

Results for the six months ended September 30, 2019 【Reference】

November 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.

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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.

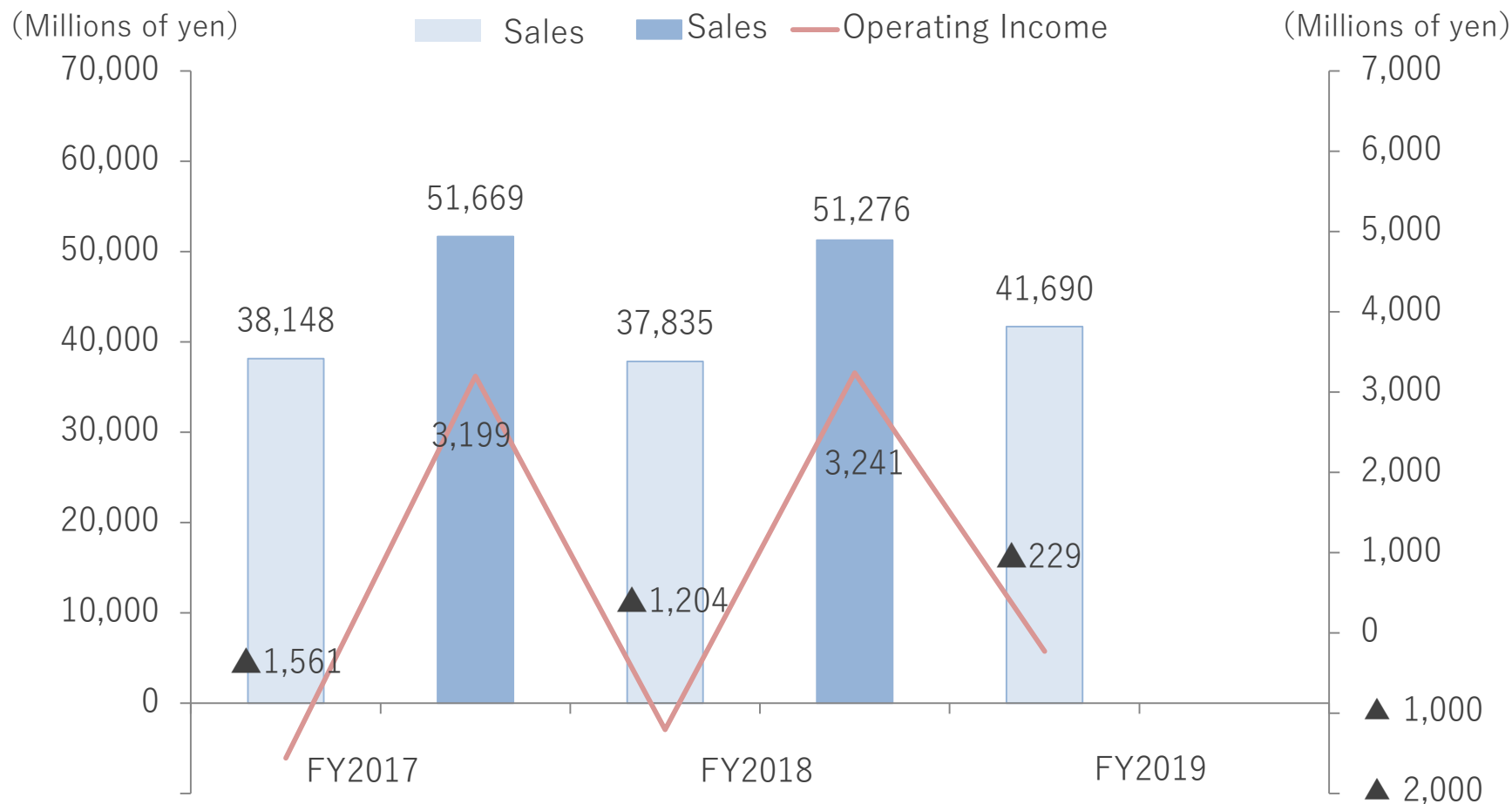
1. Results for the six months ended September 30, 2019

(Millions of yen)

	6 months ended FY2019	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2018	YoY Comparison
Sales	41,690	44,700	93.3%	37,835	+ 10.2 %
Gross profit	15,858	-	-	15,748	+ 0.7 %
(Gross margin)	38.0 %	-	-	41.6 %	▲ 3.6 pt
SG&A	16,087	-	-	16,952	▲ 5.4 %
Operating Income	▲ 229	▲ 1,150	-	▲ 1,204	-
(Operating margin)	▲ 0.6 %	▲ 2.6%	-	▲ 3.2 %	+ 2.6 pt
Non-operating income and loss	▲ 47	-	-	▲ 16	-
Ordinary Income	▲ 277	▲ 1,150	-	▲ 1,220	-
Extra-ordinary income and loss	▲ 22	-	-	▲ 10	-
Net income attributable to owners of parent company	▲ 700	▲ 950	-	▲ 999	-

- » Consolidated sales increased year on year, since sales increased in the Housing Sales business,
- » Operating income improved year on year due to an increase in gross profit and a decrease in SG & A expenses mainly in the Housing Sales business.

1 Sales & Operating income trend



» The Nac Group of companies tends to post an operating income in the second half of the year because hand-over in the Housing Sales business usually concentrate around 4th quarter.

1 Sales by Segment

(Millions of yen)

	6 months ended FY2019	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2018	YoY Comparison
CreCla	6,570	6,600	▲ 30	6,925	▲ 354
Rental	7,311	7,200	+ 111	7,145	+ 166
Construction Consulting	2,584	2,700	▲ 116	2,427	+ 156
Housing Sales	20,494	22,500	▲ 2,006	16,860	+ 3,634
Beauty and Health	4,752	5,700	▲ 948	4,494	+ 258
Elimination	▲ 22	-	▲ 22	▲ 17	▲ 5
Total	41,690	44,700	▲ 3,010	37,835	+ 3,855

» In the CreCra Business, sales declined year on year the number of customers decreased due to withdrawal from the one-way bottle delivery service.

» The Rental Business exceeded the planned target and previous year because all segments improved business performances.

» In the Construction Consulting, sales increased year on year due to strong sales promotion during the six months under review.

» In the Housing Sales Business, sales grew year on year because of an increase in the number of completed buildings in Leohouse.

» In the Beauty and Health Business, sales increased year on year due to JIMOS merged Infinity Beauty at the beginning of the fiscal period. On the other hand, unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period. Therefore, the impact of the merger mentioned earlier was offset by the above accident and the sales increased only slightly.

1 Operating income by Segments

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

(Millions of yen)

	6 months ended FY2019	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2018	YoY Comparison
CreCla	302 (4.6 %)	110 (1.7 %)	+ 192 (+ 2.9 pt)	458 (6.6 %)	▲ 156 (+ 2.0 pt)
Rental	945 (12.9 %)	710 (9.9 %)	+ 235 (+ 3.1 pt)	946 (13.3 %)	▲ 1 (▲ 0.3 pt)
Construction Consulting	252 (9.8 %)	280 (10.4 %)	▲ 27 (▲ 0.6 pt)	197 (8.1 %)	+ 55 (+ 1.6 pt)
Housing Sales	▲ 1,088 (▲ 5.3 %)	▲ 1,490 (▲ 6.6 %)	+ 401 (+ 1.3 pt)	▲ 2,195 (▲ 13.0 %)	+ 1,106 (+ 7.7 pt)
Beauty and Health	▲ 94 (▲ 2.0 %)	▲ 120 (▲ 2.1 %)	+ 25 (+ 0.1 pt)	▲ 99 (▲ 2.2 %)	+ 4 (+ 0.2 pt)
Elimination, HQ Cost	▲ 546	▲ 640	+ 93	▲ 512	▲ 33
Total	▲ 229 (▲ 0.6 %)	▲ 1,150 (▲ 2.6 %)	+ 920 (+ 2.0 pt)	▲ 1,204 (▲ 3.2 %)	+ 975 (+ 2.6 pt)

- » In the CreCla Business, operating income decreased year on year due to the completion of temporary profit factors,
- » In the Rental Business, operating income was at the same level as the corresponding period of the previous year due to an increase in SG&A expenses due to the opening of new stores and the expansion of the sales promotion.
- » In the Construction Consulting Business, operating income increased year on year due to strong sales promotion during the six months under review.
- » In the Housing Sales Business, operating loss was reduced year on year due to the decline in the fixed cost as amortization cost associated with reorganization of unprofitable branches in the previous fiscal year.
- » In the Beauty and Health Business, operating income remained the same level as the corresponding period of the previous year, as budgeted advertisement and sales promotion costs were not used because of suspension of EC site.

1 Analysis for operating income & loss (YoY change)

(Millions of yen)

			Comparison
FY2018 Q2 Operating Income		▲ 1,204	-
1. Gross profit		+ 110	+ 0.7 %
2. Increase and Decrease of SG&A	Depreciation and Amortization	+ 532	+ 17.7 %
	Sales promotion costs and Advertising Exp.	+ 93	+ 10.6 %
	Rent	+ 87	+ 1.2 %
	Personnel expenses	+ 23	+ 2.0 %
	Commission paid	▲ 88	▲ 13.8 %
	Others	+ 217	+ 5.3 %
FY2019 Q2 Operating Income		▲ 229	-

※ 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
 - » At Leohouse and JIMOS, sales promotion costs and advertising expenses decreased.
 - » Concerning decreases in depreciation and amortization, Leohouse closed unprofitable branches.

