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February 9, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 9, 2024
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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	39,735	(2.9)	1,475	(3.4)	1,546	0.4	824	(2.0)
December 31, 2022	40,924	2.5	1,527	(19.2)	1,539	(18.2)	841	(27.0)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥766 million [(3.6)%]
For the nine months ended December 31, 2022: ¥795 million [(40.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	19.04	—
December 31, 2022	18.74	—

Note: Nac conducted a 2-for-1 stock split of its common stock, with an effective date of February 1, 2024. The figures for Basic earnings per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	36,756	22,143	60.2	514.61
March 31, 2023	38,735	23,204	59.9	516.31

Reference: Equity
As of December 31, 2023: ¥22,143 million
As of March 31, 2023: ¥23,204 million

Note: Nac conducted a 2-for-1 stock split of its common stock, with an effective date of February 1, 2024. The figures for Net assets per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

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)				16.00	—

Note: 1. Revisions to the forecast of cash dividends most recently announced: None

2. Nac conducted a 2-for-1 common stock split on February 1, 2024. For the fiscal year ended March 31, 2023, the actual number of dividends prior to the stock split are presented. For the fiscal year ending March 31, 2024, the numbers after the stock split are presented. For reference, annual dividends per share for the fiscal year ending March 31,2024 without considering the stock split are 42.00 yen.

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	48.98

Note: 1. Revisions to the forecast of financial results most recently announced: None

2. Nac conducted a 2-for-1 common stock split on February 1, 2024.The forecast for Net income per share for the year ending March 31, 2024 is an amount that reflects the effect of the stock split. For reference, Net income per share for the fiscal year ending March 31,2024 without considering the stock split are 97.95 yen.

* 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 December 31, 2023	46,613,500 shares
As of March 31, 2023	48,613,500 shares

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

As of December 31, 2023	3,584,280 shares
As of March 31, 2023	3,670,682 shares

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

Nine months ended December 31, 2023	43,319,460 shares
Nine months ended December 31, 2022	44,916,207 shares

Note: Nac implemented a 2-for-1 common stock split on February 1, 2024. “Total number of issued shares at the end of the period (including treasury shares)”, “Number of treasury shares at the end of the period” and “Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)" are calculated on the assumption that stock split was implemented at the beginning of the previous fiscal year.

* 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.

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

【Operating Results】

During the first nine months (April 1, 2023 ~ December 31, 2023), with the lifting of restrictions of movements towards infectious disease and normalization of economic activities, the Japanese economy is showing signs of recovery. However, the outlook remains uncertain due to the soaring raw materials and energy prices, and prices hike 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 the increase of 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 promotion, 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 39,735 million yen (decrease of 2.9% year-on-year), operating income of 1,475 million yen (decrease of 3.4% year-on-year), ordinary income of 1,546 million yen (increase of 0.4% year-on-year), and profit attributable to owners of parent company of 824 million yen (decrease of 2.0% year-on-year) were the consolidated result for the third quarter of the fiscal year ending March 31,2024.
Segment result by business are as follows:
In addition to the operating profit of each segment, 1,010 million yen as corporate expenses not attributable to any particular segment was posted.

