

March 14, 2024

Company name: Nippon Aqua Co., Ltd.
 (Securities code: 1429; Tokyo Stock Exchange, Prime Market)
 Address: 2-16-2 Konan, Minato-ku, Tokyo
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Notice of the Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Nippon Aqua Co., Ltd. (the "Company") has analyzed and evaluated the current situation regarding actions to implement management that is conscious of cost of capital and stock price, in order to achieve sustainable growth and improve corporate value in the medium to long term. We have formulated a policy for future initiatives and would like to inform you about it.

1. Analysis of current situation

The trends in the P/B ratio and ROE of the Company over the past six years are as follows. The P/B ratio has ranged from 2.4 to 3.3 times, and we recognize that we have been able to achieve a favorable evaluation. In addition, during this period, we set a target of 15% or more for ROE in the Medium-Term Management Plan and worked to improve ROE.

(Million yen)

	FY12/2018	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023
Net sales	19,417	21,366	21,872	23,903	25,670	28,341
Operating profit	766	1,909	1,896	1,412	2,329	2,881
Ordinary profit	764	1,909	1,911	1,429	2,359	2,917
Profit	489	1,275	1,342	953	1,549	2,004
P/B ratio (times)	2.4	3.0	2.7	2.8	3.3	3.0
ROE (%)	8.6	20.0	18.5	12.2	19.5	23.2

2. Future initiatives

The Company, in conjunction with the "Notice of the Progress based on the plan for compliance with the continued Listing Criteria and updates to the plan (changes in the plan period)" separately disclosed today, recognizes the importance of continuously meeting continued listing criteria for the Prime Market. Therefore, we will aim for further improvement in the market value of shares traded without being satisfied with the current situation.

Please check the attached materials for details.

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



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

March 14, 2024

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



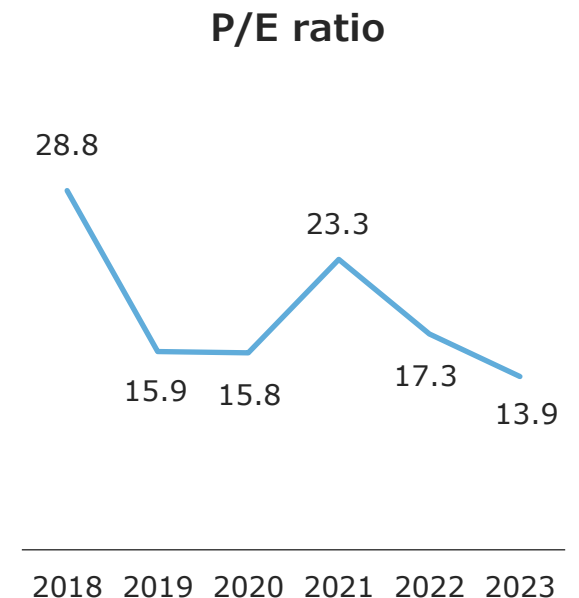
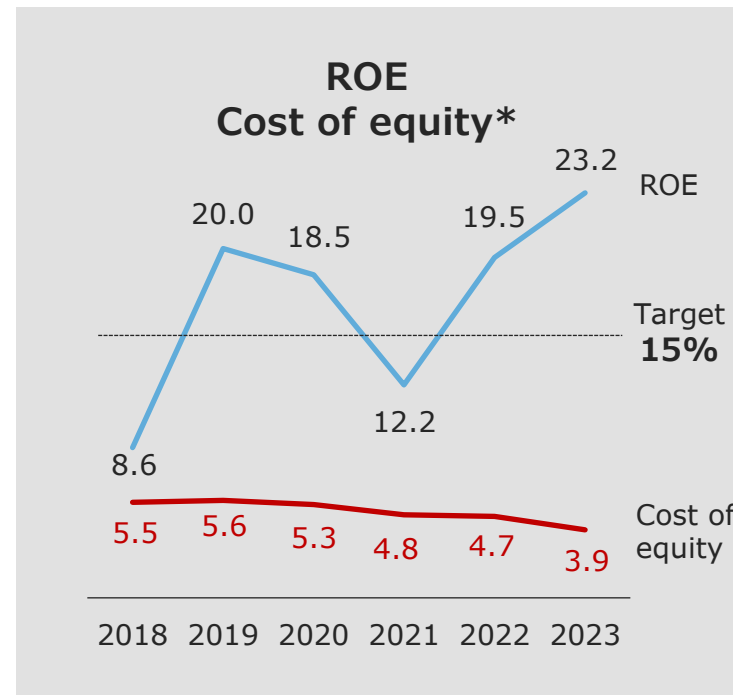
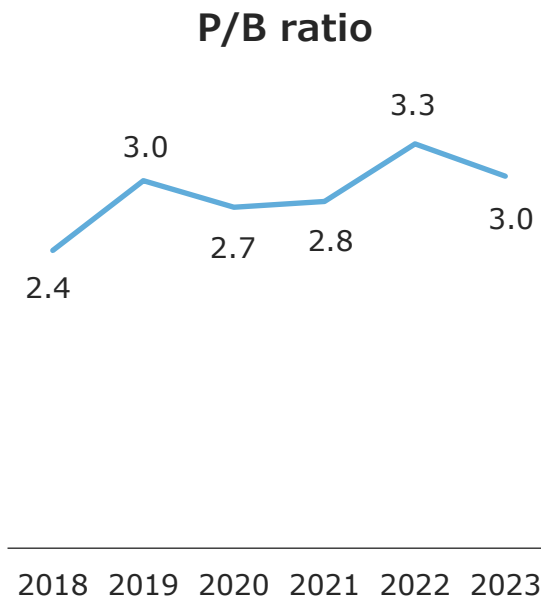
Analysis of current situation and evaluation