(Millions of yen)

	As of Sep. 2019	Break down	As of Mar. 2019	Break down	Comparison
Current assets	30,499	63.1 %	31,575	63.6 %	▲ 1,076
Total property, plant and equipment	11,319	23.4 %	11,457	23.1 %	▲ 137
Intangible assets	2,238	4.6 %	2,549	5.1 %	▲ 311
Investments and other assets	4,205	8.7 %	3,908	7.9 %	+ 296
Non-current assets	17,763	36.7 %	17,916	36.1 %	▲ 152
Total deferred assets	106	0.2 %	134	0.3 %	▲ 27
Total assets	48,369	100.0 %	49,626	100.0 %	▲ 1,256

Current liabilities	21,988	45.5 %	23,410	47.2 %	▲ 1,422
Non-current liabilities	7,500	15.5 %	6,055	12.2 %	+ 1,444
Total liabilities	29,488	61.0 %	29,465	59.4 %	+ 22
Shareholder's equity	19,664	40.6 %	20,950	42.2 %	▲ 1,286
Accumulated other comprehensive income	▲ 782	▲ 1.6 %	▲ 789	▲ 1.6 %	+ 6
Total net assets	18,881	39.0 %	20,161	40.6 %	▲ 1,279
Total liabilities and net assets	48,369	100.0 %	49,626	100.0 %	▲ 1,256

■ Current assets : Costs on uncompleted construction contracts + 1,060 Real estate for sale ▲ 1,365

Trade notes account · Accounts receivable ▲ 1,019

■ Non-current assets : Goodwill ▲ 252

■ Current liabilities : Accounts payable ▲ 2,461 Advances received on uncompleted construction contracts + 1,921

■ Non-current liabilities : Long-term loans payable + 1,650

Equity Ratio : 39.0 %

(Millions of yen)

	1st half of FY2019	1st half of FY2018	FY2018
1.Net cash provided by operating activities	▲ 693	▲ 2,476	▲ 2,200
2.Net cash used in investing activities	▲ 927	▲ 170	▲ 835
3.Net cash used in financing activities	1,059	5,283	4,941
Net increases cash and cash equivalents	▲ 561	2,636	1,906
Cash and cash equivalents at beginning of period	9,167	7,261	7,261
Cash with the new connection and cash equal accrual	-	-	-
Cash and cash equivalents at end of period	8,606	9,898	9,167
Depreciation and amortization	686	782	1,546

The main reasons of the fluctuation

- Operating activities : An increase in Advances received on uncompleted construction contracts + 1,921
 An increase in trade receivables + 1,019 An increase in depreciation + 686
 A decrease in trade payable ▲ 2,559 Corporate tax payment ▲ 728
 A decrease in accounts payable ▲ 620
- Investing activities : Acquisition of property, plant and equipment ▲ 421
 Acquisition of investment securities ▲ 330
- Financing activities : An increase in Long-term loans + 3,000
 Repayment of Long-term loans ▲ 1,060 Dividends ▲ 586

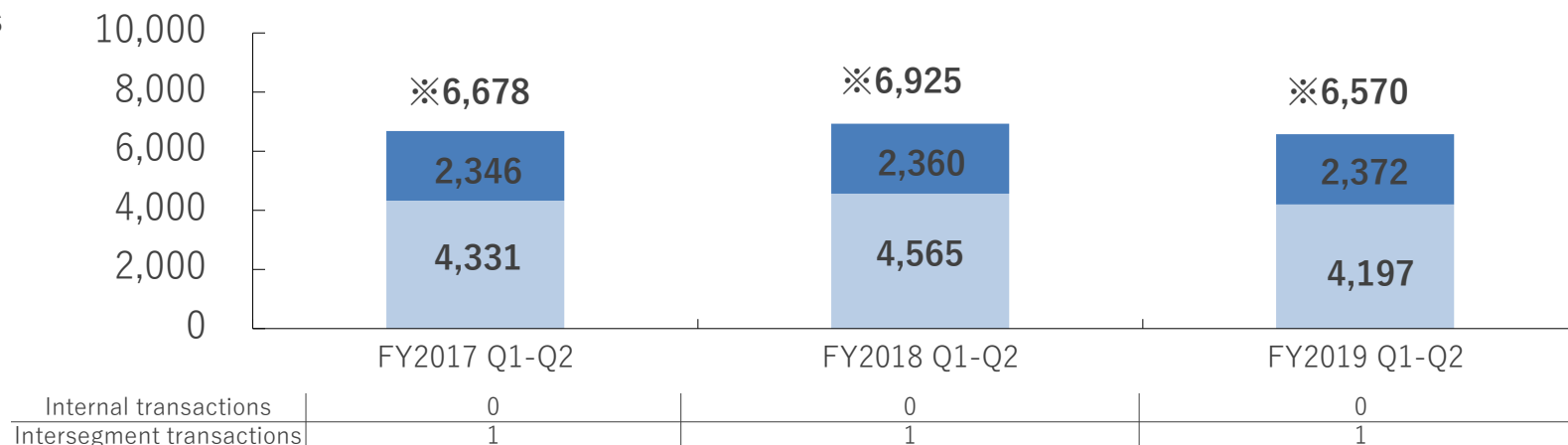
2. Results by Segments

2 Results by Segment (1) CreCla ①

(Millions of yen)

Sales

■ To affiliates ■ Directly managed

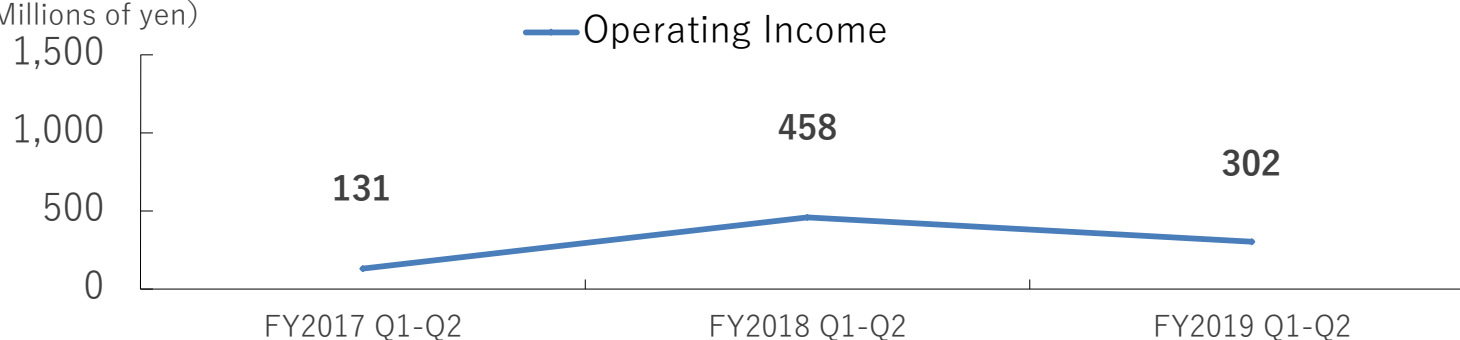


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» In our direct managed stores, the number of customers decreased due to withdrawal from the one-way bottle delivery service in the previous fiscal year, but sales decreased only slightly compared with the same period of the previous year due to factors such as an increase in unit sales per customer due to an additional bottle consumption per household and a decrease in the churn rate.

» In our affiliated stores, sales remained at the same level as the corresponding period of the previous year, as an increase in server sales compensated for a decrease in bottle sales.

Operating income (Millions of yen)

