INTEGRATED REPORT

NIPPON AQUA

2025

NIPPON AQUA

POLICY

Contribution to society through the creation of living environments that are friendly to people and the earth

Vision

Our reason for being is reducing overall energy demand through innovation in insulation technologies and realizing healthy and comfortable lives for people alongside measures to combat global warming.

Action

1. We provide optimal service that places customer satisfaction foremost.
2. We create new value connected to living.
3. Based on compliance, we engage in sound actions as a member of society and as members of a company.
4. We strive day by day to improve and transform ourselves to reach our goals.

Credo

1. We do all we do with a commitment to fairness and integrity.
2. We do all we do with a commitment to rewards and consequences.

Editorial Policy

The publication of this report aims to enhance understanding of Nippon Aqua Co., Ltd. (the "Company") among stakeholders, including shareholders and investors, and to serve as a catalyst for further dialogue.
In addition to financial information such as performance and stock data for the fiscal year ending December 2025, the Company also discloses integrated non-financial information, including ESG strategies and initiatives.
The Company refers to the Ministry of Economy, Trade and Industry's "Value Co-Creation Guidelines" as a guideline.

Environment Social Governance
Guidance for Collaborative Value Creation

Cautionary Note: Forward-Looking Statements

This report includes future prospects concerning our business.
These are forecasts based on information currently available, and please be aware that actual results may differ due to various future factors.

UD FONT

CONTENTS

Part 1

VALUE CREATION

Creating economic value and social value

Under our corporate philosophy of "Contribution to society through the creation of living environments that are friendly to people and the earth," we promote sustainability management.
Through Creating Shared Value (CSV), we aim to enhance sustainable corporate value.

Bringing New Value to Unseen Places

Even a stylishly designed home or a building equipped with the latest amenities is not necessarily truly comfortable. It is the quality of construction in the Unseen Places—inside walls, in attics, and under floors—that ultimately determines everyday comfort and peace of mind.

Nippon Aqua provides insulation and waterproofing materials through a fully integrated value chain, spanning from raw material development to installation and recycling. We not only support the Unseen Places of buildings, but also shine a light on places no one notices. By continually taking on new challenges, we safeguard comfort and security for future generations.

At the same time, we address today's pressing issues—such as adapting to a changing environment and improving energy efficiency—helping to pass on sustainable and comfortable living to the future. Delivering entirely new value by creating living environments that are friendly to both people and the planet—that is our mission.

OUR PRODUCTS

Insulation and waterproofing materials protect buildings from external elements and support safe, comfortable living.
Here, we introduce their importance and the unique strengths that distinguish the products of Nippon Aqua.

The Importance of Insulation and Waterproofing Materials

Insulation Materials

Insulation Materials Supporting

Healthy and Sustainable Living for the Future

Insulation materials moderate temperature differences between the interior and exterior of a building, improving heating and cooling efficiency to create comfortable living spaces—cool in summer and warm in winter. By stabilizing the surface temperatures of walls and ceilings, they also help prevent condensation, mold, and dust mites, protecting the health of occupants. At the same time, insulation enhances building durability and soundproofing performance, delivering benefits across multiple dimensions.
In recent years, amid climate change and rising energy costs, constructing buildings with superior energy efficiency has become increasingly important. Following the promulgation in June 2022 of the amended Act on the Improvement of Energy Consumption Performance of Buildings to Promote a Decarbonized Society, compliance with energy efficiency standards has become mandatory for all newly constructed residential and non-residential buildings from April 2025 onward. As a result, for housing, Thermal Insulation Performance Grade 4—previously the highest grade—has become the minimum required standard, and new homes that do not meet this threshold can no longer be built. Furthermore, the establishment of Grades 5 through 7 has accelerated demand for higher-performance insulation materials.
In this way, from the perspectives of comfort, health, energy efficiency, and safeguarding future lifestyles, insulation materials are an indispensable element of modern housing.

Lineup

- AQUA FOAM
- AQUA FOAM NEO
- AQUA FOAM LITE
- AQUA BLOW
- AQUA MOEN NEO

Waterproofing Materials

Waterproofing Materials Protecting

Our Lives from Every Water-Related Threat

Waterproofing materials play a vital role in preventing rainwater and moisture from penetrating buildings. By stabilizing indoor humidity levels, they help maintain a comfortable interior environment while also reducing stress on the structure, leading to lower repair and maintenance costs.
In addition, waterproofing materials suppress the corrosion of wood and steel frames, prevent damage to walls and floors, and inhibit the growth of mold and bacteria—thereby protecting not only the building itself but also the health of its occupants. Owing to these many benefits, the importance of and demand for waterproofing materials continue to rise year by year.
In recent years, extreme weather events—such as heavy rainfall, typhoons, and sudden localized downpours—have become increasingly common, resulting in a growing number of water leakage issues. Many buildings constructed during Japan's bubble economy era are now aging, and a significant number require urgent measures. In urban areas, rooftop greening is also being promoted as a countermeasure to the heat island effect. When soil and moisture come into direct contact with rooftops, highly durable and repairable waterproofing systems are essential to prevent leaks, and waterproofing materials play a key role in such applications as well.
Indispensable in safeguarding buildings from the threats posed by water—that is the role of waterproofing materials.

Lineup

- AQUA HAJIKUN

Key Advantages of Our Products Over Conventional Alternatives

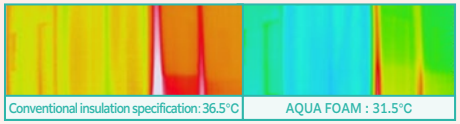
AQUA FOAM

Point1 Insulation Performance

Conventional insulation materials such as glass wool can deliver sufficient thermal performance when installed at the appropriate thickness and in accordance with proper installation standards. However, their performance may decline if compression or gaps occur, making installation precision a critical factor.
In contrast, Aqua Foam expands in place upon application, filling gaps seamlessly. With its low thermal conductivity and high insulation performance even at reduced thickness, it enables efficient maintenance of a comfortable indoor temperature.

ⓘ Thermography Measurement

Surface temperatures were measured during summer without the use of air conditioning (outdoor temperature: 30.1℃). The results show that the wall surface temperature was lower under the Aqua Foam insulation specification.



Point2 Airtightness

When insulation is installed in board or roll form, gaps may occur depending on the level of pressure applied during installation, which can result in inconsistent airtightness.
In contrast, Aqua Foam is spray-applied, allowing it to flexibly accommodate building configurations and site conditions. By adhering closely to uneven surfaces and minimizing gaps, it contributes to improved heating and cooling efficiency and enhanced energy performance.

Point3 Ease of Installation

With conventional insulation systems that require cutting and pressing materials into place, installing around complex shapes can be difficult and typically requires highly experienced installers to achieve precise results.
In contrast, Aqua Foam is simply sprayed and allowed to expand, naturally conforming to complex structures. This enables faster installation and ensures consistent quality regardless of the installer's level of experience.

Point4 Transport Efficiency

Conventional insulation materials such as glass wool have low transport and loading efficiency, and their performance can be affected by compression or moisture, requiring careful on-site storage.
In contrast, Aqua Foam is expanded on site, and the raw materials—two drums—along with the application equipment can be delivered using a 2-ton truck. Compared with the amount of glass wool needed to achieve equivalent insulation performance, transport is relatively compact, helping to reduce the workload associated with on-site handling.

AQUA HAJIKUN

Point1 Durability

Conventional waterproofing materials such as asphalt or polyurethane sheets are susceptible to aging and the effects of temperature and humidity, requiring periodic repairs or replacement. They also have considerable weight after installation, which necessitates careful consideration of building loads and supporting structures.
In contrast, Aqua Hajikun offers extremely high durability and maintains stable waterproofing performance over the long term, even under harsh conditions such as ultraviolet exposure, water, chemicals, or impact. This reduces the frequency of maintenance and helps lower life-cycle costs

Point2 Applicability

A key characteristic of the material is its high flexibility, which allows it to accommodate building movement and vibrations, reducing the likelihood of cracking or detachment. It can be applied evenly to complex shapes and large surfaces, and is compatible with a wide range of substrates, making it well suited for renovation projects.

Point3 Ease of Installation

Conventional waterproofing specifications tend to follow surface irregularities and small steps, requiring significant effort for pre-application surface preparation. In addition, drying and curing times after application can extend the construction schedule, and performance may be influenced by site conditions or weather.
In contrast, Aqua Hajikun is a rapid-curing material that can be walked on and moved to subsequent construction steps immediately after application, enabling shorter construction schedules and reducing sensitivity to weather conditions. Its light weight also minimizes the load on the building, making it easier to apply on rooftops and other elevated surfaces.

Point4 Environmental Performance

Conventional waterproofing materials tend to have a significant environmental impact due to solvent-based VOC emissions, strong odors, and the large volume of waste generated. In addition, applying them to asbestos-containing building materials requires careful dust control to ensure safety.
In contrast, Aqua Hajikun is a solvent-free material that limits VOC emissions, resulting in a lower environmental impact. It can also be applied to older asbestos-containing corrugated straight roofs while minimizing dust, making it a more user- and environmentally friendly waterproofing solution.

BUSINESS MODEL

A Unique Business Model Covering Raw Material Development, Installation, and Recycling

In the fields of insulation and waterproofing materials,
the Company is the only one capable of providing end-to-end solutions.
By differentiating through this business model,
the Company is able to maintain a stable supply of products
and ensure consistent installation quality.

Nationwide Sales Network

the Company has established 45 sales offices, logistics warehouses, and polyurethane recycling plants nationwide, from Hokkaido in the north to Okinawa in the south, enabling the Company to conduct business activities tailored to regional characteristics and ensure a stable supply of polyurethane raw materials, which are susceptible to market fluctuations.

Recycling and Reprocessing

During the installation of spray-applied rigid polyurethane foam, a large volume of polyurethane foam offcuts is generated. The Company collects these offcuts from construction sites nationwide and reprocesses them into Aqua Blow, an insulation material primarily used behind ceilings.

Ensuring Worker Safety and Installation Quality

Our spray-applied installation and quality management system has been recognized with the "On-Site Installation Type Certified Excellent Insulation System" by IBECs (Institute for Building & Environment SDGs Promotion).

*This certification system aims to enhance the reliability of spray-applied and blown insulation materials by promoting proper installation management among qualified contractors and allowing them to display this achievement externally.

Diversification of Suppliers, Raw Material Storage Warehouses

In addition to securing global procurement routes beyond North America and Asia, the Company has established polyurethane raw material stock points across Japan to enable agile raw material procurement. This allowed the Company to distinguish itself from the "polyurethane raw material shortage" that occurred in Japan from 2021 to 2022.

Environmentally Friendly Insulation Materials Born from Water

Aqua Foam, which supports our business, is an insulation material that does not use high-global-warming fluorocarbon gases and instead foams on-site using water. The carbon dioxide generated by mixing water-containing polyols and isocyanates serves as the blowing agent, creating a rigid polyurethane foam that is both environmentally and human-friendly. Conventional insulation materials, such as glass wool, often require cutting and fitting on-site, which can leave gaps. In contrast, Aqua Foam can fill even small spaces without gaps, and its strong adhesion ensures stable thermal performance.

Focusing on Strengthening Installation Capabilities

To achieve stable growth, it is essential for the Company to further strengthen and secure our installation capabilities. Accordingly, the Company regards the expansion of its installation workforce as a top priority and is implementing childcare support and recruitment efforts through social media and other channels, aiming for work style reforms, including the introduction of a full five-day workweek and wage increases in line with expanded allowances such as metropolitan area–attractive hiring activities.

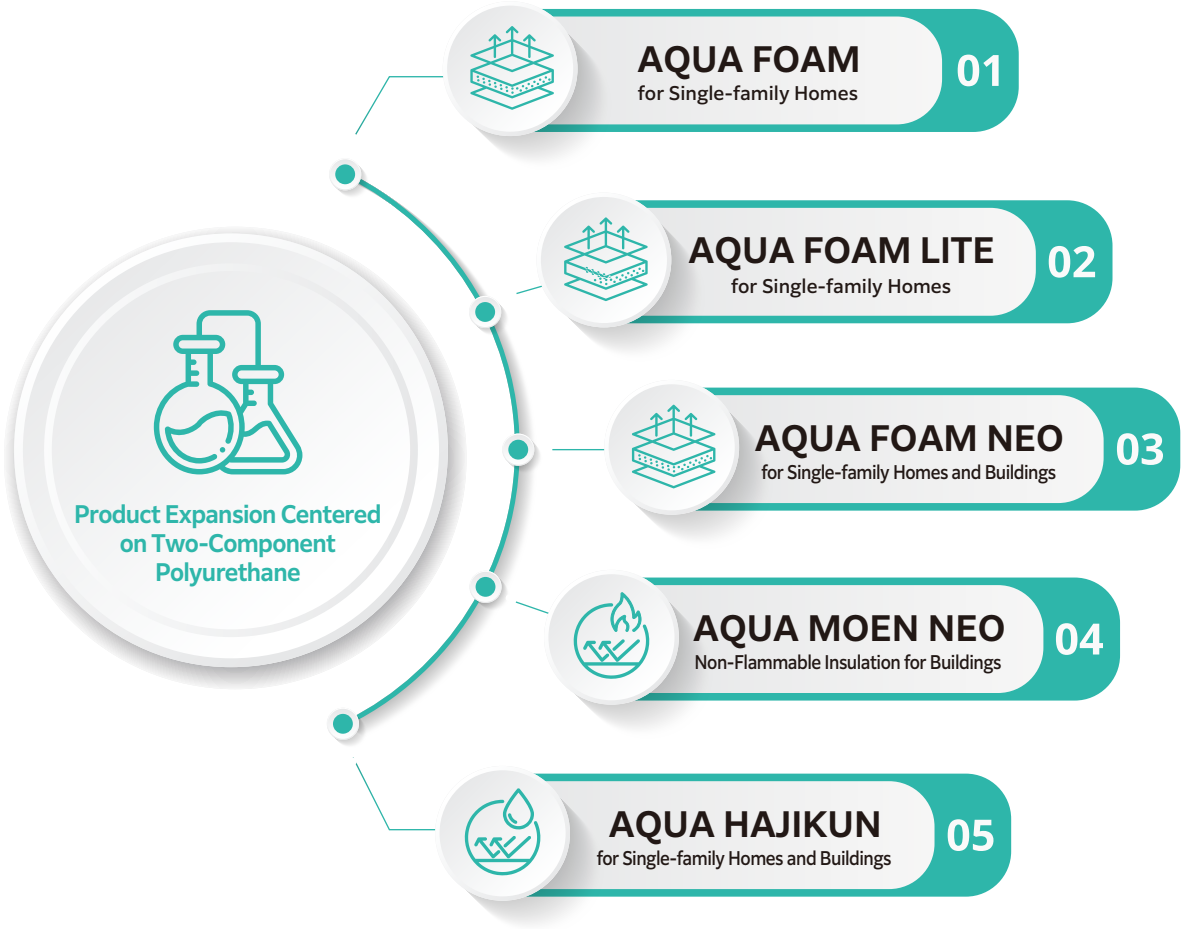
Strengths of In-House Raw Material Design × Installation Achieving Comprehensive Quality Improvement Aligned with Market Needs and On-Site Conditions

Nippon Aqua, as a fabless manufacturer, develops its own materials while relying on trusted manufacturing partners across the country to supply products, without owning production facilities. Leveraging the equipment and technical capabilities of specialized manufacturers, we have established a flexible production system that responds to market demand and supports our nationwide network.

In addition, we develop in-house the raw materials used in our insulation and waterproofing products, enabling us to provide high-quality products that meet market demand. The raw materials are manufactured using feedstock sourced directly from globally active suppliers, ensuring stable quality and favorable procurement conditions. We carefully tailor formulations to suit specific applications, allowing us to optimize performance in line with on-site conditions and to offer a diverse product portfolio ranging from insulation materials for single-family homes and buildings to waterproofing materials.

