

## Qualitative Information on Quarterly Results

### (1) Operating Results

During the six months ended September 30, 2021 (April 1 to September 30, 2021), Japan's economy has been recovering from severe situation caused by COVID-19 (hereinafter referred to as "infectious disease"), but the recovering trend has been slowing down recently.

In retail and service industries, our core business domain, individual consumption has been weak particularly in services. Looking at the background of consumption trends, gross employment income has been flat recently, and consumer sentiment has been slow to pick up.

Under these circumstances, the NAC Group of companies has been actively engaged in sales of products for infectious disease, improvement of customer satisfaction, sales promotion activities, expansion of business areas and business restructuring.

As a result, sales of 26.202 billion yen (decrease of 3.0% year-on-year), operating income of 1.033 billion yen (increase of 25.1% year-on-year), ordinary income of 1.027 billion yen (increase of 47.4% year-on-year), profit attributable to owners of parent company was 613 million yen (decrease of 46.6% year-on-year) were posted during fiscal year ended September 30, 2021.

Operating result by business segments are as follows:

In addition to the operating income and expenses of each segment, the NAC Group of companies posted 799 million yen as corporate expenses not attributable to any particular segment.

#### <CreCla Business (Bottled Water)>

There was an increase in water consumption for individuals due to increased time spent at home because of the infectious disease, as well as a trend toward increased demand for value-added servers for a good time spent at home.

In order to attract new customers, we have strengthened our sales activities by collaborating with characters, in addition to sales promotion using the Web and SNS.

We also focused on campaign activities in the first half of the current fiscal year which we were unable to conduct in the same period of the previous year due to the impact of the infectious diseases and it resulted an increase in new customers by 17.9% year-on-year.

In our Directly Managed stores division, sales of CreCla bottled water maintained on the same level year-on-year as a result of continued active sales promotion activities and improvement of service quality. The sales of hypochlorous acid aqueous solution (ZiACO), which saw a sharp increase in sales of the previous year as a result of increasing awareness of sterilization, were at the same level year-on-year as sales per customers decreased even though the number of customers increased. As a result, overall sales of our Directly Managed stores division were also at the same level year-on-year.

In our affiliated stores division, sales of design server "CreCla Fit" which was released on January 2020

has increased but due to decrease in sales caused by reactionary decline of ZiACO related products, sales decreased year-on-year.

Operating income decreased due to a decrease in sales of Affiliated stores division, as well as an increase in SG&A expenses which was focused on securing sales personnel and strengthening sales promotion activities as upfront investments to increase the number of customers.

As a result, CreCla Business posted sales of 7.615 billion yen (decrease of 1.3% year-on-year) and operating income of 571 million yen (decrease of 38.9% year-on-year) during fiscal year ended September 30, 2021.

#### <Rental Business>

We worked on expansion of our sales network and strengthen our service system in 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. However, in Care Service Division which provides comprehensive services such as housekeeping services, pest control, and floral and garden management, sales increased as a result of expansion of sales activities and sales promotion personnel at locations where business was added based on the capital and business alliance agreement signed with Duskin Co., Ltd. in August 2018. As a result, overall sales in Duskin business increased year-on-year.

In pest control business, which is centered on “with-brand”, sales decreased year-on-year because majority of the first half of the current fiscal year was in State of Emergency and Semi-state of Emergency COVID-19 measures that caused a decrease in the number of customers due to closed and shortened business hours in restaurant industry.

Earnest Co., Ltd which provides regular cleaning services to business clients have sales significantly increased year-on-year as a result of request from the major customer related to vaccination sites operation as well as large increase on request for disinfection and cleaning work related to infectious diseases.

The increase in SG&A expenses due to sales fluctuation of high-margin pest control business and strengthened sales promotion was covered by the increase in sales of Earnest Co., Ltd which resulted an increase in Operating income year-on-year.

As a result, the Rental Business posted sales of 8.042 billion yen (increase of 11.4% year-on-year) and operating income of 714 million yen (increase of 20.0% year-on-year) during fiscal year ended September 30, 2021.

And regarding store openings, Duskin Business opened HealthRent Ichikawa Station and HealthRent Odawara Station during the first half of the current fiscal year.

#### <Construction Consulting Business>

The local construction industry continued to face significant environmental challenges due to labor shortages and escalating distribution costs, as well as delays in the delivery of housing equipment due to shortage in the supply of semiconductors.

