

Business Results for the Six Months Ended June 30, 2023

August 10, 2023

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



Financial Highlights

Six months ended June 30, 2023

Significant growth both in sales and profit, **continue to perform well**

Net sales

JPY **13,158 M**

YoY +12.1%

Ordinary profit

JPY **1,400 M**

YoY +49.6%

Single-family Homes Division:

Workdays decreased due to Saturdays and Sundays off. However, the number of work in operation will be increased by promoting human resource development.

Buildings Division:

Profitability improved due to increased demand for non-flammable insulation due to a return to domestic manufacturing and other factors.



1

**Overview of Financial Highlights for
the Six Months Ended June 30, 2023**

2

Business Environment and Our Initiatives

3

Acquisition and Cancellation of
the 2nd Stock Acquisition Rights

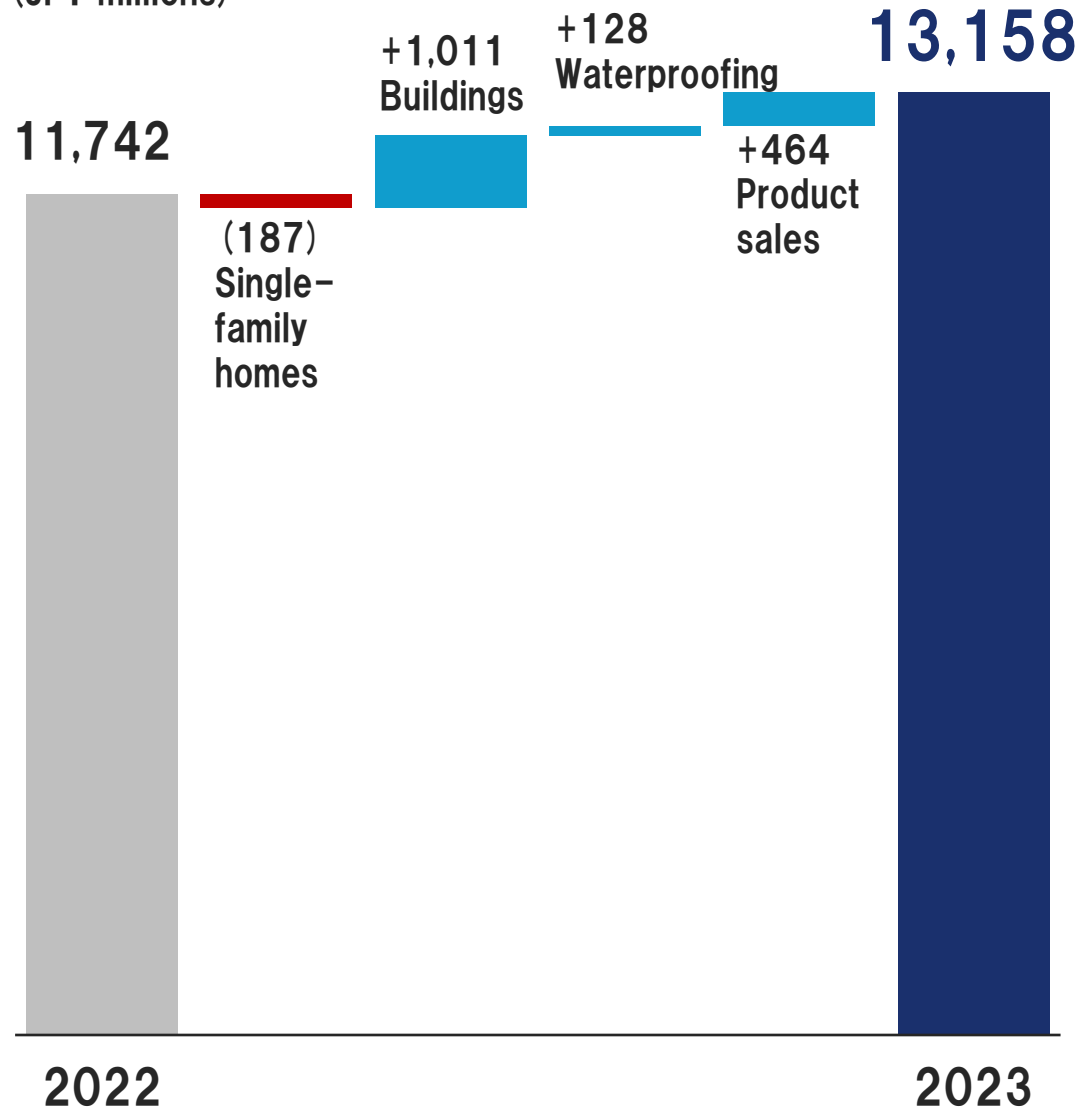
4

Appendix

Net Sales

Six months ended June 30, 2023

(JPY millions)



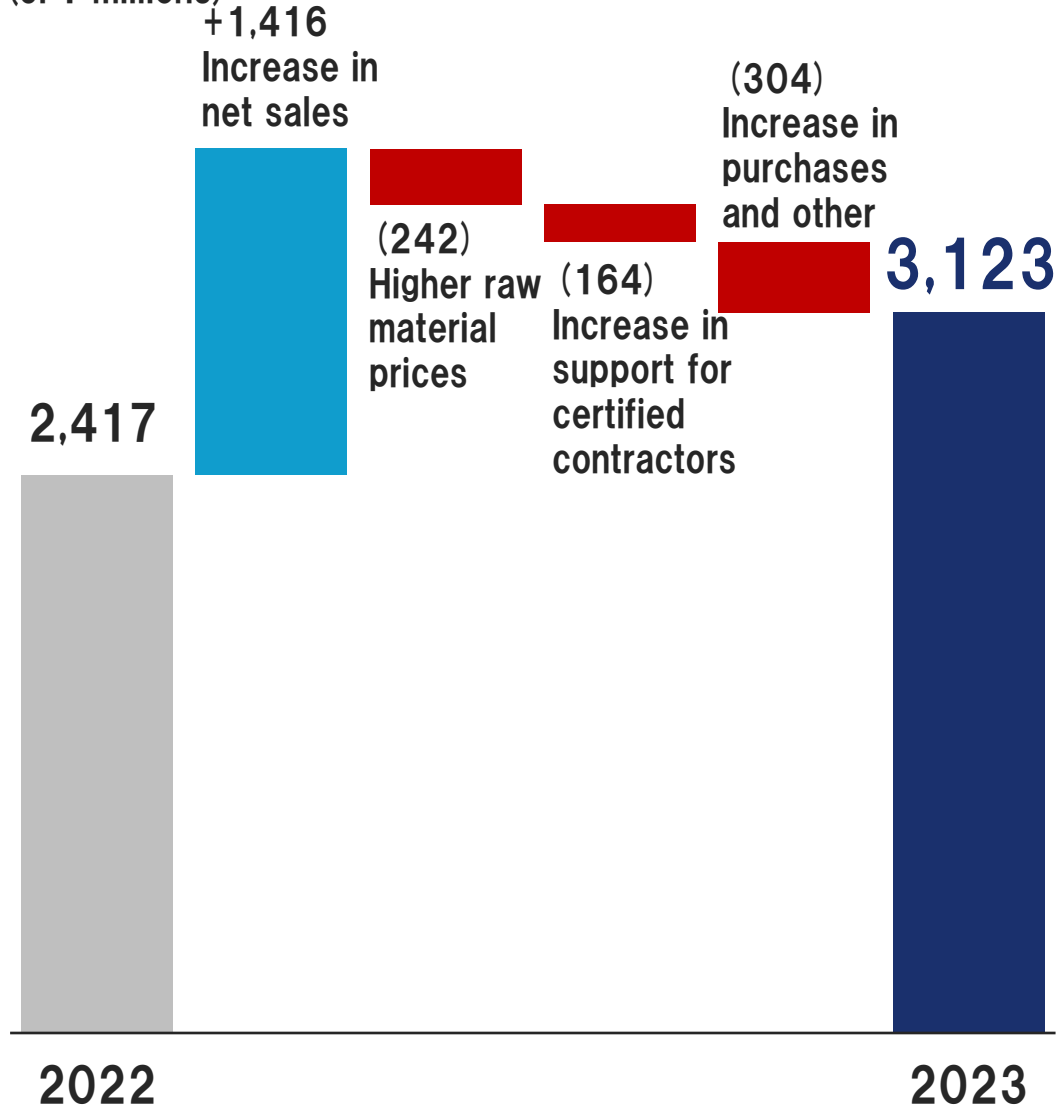
YoY UP

+ JPY 1,416M +12.1%

Gross Profit

Six months ended June 30, 2023

(JPY millions)