Moreover, we handle not only material development but also on-site installation in-house. Our direct involvement in installation enables us to feed practical insights back to our development teams, achieving comprehensive quality improvement that encompasses not only material performance but also ease of use at construction sites.

Going forward, we will continue designing products based on on-site challenges and needs to achieve both long-term performance and installation efficiency. Through our integrated system—combining raw material development, partnered production, and in-house installation—we provide a level of product diversity and reliability unmatched by competitors, contributing to enhanced comfort and durability in single-family homes and buildings.



An Integrated Value Chain from Raw Material Formulation to On-Site Installation and Recycling
A Business Model that Enhances Quality, Efficiency, and Environmental Performance

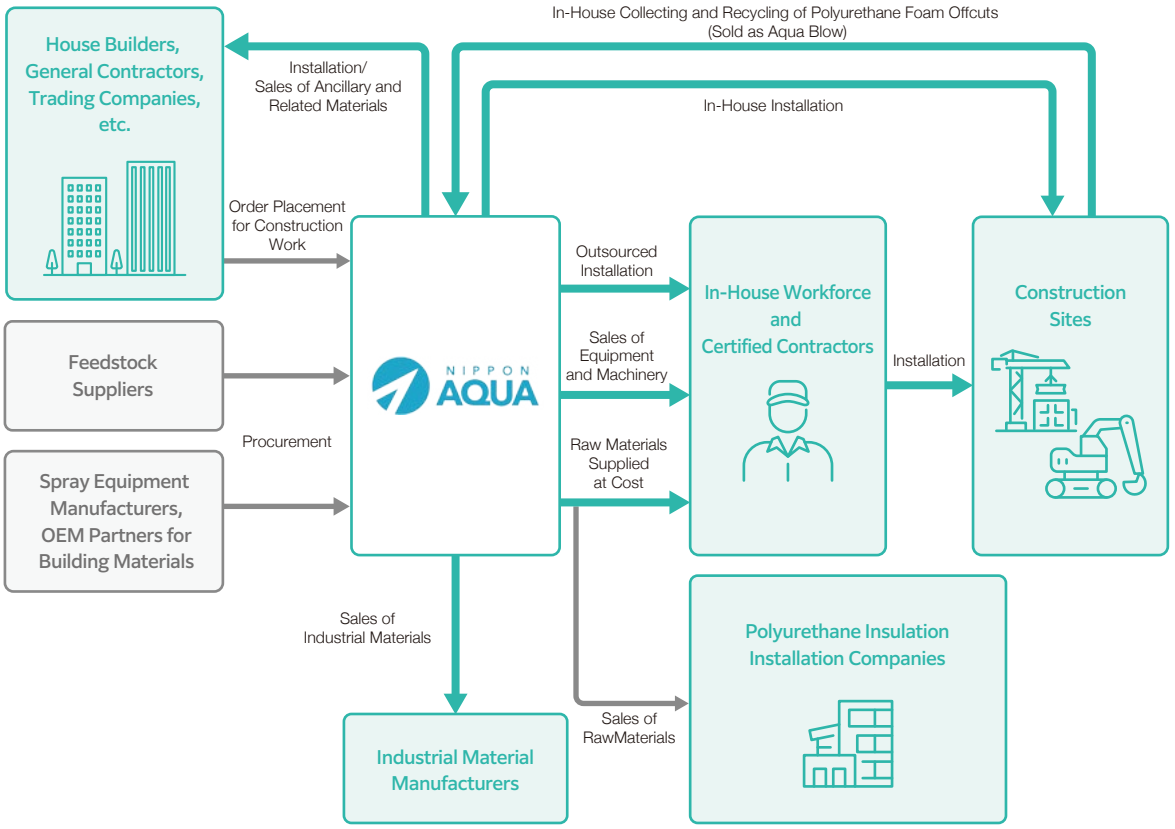
Nippon Aqua has established an integrated business model that spans raw material development, manufacturing and sales, installation, quality control, and recycling.

In raw material development, we procure high-quality feedstock from globally active suppliers and optimize formulations according to specific applications. This enables us to offer a broad product lineup ranging from insulation materials for single-family homes and buildings to waterproofing materials. During the manufacturing and sales stages, we provide products whose performance is optimized for on-site conditions, ensuring stable quality and reliable performance.

In installation, we combine our in-house workforce with a nationwide network of certified contractors, allowing for broad geographic coverage and prompt response. By gaining direct insight into on-site conditions and user experience, we continuously feed these insights back into raw material development and product improvement, achieving both high material performance and excellent installability. We also maintain consistent quality control after installation, contributing to long-term performance. In addition, we continuously improve our proprietary installation equipment—through weight reduction and compact design—to enhance ease of installation and operational efficiency.

Furthermore, we have established a system that includes the recycling of used materials, thereby contributing to the reduction of environmental impact.

By integrally managing raw material development, partnered production, installation, quality control, and recycling, we maximize both material performance and installation precision, providing customers with lasting assurance and reliability.



VALUE CREATION PROCESS

Creating a Sustainable World Through Business That Directly Addresses Social Challenges

All of our businesses are essential to realizing a sustainable world.
By enhancing each form of capital and strengthening our business model,
we will continue contributing to society as a company that is truly needed.

External Environment

The international framework for reducing greenhouse gas emissions,
the "Paris Agreement"

The Japanese government's
"2050 Carbon Neutral Declaration"

"Work Style Reform"
in the construction industry

The amendment of the
"Building Energy Efficiency Act"

The rise in energy prices
such as electricity rates

INPUT

Financial Capital
Net Assets: 11,633 million yen

Manufacturing Capital
feedstock, catalysts, flame retardants, recycling plants

Human Capital
Employees: 710

Social and Relational Capital
Contract manufacturers for our branded raw materials
Certified Contractors Installers at Certified Contractors: 854

BUSINESS MODEL

Policy

Contribution to society through the creation of living environments that are friendly to people and the earth

OUTPUT

AQUA FOAM Series

for Single-family Homes
AQUA FOAM
High Airtightness Insulation for Wooden Houses
AQUA FOAM LITE
Contains Plant-Based Raw Materials
AQUA FOAM NEO
Combines High Environmental Performance and Thermal Conductivity

for Buildings
AQUA FOAM NEO
Combines High Environmental Performance and Thermal Conductivity
AQUA MOEN NEO
Non-Flammable Insulation

for Waterproofing
AQUA HAJIKUN
Spray-Applied Waterproofing System (for Single-family Homes and Buildings)

Recycling of Polyurethane Foam Offcuts
AQUA BLOW
Aqua Foam Recycled Products

OUTCOME

Decarbonization
- Achieving High Airtightness and Insulation for Homes and Buildings with the Aqua Foam Series
- Contributing to the Realization of Carbon Neutrality

Resource and Energy Conservation
- Reducing Raw Material Usage by About 30% with Aqua Foam LITE

Waste Reduction
- Reprocessing polyurethane foam offcuts into the Product"Aqua Blow"

Nippon Aqua SDGs Declaration

TOP MESSAGE

There Are Still "Gaps" in the Market that Our Technology Can Fill. Leveraging Our Solid Foundation to Enter New Frontiers.

"Not just for one person, but so that everyone can enjoy a better life."
Nippon Aqua has advanced with this belief as our starting point.
Challenge and growth are steady steps toward realizing that vision.
Leveraging the knowledge and technologies we have accumulated,
we will continue taking on new social challenges.

President, Representative Director
Fumitaka Nakamura

Turning Stronger Regulations into Opportunity The Ability to Transform Risk into Growth

In the housing and construction industry in which we operate, compliance with energy-efficiency standards became mandatory in April 2025 for virtually all newly constructed houses and buildings in Japan. These standards consist of two key indicators: building envelope performance, which measures how effectively a building prevents heat from escaping through its exterior, and the primary energy consumption standard, which evaluates total energy use including heating, cooling, hot water supply, and ventilation.

Under the current regulations, buildings are required to meet a level equivalent to Insulation Performance Grade 4. However, this represents only the minimum requirement. The Japanese government has indicated its intention to raise the standard to Insulation Grade 5—equivalent to the widely adopted ZEH (Net Zero Energy House) level—by around 2030.

Furthermore, in September 2025 the Ministry of Economy, Trade and Industry announced the definition of "GX ZEH," which requires performance exceeding conventional ZEH standards. This new framework will be introduced beginning in April 2027 and will require Insulation Grade 6, establishing a significantly higher benchmark for energy efficiency. As these standards are strengthened step by step, Insulation Grade 4 is already becoming outdated, and market demand is rapidly shifting toward higher insulation grades.

At the same time, awareness among consumers has been growing regarding the broader benefits of high insulation and airtightness. In addition to improving heating and cooling efficiency, these features help prevent condensation and internal deterioration of buildings, thereby enhancing durability and extending building lifespans. As a result, the amount of insulation materials used per housing unit is expected to increase, while the performance and value required of insulation materials will continue to rise.

Beyond the residential sector, the advancement of social infrastructure is also creating new sources of demand. In the non-residential sector, corporate capital investment—particularly in information-related fields—has been expanding, and demand for highly insulated buildings designed to improve operational efficiency is becoming more prominent.

This trend is particularly evident in data centers. Operators face strong pressure to reduce PUE (Power Usage Effectiveness), which measures the ratio of a facility's total energy consumption to the energy used by IT equipment. Reducing heat inflow from outside and controlling internally generated heat loads are essential for lowering cooling energy consumption while ensuring stable operations. As a result, advanced insulation performance has become increasingly important in this field.

At the same time, the industry faces challenges such as rising material prices and increasing labor costs. Against a backdrop of global uncertainty, both construction materials and labor expenses have risen significantly across the industry. For small contractors and regional builders in particular, securing skilled personnel and absorbing higher costs has become increasingly difficult.

In this environment, as a company listed on the Prime Market of the Tokyo Stock Exchange, we benefit from stable recruiting capabilities and a solid financial foundation. These strengths enable us to continue securing and developing talented personnel. We believe this positions us well to expand its market share as competition within the industry intensifies.

Capturing Untapped Market Opportunities Strategies for Sustainable Growth

Our medium-term management plan is currently progressing steadily. Across each division, we are identifying emerging opportunities based on clearly defined strategies and translating them into tangible results.

In the Single-family Homes Division, we have differentiated ourselves through a concept we describe as "Insulation without airtightness is powerless." Based on this principle, we combine insulation installation with airtightness measurement services, enabling us to deliver proposals that enhance the overall performance of homes.

While we have already established a strong market presence in insulation for roofs and walls, significant opportunities remain in areas such as floor insulation and external insulation systems that wrap the entire building envelope. These segments represent a large untapped market. To address this opportunity, we are promoting a whole-house performance approach that upgrades the thermal performance of the entire home rather than focusing on partial insulation. By integrating insulation and airtightness as a unified solution and fundamentally improving housing performance, we believe we can strengthen our competitive advantage in the detached housing market.

The Buildings Division is currently experiencing a temporary pause between large-scale projects this fiscal year. However, looking ahead, a steady pipeline of major redevelopment projects is expected through 2030. In fact, many general contractors anticipate that construction capacity will become increasingly constrained from next year onward as demand accelerates.

We view the current period not as a slowdown but as a strategic preparation phase for the next wave of growth. During this time, we are intensifying efforts to develop skilled craftsmen and strengthen our construction capabilities. Rather than responding only after demand materializes, we are proactively strengthening the organizational capacity required to capture large-scale projects in the coming years.

Meanwhile, the Waterproofing Division is steadily emerging as another key growth driver for us. Many buildings constructed during the 1980s and 1990s are now reaching or exceeding the service life of their waterproofing systems, leading to increasing cases of leakage and deterioration. As a result, demand for waterproofing renovation work is expanding.

In addition, external factors such as climate change adaptation and the strengthening of regulatory standards are further accelerating renovation demand. We recognize that this field represents a substantial market opportunity of approximately 600

billion yen.
At the center of our strategy is our proprietary "FUKUGEN Method," a construction technology that integrates waterproofing with insulation and heat-shielding functions. This enables us to simultaneously improve building comfort and energy efficiency through comprehensive waterproofing solutions.
While our waterproofing business originally focused primarily on small residential balcony projects, we are now shifting our strategic focus toward larger-scale leakage repair projects and the renovation market for factories and industrial facilities. As construction costs continue to rise, rebuilding aging factories represents a significant financial burden for many small and medium-sized manufacturers. Consequently, demand is expected to increase for renovation solutions that enhance building performance while making effective use of existing structures.
Few companies are capable of offering integrated solutions that combine waterproofing with insulation performance. By leveraging this unique capability, we aim to capture opportunities in both new construction and renovation markets and achieve sustainable growth.

"MARUTTO AQUA FOAM" Transforming Conventional Practices in the Insulation Market

A key strategic initiative that will shape our future is "Marutto Aqua Foam," a package solution that provides insulation for an entire house as an integrated service.
Under conventional insulation practices, installation processes for walls, roofs, and floors are typically handled separately, often involving different contractors. This structure has created several challenges, including complicated on-site management, inconsistencies in construction quality, and unclear accountability when defects occur.
To address these structural issues, we developed the "Marutto Aqua Foam" concept. Under this approach, Nippon Aqua provides and installs insulation for the entire building—from floors and walls to roofs and even exterior insulation boards—through a single, integrated system. By doing so, insulation is no longer treated as a series of partial optimizations but rather as a solution that optimizes the performance of the entire home.
By expanding coverage to include floor insulation and exterior insulation fields, the potential revenue per project could increase three to four times compared with conventional insulation work. Over the long term, this initiative has the potential to grow into a business of approximately 100 billion yen.
To realize this vision, we have entered into strategic partnerships with leading manufacturers and are working to capture market share on a nationwide scale.
Importantly, the concept of packaging insulation work for an entire house is not a risky initiative developed from scratch. Rather, it represents a natural extension of the polyurethane insulation technologies and material expertise that we have refined over many years.
Nippon Aqua handles the largest volume of insulation raw materials in Japan. Leveraging the extensive installation experience and technical expertise we have accumulated, we have strengthened our collaboration with raw material manufacturers and related partners.
For insulation boards, we will source and distribute high-quality products manufactured by trusted partners. After carefully evaluating their quality and performance, we will incorporate these materials into our comprehensive insulation package and provide them as part of an integrated solution.
Through a simple yet powerful strategy—expanding what we can provide and delivering it more efficiently and at lower cost—we aim to present a new option for the insulation market in Japan.

Talent is the Source of Growth —and the Strongest Barrier to Entry

No matter how sophisticated a strategy may be, it remains nothing more than a blueprint unless it is executed by capable people on the ground. In this context, our greatest strength lies in the mobility and scale of our installation workforce, enabled by a nationwide network built over many years.
In particular, securing skilled installers in the Kanto region is becoming increasingly competitive. However, our nationwide footprint provides us with a distinct structural advantage. Across regional areas—including Tohoku and Kyushu—there are many talented individuals who wish to develop advanced technical skills and work in an environment where their performance is properly recognized, while continuing to live with their families in their hometowns.
We provide such opportunities by employing installers at compensation levels comparable to those in Tokyo and assigning them to the Kanto region on a dispatch basis where demand is concentrated. This model allows individuals to maintain their local lifestyles while earning metropolitan-level income—creating meaningful career opportunities for people in regional communities. In fact, many of our installers have been able to establish stable lives in their hometowns, purchasing homes and building families earlier than would otherwise be possible.
As a result, we believe our business model contributes in part to addressing the broader social challenge of excessive economic concentration in major metropolitan areas.
Importantly, this human capital foundation cannot be built overnight. Our nationwide network—developed steadily over more than a decade—represents a structural advantage that is difficult for competitors to replicate. In this sense, our installation workforce platform itself functions as a significant barrier to entry.
Within the organization, we operate under a clear meritocratic philosophy that places performance above age or tenure. In a rapidly changing business environment, rigid hierarchies and outdated conventions often hinder growth rather than support it. Employees who fully understand our corporate philosophy and deliver exceptional results within our rules are promoted without hesitation—whether they are third-year employees or mid-career hires.
I often describe our organization as a "right-angled triangle." Because the top of the structure is not congested, individuals with ability and ambition can continue to grow regardless of age or

background. A healthy level of tension within the organization fosters vitality and cultivates a constructive competitive spirit. Young professionals are increasingly becoming the driving force at the front lines, bringing fresh ideas and energy to expand our market presence. We believe that this vitality will continue to power the next stage of our growth.

