February 7, 2025

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	(Securities code: 1429; Tokyo Stock Exchange, Prime Market)
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Notice Regarding the Review of the Medium-Term Management Plan

Nippon Aqua Co., Ltd. (the "Company") announces that the Board of Directors, held on February 7, 2025, decided to review the contents of the Medium-Term Management Plan "3 Pillars of Stability," which was announced on February 14, 2024, as follows.

1. Background of the Review

The company has been implementing various measures to realize the medium-term management plan "3 Pillars of Stability." However, in the Single-family Homes Division, the growth in new housing starts has stagnated. While orders from large clients such as regional builders were steadily acquired, orders from community-based construction firms did not grow as expected. Additionally, in the Buildings Division, delays in preliminary work due to other companies' circumstances and shortages of raw materials prevented the commencement of construction on some projects, resulting in so-called "standby" situations. Against this backdrop, the business environment remained more challenging than anticipated, leading to results for the fiscal year ending December 2024 that fell below expectations. In light of this situation, based on the "Notice Concerning the Change to Medium-Term Management Plan [Change in Dividend Policy (Introduction of Progressive Dividends)]" announced on November 8, 2024, we have decided to review the figures to ensure the achievement of the goals of the "3 Pillars of Stability."

2. Basic Policy and Priority Measures

There are no changes to our basic policy and priority measures. However, compared to the initial formulation, the harshness of the market environment has become apparent, and price competition with rival companies is becoming more pronounced. In response, our company will implement flexible pricing to mitigate the price competition, which is a strength of our competitors. As a result, there is a possibility that we may slightly miss our KPI target of a 10% operating profit margin.

Additionally, the company places great importance on increasing external installation work personnel and strengthening the installation structure to maintain sustainable growth and competitiveness. For our company, which has a high proportion of revenue from installation, reinforcing the installation structure is essential. Therefore, we plan to increase installation personnel, expand spraying machinery, and establish new logistics bases (sales offices) and small warehouses to improve operational efficiency and installation quality. Furthermore, by introducing the latest technologies and enhancing our training programs, we aim to further strengthen our installation capabilities.

Given that our business model involves upfront investments, there may be instances where expenses precede in the income statement and cash flow. However, with a focus on mid- to long-term growth, we will drive management by appropriately allocating resources, aiming to expand orders through improved installation capabilities and establish a stable revenue base in the future.

3. Performance Targets

(Million yen)

	[Initial Plan]			[After Review]	
	FY2025 Forecast	FY2026 Forecast		FY2025 Forecast	FY2026 Forecast
Net Sales	35,632	41,021		34,360	37,000
Single-family Homes Division	15,367	16,503		14,435	14,800
Buildings Division	12,510	15,119		11,881	13,500
Waterproofing Division	1,500	2,500	▶	1,500	2,000
Sales of urethane raw materials	2,578	2,964		2,398	2,500
Other Product Sales	3,677	3,935		4,145	4,200
Operating Profit	3,741	4,512		3,004	3,400
Ordinary Profit	3,741	4,512		3,062	3,405
Net Income	2,525	3,045		2,067	2,298
Dividend per Share (Yen)	40.0	49.0		35.0	36.0

4. Cash Allocation

(Million yen)

3-Year Plan	[Initial Plan]		[After Review]
	FY2024 to FY2026		FY2024 to FY2026
Operating Cash Flow	8,000 to 10,000	▶	6,500 to 8,500
Shareholder Returns	3,500 to 4,500		3,300 and above
Logistics Centers*1	1,000 to 1,500		1,500 and above
Other Investments*2	3,000 to 4,000		3,000 to 4,000

*1 The company plans to establish new logistics centers (sales offices) and small warehouses. However, compared to the initial planning stage, land prices and construction costs have increased, so the amounts have been revised.

*2 The company plans to invest in strengthening the Waterproofing Division. Additionally, it is planning human capital investments to enhance the construction capabilities of the Single-family Homes Division and the Buildings Division, as well as the purchase of spraying machines.

If operating cash flow is insufficient to cover cash outflows from shareholder returns and investments, the company plans to address this through borrowing.

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