

Results for the 3rd Quarter ended December 31, 2015

【 Reference 】

Translation

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

Best Communication
NAC



February 9, 2016

NAC Co., Ltd.

Code; 9788 TSE 1st section



Topics

1. Results for the 3rd
Quarter ended December 31, 2015 ... P. 2
2. Results by Segments ... P. 9
3. FY2015 Forecasts of Financial Results ... P. 22
4. Plan of Dividends ... P. 26
5. Appendix ... P. 28

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 3rd Quarter ended December 31, 2015

	9 months ending FY2015	9 months ending FY2014	YOY Comparison
Sales	55,300	61,842	▲10.6%
Gross profit	24,948	25,177	▲3.5%
(Gross margin)	43.9%	40.7%	+ 3.2pt
SG&A	25,425	24,804	+ 2.5%
Operating Income	▲1,127	372	—
(Operating margin)	▲2.0%	0.6%	▲2.6pt
Non-operating income and loss	▲11	▲10	—
Ordinary Income	▲1,139	362	—
Extra-ordinary income and loss	21	▲32	—
Net Income attributable to owners of parent	▲1,017	▲68	—

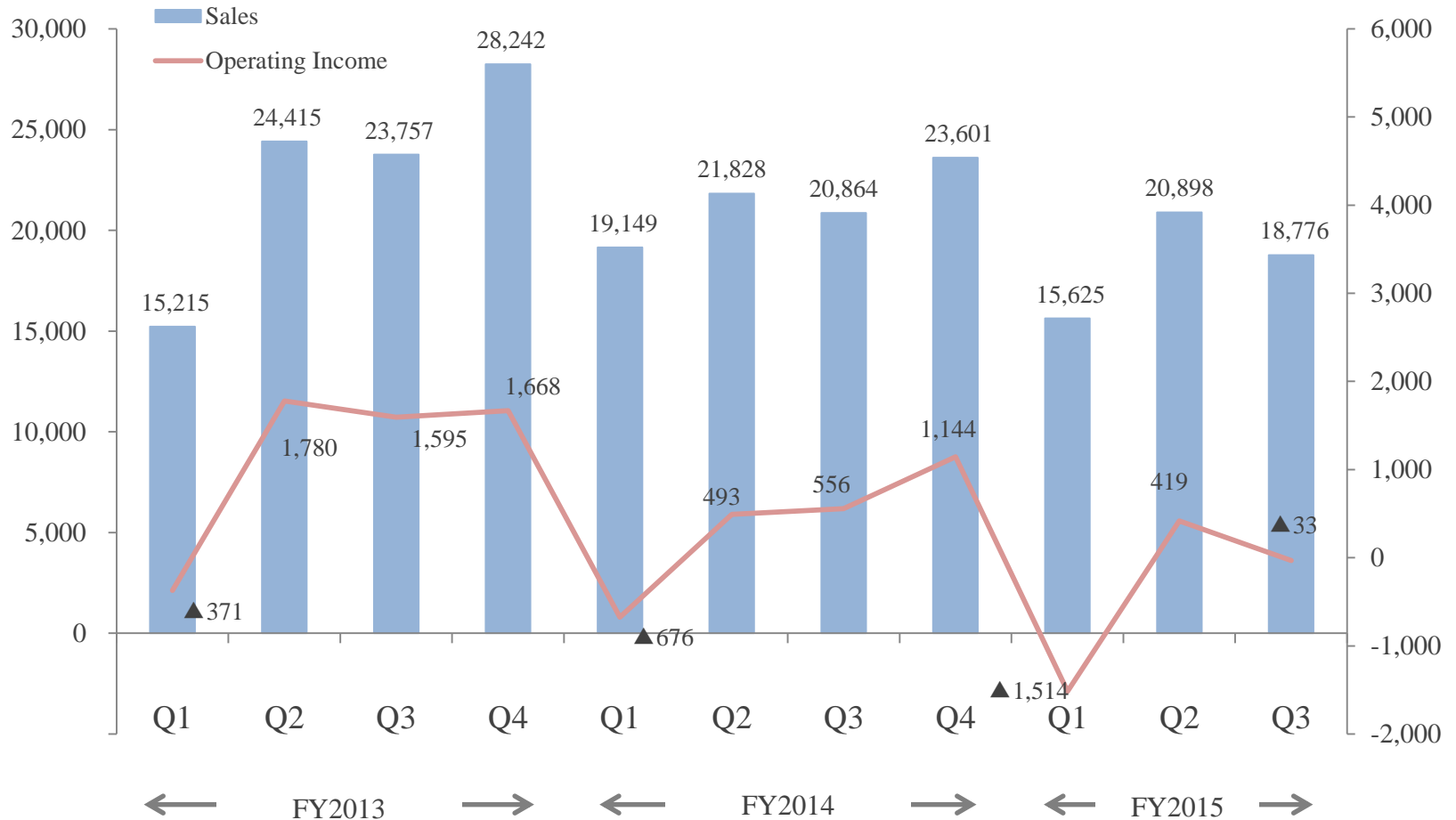
» Operating income and consolidated sales declined year on year and fell short of planned target because of a decrease in housing sales.

» SG&A includes the trust expiration of J-ESOP (Japanese version of Employee Stock Ownership Plan) at 329 million yen.

1 Sales & Operating income trend

(Millions of yen)

(Millions of yen)



» Both sales and operating income are generally tilted toward the fourth quarter because house deliveries tend to be concentrated at the fiscal year-end.

1 Sales by Segment

(Millions of yen)

Sales	9 months ending FY2015	9 months ended FY2014	YOY Comparison
CreCla	9,912	9,885	+0.3%
Rental	9,568	9,416	+1.6%
Construction Consulting	4,433	4,279	+3.6%
Housing Sales	23,519	30,828	▲23.7%
Mail-order	7,919	7,474	+6.0%
Elimination	▲52	▲41	—
Total	55,300	61,842	▲10.6%

- » In the CreCla Business, sales of directly managed stores declined year on year; on the other hand, bottled sales to affiliated stores increased slightly. As a result, total sales increased year on year.
- » In the Construction Consulting Business, sales increased significantly year on year owing to sales growth of the construction know-how systems.
- » In the Housing Sales Business, sales declined year on year because the demand of our main customers who purchase house for the first time still waned.
- » Mail-order business sales increased year on year because the Macchia Label produced stable results and the Coyori brand increased the number of customers.

1

Operating income by Segments

(Millions of yen)

Operating income	9 months ending FY2015	9 months ended FY2014	YOY Comparison
CreCla	▲215 (▲2.2%)	46 (0.5%)	▲262 (▲2.7pt)
Rental	1,404 (14.7%)	1,156 (12.3%)	248 (+2.4pt)
Construction Consulting	825 (18.6%)	499 (11.7%)	326 (+6.9pt)
Housing Sales	▲1,715 (▲7.3%)	▲339 (▲1.1%)	▲1,375 (▲6.2pt)
Mail-order	▲217 (▲2.8%)	▲96 (▲1.2%)	▲121 (▲1.6pt)
Elimination, HQ Cost	▲1,209	▲894	▲315
Total	▲1,127 (▲2.0%)	372 (0.6%)	▲1,500 (▲2.6pt)

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

- » Operating income of the CreCla Business declined year on year because it booked depreciation expenses on the Honjo Plant operated from April, 2015.
- » Operating income of the Rental business rose year on year due to sales growth in all businesses.
- » Operating income of the Construction Consulting business increased significantly year on year owing to sales growth of the construction know-how systems and revisions to management costs.
- » Operating income of the Housing business decreased year on year owing to decrease in sales.
- » Operating income of the Mail-order business declined year on year due to aggressive investment in advertising and promotions ahead of the spending plan and a decrease in sales of the mail-order consulting businesses.
- » The trust expiration of J-ESOP is recorded in HQ Cost.

1 Analysis for operating income & loss (YoY change)

(Millions of yen)

			Comparison
FY2014 Q1-Q3 Operating Income		372	-
1.	Gross profit	▲879	▲3.5%
※ 2.	Increase and Decrease of SG&A	Sales promotion costs and Advertising Exp.	+42 +0.9%
		Personnel expenses	▲221 ▲2.2%
		Commission paid	▲163 ▲21.0%
		Depreciation and Amortization	+37 +2.3%
		Rent	▲163 ▲10.3%
		Others	▲152 ▲2.6%
		FY2015 Q1-Q3 Operating Income	

1. The reason of decrease of Gross profit margin

» In the Housing Sales, gross profit decreased largely.

2. The reason of increase and decrease of SG&A

» Personnel expenses increased because of the trust expiration of J-ESOP at 329 million yen.

» The CreCla and J-wood increased Commission paid

» Rent increased because new branches opened up in the 1st quarter.

