

Results for the six months ended September 30, 2018 【Reference】

November 9th, 2018

NAC Co., Ltd.

Code; 9788 TSE 2nd section



Translation

In case of any inconsistency between the Japanese version and the English version, the Japanese version shall prevail.

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This document contains certain forward-looking statements including the NAC group of companies' sales and contract targets based on information available to us 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 from the forward-looking statements.

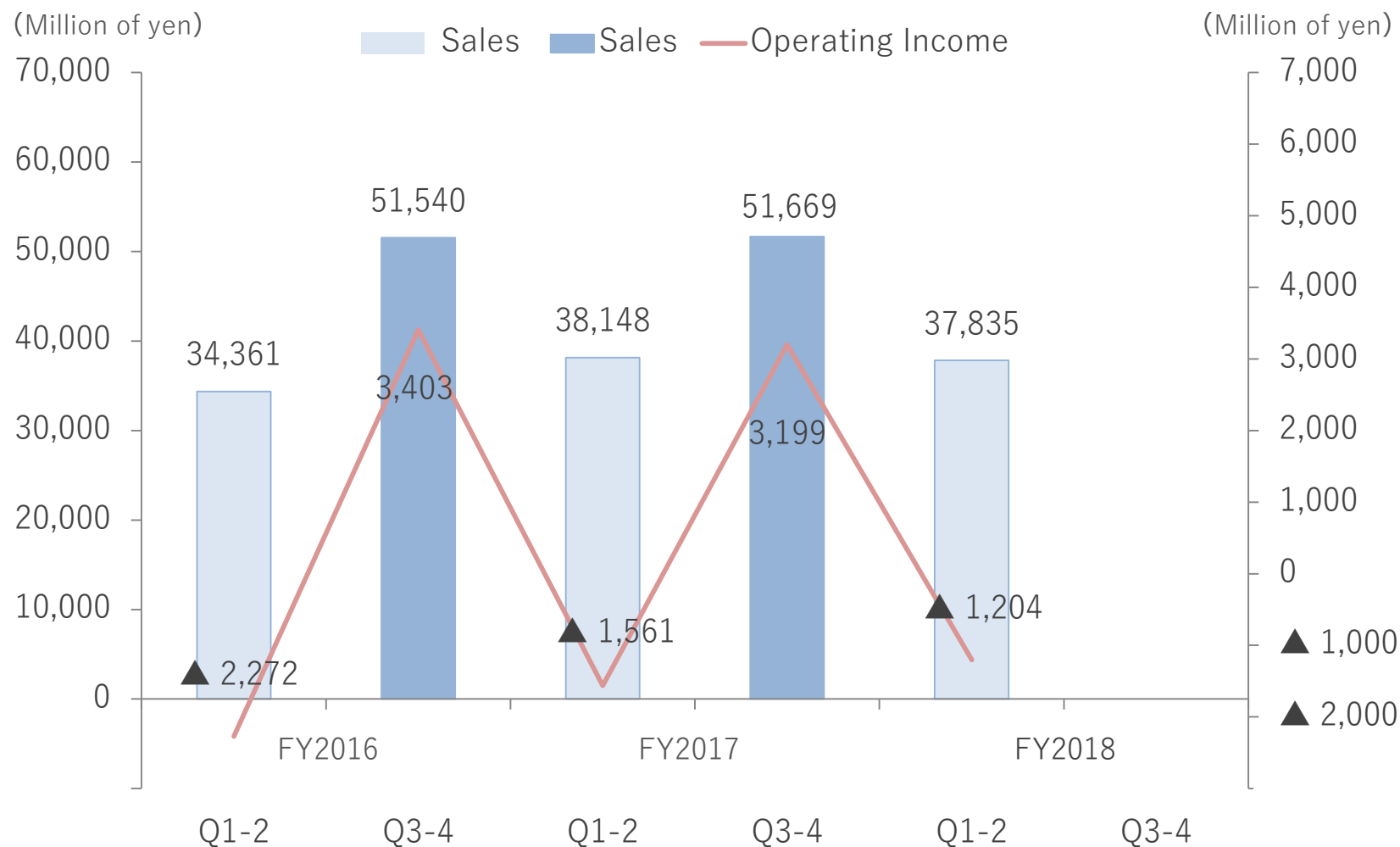
1. Results for the six months ended September 30, 2018

(Millions of yen)

	6 months ended FY2018	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2017	YoY Comparison
Sales	37,835	40,500	93.4 %	38,148	▲ 0.8 %
Gross profit	15,748	-	-	15,775	▲ 0.2 %
(Gross margin)	41.6 %	-	-	41.4 %	+ 0.2 pt
SG&A	16,952	-	-	17,337	▲ 2.2 %
Operating Income	▲ 1,204	▲ 1,550	-	▲ 1,561	-
(Operating margin)	▲ 3.2 %	▲ 3.8 %	-	▲ 4.1 %	+ 0.9 pt
Non-operating income and loss	▲ 16	-	-	▲ 14	-
Ordinary Income	▲ 1,220	▲ 1,550	-	▲ 1,576	-
Extra-ordinary income and loss	▲ 10	-	-	▲ 180	-
Net income attributable to owners of parent company	▲ 999	▲ 1,400	-	▲ 1,429	-

- » Consolidated sales declined year on year due to sales decreases in the Construction Consulting business, Housing Sales business and Beauty and Health business.
- » Operating income rose year on year thanks to the proper operation of investments in advertising and promotion in the CreCla business and Beauty and Health business.

1 Sales & Operating income trend



» Nac group of companies tend to post an operating income in the second half of the year because hand-over in Housing sales usually concentrates between 3rd and 4th quarters.

1 Sales by Segment

(Millions of yen)

	6 months ended FY2018	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2017	YoY Comparison
CreCla	6,925	7,000	▲ 75	6,678	+ 246
Rental	7,145	6,900	+ 245	6,783	+ 361
Construction Consulting	2,427	2,700	▲ 273	2,558	▲ 131
Housing Sales	16,860	19,300	▲ 2,440	17,216	▲ 355
Beauty and Health	4,494	4,600	▲ 106	4,943	▲ 449
Elimination	▲ 17	-	▲ 17	▲ 31	+ 14
Total	37,835	40,500	▲ 2,665	38,148	▲ 313

- » In the CreCla Business, sales increased year on year since record-setting heatwave this summer increased bottle consumption per customer.
- » The Rental business exceeded the planed target and previous year because all segments improved business performances.
- » In the Construction Consulting, sales decreased year on year and fell short of planed target due to sales decreases in the construction materials business.
- » In the Housing sales business, sales were below year on year and the planned target because of decreased in hand as of the end of the previous fiscal year in Leohouse and J-wood.
- » In the Beauty and Health business, the number of new customers increased in both “Macchia Label” and “Coyori” brands ; however, sales declined year on year and fell short of the planned target because of the slowdown in the repeat rate and decreases in sales per customers.

(Millions of yen)

	6 months ended FY2018	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2017	YoY Comparison
CreCla	458 (6.6 %)	280 (4.0 %)	+ 178 (+ 2.6 pt)	131 (2.0 %)	+ 327 (+ 4.7 pt)
Rental	946 (13.3 %)	890 (12.9 %)	+ 56 (+ 0.4 pt)	928 (13.7 %)	+ 18 (▲ 0.4 pt)
Construction Consulting	197 (8.1 %)	250 (9.3 %)	▲ 52 (▲ 1.1 pt)	239 (9.4 %)	▲ 41 (▲ 1.2 pt)
Housing Sales	▲ 2,195 (▲ 13.0 %)	▲ 1,910 (▲ 9.9 %)	▲ 285 (▲ 3.1 pt)	▲ 1,974 (▲ 11.5 %)	▲ 220 (▲ 1.6 pt)
Beauty and Health	▲ 99 (▲ 2.2 %)	▲ 250 (▲ 5.4 %)	+ 150 (+ 3.2 pt)	▲ 291 (▲ 5.9 %)	+ 192 (+ 3.7 pt)
Elimination, HQ Cost	▲ 512	▲ 810	+ 297	▲ 594	+ 81
Total	▲ 1,204 (▲ 3.2 %)	▲ 1,550 (▲ 3.8 %)	+ 346 (+ 0.6 pt)	▲ 1,562 (▲ 4.0 %)	+ 357 (+ 0.9 pt)

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

- » In the CreCla business, operating income exceeded the planned target and previous year thanks to sales increases in both direct managed and affiliated stores and reducing the sales promotion expenses.
- » The Rental business increased operating income year on year and the planned target owing to sales remained steady in all sections.
- » In the Construction Consulting business, operating income decreased year on year owing to decline in sales of the construction materials business and increase in selling, general, and administrative expenses related to promoting new products in the construction know-how systems.
- » In the Housing sales business, operating income decreased compared with last year, due to sales dropped and the construction costs rose affected by the lack of craftspeople..
- » In the Beauty and Health business, operating income rose year on year due to revisions to sales promotion costs and advertising expenses. 6

(Millions of yen)

1 Analysis for operating income & loss (YoY change)

			Comparison
FY2017 Q2 Operating Income		▲ 1561	-
1. Gross profit		▲ 27	+ 0.3%
2. Increase and Decrease of SG&A	Depreciation and Amortization	+ 126	+ 15.2%
	Sales promotion costs and Advertising Exp.	+ 125	▲ 4.8%
	Rent	+ 70	+ 15.6%
	Personnel expenses	+ 6	+ 13.8%
	Commission paid	▲ 14	▲ 6.9%
	Others	+ 70	+ 1.2%
FY2018 Q2 Operating Income		▲ 1,204	-

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

1. The reason of decrease of Gross profit margin

» Sales in Leohouse declined year on year owing to the delay of the construction and delivery caused by natural disasters including the torrential rain in western Japan, typhoons, earthquakes.