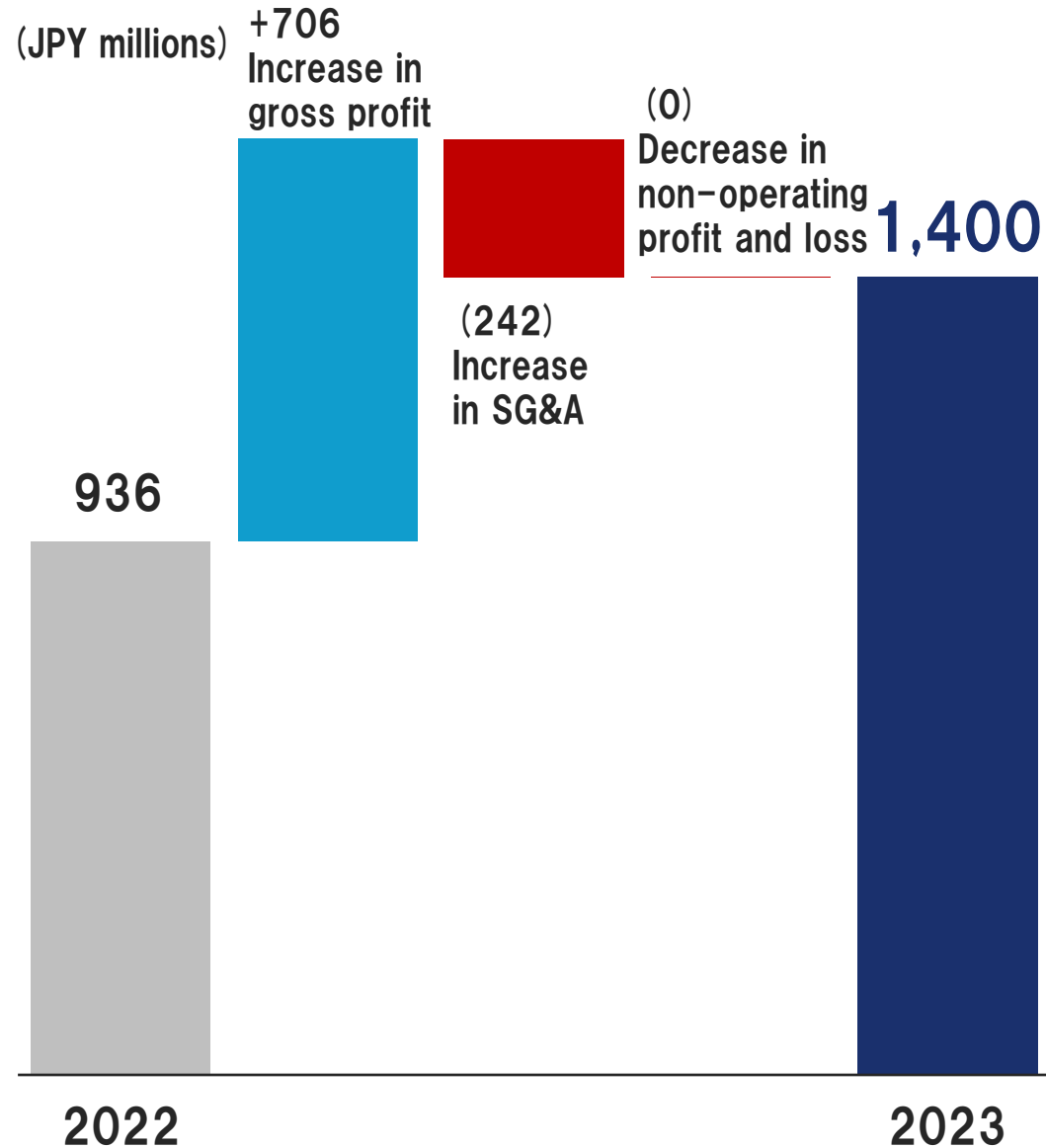
YoY UP

+ JPY 706 M +29.2%

Gross profit margin 20.6% ▶ 23.7%

Ordinary Profit

Six months ended June 30, 2023



YoY UP

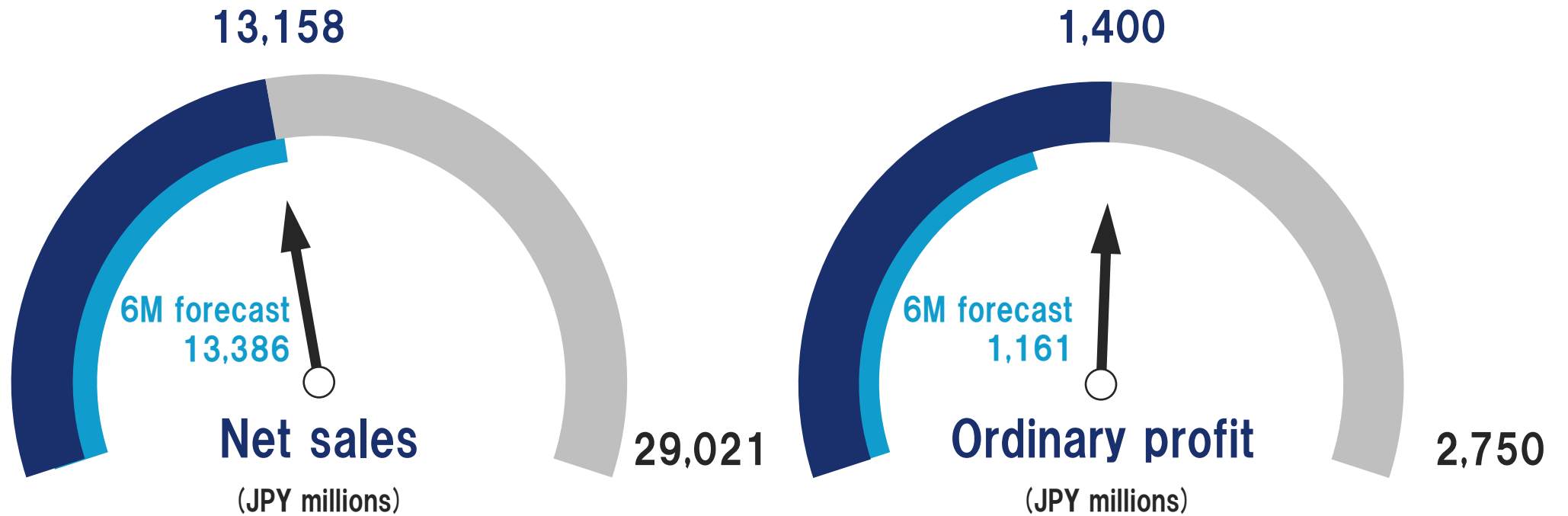
+ JPY 464 M +49.6%

Ordinary profit margin 8.0% ▶ 10.6%

SG&A ratio 12.8% ▶ 13.2%

Results Compared to Full-Year Financial Forecast

Net sales has a large share in the second half due to seasonal factors



Income Statement

Six months ended June 30, 2023

(JPY millions, %)

| | 6M 2022 Jan-Jun | 6M 2023 Jan-Jun | YoY | | Forecast | |
|--------------------------|--------------------|--------------------|--------|------------|----------|---------|
| | | | Amount | Change (%) | 6M 2023 | FY 2023 |
| Net sales | 11,742 | 13,158 | +1,416 | +12.1 | 13,386 | 29,021 |
| Single-family homes | 6,695 | 6,508 | (187) | (2.8) | 7,221 | 16,115 |
| Buildings | 2,837 | 3,848 | +1,011 | +35.6 | 3,577 | 7,600 |
| Waterproofing | 120 | 248 | +128 | +106.6 | 230 | 539 |
| Product sales | 2,087 | 2,552 | +464 | +22.3 | 2,356 | 4,766 |
| Cost of sales | 9,324 | 10,034 | +709 | +7.6 | 10,556 | 22,773 |
| Gross profit | 2,417 | 3,123 | +706 | +29.2 | 2,829 | 6,248 |
| Single-family homes | 1,560 | 1,743 | +183 | +11.7 | 1,839 | 4,028 |
| Buildings | 447 | 811 | +364 | +81.4 | 559 | 1,333 |
| Waterproofing | 18 | (33) | (52) | - | 0 | 11 |
| Product sales | 390 | 602 | +211 | +54.1 | 430 | 875 |
| SG&A expenses | 1,500 | 1,743 | +242 | +16.1 | 1,667 | 3,497 |
| Operating profit | 916 | 1,380 | +464 | +50.7 | 1,161 | 2,750 |
| Ordinary profit | 936 | 1,400 | +464 | +49.6 | 1,161 | 2,750 |
| Profit | 626 | 948 | +321 | +51.2 | 772 | 1,828 |
| Dividend per share (yen) | | | | | | 30.0 |

Balance Sheet

Six months ended June 30, 2023



(JPY millions)

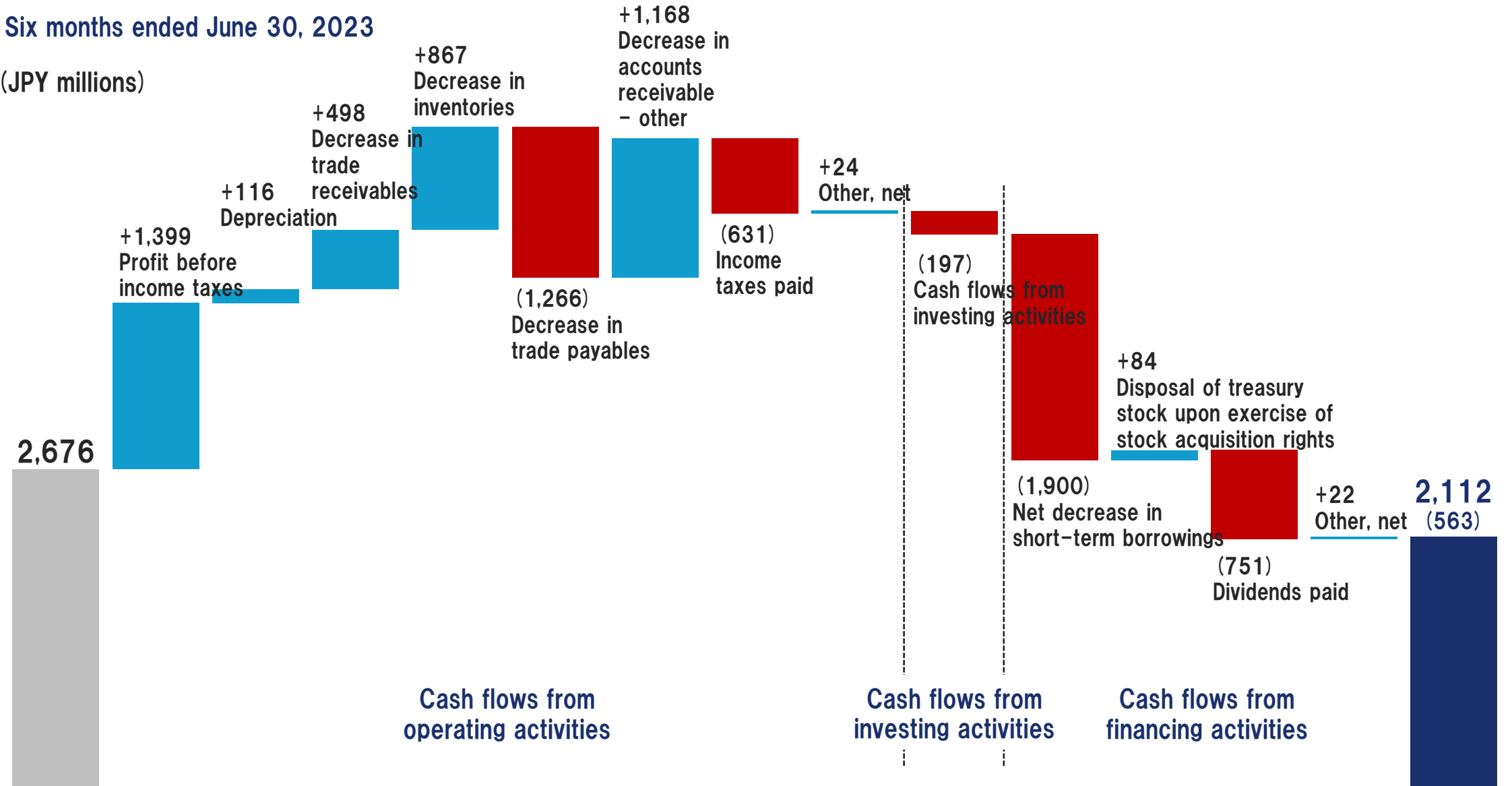
| | As of Dec 31 2022 | As of Jun 30 2023 | | As of Dec 31 2022 | As of Jun 30 2023 |
|---|----------------------|----------------------|---|----------------------|----------------------|
| Assets | | | Liabilities | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | 2,676 | 2,122 | Accounts payable – trade | 6,272 | 5,005 |
| Notes and accounts receivable – trade, and contract assets | 6,144 | 5,732 | Short-term borrowings | 6,000 | 4,100 |
| Electronically recorded monetary claims | 754 | 572 | Total current liabilities | 13,902 | 10,359 |
| Raw materials and supplies | 3,121 | 2,254 | Non-current liabilities | | |
| Accounts receivable – other | 4,216 | 3,048 | Total non-current liabilities | 101 | 139 |
| Total current assets | 17,136 | 13,830 | Total liabilities | 14,003 | 10,499 |
| Non-current assets | | | Net assets | | |
| Total property, plant and equipment | 4,346 | 4,347 | Share capital | 1,903 | 1,903 |
| Total intangible assets | 96 | 93 | Capital surplus | 1,885 | 1,912 |
| Total investments and other assets | 391 | 478 | Retained earnings | 6,270 | 6,467 |
| Total non-current assets | 4,833 | 4,919 | Treasury shares | (2,093) | (2,035) |
| | | | Total net assets | 7,966 | 8,250 |
| Total assets | 21,969 | 18,750 | Total liabilities and net assets | 21,969 | 18,750 |

