

Business Results for the Six Months Ended June 30, 2022

August 10, 2022

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



Financial Highlights

Six months ended June 30, 2022

New record highs

Net sales

11,742 Million yen

YoY +9.6%

Ordinary profit

936 Million yen

YoY +179.1%



1 Overview of Financial Highlights for the Six Months Ended June 30, 2022

2 Key Initiatives in the Second Half of the Fiscal Year

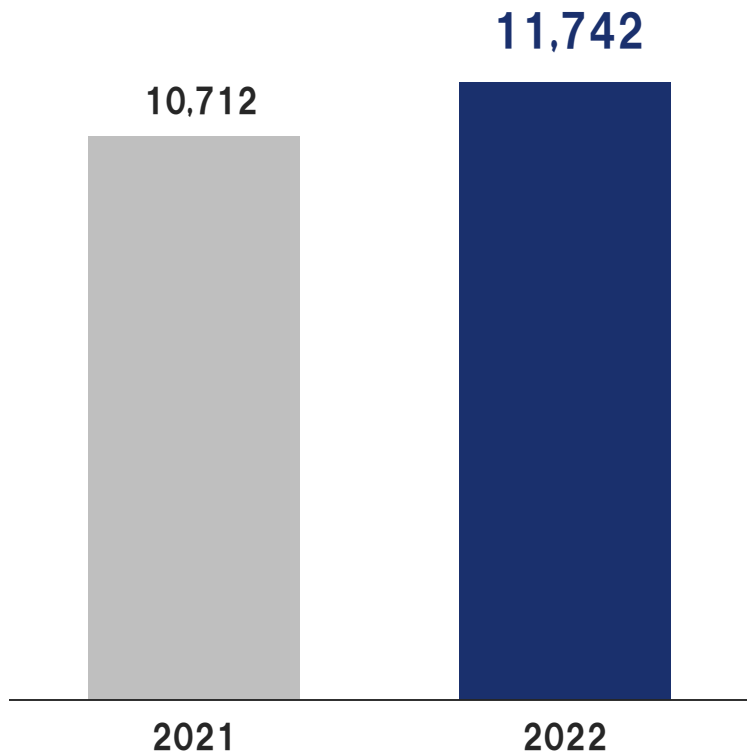
3 Growth Strategy and Shareholder Returns

4 Appendix

Net Sales

Six months ended June 30, 2022

(Million yen)



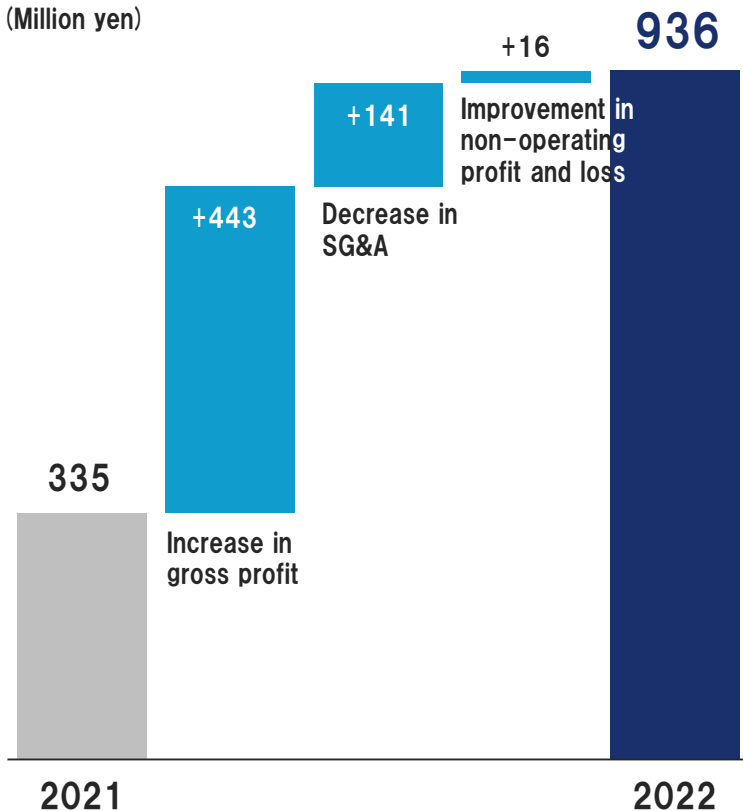
YoY
UP + 1,029 Million yen **+9.6 %**

New record high

Ordinary Profit

Six months ended June 30, 2022

(Million yen)



YoY

UP +600 Million yen +179.1%

New record high

Ordinary profit margin 3.1% ▶ 8.0%

Gross profit margin 18.4% ▶ 20.6%

SG&A ratio 15.3% ▶ 12.8%

Quarterly Income Statement



Six months ended June 30, 2022

(Million yen, %)

	6M 2021 Jan-Jun	6M 2022 Jan-Jun	YoY		Forecast	
			Amount	Change (%)	6M 2022	FY 2022
Net sales	10,712	11,742	+1,029	+9.6	12,053	26,490
Single-family homes	6,412	6,695	+283	+4.4		15,111
Buildings	2,321	2,837	+516	+22.3		6,228
Waterproofing	28	120	+92	+329.0		795
Product sales	1,950	2,087	+137	+7.0		4,354
Cost of sales	8,738	9,324	+586	+6.7		
Gross profit	1,973	2,417	+443	+22.5		
Single-family homes	1,213	1,560	+346	+28.6		
Buildings	344	447	+102	+29.8		
Waterproofing	5	18	+13	+255.5		
Product sales	410	390	(19)	(4.7)		
SG&A expenses	1,641	1,500	(141)	(8.6)		
Operating profit	331	916	+584	+176.1	886	2,121
Ordinary profit	335	936	+600	+179.1	886	2,121
Profit	213	626	+413	+193.4	611	1,470

* Note: Divisions have been reclassified. "Renovations" have been moved from "Other" (2021) to "Single-family Homes" (2022) and "Waterproofing" has been changed from being included in "Buildings" (2021) to being a stand-alone category (2022)

Quarterly Balance Sheet

Six months ended June 30, 2022



(Million yen)

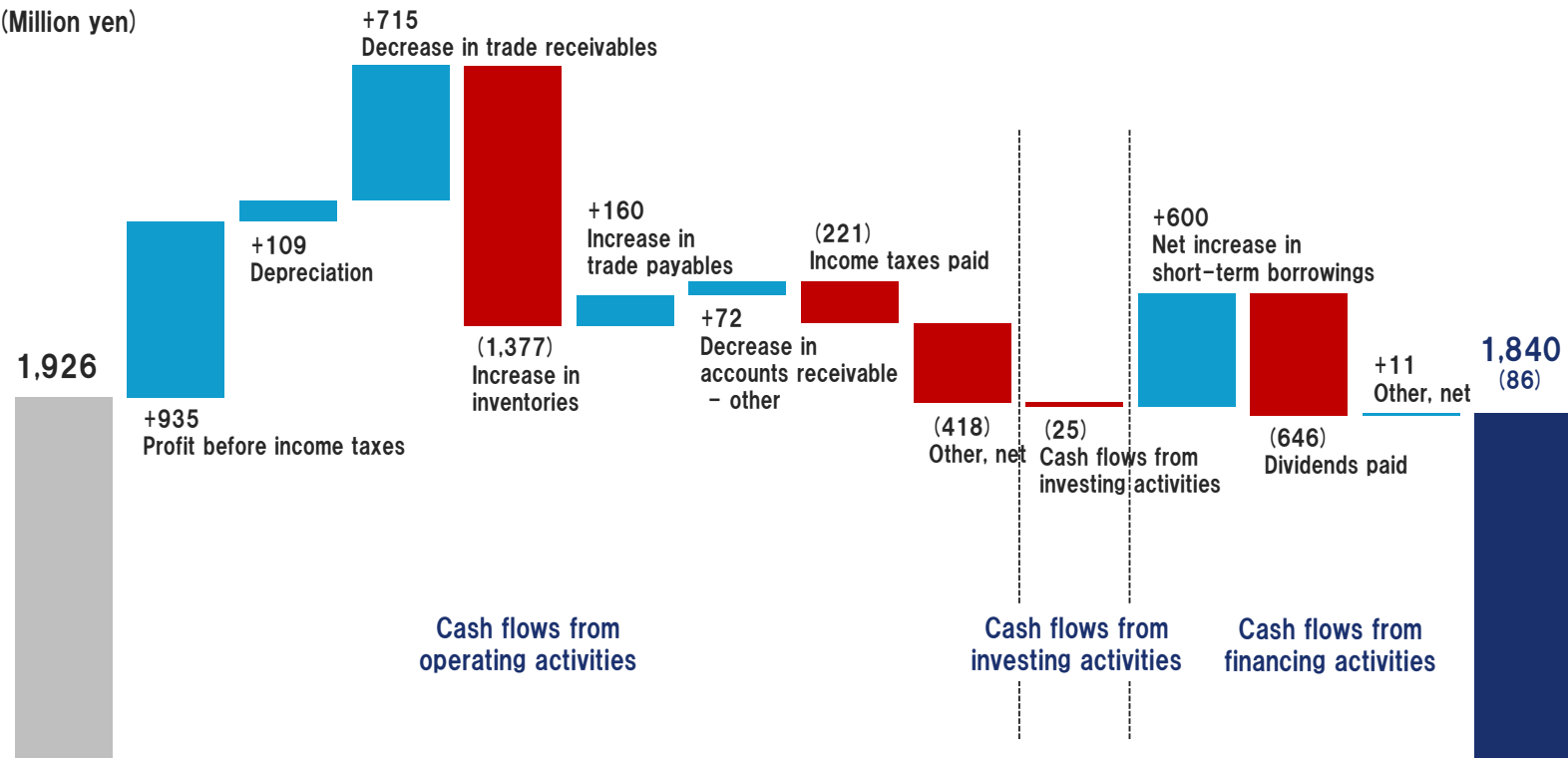
	As of Dec 31 2021	As of Jun 30 2022		As of Dec 31 2021	As of Jun 30 2022
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	1,926	1,840	Accounts payable – trade	6,055	6,216
Notes and accounts receivable – trade	6,946	–	Short-term borrowings	3,100	3,700
Notes and accounts receivable – trade, and contract assets	–	6,231	Total current liabilities	10,166	10,749
Accounts receivable – other	3,686	3,567	Non-current liabilities		
Total current assets	13,591	14,248	Long-term borrowings	33	16
Non-current assets			Total non-current liabilities	161	125
Total property, plant and equipment	4,263	4,182	Total liabilities	10,327	10,875
Total intangible assets	111	105	Net assets		
Total investments and other assets	313	272	Share capital	1,903	1,903
Total non-current assets	4,688	4,560	Capital surplus	1,885	1,885
			Retained earnings	5,367	5,348
			Treasury shares	(1,204)	(1,203)
			Total net assets	7,951	7,933
			Total liabilities and net assets	18,279	18,808
Total assets	18,279	18,808			

