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August 9, 2024

Non-consolidated Financial Results for the Six Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 1429
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 Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2024	13,112	(0.3)	849	(38.5)	868	(38.0)	579	(38.8)
June 30, 2023	13,158	12.1	1,380	50.7	1,400	49.6	948	51.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	18.46	-
June 30, 2023	30.20	30.20

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	19,407	8,879	45.8
December 31, 2023	20,392	9,304	45.6

Reference: Equity

As of June 30, 2024: ¥8,879 million

As of December 31, 2023: ¥9,304 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	0.00	-	32.00	32.00
Fiscal year ending December 31, 2024	-	0.00			
Fiscal year ending December 31, 2024 (Forecast)			-	34.00	34.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Financial Forecasts for the Fiscal Year Ending December 31, 2024 (January 1, 2024-December 31, 2024)

(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
Fiscal year ending December 31, 2024	31,005	9.4	3,100	7.6	3,100	6.3	2,092	4.4	66.65

Note: Revisions to financial forecasts disclosed most recently: No

*** Notes**

(1) Adoption of accounting treatment specific to the preparation of semi-annual non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	34,760,000 shares
As of December 31, 2024	34,760,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	3,351,871 shares
As of December 31, 2023	3,351,871 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	31,408,129 shares
Six months ended December 31, 2023	31,385,796 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special 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 “(3) Notes on Financial Forecasts and Other Forward-looking Statements” in “1. Qualitative Information Concerning Financial Results for the Period Under Review” on page 8 of the Attachment.

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1. Qualitative Information Concerning Financial Results for the Period Under Review

(1) Explanation Regarding Operating Results

During the interim accounting period from January 1, 2024, to June 30, 2024, Japan's economy has continued to recover at a moderate pace, despite some stagnation, under the improvement of the employment and income environment and the effects of various policies. On the other hand, concerns have been raised about the risks of pushing down Japan's economy due to the continuation of high interest rates in Europe and the United States and the downturn in overseas economies, as well as price increases, situations in the Middle East, and fluctuations in the financial capital markets.

In the construction and housing industry to which our company belongs, the "Act Partially Revising the Act on the Improvement of the Energy Consumption Performance of Buildings in Order to Contribute to the Realization of a Carbon Neutral Society" was promulgated in June 2022, and furthermore, from April 2024, it has become an obligation of effort for businesses selling or renting houses and buildings to display energy-saving performance labels. There is an expectation that the supply of houses and buildings with high energy-saving and insulation performance will be promoted as a result of the growing interest in energy-saving and insulation performance among purchasers and renters of homes and offices.

On the other hand, the number of new housing starts has continued to show a weak trend, and the environment surrounding the housing industry is in a severe situation. However, in terms of corporate capital investment, large-scale investments in semiconductors and automobiles are progressing, and investment plans are at a high level, with large-scale construction of manufacturing facilities, commercial facilities, and high-rise condominiums being actively carried out nationwide.

Under such circumstances, our company has been actively engaging in order-taking activities in each division while increasing the allocation of management resources to the rapidly growing building division, utilizing the strengths of the "AQUA FOAM series," which achieves high insulation performance and high airtightness, and our nationwide construction network.

In the Single-family Homes Division, we have taken advantage of the spread of unique housing energy-saving measures defined by each municipality as an opportunity, differentiated ourselves by adding airtightness measurement services to insulation construction, and worked to increase market share based on the increase in the number of constructions. On the other hand, the spread of top-grade constructions such as insulation performance grade 6 was more gradual than expected, but the number of constructions and the construction unit price were almost as expected, resulting in sales of 6,261 million yen compared to the expected 6,255 million yen in the same division.

In the Buildings Division, we have been successful in acquiring new demand for manufacturing facilities represented by semiconductor factories and data centers, as well as commercial facilities and high-rise condominiums. However, construction delays due to the shortage of construction materials and the impact of the "2024 problem in the construction industry," including the regulation of overtime work limits, have shifted sales recording to the second half of the year. As a result, sales in this division were 3,993 million yen compared to the expected 4,376 million yen. Additionally, sales in the Waterproofing Division were 261 million yen, sales of urethane raw materials were 921 million yen, and sales in the Other divisions, including auxiliary supplies, machinery, and others, were 1,674 million yen. Note that from the end of December 2023, urethane raw material sales, which are considered important for future growth, have been separated from the Other divisions, and the table below has been rearranged accordingly.

