

Results for the three months ended

August 7th, 2020

June 30, 2020 【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.

Topics

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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 three months ended June 30, 2020

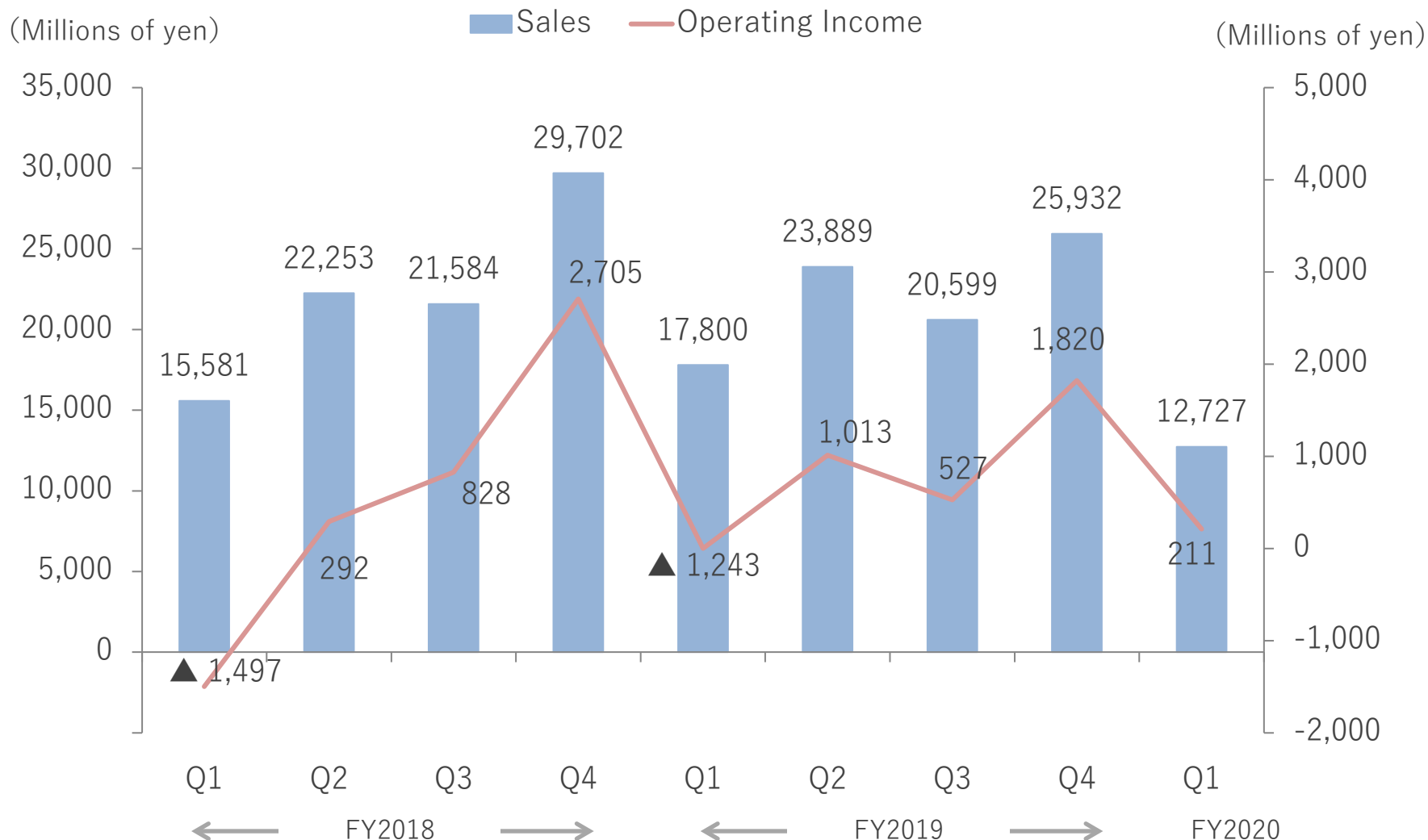
1 Consolidated Income Statement

(Millions of yen)

	3 months ended FY2020	3 months ended FY2019	YOY Comparison
Sales	12,727	17,800	▲ 28.5 %
Gross profit	6,430	7,174	▲ 10.4 %
(Gross margin)	50.5 %	40.3 %	+ 10.2 pt
SG&A	6,218	8,417	▲ 26.1 %
Operating Income	211	▲ 1,243	-
(Operating margin)	1.7 %	▲ 7.0 %	+ 8.6 pt
Non-operating income and loss	▲ 77	▲ 22	-
Ordinary Income	134	▲ 1,265	-
Extra-ordinary income and loss	431	▲ 4	-
Net Income attributable to owners of parent	532	▲ 1,355	-

- » Consolidated sales decreased year on year. This is because Leohouse was excluded from our consolidated subsidiaries from the 1st quarter of this fiscal year.
- » Operating income increased year on year, due to the exclusion of loss for Leohouse, which was recorded in the same period of the previous year, and significant growth in the CreCla Business.
- » Extraordinary income was recorded as a special profit from the sale of Leohouse shares.
- » Net income attributable for owners of parent increased due to an upturn in operating income and extra-ordinary income.

1 Sales & Operating income trend by Quarter



» The Nac Group of companies tended to post an operating loss in the 1st quarter because hand-over in the Housing Sales Business usually concentrate around the 4th quarter.

However, we posted operating income in the 1st quarter, because Leohouse was excluded from our consolidated subsidiaries from the 1st quarter of this fiscal year..

1 Sales by Segment

(Millions of yen)

	3 months ended FY2020	3 months ended FY2019	YOY Comparison
CreCla	3,844	3,103	23.9 %
Rental	3,508	3,509	0.0 %
Construction Consulting	1,949	1,216	60.3 %
Housing Sales	1,670	7,408	▲ 77.5 %
Beauty and Health	1,763	2,593	▲ 32.0 %
Elimination	▲ 9	▲ 30	-
Total	12,727	17,800	▲ 28.5 %

- ▶ In the CreCla Business, sales increased year on year due to the bottle price hike and increase customer unit price in our direct managed stores, increase in server sales in our affiliated stores, increased sales of ZiACO utilizing “hypochlorous acid water”.
- ▶ In the Rental Business, sales remained on a par with the same period of previous fiscal year, although sales in the pest control devices business declined, sales increased in the Duskin business.
- ▶ In the Construction Consulting Business, sales significantly increased year on year due to Suzukuri and ACEHOME added to the business segment since the 1st quarter.
- ▶ In the Housing Sales Business, sales significantly decreased year on year following the sale of all shares of Leohouse.
- ▶ In the Beauty and Health Business, sales decreased year on year due to decline in the number of customers. Unauthorized access to the server used at the company’s EC site for online-shopping of cosmetics took place July, 2019. As a countermeasure, we suspended use of EC site for four months.

1 Operating income by Segments

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

(Millions of yen)

	3 months ended FY2020	3 months ended FY2019	YOY Comparison
CreCla	491 (12.8 %)	17 (0.6 %)	+ 474 (+ 12.2 pt)
Rental	267 (7.6 %)	443 (12.6 %)	▲ 176 (▲ 5.0 pt)
Construction Consulting	▲ 25 (▲ 1.3 %)	60 (5.0 %)	▲ 86 (▲ 6.3 pt)
Housing Sales	▲ 156 (▲ 9.4 %)	▲ 1,350 (▲ 18.2 %)	+ 1,194 (+ 8.9 pt)
Beauty and Health	▲ 67 (▲ 3.8 %)	▲ 136 (▲ 5.3 %)	+ 68 (+ 1.4 pt)
Elimination, HQ Cost	▲ 297	▲ 277	▲ 19
Total	211 (1.7 %)	▲ 1,243 (▲ 7.0 %)	+ 1,454 (+ 8.6 pt)

- » In the CreCla Business, operating income increased year on year due to an increase in the sales in both the directly managed and our affiliated stores.
- » In the Rental Business, operating income decreased year on year due to sales in the pest control devices business, which is highly profitable, declined.
- » In the Construction Consulting Business, we posted operating loss. This is because Suzukuri, ACEHOME, and Nac Smart Energy posted operating loss.
- » In the Housing Sales Business, operating loss was reduced year on year, following the sale of all shares of Leohouse.
- » In the Beauty and Health Business, operating loss decreased year on year due to reduction of SG&A expenses, mainly advertising and advertising expenses at JIMOS.

