



# AQUA REPORT 2022

Nippon Aqua Integrated Report  
From January 1, 2022 to December 31, 2022

Management Philosophy

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

Vision

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.

Action Guidelines

1. Provide the best service with customer satisfaction as the first priority.
2. Create new value in housing.
3. Act sensibly as a member of society and as a corporate citizen based on compliance.
4. Strive for self-improvement through daily learning in order to achieve goals.

Principles

1. We will strive to be fair and just in everything we do.
2. We will strive to never fail to reward good conduct or let a fault go unpunished in everything we try.

History



**AQUA FOAM**

Founded by Fumitaka Nakamura (current President) as a company engaging in the installation and sales of insulation for single-family homes

2004 >>>



**AQUA FOAM for buildings**

Entered the insulation market for buildings

2012 >>>



**Yokohama Technical Center**

Strengthened product development functions  
Started manufacturing raw materials

2014 >>>



**AQUA BLOW**

Urethane materials recycling  
Commercialized a blowing insulation product

2016 >>>



**Non-flammable insulation**

Nippon Aqua's presence grew in the market for buildings

2019 >>>



**Ultrarapid-hardening waterproofing**

Entered the waterproofing market with polyurea waterproofing

2020 >>>



**AQUA FOAM LITE**

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

2021 >>>

Listed on the First Section of the Tokyo Stock Exchange

19.4

9.8  
Listed on Mothers Section of the Tokyo Stock Exchange

Moved to the Prime Market following the market reorganization of the Tokyo Stock Exchange

25.6

29.0 Forecast

**11.3%**

Average annual growth rate since listing

Net sales

(Billion yen)



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Editorial Policy

Editorial Policy

This report is published to provide our shareholders, investors, and other stakeholders with a better understanding of our company and to trigger further dialogue by disclosing non-financial information, such as our efforts to enhance our corporate value over the medium to long term, in addition to financial information, such as our results for the fiscal year under review.

Cautionary Statement

This report contains forward-looking statements regarding our business.

Please be aware that these are forecasts based on currently available information and may differ from actual results due to various factors in the future.

Reporting Period

From January 1, 2022 to December 31, 2022

Issue Date

March 2023

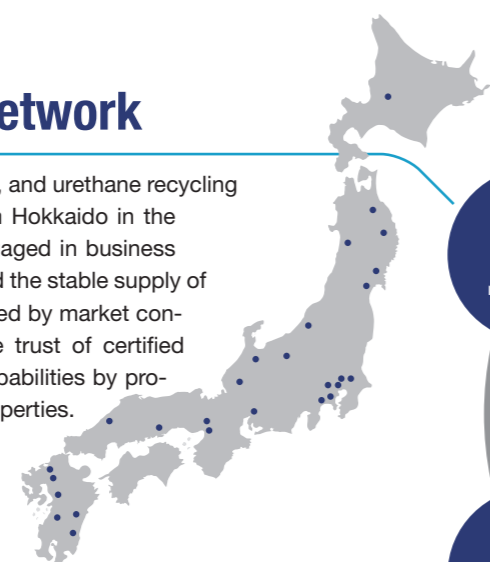
## Strengths That Drive Our Business

Our strengths lie in our unique business model in which we comprehensively conduct everything in-house, from the development of raw materials for urethane insulation to installation and even recycling. Although there are competitors in the sales and installation of urethane, we are the only company that offers a full range of services, and we differentiate ourselves with our stable product supply and quality of construction.

### Nationwide Sales Network

We have sales offices, distribution warehouses, and urethane recycling plants in 27 locations throughout Japan, from Hokkaido in the north to Kagoshima in the south, and are engaged in business activities tailored to regional characteristics and the stable supply of urethane raw materials, which are easily affected by market conditions. We are also working to enhance the trust of certified contractors and improve their construction capabilities by promoting their development through our own properties.

**web** Please check our website for more details. >>>  
<https://www.n-aqua.jp/company/branch/>  
 (available in Japanese only)



### Recycling to Reprocess

**Recycle blowing** Certified operator under the Ministry of the Environment's Wide Area Certification System with four recycling plants. In the installation of sprayed rigid urethane foam, a large amount of urethane scraps (shavings) is generated. We collect urethane scraps from construction sites across Japan and reprocess them as AQUA BLOW (used mainly as insulation to be spread in the ceiling space).

#### Reprocessing Flow



### Construction Quality Management

Ensuring work safety and construction quality

#### Ensuring a high construction quality

In recognition of the insulation properties and quality control system of our spray-on construction, we have been certified by IBEC (Institute for Built Environment and Carbon Neutral for SDGs) as an "Excellent On-site Insulation Construction Certification System\*."

\* A system for enhancing the reliability of sprayed and blown-in insulation materials by allowing installation contractors of a certain level of competence to disseminate correct construction management and displaying this information externally.

### Raw Material Development and Quality Management

Procurement source diversification and raw material storage and warehousing

In addition to securing global procurement routes that are not limited to North America and Asia, we have established stocking points for urethane raw materials in various parts of Japan, which enables us to procure raw materials in a flexible manner. This has allowed us to avoid the impact of the "urethane raw material shortage" that occurred in Japan from 2021 to 2022.



\* There is no fact that we are short of raw materials.

### Environmentally Friendly Insulation Material Derived From Water

**Product manufacturing** Fabless manufacturer



AQUA FOAM, which supports the Company, is an insulation material that is foamed on-site using water, without the use of chlorofluorocarbon gas, which has a large greenhouse effect. The rigid urethane foam material is both human- and earth-friendly, using carbon dioxide gas, which is generated by mixing polyol and isocyanate containing water, as a foaming agent.

Conventional insulation materials such as glass wool are cut and pasted to fit the insulation area on-site, which sometimes leaves gaps. However, AQUA FOAM can fill even the smallest of areas without gaps, and its high adhesiveness ensures a stable insulation effect.

No.1 share of the on-site foam insulation material market

Total construction record in Japan  
**473,400** buildings

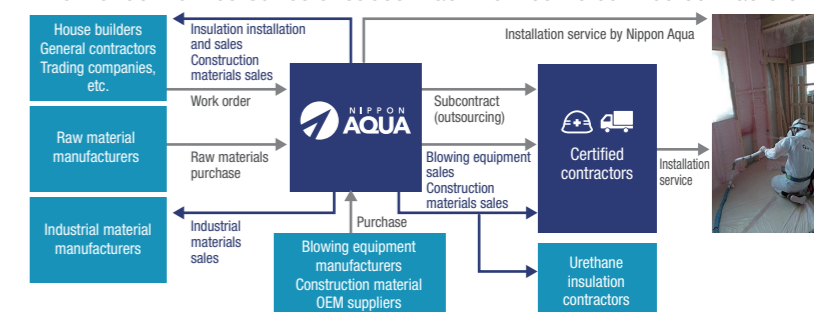
**web** Please check our website for more details. >>>  
<https://www.n-aqua.jp/products/>  
 (available in Japanese only)

### Focus on Strengthening Construction Capabilities

Nationwide Construction Network In house construction + certified contractors

In order for us to achieve stable growth, it is essential to further strengthen and secure our construction capabilities. To this end, we consider increasing the number of our construction employees to be a top priority and have been promoting work style reform, as we introduce a five-day workweek, raise wages in conjunction with the expansion of various allowances such as the Metropolitan Region Allowance and Child-care Support Allowance, and actively recruit employees through social media and other means.