(in million yen, %)

	20th fiscal year Six months ended June 30, 2023	21st fiscal year Six months ended June 30, 2024	Amount of change	Percentage change
Single-family Homes Division	6,508	6,261	(246)	(3.8)
Buildings Division	3,848	3,993	+144	+3.8
Waterproofing Division	248	261	+12	+5.1
Sales of Urethane Raw Materials	766	921	+155	+20.3
Other divisions	1,786	1,674	(111)	(6.3)
Total	13,158	13,112	(45)	(0.3)

As a result, net sales for the current interim accounting period amounted to 13,112 million yen, a decrease of 0.3% compared to the same period of the previous year. Gross profit was 2,906 million yen, with a gross profit margin of 22.2%, a decrease of 1.5 percentage points compared to the same period of the previous year. The main reasons are as follows:

Due to the aggressive hiring of internal installation work personnel aimed at building a robust construction system from the fiscal year 2023, the company's labor costs have increased. In the Single-family Homes Division, efforts to expand market share while keeping construction prices low led to a 2.7 percentage point decrease in the gross profit margin for the division compared to the same period of the previous year. In the Buildings Division, while the effect of price revisions contributed, discrepancies in the timing of revenue recognition for construction projects impacted profit reduction, limiting the increase in the gross profit margin to 1.4 percentage points.

Operating profit was 849 million yen, a 38.5% decrease compared to the same period of the previous year, with an operating profit margin of 6.5%, a decrease of 4.0 percentage points compared to the same period of the previous year. This is attributed to a 1.5 percentage point decrease in the gross profit margin and an increase in selling, general and administrative expenses to 2,057 million yen, up 314 million yen from the same period of the previous year, with the ratio of selling and administrative expenses rising by 2.4 percentage points to 15.7%. The main components of this increase were a 221 million yen increase in personnel expenses and a 47 million yen increase in trainee-related expenses, which are considered essential human capital investments for future growth, including the expansion of the construction system implemented in the fiscal year ending December 2023. Furthermore, ordinary profit was 868 million yen, a 38.0% decrease compared to the same period of the previous year, and interim net profit was 579 million yen, a 38.8% decrease compared to the same period of the previous year.

(2) Explanation Regarding Financial Position

(Total Assets)

Total assets at the end of the current interim accounting period amounted to 19,407 million yen, a decrease of 4.8% or 985 million yen compared to the end of the previous fiscal year.

(Current Assets)

Current assets at the end of the current interim accounting period amounted to 14,462 million yen, a decrease of 6.5% or 1,010 million yen compared to the end of the previous fiscal year. This was primarily due to a decrease in accounts receivable - other by 430 million yen, notes and accounts receivable - trade, and contract assets by 397 million yen, electronic recorded monetary claims by 68 million yen due to collection, and inventories by 110 million yen.

(Non-current Assets)

Non-current assets at the end of the current interim accounting period amounted to 4,944 million yen, an increase of 0.5% or 25 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in buildings by 163 million yen due to the completion of the Miyazaki sales office, an increase in software acquisition by 17 million yen, and an increase in insurance reserve funds included in investments and other assets by 94 million yen, offset by a decrease in assets due to depreciation by 122 million yen, construction in progress included in property, plant and equipment by 55 million yen due to the completion of the Miyazaki sales office, and deferred tax assets included in investments and other assets by 74 million yen.

(Total Liabilities)

Total liabilities at the end of the current interim accounting period amounted to 10,527 million yen, a decrease of 5.1% or 560 million yen compared to the end of the previous fiscal year.

(Current Liabilities)

Current liabilities at the end of the current interim accounting period amounted to 10,411 million yen, a decrease of 4.7% or 516 million yen compared to the end of the previous fiscal year. This was primarily due to a decrease in accounts payable - trade by 1,301 million yen, income taxes payable by 283 million yen, other payables and accrued expenses by 339 million yen, and unpaid consumption taxes, etc. by 424 million yen, offset by an increase in short-term borrowings by 1,800 million yen.

(Non-current Liabilities)

Non-current liabilities at the end of the current interim accounting period amounted to 115 million yen, a decrease of 27.5% or 43 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in other long-term payables by 37 million yen.

(Net Assets)

Net assets at the end of the current interim accounting period amounted to 8,879 million yen, a decrease of 4.6% or 425 million yen compared to the end of the previous fiscal year. This was primarily due to interim net profit of 579 million yen, offset by a decrease in retained earnings by 1,005 million yen due to dividend payments.

