

Results for the 1st Quarter ended

August 8th, 2019

June 30, 2019 【Reference】

NAC Co., Ltd.

Code; 9788 TSE 1st section



Translation

In the case of inconsistencies between the Japanese and English version, the Japanese version will control and supersede any ambiguities.

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This document contains certain forward-looking statements including the NAC Group's sales and contract targets based on information available to the Group as of the date of release. These statements are subject to a number of risks and uncertainties such as economic and business conditions as well as the outcomes of new services. Therefore, please understand that actual future results may differ materially from these projections set forth in the Group's forward-looking statements.

1. Results for the 1st quarter

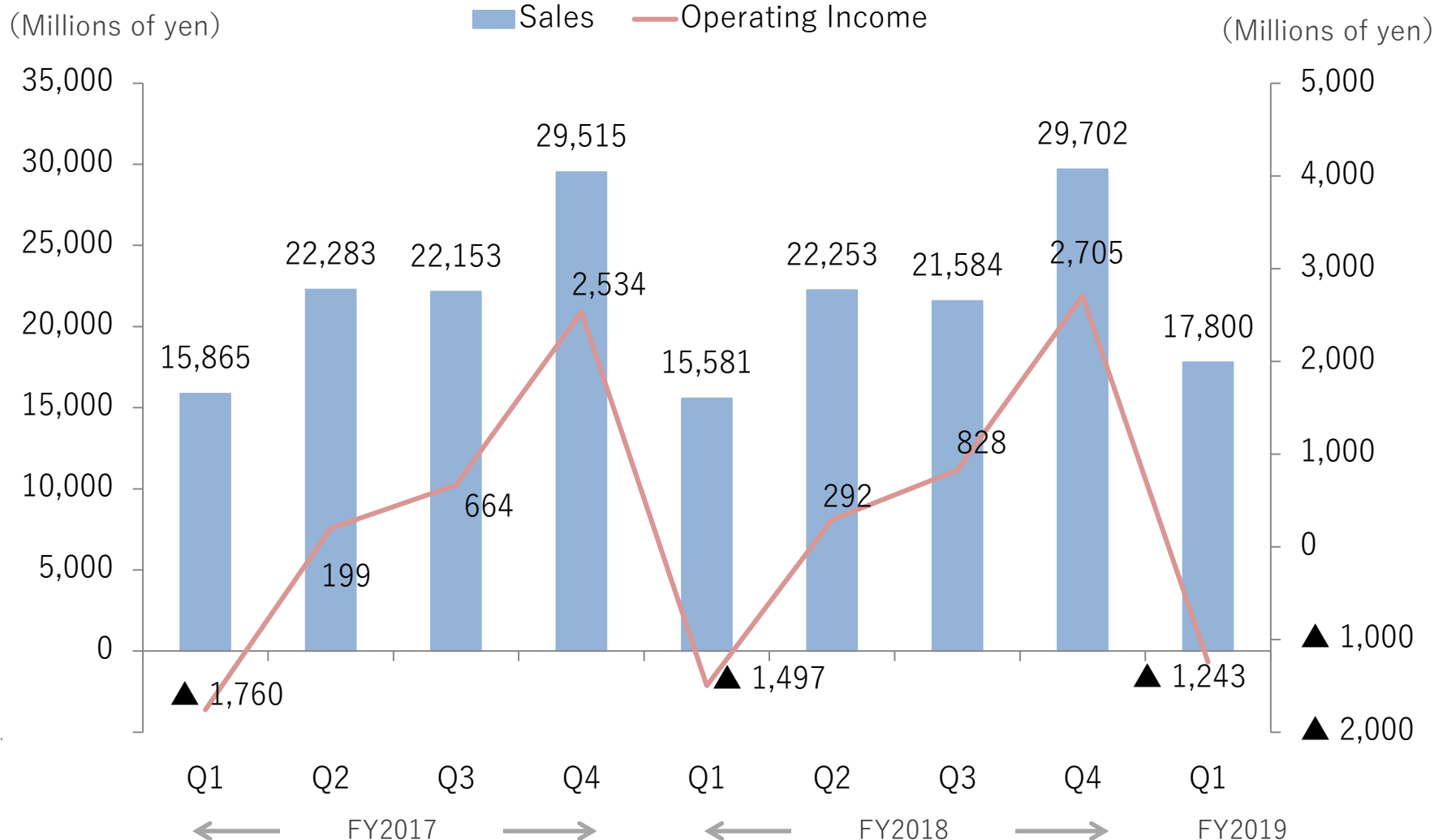
1 Q1 FY2019 Consolidated Results

(Millions of yen)

	3 months ended FY2019	3 months ended FY2018	YOY Comparison
Sales	17,800	15,581	14.2 %
Gross profit	7,174	7,126	0.7 %
(Gross margin)	40.3 %	45.7 %	▲ 5.4 pt
SG&A	8,417	8,623	▲ 2.4 %
Operating Income	▲ 1,243	▲ 1,497	-
(Operating margin)	▲ 7.0 %	▲ 9.6 %	-
Non-operating income and loss	▲ 22	▲ 11	-
Ordinary Income	▲ 1,265	▲ 1,508	-
Extra-ordinary income and loss	▲ 4	▲ 3	-
Net Income attributable to owners of parent	▲ 1,355	▲ 1,106	-

- » Consolidated sales increased year on year, since sales increased in the Construction Consulting business, Housing Sales Business and Beauty and Health Business.
- » Operating loss declined year on year thanks to increasing sales in the Housing Sales Business and reducing fixed costs centered on depreciation.

1 Sales & Operating income trend by Quarter



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

1 Sales by Segment

(Millions of yen)

	3 months ended FY2019	3 months ended FY2018	YOY Comparison
CreCla	3,103	3,273	▲ 5.2 %
Rental	3,509	3,541	▲ 0.9 %
Construction Consulting	1,216	1,080	12.5 %
Housing Sales	7,408	5,419	36.7 %
Beauty and Health	2,593	2,277	13.9 %
Elimination	▲ 30	▲ 9	-
Total	17,800	15,581	14.2 %

- » In the CreCla Business, the number of customers decreased due to withdrawal from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year. Thus, sales decreased year on year.
- » In the Rental Business, we maintained the same level of sales year on year.
- » In the Construction Consulting Business, sales increased in all sections.
- » In the Housing Sales Business, sales rose year on year as the number of completed delivery buildings increased at Leohouse.
- » The Beauty and Health Business increased sales year on year due to the contribution of Infinity Beauty Co., Ltd. which was acquired with JIMOS last December.

1 Operating income by Segments

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

(Millions of yen)

	3 months ended FY2019	3 months ended FY2018	YOY Comparison
CreCla	17 (0.6 %)	87 (2.7 %)	▲ 69 (▲ 2.1 pt)
Rental	443 (12.6 %)	431 (12.2 %)	+ 11 (+ 0.4 pt)
Construction Consulting	60 (5.0 %)	49 (4.5 %)	+ 11 (+ 0.4 pt)
Housing Sales	▲ 1,350 (▲ 18.2 %)	▲ 1,765 (▲ 32.6 %)	+ 414 (14.3 pt)
Beauty and Health	▲ 136 (▲ 5.3 %)	▲ 50 (▲ 2.2 %)	▲ 86 (▲ 3.1 pt)
Elimination, HQ Cost	▲ 277	▲ 249	▲ 27
Total	▲ 1,243 (▲ 7.0 %)	▲ 1,497 (▲ 9.6 %)	+ 253 (+ 2.6 pt)

- » In the CreCla Business, operating income decreased year on year due to a decrease in sales in the directly managed stores and the completion of temporary profit factors.
- » In the Rental Business, operating income increased year on year owing to steady sales in all sections.
- » In the Construction Consulting business, operating income increased year on year since all sections rose sales.
- » In the Housing Sales Business, operating loss was reduced year on year as a result of closure of unprofitable branches and efforts to minimize SG & A expenses.
- » In the Beauty and Health Business, operating income decreased year on year due to aggressive promotions and advance investment and sales promotion expenses at JIMOS.

