

## Innovator in living environments: Driving continued revenue growth by transforming Japan's building environment

### Summary

#### ■ Japan's leading on-site urethane foam insulation installer with strong growth

Nippon Aqua Co., Ltd. (hereinafter, "the Company") is a high-growth enterprise listed on the Prime Market of the Tokyo Stock Exchange. Guided by its management philosophy—"Contribution to society through the creation of living environments that are friendly to people and the earth"—the Company leverages insulation and waterproofing technologies to drive energy efficiency and support a sustainable society. It holds the leading domestic share in on-site urethane foam insulation installation and operates its business through three key divisions: Single-family homes, Buildings, and Waterproofing. Since its listing in 2013, the Company has delivered continuous revenue growth, achieving a strong CAGR of 10.8%.

#### ■ Business performance

In FY2024/12, the Company reported record-high net sales of JPY 30,265 mn (+6.8% YoY). Despite rising costs, it maintained gross profit of JPY 6,862 mn, with a gross profit margin of 23% (-1.0% YoY). In addition, a 6.0% YoY increase in SG&A **expenses and rising costs reduced net profit down to JPY 1,840 mn (-8.2% YoY). However, the Company expects demand to continue growing as the need to improve both residential and non-residential building environmental performance increases in line with efforts to reduce greenhouse gas emissions.** For FY2025/12, the Company forecasts net sales of JPY 34,360 mn (+13.5% YoY), gross profit of JPY 7,843 mn (+14.3% YoY), and net profit of JPY 2,067 mn (+12.4% YoY).

#### ■ Medium-term management plan (FY2024/12–FY2026/12)

The Company formulated its medium-term management plan, "3 Pillars of Stability," covering FY2024/12–FY2026/12, with a focus on achieving stable growth and enhancing profitability across its three core businesses: insulation, waterproofing, and product sales. The final-year targets call for JPY 37,000 mn in net sales and JPY 3,405 mn in ordinary profit, representing a CAGR of 13.1% for sales and 15.6% for profit. It also outlines key goals of 20% ROE, a 10% operating profit margin, and a dividend payout ratio of 50% or higher. To balance sustainable growth with shareholder returns, the Company has introduced a progressive dividend policy that raises dividends in line with profit growth.

FY	Net sales (JPY mn)	YoY (%)	Operating profit (JPY mn)	YoY (%)	Ordinary profit (JPY mn)	YoY (%)	Net profit (JPY mn)	YoY (%)	EPS (JPY)	DPS (JPY)
2022/12	25,670	--	2,329	--	2,360	--	1,549	--	47.99	24.00
2023/12	28,342	10.4%	2,882	23.7%	2,917	23.6%	2,004	29.4%	63.83	32.00
2024/12	30,265	6.8%	2,576	-10.6%	2,694	-7.6%	1,840	-8.2%	58.55	34.00
2025/12 CE	34,360	13.5%	3,004	16.6%	3,062	13.7%	2,067	12.3%		35.00
2024/3 Q1	6,272	--	445	--	453	--	302	--	9.62	--
2025/3 Q1	7,501	19.6%	526	18.2%	529	16.8%	359	18.9%	11.25	--

Source: Compiled by SIR from SPEEDA data. Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

## Initiation



### Focus Points:

The Company's strength lies in its leading domestic share in on-site urethane foam insulation materials and its fully integrated system covering everything from raw material development to installation and recycling. Since its listing, the Company has delivered continuous revenue growth and is well-positioned for further growth by addressing evolving social needs.

### Key Indicators

Share price (6/2)	781
YH (24/2/28)	1,104
YL (25/4/7)	650
10YH (23/9/14)	1,125
10YL (16/2/22)	253
Shrs out. (mn shrs)	34.76
Mkt cap (JPY bn)	25.69
EV (JPY bn)	27.03
Equity ratio (act)	43.8%
25/12 P/E (CE)	11.9x
24/12 P/B (act)	2.36x
24/12 ROE (act)	18.5%
25/12 DY (CE)	4.5%

### Share price trend (1 year)



Source: TradingView

### Team Coverage

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This report was prepared by Sessa Partners on behalf of the subject company. Please refer to the legal disclaimer at the end for details.

## ■ Share price insights

The Company's valuation improved between FY2020 and FY2022, with its P/B ratio rising from 2.74x to 3.25x. By the end of FY2024, its P/B ratio had declined to 2.34x, reflecting slightly weaker investor expectations. However, the Company's valuation remains high relative to industry peers, suggesting that investor expectations remain intact. Looking ahead, SIR believes that if the Company makes steady progress in FY2025/12 and expectations regarding the achievement of its medium-term management plan improve, a market capitalization of JPY 30 bn is within reach.

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## Company profile



**President,  
Representative Director  
Mr. Fumitaka Nakamura**

### \*National permit

The “national permit system” refers to a framework in which manufacturers or similar businesses certified by the Japanese Minister of the Environment are allowed to collect waste from their own products and either recycle it into raw materials or dispose of it appropriately. Certified businesses are exempt from obtaining separate collection, transport, and disposal permits from local governments, enabling efficient waste management.

## ■ Summary: A unique business model in the insulation industry

The Company was established in November 2004 and engages in the manufacturing, installation, and sales of insulation materials for residential and commercial buildings. Headquartered in Kounan, Minato-ku, Tokyo, the Company is led by its founder, Fumitaka Nakamura, who serves as President, Representative Director. It listed its shares on the Mothers Market of the Tokyo Stock Exchange in 2013 and transferred to the First Section (now the Prime Market) in 2018. The Company has established a nationwide network of sales offices and business centers, enabling it to provide services tailored to local communities. Its major clients include leading corporations such as Shimizu Corporation, Takenaka Corporation, and Itochu Kenzai Corporation. The Company is also a consolidated subsidiary of Hinokiya Group Co., Ltd (hereinafter referred to as “Hinokiya”), which is under the umbrella of Yamada Holdings.

The Company’s flagship product is “AQUA FOAM,” a rigid urethane foam that uses water as a blowing agent. It holds the leading domestic share in the on-site foam insulation market for single-family homes. The Company has obtained a national permit\* from the Japanese Minister of the Environment, allowing it to process industrial waste without obtaining separate approvals from prefectural governors. **It is the only company in the insulation industry with a fully integrated system encompassing raw material development, sales, installation, and recycling.** The Company primarily operates as a contractor, undertaking projects for homebuilders, general contractors, and trading companies, with installation performed in-house or through certified contractors. It also sells auxiliary supplies, urethane raw materials, and spraying machines.

Supported by this business model, the Company has recorded continuous revenue growth since 2009, with a **CAGR of 10.8%** since its 2013 listing.

## ■ Corporate Profile

<b>Company name</b>	Nippon Aqua Co., Ltd.
<b>Company Features</b>	The Company engages in the installation and sale of spray-applied rigid urethane foam insulation, primarily for single-family homes. It is a subsidiary of Hinokiya, which is part of Yamada Holdings and specializes in energy-efficient housing. The Company is also actively expanding its operations overseas, including in the Philippines.
<b>President, Representative Director</b>	Fumitaka Nakamura
<b>Head office</b>	2-16-2 Konan, Minato-ku, Tokyo Taiyo Seimei Shinagawa Building
<b>Telephone No.</b>	03-5463-1117
<b>URL</b>	<a href="https://www.n-aqua.jp/en/">https://www.n-aqua.jp/en/</a>
<b>Trade Bank</b>	MUFG Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Musashino Bank, Saitama Resona Bank
<b>Type of Industry</b>	Construction Industry
<b>Established</b>	November 29, 2004
<b>Listed</b>	December 13, 2013
<b>Major trading markets</b>	Tokyo Stock Exchange Prime
<b>No. of employees</b>	612 people (Non-consolidated) *As of December 31, 2024
<b>Average annual income</b>	JPY 5,662,000 (FY2024/12)
<b>Average age</b>	Age 35 (FY2024/12)
<b>Audit corporation</b>	KPMG AZSA LLC (FY2024/12)

Source: Compiled by SIR from SPEEDA data.

### ■ Major Shareholders (As of December 31, 2024)

Name of shareholder	Number of shares	% Holding*
Hinokiya Group Co., Ltd.	17,700,000	55.47
The Master Trust Bank of Japan, Ltd. (Trust Account) President and CEO: Toshikazu Mukohara	1,418,200	4.44
Fumitaka Nakamura	1,005,800	3.15
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	607,800	1.90
Goldman Sachs Securities Co., Ltd.	481,100	1.50
Goldman Sachs Bank Europe SE, Luxembourg Branch	431,600	1.35
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	357,626	1.12
J.P.MORGAN BANK LUXEMBOURG S.A. 381572	336,800	1.05
Japan Aqua Employee Stock Ownership Association Chairman Baba Kazuhiko	322,000	1.00
Kazuo Matsuura, CEO of Koufuku Senpaku Co., Ltd.	247,700	0.77
Major shareholder total	22,908,626	71.80
Total number of shares issued	34,760,000	100.00

Note: The share of the total number of issued shares is shown excluding the shares held by the Company.

Source: Compiled by SIR from SPEEDA data.

### ■ Management philosophy and founding principles

The Company operates under the management philosophy of "Contribution to society through the creation of living environments that are friendly to people and the earth." It aims to reduce energy consumption while also addressing global warming through innovation in insulation technology. Founder and current President Fumitaka Nakamura encountered a challenge in his previous role: conventional glass wool insulation for wooden houses tended to have gaps during installation, resulting in inconsistent insulation performance. These insulation defects not only created uncomfortable living conditions—hot in summer and cold in winter—but also increased health risks, including heatstroke and heat shock. To address this issue, Mr. Nakamura turned his attention to on-site spray-applied rigid urethane foam. He aimed to create homes with good insulation and airtightness by enabling seamless application to walls and ceilings. His strong sense of mission to provide comfortable and healthy living environments served as the driving force behind the development. However, **the initiative was not recognized internally, and the business unit was dissolved.** With a strong desire **to become an innovator who transforms Japan's living environments,** Mr. Nakamura **set out on his own and founded the Company in 2004.**

Mr. Nakamura launched the Company in Nagoya, initially managing everything himself—from sales to catalog production. His uncompromising focus on installation quality led to the establishment of an in-house installation department. Driven by a rebellious spirit, he continued to challenge conventional industry practices and established a business model that uniquely integrates insulation, waterproofing, and recycling. Today, the Company is listed on the Prime Market of the Tokyo Stock Exchange and continues to take on new challenges toward realizing a sustainable society.

