

February 14, 2024

Company name: Nippon Aqua Co., Ltd.
(Securities code: 1429; Tokyo Stock Exchange, Prime Market)
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Notice Concerning the Formulation of Medium-Term Management Plan

Nippon Aqua Co., Ltd. (the "Company") has formulated a medium-term management plan "3 Pillars of Stability" with the fiscal year ending December 2026 as the final year, and we would like to announce as follows.

1. About our business

The company's main businesses are the installation of insulation materials for single-family homes (Single-family Homes Division), the installation of insulation materials for buildings (Buildings Division), and sales of waterproofing work for single-family homes and non-residential buildings (Waterproofing Division). We have grown by entering existing markets and causing innovation with products that have clear advantages. Under this medium-term management plan, we aim to build three pillars, including the Waterproofing Division, which has just entered the market, and in addition, we will strengthen our position as a raw material development manufacturer of urethane insulation materials and expand our business areas.

2. Market Environment

1) Single-family Homes Division

In line with the national policy of achieving carbon neutrality by 2050, homes with high energy efficiency are in demand, and improving the insulation performance of homes is cited as an effective means. Insulation performance is defined in stages from 1 to 7 by the "Law on the Promotion of Quality Assurance of Housing" established by the Ministry of Land, Infrastructure, Transport and Tourism, and interest in high insulation performance is increasing. By raising the insulation class, not only will the construction unit price increase, but in the energy-saving housing measures of each local government, air tightness performance (reducing gaps in the house) is also emphasized along with insulation performance, and our insulation construction method, spray rigid urethane foam (AQUA FOAM series), is optimal, so demand expansion can be expected.

2) Buildings Division

In buildings as well, high insulation performance is required in order to achieve carbon neutrality, similar to homes. In Japan, redevelopment centered on the three major metropolitan areas and investment in semiconductor facilities in rural areas are being promoted. In particular, in semiconductor factories, very strict temperature control is required in the manufacturing process, so more advanced insulation performance is required, and demand for insulation materials with non-flammable performance is increasing. Therefore, strong demand can be expected for the construction of our non-flammable insulation, AQUA MOEN NEO.

3) Waterproofing Division

In the Waterproofing Division, the need for aging measures for buildings from the bubble era is increasing as abnormal weather such as increased heavy rain becomes common. In particular, for buildings that use asbestos-containing materials, careful response is required for renovation work, so the construction with AQUA HAJIKUN, which hardens in a short time by spraying liquid and has high waterproofness, robustness, and extensibility, is optimal. We are gradually accumulating achievements at factories of leading manufacturers in Japan, aiming for early profitability.

3. Performance Targets

(Million yen)


	FY12/2023	FY12/2024	FY12/2025	FY12/2026	CAGR
Net sales	28,341	31,005	35,632	41,021	+13.1%
Single-family homes	13,798	14,408	15,367	16,503	+6.1%
Buildings	8,267	10,394	12,510	15,119	+22.3%
Waterproofing	489	695	1,500	2,500	+72.2%
Sales of urethane raw materials	1,916	2,235	2,578	2,964	+15.7%
Product sales	3,869	3,271	3,677	3,935	+0.6%
Operating profit	2,881	3,100	3,741	4,512	+16.1%
Ordinary profit	2,917	3,100	3,741	4,512	+15.6%
Profit	2,004	2,092	2,525	3,045	+15.0%
Dividend per share (yen)	32.0	34.0	40.0	49.0	+15.3%

4. KPI Targets

To achieve the above, we have set the following as KPI targets.

- ✓Sustainable growth rate 10%
- ✓Operating profit margin 10%
- ✓ROE 20%
- ✓Dividend payout ratio 50%

Please check the attached materials for details of the medium-term management plan.



FY2024 – FY2026

3 Pillars of Stability

Medium-term Management Plan

February 14, 2024

Nippon Aqua Co., Ltd.

Tokyo Stock Exchange Prime Section #1429



49%

Single-family Homes Division

AQUA FOAM LITE, AQUA FOAM, AQUA FOAM NEO

Insulation construction and sales for single-family homes

New construction, renovation



29%

Buildings Division

AQUA FOAM NEO, AQUA MOEN NEO, AQUA BARRIER

Insulation construction and sales for buildings (buildings, apartments, commercial facilities, etc.)



2%

Waterproofing Division

AQUA HAJIKUN

Waterproof construction and sales for wooden detached houses and buildings, new construction, renovation



7%

Sales of Urethane Raw Materials

Sales of urethane raw materials for single-family homes and buildings



13%

Other Product Sales

Sales of auxiliary supplies (insulation-related products, consumables, etc.)

Sales of urethane spraying machines and parts, etc.

