

Results for FY2017 ended Mar. 31, 2018

【 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 11th, 2018

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 (FY2017)

(Millions of yen)

	FY2017 Result	FY2016 Result	YoY Comparison
Sales	89,818	85,901	+ 4.6%
Gross profit	34,785	34,695	+ 0.3%
(Gross margin)	38.7%	40.4%	▲ 1.7pt
SG&A	33,148	33,938	▲ 2.3%
Operating Income	1,637	756	+ 116.3%
(Operating margin)	1.8%	0.9%	+ 0.9pt
Non-operating income and loss	▲ 62	36	—
Ordinary Income	1,574	793	+ 98.4%
Extra-ordinary income and loss	▲ 1,021	▲ 65	—
Net Income attributable to owners of parent	▲ 994	415	—

- » Consolidated sales rose year on year because the number of handover increased in the Housing sales business and the Rental business glow sales.
- » Operating income rose year on year because of sales increases in the Rental business and declines in expenses regarding the Crecla business and Mail-order business.

(Millions of yen)

Sales	FY2017 Result	FY2016 Result	YoY Comparison
CreCla	13,158	13,293	▲ 1.0%
Rental	13,727	13,135	+ 4.5%
Construction Consulting	5,383	6,089	▲ 11.6%
Housing Sales	47,492	42,936	+ 10.6%
Mail-order	10,115	10,463	▲ 3.3%
Elimination	▲ 59	▲ 16	—
Total	89,818	85,901	+ 4.6%

- » In the CreCla Business, our directly managed stores increased sales slightly, but affiliated stores decreased sales due to decreases in sales of bottles. Overall sales declined year on year.
- » In the Rental business, sales reached the record high due to sales growth in all business area.
- » In the Construction Consulting business, sales declined year on year since the construction know-how systems and Eco&Eco decreased sales.
- » In the Housing Sales Business, the number of orders received and orders in hand increased in Leohouse and J-wood. Moreover, the consolidated period regarding KDI and KUNIMOKUHOUSE increased compared with previous year, so sales rose year on year.
- » In the Mail-order business, sales declined year on year due to decrease in sales per customers in the mainstay Macchia Label brand and the Coyori brand.

1 Operating Income by Segment

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

(Millions of yen)

Operating income	FY2017 Result	FY2016 Result	YoY Comparison
CreCla	596 (4.5%)	274 (2.1 %)	+ 321 (+ 2.5pt)
Rental	2,021 (14.7%)	1,853 (14.1 %)	+ 167 (+ 0.6pt)
Construction Consulting	775 (14.4%)	956 (15.7 %)	▲ 181 (▲ 1.3pt)
Housing Sales	▲ 736 (▲ 1.6%)	▲ 622 (▲ 1.5 %)	▲ 113 (▲ 0.1pt)
Mail-order	147 (1.5%)	▲ 457 (▲ 4.4 %)	+ 605 (+ 5.8pt)
Elimination, HQ Cost	▲ 1,166	▲ 1,247	—
Total	1,637 (1.8%)	756 (0.9%)	+ 880 (+ 0.9pt)

- » The CreCla business reached the record high of operating income year on year due to stable sales in our direct managed stores and revisions to management costs.
- » The Rental business reached the record high of 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 Eco&Eco.
- » The Housing business glow sales, but it could not make up for increases in construction costs and management costs, so operating income declined year on year.
- » The Mail-order business improved operating income year on year due to proper operations of investments in advertising.

(Millions of yen)

1

Analysis for operating income & loss (YoY change)

			Comparison
FY2016 Operating Income		756	-
1. Gross profit		+ 90	+ 0.3%
2. Increase and Decrease of SG&A ※ Increase and Decrease of SG&A + Increase in profit and loss ▲ Decrease in the profit and loss	Sales promotion costs and Advertising Exp.	+ 958	+ 15.2%
	Personnel expenses	▲ 649	▲ 4.8%
	Commission paid	+ 225	+ 15.6%
	Depreciation and Amortization	+ 323	+ 13.8%
	Rent	▲ 161	▲ 6.9%
	Others	+ 93	+ 1.2%
FY2017 Operating Income		1,637	-

1. The reason of decrease of Gross profit margin

- ≫ Leohouse decreased at 371 millions of yen. The number of handover was far below initial budget largely, so we could not make up for increases in construction costs and management costs.
- ≫ JIMOS decreased at 557 million of yen due to decreases in sales per customers.
- ≫ The consolidated period increased compared with previous year in BELAIR (436 million of yen), KUNIMOKU HOUSE (230 million of yen) and KDI (223 million of yen).

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

- ≫ Personnel expenses increased because BELAIR, suzukuri and KUNIMOKU HOUSE newly appropriated 494 million of yen.
- ≫ Commission paid declined since consulting fees regarding NAC and suzukuri decreased compared with previous year.
- ≫ Rent increased since BELAIR, suzukuri and KUNIMOKU HOUSE newly appropriated 303 million of yen.

	As of Mar.31 2018	Breakdown	As of Mar.31 2017	Breakdown	Comparison
Current assets	23,433	55.5%	22,133	50.9%	+ 1,300
Total PP&E	12,579	29.8%	13,813	31.8%	▲ 1,233
Intangible assets	2,782	6.6%	3,546	8.2%	▲ 764
Investments and other assets	3,452	8.2%	4,006	9.2%	▲ 553
Non-current assets	18,814	44.5%	21,366	49.1%	▲ 2,551
Total assets	42,248	100.0%	43,499	100.0%	▲ 1,251
Current liabilities	20,979	49.7%	20,905	48.1%	+ 73
Non-current liabilities	7,154	16.9%	7,087	16.3%	+ 66
Total liabilities	28,133	66.6%	27,992	64.4%	+ 140
Shareholder's equity	14,873	35.2%	16,314	37.5%	▲ 1,440
Accumulated other comprehensive income	▲ 758	▲ 1.8%	▲ 807	▲ 1.9%	+ 48
Total net assets	14,114	33.4%	15,506	35.7%	▲ 1,391
Total liabilities and net assets	42,248	100.0%	43,499	100.0%	▲ 1,251

■ Current assets : Merchandise and Finished goods ▲495 Real estate + 757 Account receivable and Note receivable + 483

■ Non-current assets : Buildings and Structures ▲974 Goodwill ▲481

■ Current liabilities : Advances received on uncompleted construction contracts ▲423 Allowance for store closure + 265

■ Non-current liabilities : Long-term loans + 57

■ Equity Ratio : 33.4%

1 FY2017 Consolidated Cash flows

(Millions of yen)

	FY2017	FY2016	Comparison
1. Cash flows from Operating activities	1,152	3,473	▲ 2,320
2. Cash flows from Investing activities	▲ 905	▲ 2,657	+ 1,751
3. Cash flows from Financing activities	▲ 473	▲ 1,732	+ 1,259
Net increase(decrease)in cash and cash equivalents	▲ 225	▲ 916	+ 690
Cash and cash equivalents at beginning of year	7,430	8,346	▲ 916
Cash and cash equivalents at end of year	7,261	7,430	▲ 225

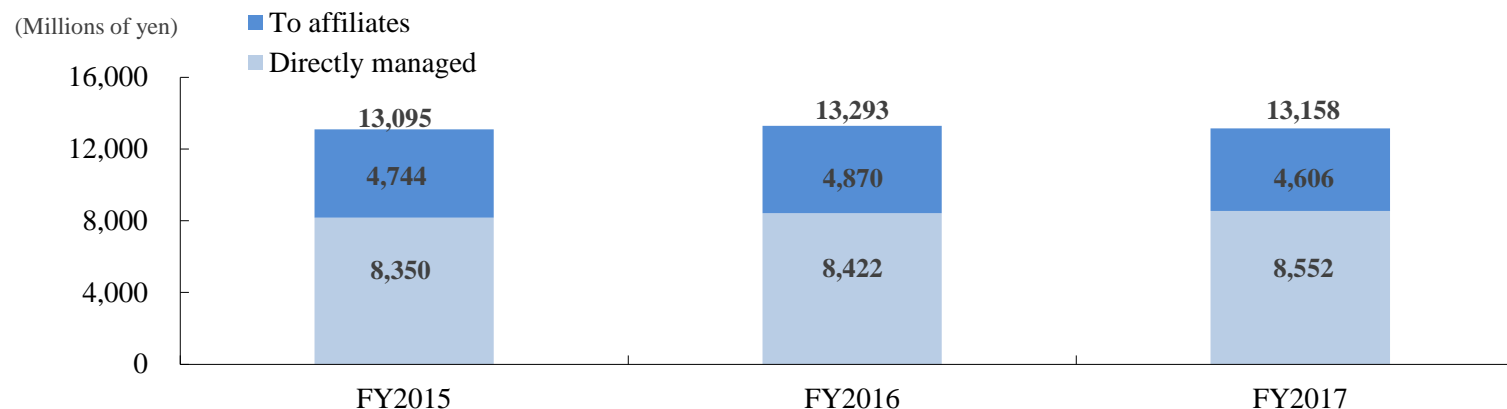
Summary

- Operating activities : Net income before income taxes +553
 Depreciation +1,783
 Loss on impairment including Leohouse +647
 Corporate tax ▲925
 Costs on uncompleted construction contracts ▲496
- Investing activities : Purchase of tangible assets ▲645
 Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation ▲274
- Financing activities : Dividends ▲445

