

Results for the 1st Quarter ended June 30, 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



August 8th, 2017

NAC Co., Ltd.

Code; 9788 TSE 1st section



Topics

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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 1st quarter

(Millions of yen)

	3 months ending FY2017	3 months ended FY2016	YOY Comparison
Sales	15,865	14,538	+ 9.1%
Gross profit	7,108	7,108	+0%
(Gross margin)	44.8%	48.9%	▲4.1pt
SG&A	8,869	8,966	▲1.1%
Operating Income	▲1,760	▲1,858	—
(Operating margin)	▲11.1%	▲12.8%	+1.7pt
Non-operating income and loss	4	▲14	+128.6%
Ordinary Income	▲1,756	▲1,872	—
Extra-ordinary income and loss	▲177	▲48	—
Net Income attributable to owners of parent	▲1,461	▲1,406	—

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

» Although the Construction Consulting and Housing business decreased sales, other segments improved sales.

Then, operating income rose year on year.

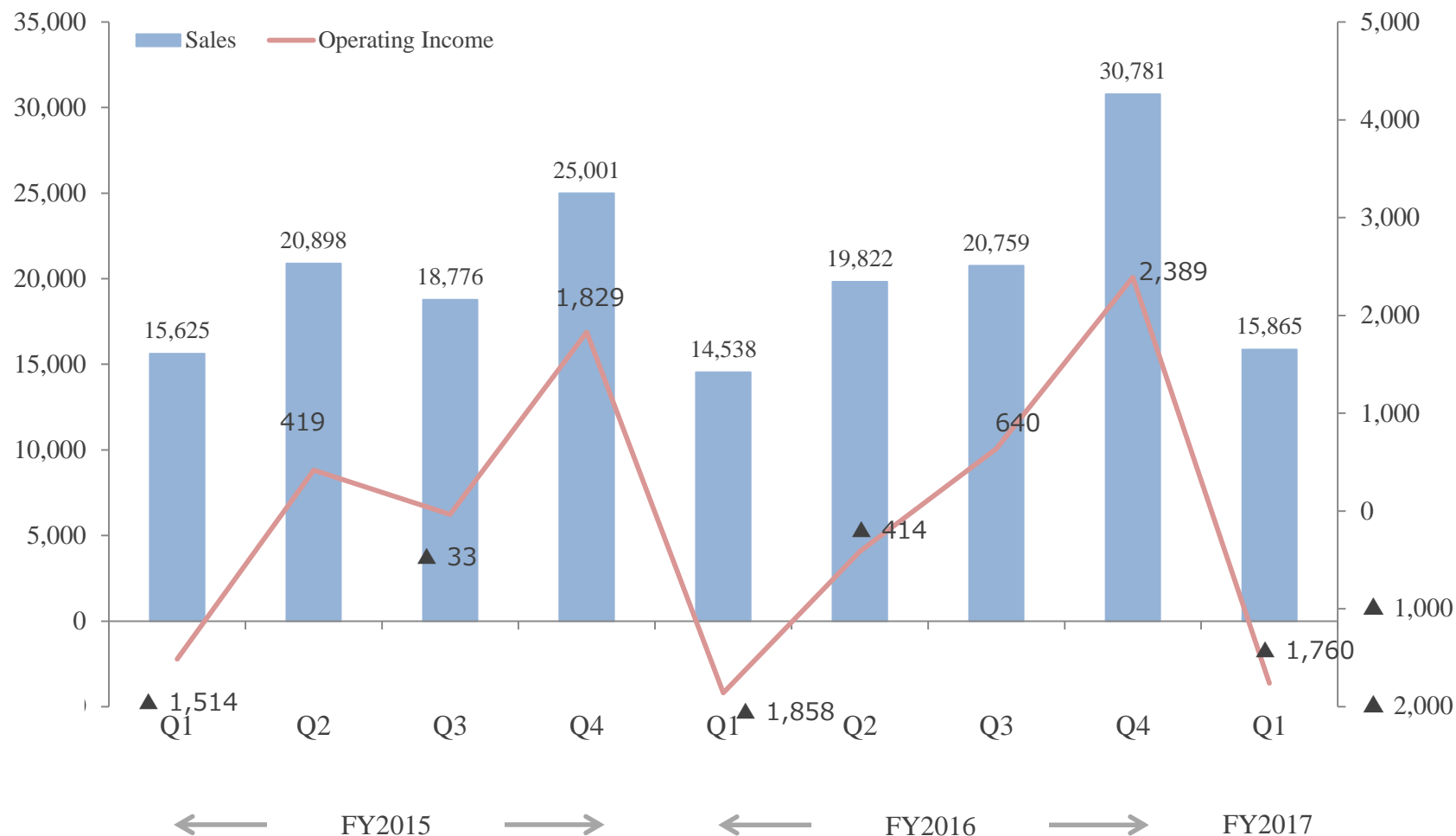
» Regarding extra-ordinary loss, we posted impairment loss of Non-current assets (6bases) in Leohouse and loss on valuation of investments in capital (an overseas subsidiary in China).

1

Sales & Operating income trend by Quarter

(Million of yen)

(Million of yen)



» Nac tends to post an operating loss in the 1st quarter because hand-over in the Housing business usually concentrate around 4th quarter.

1 Sales by Segment

(Millions of yen)

	3 months ending FY2017	3 months ended FY2016	YOY Comparison
CreCla	3,182	3,243	▲ 1.9%
Rental	3,341	3,170	+ 5.4%
Construction Consulting	1,327	1,220	+8.8%
Housing Sales	5,485	4,376	+25.3%
Mail-order	2,547	2,528	+0.7%
Elimination	▲ 19	▲ 1	—
Total	15,865	14,538	+9.1%

- » In the CreCla Business, our directly managed store increased sales, but affiliates dropped sales. Overall, sales decreased year on year.
- » In the Rental business, sales rose year on year due to sales growth in all business area.
- » In the Construction Consulting business, the construction materials business rose sales largely even though the construction know-how systems and Eco&Eco decreased sales. Thus, sales increased year on year.
- » In the Housing business, sales increased year on year because J-wood grew sales and we posted sales regarding KDI from the second quarter in FY2016.
- » In the Mail-order business, sales increased year on year because we newly posted sales regarding BELAIR in FY2017.

1 Operating income by Segments

(Millions of yen)

	3 months ending FY2017	3 months ended FY2016	YOY Comparison
CreCla	▲104 (▲3.3%)	▲186 (▲5.8%)	— (+2.5pt)
Rental	437 (13.1%)	366 (11.6%)	+19.2% (+1.5pt)
Construction Consulting	45 (3.4%)	103 (8.5%)	▲56.0% (▲5.1pt)
Housing Sales	▲1,640 (▲29.9%)	▲1,543 (▲35.3%)	— (+5.4pt)
Mail-order	▲202 (▲8.0%)	▲266 (▲10.5%)	— (+2.5pt)
Elimination, HQ Cost	▲296	▲332	—
Total	▲1,760 (▲11.1%)	▲1,858 (▲12.8%)	— (+1.7pt)

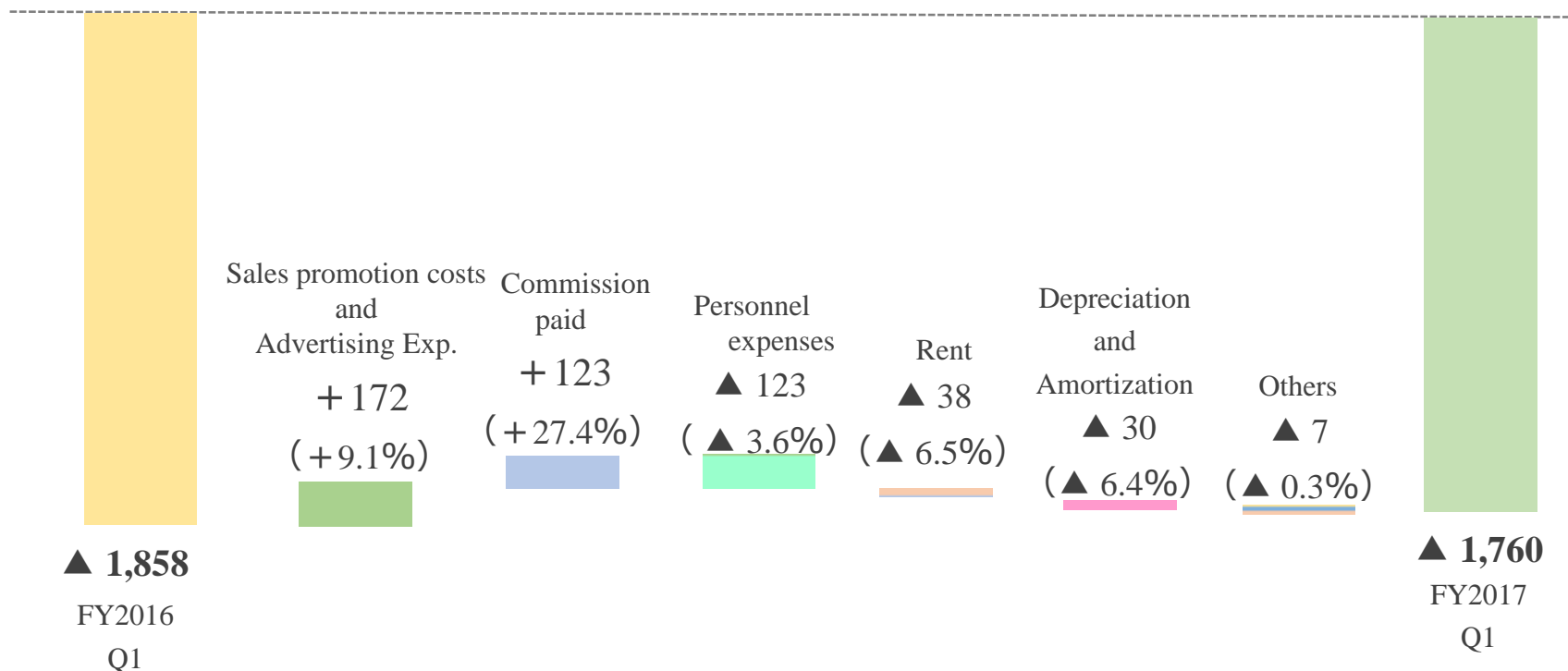
- » The CreCla business increased operating income year on year owing to revisions to management costs.
- » The Rental business increased operating income year on year due to sales growth in all business area.
- » The Construction Consulting decreased operating income year on year since the construction know-how systems decreased sales and Eco&Eco dropped sales significantly.
- » The Housing business decreased operating income year on year owing to the rise in construction costs and costs related to new store openings.
- » The Mail-order business improved operating income year on year due to the proper operation of investments in advertising and sales.