Cash Flow Statement

Six months ended June 30, 2023



(JPY millions)



Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period



1

Overview of Financial Highlights for
the Six Months Ended June 30, 2023

2

Business Environment and Our Initiatives

3

Acquisition and Cancellation of
the 2nd Stock Acquisition Rights

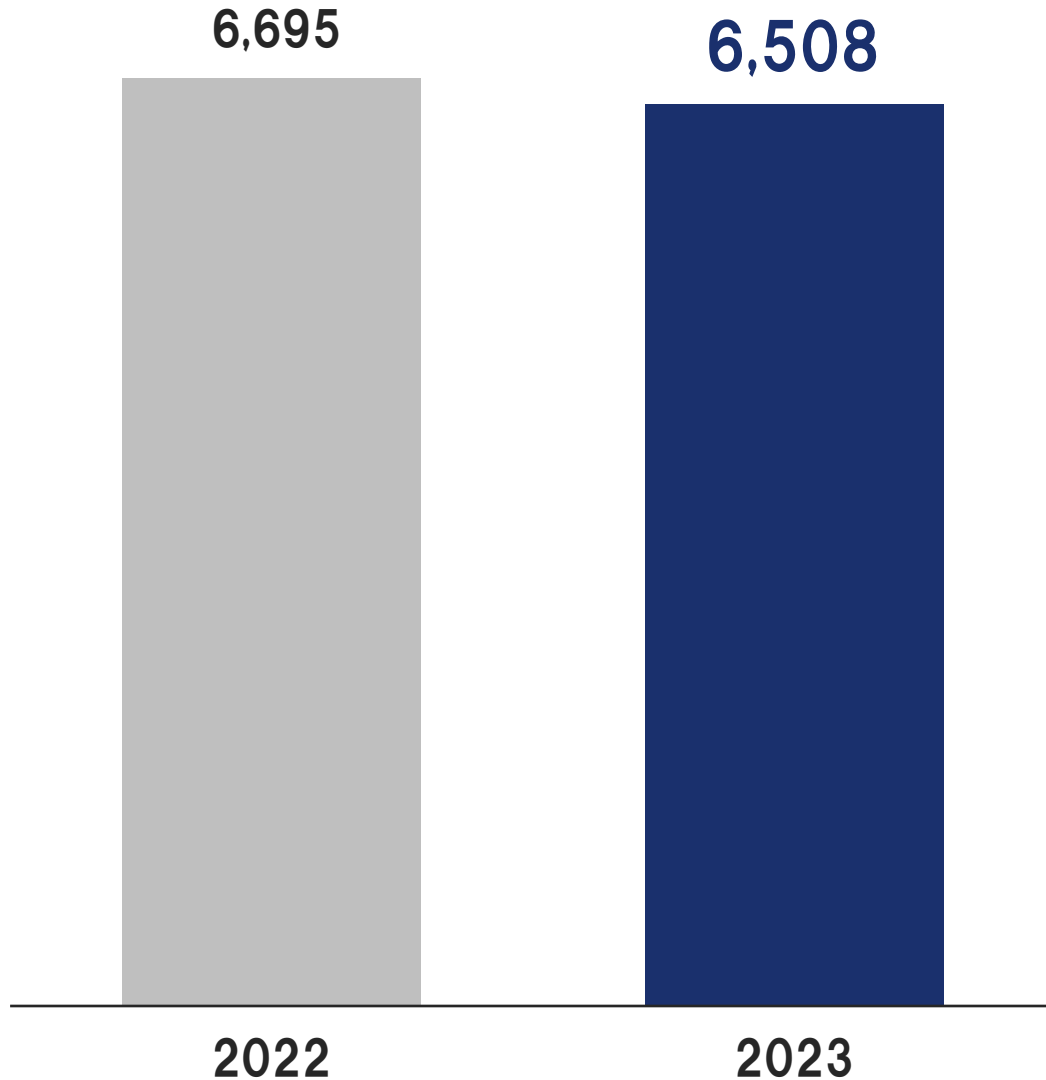
4

Appendix

Single-family Homes Division

Six months ended June 30, 2023

(JPY millions)



YoY DOWN

(JPY 187M) (2.8%)

Gross profit margin 23.3% ▶ 26.8%

Pace at which insulation Class 5
(ZEH standards) exceed planning

Fewer workdays at construction sites
with Saturdays and Sundays off

Expanding business with leading manufacturers with outstanding growth rates

Number of units delivered after construction starts:
3 times in 5 years

Standard use of sprayed hard polyurethane foam

Source: Prepared by Nippon Aqua based on published materials from the company



The National Permit System

As a company certified as the National Permit System, Nippon Aqua can collect and process polyurethane scrap materials.



Stable quality + Nationwide expansion

Stable construction quality under certified contractors system
Nationwide expansion with an integrated business model



What is the National Permit System?

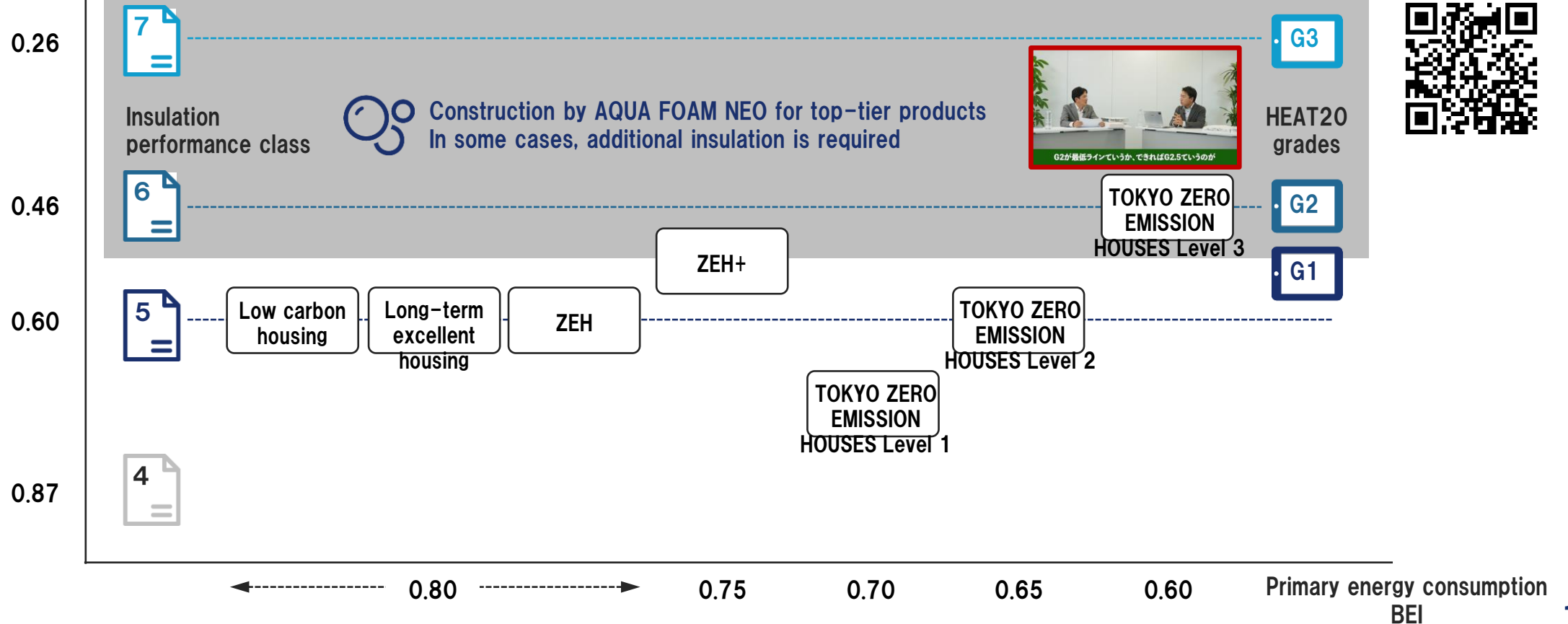
A system in which the Minister of the Environment certifies that manufacturers, etc. handle waste in a wide area, thereby eliminating the need for a license for waste disposal by each local government.

If the National Permit System is not used, builders using hard urethane foam will need to search for a disposal contractor by themselves at the time of disposal. In the National Permit System, this can be left to Nippon Aqua (sellers and manufacturers), which greatly reduces the burden on the builder side.

Proposing Energy-Saving Housing with Excellent Cost Performance

Insulation performance
UA Value

(UA value is the value of Region 6 to 7 such as Tokyo)



Energy-saving housing with good cost performance
recommended by Kazuya Matsuo Designer
(our official site)
<https://www.youtube.com/watch?v=210Jcwk3oKk>

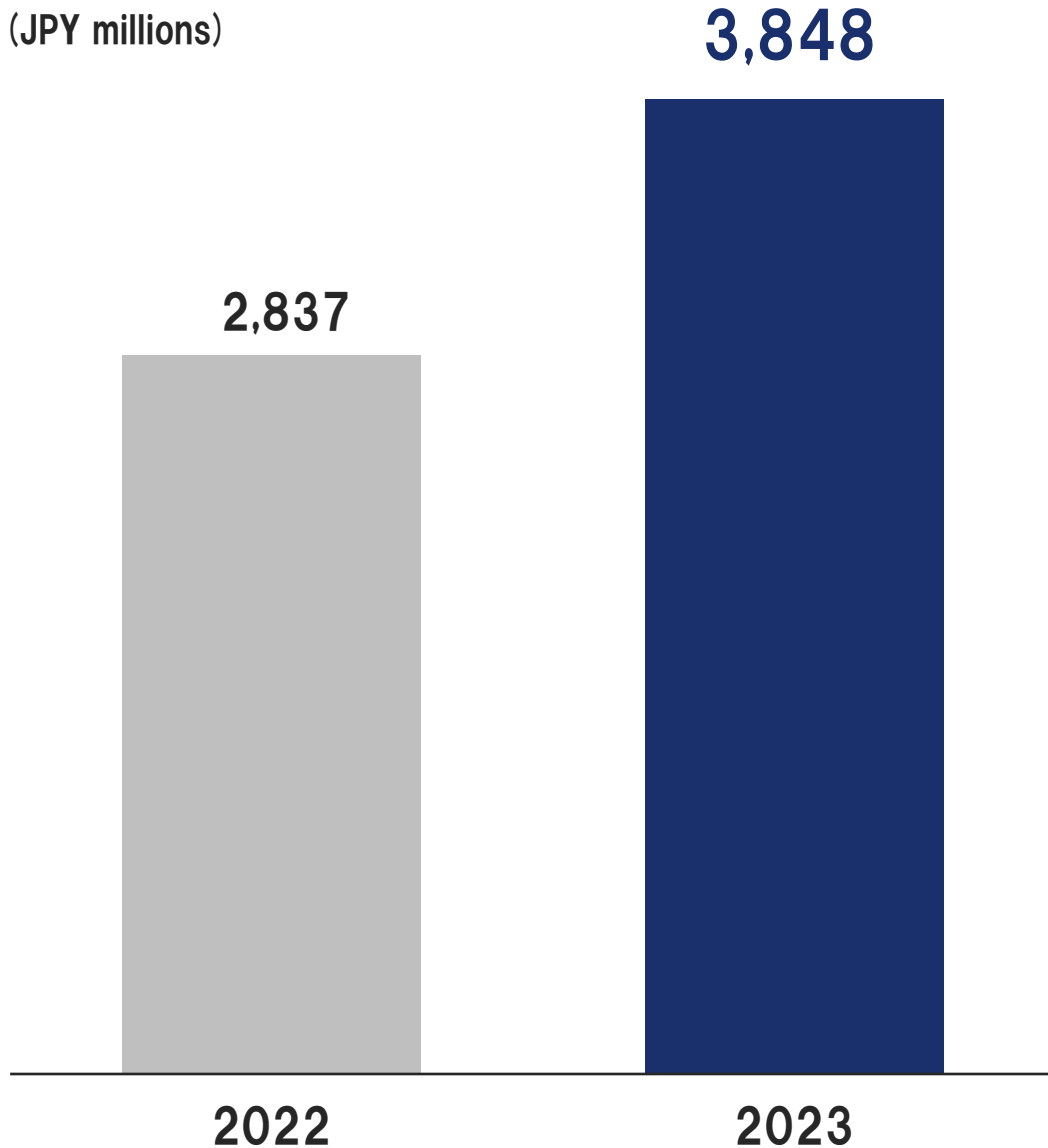


Buildings Division

Six months ended June 30, 2023



(JPY millions)