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

1 Consolidated Balance Sheet

(Millions of yen)

	As of Dec.31 2015	Breakdown	As of March.31 2015	Break down	Comparison
Current assets	21,594	48.8%	16,040	40.2 %	+5,554
Total PP&E	14,705	33.2%	15,032	37.7 %	▲327
Intangible assets	3,871	8.8%	4,307	10.8 %	▲435
Investments and other assets	4,057	9.2%	4,482	11.2 %	▲424
Non-current assets	22,634	51.2%	23,821	59.8 %	▲1,187
Total assets	44,229	100.0%	39,862	100.0%	+4,367
Current liabilities	20,745	46.9%	16,065	40.3 %	+4,680
Non-current liabilities	8,936	20.2%	7,663	19.2 %	+1,272
Total liabilities	29,682	67.1%	23,729	59.5 %	+5,952
Shareholder's equity	15,361	34.7%	16,889	42.4 %	▲1,528
Accumulated other comprehensive income	▲813	▲1.8%	▲756	▲1.9 %	▲56
Total net assets	14,547	32.9%	16,132	40.5 %	▲1,584
Total liabilities and net assets	44,229	100.0%	39,862	100.0%	+4,367

■ Current assets : Cash and deposit +2,411 Costs on uncompleted construction contracts +1,949 Products +453

■ Non-current assets : Building and structures +4,351 Construction in progress ▲6,087

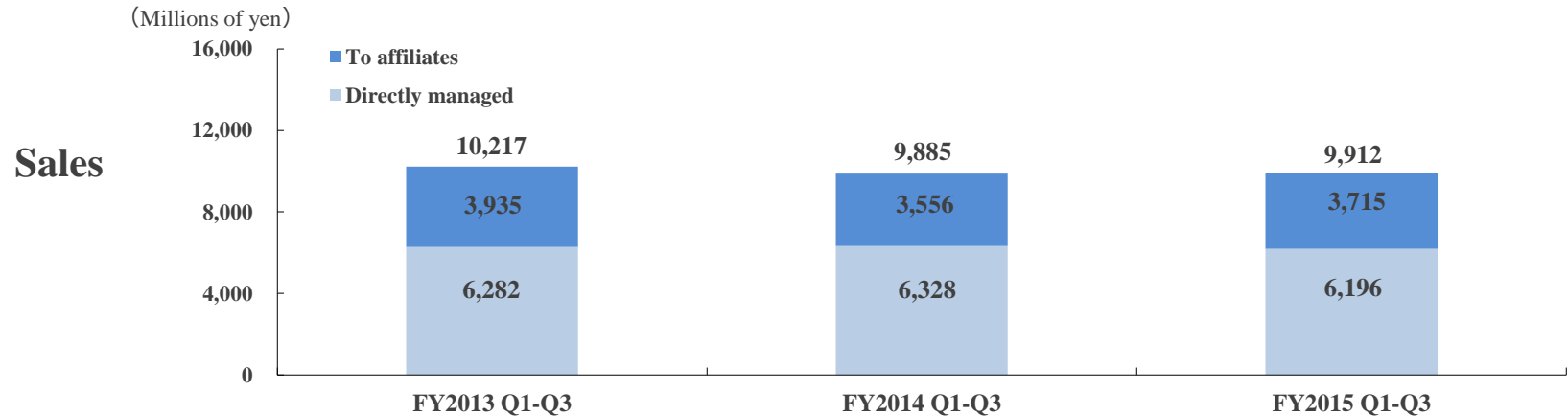
■ Current liabilities : Short-term loans +1,550 Advances received on uncompleted construction contracts +3,448

■ Non-current liabilities : Lease obligations +1,229

Equity Ratio : 32.9%

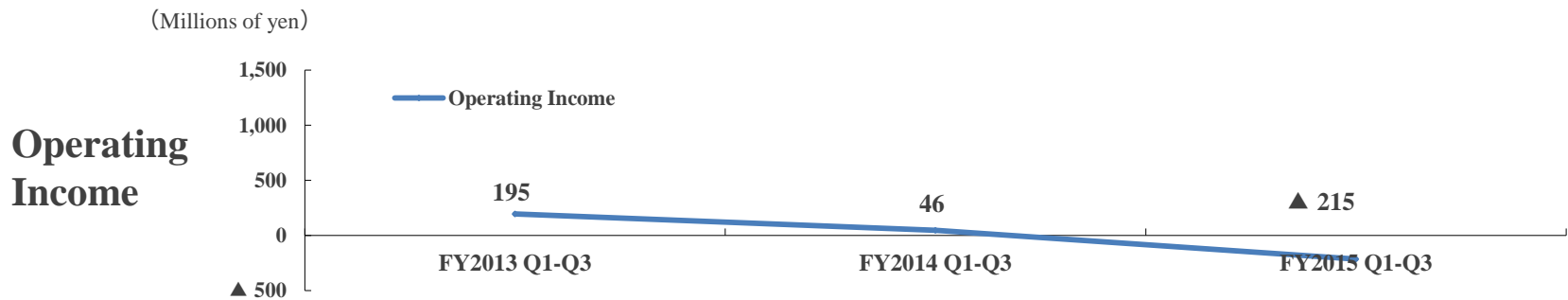
2. Results by Segments

2 Results by Segment (1) CreCla



» In our directly managed stores, sales decreased slightly because adverse weather conditions in the summer reduced the sales volume of bottled water.

» In sales to affiliated stores, sales of bottles increased slightly, but that of water coolers to affiliates decreased due to sluggish growth in customer numbers.

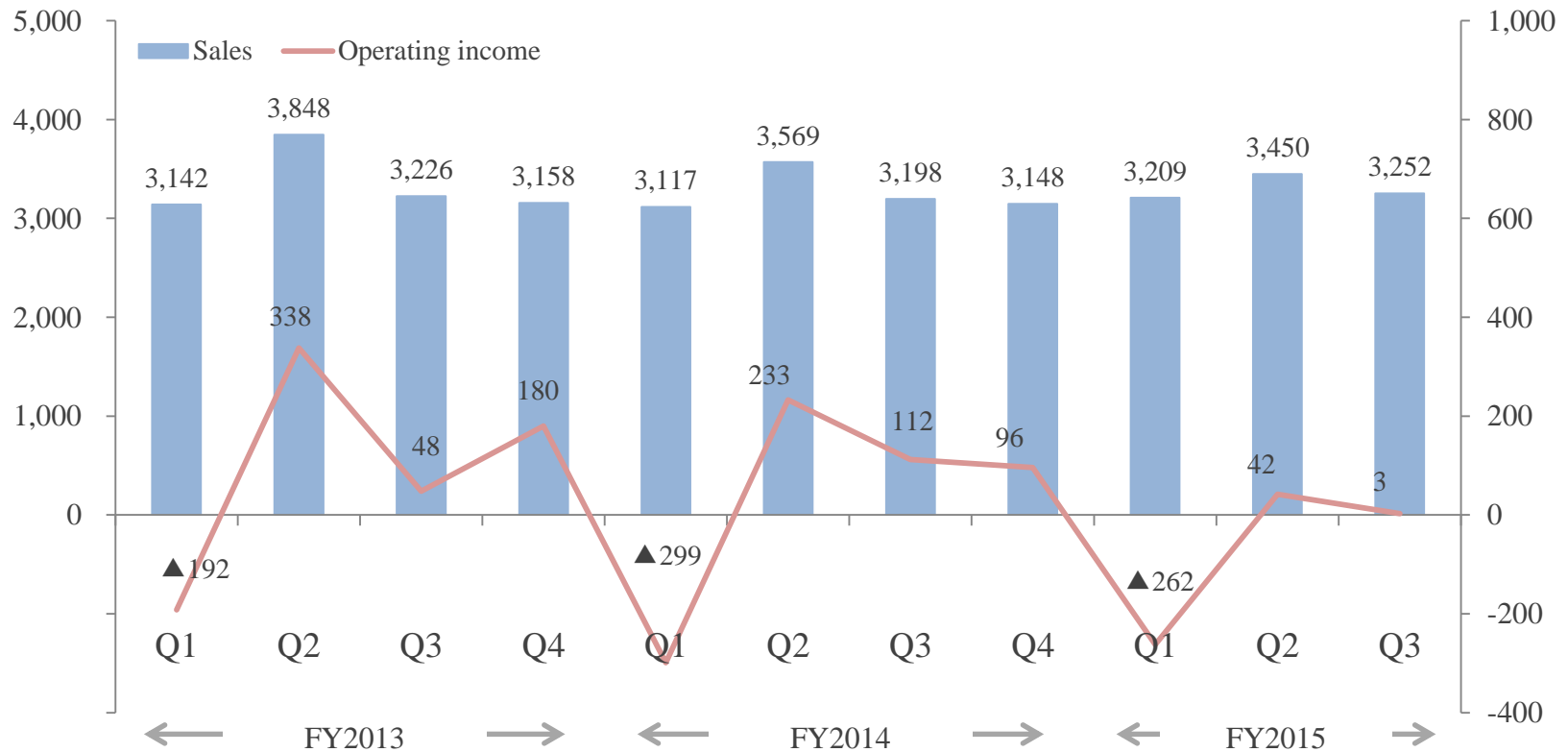


» Operating income declined slightly year on year because it booked depreciation expenses on the Honjo plant operated from April, 2015.