1

Analysis for operating income & loss(YoY change)

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

(Millions of yen)



The reason of increases and decreases of SG&A

- » Sales promotion costs and advertising expenses decreased because of the proper operation of investments in advertising and sales in all segments.
- » Commission paid declined since consulting fees such as M&A decreased compared with last year.
- » We newly posted personnel expenses in KDI, suzukuri and BELAIR.

(Millions of yen)

	As of June. 2017	Break down	As of Mar. 2017	Break down	Comparison
Current assets	21,535	50.8 %	22,133	50.9%	▲ 598
Total property, plant and equipment	13,515	31.9 %	13,813	31.8%	▲ 297
Intangible assets	3,436	8.1 %	3,546	8.2%	▲ 11
Investments and other assets	3,906	9.2 %	4,006	9.2%	▲ 100
Non-current assets	20,857	49.2 %	21,366	49.1%	▲ 508
Total assets	42,393	100.0%	43,499	100.0%	▲ 1,106
Current liabilities	20,693	48.8 %	20,905	48.1%	▲ 211
Non-current liabilities	7,816	18.4 %	7,087	16.3%	+729
Total liabilities	28,510	67.3 %	27,992	64.4%	+517
Shareholder's equity	14,688	34.7 %	16,314	37.5%	▲ 1,625
Accumulated other comprehensive income	▲ 805	▲ 1.9 %	▲ 807	▲ 1.9%	+ 1
Total net assets	13,882	32.8 %	15,506	35.7%	▲ 1,623
Total liabilities and net assets	42,393	100.0%	43,499	100.0%	▲ 1,106

- Current assets : Cash and deposits ▲ 3,952 Costs on uncompleted construction contracts +1,963
- Non-current assets : Building and structures ▲ 319
- Current liabilities : Accounts payable ▲ 2,749 Advances received on uncompleted construction contracts +2,693
- Non-current liabilities : Long-term loans +815

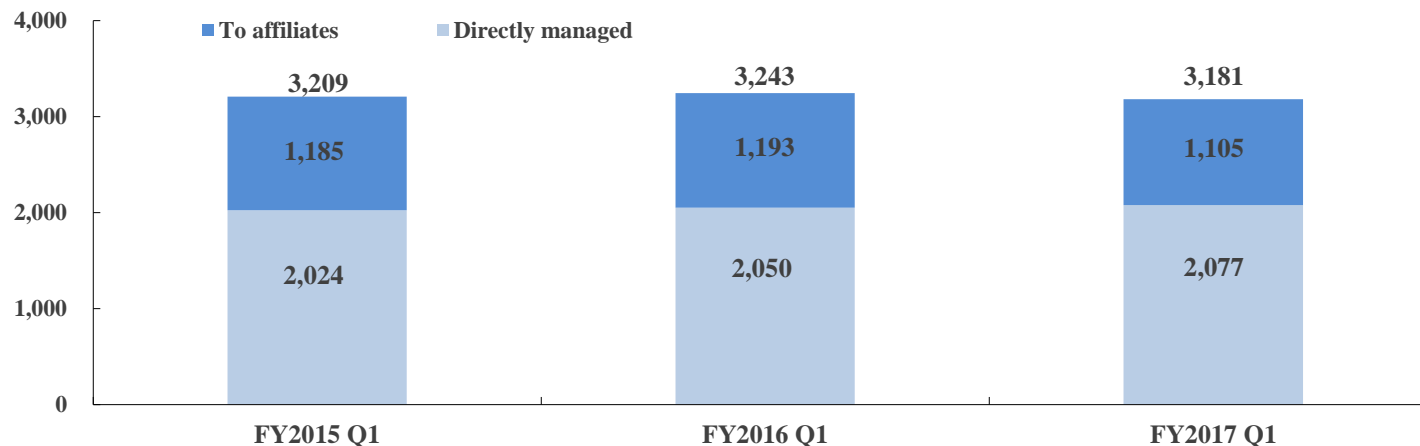
Equity Ratio : 32.8%

2. Results by Segments

2 Results by Segment (1) CreCla

Sales

(Millions of yen)

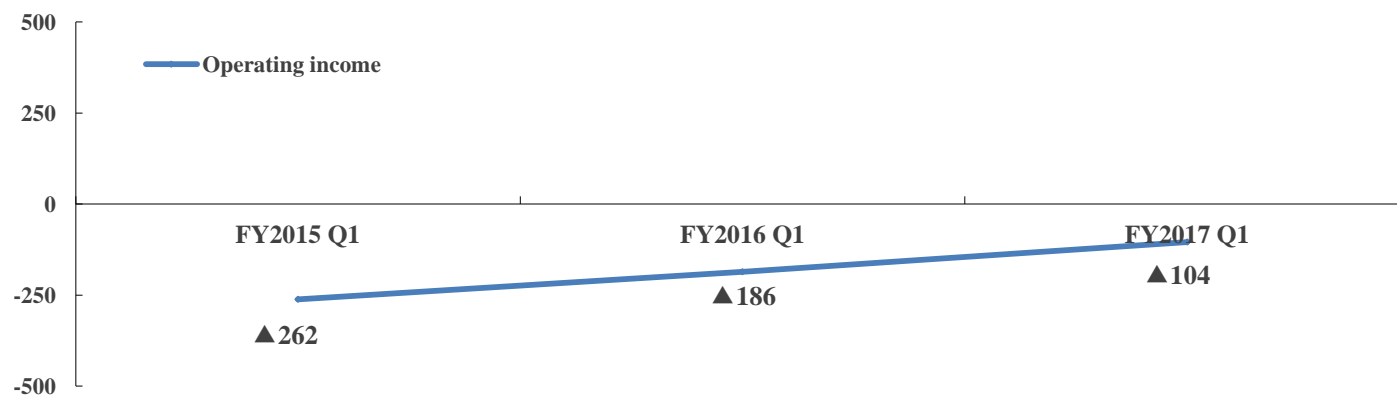


» Our direct managed stores increased the number of new customers and bottle consumption per customer. As a result, sales increased year on year.

» In affiliates, sales declined year on year due to decreases in sales of the water cooler to affiliates and bottles to customers.