1 Analysis for operating income & loss (YoY change)

(Millions of yen)

			Comparison
FY2019 Q1 Operating Income		▲ 1,243	-
1. Gross profit		▲ 744	▲ 10.4 %
2. Increase and Decrease of SG&A	Sales promotion costs and Advertising Exp.	+ 760	+ 50.4 %
	Personnel expenses	+ 449	+ 17.4 %
	Rent and Rent expenses	+ 213	+ 35.5 %
	Depreciation and Amortization	+ 73	+ 18.3 %
	Commission paid	+ 52	+ 14.3 %
	Others	+ 650	+ 22.0 %
FY2020 Q1 Operating Income		211	-

※ 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 a decrease in sales following the sale of all shares of Leohouse.
2. The reason of increases and decreases in SG&A
 - » SG&A expenses decreased following the sale of all shares of Leohouse and the reduction of advertising cost at JIMOS.

(Millions of yen)

	As of June.30 2020	Break down	As of Mar.31 2020	Break down	Comparison
Current assets	27,259	63.7 %	28,858	62.1 %	▲ 1,599
Total property, plant and equipment	9,247	21.6 %	10,615	22.9 %	▲ 1,368
Intangible assets	2,084	4.9 %	2,253	4.9 %	▲ 168
Investments and other assets	4,166	9.7 %	4,626	10.4 %	▲ 460
Non-current assets	15,498	36.2 %	17,496	37.7 %	▲ 1,997
Total deferred assets	64	0.2 %	78	0.2 %	▲ 13
Total assets	42,822	100.0 %	46,433	100.0 %	▲ 3,610
Current liabilities	16,701	39.0 %	20,125	43.4 %	▲ 3,423
Non-current liabilities	6,047	14.1 %	6,499	14.0 %	▲ 452
Total liabilities	22,748	53.1 %	26,625	57.4 %	▲ 3,876
Shareholder's equity	20,858	48.7 %	20,601	44.4 %	+ 257
Accumulated other comprehensive income	▲ 835	▲ 2.0 %	▲ 844	▲ 1.8 %	+ 8
Non-controlling interests	50	0.1 %	50	0.1 %	+ 0
Total net assets	20,074	46.9 %	19,808	42.6 %	+ 265
Total liabilities and net assets	42,822	100.0 %	46,433	100.0 %	▲ 3,610

Main factors for comparison

■ Current assets : Cash and deposits +2,045 Real estate for sale ▲2,067 Costs on uncompleted construction contracts ▲1,063

■ Non-current assets : Building and structures ▲5,925 Furniture and fixtures +1,339 Leased asset +3,272

■ Current liabilities : Accounts payable ▲2,772 Short-term loans payable +3,000

Advances received on uncompleted construction contracts ▲1,767

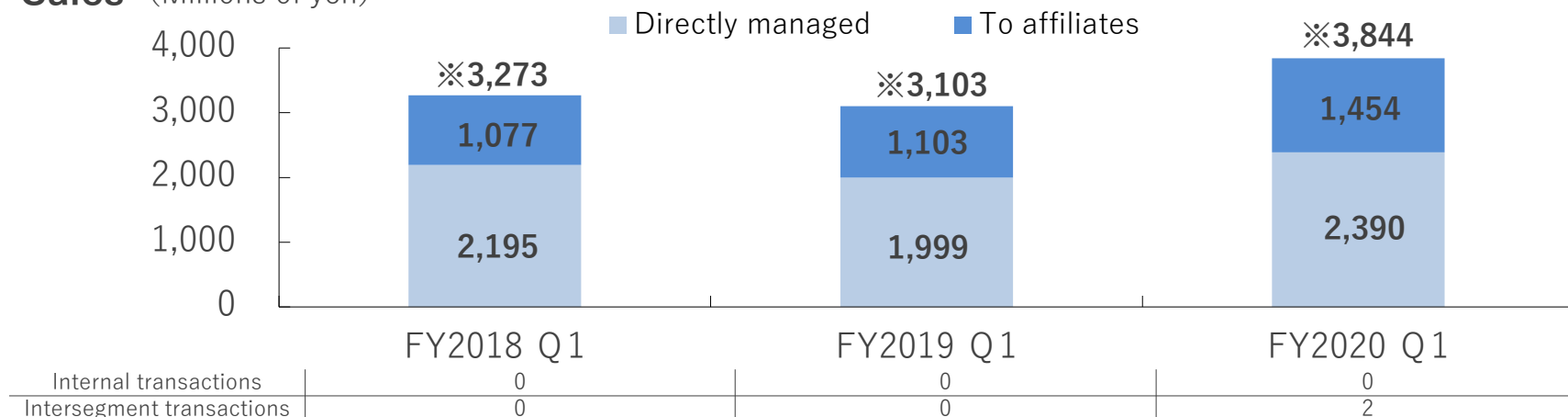
■ Non-current liabilities : Long-term loans payable ▲430

Equity Ratio : 46.8 %

2. Results by Segments

2 Results by Segment (1) CreCla ①

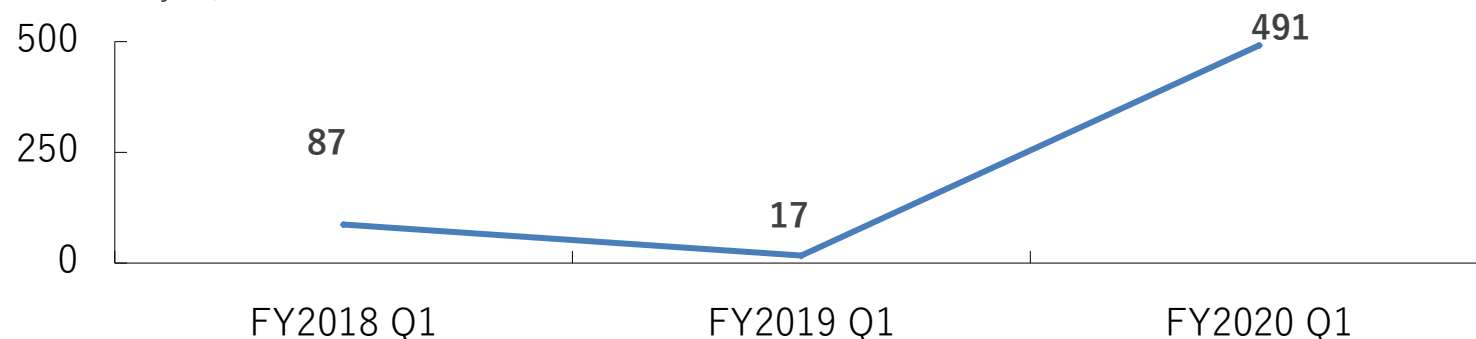
Sales (Millions of yen)



