



POLICY

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 innovations in insulation technology, thereby contributing to global warming prevention while ensuring healthy and comfortable living for people.

Action

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 daily for the achievement of goals and commit to self-improvement.

Credo

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.

Editorial Policy

The publication of this report aims to enhance understanding of our company among stakeholders, including shareholders and investors, and to serve as a catalyst for further dialogue. In addition to financial information such as performance and stock data for the fiscal year ending December 2023, we also disclose integrated non-financial information, including ESG strategies and initiatives. We refer to the Ministry of Economy, Trade and Industry's "Value Co-Creation Guidelines" as a guideline.



Cautionary Note: Forward-Looking Statements

This report includes future prospects concerning our business. These are forecasts based on information currently available, and please be aware that actual results may differ due to various future factors.



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Part 1 Feature

**Twenty years of unwavering passion
and relentless progress.**



Continuing to challenge ourselves towards a new future.

The journey of Nippon Aqua, steadfast in its beliefs

Our company was founded by the current president, Fumitaka Nakamura, in 2004, and has grown with the support of many customers and the efforts of our employees, becoming a listed company on the TSE Prime Market.

Twenty years of continuous challenge with the belief in changing Japan's living environment. We will continue to move forward step by step, with strength.

2004

The Birth of Nippon Aqua

**If no one else will do it,
I will do it myself.**

Nakamura developed spray-applied rigid urethane foam for wooden houses in his previous job. However, since it was not a core business, the company did not take it positively, and eventually, the department he was in was dissolved. With a strong desire to change Japan's living environment, he decided to start his own business to promote spray-applied rigid urethane foam.

Founding Story

At the time of its founding in 2004, interest in insulation was beginning to rise, backed by the new energy standards of 1992 and the next-generation energy standards established in 1999. In particular, the next-generation energy standards significantly strengthened the standards for insulation performance and airtightness of houses and buildings, marking an important turning point for improving Japan's living environment.

2005

**Anywhere in Japan.
Every day was spent
in relentless sales efforts.**

Establishment of Tokyo Sales Office

Founded in Nagoya, our company responded to the voices of construction companies nationwide by driving alone to Tokyo, Hiroshima, Kochi, and Tottori, covering a distance of 80,000 km in six months. As a result, transactions in the large Tokyo market increased, leading to the establishment of the Tokyo Sales Office in Machida City. At that time, there were few staff, and Nakamura himself handled the creation of product catalogs and posters.

2007

Establishment of Osaka Sales Office

As the recognition of our product "Aqua Foam" increased, the business expanded smoothly. In line with this, the Osaka Sales Office was established as the third base. Among the talented individuals hired in Osaka, some have supported the company's growth alongside Nakamura and are still active as executives.

**Growing steadily,
and gaining
reliable partners.**

2009

Protecting the company and employees no matter what.

Two founding shareholders sell their shares

As the business expanded and corporate value increased, attracting interest from competitors, two of the three shareholders, excluding Nakamura, offered to sell their shares. It was easy to imagine that if they sold, our employees could be laid off. Seeking stable shareholders, Nakamura consulted major clients, and Hinokiya Housing (now Hinokiya Group Co., Ltd.) offered to acquire the shares.

Historical Background

In 2013, when our company was listed, economic policies under Abenomics were implemented. Expectations for growth strategies, along with large-scale monetary easing policies, revitalized the stock market. With the rise in the Nikkei Stock Average, investor sentiment improved, creating a favorable environment for listing. Additionally, companies in the growth industries of IT and biotechnology emerged, and the number of small and medium-sized growth companies utilizing the Tokyo Stock Exchange Mothers market increased. The stabilization of the fundraising environment also supported a significant increase in the number of IPOs.

Anecdote

Hinokiya Jutaku was listed on the Nagoya Stock Exchange in 2007. When joining the group, then-President Kurosu advised that listing would not only expand sales but also enhance the quality of the company, prompting us to aim for listing as well. Applying corporate accounting standards during the listing preparation process improved financial transparency and reliability.

2011

Establishing an in-house construction department and expanding nationwide

Aiming for the highest quality not only in products but also in construction.

Since its founding, the company has been organized with external urethane construction companies as certified contractors, with the desire to deliver high construction quality to customers. However, uniformity in construction quality could not be achieved, and complaints were constant. Therefore, it was decided to establish an in-house construction department to improve the quality of certified contractors and to apply competitive principles.

2012

Expansion into Building Applications

By enhancing the insulation of large-scale buildings such as commercial facilities, factories, and condominiums, we can contribute to promoting energy conservation. Also, with listing in mind, we reconsidered our business portfolio and decided to expand into the building sector in addition to the single-family homes division.

Promoting energy conservation not only in single-family homes but in buildings in general.

2013

Listing on Mothers

Our company was listed on the Tokyo Stock Exchange Mothers market on December 13, 2013. It started with a buy order, and at 9:46 am, it reached an initial price of 2,061 yen, 411 yen (24.9%) above the public offering price of 1,650 yen, with a market capitalization of 13.7 billion yen. A total of 893,400 shares were traded.

It took nine years from its founding to grow into a listed company.

2014

Opening of the Technical Center

Until now, we had been purchasing urethane raw materials from manufacturers, but to provide products that meet on-site needs and stabilize prices by reducing intermediary margins, we decided to develop raw materials in-house. Therefore, taking the opportunity of listing, we hired engineers and opened a Technical Center. This achieved stabilization of supply and improvement in price competitiveness.

Pursuing not only
sales and construction
but also the quality of
raw materials in-house.

2016

First JIS Certification as a Fabless Manufacturer

Since 2014, we have realized in-house production of raw materials as a fabless manufacturer and obtained JIS mark product certification with our processing technology. Obtaining certification for spray-applied rigid urethane foam for building insulation by a company without its own factory was a first in Japan, proving the strength of our quality management system and collaboration with contract processing manufacturers.

Proving customer-first principle:
"With Nippon Aqua,
you can feel secure."

Reuse of Scrap Materials and National Permit System for Industrial Waste

The application of spray-applied rigid urethane foam generates a large amount of scrap material (shavings). We collect urethane scrap from construction sites nationwide and reprocess it into ceiling insulation material "Aqua Blow." Based on this initiative, we obtained the National Permit System for Industrial Waste from the Ministry of the Environment and are promoting sustainable resource utilization. As a result, we have evolved into a new business model that uniquely integrates raw material development, construction, and recycling in the insulation material field.

Fulfilling
the responsibility of
a creator to the very end.

Historical Background

Around 2015 in Japan, environmental awareness was rising, backed by the adoption of the Paris Agreement and the promotion of domestic policies. Companies focused on energy conservation and waste reduction, and progress was made in obtaining environmental certifications. Among consumers, the spread of energy-saving appliances and eco-cars expanded. Furthermore, interest in renewable energy increased due to the impact of the Fukushima Daiichi nuclear disaster, and environmental education and civic activities became more active. In response to international trends and changes in societal awareness, sustainable efforts progressed at both corporate and individual levels, while the difficulty and challenges of balancing environmental and economic aspects were left unaddressed.

Anecdote

In the past, there were many companies that inappropriately took urethane scrap from construction sites. However, in recent years, unlike the initial low interest in the National Permit System for Industrial Waste, the growing awareness of compliance has made our business model, which includes recycling, a significant strength.

2018

Continuing
to enhance value
as a listed company.

Listed on the First Section of the Tokyo Stock Exchange

Four years and three months after being listed on the TSE Mothers on December 13, 2013, we changed to the First Section of the market on March 1, 2018. The day after the market change announcement, on February 13, the stock price started with a buy order and opened significantly higher. Furthermore, at one point, it reached 560 yen, 67 yen (13.6%) higher than the previous weekend, marking the highest price in about seven months.

2019

Launch of Non-flammable Insulation

In construction sites, there are fire risks due to welding, steel cutting, and sparks. To ensure safe construction, we launched "Aqua Moen NEO," a spray-applied rigid urethane foam for building insulation with flame-resistant properties, conforming to JISA9526 standards. The special resin formulation achieves high flame resistance.

Providing safety and security
during construction
and reducing fire accidents.

Anecdote

Fires at construction sites using urethane foam are caused by sparks from welding or cutting metal and pipes, or grinding concrete or metal, igniting the urethane. There have been many cases of actual fires, and major general contractors are increasingly using non-flammable insulation to prevent accidents.

2020

Launch of Waterproofing Material

"Wanting to change
Japan's living environment,"
this time, we protect buildings
from water.

In Japan, asphalt waterproofing and FRP waterproofing, which have many disadvantages and are not used in Europe and the U.S., are still prevalent. With the passion to overturn this outdated industry standard, we launched "Aqua Hajikun," a waterproofing material using polyurea resin. Developed in the U.S. in the 1980s, this resin is so durable, elastic, and quick-drying that it is used in military facilities, maintaining higher strength than traditional methods. Our company is the only one handling polyurea resin waterproofing nationwide.

KEY WORDS1

2050 Carbon Neutral

One of the causes of climate change threatening our lives is said to be the increase in greenhouse gases, a collective term for gases containing carbon (C), such as carbon dioxide (CO₂) and methane (CH₄), which envelop the planet and affect temperatures. Therefore, a strategy called "carbon neutral" has been established, which aims to reduce greenhouse gas emissions while simultaneously increasing absorption to make the total effectively zero (neutral). As a milestone towards achieving carbon neutrality by 2050, there is a target of a 46% reduction in greenhouse gases by 2030 (equivalent to a reduction of 62.4 million kL of crude oil). Of this, the residential and building sector has a reduction target of 8.89 million kL, and improving energy efficiency is an urgent task.



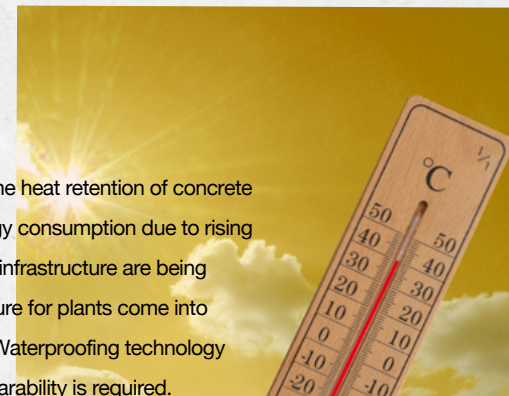
The 7 keywords surrounding our lives

Considering environmental and social issues from the perspective of sustainability. Introducing current events through seven keywords.

KEY WORDS2

Urban Heat Island Effect

In urban areas, the "heat island phenomenon," where temperatures rise due to the heat retention of concrete and asphalt, has become prominent. This phenomenon leads to increased energy consumption due to rising demand for air conditioning, thus urban greening and rooftop greening as green infrastructure are being highlighted as mitigation measures. In rooftop greening, since the soil and moisture for plants come into direct contact with the roof, waterproofing work is essential to prevent leakage. Waterproofing technology that can flexibly adapt to the structure of the roof and has high durability and reparability is required.



In recent years, the scale of damage from natural disasters such as earthquakes and typhoons has been expanding. Consequently, rapid infrastructure restoration after disasters and efficient management of shelters are required. In particular, there is an increasing demand for temporary housing that can be quickly set up and assembled, so that victims can resume a safe life as soon as possible. To create a comfortable indoor environment unaffected by temperature and weather, insulation and airtightness are also emphasized here. Moreover, these temporary houses are used not only during disasters but also as schools and clinics in developing countries.



Increase in natural disasters

KEY WORDS3

KEY WORDS4

Increase in flood risk

The risk of flooding is increasing year by year due to the intensification of typhoons and the increase in guerrilla and heavy rains associated with climate change. The heavy rains in western Japan in July 2018 and the Noto Peninsula in September 2024, which are still fresh in memory, caused significant damage to people's lives. One factor contributing to increased flooding is the aging of buildings, and the accelerated increase of infrastructure facilities over 50 years old is becoming a major social issue. Additionally, there are many stations, commercial facilities, factories, and warehouses experiencing leaks and water ingress even during normal rainy weather, making it a familiar problem.



Climate change refers to changes in temperature, humidity, precipitation, and other climate components, and it is having a global impact that is overturning "common sense" in various countries, similar to how Japan's four seasons are shifting to two. In countries with low annual rainfall or those blessed with a comfortable warm climate, there was previously no concern

about developing living environments, but the frequent occurrence of heavy rains and typhoons, believed to be caused by climate change, has led to a demand for advanced construction techniques. There is an increasing demand for homes with high insulation, airtightness, and waterproofing that can adapt to new weather conditions.



Adaptation of living environments to climate change

KEY WORDS6

KEY WORDS7

Mandatory compliance with energy-saving standards in buildings

In June 2022, the "Act to Partially Amend the Act on the Improvement of Energy Consumption Performance of Buildings to Contribute to the Realization of a Decarbonized Society" was promulgated. From April 2025, all residential and non-residential buildings are required to comply with energy-saving standards and insulation class 4 or higher, and no new buildings below these standards can be constructed. Additionally, with the establishment of classes 5 to 7, class 4, which was previously the highest, will become the minimum standard from April 2025, significantly raising the energy-saving standards. Japan has supplied many homes that are "hot in summer and cold in winter," but in the future, high-quality insulation construction is expected to create comfortable homes with low environmental impact.



