

# Results for the six months ended September 30, 2020 【Reference】

November 11th, 2020

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 six months ended September 30, 2020

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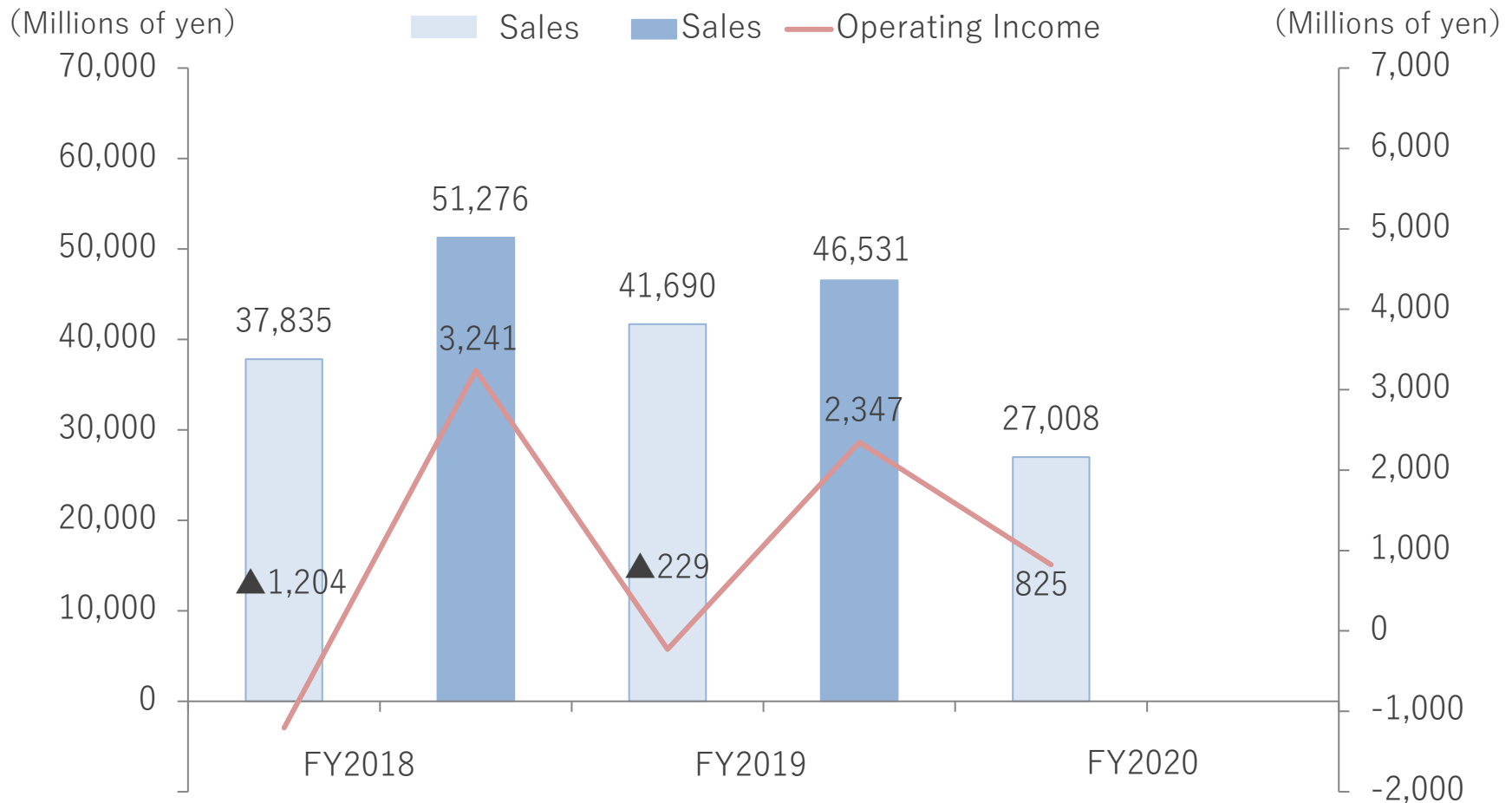
# 1 Consolidated Income Statement

(Millions of yen)

	6 months ended FY2020	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2019	YoY Comparison
Sales	27,008	27,000	100.0 %	41,690	▲ 35.2 %
Gross profit	13,292	-	-	15,858	▲ 16.2 %
(Gross margin)	49.2 %	-	-	38.0 %	+ 11.2 pt
SG&A	12,467	-	-	16,087	▲ 22.5 %
Operating Income	825	550	150.0 %	▲ 229	-
(Operating margin)	3.1 %	2.0%	-	▲ 0.6 %	+ 3.6 pt
Non-operating income and loss	▲ 128	-	-	▲ 47	-
Ordinary Income	697	450	154.9 %	▲ 277	-
Extra-ordinary income and loss	421	-	-	▲ 22	-
Net income attributable to owners of parent	1,149	950	120.9 %	▲ 1	-

- » Consolidated sales decreased year on year. This is because Leohouse Co., Ltd. was excluded from our consolidated subsidiaries from the first 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



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

» We posted operating income since Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.

# 1 Sales by Segment

(Millions of yen)

	6 months ended FY2020	6 months ended FY2019	YOY Comparison
CreCla	7,718	6,570	+ 1,147
Rental	7,216	7,311	▲ 94
Construction Consulting	3,845	2,584	+ 1,261
Housing Sales	4,721	20,494	▲ 15,773
Beauty and Health	3,528	4,752	▲ 1,224
Elimination	▲ 22	▲ 22	+ 0
Total	27,008	41,690	▲ 14,682

- ▶ 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, since Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.
- ▶ 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.

# 1 Operating income by Segments

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

(Millions of yen)

	6 months ended FY2020	6 months ended FY2019	YOY Comparison
CreCla	934 (12.1 %)	302 (4.6 %)	+ 632 (+ 7.5 pt)
Rental	595 (8.3 %)	945 (12.9 %)	▲ 350 (▲ 4.7 pt)
Construction Consulting	112 (2.9 %)	252 (9.8 %)	▲ 140 (▲ 6.9 pt)
Housing Sales	▲ 84 (▲ 1.8 %)	▲ 1,088 (▲ 5.3 %)	+ 1,004 (+ 3.5 pt)
Beauty and Health	▲ 147 (▲ 4.2 %)	▲ 94 (▲ 2.0 %)	▲ 53 (▲ 2.2 pt)
Elimination, HQ Cost	▲ 584	▲ 546	▲ 37
Total	825 (3.1 %)	▲ 229 (▲ 0.6 %)	+ 1,055 (+ 3.6 pt)

- » In the CreCla Business, operating income increased year on year due to an increase in the sales.
- » 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, operating income decreased year on year. This is because Suzukuri and Nac Smart Energy posted operating loss.
- » In the Housing Sales Business, operating loss was reduced year on year, since Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.
- » 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
<b>FY2019 Q2 Operating Income</b>		▲ 229	-
1. Gross profit		▲ 2,565	▲ 16.2 %
2. Increase and Decrease of SG&A	Sales promotion costs and Advertising Exp.	+ 933	+ 37.8 %
	Personnel expenses	+ 871	+ 16.9 %
	Rent and Rent expenses	+ 400	+ 33.8 %
	Depreciation and Amortization	+ 216	+ 28.0 %
	Commission paid	+ 88	+ 12.1 %
	Others	+ 1,109	+ 19.3 %
<b>FY2020 Q2 Operating Income</b>		825	-

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

- The reason of increases in Gross profit
  - » This is due to Leohouse was excluded from our consolidated subsidiaries from the first quarter of this fiscal year.
- The reason of increases and decreases in SG&A
  - » SG&A expenses decreased due to the exclusion of Leohouse as mentioned above and the reduction of advertising cost at JIMOS.



