Business Results for the Nine Months Ended September 30, 2022

November 9, 2022

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429

Financial Highlights

Nine months ended September 30, 2022

New record highs

Net sales

18,259 Million yen

YoY +7.2%

Ordinary profit

1,660 Million yen

YoY +98.3%

Single-family Homes Division:
Remained strong with higher-class insulation performance attracting more attention

Buildings Division:
Construction order inflow accelerated due to aggressive sales promotion and stable raw material supply

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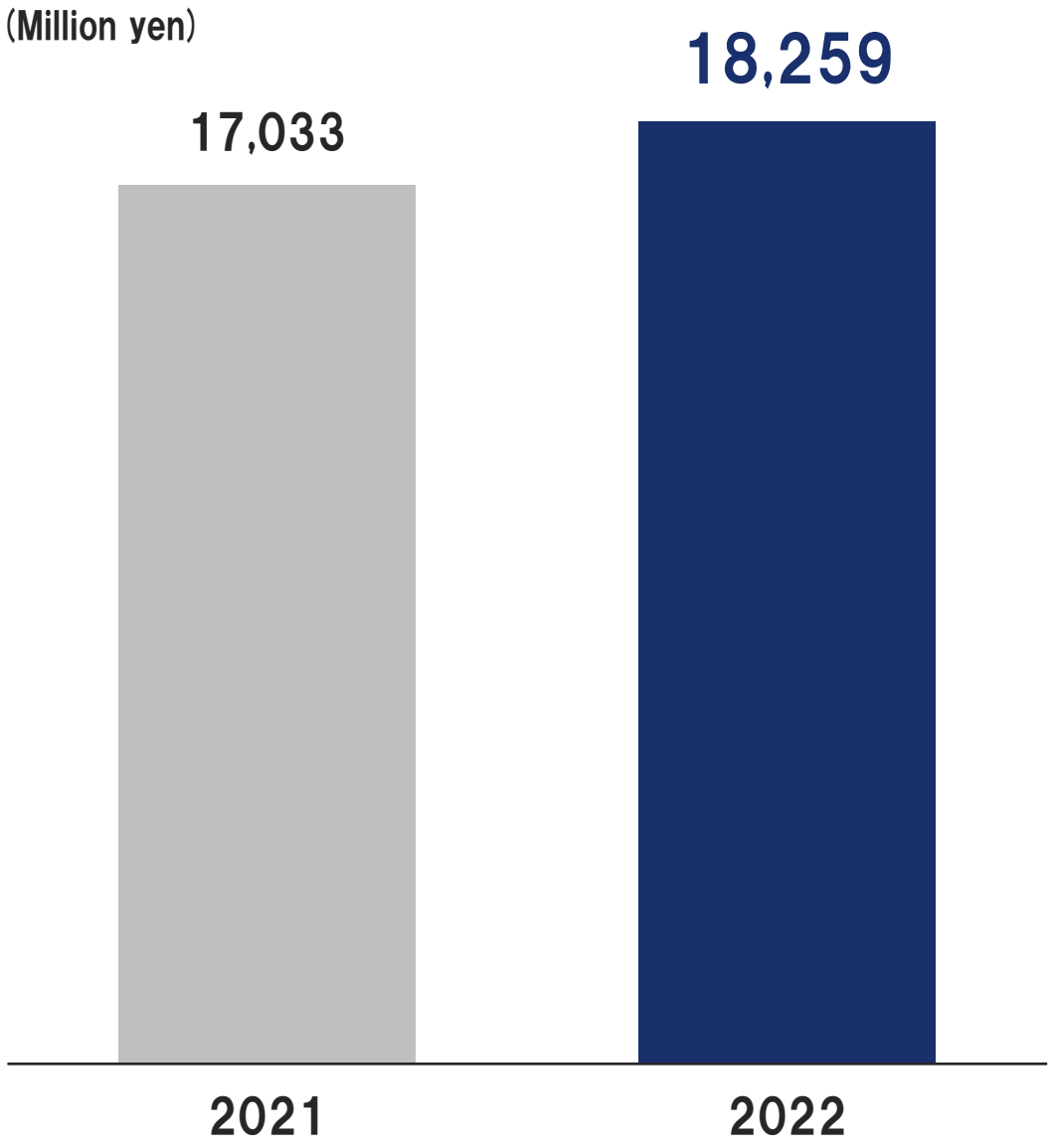
Net Sales