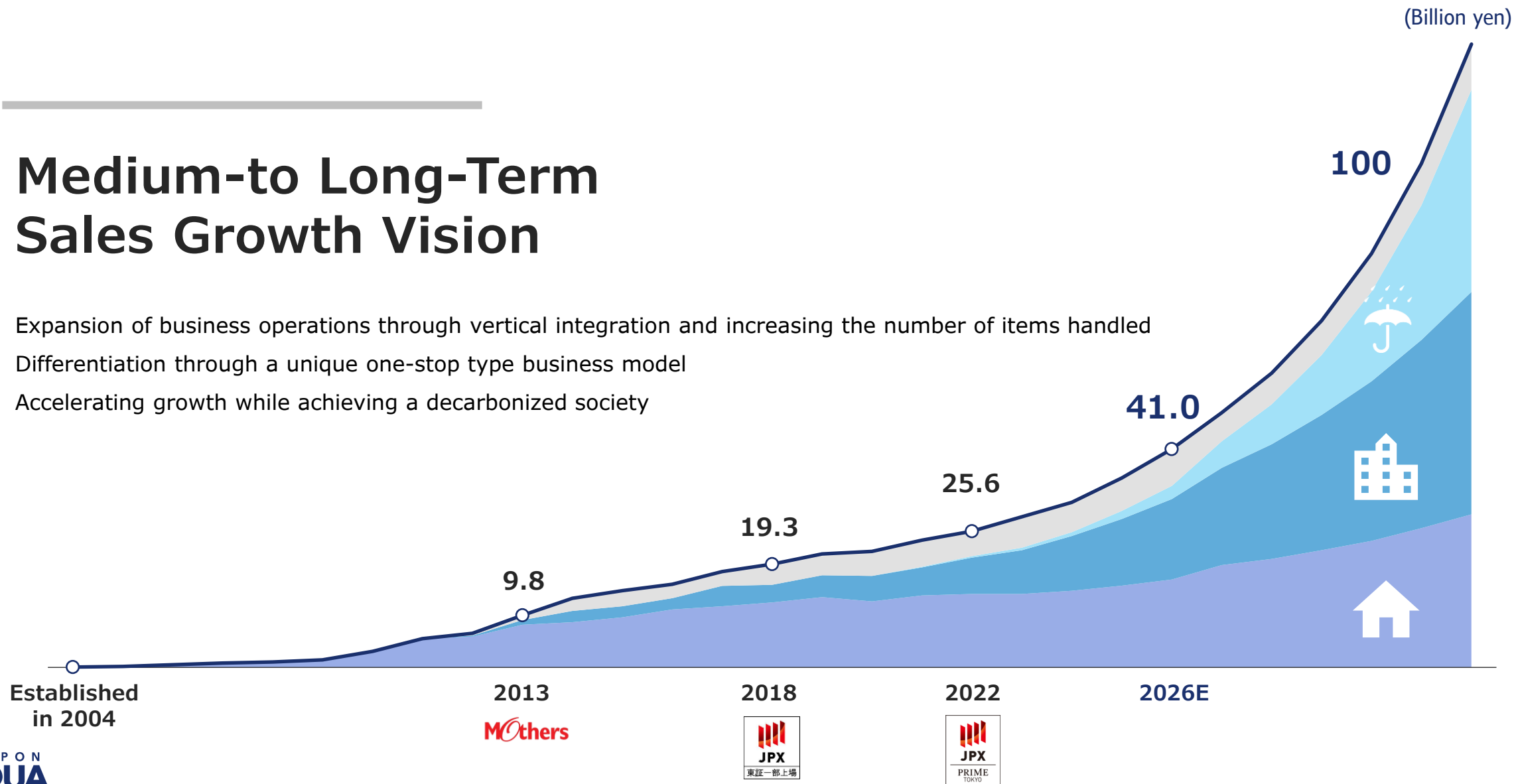
Main Products Handled

Our company mainly operates in construction sales, and is broadly divided into three departments according to the target of construction.

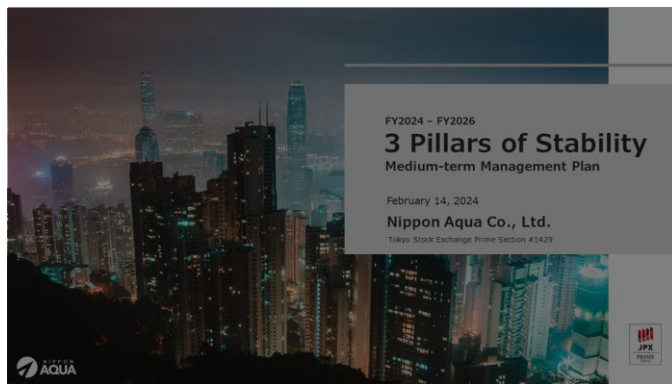
In addition, we also sell products such as auxiliary supplies, urethane raw materials, and urethane spraying machines.

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



Agenda



01 Review of the previous medium-term management plan p.4-7

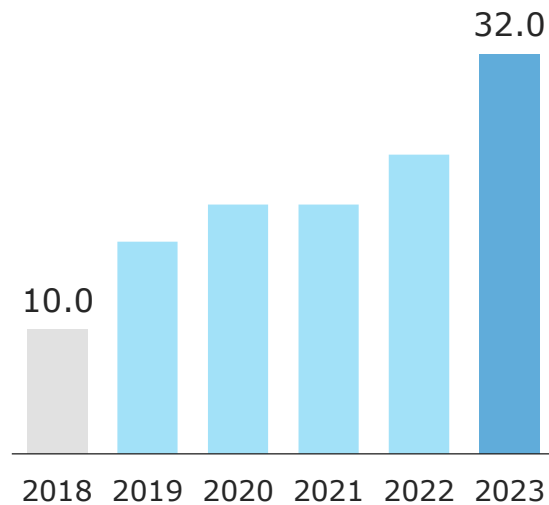
02 New medium-term management plan p.8-13

03 Performance Goals, etc. p.14-28

Basic Policy

Strengthening shareholder returns due to stable growth

The dividend per share has tripled



Expansion into new businesses with synergistic effects



AQUA MOEN NEO

- ✓ Commercialization of non-flammable insulation
- ✓ Contribution to the growth of the Buildings Division



AQUA HAJIKUN

- ✓ Commercialization of polyurea waterproofing
- ✓ The Waterproofing Division becomes the third pillar

Strengthening corporate governance

Slimming down the Board of Directors and the Board of Auditors

Transition to a company with an Audit and Supervisory Committee

Number of Board of Directors

10 people (2018) → 11 people (2023) Including Audit and Supervisory Committee Members

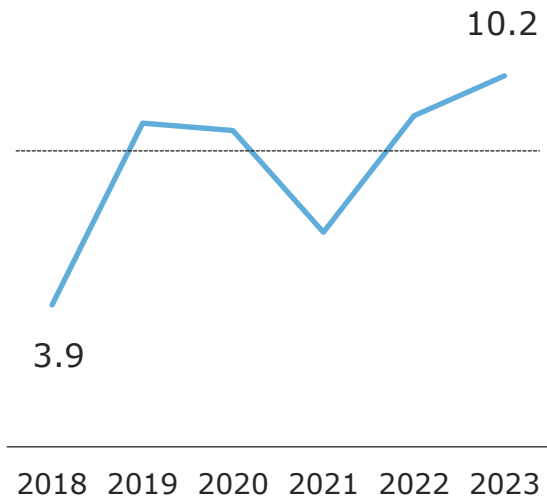
Number of independent outside directors

5/14 people (2018) → 6/11 people (2023)

KPI Goals

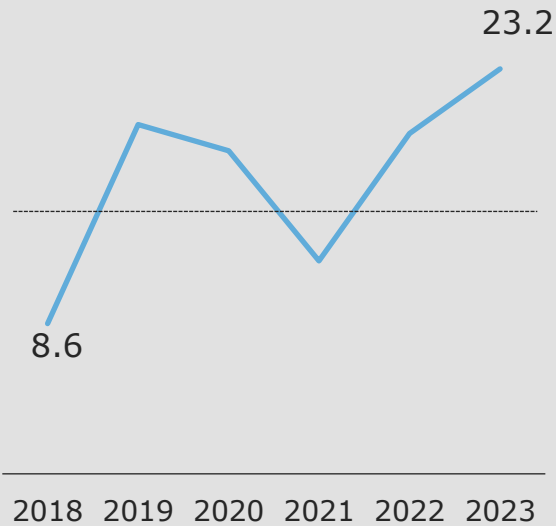
Operating profit margin

8.0%



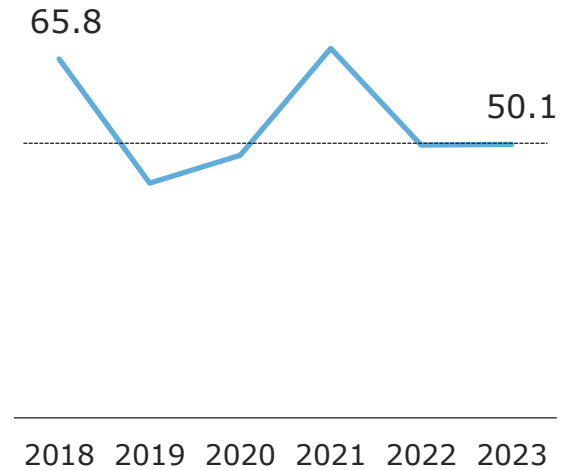
ROE

15.0%



Dividend payout ratio

50.0%



Performance Goals

(Million yen)	FY2018		FY2023		CAGR
	Results	Original Plan(2019)	Revised Plan(2021)	Results	
Net sales	19,417	30,000	29,135	28,341	+7.9%
Single-family homes	12,257	17,500	16,901	13,798	+2.4%
Buildings	3,331	5,440	6,751	8,267	+19.9%
Waterproofing (New business)		2,400	638	489	-
Product sales	3,828	4,660	4,844	5,785	+8.6%
Operating profit	766	2,500	2,812	2,881	+30.3%
Ordinary profit	764	2,500	2,812	2,917	+30.7%
Profit	489	1,625	1,948	2,004	+32.6%
Dividend per share (yen)	10.0	25.0	30.0	32.0	+26.2%

