Business Results for the Nine Months Ended September 30, 2024

November 8, 2024

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429

Nine months ended September 30, 2024

Financial Highlights

Net sales	**20,817** M yen	YoY	+652	M yen
		PC	+3.2	%
	OYA 20,165 M yen	Forecast	21,780	M yen
Gross profit	**4,672** M yen	YoY	(185	M yen)
		PC	(3.8	%)
	OYA 4,858 M yen	Forecast	5,061	M yen
Ordinary profit	**1,548** M yen	YoY	(677	M yen)
		PC	(30.4	%)
	OYA 2,225 M yen	Forecast	1,971	M yen

✓Initial expectations were for expansion starting from Q3, but while the Waterproofing Division performed well, delays in the Single-family Homes Division and Buildings Division through Q2 continued, resulting in performance below expectations.

✓The concentration of performance into Q4 is expected to be greater than previously anticipated, but challenges remain for achieving full-year forecasts.

Single-family Homes Division

9,683 M yen

OYA 10,017 M yen
Forecast 10,100 M yen

YoY	(3.3%)	Quantity effect	(4.3%)
		Price effect	+0.9%

✓Housing starts continue to show weakness

✓Orders from builders with a wide area network are expanding

✓Orders from local contractors are struggling

✓Construction is concentrated from the latter half of Q3 to Q4 more than usual

Buildings Division

6,454 M yen

OYA 5,917 M yen
Forecast 7,188 M yen

YoY	+9.1%	Quantity effect	+6.8%
		Price effect	+2.3%

✓Positive market conditions continue

✓Wastage due to waiting for other companies' circumstances occurs until Q3

✓Revenue from large construction projects is concentrated in Q4

✓Failure to secure spot construction jobs due to idle resources

Waterproofing Division, Others

4,679 M yen

OYA 4,229 M yen
Forecast 4,491 M yen

YoY	+10.6%	Waterproofing	+24.6%
		Raw materials	+12.1%
		Others	+8.0%

✓Growth in auxiliary supplies through bundled sales in the Single-family Homes Division

✓Expansion in blowing equipment sales due to an enhanced construction system

Revision of Financial Forecasts

✓Considering the performance up to Q3, the full-year financial forecasts for the fiscal year ending December 2024 have been revised downward.

✓The Waterproofing Division and other sales (such as auxiliary supplies and spray machinery) exceeded expectations but were not enough to compensate for the delays in the Single-family Homes Division and Buildings Division up to Q3.

Net sales	**30,000** M yen		Initial	31,005 M yen
			Amount	(1,005 M yen)
	OYA	28,341 M yen	PC	(3.2 %)
Gross profit	**6,980** M yen		Initial	7,408 M yen
			Amount	(428 M yen)
	OYA	6,924 M yen	PC	(5.8 %)
Ordinary profit	**2,600** M yen		Initial	3,100 M yen
			Amount	(500 M yen)
	OYA	2,917 M yen	PC	(16.1 %)

Single-family Homes Division

13,450 M yen

		Initial	14,408 M yen
		Amount	(958 M yen)
YoY	(6.7%)	Quantity effect	(5.9%)
		Price effect	(0.8%)

✓Overall, while major builders maintained their market share, regionally focused companies saw a decline, and our construction numbers stagnated.

✓The pace of expansion in condominium renovations was slower than our expectations.

Buildings Division

9,890 M yen

		Initial	10,394 M yen
		Amount	(504 M yen)
YoY	(4.8%)	Quantity effect	(13.1%)
		Price effect	+8.2%

✓Unable to cover the construction delays up to Q3.

✓Delays prevented the finalization of schedules, hindering the acquisition of spot construction projects.

Waterproofing Division, Others

6,660 M yen

Initial	6,202 M yen
Amount	+457 M yen
Waterproofing	+119 M yen
Raw materials	+0 M yen
Others	+338 M yen

✓The Waterproofing Division exceeded initial forecasts due to growth in non-residential projects.

✓Sales of urethane raw materials are expected to land on plan.

✓Auxiliary supplies, machinery, and others saw growth due to campaign effects.

Fiscal Year Ending December 2024

Dividend Forecast Unchanged

Dividend per share

34.0 yen

Previous period 32.0 yen

Payout ratio

60.8 %

YoY +10.7 pt

✓Underperformance is a temporary result of the external environment

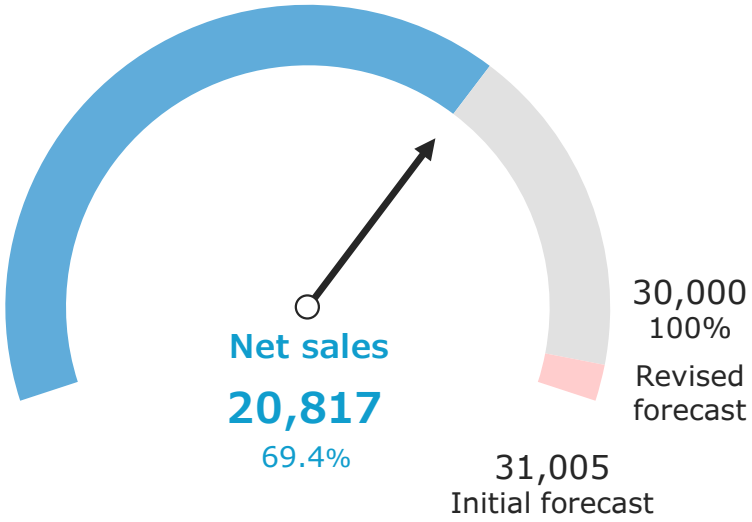
✓Medium- and Long-term Management Strategies align with the market environment

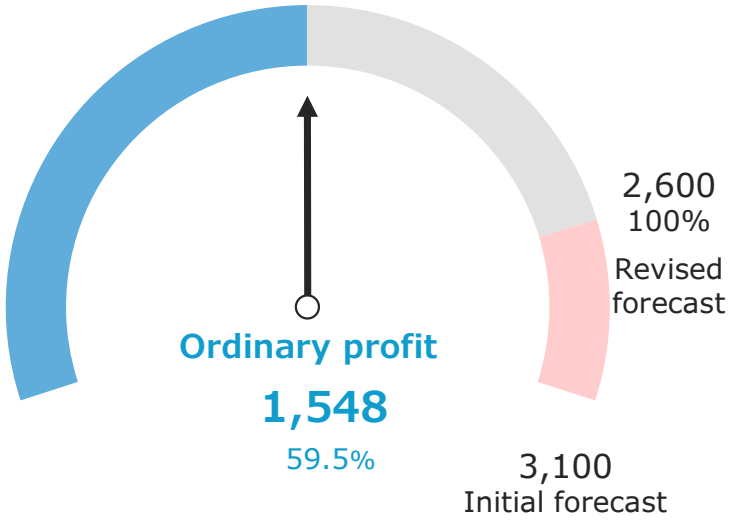
✓Given the above, despite exceeding the dividend payout ratio target of 50%, the decision was made to keep it "unchanged" in light of the dividend forecast amount in the Medium-Term Management Plan.

Nine months ended September 30, 2024

Progress on Revised Forecast

(M yen)





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Nine months ended September 30, 2024

Net Sales

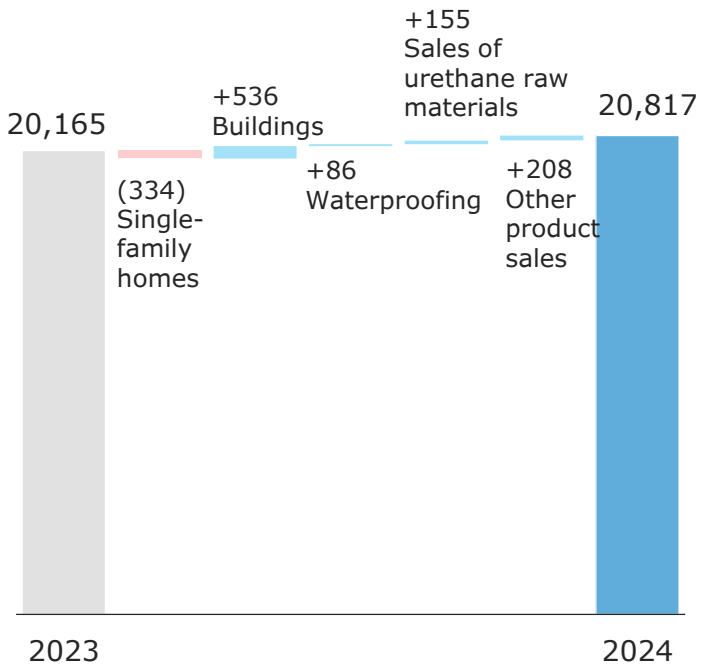
20,817 M yen

OYA 20,165 M yen

YoY +652 M yen

PC +3.2 %

Forecast 21,780 M yen



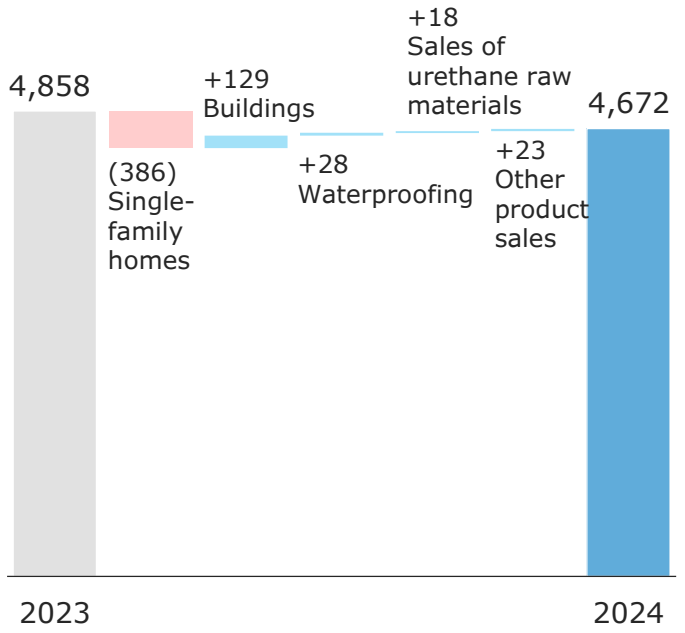
Sales by division

	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Net sales	6,368	6,789	7,006	8,176	28,341	6,272	6,840	7,705	9,182	30,000
Single-family homes	3,221	3,287	3,509	3,780	13,798	2,985	3,276	3,421	3,766	13,450
Buildings	1,912	1,936	2,068	2,350	8,267	1,929	2,064	2,460	3,435	9,890
Waterproofing	126	122	100	139	489	136	124	174	379	815
Sales of urethane raw materials	337	428	510	638	1,916	414	507	510	803	2,235
Other product sales	770	1,015	817	1,266	3,869	807	866	1,137	798	3,610