The P/B ratio from 2018 to 2023 has been moving between 2.4 times and 3.3 times, and we recognize that we have been able to obtain a good evaluation.

As a result of decomposing the P/B ratio into ROE and P/E ratio and verifying it, we perceive that the factor was that we were able to record a ROE that exceeded the cost of equity continuously during the said period.

In addition, during the said period, we set a target of ROE 15% or more in the Medium-Term Management Plan and worked to improve ROE.



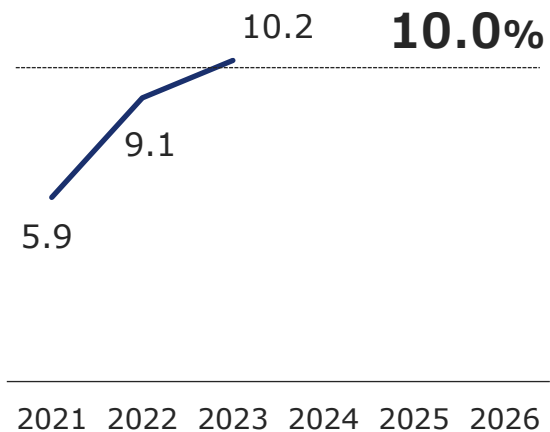
Future initiatives



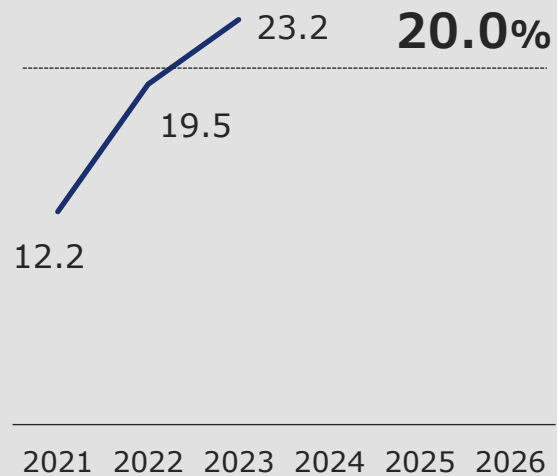
In order not to be satisfied with the current situation and to further improve the market value of shares traded, we will continue to clear the continued listing criteria for the Prime Market

For that purpose, in the Medium-Term Management Plan targeting the fiscal years 2024-2026, we set a sustainable growth rate of 10% and will work to achieve the following KPI goals.