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Basic Policy

Establishment of three stable pillars (Construction sales)



Single-family Homes Division

- ✓Share expansion with the preparation of construction system
- ✓Price increase due to improved energy-saving performance



Buildings Division

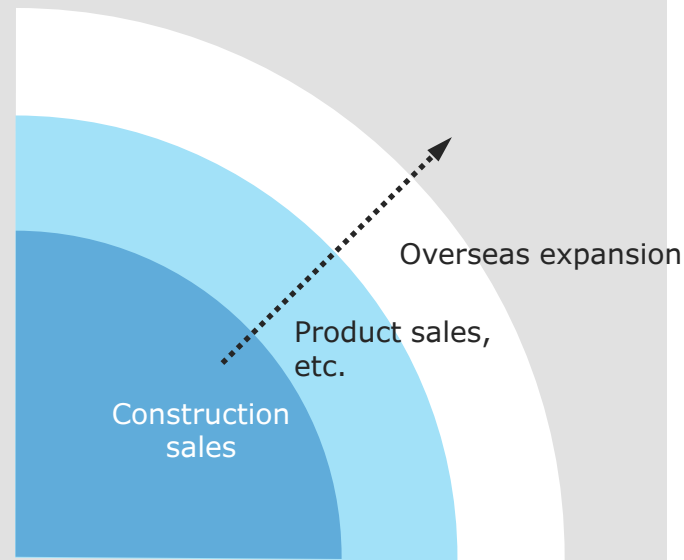
- ✓Capturing the rapidly expanding market
- ✓Price increase due to increased construction of non-flammable insulation



Waterproofing Division

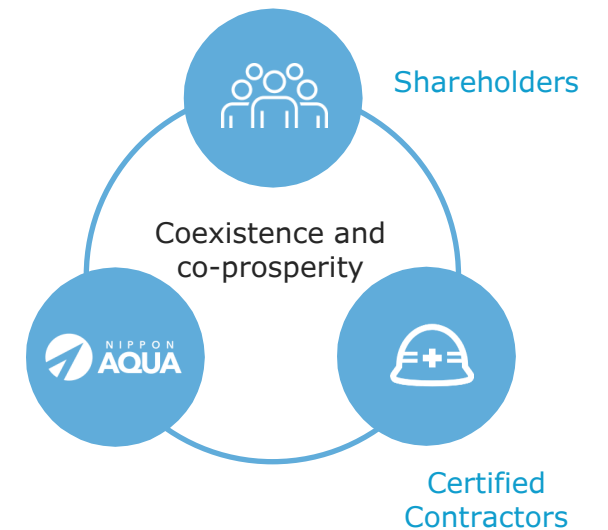
- ✓Profitability improvement with the expansion of non-residential construction
- ✓Acquiring renovation needs due to increased heavy rain

Expansion of business areas (Product sales, etc.)



Good cycle of growth and profit distribution

Implementing profit distribution to stakeholders through our company's sustained growth





Single-family Homes Division (Since 2004)

Market environment at the time of entry and currently

- ✓Fumitaka Nakamura, the current representative, introduced the know-how of rigid spray urethane for housing, where fiber-based insulation was mainstream
- ✓Currently, rigid spray urethane occupies a certain proportion of the market due to its high-quality insulation performance

Points of differentiation

- ✓High airtightness can be achieved by using a machine-based spray method, and the quality of construction is stable

Growth drivers for the future

- ✓Enhancement of insulation performance due to national policy
- ✓Increased interest in airtightness leads to more attention than other insulations



Buildings Division (Since 2012)

Market environment at the time of entry and currently

- ✓Rigid spray urethane entered the market later, where it was commonly used in reinforced concrete (RC)
- ✓Using quality as a weapon, it has now acquired about 30% of the market share over 10 years

Points of differentiation

- ✓Leveraging the strength of a consistent system from raw material development to construction, we have developed non-fluorocarbon insulation and non-flammable insulation that meet the needs of the site

Growth drivers for the future

- ✓Rapid expansion of the insulation market for buildings
- ✓Incorporating strong needs for non-flammability



Waterproofing Division (Since 2021)

Market environment at the time of entry and currently

- ✓Traditional construction of urethane rubber, sheets, and asphalt-based products occupy 80% of the market
- ✓The contractors of polyurea waterproofing that our company handles are small and limited, but they are generally recognized in Europe and America

- ✓Aiming for future market expansion and share acquisition

Points of differentiation

- ✓Super-fast curing, strong elasticity, long-term performance, and other easy-to-understand and excellent product performance

Growth drivers for the future

- ✓Response to abnormal weather such as increased heavy rain
- ✓Measures against aging of buildings from the bubble era, including asbestos measures

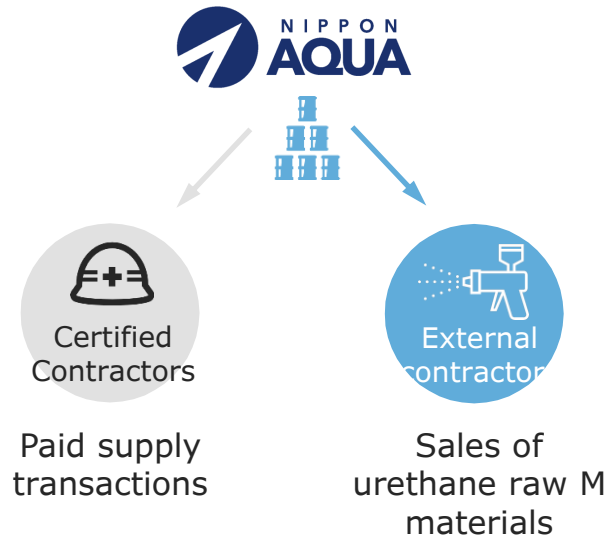
New medium-term management plan

Establishment of Three Stable Pillars

Introduce products with easy-to-understand advantages into the existing market and create innovation

