1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the first quarter of the current fiscal year (Apr. 1, 2021 to Jun. 30, 2021), the Japanese economy showed signs of a gradual recovery, but conditions remained severe due to the impact of the new Corona Virus infectious disease.

In the Group's business domains of retail and services, consumer spending has been weak, mainly in service spending. Against the backdrop of consumption trends, although real gross employee income showed signs of picking up, consumer sentiment has paused to pick up, mainly reflecting the issuance of the Declaration of an Emergency Situation and the implementation of priority measures such as measures to prevent spreading.

Against this backdrop, the Group has been actively engaged in sales of products to combat infectious diseases, improvement of customer services, sales promotion activities, expansion of commercial areas, and business reorganization in each business field.

Consequently, in the first quarter of the fiscal year under review, the Group's consolidated results included sales of 11,984 million yen (down 5.8% year on year), operating income of 185 million yen (down 12.6% year on year), ordinary income of 175 million yen (up 30.5% year on year), and profit attributable to owners of parent was 69 million yen (down 86.9% year on year).

Operating results by business segment were as follows.

In addition to operating income (loss) of each segment, there were 427 million yen in corporate expenses, etc. not attributable to each segment.

[CreCla Business (Bottled Water)]

In the water delivery market, in addition to an increase in the consumption of water for individuals accompanying an increase in home hours due to infectious diseases, demand for value-added water dispensers to enhance home hours was on the rise.

In CreCla Business, in order to acquire new customers, in addition to sales promotions utilizing the Internet and SNS, we worked to strengthen sales activities by expanding sales at events such as commercial facilities. We also focused on campaign activities that could not be implemented due to the impact of infectious diseases in the same period of the previous fiscal year, and the number of new customers acquired increased 31.8% year on year.

In the company's directly managed stores division, as in the previous fiscal year, we worked to improve service quality. As a result, sales of CreCla bottles remained at the same level as the same period of the previous fiscal year. However, due to the reactionary decline following the sharp increase in sales volume of ZiACO, a hypochlorous acid aqueous solution, in the same period of the previous fiscal year, the company's directly managed stores division as a whole recorded a slight decrease compared with the same period of the previous fiscal year.

In the affiliated stores division, sales volume of CreCla Fit design water dispenser, which was launched in Jan. 2020, increased, but sales fell below the results for the corresponding period of the previous fiscal year due to a decline in sales volume of ZiACO,a hypochlorous acid aqueous solution, in the same manner as the company's directly managed division.

In addition to the decline in sales in both divisions, operating income decreased due to an increase in SG&A expenses as a result of focusing on securing sales personnel as upfront investments to prepare for future growth in client numbers.

As a result, sales amounted to 3,582 million yen (down 6.8% year on year) and operating income amounted to 169 million yen (down 65.5%).

[Rental Business]

In the rental business, we worked to expand our sales network and strengthen our service structure in anticipation of an increase in demand in each business for the 100-year life era.

In the mainstay Duskin business, amidst the impact of infectious diseases, there were a decrease in rental sales due to the discontinuation of sales promotion activities (personnel recruitment, etc.) in the dust control products division and a reactionary decline in products related to infectious diseases, for which demand increased in the same period of the previous fiscal year. On the other hand, in the care services division, which provides comprehensive services such as housekeeping services, pest control, and floral and garden management, sales increased significantly due to sales activities expanded at bases added to the business under a capital and business alliance agreement with Duskin Co., Ltd. concluded in Aug. 2018, and an increase in demand for cleaning services attributable to an increase in home hours. Sales of the total Duskin Business increased year on year.

In the With-branded pest-control devices business, which is centered on "with" brand, the number of customers declined year-on-year due to the impact of the restaurant industry's shutdown and short-time operations that continue from the previous fiscal year, and sales decreased year-on-year.

At Earnest Co., Ltd., a provider of regular cleaning services to corporations, sales increased year on year due to a gradual recovery in demand for commercial facilities and offices, which declined sharply in the same period of the previous fiscal year. Operating income increased year on year, as higher sales in the care services division in Duskin business offset lower sales in the high-margin With-branded pest-control devices business and higher SG&A expenses due to strengthened sales promotion activities.

As a result, sales was 3,652 million yen (up 4.1% year-on-year) and operating income was 290 million yen (up 8.8% year-on-year).

With regard to store openings, during the first quarter of the current fiscal year, we opened the HealthRent Ichikawa Station and the HealthRent Odawara Station in the Duskin Business.