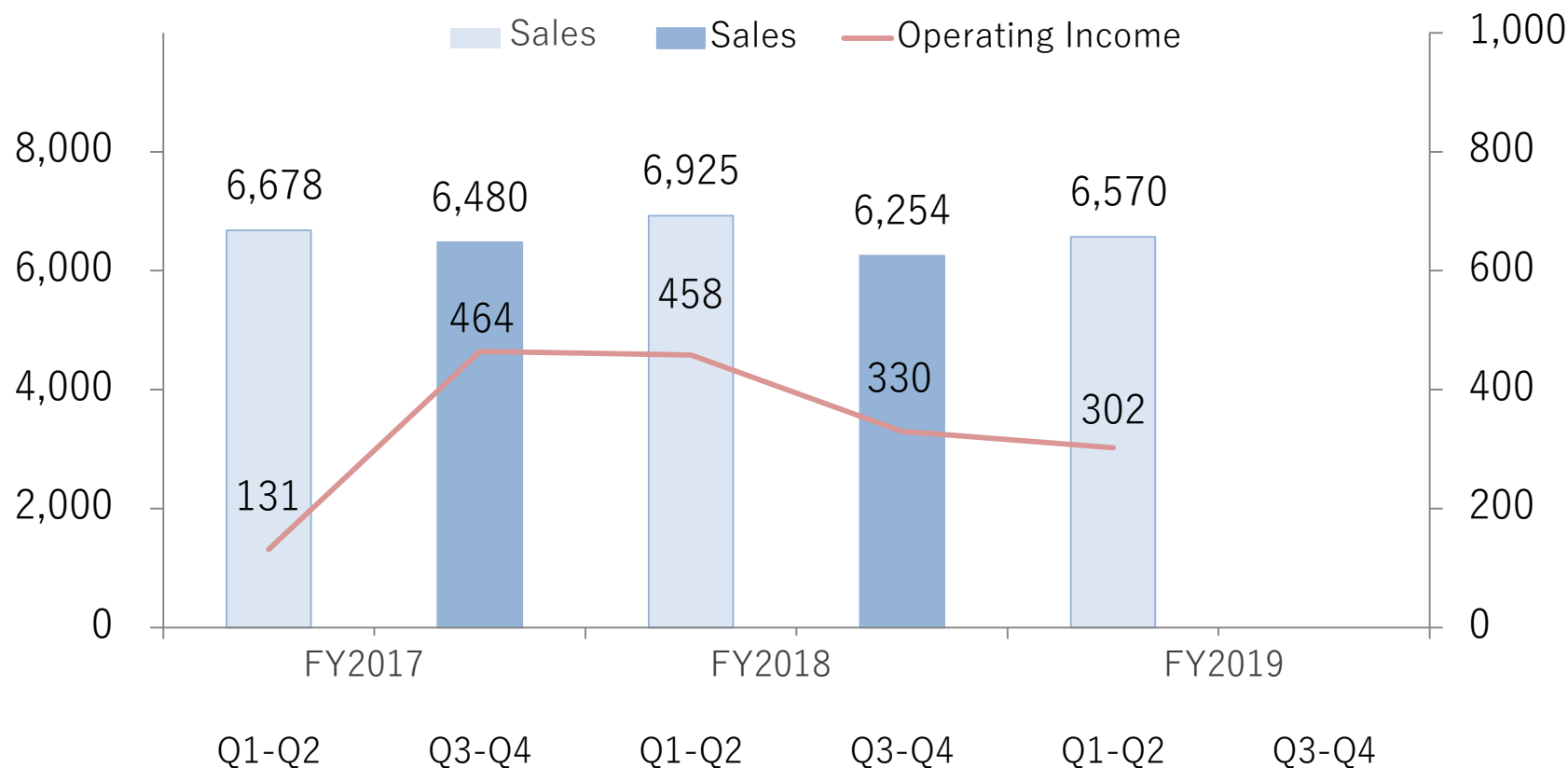


» Operating income decreased year on year due to the completion of temporary profit factors.

2 Results by Segment (1) CreCla ②

(Millions of yen)

(Millions of yen)

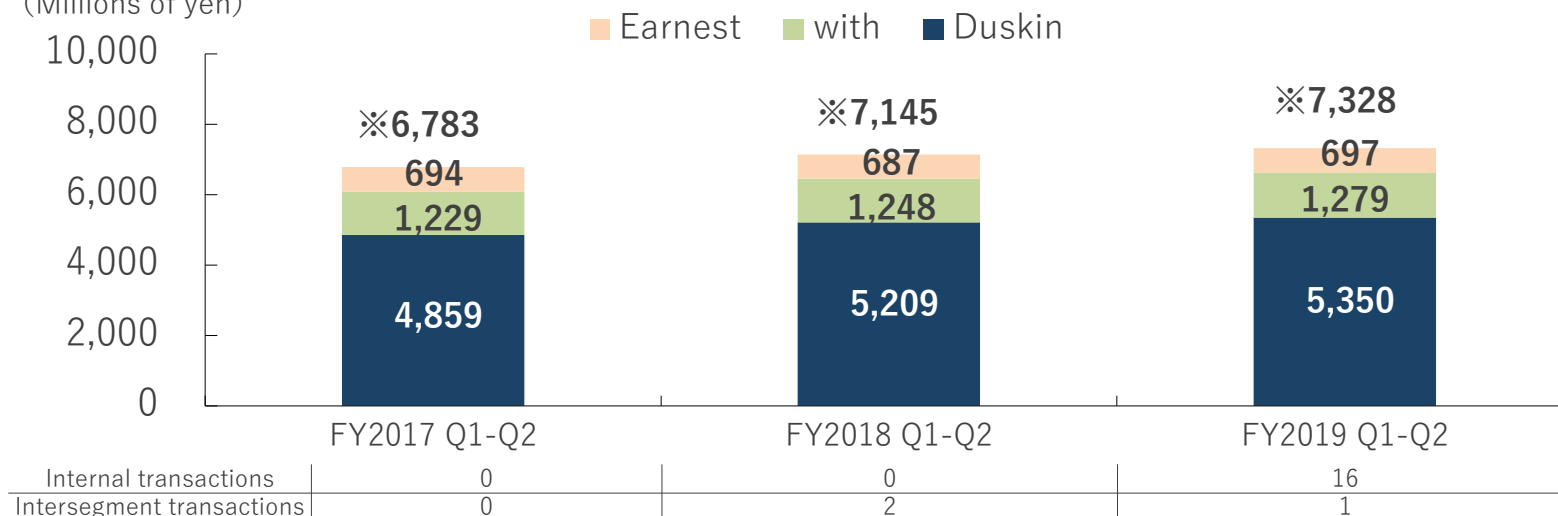


» Operating income decreased year on year due to the completion of temporary profit factors.

2 Results by Segment (2) Rental ①

Sales

(Millions of yen)

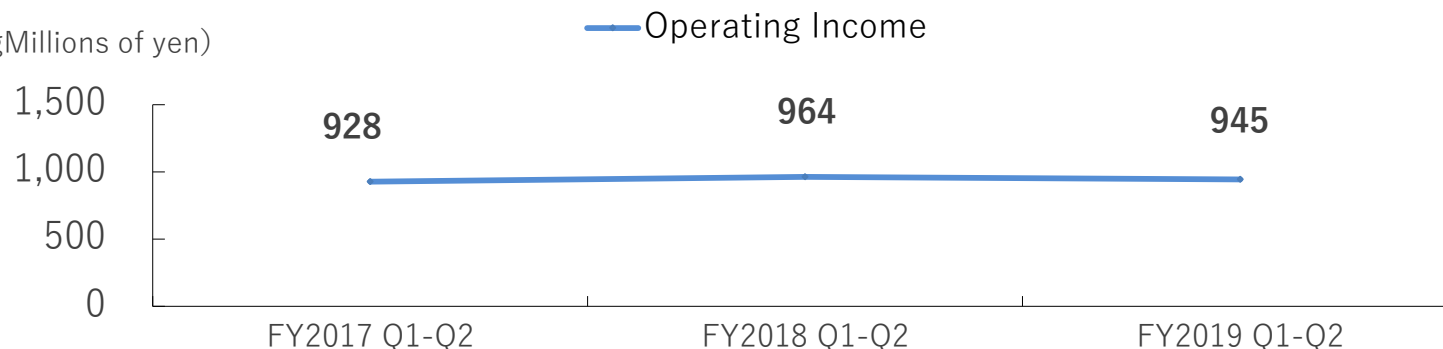


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

- » The Duskin business focused on expansion of the provision of total care services and existing customers, therefore, increased sales.
- » 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 clients strengthened sales activities in order to acquire new customers. As a result, sales increased year on year.

(gMillions of yen)

