

**[Delayed] Non-consolidated Financial Results  
for the Fiscal Year Ended December 31, 2023  
[Japanese GAAP]**



February 14, 2024

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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 Phone: +81-3-5463-1117  
 Scheduled date of Ordinary General Meeting of Shareholders: March 28, 2024  
 Scheduled date of dividend payout: March 29, 2024  
 Scheduled date of filing annual securities report: March 29, 2024  
 Supplementary materials on financial results prepared: Yes  
 Financial 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 Fiscal Year Ended December 31, 2023 (January 1, 2023-December 31, 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 | %    |
| Fiscal year ended December 31, 2023 | 28,341      | 10.4 | 2,881            | 23.7 | 2,917           | 23.6 | 2,004       | 29.4 |
| Fiscal year ended December 31, 2022 | 25,670      | 7.4  | 2,329            | 64.9 | 2,359           | 65.1 | 1,549       | 62.4 |

|                                     | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|-------------------------------------|--------------------------|----------------------------|------------------|--|--|
|                                     | Yen                      | Yen                        | %                | %  | %                                      |
| Fiscal year ended December 31, 2023 | 63.83                    | 63.82                      | 23.2             | 13.8                                     | 10.2                                   |
| Fiscal year ended December 31, 2022 | 47.99                    | —                          | 19.5             | 11.7                                     | 9.1                                    |

(2) Financial Position

|                         | Total assets | Net assets  | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
|                         | Million yen  | Million yen | %            | Yen                  |
| As of December 31, 2023 | 20,392       | 9,304       | 45.6         | 296.24               |
| As of December 31, 2022 | 21,969       | 7,966       | 36.3         | 254.41               |

[Reference] Shareholders' equity: As of December 31, 2023: 9,304 million yen  
 As of December 31, 2022: 7,966 million yen

(3) Cash Flows

|                                     | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                                     | Million yen                          | Million yen                          | Million yen                          | Million yen                                |
| Fiscal year ended December 31, 2023 | 4,022                                | (385)                                | (4,280)                              | 2,033                                      |
| Fiscal year ended December 31, 2022 | (297)                                | (293)                                | 1,340                                | 2,676                                      |

## 2. Dividends

|   | Dividend per share |                    |                    |          |       | Total dividends (annual) | Payout ratio | Ratio of dividends to net assets |
|---|--------------------|--------------------|--------------------|----------|-------|--------------------------|--------------|----------------------------------|
|   | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year-end | Total |                          |              |                                  |
|   | Yen                | Yen                | Yen                | Yen      | Yen   | Million yen              | %            | %                                |
| Fiscal year ended December 31, 2022             | —                  | 0.00               | —                  | 24.00    | 24.00 | 751                      | 50.0         | 9.6                              |
| Fiscal year ended December 31, 2023             | —                  | 0.00               | —                  | 32.00    | 32.00 | 1,005                    | 50.1         | 11.6                             |
| Fiscal year ending December 31, 2024 (forecast) | —                  | 0.00               | —                  | 34.00    | 34.00 |                          | 51.0         |                                  |

## 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                      |
| Six months ending June 30, 2024      | 13,556      | 3.0 | 960              | (30.5) | 960             | (31.5) | 648         | (31.6) | 20.64                    |
| Fiscal year ending December 31, 2024 | 31,005      | 9.4 | 3,100            | 7.6    | 3,100           | 6.3    | 2,092       | 4.4    | 66.65                    |

### \* Notes

#### (1) 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

#### (2) Number of issued shares (common shares)

- (i) Number of issued shares at end of period under review (including treasury shares)
  - As of December 31, 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 December 31, 2023 3,351,871 shares
  - As of December 31, 2022 3,447,171 shares
- (iii) Average number of shares during period under review
  - Fiscal year ended December 31, 2023 31,397,054 shares
  - Fiscal year ended December 31, 2022 32,279,270 shares

\* Financial results are not subject to audit 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 “(4) Notes on Financial Forecasts and Other Forward-looking Statements” on page 7 of the Attachment.

