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August 4, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: NAC Co., Ltd
Listing: Tokyo Stock Exchange
Securities code: 9788
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Scheduled date to file quarterly securities report: August 4, 2023
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	11,941	2.0	(162)	—	(157)	—	(244)	—
June 30, 2022	11,702	(2.3)	(243)	—	(230)	—	(260)	—

Note: Comprehensive income For the three months ended June 30, 2023: ¥(269) million [−%]
For the three months ended June 30, 2022: ¥(363) million [−%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	(11.11)	—
June 30, 2022	(11.60)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net asset per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	35,707	21,281	59.6	991.17
March 31, 2023	38,735	23,204	59.9	1,032.62

Reference: Equity
As of June 30, 2023: ¥21,281 million
As of March 31, 2023: ¥23,204 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	10.00	–	30.00	40.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		10.00	–	32.00	42.00

Note: Revisions to the forecast of cash dividends most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	23,306,750 shares
As of March 31, 2023	24,306,750 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2023	1,835,341 shares
As of March 31, 2023	1,835,341 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	21,965,914 shares
Three months ended June 30, 2022	22,440,654 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forecasts given in this document are based on the current available information in the company and certain reasonable assumptions to the company. And we don’t commit to achieve these forecasting numbers. Actual results may differ from these forecasts by a variety of reasons.

3. Forecast of Consolidated Results for Fiscal Year Ending March 31,2023（from April 1, 2022 to March 31, 2023）

（Percentages indicate the rate of change compared with the preceding year）

	Net Sales		Operating income		Ordinary Income		Profit Attributable to Owners of Parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second Quarter(Cumulative)	28,000	7.3	1,050	90.2	1,050	85.5	700	174.9	31.16
Full-year	60,000	5.1	3,500	8.3	3,500	7.9	2,200	9.9	97.95

（Note）Revision of projected consolidated results of operations most recently announced : None

4. Qualitative Information on Quarterly Results

【Operating Results】

During the first quarter (April 1, 2023 ~ June 30, 2023), the Japanese economy showed signs of recovery with COVID-19 reclassified as Class-5 and economic activity normalizes. However, in addition to the continuing rise of prices due to surge in raw materials and energy costs influenced by the situation in Ukraine, the downturn in overseas economies while global monetary tightening continues which might affect the country's economy is a concern, and makes the situation remain uncertain. In retail and service industries, the individual consumption is in recovery trend. The employment situation is driven by improvements due to the increase in regular salaries, and consumption trends also have signs of recovery centered on face-to-face services such as eating out and travelling.

Under these circumstances, NAC Group of companies has been actively working on to improve customer service, expand sales promotion activities and business area, reorganizing businesses in the anticipation of increasing demand for the 100-year life society.

As a result, net sales of 11,941 million yen (increase of 2.0% year-on-year), operating loss of 162 million yen (operating loss 243 million yen in the same period of the previous fiscal year), ordinary loss of 157 million yen (ordinary loss of 230 million yen in the same period of the previous fiscal year), and net loss attributable to owners of parent company of 244 million yen (net loss attributable to owners of parent company of 260 million yen in the same period of the previous fiscal year) were the consolidated result for the first quarter of the fiscal year ending March 31, 2024.

Segment results by business are as follows:

In addition to the operating profit of each segment, 363 million yen as corporate expenses not attributable to any particular segment were posted.

〈CreCla Business〉

In water delivery market, consumer demand continues to increase due to work from home and lifestyle changes established as a new way of working in COVID-19 situation. In addition, the demand for flat-rate, inexpensive and available water purifier dispenser is rapidly growing and new entry from other industries are active making the competition for customers even more intense.

In CreCla Business, we have worked a new television commercial aired around "CreCla Anshin" which started last year to acquire new customers, have clearly set out the differentiating factors with other companies, and have strengthened even the sales held in shopping malls and other activities, and strengthened sales promotion activities.

