

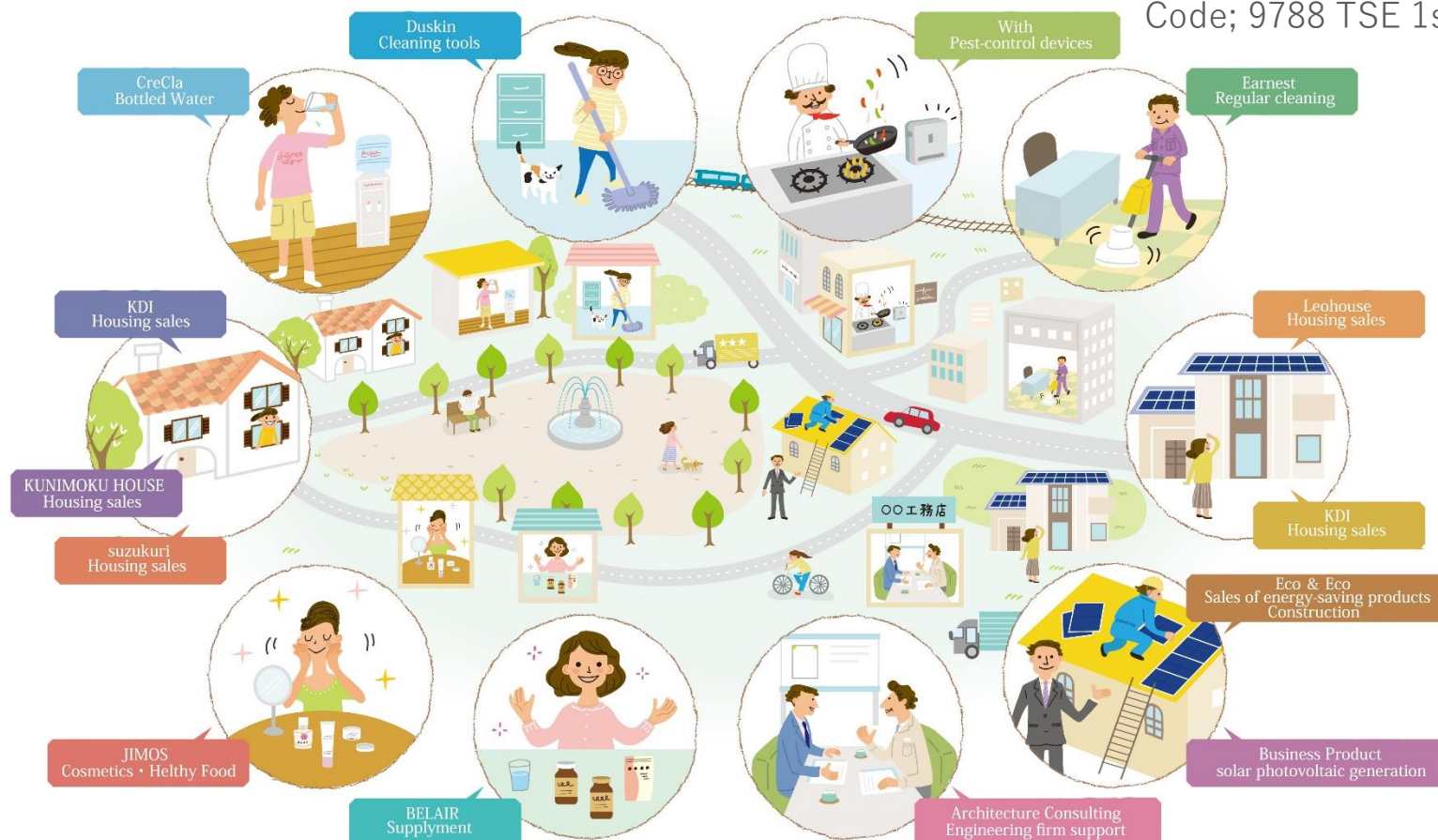
Results for the nine months ended

December 31, 2018 【Reference】

February 8th, 2019

NAC Co., Ltd.

Code; 9788 TSE 1st section



Translation

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

Topics

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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.

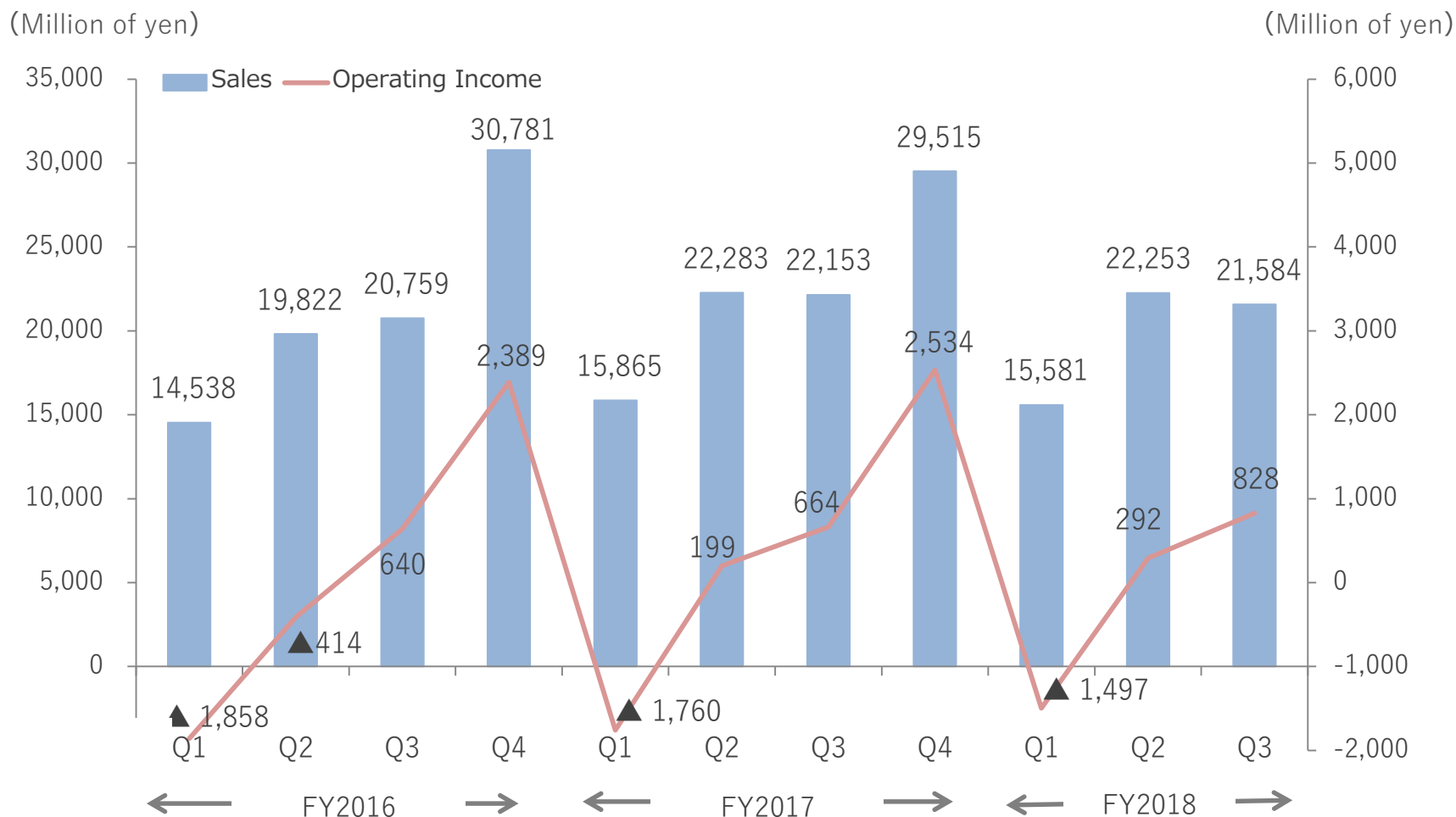
1. Results for the nine months ended December 31, 2018

(Millions of yen)

	9 months ended FY2018	9 months ended FY2017	YoY Comparison	FY2018 Forecasts
Sales	59,420	60,302	▲ 1.5%	96,500
Gross profit	24,641	24,636	+ 0.0%	-
(Gross margin)	41.5%	40.9%	+ 0.6pt	-
SG&A	25,018	25,533	▲ 2.0%	-
Operating Income	▲ 376	▲ 896	-	2,000
(Operating margin)	▲ 0.6%	▲ 1.5%	+ 0.9pt	2.1 %
Non-operating income and loss	▲ 20	38	-	-
Ordinary Income	▲ 396	▲ 858	-	2,050
Extra-ordinary income and loss	31	▲ 217	-	-
Net income attributable to owners of parent company	▲ 437	▲ 1,042	-	600

» Despite a slight decline in sales overall, Operating Loss decreased since sales increased in relatively high profitable segment.

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.

(Millions of yen)

	9 months ended FY2018	9 months ended FY2017	YoY Comparison	FY2018 Forecasts
CreCla	10,215	10,061	+ 1.5%	13,700
Rental	10,960	10,425	+ 5.1%	14,200
Construction Consulting	3,832	3,772	+ 1.6%	6,300
Housing Sales	27,409	28,344	▲ 3.3%	52,500
Beauty and Health	7,029	7,738	▲ 9.2%	9,800
Elimination	▲ 27	▲ 40	-	-
Total	59,420	60,302	▲ 1.5%	96,500

- » In the CreCla Business, sales increased year on year since record-setting heatwave this summer increased bottle consumption per customer.
- » The Rental business exceeded previous year because all segments improved business performances.
- » In the Construction Consulting, sales increased year on year and due to higher sales in the construction know-how systems.
- » In the Housing sales business, sales were below year on year 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 because of the slowdown in the repeat rate and decreases in sales per customers.

