

# Non-consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]



November 10, 2023

Company name: Nippon Aqua Co., Ltd.  
 Code number: 1429 (listed on the Tokyo Stock Exchange)  
 (URL: <https://www.n-aqua.jp>)  
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 Scheduled filing date of quarterly report: November 10, 2023  
 Scheduled date of dividend payout: —  
 Supplementary quarterly materials prepared: Yes  
 Quarterly results briefings held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

## 1. Non-consolidated Financial Results for the Nine Months Ended September 30, 2023 (January 1, 2023-September 30, 2023)

(1) Financial Results (Percentage figures indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2023	20,165	10.4	2,199	34.8	2,225	34.0	1,509	34.5
Nine months ended September 30, 2022	18,259	7.2	1,631	96.9	1,660	98.3	1,122	103.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2023	48.09	48.08
Nine months ended September 30, 2022	34.75	—

## (2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	19,055	8,810	46.2
As of December 31, 2022	21,969	7,966	36.3

[Reference] Shareholders' equity: As of September 30, 2023: 8,810 million yen  
 As of December 31, 2022: 7,966 million yen

## 2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
Fiscal year ended December 31, 2022	Yen —	Yen 0.00	Yen —	Yen 24.00	Yen 24.00
Fiscal year ending December 31, 2023	—	0.00	—		
Fiscal year ending December 31, 2023 (forecast)				30.00	30.00

Note: Revisions to dividend payout forecasts disclosed most recently: No

### 3. Financial Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023-December 31, 2023)

(Percentage figures indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending December 31, 2023	29,021	13.1	2,750	18.1	2,750	16.5	1,828	18.1	58.41

Note: Revisions to financial forecasts disclosed most recently: No

#### \* Notes

(1) Use of special accounting methods in preparing quarterly financial statements: No

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

(i) Changes in accounting policies due to revisions of accounting standards, etc.: No

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(3) Number of issued shares (common shares)

(i) Number of issued shares at end of period under review (including treasury shares)

As of September 30, 2023 34,760,000 shares

As of December 31, 2022 34,760,000 shares

(ii) Number of treasury shares at end of period under review

As of September 30, 2023 3,351,871 shares

As of December 31, 2022 3,447,171 shares

(iii) Average number of shares during period under review

Nine months ended September 30, 2023 31,393,322 shares

Nine months ended September 30, 2022 32,311,917 shares

\* Quarterly financial results are not subject to quarterly review by certified public accountants or audit corporations.

\* Notes concerning appropriate use of financial forecasts and other significant matters

Financial forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable. They are not intended as a guarantee that the Company will achieve such results. Actual results may differ materially from them for various reasons. For details of the assumptions used in the forecast of financial results and cautionary notes concerning appropriate use of the financial forecasts, please refer to “(3) Notes on Financial Forecasts and Other Forward-looking Statements” in “1. Qualitative Information Concerning Financial Results for the Period Under Review” on page 6 of the Attachment.

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

### (1) Explanation Regarding Operating Results

During the nine months ended June 30, 2023 (January 1, 2023 to September 30, 2023), the Japanese economy recovered moderately as the employment and income situation improved. However, amid continued global monetary tightening and other developments, there were concerns about the risk that the downturn in overseas economies would exert downward pressure on Japan's economy, price increases, supply-side constraints, and fluctuations in the financial and capital markets.

In the construction and housing industry where the Company operates, the “Act Partially Revising the Act on the Improvement of the Energy Consumption Performance of Buildings in Order to Contribute to the Realization of a Carbon Neutral Society” was promulgated in June 2022. Consequently, it became necessary to improve energy efficiency, and particularly enhancement of insulation performance has become an important issue. In addition, the record-breaking hot days of this summer have further heightened public interest in energy conservation. Houses and buildings with high energy-saving performance are equipped with high thermal insulation performance and high airtightness. Thermal insulation performance reduces the effect of external air temperature by keeping indoor temperature constant, and high airtightness controls the intrusion of outside air, minimizing the loss of thermal energy and reducing energy consumption for heating and cooling. Against this backdrop, we have leveraged our strengths in AQUA FOAM series, which offers superior insulation and high airtightness, and our nationwide construction network. We have aggressively worked to win orders in all our divisions.