Expansion of Business Areas

Strengthening product sales and other areas



Sales of Urethane Raw Materials

Sales of urethane raw materials for single-family homes and buildings

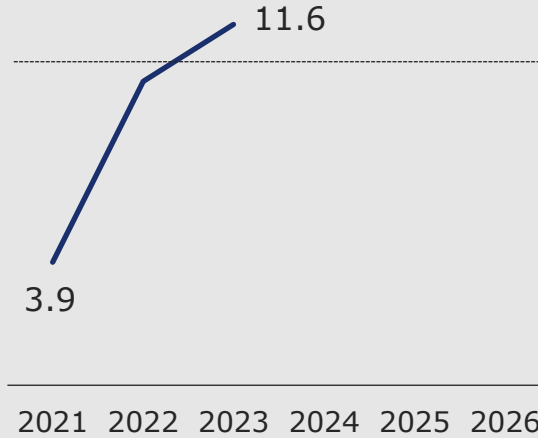
- ✓ Selling polyurethane raw materials to external contractors
- ✓ Enhancing the presence as a manufacturer
- ✓ Rapid delivery through the establishment of a nationwide network
- ✓ Stable procurement from raw material manufacturers both domestically and internationally

Machine Sales

Sales of urethane spraying machines and parts, etc.

- ✓ Selling polyurethane spraying machines and other equipment to certified contractors
- ✓ Increase proportional to the number of certified contractors and the increase in certified contractor personnel

KPI Goals



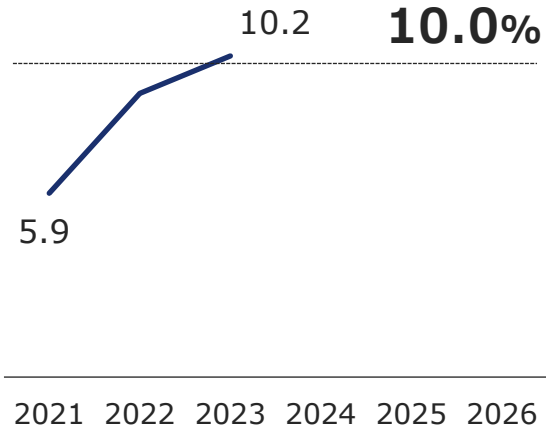
Sustainable growth rate
 $ROE * (1 - \text{Dividend payout ratio})$

10.0%

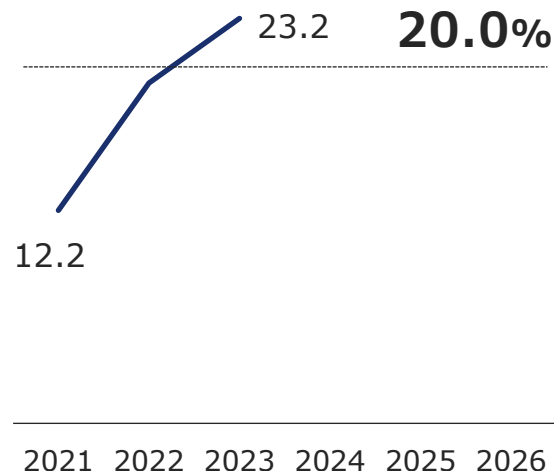
What is the Sustainable Growth Rate?

It refers to the growth rate that can be achieved solely through internal investment without relying on external financing.