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

» Depreciation and Amortization decreased because Leohouse closed unprofitable branches.

» Sales promotion costs and Advertising expenditures declined since CreCla and Beauty and Health suppressed them.

(Millions of yen)

	As of Sep. 2018	Break down	As of Mar. 2018	Break down	Comparison
Current assets	28,082	59.8 %	22,980	54.6 %	+ 5,102
Total property, plant and equipment	11,889	25.3 %	12,579	29.9 %	▲ 689
Intangible assets	2,398	5.1 %	2,782	6.6 %	▲ 384
Investments and other assets	4,398	9.4 %	3,773	9.0 %	+ 624
Non-current assets	18,685	39.8 %	19,135	45.4 %	▲ 450
Total deferred assets	162	0.3 %	-	-	+ 162
Total assets	46,930	100.0 %	42,115	100.0 %	+ 4,814
Current liabilities	21,486	45.8 %	20,973	49.8 %	+ 513
Non-current liabilities	6,869	14.6 %	7,027	16.7 %	▲ 158
Total liabilities	28,356	60.4 %	28,001	66.5 %	+ 355
Shareholder's equity	19,333	41.2 %	14,873	35.3 %	+ 4,459
Accumulated other comprehensive income	▲ 758	▲ 1.6 %	▲ 758	▲ 1.8 %	▲ 0
Total net assets	18,574	39.6 %	14,114	33.5 %	+ 4,459
Total liabilities and net assets	46,930	100.0 %	42,115	100.0 %	+ 4,814

■ Current assets : Cash and deposits + 2,636 Costs on uncompleted construction contracts + 1,996

■ Non-current assets : Building and structures ▲ 402 Goodwill ▲ 254

■ Current liabilities : Advances received on uncompleted construction contracts + 3,514 Accounts payable ▲ 2,315

■ Non-current liabilities : Lease obligations ▲ 306

Equity Ratio : 39.6 %

(Millions of yen)

	1st half of FY2018	1st half of FY2017	FY2017
1.Net cash provided by operating activities	▲ 2,476	▲ 3,117	1,152
2.Net cash used in investing activities	▲ 170	▲ 688	▲ 905
3.Net cash used in financing activities	5,283	1,221	▲ 473
Net increases cash and cash equivalents	2,636	▲ 2,584	▲ 225
Cash and cash equivalents at beginning of period	7,261	7,430	7,430
Cash with the new connection and cash equal accrual	-	56	56
Cash and cash equivalents at end of period	9,898	4,903	7,261
Depreciation and amortization	782	889	1,783

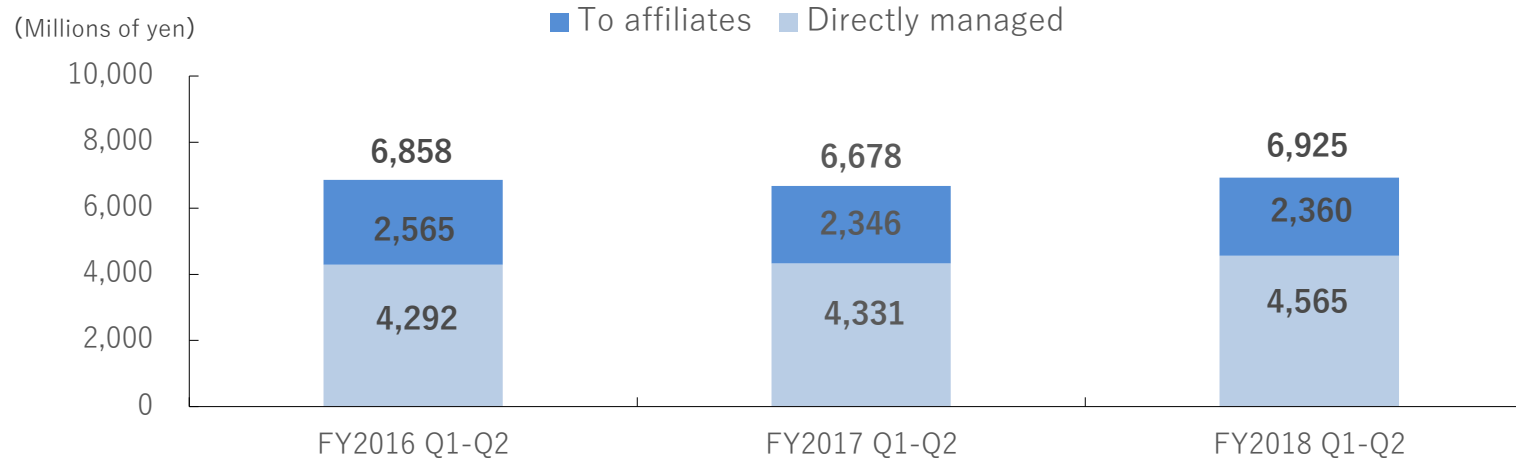
The main reasons of the fluctuation

- Operating activities : An increase in Advances received on uncompleted construction contracts at 3,514 millions of yen.
 An increase in depreciation at 782 millions of yen
 An increase in inventory at 3,112 millions of yen
 A decrease in accounts payable at 2,315 millions of yen / Net loss at 1,231 millions of yen
- Investing activities : Payments of loans receivable at 63 millions of yen
 Purchase of intangible assets at 62 millions of yen
- Financing activities : Proceeds from issuance of common stock at 5,291 millions of yen

2. Results by Segments

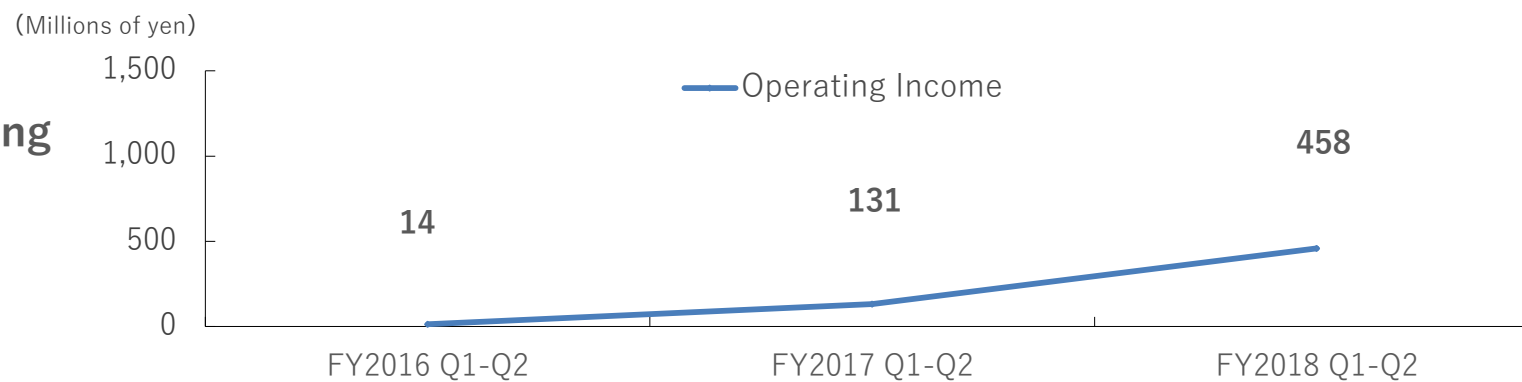
2 Results by Segment (1) CreCla

Sales



- » Our direct managed stores tried to improve customer retention rate through enrich the content of customer services. As a result, sales increased year on year.
- » In affiliates, sales increased year on year since sales of water servers and bottled water remained steady.

