

Results for FY2019 ended Mar.31, 2020 【 Reference 】

May 15th, 2020

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 Fiscal year (FY2019)

(Millions of yen)

	FY2019 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2018 Result	YoY Comparison
Sales	88,222	100,200	88.0 %	89,111	▲ 1.0 %
Gross profit	32,189	-	-	34,763	▲ 7.4 %
(Gross margin)	36.5 %	-	-	39.0 %	▲ 2.5 pt
SG&A	30,071	-	-	32,725	▲ 8.1 %
Operating Income	2,118	2,200	96.3 %	2,037	3.9 %
(Operating margin)	2.4 %	2.2 %	+ 0.2 pt	2.3 %	+ 0.1 pt
Non-operating income and loss	▲ 19	-	-	43	-
Ordinary Income	2,098	2,150	97.6 %	2,081	0.8 %
Extra-ordinary income and loss	▲ 688	-	-	▲ 168	-
Net income attributable to owners of parent company	514	1,000	51.4 %	798	▲ 35.6 %

- » Consolidated sales declined year on year due to sales decreases in the Beauty and Health business, Housing Sales business and Construction Consulting business.
- » Operating income rose year on year thanks to the improvement business performance of CreCla Business and the reduction of SG&A expenses in Housing Sales business.

	FY2019 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2018 Result	YoY Comparison
CreCla	13,375	13,400	▲ 25	13,179	+ 195
Rental	14,808	14,500	+ 308	14,394	+ 414
Construction Consulting	5,251	5,800	▲ 549	5,459	▲ 207
Housing Sales	46,101	55,000	▲ 8,899	46,318	▲ 216
Beauty and Health	8,764	11,500	▲ 2,736	9,801	▲ 1,036
Elimination	▲ 80	-	▲ 80	▲ 41	▲ 39
Total	88,222	100,200	▲ 11,978	89,111	▲ 889

- » In the CreCla Business, we couldn't reach the planned target, however, 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 Business, sales decreased year on year and we couldn't planned target due to the Coronavirus disease 2019 (COVID-19).
- » In the Housing Sales Business, sales were below year on year and the planned target because of sluggish orders in Leohouse and J-wood.
- » In the Beauty and Health Business, an unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period. Therefore, sales decreased year on year.

(Millions of yen)

	FY2019 Result	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	FY2018 Result	YoY Comparison
CreCla	1,030 (7.7 %)	500 (3.7 %)	+ 530 (+ 4.0 pt)	788 (6.0 %)	+ 242 (+ 1.7 pt)
Rental	1,844 (12.5 %)	1,500 (10.3 %)	+ 344 (+ 2.1 pt)	1,998 (13.9 %)	▲ 153 (▲ 1.4 pt)
Construction Consulting	730 (13.9 %)	800 (13.8 %)	▲ 69 (+ 0.1 pt)	754 (13.8 %)	▲ 23 (+ 0.1 pt)
Housing Sales	▲ 545 (▲ 1.2 %)	550 (1.0 %)	▲ 1,095 (▲ 2.2 pt)	▲ 694 (▲ 1.5 %)	+ 149 (+ 0.3 pt)
Beauty and Health	125 (1.4 %)	100 (0.9 %)	+ 25 (+ 0.6 pt)	255 (2.6 %)	▲ 130 (▲ 1.2 pt)
Elimination, HQ Cost	▲ 1,067	▲ 1,250	+ 182	▲ 1,064	▲ 3
Total	2,118 (2.4 %)	2,200 (2.2 %)	▲ 82 (+ 0.2 pt)	2,037 (2.3 %)	+ 80 (+ 0.1 pt)

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

- » In the CreCla Business, operating income increased year on year thanks to the bottle price hike and efficient use of SG & A expenses.
- » The Rental Business decreased due to an increase in SG&A expenses such as the opening of new stores and the expansion of the sales promotion.
- » In the Construction Consulting Business, operating income decreased year on year due to the decrease in sales.
- » 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 decreased year on year due to lower sales.

(Millions of yen)

1 Analysis for operating income & loss (YoY change)

			Comparison
FY2018 Operating Income		2,037	-
1. Gross profit		▲ 2,573	▲ 7.4 %
2. Increase and Decrease of SG&A	Depreciation and Amortization	+ 1,018	+ 20.0 %
	Rent	+ 314	+ 13.3 %
	Sales promotion costs and Advertising Exp.	+ 237	+ 20.0 %
	Personnel expenses	+ 174	+ 1.2 %
	Commission paid	+ 19	+ 1.5 %
	Others	+ 888	+ 11.2 %
FY2019 Operating Income		2,118	+ 3.9 %

※ 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

- » Consolidated sales declined year on year due to sales decreased in the Beauty and Health Business, Housing Sales Business and Construction Consulting Business.

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

- » At JIMOS, we reduced sales promotion costs and advertising expenses.
- » Concerning decreases in depreciation and amortization, Leohouse closed unprofitable branches in the previous fiscal year.

	As of Mar.31 2020	Break down	As of Mar.31 2019	Break down	Comparison
Current assets	28,858	62.1 %	31,575	63.6 %	▲ 2,717
Total property, plant and equipment	10,615	22.9 %	11,457	23.1 %	▲ 841
Intangible assets	2,253	4.9 %	2,549	5.1 %	▲ 296
Investments and other assets	4,626	10.0 %	3,908	7.9 %	+ 718
Non-current assets	17,496	37.7 %	17,916	36.1 %	▲ 419
Total deferred assets	78	0.2 %	134	0.3 %	▲ 55
Total assets	46,433	100.0 %	49,626	100.0 %	▲ 3,193
Current liabilities	20,125	43.3 %	23,410	47.2 %	▲ 3,284
Non-current liabilities	6,499	14.0 %	6,055	12.2 %	+ 444
Total liabilities	26,625	57.3 %	29,465	59.4 %	▲ 2,840
Shareholder's equity	20,601	44.4 %	20,950	42.2 %	▲ 348
Accumulated other comprehensive income	▲ 844	▲ 1.8 %	▲ 789	▲ 1.6 %	▲ 54
Minority interest	50	0.1 %	-	-	+ 50
Total net assets	19,808	42.7 %	20,161	40.6 %	▲ 352
Total liabilities and net assets	46,433	100.0%	49,626	100.0 %	▲ 1,355

- Current assets : Real estate for sale ▲ 3,041 Costs on uncompleted construction contracts ▲ 256
Merchandise and Finished goods + 570
 - Non-current assets : Building and structures ▲ 344 Leased asset ▲ 373 investment in securities + 625
 - Current liabilities : Accounts payable ▲ 2,110 Advances received on uncompleted construction contracts ▲ 438
Short-term loans payable ▲ 390
 - Non-current liabilities : Long-term loans payable + 695
- Equity Ratio : 42.6 %

(Millions of yen)

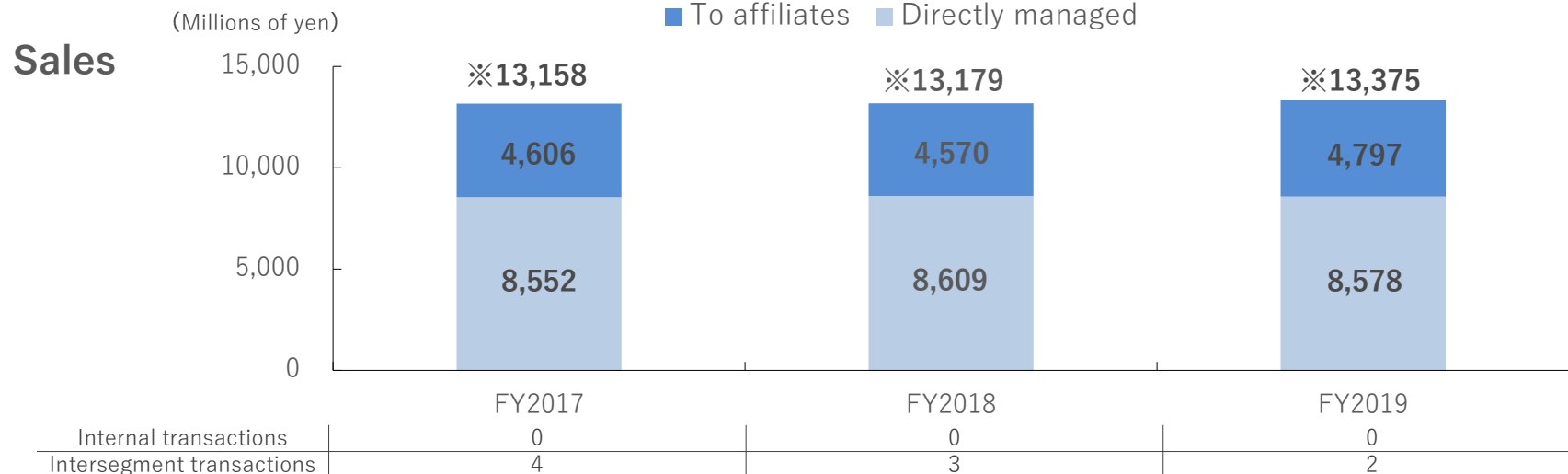
	FY2019	FY2018	Comparison
1.Net cash provided by operating activities	2,488	▲ 2,200	+ 4,688
2.Net cash used in investing activities	▲ 1,706	▲ 835	▲ 871
3.Net cash used in financing activities	▲ 857	4,941	▲ 5,798
Net increases cash and cash equivalents	▲ 75	1,906	▲ 1,981
Cash and cash equivalents at beginning of period	9,167	7,261	+ 1,906
Cash with the new connection and cash equal accrual	22	-	+ 22
Cash and cash equivalents at end of period	9,115	9,167	▲ 52
Depreciation and amortization	1,374	1,546	▲ 171

