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 (Securities code: 1429; Tokyo Stock Exchange, Prime Market)
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Update on Actions to Implement Management that is Conscious of the Cost of Capital and Stock Price

Nippon Aqua Co., Ltd. (the “Company”) has conducted an analysis and evaluation of the current status of its initiatives toward implementing 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. The Company hereby announces that it has updated its future action policy.

1. Analysis of the Current Situation

The Company’s PBR has remained within the range of 2.3x to 3.3x over the past six years, and stood at 2.4x in 2025, representing an increase of 0.1 points from 2024.

When PBR is decomposed into ROE and PER, the Company recognizes that the increase in PER, despite a decline in ROE in 2025, was the primary factor behind the rise in PBR.

(Million yen)

	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024	FY12/2025
Net sales	21,872	23,903	25,670	28,341	30,265	33,670
Operating profit	1,896	1,412	2,329	2,881	2,575	2,774
Ordinary profit	1,911	1,429	2,359	2,917	2,604	2,794
Profit	1,342	953	1,549	2,004	1,839	1,895
P/B ratio (x)	2.7	2.8	3.3	3.0	2.3	2.4
ROE (%)	18.5	12.2	19.5	23.2	18.5	17.2
P/E ratio (x)	15.8	23.3	17.3	13.9	13.2	14.5
Sustainable Growth Rate (%)	9.6	3.9	9.8	11.6	7.8	7.0
Operating Profit Margin (%)	8.7	5.9	9.1	10.2	8.5	8.2
Dividend Payout Ratio (%)	48.1	67.7	50.0	50.1	58.1	58.9

The Company recognizes the expected return of shareholders as its cost of equity and believes that maintaining ROE above the cost of equity over the medium to long term contributes to the enhancement of corporate value and shareholder value.

While the Company’s cost of equity has remained at approximately 5%, its ROE has been maintained at a level of 18–20%, except in 2021*, thereby ensuring capital efficiency that significantly exceeds its cost of capital.

Going forward, the Company will continue to position the maintenance of ROE above its cost of equity as an important management indicator.

* In 2021, ROE temporarily declined due to a sharp increase in urethane raw material prices caused by a factory accident at a major manufacturer.