KEY WORDS8

Aging of concrete buildings

During the period of rapid economic growth around 1970, there was a construction boom using inexpensive and easy-to-use concrete. Until around 1980, concrete was considered "maintenance-free with a lifespan of over 100 years," and many structures such as apartments, bridges, and highways were built. However, that "concrete myth" collapsed abruptly. The actual lifespan of the concrete used at that time is about 50 to 60 years, and it is now reaching that lifespan. Due to aging, issues such as leaks and exposed asbestos from peeling surfaces are urgent challenges.



TOP MESSAGE

**The starting line reached in 20 years.
We aim for further growth
as a prime-listed company.**

Since its establishment, Nippon Aqua has been delivering products that are friendly to both people and the global environment.

Thanks to everyone's support, we have been able to celebrate our 20th anniversary this year.

With the tailwind of increasing societal needs, we will sprint to the next stage.

President and Representative Director
Fumitaka Nakamura



TOP MESSAGE

Anticipating societal needs and growing steadily step by step

Nippon Aqua, established in 2004, celebrates its 20th anniversary this year. This is all thanks to the support from our shareholders, investors, business partners, and local communities, as well as the efforts of our employees who work hard every day, and I would like to express my sincere gratitude once again. Our company, born in Nagoya City, Aichi Prefecture, has continued to expand by revolutionizing the insulation industry, listing on the Tokyo Stock Exchange Mothers Market in 2013, changing to the First Section of the Tokyo Stock Exchange in 2018, and transitioning to the Prime Market of the Tokyo Stock Exchange in 2022. We have now expanded nationwide, with bases from Hokkaido in the north to Okinawa in the south, and have grown into a company with approximately 600 employees. As a new market, we have been selling high-performance waterproof materials since 2020 and are working to expand our market share. The driving force that has motivated me since the company's founding is a "rebellious spirit." I did not want to adhere to conventional wisdom and neglect the benefits of our customers. Before the company's founding, when I talked about the importance of high insulation and airtightness, I was once dismissed with the comment, "If you eliminate gaps, you'll suffocate." This was because it was outside the industry's conventional wisdom. However, in recent years, high insulation and airtightness have come to be valued for their importance in terms of livability and energy conservation. The importance of these

performances has long been common knowledge in Europe and the U.S., and it has finally permeated Japan. In June 2022, the "Act to Partially Amend the Act on the Improvement of Energy Consumption Performance of Buildings to Contribute to the Realization of a Decarbonized Society" was promulgated. As a result, all new residential and non-residential buildings are required to comply with energy-saving standards, and from April 2025, no new buildings below these standards can be constructed. The performance of insulation materials has a significant impact on energy-saving standards. However, these standards are still low compared to Europe and the U.S., and Japan is lagging behind globally. We hope to contribute by further expanding our activities in the future.

Developing groundbreaking insulation materials for wooden houses

My career began with a manufacturer of raw materials for housing and construction. I got a job in my hometown of Nagoya and worked in sales for about 10 years. I was in charge of insulation materials used in concrete buildings such as apartments and commercial facilities. There, I learned about the "on-site foamed spray rigid urethane foam" handled by Nippon Aqua. It is a product that allows urethane, like foam, to be sprayed directly on walls and ceilings on-site, allowing for gap-free installation. It has been used in concrete buildings since around the 1950s and 1960s, but it was not used in wooden houses. The reason is that spray rigid urethane foam is liquid until it hardens, so it cannot be sprayed without plywood. In the case of wooden houses, windproof and

moisture-permeable sheets like paper are usually applied to walls and ceilings, so there is no plywood to spray on. Therefore, the mainstream method of insulation construction was to lay out a material made of glass fibers called glass wool. This method is prone to gaps, which reduces insulation performance. As a result, it becomes difficult to maintain a constant room temperature, leading to conditions that are hot in summer and cold in winter. This also affects health, increasing the risk of heatstroke, dehydration, and heat shock-induced strokes or heart attacks.

Therefore, I thought that by incorporating spray rigid urethane foam into wooden houses, we could provide gap-free, highly insulated, and healthy homes, and I began developing products for wooden houses. This was an unprecedented challenge at my previous job. Together with raw material researchers, we continued to challenge ourselves without giving up, and as a result of trial and error, we were finally able to commercialize urethane foam that can be sprayed on sheets. The lightweight and highly airtight spray rigid urethane foam had demand as I anticipated, and sales grew steadily.

Feeling challenges in construction quality, I decided to start a company

However, a significant obstacle arose. Due to internal circumstances at my previous company, this new business was not valued, and eventually, the division itself disappeared... I changed jobs to another housing company and started selling spray rigid urethane foam for wooden houses. Here too, sales continued to grow steadily. However, good fortune is often followed by misfortune.

TOP MESSAGE

Here too, I clashed with the company's policy and was forced to leave. Then, I returned to my previous company for a new business, and my days of business trips to Tokyo began. Every Monday, I took the Shinkansen from Nagoya to Tokyo, stayed in a hotel until Friday, and did sales alone. For a while, those days continued, and the presence of spray rigid urethane foam for wooden houses gradually increased. Just at that moment, I was hit by trouble once again. The construction quality of a Tokyo contractor was poor, and many complaints started coming in. As an employee of a raw material manufacturer, I couldn't easily control the situation on-site, and I was troubled, thinking, "I have to do something..."

In the midst of this, when I exhibited at a trade show and introduced spray rigid urethane foam, many people approached me, saying, "This product is amazing!" and "We definitely want to do business with you." As complaints against contractors did not decrease and I felt the need to change the current system, I decided to become independent despite being troubled by various opinions. I had the aspiration to create excellent insulation materials with high-quality construction

to the world and decided to create a company that could offer one-stop services.

Nippon Aqua, with a unique business model in the world, was born

At the time of founding, I was working frantically by myself. Without ample funds, I drove my car to cover a distance of 80,000 km in six months, visiting clients every day. Sometimes, I made two round trips in a day from Nagoya to Tokyo, a distance of about 350 km. I didn't want to lose to any company, so I went wherever I was called. I also created catalogs and posters myself, and increased sales through ingenuity. However, there weren't many companies willing to do business with a small enterprise, and I faced tough challenges. At that time, someone from Itochu Kenzai Co., Ltd. recognized the quality of our products, and the former president, Mr. Shibata, stamped a document certifying the quality compliance. Without this event, Nippon Aqua might have gone bankrupt. The two individuals from Itochu Kenzai Co., Ltd. are lifesavers for our company. When our sales grew to 1.5 billion yen and we had about 30 employees, a competitor appeared wanting to acquire our company. While I was pondering what to do, President Kondo of Hinokiya Group Co., Ltd. offered support by saying, "We will invest, so please continue your business." In 2009, we became a consolidated subsidiary of the company. At that time, former Chairman Kurosu advised, "Let's list Nippon Aqua on the stock exchange." I thought, "A company with sales of 1.5 billion yen going public..." but having a goal made the path forward clear. I learned a lot from former

Chairman Kurosu about financial organization, the importance of monthly management, and the investments a company should make. Although I was not one to waste money, by managing the company earnestly as a subsidiary of a listed company, we were finally able to go public on the Tokyo Stock Exchange Mothers market in 2013.

As the company expanded, while searching for better raw material manufacturers, we encountered an American company that offered to partner with us. We formed a partnership and established a factory in Taiwan to develop raw materials that were not only high quality but also cost-effective. As a result, our company's profits increased, leading to further growth. Subsequently, we targeted not only wooden houses but also buildings with existing large markets, such as condominiums and commercial facilities, and had the company develop raw materials for us, launching new services. We experienced a crisis when an accident involving insulation falling off resulted in extraordinary losses of 750 million yen, but this prompted us to steer towards in-house raw material development. We hired several people from major chemical manufacturers and established a technical center. We quickly developed products using the blowing agent "HFO (Hydrofluoroolefin)," which has an ozone depletion potential of zero, without using greenhouse gas-intensive Freon. We created insulation materials that are not only high quality but also environmentally friendly.

In 2016, we also obtained certification under the Cross-jurisdictional Waste Treatment Manufacturer Scheme. We collected scraps generated during construction from sites nationwide and reprocessed them into insulation materials primarily used in ceilings. This allowed us to evolve into a new business model that uniquely integrates raw material development, construction, and recycling in



TOP MESSAGE

the field of insulation materials.

Aiming to realize a sustainable world through our business

Nippon Aqua, with the management philosophy of "contributing to society by creating a living environment friendly to people and the Earth," develops its business around three pillars: the "Single-family Homes Division," "Buildings Division," and "Waterproofing Division," categorized by construction type. Additionally, we consolidate non-construction businesses under the "Other Divisions" to expand our business scope. The insulation industry surrounding the Single-family Homes and Buildings Divisions has changed significantly compared to 20 years ago. In addition to the mandatory compliance with energy-saving standards, the "Child-rearing Green Housing Support Project" was established in November 2024. Under this project, subsidies of up to 1.6 million yen are provided for new GX-oriented houses (decarbonization-oriented houses), and up to 600,000 yen for insulation renovations of existing houses. GX-oriented houses are those that require an insulation performance grade of 6 or higher and have energy-saving performance that significantly exceeds the ZEH (Net Zero Energy House) standards. In other words, society is shifting towards requiring homes with higher insulation and airtightness to achieve carbon neutrality by 2050. In terms of logistics, spray-applied rigid polyurethane foam is more efficiently transported than glass wool insulation because the installer goes to the construction site with the spraying equipment, reducing environmental impact. Recently, the

Subsidies for New Houses with Insulation Class 6 or Higher

FY2025 "Child-rearing Green Housing Support Project" Projects starting on or after November 22, 2024, are eligible
Subsidies are reduced for Insulation Class 5 or lower

		Insulation Classes		BEI	Reduction including renewable energy 100% more than	FY2024 Child-rearing Eco Home	FY2025 Child-rearing Green Housing
		6 more than	0.65 less than			—	1,600,000 yen
GX-oriented housing	All households are eligible	6 more than	0.65 less than				
Long-term superior housing	Households with children, etc., are eligible	5 more than	0.80 less than			1,000,000 yen	800,000 yen (Rebuilding costs 1,000,000 yen)
ZEH standard housing		5 more than	0.80 less than			800,000 yen	400,000 yen (Rebuilding costs 600,000 yen)

introduction of spray-applied rigid polyurethane foam with excellent insulation performance has been progressing in the latest facilities of semiconductor factories and large data centers, and we have already received several large-scale orders. Meanwhile, many concrete buildings constructed during the high economic growth period are experiencing cracks and water leaks due to aging, increasing the demand for renovations and rebuilds. In some cases, the surface has peeled off, exposing asbestos. To meet this demand, our Waterproofing Division offers a service that sprays a resin called "polyurea." Compared to the widely used "asphalt waterproofing" and "FRP waterproofing" in Japan, our waterproofing material, which can be applied and renovated simply by spraying polyurea resin, is cost-effective and long-lasting, significantly contributing to the realization of a sustainable society.

Enhancing uniqueness for further growth

Over the past 20 years, I feel that the value of spray-applied rigid

polyurethane foam has finally permeated society. I feel like we have finally reached the starting line. Going forward, we want to fully leverage our strength in having a unique business model that integrates everything from raw material development to construction and recycling for further business expansion. This fiscal year, we enhanced the insulation performance of our two main products, "AQUA FOAM" and "AQUA FOAM LITE," evolving them to the highest quality in the industry. We are also focusing on strengthening our construction system. Aiming for the largest construction system in Japan, we have set a goal to hire 100 construction workers annually, and we are on track. In terms of recycling, we have partnered with a major domestic company specializing in the urethane business to use waste materials as raw materials for chip urethane used in automotive interior parts. We will continue to promote further reduction of environmental impact through effective use of resources and waste reduction. As a prime-listed company, we will continue to enhance corporate value and strive to increase sales and profits to meet your expectations. We look forward to your continued support.

Interview with Key Persons: Nippon Aqua's Strengths

Under the management philosophy of contributing to society by creating a living environment friendly to people and the Earth, what initiatives are being undertaken in each division?

We interviewed three people.

INTERVIEW

Professional in the **Buildings Division**

Director of the Buildings Division

Keishi Usami

Joined the company in 2008 and gained experience in sales and site management of insulation materials for single-family homes at the Osaka and Sendai offices. Since 2012, when the company began construction sales for buildings, he has been responsible for both single-family homes and buildings. In 2016, he became the head of the Buildings Division, supporting construction sites nationwide. Currently, as a director, he is involved in making important decisions for the company and accompanies employees to sites as needed to provide support.



Key Person!
01

Enhancing the insulation performance of facilities and buildings that support society to provide a comfortable living environment.

Introducing the focus points and future prospects of the Buildings Division, which conducts insulation work for buildings, condominiums, and other facilities, mainly made of reinforced concrete.

In large-scale building projects, the detailed response of the sales representative can influence sales.

