

Strong results continue on policy tailwinds, with procurement and supply capabilities standing out amid Middle East impact and opportunities expanding as demand shifts toward substitute products

Summary

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

Nippon Aqua (hereafter, "the Company") is listed on the Prime Market of the Tokyo Stock Exchange and operates under the philosophy of "Contribution to society through the creation of living environments that are friendly to people and the earth." Through its insulation and waterproofing technologies, the Company works to improve energy efficiency and help create a sustainable society. It holds a leading share in Japan's on-site sprayed urethane foam insulation installation market and operates through three core divisions: Single-family homes, Buildings, and Waterproofing. The Company has achieved high growth, with sales increasing every year since its listing in 2013.

■ Q1 FY2026/12 results driven by core Single-family homes division

In Q1 FY2026/12, the Company secured higher sales and profit, with net sales coming in at JPY 7,710 mn (+2.8% YoY) and operating profit at JPY 543 mn (+3.3% YoY). On the other hand, ordinary profit stood at JPY 521 mn (-1.6% YoY), while quarterly net profit came to JPY 341 mn (-4.9% YoY). The core Single-family homes division performed strongly, with sales rising to JPY 3,907 mn (+6.5% YoY), driven by proposals for high-performance insulation, high-airtightness homes and the expansion of airtightness measurement services. Sales in the Waterproofing division also increased to JPY 212 mn (+33.4% YoY), supported by an increase in factory renovation projects. Meanwhile, sales in the Buildings division fell to JPY 2,171 mn (-8.1% YoY), but came in ahead of plan thanks to additional installation work and other factors.

■ FY2026/12 forecast calls for growth opportunities from policy tailwinds and supply concerns

There have been no changes to the full-year forecast. The Company expects net sales of JPY 37,000 mn (+9.9% YoY), operating profit of JPY 2,900 mn (+4.5% YoY), ordinary profit of JPY 2,910 mn (+4.1% YoY), and net profit of JPY 1,972 mn (+4.1% YoY). Looking ahead, growing demand for high-performance insulation driven by stricter energy efficiency standards is expected to remain a tailwind. In addition, growing demand from data centers and the cold chain sector is expected to serve as a medium- to long-term growth driver. In addition, the worsening situation in the Middle East has raised concerns over raw material supply. Against this backdrop, the Company aims to capture new growth opportunities from increasing inquiries related to changes in designated installation contractors and switches from board insulation materials to on-site sprayed urethane foam insulation materials.

	JPY mn, %, JPY	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Net profit	YoY	EPS	DPS
FY2023/12		28,342	10.4%	2,882	23.7%	2,917	23.6%	2,004	29.4%	63.83	32.00
FY2024/12		30,265	6.8%	2,575	-10.6%	2,604	-10.7%	1,839	-8.2%	58.55	34.00
FY2025/12		33,670	11.3%	2,774	7.7%	2,794	7.3%	1,895	3.1%	59.42	35.00
FY2026/12 (CE)		37,000	9.9%	2,900	4.5%	2,910	4.1%	1,972	4.1%	61.84	35.00
FY2025/12 Q1		7,501	19.6%	526	18.3%	529	16.8%	359	18.8%	11.25	-
FY2026/12 Q1		7,710	2.8%	543	3.3%	521	-1.6%	341	-4.9%	10.60	-

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.

Q1 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 (6/3)	708
52WH (25/11/06)	955
52WL (26/4/27)	678
10YH (23/9/14)	1,125
10YL (18/11/19)	318
Shrs out. (mn shrs)	34.76
Mkt cap (JPY bn)	24.61
EV (JPY bn/LTM)	24.72
Equity ratio (LTM)	45.7%
25/12 ROE (act)	17.1%
26/12 P/E (CE)	11.4X
P/B (LTM)	1.96X
EV/EBITDA (LTM)	8.23X
26/12 DY (CE)	4.94%

Share price trend (1 year)



Source: TradingView

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■ Share price insights – nearing a re-rating phase

Since 2025, the Company's shares have continued to underperform TOPIX and the broader market. The housing equipment and construction materials sector as a whole has been weak amid concerns over rising interest rates and sluggish housing starts, and the Company's shares have also been affected by these headwinds. However, the business environment itself is improving. In the Single-family homes division, sales to major builders are expanding. In the Buildings division, the Company is making progress in cultivating demand from data centers and major logistics facilities, while in the Waterproofing division, it is developing projects for nationally important facilities. In addition, in Q1 FY2026/12, net sales exceeded plan, while the Waterproofing division and Sales of urethane raw materials division also grew significantly. SIR believes the Company's growth scenario is becoming increasingly realistic, and that the shares are nearing a re-rating phase.