	9 months ended FY2018	9 months ended FY2017	YoY Comparison	FY2018 Forecasts
CreCla	648 (6.4%)	404 (4.0%)	+ 244 (+ 2.3pt)	405 (3.0%)
Rental	1,582 (14.4%)	1,557 (14.9%)	+ 24 (▲ 0.5pt)	2,000 (14.1%)
Construction Consulting	365 (9.5%)	333 (8.8%)	+ 31 (+ 0.7pt)	755 (12.0%)
Housing Sales	▲ 2,325 (▲ 8.5%)	▲ 2,267 (▲ 8.0%)	▲ 57 (▲ 0.5pt)	160 (0.3%)
Beauty and Health	122 (1.7%)	▲ 58 (▲ 0.8%)	+ 181 (+ 2.5pt)	80 (0.8%)
Elimination, HQ Cost	▲ 770	▲ 866	+ 96	▲ 1,400
Total	▲ 376 (▲ 0.6%)	▲ 896 (▲ 1.5%)	+ 520 (+ 0.9pt)	2,000 (2.1%)

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

- » In the CreCla business, operating income exceeded previous year thanks to sales increases in direct managed stores.
- » The Rental business increased operating income year on year and the planed target owing higher sales.
- » In the Construction Consulting business, operating income increased year on year owing to higher sales of the construction know-how systems.
- » In the Housing sales business, operating income decreased compared with last year, due to lower sales in Leohouse and J-wood.
- » In the Beauty and Health business, operating income rose year on year due to revisions to sales promotion costs and advertising expenses.

1 Analysis for Operating Income & Loss (YoY change)

(Millions of yen)

			YoY Comparison
FY2017 Q3 Operating Income		▲ 896	-
Gross profit		+ 5	+ 0.0 %
Increase and Decrease of SG&A	Sales promotion costs and Advertising Exp.	+ 238	+ 5.4 %
	Depreciation and Amortization	+ 208	+ 13.8 %
	Rent	+ 144	+ 7.7 %
	Personnel expenses	▲ 2	▲ 0.0 %
	Commission paid	▲ 103	▲ 11.4 %
	Others	+ 28	+ 0.5 %
FY2018 Q3 Operating Income		▲ 376	-

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

1. The reason of increase of Gross profit margin

» Despite a slight decline in sales overall, Operating Loss decreased since sales increased in relatively high profitable segment.

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 Beauty and Health suppressed them.

(Millions of yen)

	As of Dec. 2018	Break down	As of Mar. 2018	Break down	Comparison
Current assets	32,194	62.9%	22,980	54.6 %	+ 9,244
Total property, plant and equipment	11,742	23.0%	12,579	29.9 %	▲ 836
Intangible assets	2,762	5.4%	2,782	6.6 %	▲ 20
Investments and other assets	4,316	8.4%	3,773	9.0 %	+ 542
Non-current assets	18,821	36.8%	19,135	45.4 %	▲ 313
Total deferred assets	148	0.3%	-	-	+ 148
Total assets	51,164	100.0%	42,115	100.0 %	+ 9,079

Current liabilities	25,734	50.3%	20,973	49.8 %	+ 4,792
Non-current liabilities	6,505	12.7%	7,027	16.7 %	▲ 522
Total liabilities	32,239	63.0%	28,001	66.5 %	+ 4,269
Shareholder's equity	19,715	38.5%	14,873	35.3 %	+ 4,841
Accumulated other comprehensive income	▲ 789	▲ 1.5%	▲ 758	▲ 1.8 %	▲ 31
Total net assets	18,925	37.0%	14,114	33.5 %	+ 4,810
Total liabilities and net assets	51,164	100.0%	42,115	100.0 %	+ 9,079

■ Current assets : Costs on uncompleted construction contracts + 3,820 Real estate for sale + 2,824

■ Non-current assets Building and structures ▲ 522 Goodwill + 159

■ Current liabilities : Accounts payable ▲ 1,179 Short term debt + 2,345 Advances received on uncompleted construction contracts + 5,533

■ Non-current liabilities : Lease obligations ▲ 410

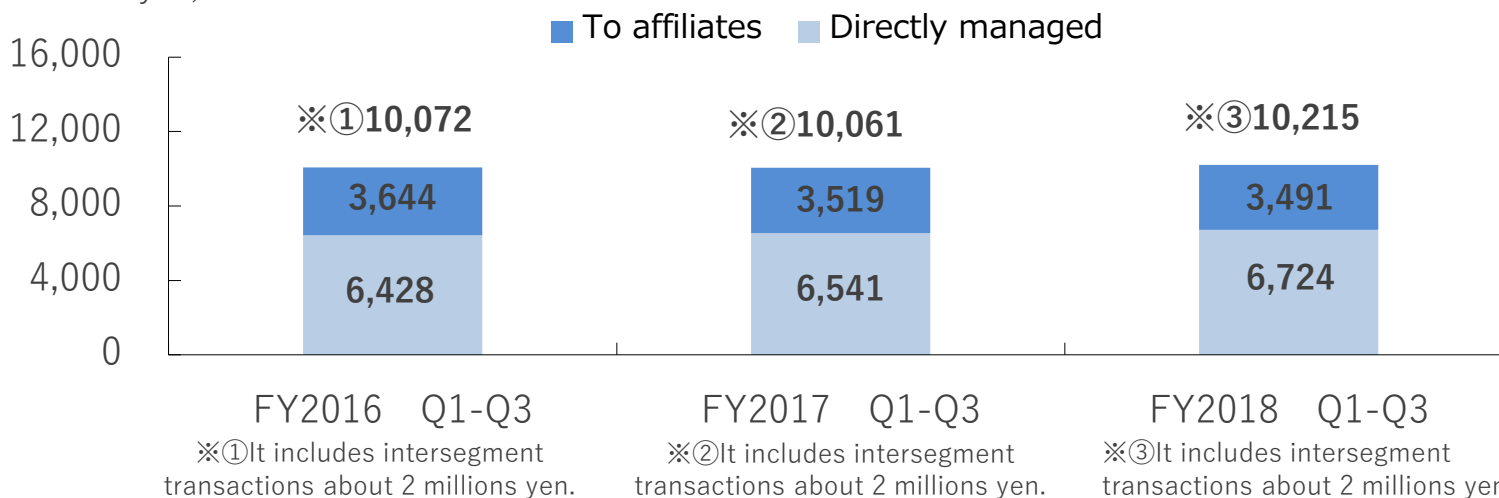
Equity Ratio : 37.0 %

2. Results by Segments

2 Results by Segment (1) CreCla

(Millions of yen)

Sales

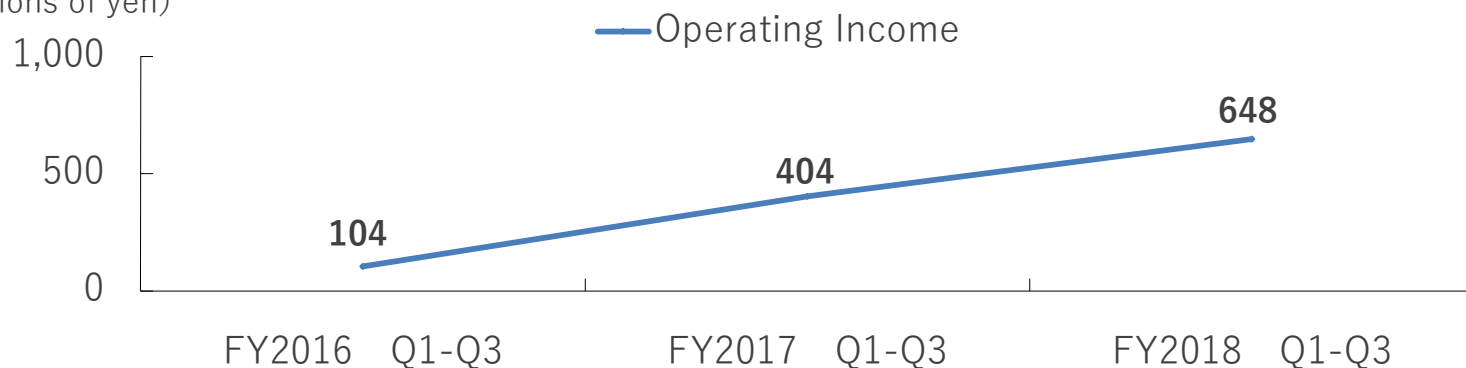


» Our direct managed stores tried to improve customer retention rate through enrich the content of customer services. As a result, sales increased year on year.

» In affiliates, sales was about the same level year on year.