## Contents of Attachment

|   |    |
|---|----|
| 1. Overview of Operating Results, Etc. ....                                 | 4  |
| (1) Overview of Operating Results for the Fiscal Year Under Review .....    | 4  |
| (2) Overview of Financial Position for the Fiscal Year Under Review .....   | 5  |
| (3) Overview of Cash Flows for the Fiscal Year Under Review .....           | 6  |
| (4) Notes on Financial Forecasts and Other Forward-looking Statements ..... | 7  |
| 2. Basic Policy on Selection of Accounting Standards .....                  | 8  |
| 3. Financial Statements and Primary Notes .....                             | 9  |
| (1) Balance Sheet .....   | 9  |
| (2) Income Statement .....  | 11 |
| (3) Cash Flow Statement .....   | 12 |
| (4) Notes to Financial Statements .....                                     | 13 |
| (Notes on Going Concern Assumption).....                                    | 13 |
| (Change in Presentation Method).....  | 13 |
| (Revenue Recognition Related).....  | 13 |
| (Segment Information, Etc.) .....   | 13 |
| (Equity Method Profit and Loss, Etc).....                                   | 14 |
| (Important Subsequent Events).....  | 14 |

## 1. Overview of Operating Results, Etc.

### (1) Overview of Operating Results for the Fiscal Year Under Review

During the current fiscal year (20th fiscal year: from January 1, 2023 to December 31, 2023), the Japanese economy continues to recover slowly, despite some stagnation. Amid ongoing global financial tightening, there are concerns about risks such as a downturn in overseas economies affecting Japan's economy, rising prices, situations surrounding the Middle East, and fluctuations in financial capital markets.

In the construction and housing industry to which our company belongs, the "Law to Amend Some Laws on Improving the Energy Consumption Performance of Buildings to Contribute to the Realization of a Decarbonized Society" (hereinafter referred to as the "Amended Building Energy Conservation Law") was enacted in June 2022. This law demands improvements in energy efficiency, with a particular emphasis on improving insulation performance. Houses and buildings with high energy-saving performance have high insulation and airtightness. Insulation maintains a constant indoor temperature, reducing the impact of external temperatures, while airtightness controls the intrusion of outside air, minimizing heat energy loss and reducing energy consumption for heating and cooling.

Furthermore, as the global demand for semiconductor products increases, various support measures for strengthening the competitiveness of the semiconductor industry and promoting innovation have stimulated semiconductor equipment investment in Japan. In semiconductor factories, in addition to the need for very strict temperature control in the manufacturing process, the Amended Building Energy Conservation Law requires improving the energy efficiency of the entire building and reducing the environmental load, necessitating higher insulation performance. Under such circumstances, our company has been actively soliciting orders in each division, utilizing the product strength of the "AQUA FOAM series" that achieves high insulation performance and airtightness, and the strength of our nationwide construction network.

In the Single-family Homes Division, there are preferential measures such as subsidies and housing loans in line with the movement of each local government to introduce their own Net Zero Energy Houses (ZEH). The increase in insulation construction at the ZEH level (equivalent to insulation performance grade 5) has led to an increase in the construction unit price per building. However, due to the implementation of weekends off for internal installation work personnel as a preemptive measure for the "2024 problem" in the construction industry and the extension of construction periods for some properties due to the intense heat this summer, the number of construction units decreased, resulting in net sales of 13,798 million yen in this division.

In the Buildings Division, in addition to the new demand for manufacturing facilities represented by semiconductor factories, we have steadily captured the new demand for commercial facilities, medical facilities, and high-rise condominiums against the backdrop of urban redevelopment, resulting in a significant increase in net sales to 8,267 million yen in this division.

In the Waterproofing Division, by strengthening cooperation with the Single-family Homes Division, we aimed to increase the number of constructions for single-family homes. As a result of actively promoting proposal sales for aging measures for buildings using asbestos-containing materials, net sales in this division were 489 million yen.

In the Other divisions, which include auxiliary supplies, machinery, and others, net sales were 3,869 million yen. From the end of this fiscal year, we have separated the sale of raw materials, which we are focusing on for future growth, from the Other divisions and listed it independently.

(in million yen, %)

|                                 | 19th fiscal year ended<br>December 31, 2022<br>(after reclassification) | 20th fiscal year ended<br>December 31, 2023 | Amount of change | Percentage change |
|---------------------------------|---|---|------------------|-------------------|
| Single-family Homes Division    | 13,873  | 13,798                                      | (74)             | (0.5)             |
| Buildings Division              | 6,838   | 8,267                                       | +1,429           | +20.9             |
| Waterproofing Division          | 315   | 489   | +173             | +54.9             |
| Sales of Urethane Raw Materials | 1,211   | 1,916                                       | +704             | +58.2             |
| Other divisions                 | 3,430   | 3,869                                       | +438             | +12.8             |
| Total                           | 25,670  | 28,341                                      | +2,671           | +10.4             |

As a result, net sales for this fiscal year were 28,341 million yen, an increase of 10.4% compared to the same period of the previous year. In addition, we increased the construction fees for certified contractors to further strengthen our "construction capabilities," which is our strength. However, the procurement price of our urethane raw materials remained relatively stable throughout the year, and the change to direct transactions with manufacturers for spray machines from the middle of this term also worked well. Gross profit was 6,924 million yen, and the gross profit margin improved by 1.9 points to 24.4% compared to the same period of the previous year.

