# Business Results for the Six Months Ended June 30, 2024

August 9, 2024

**Nippon Aqua Co., Ltd.**

Tokyo Stock Exchange Prime Section #1429

Six months ended June 30, 2024

# Financial Highlights

✓Single-family Homes Division: As expected, landed in a market downturn. The construction of higher-grade works has progressed more slowly than expected.

✓Buildings Division: Delays in construction due to shortages of building materials have caused shifts in the timing of revenue recognition.

## Net sales

**13,112 Million yen**

YoY (0.3 %)

Initial forecast 13,556 Million yen

## Gross profit

**2,906 Million yen**

YoY (1.5 %)

Initial forecast 3,012 Million yen

## Ordinary profit

**868 Million yen**

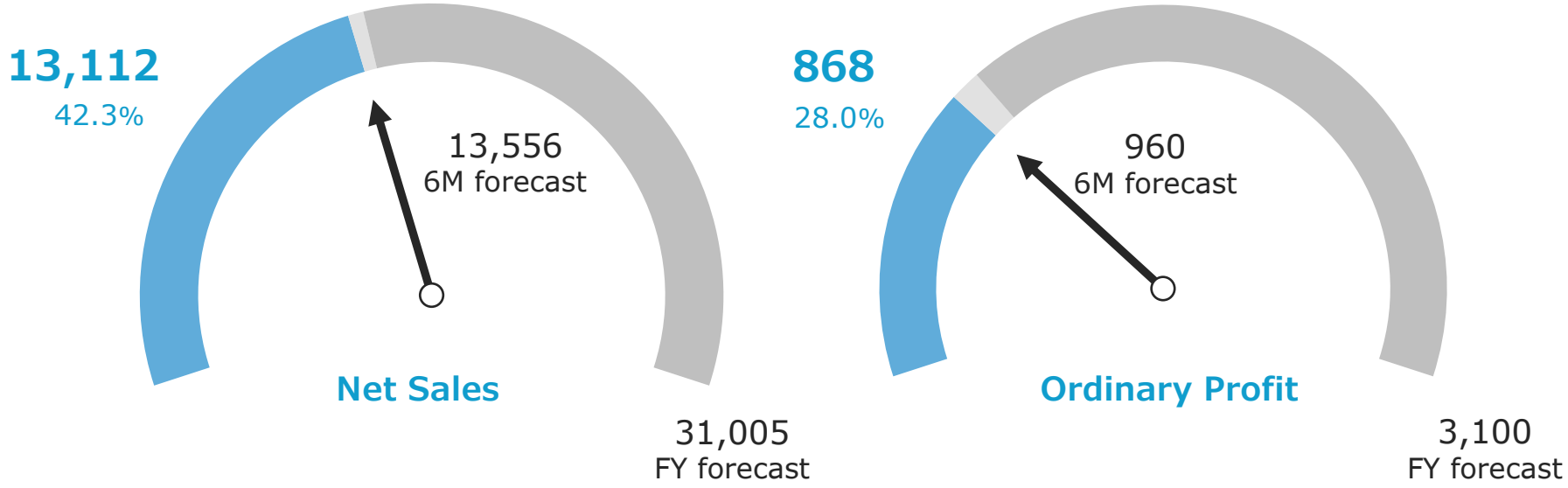
YoY (38.0 %)

Initial forecast 960 Million yen

NIPPON AQUA

# Progress towards Full-year Financial Forecast

(Million yen)




| | | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|---|---|---|---|---|---|---|
| Net sales | 6M | 10,003 | 9,989 | 10,712 | 11,742 | 13,158 |
| | FY | 21,366 | 21,872 | 23,903 | 25,670 | 28,341 |
| | Progress rate | 46.8% | 45.7% | 44.8% | 45.7% | 46.4% |
| Ordinary profit | 6M | 720 | 783 | 335 | 936 | 1,400 |
| | FY | 1,909 | 1,911 | 1,429 | 2,359 | 2,917 |
| | Progress rate | 37.7% | 41.0% | 23.5% | 39.7% | 48.0% |

# Efforts in the First Half and Future Outlook

| | Q1 Net sales 6.27 Bn yen | Q2 Net sales 6.84 Bn yen | Q3 about 8.6 Bn yen | Q4 about 9.2 Bn yen |
|---|---|---|---|---|
| Single-family Homes Division | ✓The thermal conductivity of AQUA FOAM and AQUA FOAM LITE has changed, improving insulation performance.<br>✓An increase in the number of orders from key builders<br>✓Promotion of standardization of air tightness measurement services | | ✓Share acquisition from urethane construction contractors based on the establishment of a construction system (5% increase in the number of residential constructions)<br>✓Share acquisition from other insulation constructions based on the improved insulation performance of the two main products<br>✓Differentiation with a combination of higher grades (Insulation Class 6 and above) and high confidentiality performance<br>✓Cross-sell through airtightness measurement services and bundled sales of waterproofing construction | |
| Buildings Division | ✓Secured about 86% of orders for the FY2024 full-year sales forecast<br>✓Sales of urethane raw materials have grown in line with the expansion of the building market.<br>✓Increase in blowing equipment sales due to the increase in external installation work personnel<br>✓From the second quarter, the construction of AQUA MOEN NEO has increased. | | ✓Share acquisition from urethane construction contractors based on the establishment of a construction system<br>✓Full-scale operation of AQUA MOEN NEO construction for semiconductor factories and large redevelopment projects.<br>✓Continued increase in sales of urethane raw materials for properties that our company cannot handle in construction | |
| Company -wide, etc | ✓Increase in non-residential renovation projects in the Waterproofing Division<br>✓Managed to suppress the cost of raw material purchases amid a weaker yen and higher naphtha prices<br>✓Mid-career hiring of internal installation work personnel is progressing smoothly<br>✓Strengthening of sales backed by the development of construction capabilities<br>✓Opening of the Miyazaki branch office at the end of May 2024. | | ✓In the Waterproofing Division, steady progress in renovation construction proposals to leading companies representing Japan<br>✓Regarding procurement, taking advantage of purchasing from multiple companies, the impact of the weaker yen and higher naphtha prices is limited<br>✓Through media strategies (such as increased exposure in housing specialty papers), appealing the strengths of Nippon Aqua. | |

# Agenda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02 Market Environment

03 Single-family Homes Division

04 Buildings Division

05 Waterproofing Division, etc.

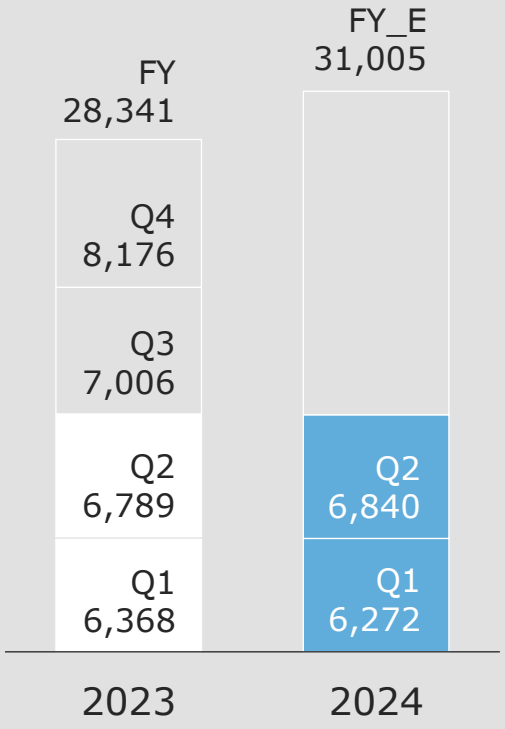
06 Appendix

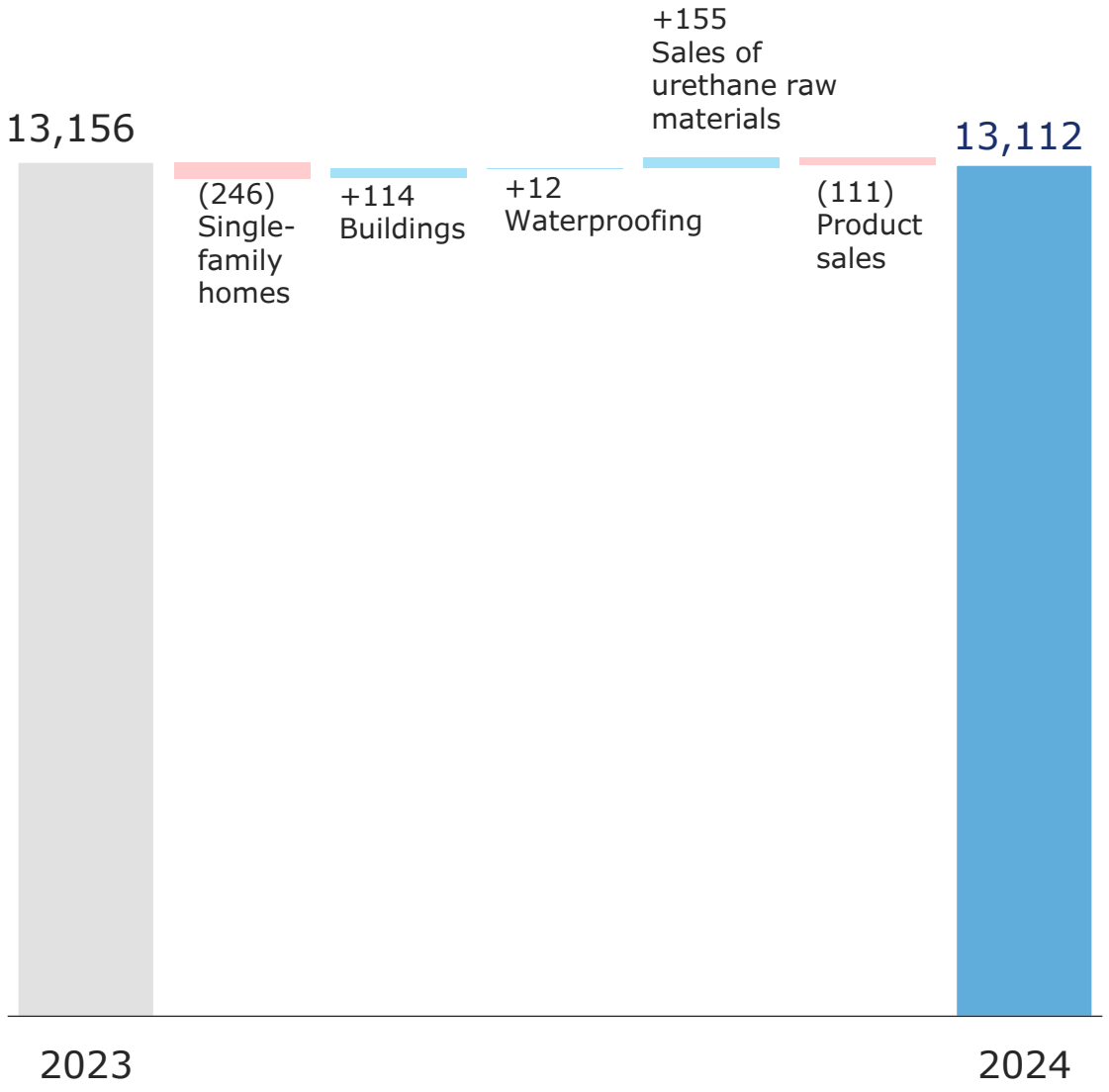
Six months ended June 30, 2024

# Net Sales

(Million yen)

**YoY (45 Million yen) (0.3%)**



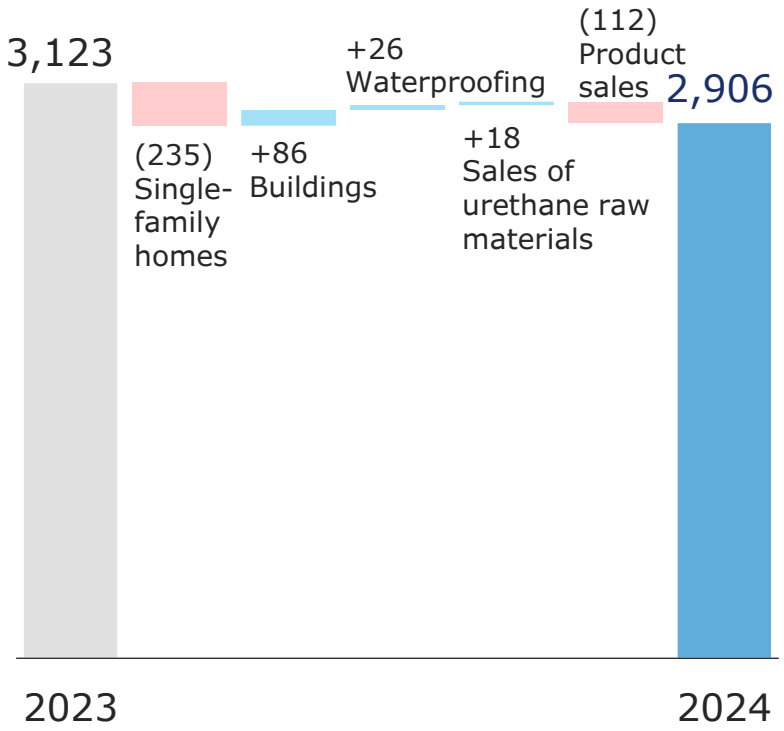



# Gross Profit

(Million yen)

**YoY (217 Million yen) (6.9%)**

**GPM 23.7% ▶ 22.2%**




## Gross profit by division

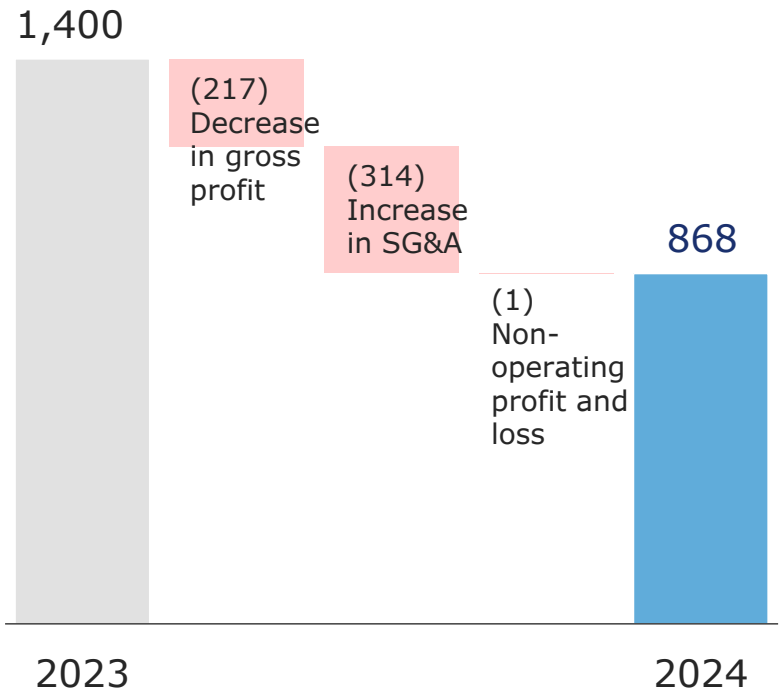
| | FY2023 Q1 | Q2 | Q3 | Q4 | FY2024 Q1 | Q2 |
|---|---|---|---|---|---|---|
| Gross profit | 1,457 | 1,666 | 1,734 | 2,066 | 1,447 | 1,459 |
| Single-family homes | 876 | 866 | 922 | 1,019 | 733 | 774 |
| Buildings | 361 | 450 | 540 | 610 | 454 | 443 |
| Waterproofing | (21) | (12) | (1) | 0 | 2 | (10) |
| Sales of urethane raw materials | 63 | 82 | 89 | 107 | 74 | 89 |
| Product sales | 177 | 279 | 182 | 329 | 181 | 162 |

# Ordinary Profit

(Million yen)

**YoY (531 Million yen) (38.0%)**

**Ordinary PM 10.6% ▶ 6.6%**




✓Increase in labor costs: Increase in personnel and salaries, etc.