1 Analysis for operating income & loss (YoY change)

(Millions of yen)

			Comparison
FY2018 Q1 Operating Income		▲ 1,497	-
1. Gross profit		+ 48	+ 0.7 %
2. Increase and Decrease of SG&A	Others	+ 100	+ 4.8 %
	Sales promotion costs and Advertising Exp.	+ 81	+ 5.1 %
	Depreciation and Amortization	+ 42	+ 9.4 %
	Rent	+ 15	+ 2.6 %
	Personnel expenses	+3	+ 0.1 %
	Commission paid	▲ 38	▲ 11.6 %
FY2019 Q1 Operating Income		▲ 1,243	-

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

1. The reason of increases in Gross profit
 - » This is due to an increase in gross profit at Leohouse.
2. The reason of increases and decreases in SG&A
 - » Regarding decreases in sales promotion costs and advertising expenses, Leohouse focused on the proper operation of investments in advertising and promotion.
 - » Concerning decreases in depreciation and amortization, Leohouse closed unprofitable branches.

(Millions of yen)

Main factors for comparison

■ Non-current assets : Goodwill ▲116

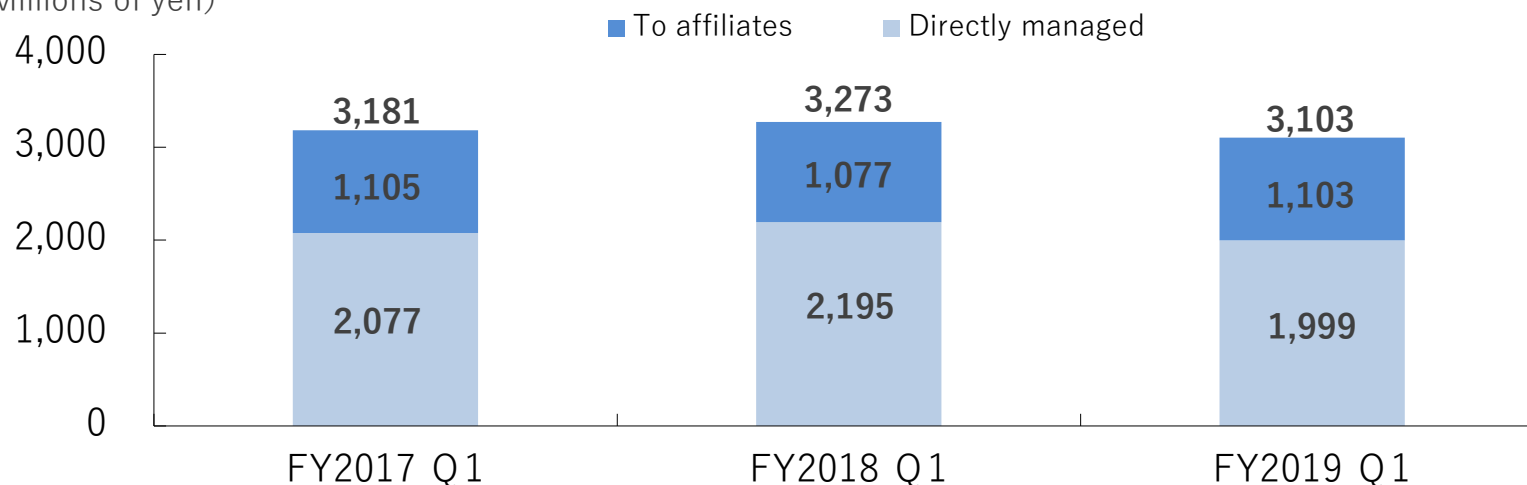
■ Non-current liabilities : Long-term loans payable ▲375

Equity Ratio : 37.9 %

2. Results by Segments

2 Results by Segment (1) CreCla

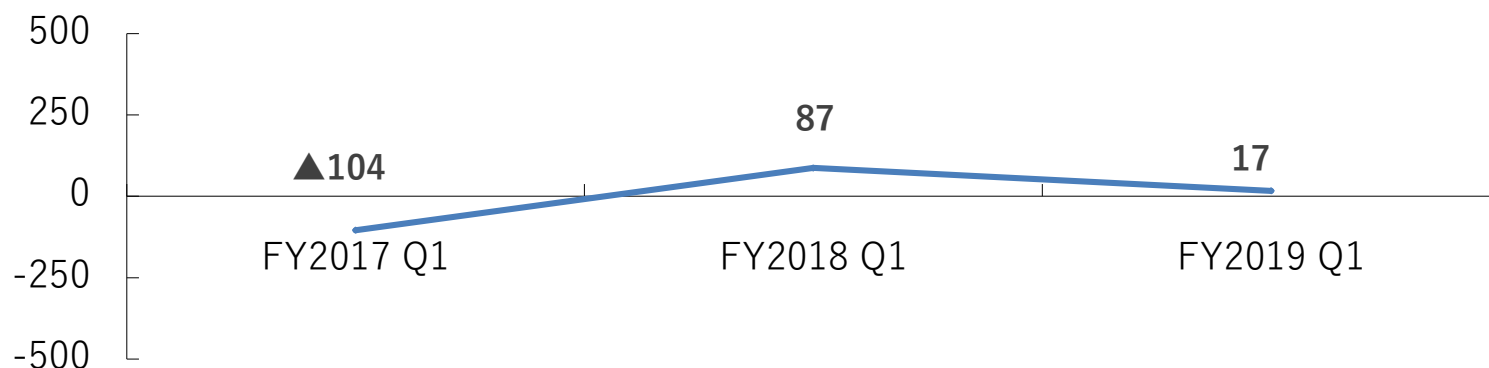
Sales (Millions of yen)



» In the direct managed stores, the number of customers decreased due to withdrawal from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year. Thus, sales decreased year on year.

