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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 [JGAAP]

August 5, 2022

| | | | |
|---|-------------------|---|------------------------------|
| Company name | NAC Co., Ltd | | Listed: Tokyo Stock Exchange |
| Securities code | 9788 | URL https://www.nacoo.com/ | |
| Representative | Kan Yoshimura | President and Chief Executive Officer | |
| Contact Representative | Hironari Kawakami | Director and Chief Financial Officer | TEL 03-3346-2111 |
| Quarterly Report Scheduled Submission Date | August 05, 2022 | | |
| 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 three months ended June 30, 2022 (April 1, 2022 ~ June 30, 2022)

(1) Consolidated Results

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

| | Net Sales | | Operating income | | Ordinary income | | Profit Attributable to Owners of Parent | |
|--------------------|-------------|-------|------------------|--------|-----------------|------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended | | | | | | | | |
| June 30, 2022 | 11,702 | (2.3) | (243) | — | (230) | — | (260) | — |
| June 30, 2021 | 11,984 | (5.8) | 185 | (12.6) | 175 | 30.5 | 69 | (86.9) |

(Note) Comprehensive income For the three months ended June 30, 2022: (363) million yen [—%]
For the three months ended June 30, 2021: 90 million yen [(83.3)%]

| | Basic earnings per Share | Diluted earnings per Share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2022 | (11.60) | — |
| June 30, 2021 | 3.11 | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity-to-asset ratio | Net asset per share |
|----------------|--------------|-------------|-----------------------|---------------------|
| As of | Million yen | Million yen | % | Yen |
| June 30, 2022 | 37,224 | 21,044 | 56.5 | 937.76 |
| March 31, 2022 | 39,724 | 22,138 | 55.5 | 983.20 |

(Reference) Equity As of June 30, 2022: 21,044 million yen
As of March 31, 2022: 22,063 million yen

2. Cash Dividends

| | Annual Cash Dividend per Share | | | | |
|---------------------------|--------------------------------|-----------------------|----------------------|------------|-------|
| | End of First Quarter | End of Second Quarter | End of Third Quarter | Year - end | Total |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen |
| March 31, 2022 | — | 9.00 | — | 29.00 | 38.00 |
| Fiscal year ending | — | | | | |
| March 31, 2023 | | | | | |
| Fiscal year ending | | 10.00 | — | 30.00 | 40.00 |
| March 31, 2023 (Forecast) | | | | | |

(Note) Revision of the dividend forecasts most recently announced : None

3. Forecast of Consolidated Results for Fiscal Year Ending March 31,2023 (April 1, 2022 ~ March 31, 2023)

(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 |
|----------------------------|-------------|-----|------------------|-----|-----------------|-----|---|------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Second Quarter(Cumulative) | 28,500 | 8.8 | 1,050 | 1.6 | 1,050 | 2.2 | 700 | 14.1 | 31.19 |
| Full-year | 60,000 | 9.2 | 3,000 | 8.7 | 3,000 | 7.4 | 2,000 | 17.1 | 89.12 |

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

4. Qualitative Information on Quarterly Results

【Operating Results】

During the three months ended June 30, 2022 (April 1, 2022 ~ June 30, 2022), the Japanese economy showed signs of recovery as the impact of COVID-19 (hereinafter referred to as “infectious disease”) eased.

The individual consumption in retail and service industries, our core business domain, showed signs of recovery. If we look into the background of consumption trend, gross employment income has been flat and consumer sentiment show signs of having bottomed out.

Under these circumstances, the NAC Group of companies has been actively working on expansion of infectious disease related fields, improvement of customer service, strengthening sales promotion activities, expansion of trade areas in each business groups.

As a result, sales of 11,702 million yen (decrease of 2.3% year-on-year), operating loss of 243 million yen (operating income of 185 million yen year-on-year), ordinary loss of 230 million yen (ordinary income of 175 million yen), loss attributable to owners of parent company of 260 million yen (profit attributable to owners of parent company 69 million yen) were the consolidated results for first quarter of fiscal year ending March 31, 2023.

Segment results by business type are as follows:

In addition to operating income of each segment, 351 million yen as corporate expenses not attributable to any particular segment were posted.

〈CreCla Business〉

In water delivery market, although demands from corporations continues to be sluggish due to the prolonged infectious disease, there had been a growing interest in water purifier type servers, such as direct water supply type and water supply type.

In CreCla Business, in order to acquire new customers, we continued to strengthen sales promotion activities, including airing of new CM “CreCla Anshin” to reemphasize the safety of our products and services, demonstration of “CrePF (CreCla Platform)” a system infrastructure for data utilization and efficiency improvement, as well as investment in sustainability strategies.

In Directly managed stores division, although customers slightly increased, sales decreased due to the lessened time spent at home, and slower consumption pace of bottled water and hypochlorous acid solution (ZiACO).

In our Affiliated stores division, sales decreased year-on-year due to sluggish sales activities caused by long-term effects of the infectious disease, and reactionary decline due to the surge in demands before April 2022 following the revision of the server’s selling price.

In addition to a decrease in gross profit due to lower sales, SG&A expenses increased due to aggressive sales promotion activities such as new commercials, resulting a year-on-year decrease in operating income.

As a result, sales of 3,459 million yen (decrease of 3.4% year-on-year) and operating income of 125 million yen (decrease of 26.2% year-on-year) were the consolidated results for first quarter of fiscal year ending March 31, 2023.

