

**Non-consolidated Financial Results
for the Fiscal Year Ended December 31, 2021
[Japanese GAAP]**



February 10, 2022

Company name: Nippon Aqua Co., Ltd.

Code number: 1429 (listed on the Tokyo Stock Exchange)

(URL: <http://www.n-aqua.jp>)

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Scheduled date of Ordinary General Meeting of Shareholders: March 25, 2022

Scheduled date of dividend payout: March 28, 2022

Scheduled date of filing annual securities report: March 25, 2022

Supplementary materials on financial results prepared: Yes

Financial results briefing held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021-December 31, 2021)

(1) Financial Results (Percentage figures indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|--|-------------|-----|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended December 31, 2021 | 23,903 | 9.3 | 1,412 | (25.5) | 1,429 | (25.2) | 953 | (29.0) |
| Fiscal year ended December 31, 2020 | 21,872 | 2.4 | 1,896 | (0.7) | 1,911 | 0.1 | 1,342 | 5.3 |

| | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|--|-----------------------------|-------------------------------|------------------|--|--|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2021 | 29.52 | — | 12.2 | 8.3 | 5.9 |
| Fiscal year ended December 31, 2020 | 41.57 | 41.56 | 18.5 | 12.2 | 8.7 |

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2021 | 18,279 | 7,951 | 43.5 | 246.09 |
| As of December 31, 2020 | 16,021 | 7,638 | 47.7 | 236.46 |

[Reference] Shareholders' equity: As of December 31, 2021: 7,951 million yen

As of December 31, 2020: 7,638 million yen

(3) Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended December 31, 2021 | 520 | (355) | 109 | 1,926 |
| Fiscal year ended December 31, 2020 | 694 | (609) | (311) | 1,651 |

2. Dividends

| | Dividend per share | | | | | Total dividends (annual) | Payout ratio | Ratio of dividends to net assets |
|---|--------------------|--------------------|--------------------|----------|-------|--------------------------|--------------|----------------------------------|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended December 31, 2020 | — | 0.00 | — | 20.00 | 20.00 | 646 | 48.1 | 8.9 |
| Fiscal year ended December 31, 2021 | — | 0.00 | — | 20.00 | 20.00 | 646 | 67.7 | 8.3 |
| Fiscal year ending December 31, 2022 (forecast) | — | 0.00 | — | 22.00 | 22.00 | | 48.4 | |

3. Financial Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022-December 31, 2022)

(Percentage figures indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Basic earnings per share |
|--------------------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ending June 30, 2022 | 12,053 | 12.5 | 886 | 167.2 | 886 | 164.3 | 611 | 186.2 | 18.92 |
| Fiscal year ending December 31, 2022 | 26,490 | 10.8 | 2,121 | 50.2 | 2,121 | 48.4 | 1,470 | 54.1 | 45.50 |

* Notes

(1) Changes in accounting policies, changes in accounting estimates and restatements

- (i) Changes in accounting policies due to revisions of accounting standards, etc.: No
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: No

(2) Number of issued shares (common shares)

(i) Number of issued shares at end of period under review (including treasury shares)

As of December 31, 2021 34,760,000 shares

As of December 31, 2020 34,760,000 shares

(ii) Number of treasury shares at end of period under review

As of December 31, 2021 2,449,128 shares

As of December 31, 2020 2,457,628 shares

(iii) Average number of shares during period under review

Fiscal year ended December 31, 2021 32,307,845 shares

Fiscal year ended December 31, 2020 32,299,492 shares

* Financial results are not subject to audit by certified public accountants or audit corporations.

* Notes concerning appropriate use of financial forecasts and other significant matters

Financial forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable. They are not intended as a guarantee

that the Company will achieve such results. Actual results may differ materially from them for various reasons. For details of the assumptions used in the forecast of financial results and cautionary notes concerning appropriate use of the financial forecasts, please refer to “(4) Future Outlook” on page 3 of the Attachment.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

During the fiscal year ended December 31, 2021, the Japanese economy continued to be heavily affected by the spread of COVID-19. As thorough measures for infection prevention and vaccinations were promoted, various policies took effect and overseas economies improved. Signs of improvement were thus seen in the economy. However, as COVID-19 variants continue to spread unabated, the outlook of the economy remains unpredictable.