2 Results by Segment (1) CreCla

(Millions of yen)

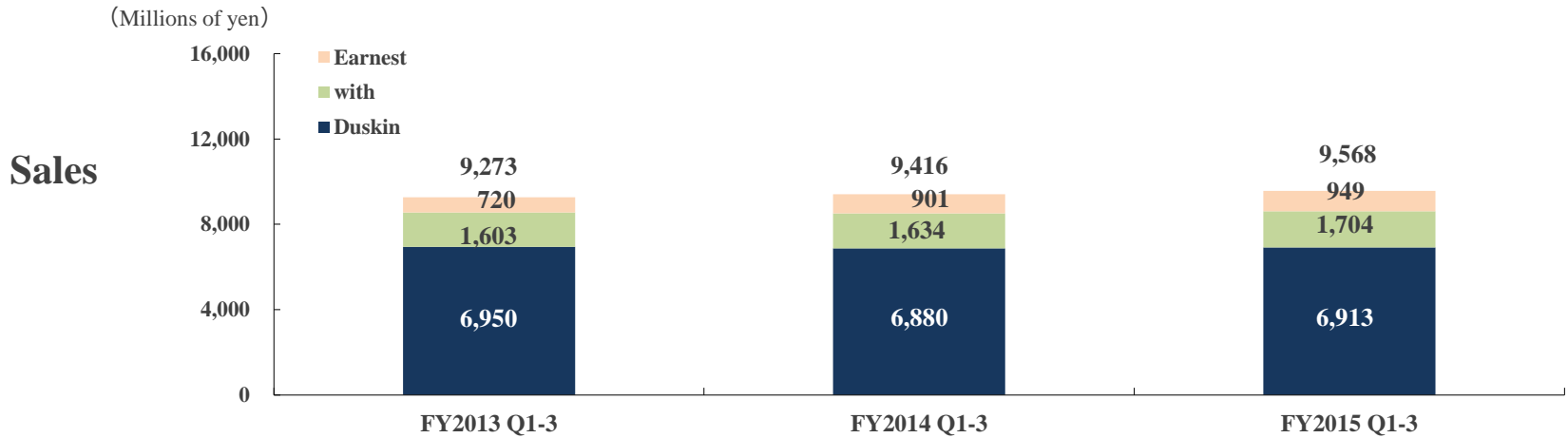
(Millions of yen)



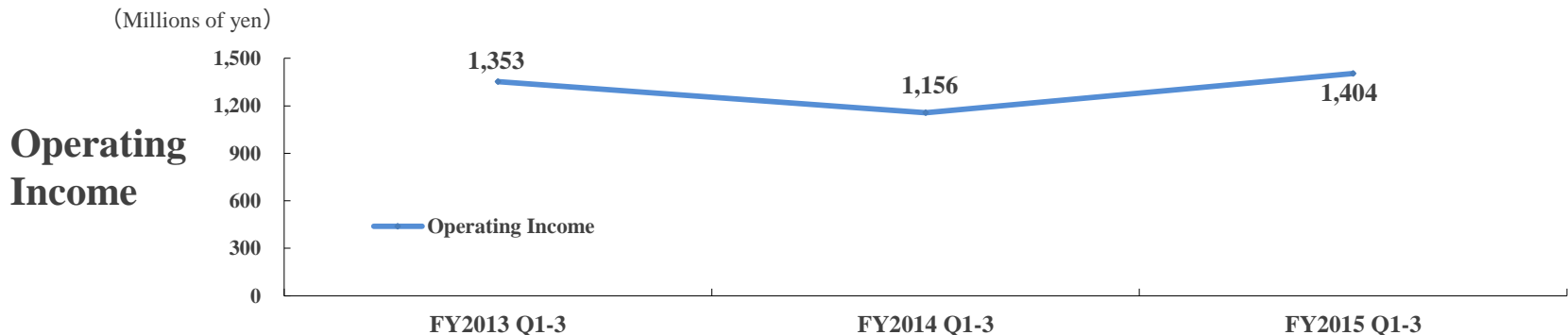
» The CreCla business invests in advertising, especially, in the first and third quarters.

» The CreCla business tends to increase operating income in the second and fourth quarters.

2 Results by Segment (2) Rental



- » In the Duskin business, steady sales efforts in the household-use market contributed to the improvement of contract termination rates.
- » In the With-branded pest-control devices business, sales grew year on year thanks to directly managed stores that opened up last year.
- » Our regular cleaning plan for business recorded sales growth thanks to steady orders received via the Internet and an increase in referrals of new customers by existing customers.



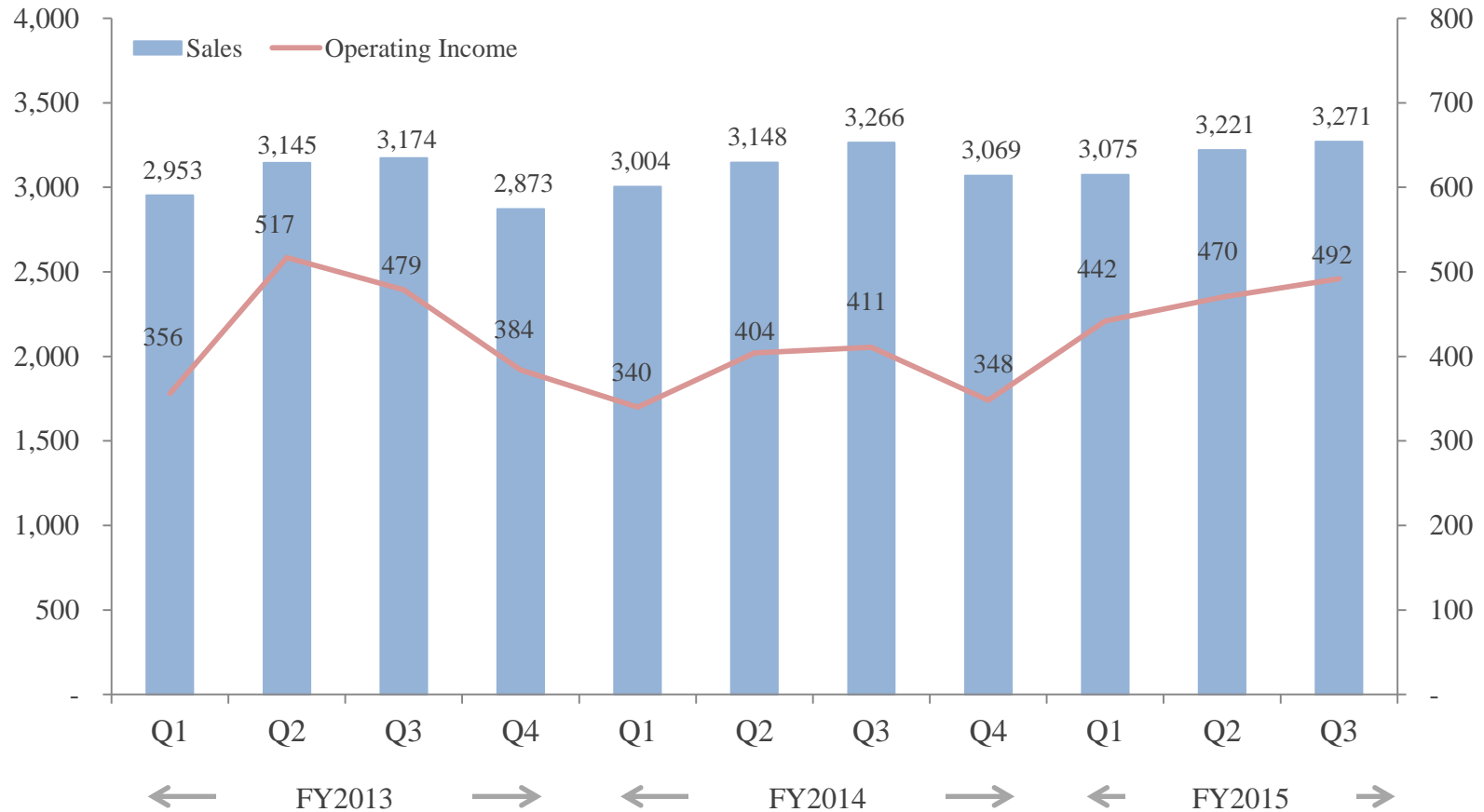
- » Operating income rose year on year due to sales growth in all businesses.

2

Results by Segment (2) Rental

(Millions of yen)

(Millions of yen)

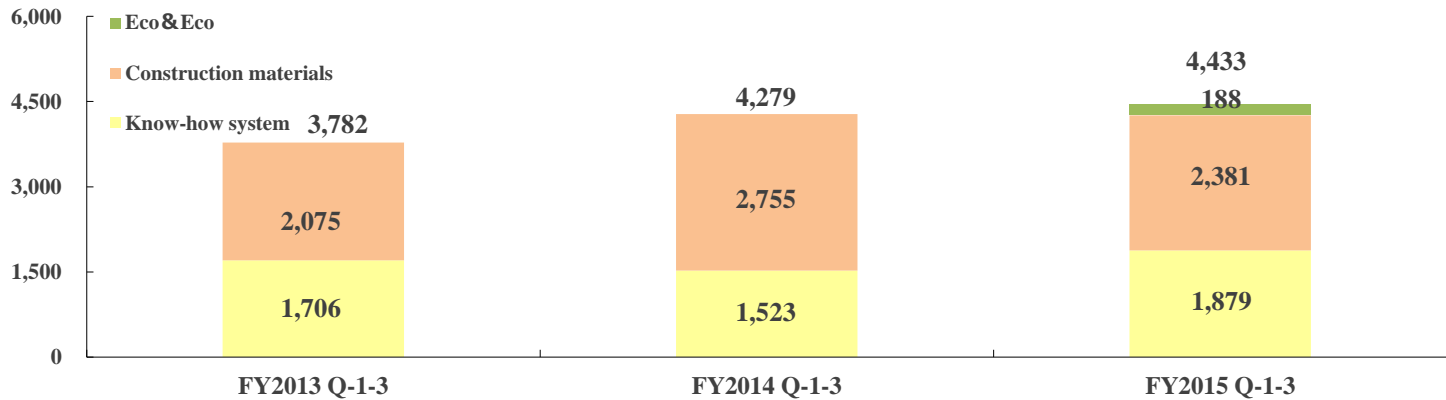


» The Rental business stabilizes both sales and operating income through the year.