Nine months ended September 30, 2024

Gross Profit

4,672 M yen YoY (185 M yen)
PC (3.8 %)
OYA 4,858 M yen Forecast 5,061 M yen
GPM 24.1 % ▶ 22.4 %



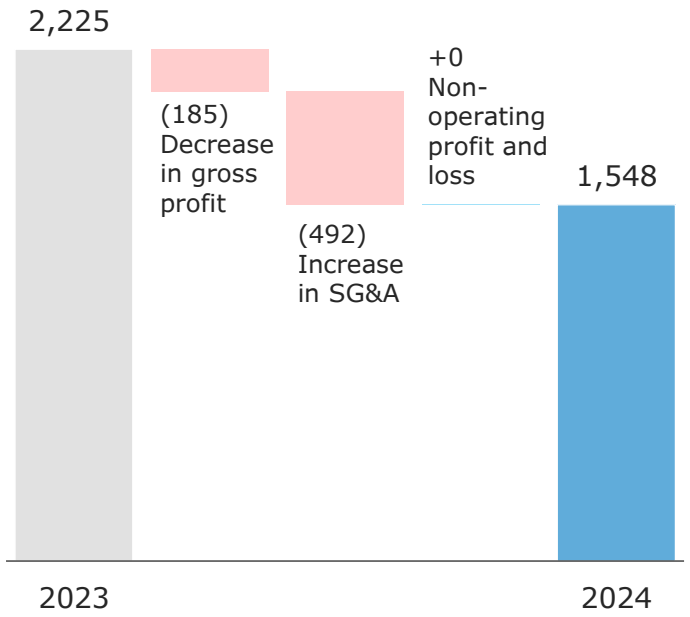
Gross profit by division

		FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Gross profit		1,457	1,666	1,734	2,066	6,924	1,447	1,459	1,765	2,307	6,980
	Single-family homes	876	866	929	1,012	3,685	730	777	778	873	3,160
	Buildings	361	450	540	610	1,963	454	443	583	842	2,324
	Waterproofing	(21)	(12)	(1)	0	(35)	2	(10)	0	59	52
	Sales of urethane raw materials	63	82	89	107	342	74	89	89	144	398
	Other product sales	177	279	175	336	968	181	162	312	387	1,043

Nine months ended September 30, 2024

Ordinary Profit

1,548 M yen YoY (677 M yen)
PC (30.4 %)
OYA 2,225 M yen Forecast 1,971 M yen
Ordinary PM 11.0 % ▶ 7.4 %



✓Increase in payroll costs: due to an increase in staff and salary levels.

✓From the fiscal year 2024, a portion of the certified contractors' incentive payments will be allocated, resulting in Q4 selling, general and administrative expenses expected to be below the previous year.

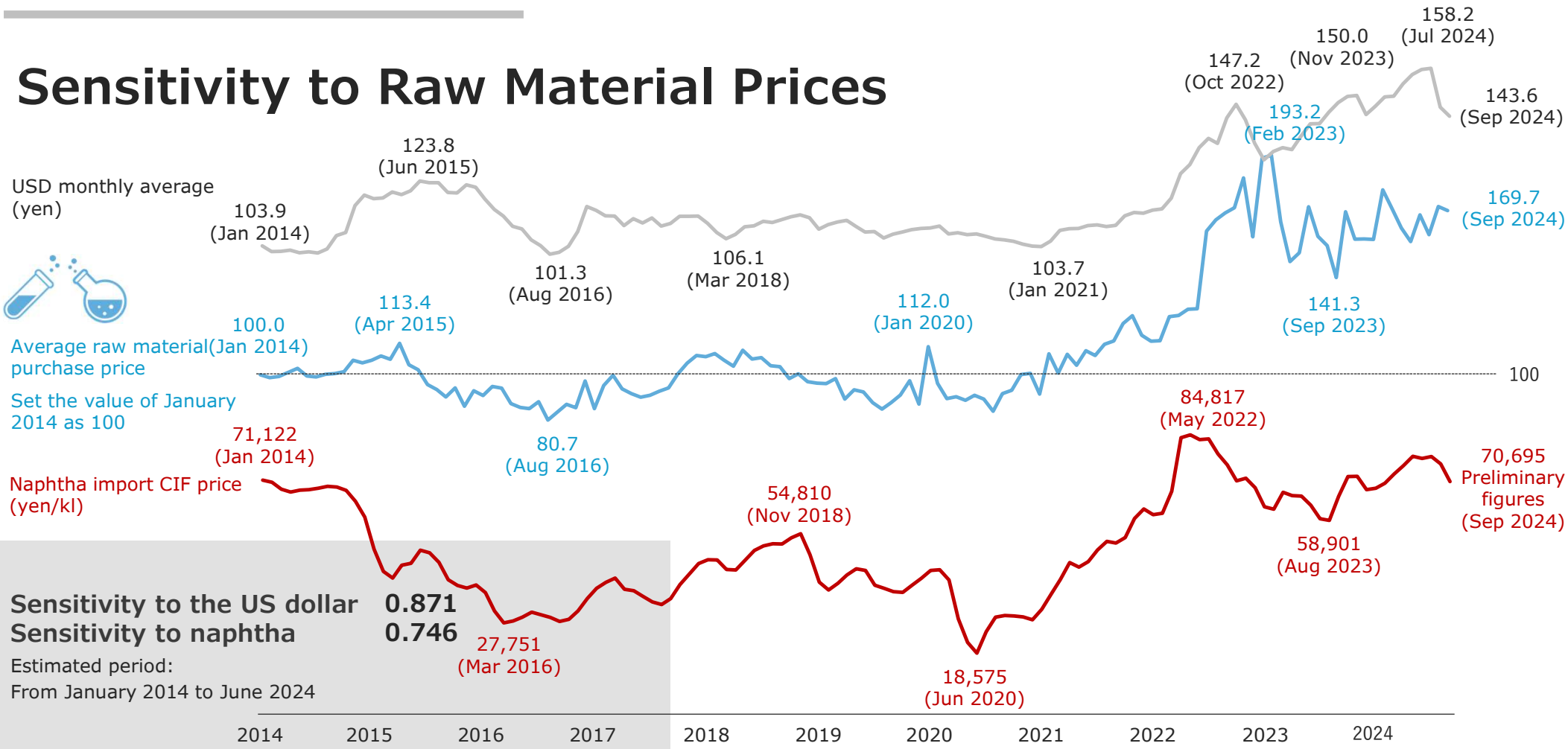
COST

SG&A

	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Gross profit	1,457	1,666	1,734	2,066	6,924	1,447	1,459	1,765	2,307	6,980
SG&A	829	913	915	1,383	4,042	1,002	1,055	1,093	1,228	4,380
Payroll cost	432	480	477	738	2,128	557	577	576	984	2,695
Special incentives*				150	150	2	9	11	15	38
Trainee related expenses	56	62	60	89	267	72	93	113	83	362
Travel expenses	53	66	64	66	250	53	58	65	62	240
Rent expenses	45	46	48	50	190	49	55	55	56	217
Depreciation expenses	39	41	41	42	164	41	43	43	46	176
Ordinary Profit	641	758	824	691	2,917	453	415	679	1,051	2,600

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

Sensitivity to Raw Material Prices



Sensitivity to the US dollar 0.871
Sensitivity to naphtha 0.746

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)

Construction Capability Trends

Regarding the Strengthening of Construction Capability
(Increase in Internal Installation Work Personnel)

✓Compared to competitors, we aim to establish an overwhelmingly superior system in both quality and mass.

✓Since 2023, we have been working on increasing by 100 people per year, including certified contractor employees.

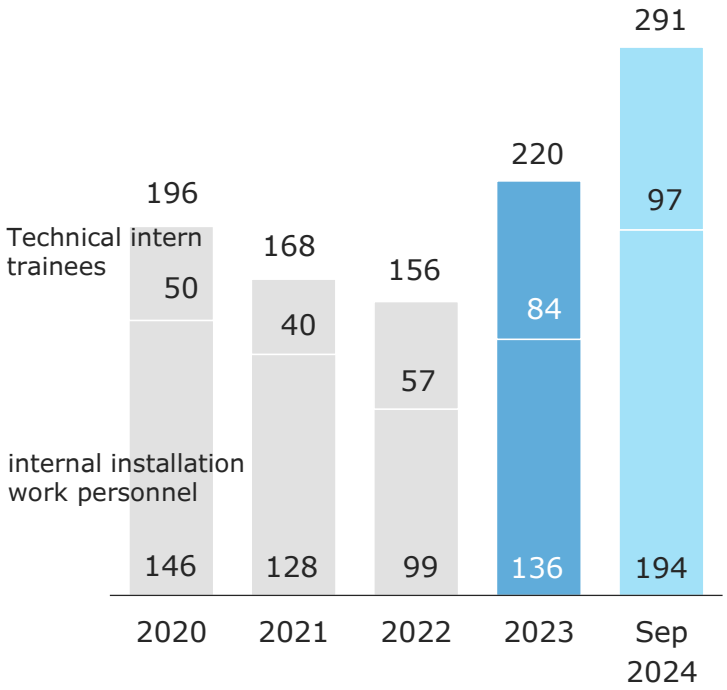
✓The development of business for both 2023 and 2024 is generally proceeding according to plan.

✓Expansion at a similar pace is expected to continue after 2025.

- 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

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.