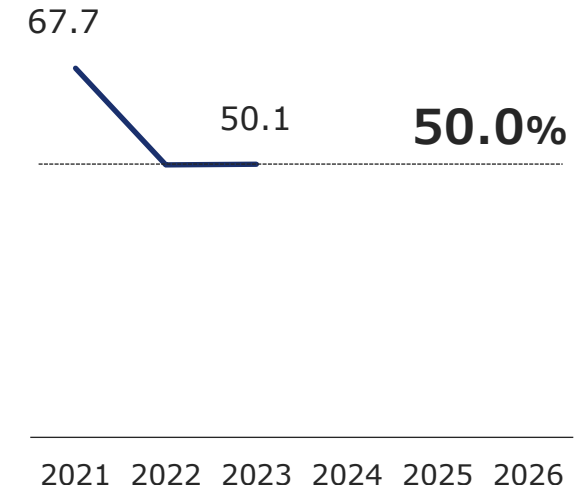
Operating profit margin

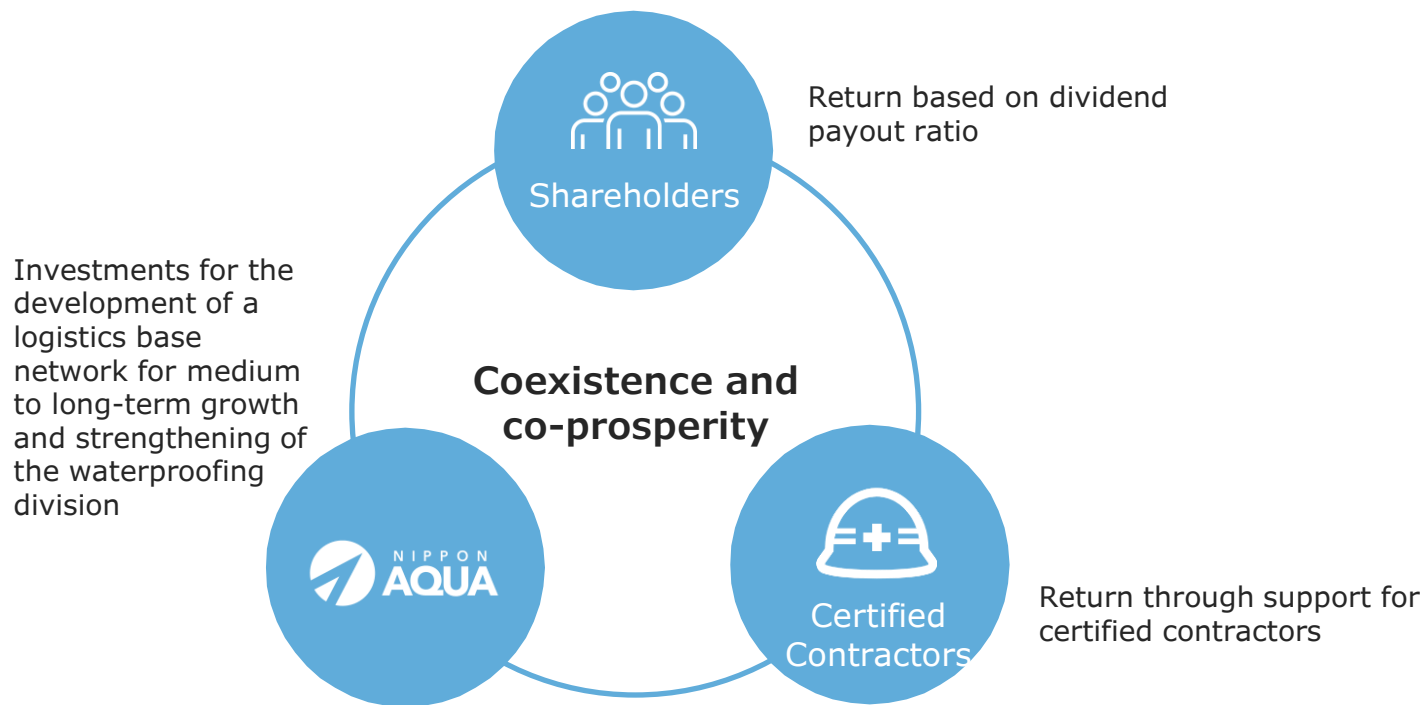


ROE



Dividend payout ratio

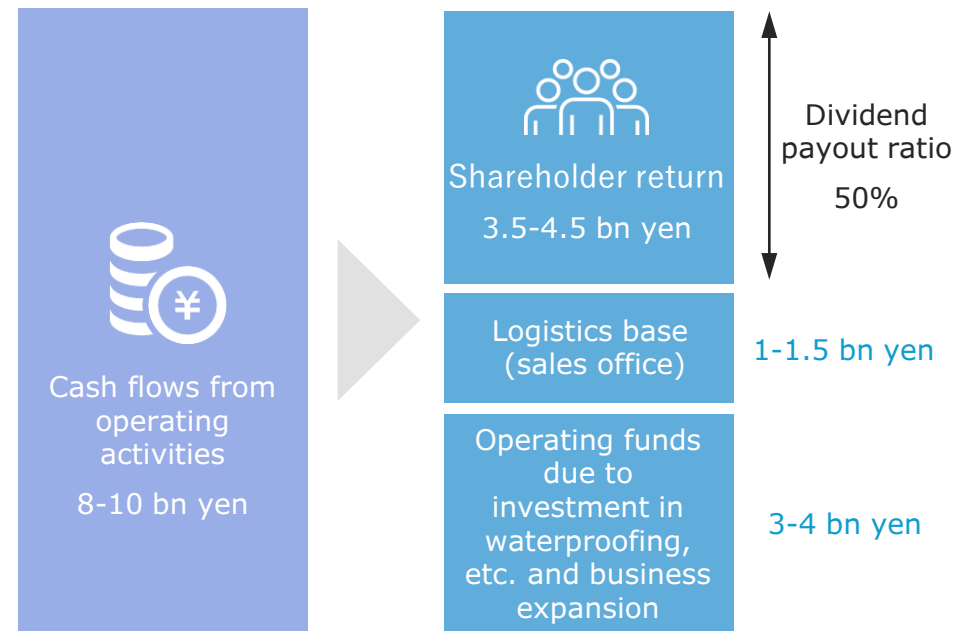




New medium-term management plan

Good Cycle of Growth and Profit Distribution

Implementing profit distribution to stakeholders through our company's sustained growth



Development of a nationwide logistics base network (opening of sales offices)

- ✓ Opening 1-2 large logistics bases (sales offices) per year
- ✓ Approximately 2-3 billion yen per site, including land and buildings

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Performance Goals

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Profit	2,004	2,092	2,525	3,045	+15.0%
Dividend per share (yen)	32.0	34.0	40.0	49.0	+15.3%

Single-family Homes Division



Market Environment

- ✓ High insulation policy for houses and buildings
- ✓ Increasing awareness of energy saving
- ✓ Increased interest in airtight performance (C value)
- ✓ The number of new housing starts continues to decrease



- ✓ Construction system to be established in fiscal 2023
- ✓ Development of a nationwide base network (possible to move in a short time)
- ✓ Good treatment for internal installation work personnel (salary system, number of holidays, etc.)
- ✓ Collection of end materials by the National Permit System



Competitive Situation

- ✓ Operational decline due to the 2024 problem
- ✓ Aging of craftsmen (over 30% of carpenters are over 65 years old)
- ✓ The difficulty of installing fiber-based insulation materials is increasing



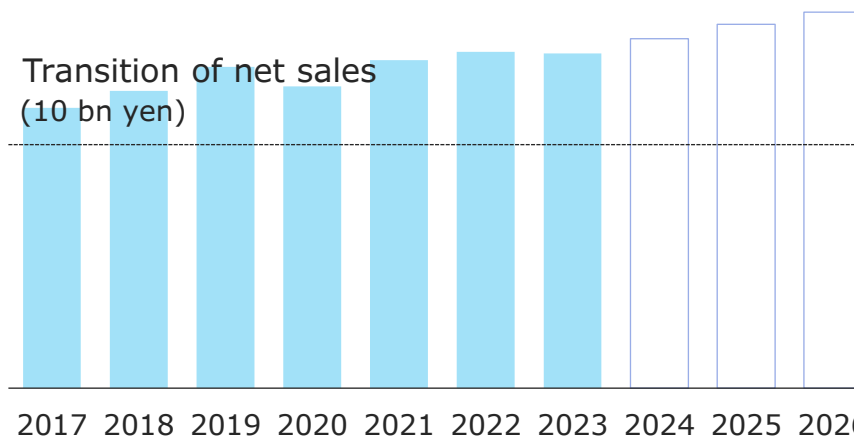
Number of construction buildings

- ✓ Number of construction buildings increasing by about 5%



Construction unit price (per building)

- ✓ Construction unit price increased by about 5%
- ✓ Standardization of Insulation Class 5 (ZEH level) (Increase in "thickness of insulation material")
- ✓ Increase due to the upgrading of insulation class
- ✓ Price strategy is also implemented for the purpose of expanding new transactions



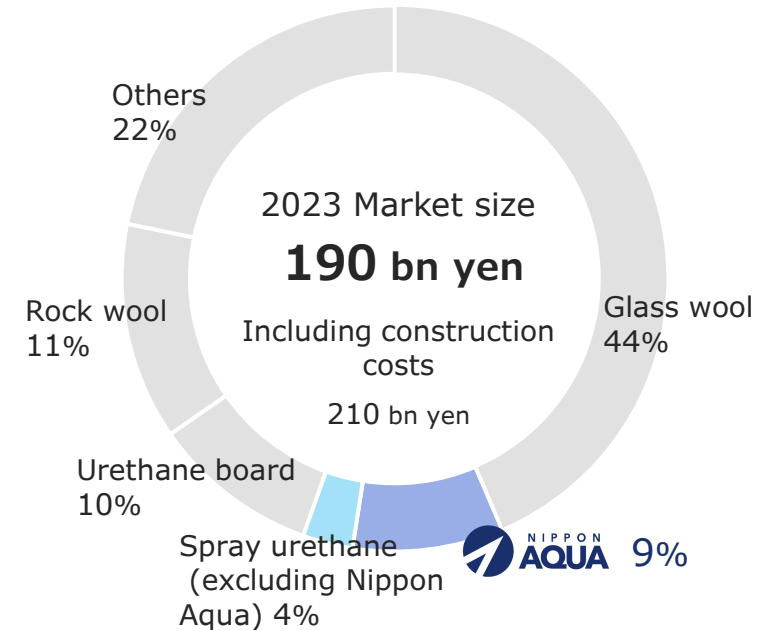
Basic Strategy

- ✓ Efforts to expand market share
- ✓ Introduction of improved products with enhanced insulation performance
- ✓ Founding aspiration to improve Japan's living environment
- ✓ Full-scale deployment of airtightness measurement sales for product appeal and increased ancillary sales
- ✓ Increase in sales unit price through high-grade proposals and bundle sales

Insulation Material Market for Single-family Homes

The insulation material market for single-family homes is expected to increase slowly, despite the long-term decrease in the number of new housing starts, due to the increase in the use and amount of insulation materials due to the expansion of high insulation needs for houses.