The main reasons of the fluctuation

- Operating activities : A decrease in inventory at 2,740 millions of yen Net income before income taxes at 1,409 millions of yen
Depreciation at 1,374 millions of yen A decrease in notes and accounts payable-trade 2,308 millions
Corporate tax at 1,063 millions of yen
- Investing activities : Purchase of investment securities 780 millions of yen Purchase of tangible assets at 461 millions of yen
Purchase of intangible assets 301 millions of yen
- Financing activities : Increase in long-term loans payable 3,000 millions of yen Repayment of long-term loans 2,270
millions of yen Dividends 789 millions of yen

2. Results by Segments

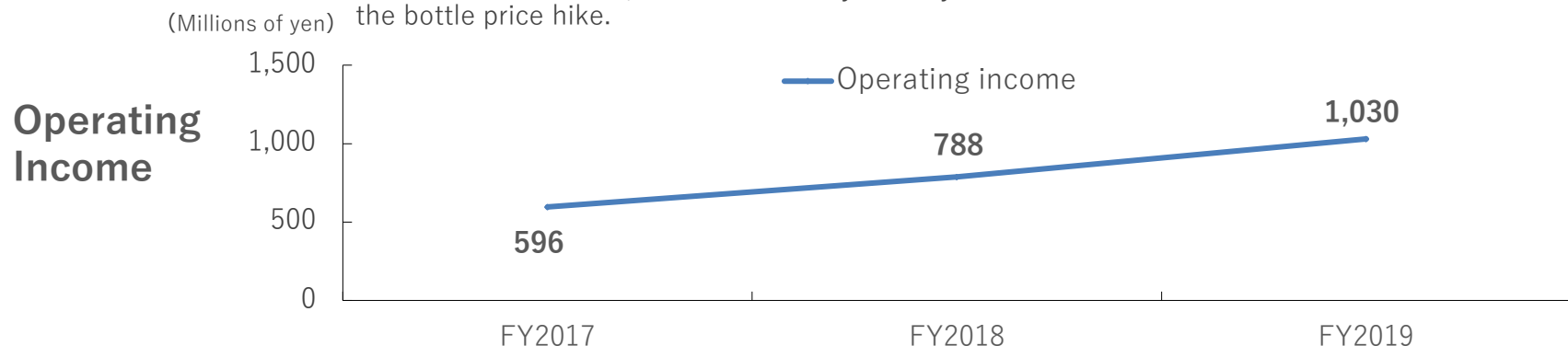
2 Results by Segment (1) CreCla



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

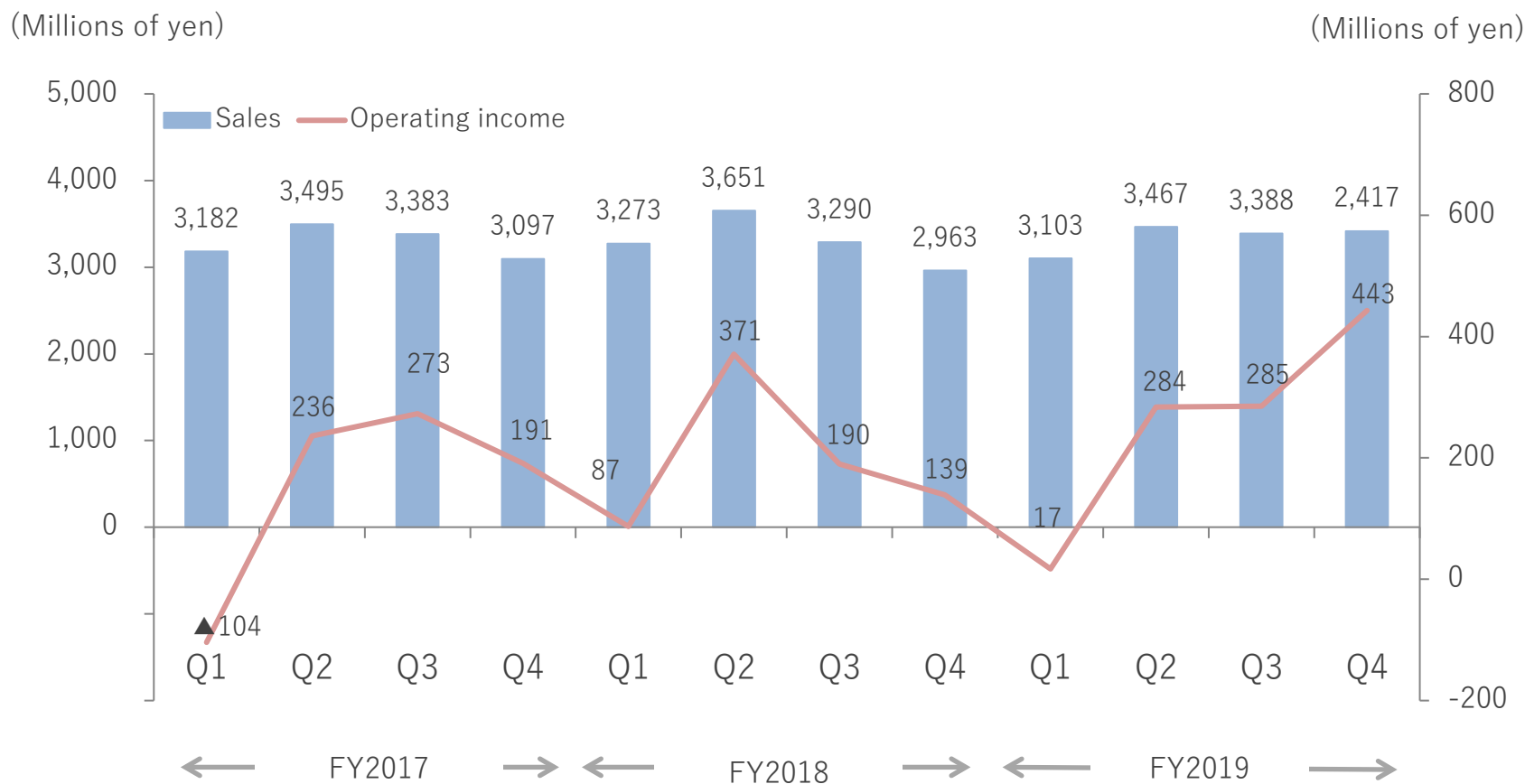
» In our direct managed stores, we maintained the same level of sales as the previous fiscal year although we withdrew from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year.

» In our affiliated stores, sales increased year on year due to the rise in water server sales and the bottle price hike.



