

## First Three Months of Fiscal Year 2025

### Major Questions and Answers at Financial Results Briefings, etc.

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**[Question] Regarding 'Ordinary Profit' on page 7 of the briefing materials.**

**The 'Gross Profit' on page 6 was 0.1 points below expectations, but the ordinary profit was at the same level as expected, likely due to controlled selling, general and administrative expenses. Which specific items were controlled?**

We did not cut personnel expenses or intern-related costs that support growth, but rather it was the result of accumulating small cost savings in other areas.

**[Question] Regarding 'Sensitivity to Raw Material Prices' on page 9 of the briefing materials.**

**Compared to 2024, the yen has appreciated and naphtha prices have fallen, but are current raw material prices decreasing, and is there any impact from the Trump tariffs?**

In our case, since we procure a lot from overseas manufacturers in the U.S. and China, the stronger yen and lower naphtha prices contribute to lower raw material costs. However, market prices are not immediately reflected, and since we use the FIFO accounting method, there is a time lag of a few months.

On the other hand, there is little direct impact from the Trump tariffs, but we believe Chinese manufacturers may lower prices due to oversupply.

**[Question] Regarding 'Prospects of Major Policies' on page 11 of the briefing materials.**

**I would like to know the reason for adding this page and its appeal points.**

At the board meeting, an outside director suggested that it would be better to clarify the convergence period for the share expansion strategy in the single-family homes division, so we included 'Implementation of the strategy for expanding market share' and stated that we aim for convergence in FY2025, and if extended, no later than FY2026. Additionally, regarding the March 14th PR release about the adoption of 'AQUA HAJIKUN' ultrarapid-hardening waterproofing material in important facilities, we wanted to convey that its adoption could lead to future use in government offices, so we highlighted it as 'Construction of nationally important facilities.'

**[Question] Regarding 'Single-family Homes Division' on page 12 of the briefing materials.**

**The volume effect was strong, with a year-on-year increase of +21.8% and**

**+14.1% compared to expectations. Is this due to a rush in demand from 'The reduction of the No.4 Special Exception (Examination Omission System) [Effectively Abolished]' on page 13, or are there other factors?**

There are mainly three reasons for the increase in our construction units. The first is that orders from large-scale builders and new major clients were strong. These clients are experiencing smooth sales, and orders have exceeded our expectations. The second is that the results of our share expansion strategy are beginning to show, with a shift from competing urethane contractors and other insulation materials. The impact of these two factors is significant, and we see the contribution of the rush demand due to the abolition of the No. 4 Special Exception as limited.

**Can we expect continued orders from large-scale builders and new major clients?**

We believe growth is due to support from customers, so we can expect it to continue from Q2 onwards.

**[Question] Regarding 'Single-family Homes Division' on page 12 of the briefing materials.**

**The price effect is +2.7% compared to expectations; what is the reason for this?**

The airtightness measurement service mentioned in 'Insulation Without Airtightness is Powerless.' on page 14 is growing faster than expected, and the increase in Insulation Class 6 installations is leading to higher unit prices.

**[Question] Regarding 'Buildings Division' on page 15 of the briefing materials.**

**It seems we did not meet the budget; what is the reason? There were design changes and delays in start decisions for large projects; could you explain this clearly?**

The main reasons for not meeting the budget are 'design changes' and 'delays in start decisions.' Both are movements against the backdrop of recent construction cost increases. Design changes refer to cases where the number of floors was reduced compared to the initial order, resulting in a decrease in our construction volume. Delays in start decisions refer to cases where the contractor postponed the start time due to cost reviews, resulting in delays in our construction as well.

**Is it correct to understand that the delays in start decisions will be addressed from Q2 onwards?**

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

**[Question] Regarding 'Buildings Division' on page 15 of the briefing materials.**

**On the other hand, the price effect is +15.2% compared to expectations; what is the reason for this?**

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

**[Question] Regarding 'Waterproofing Division' on page 17 of the briefing materials. What is the reason that the sales in the Waterproofing Division did not meet expectations? Is it due to similar factors as the Buildings Division?**

In the Waterproofing Division, especially in the non-residential sector, there are many roof renovation projects, which are more susceptible to weather conditions compared to insulation work on new buildings. The main reason for not meeting expectations is also due to delays in the start of construction on large properties caused by bad weather.

**[Question] Regarding 'From Material Development to Installation and Recycling' on page 28 of the briefing materials.**

**Why do you think other companies are not engaging in recycling?**

In the first place, there are no other companies that handle everything from raw material development to construction like ours. Companies considered competitors are classified as either 'raw material manufacturers' or 'urethane contractors.' If a company does not handle both, the idea of collecting and recycling urethane scraps is unlikely to emerge, nor would they consider introducing recycling facilities. Therefore, our approach to recycling can be said to be a unique business model of our company.

**[Question] Regarding 'Spread of Regulations Related to Airtightness Performance' on page 40 of the briefing materials.**

**Could you explain airtightness performance a bit more clearly?**

Airtightness performance is easy to understand if you imagine a thermos or a refrigerator. The main reason these can maintain internal temperature is because there are no gaps. The same applies to houses, where the size of gaps is indicated by a value called 'C value (equivalent gap area).' Currently, there are no national standards for airtightness performance, but some municipalities have set their own standards, and some builders promote the C value as a differentiation point, increasing its importance in recent years. High airtightness with conventional insulation materials requires advanced skills from the installer. On the other hand, Aqua Foam is sprayed as a liquid on-site and then foams and solidifies, making it structurally difficult for gaps to form. This is a major strength in ensuring airtightness.

**[Question] Regarding 'Engagement in New Technology.'**

**Could you tell us about the new technologies you are currently working on, as**

**much as possible?**

I will refrain from discussing those currently under development, but as recognition of the Waterproofing Division has become established, we are hopeful about the future potential of this division.

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

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