✓From the first quarter of 2024, we have allocated certified contractors' incentive payments.

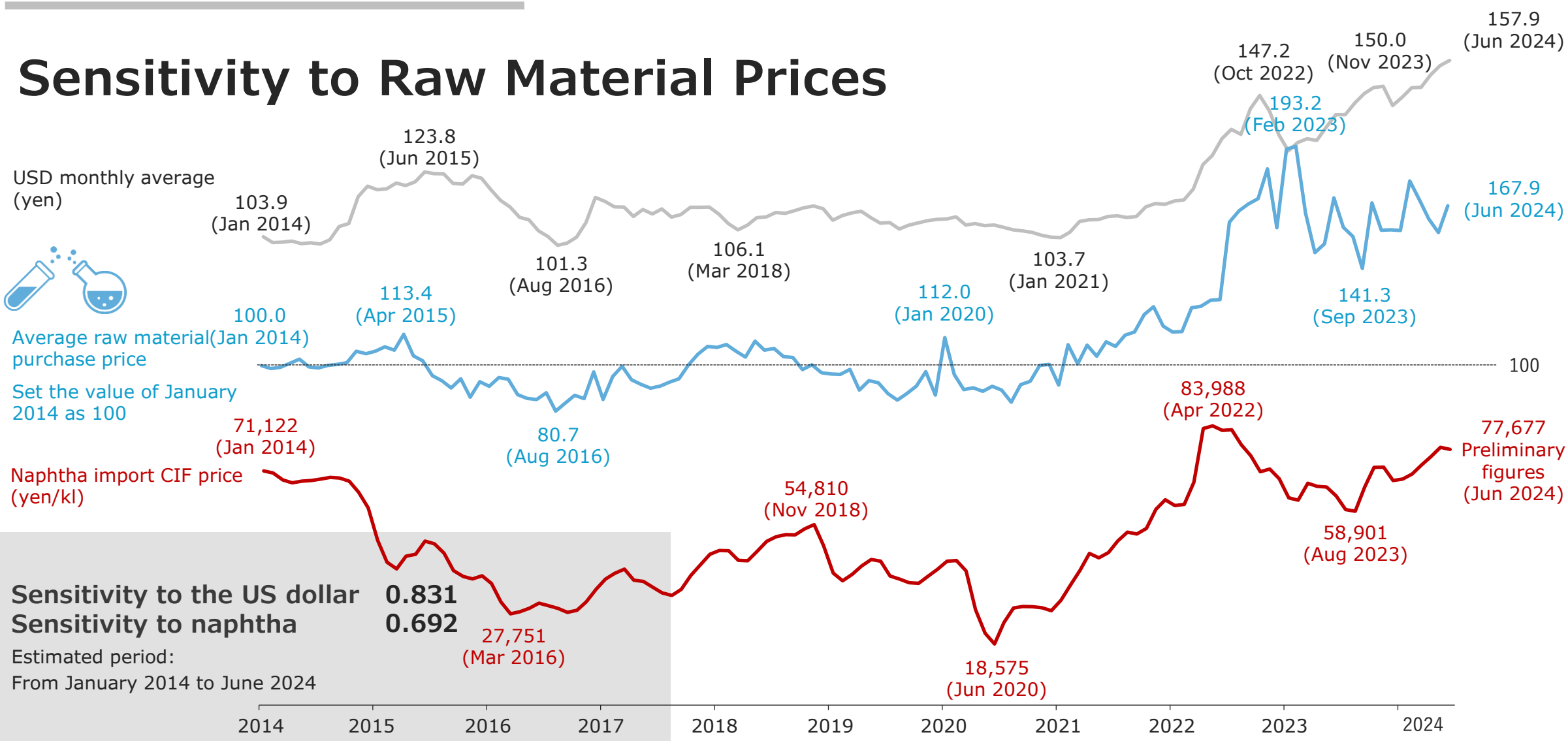
## SG&A

Note: Due to a change in the method of calculating labor costs from the second quarter of 2024, adjustments have been made retroactively.

| | FY2023 Q1 | Q2 | Q3 | Q4 | FY2024 Q1 | Q2 |
|---|---|---|---|---|---|---|
| Gross profit | 1,457 | 1,666 | 1,734 | 2,066 | 1,447 | 1,459 |
| SG&A | 829 | 913 | 915 | 1,383 | 1,002 | 1,055 |
| Payroll cost | 432 | 912 | 1,390 | 2,128 | 557 | 577 |
| Special incentives* | - | - | - | 150 | 2 | 9 |
| Trainee related expenses | 56 | 62 | 60 | 89 | 72 | 93 |
| Travel expenses | 53 | 66 | 64 | 66 | 53 | 58 |
| Rent expenses | 45 | 46 | 48 | 50 | 49 | 55 |
| Depreciation expenses | 39 | 41 | 41 | 42 | 41 | 43 |
| Ordinary Profit | 641 | 758 | 824 | 691 | 453 | 415 |

*Special incentives for certified contractors

# Sensitivity to Raw Material Prices




**Sensitivity to the US dollar 0.831**
**Sensitivity to naphtha 0.692**

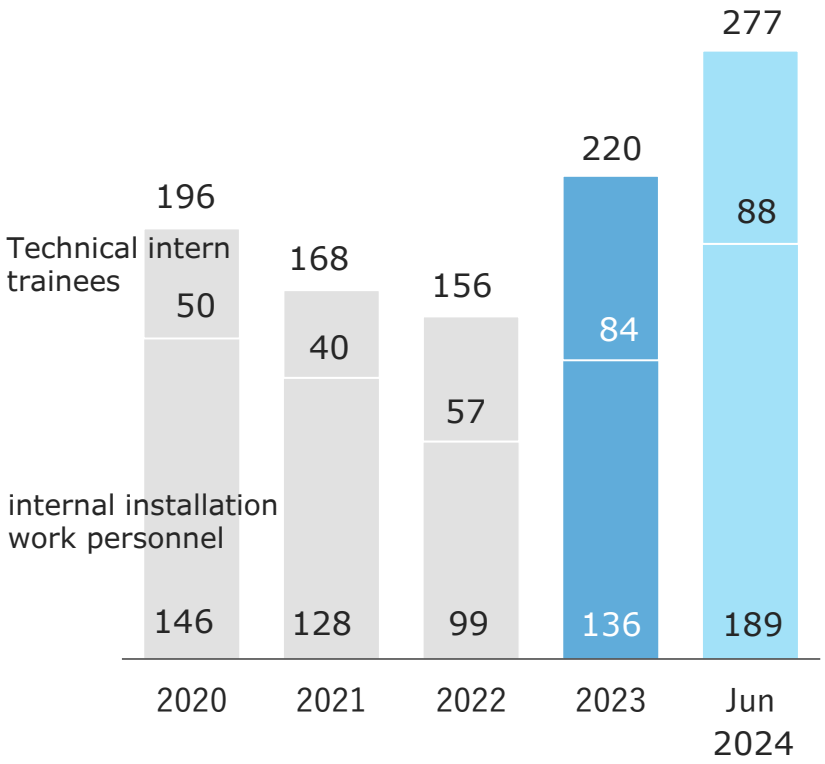
Estimated period:
From January 2014 to June 2024

It is not a transition under the same conditions due to an increase in the products handled and the purchase volume.

Source: Mizuho Bank (Foreign Exchange Official Market Rate), Ministry of Finance (Trade Statistics by Commodity)

## Number of internal installation work personnel (Nippon Aqua)

Technical Intern Trainees are entitled to a temporary return to their home country under the Technical Intern Training Act.




Nippon Aqua's Initiatives

# Construction Capability Trends

## The reasons people are drawn to Nippon Aqua

- High compensation and favorable conditions
- Complete weekends off
- Listed on the TSE Prime Market
- Department responsible for training
- Proximity of workplace and residence
- A predominantly young workforce

# Income Statement (Million yen,%)

| | FY 2023 Jan-Jun | FY 2024 Jan-Jun | YoY Amount | YoY Change(%) | vs 6M Forecast Forecast | vs 6M Forecast Amount | vs 6M Forecast Change(%) | FY2024 Forecast |
|---|---|---|---|---|---|---|---|---|
| Net sales | 13,158 | 13,112 | (45) | (0.3) | 13,556 | (443) | (3.3) | 31,005 |
| Single-family homes | 6,508 | 6,261 | (246) | (3.8) | 6,255 | +6 | +0.1 | 14,408 |
| Buildings | 3,848 | 3,993 | +144 | +3.8 | 4,376 | (383) | (8.8) | 10,394 |
| Waterproofing | 248 | 261 | +12 | +5.1 | 284 | (23) | (8.2) | 695 |
| Sales of urethane raw materials | 766 | 921 | +155 | +20.3 | 1,040 | (118) | (11.4) | 2,235 |
| Product sales | 1,786 | 1,674 | (111) | (6.3) | 1,599 | +75 | +4.7 | 3,271 |
| Cost of sales | 10,034 | 10,206 | +171 | +1.7 | 10,543 | (337) | (3.2) | 23,596 |
| Gross profit | 3,123 | 2,906 | (217) | (6.9) | 3,012 | (106) | (3.5) | 7,408 |
| Single-family homes | 1,743 | 1,508 | (235) | (13.5) | 1,492 | +16 | +1.1 | 3,585 |
| Buildings | 811 | 897 | +86 | +18.0 | 1,024 | (127) | (12.4) | 2,774 |
| Waterproofing | (33) | (7) | +26 | - | 13 | (20) | - | 38 |
| Sales of urethane raw materials | 145 | +164 | +18 | +12.6 | 193 | (28) | (15.0) | 398 |
| Product sales | 456 | +343 | (112) | (24.7) | 289 | +54 | +18.8 | 611 |
| SG&A expenses | 1,743 | 2,057 | +314 | +18.0 | 2,051 | +5 | +0.3 | 4,308 |
| Operating profit | 1,380 | 849 | (531) | (38.5) | 960 | (110) | (11.5) | 3,100 |
| Ordinary profit | 1,400 | 868 | (531) | (38.0) | 960 | (91) | (9.5) | 3,100 |
| Profit | 948 | 579 | (368) | (38.8) | 648 | (68) | (10.5) | 2,092 |
| | | | | | | | | |
| Dividend per share (yen) | | | | | | | | 34.0 |

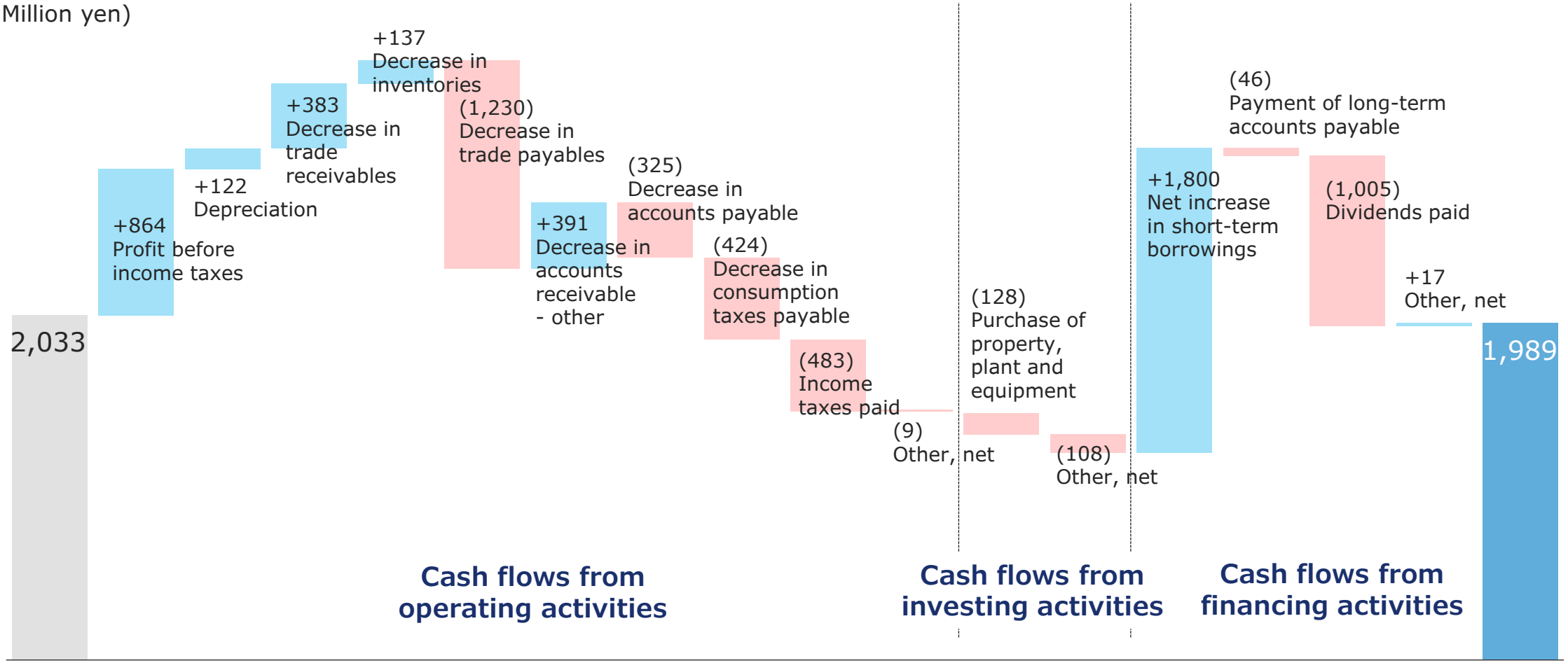
# Balance Sheet (Million yen)

| | As of Dec 31 2023 | As of Jun 30 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,033 | 1,989 |
| Notes and accounts receivable - trade, and contract assets | 6,397 | 6,000 |
| Electronically recorded monetary claims | 1,098 | 1,029 |
| Inventories | 2,209 | 2,098 |
| Accounts receivable - other | 3,648 | 3,218 |
| Total current assets | 15,472 | 14,462 |
| Non-current assets | | |
| Total property, plant and equipment | 4,367 | 4,368 |
| Total intangible assets | 85 | 83 |
| Total investments and other assets | 466 | 493 |
| Total non-current assets | 4,919 | 4,944 |
| Total assets | 20,392 | 19,407 |

| | As of Dec 31 2023 | As of Jun 30 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 6,453 | 5,151 |
| Short-term borrowings | 2,400 | 4,200 |
| Total current liabilities | 10,927 | 10,411 |
| Non-current liabilities | | |
| Total non-current liabilities | 159 | 115 |
| Total liabilities | 11,087 | 10,527 |
| Net assets | | |
| Share capital | 1,903 | 1,903 |
| Capital surplus | 1,912 | 1,912 |
| Retained earnings | 7,523 | 7,098 |
| Treasury shares | (2,035) | (2,035) |
| Total net assets | 9,304 | 8,879 |
| Total liabilities and net assets | 20,392 | 19,407 |