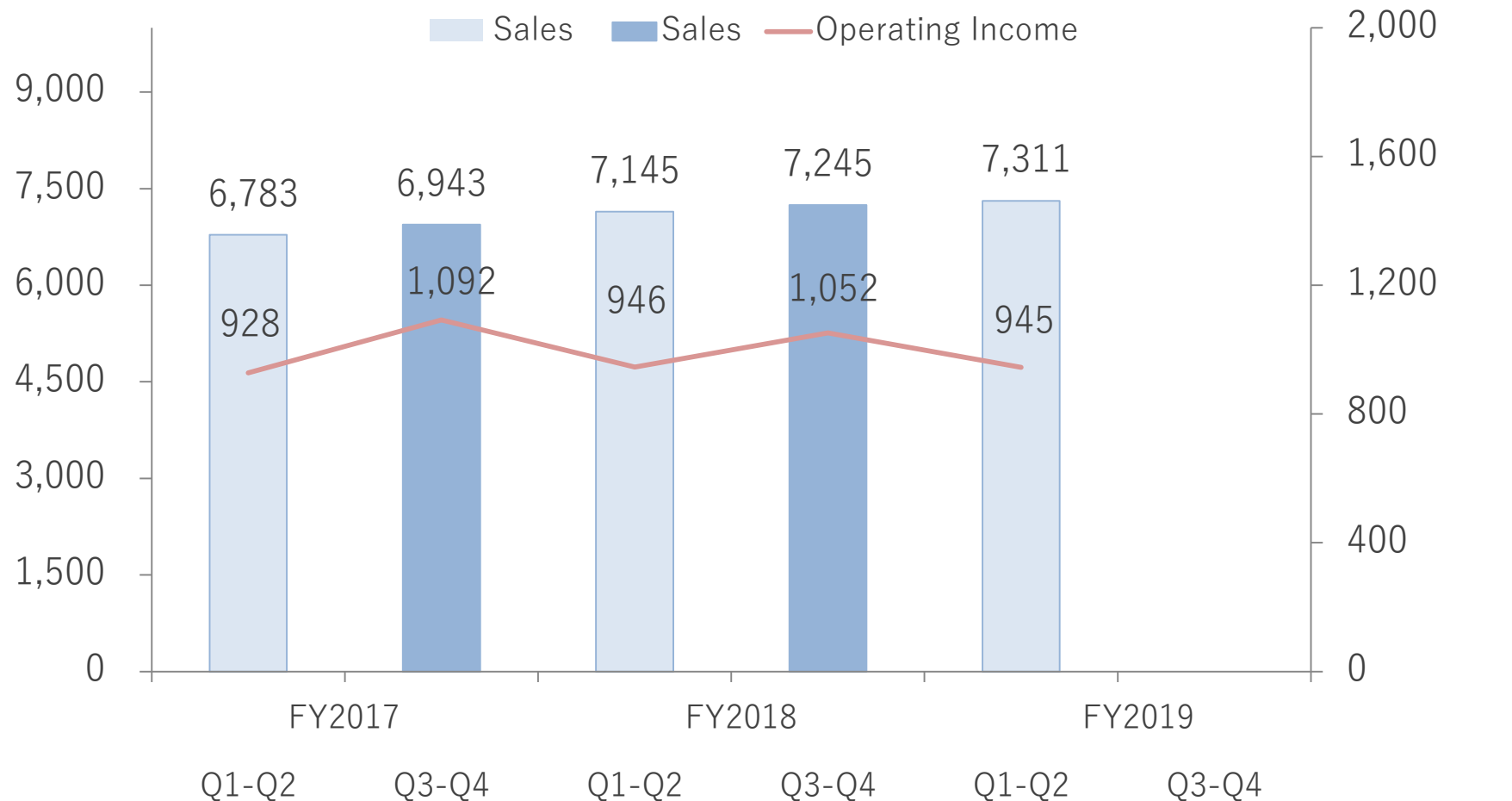
Operating income



- » Operating income was at the same level as the corresponding period of the previous year due to an increase in SG&A expenses due to the opening of new stores and the expansion of the sales promotion.

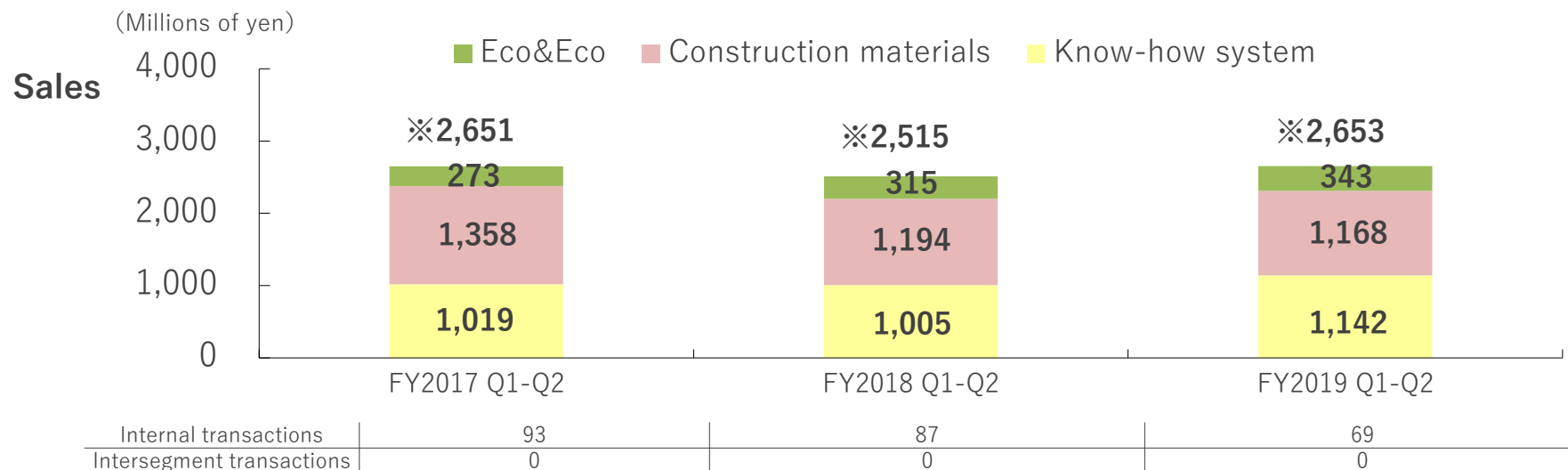
2 Results by Segment (2) Rental ②

(Millions of yen)



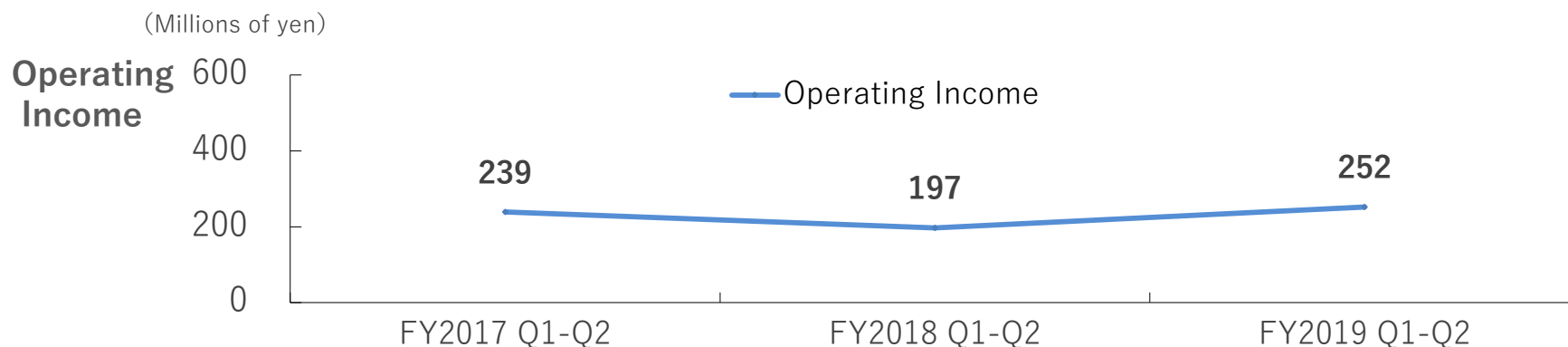
» Operating income was at the same level as the corresponding period of the previous year due to an increase in SG&A expenses due to the opening of new stores and the expansion of the sales promotion.

2 Results by Segment (3) Construction Consulting ①



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

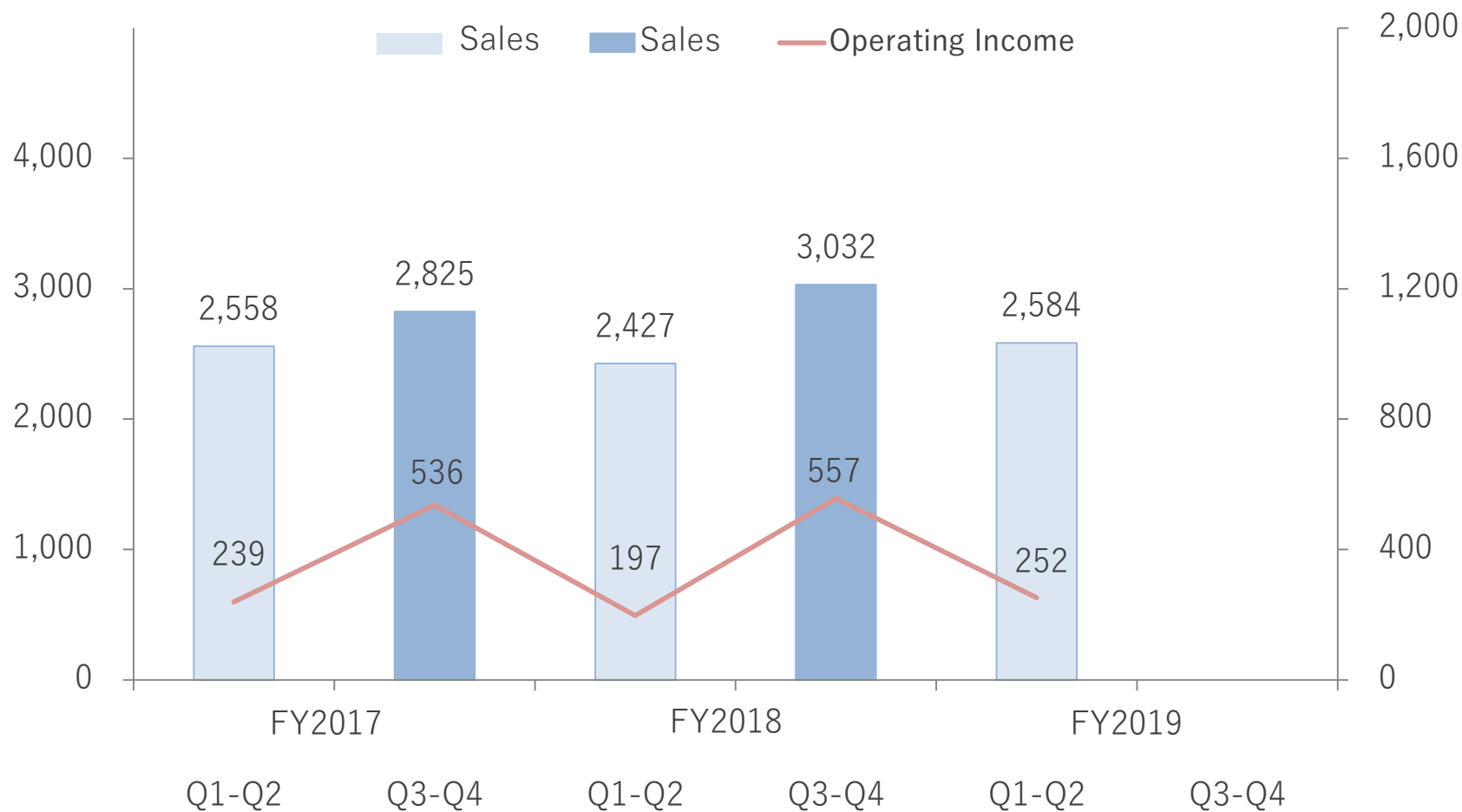
- » Sales and operating income of the construction know-how systems increased due to strong sales promotion during the six months under review.
- » For the construction materials business, which focused on solar power generation systems, Eco & Eco Co., Ltd. continued to shift the sales target to the residential solar and storage battery market. As a result, operating income increased year on year.



