

Business Results for the Three Months Ended March 31, 2023

May 11, 2023

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



Financial Highlights

Three months ended March 31, 2023

**Significant growth both in sales and profit,
off to a good start**

Net sales

6,368 Million yen

YoY +11.8%

Ordinary profit

641 Million yen

YoY +38.2%

Single-family Homes Division:

Strong demand continued; Development of construction systems completed in February

Buildings Division:

Construction with non-flammable insulation grew, driving business expansion



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Overview of Financial Highlights for
the Three Months Ended March 31, 2023

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Business Environment and Our Initiatives

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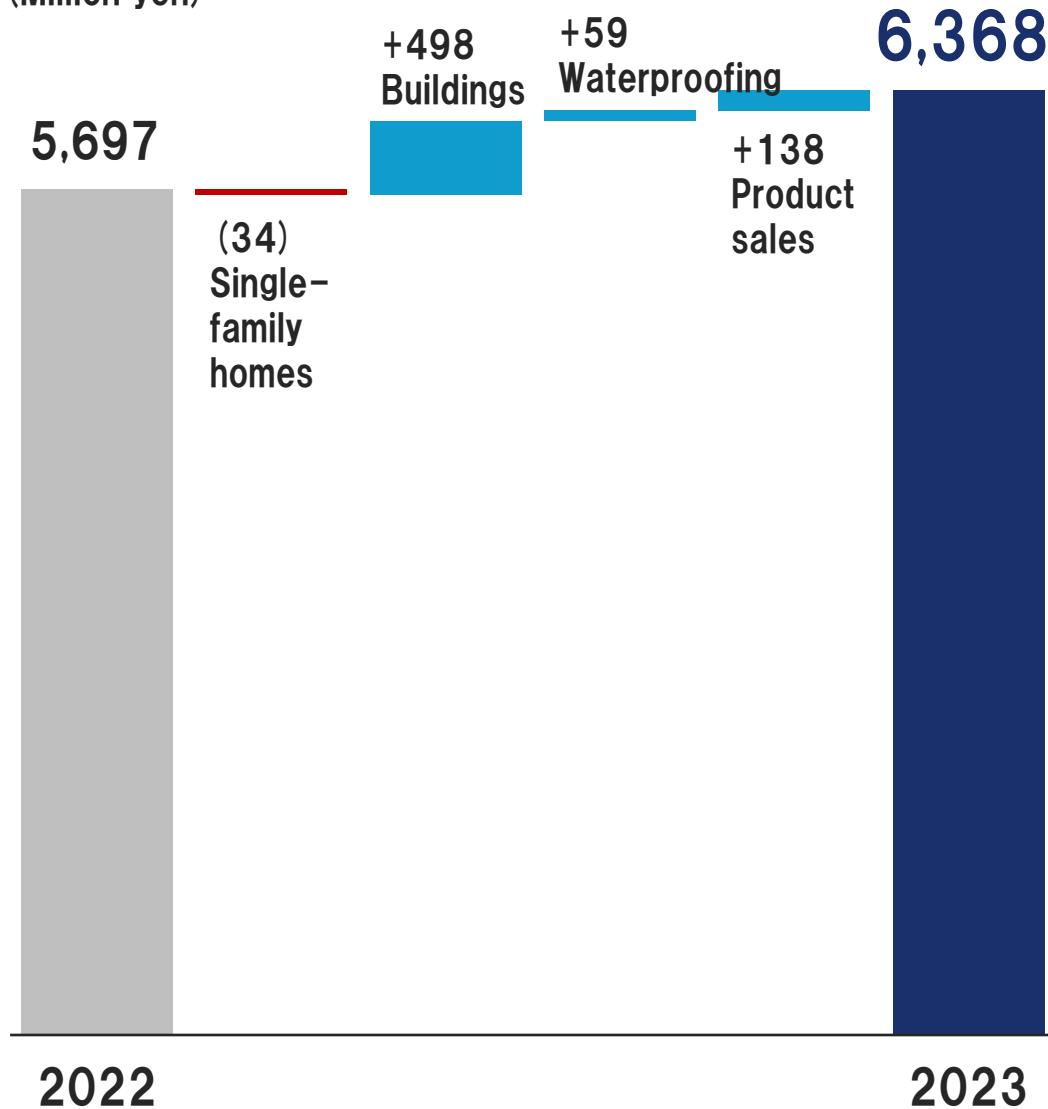
Appendix

Net Sales

Three months ended March 31, 2023



(Million yen)



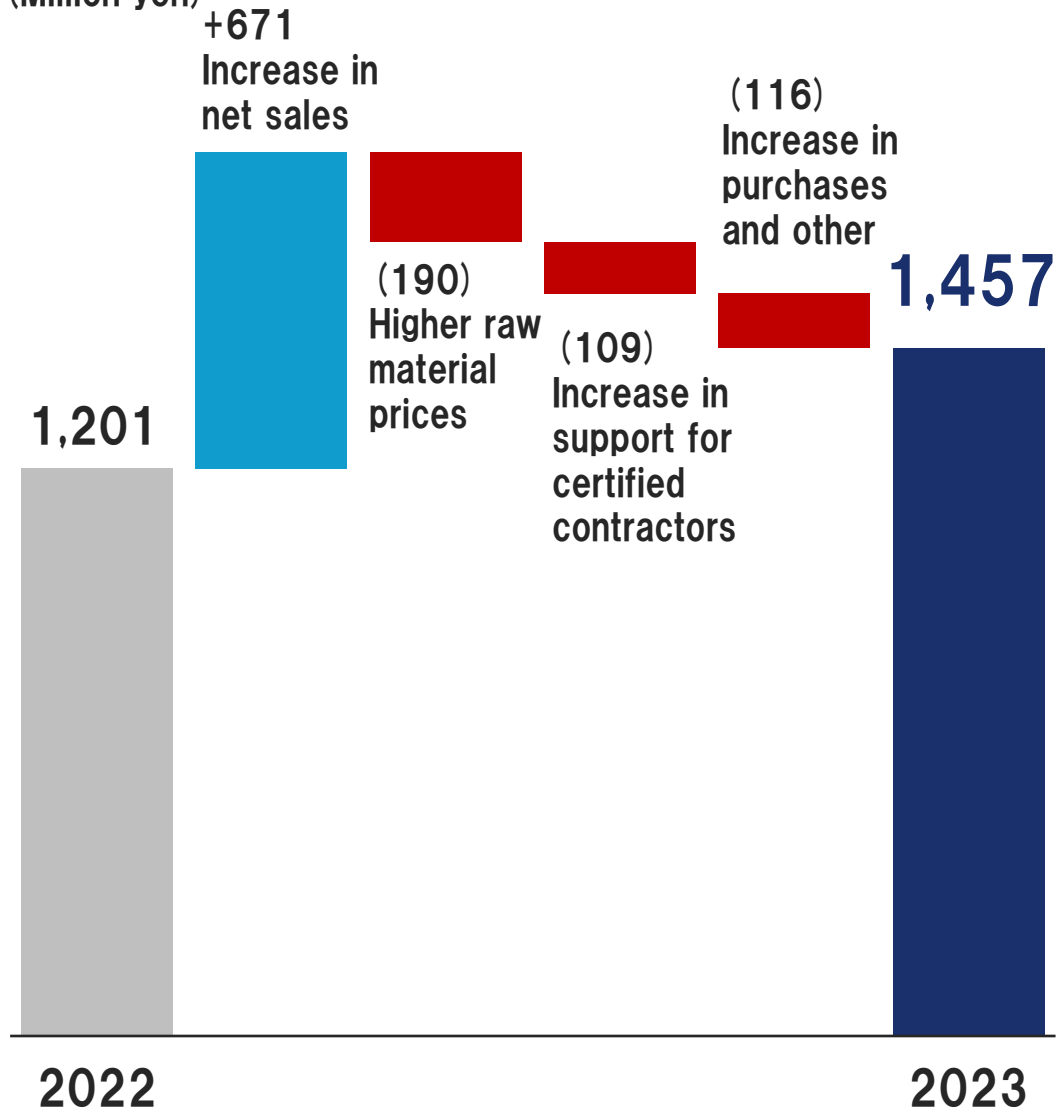
YoY
UP +671 Million yen +11.8%

Achieved new record-highs for 11 consecutive fiscal years since public listing

Gross Profit

Three months ended March 31, 2023

(Million yen)