2. Results by Segments

2 Results by Segment (1) CreCla ①

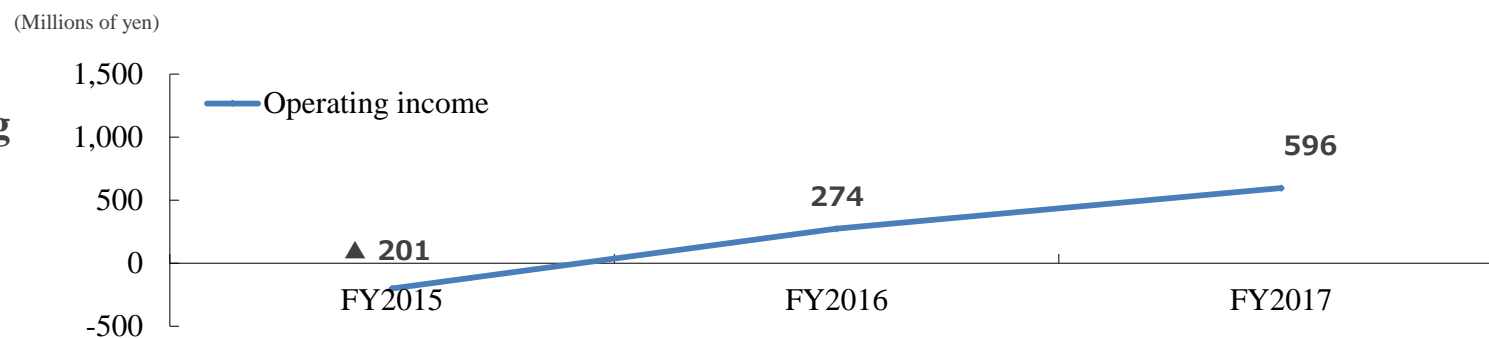
Sales



» Our direct managed stores kept up sales efforts using advantages of two-way business, so sales increased slightly.

» In our affiliated stores, sales declined due to decreases in sales of bottles.

Operating Income



» Operating income increased year on year due to stable sales in our direct managed stores and revisions to management costs.

2 Results by Segment (1) CreCla ②

(Millions of yen)

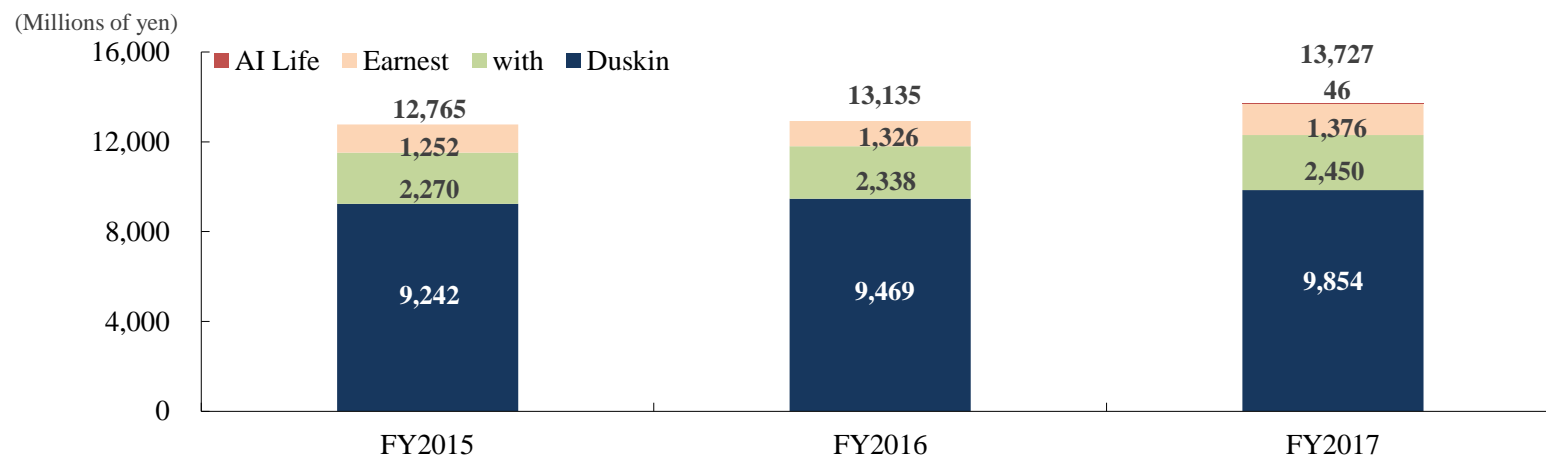
(Millions of yen)



- ≫ 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 ①

Sales

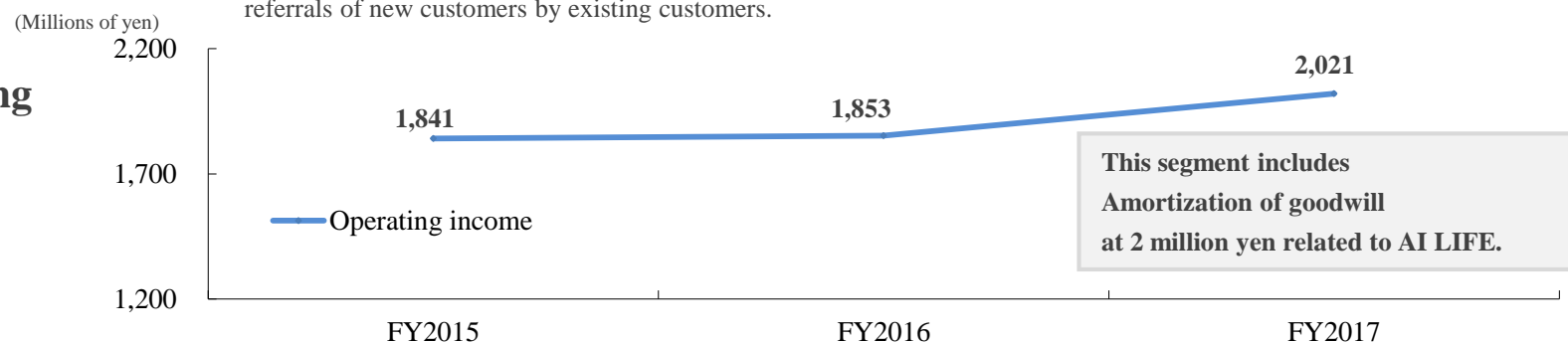


» The Duskin business focused on existing customers to enhance customer satisfaction. Moreover, we utilised M&A strategy to expand business areas. As a result, sales increased year on year.

» The With-branded pest-control devices business started sales of the newest product called “With” from July, 2017. What is more, the number of loyal customers rose thanks to sales promotions before the summer peak demand season in both our directly managed stores and affiliated stores. Overall, sales rose 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