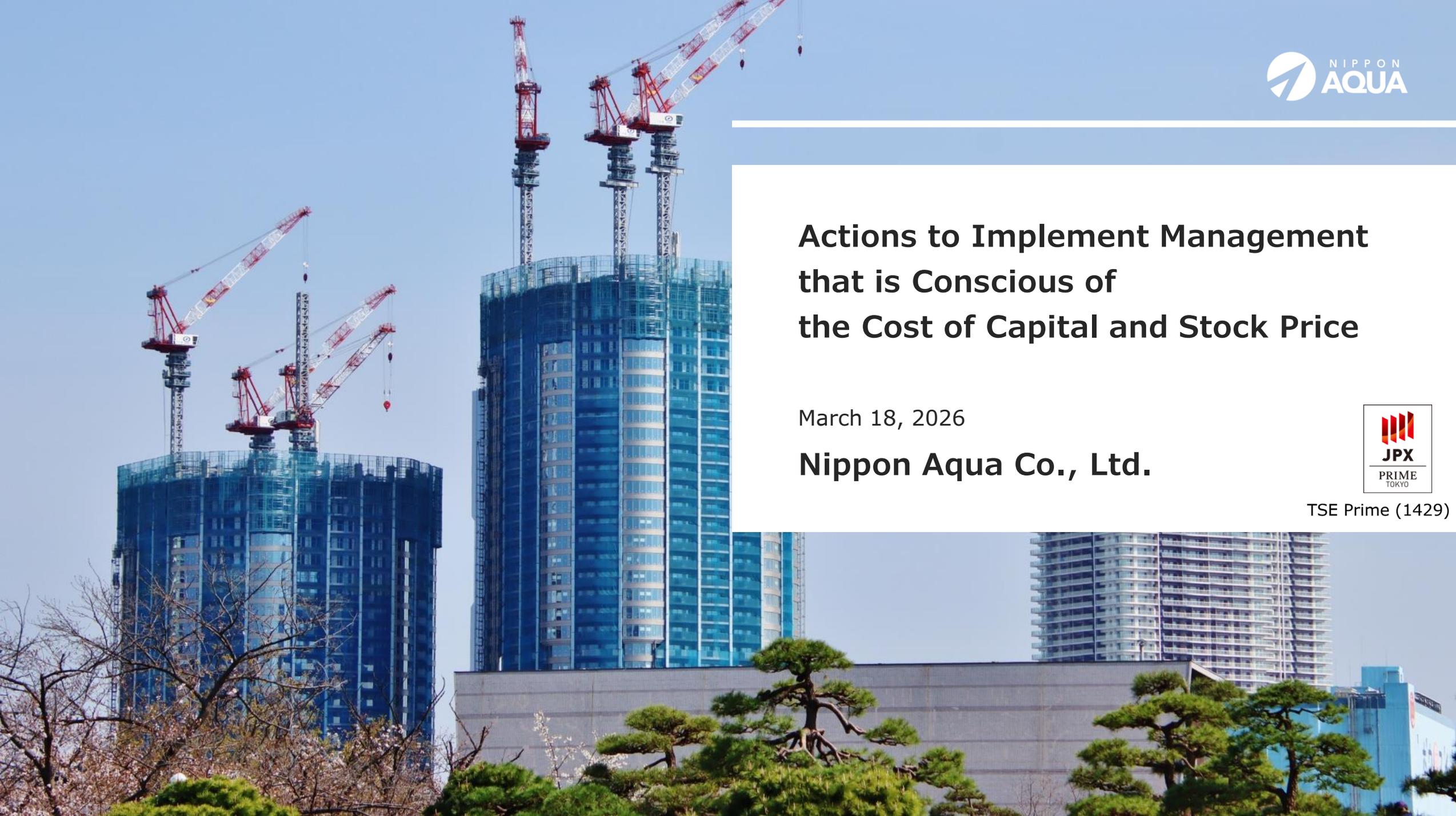
2. Future Initiatives

Under its Medium-Term Management Plan for FY2024–FY2026, the Company has set a sustainable growth rate of 10% as its target, with KPI targets of ROE of 20%, an operating profit margin of 10%, and a dividend payout ratio of 50%.

For FY2025, in addition to actively strengthening its installation capabilities, the operating profit margin was 8.2% due to factors including strategic pricing measures, changes in the construction market environment, and the project mix. As a result, the sustainable growth rate and KPIs fell short of the Company's management targets.

However, as described in detail in the attached materials, although each indicator temporarily declined, the Company believes that these initiatives will contribute to improving profitability over the medium to long term. Details regarding trends in dividends per share, the Company's approach to shareholders and investors, and the status of dialogue with shareholders and investors are provided in the attached materials.

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.



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

March 18, 2026

Nippon Aqua Co., Ltd.



TSE Prime (1429)

Purpose of This Disclosure

We recognize that, in order to achieve sustainable growth and enhance corporate value over the medium to long term, it is essential not only to pursue effective business strategies but also to conduct management with a clear awareness of the cost of capital and share price.

This disclosure is intended to share with our investors our current understanding, key issues, and the direction of our future initiatives in response to the Tokyo Stock Exchange's request to promote "management that is conscious of the cost of capital and share price."

This disclosure is positioned as a supplement to our medium-term management plan and existing IR materials. We intend to continuously review and improve its contents through ongoing dialogue with the capital markets.