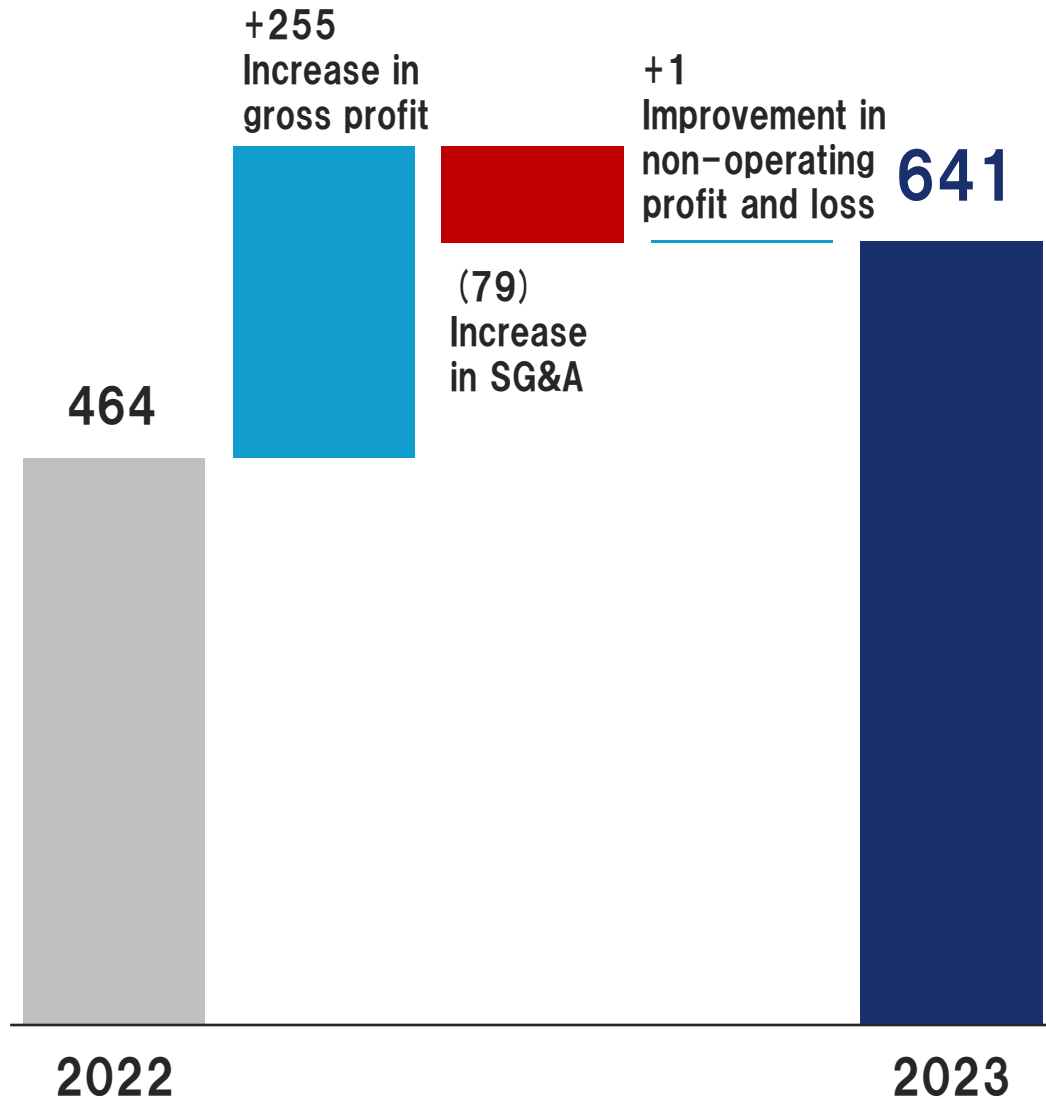
YoY
UP +255 Million yen +21.3%

Gross profit margin 21.1% ▶ 22.9%

Ordinary Profit

Three months ended March 31, 2023

(Million yen)



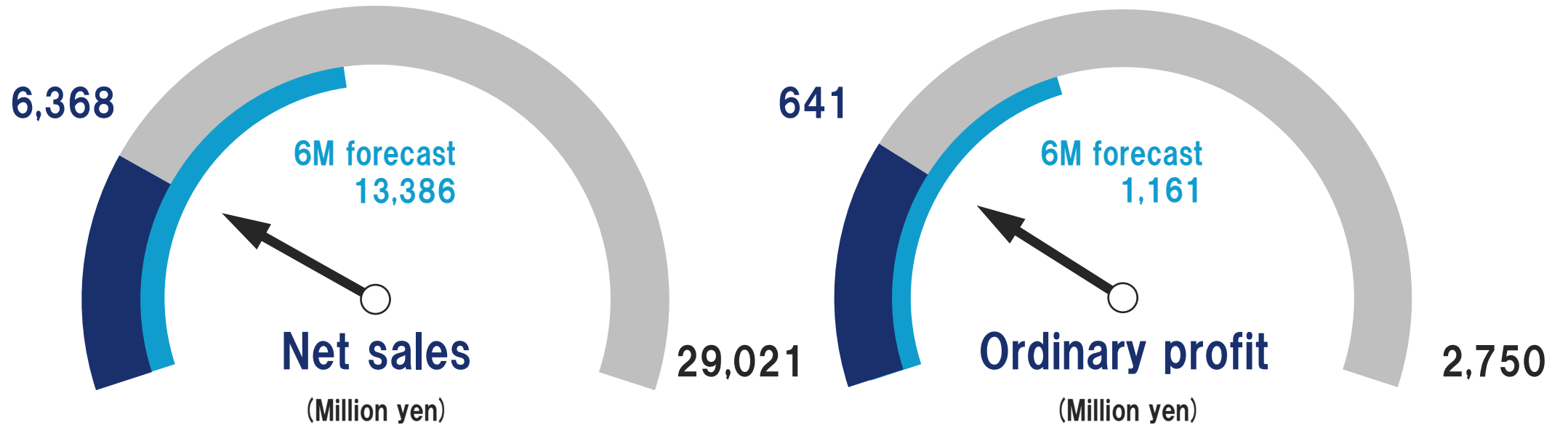
YoY
UP +177 Million yen +38.2%

Ordinary profit margin 8.1% ▶ 10.1%

SG&A ratio 13.2% ▶ 13.0%

Results Compared to Full-Year Financial Forecast

Net sales in Q1 are the lowest due to seasonal factors



Income Statement

Three months ended March 31, 2023

(Million yen, %)

	3M 2021 Jan-Mar	3M 2023 Jan-Mar	YoY		Forecast	
			Amount	Change (%)	6M 2023	FY 2023
Net sales	5,697	6,368	+671	+11.8	13,386	29,021
Single-family homes	3,255	3,221	(34)	(1.1)	7,221	16,115
Buildings	1,414	1,912	+498	+35.2	3,577	7,600
Waterproofing	57	126	+69	+120.7	230	539
Product sales	969	1,108	+138	+14.3	2,356	4,766
Cost of sales	4,495	4,911	+415	+9.2	10,556	22,773
Gross profit	1,201	1,457	+255	+21.3	2,829	6,248
Single-family homes	784	876	+92	+11.8	1,839	4,028
Buildings	222	361	+139	+62.5	559	1,333
Waterproofing	11	(21)	(32)	-	0	11
Product sales	184	240	+138	+14.3	430	875
SG&A expenses	750	829	+79	+11.0	1,667	3,497
Operating profit	451	627	+175	+38.9	1,161	2,750
Ordinary profit	464	641	+177	+38.2	1,161	2,750
Profit	310	432	+121	+39.3	772	1,828
Dividend per share (yen)						30.0

Balance Sheet

Three months ended March 31, 2023



(Million yen)

	As of Dec 31 2021	As of Jun 30 2022
Assets		
Current assets		
Cash and deposits	2,676	1,840
Notes and accounts receivable – trade, and contract assets	6,898	6,459
Raw materials and supplies	3,121	2,877
Accounts receivable – other	4,216	3,101
Total current assets	17,136	14,668
Non-current assets		
Total property, plant and equipment	4,346	4,328
Total intangible assets	96	95
Total investments and other assets	391	313
Total non-current assets	4,833	4,737
Total assets	21,969	19,405

	As of Dec 31 2021	As of Jun 30 2022
Liabilities		
Current liabilities		
Accounts payable – trade	6,272	5,564
Short-term borrowings	6,000	5,133
Total current liabilities	13,902	11,516
Non-current liabilities		
Total non-current liabilities	101	154
Total liabilities	14,003	11,670
Net assets		
Share capital	1,903	1,903
Capital surplus	1,885	1,912
Retained earnings	6,270	5,951
Treasury shares	(2,093)	(2,035)
Total net assets	7,966	7,735
Total liabilities and net assets	21,969	19,405