〈CreCla Business〉

In water delivery market, competition for customers is intensifying as demand for a fixed-price, inexpensive water purifier type servers grow. In addition, bottle consumption per customer is declining due to existing customers' reluctance to buy bottles as a result of rising prices and the elimination of stay-at-home demand. In CreCla Business, in response to the growing demand for water purifier servers, we launched a new compact size water server "putio" for those who are living alone and the elderly. We also strengthened sales event at shopping malls and worked to strengthen sales promotion activities.
In Directly managed store division, although the number of customers for CreCla water delivery has decreased year-on-year due to reluctance to buy caused by the soaring prices and entry of major companies into the market, the cancellation rate is on an improving trend. Moreover, sales increased year-on-year as a result of increasing water demand caused by the heat wave and rising consumption per household due to consumption promotion measures, as well as the increase in price of CreCla bottles implemented in the previous fiscal year that resulted an increase in the unit price per customer. As for the hypochlorous acid solution "ZiACO", sales decreased year-on-year as cancellation of customers who uses it as anti-virus solution increased due to the reclassification of the infectious disease as Class 5. As a result, the overall sales in Directly managed stores increased year-on-year as the increase in sales of CreCla bottles and sub-commercial products has covered the decrease in sales of ZiACO.
In Affiliated stores, although the number of customers has decreased year-on-year, sales increased year-on-year as bottles sales were high due to the price increase implemented in the previous year.
In terms of profit and loss, operating income increased year-on-year due to the impact of heat wave and increase in sales due to price hike for CreCla bottles.
As a result, net sales of 11,567 million yen (increase of 4.6% year-on-year), operating income of 1,357 million yen (increase of 14.6% year-on-year) were the consolidated result for the third 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 offered products and services that fits the demands and lifestyle of cleanness market changed by 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 sale network and strengthen our service system.
In mainstay Duskin business, net sales declined in Dust control product division due to a rise in cancellation rate from the household budget review caused by high prices and other factors.
On the other hand, an increase in cleaning orders in the Care service division due to higher demand for air conditioners caused by the heat wave in addition to the increasing number of businesses (reinforce sales personnel and expanded sales activities after the capital and business alliance with Duskin Co., Ltd in August 2018) in Care service 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, resulted an increase in sales year-on-year.
In addition, at the Board of Director's meeting held on November 8, 2023, a joint project with Duskin Co., Ltd was launched. This project was launched to further expand and grow the business, as the capital and business alliance with Duskin Co., Ltd signed in August 2018 has contributed to the expansion of business scale. The details of this project will be determined through discussions between the two companies.
In With-branded pest-control devices business, net sales were at the same level (slightly increased) year-on-year as sales activities with the purpose of acquiring new customers was strengthened in addition to the improved delivery rate to restaurants, the major customers.
In Earnest Co., Ltd that provides regular cleaning services to corporate clients, net sales decreased significantly due to decline in orders for border control support projects by the Ministry of Health, Labor and Welfare which contributed to sales in the previous fiscal year, due to the impact of the reclassification of infectious disease to Class 5.
In June 2023, CAN'S Co., Ltd, whose core business is restoration work for rental properties became a subsidiary with profit and loss recorded from the first half of the fiscal year.
In terms of profit and loss, although sales increased in Duskin business and With-branded pest-control devices business, operating income decreased year-on-year due to decline in sales of Earnest Co., Ltd.
As a result, net sales of 13,281 million yen (decrease of 2.9% year-on-year), operating profit of 1,296 million yen (decrease of 14.4% year-on-year, including the 6-million-yen goodwill amortization of CAN's Co., Ltd) were the consolidated result for the third quarter of the fiscal year ending March 31,2024.

〈Construction Consulting Business〉

The local construction industry and market continued to face a challenging external environment due to a decrease in the number of residential constructions caused by a declining population, a chronic shortage of skilled personnels, and a prolonged sharp rise in building material prices.
In the Consulting division, the prolonged surge of building material prices, and start of repayment of infectious disease-related loans continued to diminish the will of client local construction firms for investment related to business improvement. Also in the third quarter, as in the second quarter, the sales ratio of subsidized products to support the introduction of IT continued to increase. The subsidized products require time from the application for screening to passing the screening and transfer of funds, and in addition to sales of orders received in the third quarter that will be recorded after the fourth quarter of the current consolidated fiscal year, as well as drop of orders received in the first and second quarters, sales decreased year-on-year.
At NAC HAUS Partner Co., Ltd, which was renamed on April 1, 2023 after ACE HOME Co., Ltd merged with Nac Smart Energy Co., Ltd, net sales were at the same level (slightly higher) year-on-year as a result of convergence of product supply delays due to semiconductor shortages and stabilization of supply volumes, as well as growth in sales of materials in Smart Energy business (formerly Nac Smart Energy Co., Ltd) ,which is engaged in installation and sales of energy-savings related materials.
In Housing Network business (formerly ACE HOME Co., Ltd), net sales decreased year-on-year due to decrease in material sales caused by decline in number of residential constructions and also review of subsidized products jointly developed with Consulting division requires time.
In terms of profit and loss, although gross profit margin has improved in Smart Energy business of NAC HAUS Partner Co., Ltd as a result of shift-change from centered in wholesale to selling structure that includes construction contracts, the overall operating loss of Construction Consulting Business has significantly increased year-on-year caused by the decline in sales of the Consulting business with a high profit margin.
As a result, net sales of 4,044 million yen (decrease of 8.8 year-on-year), operating loss of 247 million yen (operating loss of 48 million yen in the same period of the previous year, including 30-million-yen goodwill amortization of NAC HAUS Partner Co., Ltd) were the consolidated result for the third quarter of the fiscal year ending March 31,2024.

