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November 8, 2024

[Delayed] Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 1429
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 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 nine months ended September 30, 2024 (from January 1, 2024 to September 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	%
Nine months ended								
September 30, 2024	20,817	3.2	1,521	(30.4)	1,548	(30.4)	1,043	(30.9)
September 30, 2023	20,165	10.4	2,199	34.8	2,225	34.0	1,509	34.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2024	18.46	-
30, 2025	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	30,000	5.9	2,600	(9.8)	2,600	(10.9)	1,755	(12.4)	55.88

Note: Revisions to financial forecasts disclosed most recently: Yes

*** 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 September 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 September 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 10 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 cumulative third quarter period (from January 1, 2024, to September 30, 2024), the Japanese economy has continued to recover at a moderate pace, despite some stagnation, due to improvements in the employment and income environment and the effects of various policies. However, risks such as the continued high interest rates in Europe and the United States, the ongoing stagnation of China's real estate market affecting the global economy, and concerns about inflation, the situation in the Middle East, and fluctuations in the financial capital markets are pressing down on Japan's economic outlook.

In the architecture and housing industry, to which our company belongs, the "Law Partially Amending the Law on Improving the Energy Consumption Performance of Buildings for the Realization of a Decarbonized Society" was promulgated in June 2022. Furthermore, from April 2024, it has become a duty of effort for businesses selling or renting houses and buildings to display energy-saving performance labels. As a result, there is an expectation that the supply of houses and buildings with high energy-saving and insulation performance will be promoted due to the growing interest among buyers and tenants in energy-saving and insulation performance. On the other hand, the number of new housing starts continues to show weak trends, and the environment surrounding the housing industry remains challenging.

However, in terms of corporate capital investment, large investments in semiconductors and automotive-related areas are progressing, and investment plans are at a high level, with large-scale manufacturing facilities, commercial facilities, and high-rise condominiums being actively constructed 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 buildings division, utilizing the strengths of the "AQUA FOAM series," which achieves high insulation performance and airtightness, and our nationwide construction network.

In the Single-family Homes Division, we have taken advantage of the spread of unique local government energy-saving measures that require high airtightness performance, differentiating ourselves by adding airtightness measurement services to insulation construction, and have worked to expand our market share based on an increase in the number of constructions. However, while orders from large builders with a wide area of operation have remained firm, orders from local contractors have been sluggish. Particularly, the construction of new large-scale projects expected to begin in earnest after September has been delayed until after December, and the number of constructions is expected to remain at about 94% of the forecast.

As a result, net sales in this division were 9,683 million yen compared to the forecast of 10,100 million yen. Although the concentration of starts later in the fall is greater than initially expected compared to previous years, affecting the performance in the fourth quarter (from October 1, 2024, to December 31, 2024), challenges remain in achieving the full-year forecast.

In the Buildings Division, the acquisition of new demand for manufacturing facilities represented by semiconductor factories and data centers, as well as commercial facilities and high-rise condominiums, is progressing smoothly. However, during the cumulative second quarter period, due to the "2024 problem in the construction industry," including the upper limit regulation on overtime work, delays in the start of construction occurred in some projects due to delays in previous processes due to circumstances of other companies and shortages of raw materials, resulting in so-called waiting times, and net sales in this division were 6,454 million yen compared to the forecast of 7,198 million yen. Although the waiting times have been gradually resolved since the third quarter, it is difficult to completely recover from the delays in construction so far.

In the Waterproofing Division, net sales amounted to 435 million yen, sales of urethane raw materials were 1,432 million yen, and in the Other Divisions, which include auxiliary supplies, machinery, and others, net sales were 2,811 million yen. It is anticipated that the full-year net sales for the Waterproofing Division and Other Divisions will exceed the forecast (695 million yen for the Waterproofing Division and 3,271 million yen for Other Divisions), while sales of urethane raw materials are expected to land around the forecasted 2,235 million yen. From the fiscal year ending December 2023, sales of urethane raw materials will be separated from the Other Divisions due to a focus on future growth, hence the table below has been reorganized accordingly.

(in million yen, %)

	20th fiscal year Nine months ended September 30, 2023	21st fiscal year Nine months ended September 30, 2024	Amount of change	Percentage change
Single-family Homes Division	10,017	9,683	(344)	(3.3)
Buildings Division	5,917	6,454	+536	+9.1
Waterproofing Division	349	435	+86	+24.6
Sales of Urethane Raw Materials	1,277	1,432	+155	+12.1
Other divisions	2,603	2,811	+208	+8.0
Total	20,165	20,817	+652	+3.2

As a result, net sales for the third quarter cumulative period amounted to 20,817 million yen, marking a 3.2% increase compared to the same period last year. However, compared to the forecast, a shortfall of 963 million yen was recorded overall, due to the total of the main Single-family Homes Division and Buildings Division falling short by 1,151 million yen.