FY2026/12 Q1 Earnings Results

■ Q1 FY2026/12 results summary

In Q1 FY2026/12, the Company reported net sales of JPY 7,710 mn (+2.8% YoY), gross profit of JPY 1,795 mn (+9.9% YoY), and ordinary profit of JPY 521 mn (-1.6% YoY). Growth in the Single-family homes division, together with significant expansion in the Waterproofing division and Sales of urethane raw materials division, offset the drop in sales in the Buildings division. Net sales came in ahead of plan, indicating a solid start overall.

Single-family homes division

Sales in the Single-family homes division were JPY 3,907 mn (+6.5% YoY), while gross profit was JPY 920 mn (+14.7% YoY). Orders from nationwide and major builders remained strong, while higher unit prices from the expansion of airtightness measurement services and compliance with Insulation Grade 6 also contributed. Although growth in the number of home installations was limited, profitability improved through the shift toward higher value-added services.

Buildings division

Sales in the Buildings division were JPY 2,171 mn (-8.1% YoY), while gross profit was JPY 466 mn (-10.4% YoY). Although sales and profit fell YoY, the division came in ahead of plan thanks to additional installation work and other factors. The separation of sales and installation management functions is working effectively, helping secure earnings through project management and additional proposals.

Waterproofing division

Sales in the Waterproofing division were JPY 212 mn (+33.4% YoY), while gross profit was JPY 40 mn (+221.5% YoY). Renovation demand in non-residential sectors such as logistics warehouses and factories remained firm, while projects for nationally important facilities also contributed. The customer base is shifting toward major clients, and the Waterproofing business will likely become a growth driver going forward.

FY2026/12 Q1 Earnings results summary

JPY mn, %	FY2024/12 Q1	FY2025/12 Q1	FY2026/12 Q1	YoY
Net sales	6,272	7,501	7,710	2.8%
Single-family homes	2,985	3,669	3,907	6.5%
Buildings	1,929	2,362	2,171	-8.1%
Waterproofing	136	159	212	33.4%
Sales of urethane raw materials	414	394	489	24.0%
Other product sales	807	916	929	1.4%
Gross profit	1,447	1,634	1,795	9.9%
Single-family homes	730	803	920	14.7%
Buildings	454	520	466	-10.4%
Waterproofing	2	12	40	221.5%
Sales of urethane raw materials	74	78	104	33.7%
Other product sales	181	219	263	20.1%
Operating profit	445	526	543	3.3%
Ordinary profit	453	529	521	-1.6%
Net profit	302	359	341	-4.9%

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.

**FY2026/12
Full-Year Earnings
Forecast****Sales of urethane raw materials division**

Sales in the Sales of urethane raw materials division were JPY 489 mn (+24.0% YoY), while gross profit was JPY 104 mn (+33.7% YoY). Demand increased due to growing recognition of the Company as a raw materials manufacturer, as well as supply concerns stemming from the conflict in the Middle East. The Company's diversified procurement structure and stable supply capabilities have become differentiating factors, helping it gain new customers.

Other product sales division

Sales in the Other product sales division were JPY 929 mn (+1.4% YoY), while gross profit was JPY 263 mn (+20.1% YoY). Sales of auxiliary supplies remained firm in line with increased installation volume in the Single-family homes division, while the profit margin also improved. Although sales growth was limited, the division helped support overall earnings on the profit front.

Overall, in Q1 FY2026/12, growth in the Single-family homes division served as the core driver, while the Waterproofing division and Sales of urethane raw materials division expanded beyond expectations. Amid growing supply concerns stemming from the conflict in the Middle East, the Company is leveraging its stable procurement capabilities to capture opportunities to expand market share, showing solid progress toward achieving its full-year plan.