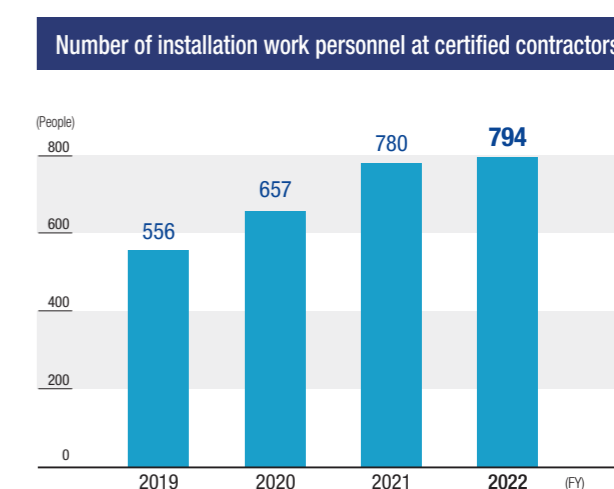
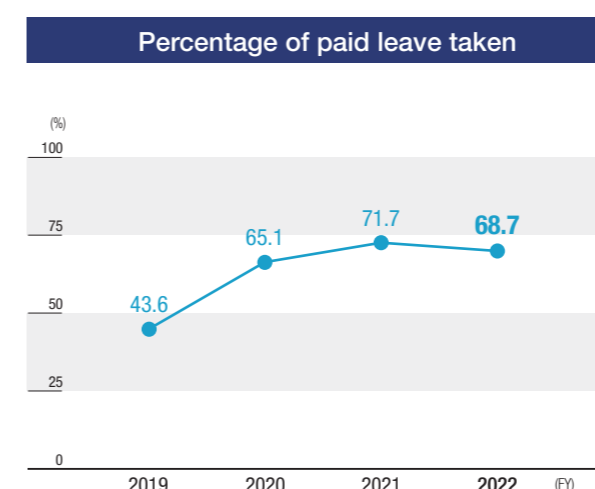
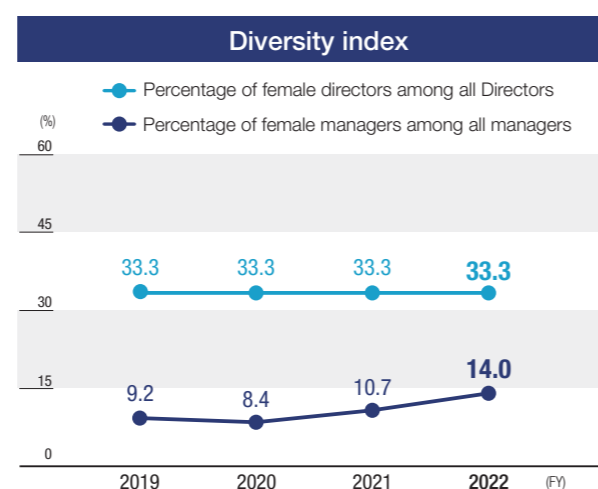
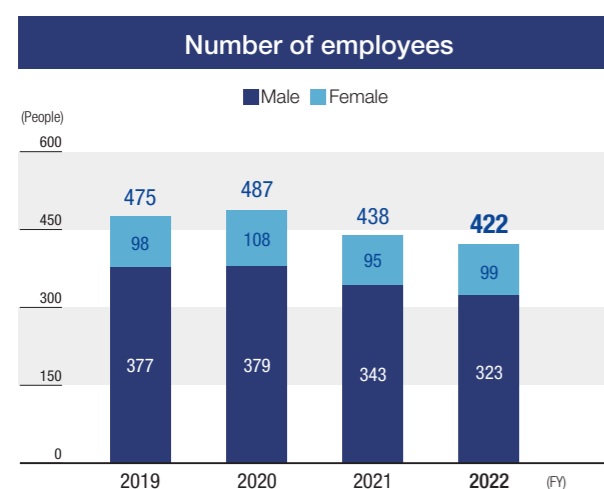
We undertake insulation installation work projects as the sole contractor and either do them ourselves or subcontract them out to certified contractors



## Key Financial Data

		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Net sales</b>	(Million yen)	6,488	9,825	13,020	14,046	15,608	18,052	19,417	21,366	21,872	23,903	<b>25,670</b>
<b>Operating profit</b>	(Million yen)	662	956	944	1,013	1,404	1,313	766	1,909	1,896	1,412	<b>2,329</b>
<b>Ordinary profit</b>	(Million yen)	662	925	937	1,016	1,404	1,419	764	1,909	1,911	1,429	<b>2,359</b>
<b>Profit</b>	(Million yen)	364	512	529	137	979	941	489	1,275	1,342	953	<b>1,549</b>
<b>Net assets</b>	(Million yen)	1,080	5,103	5,529	5,590	6,663	5,508	5,885	6,843	7,638	7,951	<b>7,966</b>
<b>Total assets</b>	(Million yen)	2,787	7,982	9,138	11,254	12,596	12,806	14,381	15,379	16,021	18,279	<b>21,969</b>
<b>Net assets per share</b>	(Yen)	270.19	147.81	160.15	161.01	184.40	171.31	182.36	211.88	236.46	246.09	<b>254.41</b>
<b>Dividend per share</b>	(Yen)	—	15.00	15.00	3.00	3.00	4.00	10.00	17.00	20.00	20.00	<b>24.00</b>
<b>Basic earnings per share</b>	(Yen)	91.24	20.61	15.33	3.97	27.61	27.84	15.19	39.50	41.57	29.52	<b>47.99</b>
<b>Equity ratio</b>	(%)	38.8	63.9	60.5	49.7	52.9	43.0	40.9	44.5	47.7	43.5	<b>36.3</b>
<b>Return on equity</b>	(%)	40.6	16.6	10.0	2.5	16.0	15.5	8.6	20.0	18.5	12.2	<b>19.5</b>
<b>Cash flows from operating activities</b>	(Million yen)	129	770	(146)	(748)	1,502	447	(359)	1,657	694	520	<b>(297)</b>
<b>Cash flows from investing activities</b>	(Million yen)	(217)	(376)	(1,273)	(1,501)	(834)	(492)	(39)	(769)	(609)	(355)	<b>(293)</b>
<b>Cash flows from financing activities</b>	(Million yen)	(7)	3,612	(66)	1,645	(489)	(547)	316	(902)	(311)	109	<b>1,340</b>
<b>Cash and cash equivalents at end of period</b>	(Million yen)	476	4,481	2,995	2,390	2,569	1,976	1,893	1,878	1,651	1,926	<b>2,676</b>

## Key Non-financial Data

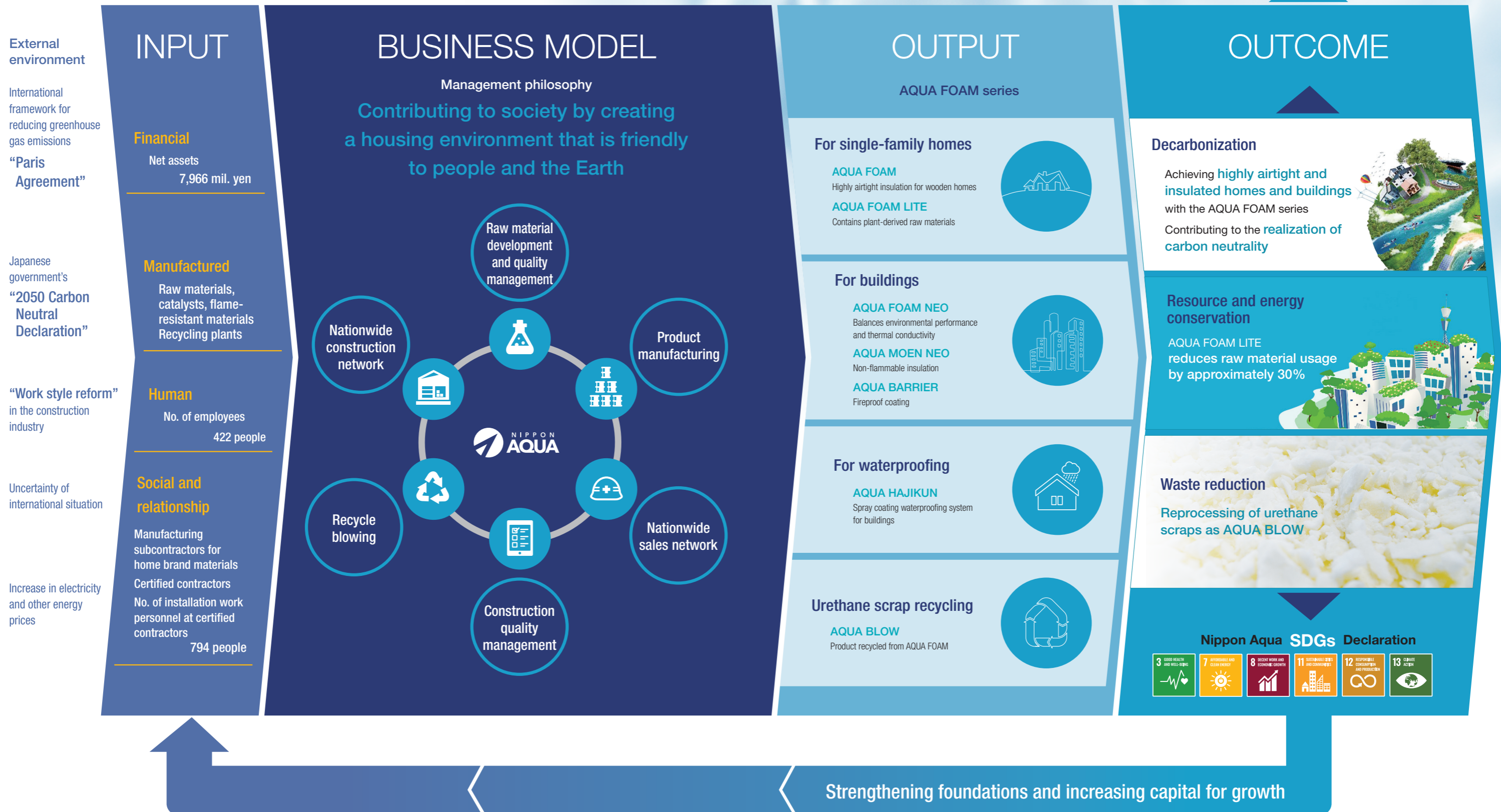


## Value Creation Process

Nippon Aqua's value creation process is a concrete representation of how we are addressing stakeholders and society under our vision of "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."

