

Results for the 1st Quarter ended June 30, 2016

【 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



August 9th, 2016

NAC Co., Ltd.

Code; 9788 TSE 1st section



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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 1st quarter

(Millions of yen)

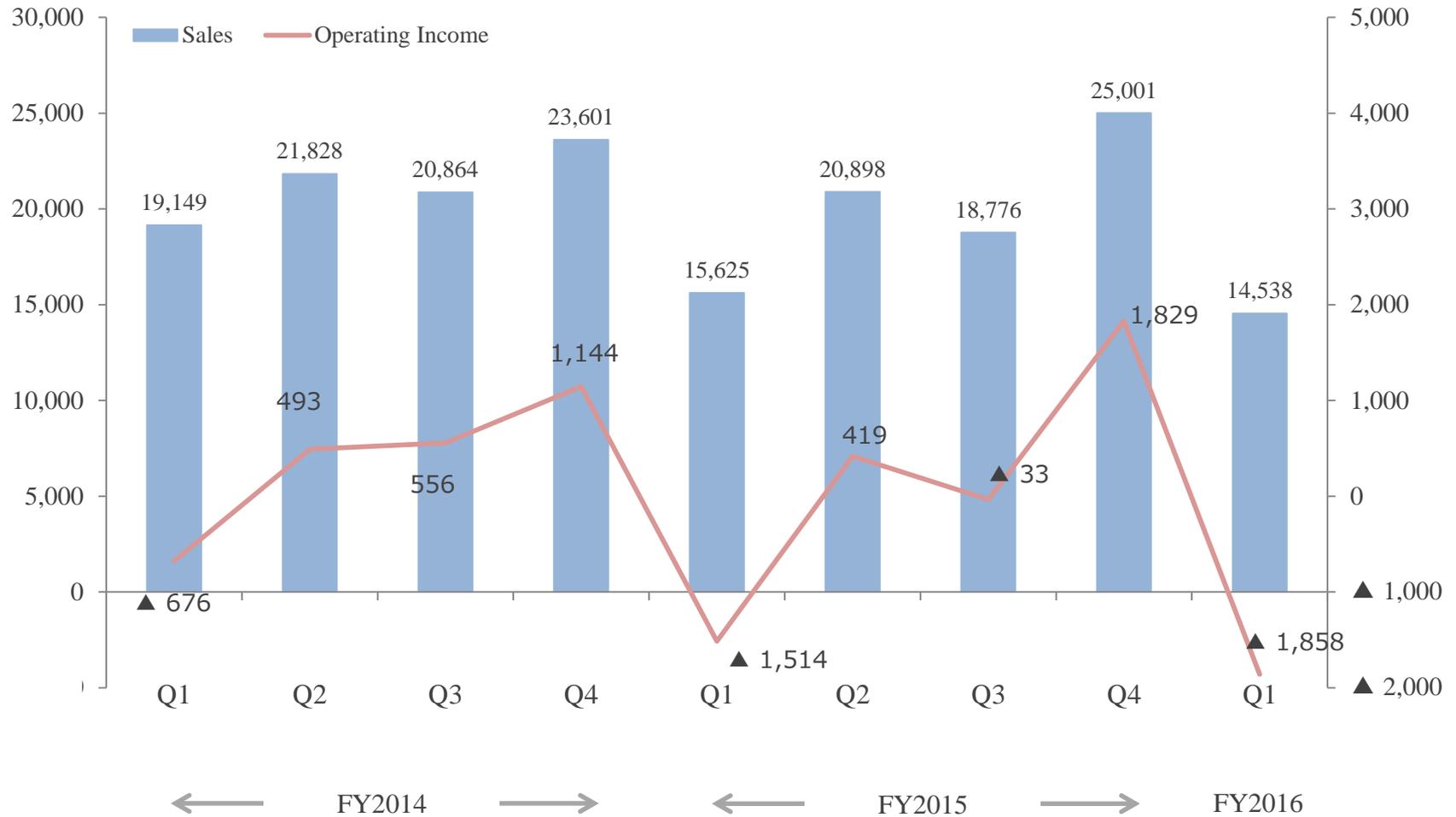
	3 months ending FY2016	3 months ended FY2015	YOY Comparison
Sales	14,538	15,625	▲7.0%
Gross profit	7,108	7,182	▲1.0%
(Gross margin)	48.9%	46.0%	+ 2.9pt
SG&A	8,966	8,696	+ 3.1%
Operating Income	▲1,858	▲1,514	—
(Operating margin)	▲12.8%	▲9.7%	▲3.1pt
Non-operating income and loss	▲14	0	—
Ordinary Income	▲1,872	▲1,513	—
Extra-ordinary income and loss	▲48	▲53	—
Net Income attributable to owners of parent	▲1,406	▲1,155	—

» In the Housing Sales Business, orders in hand were decreased as of the end of the previous fiscal year, so both sales and operating income were declined year on year.