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

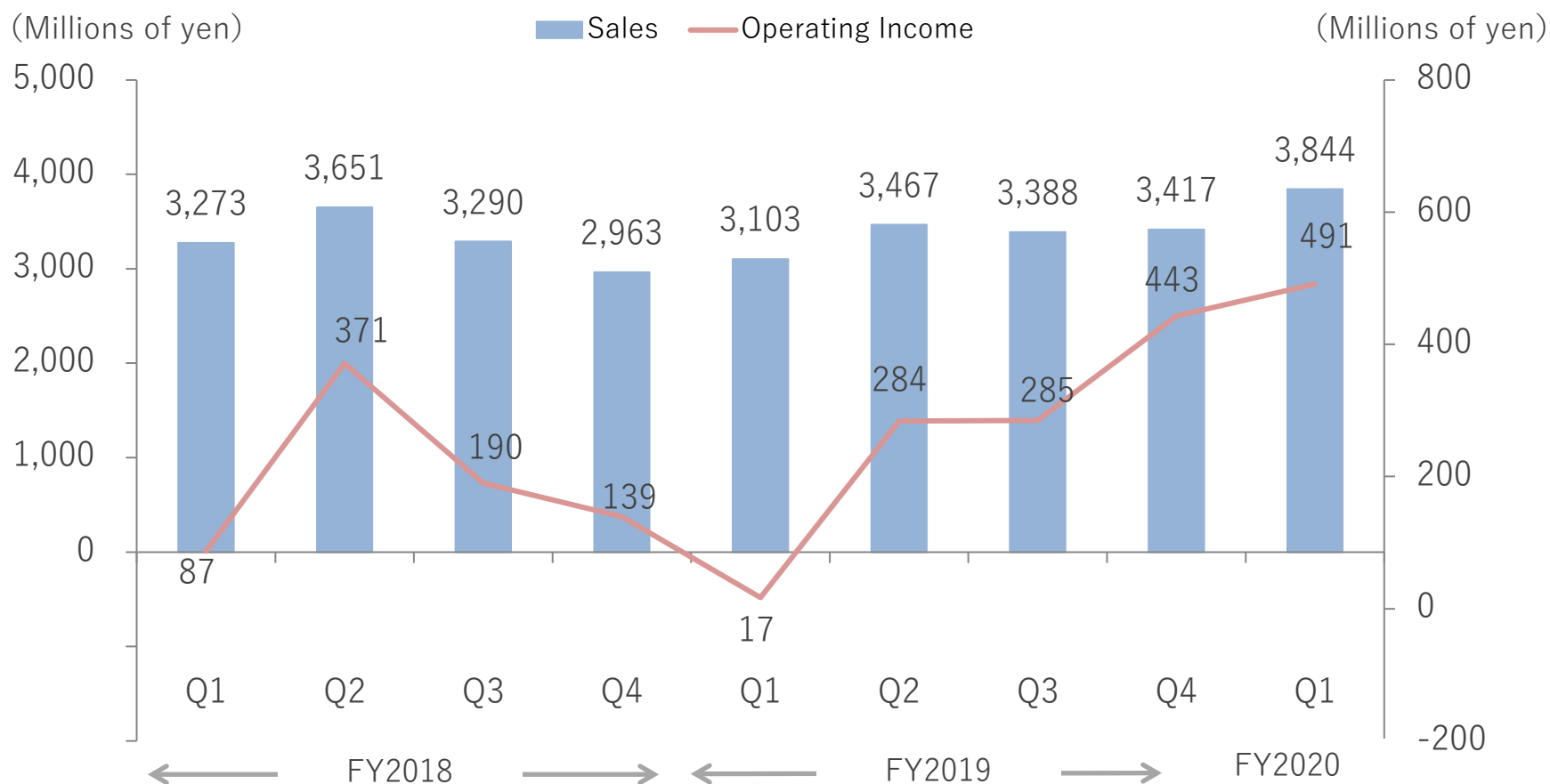
- » In our direct managed stores, while the demand for corporate customers decreased, the demand for household customers increased due to the increase in time spent at home, therefore sales increased year on year.
- » In our affiliated stores, sales increased year on year due to the rise in water server sales and the bottle price hike.

Operating Income (Millions of yen)



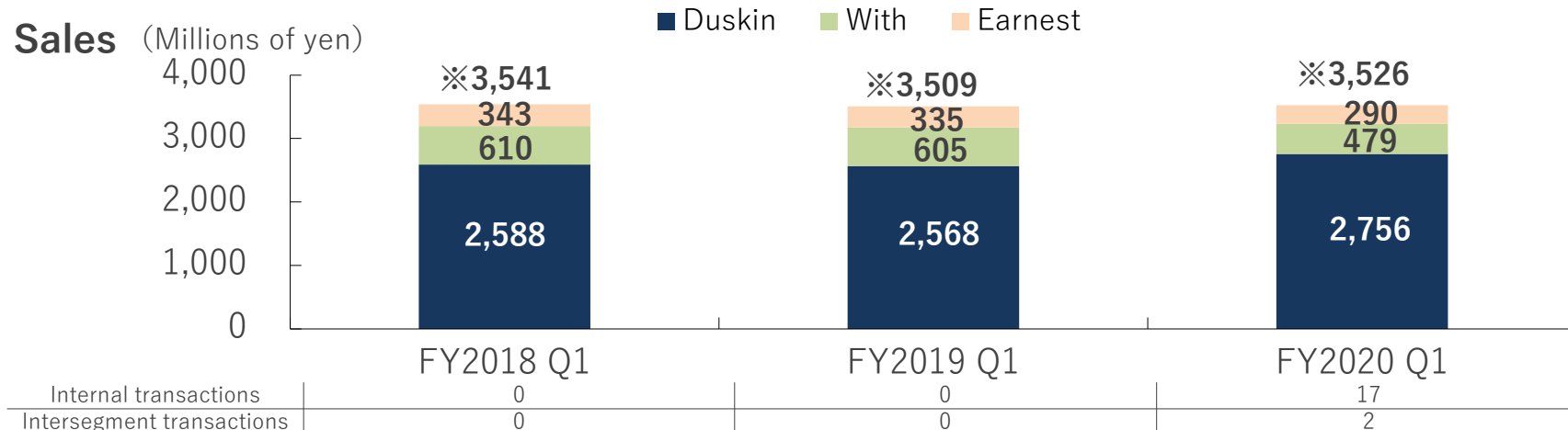
- » In the CreCla Business, operating income increased year on year thanks to increased sales.

2 Results by Segment (1) CreCla ②



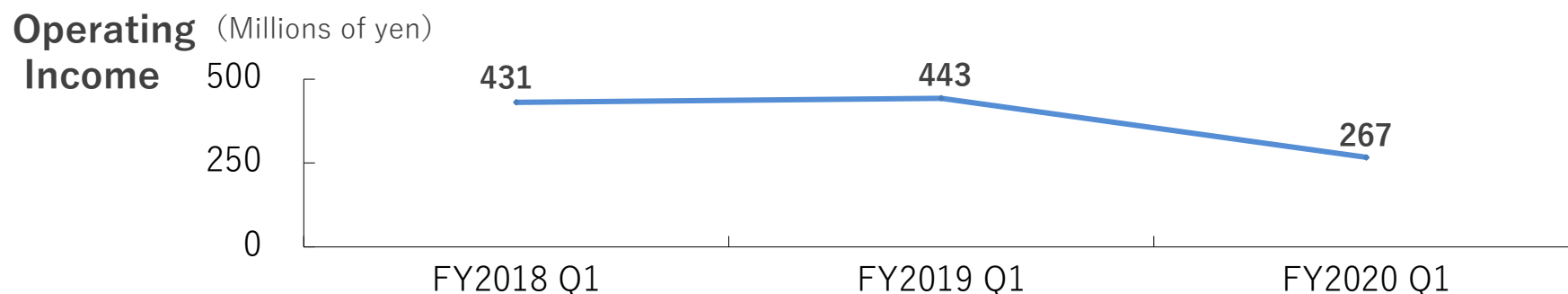
» The CreCla Business invests in advertising during Q1 & Q3 than Q2 & Q4.