(Equity Ratio)

The equity ratio at the end of the current interim accounting period was 45.8%, an increase of 0.2% compared to the end of the previous fiscal year.

(Research and Development Activities)

The total amount of research and development expenses incurred by the company during the current interim accounting period was 10 million yen. There were no significant changes in the status of research and development activities during the current interim accounting period.

Cash Flow Situation

Cash and cash equivalents (hereinafter referred to as "funds") during the current interim accounting period decreased by 43 million yen compared to the end of the previous fiscal year, amounting to 1,989 million yen (2,112 million yen in the previous interim accounting period).

(Cash Flows from Operating Activities)

The decrease in funds from operating activities during the current interim accounting period was 574 million yen (an increase of 2,177 million yen in the previous interim accounting period). This primarily consists of an increase in funds due to pre-tax interim net profit of 864 million yen, depreciation of 122 million yen, a decrease in trade receivables of 383 million yen, a decrease in accounts receivable - other of 391 million yen, and a decrease in inventories of 137 million yen, while on the other hand, a decrease in funds due to a decrease in trade payables of 1,230 million yen, a decrease in accrued expenses of 325 million yen, payment of consumption tax of 424 million yen, and payment of corporate taxes etc. of 483 million yen.

(Cash flows from investing activities)

The decrease in funds due to investing activities during the current interim accounting period was 237 million yen (a decrease of 197 million yen in the previous interim accounting period). This was primarily due to the acquisition of property, plant, and equipment of 128 million yen, acquisition of intangible assets of 14 million yen, and accumulation of insurance reserve funds of 94 million yen.

(Cash flows from financing activities)

The increase in funds due to financing activities during the current interim accounting period was 767 million yen (a decrease of 2,544 million yen in the previous interim accounting period). This was primarily due to a net increase in short-term borrowings of 1,800 million yen, and expenditures due to dividend payments of 1,005 million yen.

(3) Notes on Financial Forecasts and Other Forward-looking Statements

Regarding our outlook for the future, we are focusing on the recovery of the current economy, revisions to the legal system related to housing and buildings, subsidies and preferential tax treatment for energy saving, and support measures such as low-interest financing. In response to the increasing demand for insulation materials, we are undertaking the following initiatives to achieve sustainable development of our company.

1. Companywide Measures

1) About the Medium-Term Management Plan

Our company has formulated the Medium-Term Management Plan for the three fiscal years from 2024 to 2026, titled "3 Pillars of Stability," on February 14, 2024. We have set the following management indicators as our targets: a sustainable growth rate of 10%, an operating profit margin of 10%, ROE of 20%, and a dividend payout ratio of 50%. As for the financial forecasts, they are as follows. However, statements regarding future prospects are based on assumptions and judgments of our management team based on information currently available, and they inherently contain known or unknown risks and uncertainties. Furthermore, changes in the business environment surrounding our company, market trends, and various other factors may cause these statements or assumptions not to materialize in the future. Potential risks and uncertainties that could affect future prospects are described in the "Risk Factors" section of the securities report. Please note that potential risks and uncertainties are not limited to those mentioned.

(in million yen)

	20th fiscal year Fiscal year ended December 31, 2023	21st fiscal year Fiscal year ending December 31, 2024	22nd fiscal year Fiscal year ending December 31, 2025	23rd fiscal year Fiscal year ending December 31, 2024	CAGR
Net sales	28,341	31,005	35,632	41,021	+13.1%
Single-family Homes Division	13,798	14,408	15,367	16,503	+6.1%
Buildings Division	8,267	10,394	12,510	15,119	+22.3%
Waterproofing Division	489	695	1,500	2,500	+72.2%
Sales of Urethane Raw Materials	1,916	2,235	2,578	2,964	+15.7%
Other divisions	3,869	3,271	3,677	3,935	+0.6%
Operating profit	2,881	3,100	3,741	4,512	+16.1%
Ordinary profit	2,917	3,100	3,741	4,512	+15.6%
Profit	2,004	2,092	2,525	3,045	+15.0%
Dividend per share (yen)	32.0	34.0	40.0	49.0	+15.3%

2) Sustainability strategies

Based on our management philosophy of "Contributing to society by creating a housing environment that is friendly to people and the earth," we will contribute to the realization of a sustainable society by reducing CO2 emissions from homes and buildings through the AQUA FOAM series of products and a focus on recycling urethane insulation materials.