On the other hand, due to an increase in recruitment and wage revisions, etc., personnel expenses increased, and due to payments of rewards to excellent certified contractors, selling, general and administrative expenses increased by 586 million yen to 4,042 million yen.

As a result, the operating profit was 2,881 million yen, an increase of 23.7% compared to the same period of the previous year, the ordinary profit was 2,917 million yen, an increase of 23.6% compared to the same period of the previous year, and the net profit for the current period was 2,004 million yen, an increase of 29.4% compared to the same period of the previous year. We have updated the record highs for net sales and profits at each stage.

## (2) Overview of Financial Position for the Fiscal Year Under Review

### (Total Assets)

The total assets at the end of the current fiscal year were 203.92 billion yen (a decrease of 7.2% compared to the end of the previous fiscal year), a decrease of 15.77 billion yen compared to the end of the previous fiscal year.

### (Current Assets)

The current assets at the end of the current fiscal year were 154.72 billion yen (a decrease of 9.7% compared to the end of the previous fiscal year), a decrease of 16.63 billion yen compared to the end of the previous fiscal year. This is mainly due to a decrease of 8.76 billion yen in raw materials and stored goods, accounts receivable - other and consumption taxes due to adjustments in raw material inventory due to improvements in the raw material supply market, and a decrease of 6.43 billion yen in cash and deposits due to repayment of short-term borrowings. On the other hand, notes and accounts receivable - trade, and contract assets increased by 2.53 billion yen and electronic recorded obligations increased by 3.44 billion yen mainly due to an increase in sales of buildings from the previous fiscal year.

### (Non-current Assets)

The non-current assets at the end of the current fiscal year were 49.19 billion yen (an increase of 1.8% compared to the end of the previous fiscal year), an increase of 850 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 1.4 billion yen in buildings due to the completion of the North Kanto Sales Office, an increase of 770 million yen due to the acquisition of machinery and equipment, an increase of 550 million yen in construction in progress due to the start of construction of the Miyazaki Sales Office, an increase of 360 million yen due to the acquisition of tools and fixtures, an increase of 250 million yen due to the acquisition of software, and an increase of 660 million yen in insurance reserve funds included in investments and other assets. On the other hand, the decrease in assets due to depreciation was 2.39 billion yen, and the decrease in construction in progress due to the completion of the North Kanto Sales Office was 920 million yen.

#### (Total Liabilities)

The total liabilities at the end of the current fiscal year were 110.87 billion yen (a decrease of 20.8% compared to the end of the previous fiscal year), a decrease of 29.15 billion yen compared to the end of the previous fiscal year.

#### (Current Liabilities)

The current liabilities at the end of the current fiscal year were 109.27 billion yen (a decrease of 21.4% compared to the end of the previous fiscal year), a decrease of 29.74 billion yen compared to the end of the previous fiscal year. This is mainly due to a decrease of 36 billion yen in short-term borrowings and a decrease of 1.45 billion yen in income taxes payable due to adjustments in raw material inventory due to improvements in the raw material supply market. On the other hand, unpaid expenses increased by 460 million yen, consumption taxes payable increased by 4.52 billion yen, and accounts payable increased by 1.45 billion yen.

#### (Non-current Liabilities)

The non-current liabilities at the end of the current fiscal year were 1.59 billion yen (an increase of 57.8% compared to the end of the previous fiscal year), an increase of 580 million yen compared to the end of the previous fiscal year. This is mainly due to an increase of 760 million yen in long-term accounts payable included in others, offset by a decrease of 220 million yen in lease liabilities.

#### (Net Assets)

The net assets at the end of the current fiscal year were 93.04 billion yen (an increase of 16.8% compared to the end of the previous fiscal year), an increase of 13.38 billion yen compared to the end of the previous fiscal year. This is mainly due to the profit of the current fiscal year being 20.04 billion yen, an increase of 270 million yen in capital surplus due to the disposal of treasury shares, and an increase of 570 million yen in treasury shares, offset by a decrease of 7.51 billion yen in retained earnings due to dividend payments.

#### (Equity Ratio)

The equity ratio at the end of the current fiscal year was 45.6% (an increase of 9.3% compared to the end of the previous fiscal year).