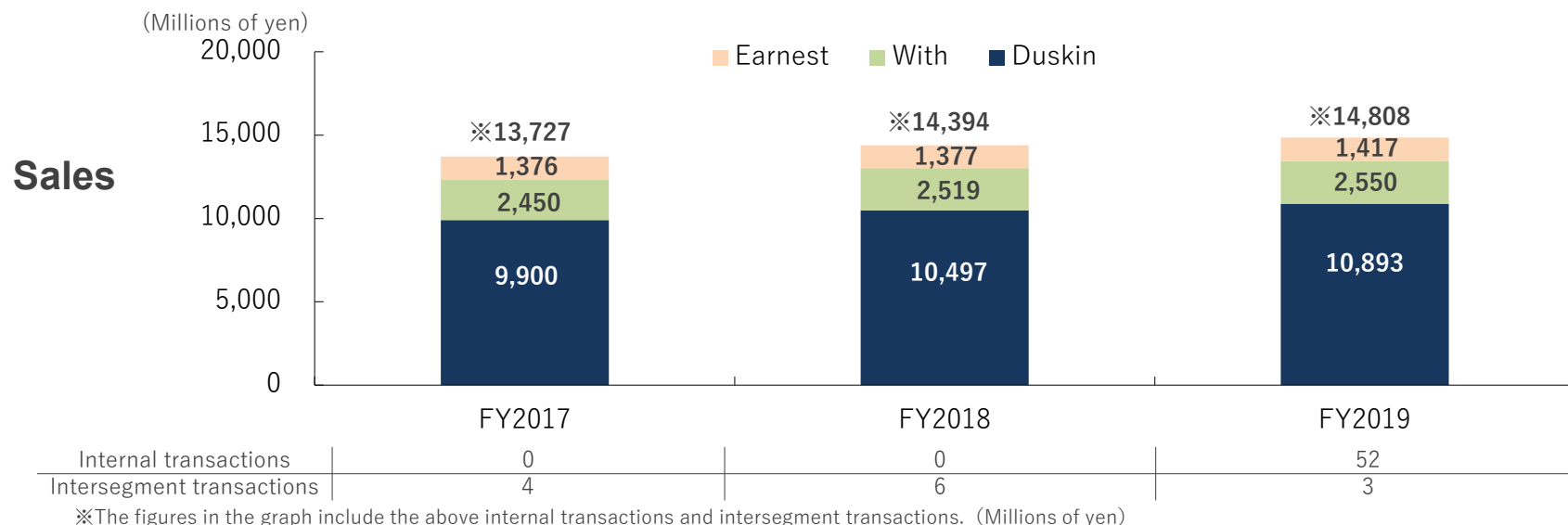
» Operating income increased year on year thanks to the bottle price hike and efficient use of SG & A expenses.

2 Results by Segment (1) CreCla



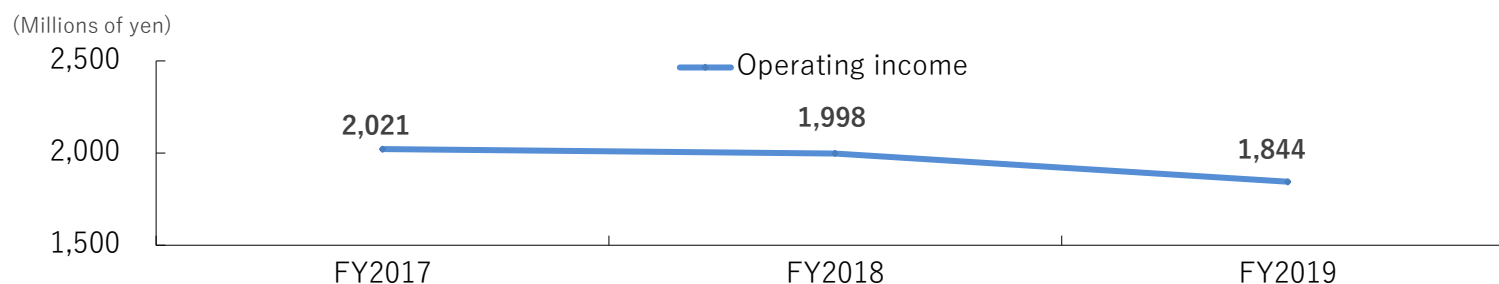
» Sales promotion expenses such as TV commercial increase to Q1 , and operating Income increases after Q2.

2 Results by Segment (2) Rental



- » The mainstay Duskin business expanded the provision of total care services, therefore, increased sales.
- » With-branded pest-control devices business, although the main customer, restaurants, were temporary closed due to COVID-19, we were able to achieve sales at the same level as in the previous fiscal year.
- » At Earnest, which provides regular cleaning plan for business clients, increased sales year on year.

Operating Income

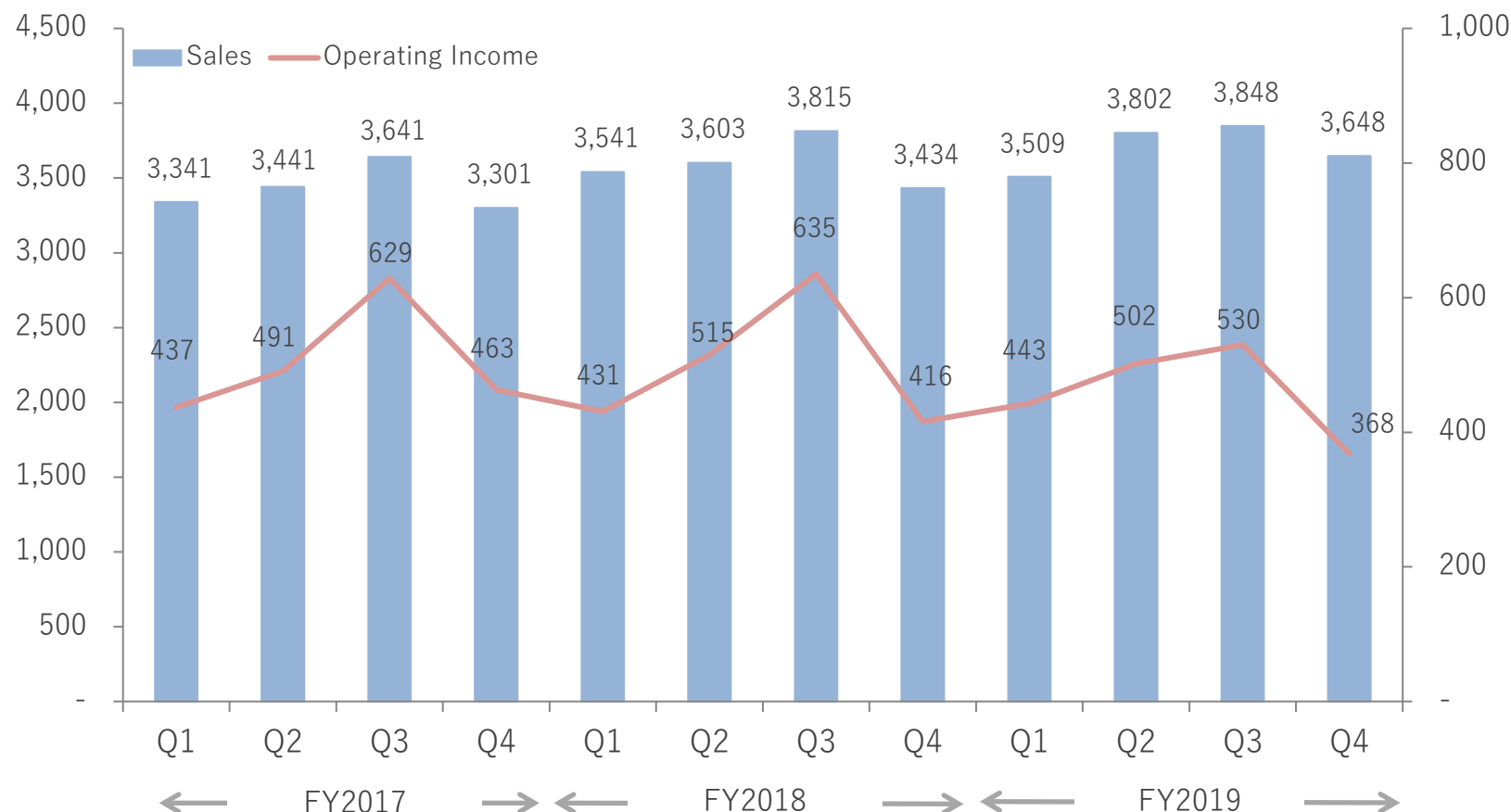


- » Operating income decreased year on year due to an increase in SG&A such as the opening of new stores and the reinforcement of the sales promotion.