Gross profit was 4,672 million yen, with a gross profit margin of 22.4%, a decrease of 1.6 percentage points from the same period last year. The primary reasons are as follows: In the Single-family Homes Division, the gross profit margin decreased by 3.1 percentage points from the same period last year due to the promotion of market share expansion measures amidst a slump in the number of new housing starts. In the Buildings Division, the gross profit margin improved by 0.1 percentage point from the same period last year due to the effects of price revisions. Additionally, since 2023, both divisions have increased the number of external installation work personnel, building a robust construction system, which led to an increase in the cost of sales. However, the failure of both divisions to meet sales forecasts also contributed to the decrease in the gross profit margin.

Operating profit was 1,521 million yen, a 30.8% decrease from the same period last year, with an operating profit margin of 7.3%, down 3.6 percentage points from the same period last year. This was due to a 1.6 percentage point decrease in the gross profit margin and an increase in selling, general and administrative expenses to 3,151 million yen, up 492 million yen from the same period last year, with the ratio of selling, general and administrative expenses rising 2.0 percentage points to 15.1%. The main components of this increase were a 320 million yen increase in personnel expenses and a 99 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 1,548 million yen, a 30.4% decrease from the same period last year, and net profit for the quarter was 1,043 million yen, a 30.9% decrease from the same period last year.

(2) Explanation Regarding Financial Position

(Total Assets)

Total assets at the end of the third quarter of the fiscal year amounted to 20,479 million yen (an increase of 0.4% from the end of the previous fiscal year), marking an increase of 87 million yen from the end of the previous fiscal year.

(Current Assets)

Current assets at the end of the third quarter of the fiscal year were 15,513 million yen (an increase of 0.3% from the end of the previous fiscal year), an increase of 40 million yen from the end of the previous fiscal year. This was primarily due to an increase of 241 million yen in notes and accounts receivable - trade, and contract assets, and an increase of 20 million yen in accounts receivable - other, against a decrease of 138 million yen in electronic recorded monetary claims, and a decrease of 104 million yen in inventories.

(Non-current Assets)

Non-current assets at the end of the third quarter of the fiscal year were 4,965 million yen (an increase of 0.9% from the end of the previous fiscal year), an increase of 46 million yen from the end of the previous fiscal year.

This was primarily due to an increase of 163 million yen in buildings upon completion of the Miyazaki sales office, an increase of 17 million yen in software acquisition, and an increase of 94 million yen in insurance reserve funds included in investments and other assets, against a decrease of 181 million yen due to depreciation, a decrease of 55 million yen in construction in progress included in tangible fixed assets due to the completion of the Miyazaki sales office, a decrease of 38 million yen in deferred tax assets, and a decrease of 67 million yen in allowance for doubtful accounts included in investments and other assets.

(Total Liabilities)

Total liabilities at the end of the third quarter of the fiscal year were 11,135 million yen (an increase of 0.4% from the end of the previous fiscal year), an increase of 48 million yen from the end of the previous fiscal year.

(Current Liabilities)

Current liabilities at the end of the third quarter of the fiscal year were 11,028 million yen (an increase of 0.9% from the end of the previous fiscal year), an increase of 100 million yen from the end of the previous fiscal year. This was primarily due to an increase of 1,700 million yen in short-term borrowings, an increase of 94 million yen in provision for bonuses, against a decrease of 320 million yen in accounts payable - trade, a decrease of 507 million yen in income taxes payable, and a decrease of 488 million yen in accrued expenses and other payables, and a decrease of 441 million yen in consumption taxes payable included in other.

(Non-current Liabilities)

Non-current liabilities at the end of the third quarter of the fiscal year were 107 million yen (a decrease of 32.6% from the end of the previous fiscal year), a decrease of 51 million yen from the end of the previous fiscal year. This was primarily due to a decrease of 41 million yen in long-term payables included in other.

(Net Assets)

Net assets at the end of the third quarter of the fiscal year were 9,343 million yen (an increase of 0.4% from the end of the previous fiscal year), an increase of 38 million yen from the end of the previous fiscal year. This was primarily due to net profit for the quarter of 1,043 million yen, against a decrease of 1,005 million yen in retained earnings due to dividend payments.

(Equity Ratio)

The equity ratio at the end of the third quarter of the fiscal year was 45.6% (the same rate as 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 third quarter cumulative period was 15 million yen. There were no significant changes in the status of research and development activities during the third quarter cumulative period.

(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%.

