1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the fiscal year ended March 31, 2018 (fiscal 2017), the Japanese economy has been recovered gradually based on the improvement of employment environments and stability of domestic demand and external demand. In addition, personal consumption showed signs of recovery backed by the trend of durable goods and stable demand of entertainment business at the end of year even though there were some risks like unseasonable weather and price rise.

In the housing industry, our core operating domain, low interest loans and an inheritance tax strategy are underway; however, according to the Ministry of Land, Transport and Tourism, the number of housing starts decreased year on year. What is more, a decline of the number of housing starts, especially condominium, affects the housing industry largely. Overall, the housing industry has settled down.

On the other hand, in the retail and services industries, personal consumption is stable, and it seems likely to become a steadily recovery.

Against this backdrop, the Nac Group aggressively worked on developments and promotion of new products, improvement of customer services, encouragements and expansion of business areas.

As a result, consolidated results for the fiscal year under review included net sales of 89,818 million yen, up 4.6% year on year, an operating income of 1,637 million yen, up 116.3% year on year, an ordinary income of 1,574 million yen, up 98.4% year on year, and an loss attributable to owners of parent was 994 million yen (compared with an income of 415 million yen in the fiscal year ended March 31, 2017).

As for non-consolidated operating results, the NAC recorded net sales of 30,521 million yen, up 0.9% year on year, an operating income of 2,126 million yen, up 34.0% year on year, an ordinary income of 2,260 million yen, up 38.1% year on year, and a net income of 1,330 million yen, up 27.6% year on year.

Operating results by business segment were as follows.

In addition to the operating income or loss of each segment, the Nac Group posted 1,166 million yen as corporate expenses not attributable to any particular segment.

[CreCla Business (Bottled Water)]

The market is growing gradually; on the other hand, industry reorganization is advanced and the competition crossing over the boundaries among industries is becoming more intense. Furthermore, there are worries that price hike in delivery charge affects providers of one-way bottles.

Under the circumstances, the CreCla business took a variety of measures in order to build a solid customer base (e.g. sales of the new product and effective sales promotions). At the same time, the CreCla business takes Corporate Social Responsibility into account earnestly (e.g. we provided CreCla free of charge to support disaster victims who were damaged by the downpour in the Kyushu area). Our direct managed stores kept up sales efforts using advantages of two-way business, so sales increased slightly. Additionally, the bottle consumption per customer and sales per customer were improved by the use of CreCla point systems and additional products.
In our affiliated stores, sales declined due to decreases in sales of bottles even though we tried to improve customer services and support programs so as to increase the number of customers and sales per customer
Operating income rose year on year due to stable sales in our direct managed stores and revisions to management costs.
Consequently, during the fiscal year ended March 31, 2018, the CreCla Business segment posted sales of 13,158 million yen (down 1.0% year on year), and operating income of 596 million yen (up 117.3% year on year).
In June, 2017, the CreCla business established a cooperative corporation named ACC Co., Ltd. with Aquaclara Co., Ltd. so as to supply quality products and services through sharing of experiences and know-how (In the third quarter, we do not consolidate Aquaclara Co., Ltd.). In relation to this, we try to reduce the prime costs and improve distribution of goods as a whole in terms of the market.

[Rental Business]
The mainstay dust control products business focused on existing customers to enhance customer satisfaction. Moreover, we utilised M&A strategy to expand business areas. Consequently, the number of customers and contract termination rates held steady. Furthermore, we strengthened total care services (e.g. the housekeeping service, exterminator and gardener) to increase customers. As a result, sales increased year on year.
The With-branded pest-control devices business started sales of the newest product called "With" from July, 2017. What is more, the number of loyal customers rose thanks to sales promotions before the summer peak demand season in both our directly managed stores and affiliated stores. Overall, sales rose year on year.
Earnest Co., Ltd. that provides regular cleaning plan for business also grew sales

because there were increases in referrals of new customers by existing customers. Operating income increased year on year owing to sales increases in all sections. In addition, new stores that opened over the past 3 years made operating income in the With-branded pest-control devices business.
As a result, during the fiscal year ended March 31, 2018, the Rental Business segment posted sales of 13,727 million yen, up 4.5% year on year, and operating income of 2,021 million yen including goodwill amortization costs of 2 million yen related to AI LIFE Co., Ltd., up 9.0% year on year.

