

1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the fiscal year ended March 31, 2021 (fiscal 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.

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 under review included sales of 55,513 million yen (down 37.1% year on year), operating income of 2,782 million yen (up 31.4% year on year) and ordinary income of 1,548 million yen (up 27.9% year on year). Profit attributable to owners of parent company was 1,837 million yen (compared with a profit of 514 million yen a year earlier).

As for non-consolidated operating results, NAC CO., LTD. recorded net sales of 33,227 million yen (up 7.0% year on year), an operating income of 2,564 million yen, (up 7.0% year on year), an ordinary income of 2,447 million yen, (down 22.7% year on year), and a net income of 715 million yen, (down 55.0% 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 1,183 million yen as corporate expenses not attributable to any particular segment.

[CreCla Business (Bottled Water)]

While the increase in teleworkers made it difficult to sell to corporate customers, the market expanded as a result of increased water usage for household customers.

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 fiscal year ended March 31, 2021, the CreCla Business segment posted sales of 14,481 million yen (up 11.3% year on year), and operating income of 1,627 million yen (up 57.9% year on year).

[Rental Business]

We worked to expand our sales network and service system in order to deal with the 100-year life.

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 and increase in SG&A expenses.

Consequently, during the fiscal year ended March 31, 2021, the Rental Business segment posted sales of 14,626 million yen (down 1.2% year on year), and operating income of 1,333 million yen (down 27.7% year on year).

[Construction Consulting Business]

The market remained harsh due to COVID-19, as well as the chronic shortage of craftsmen and the decrease in the number of households.

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 increased sales year on year.

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 year on year.

Operating income increased though Suzukuri Co., Ltd and Nac Smart Energy Co., Ltd. posted operating loss, we increased sales in highly profitable construction know-how systems department.

In total, during the fiscal year ended March 31, 2021, the Construction Consulting Business segment posted sales of 8,495 million yen (up 61.8% year on year) and operating income of 807 million yen (up 10.5% year on year, including goodwill amortization costs at 41 million yen related to ACEHOME Co., Ltd.).

[Housing Sales Business]

In the housing industries, the market recovered slightly under the effect of COVID-19. Ministry of Land, Infrastructure, Transport and Tourism announced increase in new construction starts in owned dwellings for 5 months in a row. The new construction starts in total including rented and built for sale dwellings increased for the first time in 21 months since July 2019.

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. decreased sales year on 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 a decrease in sales of real estate for sale. 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 and reduction of SG&A expenses.

To sum up, during the fiscal year ended March 31, 2021, the Housing Sales Business posted sales of 10,341 million yen (down 77.6% year on year), and operating income of 74 million yen (compared with a loss of 545 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]

Beauty and Health Business was significantly affected by the decline in inbound demand due to COVID-19 and the slump in the whole cosmetics industry.

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 income decreased as a result of decline in sales.

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

In total, during the fiscal year ended March 31, 2021, the Beauty and Health Business posted sales of 7,213 million yen (down 17.7% year on year), and operating income of 122 million yen (down 2.3% year on year, including goodwill amortization costs at 336 million yen related to JIMOS Co., Ltd. and BELAIR Co., Ltd.).