Income Statement (M yen,%)

	FY 2023 Jan-Sep	FY 2024 Jan-Sep	YoY Amount	YoY Change(%)	vs 9M Forecast Forecast	vs 9M Forecast Amount	vs 9M Forecast Change(%)	FY2024 Forecast Initial	FY2024 Forecast Revised
Net sales	20,165	20,817	+652	+3.2	21,780	(963)	(4.4)	31,005	30,000
Single-family homes	10,017	9,683	(334)	(3.3)	10,100	(417)	(4.1)	14,408	13,450
Buildings	5,917	6,454	+536	+9.1	7,188	(734)	(10.2)	10,394	9,890
Waterproofing	349	435	+86	+24.6	457	(21)	(4.8)	695	815
Sales of urethane raw materials	1,277	1,432	+155	+12.1	1,664	(231)	(13.9)	2,235	2,235
Other product sales	2,603	2,811	+208	+8.0	2,369	+442	+18.7	3,271	3,610
Cost of sales	15,306	16,145	+838	+5.5	16,719	(574)	(3.4)	23,596	23,020
Gross profit	4,858	4,672	(185)	(3.8)	5,061	(388)	(7.7)	7,408	6,980
Single-family homes	2,673	2,287	(386)	(14.4)	2,463	(176)	(7.1)	3,585	3,160
Buildings	1,352	1,481	+129	+9.6	1,838	(356)	(19.4)	2,774	2,324
Waterproofing	(35)	(6)	+28	—	21	(28)	—	38	52
Sales of urethane raw materials	235	254	+18	+7.9	284	(30)	(10.6)	398	398
Other product sales	632	656	+23	+3.7	453	+202	+44.7	611	1,043
SG&A expenses	2,658	3,151	+492	+18.5	3,090	+60	+2.0	4,308	4,380
Operating profit	2,199	1,521	(678)	(30.8)	1,971	(450)	(22.9)	3,100	2,600
Ordinary profit	2,225	1,548	(677)	(30.4)	1,971	(423)	(21.5)	3,100	2,600
Profit	1,509	1,043	(466)	(30.9)	1,330	(287)	(21.6)	2,092	1,755
Dividend per share (yen)								34.0	34.0

Balance Sheet (M yen)

	As of Dec 31 2023	As of Sep 30 2024
Assets		
Current assets		
Cash and deposits	2,033	2,018
Notes and accounts receivable - trade, and contract assets	6,397	6,639
Electronically recorded monetary claims	1,098	960
Inventories	2,209	2,104
Accounts receivable - other	3,648	3,669
Total current assets	15,472	15,513
Non-current assets		
Total property, plant and equipment	4,367	4,339
Total intangible assets	85	82
Total investments and other assets	466	543
Total non-current assets	4,919	4,965
Total assets	20,392	20,479

	As of Dec 31 2023	As of Sep 30 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,453	6,132
Short-term borrowings	2,400	4,100
Total current liabilities	10,927	11,028
Non-current liabilities		
Total non-current liabilities	159	107
Total liabilities	11,087	11,135
Net assets		
Share capital	1,903	1,903
Capital surplus	1,912	1,912
Retained earnings	7,523	7,562
Treasury shares	(2,035)	(2,035)
Total net assets	9,304	9,343
Total liabilities and net assets	20,392	20,479

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Revision to Non-consolidated Full-year Results Forecast, etc.

Net sales

(M yen)

	FY 2023	FY 2024			
	Results	Initial forecast	Revised forecast	Amount	Change(%)
Net sales	28,341	31,005	30,000	(1,005)	(3.2)
Single-family homes	13,798	14,408	13,450	(958)	(6.7)
Quantity effect				(846)	
Price effect				(112)	
Buildings	8,267	10,394	9,890	(504)	(4.8)
Quantity effect				(1,357)	
Price effect				+853	
Waterproofing	489	695	815	+119	+17.1
Sales of urethane raw materials	1,916	2,235	2,235	+0	+0.0
Other product sales	3,869	3,271	3,610	+338	+10.3
Cost of sales	21,417	23,596	23,020	(576)	(2.4)
Gross profit	6,924	7,408	6,980	(428)	(5.8)

✓In the Single-family Homes Division, the number of constructions did not meet the plan, resulting in a decrease of 915 million yen due to the volume effect. As for the construction unit price, despite the standardization of Insulation Class 5, the price effect led to a decrease of 43 million yen due to pricing strategies, totaling a decrease of 958 million yen.

✓In the Buildings Division, the failure to achieve planned acquisitions such as spot construction resulted in a shortage of construction area, leading to a decrease of 1,142 million yen due to the volume effect. On the other hand, the construction unit price increased by 638 million yen due to the higher weight of premium product AQUA MOEN NEO construction, resulting in a total decrease of 504 million yen.

Revision to Non-consolidated Full-year Results Forecast, etc.

Gross Profit

(M yen)

	FY 2023	FY 2024			
	Results	Initial forecast	Revised forecast	Amount	Change(%)
Gross profit	6,924	7,408	6,980	(428)	(5.8)
GPM	24.4%	23.9%	23.3%		(0.6)
Single-family homes	3,685	3,585	3,160	(424)	(11.9)
GPM	26.7%	24.9%	23.5%		(1.4)
Buildings	1,963	2,774	2,324	(450)	(16.2)
GPM	23.7%	26.7%	23.5%		(3.2)
Waterproofing	(35)	38	52	+14	+36.0
GPM	(7.2%)	5.6%	6.5%		+0.9
Sales of urethane raw materials	342	2,235	2,235	+0	+0.0
GPM	17.9%	17.8%	17.8%		+0.0
Other product sales	3,869	3,271	3,610	+269	+70.7
GPM	25.0%	18.7%	28.9%		+10.2
SG&A expenses	4,042	4,308	4,380	+71	+1.7
Operating profit	2,881	3,100	2,600	(500)	(16.1)
Ordinary profit	2,917	3,100	2,600	(500)	(16.1)
Profit	2,004	2,092	1,755	(337)	(16.1)

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Single-family Homes Division

Net sales **9,683** M yen

OYA	10,017 M			
YoY	(334 M)		(3.3 %)	
GPM	26.7 %	▶	23.6 %	

9M_E	10,100 M			
vs plan	(417 M)		(4.1 %)	
GPM	24.4 %	▶	23.6 %	

Revised	13,450 M
Remaining	3,766 M
GPM	24.0 %

Quantity effect

✓Quantity effect results in a loss of 428 million yen.

✓Significant increase in orders from top priority builders.

✓Trend of increasing orders from builders with wide-area operations.

✓Decrease in orders for community-based builders.

✓New development slightly behind schedule.

✓Quantity effect results in a loss of 440 million yen.

✓Decrease in orders for community-based builders.

✓New development slightly behind schedule.

✓Construction activities are unusually concentrated in the 3rd quarter onwards.

✓Construction is concentrated more in the 3rd quarter onwards than in previous years.

✓Recovery trend in the number of constructions due to concentration of construction activities.

✓The full-scale construction for the new major client anticipated in September has been postponed to December.

✓Generally, major companies secure a certain share, while community-based builders lose share (context for our company's stagnating construction numbers).

Price effect

✓Price effect yields a plus of 94 million yen.

✓Construction of Insulation Class 4 almost ceases (approximately 30% of all constructions in the previous year).

✓Implementing pricing strategies aimed at expanding market share.

✓Price effect yields a plus of 23 million yen.

✓Almost as expected.

✓Expansion of air tightness measurement services.

✓Continuation of share expansion measures assumes stable average prices.

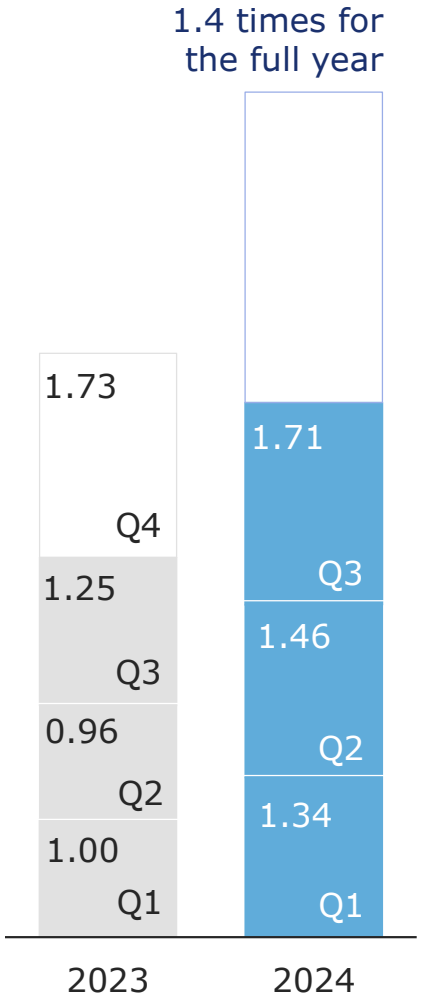
✓Minimal price effect from Class 6 (expected to expand significantly after 2025).

	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Net sales	3,221	3,287	3,509	3,780	13,798	2,985	3,276	3,421	3,766	13,450
Gross profit	876	866	929	1,012	3,685	730	777	778	940	3,228
Num (YoY)	(13%)	(13%)	(8%)	(4%)	(9%)	(11%)	(1%)	(0%)	+6%	(1%)
Unit price (YoY)	+14%	+9%	+9%	+7%	+10%	+5%	+1%	(2%)	(6%)	(1%)

Nippon Aqua's Initiatives

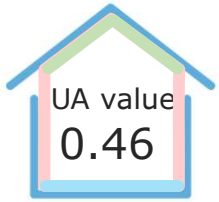
Spread of Insulation Class 6

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

Tokyo Zero Emission Houses Criteria Modification

Effective from October 1, 2024

Due to criteria modification, insulation performance class 6 from top grade to mid-grade

Level 3	Class 6 equivalent	UA value 0.46	BEI 0.60 or less
Level 2	Class 5 equivalent	UA value 0.60	BEI 0.65 or less
Level 1	Class 4-5 equivalent	UA value 0.70	BEI 0.70 or less

Level A	Class 6-7 equivalent	UA value 0.35	BEI 0.55 or less
Level B	Class 6 equivalent	UA value 0.46	BEI 0.60 or less
Level C	Class 5 equivalent	UA value 0.60	BEI 0.70 or less



All levels to principally install renewable energy facilities (e.g., solar power generating equipment, etc.)

To Achieve Energy-Saving Housing*

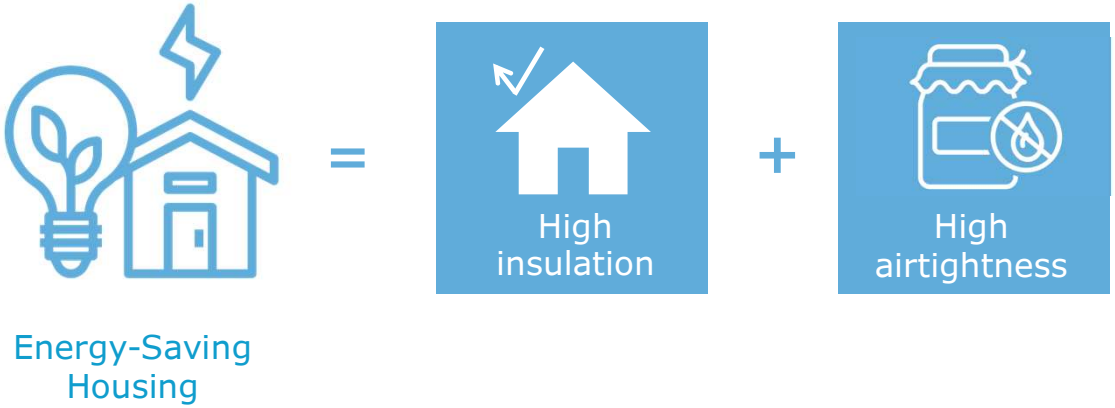
*Housing that is comfortable to live in even with low energy consumption

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.