[Construction Consulting Business]

The local construction industry and the market continued to face a challenging external environment due to chronic shortages of workers and soaring logistics costs, as well as delays in the delivery of housing equipment caused by a shortage of semiconductor supplies.

In the Know-how Sales Division, sales of know-how products increased significantly due to price revisions stemming from product content renovations. However, due to a worldwide shortage of semiconductors, delivery deadlines related to housing facilities for members were delayed, and sales, including sales of department materials, fell below the results for the corresponding period of the previous fiscal year.

In addition, sales decreased slightly year-on-year at suzukuri Div, which conducts housing sales and content-based businesses, due to a decline in the order backlog at the end of the previous fiscal year, affected by the cancellation of sales promotion events planned for the previous fiscal year due to the impact of infectious diseases.

Nac Smart Energy Co., Ltd., which is involved in the installation and sales of the construction of materials related to energy saving, reduced unit prices per customer due to a change in measures to strengthen sales from the industrial market to the residential market. As a result, sales declined year on year.

ACE HOME Co., Ltd. saw year-on-year growth in sales thanks to strong sales related to jointly developed products with us launched in Oct. 2020.

In terms of profit and loss, operating income increased year on year due to the revision of prices by revamping the product content in the Know-how Sales Division and improved operating income and loss at Nac Smart Energy Co., Ltd. and ACE HOME Co., Ltd.

Consequently, for the 1Q of the current fiscal year, the Company recorded sales of 1,732 million yen (down 11.1% year on year) and operating income of 84 million yen (an operating loss of 25 million yen in the same period of the previous fiscal year) (including amortization of goodwill of 10 million yen for ACE HOME Co., Ltd.).
With regard to store openings, the Matsuyama Sales Office was opened in the Know-how Sales Division in the 1Q of the current fiscal year.

[Housing Sales Business]
In the housing industry, the number of new housing starts in Jun. announced by the Ministry of Land, Infrastructure, Transport and Tourism increased for the eighth consecutive month, and overall, including rental housing and housing for sale, increased for the fourth consecutive month.
Sales decreased slightly at KDI CORPORATION due to a decline in sales inventories as a result of sluggish land-purchasing due to constraints in sales activities caused by infectious diseases.
At J-wood Co., Ltd., sales increased year on year due to an increase in the number of houses sold with land and an improvement in unit prices.
In terms of profit and loss, KDI CORPORATION. achieved an improvement in its gross profit margin by securing land with high profit margins, and operating income increased year on year due to cost reductions resulting from operational improvements.
J-wood Co., Ltd. improved its operating income compared with the same period of the previous fiscal year due to an increase in sales and a reduction in SG&A expenses resulting from the consolidation and relocation of stores implemented in the previous fiscal year.
J-wood Co., Ltd. has merged with KUNIMOKUHOUSE Co., Ltd. on Apr. 1, 2021. This business continues as a KUNIMOKUHOUSE brand at J-wood Co., Ltd.
As a consequence of the above, for the 1Q of the current fiscal year, the Company posted an operating loss of 1,631 million yen (down 2.4% year on year), and an operating loss of 114 million yen (an operating loss of 156 million yen in the same period of the previous fiscal year) (including amortization of goodwill of KDI Co., Ltd and J-wood Co., Ltd of 11 million yen).

[Beauty and Health Business]
In the cosmetics industry, the market environment remained challenging due to the disappearance of purchasing by inbound tourists due to the impact of infectious diseases and a decline in demand for cosmetics, particularly makeup due to voluntary

restraints on outings.
At JIMOS Co., Ltd., sales declined year on year due to a decline in the number of customers stemming from unauthorized access to e-commerce websites discovered in Jul. 2019, as well as a decline in the number of makeup products due to the prolonged impact of infectious diseases and a decline in makeup opportunities stemming from voluntary exits.
At BELAIR Co., Ltd., amid a downtrend in the number of customers for its mainstay nutritional supplement products, sales increased year on year as a result of major efforts to expand sales of beauty and healthcare goods.
On the earnings front, JIMOS Co., Ltd. worked to reduce SG&A expenses, mainly advertising expenses and outsourcing expenses. As a result, BELAIR Co., Ltd. also achieved a return to profitability, with operating income increasing year on year, as strong sales of beauty and healthcare goods compensated for the decline in sales of high-margin nutritional supplements.
As a result, sales amounted to 1,419 million yen (down 19.5% year on year), operating income amounted to 183 million yen (67 million yen in operating losses in the same period of the previous fiscal year) (including 42 million yen in goodwill amortization of JIMOS Co., Ltd. and BELAIR Co., Ltd.).