

1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the nine months ended December 31, 2020(April 1 to December 31, 2020), the Japanese economy was still in a severe situation due to the by the Coronavirus disease 2019 (COVID-19).

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 increase for the first time in 14 months in new construction starts in owned dwellings. However, the new construction starts in total including rented and built for sale dwellings decreased 18 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 nine months ended December 31, 2020(April 1 to December 31, 2020) included sales of 40,935 million yen (down 34.3% year on year), operating income of 1,697 million yen (compared with an income of 297 million yen a year earlier) and ordinary income of 1,548 million yen (compared with an income of 234 million yen a year earlier). Profit attributable to owners of parent company was 1,412 million yen (compared with a loss of 564 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 872 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 nine months ended December 31, 2020(April 1 to December 31, 2020), the CreCla Business segment posted sales of 11,320 million yen (up 13.7% year on year), and operating income of 1,305 million yen (compared with an income of 587 million yen a year earlier).

[Rental Business]

In the mainstay Duskin business, rental sales decreased at dust control products department. However, we made up for the decrease in the sales through increasing product sales and increasing sales at care services department (e.g. the housekeeping service, exterminator and gardener). 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 year on year, due to a decrease in sales of the highly profitable With-branded pest-control devices business.

Consequently, during the nine months ended December 31, 2020(April 1 to December 31, 2020), the Rental Business segment posted sales of 11,084 million yen (down 0.7% year on year), and operating income of 1,042 million yen (down 29.4% 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. Thus, we maintained sales on a par with the same period a year earlier.

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.

Consequently, sales increased from the same period of the previous year. Additionally, NAC CO., LTD. completed an absorption-type merger of Suzukuri Co., Ltd. on September 1, 2020.

Operating income declined since Suzukuri Co., Ltd and Nac Smart Energy Co., Ltd. posted operating loss.

In total, during the nine months ended December 31, 2020(April 1 to December 31, 2020), the Construction Consulting Business segment posted sales of 5,795 million yen (up 50.8% year on year) and operating income of 300 million yen (down 24.8% year on year, including goodwill amortization costs at 30 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. (currently YAMADA HOLDINGS 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. maintained sales at the same level as in the same period of the previous fiscal year. However, increased operating income year on year. This is attributable to the better gross profit.

J-wood Co., Ltd. decreased sales year on year, owing to the number of houses completed and delivered decreased. Operating loss decreased year on year due to reducing SG & A expenses.

Although KUNIMOKU-HOUSE Co., Ltd. decreased sales year on year, it increased operating income year on year by improving the gross profit.

To sum up, during the nine months ended December 31, 2020(April 1 to December 31, 2020), the Housing Sales Business posted sales of 7,283 million yen (down 76.2% year on year), and operating loss of 88 million yen (compared with a loss of 1,439 million yen a year earlier, including goodwill amortization costs at 33 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. Operating loss increased as a result of decline in sales.

BELAIR Co., Ltd., whose flagship merchandise is nutritional supplement, decreased sales year on year. Operating loss decreased year on year due to reducing SG & A expenses.

In total, during the nine months ended December 31, 2020(April 1 to December 31, 2020), the Beauty and Health Business posted sales of 5,482 million yen (down 18.9% year on year), and operating income of 10 million yen (down 87.0% year on year, including goodwill amortization costs at 226 million yen related to JIMOS Co., Ltd. and BELAIR Co., Ltd.).