■ FY2026/12 forecast

For FY2026/12, the Company forecasts net sales of JPY 37,000 mn (+9.9% YoY) and ordinary profit of JPY 2,910 mn (+4.1% YoY). Q1 progress for net sales came to 20.8%, while progress for ordinary profit was 17.9%, both in line with typical levels. Although there is a risk of higher raw material prices due to rising tensions in the Middle East, the Company has a diversified procurement structure and the ability to pass on cost increases, and therefore believes there is no need to revise its earnings forecast at this time.

Single-family homes division

The Single-family homes division is expected to remain the main driver of earnings growth, with projected full-year sales of JPY 17,097 mn (+8.5% YoY). Growth will likely be driven by increased orders from nationwide and major homebuilders. In addition, demand for high-performance airtightness in homes is driving the adoption of Insulation Grade higher insulation 6 compliance and airtightness measurement services, which is expected to support not only volume growth but also higher unit prices. The Company is targeting airtightness measurement services for 40% of home installations and Insulation Grade 6 compliance for 25%, which will likely contribute to improved profitability over the medium to long term.

Buildings division

For the Buildings division, the Company projects full-year sales of JPY 10,948 mn (+10.6% YoY). The Company plans to improve profitability by strengthening its installation management structure while capturing demand in non-residential sectors such as logistics facilities, factories, and commercial facilities. With the separation of sales and installation management functions becoming established, the Company also expects sales growth from proposals for additional installation work. In addition, capturing demand for substitute products stemming from shortages of board insulation materials is attracting attention as a growth catalyst.

Waterproofing division

In the Waterproofing division, the Company projects strong growth, with full-year sales of JPY 2,096 mn (+38.3% YoY). In addition to non-residential fields such as logistics warehouses and factories, growth is expected from projects for nationally important facilities and major renovation projects. The Company is also seeing an increase in inquiries from automotive plants and major manufacturers, as its customer base shifts toward major clients. Since synergies with insulation installation can also be expected, the division is positioned as a growth business going forward.

Sales of urethane raw materials division and Other product sales division

For the Sales of urethane raw materials division, the Company projects full-year sales of JPY 2,377 mn (+14.7% YoY), while for Other product sales division, it projects sales of JPY 4,480 mn (+1.4% YoY). As supply concerns stemming from the conflict in the Middle East spread across the industry, the Company's stable supply capabilities have become a differentiating factor. In particular, the Company is gaining new customers in the Sales of urethane raw materials and expects to see demand for substitute products due to supply shortages. For sales of auxiliary supplies, the Company also expects firm performance in line with expanded installation volume in the Single-family homes division.

FY2026/12 forecast

JPY mn, %	FY2025/12	FY2026/12	CHG	YoY
Net sales	33,670	37,000	3,329	9.9%
Single-family homes	15,765	17,097	1,332	8.5%
Buildings	9,896	10,948	1,051	10.6%
Waterproofing	1,515	2,096	580	38.3%
Sales of urethane raw materials	2,072	2,377	305	14.7%
Other product sales	4,420	4,480	59	1.4%
Gross profit	7,738	8,177	438	5.7%
<i>(Gross profit margin)</i>	23.0%	22.1%	-0.9%	-
Single-family homes	3,557	3,955	398	11.2%
Buildings	2,353	2,167	(185)	-7.9%
Waterproofing	223	415	192	86.3%
Sales of urethane raw materials	409	508	98	24.1%
Other Product Sales	1,195	1,130	(64)	-5.4%
Operating profit	2,774	2,900	125	4.5%
Ordinary profit	2,794	2,910	115	4.1%
Net profit	1,895	1,972	77	4.1%
Dividend per share	35.0	35.0	0.0	-

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

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FY2026/12 Focus Point

■ A new competitive environment created by supply concerns

Since the start of 2026, rising tensions in the Middle East have increased concerns in the insulation materials industry over higher raw material prices and supply constraints. While this creates headwinds for many installation companies, the Company positions this environment as an opportunity to expand its business. The Company has established a direct procurement structure spanning multiple countries and suppliers, and operates stockpiling sites across Japan, giving it the ability to maintain stable supply. As a result, the greater the supply concerns become, the stronger the Company's relative competitive advantage becomes.

