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August 6, 2024

Consolidated Financial Results for the Three Months Ended August 6, 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
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Scheduled date to commence dividend payments: —
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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	12,634	5.8	(98)	—	(97)	—	(205)	—
June 30, 2023	11,941	2.0	(162)	—	(157)	—	(244)	—

Note: Comprehensive income For the three months ended June 30, 2024: ¥(191) million [—%]
For the three months ended June 30, 2023: ¥(269)million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	(4,78)	—
June 30, 2023	(5,56)	—

Note: Nac conducted a 2-for-1 common stock split on 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	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	38,025	21,832	57.4	507.37
March 31, 2024	37,615	22,715	60.4	527.92

Reference: Equity
As of June 30, 2024: ¥21,832 million
As of March 31, 2024: ¥22,715 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, 2024	－	5.00	－	16.00	21.00
Fiscal year ending March 31, 2025	－				
Fiscal year ending March 31, 2025 (Forecast)		5.00	－	17.00	22.00

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

Note: Nac conducted a 2-for-1 common stock split on February 1, 2024. 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

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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: Yes

(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, 2024	46,613,500 shares
As of March 31, 2024	46,613,500 shares

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

As of June 30, 2024	3,583,160 shares
As of March 31, 2024	3,584,280 shares

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

Three months ended June 30, 2024	43,029,417 shares
Three months ended June 30, 2023	43,931,828 shares

Note: Nac conducted a 2-for-1 common stock split on February 1, 2024. “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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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. Overview of Operating Results

【Operating Results】

During the first quarter (April 1, 2024 ~ June 30, 2024), the Japanese economy is expected to move toward gradual recovery as the employment and income environment improves. However, there are concerns that a downturn in overseas economies, such as high-interest rate levels in Europe and U.S. and concerns about the outlook for the Chinese economy, may affect the Japanese economy.
In the Group's business areas of retail and services, personal consumption has been stagnant in picking up due to the effects of weak yen and soaring prices.
Under these circumstances, we will accurately grasp changes in economic and social conditions in each of our business fields. Furthermore, we are focusing on expanding our service network to increase LTV (Life Time Value) in anticipation of increasing demand from working parents and seniors in the age of 100 years of life. In addition to pursuing synergies among businesses through cross-selling products and services across the group, we are also actively pursuing alliance strategies including M&A.
As a result, net sales of 12,634 million yen (increase of 5.8% year-on-year), operating loss of 98 million yen (operating loss of 162 million yen year-on-year), ordinary loss of 97 million yen (ordinary loss of 157 million yen year-on-year), and loss attributable to owners of parent company of 205 million yen (loss attributable to owners of parent company of 244 million yen year-on-year) were the consolidated results for the first quarter of the fiscal year ending March 31, 2025.
Segment results by business are as follows:
In addition to the operating income (loss) of each segment, 345 million yen as corporate expenses not attributable to any particular segment was posted.

〈CreCla Business〉

In the water server market, demand continues to grow for water purifier server that can be used at a fixed price and at a low cost. In CreCla business, aggressive WEB advertising and strengthened event sales activities at shopping malls have resulted in steady customer acquisition for the "putio" compact sized water purifier server, which was launched last year.
In CreCla Directly managed stores division, the number of customers increased year-on-year. In water delivery, sales increased year-on-year due to the increase in water consumption per customer and decrease in cancellation, also due to the increase in number of customers with the aggressive web advertising and strengthened sales activities following the growing demand of water purifier server "feel free" in the market. On the other hand, sales of hypochlorous acid solution (ZiACO) decreased year-on-year due to increase in cancellations by customers who had been using the solution as a measure against infectious diseases. As a result, overall sales in the Directly Managed stores were at the same level (slightly increased) year-on-year as the decrease in sales of ZiACO was offset by increased consumption of CreCla bottles and increased rental fees for water purifier servers.
In the Affiliated stores division, although water consumption per customer has increased year-on-year and cancellation rate has declined, sales is in the same level year-on-year (slightly decreased) due to decreasing number of customers.
In terms of profit, although the number of customers in the Affiliated stores division has decreased, operating profit was in the same level year-on-year (slightly increased) as sales increased following the increase in number of customers for water purifier server "feel free" in addition to the increased sales as bottle consumption in CreCla (water delivery) went up.
As a result, sales of 3,607 million yen (increase of 0.2% year-on-year), operating profit of 261 million yen (increase of 0.7% year-on-year) were the consolidated results for the first quarter of the current fiscal year.

〈Rental Business〉

In Rental Business, in order to provide products and services that meet the needs of the increasing number of seniors and co-workers due to the declining birthrate and aging population, we worked to expand our sales network and strengthen our service system.
In the mainstay Duskin business, although the number of customers declined year-on-year in the Dust control products division, sales increased year-on-year due to strong sales of sub-products. In Care Service division (professional cleaning and technical services), in addition to the expansion of new store