# Cash Flow Statement

(Million yen)




Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

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Market Environment

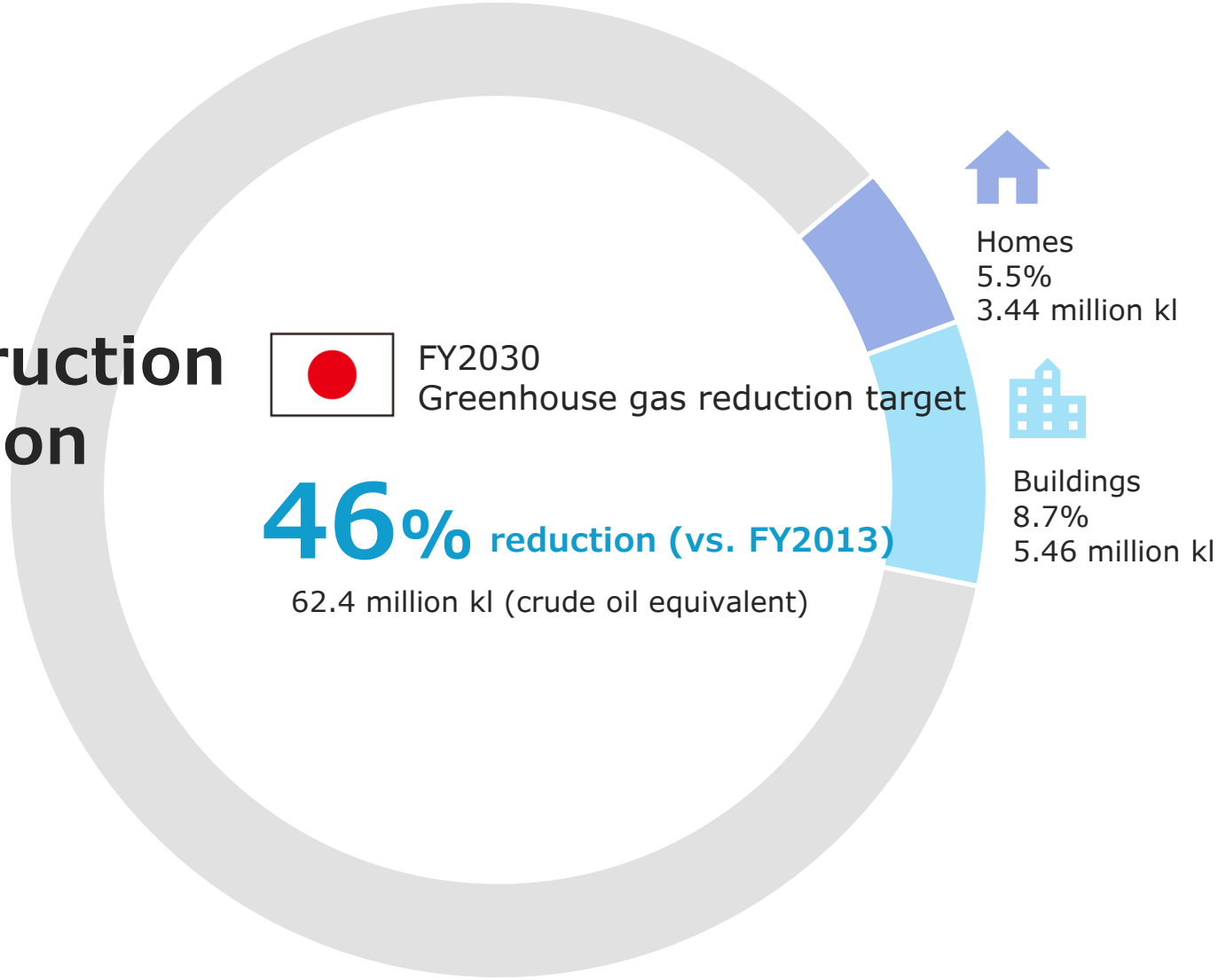
# Home and Building Construction Aimed at Realizing a Carbon Free Society

Japan's targets for decarbonization

Reduce greenhouse gases by 46% by FY2030 (vs. FY2013) (equivalent to 62.4 million kl of crude oil)

5.5% reduction for the housing sector (equivalent to 3.44 million kl of crude oil). Suggested measures: Improve energy conservation performance of new homes and renovate existing homes for higher insulation performance

8.7% reduction for the buildings sector (equivalent to 5.46 million kl of crude oil). Suggested measures: Improve energy conservation performance of new buildings and renovate existing buildings for higher energy conservation performance




Source: Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of the Environment

Market Environment

# The Vision for Housing and Buildings in 2030

Newly constructed houses and buildings

Ensure energy-saving performance at ZEH and ZEB levels.

Newly constructed single-family homes

60% are equipped with solar power generation systems.

## Raise the mandatory standards to the ZEH level

Insulation performance class 5* (UA value for region 6 = 0.60)
BEI=0.8*

*Please refer to insulation performance class P21, BEI is P20.

## Raise the mandatory standards to the ZEB level.

For medium to large scale, BEI=0.6/0.7 depending on the use.
For small scale, BEI=0.5




Support through loans and tax measures.



Implementation of energy-saving performance labeling.



Promotion by local governments.



Improvement in the performance of equipment and building materials.

Source: Created by Nippon Aqua based on the Ministry of Land, Infrastructure, Transport and Tourism's "Study Group on Energy Saving Measures for Housing and Buildings Towards a Decarbonized Society".

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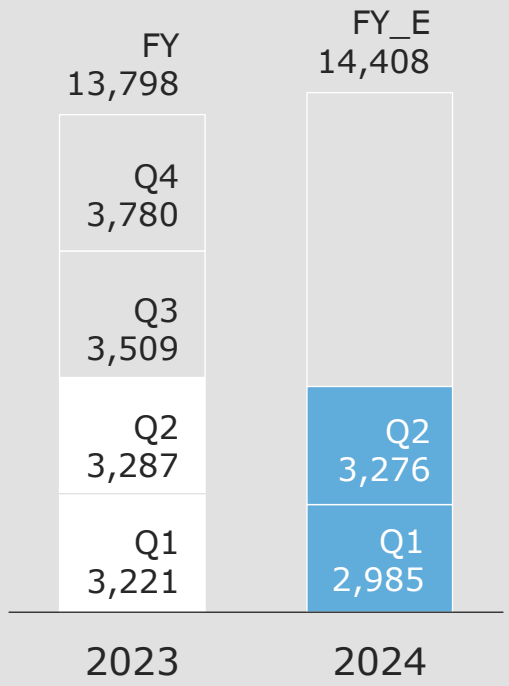
# Single-family Homes Division

(Million yen)




YoY

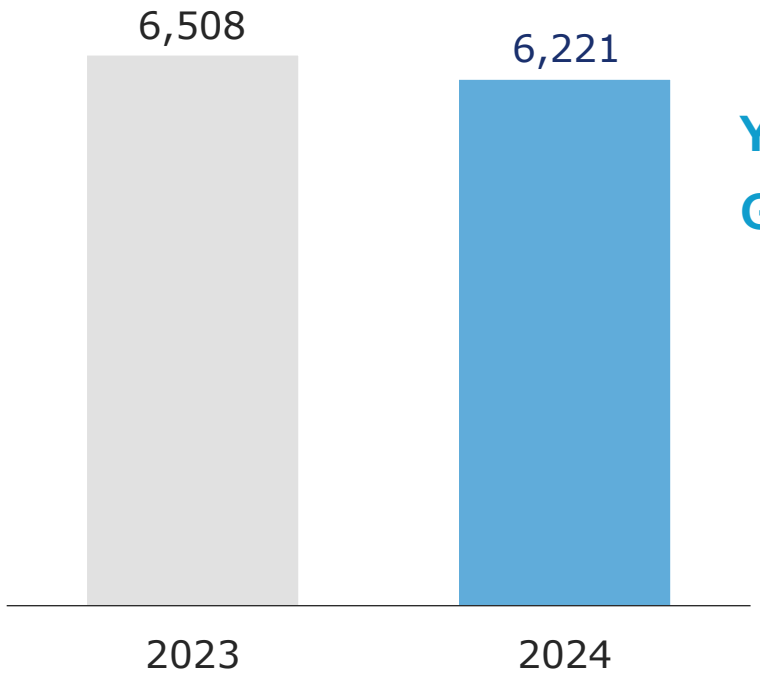
✓Construction unit price (per housing) increased by about 3%

✓Standardization of Insulation Class 5 (ZEH level), with a slower spread of higher grades than expected.

✓The number of spray applications decreased by about 6%

✓The decrease factor is due to a reduction in order quantities from existing clients following market downturns.

✓In a market downturn, performance was as expected.




**YoY (246 Million yen) (3.8%)**

**GPM 26.8% ▶ 24.1%**

## Single-family Homes Division

# Full-year Outlook (Million yen)

| | | Q1 | Q2 | Q3 | Q4 | FY |
|---|---|---|---|---|---|---|
| Net sales | FY2023 | 3,221 | 3,287 | 3,509 | 3,780 | 13,798 |
| | FY2024 | 2,985 | 3,276 | abt 3,800 | abt 4,300 | 14,408 |
| GP | FY2023 | 876 | 866 | 929 | 1,012 | 3,685 |
| | FY2024 | 730 | 777 | non-disclosure | | 3,436 |
| Num | Vs FY2023 | (11%) | (1%) | +13% | +17% | +5% |
| Unit price | Vs FY2023 | +5% | +1% | (3%) | (3%) | (0%) |

### Number of spray applications (Quantity effect)

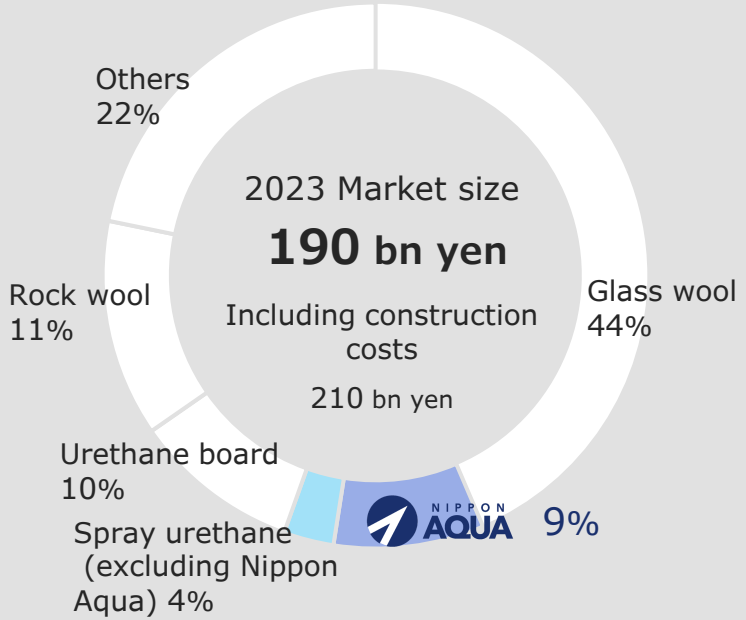
✓The quantity effect for the full year is +648 million yen.

✓Aiming to switch from competing urethane construction companies and other insulation materials.

### Construction unit price (per housing) (Price effect)

✓The price effect for the full year is -38 million yen.

✓Price competition continues to intensify.




### Competing urethane construction companies

✓Operational decline due to the 2024 problem.

✓Aging craftsmen, recruitment difficulties.

✓Disadvantaged in price competition compared to Nippon Aqua (due to higher costs such as raw material purchase prices).

### Other competitors such as glass wool insulation materials.

✓Operational decline due to the 2024 problem.

✓Increased transportation costs weaken cost competitiveness.

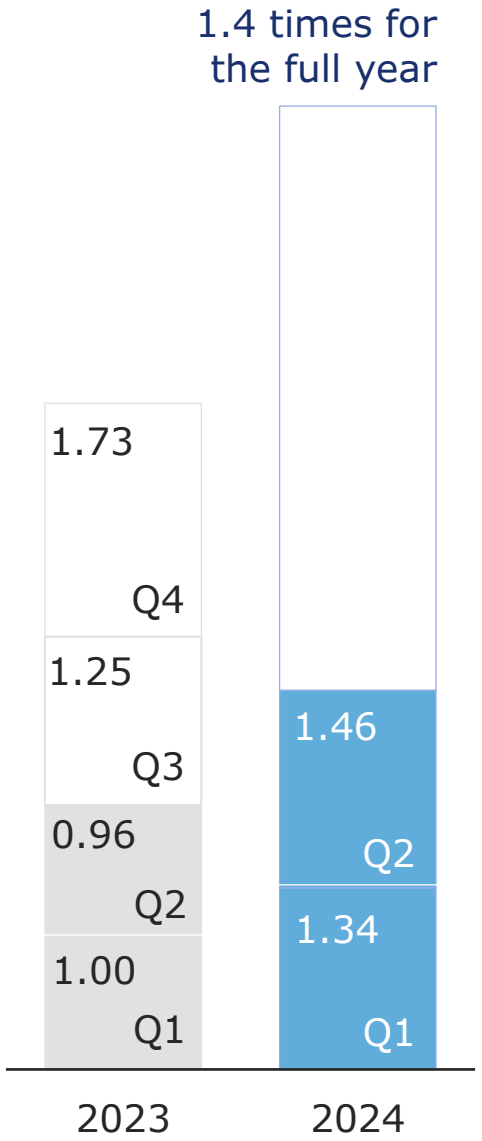
✓High difficulty in constructing high airtightness performance.

Source: Created by Nippon Aqua based on data from the Ministry of Land, Infrastructure, Transport and Tourism, Yano Research Institute, Fuji Keizai, and the Glass Fiber Association

Nippon Aqua's Initiatives

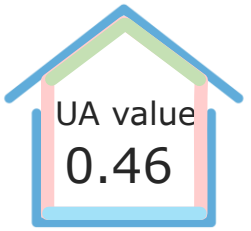
# Spread of Insulation Class 6

Magnification when Q1 of 2023 is 1.




The highest construction price is about 1.5 to 2 times that of Insulation Class 5.

Combining AQUA FOAM NEO with AQUA FOAM LITE, etc., makes competitive (cost-effective) specifications possible.




