

Results for FY2016 ended Mar. 31, 2017

【 Reference 】

Translation

In the case of inconsistencies between the Japanese and English version, the Japanese version will control and supersede any ambiguities.

Best Communication
NAC



May 12th, 2017

NAC Co., Ltd.

Code; 9788 TSE 1st section



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This document contains certain forward-looking statements including the NAC Group's sales and contract targets based on information available to the Group as of the date of release. These statements are subject to a number of risks and uncertainties such as economic and business conditions as well as the outcomes of new services.

Therefore, please understand that actual future results may differ materially from these projections set forth in the Group's forward-looking statements.

1. Results for the Fiscal year (FY2016)

(Millions of yen)

	FY2016 Result	FY2015 Result	YoY Comparison
Sales	85,901	80,302	+ 7.0 %
Gross profit	34,695	33,930	+ 2.3 %
(Gross margin)	40.4%	42.3%	▲ 1.9 pt
SG&A	33,564	33,229	+ 1.0 %
Operating Income	1,130	701	+ 61.2 %
(Operating margin)	1.3%	0.9%	+ 0.4 pt
Non-operating income and loss	45	94	▲ 51.3 %
Ordinary Income	1,167	795	+ 47.9 %
Extra-ordinary income and loss	▲ 65	288	▲ 126.1 %
Net Income attributable to owners of parent	467	252	+ 85.1 %

» Consolidated sales rose year on year thanks to the growth of segment sales except the Construction Consulting business.

» Operating income rose year on year because of increases in the Crecla, Rental and Mail-order segments and an decline in expenses regarding J-ESOP.

(Millions of yen)

Sales	FY2016 Result	FY2015 Result	YoY Comparison
CreCla	13,293	13,095	+ 1.5 %
Rental	13,135	12,765	+ 2.9 %
Construction Consulting	6,089	6,676	▲ 8.8 %
Housing Sales	42,936	37,452	+ 14.6 %
Mail-order	10,463	10,378	+ 0.8 %
Elimination	▲ 16	▲ 65	—
Total	85,901	80,302	+ 7.0 %

- » In the CreCla Business, sales rose year on year due to the sales growth in affiliated stores and our directly managed stores.
- » In the Rental business, sales increased year on year due to sales growth in all business area.
- » In the Construction Consulting business, the construction materials business and the construction know-how systems decreased sales year on year.
- » In the Housing Sales Business, although there was the delay of the construction and delivery caused by the lack of manufacturers and craftspeople, sales rose year on year thanks to an increase in the number of orders received and orders in hand.
- » In the Mail-order business, sales rose year on year because of the Coyori brand that increased the number of new customers and orders.

1 Operating Income by Segment

Note) The figures inside()marks indicated Operating margin.

(Millions of yen)

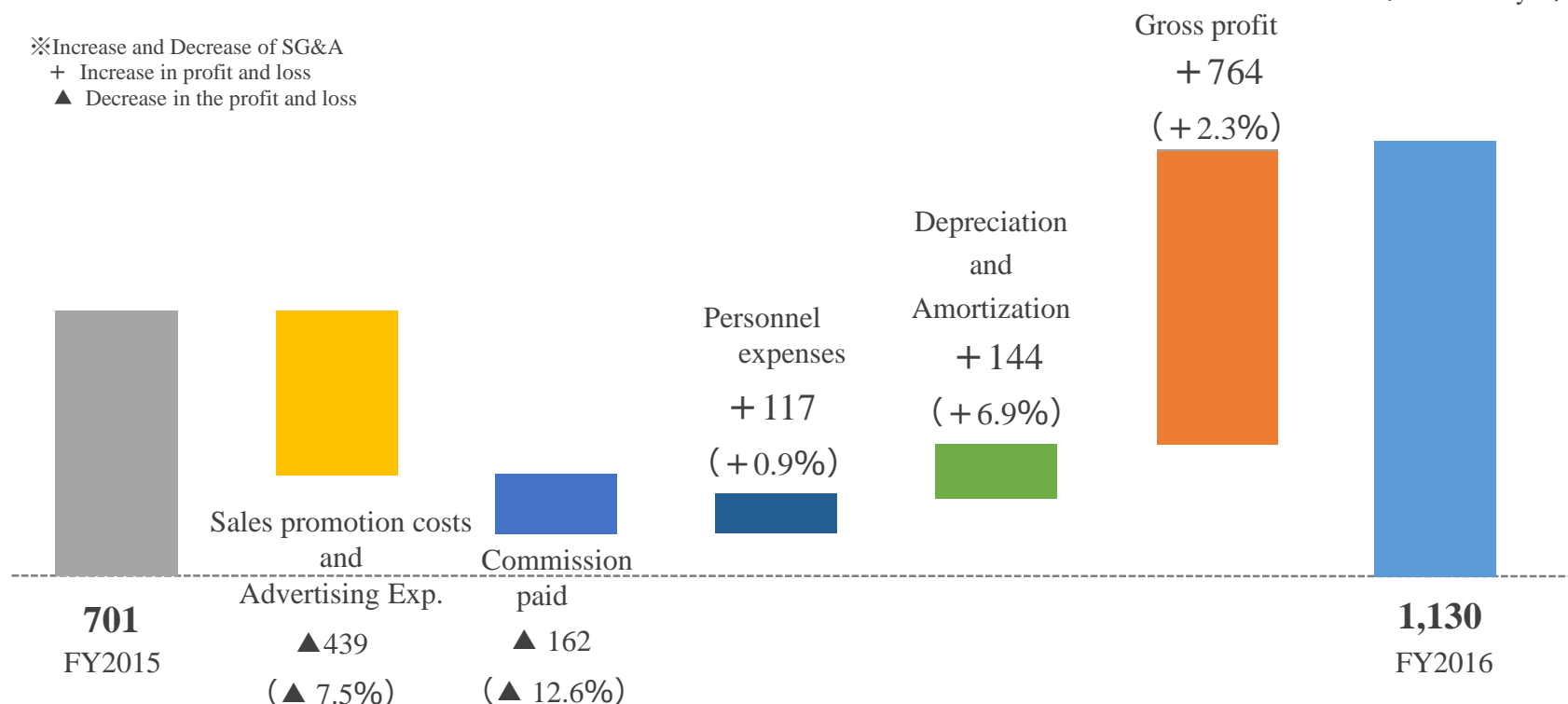
Operating income	FY2016 Result	FY2015 Result	YoY Comparison
CreCla	274 (2.1 %)	▲ 201 (▲ 1.5 %)	— (+ 3.6 pt)
Rental	1,853 (14.1 %)	1,841 (14.4 %)	0.7 % (▲ 0.3 pt)
Construction Consulting	956 (15.7 %)	1,146 (17.2 %)	▲ 16.6 % (▲ 1.5 pt)
Housing Sales	▲ 622 (▲ 1.5 %)	▲ 412 (▲ 1.1 %)	— (▲ 0.4 pt)
Mail-order	▲ 83 (▲ 0.8 %)	▲ 105 (▲ 1.0 %)	— (+ 0.2 pt)
Elimination, HQ Cost	▲ 1,247	▲ 1,567	—
Total	1,130 (1.3 %)	701 (0.9 %)	+ 61.2 % (+ 0.4 pt)

- » The CreCla business rose operating income year on year due to an increase in sales and revisions to management costs.
- » The Rental business increased operating income year on year thanks to sales growth in all business area.
- » The Construction Consulting decreased operating income year on year owing to sales decreases in the construction know-how systems business and the construction materials business.
- » In the Housing business, sales was below the original prediction. In addition, construction costs and promotion costs increased. Thus, the Housing business posted operating loss that bigger than the result in FY2015 .
- » The Mail-order business improved operating income year on year due to sales growth and the proper operation of investments in advertising.

1 Analysis for operating income & loss (YoY change)

(Millions of yen)

※Increase and Decrease of SG&A
+ Increase in profit and loss
▲ Decrease in the profit and loss



1. The reason of increases of gross profit margin

≫ Gross profit rose year on year because of the acquisition of KDI Co., Ltd in 2016 and the growth in J-wood Co., Ltd.

2. The reason of increases and decreases of SG&A

≫ Sales promotion costs and advertising expenses increased since we aggressively performed sales promotion in each of the segments.

≫ Personal expense decreased year on year because of J-ESOP costs that posted in FY2015.

≫ Depreciation increased owing to the closure of model houses in Leohouse. Furthermore, the Honjo plant is amortized by the declining balance method.

(Millions of yen)

	As of Mar.31 2017	Breakdown	As of March.31 2016	Breakdown	Comparison
Current assets	22,133	51.3%	20,113	48.2%	+ 2,030
Total PP&E	13,813	32.0%	14,249	34.2%	▲ 436
Intangible assets	3,222	7.5%	3,700	8.9%	▲ 478
Investments and other assets	3,995	9.3%	3,630	8.7%	+ 364
Non-current assets	21,041	48.7%	21,580	51.8%	▲ 549
Total assets	43,175	100.0%	41,694	100.0%	+1,481
Current liabilities	20,905	48.4%	17,695	42.4%	+ 3,210
Non-current liabilities	6,710	15.5%	8,167	19.6%	▲ 1,456
Total liabilities	27,616	64.0%	25,862	62.0%	+ 1,753
Shareholder's equity	16,366	37.9%	16,661	40.0%	▲ 295
Accumulated other comprehensive income	▲ 807	▲ 1.9%	▲ 829	▲ 2.0%	+ 22
Total net assets	15,559	36.0%	15,831	38.0%	▲ 272
Total liabilities and net assets	43,175	100.0%	41,694	100.0%	+ 1,481

- Current assets : Cash and deposits ▲916 Real estate +2,471
- Non-current assets : Buildings and structures ▲443
- Current liabilities : Accounts payable +1,859 Income taxes payable +345
- Non-current liabilities : Long-term loans ▲1,550
- Equity Ratio : 36.0%

1 FY2016 Consolidated Cash flows

(Millions of yen)

	FY2016	FY2015	Comparison
1. Cash flows from Operating activities	3,473	2,653	+ 820
2. Cash flows from Investing activities	▲ 2,657	▲ 205	▲ 2,452
3. Cash flows from Financing activities	▲ 1,732	1,424	▲ 3,156
Net increase(decrease)in cash and cash equivalents	▲ 916	3,872	▲ 4,788
Cash and cash equivalents at beginning of year	8,346	4,474	+ 3,872
Cash and cash equivalents at end of year	7,430	8,346	▲ 916