YoY UP

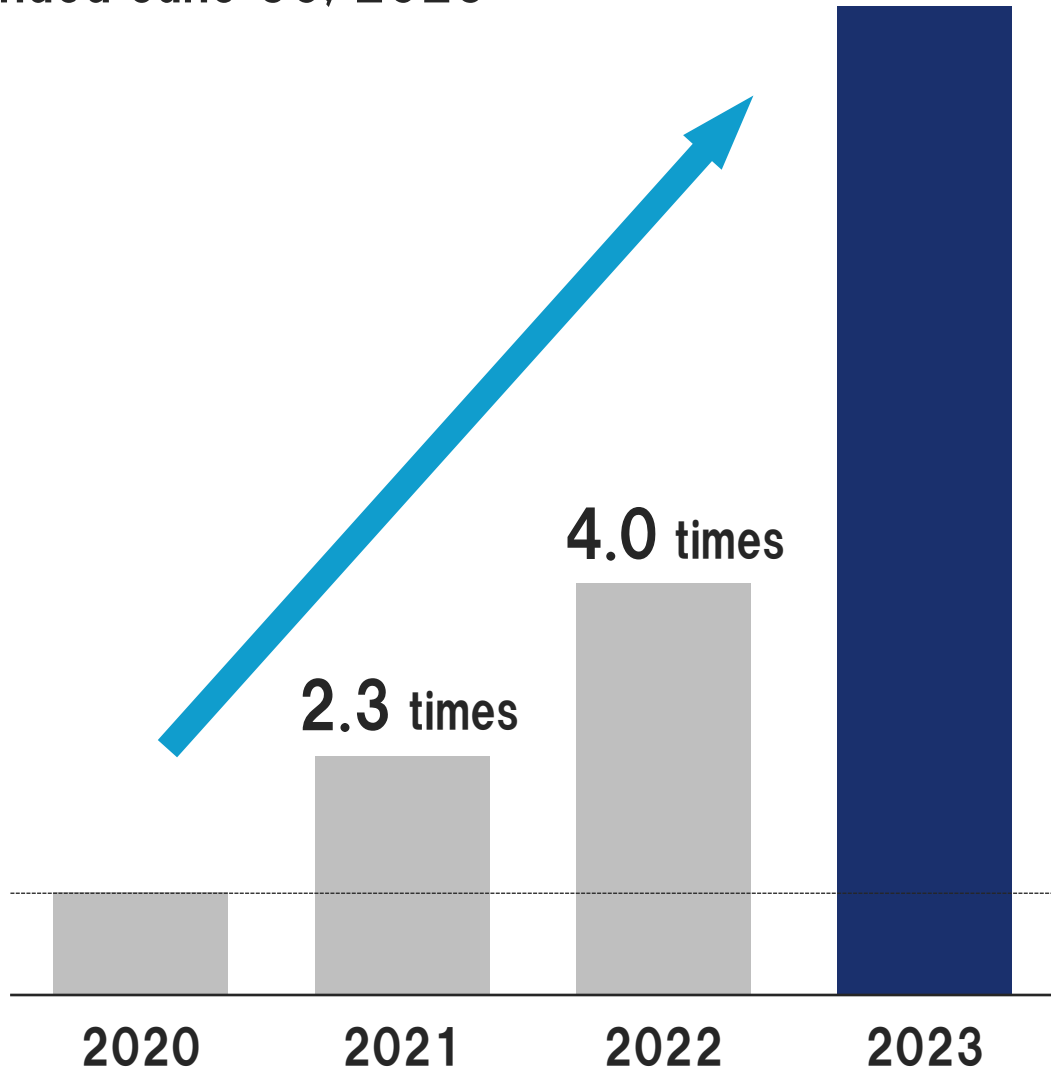
+ JPY 1,011 M +35.6%

Gross profit margin 15.8% ▶ 21.1%

Markups brought trickle-down benefits

Increased construction with AQUA MOEN NEO

Net sales of non-flammable insulation during the six months ended June 30, 2023



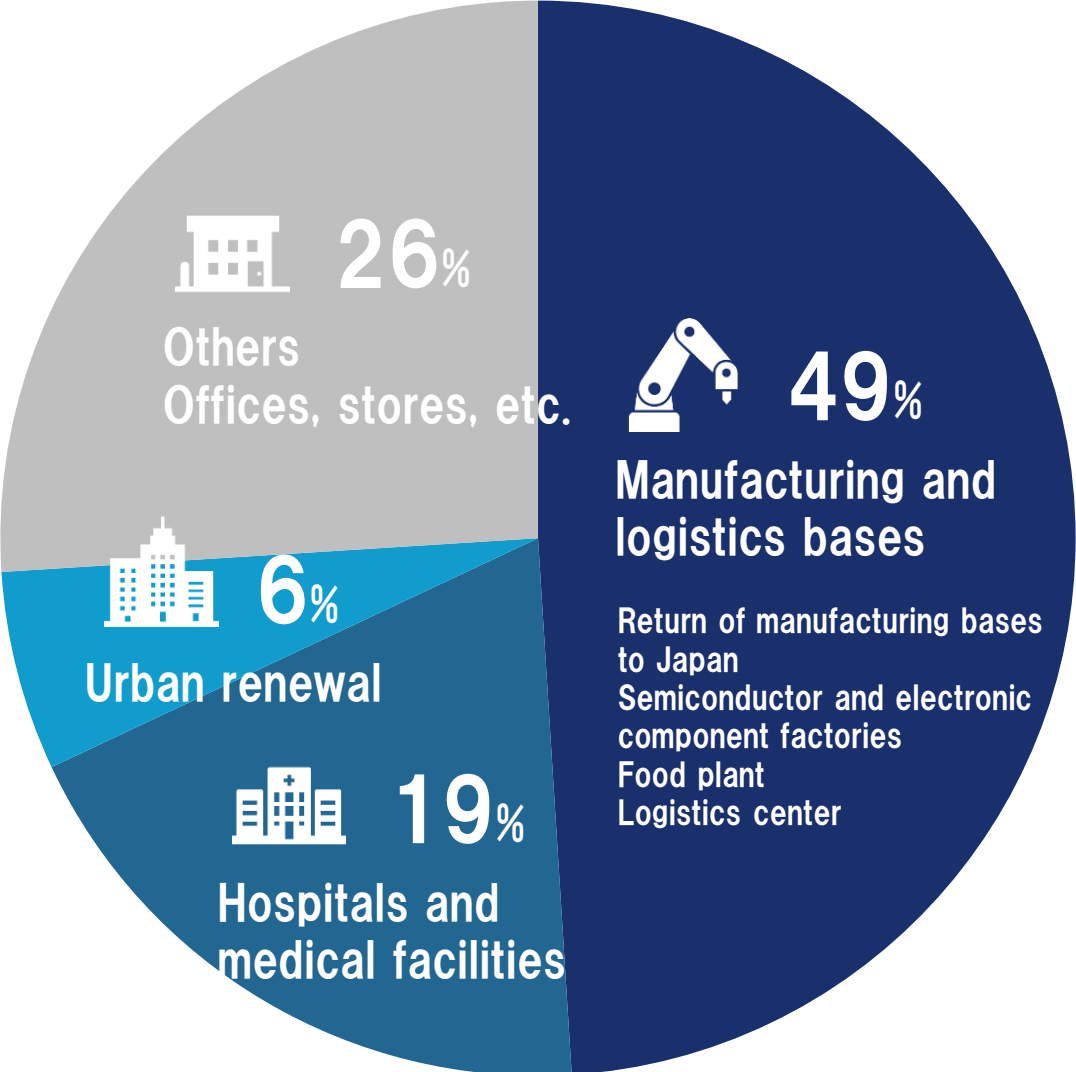
What is non-flammable insulation?

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



Non-flammable insulation performance by use during the six months ended June 30, 2023