2 Results by Segment (3) Construction Consulting

(Millions of yen)

Sales



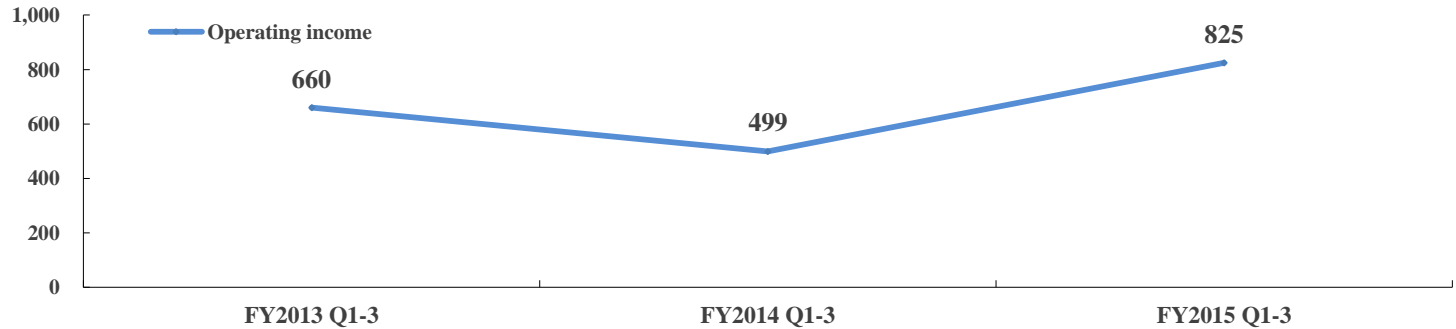
» The construction know-how systems business kept up sales efforts to sustain growth of new customers.

As a result, sales grew significantly year on year.

» In the construction materials, sales decreased year on year because of the decline of the industrial solar systems market.

(Millions of yen)

Operating Income

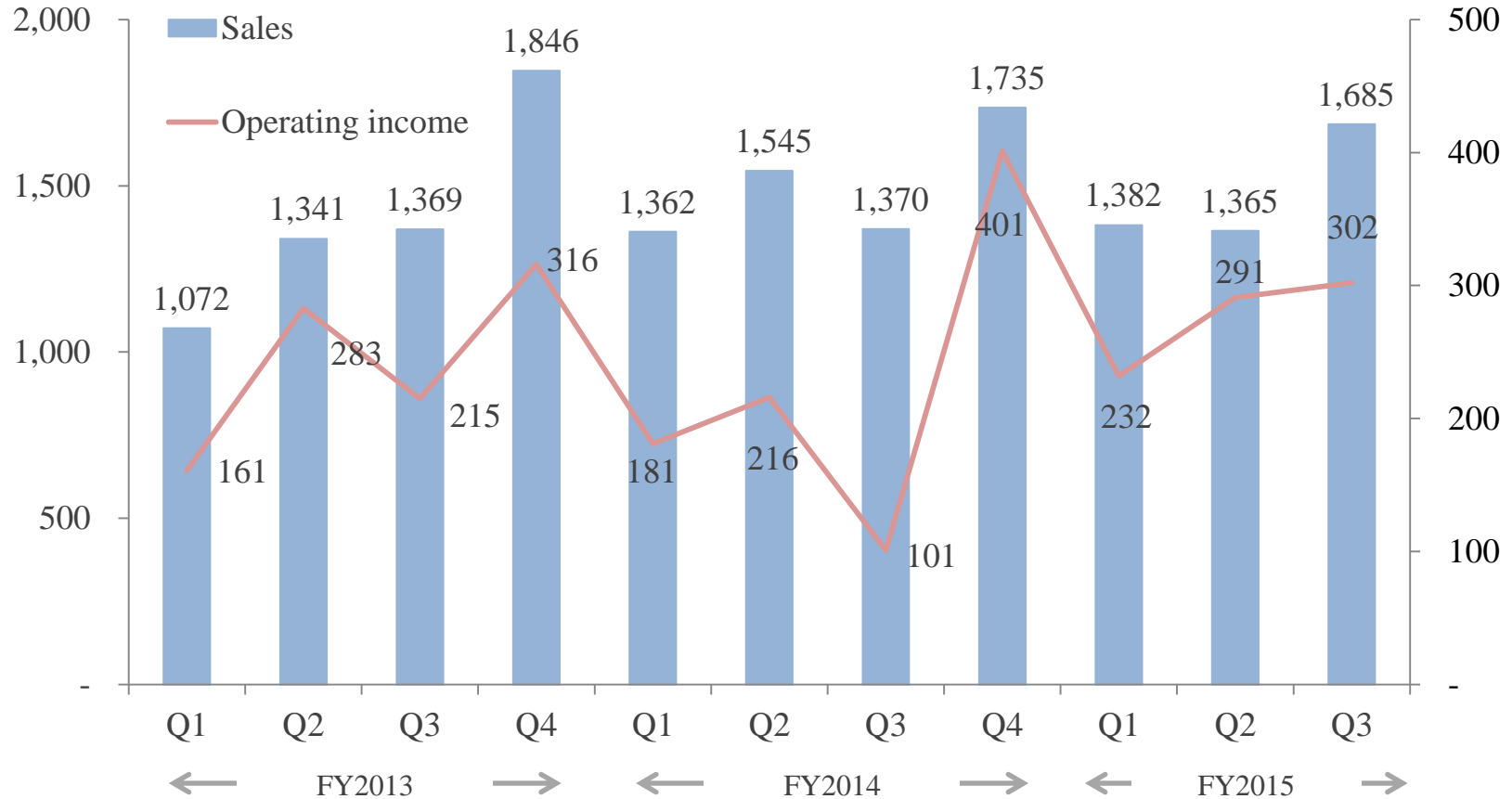


» Operating income increased significantly year on year owing to sales growth of the construction know-how systems business and revisions to management costs.

2 Results by Segment (3) Construction Consulting

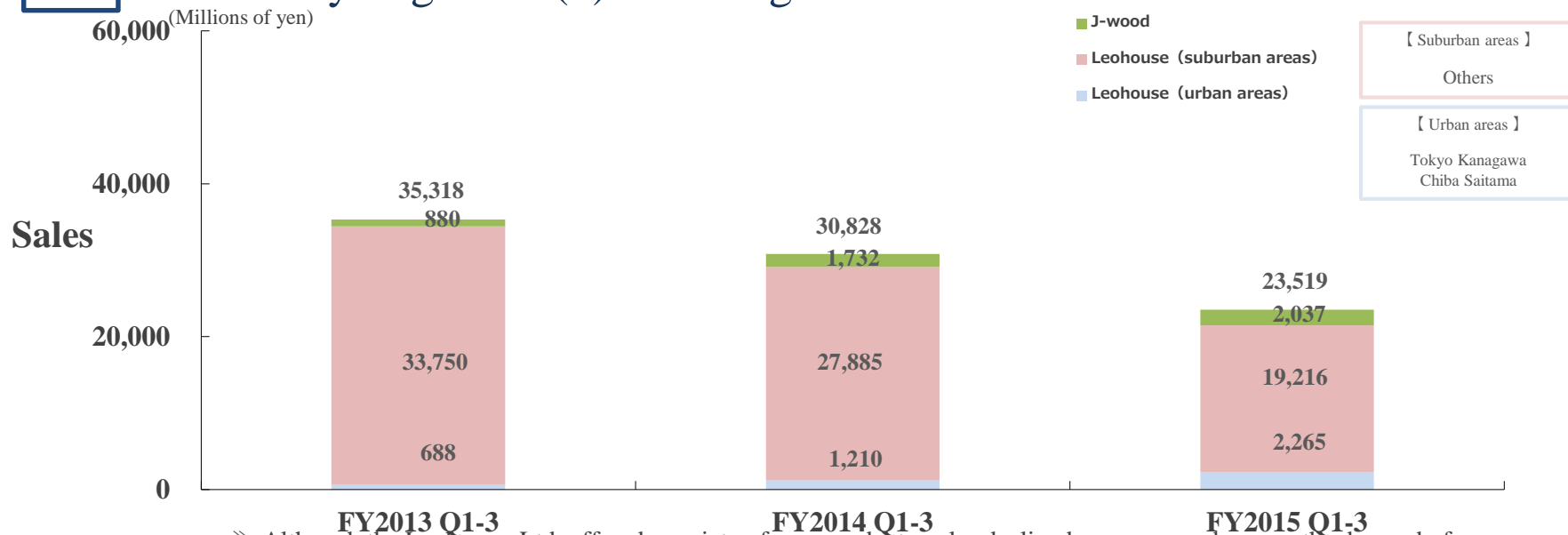
(Millions of yen)

(Millions of yen)



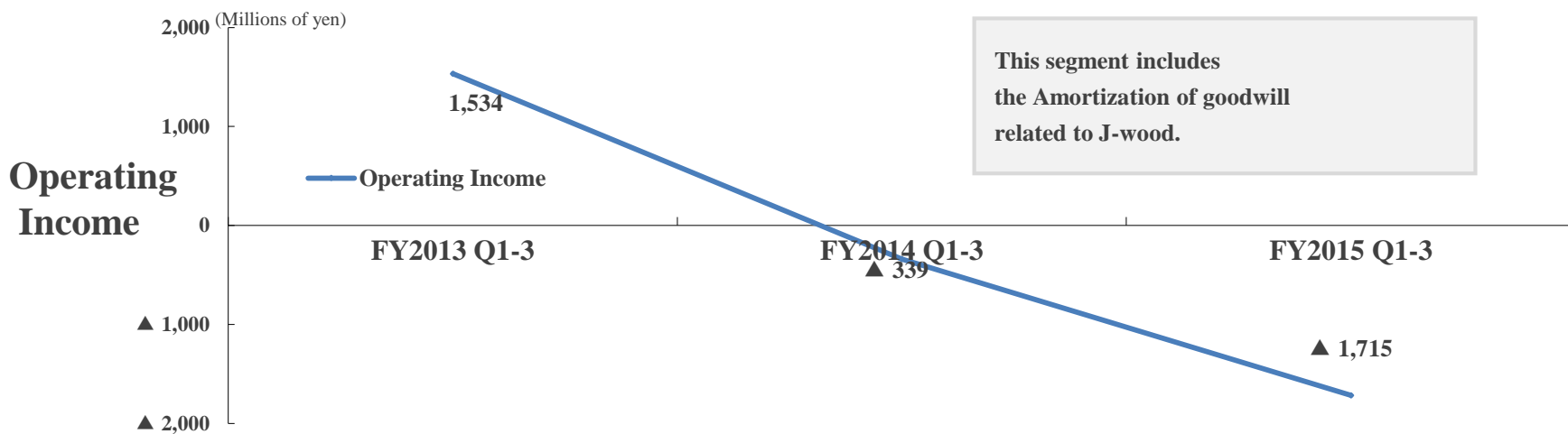
» Both sales and operating income tend to increase around the fourth quarter.