(Millions of yen)

	As of Sep. 30 2020	Break down	As of Mar. 31 2020	Break down	Comparison
Current assets	26,832	63.3 %	28,858	62.1 %	▲ 2,025
Total property, plant and equipment	9,135	21.5 %	10,615	22.9 %	▲ 1,480
Intangible assets	2,082	4.9 %	2,253	4.9 %	▲ 171
Investments and other assets	4,321	10.2 %	4,626	10.4 %	▲ 305
Non-current assets	15,539	36.6 %	17,496	37.7 %	▲ 1,957
Total deferred assets	51	0.1 %	78	0.2 %	▲ 27
Total assets	42,422	100.0 %	46,433	100.0 %	▲ 4,010
Current liabilities	14,608	34.4 %	20,125	43.3 %	▲5,516
Non-current liabilities	7,052	16.6 %	6,499	14.0 %	+ 552
Total liabilities	21,660	51.1 %	26,625	57.3 %	▲ 4,964
Shareholder's equity	21,475	50.6 %	20,601	44.4 %	+ 873
Accumulated other comprehensive income	▲ 765	▲ 1.8 %	▲ 844	▲ 1.8 %	+ 78
Non-controlling interests	51	0.1 %	50	0.1 %	+ 1
Total net assets	20,761	48.9 %	19,808	42.7 %	+ 953
Total liabilities and net assets	42,422	100.0 %	46,433	100.0 %	▲ 4,010

Main factors for comparison

■ Current assets : Cash and deposits +4,194 Real estate for sale ▲2,716 Costs on uncompleted construction contracts ▲1,295

■ Non-current assets : Buildings and structures, net ▲1,882

■ Current liabilities : Accounts payable ▲2,926 Advances received on uncompleted construction contracts ▲2,132

■ Non-current liabilities : Long-term loans payable +660

Equity Ratio : 48.8 %

(Millions of yen)

	1st half of FY2020	1st half of FY2019	FY2019
1.Net cash provided by operating activities	2,690	▲ 693	1,152
2.Net cash used in investing activities	▲ 1,055	▲ 927	▲ 905
3.Net cash used in financing activities	2,546	1,059	▲ 473
Net increases cash and cash equivalents	4,181	▲ 561	▲ 225
Cash and cash equivalents at beginning of period	9,115	9,167	7,430
Cash with the new connection and cash equal accrual	11	0	56
Cash and cash equivalents at end of period	13,309	8,606	7,261
Depreciation and amortization	499	686	1,783

The main reasons of the fluctuation

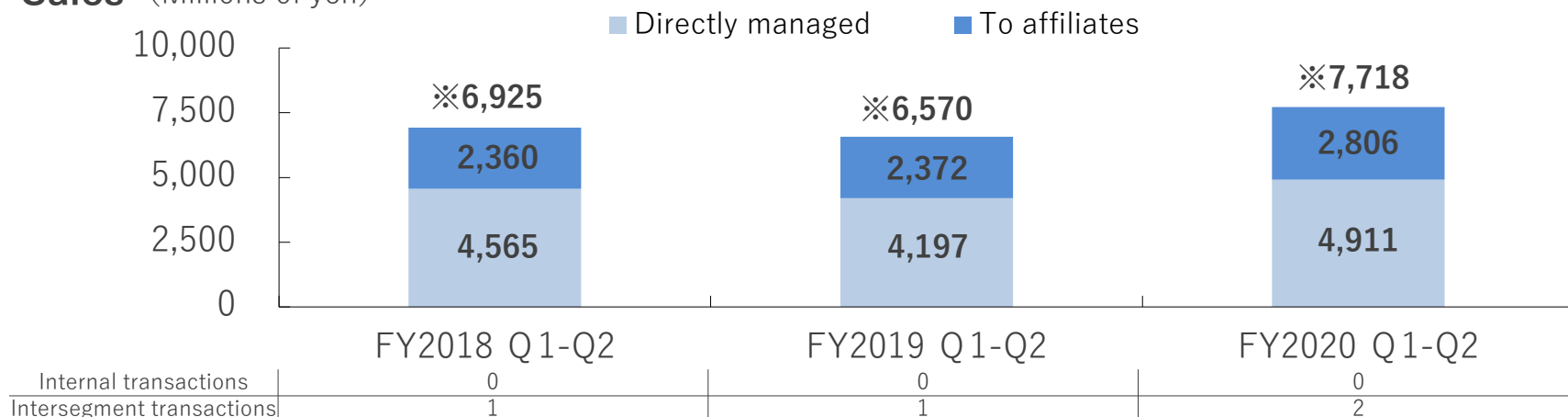
- Operating activities : Decrease in Short-term loans receivable +1,679    Income before income taxes +1,117  
Depreciation +499    Gain on sales of subsidiaries and affiliates' stocks ▲456
- Investing activities : Payments for sales of shares of subsidiaries resulting in change in scope of consolidation ▲809  
Purchase of intangible assets ▲163
- Financing activities : Proceeds from long-term loans payable + 1,900  
Proceeds from sale-and-leaseback transactions +1,046  
Repayments of long-term loans payable ▲1,050    Dividends ▲292

## 2. Results by Segments

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## 2 Results by Segment (1) CreCla ①

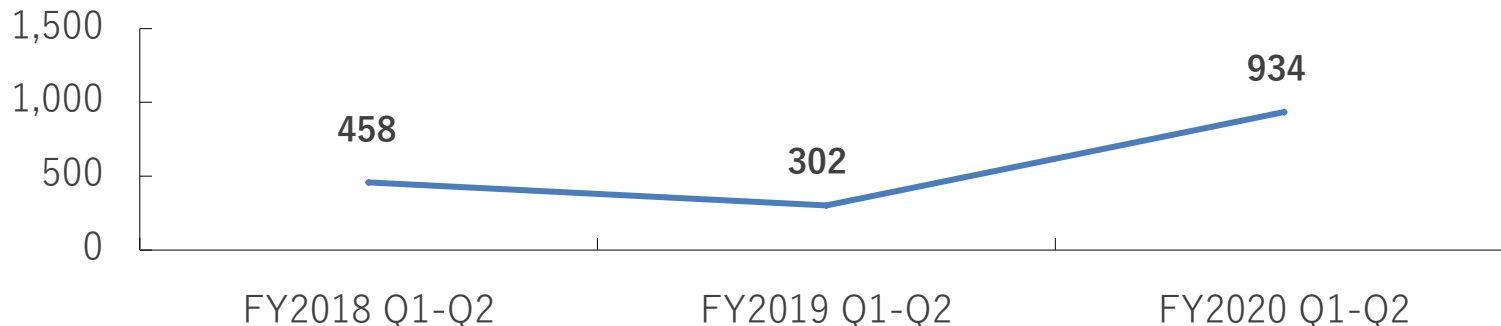
### Sales (Millions of yen)



※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)