Source: Created by Nippon Aqua based on data from the Ministry of Land, Infrastructure, Transport and Tourism, Yano Research Institute, Fuji Keizai, and the Glass Fiber Association



 (13.5)%

- ✓The number of new housing starts is decreasing in the long term.
- ✓It is expected to decrease by 13.5% from 860,000 in 2022 to 744,000 in 2030.

Source: Survey on the housing market in 2030 (Yano Research Institute, May 24, 2023)

 100%

- ✓ZEH rate in new custom-built single-family homes.
- ✓Under the carbon neutral policy, the ZEH rate will achieve 100% by 2030 from 26.8% in 2021.

Source: Survey on the housing market in 2030 (Yano Research Institute, May 24, 2023)

 3.4 times

- ✓The number of thermal insulation contractors (including urethane spray insulation work) has increased more than threefold from 6,794 in 2000 to 23,341 in 2023.

Source: Results of the survey on the number of construction business licensees (Ministry of Land, Infrastructure, Transport and Tourism, May 24, 2023)

Comparison with Competing Products

Insulation is a general term for things that reduce heat transfer and heat conduction due to their physical and chemical properties. It is also called thermal insulation material.

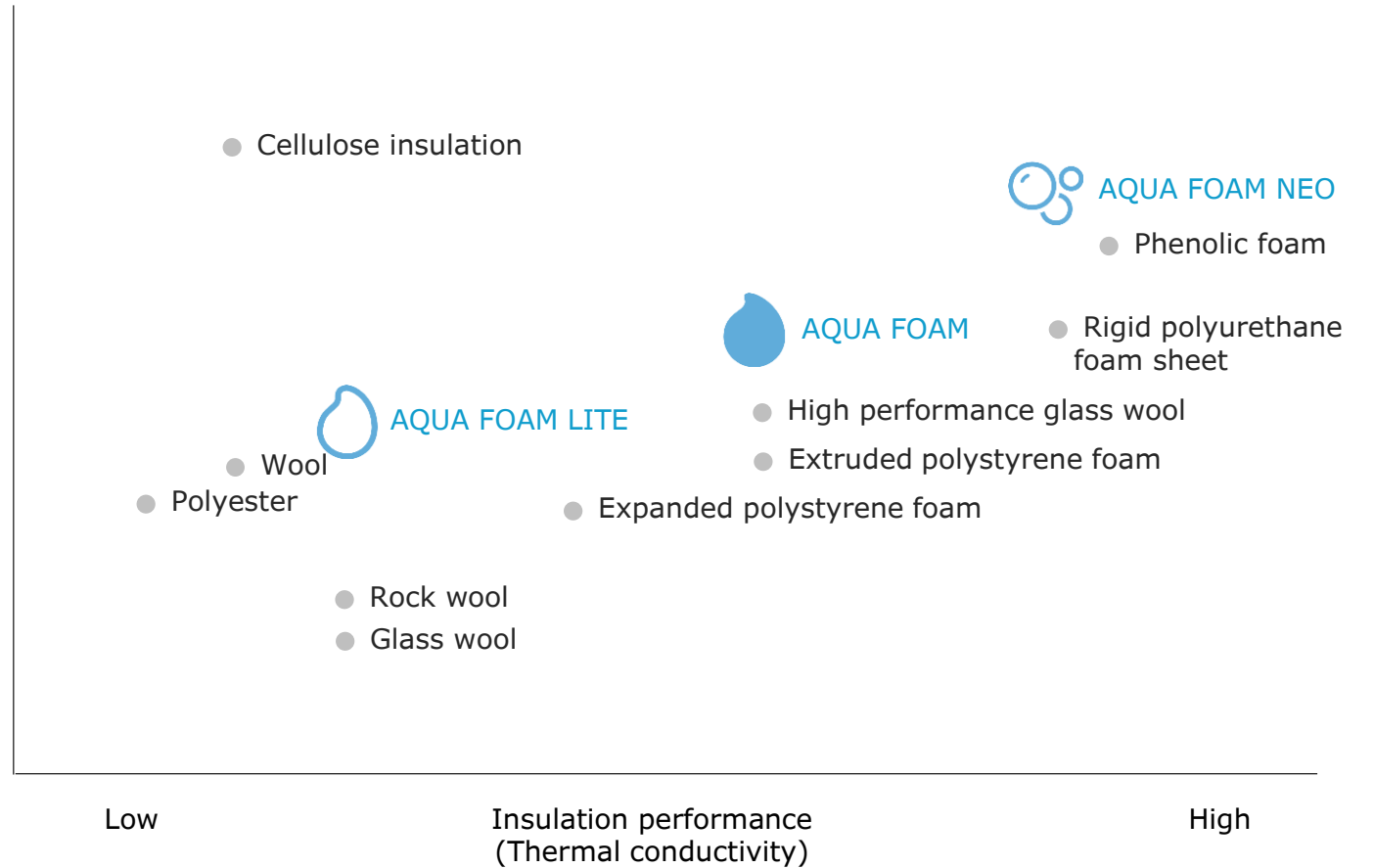
Building insulation is to block the heat transfer between the inside and outside of the room, making it difficult for the outside temperature to be transmitted to the inside.

Insulation materials are broadly classified into three categories: "fiber-based insulation materials", "foamed plastic-based insulation materials", and "natural material-based insulation materials".

High

Price

Low



Buildings Division



Basic Strategy

- ✓ Capturing market expansion and leading business performance growth
- ✓ Differentiation through AQUA MOEN NEO
- ✓ Expansion of product lineup through promotion of AQUA BARRIER



Construction area

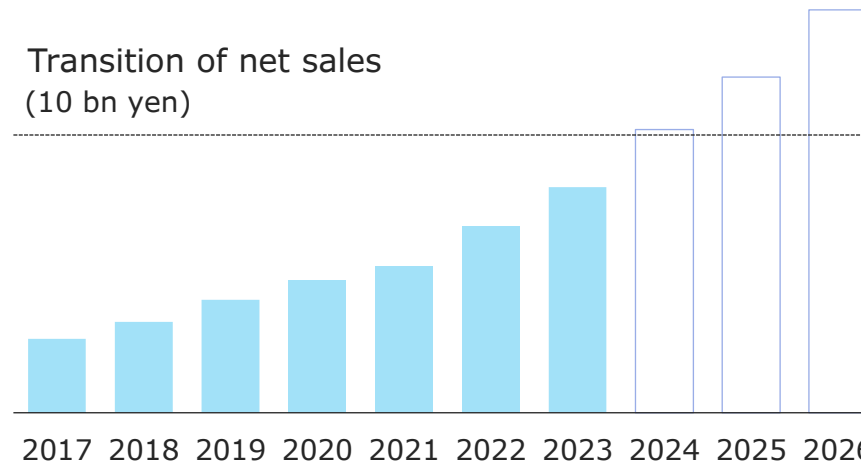
- ✓ The construction area is increasing by about 20% annually
- ✓ Actively acquiring construction projects such as semiconductor factories and urban redevelopment



