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May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (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 29, 2023
Scheduled date to commence dividend payments: June 30, 2023
Scheduled date to file annual securities report: June 30, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	57,068	3.9	3,232	17.1	3,243	16.1	2,002	17.2
March 31, 2022	54,924	(1.1)	2,760	(0.8)	2,792	4.1	1.708	(7.0)

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥1,994 million [9.3%]
For the fiscal year ended March 31, 2022: ¥1,824 million [(9.9%)]

	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, 2023	89.14	−	8.8	8.3	5.7
March 31, 2022	76.17	−	7.9	6.9	5.0

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2023: ¥ −
For the fiscal year ended March 31, 2022: ¥ −

(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, 2023	38,735	23,204	59.9	1,032.62
March 31, 2022	39,724	22,138	55.5	983.20

Reference: Equity
As of March 31, 2023: ¥23,204 million
As of March 31, 2022: ¥22,063 million

(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, 2023	1,709	(361)	(2,555)	11,029
March 31, 2022	2,847	(1.107)	(3,743)	12,187

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, 2022	—	9.00	—	29.00	38.00	857	49.9	3.9
Fiscal year ended March 31, 2023	—	10.00	—	30.00	40.00	904	44.9	4.0
Fiscal year ending March 31, 2024 (Forecast)	—	10.00	—	32.00	42.00		42.9	

* 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: Yes
- (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, 2023	24,306,750 shares
As of March 31, 2022	24,306,750 shares

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

As of March 31, 2023	1,835,341 shares
As of March 31, 2022	1,866,096 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	22,461,384 shares
Fiscal year ended March 31, 2022	22,429,136 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	33,032	0.1	2,245	26.6	2,352	26.3	1,294	13.7
March 31, 2022	33,004	(0.7)	1,773	(30.8)	1,862	(23.9)	1,138	59.1

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	57.63	—
March 31, 2022	50.78	—

(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, 2023	36,938	24,078	65.2	1,071.52
March 31, 2022	38,242	23,691	62.0	1,055.74

Reference: Equity
As of March 31, 2023: ¥24,078 million
As of March 31, 2022: ¥23,691 million

* 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.

3. Summary of Operating Result

（Consolidated Operating Results for the Current Fiscal Year）

During the fiscal year ended March 31, 2023, after restrictions on movement due to COVID-19 (hereinafter referred to as "infectious disease") was lifted, the economy activities gradually returned to normal and the Japanese economy is slowly picking up. However, prices continue to rise due to surge in raw materials and energy costs influenced by the situation in Ukraine, and weak yen that makes the situation remain uncertain.

In retail and service industries, the individual consumption has been improving. Looking into the background of consumption trend, gross compensation of employees is more or less unchanged and consumer sentiment bottomed out, but there are signs of recovery centered on face-to-face services such as eating out and travels.

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

As a result, sales of 57,068 million yen (increase of 3.9% year-on-year), operating income of 3,232 million yen (increase of 17.1% year-on-year), ordinary income of 3,243 million yen (increase of 16.1% year-on-year) and profit attributable to owners of parent company of 2,002 million yen (increase of 17.2% year-on-year) were the consolidated result for fiscal year ended March 31, 2023.

As for non-consolidated result, sales of 33,032 million yen (increase of 0.1% year-on-year), operating income of 2,245 million yen (increase of 26.6% year-on-year), ordinary income of 2,352 million yen (increase of 26.3% year-on-year), current net income of 1,294 million yen (increase of 13.7% year-on-year) were posted.

Segment results by business are as follows:

In addition to the operating income of each segment, 1,341 million yen as corporate expenses not attributable to any particular segment was posted.