Nine months ended September 30, 2022



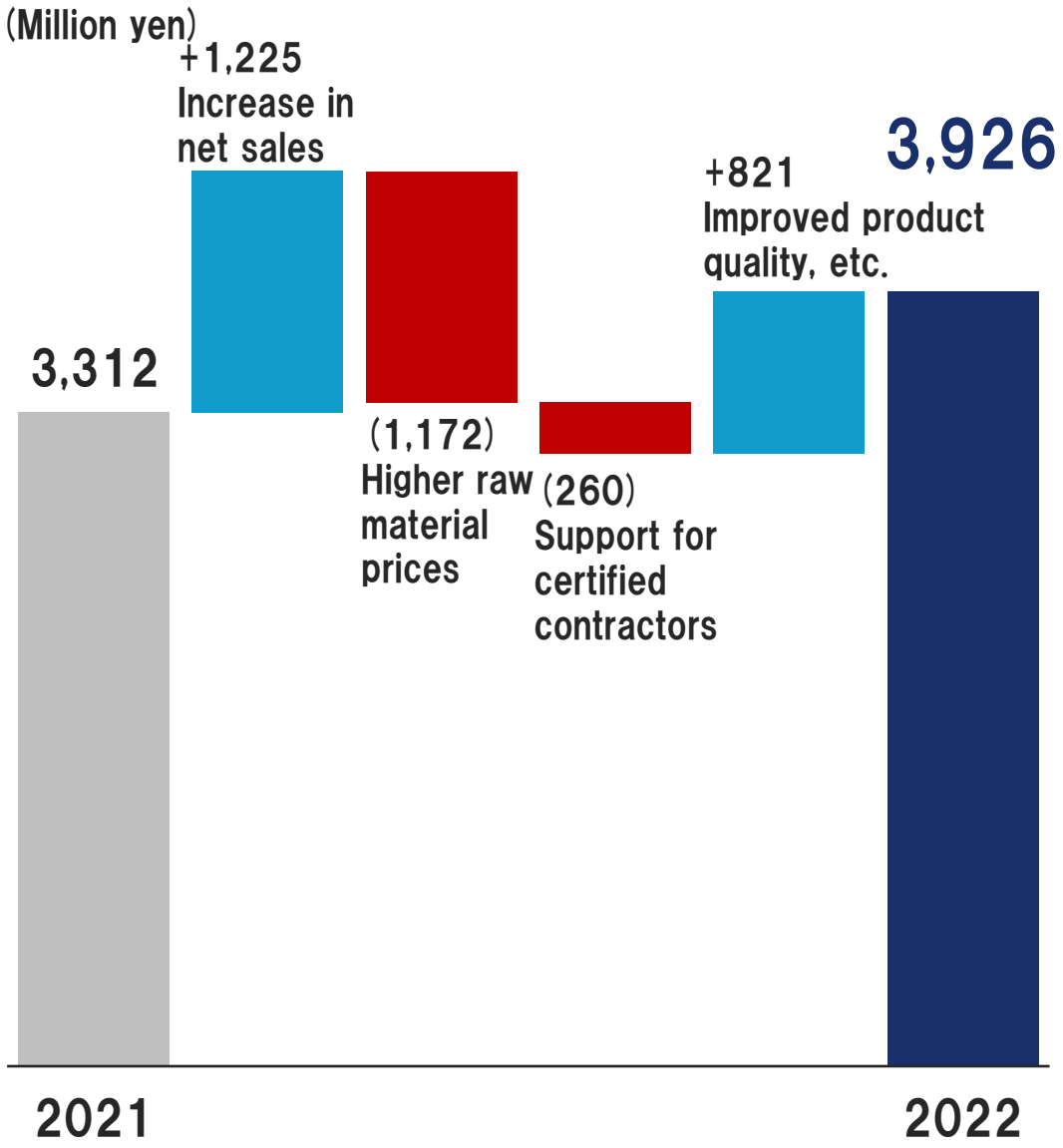
YoY

UP +1,225 Million yen +7.2 %

Both Single-family Homes and Buildings Divisions achieved new record-highs

Gross Profit

Nine months ended September 30, 2022

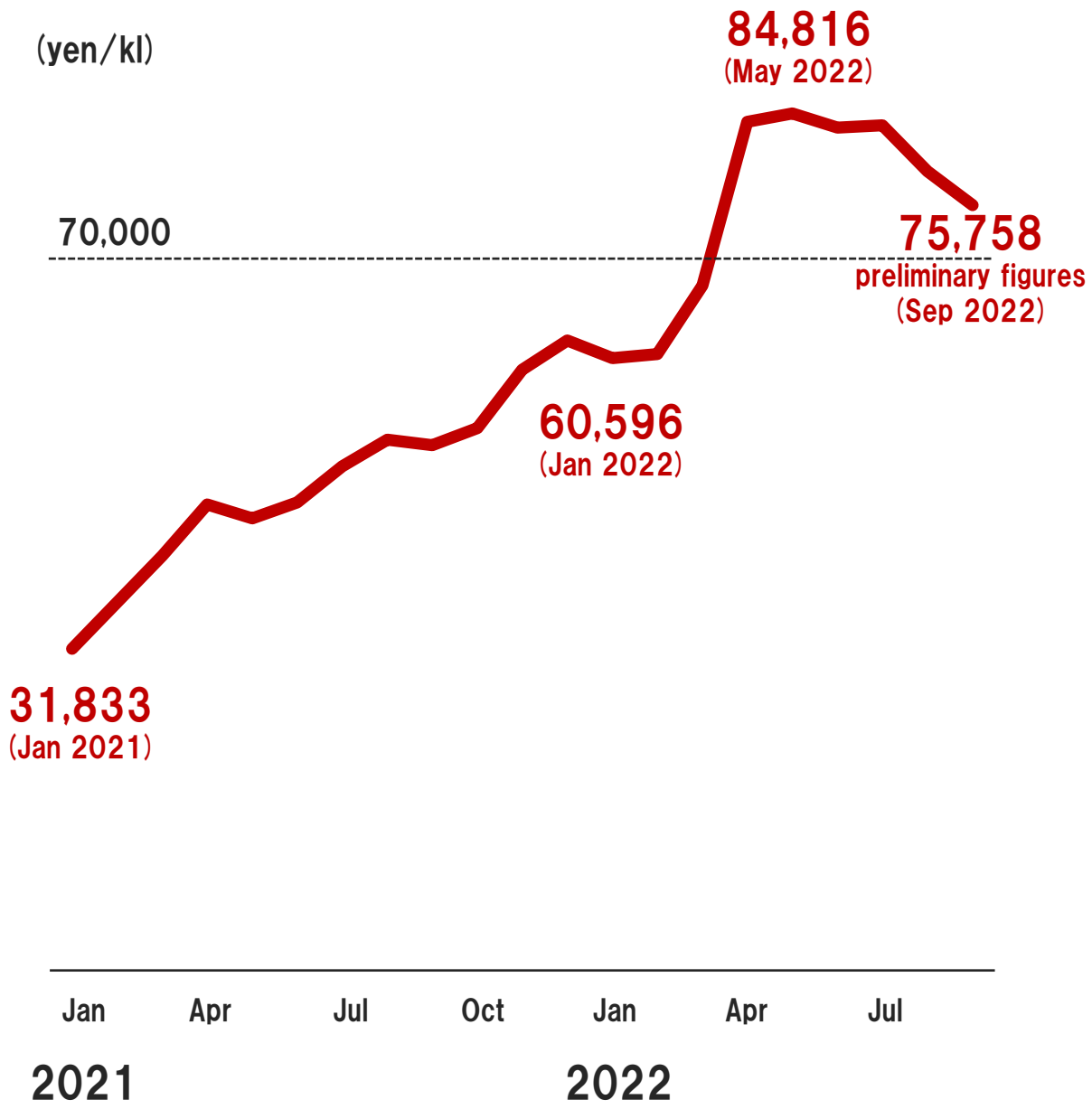


YoY

UP +613 Million yen +18.5 %

Gross profit margin 19.4% ▶ 21.5%

Naphtha import CIF price



Raw material prices remain high

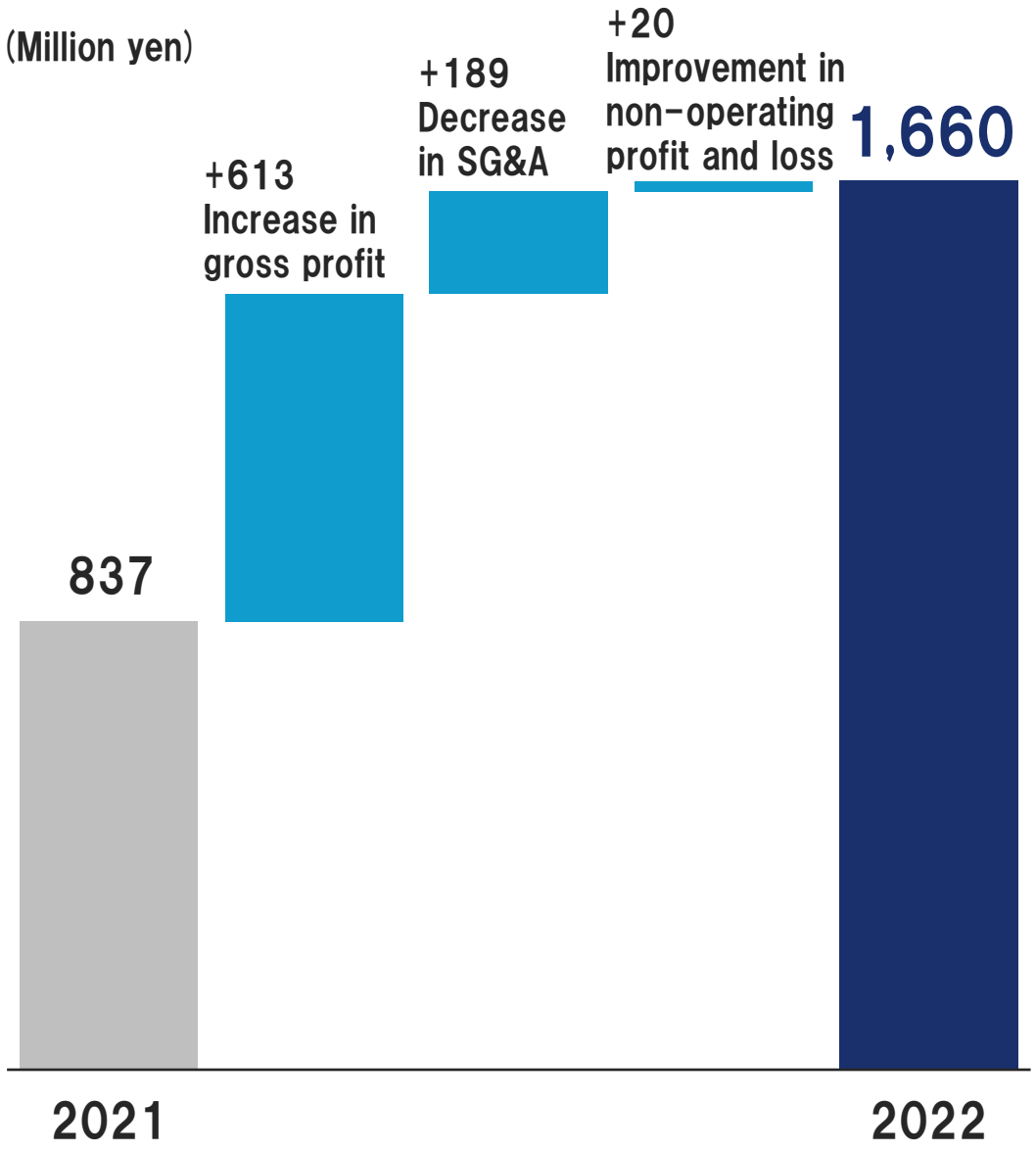
Improved quality resulting in lower costs

Dynamic price revisions

Source: Ministry of Finance (Trade Statistics by Commodity)

Ordinary Profit

Nine months ended September 30, 2022



YoY

UP +823 Million yen +98.3 %

Ordinary profit margin	4.9% ▶	9.1%
SG&A ratio	14.6% ▶	12.6%

Quarterly Income Statement

Nine months ended September 30, 2022

(Million yen, %)

	9M 2021 Jan-Sep	9M 2022 Jan-Sep	YoY Amount	YoY Change (%)	Forecast FY 2022
Net sales	17,033	18,259	+1,225	+7.2	26,490
Single-family homes	9,819	10,209	+390	+4.0	15,111
Buildings	3,716	4,640	+924	+24.9	6,228
Waterproofing	73	203	+129	+175.8	795
Product sales	3,423	3,204	(219)	(6.4)	4,354
Cost of sales	13,721	14,333	+611	+4.5	
Gross profit	3,312	3,926	+613	+18.5	
Single-family homes	1,936	2,493	+556	+28.8	
Buildings	574	755	+180	+31.4	
Waterproofing	13	14	+0	+5.5	
Product sales	788	663	(124)	(15.8)	
SG&A expenses	2,483	2,294	(189)	(7.6)	
Operating profit	828	1,631	+802	+96.9	2,121
Ordinary profit	837	1,660	+823	+98.3	2,121
Profit	553	1,122	+569	+103.0	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