Quarterly Cash Flow Statement

Six months ended June 30, 2022



(Million yen)



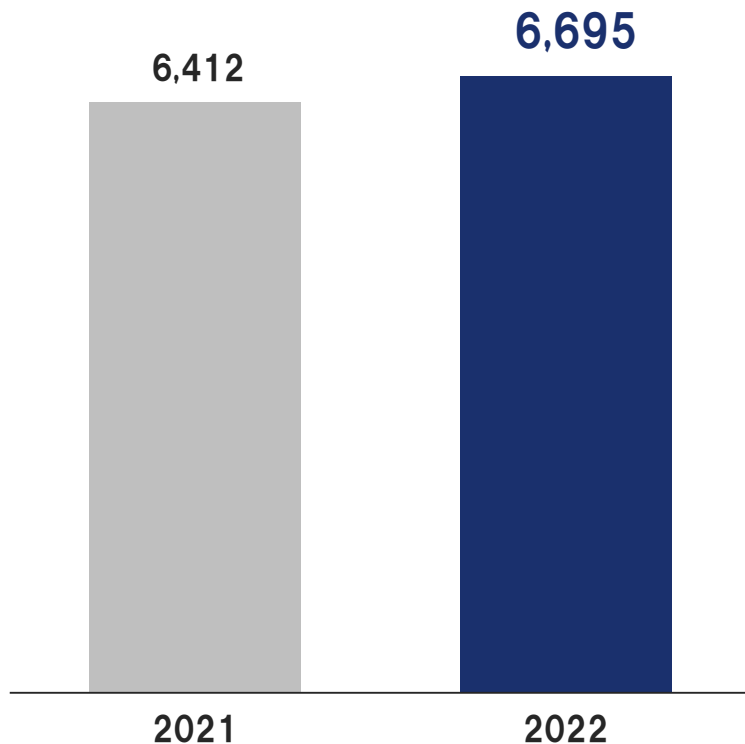
Cash and cash equivalents
at beginning of period

Cash and cash equivalents
at end of period

Single-family Homes Division

Six months ended June 30, 2022

(Million yen)



YoY

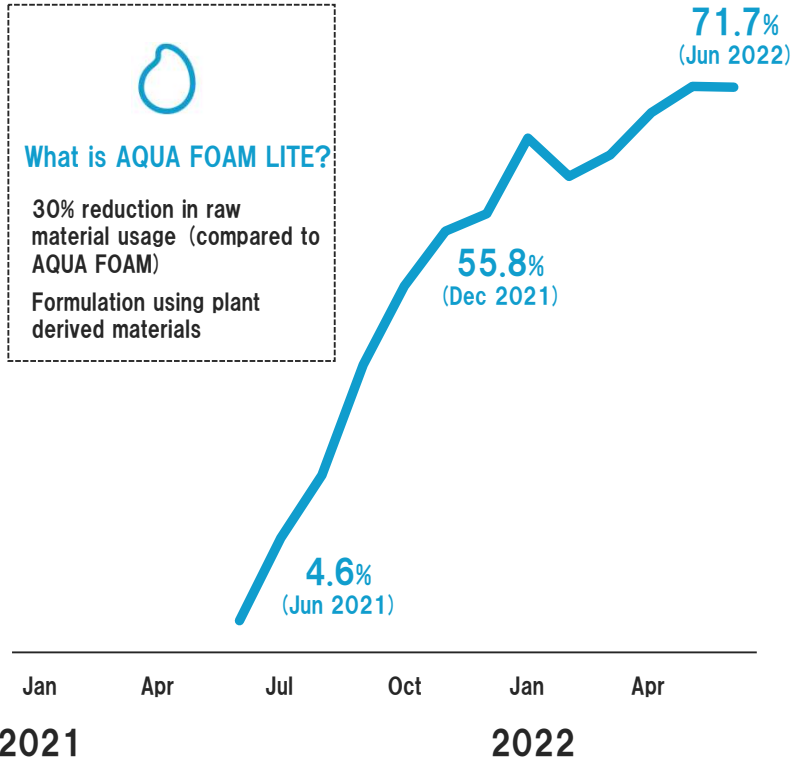
UP +283 Million yen **+4.4%**

**Focus on construction
profitability**

Gross profit margin **18.9%** ▶ **23.3%**

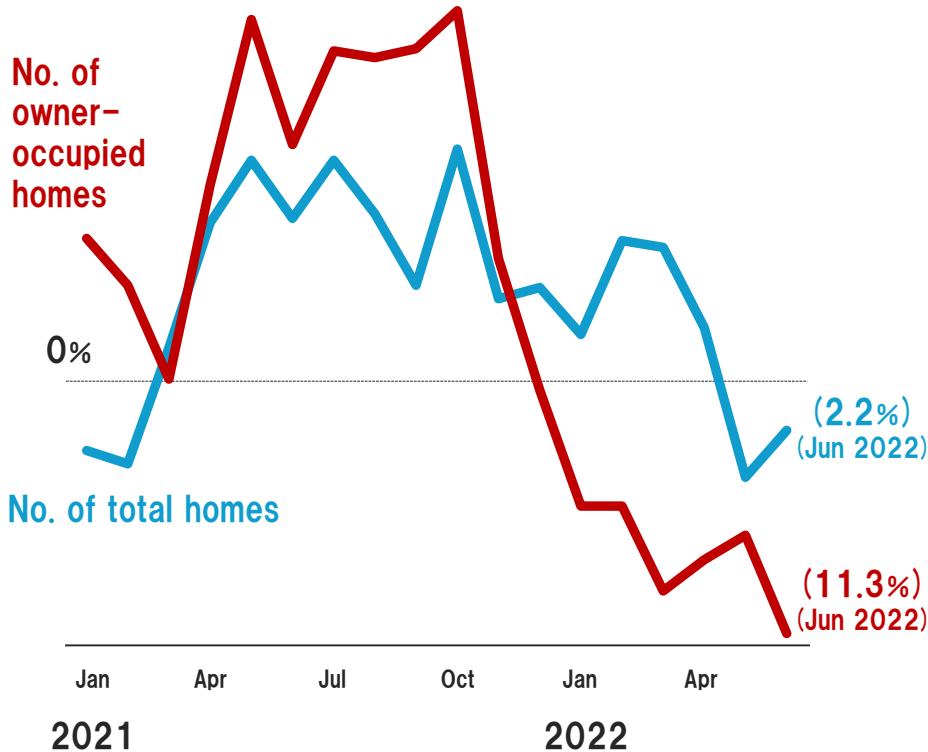
* Note: The "Renovations" has been moved from "Other" (2021)
to "Single-family Homes" (2022)

AQUA FOAM LITE switchover rate



The switchover process is progressing smoothly, contributing to profit margin improvements

No. of housing starts (year-on-year)



Owner-occupied homes remain weak, but...