Operating Income

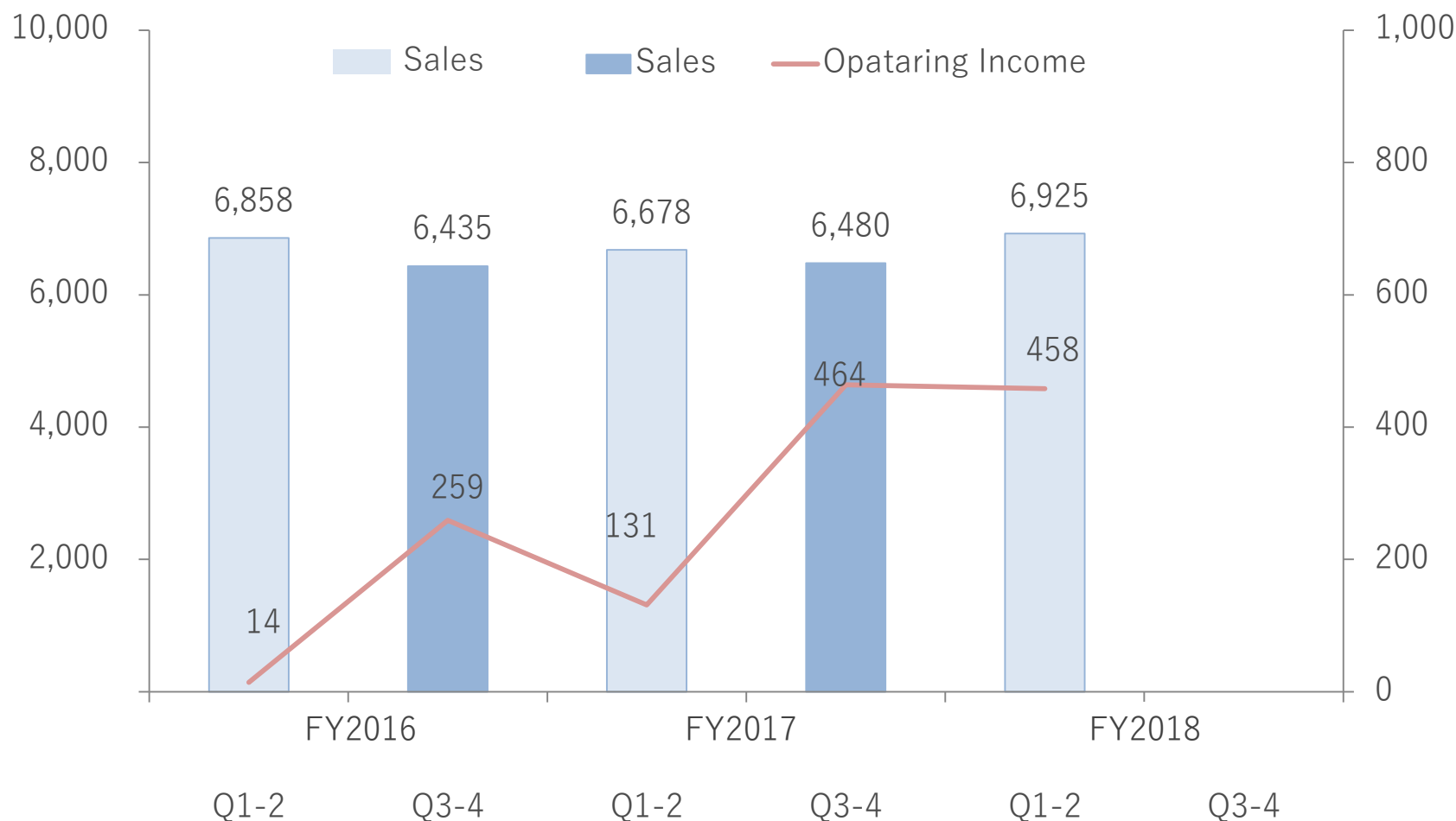


- » Operating income exceeded previous year since we suppressed sales promotion expenses .

2 Results by Segment (1) CreCla

(Million of yen)

(Million of yen)



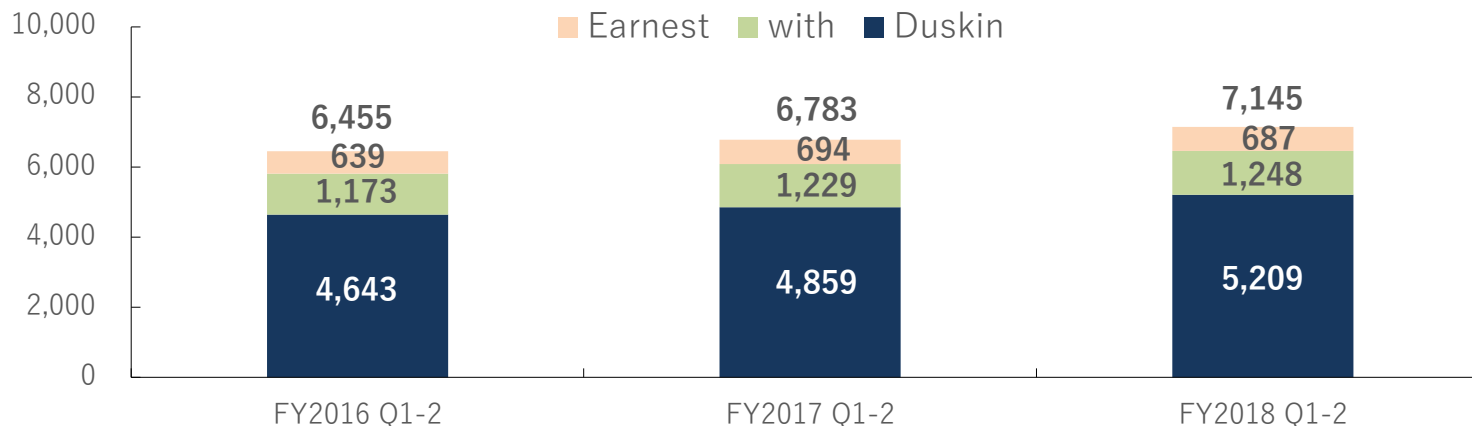
» Operating income exceeded previous year since we suppressed sales promotion expenses .

2 Results by Segment (2) Rental

(Millions of yen)

※① It includes internal transactions about 2 millions yen.

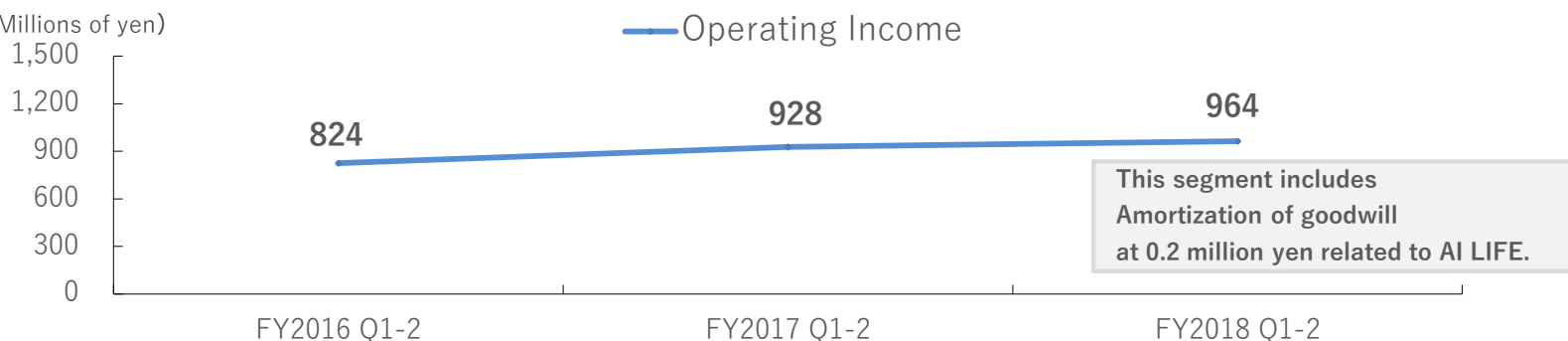
Sales



- » The Duskin business focused on existing customers to improve customer satisfaction. Moreover, we opened a new store to expand business areas. Consequently, the number of customers and contract termination rates held steady, so sales increased year on year.
- » With-branded pest-control devices business strengthened sales promotions before the summer peak demand season in both our directly managed stores and affiliated stores. As a result, sales rose year on year.
- » Earnest that provides regular cleaning service for business was about the same level year on year in sales.

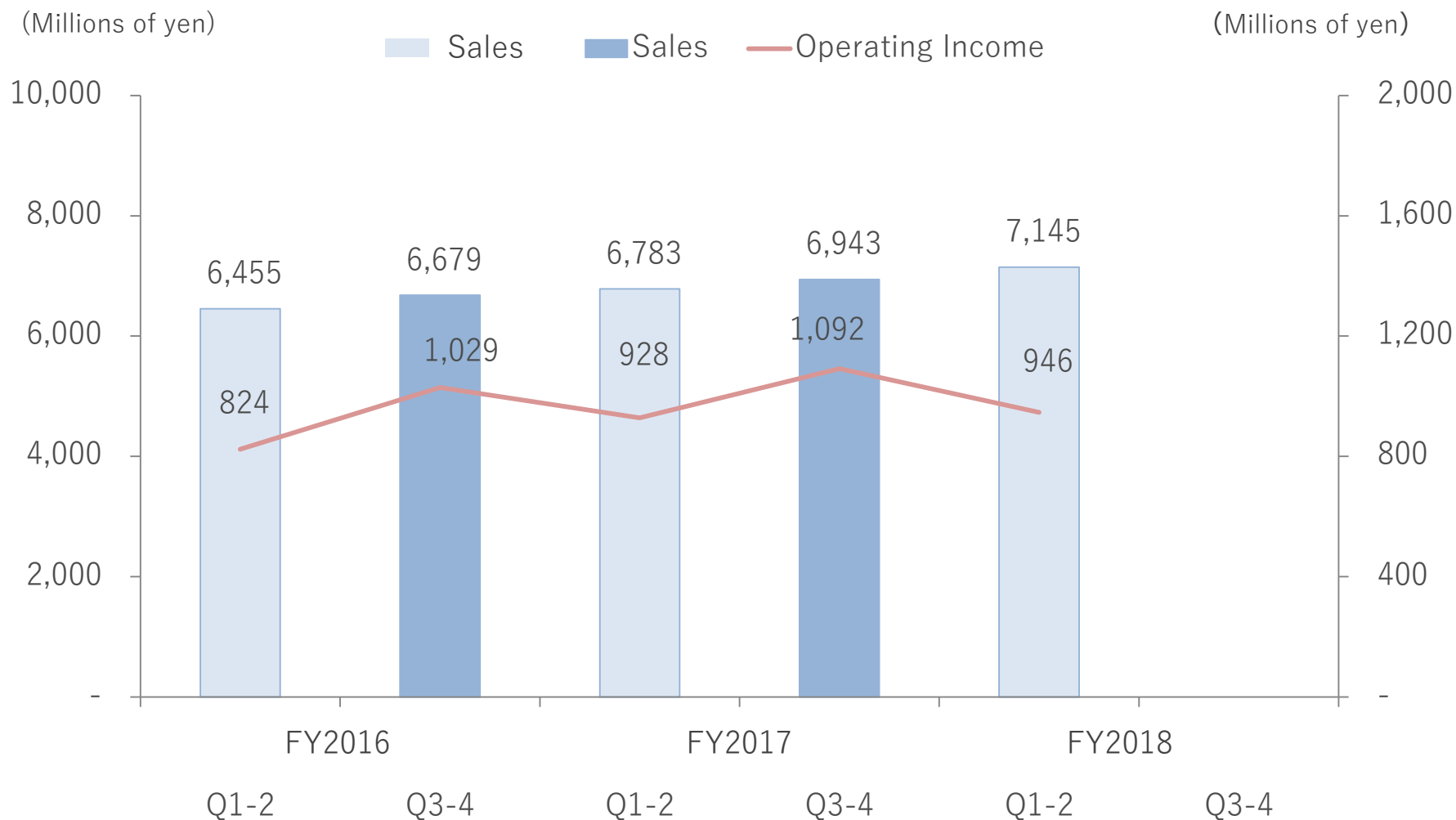
Operating Income

(Millions of yen)