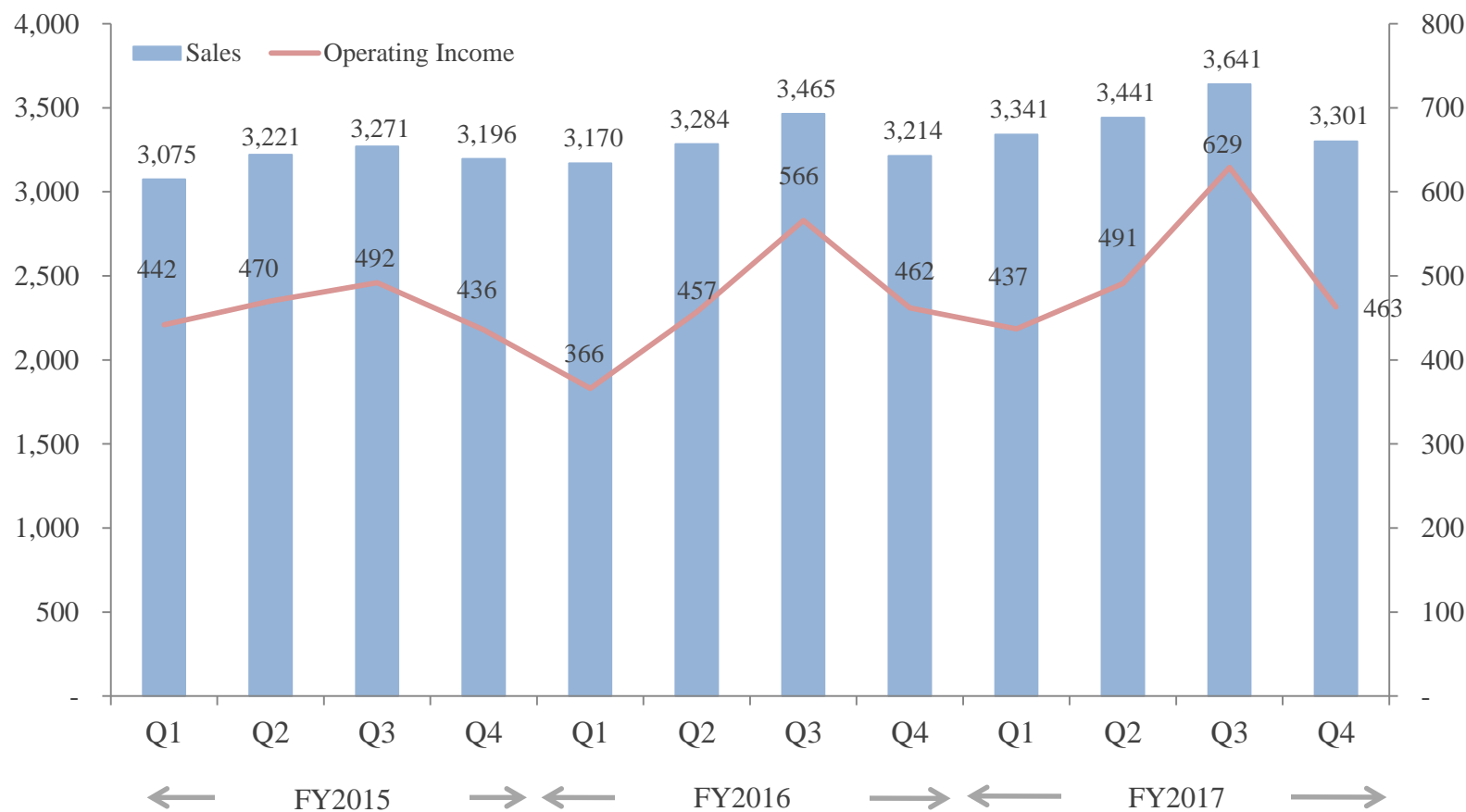


» Operating income increased year on year owing to sales increases in all sections.

2 Results by Segment (2) Rental ②

(Millions of yen)

(Millions of yen)

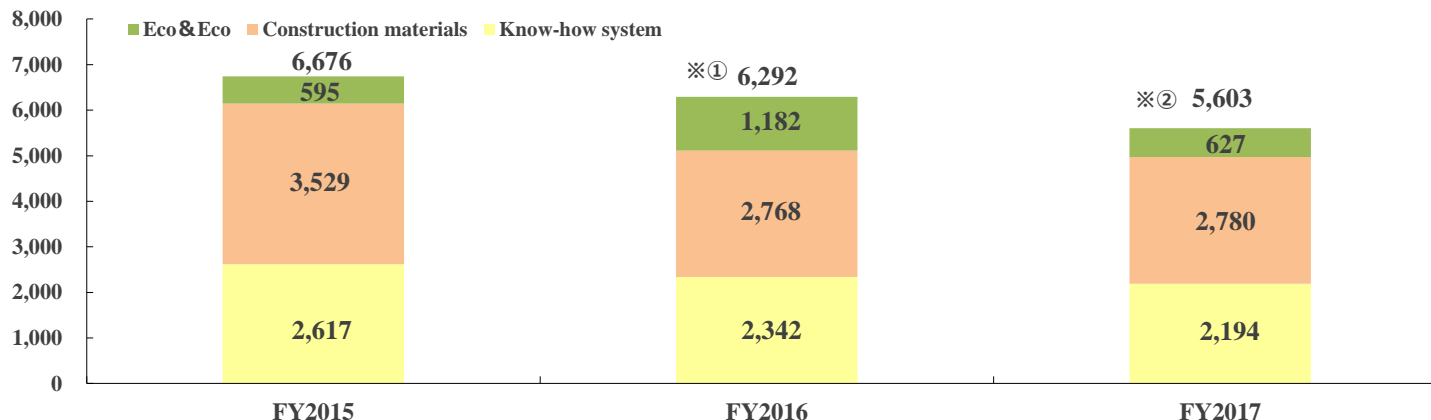


» The Rental business stabilizes both sales and operating income through the year.

2 Results by Segment (3) Construction Consulting ①

(Millions of yen) ※① It includes internal transactions about 202 millions yen. ※② It includes internal transactions about 219 millions yen.

Sales

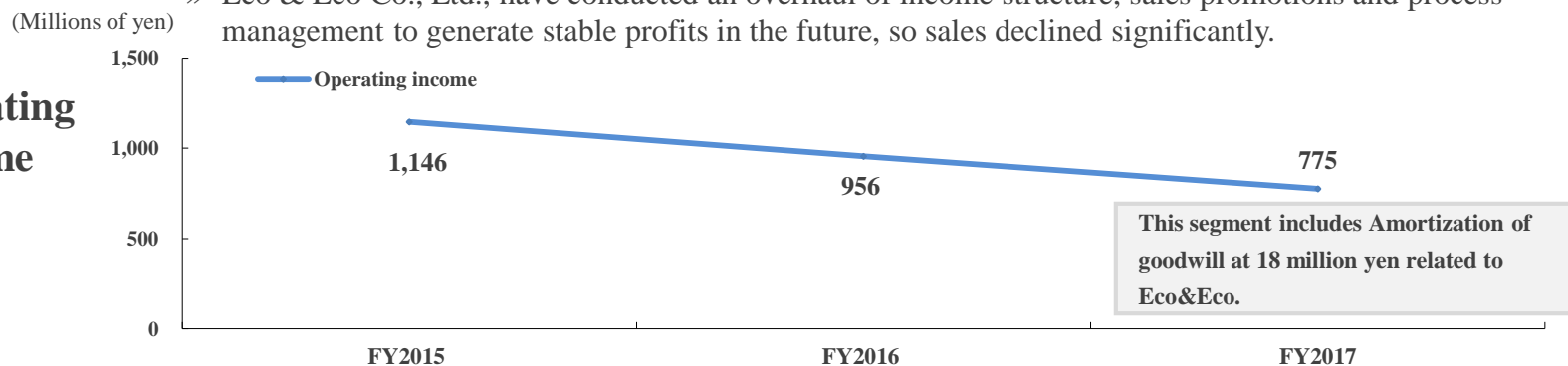


≫ In the construction know-how systems, small and midsize building contractors tended to reduce investments resulting from uncertainty about market prospects. Thus, sales declined year on year.

≫ The construction materials started offering construction materials for subdivided housing unit and renovation in the adjacent market, so it produced positive results. Overall, sales increased year on year.

≫ Eco & Eco Co., Ltd., have conducted an overhaul of income structure, sales promotions and process management to generate stable profits in the future, so sales declined significantly.