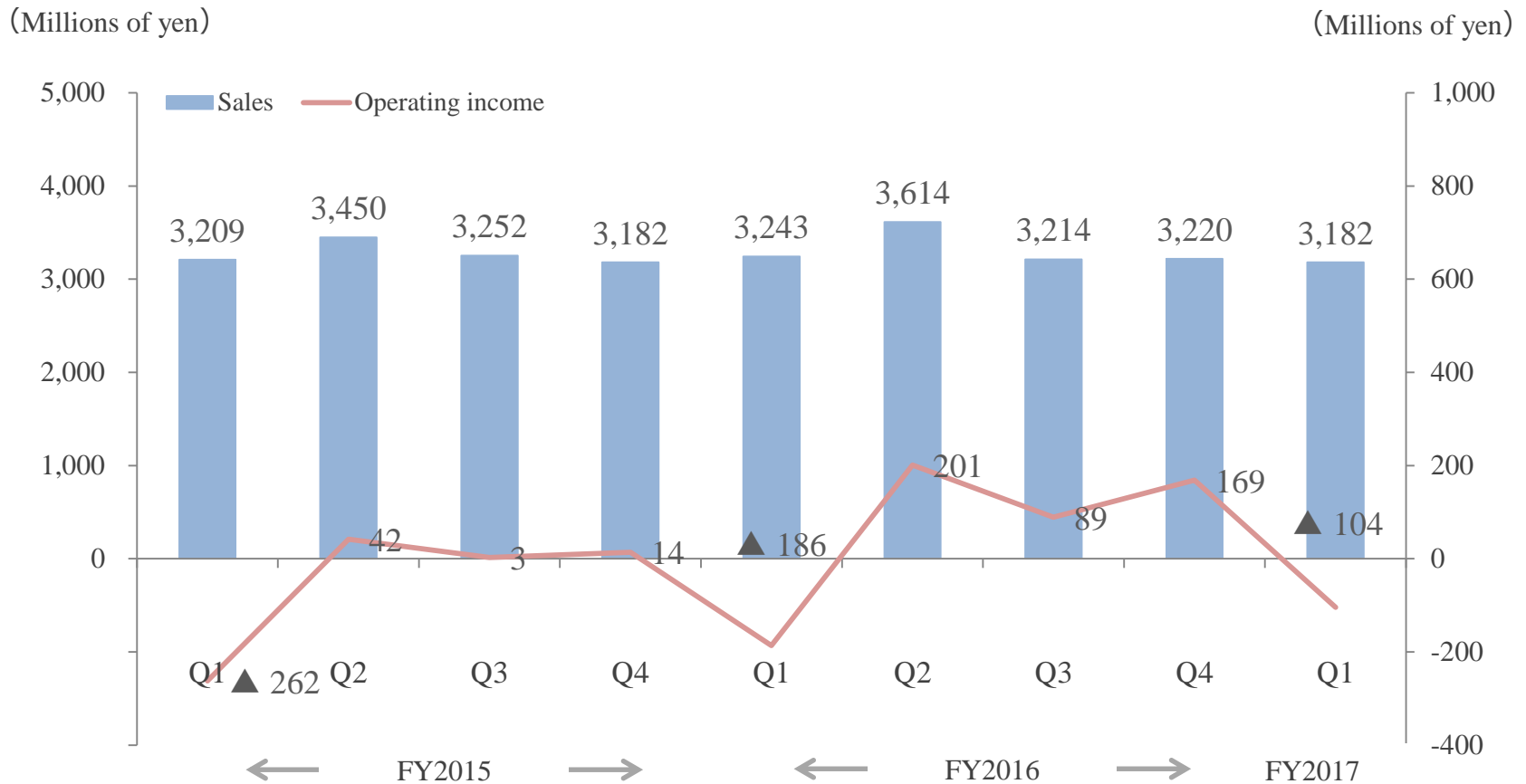
Operating Income

(Millions of yen)



» Operating income increased year on year because of revisions to management costs.

2 Results by Segment (1) CreCla



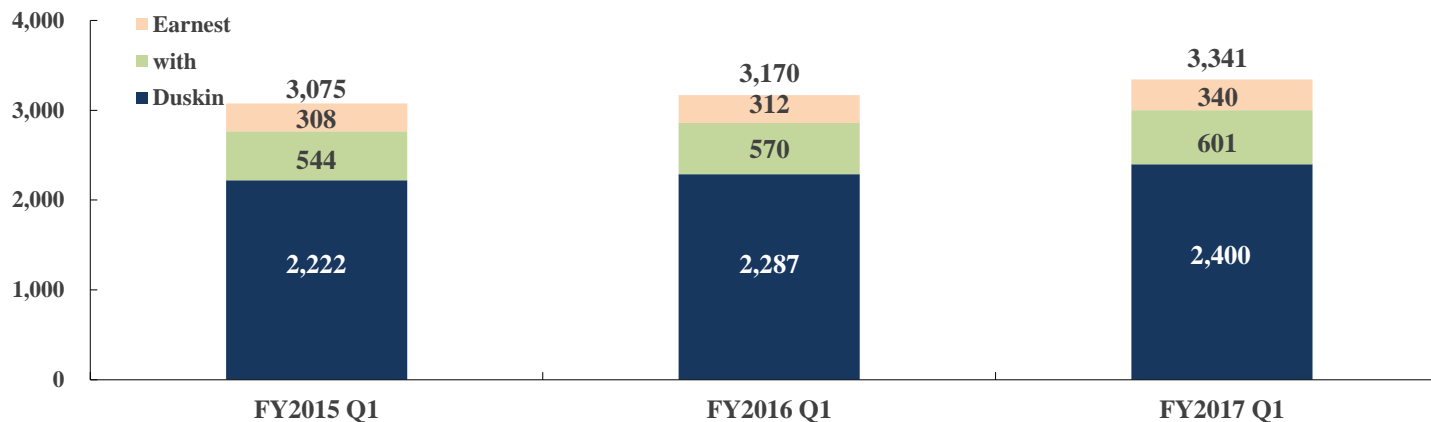
» The CreCla invests in advertising during Q1 & Q3 than Q2 & Q4.

» The CreCla business tends to increase operating income in Q2 & Q4.

2 Results by Segment (2) Rental

Sales

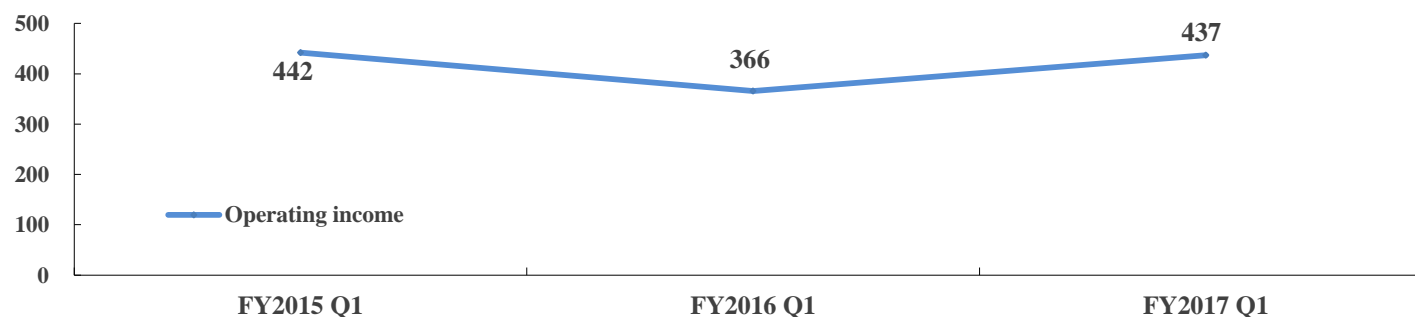
(Millions of yen)



- » In the Duskin business, the number of customers and sales per customer held steady. What is more, we expanded total care service. As a result, sales increased year on year.
- » The With-branded pest-control devices business strengthen sales promotions in both our directly managed stores and affiliated stores. Therefore, sales increased year on year.
- » Earnest recorded sales growth thanks to steady orders received via the Internet and an increase in referrals of new customers by existing customers.

Operating Income

(Millions of yen)