〈Rental Business〉

In Rental Business, we continuously worked to expand our sales network and strengthen our services in the anticipation of increased demand for each business in the 100-year life.

In the mainstay Duskin business, Dust control products division slightly increased year-on-year, while the Care service division which provides comprehensive services such as housekeeping services, pest control, and floral and garden management expanded businesses (sales promotion personnel has increased to expand sales activities after capital and business alliance agreement with Duskin Co., Ltd in August 2018), resulting an increase in sales. And overall sales of Duskin business increased year-on-year.

With-branded pest-control devices business wherein pest control devices “with” as mainstay has increased in sales as the result of restaurants (main customers of the business) gradually resuming operation and recovery of regular deliveries.

Earnest Co., Ltd which provides cleaning services to corporation clients significantly increased in sales year-on-year as request related to vaccination sites operation continues to do well.

The operating income increased year-on-year as sales increase in With-branded pest-control devices business and Earnest Co., Ltd covered the increase in SG&A expenses due to business expansion.

As a result, sales of 4,081 million yen (increase of 11.8% year-on-year) and operating income of 414 million yen (increased of 42.7% year-on-year) were the consolidated results for first quarter of fiscal year ending March 31, 2023.

〈Construction Consulting Business〉

The local construction industry and market continued to face significant environmental challenges due to labor shortage and escalating logistics costs, followed by delays in housing equipment deliveries due to semiconductor supply shortages and the further severe blow of high global prices.

In Consulting division (previously Construction know-how systems division), sales decreased significantly year-on-year due to customer's loss of purchasing power caused by rising prices of construction and repaying of loans related to the infectious disease. Nac Smart Energy Co., Ltd which engages in installation and sales of energy-saving related materials, incurred decrease in sales year-on-year due to delays in construction schedules caused by delay and suspension of deliveries of storage batteries and power conditioner because of extended semiconductor shortage.

ACE HOME Co., Ltd, a housing franchise business decreased in sales year-on-year caused by decline in number of building completion at the affiliated stores, and due to the reactionary decline in sales of jointly developed products, which had been strong the same period a year ago.

Operating income decreased significantly year-on-year due to a decline in gross profit resulting from decrease of sales in Consulting division, a high profit margin.

As a result, sales of 1,302 million yen (decrease of 24.8% year-on-year), operating loss of 193 million yen (operating income of 84 million yen in the same period of the previous fiscal year, including 10 million yen goodwill amortization of ACE HOME Co., Ltd) were the consolidated results for first quarter of fiscal year ending March 31, 2023.

〈Housing Sales Business〉

In Housing industry, among the new housings announced by the Ministry of Land, Infrastructure, Transport and Tourism (MILT) in June, the owner-occupied housings decreased for the seventh consecutive month, and in overall including rental housing and for-sale housing, decreased for the second consecutive month, making it a very difficult situation.

In KDI CORPORATION, due to the struggle of purchasing land caused by the rising land prices and decline in sales inventory resulted a year-on-year decrease in sales.

In J-wood Co., Ltd, sales significantly decreased year-on-year due to a decline in number of houses completed in KUNIMOKU HOUSE business which has a high unit price per house.

KDI Corporation had a year-on-year decrease in operating income following the decline in sales. In J-wood Co., Ltd Corporation, in addition to the decrease in gross profit due to lumber shortage, there was a slight increase in advertising expenses due to the reaction from the restriction of sales activities in the same period of the previous fiscal year that resulted a decrease in the operating income.

As a result, sales of 1,371 million yen (decrease of 15.9% year-on-year) and operating loss of 197 million yen (operating loss of 114 million yen in the same period of the previous fiscal year, including 7 million yen goodwill amortization of KDI CORPORATION) were the consolidated results for first quarter of fiscal year ending March 31, 2023.

〈Beauty and Health Business〉

The Cosmetic industry continued to face significant environmental challenges due to loss of purchases by incoming tourists as a result of long-term effects of the infectious disease, as well as decline in demand for cosmetics, especially makeup, due to the normalization of wearing masks.

JIMOS Co., Ltd had a year-on-year slight increase of sales as a result of strong (new) customer acquisition excluding the reduction from INFINITY BEAUTY business and Taisha Seikatsu CLUB business which had an incorporation-type company split to newly establish UPSALE Co., Ltd in September 2022.

Moreover, despite acquisition of Mail-order Pharmaceutical business (handling mainly third-class drugs) in UPSALE Co., Ltd in January 2022, it was not enough to cover the decline in sales due to price revision in Hair Care Business, resulting a year-on-year decline in sales compared to the business unit prior the incorporation-type company split.

In BELAIR Co., Ltd, the customers of nutritional supplements, our leading product, are in a downward trend resulting a year-on-year decrease in sales.

As for the operating income, JIMOS Co., Ltd incurred a decrease due to aggressive advertising investments ahead of schedule as a result of strong (new) customer acquisition. BELAIR Co., Ltd had a year-on-year decrease following the decline in sales.

In addition, TOREMY Co., Ltd which mainly engages in contract manufacturing cosmetics became a subsidiary in July 2021 with the purpose of new business and new product development centered on beauty and health businesses.

The operating income result from the third quarter of the previous fiscal year is shown (with minimal impact).

As a result, sales of 1,493 million yen (increase of 5.2% year-on-year) and operating loss of 41 million yen (year-ago period operating income of 183 million yen, including the 50 million yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, UPSALE Co., Ltd and TOREMY Co., Ltd) were the consolidated results for first quarter of fiscal year ending March 31, 2023.