〈Housing Sales Business〉

In housing industry, the situation remains severe with the number of new housings announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in December for total housing including rental houses and ready-built houses has declined for seven consecutive months, and the number of owned houses in our business area has decreased for 25 consecutive months.

The KDI Corporation affected by the rise in housing prices due to the surge in land prices and building materials since last year, and the sluggish number of units sold caused by decline in inventories resulted a year-on-year decline in sales.
In J-Wood Co., Ltd, although there was an increase in the unit sales price per house due to the transfer of building materials costs to selling prices and an increase in sales of real estate for sale, the number of completed buildings decreased resulting a decrease in sales year-on-year.
In terms of profit and loss, operating income declined significantly at KDI Corporation due to a decrease in the number of units sold, affected by a decline in inventory and rising housing prices. At J-Wood Corporation, the operating loss narrowed due to an improvement in the unit sales price per house and gross profit margin, which offset the decline in sales. Although there was an improvement in the profit and loss of J-Wood Corporation, the overall operating loss of the housing business increased year-on-year due to the deteriorated profit and loss in KDI Corporation.
As a result, net sales of 5,777 million yen (decrease of 13.4% year-on-year), operating loss of 225 million yen (operating loss of 219 million yen in the same period of the previous year, including 7-million-yen goodwill amortization of KDI Corporation) were the consolidated result for the third quarter of the fiscal year ending March 31,2024.

〈**Beauty and Health Business**〉

In the cosmetics industry, the demand for skincare such as make up and anti-aging has increased as the infectious disease transitioned to Class 5 and removing off masks has increased. In addition, inbound consumption by foreign visitors in Japan also increased, showing signs of recovery in the industry as a whole.
In JIMOS Co., Ltd which is mainly engaged in mail-order sales of cosmetics and health foods, sales increased year-on-year as a result of sales growth in SINN PURETÉ, a demand recovery for beauty essence foundation with after CORONA, steady acquisition of new customers for MACCHIA LABEL, and price increases of each brand to reflect the soaring raw material costs and increasing logistics costs.
BELAIR Co., Ltd which engages in sales of nutritional supplements, sales decreased year-on-year caused by the decline of membership.
In UP SALE Co., Ltd which is engaged in mail-order of cosmetics, health foods and pharmaceuticals, sales declined due to a drop in sales volume caused by the intense price competition in online shop sales and deterioration in the efficiency of acquiring new customers for pharmaceutical sales.
In TOREMY Co., Ltd which is mainly engaged in contract manufacturing of cosmetics, sales increased significantly as a result of increase in orders from existing customers due to the recovery of the cosmetics market, as well as new orders from major customers and orders from inbound demand.
In terms of profit and loss, although a loss was recorded at UP SALE Co., Ltd due to deteriorated profit and loss caused by decline in sales, operating income in the overall Beauty and Health segment has increased significantly year-on-year as a result of increase in sales at JIMOS Co., Ltd and TOREMY Co., Ltd, as well as contribution from cost control such as office sharing among group companies.
As a result, net sales of 5,114 million yen (increase of 0.2% year-on-year), operating profit of 305 million yen (increase of 143.7% year-on-year, including the 128-million-yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, and TOREMY Co., Ltd) were the consolidated results for the third quarter of the fiscal year ending March 31,2024.