Summary

■ Operating activities : Net income before income taxes +1,101 Depreciation +1,888
Increase in notes and accounts payable-trade +1,659 Increase in inventories ▲1,718

■ Investing activities : Purchase of tangible assets ▲1,060

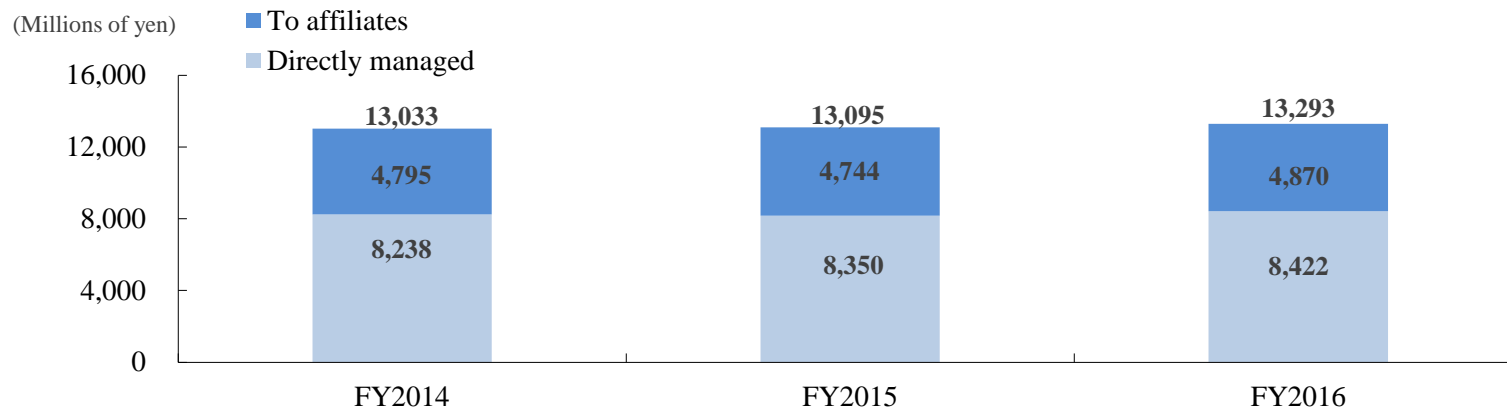
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation ▲1,015

■ Financing activities : Decrease long-term and short-term loans ▲1,060 Dividends ▲641

2. Results by Segments

2 Results by Segment (1) CreCla

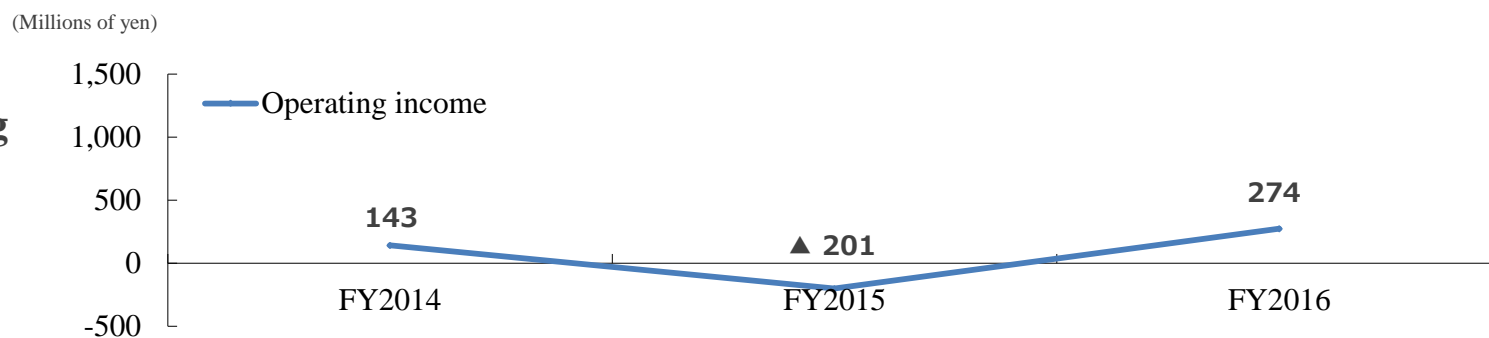
Sales



» In directly managed store, sales increased slightly year on year because the number of customers increased steadily in the one-way service segment named “CreCla mio”.

» In sales to affiliated stores, we sold plant components to affiliated stores. As a result, sales increased slightly year on year.

Operating Income

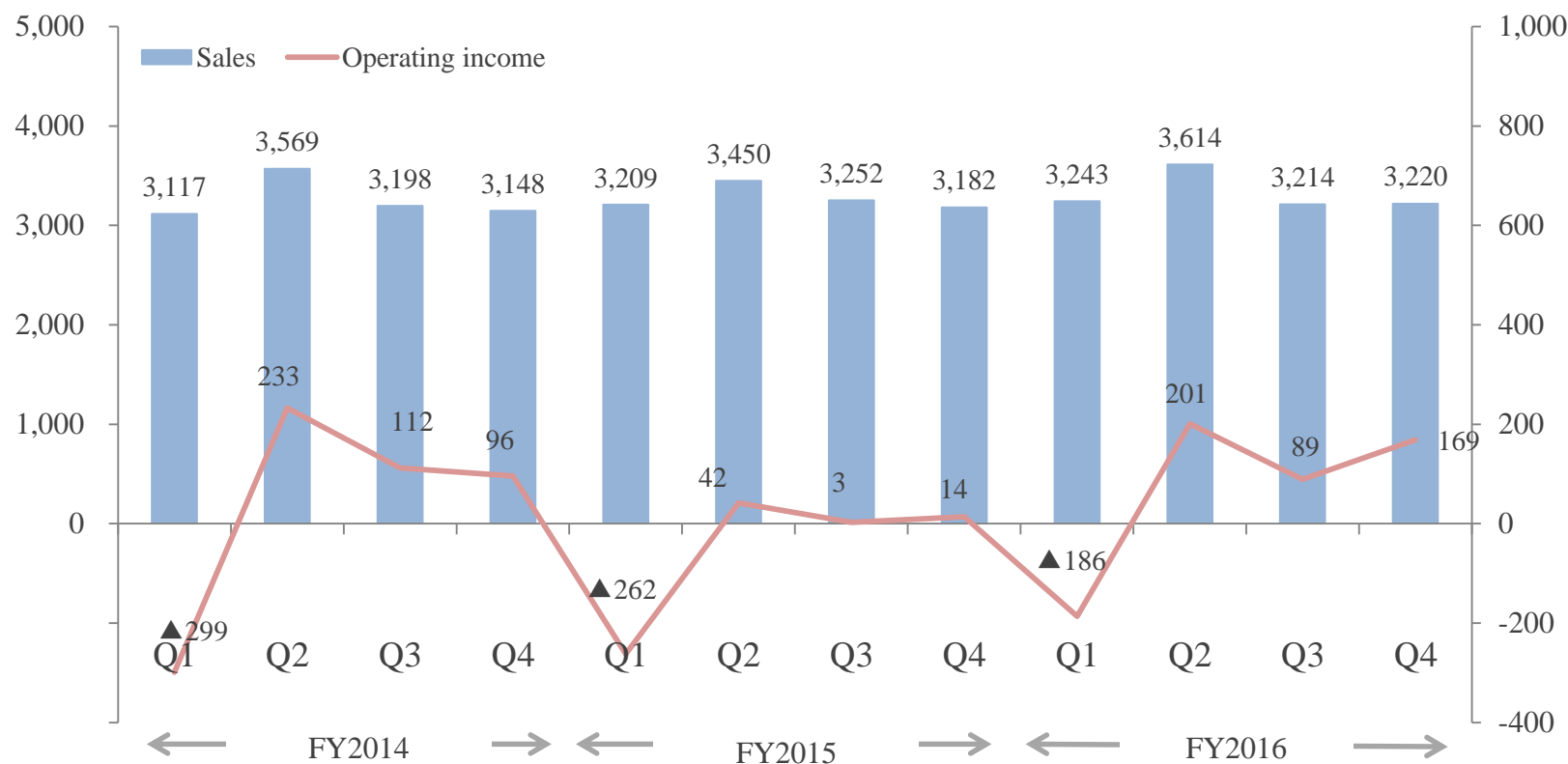


» Operating income increased year on year due to an increase in sales and revisions to management costs.

2 Results by Segment (1) CreCla

(Millions of yen)

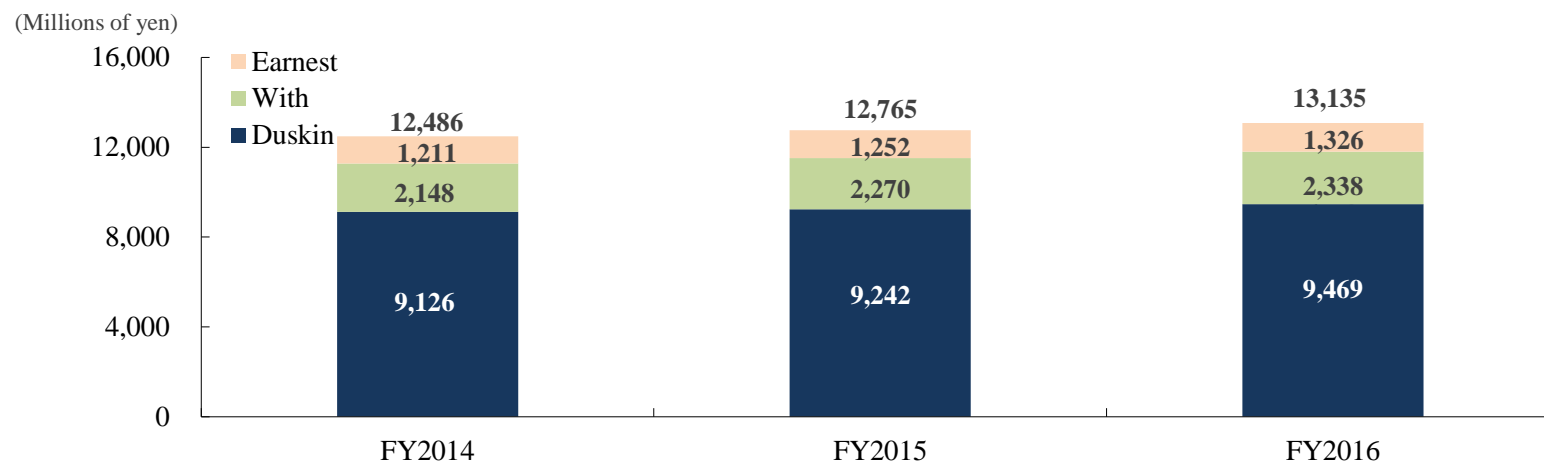
(Millions of yen)



- » The CreCla business invests in advertising, especially, in the first quarter.
- » The CreCla business tends to increase operating income in the second quarter.