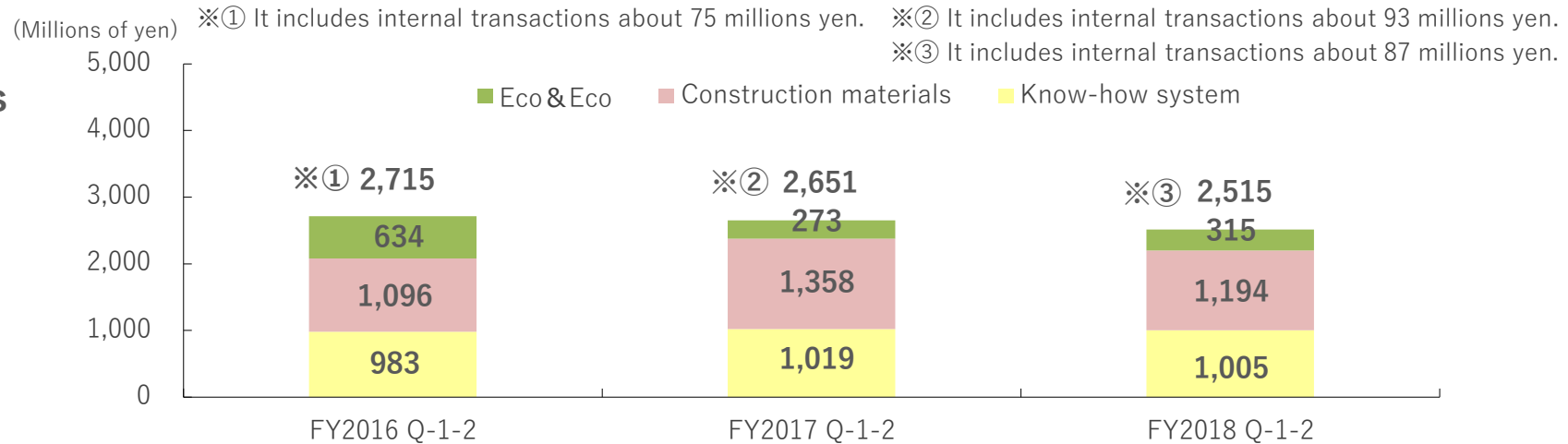
- » Operating income increased year on year owing to sales remained steady in all sections.

2 Results by Segment (2) Rental



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

Sales

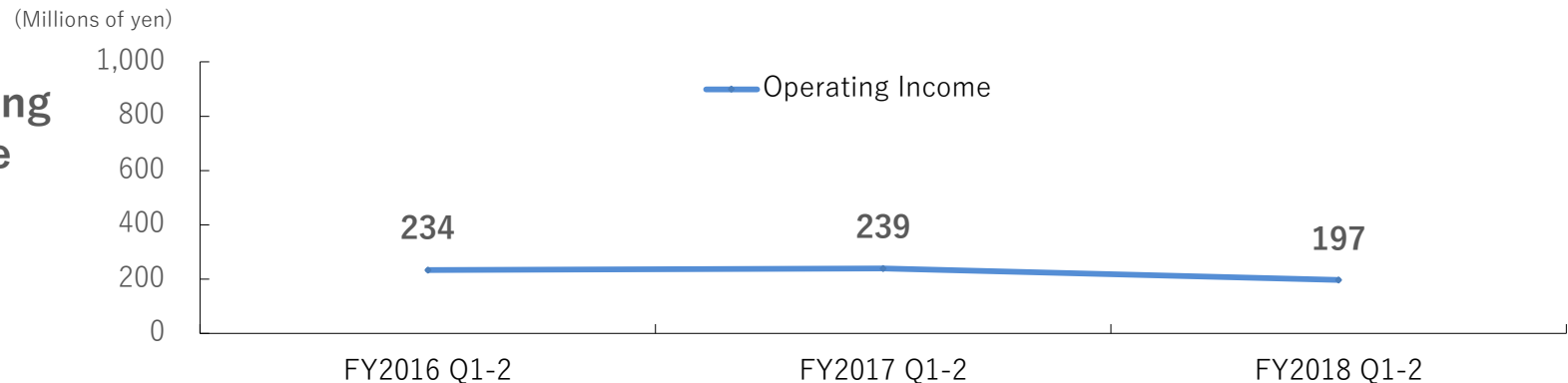


» The construction know-how systems was at the same level year on year in sales.

» The construction materials business sales decreased year on year owing to the delay in delivery of commodities, which was affected by Revised-FIT and natural disasters including the torrential rain in western Japan.

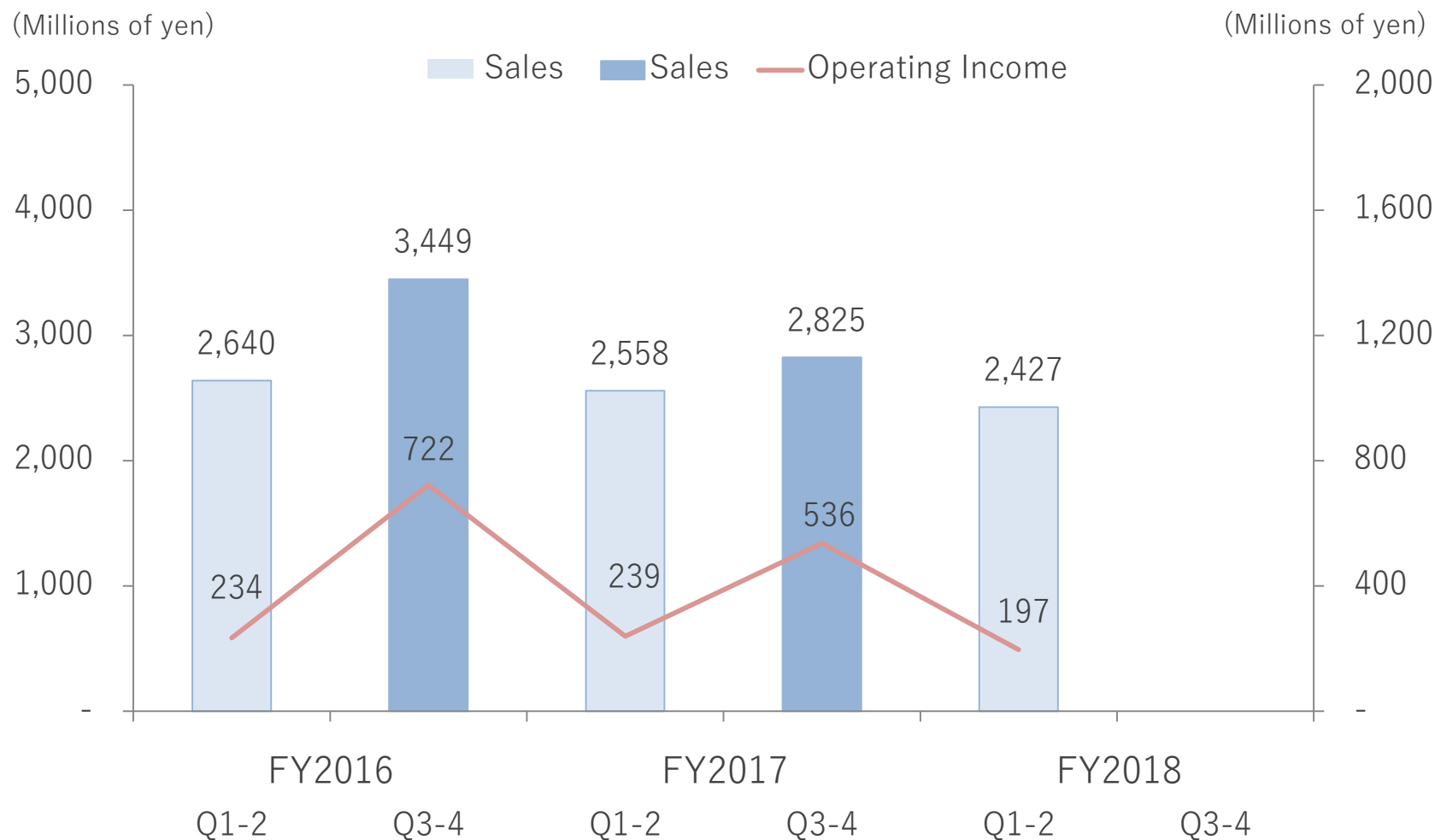
» Eco & Eco have conducted an overhaul of income structure, sales promotions and process management to generate stable profits, so we have successfully changed its business model, and therefore the sales increased.

Operating Income



» Operating income decreased year on year due to decreased in sales of the construction materials business and increase in selling, general, and administrative expenses related to promoting new products in the construction know-how systems.