## ■ History

The Company was established in 2004 by founder Fumitaka Nakamura, driven by his strong belief in transforming Japan's living environments. With a mission to drive adoption of on-site spray-applied rigid urethane foam, he initially handled sales, marketing, and installation support alone, traveling nationwide from his base in Nagoya.

In 2005, the Company established the Tokyo Sales Office to expand into the Kanto region, home to Japan's largest housing market. Mr. Nakamura also took the initiative to create promotional materials himself, working to raise its visibility. In 2007, the Company opened the Osaka Sales Office as its third base of operations, advancing into the western Japan market and rapidly expanding its market presence.

In 2009, following a change in major shareholders, the Company became a consolidated subsidiary of Hinokiya, marking the start of full-scale efforts to strengthen its management structure in preparation for listing. In 2011, recognizing the need to improve installation quality, the Company established its construction department to standardize quality and establish a responsible construction system. Beginning in 2012, the Company expanded beyond single-family homes into the building sector—including commercial facilities, factories, and multi-unit housing—as it began diversifying its business portfolio.

In 2013, the Company was listed on the Mothers Market of the Tokyo Stock Exchange. Its initial share price exceeded the IPO price, marking a turning point in gaining recognition from the capital markets and earning public trust. In 2014, the Company hired technical personnel and established a Technical Center, internalizing raw material development to build a stable supply system and strengthen price competitiveness.

In 2016, the Company became the first fabless manufacturer in the field of spray-applied rigid urethane foam for buildings to obtain JIS certification, publicly demonstrating the reliability of its quality control system. In 2018, it transferred its share listing to the First Section of the Tokyo Stock Exchange. The following year, amid rising public concern over fire-related accidents, the Company launched its non-flammable insulation material "AQUA MOEN NEO," contributing to improved safety at construction sites.

In 2020, the Company fully entered the waterproofing field with the launch of "AQUA HAJIKUN," a polyurea resin-based material offering high durability, elasticity, and quick-drying performance—paving the way for growth in a new business domain.

In 2022, the Company transferred to the Prime Market of the Tokyo Stock Exchange. It established new recycling plants in Tamba City, Hyogo Prefecture, and Shiroy City, Chiba Prefecture, completing a vertically integrated business model that covers everything from raw material procurement and installation to recycling. With no other competitors having adopted such a model, the Company has positioned itself as a unique player, laying the foundation for sustainable growth.

Date	Event
2004 Nov	<b>Established Nippon Aqua Co., Ltd. in Minami-ku, Nagoya. Opened Nagoya sales office.</b>
2005 Sep	Opened the Tokyo sales office in Machida, Tokyo, and expanded into the Kanto region.
2007 Jan	Transferred the head office to Mizuho-ku, Nagoya. Opened the Osaka sales office, and the company expanded into the Kinki region.
2009 Feb	<b>Hinokiya Housing Co., Ltd. (Currently Hinokiya) acquired shares of the Company, making it a consolidated subsidiary (shareholding ratio: 87.5%).</b>
2009 Apr	Transferred the head office to Kohoku Ward, Yokohama.
2009 May	Opened Fukuoka, Hiroshima, and Sendai sales offices, expanding into Kyushu, Chugoku, and Tohoku regions.
2010 Apr	Opened Niigata Sales Office and Shizuoka Sales Office.
2011 Apr	Opened Matsuyama Sales Office.
2012 Jun	Opened Sapporo Sales Office.
2013 Dec	<b>Listed on the Tokyo Stock Exchange Mothers.</b>
2014 Dec	Relocated the head office to Minato-ku, Tokyo. <b>Opened a technical center in Yokohama.</b>
2014 Dec	Established new office building in Nagoya.
2015 Oct	Established a new office building in Tosu City, Saga Prefecture.
2015 Oct	Established a new office building in Okayama City.
2015 Nov	Established a new office building in Osaka City.
2016 Oct	Became the first fabless manufacturer to obtain JIS certification for spray-applied rigid urethane foam for building insulation.
2016 Sep	Established new office building in Sendai.
2017 Jun	Established new office building in Saitama.
2018 Mar	<b>Changed listing to the First Section of the Tokyo Stock Exchange.</b>
2019 Jul	Started sales of "AQUA MOEN".
2019 Sep	Established a new office building in Niigata City.
2020 Mar	Established a new office building in Kanazawa City.
2020 Apr	Established new office buildings in Atsugi City and Aomori City.
2020 Aug	Established a new office building in Akita City.
2020 Sep	Launched sales of "AQUA HAIKUN", marking the Company's full entry into the <b>waterproofing sector</b> .
2020 Oct	Yamada Holdings launched a tender offer for Hinokiya.
2020 Nov	Established a new office building in Matsumoto, Nagano Prefecture.
2021 Jun	Started sales of "AQUAFOAM LITE".
2021 Oct	Opened Sendai Recycling Plant and Kyushu Recycling Plant.
2021 Nov	Opened West Japan Business Center in Osaka.
2022 Apr	<b>Transferred to the Tokyo Stock Exchange Prime Market.</b> Opened Kyushu Business Center in Fukuoka.
2022 Sep	Opened Kanto Business Center in Yokohama.
2022 Oct	<b>Established Kansai Recycling Factory</b> in Tamba, Hyogo.
2022 Nov	<b>Established Kanto Recycling Factory</b> in Shirai, Chiba.
2023 Feb	Started sales of Aqua Barrier.
2023 Apr	Established new office building opened in Kanuma, Tochigi Prefecture.
2024 May	Established a new office building in Miyakonojo, Miyazaki Prefecture.

Source: Compiled by SIR from the Company's Securities Report and Integrated Report for the end of FY2024 December.



**CSV strategy:**

A management strategy aimed at creating shared value (CSV). Proposed by Michael Porter of Harvard University and others in 2011, the concept advocates simultaneously pursuing both social value and a company's own economic value. Rather than being merely a corporate social contribution initiative, it is positioned within the context of business strategy.

**■ Management policy**

The Company holds the leading domestic share in on-site urethane foam insulation installation and leverages this strength to address the following social issues.

Specifically, the Company aims to contribute by improving energy efficiency to achieve carbon neutrality by 2050, addressing the urban heat island effect, and mitigating the deterioration of concrete buildings.

In this way, the Company positions its Creating Shared Value (CSV) strategy—pursuing corporate growth through solutions to social issues, rather than merely providing insulation materials and installation services—as a core pillar of its management policy.

**■ Management strategy****1. Establishing the 3 Pillars of Stability**

In its core installation and sales sector, the Company aims to expand the scale of its Waterproofing Division by achieving profitability at an early stage and raising market awareness. It intends to establish the Waterproofing Division as a third pillar alongside the Single-family homes Division and Buildings Division.

**2. Expanding business domains**

To broaden its business domains, the Company is strengthening efforts in areas such as product sales. In particular, it is focusing on raw material sales by supplying urethane materials to non-certified contractors—enhancing its brand recognition as a manufacturer. The Company also seeks to expand distribution capabilities by developing a nationwide network of logistics bases.

**3. Creating a virtuous cycle of growth and profit distribution**

The Company seeks to generate a virtuous cycle for all stakeholders—including shareholders, certified contractors, and employees—through sustainable growth. For shareholders, it provides stable returns through a progressive dividend policy targeting a payout ratio of 50% or higher. For certified contractors, it offers incentives through support payments. At the same time, the Company is also making strategic investments to support medium- to long-term growth, including expanding logistics bases (sales offices) and strengthening the Waterproofing Division.

**4. Performance targets and profit distribution**

The company aims to achieve a revenue CAGR of 13.1% and an ordinary profit CAGR of 15.6% over the period from FY2024 to FY2026, while setting key performance targets of 20% ROE and a 10% operating profit margin, and adopting a progressive dividend policy with a payout ratio of at least 50%.

**■ Challenges**

The Company faces several challenges, including a shrinking market due to declining new housing starts, rising raw material costs, the need to strengthen its construction system, securing personnel, the entry of new competitors, and compliance with continued listing criteria. In response, it is taking measures such as diversifying procurement sources, supporting certified contractors, and investing in product development.