Embedding ESG into Our Business to Build a Sustainable Growth Model

Our approach to ESG goes beyond simply responding to social expectations. We view it as an integral element that enhances the competitiveness of our business. One representative initiative is our in-house recycling facility (p.24).
In recent years, building structures have become increasingly complex. Although efforts are made to minimize waste, on-site shaping is sometimes unavoidable during installation, which can result in polyurethane foam offcuts being generated. Traditionally, these materials were treated as industrial waste and incinerated, often at significant cost.
To address this issue, we obtained wide-area certification from Japan's Ministry of the Environment and established a compliant system to collect and recycle these offcuts generated at construction sites. Through this initiative, we have created a circular process that enables them to be reused as raw materials for new products.
For homebuilders and general contractors, reducing construction-site waste and ensuring regulatory compliance are important management priorities. We therefore propose an integrated solution that covers the entire process—from installation to the collection and recycling of these materials. This approach helps reduce disposal costs while also alleviating operational burdens at construction sites.
At the same time, by reutilizing the recovered materials as resources, we generate additional revenue, enabling us to balance environmental responsibility with business viability. The distinctive feature of our recycling business is not simply that customers choose us because we are environmentally conscious, but rather that our environmental initiatives directly contribute to solving our customers' operational challenges while also delivering economic benefits.
Going forward, we will continue refining this system and strive to establish a sustainable model in which environmental responsibility and business growth reinforce one another.

Leveraging on a Solid Foundation to Shape the Next Stage of Nippon Aqua

Leveraging our core strength in insulation, Nippon Aqua is expanding the scope of its business into new growth areas. One such area is renovation. In aging condominium buildings, insufficient insulation performance has become a significant social issue from the perspectives of comfort and energy efficiency. In the Greater Tokyo area in particular, housing affordability challenges have led to increasing demand for full-scale renovations in which residential units are stripped down to their structural frames and rebuilt from the inside. In these cases, our spray-applied insulation method offers excellent installability and is widely recognized as an effective way to improve insulation performance. We have already secured orders from major condominium renovation companies, and we see strong potential for further expansion in this field.
Another market with significant potential is sandwich panels for refrigeration and cold-storage facilities. In recent years, growing demand for frozen foods has driven increased investment in cold-storage warehouses and related facilities, resulting in rising inquiries in this area. By leveraging the insulation expertise we have cultivated over the years, as well as our on-site operational know-how, we believe we have ample opportunity to demonstrate strong competitiveness in both cost and supply capabilities.
Personally, I place great importance on hearing directly from the field and the market, and I regularly travel across the country to gather firsthand insights. Even as challenges such as rising raw material prices and changes in material consumption emerge, we have continued to pursue improvements by asking ourselves a simple question: how can we provide better products in a more rational and efficient manner? Our willingness to make prompt decisions and flexibly adjust our course in response to changes in the environment and the market has always been one of the core values that defines us.
For our shareholders and investors, we hope you will continue to view our steady efforts toward sustainable growth from a long-term perspective. At the same time, through our progressive dividend policy, we aim to deliver tangible returns on the results we achieve.
In addition, starting in fiscal 2024, we introduced a restricted stock compensation plan for employees. Under this system, treasury shares are granted to employees subject to conditions such as continued service over a certain period. The objective is to create an environment in which each employee can directly experience the enhancement of corporate value as their own achievement. I hope that our employees will approach their daily work not merely as individual workers, but with the mindset of contributing as stakeholders who share responsibility for our management.
My fundamental philosophy since the Company's founding has been that everyone involved with Nippon Aqua should be able to achieve stability and a better quality of life, both materially and spiritually. Going forward, we will continue to evolve steadily as a social infrastructure company—one that contributes to reducing environmental impact and creating healthy, comfortable living environments through our insulation business.
I sincerely appreciate the continued support and expectations of our stakeholders.

Our Competitive Edge

1.Product Development Capability

Technical Center Creating New Value through Our Integrated System

Our Product Development Capability originates from our unique system in which development, installation, and quality control are carried out in a fully integrated line. Challenges encountered in the field on a daily basis, as well as ideas for improvement, are conveyed directly from installation personnel to the development team and, after thorough verification, are reflected in product improvements.
The speed and precision of this collaboration give us a significant advantage in an industry where manufacturers and installers are often separated.
In addition to enhancing the fundamental performance of insulation and waterproofing materials, we place strong emphasis on the performance required at actual worksites. These include adjustments to foaming ratios that directly affect work efficiency and installation quality, as well as optimization for installation conditions that vary by season and region.
Furthermore, environmental considerations—such as material recycling and improved energy efficiency—are incorporated into our development process, enabling us to create products that deliver value to society.
Rather than focusing solely on improving product specifications, we approach development with a broad perspective on what constitutes truly valuable products. This commitment represents one of our key strengths.
Moving forward, we will continue to leverage Nippon Aqua's unique development capabilities to promote the creation of high-quality, easy-to-handle, and sustainable products.

Role

The Technical Center serves as a core hub responsible for the integrated management of raw material design, development, and quality control.
It develops raw materials suited to various requirements, conducts testing and evaluation of new materials, and ensures a stable supply.
At the same time, it manages the quality of raw materials manufactured at partner factories, thereby supporting the delivery of high-quality and reliable products.

Raw Material Design and Development

Raw material design and development (meeting requirements)

- Testing of conformance with JIS standards, etc.
- Verification of installability through spray application testing

Fundamental research on raw materials

- Testing, evaluation, and stable supply of new raw materials

Raw Material Quality Control

Raw material design and development (meeting requirements)

- Verification of manufacturing and delivery specifications

- Handling of raw material complaints (emergency measures and corrective actions)
- Production of raw materials and management of outsourced raw material processors

Strategy

At the time of its establishment in November 2004, Nippon Aqua purchased raw materials for Aqua Foam from polyurethane material manufacturers and carried out installation.
However, driven by a strong desire to provide products that better meet the needs of installation sites and to deliver high-quality insulation materials at stable prices by eliminating intermediary margins, we decided to pursue vertical integration into raw material manufacturing.
Through this strategy, we aimed to secure a stable supply of products and enhance price competitiveness, gradually shifting toward in-house development of raw materials.

Organization

Nippon Aqua operates as a fabless manufacturer, outsourcing production to partner factories.
The Technical Center plays a central role in overseeing the quality of these products.
To ensure that high-quality products can be supplied consistently regardless of location, the Technical Center strengthens collaboration with factories across Japan and supports the overall quality management system.
Through this framework, we maintain long-term reliability and competitiveness while contributing to higher customer satisfaction.

What the Technical Center Enables

Development

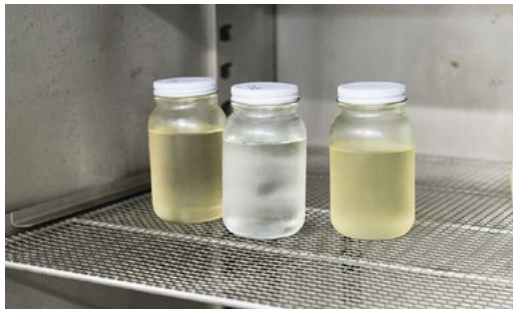
Strategic Product Development Based on Market Needs
Laying the Foundation for Products with Strong Social Value and Sustainability

Product development at Nippon Aqua begins with accurately identifying evolving customer needs and market trends.
Key focus areas include improving insulation performance, waterproofing performance, durability, fire resistance, and energy efficiency in residential and building applications. Required performance and value in each market are analyzed, and optimal materials, formulations, and technologies are then identified to address these challenges.
New raw materials are also explored and evaluated to identify technologies and applications with future potential.
Through this strategic approach, product development addresses not only installation efficiency and quality but also broader social value and sustainability.

Testing & Evaluation

Ensuring Material Safety and Durability
Maintaining Stable Performance under Diverse Environmental Conditions

Materials are carefully evaluated for flame resistance, durability, and overall functionality.
For example, flame resistance is tested using a cone calorimeter, heating materials to temperatures exceeding 600°C to measure heat release and smoke generation.
Because installation environments vary significantly by region and season, materials are also assessed under extreme conditions. Testing includes exposure to both high temperatures and lows of around −40°C to evaluate risks such as hardening or performance loss.
Through these rigorous evaluations, high-quality materials are selected that perform reliably across diverse installation environments.



Analysis

Multifaceted Verification of Material Performance Ensuring Stable Quality and Safety

Product performance is analyzed in detail using specialized testing equipment.
One key measurement is thermal conductivity, which determines how effectively heat transfer is prevented. Because this directly affects building insulation performance, it is a critical indicator.
The internal cell structure of the foam is also examined using microscopes to confirm uniform foaming conditions. The foaming ratio influences not only insulation performance but also installation efficiency and long-term durability.
In addition, compressive strength is measured using an autograph testing machine to evaluate resistance to loads and deformation after installation.
By verifying multiple performance indicators in a balanced manner, we ensure consistent product quality and safety.

Improvement

Optimizing Installation Quality Through Environmental Testing Improving Safety and Reducing Workload through Equipment Innovation

After commercialization, installation performance is verified in temperature-controlled facilities that replicate actual jobsite conditions.
Spray application tests are conducted under temperature ranges from approximately −20°C to +50°C to confirm proper material expansion and stable reactivity and hardness.
Spray equipment is carefully adjusted based on material, ambient, and substrate temperatures to ensure consistent installation quality.
Installation equipment has also been improved—for example, lighter hoses were developed to reduce the physical burden on workers performing tasks in challenging environments such as rooftops.
These initiatives help reduce worker fatigue, enhance safety, and ensure highly reproducible installation quality at construction sites.

Leading the Market with Homes, Buildings, and Waterproofing

Anticipating Challenges, Investing in Technical Advantage

Nippon Aqua focuses on creating value that meets future environmental demands. Research and development centers on three core divisions: Single-family Homes, Buildings, and Waterproofing.

The Waterproofing Division is growing rapidly due to increasing demand for long-life solutions in aging coastal industrial facilities. Many sites hesitate to upgrade due to cost, making efficient and cost-effective solutions critical for Japan's industrial infrastructure.

Our expertise now extends beyond construction. Industries requiring strict quality control-such as semiconductors and automotive-trust our materials. We are developing tailored solutions for these sectors and actively participate in industry–academia collaborations, including architectural R&D consortia. Monthly trade shows provide direct insight into customer needs, fueling innovation and idea generation.

A key strength is anticipating market trends and investing ahead of time. Insulation blowing agents, for example, changed four times in a short period: from CFCs to HCFCs, HFCs, and finally non-fluorinated alternatives. Nippon Aqua continues to tackle the challenge of "maximizing performance while minimizing carbon usage", balancing high performance with cost efficiency. This forward-looking approach allows us to respond quickly to evolving regulations and maintain technical leadership.

Managing Director

Kazuhisa Nagata

Since joining Nippon Aqua in 2016, Mr.Nagata has led technical development and quality management. As Head of the Technical Center and Executive Officer, he oversees all technical divisions. Appointed Director in 2022, he drives initiatives in installation quality, environmental strategy, and technical planning, playing a central role in the Company's sustainable growth.

2.Installation Capability

Maximizing Product Performance Through High-Level Installation, Delivering Value Widely

Our installation capability serves as a strategic foundation to fully realize the performance developed by our product teams, ensuring a consistently high technical standard across sites nationwide. This high-level capability is supported by a system in which specialist instructors are assigned to each division—Single-family Homes, Buildings, and Waterproofing—and skills are systematically passed on through structured training programs. By teaching not only manuals but also site-specific judgment, we minimize variability among installation workforce members and achieve stable, high-quality results. Moreover, the synergy between this installation capability and the characteristics of spray-applied rigid polyurethane foam—its on-site foaming and adhesion, its flexibility to fill complex shapes without gaps, and its quick curing that allows immediate progression to subsequent tasks—contributes to significantly shortened construction schedules compared with other methods. This enables a framework that reliably meets both quality and delivery requirements, even for large-scale projects. In recent years, we have also focused on enhancing on-site safety and improving equipment. By reducing the physical burden on installation workforce members and minimizing potential issues, we continue to evolve our operations to sustain an even higher level of installation quality.

Strengthening Unshakable Technical and Organizational Strength through Investment in People

Advancing Toward Sustainable Homes and National Infrastructure

At the core of our business is installation capability—not merely a collection of on-site skills, but a unique system built on strategic investment in our workforce. Early adoption of a five-day workweek—still rare in the construction industry—demonstrates proactive management anticipating the "2024 labor issue." This initiative continues to provide a significant competitive advantage in attracting and retaining talent. In addition, dedicated instructors are assigned to each division—Single-family Homes, Buildings, and Waterproofing—ensuring knowledge transfer through direct mentoring. A fair evaluation system links skill acquisition, such as professional certifications, to incentives, reinforcing motivation and career growth. Our technical and organizational strength is proven by successful execution of large-scale projects, including semiconductor factories and logistics warehouses. Teams from multiple offices coordinate under strategic project management, meeting extremely tight deadlines—a clear testament to our reliable execution capabilities.

Looking forward, we continue to invest in initiatives that enhance long-term corporate value. Foreign trainees are positioned as a cornerstone for future overseas market expansion, with programs fostering proactive engagement. Multiple career paths—spanning installation, instruction, equipment maintenance, and project management—ensure that talented individuals can grow and remain within the organization. Equipment improvements, such as automation of hazardous tasks and lightweight hoses, reduce labor demands while enhancing safety.

We believe in the power of each individual on our team and aim to remain a company that contributes to sustainable homebuilding and national infrastructure. Through this unwavering technical excellence and passion, we continue to earn trust and steadily enhance corporate value.

Manager, Kanagawa Sales Office

Hironao Anamizu

Joining in 2014 as a new graduate, he steadily developed on-site installation expertise and accumulated practical experience across diverse projects. Now serving as Division Head for the Kanto region, he oversees installation guidance, quality assurance, and on-site support, leveraging technical and managerial skills to build a stable and highly capable installation system.

Advancing Skills and Expertise Every Day

Strengthening Organizational Capability Through Collaboration

I currently work as a specialist in spray-applied rigid polyurethane foam, handling projects ranging from single-family homes to large-scale buildings. My mission is to minimize material waste, maximize yield, and ensure careful, complaint-free installation. Technical challenges I faced when I first joined were gradually overcome through guidance from senior colleagues and feedback sessions after returning from job sites. Cross-department collaboration, including with technical teams and sales, is actively encouraged. The Company events such as barbecues and kickoff meetings help foster strong teamwork, providing support that enables consistent performance at each site. Daily efforts are also fairly evaluated and reflected in compensation, keeping motivation high. I will continue to improve my skills and contribute to overall team productivity, steadily growing as a member who supports the organization.

Kanagawa Sales Office

Tatsuya Akiyama

Joined in 2022 as part of the Kanagawa installation workforce, actively engaged in site work, quality improvement, and mentoring junior staff.