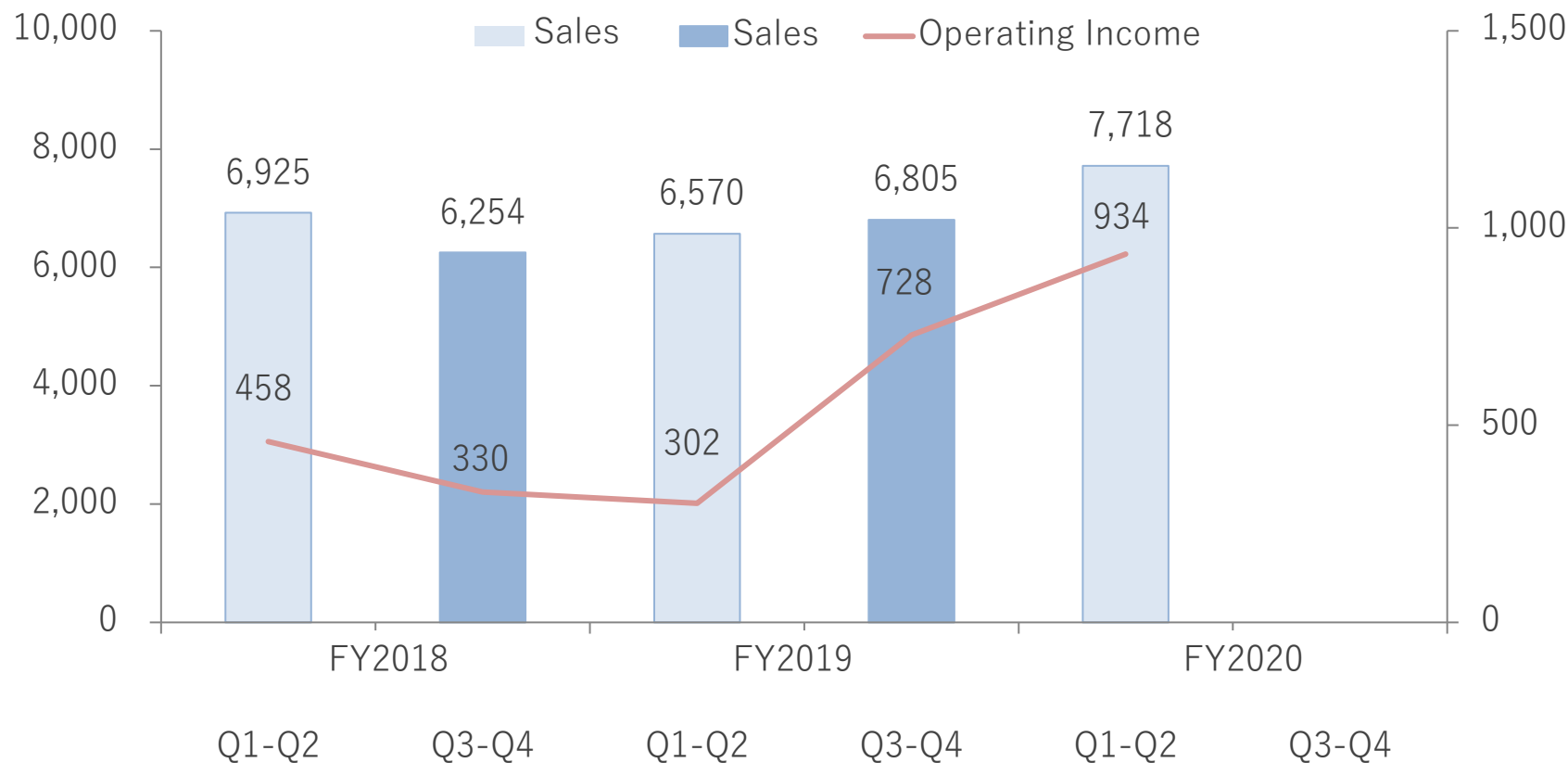


- » In the CreCla Business, operating income increased year on year thanks to increased sales.

## 2 Results by Segment (1) CreCla ②

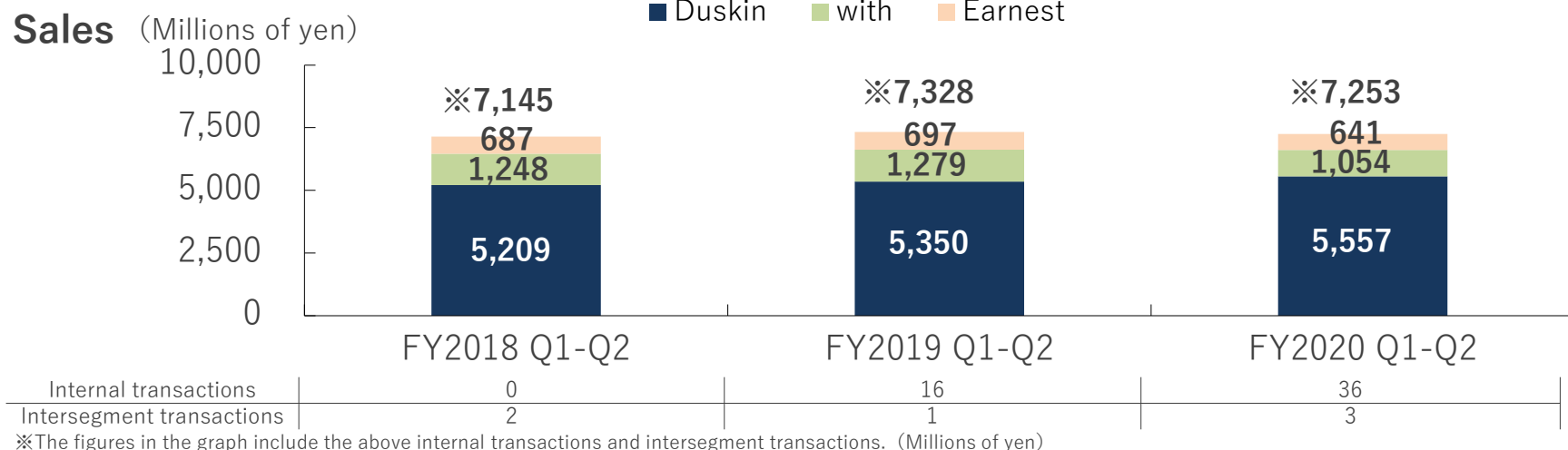
(Millions of yen)

(Millions of yen)

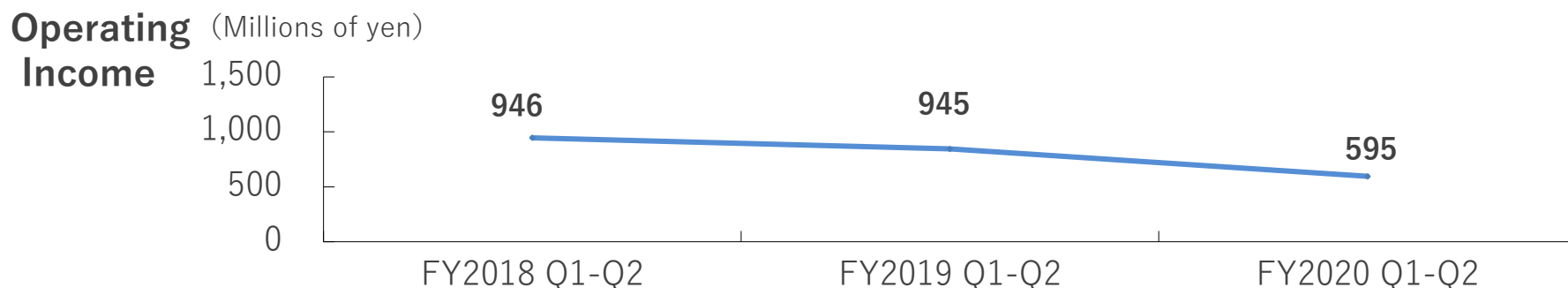


» We increased the price of the bottled water since January 2020.