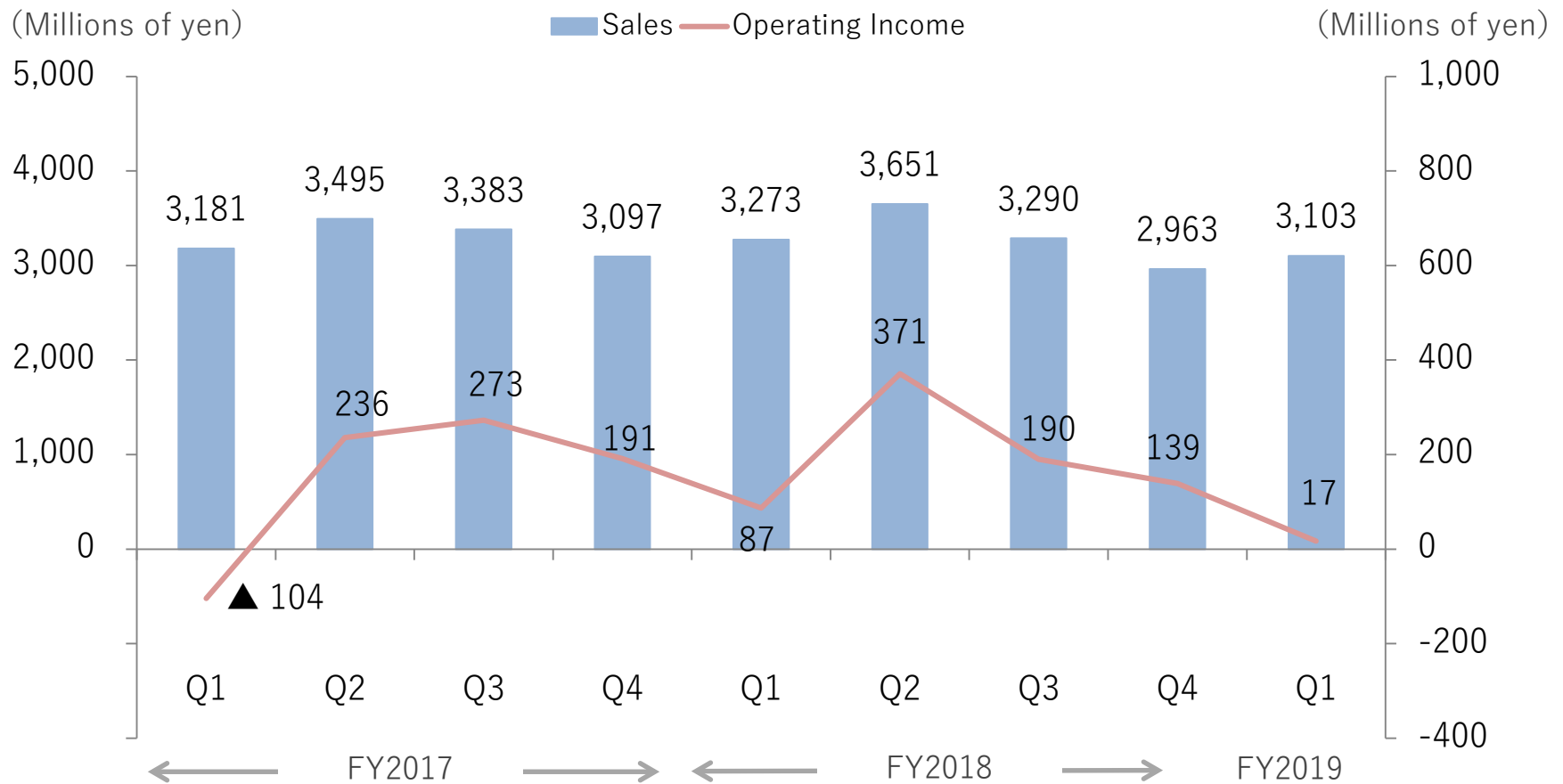
Operating Income

(Millions of yen)



» In the CreCla Business, operating income decreased year on year due to a decrease in sales in the directly managed stores and the completion of temporary profit factors.

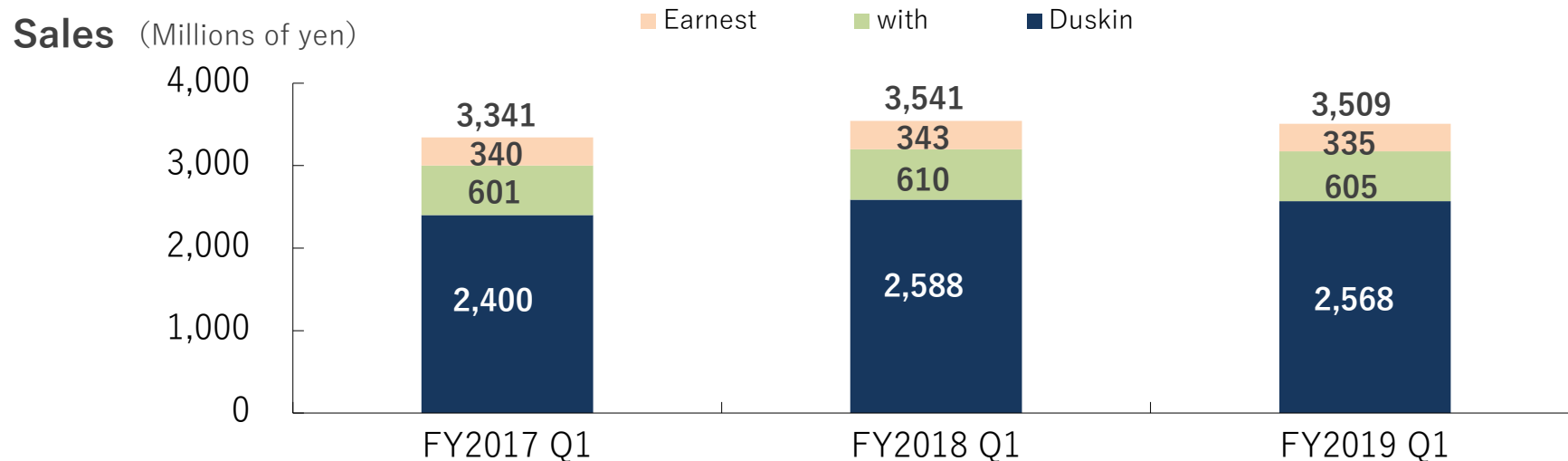
2 Results by Segment (1) CreCla



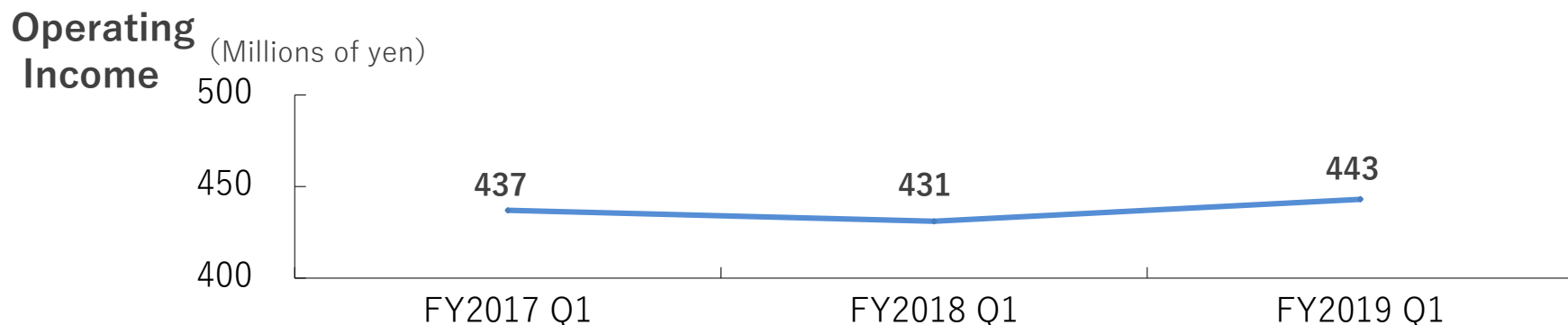
» The CreCla invests in advertising during Q1 & Q3 than Q2 & Q4.

