Kanadevia Corporation

Announcement of Financial Results for FY2026-1Q

August 7, 2026

Event Summary

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[Participants]		
[Number of Speakers]	2	
	Koichiro Oshima	Group Chief Financial Officer, Representative Director & Senior Managing Executive Officer, Head of Corporate Strategy Headquarters
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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. Thank you very much for taking time out of your busy schedule to join us at the Kanadevia Corporation announcement of financial results for FY2026 Q1. I am Shinonaga from the Investor Relations Section, Corporate Planning Headquarters, and I will be serving as today's moderator. Thank you.

First, I will introduce today's attendee from the Company. Today, Mr. Koichiro Oshima, Group Chief Financial Officer, Representative Director & Senior Managing Executive Officer, Head of Corporate Strategy Headquarters, is in attendance. The total duration of the meeting, including the Q&A session, is scheduled to be a maximum of 60 minutes.

Today's materials are available on our website on Thursday, August 6. Please have the report of consolidated financial results for the three months ended June 30, 2026, the financial results for FY2026- Q1 presentation materials, and the factbook in Excel file format ready.

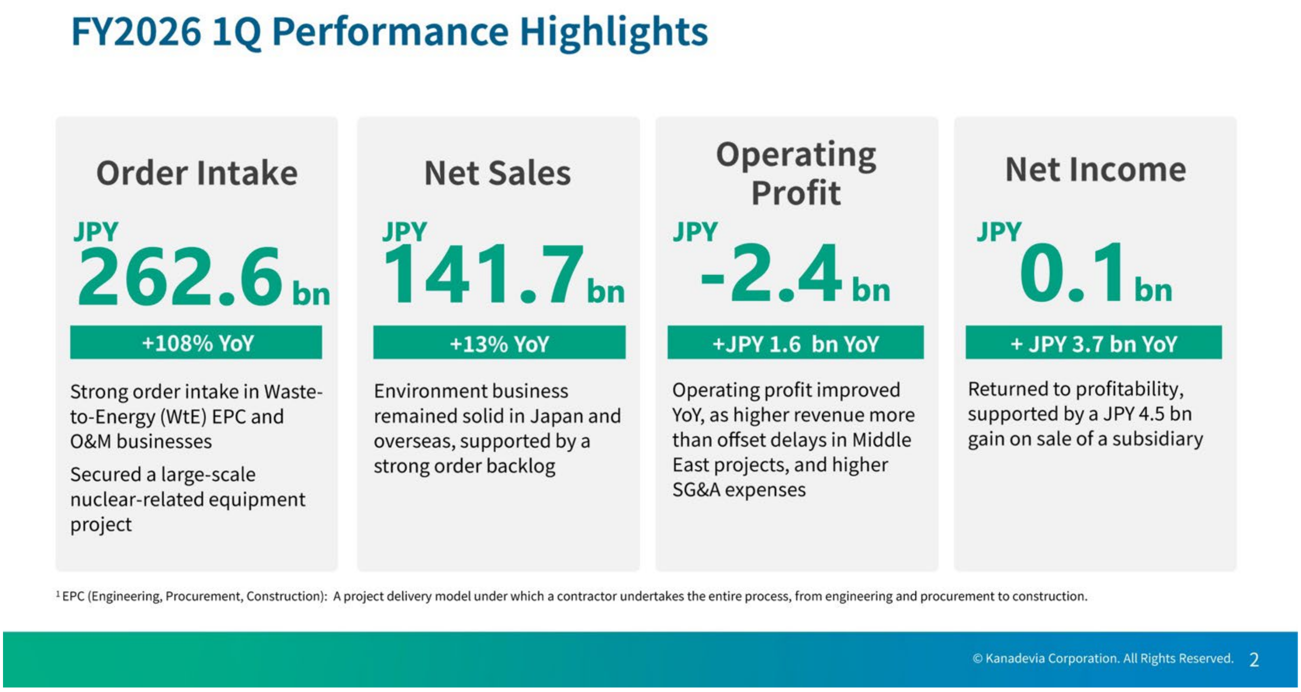
Before we begin the briefing, I would like to make a few points clear to everyone. In the following explanation, we may make forward-looking statements based on our current expectations. All of these involve risks and uncertainties. We would like to ask for your understanding in advance that actual results may differ from projections.

Now, Mr. Oshima will begin the presentation.

Oshima: Hello, I am Oshima. Thank you for taking time out of your busy schedule to join us today.

Before I begin the presentation for Q1 financial results, first and foremost, we would like to express our heartfelt sympathy to all those affected by the recent earthquake in Kumamoto. Our group's Ariake Plant in Kumamoto Prefecture sustained no significant damage and has been operating as usual since the day after the earthquake.

In addition, at an incineration plant in Kumamoto Prefecture that we previously delivered, some facilities were shut down in response to the earthquake; however, following inspections and other necessary measures, operations are gradually resuming. We hope to contribute to the region's recovery through the early restart of operations.



Now, I'll begin by explaining the financial highlights for Q1. It is on page two.

Order intake was JPY262.6 billion, up 108% YoY. This was primarily due to strong order intake in the environment business, as well as a large-scale nuclear-related equipment project for Taiwan secured by our USA subsidiary. Net sales increased by 13% to JPY141.7 billion. This indicates that a strong order backlog accumulated in recent years is steadily being converted into sales.

Operating profit showed a loss of JPY2.4 billion due to seasonal factors but improved by JPY1.6 billion YoY. Although there was an impact from delays in the construction of a waste treatment facility currently under construction in Abu Dhabi and higher SG&A expenses, profitability improved as a result of higher sales. In addition, net income returned to profitability and recorded a surplus of JPY100 million, supported by a JPY4.5 billion gain on the sale of a subsidiary.

FY2026 1Q Consolidated Results

Order intake, net sales, and all profit levels improved year on year

(JPY bn)	FY25 1Q	FY26 1Q	YoY
Order Intake	**126.3**	**262.6**	**136.3**
Net Sales	**125.4**	**141.7**	**+16.3**
Gross Profit	19.3	23.5	+4.2
SG & A	23.3	25.9	+2.6
Operating Profit	**-4.1**	**-2.4**	**+1.7**
Operating Margin	-3.2%	-1.7%	+1.5pts
Non-Operating Income (Expense)	-0.7	-0.5	+0.2
Ordinary Income	-4.7	-2.9	+1.8
Extraordinary Gain (Loss)	0.0	4.5	+4.5
Net Income	**-3.6**	**0.1**	**+3.7**
FX Rate (JPY/CHF)	175.6	201.8	+26.2

[YoY Highlights]

Gross Profit
Gross profit margin improved by 1.2 percentage points YoY to 16.6%

SG&A Expenses
SG&A expenses increased YoY, primarily due to higher personnel costs

Extraordinary Gain
Recognized a JPY 4.5 bn gain on the sale of a subsidiary

Next, page three. Consolidated results.

On this page, we'll take a closer look at our Q1 results. Order intake, net sales, and all profit metrics improved YoY. In particular, gross profit margin improved by 1.2 percentage points YoY to 16.6%. This improvement was driven not only by changes in the sales mix and measures to enhance profitability, but also by the elimination of one-time factors. On the other hand, SG&A expenses increased, primarily due to higher personnel costs. The increase in expenses is due to investments in human resources and efforts to strengthen our organizational foundation to support future growth.