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Business Environment and Our Initiatives

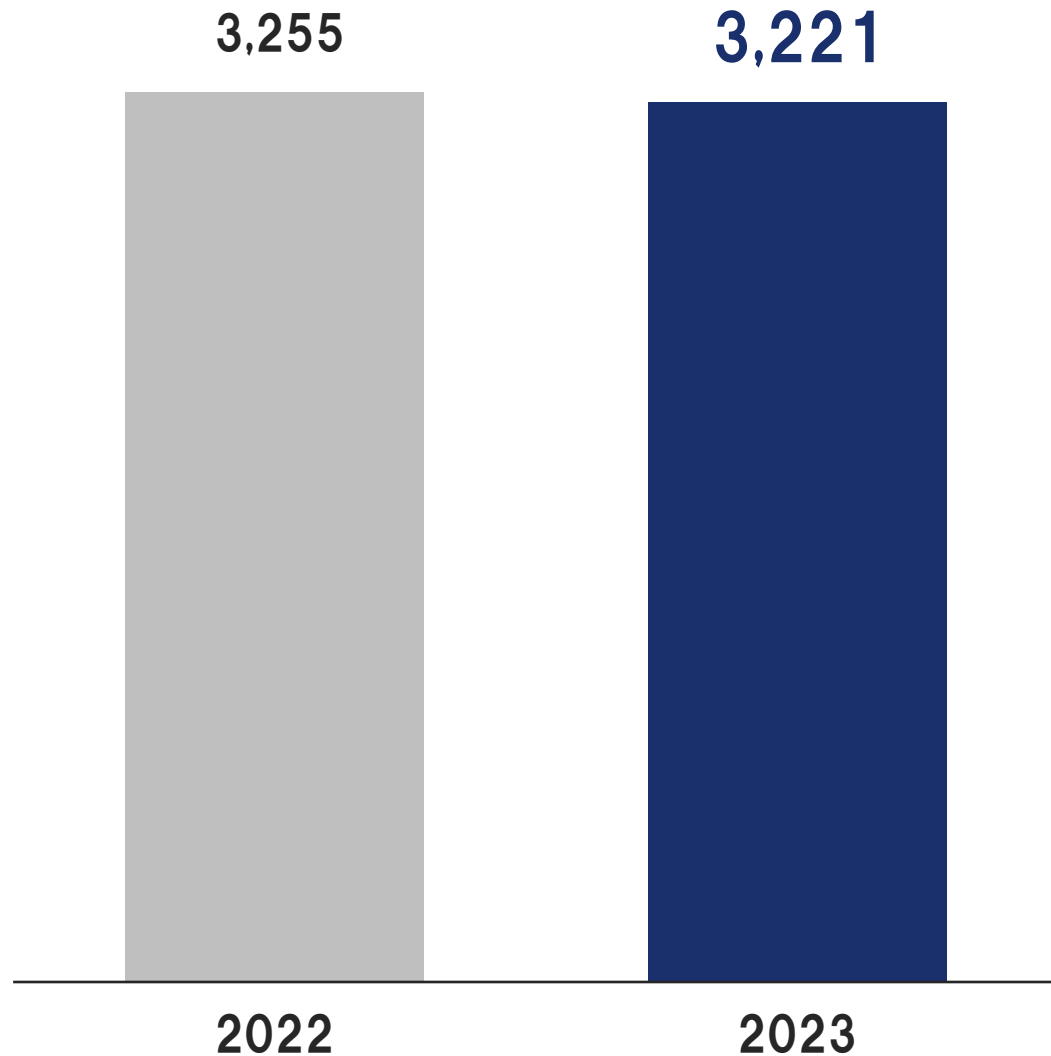
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Appendix

Single-family Homes Division

Three months ended March 31, 2023

(Million yen)



YoY
DOWN (34 Million yen) (1.1%)

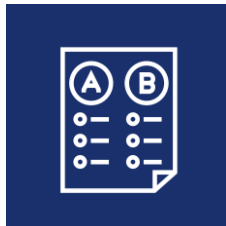
Gross profit margin 24.1% ▶ 27.2%

Gradually increasing insulation Class 5 (ZEH standards) compliance

Fewer workdays at construction sites with Saturdays and Sundays off

Single-family Homes Division: Business Environment

Number of housing starts is stagnant, but its impact is minor



Multiple adoption of insulation materials

The Company's products are increasingly adopted for their distinct advantages



Specifications with priority on insulation materials

As electricity rates are soaring, insulation materials are given priority despite rising construction materials prices



ZEH Subsidies

Expansion of "local ZEH"
Subsidies from local governments



Higher insulation of built-for-sale houses

Expansion in new deals

Increase in Demand for AQUA FOAM Series

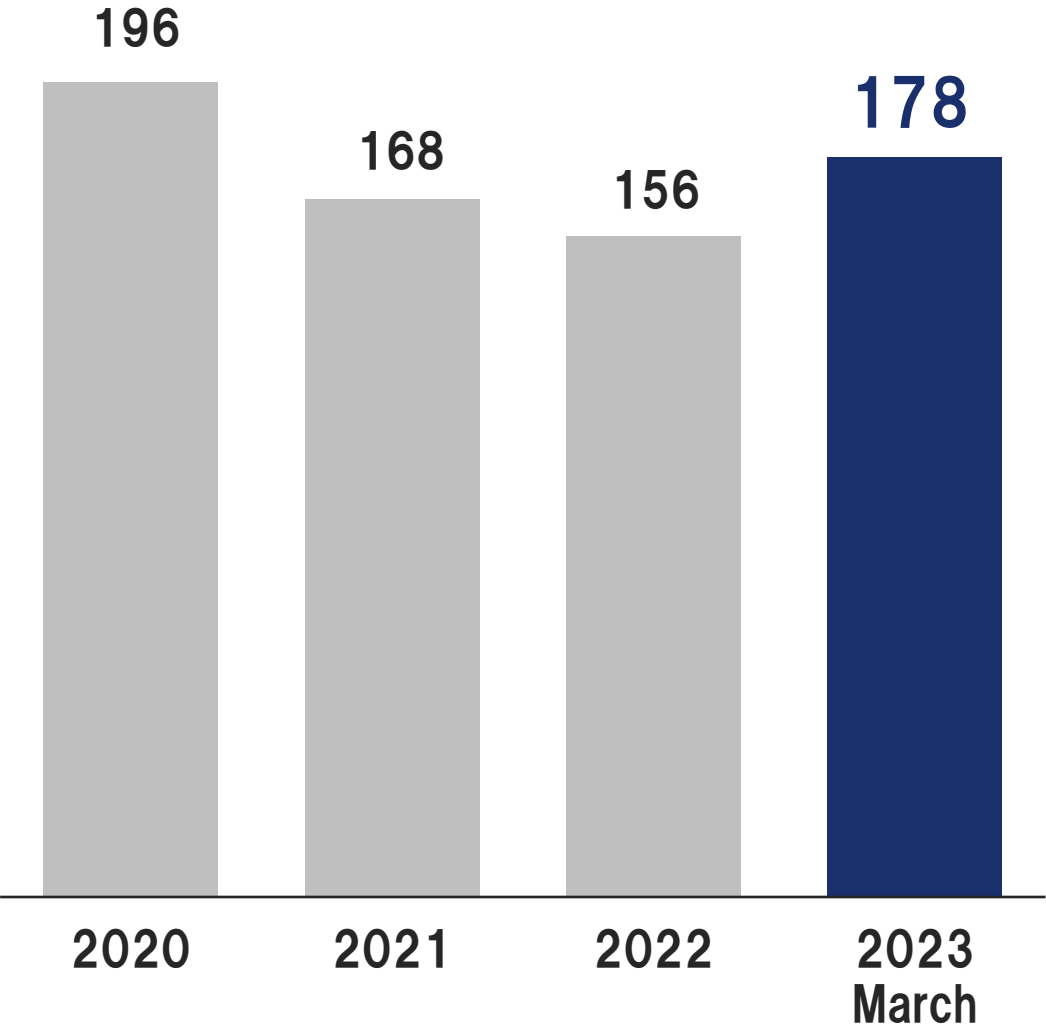
Higher insulation of built-for-sale houses
Renovation works on the rise
Used house refurbishment

