



Double-digit sales and profit growth in Q3 FY2025/12 on policy-driven expansion in high-performance insulation demand

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%.

■ Q3 FY2025/12 Earnings results

In cumulative Q3 FY2025/12 (January–September), the Company posted net sales of JPY 24,288 mn (+16.7% YoY), operating profit of JPY 1,740 mn (+14.4% YoY), ordinary profit of JPY 1,753 mn (+13.3% YoY), and net profit of JPY 1,186 mn (+13.7% YoY), marking significant sales and profit growth. By division, the core Single-family homes division was the main driver, with sales of JPY 11,299 mn (+16.7% YoY), supported by rising interest in Insulation Class 6 standards. The Buildings division also expanded on the back of increased data center and high-rise condominium projects, posting JPY 7,211 mn (+11.7% YoY) in sales. Sales in the Waterproofing division surged to JPY 1,111 mn (+155.0% YoY), driven by wider adoption of the Company's proprietary FUKUGEN Construction Method.

■ 2025/12 Full-year forecast remains unchanged

There have been no changes to the full-year forecast. The Company expects net sales of JPY 34,360 mn (+13.5% YoY), operating profit of JPY 3,004 mn (+16.6% YoY), ordinary profit of JPY 3,062 mn (+17.6% YoY), and net profit of JPY 2,067 mn (+12.4% YoY). The Company anticipates steady growth in both residential and non-residential markets, supported by expanding demand for homes with high insulation and airtightness, and energy-efficient buildings driven by policy tailwinds such as the mandatory enforcement of energy efficiency standards and the government's plan to introduce new GX ZEH criteria.

■ Share price insights

Since the start of 2025, the Company's share price has risen steadily on the back of strong earnings, and has continued to outperform the TOPIX since the Q1 results. Even in a broadly rising market, the Company's stock performance clearly reflects the underlying strength of its earnings.

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%	2,604	-10.7%	1,840	-8.2%	58.55	34.00
2025/12 (CE)	34,360	13.5%	3,004	16.6%	3,062	17.6%	2,067	12.4%		35.00
2024/12 Q3	20,817	--	1,521	--	1,548	--	1,043	--	33.23	--
2025/12 Q3	24,288	16.7%	1,740	14.4%	1,753	13.3%	1,186	13.7%	37.19	--

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.

Q3 Follow-up



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 (11/27)	886
YH (11/6)	955
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)	30.10
EV (JPY bn)	29.74
24/12 Equity ratio (act)	43.8%
25/12 P/E (CE)	13.2x
24/12 P/B (act)	2.62x
24/12 ROE (act)	18.5%
25/12 DY (CE)	4.0%

Share price trend (1 year)



Source: TradingView

Team Coverage

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Q3 FY2025/12 Earnings Results

■ Favorable external environment is expected to continue

Starting in April 2025, the Japanese government mandated energy efficiency compliance for newly built homes and buildings, further accelerating decarbonization efforts in the housing and building sectors. By around 2030, Insulation Performance Class standards (hereinafter, “Insulation Class”) are expected to be raised from the current Class 4 to Class 5, the ZEH (Net Zero Energy House) level. In addition, the Ministry of Economy, Trade and Industry plans to begin applying the GX ZEH standard in April 2027. As a result, high-performance homes with Insulation Class 6 or higher are becoming the new market standard, and demand for homes with high insulation and airtightness is rising further across the entire housing sector. Insulation demand is also expanding in the non-residential sector, particularly at facilities such as data centers and semiconductor plants, where operational efficiency and energy savings are critical. In the cold chain sector, including refrigerated and frozen warehouses and low-temperature logistics facilities, the adoption of high-performance insulation materials is also advancing, and investment aimed at improving energy efficiency is increasing. SIR views these policy-driven and structural trends as tailwinds boosting demand for the Company’s high insulation material, the AQUA FOAM series.

■ Strong revenue and profit growth in Q3 FY2025/12

Under these conditions, the Company’s Q3 FY2025/12 results (January–September) included net sales of JPY 24,288 mn (+16.7% YoY) and gross profit of JPY 5,391 mn (+15.4% YoY). SG&A expenses totaled JPY 3,651 mn (+15.9% YoY), reflecting a JPY 500 mn increase as the Company expanded its operational bases to reduce travel time, improve operational efficiency, and enhance the workplace environment. That said, the Company achieved strong revenue and profit growth, recording operating profit of JPY 1,740 mn (+14.4% YoY), ordinary profit of JPY 1,753 mn (+13.3% YoY), and net profit of JPY 1,186 mn (+13.7% YoY).

