

# NEWS RELEASE

## 近況報告書

Nov 10, 2010

**NAC Co., Ltd.**

Code No : 9788, Tokyo Stock Exchange First Section

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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 Company Nac released Consolidated Financial Flash Report for the Second Quarter Ended September 30, 2010 on November 10, 2010. 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 40th Term**

(Operating results for the six months ended September 30, 2010)

During the six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010), the Japanese economy was observed to be in recovery as a result of expanding exports to emerging countries and the effect of economic measures by the government. However, future prospects remained uncertain due to factors such as the sharply rising yen and the fall in stock prices.

Personal consumption continued to be characterized by consumers seeking out the lowest prices with a pennywise mentality and a broad scale recovery did not eventuate.

In this environment, the Group, while striving to strengthen the sales structure, undertook fierce business development. As a result, we recorded consolidated operating results for the six months ended September 30, 2010 with net sales of 24,530 million yen, up 4.2% year on year, an operating income of 660 million yen, up 53.0% year on year, an ordinary income of 649 million yen, up 55.2% year on year, and a net income of 312 million yen, up 475.5% year on year.

Operating results by segment are as follows.

#### **(Rental Division)**

Regarding sales of mainstay dust control products, the number of customers dropped mainly due to the effect from cost cutting efforts on the part of companies in the wake of the recession spawned in the latter half of the year before last. In particular, in the commercial market in which the number of customers has been declining from that time on, business was lackluster due to the impact of the difficult market environment.

In the household market, the number of customers turned around to a recovery as a result of exhaustive visiting activities and sales promotion efforts, and results in this market were satisfactory overall.

Sales of pest control devices rose year on year as a result of the steady acquisition of new customers due to the effect of sales campaigns and other factors.

As a result, the Rental Division posted a 0.2% year-on-year increase in net sales to 5,572 million yen and a 2.1% year-on-year decrease in operating income to 843 million yen.

#### **(Construction Consulting Division)**

Assisted by the introduction of new products, sales rose gradually. However in addition to the long-lasting slowdown in the construction market, factors such as the expiration of consigned sales for some know-how system products caused net sales and operating income to decrease by 21.7% year on year to 1,015 million yen and 41.1% year on year to 171 million yen, respectively.

During the six months ended September 30, 2010, we undertook measures to enhance earnings, including building a system geared towards introducing new products, expanding the lineup of construction materials and residential construction equipment to be sold to member building firms in a format that avoids inventory and credit risks, among others.

#### **(Bottled Water Sales Division)**

Due to factors such as increased recognition of the brand “CreCla” as a result of both TV commercials and various promotion activities, expansion of our sales network by substantially increasing the number of our agents, and the effect of the hot summer, the number of customers steadily increased. As of the end of the six-month period under review, the number of customers had reached 320,000, including those customers serviced by our 330-plus network of agents across Japan. As a result, the Bottled Water Sales Division posted a 28.1% year-on-year increase in net sales of 4,726 million yen.

The Division was able to absorb the burden of future expenses proactively recognized for new business expansion such as business expenses and sales promotion expenses associated with new agency development and still post operating income of 163 million yen, compared with an operating loss of 109 million yen in the same period of the previous year.

Also, with an eye on further enhancing customer satisfaction and fortifying our business promotion system, we implemented organizational reforms in the areas of product planning, our agent development, etc.

(Housing Sales Division)

The Housing Sales Division managed only a slight increase in net sales, up 1.8% year on year to 13,216 million yen. The division posted operating income of 24 million yen. We were able to achieve this considerable improvement from the 151 million yen operating loss in the same period of the previous year by working hard at saving business costs by the appropriate placement of employees. Nevertheless, the orders for April and May, which were completed and handed over during this six month period, were generally slow and operating income ended lower than the initial plan.

Nevertheless, the environment was supported by government measures such as the preferential tax system for residential property acquisition, low interest rates and the eco-points program, and we took action to strengthen the sales system whereby the office managers played a greater management role and to become better established in areas by constructing temporary model home displays. Orders from June onwards considerably exceeded the initial targets, with 1,150 buildings ordered during the six month period, compared with 856 buildings in the same period of the previous year. Considering that there was an order backlog of 1,050 buildings (compared with 881 buildings in the same period of the previous year), the Group expects to easily achieve the revenue targets for the full year.

As of the end of the six-month period, the number of stores stood at 37, following new store openings in Kofu city and Hitachi city.

## Consolidated Financial Flash Report

### 1. Consolidated performance for the Year Ended March 31,2011

(from April 1, 2010 to September 30, 2010)

#### (1) Consolidated operating results

(Millions of yen, except per share amounts)

	Six months ended September 30		
	2009	2010	Change
Net sales	23,533	24,530	4.2%
Operating income	431	660	53.0%
Ordinary income	418	649	55.2%
Net income	54	312	475.5%
Net income per share	¥6.68	¥38.44	

#### (2) Consolidated financial position

	2010	
	March 31	September 30
Total assets	18,238	20,448
Net assets	8,273	8,405
Equity ratio	45.4%	41.1%
Net assets per share	¥1,017.97	¥1,034.17

#### (3) Consolidated cash flows

	Six months ended September 30	
	2009	2010
Cash flows from operating income	154	1,448
Cash flows from investing activities	(441)	(577)
Cash flows from financing activities	(503)	(598)
Cash and cash equivalents	2,884	4,146

## 2. Cash Dividends

	Year ended March 31	
	2010	2011
Interim	¥18.00	¥20.00
Year-end	¥21.00	¥22.00
Full year	¥39.00	¥42.00

### 3. Projected consolidated performance for the Year Ending March 31,2011

(from April 1, 2010 to March 31, 2011)

	Year ending March 31	
	2011	Change
Net sales	54,000	7.4%
Operating income	2,000	13.1%
Ordinary income	2,000	12.6%
Net income	1,300	44.3%
Net income per share	¥159.95	