openings based on the capital and business alliance with Duskin Co., Ltd., price revisions in ServiceMaster (professional cleaning services), and Merry Maids (home cleaning and helper services) conducted in April 2024 by the Franchise headquarters, Duskin Co., Ltd. resulted in an increase in sales year-on-year.
In Health Rent division (rental and sales of assisted-living products), sales also increased year-on-year as a result of the aforementioned capital and business alliance, which led to an increase in the number of new store openings. As a result, overall sales of Duskin business increased year-on-year.
In With-branded pest-control devices business, sales were at the same level year-on-year (slightly increased) due to an increase in the number of customers from the previous period and strong sales of new pest control-related products.
The Earnest Co., Ltd. which provides regular cleaning services to corporate clients, although there was an increase in orders for daily cleaning including bed-making for accommodation facilities due to recovery of inbound demand, sales decreased significantly due to completion of the border control support project by Ministry of Health, Labor and Welfare.
CAN'S Co., Ltd. which was made a subsidiary in June 2023 and handles restoration works for rental properties and such, is expanding the number of orders received through linkage with the Corporate Sales Department of Duskin business.
In terms of profit, although sales increased, operating income decreased year-on-year due to increase in SG&A expenses such as land rent, vehicle expenses and personnel expenses associated with new store openings.
As a result, sales of 4,440 million yen (increase of 1.4% year-on-year) and operating profit of 330 million yen (decrease of 19.2% year-on-year, including the 3 million yen goodwill amortization of CAN'S Co., Ltd.) were the consolidated result for the first quarter of the current fiscal year.

〈Construction Consulting Business〉

In the local construction industry and market, housing starts are declining as the population continues to decline due to the falling birthrate and aging population. Furthermore, the external environment continues to be harsh, with soaring prices and an increase in bankruptcies due to a shortage of human resources, and the future remains uncertain.
In Consulting division, sales were at the same level (slightly decreased) year-on-year due to a decrease in the number of products sold. Our clients are local construction firms, but their business conditions have deteriorated due to a decline in orders received as a result of the recent sharp rise in construction costs, and the repayment of COVID-19-related loans, which has reduced their willingness to invest in improving their business conditions.
Sales decreased year-on-year at NAC HAUS Partner Co., Ltd., as wholesale sales in Smart energy business which handles installation and sale of energy-saving related materials, has declined due to a shift from wholesale to contracting of materials, as well as decline in orders received for contract material sale.
In the Housing network business, sales decreased year-on-year as ACE Home brand, which operates housing franchises, experienced a decline in material sales due to a decrease in the number of buildings built by franchisees.
In terms of loss, although sales decreased in overall business, operating loss has narrowed year-on-year as a result of cost control in sales promotion expenses and outsourcing fees in Consulting division.
As a result, sales of 907 million yen (decrease of 15.5% year-on-year) and operating loss of 277 million yen (operating loss of 295 million yen year-on-year, including the 10 million yen goodwill amortization of NAC HAUS Partner Co., Ltd.) were the consolidated result for the first quarter of the current fiscal year.

〈Housing Sales Business〉

The housing industry continued to face difficult conditions with the number of new housings in June announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) shows a decline for two consecutive months for the overall housing, including rental housing and ready-built houses, and a decline for 31 consecutive months for owner-occupied housing, our business domain.
As a respond to decline in consumer sentiment due to rising home sales prices and soaring prices, KDI CORPORATION lowered selling prices and promoted early sales, resulting in an increase in number of houses sold and a significant increase year-on-year in sales.
At J-wood Co., Ltd., despite a small backlog of orders carried over from previous fiscal year, sales increased year-on-year due to higher sales prices and an increase in brokerage fees in Real estate department.
In terms of loss, the gross profit margin on completed constructions at J-wood Co., Ltd. has improved due to the sales price increase implemented since the previous fiscal year resulting in a smaller operating loss.

In KDI CORPORATION, the gross profit margin declined as a result of selling price adjustments, and the operating loss increased year-on-year. The overall operating loss of the housing business narrowed year on year as a result of the reduced loss of J-wood Co., Ltd. offsetting the increased loss of KDI CORPORATION.
As a result, sales of 1,981 million yen (increase of 56.7% year-on-year) and operating loss of 147 million yen (operating loss of 198 million yen year-on-year) were the consolidated result for the first quarter of the current fiscal year.

〈Beauty and Health Business〉

In cosmetics industry, the market is expected to be revitalized by a recovery in demand for make-up as a result of de-masking and a rebound in inbound consumption, especially in department stores.
JIMOS Co., Ltd. reported strong sales of lotions using fine bubbles and other products under its main brand, MACCHIA LABEL. In addition, sales of SINN PURETEÉ grew steadily due to strong sales of hair care items. On the other hand, overall sales of JIMOS Co., Ltd. were at the same level (slightly decreased) year on year due to a decrease in sales of "Coyori" as a result of the commoditization of natural brands.
In BELAIR Co., Ltd., sales decreased year-on-year due to a decline in number of sales due to the aging of members.
In UP SALE Co., Ltd., sales decreased year-on-year due to price hikes caused by shortage of products in the market and the inability to purchase enough products, as well as intensified price competition in e-commerce malls.
In TOREMY Co., Ltd., sales were at the same level (slightly increased) year-on-year due to stable orders received as the cosmetics market continued to recover from the previous fiscal year.
And TOMOE Wines & Spirits Co., Ltd. which became a subsidiary in the previous year, imports and sells western style alcoholic beverages, mainly wine. Through this subsidiary, TOMOE Wines & Spirits is working to expand sales by leveraging group synergies such as focusing on BtoC sales through e-commerce sales at UP SALE Co., Ltd., in addition to the BtoB sales it has conducted in the past.
In terms of profit, the overall operating profit of Beauty and Health segment increased year-on-year as a result of further streamlining advertising and sales promotion expenses and reducing costs at JIMOS Co., Ltd.
As a result, sales of 1,740 million yen (increase of 6.3% year-on-year) and operating profit of 79 million yen (increase of 209.3% year-on-year, including the 37 million yen amortization for JIMOS Co., Ltd, TOREMY Co., Ltd., and TOMOE Wines & Spirits Co., Ltd.) were the consolidated result for the first quarter of the current fiscal year.