

Company name: Nippon Aqua Co., Ltd.
 (Securities code: 1429; Tokyo Stock Exchange, Prime Market)
 Address: 2-16-2 Konan, Minato-ku, Tokyo
 Name of representative: Fumitaka Nakamura, President and Representative Director
 Inquiries: Masahiko Komuro, General Manager of Corporate Planning Department
 (Telephone: +81-3-5463-1117)

Notice of the Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Nippon Aqua Co., Ltd. (the “Company”) has analyzed and evaluated the current situation regarding actions to implement management that is conscious of the cost of capital and stock price, in order to achieve sustainable growth and enhance mid-to long-term corporate value. We would like to inform you of the formulation of our future action policy.

1. Analysis of current situation

Over the past six years, our P/B ratio has fluctuated between 2.3 times and 3.3 times. In 2024, it was 2.3 times, a decrease of 0.7 points from 2023. Upon breaking down P/B ratio into ROE and P/E ratio, both ROE and P/E ratio in 2024 have declined compared to 2023, which we believe has had an impact.

(Million yen)

	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
Net sales	21,366	21,872	23,903	25,670	28,341	30,265
Operating profit	1,909	1,896	1,412	2,329	2,881	2,575
Ordinary profit	1,909	1,911	1,429	2,359	2,917	2,604
Profit	1,275	1,342	953	1,549	2,004	1,839
P/B ratio (times)	3.0	2.7	2.8	3.3	3.0	2.3
ROE (%)	20.0	18.5	12.2	19.5	23.2	18.5
P/E ratio (times)	15.9	15.8	23.3	17.3	13.9	13.2
Sustainable Growth Rate (%)	11.4	9.6	3.9	9.8	11.6	7.8
Operating Profit Margin (%)	8.9	8.7	5.9	9.1	10.2	8.5
Dividend Payout Ratio (%)	43.0	48.1	67.7	50.0	50.1	58.1

Meanwhile, in the medium-term management plan for fiscal years 2024-2026, we have set a sustainable growth rate of 10% with KPI targets of ROE 20%, operating profit margin 10%, and dividend payout ratio 50%.

For 2024, as a result of actively promoting market share expansion measures and strengthening construction capabilities from mid-year, the operating profit margin remained at 8.5%, falling short of the sustainable growth rate management target. However, due to the '2024 problem' in the construction industry, while competing construction companies are struggling, we see this as an opportunity for market share expansion. Although each indicator temporarily declined, we believe these measures will lead to improved profitability in the future.

2. Future initiatives

The company prioritizes expanding its market share even if it temporarily reduces the operating profit margin. This is because eliminating competitors can stabilize the market environment, leading to potential future improvements in profit margins. Many competitors are small and medium-sized enterprises or micro-businesses with limited operational areas. While their procurement of urethane raw materials results in higher costs compared to us, they sometimes engage in price competition due to their lower indirect costs. However, we believe that as our market share increases, we can suppress such price competition, leading to market stability and the creation of new business opportunities.

Additionally, please refer to the attached documents for details on our cash allocation policy, the trend of dividends per share, our approach to shareholders and investors, and the status of our dialogue with shareholders and investors.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

March 13, 2025

Nippon Aqua Co., Ltd.