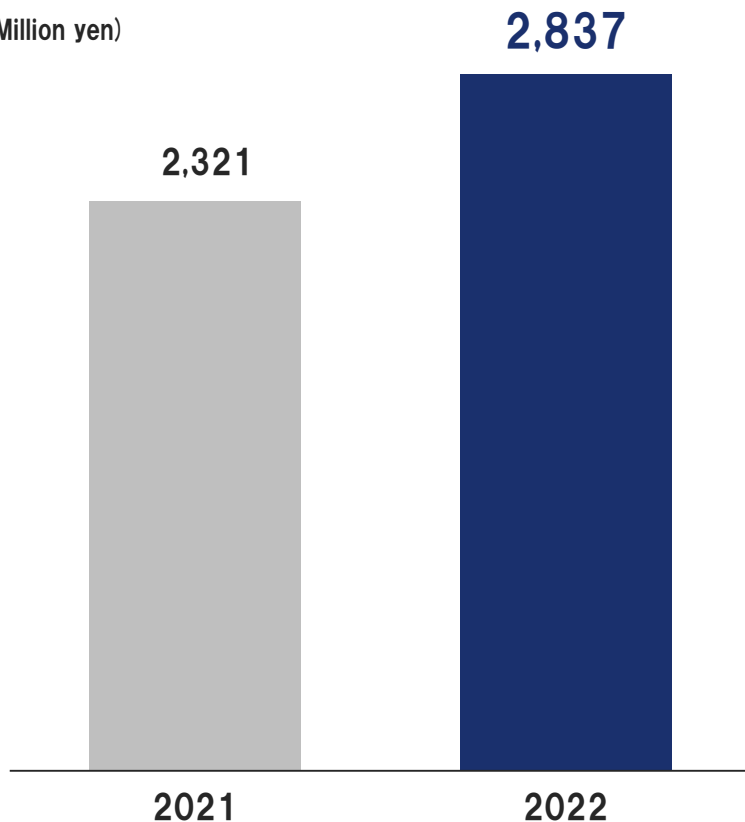
The coming of the great “Era of Energy Conservation”

Insulation class 4 classes ▶ 7 classes
See page 38

Buildings Division

Six months ended June 30, 2022

(Million yen)



YoY

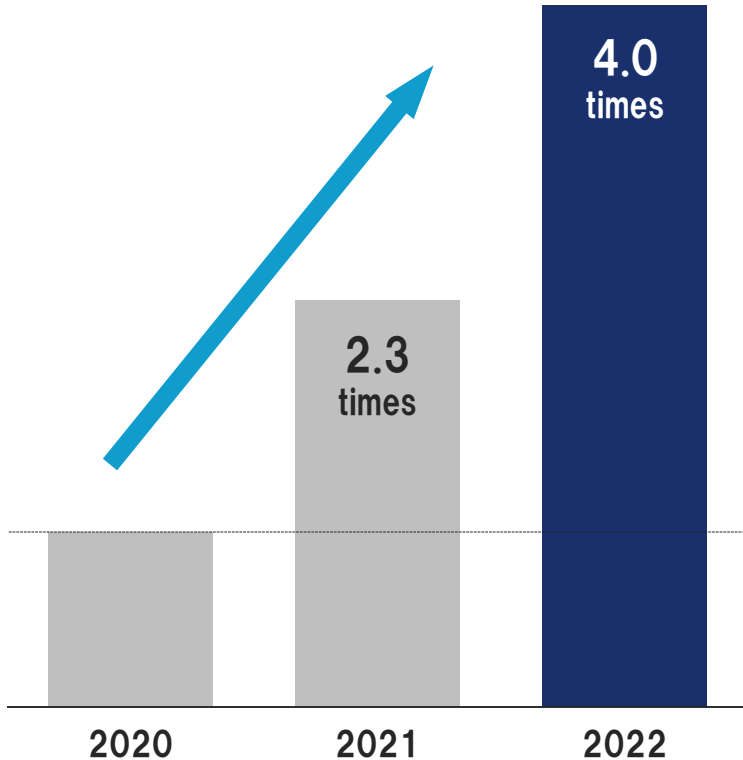
UP +516 Million yen **+22.3%**

There have been many inquiries regarding non-flammable insulation

Gross profit margin **14.8%** ▶ **15.8%**

* Note: The "Waterproofing" has been changed from being included in "Buildings" (2021) to being a stand-alone category (2022)

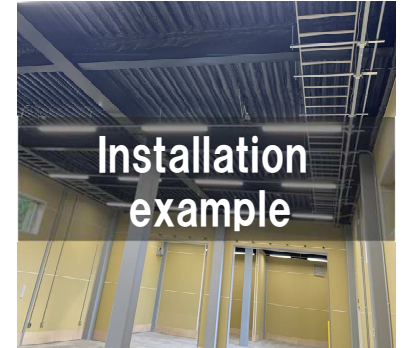
Net sales of non-flammable insulation during the six months ended June 30, 2022

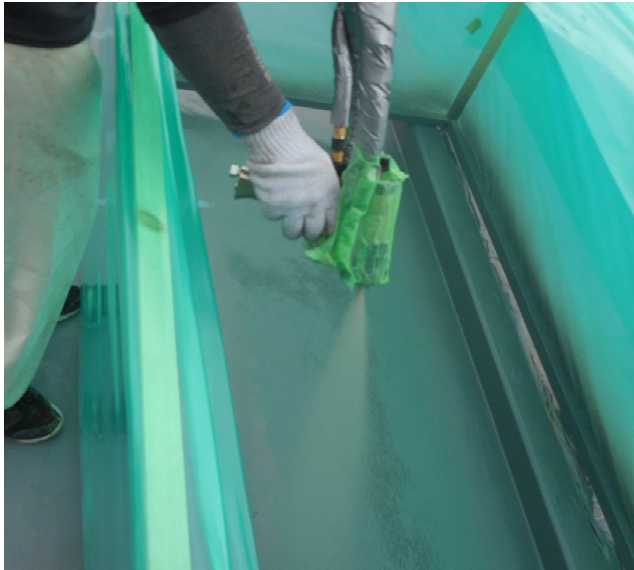


Non-flammable insulation has undergone startling growth

Exceptional fireproofing capabilities

Environmentally-friendly and high performance





The ultrarapid-hardening waterproofing

Ultrarapid hardening

Shorten construction times with ultrarapid hardening

Waterproof

Highly stretchable

Spray-on application enables smooth and even coating even in hard-to-reach places

Durable

Polyurea resin that bonds at an atomic level

Guaranteed for up to **15 years**



Installation example

Single-family Homes

Roofs and balconies

Buildings, etc.

Factory and train station roofs

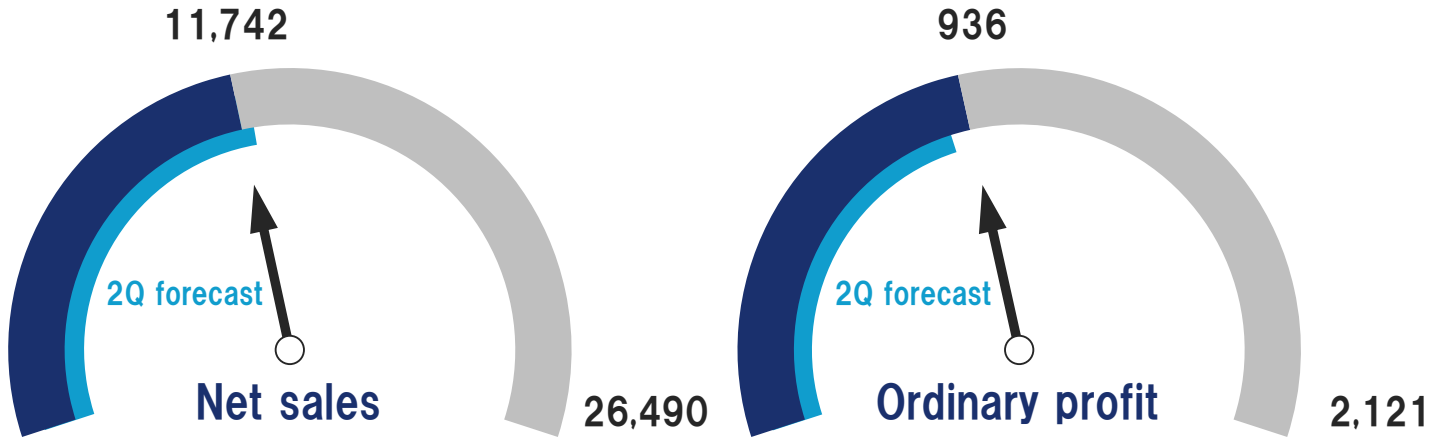
Condominium roofs and slopes in multilevel parking lot



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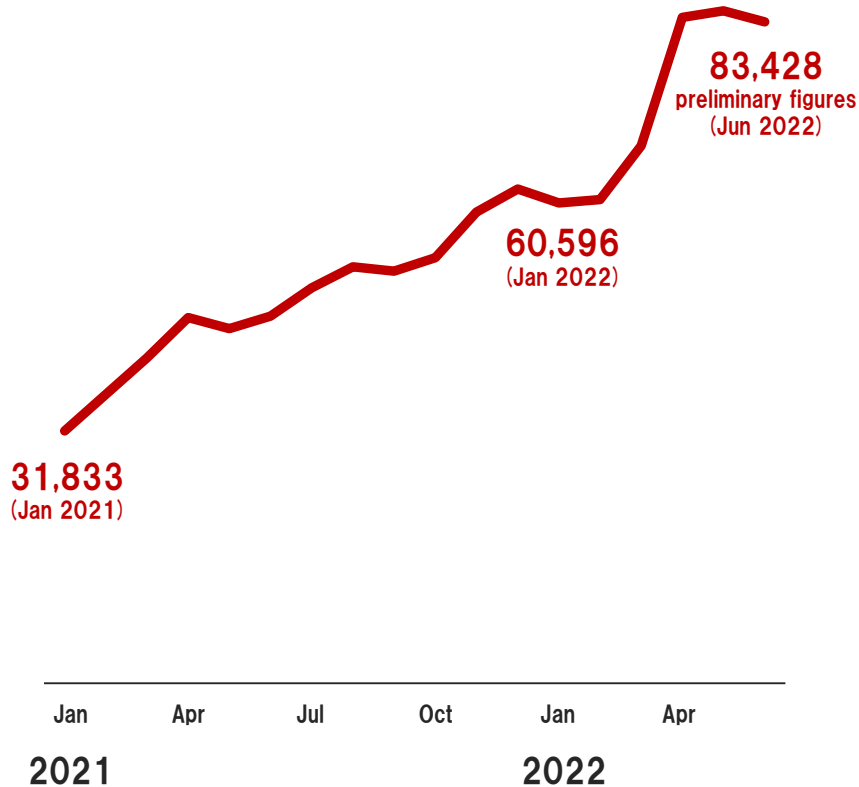
Progress towards Full-year Financial Forecast