Operating Income

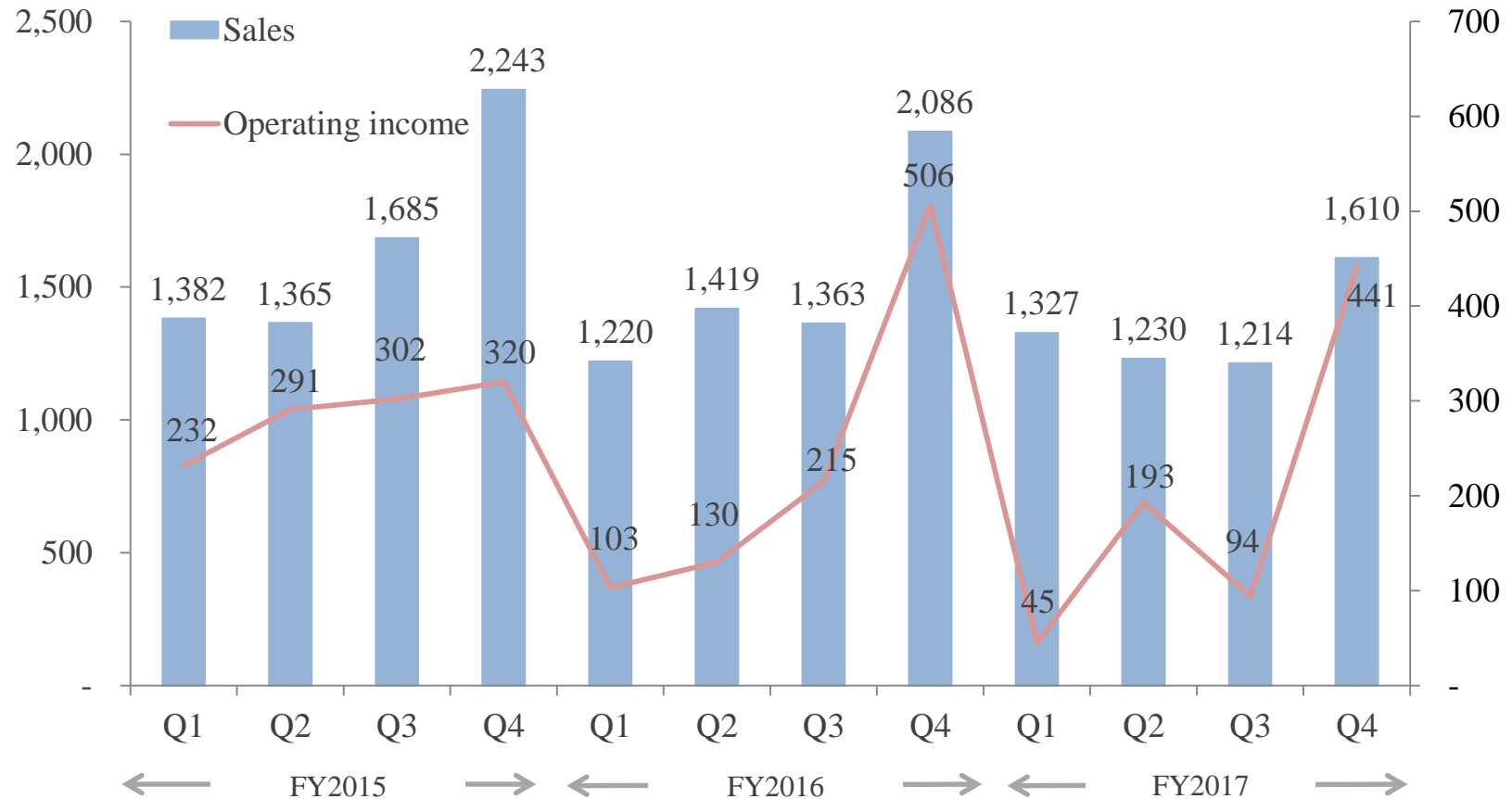


≫ In the Construction Consulting business, sales declined since the construction know-how systems and Eco&Eco decreased sales year on year.

2 Results by Segment (3) Construction Consulting ②

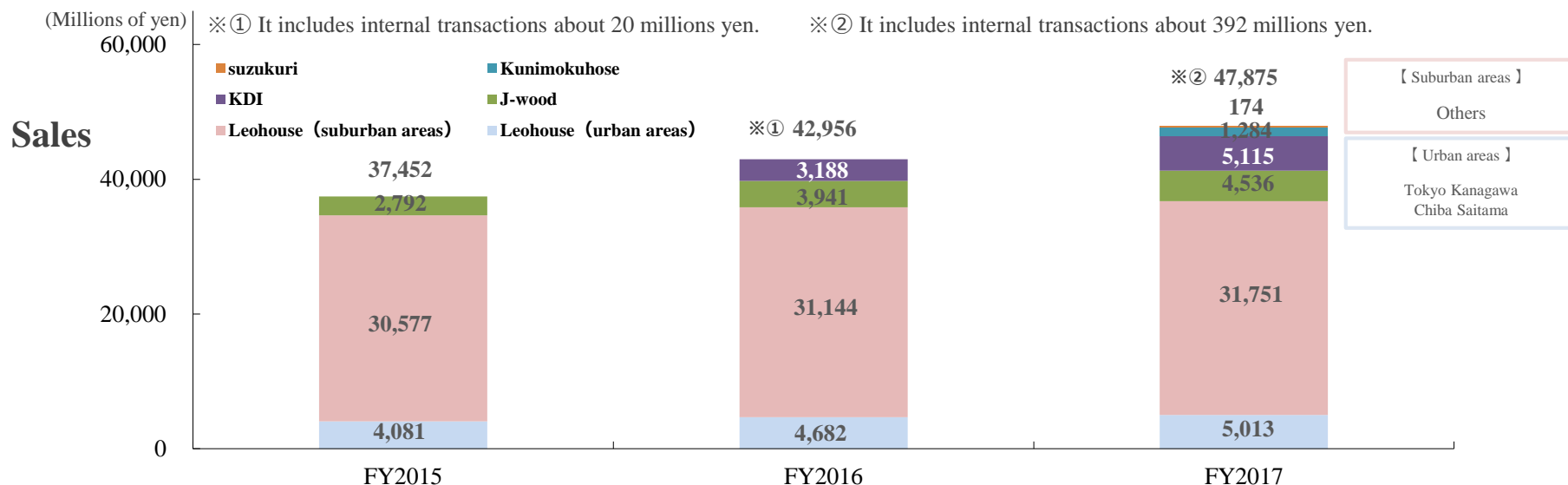
(Millions of yen)

(Millions of yen)



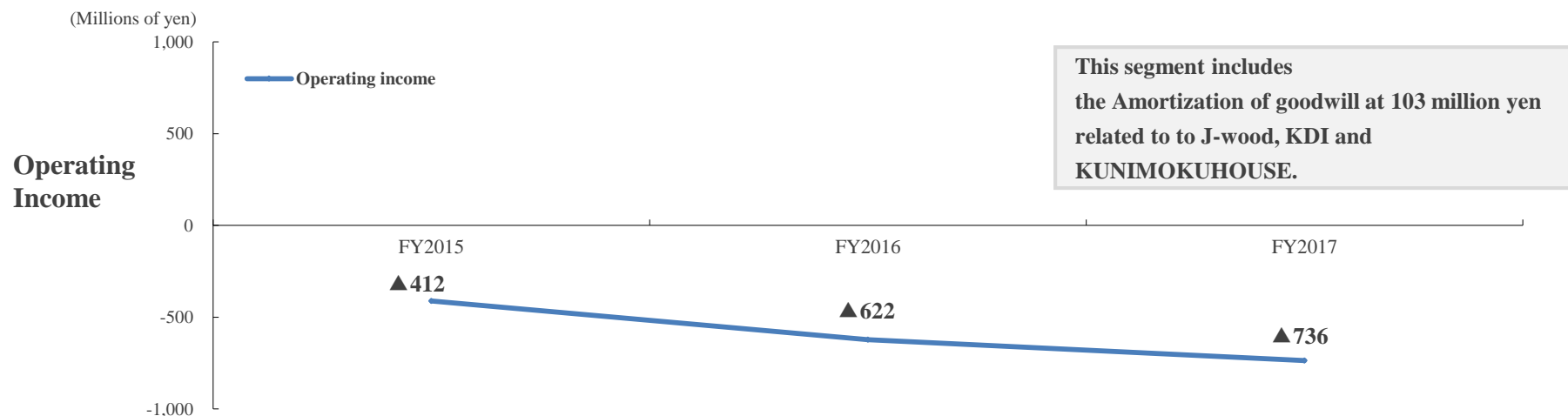
» Both sales and operating income tend to increase around the fourth quarter.

2 Results by Segment (4) Housing sales ①



≫ Regarding Leohouse and J-wood, sales increased year on year since the number of handover exceeded previous year.

≫ The consolidated period in KDI and KUNIMOKU HOUSE increased compared with previous year.