Nine months ended September 30, 2022

(Million yen)

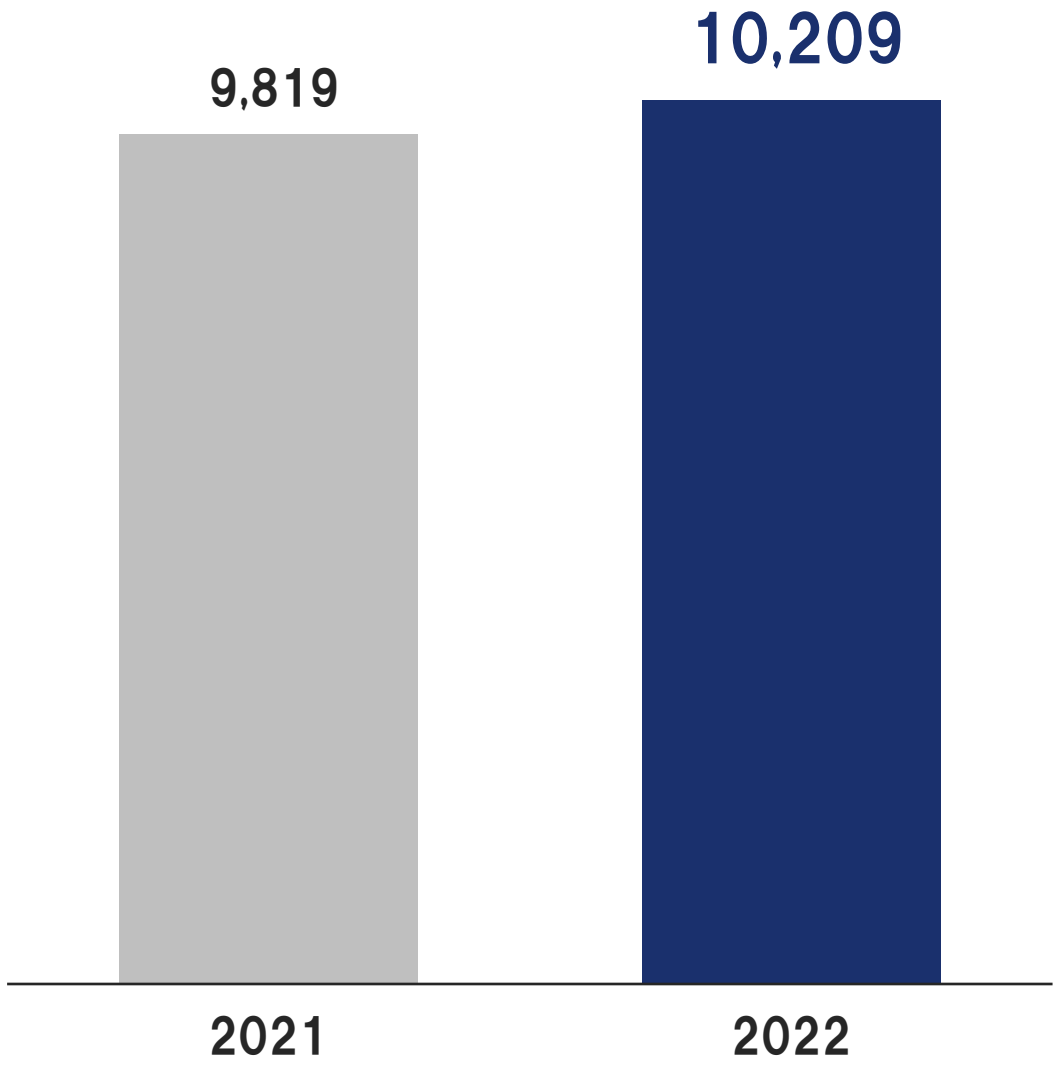
	As of Dec 31 2021	As of Sep 30 2022
Assets		
Current assets		
Cash and deposits	1,926	1,870
Notes and accounts receivable - trade	6,946	-
Notes and accounts receivable - trade, and contract assets	-	6,580
Accounts receivable - other	3,686	4,081
Total current assets	13,591	15,925
Non-current assets		
Total property, plant and equipment	4,263	4,188
Total intangible assets	111	99
Total investments and other assets	313	347
Total non-current assets	4,688	4,635
Total assets	18,279	20,560

	As of Dec 31 2021	As of Sep 30 2022
Liabilities		
Current liabilities		
Accounts payable - trade	6,055	6,522
Short-term borrowings	3,100	4,500
Total current liabilities	10,166	12,012
Non-current liabilities		
Long-term borrowings	33	16
Total non-current liabilities	161	119
Total liabilities	10,327	12,131
Net assets		
Share capital	1,903	1,903
Capital surplus	1,885	1,885
Retained earnings	5,367	5,844
Treasury shares	(1,204)	(1,204)
Total net assets	7,951	8,429
Total liabilities and net assets	18,279	20,560

Single-family Homes Division

Nine months ended September 30, 2022

(Million yen)