2 Results by Segment (3) Construction Consulting ②

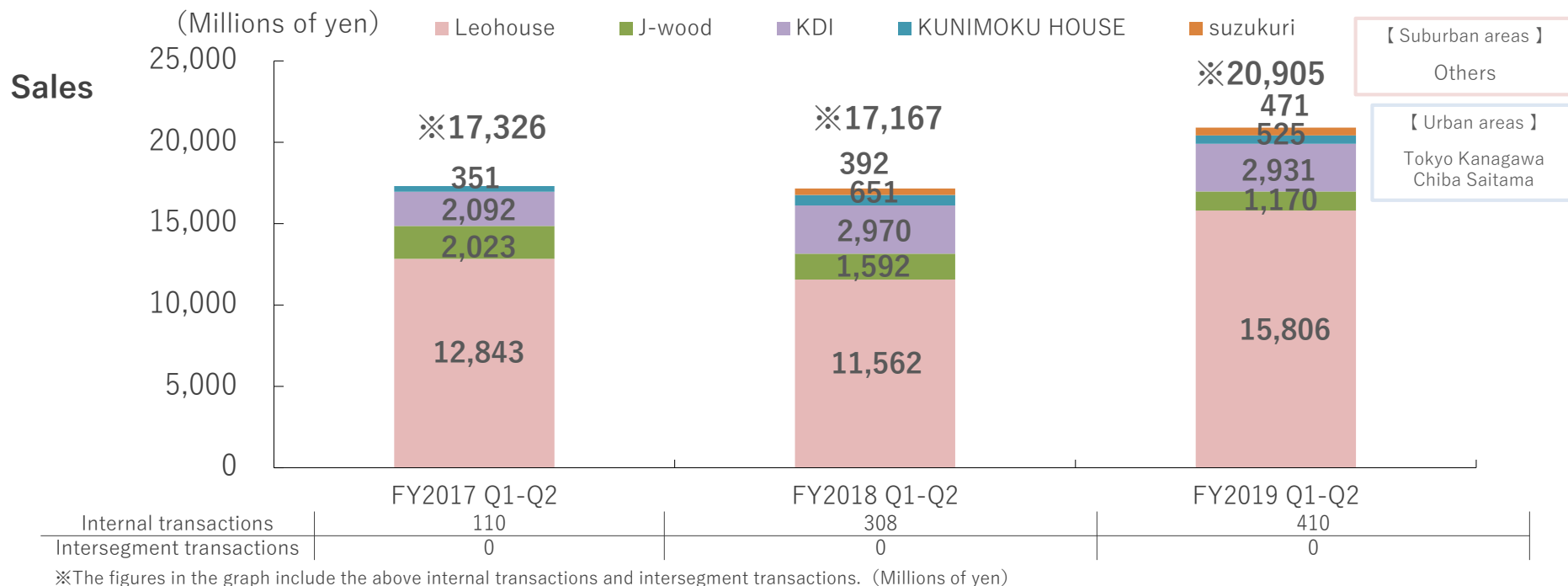
(Millions of yen)

(Millions of yen)

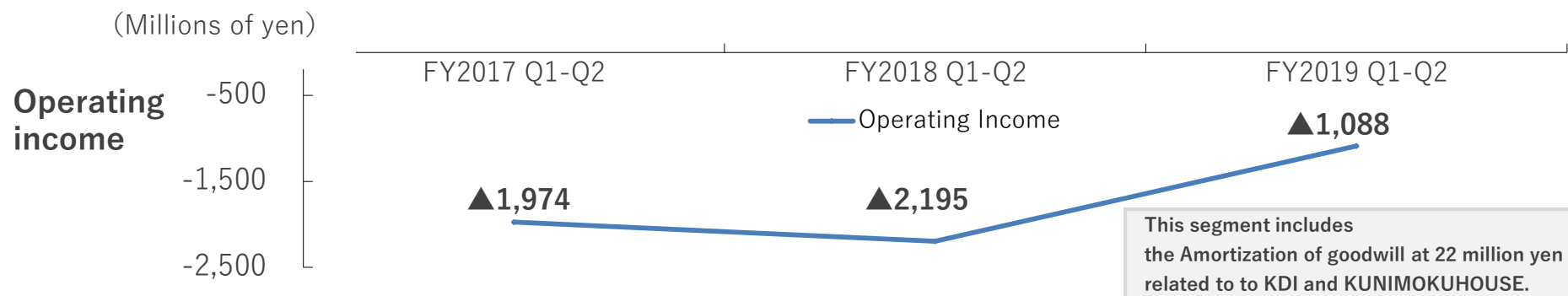


» Operating income increased year on year due to strong sales promotion in the construction know-how systems during the six months under review.

2 Results by Segment (4) Housing Sales ①

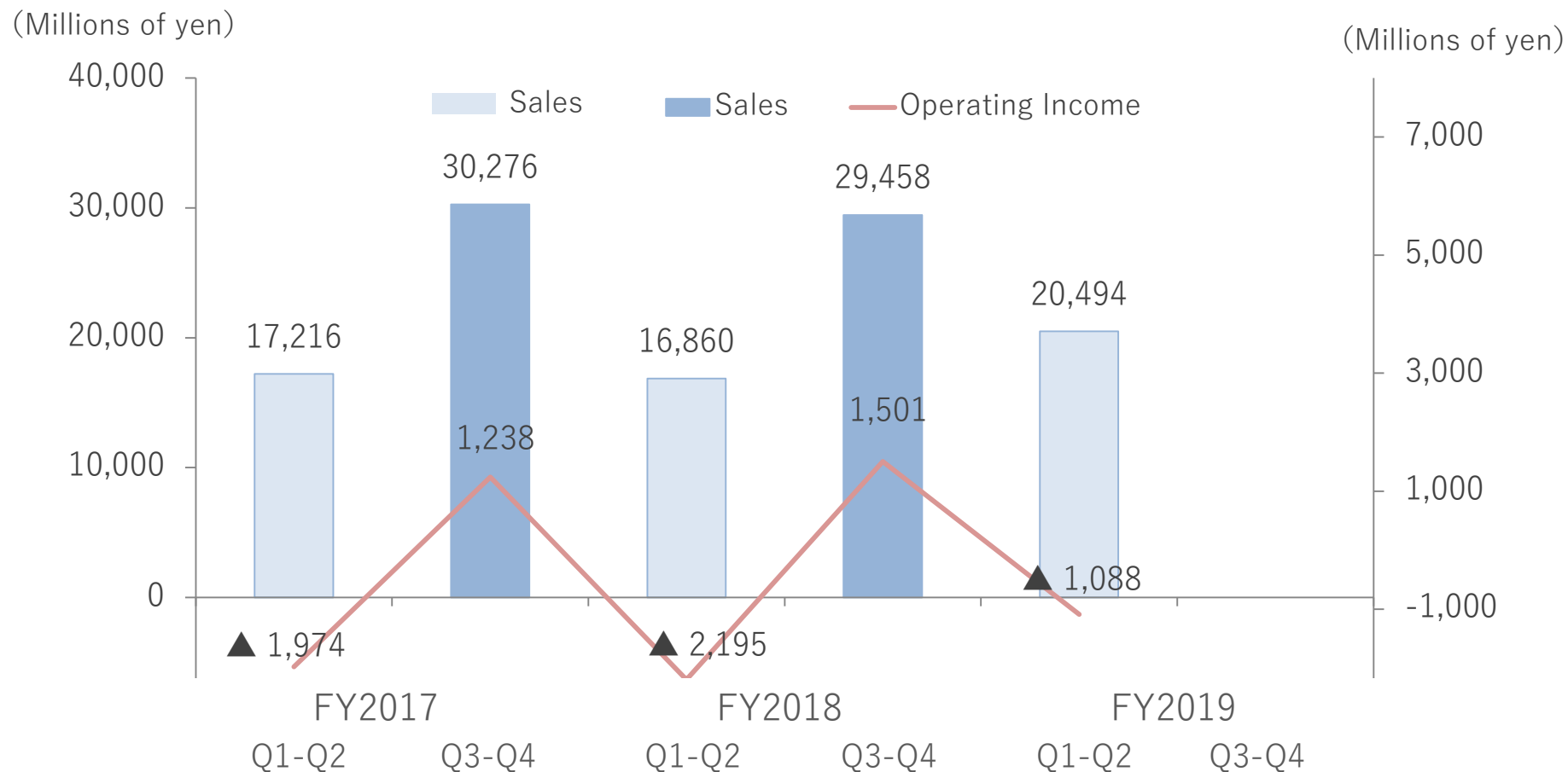


» At Leohouse, sales grew year on year because of an increase in the number of completed buildings.