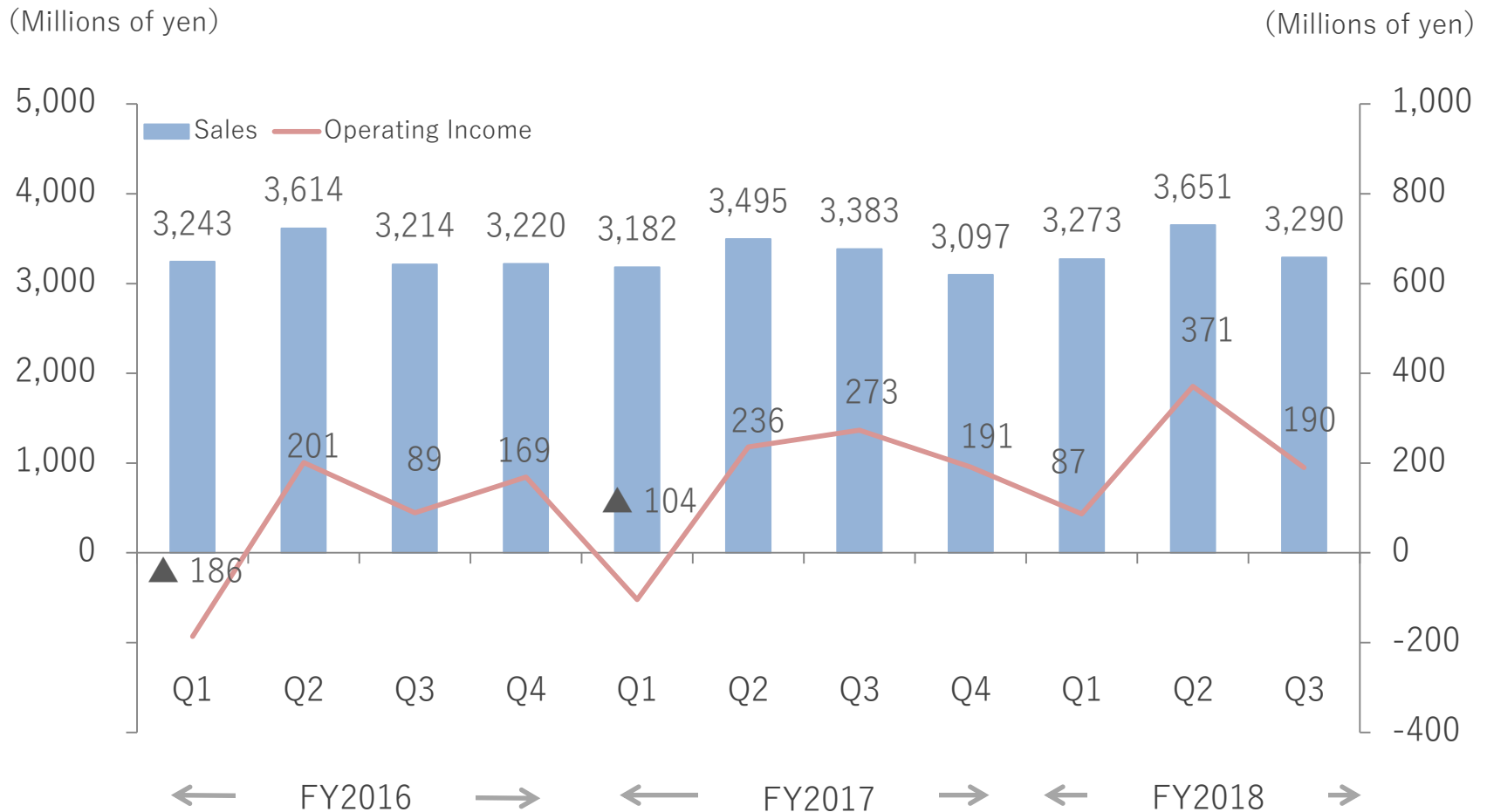
Operating Income

(Millions of yen)



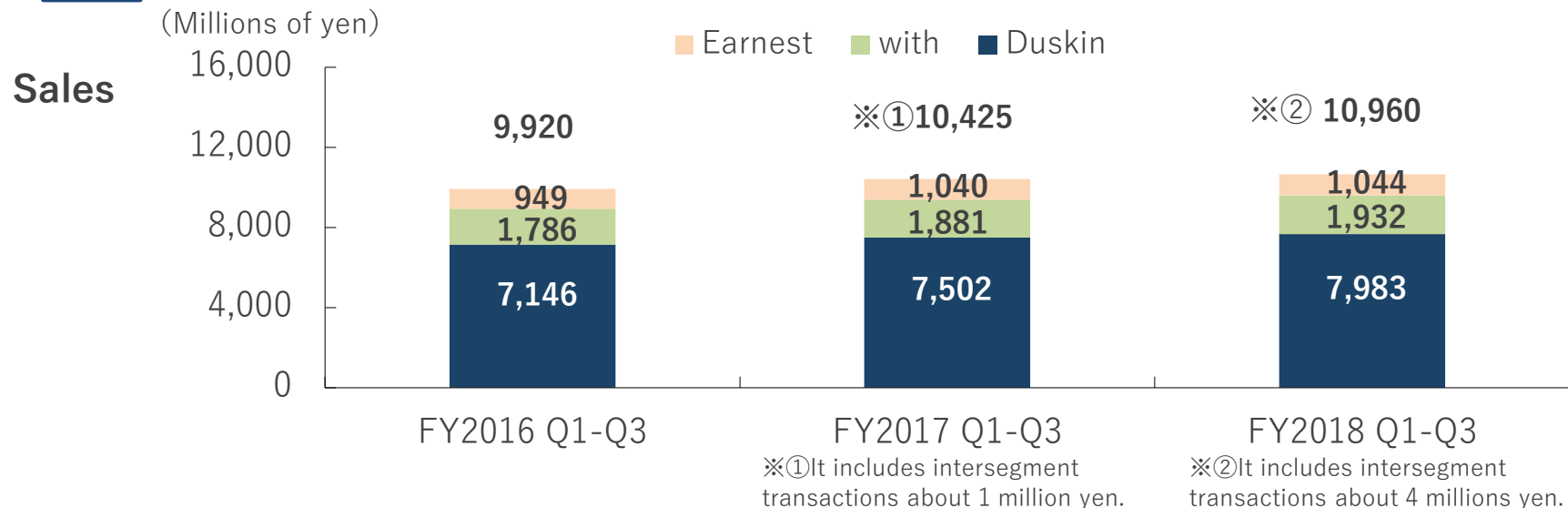
» Operating income exceeded previous year since sales increased in direct managed stores.

2 Results by Segment (1) CreCla



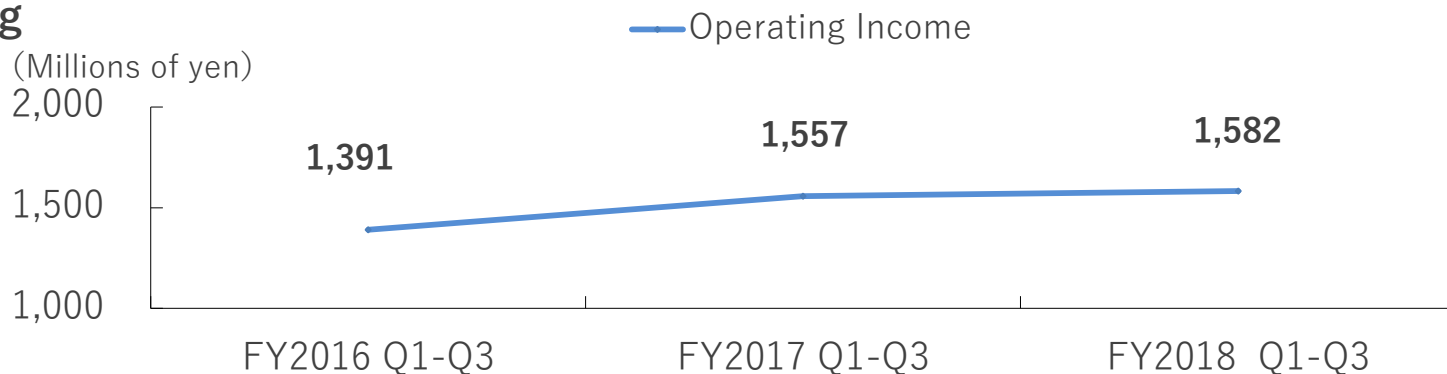
» Sales promotion expenses such as TV commercial increase to Q1 , and Operating Income increases after Q2.