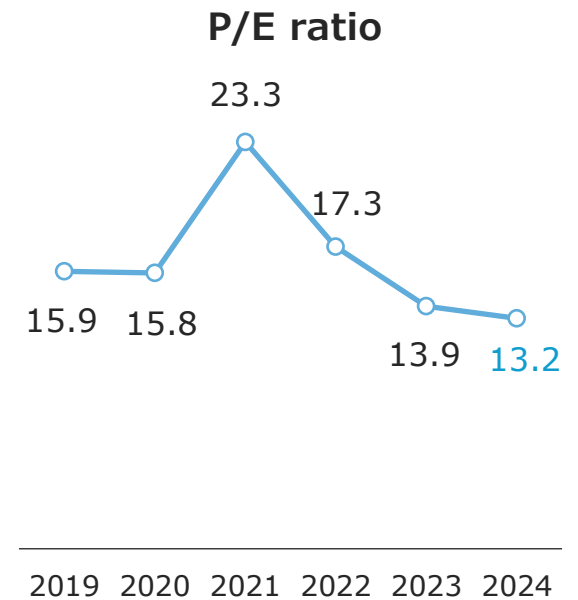
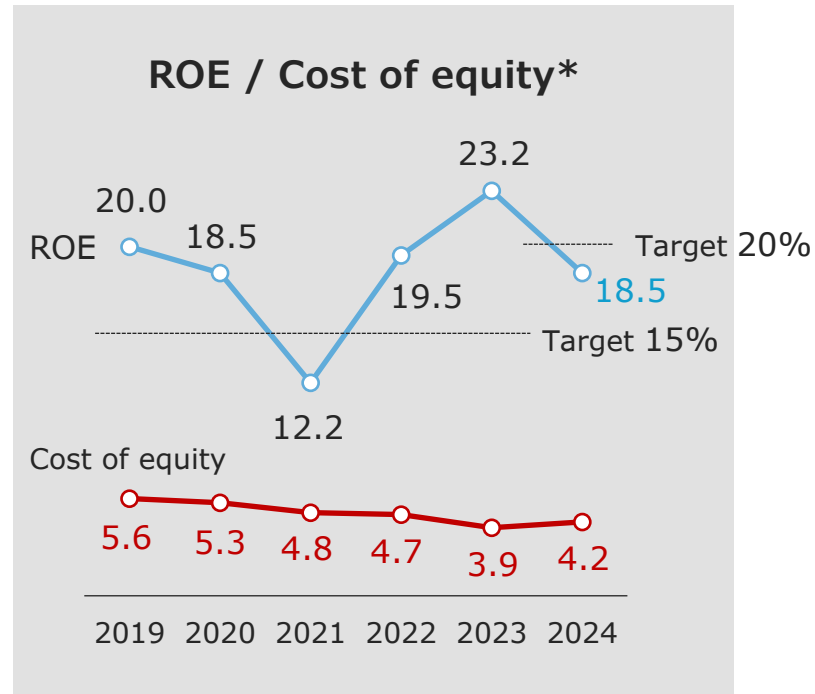
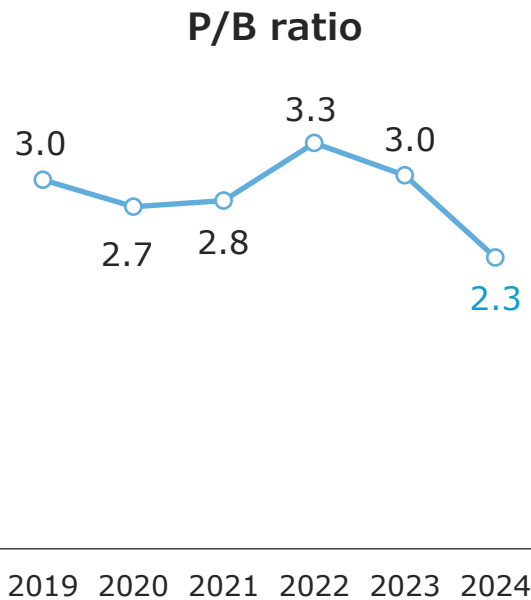
Tokyo Stock Exchange Prime Section #1429



Analysis of current situation and evaluation 01



The P/B Ratio from 2019 to 2024 fluctuated between 2.3 times and 3.3 times. In 2024, it was 2.3 times, a decrease of 0.7 points from 2023. The analysis of P/B Ratio into ROE and P/E Ratio indicates that both ROE and P/E Ratio declined in 2024 compared to 2023, affecting the P/B Ratio.



