

## 1. Qualitative Information Concerning Consolidated Business Results

### (1) Information about operating results

During the three months ended June 30, 2015 (April 1 to June 30, 2015), the Japanese economy entered a moderate recovery trend as a result of the improvement of corporate performance and the employment situation; however, the strength of recovery in personal consumption still waned.

In the housing industry, the Nac Group's core operating domain, in comparison to new housing starts (including houses for rent and condominiums, which were on a trend of recovery, increasing 7.6% year on year), there was a weak recovery in demand for purchasing houses including custom-built houses from the effect of the reflexive decline in demand following the surge ahead of the consumption tax hike. As a result there was a 2.2% increase year on year.

In the retail and services industries, consumer spending, which had been expected to recover with the improvement of the employment situation and earned income, was more sluggish than expected, despite some signs of recovery from the sharp reflexive decline in demand following the surge ahead of the consumption tax hike on a year-on-year basis.

Against this backdrop, the Nac Group actively performed sales promotion activities in each operating segment.

As a result, consolidated results for the first quarter ended June 30, 2015 included sales of 15,625 million yen (down 18.4% year on year), operating loss of 1,514 million yen (compared with a loss of 676 million yen in the first quarter of fiscal 2014) and ordinary loss of 1,513 million yen (compared with a loss of 693 million yen a year earlier). Loss attributable to owners of parent was 1,155 million yen (compared with a loss of 555 million yen a year earlier).

Operating results by business segment were as follows.

In addition to the operating income or loss of each segment, the Nac Group posted 292 million yen as corporate expenses not attributable to any particular segment.

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

In the three months ended June 30, 2015, the bottled water delivery industry was still experiencing intensifying competition to win customers, while entry to the market by new companies including some major soft drink makers slowed down.

Amid these circumstances, the CreCla Business has continuously been implementing necessary measures including the provision of staff training since the previous fiscal year in a bid to establish a stronger CreCla brand.

Our directly managed stores worked together with affiliated stores to win new customers with a view to ensuring higher safety and increasing customer satisfaction levels. As a result of these efforts, sales increased year on year thanks to a steady increase in the number of customers and growth of bottle sales.

Operating income increased year on year due to an increase in sales.

As a result, during the three months ended June 30, 2015, the CreCla Business segment posted sales of 3,209 million yen (up 3.0% year on year), and operating loss of 262 million yen (compared with a loss of 299 million yen in the first quarter of fiscal 2014).

During the three months ended June 30, 2015, the Company opened Honjo Plant in Honjo City, Saitama Prefecture.

#### [Rental Business]

In the mainstay dust control products business, amid ongoing price competition in the business-use market, our sales strategy, which is mainly focused on the household-use market, contributed to the attraction of new customers and the cultivation of existing customers. As a result, the number of customers held steady and sales increased year on year.

Our With-branded pest-control devices and regular cleaning plan for business both saw sales increases year on year because our continuous efforts since the previous fiscal year to concentrate our sales capability on new directly managed stores and to encourage online ordering bore fruit.

On the whole, operating income significantly increased year on year owing to sales increases and termination of goodwill amortization related to Earnest Corporation at the end of the previous term.

As a result, during the three months ended June 30, 2015, Rental Business segment posted sales of 3,075 million yen, up 2.5% year on year, and operating income of 442 million yen, up 29.9% year on year.

During the three months ended June 30, 2015, the Company opened Kumamoto Branch Store in the With-branded pest control devices business.

#### [Construction Consulting Business]

In construction know-how systems, the condition of local construction market remained harsh and no sign of recovery was observed.

Amid these conditions, sales increased year on year owing to our effort to attract customers through a change of sales structure, which has been strengthened since the previous fiscal year with the aim of expanding the number of clients.

In the construction materials business, which is focused on solar energy systems, the industrial solar systems market showed a tendency to shrink due to a fall in the selling price of power. As a result, sales decreased from the same period of the previous fiscal year when the market had enjoyed steady growth.