YoY

UP +390 Million yen +4.0%

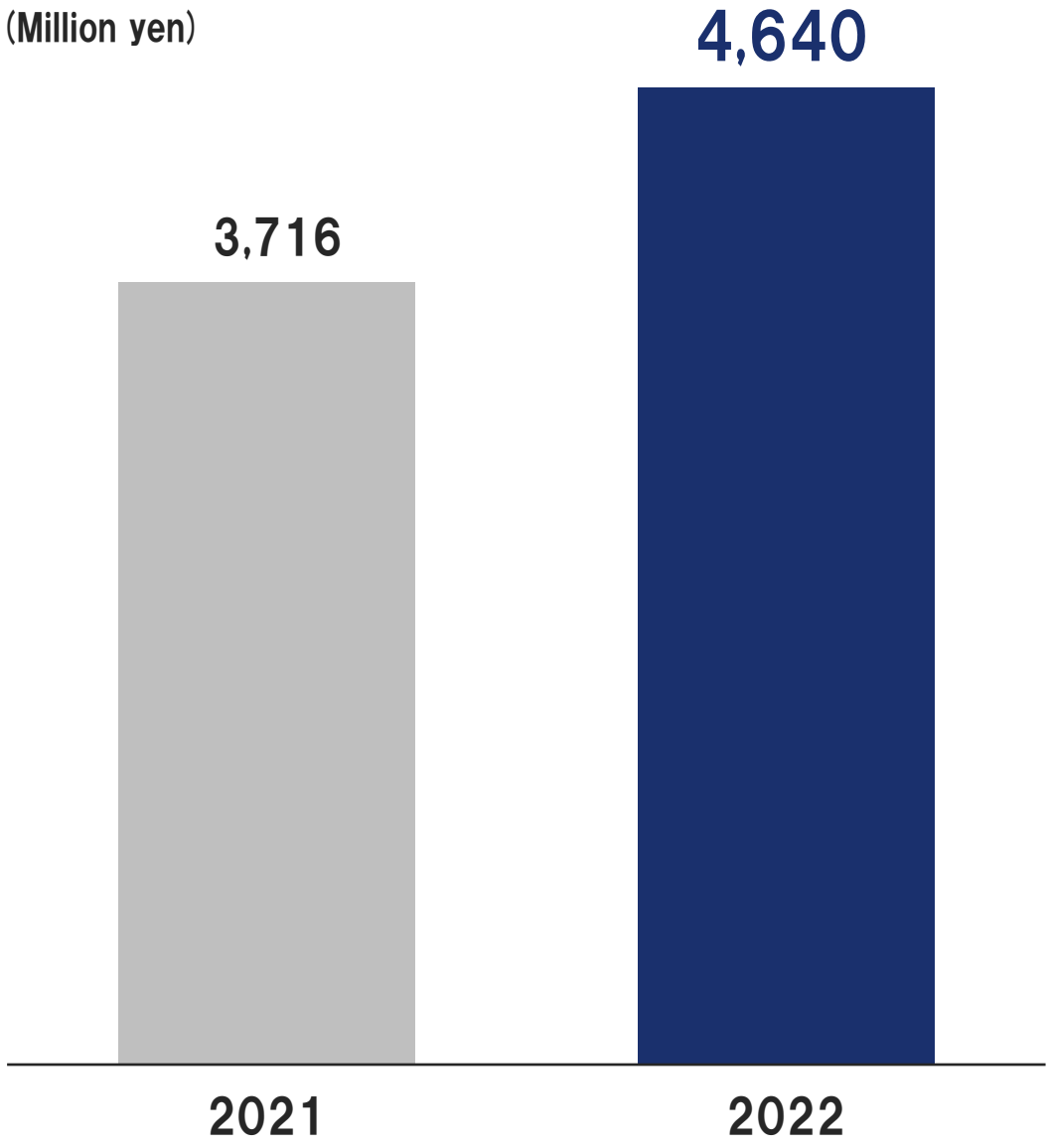
Focus on construction profitability

Gross profit margin 19.7% ▶ 24.4%

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

Buildings Division

Nine months ended September 30, 2022



YoY

UP +924 Million yen +24.9%

Markups brought trickle-down benefits

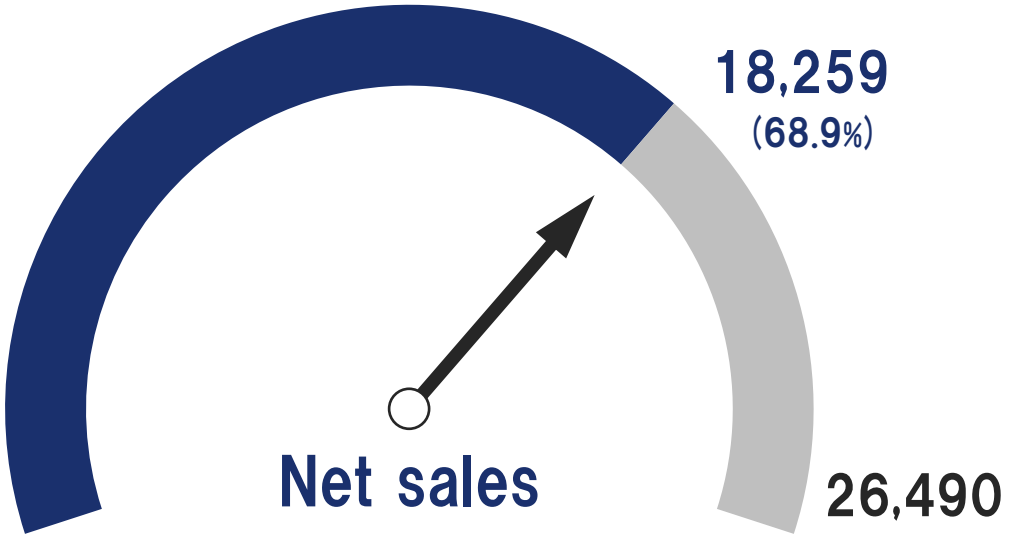
Profitability was improved

Gross profit margin 15.5% ▶ 16.3%

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

Progress towards Full-year Financial Forecast

(Million yen)



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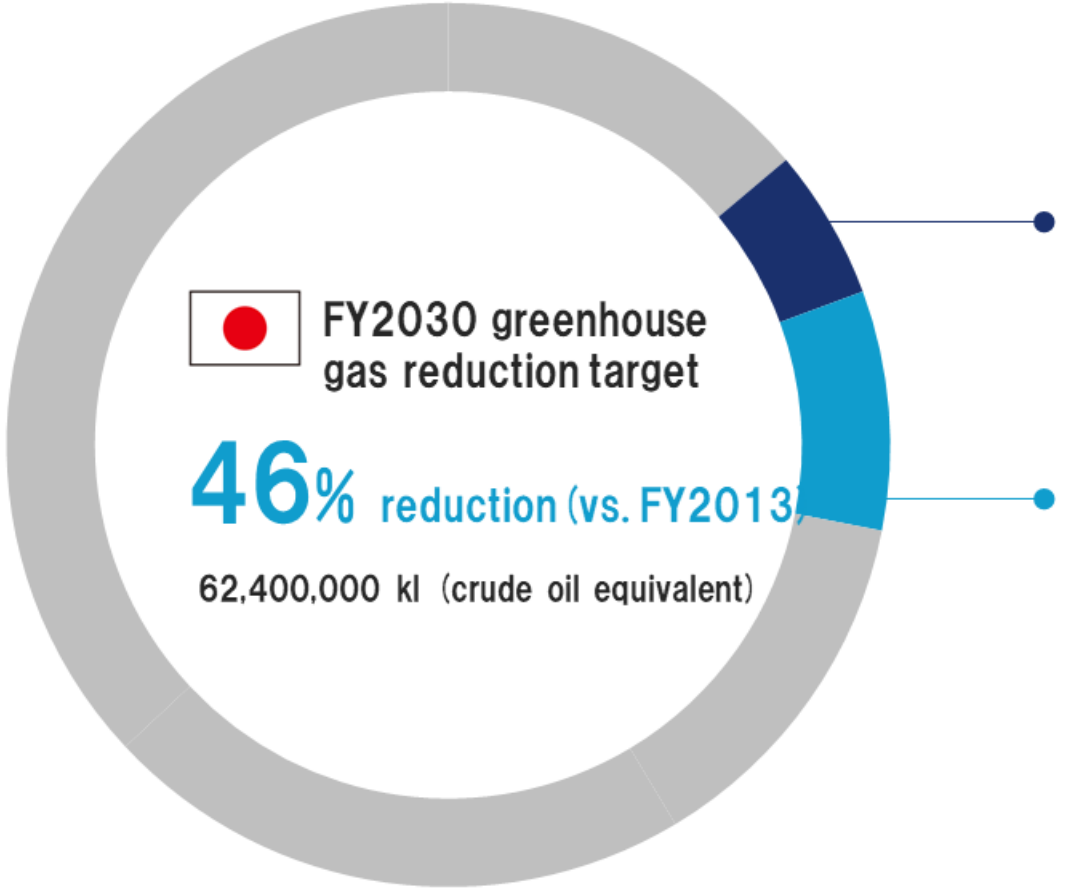
Home and Building Construction Aimed at Realizing a Carbon Free Society

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



Homes 5.5% 3,440,000 kl

Improvement of energy-saving performance in new homes 2,530,000 kl

Renovation of existing homes to improve insulation 910,000 kl

Buildings 8.7% 5,460,000 kl

Improvement of energy-saving performance in new buildings 4,030,000 kl

Improvement of energy conservation/renovation of existing buildings 1,430,000 kl

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

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"

The Revised Building Energy Efficiency Act for carbon neutrality in the housing and buildings sectors, enacted in the Diet session held on June 13, 2022

The new Act stipulates the insulation performance of buildings, which had not been mandatory, on top of existing provisions for acceleration of energy conservation measures and promotion of wood usage.

Buildings must now have Insulation Class 4 and from 2030 Class 5 or higher will be required.

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

Source: Created by Nippon Aqua based on materials by Ministry of Land, Infrastructure, Transport and Tourism

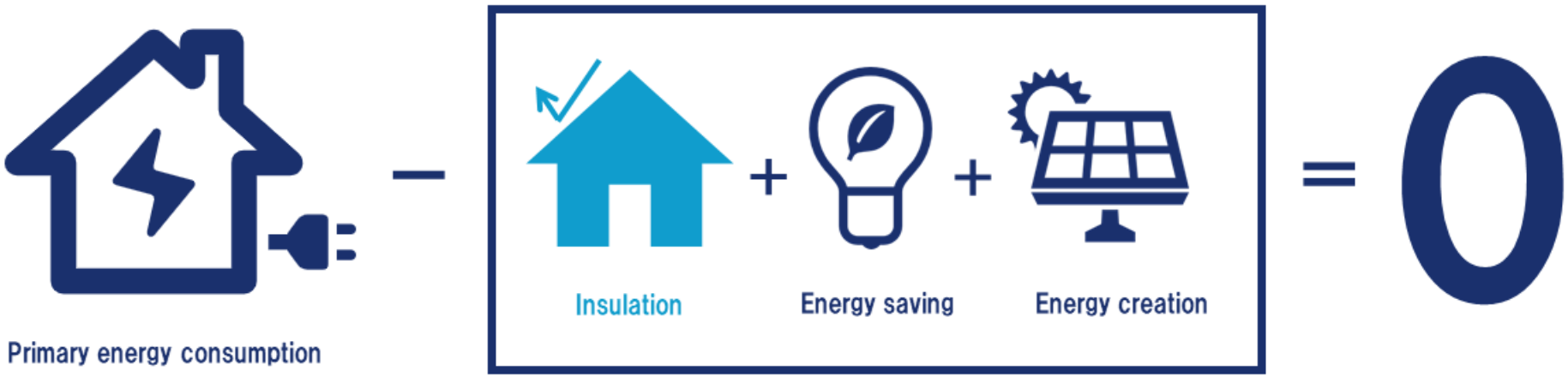
What is ZEH (Net Zero Energy House)?

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

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.



