

Results for FY2018 ended Mar.31, 2018 【 Reference 】

May 15th, 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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|---|----------------|
| 1. Results for the Fiscal Year (FY2018) | … P. 2 |
| 2. Results by Segments | … P. 9 |
| 3. FY2019 Forecasts of Financial Results | … P. 22 |
| 4. Plan of Dividends | … P. 26 |
| 5. Appendix | … P. 28 |

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 Fiscal year (FY2018)

(Millions of yen)

	FY2018 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2017 Result	YoY Comparison
Sales	89,111	96,500	92.3%	89,818	▲ 0.8 %
Gross profit	34,763	-	-	34,785	▲ 0.1 %
(Gross margin)	39.0 %	-	-	38.7 %	+ 0.3 pt
SG&A	32,725	-	-	33,148	▲ 1.3 %
Operating Income	2,037	2,000	101.9 %	1,637	24.5 %
(Operating margin)	2.3 %	2.1 %	+ 0.2 pt	1.8 %	+ 0.5 pt
Non-operating income and loss	43	-	-	▲ 62	-
Ordinary Income	2,081	2,050	101.5 %	1,574	32.2 %
Extra-ordinary income and loss	▲ 168	-	-	▲ 1,021	-
Net income attributable to owners of parent company	798	600	133.0 %	▲ 994	-

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

1 Sales by Segment

(Millions of yen)

	FY2018 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2017 Result	YoY Comparison
CreCla	13,179	13,700	▲ 521	6,678	+ 20
Rental	14,394	14,200	+ 194	6,783	+ 667
Construction Consulting	5,459	6,300	▲ 841	2,558	+ 75
Housing Sales	46,318	52,500	▲ 6,182	17,216	▲ 1,174
Beauty and Health	9,801	9,800	+ 1	4,943	▲ 314
Elimination	▲ 41	-	▲ 41	▲ 31	+ 18
Total	89,111	96,500	▲ 7,389	38,148	▲ 706

- » In the CreCla Business, we couldn't reach the planned target since we decided to withdraw from one-way bottle delivery service. However, by means of extensive sales campaigns conducted during the period, sales slightly rose year on year.
- » The Rental business exceeded the planed target and previous year because all segments improved business performances.
- » In the Construction Consulting, sales increased year on year but 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.

1 Operating income by Segments

(Millions of yen)

	FY2018 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2017 Result	YoY Comparison
CreCla	788 (6.0 %)	405 (3.0 %)	+ 383 (+ 3.0 pt)	596 (4.5 %)	+ 192 (+ 1.5 pt)
Rental	1,998 (13.9 %)	2,000 (14.1 %)	▲ 1 (▲ 0.2 pt)	2,021 (14.7 %)	▲ 22 (▲ 0.8 pt)
Construction Consulting	754 (13.8 %)	755 (12.0 %)	▲ 0 (▲ 1.8 pt)	775 (14.4 %)	▲ 21 (▲ 0.6 pt)
Housing Sales	▲ 694 (▲ 1.5 %)	160 (0.3 %)	▲ 854 (▲ 1.8 pt)	▲ 736 (▲ 1.6 %)	+ 41 (+ 0.1 pt)
Beauty and Health	255 (2.6 %)	80 (0.8 %)	+ 175 (+ 1.8 pt)	147 (1.5 %)	+ 108 (+ 1.1 pt)
Elimination, HQ Cost	▲ 1,064	▲ 1,400	+ 335	▲ 1,166	+ 102
Total	2,037 (2.3 %)	2,000 (2.1 %)	+ 37 (+ 0.2 pt)	1,637 (1.8 %)	+ 400 (+ 0.5 pt)

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

- » In the CreCla business, significantly year on year thanks to increased sales of “CreCla Security Support” and fee income by introducing new type of water coolers.
- » The Rental business decreased operating income slightly year on year by the cost increased with new store opening.
- » In the Construction Consulting business, operating income decreased year on year due to the increased expenditure to develop new products.
- » In the Housing sales business, operating loss was reduced as a result of efforts to minimize SG & A expenses in Leohouse.
- » In the Beauty and Health business, operating income rose year on year due to revisions to sales promotion costs and advertising expenses.

(Millions of yen)

1 Analysis for operating income & loss (YoY change)

			Comparison
FY2017 Operating Income		1,637	-
1. Gross profit		▲ 22	▲ 0.1 %
2. Increase and Decrease of SG&A <small>※Increase and Decrease of SG&A + Increase in profit and loss ▲ Decrease in the profit and loss</small>	Depreciation and Amortization	+ 270	+ 13.4 %
	Rent	+ 253	+ 10.1 %
	Sales promotion costs and Advertising Exp.	+ 223	+ 4.2 %
	Personnel expenses	▲ 30	▲ 0.2 %
	Commission paid	▲ 133	▲ 10.9 %
	Others	▲ 161	▲ 2.0 %
FY2018 Operating Income		2,037	+ 24.5 %

1. The reason of decrease of Gross profit margin

- » Consolidated sales declined year on year due to sales decreases in the Housing Sales business and Beauty and Health business.

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 and Beauty and Health suppressed them.

	As of Mar.31 2019	Break down	As of Mar.31 2018	Break down	Comparison
Current assets	31,575	63.6 %	22,980	54.6 %	+ 8,595
Total property, plant and equipment	11,457	23.1 %	12,579	29.9 %	▲ 1,121
Intangible assets	2,549	5.1 %	2,782	6.6 %	▲ 232
Investments and other assets	3,908	7.9 %	3,773	9.0 %	+ 134
Non-current assets	17,916	36.1 %	19,135	45.4 %	▲ 1,219
Total deferred assets	134	0.3 %	-	-	+ 134
Total assets	49,626	100.0 %	42,115	100.0 %	+ 7,510
Current liabilities	23,410	47.2 %	20,973	49.8 %	+ 2,437
Non-current liabilities	6,055	12.2 %	7,027	16.7 %	▲ 972
Total liabilities	29,465	59.4 %	28,001	66.5 %	+ 1,464
Shareholder's equity	20,950	42.2 %	14,873	35.3 %	+ 6,076
Accumulated other comprehensive income	▲ 789	▲ 1.6 %	▲ 758	▲ 1.8 %	▲ 30
Total net assets	20,161	40.6 %	14,114	33.5 %	+ 6,046
Total liabilities and net assets	49,626	100.0 %	42,115	100.0 %	+ 7,510

■ Current assets : Cash and deposits + 1,906 Real estate for sale + 4,895

■ Non-current assets : Building and structures ▲ 738 Leased asset ▲ 524

■ Current liabilities : Short-term loans + 1,900 Accounts payable + 917

■ Non-current liabilities : Lease obligations ▲ 476 Long-term loans ▲ 400

Equity Ratio : 40.6 %

(Millions of yen)

	FY2018	FY2017	Comparison
1.Net cash provided by operating activities	▲ 2,200	1,152	▲ 3,352
2.Net cash used in investing activities	▲ 835	▲ 905	70
3.Net cash used in financing activities	4,941	▲ 473	5,414
Net increases cash and cash equivalents	1,906	▲ 225	2,132
Cash and cash equivalents at beginning of period	7,261	7,430	▲ 168
Cash with the new connection and cash equal accrual	-	56	▲ 56
Cash and cash equivalents at end of period	9,167	7,261	1,906
Depreciation and amortization	1,546	1,783	▲ 236

The main reasons of the fluctuation

■ Operating activities : An increase in Net income before income taxes at 1,912 millions of yen

An increase in depreciation at 1,546 millions of yen

An increase in inventory at 5,876 millions of yen

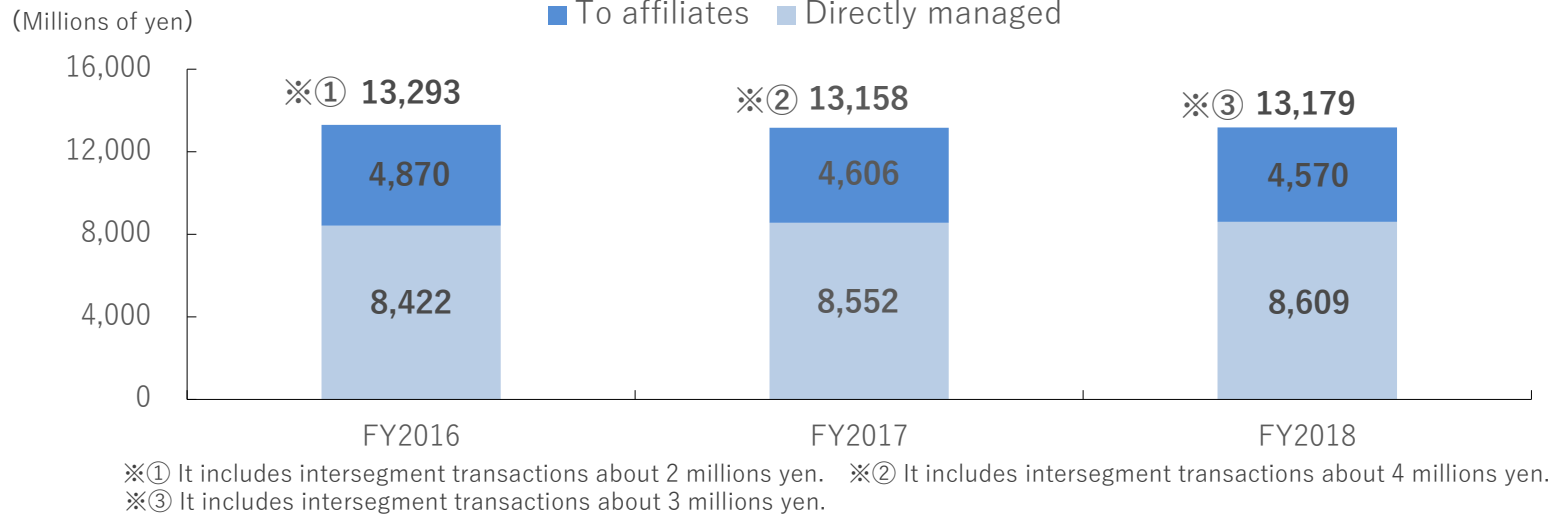
A decrease in Corporate tax at 1,357 millions of yen

