

Business Results for the Fiscal Year Ended December 2022

February 10, 2023

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



Financial Highlights

Fiscal Year Ended December 2022

New record highs

Net sales

25,670 Million yen

YoY +7.4%

Ordinary profit

2,359 Million yen

YoY +65.1%

Single-family Homes Division: Strong demand against a backdrop of mandatory home insulation requirements, soaring electricity rates, etc.

Buildings Division: Aggressive sales promotion and a high demand for non-flammable insulation led to strong sales

Dividend per share

Forecast at beginning
of fiscal year
22.0 yen ▶ **24.0** yen

Previous fiscal
year results 20.0 yen

Payout ratio 50.0%

Financial Highlights

Fiscal Year Ended December 2022

Increased dividends

Financial Forecasts

for the Fiscal Year Ending December 2023

Continue to challenge to achieve new record highs

Net sales

29,021 Million yen

YoY +13.1%

Ordinary profit

2,750 Million yen

YoY +16.5%

Single-family Homes Division: Expanding insulation Class 5 (ZEH standards) standardization as a good opportunity

Buildings Division: Monetization of large projects and continued high demand for non-flammable insulation



1

**Overview of Financial Highlights for the
Fiscal Year Ended December 30, 2022**

2

Financial Forecasts for the
Fiscal Year Ending December 30, 2023

3

Business Environment and Our Initiatives

4

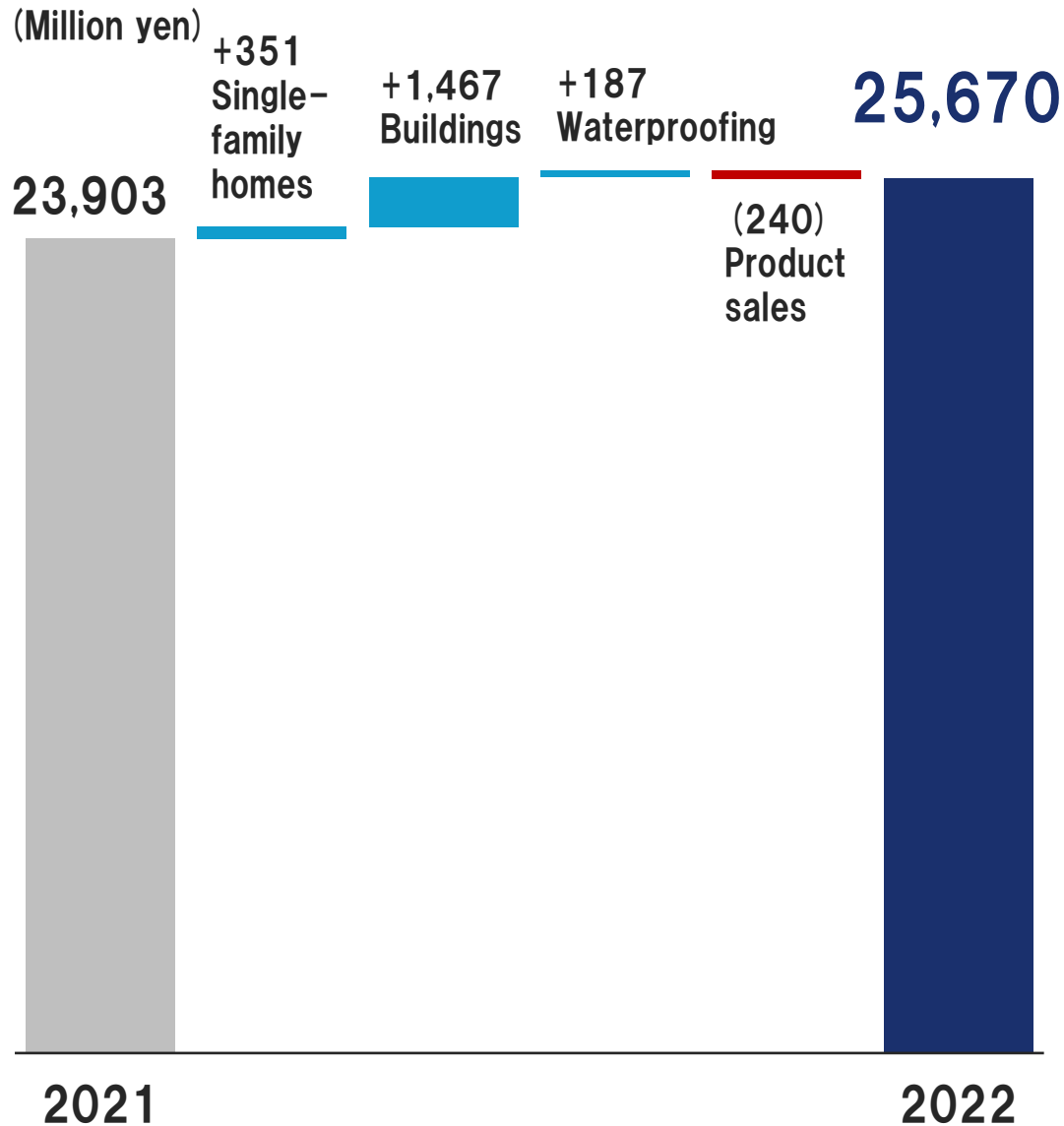
Progress of Prime Market Conformity Plan

5

Appendix

Net Sales

Fiscal Year Ended December 2022



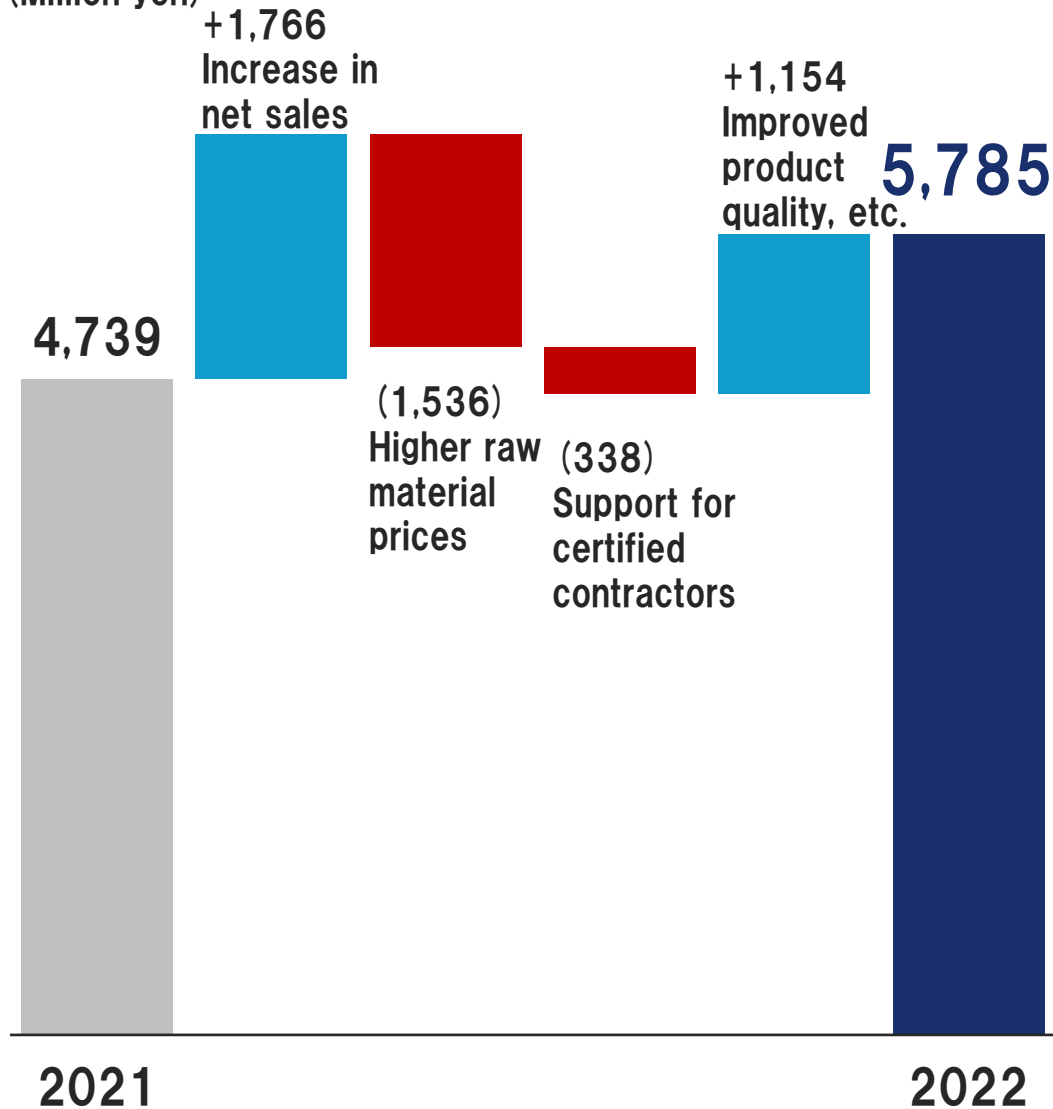
YoY
UP +1,766 Million yen +7.4%

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

Gross Profit

Fiscal Year Ended December 2022

(Million yen)

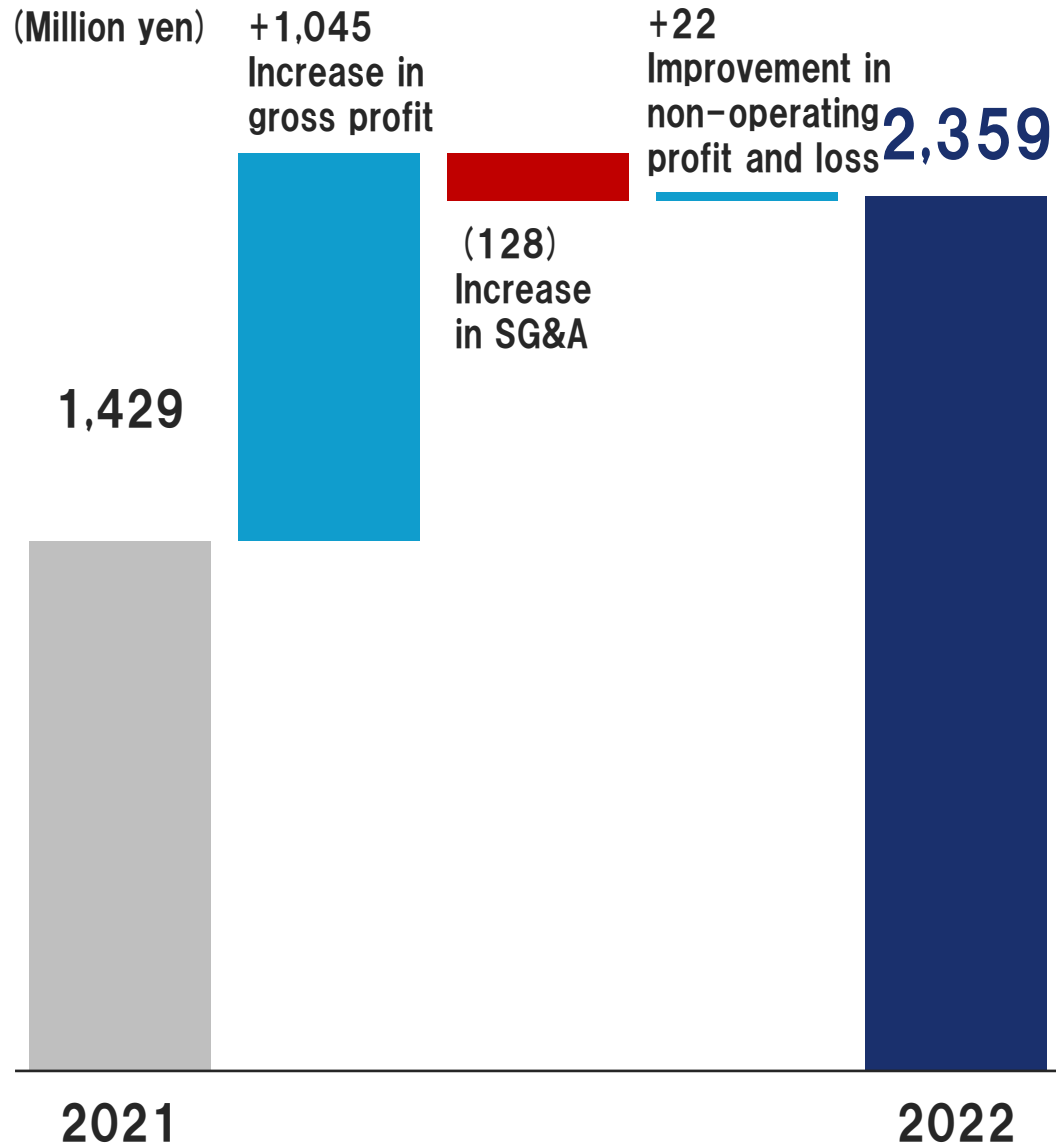


YoY
UP +1,045 Million yen +22.1%

Gross profit margin 19.8% ▶ 22.5%

Ordinary Profit

Fiscal Year Ended December 2022



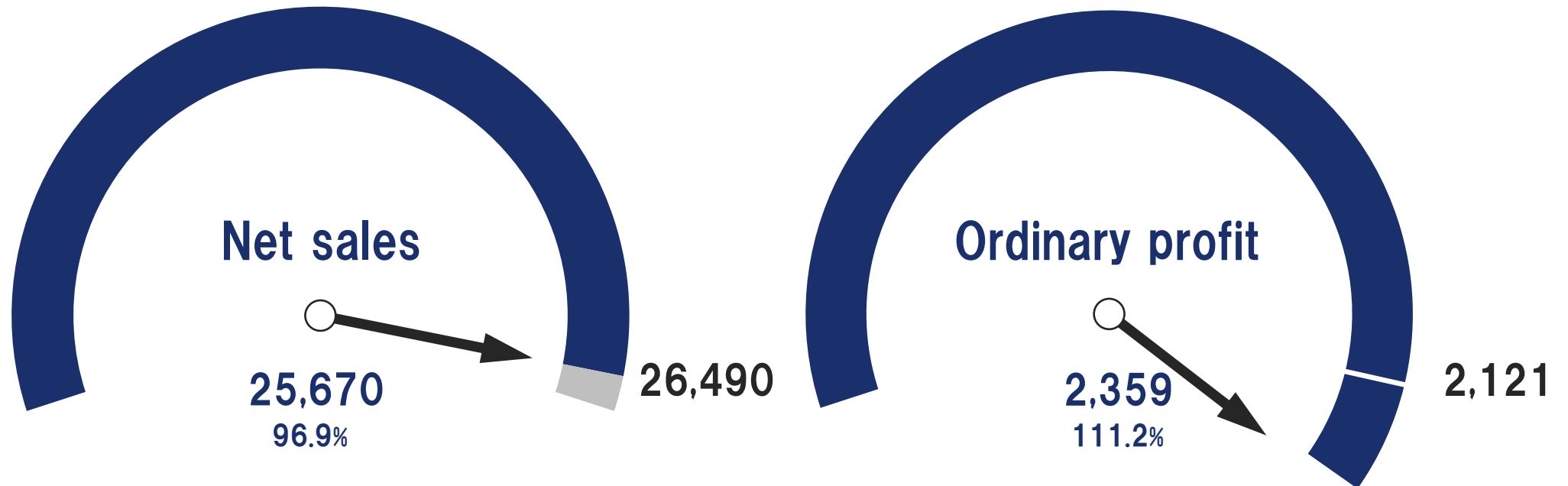
YoY
UP +930 Million yen +65.1%

Ordinary profit margin 6.0% ▶ 9.2%

SG&A ratio 13.9% ▶ 13.5%

Results Compared to Full-Year Financial Forecast

(Million yen)

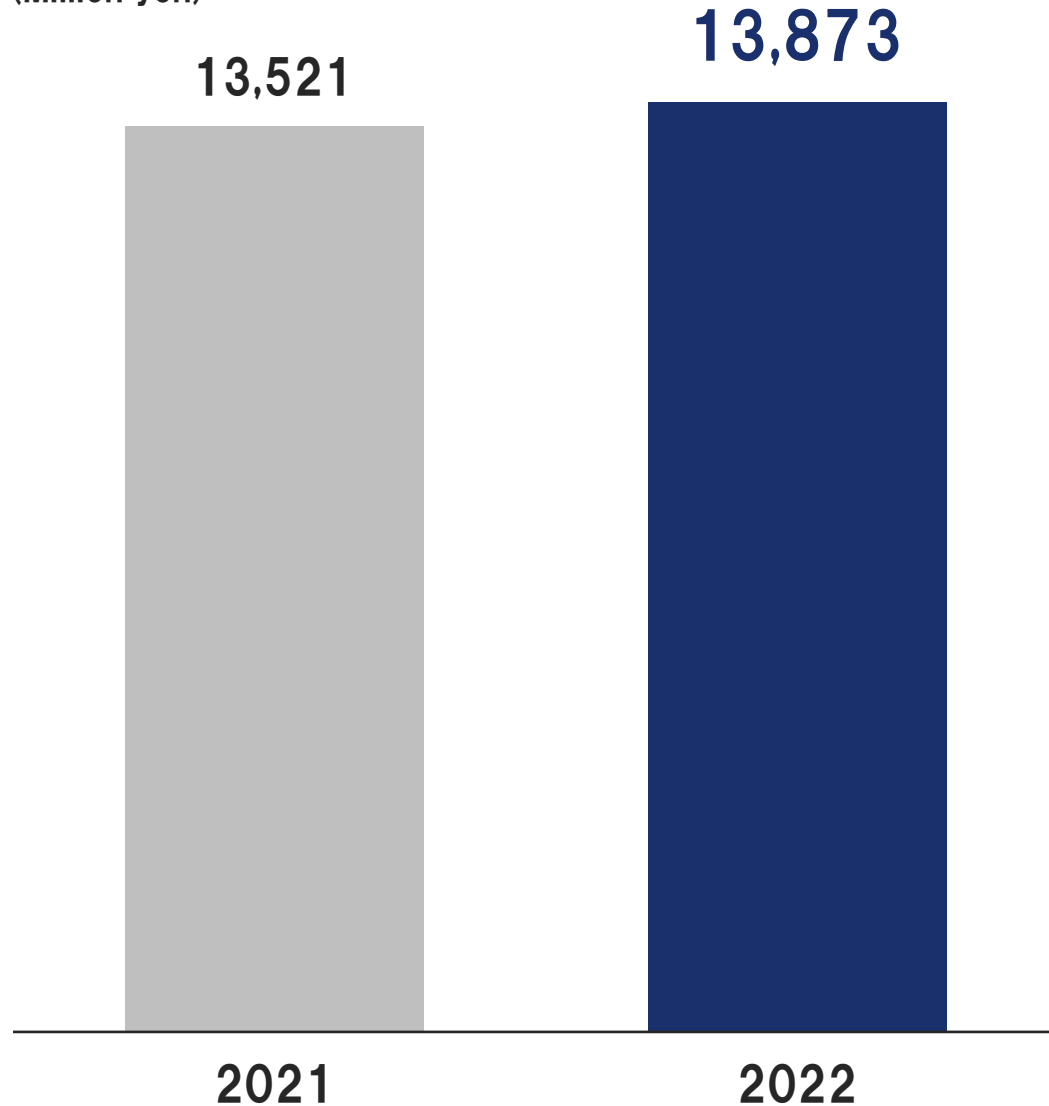


Single-family Homes Division

Fiscal Year Ended December 2022



(Million yen)



YoY
UP +351 Million yen +2.6%

Gross profit margin 20.5% ▶ 25.5%

Focus on construction profitability

Gradually increasing insulation Class 5 (ZEH standards) compliance

Improved profit margin due to improved product quality (Switching to AQUA FOAM LITE, etc.)