[Construction Consulting Business]
The local construction market remains stagnant due to some reasons such as the postponement of consumption tax hike and the lack of manufacturers. Moreover, the market fear decreases in the number of household and problems of vacant house.
Under these conditions, the construction know-how systems business developed new products continuously and upgraded products to recover sales. Nevertheless, small and midsize building contractors tented to reduce investments resulting from uncertainty about market prospects. Thus, sales declined year on year.
On the other hand, the construction materials business, which is focused on solar energy systems, increased the number of orders regarding solar powered house (e.g. new-built house) in the housing market by the use of “Net Zero Energy House (ZEH)”. Additionally, we have started offering construction materials for subdivided housing unit and renovation in the adjacent market, so it produced positive results. Overall, sales increased year on year.
Eco & Eco Co., Ltd., have conducted an overhaul of income structure, sales promotions and process management to generate stable profits in the future, so sales declined temporarily.
Although we tried to reduce costs in all sections, operating income downed year on year resulting from sales decreases in the construction know-how systems business.
Consequently, during the fiscal year ended March 31, 2018, the Construction Consulting Business segment posted sales of 5,383 million yen, down 11.6% year on year, and operating income of 775 million yen including goodwill amortization costs of 18 million yen related to Eco & Eco, down 19.0% year on year.

[Housing Sales Business]
In the housing market, the growth of housing starts regarding the rental house and subdivided housing unit slowed down (e.g. the number of housing starts dropped for the 9 consecutive months year on year). Additionally, an upward tendency about construction costs, unseasonable weather and the delay of the construction caused by the lack of manufacturers and craftspeople affects the market significantly.
Against this backdrop, Leohouse Co., Ltd. offered diverse value-added products such as "CoCo as a lineup of Dai-ninki no ie"; meanwhile, we performed effective sales promotions aggressively using trademarks that we won customer's satisfaction about selling price for 3 straight years. Nevertheless, because of intense competition for new customers in the market, the number of orders received and orders in hand regarding Leohouse Co., Ltd., were 1,889 homes (compared with 2,081 a year earlier) and 944 (compared with 1,016 a year earlier), respectively.
Sales increased year on year since the number of handover was 1,895 that exceeded previous year (1,850). On the other hand, the number of handover was far below initial budget largely, so we could not make up for increases in construction costs and management costs. As a result, Leohouse Co., Ltd., appropriated operating loss for the 3 consecutive years. In relation to this, we decided phased withdrawal from unprofitable 20 stores to get rid of operating loss and improve profitability. Then, Leohouse Co., Ltd., appropriated impairment loss at 579 million yen and costs regarding the closure of stores at 265 million yen, and we dipped into deferred tax assets around 498 million yen.
J-wood Co., Ltd., enhanced the popular customer attraction model with "Housing cafes" to increase the number of orders. Furthermore, the number of handover was well above previous year. As a consequence, sales rose year on year.
KDI Co., Ltd., continuously focuses on reinforcement of information collection methods regarding purchase and human resource development so as to increase the number of orders received and real estate properties. In relation, we newly opened sales bases in Tokyo to strengthen sales of ready-built house in the metropolitan area. Moreover, the consolidated period increased compared with previous year.
The Housing sales business acquired KUNIMOKU HOUSE Co., Ltd., which original concept is "Strong wooden houses which stress kindness and environmental friendliness" in June, 2017. KUNIMOKU HOUSE Co., Ltd., runs the housing business in Hokkaido (in the financial report, a day as regarded as the

acquisition date is June 30, 2017).
Suzukuri Co., Ltd., which produces semi-custom, fashionable and low-priced houses shifted into high gear. For example, Leohouse Co., Ltd., changed its brand in 5 bases to suzukuri Co., Ltd. Nonetheless, we posted operating loss resulting from initial costs.
Taken together, during the fiscal year ended March 31, 2018, the Housing Sales Business posted sales of 47,492 million yen (up 10.6% year on year), and operating loss of 736 million yen (compared with loss of 622 million yen a year earlier, including goodwill amortization costs at 103 million yen related to J-wood Co., Ltd.,, KDI Co., Ltd., and KUNIMOKU HOUSE Co., Ltd.,).

[Mail-order Business]
At JIMOS Co., Ltd., the mainstay Macchia Label brand and the Coyori brand of skin and hair care products made from natural ingredients increased the number of new customers by the use of web service. However, sales decreased year on year due to a slowdown in the repeat rate and the decrease in sales per customers. Operating income improved year on year because of the proper operation of investments in advertising and promotion to maintain stable profits.
BELAIR Co., Ltd., develops comprehensive services using management resources for an aging society and expands sales network keeping in mind the synergy effect. Additionally, the consolidated period increased compared with previous year.
As a result, during the fiscal year ended March 31, 2018, the Mail-order Business posted sales of 10,115 million yen (down 3.3% year on year), and operating income of 147 million yen (compared with a loss of 457 million yen a year earlier, including goodwill amortization costs at 566 million yen related to JIMOS Co., Ltd., and BELAIR Co., Ltd.,).