■ Investing activities : Purchase of tangible assets at 329 millions of yen

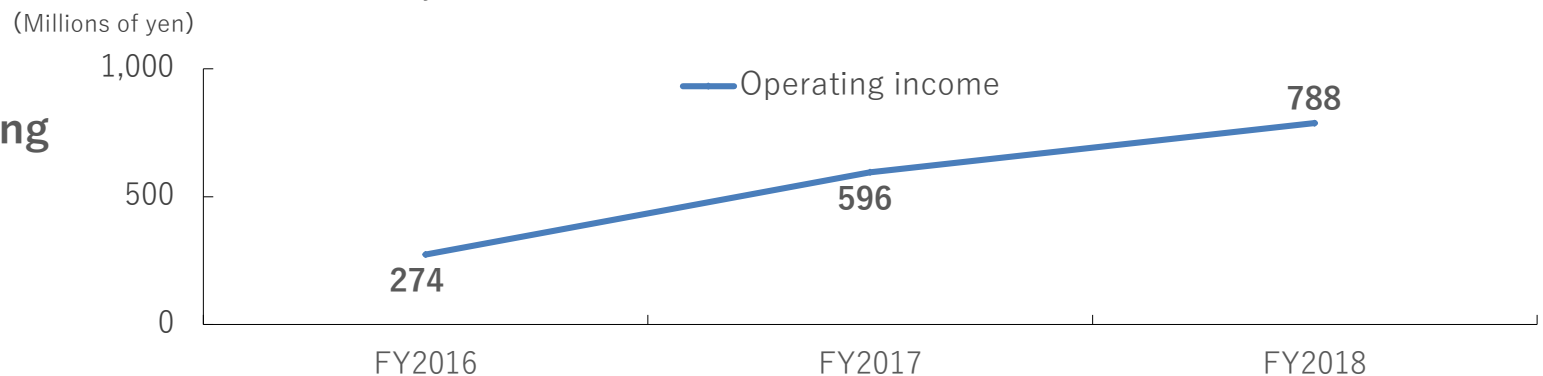
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation at 249 million

■ Financing activities : Proceeds from issuance of common stock at 5,291 millions of yen

2. Results by Segments

Sales

- » In our direct managed stores, in order to cope with increasing distribution costs, we decided to withdraw from one-way bottle delivery service. However, by means of extensive sales campaigns conducted during the period, sales slightly rose year on year.
- » In affiliates, sales increased year on year since sales of water servers and bottled water remained steady.

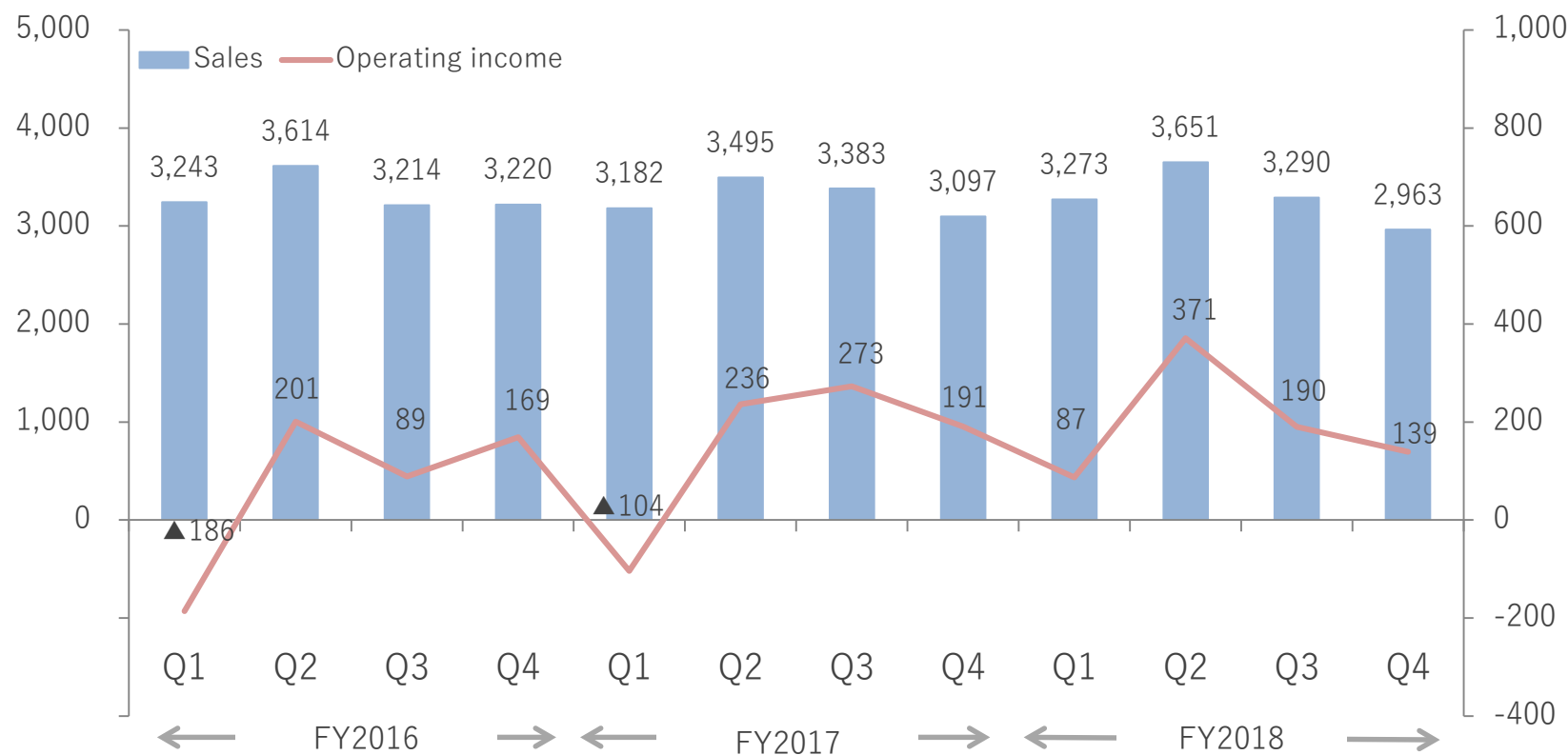
Operating Income

- » Operating income increased significantly year on year thanks to increased sales of “CreCla Security Support” and fee income by introducing new type of water coolers.

2 Results by Segment (1) CreCla

(Millions of yen)

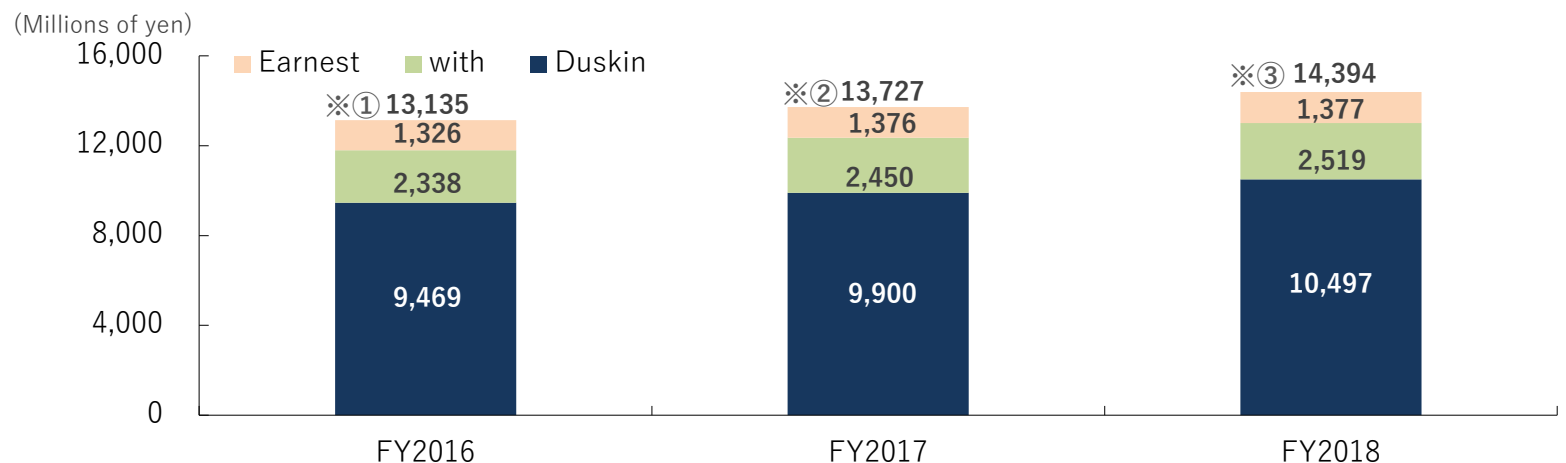
(Millions of yen)