2 Results by Segment (3) Construction Consulting

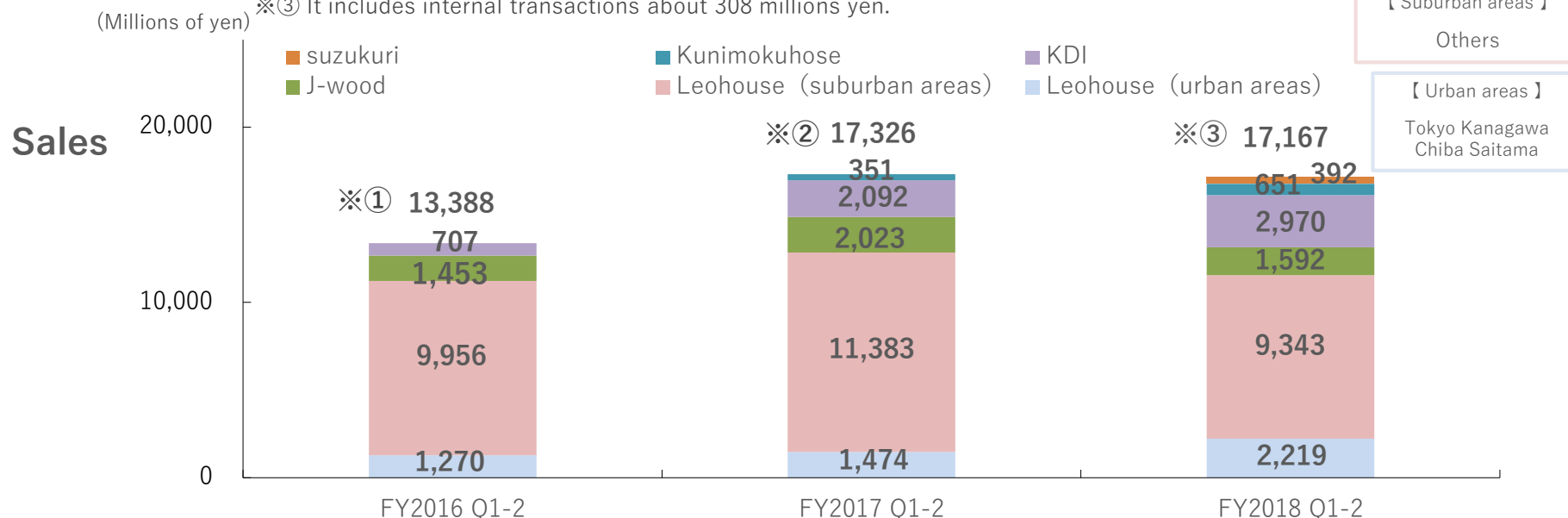


» Operating income decreased year on year due to decreased in sales of the construction materials business and increase in selling, general, and administrative expenses related to promoting new products in the construction know-how systems.

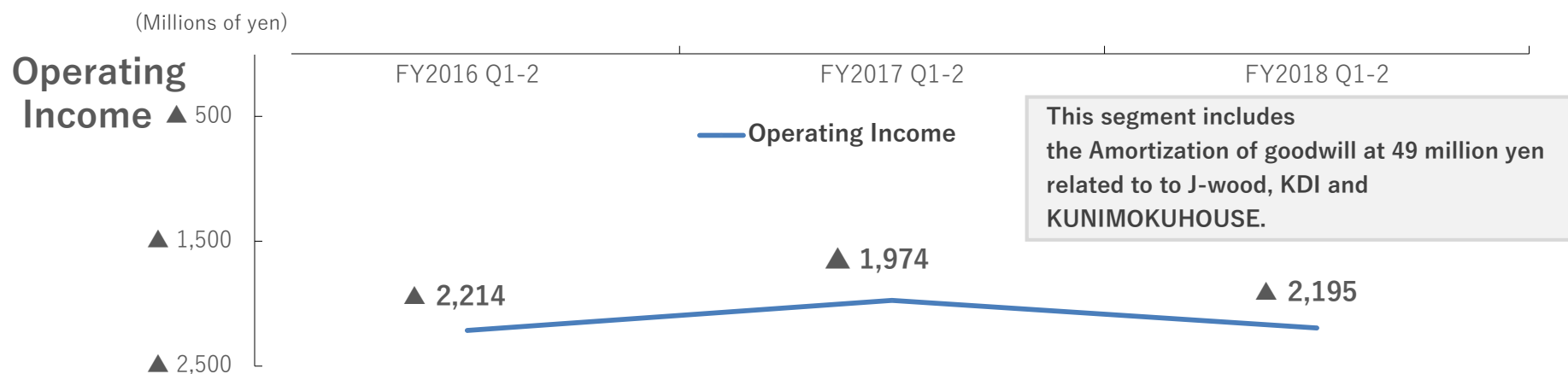
2 Results by Segment (4) Housing Sales

※① It includes internal transactions about 6 millions yen. ※② It includes internal transactions about 110 millions yen.

※③ It includes internal transactions about 308 millions yen.

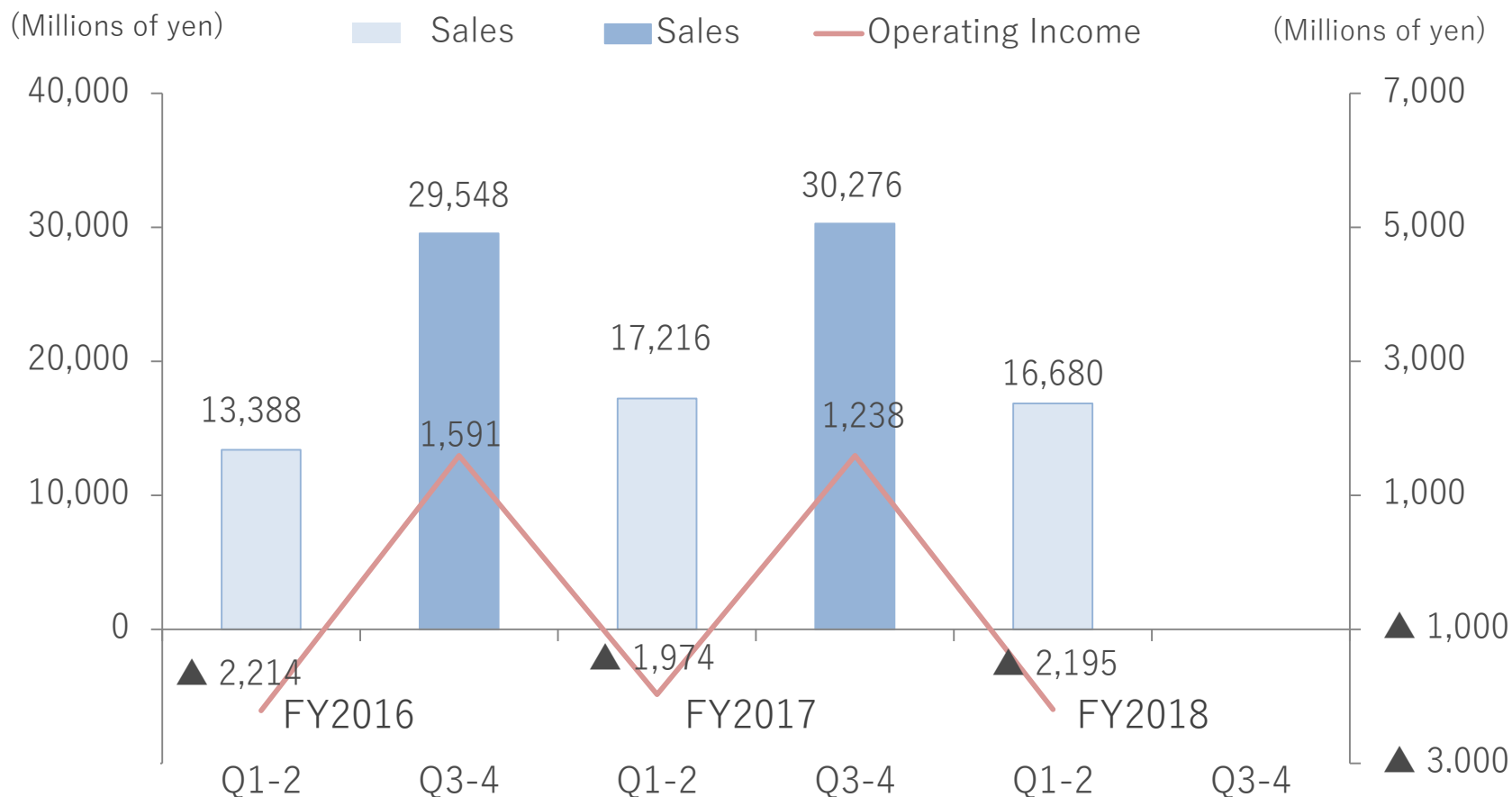


» In the Housing sales business, sales have declined year on year because of decreases in hand as of the end of the previous fiscal year in Leohouse and J-wood.



» Operating income also decreased year on year due to decreases in sales and the rise in construction costs that was affected by the lack of craftspeople.

2 Results by Segment (4) Housing Sales



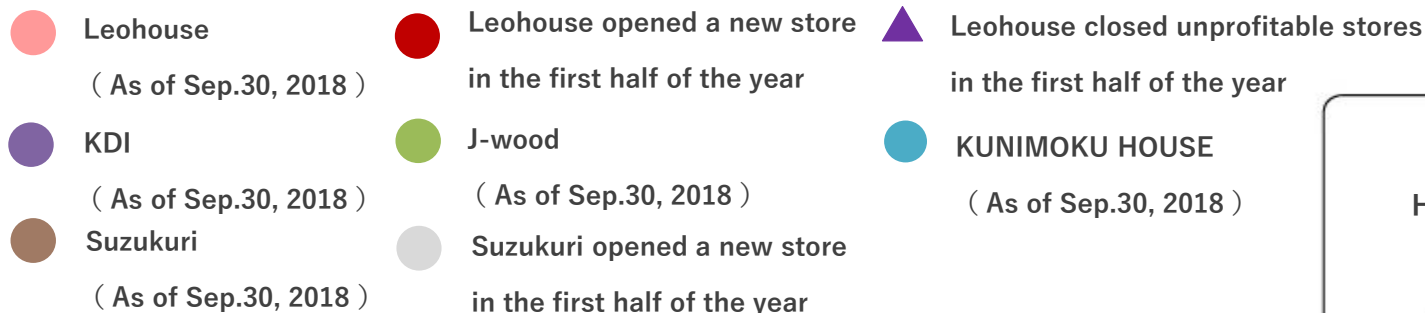
» Sales and Operating income tend to increase around Q4.