Goal of Nippon Aqua

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



# We will contribute to society by creating a housing environment that is friendly to people and the Earth.



**Fumitaka Nakamura**

President and Representative Director

## Insulation Rating Becomes Mandatory

In 2022, we continued to face a challenging business environment due to rising resources and energy prices and the historic depreciation of the yen, which led to increases in the prices of naphtha and other raw materials. However, the most significant event was the enactment in June of the “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” (hereinafter referred to as the “Revised Building Energy Efficiency Act”). As a result, all new residential and non-residential buildings will be required to conform to the “Insulation Class 4” energy efficiency standard, and no new buildings below this level will be allowed to be built from 2025. In addition, with the recent rise in electricity prices, there has been a tremendous increase in attention being paid to the insulation performance of homes, and this represents the greatest opportunity for us since the establishment of our Company.

The history of insulation materials for single-family homes in Japan is short, with the spread of insulation beginning around 1980. When the Company was established in 2004, sprayed rigid urethane foam insulation work was not well known, and was treated as “miscellaneous work” in construction quotations, which was a very frustrating experience. Our net sales for FY2022 reached a record high of 25.6 billion yen, and we believe that we have come this far because people share our desire to have many people live in healthy and comfortable homes by making AQUA FOAM (our sprayed rigid urethane foam) the standard for insulation materials and to change the housing environment in Japan.

## Becoming a Prime-Listed Company

Starting from the installation of urethane insulation materials for single-family homes, we set the consistency of installation quality as the axis of differentiation and established a certified contractor system that allows contractors to work in unison with the Company. We have worked hard to build a win-win relationship with our certified contractors: we sell urethane raw materials directly to them, and they are referred by us for installation work, eliminating the need for sales activities. Subsequently, we have been expanding our business domains, including urethane insulation materials for buildings, and one of the most significant turning points was the opening of our Technical Center (R&D facility) in 2014 and the vertical integration of our businesses. We always wanted to offer products that could immediately respond to the demands of construction sites and expand our product lineup. With our listing on the Mothers section of the Tokyo Stock Exchange in December 2013, we stepped into uncharted territory as our name recognition increased and we were able to hire more developers.

Consequently, the prototype of our business model, which encompasses everything from raw material development to sales, installation, and recycling, was created, and since listing on the First Section of the Tokyo Stock Exchange in March 2018, we are now within reach of the 30.0 billion yen in net sales that we set as our goal at the time of our establishment. In order to reach our next goal of 100.0 billion yen in net sales, there are many issues that need to be addressed, such as increasing the value of human capital in line with the Company and further strengthening our construction system by advancing DX, and for this purpose, it is important to utilize outside knowledge. Becoming a prime-listed company will give us many opportunities to exchange opinions with shareholders and institutional investors, and will make it possible to gain a high level of visibility and credibility that is effective for our business strategies. To this end, we are working to achieve our Prime section conformity plan as soon as possible.

In terms of management governance, we have six Independent Outside Directors, and they are able to provide us with accurate advice, including opinions on our internal theories and presentation of case studies of other companies for reference, which leads to fair management decisions.

## Toward Sustainable Growth

In the construction industry, the so-called “2024 problem” of capping overtime work will begin. Prior to this, we have already introduced a five-day workweek system, and from 2023, we have taken this a step further by offering Saturdays and Sundays off. Since building a strong construction system will lead to our sustainable growth, I believe it is my mission to create a comfortable working environment.

In addition, the government’s announced goal for homes and buildings to achieve a 46% reduction in carbon emissions by 2030 calls for average new buildings to be ZEH and ZEB compliant. We will work on these by once again sharing our desire to “provide healthy and comfortable homes for many people through AQUA FOAM” with all employees.

In order for us to achieve sustainable growth, we would like to ask all of our stakeholders for their understanding and continued support of our efforts.

## Medium-Term Management Plan (2019-2023) “Road To 2023”

On February 25, 2019, we formulated our medium-term management plan “Road To 2023” covering the five-year period from FY2019 to FY2023. As for the target for the final year, the fiscal year ending December 31, 2023, although we have partially revised the target in consideration of the current business environment, we have set the target for ordinary profit at 2.75 billion yen, which surpasses the initial plan of 2.5 billion yen.

Although harsh business environment continued due to events that shook the world, such as the COVID-19 pandemic and Russian invasion of Ukraine, which were unforeseeable at the time of our planning, we were able to maintain consecutive revenue growth. We will continue to make concerted efforts to achieve our goals.

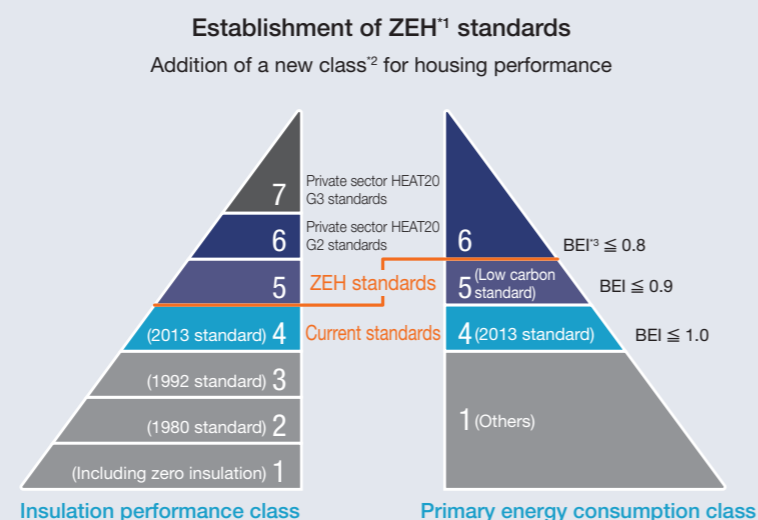
	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Revised target	FY2023 Initial target
Net sales (Million yen)	19,417	21,366	21,872	23,903	25,670	29,021	30,000
Ordinary profit (Million yen)	764	1,909	1,911	1,429	2,359	2,750	2,500
Ordinary profit margin (%)	3.9	8.9	8.7	6.0	9.2	9.5	8.3
Profit (Million yen)	489	1,275	1,342	953	1,549	1,828	1,625
ROE (%)	8.6	20.0	18.5	12.2	19.5	Maintain 15.0 or above	Maintain 15.0 or above
Basic earnings per share (Yen)	15.19	39.50	41.57	29.52	47.99	58.41	
Dividend per share (Yen)	10.00	17.00	20.00	20.00	24.00	30.00	
Payout ratio (%)	65.8	43.0	48.1	67.7	50.0	51.3	50.0

### Understanding the Business Environment (Post-Review)

#### Single-family Homes Division

#### Increased demand for AQUA FOAM series

- With the announcement of the “46% greenhouse gas reduction target for 2030” in 2019 and the enactment of the “Revised Building Energy Efficiency Act” in 2022, promotion measures by the Japanese national and local governments have accelerated and expansion of ZEH (Net Zero Energy Houses) is expected.
- We expect that needs for the AQUA FOAM series will increase, backed by product characteristics that contribute to the realization of highly airtight and highly insulated homes and stable installation quality through the certified contractor system.



<sup>1</sup>ZEH is a house that reduces the net annual energy consumption to virtually zero or less while maintaining a comfortable indoor environment, by striving to save as much energy as possible through high heat insulation and high-efficiency equipment, and generating energy through photovoltaic power generation and other means.  
<sup>2</sup> Home performance indication system based on the Housing Quality Assurance Act  
<sup>3</sup> BEI = design primary energy consumption / standard primary energy consumption

Source: Ministry of Land, Infrastructure, Transport and Tourism

### Management Strategies of Medium-Term Management Plan

#### Basic policies

- Capture at least 1% market share each year  
Secure insulation market share
- Enter into new businesses with synergistic effects  
Research and develop products and systems that have synergy effects with insulation materials
- Strengthen shareholder returns in line with stable growth  
Target dividend payout ratio of 50% based on stable profit generation
- Strengthen corporate governance  
Implement sounder and more transparent corporate management

#### Key strategic points

- Responding to customer needs with superior product capabilities
- Responding to customer needs with organizational strength that no other company can match
- Promoting research and development of new products to meet new market needs
- Entering into new businesses (air conditioning and ventilation) that have synergy effects with the insulation business
- Focusing on R&D for new product development, investment in human resources for new business startups, etc.

