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近 況 報 告 書

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NAC Co., Ltd.
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Dear Sirs,
To ensure a better understanding of the management of NAC Co., Ltd., I am providing you with a guide to the recent business and financial conditions of the Company. I hope that this information is of interest and benefit to you.

Yours faithfully.

The mascot

The Company Nac released Consolidated Financial Flash Report for the Secod Quarter Ended September 30, 2009 on November 11, 2009. The summary is as follows. The details are shown in the Information Service for Timely Disclosure on the website of Tokyo Stock Exchange, Inc. or on our website.

Report for the Second Quarter of the 39th Term

(Operating results for the six months ended September 30, 2009)

During the six month ended September 30, 2009 (from April 1, 2009 to September 30, 2009) in Japan, despite the economy showing signs of improvement such as inventory adjustments having turned a full circle, the effects of economic stimulus measures and improvements in overseas demand centered on Asia, the employment and income environment is still continuing to deteriorate and the difficult conditions have remained unchanged.
In this environment, the Group undertook fierce business development under a departmental system consisting of four departments that started in March this year to clarify earning responsibilities. As a result, we recorded consolidated operating results for the six months ended September 30, 2009 with net sales of 23,533 million yen, up 15.9% year on year, an operating income of 431 million yen, up 623.2% year on year, an ordinary income of 418 million yen, up 526.1% year on year, and a net income of 54 million yen, compared with a 725 million yen loss for the same period a year ago).

Operating results by business segment are as follows.

(Rental Division)
The Rental Division posted a 2.9% year-on-year decrease in net sales to 5,562 million yen, with an operating income falling 14.2% year on year to 860 million yen. This is due to the fact that the number of new customers acquired for both the household market and the commercial market remained low level for our mainstay dust control products, impacted by the sudden recession.
Nevertheless, against the backdrop of a difficult market environment, the results are gradually showing the trend of recovery such as the number of customers, which had been following a declining trend since the latter half of last year, turning around to a net increase in the six months ended September 30, 2009 as a result of maintaining steady “door-to-door” sales visits and strengthening sales promotion activities.

(Construction Consulting Division)
In the Construction Consulting Division, our focus was on achieving a recovery in sales and our efforts included the fortification of our customer support system through the establishment of our “Customer Center” and the expansion of the consulting product menu. Despite these efforts, however, we were affected by the impact of the slump in the construction industry and our lackluster sales of mainstay know-how systems led to net sales of 1,296 million yen, down 24.6% year on year. Although we reduced fixed costs by means of sales office integration and other measures, operating income was 290 million yen, down 45.6% year on year as a result of the decrease in net sales.

(Bottled Water Sales Division)
In the Bottled Water Sales Division, net sales rose 16.9% year on year, to 3,688 million yen thanks to a steady increase in the number of customers.
Assisted by the growth in the mineral water market, sales were favorable for both general households and commercial use. The number of customers in the six months ended September 30, 2009 increased by 70,000 since the end of the previous fiscal year to 260,000, including 150,000 serviced by our agents across Japan.
In terms of income, the division posted an operating loss of ~~110~~ 109 million yen (compared with an operating income of 22 million yen for the same period a year ago), almost in line with the plan at the beginning of the fiscal year, as a result of the establishment of new plants in Matsudo and Machida and the burden of anticipatory investments such as advertising expenses, including television commercials, and promotion expenses.
Effective October, 2009 onwards, we have changed our brand name from “Crystal Clara” to “CreCla” to make it more catchy and easy to remember.

(Housing Sales Division)
With people continuing to put off buying houses because of the deterioration in the employment and income environment resulting from the economic quagmire, the business environment is continuing to be low key. We have been pushing forward with strengthening of

our sales force and productivity improvement measures including strategic measures for and strengthening of alliances in each region by the introduction of a trading area unit system, shortening construction periods by enhancing manufacturing processes and other measures.
As a result, net sales grew 33.3% year on year to 12,985 million yen. In addition to the impact of the opening of new stores, other factors behind this included the shortening of construction periods and favorable sales of homes with solar systems.
In terms of income, the division significantly reduced its margin of loss as a result of thorough cost cutting efforts and posted a 151 million yen operating loss (compared with an operating loss of 1,085 million yen for the same period a year ago).
The number of stores as of the end of the second quarter stood at 35, following the opening of two new stores.

Qualitative information regarding consolidated business forecasts

Looking at the outlook for the full-year results, although the Construction Consulting Division expects its results to continue to be sluggish, the Rental Division expects improved sales while the Housing Sales Division expects to narrow its margin of loss. The forecasts announced at the same time as the announcement of the operating results for the first quarter remain unchanged. These forecasts are net sales of 50 billion yen, operating income of 1,600 million yen, ordinary income of 1,620 million yen and net income of 600 million yen.

Consolidated Financial Flash Report

1. Consolidated performance for the Year Ended March 31,2010
(from April 1, 2009 to September 30, 2009)

(1) Consolidated operating results

(Millions of yen, except per share amounts)

	Six months ended September 30		
	2008	**2009**	**Change**
Net sales	20,298	23,533	15.9%
Operating income	59	431	623.2%
Ordinary income	66	418	526.1%
Net income	(725)	54	-
Net income per share	(¥87.90)	¥6.68	

(2) Consolidated financial position

	March 31	**2009 September 30**
Total assets	18,139	18,292
Net assets	7,660	7,581
Equity ratio	42.2%	41.4%
Net assets per share	¥942.57	¥932.81

(3) Consolidated cash flows

	Six months ended September 30	
	2008	**2009**
Cash flows from operating income	400	154
Cash flows from investing activities	(1,657)	(441)
Cash flows from financing activities	1,627	(503)
Cash and cash equivalents	2,979	2,884

2. Cash Dividends

	Year ended March 31	
	2009	**2010**
Interim	¥18.00	¥18.00
Year-end	¥20.00	¥20.00
Full year	¥38.00	¥38.00

3. Projected consolidated performance for the Year Ending March 31,2010
(from April 1, 2009 to March 31, 2010)

	Year ending March 31	
	2010	**Change**
Net sales	50,000	7.3%
Operating income	1,600	14.4%
Ordinary income	1,620	14.5%
Net income	600	246.8%
Net income per share	¥73.82	