2 Results by Segment (2) Rental

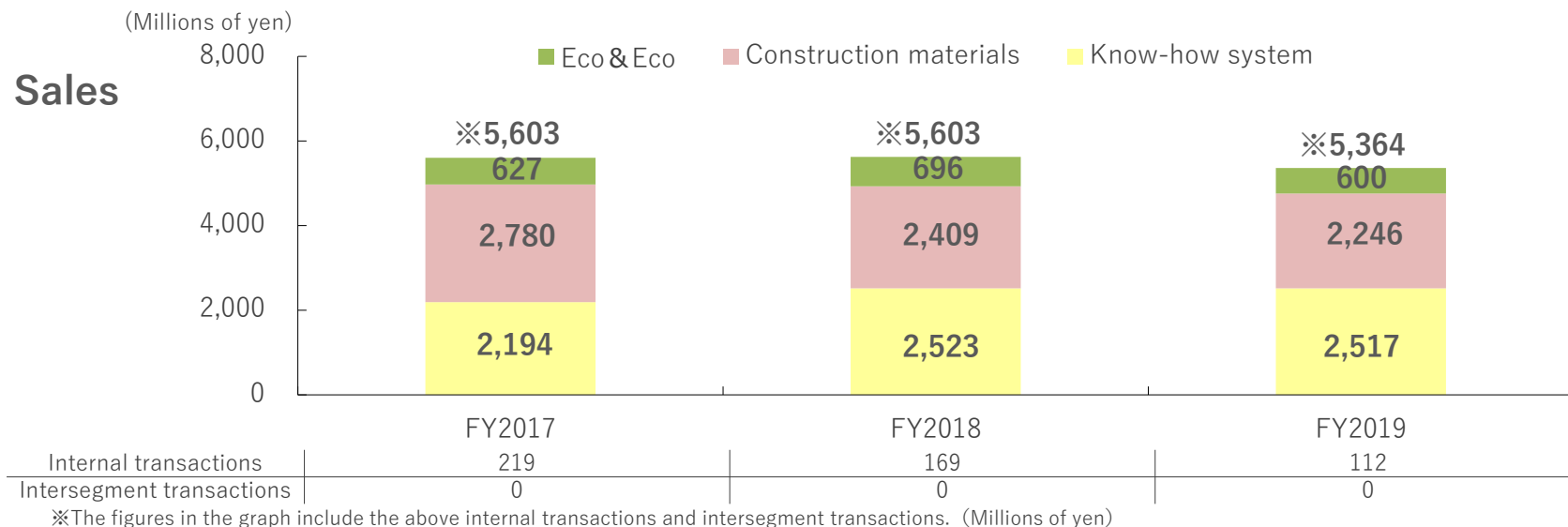
(Millions of yen)

(Millions of yen)

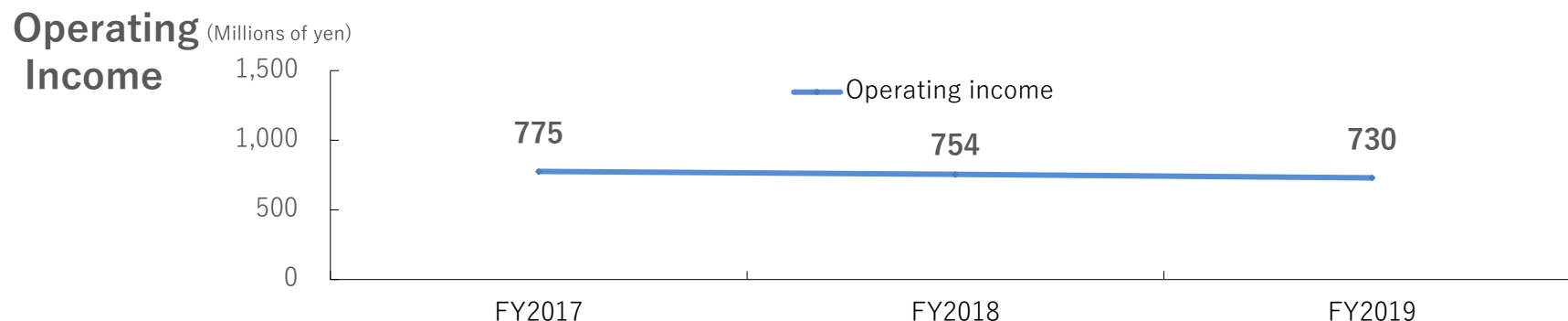


» Both sales and operating income increased year on year due to increased sales in all sections.

2 Results by Segment (3) Construction Consulting

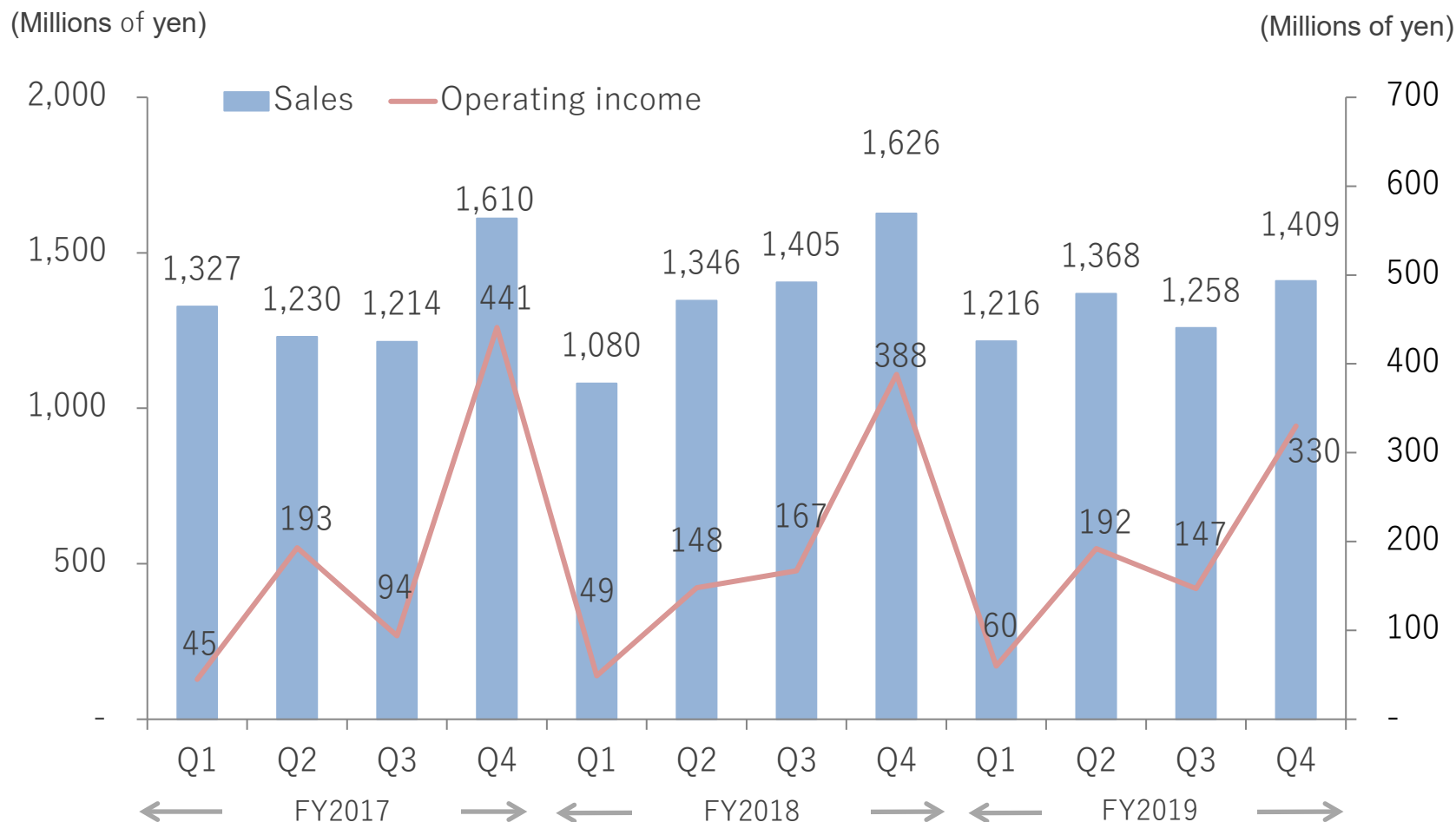


- » At the construction know-how systems department, while sales of new products and strengthening of sales promotion activities were successful, sales remained at the same level as the previous fiscal year due to the impact of COVID-19.
- » For the construction materials business, which focused on solar power generation systems continued to shift the sales target to the residential solar and storage battery market. However, sales decreased year on year.
- » At Eco & Eco Co., Ltd., both sales and operating income decreased year on year due to the effects of COVID-19.