(Million yen)



Naphtha import CIF price

(yen/kl)



Raw material prices remain high



Promotion of switch to
AQUA FOAM LITE

Dynamic price revisions

The Revisions to the Building Energy Efficiency Act Boosted the Results

“Act Partially Revising the Act on the Improvement of the Energy Consumption Performance of Buildings in Order to Contribute to the Realization of a Carbon Neutral Society”



Acceleration of energy conservation measures

Improvement of base level of energy conservation performance

Activities aimed at achieving greater energy conservation performance

Promotion of energy conservation renovation of housing stock and introduction of renewable energy facilities



Promotion of wood usage

Rationalization of fireproofing regulations

Rationalization of structural regulations



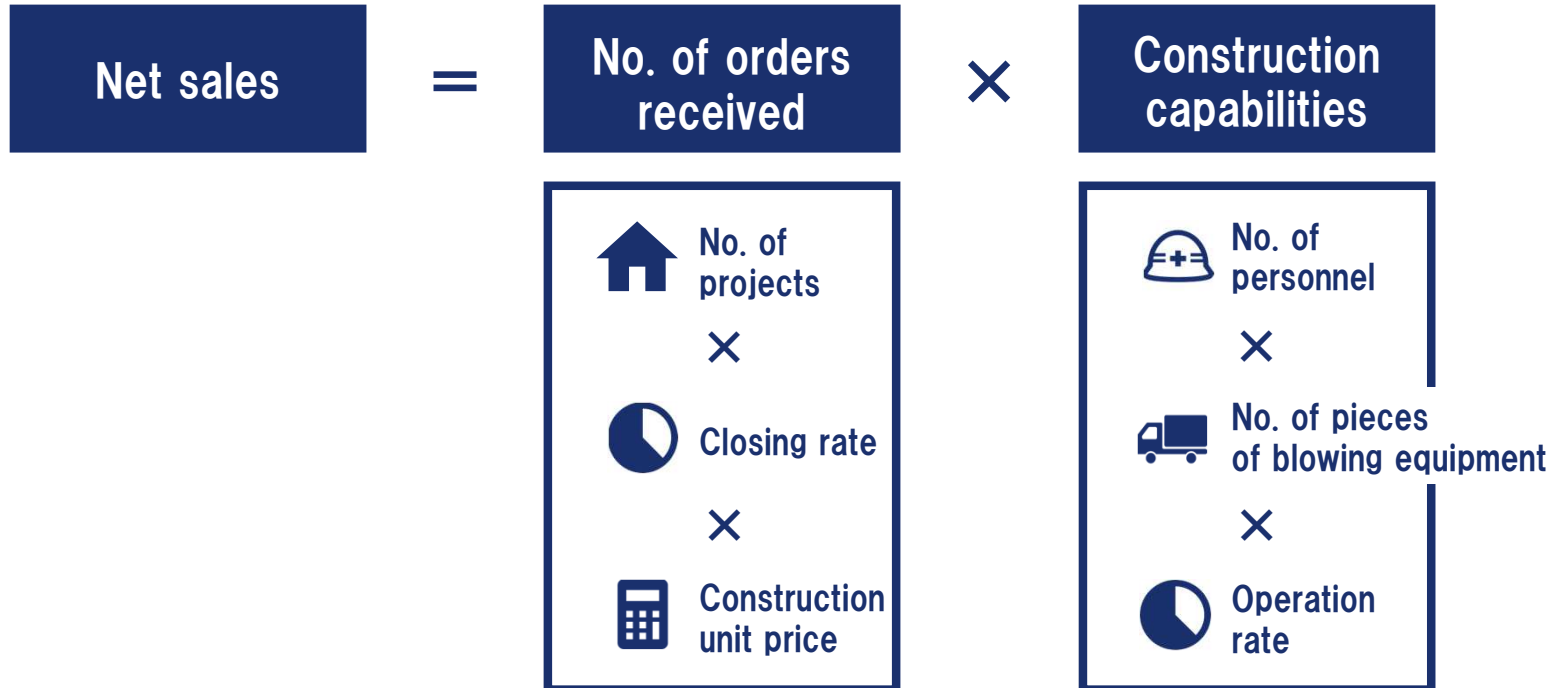
Mandating of building insulation performance

Mandating of conformance with “Insulation Class 4” for all new residential and non-residential buildings

The required insulation class will be raised to 5 or above from 2030 onward

See page 37

Sources of Competitiveness

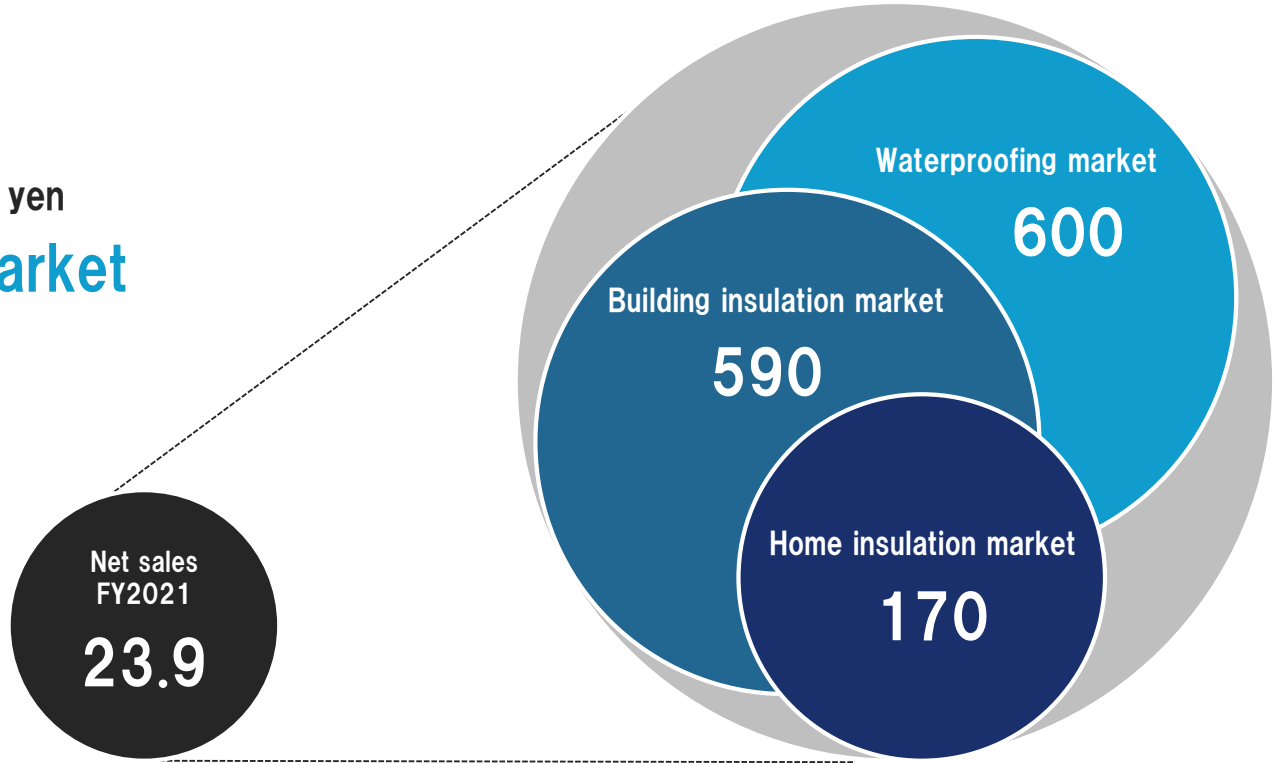




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Over 1 trillion yen
Target Market

