continue to implement progressive dividends while balancing business performance trends and growth investments.



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Lastly, I will explain shareholder returns. Although earnings declined in FY2025, we maintained the dividend at JPY25 per share. Even as we advance our growth investments, our commitment to prioritizing stable shareholder returns remains unchanged.

This time, we have reaffirmed our basic policy of returning profits to shareholders through progressive dividends, with a target payout ratio of approximately 30%. Based on this policy and the outlook for earnings recovery in FY2026, we plan to increase the dividend to JPY38 per share for FY2026. While placing the highest priority on investment for growth, we intend to steadily return the results to our shareholders through profit growth and improvement of capital efficiency.

This concludes my explanation. Although some issues temporarily became apparent in FY2025, we are taking necessary actions and believe that we will enter the next phase of growth from FY2026.

Shinonaga: Thank you. Next, Group CEO Kuwahara, please go ahead.

Structural Growth Opportunities Driven by Global Social Challenges



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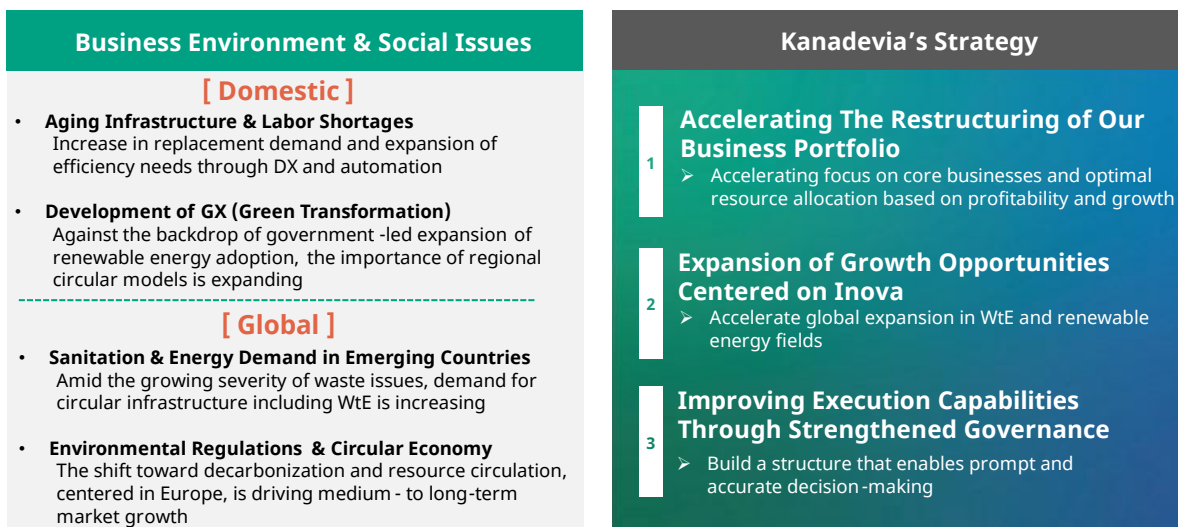
Kuwahara: I am Kuwahara. From this point forward, I would like to explain our recognition of the challenges we face and the strategic responses we are taking to address them in order to achieve medium- and long-term growth. I would like to talk about not only the short-term recovery of business performance, but also from the perspective of what social issues we see as opportunities for growth and how we can lead to the next stage of growth.

First, I would like to discuss the premise of social issues that we see as opportunities for growth in the medium to long term. As you are all aware, waste disposal needs are structurally expanding against the backdrop of global population growth and urbanization. As conventional landfill disposal alone becomes more difficult, there is a growing need for stable disposal methods that reduce environmental impact.

In addition, there is a movement in many countries to achieve energy security and decarbonization at the same time. In this context, WtE, which utilizes waste as a resource, renewable gas, and a locally distributed and stable means of energy supply, is gaining increasing recognition.

We believe that this trend is not a one-time event, but rather a change in the market structure for waste treatment and energy. The Company intends to ensure that this structural change is captured as a medium- to long-term growth opportunity.

Growth Strategy Based on The Business Environment Shift



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Next, I will explain our overall growth strategy in light of these changes in the business environment. In light of social issues and changes in the market environment, we have organized our growth strategy into three main pillars.

The first is to strengthen profitability through business portfolio reform. Based on our growth potential and competitive advantage, we are shifting to a business portfolio that can generate sustainable profits by concentrating our management resources in priority areas.