The Construction Business Department provides insulation construction services for buildings and condominiums made of reinforced concrete (RC), steel-reinforced concrete (SRC), and steel (S), as well as other facilities. We receive orders from major general contractors as the primary contractor and mainly perform construction using "AQUA FOAM NEO," which has high insulation performance. The market is expanding, and we are steadily increasing our track record of installations in symbolic buildings such as semiconductor factories, large data centers, and ultra-luxury condominiums known as "okushon." In large-scale and long-term building projects, sales can vary greatly depending on the proposal ability of the sales representative. For example, proposing a reduction in construction time. Since around 2023, due to rising material costs, construction delays have been occurring one after another at various sites, and many general contractors are struggling.

Therefore, while insulation work is usually done with one truck per site, proposing the use of 2-3 trucks can reduce the construction period to less than half. Furthermore, a shorter construction period can lead to other cost reductions, such as reducing the number of days scaffolding is contracted. In other words, a win-win situation can be achieved for both the general contractor and our company. Additionally, insulation work involves many preliminary processes, making it prone to schedule deviations. These deviations significantly impact our sales targets, so acquiring projects to compensate for shortfalls is important, and we focused on this particularly this term. To achieve targets, it is essential to constantly monitor the progress of the site and respond promptly. For projects acquired to compensate, there are often shortages in construction systems in unspecified areas, so we make detailed adjustments by dispatching construction workers nationwide. Such additional proposals and adjustments of construction personnel are possible because of our company's scale and system, and they are a major point of differentiation from other companies. The scale of the construction system is an important indicator directly linked to sales. Since 2023, we have been increasing construction workers at a pace of 100 per year, and we will continue to expand to further strengthen the system.

Riding the tailwind of increasing interest in quality and safety

Due to construction defects occurring in various places, the quality demanded by clients from general contractors is steadily increasing. When low-quality construction is prominently featured in the news, it often leads to the need for new documentation and stricter inspections. Particularly, there is an impression that the strictness became more pronounced around the summer of 2024. As the detailed responses required by general contractors increase, it becomes difficult for smaller construction companies and unorganized firms to adapt, but our company can handle it without any issues. Additionally, due to the growing need to avoid fire risks at construction sites, the number of installations using the non-flammable insulation "AQUA MOEN NEO" has increased dramatically. By adopting this, construction can be carried out safely and securely, and for our company, it increases the unit price of construction, contributing to sales growth.

We are strengthening not only the insulation material itself but also the entire provision process.

The performance of the insulation materials handled

by our company is extremely high. In addition, if we further enhance the proposal capabilities of our sales staff and the attitude of our installation personnel on-site, it will delight our customers even more and enhance our company's presence. As mentioned earlier, in construction, it is important not only to adhere to the original contract terms but also for the sales staff to have the ability to create additional value in response to on-site needs. Our company has a training system that enables any employee to acquire proposal and negotiation skills, but we aim for further enhancement. Moreover, there are still cases in the world of on-site craftsmen where careless attitudes and language are tolerated. However, our company is committed to thoroughly educating on the basic attitudes expected of professionals, aiming to create a work environment where everyone can work comfortably. The expansion of sales is linked to clients, general contractors, and construction companies responsible for the site perceiving value in the "Nippon Aqua" brand and repeatedly placing orders. To achieve this, we want to evolve into a stronger company by being conscious of the importance of the process provided by "people."

Key Person!

01

Interview with Key Persons: Nippon Aqua's Strengths

INTERVIEW

Professional in the **Procurement Department**

Executive Officer of the Procurement Department

Chiemi Kawakami

Joined the Osaka sales office, established in 2007 as the third base following Nagoya and Tokyo, and started a career in the Operation Management Department.

In 2014, joined the procurement department as a member of the project to internalize raw materials.

Now serves as an executive officer and is an important member supporting Nippon Aqua.



Key Person!
02

To provide visible products of high quality,
we value the "invisible" aspects.

Provide high-quality insulation and waterproof materials at a fair price.

As a fabless company, we aim for stable supply and quality improvement together with suppliers.

Responsibility to deliver carefully crafted products without fail

The procurement department supports daily operations by sourcing various materials from domestic and international manufacturers. We handle numerous items including raw materials for insulation and waterproofing, spray machines, trucks, auxiliary materials like protective tape and sheets used by certified contractors, breathable waterproof sheets used by construction companies, roof spacers, and joist adhesives. Originally, our company sourced urethane raw materials from raw material manufacturers. However, with the desire to quickly provide products that meet the needs of construction sites and offer high-quality products at stable prices, we established a technical center for research and development in 2014 and shifted to in-house formulated materials. We commercialized it as the completely original "Aqua Foam." Our company conducts research and development at the technical center, but as

a fabless company that outsources manufacturing, close collaboration with contract factories is essential, which is one of the important tasks of the procurement department. Additionally, since urethane is susceptible to temperature and external environmental changes, we carefully procure it, paying particular attention to inventory balance during seasonal transitions. Furthermore, instead of using ready-made auxiliary materials as they are, we have manufacturers produce finely customized items, such as those tailored to the millimeter, to reduce costs and improve convenience.

These inventories are stored in eight external warehouses nationwide. We share information from each site internally to determine the most efficient storage allocation for each warehouse. In particular, the handling volume of waterproof materials has surged in recent years, so the challenge is to properly allocate inventory according to the number of constructions in each area.

The Importance of Relationships Realized Through Experiences of Being Helped

As the procurement department, we strive to

ensure that there are no stockouts under any circumstances. Additionally, to ensure supply in emergencies, we diversify risk by dealing with multiple companies, now totaling 86. I think this is quite a large number within the industry.

However, we have experienced two major crises.

The first was the global shortage of isocyanate caused by a series of plant troubles from 2018 to 2019. Isocyanate is an essential raw material for us, used by mixing with polyol to make urethane insulation. During this time, I was overwhelmed with responses and had sleepless nights, but by maintaining close contact with external warehouses and frequently moving inventory nationwide, we managed to get through it. I still vividly remember the desperate memories from that time.

The second was in 2021 when there was a shortage of HFO (hydrofluoroolefin). The manufacturing plant for HFO, a urethane blowing agent, was unable to operate due to a cold wave, leading to a global shortage. Domestic raw material manufacturers were unable to supply due to inventory shortages, but thanks to the cooperation of partner companies, we were able to procure without

running out of stock. At this time, covering various projects of major general contractors significantly boosted our company's credibility.

Overcoming these troubles can be attributed to the good relationships we have built up over time. It was because of these good relationships that we received cooperation during crises. I was able to once again realize that our business is supported by mutual assistance with many people. To value communication, we avoid settling even small matters by email, opting instead for phone calls, face-to-face meetings, or web conferences. In a convenient digital society, we consciously focus on carefully building relationships between people.

In recent years, rising energy costs and yen depreciation have continued to increase procurement costs. Even in such circumstances, negotiating prices to keep costs as low as possible is an important task for the procurement department. We will continue to value relationships and strive for stable supply, ensuring that business conditions are mutually beneficial, not just advantageous for our company.



Interview with Key Persons: Nippon Aqua's Strengths

INTERVIEW

Professional in the **Administration Division**

Executive Officer of the Administration Division

Kazuki Minagawa

To transition Nippon Aqua, which was listed on the Mothers market, to the First Section of the market, a specialized legal department was established, and I joined in 2016 to contribute to its launch.

Currently, as an executive officer, I am responsible for the management headquarters, including the Human Resources and General Affairs Department, supporting the company's growth.



Key Person!
03

**Growth of people equals growth of the company.
To be an organization where people can work
comfortably for a long time.**

We practice creating an organization where employees who support the company can work comfortably every day and are fairly evaluated regardless of age, tenure, or gender. Let me introduce these initiatives and systems.

Strengthening the construction system further to expand sales

Our company, which has a unique business model that integrates everything from raw material development to construction and recycling, also provides an environment that is not bound by industry norms in terms of systems and structures related to employees. The important mission of the Human Resources and General Affairs Department is to expand the construction system, which is a direct indicator of sales and profits. Therefore, the goal is to hire 100 construction employees annually, and this is steadily expanding. Since it takes about six months to a year for inexperienced individuals to acquire skills, we believe that continuing recruitment and training will lead to the company's sustainable growth. Additionally, increasing sales and administrative staff is essential for business expansion. Our company has a well-established division of labor system, allowing us to handle an

increased volume of projects smoothly.

A fair organization where hard-working individuals are properly evaluated

President Nakamura does not favor the idea of seniority-based systems, so a fair organization is created regardless of age, tenure, or gender. If you achieve results, your treatment improves, and if not, you may be demoted. For example, if a new sales employee achieves good results, they may be promoted to a position or entrusted with an area within a year. As of December 2024, the ratio of female managers is 14%, exceeding the construction industry average of 7.2% (2024, Teikoku Databank survey), which is symbolic. To properly evaluate employee efforts, we collaborated with external consultants and revamped the evaluation system in 2020. We made it possible to visualize all quantitative and qualitative information, creating a more convincing and unique evaluation system than ever before. Additionally, we conduct an annual survey to gather employee feedback. Since only HR can view the content, employees can freely write about what work they are currently doing, their situation, and what work they would like to try in the future, even if it's difficult to say to their

superiors. Based on this information, work adjustments and departmental transfers are carried out. A low barrier to changing job types is also a feature of our company. Especially for new graduates, it is difficult to accurately assess their aptitude at the time of joining. Therefore, we provide an environment where they can experience several job types within the company and find a place where they can demonstrate their abilities. As an example, there is an employee who joined as a new graduate in a sales position, struggled, transitioned to an administrative role, and is now thriving in a construction position.

Providing an environment that enhances recruitment capabilities and is easy to work in for a long time

Having options for working styles offers significant benefits for employees when considering their long-term life. For example, construction work requires physical strength, so as employees age, health concerns may arise. In such cases, being able to challenge new tasks or move to a supervisory role, allowing them to continue working in different capacities, is appreciated by the company, especially in today's labor shortage concerns.

Additionally, since January 2023, we have introduced weekends off for construction employees, improved company-wide salary levels, and established and expanded allowances, leading the construction industry in improving work environments. We want to continue strengthening the provision of a comfortable working environment for employees, which is possible due to the size of our company.

I feel that our recruitment capabilities have been improving year by year. Fortunately, at schools where our alumni have joined, teachers introduce our company to students, increasing our recognition. We also strive to create regular contact points by participating in joint briefings and holding briefings at high schools and universities. We aim to provide careful explanations to ensure there is no gap in expectations before and after joining our company, not just to attract interest. In recent years, the increase in referral hires and cases of former employees returning is also evidence of a good work environment. The ability to provide high-quality services to customers and society is undoubtedly thanks to our employees. We will continue to focus on improving the environment and further grow the company.



Part 2

VALUE CREATION

Creating Economic and Social Value

Under the management philosophy of
"Contributing to society by creating a housing environment
that is friendly to people and the Earth,"
we are promoting sustainability management.
Aiming to enhance sustainable corporate value through CSV.

BUSINESS MODEL

A unique business model from raw material development to construction and recycling

We are the only company capable of providing comprehensive solutions in the fields of insulation and waterproofing materials.

By differentiating our business model, we ensure a stable supply of products and high construction quality.

Nationwide Sales Network

We have established 30 sales offices, logistics warehouses, and urethane recycling plants nationwide, from Hokkaido in the north to Okinawa in the south, to conduct business activities tailored to regional characteristics and ensure a stable supply of urethane raw materials, which are susceptible to market conditions.

Recycling and Reproduction

In the application of spray-applied rigid polyurethane foam, a large amount of urethane waste (shavings) is generated. Our company collects urethane waste from construction sites nationwide and reprocesses it into AQUA BLOW (insulation material primarily used for attic spaces).

Ensuring Work Safety and Construction Quality

Our spray application insulation and quality management system have been recognized and certified by IBECs (General Incorporated Foundation Housing and Building SDGs Promotion Center) as an "On-Site Excellent Insulation Construction System."

*This system aims to enhance the reliability of spray and blown insulation materials by promoting proper construction management among qualified contractors and displaying this externally.



Diversification of Suppliers, Raw Material Storage Warehouses

In addition to securing global procurement routes beyond North America and Asia, we have established urethane raw material stock points across Japan to enable agile raw material procurement. This allowed us to distinguish ourselves from the "urethane raw material shortage" that occurred in Japan from 2021 to 2022.

Environmentally Friendly Insulation Material Born from Water

Aqua Foam, which supports our company, is an insulation material that is foamed on-site using water instead of greenhouse gas-intensive fluorocarbons. It is a rigid urethane foam material that is friendly to people and the Earth, using carbon dioxide gas generated by mixing water-containing polyol and isocyanate as a blowing agent. Traditional insulation materials like glass wool had to be cut and applied to fit the construction site, which could leave gaps. However, Aqua Foam can be filled without gaps even in fine areas and has high adhesion, providing stable insulation effects.