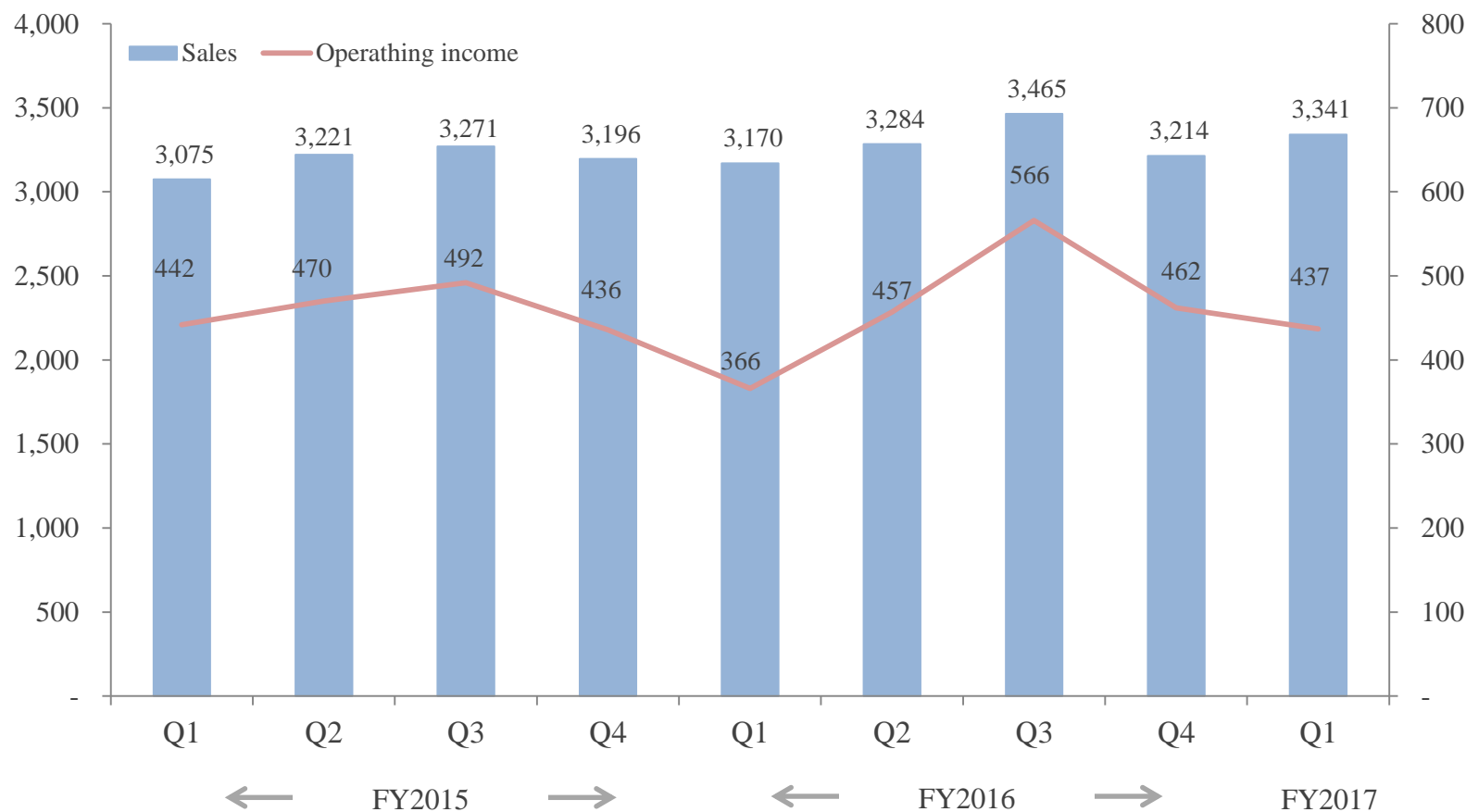


- » The Rental business increased operating income year on year due to sales growth in all business area.

2 Results by Segment (2) Rental

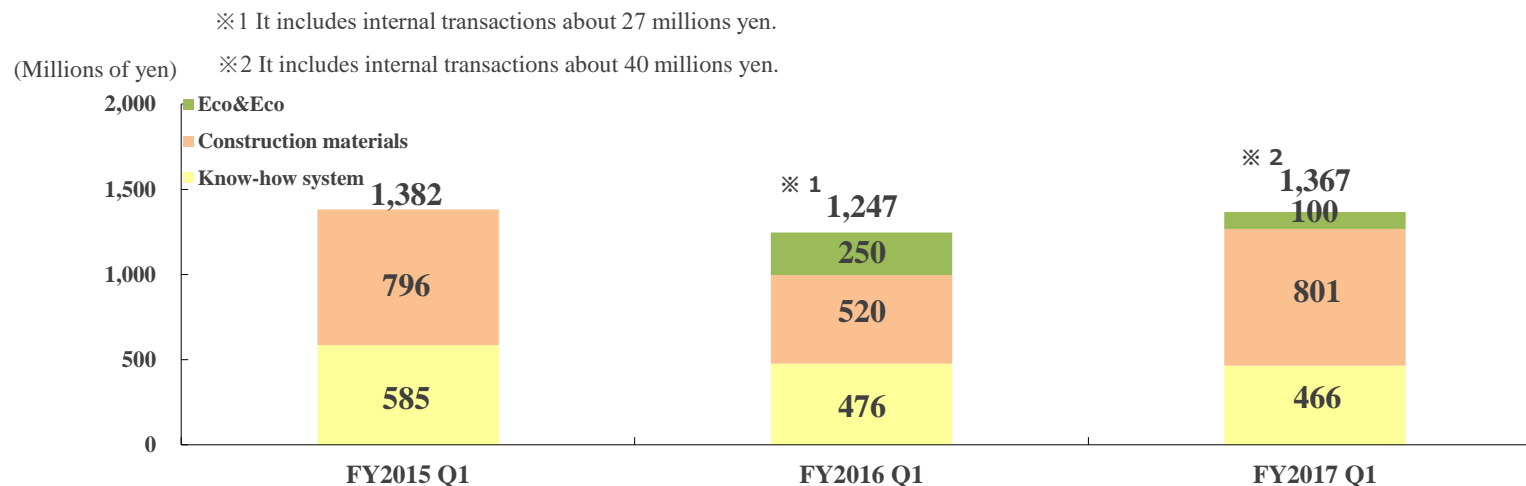
(Millions of yen)

(Millions of yen)



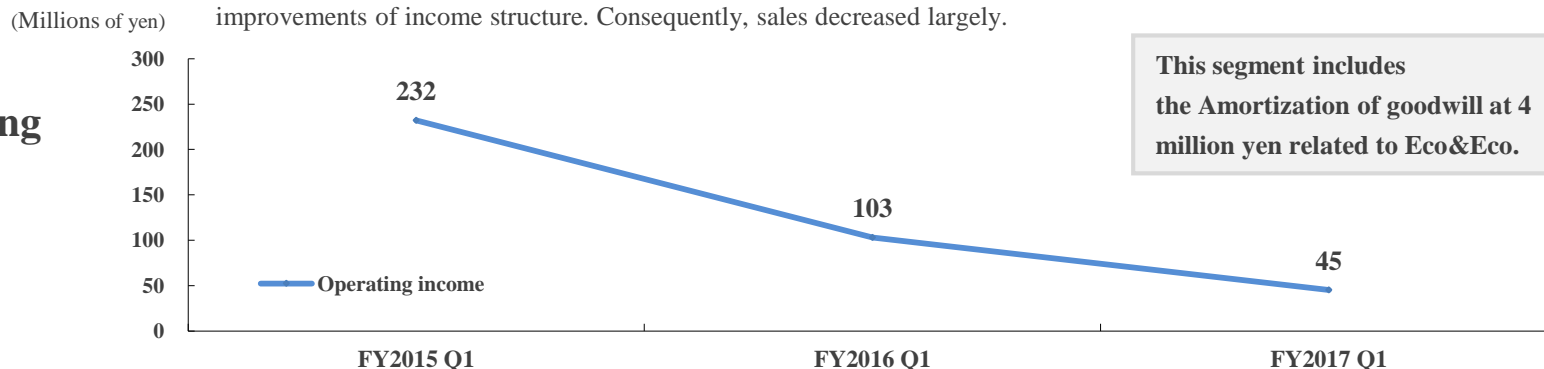
» Sales and Operating income hold steady through the year over.

Sales



- » In the construction know-how systems, our main customers, small and midsize building contractors tended to reduce investments resulting from uncertainty about market prospects. As a result, sales declined year on year.
- » In the construction materials, the number of orders regarding solar powered house increased. Moreover, we started offering construction materials for subdivided housing unit and renovation in the adjacent market from last year, so it gradually produces positive results. Overall, the construction materials business increased sales significantly year on year.
- » Eco & Eco has begun to serious efforts to change its business model in order to generate stable profits through improvements of income structure. Consequently, sales decreased largely.