In the Single-family Homes Division, we have secured stable orders with subsidies and preferential housing loans in line with the Tokyo-based “Tokyo Zero Emission Houses” and other local governments’ moves to introduce their own ZEH (Net Zero Energy Houses). In January 2023, we introduced internal installation work personnel Saturdays and Sundays holidays in order to accelerate our response to the 2024 issue in the construction industry. As a result of this measure, the number of construction days decreased, and due to the the record-breaking hot days, construction periods were extended as needed. As a result, the division's Net sales was 10,017 million yen, slightly lower than in the same period of the previous fiscal year. However, in the fourth quarter, the heat wave ended and the mild climate continues. In addition, training for the newly adopted internal installation work personnel is proceeding smoothly, and we plan to increase the number of installations and appropriately deal with the busy season in the future.

In the Buildings Division, demand expanded against the backdrop of the domestic return of the manufacturing industry and urban redevelopment. In addition, there was an increasing need to prevent fires during construction. As a result, the division's Net sales rose sharply to 5,917 million yen, driven by the installation of non-flammable insulation "AQUA MOEN NEO." In addition, the Waterproofing Division's net sales of 248 million yen and other divisions, such as sales of raw materials and machinery, reached 2,552 million yen, marking an increase in both.

In the Waterproofing Division, net sales was 349 million yen thanks to successful proposal-based sales to wide-area builders and builders. In Other divisions, in addition to promoting sales of raw materials for detached houses and buildings, machinery sales grew due to increased external installation work personnel of certified contractors and promotional campaigns associated with direct purchasing changes, resulting in a net sales of 3,880 million yen.

(in million yen, %)

	19th fiscal year Nine months ended September 30, 2022	20th fiscal year Nine months ended September 30, 2023	Amount of change	Percentage change
Single-family Homes Division	10,209	10,017	(191)	(1.9)
Buildings Division	4,640	5,917	+1,276	+27.5
Waterproofing Division	203	349	+145	+71.4
Other divisions	3,204	3,880	+675	+21.1
Total	18,259	20,165	+1,905	+10.4

Consequently, net sales for the period under review was 20,165 million yen, an increase of 10.4% year on year. In addition to procurement from multiple companies with the aim of securing raw materials and providing a stable supply of products,

we have worked to secure earnings by continuing to revise prices from the autumn of 2021 and emphasizing the profitability of construction work when orders are received. In addition, with the aim of strengthening our “construction capabilities”, which is one of our strengths, we are focusing on providing a variety of support to certified contractors, including increasing the amount of construction fees and leasing of facilities such as our employees' assignments and transfers, as well as storage and warehousing facilities.

As a result of the above, gross margin improved by 2.6 points year on year to 24.1%, operating profit increased by 34.8% year on year to 2,199 million yen, ordinary profit increased by 34.0% year on year to 2,225 million yen, and profit totaled 1,509 million yen, rising 34.5% from a year earlier.

## (2) Explanation Regarding Financial Position

### (Total assets)

Total assets totaled 19,055 million yen as of September 30, 2023, down 2,914 million yen, or 13.3%, from the end of the previous fiscal year.

### (Current assets)

Current assets totaled 14,096 million yen as of September 30, 2023, down 3,039 million yen, or 17.7%, from the end of the previous fiscal year. This was mainly attributable to increases of notes and accounts receivable - trade, and contract assets 149 million yen and electronically recorded monetary claims 47 million yen compared to decreases of accounts receivable - other 1,336 million yen and cash and deposits of 808 million yen and a decrease of 968 million yen in inventories due to adjustments in raw material inventories accompanying improvements in the raw material supply market.