On the whole, operating income significantly increased year on year owing to sales increase and revisions to management costs.

As a result, during the three months ended June 30, 2015, the Construction Consulting Business

segment posted sales of 1,382 million yen, up 1.4% year on year, and operating income of 232 million yen, up 28.1% year on year.

During the three months ended June 30, 2015, the Company opened Sendai Office and Nagoya Office in the construction materials business.

#### [Housing Sales Business]

In Japan's housing industry for the three months ended June 30, 2015, demand was sluggish due to a weak recovery from the effect of the reflexive decline in demand following the surge ahead of the consumption tax hike.

Against this backdrop, Leohouse, Ltd. opened new stores in the Kansai area and other major urban areas in order to expand its business territory. In addition, offering high value-added products, such as homes standard-equipped with HEMS, damping structure, insulation system and other features, including "ZEH(Net Zero Energy House) as a lineup of Dai-ninki no ie," which is a new high-end product featuring high cost performance, resulted in contributing to higher unit prices.

However, sales decreased year on year because the volume of orders in hand as of the end of the previous fiscal year was smaller compared to the end of the fiscal year before the previous fiscal year where orders in hand had been high because of high demand following the surge ahead of the consumption tax hike.

Operating income declined year on year due to the effect of lower sales and costs related to new store openings.

Orders received for the first quarter under review also remained low. Orders received and orders in hand both decreased year on year, 387 homes (compared with 530 a year earlier) and 1,035 (compared with 1,267 a year earlier), respectively, as of June 30, 2015.

At J-wood Co., Ltd., sales and new orders received increased. There was also steady growth in orders in hand, which stood at 115 as of June 30, 2015 thanks to the popular customer attraction model with "Housing cafes."

As a result, during the three months ended June 30, 2015, the Housing Sales Business posted sales of 5,501 million yen (down 40.9% year on year), and operating loss of 1,317 million yen (compared with a loss of 440 million yen a year earlier, including goodwill amortization costs related to J-wood).

Regarding store openings, during the three months ended June 30, 2015, Leohouse, Ltd. opened seven sales bases.

#### [Mail-order Business]

At JIMOS Co., Ltd., sales increased year on year in the mail order cosmetics business. This is partly because of steady sales of the mainstay Macchia Label brand as a result of the aggressive spending in advertisement and an increase in the number of new customers for the Coyori brand of skin and hair

care products made from natural ingredients. On the other hand, sales decreased year on year in the wholesaling business and the mail-order consulting business.

Operating income declined year on year due to the aggressive investment in advertising and promotions ahead of the spending plan.

As a result, during the three months ended June 30, 2015, the Mail-order Business posted sales of 2,467 million yen (up 4.4% year on year), and operating loss of 316 million yen (compared with a loss of 156 million yen a year earlier, including goodwill amortization costs related to JIMOS).

## (2) Information about financial position

### (Assets)

As of the end of the first quarter (June 30, 2015), total assets were 42,278 million yen, an increase of 2,416 million yen from the end of the previous fiscal year. The increase primarily reflects an increase in costs on uncompleted construction contracts, although there was a decrease in cash and deposits owing to the payments of cash dividends and accounts payable.

### (Liabilities)

Total liabilities were 27,554 million yen, an increase of 3,825 million yen from the end of the previous fiscal year. The increase in liabilities primarily reflects increases in short-term loans and advances received on uncompleted construction contracts, although there was a decrease in accounts payable owing to the payments of construction expenses.

### (Net assets)

Total net assets were 14,723 million yen, a decrease of 1,408 million yen from the end of the previous fiscal year. The decrease primarily reflects the posting of loss of 1,155 million yen and the decrease in retained earnings owing to the dividend payment of 302 million yen.

## (3) Information about consolidated outlook and other forward-looking statements

The consolidated outlook for the full fiscal year ending March 31, 2016 is unchanged from the forecast announced by the Company on May 8, 2015.