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May 15, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (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: 03-3346-2111
Scheduled date of annual general meeting of shareholders: June 27, 2024
Scheduled date to commence dividend payments: June 28, 2024
Scheduled date to file annual securities report: June 28, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	54,433	(4.6)	2,298	(28.9)	2,390	(26.3)	1,436	(28.2)
March 31, 2023	57,068	3.9	3,232	17.1	3,243	16.1	2,002	17.2

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥1,338 million [(32.9%)]
For the fiscal year ended March 31, 2023: ¥1,994 million [9.3%]

	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
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	33.22	—	6.3	6.3	4.2
March 31, 2023	44.57	—	8.8	8.3	5.7

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024: ¥ —
For the fiscal year ended March 31, 2023: ¥ —

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 calculated on the assumption that the stock split was implemented at the beginning of the previous 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
March 31, 2024	37,615	22,715	60.4	527.92
March 31, 2023	38,735	23,204	59.9	516.31

Reference: Equity
As of March 31, 2024: ¥22,715 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 calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(3) Consolidated 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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	(10)	(1,097)	(1,914)	8,056
March 31, 2023	1,709	(361)	(2,555)	11,029

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	—	10.00	—	30.00	40.00	904	44.9	4.0
Fiscal year ended March 31, 2024	—	5.00	—	16.00	21.00	909	63.2	4.0
Fiscal year ending March 31, 2025 (Forecast)	—	5.00	—	17.00	22.00		37.1	

Note: 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.

3. Forecast of Consolidated Results for Fiscal Year Ending March 31,2025（April 1, 2024 to March 31, 2025）

（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
First half	28,000	8.4	1,100	80.4	1,100	59.5	750	166.9	17.43
Full-year	65,500	20.3	4,000	74.1	4,000	67.3	2,550	77.5	59.26

* Notes

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

(2) 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

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

As of March 31, 2024	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 March 31, 2024	3,584,280 shares
As of March 31, 2023	3,670,682 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	43,247,296 shares
Fiscal year ended March 31, 2023	44,922,768 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 the stock split was implemented at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	33,252	0.7	1,611	(28.2)	2,443	3.9	1,440	11.3
March 31, 2023	33,032	0.1	2,245	26.6	2,352	26.3	1,294	13.7

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	33.30	—
March 31, 2023	28.81	—

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 calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	35,763	23,659	66.2	549.84
March 31, 2023	36,938	24,078	65.2	535.76

Reference: Equity
As of March 31, 2024: ¥23,659 million
As of March 31, 2023: ¥24,078 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 calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

2. Forecast of Non-consolidated Results for Fiscal Year Ending March 31, 2025 （from April 1, 2024 to March 31, 2025）

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

	Net Sales		Ordinary Income		Profit Attributable to Owners of Parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	17,000	3.2	1.050	(28.6)	700	(41.3)	16.27
Full-year	35,800	7.7	3,100	26.9	2,050	42.4	47.64

* Financial results reports are exempt from audit 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. Summary of Operating Result

(Consolidated Operating Results for the Current Fiscal Year)

During the fiscal year ended March 31, 2024, the Japanese economy showed signs of recovery as restriction of movements towards infectious disease was lifted and the normalization of economic activities. However, the outlook remains uncertain due to the soaring raw materials and energy prices, and price hike caused by the protracted situation in Ukraine and other factors, as well as fluctuations in foreign exchange rates. In retail and services, the Group's core business domain, although the personal consumption has stalled, there are signs of pickup in incomes, and we expect to see a recovery. And 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 restaurant industry and travel.

Under these circumstances, NAC Group has actively worked to improve LTV (lifetime value) and customer service, conduct sales promotion, expand its trade area, and recognize its business in anticipation of increasing demand in the 100-year time period.

As a result, net sales of 54,433 million yen (decrease of 4.6% year-on-year), operating income of 2,298 million yen (decrease of 28.9% year-on-year), ordinary income of 2,390 million yen (decrease of 26.3% year-on-year), and profit attributable to owners of parent company of 1,436 million yen (decrease of 28.2% year-on-year) were the consolidated results for the fiscal year ended March 31, 2024.

Moreover, non-consolidated results with sales of 33,252 million yen (increase of 0.7% year-on-year), operating income of 1,611 million yen (decrease of 28.2% year-on-year), ordinary income of 2,443 million yen (increase of 3.9% year-on-year) and current net income of 1,440 million yen (increase of 11.3% year-on-year) were posted.

Segment results by business are as follows:

In addition to the operating income of each segment, 1,360 million yen as corporate expenses not attributable to any particular segment was posted.