#### Business strategies

##### Single-family Homes Division

Of the residential insulation market of approximately 190.0 billion yen, we aim to achieve a market share of 8.5% (16.1 billion yen in net sales) in FY2023, a significant increase from 7.3% (13.8 billion yen in net sales) in FY2022. We will increase the number of installations by enhancing our installation system through strengthening the hiring of installation work personnel and increasing the number of certified contractors, as well as actively working on the installation of higher insulation class to increase the unit price of installation.

##### Buildings Division

We will increase our presence in the market by differentiating ourselves with non-flammable insulation in the approximately 590.0 billion yen market for building insulation and peripheral materials. Since actual sales in FY2022 amounted to 6.8 billion yen, already exceeding the initial plan of 5.4 billion yen for FY2023, we are targeting 7.6 billion yen in FY2023 by steadily building up the sales bookings of projects for which orders have been received.

##### Waterproofing Division

Although treated as one of the new business domains when the initial plan was formulated, the development of AQUA HAJIKUN, a polyurea waterproofing material, was completed in 2020, and the Company entered a huge market with a market size of approximately 600.0 billion yen. By emphasizing the superiority of our products over competing products, raising awareness of our products by installing them on balconies of single-family homes, etc., and focusing on winning large-scale projects, we aim for sales of 500 million yen in FY2023.

##### Product Sales Division

In line with the expansion of our business, we have made progress at a pace that exceeds our initial plan, and our actual sales reached 4.6 billion yen in FY2022. By continuing to expand sales of raw materials and enhance our product lineup, we target sales of 4.7 billion yen in FY2023.

#### Buildings Division

#### Strengths of our integrated business model and rapidly growing needs for non-flammable insulation

- A “urethane raw material shortage” occurred in 2021 due to a shortage in the supply of Hydrofluoroolefins (HFOs) used in non-fluorocarbon foaming agents. We were able to leverage our unique procurement channels to achieve a stable supply of raw materials and a successful construction track record, earning a high evaluation for our integrated business model.
- Amid a rapid increase in demand for non-flammable insulation, with the recent fire incident in a building under construction gathering attention, we will respond to a wide range of customer base by offering a lineup of products such as AQUA MOEN NEO and AQUA BARRIER.

## Single-family Homes Division

The Single-family Homes Division is engaged in the installation of sprayed rigid urethane foam insulation for single-family homes. Timber frame structures account for more than 90% of single-family homes in Japan, and we are responding to this demand with installation using AQUA FOAM LITE and AQUA FOAM. (Source: Ministry of Internal Affairs and Communications, “2018 Housing and Land Survey”)

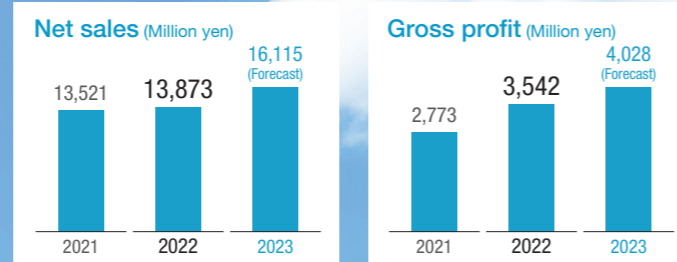
In addition, AQUA FOAM NEO, a higher grade product, is used for non-timber frame houses, installation in cold regions, and for higher insulation class.

### Opportunities

- Standardization of ZEH standards (equivalent to insulation Class 5)
- Establishment of higher standards by each municipality, such as Tokyo Zero Emission Houses (equivalent to insulation Class 6)
- Growing interest in the insulation performance of homes due to soaring electricity prices, etc.

### Risks

- Decrease in the number of installations due to rising home acquisition costs and mortgage interest rates
- Delays in the establishment of installation systems due to labor shortages in the construction industry
- Another rise in raw material prices or supply shortages



\* “Renovations” has been reclassified from “Other” (2021) to “Single-family Homes” (2022)

## Buildings Division

The Buildings Division is engaged in the installation of sprayed rigid urethane foam insulation for reinforced concrete (RC), steel-framed reinforced concrete (SRC), and steel-framed (S) buildings, condominiums, and other facilities. We receive orders from the general contractor, which serves as the prime contractor, and perform installation mainly using AQUA FOAM NEO.

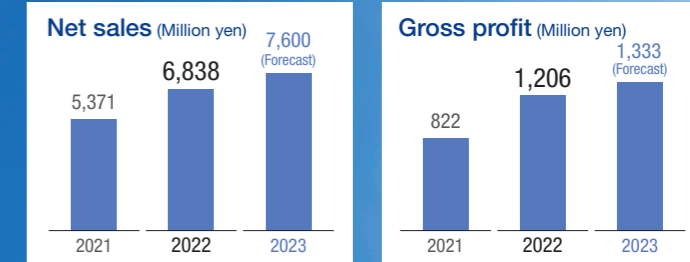
In recent years, the number of installations with non-flammable insulation material AQUA MOEN NEO has grown dramatically due to the growing need to avoid fire risks at construction sites.

### Opportunities

- Growing need for non-flammable insulation AQUA MOEN NEO
- Sales expansion of new product AQUA BARRIER
- Increase in insulation work due to ZEB standardization

### Risks

- Delays in the establishment of installation systems due to labor shortages in the construction industry
- Another rise in raw material prices or supply shortages



\* “Waterproofing” has been reclassified from “Buildings” (2021) to an independently listed item (2022)

### Review of the Fiscal Year and Business Environment

The enactment of the “Revised Building Energy Efficiency Act” and the establishment of “Flat 35S (ZEH)” mortgage loan program, which reduces the interest rate for a certain period of time for borrowers who acquire ZEH-level homes, as well as soaring electricity prices, have generated a great deal of interest in the insulation and energy conservation performance of homes and continued to fuel strong demand throughout the year. On the other hand, in response to concerns about the squeeze on earnings due to rising raw materials prices caused by rising resource and energy prices and the historically weak yen, we worked to ensure the profitability of the Company and certified contractors by decisively revising installation prices.

### Growth Strategy

The “Revised Building Energy Efficiency Act” requires new homes and buildings to meet the current energy conservation standards (equivalent to insulation Class 4) by 2025, but we are looking one step ahead and actively promoting the proposals for installation with ZEH standards and higher standards to improve installation unit prices. At the same time, we will expand our installation system by hiring more installation work personnel and increasing the number of certified contractors, and we will work to increase the number of installations by digging deeper into existing customers as well as cultivating new customers.

### Review of the Fiscal Year and Business Environment

International supply and demand for isocyanate and HFO, the raw materials (undiluted solution) for sprayed rigid urethane foam, was tight from 2021 to 2022, causing a shortage of urethane raw materials in Japan, which affected installation schedules. Under these circumstances, we worked to ensure a stable supply of raw materials by making full use of our unique procurement channels and strove to win the satisfaction and trust of customer companies. As a result, our integrated business model, which is responsible from raw material procurement to installation, was highly evaluated once again and led to an increase in large-scale projects. In addition, we continue to receive strong inquiries for our non-flammable insulation, which meet the needs of construction sites to avoid fire risks.

### Growth Strategy

We expect the business environment surrounding the Company to remain favorable due to the new construction and expansion of domestic plants for semiconductor-related materials and EV-related products as manufacturers return their factories to Japan, in addition to redevelopment projects in Tokyo, Osaka, and other major cities in Japan. We will focus on winning orders for large-scale projects while building up a track record of installation work and improving customer trust, and we will continue our efforts to contribute to fire risk avoidance by leveraging our product lineup of non-flammable insulation AQUA MOEN NEO and the new product AQUA BARRIER.



TOPICS

#### Video Distribution of Dialogue Between Architect Kazuya Matsuo and Our Employee

Six videos of a dialogue between APEC Architect Kazuya Matsuo (President of Matsuo Architects Office Co., Ltd., headquartered in Akashi City, Hyogo Prefecture), a leading expert on “insulated” and “energy-saving” housing, and our employee are available on the YouTube channel “Nippon Aqua (Official)”. The videos answer the viewers’ questions about the impact of cutting the skin layer of urethane insulation on insulation performance, cost-effective energy-efficient housing, and other topics.



Like a fluffy feeling  
 YouTube  
 Nippon Aqua (Official)  
<https://www.youtube.com/@user-md8n16p1u>



TOPICS

#### Launched New Product AQUA BARRIER

AQUA BARRIER is a hybrid of organic and inorganic materials that enhances flame resistance when applied to building insulation materials such as AQUA FOAM NEO, making it an effective solution for preventing fires at a wide range of construction sites. It is a quick-drying, high adhesion, and low-cost solution that can be applied without primer right after the installation of AQUA FOAM NEO. It cures quickly and has strong adhesion due to its thin application, making it resistant to falling off.

