

Non-consolidated Financial Results for the Nine Months Ended September 30, 2020 [Japanese GAAP]



November 9, 2020

Company name: Nippon Aqua Co., Ltd.
Code number: 1429 (listed on the Tokyo Stock Exchange)
(URL: <http://www.n-aqua.jp>)
Representative: Fumitaka Nakamura, President and Representative Director
Contact: Mitsuharu Yamada, General Manager of Finance and Accounting
Phone: +81-3-5463-1117
Scheduled filing date of quarterly report: November 10, 2020
Scheduled date of dividend payout: —
Supplementary quarterly materials prepared: No
Quarterly results briefings held: No

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

1. Non-consolidated Financial Results for the Nine Months Ended September 30, 2020 (January 1, 2020-September 30, 2020)

(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, 2020	15,372	0.0	1,164	(9.7)	1,174	(8.5)	780	(7.8)
Nine months ended September 30, 2019	15,367	13.5	1,288	560.6	1,282	564.4	846	822.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	24.16	24.15
Nine months ended September 30, 2019	26.23	26.22

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	15,034	7,075	47.1
As of December 31, 2019	15,379	6,843	44.5

[Reference] Shareholders' equity: As of September 30, 2020: 7,075 million yen

As of December 31, 2019: 6,843 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	—	0.00	—	17.00	17.00
Fiscal year ending December 31, 2020	—	0.00	—		
Fiscal year ending December 31, 2020 (forecast)				17.00	17.00

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

3. Financial Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020-December 31, 2020)

(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, 2020	23,200	8.6	2,109	10.4	2,100	10.0	1,374	7.8	42.54

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, 2020 34,760,000 shares

As of December 31, 2019 34,756,000 shares

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

As of September 30, 2020 2,457,628 shares

As of December 31, 2019 2,459,628 shares

(iii) Average number of shares during period under review

Nine months ended September 30, 2020 32,298,525 shares

Nine months ended September 30, 2019 32,273,826 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.

Contents of Attachment

1. Qualitative Information Concerning Financial Results for the Period Under Review	4
(1) Explanation Regarding Operating Results	4
(2) Explanation Regarding Financial Position	4
(3) Notes on Financial Forecasts and Other Forward-looking Statements	5
2. Quarterly Financial Statements and Primary Notes	7
(1) Quarterly Balance Sheet	7
(2) Quarterly Income Statement	9
(3) Notes to Quarterly Financial Statements	10
(Notes on Going Concern Assumption)	10
(Notes on Significant Changes in Amount of Shareholders' Equity)	10
(Use of Special Accounting Methods in Preparing Quarterly Financial Statements)	10
(Changes in Accounting Policies)	10
(Changes in Accounting Estimates)	10
(Restatements)	10
(Segment Information, Etc.)	10
(Important Subsequent Events)	10

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

(1) Explanation Regarding Operating Results

During the nine months ended September 30, 2020, the Japanese economy continued to face an extremely adverse situation due to the impact of COVID-19.

The single-family homes market where the Company operates remained weak due to the impact of COVID-19. Monthly housing starts dropped year on year for fifteen consecutive months from July 2019 to September 2020. Monthly housing starts during the period under review (from January to September) declined 10.9% year on year to 608,214 units. New single-family home construction projects decreased 8.4% year on year to 33,701 units during the period under review. Under such circumstances, sales of Single-family Homes Division, fortunately, did not fall more than 7.1% year on year to 9,038 million yen.

In the buildings market where the Company operates, the Buildings Division increased sales by 17.8% year on year to 3,372 million yen thanks to the high regard held by general contractors of the Company's wide-area certification as an industrial waste disposal agent and the continued brisk order intake of the patented flameproof insulating material Aquamoen. Additionally, total sales of raw materials, machinery, and air-conditioning products increased 6.6% year on year to 2,961 million yen.

As a result, total sales increased slightly by 0.03% year on year to 15,372 million yen in the period under review, thanks to the increase in sales of the Buildings Division and the increase in sales of raw materials, machinery, and air-conditioning products, offsetting the decrease in sales of the Single-family Homes Division. Meanwhile, operating profit decreased 9.7% from a year earlier to 1,164 million yen and ordinary profit decreased 8.5% year on year to 1,174 million yen. Profit totaled 780 million yen, decreasing 7.8% from a year earlier.