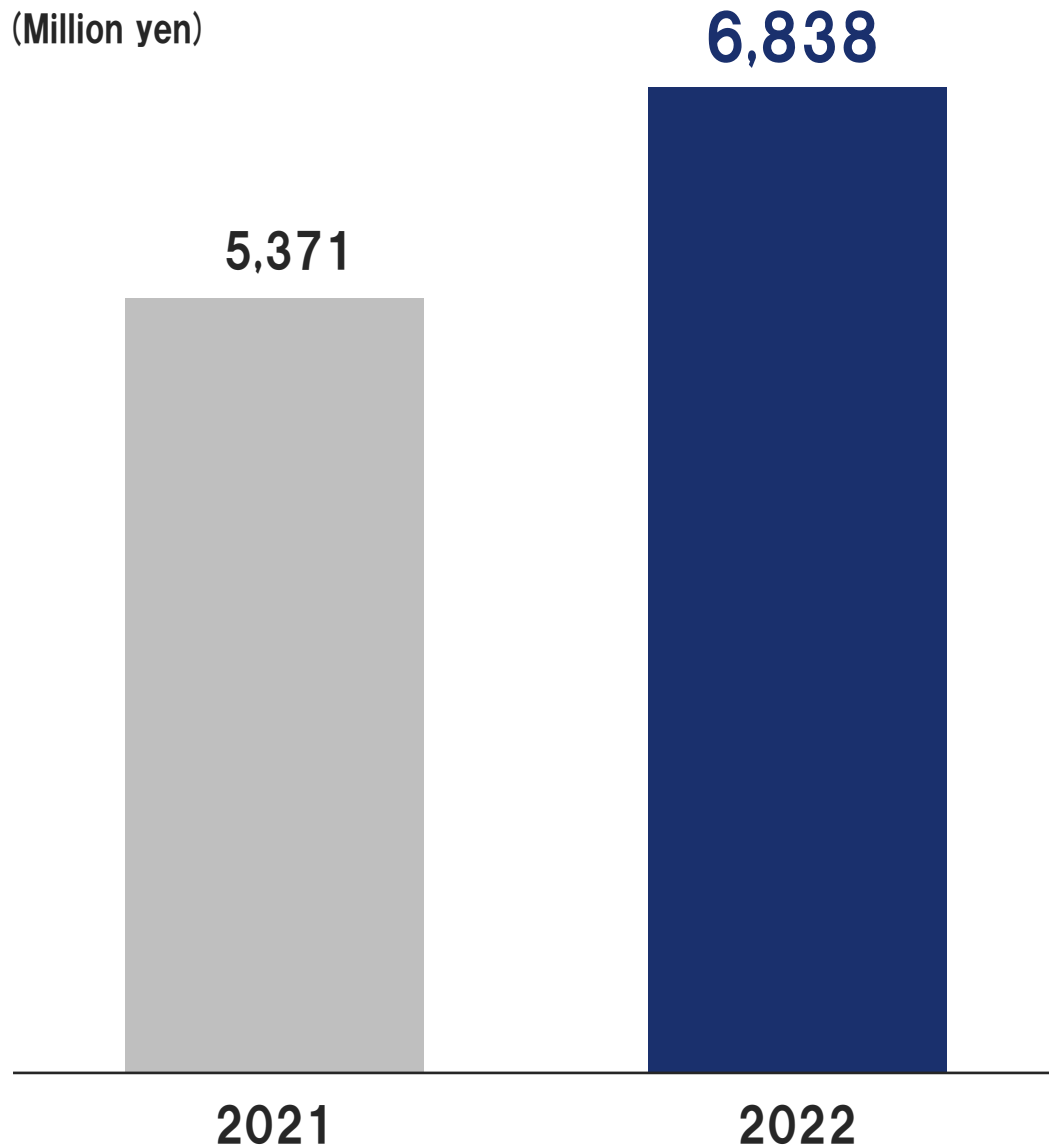
* Note: The “Renovations” has been moved from “Other” (2021) to “Single-family Homes” (2022)

Buildings Division

Fiscal Year Ended December 2022



(Million yen)



YoY

UP +1,467 Million yen +27.3%

Gross profit margin 15.3% ▶ 17.6%

Markups brought trickle-down benefits

Increased construction with AQUA MOEN NEO

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

AQUA BLOW

Expansion of recycling plants

October 2022
Kansai Recycling Plant established

November 2022
Kanto Recycling Plant established

Currently operating in four locations
across Japan, including Sendai and
Kyushu

1 Site installation and generation of scraps



Scraps are generated
as a result of urethane
insulation installation

2 Collection and transportation



Collecting scraps from
construction sites
nationwide using the
national permit system

3 Processing and recycling



Four recycling plants
nationwide



Income Statement

Fiscal Year Ended December 2022

(Million yen, %)

	FY 2021 Jan-Dec	FY 2022 Jan-Dec	YoY		vs Forecast	
			Amount	Change (%)	FY 2022	Amount
Net sales	23,903	25,670	+1,766	+7.4	26,490	(819)
Single-family homes	13,521	13,873	+351	+2.6	15,111	(1,238)
Buildings	5,371	6,838	+1,467	+27.3	6,228	+610
Waterproofing	128	315	+187	+145.3	795	(479)
Product sales	4,882	4,642	(240)	(4.9)	4,354	+287
Cost of sales	19,163	19,885	+721	+3.8		
Gross profit	4,739	5,784	+1,045	+22.0		
Single-family homes	2,773	3,542	+769	+27.7		
Buildings	822	1,206	+384	+46.8		
Waterproofing	20	(16)	(36)	-		
Product sales	1,124	1,052	(71)	(6.3)		
SG&A expenses	3,327	3,455	+128	+3.9		
Operating profit	1,412	2,329	+917	+64.9	2,121	+208
Ordinary profit	1,429	2,359	+930	+65.1	2,121	+238
Profit	953	1,549	+595	+62.4	1,470	+79

* 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)

Balance Sheet

Fiscal Year Ended December 2022



(Million yen)

	As of Dec 31 2021	As of Dec 31 2022
Assets		
Current assets		
Cash and deposits	1,926	2,676
Notes and accounts receivable – trade	6,946	–
Notes and accounts receivable – trade, and contract assets	–	6,898
Accounts receivable – other	3,686	4,216
Total current assets	13,591	17,136
Non-current assets		
Total property, plant and equipment	4,263	4,346
Total intangible assets	111	96
Total investments and other assets	313	391
Total non-current assets	4,688	4,833
Total assets	18,279	21,969

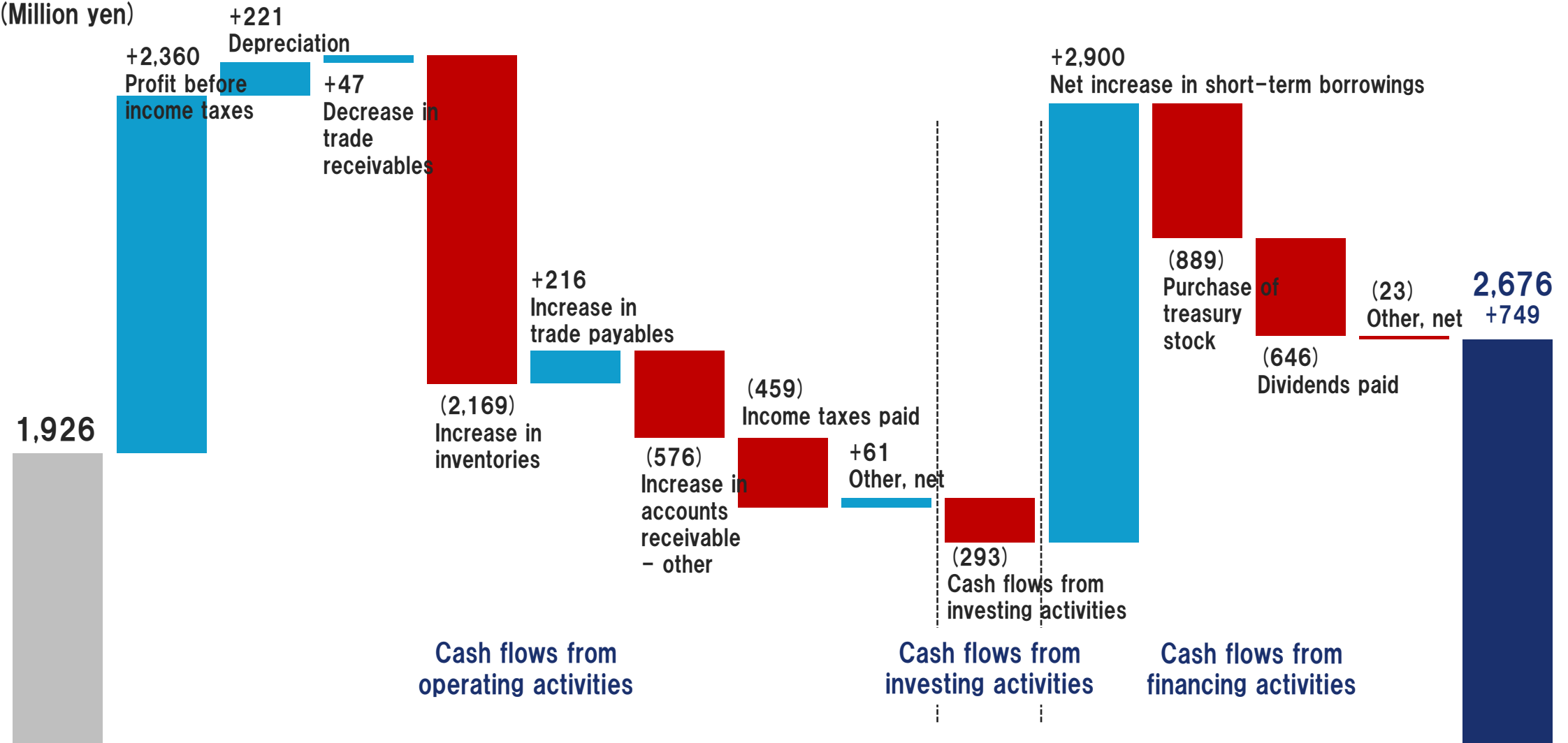
	As of Dec 31 2021	As of Dec 31 2022
Liabilities		
Current liabilities		
Accounts payable – trade	6,055	6,272
Short-term borrowings	3,100	6,000
Total current liabilities	10,166	13,902
Non-current liabilities		
Long-term borrowings	33	–
Total non-current liabilities	161	101
Total liabilities	10,327	14,003
Net assets		
Share capital	1,903	1,903
Capital surplus	1,885	1,885
Retained earnings	5,367	6,270
Treasury shares	(1,204)	(2,093)
Total net assets	7,951	7,966
Total liabilities and net assets	18,279	21,969

Cash Flow Statement

Fiscal Year Ended December 2022



(Million yen)





1 Overview of Financial Highlights for the Fiscal Year Ended December 30, 2022

2 Financial Forecasts for the Fiscal Year Ending December 30, 2023

3 Business Environment and Our Initiatives

4 Progress of Prime Market Conformity Plan

5 Appendix

Financial Forecasts Summary

for the Fiscal Year Ending December 2023

Basic earnings
per share **58.41** yen

Previous fiscal **47.99** yen
year results

Dividend per share **30.00** yen

Previous fiscal **24.00** yen
year results

Net sales

29,021 Million
yen

YoY **+13.1%**

Operating profit

2,750 Million
yen

YoY **+18.1%**

Ordinary profit

2,750 Million
yen

YoY **+16.5%**

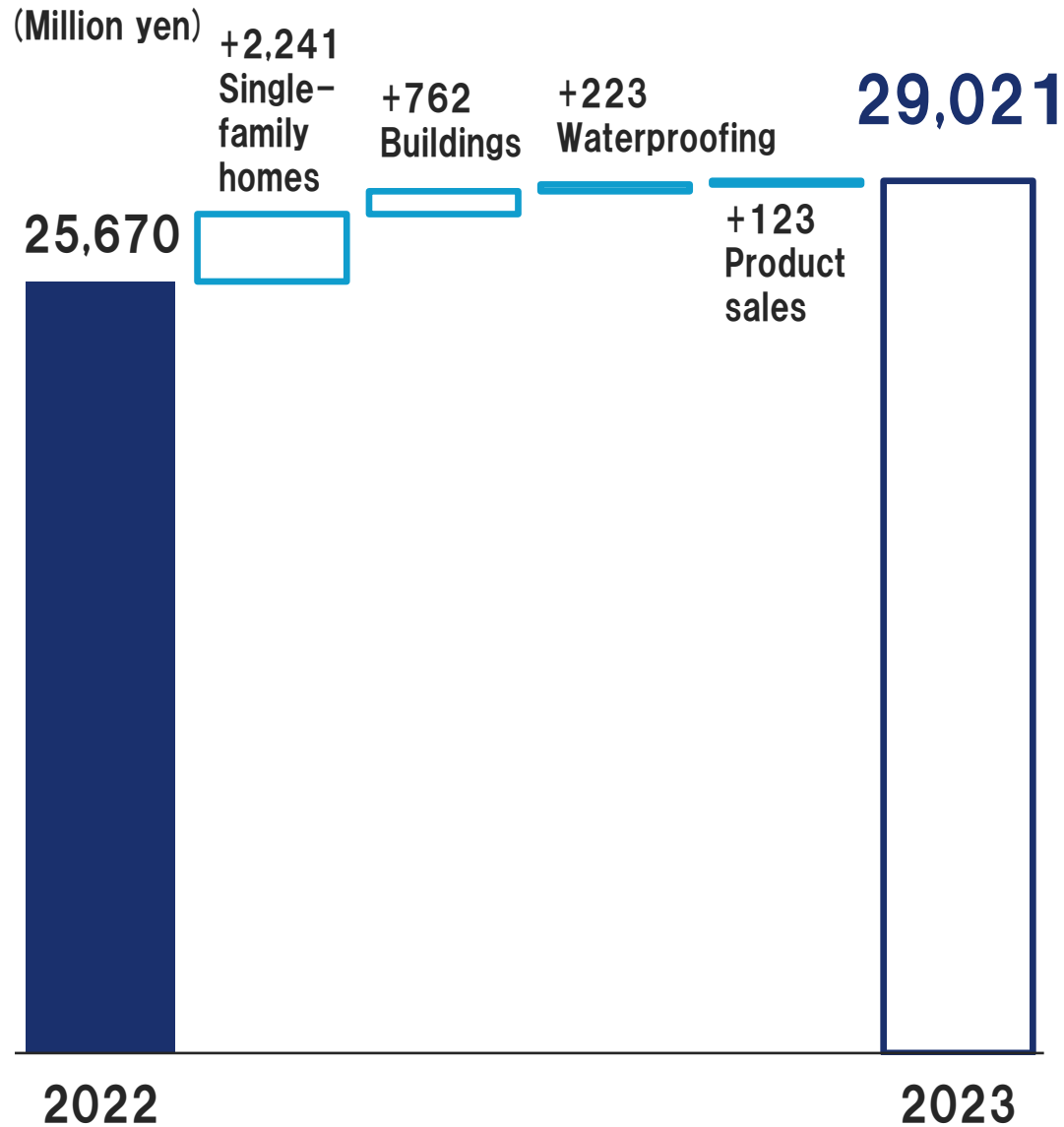
Profit

1,828 Million
yen

YoY **+18.1%**

Net Sales

Financial Forecasts for the Fiscal Year Ending December 2023

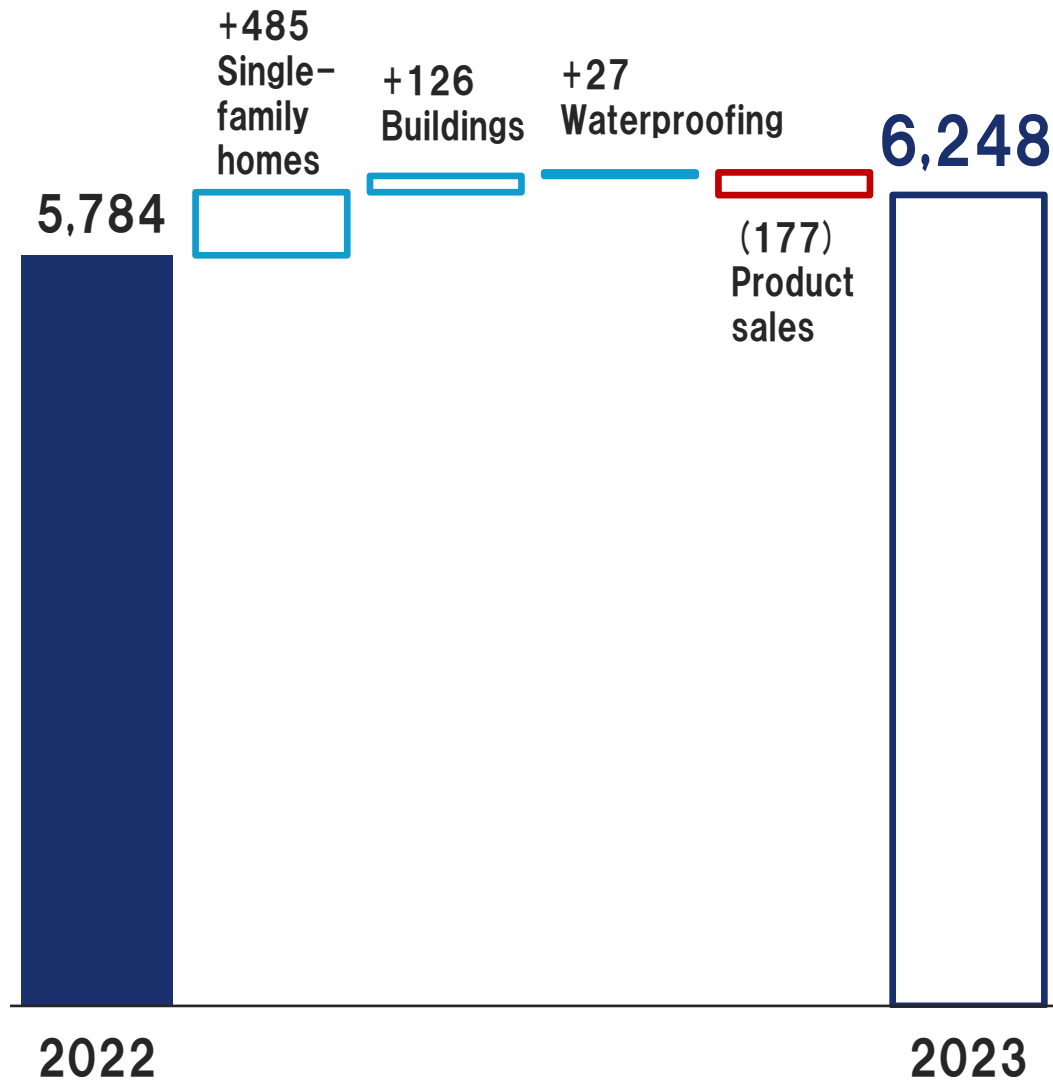


YoY
UP +3,351 Million yen +13.1%

Gross Profit

Financial Forecasts for the Fiscal Year Ending December 2023

(Million yen)

