

1. Summary of Operating Result

(1) Summary of Operating Result for the Current Fiscal Year

(Consolidated Operating Results for the Current Fiscal Year)

During the Fiscal Year ended March 31, 2022 (Fiscal Year 2021), the Japanese economy continued to seesaw as the confirmed cases of COVID-19 (hereinafter referred to as “infectious disease”) increases and decreases repeatedly.

In retail and service industries, the personal consumption has stalled its recovery. Looking at the background of consumption trends, gross employment income has been flat recently, and consumer sentiment has been weakened.

Under these circumstances, the NAC Group of companies has been actively working on expansion of infectious disease-related fields, improvement of customer service, expansion of trade areas, and business restructuring.

As a result, sales of 54.924 billion yen (decrease of 1.1% year-on-year), operating income of 2.760 billion yen (decrease of 0.8% year-on-year), ordinary income of 2.792 billion yen (increase of 4.1% year-on-year), profit attributable to owners of parent company of 1.708 billion yen (decrease of 7.0% year-on-year) were the consolidated result for fiscal year ended March 31, 2022.

As for non-consolidated result, sales of 33.004 billion yen (decrease of 0.7% year-on-year), operating income of 1.773 billion yen (decrease of 30.8% year-on-year), ordinary income of 1.862 billion yen (decrease of 23.9% year-on-year), current net income of 1.138 billion yen (increase of 59.1% year-on-year) were posted.

Segment result by business are as follows:

In addition to operating income of each segment, 1.387 billion yen as corporate expenses not attributable to any particular segment was posted.

(Result by Segment)

Sales

(unit: million yen)

	FY 2021 Consolidated Result	FY 2020 Consolidated Result	Variance	YOY Change (%)
CreCla Business	15,019	14,881	137	0.9
Rental Business	15,916	14,626	1,290	8.8
Construction Consulting Business	7,449	8,495	△1,045	△12.3
Housing Sales Business	10,686	10,341	344	3.3
Beauty and Health Business	5,921	7,213	△1,292	△17.9
Elimination of intersegment	△69	△45	△24	—
T o t a l	54,924	55,513	△589	△1.1

Operating income

(unit: million yen)

	FY 2021 Consolidated Result	FY 2020 Consolidated Result	Variance	YOY Change (%)
CreCla Business	1,269	1,627	△358	△22.0
Rental Business	1,621	1,333	288	21.7
Construction Consulting Business	872	807	65	8.1
Housing Sales Business	233	74	158	212.4
Beauty and Health Business	151	122	28	23.1
Others and adjustments	△1,387	△1,183	△204	—
T o t a l	2,760	2,782	△21	△0.8

〈CreCla Business〉

In water delivery market, in addition to the increasing individual water consumption with more time spent at home, the demand for value-added services in order to have ample time at home was in upward trend.

CreCla Business, in order to attract new customers, engaged in sales promotion using Web and SNS, and had character collaborations on top of prior investments in recruitment and developing new products.

Our Directly managed stores division continued to engage in active sales promotion activities and improve service quality that resulted a slight increase in sales year-on-year. The hypochlorous acid solution (ZiACO) that experienced a sharp increase in sales in the previous fiscal year owing to heightened sanitation awareness, decreased in sales year-on-year as sales per customer declined even though the number of customers were in upward trend. As a result, overall sales of Directly Managed stores division slightly increased year-on-year.

In our Affiliated stores division, although plant related products increased year-on-year, overall sales were at the same level year-on-year due to reactionary decline in sales of hypochlorous acid solution (ZiACO) related products.

Operating income decreased due to an increase in SG&A expenses in securing sales staff and strengthening sales promotion activities as prior investments focusing on Directly managed stores division to increase number of customers.

As a result, sales of 15.019 billion yen (increase of 0.9% year-on-year) and operating income of 1.269 billion yen (decrease of 22.0% year-on-year) were the consolidated result of the current fiscal year.

〈Rental Business〉

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

In the mainstay Duskin business, sales of Dust Control Product Division were on the same level year-on-year, while the Care Service Division which provides comprehensive services such as housekeeping services, pest control, and floral and garden management, expanded the business (after capital and business alliance with Duskin Co., Ltd in August 2018, sales promotion personnel have been increased to expand sales activities), resulting an increase in sales. And overall sales of Duskin business increased year-on-year.

The With business wherein pest control devices “with” as mainstay, incurred decreased in sales year-on-year when restaurants (main customers of the business) that gradually resumed operation and regular deliveries showing signs of recovery after lifting the State of Emergency was not enough to compensate the decline in customers due to prolonged closures and shortened business hours.

Earnest Co., Ltd, which provides cleaning services to business clients, has sales significantly increased as a result of large increase in request for disinfection and cleaning work related to infectious disease, in addition to increase in request from major customers related to vaccination sites operation.

The decline in sales of With Business, and increase in SG&A expenses of Care Service Division mainly due to strengthening of sales promotion activities was covered by the increase of sales Duskin business and Earnest Co., Ltd which resulted an increase in operating income year-on-year.

As a result, sales of 15.916 billion yen (increase of 8.8% year-on-year) and operating income of 1.621 billion yen (increase of 21.7% year-on-year) were the consolidated result of the current fiscal year.

