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近 況 報 告 書

May 11, 2011

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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

Consolidated Business Results
for the 40th term(ended March 2011)

On May 11,2011,NAC Co.,Ltd. announced its consolidated business results for the 40th term (ended March 2011),as outlined in the attachment.(Summary)

Operating results

In an environment of strong yen and continuing deflation, the Japanese economy during the fiscal year under review saw corporate revenues follow a gradual path of recovery as a result of increased exports due to economic growth in the markets of emerging countries and the effect of economic measures by the government. However, the year ended in a state of future uncertainty as it is still unknown just what effect the unprecedented damage and chaos caused by the Great East Japan Earthquake will have on the domestic economy.
During the fiscal year, the Group worked to strengthen the business structure in each business area, and furiously applied itself to sales activities, such as promoting proposal-based sales, finding new customers, cultivating existing customers and expanding sales of new products.
The Group suffered only minor damage and loss from the earthquake. In the fiscal year under review, the Group recorded net sales of 54,571 million yen, up 8.5% year on year, operating income of 2,519 million yen, up 42.5%, ordinary income of 2,518 million yen, up 41.7% and net income of 2,021 million yen, up 124.1%.
Operating results by business segment are as follows.
In addition to the operating income or loss of each segment, the Group also recorded 1,101 million yen as corporate expenses not attributable to any segment.

(Rental Division)
Regarding sales of mainstay dust control products, the number of customers dropped mainly due to the effect from cost saving efforts on the part of companies. In particular, in the commercial-use market in which the number of establishments has been declining, despite a sales increase for sterilization/deodorant related and other products in the latter half of the fiscal year, the Group unavoidably struggled in the tough market environment due to the continuing trend of cost cuttings and intensifying competition with rival firms. In the household market, in contrast, performance was satisfactory overall as a result of pushing forward with exhaustive plain-and-simple visiting activities rooted in local communities and the

strengthening of sales promotion activities for air purifiers. Sales of pest control devices rose thanks to the contribution from the growth in customer numbers in the Kansai Region.
As a result, although the Rental Division posted a 1.0% year-on-year decrease in net sales to 11,099 million yen, rationalization measures such as a sales employee shift to the bottled water business resulted in an 8.9% year-on-year increase in operating income to 1,802 million yen.

(Construction Consulting Division)
In the fiscal year under review, under our theme of “vitalization of regional building firms,” in addition to strengthening and supporting the business of regional building firms by offering our know-how system products such as how to reduce costs, how to attract customers, how to improve sales etc., we worked on expanding sales of construction materials and residential construction equipment to be sold to member building firms in a “bulk collective group buying” format, and through these measures we strove to recover revenue.
While sales of construction materials and residential construction equipment rose year on year because of the increase in items handled, the expiration of a portion of consigned sales for the highly profitable know-how system products detracted from the growth. As a result, net sales decreased 2.5% year on year to 2,483 million yen and operating income decreased 31.4% to 425 million yen.

(Bottled Water Sales Division)
As a result of increased recognition of the brand “CreCla,” achieved by expanding proactive promotion activities, and the expansion of our sales network by increasing the number of our directly managed stores and agents, the number of general household customers and commercial use customers steadily increased against the backdrop of rising consumer interest towards health and bottled water, causing net sales to rise 26.7% year on year to 9,642 million yen.
With respect to profits, even after absorbing the burden of future expenses incurred such as promotion expenses and agent development costs, we were able to post an operating income of 184 million yen, compared with an operating loss of 78 million yen in the previous year.
In addition to strengthening the business promotion system by implementing a three-region head office structure (East Japan Region Head Office, Central Japan Region Head Office, and West Japan Region Head Office), we constructed a new plant in Fukuoka city, introduced specially designed delivery vehicles that utilize

proprietary technology, developed energy efficient servers, and constructed a special-purpose facility that conducts quality control and various inspections called the CreCla Central Laboratory. By executing these and other measures, we strengthened and expanded our business base.

(Housing Sales Division)

We observed signs of a market recovery from government measures such as lower tax on housing loans and the eco-points program. In our mainstay product "Popular House" series, we focused our efforts on providing products that suit the needs of the age. Our "Popular House: Theory" home with installed solar energy system was selected by the Japan Center for Area Development Research in their 2010 Best Prize of "House of the Year in Electric" for the second consecutive year as a wholly electricity-based dwelling with superior energy conservation features.

In terms of sales activities, we strengthened the sales system whereby the office managers played a greater management role and worked to become better established in areas by constructing temporary model home displays. As a result, we received orders for 2,140 homes compared with 1,734 homes in the previous year.

Due to the earthquake, the hand-over of more than 40 homes was postponed until the next fiscal year, but the sale of 1,906 dwellings that were handed over exceeded that of the previous year and included revenue-boosting factors such as an increase in orders for homes with installed solar energy systems and related construction works (exterior construction works, lighting fixtures, air conditioners, etc.). As a result, the Housing Sales Division posted a 8.4% year-on-year increase to 31,347 million yen.

In terms of profit, in addition to the effect of increased revenue, a constraint on expenses such as store opening costs and an increase in productivity in the design and construction departments also contributed with operating income increasing a large 137.3% year on year to 1,208 million yen.

During the fiscal year, the total number of sales offices stood at 38 stores and 5 model display sites following the opening of three stores (Kofu city, Hitachi city and Kurashiki city).

Consolidated Financial Flash Report

1. Consolidated performance for the Year Ended March 31,2011
(from April 1, 2010 to March 31, 2011)

(1) Consolidated operating results

(Millions of yen, except per share amounts)

	Year ended March 31		
	2010	**2011**	**Change**
Net sales	50,295	54,571	8.5%
Operating income	1,768	2,519	42.5%
Ordinary income	1,776	2,518	41.7%
Net income	901	2,021	124.1%
Net income per share	¥110.98	¥249.87	
Return on equity	11.3%	22.7%	
Ordinary income to total assets	9.8%	13.1%	
Operating income to sales	3.5%	4.6%	

(2) Consolidated financial position

	March 31		
	2010	**2011**	**Change**
Total assets	18,238	20,259	11.1%
Net assets	8,273	9,548	15.4%
Equity ratio	45.4%	47.1%	
Net assets per share	¥1,017.97	¥1,224.40	

(3) Consolidated cash flows

	Year ended March 31	
	2010	**2011**
Cash flows from operating income	1,416	1,823
Cash flows from investing activities	(97)	(1,354)
Cash flows from financing activities	(1,121)	(1,437)
Cash and cash equivalents	3,874	2,905

2. Cash Dividends

	Year ended March 31		
	2010	**2011**	**2012**
Interim	¥18.00	¥20.00	¥25.00
Year-end	¥21.00	¥25.00	¥25.00
Full year	¥39.00	¥45.00	¥50.00
Total Annual Cash Dividends	316	357	
Dividend Payout ratio	35.1%	18.0%	26.0%
Ratio of dividends to Net Assets	4.0%	4.0%	

3. Projected consolidated performance for the Year Ending March 31,2012

(from April 1, 2011 to March 31, 2012)

	Interim period ending Septmber 30 2011	Change
Net sales	25,800	5.2%
Operating income	590	-10.6%
Ordinary income	600	-7.7%
Net income	330	5.6%
Net income per share	¥42.31	

	Year ending March 31 2012	Change
Net sales	60,000	9.9%
Operating income	2,750	9.1%
Ordinary income	2,750	9.2%
Net income	1,500	-25.8%
Net income per share	¥192.34	