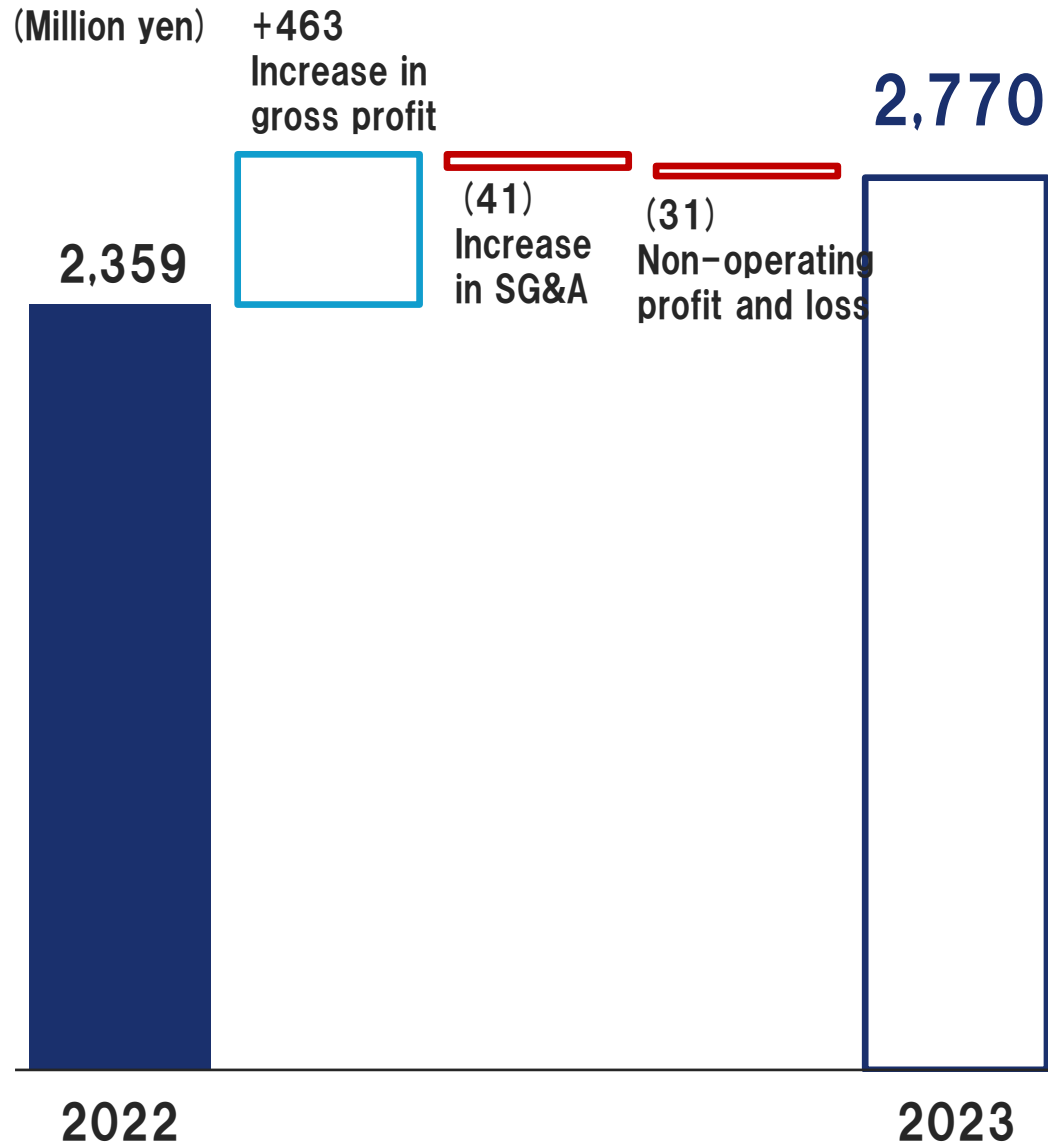


YoY
UP +463 Million yen +8.0%

Gross profit margin 22.5% ▶ 21.5%

Ordinary Profit

Financial Forecasts for the Fiscal Year Ending December 2023



YoY
UP +390 Million yen +16.5%

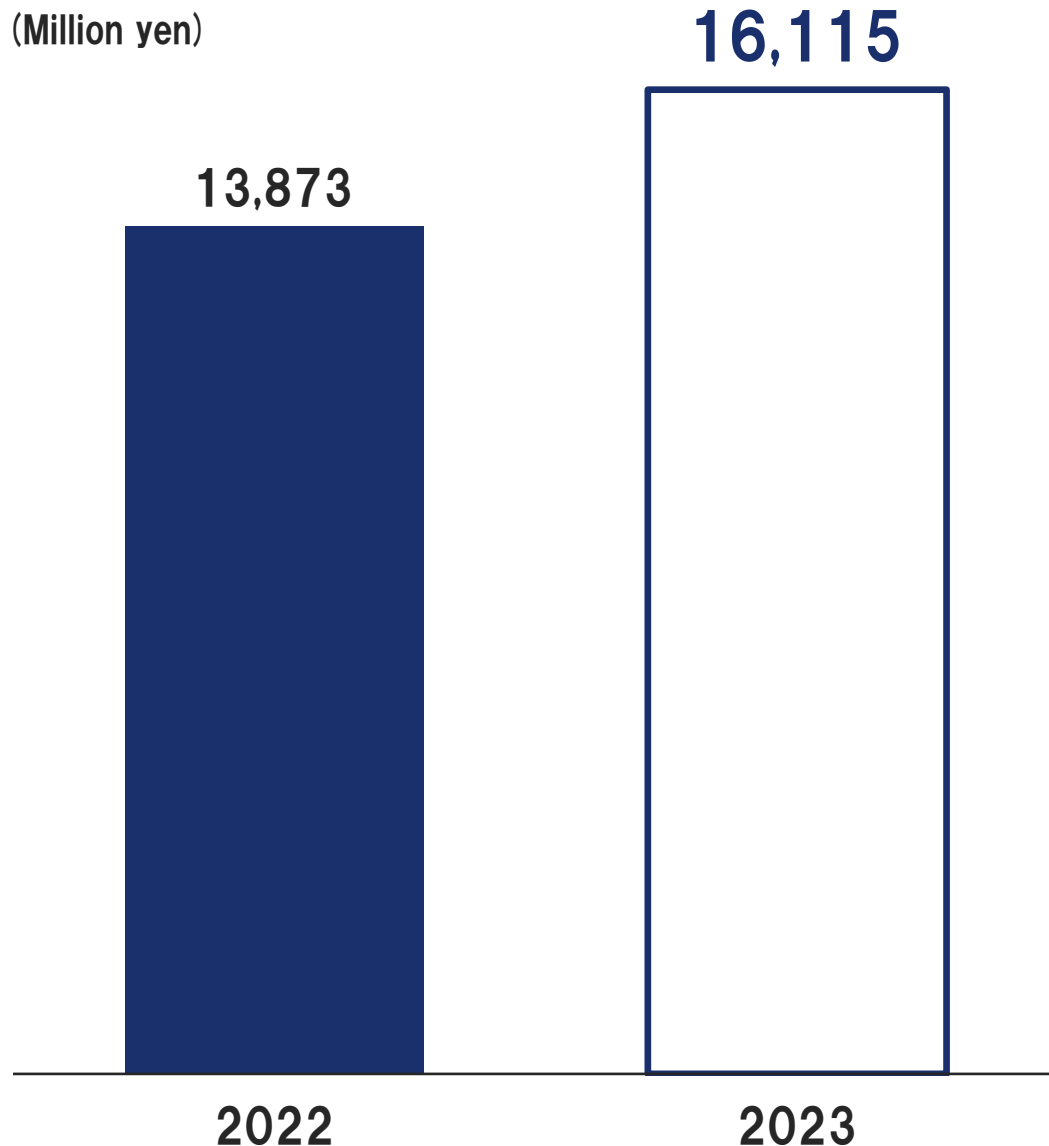
Ordinary profit margin 9.2% ▶ 9.5%

SG&A ratio 13.5% ▶ 12.1%

Single-family Homes Division

Financial Forecasts for the Fiscal Year Ending December 2023

(Million yen)



YoY

UP +2,241 Million yen +16.2%

Gross profit margin 25.5% ▶ 25.0%

Focus on construction profitability

Increase in unit cost of construction
as a result of higher insulation class

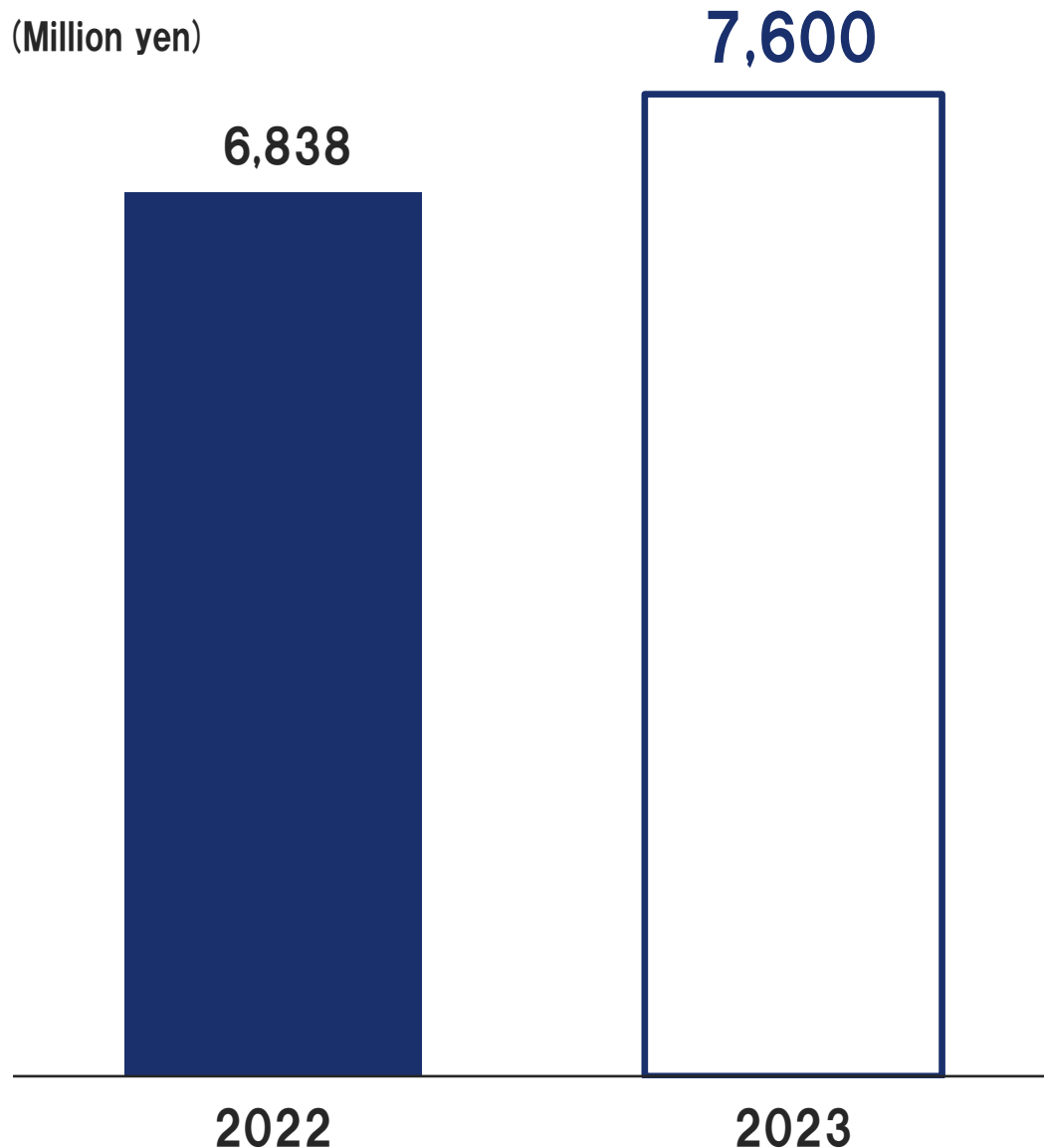
Increase in the number of buildings for
construction as a result of improved
construction capabilities

Buildings Division

Financial Forecasts for the Fiscal Year Ending December 2023



(Million yen)



YoY
UP +762 Million yen +11.1%

Gross profit margin 17.6% ▶ 17.5%

Price revision + AQUA MOEN NEO sales continue to grow

Launched new product AQUA BARRIER

New Products AQUA BARRIER



Avoidance of the risk of fires at construction sites caused by sparks from welding and cutting

Low cost, high adhesion, quick-drying



**AQUA FOAM NEO
+ AQUA BARRIER**

When applying the measures at low cost

AQUA MOEN NEO

When high non-flammability is required

Financial Forecast

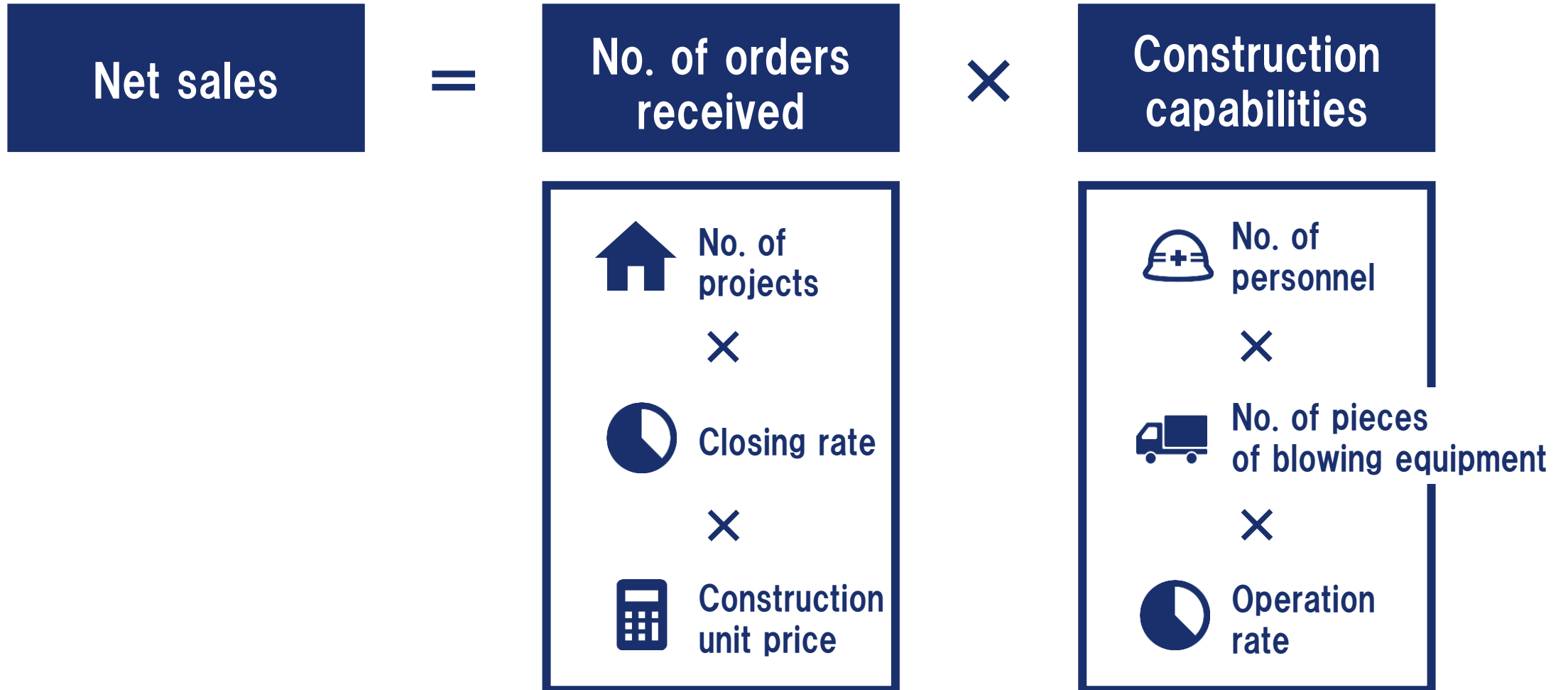
for the Fiscal Year Ending December 2023



(Million yen, %)

	FY 2022 Jan–Dec	Forecast FY 2023		YoY		ref. Prime Mkt Plan
		6M Jan–Jun	FY Jan–Dec	Amount	Change (%)	
Net sales	25,670	13,386	29,021	+3,351	+13.1	29,135
Single–family homes	13,873	7,221	16,115	+2,241	+16.2	16,901
Buildings	6,838	3,577	7,600	+762	+11.1	6,751
Waterproofing	315	230	539	+223	+70.7	638
Product sales	4,642	2,356	4,766	124	+2.7	4,844
Cost of sales	19,885	10,556	22,773	+2,888	+14.5	
Gross profit	5,784	2,829	6,248	+463	+8.0	
Single–family homes	3,542	1,839	4,028	+485	+13.7	
Buildings	1,206	559	1,333	+126	+10.5	
Waterproofing	(16)	(0)	11	+27	–	
Product sales	1,052	430	875	(177)	(16.9)	
SG&A expenses	3,455	1,667	3,497	+41	+1.2	
Operating profit	2,329	1,161	2,750	+421	+18.1	2,812
Ordinary profit	2,359	1,161	2,750	+390	+16.5	2,812
Profit	1,549	772	1,828	+279	+18.1	
Dividend per share (yen)	24.0		30.0	+6.0		30.0

Sources of Competitiveness

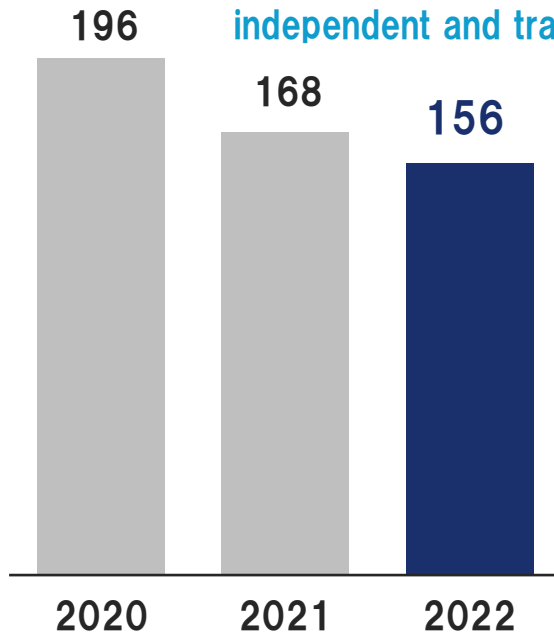


Construction Capability Trends

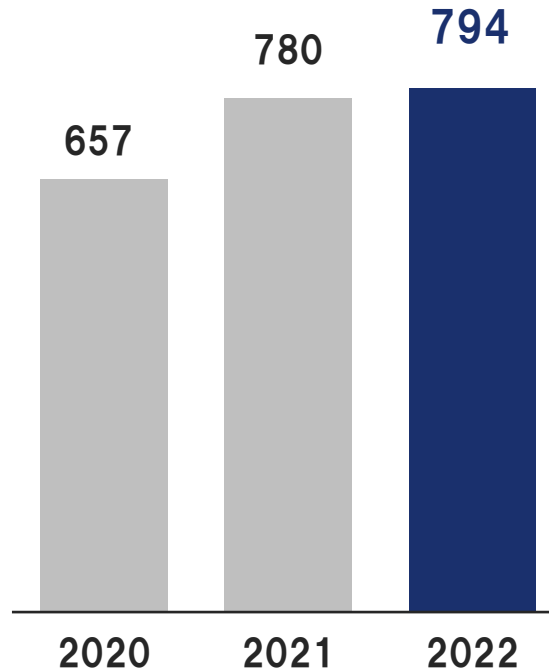


No. of internal installation work personnel (Nippon Aqua)

Aggressive promotion of going independent and transfers



No. of external installation work personnel (Certified contractors)



No. of pieces of blowing equipment

The number of pieces of blowing equipment is undisclosed for now because it is difficult to properly ascertain the number for the following reasons among others:

- Increase in the number of personnel who became independent and transferees
- Replacement of old machines

However, in principle, a machine is operated by a team of two people, so the total number will be roughly the number of internal installation work personnel and external installation work personnel divided by two.