Amid this environment, under the basic policy of tackling the “decarbonization” issue in housing and buildings by promoting energy conservation in homes through the innovation of insulating material technologies and recycling technologies, the Company proactively made efforts to win orders in each division by taking advantage of the product appeal of highly-airtight and highly-insulated AQUA FOAM and the strength of our nationwide construction network.

As a result, regarding the financial results of the Company in the fiscal year under review, net sales increased by 9.3% year on year to 23,903 million yen. Due to the rise in urethane raw material prices, cost of sales increased by 15.7% year on year to 19,163 million yen. Consequently, operating profit declined 25.5% from a year earlier to 1,412 million yen and ordinary profit fell 25.2% year on year to 1,429 million yen. Profit totaled 953 million yen, decreasing 29.0% from a year earlier.

As part of the Company’s initiatives to improve profitability, in our mainstay Single-family Homes Division, we introduced the newly-developed AQUA FOAM LITE, which reduces raw material usage by approximately 30%, in June of the fiscal year under review, striving to improve construction work profit as urethane raw material prices remained high.

The financial results by item are listed below.

1) Insulating materials for single-family homes

In the single-family homes market, there were signs of a recovery in monthly housing starts and demand for AQUA FOAM, an insulating material essential for highly-airtight and highly-insulated housing, increased amid discussions on whether it should be mandatory for houses to meet energy efficiency standards in order to achieve a decarbonized society. As a result, sales of the Single-family Homes Division increased by 5.9% year on year to 13,185 million yen.

2) Insulating materials for buildings

In the buildings market, sales of the Buildings Division increased by 13.4% year on year to 5,499 million yen, thanks to the efforts to carry out multiple construction work that includes insulation-installing, fireproofing and waterproofing work.

3) Product sales

Sales of raw materials, machinery, etc. increased by 14.0% year on year to 5,217 million yen.

(2) Overview of Financial Position for the Fiscal Year Under Review

(Total assets)

Total assets totaled 18,279 million yen as of December 31, 2021, up 2,257 million yen, or 14.1%, from the end of the previous fiscal year.

(Current assets)

Current assets totaled 13,591 million yen as of December 31, 2021, up 2,121 million yen, or 18.5%, from the end of the previous fiscal year. Key factors contributing to this increase include increases of 274 million yen in cash and deposits, 1,279 million yen in accounts receivable - trade, and 806 million yen in accounts receivable - other, partially offset by decreases of 125 million yen in merchandise, and 157 million yen in work in process.

(Non-current assets)

Non-current assets totaled 4,688 million yen as of December 31, 2021, up 135 million yen, or 3.0%, from the end of the previous fiscal year. Key factors contributing to this increase include increases of 172 million yen in buildings due to the completion of the Sendai recycling plant, and 122 million yen due to the acquisition of machinery and equipment, partially offset by a decrease of 207 million yen in assets due to depreciation.

(Total liabilities)

Liabilities totaled 10,327 million yen as of December 31, 2021, up 1,944 million yen, or 23.2%, from the end of the previous fiscal year.

(Current liabilities)

Current liabilities totaled 10,166 million yen as of December 31, 2021, up 1,980 million yen, or 24.2%, from the end of the previous fiscal year. Main factors contributing to this increase include increases of 1,215 million yen in accounts payable - trade, and 800 million yen in short-term borrowings, partially offset by a decrease of 139 million yen in accrued consumption taxes.

(Non-current liabilities)

Non-current liabilities totaled 161 million yen as of December 31, 2021, down 36 million yen, or 18.4%, from the end of the previous fiscal year. Key factors contributing to this decrease include a decrease of 33 million yen in long-term borrowings.

(Net assets)

Net assets totaled 7,951 million yen as of December 31, 2021, up 313 million yen from the end of the previous fiscal year. Key factors contributing to this increase include an increase of 953 million yen in retained earnings due to profit, partially offset by the decrease of 646 million yen in retained earnings due to dividend payouts.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents (hereinafter “net cash”) in the fiscal year ended December 31, 2021 amounted 1,926 million yen (1,651 million yen in the previous fiscal year), increasing 274 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash from operating activities increased 520 million yen in the fiscal year under review, compared to a 694 million yen increase in the previous fiscal year. This was due mainly to increases in net cash driven by 1,428 million yen in profit before income taxes, 207 million yen in depreciation, a 299 million yen decrease in inventories, and a 1,215 million yen increase in trade payables, and decreases in net cash, driven by a 1,343 million yen increase in trade receivables, a 759 million yen increase in accounts receivable - other, and 438 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash from investing activities decreased 355 million yen in the fiscal year under review, compared to a 609 million yen decrease in the previous fiscal year. This was due mainly to purchase of property, plant and equipment totaling 327 million yen and purchase of intangible assets totaling 27 million yen.