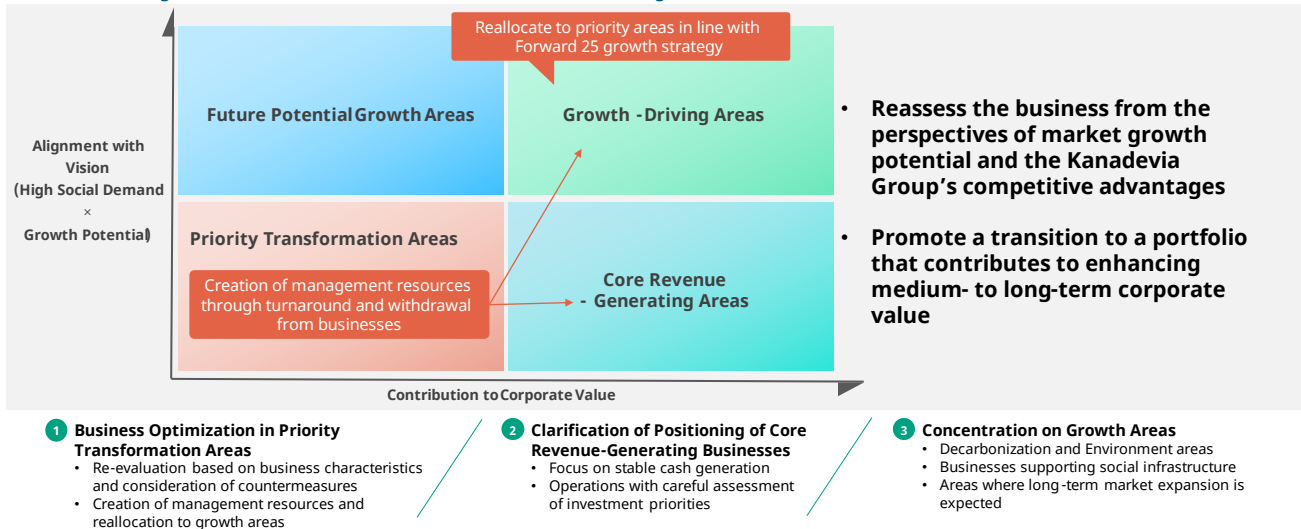
The second is to expand growth opportunities around Inova. We will accelerate global expansion centered on WtE and steadily capture market opportunities in growing markets.

Third, strengthen governance to improve execution. Establish a system that enables prompt and accurate decision-making even as the Company expands its global operations. We are building a foundation that ensures the reliable execution of our strategies.

By advancing these three initiatives, we hope to solidify the foundation for the next phase of growth.

Business Portfolio Approach Supporting Growth Strategy

Positioning based on business characteristics and review of management resource allocation



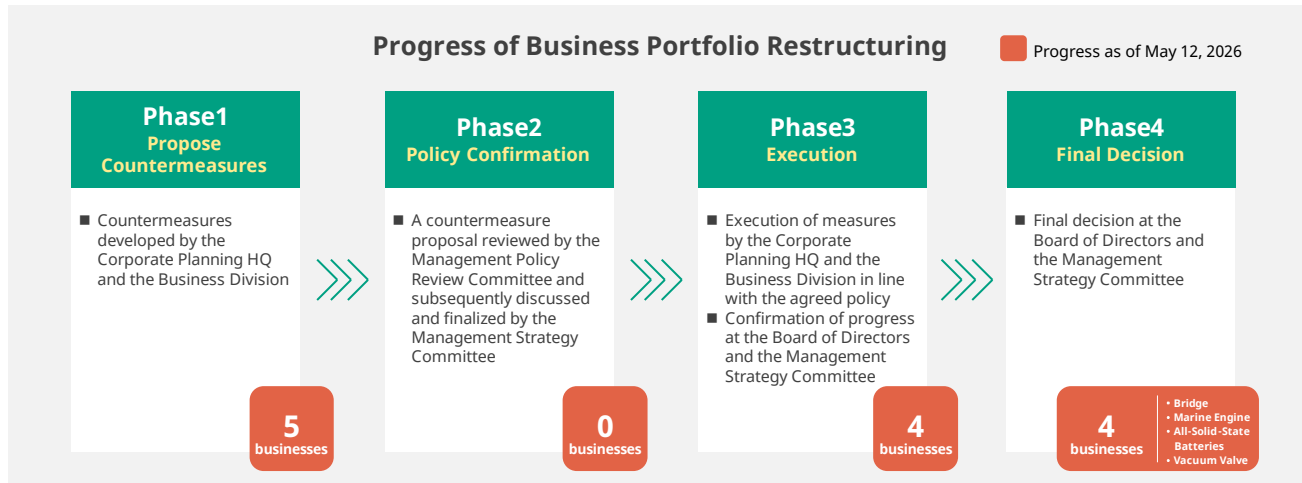
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This is a slide showing the business portfolio management under Forward 25, which Mr. Oshima explained earlier. What I would like to reiterate here is that we will continue to transform our portfolio to enhance our corporate value over the medium to long term.

Based on the knowledge gained through the Forward 25 period, we will review the positioning of our businesses in response to changes in the market environment and competitive advantages, and make decisions on investment, restructuring, and withdrawal, thereby reforming our business portfolio.

Continued Restructuring of Our Business Portfolio

Continued restructuring of our Business Portfolio and further promotion of concentration of management resources on core businesses



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Next, I would like to explain how we are progressing based on this concept and the progress of this portfolio restructuring .