#### (Research and Development Activities)

The total amount of research and development expenses incurred by our company during the current fiscal year was 170 million yen. This is mainly due to the acquisition of fire-resistant structure certification.

### (3) Overview of Cash Flows for the Fiscal Year Under Review

The cash and cash equivalents (hereinafter referred to as "funds") in the current fiscal year decreased by 6.43 billion yen compared to the end of the previous fiscal year, to 20.33 billion yen (26.76 billion yen in the same period of the previous year).

#### (Cash Flows from Operating Activities)

The increase in funds due to operating activities in the current fiscal year was 40.22 billion yen (a decrease of 2.97 billion yen in the same period of the previous year). This is mainly due to a profit before tax of 2,911 million yen, depreciation of 239 million yen, a decrease in inventories of 966 million yen, a decrease in accounts receivable - other of 597 million yen, an increase in purchase liabilities of 180 million yen, an increase in unpaid money of 179 million yen, an increase in unpaid consumption taxes, etc. of 586 million yen, resulting in an increase in funds, while an increase in sales receivables of 597 million yen, payment of corporate taxes, etc. of 1,067 million yen resulted in a decrease in funds.

#### (Cash flows from investing activities)

The decrease in funds due to investing activities in this fiscal year was 385 million yen (a decrease of 293 million yen in the same period of the previous year). This is mainly due to the acquisition of property, plant and equipment of 294 million yen, the acquisition of intangible assets of 24 million yen, and the accumulation of insurance reserve funds of 66 million yen.

#### (Cash flows from financing activities)

The decrease in funds due to financing activities in this fiscal year was 4,280 million yen (an increase of 1,340 million yen in the same period of the previous year). This is mainly due to a net decrease in short-term borrowings of 3,600 million yen and an expenditure of 751 million yen for dividend payments.

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

Regarding the domestic economy, it is expected that the employment and income environment will improve and a gradual recovery will continue due to the effects of various policies. The market environment surrounding our company is expected to remain solid in the insulation construction market due to the implementation of various support measures in line with the revision of laws related to housing and buildings, urban redevelopment in the metropolitan area, and the establishment of new manufacturing facilities in rural areas. The future outlook for our company's financial results and financial position is described in the "Notice on the Formulation of Medium-Term Management Plan" separately disclosed today, and the main points are as follows.

##### 1. Basic Policy

###### i. Establishment of Stable Three Pillars

In our core business of construction sales, we will aim to expand the scale of our business by achieving early profitability and improving recognition in the Waterproofing Division, and establish it as one of the three pillars along with the Single-family Homes Division and the Buildings Division.

###### ii. Expansion of Business Domain

In order to expand the business domain, we will strengthen product sales and other areas. In particular, raw material sales, which involve selling urethane raw materials to contractors other than certified contractors, will strive to increase sales volume through improved recognition as a manufacturer and the establishment of nationwide logistics bases.

###### iii. Virtuous Cycle of Growth and Profit Distribution

We will distribute profits to stakeholders through our company's sustainable growth. We will return to our shareholders through dividends based on a dividend payout ratio target of 50%, return to certified contractors who undertake our construction through support for certified contractors, and we will invest in the establishment of logistics bases (sales offices) for medium- to long-term growth and strengthening of the Waterproofing Division.

###### iv. Performance Targets and KPI Targets

For the fiscal years 2024 to 2026, we have set targets of an average annual growth rate of 13.1% for net sales, 15.6% for ordinary profit, and 10% for sustainable growth rate.

##### 2. Outlook by Item

###### i. Single-family Homes Division

We aim for an average annual growth rate of 6.1% in net sales. We will strive to increase the construction unit price due to the advanced insulation performance of houses, while also deploying agile pricing strategies for new trading partners and aiming to expand our market share.

###### ii. Buildings Division

We aim for an average annual growth rate of 22.3% in net sales. We will promote the expansion of AQUA MOEN NEO and AQUA BARRIER, actively acquire semiconductor factories and urban redevelopment projects, and lead the improvement of the company's performance.

###### iii. Waterproofing Division

We aim for an average annual growth rate of 72.2% in net sales. We will achieve early profitability, increase recognition like the dawn of AQUA FORM that opened a new path in the existing market, and continue to acquire large projects.

###### iv. Sales of Urethane Raw Materials, Other Divisions (Auxiliary Supplies, Machinery, etc.)

For sales of urethane raw materials, we aim for an average annual growth rate of 15.7% in net sales, and for other divisions, we aim for an average annual growth rate of 0.6% in net sales.