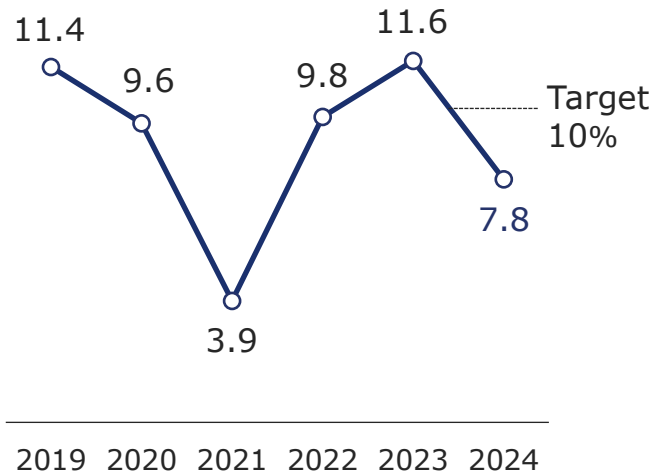
Analysis of current situation and evaluation 02



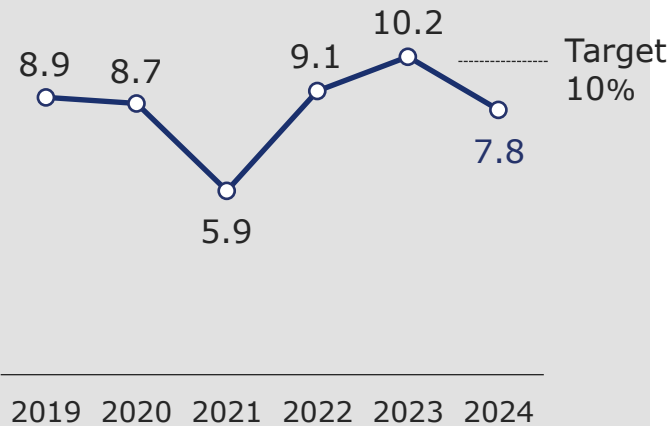
In the medium-term management plan for 2024-2026, a sustainable growth rate of 10% is set, with KPI targets of ROE 20% (see previous page), operating profit margin 10%, and a dividend payout ratio of 50%.

However, for 2024, despite actively promoting market share expansion and strengthening construction capabilities, the operating profit margin remained at 8.5%, falling short of the sustainable growth rate and KPI management targets. Nevertheless, due to the '2024 problem' in the construction industry, while competing construction companies are struggling, we see this as an opportunity to expand our market share. Although each indicator temporarily declined, we believe these measures will lead to improved profit margins in the future.

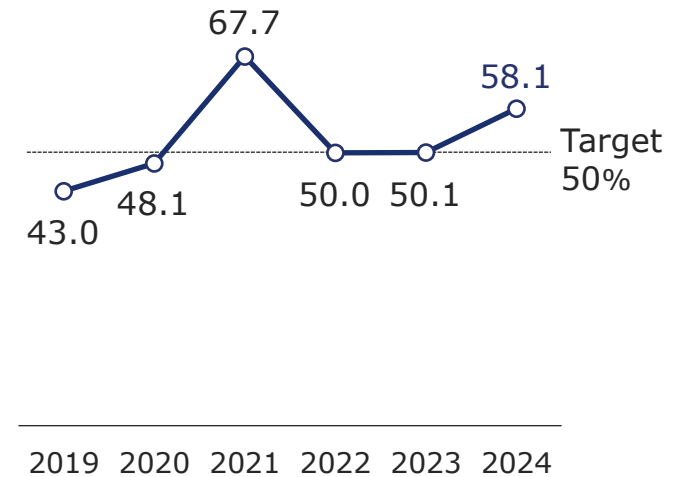
Sustainable Growth Rate (%)



Operating Profit Margin (%)



Dividend Payout Ratio (%)



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Strategy for Expanding Market Share, Beyond That

Establishing a dominant market position and exploring new opportunities.