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

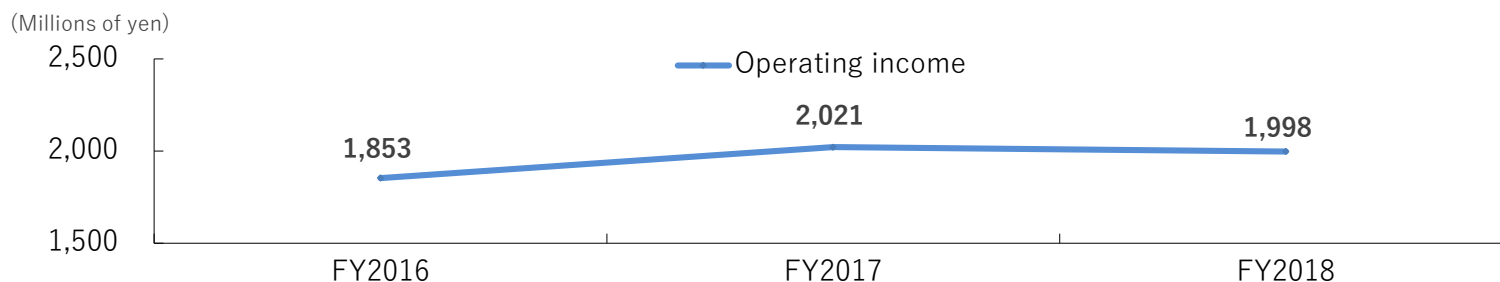
2 Results by Segment (2) Rental

Sales



- » The Duskin business focused on existing customers to enhance customer satisfaction. Moreover, we utilized M&A strategy to expand business areas. As a result, sales increased year on year.
- » With-branded pest-control device business strengthened sales promotions midst of the summer peak demand season, so the number of customers and sales per customer rose gradually. As a result, sales increased year on year.
- » At Earnest, sales were about the same level year on year.

Operating Income

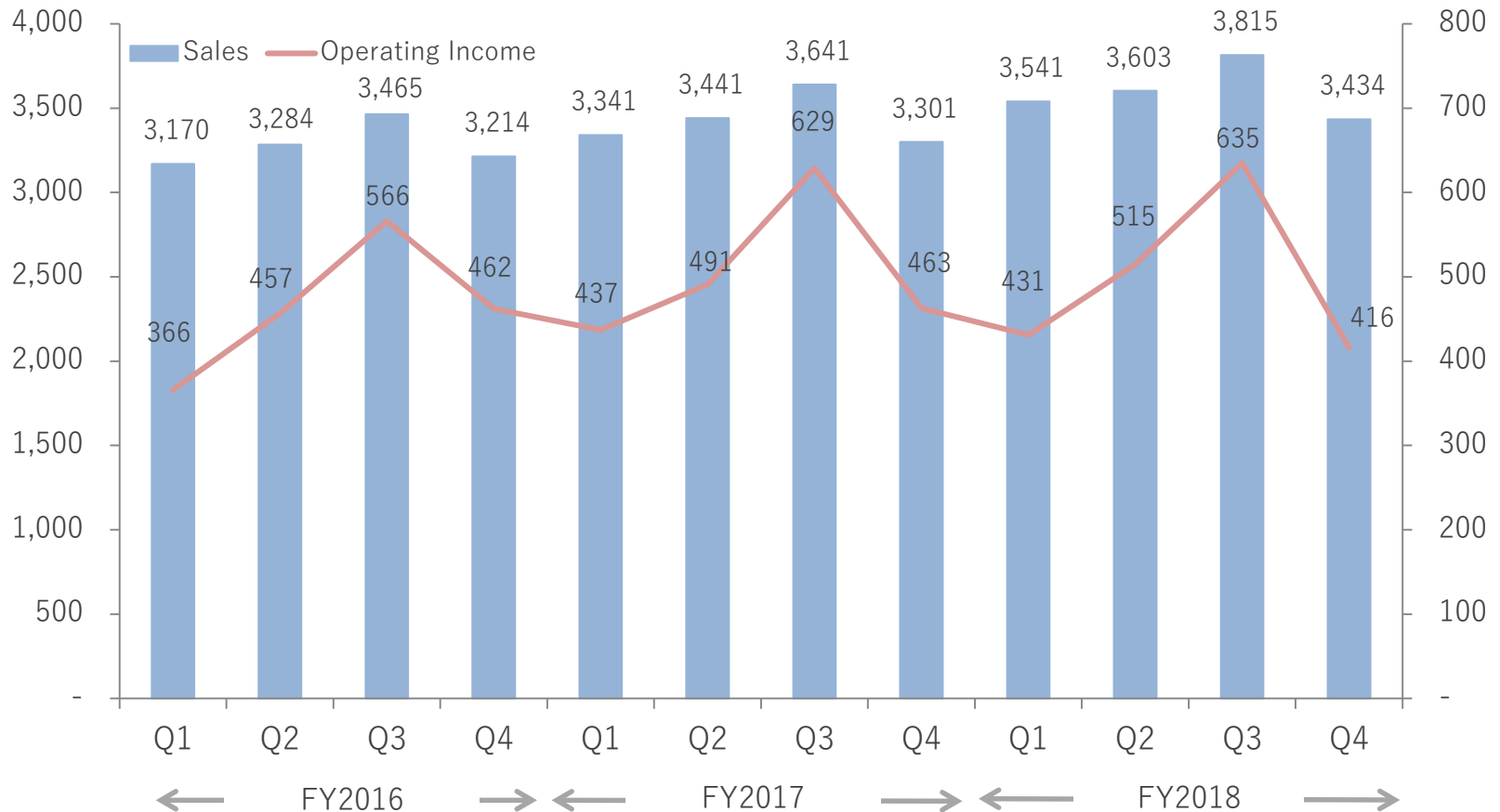


- » Operating income increased year on year owing to sales increases in all sections.

2 Results by Segment (2) Rental

(Millions of yen)

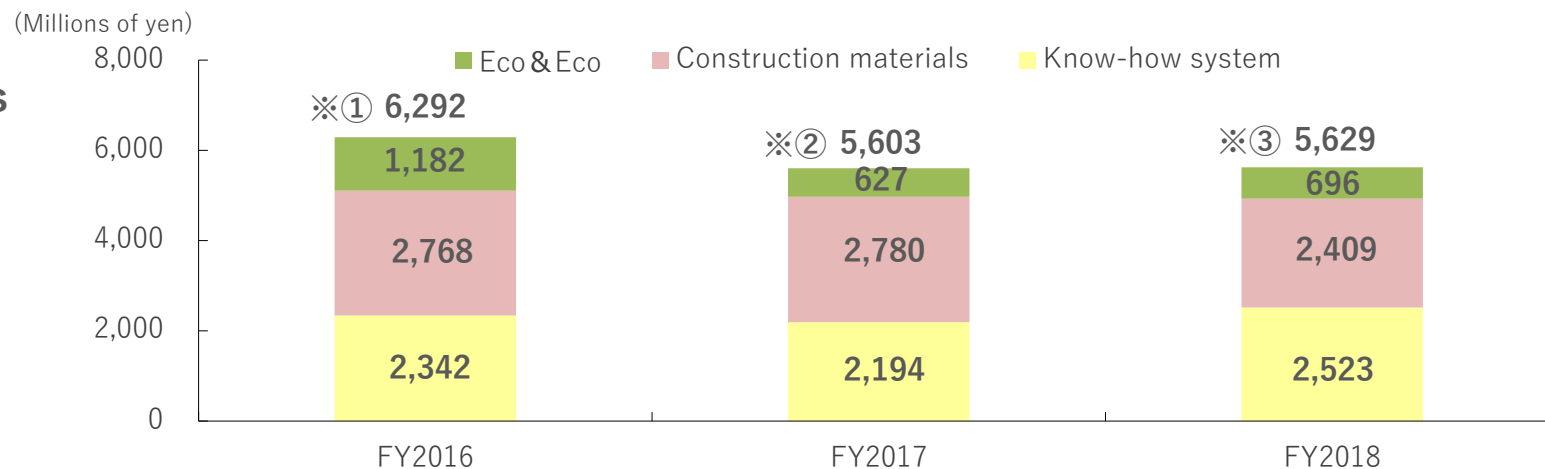
(Millions of yen)



