

November 8, 2024

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 (Securities code: 1429; Tokyo Stock Exchange, Prime Market)
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Notice Concerning Revisions to Full-Year Financial Results Forecasts

Nippon Aqua Co., Ltd. (the “Company”) hereby announces that in light of the most recent operating trends, a decision was passed at the meeting of the Board of Directors held on November 8, 2024, to revise the financial results forecasts for the fiscal year ending December 31, 2024 (January 1, 2024 through December 31, 2024), disclosed on February 14, 2024, as described below.

1. Revisions to the financial results forecasts for the current fiscal year (January 1, 2024 through December 31, 2024)

| | Consolidated net sales | Consolidated operating profit | Consolidated ordinary profit | Profit attributable to owners of parent | Consolidated earnings per share |
|---|------------------------|-------------------------------|------------------------------|---|---------------------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previously announced forecasts (A) | 31,005 | 3,100 | 3,100 | 2,092 | 66.65 |
| Revised forecasts (B) | 30,000 | 2,600 | 2,600 | 1,755 | 55.88 |
| Change (B-A) | (1,005) | (500) | (500) | (337) | - |
| Change (%) | (3.2) | (16.1) | (16.1) | (16.1) | - |
| (Reference) Fiscal year ended December 31, 2023 | 28,341 | 2,881 | 2,917 | 2,004 | 63.83 |

2. Reason for revision

i) Net sales;

In the Single-family Homes Division, the expansion of unique home energy-saving measures required by various municipalities, such as high air-tightness performance, was seen as an opportunity. By adding air-tightness measurement services to insulation work, differentiation was achieved, focusing on increasing the number of constructions as a means to expand market share. While orders from major builders with a wide area of operation have been solid, orders from local contractors have been sluggish. Particularly, the shift of new major projects, which were expected to start in earnest from September, to after December, has led to the projection that the number of constructions will remain at about 94% of the expected figure. Additionally, due to the implementation of a pricing strategy aimed at expanding market share and the expansion of high-priced Insulation Class 6 constructions expected after 2025, the construction unit price is anticipated to remain flat. Taking these factors into account, we are revising our full-year forecast from 14,408 million yen to 13,450 million yen.

In the Buildings Division, delays in the start of construction, known as waiting times, occurred in some properties due to delays in previous processes caused by circumstances of other companies and shortages of raw materials. These have been gradually resolved since the third quarter (July 1 to September 30, 2024), but it is

difficult to recover from all construction delays. Considering this, we are revising our full-year forecast from 10,394 million yen to 9,890 million yen.

In the Waterproofing Division, due to the sales contribution of large projects acquired during the period, we are revising our full-year forecast from 695 million yen to 815 million yen. The full-year forecast for sales of urethane raw materials remains as initially expected at 2,235 million yen, and for Other divisions, considering the recent increase in sales, we are revising our full-year forecast from 3,271 million yen to 3,610 million yen.

As a result, the total net sales full-year forecast is revised from 31,005 million yen to 30,000 million yen, a decrease of 1,005 million yen.

ii) Profit;

Regarding gross profit, although we increased our internal installation work personnel (total of internal installation work personnel and technical interns) by 71, over 30% more than at the end of the previous period, aiming to strengthen our construction system, the overall gross profit margin decreased from 23.9% to 23.6% due to lower sales in the main Single-family Homes and Buildings Divisions than expected. Consequently, the full-year forecast for gross profit amount is revised from 7,408 million yen to 6,980 million yen, a decrease of 428 million yen.

Regarding operating profit, as a result of proactively advancing the development of our logistics network more than expected, leading to an increase in rent and other selling, general and administrative expenses, the full-year forecast is revised from 4,308 million yen to 4,380 million yen, an increase of 71 million yen. Therefore, the full-year forecast is revised from 3,100 million yen to 2,600 million yen, a decrease of 500 million yen.

iii) Dividend forecast (unchanged);

Despite the difficulty in achieving the initial performance forecast, we believe that our management strategy of proactively addressing the "2024 problem in the construction industry," building a robust construction system, and allocating more management resources to the rapidly expanding Buildings Division and the promising Waterproofing Division, is in line with the market environment. Therefore, we consider the revision of our performance forecast to be temporary, and our medium-to-long-term outlook remains positive. Taking this into consideration, as announced on February 14, 2024, the year-end dividend per share will remain at 34 yen, despite the expected dividend payout ratio being 60.8%, significantly exceeding our target dividend payout ratio of 50%.

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