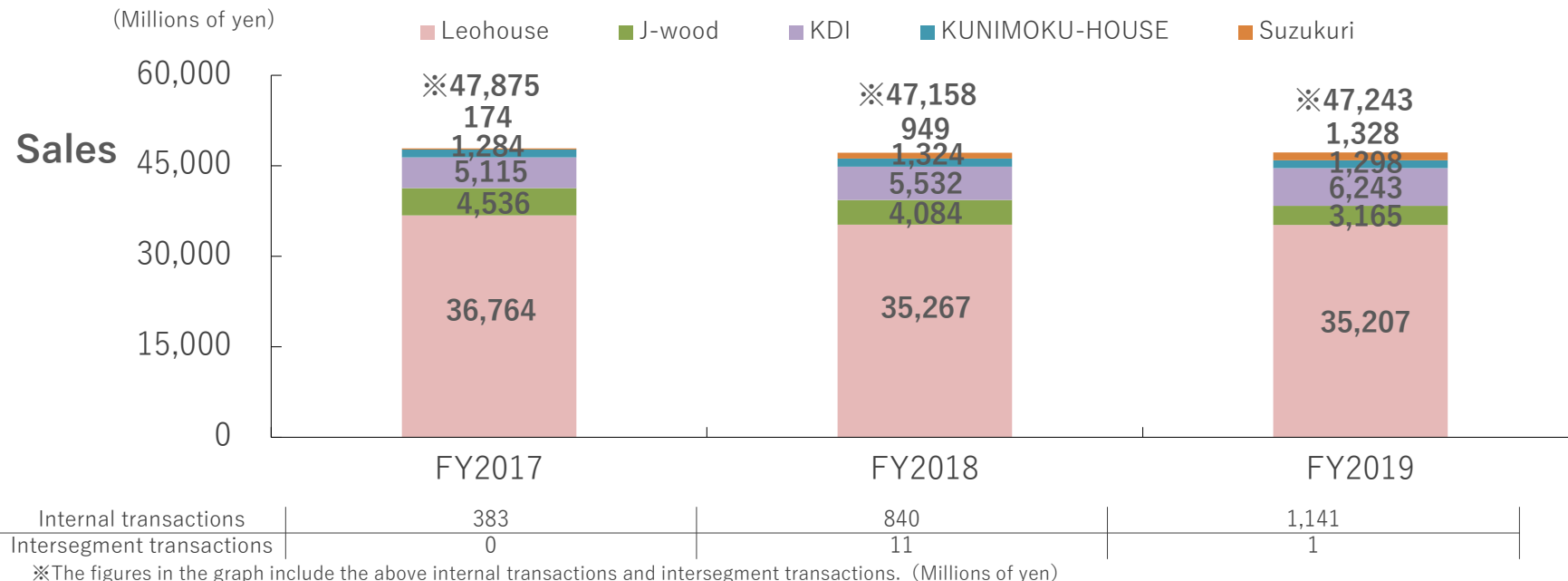
- » Operating income decreased year on year since sales decreased due to the impact of COVID-19.

2 Results by Segment (3) Construction Consulting



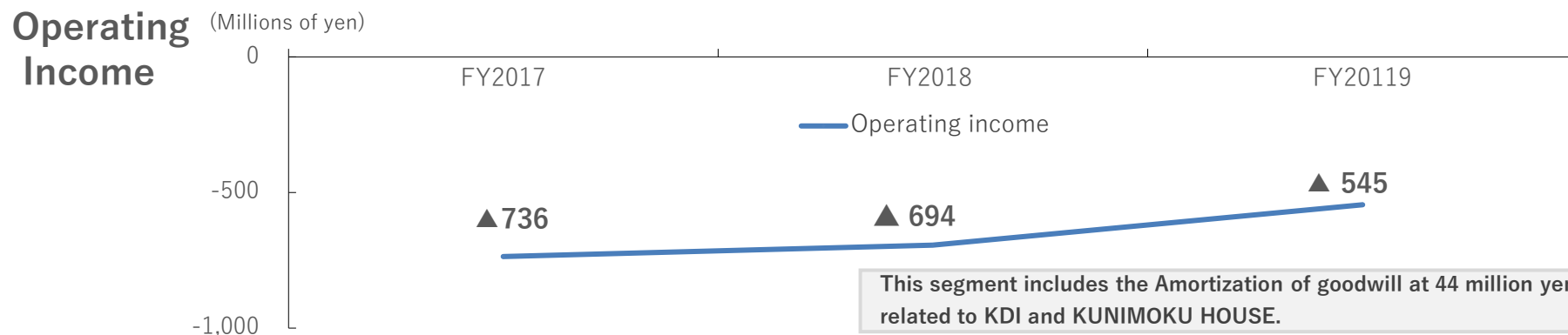
» Sales and operating income tend to increase around Q4.

2 Results by Segment (4) Housing Sales



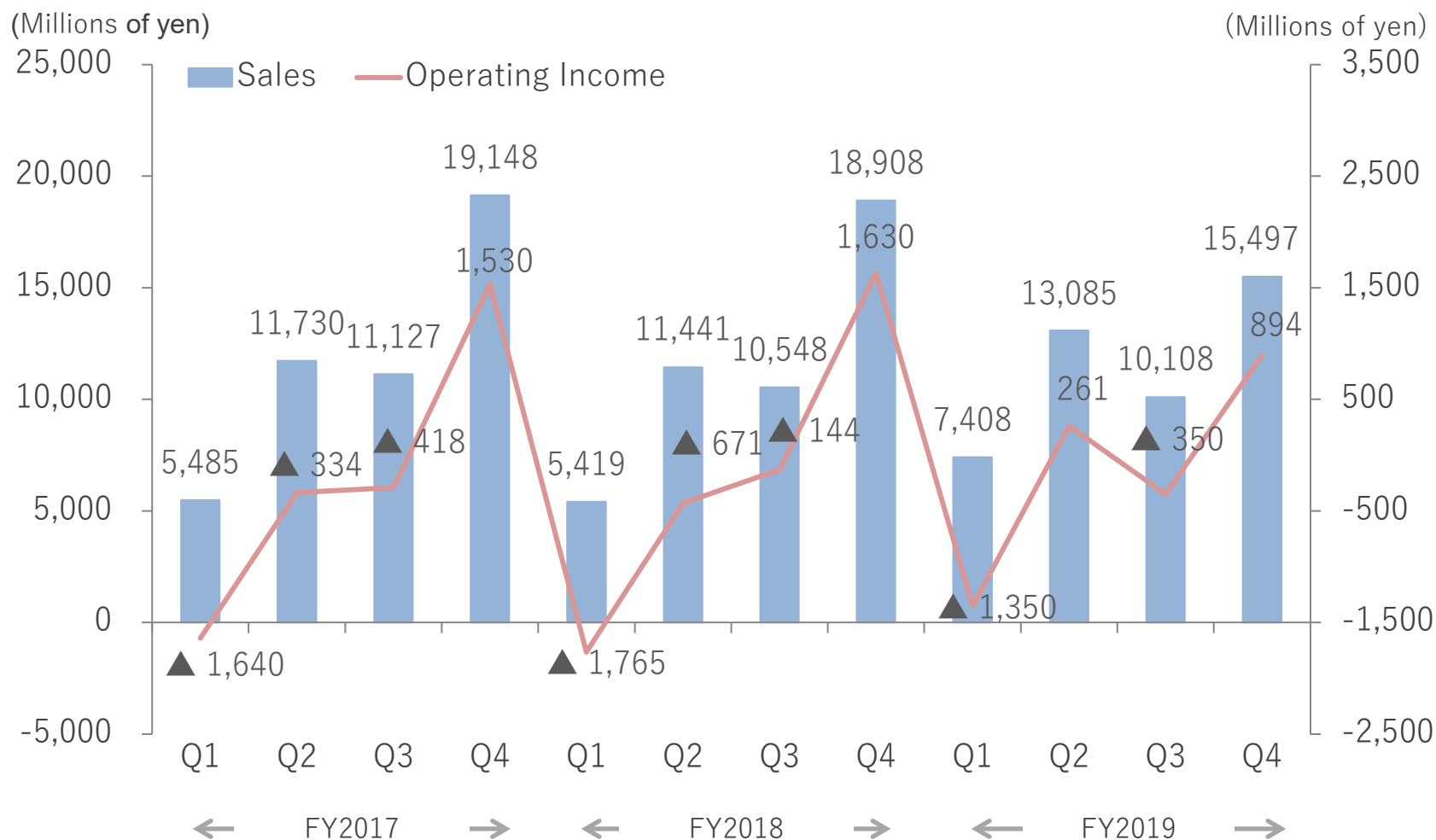
» At J-wood, sales decreased year on year due to a decrease in the number of handover.