2 Results by Segment (4) Housing sales



» Although the Leohouse, Ltd. offered a variety of new products, sales declined year on year because the demand of our main customers who purchase house for the first time still waned.

» At J-wood Co., Ltd., sales and new orders received increased year on year.

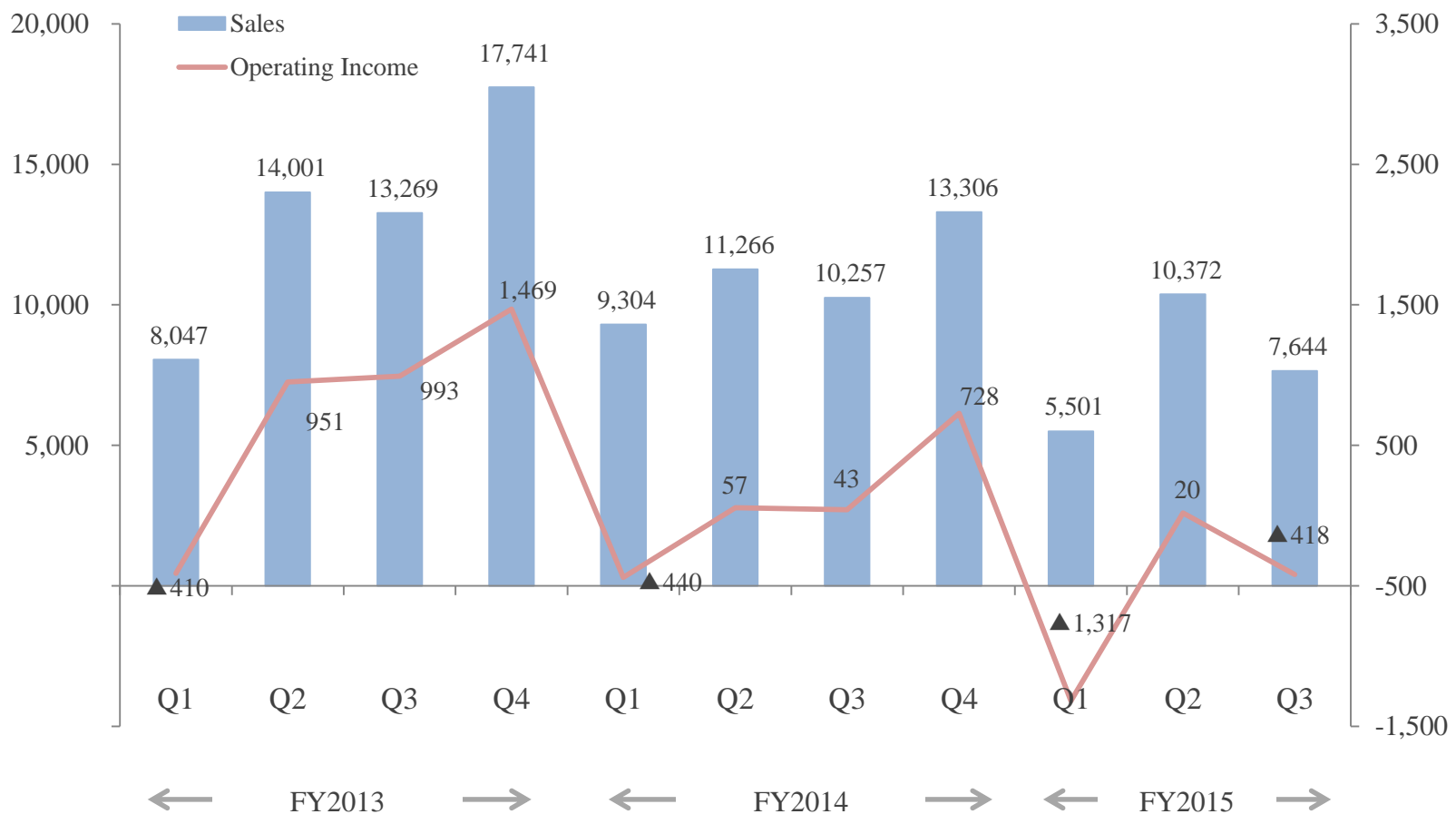


» Operating income declined in comparison with last year due to the decline of sales in the Leohouse, Ltd.

2 Results by Segment (4) Housing sales

(Millions of yen)

(Millions of yen)



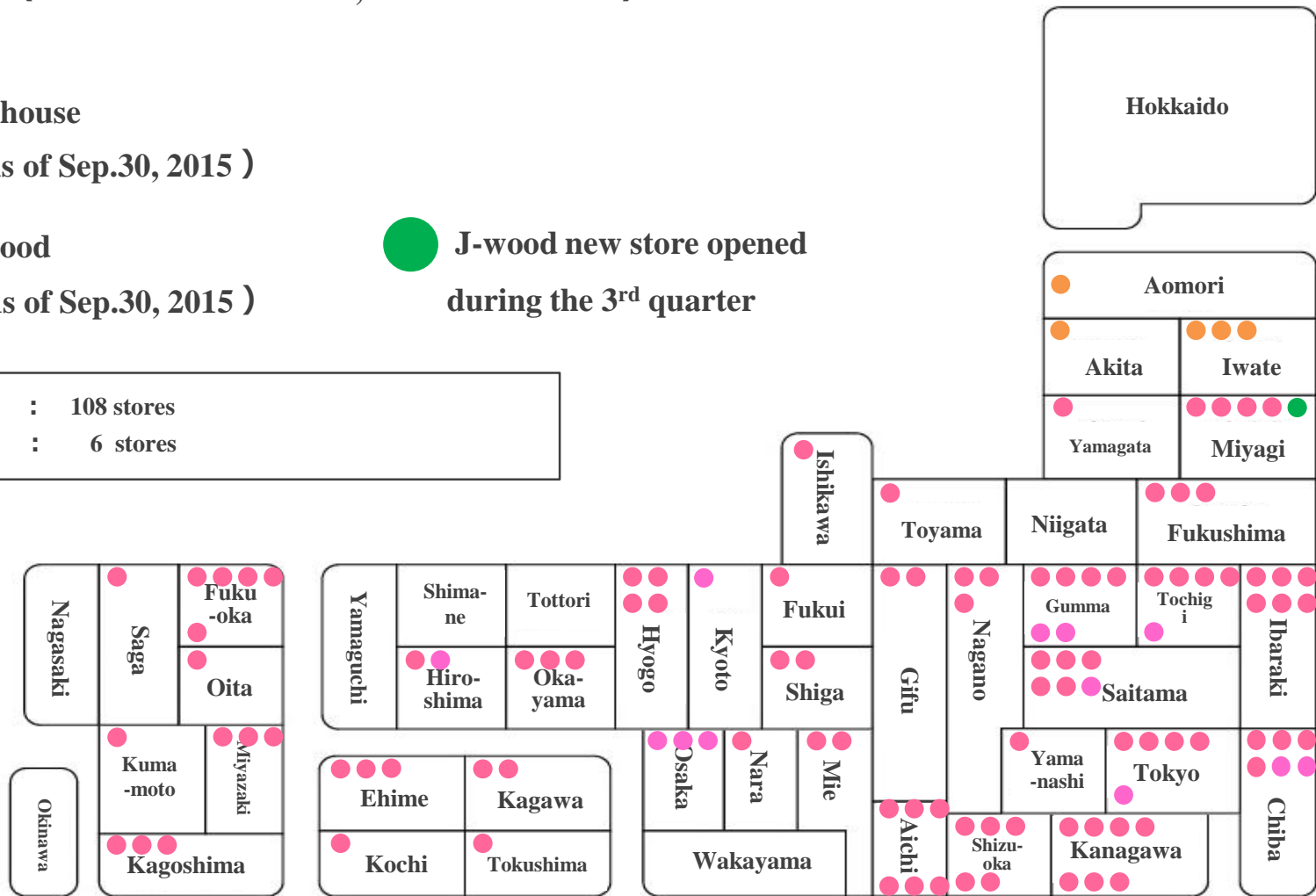
- » Sales and operating income generally are tilted toward the fourth quarter since house deliveries tend to be concentrated at the fiscal year-end.
- » In this term, both sales and operating income decreased owing to the slowdown of recovery.