### (Non-current assets)

Non-current assets totaled 4,958 million yen as of September 30, 2023, up 124 million yen, or 2.6%, from the end of the previous fiscal year. This was mainly due to an increase of 140 million yen in buildings due to the completion of the Kita-Kanto Sales Office, an increase of 62 million yen due to the acquisition of machinery and equipment, an increase of 30 million yen due to the acquisition of tools, furniture and fixtures, an increase of 17 million yen due to the acquisition of software, an increase of 64 million yen in insurance reserves included in investments and other assets and others, and an increase of 94 million yen in other investments. On the other hand, a decrease of 177 million yen in assets due to depreciation, and a decrease of 92 million yen in construction in progress included in property, plant and equipment and others due to the completion of the Kita-Kanto Sales Office.

### (Total liabilities)

Liabilities totaled 10,244 million yen as of September 30, 2023, down 3,758 million yen, or 26.8%, from the end of the previous fiscal year.

### (Current liabilities)

Current liabilities totaled 10,075 million yen as of September 30, 2023, down 3,826 million yen, or 27.5%, from the end of the previous fiscal year. This was mainly due to a decrease of 2,400 million yen in short-term borrowings, a decrease of 1,182 million yen in accounts payable - trade, a decrease of 418 million yen in income taxes payable, and a decrease of 226 million yen in accounts payable-other and accrued expenses included in others, as well as an increase of 340 million yen in accrued consumption taxes due to adjustments to raw material inventories accompanying improvements in the raw material supply market.

### (Non-current liabilities)

Non-current liabilities totaled 169 million yen as of September 30, 2023, up 68 million yen, or 67.6%, from the end of the previous fiscal year. This was mainly due to an 83 million yen increase in long-term accounts payable-other, which was included in other, and an 18 million yen decrease in long-term lease liabilities.

### (Net assets)

Net assets totaled 8,810 million yen as of September 30, 2023, up 843 million yen, or 10.6%, from the end of the previous fiscal year. This was mainly due to net profit reaching 1,509 million yen and treasury shares increasing by 85 million yen due to the disposal of treasury shares and capital surplus decreasing by 751 million yen due to the payment of dividends.

### (Equity ratio)

Equity ratio was 46.2% on June 30, 2023, up 9.9% from the end of the previous fiscal year.

(Research and development activities)

The total amount of research and development expenditures by the Company in the three months ended September 30, 2023 was 10 million yen. There was no significant change in the status of research and development activities in the six months ended June 30, 2023.

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

Regarding the future outlook, we are focusing on support measures, such as the continuation of the current economic recovery and revisions to the legal system for housing and buildings, subsidies and preferential tax treatment for energy conservation, and low-interest loans. In response to the growing demand for insulation materials, we are taking the following initiatives to realize our sustainable development.

#### 1. Companywide Measures

##### 1) General business activities

Given the recent rise in awareness of energy conservation and decarbonization, insulation materials are becoming increasingly important. We will utilize the unique knowledge of the Company, which has placed insulation materials at the core of its business since establishment, to maximize the insulation performance of houses and buildings, and we will expand our business by proposing ways to ease the economic burden on clients and make their life comfortable through the use of various subsidy programs.

##### 2) Sustainability strategies

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

##### 3) Securing construction capability

In order for us to grow sustainably, it is essential to build a construction system, and we are working to ensure external installation work personnel through the following measures.

- i. Improving the life-work balance, including Saturdays and Sundays holidays
- ii. Promoting employment in the region and improving the attractive labor environment through the development of detailed bases
- iii. Building career paths tailored to management, specialists, and independent orientation
- iv. Thorough safety management through training by specialized departments and implementation of safety conventions

##### 4) Maintaining Prime Market listing

On December 20, 2021, we disclosed the "Plan to Meet the Continued Listing Criteria for New Market Segments," and in order to meet the listing maintenance standards of the prime market by the end of December 2023, we are working to increase corporate value and contribute to sustainability, as well as to acquire appropriate valuations in the stock market and improve the liquidity of our shares.