2 Results by Segment (2) Rental ①



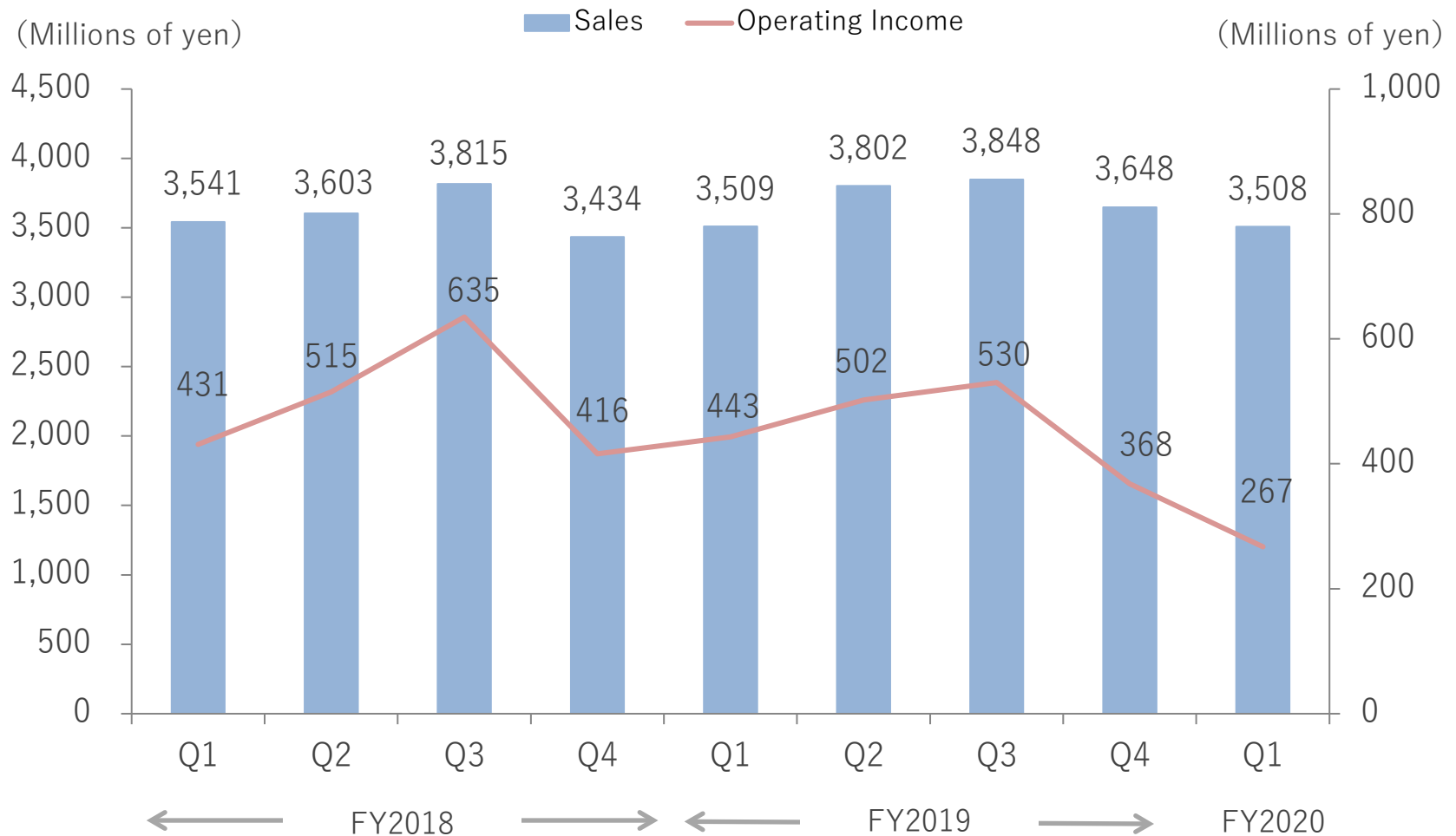
※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

- » In the mainstay Duskin business, rental sales decreased at dust control products department and sales decreased at care services department. However, we made up for the decrease through selling products. As a result, the Duskin business increased sales.
- » In the With-branded pest-control devices business, the main customer, restaurants, were temporary closed due to COVID-19. Thus, we saw plunge in sales at this business.



- » Operating income decreased due to a decrease in sales of the highly profitable With-branded pest-control devices business.

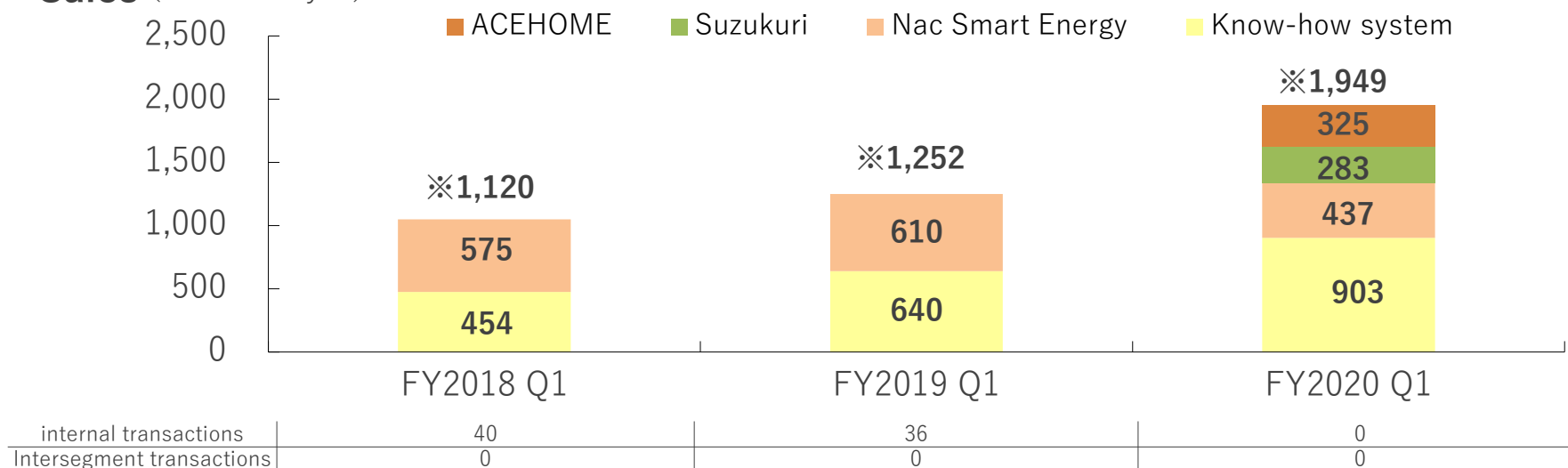
2 Results by Segment (2) Rental ②



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

2 Results by Segment (3) Construction Consulting ①

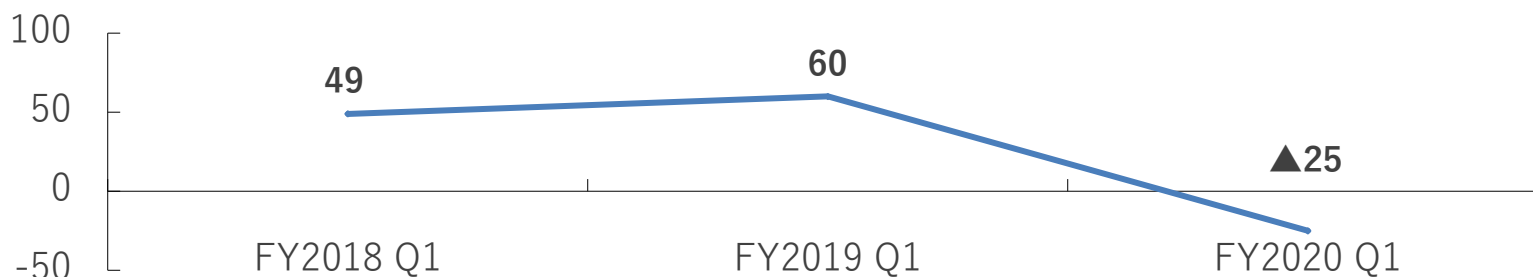
Sales (Millions of yen)