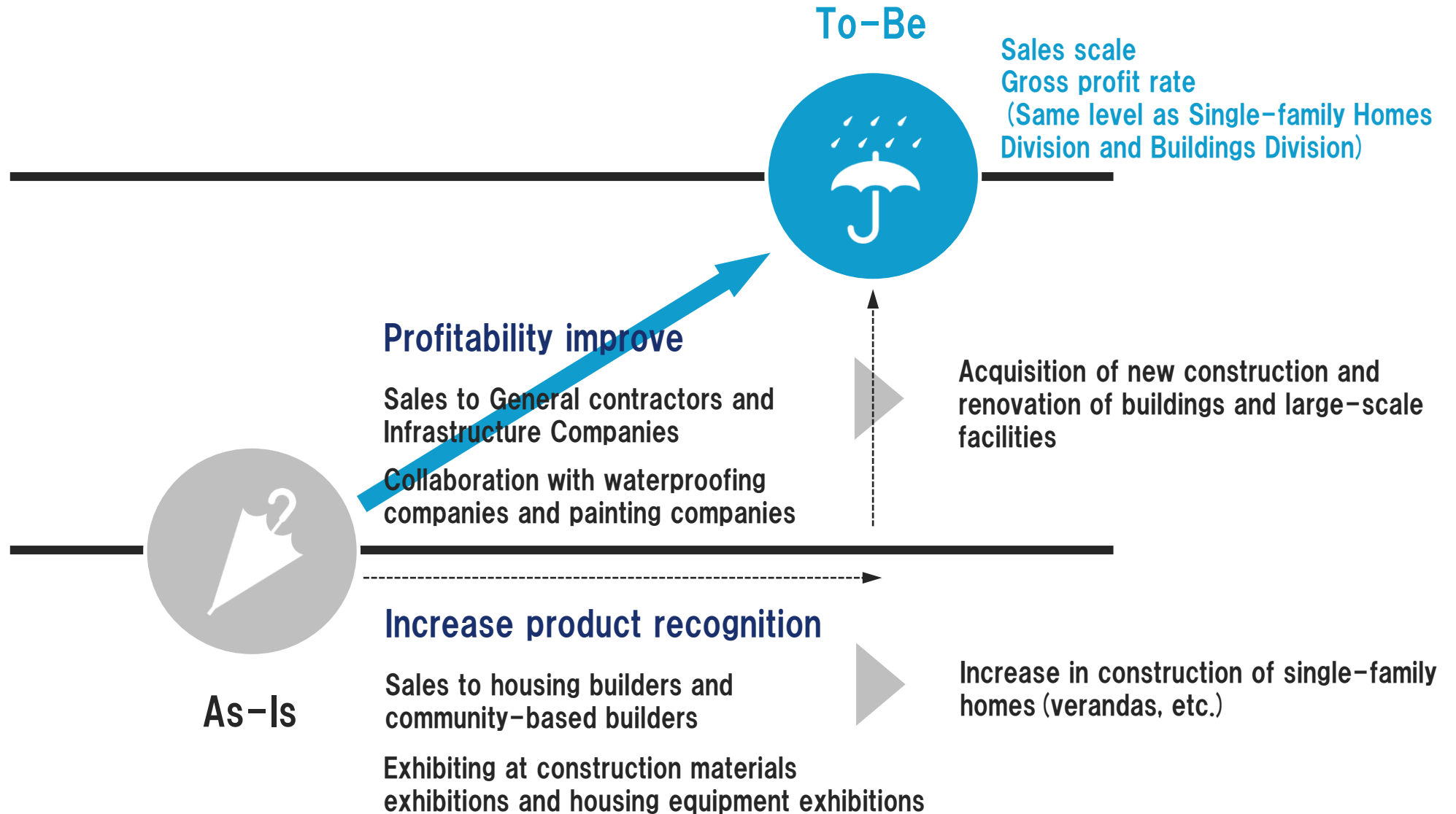

Restrictions on interior decoration of buildings

Regulations stipulated by the Building Standards Law to use materials that are hard to burn on walls and ceilings

Buildings with a high public profile and large-scale facilities that attract many people are often covered

Waterproofing Division

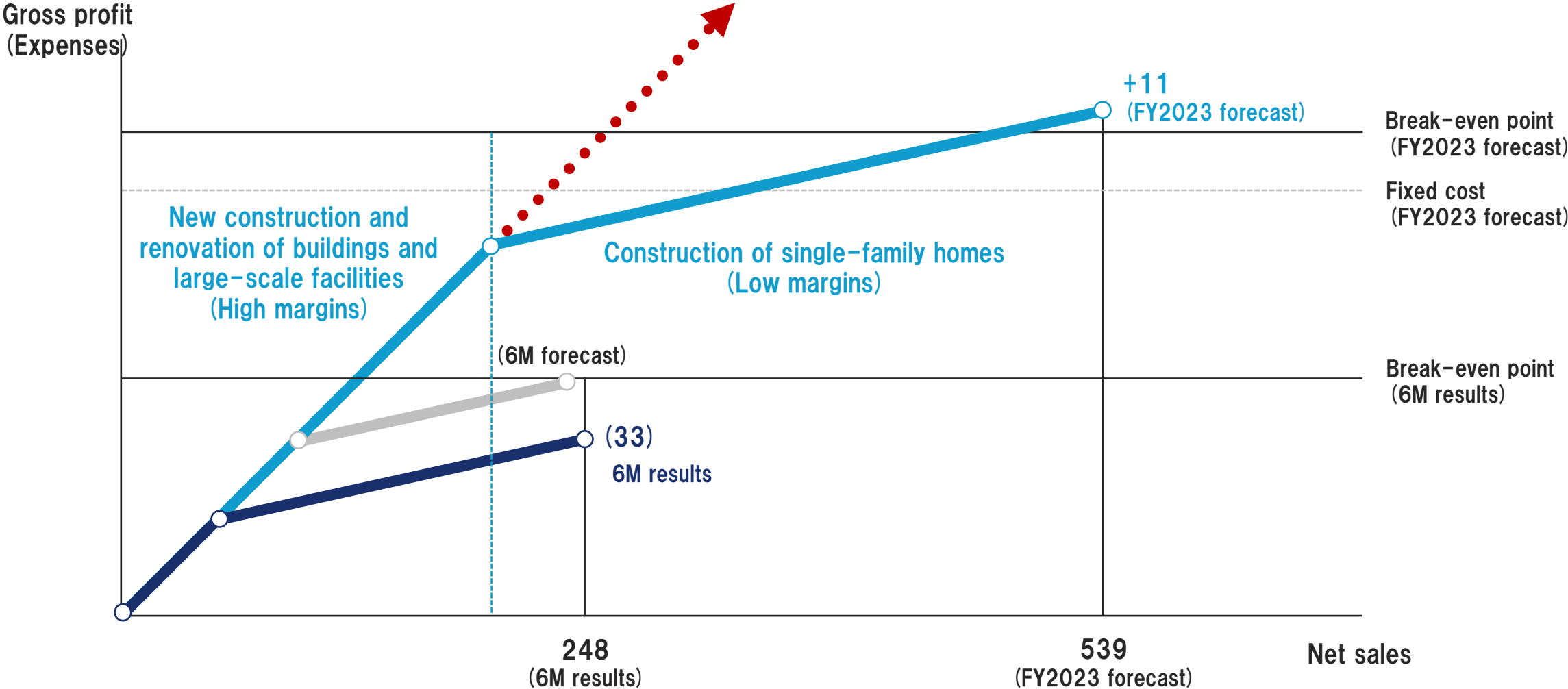
Current status and initiatives



Waterproofing Division: Image of Profitability Improvement

(JPY million)

Growth in construction of buildings and large-scale facilities = Profitability improvement





1 Overview of Financial Highlights for
the Six Months Ended June 30, 2023

2 Business Environment and Our Initiatives

**3 Acquisition and Cancellation of
the 2nd Stock Acquisition Rights**

4 Appendix

Progress of Prime Market Conformity Plan



Record date for calculation

June 30, 2021

June 30, 2023

Record date for transition

Preliminary calculation by the Company



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

Not conformed 34.7%

Conformed 35.4%



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

Not conformed JPY 6.93 bn

Conformed JPY 10.88 bn

Average closing price from
April to June 2021 – JPY 574.7

Average closing price from
April to June 2023 – JPY 883.5

Acquisition and Cancellation of the 2nd Stock Acquisition Rights

Main purposes of stock acquisition rights issuance

Listing criteria for the Prime Market

Ratio of tradable shares
Market value of shares traded

Funds for opening sales offices

Kita-Kanto Sales Office and 4 other offices
Total JPY 882 M



Ratio of tradable shares conforms

Aiming for market value of shares traded compliance as of the base date of our planning document (end of December 2023)



Cash on hand + Improving cash flow

JPY 84 M raised by exercising stock acquisition rights
The remaining balance is dealt with by improving cash on hand and cash flow.



Improve concerns about dilution of stock value

Emphasizing Engagement with Shareholders and Investors

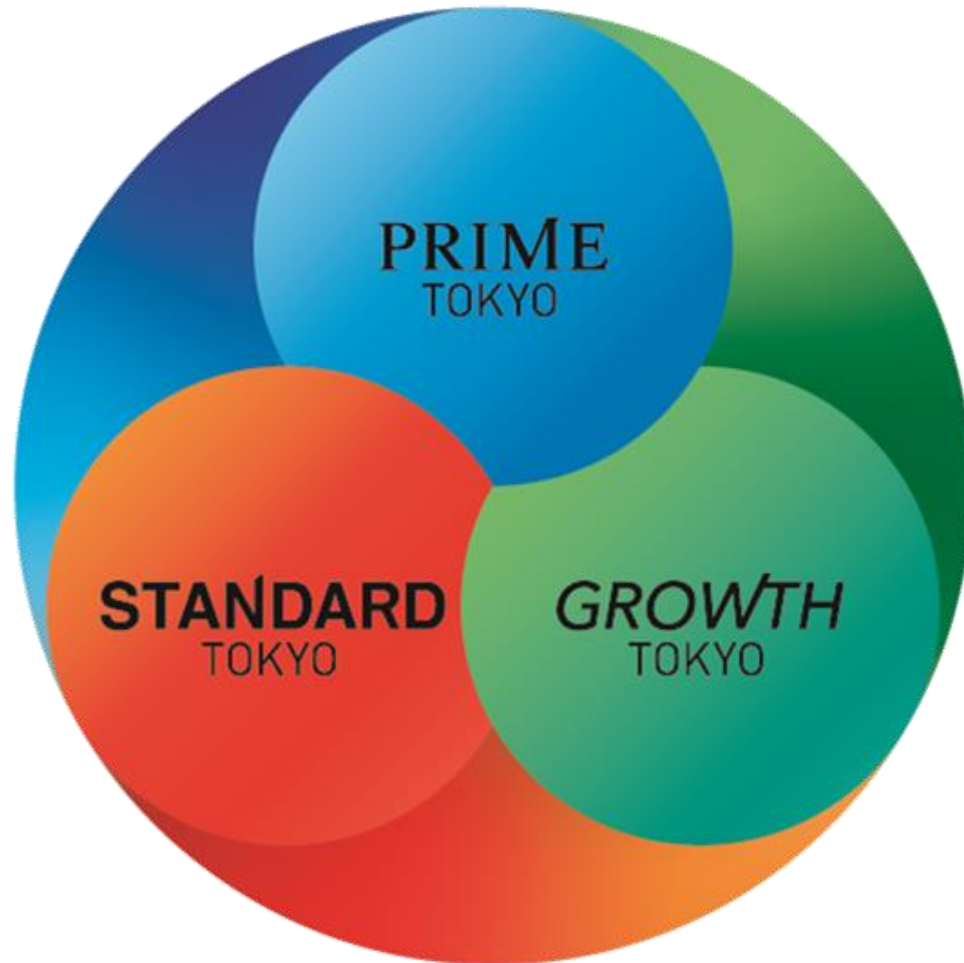


The 2nd Stock Acquisition Rights and Stock Price Range



No Application for Special Measures for Transition to the Standard Market

Reaffirmed not to “re-select the Standard Market”



What is “re-select the Standard Market”?

This is a measure that allows Prime Market listed companies listed on the First Section of the Tokyo Stock Exchange as of April 3, 2022 to be listed on Standard Market if they apply to the Tokyo Stock Exchange within the period from April 1, 2023 to September 29, 2023.

If Nippon Aqua does not meet the listing criteria for the Prime Market by the end of December 2025, it will be treated as a supervised stock from January 2026 onward, increasing the likelihood that it will be delisted.