■ Earnings trend by division

(Single-family homes division/ Net sales 11,299 mn, +16.7%YoY)

Demand has been expanding, driven by the government’s energy efficiency mandate and growing interest in Insulation Class 6 and above. Upholding the slogan “Insulation without airtightness is powerless,” the Company promoted a proposal-based sales approach that incorporates airtightness measurement services. The number of construction units rose 14.0% YoY, driven by expanding business with major builders and full-year contributions from new large-scale customers. In addition, through the rollout of “All-in AQUA FOAM (Marutto AQUA FOAM),” the Company established a structure that allows it to propose optimal insulation performance for each project, beginning with flooring materials.

(Buildings division/ Net sales JPY 7,211 mn, +11.7%YoY)

The Company continued to win projects in the non-residential sector, including data centers, semiconductor plants, commercial facilities, and high-rise condominiums. Despite design changes and construction delays caused by rising material prices, the Company’s order base is steadily expanding. The Company began sales activities in the cold chain segment, identifying pharmaceuticals and frozen foods as promising markets.

(Waterproofing division/ Net sales JPY 1,111 mn, +155.0%YoY)

Amid rising demand for the renovation of aging buildings, the Company recorded strong revenue growth as its proprietary FUKUGEN Method, which integrates insulation and heat shielding functions, continued to earn high marks in the market and drove an increase in orders for non-residential properties such as factories. Recognition is expected to expand further, as “AQUA HAJIKUN” has been explicitly specified in the standards for nationally important facilities. The Company estimates the potential target market size of waterproofing at JPY 600 bn, with limited competition and no other player capable of delivering a uniform nationwide service. SIR views this division as an increasingly promising future growth area, driven by a growing customer base and a strong tendency for repeat business.

(Sales of Urethane raw materials division / Net sales JPY 1,420 mn, -0.8%YoY)

Demand for urethane raw materials remained largely flat, and the Company prioritized internal construction needs over external customers.

(Other product sales division/ Net sales JPY 3,246 mn, +15.4%YoY)

Sales of auxiliary supplies and machinery remained firm. The expansion of the Company’s construction-related operations led to higher demand for related materials.

Earnings Results by Division

	Q3 FY2024/12		Q3 FY2025/12		YoY (%)	FY2024/12		FY2025/12 (CE)		YoY (%)
	Net Sales (JPY mn)	Composition Ratio	Net Sales (JPY mn)	Composition Ratio		Net Sales (JPY mn)	Composition Ratio	Net Sales (JPY mn)	Composition Ratio	
Single-Family Homes Division	9,683	46.5%	11,299	46.5%	20.5%	13,704	45.3%	14,435	42.0%	5.3%
Buildings Division	6,454	31.0%	7,211	29.7%	20.6%	9,499	31.4%	11,881	34.6%	25.1%
Waterproofing Division	435	2.1%	1,111	4.6%	139.5%	719	2.4%	1,500	4.4%	108.3%
Sales of Urethane Raw Materials Division	1,432	6.9%	1,420	5.8%	-4.0%	2,226	7.4%	2,398	7.0%	7.7%
Other Product Sales	2,811	13.5%	3,246	13.4%	25.9%	4,115	13.6%	4,145	12.1%	0.7%
Total Net Sales	20,817	100.0%	24,288	100.0%	21.9%	30,265	100.0%	34,360	100.0%	13.5%
Operating Profit	1,521	6.4%	1,740	6.8%	28.5%	2,575	8.5%	3,004	8.7%	16.7%
Ordinary Profit	1,548	7.4%	1,753	7.2%	26.8%	2,604	8.6%	3,062	8.9%	17.6%
Net Profit	1,043	5.0%	1,186	4.9%	29.0%	1,839	6.1%	2,067	6.0%	12.4%

Source: Compiled by SIR from the Company’s financial results materials

Note: Figures may differ from the Company’s materials due to differences in SIR’s financial data processing and the Company’s reporting standards.

FY2025/12 Full-Year Earnings Forecast

■ Summary

The Company's full-year forecast for FY2025/12 remains unchanged from the full-year forecast announced in May. The Company expects net sales of JPY 34,360 mn (+13.5% YoY), operating profit of JPY 3,004 mn (+16.7% YoY), ordinary profit of JPY 3,062 mn (+17.6% YoY), and net profit of JPY 2,067 mn (+12.4% YoY).

By division, the core Single-family homes division is expected to post sales of JPY 14,435 mn (+5.3% YoY), delivering steady growth. The Buildings division, supported by increasing condominium construction and other projects, is projected to reach JPY 11,881 mn (+25.1% YoY), marking a significant gain. The Waterproofing division expected to double sales to JPY 1,500 mn (+108.3% YoY), driven by wider adoption of the Company's proprietary FUKUGEN Construction Method.