Continuously Tackling Challenging Sites, Accumulating Technical Expertise

Passing Knowledge Forward and Bringing Skills Back Home

I am engaged in spray-foam work across a wide variety of sites, including large-scale RC (reinforced concrete) buildings. I have systematically learned technical skills through on-the-job training provided by Japanese senior colleagues. Today, I serve as a leader for trainee installation workforce members, taking on the responsibility of passing skills to the next generation. While some sites remain difficult, these challenges allow me to solidify my expertise and experience tangible growth. Daily efforts are properly recognized and reflected in compensation, which strengthens motivation. The Company also provides practical support, such as company mobile phones with unlimited overseas calls, which I greatly appreciate. In the future, I aim to apply the advanced technical skills I acquired in Japan to my home country. I am committed to continuing my development to achieve this goal.

Kanagawa Sales Office

ANGELICO REYNO PELLEJO

Arrived in Japan in 2015 as a technical intern and later transitioned to a specified skilled worker. Currently serves as the leader of trainee installation workforce members at the Kanagawa Sales Office, supporting site operations and mentoring.

3.Resource Recycling Capability

From Jobsite to Raw Material: Forward-Looking Recycling to Reduce Waste

A key strength lies in our resource recycling capability, which enables us to transform waste-polyurethane foam offcuts-generated during insulation installation into ceiling insulation products, such as Aqua Blow, rather than simply discarding it. Typically, waste from on-site shaping processes is incinerated, but we established a dedicated recycling facility and developed a system to convert this waste into secondary products. Our greatest advantage comes from being recognized under the Ministry of the Environment's Wide-Area Certification as a raw material manufacturer. This allows us to manage the entire process in-house: installation workforce members collect the waste on-site, transport it to our recycling facility, and complete its conversion into new products. This integrated approach significantly reduces both time lag and costs associated with outsourcing, achieving higher efficiency.

Moreover, our recycling initiatives go beyond mere waste handling. Through internal meetings and cross-departmental collaboration, on-site requirements are shared early in the product development process, driving the creation of technologies designed to minimize waste from the outset. By overseeing every step—from raw material production to installation and recycling—we can simultaneously reduce environmental impact and costs, leading the way toward a more sustainable construction environment.

Smart and Efficient Recycling:

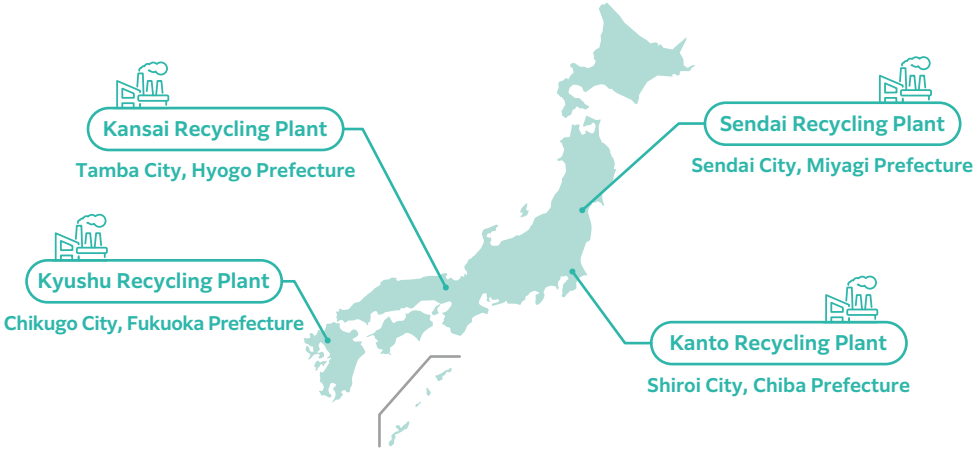
Using the Right Material in the Right Place

We do not compromise on quality, even with recycled products. Our recycled insulation, Aqua Blow, undergoes strict quality control in close coordination with installation workforce teams, including mandatory vapor barrier installation to prevent ceiling condensation.
We also optimize proposals based on customer needs and budgets—for example, spray-applied polyurethane on walls combined with Aqua Blow on ceilings to achieve the best cost-performance balance.
Looking ahead, we aim to go beyond recycling existing insulation, exploring the potential to return materials to their raw foam or repurpose them for other applications.
Through these efforts, we contribute to realizing a truly circular society.

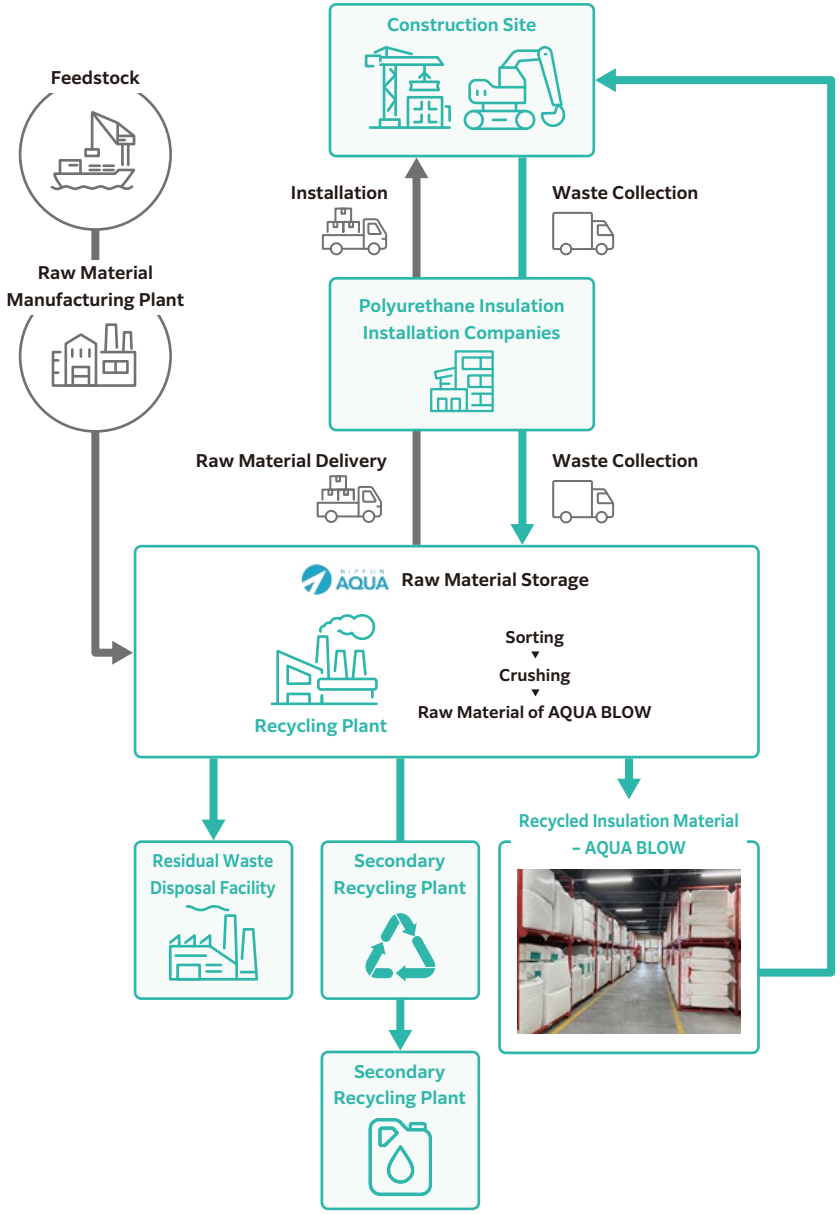
Executive Officer
Hiroshi Egawa

As Executive Officer responsible for Environment Dept. and Estimation Dept., he drives the balance between environmental value and business growth, with a focus on the recycling business, contributing to the sustainable creation of corporate value.

▶ Processing Facilities



▶ Recycling Flowchart



Part 2

BUSINESS OVERVIEW

Creating Living Environments that are Friendly to People and the Earth

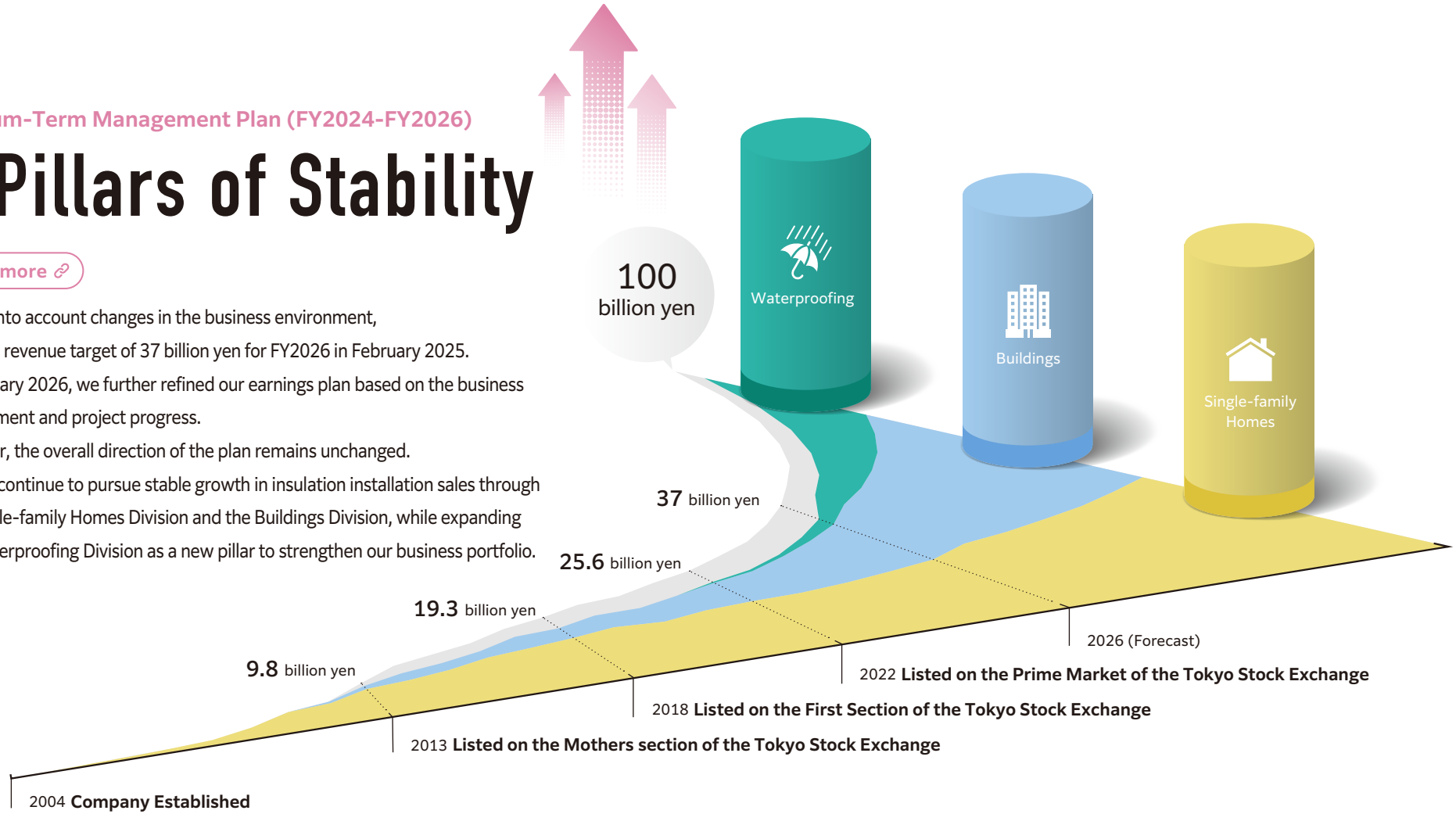
We operate across a wide range of building types, including single-family homes, condominiums, office buildings, and commercial facilities. To respond to expanding demand, we will implement growth strategies in each business segment.

Medium-Term Management Plan (FY2024-FY2026)

3 Pillars of Stability

Read more

Taking into account changes in the business environment,
we set a revenue target of 37 billion yen for FY2026 in February 2025.
In February 2026, we further refined our earnings plan based on the business environment and project progress.
However, the overall direction of the plan remains unchanged.
We will continue to pursue stable growth in insulation installation sales through the Single-family Homes Division and the Buildings Division, while expanding the Waterproofing Division as a new pillar to strengthen our business portfolio.



Basic Strategy

In the Single-family Homes Division, we aim to further expand our market share by leveraging the nationwide network of business bases established in FY2023.We also expect higher unit prices driven by the advancement of energy-saving performance standards.In the Buildings Division, we will capture rapidly expanding demand driven by renovation and rebuilding projects. In addition to increasing the installed area, we will raise unit prices by expanding the installation of non-combustible insulation materials.In the Waterproofing Division, we will work to improve profitability by increasing construction projects for buildings while also capturing growing renovation demand.

Expansion of Business Domains

We will strengthen sales of polyurethane foam raw materials, spray equipment, and auxiliary materials, parts, and vehicles used in construction to external installation contractors. Our strengths lie not only in the high quality of our products but also in our ability to deliver quickly nationwide and secure stable procurement of base raw materials. Even in the event of unforeseen circumstances, we have established a system that ensures a stable supply. By enhancing our presence as a domestic manufacturer, we aim to establish a stable source of earnings.

Target KPI (2026)

In February 2026, we revised the targets for the final fiscal year, FY2026 (ending December 2026), to net sales of 37 billion yen and ordinary profit of 2.9 billion yen. The projected sales composition is approximately 46% for the Single-family Homes Division, 30% for the Buildings Division, 6% for the Waterproofing Division, and 18% for the Other Divisions. The Waterproofing Division has been expanding its track record in the non-residential sector and is expected to serve as a future growth driver. By strengthening our earnings base under the "3 Pillars of Stability," we aim to achieve net sales of 100 billion yen in the future.