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

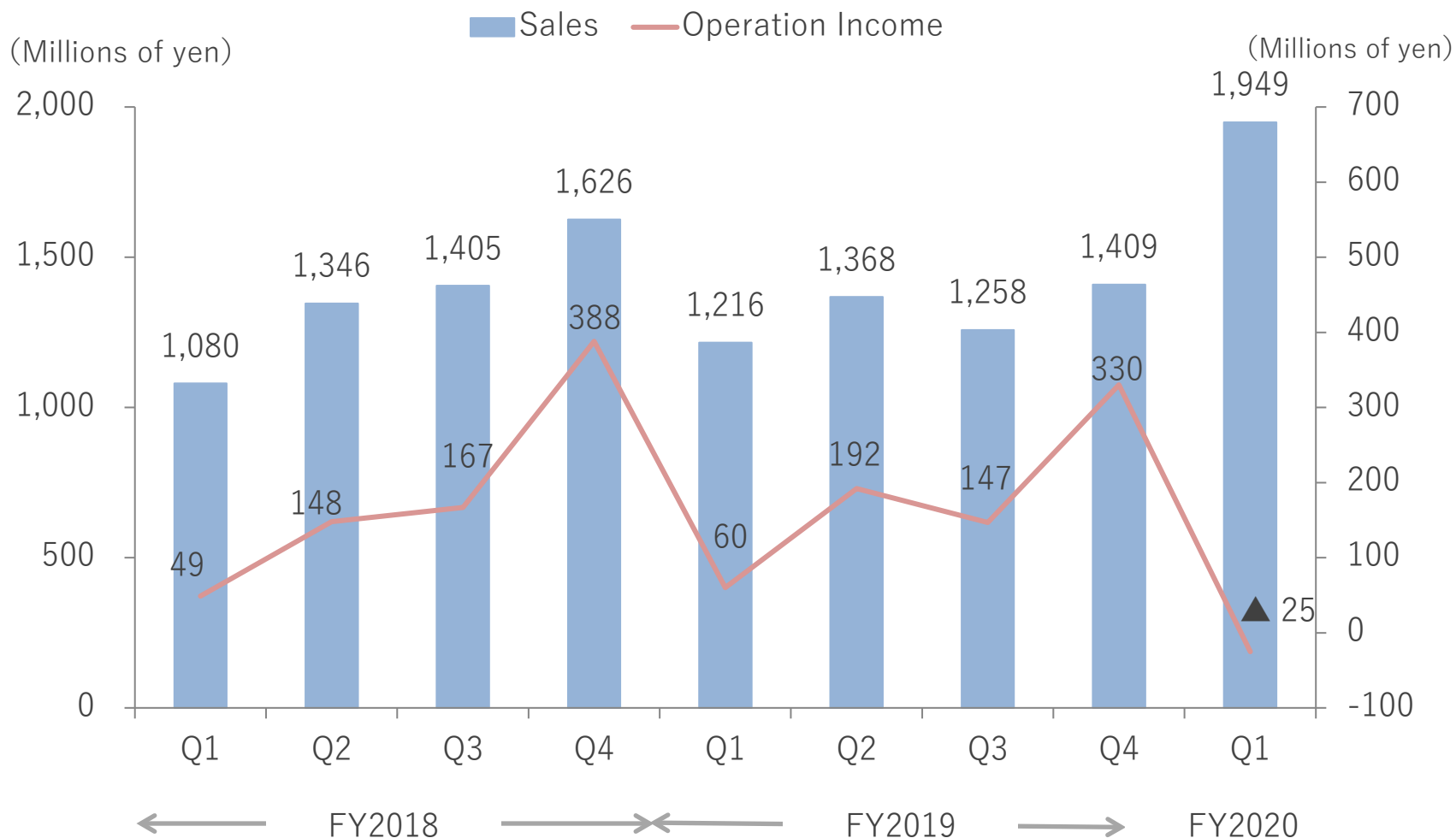
» From the first quarter of the current consolidated cumulative period, Suzukuri and ACEHOME have been added to this business segment. So, sales increased from the same period of the previous year.

Operating Income (Millions of yen)



» We posted operating loss. This is because Suzukuri, ACEHOME, and Nac Smart Energy posted operating loss.

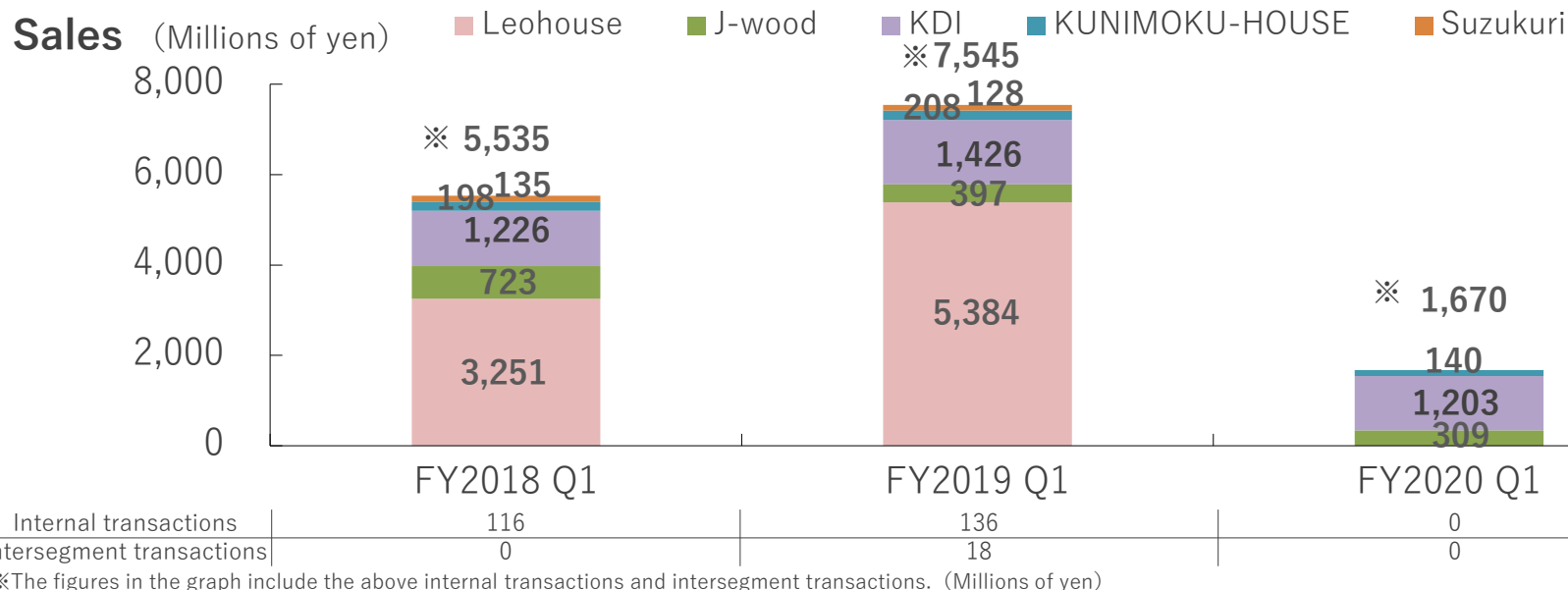
2 Results by Segment (3) Construction Consulting ②



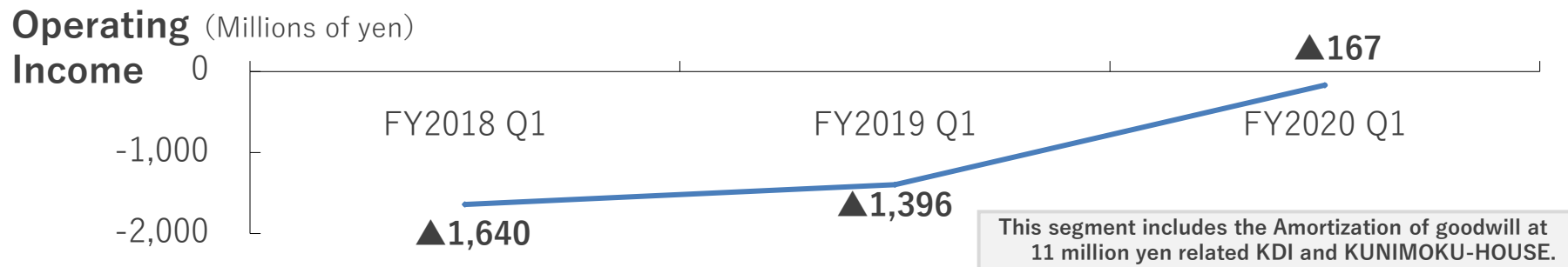
» Sales and Operating income tend to increase around Q4.