Many of the urethane construction companies that compete with us are small and medium-sized enterprises or small businesses with limited operational areas.

These competitors are expected to incur higher costs compared to us because they need to procure urethane raw materials.

However, unlike our company, which is listed on the Prime Market, these competitors often have lower indirect costs, allowing them to engage in price competition. If we can suppress this competitive advantage of price competition, there is a potential for new business opportunities to expand for our company.



NIPPON AQUA

Key Price Determinant Factors

- ✓Integrated Material and Construction
- ✓Economies of Scale
- ✓High Indirect Costs

Nationwide Expansion

Prime Market Listing Industry Leader

Many Young Employees

average age **32.9** years old

This infographic features a blue background. At the top is the NIPPON AQUA logo. Below it is a large white circle containing the text 'Key Price Determinant Factors' and a list of three checkmarks: 'Integrated Material and Construction', 'Economies of Scale', and 'High Indirect Costs'. At the bottom, there are three white circles. The first contains a map of Japan and the text 'Nationwide Expansion'. The second contains the JPX logo and the text 'Prime Market Listing Industry Leader'. The third contains the text 'average age 32.9 years old'.

Competing Urethane Construction Companies

Key Price Determinant Factors

- ✓Urethane Raw Materials are Purchased
- ✓Low Indirect Costs

Regional Limitation

Small and Medium-sized Enterprises

Small Businesses

age group **Older**

Aging Population

This infographic features a grey background. At the top is the title 'Competing Urethane Construction Companies'. Below it is a large white circle containing the text 'Key Price Determinant Factors' and a list of two checkmarks: 'Urethane Raw Materials are Purchased' and 'Low Indirect Costs'. At the bottom, there are three white circles. The first contains a map of a region and the text 'Regional Limitation'. The second contains an icon of a toolbox and the text 'Small and Medium-sized Enterprises'. The third contains the text 'age group Older' and 'Aging Population'. Below these three circles is the text 'Small Businesses'.