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

2 Results by Segment (3) Construction Consulting

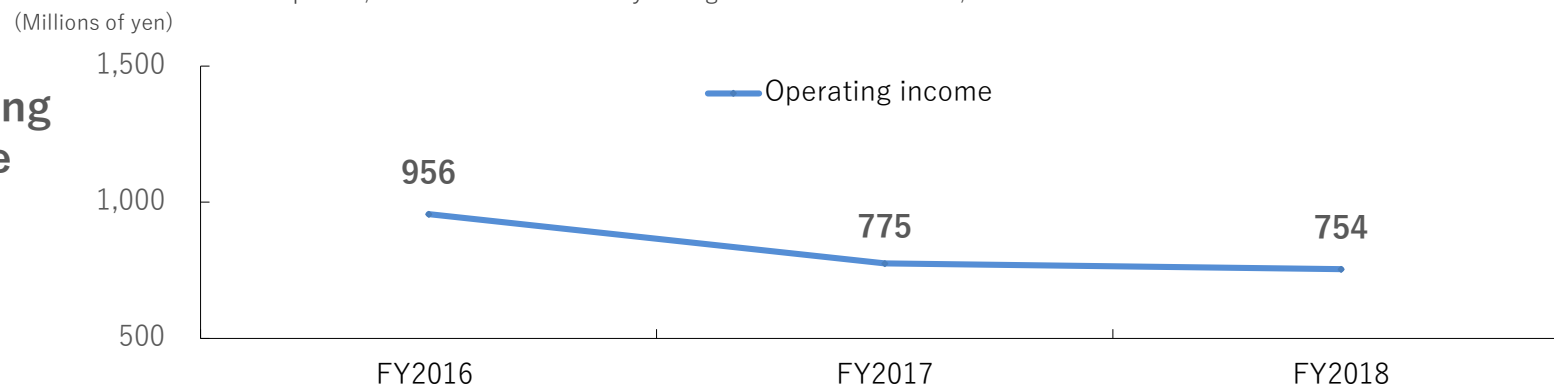
Sales



※① It includes internal transactions about 202 millions yen. ※② It includes internal transactions about 219 millions yen.
 ※③ It includes internal transactions about 169 millions yen.

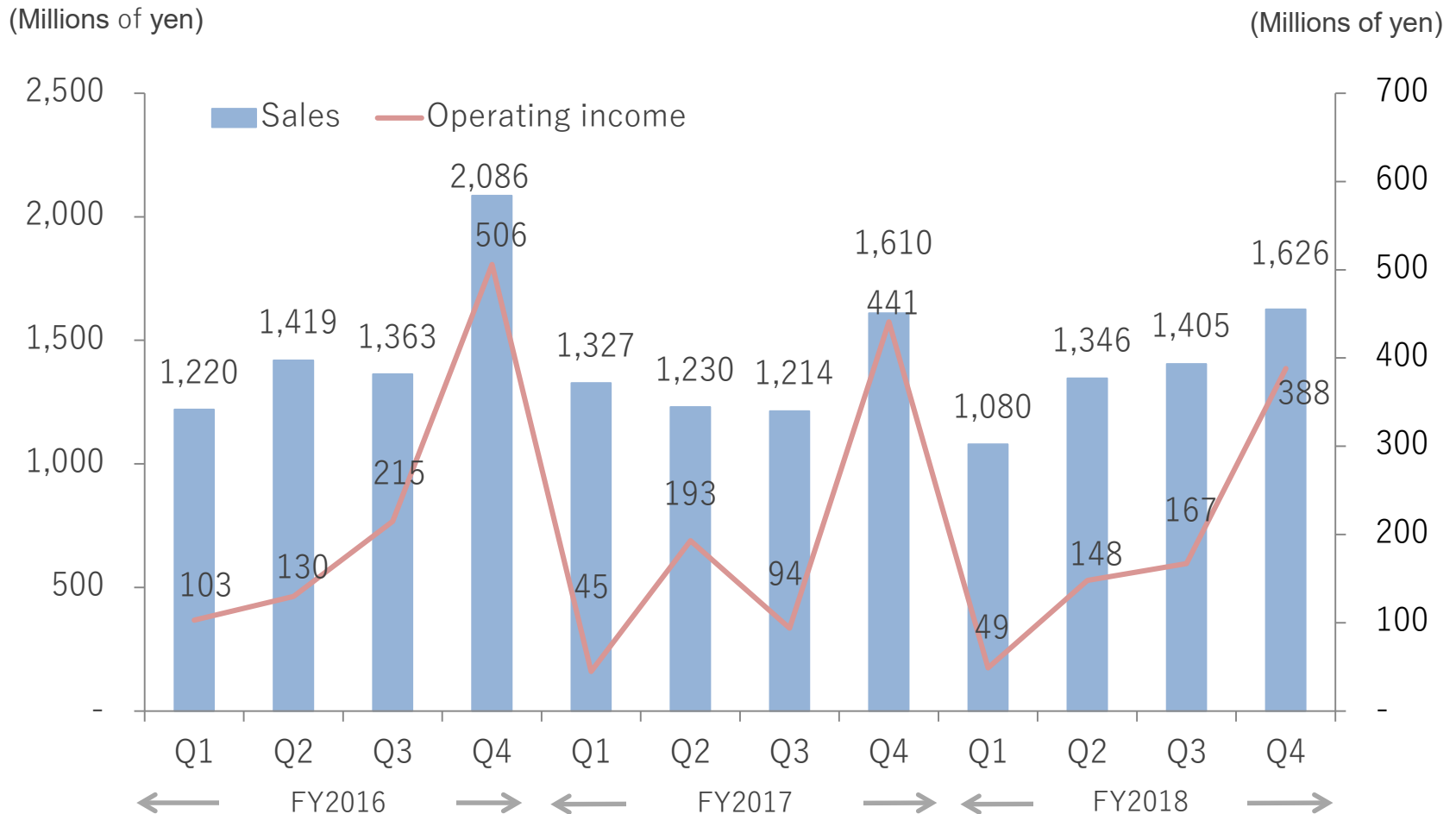
- » The construction know-how systems increased sales year on year.
- » The construction materials business shifted sales targets to the housing market. Although sales decreased year on year, operation income increased from the previous year.
- » Eco & Eco have conducted an overhaul of income structure, sales promotions and process management to generate stable profits, so we have successfully changed its business model, and therefore the sales increased.

Operating Income



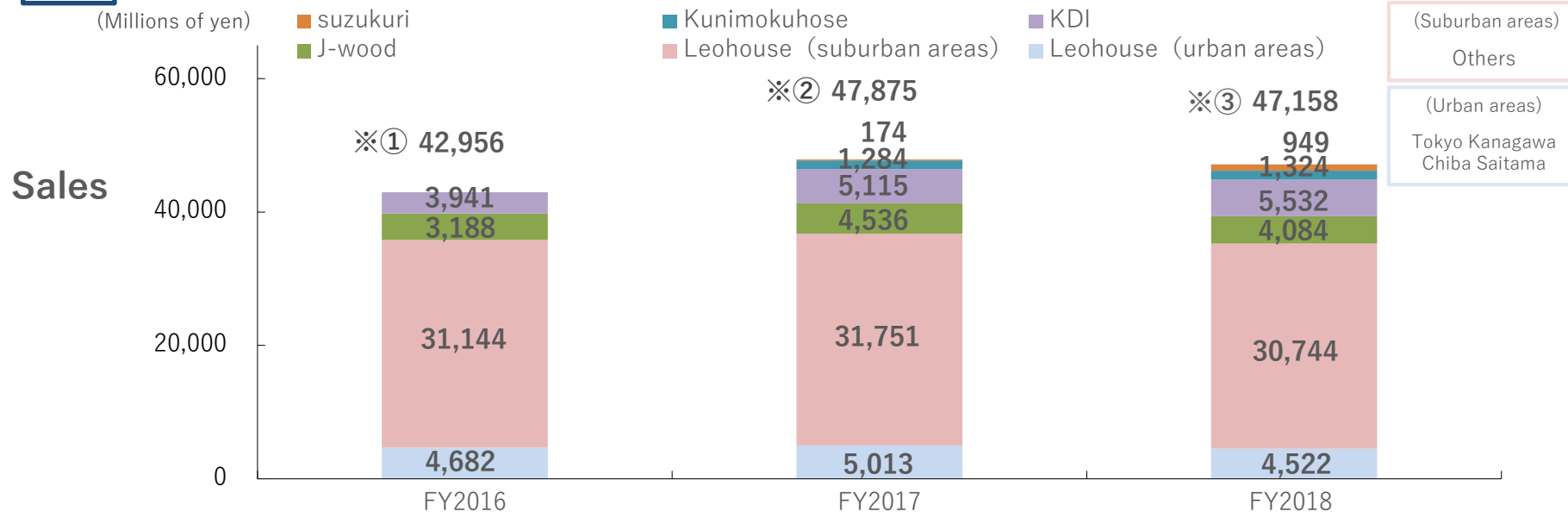
» Operating income decreased year on year due to increase in selling, general, and administrative expenses related to promoting new products in the construction know-how systems.