3 Pillars of Stability Key Measures

Key Measures: Three Pillars of Installation

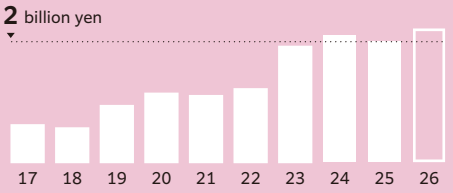
	Single-family Homes	Buildings	Waterproofing
External Environment	In April 2025, legislation requiring compliance with energy efficiency standards came into force, making it mandatory for all newly constructed buildings, including single-family homes, to meet these standards. In addition, the definition of "GX ZEH," which exceeds conventional ZEH standards, was announced in September 2025, further increasing interest in energy-efficient housing.	Demand for insulation in the buildings sector is expanding rapidly. In addition to the enforcement of legislation requiring compliance with energy efficiency standards, demand for renovation and rebuilding projects is increasing. Furthermore, demand for facilities such as data centers—an essential infrastructure supporting the digitalized society—is growing sharply, further accelerating the expansion of the insulation market for buildings. At the same time, the industry faces challenges, including reduced operating capacity due to the so-called "2024 problem" in the construction industry and rising labor costs caused by labor shortages.	The waterproofing market in Japan is estimated at approximately 600 billion yen, yet the share of polyurea waterproofing installations remains extremely small, suggesting significant room for future growth. Many buildings constructed during the economic bubble period are now experiencing water leakage due to aging, driving an increase in renovation demand. In addition, responding to extreme weather events such as sudden localized downpours has become an urgent challenge.
Key Measures	Leveraging our nationwide network of offices and installation capabilities, we aim to further expand our market share. Guided by our key message, "Insulation without airtightness is powerless," we differentiate ourselves by offering solutions that combine high thermal insulation with superior airtightness. Through these proposals, we seek not only to increase unit sales prices but also to broaden our customer base. During the period of this Medium-term Management Plan, we will focus particularly on restraining competitive pressure while expanding our share.	We aim to actively secure large-scale projects expected to be launched in the coming years, including data centers and major urban redevelopment projects. To support this effort, we established the Architectural Construction Management Department, which focuses on optimizing the deployment of our installers—expanded through proactive hiring—providing detailed on-site proposals, and strengthening project schedule management. Through value-added proposals for the projects we secure, we will further enhance the value of our installation services.	To differentiate ourselves, we will promote "Aqua Hajikun," our spray-applied polyurea waterproofing solution, which offers superior durability, elasticity, and fast-curing performance compared with conventional waterproofing methods. We will increase the number of installations through bundled sales with the Single-family Homes Division, while improving profitability by expanding installation projects in buildings. At the same time, we will strengthen alliances with waterproofing contractors to enhance market recognition.
Performance Goals	Although the number of new housing starts continues to decline, we will steadily implement measures to improve both market share and unit sales prices in order to achieve our targets.	Until now, we have promoted our business with a target of expanding the installed area by approximately 20% annually. In light of changes in the business environment, such as rising labor and construction costs, we are evolving our strategy toward sustainable growth that supports long-term corporate value enhancement. While the Buildings Division expects a three-year compound annual growth rate of approximately 9.8%, we will further strengthen our growth foundation by optimizing our installation system, improving productivity, and creating higher added value.	Large-scale projects have been progressing steadily, including orders to renovate the headquarters factory of a major Japanese electronics manufacturer. As a result, we expect sales in the Waterproofing Division to reach 2 billion yen in 2026.
	Net sales(2023) 13,798M yen ▸▸▸ Net sales(2026) 17,097M yen CAGR 7.4% UP	Net sales(2023) 8,267M yen ▸▸▸ Net sales(2026) 10,948M yen CAGR 9.8% UP	Net sales(2023) 489M yen ▸▸▸ Net sales(2026) 2,096M yen CAGR 62.4% UP

Expansion of Business Areas

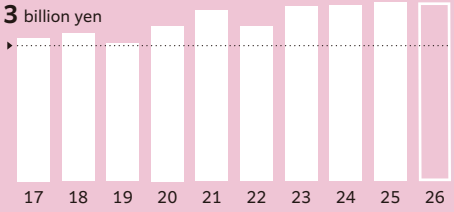
Raw Materials & Equipment Sales

In raw materials sales, we will enhance quality, pricing competitiveness, and responsiveness. To reinforce our presence as a manufacturer, we will fully leverage our nationwide sales network.
In sales of auxiliary materials, we will implement pricing strategies to expand new business relationships for the Single-family Homes Division. In machinery sales, we shifted to direct transactions in 2023, which has improved profitability.
Although demand may fluctuate due to model changes, machinery sales are expected to continue contributing steadily to revenue.

Polyurethane Raw Materials Sales Trend



Auxiliary Materials, Machinery and Other Products Sales Trend



01 Single-family Homes Division

This division is responsible for spray-applied rigid polyurethane foam insulation installation for single-family homes. In Japan, more than 90% of newly constructed homes are wooden houses, and installations are primarily carried out using Aqua Foam LITE and Aqua Foam. (Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Starts Statistics Survey Report, FY2023) For non-wooden houses, construction in cold regions, and projects requiring higher insulation performance standards, the division uses the higher-grade product Aqua Foam NEO.

Opportunities

- Mandatory compliance with energy efficiency standards (equivalent to Insulation Grade 4) and the shift toward ZEH standards (equivalent to Grade 5)
- Publication of the definition of GX ZEH and its planned implementation from April 2027
- Growing interest in higher residential insulation performance driven by rising energy prices

Risks

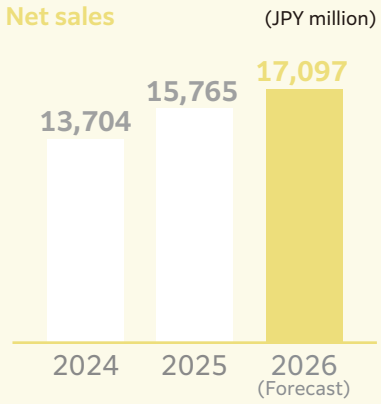
- Decline in housing starts due to rising home acquisition costs and mortgage interest rates
- Delays in establishing installation capacity due to labor shortages in the construction industry
- Rising feedstock prices or supply shortages

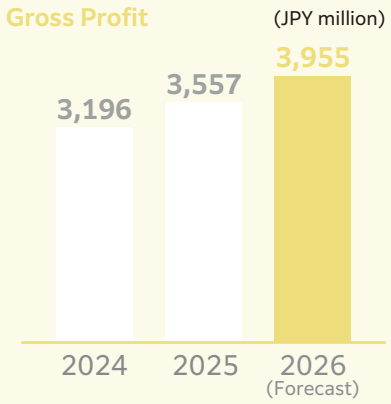
Review of the Fiscal Year and Business Environment

Against the backdrop of the mandatory compliance with energy efficiency standards and the announcement of the GX ZEH definition, interest in higher-performance housing has continued to grow. In response to these changes in the market environment, sales of higher insulation grades—equivalent to Insulation Performance Grade 6 or higher—began to expand in earnest, while the adoption of airtightness measurement services also increased steadily. As a result, the installation unit price per house rose. In addition, the number of houses ordered by nationwide builders and major builders remained solid, limiting the impact of the overall decline in housing starts. Consequently, the number of installations increased, and net sales in this Division amounted to 15,765 million yen.

Growth Strategy

With the definition of GX ZEH (equivalent to Insulation Performance Grade 6) announced in September 2025, interest in the insulation and airtightness performance of houses is expected to increase further. Under these circumstances, the Company will fully leverage our strengths in product capabilities and installation capabilities to expand our market share. At the same time, the Company aims to achieve a compound annual growth rate (CAGR) of 7.4% through FY2026.





02 Buildings Division

Buildings such as reinforced concrete (RC), steel-reinforced concrete (SRC), and steel-frame (S) structures—including office buildings, condominiums, and other facilities—are the primary targets for our spray-applied rigid polyurethane foam insulation installation services. The Company receives orders from general contractors acting as the prime contractor and carry out installations mainly using Aqua Foam NEO.

In recent years, demand for Aqua Moen NEO, our noncombustible insulation material, has continued to grow amid rising needs to mitigate fire risks at construction sites.

Opportunities

- Construction of large-scale facilities associated with data centers and urban redevelopment projects
- Growing demand for the noncombustible insulation material Aqua Moen NEO
- Increase in insulation installation driven by the standardization of ZEB

Risks

- Delays in establishing installation systems due to labor shortages in the construction industry
- Rising feedstock prices or supply shortages

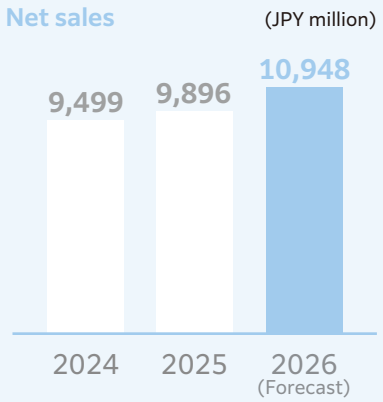
Review of the Fiscal Year and Business Environment

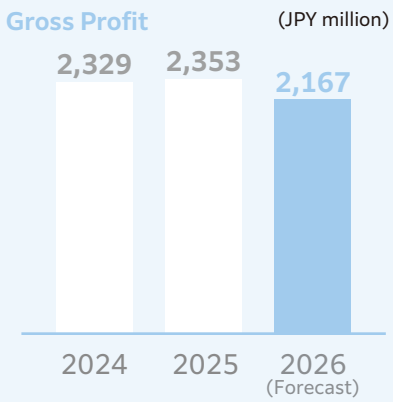
In addition to demand for the construction of facilities requiring advanced insulation performance, such as data centers, the Company steadily captured new construction demand for commercial facilities, medical facilities, and high-rise condominiums associated with urban redevelopment projects. The Company also focused on expanding sales of Aqua Moen NEO, a noncombustible insulation material that enjoys strong demand and a competitive advantage in the market. On the other hand, in some projects, design changes and delays in decisions to commence construction occurred due to rising construction costs and fluctuations in material prices, which affected the timing of revenue recognition. As a result, net sales in this division amounted to 9,896 million yen.

Growth Strategy

In order to respond to strong demand for the construction of manufacturing facilities and urban redevelopment projects, the Company will promote revenue growth and operational efficiency by actively recruiting installation workforce and implementing appropriate project management.

Through these initiatives, the Company aims to drive overall corporate performance and achieve a compound annual growth rate (CAGR) of 9.8% through FY2026.





03 Waterproofing Division

Developed in the United States in the 1980s and also used for blast-resistant measures at military facilities, "Aqua Hajikun" is a waterproofing system that utilizes polyurea resin. The waterproofing market in Japan is estimated to be worth approximately 600 billion yen, and the Company has accumulated a wide range of project experience, including factory renovation projects for the headquarters plants of leading Japanese manufacturers, store renovation projects for chain retailers, and parking facility projects for third-party logistics (3PL) operators. The product's key strengths include durability, flexibility, and fast curing, offering superior strength and longer service life compared with conventional construction methods. Among the various waterproofing materials, polyurea waterproofing is experiencing growing demand, and the Company is currently the only provider offering this system on a nationwide basis in Japan.

Opportunities

- Increasing demand for enhanced waterproofing performance of buildings due to the rise in extreme weather events
- Reinstallation demand associated with the aging of office buildings and condominium buildings
- Renovation demand for buildings constructed using asbestos-containing materials

Risks

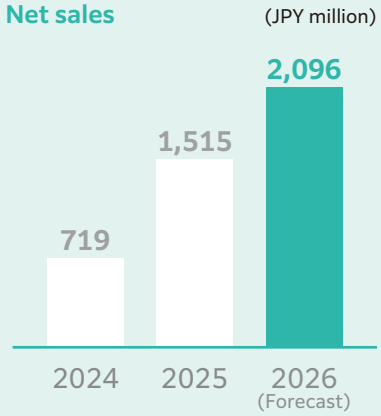
- Delays in establishing installation systems due to labor shortages in the construction industry
- Rising feedstock prices or supply shortages

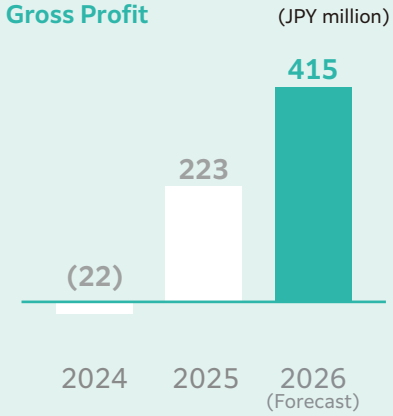
Review of the Fiscal Year and Business Environment

Amid the increasing frequency of extreme weather events such as heavy rainfall, demand for waterproofing installations has steadily grown. The Company expanded opportunities to engage with facility owners, design offices, and general contractors by participating in building material exhibitions, while also proactively conducting on-site sales visits to capture projects in the non-residential sector. The Company's accumulated track record has been recognized, leading to increased repeat and new orders from major clients. As a result, net sales for the division amounted to 1,515 million yen, representing strong year-on-year growth.

Growth Strategy

The Company aims to strengthen the division's structure by recruiting experienced personnel from industry peers and to steadily build a track record of large-scale installation projects in the non-residential sector. In parallel, the Company will enhance its initiatives for waterproofing installations in newly constructed multi-family residential buildings. Furthermore, leveraging the approach that Aqua Foam created new value in the existing market during its early stages, the Company will increase product recognition in this business to expand its market presence. Through these measures, the division aims to achieve a compound annual growth rate (CAGR) of 62.4% through FY2026.





04 Other Divisions

This segment encompasses non-installation-related sales, including polyurethane feedstock, ancillary materials used in construction, and spray foam application equipment. Among these, sales of raw materials to contractors outside our certified installer network are recognized, with growth particularly strong in materials for building projects. Sales of ancillary materials are proportional to our installation volumes, while sales of spray foam machines have expanded in line with efforts to strengthen installation capabilities.

Opportunities

- Expansion of our business scale (increase in installations and installation workforce)
- Enhanced recognition of our manufacturer capabilities
- Development and market introduction of differentiated products

Risks

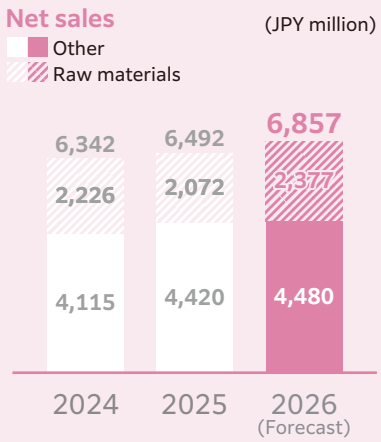
- Slower-than-expected growth in our business scale
- Emergence of competitive alternative products

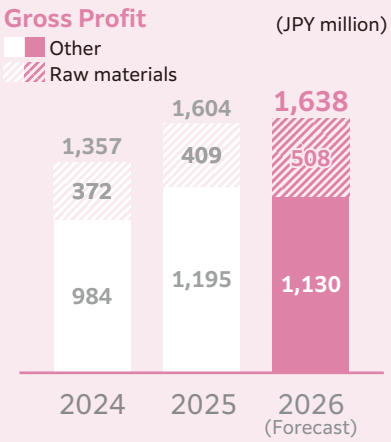
Review of the Fiscal Year and Business Environment

Sales of raw materials were constrained by delays in construction decisions for building projects, resulting in net sales of 2,072 million yen. Nevertheless, the customer base for raw materials steadily expanded, reinforcing a foundation for future growth. Meanwhile, sales of auxiliary materials, machinery, and other products grew to 4,420 million yen, driven by the strong performance of the Single-family Homes Division.

Growth Strategy

For raw material sales, the Company aims to further strengthen our customer base and leverage products tailored to on-site needs, targeting an average annual net sales growth rate of 7.4%. For ancillary materials, machinery, and other products, the Company will enhance bundle sales that create synergistic value and propose optimal combinations, aiming for an average annual growth rate of 5.0%. In addition, the Company will expand raw material sales overseas to broaden our business scope.



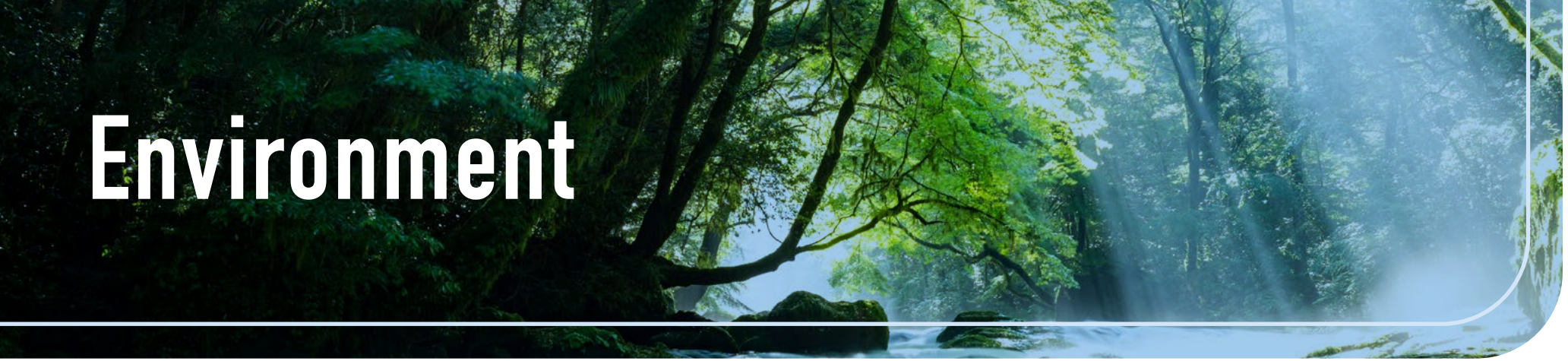


Part 3

SUSTAINABILITY

Initiatives to Promote Sustainability Management

To enhance corporate value on a sustainable basis,
we actively address issues related to the environment, society, and governance.
We will continue to strengthen these initiatives as key elements of our management foundation.