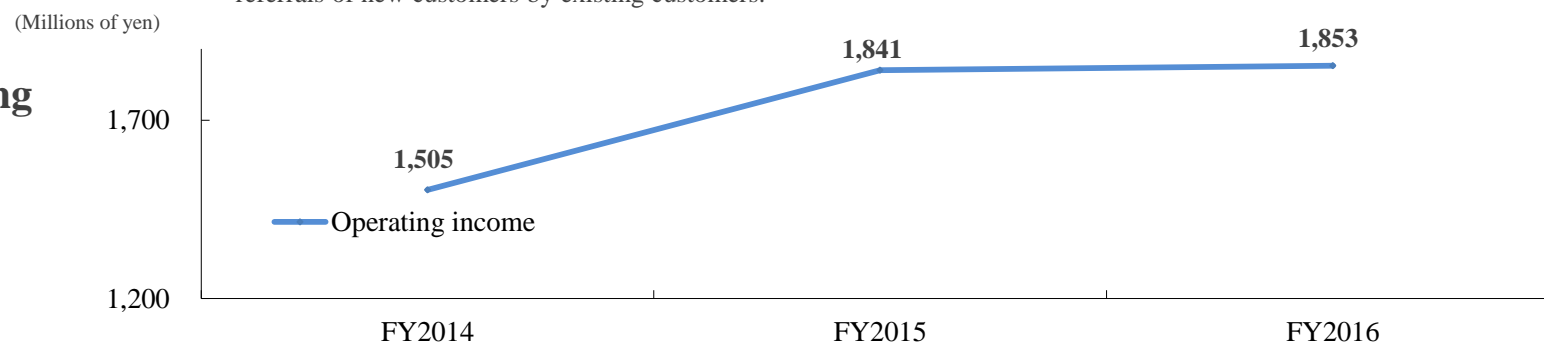
2 Results by Segment (2) Rental

Sales



- » The Duskin business focused on M&A and existing customers. Therefore, the number of customers and sales per customer held steady. As a result, sales increased year on year.
- » The With-branded pest-control devices business made continuous sales efforts, and it increased the number of loyal customers so sales grew year on year.
- » Earnest corporation recorded sales growth thanks to steady orders received via the Internet and an increase in referrals of new customers by existing customers.

Operating Income

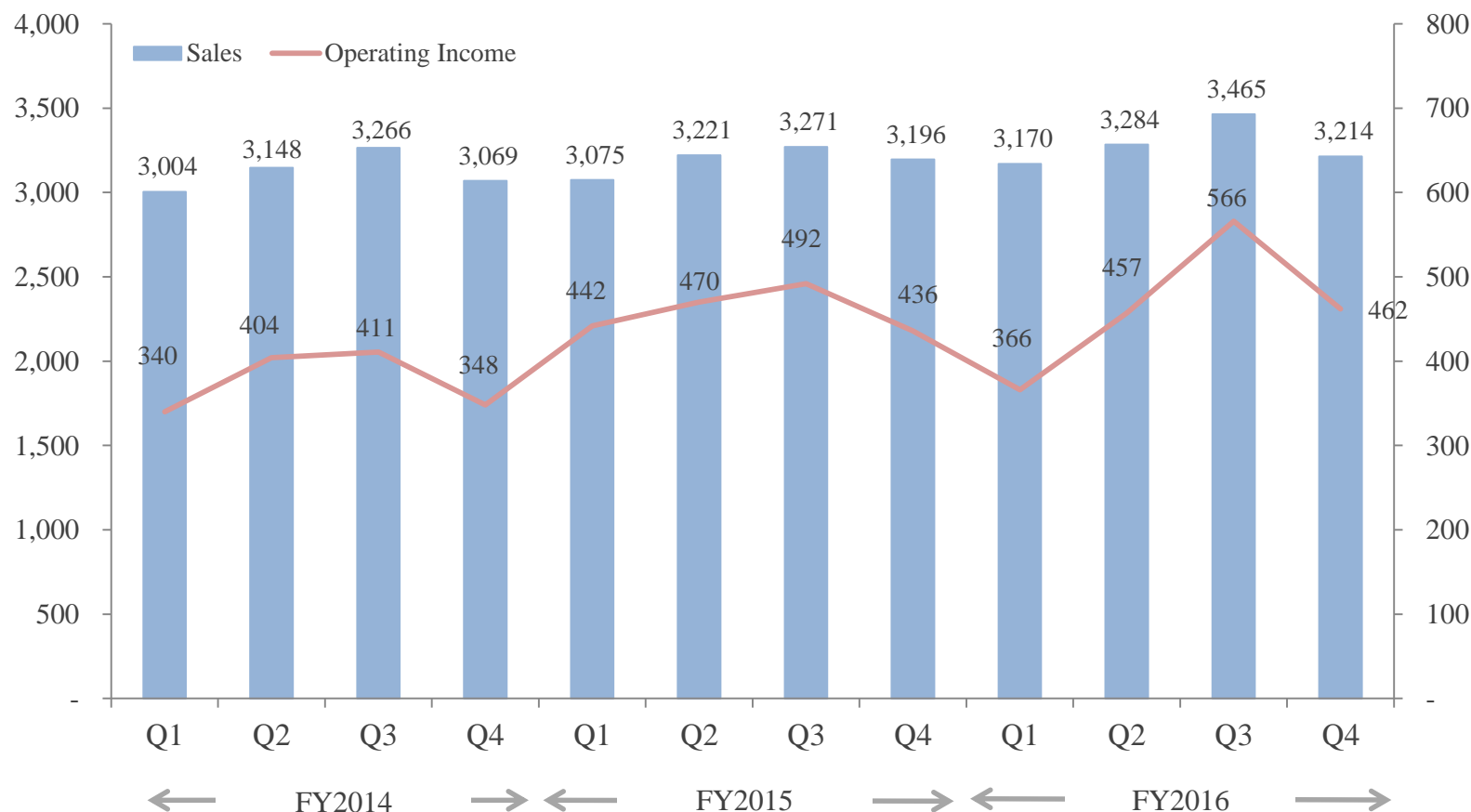


- » Although personnel expenses and sales and general administrative expenses increased, operating income rose year on year owing to sales increases.

2 Results by Segment (2) Rental

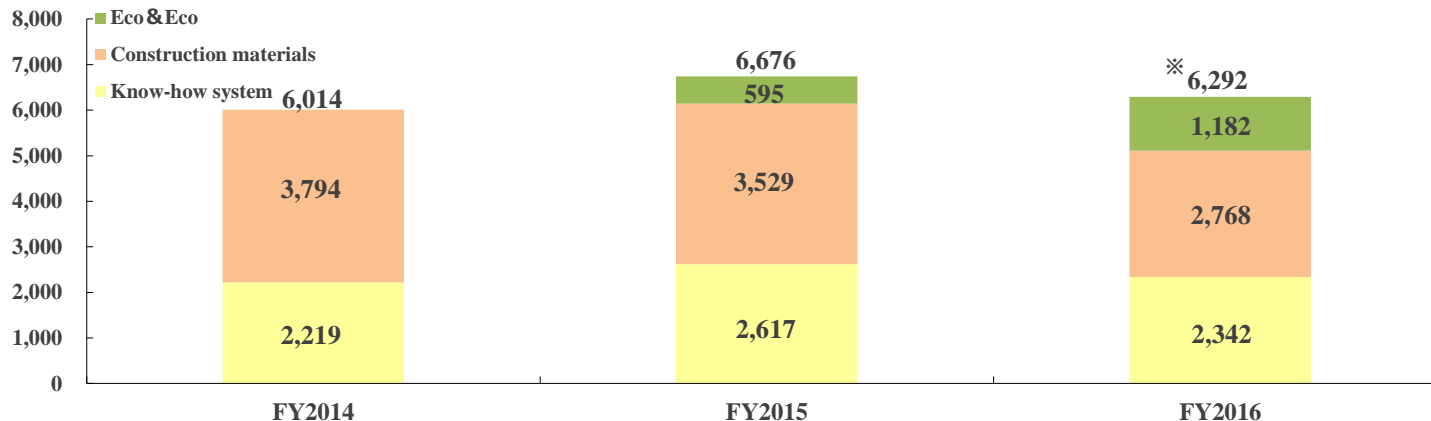
(Millions of yen)

(Millions of yen)



» The Rental business stabilizes both sales and operating income through the year.

(Millions of yen) ※ It includes internal transactions about 202 millions yen.

Sales

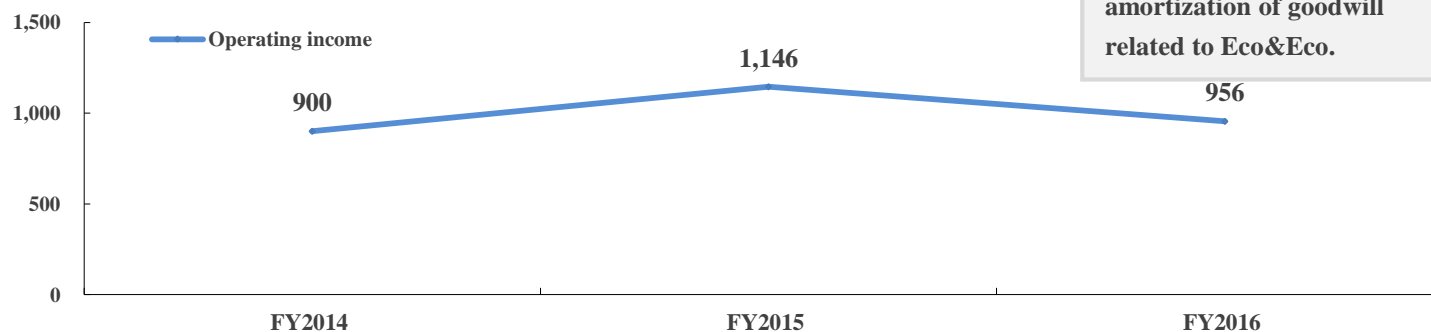
≫ In the construction know-how systems, our main customers, small and midsize building contractors tented to reduce investments. As a result, sales declined year on year.