(Cash flows from financing activities)

Net cash from financing activities increased 109 million yen in the fiscal year under review, compared to a 311 million yen decrease in the previous fiscal year. This was due mainly to 646 million yen in dividends paid and 33 million yen in repayments of long-term borrowings, partially offset by net increase in short-term borrowings of 800 million yen.

(4) Future Outlook

Going forward, the Japanese economy is expected to gradually recover, owing to the promotion of measures to prevent the spread of COVID-19 and vaccinations, as well as improvements in overseas economies. However, the downside risk to the Japanese economy could heighten depending on trends in COVID-19 infections in Japan and overseas, and their impact via the supply chain. Under such circumstances, in preparation for the continued high prices of urethane raw materials, the Company has revised the order price in both the Single-family Homes Division and the Buildings Division, in order to control the downside risk to our financial results. Other specific strategies are as follows:

1. Companywide Measures after the Issuance of “Priority Preventative Measures” on January 21, 2022

(1) Insulation Installing Work

We plan to comply with any request or policy by administrative authorities and work closely with original contractors on insulation-installing work by taking thorough counter-infection measures. We aim to ensure thorough safety and infection prevention for construction workers and maintain existing measures.

(2) Prevention of the Spread of COVID-19 Infections at Offices

- (i) We notify employees to ensure wearing masks.
- (ii) We have installed sanitizing equipment at various locations and notify users and employees to ensure washing hands and sanitizing hands.
- (iii) We frequently disinfect places that are touched by multiple people.
- (iv) We have employees check their temperature and physical condition before reaching the office and report it every day.
- (v) We urge unwell employees to take a rest and immediately send back employees who fall sick while at work.

(3) Execution of Duties and Supervision

Important decisions are made and execution duties are supervised as usual through meetings, including those of the Board of Directors, by fully utilizing telephone or video conferencing systems, in order to prevent infection.

2. Outlook by Item

(1) Insulating materials for single-family homes

In the single-family homes market, the “Children’s Future Housing Support Project (2021 Supplementary Budget)” system has been established with the aim of creating a stock of housing equipped with energy-saving features. Under this system, energy-saving new residential housing that qualify as ZEH (zero energy houses) will be provided a grant of 1 million yen per house. Accordingly, the Company will strive to increase its revenue by providing insulation solutions that meet the ZEH standards by combining the highly-airtight and highly-insulated AQUA FOAM LITE (wall) with the urethane recycled product AQUA BLOW (ceiling) that promotes decarbonization.

(2) Insulating materials for buildings

In the buildings market, although there have been delays in construction work due to the impact of COVID-19, construction will begin on the delayed sites in this fiscal year. Under such circumstances, we will aim to increase our revenue by carrying out multiple construction work that includes insulation-installing and fireproofing work, and strengthening our construction capabilities. In the buildings market, due to disruption of the supply chain, the tight supply of urethane raw materials is becoming more apparent. Nonetheless, the Company has continued its distributed procurement practice of purchasing materials from North American, Chinese and Japanese manufacturers in order to control the rise in procurement prices, and has strived to eliminate any impact on insulation-installing by implementing initiatives to diversify its supply routes.

(3) Waterproofing Division

In September 2020, the Company entered the market for the waterproofing of single-family homes and buildings via a new product, the ultrarapid-hardening waterproofing Aquahajikun. Aquahajikun is a waterproofing material that uses polyurea as its raw material. In addition to having a short construction period due to ultrarapid-hardening and a long-life properties with a 15-year reference service life, it has obtained the flying sparks certification as stipulated in the Building Standards Act. The flying sparks certification aims to prevent fire from spreading in the event of a fire, and is applicable to waterproofing work of roofs, verandas and balconies of houses and buildings in fire and quasi-fire prevention districts. There is demand for roof and balcony waterproofing work for single-family homes, and we have received inquiries from major shared housing construction companies with respect to shared corridors, verandas, etc. The scope of demand for buildings is also extensive, and we have sold products for both new and renovated properties, such as roofs of factories and railway station buildings, roofs of apartments, and ramps in multistory parking lots. Going forward, we will continue to increase revenue by strengthening our construction capabilities.