2 Results by Segment (3) Construction Consulting



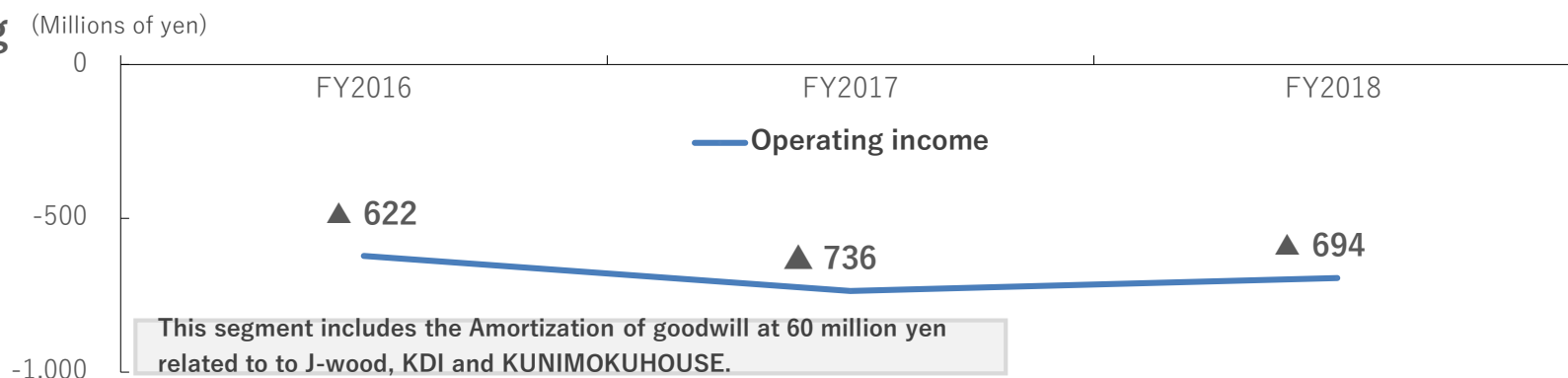
» Both sales and operating income tend to increase around the fourth quarter.

Results by Segment (4) Housing Sales



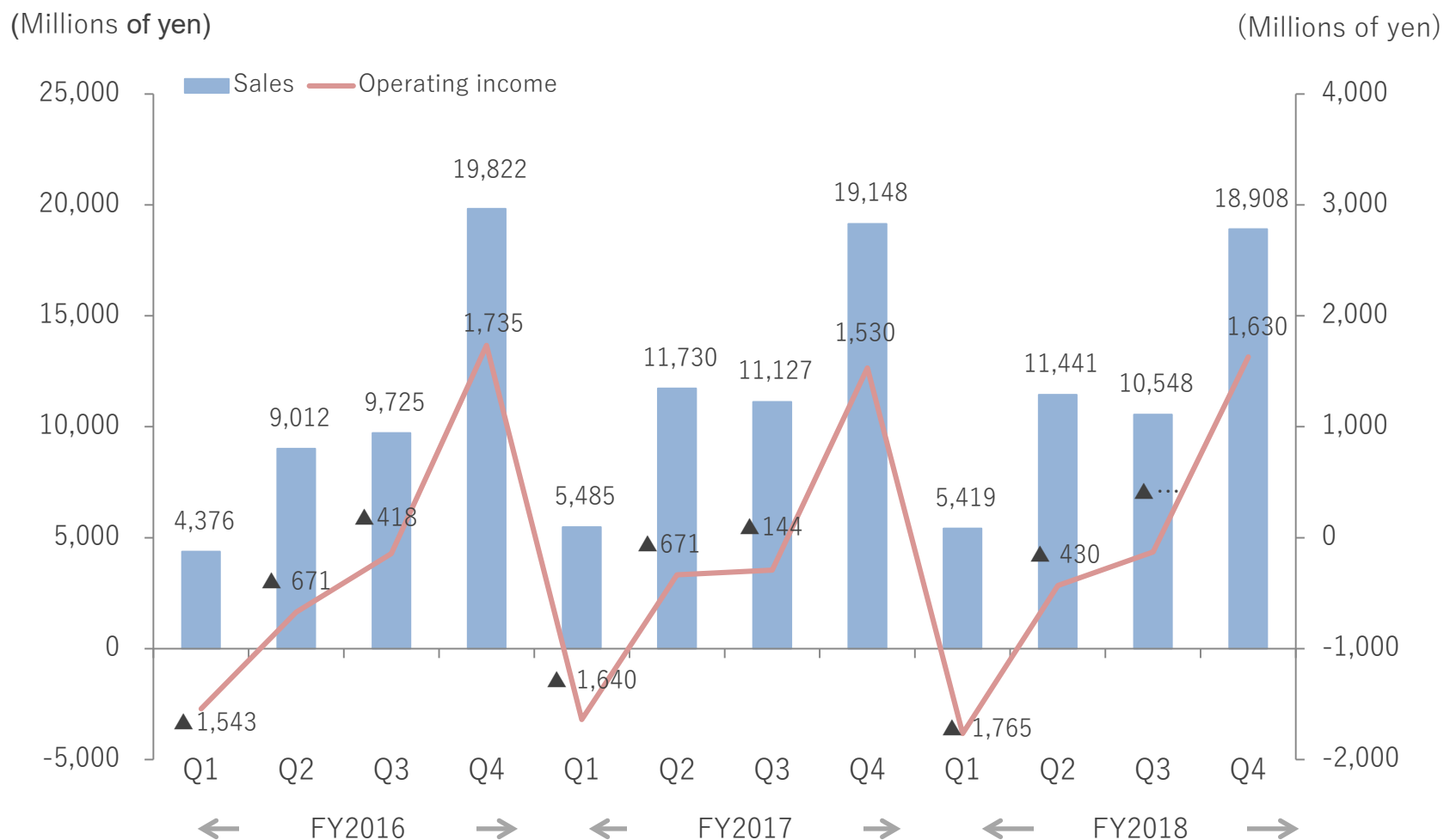
» In the Housing sales business, sales have declined year on year because of decreases in hand as of the end of the previous fiscal year in Leohouse and J-wood.

Operating Income



» Operating loss was reduced as a result of efforts to minimize SG & A expenses in Leohouse.

2 Results by Segment (4) Housing Sales



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

2 Results by Segment (4) Housing Sales

Total 114 stores

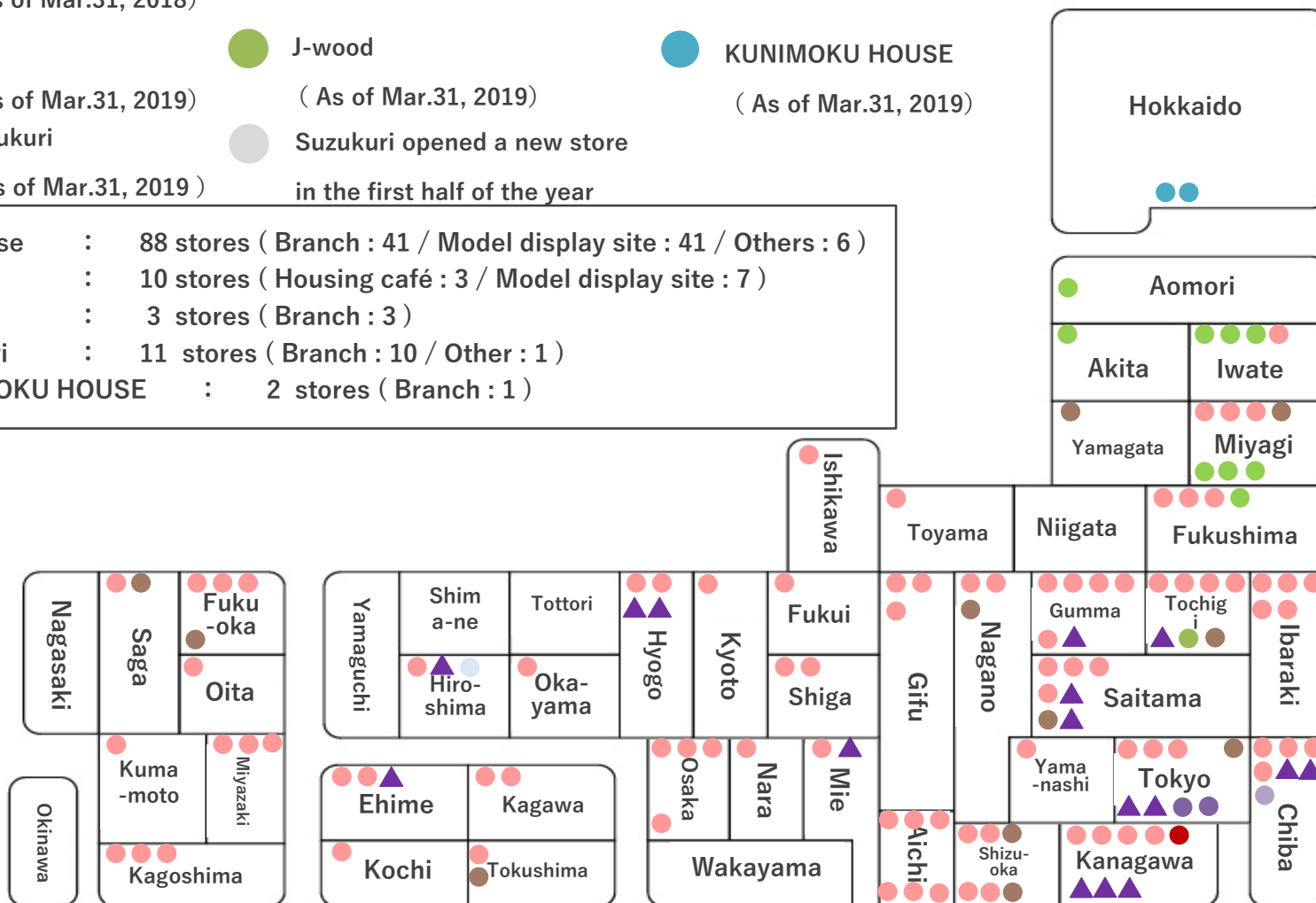
(Leohouse : 88 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 11 stores, KUNIMOKU HOUSE : 2 stores)