» KDI increased sales year on year owing to continued sales strategies focusing on Tokyo metropolitan area.



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

2 Results by Segment (4) Housing Sales

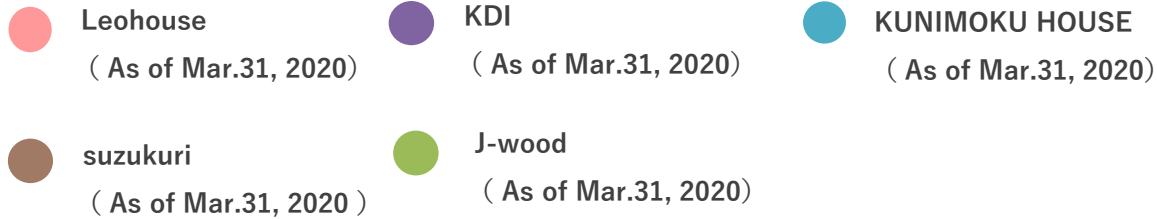


» Both sales and operating income tend to increase around Q4.

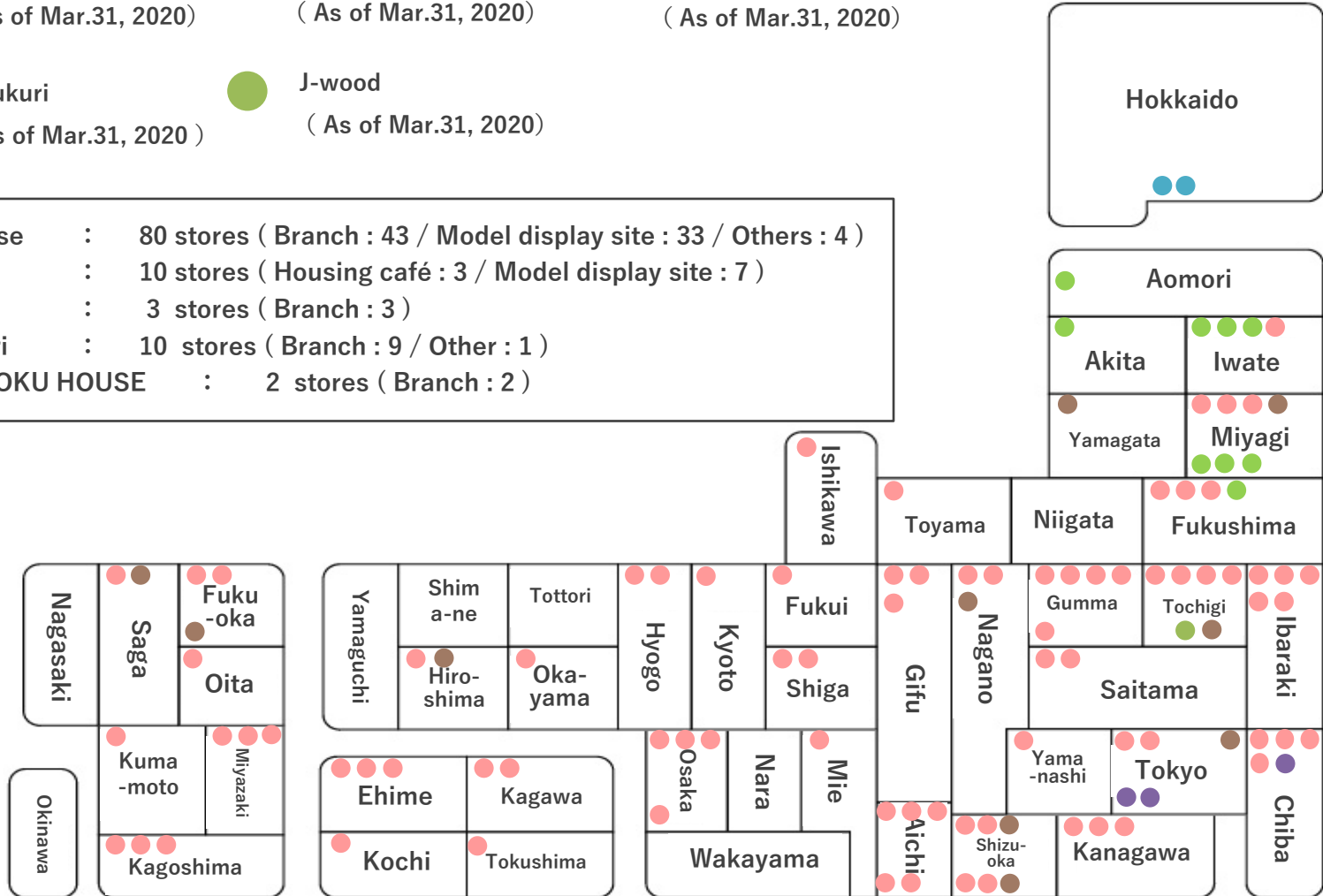
2 Results by Segment (4) Housing Sales

Total 105 stores

(Leohouse : 80 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 10 stores, KUNIMOKU HOUSE : 2 stores)



Leohouse : 80 stores (Branch : 43 / Model display site : 33 / Others : 4)
 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 : 2)



2 Results by Segment (4) Housing Sales

Quarterly store openings, number of orders, completions and average sales price (Leohouse)

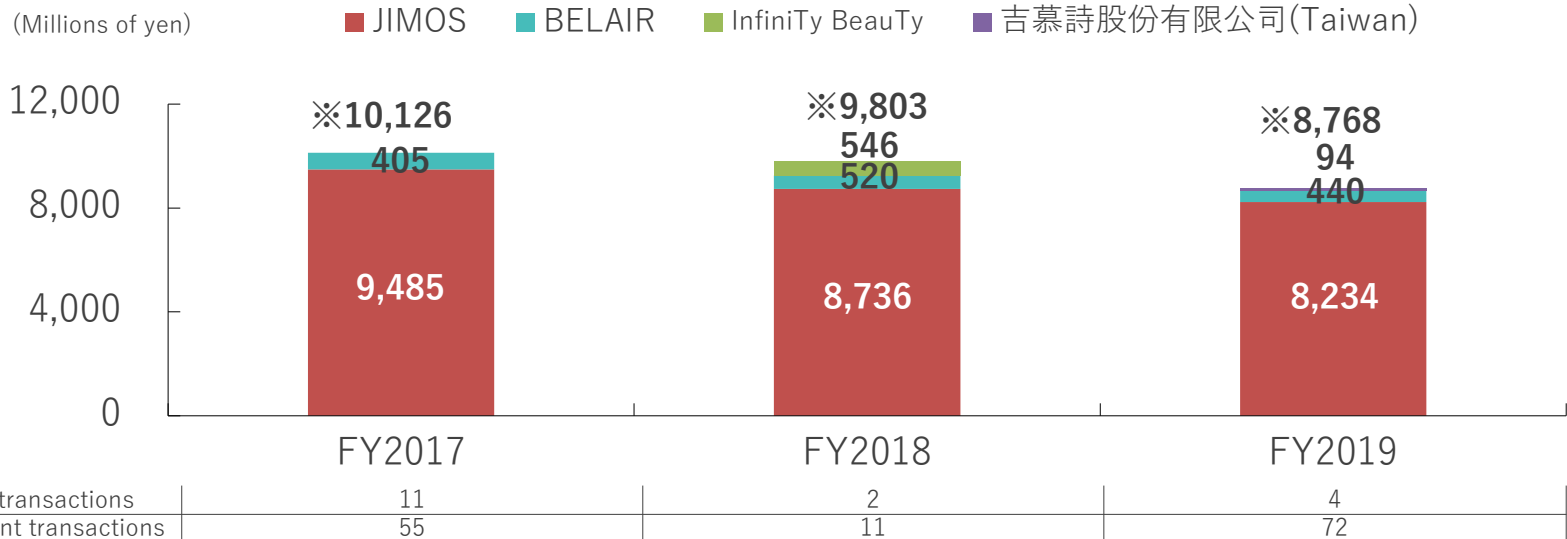
(Number of houses ordered)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders (Total)	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