Strengthen Recruitment and Training of Internal Installation Work Personnel and Certified Contractors



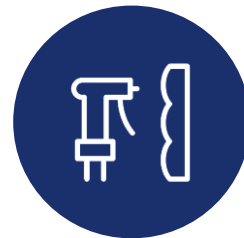
2 full days off per week
(Saturdays and Sundays off)

Introduced from January 2023 in advance of other competitors in the construction industry
Certified contractors are also following suit



High salary and good benefits

Increase in wages in line with the expansion of various allowances such as the Metropolitan Region Allowance and Childcare Support Allowance



Creation of a new department in charge of training

Teaching urethane installation techniques and know-how to internal installation work personnel and certified contractors

Effects of Opening Branch Offices (Distribution Bases)



Securing internal installation work personnel and certified contractors

Facilitate recruiting activities and new membership of certified contractors by increasing creditworthiness through ownership of the Company's properties



Business activities rooted in the local region

Strengthening of relationships with leading construction companies in the local region, which are our major customers



Stockyard functions

Achieving flexible inventory management by having storage space for urethane raw materials, which are subject to large price fluctuations



1 Overview of Financial Highlights for the Fiscal Year Ended December 30, 2022

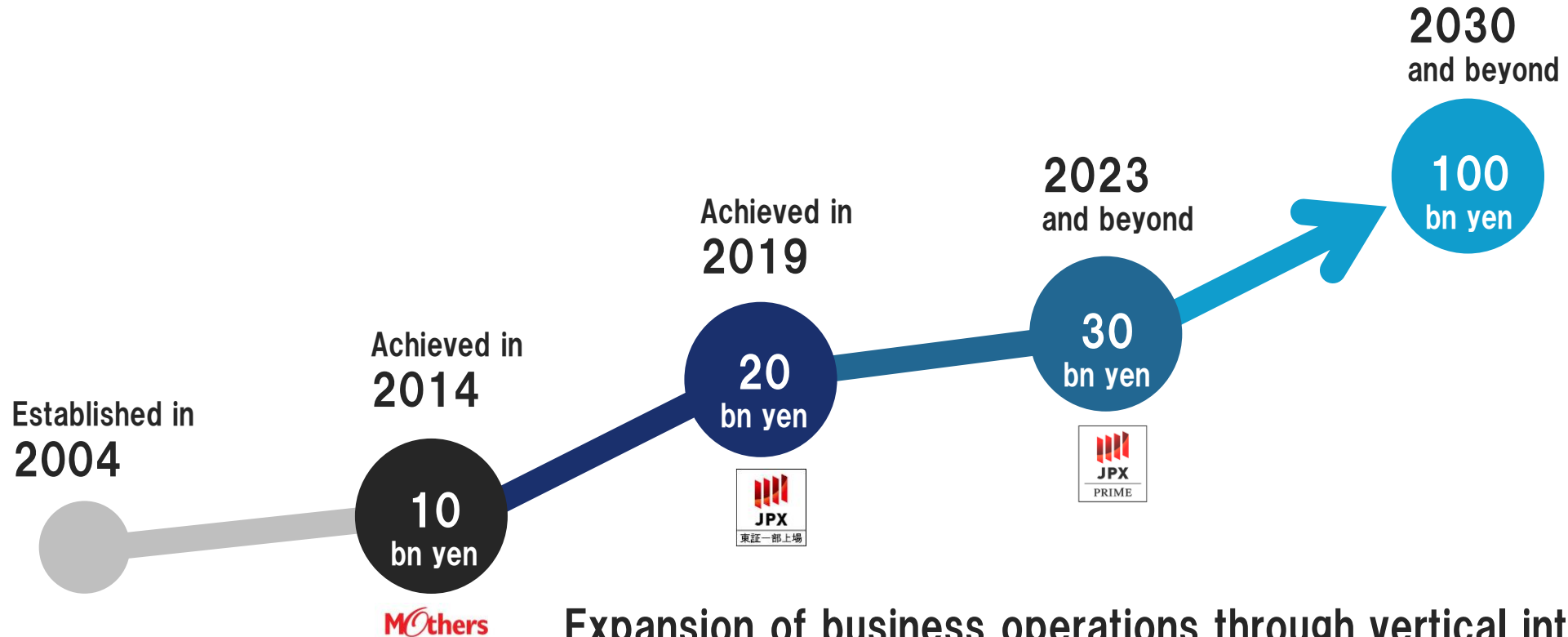
2 Financial Forecasts for the Fiscal Year Ending December 30, 2023

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4 Progress of Prime Market Conformity Plan

5 Appendix

Medium-to Long-Term Sales Growth Vision



Expansion of business operations through vertical integration and increasing the number of items handled

Differentiation through a unique one-stop type business model

Accelerating growth while achieving a decarbonized society

2030

Homes and buildings to be aimed for (how they should be)

46%

Greenhouse gas reductions



New homes converting to ZEH

20% 100%
2020 2030



Stock
BEI ≤ 0.8

2% 10%
2020 2030



Solar power generation for new homes

60%
2030



BEI ≤ 0.7
for new buildings

40% 95%
2020 2030



Stock
BEI ≤ 0.7

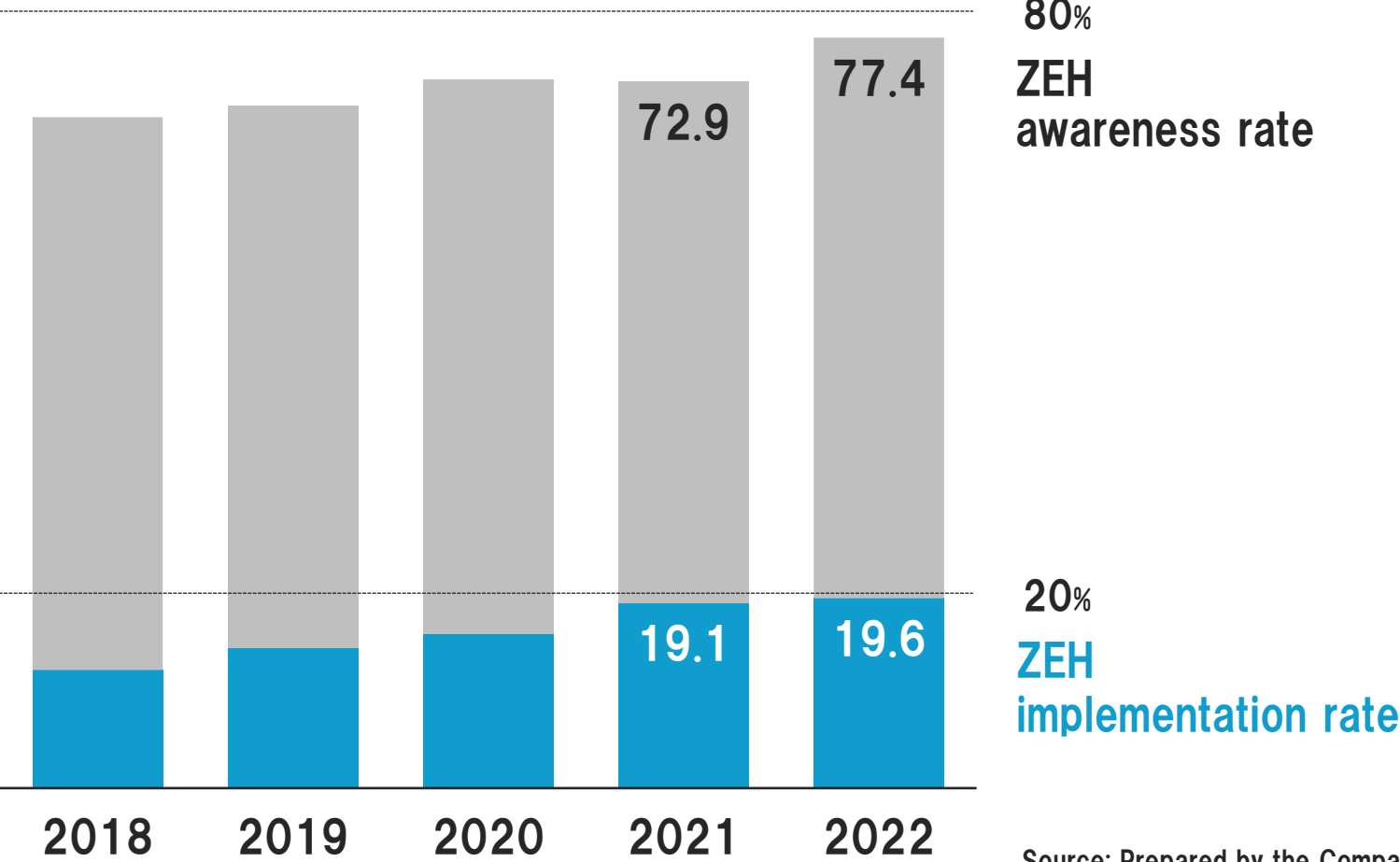
2% 15%
2020 2030

What is BEI?

Building Energy Index
Indicates the energy-saving performance of homes and buildings
ZEH level is 0.8 or less

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

Status of ZEH Implementation in Custom-Built Houses



ZEH (Net Zero Energy House)



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

Survey targets those who order custom-built houses across Japan

ZEH awareness rate is the aggregate of "being knowledgeable about the content" and "only know the name"

Source: Prepared by the Company based on "2022 Custom-built Housing Trends and Trends Survey" by Recruit Co., Ltd.

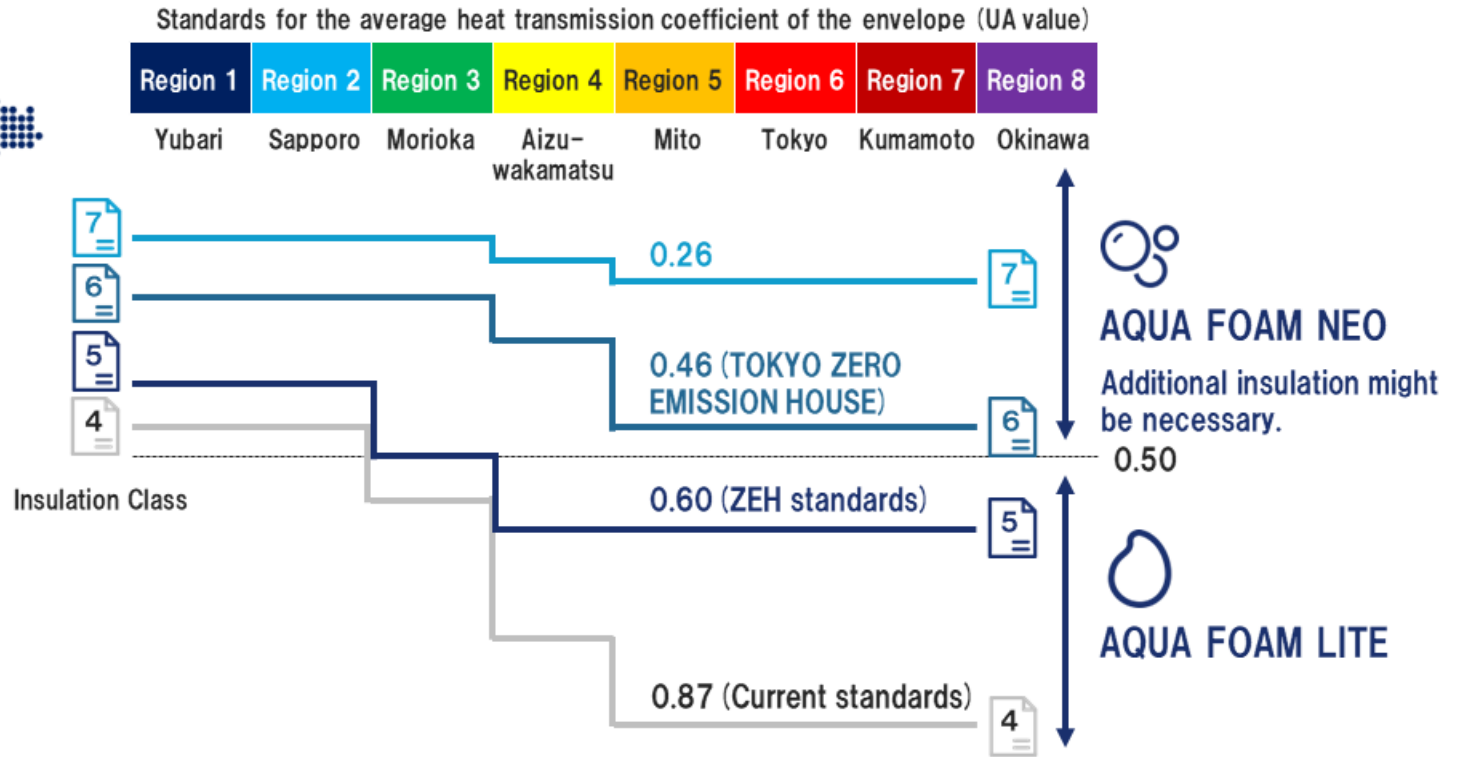
Regional Categorization and Insulation Class

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.















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).

Current standards	“Future standards” ZEH standards	TOKYO ZERO EMISSION HOUSES
		
 AQUA FOAM LITE	 AQUA FOAM LITE Increased thickness (Price : about 1.5 times)	 AQUA FOAM NEO Upper-grade product (Price : about 3 times)
 Metal Double glazing Low-E	 Metal/Resin Double glazing Low-E	 Metal/Resin Triple glazing Low-E (2 panels)
 Thermal insulated entrance door	 Thermal insulated entrance door	 Thermal insulated entrance door



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- 5 Appendix

Effect of Maintaining Prime Market Listing



High level of management discipline

Achieve a high level of management discipline through clearing the required corporate governance standards



Improvement of name recognition and creditworthiness

Name recognition and creditworthiness are essential as the business is responsible for basic infrastructures, such as homes and buildings



Advantages in securing human resources

Prime listing is a big advantage because securing human resources is directly linked to growth

Progress of Prime Market Conformity Plan

Numerical plans, disclosed on December 20, 2021



Record date for calculation (record date for transition)

June 30, 2021

The record date for calculating the number of tradable shares is December 31, 2020



Market value of shares traded (basis: 10 bn yen or more)

6.93 bn yen

Average closing price from April to June 2021
– 574.7 JPY



Ratio of tradable shares (basis: 35.0% or more)

34.7%



Calculation date

December 31, 2022

Preliminary calculation by the Company



Market value of shares traded (basis: 10 bn yen or more)

9.59 bn yen

Average closing price from October to December 2022
– 793.1 JPY



Ratio of tradable shares (basis: 35.0% or more)

34.8% ▶ Maximum 37.2%

Share acquisition rights issued targeting 1 million shares of treasury stock
Becomes 37.6% if fully exercised

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





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- 4 Progress of Prime Market Conformity Plan
- 5 Appendix**

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	423 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.