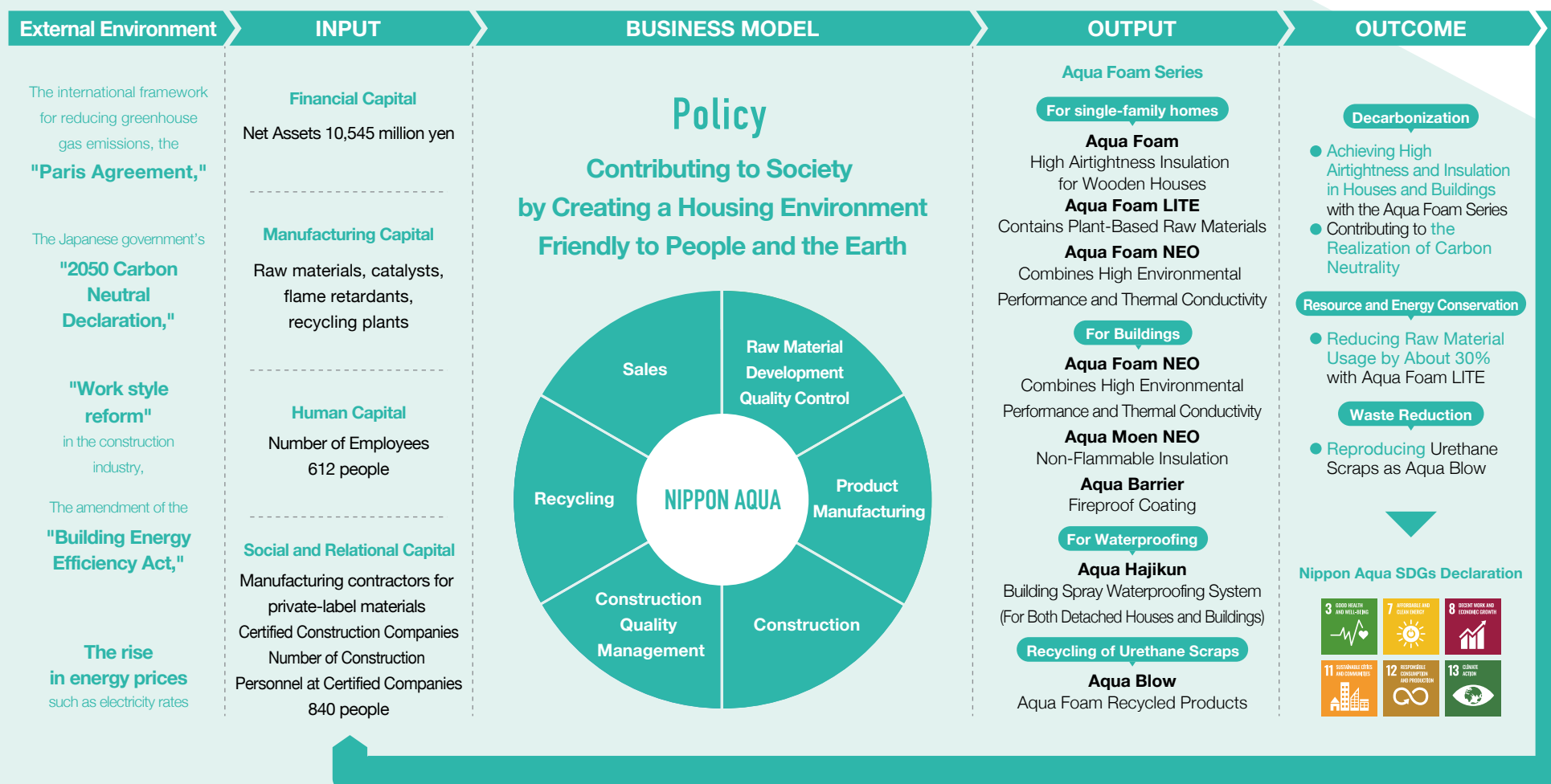
Focusing on Strengthening Construction Capabilities

To achieve stable growth, further strengthening and securing of "construction capabilities" is essential for our company. Therefore, we prioritize increasing our construction staff, advancing work style reforms, introducing a full two-day weekend system, raising wages with expanded allowances such as metropolitan and childcare support allowances, and actively recruiting using SNS and other platforms.

VALUE CREATION PROCESS

Aiming for a Sustainable World with Business Directly Addressing Social Issues

All of our business activities are necessary for realizing a sustainable world.
By enhancing each form of capital and strengthening our business model,
we will continue to contribute to society as a company that is essential to the world.



Part 3

BUSINESS OVERVIEW

Creating a living environment that is friendly to people and the Earth

We are expanding our business across a wide range of buildings, including single-family homes, condominiums, commercial facilities, and various other structures.

To respond to the growing demand, we are implementing growth strategies in each division.

Taking into account the current business environment, we revised our Medium-Term Management Plan in February 2025, setting a net sales target of 37 billion yen for the fiscal year 2026.

However, there is no change in our basic policy.

We aim to expand the "Waterproofing Division" as a new major business while maintaining steady progress in the insulation construction sales categorized under the "Single-family Homes Division" and "Buildings Division."

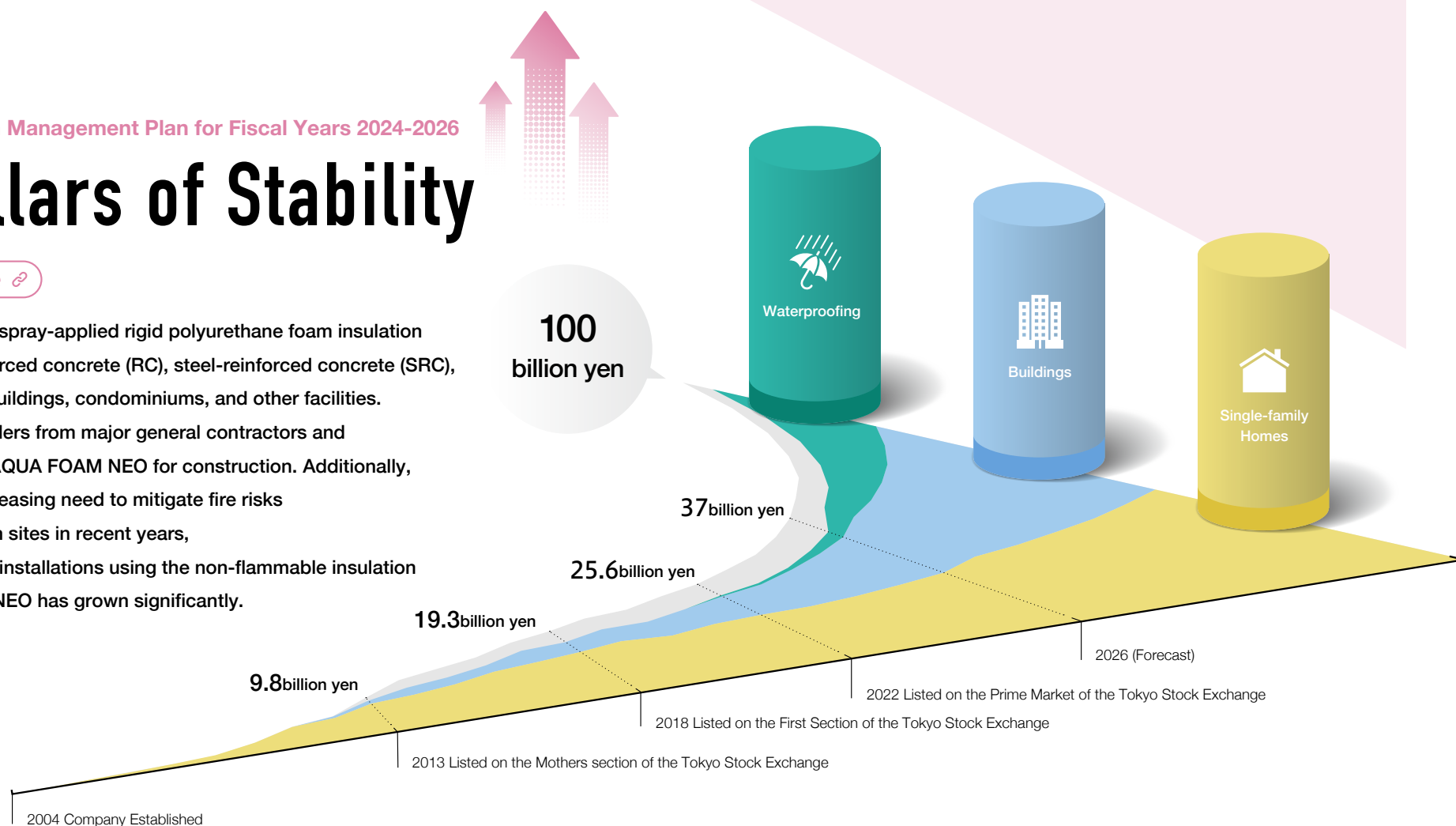
Midium-term Management Plan for Fiscal Years 2024-2026

3 Pillars of Stability

[Details Here](#)

We undertake spray-applied rigid polyurethane foam insulation work for reinforced concrete (RC), steel-reinforced concrete (SRC), and steel (S) buildings, condominiums, and other facilities.

We receive orders from major general contractors and primarily use AQUA FOAM NEO for construction. Additionally, due to the increasing need to mitigate fire risks at construction sites in recent years, the number of installations using the non-flammable insulation AQUA MOEN NEO has grown significantly.



Basic Strategy

In the "Single-family Homes Division," we aim to further expand our market share by utilizing the nationwide network established in fiscal year 2023. We also anticipate an increase in unit prices due to enhanced energy-saving performance. In the "Buildings Division," we plan to capture the rapid market expansion due to renovation and rebuilding demand, increase construction area, and raise unit prices by increasing non-combustible insulation installations. In the "Waterproofing Division," we will work to improve profitability through increased construction projects and capture renovation needs.

Expansion of Business Domains

We will strengthen sales of urethane foam raw materials, spraying machines, auxiliary materials, parts, and vehicles used in construction to external contractors. Our strengths include not only high quality but also rapid nationwide delivery and stable procurement of raw materials. We have established a system that ensures stable supply even in unforeseen circumstances. We aim to enhance our presence as a domestic manufacturer and establish stable revenue sources.

Target KPI (2026)

We revised the target for the final year, fiscal year ending December 2026, to sales of 37 billion yen and ordinary profit of 3.4 billion yen. The sales composition ratio will be approximately 40% for the Single-family Homes Division, 36% for the Buildings Division, 6% for the Waterproofing Division, and 18% for other divisions. The Waterproofing Division has built a track record in the large non-residential sector and expects further growth beyond 2026. We will focus on the three stable pillars and strive to achieve sales of 100 billion yen.

3 Pillars of Stability

Key Measures

External Environment		Key Measures	Performance Goals	
Key Measures : Three Pillars of Construction	Single-family Homes	<p>In June 2022, a law regarding compliance with energy-saving standards was issued and from April 2025, all new buildings, including single-family homes, will be required to comply with energy-saving standards. In addition, as the number of extremely hot days increases, the surge in electricity costs continues. Interest in energy conservation is growing more than ever.</p>	<p>We aim to expand our market share by leveraging our nationwide network of bases for construction systems. By using the key message "Insulation without airtightness is powerless," we will make proposals that utilize our strengths in high insulation and high airtightness to differentiate from other companies, improve sales unit prices, and simultaneously expand our customer base. Particularly during this medium-term management plan period, we aim to curb competition and expand our market share.</p>	<p>Although the number of new housing starts is on a declining trend, we will steadily work on measures to improve the share rate and unit price of sales, aiming to achieve our goals.</p> <div><div>Net sales 2023</div><div>13,798M yen</div></div> <div><div>Net sales 2026</div><div>16,503M yen</div></div> <div>CAGR 6.1% UP</div>
	Buildings	<p>In addition to the enforcement of laws requiring compliance with energy-saving standards, demand for renovations and rebuilding is also increasing. Furthermore, as a national policy, there is also an invitation to semiconductor factories, and the insulation market in buildings is rapidly growing. On the other hand, in other companies in the same industry, there is a decrease in operating volume due to the response to the 2024 issue and an increase in labor costs due to labor shortages.</p>	<p>We will actively acquire construction projects such as semiconductor Factory construction and urban redevelopment projects. At the same time, we will strengthen our product lineup. We will promote differentiation from other companies in the same industry by using non-flammable insulation "AQUA MOEN NEO" to avoid fire risks at construction sites and fireproof coating "AQUA BARRIER" that exhibits fire resistance when applied to insulation.</p>	<p>We aim for an annual increase of about 20% in the construction area. In addition, by introducing the non-flammable insulation "AQUA MOEN NEO", we aim to increase the construction unit price and aim for an average annual growth rate of 17.8% over three years.</p> <div><div>Net sales 2023</div><div>8,267M yen</div></div> <div><div>Net sales 2026</div><div>15,119M yen</div></div> <div>CAGR 17.8% UP</div>
	Waterproofing	<p>Although there is a market size of 600 billion yen, the proportion of polyurea waterproofing construction is very small, and there is an expectation for future growth. Currently, many buildings built during the bubble period are leaking due to aging, and the demand for renovation is increasing. In addition, it is urgent to respond to abnormal weather such as guerrilla heavy rain.</p>	<p>We will differentiate ourselves by using the polyurea resin spray waterproofing "AQUA HAJIKUN", which has many advantages compared to the mainstream products and their methods. We will increase the number of constructions by bundle sales with the Single-family Homes Division and improve profitability by increasing the number of RC building projects. We will strengthen alliances with waterproofing construction companies and increase recognition.</p>	<p>With the steady progress of large-scale projects such as the renovation of a headquarters factory of a leading electric appliance manufacturer in Japan, we expect net sales in 2026 to be 2.0 billion yen.</p> <div><div>Net sales 2023</div><div>489M yen</div></div> <div><div>Net sales 2026</div><div>2,500M yen</div></div> <div>CAGR 72.2% UP</div>
Expansion of Business Areas	<p>Sales of urethane raw materials, Other product sales</p> <p>In the sales of urethane raw materials, we will refine our quality, price, and responsiveness. To demonstrate our presence as a manufacturer, we fully utilize our nationwide sales bases. In auxiliary supplies sales, we will implement a pricing strategy and connect it to the expansion of new clients in the Single-family Homes Division. Machinery sales were changed to direct transactions as of 2023, improving profitability. There are waves of demand due to model changes, but we will steadily contribute to sales.</p> <div><div>Transition of Net Sales in Sales of urethane raw materials</div><div><div>20billion yen</div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><di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01 Single-family Homes Business Division

This involves the installation of spray-applied rigid urethane foam insulation for single-family homes. Over 90% of single-family homes in Japan are wooden structures, and we address this with installations using Aqua Foam LITE and Aqua Foam (Source: Ministry of Land, Infrastructure, Transport and Tourism "'2023 Building Construction Statistics Survey'"). For non-wooden homes, cold regions, and higher insulation grade requirements, we use the superior product Aqua Foam NEO.