2 Results by Segment (4) Housing sales

114 stores (Leohouse : 108 stores, J-wood : 6stores)

- Leohouse
(As of Sep.30, 2015)
- J-wood
(As of Sep.30, 2015)
- J-wood new store opened during the 3rd quarter

Leohouse	:	108 stores
J-wood	:	6 stores



2 Results by Segment (4) Housing sales

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

(Number of houses ordered)

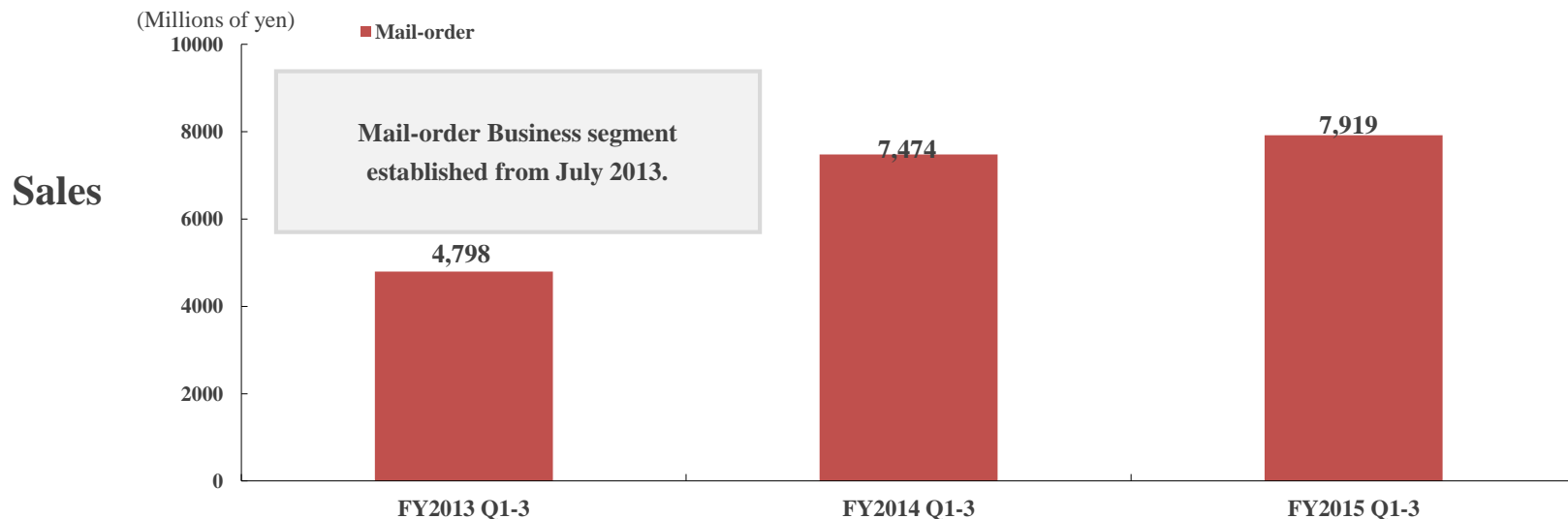
	FY2013				FY2014				FY2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	762	1017	499	531	530	525	415	435	387	533	406	
Completions	445	739	711	917	468	557	492	654	238	500	347	
Orders in hand	1,606	1,860	1,636	1,233	1,267	1,220	1,129	902	1,035	1,057	1,109	
Change	+300	+254	▲224	▲403	+34	▲47	▲91	▲227	+133	+22	+52	
Unit price	※1 17.56 million yen				※1 18.50 million yen				※1 Target : 19.03 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	9	6	2	3	4	3	3	4	7	0	0	
Total stores	84	90	92	95	※2 97	100	103	107	※3 109	※4 108	108	

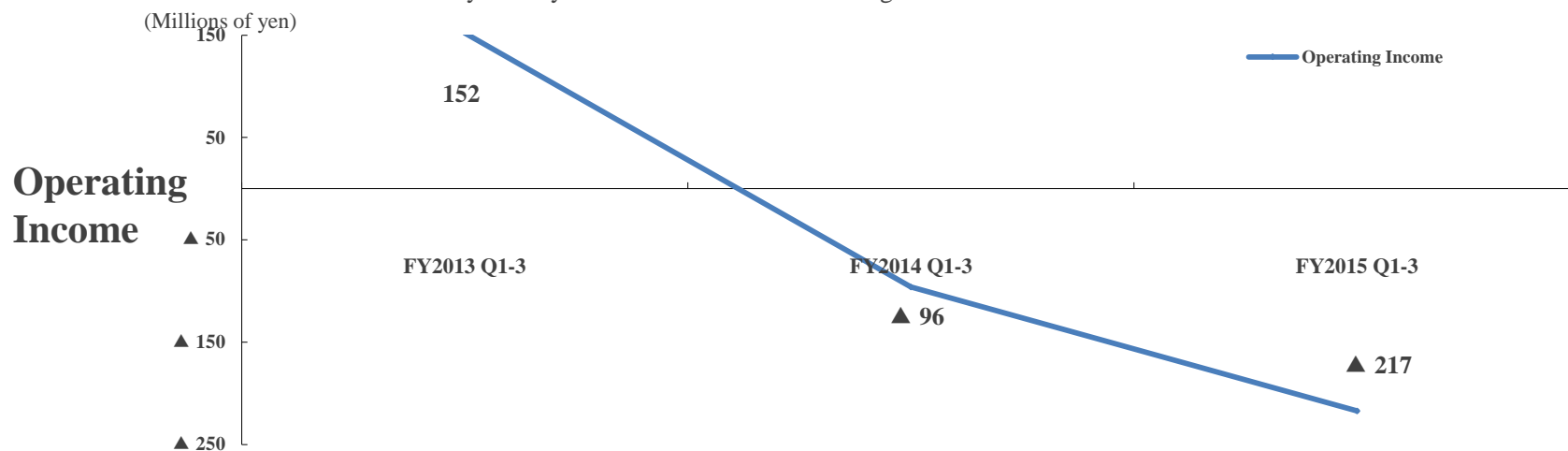
※2 ▲2 through reorganization of branch stores
 ※3 ▲5 through reorganization of branch stores
 ※4 ▲1 through reorganization of branch stores

2 Results by Segment (5) Mail-order



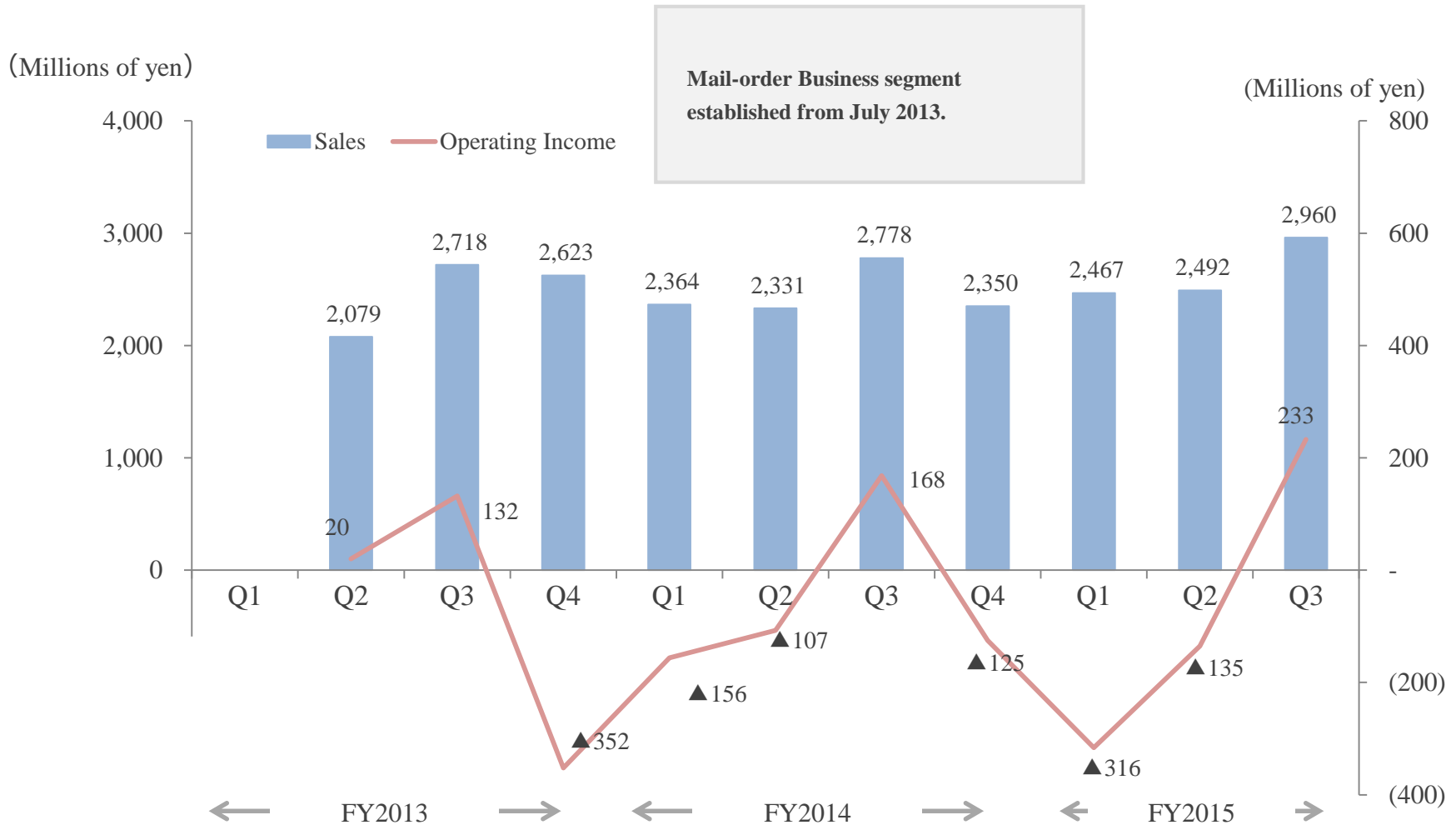
» At JIMOS Co., Ltd., sales remained solid year on year because of steady customer numbers for the mainstay Macchia Label brand. In addition, sales of the Coyori brand grew year on year as a result of a steady increase in the number of new customers.

