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November 8, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: NAC Co., Ltd
Listing: Tokyo Stock Exchange
Securities code: 9788
URL: https://www.nacoo.com/
Representative: Kan Yoshimura, President and Chief Executive Officer
Inquiries: Hironari Kawakami, Director and Chief Financial Officer
Telephone: +81-03-3346-2111
Scheduled date to file quarterly securities report: November 8, 2023
Scheduled date to commence dividend payments: December 4, 2023
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 six months ended September 30, 2023 (from April 1, 2023 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	25,828	(1.0)	609	10.4	689	21.8	280	10.3
September 30, 2022	26,097	(0.4)	552	(46.6)	566	(44.9)	254	(58.5)

Note: Comprehensive income For the six months ended September 30, 2023: ¥229 million [54.8%]
For the six months ended September 30, 2022: ¥148 million [(83.4)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	12.93	—
September 30, 2022	11.34	—

(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
September 30, 2023	37,644	21,822	58.0	1,014.32
March 31, 2023	38,735	23,204	59.9	1,032.62

Reference: Equity
As of September 30, 2023: ¥21,822 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	–	10.00			
Fiscal year ending March 31, 2024 (Forecast)			–	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 September 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 September 30, 2023	1,792,100 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)

Six months ended September 30, 2023	21,732,676 shares
Six months ended September 30, 2022	22,451,414 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 31,2024（April 1, 2023 ～ March 31, 2024）

（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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	60,000	5.1	3,500	8.3	3,500	7.9	2,200	9.9	97.95

Note: Revisions to the forecast of financial results most recently announced: None

4. Qualitative Information on Earnings Results for the First Six Months

【Operating Results】

During the first six months (April 1, 2023 ~ September 30, 2023), the Japanese economy is showing signs of recovery as restrictions of movements towards infectious disease are lifted and economic activities are normalizing. However, the outlook remains uncertain due to the soaring raw materials and energy prices, and rising commodity prices caused by the protracted situation in Ukraine and other factors, as well as fluctuations in foreign exchange rates.

In retail and service industries, the individual consumption is in recovery trend.

The employment situation is showing signs of improvement due to increases in salaries, and consumption trends are also showing signs of recovery, especially in face-to-face services such as eating out and travel.

Under these circumstances, NAC Group has actively worked to improve customer service, conduct sales promotions, expand its trade area, and reorganize its business in anticipation of increasing demand in the 100-year life period.

As a result, net sales of 25,828 million yen (decrease of 1.0% year-on-year), operating income of 609 million yen (increase of 10.4% year-on-year), ordinary income of 689 million yen (increase of 21.8% year-on-year) and profit attributable to owners of parent company of 280 million yen (increase of 10.3% year-on-year) were the consolidated for the second 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, 705 million yen as corporate expenses not attributable to any particular segment were posted.

〈CreCla Business〉

In water delivery market, competition for customers has become even more fierce due to the increasing demand for water purifier type servers that can be used at a fixed and low price. In addition, bottle consumption per unit is on a downward trend with existing customers refraining from buying bottles due to the soaring prices and decreasing stay-at-home demand.

In CreCla Business, in response to the growing demand for water purifier servers, we have launched a new compact water purifier server "putio" for those living alone and for the elderly. We also strengthened sales event at shopping malls and worked to strengthen sales promotion activities.

In Directly managed stores division, although the number of customers has declined compared to year-on-year in CreCla water delivery due to customers refraining from purchasing because of rising prices and entry of major companies, the cancellation rate is on improving trend. Moreover, sales increased year-on-year due to the increase in customer unit prices following a high demand for water because of intense heat, as well as due to the impact of price increase of CreCla bottles implemented the previous year. As for the hypochlorous acid solution "ZiACO", due to the reclassification of the infectious disease as Class 5, cancellation of customer who used it as anti-virus solution has increased which resulted a decrease in sales year-on-year. As a result, overall sales in Directly managed stores division increased year-on-year as high sales of CreCla bottles covered the sales decline in ZiACO.

In Affiliated stores, although the number of customers decreased, net sales increased compared to year-on-year following the high bottle sales due to price increase implemented the previous year.

The operating profit increased year-on-year due to the increase in net sales because of price increase and impact of intense heat.

As a result, net sales of 7,762 million yen (increase of 4.6% year-on-year), operating profit of 910 million yen (increase of 28.2%) were the consolidated result for the second quarter of the fiscal year ending March 31, 2024.

In addition, CreCla Nagasaki Co., Ltd was established in March 2023 and consolidated statement is recorded from the first quarter of the current fiscal year (has no significant impact).

〈Rental Business〉

In Rental Business, we provided products and services that fits the demands and lifestyle of cleanliness market, which has changed due to the infectious disease. Furthermore, for the 100-year lifespan era, we anticipated an increase in demand for services such as housekeeping and nursing care equipment rental, and has worked to expand our sales network and strengthen our service system.