Opportunities

- Expansion of GX-oriented homes
- Setting standards exceeding ZEH by municipalities and support systems such as subsidies
- Increasing interest in home insulation performance due to rising energy prices, etc.

Risks

- Decrease in the number of construction projects due to rising home acquisition costs and mortgage interest rates
- Delays in building construction systems due to labor shortages in the construction industry
- Rising raw material prices or supply shortages

Review of the Current Term and Business Environment

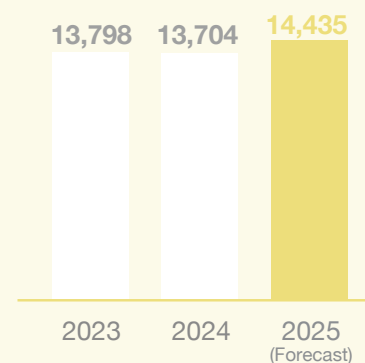
With subsidies from municipalities and preferential treatment for housing loans, insulation installations at ZEH levels (equivalent to insulation performance grade 5) have increased, and sales of higher grades (equivalent to grade 6) by nationwide builders have become full-scale, raising the construction unit price per building. On the other hand, although the number of orders from nationwide builders and new large customers increased, the stagnation in new housing starts continued, resulting in a decrease in the total number of constructions, and sales in this division amounted to 13,704 million yen.

Growth Strategy

Subsidies for GX-oriented homes (equivalent to grade 6) have been decided from 2025, and interest in home insulation and airtightness performance is expected to increase further. In this environment, we aim to fully leverage our strengths in product and construction capabilities to expand market share and achieve an average annual growth rate of 2.4% by fiscal year 2026.

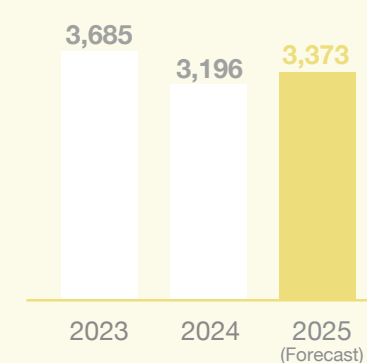
Sales

(Unit: Million yen)



Gross Profit

(Unit: Million yen)



02 Buildings Business Division

We also perform waterproofing construction using "AQUA HAJIKUN," which employs polyurea resin. Polyurea resin was developed in the United States in the 1980s and is also used for explosion-proof measures in military facilities. The waterproofing market is valued at 600 billion yen, with a wide range of applications, including renovations of headquarters factories of leading Japanese manufacturers, store renovations for chain stores, and parking lot constructions for third-party logistics, where we have built a track record. The main strengths of the product are its durability, elasticity, and quick-drying properties, offering superior long-lasting strength compared to traditional construction methods. Furthermore, we are the only company handling polyurea resin waterproofing on a nationwide scale.

✓ Opportunities

- Construction of large facilities due to the return of manufacturing to Japan and urban redevelopment
- Increasing demand for non-combustible insulation Aqua Moen NEO
- Increase in insulation work due to ZEB standardization

✓ Risks

- Delays in building construction systems due to labor shortages in the construction industry
- Rising raw material prices or supply shortages

Review of the Current Term and Business Environment

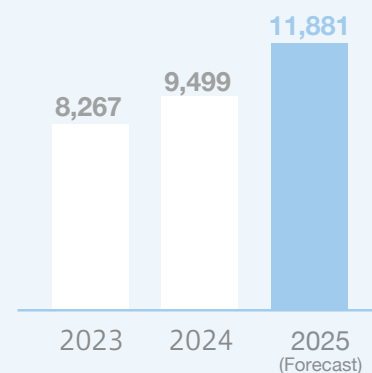
In addition to the demand for new manufacturing facilities such as semiconductor factories and data centers, we have captured the demand for new commercial facilities, medical facilities, and high-rise condominiums due to urban redevelopment. As a result of efforts to expand sales of the highly demanded and monopolistic non-combustible insulation Aqua Moen NEO, sales in this division increased significantly to 9,499 million yen.

Growth Strategy

To respond to the strong demand for new manufacturing facilities and urban redevelopment projects, we will promote sales expansion and operational efficiency by actively recruiting construction personnel and implementing appropriate process management. We aim to drive overall company performance improvement and achieve an average annual growth rate of 17.8% by fiscal year 2026.

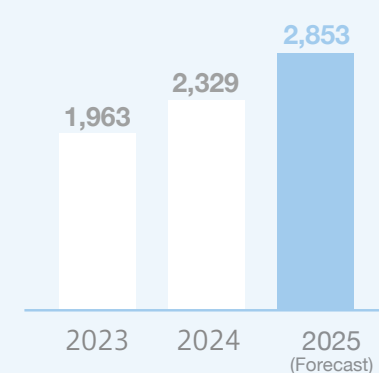
Sales

(Unit: Million yen)



Gross Profit

(Unit: Million yen)



03 Waterproofing Business Division

We perform waterproofing construction using "Aqua Hajikun" made of polyurea resin. Polyurea resin was developed in the United States in the 1980s and is also used for explosion-proof measures in military facilities. The waterproofing market is worth 600 billion yen, and the scope of construction is wide, with a track record in headquarters factory renovations of leading Japanese manufacturers, chain store renovations, and parking lot construction for third-party logistics. The main strengths of the product are durability, elasticity, and quick-drying, providing superior long-lasting strength compared to traditional construction methods. Additionally, we are the only company handling polyurea resin waterproofing on a nationwide scale.

Opportunities

- Enhancement of building waterproofing performance due to increased abnormal weather
- Reconstruction needs due to aging buildings and condominiums
- Renovation needs for buildings using asbestos-containing materials

Risks

- Delays in building construction systems due to labor shortages in the construction industry
- Rising raw material prices or supply shortages

Review of the Current Term and Business Environment

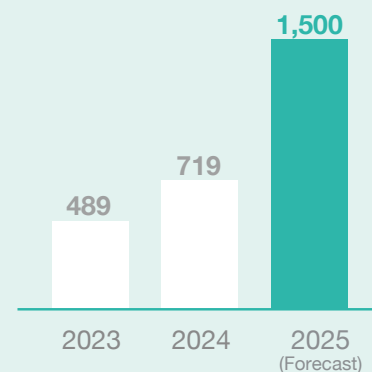
As abnormal weather such as heavy rain becomes more common and the need for waterproofing construction increases, we have strengthened collaboration with the Single-family Homes Division to increase the number of constructions for single-family homes and actively promoted proposal-based sales for aging countermeasures for buildings using asbestos-containing materials. As a result, renovation construction from major companies increased significantly, and sales in this division grew substantially to 719 million yen.

Growth Strategy

We aim to strengthen the division by acquiring ready-to-work personnel from the same industry, build up construction achievements in large non-residential properties, and promote proposal-based sales in collaboration with the Single-family Homes Division in the residential sector. Just as Aqua Foam pioneered a new path in the existing market during its early days, we aim to increase recognition and achieve an average annual growth rate of 59.9% by fiscal year 2026.

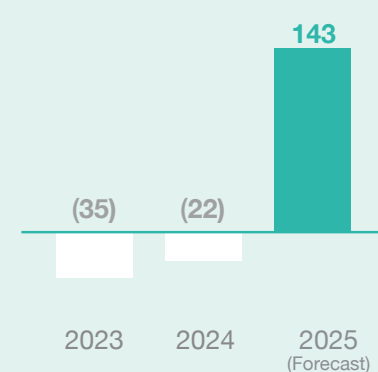
Sales

(Unit: Million yen)



Gross Profit

(Unit: Million yen)



04 Other Divisions

This division compiles figures other than construction sales, including sales of urethane raw materials, auxiliary materials such as consumables used in construction, and sales of spray-applied urethane foam machines. For raw material sales, we record sales to construction contractors other than our certified contractors, and sales of raw materials for buildings are growing significantly with market growth. Sales of auxiliary materials are increasing in proportion to our number of constructions. Additionally, sales of spraying machines are progressing with the strengthening of the construction system.

Opportunities

- Expansion of our business operations (increase in construction numbers and personnel)
- Improving recognition of our manufacturing capabilities
- Development and market introduction of differentiated products

Risks

- Stagnation in the growth of our business operations
- Emergence of highly competitive alternatives

Review of the Current Term and Business Environment

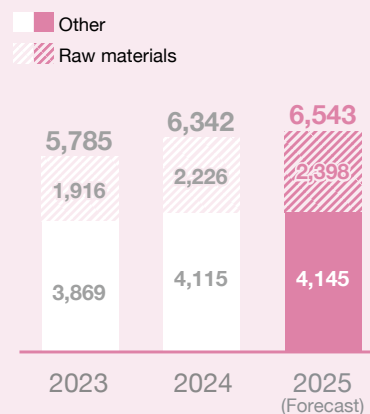
For raw material sales, as the construction market for buildings expands significantly, we have improved recognition as a manufacturer and shortened delivery times through the establishment of nationwide logistics centers, resulting in increased sales volume and sales of 2,226 million yen. Additionally, sales of auxiliary materials and machines reached 4,115 million yen, aided by successful campaign measures.

Growth Strategy

For raw material sales, we aim to build a company-wide functional sales system and achieve an average annual sales growth rate of 9.3%. For auxiliary materials, machines, and others, we aim to strengthen bundle sales that create synergies and propose optimal combinations to achieve an average annual growth rate of 2.8%. Furthermore, we will also work on raw material sales overseas to expand our business domains.

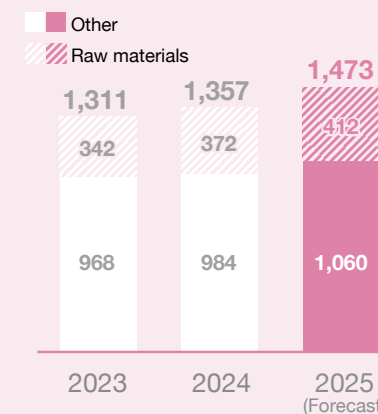
Sales

(Unit: Million yen)



Gross Profit

(Unit: Million yen)



Part 4

SUSTAINABILITY

Efforts to Promote Sustainable Management

In order to enhance sustainable corporate value,
we are actively addressing issues related to the environment, the society, and governance.

We strive to further strengthen these as important elements of
our management foundation.

Environment

Environmental Initiatives

Disclosure Based on TCFD Recommendations

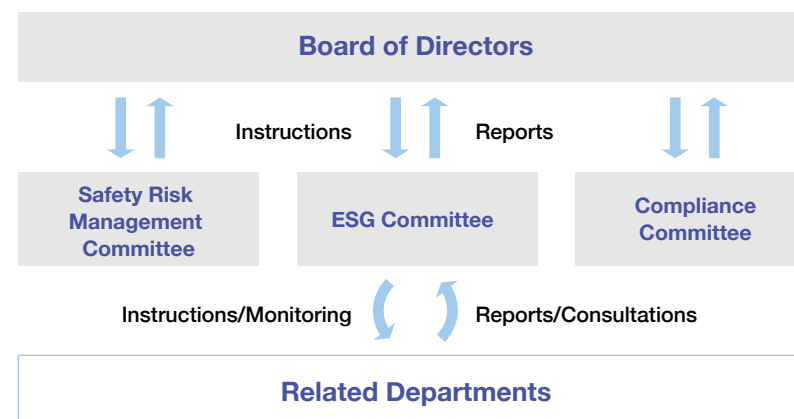
Our corporate philosophy is to "Contribute to society by creating a housing environment that is friendly to people and the Earth." Under this philosophy, we emphasize measures to prevent global warming, and we believe that by analyzing and addressing the impact of climate change, including global warming, on our company, we can further contribute to society. Therefore, we are promoting initiatives and information disclosure based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

Risk Management

Our company conducts identification and evaluation of climate change risks through scenario analysis within the "ESG Committee," both qualitatively and quantitatively. In the evaluation, we determine the importance and priority of climate change risks based on the magnitude of impact and time frame. As a result, for climate change risks deemed to have a significant impact on our company, the "ESG Committee" considers specific countermeasures and future policies. Furthermore, the departments responsible for operating specialized committees such as the "Safety Risk Management Committee"

Governance

We have established an "ESG Committee" with the aim of promoting company-wide sustainable management. This committee, chaired by the President and Representative Director, consists of directors and executive officers involved in ESG, as well as other relevant department heads, and is tasked with analyzing the impact of climate change risks and opportunities on business and considering countermeasures. If decisions made by this committee are deemed important, they are recommended and reported to the Board of Directors. Subsequently, the Board of Directors reviews and deliberates on these matters and decides on the final response policy.



and the "Compliance Committee" collaborate to comprehensively discuss all risks, including climate change, before reporting to the Board of Directors. Subsequently, the Board of Directors decides on responses to company-wide risks and instructs each committee on how to respond. The "ESG Committee" receives instructions from the Board of Directors and directs specific responses to relevant departments, where measures are implemented. Additionally, the "ESG Committee" regularly monitors the status of measures to strive for risk reduction and avoidance.