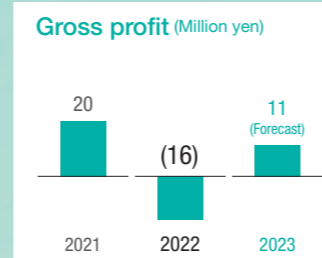
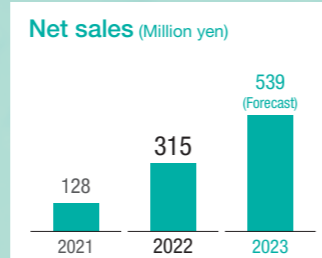




## Waterproofing Division

The Waterproofing Division performs waterproofing with AQUA HAJIKUN, which is made of polyurea resin. Polyurea resins were developed in the U.S. in the 1980s and are used for explosion protection in military facilities. The waterproofing market is worth 600.0 billion yen and covers a wide range of applications. We are working to raise awareness of our products through installation on residential balconies, and expanding our business to include buildings and commercial facilities.

The product's main strengths are durability, elasticity, and quick-drying properties, which provide superior strength and longevity compared to conventional installation methods. We are also the only company that handles polyurea resin waterproofing on a national scale.



### Opportunities

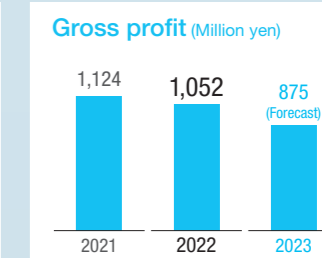
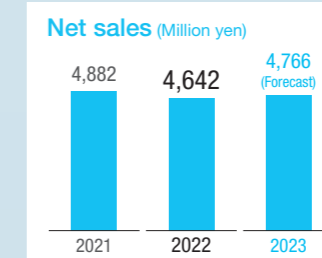
- Advanced waterproofing performance of buildings due to an increase in extreme weather conditions
- Re-installation needs due to aging buildings and condominiums
- Increased recognition of polyurea resin waterproofing

### Risks

- Delays in the establishment of installation systems due to labor shortages in the construction industry
- Another rise in raw material prices or supply shortages

## Product Sales Division

The Product Sales Division handle sales of products and services other than installation, including consumable supplies and other auxiliary supplies used in construction, sales of urethane raw materials to customers other than certified contractors, and sales of urethane foam blowing equipment. Sales of auxiliary supplies increase in proportion to our number of installations, and sales of blowing equipment increase in proportion to the number of installation work personnel. Sales of raw materials to certified contractors are not classified as product sales, as they are provided for a fee.



### Opportunities

- Expansion of our business (increase in the number of installations and installation work personnel)
- Increased awareness of our function as a manufacturer
- Development and market launch of differentiated products

### Risks

- Sluggish growth in our business
- Emergence of highly competitive alternatives



### Review of the Fiscal Year and Business Environment

We worked to launch the Division as a specialized department and to raise awareness of AQUA HAJIKUN. In cooperation with the Single-family Homes Division, we conducted sales activities to leading builders nationwide and focused on acquiring orders for installation in balconies of single-family homes and apartment complexes. Meanwhile, as we could not make progress in establishing an adequate installation system, there remained issues with process management. While we performed installation in balconies of properties of a major national builder and renovation work for large factories and commercial facilities, installation schedules for some properties were delayed and orders were lost due to installation schedules. As a result, the Division was unable to achieve the plan.

### Growth Strategy

Based on the reflections of the fiscal year under review, we will strengthen the recruitment of certified contractors dedicated to waterproofing, promote the establishment of an installation system, and continue to work on acquiring orders for installation in residential balconies. In recent years, the frequent occurrence of extreme weather events such as torrential rain has caused serious damage to homes and buildings, and the demand for leak prevention measures has increased enormously. We are also seeing a growing number of large-scale projects such as commercial complexes, railroad station buildings, and large-scale water storage tanks, including inquiries from some of the largest companies in Japan regarding the renovation of their own facilities. For this reason, we will consider acquiring personnel with expertise in the waterproofing business and forming alliances as needed.

### Review of the Fiscal Year and Business Environment

Sales of auxiliary supplies increased steadily in line with the increase in the number of buildings for installation, and we also aggressively worked on selling raw materials to customers other than certified contractors. In addition, the volume of blowing insulation AQUA BLOW increased along with the growing need for ceiling insulation. On the other hand, while sales of blowing equipment owned by the Company temporarily increased in FY2021 as the Company actively promoted the independence and transfer of its installation work personnel, sales declined in FY2022 as its reaction, resulting in a sales decline of 4.9% year-on-year for the Product Sales Division as a whole.

### Growth Strategy

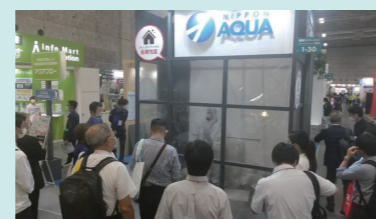
Having experienced recent shortages in the supply of urethane raw materials and continuous increases in raw material prices, we believe that flexible inventory management is necessary to ensure the stable progress of our business. Therefore, we see it as vital to promote the establishment and renewal of branch offices nationwide, which will serve as stocking points, and to expand sales routes by strengthening sales of raw materials. In addition, in order to cope with the increasing demand for AQUA BLOW in conjunction with the improvement of insulation performance of houses, we have built new plants for recycling urethane insulation in the Kanto and Kansai regions in 2022, creating a four-base system.



### TOPICS

#### Demonstration of AQUA HAJIKUN spraying at a major exhibition for architectural professionals

In 2022, we exhibited at the 43rd Japan Kenzai Fair (Tokyo) and the 6th [Kansai] High-Performance Building Materials & Housing Equipment Expo (Osaka) in August and the 7th Japan Build Tokyo Exhibition [High-Performance Building Materials & Housing Equipment EXPO] (Tokyo) in December, and performed AQUA HAJIKUN spraying installations at each venue. Since many people, even experts, have never seen this before, we will expand awareness of AQUA HAJIKUN by allowing them to actually experience the elasticity and quick-drying properties that make it so unique.



### TOPICS

#### List of AQUA Products

##### Urethane products

- AQUA BARRIER
- AQUA BLOW
- AQUA FOAM LITE
- AQUA MOEN NEO
- AQUA HAJIKUN
- AQUA FOAM NEO
- AQUA A FOAM
- AQUA FOAM
- AQUA FOAM NEO+TP
- AQUA FOAM Single Component Hand-type

##### Auxiliary supplies

- AQUA AIR Series
- AQUA THROUGH Series
- AQUA WALL Series
- Ventilation systems
- AQUA SEAL
- AQUA TIGHT Series



AQUA FOAM recycled products  
AQUA BLOW

## Environmental Initiatives

### Our approach to climate change

With our management philosophy “Contributing to society by creating a housing environment that is friendly to people and the Earth,” we have continuously addressed environmental issues through our business activities. We also recognize climate change as an important social issue by setting our vision as “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.”

We support the Paris Agreement, an international framework for reducing greenhouse gas emissions, and the Japanese government’s 2050 Carbon Neutral Declaration. In May 2022, we established the ESG Committee to analyze the impact of climate change on our business and to study response measures, to prepare for information disclosure based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

### Governance

The ESG Committee is chaired by the President and Representative Director, and its members include Directors and Executive Officers involved in ESG, as well as the heads of other relevant divisions. The President and Representative Director also chairs the Risk Management Committee, along with the ESG Committee, and oversees environmental issues, including climate change, at the Company. Decisions made by the ESG Committee are proposed and reported to the Board of Directors, where all members of the Board of Directors review and deliberate on them, and decide on their implementation as necessary.

### Strategies

The risks and opportunities associated with climate change may stem from “transition risks,” such as tighter policies and regulations, technological advancements, and market changes. If we are unable to adapt to the global transition to a decarbonized society, our financial position may be significantly affected by lost sales opportunities and others. On the other hand, there is a possibility of creating opportunities due to the rapid growth in demand for insulation materials against the backdrop of the trend toward higher airtightness and thermal insulation of houses and buildings for decarbonization.

In addition, risks and opportunities may also stem from “physical risks” such as acute extreme weather events or chronic temperature increases, which could have a significant impact on our financial position due to disruptions in our supply chain, adverse effects on our labor force, and various cost increases.