≫ In the construction materials, the number of orders regarding solar powered house increased.

However, sales decreased year on year due to the deterioration of the industrial solar energy market.

Operating Income

(Millions of yen)

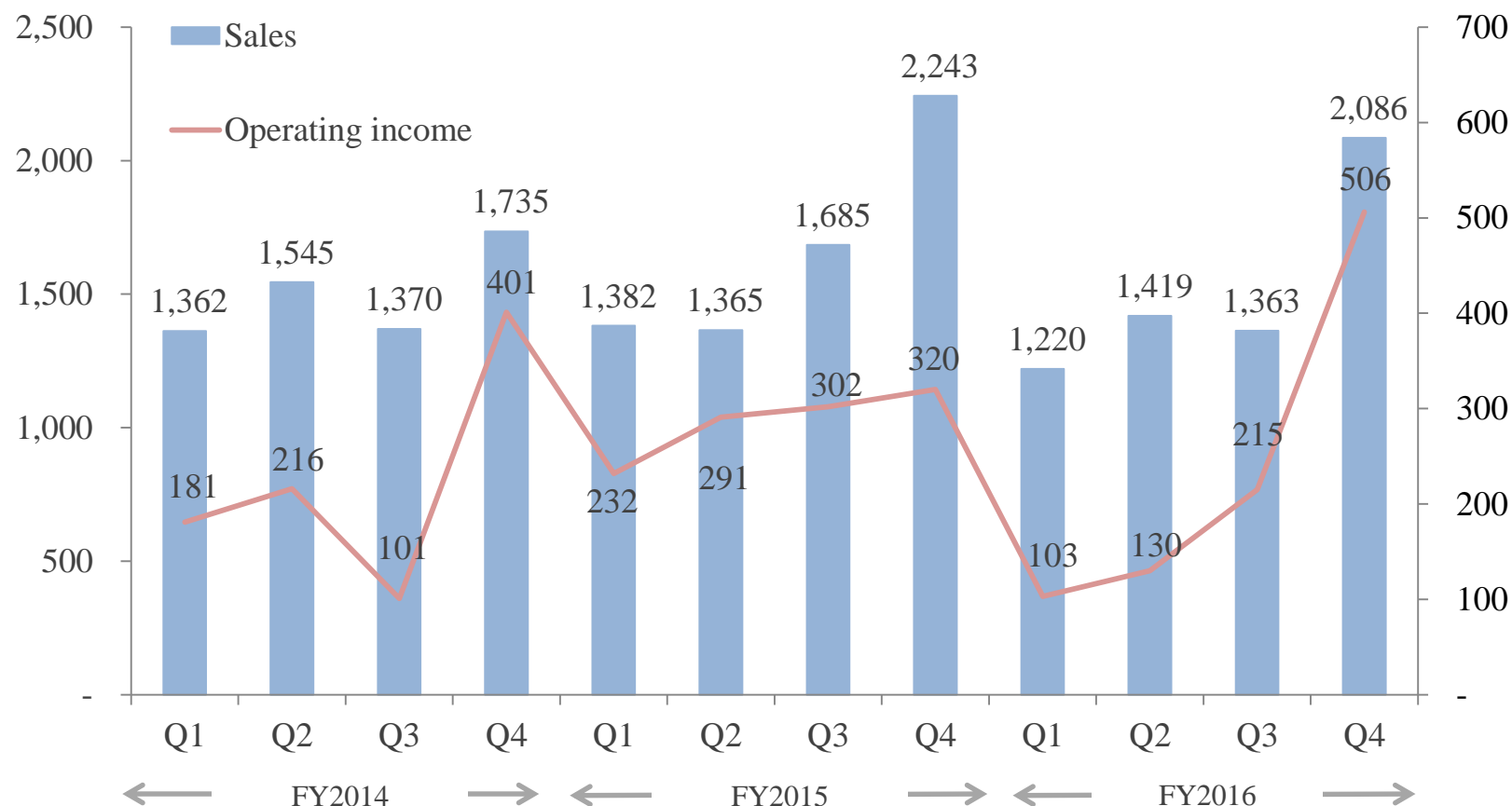


≫ Operating income year on year owing to sales decreases in the construction know-how systems business and the construction materials business.

2 Results by Segment (3) Construction Consulting

(Millions of yen)

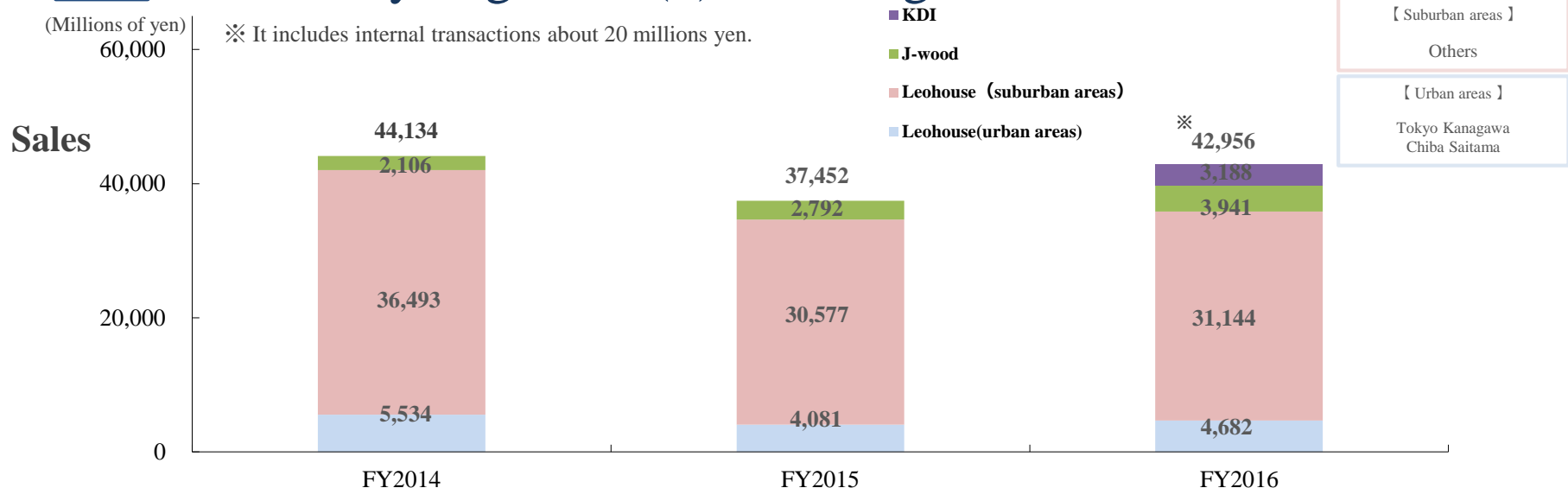
(Millions of yen)



» Both sales and operating income tend to increase around the fourth quarter.

2

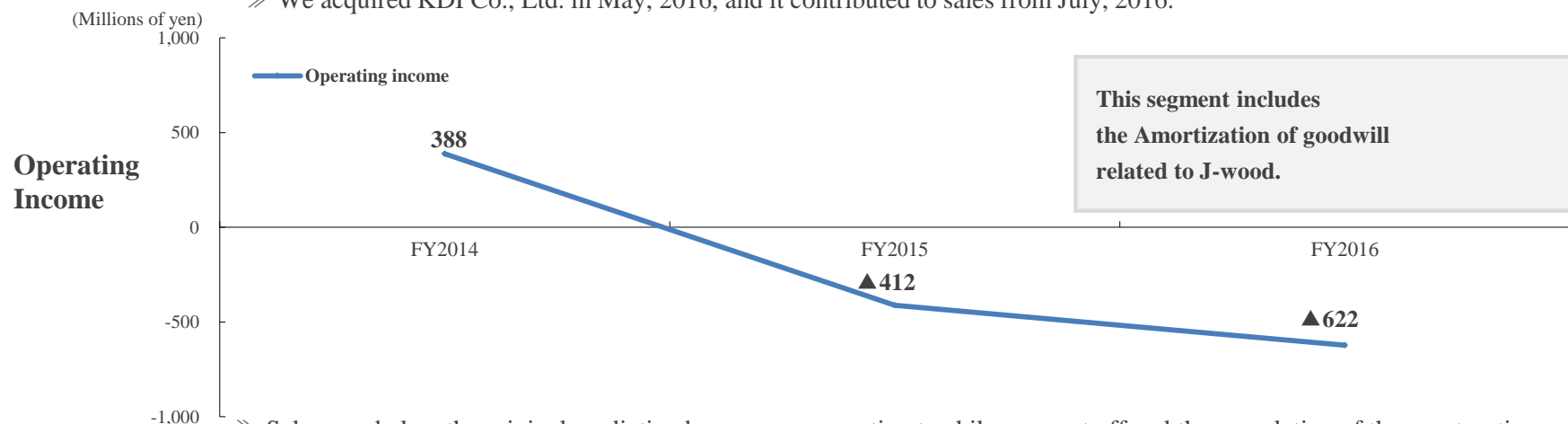
Results by Segment (4) Housing sales



» Leohouse, Ltd. performed a variety of sales promotion aggressively, so the number of orders received and orders in hand rose year on year. As a result, sales increased.

» At J-wood Co., Ltd., sales and new orders received increased year on year.

» We acquired KDI Co., Ltd. in May, 2016, and it contributed to sales from July, 2016.