Strategy

Our company conducts scenario analysis to understand the impact of future climate change on business activities. In the scenario analysis conducted in fiscal year 2023, we set two future worldviews: the 4°C scenario and the 1.5°C scenario, and identify and evaluate climate change risks

and opportunities for the years 2030 and 2050. We are promoting various initiatives to address climate change risks and opportunities that are judged to have a significant impact.

4°C Scenario

A scenario assuming a temperature rise of about 4°C by 2100 compared to pre-industrial levels. It assumes that current climate-related goals and initiatives continue but are not further strengthened, predicting intensification of extreme weather, increased precipitation, and droughts due to rising temperatures.

Analysis Results

Our company has bases nationwide, and under the 4°C scenario, the intensification of extreme weather due to rising temperatures is predicted, raising concerns about physical impacts on each base. A survey using a hazard map (as of September 2024) confirmed the possibility of flooding at some sales bases nationwide, with many located in the Kanto-Koshinetsu and Tohoku regions. Additionally, since we procure key raw materials from overseas, if droughts occur in procurement regions such as China, leading to energy supply restrictions, there is a risk of shortages in raw materials like isocyanate and HFO, which are base materials for spray rigid urethane foam, potentially stalling our production activities and reducing sales. On the other hand, as increased precipitation is expected under the same scenario, we recognize opportunities in the increased demand for waterproof products and construction, such as our "AQUA HAJIKUN" for housing and buildings. Based on these analysis results, regarding risks, to ensure stable operations in the event of extreme weather or droughts, we are strengthening raw material stockpiling and establishing a flexible raw material procurement system by purchasing raw materials in bulk and storing them at dispersed stock points nationwide, thereby enhancing resilience against extreme weather disasters. Regarding opportunities, in addition to participating in large-scale exhibitions to increase awareness of waterproof products and boost sales and orders for waterproof products and construction, we are also advancing the acquisition of personnel with expertise in the waterproof business and forming alliances as part of internal system development.

1.5°C Scenario

A scenario assuming that the temperature rise by 2100 is limited to about 1.5°C compared to pre-industrial levels. It is predicted that efforts towards decarbonization, such as the introduction of new regulations and the development of new technologies, will be strengthened.

Analysis Results

The insulation materials we handle use urethane, which has high insulation performance. Therefore, if regulations on plastics are strengthened as part of decarbonization policies, we recognize the increase in costs to comply with restrictions on the use of environmentally burdensome plastics, including urethane, as a risk. Additionally, in terms of greenhouse gas (GHG) emissions, while the main energy used at each site is electricity, a lot of diesel and gasoline are used at construction sites and during transportation, so the introduction of carbon pricing systems and the resulting increase in energy prices pose a risk of increased operating costs. On the other hand, as the introduction of renewable energy and energy-saving policies and the growing environmental awareness are expected to increase demand for ZEB (Zero Energy Building) and ZEH (Zero Energy House), we recognize the growth in sales of insulation materials contributing to ZEB/ZEH as an opportunity. Based on these analysis results, regarding risks, to respond to stricter plastic regulations towards a decarbonized society, we are considering expanding sales of "AQUA FOAM LITE," which contains plant-derived materials, and enhancing insulation and environmental performance. In addition, regarding carbon pricing, aiming to reduce Scope 1 and 2 emissions, which are currently expected to be subject to carbon taxes, we are implementing energy-saving measures such as promoting LED lighting at each site and shortening vehicle travel distances by having urethane raw material storage warehouses nationwide. Regarding opportunities, to adapt to the increasing demand for ZEB/ZEH, we will promote construction proposals that meet ZEB/ZEH standards and higher standards, as well as work to improve construction unit prices.

Reference Scenario

- RCP8.5 (IPCC AR5)
- STEPS (IEA WEO 2022)

Reference Scenario

- RCP2.6 (IPCC AR5)
- APS/NZE (IEA WEO 2022)
- SDS (IEA WEO 2019)

List of Risks and Opportunities

Definition of Time Frame Short-term: until 2026 / Medium-term: 2026-2030 / Long-term: 2030-2050

Evaluation Large: Impact of 3% or more on operating profit / Medium: Impact of 1% or more but less than 3% on operating profit / Small: Impact of less than 1% on operating profit / None: No impact expected

Factors		Classification	Impact on Business	Time Axis	Evaluation(2030)		Evaluation(2050)	
					4°C	1.5°C	4°C	1.5°C
Transition	Carbon Pricing	Risk	•Increase in operating costs due to the introduction of carbon tax and emission trading	Medium to Long-term	—	Medium	—	Medium
	Decarbonization Regulations	Risk	•Restrictions on the use of environmentally harmful plastics due to strengthened regulations	Medium to Long-term	Low	Medium	Low	High
	Renewable Energy and Energy Saving Policies	Risk	•Costs associated with the transition to energy-saving policies, such as switching to high-efficiency equipment •Surge in electricity prices due to the expansion of renewable energy policies	Medium to Long-term	Low	Medium	Low	High
		Opportunity	•Increase in demand for insulation materials for ZEB and ZEH	Medium to Long-term	Low	Medium	Low	High
Physics	Changes in Weather Patterns due to Extreme Weather	Risk	•Direct damage and losses due to business stagnation caused by the intensification of extreme weather •Difficulty in procuring raw materials for insulation materials if a drought occurs in China and power supply is restricted	Short to Long-term	Medium	Low	High	Medium
		Opportunity	•Increase in demand for waterproofing products for buildings due to increased precipitation and number of rainy days •Increase in demand for rebuilding and renovation due to damage to houses and buildings caused by the intensification of extreme weather	Short to Long-term	Medium	Low	High	Low

Assumed Financial Impact

In evaluating the impact of climate change risks and opportunities for the years 2030 and 2050, we conduct estimates of the business impact scale for items where data collection is possible within the company and reasonable estimation methods can be devised. Below are the results of the business impact evaluation of "carbon tax" and "damage amount and business suspension loss amount due to extreme weather," estimated based on the parameters provided in the aforementioned reference scenarios.

(Million yen)

	Assumed Financial Impact	4°C Scenario	1.5°C Scenario
2030	Carbon Tax	0	(25)
	Extreme Weather (Floods, High Tides)	(54)	(19)
2050	Carbon Tax	0	(45)
	Extreme Weather (Floods, High Tides)	(81)	(57)

Financial Impact Amount of Carbon Tax

The parameters of each scenario reported in the IEA WEO are multiplied by the actual values of Scope 1 and 2 for fiscal year 2022.

Financial Impact of Extreme Weather

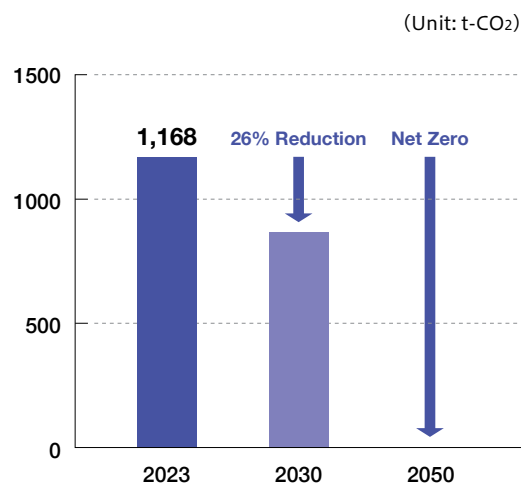
The estimation method shown in the Ministry of Land, Infrastructure, Transport and Tourism's flood control economic survey manual is applied.

Goals and Indicators

Our company uses GHG as an indicator to manage climate change issues, aiming for a 26% reduction by 2030 compared to 2023. The 2023 results were 967 t-CO₂ for Scope 1 and 202 t-CO₂ for Scope 2. Additionally, based on our management philosophy, we consider activities throughout the supply chain

to be important in creating an environmentally friendly living environment, and we also strive to regularly monitor emissions throughout the supply chain (Scope 3).

Scope 1 and 2 Reduction Targets



Scope 1, 2, 3 Results

(Unit: t-CO₂)

	2022	2023	2024
Scope1	1,410	967	795
Scope2	237	202	222
Scope3	235,532	206,115	248,457
Category1	231,412	200,000	239,582
Category2	506	1,291	3,157
Category4	2,677	3662	2,756
Category5	346	622	78
Category6	486	439	118
Category7	106	101	10

Notes on Scope 1 and 2 Calculation

- Excludes emissions from fuel and electricity use in dormitories attached to business sites.
- For the 2022 calculation, the emission factors have been updated from those published in last year's integrated report.
- The emissions from fuel used by our employees seconded to partner companies, which were included in Scope 1 in 2022, are included in Scope 3 Category 1 in the 2023 calculation.

Achieved a B Score in the "CDP* 2024 Climate Change Survey"

Companies report their environmental strategies, greenhouse gas emissions, renewable energy usage, and responses to climate change risks by answering the questionnaire provided by CDP each year. This information is used by investors, consumers, governments, NGOs, etc., as material to evaluate the sustainability of companies. Many companies worldwide participate in CDP, and in 2024, over 700 institutional investors requested environmental information disclosure through CDP's platform, with more than 24,800 companies responding. Additionally, CDP is represented by an 8-level score of "A, A-, B, B-, C, C-, D, D-", evaluating the transparency and leadership of companies in their response to climate change. Our

company has received a "B" rating, the third highest, indicating that the company is actively promoting climate change response at the management level as part of its business strategy, rather than just a "practical response". This is recognized as an evaluation of the company's efforts to build a foundation for sustainable growth.

*CDP (Carbon Disclosure Project) is an international non-profit organization established in 2000, primarily aimed at enhancing transparency regarding environmental impacts for companies and organizations. It is an international platform for companies and municipalities to disclose information on the impacts and risks related to climate change, as well as greenhouse gas emissions.



Social

Human Capital and Diversity

Approach to Human Capital

To enhance sustainable corporate value, we are actively addressing challenges related to the environment, society, and governance. As a crucial element of our management foundation, we strive for further strengthening. Our company continues to reinforce its foundation for accelerated growth, anticipating a favorable business environment aligned with national environmental policies. In particular, we believe that building a robust construction system and promoting operational efficiency through digital technology will play a vital role in enhancing future competitiveness. Regarding internal installation work personnel, who are central to our construction system, we continue to secure them primarily through mid-career recruitment. However, to enhance diversity and competitiveness, we are also expanding new graduate recruitment and internship programs targeting younger generations. Additionally, considering the challenges in the construction industry's labor environment, we are working to further improve work-life balance and create a more conducive work environment through digital transformation (DX).

Moreover, by introducing IT systems and AI technology, we are further promoting the automation and efficiency of business processes. This enables each employee to focus on creative and high-value tasks. As a result, labor productivity continues to improve, and we are seeing outcomes such as increased appointments of women to key positions and more opportunities for foreign employees. These efforts contribute to fostering a corporate culture of diversity and inclusivity that our company aims for.

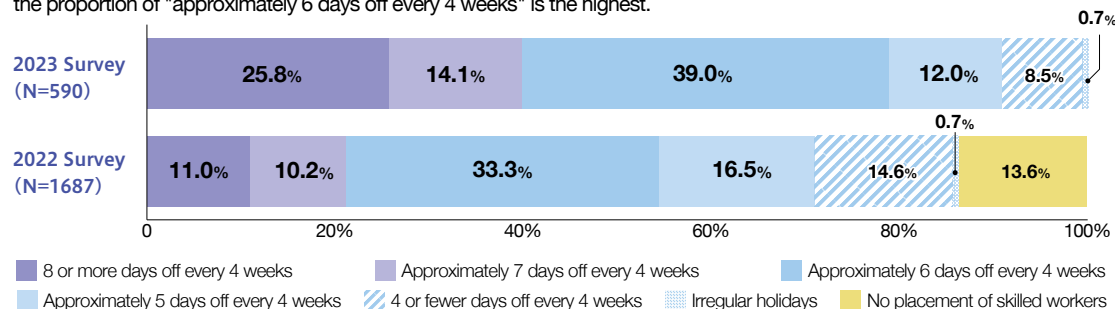
Furthermore, by actively recruiting and utilizing diverse talent regardless of gender, nationality, age, or disability, we aim to create new value and achieve sustainable business growth. Our company continues to strive to be a valuable entity for all stakeholders while contributing to the realization of a sustainable society.