ZEB (Net Zero Energy Building) : The equivalent of ZEHs for buildings

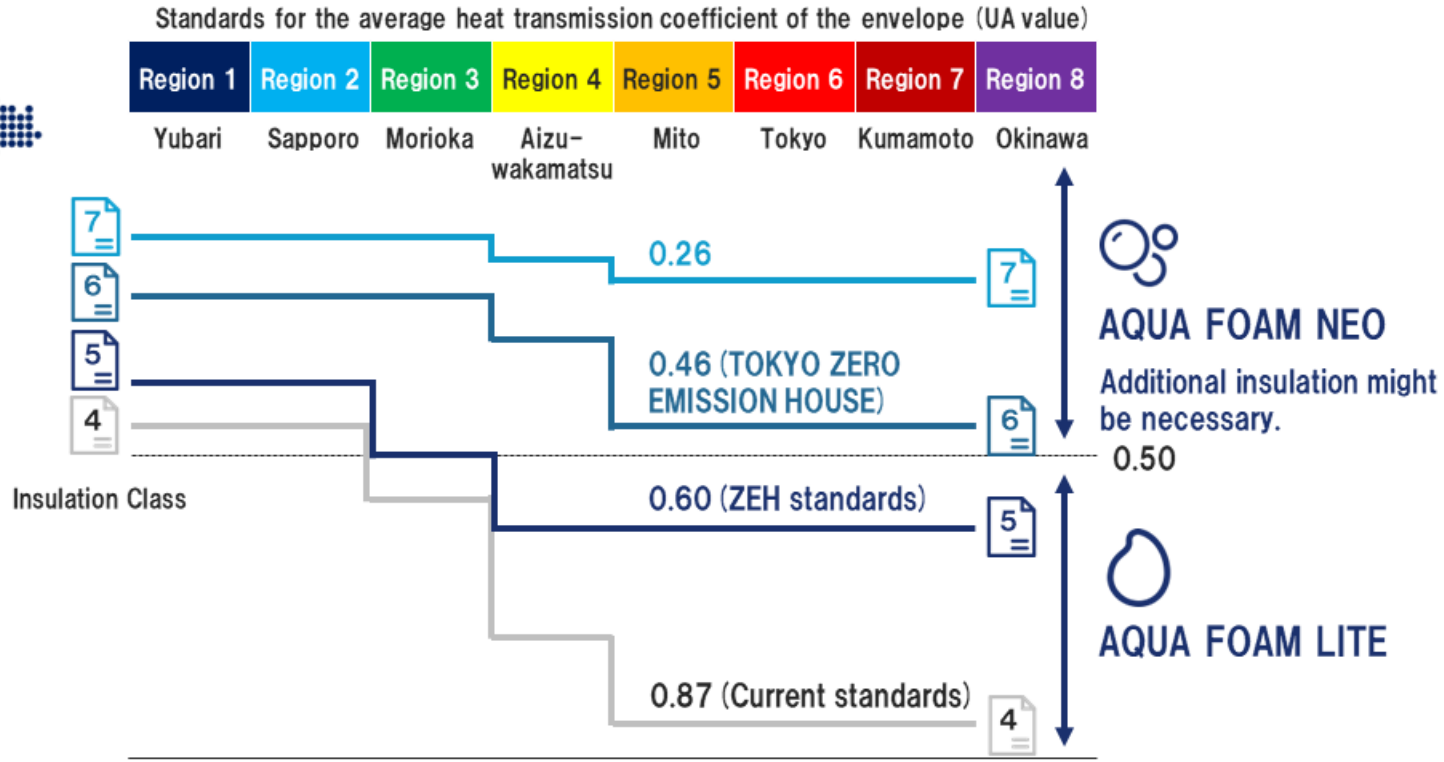
Regional Categorization and Insulation Class

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

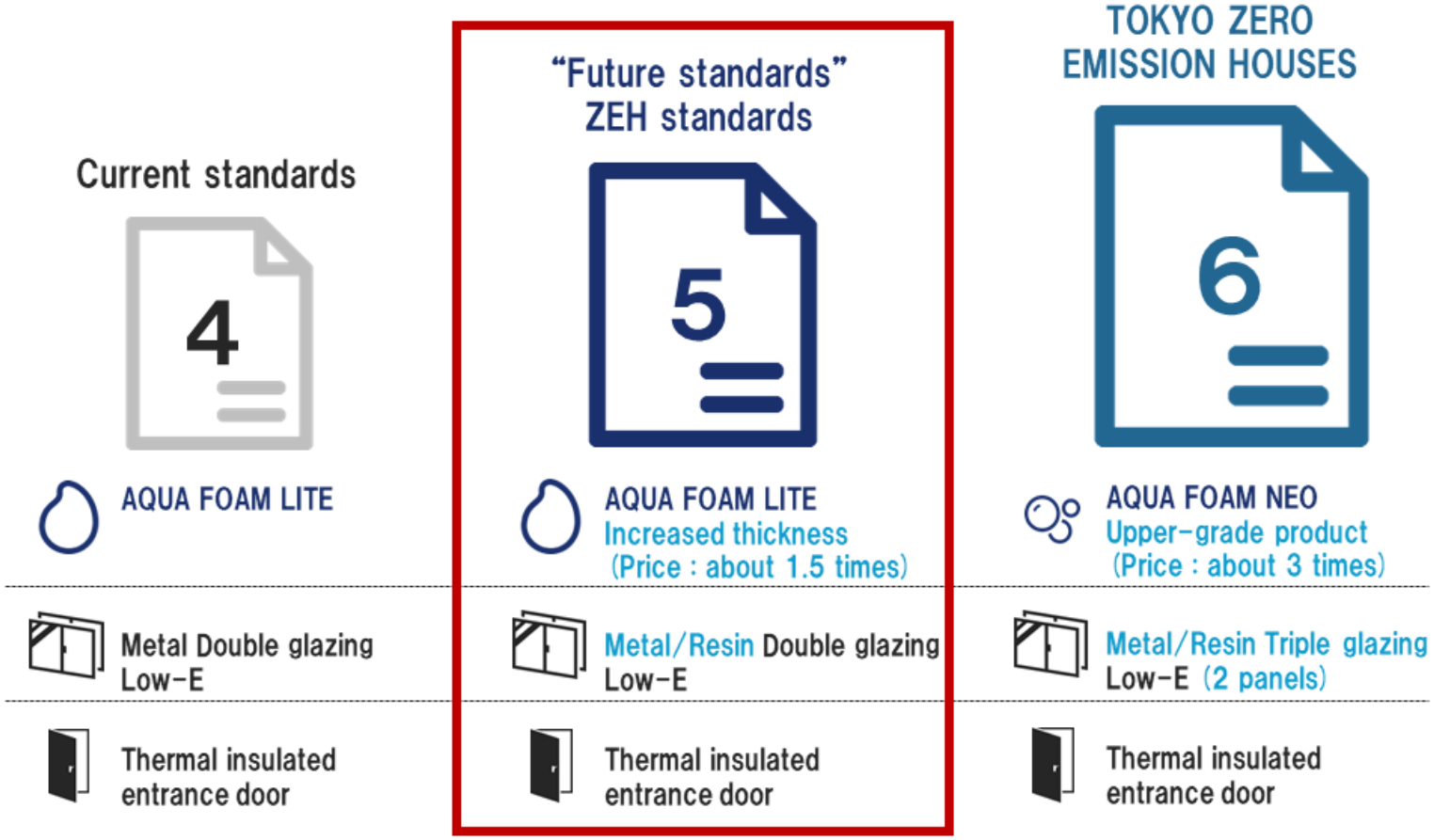
Difference in Specification between Insulation Classes

Tokyo and other areas of Region 6

Since higher insulation classes necessitate higher insulation performance for doors and sashes, as well as insulation materials, the construction costs will be greater than they are under the current energy conservation standards (insulation Class 4).

The Company estimates that, for standard single-family homes in Region 6 (Tokyo, etc.), it will cost approx. 50% more under the ZEH standards (Class 5) than they are under the current energy conservation standards (Class 4), as thicker insulation materials will be necessary.

For Tokyo Zero Emission Houses (Class 6), the higher-class product AQUA FOAM NEO will be used, with the result that the cost will be approx. three times higher than they are under the current energy conservation standards (Class 4).



While a higher insulation class means a higher cost of housing construction, such houses enhance living comfort and lower the cost of living for families.

According to the Company's estimates based on the data provided by the Ministry of Land, Infrastructure, Transport and Tourism and HEAT 20, for standard houses categorized into Class 4 under the current energy conservation standards in Region 6 (Tokyo, etc.), the annual heating and cooling cost is approx. 148,000 yen, and the minimum room temperature for the heating season is approx. 8℃.

