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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022[JGAAP]

February 9, 2023

| | | | |
|---|-------------------|---|-------------------------------|
| 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 | |
| Contact Representative | Hironari Kawakami | Director and Chief Financial Officer | TEL 03-3346-2111 |
| Quarterly Report Scheduled Submission Date | February 9, 2023 | | |
| 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net Sales | | Operating income | | Ordinary income | | Profit Attributable to Owners of Parent | |
|-------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended | | | | | | | | |
| December 31, 2022 | 40,924 | 2.5 | 1,527 | (19.2) | 1,539 | (18.2) | 841 | (27.0) |
| December 31, 2021 | 39,930 | (2.5) | 1,889 | 11.3 | 1,882 | 21.6 | 1,153 | (18.3) |

Note: Comprehensive income For the nine months ended December 31, 2022: 795 million yen [(40.0) %]
For the nine months ended December 31, 2021: 1,326 million yen [(15.8) %]

| | Basic earnings per Share | Diluted earnings per Share |
|-------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2022 | 37.49 | — |
| December 31, 2021 | 51.45 | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity-to-asset ratio | Net asset per share |
|-------------------|--------------|-------------|-----------------------|---------------------|
| As of | Million yen | Million yen | % | Yen |
| December 31, 2022 | 38,290 | 22,005 | 57.5 | 979.25 |
| March 31, 2022 | 39,724 | 22,138 | 55.5 | 983.20 |

Reference: Equity As of December 31, 2022: 22,005 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 | — | 10.00 | | | |
| March 31, 2023 | | | | | |
| Fiscal year ending | | | | | |
| 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 (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

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(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 December 31, 2022 | 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 December 31, 2022 | 1,835,341 shares |
| As of March 31, 2022 | 1,866,096 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|-------------------------------------|-------------------|
| Nine months ended December 31, 2022 | 22,458,103 shares |
| Nine months ended December 31, 2021 | 22,425,367 shares |

* 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 Quarterly Results

【Operating Results】

During the nine months ended December 31, 2022 (April 1, 2022 ~ December 31, 2022), the Japanese economy steadily recovered as economic activities gradually normalized with life during the pandemic since the lifting of restrictions on activities related to COVID-19 (hereinafter referred to as "infectious disease"). However, the outlook remains uncertain due to the soaring raw material and energy prices, and inflation. The individual consumption in retail and services industries, our core business domain, showed gradual recovery. Looking into the background of consumption trend, gross employment income and consumer sentiment has been weak 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 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 40,924 million yen (increase of 2.5% year-on-year), operating income of 1,527 million yen (decrease of 19.2% year-on-year), ordinary income of 1,539 million yen (decrease of 18.2% year-on-year), profit attributable to owners of parent company 841 million yen (decrease of 27.0% year-on-year) were the consolidated results for the third 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, 1,029 million yen as corporate expenses not attributable to any particular segment were posted.

〈CreCla Business〉

In home delivery water market, while corporate demands remain sluggish due to the prolonged spread of infectious disease, individual demand is still increasing as a result of more time at home. In addition, demand for water-supply water purifier dispenser is expanding rapidly, and new entrants from other industries are actively entering the market.

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

In Directly managed stores division, although the number of basic customers decreased, sales slightly increased year-on-year as a result of increased water consumption and price increase of CreCla bottle.

In our Affiliated stores, sales decreased year-on-year as server price for affiliated stores were increased in April 2022 that resulted a decline in sales of related products.

The aforementioned price hikes and a review of sales promotion activities resulted in a significant year-on-year increase in operating income. As a result, sales of 11,064 million yen (decrease of 1.5% year-on-year) and operating income of 1,184 million yen (increase of 38.1% year-on-year) were the consolidated results for the third 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 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 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 due to reopening of restaurants that resumed regular deliveries, and price increase of some products in July 2022.

In Earnest Co., Ltd which provides regular cleaning services for corporate clients, sales significantly increase due to the success of border control support project implemented by Ministry of Health, Labor and Welfare in the infectious disease related business as in the previous fiscal year.