##### 3. About Full-Year Financial Forecasts

Regarding the financial forecasts for the fiscal year ending December 2024 (21st term), please refer to the summary information "3. Financial Forecasts for the Fiscal Year Ending December 2024". Please note that the sales forecasts by item are as follows.

(in million yen, %)

|                                 | 20th fiscal year ended<br>December 31, 2023 | 21st fiscal year ending<br>December 31, 2024 | Amount of change | Percentage change |
|---------------------------------|---|--|------------------|-------------------|
| Single-family Homes Division    | 13,798                                      | 14,408                                       | +609             | +4.4              |
| Buildings Division              | 8,267                                       | 10,394                                       | +2,126           | +25.7             |
| Waterproofing Division          | 489   | 695  | +206             | +42.2             |
| Sales of Urethane Raw Materials | 1,916                                       | 2,235  | +319             | +16.7             |
| Other divisions                 | 3,869                                       | 3,271  | (597)            | (15.4)            |
| Total                           | 28,341                                      | 31,005                                       | +2,663           | +9.4              |

## 2. Basic Policy on Selection of Accounting Standards

The Company prepares its financial statements based on Japanese GAAP in order to ensure the compatibility of financial statements by term. With respect to the future adoption of International Financial Reporting Standards (IFRS), the Company plans to carefully consider the adoption, taking into account the trend regarding the accounting standards in Japan.



### 3. Financial Statements and Primary Notes

#### (1) Balance Sheet

(in thousand yen)

|  | As of December 31, 2022 | As of December 31, 2023 |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| Current assets   |                         |                         |
| Cash and deposits  | 2,676,798               | 2,033,275               |
| Notes and accounts receivable - trade, and contract assets | 6,144,694               | 6,397,773               |
| Electronically recorded monetary claims                    | 754,166                 | 1,098,484               |
| Merchandise  | 305,182                 | 269,311                 |
| Raw materials and supplies                                 | 2,816,446               | 1,939,772               |
| Advance payments to suppliers                              | 27,775                  | 26,491                  |
| Prepaid expenses   | 60,014                  | 63,171                  |
| Accounts receivable - other                                | 4,216,577               | 3,648,780               |
| Consumption taxes refund receivable                        | 134,535                 | —                       |
| Other  | 26,156                  | 22,185                  |
| Allowance for doubtful accounts                            | (25,979)                | (26,255)                |
| Total current assets                                       | 17,136,367              | 15,472,989              |
| Non-current assets   |                         |                         |
| Property, plant and equipment                              |                         |                         |
| Buildings, net   | 2,121,751               | 2,146,508               |
| Structures, net  | 163,781                 | 156,424                 |
| Machinery and equipment, net                               | 172,829                 | 203,499                 |
| Vehicles, net  | 28,329                  | 29,117                  |
| Tools, furniture and fixtures, net                         | 29,347                  | 55,420                  |
| Land   | 1,680,298               | 1,680,298               |
| Leased assets, net   | 57,008                  | 40,375                  |
| Construction in progress                                   | 92,757                  | 55,568                  |
| Total property, plant and equipment                        | 4,346,104               | 4,367,214               |
| Intangible assets  |                         |                         |
| Leasehold interests in land                                | 15,000                  | 15,000                  |
| Software   | 49,335                  | 54,842                  |
| Lease assets, net  | 31,454                  | 15,344                  |
| Other  | 507                     | 468                     |
| Total intangible assets                                    | 96,296                  | 85,654                  |
| Investments and other assets                               |                         |                         |
| Investment securities                                      | 1,975                   | 2,782                   |
| Shares of subsidiaries and associates                      | 16,988                  | 16,988                  |
| Investments in capital                                     | 560                     | 560                     |
| Long-term loans receivable from employees                  | 3,150                   | 1,847                   |
| Distressed receivables                                     | 67,643                  | 67,643                  |
| Long-term prepaid expenses                                 | 17,418                  | 7,533                   |
| Deferred tax assets  | 234,213                 | 246,740                 |
| Leasehold and guarantee deposits                           | 101,510                 | 108,502                 |
| Other  | 14,988                  | 80,943                  |
| Allowance for doubtful accounts                            | (67,254)                | (67,250)                |
| Total investments and other assets                         | 391,195                 | 466,292                 |
| Total non-current assets                                   | 4,833,596               | 4,919,161               |
| <b>Total assets</b>  | <b>21,969,963</b>       | <b>20,392,151</b>       |