(4) New Investments in Environmental (Decarbonization) Initiatives

Under the Ministry of the Environment's National Permit System (Certification No. 253), we reduce CO₂ emissions generated from industrial waste treatment by collecting urethane scraps from construction sites and re-commercializing them as blowing insulating materials.

In order to advance initiatives aimed at reusing urethane insulating materials and further strengthening efforts to reduce CO₂ emissions, we have newly established the following recycling plants.

- (i) The Sendai recycling plant, located inside the Sendai branch office premises (Miyagino-ku, Sendai), was completed in September 2021, and the expanded lines commenced operations in October.
- (ii) Blowing manufacturing equipment was installed at the Kyushu recycling plant in September 2021, and commenced operations in October.

We expect to reduce CO₂ emissions by 500 tons per year (an increase of 200 tons year on year) with the commencement of operations of the new recycling plants.

3. Full-year Financial Forecasts for the Fiscal Year Ending December 31, 2022

(1) Financial Forecasts for the Fiscal Year Ending December 31, 2022

The financial forecasts for the fiscal year ending December 31, 2022 are as stated in the summary information "3. Financial Forecasts for the Fiscal Year Ending December 31, 2022." In addition, the financial forecasts and dividend forecasts for the fiscal year ending December 31, 2023 are as described in the "Plan to Meet the Continued Listing Criteria for New Market Segments" announced on December 20, 2021.

(2) Sustainability Initiatives

As for sustainability initiatives, we have set our management philosophy as "Contributing to society by creating a housing environment that is friendly to people and the earth," and our vision as "We exist to reduce total energy demand through innovation in insulation technology, prevent global warming, and at the same time, help people lead healthy and comfortable lives."

Insulating and heat-shielding materials such as AQUA FOAM are indispensable to society, people's lives, and the global environment. By increasing the installation rate of the highly-airtight and highly-insulated AQUA FOAM, which improves the energy-saving performance of houses, we will reduce residential CO₂ emissions (energy consumption) and realize energy-saving housing. In addition, by working on urethane recycling to promote decarbonization, we aim to realize a society that supports the healthy, comfortable, and happy lives of its residents, and can sustain itself using environmentally-friendly renewable energy without emitting CO₂.

(3) Initiatives to Augment our Construction Capabilities

The Company's growth engine lies in its "construction capabilities," and developing and augmenting the construction system is a management issue shared by the Single-family Homes, Buildings, and Waterproofing Divisions. Therefore, since last year, we have been implementing support, backup, and follow-up policies to solve the problems faced by certified contractors. The specific policies are as follows:

- (1) Provide support and backup to alleviate the shortage of skilled workers
- (2) Rent a fireproof warehouse to stock urethane raw materials
- (3) Provide equipment support by transferring blowing equipment and construction trucks

2. Basic Policy on Selection of Accounting Standards

The Company prepares its financial statements based on Japanese GAAP in order to ensure the compatibility of financial statements by term. With respect to the future adoption of International Financial Reporting Standards (IFRS), the Company plans to carefully consider the adoption, taking into account the trend regarding the accounting standards in Japan.

