

1. Qualitative Information Concerning Consolidated Business Results

(1) Information about operating results

During the six months ended September 30, 2016 (April 1 to September 30, 2016), the Japanese economy continued to improve employment situation and income statistics; in addition, personal consumption is reaching the end of its decline. However, the unstable financial market and unseasonable weather during summer are regarded as risks that affects the Japanese economy.

The housing industry, our core operating domain, is recovering gradually from the end of last year, and the number of housing starts continuously measured a million house (seasonally adjusted annual rate) per year. Furthermore, owner-occupied housing including custom-built house and subdivided housing unit show a gradual recovery. On the other hand, in the retail and services industries, personal consumption is improved due to the declines in rising price rate and employment situation even though there are risks such as the fall in share price and adverse weather.

Against this backdrop, the Nac Group aggressively performed sales promotion in each of the operating segments.

As a result, consolidated results for the six months ended September 30, 2016 included sales of 34,361 million yen (down 5.9% year on year), operating loss of 2,272 million yen (compared with a loss of 1,094 million yen in the six months ended September 30, 2015) and ordinary loss of 2,266 million yen (compared with a loss of 1,089 million yen a year earlier). Loss attributable to owners of parent was 1,810 million yen (compared with a loss of 912 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 posted 650 million yen as corporate expenses not attributable to any particular segment.

[CreCla Business (Bottled Water)]

In the six months ended September 30, 2016, the rush to enter the market by companies such as major soft drink manufacturers and providers of one-way bottles have slowed down. On the other hand, industry reorganization is advanced more and more. Hence, we expect that less companies will go out of business in the future.

Our direct managed stores continuously worked on sales promotions to increase new customers. As a consequence, sales increased year on year.

In our affiliated stores, we strengthened sales promotions during the summer peak demand season, so the sales of bottles increased. As a result, sales rose year on year. Operating income increased year on year due to an increase in sales and revisions to

management costs.

As a result, during the six months ended September 30, 2016, the CreCla Business segment posted sales of 6,858 million yen (up 3.0% year on year), and operating income of 14 million yen (compared with a loss of 219 million yen in the six months ended September 30, 2015).

Moreover, CreCla business concluded memorandum of understanding with Aqua Clara Ltd. in August, 2016 in order to provide high-quality products and services.

[Rental Business]

The mainstay dust control products business focused on M&A and existing customers. Consequently, the number of customers and contract termination rates held steady. What is more, we continuously worked on the expansion of total care services to extend customer basis, so sales increased year on year.

In our With-branded pest-control devices and regular cleaning plan for business, directly managed stores reinforced sales activities nationwide. Moreover, there are increases in referrals of new customers by existing customers. As a result, sales rose year on year.

Operating income decreased year on year owing to increases in personnel expenses and sales and general administrative expenses.

Consequently, during the six months ended September 30, 2016, the Rental Business segment posted sales of 6,455 million yen, up 2.5% year on year, and operating income of 824 million yen down 9.6% year on year.

[Construction Consulting Business]

Although the housing industry shows a gradual recovery, situations of the construction and delivery are still weak. Thus, the condition of local construction market remained harsh. Under these conditions, we actively worked on developments of original products and evolutions of existing products. However, sales declined year on year.

The construction materials business, which is focused on solar energy systems, concentrated the new housing market by the use of “Zero energy house”. Furthermore, we have begun to make serious efforts to construct network building so as to utilize management resources in Eco & Eco. Nevertheless, sales decreased year on year due to the influence of market deterioration.

On the whole, operating income decreased year on year owing to sales decreases.

As a result, during the six months ended September 30, 2016, the Construction Consulting Business segment posted sales of 2,640 million yen, down 3.9% year on

year, and operating income of 234 million yen including goodwill amortization costs related to Eco & Eco, down 55.2% year on year.

[Housing Sales Business]

During the six months ended September 30, 2016, the housing market experienced a gradual recovery, and the number of owner-occupied homes increased for the consecutive 8 months.

Against this backdrop, Leohouse, Ltd. performed effective sales promotion aggressively to increase orders received and orders in hand. Meanwhile, we offered diverse value-added products such as “CoCo as a lineup of Dai-ninki no ie” in order to provide a wide range of customers with many selections. As a consequence, the number of orders received rose year on year. Moreover, we acquired KDI Co., Ltd. in May, 2016 to explore new customers in metropolitan area and entry into the real estate business (in the financial report, a day as regarded as the acquisition date is June 30, 2016).

Nevertheless, sales declined year on year because of a decrease in orders in hand as of the end of the previous fiscal year and the delay of the construction and delivery.

Operating income declined year on year due to the effect of lower sales.

Regarding orders received under review, we implemented appropriate sales strategies such as an effective use of trademarks that we won customer’s satisfaction No.1 in three categories last year. Therefore, the number of orders received and orders in hand rose year on year, 1,134 homes (compared with 920 a year earlier) and 1,385 (compared with 1,057 a year earlier), respectively, as of September 30, 2016.

J-wood Co., Ltd., establishes the popular customer attraction model with “Housing cafes”, and the number of orders received and orders in hand continuously rose year on year to 102 homes (compared with 71 a year earlier) and 172 homes (compared with 121 a year earlier), respectively.

J-wood Co., Ltd., opened a new model display site in Koriyama, so we carried out a sales promotion campaign aggressively. Thus, operating profit declined year on year.

Eventually, during the six months ended September 30, 2016, the Housing Sales Business posted sales of 13,388 million yen (down 15.7% year on year), and operating loss of 2,214 million yen (compared with a loss of 1,297 million yen a year earlier, including goodwill amortization costs related to J-wood Co., Ltd., and KDI Co., Ltd.).

Regarding store openings, during the second quarter, J-wood Co., Ltd., opened a 1 sales base.

[Mail-order Business]

At JIMOS Co., Ltd., the mainstay Macchia Label brand produced strong results because of an increase in loyal customers resulting from the development of new customers.

Furthermore, sales of the Coyori brand of skin and hair care products made from natural ingredients grew year on year as a result of a steady increase in the number of new customers. On the other hand, sales decreased year on year in the wholesaling business.

Operating income declined year on year due to aggressive investments in advertising and promotions.

As a result, during the six months ended September 30, 2016, the Mail-order Business posted sales of 5,022 million yen (up 1.3% year on year), and operating loss of 481 million yen (compared with a loss of 451 million yen a year earlier, including goodwill amortization costs related to JIMOS Co., Ltd.).