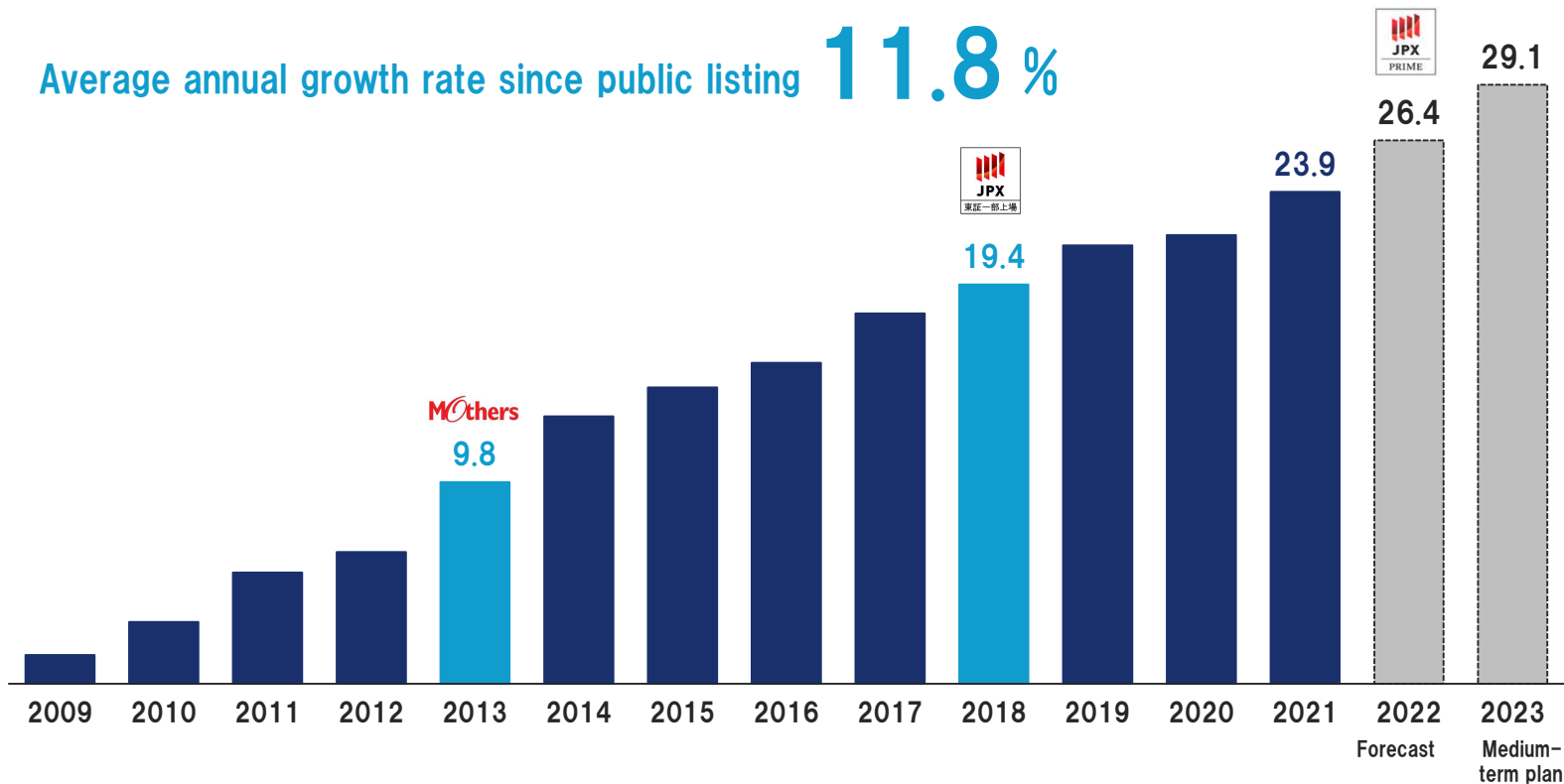
(Billion yen)



Sales Trend

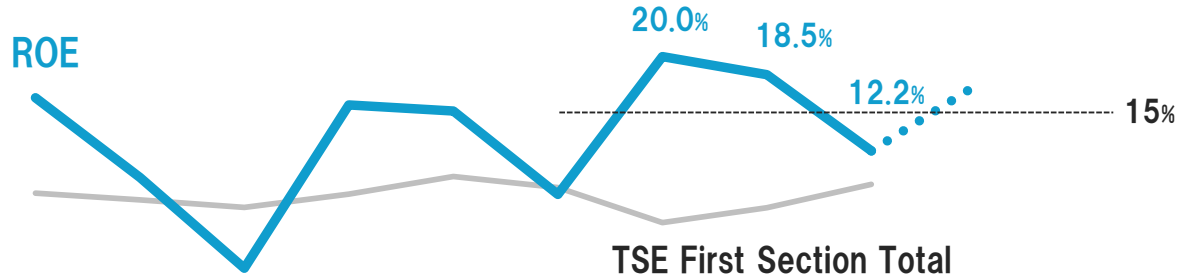
(Billion yen)

Average annual growth rate since public listing **11.8%**



15%

Target ROE



Mothers



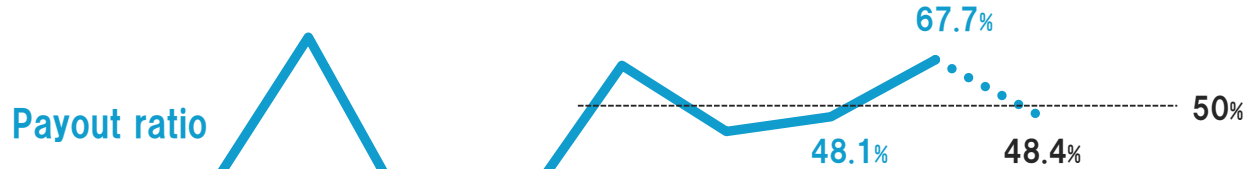
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

Forecast

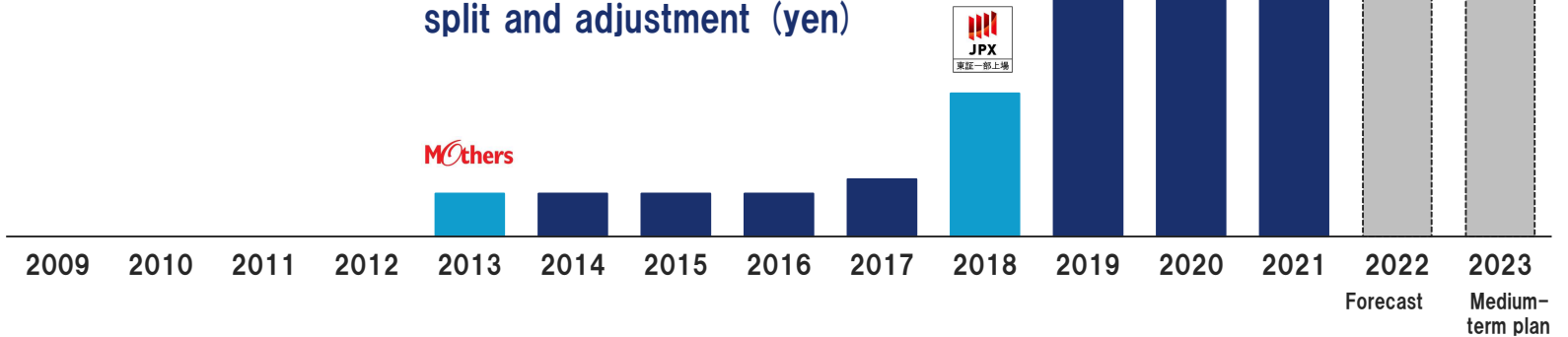
Medium-term plan

50%

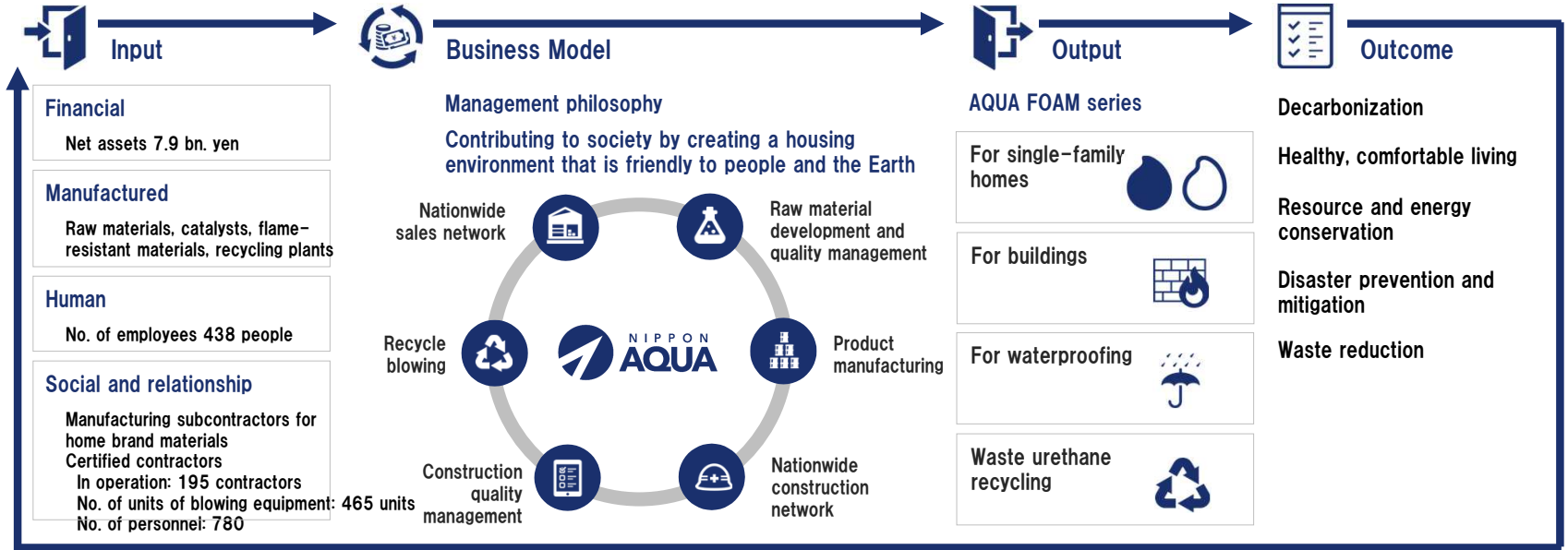
Target payout ratio



Dividend per share after split and adjustment (yen)



Value Creation Process



Prime Market Conformity Plan

Numerical plans, disclosed on December 20, 2021



(Million yen)