FY 2022
Net sales of Single-family
Homes Division

13.8 bn yen

Custom-built houses
Semi-custom houses
Renovations

Number of internal installation work personnel (Nippon Aqua)



Construction systems were completed

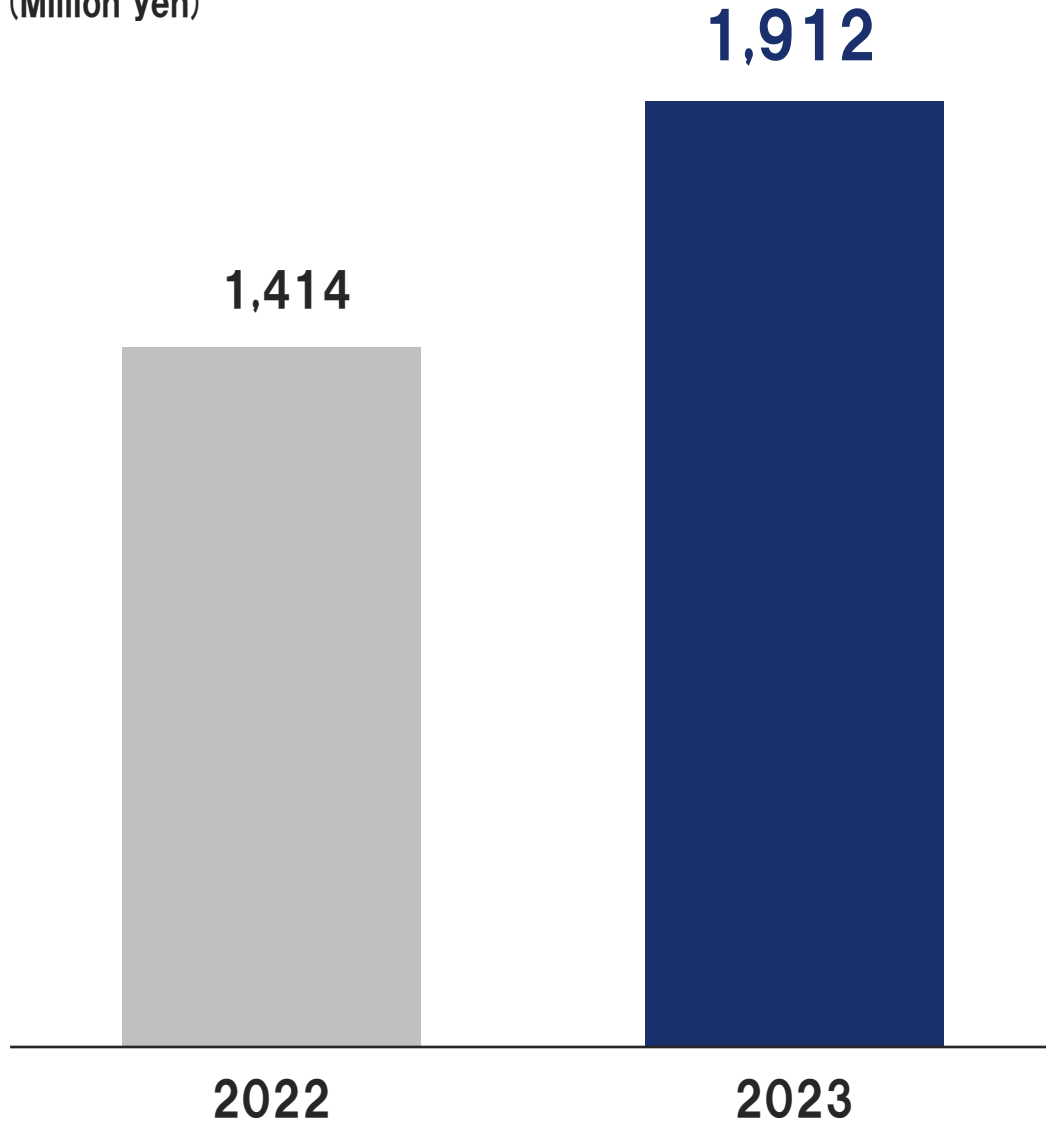
2 full days off per week (Saturdays and Sundays off) and other good benefits worked well in recruitment

Buildings Division

Three months ended March 31, 2023



(Million yen)



YoY

UP +498 Million yen +35.2%

Gross profit margin 15.7% ▶ 18.9%

Markups brought trickle-down benefits

Increased construction with AQUA MOEN NEO

Buildings Division: Business Environment

Growing needs for non-flammable insulation amidst strong demand



Fire prevention specifications

Needs for non-flammable insulation based on general contractors' standards



Vigorous redevelopment projects

Aging of buildings constructed in the bubble period
Enhancement of urban disaster prevention functions



Return of manufacturing bases to Japan

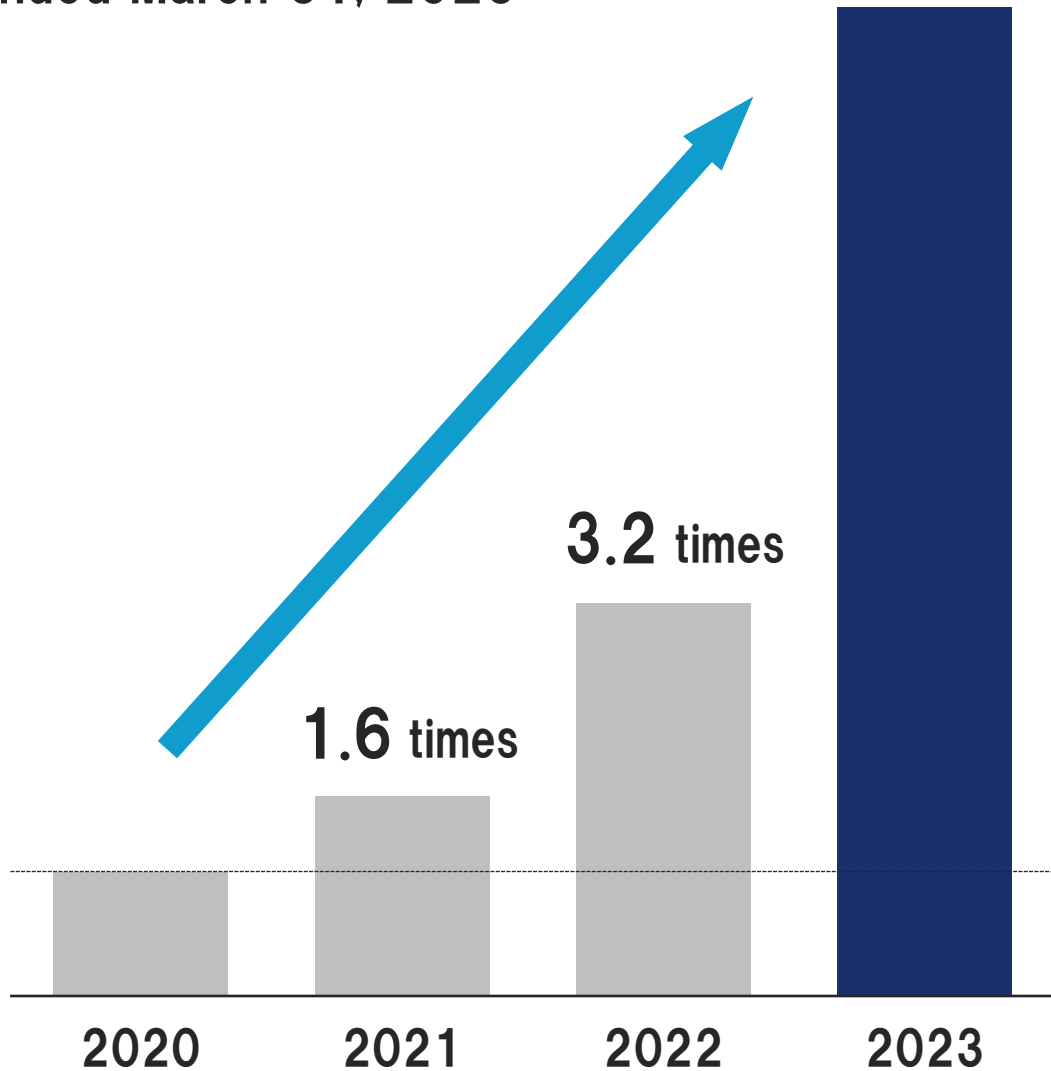
Construction of new plants in Japan by semiconductors and electronic parts manufacturers



Withdrawal of a major rock wool provider

A leading manufacturer of rock wool for buildings will withdraw from business

Net sales of non-flammable insulation during the three months ended March 31, 2023



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



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

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



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

34.7%



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



Calculation date

March 31, 2023

Preliminary calculation by the Company



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

35.0% ▶ Maximum 37.6%

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



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

10.87 bn yen

Average closing price from January to March 2023
- 892.2 JPY

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





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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
Director	Koji Fujii
Director	Keishi Usami
Outside Director	Yoshiaki Takahashi
Outside Director	Takeshi Kenmochi
Outside Director (Audit & Supervisory Committee)	Noboru Kohara
Outside Director (Audit & Supervisory Committee)	Yuki Matsuda
Outside Director (Audit & Supervisory Committee)	Naofumi Higuchi
Outside Director (Audit & Supervisory Committee)	Hidetaka Nishina
Capital	1,903 Million yen
No. of employees	447 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.

