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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022[JGAAP]

November 8, 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	
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Quarterly Report Scheduled Submission Date: November 8, 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Profit Attributable to Owners of Parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	26,097	(0.4)	552	(46.6)	566	(44.9)	254	(58.5)
September 30, 2021	26,202	(3.0)	1,033	25.1	1,027	47.4	613	(46.6)

Note: Comprehensive income
For the six months ended September 30, 2022: 148 million yen [(83.4) %]
For the six months ended September 30, 2021: 891 million yen [(27.5) %]

	Basic earnings per Share	Diluted earnings per Share
Six months ended	Yen	Yen
September 30, 2022	11.34	–
September 30, 2021	27.37	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity-to-asset ratio	Net asset per share
As of	Million yen	Million yen	%	Yen
September 30, 2022	38,496	21,583	56.1	960.51
March 31, 2022	39,724	22,138	55.5	983.20

Reference: Equity
As of September 30, 2022: 21,583 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	9.00	–	29.00	38.00
Fiscal year ending March 31, 2023	–	10.00			
Fiscal year ending March 31, 2023 (Forecast)			–	30.00	40.00

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

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

(Percentages indicate year-on-year changes.)

	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
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 six months ended September 30, 2022 (April 1, 2022 ～ September 30, 2022), the Japanese economy showed signs of gradual 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 gradual recovery. If we look into the background of consumption trend, gross employment income has been flat and consumer sentiment has weakened, but there are signs of recovery, particularly in face-to-face services such as dining out, accommodations, and entertainment, following the completion of priority measures to prevent the spread of the infectious disease.

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 26,097 million yen (decrease of 0.4% year-on-year), operating income 552 million yen (decrease 46.6% year-on-year), ordinary income 566 million yen (decrease of 44.9% year-on-year), profit attributable to owners of parent company 254 million yen (decrease of 58.5% year-on-year) were the consolidated results for the second quarter of fiscal year ending March 31, 2023.

Operating result by Business Segment are as follows:

In addition to the operating income of each segment, 710million yen as corporate expenses not attributable to any particular segment were posted.

〈CreCla Business〉

In home delivery water market, while corporate demand remains sluggish due to the prolonged spread of infectious disease, new entrants into the water purifier type server business such as direct connection to water supply systems and water supply system are intensifying.

In CreCla Business, in order to attract new customers, we worked to promote safety of products and services through "CreCla Anshin" commercial, demonstrated CrePF (CreCla Platform), a system infrastructure for data utilization and efficiency, and continued to strengthen sales promotion activities, such as investing in sustainability strategies.

In Directly managed stores division, although the overall number of main customers remained the same, net sales slightly increased year-on-year due to the rise in pace of water consumption because of higher average summer temperatures nationwide, and surge in demand prior to the price increase of CreCla bottles.

In our Affiliated stores division, the slight decline in the number of customers were covered by the rise in the pace of water consumption and increase in deliveries due to the surge in demand for CreCla bottles. However, because of decline in sales quantity due to price increase of servers in April 2022 for Affiliated stores and decline in sales of hypochlorous acid solution (ZiACO) related products, the sales decreased year-on-year.

Although gross profit decreased due to the decline in sales of Affiliated stores division, SG&A expenses has reduced after reviewing resulting an increase in operating income year-on-year.

As a result, sales of 7,419 million yen (decrease of 2.6% year-on-year) and operating income of 710 million yen (increase of 24.3% year-on-year) were the consolidated results for the second quarter of the current fiscal year.

〈Rental Business〉

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

In the mainstay Duskin business, sales increased year-on-year due to the increase in main sales of Dust Control Product Division in the previous fiscal year, the price increase for some products in July 2022, and the continued increase of businesses in Care Service Division which provides comprehensive services such as housekeeping services, pest control, and floral and garden management (sales activities were expanded by increasing sales staff after the capital and business alliance with Duskin Co., Ltd in August 2018).

In With-branded pest-control devices business wherein pest control devices "with" as mainstay, sales increased year-on-year as restaurants (main customers of the business) gradually resumed operation and regular deliveries which has been suspended started to recover.

Earnest Co., Ltd which provides regular cleaning services for corporate clients, continued to perform well in the infectious disease-related business as in the previous fiscal year as a result of strong performance of the border control support projects implemented by Ministry of Health, Labor and Welfare.

The increase in SG&A expenses due to business expansion was covered by the rise in the sales of With-branded pest-control devices business and Earnest Co., Ltd resulting an increase in the operating income.

As a result, sales of 8,621 million yen (increase of 7.2% year-on-year) and operating income of 883 million yen (increase of 23.7%) were the consolidated results for the second quarter of the current fiscal year.