FY2026 Full Year Forecast

1Q performance was on track. Order intake forecast raised by JPY 30.0 bn

(JPY bn)	FY26 1Q	FY26 Full Year Forecast		
	Actual	Initial(a)	Revised (b)	Change (b-a)
Order Intake	262.6	810.0	840.0	**+30.0**
Net Sales	141.7	640.0	640.0	-
Operating Income	-2.4	25.5	25.5	-
Oparating Margin	-1.7%	4.0%	4.0%	-
Ordinary Income	-2.9	22.0	22.0	-
Net Profit	0.1	21.0	21.0	-

Assumed FX rates for FY26 forecast (No change from the initial forecast) :
JPY 180/CHF
JPY 145/USD
JPY 95/AUD

[Revision to Order Intake Forecast]

Based on a large nuclear-related equipment order received by NAC, our U.S. subsidiary, and the favorable order environment, the full-year order intake forecast has been raised from JPY 810.0 bn to JPY 840.0 bn.

As revenue from this project is expected to be recognized mainly in and after the next fiscal year, forecasts for net sales and profits remain unchanged.

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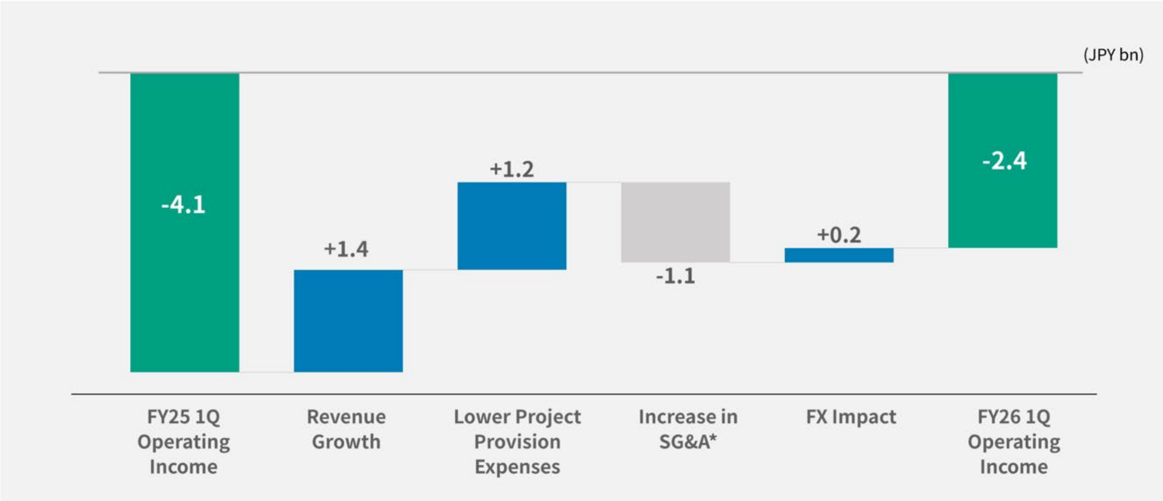
Next, page four, full-year forecast.

Regarding our full-year forecast, since Q1 performance was on track, we are maintaining our net sales and profit forecasts. At our company, profits tend to be concentrated in H2 of the fiscal year, particularly in Q4, and at this point, we believe there is a high degree of certainty that we will achieve our full-year targets. On the other hand, since the order intake environment has been better than expected, we have raised our annual order intake forecast from JPY810 billion to JPY840 billion.

The main reason for this is that we received a large nuclear-related equipment order. However, since this project will primarily involve design work for the time being, its contribution to this fiscal year’s sales and profit will be limited. We expect the business to begin making a significant contribution to sales and profits starting in FY2028, when equipment manufacturing begins. For this reason, we have revised only the order intake figure and our earnings forecast remains unchanged.

Operating Profit Variance Analysis

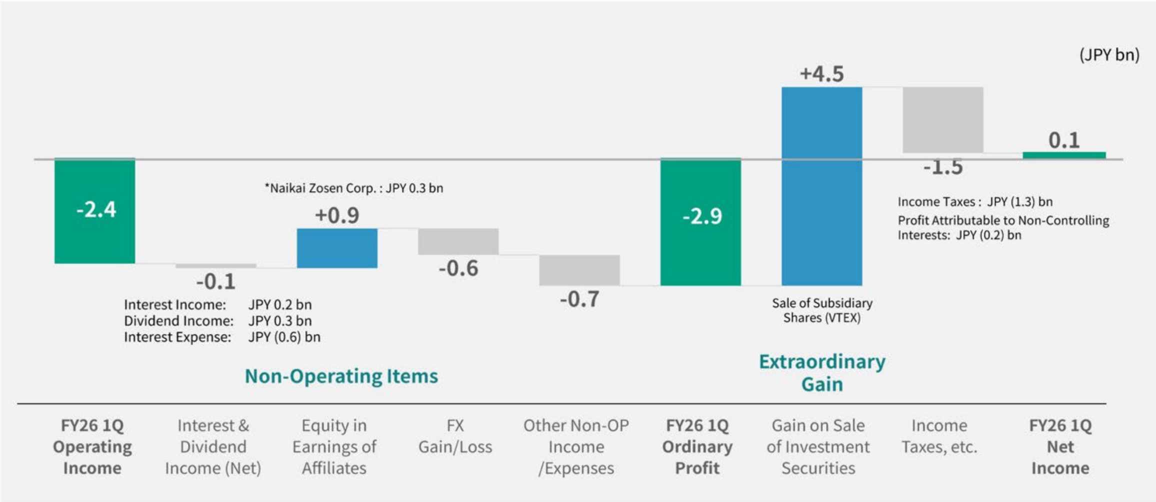


*Increase in SG&A represents the change excluding the impact of foreign exchange fluctuations

Page five. Operating profit variance analysis.

The main factors behind the improvement of approximately JPY1.6 billion YoY were revenue growth, changes in the sales mix, and lower project provision expenses than the previous fiscal year. On the other hand, an increase in SG&A expenses lowered the profit. Although the yen has continued to weaken against major foreign currencies, the impact on profits is limited because this affects both sales and costs.