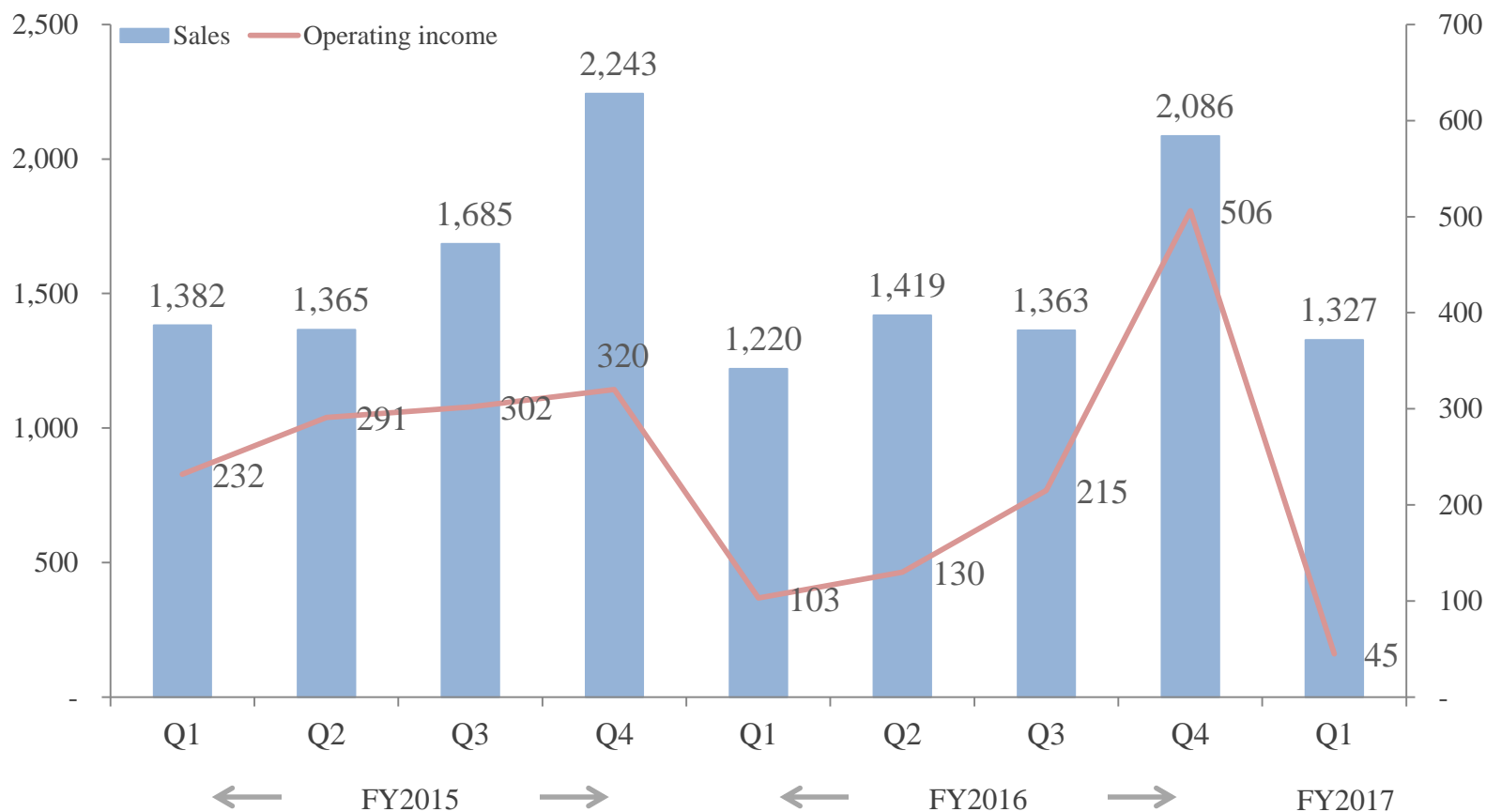
Operating Income



- » The Construction Consulting decreased operating income year on year since the construction know-how systems decreased sales and Eco&Eco dropped sales significantly.

(Millions of yen)

(Millions of yen)

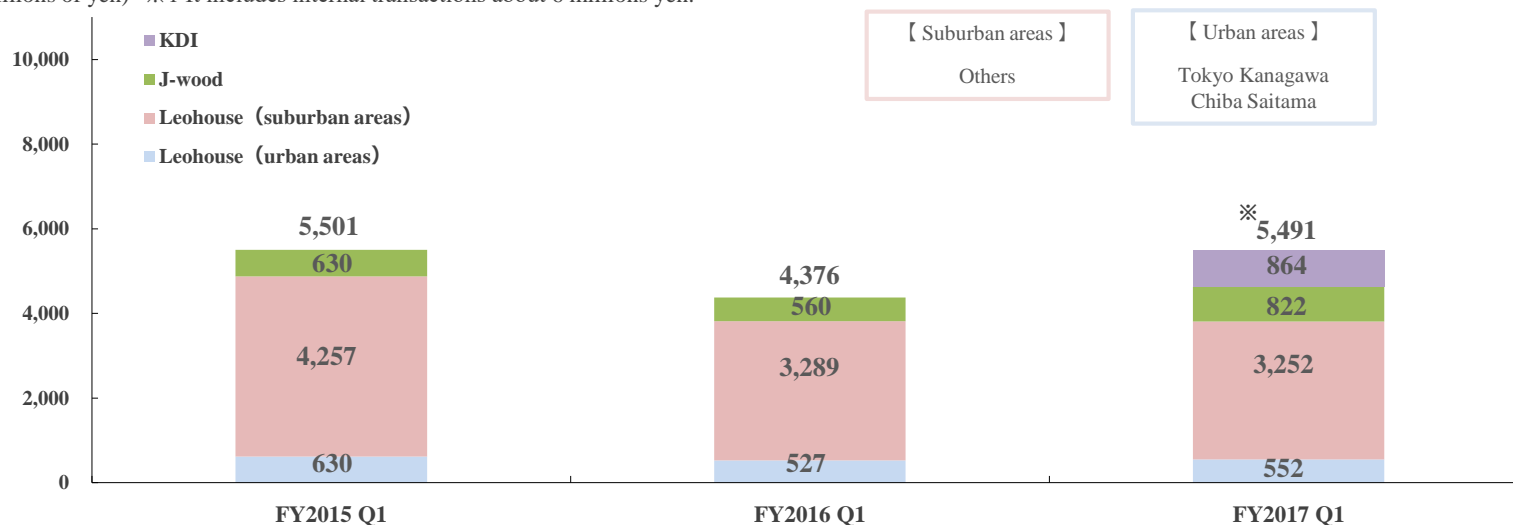


» Sales and Operating income tend to increase around Q4

2 Results by Segment (4) Housing sales

(Millions of yen) ※ 1 It includes internal transactions about 6 millions yen.

Sales

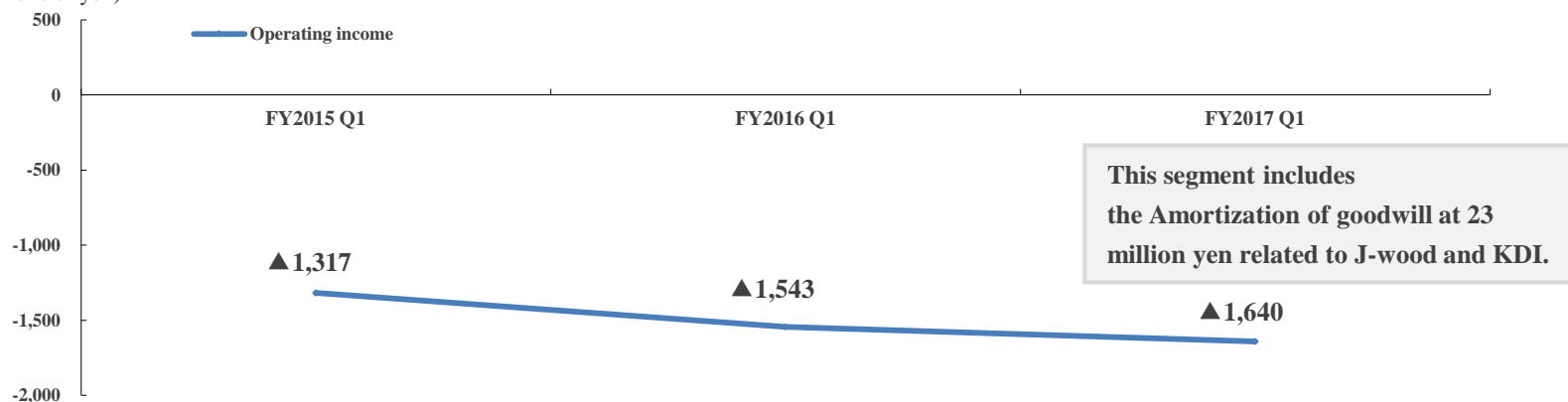


≫ Leohouse declined sales slightly year on year owing to the delay of the construction and delivery caused by the lack of manufacturers and craftspeople.

≫ J-wood rose sales year on year because orders in hand increased as of the end of the previous fiscal year.

Operating Income

(Millions of yen)