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

2 Results by Segment (2) Rental

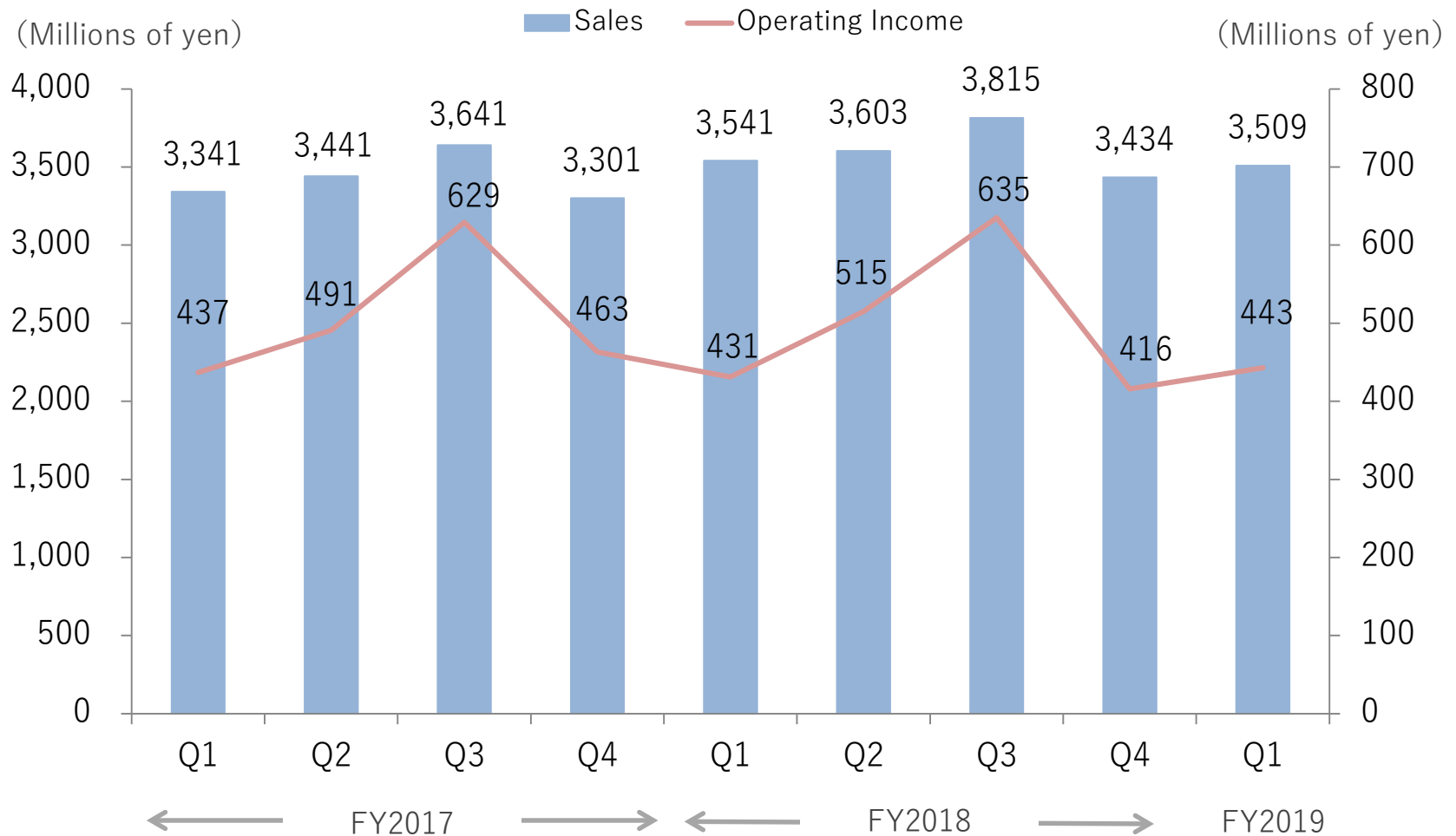


- » In the mainstay Duskin business, we expanded the provision of total care services and maintained the same level of sales year on year.
- » With-branded pest-control devices business strengthened sales promotions before the summer peak demand season, and Earnest Co., Ltd., which provides regular cleaning plan for business developed sales activities aimed at acquiring new customers. Sales were at the same level as in the same period.



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

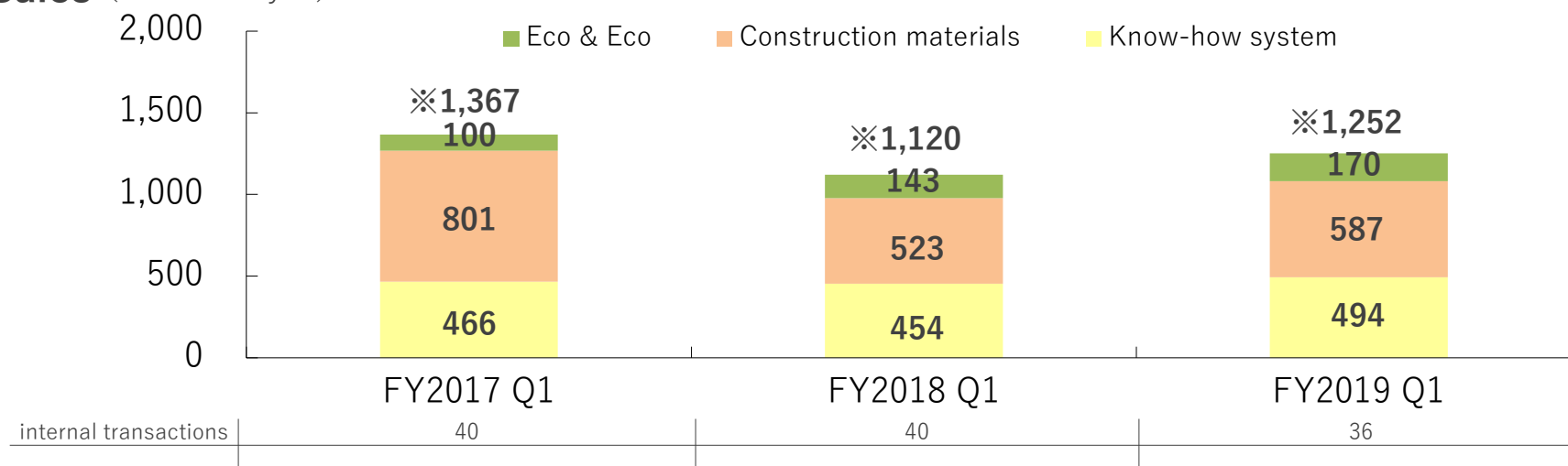
2 Results by Segment (2) Rental



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

2 Results by Segment (3) Construction Consulting

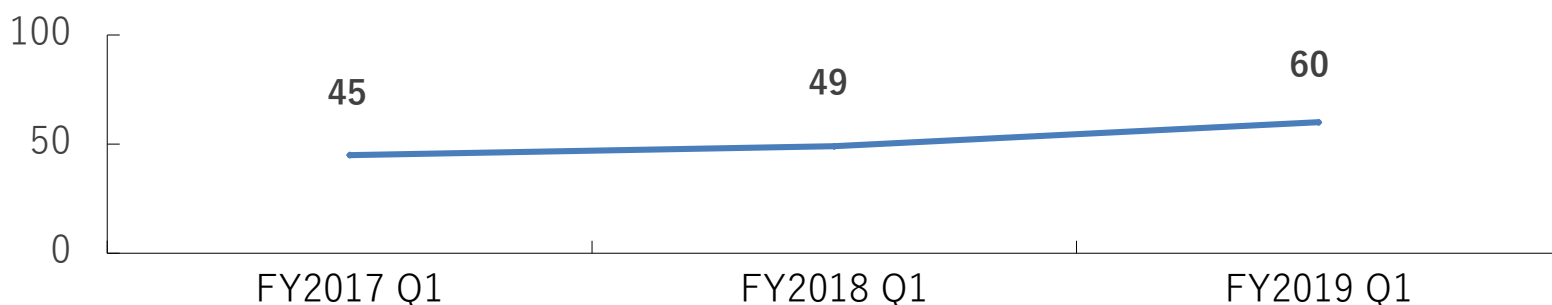
Sales (Millions of yen)



※The figures in the graph include the above internal transactions. (Millions of yen)

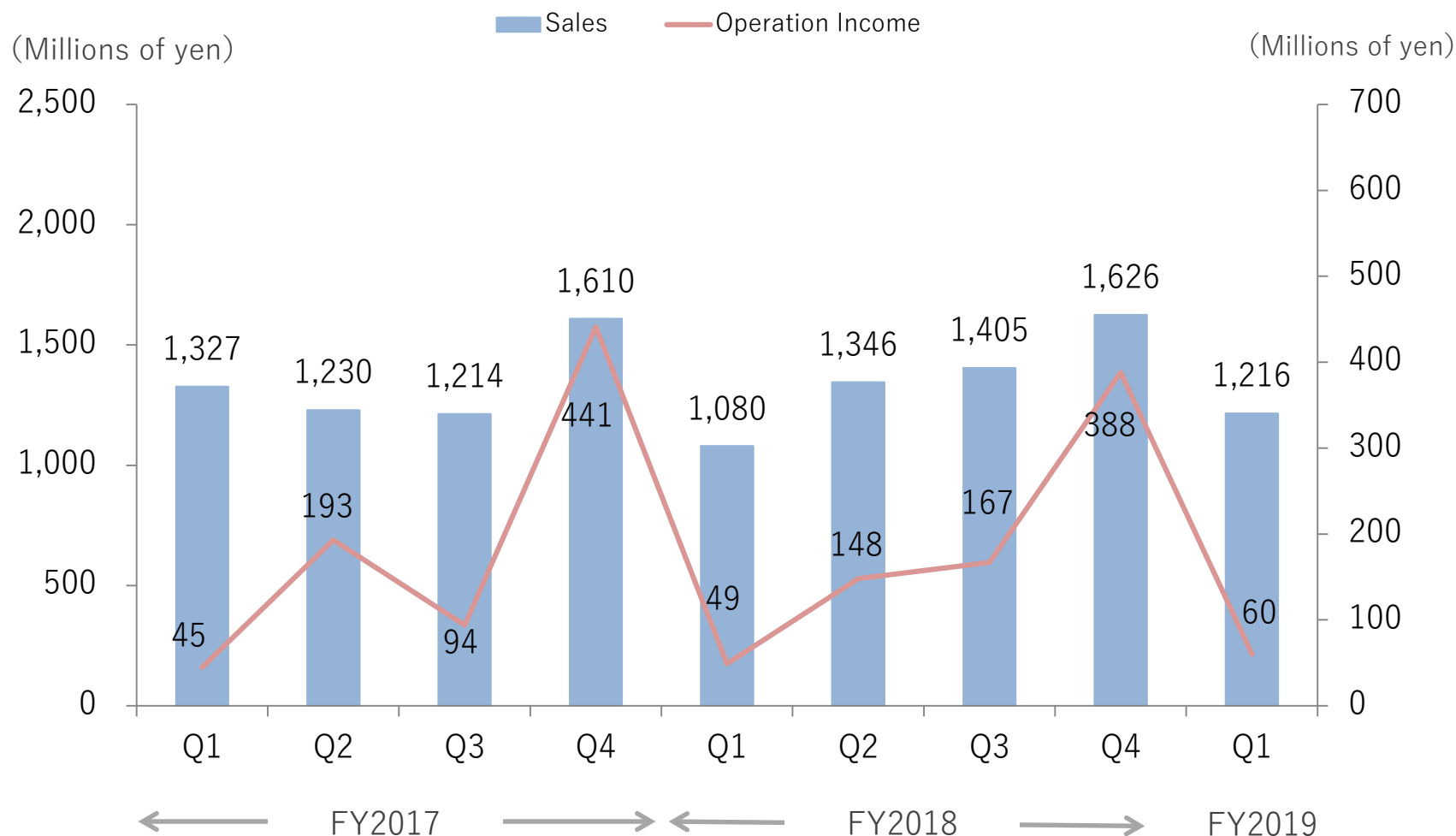
- » Sales of the construction know-how systems increased due to strong sales of original new products launched in February 2019.
- » The construction materials business, which focused on solar power generation systems and Eco & Eco Co., Ltd., continued to shift the sales target to the residential solar and storage battery market. As a result, sales and operating income increased year on year.