This is a summary of the progress of the business portfolio restructuring based on the concept I mentioned earlier. Since Forward 25, we have positioned this portfolio restructuring as an ongoing effort, not a one-time event. Currently, we are proceeding with the process from policy making to implementation and final decision making, while dividing the process into phases for each business.

As I mentioned at the time of the disclosure of the Q3 financial results, this is Phase IV, and the breakdown of the four cases is shown here. We will continue to steadily reform our portfolio based on these criteria to determine whether it will contribute to the enhancement of corporate value over the medium to long term.

Global Growth Strategy Centered on Inova

WtE Business: Geographic Expansion to Emerging Countries

- Leverage global track record and expertise in the WtE field to expand business opportunities in emerging markets
- Utilize integrated operations from EPC to O&M as a competitive advantage
- Accelerate market expansion by leveraging the customer base built in Europe and North America, utilizing the Asia regional headquarters and Indian design facilities

WtE Business: Advanced Functionality in Existing Markets Such as CCS and Metal Recovery

- Leverage existing plant infrastructure in Europe and North America to deploy value-added technologies such as CCS¹ and metal recovery while also aiming to create synergies with CCU² initiatives undertaken by Kanadevia's headquarters
- Pursue differentiation and improved profitability in existing markets based on regulatory trends and customer needs
- Aim to expand project unit prices and recurring revenue opportunities through renovation and upgrade projects

RG (Renewable Gas) Business: Pursuing Capital Efficiency Through Asset Management Business Model

- Promote business operations through an asset management model in the RG field
- Aim for stable cash generation and improved capital efficiency by combining ownership, operation, and capital recycling
- Enhance certainty of medium - to long-term business growth through investor collaboration and portfolio management

¹CCS (Carbon dioxide Capture and Storage) : A technology that separates and captures CO₂ and stores it underground
²CCU (Carbon dioxide Capture and Utilization) : A technology that separates and captures CO₂ and utilizes it

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Next, I would like to explain the growth opportunities for the group as a whole, with Inova at the core.

We position Inova not merely as an overseas subsidiary, but as a core platform driving the growth of the entire group.

We believe that Inova's business development capabilities, EPC execution capabilities, and operational know-how, including O&M, are the very competitive edge that the Kanadevia Group possesses. By leveraging this foundation, it is now possible for the Group to expand business opportunities into new market areas that would have been difficult on a stand-alone basis.

We would also like to build a growth model that aims to add value to the Group as a whole by organically linking design, engineering, procurement, operations, and other functions within the group, with Inova as the starting point.

In this way, we believe that business development centered on Inova, is the means to steadily expand our growth opportunities as a Kanadevia Group.

Inova's Growth Model: Achieving Disciplined Growth

Transform Revenue Structure to a More Sophisticated "40/40/20 Model" with Reduced Volatility

Strategic Investment & Foundation Strengthening 2023-2025

Groundwork for non-continuous growth (Implemented)

Executed strategic M&A in WtE and Renewable Gas fields (Babcock & Wilcox Renewable Service, Iona Capital Ltd., etc.).
Secured technology and market share to support future growth

Recovery & Regeneration 2026

Resolving Issues and Improved Predictability

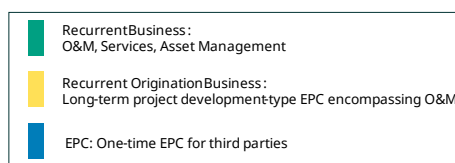
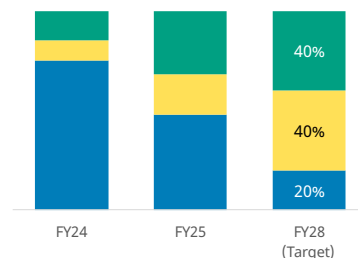
Resolve one-time technical issues that emerged in FY25.
Return to normal profit levels and establish a sustainable, stable earnings structure through business expansion

Growth & Scale 2027-

Disciplined Growth

Expand business while maintaining strict risk management and investment discipline.
Maximize capital efficiency and establish a highly profitable and stable "40/40/20 Model"

Business Composition Ratio



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The next question is what kind of business model will be used to realize the growth opportunities I have just described. Inova is shifting its business model and structure from a model centered on one-off EPC projects to one that places more emphasis on O&M, services, asset management, and other businesses that create value on an ongoing basis.

This is not about increasing scale, but about increasing the stability and predictability of revenues. We will break away from a structure that is easily influenced by the fluctuations of each EPC project and build a more sustainable profit structure as a group, with Inova as the axis. Although some of these issues became apparent in FY2025, we intend to promote growth with an emphasis on discipline based on this growth model, taking into account our response to these issues.