3) Increase in external installation work personnel and establishment of a robust construction system

For our company to maintain sustainable growth and competitiveness, it is essential to increase the number of external installation work personnel and establish a robust construction system. To provide high-quality construction and

enhance customer satisfaction, it is necessary to have external installation work personnel who have acquired appropriate skills. Our company recognizes the importance of human capital investment and is implementing the following measures to improve the skills and motivation of our external installation work personnel:

- i. Improving the life-work balance, including Saturdays and Sundays holidays
 - ii. Wage increases accompanying the revision of the salary system and the expansion of various allowances
 - iii. Promotion of local employment and the creation of attractive work environments through the establishment of new sales offices and warehouses and the maintenance of a network of bases, including proximity of work and residence
 - iv. Construction of career paths tailored to management, specialists, and those with an independent mindset
 - v. Thorough safety management through training provided by specialized departments and the implementation of safety conventions
 - vi. Regarding the maintenance of listing on the Prime Market and Action to Implement Management that is Conscious of Cost of Capital and Stock Price
- 4) Regarding the maintenance of listing on the Prime Market and Action to Implement Management that is Conscious of Cost of Capital and Stock Price

On December 20, 2021, we disclosed the "Plan to Meet the Continued Listing Criteria for New Market Segments," and in order to meet the listing maintenance standards of the prime market by the end of December 2023, we are working to increase corporate value and contribute to sustainability, as well as to acquire appropriate valuations in the stock market and improve the liquidity of our shares. Our company disclosed the "Plan to Meet the Continued Listing Criteria for New Market Segments," on December 20, 2021, and the " Progress based on the plan for compliance with the continued Listing Criteria and updates to the plan (changes in the plan period)" on March 14, 2024. We are working to meet the listing maintenance criteria of the Prime Market by the end of December 2024, striving to achieve an appropriate evaluation in the stock market and improve the liquidity of our company's shares. Furthermore, through regular understanding of capital costs and conducting evaluations and analyses in the stock market, and through continuous dialogue with shareholders and investors, we will feedback the opinions and concerns of shareholders captured during dialogues to the management and Board of Directors, and strive to improve our evaluation in the stock market.

2. Financial Forecasts for the Fiscal Year Ending December 31, 2024

There are no changes to the financial forecasts announced on February 14, 2024. Furthermore, regarding the construction delays in the Buildings Division during the interim period, work has been sequentially commencing since the third quarter, and it is expected that sales will be recorded as planned.

2. Interim Financial Statements and Primary Notes

(1) Interim Balance Sheet

(in thousand yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	2,033,275	1,989,756
Notes and accounts receivable - trade, and contract assets	6,397,773	6,000,746
Electronically recorded monetary claims	1,098,484	1,029,631
Inventories	2,209,083	2,098,131
Accounts receivable - other	3,648,780	3,218,064
Other	111,847	146,030
Allowance for doubtful accounts	(26,255)	(20,207)
Total current assets	15,472,989	14,462,152
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,302,933	2,400,112
Land	1,680,298	1,680,298
Other, net	383,981	287,881
Total property, plant and equipment	4,367,214	4,368,292
Intangible assets		
Leasehold interests in land	15,000	15,000
Other	70,654	68,575
Total intangible assets	85,654	83,575
Investments and other assets		
Other	533,543	493,049
Allowance for doubtful accounts	(67,250)	(5)
Total investments and other assets	466,292	493,044
Total non-current assets	4,919,161	4,944,911
Total assets	20,392,151	19,407,064

(in thousand yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,453,005	5,151,333
Short-term borrowings	2,400,000	4,200,000
Lease liabilities	20,978	13,588
Income taxes payable	524,841	241,282
Provision for bonuses	25,030	30,392
Other	1,504,023	775,016
Total current liabilities	10,927,879	10,411,614
Non-current liabilities		
Lease liabilities	26,173	19,376
Asset retirement obligations	39,773	39,889
Other	93,677	56,543
Total non-current liabilities	159,625	115,809
Total liabilities	11,087,504	10,527,424
Net assets		
Shareholders' equity		
Share capital	1,903,649	1,903,649
Capital surplus	1,912,460	1,912,460
Retained earnings	7,523,317	7,098,233
Treasury shares	(2,035,153)	(2,035,153)
Total shareholders' equity	9,304,273	8,879,189
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	372	450
Total valuation and translation adjustments	372	450
Total net assets	9,304,646	8,879,640
Total liabilities and net assets	20,392,151	19,407,064