2 Results by Segment (2) Rental



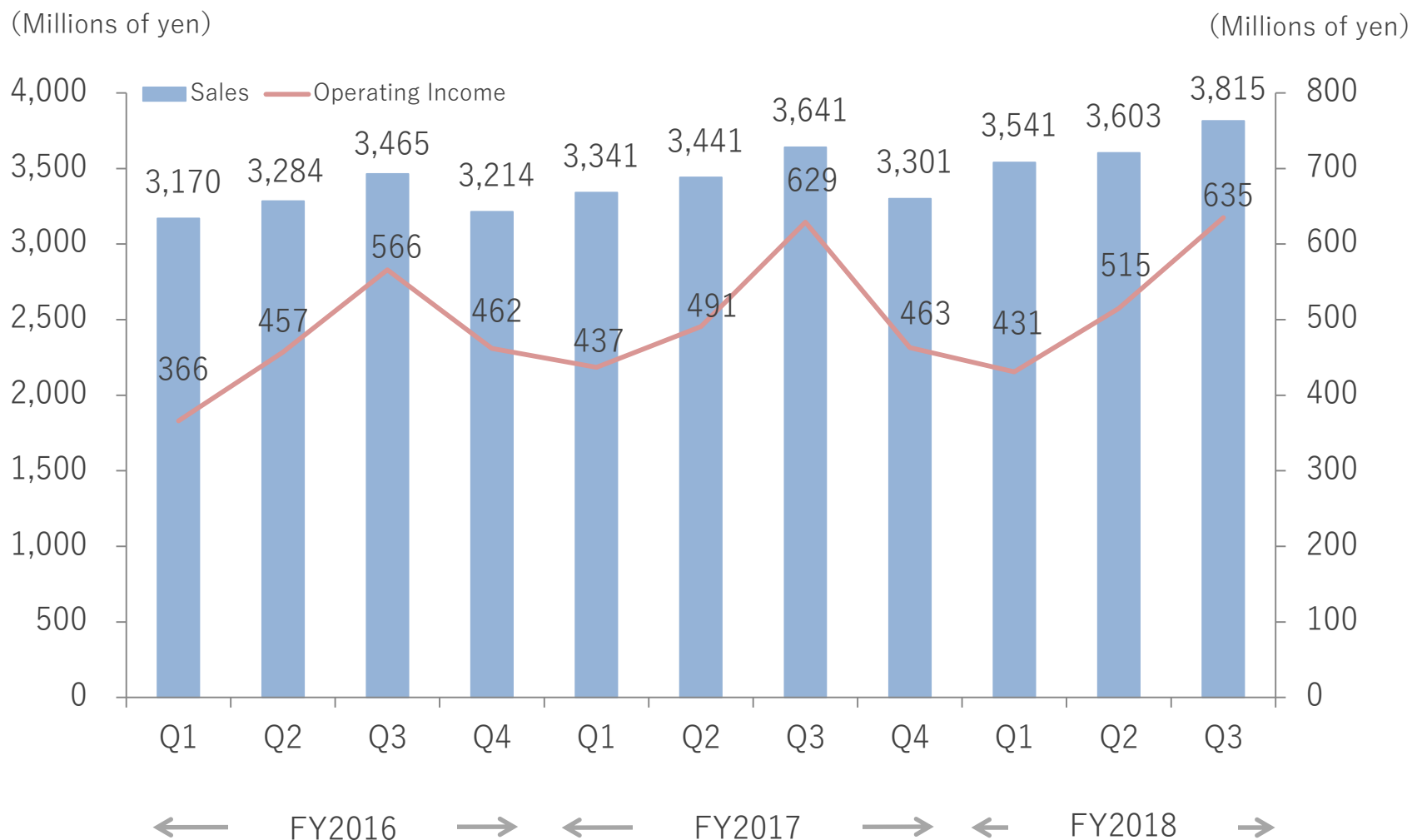
- » The Duskin business focused on existing customers to improve customer satisfaction. Consequently, the number of customers and contract termination rates held steady, so sales increased year on year.
- » With-branded pest-control devices business strengthened sales promotions before the summer peak 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



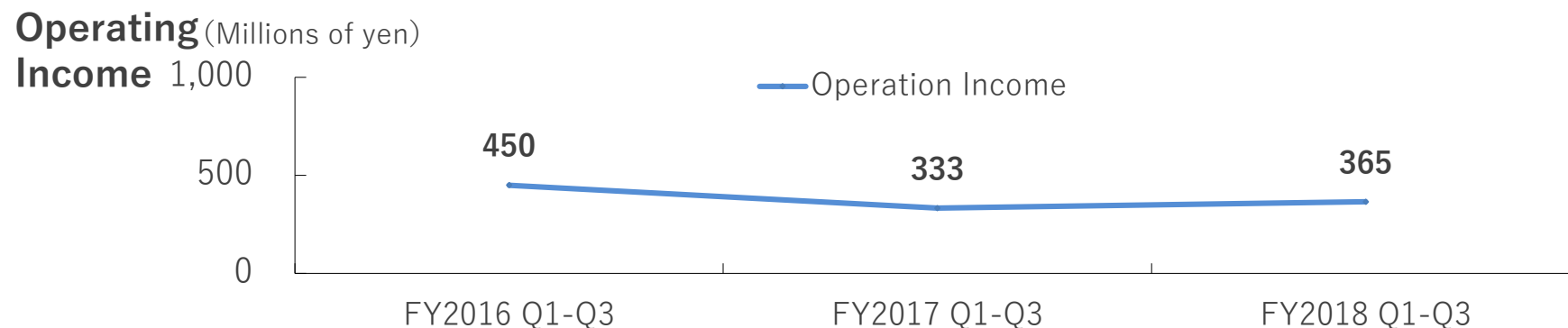
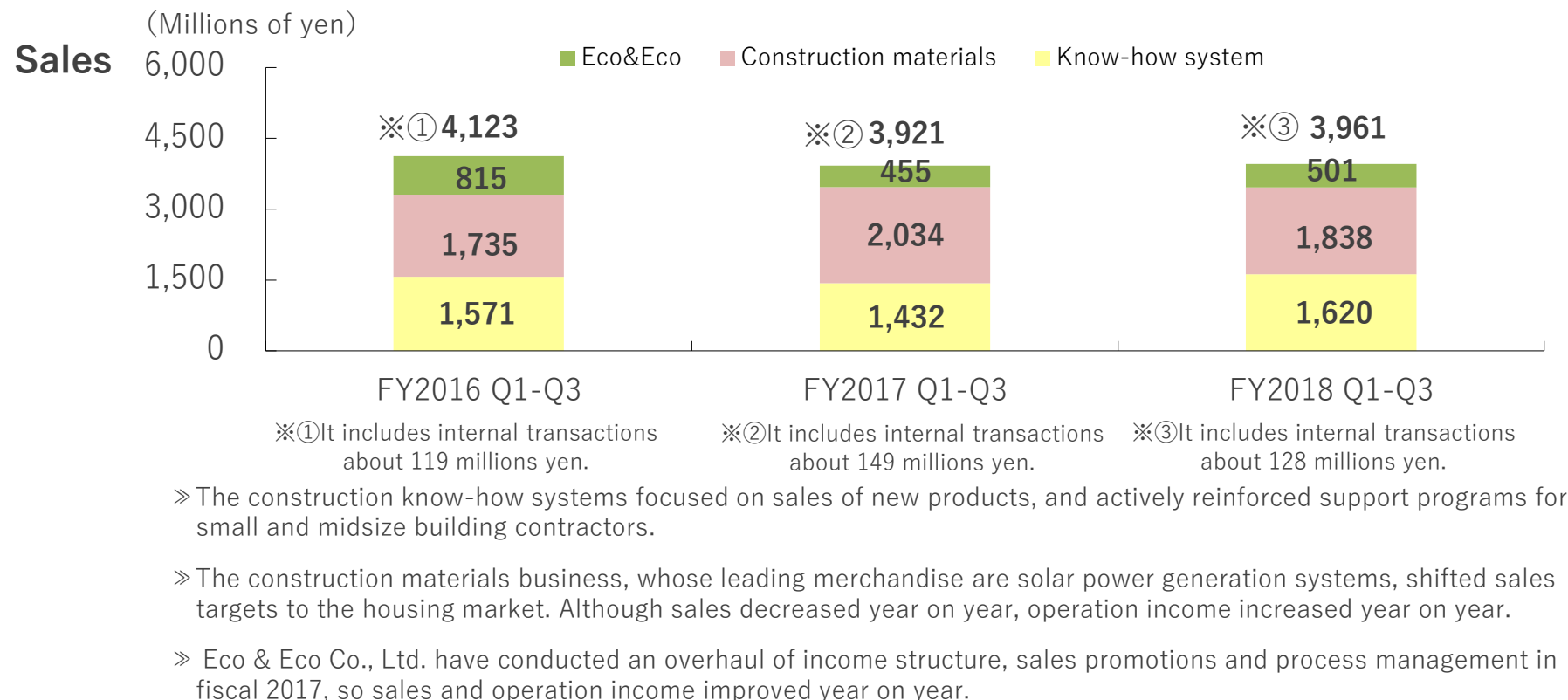
- » Operating Income increased year on year due to increased sales in all sections.

2 Results by Segment (2) Rental



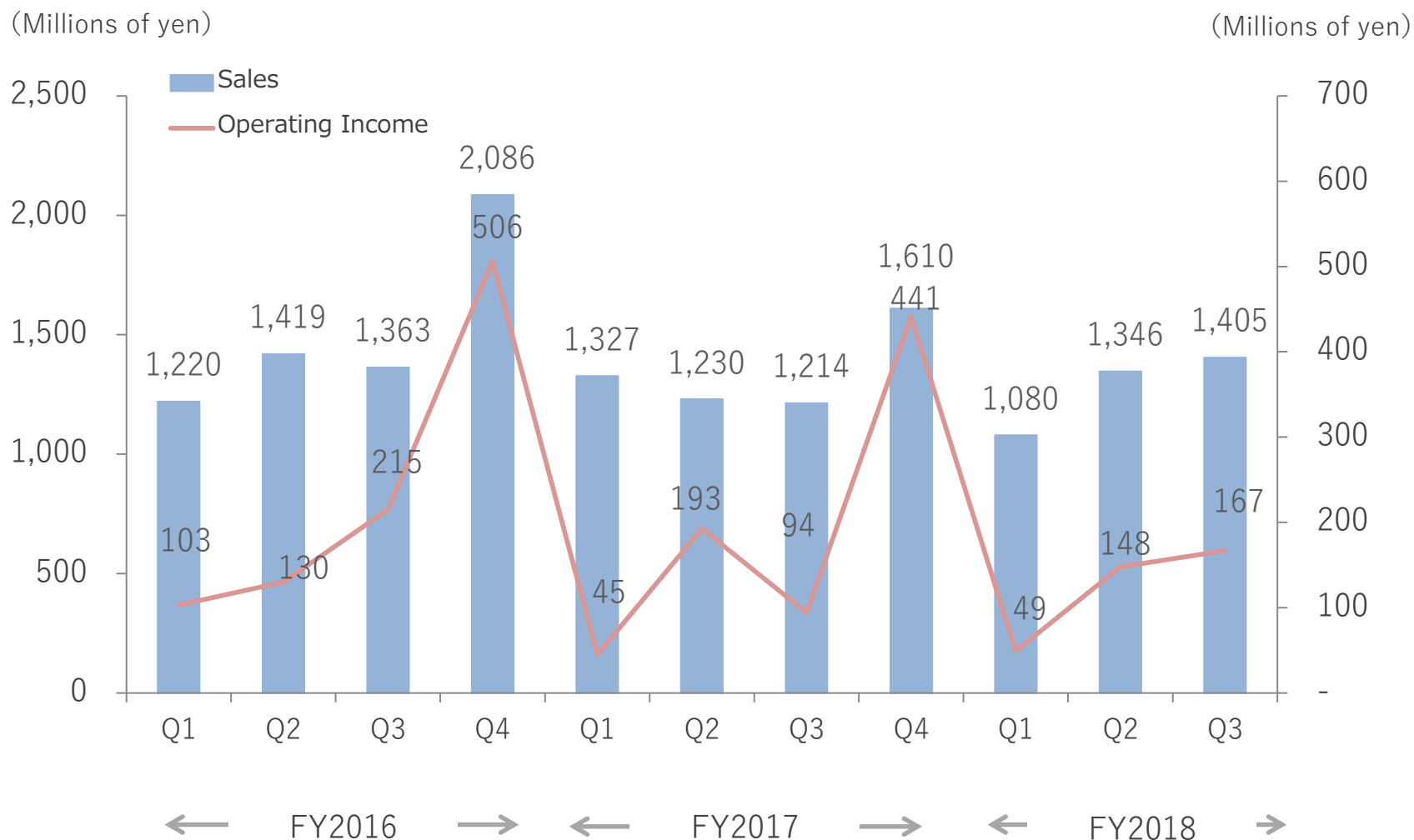
» Operating income increased year on year due to increased sales in all sections.