Establishment of GroupCxO Structure

 <p>Michi Kuwahara Group CEO and Representative Director, President</p> <ul style="list-style-type: none"> Joined 1986; accounting, finance, corporate planning U.S. and Switzerland assignments Led Inova acquisition and management reform 	 <p>Koichiro Oshima Group CFO and General Manager of Corporate Planning Headquarters</p> <ul style="list-style-type: none"> Investment banking and structured finance at a major financial institution Extensive international finance experience 	 <p>Taro Dohi Group CPO and General Manager of People & Culture Headquarters (Chief People & Culture Officer)</p> <ul style="list-style-type: none"> Senior HR roles in multinational companies Former CHRO at OYO Group and Japan Display
 <p>Tomofusa Harada Group CSO (Responsible for safety, health, disaster prevention, BCP, and special assignments) (Chief Safety Officer)</p> <ul style="list-style-type: none"> Former JSDF senior leader (Chief of Staff; Northeastern Army Commander) Former Tokyo Metropolitan Government Director General for Crisis Management (disaster prevention, BCP) 	 <p>Takayuki Kitajima Group CLO* and General Manager of Legal & Intellectual Property Headquarters (Chief Legal Officer)</p> <ul style="list-style-type: none"> Legal career in trading companies and multinationals Former General Counsel and Representative Director, Unilever Japan 	 <p>Eiichi Kojima Group CRGO* (Responsible for risk management and sustainability) (Chief Risk Governance Officer)</p> <ul style="list-style-type: none"> Executive experience in risk management, compliance, sustainability (financial institution, consulting firms)

* Harada, Kitajima, and Kojima are scheduled to assume GroupCxO positions on July 1, 2026
* Kojima is scheduled to be appointed Senior Executive Officer on June 1, 2026

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We have prepared a slide outlining the management structure, specifically, the establishment of a Group CxO framework, that will ensure the reliable execution of the growth strategies I have just discussed.

Our group is experiencing business growth, globalization of business, and increasing complexity. Under these circumstances, we are beginning to see the limits of conventional management that relies on siloed operation or case-by-case judgment. Based on this recognition of the situation, we are developing a group CxO system as described here.

We have clearly defined the specific entities responsible for both decision-making and execution across the entire group within key specialized domains: finance, risk management, legal affairs, human resources, and safety. Through this initiative, our objective is to enhance our operational speed while simultaneously ensuring sound and effective decision-making.

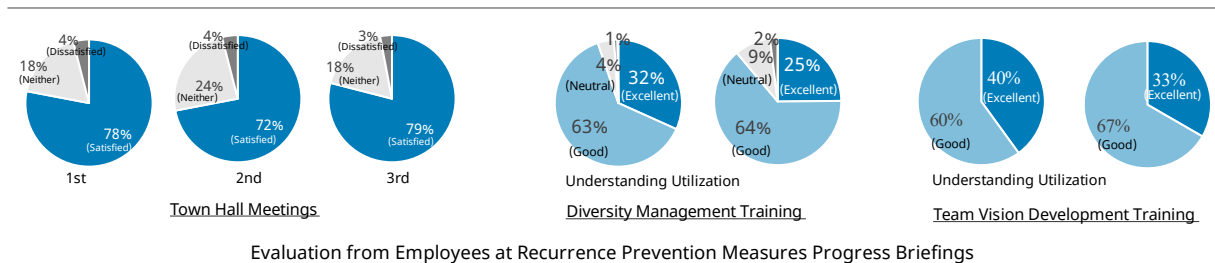
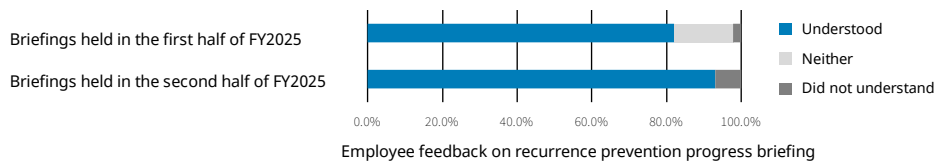
Therefore, instead of relying on internal personnel, we have actively recruited external personnel with a high level of expertise and global business experience to bring diverse perspectives into management. This CxO structure is not merely an additional position but is positioned as a mechanism to enable decision-making based on an overall view of the entire group, as well as consistent execution at the front lines.

We will strive to achieve both soundness and sustainable growth in the future business expansion phase by establishing a corporate culture in which diverse opinions are openly discussed and risks and issues are not postponed.

Prevent Recurrence of Inappropriate Quality-Related Conduct

Implementation Status of Recurrence Prevention Measures

- ✓ Promote initiatives to prevent recurrence in accordance with action plan and report quarterly to the Board of Directors
- ✓ Semi-annual explanations of the implementation status of recurrence prevention measures are provided to officers and employees in a town hall meeting format



Evaluation from Employees at Recurrence Prevention Measures Progress Briefings

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Finally, I would like to explain our efforts to prevent recurrence of inappropriate quality-related conduct. Naturally, this is a matter that we, as a company, must take with the utmost seriousness. I will address this topic as a subject entirely distinct from our growth strategies or performance recovery.

We are investigating the quality-related improprieties that came to light in FY2024 and FY2025, and with external knowledge and support, we are formulating and implementing measures to prevent recurrence of such improprieties. In this section, I will provide a review of the situation, outline the details involved, and report on the current status of our progress.