## 2 Results by Segment (2) Rental ①



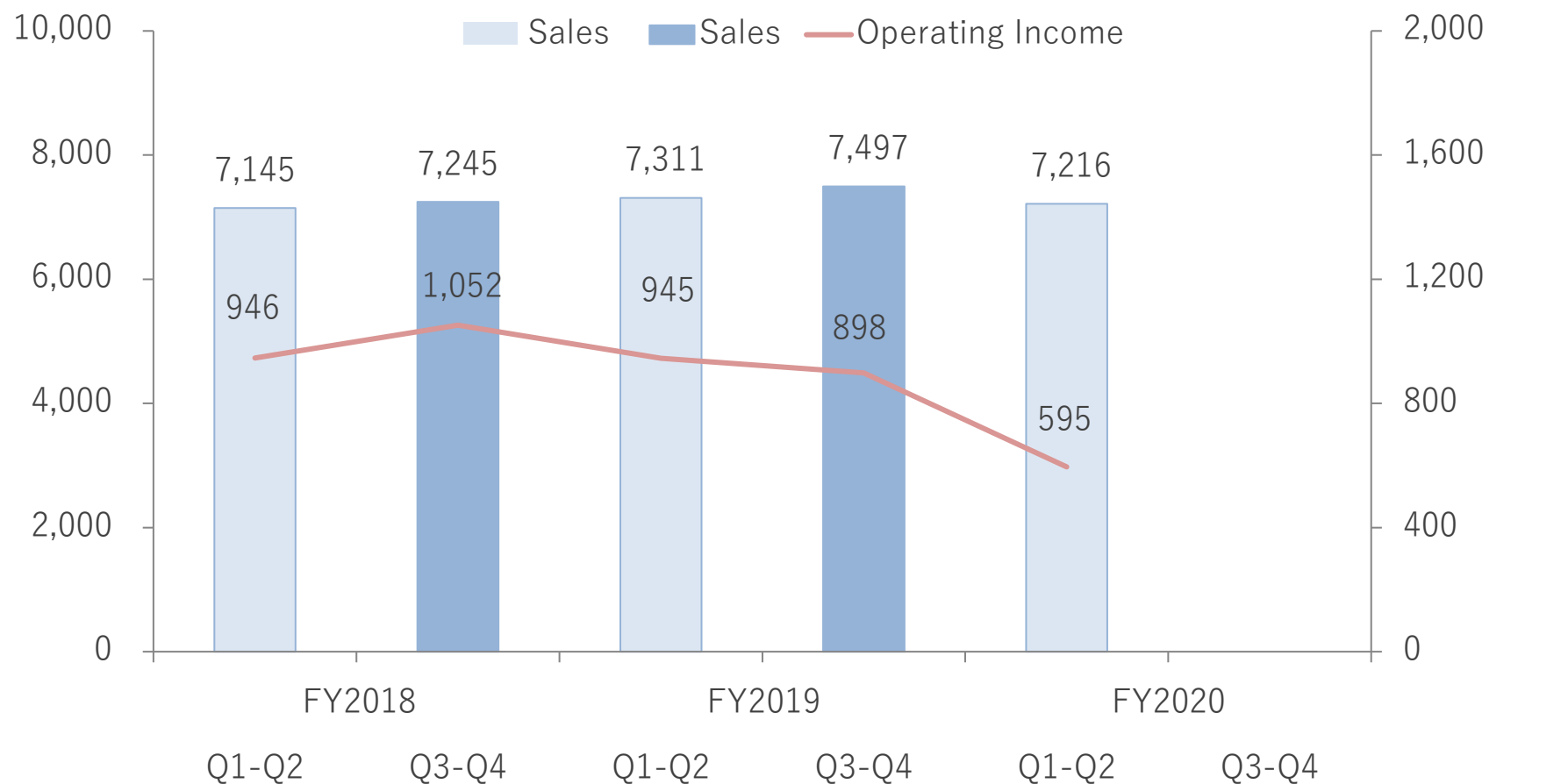
- » In the mainstay Duskin business, rental sales decreased at dust control products business. However, we made up for the decrease through selling products and sales in care services (i.e. the housekeepingservice, exterminator and gardener). As a result, the Duskin business increased sales.
- » In the With-branded pest-control devices business, the main customer, restaurants, were temporary closed due to the 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

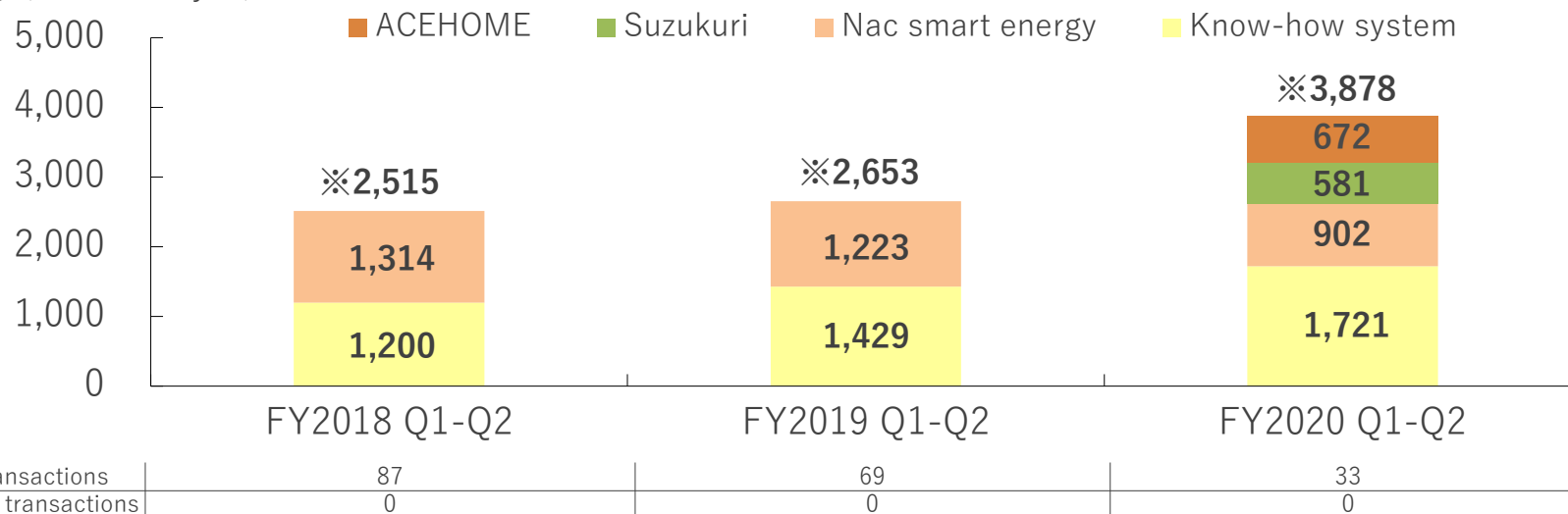
(Millions of yen)



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

## 2 Results by Segment (3) Construction Consulting ①

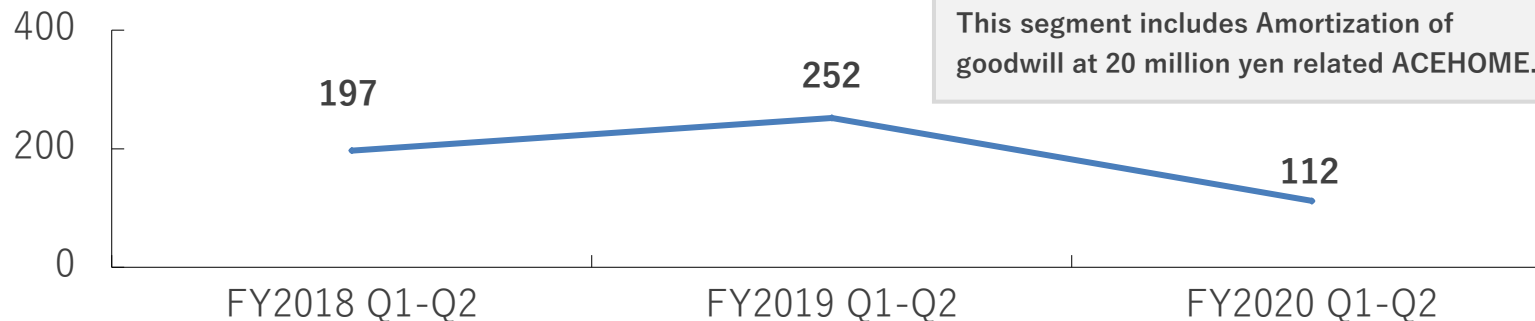
### Sales (Millions of yen)