2 Results by Segment (3) Construction Consulting



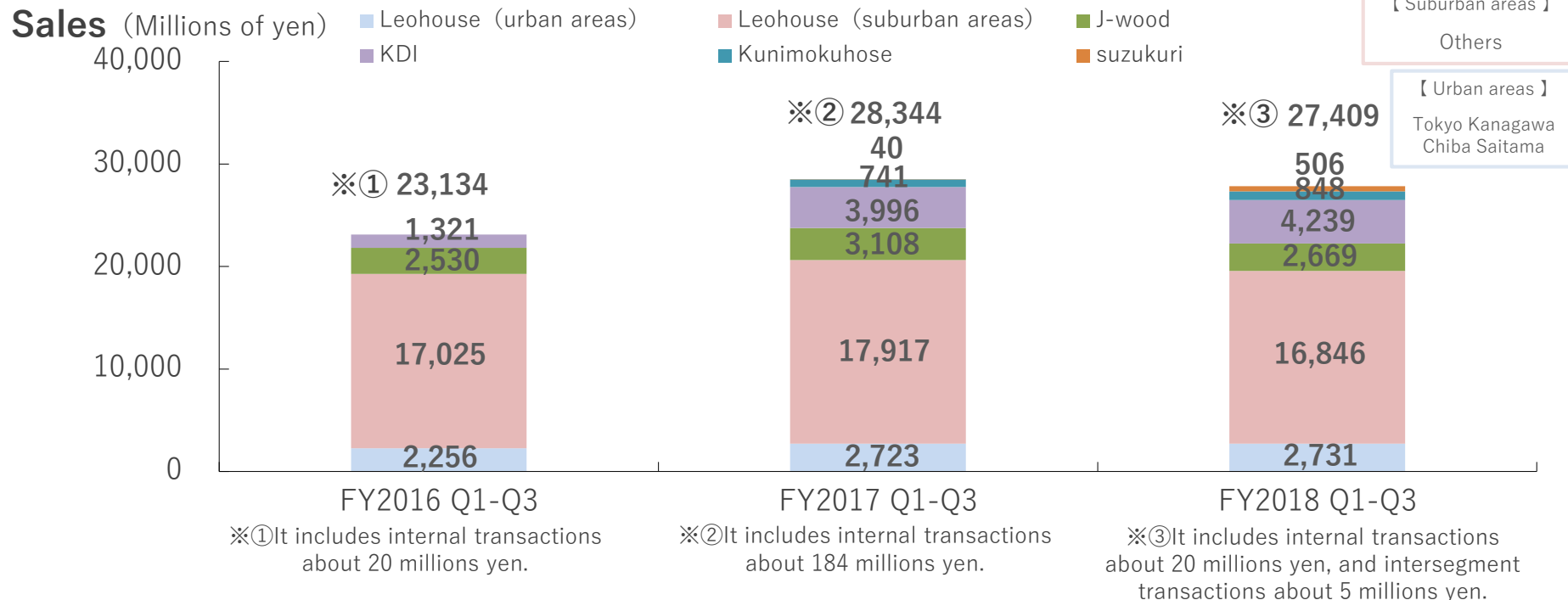
» Operating income increased year on year due to higher sales in the construction know-how systems and the improved income structure in Eco & Eco.

2 Results by Segment (3) Construction Consulting



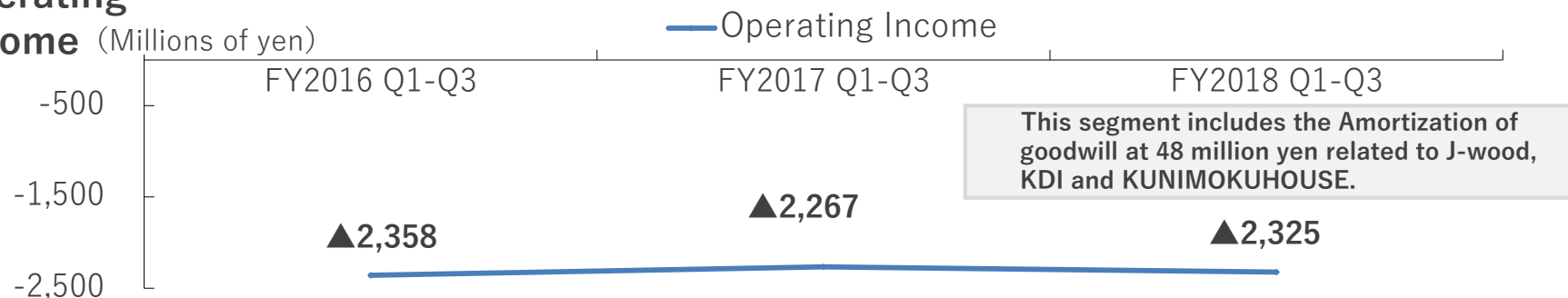
» Both sales and operating income tend to concentrate on Q4

2 Results by Segment (4) Housing Sales



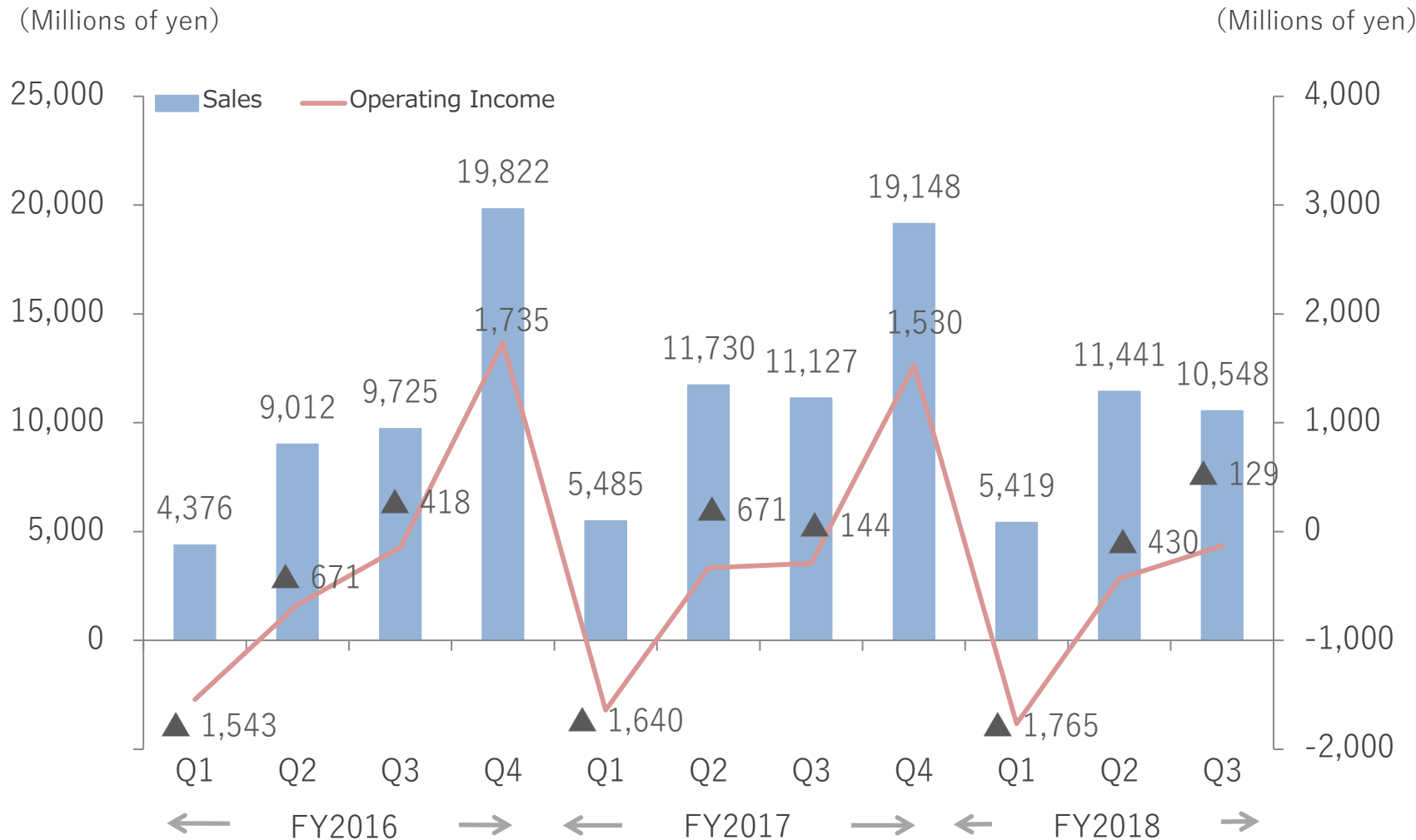
» In the Housing sales business, sales were below year on year because of decreased in hand as of the end of the previous fiscal year in Leohouse and J-wood.

