November 11, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (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: November 11, 2024
Scheduled date to commence dividend payments: December 3, 2024
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, 2024 (from April 1, 2024 to September 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	%
September 30, 2024	27,836	7.8	763	25.3	755	9.6	107	(61.6)
September 30, 2023	25,828	(1.0)	609	10.4	689	21.8	280	10.3

Note: Comprehensive income For the six months ended September 30, 2024: ¥80 million [(64.7) %]
For the six months ended September 30, 2023: ¥229 million [54.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	2.51	―
September 30, 2023	6.46	―

Note: The Company conducted a 2-for-1 stock split of its common stock on February 1, 2024. Basic earnings per share is calculated as if the stock split was conducted at the beginning of the previous fiscal year.

(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, 2024	40,150	22,147	55.2	513.81
March 31, 2024	37,615	22,715	60.4	527.92

Reference: Equity
As of September 30, 2024: ¥22,147 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	–	5.00			
Fiscal year ending March 31, 2025 (Forecast)			–	17.00	22.00

Note: 1.Revisions to the forecast of cash dividends most recently announced: None
2.The Company conducted a 2-for-1 stock split of its common stock on February 1, 2024. The dividend for the fiscal year ended March 31, 2024 is stated in the amount that takes into account the impact of the share split.

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
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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly included: 2 companies (Shuwa Juken Co., Ltd., Shuwa Co., Ltd.)
Excluded: - companies

(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	3,510,019 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)

Six months ended June 30, 2024	43,056,193 shares
Six months ended June 30, 2023	43,465,354 shares

Note: The Company conducted a 2-for-1 stock split of its common stock on February 1, 2024. The average number of shares outstanding during the period is calculated assuming that the stock split was conducted 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 Financial Results for the First Six Months

【Operating Results】

During the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024), the Japanese economy is expected to continue recovering moderately as the employment and income environment improves. However, there are concerns that the Japanese economy may be affected by a downturn in overseas economies, such as the continuation of high interest rates in Europe and the U.S. In addition, it is necessary to pay sufficient attention to the effects of rising prices, the situation in the Middle East, fluctuations in the financial and capital markets, etc.

In the retail and services business domain of the Group, consumer spending showed signs of recovery, although it remained at a standstill in some areas.

Under these circumstances, we are focusing on expanding our service network in each business field to improve the Lifetime value (LTV) by accurately grasping changes in the economic and social situation and anticipating an increase in demand for the dual-income households and older generation in the era of 100-year life. In addition to pursuing synergies between businesses through cross-selling of products and services across the Group, we are also actively promoting alliance strategies including M&A.

As a result, consolidated net sales for the six months ended September 30, 2024 increased 7.8% from the same period of the previous fiscal year to 27,836 million yen, operating income increased 25.3% to 763 million yen, ordinary income increased 9.6% to 755 million yen, and profit attributable to owners of parent decreased 61.6% to 107 million yen.

Segment results by business are as follows:

In addition to the operating income and loss of each segment, there are corporate expenses of 720 million yen that are not attributable to any segment.

〈CreCla Business〉

In the water dispenser market, demand for water purifier servers that can be used only when needed at a fixed price and low price continues to grow amid the diversification of lifestyles. In the CreCla Business, we have been steadily acquiring customers for "putio" compact water purifier servers, which were launched last year, by actively placing advertisements on the Internet and strengthening sales activities at events held at shopping malls.

In the Directly managed stores division, the number of customers increased compared with the same period of the previous fiscal year. In the CreCla water delivery, the customer acquisition through event sales was steady, and the cancellation rate declined due to the success of measures to prevent cancellations by proposing supplementary merchandise. Sales of the "feel free" water purifier server increased year on year due to an increase in the number of customers because of strengthening sales activities such as active placement of web advertisements in line with the expansion of demand in the market. Sales of ZiACO, a hypochlorous acid aqueous solution, decreased compared with the same period of the previous fiscal year due to an increase in cancellations by customers who had used the product as a measure against infectious diseases. As a result, the increase in rental fees for water purifier servers compensated for the decrease in sales in ZiACO, and sales in the Directly managed stores division were at the same level (slightly increased) compared with the same period of the previous fiscal year.