3. Financial Statements and Primary Notes

(1) Balance Sheet

(in thousand yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,651,998 | 1,926,921 |
| Notes receivable - trade | 1,089,406 | 1,153,530 |
| Accounts receivable - trade | 4,514,177 | 5,793,226 |
| Merchandise | 359,656 | 233,672 |
| Work in process | 247,818 | 89,907 |
| Raw materials and supplies | 644,105 | 628,382 |
| Advance payments to suppliers | 31,094 | 42,737 |
| Prepaid expenses | 58,347 | 52,727 |
| Accounts receivable - other | 2,879,904 | 3,686,345 |
| Other | 13,937 | 17,523 |
| Allowance for doubtful accounts | (21,051) | (33,794) |
| Total current assets | 11,469,395 | 13,591,180 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 2,124,868 | 2,209,592 |
| Structures, net | 229,626 | 198,518 |
| Machinery and equipment, net | 89,404 | 133,626 |
| Vehicles, net | 2,413 | 6,692 |
| Tools, furniture and fixtures, net | 30,247 | 26,728 |
| Land | 1,611,699 | 1,611,699 |
| Leased assets, net | 44,699 | 76,537 |
| Total property, plant and equipment | 4,132,960 | 4,263,394 |
| Intangible assets | | |
| Leaschold interests in land | 15,000 | 15,000 |
| Software | 50,671 | 48,677 |
| Lease assets, net | 47,338 | 47,564 |
| Other | 280 | 259 |
| Total intangible assets | 113,291 | 111,501 |
| Investments and other assets | | |
| Investment securities | 1,064 | 1,676 |
| Shares of subsidiaries and associates | 16,988 | 16,988 |
| Investments in capital | 560 | 560 |
| Long-term loans receivable from employees | 1,401 | 2,229 |
| Distressed receivables | 66,973 | 67,643 |
| Long-term prepaid expenses | 15,990 | 16,676 |
| Deferred tax assets | 174,640 | 176,651 |
| Leasehold and guarantee deposits | 85,935 | 86,643 |
| Other | 7,827 | 11,385 |
| Allowance for doubtful accounts | (65,085) | (67,251) |
| Total investments and other assets | 306,296 | 313,202 |
| Total non-current assets | 4,552,548 | 4,688,097 |
| Total assets | 16,021,943 | 18,279,278 |

(in thousand yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,840,273 | 6,055,946 |
| Short-term borrowings | 2,300,000 | 3,100,000 |
| Current portion of long-term borrowings | 33,400 | 33,400 |
| Lease obligations | 25,852 | 37,866 |
| Accounts payable - other | 280,363 | 262,363 |
| Accrued expenses | 189,639 | 187,685 |
| Income taxes payable | 211,304 | 254,804 |
| Accrued consumption taxes | 182,820 | 43,263 |
| Advances received | 15,463 | 41,171 |
| Deposits received | 17,129 | 27,615 |
| Provision for bonuses | 21,234 | 21,738 |
| Other | 68,803 | 100,863 |
| Total current liabilities | 8,186,285 | 10,166,719 |
| Non-current liabilities | | |
| Long-term borrowings | 66,600 | 33,200 |
| Lease obligations | 54,883 | 80,245 |
| Asset retirement obligations | 39,086 | 39,314 |
| Other | 36,809 | 8,367 |
| Total non-current liabilities | 197,378 | 161,127 |
| Total liabilities | 8,383,663 | 10,327,846 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,903,649 | 1,903,649 |
| Capital surplus | | |
| Legal capital surplus | 1,883,649 | 1,883,649 |
| Other capital surplus | 402 | 1,388 |
| Total capital surplus | 1,884,051 | 1,885,037 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 5,059,944 | 5,367,699 |
| Total retained earnings | 5,059,944 | 5,367,699 |
| Treasury shares | (1,209,153) | (1,204,971) |
| Total shareholders' equity | 7,638,492 | 7,951,415 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (213) | 15 |
| Total valuation and translation adjustments | (213) | 15 |
| Total net assets | 7,638,279 | 7,951,431 |
| Total liabilities and net assets | 16,021,943 | 18,279,278 |

(2) Income Statement

(in thousand yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|--|--|--|
| Net sales | 21,872,218 | 23,903,421 |
| Cost of sales | 16,562,143 | 19,163,529 |
| Gross profit | 5,310,075 | 4,739,891 |
| Selling, general and administrative expenses | 3,413,705 | 3,327,800 |
| Operating profit | 1,896,370 | 1,412,091 |
| Non-operating income | | |
| Interest income | 10,113 | 20,800 |
| Insurance claim income | 11,741 | 12,416 |
| Subsidy income | 5,020 | — |
| Outsourcing service income | 4,056 | 6,571 |
| Penalty income | 5,350 | — |
| Other | 10,479 | 10,100 |
| Total non-operating income | 46,762 | 49,888 |
| Non-operating expenses | | |
| Interest expenses | 10,189 | 9,873 |
| Sales discounts | 20,894 | 22,774 |
| Other | 110 | 99 |
| Total non-operating expenses | 31,194 | 32,747 |
| Ordinary profit | 1,911,938 | 1,429,232 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 4,623 | 100 |
| Total extraordinary income | 4,623 | 100 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 1,182 | 1,166 |
| Settlement package | 10,230 | — |
| Total extraordinary losses | 11,412 | 1,166 |
| Profit before income taxes | 1,905,148 | 1,428,165 |
| Income taxes - current | 528,392 | 476,475 |
| Income taxes - deferred | 34,061 | (2,111) |
| Total income taxes | 562,453 | 474,363 |
| Profit | 1,342,695 | 953,802 |