Bridge from Operating Profit to Net Income



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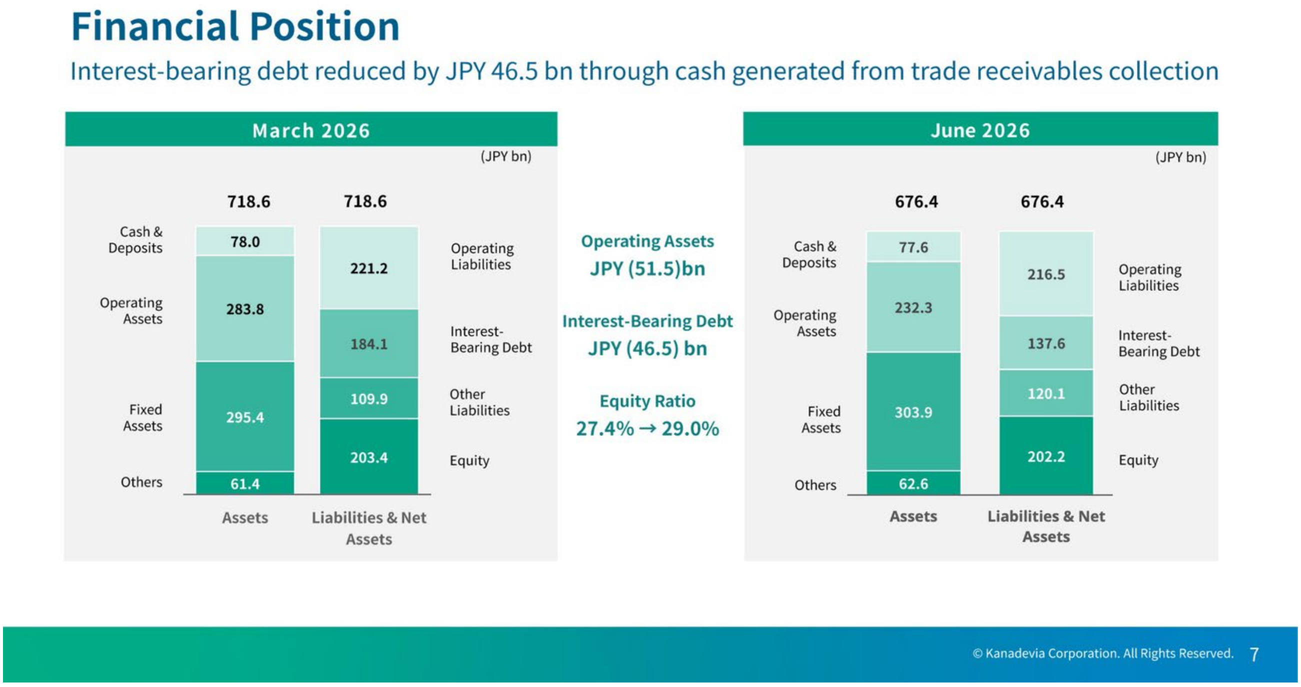
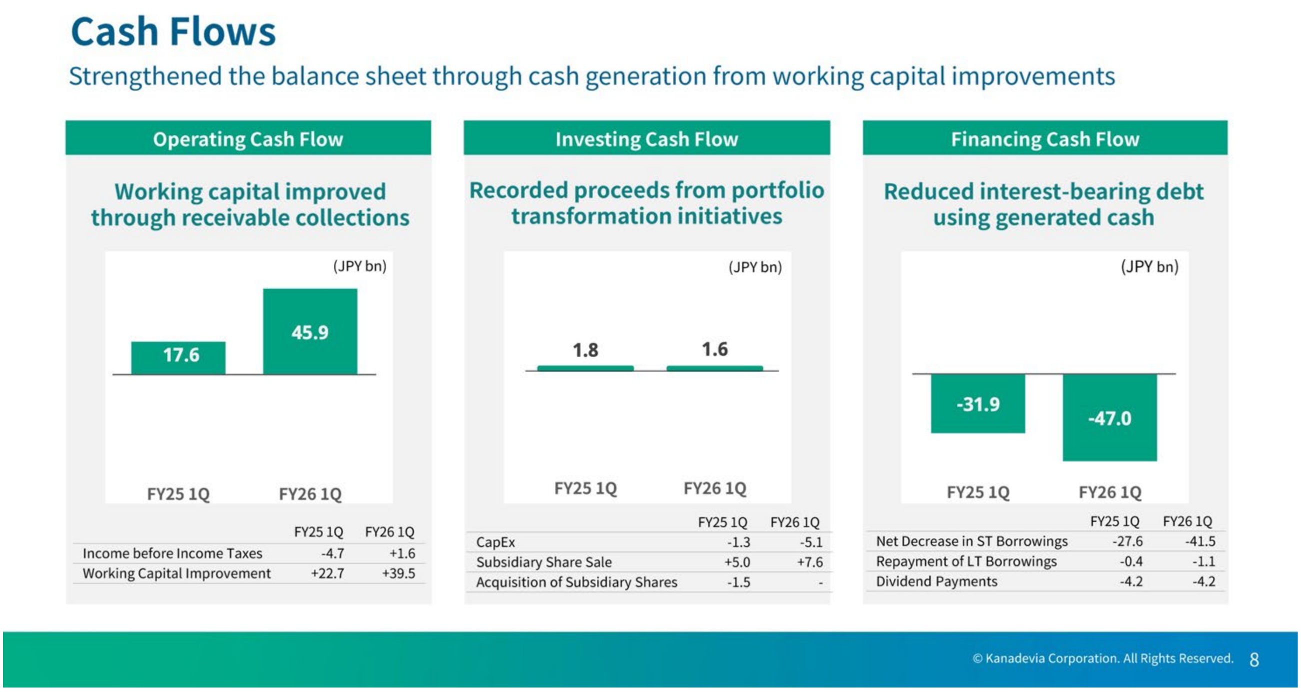
Please take a look at page six. Bridge from operating profit to net income.

This shows the variable factors in the items from operating income to net income. Although we posted a net loss from non-operating activities, we recorded a gain on the sale of shares in V-Tex, our subsidiary in the semiconductor valve business, as extraordinary income, resulting in a net profit for the quarter.



Please take a look at page seven. Here is our financial position.

As trade receivables were collected, operating assets decreased by JPY51.5 billion compared to the end of the previous fiscal year. As a result, we have used the funds generated to reduce our interest-bearing debt by JPY46.5 billion. The equity ratio also improved from 27.4% to 29%. We will strengthen our financial foundation for future growth investments while simultaneously improving both our profitability and financial soundness.



Please take a look at page eight. Cash flows.

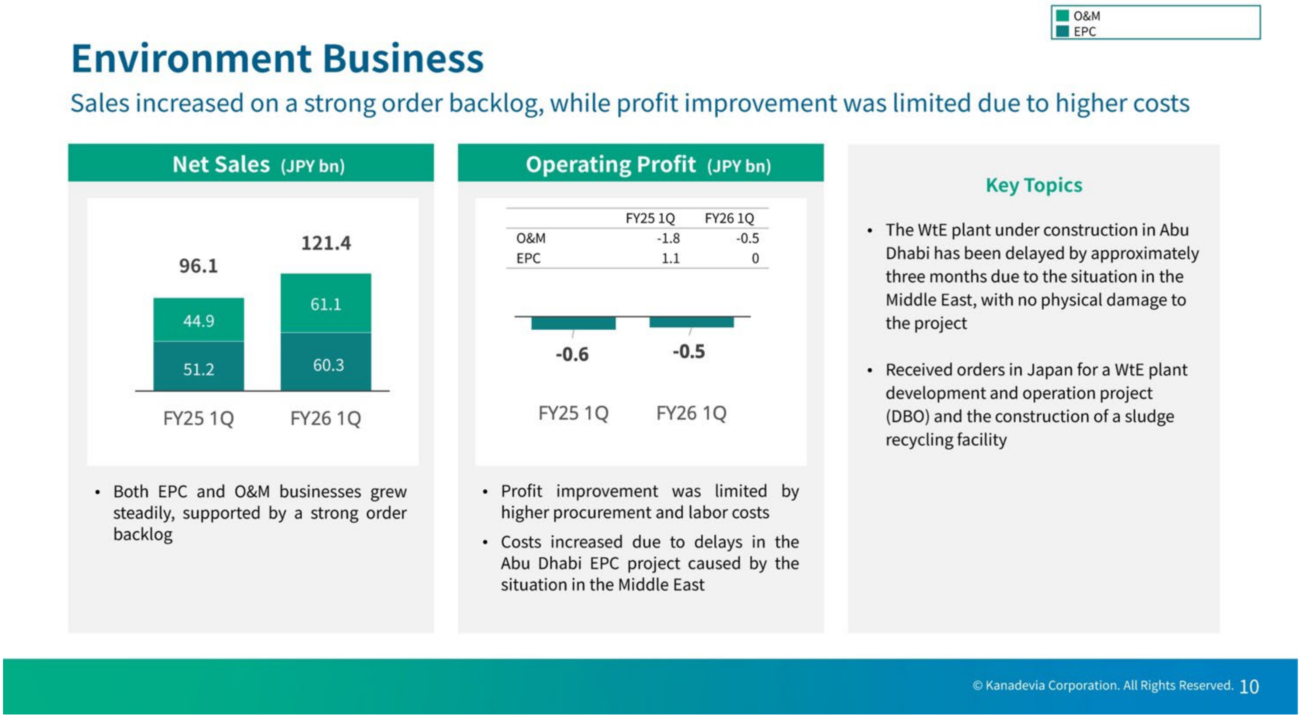
Operating cash flow was a surplus of JPY45.9 billion. The main factor is the improvement in working capital through receivable collections. In terms of investing cash flow, we generated cash overall, including proceeds from the sale of subsidiary shares. As a result of using these funds to repay loans, our financing cash flow turned negative; however, this has led to a reduction in interest-bearing debt and an improvement in our financial position.