In Directly managed stores division, although number of customers have declined compared to year-on-year in "CreCla" water delivery due to reluctant buying because of high price, and entry of major companies, the new customer acquisition campaigns are on track and the number of customers this year is on the upward trend. Moreover, with the price increase of CreCla bottle that was implemented from the previous year, sales have increased year-on-year. And in our hypochlorous acid solution, (ZiACO), due to the effect of COVID-19 reclassified as Class-5, churn rate of customers who use it as antivirus has increased resulting year-on-year decrease in sales. Consequently, the decrease of sales in ZiACO was offset by the rise in sales of CreCla bottle, and the overall sales in Directly managed stores division has increased year-on-year.

In Affiliated stores, cancellation is in upward trend due to review of living expenses at home, and number of customer and sold CreCla bottle has decreased, but sales is in the same level year-on-year (slightly increased) due to the price increase implemented from the previous fiscal year.

Operating profit increased significantly year-on-year due to higher sales as a result of price increase of the CreCla bottle.

As a result, net sales of 3,600 million yen (increase of 4.1% year-on-year), operating profit of 259 million yen (increase of 107.5% year-on-year), were the consolidated result for the first quarter of the fiscal year ending March 31, 2024.

In addition, in March 2023, CreCla Nagasaki Co., Ltd was newly established and its profit and loss is recorded (has no significant impact) from the first quarter of the fiscal year ending March 31, 2024.

〈Rental Business〉

In Rental Business, we worked to provide products and services that meet the demands and lifestyle of cleanliness market that have changed due to the infectious disease, and expand our sales network and strengthen our services for the era of 100-year lifespan.

In the mainstay Duskin business, unit price per customer increased due to price increase in some products in Dust control product division in July 2022. Moreover, sales increased year-on-year due to the increasing businesses in Care services division which provide comprehensive services such as housekeeping services, pest control, and floral and garden management (sales activities were expanded by increasing sales staff

after the capital and business alliance agreement with Duskin Co., Ltd in August 2018) and continuous increase of businesses in HealthRent division which provides rental and sales of nursing care products and welfare equipment. Furthermore, the plan is to finish the addition of 120 businesses that were planned for the capital business alliance during the cumulative period of consolidation, and we will focus on the sales expansion and the profit of each business.
In With-branded pest-control devices “with” as mainstay, sales was on the same level year-on-year (slightly increased) with restaurants, the major customers, have reopened and regular deliveries recovered, increasing the delivery rate from the previous year.
Earnest Co., Ltd which provides regular cleaning services for corporate clients have sales significantly increased due to orders for support business of continuous border security implemented by the Ministry of Health, Labor and Welfare.
Operating income was on the same level year-on-year (slowly decreased) due to the decline of gross profit margin in Earnest Co., Ltd
As a result, net sales of 4,381 million yen (increase of 7.3% year-on-year), operating profit of 408 million yen (decreased of 1.4% year-on-year) were the consolidated result for the first quarter of the fiscal year ending March 31, 2024.
Moreover, in July 2023, CAN’S Co., Ltd, a corporation whose core business is original restoration work for rental properties etc. became a subsidiary with the aim of expanding the business area and controlling outsourcing costs.