〈Results by Segment〉

Sales (unit: million yen)

	FY2022 Consolidated Result	FY2021 Consolidated Result	Variance	YoY Change (%)
CreCla Business	14,733	15,019	(285)	(1.9)
Rental Business	18,722	15,916	2,805	17.6
Construction Consulting Business	6,754	7,449	(695)	(9.3)
Housing Sales Business	10,067	10,686	(619)	(5.8)
Beauty and Health Business	6,826	5,921	904	15.3
Elimination of intersegment	(35)	(69)	34	－
TOTAL	57,068	54,924	2,144	3.9

Operating income (unit: million yen)

	FY2022 Consolidated Result	FY2021 Consolidated Result	Variance	YoY Change (%)
CreCla Business	1,618	1,269	349	27.5
Rental Business	2,050	1,621	428	26.4
Construction Consulting Business	847	872	(25)	(2.9)
Housing Sales Business	(181)	233	(414)	－
Beauty and Health Business	238	151	87	58.2
Others and adjustments	(1,341)	(1,387)	46	－
TOTAL	3,232	2,760	472	17.1

〈CreCla Business〉

In water delivery market, while corporate demands remain sluggish due to the infectious disease, the increasing generalization of courier services and food stock for disaster awareness became a boost, individual demands continue to increase. In addition, demand for water purifier dispenser is rapidly expanding, and new entrants from other industries are becoming more active.

In CreCla Business, in order to attract new customers, we continued to strengthen sales promotion activities such as promote safety of the products and services through “CreCla Anshin”, demonstrated CrePF (CreCla Platform), a system infrastructure for data utilization and efficiency, as well as invest in sustainability strategies. Moreover, in October 2022, we raised the price of CreCla bottles in response to the surge in raw material costs, and increases in personnel and distribution costs.

In Directly managed stores division, although the number of basic customers is declining due to high prices and entry of major companies, sales slightly increased year-on-year as a result of CreCla bottle price increase. In our hypochlorous acid aqueous solution [ZiACO], although the number of customers is increasing, sales decreased year-on-year due to decline of unit price per customer. As a result, overall result of Directly managed store division remained the same level year-on-year (slightly increased).

In Affiliated stores, sales decreased year-on-year due to decrease in plant related sales and decline in sales of related products as server price for affiliated stores were increased in April 2022.

Operating income increased year-on-year with the aforementioned price hike and review of sales promotion activities.

As a result, sales of 14,733 million yen (decrease of 1.9% year-on-year) and operating income of 1,618 million yen (increase of 27.5% year-on-year) were the consolidated results for the fiscal year ended March 2023.

〈Rental Business〉

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

In the mainstay Duskin business, sales increased year-on-year as a result of price increase of some products in Dust control products division in July 2022, and the increasing 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 agreement with Duskin Co., Ltd in August 2018).

In With-branded pest-control devices wherein pest control devices “with” as mainstay, sales increased year-on-year with the price increase of some products in July 2022 and restaurants, a major customer, have reopened and regular deliveries recovered.
Earnest Co., Ltd which provides regular cleaning services for corporate clients have sales significantly increased with the success of continuing border control support project implemented by Ministry of Health, Labor and Welfare in the infectious disease related business from the previous fiscal year.
Operating income increased year-on-year as the sales increase in Dust control products division of Duskin business, With-branded pest-control devices business and Earnest Co., Ltd has covered the increase in SG&A expenses of Care Service division due to business expansions.
As a result, sales of 18,722 million yen (increase of 17.6% year-on-year) operating income of 2,050 million yen (increase of 26.4% year-on-year) were the consolidated results for the fiscal year ended March 2023.
As for new store openings, Duskin Nagoya Branch, HealthRent Taito Station and HealthRent Koto Station were established in the fiscal year ended March 2023.