Net Sales & Operating Profit by Segment

(JPY bn)	FY2025		FY2026					
	1Q	Full Year	1Q		Full Year Forecast			
	Actual	Actual	Actual (a)	YoY	Initial (b)	Current (c)	Chg (c-b)	Progress(a/c)
Net Sales	**125.4**	**645.2**	**141.7**	**+16.3**	**640.0**	**640.0**	**0.0**	**22.1%**
Environment	**96.1**	**505.2**	**121.4**	**+25.3**	**537.0**	**537.0**	**0.0**	**22.6%**
EPC	51.2	256.0	60.3	+9.1	288.0	276.0	-12.0	20.9%
O&M	44.9	249.2	61.1	+16.2	249.0	261.0	12.0	24.5%
Machinery & Infrastructu	**13.4**	**68.5**	**13.1**	**-0.3**	**61.0**	**61.0**	**0.0**	**21.5%**
Carbon Neutral Solutions	**15.1**	**69.2**	**6.3**	**-8.8**	**38.0**	**38.0**	**0.0**	**16.5%**
Other	**0.8**	**2.3**	**1.0**	**+0.2**	**4.0**	**4.0**	**0.0**	**24.5%**
Operating Profit	**-4.1**	**12.2**	**-2.4**	**+1.6**	**25.5**	**25.5**	**0.0**	**–**
Environment	**-0.6**	**16.7**	**-0.5**	**+0.1**	**26.7**	**26.7**	**0.0**	**–**
EPC	1.1	2.5	0.0	-1.2	8.4	5.9	-2.5	–
O&M	-1.8	14.2	-0.5	+1.3	18.3	20.8	2.5	–
Machinery & Infrastructu	**-2.1**	**-2.4**	**-0.8**	**+1.3**	**-0.6**	**-0.6**	**0.0**	**–**
Carbon Neutral Solutions	**-1.4**	**-2.5**	**-0.8**	**+0.5**	**-0.8**	**-0.8**	**0.0**	**–**
Other	**0.0**	**0.4**	**-0.2**	**-0.2**	**0.2**	**0.2**	**0.0**	**–**

Page nine. Here are the results by segment.

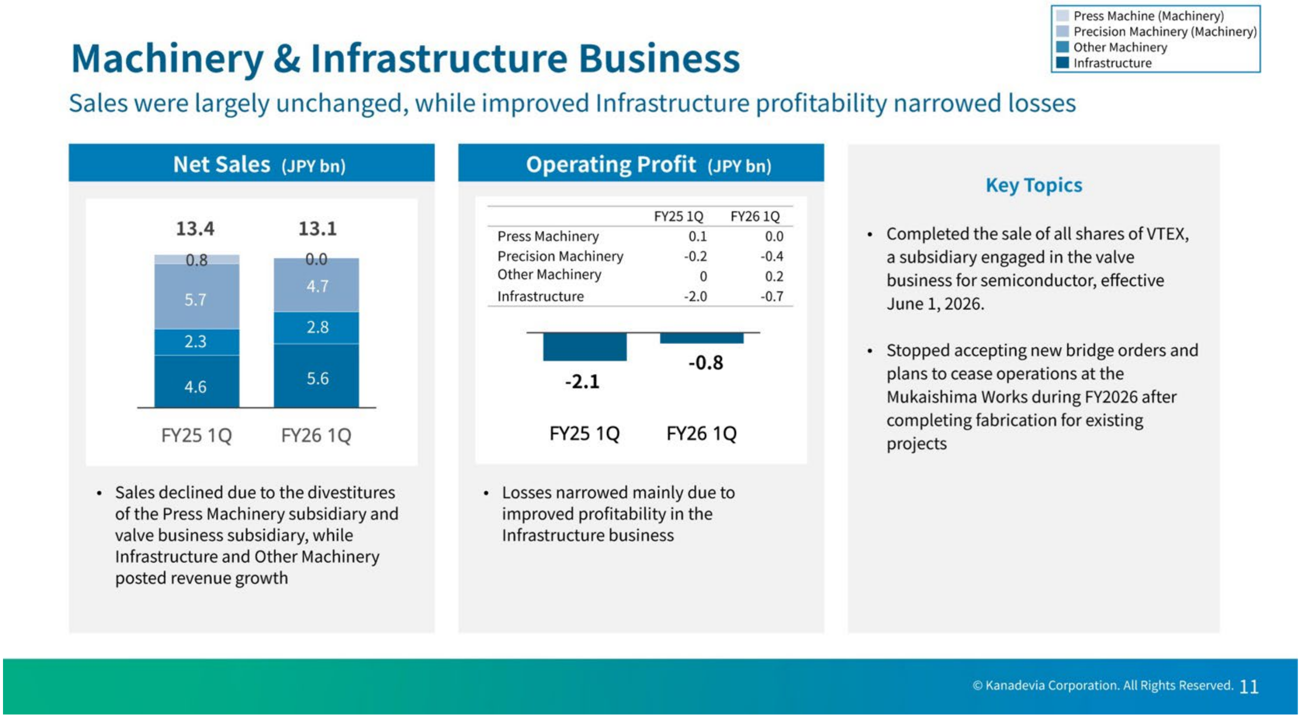
The environment business continues to drive the Group's growth. In addition, we have seen improvements from the previous year in our machinery and infrastructure business and carbon neutral solutions business. From the next page, I will explain the results by each business.



Please take a look at page 10. Environment business.