(3) Statement of Changes in Equity

Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(in thousand yen)

| | Shareholders' equity | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | Share capital | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at beginning of period | 1,903,369 | 1,883,369 | 140 | 1,883,509 |
| Changes during period | | | | |
| Dividends of surplus | | | | |
| Issuance of new shares - exercise of share acquisition rights | 280 | 280 | | 280 |
| Disposal of treasury shares | | | 262 | 262 |
| Profit | | | | |
| Net changes in items other than shareholders' equity | | | | |
| Total changes during period | 280 | 280 | 262 | 542 |
| Balance at end of period | 1,903,649 | 1,883,649 | 402 | 1,884,051 |

| | Shareholders' equity | | | Valuation and translation adjustments | Total net assets |
|---|-----------------------------------|-----------------|----------------------------|---|------------------|
| | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | |
| | Other retained earnings | | | | |
| | Retained earnings brought forward | | | | |
| Balance at beginning of period | 4,266,287 | (1,210,137) | 6,843,029 | 4 | 6,843,033 |
| Changes during period | | | | | |
| Dividends of surplus | (549,038) | | (549,038) | | (549,038) |
| Issuance of new shares - exercise of share acquisition rights | | | 560 | | 560 |
| Disposal of treasury shares | | 984 | 1,246 | | 1,246 |
| Profit | 1,342,695 | | 1,342,695 | | 1,342,695 |
| Net changes in items other than shareholders' equity | | | | (217) | (217) |
| Total changes during period | 793,657 | 984 | 795,463 | (217) | 795,245 |
| Balance at end of period | 5,059,944 | (1,209,153) | 7,638,492 | (213) | 7,638,279 |

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(in thousand yen)

| | Shareholders' equity | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | Share capital | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at beginning of period | 1,903,649 | 1,883,649 | 402 | 1,884,051 |
| Changes during period | | | | |
| Dividends of surplus | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | |
| Disposal of treasury shares | | | 986 | 986 |
| Profit | | | | |
| Net changes in items other than shareholders' equity | | | | |
| Total changes during period | — | — | 986 | 986 |
| Balance at end of period | 1,903,649 | 1,883,649 | 1,388 | 1,885,037 |

| | Shareholders' equity | | | Valuation and translation adjustments | Total net assets |
|---|-----------------------------------|-----------------|----------------------------|---|------------------|
| | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | |
| | Other retained earnings | | | | |
| | Retained earnings brought forward | | | | |
| Balance at beginning of period | 5,059,944 | (1,209,153) | 7,638,492 | (213) | 7,638,279 |
| Changes during period | | | | | |
| Dividends of surplus | (646,047) | | (646,047) | | (646,047) |
| Issuance of new shares - exercise of share acquisition rights | | | — | | — |
| Disposal of treasury shares | | 4,182 | 5,168 | | 5,168 |
| Profit | 953,802 | | 953,802 | | 953,802 |
| Net changes in items other than shareholders' equity | | | | 229 | 229 |
| Total changes during period | 307,754 | 4,182 | 312,922 | 229 | 313,151 |
| Balance at end of period | 5,367,699 | (1,204,971) | 7,951,415 | 15 | 7,951,431 |