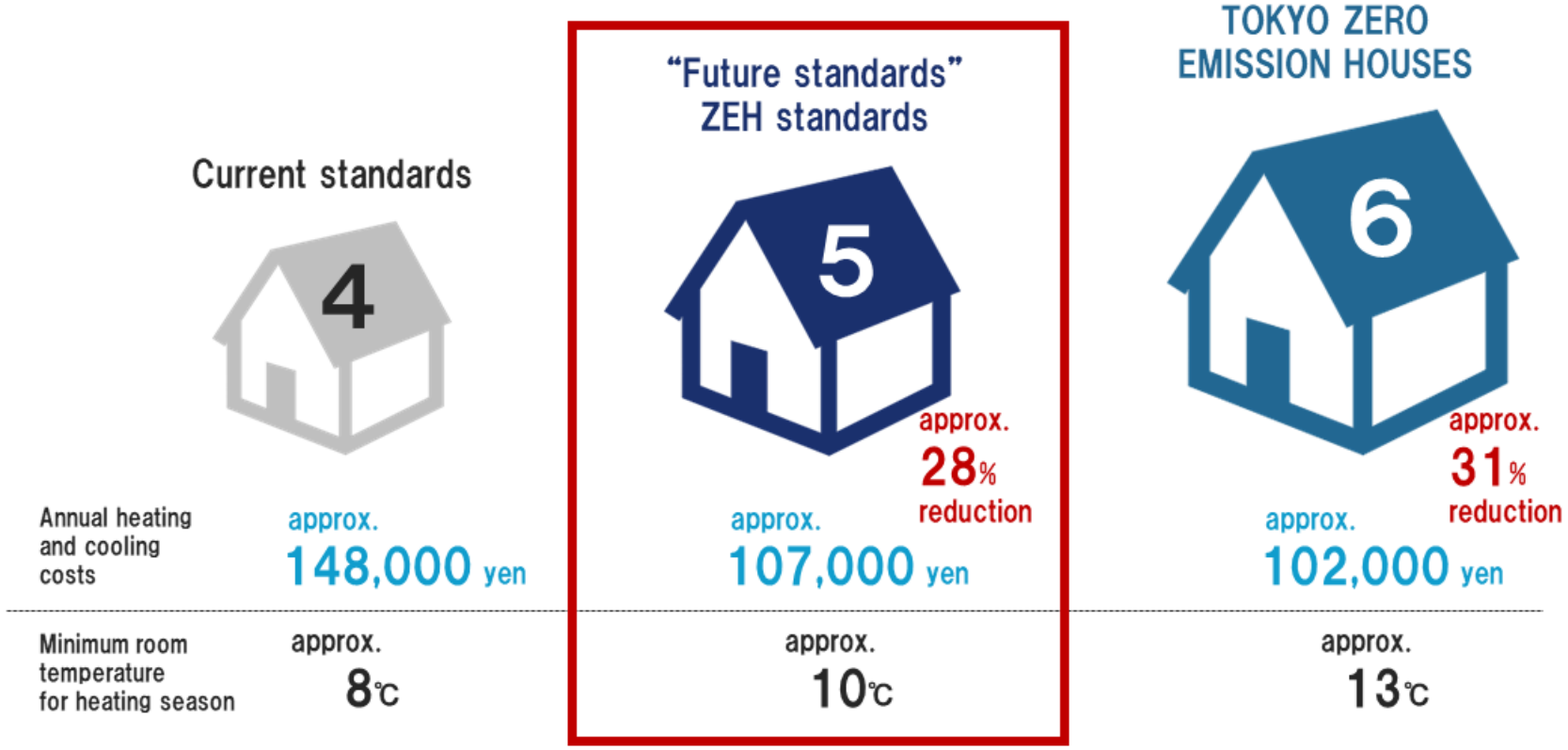
Under the ZEH standards (Class 5), the annual heating and cooling cost is approx. 107,000 yen (approx. 28% lower), and the minimum room temperature for the heating season is approx. 10℃.

For Tokyo Zero Emission Houses (Class 6), the annual heating and cooling cost is approx. 102,000 yen (approx. 31% lower), and the minimum room temperature for the heating season is approx. 13℃.

The above heating and cooling costs are calculated assuming a unit electricity cost of 28 yen/kW.

Comfortable and Wallet-friendly Homes Meeting Higher Class Requirements

Tokyo and other areas of Region 6



Calculated by Nippon Aqua based on data from the Ministry of Land, Infrastructure, Transport and Tourism (primary energy consumption reduction) and HEAT20
Assuming a unit electricity cost of 28 yen/kW disregarding energy creation

Renovating Buildings into ZEB with Existing General-purpose Technologies

To spread ZEB in the buildings sector, renovating existing, as well as new, buildings will be important.

To achieve the shift to ZEB by renovating existing buildings, some are under the impression that cutting-edge technology must be introduced. In reality, however, ZEB has often been achieved through the combination of general-purpose technologies.

Some of the energy conservation technologies employed by 80% of the buildings renovated into ZEB include external thermal insulation, high-efficiency air-conditioning, LED lighting, and solar power generation, all of which are general-purpose technologies available today.

Technologies introduced for renovating existing buildings into ZEB (subsidized by the Ministry of Environment)

Passive technologies
Reduce energy requirements

External thermal insulation

Solar shading
(Louvers, Eaves, and Blinds, etc.)

+

Active technologies
Put energy to efficient use without wasting it

High-efficiency air-conditioners

LED lighting devices

Total heat exchangers, High-efficiency heat source equipment, High-efficiency fans, High-efficiency transformers, Storage batteries, BEMS

+

Energy creation technologies
Utilize renewable energy

Solar power generation

Source: ZEB PORTAL, Ministry of the Environment

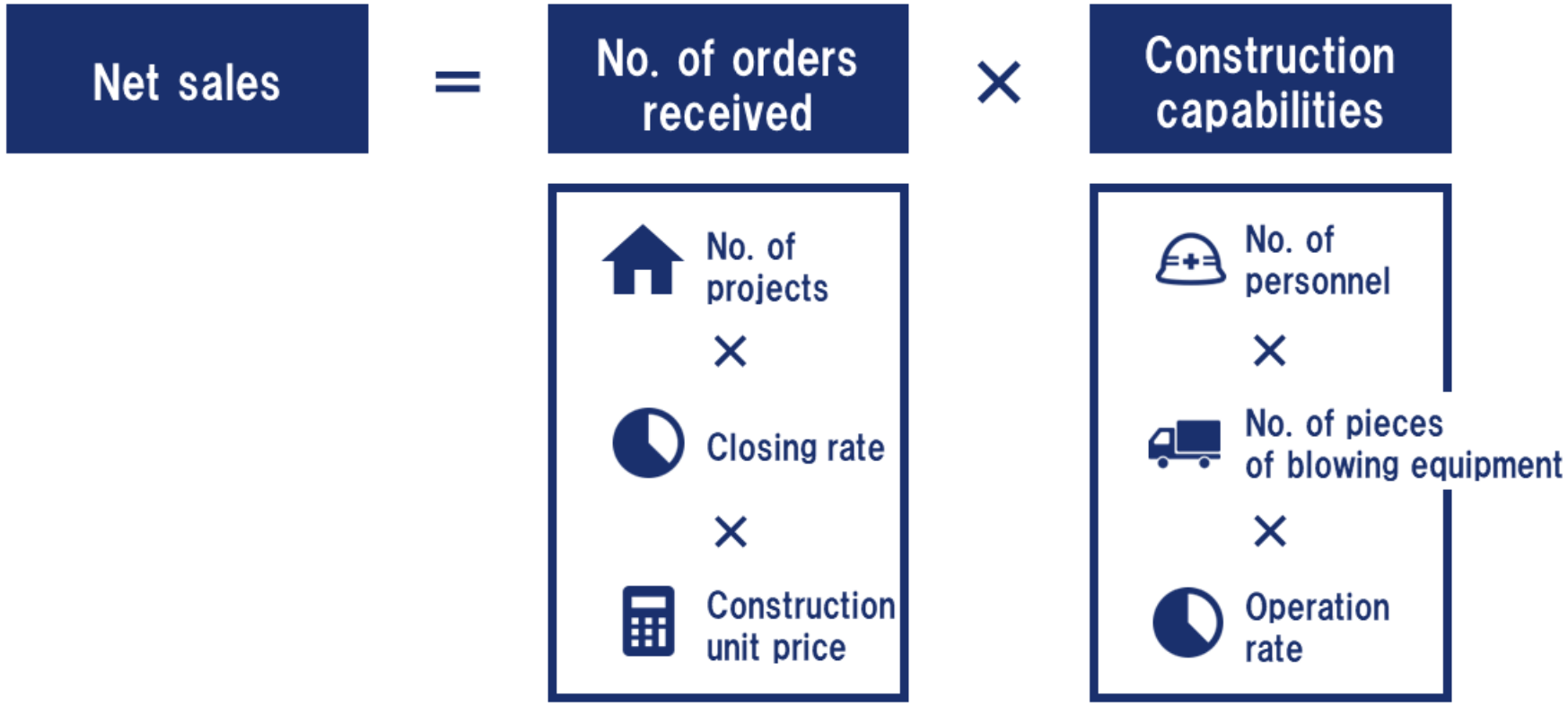
Sources of Competitiveness

The Company sources its competitive strength from the volume of construction orders received and construction capabilities.