Independent Outside Directors

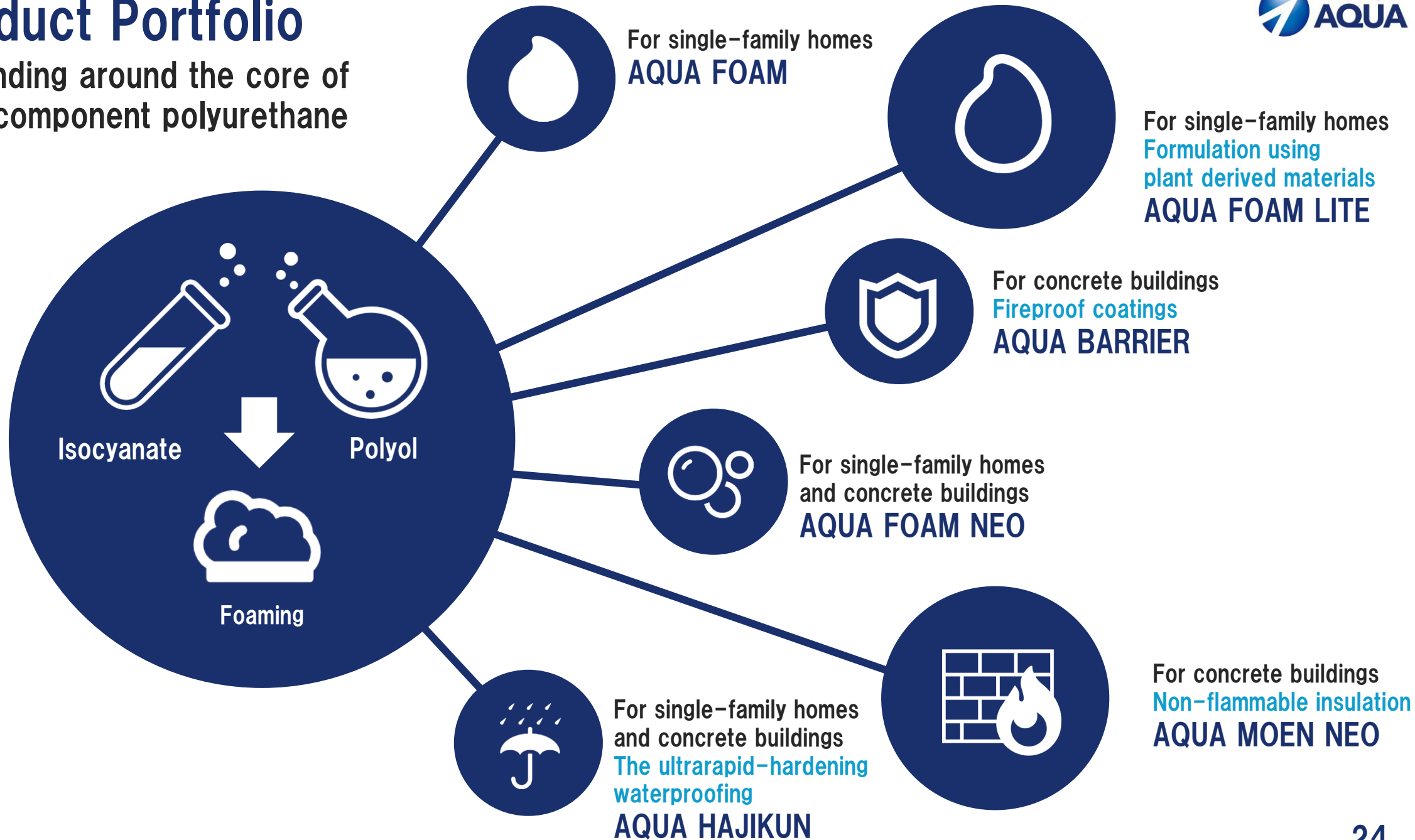
Outside Directors **6/11**



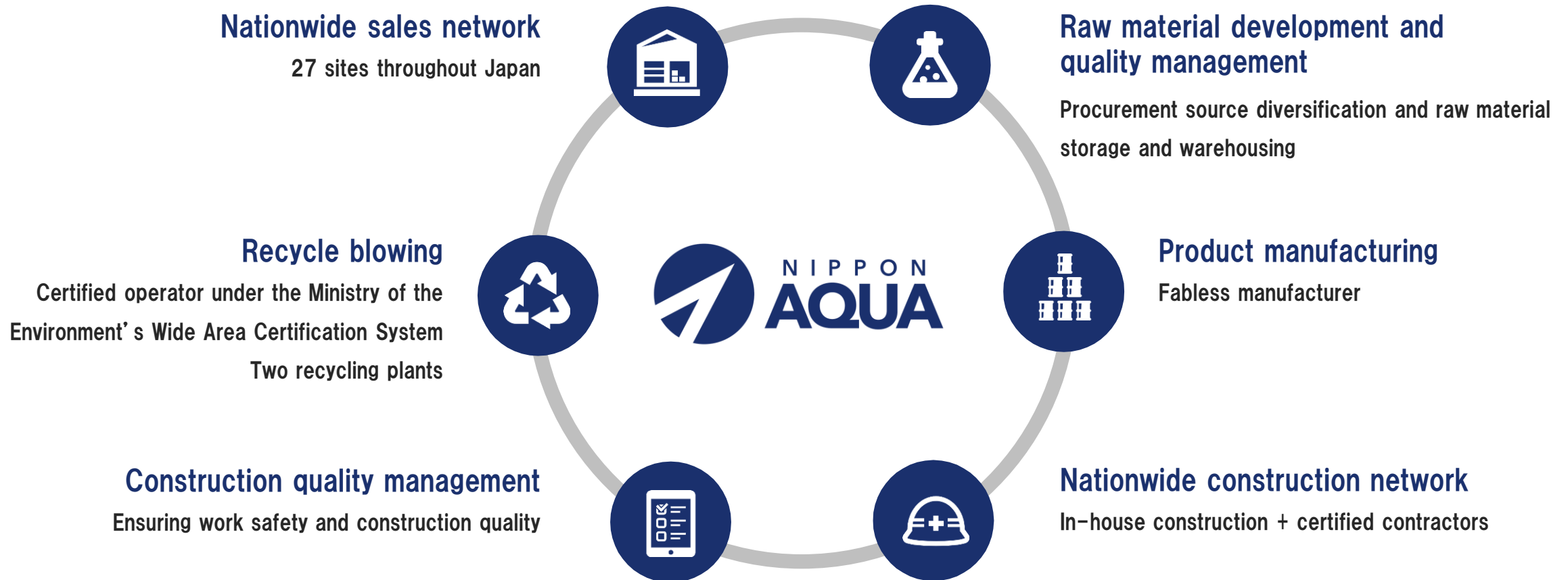
Audit and Supervisory Committee

Product Portfolio

Expanding around the core of two-component polyurethane

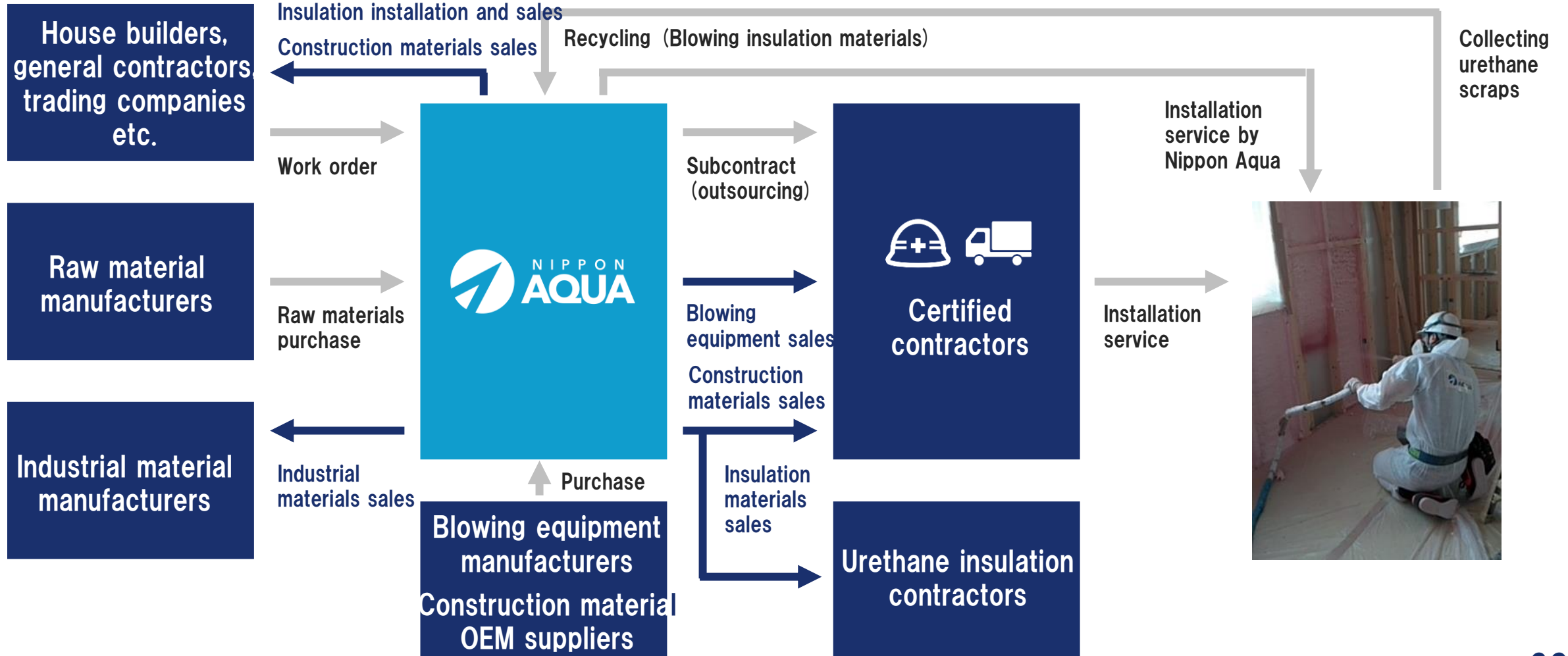


From Material Development to Installation and Recycling (Unique Business Model)