Company History

2009 **HINOKIYA**
ヒノキヤグループ

2013 **MOthers**

2018 
東証一部上場

2022 
JPX PRIME

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

2014



Yokohama Technical Center

Strengthened product development functions
Started manufacturing raw materials

2016



AQUA BLOW

Urethane materials recycling
Commercialized a blowing insulation product

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



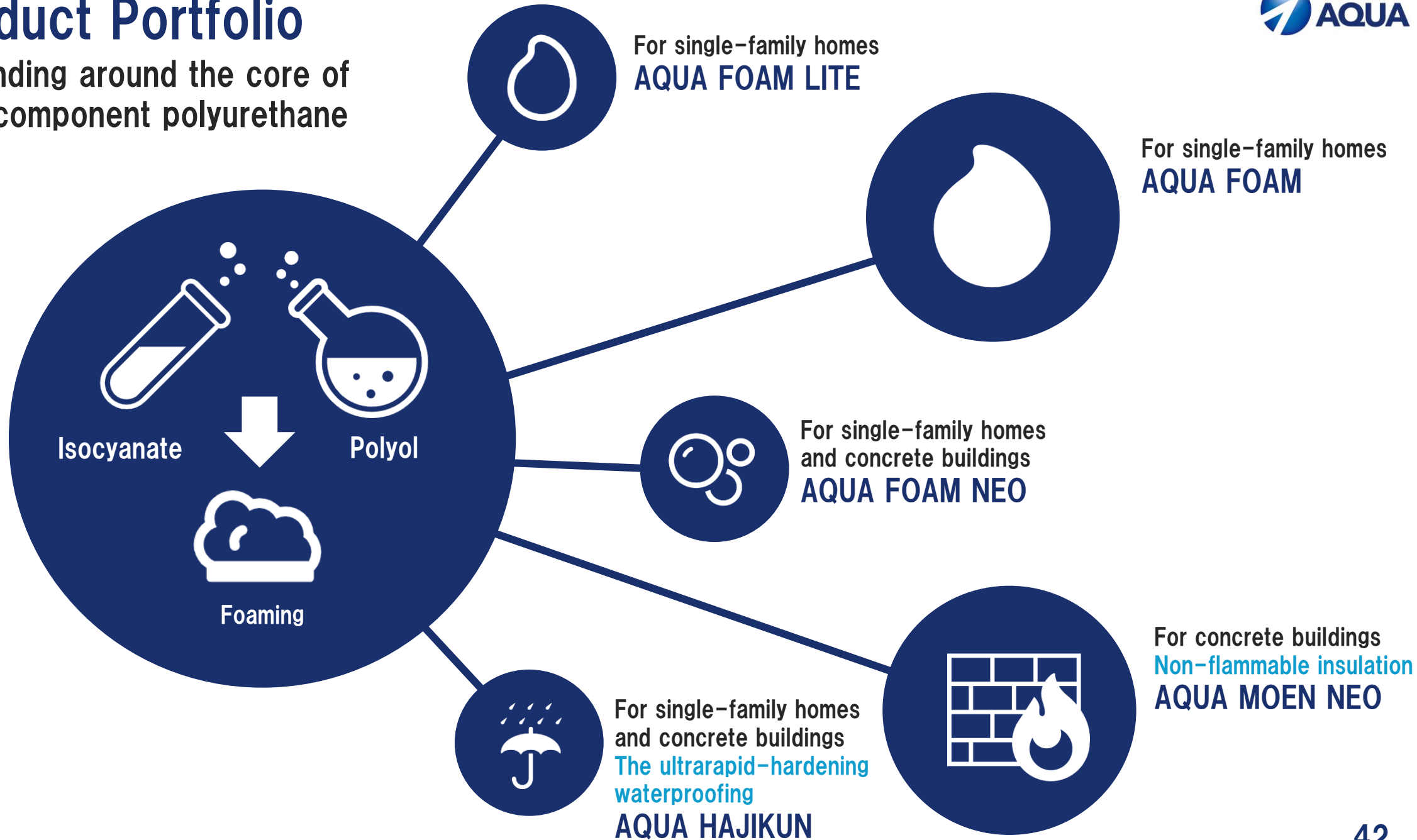
AQUA FOAM LITE

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

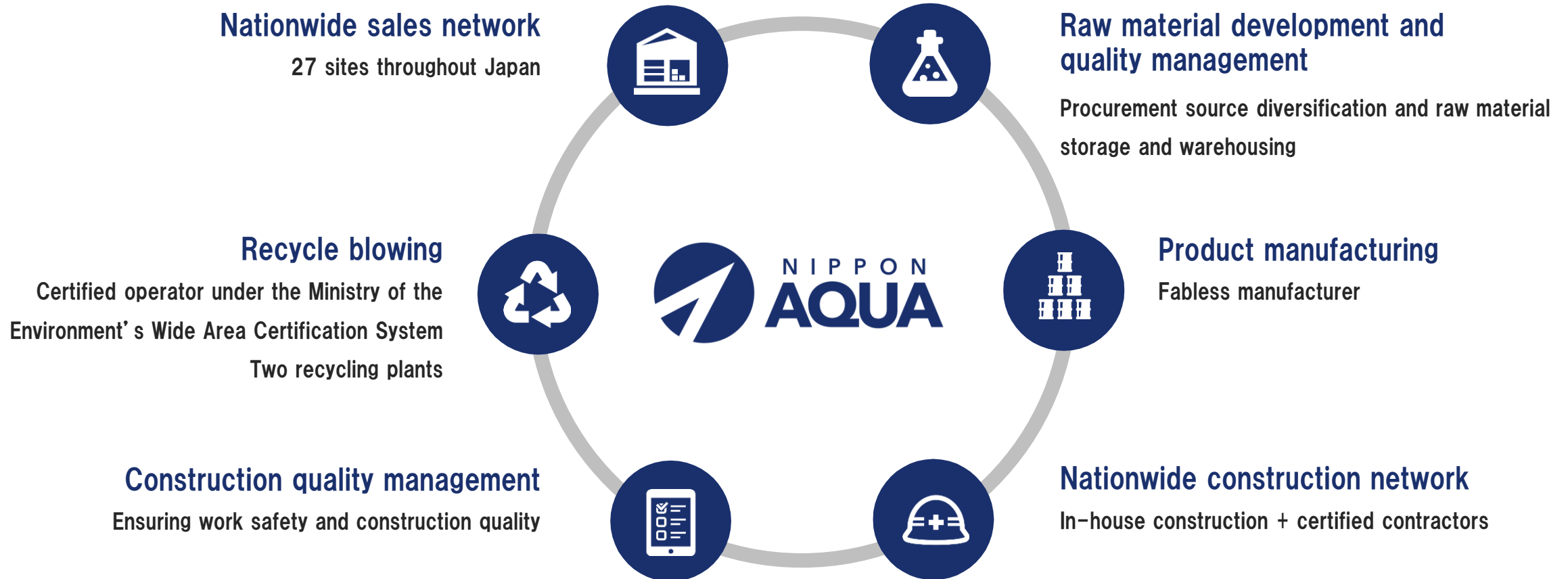
2023

Product Portfolio

Expanding around the core of two-component polyurethane

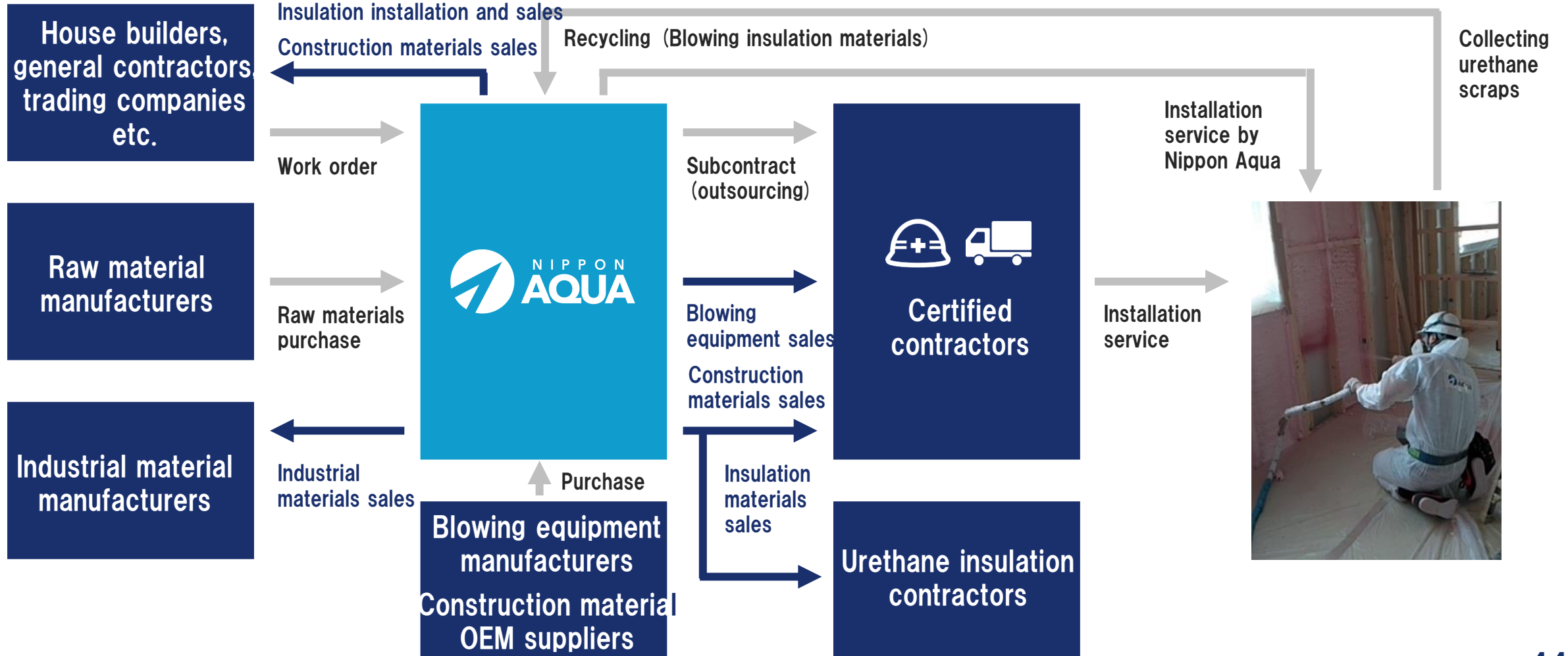


From Material Development to Installation and Recycling (Unique Business Model)



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



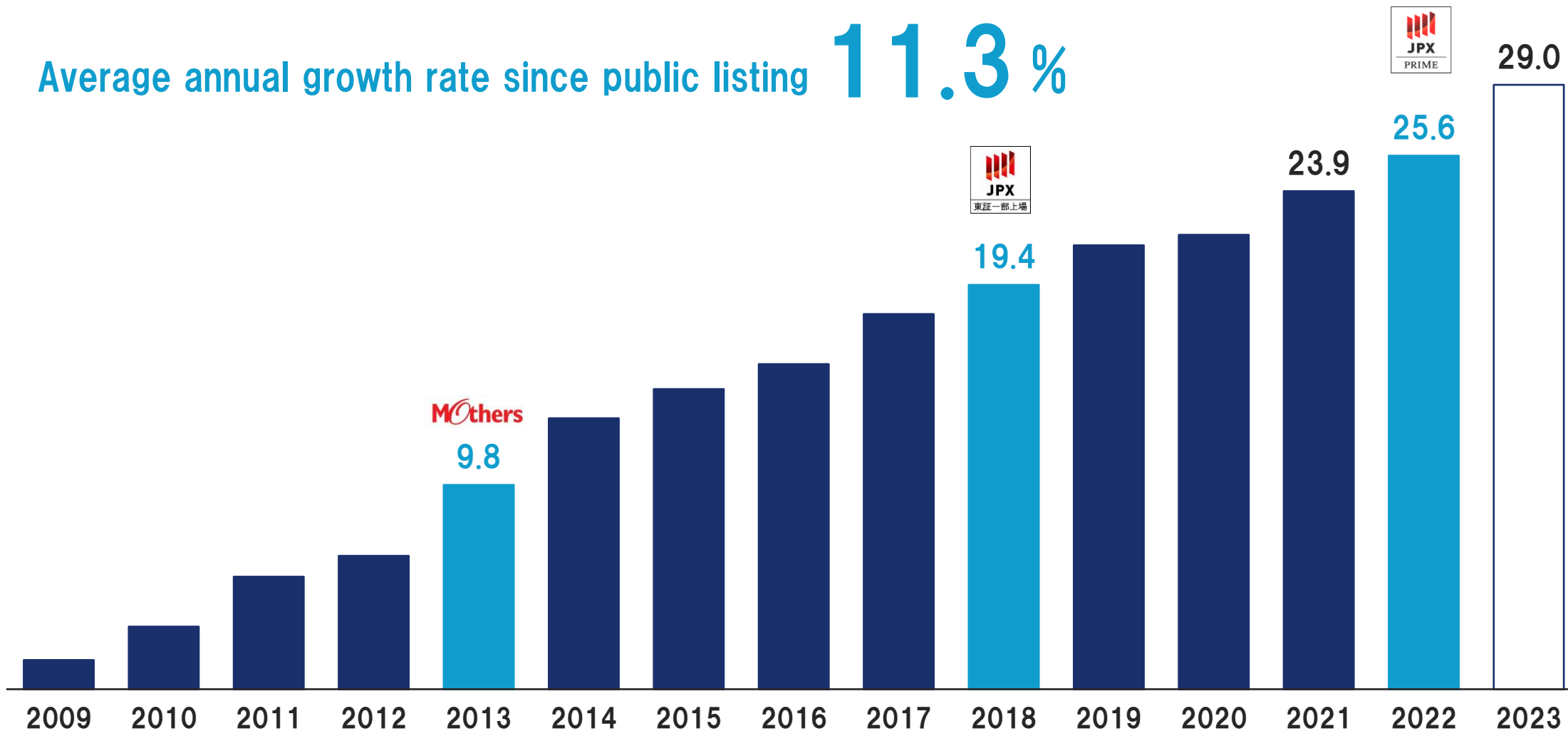
Technical training

Broad range of support from basics to practical skills

Sales Trend

(Billion yen)

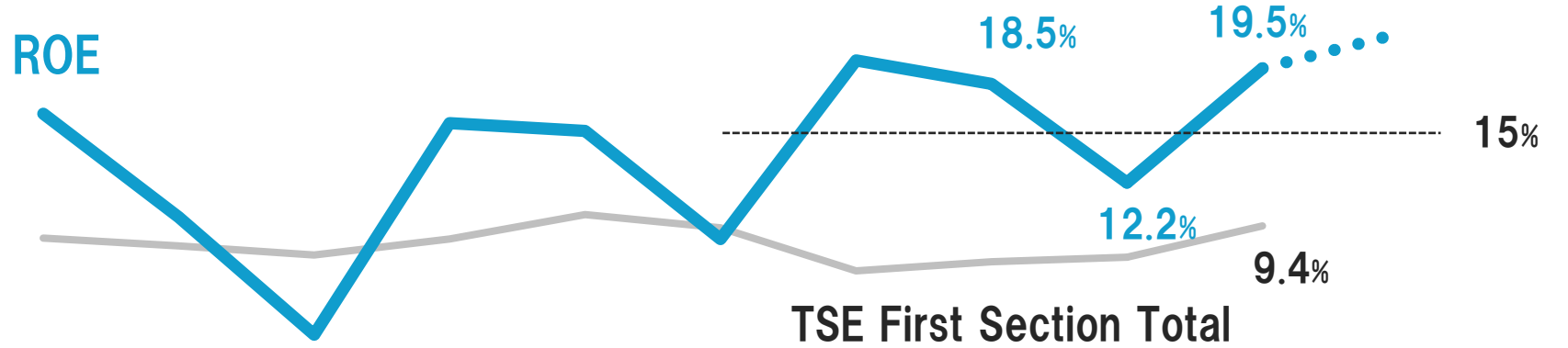
Average annual growth rate since public listing **11.3%**



Forecast

15%

Target ROE



MOthers

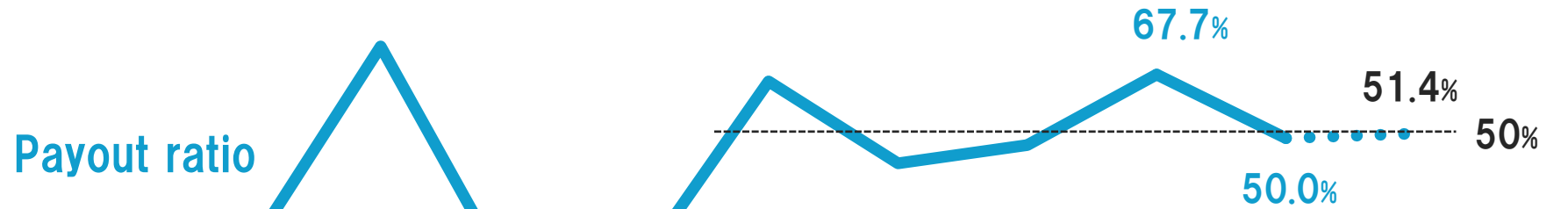


2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

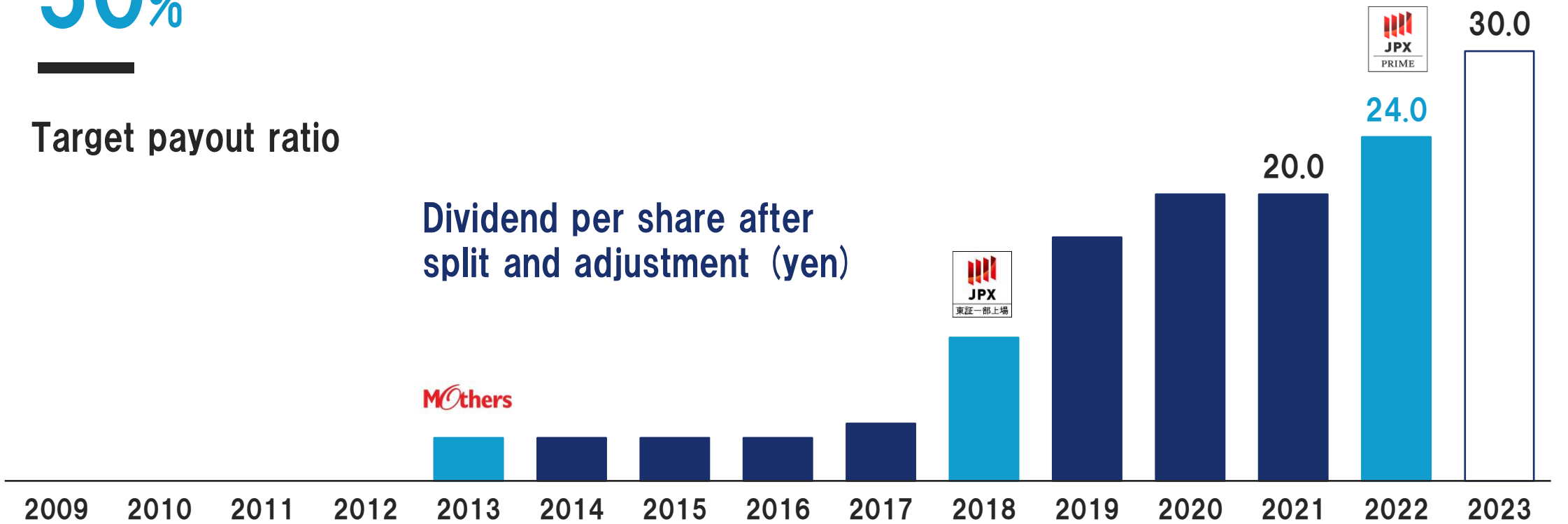
Forecast

50%

Target payout ratio



Dividend per share after split and adjustment (yen)



Forecast

Performance Trends

(Million yen)

MOthers



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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
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
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%
Operating profit	809	662	956	944	1,013	1,404	1,313	766	1,909	1,896	1,412	2,329
Ordinary profit	807	662	925	937	1,016	1,404	1,419	764	1,909	1,911	1,429	2,359
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%
Profit	457	364	512	529	137	979	941	489	1,275	1,342	953	1,549

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
Buildings		440	883	2,392	2,858	2,601	2,715	3,331	4,144	4,848	5,371	6,838
Waterproofing											128	315
Product sales		218	897	2,144	2,133	2,103	3,784	3,828	3,977	4,575	4,882	4,642