The market has upward momentum with strong demand. With a nationwide network of 24 bases, we cover the entire Japanese market, adding to the volume of orders by taking profitability into account.

What matters is our construction capabilities with which to steadily execute orders that constantly accumulate.

Our KPIs are the numbers of installation work personnel both in the Company and certified contractors, the number of pieces of urethan blowing equipment, and the operation rate.



Efforts to Increase Internal and External Installation Work Personnel

Meanwhile, labor shortage in the construction industry has become a serious problem.

According to a Ministry of Land, Infrastructure, Transport and Tourism survey, workers in the construction industry work noticeably longer than their peers in other industries. They work 360 hours more and 32 days more in a year than the all-industry average, and no more than 19.5% take 8 days off in 4 weeks (2 full days off per week).

The Company and its certified contractors see this as a problem and have launched a variety of initiatives for improvement.

First, the Company is providing financial support to certified contractors. By tacking on construction fees, the Company compensates its contractors for a rise in their labor cost associated with the shift to two full days off per week.

Second, the Company has introduced two full days off per week (no work on Saturdays and Sundays) for its installation work personnel.

Third, the Company hires a popular YouTuber to create a corporate profile video to make younger persons interested in the Company and what it does.

Current status of work-life balance in the construction industry

(FY2020)

Actual hours worked in the year (compared to the all-industry average)	+360 hours
Days worked in the year (compared to the all-industry average)	+32 days
Workers taking 8 days off in 4 weeks (2 full days off per week)	19.5%

Financial support to certified contractors

Additional payment for single-family home installation work

2 full days off per week (Saturdays and Sundays off)

Introduced for internal installation work personnel

Encouraged certified contractors to introduce the same calendar

Efforts to attract young people

Company profile video featuring a popular YouTuber

Source: Ministry of Land, Infrastructure, Transport and Tourism
(Current status of work style reform in the construction industry and challenges faced)

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

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

NIPPON AQUA

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Corporate Profile

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.

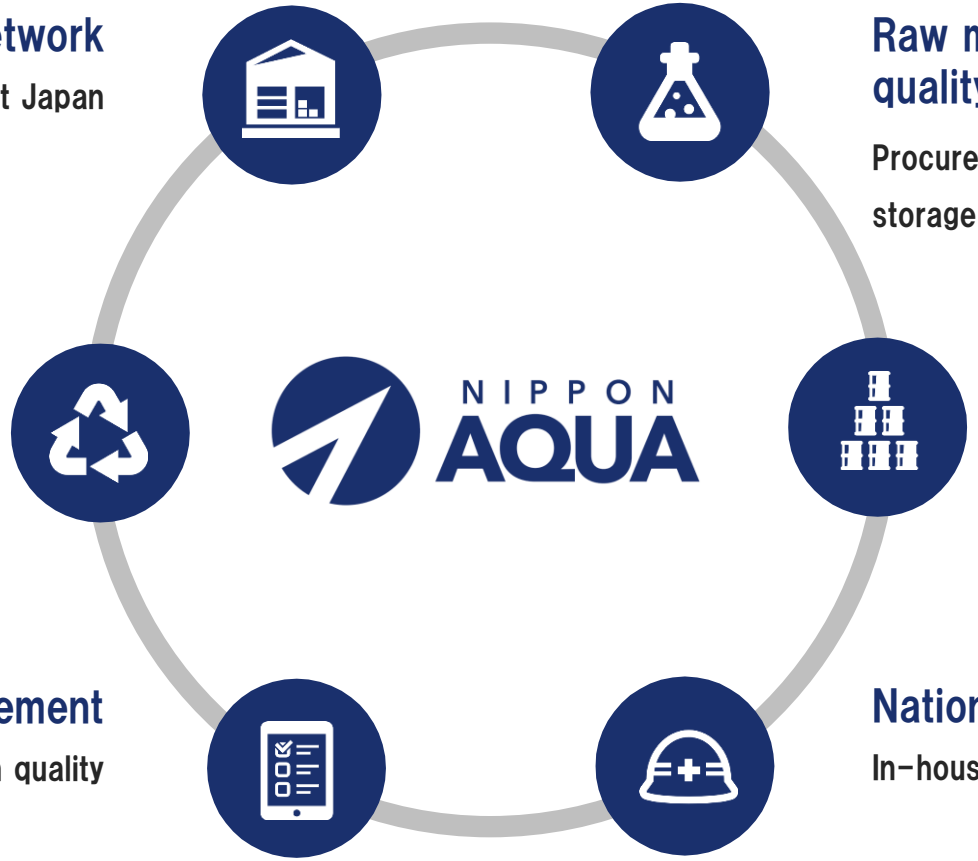
As of June 30, 2022

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

Nationwide sales network
24 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
Two recycling plants



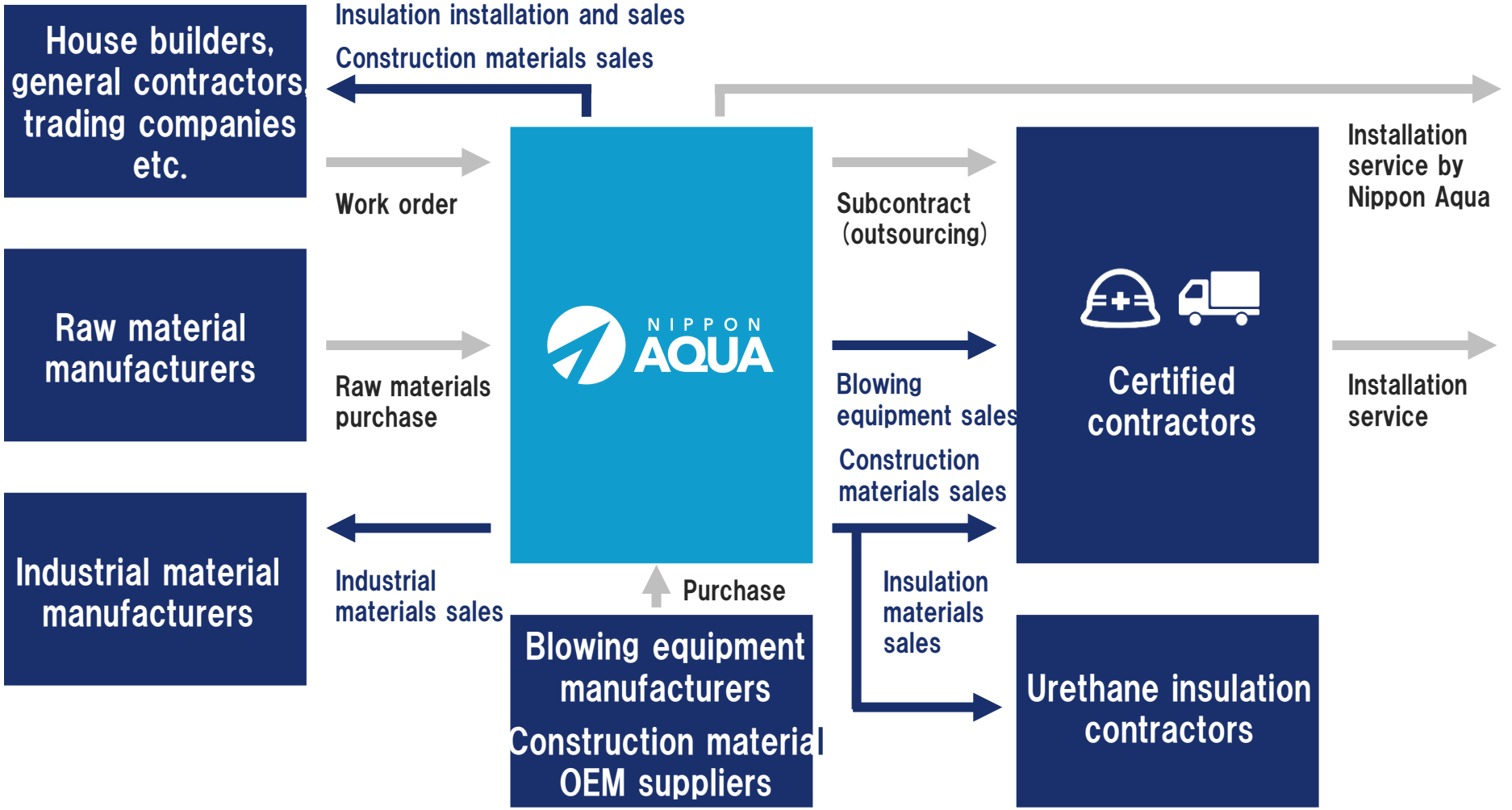
Product manufacturing
Fabless manufacturer