Operating Income (Millions of yen)



» Operating income increased year on year since all sections rose sales.

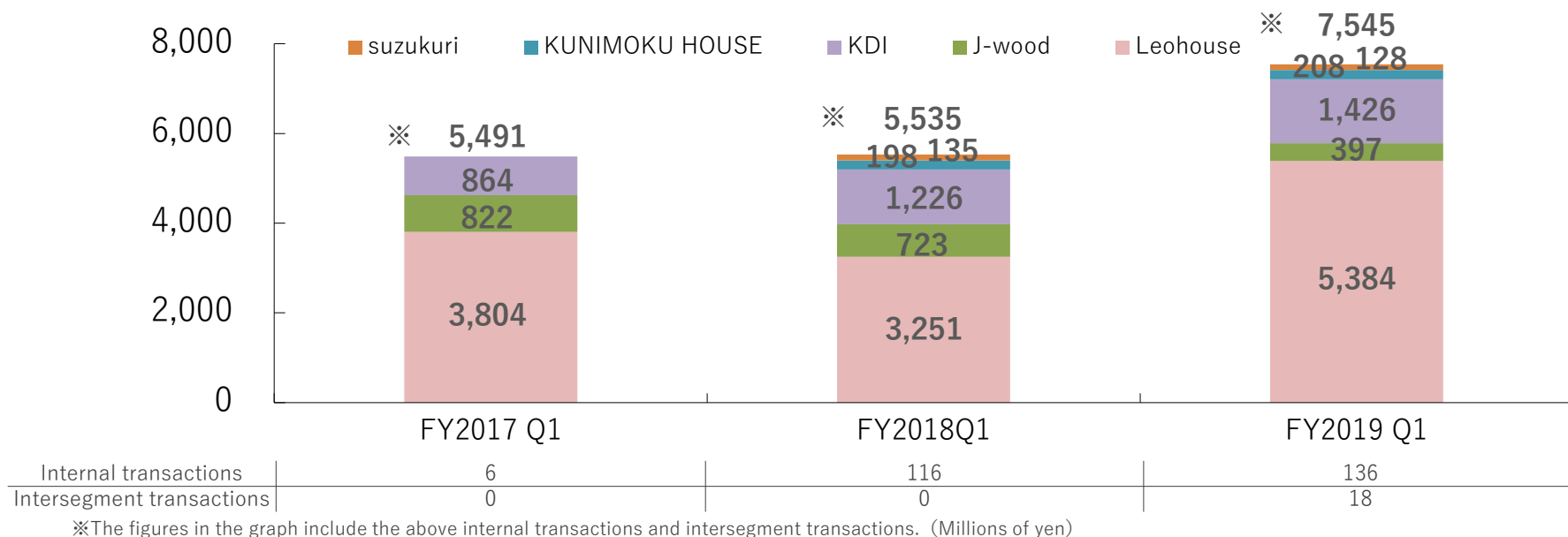
2 Results by Segment (3) Construction Consulting



» Sales and Operating income tend to increase around Q4.

2 Results by Segment (4) Housing sales

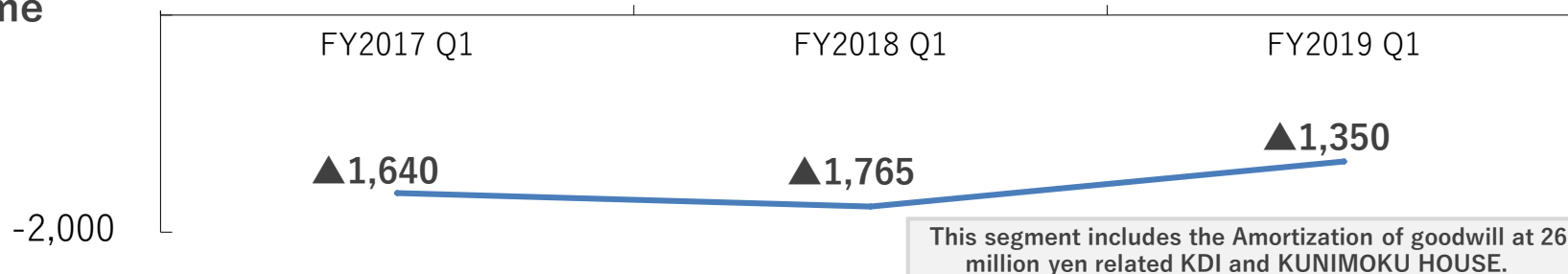
Sales (Millions of yen)



» In Leohouse, sales increased year on year due to the number of handover significantly exceeding year on year.