Store openings	5	0	0	0	1	0	0	0	0	0	0	0
Total stores	105	105	105	※ 101	※ 88	88	88	88	※ 87	※ 84	80	80

※Closure of unprofitable branches

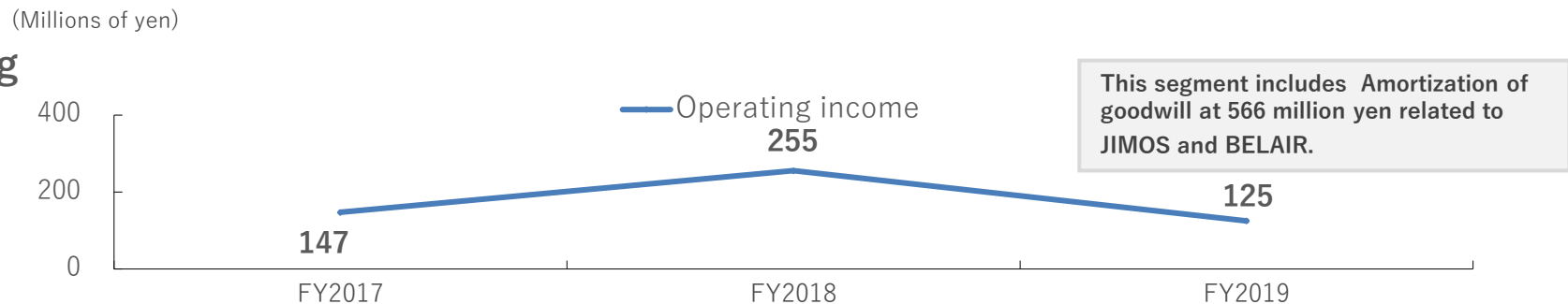
Sales



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

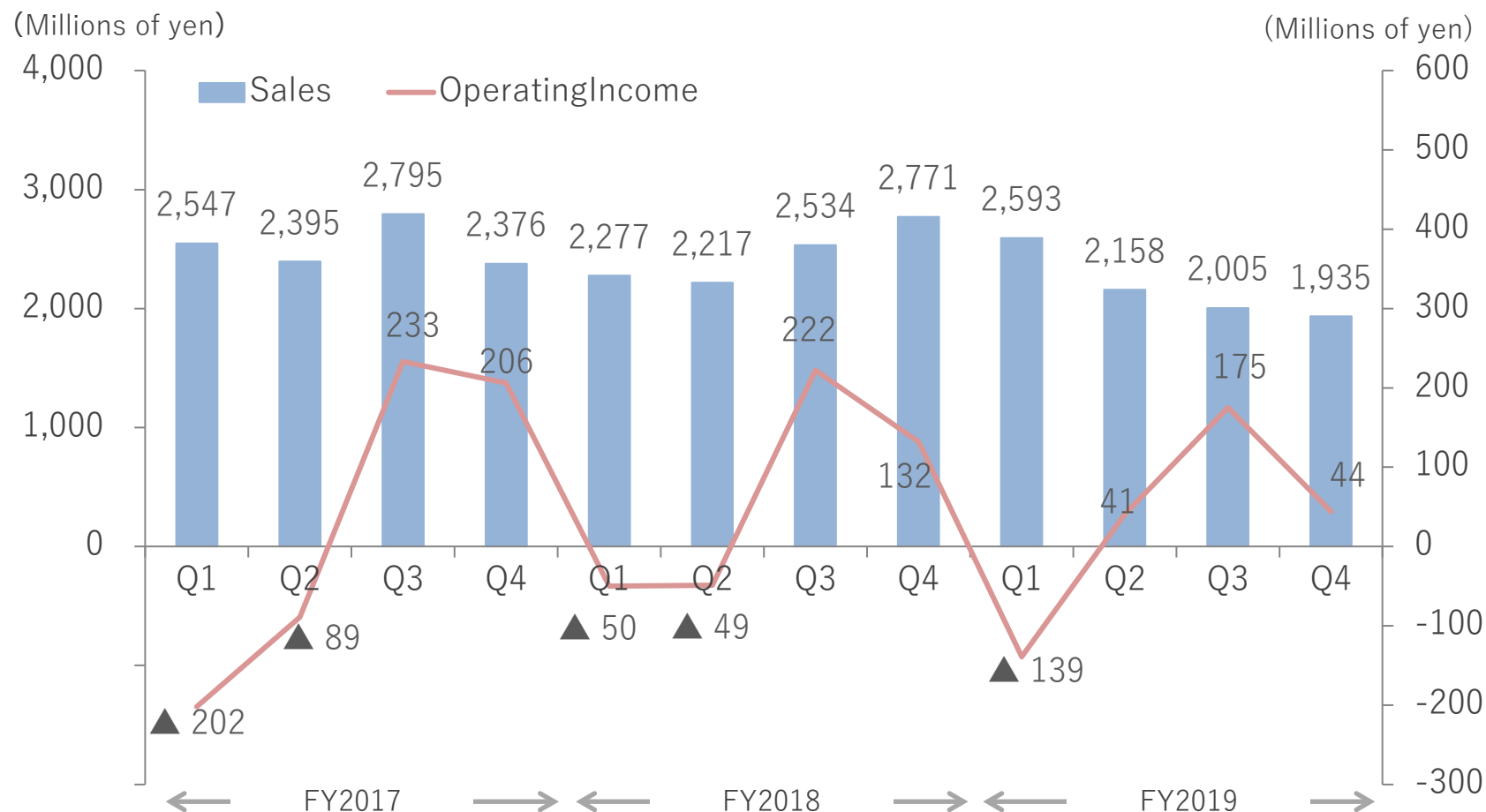
» At JIMOS, sales decreased year on year due to an unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period.

Operating Income



» Operating income decreased year on year due to a decrease in sales.

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. FY2020 Forecasts of Financial Results