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

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

### Operating Income (Millions of yen)

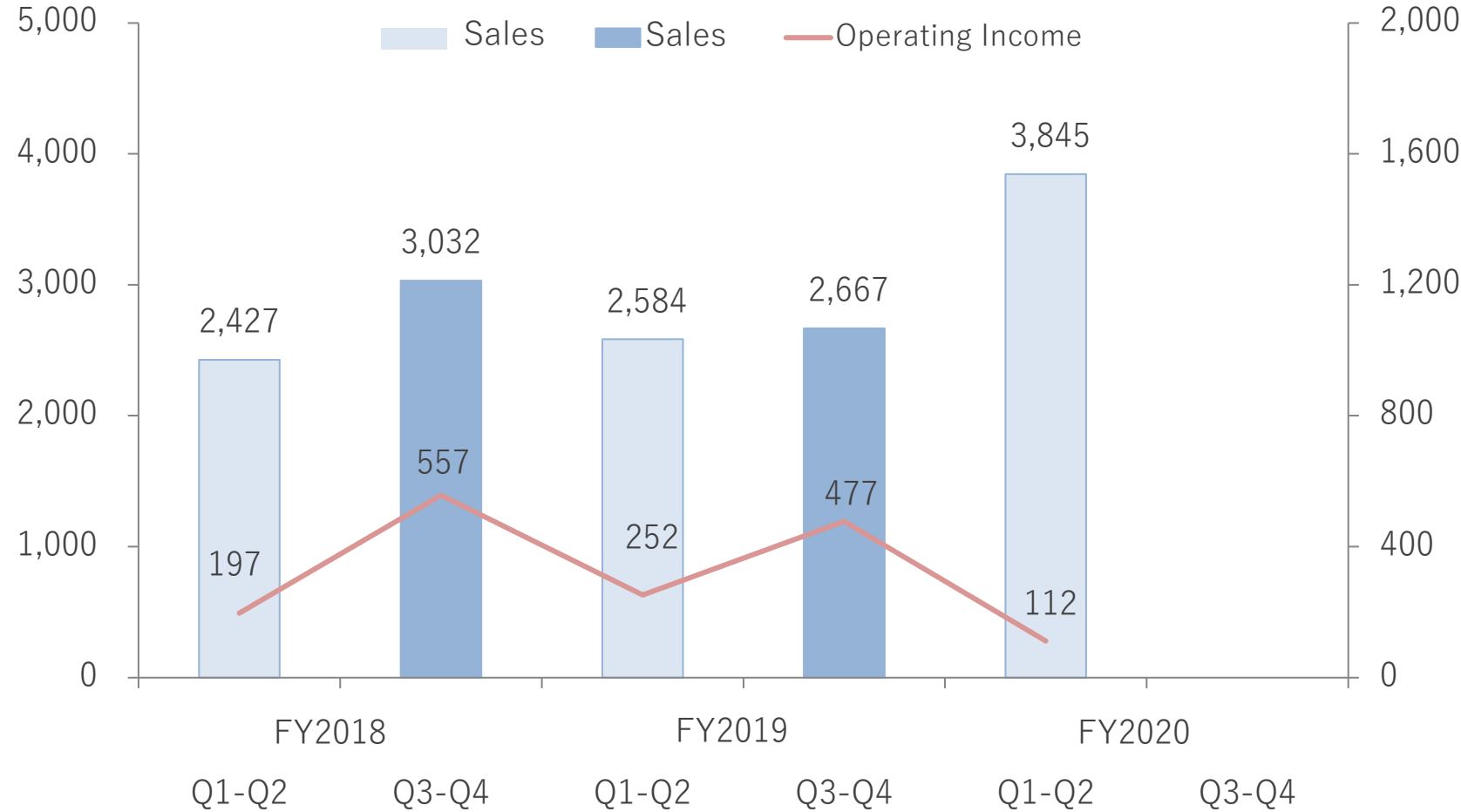


» Operating income decreased year on year. This is because Suzukuri and Nac Smart Energy posted operating loss.



(Millions of yen)

(Millions of yen)

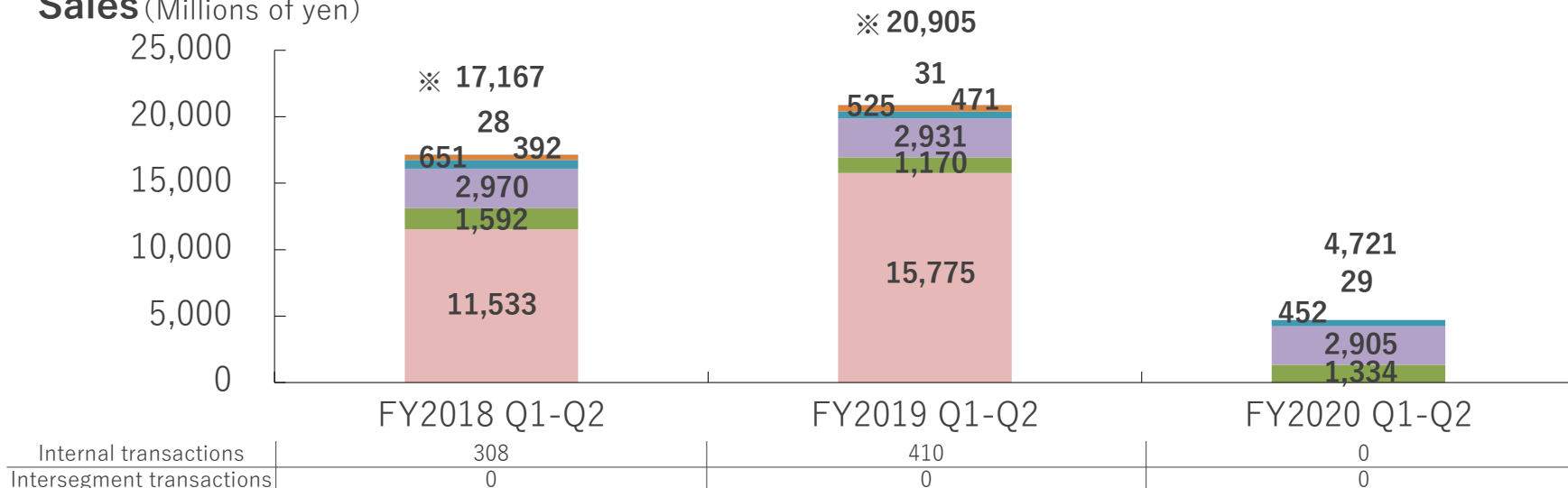


» Sales and Operating income tend to increase around Q4.

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

Leohouse J-wood KDI KUNIMOKU-HOUSE Suzukuri Nac life partners

## Sales (Millions of yen)



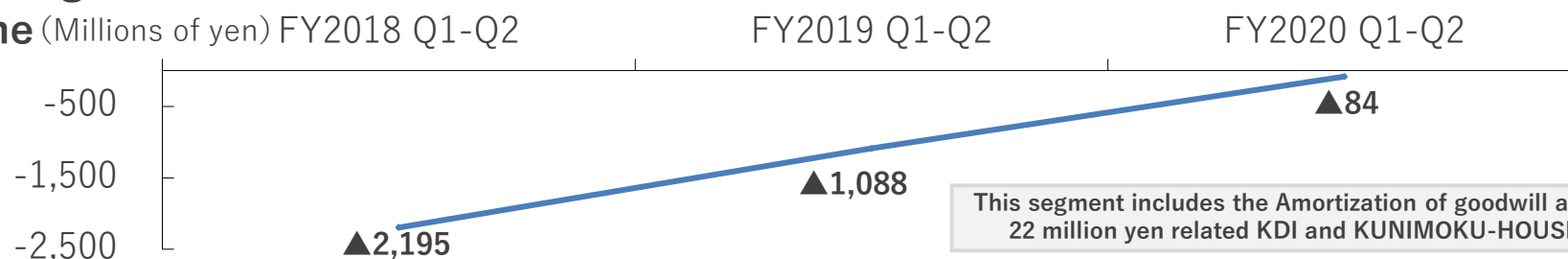
※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» 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 Co., Ltd. decreased sales year on year, however, increased operating income year on year. This is attributable to the better gross margin.