Differences in Airtight Performance Directly Linked to Comfort



✓Adding insulation to the ceiling

✓Installation of internal windows

✓Insulation and airtight sealing on the floor (application of urethane foam)



Before insulation and airtight sealing renovation

✓Uneven temperatures within the room. (The temperature at foot level is low)

✓Due to insufficient airtight treatment, cold outside air enters.



After insulation and airtight sealing renovation

✓Small temperature differences inside the room.

✓Due to meticulous airtight treatment, there is little heat loss.

Image: © Associate Professor Masayuki Mae, Department of Architecture, Graduate School of Engineering, The University of Tokyo

Spread of Regulations Related to Airtightness Performance

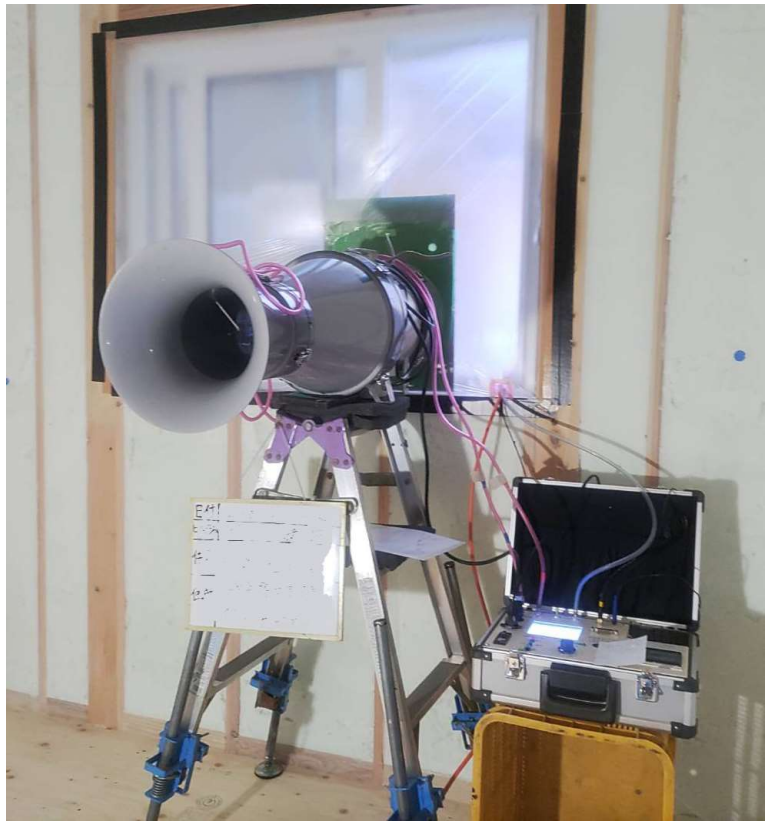


$$\text{C value} = \frac{\text{Total gap area of the house (cm2)}}{\text{Total floor area (m2)}}$$

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). 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). 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. Yamagata Shinshu (Nagano) Yukiguni ZEH (Niigata) Tottori KitaQ ZEH (Fukuoka)	A level of airtightness that is comparable to strict standards adopted in other countries. Sapporo (Hokkaido)

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



Nippon Aqua's Initiatives

Accelerating Expansion of Air Tightness 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.

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Nine months ended September 30, 2024

Buildings Division

Net sales **6,454** M yen

OYA	5,917	M			
YoY	+536	M	+9.1	%	
GPM	22.9	%	▶ 23.0	%	

9M_E	7,188	M			
vs plan	(734	M)	(10.2	%)	
GPM	25.6	%	▶ 23.0	%	

Revised	9,890	M
Remaining	3,435	M
GPM	24.5	%

Quantity effect

✓Quantity effect resulted in an increase of 401 million yen.

✓Increase in large items such as manufacturing equipment

✓Delays (waiting) occurred in our company due to circumstances of other companies

✓Quantity effect resulted in a decrease of 1,241 million yen.

✓Delays (waiting) occurred in our company due to circumstances of other companies

✓Delays in commencement led to delays in revenue recognition

✓Delays prevented the finalization of schedules, hindering the acquisition of spot construction projects

✓Price effect resulted in an increase of 507 million yen.

✓Revenue recognition for large construction projects concentrated in Q4

✓Failed to cover delays of up to 9 months

✓The full-scale construction for the new major client anticipated in September has been postponed to December.

Price effect

✓Price effect resulted in an increase of 135 million yen.

✓Partial contribution from price revision effects in the second half of 2023

2025 Fiscal Year Outlook

✓Continued strong demand especially in the three major metropolitan areas

✓By the end of September, orders and confirmed orders for the fiscal year 2025 secured 1.8 times that of the same period last year

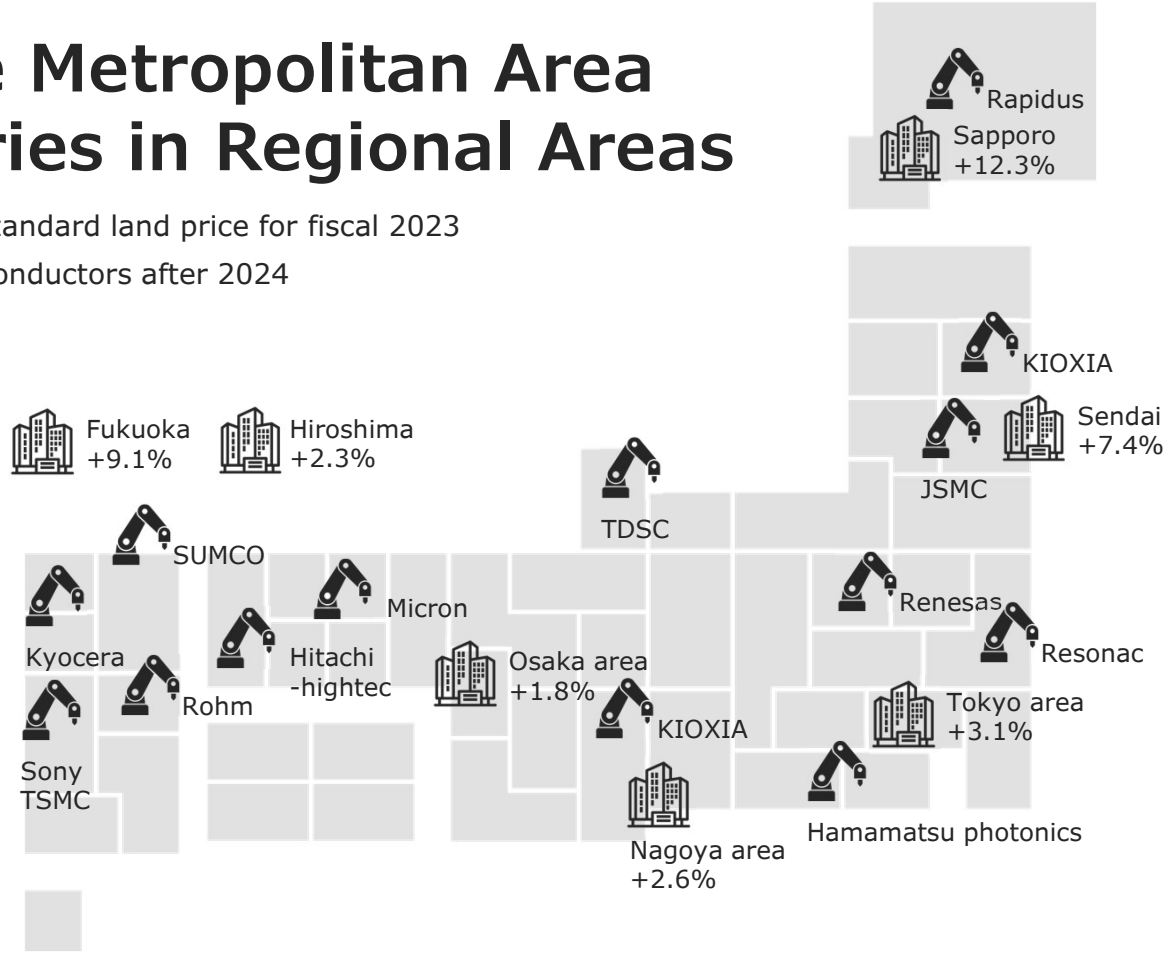
	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Net sales	1,912	1,936	2,068	2,350	8,267	1,929	2,064	2,460	3,435	9,890
Gross profit	361	450	540	610	1,963	454	443	583	941	2,423
Area (YoY)	(4%)	(9%)	(19%)	(14%)	(12%)	(8%)	+12%	+17%	+39%	+16%
Unit price (YoY)	+40%	+50%	+41%	+24%	+37%	+10%	(5%)	+1%	+5%	+3%

Redevelopment in the Metropolitan Area Semiconductor Factories in Regional Areas

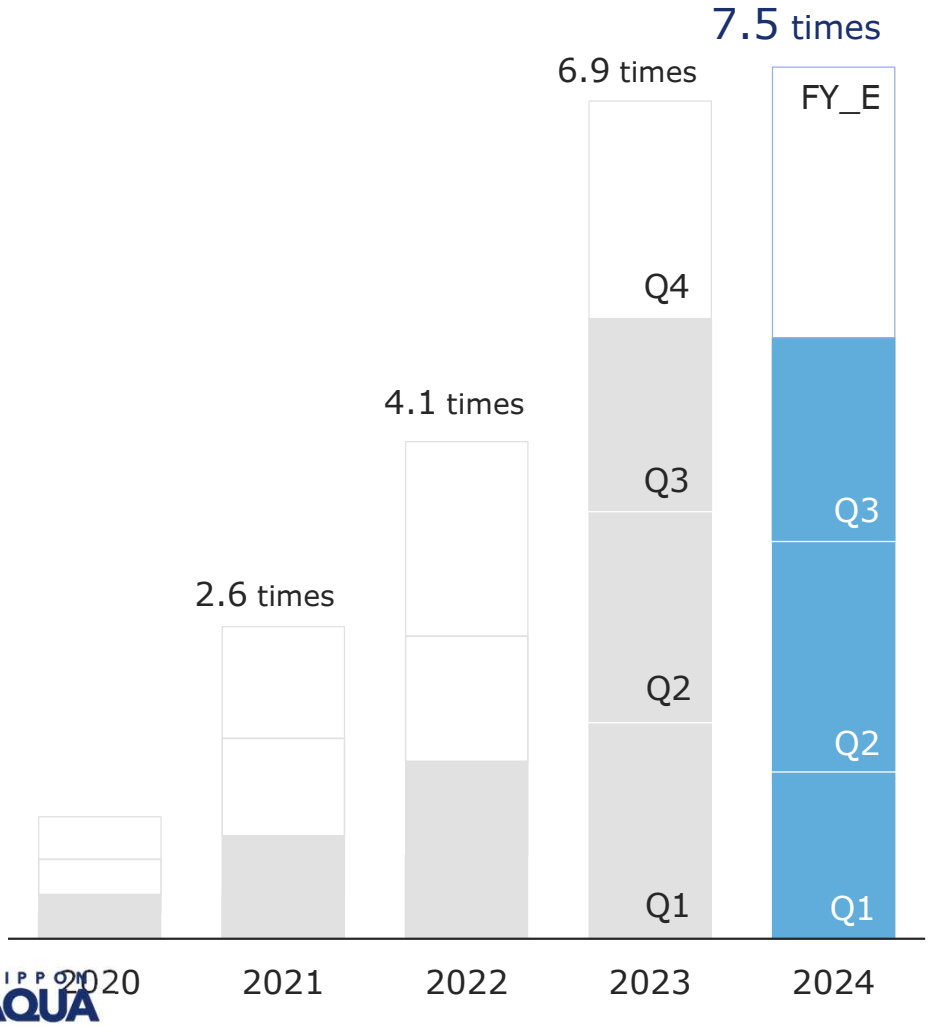
✓The ratio of city names is the increase rate of the standard land price for fiscal 2023

✓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.