Combination example:

| | |
|---|---|
| Roof | AQUA FOAM LITE |
| Wall | AQUA FOAM NEO |
| Floor | Phenolic foam |

# To Achieve Energy-Saving Housing*

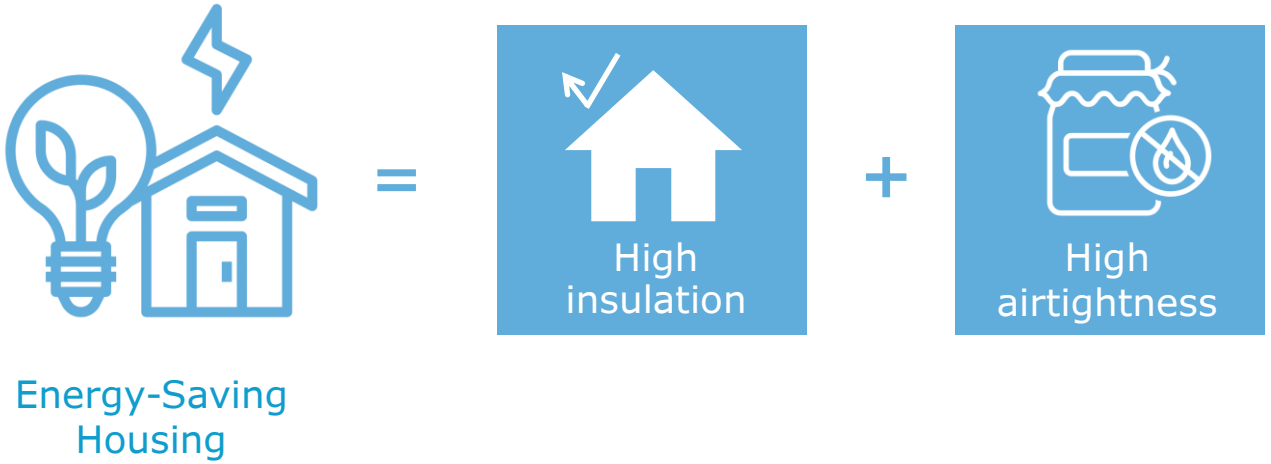
*Housing that is comfortable to live in even with low energy consumption

High insulation (insulation performance)

Use high insulation materials to prevent heat intrusion from the outside. This improves the energy efficiency of heating and cooling, stabilizing the temperature inside the living space.

High airtightness (airtightness performance)

By increasing the airtightness of the building, the inflow and escape of air from the outside are minimized. This maximizes insulation performance and reduces energy waste.





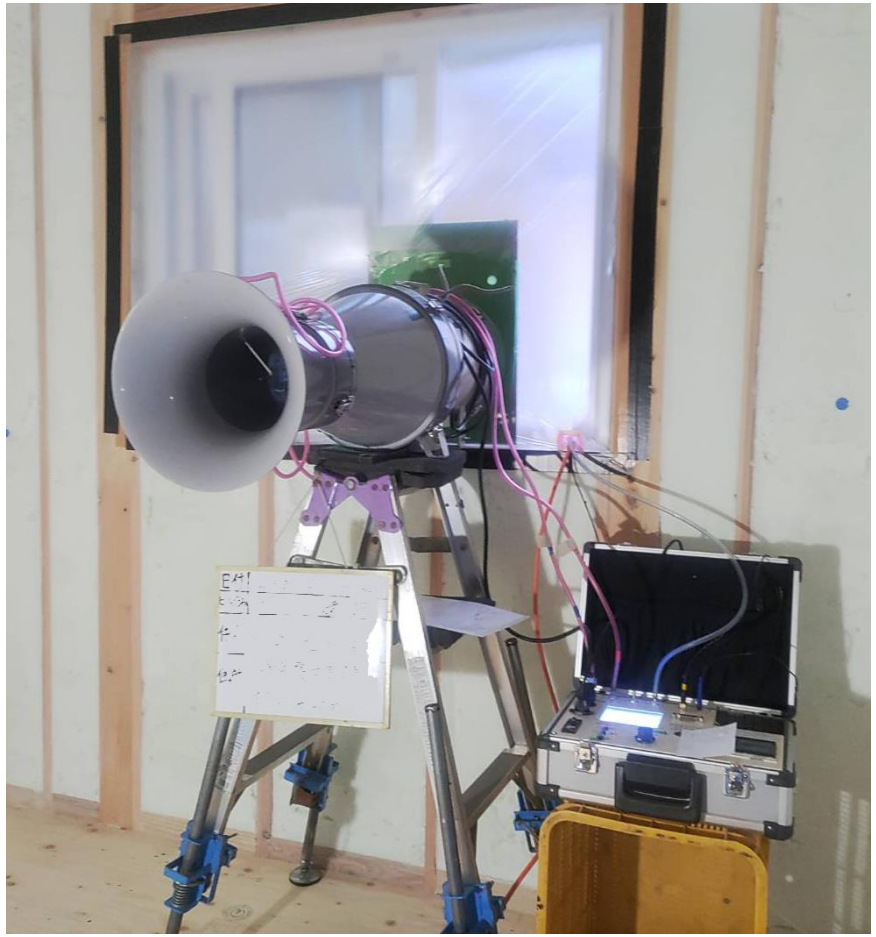

# Spread of Regulations Related to Airtightness Performance

$$\text{C value} = \frac{\text{Total gap area of the house (cm2)}}{\text{Total floor area (m2)}}$$

The lower the C value, the higher the airtightness.

| C Value≤10.0 | C Value ≤ 5.0 | C Value ≤ 2.0 | C Value ≤ 1.0 | C Value ≤ 0.5 |
|---|---|---|---|---|
| The image of a typical house without consideration for airtightness. | The value that was the standard in regions other than cold regions (current regions 1 and 2) under the next-generation energy-saving standards (1999).<br><br>This standard was abolished with the revision of the Energy Saving Law in 2009. | The value that was the standard in cold regions (current regions 1 and 2) under the next-generation energy-saving standards (1999).<br><br>This standard was abolished with the revision of the Energy Saving Law in 2009. | The level to secure for comfortable living. Often defined in local government energy-saving housing policies.<br><br>Yamagata<br>Shinshu (Nagano)<br>Yukiguni ZEH (Niigata)<br>Tottori<br>KitaQ ZEH (Fukuoka) | A level of airtightness that is comparable to strict standards adopted in other countries.<br><br>Sapporo (Hokkaido) |

Source: Created by Nippon Aqua from publicly available materials from each local government





# Increasing Inquiries for Airtightness Measurement Services

The introduction rate for all constructions in the Single-family Homes Division (forecast).

| FY2023 | ▶ | FY2024 | ▶ | FY2025 |
|---|---|---|---|---|
| 4.4% | | over 10% | | over 20% |

✓Major builders standardize airtightness measurements.

✓Interest in airtightness measurements spreads to other construction companies.

✓Nippon Aqua establishes the industry's No.1 airtightness measurement system.

Nippon Aqua's Initiatives

# Technical Advisory Contract with Associate Professor Mae Masayuki

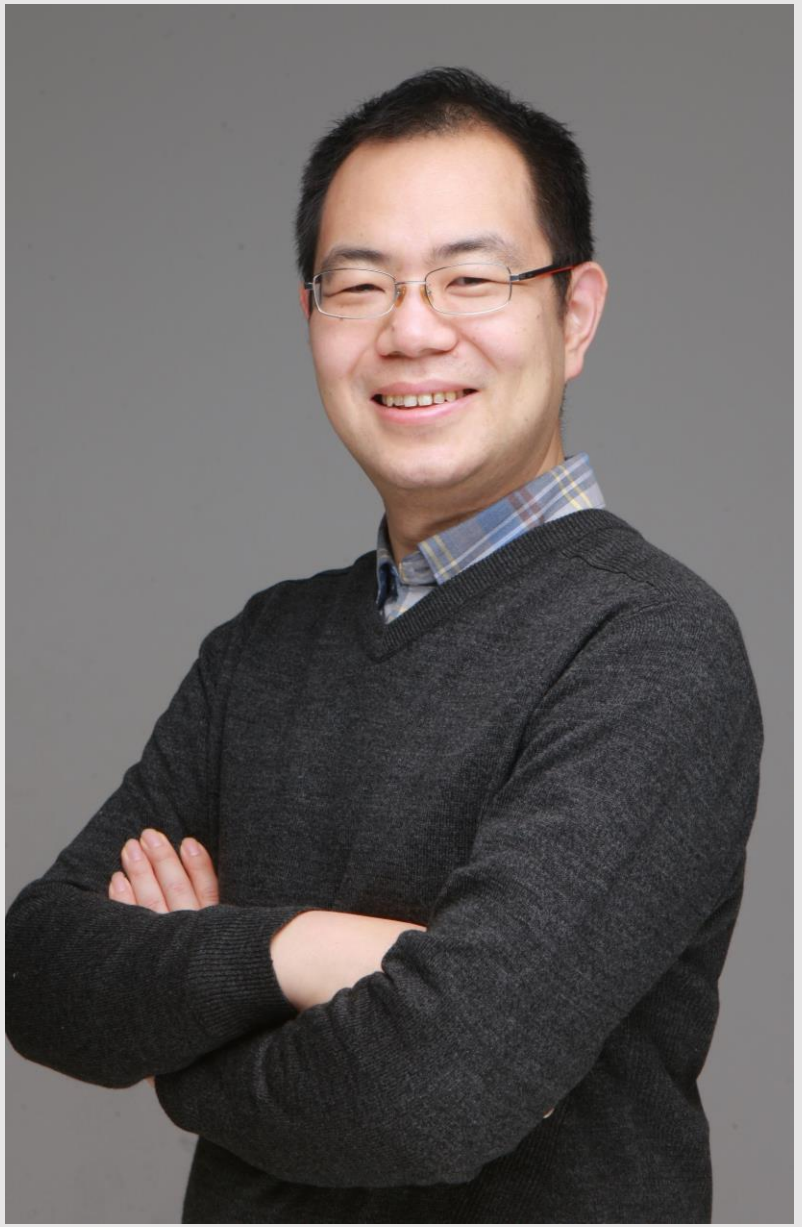
## Profile of Mr. Mae Masayuki

Born in 1975, from Hiroshima Prefecture.

Current position: Associate Professor at the Graduate School of Engineering, University of Tokyo, specializing in architectural environmental engineering.

Research theme: General energy consumption in housing. Has been researching energy savings in housing for over 25 years since his student days.

Working on the development of element technologies and design methods for the realization and popularization of eco-houses that achieve a healthy, comfortable life without worrying about electricity bills using solar energy.



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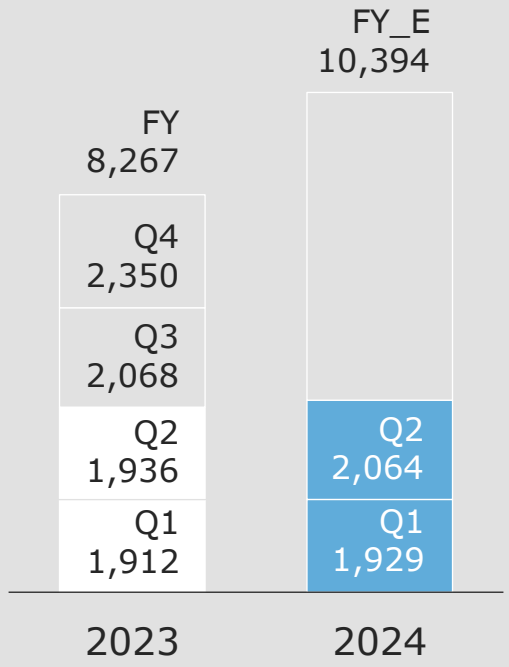
# Buildings Division

(Million yen)




YoY

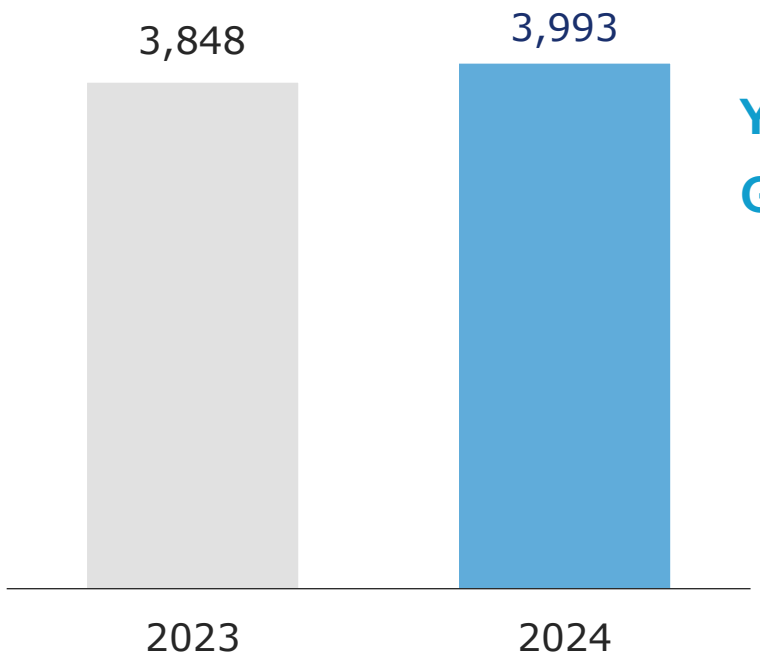
✓Construction unit price (per square meter) has increased by approximately 2%

✓The increase factor is due to the increased thickness of AQUA FOAM NEO applications and price revisions, among others.

✓The construction area has decreased by approximately 2%.

✓Several large-scale AQUA MOEN NEO constructions to start after the second quarter.

✓Delays in construction due to labor shortages and lack of building materials resulted in discrepancies in sales recording (383 million yen short of forecast)




**YoY +144 Million yen +3.8%**

**GPM 21.1% ▶ 22.5%**

## Buildings Division

# Full-year Outlook (Million yen)

| | | Q1 | Q2 | Q3 | Q4 | FY |
|---|---|---|---|---|---|---|
| Net sales | FY2023 | 1,912 | 1,936 | 2,068 | 2,350 | 8,267 |
| | FY2024 | 1,929 | 2,064 | abt 3,200 | abt 3,200 | 10,394 |
| GP | FY2023 | 361 | 450 | 540 | 610 | 1,963 |
| | FY2024 | 454 | 443 | non-disclosure | | 2,774 |
| Area | Vs FY2023 | (8%) | +12% | +85% | +43% | +33% |
| Unit price | Vs FY2023 | +10% | (5%) | (8%) | (4%) | (2%) |

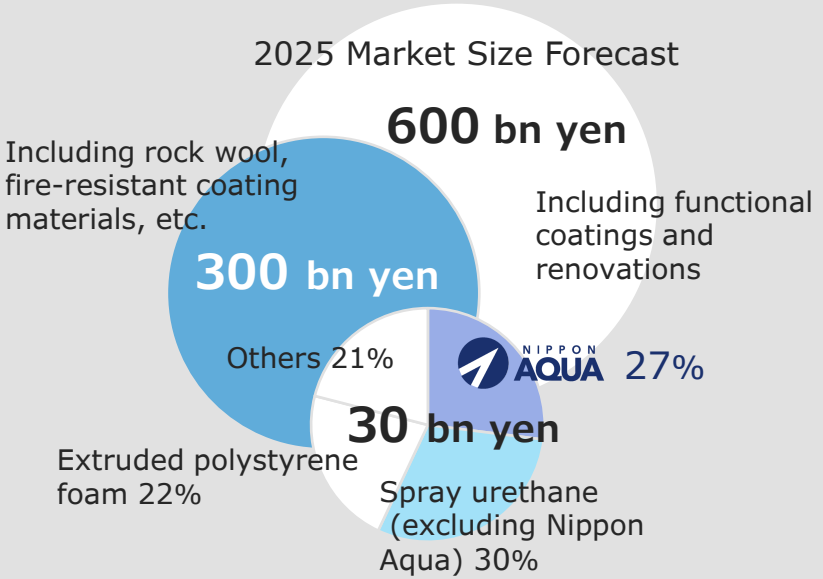
### Area to be sprayed (Quantity effect)

✓The quantity effect for the full year is +2,728 million yen.