» Sales decreased year on year in the mail-order consulting business.



» Operating income declined year on year due to aggressive investment in advertising and promotions ahead of the spending plan and a decrease in sales of the mail-order consulting businesses.

2 Results by Segment (5) Mail-order



- » 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 below zero because of aggressive investment in advertising and goodwill amortization.

3. FY2015 Forecasts of Financial Results

(Millions of yen)

	Plan (at Feb.9)	Plan Comparison		FY2014 Results
		Plan (at May.8)	change	
Sales	80,500	89,500	▲9,000	85,443
Operating income	800	1,600	▲800	1,517
Ordinary income	780	1,600	▲820	1,481
Net income	300	700	▲400	519
EPS	17.80 yen	41.71 yen	▲23.91 yen	31.09 yen
Dividends per share	38 yen	39 yen	▲1 yen	38 yen

» Based on the results as of Dec.31,2015 and the expectation of the results of 4th quarter, we revise forecasts downwards, .

3 Sales Forecast by Segment

(Millions of yen)

Sales	Plan (at Feb.9)	Plan Comparison		FY2014 Results
		Plan (at May.8)	Change	
CreCla	13,100	14,000	▲900	13,033
Rental	12,800	12,900	▲100	12,485
Construction Consulting	6,400	5,500	+900	6,014
Housing Sales	37,700	46,400	▲8,700	44,134
Mail-order	10,500	10,700	▲200	9,825
Total	80,500	89,500	▲9,000	85,443

» In CreCla Business, we revise Sales forecast downwards because it is expected that sales of water-coolers to affiliates will fall below the plan.

» In Housing Sales Business, we revise Sales forecast downwards based on the number of orders until the 3rd quarter.

3 Operating income Forecasts by Segment

(Millions of yen)

Operating income	Plan (at Feb.9)	Plan Comparison		FY2014 Results
		Plan (at Nov.7)	Change	
CreCla	▲220 (▲1.7%)	0 (-)	▲220 (▲1.7pt)	143 (1.1%)
Rental	1,850 (14.5%)	1,750 (13.6%)	+100 (+0.9pt)	1,505 (12.1%)
Construction Consulting	1,050 (16.4%)	700 (12.7%)	+350 (+3.7pt)	900 (15.0%)
Housing Sales	▲390 (▲1.0%)	900 (1.9%)	▲1,290 (▲2.9pt)	388 (0.9%)
Mail-order	10 (0.1%)	▲50 (▲0.5%)	+60 (+0.6pt)	▲222 (▲2.3%)
Elimination, HQ cost	▲1,500	▲1,700	+200	▲1,199
Total	800 (1.0%)	1,600 (1.8%)	▲800 (▲0.8pt)	1,517 (1.8%)

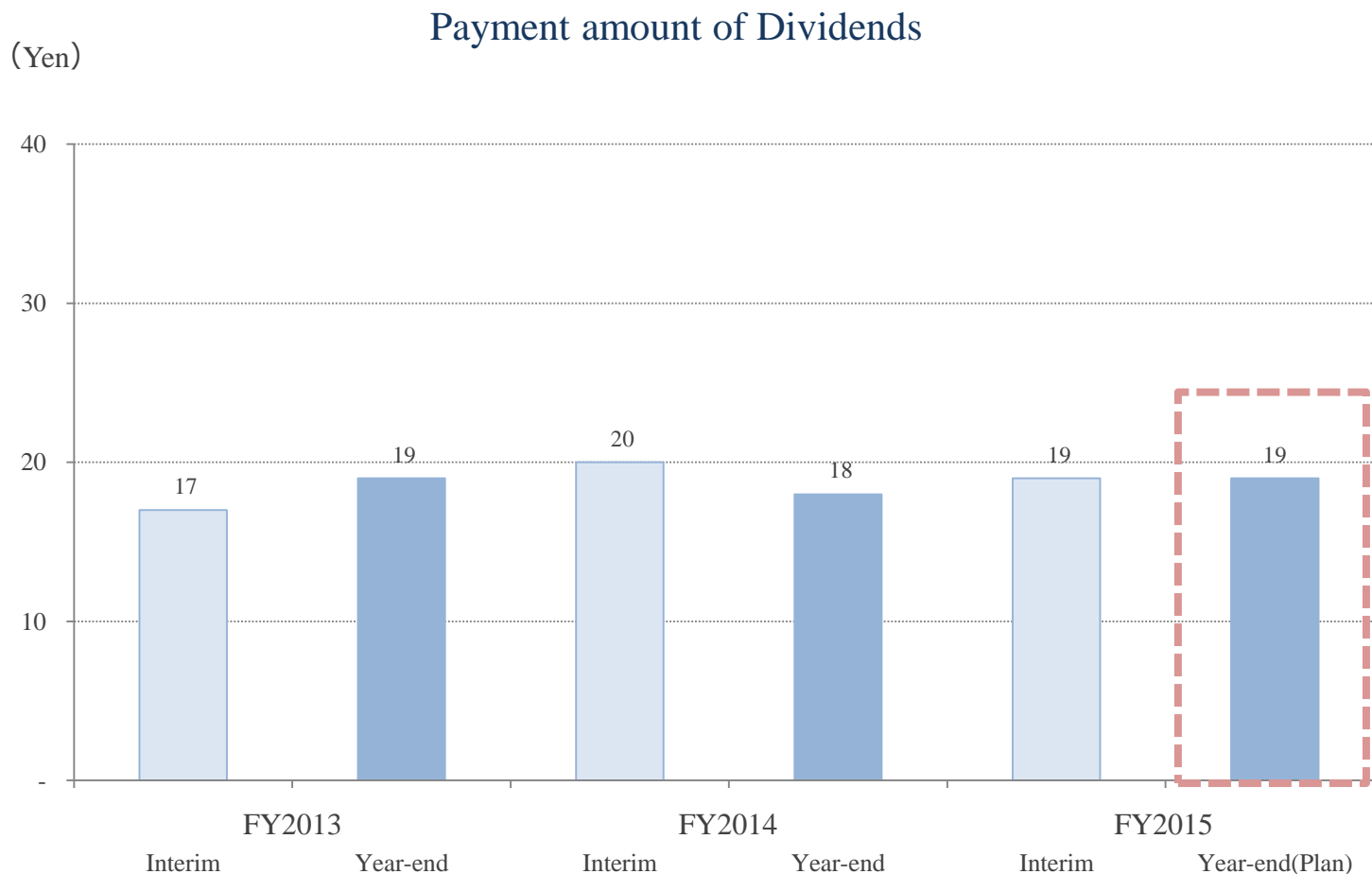
Note) The figures inside ()marks indicate operating margin.

» We revise Operating income forecast downwards with Sales.

4. Plan of Dvidends

4

Plan of dividends : Dividend Policy with DOE 4%



Dividends per share	36 yen	38 yen	38 yen
---------------------	--------	--------	---------------

» Our dividend policy is DOE 4%. Based on the revision to the earnings forecast, we revised the forecast for the year-end dividend to 19 yen. As a result, full-year dividend is 38 yen.

5. Appendix

About Us and Our Business




(As of the end of September 2015)

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) ■ Mail-order (Cosmetics and health food mail-order sales)
Consolidated companies	<p>Leohouse Co., Ltd. (Housing sales) Earnest Corporation (Building maintenance) JIMOS Co., Ltd. (Mail-order) J-wood Co., Ltd. (Housing sales) Eco & Eco Co., Ltd. (Housing equipment sales • Construction) Nac life partners Co., Ltd. (Housing sales)</p>
Employees	2,014 (consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	9,832 (Total number of shareholders; treasury shares are excluded)

	FY2013	FY2014	Comparison
Average number of shares during the period	16,608,950 shares	16,717,171 shares	+ 108,221 shares
Net assets per share (BPS)	961.07 yen	961.22 Yen	+ 0.15 yen
Net income per share (EPS)	168.23 yen	31.09 yen	▲ 137.14 yen
Equity ratio	39.6%	40.5%	+ 0.9 pt
Ratio of shareholder's equity to Net income (ROE)	18.8%	3.2%	▲ 15.6 Pt
Dividends per share	36 yen	38 yen	+2 yen
Dividend ratio	21.4%	122.2%	+ 100.8 pt
Ratio of dividends to shareholder's equity	4.0%	4.0%	0 pt