Factors		Impact on business	
Transition risks	Introduction of a carbon tax	Risks	Increased costs in business activities
		Risks	Increased costs in business activities
	Tighter regulations on CO <sub>2</sub> emissions	Opportunities	Increased demand for ZEH and ZEB
		Opportunities	Increased appreciation for implementing companies
	Increased regulation of non-flammability of buildings	Opportunities	Increased demand for non-flammable insulation, etc.
	Change in energy mix (increase in demand for renewable energy)	Risks	Increase in electricity and other energy costs
		Opportunities	Increased demand for ZEH and ZEB
	Decrease in demand for petrochemical products (shift to biomass materials, etc.)	Risks	Increase in cost of urethane raw materials
Opportunities		Increased demand for non-petrochemical products	
Change in customer needs and behavior	Opportunities	Increased demand for ZEH and higher insulation class houses	
	Opportunities	Increased demand for non-flammable insulation for buildings	
Physical risks	Acute extreme weather	Risks	Loss of sales opportunities due to supply chain disruption
		Risks	Damage to self-owned facilities and labor shortages
		Risks	Delays in installation delivery
	Opportunities	Increased demand for disaster prevention and mitigation, including waterproofing work	
	Chronic temperature increase	Risks	Decline in labor productivity due to deteriorating labor environment
		Opportunities	Increased demand for ZEH and ZEB

CO <sub>2</sub> emission of the Company (FY2022)		(t-CO <sub>2</sub> )
Scope1		1,411
Scope2		292
Scope3		235,532
[Category5]		[346]
Total		237,235

## Recycling Urethane Scraps AQUA BLOW



### What is urethane scrap recycling?

In the installation of sprayed rigid urethane foam, the urethane adhering to the columns and studs is scraped off immediately after spraying, or the convexity of the sprayed surface is scraped off to level the unevenness of the surface. The urethane that is scraped off is referred to as scraps, and a large amount of scraps are generated at the construction site of an average single-family home. However, since these urethane scraps are defined as industrial waste, they cannot be brought to general waste disposal sites.

To solve this problem, we have established a system to collect urethane scraps from construction sites nationwide by acquiring the “national permit system,” a special exception system related to the Waste Management Act. Collected urethane scraps are recycled as blowing insulation materials (mainly for laying insulation on the ceiling) and sold as environmentally friendly AQUA BLOW.

- 1 Site installation and generation of urethane scraps**  
 Scraps are generated as a result of urethane insulation installation
- 2 Collection and transportation**  
 Collecting urethane scrap materials from construction sites nationwide using the national permit system
- 3 Processing and recycling**  
 Four recycling plants nationwide

**Expansion of AQUA BLOW Recycling Plants**

Four plants in operation nationwide, including Sendai and Kyushu

- Nov. 2022  
Kanto Recycling Plant established
- Oct. 2022  
Kansai Recycling Plant established

## Human Capital and Diversity

### Our approach to human capital

We believe that building a strong installation system will be a key factor for future growth, as we expect a favorable business environment in line with the government's environmental policy. We secure installation work personnel, who play a central role in our installation system, mainly through mid-career recruitment. Generally speaking, the construction industry has difficulty attracting human resources, so we set ourselves apart from our competitors by creating a work environment that emphasizes work-life balance. In addition, we are working to expand our scope of recruitment by diversifying recruitment channels and methods, and to secure a stable supply of excellent human resources, not limited to installation work personnel.

In addition, by intermittently improving and reforming operations in line with the introduction of IT systems, we have created an environment that removes unnecessary tasks from human hands and allows each person to concentrate on high-level tasks, allowing them to maximize their performance. As a result, each individual's labor productivity has increased over the years, and it is not uncommon for women to be promoted to key positions. We will achieve continuous business growth by hiring and utilizing diverse human resources, including women, foreigners, the elderly, and people with disabilities.

### Response to the construction industry's "2024 Problem"

In 2019, the "Act on the Arrangement of Related Acts to Promote Work Style Reform" came into effect, and even in the construction industry, which was given a five-year grace period, the law will come into effect in April 2024, and it is said that the biggest impact will be caused by the "maximum working hour regulations." As a result, a five-day workweek is expected to become the norm in the construction industry, where long working hours and a six-day workweek have been the norm. Using all industries as benchmarks, we have had a five-day workweek, but from January 2023, we will take this even further and switch to a "Saturdays and Sundays off" policy. The "Saturdays and Sundays off" was a major decision because it would lead to a decrease in the number of operating days in construction, but as a result, the number of applications for employment has increased dramatically, and we expect that the decrease in operating days can be fully compensated for by increasing the number of weekday installation projects.

### Acceptance of technical interns

We accept foreign technical interns under the technical intern training program, which aims to transfer technology, skills, and knowledge to developing regions and cooperate in "human resource development" to play a role in regional economic development, and many technical interns are working as engineering workers. In addition to the knowledge and terminology required for installation, the technical instructor teaches the importance of the mental attitude and safety aspects involved in the installation process, and then gives instructions while showing the work on site. In order to avoid loneliness and inconvenience, employees are not assigned to branch offices alone and they live together in a company dormitory. In addition, we are in close contact with the supervising organization to provide detailed support.

### Initiatives to support women's empowerment

As of the end of 2022, the percentage of female managers in the Company is 14.0%, which is higher than the construction industry average of 6.1% (FY2021, TEIKOKU DATABANK survey), but we aim to further increase this percentage. Especially in the sales clerical positions, where there are many female employees, role models are being created one after another as a result of the improvement of operations with the introduction of IT systems as well as the development of career paths. In addition, we have established a system that allows employees to balance work and home life, including a system of shortened working hours and remote working, as well as various systems to support households raising children.

### Promotion of foreign nationals and mid-career hires to management positions

Since the majority of our business is domestic sales, non-Japanese employees account for only about 3% of our total workforce. However, since we are increasingly engaged in global transactions, including raw material procurement, we will hire more non-Japanese employees and promote them to management positions. Since mid-career hires account for more than half of all managers, no specific targets have been set.

## Ensuring Quality and Strengthening Technical Capabilities

### Deploying quality patrol cars nationwide to conduct unannounced inspections

In order to confirm that proper installation is being carried out, our quality control department uses "quality patrol cars" to make unannounced rounds of installation sites throughout Japan. If, by chance, the standards are not met, it will instruct the department or the certified contractor implementing the installation to correct the problem. In addition, the department (or certified contractor) implementing the installation, the quality control department, and the sales department in charge will hold three-way discussions to determine the cause of the problem and take measures to prevent recurrence.



### Stabilizing installation quality and creating local employment through the certified contractor system

Certified contractors are contractors who install the designated sprayed rigid urethane foam (AQUA FOAM series) and related materials after acquiring skills through training based on our standardized criteria and methods. The franchise system does not require common franchise fees or royalties, and since we supply urethane raw materials for a fee, there is no need to purchase them, making it possible to operate at low cost. In addition, since we handle all communication with general contractors, builders, and construction companies that we place orders, selection of construction sites, and management of schedules, certified contractors are able to concentrate on installation as we will be their single business partner. As their installation techniques improve, not only will the number of installation sites that can be handled be expanded, but the time efficiency of installation will also be improved, and thus an increase in income can be expected.

### Safety-related training and instruction

Once becoming a certified contractor, they will be asked to join the "Aqua Association," a voluntary organization for installation. We hold a "Safety Convention" twice a year for Aqua Association, where we strive to deepen the knowledge and foster the awareness of certified contractors regarding safety and health through lectures by invited experts and explanations of occupational safety and health measures by our representatives and managers of related divisions.

### Creating jobs in the community

We are promoting the opening of branch offices in our own properties throughout Japan. Branch offices are a large facility that serves not only as a work place for employees, but also as a base of operations for certified contractors and a stocking point for urethane raw materials. By using our own properties, we will not only conduct business activities rooted in the local community, but also create attractive employment opportunities in a region lacking employment opportunities, thereby contributing to the development of the community.



# Corporate Governance Structure

## Basic views

To fulfill our responsibilities to our shareholders, customers, employees, business partners, local communities, and other stakeholders, and to achieve sound and highly transparent management, we will strive to strengthen corporate governance and continuously increase our corporate value.

Specifically, we have been actively disclosing information to achieve business growth and financial soundness, and will further enhance the auditing and supervisory functions of the Board of Directors through the participation of Independent Outside Directors in management by transitioning to a Company with an Audit and Supervisory Committee in March 2023.