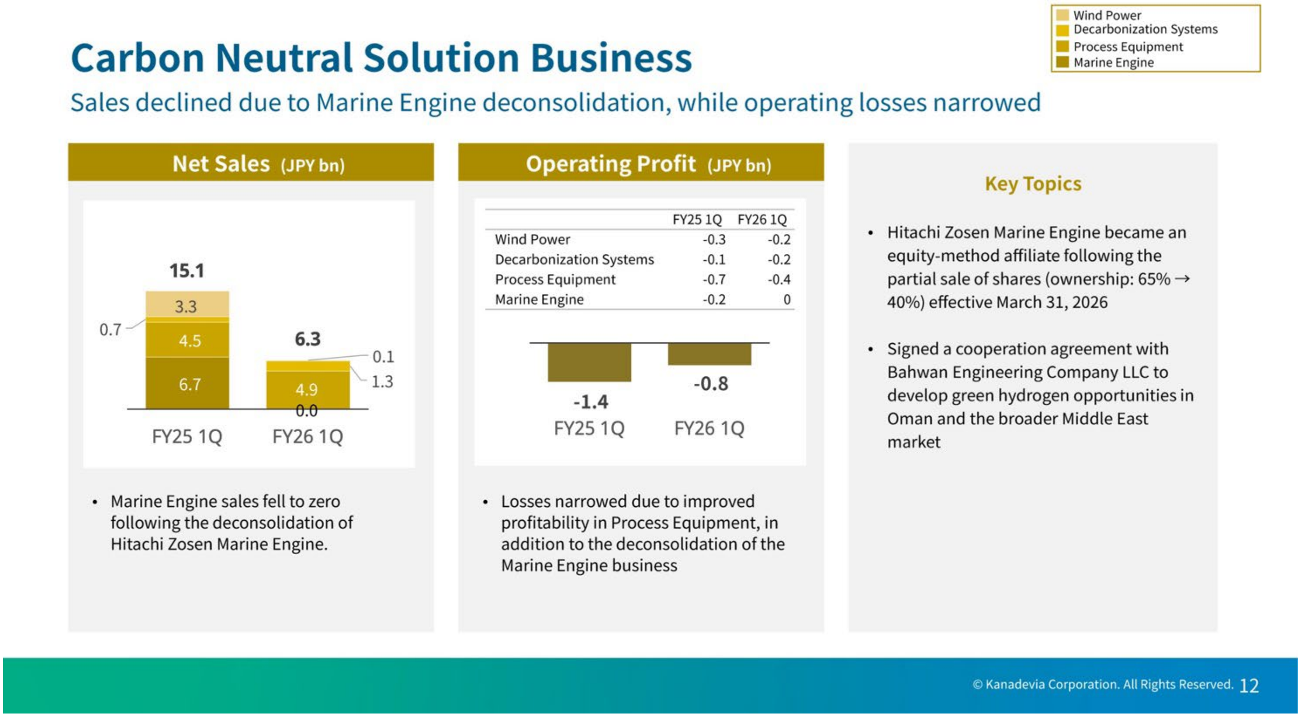
Net sales reached JPY121.4 billion and a significant increase was recorded YoY. Both the EPC and O&M businesses grew steadily, supported by a strong order backlog. In terms of profits, we faced higher procurement and labor costs, as well as delays in the construction of a plant in Abu Dhabi due to the situation in the Middle East.

However, the business environment itself is generally favorable. Driven by growing waste management needs and against the backdrop of a global shift toward a circular economy due to increasing concern for energy security, demand for environmental infrastructure is expanding worldwide. We believe that our Group’s competitive advantage is, in fact, growing. The environment business is expected to drive our growth as a core business of the Group. We would like to note that, regarding the Abu Dhabi project, there was no property damage, and we believe the impact on our revenue projections is within manageable limits.



Please take a look at page 11. Machinery & infrastructure business.

Although there was an impact of sales decrease due to the divestitures of the businesses, net sales remained on par with the previous year, and the net loss narrowed. Sales declined due to the business portfolio transformation, which has been accelerating since last fiscal year. On the other hand, in the infrastructure business, losses narrowed as the one-time expenses recorded in the same period of the previous fiscal year were no longer recognized this fiscal year.



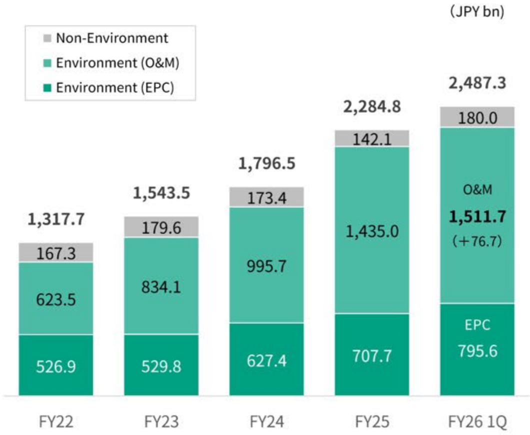
Please look at page 12. Carbon neutral solution business.

Sales declined due to marine engine deconsolidation as part of business portfolio transformation. On the other hand, losses narrowed due to improvements mainly in process equipment. Hydrogen, methanation, and nuclear-related equipment are areas with future growth potential, and we are working to develop them as pillars of our medium- to long-term earnings.

Order Intake and Order Backlog

Environmental recurring business continued to expand, driving backlog to a record high

(JPY bn)	FY2026			
	1Q		Full Year Forecast	
	Actual (a)	YoY	Current (b)	Progress(a/b)
Order Intake	**262.6**	**136.3**	**840.0**	**31.3%**
Environment	**201.6**	**115.0**	**713.0**	**28.3%**
EPC	87.6	68.2	324.0	27.0%
O&M	114.1	46.8	389.0	29.3%
Machinery & Infrastructure	**13.6**	**-10.6**	**55.0**	**24.8%**
Carbon Neutral Solutions	**46.7**	**32.2**	**68.0**	**68.7%**
Others	**0.6**	**-0.3**	**4.0**	**15.5%**



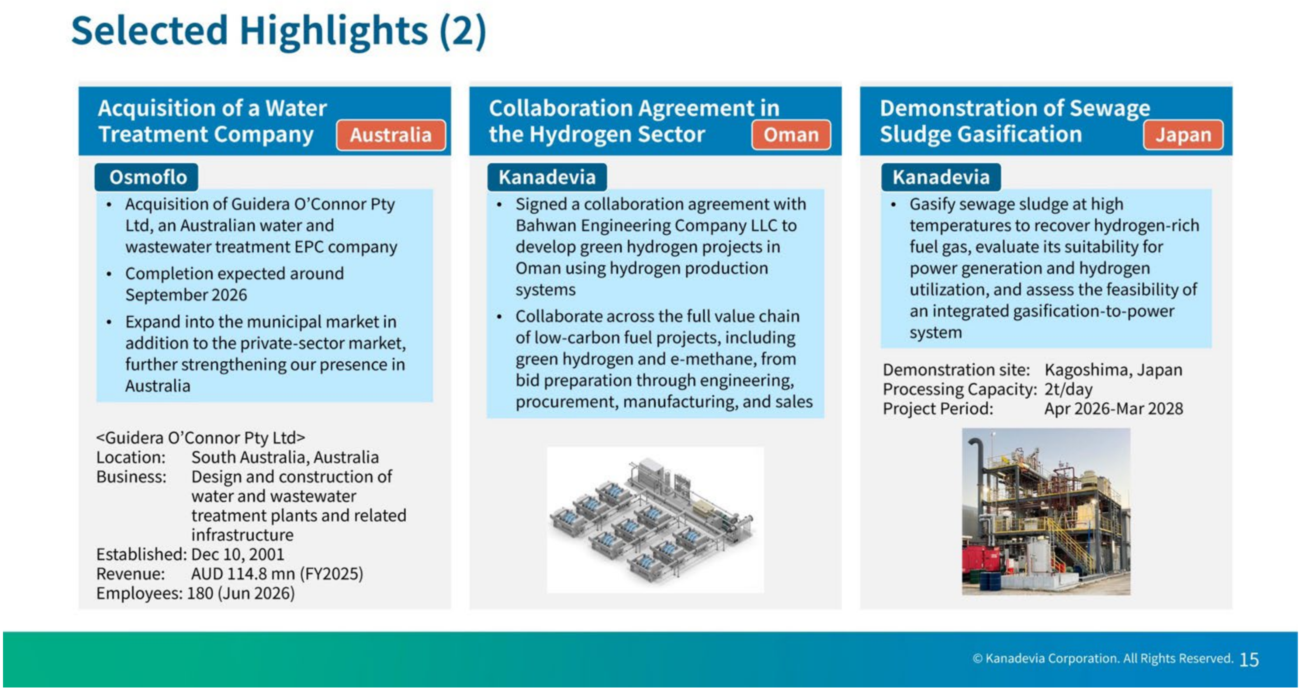
Page 13, order intake and order backlog.