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



NIPPO N
AQUA





1 Overview of Financial Highlights for
the Six Months Ended June 30, 2023

2 Business Environment and Our Initiatives

3 Acquisition and Cancellation of
the 2nd Stock Acquisition Rights

4 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 |
| 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 | JPY 1,903 millions |
| No. of employees | 478 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

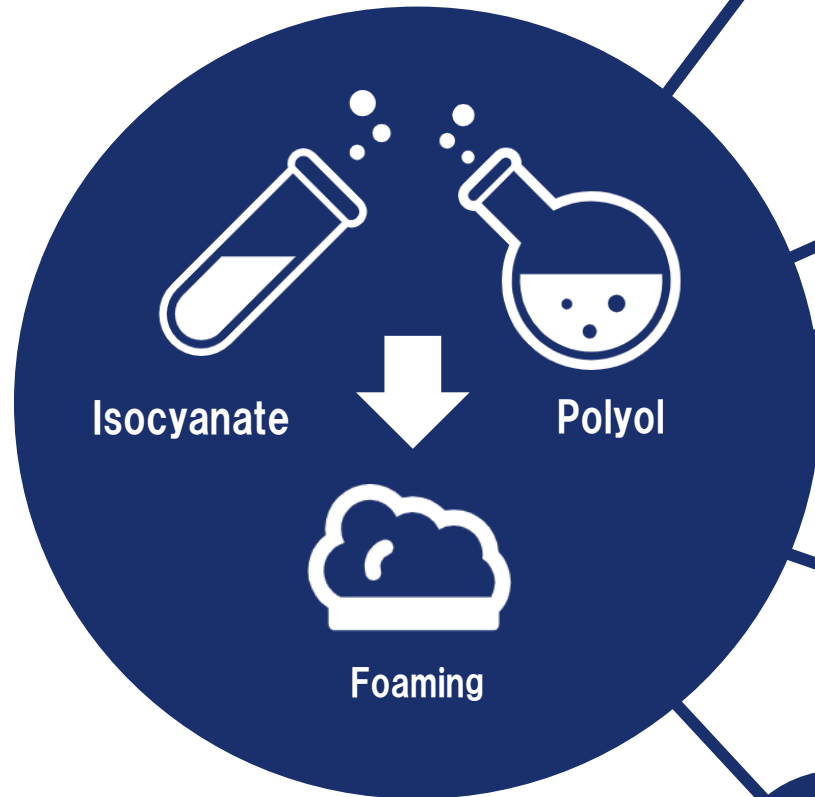
Management philosophy

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

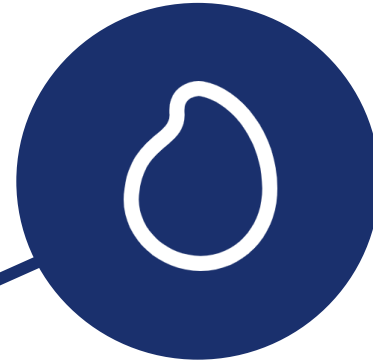
We exist to reduce total energy demand through innovation in insulation technology, prevent global warming, and at the same time, help people lead healthy and comfortable lives.

Product Portfolio

Expanding around the core of two-component polyurethane



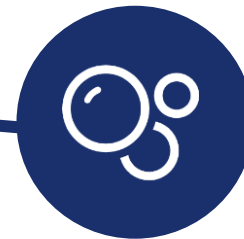
For single-family homes
AQUA FOAM



For single-family homes
Formulation using
plant derived materials
AQUA FOAM LITE



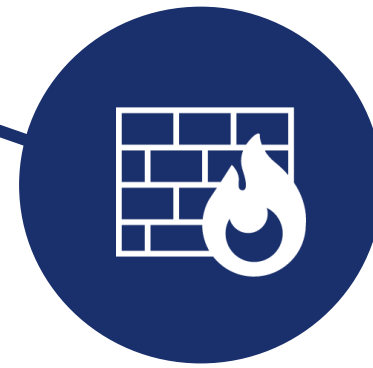
For concrete buildings
Fireproof coatings
AQUA BARRIER



For single-family homes
and concrete buildings
AQUA FOAM NEO

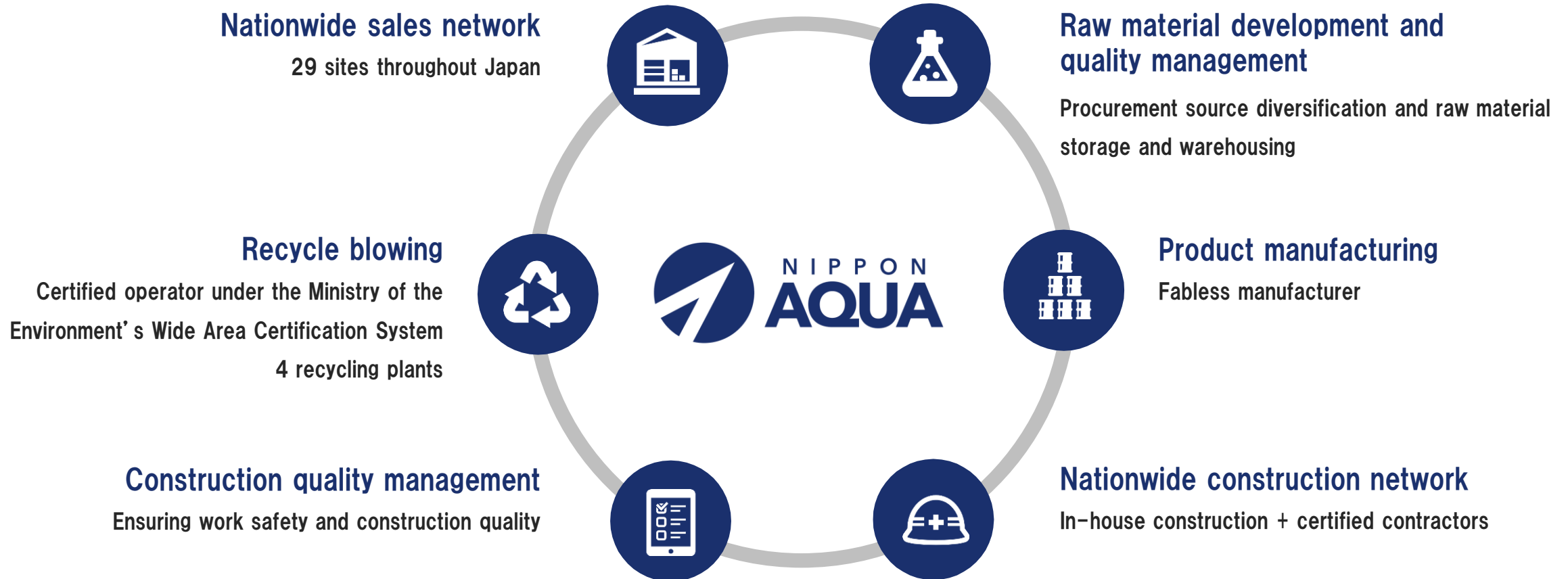


For single-family homes
and concrete buildings
The ultrarapid-hardening
waterproofing
AQUA HAJIKUN



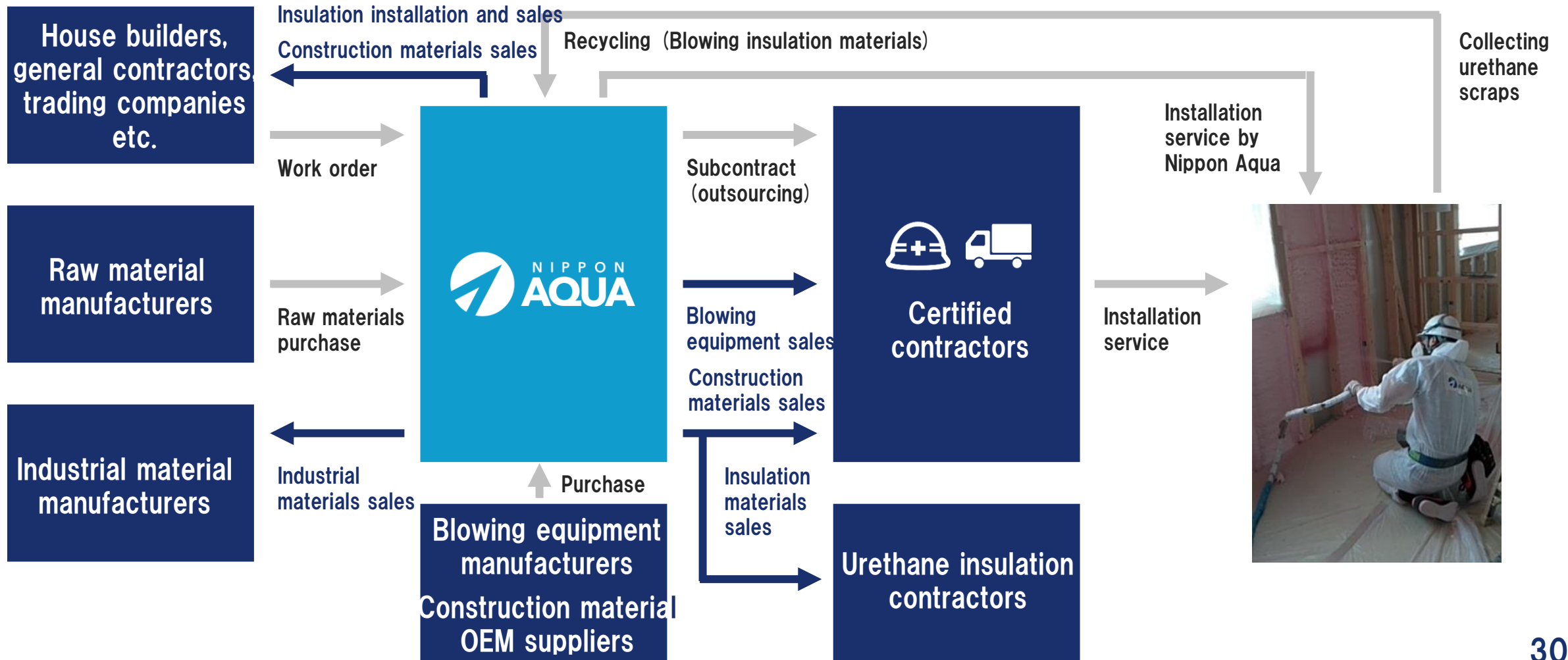
For concrete buildings
Non-flammable insulation
AQUA MOEN NEO