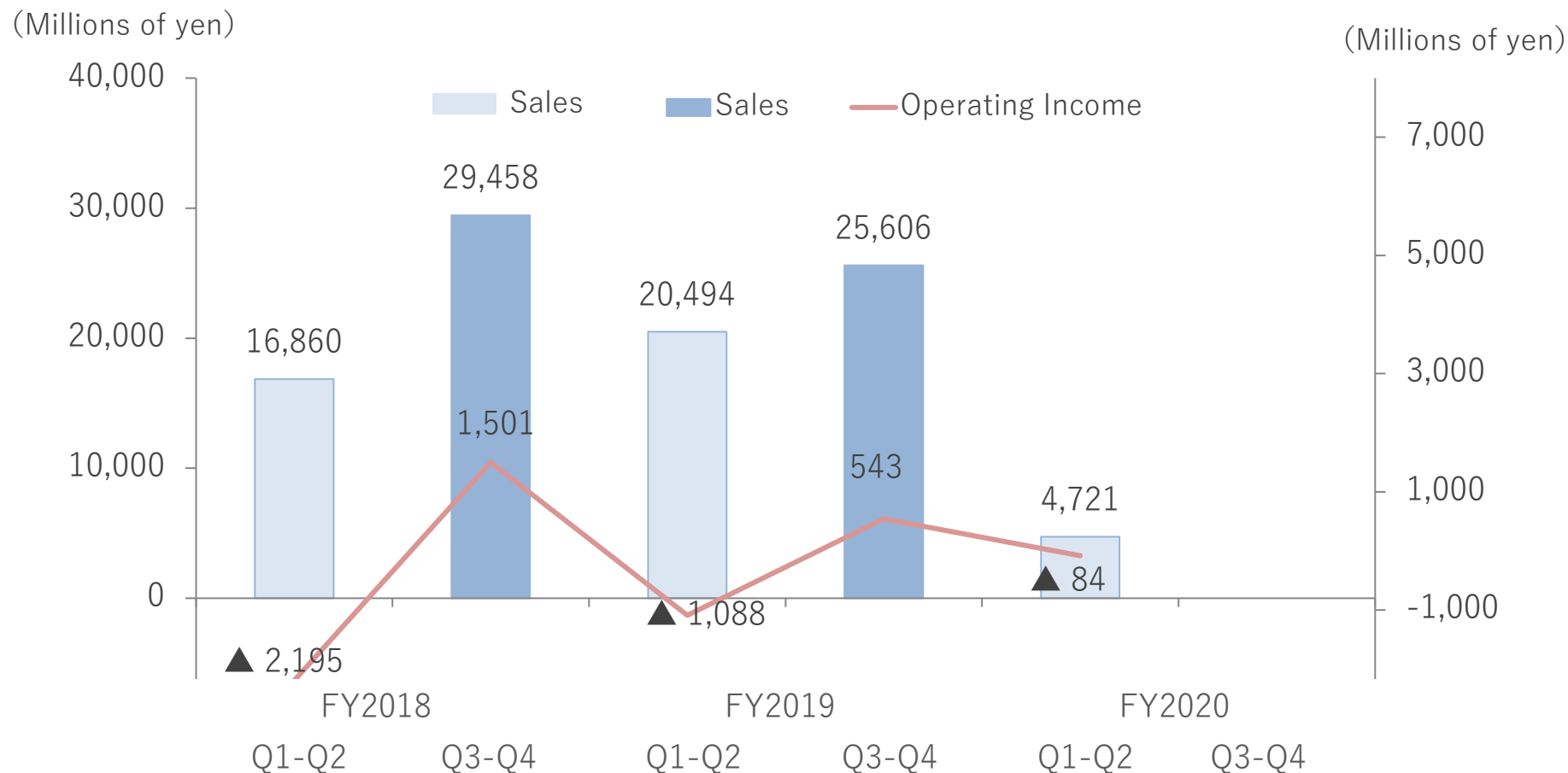
## Operating

## Income (Millions of yen)



» Operating loss was reduced year on year following the sale of all shares of Leohouse.

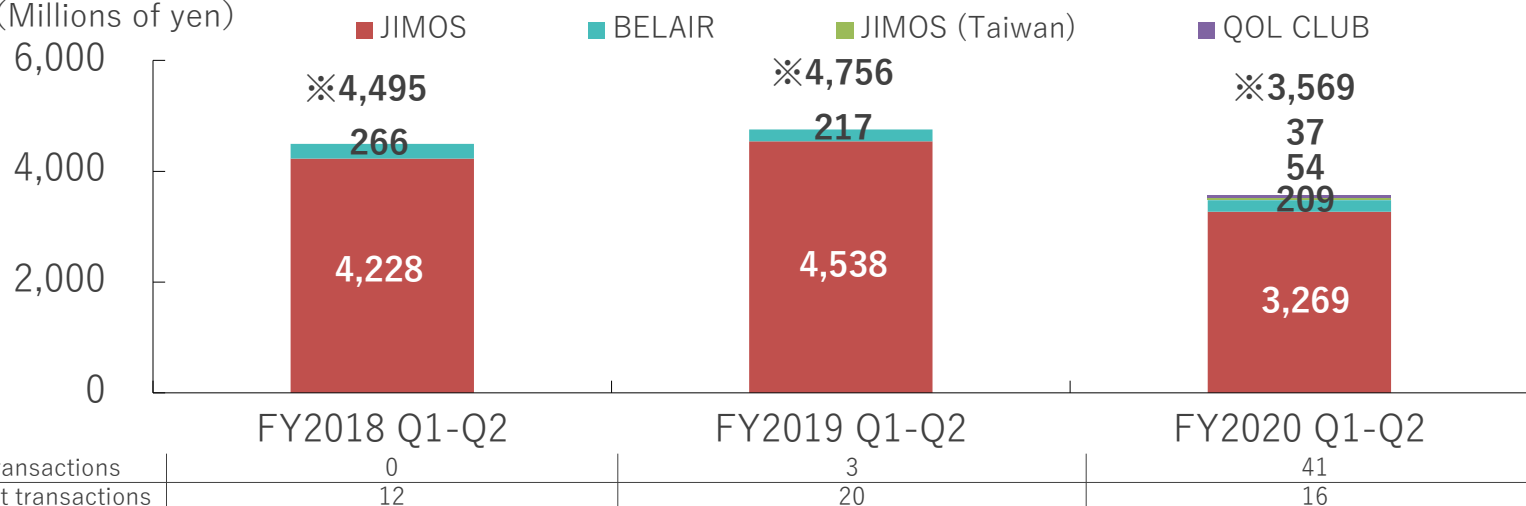
## 2 Results by Segment (4) Housing Sales ②



» Sales and Operating income tend to increase around Q4.