■ Competitive advantage becoming evident in projects for top-tier general contractors

Projects for top-tier general contractors are particularly noteworthy. In the insulation installation industry, these projects typically receive the highest priority, even if that means pushing back other projects. Recently, however, some installation companies have been unable to respond sufficiently due to issues securing raw materials or maintaining installation capacity, leading to inquiries for the Company. This does not simply indicate a temporary increase in orders. Rather, it shows that the Company is highly regarded within the industry for both its supply capabilities and installation capabilities. The longer supply concerns persist, the stronger this advantage may become.

■ Capturing substitution demand in earnest

The impact of supply shortages is not limited to the urethane industry. Amid shortages of board insulation materials, more customers are changing specifications to on-site sprayed urethane foam insulation installation. Switching to Nippon Aqua products is progressing in areas where board insulation materials were traditionally used, such as floor insulation for single-family homes, condominium renovations, and rooftop insulation and waterproofing. The Company is also seeing demand from customers switching away from competing installation companies, and is using its stable supply capabilities to gain new customers.

■ Progress in acquiring major customers

In the Waterproofing business, projects for nationally important facilities and major manufacturers are expanding. Inquiries related to major such as automotive plants and major manufacturers' factories are increasing, as the customer base shifts toward major clients. In the Single-family homes division, transactions with nationwide and major builders also continue to expand. In particular, customers prioritize stable supply over price when there are supply concerns, which appears to be strengthening the Company's reputation.

■ FY2026/12 with upside potential

The Company's plan calls for net sales of JPY 37,000 mn (+9.9% YoY) and ordinary profit of JPY 2,910 mn (+4.1% YoY). Progress in Q1 FY2026/12 was broadly in line with plan. In addition, Q1 results came in ahead of the Company's plan for both sales and profit, indicating a solid start toward achieving the full-year plan. Based on these conditions, the Company's plan currently appears to be fully achievable.

SIR views FY2026/12 as a year in which the market will come to recognize the Company's competitive advantage once again, and believes there is upside potential for full-year earnings.

Share Price Insights

■ Underperformance versus TOPIX since 2025

Looking at the share price trend since 2025, the Company's shares have continued to underperform TOPIX. While TOPIX has maintained a solid upward trend, the Company's shares came under greater correction pressure from H2 2025 and fell to around year-to-date lows in spring 2026. The housing equipment and construction materials sector as a whole has also underperformed the market average amid concerns over rising interest rates and sluggish housing starts. As such, the weakness in the Company's shares likely reflects not only company-specific factors, but also cautious sentiment toward the sector as a whole.

■ The market is assessing the growth story

However, while the share price has remained weak, the Company's business environment is improving. In the Single-family homes division, sales to major builders are expanding. In the Buildings division, the Company is developing demand from data centers and major logistics facilities, while in the Waterproofing division, it is cultivating non-residential sectors such as nationally important facilities and factory projects. The market appears to be maintaining a cautious stance because it wants to assess how far these growth areas will translate into earnings growth. In particular, the market still appears unconvinced about whether the Waterproofing division can generate stable profits and whether growth in the Buildings division can be sustained.

■ Changes beginning to emerge in Q1 results

However, net sales came in above plan in Q1 FY2026/12, with the Waterproofing division and Sales of urethane raw materials division showing significant growth. In addition, as supply concerns stemming from the conflict in the Middle East spread, the Company's stable procurement capabilities and advantages in its installation structure are being reassessed. Even in projects for top-tier general contractors, which would normally receive the highest priority, the Company is seeing inquiries due to supply shortages among competing installation companies. This suggests that the Company is increasingly being viewed as a unique installation infrastructure within the industry.

The Company, TOPIX, and sector share price trends



Source: Compiled by SIR from SPEEDA data.

Nearing a re-rate phase

In the full report published in April, SIR noted that there is potential for a reassessment as the growth outlook for the Buildings and Waterproofing divisions becomes clearer. Based on the subsequent Q1 results, the growth scenario now appears more likely to materialize, with signs of accelerating growth in the Waterproofing division, expansion in the Sales of urethane raw materials division, and market share gains amid supply concerns.

The Company’s P/E ratio remains around the market average, and its valuation does not look stretched for a company that has continued to increase sales every year since listing. SIR believes that if each division continues to demonstrate profit growth, the market’s valuation perspective will shift from viewing the Company as a housing-related stock affected by sector-specific factors to a growth stock with exposure to non-residential sectors. The Company is nearing a re-rating phase.

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