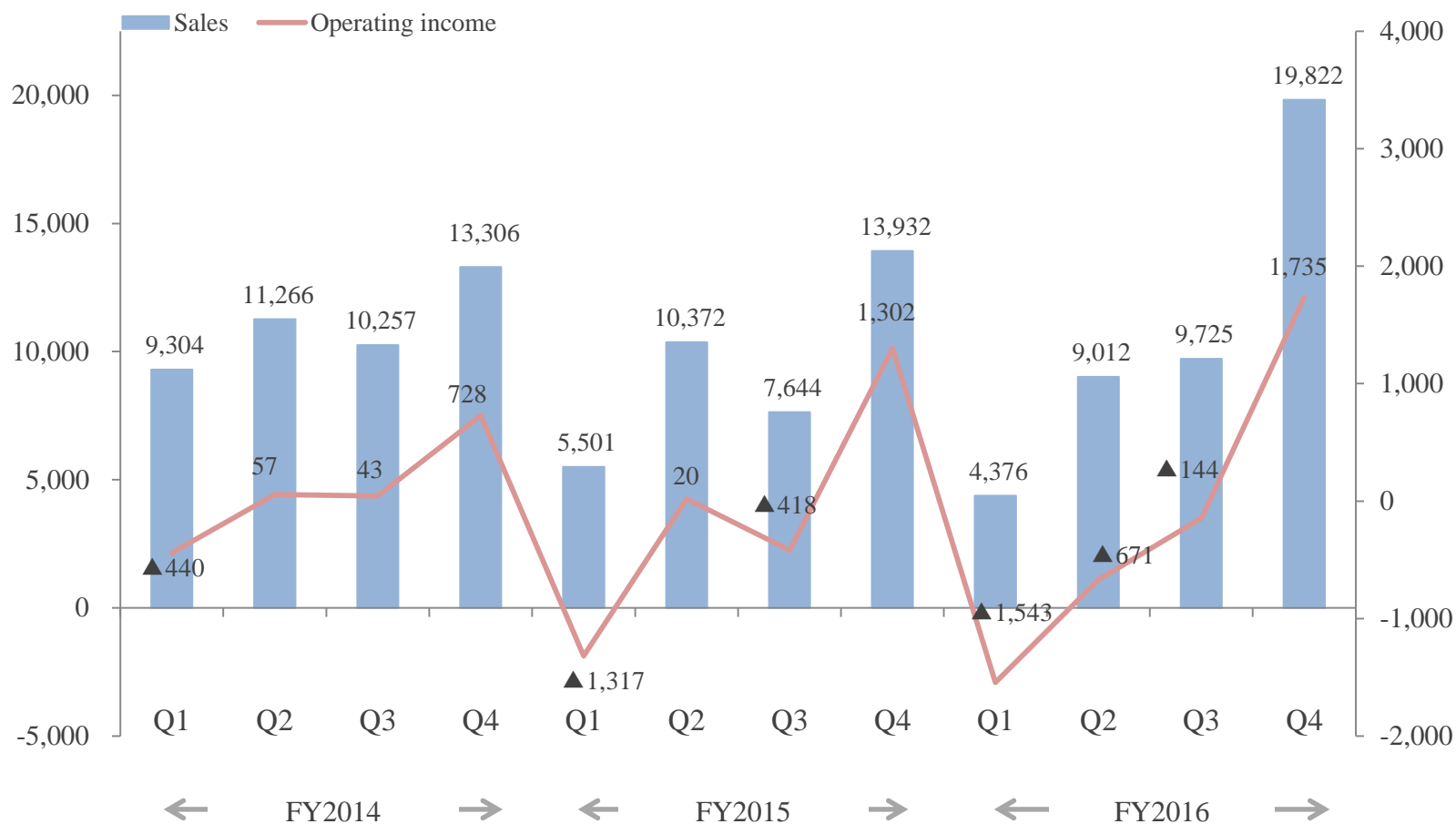


» Sales was below the original prediction because consumption tax hike was put off and the completion of the construction was delayed. We posted operating loss owing to the effect of sales that was below the original prediction and increases in construction costs and promotion costs.

2 Results by Segment (4) Housing sales

(Millions of yen)

(Millions of yen)



» Sales and operating income tend to increase around Q4

2 Results by Segment (4) Housing sales

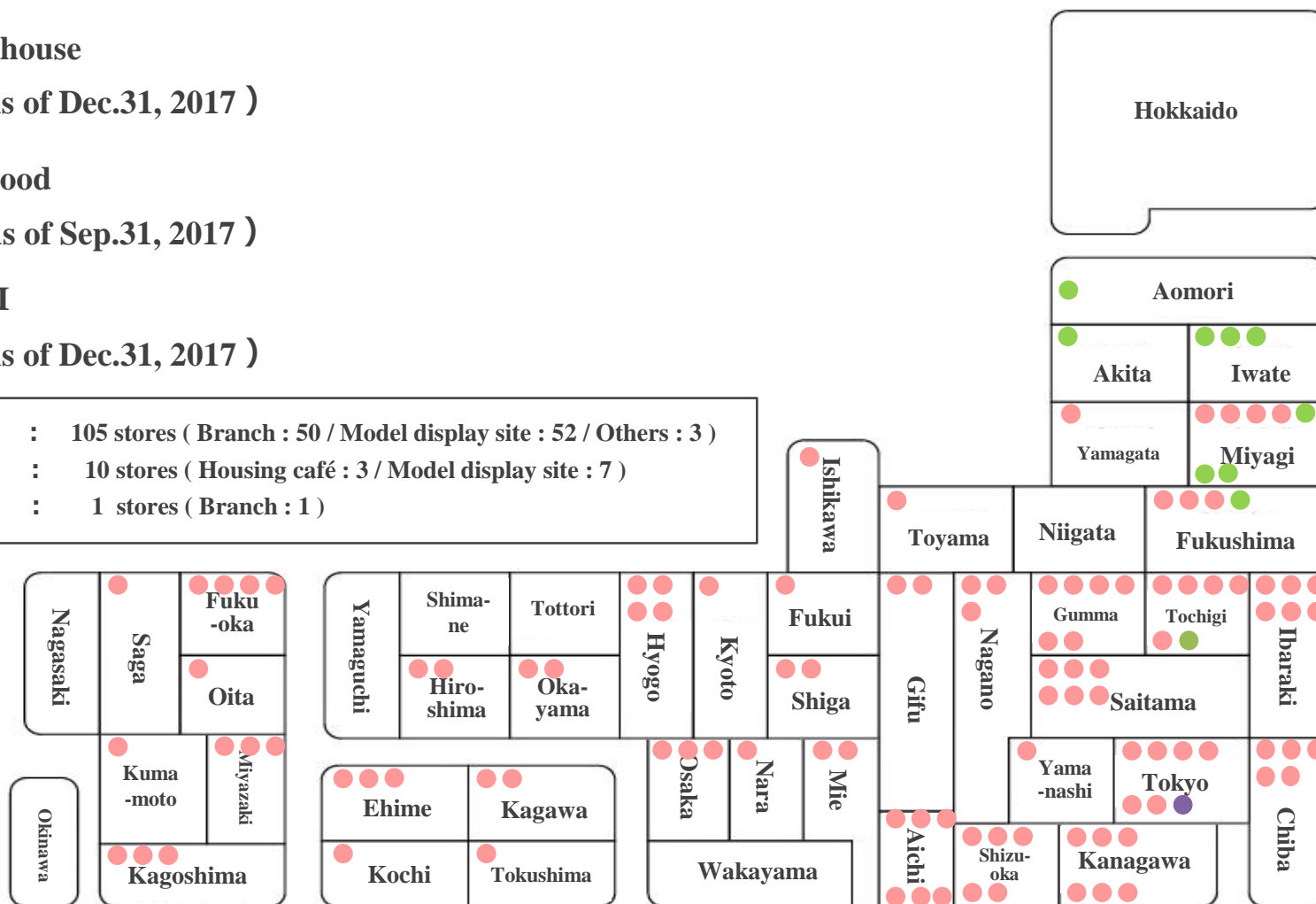
116 stores (Leohouse : 105 stores, J-wood : 10 stores, KDI : 1 stores)

● Leohouse
(As of Dec.31, 2017)

● J-wood
(As of Sep.31, 2017)

● KDI
(As of Dec.31, 2017)

Leohouse	:	105 stores (Branch : 50 / Model display site : 52 / Others : 3)
J-wood	:	10 stores (Housing café : 3 / Model display site : 7)
KDI	:	1 stores (Branch : 1)



2 Results by Segment (4) Housing sales

Quarterly store openings, number of orders, completions and average sales price (Leohouse)

(Number of houses ordered)

	FY2014				FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	530	525	415	435	387	533	406	459	457	677	397	550
Completions	468	557	492	654	238	500	347	694	186	390	403	871
Orders in hand	1,267	1,220	1,129	902	1,035	1,057	1,109	861	1,114	1,385	1,361	1,016
Change	+34	▲47	▲91	▲227	+133	+22	+52	▲248	+253	+271	▲24	▲345
Unit price	※ ¹ 18.50 million yen				※ ¹ 18.49 million yen				※ ¹ 18.26 million yen			

※¹ Unit price excludes additional costs and exterior construction costs

Store openings	4	3	3	4	7	0	0	0	2	0	0	0
Total stores	※ ² 97	100	103	107	※ ³ 109	※ ⁴ 108	108	※ ⁵ 105	※ ⁶ 105	105	105	105

※² ▲2 through reorganization of branch stores

Closing of model display sites :