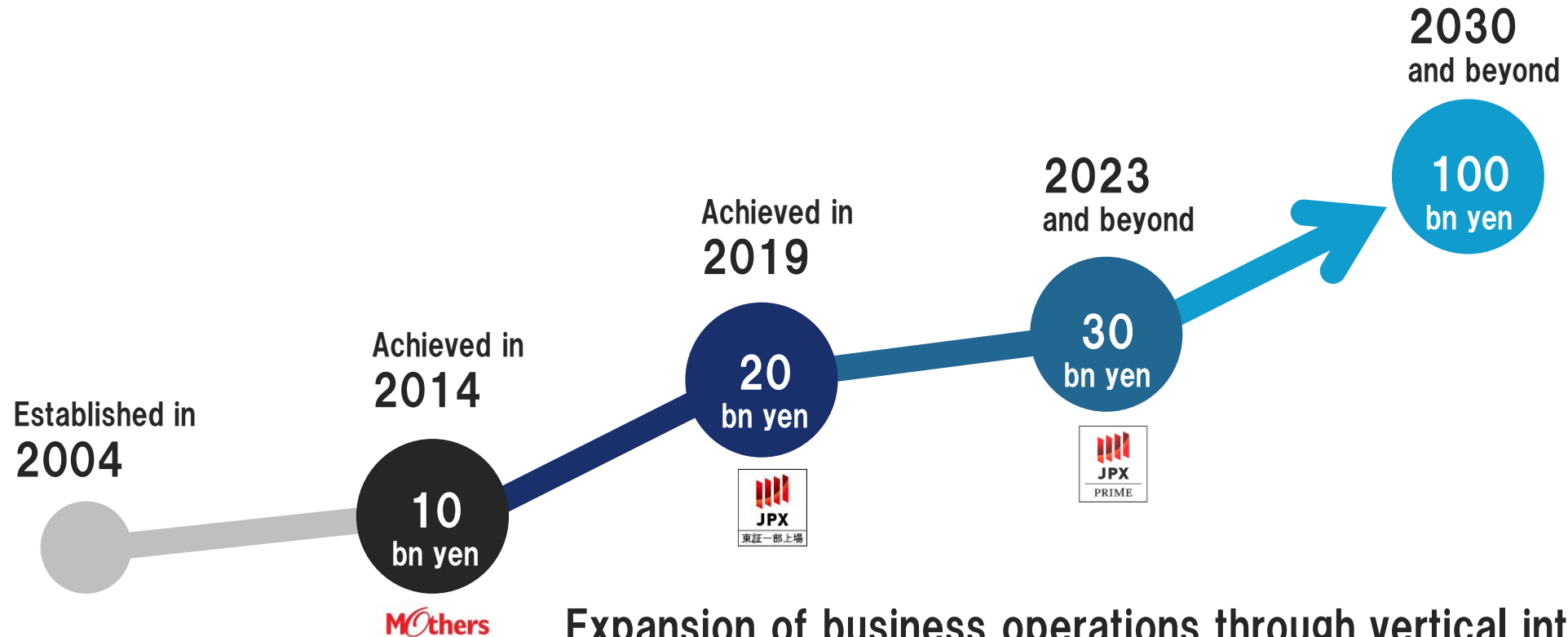


Business Scheme

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



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

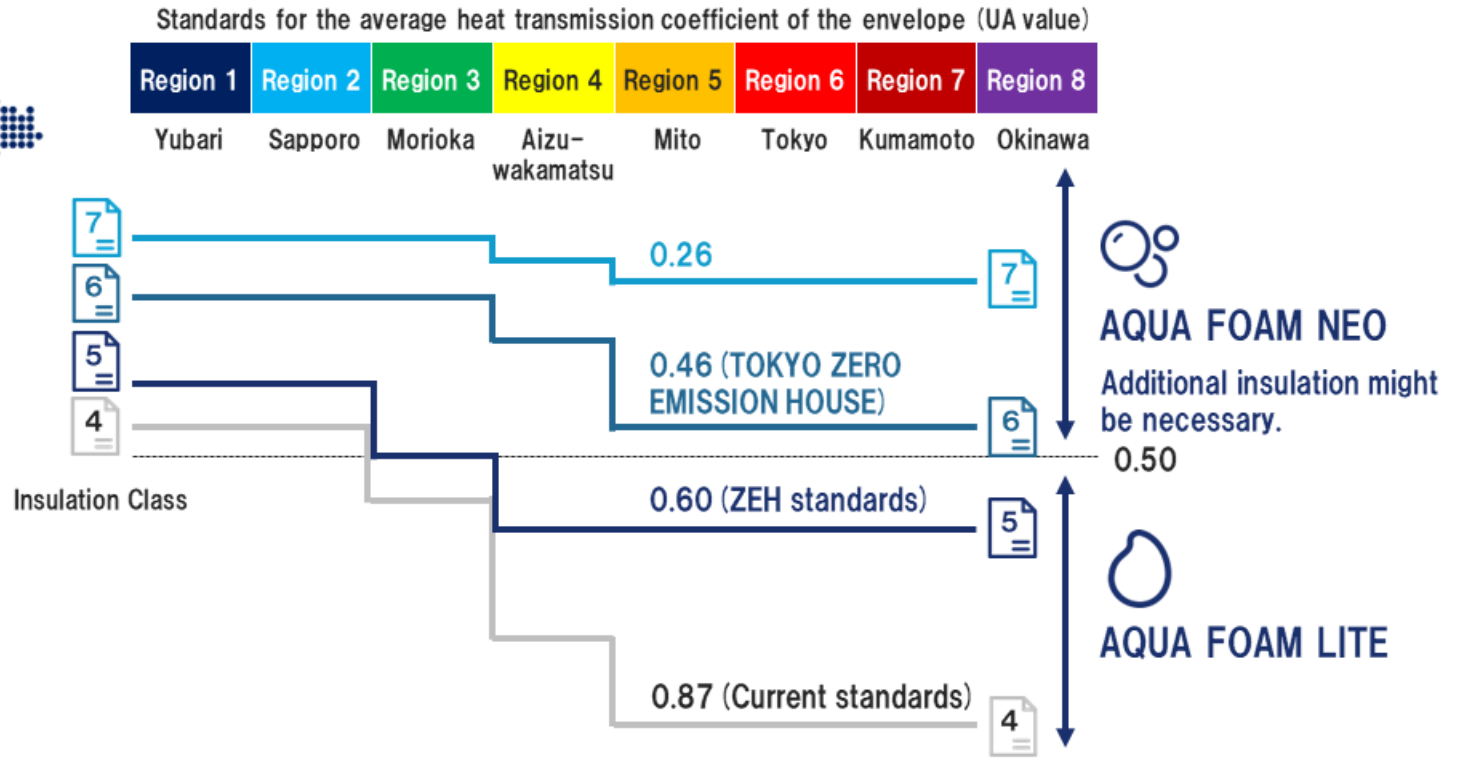
Regional Categorization and Insulation Class

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).