(2) Explanation Regarding Financial Position

(Total assets)

Total assets totaled 15,034 million yen as of September 30, 2020, down 344 million yen, or 2.2%, from the end of the previous fiscal year.

(Current assets)

Current assets totaled 10,529 million yen as of September 30, 2020, down 708 million yen, or 6.3%, from the end of the previous fiscal year. Key factors contributing to this drop include decreases of 176 million yen in notes and accounts receivable - trade, 395 million yen in accounts receivable - other, and 198 million yen in inventories, partially offset by an increase of 67 million yen in cash and deposits.

(Non-current assets)

Non-current assets totaled 4,504 million yen as of September 30, 2020, up 363 million yen, or 8.8%, from the end of the previous fiscal year. Key factors contributing to this increase include increases of 448 million yen in buildings following completion of Aomori, Kanazawa, and Akita branch offices, and 93 million yen in land after acquisition of tracts for planned Akita and Matsumoto branch office buildings, partially offset by decreases of 103 million yen in construction in progress following completion of Kanazawa, Aomori, and Kanagawa branch offices and 132 million yen in assets due to depreciation.

(Total liabilities)

Liabilities totaled 7,958 million yen as of September 30, 2020, down 577 million yen, or 6.8%, from the end of the previous fiscal year.

(Current liabilities)

Current liabilities totaled 7,830 million yen as of September 30, 2020, down 561 million yen, or 6.7%, from the end of the previous fiscal year. Main factors contributing to this decrease include decreases of 687 million yen in accounts payable - trade due to a drop in trade payables, 136 million yen in the current portion of long-term borrowings, and 679 million yen in income taxes payable due to payment of corporate taxes, partially offset by increases of 1,200 million yen in short-term borrowings and 69 million yen in provision for bonuses.

(Non-current liabilities)

Non-current liabilities totaled 127 million yen as of September 30, 2020, down 16 million yen, or 11.2%, from the end of the previous fiscal year. Key factors contributing to this decrease include a decrease of 19 million yen in long-term lease obligations.

(Net assets)

Net assets totaled 7,075 million yen as of September 30, 2020, up 232 million yen, or 3.4%, from the end of the previous fiscal year. Key factors contributing to this increase include a recording of 780 million yen in profit, partially offset by the decrease of 549 million yen in retained earnings due to dividend payouts.

(Equity ratio)

Equity ratio was 47.1% on September 30, 2020, up 2.6 percentage points from the end of the previous fiscal year.

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

The Japanese economy is expected to continue its recovery as the level of socioeconomic activity returns to normal while measures to prevent the spread of COVID-19 are taken, supported also by the government's policy measures and improvements in the overseas economies. Our strategy under this situation is as follows:

1. Companywide Measures

(1) Insulation Installing Work

We aim to implement insulation-installing work while working closely with original contractors to ensure effective counter-infection measures are taken. We aim to ensure thorough safety and infection prevention for workers and keep up with the busy season from October to December.

(2) Execution of Duties and Supervision

Important decisions are made and execution duties are supervised as usual through meetings, including those of the Board of Directors, fully using telephone or video conferencing systems, in order to prevent infection.

2. Status by Division

(1) Single-family Homes Division

We expect the single-family homes market will remain weak throughout the fiscal year ending December 31, 2020 due to the impact of COVID-19. Further growth in the demand for a comfortable home environment and homes that conserve energy is expected as a result of telecommuting amid the COVID-19 outbreak. We will take this opportunity to increase our share of construction work in the single-family homes market by offering a combination of highly-airtight and highly-insulated AQUA FOAM and central air-conditioning systems.

(2) Buildings Division

In terms of the buildings market, despite the effects of delays in construction work due to the spread of COVID-19, we intend to increase our revenues in the urban renewal projects in the Tokyo Metropolitan area and the major regional cities by carrying out multiple construction work that includes flameproofing/fireproofing work and waterproofing work (using polyurea waterproofing system "Aquahajikun") based on the Aquamoen flameproof insulating material.

(3) Purchase of Raw Materials

The Company has purchased raw materials for urethane from diversified locations, including North America, China, and Japanese manufacturers. We thus have experienced no impact on construction work or sale of the materials from any supply chain disruption.