■ Progress against guidance

As of Q3, progress toward full-year guidance stood at 70.7% for net sales. Based on historical results, the six-year average progress rate for net sales as of Q3 is 69.2%, meaning the Company's current progress exceeds the past average and remains on a steady trajectory.

Meanwhile, ordinary profit progress stood at 57.3%, falling slightly below the past-year average of 60.7%. The Company anticipates that workplace improvements and operational efficiency initiatives completed through Q3 will help close this gap.

Progress Rate of Net Sales as of Q3

	Net Sales					
	FY2020/12 (JPY mn)	FY2021/12 (JPY mn)	FY2022/12 (JPY mn)	FY2023/12 (JPY mn)	FY2024/12 (JPY mn)	FY2025/12 (JPY mn)
Results for Q3	15,372	17,033	18,259	20,165	20,817	24,288
Progress Rate	66.3%	72.4%	68.9%	69.5%	67.1%	70.7%
Initial Full-Year Forecast	23,200	23,513	26,490	29,021	31,005	34,360
Full-Year Results	21,872	23,903	25,670	28,341	30,265	NA
Results / Forecast	94.3%	101.7%	96.9%	97.7%	97.6%	NA

Note: Six-year average progress rate: 69.2%; Five-year average results / forecast: 97.6%

Source: Compiled by SIR from the Company's financial results materials

Progress Rate of Ordinary Profit as of Q3

	Ordinary Profit					
	FY2020/12 (JPY mn)	FY2021/12 (JPY mn)	FY2022/12 (JPY mn)	FY2023/12 (JPY mn)	FY2024/12 (JPY mn)	FY2025/12 (JPY mn)
Results for Q3	1,174	837	1,660	2,225	1,548	1,753
Progress Rate	55.9%	41.8%	78.3%	80.9%	49.9%	57.3%
Initial Full-Year Forecast	2,100	2,003	2,121	2,750	3,100	3,062
Full-Year Results	1,429	1,429	2,359	2,917	2,604	NA
Results / Forecast	68.0%	71.3%	111.2%	106.1%	84.0%	NA

Note: Six-year average progress rate: 60.7%; Five-year average results / forecast: 88.1%

Source: Compiled by SIR from the Company's financial results materials

Topics

■ Rollout of “All-in AQUA FOAM” and expansion of the business platform

In July 2025, the Company began rolling out “All-in AQUA FOAM” for newly built homes. It serves as a comprehensive solution that delivers an integrated proposal for the optimal insulation construction plan tailored to each building’s insulation performance, airtightness, and design specifications. By providing insulation materials along with airtightness measurement services and quality assurance as a one-stop solution, the Company is meeting builders’ and construction firms’ needs for reduced installation effort and consistent quality. This initiative strengthens the Company’s differentiation in the single-family housing market and supports continued market share expansion.

The Company also aims to broaden its business opportunities by entering the insulation board market in addition to its conventional on-site urethane foam insulation installation. By leveraging its sales capabilities with builders and construction firms, the Company has started procuring and selling insulation boards, a category it had not previously handled.

■ Recognition of focus markets

The Company has also positioned the data center and cold chain (refrigerated and cold logistics facilities) markets as priority targets, identifying them as key growth drivers for the Buildings division. Both sectors face management priorities such as optimizing energy efficiency and improving temperature control accuracy, creating a clear need for higher insulation performance. Data centers, in particular, are rapidly adopting technologies that deliver high insulation and airtightness, as these directly improve PUE (Power Usage Effectiveness), a key indicator of IT equipment operating efficiency.

The cold chain market, including cold storage warehouses and low-temperature logistics facilities, also faces challenges centered on maintaining cooling efficiency and minimizing energy consumption. Growing demand for frozen foods and rising demand for temperature control in pharmaceuticals and vaccines are further elevating the importance of addressing these challenges. Recognizing this as a focus market, the Company aims to expand its order base by offering insulation technologies with strong condensation-prevention and temperature-stability performance.