Presence or Absence of Competition and Gross Profit Margin

Regions with low competition

Company average

Regions with intense competition

28.6%
Jan 2023

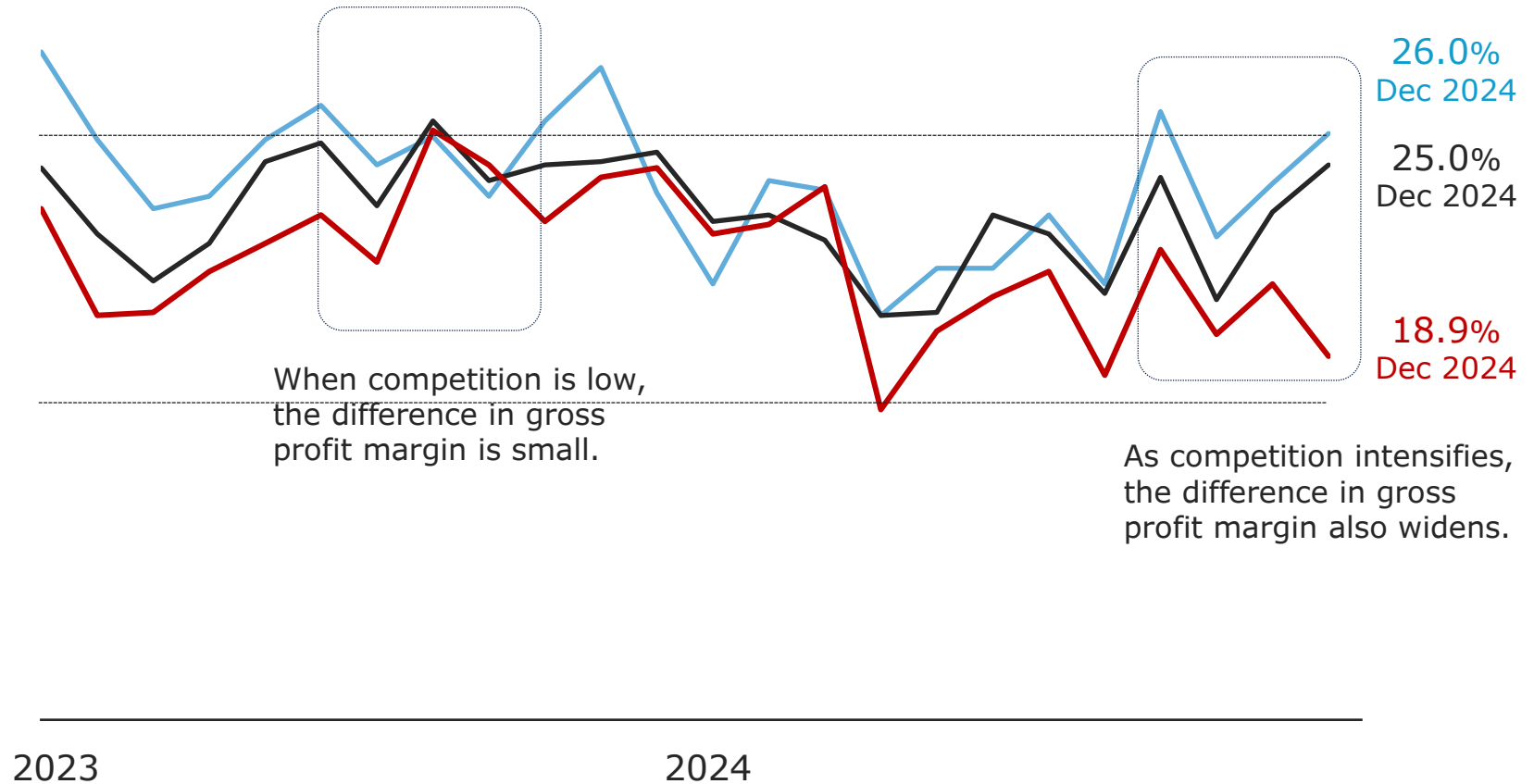
24.9%
Jan 2023

23.6%
Jan 2023

26.0%
Dec 2024

25.0%
Dec 2024

18.9%
Dec 2024



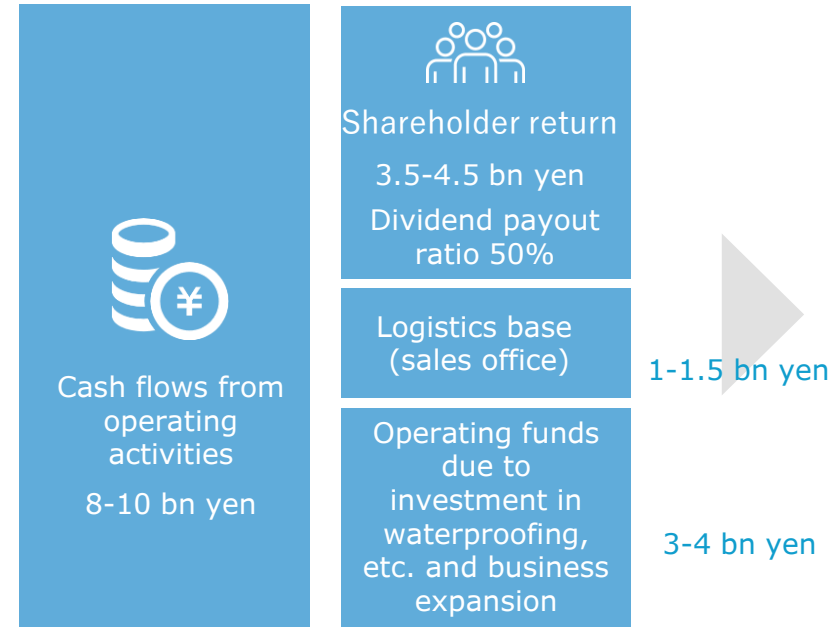
Cash Allocation

Our company is a construction firm, and due to the high proportion of construction sales, strengthening the construction system is essential for business growth.