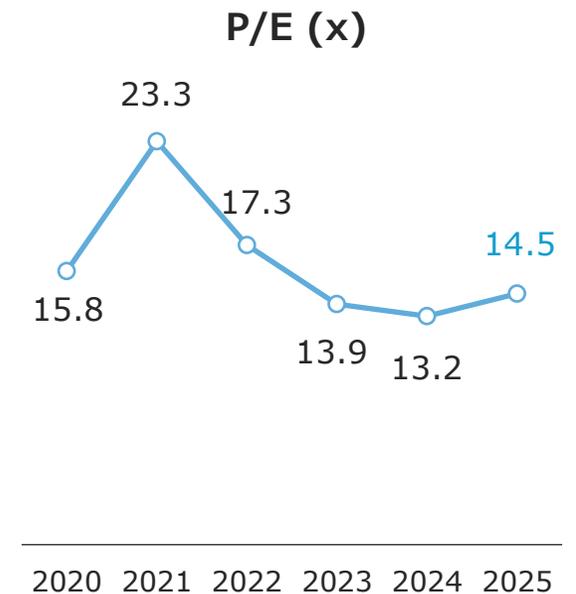
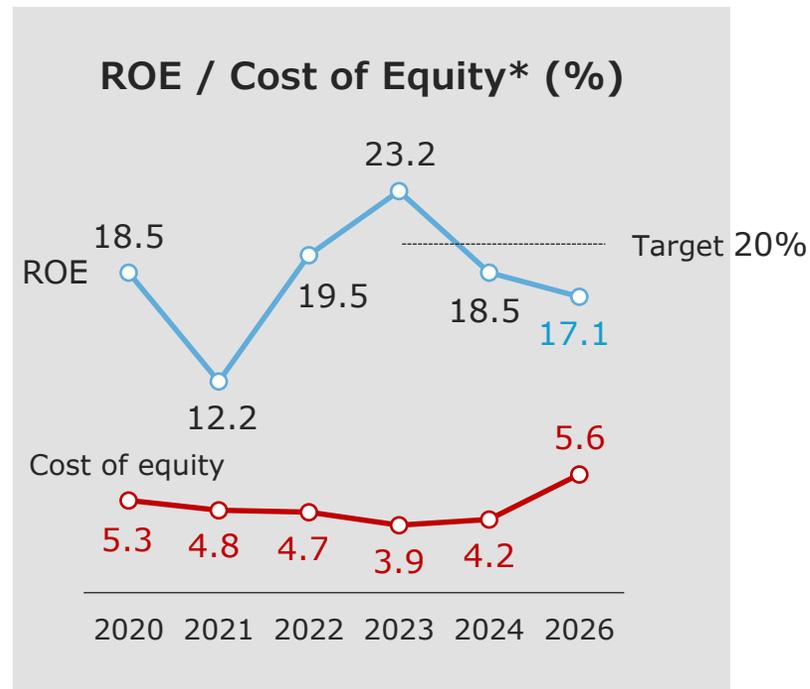
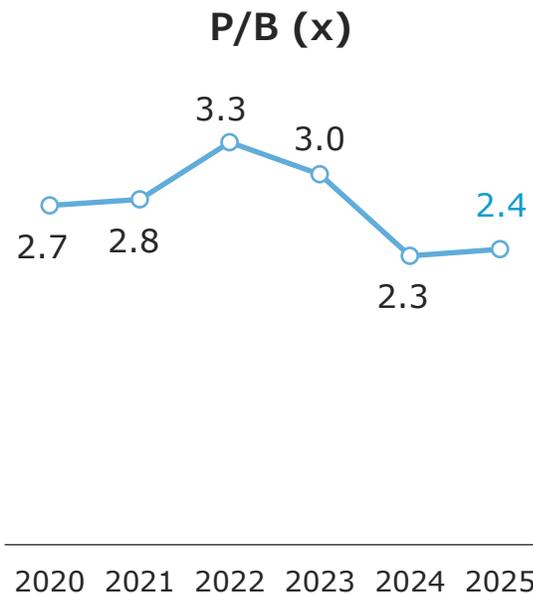
Analysis of current situation and evaluation 01



Our P/B has remained within the range of 2.3x to 3.3x over the past six years, and stood at 2.4x in 2025, representing an increase of 0.1 points from 2024. When P/B is decomposed into ROE and PER, we recognize that the increase in PER, despite a decline in ROE in 2025, was the primary factor behind the rise in P/B.

We recognize the expected return of shareholders as our cost of equity and believe that maintaining ROE above the cost of equity over the medium to long term leads to the enhancement of corporate value and shareholder value. While our cost of equity has remained at approximately 5%, our ROE has been maintained at a level of 18–20%, except in 2021*, thereby securing capital efficiency that significantly exceeds our cost of capital. Going forward, we will continue to position the maintenance of ROE above our cost of equity as an important management indicator.

* In 2021, ROE temporarily declined due to a sharp increase in urethane raw material prices caused by a factory accident at a major manufacturer.