Share Price Insights

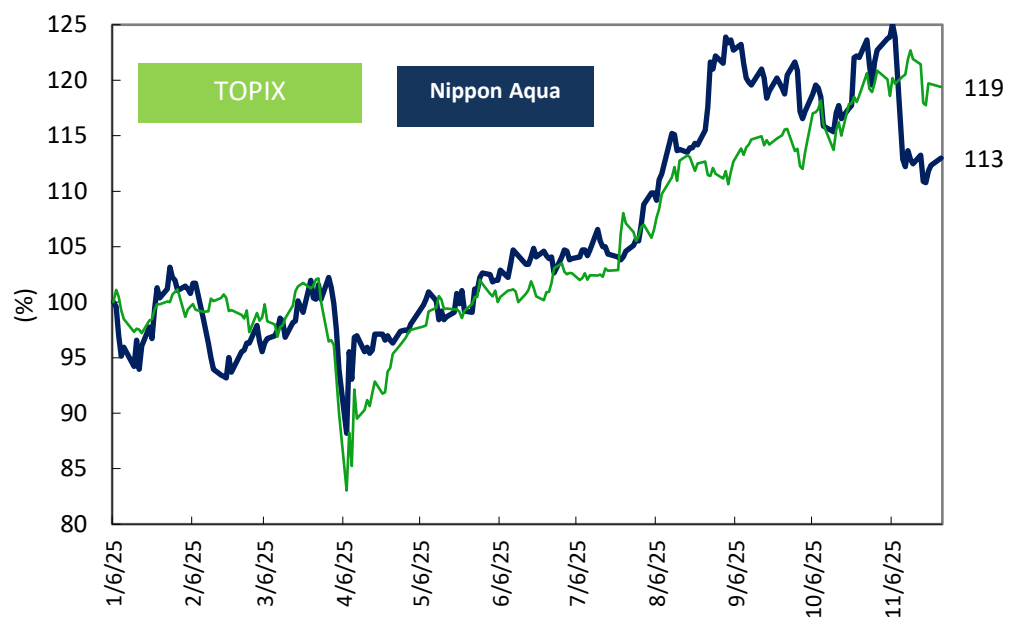
■ Share price fell sharply after Q3 results, underperforming TOPIX in year-to-date gains

The Company's share price maintained a steady upward trend year-to-date, aside from a brief market-wide correction triggered by events such as the Trump tariff shock. However, the stock saw a significant sell-off after the Q3 results announcement and is now in a consolidation phase.

【Nippon Aqua: Financial results announcement】

- February 7, 2025 Full-year FY2024/12
- May 9, 2025 Q1 FY2025/12
- August 8, 2025 Q2 FY2025/12
- November 7, 2025 Q3 FY2025/12

Year-to-Date Performance of the Company's Stock and TOPIX



Source: Compiled by SIR from SPEEDA data

Through these developments, the Company's share price, which had almost consistently outperformed TOPIX year-to-date, has now shifted to underperformance. Following the Q3 results, SIR believes the earlier share price increase had already priced in heightened expectations stemming from policy tailwinds.

■ Four scenarios for a renewed uptrend

The Company's share price has been in a correction phase since reaching its year-to-date high of JPY 955 in early November. To break out of this phase and return to an upward trend, SIR identifies several clear scenarios.

The first scenario is an upside recovery driven by renewed confirmation of earnings momentum. Through Q3, the Company achieved double-digit growth, recording net sales of JPY 24,288 million and operating profit of JPY 1,740 million, which sets the stage for renewed market confidence. If the Company delivers further incremental progress in Q4 toward its full-year targets, the market is likely to view this as evidence of sustained growth. If policy effects related to ZEH and GX ZEH become more evident and insulation demand in the housing sector remains strong, the resulting potential for upward earnings revisions and increased expectations for the next fiscal year could lift the share price.

The second scenario is a catalyst driven by securing large-scale projects in the non-residential sector. The data center and cold chain sectors, positioned as key targets for the Buildings Division, represent growth markets aligned with the government's GX investment and logistics-efficiency policies. If the Company reports new orders or contract wins with new customers in these areas, the market is likely to more clearly recognize the expansion of its business domain. With the Company's entry into the insulation board market, the market may begin to price in a shift from a housing-centric model to a comprehensive insulation solutions provider.

The third scenario is a re-rating driven by strengthened engagement with capital markets. The Company meets the Prime Market listing standards and is committed to improving ROE and strengthening shareholder returns. If the indicators outlined in the medium-term management plan show a clear path toward achieving their quantitative targets, there is room for the Company to be revalued as an ESG and sustainability-related stock. The Company's clear commitment to a progressive dividend policy is particularly effective in encouraging stable ownership among individual investors.

The final scenario is an improvement in macroeconomic conditions combined with policy trends that provide additional tailwinds. If concerns over rising interest rates recede and housing starts begin to recover, a more supportive macro environment would make it easier for the Company's valuation to be reassessed, especially when coupled with the structural growth in insulation demand. In particular, continued expansion of decarbonization-related budgets and ZEH subsidies would help lift demand over the medium to long term.

SIR believes these four layers, demonstrated earnings performance, progress in non-residential market development, a clearly articulated shareholder return stance, and supportive macroeconomic and policy conditions, together form a coherent roadmap for a renewed recovery in the Company's share price. SIR views the current consolidation phase as a waiting period until multiple triggers emerge simultaneously, positioning the Company in a runway phase for its next stage of growth.

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