» Operating income fell in comparison with last year due to sales decreased year on year.

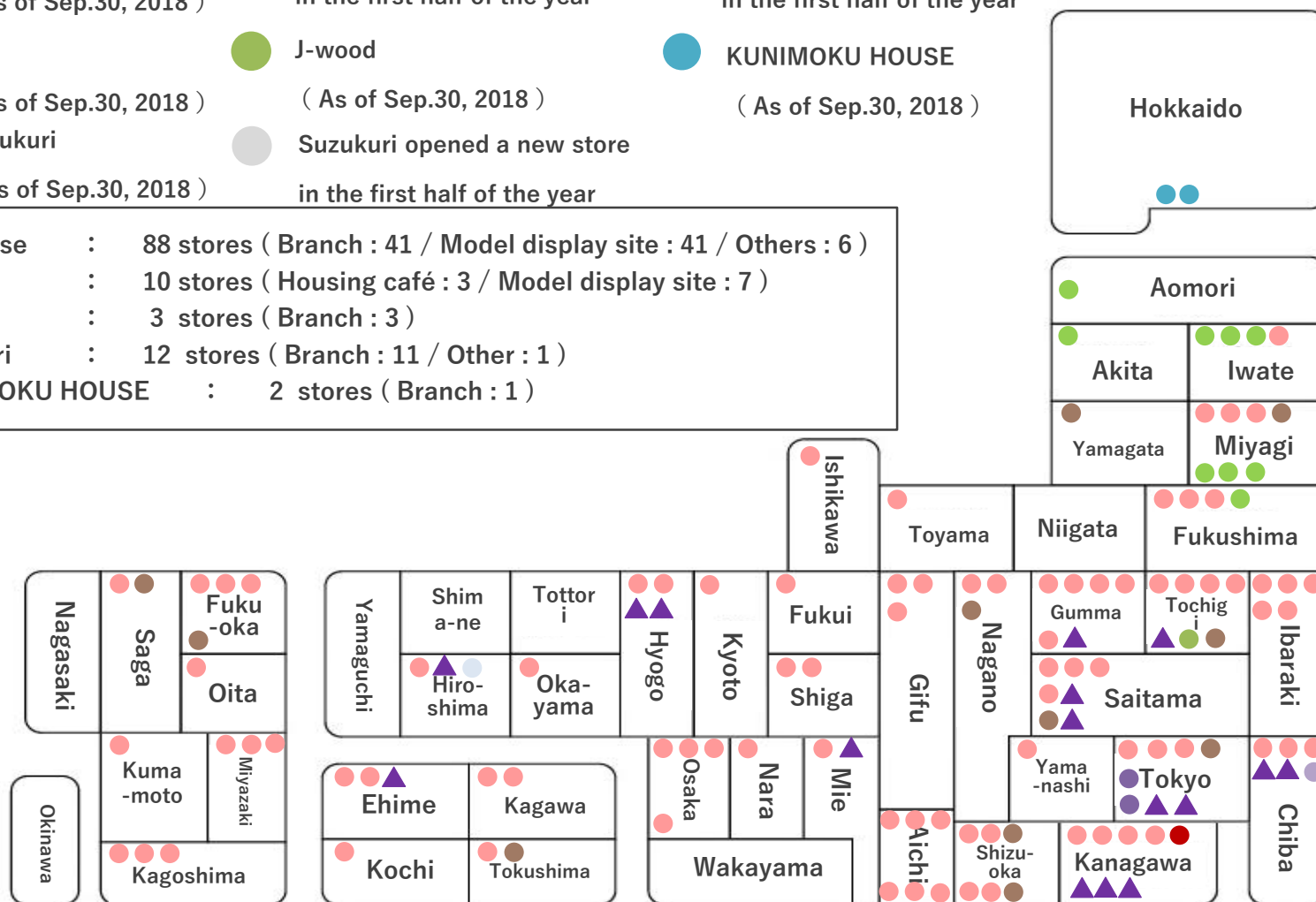
2 Results by Segment (4) Housing Sales

Total 115 stores

(Leohouse : 88 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 12 stores, KUNIMOKU HOUSE : 2 stores)



Leohouse	:	88 stores (Branch : 41 / Model display site : 41 / Others : 6)
J-wood	:	10 stores (Housing café : 3 / Model display site : 7)
KDI	:	3 stores (Branch : 3)
suzukuri	:	12 stores (Branch : 11 / Other : 1)
KUNIMOKU HOUSE	:	2 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)

	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	457	677	397	550	439	542	419	489	470	537		
Completions	186	390	403	871	188	478	396	834	156	427		
Orders in hand	1,114	1,385	1,361	1,016	1,245	1,294	1,309	944	1,233	1,317		
Change	+ 253	+ 271	▲ 24	▲ 345	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 84		
Unit price	※1 18.49 million yen				※1 18.26 million yen				※1 19.50 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	2	0	0	0	5	0	0	0	1	0		
Total stores	※1 105	105	105	105	※2 105	105	105	※3 101	※4 88	88		

※1 Closing of model display sites ▲2

※2 Brand change to suzukuri ▲5

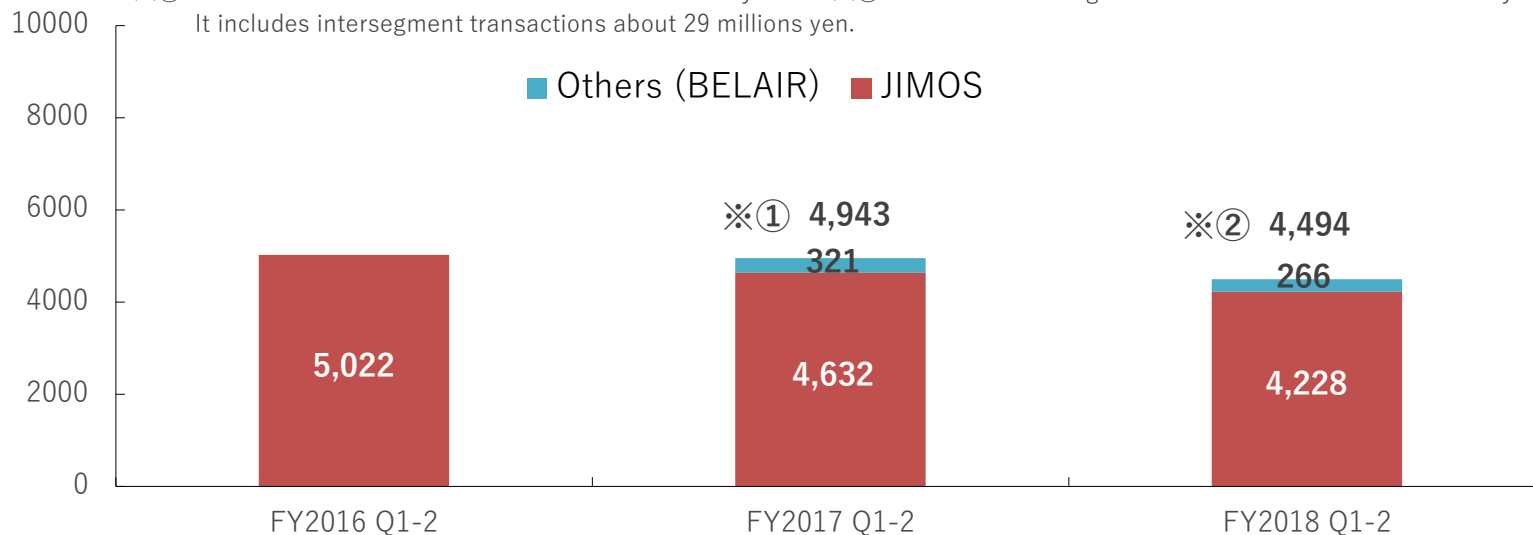
※3 Closing of unprofitable model display sites ▲4

※4 Closing of unprofitable model display sites ▲14

(Millions of yen) ※ Since FY2018, we have renamed the Mail-order business to Beauty and Health business.

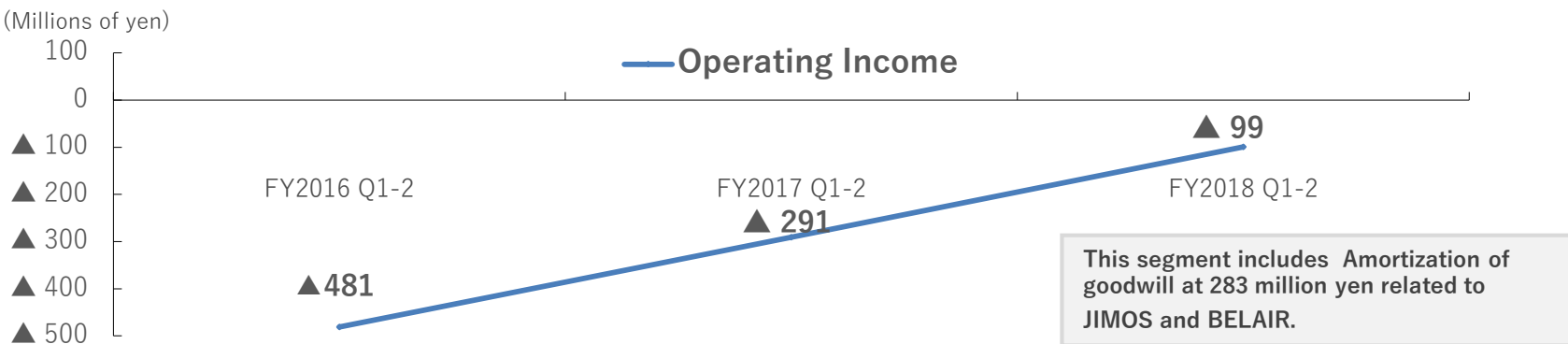
※① It includes internal transactions about 10 millions yen. ※② It includes intersegment transactions about 12 millions yen.
It includes intersegment transactions about 29 millions yen.