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

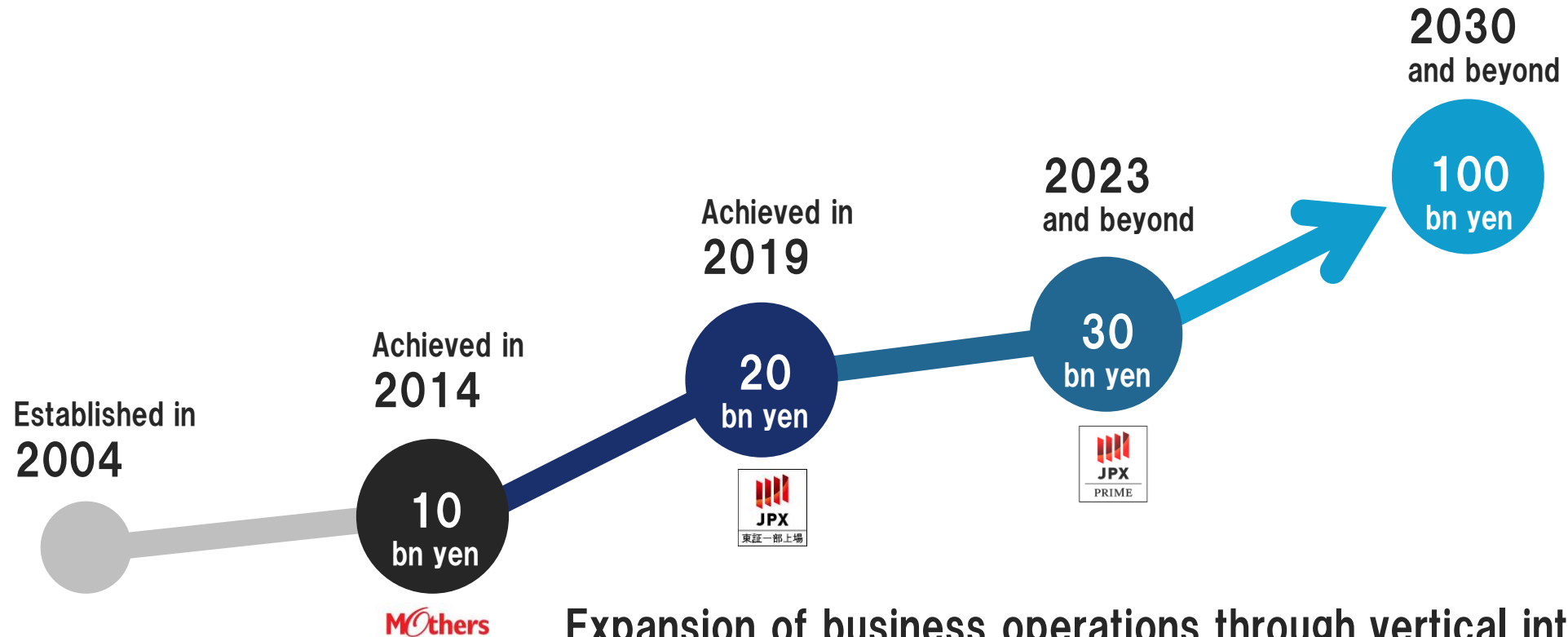


Business Scheme

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

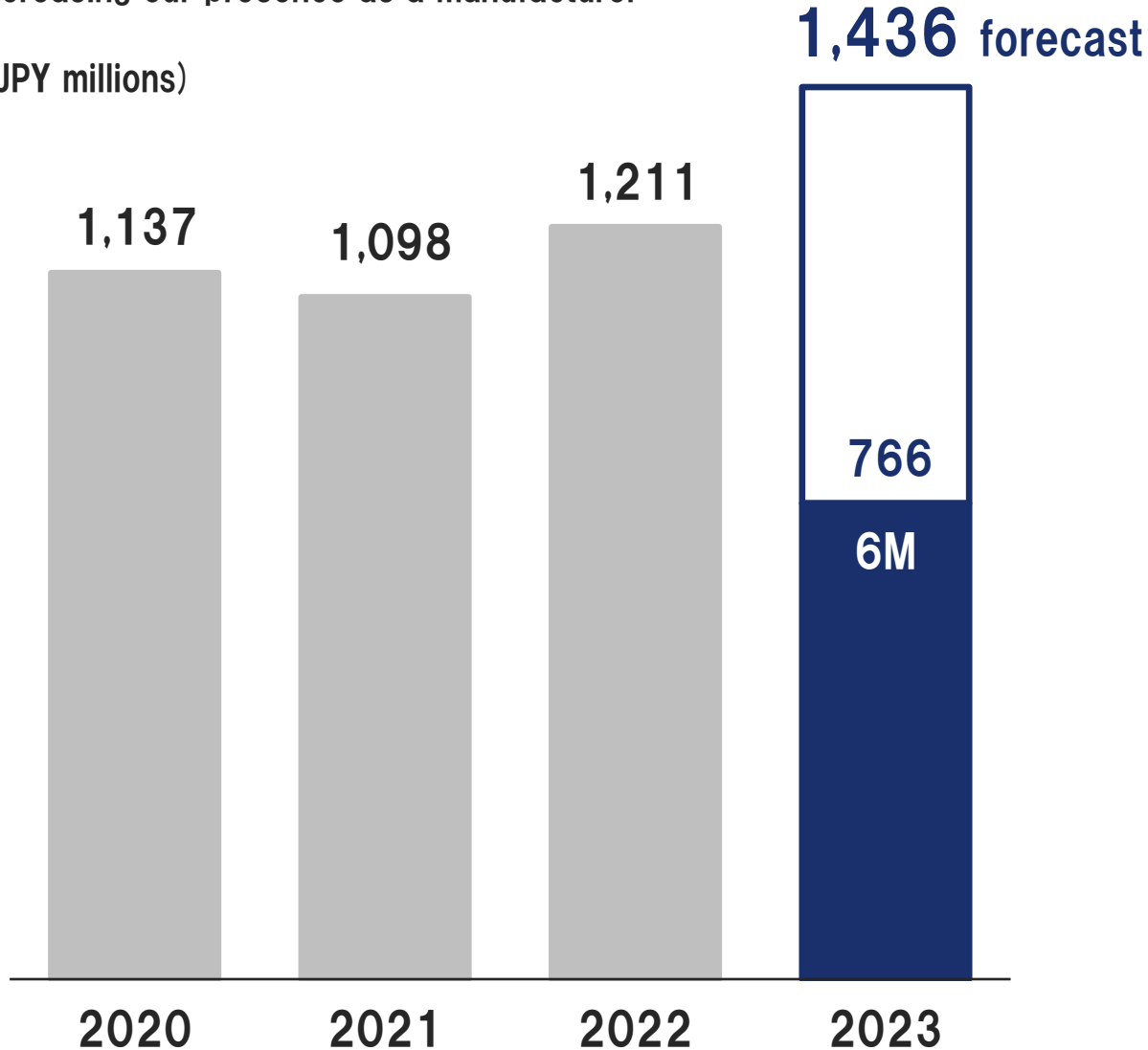
Differentiation through a unique one-stop type business model

Accelerating growth while achieving a decarbonized society

Strengthen Sales of Urethane Raw Materials

Increasing our presence as a manufacturer

(JPY millions)



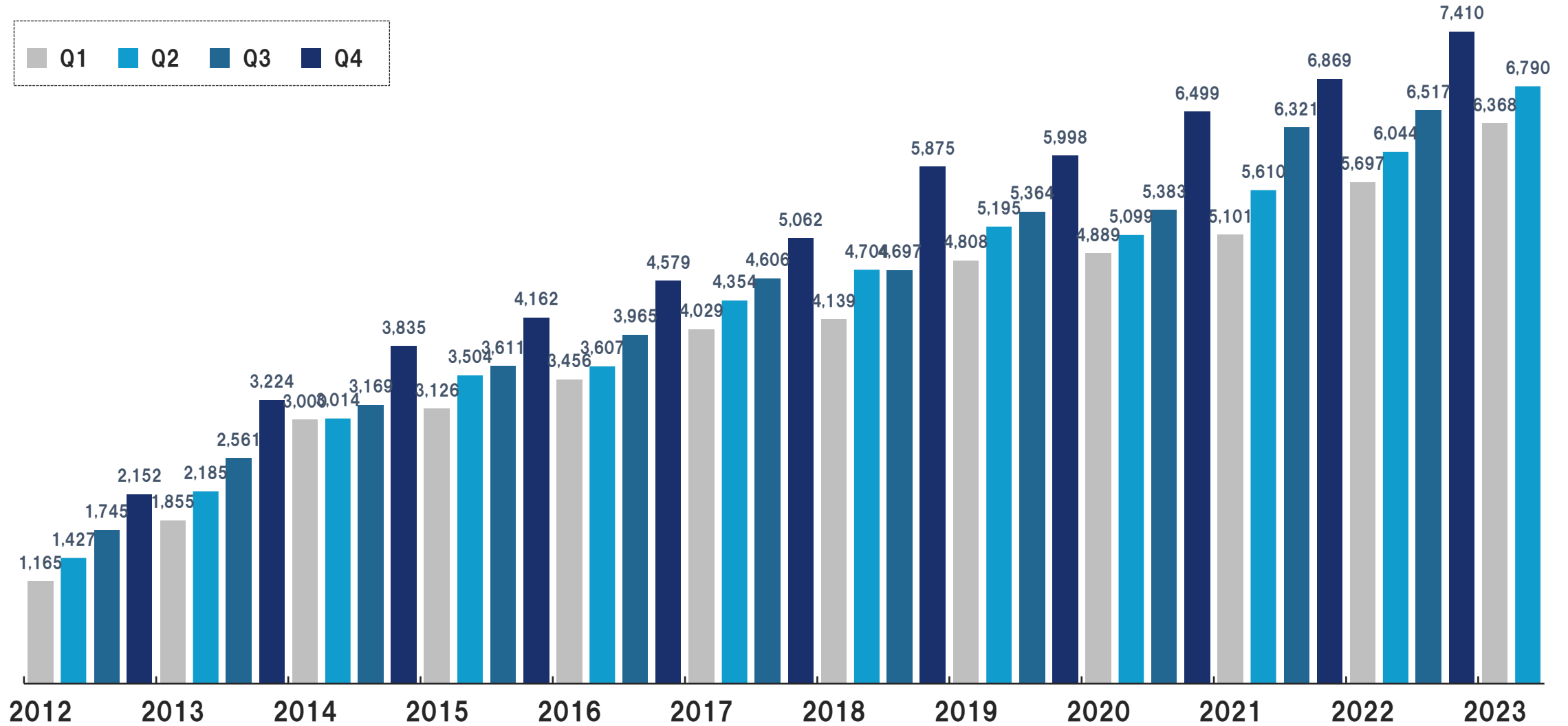
What is the sale of urethane raw materials?

Sales of urethane raw materials such as AQUA FOAM to urethane insulation contractors other than certified contractors

Recorded in Other divisions (sales of products, etc.)

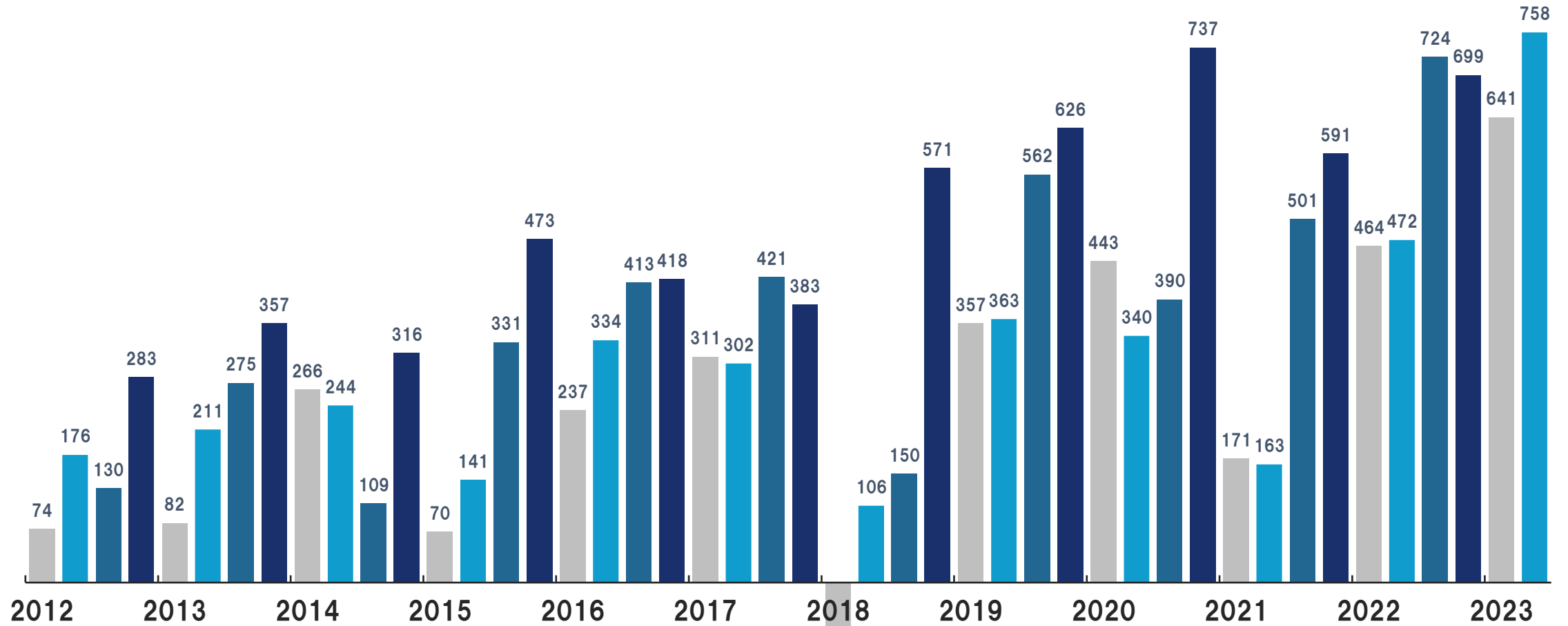
Quarterly Sales

(JPY millions)