In the Affiliated stores division, although the volume of bottled water consumed per customer increased and the churn rate declined, net sales were at the same level (slightly decreased) compared with the same period of the previous fiscal year due to a decrease in the number of customers.
Operating income decreased compared with the same period of the previous fiscal year due to an increase in sales promotion expenses because of intensive upfront investment to acquire customers for the "putio" compact water purifier servers.
As a result, net sales of 7.803 billion yen (increase of 0.5% year-on-year) and operating income of 870 million yen (decrease of 4.4% year-on-year) were the consolidated results for the six months ended September 30, 2024.

〈**Rental Business**〉

In Rental Business, we worked to expand its sales network by opening new stores and to strengthen its service structure by introducing a new sales management system. In addition, we are focusing on providing products and services that respond to the decrease in the working population due to the declining birthrate and aging population, as well as the increase in the number of older generation and dual-income households.
In the mainstay Duskin Business, the Dust control division saw a decline in the churn rate and strong sales of supplementary merchandise, resulting in a year-on-year increase in net sales. In the Care Services division, net sales also increased year on year, driven by the expansion of store openings under the equity and business alliance with Duskin Co., Ltd., as well as the price revisions implemented in April 2024 for the Service Master (professional cleaning services), and the Merry Maids (home cleaning and helper services). In the HealthRent division, net sales increased compared with the same period of the previous fiscal year due to an increase in the number of regular customers following business expansion through new store openings and business transfers. As a result, overall sales of the Duskin Business increased compared with the same period of the previous fiscal year.
In the With-branded pest-control devices business, net sales increased year on year due to an increase in the number of customers through a sales campaign and strong cross-selling of supplementary products to existing customers, which has been strengthened since the previous fiscal year.
At Earnest Co., Ltd., which provides regular cleaning services to corporate customers, regular sales increased as a result of strengthening sales activities for bedmaking at accommodation facilities and other activities in line with the increase in inbound demand. However, net sales decreased compared with the same period of the previous fiscal year due to the impact of the termination of the border security measures implemented by the Ministry of Health, Labor and Welfare, which increased during the pandemic.
At CAN'S Co., Ltd., which became a subsidiary in May 2023 and specializes in restoration work for rental properties, the number of orders received increased through collaboration with the Corporate Sales Department of the Duskin Business.
In terms of profit and loss, operating income decreased compared with the same period of the previous fiscal year due to a decrease in sales at Earnest Co., Ltd. and an increase in selling, general and administrative expenses in line with the opening of new stores in the Duskin Business and the introduction of a sales management system in the Care Services division.
Operating income was on the same level year-on-year (slightly decreased) due to the decline of gross profit margin in Earnest Co., Ltd
As a result, net sales of 8.87 billion yen (up 1.8% year-on-year) and operating income of 742 million yen (down 8.1% year-on-year, including 6 million yen in amortization of goodwill of CAN'S Co., Ltd.) were the consolidated results for the six months ended September 30, 2024.

〈**Construction Consulting Business**〉

In the local construction market, the number of housing starts is decreasing due to the declining population caused by the declining birthrate and aging population.

The aging of the workforce and the lack of successors are also problems, and the future of the industry remains uncertain.
In the Consulting division, the decline in housing starts in the housing industry caused by the repayment of loans due to the coronavirus pandemic has also become a negative factor, and there are no signs of an improvement in the financial deterioration of local building contractor, which are our customers. As a result, they were less willing to make investments related to business improvement, and the number of sales of our know-how system products declined, resulting in sales at the same level (slightly decreased) compared with the same period of the previous year.
NAC HAUS Partner Co., Ltd. experienced a decline in wholesale sales due to a shift from wholesale to subcontracted construction in the Smart Energy business, which handles installation and sales of the construction of materials related to enegy saving. In addition, the number of completed construction contracts, mainly for new houses, also declined, resulting in a year-on-year decrease in sales.
In the Housing Network business, net sales decreased compared with the same period of the previous fiscal year due to a decrease in sales of components associated with a decrease in the number of condominiums at member stores under the ACE HOME brand, which operates housing franchises.
In terms of profit and loss, the operating loss decreased compared with the same period of the previous fiscal year due to the curtailment of sales promotion expenses and outsourcing expenses in the Consulting division, despite the decrease in sales in the entire business.
As a result, net sales of 2.345 billion yen (down 11.1% year-on-year) and operating loss of 65 million yen (operating loss of 204 million yen for the same period of the previous fiscal year, including 20 million yen of amortization of goodwill of NAC HAUS Partner Co., Ltd.) were the consolidated results for the six months ended September 30, 2024.