Construction unit price (per square meter)

- ✓ The construction unit price is increasing by about 5% annually
- ✓ Increase in construction unit price due to the increase in the proportion of AQUA MOEN NEO construction
- ✓ The "thickness of insulation" is increasing due to the growing needs for high thermal insulation performance

Transition of net sales
(10 bn yen)



Market Environment

- ✓ High thermal insulation policy for houses and buildings
- ✓ Attracting semiconductor factories as a national policy
- ✓ Urban redevelopment in various parts of the country
- ✓ Raising energy-saving standards for large-scale non-residential buildings



- ✓ Non-flammable insulation as a monopoly product (AQUA MOEN NEO)
- ✓ Trust in our stable product supply system
- ✓ Collection of end materials by the National Permit System



Competitive Situation

- ✓ Opportunity loss due to lack of non-flammable insulation
- ✓ Increase in labor costs due to labor shortage
- ✓ Increased burden due to requests for disclosure of environmental issues from ordering parties

Building Insulation Market

The building insulation market is expected to expand steadily due to robust demand from the eight major construction markets and the expanding ZEB market, as well as the growing need for non-flammable insulation.

Source: Created by Nippon Aqua based on data from the Ministry of Land, Infrastructure, Transport and Tourism, Yano Research Institute, Fuji Keizai, and the Glass Fiber Association



+8.1%

- ✓The eight major construction markets (residential, retail, office buildings, hotels, factories, logistics warehouses, schools, hospitals) continue to expand.
- ✓The planned construction cost is expected to increase by 8.1% from 22.4 trillion yen in 2021 to 24.3 trillion yen in 2025.

Source: Survey on the eight major domestic construction markets (Yano Research Institute, April 4, 2023)

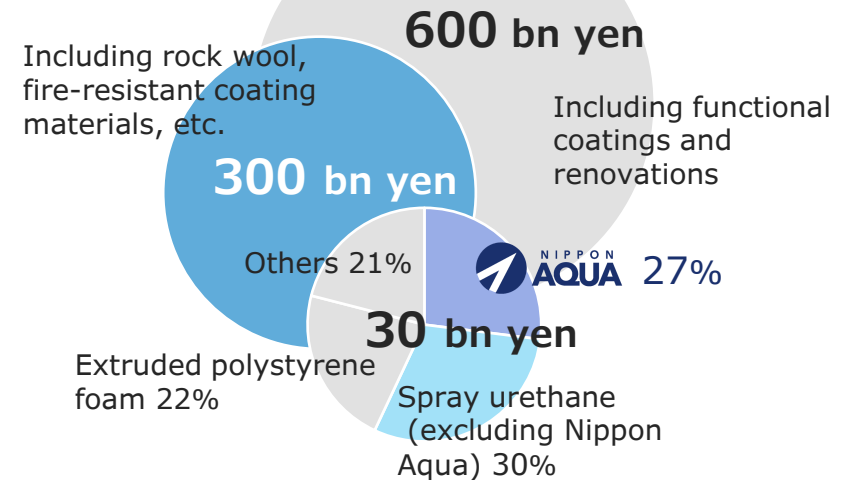


3.9 times

- ✓The ZEB market is consistently growing.
- ✓Under the carbon neutral policy, the ZEB market (based on construction costs) will go from 3.0 trillion yen in 2023 to 12.0 trillion yen in 2030.
- ✓ZEB design plans are increasing at the moment.

Source: Survey on the ZEB market (Yano Research Institute, August 31, 2023)

2025 Market Size Forecast



367/927 accidents
(10 years)

- ✓Among the fires at construction sites (building construction), the majority are caused by welding and cutting operations.
- ✓About 100 fire accidents occur every year within the jurisdiction of the Tokyo Fire Department.

Source: Effective fire safety measures according to the stage of the building (Tokyo Fire Department, March 14, 2023)

Waterproofing Division



Basic Strategy

- ✓ Differentiation with product appeal that is easy to understand
- ✓ Improvement in profitability through expansion of non-residential construction
- ✓ Increase in construction volume through bundle sales with Single-family Homes Division
- ✓ Expansion of projects through strengthening alliances with waterproofing construction companies



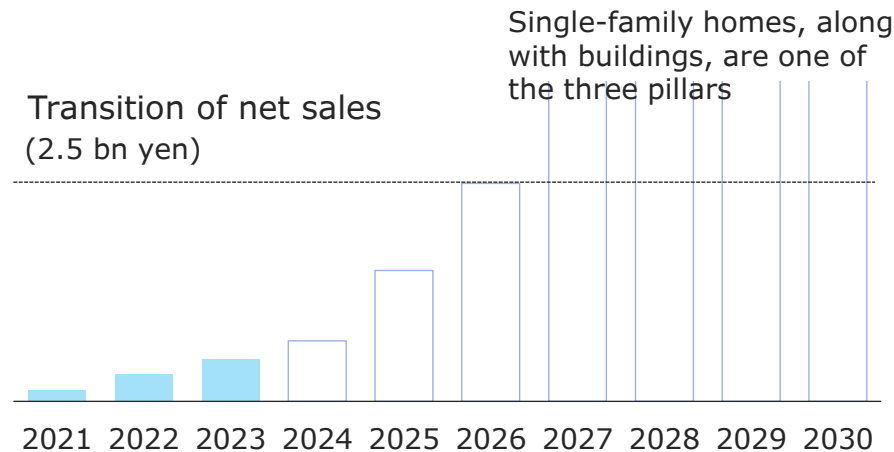
- ✓ Received store renovation orders from Plant (Tokyo Stock Exchange Standard 7646)



Early monetization

- ✓ The breakeven point in net sales is 500-600 million yen
- ✓ Approximate at the launch of the Single-family Homes Division, which entered the existing market with new products
- ✓ The Single-family Homes Division broke through 1 billion yen in net sales in 4 years and 3 billion yen in 6 years

Transition of net sales
(2.5 bn yen)



Market Environment

- ✓ A market size of 600 billion yen
- ✓ Increasingly severe abnormal weather such as guerrilla downpours
- ✓ Aging measures for buildings from the bubble era



Competitive Situation

- ✓ High occupancy rate of existing products
- ✓ There are many small and medium-sized contractors for polyurea waterproofing



Single-family homes

- ✓ Expansion of veranda construction
- ✓ Promote collaborative sales with the Single-family Homes Division