Operating Income



» In the Housing sales business, operating income decreased compared with last year, due to lower sales in Leohouse and J-wood.

2 Results by Segment (4) Housing Sales

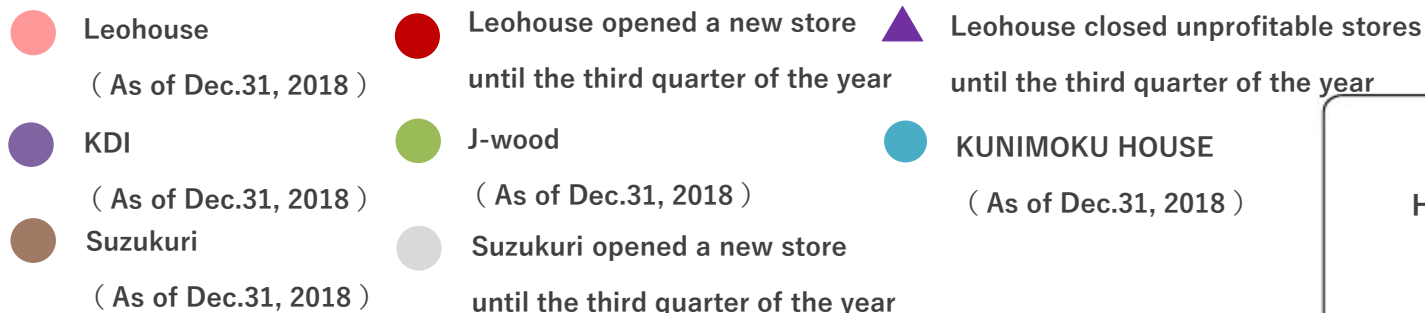


» Sales and Operating income tend to increase around Q4.

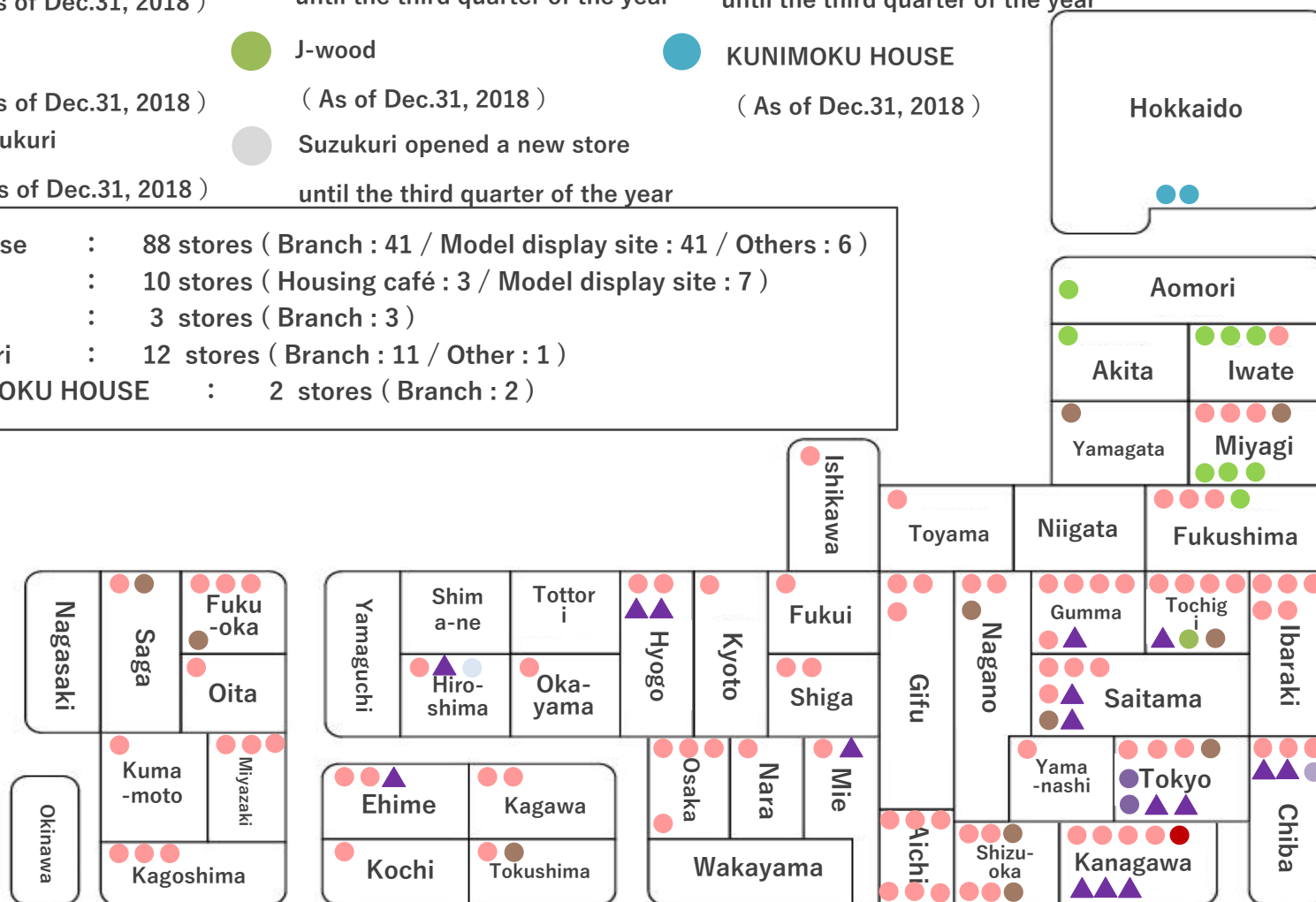
2 Results by Segment (4) Housing Sales

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 : 2)



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	395	
Comple tions	186	390	403	871	188	478	396	834	156	427	398	
Orders in hand	1,114	1,385	1,361	1,016	1,245	1,294	1,309	944	1,233	1,317	1,271	
Change	+ 253	+ 271	▲ 24	▲ 345	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 84	▲ 46	
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	0	
Total stores	※1 105	105	105	105	※2 105	105	105	※3 101	※4 88	88	88	

※1 Closing of model display sites ▲2

※2 Brand change to suzukuri ▲5

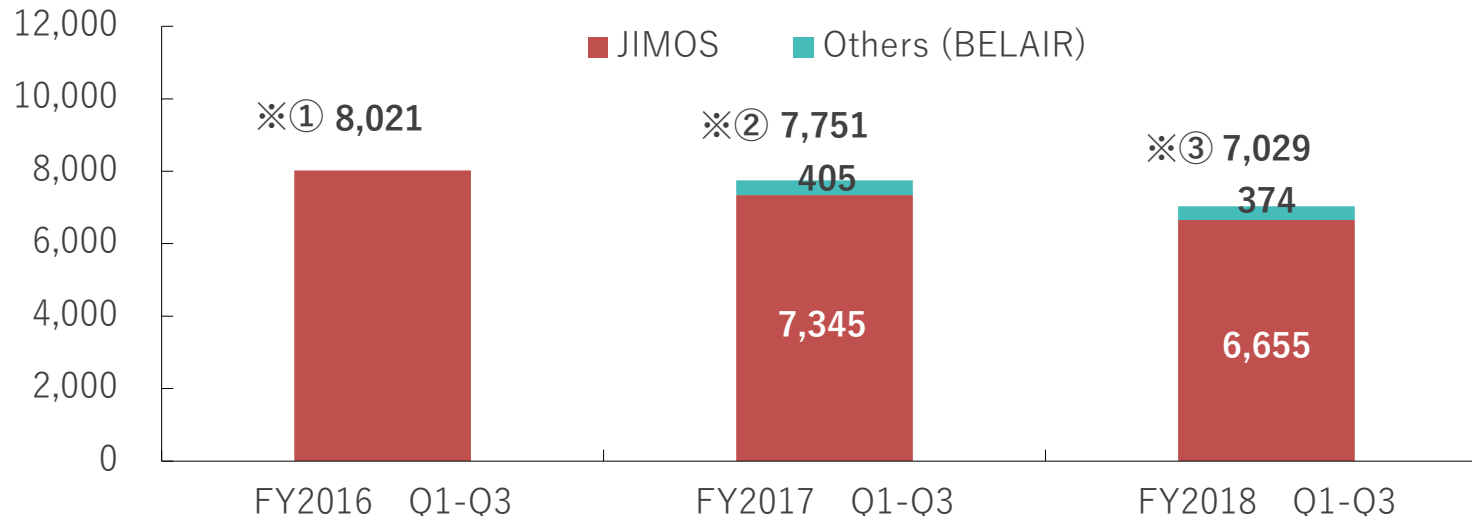
※3 Closing of unprofitable model display sites ▲4

※4 Closing of unprofitable model display sites ▲14

2 Results by Segment (5) Beauty and Health

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

Sales



※① It includes internal transactions about 5 millions yen.