2 Results by Segment (4) Housing Sales ①

Note) We sold all of our shareholding in Leohouse on May 14. Consequently, Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.

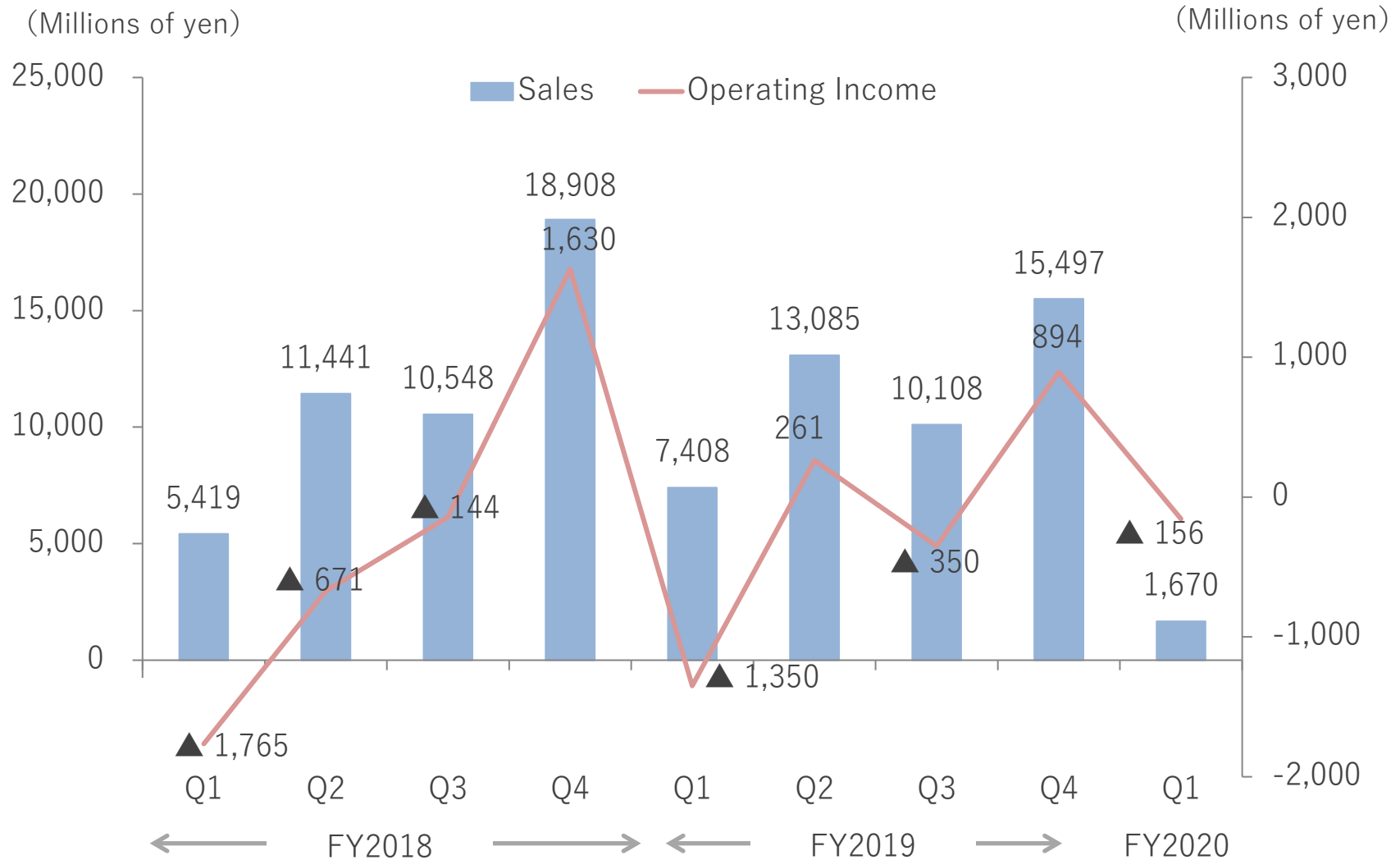


- » We sold all of our shareholding in Leohouse to YAMADA DENKI Co., LTD. on May 14. Consequently, Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.
- » KDI decreased sales year on year, however, increased operating income year on year. This is attributable to the better gross margin.



- » Operating loss was reduced year on year since Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.

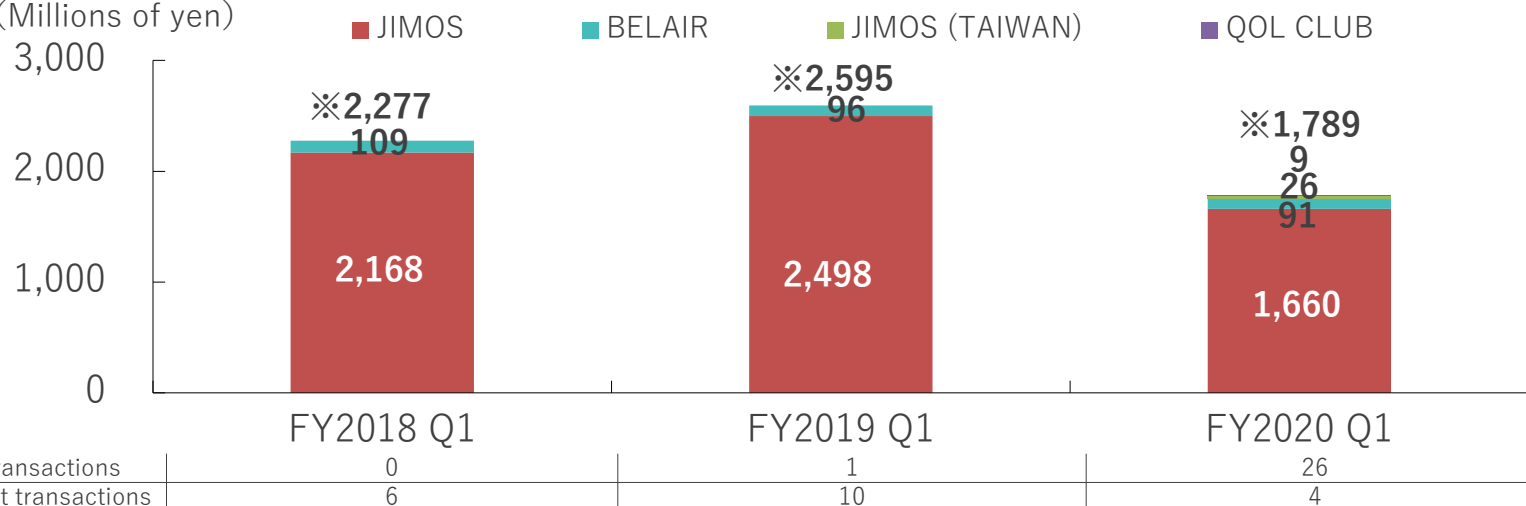
2 Results by Segment (4) Housing Sales ②



» Sales and Operating income tend to increase around Q4.