Order intake was approximately JPY2.49 trillion, recording a record high. What we would like you to focus on here is not simply the increase in the order backlog, but the fact that the order backlog for the O&M business has grown significantly. The O&M business is a long-term contract-based business focused primarily on operations, upkeep, and maintenance following the handover of facilities, and the O&M business generates stable revenue. In other words, this means that not only the volume of the order backlog but also the quality of the order backlog is improving.

We believe that as we continue to build up our project portfolio, the stability and predictability of our earnings will further improve, and I believe that this graph best illustrates our company's medium- to long-term strength.

Page 14 presents selected highlights. In this part, I will introduce the build-up of the order backlog, as explained on page 13, as well as the key business highlights that will support our future growth.

In Japan, we were awarded contracts for the construction and operation of a waste treatment facility in Nishinomiya City, Hyogo Prefecture, and for a sludge recycling facility project in Miyazaki Prefecture. In addition, in Italy, a biomethane project was approved, and we are moving forward with the expansion of our resource and environmental business in Europe. Through these projects and initiatives, we are expanding our existing businesses and building a foundation for future growth.



Please look at page 15. This is the second page of the selected highlights.

These are our key initiatives for growth. In Australia, we have signed an agreement to acquire a local company with the aim of strengthening our water treatment business. This will strengthen our access to the water treatment market for municipal governments and accelerate the growth of our water business. In addition, we are moving forward with the development of green hydrogen projects in Oman. In Japan, we are also working on the demonstration of sewage sludge gasification. All of these initiatives contribute to solving societal challenges such as resource recycling and decarbonization, and they serve to strengthen the foundation for medium- to long-term growth.

Business Integration with Nippon Steel Engineering Co., Ltd.

Due diligence underway since business integration consideration was announced 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 is ongoing with the aim of executing a definitive 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

Kanadevia × 日鉄エンジニアリング NIPPON STEEL ENGINEERING

(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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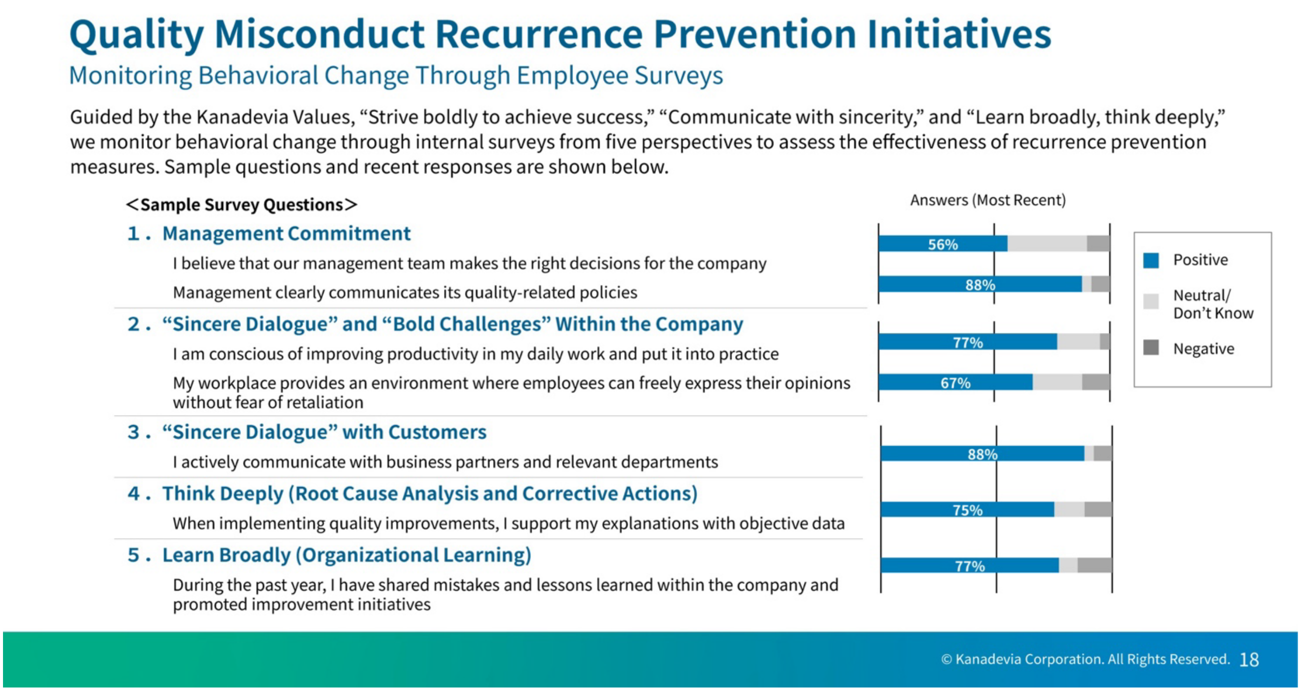
Page 16. While we are proceeding with the growth initiatives I just explained on our own, we are also considering business integration with Nippon Steel Engineering as an option for accelerating discontinuous growth.

Due diligence is ongoing and we are proceeding with discussions toward executing the definitive agreement. Although no decisions have been made at this time regarding the terms of the business integration or other matters, we will continue to proceed with our examinations carefully and steadily, giving top priority to enhancing corporate value for our shareholders and investors.



Last but not least, I will explain initiatives to prevent the recurrence of quality misconduct. Please turn to page 18.

In order to evaluate the effectiveness of measures to prevent recurrence, we identified the perspectives for monitoring behavioral changes through employee surveys being guided by the Nagashima Ohno & Tsunematsu law firm, whose members were appointed as external experts to serve on the Special Investigation Committee.

We will continue to monitor changes in the behavior of our executives and employees over time using surveys such as engagement surveys that we will conduct on an ongoing basis. Based on the current results, we recognize that there is room for improvement, since, for example, a relatively large number of employees have expressed uncertainty regarding the reliability of management’s decision-making.

Quality Misconduct Recurrence Prevention Initiatives

Key Recurrence Prevention Measures and FY2026 Implementation Plan

Action	FY2026			
	1Q	2Q	3Q	4Q
1. **Leadership Commitment**	• CEO's new fiscal year message	• Quality Policy Communication Meeting (Town Hall Meetings)	• CEO's mid-year message • New employee induction ceremony message	• CEO's year-end message
2. **Organizational Culture and Awareness**	• Town hall meetings • Career growth seminar	• Town Hall Meeting • Career interview training • Establishment of disciplinary rules for managers	• Town Hall Meeting • Compliance e-Learning • Compliance seminar	• Town Hall Meeting • Compliance training for group companies
3. **Improvement of Business Processes**	• Clarification of the Three Lines Model • Prevention of falsification through digital tools	Operation and continuous improvement →		
4. **Initiatives to Prevent Quality Misconduct**	• Review of quality compliance committee rules • Quality assurance regulations	• 5th Quality Compliance Committee • 1st Quality Committee • Quality Misconduct Prevention Day Event	• 2nd Quality Committee	• 6th Quality Compliance Committee • 3rd Quality Committee • Recurrence prevention update meeting
5. **Strengthening Quality Assurance Functions**	• Revision and rollout of a tier-based quality training curriculum	• Establishment of group quality policy • Launch of QMS Office • Quality training for sales staff	• Quality compliance training	• Quality awareness survey
6. **Strengthening Board Oversight**	• Report on recurrence prevention progress	• Report on recurrence prevention progress • Compliance committee report	• Report on recurrence prevention progress	• Report on recurrence prevention progress

Please take a look at the next page. Here, we have identified and are implementing six specific initiatives as part of our efforts to prevent a recurrence since last fiscal year.