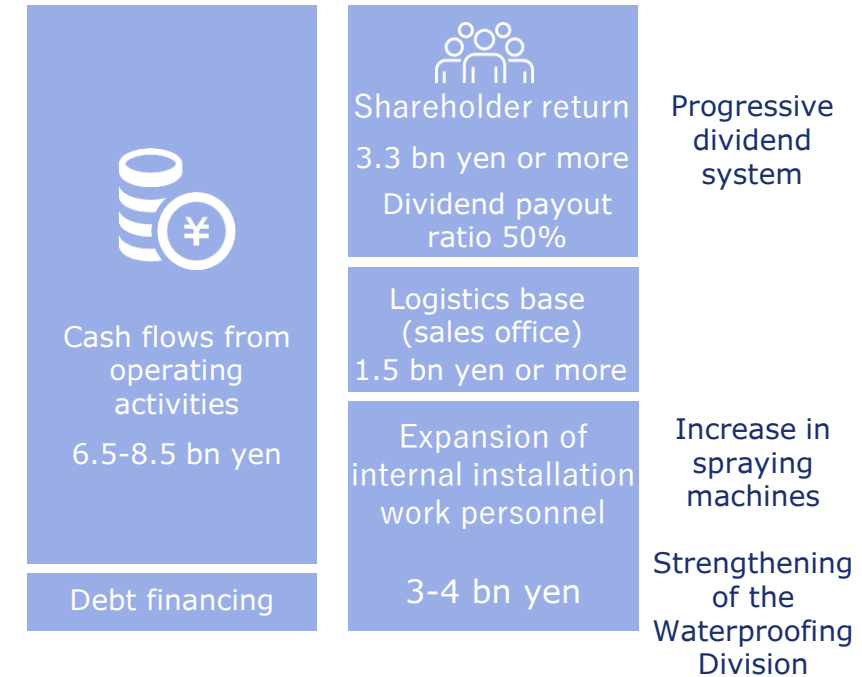
Specifically, in addition to increasing construction personnel (such as internal installation work personnel) and expanding spraying machines, it is necessary to establish new logistics centers (business offices) and small warehouses as ancillary facilities.

Moreover, since our business model is structured with investment preceding returns, there may be instances where expenses precede in the income statement and cash flow.

2024 Medium-Term Management Plan Announcement



2025 Revision of the Medium-Term Management Plan



- ✓Reduction in projected operating cash flow due to the revision of financial forecasts
- ✓The reduction in projected operating cash flow is planned to be addressed with debt financing
- ✓Regarding shareholder returns, a progressive dividend system will be introduced, setting a minimum dividend
- ✓Accelerate the establishment of logistics centers (business offices) and small warehouses, and increase spraying machines
- ✓Due to the rise in land prices and construction costs, expenses related to logistics centers (business offices) are increasing