» Operating loss was reduced year on year due to the decline in the fixed cost as amortization cost associated with reorganization of unprofitable branches in the previous fiscal year.

2 Results by Segment (4) Housing Sales ②



» Sales and Operating income tend to increase around Q4.

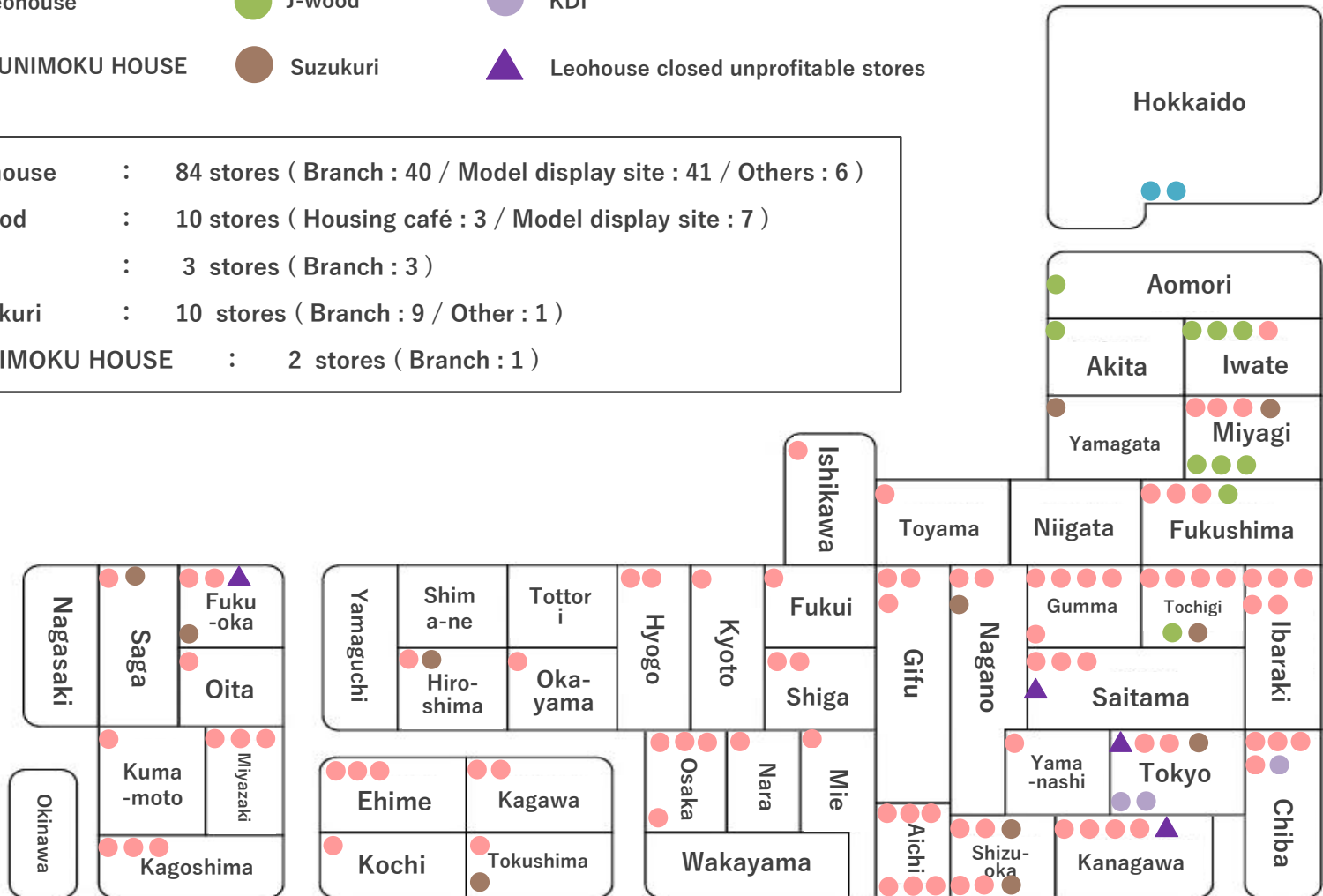
2 Results by Segment (4) Housing Sales ③

Total 109 stores

(Leohouse : 84 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 10 stores, KUNIMOKU HOUSE : 2 stores



Leohouse	:	84 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	:	10 stores (Branch : 9 / Other : 1)
KUNIMOKU HOUSE	:	2 stores (Branch : 1)



2 Results by Segment (4) Housing Sales ④

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	439 (439)	542 (981)	419 (1,400)	489 (1,889)	470 (470)	537 (1,007)	395 (1,402)	468 (1,870)	305 (305)	484 (789)		
Comple tions	188 (188)	477 (665)	396 (1,061)	834 (1,895)	156 (156)	427 (583)	400 (983)	766 (1,749)	256 (256)	484 (740)		
Orders in hand	1,245	1,294	1,309	944	1,233	1,317	1,271	976	1,022	969		
Change	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 85	▲ 41	▲301	+ 46	▲53		
Unit price	※1 1,792 million yen				※1 1,806 million yen							

※1 Unit price excludes additional costs and exterior construction costs

Store openings	5	0	0	0	1	0	0	0	0	0		
Total stores	105	105	105	※1 101	※2 88	88	88	88	※3 87	※4 84		

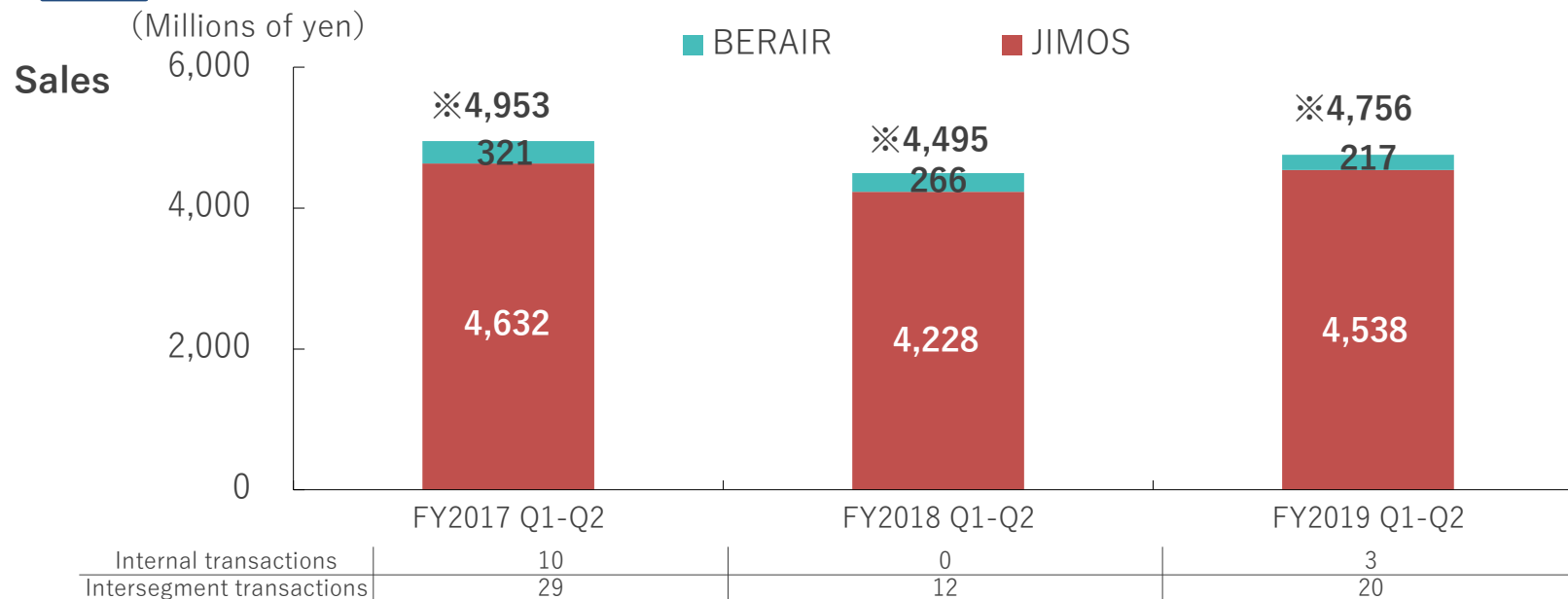
※1 Closing of unprofitable model display sites ▲4

※2 Closing of unprofitable model display sites ▲14

※3 Closing of unprofitable model display sites ▲1

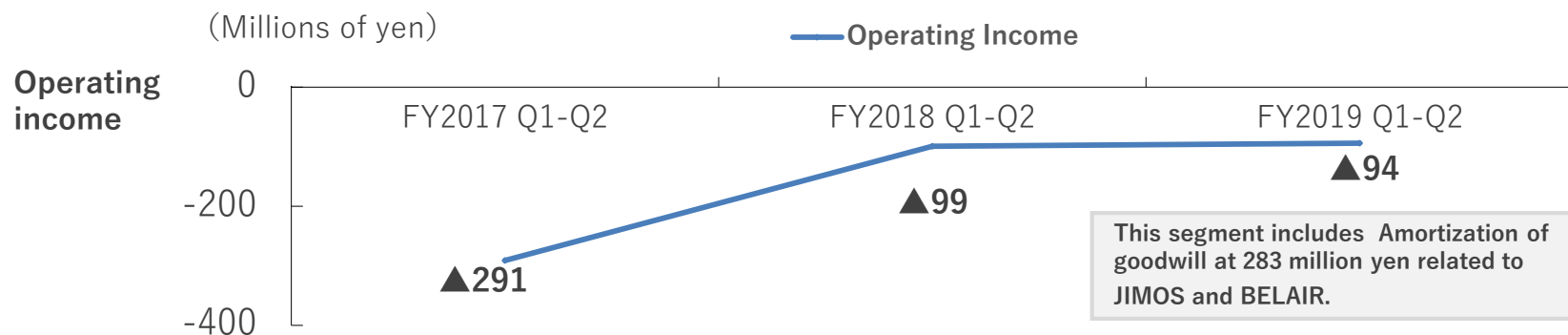
※4 Closing of unprofitable model display sites ▲3

2 Results by Segment (5) Beauty and Health ①



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

» Sales increased year on year due to JIMOS merged Infinity Beauty at the beginning of the fiscal period. On the other hand, unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period. Therefore, the impact of the merger mentioned earlier was offset by the above accident and the sales increased only slightly.