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



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Nine months ended September 30, 2024

Waterproofing Division

Net sales **435** M yen

OYA	349 M			
YoY	+86 M	+24.6 %		
GPM	(10.1 %)	▶	(1.5 %)	

9M_E	457 M		
vs plan	(21 M)	(4.8 %)	
GPM	4.8 %	▶	(1.5 %)

Revised	815 M
Remaining	379 M
GPM	6.5 %

Noteworthy Items

✓Improved recognition through construction records and exhibition effects

✓Repeat orders from PLANT Co., Ltd. (Fukushima Prefecture)

✓Increase in non-residential renovation projects

✓Progressing as planned

✓Delays in commencement due to unseasonable weather, but now resolved

✓Advancement in acquiring large-scale projects scheduled for 2025

Major retail chains

Third-party logistics

✓Expected to exceed the initial plan

✓Revenue recognition for large-scale projects acquired during the period, including third-party logistics

Background of the Division's Strong Performance

✓Strengthening the department through the acquisition of talent from competitors

✓Improvement in sales capability and construction proposal capability

✓Along with the accumulation of construction achievements, the company's recognition has increased

	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Waterproofing division sales	126	122	100	139	489	136	124	174	379	815
Single-family homes	90	107	91	123	412	110	93	85	130	420
Non-residential	36	14	9	15	76	25	31	88	249	395
Gross profit	(21)	(12)	(1)	0	(35)	2	(10)	0	59	52

Nine months ended September 30, 2024

Sales of Urethane Raw Materials

1,432 M yen



OYA	1,277	M			
YoY	+155	M	+12.1	%	
GPM	18.4	%	▶ 17.7	%	

✓Sales of materials for buildings have grown.

9M_E	1,664	M			
vs plan	(231	M)	(13.9	%)	
GPM	17.1	%	▶ 17.7	%	

✓Due to the general delay in the start of construction of buildings, buyers are on hold, postponing the purchase of materials.

Revised	2,235	M	
Remaining	803	M	
GPM	17.8	%	

✓The delay of up to 9 months can be covered with the commencement of construction by the buyers who postponed purchases.

Other Product Sales

2,811 M yen



OYA	2,603	M			
YoY	+208	M	+8.0	%	
GPM	24.3	%	▶ 23.3	%	

✓Growth through the implementation of auxiliary supplies sales campaigns.

✓Increase in external installation work personnel leads to growth in blowing equipment sales.

9M_E	2,369	M			
vs plan	+442	M	+18.7	%	
GPM	19.1	%	▶ 23.3	%	

✓Growth through the implementation of auxiliary supplies sales campaigns.

✓Demand for model changes in blowing equipment continues.

Revised	3,610	M	
Remaining	798	M	
GPM	27.1	%	

✓Achievement of revised plans is possible through strengthening auxiliary supplies sales campaigns, etc.

	FY2023 Q1	Q2	Q3	Q4	Total	FY2024 Q1	Q2	Q3	Forecast Q4	Forecast Total
Sales of urethane raw materials	337	428	510	638	1,916	414	507	510	803	2,235
Gross profit	63	82	89	107	342	74	89	89	144	398
Other product sales	770	1,015	817	1,266	3,869	807	866	1,137	798	3,610
Gross profit	177	279	175	336	968	181	162	312	320	977

Expansion of the Chip Urethane Business





Nippon Aqua has received wide-area certification from the Ministry of the Environment for waste such as polyurethane foam insulation and protection materials, and is collecting from construction sites nationwide. The collected waste is consolidated at four recycling plants nationwide for regeneration processing.

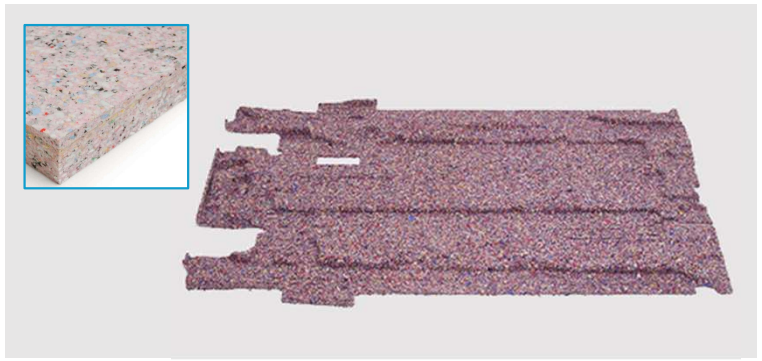
With the expansion of Nippon Aqua's business, the amount of collected waste is increasing. To effectively utilize resources, the surplus waste materials that cannot be covered by AQUA BLOW alone are sold to partnership companies.





Sold as the blowing insulation material "AQUA BLOW"

NEW!



Under the partnership with a leading domestic company specializing in the urethane business, the chip urethane business is being developed (utilized in automotive interior parts, etc.))

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Consider Revising the Medium-term Management Plan

	Original plan			Outline of consideration		
	FY2024	FY2025	FY2026	FY2024	FY2025	FY2026
Net sales	31,005	35,632	41,021	30,000	33,000-	37,000-
Single-family homes	14,408	15,367	16,503	13,450		
Buildings	10,394	12,510	15,119	9,890		
Waterproofing	695	1,500	2,500	815		
Sales of urethane raw materials	2,235	2,578	2,964	2,235		
Other product sales	3,271	3,677	3,935	3,610		
Operating profit	3,100	3,741	4,512	2,600		
Ordinary profit	3,100	3,741	4,512	2,600		
Profit	2,092	2,525	3,045	1,755		
Dividend per share	34.0	40.0	49.0	34.0	34.0-	34.0-

Background of the review

The Medium-Term Management Plan is being revised to increase the forecast for the Single-family Homes Division from the initial estimate, and to increase the good performance of the Waterproofing Division and other net sales (such as auxiliary supplies and spray machinery sales).

Single-Family Homes Division

✓The market environment is more challenging than at the time of the initial plan announcement.

✓The initial plan's annual construction volume increase of 5% presents a high hurdle.

✓From 2025, the full-scale implementation of Insulation Class 6 and the expansion of airtightness testing will lead to an increase in construction unit price.

✓Cost reduction in anticipation of price competition is a challenge.

Buildings Division

✓The market environment continues to be robust.

✓Planned annual growth of more than 20% is possible.

✓Measures against delays (construction start delays) are a challenge.

✓Strengthening the allocation of management resources (personnel).

Waterproofing Division

✓The market environment is robust.

✓The company's increasing recognition is leading to an increase in large-scale renovation projects.

✓Sales targets are revised upward.

✓Strengthening the allocation of management resources, considering M&A.

Other Product Sales

✓Sales of urethane raw materials: There is market potential, but no change from the plan due to the need for system development.

✓Sales of machinery: Increase due to strengthening of the construction system (stronger than planned).

✓Continuation of strengthening the construction system.

Market Environment

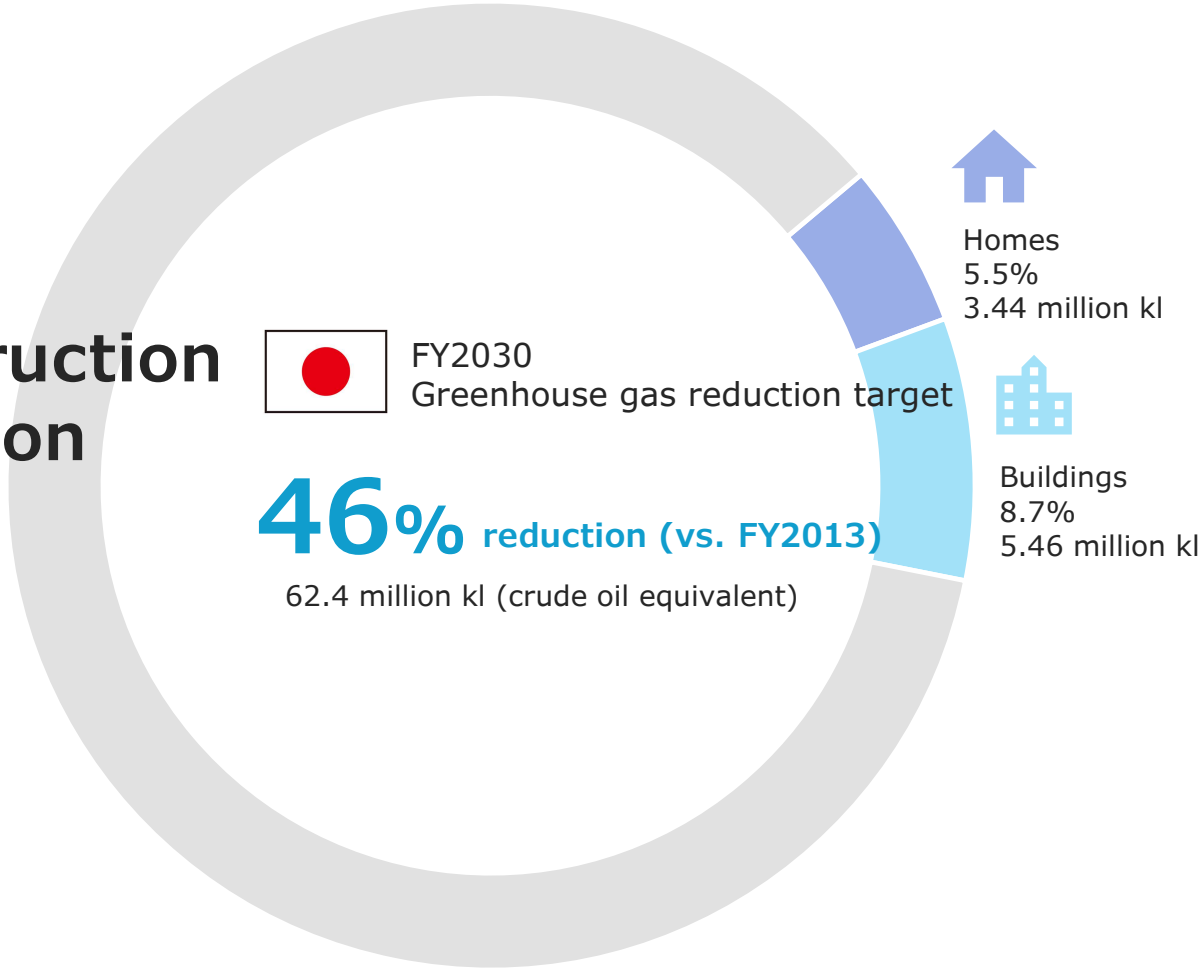
Home and Building Construction Aimed at Realizing a Carbon Free Society

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".