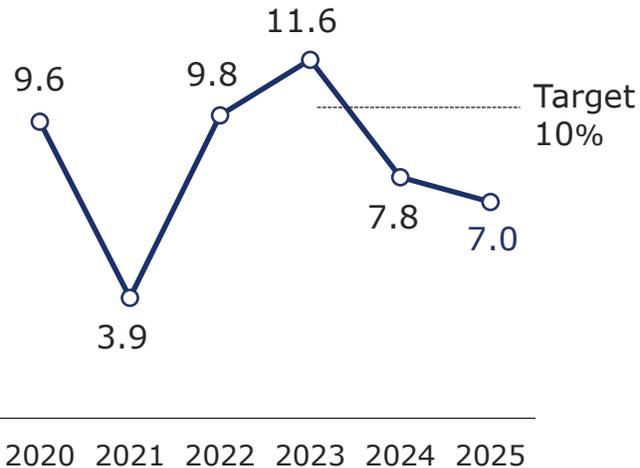
Analysis of current situation and evaluation 02



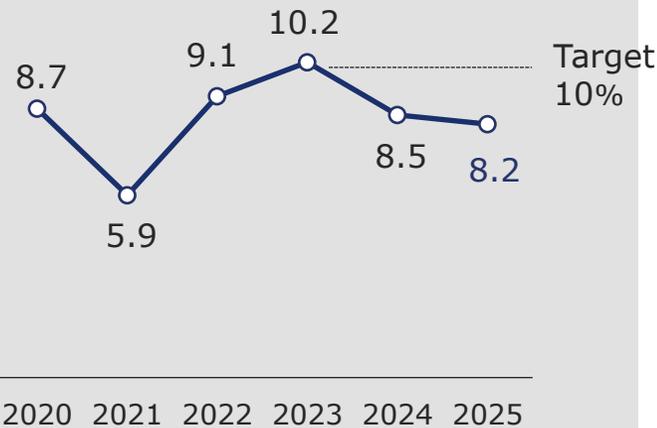
Under our Medium-Term Management Plan for FY2024–FY2026, we have set a sustainable growth rate of 10% as our target, with KPI targets of ROE of 20%, an operating profit margin of 10%, and a dividend payout ratio of 50%.

For FY2025, in addition to actively strengthening our installation capabilities, the operating profit margin was 8.2% due to factors including strategic pricing measures, changes in the construction market environment, and the project mix. As a result, the sustainable growth rate and KPIs fell short of our management targets. However, as described in detail on the following pages, although each indicator temporarily declined, we believe that these initiatives will contribute to improving profitability over the medium to long term.

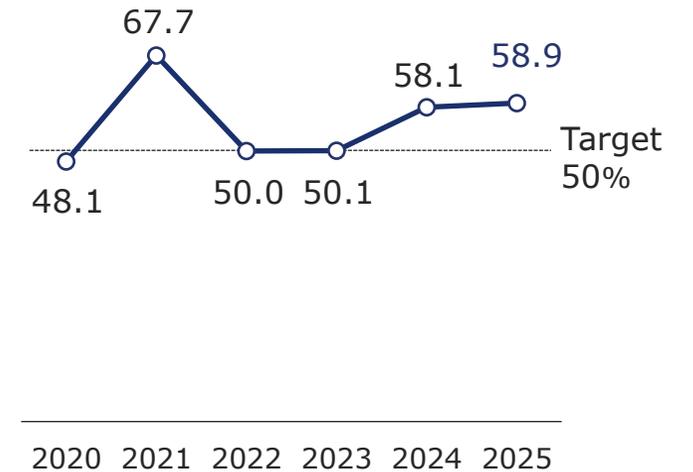
Sustainable Growth Rate (%)



Operating Profit Margin (%)



Dividend Payout Ratio (%)



Competitive Landscape and Strategic Pricing Response

Establishing Market Leadership and Capturing New Opportunities

One of the factors contributing to the decline in our profit margins is our strategic response to price competition.

Many of the urethane insulation contractors that compete with us are small and medium-sized or small-scale businesses. While their operating areas tend to be limited, they generally benefit from lower indirect costs.

As a result, although they are likely at a disadvantage compared with us in terms of raw material procurement costs, they sometimes engage in aggressive price competition. In response, we are pursuing a strategy aimed at expanding our market share while remaining competitive in pricing.