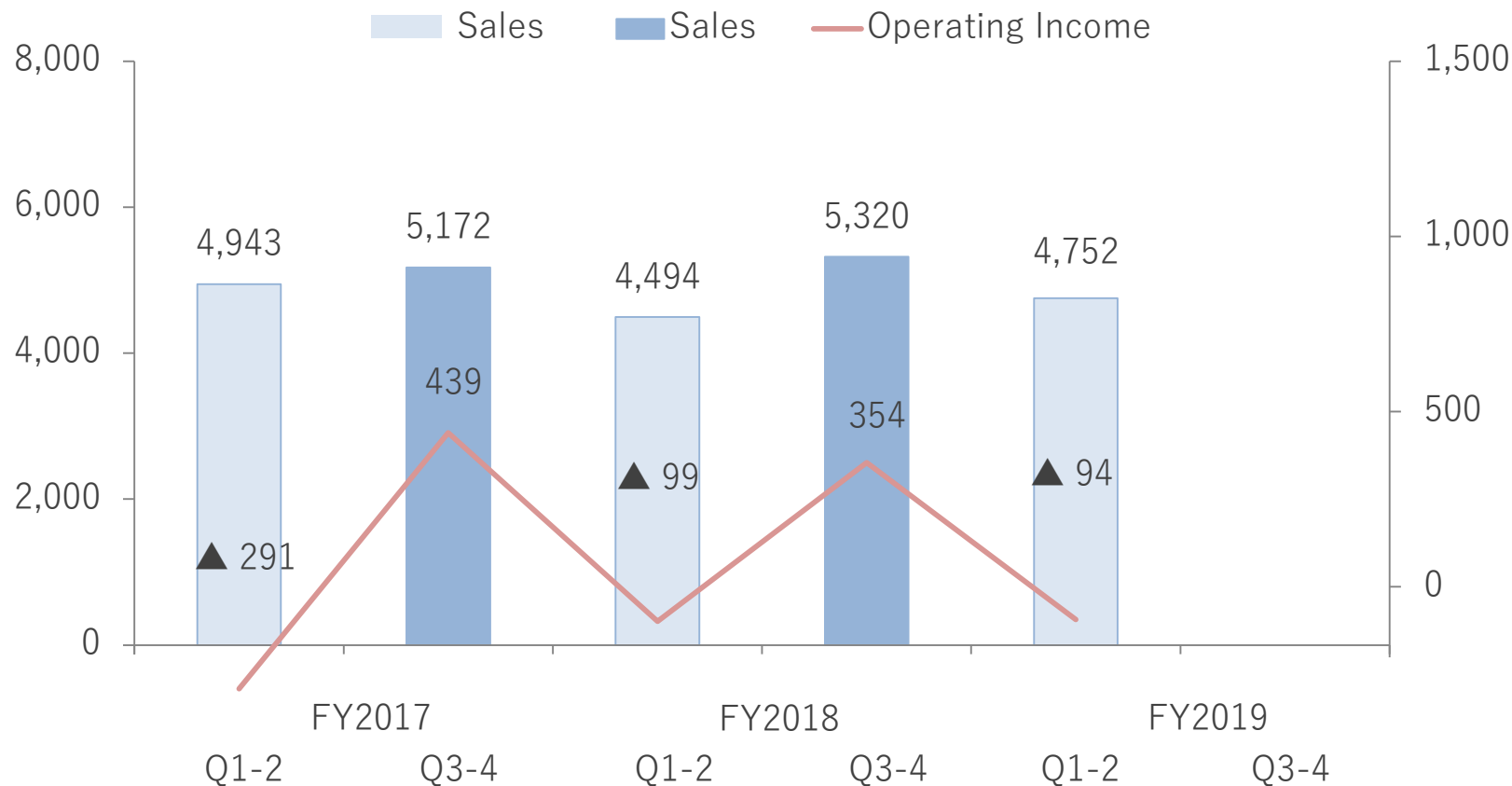


» Operating income remained the same level as the corresponding period of the previous year, as budgeted advertisement and sales promotion costs were not used because of suspension of EC site.

2 Results by Segment (5) Beauty and Health ②

(Millions of yen)

(Millions of yen)



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

3. FY2019 Forecasts of Financial Results

(Millions of yen)

	FY2019	FY2018	YoY comparison
Sales	100,200	89,111	+ 12.4 %
Operating income	2,200	2,037	+ 8.0 %
Ordinary income	2,150	2,081	+ 3.3 %
Net income	1,000	798	+ 25.3 %
Dividends per share	36 yen	34 yen	-
EPS	44.63 yen	40.32 yen	+ 4.31 yen

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

3 FY2019 Sales Forecasts by Segment

(Millions of yen)

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

(Millions of yen)

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

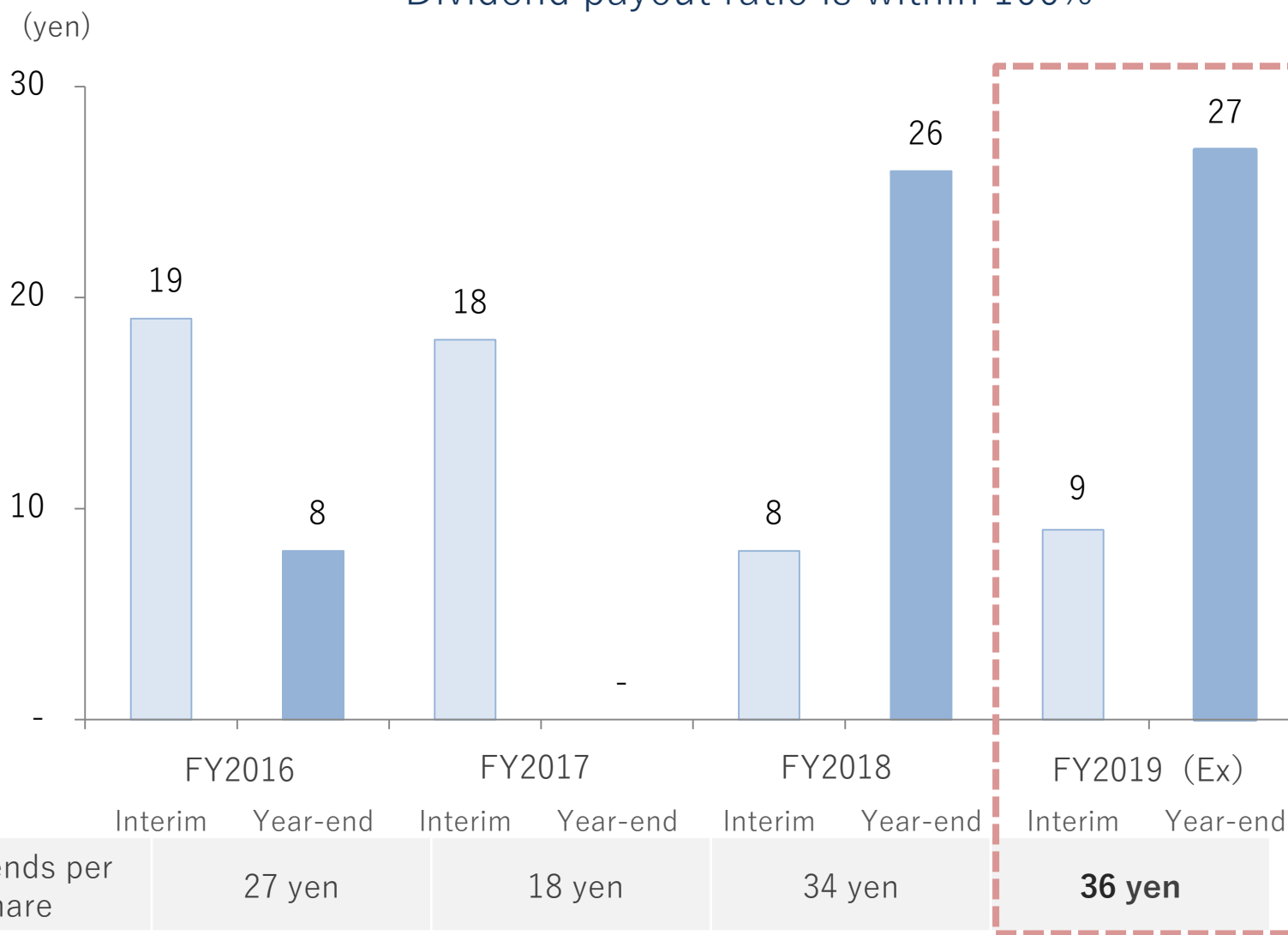
Note) The figures inside () marks indicate operating margin.