Transformation of the Construction Industry and Evolution of the Work Environment

Based on the "Act on the Arrangement of Related Laws to Promote Work Style Reform" enacted in 2019, the "upper limit on working hours" was applied to the construction industry starting in April 2024. This has led to the correction of long working hours and the standardization of a full two-day weekend. Our company introduced a full two-day weekend ahead of the law's enforcement and switched to a "Saturday-Sunday off" system starting January 2023. This initiative could have led to a reduction in construction operating days, but efficient construction planning and an increase in weekday construction have compensated for the decrease in operating days. Additionally, this has significantly increased the number of job applications, positively impacting talent acquisition. Furthermore, as part of work style reform, we are promoting initiatives that prioritize employee health and work-life balance, contributing to the improvement of the industry's overall work environment. Through these measures, our company aims to become a model case for a sustainable work environment in the construction industry.

Average Holiday Acquisition Status in the Construction Industry

The situation is such that even a two-day weekend, which is standard in other industries, is not achieved. It can be seen that the proportion of "approximately 6 days off every 4 weeks" is the highest.



Source: Ministry of Land, Infrastructure, Transport and Tourism

"Survey Results on Promoting Work Style Reform through Proper Construction Period Setting for FY2023" (Published August 6, 2024)

Acceptance of Technical Intern Trainees and Specified Skilled Workers

Our company accepts foreign technical intern trainees and specified skilled workers based on the technical intern training program, which aims to transfer technology, skills, and knowledge to developing regions and contribute to "human resource development" for regional economic development, with many working in construction roles. In addition to teaching the necessary knowledge and terminology for construction, we instruct on the mindset and importance of safety related to construction, with technical instructors demonstrating work on-site. Furthermore, to prevent feelings of loneliness or inconvenience, they are not assigned alone to business offices but live communally in employee dormitories. Additionally, we maintain close communication with supervising organizations to provide detailed support.



Ensuring Quality and Strengthening Technical Capabilities

Quality patrol cars are deployed nationwide to conduct spot inspections. To verify whether proper construction is being carried out, our quality control department uses quality patrol cars to conduct unannounced inspections at construction sites nationwide. If standards are not met, corrective instructions are given to the construction department or certified contractors. Additionally, the construction department (certified contractors), quality control department, and sales department hold discussions to investigate causes and implement measures to prevent recurrence.

Support for Women's Participation

As of the end of 2024, the ratio of female managers in our company is 14%, surpassing the construction industry average of 7.2% (2024, Teikoku Databank survey), with a goal of reaching 20% by 2028. In sales administration roles, where there are many female employees, the introduction of IT systems and the establishment of career paths have led to the emergence of numerous role models. We have also established systems that allow for the balance of work and family life, including a short-time work system.



Foreign and Mid-Career Recruitment

Our business is predominantly domestic, with foreign employees making up about 19% of the total. However, global transactions, including raw material procurement, are increasing, expanding opportunities for their active participation. We plan to further promote the recruitment of foreign employees and their promotion to managerial positions in the future. Since mid-career hires account for more than half of the managerial positions, we have not set specific targets.



Quality patrol cars are deployed nationwide to conduct spot inspections.



Our company has introduced uniform urethane thickness measuring devices nationwide to implement strict quality control. We precisely measure the thickness specified in the design of urethane raw materials to ensure the highest quality standards.



Certified Contractor System

A certified contractor is a construction company that handles specified spray-applied rigid urethane foam (AQUA FOAM series) and related materials after undergoing technical training based on standardized criteria and methods set by our company. In the franchise system, there are no typical membership fees or royalties, and since urethane raw materials are supplied by our company for a fee, no procurement is required, allowing for low-cost startup. Additionally, since our company handles all sales activities and interactions with general contractors, builders, and construction companies, the clients of certified contractors are consolidated with us, allowing them to focus on construction. By enhancing construction techniques, not only can the range of applicable construction sites expand, but time efficiency in construction can also improve, leading to potential income growth.



Job Creation in the Region

Our company is advancing the establishment of business offices for our own properties nationwide. The business offices are large facilities that serve not only as workplaces for employees but also as activity bases for certified contractors and stock points for urethane raw materials. By owning these properties, we not only conduct business activities rooted in the community but also create attractive employment opportunities in regions with insufficient job opportunities, contributing to regional development.



Stock points for urethane raw materials



Miyazaki Business Office

Safety-Related Training and Guidance

Upon becoming a certified contractor, you will join the voluntary organization "Aqua Association" related to construction. Our company holds a "Safety Conference" twice a year for the "Aqua Association," inviting experts for lectures and providing explanations on occupational safety and health measures by our representatives and responsible persons from related departments, to deepen knowledge and foster awareness of safety and health among certified contractors.



Scenes from the Safety Conference



Training for Aerial Work Vehicles

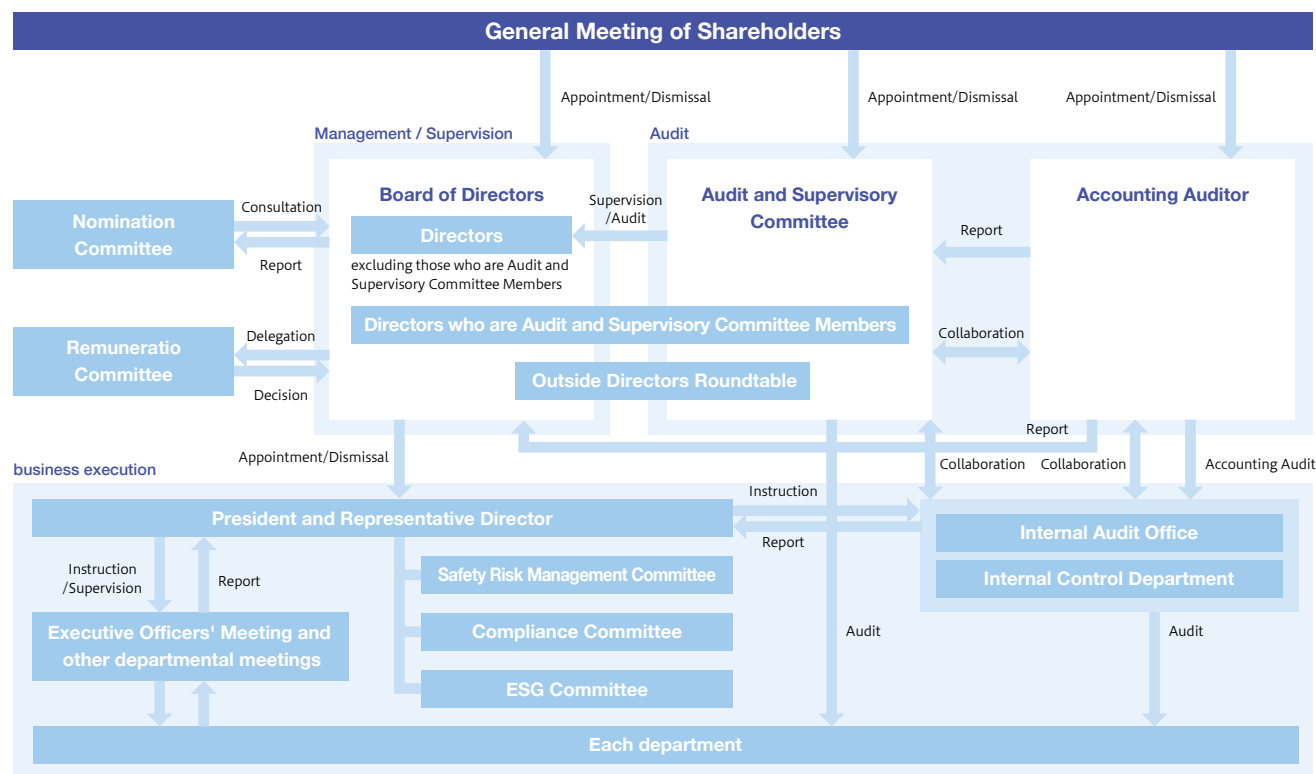
Governance

Governance

Basic Concept

The basic concept of our corporate governance is to aim for the sustainable enhancement of corporate value while maintaining high soundness and transparency, fulfilling our social responsibility as a listed company. Specifically, we ensure transparency through proactive information disclosure, while swiftly reflecting management policies and business strategies in business activities, pursuing performance growth and financial soundness. We also believe it is important to eliminate judgments and decisions based on internal circumstances, deepen engagement with stakeholders, and make the internal control system function more effectively to build a highly effective governance system. Furthermore, in March 2023, our company transitioned from a company with a board of auditors to a company with an audit and supervisory committee. This transition is expected to further enhance the audit and supervisory functions of the board of directors by involving independent outside directors in management. As of March 2025, we continue to review this system and strengthen governance in response to changes in the management environment.

Governance Structure Diagram



Board of Directors

The board of directors consists of 11 directors (5 internal directors and 6 independent outside directors) and is scheduled to meet at least once a month. In fiscal 2024, the board met 18 times, discussing regular agenda items such as monthly financial results and analysis, reports on business execution by responsible directors and executive officers, and the operation status of the internal control system, as well as reviewing capital investment plans, progress management of the prime market compliance plan, and risk management system considerations.

Audit and Supervisory Committee

The audit and supervisory committee consists of 4 independent outside directors and is scheduled to meet at least once a month. In the fiscal year 2024, it was held a total of 14 times. We enhanced the effectiveness of audits by focusing on audits utilizing the internal control system, holding regular meetings with the president, attending important meetings, and conducting hearings with executive directors and executive officers.

Utilization of voluntary organizations

Compensation Committee:

It is composed of internal directors with titles and independent outside directors (with a majority being independent outside directors), and the remuneration of directors is determined after deliberation by this committee.

Nomination Committee:

It is composed of internal directors with titles and independent outside directors (with a majority being independent outside directors), and serves as an advisory body to the Board of Directors, deliberating on the appointment proposals for director candidates and reporting to the Board.

Outside Directors Roundtable:

It is composed of a total of 6 members, including 2 independent outside directors (excluding directors who are audit committee members) and 4 independent outside directors who are audit committee members, and holds a free discussion once a month to contribute to the company's management. In the fiscal year 2024, it was held a total of 12 times, with many discussions on compliance issues and cases where top management and officers should be held accountable, using recent corporate scandals as examples, and advice is provided to the Board of Directors as needed.

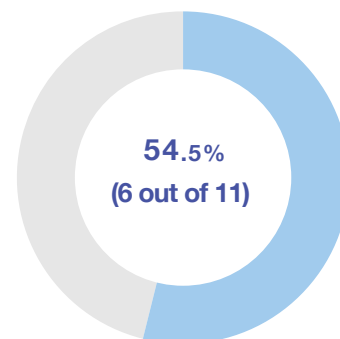
Executive Officer

Since the fiscal year 2019, we have introduced an executive officer system to expedite decision-making and clarify the roles and responsibilities of business execution. The term of office for executive officers is one year, and we have established titled executive officers (senior executive officers, second-tier executive officers), with their appointment and dismissal decided by the Board of Directors.