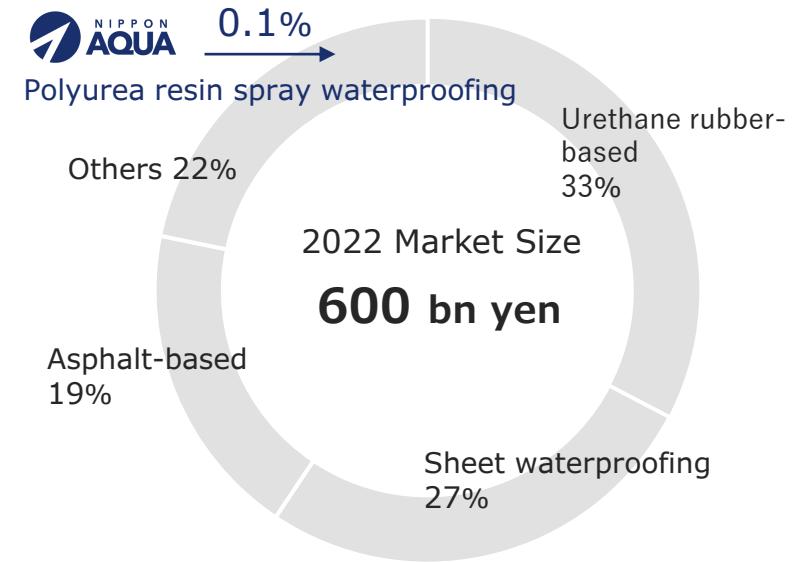
Buildings and large-scale facilities

- ✓ Received factory renovation orders from Japan's leading manufacturers
- ✓ Focusing on repairs of asbestos-containing building materials
- ✓ Organizational sales to Japan's leading infrastructure companies are underway

Waterproofing Construction Market

The waterproofing construction market is expected to expand steadily due to the increasing number of new buildings and the renovation needs of buildings from the bubble era, as heavy rain is increasing in Japan.

Source: Created by Nippon Aqua based on data from the Japan Waterproofing Material Association



Approximately
2.0 times

✓From 2013 to 2022, heavy rain (1-hour precipitation of 80mm or more, 3-hour precipitation of 150mm or more, daily precipitation of 300mm or more) is approximately twice as much as around 1980.

Source: Nationwide (AMeDAS) annual occurrence of 1-hour precipitation of 50mm or more, 80mm or more, 100mm or more
(Japan Meteorological Agency website)



+8.0%

✓The market for planned repair work for common areas of condominiums (based on construction costs) will increase from 689.2 billion yen in 2020 to 744.4 billion yen in 2027.

✓Medium to long-term growth is expected due to the increase in the number of condominium stocks reaching the age for large-scale repair work.

Source: Conducted a survey on the condominium management market
(Yano Research Institute, April 6, 2022)



2.6 times

✓The number of waterproofing contractors has increased 2.6 times from 14,977 in 2000 to 38,914 in 2023.

Source: Results of the survey on the number of construction business licensees (Ministry of Land, Infrastructure, Transport and Tourism, May 24, 2023)

Sales of Urethane Raw Materials

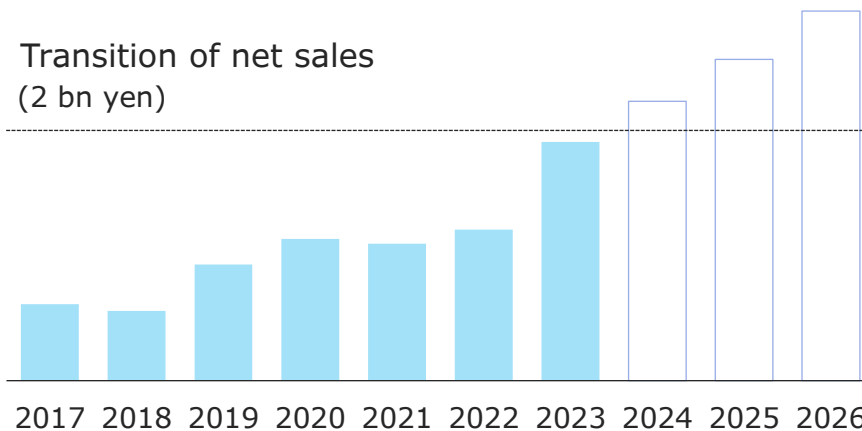
Other Product Sales



Sales of urethane raw materials

- ✓ Enhancing the presence as a raw material manufacturer
- ✓ Acquiring favorable evaluations in terms of quality and price
- ✓ Speeding up delivery with the establishment of nationwide sales bases

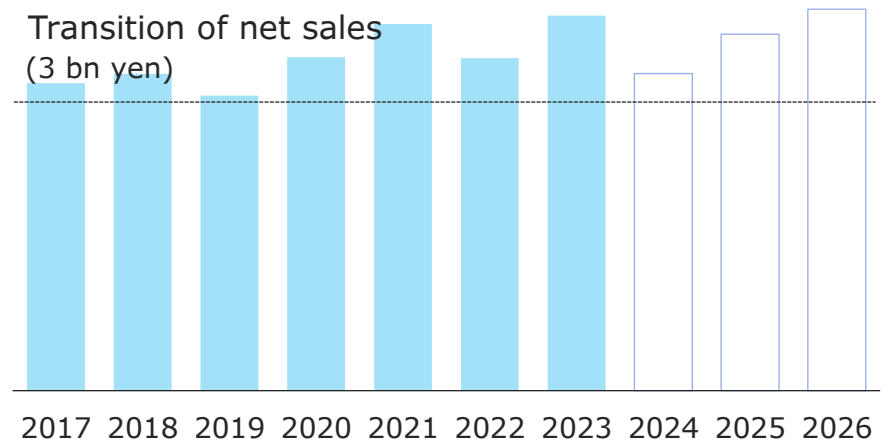
Transition of net sales
(2 bn yen)



Other product sales

- ✓ Implementing pricing strategies as part of the new customer expansion measures for the Single-family Homes Division's auxiliary supplies
- ✓ Direct transactions for machinery sales will be implemented from 2023
- ✓ There are fluctuations in demand for machinery sales due to model changes and other factors

Transition of net sales
(3 bn yen)




Overseas Expansion

Commencing the sale of urethane raw materials to Southeast Asia

Insulation market in Japan

- ✓Economic growth triggers measures against winter cold
- ✓Starting with the introduction of external insulation and fibrous insulation
- ✓In response to the energy crisis and heightened awareness of energy conservation, high-performance insulation materials such as rigid spray urethane have emerged



Raw material sales to Korea

- ✓Started selling raw materials to urethane insulation companies in Korea from 2020

Insulation situation in Southeast Asian countries

- ✓Insulation is not widespread in Southeast Asian countries as there is no need for winter cold measures
- ✓Growing interest as a measure against global warming



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



Inquiries

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(Person in charge: Masahiko Komuro)
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Disclaimer and Notes Regarding Forward-Looking Statements

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