NIPPON AQUA

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



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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 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 Full-time Audit and Supervisory Committee Member	Junichi Tamagami
	Outside Director Audit and Supervisory Committee Member	Yuki Matsuda
	Outside Director Audit and Supervisory Committee Member	Naofumi Higuchi
	Outside Director 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

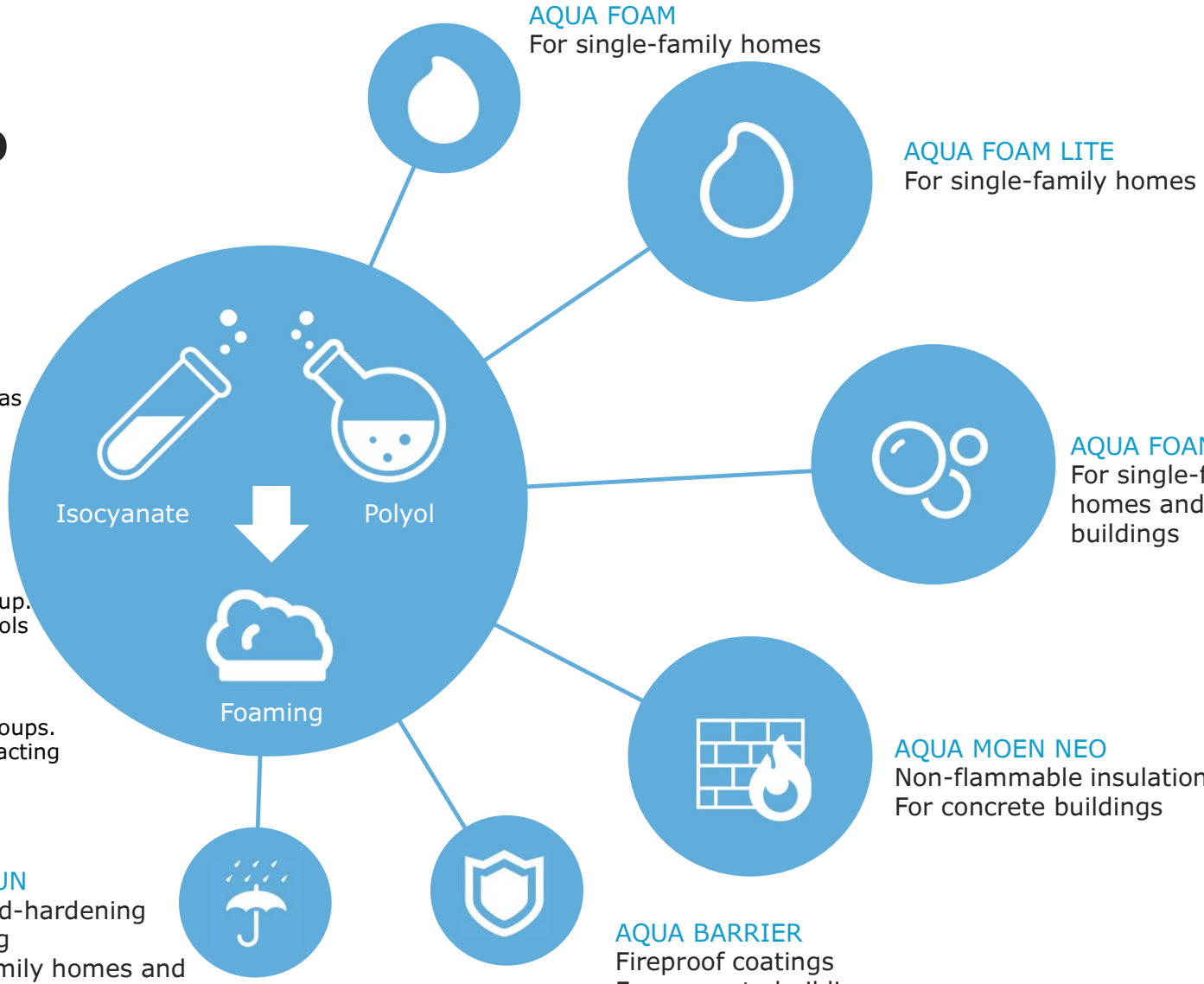
✓An organic compound with a hydroxyl group as the main ingredient.
✓By changing the molecular structure and molecular weight of polyols, the physical properties such as hardness and flexibility of urethane can be adjusted.

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

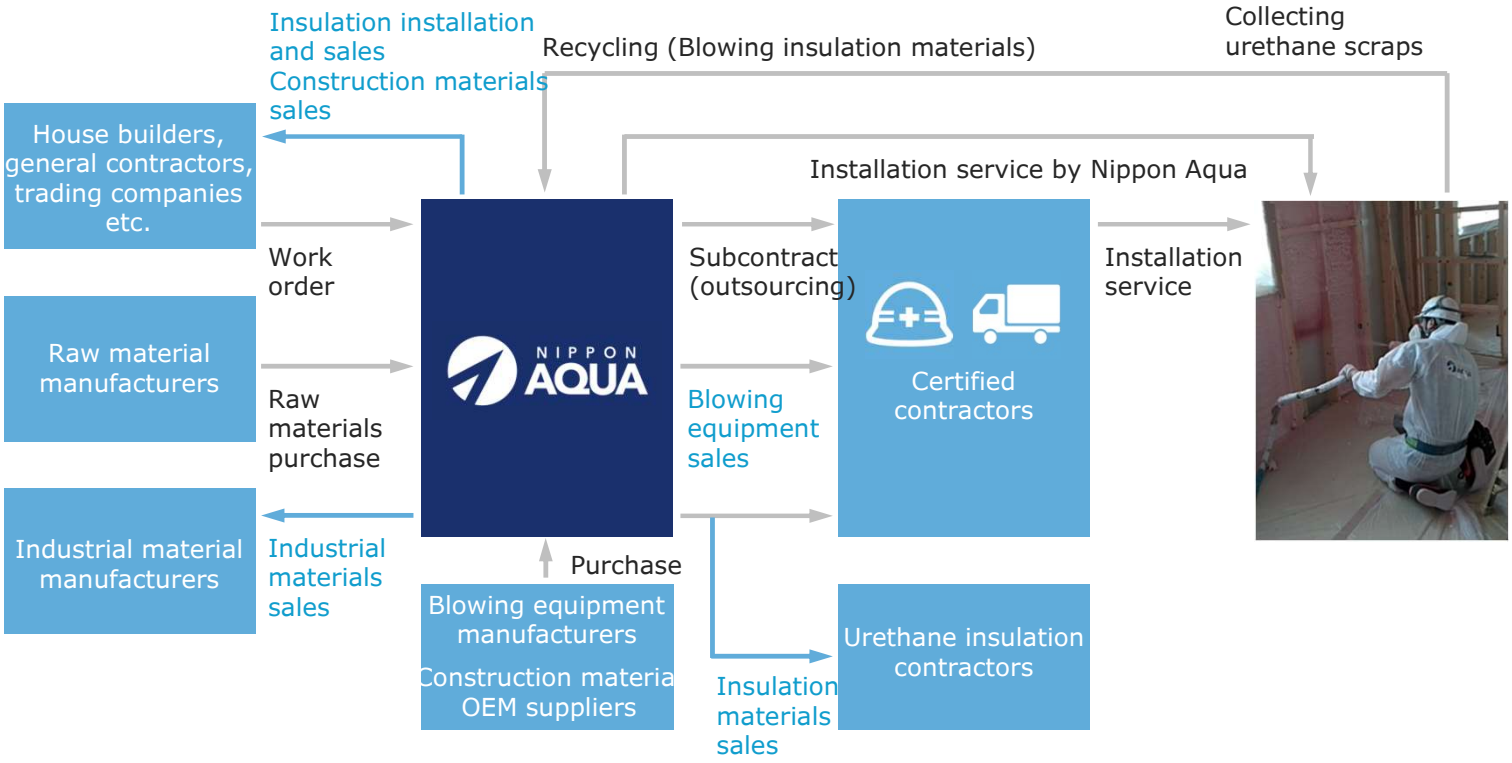
Ensuring work safety and construction quality