〈Construction Consulting Business〉

In local construction industry and market, the external environment remains severe due to shortage of skilled workers, soaring logistic costs, delays in the delivery of housing equipment due to shortage of semiconductors, and high price of commodities.
In Consulting division, although we launch several new products related to DX and SDGs, and strengthened the sales of subsidized products for the purpose of supporting IT introduction from the fourth quarter, due to the continued surge of construction costs and repayment of infectious-disease related loans, sales decreased year-on-year due to the decline in purchasing intent of our customers, local construction contractors.
Nac Smart Energy Co., Ltd which engages in construction and sales of materials related to energy savings, have sales in the same level (slightly increased) year-on-year as delivery delays, and suspension of storage battery and power conditioner that caused the shortage of semiconductor and production materials for each item have gradually improved, and stagnant delivery pace recovered.
ACE HOME Co., Ltd which operates the housing franchise business, incurred decrease year-on-year due to a decline in wholesale sales caused by decreasing the number of completed frameworks in Affiliated stores.
The shift in sales structure in Nac Smart Energy Co., Ltd including construction contracts from the wholesale-centered improved the gross profit margin, but the decrease in sales in the Consulting division with high profit margin affected the operating income of the entire Construction Consulting business. It was at the same level (slightly decreased) year-on-year.
As a result, sales of 6,754-million-yen (decrease of 9.3% year-on-year) and operating income of 847-million-yen (decrease of 2.9% year-on-year, including the 41-million-yen goodwill amortization of ACE HOME Co., Ltd) were the consolidated results for the fiscal year ended March 2023.
Effective April 1, 2023, ACE HOME Co., Ltd has merged with Nac Smart Energy Co., Ltd. And with this merger, the company name has changed to Nac Haus Partner Co., Ltd.

〈Housing Sales Business〉

In Housing industry, the situation remains severe with the number of new housings announced by the Ministry of Land, Infrastructure, Transport and Tourist (MLIT) in March for total housing including the rental houses and ready-built houses decreased for two consecutive months and the number of owned houses in our business area has decreased for 16th consecutive month.
In KDI Corporation, although we strived in expanding the sales scope by opening new stores, sales are on the same level (slightly decreased) year-on-year with the struggles of buying-in land due to increasing land costs in the city center and soaring prices of construction materials, as well as sluggish sales due to the slowdown in entire real estate market.
In J-wood Co., Ltd, sales decreased year-on-year as increase of unit price per building and sell of large properties did not cover the decreasing sales due to decline of completed buildings.
As for the operating income, we sought to secure profits in KDI Co., Ltd by converting the soaring prices of building materials into selling prices, but it resulted to a decrease in profit due to the new stores and costs associated with parts that could not be absorbed. And in J-wood Co., Ltd, investment was carried out in advance for the surging of building materials and to promote customers which made the operating loss of the entire housing business to expand significantly.
As a result, sales of 10,067 million yen (decrease of 5.8% year-on-year) and operating loss of 181 million yen (operating income of 233 million yen year-on-year, including the 30 million yen goodwill amortization of KDI Corporation) were the consolidated results for the fiscal year ended March 2023.
As for the new store openings, KDI Corporation opened the Kichioji store in the fiscal year ended March 2023.

〈**Beauty and Health Business**〉

In the cosmetic industry, as the effect of infectious disease such as relaxing of mask wearing policies and increased eating out activities has calmed down, the demand for makeup products with foundation as first has recovered, showing signs of pick-up for the entire industry.

In JIMOS Co., Ltd, not including the decrease caused by establishing UP SALE Co., Ltd in September 2021, sales increased year-on-year with the growing sales of SINN PURETÉ that was started from the previous year in addition to the sales of TOFU NO MORITAYA which was merged in July 2022.

In BELAIR Co., Ltd, sales decreased year-on-year following the decrease in the number of customers in the mainstay nutritional supplements.

In UP SALE Co., Ltd, although new sales were added with the acquisition of pharmaceutical mail-order business (mainly a business handling third-class drug) in January 2022, sales declined in the existing hair care business due to price increases aimed at improving profit margins and price competition with other companies, so sales decreased year-on-year compared to the business unit before the new division.

In TOREMY Co., Ltd which became a subsidiary in the previous year and is mainly engaged in contract manufacturing, sales increased compared to the same period after consolidation due to increase in orders as demand recovered.

In operating income, JIMOS Co., Ltd made an active advertising investment to acquire new customers, but profitability of UP SALE Co., Ltd and TOREMY Co., Ltd contributed to the Beauty and Health business. The overall operating income increased significantly year-on-year.

As a result, sales of 6,826 million yen (increase of 15.3% year-on-year) and operating income of 238 million yen (increase of 58.2% year-on-year, including the 202-million-yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, UP SALE Co., Ltd and TOREMY Co., Ltd) were the consolidated results for the fiscal year ended March 2023.