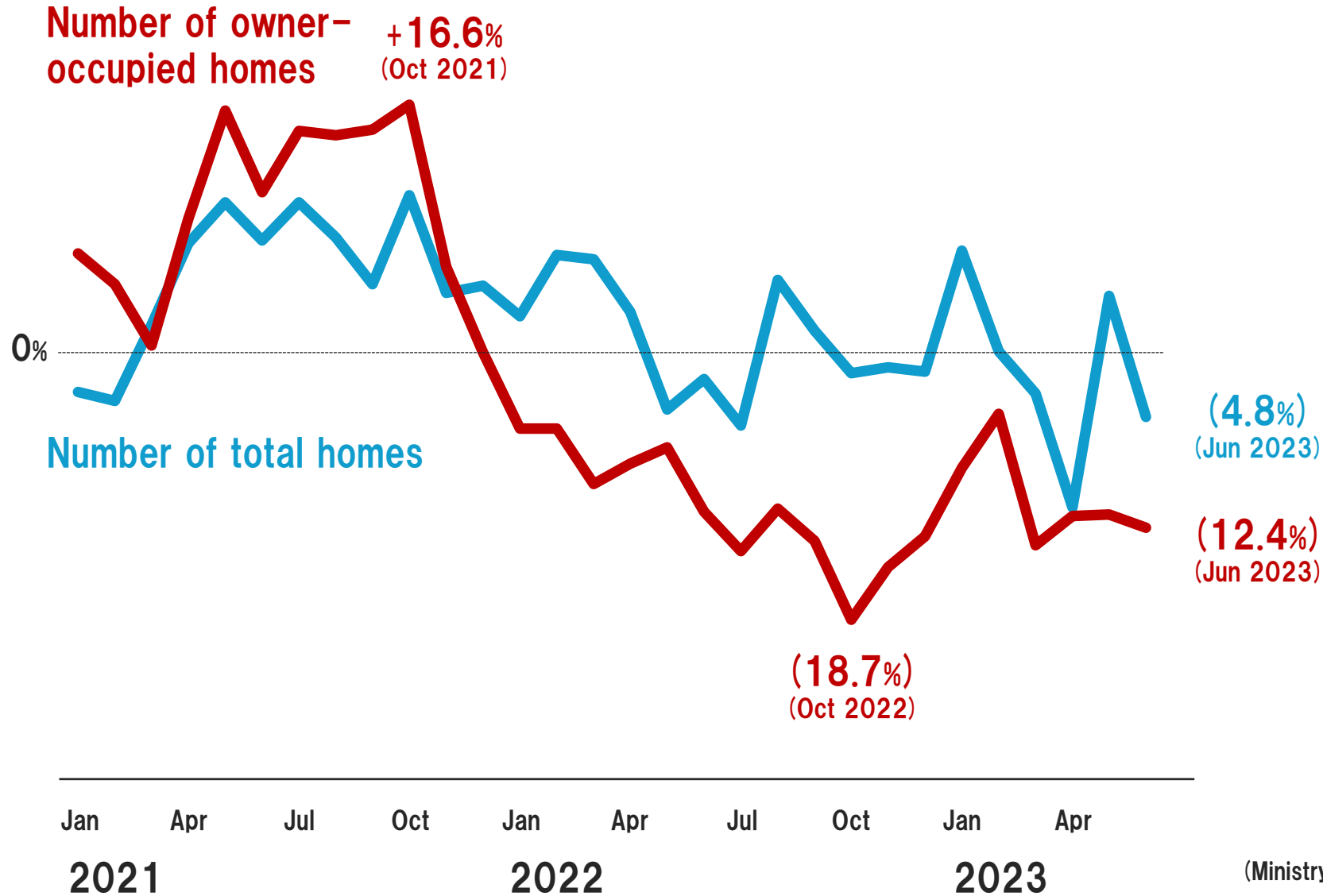


Quarterly Ordinary Profit

(JPY millions)



Number of housing starts (year-on-year)

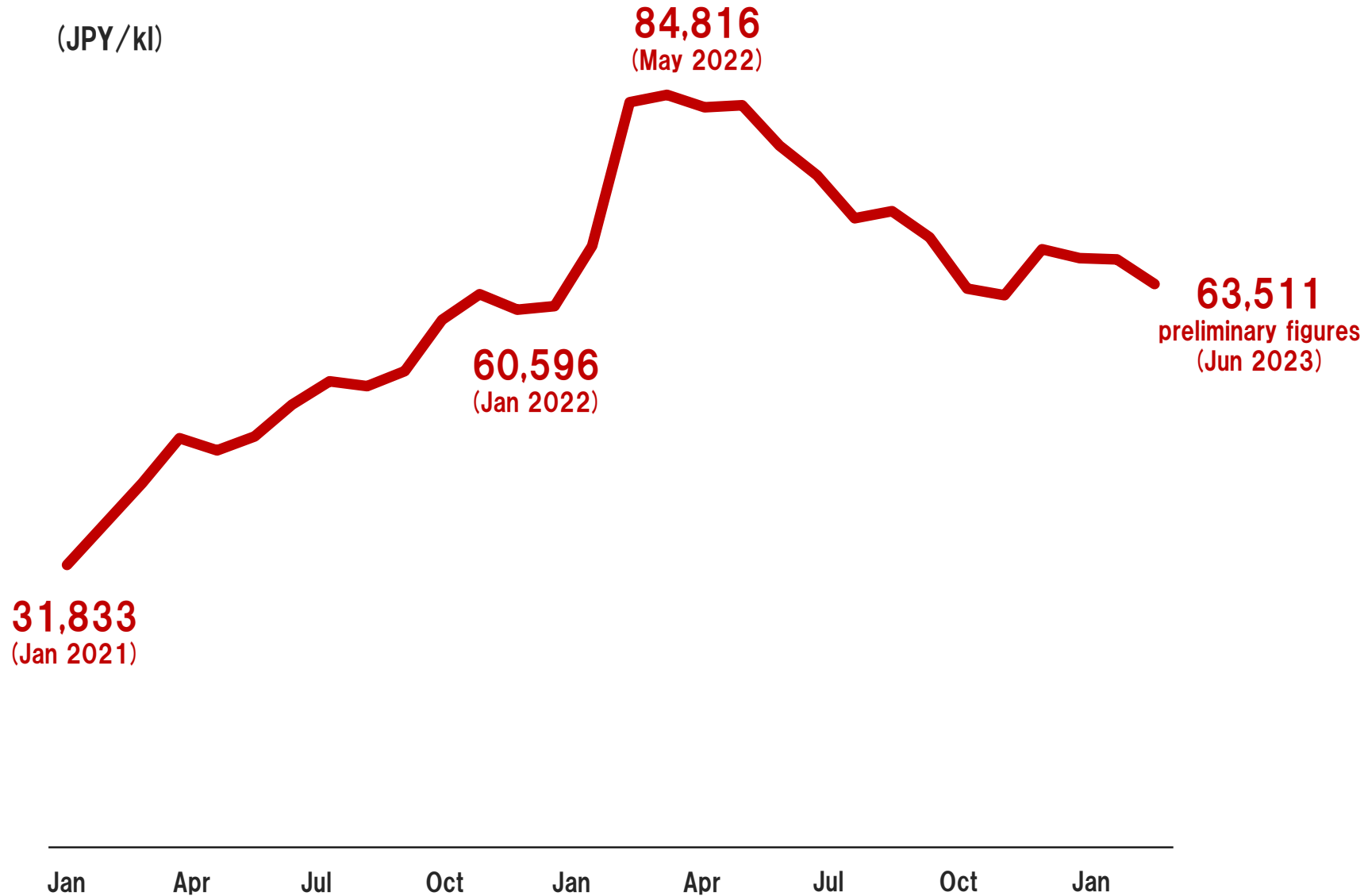


Our Single-family Homes Division has a high level of affinity with owner-occupied homes, as there are many custom-built houses being constructed

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

Naphtha import CIF price

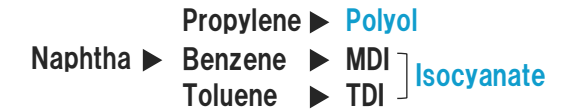
(JPY/kl)



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.



Housing Performance Indication System

Insulation performance class

| | | | |
|------------------------------------|-----------|---------------|---|
| | HEAT20 G3 | UA value 0.26 | 7 |
| TOKYO ZERO EMISSION HOUSES Level 3 | HEAT20 G2 | UA Value 0.46 | 6 |
| ZEH+ | ZEH | UA Value 0.60 | 5 |
| TOKYO ZERO EMISSION HOUSES Level 2 | | UA Value 0.87 | 4 |
| TOKYO ZERO EMISSION HOUSES Level 1 | | UA Value 1.54 | 3 |
| | | UA Value 1.67 | 2 |
| | | | 1 |

UA value is the value of Region 6 to 7 such as Tokyo

Primary energy consumption class

| | | | | | | |
|---|----------|-----|------|------------------------------------|------------------------------------|------------------------------------|
| 6 | BEI 0.80 | ZEH | ZEH+ | TOKYO ZERO EMISSION HOUSES Level 1 | TOKYO ZERO EMISSION HOUSES Level 2 | TOKYO ZERO EMISSION HOUSES Level 3 |
| 5 | BEI 0.90 | | | | | |
| 4 | BEI 1.00 | | | | | |
| 3 | BEI 1.10 | | | | | |
| 1 | | | | | | |

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



Disclaimer and Notes Regarding Forward-Looking Statements

- The purpose of this document is to provide information on the financial results for the six months 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.
- This document contains forward-looking statements, including our plans. These forward-looking statements are based on information available at the time of preparation and involve various risks and uncertainties. Therefore, please note that actual results may differ significantly due to various factors. We assume no obligation to update, alter or revise any forward-looking statements in light of new information, future events or other findings.
- All rights to the content of this document are reserved. Please refrain from copying or reprinting without permission.



Inquiries

Corporate Planning Dept., Administration Division
(Person in charge: Masahiko Komuro)
m.komuro@n-aqua.com