(in thousand yen)

|   | As of December 31, 2022 | As of December 31, 2023 |
|---|-------------------------|-------------------------|
| <b>Liabilities</b>                                    |                         |                         |
| Current liabilities                                   |                         |                         |
| Accounts payable - trade                              | 6,272,179               | 6,453,005               |
| Short-term borrowings                                 | 6,000,000               | 2,400,000               |
| Current portion of long-term borrowings               | 33,200                  | —                       |
| Lease liabilities                                     | 32,790                  | 20,978                  |
| Accounts payable - other                              | 567,035                 | 712,279                 |
| Accrued expenses                                      | 170,801                 | 216,986                 |
| Income taxes payable                                  | 670,554                 | 524,841                 |
| Consumption tax payable                               | —                       | 452,446                 |
| Advances received                                     | 52,589                  | 57,155                  |
| Deposits received                                     | 24,406                  | 33,179                  |
| Provision for bonuses                                 | 19,890                  | 25,030                  |
| Other   | 58,821                  | 31,974                  |
| Total current liabilities                             | 13,902,269              | 10,927,879              |
| Non-current liabilities                               |                         |                         |
| Lease liabilities                                     | 48,217                  | 26,173                  |
| Asset retirement obligations                          | 39,543                  | 39,773                  |
| Other   | 13,368                  | 93,677                  |
| Total non-current liabilities                         | 101,129                 | 159,625                 |
| Total liabilities                                     | 14,003,399              | 11,087,504              |
| Net assets  |                         |                         |
| Shareholders' equity                                  |                         |                         |
| Share capital   | 1,903,649               | 1,903,649               |
| Capital surplus                                       |                         |                         |
| Legal capital surplus                                 | 1,883,649               | 1,883,649               |
| Other capital surplus                                 | 1,624                   | 28,811                  |
| Total capital surplus                                 | 1,885,273               | 1,912,460               |
| Retained earnings                                     |                         |                         |
| Other retained earnings                               |                         |                         |
| Retained earnings brought forward                     | 6,270,636               | 7,523,317               |
| Total retained earnings                               | 6,270,636               | 7,523,317               |
| Treasury shares                                       | (2,093,016)             | (2,035,153)             |
| Total shareholders' equity                            | 7,966,543               | 9,304,273               |
| Valuation and translation adjustments                 |                         |                         |
| Valuation difference on available-for-sale securities | 20                      | 372                     |
| Total valuation and translation adjustments           | 20                      | 372                     |
| Total net assets                                      | 7,966,564               | 9,304,646               |
| Total liabilities and net assets                      | 21,969,963              | 20,392,151              |

## (2) Income Statement

(in thousand yen)

|  | Fiscal year ended<br>December 31, 2022 | Fiscal year ended<br>December 31, 2023 |
|--|--|--|
| Net sales                                    | 25,670,205                             | 28,341,797                             |
| Cost of sales                                | 19,885,228                             | 21,417,361                             |
| Gross profit                                 | 5,784,977                              | 6,924,436                              |
| Selling, general and administrative expenses | 3,455,799                              | 4,042,463                              |
| Operating profit                             | 2,329,177                              | 2,881,973                              |
| Non-operating income                         |  |  |
| Interest income                              | 39,212                                 | 23,658                                 |
| Insurance claim income                       | 3,475                                  | 4,087                                  |
| Insurance claim income                       | 4,283                                  | 4,321                                  |
| Surrender value of insurance policies        | —                                      | 6,527                                  |
| Other  | 4,736                                  | 10,544                                 |
| Total non-operating income                   | 51,707                                 | 49,140                                 |
| Non-operating expenses                       |  |  |
| Compensation expenses                        | 6,500                                  | —                                      |
| Interest expenses                            | 12,162                                 | 13,790                                 |
| Other  | 2,304                                  | 275                                    |
| Total non-operating expenses                 | 20,966                                 | 14,066                                 |
| Ordinary profit                              | 2,359,918                              | 2,917,047                              |
| Extraordinary income                         |  |  |
| Gain on sale of non-current assets           | 5,334                                  | 2,059                                  |
| Total extraordinary income                   | 5,334                                  | 2,059                                  |
| Extraordinary losses                         |  |  |
| Loss on sale of non-current assets           | 1,098                                  | —                                      |
| Loss on retirement of non-current assets     | 3,492                                  | 7,905                                  |
| Total extraordinary losses                   | 4,590                                  | 7,905                                  |
| Profit before income taxes                   | 2,360,661                              | 2,911,201                              |
| Income taxes - current                       | 869,071                                | 919,695                                |
| Income taxes - deferred                      | (57,565)                               | (12,681)                               |
| Total income taxes                           | 811,506                                | 907,013                                |
| Profit                                       | 1,549,154                              | 2,004,188                              |