(Results by Segment)

Sales (unit: million yen)

	FY2023 Consolidated Result	FY2022 Consolidated Result	Variance	YoY Change (%)
CreCla Business	15,239	14,733	506	3.4
Rental Business	17,463	18,722	(1,258)	(6.7)
Construction Consulting Business	5,661	6,754	(1,093)	(16.2)
Housing Sales Business	9,448	10,067	(618)	(6.1)
Beauty and Health Business	6, 684	6, 826	(141)	(2.1)
Elimination of intersegment	(64)	(35)	(29)	—
TOTAL	54,433	57,068	(2, 634)	(4.6)

Operating income (unit: million yen)

	FY2023 Consolidated Result	FY2022 Consolidated Result	Variance	YoY Change (%)
CreCla Business	1,706	1,618	87	5.4
Rental Business	1,597	2,050	(452)	(22.1)
Construction Consulting Business	28	847	(818)	(96.6)
Housing Sales Business	27	(181)	208	—
Beauty and Health Business	298	238	59	24.9
Others and adjustments	(1, 360)	(1, 341)	(19)	—
TOTAL	2, 298	3, 232	(934)	(28.9)

〈**CreCla Business**〉

In water delivery market, competition for customers is intensifying as demand for a fixed-price and inexpensive water purifier type servers grow. In addition, existing customers were also reluctant to buy bottles due to rising prices.

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

In Directly managed store division, the number of customers increased compared to the previous period and the rate of cancellation is on the improving trend. In addition to an increase in water demand during the extremely hot summer season and an increase in consumption per customer due to promotion measures, the CreCla bottle price increase implemented in the previous fiscal year also contributed to an increase in the unit price per customer. In addition, customer acquisition for newly launched "putio", a compact water purifier server, was also favorable, resulting in a year-on-year increase in sales. In hypochlorous acid solution ZiACO, sales decreased year-on-year due to an increase in cancellations by customers who had been using the product as an anti-virus measures, affected by the shift of COVID-19 to Class 5. As a result, the decrease in sales of ZiACO was more than offset by the increase in sales of CreCla bottles and secondary products and the steady acquisition of customers for water purifier servers, resulting in an increase in overall sales year-on-year in Directly Managed stores.

In Affiliated stores, although there was a decrease in the number of customers compared to the previous year, sales were at the same level (slightly higher) than the previous year due to an increase in the number of servers sold to franchises and an increase in bottle sales due to a price increase implemented in the previous year.

In terms of profit and loss, operating income increased year-on-year due to an increase in the number of bottles consumed per customer due to the summer heat and consumption promotion measures, as well as an increase in sales due to price hike of CreCla bottles.

As a result, net sales of 15,239 million yen (increase of 3.4% year-on-year), operating income of 1,706 million yen (increase of 5.4% year-on-year) were the consolidated results for the fiscal year ended March 31, 2024.

In addition, CreCla Nagasaki Co., Ltd was established in March 2023 and the 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, which changed due to infectious disease. Furthermore, in anticipation of increasing demand for services such as housekeeping and nursing care equipment rentals in the era of 100-years of life, we worked to expand our sales network and strengthen our service system.

In the mainstay Duskin business, although the cancellation of existing customers decreased due to the shift of COVID-19 to Class 5, there was a decrease in number of customers for air purifiers, whose users had been increasing in terms of hygiene control, resulting in a decline in sales. Meanwhile, in the Care Service division, which provides comprehensive services such as housekeeping, pest control, and flower and garden care, and the Health-Rent division, which provides rental and sales of nursing care products and welfare equipment, continued to increase the number of businesses. (sales promotion since the capital and business alliance with Duskin Co., Ltd concluded in August 2018 increased personnel and expanded sales activities) As a result, orders for air conditioner cleaning and housekeeping services in the Care Service division increased, and overall sales of Duskin business increased year-on-year.

In With-branded pest-control devices business, sales were at the same level (slightly higher) than in the previous fiscal year due to an increase in the delivery rate to restaurants, a major customer base, as well as stronger sales promotion activities aimed at acquiring new customers.

Earnest Co., Ltd, which provides general cleaning services to corporate clients, saw a significant decrease in sales year-on-year due to impact of the shift of COVID-19 to Class 5, which led to a decline in orders for support project for border control measures implemented by Ministry of Health, Labor and Welfare which had contributed to sales in the previous fiscal year.

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 second quarter of the fiscal year.

In terms of profit and loss, although sales increased in the Duskin business and With-branded pest-control devices business, operating income decreased year-on-year due to decline of COVID related services at Earnest Co., Ltd.

As a result, net sales of 17,463 million yen (decrease of 6.7% year-on-year), operating income of 1,597 million yen (decrease of 22.1% year-on-year, including the 9-million-yen goodwill amortization of CAN'S Co., Ltd) were the consolidated result for the fiscal year ended March 31, 2024.

〈**Construction Consulting Business**〉

The local construction industry and market continued to face a difficult external environment due to a decrease in the number of residential constructions caused by declining population and a chronic shortage of craftsmen, although the high prices of building department materials are improving.

In the Consulting division, the number of orders for detached houses declined due to soaring construction costs, and cash flow deteriorated due to the start of repayment of the COVID countermeasure loan, which continued to diminish the willingness of local construction companies, our clients, to invest in business improvement.

