

Fiscal Year Ending December 2025

Major Questions and Answers at Financial Results Briefings, etc.

Q: Presentation Materials, p.5: Dividend per Share

Reason for maintaining the forecast dividend at ¥35 per share for the fiscal year ending December 31, 2026.

A:

For the fiscal year ending December 31, 2026, we have revised our ordinary profit target from ¥3.4 billion, as stated in the Medium-Term Management Plan, to ¥2.9 billion, reflecting changes in the business environment. The net sales target remains unchanged.

Our basic policy is to implement progressive dividends and maintain a dividend payout ratio of 50% or higher. The forecast dividend of ¥35 per share for the fiscal year ending December 31, 2026 corresponds to a projected dividend payout ratio of 56.6%, which is consistent with this policy.

Accordingly, even after revising our profit target, we have decided to maintain the dividend at ¥35 per share, placing emphasis on stable and continuous shareholder returns under our progressive dividend policy, while also comprehensively considering the balance with investments in human capital and growth to support sustainable future growth.

Q: Presentation Materials, p.10: Construction Capacity Trends

Impact of continuing to increase personnel by approximately 100 per year on profitability

A:

At present, demand is somewhat weak due to rising construction costs and labor shortages, and the increase in personnel expenses may exert downward pressure on profits in the short term. However, in order to capture the anticipated recovery in demand from 2027 onward, it is essential to strengthen our construction capacity in advance. Accordingly, we position planned hiring and training as a strategic investment that is directly linked to our sustainable growth.

In addition, we are working to enhance profitability by improving productivity through more sophisticated order management and optimization of construction processes, thereby increasing utilization rates. We believe that strengthening our human capital base in this manner will contribute to future order growth and profit expansion.

Q: Presentation Materials, p.20: Earnings Forecast

Reason why earnings are more heavily weighted toward the second half compared with previous years

A:

As noted on page 29 of the presentation materials, recent media reports indicate that the volume of large-scale construction projects in 2027 is expected to be nearly double that of 2026. A similar trend is evident in our order trends, and we anticipate an increase in large-scale projects from the second half of 2026 onward.

In addition, the housing and construction industry, including the single-family homes division, typically experiences seasonal demand growth toward the year-end. As a result of these factors, our earnings plan is more heavily weighted toward the second half than in previous years.

We are steadily accumulating projects scheduled for the second half and are making solid progress in strengthening our construction capacity to support this increase. Accordingly, we expect steady earnings progression throughout the fiscal year.

Q: Presentation Materials, p.22: Prospects of Major Policies

Reason why the market share expansion strategy in the single-family homes division appears to have phased out in the first half of 2026

A:

The market share expansion strategy we have pursued to date has delivered steady results, even under a highly competitive pricing environment, and we believe that we have successfully established a solid market position.

Recently, there has been an increase in projects requiring higher insulation performance grades. While the type of urethane used may vary depending on the required grade, this trend also highlights our strengths in technical expertise and construction capacity, which enable us to accommodate a wide range of materials and construction requirements. In addition, our well-established construction capacity allows us to differentiate ourselves in terms of project timelines, positioning us to maintain a competitive advantage through our overall capabilities.

In light of these developments, we are shifting our strategic focus toward enhancing value-added elements such as construction quality and responsiveness, rather than relying primarily on market share expansion. Through this approach, we aim to achieve both profitability and competitive advantage, while supporting our sustainable growth.

Q: Presentation Materials, p.22: Prospects of Major Policies

Increasing share of AQUA MOEN NEO installations in the buildings division from the second half of 2026 onward

A:

AQUA MOEN NEO is a non-combustible insulation material and is often adopted primarily in large-scale projects, where reducing the risk of on-site fires is particularly important.

Our installation volume for large-scale projects in the buildings division is expected to

gradually recover from the second half of 2026, with a full-scale recovery anticipated in 2027. Accordingly, the share of AQUA MOEN NEO installations is also expected to increase. As a result, we expect that this change in product mix will have a positive impact on profitability.

Q: Presentation Materials, p.23: Single-Family Homes Division

Reason why the number of installations is expected to increase year on year despite a decline in housing starts

A:

The primary driver is an increase in orders from major and nationwide builders that are expanding their market share by differentiating themselves through superior housing performance, including insulation performance. Their recognition of our strong construction capacity and consistent quality has led to an expansion of business relationships.