〈Construction Consulting Business〉

In the local construction industry and market, the external environment continued to be severe due to shortage of skilled workers, soaring logistic costs, delays in the delivery of housing equipment due to a shortage of semiconductors, and the global price of goods.

In Consulting division, sales decreased year-on-year due to a decline in the purchasing power of local construction contractors, our customers, due to soaring construction costs and repayment of infectious disease-related loans.

Nac Smart Energy Co., Ltd which is engaged in construction and sales of materials related to energy saving had sales decreased year-on-year due to delays in the delivery of storage batteries and power conditioners due to prolonged shortage of semiconductors.

Sales at ACE HOME Co., Ltd which operates the housing franchise business, decreased slightly year-on-year due to a decline in wholesale sales caused by decrease of completed frameworks in the Affiliated stores, and a reactionary decrease in products jointly developed with the Company, which were strong in the same period of the previous fiscal year.

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

As a result, sales of 2,960 million yen (decrease of 15.3% year-on-year), operating loss of 58 million yen (operating income of 296-million-yen year-on-year, including the 20-million-yen goodwill amortization of ACE HOME Co., Ltd) were the consolidated results for the second quarter of the current fiscal year.

〈Housing Sales Business〉

In Housing industry, the number of new housings starts announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in September decreased for the tenth consecutive month, and overall housing including rental housing and for-sale housing that started to increase in August, decreased again.

Sales decreased year-on-year in KDI CORPORATION due to continued difficulty in purchasing caused by soaring land prices and rise in construction costs, and slowdown in the real estate market due to the impact of higher prices of goods, despite the slight increase in sales inventories.

At J-wood Co., Ltd, although the number of buildings completed decreased year-on-year, sales remained at the same level year-on-year due to an increase in the unit price per building and an increase in sales from the real estate for sale sand brokerage fees.

The operating income decreased year-on-year due to decrease in gross profit caused by soaring prices of construction materials, and decrease in gross profit at KDI CORPORATION due to decline in sales.

On the profit front, operating income decreased from the same period of the previous year due to a decrease in gross profit due to soaring prices of materials for the construction department, and also a decrease in gross profit due to a decrease in net sales at KDI CORPORATION.

As a result, sales of 3,931 million yen (decrease of 9.9% year-on-year) and operating loss of 197 million yen (operating loss of 61 million yen in the same period of the previous fiscal year, including 15 million yen goodwill amortization of KDI CORPORATION) were the consolidated results for the second quarter of the current fiscal year.

And regarding the opening of new stores, KDI CORPORATION opened the Kichijoji store during the first half the current fiscal year.

〈Beauty and Health Business〉

In the cosmetic industry, the impact of infectious disease eased, and there were positive signs such as the relaxation of the guidelines on wearing masks by the Ministry of Health, Labor and Welfare and an increase in dining opportunities, and demand for cosmetics mainly on makeup, showed signs of recovery.

JIMOS Co., Ltd posted a year-on-year increase in sales due to steady acquisition of new customers and strong sales of Tofu-no-Moritaya, which was absorbed by JIMOS in July 2022, excluding the decrease caused by the incorporation-type split of the INFINITY BEAUTY Business and Taisha Seikatsu CLUB Business to establish UPSALE Co., Ltd in September 2021.

Although sales increased in UPSALE Co., Ltd as a result of acquiring the Mail-order Pharmaceutical business (mainly deals with Class 3 drugs) in January 2022 and entering pharmaceutical business, it did not cover the decline in sales due to the price increase implemented in the previous fiscal year, resulting a decrease in sales compared to the business unit prior to the incorporation-type split.

In BELAIR Co., Ltd, sales decreased year-on-year as the number of customers in our leading product, nutritional supplements continued to decline.

Operating income decreased significantly year-on-year due to aggressive advertising investment ahead of schedule at JIMOS Co., Ltd due to strong acquisition of new customers, a decrease in gross profit due to the decrease in sales at BELAIR Co., Ltd., and an increase in SG&A expenses due to the addition of personnel.

In addition, TOREMY Co., Ltd which focuses on contract cosmetics manufacturing became a subsidiary in July 2021, with the aim of developing new products and developing new businesses centered on beauty and health business, and operating income from the third quarter of the previous fiscal year is accrued (with minimal impact).

As a result, sales of 3,184 million yen (increase of 16.3% year-on-year) and operating loss of 75 million yen (operating income of 311 million yen year-on-year, including the 101 million yen goodwill amortization of JIMOS Co., Ltd., BELAIR Co., Ltd., UPSALE Co., Ltd., and TOREMY Co., Ltd) were the consolidated results for the second quarter of the current fiscal year.