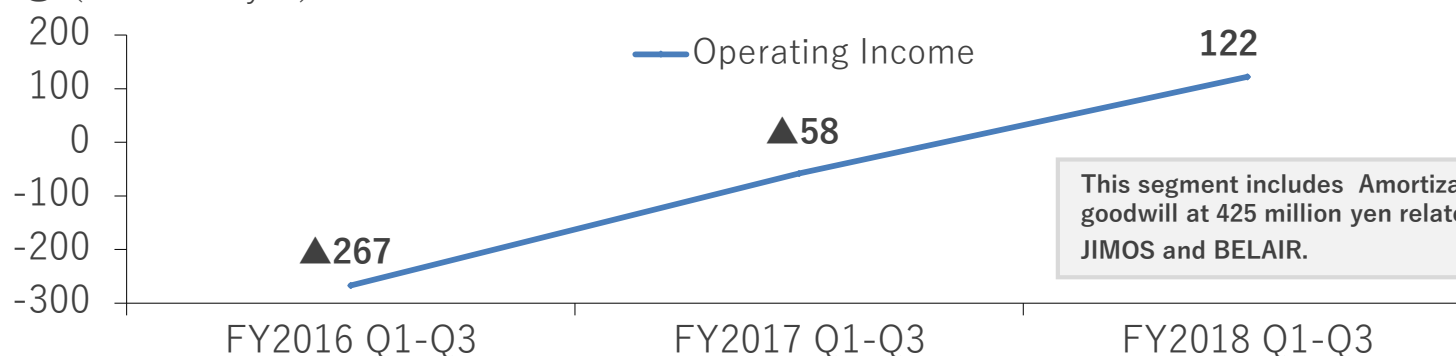
※② It includes internal transactions about 12 millions yen, and intersegment transactions about 36 millions yen.

※③ It includes internal transactions about 15 millions yen.

- » 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 (Millions of yen)

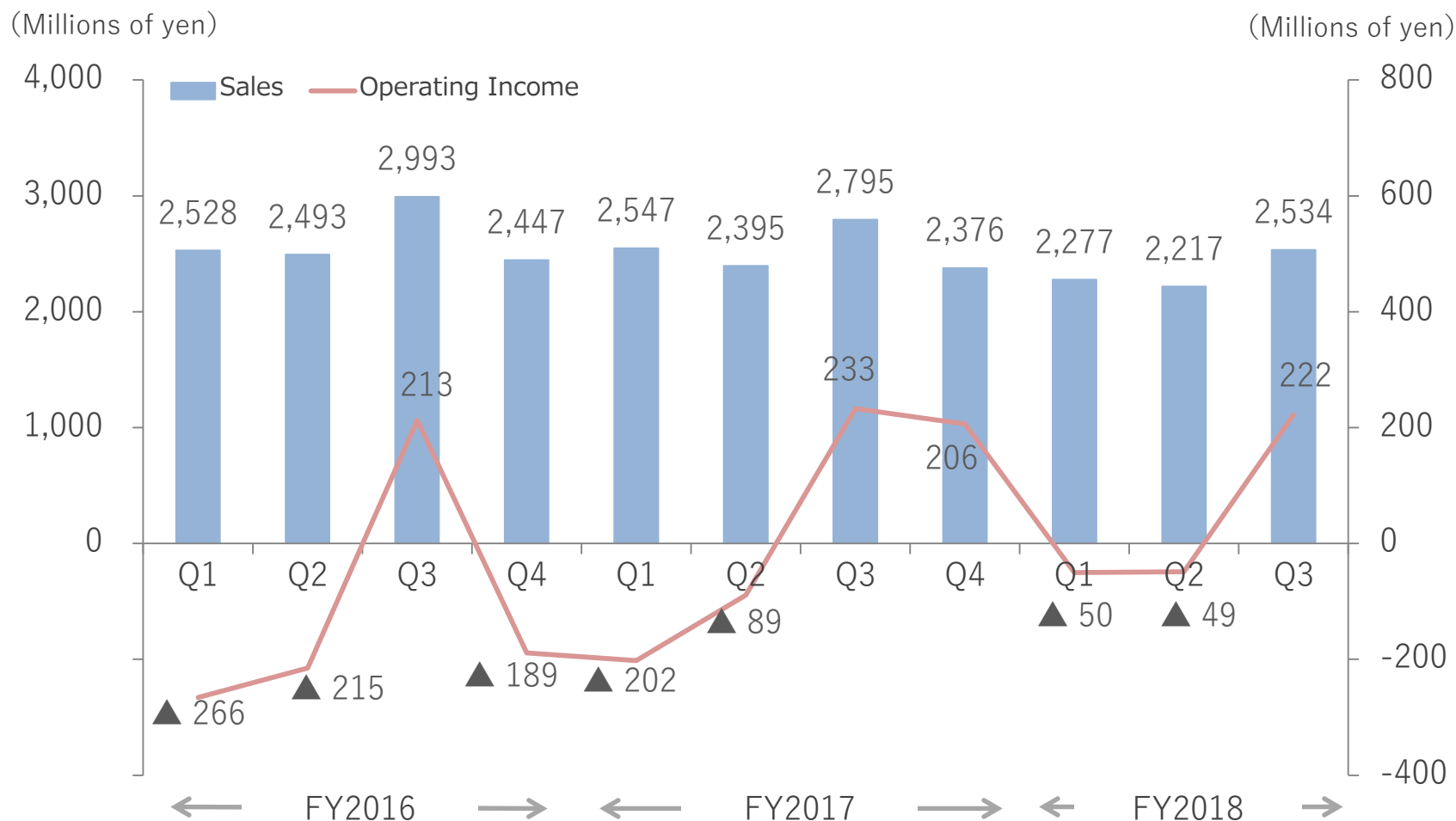
Income



This segment includes Amortization of goodwill at 425 million yen related to JIMOS and BELAIR.

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

2 Results by Segment (5) Beauty and Health



» 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.

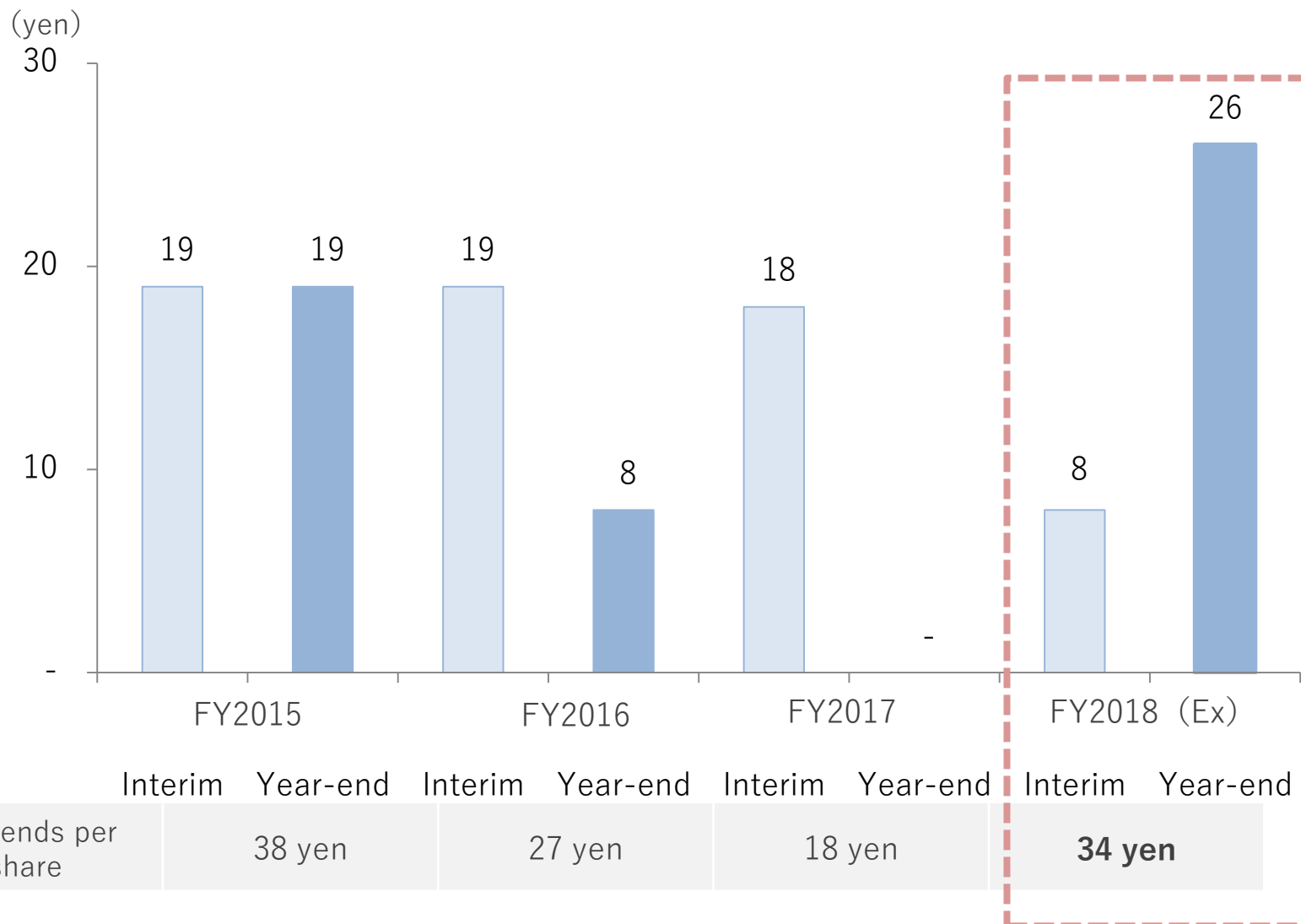
» Operating income is expected bellow zero because of goodwill amortization.