The slide shows the implementation status of the recurrence prevention measures announced in April last year. It has been about a year since we announced our measures to prevent recurrence. During this period, we have been continuously checking the implementation status of measures to prevent recurrence and have been reviewing them as necessary, reporting to the Board of Directors on a quarterly basis.

In addition, through town hall meetings and training sessions, I am continuing to directly communicate to executives and employees about why it is important to prevent recurrence and what we are trying to change. In addition, we are continuing to conduct fixed-point observations by checking the level of understanding of recurrence prevention measures and changes in awareness through questionnaires.

I believe that the message of management and the purpose of the initiatives are gradually beginning to permeate the workplace.

Prevent Recurrence of Inappropriate Quality-Related Conduct

Monitoring Behavioral Changes of Officers and Employees through Recurrence Prevention Measures

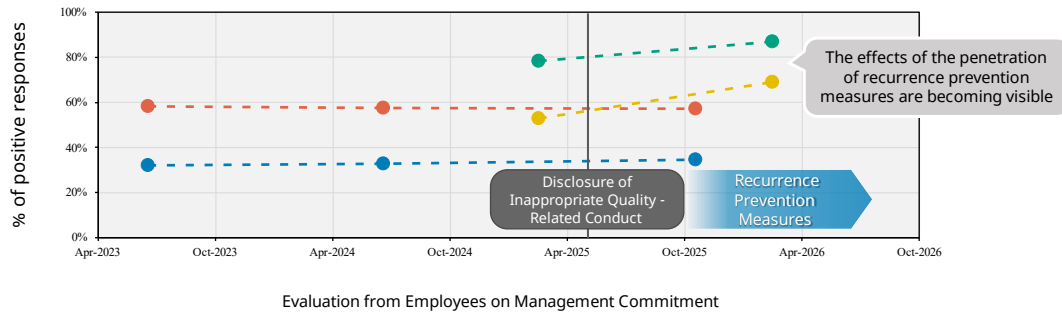
✓ Verifying the effectiveness of recurrence prevention measures with guidance and advice from external experts

[Engagement Survey Questionnaire]

- Management addresses employee feedback
- I believe our management makes the right decisions for the company

[Quality Awareness Survey Questionnaire]

- Management clearly communicates quality policies
- Management encourages review of quality -related workflows and processes (conducting regular evaluations)



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As I have explained, we are currently in the process of reviewing our business structure, growth strategy, governance, and corporate culture as a whole. Over the past year, we have continued our efforts to meet issues, including quality improprieties, head on, change what needs to be changed, and make it stick. In preventing recurrence, we are not limited to internal efforts but also seek guidance and advice from outside experts to verify that recurrence prevention measures are functioning effectively in the field.

The important thing is not that we have done it once, but that we continue to have the same mindset and attitude. We will steadily build on this foundation to achieve global growth and enhance corporate value by achieving both trust and growth. We will continue to engage in dialogue with you and carefully communicate the progress of our efforts.

This concludes my explanation. Thank you.

Shinonaga: Thank you.

Question & Answer

Shinonaga [M]: We will now move on to the question-and-answer session. Please note that each person is limited to two questions at a time. We appreciate your understanding and cooperation.

Mr. Taninaka of SMBC Nikko Securities, please ask your questions.

Taninaka [Q]: My name is Taninaka from SMBC Nikko Securities. Thank you. I have two questions. First, I would appreciate it if you could delve a little deeper into the background behind the operating income for the recently concluded fiscal year falling JPY1.4 billion short of the plan. Furthermore, I would like to understand the degree of certainty that this shortfall will not recur in the current fiscal year. In addition, given that additional costs were incurred last year regarding other matters, such as domestic biomass projects and Inova's projects in the UK and Russia, I would also like to inquire about the level of certainty that these additional costs will not arise in the new fiscal year.

Oshima [A]: I, Oshima, will answer the question. First, the decrease in operating income was partly due to the problems you pointed out, but in particular, as for the change from Q3, there were technical problems, and although not all of the technical work has been completely repaired, it is fair to say that operating income decreased by JPY1.4 billion, including a larger provision for some costs for FY2026.

So, what does that mean for FY2026? Regarding the technical issues, as I previously mentioned, we recorded substantial expenses for this purpose last fiscal year; furthermore, again, as noted earlier, we have made significant provisions to cover costs anticipated to arise during the current fiscal year. In short, our current figures already fully account for these matters, reflecting our assessment that no further technical issues or related issues are expected to arise.

On the other hand, we have also expensed the domestic issues that you pointed out in the last fiscal year, but we do not believe that there are any additional issues that will have a significant impact on the current fiscal year at this time.

Taninaka [Q]: Thank you. Could you please elaborate on the basis for this confidence, specifically, what assures you that no additional costs will be incurred in the new fiscal year? Is this certainty attributable to the completion of the Inova project, or is it a result of strengthened risk management frameworks?

Kuwahara [A]: I would like to answer your question. In terms of accounting, as Mr. Oshima just mentioned, we have made adequate provisions in the FY2025 financial statements for risks that may occur in FY2026. I believe this enabled us to take what might be described as a conservative approach.