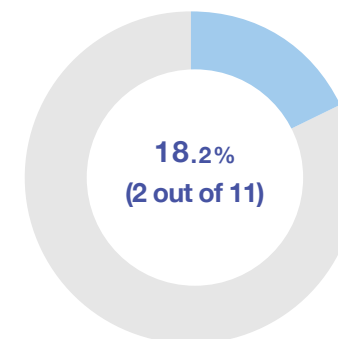
Structure of Executive Officers (March, 2025)

Executive Officer	Chiemi Kawakami	Head of Procurement Department
Executive Officer	Isao Tonegawa	Head of Contractor Development Department and Construction Department
Executive Officer	Hiroshi Egawa	Head of Blueprints Department and Environment Department
Executive Officer	Yudai Tanabe	Head of Building Business Division
Executive Officer	Toshikuni Yasukawa	Head of Waterproofing Business Division
Executive Officer	Shoji Sato	Head of Finance and Accounting Department
Executive Officer	Kazutaka Minagawa	Head of Human Resources and General Affairs Department, Corporate Planning Department, and Information Systems Department

Ratio of Independent Outside Directors



Ratio of Female Directors



Introduction to the Board of Directors/Skill List

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	Managing Director	male		●		●			
Koji Fujii	Director	male			●	●			
Keishi Usami	Director	male			●	●			
Takeshi Kenmochi	Outside Director	male	●				●	●	
Kenji Komatsu	Outside Director	male	●		●				
Noriyuki Utsumi	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							●

Part 5

DATA /

COMPANY OVERVIEW

Record-high sales achieved, accelerating growth strategy for further advancement

**Strengthened energy-saving regulations, attraction of semiconductor factories,
and increased demand for waterproofing renovations have driven sales to a record high.
Actively invested in human capital to promote the establishment of a sustainable growth foundation.**

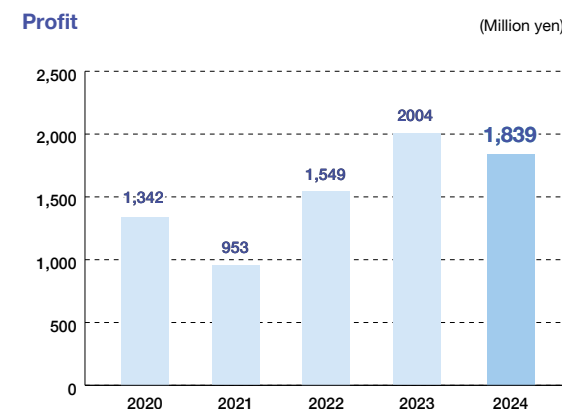
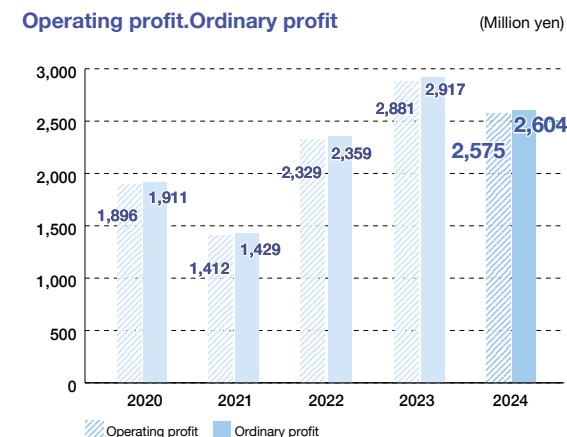
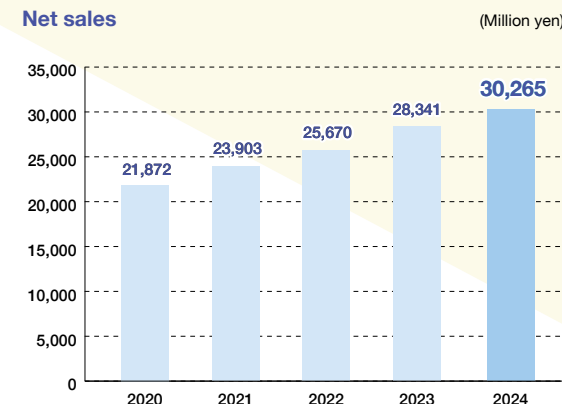
In the construction and housing industry during this fiscal year (21st term: January 1, 2024, to December 31, 2024), a law partially amending the Act on the Improvement of Energy Consumption Performance of Buildings to Contribute to the Realization of a Decarbonized Society was promulgated in June 2022. Furthermore, with the enforcement of this law, from April 2024, it became a voluntary obligation for businesses selling or leasing houses and buildings to display energy-saving performance labels. As a result, interest in energy-saving and insulation performance has increased among buyers and tenants of homes and offices, which is expected to promote the supply of houses and buildings with high energy-saving and insulation performance. On the other hand, the number of new housing starts continues to show a weak trend, and the environment surrounding the housing industry remains challenging. However, in corporate capital investment, large-scale investments in semiconductors and automotive-related fields are progressing, and investment plans are at a high level, with active construction of large-scale manufacturing facilities, commercial facilities, and high-rise condominiums nationwide. Details of each department's initiatives are described in the "Business Overview" section on pages 27 to 30 of this integrated report.

In this environment, our company has leveraged the product strength of the "AQUA FOAM series," which achieves high insulation performance and airtightness, and the ultrarapid-hardening waterproofing material "AQUA HAJIKUN," along with our nationwide construction network, to actively engage in order-taking activities across various departments. Additionally, buildings constructed during the construction boom of the

1980s and 1990s are aging, leading to increased demand for waterproofing renovation work. Buildings that have exceeded the 20-30 year lifespan of waterproof layers are experiencing leaks and deterioration, necessitating renovations to maintain asset value. Strengthened regulations, earthquake measures, and climate change responses are driving demand, leading to the spread of high-performance waterproof materials and environmentally friendly products. Additionally, the increase in aging buildings is expected to continue driving market growth.

As a result, sales for this fiscal year amounted to 30,265 million yen, a 6.8% increase compared to the same period last year. Additionally, through the promotion of market share expansion strategies in the single-family homes division and thorough construction management aimed at cost reduction and cash flow improvement in the building division, gross profit was 6,862 million yen, with a gross profit margin of 22.7%, a decrease of 1.8 points compared to the same period last year. On the other hand, due to the impact of increased personnel expenses as an investment in human capital essential for future growth, including the expansion of the construction system, selling, general and administrative expenses increased by 243 million yen to 4,286 million yen.

As a result, operating profit was 2,575 million yen, a 10.6% decrease compared to the same period last year, ordinary profit was 2,604 million yen, a 10.7% decrease, and net income for the period was 1,839 million yen, an 8.2% decrease.



Balance Sheet

	(Million yen)	
	Current fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	2,033	2,263
Notes and accounts receivable - trade, and contract assets	6,397	8,117
Electronically recorded monetary claims	1,098	1,142
Merchandise	269	266
Raw materials and supplies	1,939	1,955
Advance payments to suppliers	26	24
Prepaid expenses	63	162
Accounts receivable - other	3,648	4,853
Other	22	34
Allowance for doubtful accounts	(26)	-
Total current assets	15,472	18,819
Non-current assets		
Property, plant and equipment		
Buildings, net	2,146	2,180
Structures, net	156	150
Machinery and equipment, net	203	150
Vehicles, net	29	32
Tools, furniture and fixtures, net	55	48
Land	1,680	1,680
Leased assets, net	40	28
Construction in progress	55	-
Total property, plant and equipment	4,367	4,271
Intangible assets		
Leasehold interests in land	15	15
Software	54	53
Lease assets, net	15	5
Software in progress	-	5
Other	0	0
Total intangible assets	85	79
Investments and other assets		
Investment securities	2	3
Shares of subsidiaries and associates	16	16
Investments in capital	0	0
Long-term loans to affiliated companies	-	37
Long-term loans receivable from employees	1	1
Distressed receivables	67	13
Long-term prepaid expenses	7	326
Deferred tax assets	246	207
Leasehold and guarantee deposits	108	116
Other	80	177
Allowance for doubtful accounts	(67)	0
Total investments and other assets	466	900
Total non-current assets	4,919	5,251
Total assets	20,392	24,071

	(Million yen)	
	Current fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	6,453	7,556
Short-term borrowings	2,400	4,500
Lease liabilities	20	13
Accounts payable - other	712	474
Accrued expenses	216	283
Income taxes payable	524	292
Consumption tax payable	452	32
Advances received	57	48
Deposits received	33	49
Provision for bonuses	25	33
Other	31	131
Total current liabilities	10,927	13,415
Non-current liabilities		
Lease liabilities	26	12
Asset retirement obligations	39	40
Other	93	57
Total non-current liabilities	159	109
Total liabilities	11,087	13,525
Net assets		
Shareholders' equity		
Share capital	1,903	1,903
Capital surplus		
Legal capital surplus	1,883	1,883
Other capital surplus	28	131
Total capital surplus	1,912	2,015
Retained earnings		
Other retained earnings		
Retained earnings brought forward	7,523	8,357
Total retained earnings	7,523	8,357
Treasury shares	(2,035)	(1,731)
Total shareholders' equity	9,304	10,545
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Total net assets	9,304	10,545
Total liabilities and net assets	20,392	24,071

Income Statement

(Million yen)

	Current fiscal year (Fiscal year ended December 31, 2023)	Current fiscal year (Fiscal year ended December 31, 2024)
Net sales	28,341	30,265
Cost of sales	21,417	23,403
Gross profit	6,924	6,862
Selling, general and administrative expenses	4,042	4,286
Operating profit	2,881	2,575
Non-operating income		
Interest income	23	35
Insurance claim income	4	4
Insurance claim income	4	4
Surrender value of insurance policies	6	-
Other	10	12
Total non-operating income	49	56
Non-operating expenses		
Compensation expenses	-	7
Interest expenses	13	20
Other	0	0
Total non-operating expenses	14	28
Ordinary profit	2,917	2,604
Extraordinary income		
Gain on sale of non-current assets	2	7
Total extraordinary income	2	7
Extraordinary losses		
Loss on retirement of non-current assets	7	12
Total extraordinary losses	7	12
Profit before income taxes	2,911	2,598
Income taxes - current	919	719
Income taxes - deferred	(12)	39
Total income taxes	907	758
Profit	2,004	1,839

Cash Flow Statement

(Million yen)

	Current fiscal year (Fiscal year ended December 31, 2023)	Current fiscal year (Fiscal year ended December 31, 2024)
Cash flows from operating activities		
Profit before income taxes	2,911	2,598
Depreciation	239	239
Increase (decrease) in allowance for doubtful accounts	0	(93)
Increase (decrease) in provision for bonuses	5	8
Interest income	(23)	(35)
Interest expenses	13	20
Insurance claim income	-	7
Surrender value of insurance policies	(4)	(4)
Gain from business consulting fee	(4)	(4)
Loss (gain) on sale and retirement of non-current assets	5	5
Decrease (increase) in trade receivables	(597)	(1,845)
Decrease (increase) in inventories	966	13
Decrease(increase) in claims in bankruptcy or rehabilitation	-	53
Increase (decrease) in trade payables	180	1,174
Surrender value of insurance policies	(6)	-
Decrease (increase) in accounts receivable - other	597	(1,228)
Decrease (increase) in accounts payable	179	(157)
Decrease (increase) in consumption taxes payable	586	(419)
Other, net	2	78
Subtotal	5,053	411
Interest and dividends received	23	35
Proceeds from insurance income	4	4
Proceeds from insurance surrender value	17	-
Proceeds from fiduciary obligation fee	4	4
Interest paid	(13)	(20)
Compensation expenses paid	-	(7)
Income taxes paid	(1,067)	(945)
Net cash provided by (used in) operating activities	4,022	(516)
Cash flows from investing activities		
Purchase of property, plant and equipment	(294)	(182)
Proceeds from sale of property, plant and equipment	9	19
Purchase of intangible assets	(24)	(26)
Purchase of investment securities	0	0
Purchase of insurance funds	(66)	(96)
Payments for loans to affiliated companies	-	(41)
Other, net	(8)	(10)
Net cash provided by (used in) investing activities	(385)	(338)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,600)	2,100
Repayments of long-term borrowings	(33)	-
Repayments of finance lease liabilities	(32)	(20)
Repayments of long-term payables	(14)	(51)
Proceeds from sale and leaseback transactions	10	62
Proceeds from sale and installment back transactions	56	-
Proceeds from issuance of share acquisition rights	3	-
Expenditure for acquisition of own share acquisition rights	(2)	-
Proceeds from disposal of treasury shares through exercise of share acquisition rights	84	-
Dividends paid	(751)	(1,005)
Net cash provided by (used in) financing activities	(4,280)	1,084
Net increase (decrease) in cash and cash equivalents	(643)	230
Cash and cash equivalents at beginning of period	2,676	2,033
Cash and cash equivalents at end of period	2,033	2,263

Company Overview

Trade name **Nippon Aqua Co.,Ltd**

Established **November 29, 2004**

Share capital **1,903 million yen**

Number of **501 (Non-consolidated)**

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

Headquarters **TEL: +81-3-5463-1117**



Stock Information

Share Distribution

Individuals/others 32.46%

(Note) Treasury shares of 2,851,871
are included in "Individuals / others"

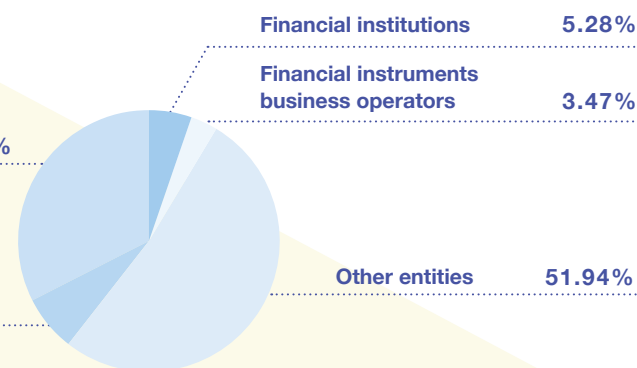
Foreign entities 6.85%

Status of stock

Total number of shares authorized to be issued **80,000,000**

Total number of shares issued **34,760,000 (Treasury shares: 2,851,871)**

Number of shareholders **10,185**



Major Shareholders

Name of shareholder	Number of shares held (shares)	Holding ratio (%)
Hinokiya Group Co., Ltd.	17,700,000	55.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,418,200	4.44
Fumitaka Nakamura	1,005,800	3.15
NORTHERN TRUST CO.(AVFC)RE NON TREATY CLIENTS ACCOUNT	607,800	1.90
Goldman Sachs (Japan) Ltd. BNYM	481,100	1.50
Goldman Sachs Bank Europe SE, Luxembourg Branch	431,600	1.35
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	357,626	1.12
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	336,800	1.05
Nippon Aqua Employee Shareholders Association	322,000	1.00
KOUFUKU SENPAKU Co., Ltd.	247,700	0.77

※Holding ratio is calculated by deducting treasury shares (2,851,871 shares) from the total number of shares issued.



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