In Construction Know-How System Division, the sales of know-how system products increased because of the renewal in its content. As a result, the sales in Construction Know-How System Division overall have increased year-on-year.

In addition, sales decreased year-on-year in suzukuri Division which engages in housing sales and content business due to cancelled sales promotion events scheduled the previous year because of the impact of infectious disease, decreased order backlog as of end of the previous fiscal year, as well as discontinued indirect sales through business agency.

In Nac Smart Energy Co., Ltd, which engages in construction and sales of energy-saving related materials, sales decreased year-on-year due to decline in unit price per customer because of change in main customer base from corporate to individual as a result of shift to residential market, as well as cancellation or delayed delivery of storage batteries and power conditioner due to shortage of semiconductor.

Operating income increased year-on-year as a result of reduction in SG&A expenses of Nac Smart Energy Co., Ltd, increased sales in ACE HOME Co., Ltd, as well as improved profit margin in Know-How Systems Division through renewal in its content.

As a result, the Construction Consulting Business posted sales of 3.492 billion yen (decrease of 9.2% year-on-year) and operating income of 296 million yen (increase of 164.1% year-on-year including the 20million yen goodwill amortization of ACEHOME Co., Ltd).

And regarding store openings, Construction Know-How Systems Division opened a Matsuyama Branch during the first half of the current fiscal year.

#### <Housing Sales Business>

In Housing Sales Business, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) reported that among the number of new housings, house ownership increased for the tenth consecutive month, and overall housing including houses for rent and houses for sale increased for the sixth consecutive month which showed a steady growth.

In KDI CORPORATION, sales decreased year-on-year due to decline in sales inventory with difficulties in land purchase caused by the infectious disease from the previous year and delays in construction due to lumber shortage.

In J-Wood Co., Ltd, although there are changes in the unit price per house and an increase in the number of built-in-sale houses with land, sales decreased due to decline in completed constructions. In KDI CORPORATION, operating income increased year-on-year as a result of some investment

properties sold and an increase in land prices from the previous fiscal year because of a rise in demand for housing which contributed to the sales price, increasing the profit margin. In J-wood Co., Ltd, although the relocation and reorganization of stores in the previous fiscal year had the SG&A expenses reduced, it was not enough to compensate the decline in sales resulting to a decreased operating income year-on-year.

Moreover, J-Wood Co., Ltd merged with Kunimoku House Co., Ltd effective April 1, 2021 and this business will be continued by J-Wood Co., Ltd as KUNIMOKU HOUSE brand.

As a result, the Housing Sales Business posted sales of 4.363 billion yen (decrease of 7.6% year-on-year) and operating loss of 61 million yen (operating loss of 84million yen year-on-year, including the 22million yen goodwill amortization of KDI CORPORATION and J-Wood Corporation).

#### <Beauty and Health Business>

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

In JIMOS Co., Ltd, sales have decreased year-on-year due to decrease in number of customers because of unauthorized access to e-commerce site that was discovered in July 2019 and sluggish sales of makeup products because of the continued impact of infectious disease and stay-at-home measures, creating lesser opportunity to use makeups.

In BELAIR Co., Ltd, although efforts to expand sales of beauty and health products were strong, sales decreased year-on-year because of a downward trend in the number of customers for nutritional supplements, our leading product.

As a result of efforts to reduce SG&A expenses mainly on advertising and outsourcing expenses in JIMOS Co., Ltd, operating income has increased. In BELAIR Co., Ltd, the decline in sales of high-margin nutritional supplements was compensated by satisfactory sales of beauty and health products that maintained the operating income in same level year-on-year.

In July 2021, TOREMY Co., Ltd which mainly engaged in contract manufacturing of cosmetics was acquired for the purpose of developing new products and businesses centered on beauty and health business.

In addition, Infinity Beauty Business and Taisha Seikatsu CLUB Business of JIMOS Co., Ltd went through company split in September 2021 and established UP SALE Co., Ltd. The company will focus on EC market, mainly through its own EC site and EC mall.

As a result, Beauty and Health Business posted sales of 2.738 billion yen (decrease of 22.4% year-on-year) and operating income 311 million yen (operating loss of 147million-yen year-on-year, including the 84million yen goodwill amortization of JIMOS Co., Ltd and J-Wood Co., Ltd) during fiscal year ended September 30, 2021.