● Leohouse (As of Mar.31, 2018)
● Leohouse opened a new store ▲ Leohouse closed unprofitable stores

● KDI (As of Mar.31, 2019)
● J-wood (As of Mar.31, 2019)
● KUNIMOKU HOUSE (As of Mar.31, 2019)

● Suzukuri (As of Mar.31, 2019)
● Suzukuri opened a new store in the first half of the year

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	:	11 stores (Branch : 10 / 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 (Total)	457 (457)	677 (1,134)	397 (1,531)	550 (2,081)	439 (439)	542 (981)	419 (1,400)	489 (1,889)	469 (469)	528 (997)	386 (1,386)	487 (1,870)
Completions (Total)	186 (186)	390 (576)	403 (979)	871 (1,850)	188 (188)	477 (665)	396 (1,061)	834 (1,895)	156 (156)	427 (583)	400 (983)	766 (1,749)
Orders in hand	1,114	1,385	1,361	1,016	1,245	1,294	1,309	944	1,233	1,317	1,271	976
Change	+ 253	+ 271	▲ 24	▲ 345	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 85	▲ 41	▲ 301
Unit price	※ ¹ 1,826 million yen				※ ¹ 1,792 million yen				※ ¹ 1,806 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	0
Total stores	※ ¹ 105	105	105	105	※ ² 105	105	105	※ ³ 101	※ ⁴ 88	88	88	88

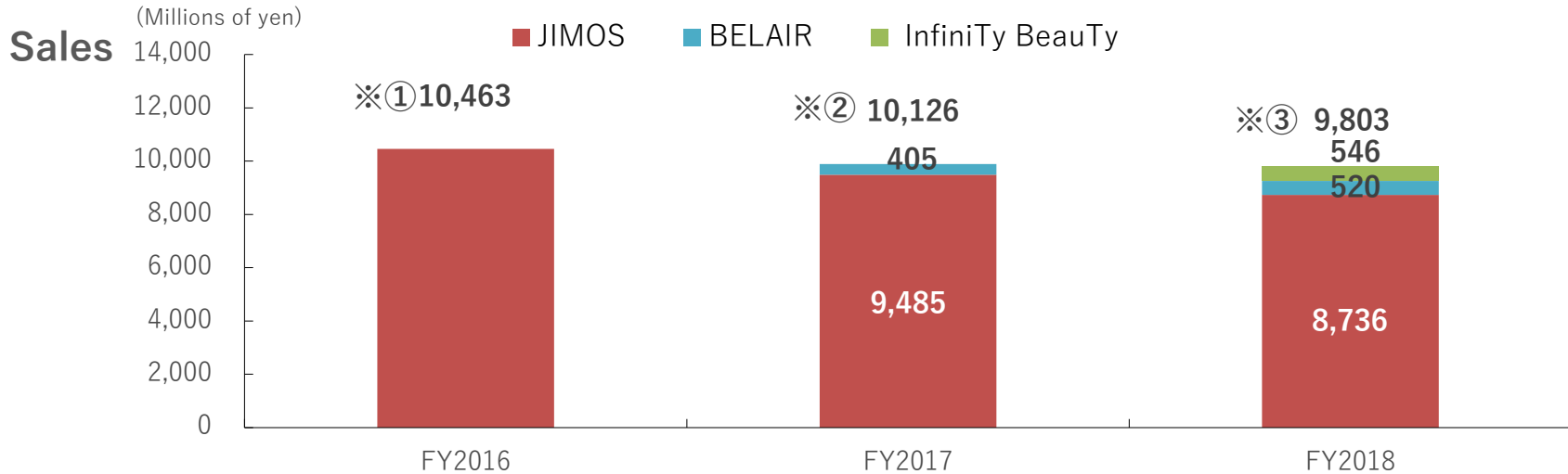
※¹ Closing of model display sites ▲2

※² Brand change to suzuki ▲5

※³ Closing of unprofitable model display sites ▲4

※⁴ Closing of unprofitable model display sites ▲14

※ Since FY2018, we have renamed the Mail-order business to Beauty and Health business.



※① It includes internal transactions about 5 millions yen and intersegment transactions about 9 millions yen.

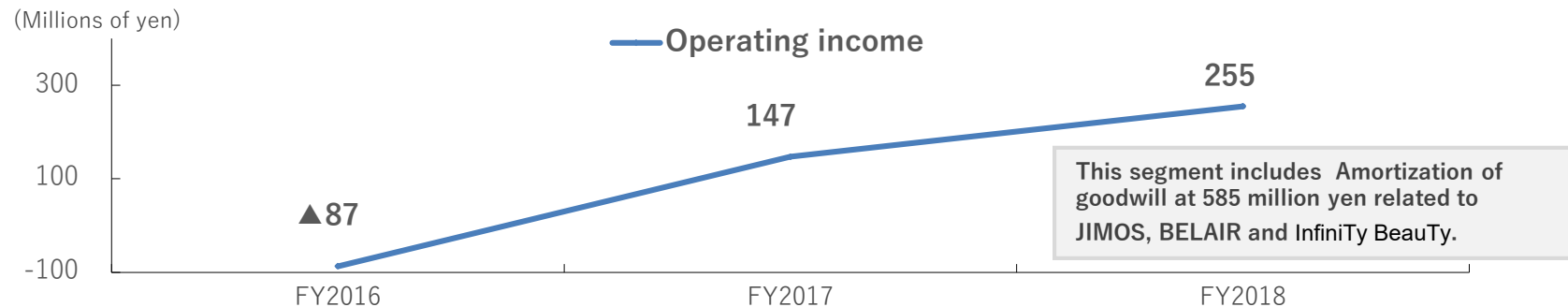
※② It includes internal transactions about 11 millions yen and intersegment transactions about 55 millions yen.

※③ It includes internal transactions about 2 millions yen and intersegment transactions about 19 millions yen.

» The mainstay Macchia Label brand increased new customers, but sales decreased year on year resulting from a slowdown in the repeat rate.

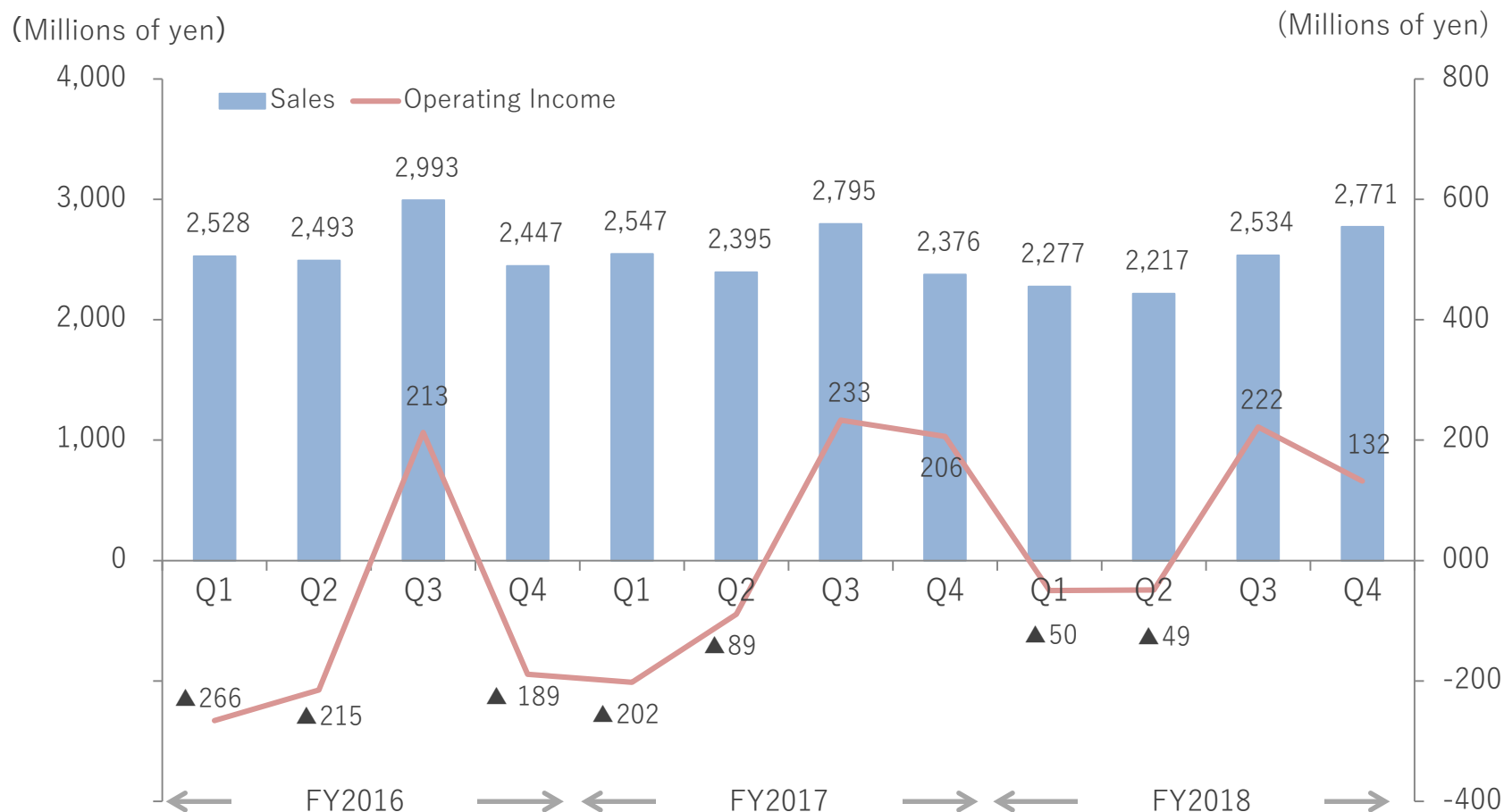
» The Coyori brand of skin and hair care products that is made from natural ingredients also increased new customers, but sales declined year on year because of decreases in sales per customers .