### Construction unit price (per square meter) (Price effect)

✓The price effect for the full year is -600 million yen.

✓Decrease in unit price due to sales mix with increased AQUA FOAM NEO construction




### Competing urethane construction companies

✓Generally favorable due to robust demand

✓Aging craftsmen, recruitment difficulties.

✓Disadvantaged in price competition compared to Nippon Aqua (due to higher costs such as raw material purchase prices).

NIPPON AQUA

✓Differentiation with Non-Flammable Insulation Construction (AQUA MOEN NEO)

✓Approximately 86% of sales forecast already ordered

✓The shortfall to be covered by securing estimates in progress and short-term spot construction

Source: Created by Nippon Aqua based on data from the Ministry of Land, Infrastructure, Transport and Tourism, Yano Research Institute, Fuji Keizai, and the Glass Fiber Association

# Redevelopment in the Metropolitan Area Semiconductor Factories in Regional Areas

✓The ratio of city names is the increase rate of the standard land price for fiscal 2023

✓Large-scale equipment investment related to semiconductors after 2024
(It does not promise our orders)

✓Urban redevelopment is accelerating nationwide

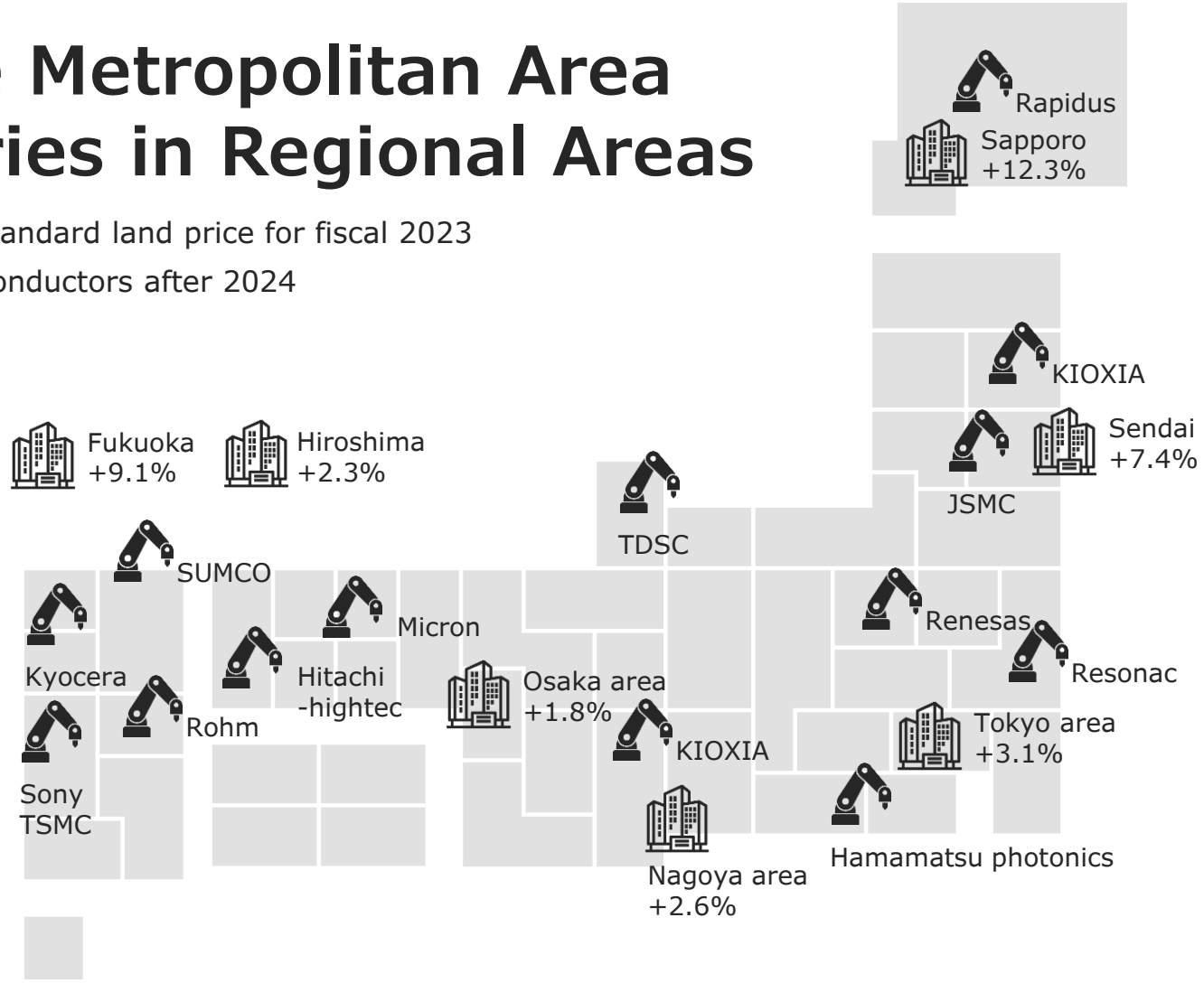
✓The three major metropolitan areas and four cities in the regions are particularly noticeable

✓Investment in cutting-edge fields as a national policy

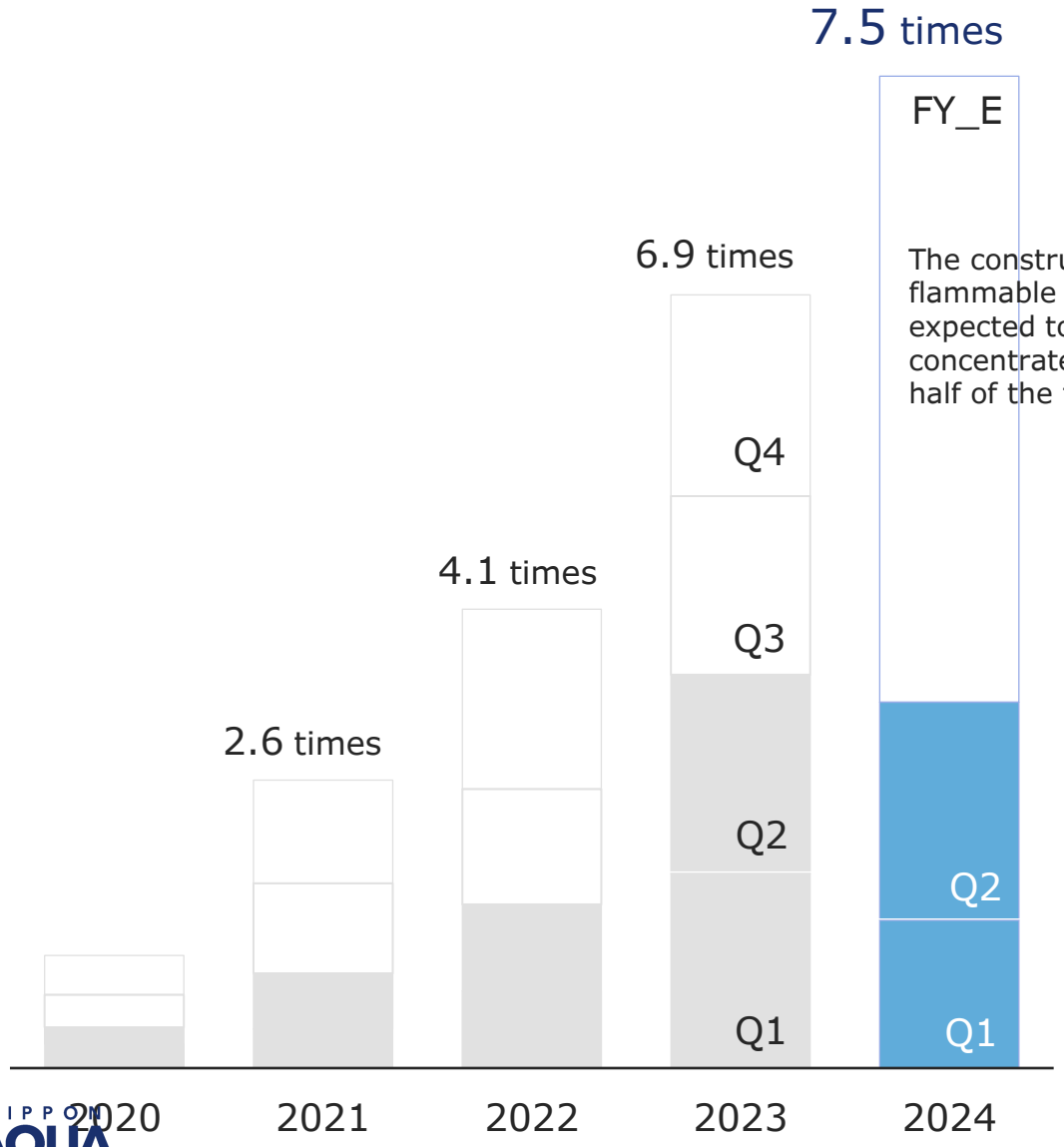
✓Domestic return of manufacturing facilities

✓Development of infrastructure, commercial facilities, housing, etc. in the surrounding areas in line with the construction of semiconductor factories is also progressing

✓Large data centers (about 20 locations expected to open) are also promising targets




Source: The standard land prices are from the Ministry of Land, Infrastructure, Transport and Tourism, and the semiconductor factories are based on the public materials of each company, compiled by Nippon Aqua.




The construction of non-flammable insulation is expected to be concentrated in the second half of the fiscal year 2024.

Nippon Aqua's Initiatives

# Net Sales of Non-flammable Insulation

Magnification when 2020 is 1

## What is non-flammable insulation?

High-performance insulation that is non-flammable and approved by the Minister of Land, Infrastructure, Transport and Tourism

Born from the need for construction sites to eliminate fire risks, it demonstrates a high level of flame-retardant performance when exposed to welding, steel cutting, welding sparks, etc. at construction sites



# Agenda


01 Overview of Financial Highlights for the Six Months Ended June 30, 2024

02 Market Environment

03 Single-family Homes Division

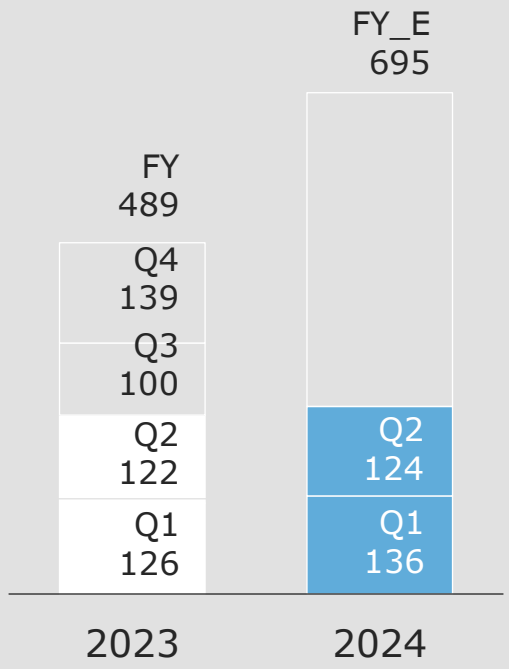
04 Buildings Division

05 Waterproofing Division, etc.

06 Appendix

# Waterproofing Division

(Million yen)



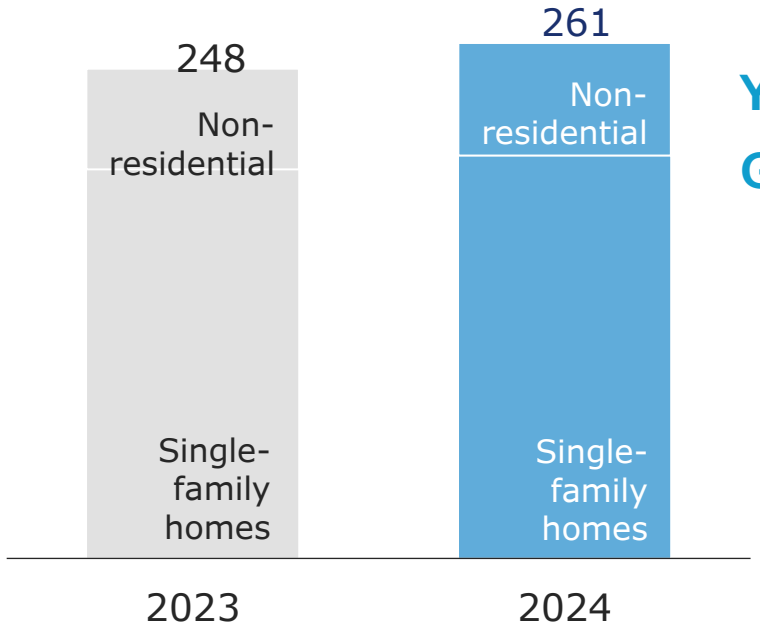

YoY

For single-family homes (balcony construction)

✓Expansion of the switch from existing construction methods through collaboration with the Single-family Homes Division.

Non-residential

✓Actively proposing measures against the aging of buildings using asbestos-containing materials.



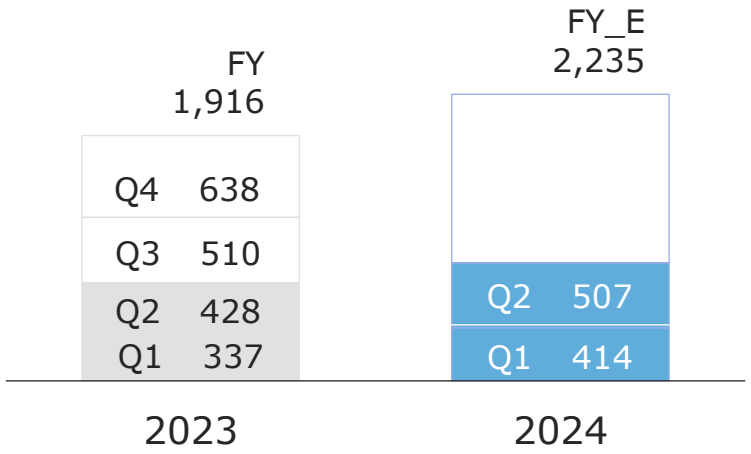

**YoY +12 Million yen +5.1%**

**GPM (7 Million yen)**

| | FY2023 Q1 | Q2 | Q3 | Q4 | FY2024 Q1 | Q2 |
|---|---|---|---|---|---|---|
| Waterproofing division sales | 126 | 122 | 100 | 139 | 136 | 124 |
| Single-family homes | 90 | 107 | 91 | 123 | 110 | 93 |
| Non-residential | 36 | 14 | 9 | 15 | 25 | 31 |

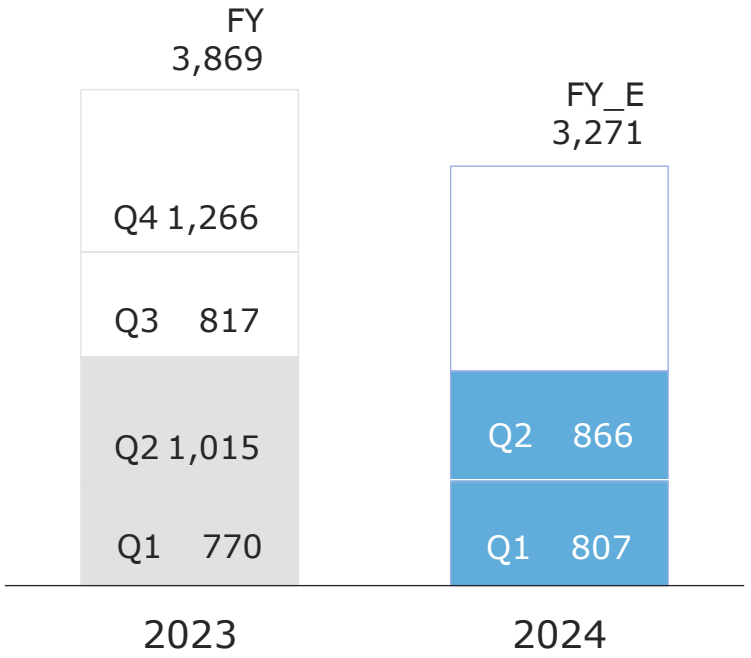
# Sales of Urethane Raw Materials
# Other Product Sales

(Million yen)




YoY +155 Million yen +20.3%

GPM 19.0% ▶ 17.8%




YoY (113 Million yen) (4.8%)

GPM 25.6% ▶ 20.5%

## Sales of Urethane Raw Materials

✓Sales of building materials are performing well.