On the other hand, and as I may have mentioned previously, regarding our technical response capabilities, we have reflected on the fact that, particularly with respect to steam turbine issues, our framework has become, in a sense, overly dependent on the turbine manufacturers; consequently, we are currently moving forward with strengthening our internal engineering organization. Specifically, Inova is strengthening its organization by bringing in personnel who have worked as heads of steam turbine divisions at turbine manufacturers.

We are looking to enhance our knowledge of steam turbine systems to respond to projects that are currently under construction and those that we expect to be awarded in the future.

Taninaka [Q]: Thank you. The second point I would like to ask is regarding the medium-term forecast. I believe that you are actively promoting your marine engine business and the reorganization of business. On the other hand, I think there are many expected growth areas for decarbonization projects. However, I do get the

impression that the global momentum toward decarbonization has been pushed back somewhat. Furthermore, whether it is offshore wind power or hydrogen combustion, it feels as though the timeline required for these sectors to achieve substantial growth has been extended. Consequently, I find myself speculating that this situation could potentially leave the business to be the area requiring fundamental transformation.

May I ask again whether it is necessary to bring offshore wind power, methanation, and hydrogen generators that take a long-term perspective extending toward FY2050 into the business that requires transformation? Could you please clarify once again the specific criteria or demarcation lines used to define this?

Kuwahara [A]: Thank you for the question. The question was regarding decarbonization projects and the timeline. As illustrated in the slide on page 36, although this slide is framed from the perspective of waste management, we believe there is a strong global consensus that the realization of needs such as energy self-sufficiency and decentralization, depicted in the center of this slide, constitutes a critical challenge requiring a global mindset.

Therefore, we will first focus on the waste-based business and promote its profitability. Beyond that, I believe that wind power, especially offshore wind power, as well as hydrogen and methanation technologies, are the way forward.

I believe you are absolutely correct in suggesting that the timeframe for wind power or hydrogen projects has indeed lengthened. We believe that this is technology that will be necessary for the future, so we are strongly considering positioning this business as a growth driver in our portfolio from a long-term perspective. I am not sure if this answered your question, but I would like to conclude here.

Taninaka [M]: Very well. Understood. Thank you. That's all from me.

Shinonaga [M]: Thank you. Next, Mr. Noguchi from SBI Securities, please go ahead.

Noguchi [Q]: Thank you. My first question is regarding page 53, about this year's plan. First, regarding the overall scope and planning of the Environment Business, that aspect seems quite reasonable to me, but I would like to ask for some details regarding the breakdown.

The first is regarding Inova for the Environment Business, shown in the center of the chart. Regarding the operating income for O&M, part of the current year's plan, the net sales mentioned above are down slightly from JPY99.3 billion to JPY99 billion, but operating income has increased by about JPY6 billion, and I would appreciate your explanation of this. As for operating margins, they are in the 6% range. It is quite high, and I would like to know if you are expecting any transitory benefit.

Also, regarding the sections on the right-hand side, specifically those other than Inova. Net sales for O&M here are almost unchanged in the current year's plan, but on the contrary, operating income will decrease by JPY2 billion. Please elaborate on this as well.

Oshima [A]: Regarding Inova, last year, the O&M segment bore the burden of certain technical issues; consequently, the fact that earnings were particularly challenging last year stands out as a negative factor.

While the absence of these specific burdens in the current fiscal year is expected to boost earnings, we anticipate further upside from our renewable gas business. Specifically, Iona Capital, which we acquired for its asset management expertise, and which now operates as KVI Capital, is currently engaged in a project involving the partial divestment of assets to investors. As this initiative is expected to generate revenue classified under continuing operations, it contributes to an upward revision, bringing Inova's operating income to JPY5.9 billion.

As for other areas besides Inova, we are taking a slightly conservative view of figures for continuing operations in some domestic areas, including the water business. Consequently, as our plans for these segments, including our water business, are framed conservatively, the projected earnings from these continuing operations appear slightly lower.

Noguchi [Q]: Thank you. I think you mentioned that Inova will be compensated for the bond call expenses incurred last year as an upside. Am I correct in assuming that this potential recovery is not currently factored into the projections, and that if those funds are indeed returned, it should be viewed as a positive upside?

Oshima [A]: Regarding the bond call in Australia, the bond call was resolved in FY2025 and has already been factored into FY2025.

Noguchi [Q]: I see. Thank you. My second question, this is about bridge business. Regarding page 54, there have been stories in the newspapers and other media about defective welding on the Yodogawa Bridge in Osaka. I apologize if I missed this earlier, but could you please tell me about the current situation?

According to various press reports, there were articles suggesting that the rework process would cost approximately JPY5 billion. Could you please provide an update on the progress of this rework, outline its maximum potential impact on the P/L, and explain your outlook for the future? Regarding the P/L impact, assuming a 50/50 split, it would amount to roughly JPY2.5 billion. Is that the right ballpark figure? Please let us know to the extent that you are able to discuss this.