4. Plan of Dividends

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Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%






5. Appendix

(As of the end of September 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) JIMOSCO., 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	2,248 (consolidated)
Capital stock	6,729,493,750 yen
Number of shares	24,306,750 shares (share unit :100 shares)
Number of shareholders	9,522 (Total number of shareholders; treasury shares are excluded)

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

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.	

(As of the end of September 2019)

CreCla

- **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

- Nacmembers (Construction company :**7,000**)
- 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
- 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 female customers (mainly in their 40-60's)
- We acquired BELAIR CO., Ltd.

5

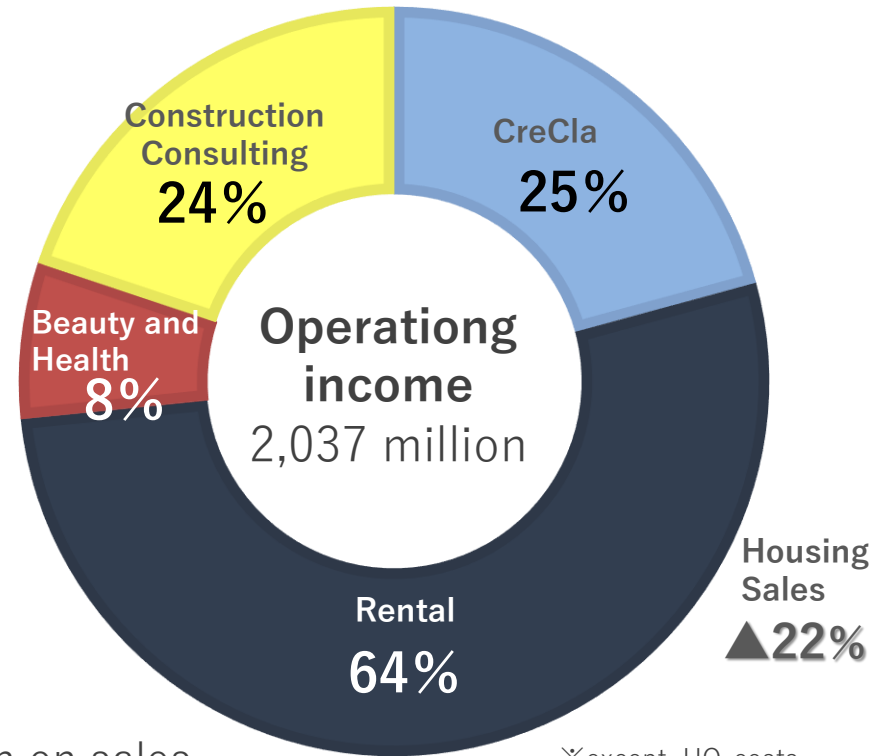
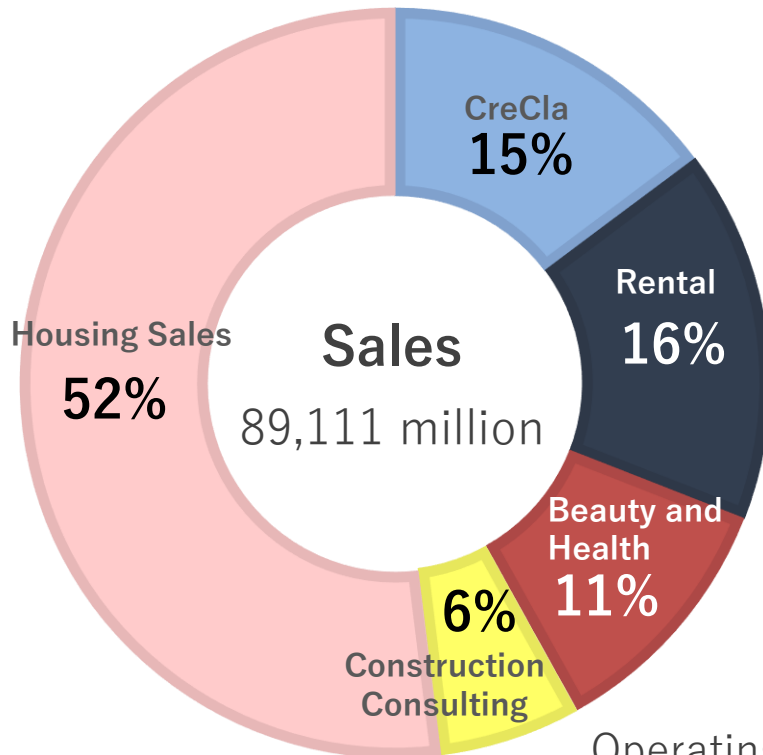
FY2018 Sales and Operating income Breakdown

CreCla
Beauty and Health
Housing sales

Rental
Construction Consulting

CreCla
Beauty and Health

Rental
Construction Consulting



Operating margin on sales

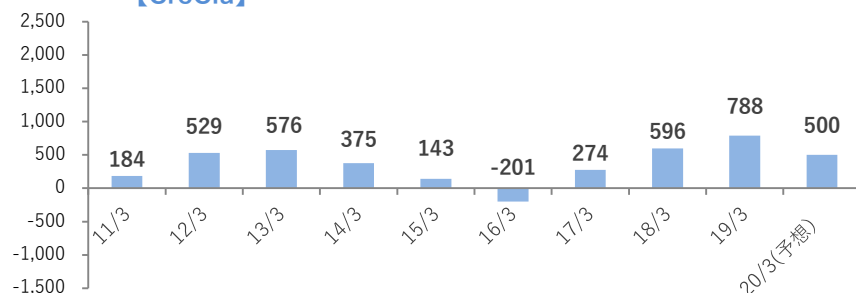
※except HQ-costs

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

5 Operating income trend by segment

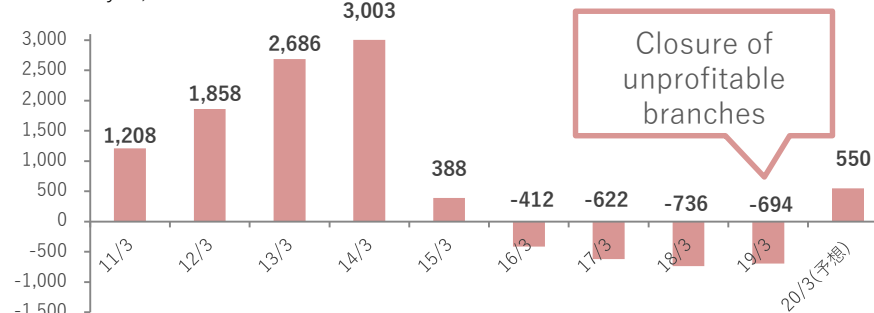
(Millions of yen)

【CreCla】



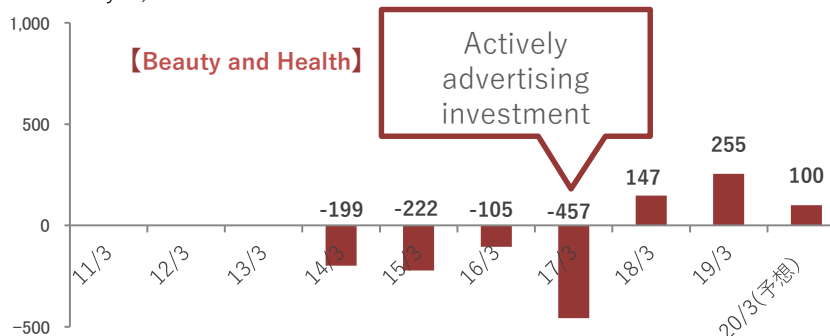
(Millions of yen)

【Housing Sales】



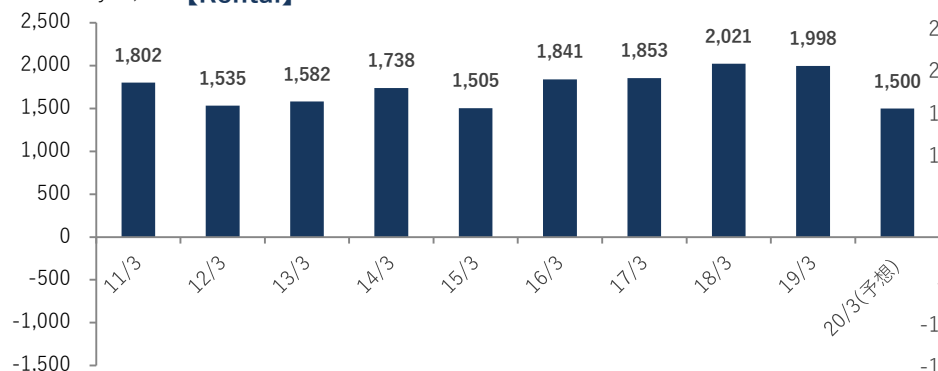
(Millions of yen)

【Beauty and Health】



(Millions of yen)

【Rental】



(Millions of yen)

【Construction Consulting】