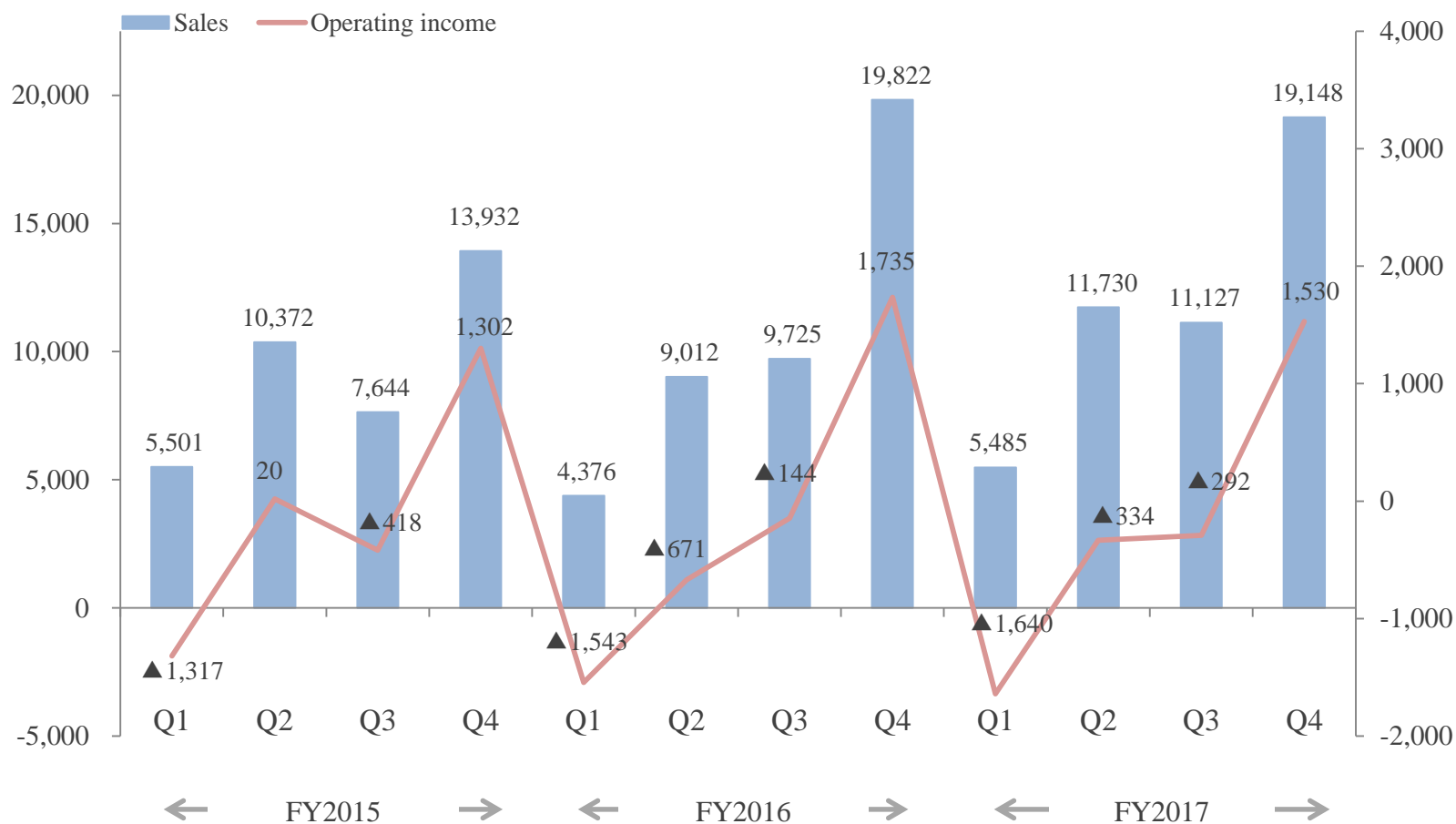


≫ Operating income decreased because the number of handovers in Leohouse and J-wood were far below initial budget largely, so we could not make up for increases in construction costs and management costs.

2 Results by Segment (4) Housing sales ②

(Millions of yen)




(Millions of yen)



» Sales and operating income tend to increase around Q4

2 Results by Segment (4) Housing sales③

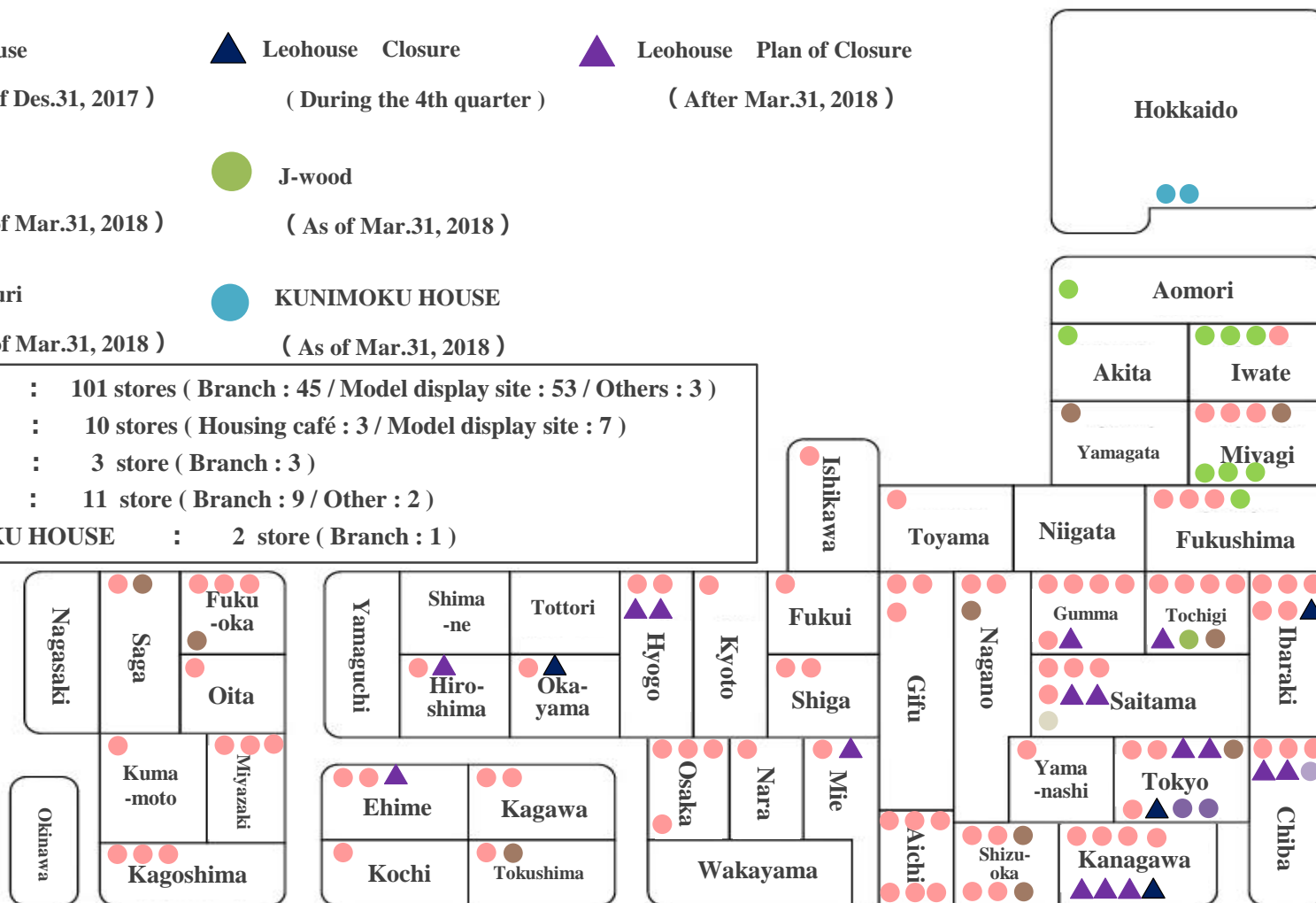
127 stores (Leohouse : 101 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 11 stores, KUNIMOKU HOUSE : 2 stores)

 Leohouse (As of Des.31, 2017)
 Leohouse Closure (During the 4th quarter)
 Leohouse Plan of Closure (After Mar.31, 2018)

 KDI (As of Mar.31, 2018)
 J-wood (As of Mar.31, 2018)

 suzukuri (As of Mar.31, 2018)
 KUNIMOKU HOUSE (As of Mar.31, 2018)

Leohouse : 101 stores (Branch : 45 / Model display site : 53 / Others : 3)
 J-wood : 10 stores (Housing café : 3 / Model display site : 7)
 KDI : 3 store (Branch : 3)
 suzukuri : 11 store (Branch : 9 / Other : 2)
 KUNIMOKU HOUSE : 2 store (Branch : 1)



2 Results by Segment (4) Housing sales④

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	542	419	489
Completions	238	500	347	694	186	390	403	871	188	478	396	834
Orders in hand	1,035	1,057	1,109	861	1,114	1,385	1,361	1,016	1,245	1,294	1,309	944
Change	+133	+22	+52	▲248	+253	+271	▲24	▲345	+229	+49	+15	▲365
Unit price	※1 18.49 million yen				※1 18.26 million yen				※1 17.92 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	7	0	0	0	2	0	0	0	5	0	0	0
Total stores	※2 109	※3 108	108	※4 105	※5 105	105	105	105	※6 105	105	105	※7 101

Closing of model display sites :

※2 ▲5

※3 ▲1

Closing of model display sites :

※4 ▲3

※5 ▲2

※6 Brand change to suzuki ▲5

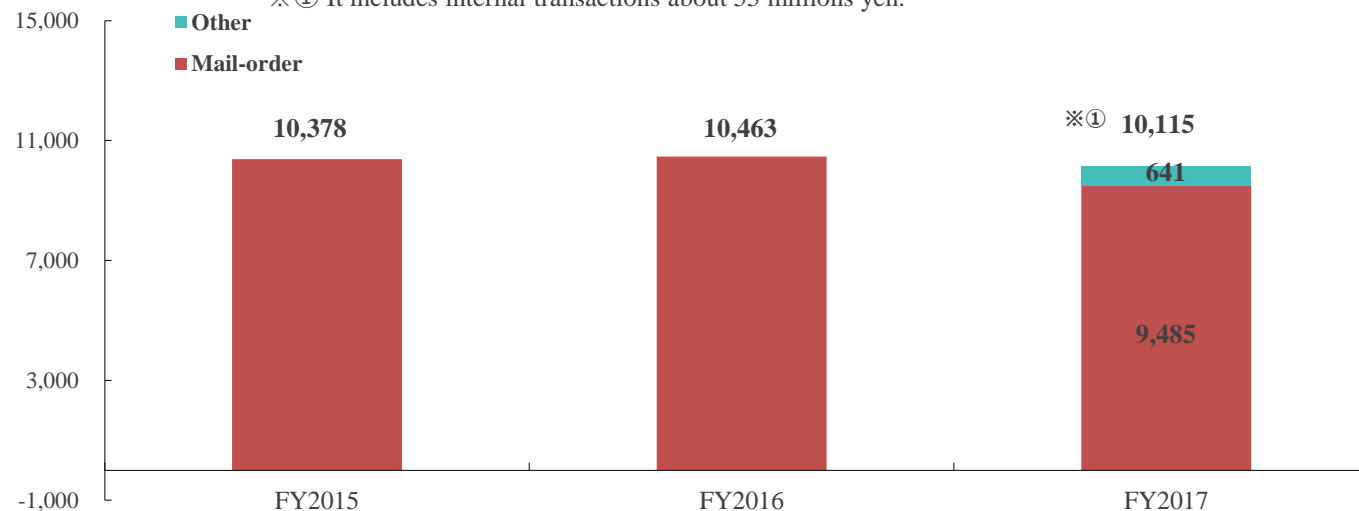
※7 Closing of unprofitable model display sites ▲4

2 Results by Segment (5) Mail-order ①

(Millions of yen)

※① It includes internal transactions about 55 millions yen.