In the current consolidated fiscal year, sales of subsidized products for the purpose of supporting IT introduction were strengthened. However, because subsidized products require time to pass the screening process, the recording of sales for orders received in the fourth quarter of the consolidated fiscal year was made after the next consolidated fiscal year, resulting in a significant decrease in net sales.

In Smart Energy business (formerly Nac Smart Energy Co., Ltd) which handles the installation and sales of energy-savings related department at NAC HAUS Partner Co., Ltd (renamed on April 1, 2023 after ACE HOME Co., Ltd merged with Nac Smart Energy Co., Ltd), although supply delays caused by the shortage of semiconductors have been resolved and supply volume has stabilized, and sales of lumber and construction materials increased, wholesale sales decreased due to a shift to contracted lumbering services, resulting in sales at the same level (slightly decreased) year-on-year. In Housing Network business (formerly ACE HOME Co., Ltd), sales decreased year-on-year due to a decline in orders from affiliated stores.

In terms of profit and loss, the gross profit margin improved in Smart Energy business of NAC HAUS Partner Co., Ltd due to a shift in the sales mix from a focus a wholesale focus to one that includes construction contracting, as in the previous fiscal year, but a decline in sales in Consulting division, which has a high gross profit margin, operating income for the architectural consulting business as a whole decreased significantly year-on-year.

As a result, net sales of 5,661 million yen (decreased of 16.2% year-on-year), operating income of 28 million yen (decreased of 96.6% year-on-year, including 41-million-yen goodwill amortization of NAC HAUS Partner Co., Ltd) were the consolidated result for the fiscal year ended March 31, 2024.

〈**Housing Sales Business**〉

The housing industry continued to face difficult conditions with the number of new housings in March announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) shows a decline for the 10th consecutive month for the overall housing, including rental houses and ready-built houses, and a decline for the 28th consecutive month for owner-occupied houses in our business domain.

At KDI CORPORATION, the number of houses sold was sluggish due to the effects if rising housing sales prices caused by soaring land purchase prices and construction costs, and declining consumer confidence due to the rising prices, which continued to restrain housing demand.

At J-wood Co., Ltd., sales were at the same level (slightly decreased) year-on-year due to stagnant sales of built-for-sale housing, despite a review of sales unit price.

In terms of profit and loss, at KDI CORPORATION, the gross profit margin declined and operating income fell sharply as the result of adjustments to selling prices to avoid inventory defects and early sales of mainly finished goods.

On the other hand, operating loss of J-wood Co., ltd. narrowed significantly due to an improved gross profit margin resulting from a review of the sales price per unit, and the housing business recorded a profit from the previous year, when a loss was recorded.

As a result, net sales of 9,448 million yen (decreased 6.1% year-on-year), operating income of 27 million yen (operating loss of 181 million yen in the same period of the previous year, including the 7-million-yen goodwill amortization of KDI CORPORATION) were the consolidated result for the fiscal year ended March 31, 2024.

〈**Beauty and Health Business**〉

In the cosmetics industry, the shift of COVID-19 to Class 5 accelerated the increase in opportunities to go outside and stop wearing masks, and the demand for skincare products such as make-up and anti-aging has increased. Moreover, the inbound consumption by visiting tourists is increasing, making a solid recovery to the entire industry.

JIMOS Co., Ltd. which focuses on mail-order sales of cosmetics and health foods, saw growth in the market for fragrance-appealing types of cosmetics, with SINN PURETÉ, which advocates skincare that starts with fragrance, growing. In addition, sales of MACCHIA LABEL, which focuses on beauty essence foundation, were strong in terms of new customer acquisition, and sales of “Clear Esthe Veil EX”, a higher-end version of the signature product “Clear Esthe Veil” were also favorable.

In addition, each brand price was raised to reflect the rising cost of raw materials and logistics costs in product prices.
The BELAIR Co., Ltd which sells nutritional supplements, reported a year-on-year decline in sales due to a decrease in membership.
UP SALE Co., Ltd, which is engaged in mail-order of cosmetics, health foods and pharmaceuticals, reported a significant decline year-on-year in net sales due to a decrease in sales volume caused by intensified price competition in e-commerce sales and deterioration in the efficiency of new customer acquisition due to multiple sales of competing products in the pharmaceutical sales business.
TOREMY Co., Ltd which mainly engages in contract manufacturing of cosmetics, saw an 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, despite a significant decrease in sales at UPSALE Co., Ltd. the overall operating income of the Beauty and Health Business increased from the previous year due to increased sales at JIMOS Co., Ltd and TOREMY Co., Ltd. as well as contributions from office sharing among group companies and cost control.
As a result, net sales of 6,684 million yen (decrease of 2.1% year-on-year), operating income of 298 million yen (increase of 24.9% year-on-year, including 167-million-yen amortization for JIMOS Co. Ltd, BELAIR Co., Ltd, UPSALE Co., Ltd and TOREMY Co., Ltd) were the consolidated result for the fiscal year ended March 31, 2024.
In February 2024, Tomoe Wine and Spirits Co., Ltd, whose core business is the import and sales of wine, became a subsidiary.