Regarding financial forecasts, as stated in the "Notice Concerning Revisions to Full-Year Financial Results Forecasts" published today (November 8, 2024), the full-year forecast for the fiscal year ending December 2024 has been revised. Consequently, the sales target for the fiscal year ending December 2025 has been revised to over 33,000 million yen,

and for the fiscal year ending December 2026, to over 37,000 million yen, based on the initial figures announced. A report on the revised plan will be provided at the time of the announcement of the fiscal year ending December 2024 results, scheduled for February 2025.

Furthermore, as detailed in the " Notice Concerning the Change to Medium-Term Management Plan [Change in Dividend Policy (Introduction of Progressive Dividends)]" published today, while the Medium-Term Management Plan sets a target dividend payout ratio of 50%, a progressive dividend system will be introduced from the fiscal year ending December 2025 to achieve more stable dividends (maintenance or increase) through profit growth. Therefore, the dividend per share for the fiscal years ending December 2025 and December 2026 will be considered with a minimum of 34yen.

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.

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

The full-year performance forecast for the fiscal year ending December 2024, announced on February 14, 2024, has been revised based on the performance for the third quarter cumulative period, as well as the order status within the fiscal year and sales recognition prospects for the Single-family Homes Division and Buildings Division.

For details on the revision of the financial forecasts, please refer to the " Notice Concerning Revisions to Full-Year Financial Results Forecasts" published today (November 8, 2024).

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(in thousand yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	2,033,275	2,018,473
Notes and accounts receivable - trade, and contract assets	6,397,773	6,639,241
Electronically recorded monetary claims	1,098,484	960,102
Inventories	2,209,083	2,104,645
Accounts receivable - other	3,648,780	3,669,136
Other	111,847	148,075
Allowance for doubtful accounts	(26,255)	(25,824)
Total current assets	15,472,989	15,513,849
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,302,933	2,364,865
Land	1,680,298	1,680,298
Other, net	383,981	294,317
Total property, plant and equipment	4,367,214	4,339,481
Intangible assets		
Leasehold interests in land	15,000	15,000
Other	70,654	67,261
Total intangible assets	85,654	82,261
Investments and other assets		
Other	533,543	543,572
Allowance for doubtful accounts	(67,250)	(4)
Total investments and other assets	466,292	543,568
Total non-current assets	4,919,161	4,965,311
Total assets	20,392,151	20,479,161

(in thousand yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,453,005	6,132,989
Short-term borrowings	2,400,000	4,100,000
Lease liabilities	20,978	13,594
Income taxes payable	524,841	16,875
Provision for bonuses	25,030	119,978
Other provisions	-	65,400
Other	1,504,023	579,265
Total current liabilities	10,927,879	11,028,004
Non-current liabilities		
Lease liabilities	26,173	15,961
Asset retirement obligations	39,773	39,947
Other	93,677	51,719
Total non-current liabilities	159,625	107,628
Total liabilities	11,087,504	11,135,633
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	7,562,035
Treasury shares	(2,035,153)	(2,035,153)
Total shareholders' equity	9,304,273	9,342,991
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	372	536
Total valuation and translation adjustments	372	536
Total net assets	9,304,646	9,343,528
Total liabilities and net assets	20,392,151	20,479,161

(2) Quarterly Income Statement
 Nine months ended September 2024

(in thousand yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	20,165,141	20,817,841
Cost of sales	15,306,957	16,145,562
Gross profit	4,858,183	4,672,278
Selling, general and administrative expenses	2,658,794	3,151,122
Operating profit	2,199,388	1,521,155
Non-operating income		
Interest income	17,703	24,656
Insurance claim income	3,077	2,059
Surrender value of insurance policies	6,527	-
Other	9,675	14,349
Total non-operating income	36,984	41,066
Non-operating expenses		
Interest expenses	10,779	13,493
Other	122	506
Total non-operating expenses	10,902	14,000
Ordinary profit	2,225,471	1,548,222
Extraordinary income		
Gain on sale of non-current assets	842	6,533
Total extraordinary income	842	6,533
Extraordinary losses		
Loss on retirement of non-current assets	1,677	6,623
Total extraordinary losses	1,677	6,623
Profit before income taxes	2,224,635	1,548,131
Income taxes - current	668,282	465,507
Income taxes - deferred	46,420	38,846
Total income taxes	714,702	504,353
Profit	1,509,933	1,043,777

(3) 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.

(Notes on Cash Flow Statement)

A quarterly cash flow statement for the cumulative third quarter period has not been prepared. Depreciation expenses (including amortization expenses related to intangible fixed assets) for the cumulative third quarter period are as follows.

(in thousand yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation expenses	177,377	181,359

(Additional Information)

Not applicable.

(Important Subsequent Events)

Not applicable.