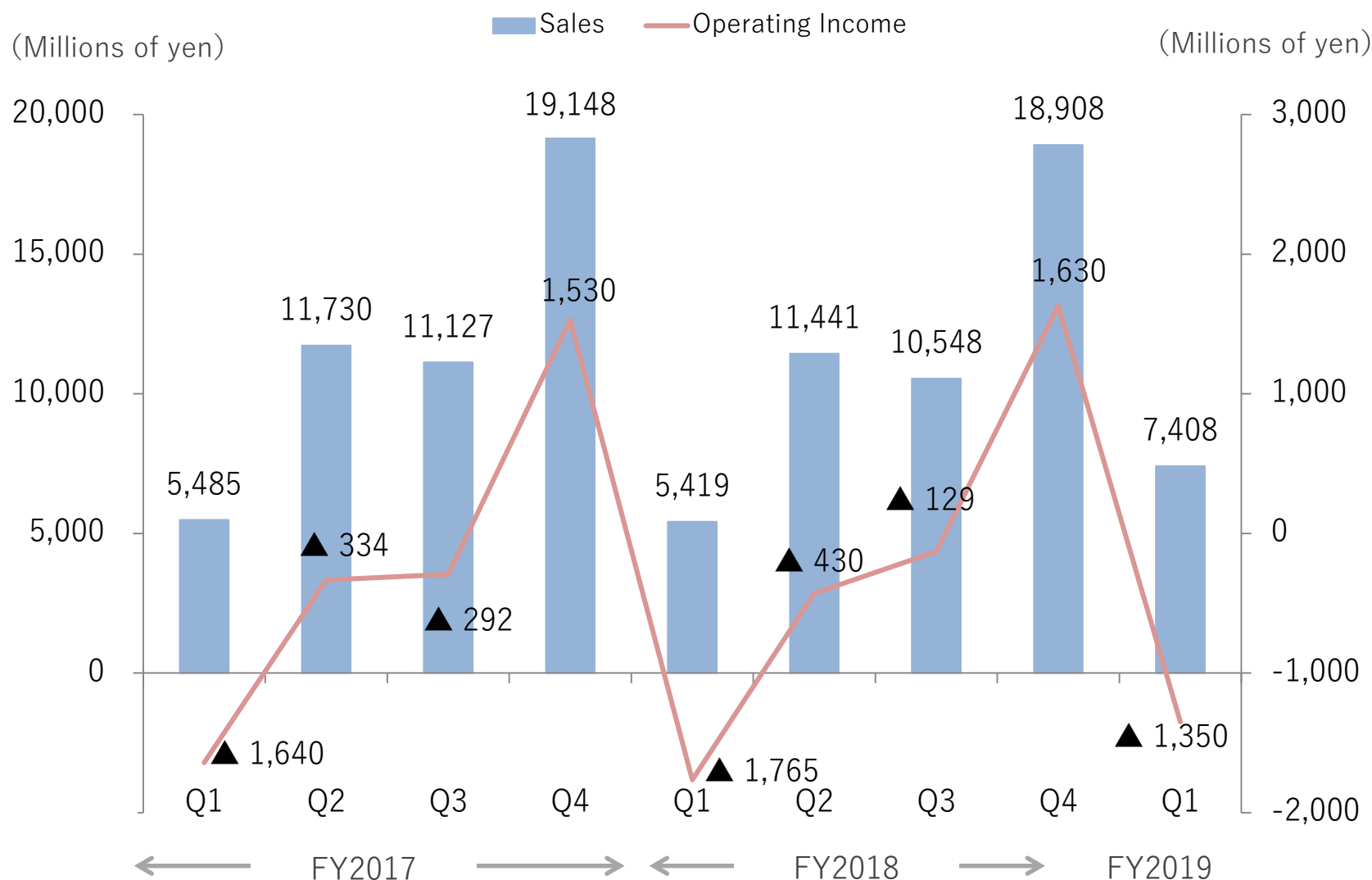
» In J-wood, the number of handover dropped compared with previous year. Hence, sales decreased year on year.

Operating Income (Millions of yen)



» Operating loss was reduced year on year as a result of closure of unprofitable branches and efforts to minimize SG & A expenses.

2 Results by Segment (4) Housing sales



» Sales and Operating income tend to increase around Q4.

(Leohouse : 87 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 11 stores, KUNIMOKU HOUSE : 2 stores)

Leohouse : 87 stores (Branch : 40 / 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)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders (Total)	439 (439)	542 (981)	419 (1,400)	489 (1,889)	470 (470)	537 (1,007)	395 (1,402)	468 (1,870)	305 (305)			
Completions (Total)	188 (188)	477 (665)	396 (1,061)	834 (1,895)	156 (156)	427 (583)	400 (983)	766 (1,749)	256 (256)			
Orders in hand	1,245	1,294	1,309	944	1,233	1,317	1,271	976	1,022			
Change	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 85	▲ 41	▲ 301	+ 46			
Unit price	※1 17.92 million yen				※1 18.06 million yen							

※1 Unit price excludes additional costs and exterior construction costs

Store openings	5	0	0	0	1	0	0	0	0			
Total stores	105	105	105	※2 101	※3 88	88	88	88	※4 87			

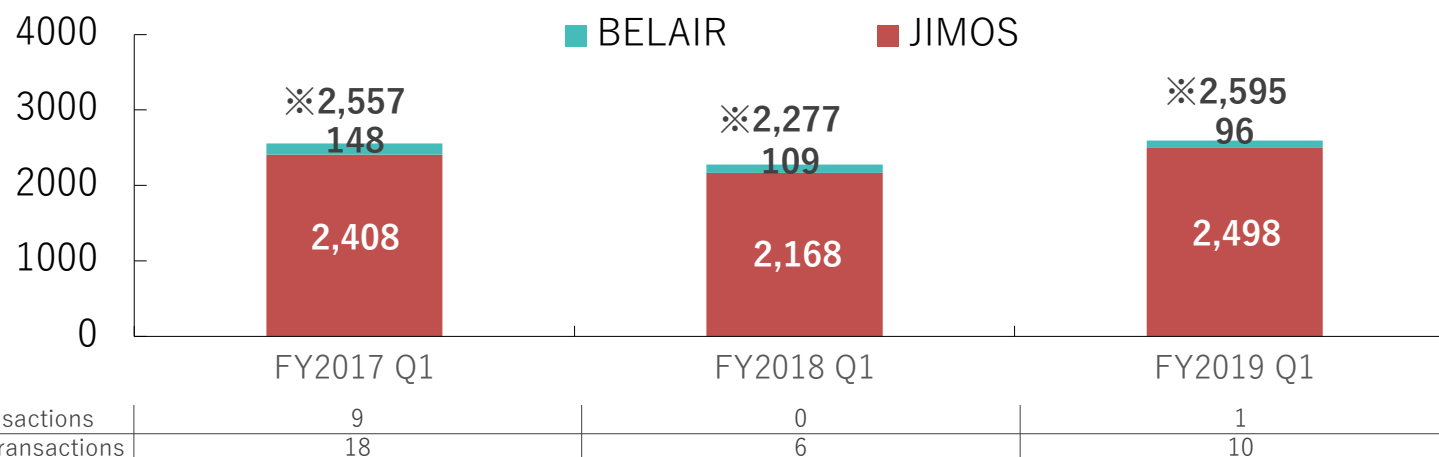
※2 Closing of unprofitable model display sites ▲4

※3 Closing of unprofitable branches and model display sites ▲14

※4 Closing of an unprofitable branch ▲1

2 Results by Segment (5) Beauty and Health

Sales (Millions of yen)

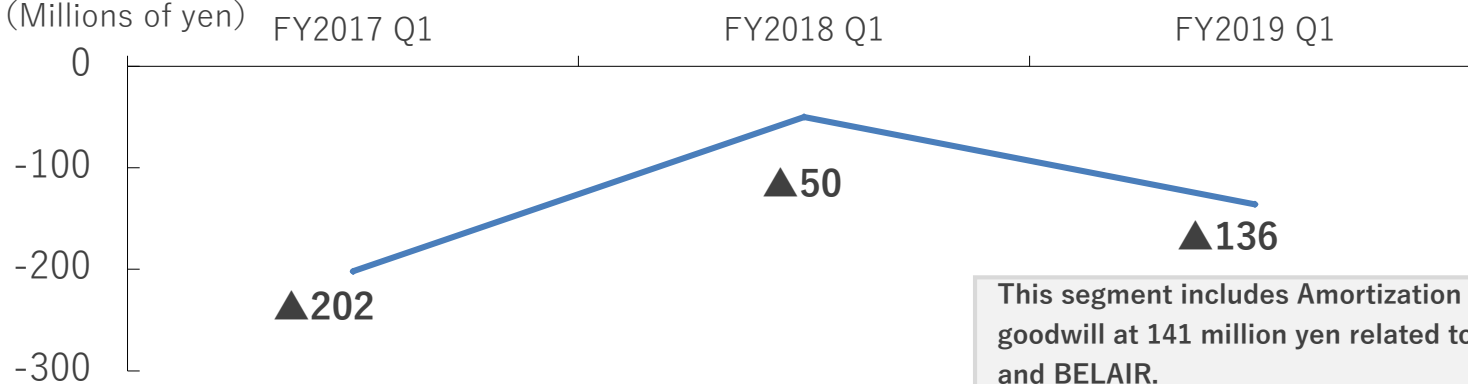


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» The Beauty and Health Business increased sales year on year due to the contribution of InfiniTy BeauTy Co., Ltd. which was acquired by JIMOS last December. In addition, JIMOS merged with InfiniTy BeauTy Co., Ltd. in April 2019.

