1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the fiscal year ended March 31, 2020 (fiscal 2019), the Japanese economy continued to improve its employment and income environment due to the high level of corporate profits supported by domestic demand until the third quarter, but it was recently affected by the Coronavirus disease 2019 (COVID-19). Thus, the economy was severely deteriorated.

In the retail and service industries, our core operating domain, although personal consumption continued to recover moderately, after the consumption tax hike, we saw the rebound of rush demand. And at the end of the fiscal year, the market was sharply slowed down along with the effect of COVID-19.

Under the circumstance, the NAC Group of companies aggressively worked on development of new products, promotion of new services, improvement of customer satisfaction, expansion of business areas and business restructuring.

Consequently, consolidated results for the fiscal year ended March 31, 2020 included sales of 88,222 million yen (down 1.0% year on year), operating income of 2,118 million yen (up 3.9% year on year) and ordinary income of 2,098 million yen (up 0.8% year on year). Profit attributable to owners of parent company was 514 million yen (down 35.6% year on year).

As for non-consolidated operating results, NAC CO., LTD. recorded net sales of 31,583 million yen (up 1.5% year on year), an operating income of 2,397 million yen, (up 3.9% year on year), an ordinary income of 3,166 million yen, (down 3.3% year on year), and a net income of 1,692 million yen, (up 44.8% year on year).

Operating results by business segments were as follows.

In addition to the operating income or loss of each segment, the NAC Group of companies posted 1,067 million yen as corporate expenses not attributable to any particular segment.

[CreCla Business (Bottled Water)]

During the fiscal year ended March 31, 2020, the market condition remained harsh for this particular segment since unusual weather conditions affected water delivery business negatively.

Under the circumstances, the CreCla Business carried out sales promotion nationwide to increase the number of customers. And we promoted sales of the new product ZiACO utilizing “hypochlorous acid water”, which was launched in the previous fiscal year, and strengthened production capacity. In addition, we have increased the price of the

bottled water since the delivery in January 2020.
In our direct managed stores, the number of customers decreased due to withdrawal from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year, but we maintained the same level of sales as the previous fiscal year. That's because there are factors such as the transfer of customers from our affiliated stores and an increase in unit sales per customer due to an additional bottle consumption per household, a decrease in the churn rate, and the bottle price hike.
In our affiliated stores, although there was the transfer of customers to the direct managed stores, sales increased year on year due to the rise in water server sales and the bottle price hike.
In addition, sales of ZiACO increased in response to the recent increasing demand for sterilization in both our direct managed stores and our affiliated stores.
Operating income increased year on year thanks to the bottle price hike and efficient use of SG & A expenses.
As a result, during the fiscal year ended March 31, 2020, the CreCla Business segment posted sales of 13,375 million yen (up 1.5% year on year), and operating income of 1,030 million yen (up30.7% year on year).

[Rental Business]
In view of the super aged society, the Rental Business division worked on expansion of the sales network and reinforcement of customer services to respond a variety of customer demand.
In the mainstay Duskin business, we expanded the provision of total care services (i.e. the housekeeping service, exterminator and gardener) based on the capital and business alliance agreement signed with Duskin Co., Ltd. in August 2018. As a result, the Duskin business increased sales.
In the With-branded pest-control devices business, although the main customer, restaurants, were temporary closed due to the COVID-19, we were able to achieve sales at the same level as in the previous fiscal year due to the success of strengthening nationwide sales promotion activities in this summer.
Earnest Co., Ltd., which provides regular cleaning plan for business clients strengthened sales activities in order to acquire new customers. As a result, sales increased year on year.
Operating income decreased due to an increase in SG&A expenses such as the opening of new stores and the expansion of the sales promotion.
Consequently, during the fiscal year ended March 31, 2020, the Rental Business

segment posted sales of 14,808 million yen (up 2.9% year on year), and operating income of 1,844 million yen (down 7.7% year on year).