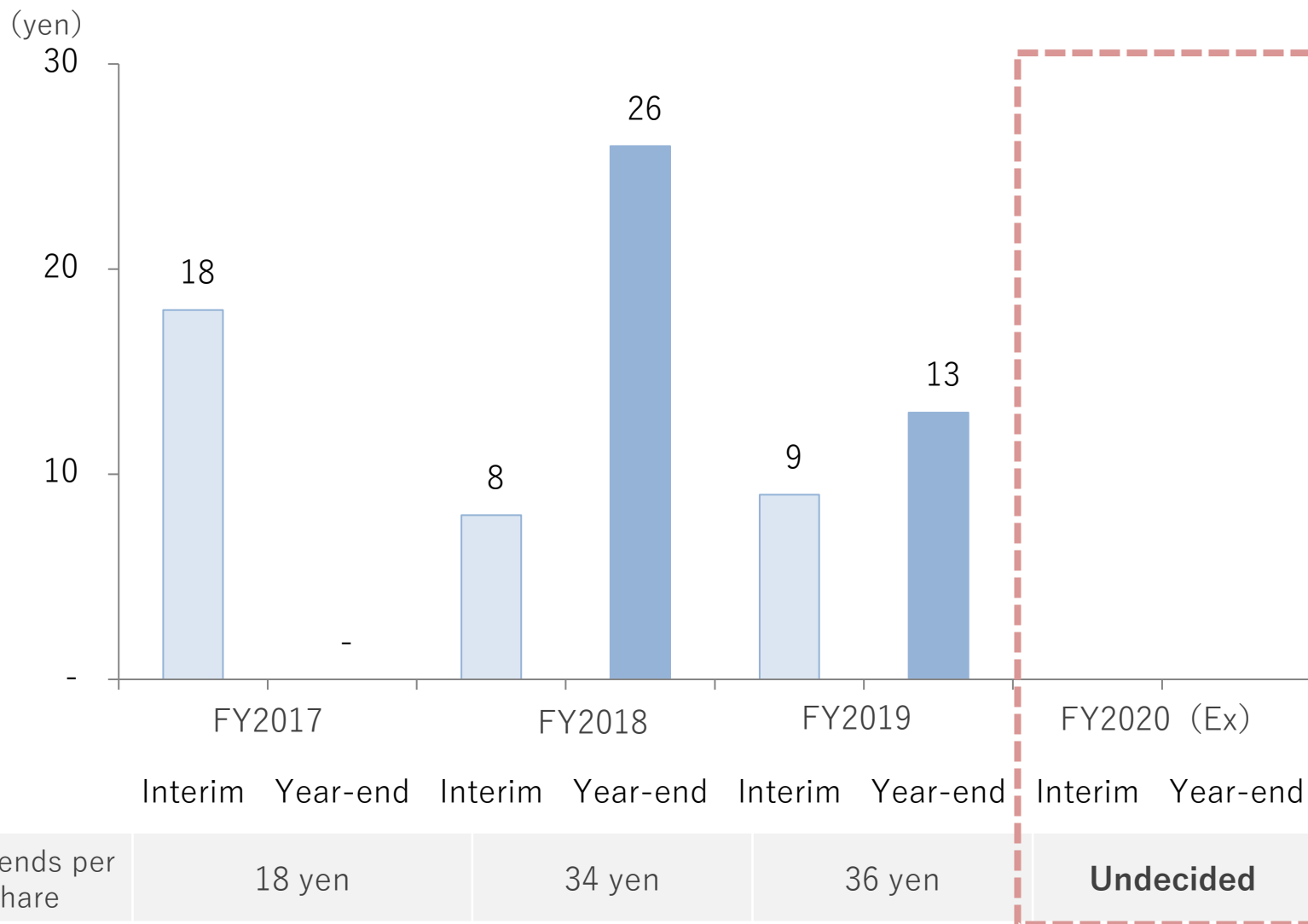
Regarding business forecasts, as all business segments are heavily affected by COVID-19 and the future outlook remains uncertain, it is difficult to reasonably calculate the impact amount at this time. We will announce it as soon as it becomes possible to disclose the earnings forecast.

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 franchises) ■ 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) ACEHOME Co., Ltd. (Housing franchise)
Employees	2,237 (consolidated)
Capital stock	6,729,493,750 yen
Number of shares	24,306,750 shares (share unit :100 shares)
Number of shareholders	14,483 (Total number of shareholders; treasury shares are excluded)

5 Key Financial Indicators (Consolidated)

	FY2019	FY2018	Comparison
Average number of shares during the period	22,405,194 shares	19,802,890 shares	+ 2,602,304 shares
Net assets per share (BPS)	881.83 yen	899.84 yen	▲ 18.01 yen
Net income per share (EPS)	22.94 yen	40.32 yen	▲ 17.38 yen
Equity ratio	42.6 %	40.6 %	+ 2.0 pt
Ratio of shareholder's equity to Net income (ROE)	2.6 %	4.7 %	▲ 2.1 pt
Dividends per share	22 yen	34 yen	▲ 12 yen
Dividend ratio	95.9 %	84.3 %	+ 11.6 pt
Ratio of dividends to shareholder's equity	2.5 %	3.9 %	▲ 1.4 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.	
Feb. 2020	Acquired ACEHOME Co., Ltd.	

CreCla	<ul style="list-style-type: none"> ■ Market leader in the 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"> ■ 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 ■ We acquired Eco & Eco Co., Ltd. (September, 2015) that deals with energy-saving products. ■ We acquired ACEHOME Co., Ltd. (February, 2020) that develops a housing franchise business.
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(December, 2016).

5 FY2019 Sales and Operating income Breakdown

CleCla

Beauty and Health

Housing

Rental

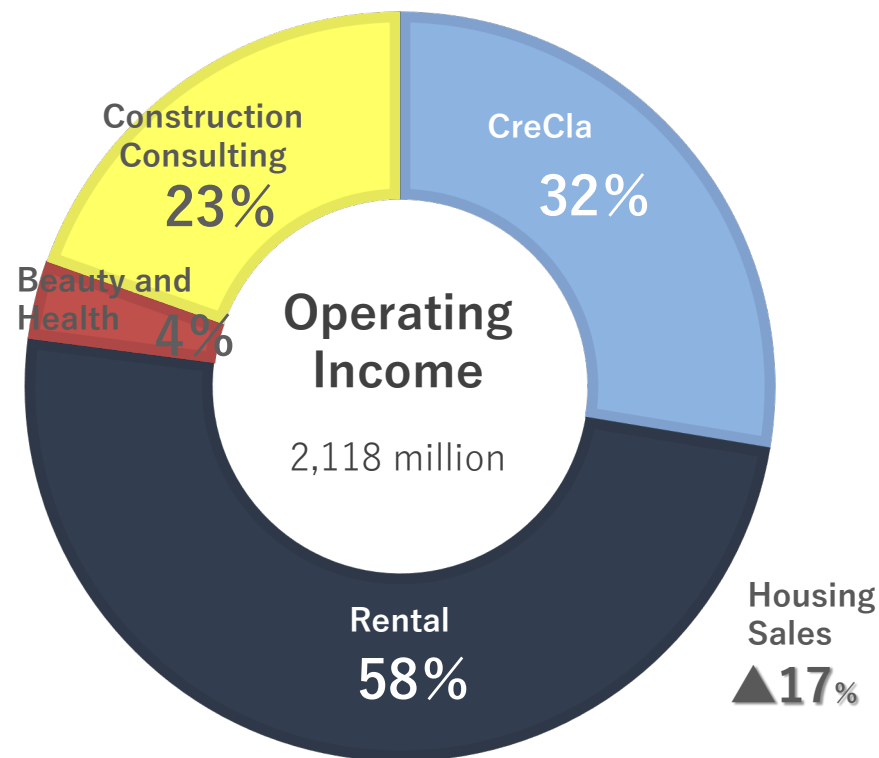
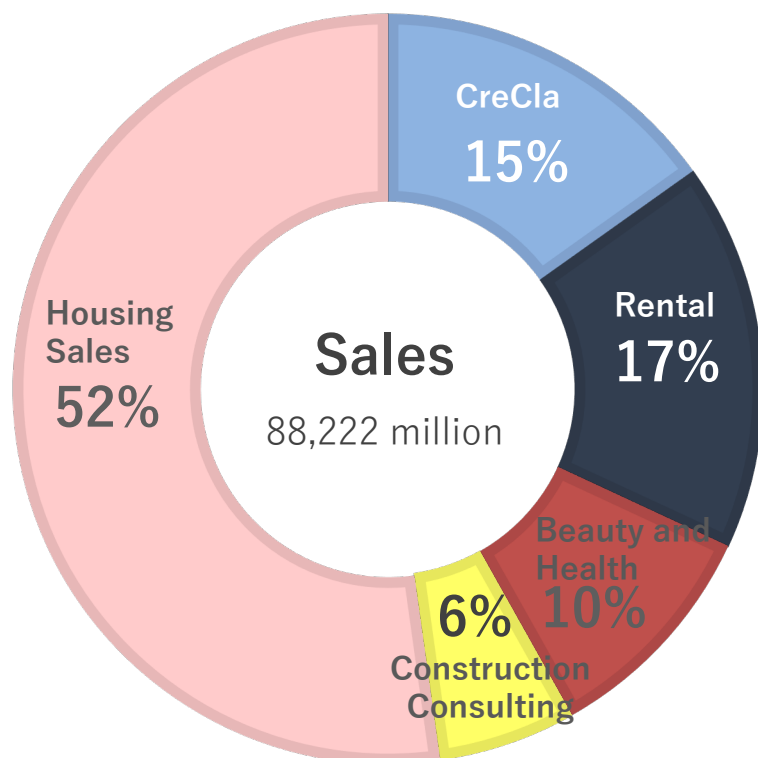
Construction Consulting

CleCla

Beauty and Health

Rental

Construction Consulting



※except HQ-costs

Operating margin on sales

CleCla	Rental	Construction Consulting	Beauty and Health	Housing Sales	Total
7.7%	12.5%	13.9%	1.43%	▲1.2%	2.4%

5 Operating income trend by segment

» Regarding business forecasts, as all business segments are heavily affected by COVID-19 and the future outlook remains uncertain, it is difficult to reasonably calculate the impact amount at this time.