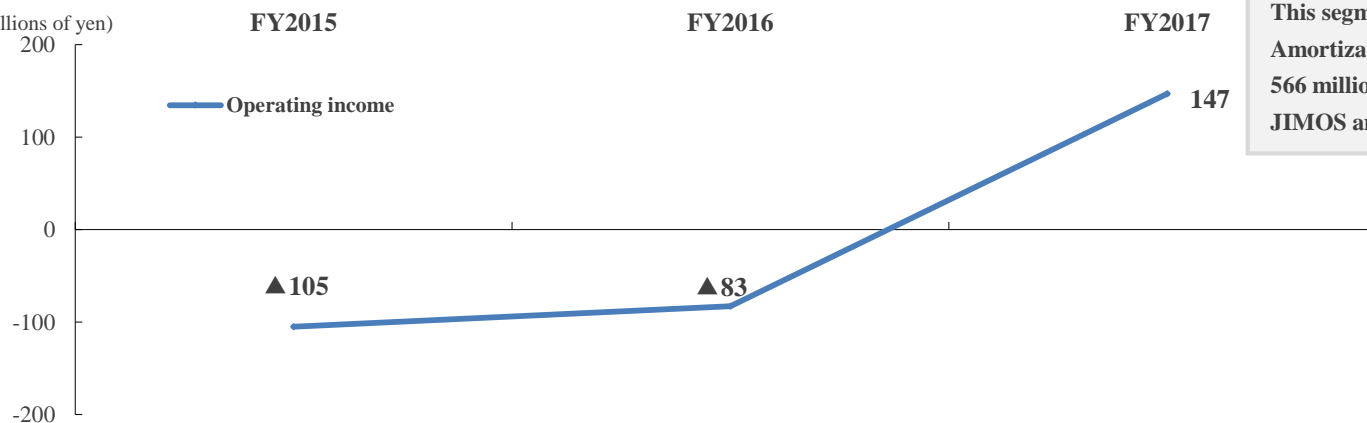
Sales



» The mainstay Macchia Label brand and the Coyori brand of skin and hair care products made from natural ingredients increased the number of new customers. However, sales decreased year on year due to a slowdown in the repeat rate and the decrease in sales per customers.

(Millions of yen)

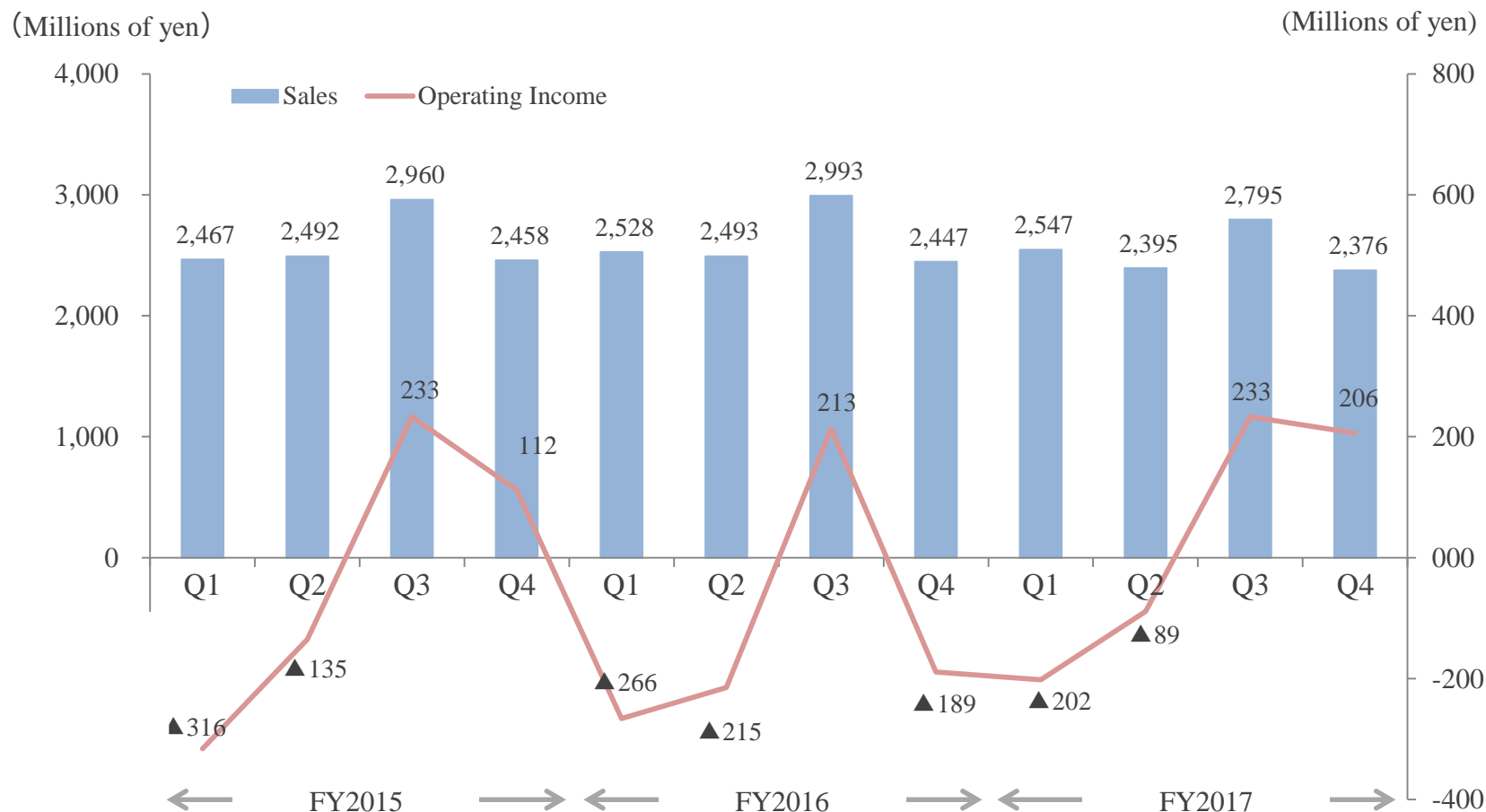
Operating
Income



This segment includes
Amortization of goodwill at
566 million yen related to
JIMOS and BELAIR.

» Operating income improved year on year because of the proper operation of investments in advertising and promotion to maintain stable profits.

2 Results by Segment (5) Mail-order ②



» 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.

3. FY2018 Forecasts of Financial Results and Strategies

FY2018 Forecasts of Financial Results

(million yen)

	FY2017	FY2018	YoY comparison
Sales	89,818	96,500	+ 7.4%
Operating income	1,637	2,000	+ 22.2%
Ordinary income	1,574	2,050	+ 30.2%
Net income	▲ 994	600	-
Dividends per share	18 yen	34 yen	-
EPS	▲ 59.15yen	35.68yen	+ 94.83yen

≫ We reorganize the Housing Sales Business to increase sales, operating income, ordinary income and net income.

3 FY2018 Sales Forecasts by Segment

(Millions of yen)

Sales	Result FY 2017	Plan FY 2018	Comparison
CreCla	13,158	13,700	+ 4.1%
Rental	13,727	14,200	+ 3.4%
Construction Consulting	5,383	6,300	+ 17.0%
Housing Sales	47,492	52,500	+ 10.5%
Mail-order	10,115	9,800	▲ 3.1%
Elimination	▲ 59	-	-
Total	89,818	96,500	+ 7.4%

(Million of yen)

Operating income	Result FY 2016	Plan FY 2017	Comparison
CreCla	596 (4.5%)	405 (3.0%)	▲ 32.1% (▲ 1.5pt)
Rental	2,021 (14.7%)	2,000 (14.1%)	▲ 1.1% (▲ 0.6pt)
Construction Consulting	775 (14.4%)	755 (12.0%)	▲ 2.6% (▲ 2.4pt)
Housing Sales	▲ 736 (▲ 1.6%)	160 (0.3%)	- (+ 1.9pt)
Mail-order	147 (1.5%)	80 (0.8%)	▲ 45.8% (▲ 0.7pt)
Elimination, HQ Cost	▲ 1,166	▲ 1,400	-
Total	1,637 (1.8%)	2,000 (2.1%)	+ 22.2% (+ 0.3pt)

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

3

FY2018 Forecasts of Financial Results

■ **Sales:96.5 billion yen** (YoY Comparison + **7.4%**)

■ **Operating income 2 billion yen** (YoY comparison + **22.2%**)

Rental

[Dust control products business]

- ⇒ Carry out M&A strategy
- ⇒ Expand the total care service

[Pest-control devices business]

- ⇒ Win new customers and implement sales promotion

Housing Sales

[Leohouse]

- ⇒ Withdrawal from unprofitable stores to reduce fixed costs
- ⇒ Proper Distribution of resources to improve profitability
- ⇒ Rebuild sales systems to meet demands of the surge ahead of the consumption tax hike.