## 2 Results by Segment (5) Beauty and Health ①

### Sales (Millions of yen)

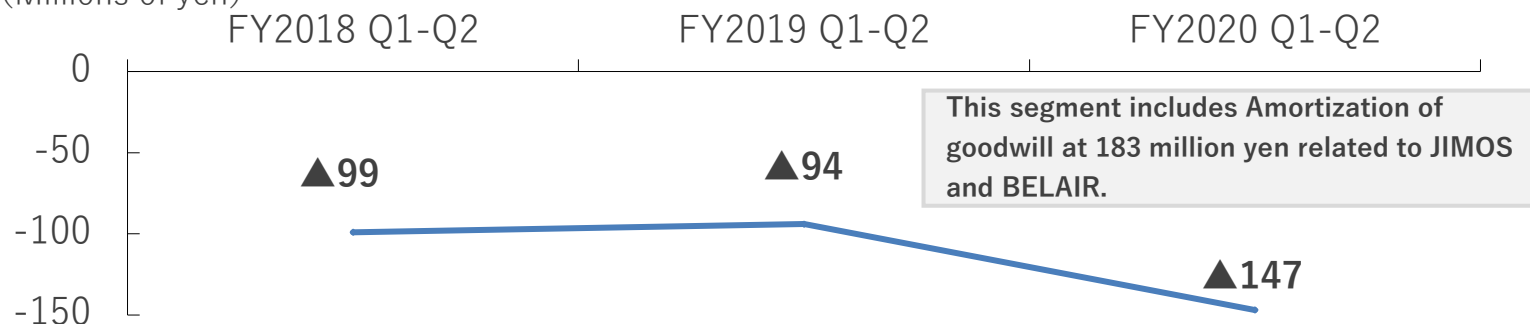


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» 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)

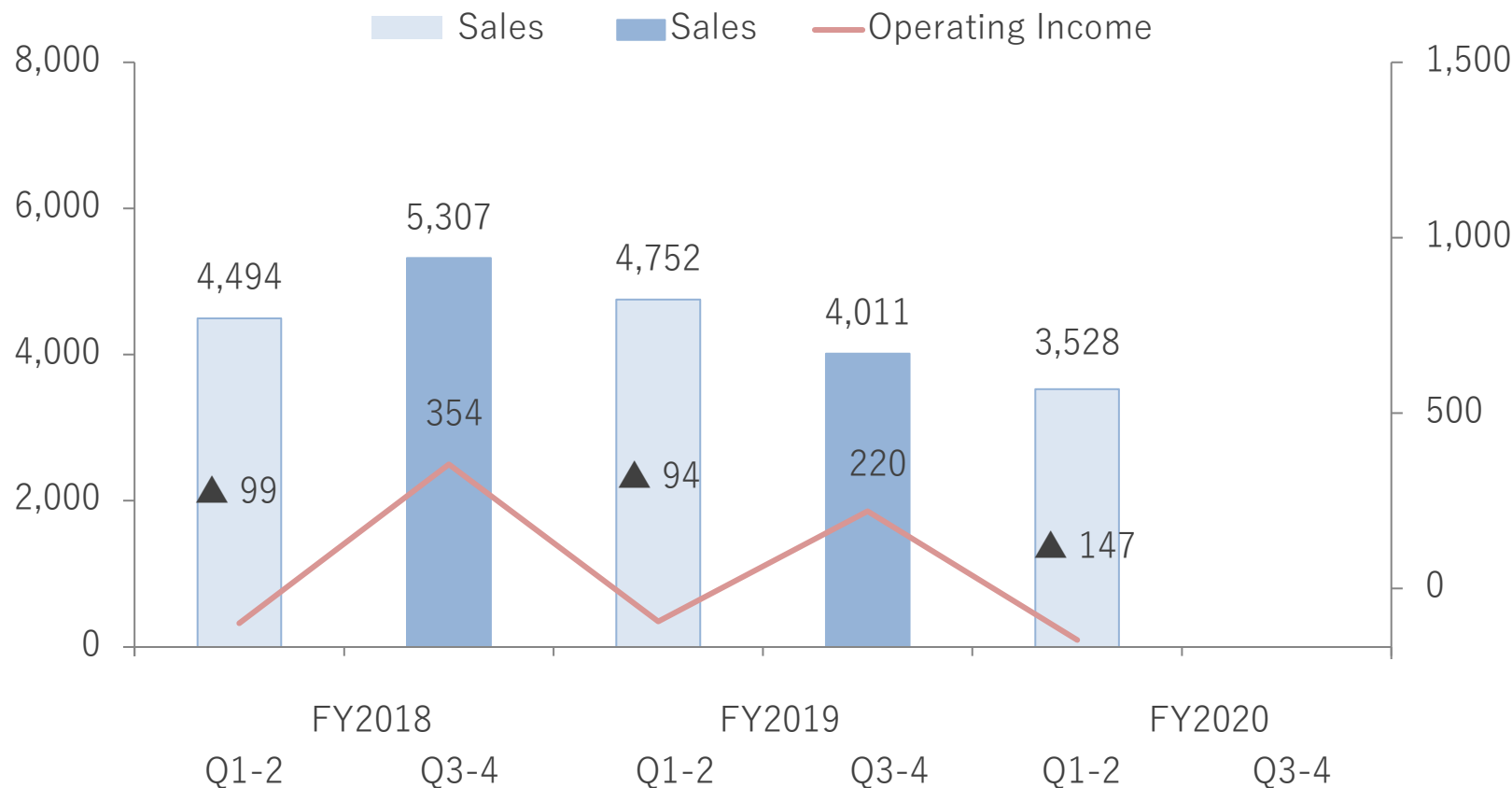


» Operating loss increased as a result of decline in sales at JIMOS Co., Ltd.

## 2 Results by Segment (5) Beauty and Health ②

(Millions of yen)

(Millions of yen)



» 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

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(Millions of yen)

	Plan FY 2020	Result FY 2019	Comparison
Sales	56,000	88,222	▲ 36.5 %
Operating income	2,000	2,118	▲ 5.6 %
Ordinary income	1,900	2,098	▲ 9.4 %
Net income	1,350	514	+ 162.6 %
Dividends per share	36 yen	22 yen	+ 14 yen
EPS	60.25 yen	22.94 yen	+ 37.31 yen

» We reorganize the Housing Sales business to increase net income.

(Millions of yen)

Sales	Plan FY 2020	Result FY 2019	Comparison
CreCla	14,500	13,375	+ 8.4 %
Rental	14,100	14,808	▲ 4.8 %
Construction Consulting	9,000	5,251	+ 71.4 %
Housing Sales	10,000	46,101	▲ 78.3 %
Beauty-health	8,400	8,764	▲ 4.2 %
Elimination	-	▲ 80	-
Total	56,000	88,222	▲ 36.5 %



### 3 FY2020 Operating income Forecasts by Segment

(Millions of yen)

Operating income	Plan FY 2020	Result FY 2019	Comparison
CreCla	1,300 (9.0 %)	1,030 (7.7 %)	+ 26.2 % (+ 1.3 pt)
Rental	1,300 (9.2 %)	1,844 (12.5 %)	▲ 29.5 % (▲ 3.3 pt)
Construction Consulting	750 (8.3 %)	730 (13.9 %)	+ 2.7 % (▲ 5.6 pt)
Housing Sales	▲ 100 (▲ 1.0 %)	▲ 545 (▲ 1.2 %)	+ 445 (+ 0.2 pt)
Beauty-health	50 (0.6 %)	125 (1.4 %)	▲ 60.0 % (▲ 0.8 pt)
Elimination, HQ Cost	▲ 1,300	▲ 1,067	▲ 233
Total	2,000 (3.6 %)	2,118 (2.4 %)	▲ 5.6 % (+ 1.2 pt)