Kuwahara [A]: Let me explain this matter. Regarding the bridge as reported in the press, we are currently in the process of discussing this, so I am unable to give specific details.

However, it is a fact that this is occurring as an actual event. Therefore, we have taken a conservative approach in FY2025, and we have also incorporated this into our forecasts for FY2026. I am very sorry, but we would like to refrain from commenting on the amount.

Noguchi [M]: I understand. Thank you for your explanation. That's all from me.

Shinonaga [M]: Thank you for your questions, Mr. Noguchi. Next, Mr. Shitamori of Mitsubishi UFJ Trust and Banking Corporation, please ask your questions.

Shitamori [Q]: I am Shitamori from Mitsubishi UFJ Trust and Banking Corporation. Thank you. I also have two questions.

One is regarding the plans for the new fiscal year regarding the Machinery & Infrastructure Business and the Carbon Neutral Solution Business.

Although the deficit is expected to shrink, it still remains. In your earlier remarks, you mentioned that certain costs, specifically those related to the bridge business, are still outstanding. However, given that I believe there were significant one-off factors at play during the previous fiscal year, I would like to ask about the background behind the somewhat sluggish recovery in profits projected for the current fiscal year. Furthermore, what specific measures do you intend to implement to steer these operations toward profitability from FY2027 onward? Can you tell us what you are thinking now, including some kind of review of your business? This is the first point.

Oshima [A]: I, Oshima, will answer your first question. Please see page 28.

This page is explaining the Machinery & Infrastructure Business. This is a breakdown of the forecast for FY2026, which is negative JPY0.6 billion compared to negative JPY2.4 billion in FY2025. To get into the finer details

regarding the precision segment, the previous period saw large-scale orders and profitable projects; since that contribution will no longer be present, having dropped out of the figures, this is the resulting outcome. Then, others remained flat.

Regarding the Infrastructure Business, costs, primarily within the bridge business, are expected to persist; consequently, the segment is projected to post a loss for FY2026, resulting in a negative operating income for the segment as a whole.

So, as for the bridge business, for the time being, operations at the Mukaijima Works are scheduled to run until March 2027, and after that, operating income is expected to improve. We hope you will understand that this is the case here.

And then, as for the Carbon Neutral Solution Business, as you can see in the breakdown of the operating income, the result for FY2025 was negative JPY0.8 billion, and the plan for FY2026 is negative JPY2.5 billion. Regarding the wind power and decarbonization business, as was mentioned earlier, this represents, so to speak, an investment in the future; however, costs currently remain somewhat front-loaded, meaning we cannot expect to see immediate improvements in this area just yet.

As for the negative results in the marine engine segment, we decided to deconsolidate this business during the previous fiscal year; consequently, the net impact on our financials is now zero. Regarding the process equipment segment, we expect it to continue serving as a key earnings driver for the time being, including our overseas operations, and to remain profitable. Although we have already made considerable improvements, we need to make further improvements for FY2027 and FY2028. However, as you pointed out, we do anticipate that achieving our objectives in this area will take some time.

Shitamori [Q]: I understand. Secondly, since you are reviewing your shareholder return policy, what was the background behind reviewing the policy at this time, and what discussions were held? Since you mentioned the dividend payout ratio of 30% and the progressive dividend, I was wondering if you could tell us again what your thinking is in this area. This is my second question.

Oshima [A]: Thank you. With regard to the dividend payout ratio of 30% and the progressive dividend, we are naturally aware of the current trends in the world, and in the course of various engagements with shareholders and others, we have received many requests to clarify our dividend policy a little more. In fact, we have been paying a stable dividend for the past several years, but we have been discussing the possibility of clarifying it a bit and including figures.

There was a lot of discussion about the timing of this announcement, given the situation in which profits decreased considerably last fiscal year. From our perspective, a key consideration was the belief that, to a certain extent, any negative impacts had likely already materialized during the previous fiscal year. Consequently, we felt it would be appropriate to announce both a specific dividend payout ratio and a progressive dividend policy, thereby conveying a message regarding our commitment to future growth.

Shitamori [Q]: Is it correct to say that unless there is a serious problem, the basic idea is to pay progressive dividends? Thank you.

Oshima [A]: Well, please understand that this is, strictly speaking, a matter of policy. While we naturally anticipate that various scenarios may arise, our fundamental management stance is to aim for a progressive dividend policy. After our internal discussions, we achieved this policy.

Shitamori [M]: Understood. Thank you. That's all from me.

Shinonaga [M]: Thank you. Next, Mr. Noguchi from SBI Securities, please ask your question.

Noguchi [Q]: Thank you. This will be my second round, but I appreciate your explanation. I have two questions.

My first question, and please feel free to answer only to the extent you are able, concerns Phase IV. As you are currently undertaking various initiatives within that phase as well, could you provide an indication of the timing, or at least a rough timeframe, for the execution of the four specific projects comprising Phase III? Furthermore, could you share any projected impact on your P/L statement, specifically, the estimated timeframe and financial figures?