1 Sales & Operating income trend by Quarter

(Million of yen)

(Million of yen)



» Nac tends to post an operating loss in the 1st quarter because hand-over in Housing sales usually concentrate around 4th quarter.

1 Sales by Segment

(Millions of yen)

	3 months ending FY2016	3 months ended FY2015	YOY Comparison
CreCla	3,243	3,209	+1.0%
Rental	3,170	3,075	+ 3.1%
Construction Consulting	1,220	1,382	▲ 11.7%
Housing Sales	4,376	5,501	▲ 20.5%
Mail-order	2,528	2,467	+2.5%
Elimination	▲ 1	▲ 11	—
Total	14,538	15,625	▲ 7.0%

- » In the CreCla Business, both affiliates and our directly managed store increased sales year on year.
- » In the Rental business, sales rose year on year due to sales growth in all business area.
- » In the Construction Consulting business, the construction materials business and the construction know-how systems decreased sales year on year.
- » In the Housing Sales Business, sales declined year on year because orders in hand was decreased as of the end of the previous fiscal year
- » In the 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)

	3 months ending FY2016	3 months ended FY2015	YOY Comparison
CreCla	▲186 (▲5.8%)	▲262 (▲8.2%)	— (+2.4pt)
Rental	366 (11.6%)	442 (14.4%)	▲17.1% (▲2.8pt)
Construction Consulting	103 (8.5%)	232 (16.8%)	▲55.3% (▲8.3pt)
Housing Sales	▲1,543 (▲35.3%)	▲1,317 (▲24.0%)	— (▲11.3pt)
Mail-order	▲266 (▲10.5%)	▲316 (▲12.8%)	— (+2.3pt)
Elimination, HQ Cost	▲332	▲292	—
Total	▲1,858 (▲12.8%)	▲1,514 (▲9.7%)	— (▲3.1pt)

- » The CreCla business increased operating income year on year owing to increases in sales.
- » The rental business decreased operating income year on year owing to increases in personnel expenses and sales and general administrative expenses.
- » The construction Consulting decreased operating income year on year owing to sales decreases in the construction know-how systems business.
- » Housing business decreased operating income year on year owing to decrease in sales.
- » Mail-order business improved operating income year on year due to the proper operation of investments in advertising and sales and general administrative expenses.

1 Analysis for operating income & loss(YoY change)

(Millions of yen)

			Comparison
FY2015 Q1 Operating Income		▲1,514	-
1.	Gross profit	▲74	▲1.0%
2. ※ Increase and Decrease of SG&A	Sales promotion cost and Advertising Exp.	▲116	▲6.5%
	Personnel expenses	+17	+0.5%
	Commission paid	▲157	▲53.3%
	Depreciation and Amortization	+68	+12.7%
	Rent	+7	+1.3%
	Others	▲89	+4.4%
FY2016 Q1 Operating Income		▲1,858	-

※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

» Gross profit margin decreased year on year in the Housing Sales Business.

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

» Sales promotion cost and Advertising expenses increased in the Rental business, CreCla business and J-wood Co., Ltd.,.

» Commission paid increased because of several reasons such as M&A costs.

» Depreciation and amortization decreased in the Leo-house Co., Ltd.,.

(Millions of yen)

	As of Jun. 2016	Break down	As of Mar. 2016	Break down	Comparison
Current assets	19,165	47.2 %	20,113	48.2%	▲948
Total property, plant and equipment	13,966	34.4 %	14,249	34.2%	▲282
Intangible assets	3,716	9.1 %	3,700	8.9%	15
Investments and other assets	3,779	9.3 %	3,630	8.7%	149
Non-current assets	21,462	52.8 %	21,580	51.8%	▲117
Total assets	40,627	100.0%	41,694	100.0%	▲1,066
Current liabilities	19,051	46.9 %	17,695	42.4%	+ 1,356
Non-current liabilities	7,465	18.4 %	8,167	19.6%	▲701
Total liabilities	26,517	65.3 %	25,862	62.0%	+655
Shareholder's equity	14,932	36.8 %	16,661	40.0%	▲1,728
Accumulated other comprehensive income	▲823	▲2.0 %	▲829	▲2.0%	+ 6
Total net assets	14,109	34.7 %	15,831	38.0%	▲1,721
Total liabilities and net assets	40,627	100.0%	41,694	100.0%	▲1,066