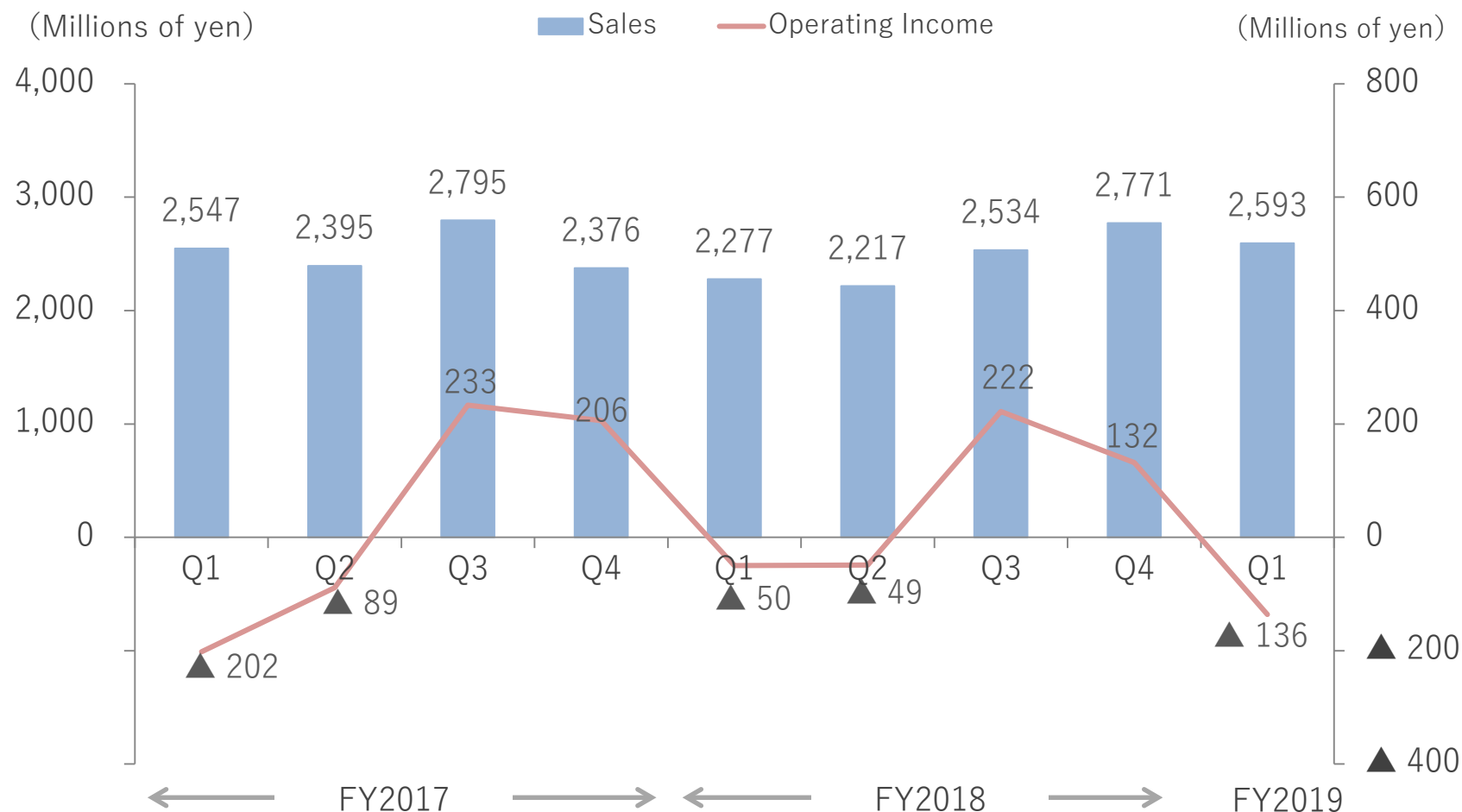
Operating

Income (Millions of yen)



» Operating income decreased year on year due to aggressive promotions and advance investment and sales promotion expenses at JIMOS.

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.

» Operating income is expected bellow zero resulting from amortization of goodwill .

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)

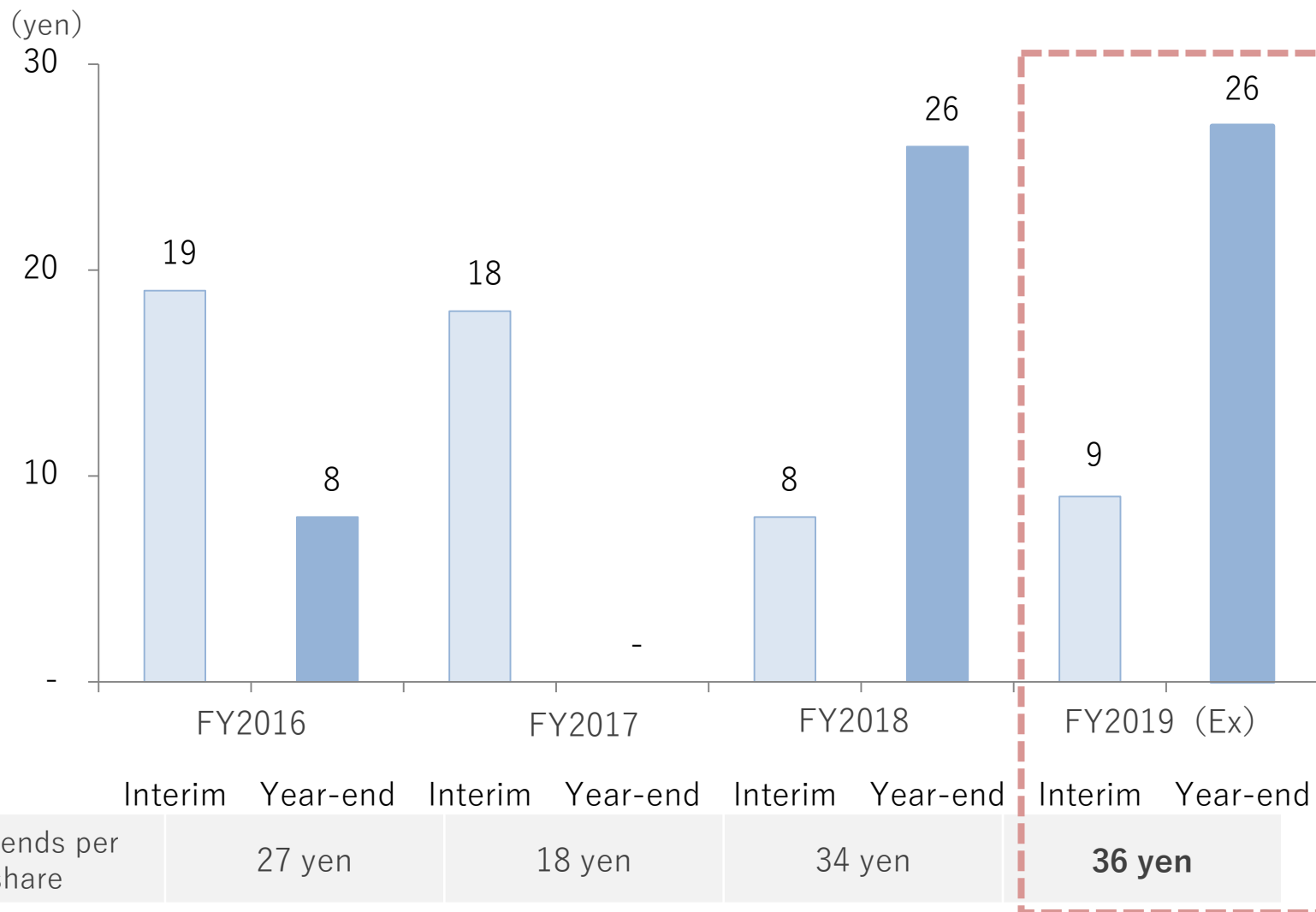
Note) The figures inside () marks indicate operating margin.