	FY 12/2021		FY 12/2022		FY 12/2023
	Plan	Result	Initial plan	Revised plan	Plan
Net sales	24,000	23,903	26,490	26,490	29,135
Single-family homes	13,877	13,521	15,404	15,111	16,901
Buildings	5,428	5,371	6,028	6,228	6,751
Waterproofing	141	128	580	795	638
Product sales	4,615	4,882	4,478	4,354	4,844
Cost of sales		19,163			
Gross profit		4,739			
SG&A expenses		3,327			
Operating profit		1,412		2,121	
Ordinary profit	1,500	1,429	2,121	2,121	2,812
Ordinary profit margin	6.2%	5.9%	8.0%	8.0%	9.7%
Profit		953		1,470	
Dividend per share (yen)	20.0	20.0	22.0	22.0	30.0



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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	
Board member	President & Representative Director	Fumitaka Nakamura
	Senior Managing Director	Yuka Murakami
	Director	Kazuhisa Nagata
	Outside Director	Tadahiko Tsuchiya
	Outside Director	Yuki Matsuda
	Outside Director	Naofumi Higuchi
	Outside Auditor (Full-time)	Junichi Tamagami
	Outside Auditor	Yusuke Nakanishi
	Outside Auditor	Hidetaka Nishina
	Outside Auditor	Hiroshi Kondo
Capital	1,903 Million yen	
No. of employees	416 people (Non-consolidated)	

Business description

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

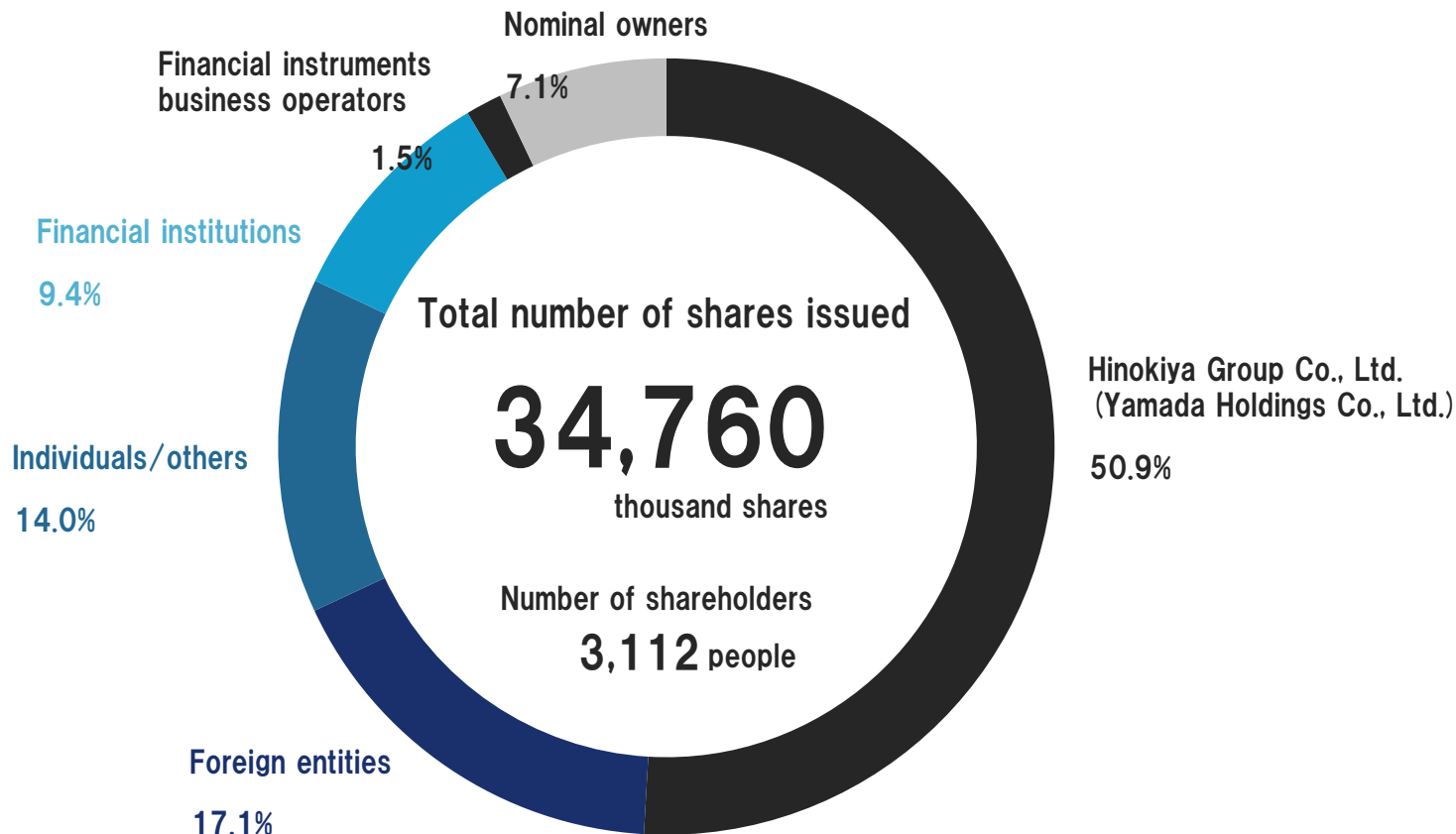
Development, manufacture, and sale of residential energy conservation-related materials

Management philosophy

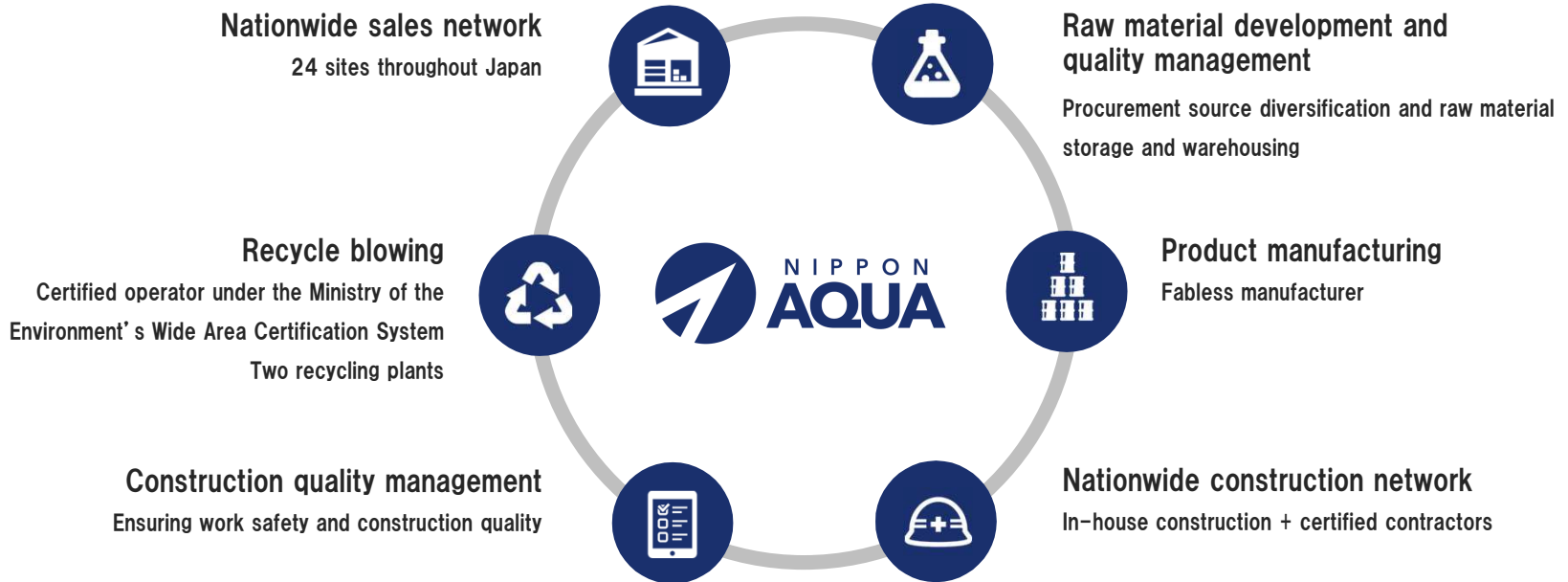
Contributing to society by creating a housing environment that is friendly to people and the Earth

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.

Distribution of Shares by Shareholder Type



From Material Development to Installation and Recycling (Unique Business Model)



Performance Trends

(Million yen)

MOthers



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Performance trends												
Net sales	3,067	5,475	6,488	9,825	13,020	14,406	15,608	18,052	19,417	21,366	21,872	23,903
Gross profit		1,686	1,904	2,444	2,856	3,137	4,027	4,305	3,891	5,403	5,310	4,739
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%
Operating profit		809	662	956	944	1,013	1,404	1,313	766	1,909	1,896	1,412
Ordinary profit	389	807	662	925	937	1,016	1,404	1,419	764	1,909	1,911	1,429
Ordinary profit margin	12.7%	14.7%	10.2%	9.4%	7.2%	7.2%	9.0%	7.9%	3.9%	8.9%	8.7%	6.0%
Profit	220	457	364	512	529	137	979	941	489	1,275	1,342	953

Sales by item

Single-family homes			5,830	8,044	8,483	9,414	10,903	11,552	12,257	13,244	12,448	13,185
Buildings			440	883	2,392	2,858	2,601	2,715	3,331	4,144	4,848	5,499
Waterproofing												
Product sales			218	897	2,144	2,133	2,103	3,784	3,828	3,977	4,575	5,217

Gross profit by item

Single-family homes						2,305	3,038	2,790	2,217	3,544	3,183	2,711
Buildings						183	419	526	551	832	1,004	842
Waterproofing												
Product sales						648	569	988	1,123	1,027	1,123	1,186

Other Key Indicators

(Million yen)