Key Price Determinant Factors

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



Nationwide Expansion



Prime Market Listing Industry Leader



Many Young Employees

Competing Urethane Insulation Constructors

Key Price Determinant Factors

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



Regional Limitation



SMEs and micro enterprises



Aging Population

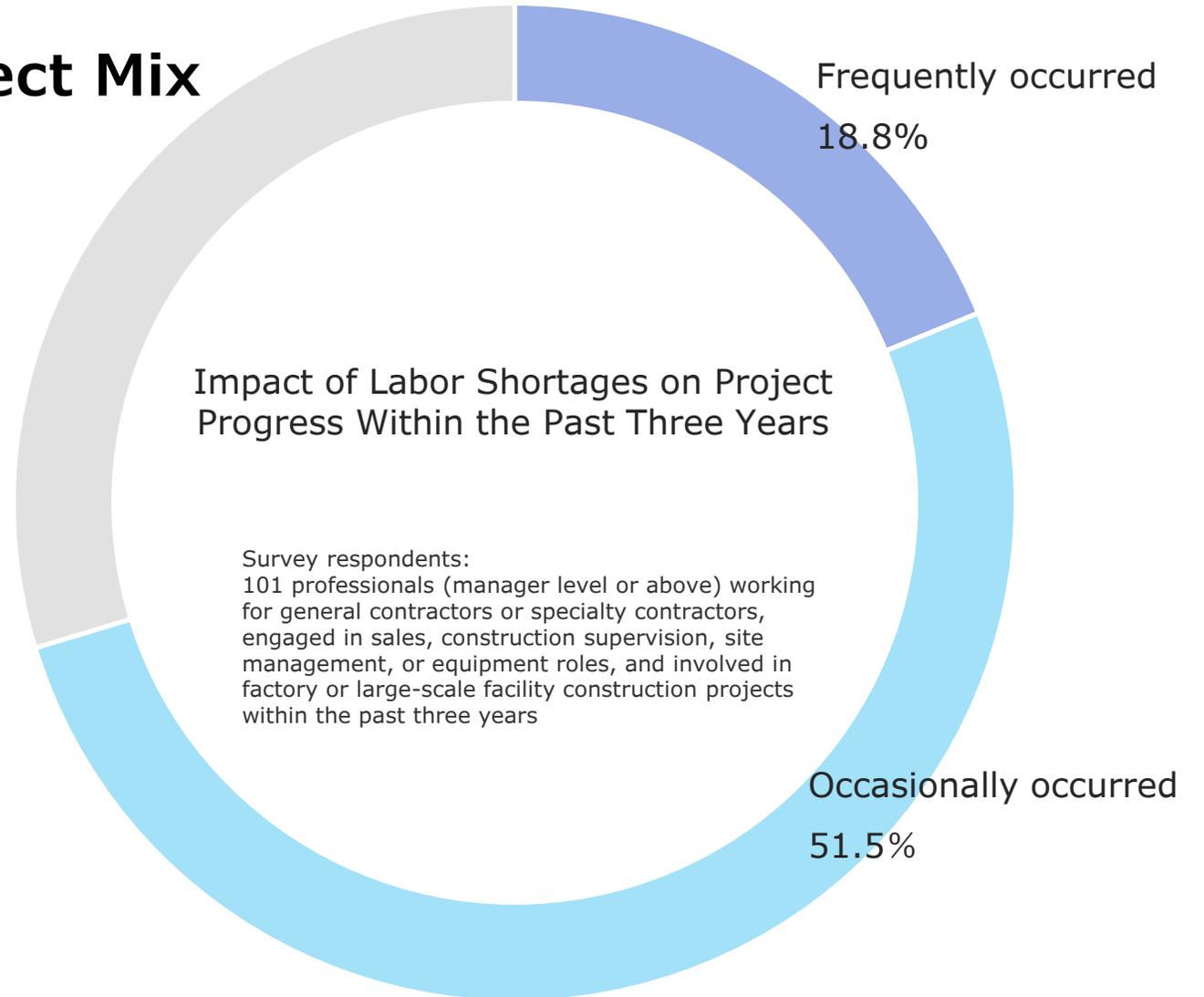
Impact of Changes in the Construction Market and Project Mix

Changes in the construction market environment are also affecting our profit margins.

The construction industry continues to face a labor shortage, and in the equipment construction field in particular, securing skilled personnel and subcontractors has become increasingly difficult.

Our insulation work is typically carried out during the middle stage of the construction process. As many construction projects in 2026 are concentrated in earlier phases such as foundation work, the number of large-scale projects in which we undertake insulation work is expected to be relatively lower than in the previous year. In addition, labor shortages have led to delays in the progress of large-scale construction projects and the postponement of construction starts.

Consequently, while the progress of large-scale projects has been delayed, the proportion of small- and medium-sized projects—where competition tends to be more intense—has increased. This change in the project mix has had an impact on our profit margins. We recognize that these factors are primarily temporary and attributable to current market conditions.