[Construction Consulting Business]
The local construction market continued to face tough environment due to chronic shortages of craftspeople and a decline in the number of households.
At the construction know-how systems department, while sales of new products and strengthening of sales promotion activities were successful, sales remained at the same level as the previous fiscal year due to the impact of COVID-19, and operating income was decreased year on year.
For the construction materials business, which focused on solar power generation systems continued to shift the sales target to the residential solar and storage battery market. As a result, sales decreased but operating income increased year on year.
At Eco & Eco Co., Ltd., both sales and operating income decreased year on year due to the effects of COVID-19.
In total, during the fiscal year ended March 31, 2020, the Construction Consulting Business segment posted sales of 5,251 million yen (down 3.8% year on year) and operating income of 730 million yen (down 3.1% year on year).
Additionally, in order to enlarge customer base and gain construction know-how, we acquired ACEHOME Co., Ltd. in February, 2020 that develops a housing franchise business (in the financial report, a day as regarded as the acquisition date is March 31, 2020).

[Housing Sales Business]
During the fiscal year ended March 31, 2020, the domestic housing industry was inactive as the temporary surge in demand before the consumption tax hike didn’t last. In March, Ministry of Land, Infrastructure, Transport and Tourism announced decline for 8 consecutive months in new construction starts in owned dwellings, and the new construction starts in total including rented and built for sale dwellings decreased 9 months in a row since July compared with the same period of the previous year.
Under such environment, the number of orders at Leohouse Co., Ltd. decreased year on year due to the decrease in the number of stores since we withdrew unprofitable branches in the previous fiscal year.
As a result, the number of orders received and orders in hand became 1,436 homes (compared with 1,870 a year earlier) and 685 homes (compared with 976 a year earlier) respectively. Sales were at the same level as the previous fiscal year. Operating loss

decreased year on year due to the reduction in the fixed cost as amortization cost associated with reorganization of unprofitable branches in the previous fiscal year.
At J-wood Co., Ltd., we saw decline in sales and expanded operation loss year on year due to insufficient backlog at the beginning of the fiscal year and sluggish booking reflecting fierce competition during the period under review.
KDI Co., Ltd. increased sales year on year owing to continued sales strategies focusing on Tokyo metropolitan area. However, due to advance investment in human resource development and an increase in sales promotion expenses, operating income declined year on year.
At KUNIMOKU-HOUSE Co., Ltd., although sales remained at the same level as the previous fiscal year, we strove to efficiently manage SG&A expenses, and operating income improved.
Suzukuri Co., Ltd. increased sales year on year and decreased operating loss year on year.
To sum up, during the fiscal year ended March 31, 2020, the Housing Sales Business posted sales of 46,101 million yen (down 0.5% year on year), and operating loss of 545 million yen (compared with a loss of 694 million yen a year earlier, including goodwill amortization costs at 44 million yen related to KDI Co., Ltd. and KUNIMOKU HOUSE Co., Ltd.).

[Beauty and Health Business]
At JIMOS Co., Ltd., sales decreased year on year in spite of merger of Infinity Beauty Co., Ltd. at the beginning of the fiscal period. The main factor is unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period. As a countermeasure, we suspended use of EC site from August to December, and sales of new items and regular purchase were temporarily stopped. Therefore, the impact of the merger mentioned earlier was offset by the above accident. Operating income decreased year on year due to lower sales.
At BELAIR Co., Ltd., the expansion of sales channel for the flagship product of nutritional supplementary food and the development of new services targeting the super aged society were conducted extensively. Reflecting the trend of reduction in the number of clients, sales of the company declined. However, operating income showed increase due to reduction in SG&A expenses.
As a result, during the fiscal year ended March 31, 2020, the Beauty and Health Business posted sales of 8,764 million yen (down 10.6% year on year), and operating income of 125 million yen (down 50.9% year on year, including goodwill amortization

costs at 566 million yen related to JIMOS Co., Ltd. and BELAIR Co., Ltd.).