✓Repeat orders are increasing.

## Other Product Sales

✓Campaign sales of auxiliary supplies

✓Decrease in blowing equipment sales due to reaction to new model demand




Dividend per share (FY2024) **34.0 yen**

# Recent Stock Prices and Dividend Yield

680 yen ▶ **5.0 %**

755 yen ▶ **4.5 %**

850 yen ▶ **4.0 %**

NIPPON AQUA

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



# Agenda


01 Overview of Financial Highlights for the Six Months Ended June 30, 2024

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05 Waterproofing Division, etc.

06 Appendix

# Corporate Profile

Management philosophy

Contributing to society by creating a housing environment that is friendly to people and the Earth

Visions

We exist to reduce total energy demand through innovation in insulation technology, prevent global warming, and at the same time, help people lead healthy and comfortable lives.

Business description

Development, manufacturing, sale, and installation of hard urethane foam for use as building insulation

Development, manufacture, and sale of residential energy conservation-related materials

| | | |
|---|---|---|
| Company name | Nippon Aqua Co., Ltd. | |
| Head office | 2-16-2 Konan, Minato-ku, Tokyo<br>Taiyo Seimei Shinagawa Building 20th floor | |
| Established | November 29, 2004 | |
| | President & Representative Director | Fumitaka Nakamura |
| | Senior Managing Director | Yuka Murakami |
| | Director | Kazuhisa Nagata |
| | Director | Koji Fujii |
| | Director | Keiji Usami |
| | Outside Director | Yoshiaki Takahashi |
| | Outside Director | Takeshi Kenmochi |
| | Outside Director<br>Full-time Audit and Supervisory Committee Member | Junichi Tamagami |
| | Outside Director<br>Audit and Supervisory Committee Member | Yuki Matsuda |
| | Outside Director<br>Audit and Supervisory Committee Member | Naofumi Higuchi |
| | Outside Director<br>Audit and Supervisory Committee Member | Hidetaka Nishina |
| Capital | 1,903 Million yen | |
| No. of employees | 592 people (Non-consolidated) | |

As of June 30, 2024

# Product Portfolio

Expanding around the core of two-component polyurethane

Polyol

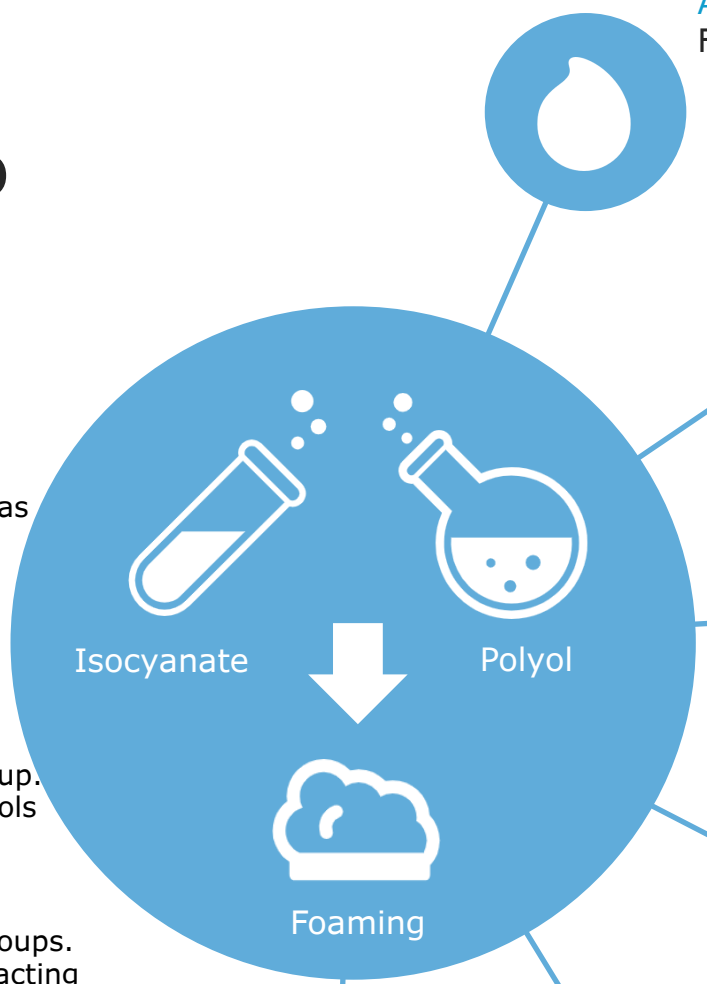
✓An organic compound with a hydroxyl group as the main ingredient.
✓By changing the molecular structure and molecular weight of polyols, the physical properties such as hardness and flexibility of urethane can be adjusted.

Isocyanate

✓An organic compound containing an NCO group.
✓Forms a urethane bond by reacting with polyols through stirring and other means.

Polyamine

✓An organic compound with multiple amino groups.
✓Forms AQUA HAJIKUN (polyurea resin) by reacting with isocyanate.




AQUA FOAM
For single-family homes

AQUA FOAM LITE
For single-family homes

AQUA FOAM NEO
For single-family homes and concrete buildings

AQUA MOEN NEO
Non-flammable insulation
For concrete buildings

AQUA BARRIER
Fireproof coatings
For concrete buildings

AQUA HAJIKUN
The ultrarapid-hardening waterproofing
For single-family homes and concrete buildings

NIPPON AQUA

# Company History

**2004** AQUA FOAM

Founded by Fumitaka Nakamura (current President) as a company engaging in the installation and sales of insulation for single-family homes

**2012** AQUA FOAM for buildings

Entered the insulation market for buildings

**2013** Mothers

Listed on the Mothers Market of the Tokyo Stock Exchange

**2014** Technical Center

Strengthened product development functions
Started manufacturing raw materials

**2016** AQUA BLOW

Urethane materials recycling
Commercialized a blowing insulation product

**2018** JPX 東証一部上場

Changed to the First Section of the Tokyo Stock Exchange

**2019** Non-flammable insulation

Nippon Aqua's presence grew in the market for buildings

**2020** AQUA HAJIKUN

The ultrarapid-hardening waterproofing
Entered the waterproofing market

**2021** AQUA FOAM LITE

30% reduction in raw material usage (compared to AQUA FOAM)
Formulation using plant derived materials

**2022** JPX PRIME TOKYO

Transitioned to the Prime Market of the Tokyo Stock Exchange

**2023** AQUA BARRIER

Fireproof coating agent
Low cost, high adhesiveness, quick drying

NIPPON AQUA

# From Material Development to Installation and Recycling

## Unique Business Model

### Nationwide sales network

28 sites throughout Japan

### Raw material development and quality management

Procurement source diversification and raw material storage and warehousing




### Recycle blowing

Certified operator under the Ministry of the Environment's Wide Area Certification System
4 recycling plants

### Product manufacturing

Fabless manufacturer

### Construction quality management

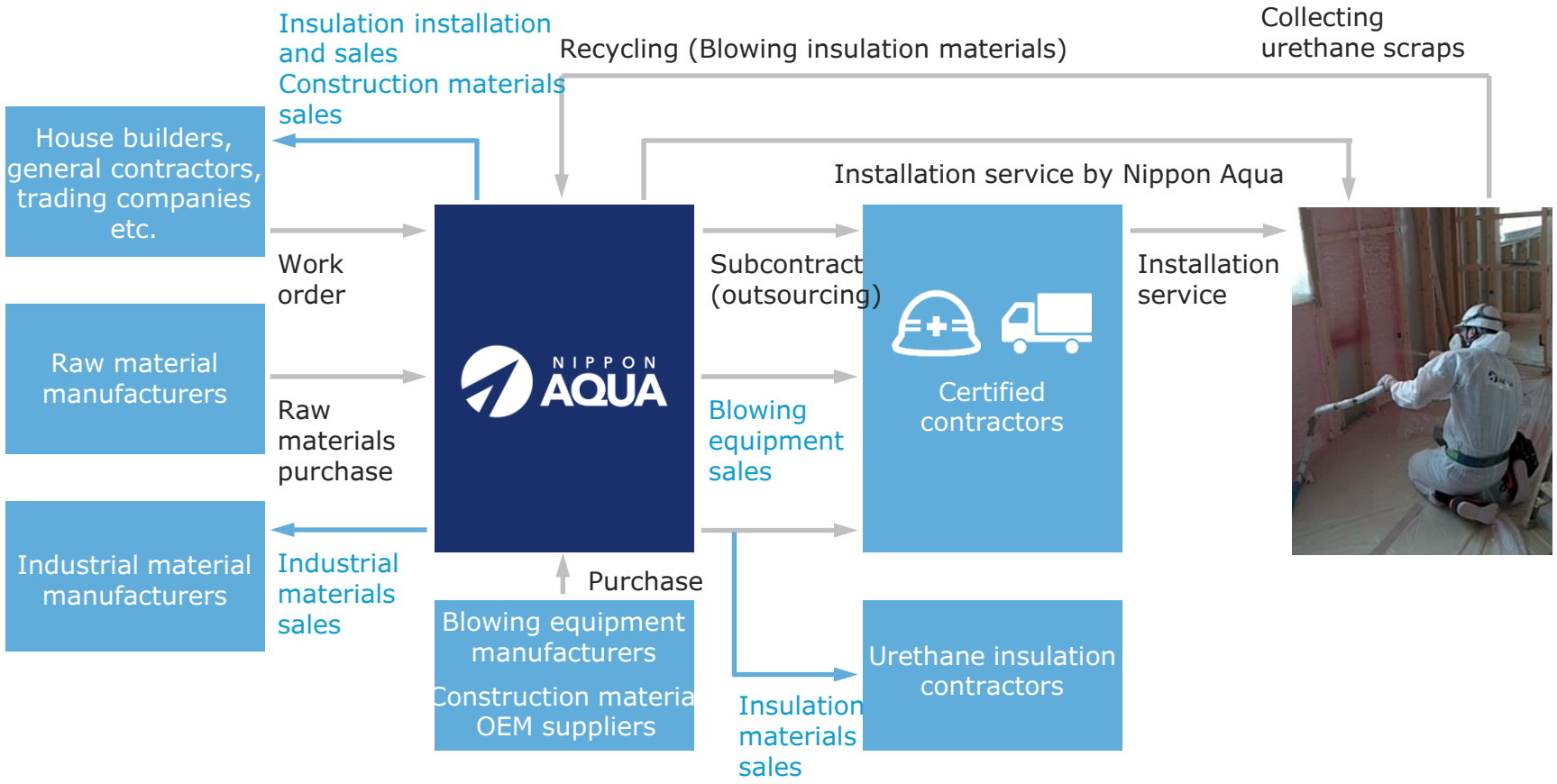
Ensuring work safety and construction quality

### Nationwide construction network

In-house construction + certified contractors

# Business Scheme

We undertake insulation work projects as the sole contractor and either do them ourselves or subcontract them out to certified contractors



# What is Certified Contractors ?

Outsourcing contract
Full commission-based

Purchase blowing equipment
(installation tool)
(a 2-ton truck needed)



## No sales activities needed

Contractors can take on projects appropriate for their respective capacities



## No royalty

No franchise fee or deposit money



## Raw materials are supplied at cost

Supplying raw materials and deducting the cost from payment for the installation work reduces financial burden



## Technical training

Broad range of support from basics to practical skills

# Performance Trends (Million yen)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Performance trends | | | | | | | | | | | | | |
| Net sales | 5,475 | 6,488 | 9,825 | 13,020 | 14,406 | 15,608 | 18,052 | 19,417 | 21,366 | 21,872 | 23,903 | 25,670 | 28,341 |
| Gross profit | 1,686 | 1,904 | 2,444 | 2,856 | 3,137 | 4,027 | 4,305 | 3,891 | 5,403 | 5,310 | 4,739 | 5,784 | 6,924 |
| Gross profit margin | 30.8% | 29.3% | 24.9% | 21.9% | 22.3% | 25.8% | 23.9% | 20.0% | 25.3% | 24.3% | 19.8% | 22.5% | 24.4% |
| Operating profit | 809 | 662 | 956 | 944 | 1,013 | 1,404 | 1,313 | 766 | 1,909 | 1,896 | 1,412 | 2,329 | 2,875 |
| Ordinary profit | 807 | 662 | 925 | 937 | 1,016 | 1,404 | 1,419 | 764 | 1,909 | 1,911 | 1,429 | 2,359 | 2,917 |
| Ordinary profit margin | 14.7% | 10.2% | 9.4% | 7.2% | 7.2% | 9.0% | 7.9% | 3.9% | 8.9% | 8.7% | 6.0% | 9.2% | 10.3% |
| Profit | 457 | 364 | 512 | 529 | 137 | 979 | 941 | 489 | 1,275 | 1,342 | 953 | 1,549 | 2,004 |
| Sales by item | | | | | | | | | | | | | |
| Single-family homes | 5,830 | 8,044 | 8,483 | 9,414 | 10,903 | 11,552 | 12,257 | 13,244 | 12,448 | 13,521 | 13,873 | 13,798 | |
| Buildings | 440 | 883 | 2,392 | 2,858 | 2,601 | 2,715 | 3,331 | 4,144 | 4,848 | 5,371 | 6,838 | 8,267 | |
| Waterproofing | | | | | | | | | | 128 | 315 | 489 | |
| Sales of urethane raw materials | | | | | | 613 | 561 | 933 | 1,137 | 1,098 | 1,211 | 1,916 | |
| Product sales | 218 | 897 | 2,144 | 2,133 | 2,103 | 3,171 | 3,267 | 3,043 | 3,438 | 3,783 | 3,430 | 3,869 | |
| Gross profit by item | | | | | | | | | | | | | |
| Single-family homes | | | | 2,305 | 3,038 | 2,790 | 2,217 | 3,544 | 3,183 | 2,772 | 3,542 | 3,689 | |
| Buildings | | | | 183 | 419 | 526 | 551 | 832 | 1,004 | 822 | 1,206 | 1,963 | |
| Waterproofing | | | | | | | | | | 20 | (16) | (35) | |
| Sales of urethane raw materials | | | | | | 140 | 113 | 198 | 212 | 177 | 361 | 342 | |
| Product sales | | | | 648 | 569 | 848 | 1,009 | 830 | 909 | 946 | 690 | 968 | |