In the mainstay Duskin business, net sales have decreased in Dust control product division as a result of increase in cancellation rate from reviewing household finances because of high prices of commodities. On the other hand, in addition to the continuously increasing businesses (sales activities were expanded by increasing sales staff after the capital and business alliance agreement with Duskin Co., Ltd in August 2018) in Care services division that provides comprehensive services such as housekeeping services, pest control, and floral and garden management, and in HealthRent division that provides rental and sales of nursing care

products and welfare equipment, net sales increased year-on-year due to an increase in orders for cleaning in Care services division following the rising demand for air conditioners because of intense heat.
In With-branded pest-control devices “with”, net sales were at the same level (slightly increased) year-on-year due to the improved delivery rates to restaurants, our major customers, and strengthening of sales promotion activities aimed at acquiring new customers.
In Earnest Co., Ltd, which provides regular cleaning services for corporate clients, net sales decreased year-on-year due to the decline in orders of Border Control Support projects by MHLW because of the impact of infectious disease’s reclassification to Class 5.
In addition, CAN’S Co., Ltd, a restoration work business for rental properties became a subsidiary in June 2023 and income statement is recorded in the second quarter of the current consolidate fiscal year.
Although net sales in Duskin business, With-branded pest-control devices business had increased, operating income decreased year-on-year due to the impact of decline in net sales of Earnest Co., Ltd.
As a result, net sales of 8,711 million yen (1.1% increase year-on-year), operating profit of 807 million yen (decrease of 8.7% year-on-year, including the 3 million yen goodwill amortization of CAN’S Co., Ltd) were the consolidated result for second quarter of the fiscal year ending March 31, 2024.

〈Construction Consulting Business〉

The local construction industry and market became a severe external environment due to the decrease in residential construction because of population decline, chronic shortage of skilled personnels and surge in building materials.
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 are our customers has continuously declined. In addition, the sales ratio of the subsidized products for the purpose of supporting IT introduction in the second quarter consolidated fiscal year continued on from the first quarter has increased. Net sales decreased year-on-year as net sales of the orders in the second quarter will be recorded from the third quarter due to the time required to complete the review from application of the subsidized products.
At NAC HAUS Partner Co., Ltd, which was renamed on April 1, 2023 when ACE HOME Co., Ltd absorbed and merged with Nac Smart Energy Co., Ltd, the Smart Energy Business (formerly Nac Smart Energy Co., Ltd) which engages in construction and sales of materials related to energy savings has incurred an increase in net sales year-on-year due to the convergence of product supply delays caused by semiconductor shortages, and stabilization of supply volumes, as well as improved sales of materials.
In Housing Network business (formerly ACE HOME Co., Ltd), net sales decreased year-on-year due to decline in parts sales following the decrease of houses built and due to the time required to complete the review from application subsidized products jointly developed with Consulting division.
The gross profit margin improved as we shifted from focusing on wholesale to sales structure including the work contracts continued from the previous fiscal year in Smart Energy business of NAC HAUS Partner Co., Ltd. However, due to the decline in sales of Consulting Business, a high profit margin, the loss of the entire Construction Consulting business has expanded significantly.
As a result, net sales of 2,637 million yen (decrease of 10.9% year-on-year), operating loss of 204 million yen (operating loss of 58 million yen in the same period of the previous fiscal year, including the 20 million yen goodwill amortization of NAC HAUS Partner Co., Ltd) were the consolidated result for the second quarter of the fiscal year ending March 31, 2024.

〈Housing Business〉

In the Housing industry, the situation remains severe with the number of new housings announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in September for total housing including rental houses and ready-built houses has declined for four months, and the number of owned houses in our business area has decreased for 22 consecutive months.
In KDI Corporation, net sales decreased year-on-year as number of units sold was sluggish following the soaring house prices and slowdown of the entire real estate market due to the impact of the rising land prices and building materials in the city center.
In J-wood Co., Ltd, despite a rise in unit sales per building and an increase in sales of real estate for sale, the number of completed buildings declined which resulted a decrease in net sales year-on-year.
Operating income decreased significantly due to the rise in purchase costs for land price and materials, and the decrease in the number of units sold at KDI Corporation. In J-wood Co., Ltd the unit sales price and gross profit margin improved by passing on the increase in building materials to sales price and covered the decrease in sales, but operating loss is on the same level year-on-year. Although there was an improvement in the profitability for J-wood Co., Ltd, operating loss in the entire Housing business expanded year-on-year due to the deterioration of profits in KDI Corporation.

As a result, net sales of 3,482 million yen (decrease of 11.4% year-on-year), operating loss of 245 million yen (operating loss of 197 million yen 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 second quarter of the fiscal year March 31, 2024.

〈**Beauty and Health Business**〉

In the cosmetics industry, in addition to the transition of infectious disease to Class 5, more people took off their masks to prevent heat stroke that increased demand for make-up, anti-aging skincare and other skincare products. In addition, inbound consumption of foreigners has also increased, and there were signs of recovery in the entire industry.

In JIMOS Co., Ltd, which focuses on mail-order of cosmetics and health food products, sales increased year-on-year due to growth of SINN PURETÉ brand and acquisition of new customers of MACCHIA LABEL brand which made steady progress.

BELAIR Co., Ltd, which is engaged in the sales of nutritional supplements, net sales decreased year-on-year due to a decline in membership.

UP SALE Co., Ltd, a company handling mail-order of cosmetics, health food and pharmaceutical, net sales decreased because of the decline in sales volume due to intensified price competition in online shop sales and inefficiency in acquiring new customers in pharmaceutical sales.

In TOREMY Co., Ltd which focuses on contract manufacturing of cosmetics, in addition to the increase in sales from existing customers following the recovery of cosmetics market, due to new orders from major sales destinations and orders from inbound demand, sales increased year-on-year.

Although a loss was recorded at UP SALE Co., Ltd due to deterioration of profitability because of decline in sales, overall operating income in Beauty and Health business increased year-on-year due to higher sales in JIMOS Co., Ltd and TOREMY Co., Ltd, as well as contribution of cost control and office sharing.

As a result, sales of 3,261 million yen (increase of 2.4% year-on-year), operating income of 46 million yen (operating loss of 75 million yen in the same period of the previous fiscal year, including the 89 million yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, and TOREMY Co., Ltd) were the consolidated results for the second quarter of the fiscal year ending March 31, 2024.