For example, the town hall meetings described in the section on organizational culture and awareness are intended to foster a shared understanding of and support for various management initiatives through dialogue between senior management and staff. In the previous section, I mentioned that the level of trust in management's decision-making is relatively low. Through these measures, we will increase dialogue with our staff and work to improve their understanding of and trust in management.

That concludes my presentation. Thank you very much for your attention.

Shinonaga: Thank you.

Question & Answer

Shinonaga [M]: Now, we will begin the Q&A session. Please note that each person may ask up to two questions per session. Then, we will start.

Questioner 1 [Q]: Thank you for taking my questions. I have two questions.

First, while overall figures for sales and operating profit have not changed this time, there are changes in the figures for EPC and O&M at Inova. Could you explain the reasons for this? I believe the EPC is due to the situation in the Middle East, but the difference is offset by O&M. Could you please explain this a little more? This is the first question.

Oshima [A]: I am Oshima. Thank you very much for the question. Regarding the changes of the figures in Inova's profit items, as you pointed out, with respect to EPC, the situation in the Middle East has persisted longer than expected due to the Abu Dhabi project. In addition, there was a period when heavy rainfall at the Abu Dhabi site led to flood-like conditions. Based on that, we are essentially factoring in the additional costs associated with a two- or three-month delay in the project's completion. That aspect has deteriorated significantly in the EPC.

Regarding that point, when KVI and Inova reviewed their earnings projections for this fiscal period, since the likelihood of generating revenue from the O&M business is increasing due to higher-probability projects, consequently, they have decided to adjust the figures accordingly while essentially maintaining the overall revenue forecast.

Questioner 1 [Q]: Thank you. Second, I would like to ask about nuclear-related equipment. I heard that the Company secured a major project this time, but sales from the project won't come in for a little while yet. For example, is it a multi-year project such as one that will be delivered in installments over three years, or will it be delivered all at once? Should I assume this is a profitable project, or should I not expect it to be profitable since the Company accepted the project for strategic reasons? May I ask whether we can expect more large-scale projects like this in the future?

Oshima [A]: Thank you for the question. This is a project being handled by NAC, our USA subsidiary, and the customer is TPC, a state-owned power company in Taiwan. The first two years are basically spent on design and obtaining permits and approvals. Actual production will begin in 2028 or later, and deliveries will take place over the next five years or so. I believe that significant sales will begin to materialize starting in FY2028 at the earliest, and we will record the sales in stages.

As for profitability, we have, of course, met our minimum profitability target or rather our projected profitability target. While NAC has not decided on the manufacturing location and final destination yet, I expect there will be a mix of items. Some will be ordered for production at our Ariake Plant and others will be outsourced to other manufacturers. We believe there is significant potential for Kanadevia itself to generate revenue, and we view this project as one that will make a solid contribution to our overall operating income.

In addition, in terms of potential projects, NAC's operations are primarily focused on USA and Taiwan, with some activities in Canada as well. Given that situation, the sources of projects are somewhat limited. There are basically three nuclear power plants in Taiwan, and since this is the second one, it's not that there isn't a possibility of an order for another one, but I understand that there aren't that many projects. I'm sorry, I'm not sure if this answers your question, but that's all I have to say.

Questioner 1 [M]: I understand very well. Thank you. That is all from me.

Questioner 2 [Q]: Thank you. Thank you for making the materials easier to read overall. The first question is on page five. I believe this is the first time the Company has disclosed changes in profits like this. Could you please explain the breakdown of the JPY1.2 billion for lower project provision expenses on page five? Also, I would appreciate it if you could let me know what the annual budget for this item is and what it covers.

Oshima [A]: Regarding the lower project provision expenses on page five, it states a YoY increase of JPY1.2 billion. This is primarily due to the provision for inappropriate practices related to bridge construction that was recorded in Q1 of last fiscal year. In the previous fiscal year, we recorded approximately JPY1.3 billion for this purpose. In contrast, this year's figure is JPY1.2 billion-plus, which we are treating as a one-time positive factor.

Regarding the full-year outlook, we are currently assessing the extent to which last year's results were due to one-time factors, as there are various perspectives on what constitutes a one-time factor. Please give us a moment.

Questioner 2 [Q]: Thank you. Regarding the costs associated with construction delays in the Middle East that were mentioned earlier, is my understanding correct that these are all included in the increase in SG&A expenses? It would be helpful if you could also let me know whether this is included in the plan or is something outside the plan.

Oshima [A]: Regarding the cost increase in Abu Dhabi you asked about, we generally view this as a rise in construction costs. Therefore, it is an increase in the cost of goods sold, not in SG&A expenses. As for whether this was within initial expectations, given this year's budget, it represents a deterioration in that regard. That is all from me.

Questioner 2 [Q]: Regarding the annual budget, could you please provide a rough estimate of the increase in cost of goods sold for Q1, and specifically, how much costs are expected to rise over the course of the year even if it's just an estimate?

Oshima [A]: We are currently projecting an increase of JPY1 billion, but we do not currently anticipate any further increase beyond that. I think the increase identified in Q1 will likely contribute to the increase, at least for now.

Questioner 2 [Q]: Understood. Thank you. Regarding the lower project provision expenses mentioned earlier, if there is an annual amount, please let me know at the end.

Second, looking at page nine and if my calculations are correct, I believe the plan for the environment business is that, when you subtract the Q1 results from the annual plan, sales for the environment business are expected to increase by just over JPY6 billion over the remaining three quarters, while operating income is projected to increase by approximately JPY10 billion. Even during the periods from Q2 through Q4 of FY2025 and FY2024, which have seen high profits in recent years, the environment business has never generated JPY10 billion in the remaining three quarters. So, can it really achieve its annual profit target? If you have any comments, whether qualitative or quantitative, please let us know.

Oshima [A]: Thank you for your questions. As you pointed out, our domestic environment business has historically tended to generate a significant portion of its profits in Q4, and we generally expect the same to be true this year as well. In addition, on the Inova side this year, they have recently been engaged in asset management activities. They also have plans to sell certain assets in the business, and those transactions are scheduled for Q4. Although Inova's profit has traditionally been fairly evenly distributed throughout the year, it weights slightly more in Q4, so I believe the figure reflects the stronger growth by that amount in Q4.

Questioner 2 [M]: I understand. Thank you.

Oshima [A]: Regarding the question you asked earlier about the one-time amount in the last fiscal year, we just did a quick calculation, and it came to about JPY2.3 billion.

Questioner 2 [Q]: Understood. Is it correct to understand that the remaining three quarters will make up for the shortfall to a level roughly equal to that of Q1?

Oshima [A]: Yes.