〈Construction Consulting Business〉

In local construction industry and market, although there is improvement in delays of residential materials delivery due to lack of semiconductor supply, the external environment remains severe due to the shortage of skilled workers and soaring logistics costs.
In Consulting division, due to the prolonged surge of construction costs, and repayment of infectious-disease related loans, the investment appetite related to economic improvement of local constructing contractors, that continues to be our customers, has declined. Moreover, the sales ratio of subsidized products for the purpose of supporting IT introduction has increased in the first quarter consolidated period. However, since sales record of the subsidized products will be after the second quarter of the fiscal year ending March 31, 2024 because it will take time passing the review to transfer from application, sales declined year-on-year.
In NAC HAUS Partner Co., Ltd, a new company name after ACE HOME Co., Ltd merged with Nac Smart Energy Co., Ltd in April 1, 2023., Smart Energy business (former Nac Smart Energy Co., Ltd) that engages in construction and sales of materials related to energy savings has incurred increase in sales as a result of expansion in sales of industrial materials.
In Housing Network business (former ACE HOME Co., Ltd), sales decreased year-on-year due to decline in wholesale caused by decrease in number of houses and the time required for the review period of subsidized products eligible jointly developed with Consulting division.
In the Smart Energy business of NAC HAUS Partner Co., Ltd, shift from a focus on wholesale to sales structure including construction contracts has improved the gross profit margin but due to the decline in sales in the Consulting division, which has high gross profit margin operating, loss of the entire Construction Consulting business has significantly increased.
As a result, net sales of 1,073 million yen (decrease of 17.6% year-on-year), operating loss of 295 million yen (operating loss of 193 million yen in the same period of the previous fiscal year. Including the 10 million yen goodwill amortization of NAC HAUS Partner Co., Ltd) were the consolidated results for the first quarter of the fiscal year ending March 31, 2024.

〈Housing Business〉

In Housing industry, the situation remains severe with the number of new housings announced by the Ministry of Land, Infrastructure, Transport and Tourist (MLIT) in June for total housing including rental houses and ready-built houses has increased after four months but declined again from May, and the number of owned houses in our business area has decreased for the 19th consecutive month.
In KDI Corporation, sales decreased year-on-year due to the struggles of purchasing land with the increasing land costs in the city center, sluggish sales and slowdown of the entire real estate market due to the soaring prices of construction materials.
In J-wood Co., Ltd, sales slightly decreased year-on-year as completed buildings declined even though unit price per building and sales of real estate for has increased.
As for profit and loss, operating loss in J-wood Co., Ltd decreased due to sales price increases from the previous year which were affected by the lumber shortage, and increasing unit sales prices and gross profit margin per building. In KDI Corporation, losses were recorded as operating profit decreased due to slowed

real estate market and sales decline of unit. However, the improved profitability of J-wood Co., Ltd covered the deficit o KDI Corporation, and as a result, operating loss of the entire Housing business were at the same level year-on-year.
As a result, net sales of 1,264 million yen (decrease of 7.8% year-on-year), operating loss of 198 million yen (operating loss of 197 million in the same period of the previous fiscal year, including the 7 million yen goodwill amortization of KDI Corporation) were the consolidated results for the first quarter of the fiscal year ending March 31, 2024.

〈Beauty and Health Business〉

In cosmetic industry, there were signs of recovery for the entire industry with the increasing demand and inbound consumption of skin cares such as make-up and anti-aging, as well as rising demand of fragrance with increasing opportunities for use following the increase of going out
In JIMOS Co., Ltd, sales increased year-on-year due to the rise in wholesale sales of “SINN PURETÉ” and effect of merger with “TOFU NO MORITAYA” brand in July 2022.
As for BELAIR Co., Ltd, sales decreased year-on-year due to decline in the number of the members.
In UP SALE Co., Ltd, sales decreased year-on-year following the decline in selling quantity due to the intensified price competition in online shops.
TOREMY Co., Ltd incurred significant increase in sales year-on-year as a result of new orders from major sales destination, as well as increasing orders from existing customers due to recovery of cosmetics industry.
As for the profit and loss, the entire Beauty and Health Business significantly increased year-on-year as a result of the contribution of office sharing and cost control between group companies in addition to the increase in sales of TOREMY Co., Ltd.
As a result, net sales of 1,638 million yen (increase of 9.7% year-on-year), operating profit of 25 million yen (operating loss of 41 million yen in the same period of the previous fiscal year. Including the 50 million yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, UP SALE Co., Ltd and TOREMY Co., Ltd) were the consolidated results for the first quarter of the fiscal year ending March 31, 2024.