〈Housing Sales Business〉

The housing industry continued to face tough conditions. According to the September housing starts announced by the Ministry of Land, Infrastructure, Transport and Tourism, the number of new housing starts, including housing for rent and Ready-built houses, decreased for the fifth consecutive month, and the number of new housing starts for owner-occupied houses, which is our business domain, decreased for the 34th consecutive month.
At KDI CORPORATION, we adjusted selling prices and promoted sales in response to a decline in consumer sentiment due to concerns over rising prices and interest rates. As a result, the number of houses sold increased and net sales increased significantly compared with the same period of the previous fiscal year.
At J-wood Co., Ltd., net sales increased compared with the same period of the previous fiscal year due to the sale of built-for-sale house.
In May 2024, we consolidated Shuwa Juken Co., Ltd., a company engaged in the construction of new detached houses in the Tohoku district, and recorded profit and loss from the current interim period.
In terms of profit and loss, at J-wood Co., Ltd., the operating loss narrowed due to a decrease in selling, general, and administrative expenses as a result of higher sales and increased efficiency through a review of fixed costs. At KDI CORPORATION, operating income increased significantly year on year due to the increase in net sales. As a result, the operating loss of the Housing Sales Business narrowed compared with the same period of the previous fiscal year.
As a result, net sales of 5.334 billion yen (up 53.2% year-on-year) and operating loss of 196 million yen (operating loss of 245 million yen for the same period of the previous fiscal year, including 15 million yen of amortization of goodwill of Shuwa Juken Co., Ltd.) were the consolidated results for the six months ended September 30, 2024

〈**Beauty and Health Business**〉

In the cosmetics industry, the market has been performing strongly due to a recovery in demand for makeup accompanying the shift away from face masks and an increase in inbound demand.

At JIMOS Co., Ltd., sales of Coyori and TOFU NO MORITAYA brand decreased due to the commoditization of natural cosmetics. On the other hand, sales of skin lotions utilizing the fine bubble of the core brand MACCHIA LABEL and hair care items of SINN PURETÉ were steadey. As a result, overall sales of JIMOS Co., Ltd. remained at the same level (slightly increased) compared to the same period of the previous fiscal year.

Sales at BELAIR Co., Ltd. were flat (slightly decreased) compared with the same period of the previous fiscal year due to a decrease in the number of units sold because of the aging of the membership.

UP SALE Co., Ltd., which tried to strengthen its procurement by increasing the variety of products it handles amid sluggish procurement due to a shortage of supply of hair care products, was unable to cover the shortage. Furthermore, net sales decreased compared with the same period of the previous fiscal year due to intensifying price competition in E-commerce malls.

At TOREMY Co., Ltd., net sales were flat (slightly increased) year on year due to an increase in orders from existing customers in line with the recovery in the cosmetics market and strong repeat sales.

In addition, TOMOE Wine & Spirits Co., Ltd., which was made a subsidiary in the previous fiscal year and imports and sells mainly wines, has been working to expand sales by demonstrating group synergies, such as focusing on sales through E-commerce operated by UP SALE Co., Ltd., in addition to its existing wholesale sales.

In terms of profit and loss, a loss was recorded at TOMOE Wine & Spirits Co., Ltd. due to the time lag in passing on the higher purchase price caused by the depreciation of the yen to transaction prices. On the other hand, operating income in the Beauty and Health Business increased significantly year on year due to higher profits resulting from further rationalisation of sales promotion expenses and cost reduction at JIMOS Co., Ltd.

As a result, net sales of 3.556 billion yen (up 9.1% tear on year) and operating income of 133 million yen (up 185,3% year on year including 75 million yen of amortization of goodwill of JIMOS Co., Ltd., TOREMY Co., Ltd. and TOMOE Wine & Spirits Co., Ltd.) were the consolidated results for the six months ended September 30, 2024.