Gross profit by item

Single-family homes					2,305	3,038	2,790	2,217	3,544	3,183	2,772	3,542
Buildings					183	419	526	551	832	1,004	822	1,206
Waterproofing											20	(16)
Product sales					648	569	988	1,123	1,027	1,123	1,124	1,052

Other Key Indicators

(Million yen)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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
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%
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
Total assets turnover	3.19	2.71	1.82	1.52	1.38	1.31	1.42	1.43	1.44	1.39	1.39	1.17
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%
Interest-bearing debt					1,433	834	2,370	2,776	2,136	2,400	3,166	6,033

No. of employees

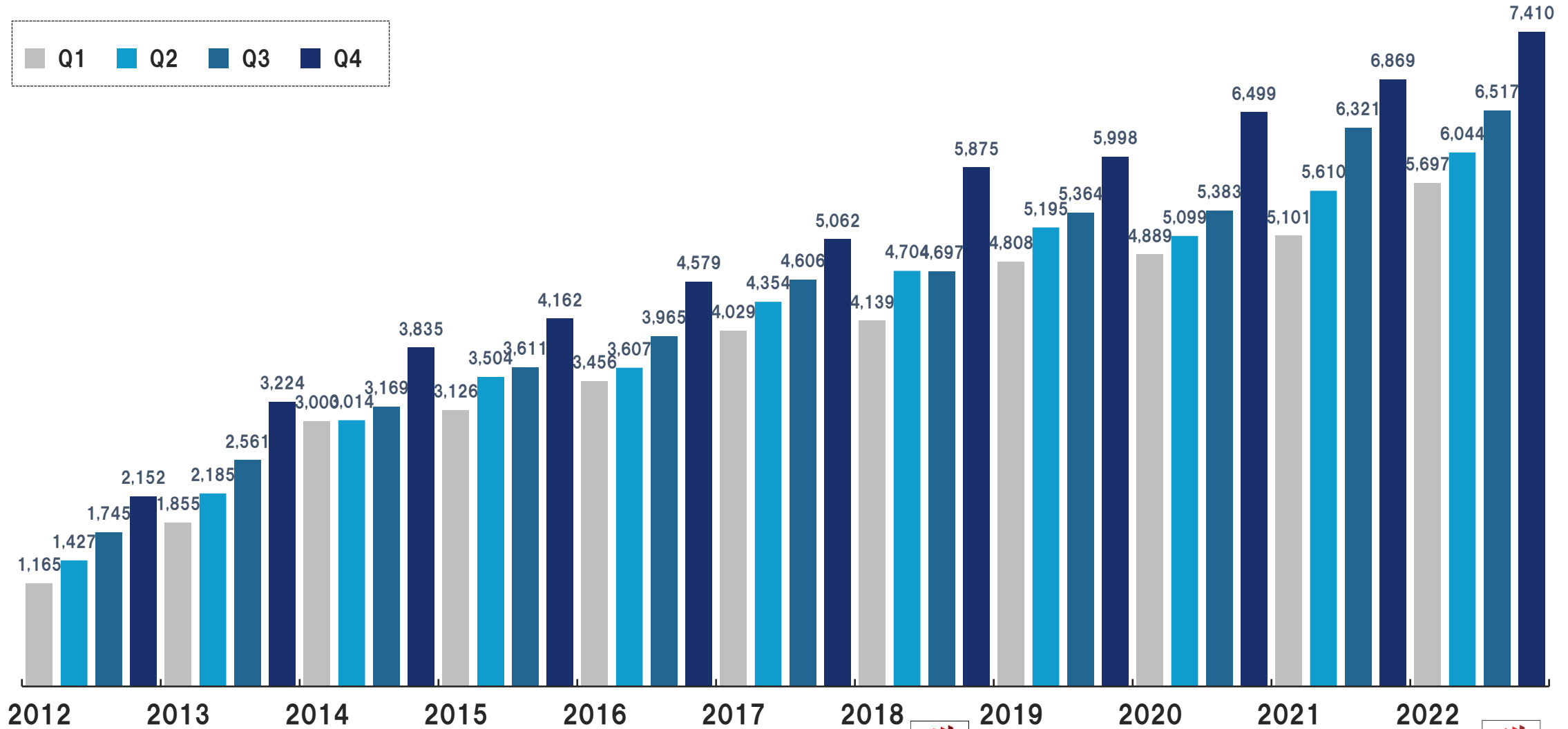
Sales			160	184	182	206	233	208	218	218	189	209
Construction			234	246	206	185	132	180	188	196	168	156
Management			21	20	35	27	62	57	69	73	81	58
Total	194	298	415	450	423	418	427	445	475	487	438	423

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
Market value			22,892	29,176	15,209	14,960	18,038	15,180	21,792	22,559	23,880	28,781
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
Dividend per share (yen)			3.00	3.00	3.00	3.00	4.00	10.00	17.00	20.00	20.00	24.00
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
Price earnings ratio			32.20	55.10	110.30	15.00	17.90	28.80	15.90	15.60	23.30	17.30

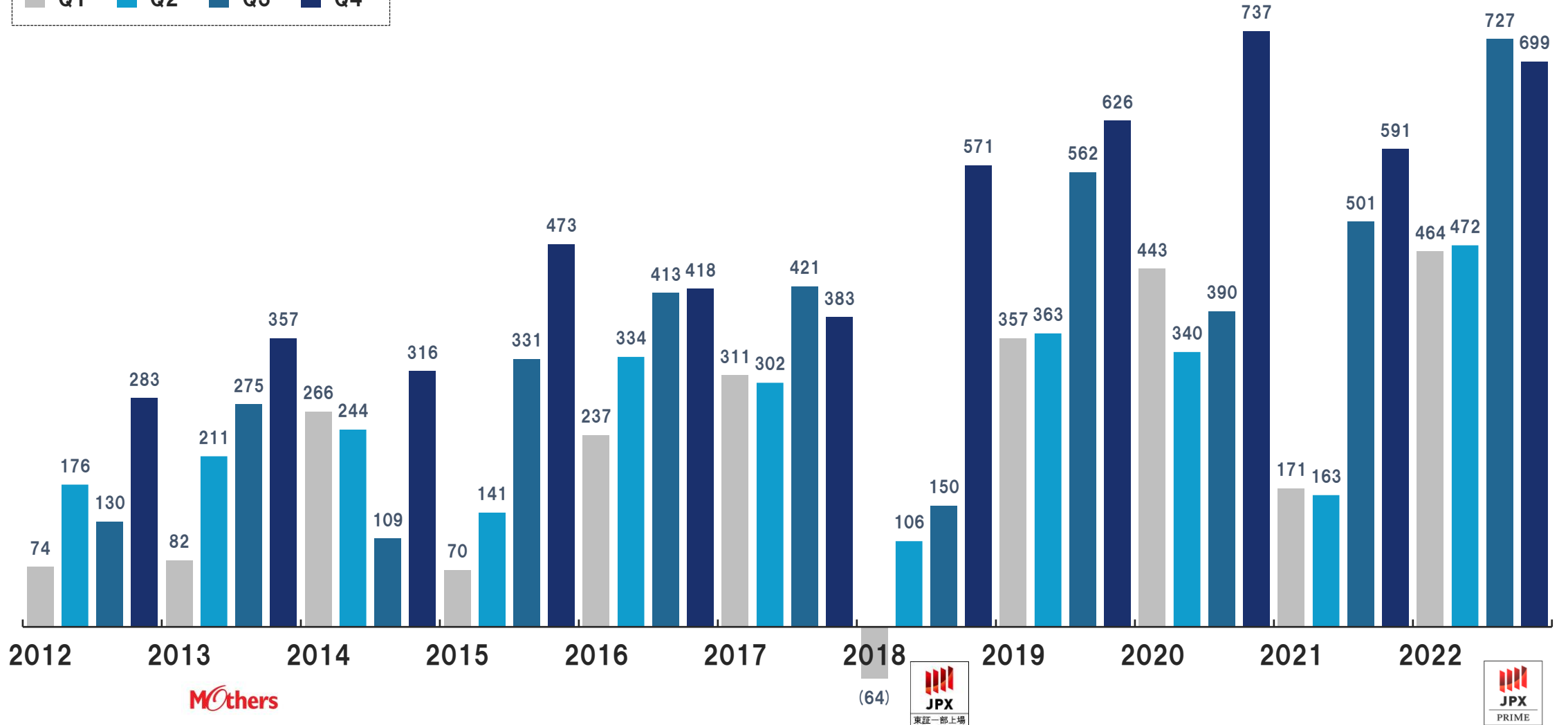
Quarterly Sales

(Million yen)

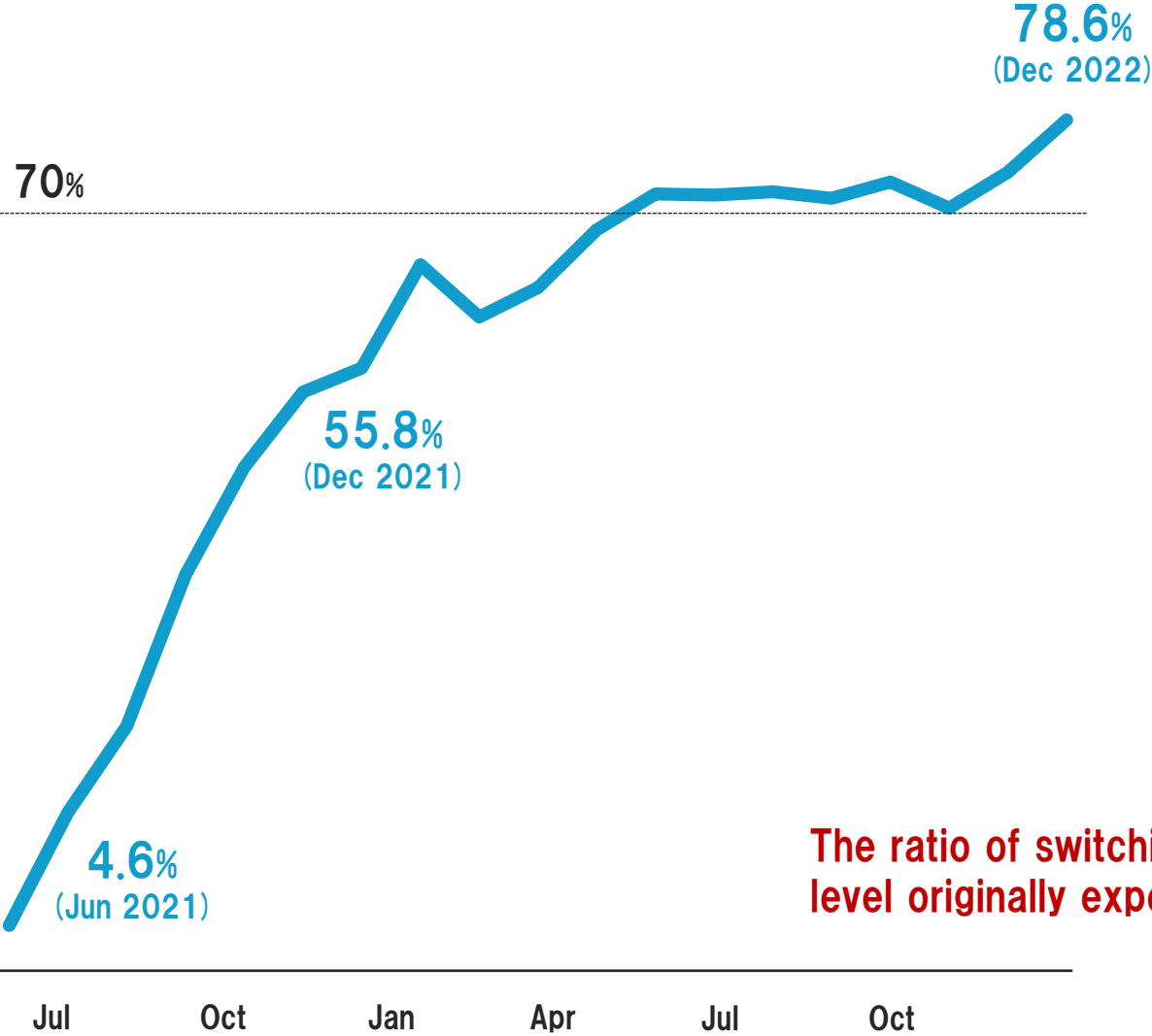


Quarterly Ordinary Profit

(Million yen)



AQUA FOAM LITE switchover rate



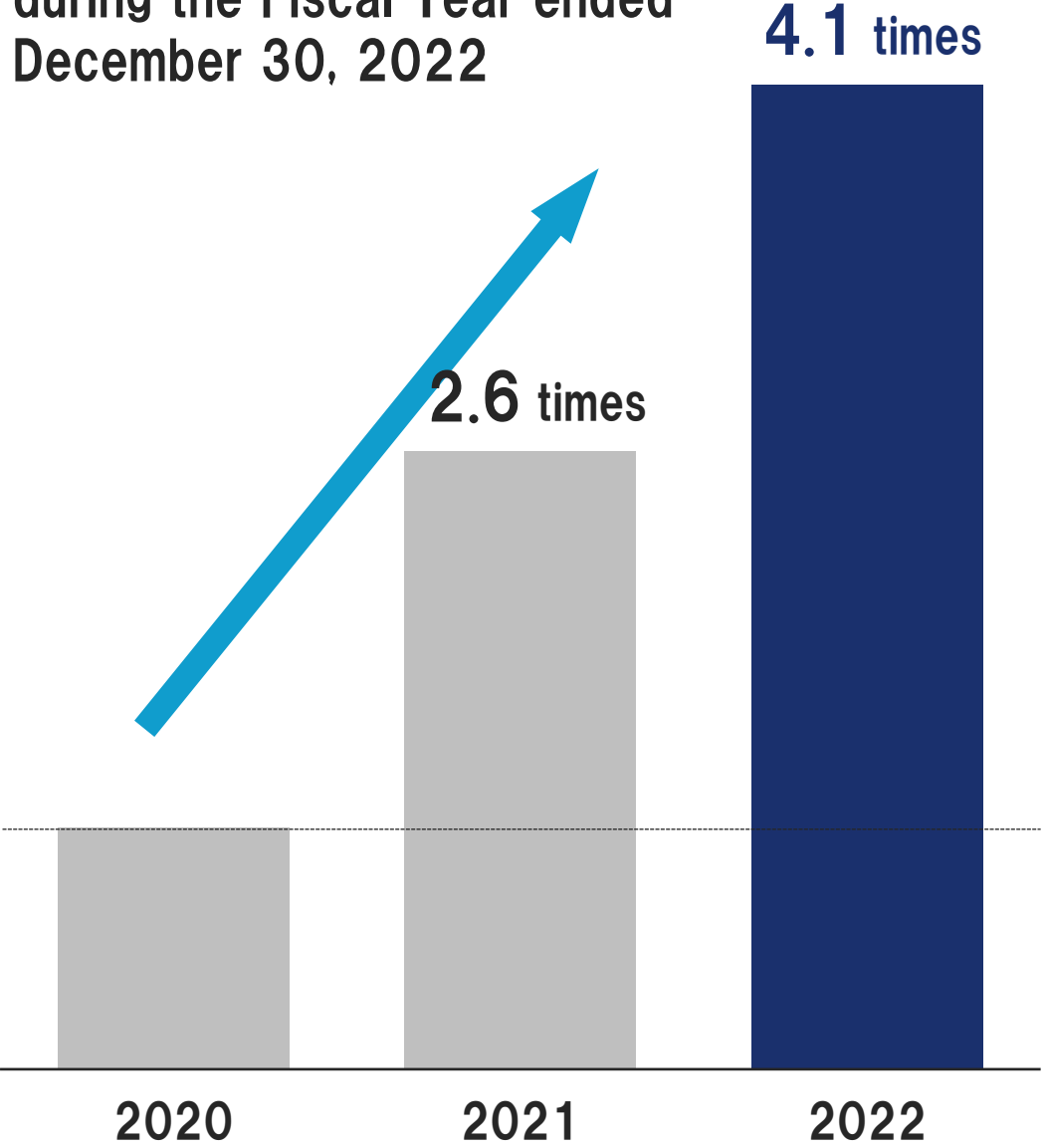
What is AQUA FOAM LITE?

30% reduction in raw material usage
(compared to AQUA FOAM)

Formulation using plant derived materials

The ratio of switching to AQUAFOAM LITE has reached the level originally expected and will not be disclosed in the future.

Net sales of non-flammable insulation during the Fiscal Year ended December 30, 2022



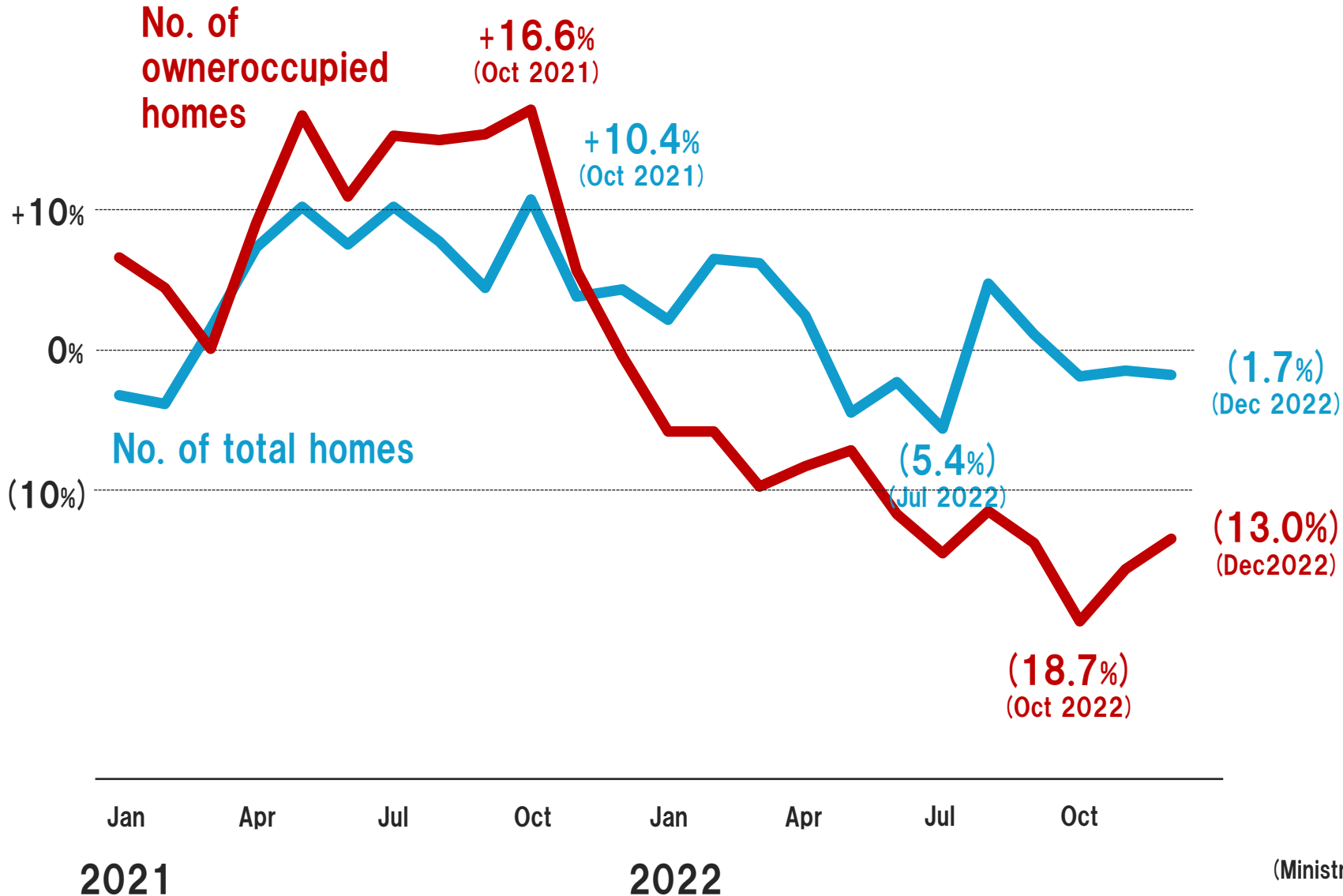
What is non-flammable insulation?