(4) Cash Flow Statements

(in thousand yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,905,148 | 1,428,165 |
| Depreciation | 186,501 | 207,746 |
| Increase (decrease) in allowance for doubtful accounts | 58,730 | 14,909 |
| Increase (decrease) in provision for bonuses | (350) | 503 |
| Interest and dividend income | (10,113) | (20,850) |
| Interest expenses | 10,189 | 9,873 |
| Insurance claim income | (11,741) | (12,416) |
| Subsidy income | (5,020) | — |
| Gain from business consulting fee | (4,056) | (6,571) |
| Penalty income | (5,350) | — |
| Loss (gain) on sale and retirement of non-current assets | (3,440) | 1,066 |
| Decrease (increase) in trade receivables | (586,284) | (1,343,172) |
| Decrease (increase) in inventories | 426,818 | 299,617 |
| Increase (decrease) in trade payables | 225,325 | 1,215,672 |
| Decrease (increase) in accounts receivable - other | (289,743) | (759,850) |
| Other, net | (240,491) | (105,379) |
| Subtotal | 1,656,120 | 929,315 |
| Interest and dividends received | 10,113 | 20,850 |
| Proceeds from insurance income | 11,741 | 12,416 |
| Subsidies received | 5,020 | — |
| Proceeds from fiduciary obligation fee | 4,056 | 6,571 |
| Proceeds from penalty income | 5,350 | — |
| Interest paid | (10,189) | (9,873) |
| Income taxes paid | (988,024) | (438,778) |
| Net cash provided by (used in) operating activities | 694,189 | 520,501 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (652,883) | (327,920) |
| Proceeds from sale of property, plant and equipment | 41,806 | 383 |
| Purchase of intangible assets | (33,329) | (27,652) |
| Purchase of investment securities | (277) | (281) |
| Other, net | 35,481 | 112 |
| Net cash provided by (used in) investing activities | (609,202) | (355,358) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 300,000 | 800,000 |
| Proceeds from long-term borrowings | 100,000 | — |
| Repayments of long-term borrowings | (136,800) | (33,400) |
| Repayments of finance lease obligations | (26,114) | (25,852) |
| Proceeds from sale and leaseback transactions | — | 15,080 |
| Proceeds from issuance of shares | 560 | — |
| Dividends paid | (549,038) | (646,047) |
| Net cash provided by (used in) financing activities | (311,392) | 109,780 |
| Net increase (decrease) in cash and cash equivalents | (226,405) | 274,922 |
| Cash and cash equivalents at beginning of period | 1,878,403 | 1,651,998 |
| Cash and cash equivalents at end of period | 1,651,998 | 1,926,921 |

(5) Notes to Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, Etc.)

[Segment Information]

No disclosure is made about segments as the Company operates in only one business segment of heat insulation work and related services.

[Related Information]

Fiscal year ended December 31, 2020

Information by product or service

(in thousand yen)

| | Insulating materials for single-family homes | Insulating materials for buildings | Product sales | Total |
|------------------------------------|--|---------------------------------------|---------------|------------|
| Net sales to external customers | 12,448,085 | 4,848,391 | 4,575,742 | 21,872,218 |

(Note) Product sales include 650,631 thousand yen of machinery sales.

Fiscal year ended December 31, 2021

Information by product or service

(in thousand yen)

| | Insulating materials for single-family homes | Insulating materials for buildings | Product sales | Total |
|------------------------------------|--|---------------------------------------|---------------|------------|
| Net sales to external customers | 13,185,835 | 5,499,852 | 5,217,734 | 23,903,421 |

(Note) Product sales include 1,098,030 thousand yen of machinery sales.

(Equity in Earnings (Losses) of Affiliates, Etc.)

No disclosure is made about equity in earnings (losses) of affiliates as the affiliates owned by the Company are insignificant in terms of profit and surplus standards.

(Per Share Information)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|----------------------------|--|--|
| Net assets per share | 236.46 yen | 246.09 yen |
| Basic earnings per share | 41.57 yen | 29.52 yen |
| Diluted earnings per share | 41.56 yen | — yen |

(Notes) 1. Diluted earnings per share for the fiscal year ended December 31, 2021 is not stated as there are no dilutive shares.

2. The basis for calculating basic earnings per share and diluted earnings per share is as shown below.

| Item | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|---|--|--|
| Basic earnings per share | | |
| Profit (thousand yen) | 1,342,695 | 953,802 |
| Amount not attributable to common shareholders (thousand yen) | — | — |
| Profit relating to common shares (thousand yen) | 1,342,695 | 953,802 |
| Average number of common shares during the period under review (shares) | 32,299,492 | 32,307,845 |
| Diluted earnings per share | | |
| Increase in number of common shares (shares) | 1,664 | — |
| [Of which, share acquisition rights] (shares) | [1,664] | — |

(Important Subsequent Events)

Not applicable.