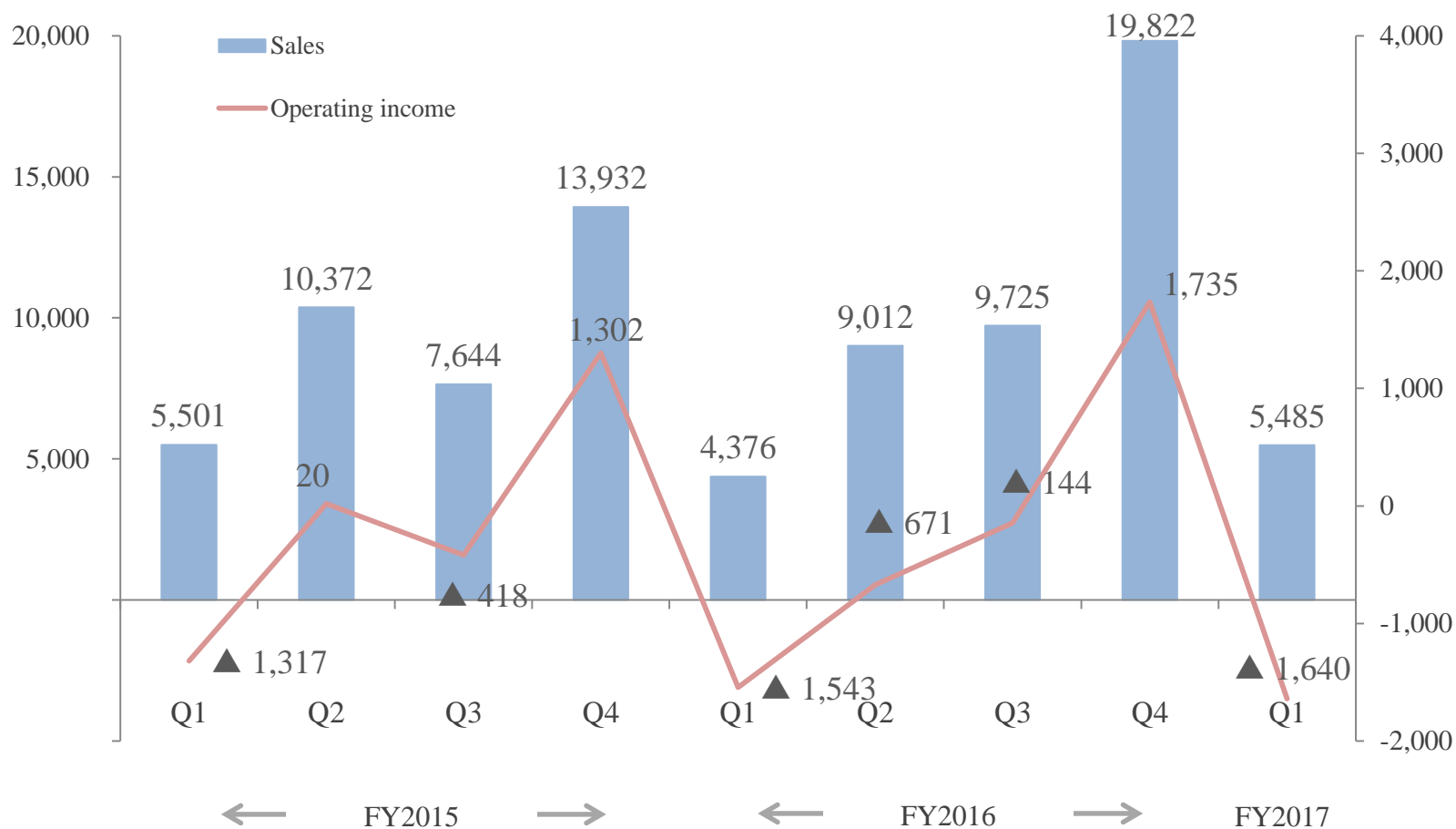


≫ Operating income declined year on year due to the rise in construction costs and costs related to new store openings.

2 Results by Segment (4) Housing sales

(Millions of yen)

(Millions of yen)



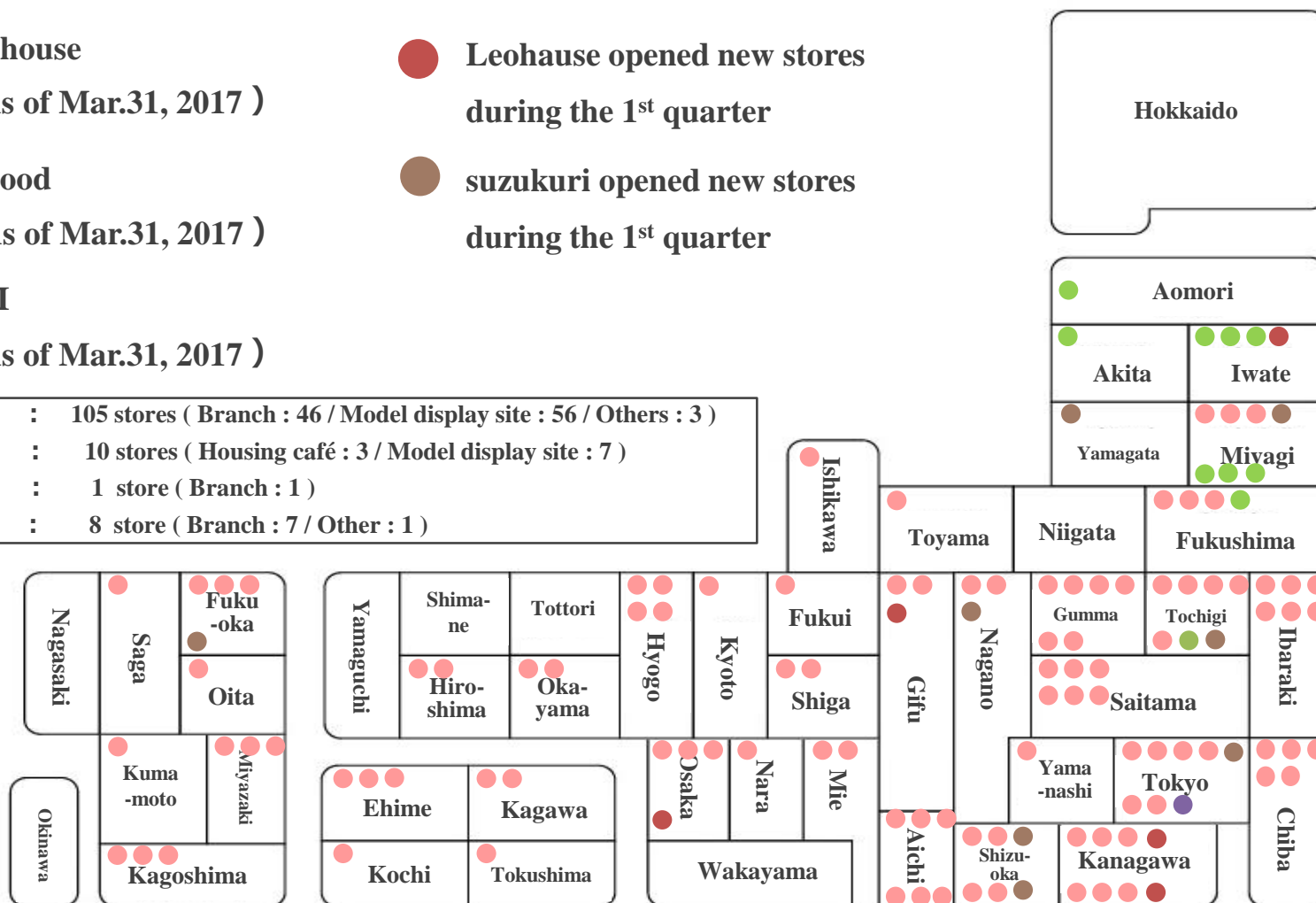
» Sales and Operating income tend to increase around Q4

2 Results by Segment (4) Housing sales

124 stores (Leohouse : 105 stores, J-wood : 10 stores, KDI : 1 store, suzukuri : 8 stores)

- Leohouse
(As of Mar.31, 2017)
- J-wood
(As of Mar.31, 2017)
- KDI
(As of Mar.31, 2017)
- Leohouse opened new stores
during the 1st quarter
- suzukuri opened new stores
during the 1st quarter

Leohouse	:	105 stores (Branch : 46 / Model display site : 56 / Others : 3)
J-wood	:	10 stores (Housing café : 3 / Model display site : 7)
KDI	:	1 store (Branch : 1)
suzukuri	:	8 store (Branch : 7 / Other : 1)



2 Results by Segment (4) Housing sales

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

(Number of houses ordered)

	FY2015				FY2016				FY2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	387	533	406	459	457	677	397	550	439			
Completions	238	500	347	694	186	390	403	871	188			
Orders in hand	1,035	1,057	1,109	861	1,114	1,385	1,361	1,016	1,245			
Change	+133	+22	+52	▲248	+253	+271	▲24	▲345	+229			
Unit price	※1 18.49 million yen				※1 18.26 million yen				※1 18.50 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	7	0	0	0	2	0	0	0	5			
Total stores	※2 109	※3 108	108	※4 105	※5 105	105	105	105	※6 105			

Closing of model display sites :

※2 ▲5

※3 ▲1

※4 ▲3

※5 ▲2

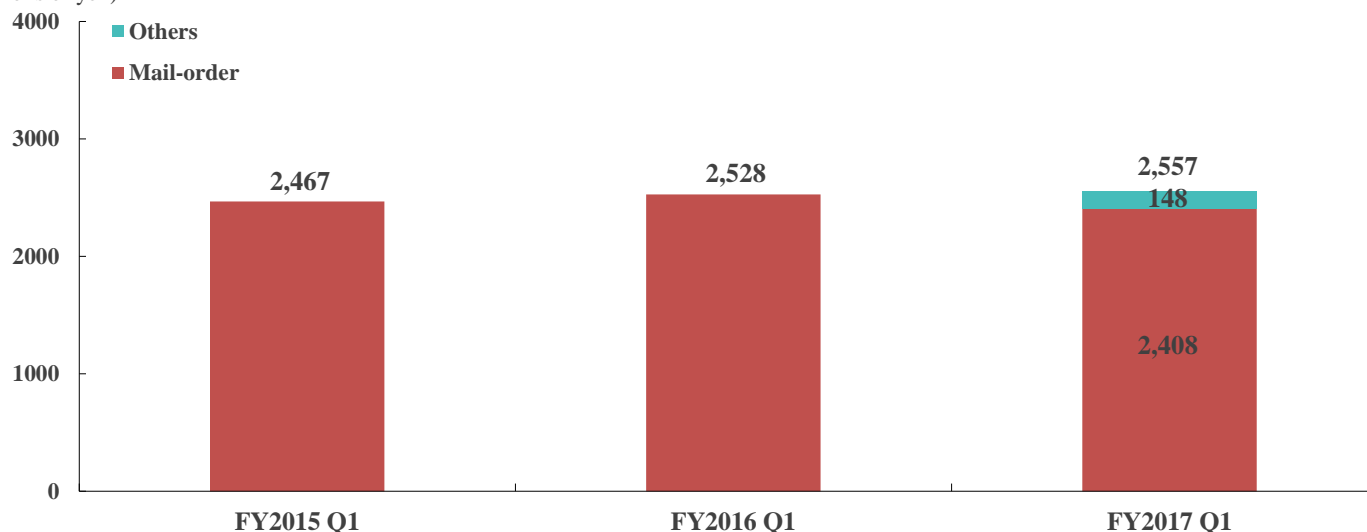
※6 Brand change to suzukuri ▲5

2

Results by Segment (5) Mail-order

(Millions of yen)