At the same time, even under these circumstances, we are promoting a sales strategy that prioritizes the expansion of our customer base and the enhancement of market share.

By expanding customer touchpoints and strengthening our order base through these initiatives, we aim to secure continuous order opportunities in fields where demand for high-performance insulation is expected to grow, such as GX ZEH housing, data centers, and cold chain facilities.

Looking ahead to 2027 and beyond, when a recovery in the construction market is anticipated, we expect these initiatives to lead to sustained order acquisition. Through the recovery of progress in large-scale projects and improvements in the project mix, we anticipate a medium- to long-term recovery and enhancement of our profit margins.

Market Share Expansion Strategy in Anticipation of Market Recovery

ネット・ゼロエネルギー・ハウス

**GX
ZEH**

Launch of GX ZEH

With the launch of GX ZEH, demand for our services is expected to expand, given our strengths in high airtightness and high-performance insulation (Insulation Performance Grade 6).



Data Center Market (CAGR: 6%)

As the market expands and demand for lower PUE* increases, the need for high-performance insulation is expected to grow, creating further business opportunities for the Company.

*PUE (Power Usage Effectiveness):
Total facility power consumption ÷ IT equipment power consumption.
Values closer to 1.0 indicate higher energy efficiency.



Cold Chain Market (CAGR: 5%)

As temperature management becomes more sophisticated, demand for high-performance insulation is expected to increase, which is anticipated to expand business opportunities for the Company.

Strengthening Our Installation Capacity

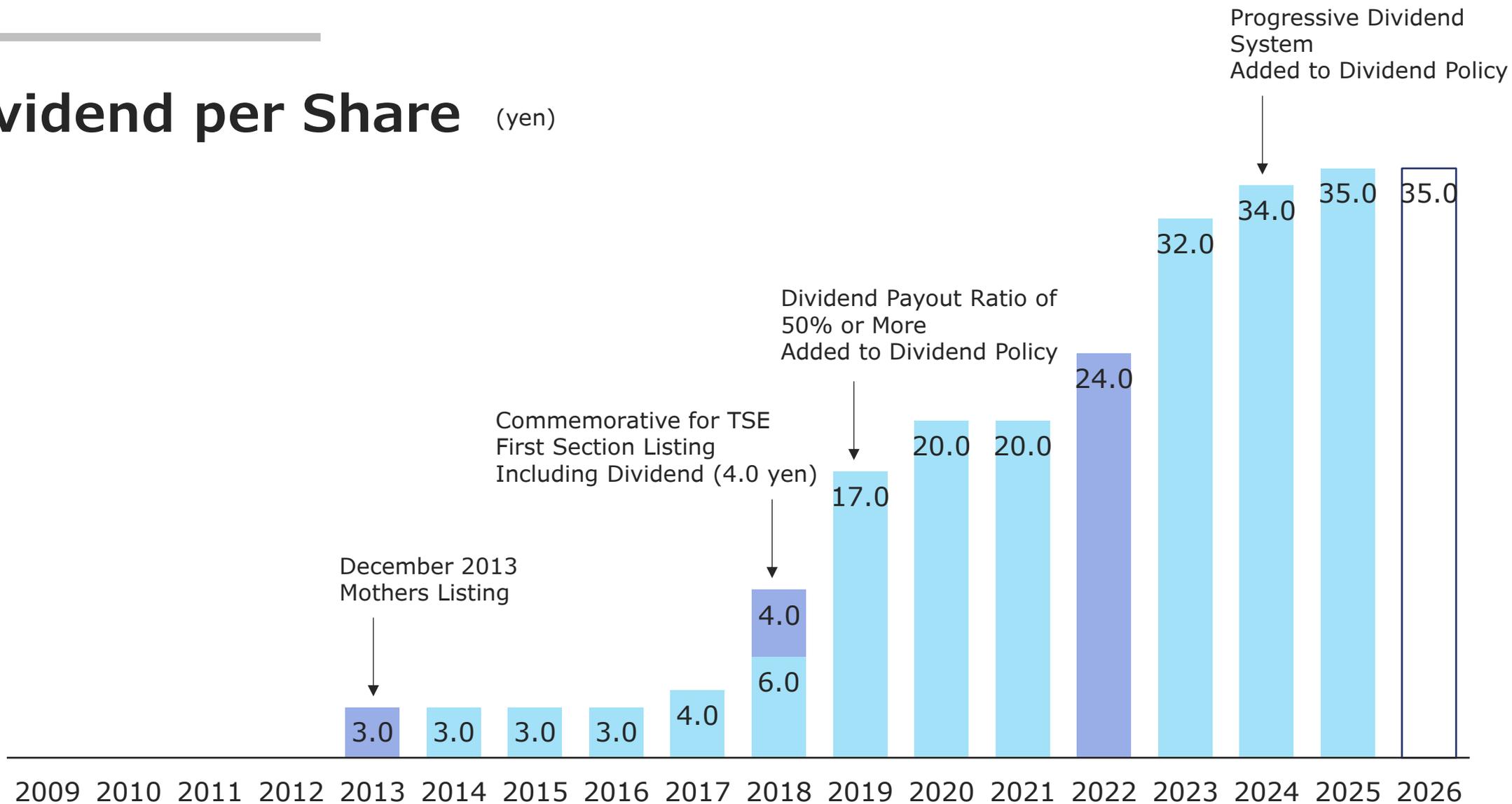
As a construction company with installation work at the core of our business, a significant portion of our revenue is derived from installation services. Accordingly, strengthening our installation capacity is essential for the growth of our business. To this end, we are increasing the number of installation personnel (such as construction staff) and expanding our fleet of spray machines. In addition, we are developing logistics bases (branch offices) and small-scale warehouses in order to improve installation efficiency and strengthen our materials supply system.