4. Plan of Dividends

4

Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%



5. Appendix




(As of the end of March 2019)

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)
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

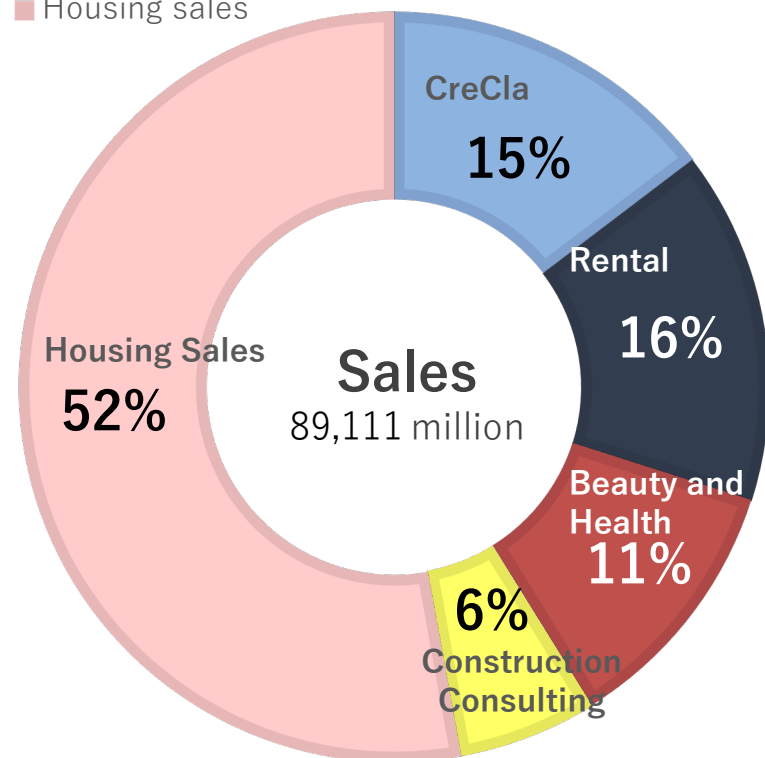
5 Company History

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.	

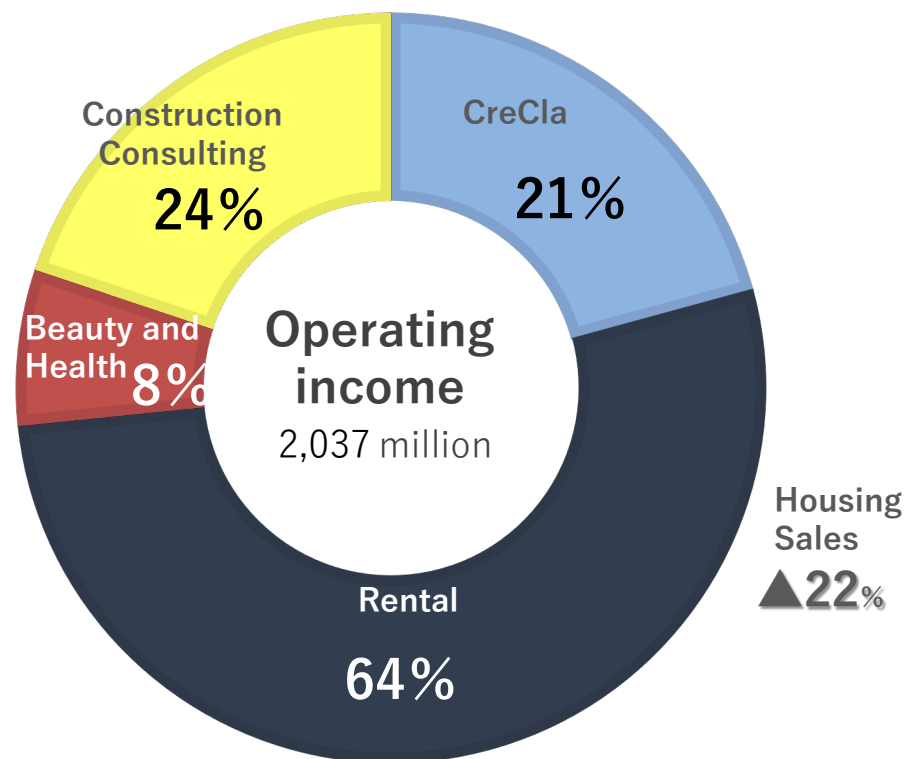
CreCla	<ul style="list-style-type: none"> ■ Market leader in bottled water production ■ First HACCP certified business in the industry ■ First Eco Mark certified business in the industry ■ First in the industry to open an R&D center
Rental	<ul style="list-style-type: none"> ■ Highest sales of all Duskin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

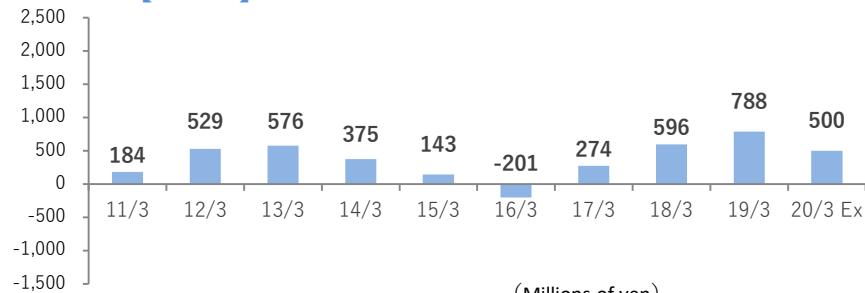


Operating margin on sales

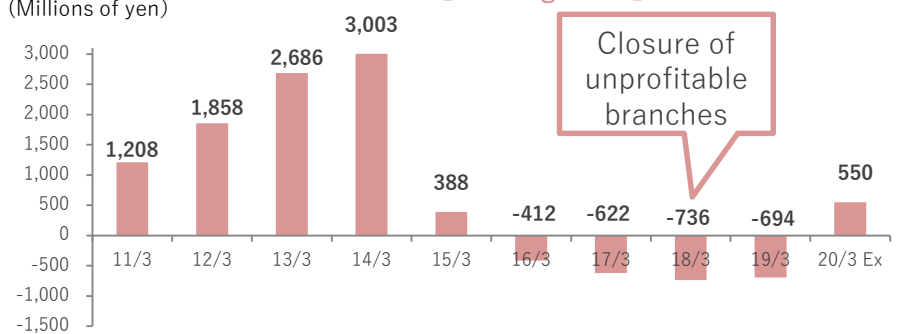
※except HQ-costs

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

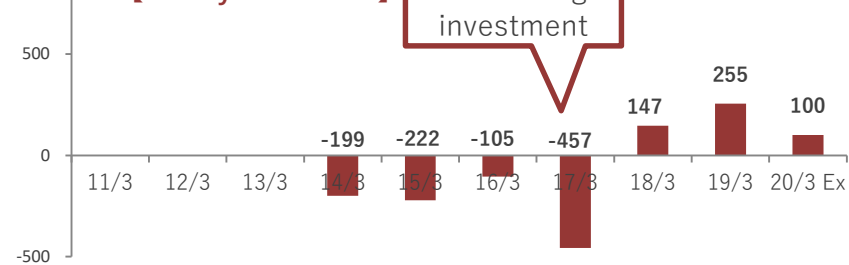
(Millions of yen)

[CreCla]

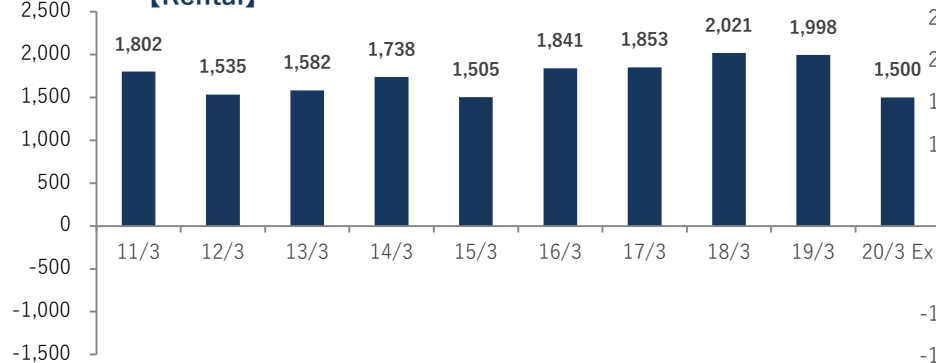
(Millions of yen)

[Housing Sales]

(Millions of yen)

[Beauty and Health]

(Millions of yen)

[Rental]

(Millions of yen)

[Construction Consulting]