In addition, our ongoing efforts to develop new customers have also contributed to the expected increase in the number of installations.

Q: Presentation Materials, p.23: Single-Family Homes Division

Reason for the expected increase in installation unit prices

A:

As demand for homes meeting insulation performance Grade 6 and above increases ahead of the GX ZEH standard coming into effect in April 2027, the advantages of spray-applied polyurethane foam insulation have become more evident compared with other insulation materials. This trend is expected to contribute to higher installation unit prices (the proportion of Grade 6 installations is expected to increase from approximately 15% in 2025 to approximately 25% in 2026).

In addition, adoption of airtightness measurement services is expanding, reflecting growing awareness of the importance of overall housing performance (from 24% in 2025 to an expected 40% in 2026). The expansion of these value-added services is also expected to contribute to the increase in installation unit prices.

Q: Presentation Materials, p.23: Single-Family Homes Division

Product competitiveness amid tightening insulation performance standards

A:

Spray-applied polyurethane foam insulation, represented by our AQUA FOAM series, can be applied seamlessly without gaps and is well suited for achieving high insulation performance. As a result, it has been widely adopted as an insulation material capable of meeting insulation performance Grade 6 requirements.

As the market leader in this field, we believe we are well positioned to leverage our strengths as insulation performance standards continue to advance.

In addition to insulation material performance, we recognize that ensuring effective insulation and airtightness performance through proper installation is essential. In collaboration with Associate Professor Masayuki Mae of the University of Tokyo, we are promoting improvements in insulation performance, including installation quality, under the message that “Insulation without airtightness is ineffective.”

Q: Presentation Materials, p.28: Buildings Division

Timing of resolution of project delays due to design changes and postponed construction starts, and measures until recovery

A:

The projects in question primarily refer to large-scale developments, particularly urban redevelopment projects. Recent reports indicate that project revisions and delays in construction starts have occurred due to rising construction costs and labor shortages.

However, a recovery is expected from the second half of 2026 onward, with full-scale project resummptions anticipated in 2027.

In the meantime, we are focusing on securing orders for small- and medium-sized projects, while continuing to strengthen our construction capacity in preparation for future demand recovery. Through these efforts, we aim to maintain stable business operations.

Q: Presentation Materials, p.28: Buildings Division

Reason why gross profit and gross profit margin are expected to decline despite a 10.6% year-on-year increase in net sales for the fiscal year ending December 31, 2026

A:

This is primarily attributable to a temporary decrease in the number of large-scale projects under construction and a market environment in which small- and medium-sized projects account for a larger share of construction activity. In such conditions, the Company is more susceptible to changes in the sales mix, including a decline in the proportion of higher value-added projects, as well as intensified price competition.

Specifically, in insulation work for small- and medium-sized projects, Type A 1H urethane insulation products (as defined under Japanese Industrial Standards) (AQUA FOAM NEO, in the Company’s case) are more commonly used. Because differentiation based on product performance is relatively limited in this segment, the business environment tends to be more price-competitive. As a result of these changes in product mix and the competitive environment, gross profit is expected to decline temporarily in both absolute amount and margin.

Q: Presentation Materials, p.30: Focus Markets**Progress in entering the data center and cold chain markets and their impact on earnings**

A:

Orders related to data center projects continue to progress steadily.

In the cold chain market, we are currently strengthening our sales activities in preparation for full-scale order expansion. This market is expected to demonstrate solid medium- to long-term demand for insulation, driven by replacement demand for refrigerated and frozen warehouses constructed in the 1980s and 1990s, as well as growth in the frozen food and pharmaceutical sectors.

Going forward, we aim to expand orders by steadily building our track record of installations, thereby contributing to future earnings growth.

Q: Presentation Materials, p.31: Waterproofing Division**Background to relatively limited growth in construction for single-family homes despite strong overall performance**

A:

Our waterproofing division has expanded by introducing new construction methods utilizing polyurea waterproofing materials. In addition, we have built a solid track record by leveraging our strong customer base established in the single-family homes division, while increasing market recognition of NIPPON AQUA as a provider of waterproofing services.

As a result, inquiries for non-residential projects have increased steadily, and we are optimizing our business portfolio, including the allocation of construction capacity.

Accordingly, while installations for single-family homes have remained stable, overall growth in this division has been relatively moderate compared with other areas.

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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.

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