As a guideline, we plan to establish approximately one to two new logistics bases per year and several small-scale warehouses annually. We also plan to increase the number of installation personnel by around 100 in the near term. Through these initiatives, we aim to expand the number of projects we can handle and thereby increase order opportunities. Furthermore, as the scale of our operations expands, improvements in materials procurement and logistics efficiency are expected to generate scale merits, which should contribute to enhanced profitability over the medium to long term.

At the same time, our business model involves making investments in advance in anticipation of future order growth. As a result, expenses may temporarily precede revenue in our income statement and cash flow.



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



Earnings Presentation
Changed to Quarterly

Jan 2023



Earnings Presentation Video
Changed to President
Interview Format

Nov 2023



Started X
(formerly Twitter)

Nov 2024



Website Renewal
(Including IR Page)

Aug 2025



Selected as a constituent
of the JPX-Nikkei
Mid and Small Cap Index

Feb 2026



CDP Climate Change Report
2025 Achieved B Score

Jan 2023



Actively Promote Video
Streaming

Mar 2023



Created Integrated Report

Dec 2023



Sustainability
Site Launched

Feb 2025



CDP Climate Change Report
2024 Achieved B Score

Jan 2026



Obtained EPD certification
for six products,
including Aqua Foam

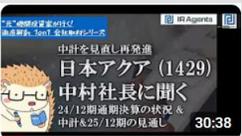
Status of dialogue with shareholders and investors

From January 2025 to December 2025

 Activity record

Earnings Presentation Video **2times** (2024) ▶ **2times** (2025)

Explanation in Interview Format by President



(Released in Feb 2025)



(Released in Aug 2025)

Earnings Presentation (Q&A on website) **4times** (2024) ▶ **4times** (2025)

1Q-3Q: Executive Officer (Administration)
Full-year: President

Small Meeting **5times** (2024) ▶ **5times** (2025)

President: 1 time
Executive Officer (Administration): 4 times

 Key Areas of Interest for Shareholders and Investors

- ✓ Our business model and competitive strengths
- ✓ Market environment and competitive landscape (background to our efforts to expand market share and profitability)
- ✓ Recruitment and training of installation personnel (front-loaded costs and impact on the income statement)
- ✓ Growth strategies by segment (segments expected to serve as key growth drivers)

 Feedback

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



We will continue to pursue sustainable growth as a Tokyo Stock Exchange Prime Market-listed company.



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Disclaimer and Notes Regarding Forward-Looking Statements

The purpose of this document is to provide information on the financial and management information of Nippon Aqua Co., Ltd., and is not intended as a solicitation for investment or any similar action. Please note that actual investment decisions should be made at your own discretion and responsibility. Although the statements in this document are prepared based on various data that are believed to be reliable, the Company does not guarantee their accuracy or safety. This document is presented with the assumption that investors will use it at their own discretion and responsibility for any purpose, and the Company assumes no responsibility whatsoever.

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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