# Other Key Indicators

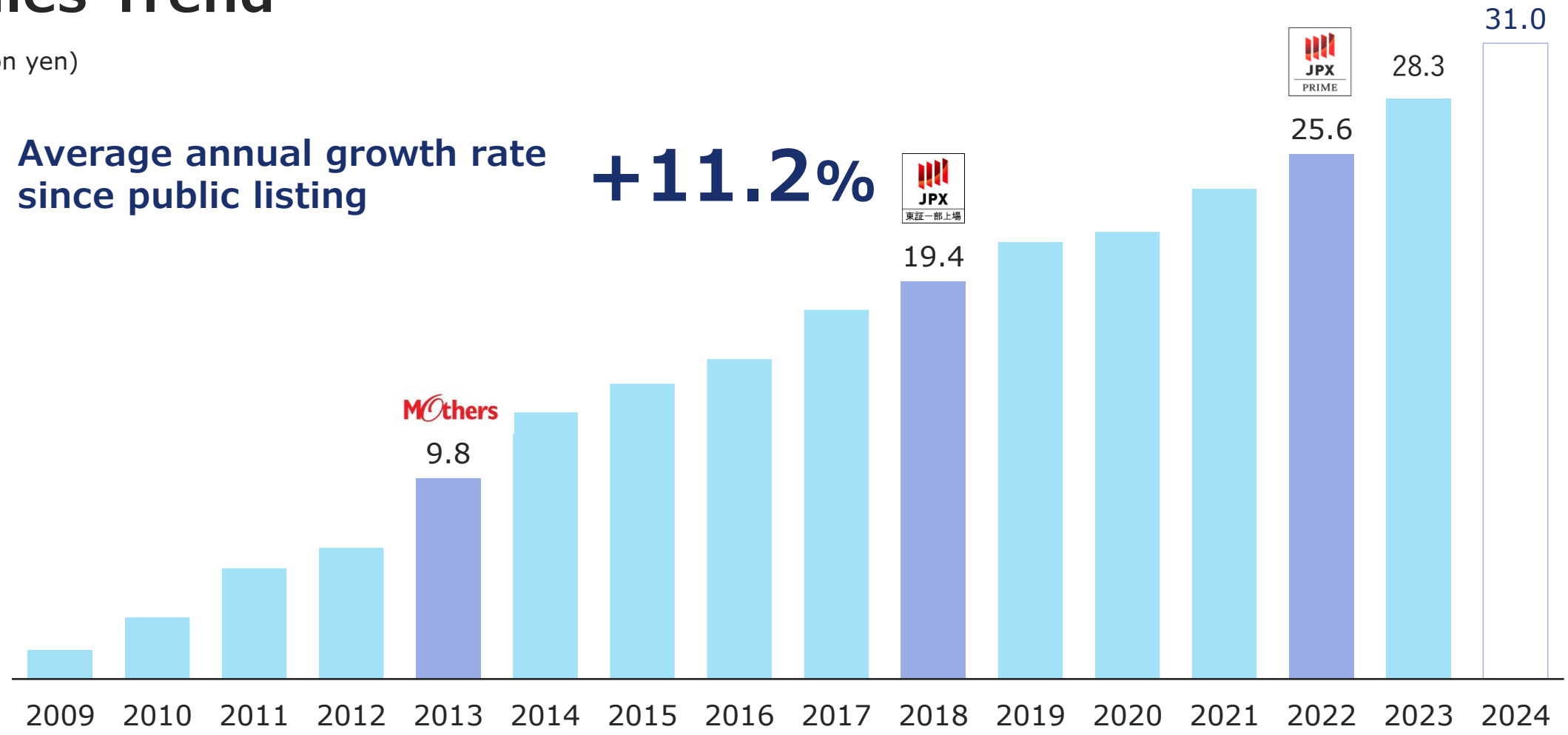
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets, liabilities, and equity | | | | | | | | | | | | | |
| Net assets | 715 | 1,080 | 5,103 | 5,529 | 5,590 | 6,663 | 5,508 | 5,885 | 6,843 | 7,638 | 7,951 | 7,966 | 9,304 |
| Return on equity | 94.0% | 40.6% | 16.6% | 10.0% | 2.5% | 16.0% | 15.5% | 8.6% | 20.0% | 18.5% | 12.2% | 19.5% | 23.2% |
| Total assets | 1,993 | 2,787 | 7,982 | 9,138 | 11,254 | 12,596 | 12,806 | 14,381 | 15,379 | 16,021 | 18,279 | 21,969 | 20,392 |
| Total assets turnover | 3.20 | 2.71 | 1.82 | 1.52 | 1.38 | 1.31 | 1.42 | 1.43 | 1.44 | 1.39 | 1.39 | 1.28 | 1.34 |
| Equity ratio | 35.9% | 38.8% | 63.9% | 60.5% | 49.7% | 52.9% | 43.0% | 40.9% | 44.5% | 47.7% | 43.5% | 36.3% | 45.6% |
| Interest-bearing debt | | | | | 1,433 | 834 | 2,370 | 2,776 | 2,136 | 2,400 | 3,166 | 6,033 | 2,400 |
| No. of employees | | | | | | | | | | | | | |
| Sales | | | 160 | 184 | 182 | 206 | 233 | 208 | 218 | 218 | 189 | 209 | 215 |
| Construction | | | 234 | 246 | 206 | 185 | 132 | 180 | 188 | 196 | 168 | 156 | 220 |
| Management | | | 21 | 20 | 35 | 27 | 62 | 57 | 69 | 73 | 81 | 58 | 66 |
| Total | 194 | 298 | 415 | 450 | 423 | 418 | 427 | 445 | 475 | 487 | 438 | 423 | 501 |
| Stock-related (after reflecting 1:5 stock split on January 1, 2015) | | | | | | | | | | | | | |
| Stock price at the end of the period (yen) | | | 663 | 845 | 438 | 414 | 498 | 437 | 627 | 649 | 687 | 828 | 887 |
| Market value | | | 22,892 | 29,176 | 15,209 | 14,960 | 18,038 | 15,180 | 21,792 | 22,559 | 23,880 | 28,781 | 30,832 |
| Net assets per share (yen) | | | 147.81 | 160.15 | 161.01 | 184.40 | 171.31 | 182.36 | 211.88 | 236.46 | 246.09 | 254.41 | 296.24 |
| Dividend per share (yen) | | | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 10.00 | 17.00 | 20.00 | 20.00 | 24.00 | 32.00 |
| Basic earnings per share (yen) | | | 20.61 | 15.33 | 3.97 | 27.61 | 27.84 | 15.19 | 39.50 | 41.57 | 29.52 | 47.99 | 63.83 |
| Price earnings ratio | | | 32.20 | 55.10 | 110.30 | 15.00 | 17.90 | 28.80 | 15.90 | 15.60 | 23.30 | 17.30 | 13.90 |

# Sales Trend

(Billion yen)

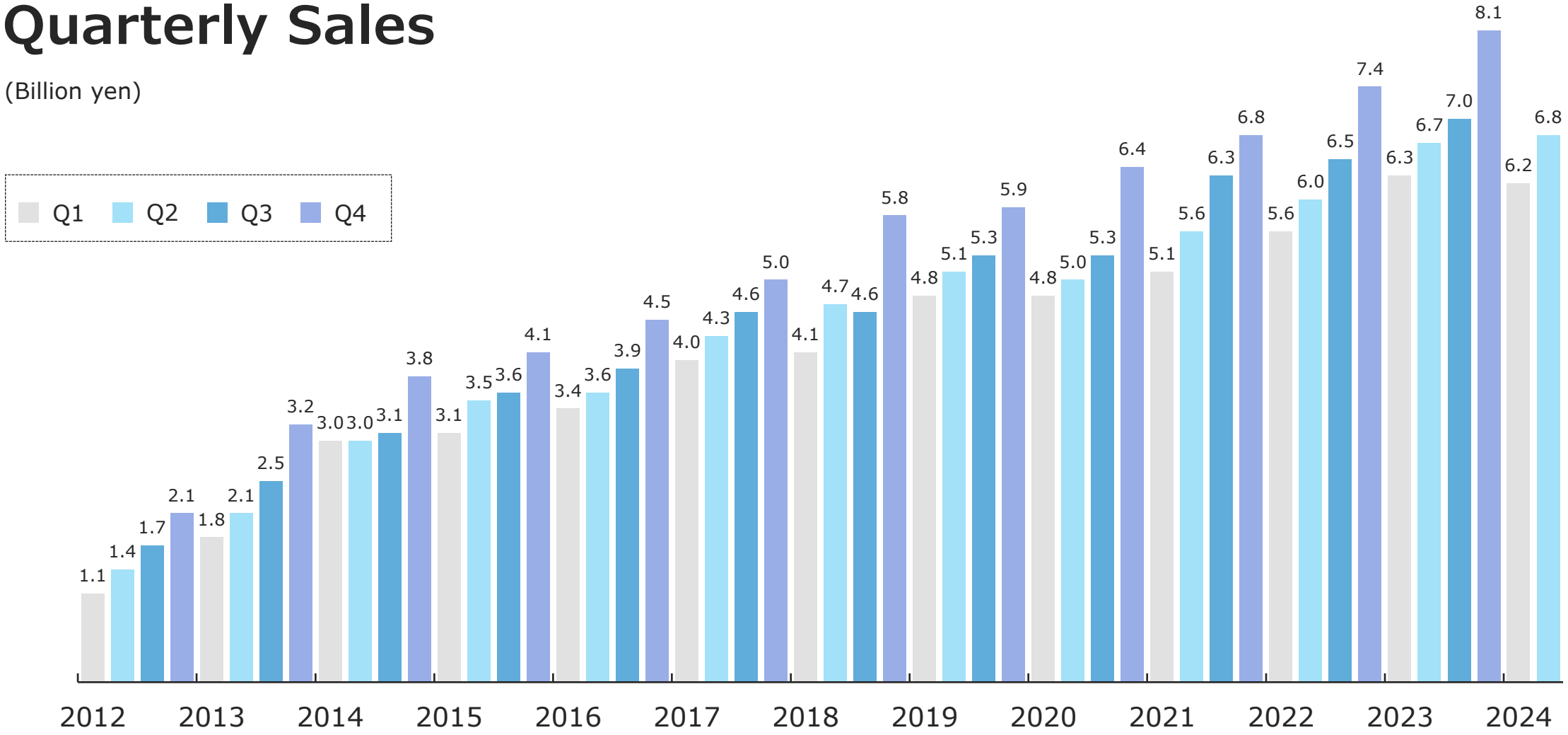
**Average annual growth rate since public listing**

**+11.2%**



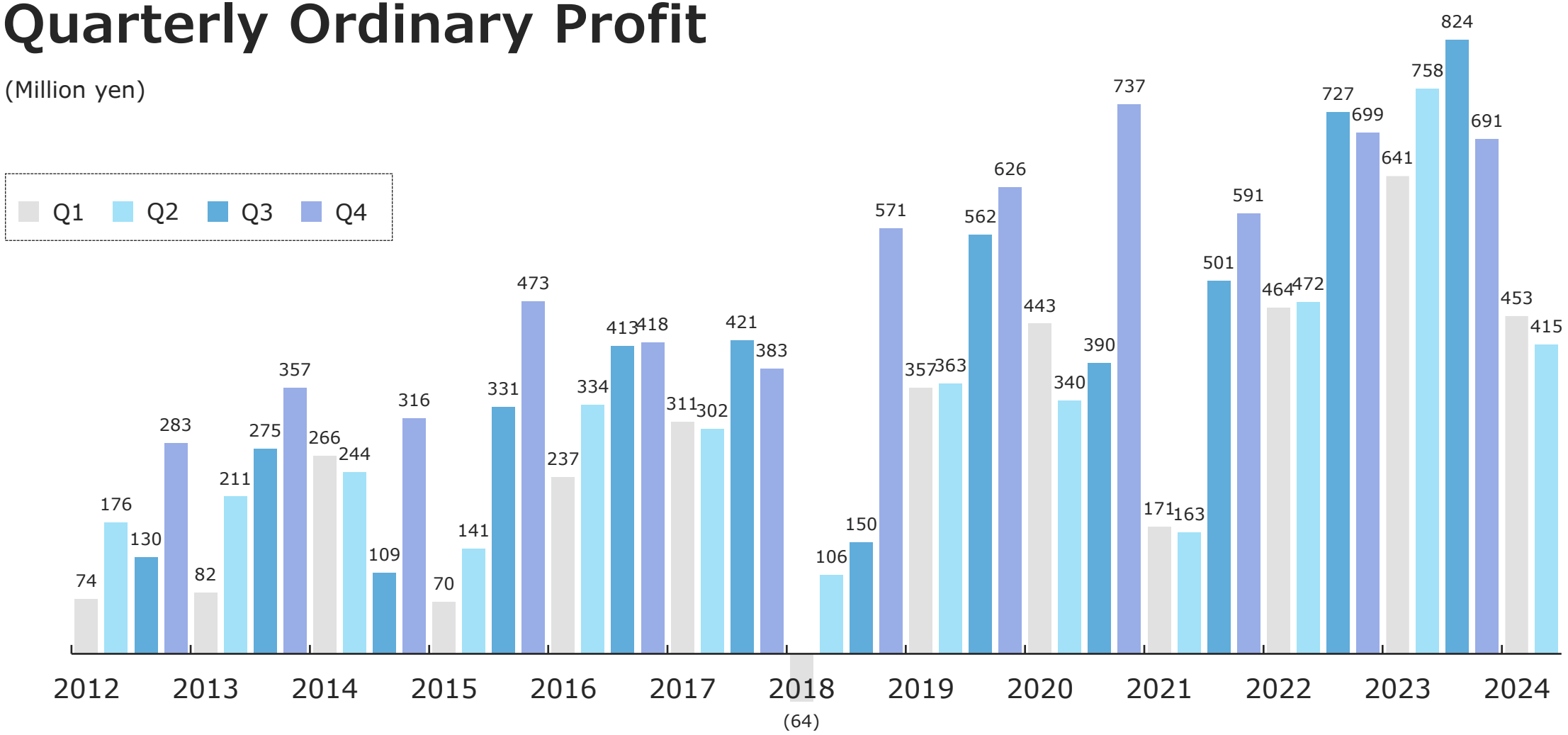
# Quarterly Sales

(Billion yen)



# Quarterly Ordinary Profit

(Million yen)



# The Thermal Conductivity of the Two Main Products Has Changed, Improving Insulation Performance

## The ease with which heat is transmitted is expressed numerically as thermal conductivity.

What is improved thermal conductivity (enhancement of insulation performance)?

Thermal conductivity indicates how much heat (W) is transmitted per square meter when the thickness of the material is 1m and the temperature difference between both sides is 1 degree Celsius and is expressed in units of W/(mK).