[J-wood]

- ⇒ Lay the foundation for better business management by the use of SNS

[KDI]

- ⇒ Focus on metropolitan area and reduce construction costs

[suzukuri]

- ⇒ Expand targets and form a business tie-up with different type of business

Crecla

- ⇒ Enhance brand through improvement of customer services
- ⇒ Supply products to meet a wide variety of customer need
- ⇒ Delivery at nighttime and holiday

Construction Consulting

[Know-how business]

- ⇒ Strengthen sales promotion regarding ZEH and termination of national policy

[Construction materials]

- ⇒ Strengthen coordination with Know-how business

Mail-order

Acquire new customers

- ⇒ Expand targets and form a business tie-up with different type of business
- ⇒ Tap into overseas markets

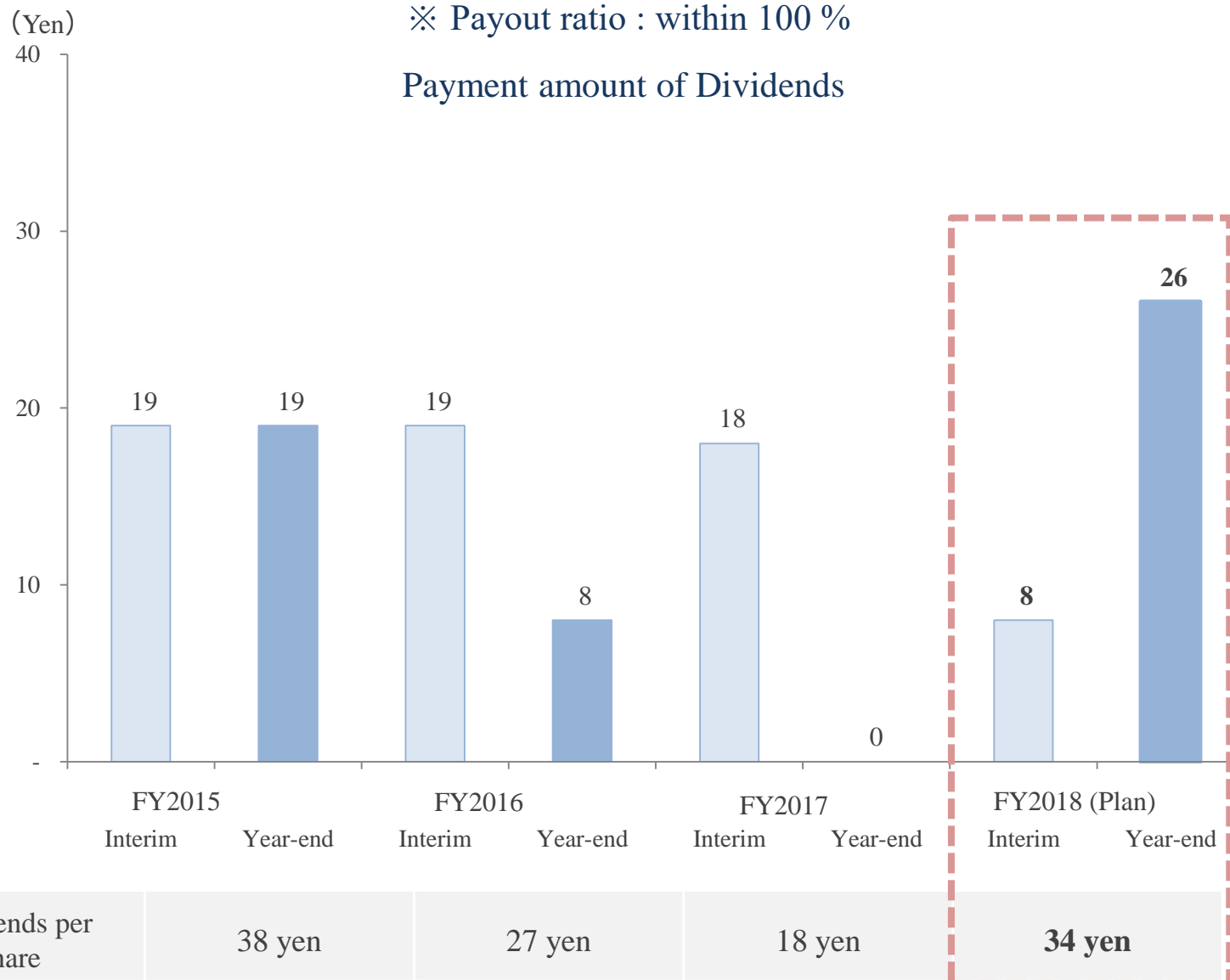
4. Plan of Dividends

4

Plan of dividends : Dividend Policy with DOE 4%

※ Payout ratio : within 100 %

Payment amount of Dividends



5. Medium-Term Strategy

Regarding medium-term strategy for FY2020, we review the current plan and announce new strategy during first quarter in FY2018.




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, finance and insurance affairs with housing sales) ■ Mail-order (Cosmetics and health food 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) KUNIMOKU HOUSE Co., Ltd. (Housing sales) suzukuri Co., Ltd. (Housing sales) AI LIFE Co., Ltd. (Rental business)
Employees	2,165(consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	13,269 (Total number of shareholders; treasury shares are excluded)

6 Key Financial Indicators (Consolidated)

	FY2016	FY201	Comparison
Average number of shares during the period	16,854,157 shares	16,807,436 shares	▲ 46,721 shares
Net assets per share (BPS)	923.41 yen	839.28 yen	▲ 84.13 yen
Net income per share (EPS)	24.65 yen	▲ 59.15 yen	▲ 83.79 yen
Equity ratio	35.7%	33.4%	▲ 2.3pt
Ratio of shareholder's equity to Net income (ROE)	2.7%	▲ 6.7%	▲ 9.4pt
Dividends per share	27 yen	18 yen	▲ 9 yen
Dividend ratio	109.5%	▲ 30.4%	▲ 139.9pt
Ratio of dividends to shareholder's equity	2.9%	2.1%	▲ 0.8pt

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	
Mar. 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. 2015	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	Acquired suzukuri Co., Ltd.	
Jun. 2017	Acquired KUNIMOKU HOUSE Co., Ltd.	
Sep. 2017	Acquired AI LIFE 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
- Acquired AI LIFE Co., Ltd. (September, 2017) that runs Duskin business.