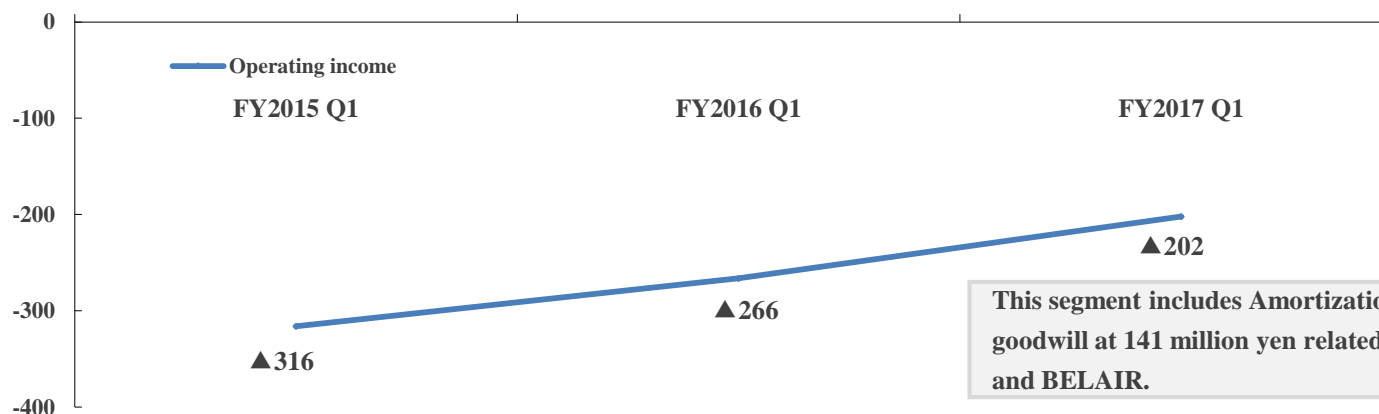
Sales



- » 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.
- » Sales decreased year on year in the mail-order consulting business.

(Millions of yen)

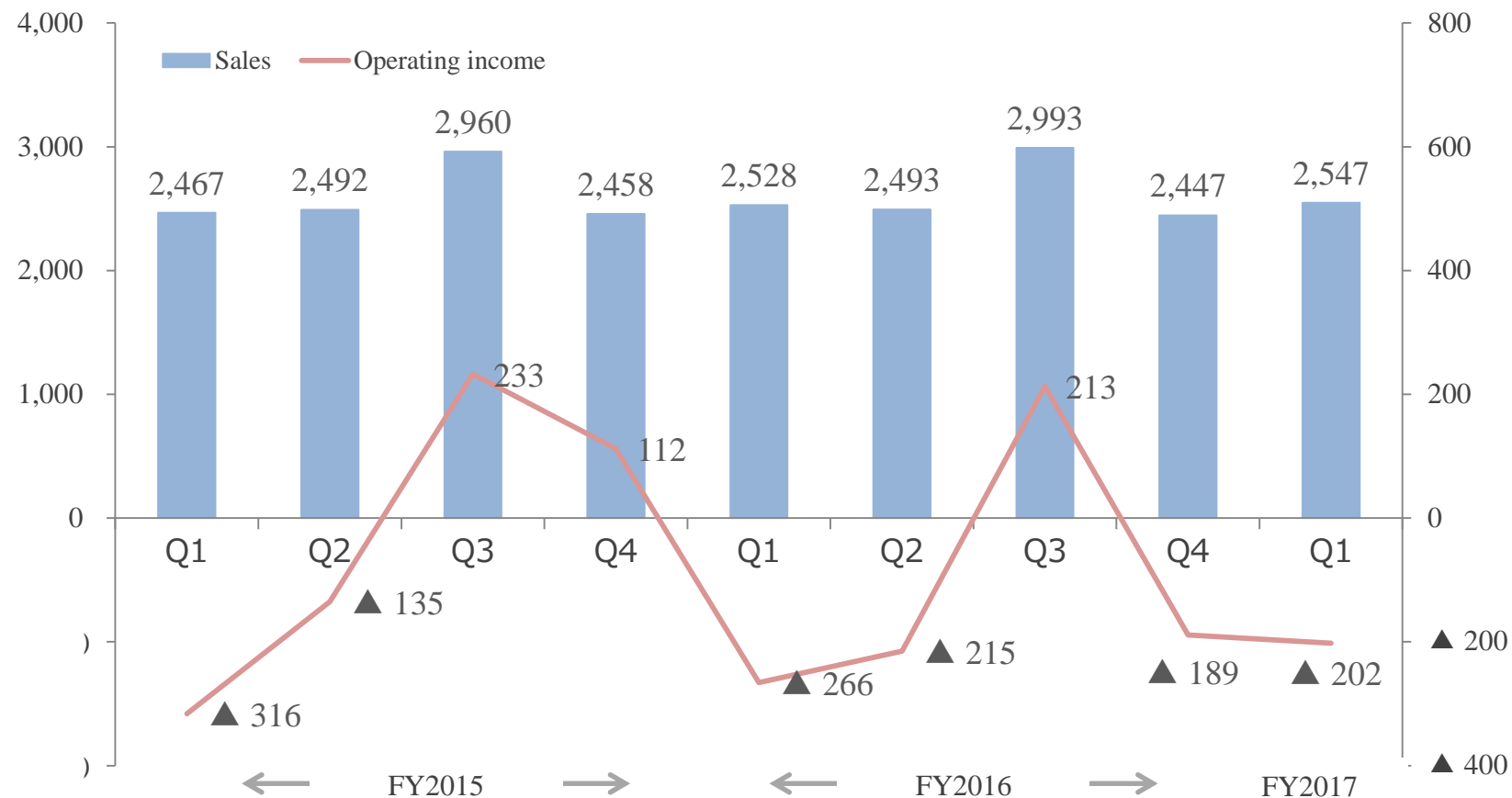
Operating Income



- » The Mail-order business improved operating income year on year due to the proper operation of investments in advertising.

2 Results by Segment (5) Mail-order

(Millions of yen)



» 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 resulting from amortization of goodwill .

3. FY2017 Forecasts of Financial Results

(millions of yen)

	FY2016	FY2017	YoY comparison
Sales	85,901	96,300	+ 12.1 %
Operating income	756	2,000	+ 164.2 %
Ordinary income	793	2,050	+ 158.4 %
Net income	415	850	+ 104.6 %
Dividends per share	27 yen	37 yen	-
EPS	24.65 yen	50.62 yen	+ 25.97 yen

FY2017 Forecasts of Financial Results

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

■ **Operating income** **2 billion yen** (YoY comparison +164.2%)

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

(Millions of yen)

Sales	Result FY 2016	Plan FY 2017	Comparison
CreCla	13,293	13,500	+ 1.6 %
Rental	13,135	13,600	+ 3.5 %
Construction Consulting	6,089	6,200	+ 1.8 %
Housing Sales	42,936	52,000	+ 21.1 %
Mail-order	10,463	11,000	+ 5.1 %
Elimination	▲16	-	-
Total	85,901	96,300	+ 12.1 %

☐ We recognize housing businesses in order to improve corporate performances.

FY2017 Operating income Forecasts by Segment

(Millions of yen)

Operating income	Result FY 2016	Plan FY 2017	Comparison
CreCla	274 (2.1 %)	300 (2.2 %)	+ 9.3 % (+0.1 pt)
Rental	1,853 (14.1 %)	1,800 (13.2 %)	▲ 2.9 % (▲ 0.9 pt)
Construction Consulting	956 (15.7 %)	900 (14.5 %)	▲ 5.9 % (▲ 1.2 pt)
Housing Sales	▲ 622 (▲ 1.5 %)	650 (1.3 %)	- (+ 2.8 pt)
Mail-order	▲ 457 (▲ 4.4 %)	50 (0.5 %)	- (+ 4.9 pt)
Elimination, HQ Cost	▲ 1,247	▲ 1,700	-
Total	756 (0.9 %)	2,000 (2.1 %)	+ 164.2 % (+ 1.2 pt)

Note)The figures inside()marks indicate operating margin.