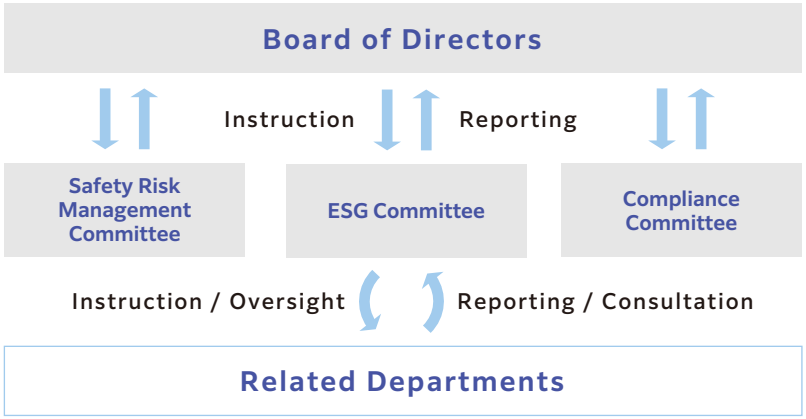
Environment

Disclosure Aligned with ISSB (Especially IFRS S2)

We uphold the corporate philosophy of "Contribution to society through the creation of living environments that are friendly to people and the earth."
Based on this philosophy, we place strong emphasis on measures to prevent global warming. We believe that by analyzing the impact of climate change, including global warming, on our business and implementing appropriate responses, we can further contribute to society.
Accordingly, we are promoting initiatives and information disclosure in line with the IFRS Sustainability Disclosure Standards (S1 and S2) established by the International Sustainability Standards Board (ISSB) (formerly the TCFD Recommendations).

Governance

To promote sustainability management across the Company, we have established an ESG Committee.
The committee is composed of the President and Representative Director, who serves as chair, as well as directors and executive officers responsible for ESG matters and heads of relevant departments.
The committee analyzes the impact of climate-related risks and opportunities on our business and examines appropriate response measures. When matters discussed by the committee are deemed significant, they are reported and proposed to the Board of Directors.
The Board of Directors then reviews and deliberates on these matters and determines the final response policy.



Risk Management

We identify climate change risks through scenario analysis and conduct both qualitative and quantitative evaluations through the ESG Committee. In conducting these evaluations, the significance and priority of climate change risks are determined based on the magnitude of their potential impact and the relevant time horizon.
For climate change risks that are determined to have a significant impact on us, the ESG Committee examines specific response measures and future policies.
In addition to the ESG Committee, the departments responsible for operating specialized committees, including the Safety Risk Management Committee and the Compliance Committee, work in coordination to comprehensively discuss all risks, including those related to climate change, and report the results to the Board of Directors.
Based on these reports, the Board of Directors determines company-wide responses to risks and instructs each committee accordingly. Following these instructions, the ESG Committee directs specific actions to related departments, where appropriate measures are implemented.
Furthermore, the ESG Committee periodically monitors the status of these measures in order to mitigate and avoid risks.

Strategy

We conduct scenario analysis to understand the impact of future climate change on our business activities. In the scenario analysis conducted in fiscal year 2023, we established two future scenarios—a 4°C scenario and a 1.5°C scenario—and identify and evaluate climate change risks and opportunities for the years 2030 and 2050.
Based on this analysis, we are promoting various initiatives to address climate change risks and opportunities that are considered likely to have a significant impact on the business.

4°C Scenario

A scenario assuming that the global average temperature will rise by approximately 4°C by 2100 compared with pre-industrial levels. This scenario assumes that current climate-related targets and initiatives will continue but will not be further strengthened. Under this scenario, the intensification of extreme weather events, increased precipitation, and drought are projected as a result of rising temperatures.

Reference Scenarios
・RCP8.5(IPCC AR5)
・STEPS(IEA WEO 2022)

Analysis Results

We operate business locations across Japan. Under the 4°C scenario, the intensification of extreme weather events associated with rising temperatures is projected, raising concerns about potential physical impacts on our locations.
An assessment based on hazard maps (as of September 2025) confirmed that some of our sales locations nationwide may face a risk of flooding, many of which are located in the Kanto-Koshinetsu and Tohoku regions.
In addition, we procure key raw materials from overseas. If drought occurs in sourcing regions such as China and energy supply becomes restricted, there is a risk that shortages of raw materials—including isocyanates and HFO, which are the base materials for spray-applied rigid polyurethane foam—could disrupt our production activities and lead to a decline in sales.
On the other hand, this scenario also projects increased precipitation. We therefore recognize potential opportunities for increased demand for waterproofing products and waterproofing works for housing and buildings, such as our "Aqua Hajikun."
Based on these analysis results, to address risks, we are strengthening raw material stockpiles and establishing a flexible procurement system in order to maintain stable operations in the event of extreme weather events or drought. For example, we purchase raw materials in bulk and store them at stock points distributed across Japan, thereby enhancing our resilience to climate-related disasters.
Regarding opportunities, to increase sales and orders for waterproofing products and waterproofing works, we are exhibiting at large-scale trade shows to raise awareness of our waterproofing products. In addition, as part of strengthening our internal structure, we are recruiting personnel with expertise in the waterproofing business and forming strategic alliances.

1.5°C Scenario

A scenario assuming that the increase in global average temperature will be limited to approximately 1.5°C by 2100 compared with pre-industrial levels. Under this scenario, initiatives toward decarbonization—such as the introduction of new regulations and the development of new technologies—are expected to be strengthened.

Reference Scenarios
・RCP8.5(IPCC AR5)
・STEPS(IEA WEO 2022)

Analysis Results

Our insulation materials use polyurethane with high thermal insulation performance. Therefore, if regulations on plastics are strengthened as part of decarbonization policies, we recognize the risk of increased compliance costs associated with restrictions on the use of environmentally impactful plastics, including polyurethane.
From the perspective of greenhouse gas (GHG) emissions, electricity is the primary source of energy used at our locations. However, diesel fuel and gasoline are widely used at construction sites and in transportation processes. As a result, the introduction of carbon pricing and the resulting increase in energy prices may lead to higher operating costs.
On the other hand, under this scenario, increased demand for ZEB (Net Zero Energy Buildings) and ZEH (Net Zero Energy Houses) is expected due to the introduction of renewable energy and energy efficiency policies as well as growing environmental awareness. Accordingly, we recognize opportunities for increased sales of insulation materials that contribute to ZEB and ZEH.
Based on these analysis results, in response to risks, we are considering expanding sales of “Aqua Foam LITE,” which incorporates plant-derived raw materials, and further enhancing insulation performance and environmental performance in order to respond to increasingly stringent plastic regulations in a decarbonized society.
In addition, with regard to carbon pricing, we are implementing energy-saving measures aimed at reducing Scope 1 and Scope 2 emissions, which are expected to be subject to carbon taxation. These measures include promoting the adoption of LED lighting at our locations and reducing vehicle travel distances by maintaining warehouses for polyurethane raw materials distributed across Japan.
Regarding opportunities, in order to respond to increasing demand for ZEB and ZEH, we will promote proposals for construction that meet ZEB/ZEH standards and higher-level standards, while also working to improve construction unit prices.

List of Risks and Opportunities

Time Horizon Definitions Short term: up to 2026 / Medium term: 2026–2030 / Long term: 2030–2050

Evaluation Criteria Large: impact of 3% or more on operating profit / Medium: impact of 1% or more but less than 3% on operating profit / Small: impact of less than 1% on operating profit / None: no expected impact

Factor		Category	Impact on Business	Time Horizon	Impact Assessment (2030)		Impact Assessment (2050)	
					4°C	1.5°C	4°C	1.5°C
Transition	Carbon pricing	Risk	・Increased operating costs due to the introduction of carbon taxes and emissions trading systems	Medium to long term	—	Medium	—	Medium
Transition	Decarbonization regulations	Risk	・Restrictions on the use of environmentally burdensome plastics due to tighter plastic regulations	Medium to long term	Small	Medium	Small	Large
Transition	Renewable energy and energy efficiency policies	Risk	・Additional costs associated with energy-saving policies, such as switching to high-efficiency equipment ・Rising electricity prices resulting from the expansion of renewable energy policies	Medium to long term	Small	Medium	Small	Large
Transition	Renewable energy and energy efficiency policies	Opportunity	・Increased demand for insulation materials contributing to ZEB and ZEH	Medium to long term	Small	Medium	Small	Large
Physical	Extreme weather events and changes in weather patterns	Risk	・Direct damage caused by intensifying extreme weather events and losses due to business suspension or disruption ・Difficulty in procuring raw materials for insulation if droughts in China restrict electricity supply	Short to long term	Medium	Small	Large	Medium
Physical	Extreme weather events and changes in weather patterns	Opportunity	・Increased demand for waterproofing products for buildings due to greater precipitation and more rainy days ・Increased demand for rebuilding and renovation due to damage to houses and buildings caused by intensifying extreme weather events	Short to long term	Medium	Small	Large	Small

Estimated Financial Impact

In evaluating the impact of climate-related risks and opportunities as of 2030 and 2050, we conducted an estimation of the scale of business impacts for items for which internal data could be collected and a reasonable estimation methodology could be developed.
The following shows the results of our assessment of business impacts related to carbon taxes and damage and business suspension losses caused by extreme weather events, calculated based on parameters provided in the reference scenarios mentioned above.

(JPY million)

	Estimated Financial Impact	4°C Scenario	1.5°C Scenario
2030	Carbon tax	0	△25
2030	Extreme weather events (floods and storm surges)	△54	△19
2050	Carbon tax	0	△45
2050	Extreme weather events (floods and storm surges)	△81	△57

Financial Impact from Carbon Tax
The estimated financial impact is calculated by applying the parameters for each scenario reported in IEA WEO to our FY2022 Scope 1 and Scope 2 emissions results.

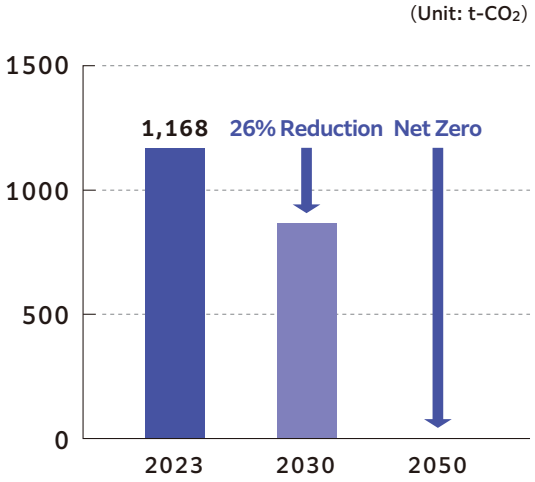
Financial Impact from Extreme Weather Events
The estimation is based on the calculation methodology presented in the Flood Control Economic Survey Manual issued by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

Targets and Metrics

We use GHG emissions as a key metric for managing climate-related issues and has set a target of reducing emissions by 26% by 2030 compared with 2023 levels.
In 2024, emissions amounted to 795 t-CO_2 for Scope 1 and 222 t-CO_2 for Scope 2.

In addition, based on our corporate philosophy, we believe that activities not only within our operations but also across the entire supply chain are important in creating living environments that are friendly to people and the earth. Accordingly, we strive to regularly monitor total emissions across the supply chain (Scope 3).

Scope 1 and 2 Reduction Targets



Scope 1, 2, 3 Results

(Unit: t-CO_2)

	2022	2023	2024	2025
Scope1	1,410	967	795	576
Scope2	237	202	222	227
Scope3	235,532	206,115	248,457	270,086
Category 1	231,412	200,000	239,582	264,518
Category 2	506	1,291	3,157	896
Category 4	2,677	3,662	2,756	2,502
Category 5	346	622	78	1,200
Category 6	486	439	118	852
Category 7	106	101	10	118

Notes on Scope 1 and Scope 2 Calculations

- Emissions from fuel and electricity consumption in company dormitories attached to business sites are excluded.
- In 2022, emissions from fuel used by company secondees working at partner companies, which were included in Scope 1, are classified under Scope 3 (Category 1) in the 2023 calculation.

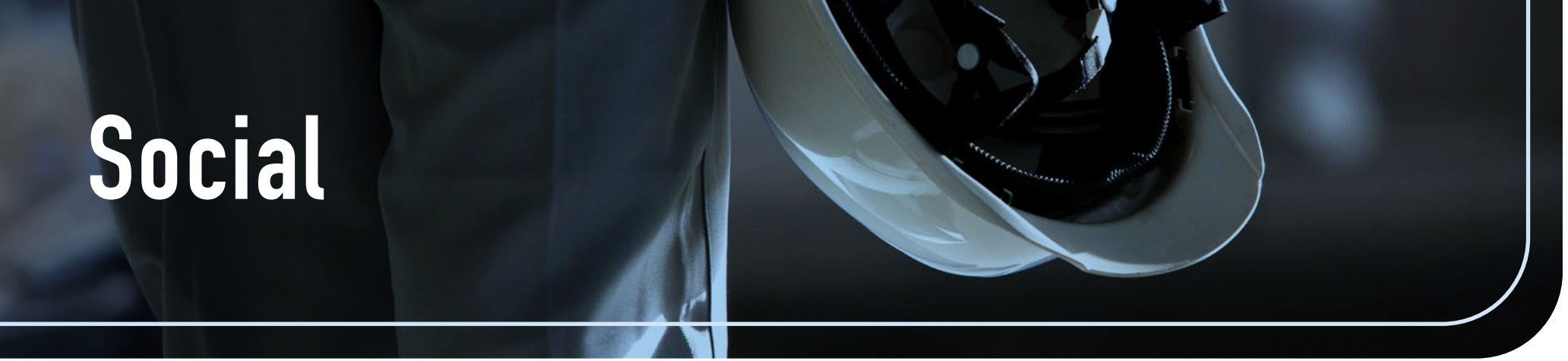
Two Consecutive "B" Scores in the CDP 2025 Climate Change Questionnaire

Each year, companies report their environmental strategies, greenhouse gas emissions, use of renewable energy, and measures to address climate change risks by responding to the questionnaire provided by CDP.
This information is used by investors, consumers, governments, and NGOs to evaluate corporate sustainability.
Many companies around the world participate in CDP. In 2025, more than 640 institutional investors requested environmental disclosure through the CDP platform, and over 22,100 companies responded.

CDP evaluates companies using an eight-level scoring system—A, A-, B, B-, C, C-, D, and D-— based on the transparency of their climate-related disclosures and the level of leadership demonstrated in addressing climate change.
We have received a "B" score, the third-highest rating, for two consecutive years.
This rating indicates that companies are not merely taking practical measures in response to climate change, but are actively promoting initiatives at the management level as part of their management strategy. It also reflects recognition of efforts to build a foundation for sustainable growth.

CDP Discloser 2025

*CDP (Carbon Disclosure Project) is an international non-profit organization established in 2000 that aims to enhance transparency regarding environmental impacts. It provides a global platform through which companies and municipalities disclose information on climate-related impacts and risks, including greenhouse gas emissions.



Social

Approach to Human Capital

Amid expectations for a favorable business environment supported by national environmental policies, we are strengthening our management foundation to accelerate growth. In particular, we believe that building a robust installation system and improving operational efficiency through the use of digital technologies will play a critical role in enhancing our competitiveness going forward.

To secure installers, who form the core of our installation system, we have continued to focus primarily on mid-career recruitment. At the same time, in order to enhance workforce diversity and competitiveness, we are expanding initiatives such as graduate recruitment and internship programs aimed at younger talent.

In addition, in response to challenges related to working environment in the construction industry, we introduced a staggered working hours system in January 2026 to further improve work–life balance. We are also promoting the creation of a more comfortable and productive work environment through the use of digital transformation (DX).