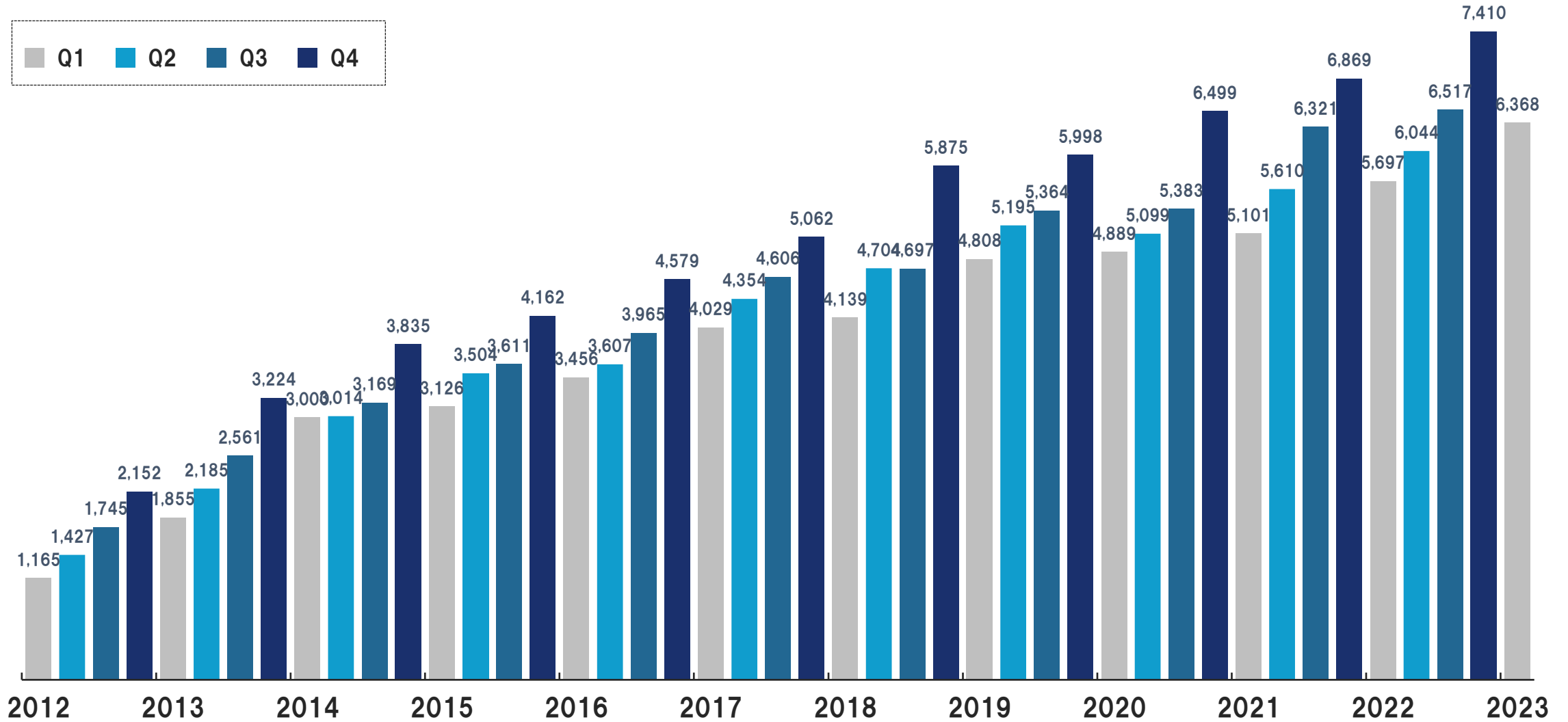
The Company estimates that, for standard single-family homes in Region 6 (Tokyo, etc.), it will cost approx. 50% more under the ZEH standards (Class 5) than they are under the current energy conservation standards (Class 4), as thicker insulation materials will be necessary.

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

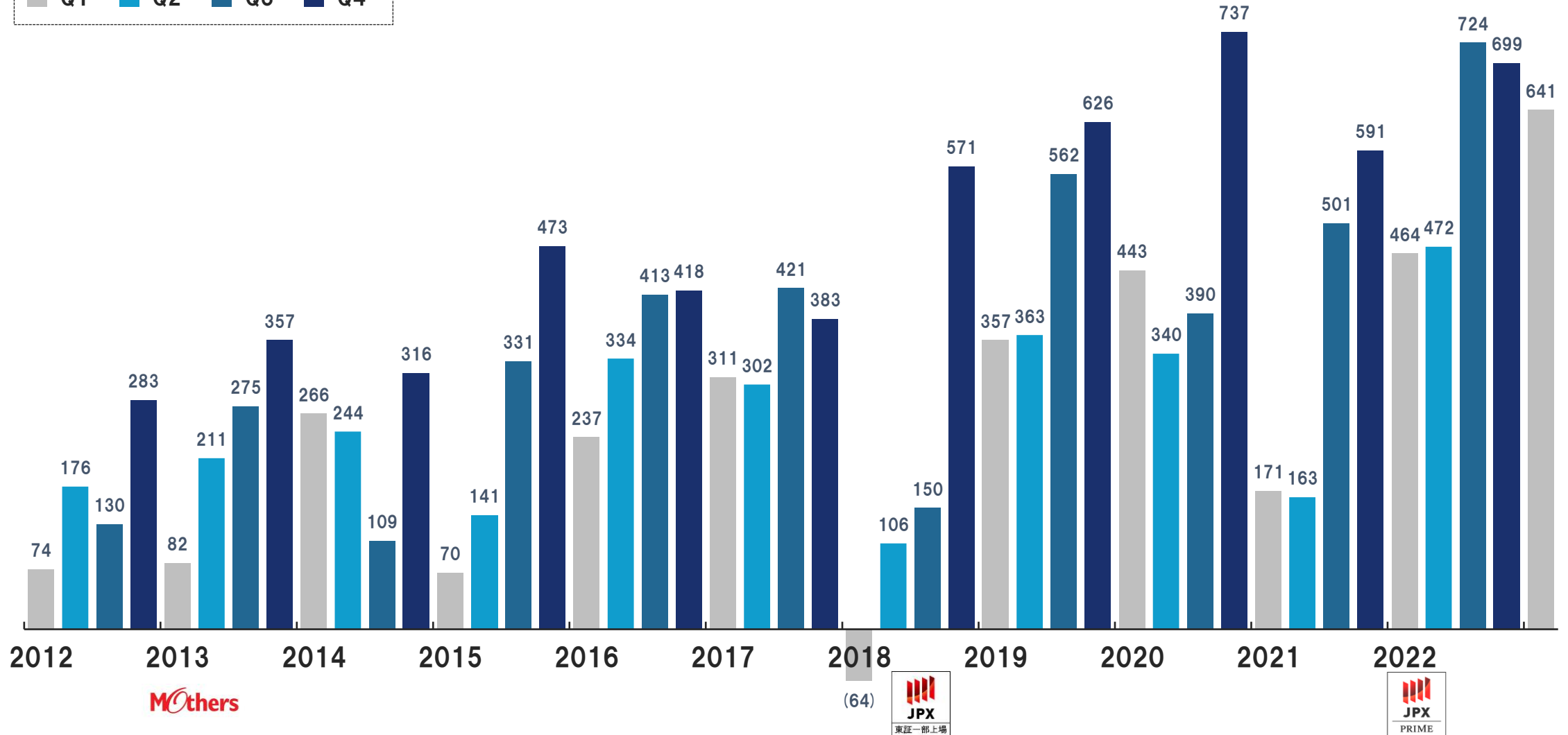
Quarterly Sales

(Million yen)