And regarding store openings, Duskin business opened HealthRent Ichikawa Station, HealthRent Odawara Station, HealthRent Sagami-hara Station and Takatsuki Branch in this fiscal year.

〈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 delivery of housing materials and equipment due to lumber shortage and semiconductor supply shortages.

In Construction Know-How System (not including suzukuri Division), sales increased year-on-year with the contribution of new store openings and price revision. On the other hand, the sales of suzukuri Division (changed business segment from Housing Sales to Construction Consulting since the previous fiscal year and is calculated in

Construction Know-How System Division from Q3), which engages in housing sales, resulted a year-on-year decrease in overall sales due to decline in number of houses completed as a result of sluggish growth in the process of shifting its focus from housing sales to content business.

The NAC Smart Energy Co., Ltd which engages in installation and sales of energy-saving related materials, incurred decreased in sales year-on-year due to a drop in the unit price per customer caused by a shift in major customers from corporations to individuals, as well as delays in construction schedules caused by delay and suspension of deliveries of storage batteries, power conditioners, eco-cutes, and other products due to a shortage of semiconductors.

ACE HOME Co., Ltd reported a year-on-year increase in sales as a result of strong sales of products that were jointly developed with the NAC, which started in October 2020 and an increase in wholesale sales following the increase in the number of houses built by the affiliated stores. ACE HOME Co., Ltd had a 13-month fiscal year for the current fiscal year due to a change in its fiscal year end (from February to March).

The decrease in operating income following the sales decline in suzukuri Division was covered by the increase in operating income following the sales increase in Construction Know-How System and ACE HOME Co., Ltd, resulting a year-on-year increase in overall operating income of Construction Consulting Business.

As a result, sales of 7.499billion yen (decrease of 12.3% year-on-year) and operating income of 872 million yen (increase 8.1% year-on-year, including 41million yen goodwill amortization of ACE HOME Co., Ltd) were the consolidated result of the current fiscal year.

And regarding store openings, Construction Know-How System Division opened Matsuyama Branch and Kanazawa Branch in this fiscal year.

〈Housing Business〉

In Housing Sales Industry, the number of new housings in March as announced by the Ministry of Land, Infrastructure, Transport and Tourism (MILT) showed an increase in overall housing including rental and for-sale houses for 13 consecutive months but the owner-occupied houses, our business domain, is in a difficult situation with a decline for four consecutive months.

In KDI Corporation, due to the difficulty of purchasing land caused by rising land prices in Tokyo, and shortage of construction materials due to lumber shortage that led a decline in sales inventory, resulted a year-on-year decrease in sales.

In J-wood Co., Ltd, orders received during the first half of the current fiscal year were strong due to the application deadline for the Home Stay Benefit Program, one of the government's economic measures for home acquisition, leading to an increase in the number of houses completed, resulting in a year-on-year increase in sales.

KDI Corporation contributed to the increase in sales prices due to higher land prices in the market, which led to an improvement in profit margins, resulting significant year-on-year increase in operating income.

In J-wood Co., Ltd, although there was a rise in material cost due to lumber shortage, operating loss narrowed year-on-year as a result of year-on-year sales increase, and decline in SG&A expenses owing to relocation and reorganization carried out the previous fiscal year.

As a result, sales of 10.686 billion yen (increase of 3.3% year-on-year) and operating income of 233 million yen (operating income of 74 million yen for the previous fiscal year, including amortization of goodwill of 44 million yen of KDI Corporation and J-wood Co., Ltd) were the consolidated result of the current fiscal year.

Moreover, J-wood Co., Ltd merged with KUNIMOKU HOUSE effective April 1, 2021. This business is continued by J-wood Co., Ltd as KUNIMOKU HOUSE brand.

〈Beauty and Health Business〉

Beauty and Health Business continued to face significant environmental challenges due to the infectious disease that resulted a decline in purchases by incoming tourists, as well as decline in demand for cosmetics, especially for makeups because of stay-at-home measures.

JIMOS Co., Ltd incurred year-on-year decrease in sales due to a restraint in buying makeup products with lesser opportunities to use makeups caused by prolonged effects of the infectious disease.

In BELAIR Co., Ltd, although sales of Beauty and Health products are selling well, the customers of nutritional supplements, our leading product, are in a downward trend resulting a year-on-year decrease in sales.

The year-on-year increase of operating income in JIMOS Co., Ltd as efforts to reduce SG&A expenses, mainly sales promotion, personnel expenses and outsourcing expenses covered the decline in gross profit associated with decrease in sales.

In BELAIR Co., Ltd, due to sales decline of high-margin nutritional supplements, operating income decreased year-on-year.

In addition, with the purpose of new business and new product development centered on beauty and health business, TOREMY Co., Ltd which mainly engaged in contract manufacturing cosmetics became a subsidiary in July 2021, accounting income statement from Q3 of the current fiscal year (with minimal impact).

As a result, sales of 5.921 billion yen (decrease of 17.9% year-on-year) and operating income of 151 million yen (increase 23.1%, including the 185million goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, UPSALE Co., Ltd and TOREMY Co., Ltd) were the consolidated result of the current fiscal year.

In addition, Infinity Beauty Business and Taisha Seikatsu Club Business of JIMOS Co., Ltd went through company split in September 2021 and established UPSALE Co., Ltd with the purpose of strengthening EC business, focusing on our own EC site and EC mall.