## Directors

### Fumitaka Nakamura

President and Representative Director

March 1990 Joined Shinko Home Co., Ltd.  
 December 1992 Joined INOAC CORPORATION  
 March 2001 Joined Foam insulation Co., Ltd.  
 October 2003 Joined BASF INOAC Polyurethanes Ltd.  
 November 2004 Established the Company  
 July 2016 President and Representative Director (to present)  
 Representative Director of Aquafilm Asia Associates (to present)

### Yuka Murakami

Senior Managing Director  
 Responsible for Administration, Finance and Accounting

April 1987 Joined the House of Representatives Members Office  
 September 1993 Joined Central Homes Co., Ltd.  
 December 2004 Joined the Company  
 February 2009 General Manager of General Affairs Department  
 Director and General Manager of General Affairs Department  
 August 2012 Managing Director  
 March 2013 Senior Managing Director  
 April 2022 Senior Managing Director, Responsible for Administration, Finance and Accounting (to present)

### Kazuhisa Nagata

Director  
 Responsible for Development Department and Technical Center

April 1992 Joined Nishinbo Chemical Inc.  
 September 2012 Seconded to NEDO (New Energy and Industrial Technology Development Organization)  
 March 2016 Joined the Company  
 General Manager of Raw Materials Development Department  
 March 2017 Head of Raw Materials Development Division  
 March 2018 Director  
 March 2019 Executive Officer and General Manager of Technical Center  
 January 2022 Senior Executive Officer, Responsible for Development Department and Technical Center  
 March Director, Responsible for Development Department and Technical Center (to present)

### Koji Fujii

Director  
 Responsible for Housing Business Department

February 1994 Joined Housetec Inc.  
 April 2013 Joined the Company  
 March 2017 General Manager of Hokuriku/Koshinetsu Block  
 January 2019 General Manager of Kitakanto Block  
 January 2020 Executive Officer  
 January 2022 Second-Tier Executive Officer  
 January 2023 Senior Executive Officer, Responsible for Housing Business Department (to present)

### Keishi Usami

Director  
 Responsible for Construction Business Department

April 1993 Joined Osaka Fernandes Co., Ltd.  
 August 1997 Joined Sumitomo Forestry 2x4 Co., Ltd.  
 July 2008 Joined the Company  
 October 2012 General Manager of Sales Department, Tohoku Block  
 February 2016 General Manager of Construction Sales Department  
 March 2016 Director  
 March 2019 Executive Officer  
 January 2023 Second-Tier Executive Officer, Responsible for Construction Business Department (to present)

### Yoshiaki Takahashi

Outside Director

April 1978 Joined The Dai-ichi, Inc.  
 May 2004 Director and Head of Corporate Strategy Division  
 May 2005 Director in charge of Finance and Accounting/General Affairs and Personnel  
 Auditor of OMC Co., Ltd. (currently SMBC Finance Service Co., Ltd.)  
 May 2007 Managing Director, Responsible for Personnel/Human Resource Development and General/Legal Affairs of The Dai-ichi, Inc.  
 April 2012 Established Think Factory Takahashi Research Institute, Representative (to present)  
 April 2014 Auditor of the Company  
 June 2014 Outside Director of PATH corporation  
 March 2017 Director and Head of Administration Department of Frontier Management Inc.  
 May 2022 Outside Director of NARUMIYA INTERNATIONAL Co., Ltd. (to present)

### Takeshi Kenmochi

Outside Director

October 2003 Joined Chuo Aoyama Audit Corporation Kyoto Office (currently PricewaterhouseCoopers Kyoto)  
 March 2007 Registered as a Certified Public Accountant  
 June 2012 Established Takeshi Kenmochi CPA Office, Representative (to present)  
 June 2013 Auditor of NIPPON CHEMICAL INDUSTRIAL CO., LTD.  
 June 2015 Outside Director (Audit and Supervisory Committee Member)  
 April 2017 Senior Managing Director of TAKAYOSHI, INC.  
 December 2021 Representative Director and Vice President

### Noboru Kohara

Outside Director  
 Full-time Audit and Supervisory Committee Member

October 1999 General Manager of Osaka IPO Department of KOKUSAI Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)  
 November 2009 Director, Executive Officer and General Manager of Corporate Strategy Office of Sanyo Housing Nagoya (currently AVANTIA Inc.)  
 November 2011 Director, Executive Officer, Head of Management Division and General Manager of Corporate Strategy Office  
 April 2018 Director, Executive Officer and General Manager of President's Office  
 November 2018 Director in charge of Kansai Business Department  
 July 2020 Deputy General Manager of Compliance Department of ES-CON ASSET MANAGEMENT Ltd.

### Yuki Matsuda

Outside Director  
 Audit and Supervisory Committee Member

April 2004 Entered the Legal Training and Research Institute of Japan  
 October 2005 Graduated from the Legal Training and Research Institute of Japan  
 Registered as Attorney (to present)  
 January 2016 Joined Sunrise Law Office (to present)  
 March 2017 Director of the Company (to present)  
 May 2017 Outside Director of Az Plan Co., Ltd.  
 February 2021 Secretary General of Japan Federation of Bar Associations  
 May 2022 Outside Director (Audit and Supervisory Board Member) of Az Plan Co., Ltd. (to present)

### Naofumi Higuchi

Outside Director  
 Audit and Supervisory Committee Member

October 1997 Joined Chuo Audit Corporation  
 April 2001 Registered as a Certified Public Accountant (to present)  
 August 2007 Joined Mizuho Securities Co., Ltd.  
 August 2009 Joined the Japanese Institute of Certified Public Accountants  
 April 2012 Associate Professor of Tohoku University Accounting School  
 January 2013 Joined Grant Thornton Taiyo LLC  
 June 2016 Established Higuchi CPA Office, Representative (to present)  
 Outside Audit & Supervisory Board Member of JAPAN PULP AND PAPER COMPANY LIMITED (to present)  
 Professor of Tohoku University Accounting School (to present)  
 April 2018 Director of the Company (to present)  
 March 2020 Council Member of the Japanese Institute of Certified Public Accountants (to present)  
 July 2022

### Hidetaka Nishina

Outside Director  
 Audit and Supervisory Committee Member

October 2002 Graduated from the Legal Training and Research Institute of Japan  
 Registered as Attorney (to present)  
 Joined Anderson & Mori (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise)  
 April 2003 Joined Operations Department of Bank of Japan  
 May 2006 Joined Office of Counselors of the Civil Affairs Bureau  
 January 2011 Partner of Nakamura, Tsunoda & Matsumoto (to present)  
 June 2013 Part-time Auditor of INES Corporation  
 March 2017 Auditor of the Company (to present)  
 March 2019 Outside Auditor of Vario Secure Inc.  
 April Outside Director of KITAMURA HOLDINGS Co., Ltd.  
 June 2021 Outside Director (Audit and Supervisory Committee Member) (to present)  
 November 2022 Outside Director (Audit and Supervisory Committee Member) of Vario Secure Inc. (to present)  
 December Outside Director of FUJI SOFT INCORPORATED (to present)



## Skill Matrix of Directors

Name	Position	Gender	Corporate management	Sustainability/ ESG	Sales/ Marketing	Production/ Quality control	Finance and accounting	Personnel and labor/Human resource development	Legal affairs/ Risk management
Fumitaka Nakamura	President and Representative Director	Male	●	●	●	●			
Yuka Murakami	Senior Managing Director	Female	●				●	●	●
Kazuhisa Nagata	Director	Male		●		●			
Koji Fujii	Director	Male			●	●			
Keishi Usami	Director	Male			●	●			
Yoshiaki Takahashi	Outside Director	Male	●				●	●	●
Takeshi Kenmochi	Outside Director	Male	●				●	●	
Noboru Kohara	Outside Director / Full-time Audit and Supervisory Committee Member	Male	●	●				●	●
Yuki Matsuda	Outside Director / Audit and Supervisory Committee Member	Female						●	●
Naofumi Higuchi	Outside Director / Audit and Supervisory Committee Member	Male					●		
Hidetaka Nishina	Outside Director / Audit and Supervisory Committee Member	Male							●

## Board of Directors

The Board of Directors consists of 11 Directors (five Internal Directors and six Independent Outside Directors) and meets once a month. In FY2022, when the Company was a Company with a Board of Auditors, the meetings of the Board of Directors was held a total of 20 times. Regular agenda items for deliberation included monthly financial results and their analysis, reports by Directors and Executive Officers in charge on the status of business execution and the operation of internal control systems, and discussions on these reports. In addition, the Board also reviewed the capital investment plan, progress management of the Prime Market Conformity Plan, and risk management system, among others.

## Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four Audit and Supervisory Committee Members, who are Independent Outside Directors, and meets once a month. A total of 14 meetings of the Board of Auditors were held in FY2022. Focusing on audits using the internal control system, the Board enhanced the effectiveness of audits by holding regular meetings with the President, attending important meetings, and interviewing Directors and Executive Officers.

## Utilization of voluntary organizations

Remuneration Committee: Consisting of the President, Internal Directors, and a majority of Independent Outside Directors, the Committee determines the remuneration of Directors after deliberation by the Committee.