※³ ▲5

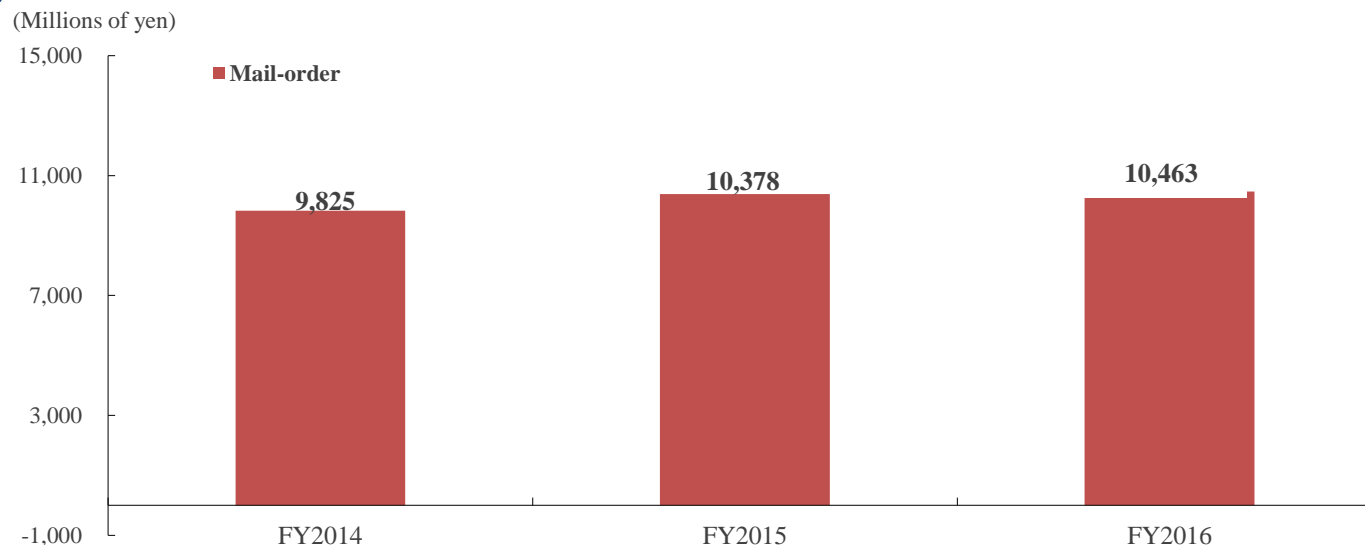
※⁴ ▲1

※⁵ ▲3

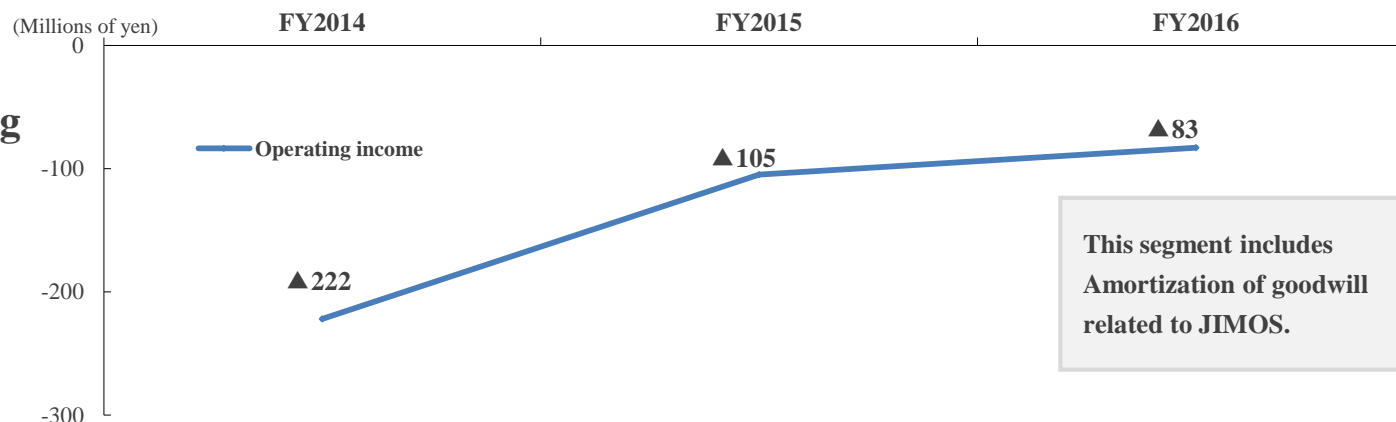
※⁶ ▲2 through reorganization of branch stores

2 Results by Segment (5) Mail-order

Sales

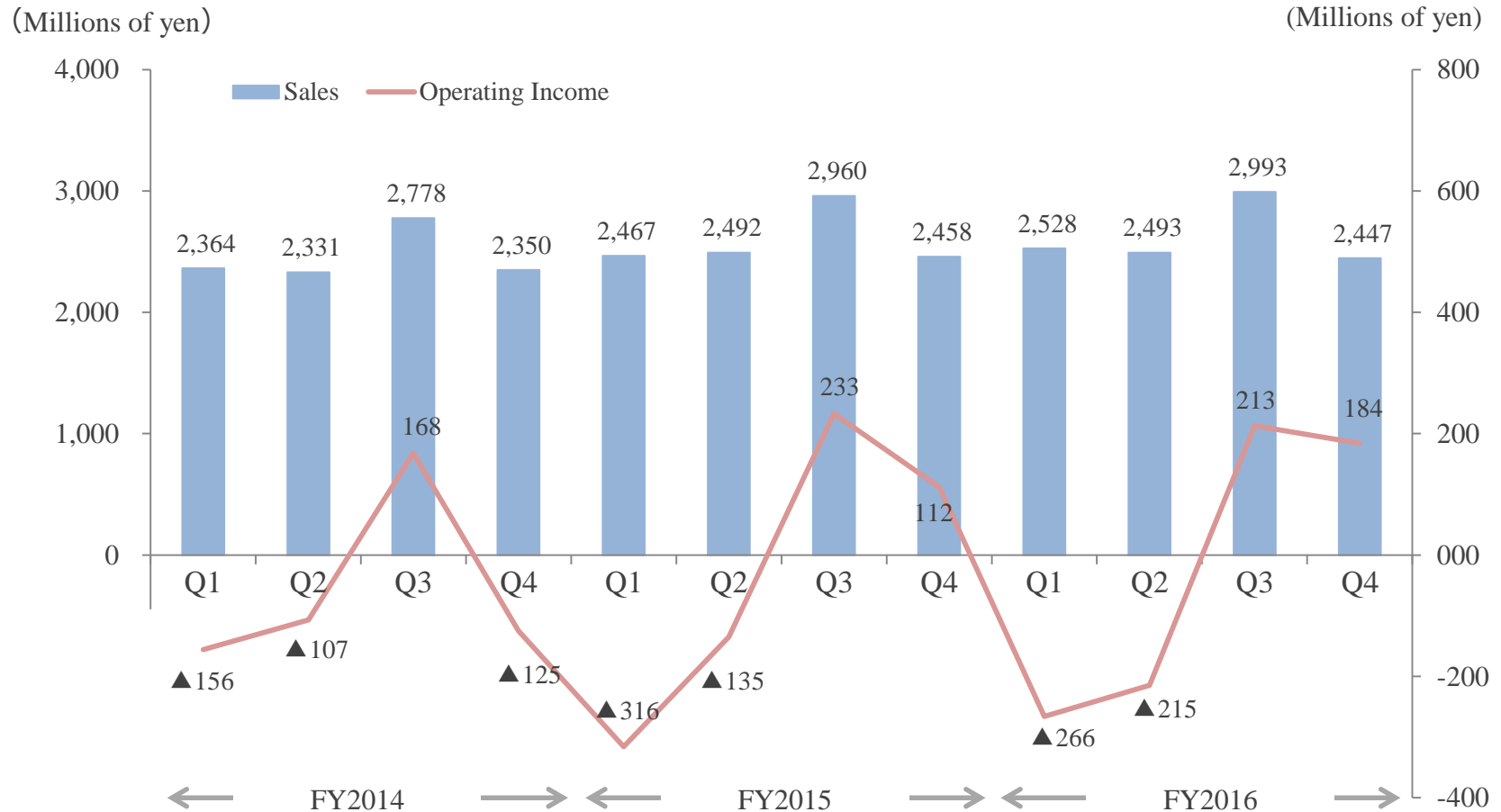


- » The mainstay Macchia Label brand increased in the number of new customers, but sales decreased slightly due to a decrease in orders from existing customers.
- » Sales of the Coyori brand of skin and hair care products grew year on year as a result of a steady increase in the number of new customers and orders.
- » Sales decreased year on year in the mail-order consulting business.



- » Operating income improved year on year thanks to the proper operation of investments in advertising and promotion.

2 Results by Segment (5) Mail-order



» Sales and operating income generally are tilted toward the second half of the year due to aggressive investment in advertising and promotions the first half of the year.

» Operating income is expected bellow zero because of goodwill amortization.

3. FY2017 Forecasts of Financial Results

FY2017 Forecasts of Financial Results

(million yen)

	FY2016	FY2017	YoY comparison
Sales	85,901	96,300	+ 12.1 %
Operating income	1,130	2,000	+ 76.8 %
Ordinary income	1,167	2,050	+ 75.6 %
Net income	467	850	+ 81.7 %
Dividends per share	27 円	37 円	-
EPS	27.76 円	50.62 円	+ 22.86 円

FY2017 Forecasts of Financial Results

■ **Sales** **96.3 billion yen** (YoY Comparison +12.1%)

■ **Operating income** **2 billion yen** (YoY comparison +76.8%)

Crecla

Acquire new customers

⇒ Implement sales promotions aggressively

Improve sales per customer and retention rate

⇒ Supply additional products

⇒ Sell a new good named “Caffitaly”

Housing Sales

[Leohouse, Ltd.]

⇒ Offered diverse value-added products such as “CoCo as a lineup of Dai-ninki no ie”

⇒ Tap into several markets like renovation

⇒ Sell the low-cost brand (semi-custom made and fashionably design)

[J-wood Co., Ltd.,]

⇒ Strengthen the popular customer attraction model more and more.

Rental

[Dust control products business]

⇒ Carry out M&A

⇒ Expand the total care service

⇒ Expand online sales

[Pest-control devices business]

⇒ Develop new products

Construction Consulting

[Know-how business]

⇒ Work on support system for customers

⇒ Develop new products and update existing goods

[Construction materials]