3. Dividend policy

3

Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%







4. 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	24,306,750 shares (share unit :100 shares)
Number of shareholders	9,341 (Total number of shareholders; treasury shares are excluded)

4 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. 2017	Acquired KUNIMOKU HOUSE Co., Ltd.	

CreCla

- **Market leader** in bottled water sales
- **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 : 6,500)
- 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

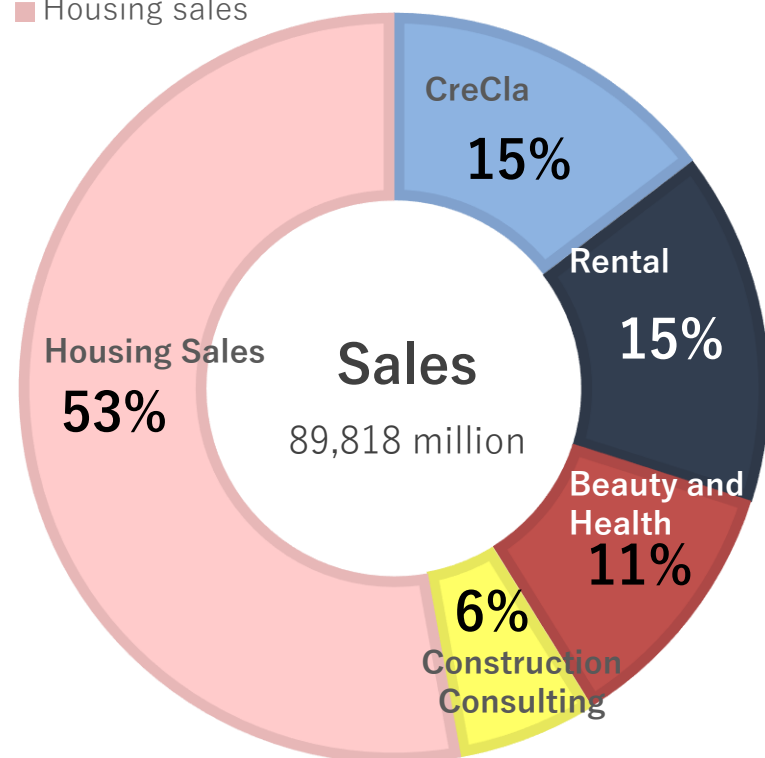
- Contract construction of a custom-built house under the Leohouse brand
- **Leading local builder** in contract construction (FY2011, FY2012 and FY2013)
- Acquired J-wood Co., Ltd. (July 2013) that produces natural houses
- In the survey of customer's satisfaction of custom-built house conducted by 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.

Beauty and Health

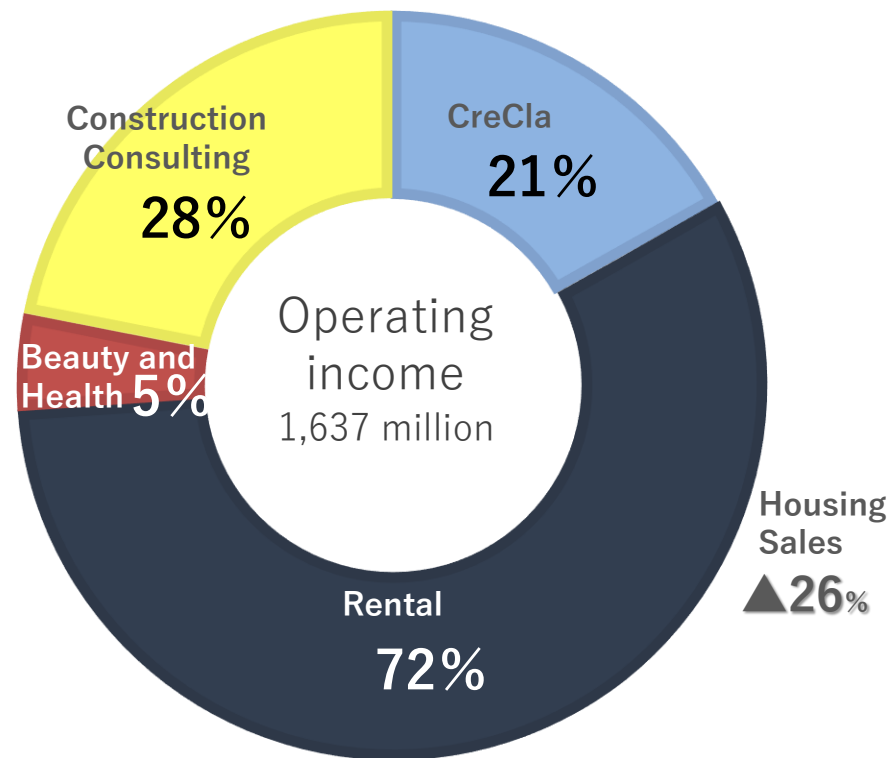
- In July 2013, the mail-order business entry by a subsidiary of JIMOS Co., Ltd.
- Various cosmetics for skin and hair care suitable for repeat use 260 thousand female customers (mainly in their 40-60's)
- In the "'14 Yahoo! BEAUTY mail order cosmetics grand prize you choose." It won the products **No.1**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

4 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

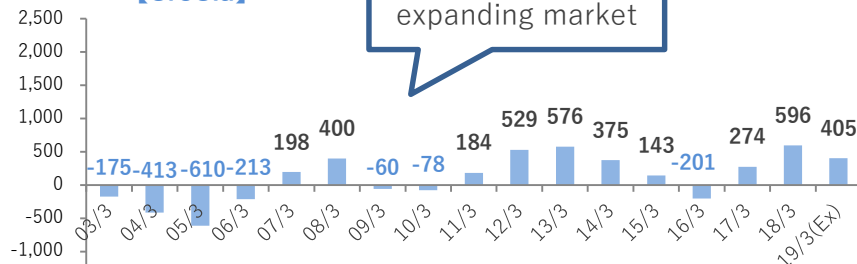
CleCla	Rental	Construction Consulting	Beauty and Health	Housing Sales	Total
4.5%	14.7%	14.4%	1.5%	▲1.6%	1.8%

4 Operating income trend by segment

(Millions of yen)

[CreCla]

Invested for
expanding market

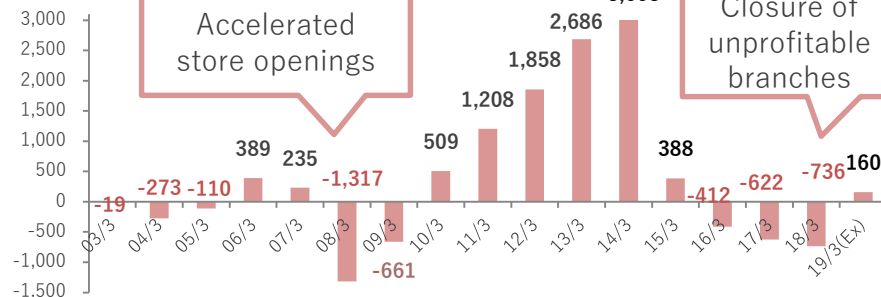


(Millions of yen)

[Housing Sales]

Accelerated
store openings

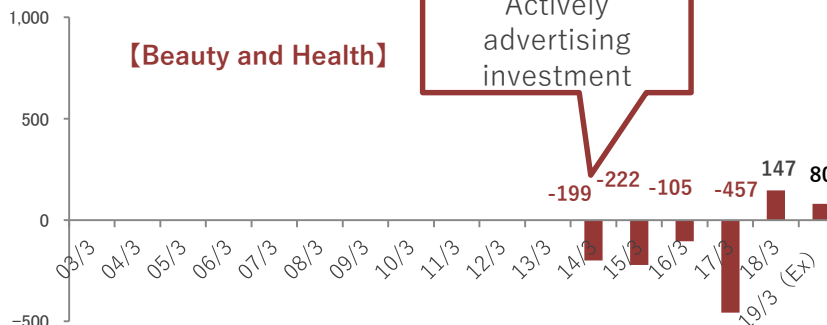
Closure of
unprofitable
branches



(Millions of yen)

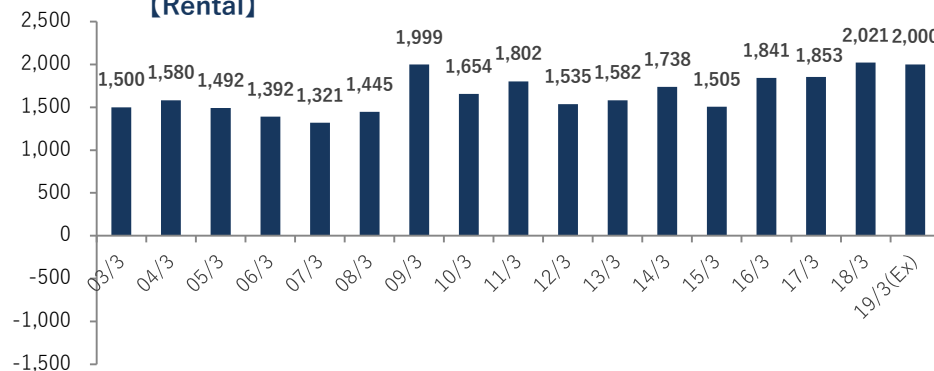
[Beauty and Health]

Actively
advertising
investment



(Millions of yen)

[Rental]



(Millions of yen)

[Construction Consulting]