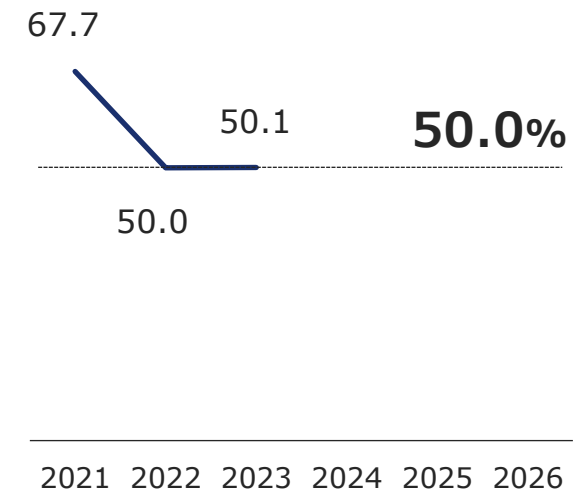
Operating profit margin



ROE

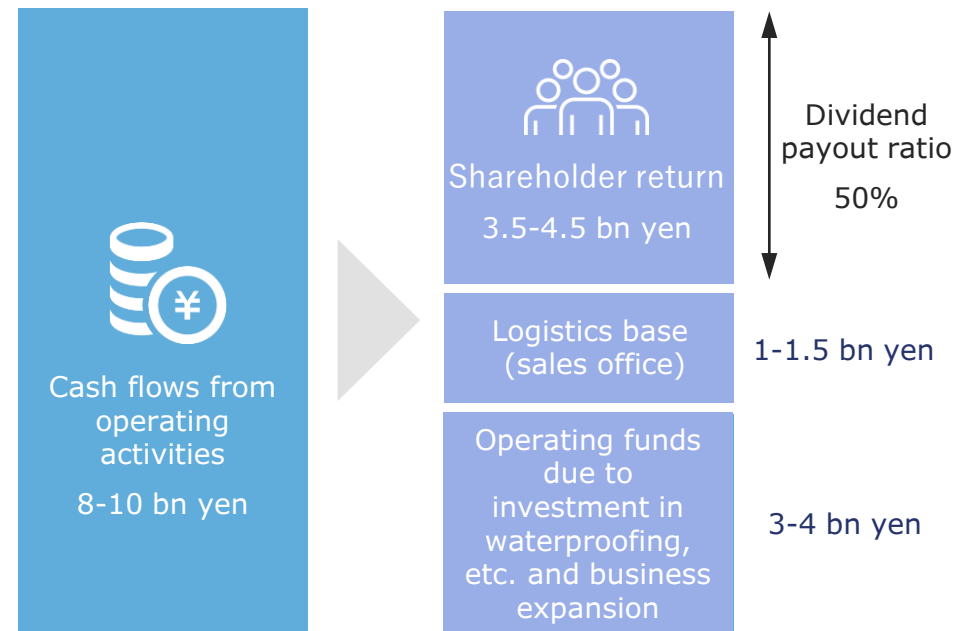
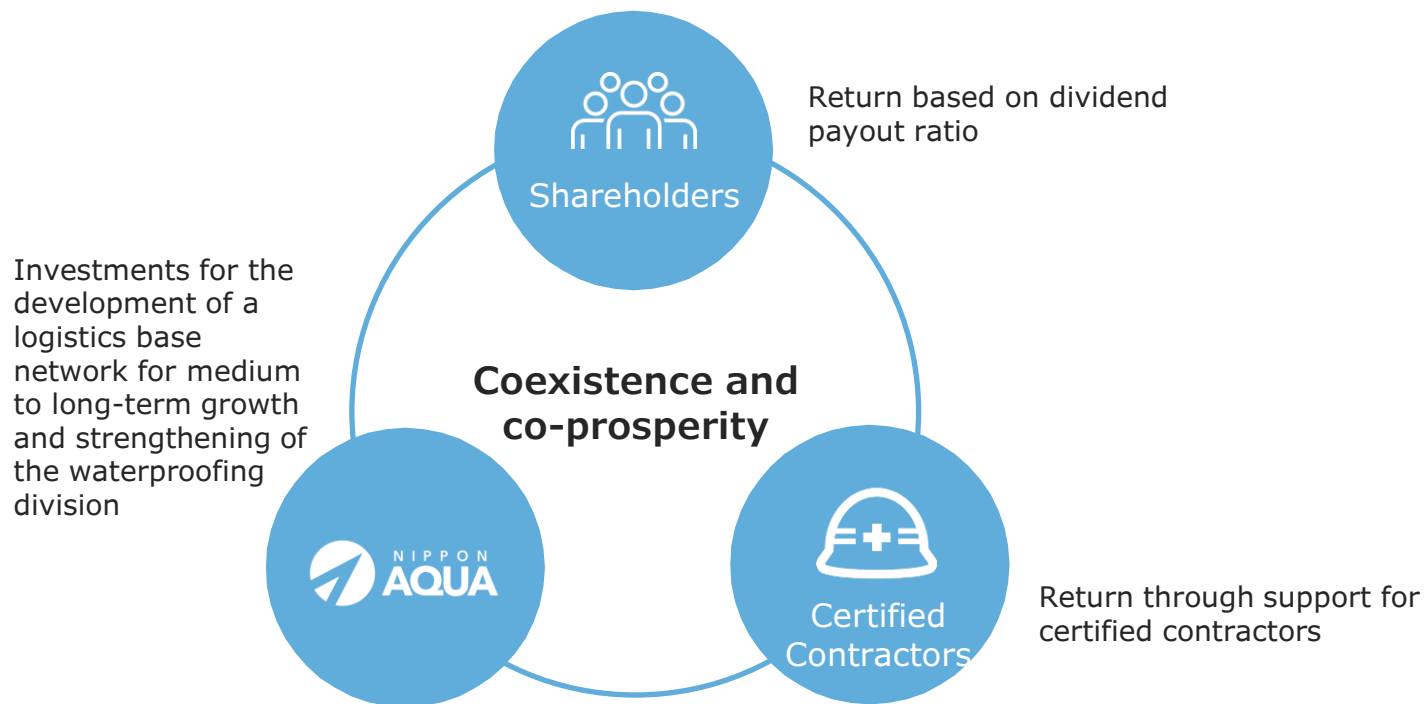