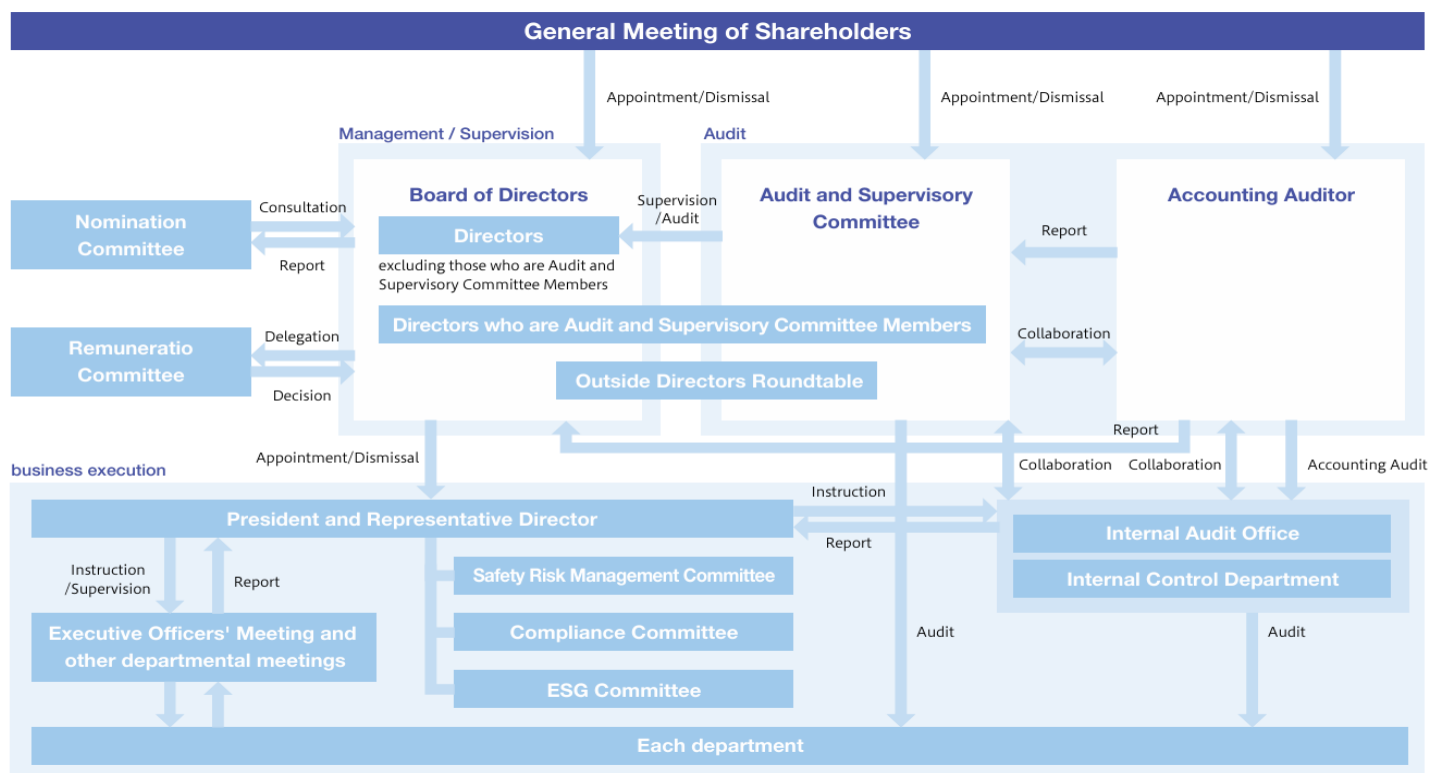


### ■ Management system

The Company prioritizes the sustainable enhancement of corporate value and transparency. In March 2023, it transitioned from a company with a board of auditors to a company with an audit and supervisory committee. This transition strengthened the Company's audit and supervisory functions by incorporating independent outside directors into the Board of Directors.

The Board of Directors comprises 11 members—five internal and six independent outside directors—and strengthens governance by maintaining advisory bodies such as the Nomination Committee and Compensation Committee. Since FY2019, the Company has adopted an executive officer system to clarify responsibility for business execution and accelerate decision-making. As part of its governance functions, the Company has established cross-functional committees—including the ESG Committee, Compliance Committee, and Safety Risk Management Committee—to strengthen risk management and ensure legal compliance.

### Governance Structure Diagram



Source: Excerpt from the Company's INTEGRATED REPORT

## Business model



Buildings Division: ONE Sapporo Station Tower  
Source: Compiled from the Company's website (same below)



Buildings Division : Fukuoka Airport International Terminal Building



Buildings Division : Sendai Kosei Hospital



Waterproofing Division : Kurume City Baseball Stadium

## ■ Key products

The Company's core business is the installation and sales of insulation materials, with the Single-family homes Division, Buildings Division, and Waterproofing Division positioned as its three main divisions. It also sells auxiliary supplies, urethane raw materials, and spraying machines.

Department	Product
Single-family homes (45% of Total net sales)	<b>AQUA FOAM:</b> The market leader in on-site urethane foam insulation material for wooden single-family homes. It uses water as a blowing agent, resulting in low environmental impact.
	<b>AQUA FOAM LITE:</b> Formulated with plant-derived materials, its CO <sub>2</sub> emissions is 22% lower than AQUA FOAM.
	<b>AQUA FOAM NEO:</b> Demonstrates outstanding insulation performance in cold regions and has obtained ministerial certification for its fire-resistant structure. Its high airtightness reduces energy consumption and lowers the risks of mold and corrosion.
	<b>AQUA FOAM NEO+TP:</b> A multifunctional insulation material that combines the performance of AQUA FOAM NEO with termite-resistant properties. It enables simultaneous application of insulation, airtight sealing, and termite protection, reducing labor and lowering costs.
Buildings (31% of Total net sales)	Insulation installation and sales for wooden single-family homes, both for new builds and renovations.
	<b>AQUA FOAM NEO:</b> Designed for use in buildings such as condominiums and commercial facilities, this product offers the same core performance as the residential-use AQUA FOAM NEO and has been widely adopted across a wide range of facilities.
	<b>AQUA MOEN NEO:</b> A non-combustible insulation material that offers both fire resistance and insulation. Designed for use in buildings such as offices, factories, warehouses, and schools.
Waterproofing (3% of Total net sales)	<b>AQUA BARRIER:</b> Applied to organic insulation materials that are vulnerable to heat, it prevents ignition from welding and cutting sparks, and mitigates fire risk at construction sites.
	Insulation installation and sales for buildings, including offices, condominiums, and commercial facilities.
Sales of urethane raw materials (7% of Total net sales)	<b>AQUA HAJIKUN:</b> A spray-applied waterproofing material. Suitable for extending the lifespan of single-family homes, factories, rooftops, parking structures, and other structures.
	Waterproofing installation and sales for wooden single-family homes and buildings.
Other product sales (14% of Total net sales)	Sales of auxiliary supplies (insulation-related products, consumables), spraying machines, and related components.

Source: Compiled by SIR from the Company's Website.

### ■ Business model

The Company operates a **vertically integrated business model** that covers the entire value chain, from raw material procurement to installation, sales, and recycling.

First, the Company sources primary raw materials, such as polyols and isocyanates, from raw material suppliers. The Company also procures auxiliary supplies and spraying machines from industrial materials manufacturers, OEM partners, and machinery manufacturers, and provides them as finished products. Raw materials are supplied to the Company's installation operations and certified contractors, with a portion also sold to non-certified contractors.

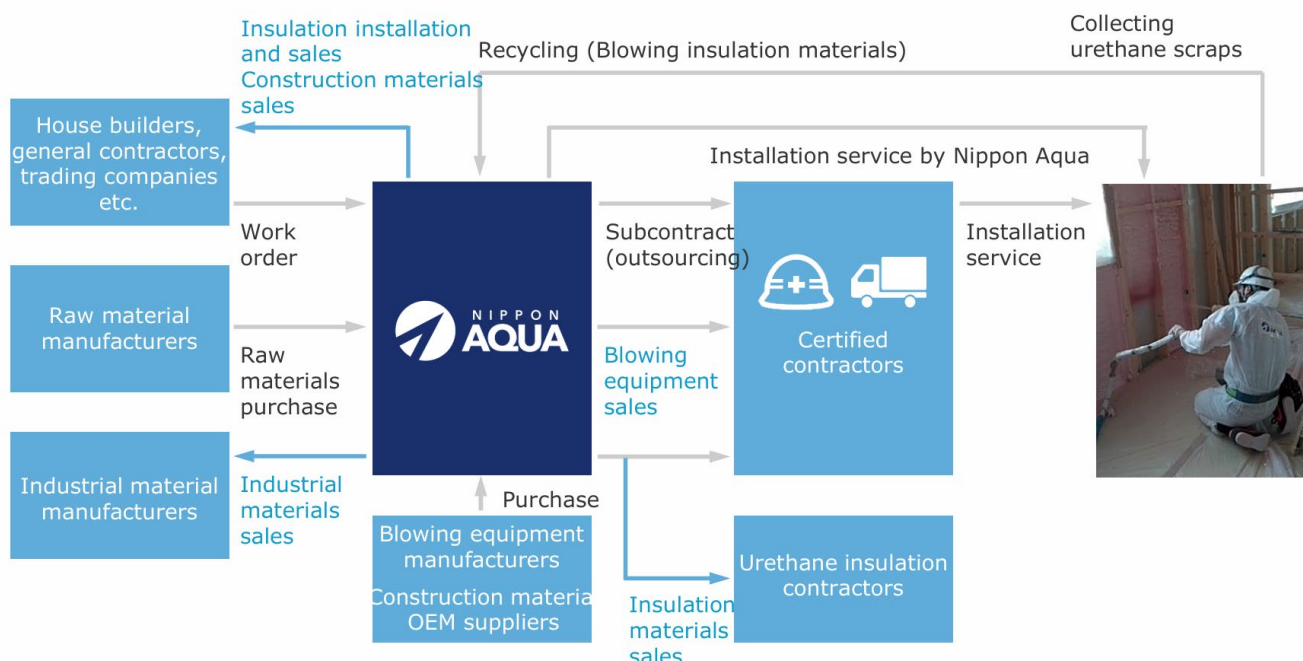
In installation work, the Company received turnkey project orders from clients such as homebuilders, general contractors, and trading companies, and performs on-site construction through its construction department or certified contractors. The Company also supports the development of certified contractors by facilitating the purchase of spraying machines, providing technical training, and referring projects.

In addition, urethane offcuts generated during installation are collected and reprocessed into recycled insulation materials (such as AQUA BLOW) for resale. This approach enables the Company to maintain a sustainable recycling business model. In this entire business scheme, the Company is responsible for the following functions:

- **Quality control of raw materials and diversification of procurement sources**
- **Standardization and assurance of installation quality**
- **Maintenance of a nationwide sales and installation network**
- **Environmental initiatives through recycling operations**

By performing these functions, the Company has secured a unique position in the value chain for new installation and maintenance of single-family homes and buildings.

### Business Scheme



Source: Excerpt from the Company's Q1 FY2025/3 earnings briefing material.

### ■ Leveraging Company-owned properties to drive expansion of sales offices and installation capabilities

The Company is **establishing new sales offices nationwide on its own properties**. Sales offices are large-scale facilities that not only function as workplaces for employees, but also as operational hubs for certified contractors and as distribution points for urethane raw materials. By establishing these facilities as Company-owned properties, the Company promotes community-oriented business activities and creates attractive employment opportunities in regions with limited job opportunities, thereby **contributing to local development**.