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

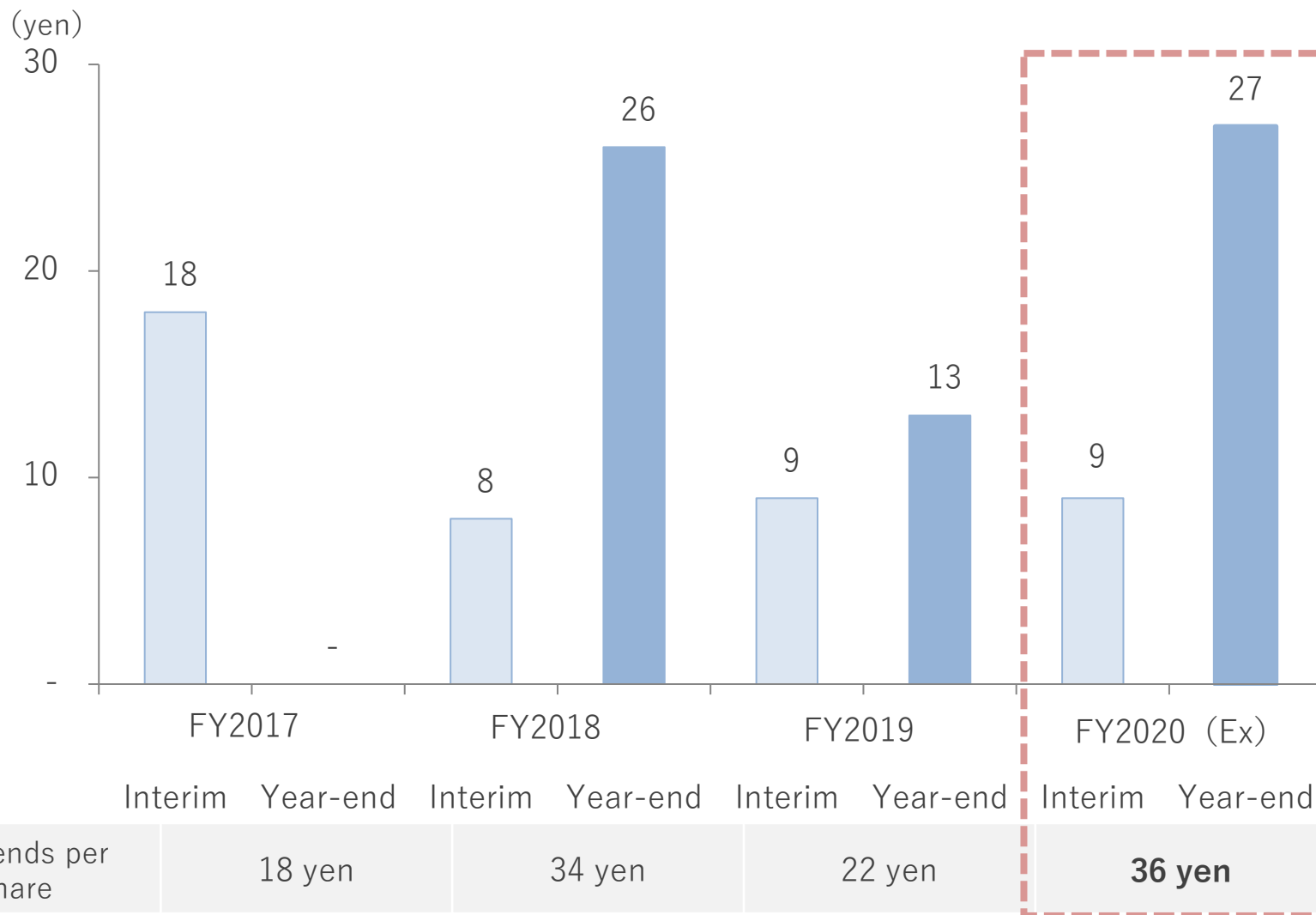
## 4. Plan of Dividends

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# Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%



## 5. Appendix

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(As of the end of September 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"> <li>■ CreCla (Production and sale of bottled water)</li> <li>■ Rental (Duskin franchise business, pest control machine rental, regular cleaning plan)</li> <li>■ Construction Consulting (Construction know-how, solar energy systems)</li> <li>■ Housing Sales (Contract construction of a custom-built house, finance and insurance affairs with housing sales)</li> <li>■ Beauty and Health (Cosmetics and health food mail-order sales)</li> </ul>
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) ACEHOME Co., Ltd. (Housing franchise) JIMOS TAIWAN Co., Ltd. (Beauty and Health) QOL CLUB CO., LTD. (Beauty and Health)
Employees	1,592(consolidated)
Capital stock	6,729,493,750 yen
Number of shares	24,306,750 shares (share unit :100 shares)
Number of shareholders	10,124 (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 CORPORATION	
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).



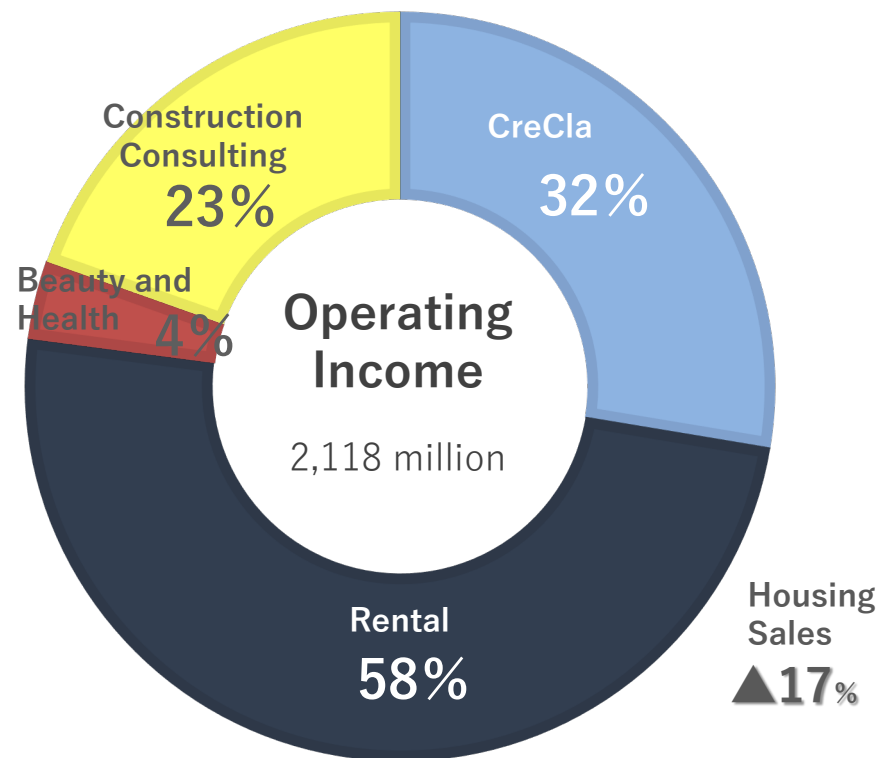
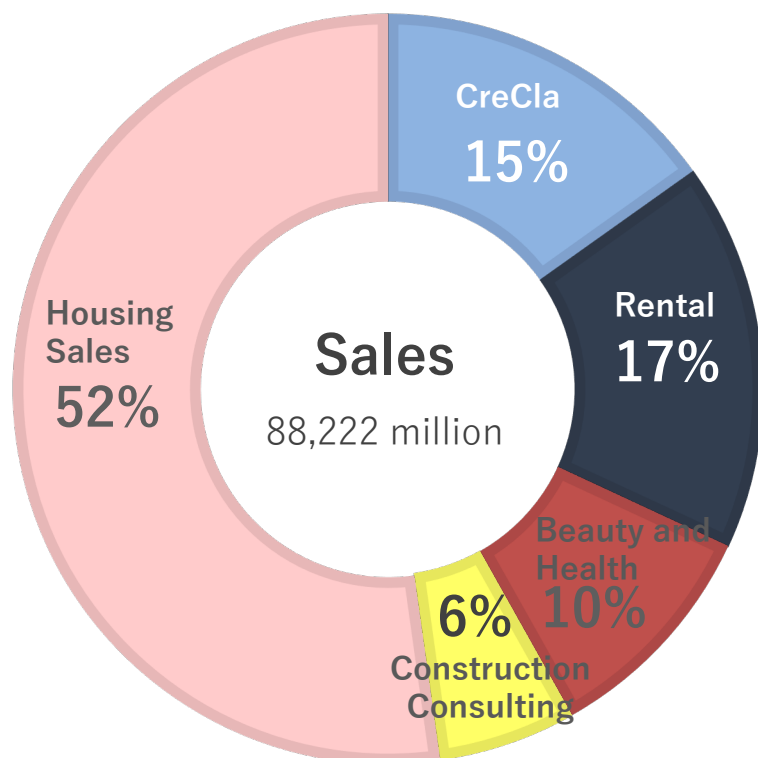
# 5 FY2019 Sales and Operating income Breakdown

CleCla  
Beauty and Health  
Housing

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.