- Current assets : Cash and deposits ▲4,099 Costs on uncompleted construction contracts +1,569 Products +770
- Non-current assets : Building and structures ▲369
- Current liabilities : Accounts payable ▲1,298 Advances received on uncompleted construction contracts +2,494
- Non-current liabilities : Long-term loans ▲575

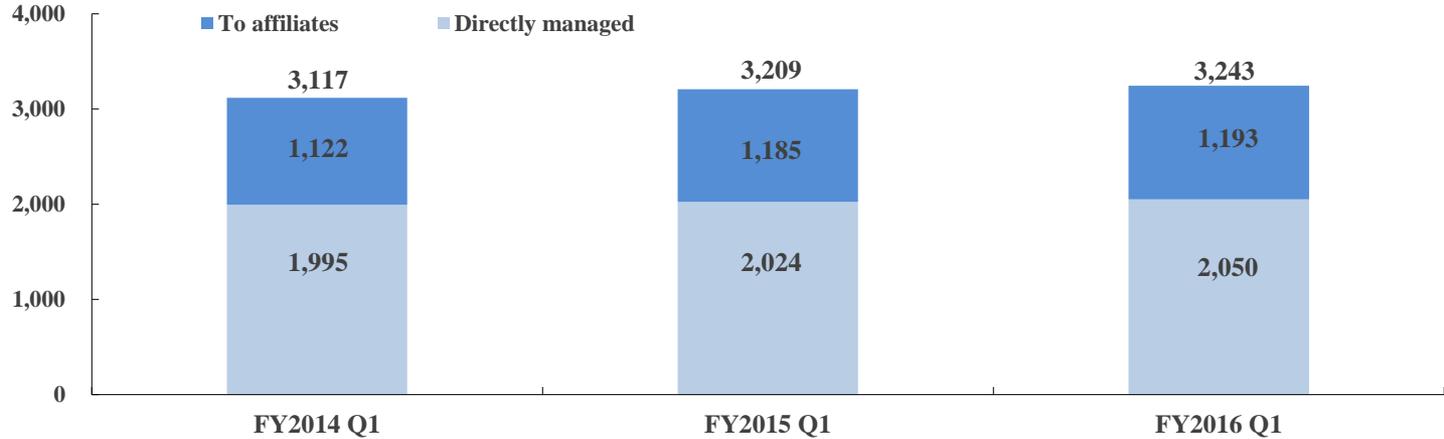
Equity Ratio : 34.7%

2. Results by Segments

2 Results by Segment (1) CreCla

Sales

(Millions of yen)

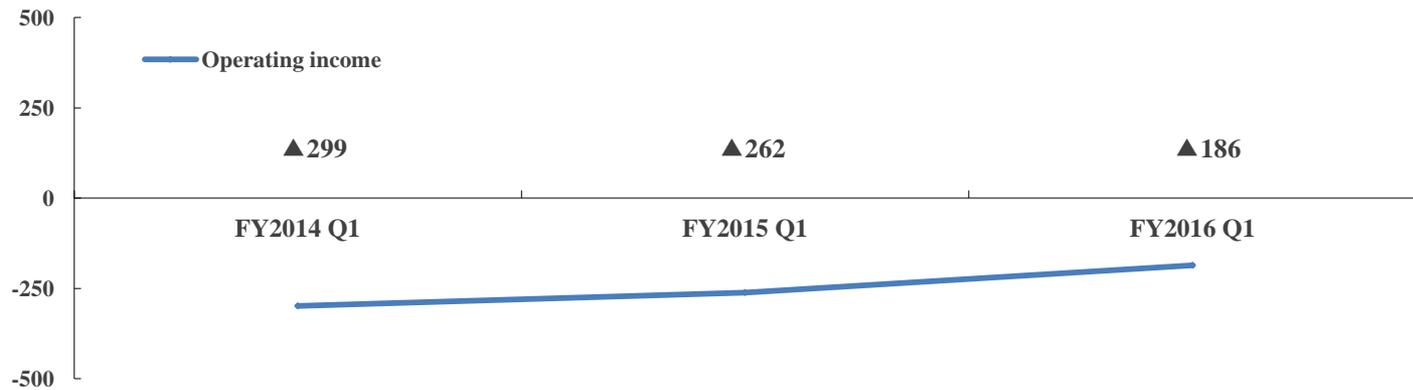


» In direct managed stores, we worked on sales promotion aggressively to increase the number of customers. As a result, sales increased year on year.