Progressive dividend system

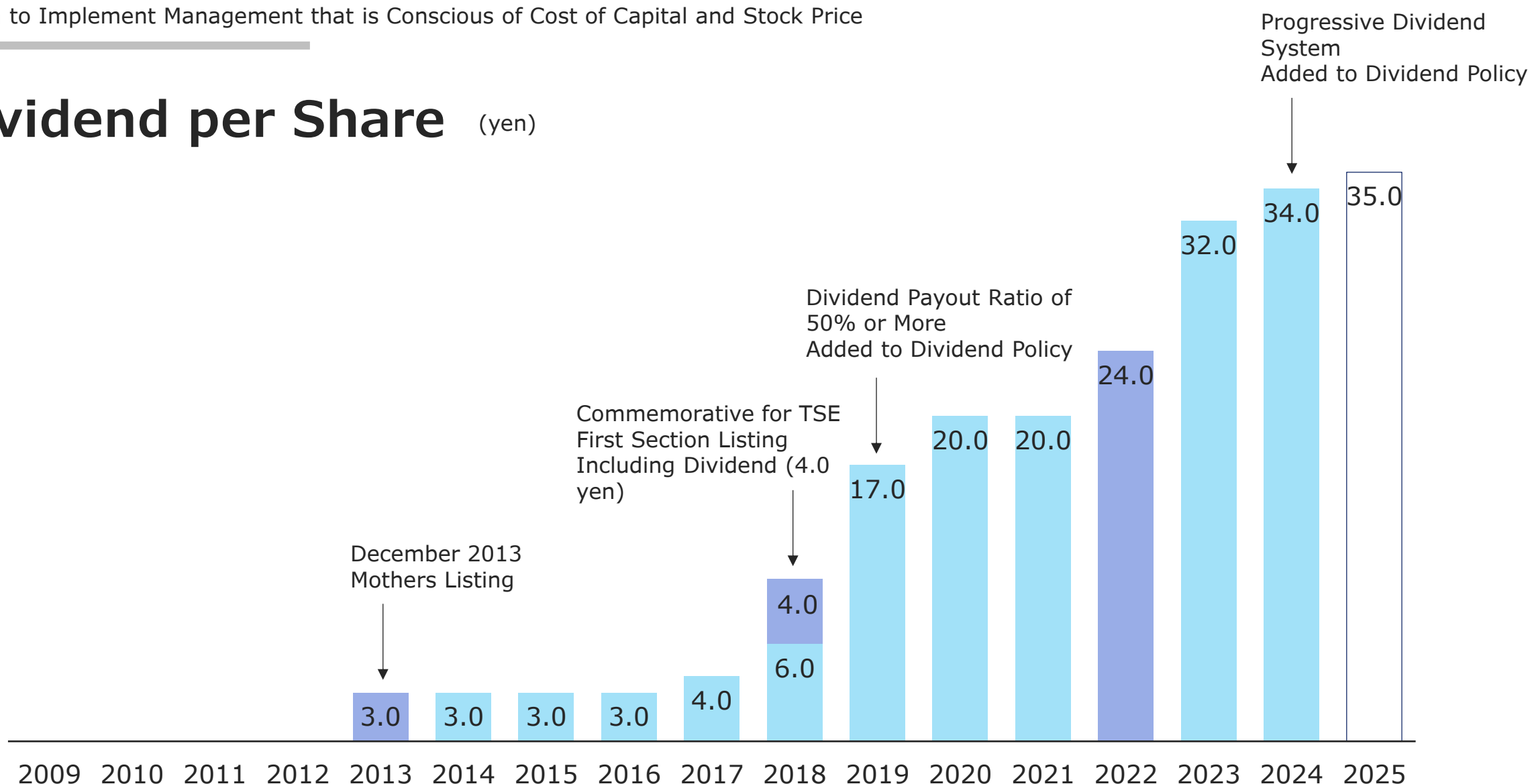
Increase in spraying machines

Strengthening of the Waterproofing Division

Earnings Forecast (M yen,%)