MOthers



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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Assets, liabilities, and equity

Net assets	257	715	1,080	5,103	5,529	5,590	6,663	5,508	5,885	6,843	7,638	7,951
Return on equity	149.1%	94.0%	40.6%	16.6%	10.0%	2.5%	16.0%	15.5%	8.6%	20.0%	18.5%	12.2%
Total assets	1,434	1,993	2,787	7,982	9,138	11,254	12,596	12,806	14,381	15,379	16,021	18,279
Total assets turnover	3.13	3.19	2.71	1.82	1.52	1.38	1.31	1.42	1.43	1.44	1.39	1.39
Equity ratio	18.0%	35.9%	38.8%	63.9%	60.5%	49.7%	52.9%	43.0%	40.9%	44.5%	47.7%	43.5%
Interest-bearing debt						1,433	834	2,370	2,776	2,136	2,400	3,166

No. of employees

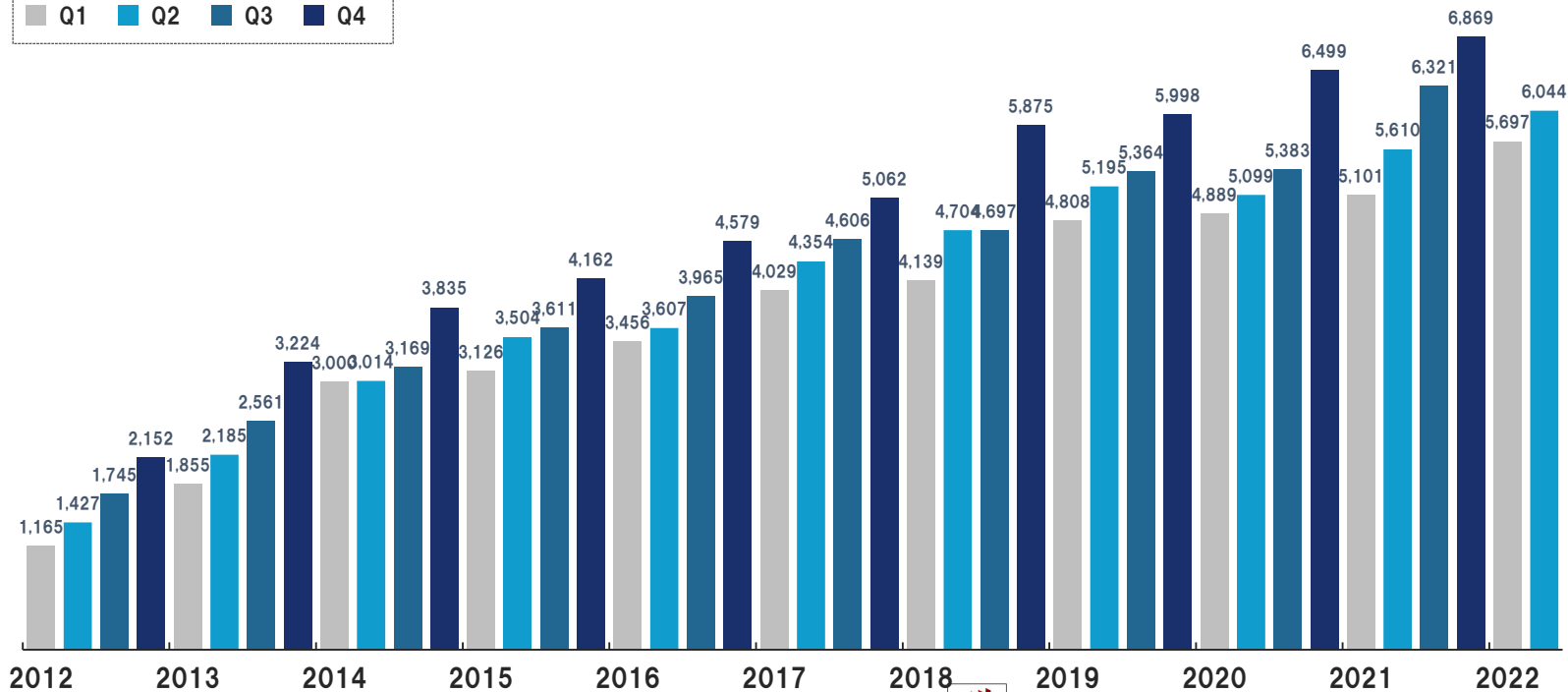
Sales				160	184	182	206	233	208	218	218	189
Construction				234	246	206	185	132	180	188	196	168
Management				21	20	35	27	62	57	69	73	81
Total	80	194	298	415	450	423	418	427	445	475	487	438

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
Market value				22,892	29,176	15,209	14,960	18,038	15,180	21,792	22,559	23,880
Net assets per share (yen)				147.81	160.15	161.01	184.40	171.31	182.36	211.88	236.46	246.09
Dividend per share (yen)				3.00	3.00	3.00	3.00	4.00	10.00	17.00	20.00	20.00
Basic earnings per share (yen)				20.61	15.33	3.97	27.61	27.84	15.19	39.50	41.57	29.52
Price earnings ratio				32.20	55.10	110.30	15.00	17.90	28.80	15.90	15.60	23.30

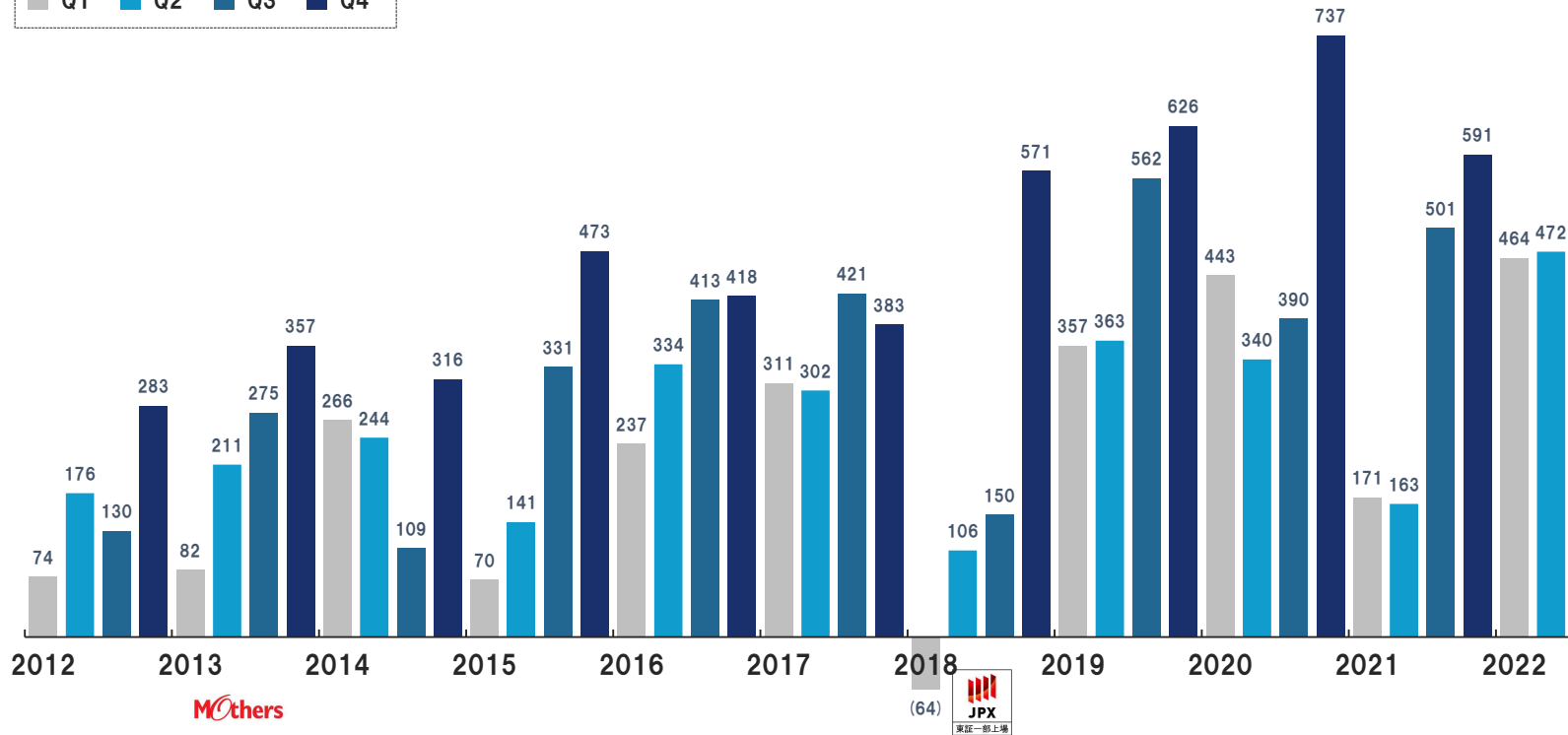
Quarterly Sales

(Million yen)