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	

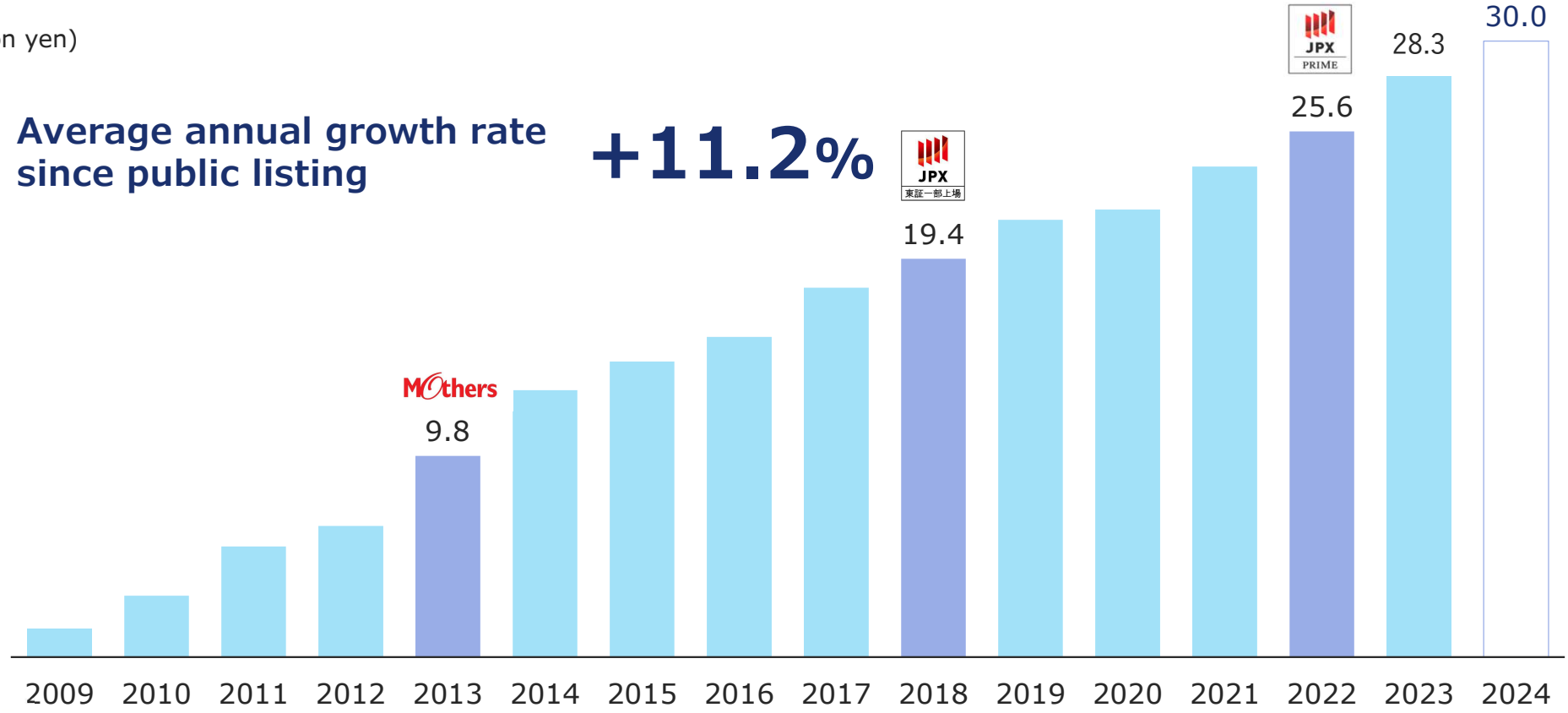
Other Key Indicators

	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)

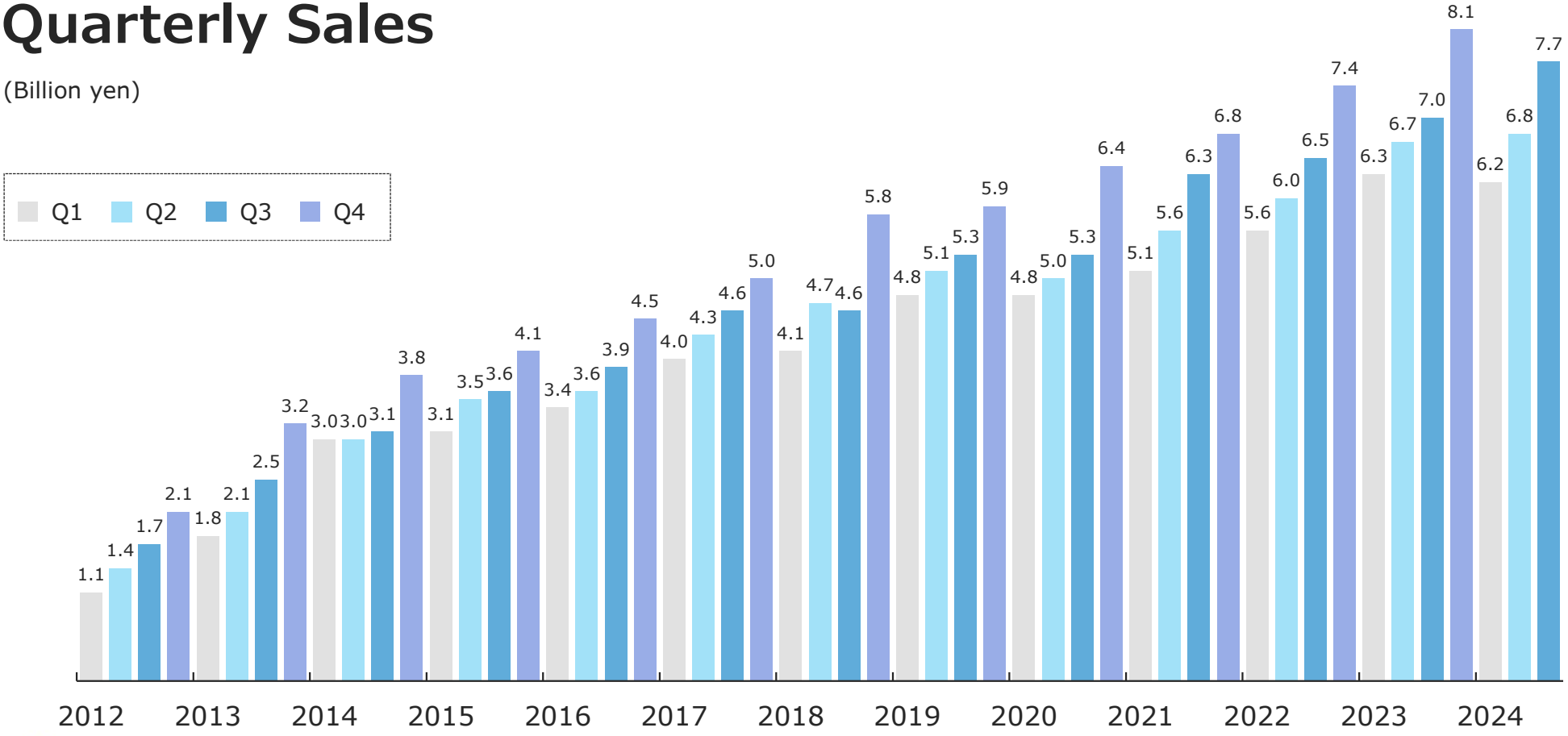
Average annual growth rate since public listing **+11.2%**



NIPPON AQUA

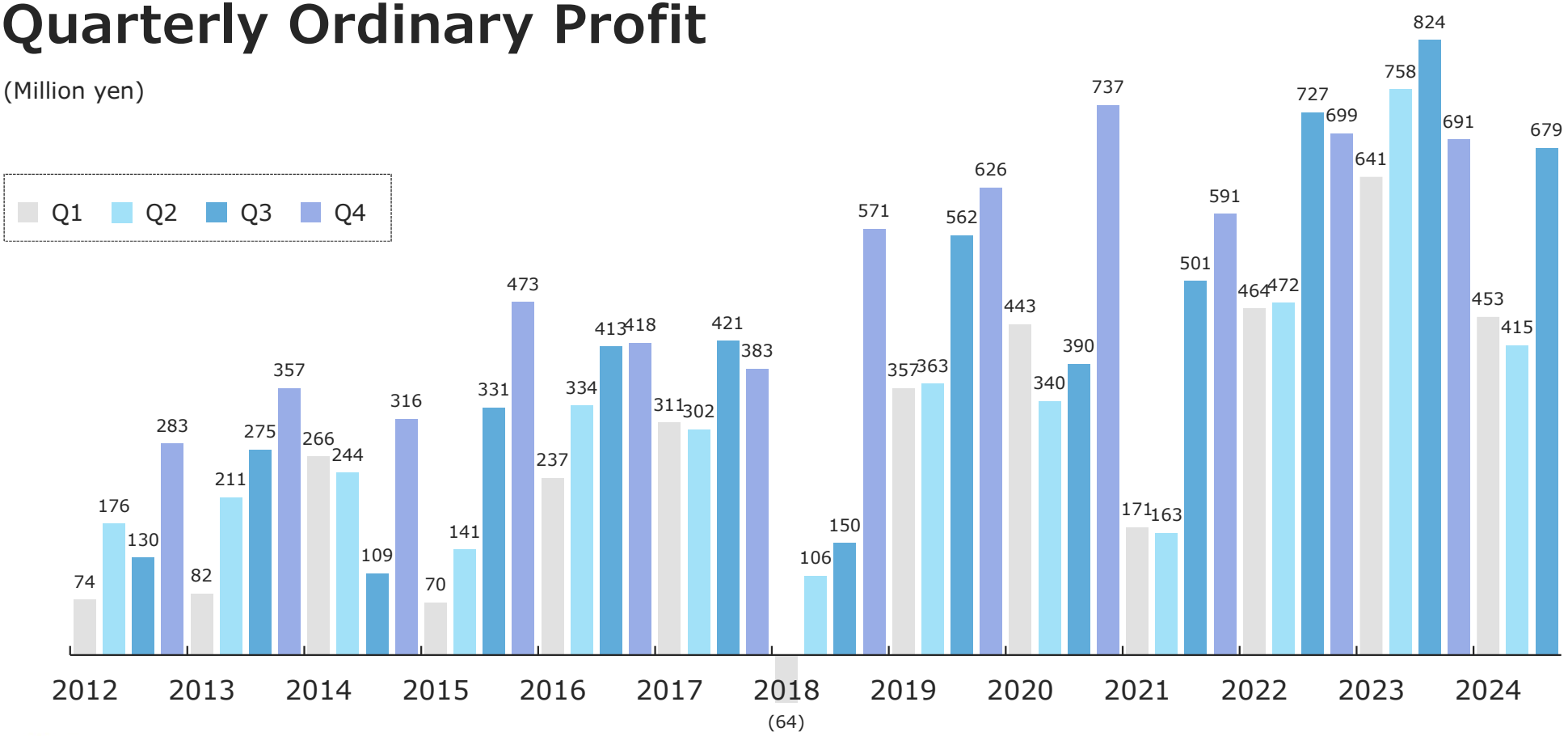
Quarterly Sales

(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

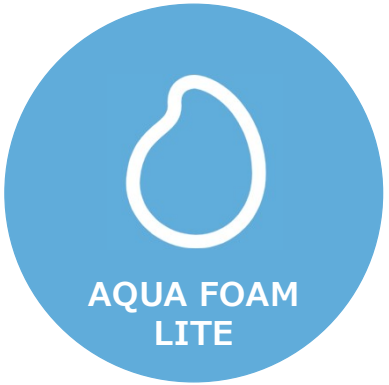


0.036 ▶

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

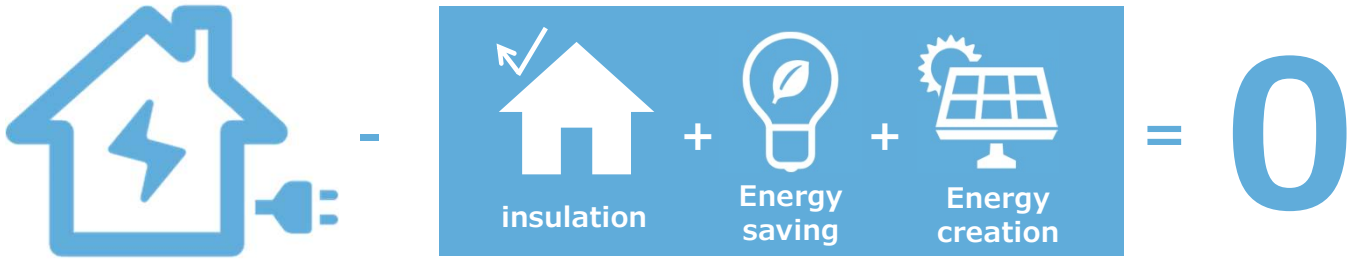
Source: Created by Nippon Aqua based on data listed on the Glass Fiber Association website regarding the density of high-performance glass wool

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.