Operating income increased year-on-year due to the contribution of Earnest Co., Ltd and increase in SG&A expenses as a result of business expansion was covered by the overall increase in sales.

As a result, sales of 13,680 million yen (increase of 13.8% year-on-year), operating income of 1,514 million yen (increase of 29.1% year-on-year) were the consolidated results for the third quarter of the current fiscal year.

As for new store openings, Duskin Nagoya Branch and HealthRent Taito Station were established in the third quarter of the current fiscal year.

〈Construction Consulting Business〉

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

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

Nac Smart Energy Co., Ltd which engages in construction and sales of materials related to energy saving, have sales in the same level year-on-year due to delays in delivery of storage batteries and power conditioners because of extended shortage of semiconductors.

ACE HOME Co., Ltd which operates the housing franchise business, incurred decrease year-on-year due to a decline in wholesale sales caused by the decline of completed frameworks in Affiliated stores, and reactionary decrease in products jointly developed with the Company, which were strong in the same period for 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 4,434 million yen (decrease of 14.9% year-on-year), operating loss of 48 million yen (operating income of 410 million yen year-on-year, including the 30 million yen goodwill amortization of ACE HOME Co., Ltd) were the consolidated results for the third quarter of the current fiscal year.

〈Housing Sales Business〉

In Housing industry, the situation continues to be severe as out of the number of new housings announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in December, the number of owned houses decreased for the 13th consecutive month, and the total housing including rental houses and for-sale houses, decreased for the third consecutive month.

In KDI CORPORATION, sales decreased year-on-year due to the slowing of real estate market caused by the impact of soaring land prices and rising prices.

In J-wood Co., Ltd, although the unit price per building has increased, sales decreased year-on-year due to decline in the number of completed buildings.

Operating income decreased significantly year-on-year due to the impact of the decline in sales and the soaring prices of materials Construction Department.

As a result, sales of 6,670 million yen (decrease of 6.5% year-on-year), operating loss of 219 million yen (operating income of 80 million yen year-on-year, including the 23 million yen goodwill amortization of KDI CORPORATION) were the consolidated results for the third quarter of the current fiscal year.

As for new store openings, KDI CORPORATION opened the Kichijoji store during the third quarter of the current fiscal year.

〈Beauty and Health Business〉

In the cosmetic industry, as the Ministry of Health, Labor and Welfare has eased the mask wearing guidelines and increased opportunities to eat out, demand for make-up mainly colored lip balm and foundation has recovered, and demand for high-priced cosmetics has been rising due to “demand for rewards” and “revenge spending”, and there are signs of a pick-up in the industry as a whole.

In JIMOS Co., Ltd, excluding the decrease caused by the incorporation-type split of the Infinity Beauty Business and Metabolic Seikatsu Club Business in September 2201 as UPSALE Co., Ltd, sales increased year-on-year due to strong sales of existing brands and increased sales of the TOFU NO MORITAYA which was merged in July 2022.

In UP SALE Co., Ltd, sales increased due to the acquisition of the pharmaceutical mail-order business (mainly a business handling third-class drug) in January 2022. However, this did not cover the decline in sales due to price increases implemented in the existing Hair Care business in the previous fiscal year and price competition with other companies.

In BELAIR Co., Ltd, sales decreased year-on-year due to a decline in sales of its mainstay nutritional supplements.

TOREMY Co., Ltd which was consolidated from the third quarter of the previous fiscal year and mainly engaged in contract manufacturing of cosmetics, increased its sales year-on-year after consolidation due to an increase in the number of orders received during post-COVID.

Operating income decreased significantly year-on-year as JIMOS Co., Ltd carried out aggressive advertising investments ahead of schedule supported by new customer acquisitions.

As a result, sales of 5,104 million yen (increase of 16.1% year-on-year), operating income of 125 million yen (decreased of 75.2% year-on-year, including the 151 million yen goodwill amortization of JIMOS Co., Ltd, BELAIR Co., Ltd, TOREMY Co., Ltd and UP SALE Co., Ltd) were the consolidated results for the third quarter of the current fiscal year.