A simplified method for calculating the U value (thermal transmittance) (The UA value is the average of the U values for each part)

U value (W/m2K) = 1/thermal resistance value

Thermal resistance value (m2K/W)
= thickness of the material (m) / thermal conductivity (W/mK)

Industry's Highest Standard



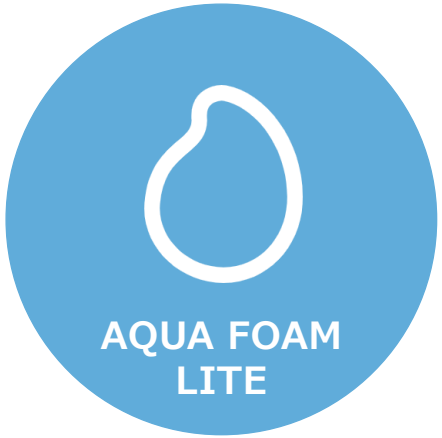

BEST QUALITY

0.036 ▶

**0.033 W/mK**

U value=0.388

Calculated based on the premise of 85mm spray application




0.038 ▶

**0.036 W/mK**

U value=0.423

Calculated based on the premise of 85mm spray application

# Thermal Conductivity and Insulation Thickness

To achieve the same insulation performance as AQUA FOAM LITE (thickness 85mm)

| | AQUA FOAM (NEW!) | High-Performance Glass Wool 40K | AQUA FOAM LITE (NEW!) | High-Performance Glass Wool 24K | High-Performance Glass Wool 16K |
|---|---|---|---|---|---|
| Thermal Conductivity | 0.033 W/mK | 0.034 W/mK | 0.036 W/mK | 0.036 W/mK | 0.038 W/mK |
| Thickness | 77.9 mm (POINT) | 80.2 mm | 85.0 mm | 85.0 mm | 89.7 mm |
| Weight | 14.0 kg/m² (POINT) | 40.0 kg/m² | 10.0 kg/m² (POINT) | 24.0 kg/m² | 16.0 kg/m² |

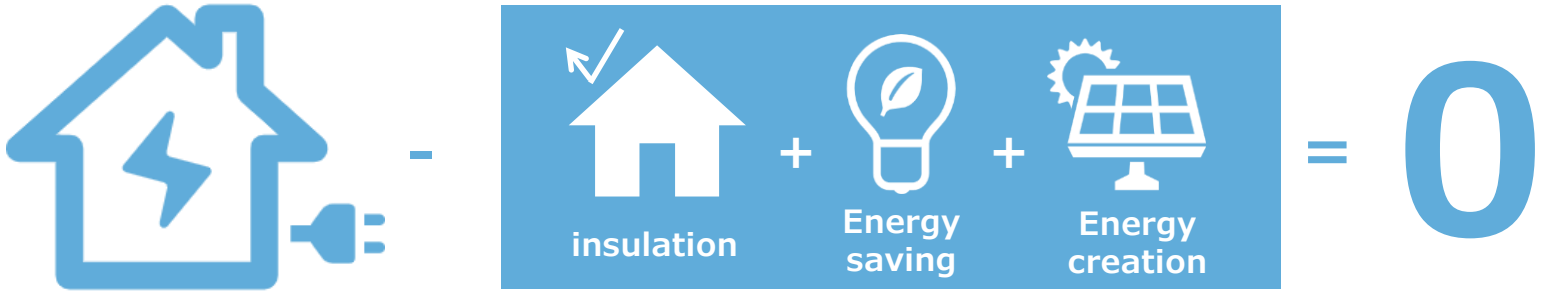
Source: Created by Nippon Aqua based on data listed on the Glass Fiber Association website regarding the density of high-performance glass wool

# What is ZEH (Net Zero Energy House)?

One of the concrete measures to improve energy conservation performance in the housing sector is to spread ZEH (Net Zero Energy House).

ZEH is a house that reduces the annual consumption of primary energy at home to virtually zero through the combination of insulation, energy conservation, and energy creation.

A similar initiative called ZEB (Net Zero Energy Building) is being undertaken for buildings.



# Energy Efficiency Labeling System

To achieve zero-energy buildings and houses, it is essential to enable everyone to choose buildings based on energy efficiency performance.

From April 2024, it will be a due diligence obligation for businesses selling or leasing buildings and houses to display an energy efficiency label.







## For single-family homes and Condominiums

Defines energy consumption performance and insulation performance.

## For non-residential

Defines energy consumption performance.

Market Environment

# What is Energy Consumption Performance?




## Primary energy consumption class

$$\text{BEI} = \frac{\text{Design primary energy consumption (Energy consumption considering energy-saving methods)}}{\text{Standard primary energy consumption (Energy consumption with standard specifications)}}$$

* What are guidance standards?
Standards intended to guide the promotion of improved energy efficiency performance, which must be met for the certification of energy efficiency improvement plans. Established under the Building Energy Saving Law.
Enforced from April 1, 2016.

Source: Ministry of Land, Infrastructure, Transport and Tourism
* Home performance indication system based on the Housing Quality Assurance Act

Market Environment

# What is Insulation Performance?

| | | | | Guidance standards | | Highest grade |
|---|---|---|---|---|---|---|
| Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | Class 7 |
| Region 6 such as Tokyo | UA value 1.67 | UA value 1.54 | UA value 0.87 | UA value 0.60 | UA value 0.46 | UA value 0.26 |
| Region 6 such as Tokyo | | ηAC value 3.8 | ηAC value 2.8 | ηAC value 2.8 | ηAC value 2.8 | ηAC value 2.8 |
| | | | | ZEH | HEAT20 G2 | HEAT20 G3 |

## Insulation performance class

UA value= Average thermal transmittance of the envelope
(Ease of heat escape from buildings)

ηAC value= Average solar heat gain coefficient during the cooling period
(Ease of solar heat gain into buildings)

Source: Ministry of Land, Infrastructure, Transport and Tourism
* Home performance indication system based on the Housing Quality Assurance Act

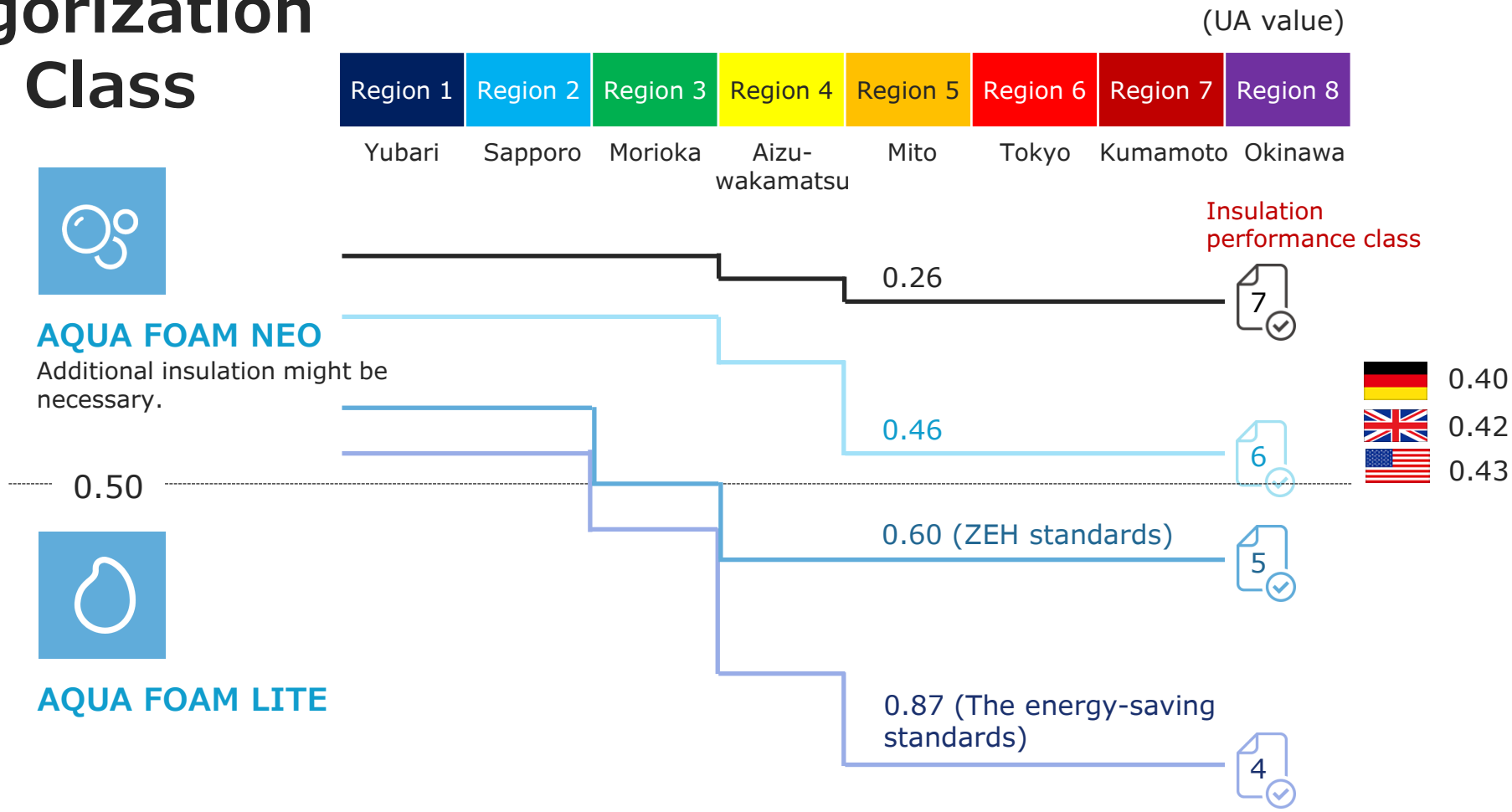
# Regional Categorization and Insulation Class

## Envelope Performance Level

Impacts that single-family homes with higher insulation classes and the spread of ZEH will have on the Company's performance

Standards of insulation classes are not unified nationwide but are categorized by region according to climate, etc. (See representative cities for each region on the right) Many metropolitan cities, including Tokyo, Nagoya, Osaka, Yokohama, and Kobe, are classified into Region 6.

UA value (average coefficient of heat transmission for outside walls) for insulation Class 5 differs from one region to another; the smaller the value is, the higher insulation performance is required




Summarized by Nippon Aqua based on a publication by the Ministry of Land, Infrastructure, Transport and Tourism (new categorization effective from November 16, 2019), with the names of major cities

# Difference in Specification between Insulation Classes

## Region 6 such as Tokyo

Class 4

### The energy-saving standards

AQUA FOAM LITE

Metal Double glazing Low-E

Thermal insulated entrance door

When the insulation class is upgraded, not only the insulation material but also the thermal insulation performance of doors and sashes needs to be enhanced, resulting in construction costs higher than the energy-saving standard (Class 4).

Class 5

### ZEH standards

AQUA FOAM LITE

AQUA FOAM

Metal/Resin Double glazing Low-E

Thermal insulated entrance door

According to our company's estimates, for a standard detached house in region 6 such as Tokyo, reaching the ZEH level (Class 5) increases the thickness of the insulation material, making the construction unit price 1.2 to 1.5 times higher than the energy-saving standard (Class 4).

Class 6

### TOKYO ZERO EMISSION HOUSES

AQUA FOAM*

AQUA FOAM NEO

Metal/Resin Triple glazing Low-E (2 panels)

Thermal insulated entrance door

For Tokyo Zero Emission Houses, etc. (Class 6), either AQUA FOAM or the superior product AQUA FOAM NEO is used, and the construction unit price is 1.7 to 3.0 times higher than the energy-saving standard (Class 4).

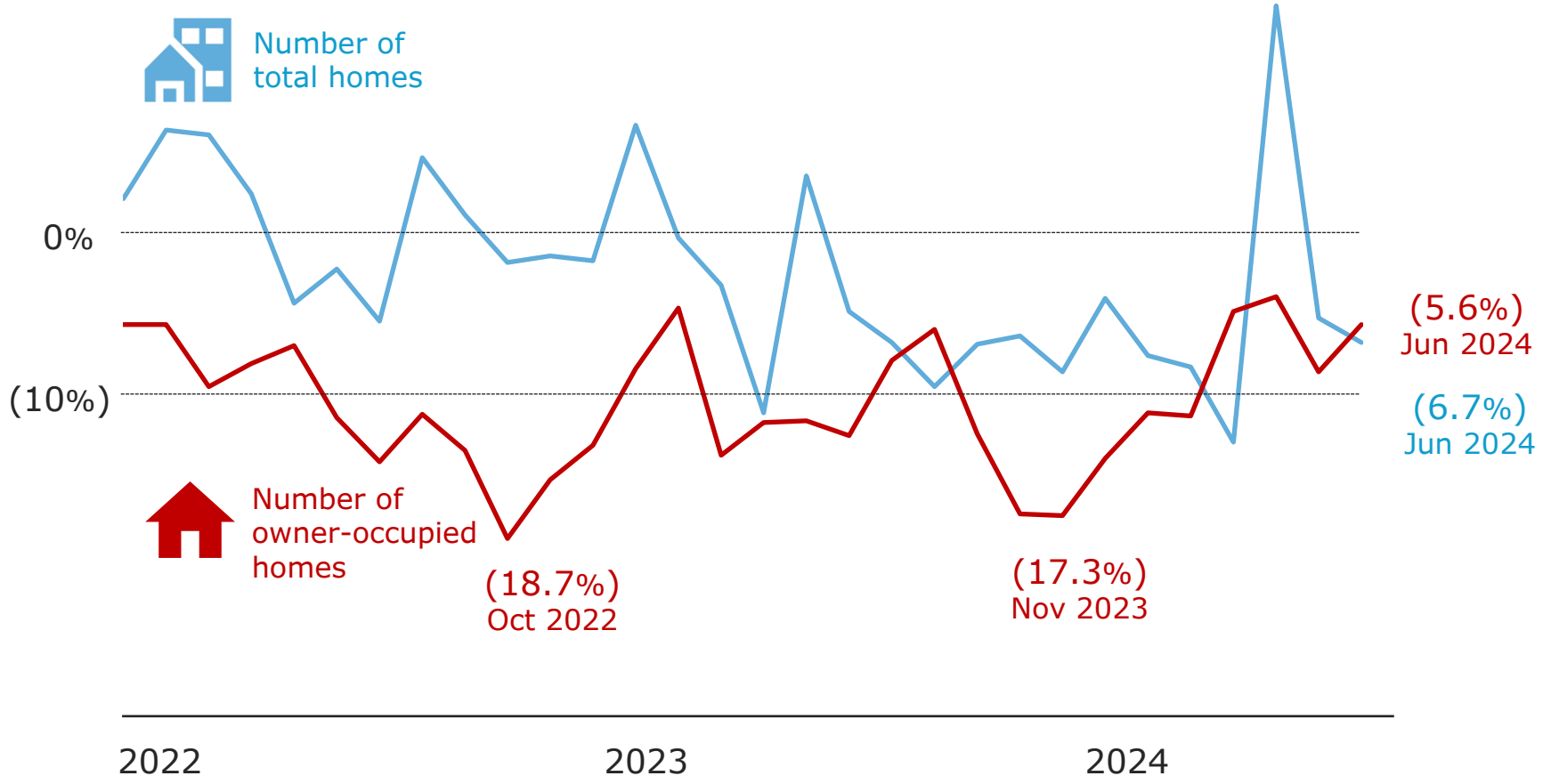
*From April 2024, due to the improved thermal conductivity of AQUA FOAM, enhancing its insulation performance, specifications for Class 6 have become possible, albeit with conditions.

# Number of housing starts

## (year-on-year)

Our Single-family Homes Division has a high level of affinity with owner-occupied homes, as there are many custom-built houses being constructed

In addition, the Buildings Division also performs construction on new condominiums




Source: Ministry of Land, Infrastructure, Transport and Tourism (Statistical Report on Building Starts)

## Inquiries

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