Questioner 2 [M]: Understood. Thank you very much for answering all the questions. That is all from me.

Questioner 3 [Q]: Thank you for taking my questions. I have two questions. First, I'd like to hear about how things are going in Q1, excluding Inova. I believe it is inevitable that both the machinery and infrastructure business and the carbon neutral solution business post losses every year, so it is difficult to evaluate the performance. From your company's perspective, regarding Q1 operating income and profit and loss excluding the Inova Group, please comment on whether or not the results were in line with expectations, better than expected, or worse than expected, if any.

Oshima [A]: Thank you for your question. As you pointed out, particularly in the machinery and infrastructure business and the carbon neutral solution business, some parts are difficult to see respectively. In the carbon neutral solution business, for example, the sale of Hitachi Zosen Marine Engine and other factors have been excluded from the consolidated financial statements. In the infrastructure business, although we have withdrawn from the bridge business, the situation is not immediately apparent because there are still loss-making projects remaining through the end of this year. Based on the plan we set at the beginning of the fiscal year, I believe things have been proceeding almost entirely in line with the plan.

Also, with regard to the environment business, costs have been rising somewhat due to factors such as inflation, and I believe we need to monitor that situation closely. Given that we have secured a certain number of projects including some we were unable to win last year, we currently believe that this area is also falling within our expectations and that there are no major surprises at this point.

Questioner 3 [Q]: Thank you. Second, I'd like to ask about the future of the Abu Dhabi project. Although you have recorded a provision this time, the question is whether you can notify the customer of force majeure and seek reimbursement from them at a later date. Although there is a three-month delay this time, the situation in the Middle East has not fully stabilized, so how should we assess the risk of further construction delays? I would appreciate it if you could answer the question regarding the Abu Dhabi project.

Oshima [A]: Thank you for your question. With regard to the claim for reimbursement, we have provided notification of force majeure. Of course, there are various ways to interpret the contract, so the matter has not yet been settled. At this point, it is still unclear whether we will be able to recover the full amount.

On the other hand, given that construction took place at a time when bullets were flying in various parts of the Middle East, there was a significant delay because we were unable to send construction personnel to the site 100% of the time. As I mentioned earlier, the flooding occurred in some areas at the same time, and that was clearly a factor in the delays. These issues have now been resolved, and current progress is proceeding within the expected time frame. As you rightly pointed out, the situation in the Middle East has not always unfolded as expected, so I believe there are naturally some aspects that remain unclear. At this point, I think we'll be able to stay within the expected range.

Since the project budget includes some funds set aside as a contingency reserve and there are still elements that can be absorbed from that reserve. I currently believe that, although the situation is deteriorating, the current level of deterioration is likely an appropriate level that we can sustain until the end.

Questioner 3 [M]: I understand very well. Thank you. That is all from me.

Questioner 4 [Q]: I have two questions. As for our nuclear power business in North America, I believe the Company acquired a Canadian company within the past two years. I believe there was also talk at that time about aiming to enter the SMR market. I get the impression that SMR projects such as the project in Ontario are frequently developing in Canada. With regard to SMRs, how should we currently assess the possibility that business opportunities are expanding? I'd like to ask about the business progress and so on. Would that be okay?

Oshima [A]: Thank you for the question. As you pointed out, NAC has acquired NEPI, its manufacturing subsidiary in Canada. We made this investment with an eye toward Canada's future and the potential for the projects to expand. With regard to Canada, discussions are underway both regarding SMRs and various projects aimed at the final disposal of spent fuel within Canada through NAC or its subsidiary, NEPI. While we don't yet have any specific figures to disclose regarding the progress specifically or individually, discussions are currently underway regarding ways in which our various technologies can contribute, building on that specific starting point.

I'm sorry, but there isn't anything I can disclose in detail at this point; however, it is true that we are working on various things. I am not sure this answers your question.

Questioner 4 [Q]: I understand very well. Thank you. Second, regarding the business integration with Nippon Steel Engineering, this was mentioned in the briefing materials. If there are any updates that would provide a clearer picture of your company's growth strategy compared to before, such as aiming for a stronger emphasis on the growth of carbon neutral solutions, I'd appreciate it if you could share them with us. If you can't mention the contents beyond what is on the materials, that's fine.

Oshima [A]: Thank you for the question. As stated in the materials, I believe there are various possibilities. That is exactly the areas we are currently discussing including synergies. As for progress, I don't think I can say anything specific at this point. Sorry. That is all from me.

Questioner 4 [M]: Thank you. That is all from me.

Questioner 5 [Q]: Thank you. I also would like to ask two more questions. First, I apologize for asking about this again, but regarding the welding defects at the Osaka Yodogawa Bridge, could you please provide any updates if available?

Oshima [A]: Thank you for the question. While it is true that such incidents have occurred, we are still in the process of addressing them. Although we have estimated the expected costs, we currently have no information we can disclose to the public.

Questioner 5 [Q]: Understood. I believe the provision in Q1 is JPY1.3 billion or JPY1.4 billion during Q1, and the provision for construction warranties is increased. Is it correct to assume that this is the contents the Company has set aside? Or is this about something else?

Oshima [A]: We haven't set aside any additional provisions this fiscal year. The provisions are limited to those set aside during the previous fiscal year, so I believe the reality is that there hasn't been much progress on this matter in Q1.

Questioner 5 [Q]: Thank you. Second question. Regarding the business integration with Nippon Steel Engineering, I believe the Company is unable to comment on the details, but I have two questions. One question is if business integration is decided to be cancelled in September, the Company will remain an independent entity so will the new medium-term plan be released in September as well? Or sometime after, perhaps around the end of the fiscal year? I would appreciate it if you could give us an idea within the scope you're comfortable sharing of when you plan to disclose your future growth strategy when the business integration does not take place.

One more thing I would like to ask is about your domestic operations in the event of business integration. For example, compared to Takuma, I believe your margins for domestic waste-to-energy excluding Inova are lower. I think it's 5% or 6%. If the business integration is realized, I believe the integration of the middle and back offices will move forward relatively quickly. However, will the Company be able to aim for about 10% or so or will the Company draw a scenario that makes it possible due to the business integration? Please share as much as you feel comfortable sharing.

Oshima [A]: Thank you for the question. First, regarding the first question, since we have stated that we plan it in September, I believe we will be able to disclose some details regarding the direction we are taking by then. As you correctly pointed out, due to the business integration negotiations, we have not yet made the medium-term management plan public. I recognize that if the business integration does not happen, we need to release such plans and similar materials. As for the timing, I don't think I can comment on that at this stage.

Regarding the second question about the profitability of the environment business, regardless of whether or not the business integration with Nippon Steel Engineering goes ahead, we are currently treating the improvement of the profitability of our domestic environment business as one of our top priorities among our various initiatives. We may also have another opportunity to report on this at a later time. Sorry, this may not answer your question, but that is all from me.

Questioner 5 [M]: Understood. Along with the next medium-term plan, please be sure to share the roadmap with us. That is all from me.

Shinonaga [M]: Thank you. Since it seems that there are no more questions, we will end the Q&A session. Lastly, Mr. Oshima will make some closing remarks.

Oshima [M]: I am Oshima. Thank you all very much for taking time out of your busy schedules today to attend our Q1 financial results presentation. We intend to continue actively pursuing disclosure in various ways, taking your comments into account, and we ask for your continued support. Thank you very much again.

Shinonaga [M]: This concludes the Q1 financial results presentation.

Thank you for joining us.

[END]

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