⇒ Enter new markets such as subdivided housing unit

Mail-order

Acquire new customers

⇒ Expand the business overseas

⇒ Develop the new brand

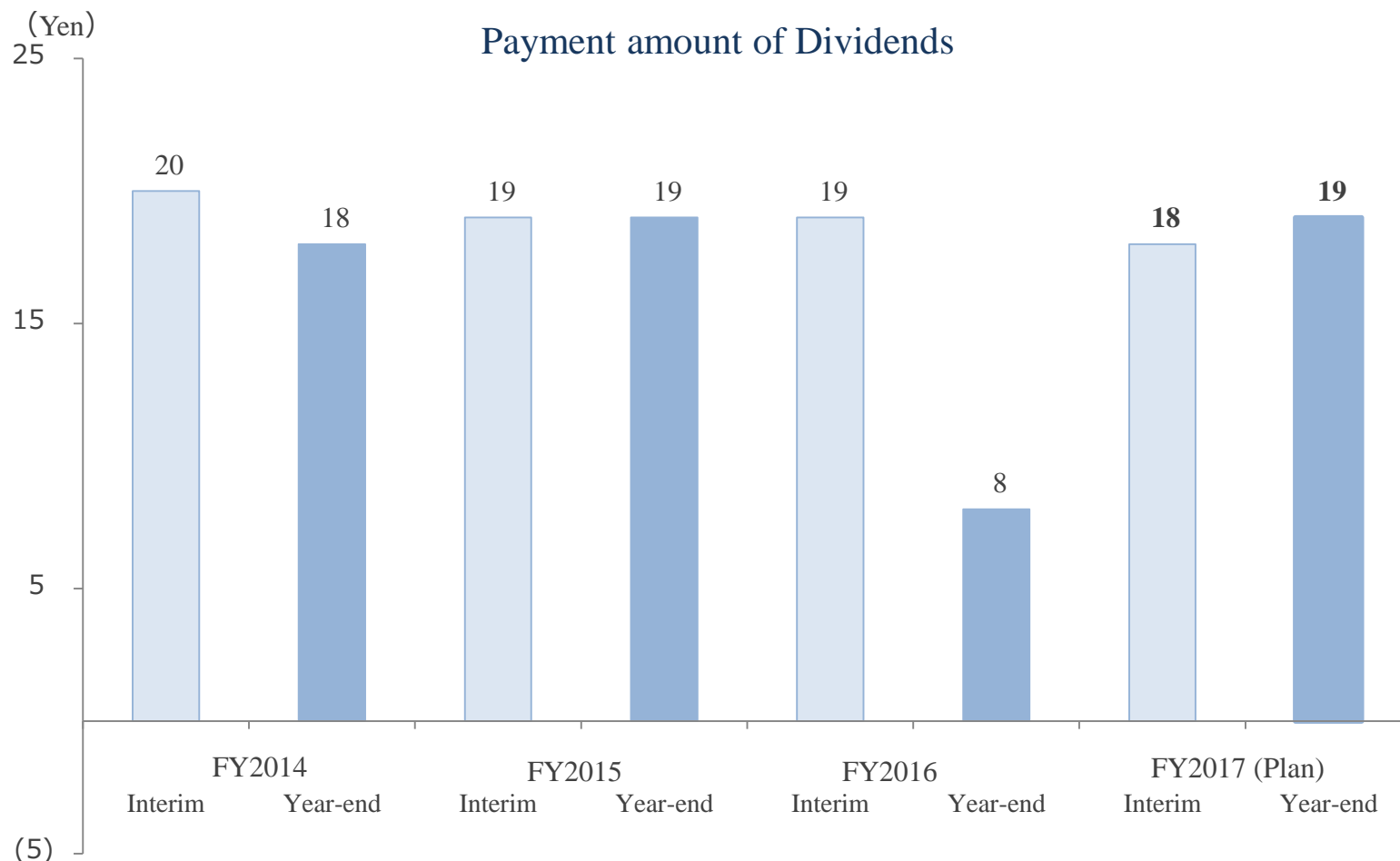
4. Plan of Dividends

4

Plan of dividends : Dividend Policy with DOE 4%

※ Payout ratio : within 100 %

Payment amount of Dividends



Dividends per
Share

38 yen

38 yen

27 yen

37 yen

≫ Our dividend policy is DOE 4%.

In accordance with this dividend policy, annual dividend is 37 yen in FY2017.

5. Medium-Term Strategy

In order to achieve consolidated sales of 150,000 million yen and operating income of 10,000 million yen in March 2021, we try to stabilize profitability in existing businesses and carry out strategic investments to develop new businesses.

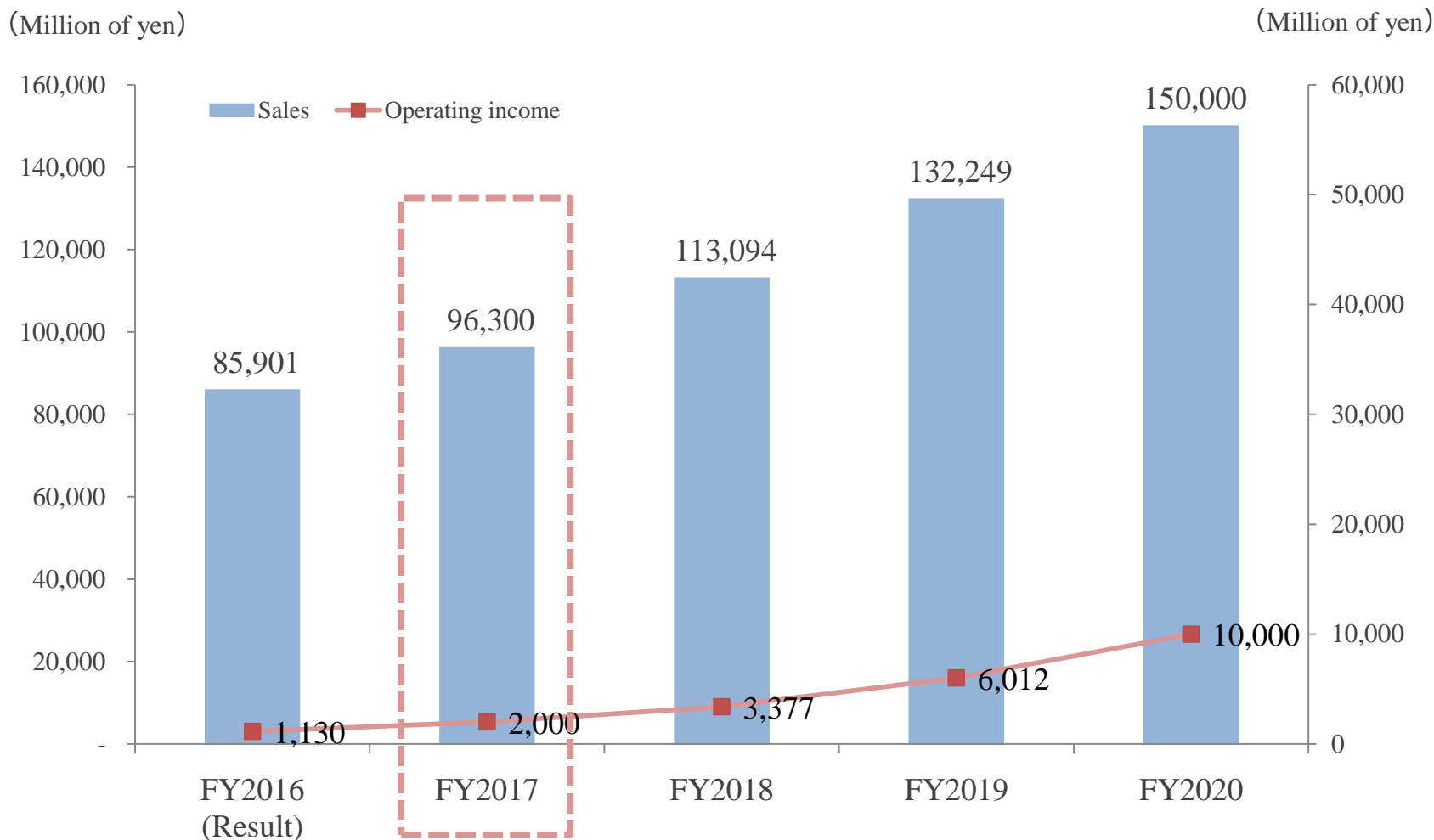
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FY2020 Target of Consolidated Results by Segment

(Million of yen)

	Sales	Operating income	Operating margin
CreCla	21,800	1,100	5.0 %
Rental	17,000	2,200	12.9%
Construction Consulting	8,800	1,100	12.5%
Housing Sales	80,000	5,100	6.3%
Mail-order	20,400	2,100	10.2%
New business + M&A	2,000	0	-
Corporate expense	-	▲ 1,600	-
Total	150,000	10,000	6.6%

5 Medium-term Targets



» We changed plans in FY2017.

※ Announcement in 9th 2015 : Sales 98,024 million yen / Operating profits 1,844 million yen

6. Appendix




(As of the end of September 2017)

Company name	NAC Co., Ltd.
Head office	Shinjuku Center Building, 1-25-1 Nishi-shinjuku Shinjuku-ku, Tokyo
Established	May 1971
President	Kan Yoshimura
Businesses	<ul style="list-style-type: none"> ■ CreCla (Production and sale of bottled water) ■ Rental (Duskin franchise business, pest control machine rental, regular cleaning plan) ■ Construction Consulting (Construction know-how, solar energy systems) ■ Housing Sales (Contract construction of a custom-built house, sales of subdivided housing unit, finance and insurance affairs with housing sales) ■ Mail-order (Cosmetics, health food and alcohol beverage mail-order sales)
Consolidated companies	Leohouse Co., Ltd. (Housing sales) Earnest Corporation (Building maintenance) JIMOS Co., Ltd. (Mail-order) BELAIR Co., Ltd. (Mail-order) J-wood Co., Ltd. (Housing sales) Eco & Eco Co., Ltd. (Sales of energy-saving products ・ Construction) KDI Co., Ltd. (Housing sales) Nac life partners Co., Ltd. (Housing sales)
Employees	2,175 (consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	11,775 (Total number of shareholders; treasury shares are excluded)

Key Financial Indicators (Consolidated)

	FY2015	FY2016	Comparison
Average number of shares during the period	16,867,190 shares	16,854,157 shares	▲ 13,033 shares
Net assets per share (BPS)	934.95 yen	926.53 yen	▲ 8.42 yen
Net income per share (EPS)	14.99 yen	27.76 yen	+ 12.77 yen
Equity ratio	38.0 %	36.0 %	▲ 2.0 pt
Ratio of shareholder's equity to Net income (ROE)	1.6 %	3.0 %	+ 1.4 Pt
Dividends per share	38 yen	27 yen	▲ 11 yen
Dividend ratio	253.6 %	97.3 %	▲ 156.3 pt
Ratio of dividends to shareholder's equity	4.0 %	2.9 %	▲ 1.1 pt

6 Company History

May. 1971	Established Duskin Tsurukawa in Machida city	
Aug. 1977	Changed company name to NAC Co., Ltd	
Sep. 1995	Listed on the JASDAQ market	
Jan. 1997	Listed on the 2nd section of the Tokyo Stock Exchange	
Sep. 1999	Listed on the 1st section of the Tokyo Stock Exchange	
Dec. 2001	Started bottled water “CreCla” delivery business	
Feb. 2002	Started housing sales business through Leohouse	
Feb. 2010	Achieved 50 billion yen of sales when celebrating its 40th year	
Mar. 2012	Acquired Earnest Corporation	
Jul. 2013	Acquired JIMOS Co., Ltd. & J-wood Co., Ltd.	
Apr. 2014	Opened the CreCla Honjo-Plant	
Sep. 2015	Acquired Eco & Eco Co., Ltd.	
May. 2016	Acquired KDI Co., Ltd	
Dec. 2016	Acquired BELAIR Co., Ltd	

6

Our business portfolio connected by a single goal

“Resolving customers’ daily life issues”



CreCla

- **Market leader** in bottled water sales
(Number of affiliated stores : 600)
- **Market leader** in bottled water production
- **First HACCP** certified business in the industry
- **First Eco Mark** certified business in the industry
- **First** in the industry to open an R&D center

Rental

- **Highest sales** of all Duskin franchisees
(out of approximately 2,000 companies)
- With-branded pest control devices for restaurants **first** in the industry to be approved by Ministry of Health, Labour and Welfare

Construction Consulting

- Nac members (Construction company : 6,000)
- Providing support for affiliated building firms through order promotion and cost reduction services, including solar power systems and products for Smart House
- Acquired Eco & Eco Co., Ltd. (September, 2015) that deals with energy-saving products.