	FY2024	FY2025	YoY		FY2026 (vs FY2025)		
	Jan-Dec	Jan-Dec	Amount	Change(%)	Forecast	Amount	Change(%)
Net sales	30,265	34,360	+4,095	+11.9	37,000	+2,639	+7.7
Single-family homes	13,704	14,435	+731	+5.3	14,800	+364	+2.5
Buildings	9,499	11,881	+2,382	+25.1	13,500	+1,618	+13.6
Waterproofing	719	1,500	+780	+108.3	2,000	+500	+33.3
Sales of urethane raw materials	2,226	2,398	+171	+7.7	2,500	+101	+4.2
Other product sales	4,115	4,145	+30	+0.7	4,200	+54	+1.3
Cost of sales	23,403	26,517	+3,114	+13.3	28,400	+1,882	+7.1
Gross profit	6,862	7,843	+981	+14.3	8,600	+756	+9.6
Single-family homes	3,196	3,373	+176	+5.5	3,552	+178	+5.3
Buildings	2,329	2,853	+523	+22.5	3,240	+386	+13.6
Waterproofing	(22)	143	+165	—	220	+76	+53.4
Sales of urethane raw materials	372	412	+39	+10.7	450	+37	+9.0
Other product sales	984	1,060	+75	+7.7	1,138	+77	+7.3
SG&A expenses	4,286	4,838	+552	+12.9	5,200	+361	+7.5
Operating profit	2,575	3,004	+429	+16.7	3,400	+395	+13.1
Ordinary profit	2,604	3,062	+458	+17.6	3,405	+342	+11.2
Profit	1,839	2,067	+227	+12.4	2,298	+231	+11.2
Dividend per share (yen)	34.0	35.0			36.0		

Dividend per Share (yen)



Nippon Aqua's approach to shareholders and investors

Apr 2022



Tokyo Stock Exchange
Transitioned to Prime
Market

Mar 2025



New Market (Prime)
Cleared Compliance
Plan

Aug 2022



Actively Promote PR
Information

Aug 2022



IR Meeting
Voluntarily Organized

Jan 2023



Earnings Presentation Video
Changed to President
Interview Format

Nov 2023



Started X
(formerly Twitter)

Nov 2024



In U.S. TIME Magazine
Published an Article by
Representative Nakamura

Feb 2025



CDP Climate Change Report
2024 Achieved B Score

Aug 2022



Earnings Presentation
Changed to Quarterly

Jan 2023



Actively Promote Video
Streaming

Mar 2023



Created Integrated Report

Dec 2023



Sustainability
Site Launched

Nov 2024



Website Renewal
(Including IR Page)

Status of dialogue with shareholders and investors

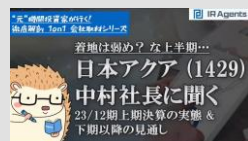
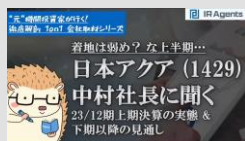
From January 2024 to December 2024



Activity record

Earnings Presentation Video **3 times** (2023) ▶ **2 times** (2024)

✓Explanation in Interview Format by the President and Representative Director



Earnings Presentation **4 times** (2023) ▶ **4 times** (2024)

✓Explanation by the executive officer in charge of administration

Small meeting **3 times** (2023) ▶ **5 times** (2024)

✓President 1 times
✓Executive 4 time

Shareholders' Meeting

1 on 1 meeting **102 times** (2023) ▶ **124 times** (2024)

✓President 9 times
Others are the Executive Officer, GM of Corporate Planning Department



Feedback

- ✓Monthly reports to the Board of Directors
- ✓Reports to the president and the director in charge as needed



Main concerns of shareholders and investors

- ✓Our business model and strengths
- ✓Market environment and competitive situation (background of efforts to expand market share, profit margins)
- ✓Recruitment and training of external installation work personnel (upfront costs and impact on the income statement)
- ✓Growth strategy by department (departments expected to be growth drivers)
- ✓Progress of the Prime Market compliance plan



We will continue aiming to achieve sustainable growth as a TSE Prime-listed company.



Inquiries

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Disclaimer and Notes Regarding Forward-Looking Statements

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This document contains forward-looking statements, including our plans. These forward-looking statements are based on information available at the time of preparation and involve various risks and uncertainties. Therefore, please note that actual results may differ significantly due to various factors. We assume no obligation to update, alter or revise any forward-looking statements in light of new information, future events or other findings.

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