2 Results by Segment (5) Beauty and Health ①

Sales (Millions of yen)

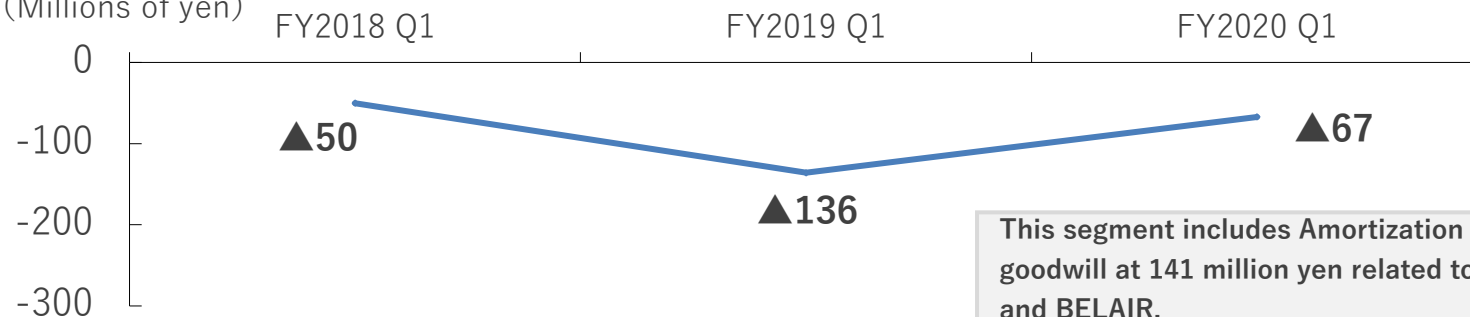


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» JIMOS Co., Ltd., decreased sales year on year. The main factor is decline in the number of customers. Unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place July, 2019. As a countermeasure, we suspended use of EC site for four months. Therefore, the number of customers decreased.

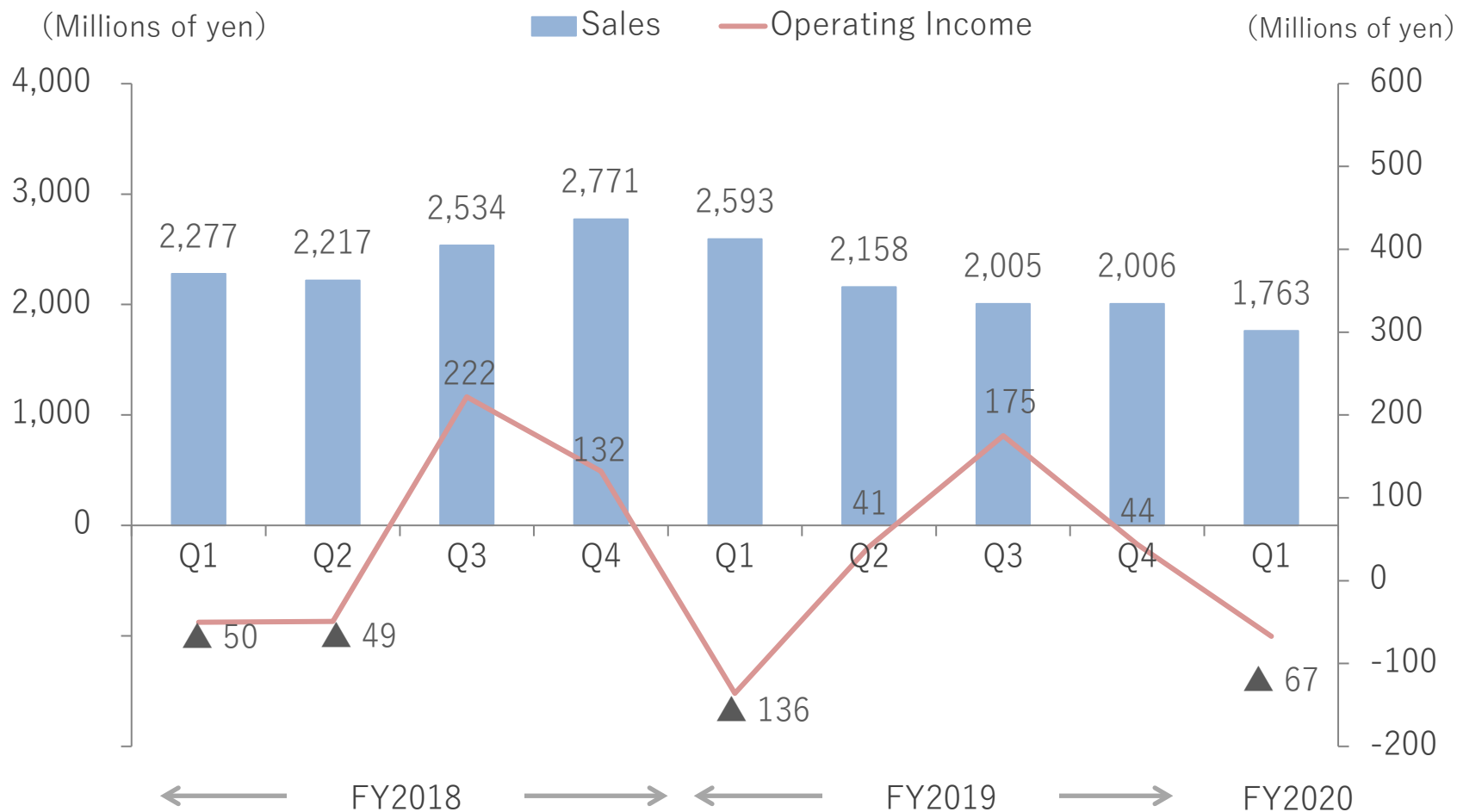
Operating

Income (Millions of yen)



» Operating loss decreased as a result of reducing SG & A expenses, mainly advertising expenses, at JIMOS Co., Ltd.

2 Results by Segment (5) Beauty and Health ②



» 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.