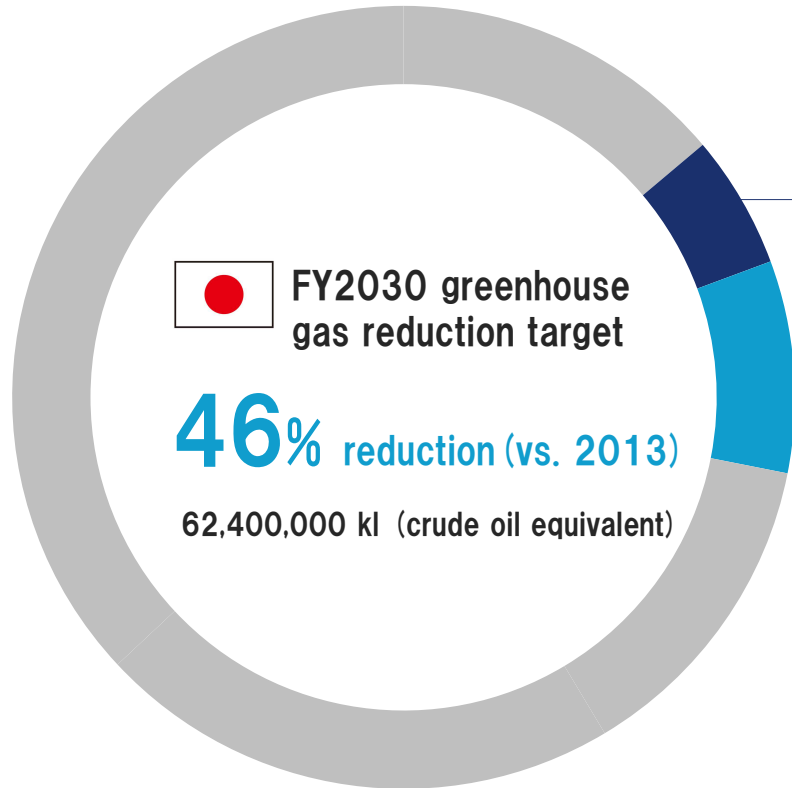


Quarterly Ordinary Profit

(Million yen)



Home and Building Construction Aimed at Realizing a Carbon Free Society



Homes 5.5%

Achieve ZEH* for new homes in 2030
Energy conservation renovations to existing homes (insulation improvements)



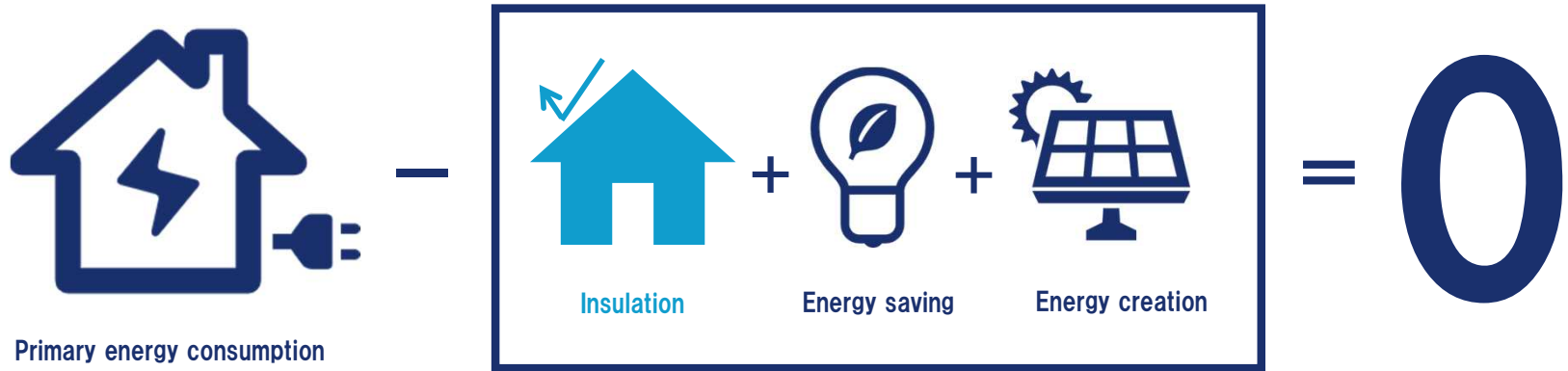
Buildings 8.7%

Achieve ZEB* for new buildings in 2030
Energy conservation renovations and rebuilding for existing buildings

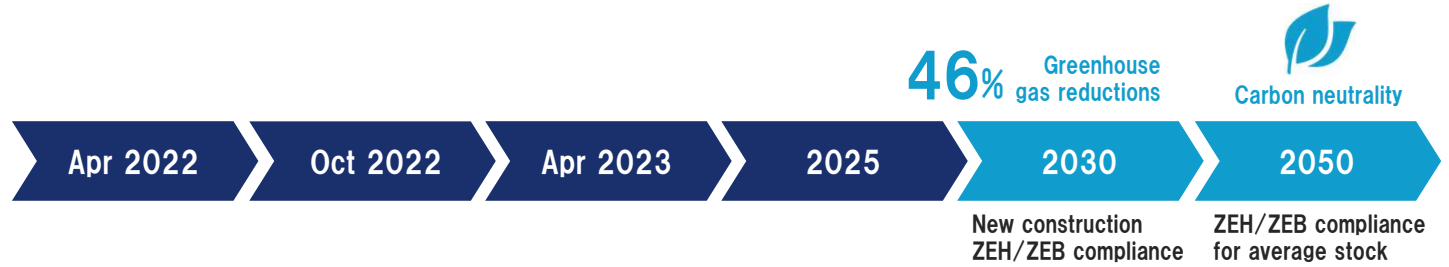
*ZEH Net Zero Energy House
*ZEB Net Zero Energy Building

What is ZEH (Net Zero Energy House) ?

It is a house that makes the living energy “0” by “reducing” and “creating”



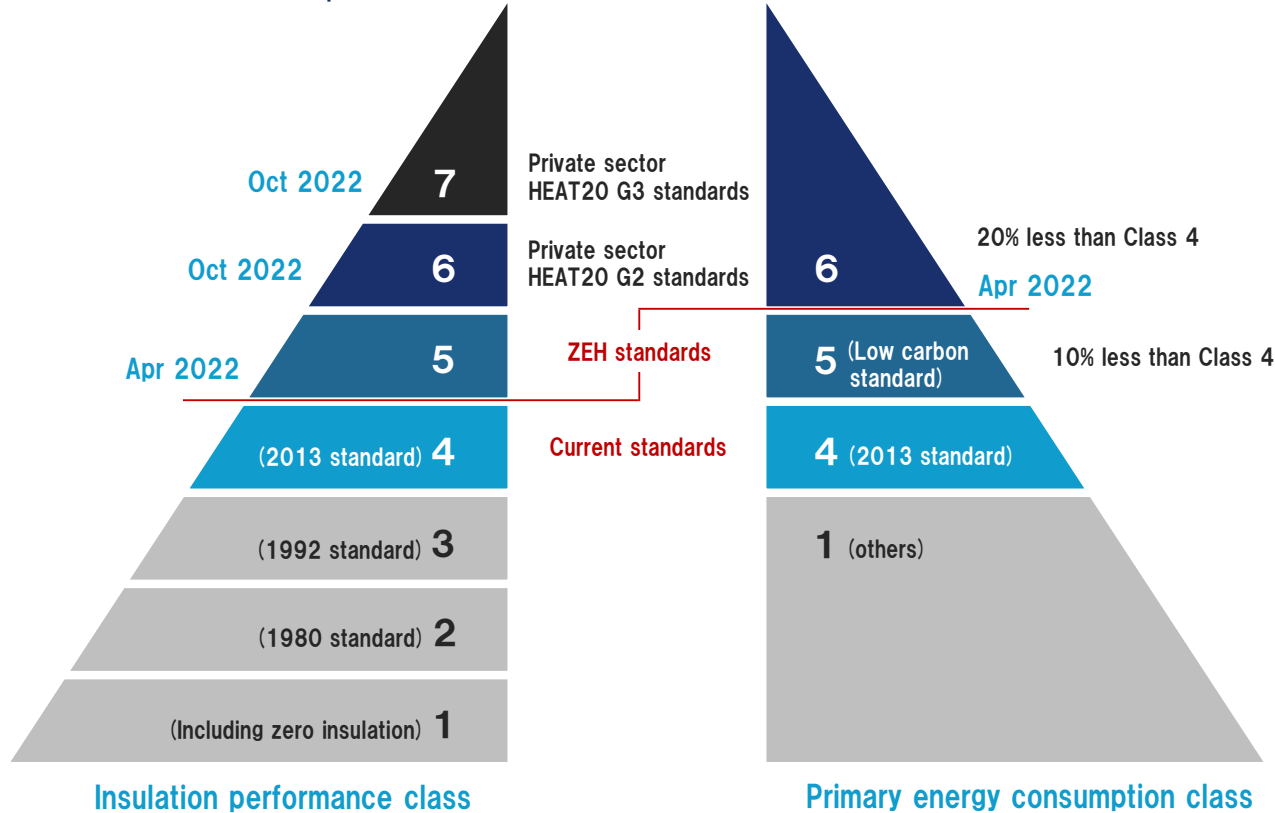
Main Policies Related to Homes and Buildings



Energy conservation standards			Mandatory compliance with 2013 standards	Raising of standards to ZEH levels
Performance indication system Primary energy consumption class	Addition of Class 6	Indication of primary energy consumption + insulation performance		
Performance indication system Insulation performance class	Addition of Class 5	Addition of Class 6 and 7		
Long-term high-quality housing (w/ subsidies, etc.)		Raising of level to ZEH level		
Low carbon housing (w/ tax incentives, etc.)		Raising of level to ZEH level		
Flat 35 (Housing loan)		Review and revision of incentive requirements Start of ZEH incentives	Raising of energy conservation standards	

Establishment of ZEH Standards

Addition of new classes* to residential performance classes





Inquiries

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