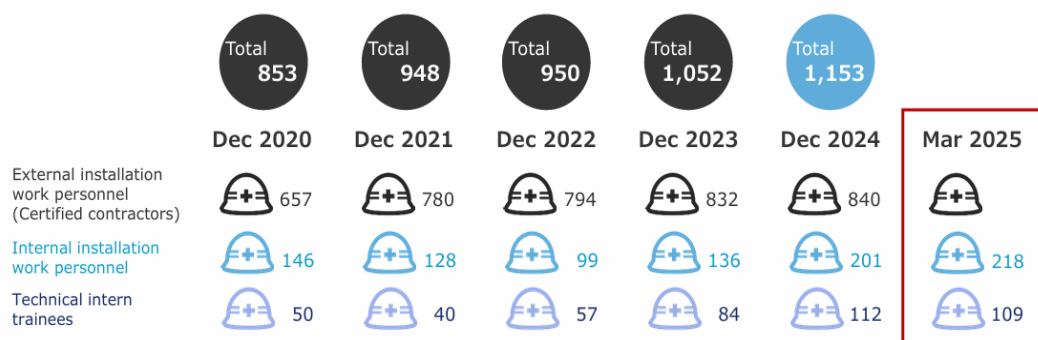
Meanwhile, the Company's installation capabilities are broadly divided into three categories: **certified contractors (external partner companies), in-house construction employees, and technical intern trainees**.

Since January 2023, the Company has introduced a five-day workweek (with Saturdays and Sundays off) for its construction employees. While this initiative leads to a reduction in construction operating days, the Company offsets this by increasing weekday construction project volume. As a result, **the number of job applications has significantly increased**.

Certified contractors are construction companies that handle Company-specified spray-applied rigid urethane foam (AQUA FOAM series) and related materials after undergoing technical training based on standardized criteria and installation methods set by the Company. Unlike typical franchise systems, there are no membership fees or royalties. As the Company supplies urethane raw materials for a fee, contractors do not need to procure their own inventory, allowing for low-cost business startup. Additionally, the Company handles all sales activities and coordinates with general contractors, builders, and construction companies, enabling certified contractors to consolidate their transactions through the Company and focus exclusively on installation work. Furthermore, enhancing installation skills not only broadens the range of construction projects, but also improves time efficiency, which in turn leads to higher earning potential.

In addition to these initiatives, the Company has introduced a performance evaluation system for technical intern trainees, is improving their working conditions, and is enhancing benefits to boost satisfaction. As a result, the number of applicants seeking to join the Company is increasing, and its installation capabilities are steadily improving.

### Construction Capability Trends



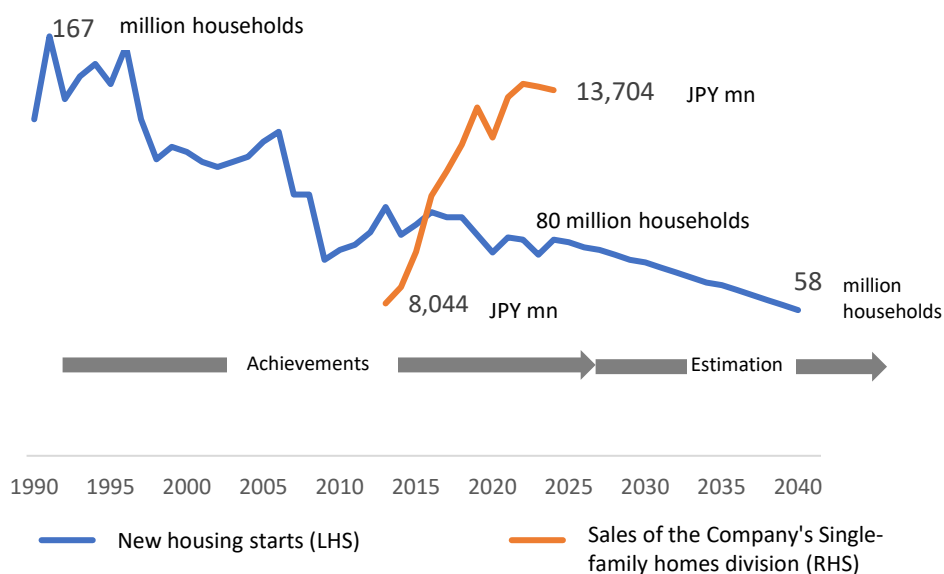
Source: Excerpt from the Company's Q1 FY2025/3 earnings briefing material.

## Industry Environment

### ■ Impact of new housing starts

New housing starts peaked at 1.67 million units in 1991 and have since trended downward, declining to 800,000 units in FY2023. This trend is expected to continue, with Nomura Research Institute forecasting that housing starts will decline to 580,000 units by 2040. As a result, the single-family housing market is expected to contract.

#### Number of new housing starts and sales in the Company's Single-family homes div.



Source: The number of new housing starts - Compiled by SIR from the MLIT data  
 Sales of Single-family homes division: Compiled by SIR from the Company's IR material

However, in the custom-built housing segment, which the Company targets as its main market, client preferences are more easily reflected, with increasing emphasis on **health, comfort, and environmental performance**. Driven by a product lineup that meets these needs and high-quality installation capabilities, the Company's Single-family homes division sales have grown significantly since its listing, rising from JPY 8,044 mn in FY2013 to JPY 13,704 mn in FY2024. Policy trends supporting environmental performance are likely to serve as a tailwind, and SIR believes that the impact of the shrinking single-family housing market will be limited (see next page).

### ■ Supported by favorable government environmental policies

The Company's insulation and waterproofing installation business is supported by favorable government environmental policies that promote higher performance standards in housing and buildings. The Japanese government has set a target to reduce greenhouse gas emissions by 46% from FY2013 levels by FY2030, and achieving this goal will require significant improvements in energy efficiency in the building sector—that is, in both residential and non-residential structures. Against this backdrop, social demand for improved insulation and airtightness performance is steadily increasing.















For new housing, full enforcement of mandatory energy efficiency standards under the Building Energy Efficiency Act, led by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), began in FY2025. Looking ahead to 2030, the government is considering **setting ZEH standards (Insulation Class 5) as the minimum required performance level**. As a result, meeting the standards using conventional glass wool or basic insulation materials will be challenging, and adoption of spray-applied rigid urethane foam—offering high airtightness and insulation performance—is expected to expand rapidly.

In addition, **the full implementation of the Energy Efficiency Labeling System**—which mandates the disclosure of energy efficiency at the time of home purchase—is advancing, and consumers are increasingly selecting homes based on insulation performance and potential energy cost savings. This trend is driving demand for higher-performance insulation materials, **particularly Nippon Aqua's high value-added products** such as **AQUA FOAM NEO and AQUA MOEN NEO**.

In addition to insulation performance, airtightness performance (C value) is also gaining importance. The C value is an indicator of a home's air leakage area, and in recent years there has been growing momentum toward mandatory airtightness performance labeling at the design stage and the introduction of local government evaluation systems. Spray-applied insulation materials with self-adhesive properties that bond tightly to structural components are well suited to meeting these high-performance trends, and SIR believes **their competitive advantage will strengthen further going forward**.

## Difference in Specification between Insulation Classes

### Region 6 such as Tokyo

<div>  <div>           Class 4  <b>The energy-saving standards</b> </div> </div> <div>  <b>AQUA FOAM LITE</b> </div> <div>            Metal Double glazing Low-E         </div> <div>            Thermal insulated entrance door         </div>	<div>  <div>           Class 5  <b>ZEH standards</b> </div> </div> <div>  <b>AQUA FOAM LITE</b> </div> <div>  <b>AQUA FOAM</b> </div> <div>            Metal/Resin Double glazing Low-E         </div> <div>            Thermal insulated entrance door         </div>	<div>  <div>           Class 6  <b>GX-oriented housing</b> </div> </div> <div>  <b>AQUA FOAM*</b> </div> <div>  <b>AQUA FOAM NEO</b> </div> <div>            Metal/Resin Triple glazing Low-E (2         </div> <div>            Thermal insulated entrance door         </div>
<p>When the insulation class is upgraded, not only the insulation material but also the thermal insulation performance of doors and sashes needs to be enhanced, resulting in construction costs higher than the energy-saving standard (Class 4).</p>	<p>According to our company's estimates, for a standard detached house in region 6 such as Tokyo, reaching the ZEH level (Class 5) increases the thickness of the insulation material, making the construction unit price 1.2 to 1.5 times higher than the energy-saving standard (Class 4).</p>	<p>For Tokyo Zero Emission Houses, etc. (Class 6), either AQUA FOAM or the superior product AQUA FOAM NEO is used, and the construction unit price is 1.7 to 3.0 times higher than the energy-saving standard (Class 4).</p>

\*From April 2024, due to the improved thermal conductivity of AQUA FOAM, enhancing its insulation performance, specifications for Class 6 have become possible, albeit with conditions. **45**

Source: Excerpt from the Company's Q1 FY2025/3 earnings briefing material.



### ■ Expectations for successive large-scale developments

Tailwinds are also emerging in the non-residential sector. Urban redevelopment projects in major metropolitan areas, along with **active new construction of semiconductor plants, data centers, and logistics facilities nationwide**, are driving steady growth in demand for high-performance insulation materials, non-flammable materials, and waterproofing materials. SIR believes that these large-scale development trends will drive further growth in the Company's Buildings Division and Waterproofing Division.