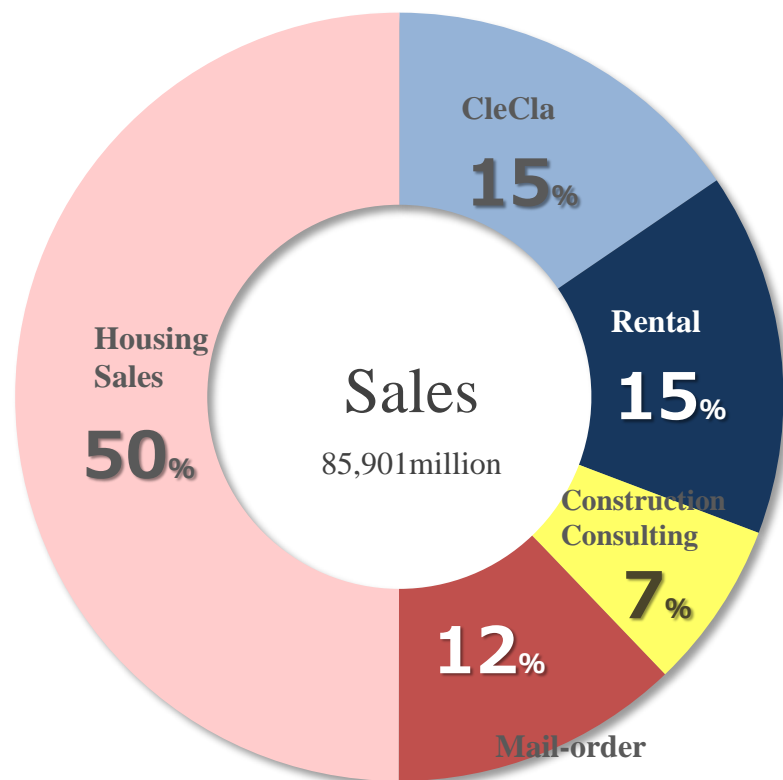
Housing Sales

- Contract construction of a custom-built house under the Leohouse brand
- **Leading local builder** in contract construction (FY2011, FY2012 and FY2013)
- Acquired J-wood Co., Ltd. (July 2013) that produces natural houses
- In the survey of customer's satisfaction of custom-built house conducted by Oricon, we won female customer's satisfaction **No.1** in three categories.
- We acquired KDI Co., Ltd that deal with subdivided housing unit and custom-built house in metropolitan area.

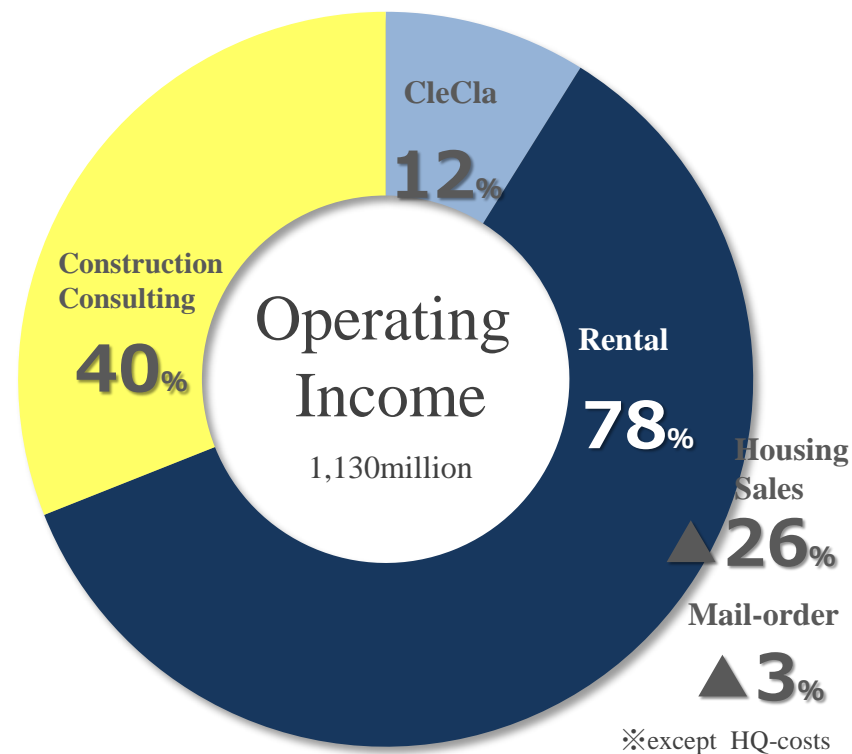
Mail-order

- In July 2013, the mail-order business entry by a subsidiary of JIMOS Co., Ltd.
- Providing various cosmetics for skin and hair care (Most of main customers are 40-60's)
- "Clear esthe veil" won customer's satisfaction **No.1** for the 12 consecutive years in the market.
- In May 2016, we acquired BELAIR Co., Ltd that deal with nourishing auxiliary food.

■ CreCla ■ Rental ■ Construction Consulting ■ Mail-order ■ Housing sales



■ CreCla ■ Rental ■ Construction Consulting



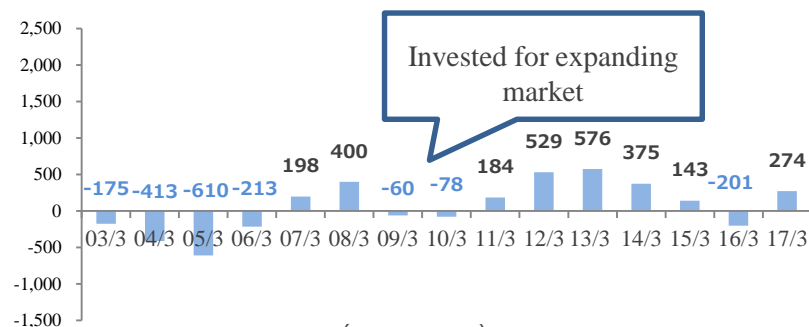
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
2.1%	14.1%	15.7%	▲0.8%	▲1.5%	1.3%

6 Operating income trend by segment

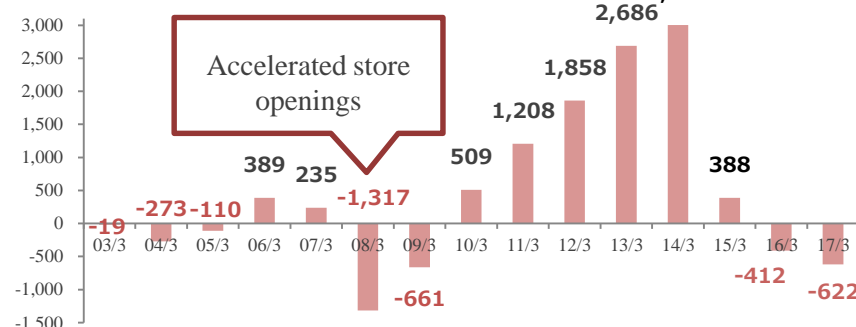
(Million Of yen)

【CreCla】



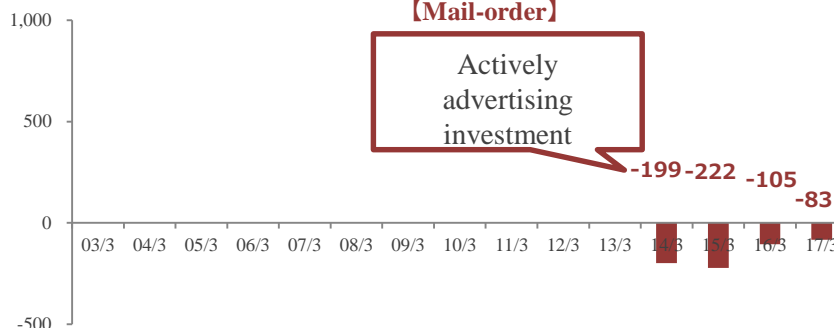
(Million Of yen)

【Housing sales】



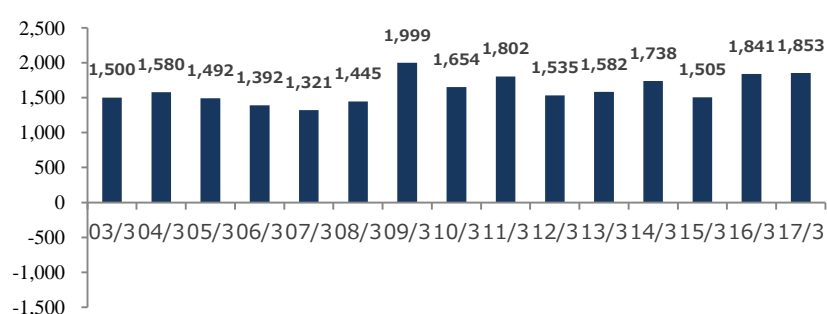
(Million Of yen)

【Mail-order】



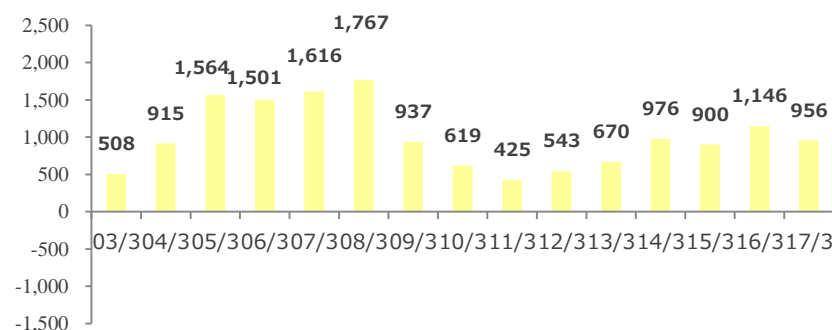
(Million Of yen)

【Rental】



(Million Of yen)

【Consulting Construction】



We focus on aggressive investment toward growth centering on the Rental Business and the Construction Consulting Business, which show stable business performance.