Nomination Committee: Consisting of the President, Internal Directors and a majority of Independent Outside Directors, the Committee serves as an advisory body to the Board of Directors and deliberates and reports to the Board of Directors on the election of Director candidates.

Outside Directors Roundtable: Consisting of a total of six members, including two Independent Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) and four Independent Outside Directors who are Audit and Supervisory Committee Members, the meeting is held once a month for free discussions that contribute to the management of the Company. In FY2022, the meeting was held 12 times with a total of seven members, including three Outside Directors and four Outside Auditors.

## Executive Officers

The Company introduced an Executive Officer System in FY2019 with the aim of speeding up decision-making and clarifying the roles and responsibilities of business execution. The term of office of Executive Officers is one year, and the Board of Directors decides on the selection and dismissal of Executive Officers with titles (Senior Executive Officer and Second-Tier Executive Officer).

### Executive Officers (as of April 1, 2023)

Masafumi Miura	Second-Tier Executive Officer	Responsible for Construction Department
Chiemi Kawakami	Second-Tier Executive Officer	Responsible for Procurement Department and Operation Management Department
Isao Tonegawa	Executive Officer	Responsible for Contractor Development Department
Hiroshi Egawa	Executive Officer	Responsible for Technology Department
Toshikuni Yasukawa	Executive Officer	Responsible for Waterproofing Business Department
Shoji Sato	Executive Officer	Responsible for Finance and Accounting
Kazuki Minagawa	Executive Officer	Responsible for Administration

## Financial Data

### Balance Sheet

(Million yen)

Item	FY2021 As of December 31, 2021	FY2022 As of December 31, 2022
<b>Assets</b>		
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
Other	1,031	3,344
Total current assets	13,591	17,136
Non-current assets		
Property, plant and equipment	4,263	4,346
Intangible assets	111	96
Investments and other assets	313	391
Total non-current assets	4,688	4,833
Total assets	18,279	21,969
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,055	6,272
Short-term borrowings	3,100	6,000
Other	1,010	1,630
Total current liabilities	10,166	13,902
Non-current liabilities		
Long-term borrowings	33	—
Other	127	101
Total non-current liabilities	161	101
Total liabilities	10,327	14,003
<b>Net assets</b>		
Shareholders' equity		
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 shareholders' equity	7,951	7,966
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total net assets	7,951	7,966
Total liabilities and net assets	18,279	21,969



Please see "IR Library" on our website for more details.  
<https://www.n-aqua.jp/ir-en/>



### Income Statement

(Million yen)

Item	FY2021 From January 1, 2021 to December 31, 2021	FY2022 From January 1, 2022 to December 31, 2022
Net sales	23,903	25,670
Cost of sales	19,163	19,885
Gross profit	4,739	5,784
Selling, general and administrative expenses	3,327	3,455
Operating profit	1,412	2,329
Non-operating income	49	51
Non-operating expenses	32	20
Ordinary profit	1,429	2,359
Extraordinary income	0	5
Extraordinary losses	1	4
Profit before income taxes	1,428	2,360
Income taxes - current	476	869
Income taxes - deferred	(2)	(57)
Profit	953	1,549

### Cash Flow Statement

(Million yen)

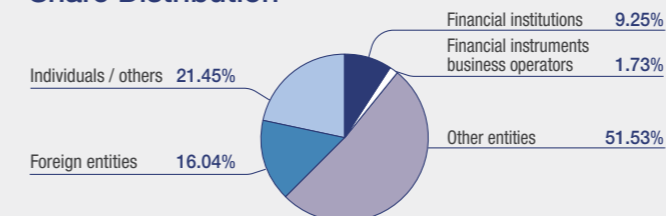
Item	FY2021 From January 1, 2021 to December 31, 2021	FY2022 From January 1, 2022 to December 31, 2022
Cash flows from operating activities	520	(297)
Cash flows from investing activities	(355)	(293)
Cash flows from financing activities	109	1,340
Net increase (decrease) in cash and cash equivalents	274	749
Cash and cash equivalents at beginning of period	1,651	1,926
Cash and cash equivalents at end of period	1,926	2,676

## Company Overview / Stock Information (As of December 31, 2022)

### Company Overview

Trade name	Nippon Aqua Co., Ltd
Established	November 29, 2004
Share capital	1,903 million yen
Number of employees	422 (Non-consolidated)
Headquarters	Taiyo Seimei Shinagawa Building 20th floor, 2-16-2 Konan, Minato-ku, Tokyo, 108-0075 TEL: +81-3-5463-1117

### Share Distribution



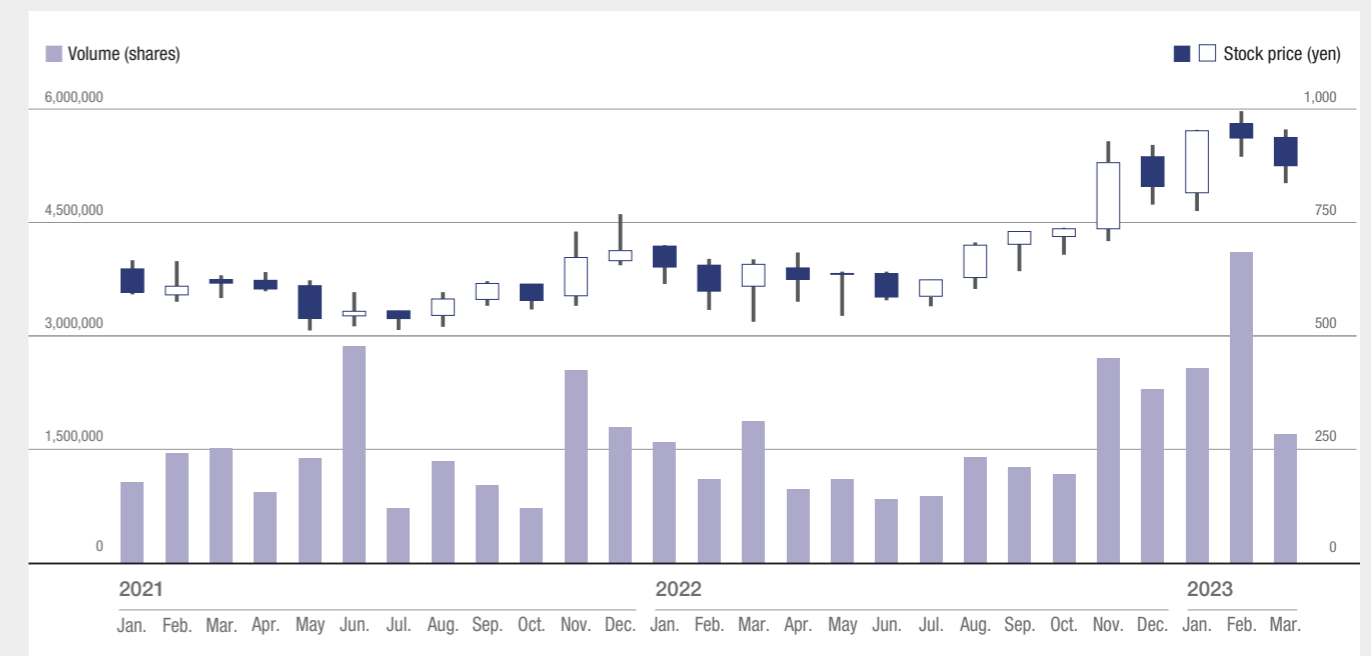
(Note) Treasury shares of 3,447,171 are included in "Individuals / others"

### Status of Shares

Total number of shares authorized to be issued	80,000,000
Total number of shares issued	34,760,000 (Treasury shares: 3,447,171)
Number of shareholders	3,238

### Stock Price Chart

Jan. 2021 to Mar. 2023



### Major Shareholders

Name of shareholder	Number of shares held (shares)	Holding ratio (%)
Hinokiya Group Co., Ltd.	17,700,000	56.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,571,400	5.01
Custody Bank of Japan, Ltd. (Trust Account)	1,409,400	4.50
Fumitaka Nakamura	1,005,800	3.21
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	748,400	2.39
GOVERNMENT OF NORWAY	716,200	2.28
KIA FUND 136	690,900	2.20
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	681,200	2.17
Goldman Sachs Bank Europe SE, Luxembourg Branch	667,000	2.13
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	410,684	1.31

(Note) Holding ratio is calculated by deducting treasury shares (3,447,171 shares) from the total number of shares issued.



### Front Cover

The circle in the illustration on the front cover expresses our commitment to providing customers with a sense of trust and security and harmony with the global environment, while the arrow-shaped figure in the circle represents the growth of business performance and improvement of technological development capabilities in the insulation materials field.



## Nippon Aqua Co., Ltd.

Taiyo Seimei Shinagawa Building 20th floor, 2-16-2 Konan, Minato-ku, Tokyo, 108-0075  
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