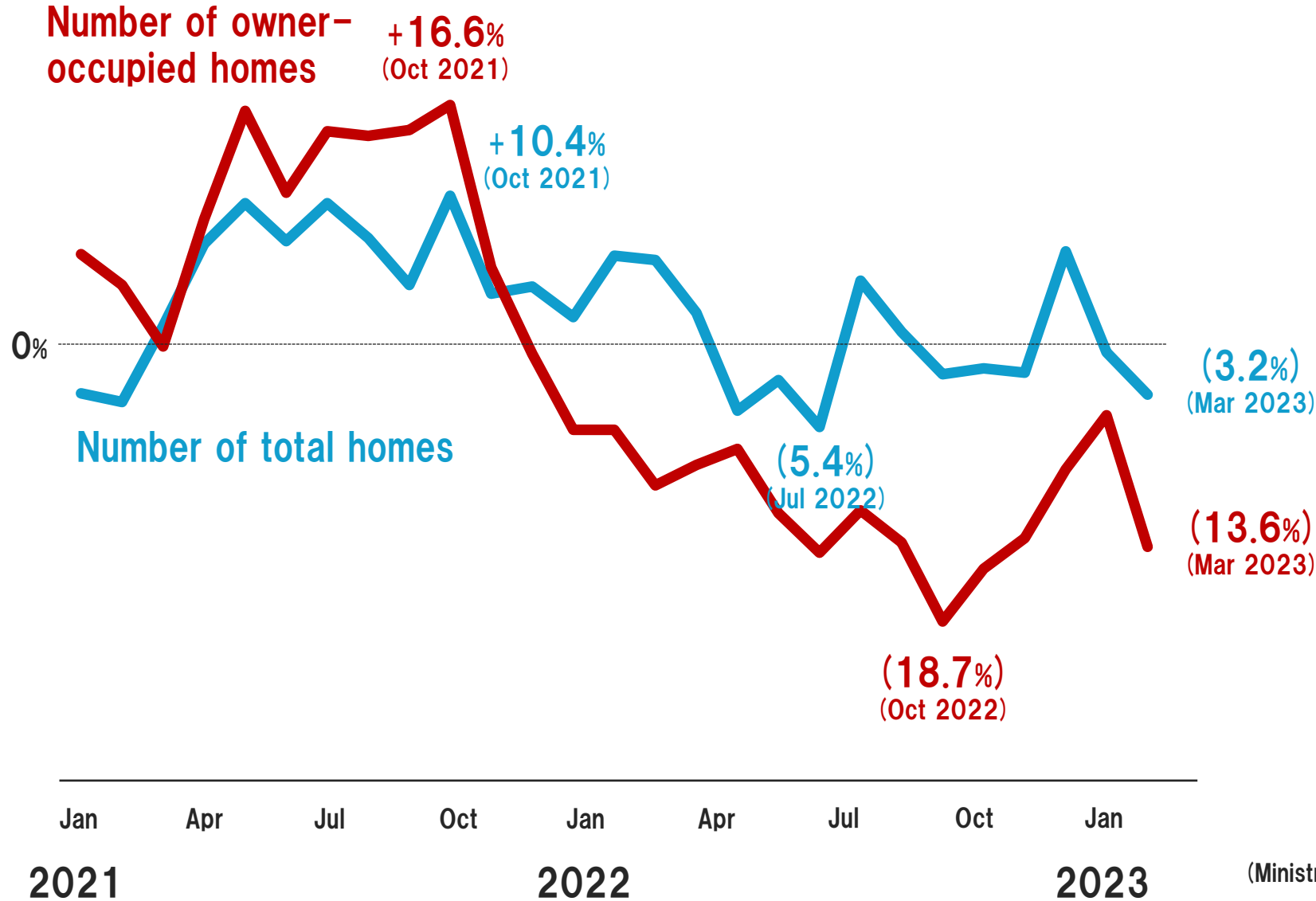


Quarterly Ordinary Profit

(Million yen)



Number of housing starts (year-on-year)



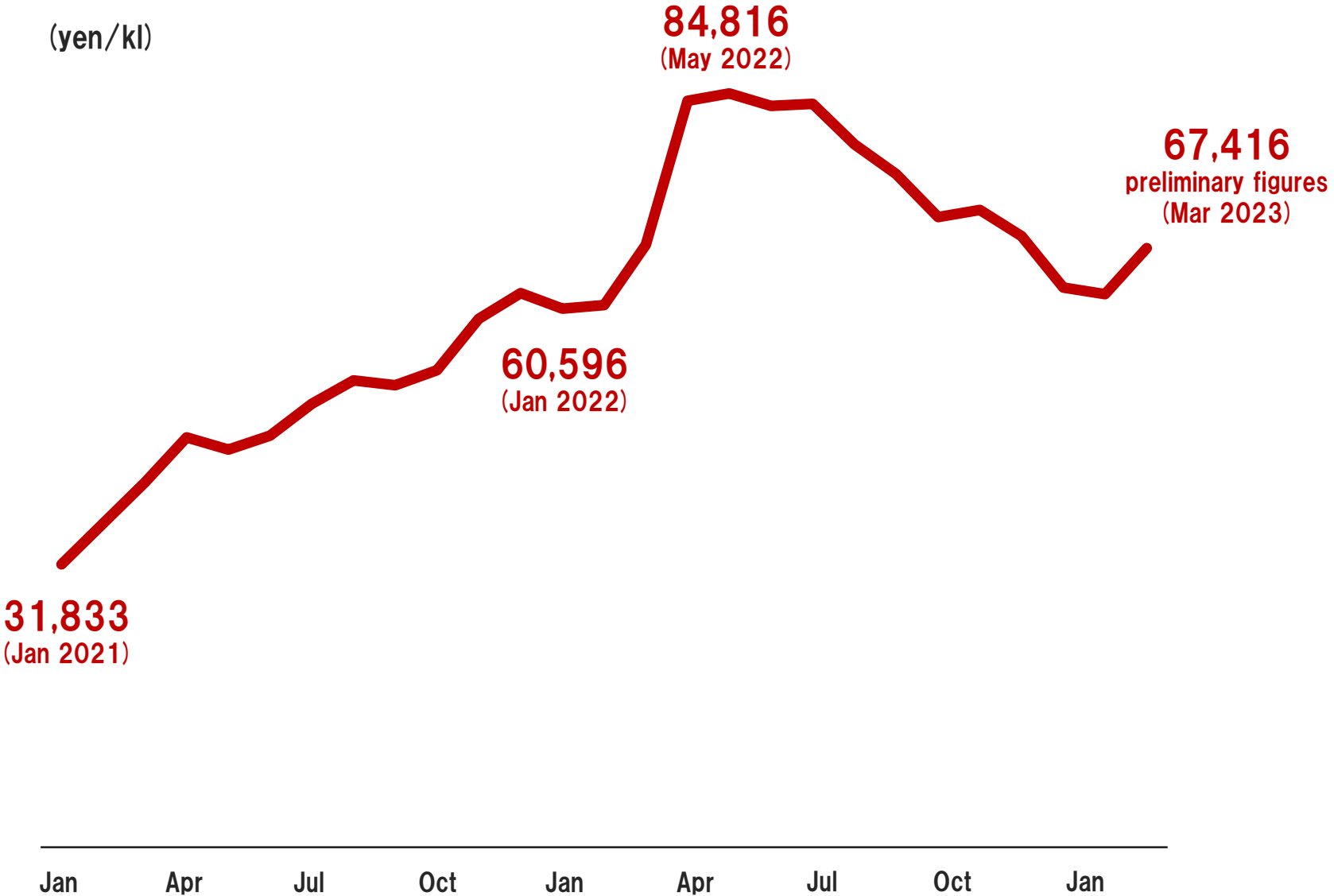
Our Single-family Homes Division has a high level of affinity with owner-occupied homes, as there are many custom-built houses being constructed

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

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

Naphtha import CIF price

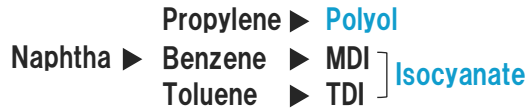
(yen/kl)



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.





Disclaimer and Notes Regarding Forward-Looking Statements

- The purpose of this document is to provide information on the financial results for the first quarter of the fiscal year ended December 31, 2023, 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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