

## 1. Qualitative Information Concerning Consolidated Business Results

### (1) Information about operating results

During the three months ended June 30, 2020(April 1 to June 30, 2020), the Japanese economy was affected by the Coronavirus disease 2019 (COVID-19). The real GDP growth rate has been extremely severe with negative growth for three consecutive quarters, and the rebound thereafter is expected to be moderate.

In the retail and service industries, our core operating domain, personal consumption continued to decline sharply, but recovered slightly after Japanese government lifted the state of emergency.

In the housing industries, the market remained weak affected by COVID-19. Ministry of Land, Infrastructure, Transport and Tourism announced decline for 11 consecutive months in new construction starts in owned dwellings, and the new construction starts in total including rented and built for sale dwellings decreased 12 months in a row since July 2019.

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 three months ended June 30, 2020(April 1 to June 30, 2020) included sales of 12,727 million yen (down 28.5% year on year), operating income of 211 million yen (compared with a loss of 1,243 million yen a year earlier) and ordinary income of 134 million yen (compared with a loss of 1,265 million yen a year earlier). Profit attributable to owners of parent company was 532 million yen (compared with a loss of 1,355 million yen a year earlier).

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 297 million yen as corporate expenses not attributable to any particular segment.

#### [CreCla Business (Bottled Water)]

We have improved the unit price per customer through increasing the price of the bottled water since January 2020. While aggressive face-to-face sales are sluggish due to the effects of COVID-19, we worked to reduce the churn rate and increase the number of customers by strengthening sales promotion through the Web, improving service quality and establishing a customer referral system.

In our direct managed stores, while the demand for corporate customers decreased, the demand for household customers increased due to the increase in time spent at home, therefore sales increased year on year.

In our affiliated 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 increased sales.

As a result, during the three months ended June 30, 2020(April 1 to June 30, 2020), the CreCla Business segment posted sales of 3,844 million yen (up 23.9% year on year), and operating income of 491 million yen (compared with an income of 17 million yen a year earlier).

#### [Rental Business]

In the mainstay Duskin business, rental sales decreased at dust control products department and sales decreased at care services department (i.e. the housekeeping service, exterminator and gardener). However, we made up for the decrease through selling products. As a result, the Duskin business increased sales.

In the With-branded pest-control devices business, the main customer, restaurants, were temporary closed due to COVID-19. Thus, we saw plunge in sales at this business.

Earnest Co., Ltd., which provides regular cleaning plan for business clients, decreased sales year on year due to COVID-19.

Operating income decreased due to a decrease in sales of the highly profitable With-branded pest-control devices business.

Consequently, during the three months ended June 30, 2020(April 1 to June 30, 2020), the Rental Business segment posted sales of 3,508 million yen (down 0.0% year on year), and operating income of 267 million yen (down 39.8% year on year).

#### [Construction Consulting Business]

In the construction know-how systems department, we refrained from holding sales seminar during state of emergency. On the other hand, sales of online packaged products, which are in demand for sales activities of construction shops, were strong. Nac Smart Energy Co., Ltd. (name changed from Eco & Eco Co., Ltd. from the first quarter of the current consolidated cumulative period), which handles the construction of materials related to energy saving, decreased sales year on year since constructions

have partially delayed due to COVID-19.

From the first quarter of the current consolidated cumulative period, Suzukuri Co., Ltd. and ACEHOME Co., Ltd. have been added to this business segment. So, sales increased from the same period of the previous year.

On the other hand, operation income decreased in this segment because Suzukuri Co., Ltd., ACEHOME Co., Ltd., and Nac smart energy Co., Ltd. posted operating loss.

In total, during the three months ended June 30, 2020(April 1 to June 30, 2020), the Construction Consulting Business segment posted sales of 1,949 million yen (up 60.3% year on year) and operating loss of 25 million yen (compared with an income of 60 million yen a year earlier, including goodwill amortization costs at 10 million yen related to ACEHOME Co., Ltd.).

#### [Housing Sales Business]

In this business segment, we sold all of our shareholding in Leohouse Co., Ltd. to YAMADA DENKI Co., LTD. on May 14. Consequently, Leohouse Co., Ltd. was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.

KDI Co., Ltd. decreased sales year on year, however, increased operating income year on year. This is attributable to the better gross margin.

J-wood Co., Ltd. and KUNIMOKU-HOUSE Co., Ltd. decreased sales and expanded operation loss year on year due to insufficient backlog at the beginning of the fiscal year.

To sum up, during the three months ended June 30, 2020(April 1 to June 30, 2020), the Housing Sales Business posted sales of 1,670 million yen (down 77.5% year on year), and operating loss of 156 million yen (compared with a loss of 1,350 million yen a year earlier, including goodwill amortization costs at 11 million yen related to KDI Co., Ltd. and KUNIMOKU-HOUSE Co., Ltd.).

#### [Beauty and Health Business]

JIMOS Co., Ltd., decreased sales year on year. The main factor is decline in the number of customers. Unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place July, 2019. As a countermeasure, we suspended use of EC site for four months. Therefore, the number of customers decreased.

BELAIR Co., Ltd., whose flagship merchandise is nutritional supplement, maintained sales on a par with the same period.

Operating loss decreased as a result of reducing SG&A expenses, mainly advertising

expenses, at JIMOS Co., Ltd.

As a result, during the three months ended June 30, 2020(April 1 to June 30, 2020), the Beauty and Health Business posted sales of 1,763 million yen (down 32.0% year on year), and operating loss of 67 million yen (compared with a loss of 136 million yen a year earlier, including goodwill amortization costs at 141 million yen related to JIMOS Co., Ltd. and BELAIR Co., Ltd.).