#### 2. Financial Forecasts for the Fiscal Year Ending December 31, 2023

There are no changes to the financial forecasts announced on February 10, 2023. Should any revisions need to be made to financial forecasts in the future, we will disclose the information as soon as possible.

## 2. Quarterly Financial Statements and Primary Notes

### (1) Quarterly Balance Sheet

(in thousand yen)

	As of December 31, 2022	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,676,798	1,868,635
Notes and accounts receivable - trade, and contract assets	6,114,694	6,294,548
Electronically recorded monetary claims	754,166	801,746
Inventories	3,121,628	2,153,257
Accounts receivable - other	4,216,577	2,880,132
Other	248,481	120,678
Allowance for doubtful accounts	(25,979)	(22,262)
Total current assets	17,136,367	14,096,735
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,285,532	2,335,441
Land	1,680,298	1,680,298
Other, net	380,272	357,333
Total property, plant and equipment	4,346,104	4,373,073
Intangible assets		
Leasehold interests in land	15,000	15,000
Other	81,296	72,199
Total intangible assets	96,296	87,199
Investments and other assets		
Other	458,450	565,653
Allowance for doubtful accounts	(67,254)	(67,561)
Total investments and other assets	391,195	498,091
Total non-current assets	4,833,596	4,958,364
Total assets	21,969,963	19,055,100

(in thousand yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,272,179	5,089,944
Short-term borrowings	6,000,000	3,600,000
Current portion of long-term borrowings	33,200	16,500
Lease liabilities	32,790	26,367
Income taxes payable	670,554	252,353
Provision for bonuses	19,890	90,555
Consumption tax payable	—	340,610
Other	873,654	658,950
<b>Total current liabilities</b>	<b>13,902,269</b>	<b>10,075,281</b>
Non-current liabilities		
Lease liabilities	48,217	29,556
Asset retirement obligations	39,543	39,716
Other	13,368	100,240
<b>Total non-current liabilities</b>	<b>101,129</b>	<b>169,513</b>
<b>Total liabilities</b>	<b>14,003,399</b>	<b>10,244,794</b>
Net assets		
Shareholders' equity		
Share capital	1,903,649	1,903,649
Capital surplus	1,885,273	1,912,460
Retained earnings	6,270,636	7,029,062
Treasury shares	(2,093,016)	(2,035,153)
<b>Total shareholders' equity</b>	<b>7,966,543</b>	<b>8,810,018</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	20	286
<b>Total valuation and translation adjustments</b>	<b>20</b>	<b>286</b>
<b>Total net assets</b>	<b>7,966,564</b>	<b>8,810,305</b>
<b>Total liabilities and net assets</b>	<b>21,969,963</b>	<b>19,055,100</b>



## (2) Quarterly Income Statement

Nine months ended September 2023

(in thousand yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	18,259,277	20,165,141
Cost of sales	14,333,097	15,306,957
Gross profit	3,926,179	4,858,183
Selling, general and administrative expenses	2,294,842	2,658,794
Operating profit	1,631,337	2,199,388
Non-operating income		
Interest income	30,844	17,703
Insurance claim income	2,260	3,077
Surrender value of insurance policies	—	6,527
Other	7,240	9,675
Total non-operating income	40,346	36,984
Non-operating expenses		
Interest expenses	8,620	10,779
Other	2,542	122
Total non-operating expenses	11,163	10,902
Ordinary profit	1,660,519	2,225,471
Extraordinary income		
Gain on sale of non-current assets	4,964	842
Total extraordinary income	4,964	842
Extraordinary losses		
Loss on sale of non-current assets	1,098	—
Loss on retirement of non-current assets	0	1,677
Total extraordinary losses	1,098	1,677
Profit before income taxes	1,664,386	2,224,635
Income taxes - current	559,942	668,282
Income taxes - deferred	(18,409)	46,420
Total income taxes	541,532	714,702
Profit	1,122,853	1,509,933

(3) Notes to Quarterly Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Segment Information, Etc.)

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

(Additional Information)

Not applicable.

(Important Subsequent Events)

Not applicable.