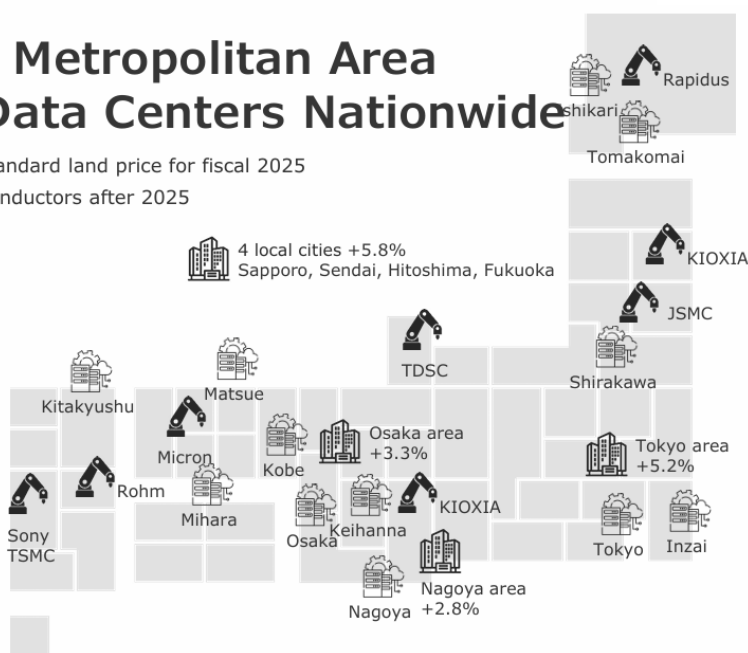
#### Market Environment

## Redevelopment in the Metropolitan Area Semiconductors and Data Centers Nationwide

✓The ratio of city names is the increase rate of the standard land price for fiscal 2025

✓Large-scale equipment investment related to semiconductors after 2025  
(It does not promise our orders)

- ✓Urban redevelopment is accelerating nationwide
- ✓The three major metropolitan areas and four cities in the regions are particularly noticeable
- ✓Investment in cutting-edge fields as a national policy
- ✓Domestic return of manufacturing facilities
- ✓Development of infrastructure, commercial facilities, housing, etc. in the surrounding areas in line with the construction of semiconductor factories is also progressing
- ✓Large data centers (about 20 locations expected to open) are also promising targets



Source: The standard land prices are from the Ministry of Land, Infrastructure, Transport and Tourism, and the semiconductor factories are based on the public materials of each company, compiled by Nippon Aqua.

Source: Excerpt from the Company's Q1 FY2025/3 earnings briefing material.

Multiple factors—including policy guidance, market maturation, changing consumer values, and growth in non-residential investment—are driving the growth potential of Nippon Aqua's core businesses. Going forward, the Company is expected to leverage its technological advantages and the nationwide reach of its construction system across each of its business divisions.



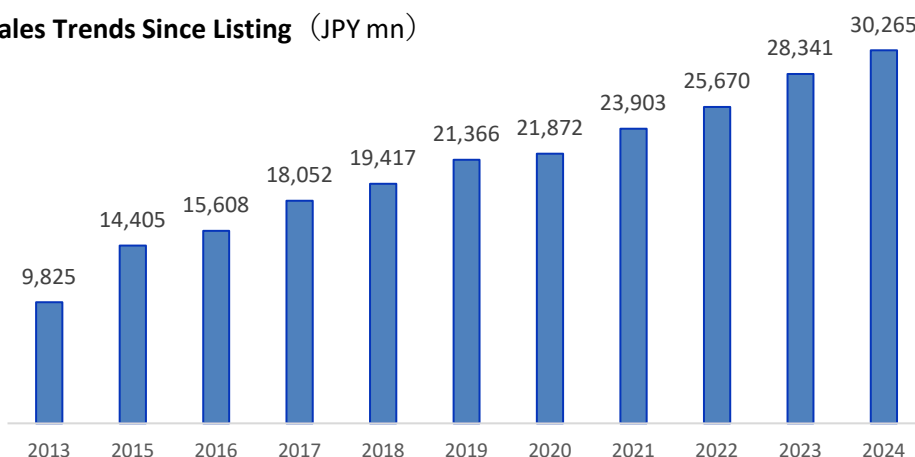


## Earnings Trend

### ■ Long-term trend: Continuous revenue growth since listing

The Company has consistently delivered net sales growth since before listing, **posting a CAGR of 10.8%** over the 13 years from 2013 to 2025. At the time of its listing on the Mothers Market of the Tokyo Stock Exchange in 2013, the Company recorded net sales in the JPY 9,800 mn range, which grew to approximately JPY 19,400 mn by 2018, followed by a successful transfer to the First Section of the Tokyo Stock Exchange. Net sales reached an all-time high of JPY 30,200 mn in 2024, and is projected to rise further to JPY 34,300 mn in 2025.

Sales Trends Since Listing (JPY mn)

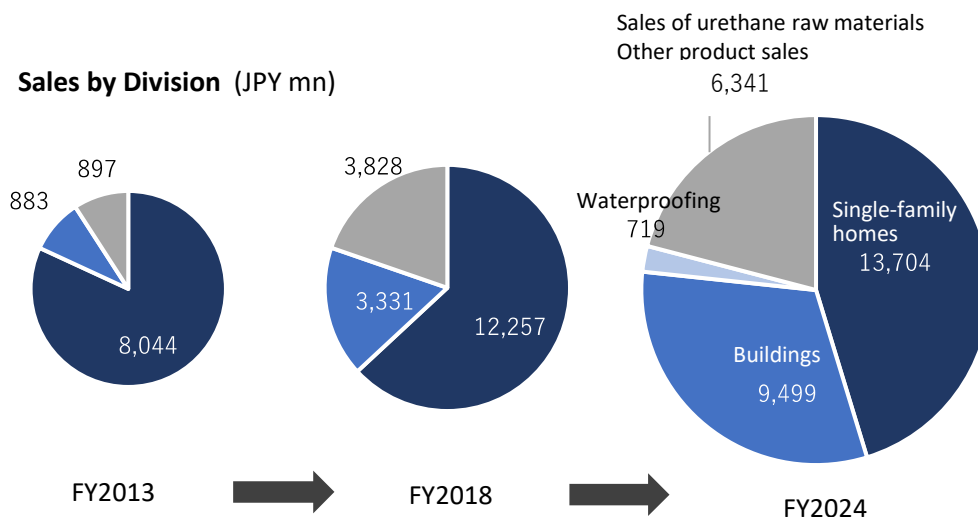


Source: Compiled by SIR from the Company's Q1 FY2025/3 earnings briefing material.

The Company's growth extends beyond its core business of insulation materials for single-family homes, supported by its expansion into the building sector, as well as surrounding businesses such as raw materials, auxiliary supplies, and waterproofing. This has enabled the Company to move away from relying on a single product to **build a more diversified sales mix**.

The Company continues to sustain its growth trajectory by leveraging its technological capabilities and construction system, while flexibly responding to macro trends such as decarbonization, stricter energy efficiency regulations, and rising building performance standards.

Sales by Division (JPY mn)



## ■ Performance trends over the past five years

The Company's net sales increased to JPY 30,265 mn over the past five years, achieving a 7.2% CAGR. This growth was driven by steady expansion in the Company's core Single-family homes division, as well as by nearly doubling sales in the Buildings Division from JPY 4,848 mn to JPY 9,499 mn. In addition, sales of raw materials rose by 95.8%, while auxiliary supplies, machinery, and other divisions recorded a 19.7% increase, with all divisions making significant contributions to overall growth.

Gross profit margins have ranged from 21% to 27% in the Single-family homes division, 15% to 25% in the Buildings Division, and 16% to 30% in raw materials sales and related divisions. Driven primarily by changes in procurement costs, these fluctuations do not indicate that the Company's business has fallen into price competition. In other words, the Company's business has not become commoditized and continues to maintain its competitive advantages.

Meanwhile, the Company began full-scale entry into the Waterproofing Division in FY2021/12, marking it as a new business area. As of FY2024/12, sales had grown to JPY 719 mn, though the division has not yet achieved profitability at the gross profit level. However, the Company intends to position the Waterproofing Division as its "third pillar" alongside the Single-family Housing and Buildings Divisions, viewing it as a key strategic division for future growth.

(JPY mn)

	2020/12	2021/12	2022/12	2023/12	2024/12
Net Sales	21,872	23,903	25,670	28,341	30,265
Single-family homes	12,448	13,521	13,873	13,798	13,704
Buildings	4,848	5,371	6,838	8,267	9,499
Waterproofing		128	315	489	719
Sales of urethane raw materials	1,137	1,098	1,211	1,916	2,226
Other product sales	3,438	3,783	3,430	3,869	4,115
Gross Profit	5,308	4,737	5,783	6,923	6,859
Single-family homes	3,183	2,772	3,542	3,685	3,196
Buildings	1,004	822	1,206	1,963	2,329
Waterproofing		20	-16	-35	(22)
Sales of urethane raw materials	212	177	361	342	372
Other product sales	909	946	690	968	984
Gross Profit Margin	24%	20%	23%	24%	23%
Single-family homes	26%	21%	26%	27%	23%
Buildings	21%	15%	18%	24%	25%
Waterproofing		16%	-5%	-7%	-3%
Sales of urethane raw materials	19%	16%	30%	18%	17%
Other product sales	26.4%	25.0%	20.1%	25.0%	23.9%
SG&A	3,414	3,328	3,456	4,042	4,286
Operating Profit	1,896	1,412	2,329	2,882	2,576
Ordinary Profit	1,912	1,429	2,360	2,917	2,604
Net Profit (ATOP)	1,343	954	1,549	2,004	1,840

Source: Compiled by SIR from SPEEDA data.

### ■ Financial position over the past five years

Over the past five years, the Company's steady accumulation of profits has increased net assets from JPY 7,638 mn to JPY 10,546 mn, boosting shareholders' equity by approximately JPY 3,000 mn.

The equity capital ratio has remained generally in the 40% range, despite an increase in interest-bearing debt accompanying business expansion. This level is sufficiently sound relative to the Company's earnings capacity, as interest-bearing debt is limited to around 2x EBITDA.

Turning over to liquidity, the cash conversion cycle (CCC)—which measures the time from product procurement to cash collection—has remained at approximately one month, reflecting procurement and sales terms structured to avoid straining cash flow. In addition, the inventory turnover period has remained below one month, underscoring the Company's efficiency in completing orders. Furthermore, the cash turnover period is approximately one month, indicating that the Company is operating with no excess cash on hand. This suggests that the Company is managing its cash efficiently.

As a result of these efforts, ROE has remained just under 20%, demonstrating the Company's ability to efficiently generate returns using shareholder capital. SIR believes the Company will maintain sound and efficient financial management going forward.