3. Full-year Financial Forecasts for the Fiscal Year Ending December 31, 2020

The full-year financial forecasts for the fiscal year ending December 31, 2020, have not been changed.

4. Changes in a Major and the Largest Shareholder of the Parent Company, etc.

The Company announces that, effective October 29, 2020, YAMADA HOLDINGS CO., LTD. (securities code: 9831), which is expanding its housing business under the concept of "brighten your future with smart housing," has become a major and the largest shareholder of the Company's parent company, Hinokiya Group Co., Ltd. (securities code: 1413).

Although Hinokiya Group Co., Ltd. has become a consolidated subsidiary of YAMADA HOLDINGS CO., LTD., it will retain its listing on the first section of the Tokyo Stock Exchange. Similarly, the Company will also retain its listing on the first section of the Tokyo Stock Exchange. The Company will strive to materialize various synergies with the YAMADA HOLDINGS CO., LTD. from the following fiscal year and beyond. This change will have no effect on the financial results for the fiscal year ending December 31, 2020.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(in thousand yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	1,878,403	1,946,066
Notes and accounts receivable - trade	5,017,299	4,840,305
Inventories	1,678,398	1,480,130
Accounts receivable - other	2,590,160	2,194,635
Other	94,810	82,483
Allowance for doubtful accounts	(21,070)	(13,764)
Total current assets	11,238,003	10,529,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,759,846	2,207,925
Land	1,518,397	1,611,699
Other, net	395,710	267,640
Total property, plant and equipment	3,673,954	4,087,265
Intangible assets		
Leasehold interests in land	15,000	15,000
Other	88,492	98,100
Total intangible assets	103,492	113,100
Investments and other assets		
Other	370,039	310,591
Allowance for doubtful accounts	(6,336)	(6,336)
Total investments and other assets	363,702	304,255
Total non-current assets	4,141,149	4,504,621
Total assets	15,379,153	15,034,479

(in thousand yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	4,614,948	3,927,921
Short-term borrowings	2,000,000	3,200,000
Current portion of long-term borrowings	136,800	—
Lease obligations	25,986	25,725
Income taxes payable	691,475	12,302
Provision for bonuses	21,585	90,833
Other	901,611	574,135
Total current liabilities	8,392,406	7,830,917
Non-current liabilities		
Lease obligations	76,848	57,650
Asset retirement obligations	38,859	39,029
Other	28,005	30,982
Total non-current liabilities	143,713	127,662
Total liabilities	8,536,119	7,958,580
Net assets		
Shareholders' equity		
Share capital	1,903,369	1,903,649
Capital surplus	1,883,509	1,884,051
Retained earnings	4,266,287	4,497,585
Treasury shares	(1,210,137)	(1,209,153)
Total shareholders' equity	6,843,029	7,076,133
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4	(234)
Total valuation and translation adjustments	4	(234)
Total net assets	6,843,033	7,075,898
Total liabilities and net assets	15,379,153	15,034,479

(2) Quarterly Income Statement

Nine months ended September 2020

(in thousand yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	15,367,570	15,372,279
Cost of sales	11,615,515	11,684,338
Gross profit	3,752,055	3,687,941
Selling, general and administrative expenses	2,463,357	2,523,851
Operating profit	1,288,698	1,164,089
Non-operating income		
Interest income	4,598	7,214
Insurance claim income	5,508	8,063
Other	7,298	17,813
Total non-operating income	17,406	33,091
Non-operating expenses		
Interest expenses	7,289	7,545
Sales discounts	15,825	15,156
Other	42	71
Total non-operating expenses	23,156	22,773
Ordinary profit	1,282,947	1,174,407
Extraordinary income		
Gain on sales of non-current assets	2,186	3,936
Total extraordinary income	2,186	3,936
Extraordinary losses		
Loss on sales of non-current assets	358	—
Loss on retirement of non-current assets	1,178	416
Settlement package	—	1,000
Total extraordinary losses	1,536	1,416
Profit before income taxes	1,283,597	1,176,927
Income taxes - current	487,714	346,250
Income taxes - deferred	(50,915)	50,341
Total income taxes	436,799	396,591
Profit	846,797	780,335

(3) Notes to Quarterly Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Use of Special Accounting Methods in Preparing Quarterly Financial Statements)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Changes in Accounting Estimates)

Not applicable.

(Restatements)

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.

(Important Subsequent Events)

Not applicable.