

Fiscal Year 2024

Major Questions and Answers at Financial Results Briefings, etc.

[Question] Regarding the "FY2025 Financial Forecast" on page 3 of the briefing materials.

- While increases in volume are expected for single-family homes, buildings, and waterproofing, is this a certainty?

Single-family homes: We anticipate over a 50% increase in the number of units constructed by our key nationwide builders, and the new large-scale builders who began placing orders in December 2024 will contribute throughout the year. Additionally, we have heard that orders from group companies are recovering, so we believe this is achievable.

Buildings: For FY2025, about 30% of the forecasted orders are already secured, and including those with informal agreements, about 60% are confirmed. Adding ongoing projects, we believe this is achievable.

Waterproofing: We have received continued informal agreements from clients such as logistics warehouses and retail facilities implemented in 2024. With an increase in other non-residential projects, we believe this is achievable.

- A 13.5% increase in revenue is expected for FY2025, but both the gross profit margin (22.7% to 22.8%) and ordinary profit margin (8.6% to 8.9%) remain almost flat. What is the background for this, as more improvement was expected?

To continue our market share expansion strategy, it is difficult to anticipate an increase in construction unit prices. Additionally, with increased hiring of internal installation work personnel to strengthen construction capabilities and the expansion of sales bases (logistics warehouses), costs will precede, so we expect profit margins to remain flat.

[Question] Regarding the "Construction Capability Trends" on page 13 of the briefing materials.

- I would like to know the increase plan for certified contractors, internal installation work personnel, and technical trainees for FY2025.

For FY2025, we plan to have a scale exceeding 100 people. The majority is expected to be internal installation work personnel. The financial forecasts are based on the assumption that all are internal installation work personnel.

[Question] Regarding "Strategy for Expanding Market Share, Beyond That" on page 17 of the briefing materials.

- Are there any plans for price revisions (increases)?

Building material components have been experiencing price increases, and competitors are also moving towards price increases. However, our company aims to gain an advantage over

competitors by focusing on securing orders without raising prices and expanding our market share. We plan to consider price revisions at the right timing in the future.

[Question] Regarding "Presence or Absence of Competition and Gross Profit Margin" on page 18 of the briefing materials.

- If possible, could you explain the relevant regions, their characteristics, and why there are differences?

We refrain from disclosing specific regions due to competitive strategy, but in regions with high profit margins, competing urethane construction companies have either ceased operations or become our certified contractors, resulting in less competition and less likelihood of price competition. On the other hand, in regions with low profit margins, competitors are engaging in price competition to survive, leading to the current situation.

[Question] Regarding "Differences from the Initial Plan" on page 24 of the briefing materials.

- What was the biggest miscalculation that led to the revision of the Medium-Term Management Plan?

We believe the "2024 problem in the construction industry" was significant. Although our company prepared in advance, other companies were delayed. As a result of this delay, construction starts were delayed in various places for buildings. In single-family homes, intense price competition to secure construction numbers also involved our company.

[Question] Regarding the "Single-Family Homes Division" on page 26 of the briefing materials.

- Did the market share expansion measures for FY2024 proceed as planned? Please summarize.

While the increase in orders from key nationwide builders and the acquisition of orders from new large-scale builders proceeded as planned, the decrease in orders from community-based construction companies meant that overall, the plan was not achieved.

- Is there a prospect of a decline in construction unit prices year-on-year for 2025, and will new development be increased?

We will continue to engage in new development while also countering price competition from other companies, so we are taking a conservative view.

[Question] Regarding the "The reduction of the No.4 Special Exception (Examination Omission System) [Effectively Abolished]" on page 27 of the briefing materials.

- It is said that this will contribute to sales in the first quarter, but will there be a rebound decrease from the second quarter onwards?

The condition is that construction must start by the end of March, so some sales will be recorded in the second quarter. We do not anticipate a rebound decrease, and we expect an increase in grade 6 construction in the second quarter, with subsidies becoming more concrete, which will provide support.

[Question] Regarding "Insulation Without Airtightness is Powerless" on page 30 of the briefing materials.

- How do you perceive the delay in the spread of Insulation Class 6 from the initially expected 2024 to 2025?

There is a price difference between Insulation Classes 5 and 6, and there is a tendency to consider ZEH (Class 5) as sufficient, so many builders have been recommending Class 5. In this context, our key builders are actively promoting Class 6, and interest in Class 6 is gradually increasing among other builders and construction companies. We perceive that interest has increased further with the announcement of subsidies for GX-oriented housing (Class 6) in the latter half of 2024.

[Question] Regarding the "Buildings Division" on page 32 of the briefing materials.

- The gross profit margin for FY2026 is set at the same level as FY2025. If there is a prospect of an increase in facility properties in FY2026, shouldn't the profit margin improve?

Price competition exists even in urethane construction for buildings, so we are being conservative. We believe that if the newly established Construction Management Department can effectively achieve its goals, it will also lead to an improvement in profit margins.

[Question] Regarding the "Waterproofing Division" on page 37 of the briefing materials.

- The sales for FY2025 are expected to double from FY2024. What is the basis for this?

We anticipate growth in non-residential properties. Specifically, we have informal agreements for ongoing projects such as new construction of logistics warehouses, renovation of multi-store supermarkets, and renovation of chemical manufacturers' factories, where we have construction achievements in FY2024. In the residential sector, we have also secured informal agreements for new multi-family housing construction. Additionally, we are seeing a steady influx of immediately effective personnel from competitors, which is also strengthening our organizational capabilities, making this achievable.

[Question] Regarding the criteria for maintaining our listing on the Prime Market.

- It seems that we have met the criteria for FY2024, but what will happen in

FY2025?

The criteria for the Prime Market are related to the market capitalization of publicly traded shares, which must exceed 10 billion yen. This is calculated by multiplying the average closing price over the three months prior to the fiscal year-end by the number of circulating shares.

This applies to all companies, and for our company, it will be based on the stock prices from October to December 2025.

- What measures are being considered to increase the number of publicly traded shares?

Since we cannot control the parent company's stake, we are considering measures such as disposing of treasury stock held by us.

In 2024, we disposed of treasury stock as a transfer-restricted stock compensation for officers and employees.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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