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



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

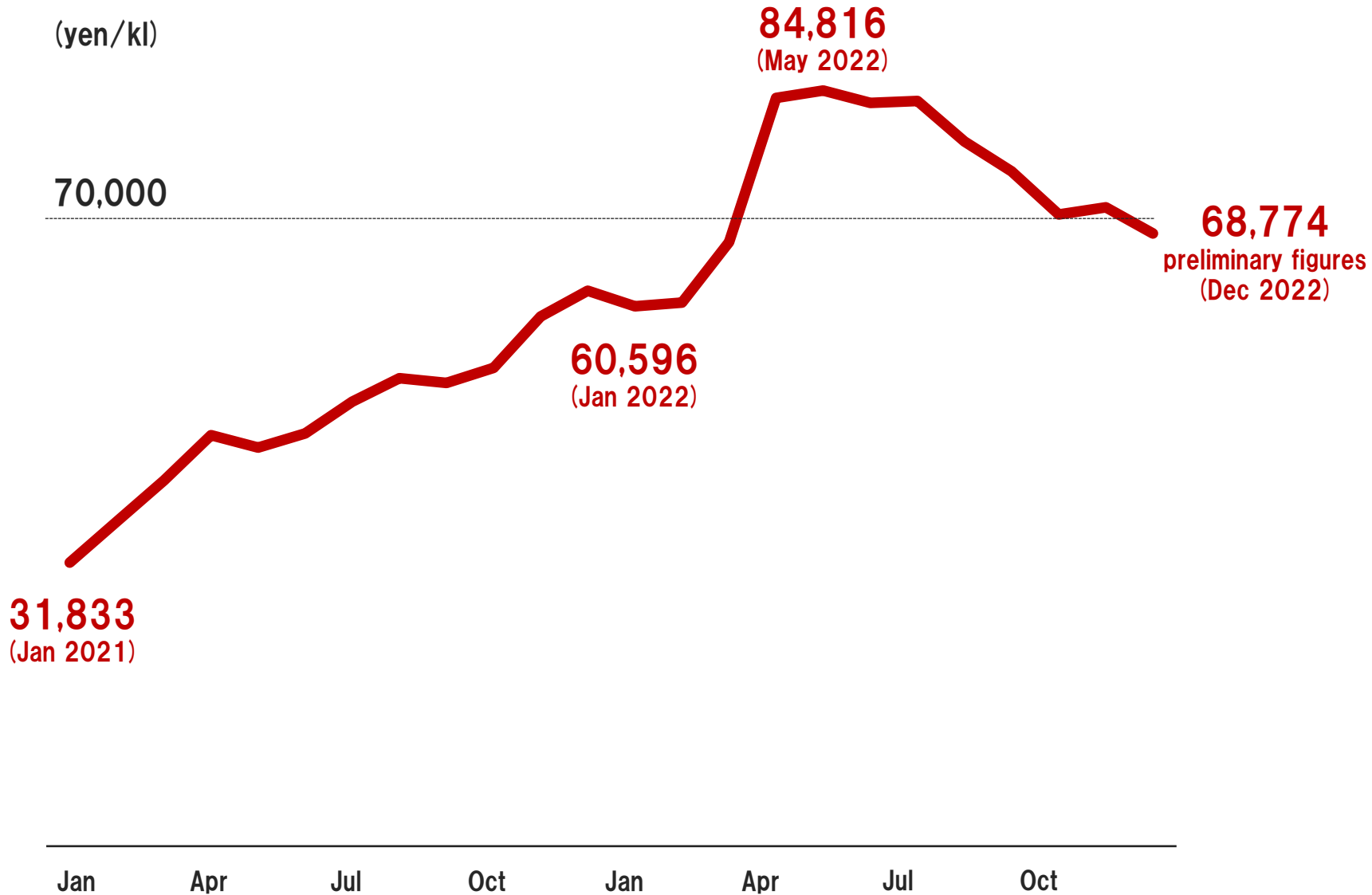


Our Single-family Homes Division has a high level of affinity with owner-occupied homes, as there are many custom-built houses being constructed

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

Naphtha import CIF price

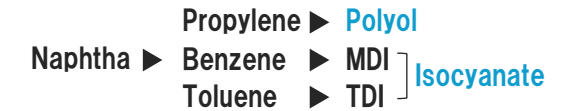
(yen/kl)



Urethane raw materials

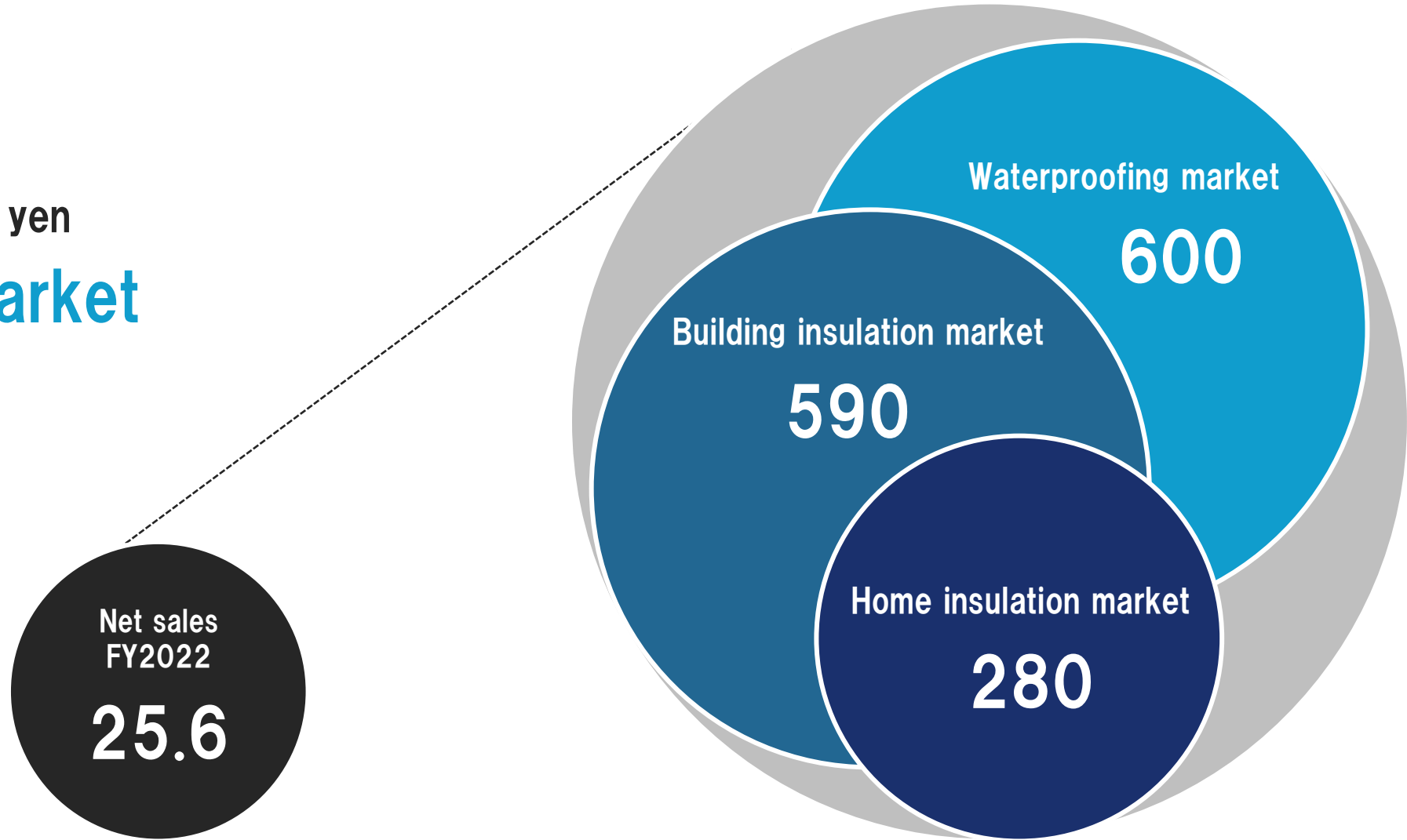
Polyol + Isocyanate

Since both polyols and isocyanates are petrochemical products, their prices are highly linked to the price of naphtha, but in recent years, they are also affected by the supply chain conditions of each supplier.

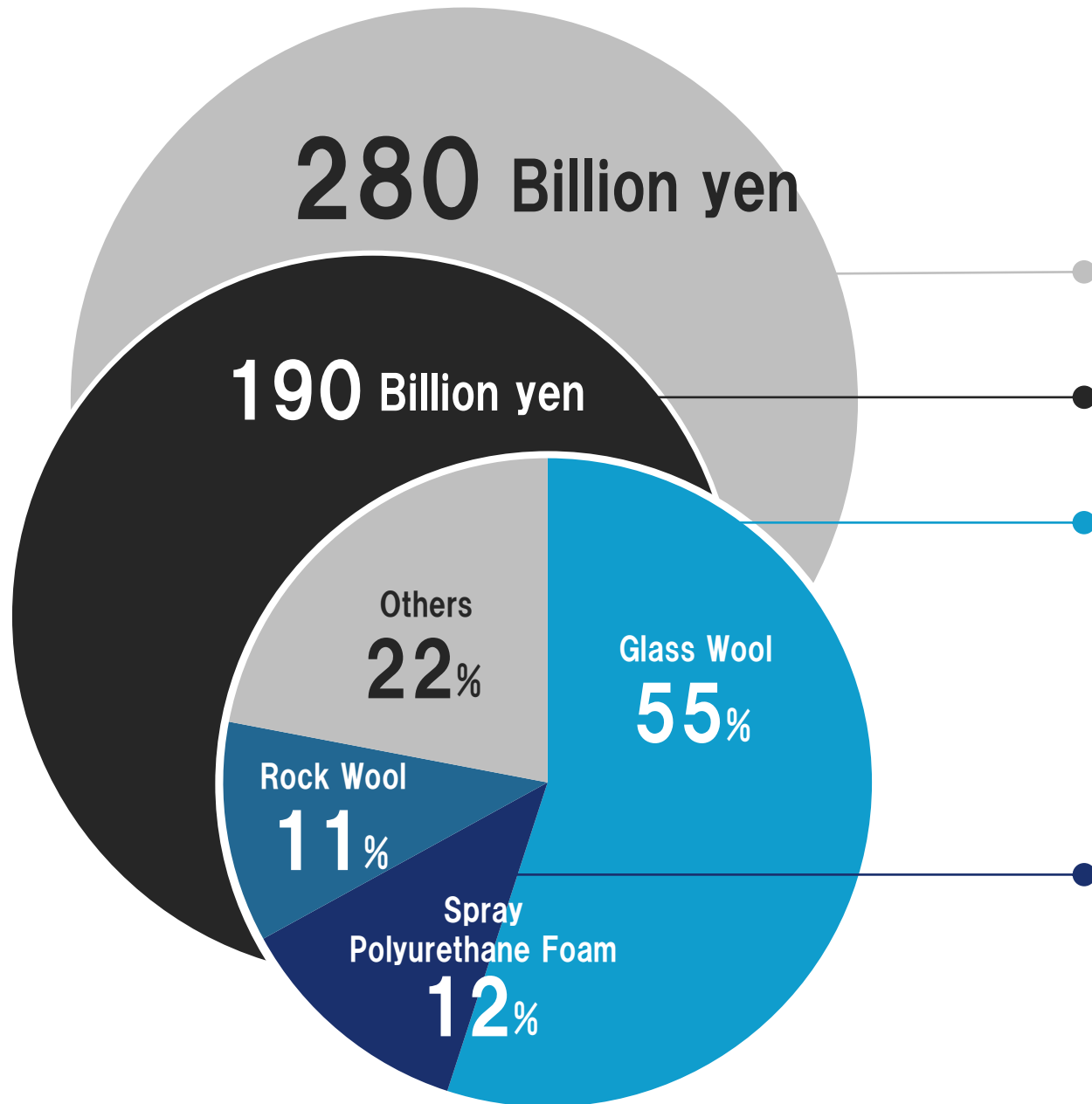


Over 1 trillion yen
Target Market

—
(Billion yen)



Home Insulation Market



Market size (FY2025)

Including labor costs (FY2021)

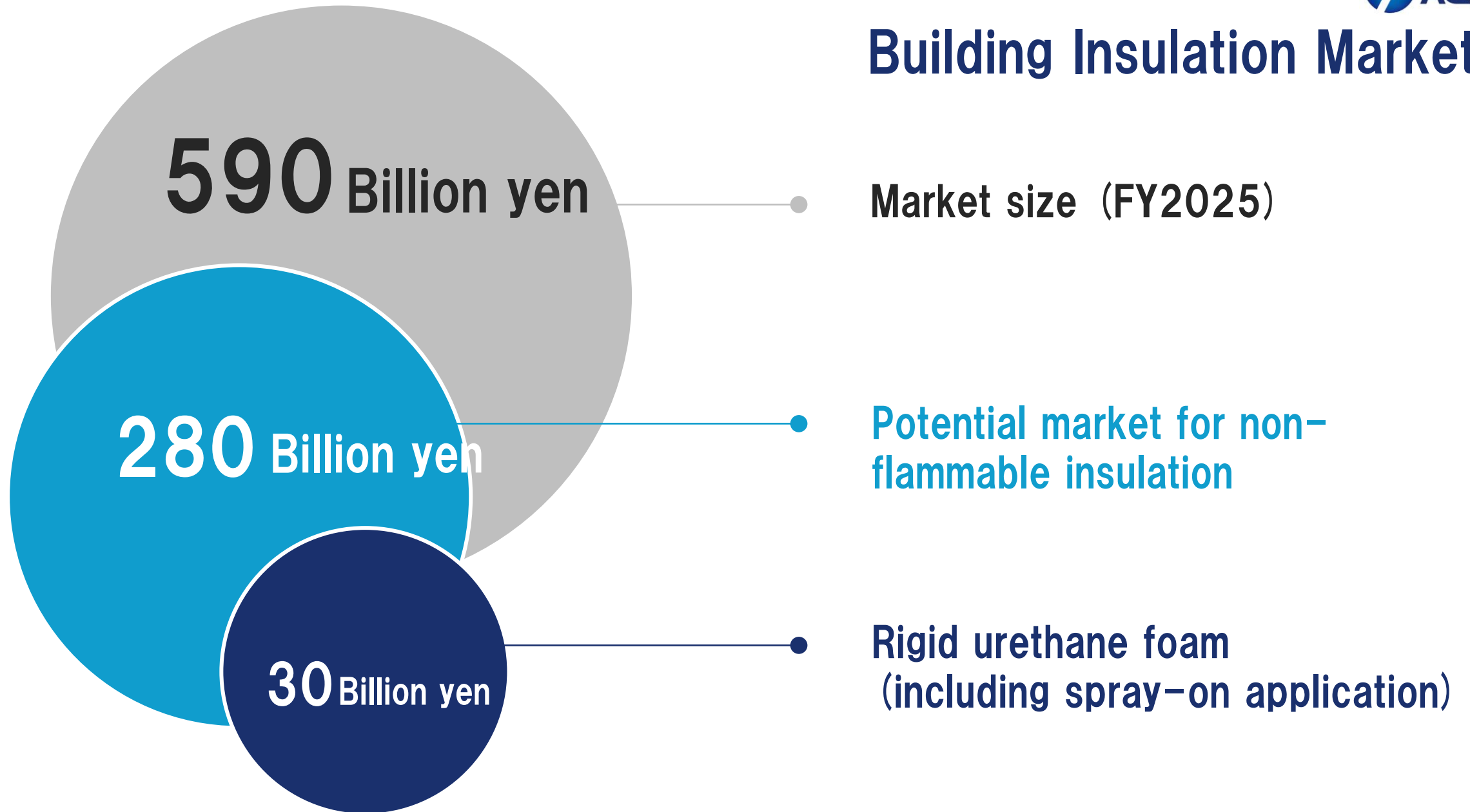
Insulation material sales market (FY2021)