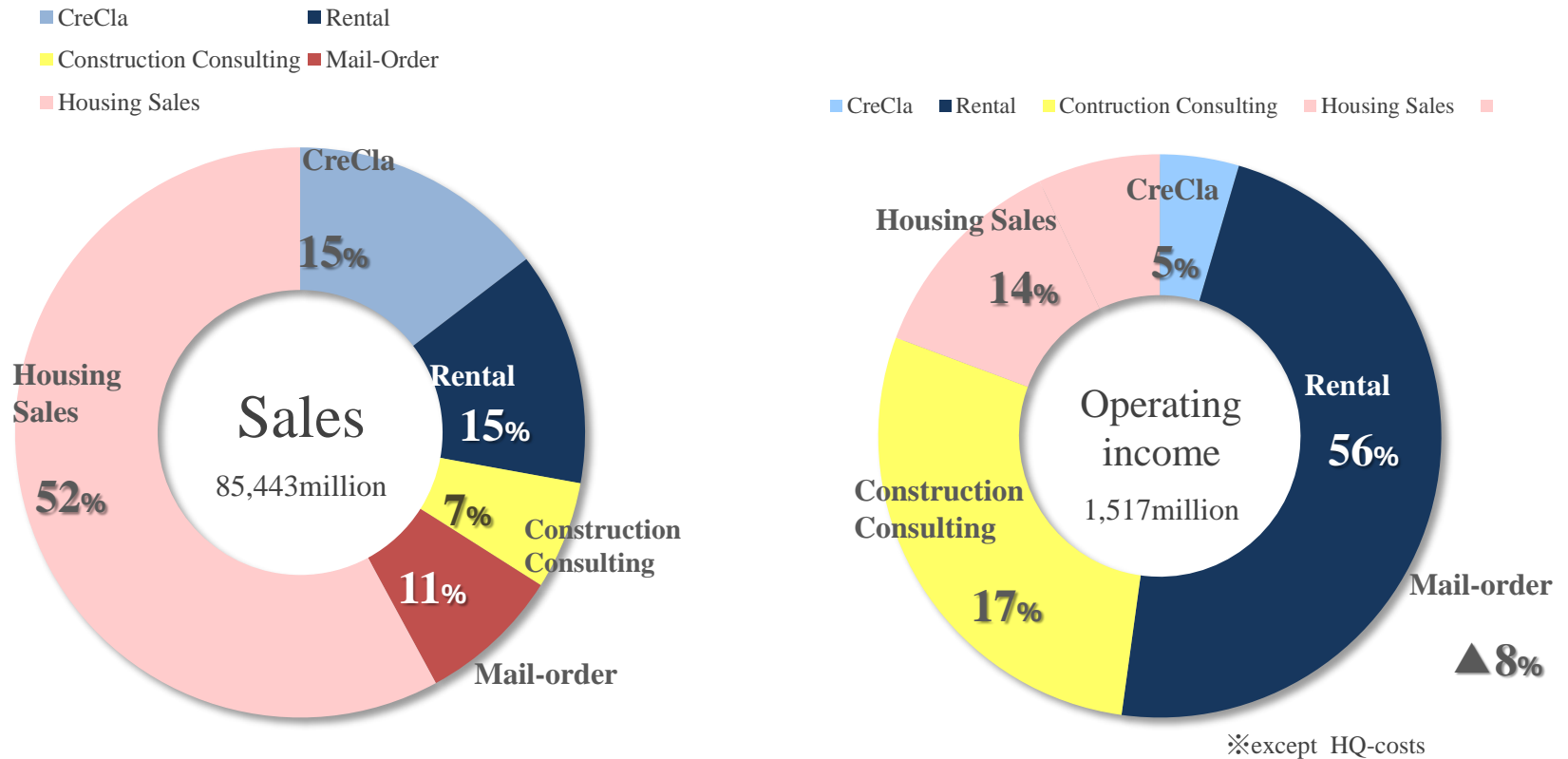
5

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	
Feb. 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. 2014	Opened the CreCla Honjo-Plant	

5 Positioning in a market of each business

<p>CreCla</p>	<ul style="list-style-type: none"> ■ Market leader in bottled water sales (Number of affiliated stores : 600) ■ 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
<p>Rental</p>	<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
<p>Construction Consulting</p>	<ul style="list-style-type: none"> ■ Providing support for affiliated building firms through order promotion and cost reduction services, including solar power systems and products for Smart House.
<p>Housing Sales</p>	<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) ■ Acquired J-wood Co., Ltd. (July 2013) that produces natural houses
<p>Mail-order</p>	<ul style="list-style-type: none"> ■ 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 260 thousand female customers (mainly in their 40-60's) ■ In the "'14 Yahoo! BEAUTY mail order cosmetics grand prize you choose." It won the products No.1 of JIMOS in base makeup items department



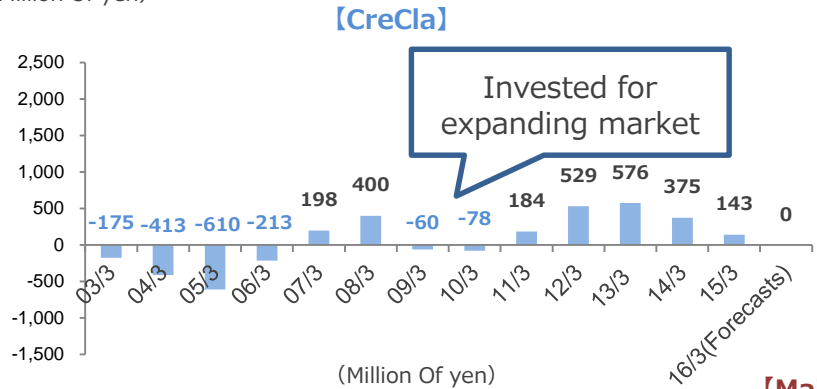
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
2.8%	14.3%	17.4%	▲2.3%	0.9%	1.8%

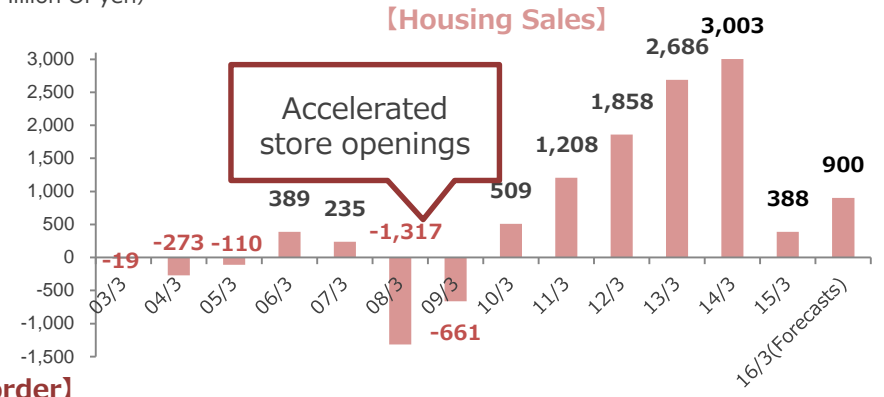
5

Operating income trend by segment

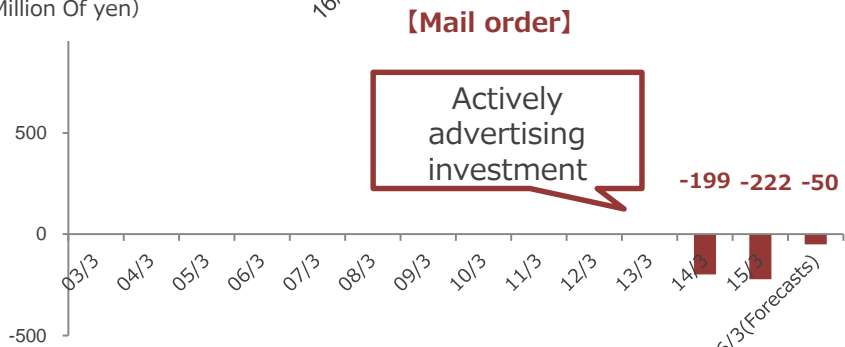
(Million Of yen)



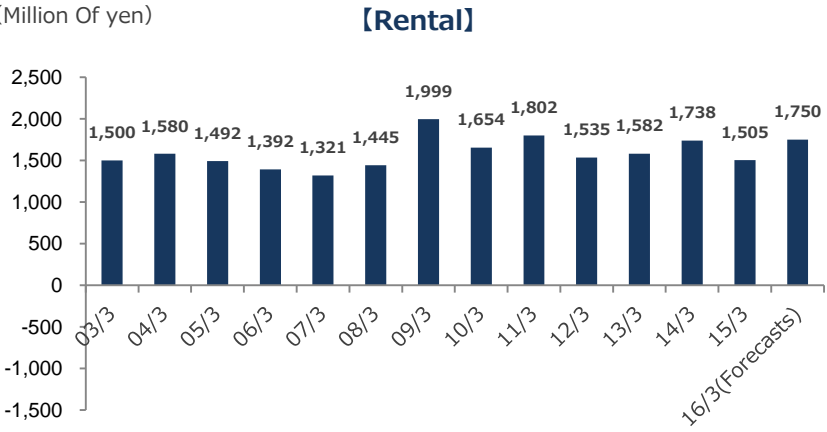
(Million Of yen)



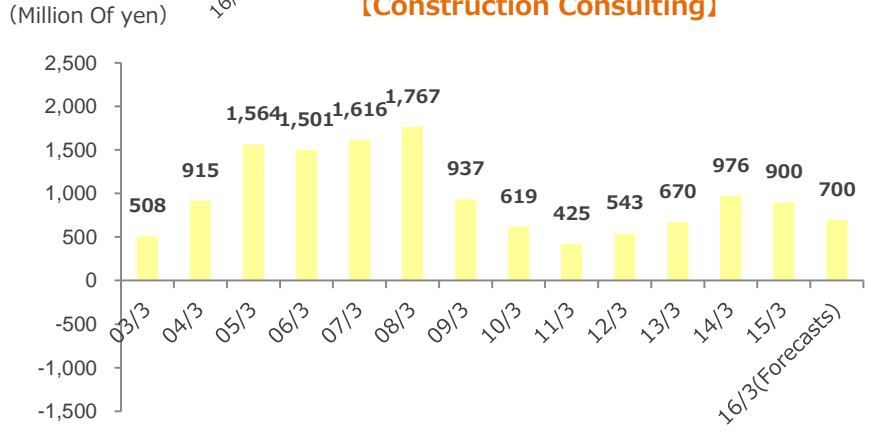
(Million Of yen)



(Million Of yen)



(Million Of yen)



We focus on aggressive investment toward growth centering on the Rental Business and the Construction Consulting Business, which show stable business performance.