(JPY mn)

Fiscal Year	2020/12	2021/12	2022/12	2023/12	2024/12
Income Statement					
Total Assets	16,022	18,279	21,970	20,392	24,072
Current Assets	11,469	13,591	17,136	15,473	18,820
Non-Current Assets	4,553	4,688	4,834	4,919	5,252
Property, Plant & Equipment	4,133	4,263	4,346	4,367	4,271
Intangible Assets	113	112	96	86	80
Investments and Other Assets	306	313	391	466	901
Total Liabilities	8,384	10,328	14,003	11,088	13,526
Current Liabilities	8,186	10,167	13,902	10,928	13,416
Non-Current Liabilities	197	161	101	160	110
Total Net Assets	7,638	7,951	7,967	9,305	10,546
Total liabilities and net assets	16,022	18,279	21,970	20,393	24,072
(Supplemental data)					
Shareholders' Equity Ratio	47.7	43.5	36.3	45.6	43.8
ROE	18.5	12.2	19.5	23.2	18.5
Interest-bearing Debt	2,481	3,285	6,114	2,447	4,576
Total Interest Bearing Debt/EBITDA (X)	1.2	2.0	2.4	0.8	1.6
Days Cash Outstanding (Month)	0.9	1.0	1.3	0.9	0.9
Days Sales Outstanding (Month)	3.1	3.5	3.2	2.7	3.2
Days Stock Outstanding (Month)	0.7	0.5	1.5	0.9	0.9
Days Payable Outstanding (Month)	2.7	3.0	2.9	2.7	3.0
CCC (Month)	1.1	0.9	1.8	0.9	1.1
Working capital Theoretical value	2,016	1,843	3,749	2,154	2,782

Source: Compiled by SIR from SPEEDA data.

## Medium-term management plan

### ■ Overview of the 3 Pillars of Stability

The Company is pursuing its Medium-Term Management Plan “3 Pillars of Stability,” covering FY2024 through FY2026, with a focus on achieving stable growth and strengthening profitability across its three core divisions: Single-family Housing, Buildings, and Waterproofing. The plan outlines a multifaceted strategy that includes not only growth initiatives for each division, but also the establishment of a sustainable management foundation, improvements in profitability, and efforts to address social issues.

The plan sets **numerical targets for FY2026**, the final year, **with net sales of JPY 37,000 mn and ordinary profit of JPY 3,405 mn**, aiming for high growth with a **CAGR of 13.1% in net sales and 15.6% in ordinary profit**. In addition, the Company has adopted a basic policy of targeting 20% ROE, a 10% operating profit margin, and a dividend payout ratio of 50% or higher, and has also introduced a progressive dividend policy to increase dividends in line with profit growth.

### ■ Net sales by division

The core business strategy centers on **establishing the 3 Pillars of Stability**. This refers to building a business foundation around three divisions: (1) insulation for single-family homes, (2) insulation for buildings, and (3) waterproofing. While sales have historically been concentrated in the Single-family homes division, the Company aims to achieve business expansion and stable growth by scaling up its Buildings and Waterproofing Divisions.

#### ● Single-family homes division

The Company is pursuing a strategy to raise unit prices and added value by expanding business with builders nationwide and offering bundled proposals that combine insulation installation with airtightness measurement services. It has also appointed Masayuki Mae, a leading expert in energy-efficient housing and an associate professor at the University of Tokyo’s graduate school, as an advisor to promote accurate knowledge of insulation and airtightness among construction firms. In response to increasingly stringent energy efficiency standards set by local governments, demand is growing for the AQUA FOAM series, which ensures high levels of insulation and airtightness performance, and the Company is strengthening both its sales and construction systems to support this demand.

#### ● Buildings Division

The Company is targeting large-scale projects such as factories, data centers, and commercial facilities, and is promoting a more specialized sales system along with optimized construction planning. It has also established a new Construction Project Management Department to centralize site-level progress tracking, coordinate urethane foam installers, and handle progress-based billing.

#### ● Waterproofing Division

Fast-curing waterproofing construction centered on the AQUA HAIKUN product is achieving steady growth. Orders are expanding mainly for non-residential applications such as roofs, balconies, and parking structures, as the Company works to increase its market share in waterproofing materials. The rising demand for solutions to address increasingly frequent extreme weather events is providing a tailwind, while in renovation of aging buildings, the product’s quick-drying spray application method is also highly valued as an effective measure to prevent asbestos dispersion.

The Company is also expanding its business base in **product sales** with certified contractors through sales of auxiliary supplies. Its scheme with no membership fees, royalties, or inventory burden has proven effective, and both the number of contractors and total installation area are expected to grow. The Company is also building relationships with non-certified contractors by expanding urethane raw material sales beyond its certified contractor network.

### ■ System development and investment plan

From an ESG perspective, the Company is accelerating insulation installation and strengthening recycling systems for waste generated during the process. It has internalized its insulation recycling system to enhance sustainability at construction sites. In terms of human capital investments, the Company has introduced a five-day workweek and is further improving the work environment to support sustainable workstyles.

On the financial front, the Company aims to achieve its ROE and operating profit margin targets by driving long-term sales growth and efficiency improvements, while absorbing short-term cost increases from investments in logistics centers and hiring. For shareholder returns, the Company has introduced a progressive dividend policy under which it raises dividends when performance exceeds targets, in addition to maintaining a dividend payout ratio of 50% or higher.

Overall, the plan is built around a three-pronged growth strategy focused on steady sales growth, diversification of the profit structure, and ESG initiatives, with the aim of achieving record-high earnings and shareholder returns in the final year.

### Medium- to long-term outlook

Looking beyond the current medium-term management plan, the Company aims to drive further growth by pursuing steady expansion in the Single-family homes division, accelerating growth in the Buildings Division, and realizing tangible results in the Waterproofing Division. Through these efforts, **the Company envisions achieving JPY 100 bn in net sales in the 2030s.**

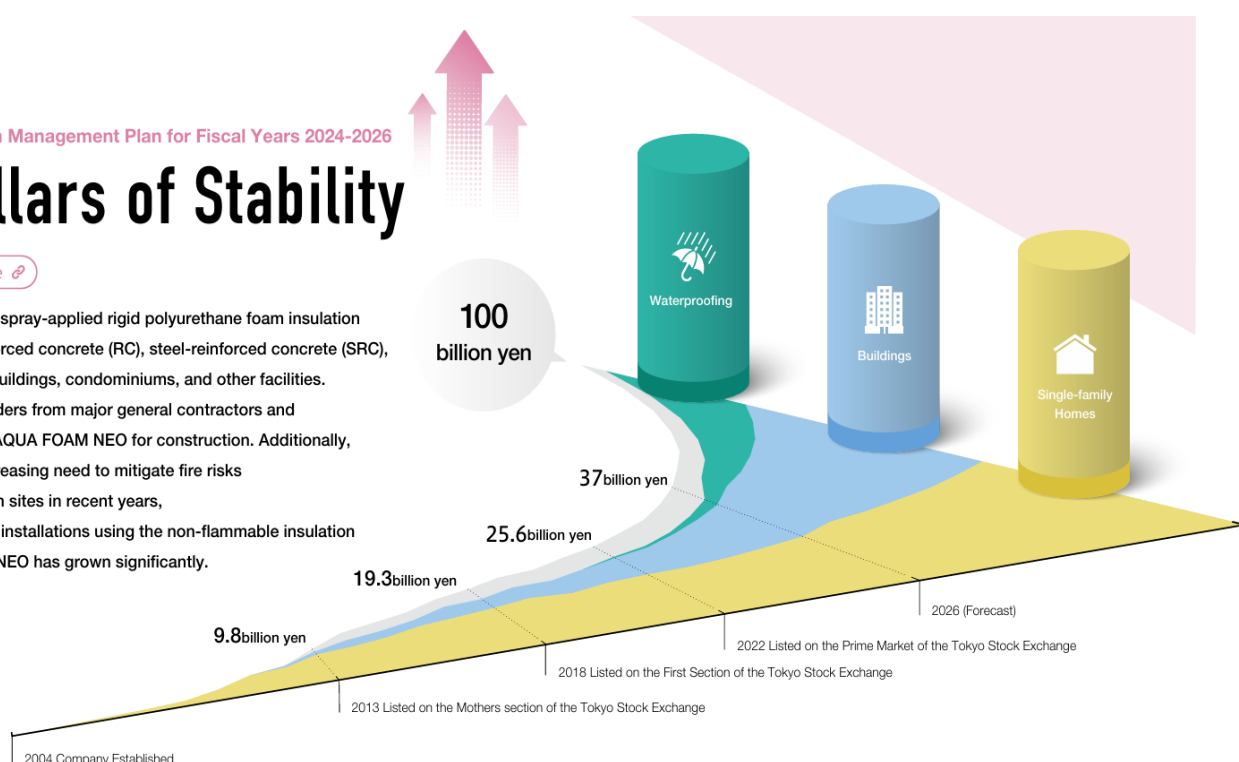
SIR views the Company's business, which addresses urgent needs and is aligned closely with government environmental policies, as a highly feasible CSV strategy (see p.8).

Medium-term Management Plan for Fiscal Years 2024-2026

## 3 Pillars of Stability

[Details Here](#)

We undertake spray-applied rigid polyurethane foam insulation work for reinforced concrete (RC), steel-reinforced concrete (SRC), and steel (S) buildings, condominiums, and other facilities. We receive orders from major general contractors and primarily use AQUA FOAM NEO for construction. Additionally, due to the increasing need to mitigate fire risks at construction sites in recent years, the number of installations using the non-flammable insulation AQUA MOEN NEO has grown significantly.