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



Main Policies Related to Homes and Buildings

46% Greenhouse gas reductions

Carbon neutrality

Apr 2022	Oct 2022	Apr 2023	2025	2030	2050
				ZEH/ZEB compliance for average new construction	ZEH/ZEB compliance for average stock
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		

Source: Created by Nippon Aqua based on materials by Ministry of Land, Infrastructure, Transport and Tourism

Preferential Treatment Based on the Home Performance Standards

Current standards

4 ¥

	(yen)
Amount repaid on Flat 35 housing loan plan	38.58 Mil.
Tax breaks on housing loans	Up to 3.64 Mil.
Borrowing limit eligible for tax breaks on housing loans	40 Mil.
Subsidies from the *Kodomo Mirai* Home Support Project	0.6 Mil.

"Future standards" ZEH standards

5 ¥

	(yen)
Amount repaid on Flat 35 housing loan plan	37.46 Mil.
Loan interest rate cuts	First 5 yrs. (0.5%) 6–10 yrs. (0.25%)
Tax breaks on housing loans	Up to 4.09 Mil.
Borrowing limit eligible for tax breaks on housing loans	45 Mil.
Subsidies from the *Chiikigata Green-ka* Project	1.4 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the *Kodomo Mirai* Home Support Project	1 Mil.

TOKYO ZERO EMISSION HOUSES

6 ¥

	(yen)
Amount repaid on Flat 35 housing loan plan	37.46 Mil.
Loan interest rate cuts	First 5 yrs. (0.5%) 6–10 yrs. (0.25%)
Tax breaks on housing loans	Up to 4.09 Mil.
Borrowing limit eligible for tax breaks on housing loans	45 Mil.
Subsidies from the *Chiikigata Green-ka* Project	1.4 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the *Kodomo Mirai* Home Support Project	1 Mil.
Subsidies to Level 3 Tokyo Zero Emission Houses	2.1 Mil.

ZEH standards + Long-term high-quality housing

5 ¥

	(yen)
Amount repaid on Flat 35 housing loan plan	37.13 Mil.
Loan interest rate cuts	First 10 yrs. (0.5%)
Tax breaks on housing loans	Up to 4.55 Mil.
Borrowing limit eligible for tax breaks on housing loans	50 Mil.
Subsidies from the *Chiikigata Green-ka* Project	1.5 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the *Kodomo Mirai* Home Support Project	1 Mil.

Sources: Data from the Japan Housing Finance Agency compiled by the Company
Assumptions for the amount repaid on the Flat 35 loan plan: borrowed amount of 30 million yen, borrowing period of 35 years, principal and interest equal repayment, no additional repayments on bonus months, and annual interest rate of 1.5%
Tax break on housing loans (special credit for loans, etc., related to dwellings): A system in which 0.7% of the annual balance of housing loans is deducted from income tax for up to 13 years
Users of the system are not entitled to receive subsidies, except recipients of subsidies to dwellers of Level 3 Tokyo Zero Emission Houses are entitled to receive subsidies from the *Chiikigata Green-ka* Project and/or the *Kodomo Mirai* Home Support Project.

Definitions of ZEH and ZEB

Single-family Homes

	ZEH Oriented	Nearly ZEH	ZEH	Nearly ZEH+	ZEH+
	0.8 or less	0.8 or less	0.8 or less	0.75 or less	0.75 or less
	Not required	0.25 or less	0.0 or less	0.25 以下＋α	0.0 以下＋α

Multifamily housing

	ZEH-M Oriented	ZEH-M Ready	Nearly ZEH-M	ZEH-M
	0.8 or less	0.8 or less	0.8 or less	0.8 or less
	Not required	0.5 or less	0.25 or less	0.0 or less

Building

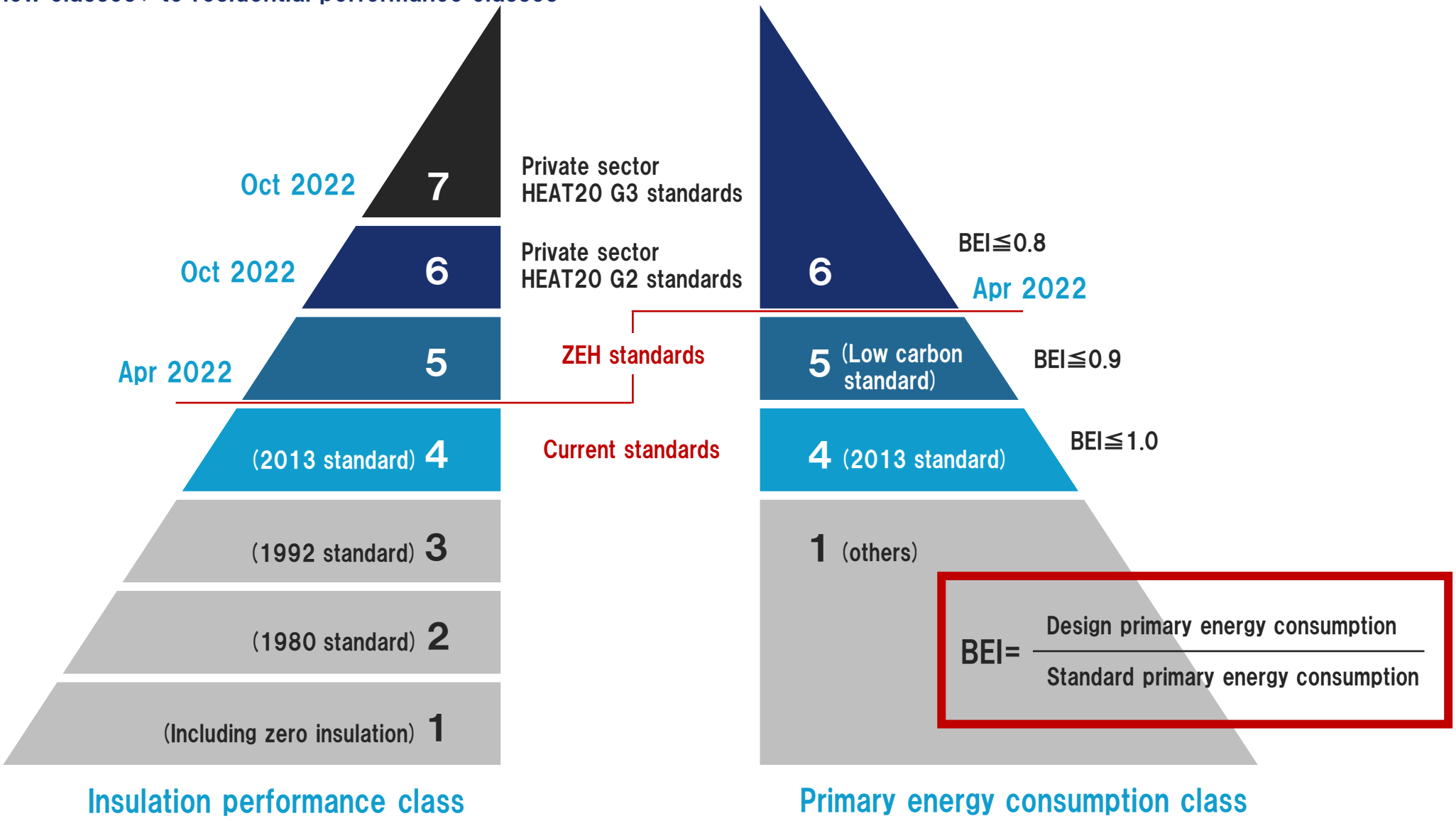
	ZEB Oriented		ZEB-Ready	Nearly-ZEB	ZEB
	Office, etc.	Hotel, etc.			
	0.7 or less	0.6 or less	0.5 or less	0.5 or less	0.5 or less
	Not required Introduction of unevaluated technology		Not required	0.25 or less	0.0 or less

Upper row: BEI
Lower row: BEI including renewable energy

$$BEI = \frac{\text{Design primary energy consumption}}{\text{Standard primary energy consumption}}$$

Establishment of ZEH Standards

Addition of new classes* to residential performance classes



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

Inquiries

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