Kuwahara [A]: I will answer the question. I think you are talking in terms of the content of Phase III and the magnitude to it. It is difficult to explain the progress made in Phase III in concrete terms.

As I have said repeatedly, we would like to complete the portfolio reform as soon as possible. As for those that were not completed under Forward 25, they will be done within the next three years. What I mean by that is that we would like to do this as soon as possible within the three years, not over the course of three years. I apologize for my vague explanation, but I would appreciate it if you could accept this for the time being.

In terms of the magnitude of the initiatives, I think it is fair to say that there is no such thing as a large magnitude, especially one that would have a downward swing. I apologize for the inconvenience, but I would like to ask for your understanding in this matter.

Noguchi [Q]: Sure. Thank you. My second question is regarding page 41, which is a slide regarding the Inova's growth model, or achieving disciplined growth.

I apologize for revisiting the basics on the right-hand side here. While I understand that EPC refers to new projects, could you please clarify the section in green regarding O&M, as well as the yellow section concerning recurrent origination business? Please tell me again the difference between this green and yellow section. I guess the green one is mainly asset management as you mentioned earlier, but could you please reiterate the difference between the two?

I also wonder if there is any significant difference in the current or future operating income margin in these three businesses. I appreciate your explanation here as well. Thank you.

Kuwahara [A]: Thank you. I understand you are asking about the green and yellow sections shown on this slide. The greens are O&M, services, and asset management, as shown in the lower right-hand corner. I assume this yellow part, in particular, is slightly confusing.

To cite a specific example, a project is currently under construction in Abu Dhabi. In the case of Dubai, following the construction phase, we have undertaken the O&M for a period of 35 years. In other words, the Dubai project involved an initial EPC phase, followed subsequently by the O&M phase. Abu Dhabi is of the same type, where our company is also involved in O&M after the construction is completed.

This is the type of project where O&M is invariably tied to an EPC contract. In many of such cases, I anticipate that our company will also be involved in the business development phase. This is positioned as a recurrent origination type of EPC, and we consider it as a separate framework and position it within a 40/40/20 business structure model.

It is difficult to say how the profit margin of EPCs in this yellow section compares to EPCs in the blue section below it. I interpret this as not necessarily indicating any significant difference between yellow and blue.

This is because, within Inova's competitive landscape, particularly regarding large-scale projects, the company occupies a highly monopolistic position. Consequently, the critical factor determining whether the business is

viable hinges entirely on whether orders are successfully secured. Therefore, the project itself will not be completed if the EPC price is raised too high due to lack of competition.

On the other hand, it also means that we will be able to secure an appropriate profit margin. We believe that we can maintain an appropriate profit margin for yellow and blue sections based on the same concept, and that we will be able to maintain this profit margin for the time being. Did I answer your question?

Noguchi [Q]: Thank you. Is asset management in this green or asset management in total something like 10% or 20%? From what you said earlier, it sounds like your profit margin is quite high. May I assume that this EPC, higher than the recurrent origination business, is the most actually profitable business?

Kuwahara [A]: Well, in the asset management model, we will not only consider so-called O&M, but also future sales of such things as gas, and in the future, valuable resources recovered from the ash, such as metals.

In addition, as Mr. Oshima mentioned earlier, we are also considering recycling some of our invested assets. We believe that these factors will surely contribute to improving profit margins. We believe that we will be able to demonstrate the results of these efforts in FY2026.

Noguchi [M]: Very well. Understood. Thank you. That's all from me.

Shinonaga [M]: Thank you for your questions. As we have run out of time, we will conclude the Q&A session here. For those who were not able to ask questions during the presentation, please contact our IR staff individually.

Lastly, Mr. Kuwahara would like to offer a brief closing remark.

Kuwahara [M]: As my final message, in FY2025, as you understand from this fiscal year's performance, we saw very clearly the expansion of the top line, which is what we call the expansion of the business scale. On the other hand, however, some issues, such as transient technical issues, became apparent. I consider it a year in which the Company's management weaknesses or challenges were clarified.

To reiterate, order intake and net sales have reached record highs, which is a very clear indication of the growth potential of our company. However, as we mentioned earlier in this briefing, I believe that we are steadily taking steps to address each of the issues that I mentioned.

Regarding technical issues, in particular, I believe that the necessary measures are being taken, not only from a management perspective, but also in terms of organization and human resources. Based on this, I anticipate that FY2026 will mark a recovery trend, signifying a return to what might be termed our normal level of earnings power.

Based on the experience gained in FY2025, we are preparing for the next phase of growth by further strengthening our management foundation, including risk governance and management infrastructure, especially by appointing more external personnel to the Group CxO structure.

We will continue to invest in growth and establish disciplined management to achieve sustainable growth. We would like to continue our careful dialogue with you and would appreciate your frank comments and requests.

Thank you.

Shinonaga [M]: This concludes Kanadevia's financial results briefing for the fiscal year ended March 2026. Thank you very much for your participation today.

[END]

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