(2) Interim Income Statement
Six months ended June 2024

(in thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	13,158,259	13,112,793
Cost of sales	10,034,487	10,206,120
Gross profit	3,123,772	2,906,672
Selling, general and administrative expenses	1,743,110	2,057,284
Operating profit	1,380,662	849,388
Non-operating income		
Interest income	11,810	15,263
Insurance claim income	2,054	1,105
Surrender value of insurance policies	6,527	—
Other	7,108	11,345
Total non-operating income	27,500	27,714
Non-operating expenses		
Interest expenses	7,491	7,829
Other	92	390
Total non-operating expenses	7,584	8,220
Ordinary profit	1,400,578	868,882
Extraordinary income		
Gain on sale of non-current assets	842	2,128
Total extraordinary income	842	2,128
Extraordinary losses		
Loss on retirement of non-current assets	1,677	6,623
Total extraordinary losses	1,677	6,623
Profit before income taxes	1,399,743	864,387
Income taxes - current	390,080	210,381
Income taxes - deferred	61,660	74,030
Total income taxes	451,740	284,411
Profit	948,002	579,976

(3) Interim Cash Flow Statement

(in thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,399,743	864,387
Depreciation	116,649	122,405
Increase (decrease) in allowance for doubtful accounts	(3,908)	(73,292)
Increase (decrease) in provision for bonuses	5,921	5,361
Interest income	(11,810)	(15,263)
Interest expenses	7,491	7,829
Insurance claim income	(2,054)	(1,105)
Surrender value of insurance policies	(6,527)	—
Loss (gain) on sale and retirement of non-current assets	835	4,495
Decrease (increase) in trade receivables	498,871	383,880
Decrease (increase) in inventories	867,176	137,089
Increase (decrease) in trade payables	(1,266,185)	(1,230,340)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	67,643
Increase (decrease) in accounts receivable - other	1,168,194	391,811
Decrease (increase) in accounts payable	(369,454)	(325,114)
Decrease (increase) in consumption taxes payable	382,983	(424,728)
Other, net	(2,549)	(14,205)
Subtotal	2,785,377	(99,144)
Interest and dividends received	11,810	15,263
Proceeds from insurance income	2,054	1,105
Proceeds from insurance surrender value	17,214	—
Interest paid	(7,491)	(7,829)
Income taxes paid	(631,026)	(483,685)
Net cash provided by (used in) operating activities	2,177,938	(574,291)
Cash flows from investing activities		
Purchase of property, plant and equipment	(124,099)	(128,285)
Proceeds from sale of property, plant and equipment	4,500	(7,500)
Purchase of intangible assets	(11,840)	(14,202)
Purchase of investment securities	(119)	(119)
Purchase of insurance funds	(64,608)	(94,656)
Other, net	(1,466)	(7,326)
Net cash provided by (used in) investing activities	(197,635)	(237,090)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,900,000)	1,800,000
Repayments of long-term borrowings	(16,700)	—
Repayments of finance lease liabilities	(17,344)	(14,186)
Repayments of long-term payables	(2,736)	(46,498)
Proceeds from sale and leaseback transactions	—	33,607
Proceeds from sale and installment back transactions	56,209	—
Proceeds from issuance of share acquisition rights	3,020	—
Expenditure for acquisition of own share acquisition rights	84,762	—

(in thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Dividends paid	(751,507)	(1,005,060)
Net cash provided by (used in) financing activities	(2,544,297)	767,862
Net increase (decrease) in cash and cash equivalents	(563,993)	(43,519)
Cash and cash equivalents at beginning of period	2,676,798	2,033,275
Cash and cash equivalents at end of period	2,112,804	1,989,756

(4) Notes to Quarterly Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Amount of Shareholders' Equity)

Not applicable.

(Segment Information, Etc.)

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

(Additional Information)

(Other allowances)

Other allowances have been accounted for based on the estimated amount to be paid in preparation for bonuses to certified contractors. It should be noted that at the end of the second quarter cumulative period and the end of the current fiscal year, the amounts will be treated as unpaid and no allowances will be made.

(Important Subsequent Events)

Not applicable.