Dividend payout ratio



Financial Forecast (Million yen,%)

	FY 2023 Jan-Dec	Forecast FY 2024		YoY		ref. Medium-term Mgt Plan	
		6M Jan-Jun	FY Jan-Dec	Amount	Change(%)	FY 2025	FY 2026
Net sales	28,341	13,556	31,005	+2,663	+9.4	35,632	41,021
Single-family homes	13,798	6,255	14,408	+609	+4.4	15,367	16,503
Buildings	8,267	4,376	10,394	+2,126	+25.7	12,510	15,119
Waterproofing	489	284	695	+206	+42.2	1,500	2,500
Sales of urethane raw materials	1,916	1,040	2,235	+319	+16.7	2,578	2,964
Product sales	3,869	1,599	3,271	(597)	(15.4)	3,677	3,935
Cost of sales	21,417	10,543	23,596	+2,179	+10.2	27,081	31,176
Gross profit	6,924	3,012	7,408	+484	+7.0	8,551	9,845
Single-family homes	3,685	1,492	3,585	(99)	(2.7)	3,688	3,960
Buildings	1,963	1,024	2,774	+811	+6.6	3,377	4,082
Waterproofing	(35)	13	38	+74	—	150	250
Sales of urethane raw materials	342	193	398	+56	+16.4	464	533
Product sales	968	289	611	(357)	(36.9)	872	1,020
SG&A expenses	4,042	2,051	4,308	+266	+6.6	4,809	5,332
Operating profit	2,881	960	3,100	+218	+7.6	3,741	4,512
Ordinary profit	2,917	960	3,100	+183	+6.3	3,741	4,512
Profit	2,004	648	2,092	+88	+4.4	2,525	3,045
Dividend per share (yen)	32.0		34.0	+3.0	+9.4	40.0	49.0



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

Good Cycle of Growth and Profit Distribution

Implementing profit distribution to stakeholders through our company's sustained growth



Development of a nationwide logistics base network (opening of sales offices)

- ✓ Opening 1-2 large logistics bases (sales offices) per year
- ✓ Approximately 0.2-0.3 billion yen per site, including land and buildings

Nippon Aqua's approach to shareholders and investors

Mar 2018



Change to Tokyo Stock Exchange First Section

Apr 2022



Transition to Tokyo Stock Exchange Prime Market

Dec 2021



Submit the plan to meet continued listing criteria for Prime Market

Aug 2022



Proactively disseminate PR information

Aug 2022



Voluntarily set up IR meetings

Jan 2023



Change the financial results explanation video to a dialogue format by the president

Nov 2023



Start X (formerly Twitter)

Mar 2022



Start disclosing in English

Aug 2022



Change the financial results briefing to be held quarterly

Jan 2023



Proactively distribute videos

Mar 2023



Create an integrated report

Dec 2023



Open a sustainability site

Status of dialogue with shareholders and investors

From January 2023 to December 2023



Activity record

- Annual General Meeting of shareholders
- Financial results explanation video 3 times
 - ✓Explanation in a dialogue format by the president
- Financial results briefing 4 times
 - ✓Executive Officer
- Technical Center Tour 1 time
 - ✓Head of Technical Center
- Small meeting 3 times
 - ✓President 2 times
 - ✓Executive 1 time
- Interviews with institutional investors and analysts 102 times
 - ✓Including the president 3 times
 - ✓Others are the Executive Officer, GM of Corporate Planning Department



Feedback

- Report to the Board of Directors
 - ✓Implemented every month
- Report to the president and responsible director
 - ✓Implemented as needed



Main concerns of shareholders and investors

- Nippon Aqua's business model and strengths
- Market environment and competitive situation
- Recruitment and development of external installation work personnel
- Future growth strategy
- Progress of the plan to meet continued listing criteria for the Prime Market

Opinions and concerns of shareholders and the matters we have incorporated



Share acquisition rights are having a negative impact on the stock price

- ✓Discuss the response at the Board of Directors
- ✓Acquire all remaining share acquisition rights and cancel them



I want to see the site of development and construction of insulation materials

- ✓Hold a Technical Center tour for investors
- ✓Create a Technical Center introduction video by the president



Further enhancement of financial results explanation materials

- ✓Disclose main Q&A at financial results briefing
- ✓Expand the contents of financial results briefing materials (from 2024)



SNS should be used for dialogue with individual investors

- ✓Increase the number of video distributions on the YouTube site
- ✓Start X (formerly Twitter) by the PR person in charge



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



Inquiries

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Disclaimer and Notes Regarding Forward-Looking Statements

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

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

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