4. Appendix

About Us and Our Business




(As of the end of March 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. (Finance and Welfare)
Employees	2,174 (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)

	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	923.41 yen	▲ 11.54 yen
Net income per share (EPS)	14.99 yen	24.65 yen	+ 9.66 yen
Equity ratio	38.0 %	35.6 %	▲ 2.4 pt
Ratio of shareholder's equity to Net income (ROE)	1.6 %	2.7 %	+ 1.1 Pt
Dividends per share	38 yen	27 yen	▲ 11 yen
Dividend ratio	253.6 %	110.1 %	▲ 143.5 pt
Ratio of dividends to shareholder's equity	4.0 %	2.9 %	▲ 1.1 pt

4

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	
Apr. 2017	suzukuri Co., Ltd started the housing business	
June. 2017	Established ACC Co., Ltd (a cooperative corporation) with Aquaclara Co., Ltd.	
June. 2017	Acquired KUNIMOKU HOUSE Co., Ltd.	

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.

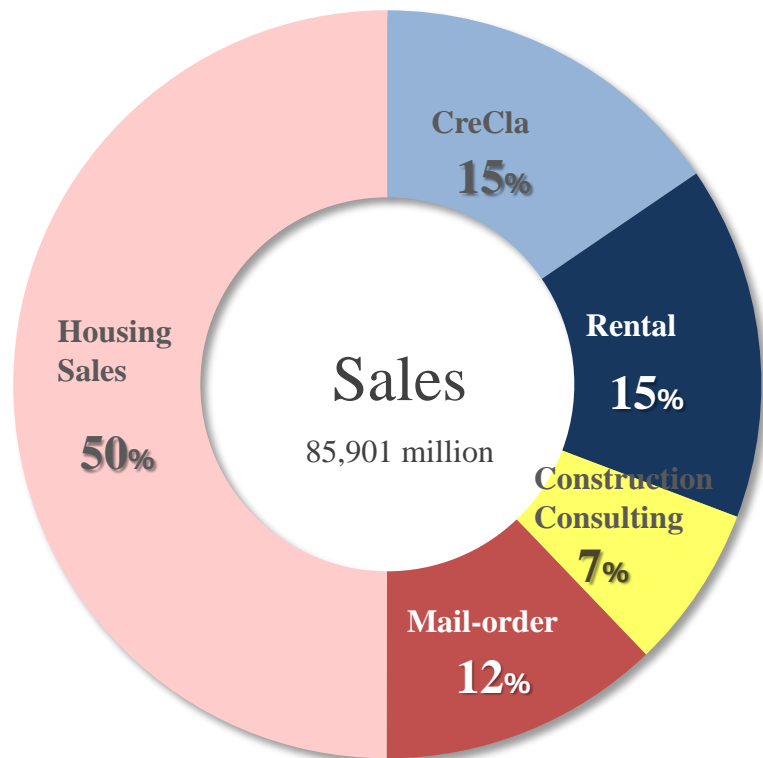
Housing Sales

- 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.
- We acquired KUNIMOKU HOUSE Co., Ltd that expand the housing business in Hokkaido.

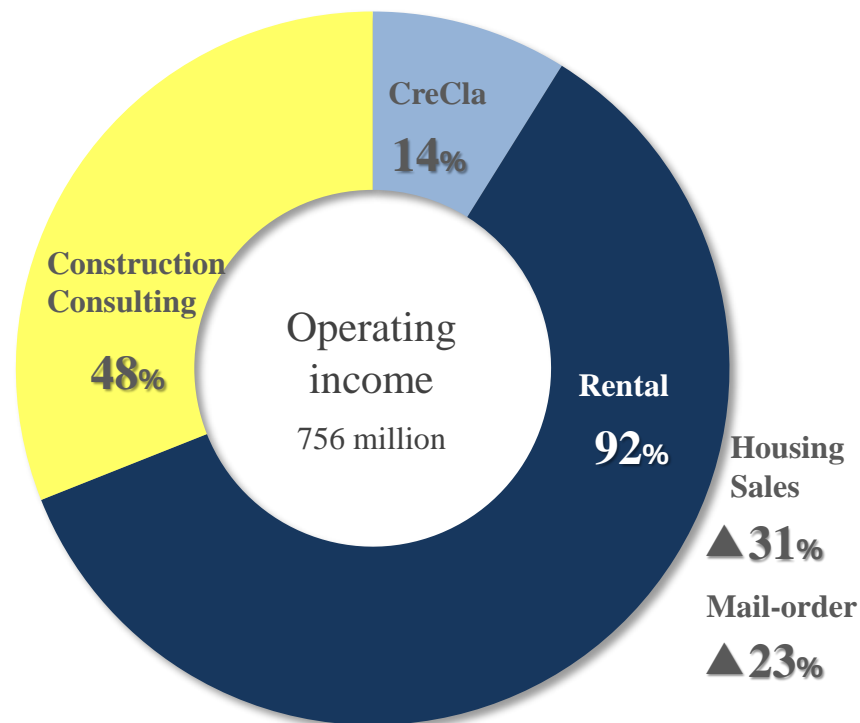
Mail-order

- 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



※except HQ-costs

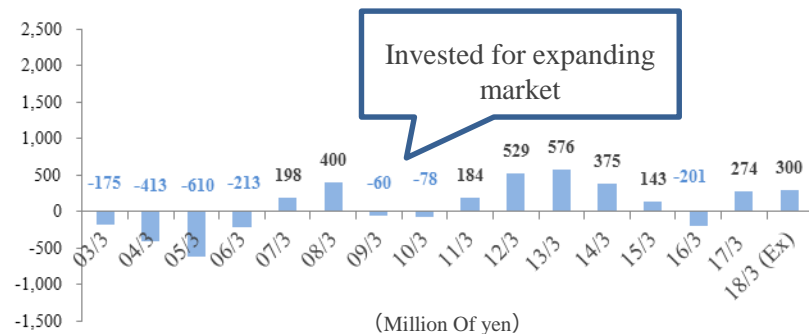
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
2.1%	14.1%	15.7%	▲4.4%	▲1.5%	1.3%

4 Operating income trend by segment

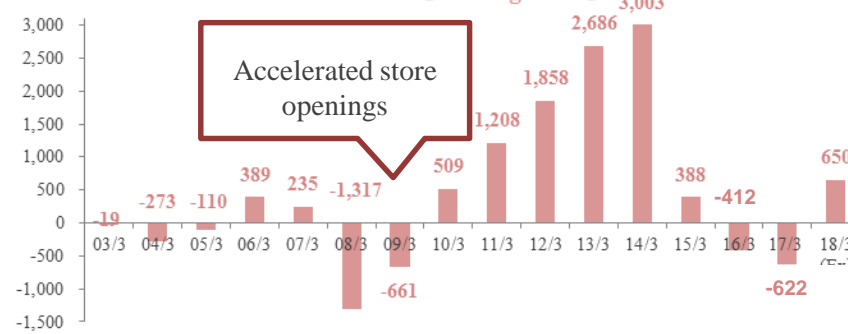
(Million Of yen)

【CreCla】



(Million Of yen)

【Housing sales】



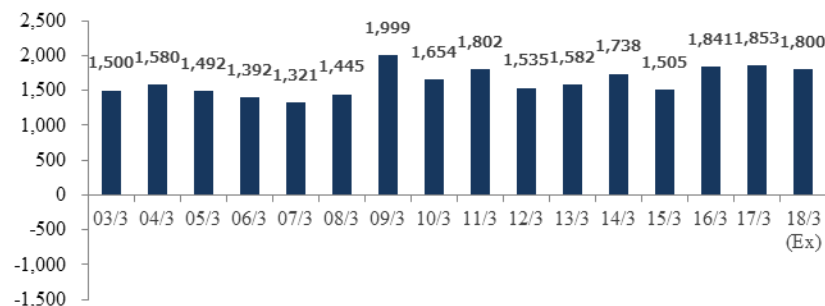
(Million Of yen)

【Mail-order】



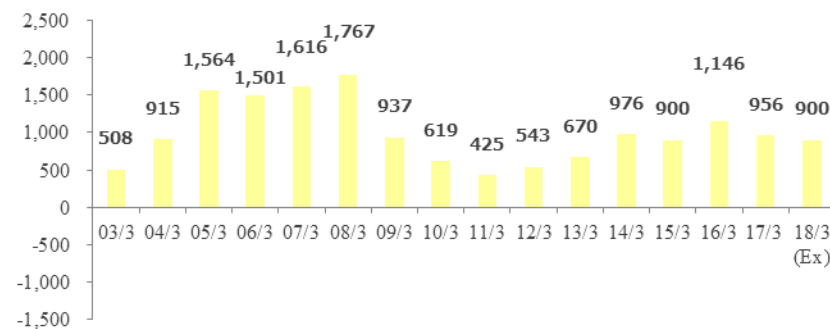
(Million Of yen)

【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.