## (3) Cash Flow Statement

(in thousand yen)

|  | Fiscal year ended<br>December 31, 2022 | Fiscal year ended<br>December 31, 2023 |
|--|--|--|
| <b>Cash flows from operating activities</b>  |  |  |
| Profit before income taxes   | 2,360,661                              | 2,911,201                              |
| Depreciation   | 221,504                                | 239,713                                |
| Increase (decrease) in allowance for doubtful accounts                                 | (7,812)                                | 271                                    |
| Increase (decrease) in provision for bonuses   | (1,847)                                | 5,139                                  |
| Interest income  | (39,275)                               | (23,730)                               |
| Interest expenses  | 12,162                                 | 13,790                                 |
| Insurance claim income   | 6,500                                  | —                                      |
| Surrender value of insurance policies  | (3,475)                                | (4,087)                                |
| Gain from business consulting fee  | (4,283)                                | (4,321)                                |
| Loss (gain) on sale and retirement of non-current assets                               | (743)                                  | 5,845                                  |
| Decrease (increase) in trade receivables   | 47,896                                 | (597,397)                              |
| Decrease (increase) in inventories   | (2,169,665)                            | 966,781                                |
| Increase (decrease) in trade payables  | 216,233                                | 180,826                                |
| Surrender value of insurance policies  | —                                      | (6,527)                                |
| Decrease (increase) in accounts receivable - other                                     | (576,822)                              | 597,479                                |
| Decrease (increase) in accounts payable  | 272,246                                | 179,235                                |
| Decrease (increase) in consumption taxes payable                                       | (177,798)                              | 586,981                                |
| Other, net   | (22,288)                               | 2,327                                  |
| Subtotal   | 133,192                                | 5,053,529                              |
| Interest and dividends received  | 39,275                                 | 23,730                                 |
| Proceeds from insurance income   | 3,475                                  | 4,087                                  |
| Proceeds from insurance surrender value  | —                                      | 17,214                                 |
| Proceeds from fiduciary obligation fee   | 4,283                                  | 4,321                                  |
| Interest paid  | (12,162)                               | (13,790)                               |
| Compensation expenses paid   | (6,500)                                | —                                      |
| Income taxes paid  | (459,302)                              | (1,067,033)                            |
| Net cash provided by (used in) operating activities                                    | (297,738)                              | 4,022,059                              |
| <b>Cash flows from investing activities</b>  |  |  |
| Purchase of property, plant and equipment  | (271,391)                              | (294,975)                              |
| Proceeds from sale of property, plant and equipment                                    | 13,459                                 | 9,348                                  |
| Purchase of intangible assets  | (17,567)                               | (24,755)                               |
| Purchase of investment securities  | (292)                                  | (299)                                  |
| Purchase of insurance funds  | —                                      | (66,316)                               |
| Other, net   | (17,463)                               | (8,205)                                |
| Net cash provided by (used in) investing activities                                    | (293,254)                              | (385,204)                              |
| <b>Cash flows from financing activities</b>  |  |  |
| Net increase (decrease) in short-term borrowings                                       | 2,900,000                              | (3,600,000)                            |
| Repayments of long-term borrowings   | (33,400)                               | (33,200)                               |
| Repayments of finance lease liabilities  | (37,104)                               | (32,437)                               |
| Repayments of long-term payables   | —                                      | (14,515)                               |
| Proceeds from sale and leaseback transactions  | 46,591                                 | 10,022                                 |
| Proceeds from sale and installment back transactions                                   | —                                      | 56,209                                 |
| Proceeds from issuance of share acquisition rights                                     | —                                      | 3,020                                  |
| Expenditure for acquisition of own share acquisition rights                            | —                                      | (2,732)                                |
| Proceeds from disposal of treasury shares through exercise of share acquisition rights | —                                      | 84,762                                 |
| Purchase of treasury shares  | (889,000)                              | —                                      |
| Dividends paid   | (646,217)                              | (751,507)                              |
| Net cash provided by (used in) financing activities                                    | 1,340,869                              | (4,280,378)                            |
| Net increase (decrease) in cash and cash equivalents                                   | 749,877                                | (643,522)                              |
| Cash and cash equivalents at beginning of period                                       | 1,926,921                              | 2,676,798                              |
| Cash and cash equivalents at end of period   | 2,676,798                              | 2,033,275                              |

#### (4) Notes to Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Change in Presentation Method)

(Balance Sheet Related)

The presentation method for electronic recorded obligations has traditionally been included in Notes and accounts receivable - trade, and contract assets (previous fiscal year 6,898,860 thousand yen) on the balance sheet. However, due to increased importance, they are now presented as electronic recorded obligations (current fiscal year 1,098,484 thousand yen).