Sales



- » The mainstay Macchia Label brand increased new customers, but sales decreased year on year resulting from a slowdown in the repeat rate.
- » The Coyori brand of skin and hair care products that is made from natural ingredients also increased new customers, but sales declined year on year because of decreases in sales per customers.

Operating Income

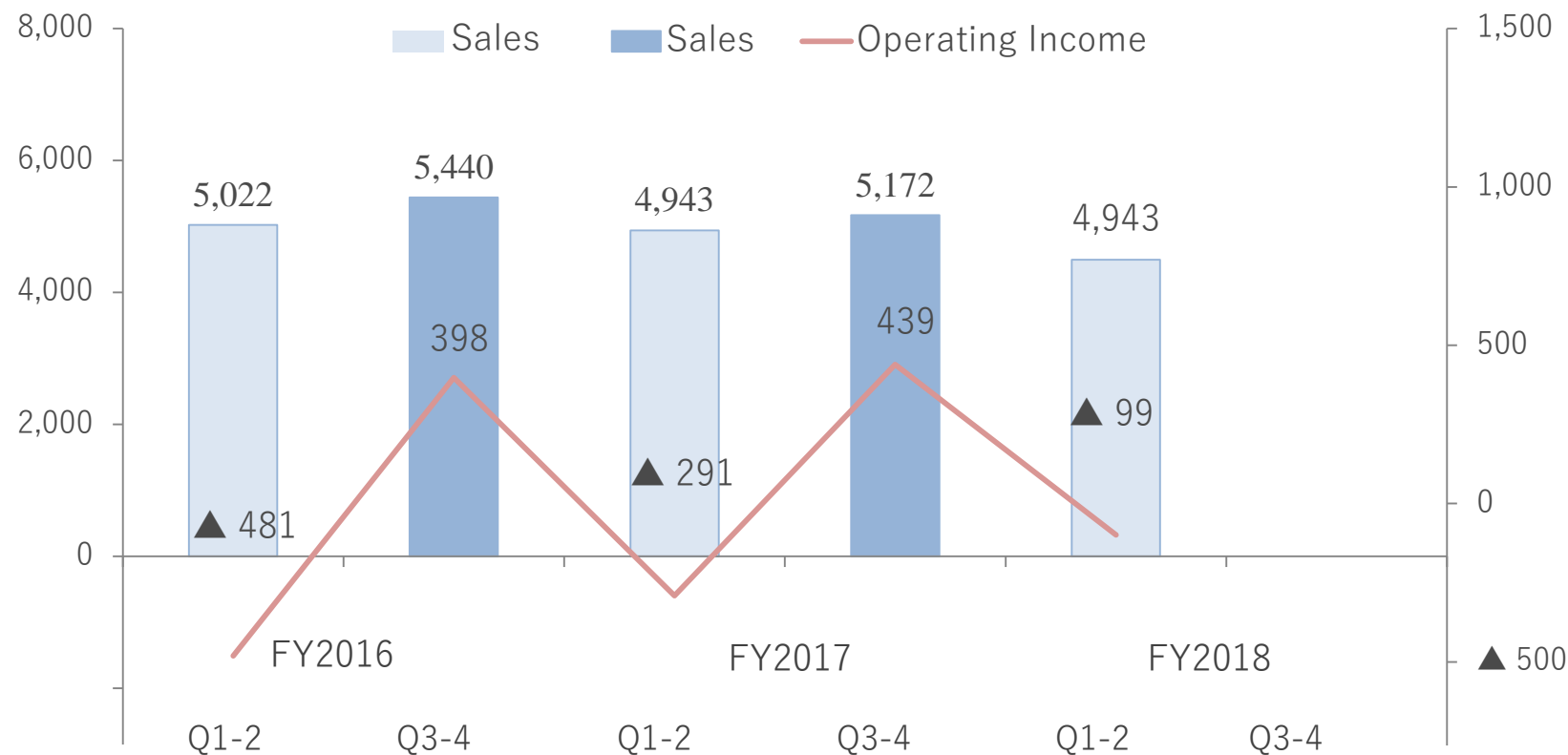


- » Operating income increased year on year due to reduction in sales promotion costs and advertising expenses.

2 Results by Segment (5) Beauty and Health

(Millions of yen)

(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 in the first half of the year.

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

3. FY2018 Forecasts of Financial Results

3 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.

(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%
Beauty-health	10,115	9,800	▲ 3.1%
Elimination	▲ 59	-	-
Total	89,818	96,500	+ 7.4%

(Million of yen)

Operating income	Result FY 2017	Plan FY 2018	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)
Beauty-health	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)

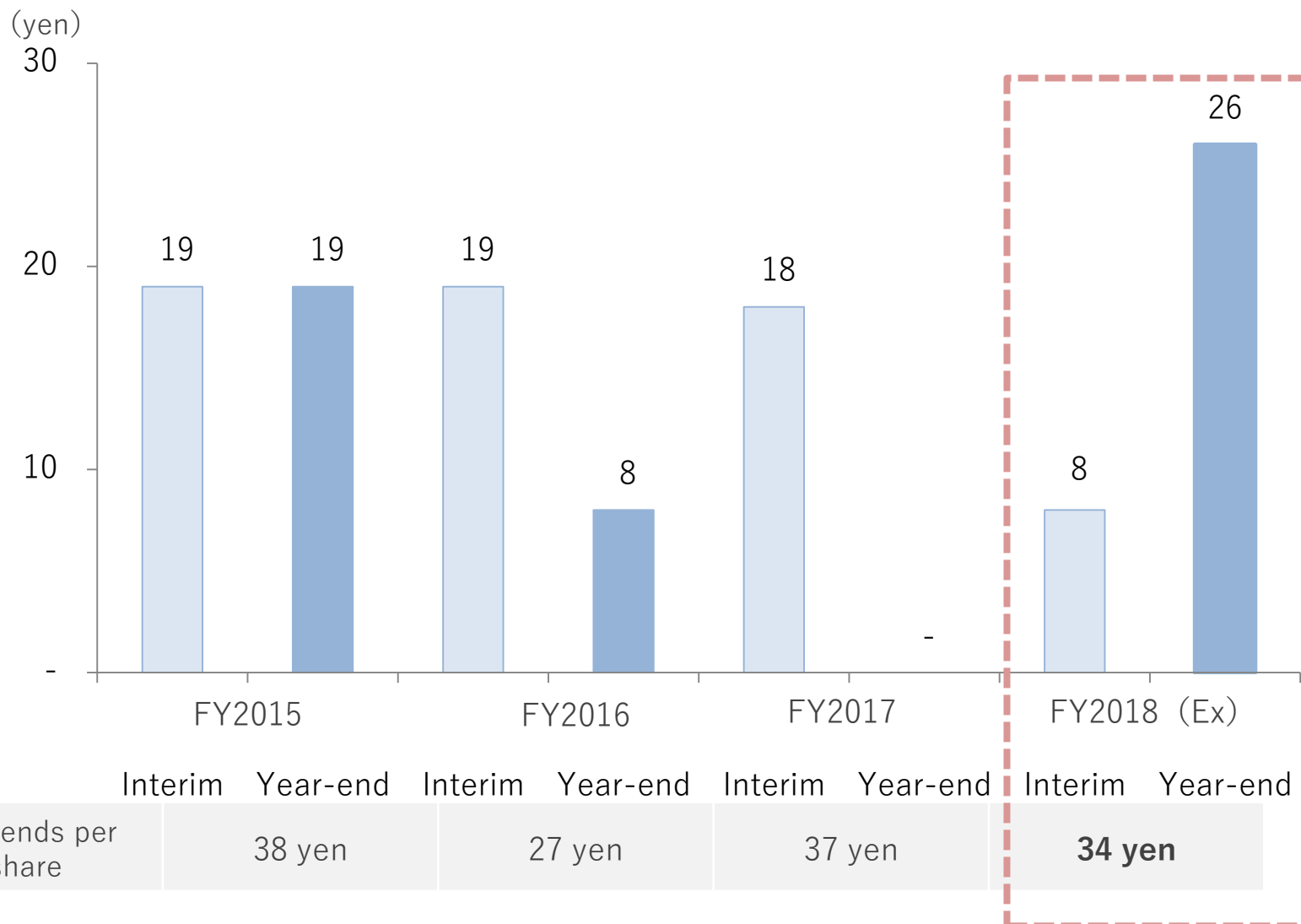
Note) The figures inside () marks indicate operating margin.