Furthermore, by introducing IT systems and AI technologies, we are accelerating the automation and efficiency of business processes. These initiatives enable each employee to focus on more creative and higher-value-added work. As a result, labor productivity continues to improve, while progress has also been made in areas such as the promotion of women to key positions and expanded opportunities for foreign employees to contribute. These developments support the cultivation of a diverse and inclusive corporate culture.

By actively recruiting and utilizing diverse talent regardless of gender, nationality, age, or disability, we seek to generate new value and achieve sustainable business growth. Going forward, we will continue striving to contribute to the realization of a sustainable society while remaining a company that delivers value to all stakeholders.

Transformation of the Construction Industry and Improvements in the Working Environment

Based on the "Act on the Arrangement of Related Laws to Promote Work Style Reform," enacted in 2019, an upper limit on working hours was introduced in the construction industry in April 2024. This reform aims to correct long working hours and promote the standardization of a five-day workweek.

Ahead of the enforcement of the regulation, we had already introduced a five-day workweek and, in January 2023, shifted to a system in which employees take Saturdays and Sundays off. While this initiative had the potential to reduce the number of operating days for construction work, the impact has been mitigated through more efficient installation planning and higher weekday productivity.

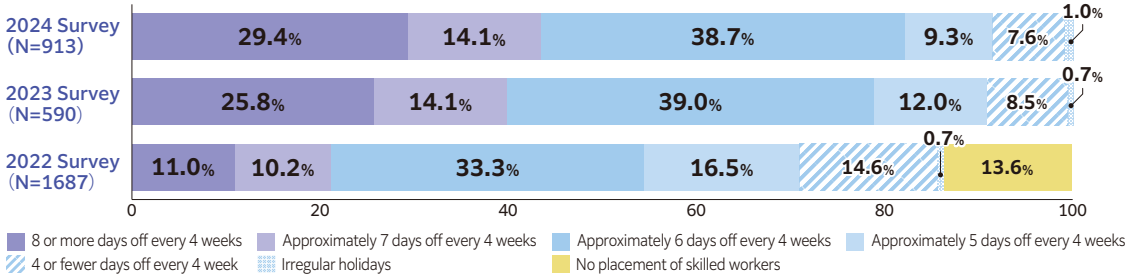
In addition, the initiative has significantly increased the number of job applicants, producing positive effects in terms of talent acquisition.

Furthermore, as part of our work style reform initiatives, we are promoting measures that emphasize employee health and work–life balance while contributing to improvements in the working environment across the construction industry. Through these efforts, we aim to serve as a model for a sustainable working environment in the construction sector.

Average Holiday Acquisition Status in the Construction Industry

Average Holiday Acquisition Status in the Construction Industry

The situation is such that even a two-day weekend, which is standard in other industries, is not achieved. It can be seen that the proportion of "approximately 6 days off every 4 weeks" is the highest.



Source: Ministry of Land, Infrastructure, Transport and Tourism "Survey Results on Promoting Work Style Reform through Proper Construction Period Setting for FY2024" (Published October 14, 2025)

Employment of Technical Intern Trainees and Specified Skilled Workers

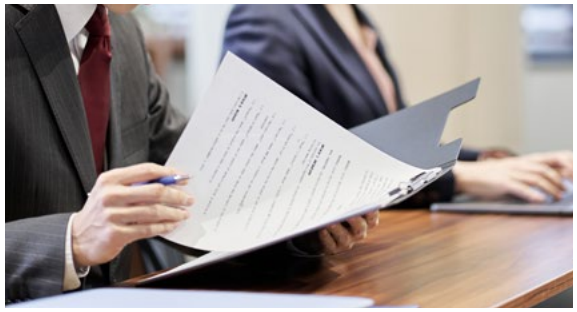
We accept foreign technical intern trainees and specified skilled workers under Japan's Technical Intern Training Program, which aims to transfer skills, technologies, and knowledge to developing regions and support the development of human resources who contribute to local economic growth. Many of these individuals work as installers within our workforce.
In addition to providing instruction on the knowledge and terminology required for installation work, we emphasize the importance of safety awareness and a professional mindset. Technical supervisors provide hands-on guidance by demonstrating tasks directly at the job site.
To ensure trainees do not experience loneliness or inconvenience while living in Japan, they are not assigned alone to individual offices and instead live together in company dormitories. Furthermore, we maintain close communication with supervising organizations to provide attentive and continuous support.

Promoting Women's Career Advancement

As of the end of 2025, the ratio of female managers stood at 15%, exceeding the construction industry average of 6.4% (2025, Teikoku Databank). We aim to raise this ratio to 20% by 2028.
In particular, for roles with a high proportion of female employees, such as sales administrative positions, the implementation of IT systems to streamline operations, coupled with the establishment of clear career paths, has fostered the emergence of numerous role models. Furthermore, we have enhanced work–life balance initiatives, including shortened working hours and other flexible arrangements, enabling employees to effectively balance professional and family responsibilities.

Strengthening Recruitment and Development of Installation Workforce

We aim to build an overwhelming recruitment and development system, both in quality and quantity. Since FY2023, we have set a target of hiring 100 installers annually, including certified contractor partners, and are steadily expanding this program. As it takes six months to one year for inexperienced hires to acquire the necessary skills, we believe that continuous recruitment and training is key to our sustainable growth. We will further strengthen the recruitment of installers beyond 2026.



Ensuring Quality and Strengthening Technical Capabilities

We deploy quality patrol vehicles nationwide to conduct unannounced inspections. Using these vehicles, the Quality Management Department makes surprise visits to construction sites across the country to ensure that work is carried out in accordance with proper installation procedures.
We have also introduced standardized polyurethane thickness measurement devices nationwide. These devices allow precise measurement of polyurethane materials in accordance with design specifications, helping maintain the highest level of quality. If any installation fails to meet these standards, corrective instructions are issued to the responsible installation teams or certified contractors.
In addition, the installation teams (including certified contractors), the Quality Management Department, and the relevant sales departments work together to identify the root causes and implement measures to prevent recurrence.

Certified Contractors System

A certified contractor is a construction company that has completed technical training based on the standardized criteria and methods established by Nippon Aqua, and is authorized to handle designated spray-applied rigid polyurethane foam products (Aqua Form series) and related materials.
Unlike typical franchise systems, no membership fees or royalties are required, and since we supply the polyurethane raw materials for a fee, certified contractors do not incur procurement costs, enabling low-cost business startup.
Furthermore, all sales activities and communications with ordering parties—including general contractors, builders, and installation contractors—are handled by us. This centralization allows certified contractors to focus entirely on installation work.
By improving their installation skills, certified contractors can not only take on a wider range of projects but also increase efficiency on site, leading to potential income growth.

スキのないビジネスを。

☑ No sales required

☑ No royalties

☑ Materials supplied for a fee

☑ Technical training

Job Creation in the Region

We are advancing the establishment of business offices for our own properties nationwide.
The sales offices are large facilities that serve not only as workplaces for employees but also as activity bases for certified contractors and stock points for polyurethane raw materials. By owning these properties, we not only conduct business activities rooted in the community but also create attractive employment opportunities in regions with insufficient job opportunities, contributing to regional development.

Stock points for polyurethane raw materials

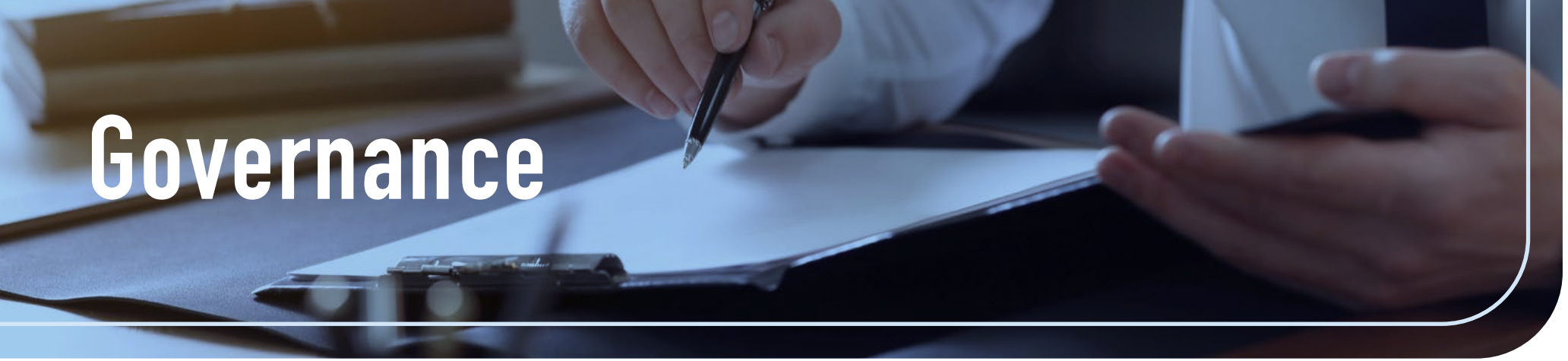
Miyazaki Sales Office

Safety Training and Guidance

Certified contractors join a voluntary organization called the "Aqua Association." We hold a biannual "Safety Conference" for members of this association, featuring expert lectures as well as presentations by our executives and heads of relevant departments on occupational health and safety measures. These initiatives aim to deepen certified contractors' knowledge of safety and health practices and to foster a strong safety-conscious mindset across the installation workforce.

Scenes from the Safety Conference

Training for Aerial Work Vehicles

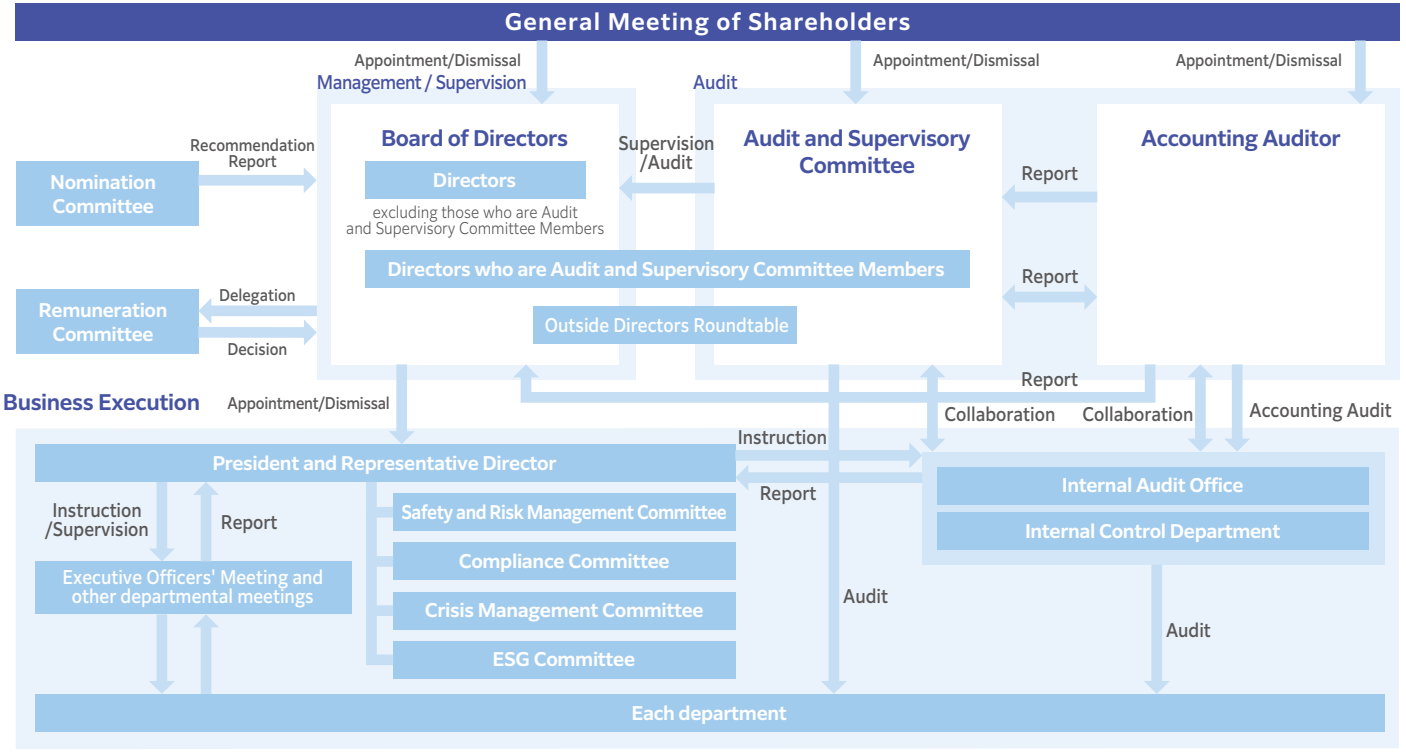


Governance

Basic Concept

The basic concept of the Company's corporate governance is to aim for the sustainable enhancement of corporate value while maintaining high soundness and transparency, fulfilling its social responsibility as a listed company. Specifically, the Company ensures transparency through proactive information disclosure, while swiftly reflecting management policies and business strategies in business activities, pursuing performance growth and financial soundness. The Company also believes it is important to eliminate judgments and decisions based on internal circumstances, deepen engagement with stakeholders, and make the internal control system function more effectively to build a highly effective governance system. Furthermore, in March 2023, the Company transitioned from a company with a board of auditors to a company with an audit and supervisory committee. This transition is expected to further enhance the audit and supervisory functions of the board of directors by involving independent outside directors in management. As of March 2025, the Company continues to review this system and strengthen governance in response to changes in the management environment.

Governance Structure Diagram



Board of Directors

The board of directors consists of 11 directors (5 internal directors and 6 independent outside directors) and is scheduled to meet at least once a month. In fiscal 2025, the board met 18 times, discussing regular agenda items such as monthly financial results and analysis, reports on business execution by responsible directors and executive officers, and the operation status of the internal control system, as well as reviewing capital investment plans, progress management of the prime market compliance plan, and risk management system considerations.

Audit and Supervisory Committee

The audit and supervisory committee consists of 4 independent outside directors and is scheduled to meet at least once a month. In the fiscal year 2025, it was held a total of 15 times. The Company enhanced the effectiveness of audits by focusing on audits utilizing the internal control system, holding regular meetings with the president, attending important meetings, and conducting hearings with executive directors and executive officers.

Utilization of voluntary organizations

Remuneration Committee	It is composed of internal directors with titles and independent outside directors (with a majority being independent outside directors), and the remuneration of directors is determined after deliberation by this committee.
Nomination Committee	It is composed of internal directors with titles and independent outside directors (with a majority being independent outside directors), and serves as an advisory body to the Board of Directors, deliberating on the appointment proposals for director candidates and reporting to the Board.
Outside Directors Roundtable	It is composed of a total of 6 members, including 2 independent outside directors (excluding directors who are audit committee members) and 4 independent outside directors who are audit committee members, and holds a free discussion once a month to contribute to the Company's management. In the fiscal year 2025, it was held a total of 12 times, with many discussions on compliance issues and cases where top management and officers should be held accountable, using recent corporate scandals as examples, and advice is provided to the Board of Directors as needed.

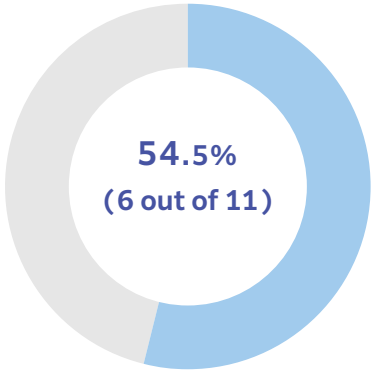
Executive Officer

Since the fiscal year 2019, the Company has introduced an executive officer system to expedite decision-making and clarify the roles and responsibilities of business execution. The term of office for executive officers is one year, and the Company has established titled executive officers (senior executive officers, second-tier executive officers), with their appointment and dismissal decided by the Board of Directors.