(Revenue Recognition Related)

Information breaking down revenue arising from contracts with customers

Our business is a single business of thermal insulation construction and related work, consisting of five types: insulation work for detached houses, insulation work for buildings, waterproofing, raw material sales, and others. Information breaking down revenue arising from contracts with customers is disclosed by type.

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Information by product and service

(in thousand yen)

|   | Single-family Homes Division | Buildings Division | Waterproofing Division | Sales of Urethane Raw Materials | Other divisions | Total      |
|---|------------------------------|--------------------|------------------------|---------------------------------|-----------------|------------|
| Timing of transfer of goods or services       |                              |                    |                        |                                 |                 |            |
| At a point in time                            | 13,873,456                   | —                  | 315,961                | 1,211,055                       | 3,430,967       | 18,831,438 |
| Over a period of time                         | —                            | 6,838,766          | —                      | —                               | —               | 6,838,766  |
| Revenue arising from contracts with customers | 13,873,456                   | 6,838,766          | 315,961                | 1,211,055                       | 3,430,967       | 25,670,205 |
| Net sales to external customers               | 13,873,456                   | 6,838,766          | 315,961                | 1,211,055                       | 3,430,967       | 25,670,205 |

(Note) Sales of goods include machinery sales of 446,743 thousand yen.

Current fiscal year (from January 1, 2023 to December 31, 2023)

Information by product and service

(in thousand yen)

|   | Single-family Homes Division | Buildings Division | Waterproofing Division | Sales of Urethane Raw Materials | Other divisions | Total      |
|---|------------------------------|--------------------|------------------------|---------------------------------|-----------------|------------|
| Timing of transfer of goods or services       |                              |                    |                        |                                 |                 |            |
| At a point in time                            | 13,798,765                   | —                  | 489,513                | 1,916,037                       | 3,869,573       | 20,073,888 |
| Over a period of time                         | —                            | 8,267,907          | —                      | —                               | —               | 8,267,907  |
| Revenue arising from contracts with customers | 13,798,765                   | 8,267,907          | 489,513                | 1,916,037                       | 3,869,573       | 28,341,797 |
| Net sales to external customers               | 13,798,765                   | 8,267,907          | 489,513                | 1,916,037                       | 3,869,573       | 28,341,797 |

(Note) Sales of goods include machinery sales of 914,904 thousand yen.

(Segment Information, Etc.)

Our business is a single business of thermal insulation construction and related work, and there are no segments to be disclosed, so the description is omitted.

(Equity Method Profit and Loss, Etc.)

The affiliated companies we own are not significant in terms of profit standards and surplus fund standards, so the description is omitted.

(Per Share Information)

|                            | Previous fiscal year<br>(from January 1, 2022 to December 31, 2022) | Current fiscal year<br>(from January 1, 2023 to December 31, 2023) |
|----------------------------|---|--|
| Net assets per share       | 254.41 yen  | 296.24 yen   |
| Basic earnings per share   | 47.99 yen   | 63.83 yen  |
| Diluted earnings per share | — yen   | 63.82 yen  |

(Note) 1. For the previous fiscal year, diluted earnings per share are not listed as there are no potential shares.

2. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

| Item  | Previous fiscal year<br>(from January 1, 2022 to December 31, 2022) | Current fiscal year<br>(from January 1, 2023 to December 31, 2023) |
|---|---|--|
| Basic earnings per share  |   |  |
| (Basis for calculation)   |   |  |
| Profit (thousand yen)   | 1,549,154   | 2,004,188  |
| Amount not attributable to ordinary shareholders (thousand yen) | —   | —  |
| Profit attributable to ordinary shares (thousand yen)           | 1,549,154   | 2,004,188  |
| Average number of ordinary shares during the period (shares)    | 32,279,270  | 31,397,054   |
| Diluted earnings per share                                      |   |  |
| (Basis for calculation)   |   |  |
| Adjustment to profit (thousand yen)                             | —   | —  |
| Increase in ordinary shares (shares)                            | —   | 5,654  |
| (Of which, share acquisition rights) (shares)                   | —   | (5,654)  |

(Important Subsequent Events)

There are no applicable matters.