Operating Income



» 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 the first half of the year.

3. FY2019 Forecasts of Financial Results

3 FY2019 Forecasts of Financial Results

(Millions of yen)

	Result FY 2018	Plan FY 2019	YoY comparison
Sales	89,818	100,200	+ 12.4 %
Operating income	2,037	2,200	+ 8.0 %
Ordinary income	2,081	2,150	+ 3.3 %
Net income	798	1,000	+ 25.3 %
Dividends per share	34 yen	36 yen	-
EPS	40.32 yen	44.63 yen	+ 4.31 yen

» We reorganize the Housing Sales business to increase sales, operating income, ordinary income and net income.

(Millions of yen)

Sales	Result FY 2018	Plan FY 2019	Comparison
CreCla	13,179	13,400	+ 1.7 %
Rental	14,394	14,500	+ 0.7 %
Construction Consulting	5,459	5,800	+ 6.2 %
Housing Sales	46,318	55,000	+ 18.7 %
Beauty-health	9,801	11,500	+ 17.3 %
Elimination	▲ 41	-	-
Total	89,111	100,200	+ 12.4 %

(Millions of yen)

Operating income	Result FY 2018	Plan FY 2019	Comparison
CreCla	788 (6.0 %)	500 (3.7 %)	▲ 36.6 % (▲ 2.3 pt)
Rental	1,998 (13.9 %)	1,500 (10.3 %)	▲ 24.9 % (▲ 3.5 pt)
Construction Consulting	754 (13.8 %)	800 (13.8 %)	▲ 6.1 % (+ 0.0 pt)
Housing Sales	▲ 694 (▲ 1.5 %)	550 (1.0 %)	- (+ 2.5 pt)
Beauty-health	255 (2.6 %)	100 (0.9 %)	▲ 60.9 % (▲ 1.7 pt)
Elimination, HQ Cost	▲ 1,064	▲ 1,250	-
Total	2,037 (2.3 %)	2,200 (2.2 %)	+ 8.0 % (▲ 0.1 pt)

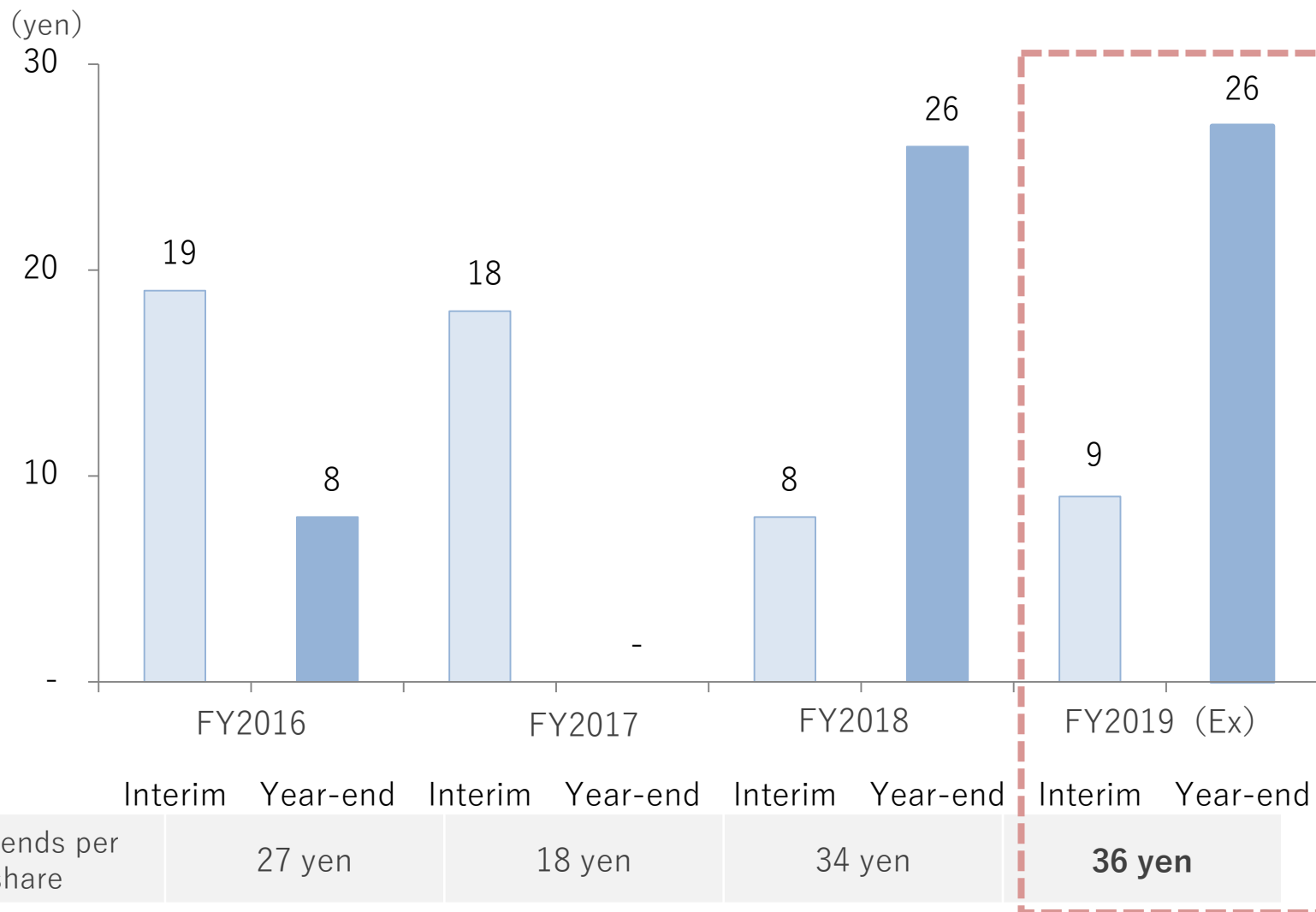
Note) The figures inside () marks indicate operating margin.

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. (Beauty and Health) BELAIR CO., Ltd. (Beauty and Health) 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) InfiniTy BeauTy CO., Ltd. (Beauty and Health)
Employees	2,174(consolidated)
Capital stock	6,729,493,750 yen
Number of shares	24,306,750 shares (share unit :100 shares)
Number of shareholders	12,373 (Total number of shareholders; treasury shares are excluded)

5 Key Financial Indicators (Consolidated)

	FY2017	FY2018	Comparison
Average number of shares during the period	16,807,436 shares	19,802,890 shares	+ 2,995,454 shares
Net assets per share (BPS)	839.28 yen	899.84 yen	+ 60.56 yen
Net income per share (EPS)	▲ 59.15 yen	40.32 yen	+ 99.47 yen
Equity ratio	33.4 %	40.6 %	+ 7.2 pt
Ratio of shareholder's equity to Net income (ROE)	▲ 6.7 %	4.7 %	+ 11.4 pt
Dividends per share	18 yen	34 yen	+ 16 yen
Dividend ratio	▲ 30.4 %	84.3 %	+ 114.8 pt
Ratio of dividends to shareholder's equity	2.1 %	3.9 %	+ 2.4 pt