170 Billion yen

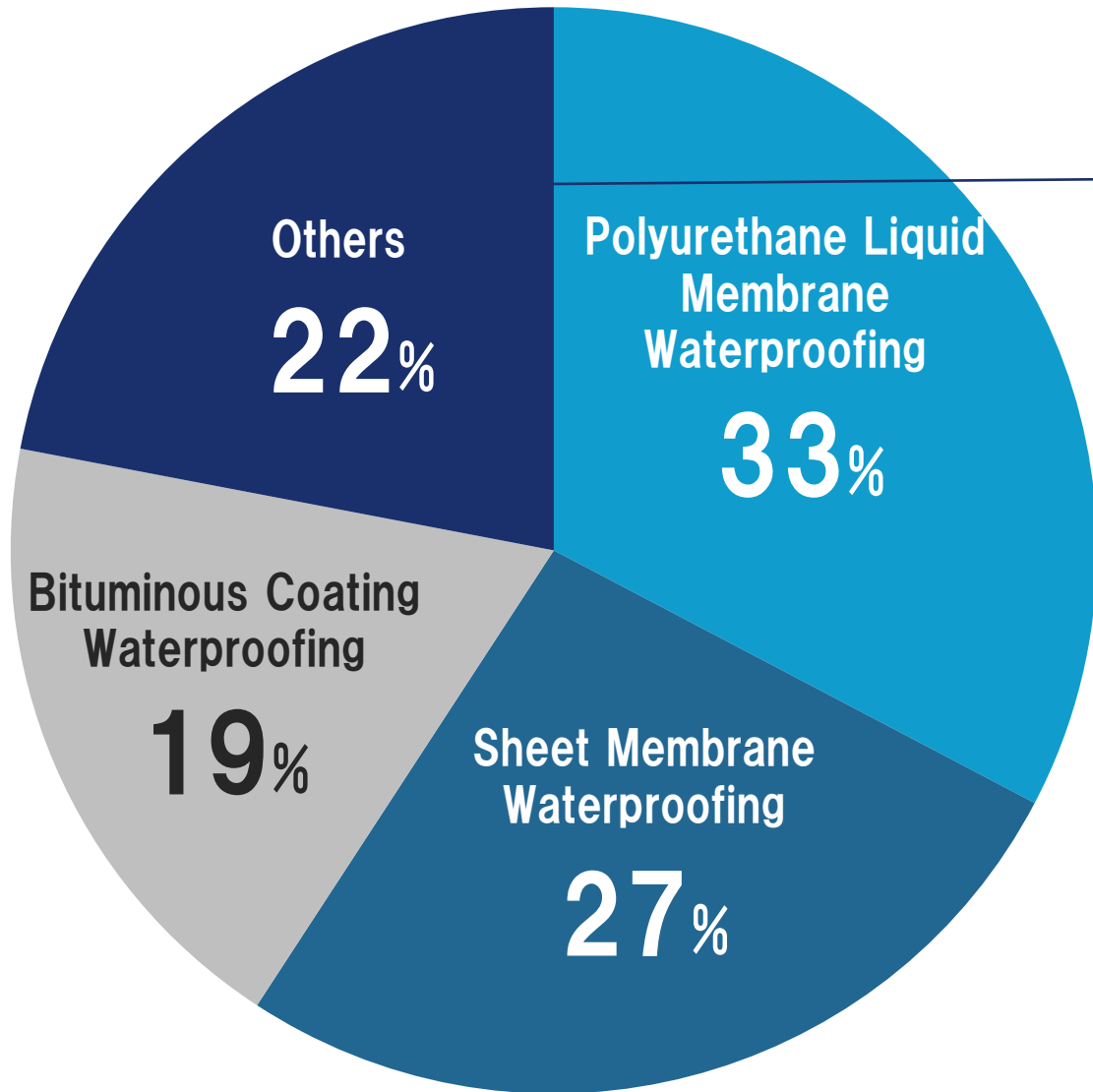


NIPPON AQUA 8%

Building Insulation Market



Waterproofing Market



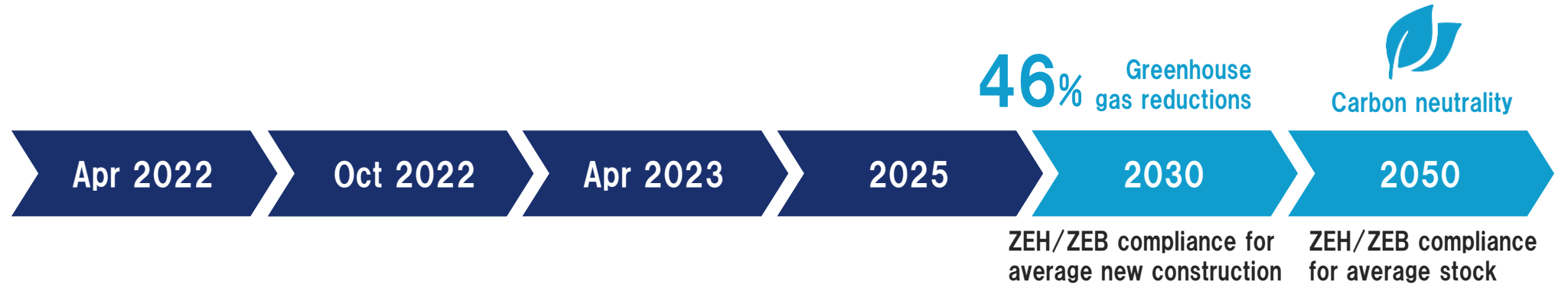
Waterproofing by polyurea spray coating

Others: A market share of less than 0.1% as a new entrant

Market size (FY2021)

600 Billion yen

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	

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

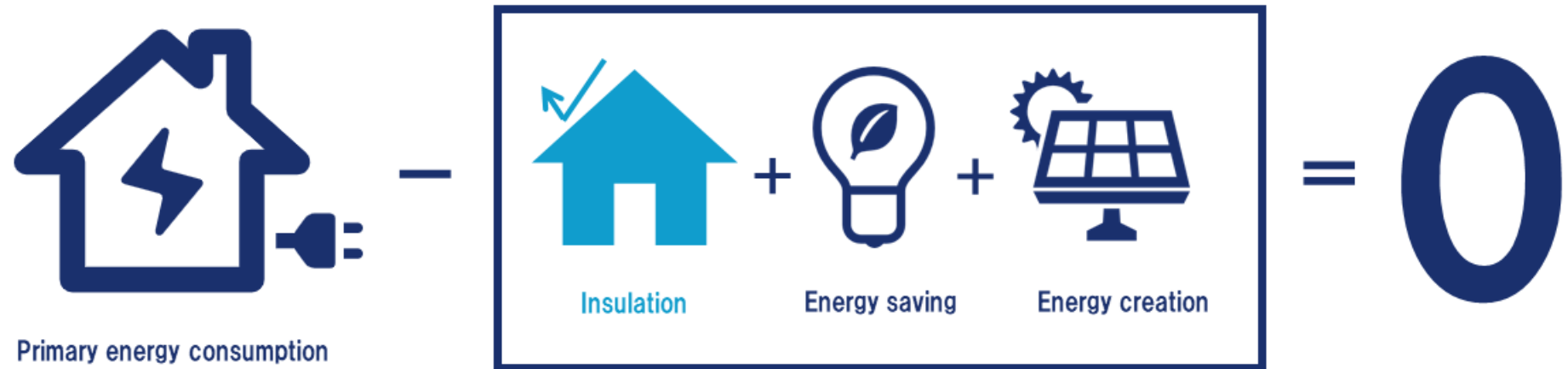
What is ZEH (Net Zero Energy House) ?

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.



Comfortable and Wallet-friendly Homes Meeting Higher Class Requirements

Tokyo and other areas of Region 6

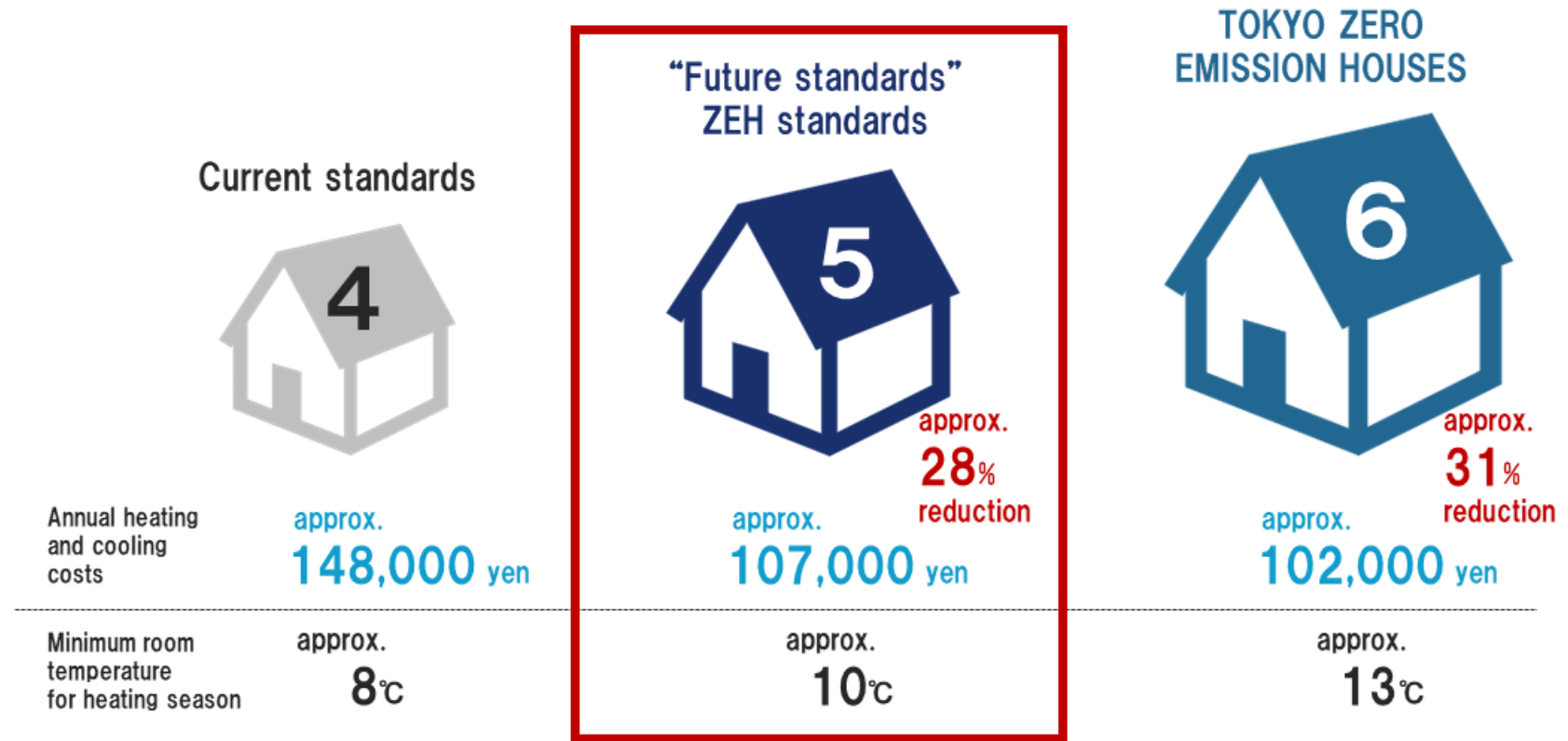
While a higher insulation class means a higher cost of housing construction, such houses enhance living comfort and lower the cost of living for families.

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°C.

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°C.

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°C.

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



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

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 <i>Kodomo Mirai</i> 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 <i>Chiikigata Green-ka</i> Project	1.4 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the <i>Kodomo Mirai</i> 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 <i>Chiikigata Green-ka</i> Project	1.4 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the <i>Kodomo Mirai</i> 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 <i>Chiikigata Green-ka</i> Project	1.5 Mil.
Subsidies from the ZEH Support Project	0.55 Mil.
Subsidies from the <i>Kodomo Mirai</i> 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. 0.7 or less	Hotel, etc. 0.6 or less	0.5 or less	0.5 or less
	Not required	Not required	0.25 or less	0.0 or less

Upper row: BEI

Lower row: BEI including renewable energy

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

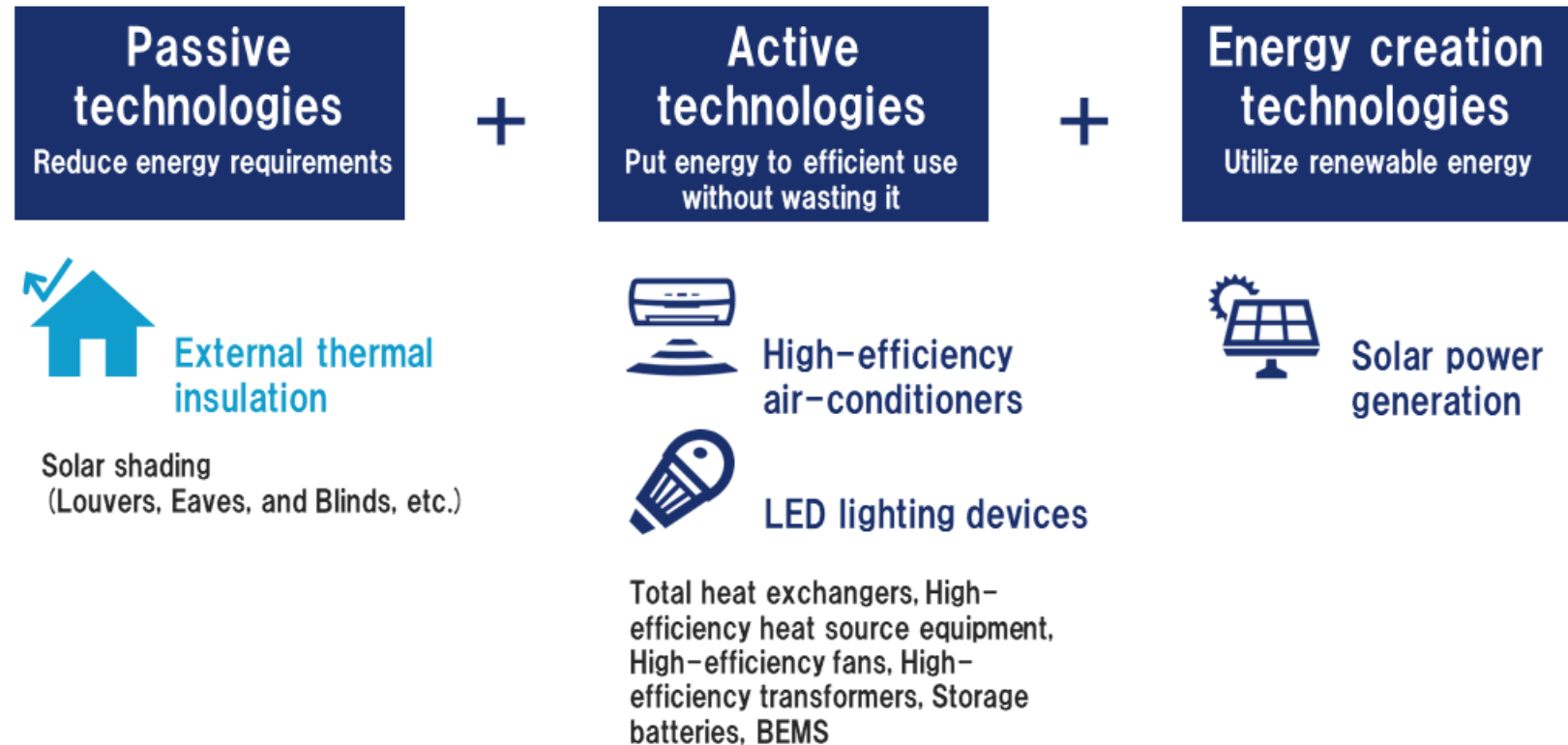
Renovating Buildings into ZEB with Existing General-purpose Technologies

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.

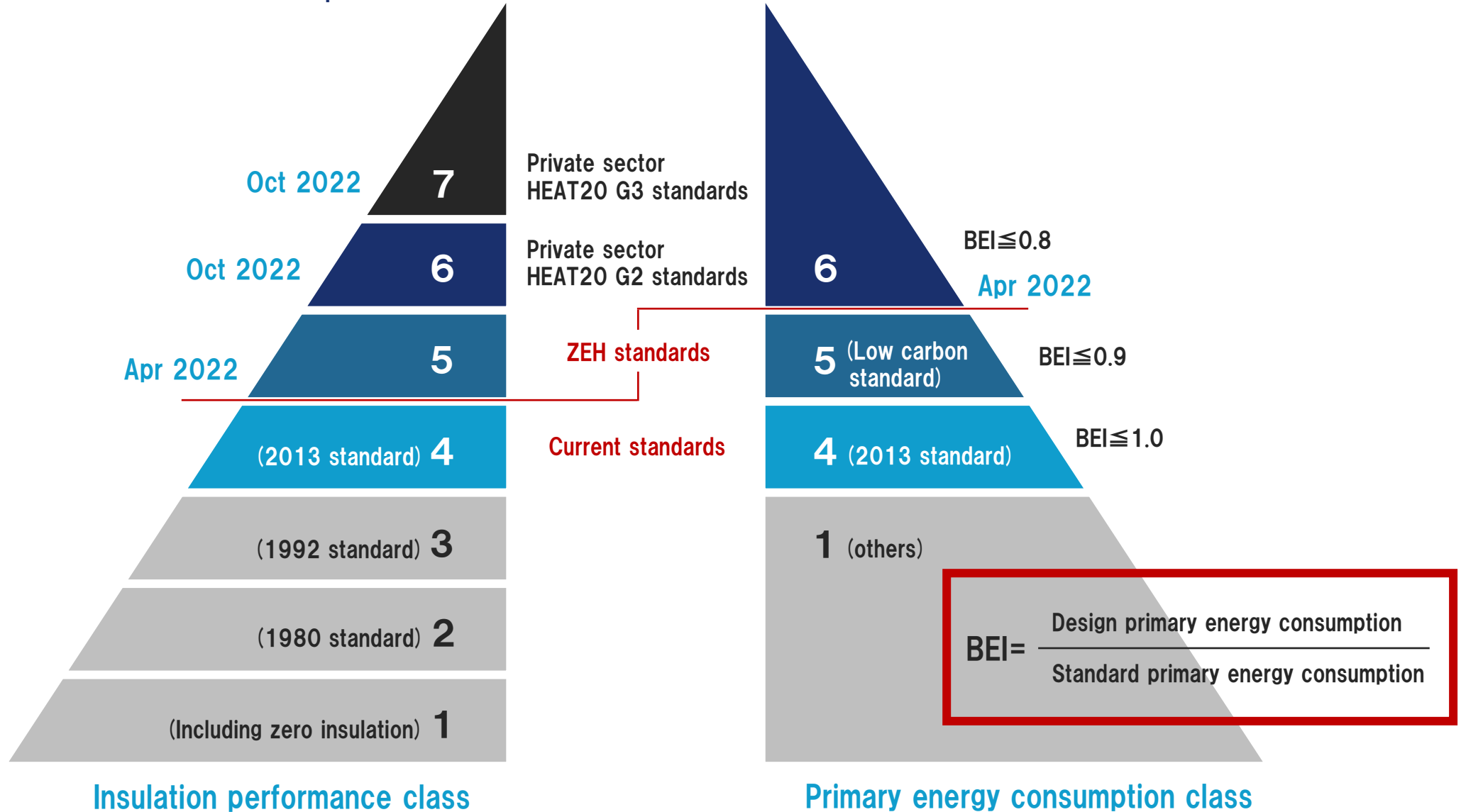
Some of the energy conservation technologies employed by 80% of the buildings renovated into ZEB include external thermal insulation, high-efficiency air-conditioning, LED lighting, and solar power generation, all of which are general-purpose technologies available today.

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



Establishment of ZEH Standards

Addition of new classes* to residential performance classes





Disclaimer and Notes Regarding Forward-Looking Statements

- The purpose of this document is to provide information on the financial results for the full year and fourth quarter of the fiscal year ended December 31, 2022, and is not intended as a solicitation for investment or any similar action. Please note that actual investment decisions should be made at your own discretion and responsibility. Although the statements in this document are prepared based on various data that are believed to be reliable, the Company does not guarantee their accuracy or safety. This document is presented with the assumption that investors will use it at their own discretion and responsibility for any purpose, and the Company assumes no responsibility whatsoever.
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