Source: Excerpt from the Company's INTEGRATED REPORT

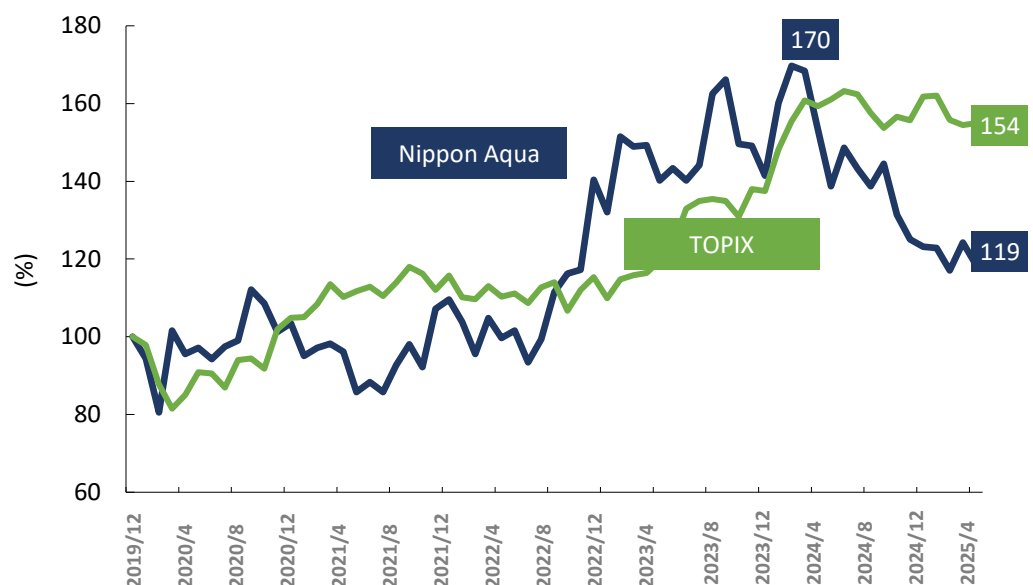
## Share Price Insights

### ■ Five-year growth comparison against TOPIX

From the base date of December 31, 2019, the Company's share price performance over the past five years shows that, despite solid business results, **the market has yet to fully recognize its value**. Although the stock reached a high level in the first half of 2024, it subsequently declined, standing at 119% of the base level as of the end of April 2025.

In contrast, TOPIX rose steadily, reaching 154% at the end of April 2025. While the Company's stock outperformed TOPIX at certain points, it is now significantly underperforming.

Comparison of share price trends vs. TOPIX



Source: Compiled by SIR from SPEEDA data

Note: Share price trend from December 31, 2019, to April 30, 2025

### ■ Financial and share price growth analysis

Although the Company is classified as a construction firm, the nature of its business suggests it is more appropriately viewed as part of a group of companies handling building materials and resin-based construction materials. Accordingly, SIR regards firms in the building materials (resins) industry as its peers and conducts comparative analysis. The industry group comprises 17 firms, including the Company. SIR uses these firms as benchmarks to assess the market valuation of its stock. The table below compares five-year growth rates for net sales, net assets, and market capitalization.

The Company posted a sales growth rate of 41.6%, with a CAGR of 7.2%, outperforming the industry average of 16.7% and 2.9%, respectively. This ranks as the second highest level within the industry. Net asset growth reached 54.1%, with a CAGR of 9.0%, also outperforming the industry average of 29.1% and 5.0%, and likewise ranking second among peers.

However, market capitalization growth told a different story. The industry average was 54.6%, with a CAGR of 7.9%, while the Company's stock posted 23.1%, with a CAGR of 4.3%, significantly underperforming the industry average. As a result, the Company ranked 12th within the industry. Thus, the Company's stock growth over the past five years has not kept pace with its financial growth.

### Nippon Aqua and its competitors in the same business: 5-year growth rate of net sales, net assets, and Mkt cap

		Net Sales			Net Assets			Market Capitalization		
		5-year growth rate	CAGR	Ranking	5-year growth rate	CAGR	Ranking	5-year growth rate	CAGR	Ranking
1429	Nippon Aqua	41.6%	7.2%	2	54.1%	9.0%	2	23.1%	4.3%	12
3106	Kurabo	5.4%	1.1%	13	34.1%	6.0%	6	85.3%	13.1%	4
4118	Kaneka Corporation	34.2%	6.1%	4	39.1%	6.8%	4	42.7%	7.4%	11
4204	SEKISUI CHEMICAL CO., LTD.	14.9%	2.8%	8	31.7%	5.7%	8	62.9%	10.3%	8
4206	Aica Kogyo Company, Limited	29.9%	5.4%	5	31.4%	5.6%	9	6.5%	1.3%	14
4212	Sekisui Jushi Corporation	9.6%	1.9%	11	-4.3%	-0.9%	16	-35.3%	-8.3%	17
4216	ASAHI YUKIZAI CORPORATION	50.5%	8.5%	1	76.9%	12.1%	1	159.9%	21.0%	2
4224	Lonseal Corporation	7.7%	1.5%	12	14.2%	2.7%	14	-7.0%	-1.4%	15
5142	ACHILLES CORPORATION	-1.4%	-0.3%	14	-4.9%	-1.0%	17	-26.0%	-5.8%	16
7871	FUKUVI CHEMICAL INDUSTRY CO., LTD.	-3.1%	-0.6%	15	22.3%	4.1%	12	108.9%	15.9%	3
7940	Wavelock Holdings Co., Ltd.	-12.6%	-2.7%	17	38.3%	6.7%	5	16.2%	3.1%	13
7942	JSP	25.5%	4.6%	6	25.1%	4.6%	11	46.6%	8.0%	9
7950	Nihon Decoluxe Co., Ltd.	14.5%	2.7%	9	7.6%	1.5%	15	46.1%	7.9%	10
7970	Shin-Etsu Polymer Co., Ltd	37.8%	6.6%	3	45.7%	7.8%	3	77.8%	12.2%	5
7971	TOLI CORPORATION	11.6%	2.2%	10	33.0%	5.9%	7	63.3%	10.3%	7
8130	Sangetsu Corporation	24.3%	4.4%	7	20.8%	3.8%	13	73.7%	11.7%	6
9827	Lilycolor CO., LTD.	-7.0%	-1.4%	16	29.3%	5.3%	10	182.6%	23.1%	1
	Average	16.7%	2.9%	NA	29.1%	5.0%	NA	54.6%	7.9%	NA

Source: Compiled by SIR from SPEEDA data.



### ■ Position of the Company's stock within the industry

The industry's average market capitalization stands at JPY 136,874 mn. This figure is heavily influenced by Sekisui Chemical Co., Ltd. (TSE: 4204), whose market capitalization exceeds JPY 1 tn, and thus overstates the actual conditions of the industry. It is therefore more appropriate to compare against the median of JPY 60,891 mn. The Company's market capitalization is JPY 26,835 mn, below the industry median and ranking 11th within the industry. Accordingly, the Company is positioned in the relatively smaller market cap tier within the industry..

The industry's average P/E ratio stands at 51.8x. This figure is heavily influenced by Lonseal Corporation (TSE: 4224), which has a P/E ratio of 544.1x. For this reason, as above, the median is used to better reflect actual industry conditions. At the end of FY2024, the Company's P/E ratio stood at 13.4x, ranking sixth within the industry.

The Company's P/B ratio stands at 2.3x, the highest within an industry that averages 0.8x.

The Company's P/S ratio stands at 0.8x, ranking sixth within an industry that averages 0.6x.

Based on the above valuation metrics, the Company's stock is relatively highly valued within the industry.

### Comparison with other companies in the same industry – Valuation-related indicators

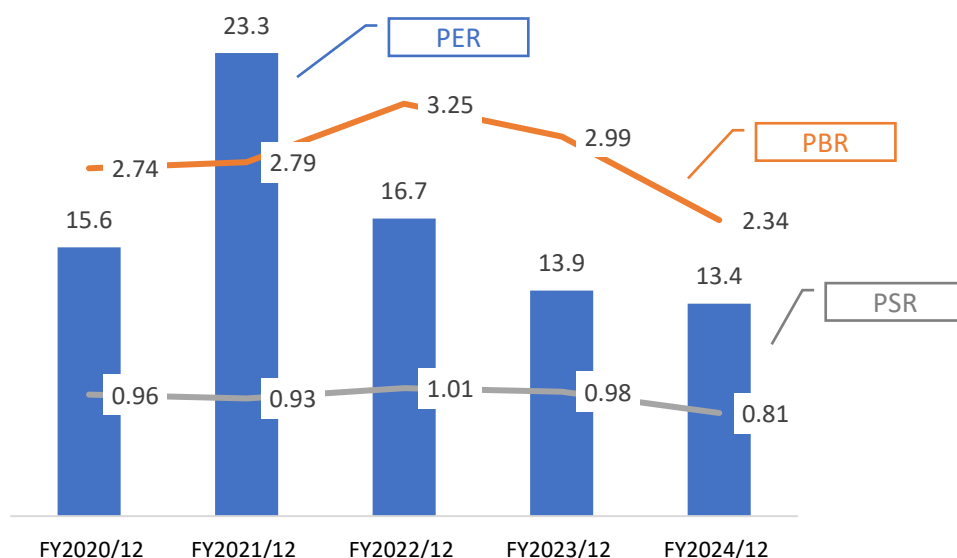
		Market capitalization (JPY mn)		P/E		P/B		P/S	
		End of FY24	Ranking	End of FY24	Ranking	End of FY24	Ranking	End of FY24	Ranking
1429	Nippon Aqua	26,835	11	13.4	6	2.3	1	0.8	6
3106	Kurabo	107,280	6	11.2	11	0.8	8	0.7	9
4118	Kaneka Corporation	251,328	2	9.5	15	0.5	12	0.3	13
4204	SEKISUI CHEMICAL CO., LTD.	1,131,049	1	13.0	8	1.3	3	0.8	5
4206	Aica Kogyo Company, Limited	222,846	3	12.2	10	1.2	4	0.8	4
4212	Sekisui Jushi Corporation	60,891	9	16.7	4	0.6	9	0.8	8
4216	ASAHI YUKIZAI CORPORATION	71,776	7	8.9	16	0.9	7	0.8	7
4224	Lonseal Corporation	7,100	15	544.1	1	0.4	15	0.3	12
5142	ACHILLES CORPORATION	20,577	12	45.2	3	0.5	13	0.2	15
7871	FUKUJI CHEMICAL INDUSTRY CO., LTD.	17,027	13	11.1	12	0.4	14	0.4	10
7940	Wavelock Holdings Co., Ltd.	6,528	17	9.5	14	0.3	17	0.2	17
7942	JSP	64,398	8	10.6	13	0.5	11	0.4	11
7950	Nihon Decoluxe Co., Ltd.	6,653	16	13.2	7	0.4	16	0.9	2
7970	Shin-Etsu Polymer Co., Ltd.	124,018	5	12.8	9	1.0	5	1.1	1
7971	TOLI CORPORATION	28,381	10	7.8	17	0.6	10	0.3	14
8130	Sangetsu Corporation	172,154	4	13.6	5	1.5	2	0.9	3
9827	Lilycolor CO., LTD.	8,015	14	127.8	2	0.9	6	0.2	16
Average		136,874		51.8		0.8		0.6	
Median		60,891		12.8		0.6		0.7	

Source: Compiled by SIR from SPEEDA data.