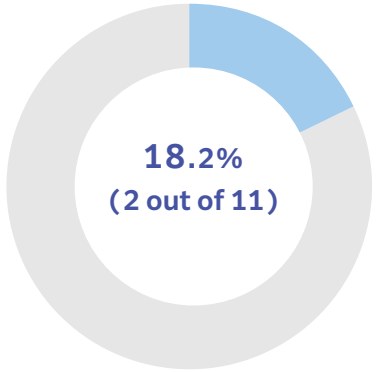
Structure of Executive Officer (as of March, 2026)

Executive Officer	Toshikuni Yasukawa	Responsible for Waterproofing Division.
Executive Officer	Kazuki Minagawa	Responsible for Human Resources & General Affairs Dept., Corporate Planning Dept., and Information Systems Dept.
Executive Officer	Shoji Sato	Responsible for Finance and Accounting Dept.
Executive Officer	Chiemi Kawakami	Responsible for Procurement Dept., Integrated Support Dept.
Executive Officer	Hiroshi Egawa	Responsible for Estimation Dept., Environment Dept.
Executive Officer	Isao Tonegawa	Responsible for Contractor Development Dept., Construction Dept.

Ratio of Independent Outside Directors



Ratio of Female Directors



Introduction to the Board of Directors/Skill List

Name	Position	Gender	Corporate Management	Sustainability ESG	Sales Marketing	Production Quality Control	Finance and Accounting	Personnel and Labor Human Resource Development	Legal Affairs Risk Management
Fumitaka Nakamura	President and Representative Director	Male	●	●	●	●			
Yuka Murakami	Senior Managing Director	Female	●				●	●	●
Kazuhisa Nagata	Managing Director	Male		●		●			
Koji Fujii	Director	Male			●	●			
Keishi Usami	Director	Male			●	●			
Takeshi Kenmochi	Outside Director	Male	●				●	●	
Kenji Komatsu	Outside Director	Male	●		●				
Shosaku Shimomura	Audit and Supervisory Committee Member Outside Director	Male		●			●		●
Yuki Matsuda	Audit and Supervisory Committee Member Outside Director	Female						●	●
Naofumi Higuchi	Audit and Supervisory Committee Member Outside Director	Male					●		
Hidetaka Nishina	Audit and Supervisory Committee Member Outside Director	Male							●

Part 4

DATA & CORPORATE PROFILE

Record Net Sales Achieved, Accelerating Growth Strategy for Further Expansion

Supported by strengthened energy-efficiency regulations, the attraction of semiconductor factories, and rising demand for waterproofing renovations, net sales reached a record high. The Company actively invested in human capital to strengthen its sustainable growth platform.

In the fiscal year ended December 31, 2025 (22nd fiscal year: January 1, 2025 – December 31, 2025), the construction and housing industry in Japan experienced significant regulatory and market changes. In June 2022, the Act for Promoting the Improvement of Energy Performance of Buildings to Contribute to a Decarbonized Society was promulgated. Following its enforcement, compliance with energy-saving standards became mandatory for all buildings, including single-family homes, from April 2025. Furthermore, the government announced plans to further tighten these standards to a level equivalent to insulation grade 5 by around 2030. These developments have heightened interest in energy efficiency and insulation performance, and are expected to accelerate the supply of high-performance housing and buildings.

On the other hand, the number of newly constructed homes continued to trend weakly, reflecting a challenging environment for the housing industry. Nevertheless, corporate capital expenditures remain robust, driven by large-scale investments such as data centers. Construction activity for large-scale manufacturing facilities, commercial complexes, and high-rise condominiums is active nationwide. In addition, buildings constructed during the construction boom of the 1980s and 1990s are aging, leading to increased demand for waterproofing renovation. Buildings with waterproof layers exceeding their expected lifespan of roughly 20–30 years face water leakage and deterioration, necessitating renovations to maintain asset value. Strengthened regulations, seismic countermeasures, and climate change adaptation further support this demand. As a result, high-performance waterproof materials and environmentally conscious products are gaining traction, and market growth is expected to continue as the stock of aging buildings expands.

Against this backdrop, the Company leveraged its product strengths and nationwide installation network to actively pursue orders across all divisions.The Company offers the Aqua Foam series, which provides high thermal insulation and airtightness, the ultra-fast-curing waterproofing material "Aqua Hajikun", and the unique "Marutto Aqua Foam" package, which delivers whole-building insulation as a single solution. These offerings differentiate the Company in the market and strengthen our competitive advantage.

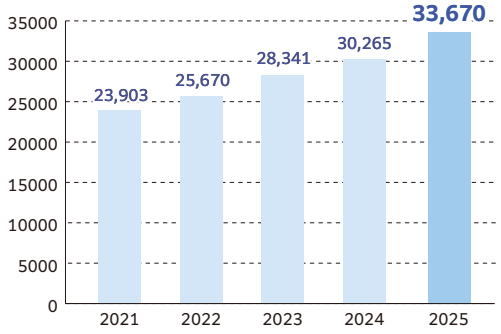
Details of initiatives by each division are presented in the Business Overview section of this Integrated Report (pages 26–32).

As a result, net sales for the fiscal year reached 33,670 million yen, representing an 11.3% increase over the previous year. In addition, initiatives to expand market share in the Single-family Homes Division and thorough construction management aimed at cost reduction and cash flow improvement in the Buildings Division contributed to a gross profit of 7,738 million yen, with a gross profit margin of 23.0%, up 0.3 percentage points year on year.

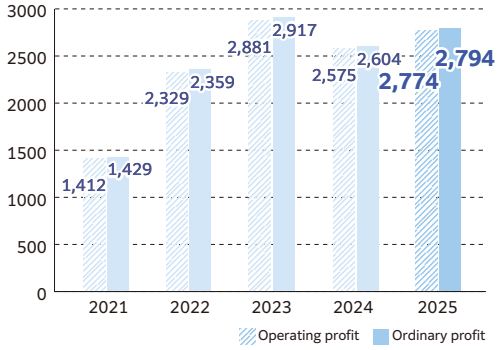
Meanwhile, personnel expenses, which reflect investments in human capital essential for future growth—including the expansion of our installation workforce—increased selling, general, and administrative expenses by 677 million yen, bringing them to 4,964 million yen.

Consequently, operating profit was 2,774 million yen, up 7.7% year on year; ordinary profit was 2,794 million yen, up 7.3%; and net profit attributable to owners of the Company was 1,895 million yen, up 3.1% compared with the previous fiscal year.

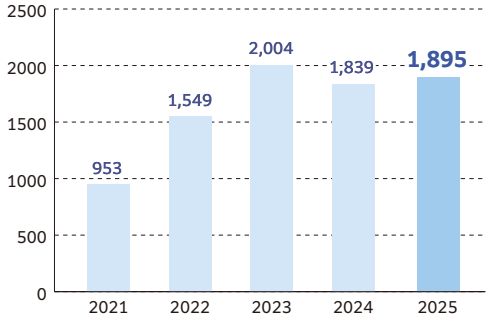
Net sales (JPY million)



Operating profit/Ordinary profit (JPY million)



Profit (JPY million)



Financial Statements

Balance Sheet

(JPY million)

	Previous Fiscal Year (December 31, 2024)	Current Fiscal Year (December 31, 2025)
Assets		
Current assets		
Cash and deposits	2,263	2,415
Notes and accounts receivable - trade, and contract assets	8,117	7,977
Electronically recorded monetary claims - operating	1,142	1,434
Merchandise	266	421
Raw materials and supplies	1,955	2,469
Advance payments to suppliers	24	9
Prepaid expenses	162	248
Accounts receivable - other	4,853	5,032
Other	34	31
Allowance for doubtful accounts	–	(24)
Total current assets	18,819	20,015
Non-current assets		
Property, plant and equipment		
Buildings, net	2,180	2,090
Structures, net	150	121
Machinery and equipment, net	150	117
Vehicles, net	32	18
Tools, furniture and fixtures, net	48	45
Land	1,680	2,065
Leased assets, net	28	20
Construction in progress	–	0
Total property, plant and equipment	4,271	4,480
Intangible assets		
Leasehold interests in land	15	15
Software	53	36
Lease assets, net	5	2
Software in progress	5	33
Other	0	0
Total intangible assets	79	88
Investments and other assets		
Investment securities	3	3
Shares of subsidiaries and associates	16	16
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	37	37
Long-term loans receivable from employees	1	2
Distressed receivables	13	57
Long-term prepaid expenses	326	451
Deferred tax assets	207	306
Leasehold and guarantee deposits	116	132
Other	177	273
Allowance for doubtful accounts	0	(57)
Total investments and other assets	900	1,226
Total non-current assets	5,251	5,795
Total assets	24,071	25,810

(JPY million)

	Previous Fiscal Year (December 31, 2024)	Current Fiscal Year (December 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	7,556	7,528
Short-term borrowings	4,500	4,800
Lease liabilities	13	12
Accounts payable - other	474	400
Accrued expenses	283	297
Income taxes payable	292	687
Accrued consumption taxes	32	101
Advances received	48	41
Deposits received	49	38
Provision for bonuses	33	40
Other	131	142
Total current liabilities	13,415	14,090
Non-current liabilities		
Lease liabilities	12	–
Asset retirement obligations	40	40
Other	57	45
Total non-current liabilities	109	85
Total liabilities	13,525	14,176
Net assets		
Shareholders' equity		
Share capital	1,903	1,903
Capital surplus		
Legal capital surplus	1,883	1,883
Other capital surplus	131	213
Total capital surplus	2,015	2,097
Retained earnings		
Other retained earnings		
Retained earnings brought forward	8,357	9,168
Total retained earnings	8,357	9,168
Treasury shares	(1,731)	(1,536)
Total shareholders' equity	10,545	11,633
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Total net assets	10,545	11,633
Total liabilities and net assets	24,071	25,810

Income Statement

(JPY million)

	Previous Fiscal Year (January 1, 2024 – December 31, 2024)	Current Fiscal Year (January 1, 2025 – December 31, 2025)
Net sales	30,265	33,670
Cost of sales	23,403	25,932
Gross profit	6,862	7,738
Selling, general and administrative expenses	4,286	4,964
Operating profit	2,575	2,774
Non-operating income		
Interest income	35	52
Insurance claim income	4	2
Outsourcing service income	4	4
Other	12	17
Total non-operating income	56	77
Non-operating expenses		
Compensation expenses	7	–
Interest expenses	20	42
Amortization of long-term prepaid expenses	–	14
Other	0	0
Total non-operating expenses	28	58
Ordinary profit	2,604	2,794
Extraordinary income		
Gain on sale of non-current assets	7	6
Total extraordinary income	7	6
Extraordinary losses		
Loss on retirement of non-current assets	12	3
Total extraordinary losses	12	3
Profit before income taxes	2,598	2,796
Income taxes - current	719	1,000
Income taxes - deferred	39	(99)
Total income taxes	758	900
Profit	1,839	1,895

Cash Flow Statement

(JPY million)

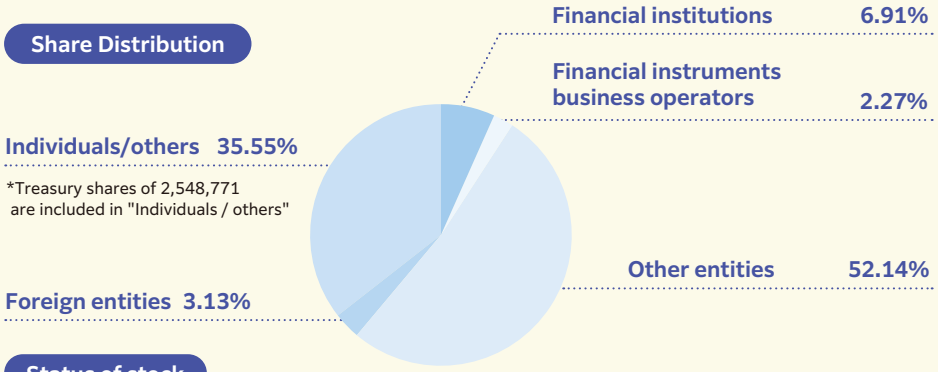
	Previous Fiscal Year (January 1, 2024 – December 31, 2024)	Current Fiscal Year (January 1, 2025 – December 31, 2025)
Cash flows from operating activities		
Cash flows from operating activities	2,598	2,796
Depreciation	239	214
Increase (decrease) in allowance for doubtful accounts	(93)	81
Increase (decrease) in provision for bonuses	8	7
Interest and dividend income	(35)	(52)
Interest expenses	20	42
Compensation costs	7	–
Insurance claim income	(4)	(2)
Gain from business consulting fee	(4)	(4)
Loss (gain) on sale and retirement of non-current assets	5	(2)
Decrease (increase) in trade receivables	(1,845)	(290)
Decrease (increase) in inventories	13	(525)
Decrease(increase) in distressed receivable - other	53	(43)
Increase (decrease) in trade payables	1,174	(107)
Decrease (increase) in accounts receivable - other	(1,228)	(100)
Decrease (increase) in accounts payable	(157)	(60)
Decrease (increase) in accrued consumption taxes	(419)	68
Other, net	78	91
Subtotal	411	2,111
Interest and dividends received	35	52
Proceeds from insurance income	4	2
Proceeds from fiduciary obligation fee	4	4
Interest paid	(20)	(42)
Compensation expenses paid	(7)	–
Income taxes paid	(945)	(618)
Net cash provided by (used in) operating activities	(516)	1,510
Cash flows from investing activities		
Purchase of property, plant and equipment	(182)	(472)
Proceeds from sale of property, plant and equipment	19	16
Purchase of intangible assets	(26)	(31)
Purchase of investment securities	0	0
Purchase of insurance funds	(96)	(96)
Loan advances to subsidiaries and associates	(41)	(4)
Collection of loans receivable from subsidiaries and affiliates	–	4
Other, net	(10)	(18)
Net cash provided by (used in) investing activities	(338)	(603)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,100	300
Repayments of finance lease liabilities	(20)	(13)
Repayments of long-term accounts payables - other	(51)	(10)
Proceeds from sale and leaseback transactions	62	53
Dividends paid	(1,005)	(1,084)
Net cash provided by (used in) financing activities	1,084	(755)
Net increase (decrease) in cash and cash equivalents	230	151
Cash and cash equivalents at beginning of period	2,033	2,263
Cash and cash equivalents at end of period	2,263	2,415

Corporate Profile

Company Name	Nippon Aqua Co.,Ltd
Established	November 29, 2004
Capital	1,903 million (as of December 31, 2025)
Number of Employees	710 (Non-consolidated) (as of December 31, 2025)
Head Office	Taiyo Seimei Shinagawa Building 20th floor, 2-16-2 Konan, Minato-ku, Tokyo, 108-0075 TEL: +81-3-5463-1117

Stock Information

Share Distribution



Status of stock

Total number of shares authorized to be issued	80,000,000
Total number of shares issued	34,760,000 (including 2,548,771 treasury shares)
Number of shareholders	12,314

Major Shareholders

Name of shareholder	Number of shares held (shares)	Holding ratio (%)
Hinokiya Group Co., Ltd.	17,700,000	54.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,114,000	6.56
Fumitaka Nakamura	1,005,800	3.12
Naoki Hayakawa	433,000	1.34
Nippon Aqua Employee Shareholders Association	369,400	1.15
KOUFUKU SENPAKU Co., Ltd.	283,000	0.88
Yoshihiro Katayama	242,000	0.75
GOLDMAN SACHS INTERNATIONAL	229,100	0.71
Yuka Murakami	223,400	0.69
Mitsuhiko Minakado	202,000	0.63

*Holding ratio is calculated by deducting treasury shares (2,548,771 shares) from the total number of shares issued.

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