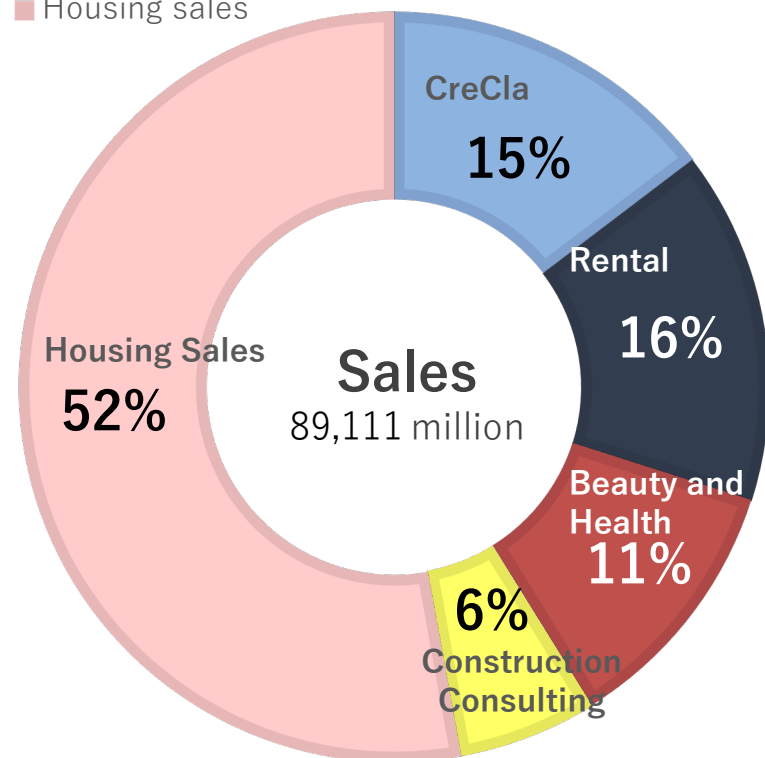
5 Company History

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	
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.	
Dec. 2018	Acquired InfiniTy BeauTy CO., Ltd. as a subsidiary of JIMOS CO., Ltd.	

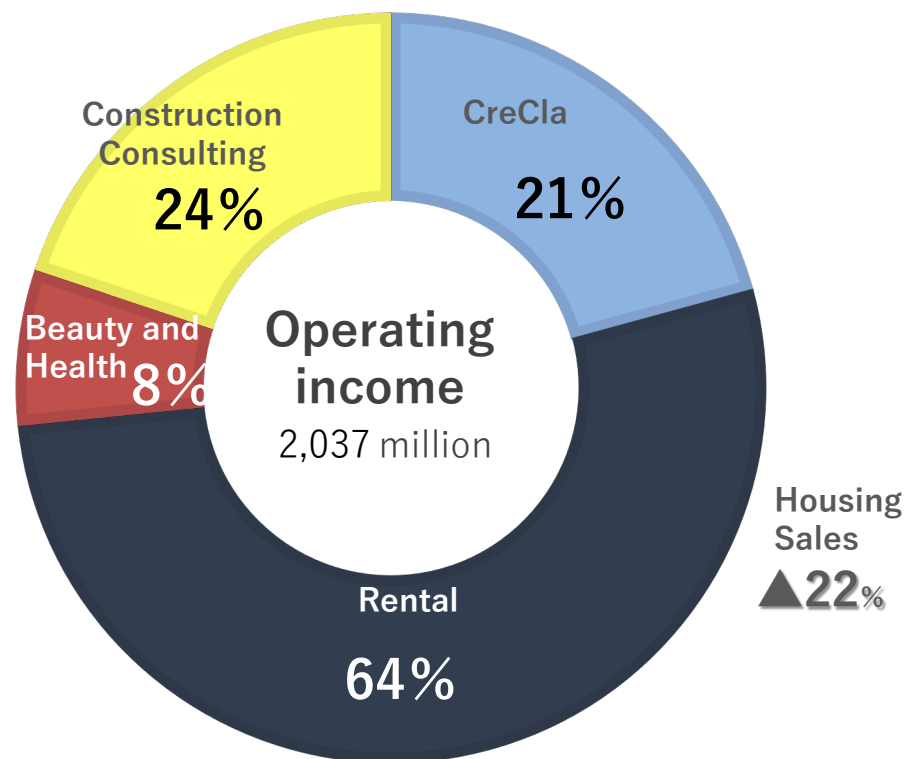
CreCla	<ul style="list-style-type: none"> ■ Market leader in bottled water production ■ First HACCP certified business in the industry ■ First Eco Mark certified business in the industry ■ First in the industry to open an R&D center
Rental	<ul style="list-style-type: none"> ■ Highest sales of all Duskin 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 : 6,500) ■ 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	<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 ■ 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	<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 female customers (mainly in their 40-60's) ■ We acquired BELAIR CO., Ltd. ■ Acquired InfiniTy BeauTy CO., Ltd. as a subsidiary of JIMOS CO., Ltd.

5 FY2018 Sales and Operating income Breakdown

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



■ CleCla
■ Rental
■ Beauty and Health
■ Construction Consulting

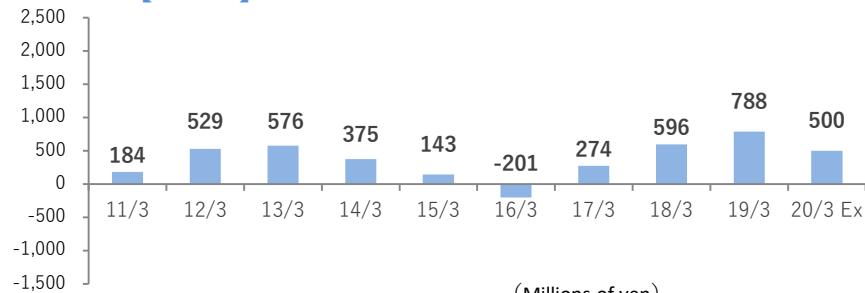


Operating margin on sales

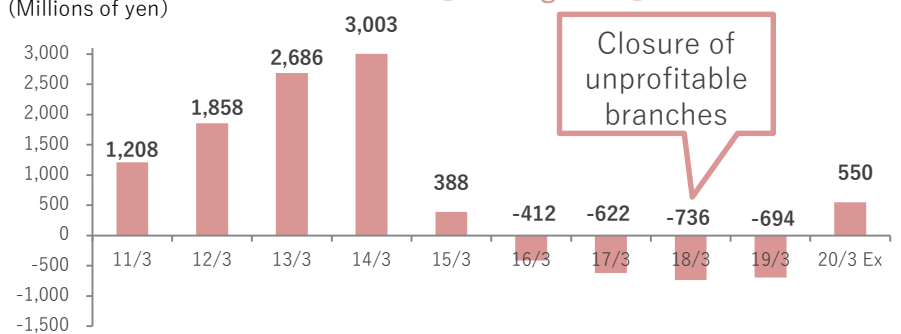
※except HQ-costs

CleCla	Rental	Construction Consulting	Beauty and Health	Housing Sales	Total
6.0 %	13.9 %	13.8 %	2.6 %	▲ 1.5 %	2.3 %

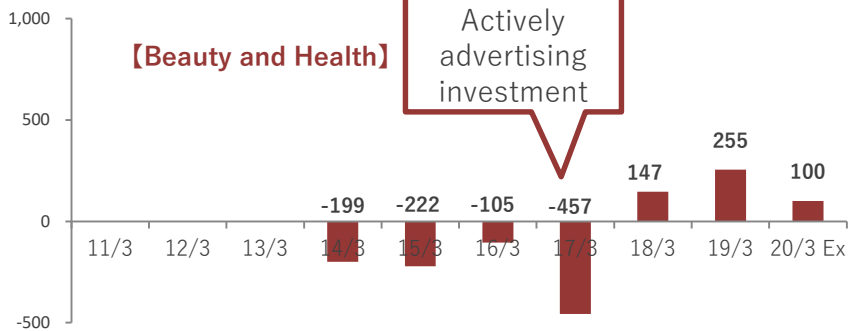
(Millions of yen)

[CreCla]

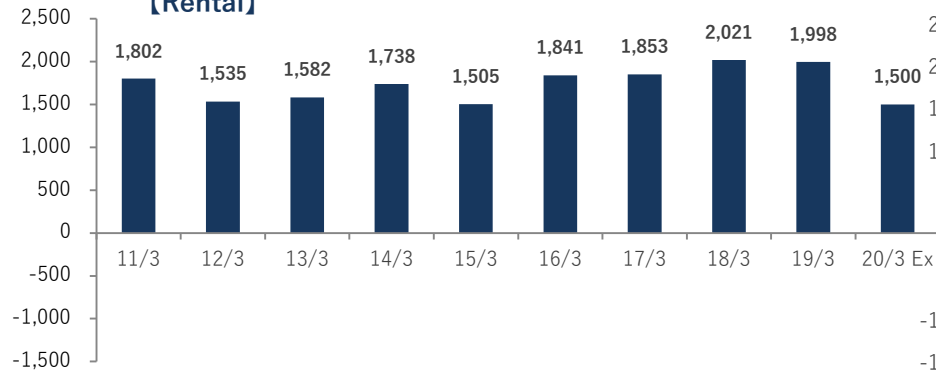
(Millions of yen)

[Housing Sales]

(Millions of yen)

[Beauty and Health]

(Millions of yen)

[Rental]

(Millions of yen)

[Construction Consulting]