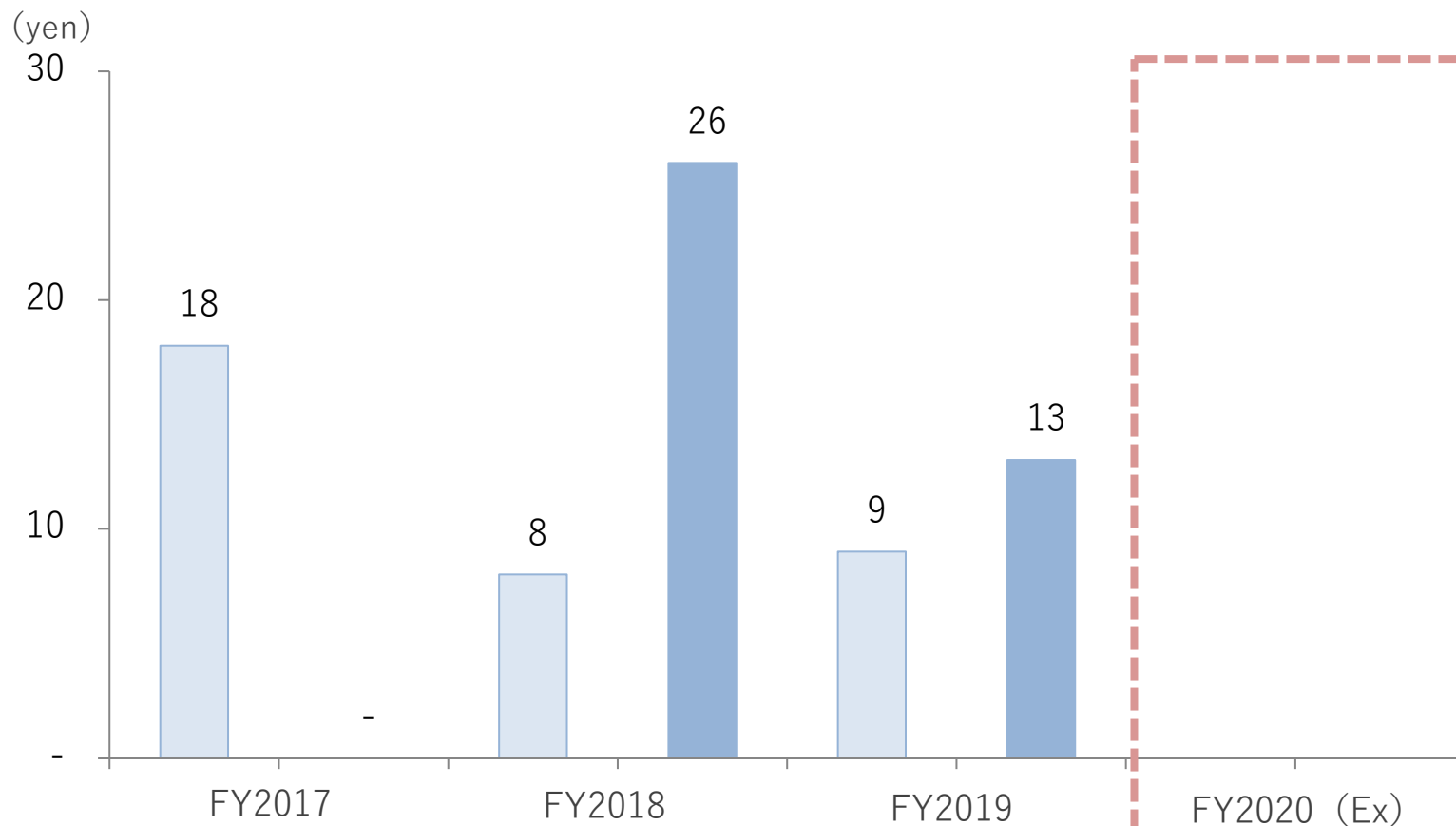
We will announce it as soon as it becomes possible to disclose the business forecast.

4. Plan of Dividends

4

Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%



Dividends per
share

18 yen

34 yen

22 yen

Undecided

5. Appendix




(As of the end of March 2020)

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	Earnest Co., Ltd. (Building maintenance) JIMOS Co., Ltd. (Beauty and Health) BELAIR Co., Ltd. (Beauty and Health) J-wood Co., Ltd. (Housing Sales) Nac Smart Energy Co., Ltd. (Sales of energy-saving products ・ Construction) KDI CORPORATION (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) JIMOS TAIWAN Co., Ltd. (Beauty and Health) QOL CLUB CO., LTD. (Beauty and Health)
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 Co., Ltd.	
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.	
May. 2020	Sold all of our shareholding in Leohouse Co., Ltd.	

CreCla

- **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

- **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.
- We acquired Nac Smart Energy Co., Ltd. (September, 2015) that deals with energy-saving products.(formerly Eco & Eco Co., Ltd.)
- We acquired Suzukuri Co., Ltd. that perform business in a matrix concept.(Changed from the housing business segment in April 2020)
- We acquired ACEHOME Co., Ltd. (February, 2020) that develops a housing franchise business.

Housing Sales

- 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 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.(December, 2016).

5 FY2019 Sales and Operating income Breakdown

CleCla

Beauty and Health

Housing Sales

Rental

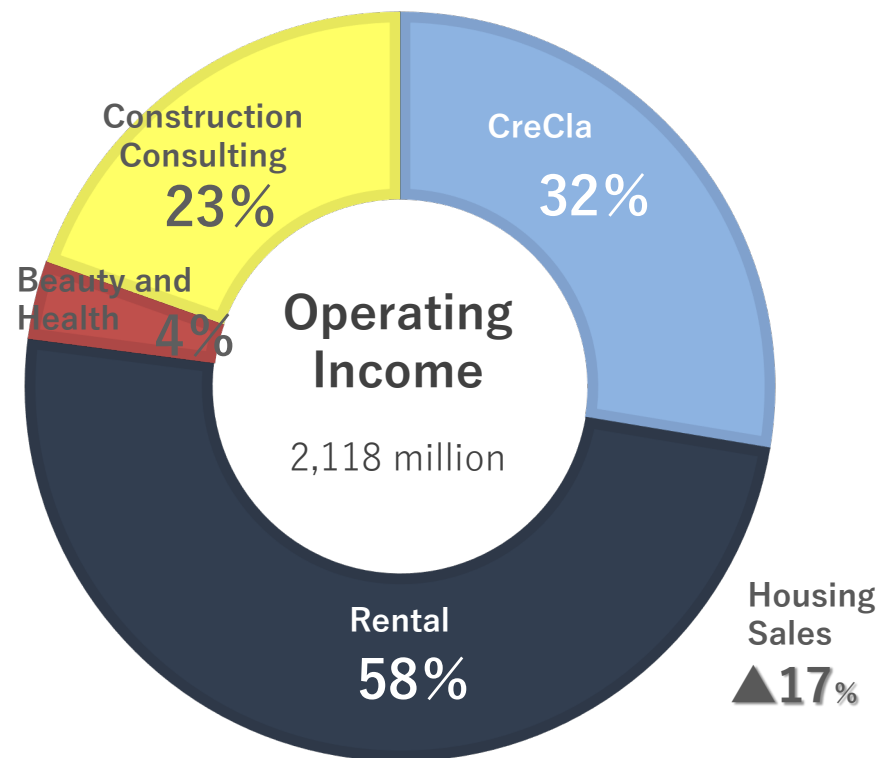
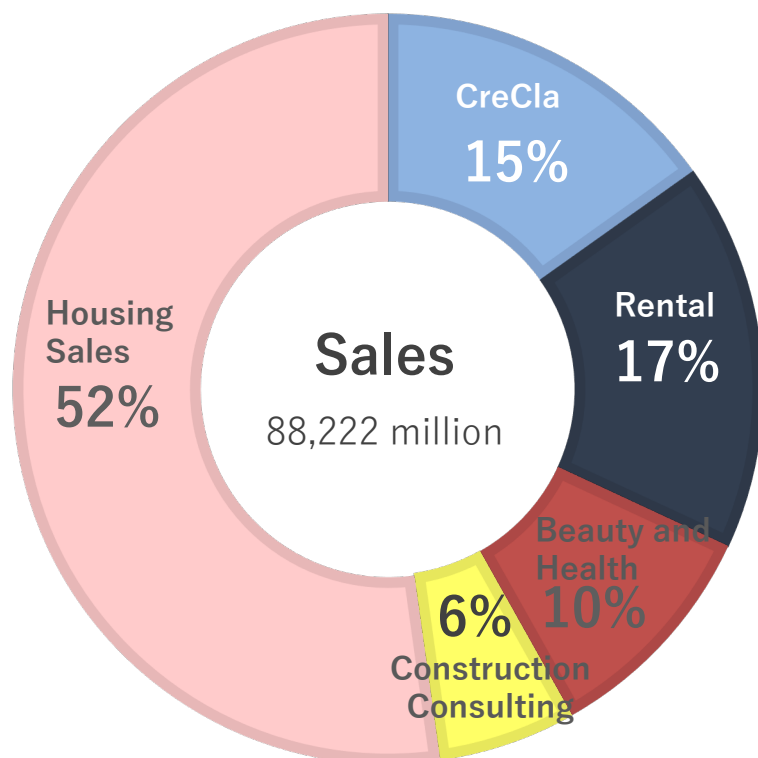
Construction Consulting

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.