Primary energy consumption

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.

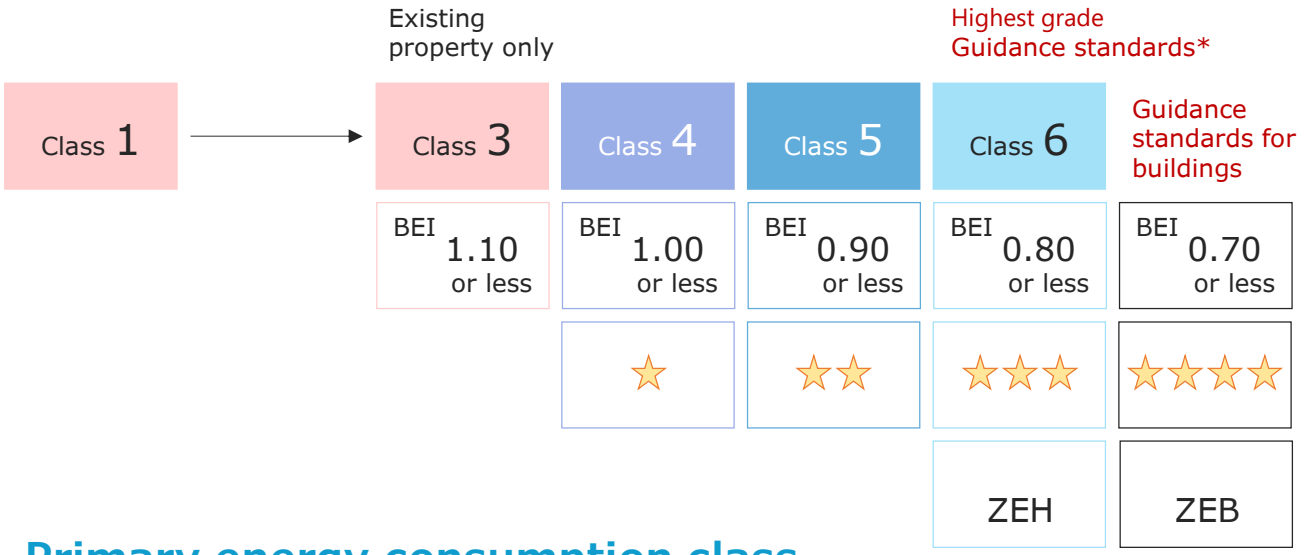


For non-residential

Defines energy consumption performance.

Market Environment

What is Energy Consumption Performance?



Primary energy consumption class

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

* 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

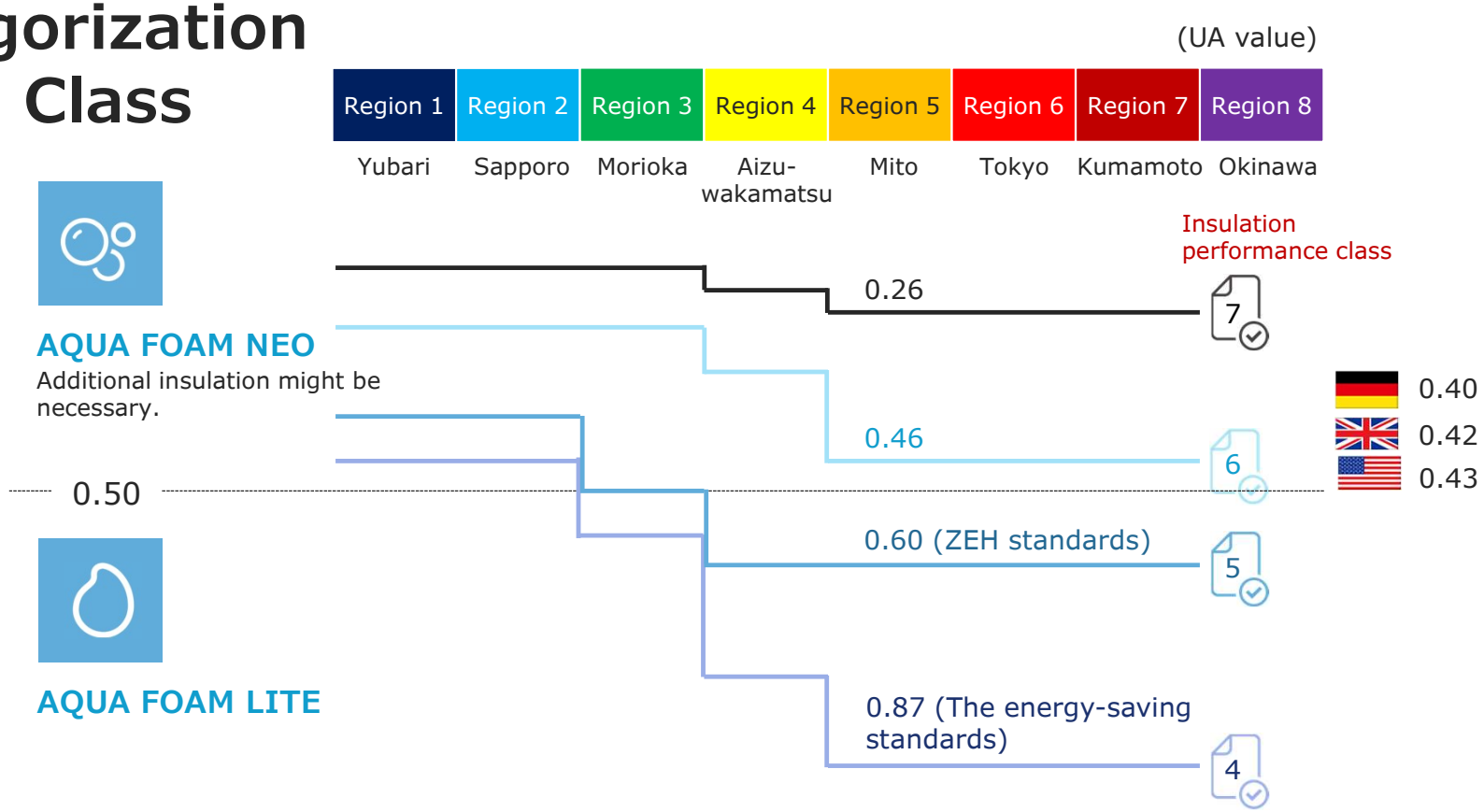
Regional Categorization and Insulation Class

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).

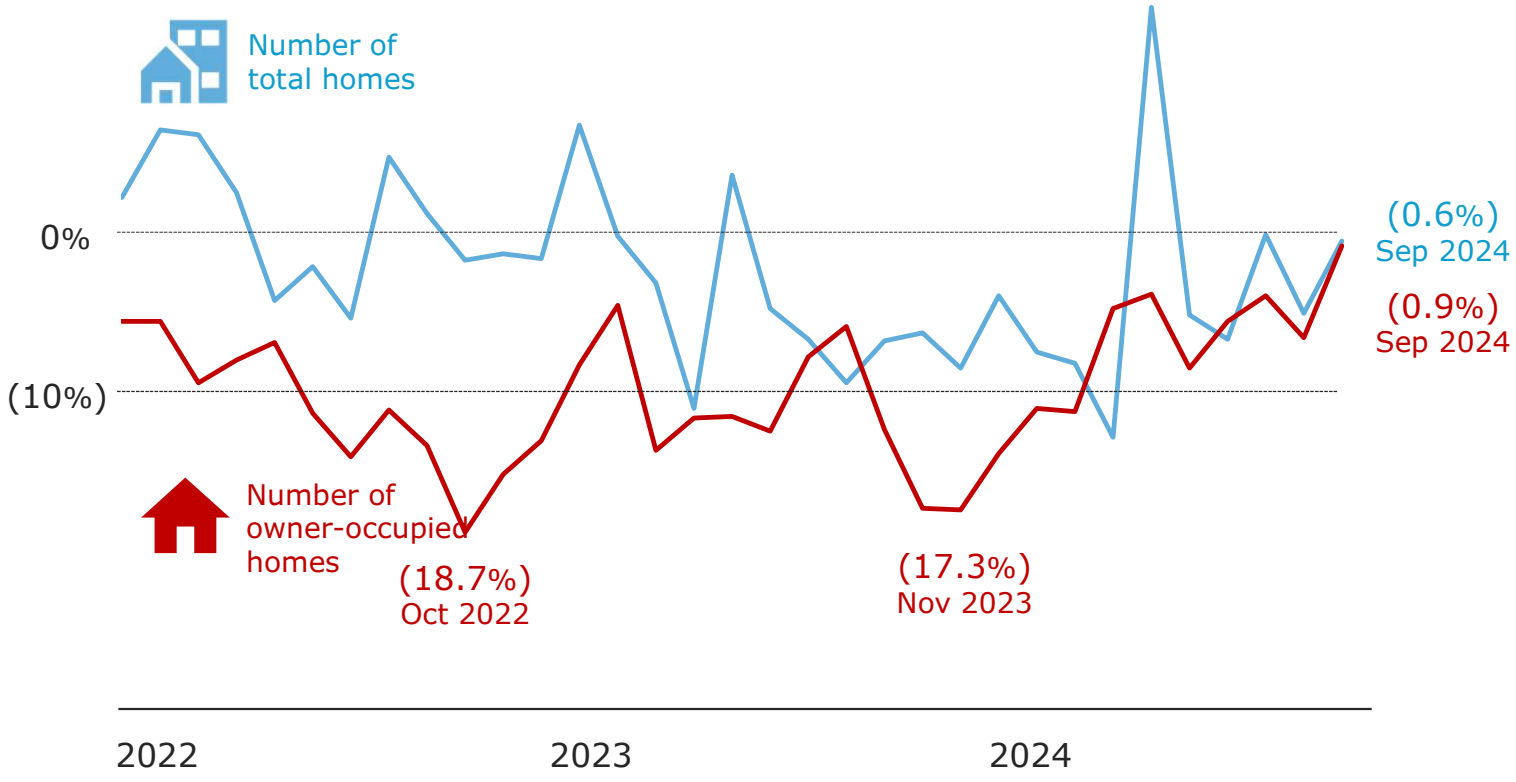
*From April 2024, due to the improved thermal conductivity of AQUA FOAM, enhancing its insulation performance, specifications for Class 6 have become possible, albeit with conditions.

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)

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