4. Plan of Dividends

4

Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%






5. Appendix

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) ■ Beauty and Health (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)
Employees	2,187(consolidated)
Capital stock	6,729,493,750 yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	93,41 (Total number of shareholders; treasury shares are excluded)

5 Key Financial Indicators (Consolidated)

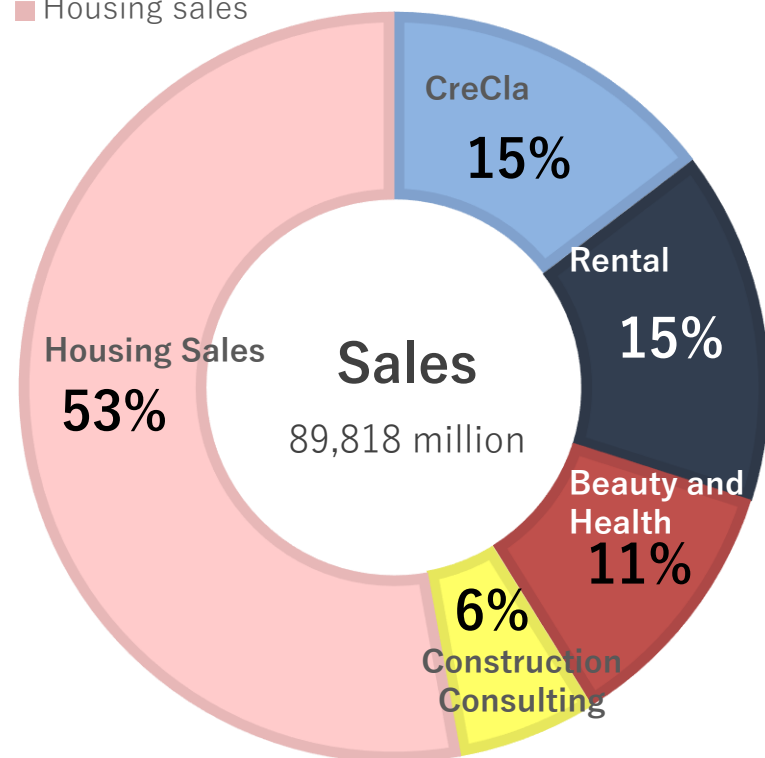
	FY2016	FY2017	Comparison
Average number of shares during the period	16,854,157 shares	16,807,436 shares	▲ 46,721 shares
Net assets per share (BPS)	923.41yen	939.61yen	▲ 84.13yen
Net income per share (EPS)	24.65yen	▲ 59.15yen	▲ 83.79yen
Equity ratio	35.0%	33.4%	▲ 2.3pt
Ratio of shareholder's equity to Net income (ROE)	2.7%	▲ 6.7%	▲ 9.4pt
Dividends per share	27yen	18yen	▲ 9yen
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	
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.	
May. 2016	Acquired KUNIMOKU HOUSE Co., Ltd.	

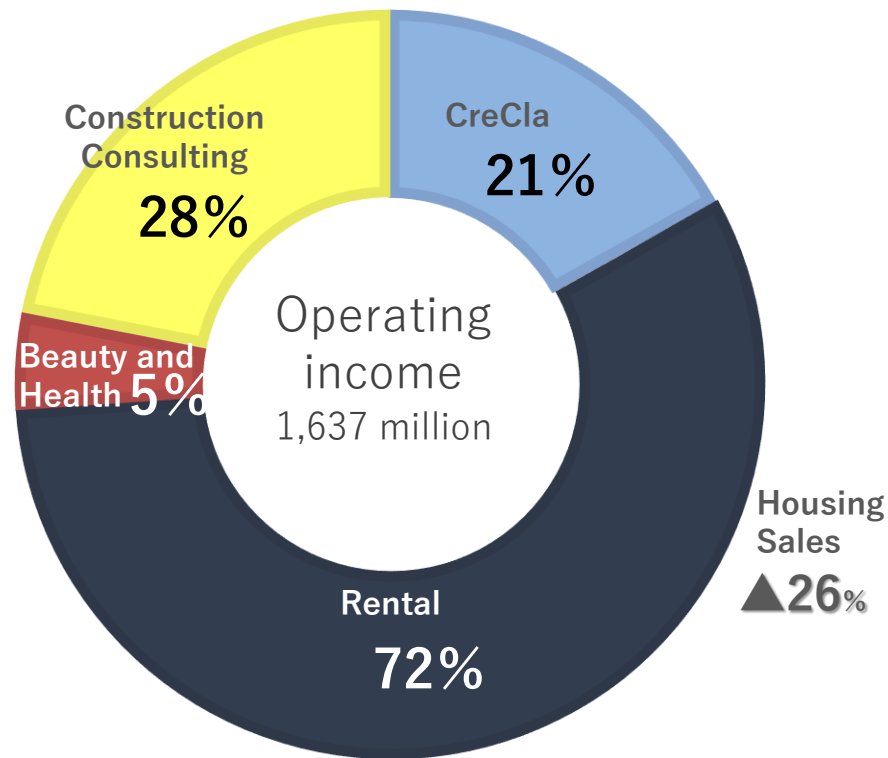
CreCla	<ul style="list-style-type: none"> ■ Market leader in bottled water sales (Number of affiliated stores : 600) ■ Market leader in bottled water production ■ First HACCP certified business in the industry ■ First Eco Mark certified business in the industry ■ First in the industry to open an R&D center
Rental	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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

5 FY2017 Sales and Operating income Breakdown

■ CleCla
 ■ Rental
 ■ Beauty and Health
 ■ Construction Consulting
 ■ Housing sales



■ CleCla
 ■ Rental
 ■ Beauty and Health
 ■ Construction Consulting



Operating margin on sales

※except HQ-costs

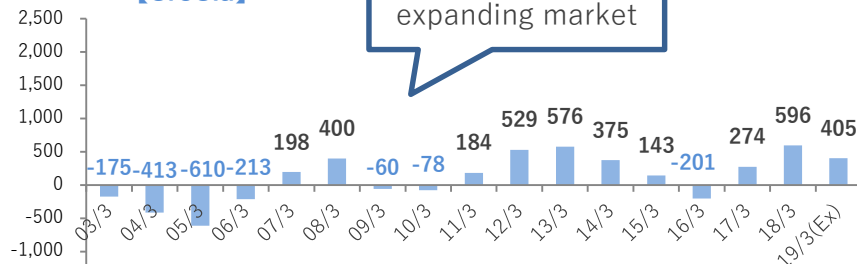
CleCla	Rental	Construction Consulting	Beauty and Health	Housing Sales	Total
4.5%	14.7%	14.4%	1.5%	▲1.6%	1.8%

5 Operating income trend by segment

(Millions of yen)

[CreCla]

Invested for
expanding market

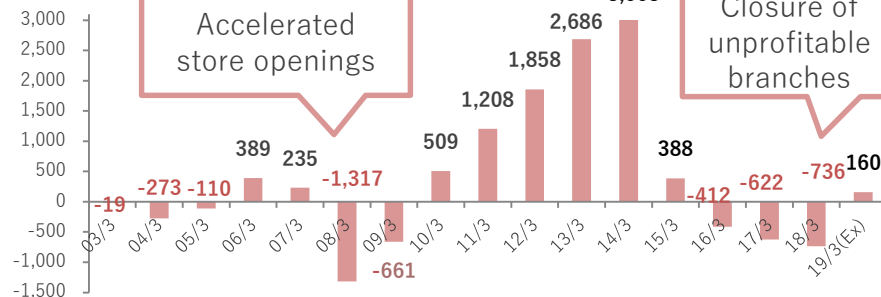


(Millions of yen)

[Housing Sales]

Accelerated
store openings

Closure of
unprofitable
branches



(Millions of yen)

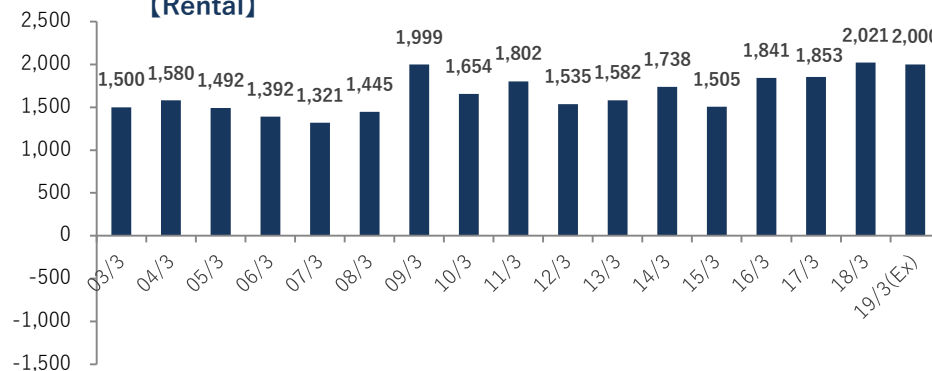
[Beauty and Health]

Actively
advertising
investment



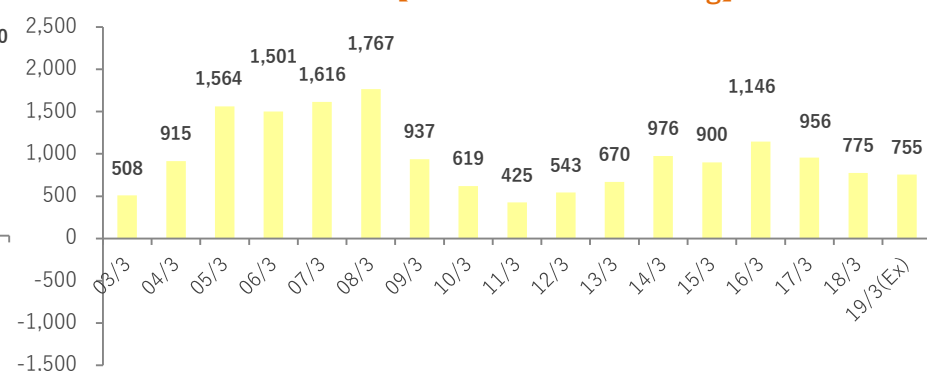
(Millions of yen)

[Rental]



(Millions of yen)

[Construction Consulting]



≫ 安定したレンタルと建築コンサルティングを基盤に、積極的に投資をして成長を目指します