### ■ Trends in valuation indicators

The chart below shows the Company's valuation indicators over time. The Company's trailing P/E ratio was 15.6x in FY2020/12, rose to 23.3x in FY2021/12, and has declined since FY2022/12. The P/B ratio also rose from 2.74x in FY2020/12 to 3.25x in FY2022/12 before turning downward. Similarly, the P/S ratio rose from 0.96x in FY2020/12 to 1.01x by the end of FY2022/12. These trends suggest that market valuation rose between FY2020/12 and FY2022/12, but investor expectations appear to have moderated since then.

#### The Company's Valuation Indicators



Source: Compiled by SIR from SPEEDA data.

However, as noted above, the Company's highly favorable business environment and strong growth prospects suggest that its current P/E ratio of 13.4x appears undervalued. If the Company achieves this fiscal year's earnings targets and delivers steady progress on its medium-term management plan, it is likely to regain market attention. **SIR believes that reaching a market capitalization of JPY 30 bn is within reach**, and will continue to monitor the Company's developments with a positive outlook.

## ■ Income Statement

(JPY mn)

Fiscal Year	FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12	FY2024/12
Gross Sales	19,417	21,367	21,872	23,903	25,670	28,342	30,265
Cost of Sales	15,526	15,963	16,562	19,164	19,885	21,417	23,403
Gross Profit	3,891	5,404	5,310	4,740	5,785	6,924	6,862
Gross Margin	20	25	24	20	23	24	23
SG&A Expenses	3,124	3,494	3,414	3,328	3,456	4,042	4,286
Operating Profit	767	1,910	1,896	1,412	2,329	2,882	2,576
Operating Profit Margin	4	9	9	6	9	10	9
Non-Operating Income	28	31	47	50	52	49	57
Interest and Dividends Income	5	6	10	21	39	24	36
Non-Operating Expenses	30	32	31	33	21	14	28
Interest Expenses	10	10	10	10	12	14	20
Ordinary Profit	765	1,909	1,912	1,429	2,360	2,917	2,604
Ordinary Profit Margin	4	9	9	6	9	10	9
Extraordinary Gains/Losses	(3)	(1)	(6)	(1)	0	(6)	(6)
Extraordinary Gain	2	2	5	0	5	2	7
Extraordinary Loss	5	3	11	1	5	8	13
Pretax Profit	762	1,909	1,905	1,428	2,361	2,911	2,599
Pretax Profit Margin	4	9	9	6	9	10	9
Income Taxes	273	634	562	474	812	907	759
Income Taxes - Current	250	769	528	476	869	920	719
Income Taxes - Deferred	23	(135)	34	(2)	(58)	(13)	40
Net Profit Attribute to parent company shareholders	489	1,275	1,343	954	1,549	2,004	1,840
Net Profit Margin (Attribute to parent company shareholders)	3	6	6	4	6	7	6

Source: Compiled by SIR from SPEEDA data.

## ■ Balance Sheet

(JPY mn)

Fiscal Year	FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12	FY2024/12
Total Assets	14,382	15,379	16,022	18,279	21,970	20,392	24,072
Current Assets	11,038	11,238	11,469	13,591	17,136	15,473	18,820
Cash Equivalents And Short-term Investments	1,894	1,878	1,652	1,927	2,677	2,033	2,263
Cash & Cash Equivalents	1,894	1,878	1,652	1,927	2,677	2,033	2,263
Accounts Receivables	4,623	5,017	5,604	6,947	6,899	6,398	8,117
Notes Receivable	928	1,084	1,089	1,154			
Accounts Receivable - Other and Accrued Income	3,071	2,590	2,880	3,686	4,217	3,649	4,853
Other Short-Term Financial Assets						1,098	1,143
Inventories	1,224	1,678	1,252	952	3,122	2,209	2,222
Finished Goods and Merchandise	188	313	360	234	305	269	267
Other Inventories	1,036	1,366	892	718	2,816	1,940	1,955
Advance Payments	102	21	31	43	28	26	25
Prepaid Expenses	65	61	58	53	60	63	163
Deferred Tax Assets - Current	56						
Allowance for Doubtful Accounts - Assets	(20)	(21)	(21)	(34)	(26)	(26)	
Non-Current Assets	3,343	4,141	4,553	4,688	4,834	4,919	5,252
Property, Plant & Equipment (PPE)	3,098	3,674	4,133	4,263	4,346	4,367	4,271
Lands	1,169	1,518	1,612	1,612	1,680	1,680	1,680
Construction In Progress		221			93	56	
Intangible Assets	79	103	113	112	96	86	80
Investments and Other Assets	166	364	306	313	391	466	901
Investment Securities (inc. Subsidiaries and Affiliates)	18	18	18	19	19	20	57
Investment Securities	1	1	1	2	2	3	3
Stocks of Subsidiaries and Affiliates	17	17	17	17	17	17	17
Investments in Capital and Loans to Subsidiaries and Affiliates							37
Long-Term Loans	2	4	1	2	3	2	39
Long-Term Trade Receivables				68	68	68	14
Long-term Prepaid Expenses	9	15	16	17	17	8	327
Deferred Tax Assets - Non-Current	17	209	175	177	234	247	207
Allowance for Doubtful Accounts - Fixed	(1)	(6)	(65)	(67)	(67)	(67)	0
Total Liabilities	8,497	8,536	8,384	10,328	14,003	11,088	13,526
Current Liabilities	8,266	8,392	8,186	10,167	13,902	10,928	13,416
Trade Payables	5,043	4,615	4,840	6,056	6,272	6,453	7,557
Accounts Payable - Other and Accrued Expenses	380	631	470	450	738	929	758
Short-Term Debt	2,649	2,163	2,359	3,171	6,066	2,421	4,513
Short-Term Borrowings	2,440	2,000	2,300	3,100	6,000	2,400	4,500
Current Portion of Long-term Debt	209	163	59	71	66	21	13
Current Portion of Long-Term Borrowings	209	163	59	71	66	21	13
Advances Received	19	23	15	41	53	57	48
Non-Current Liabilities	230	144	197	161	101	160	110
Long-Term Debt	164	77	121	113	48	26	13
Long-Term Borrowings	164	77	121	113	48	26	13
Total Net Assets	5,885	6,843	7,638	7,951	7,967	9,305	10,546
Total Shareholders' Equity	5,885	6,843	7,638	7,951	7,967	9,305	10,546
Shareholders' Equity	5,885	6,843	7,638	7,951	7,967	9,304	10,545
Capital Stock	1,902	1,903	1,904	1,904	1,904	1,904	1,904
Capital Surplus	1,882	1,884	1,884	1,885	1,885	1,912	2,015
Retained Earnings	3,314	4,266	5,060	5,368	6,271	7,523	8,358
Treasury Stock	(1,213)	(1,210)	(1,209)	(1,205)	(2,093)	(2,035)	(1,732)
Accumulated Other Comprehensive Income	0	0	0	0	0	0	1
Valuation Difference On Available-for-sale Securities	0	0	0	0	0	0	1

Source: Compiled by SIR from SPEEDA data.

## ■ Cash flow statement

(JPY mn)

Fiscal Year	FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12	FY2024/12
Statements of Cash Flows							
Cash Flows from Operating Activities	(359)	1,657	694	521	(298)	4,022	(517)
Depreciation and Amortization - CF	156	165	187	208	222	240	240
Depreciation - CF	156	165	187	208	222	240	240
Gain/Loss on Sale of PPE	3	1	(3)	1	(1)	6	6
Interest and Dividends Received - Operating CF	5	6	10	21	39	24	36
Interest Paid - Operating CF	(10)	(10)	(10)	(10)	(12)	(14)	(20)
Cash Flows from Investing Activities	(40)	(770)	(609)	(355)	(293)	(385)	(338)
Payments for Purchases of Securities and Investment Securities	0	0	0	0	0	0	0
Payments for Purchases of Investment Securities	0	0	0	0	0	0	0
Purchases/Sales of PPE	(70)	(724)	(611)	(328)	(258)	(286)	(162)
Payments for Purchases of PPE	(74)	(731)	(653)	(328)	(271)	(295)	(182)
Proceeds from Sales of PPE	4	7	42	0	13	9	20
Purchases/Sales of Intangible Assets	(15)	(40)	(33)	(28)	(18)	(25)	(27)
Payments for Purchases of Intangible Assets	(15)	(40)	(33)	(28)	(18)	(25)	(27)
Cash Flows from Financial Activities	316	(903)	(311)	110	1,341	(4,280)	1,085
Proceeds from Short-Term Borrowings	605		300	800	2,900		2,100
Repayments of Short-Term Borrowings		(440)				(3,600)	
Increase in Long-Term Debt			100				
Proceeds from Long-Term Borrowings			100				
Repayments of Long-Term Debt	(199)	(199)	(137)	(33)	(33)	(33)	
Repayments of Long-Term Borrowings	(199)	(199)	(137)	(33)	(33)	(33)	
Proceeds from Issuance of Stock	16	3	1			85	
Redemption/Retirement of Stock		0			(889)		
Cash Dividends Paid	(129)	(323)	(549)	(646)	(646)	(752)	(1,005)
Changes in Cash	(83)	(15)	(226)	275	750	(644)	230
Cash & Cash Equivalent - Beginning	1,976	1,894	1,878	1,652	1,927	2,677	2,033
Cash & Cash Equivalent - Ending	1,894	1,878	1,652	1,927	2,677	2,033	2,263
Free Cash Flow (FCF)	(399)	887	85	166	(591)	3,637	(855)

Source: Compiled by SIR from SPEEDA data.

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