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

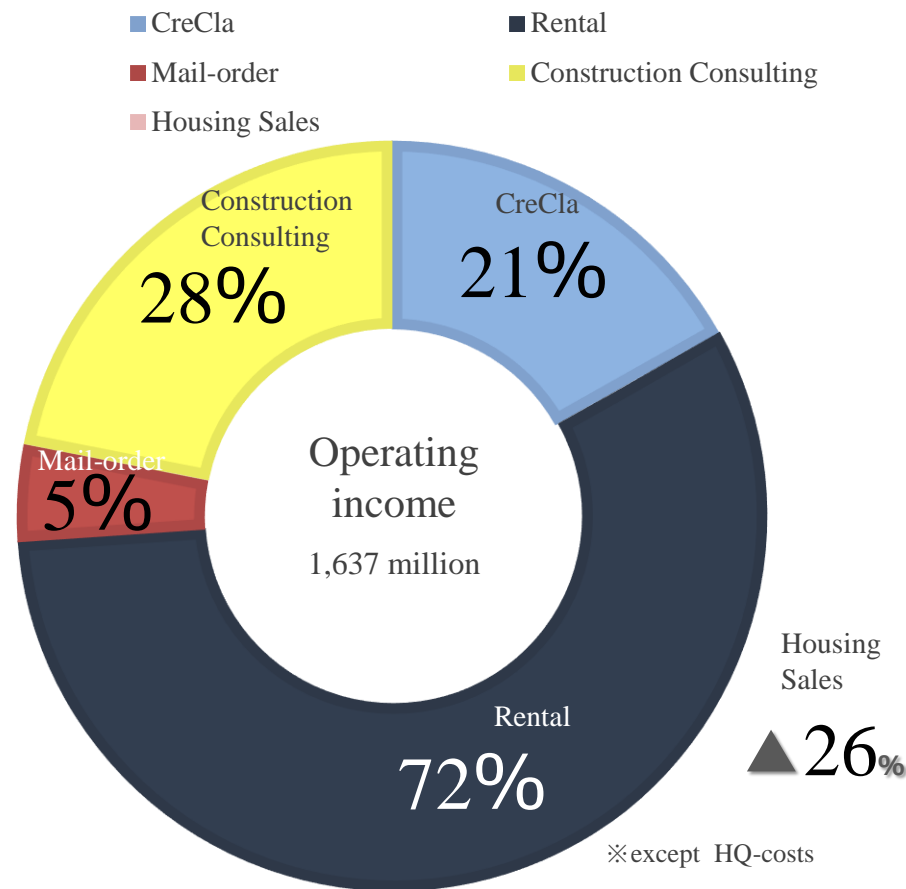
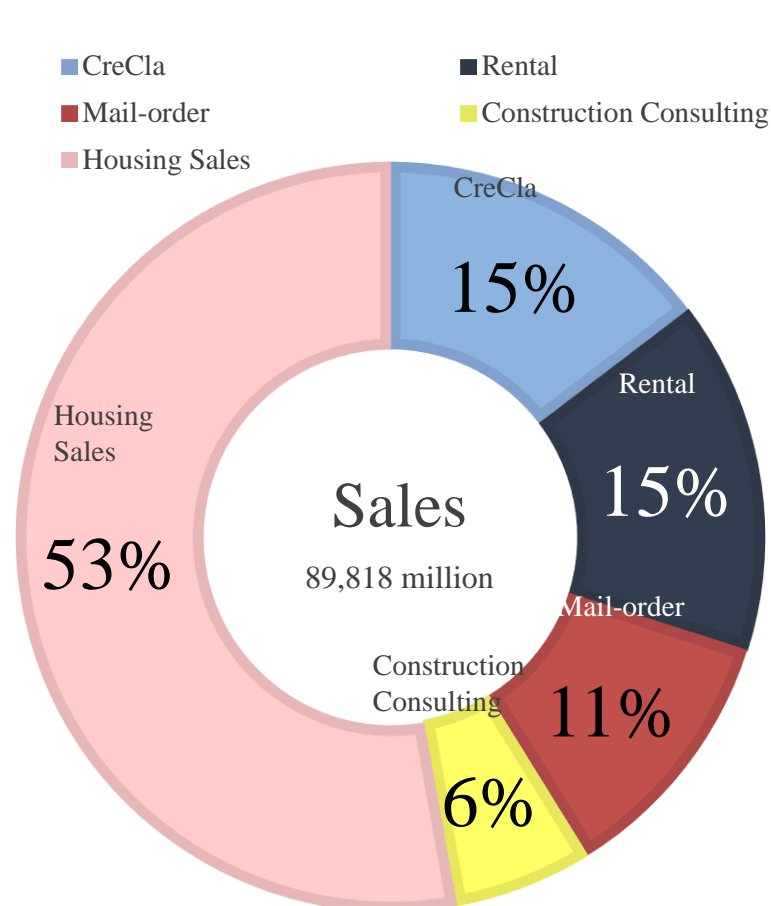
- Contract construction of a custom-built house under the Leohouse brand
- **Leading local builder** in contract construction (FY2011, FY2012 and FY2013)
- Acquired J-wood Co., Ltd. (July 2013) that produces natural houses
- In the survey of customer's satisfaction of custom-built house conducted by 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 suzukuri Co., Ltd. that perform business in a matrix concept.
- We acquired KUNIMOKU HOUSE Co., Ltd. that expands the housing sales business in Hokkaido.

Mail-order

- In July 2013, the mail-order business entry by a subsidiary of JIMOS Co., Ltd.
- Various cosmetics for skin and hair care suitable for repeat use 260 thousand female customers (mainly in their 40-60's)
- In the "'14 Yahoo! BEAUTY mail order cosmetics grand prize you choose."
It won the products **No.1** of JIMOS in base makeup items department

6

FY2017 Sales and Operating income Breakdown



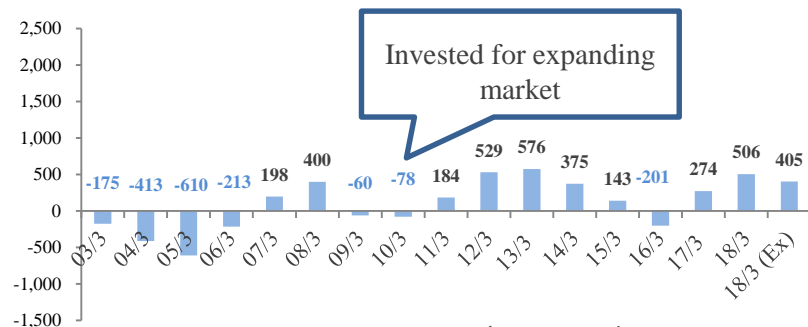
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
4.5%	14.7%	14.4%	1.5%	▲ 1.6%	1.8%

6 Operating income trend by segment

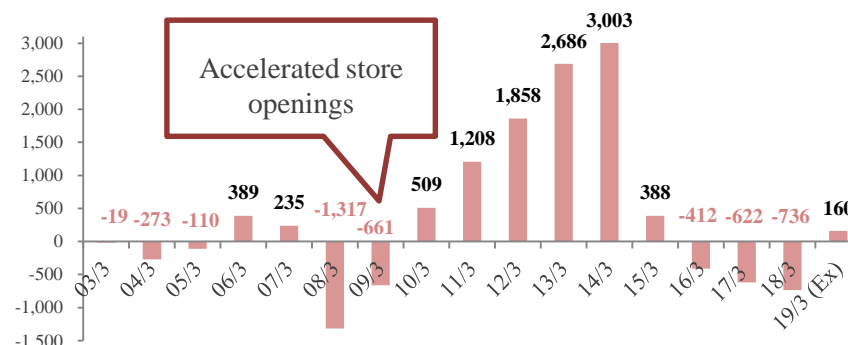
(Million of yen)

【CreCla】



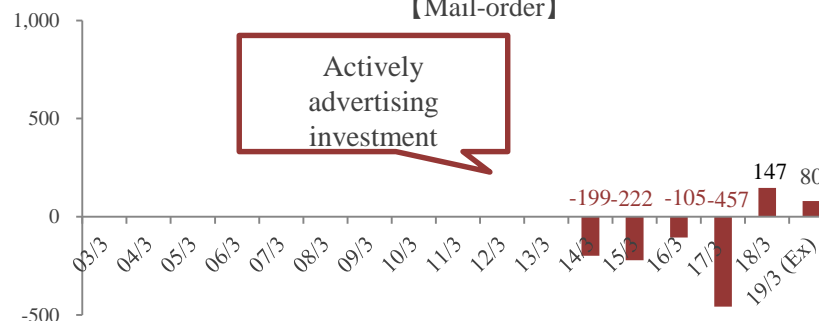
(Million of yen)

【Housing sales】



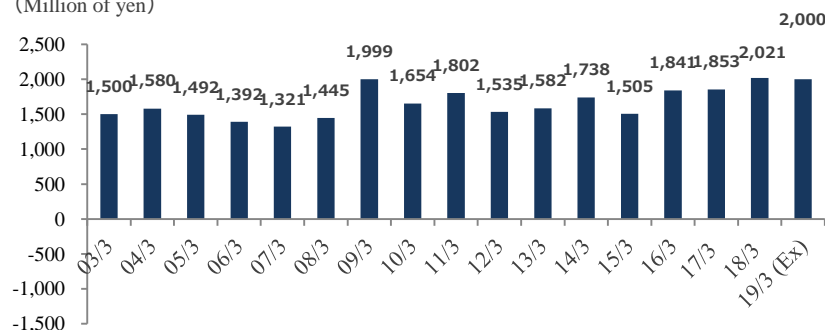
(Million of yen)

【Mail-order】



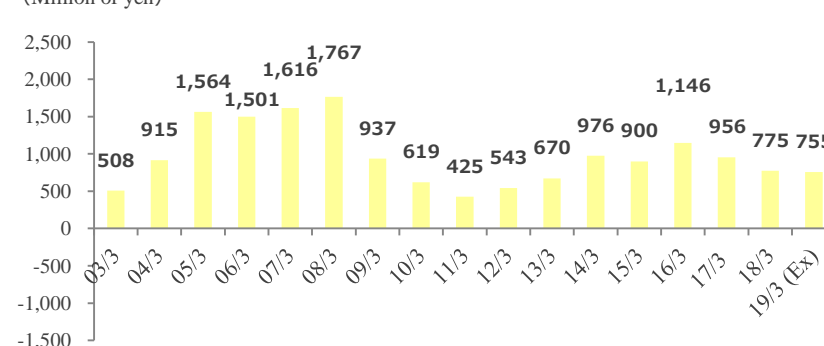
(Million of yen)

【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.