» In sales to affiliated stores, we continue to improve customer services and quality. As a result, sales increased slightly year on year.

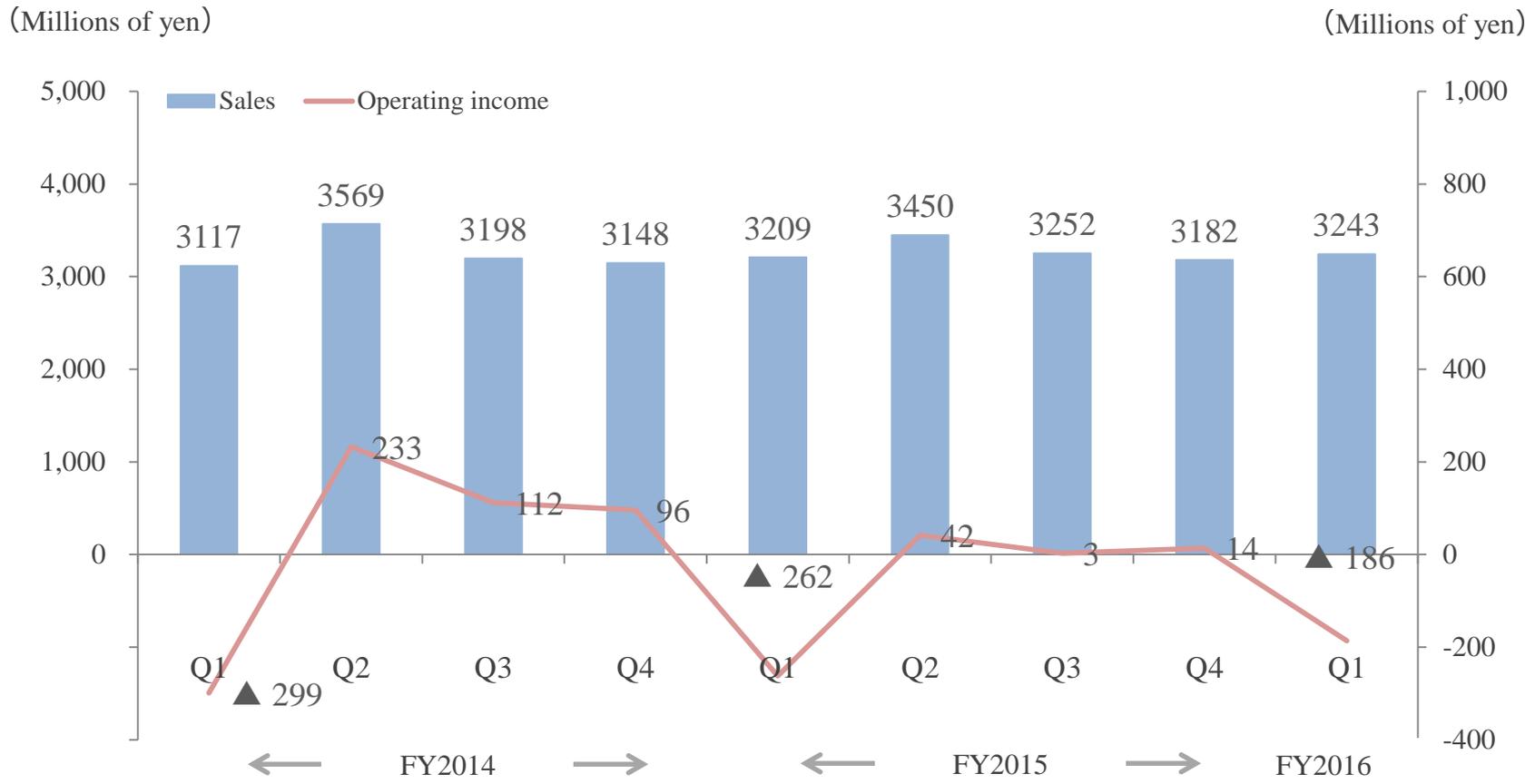
Operating Income

(Millions of yen)



» Operating income increased year on year due to an increase in sales.

2 Results by Segment (1) CreCla

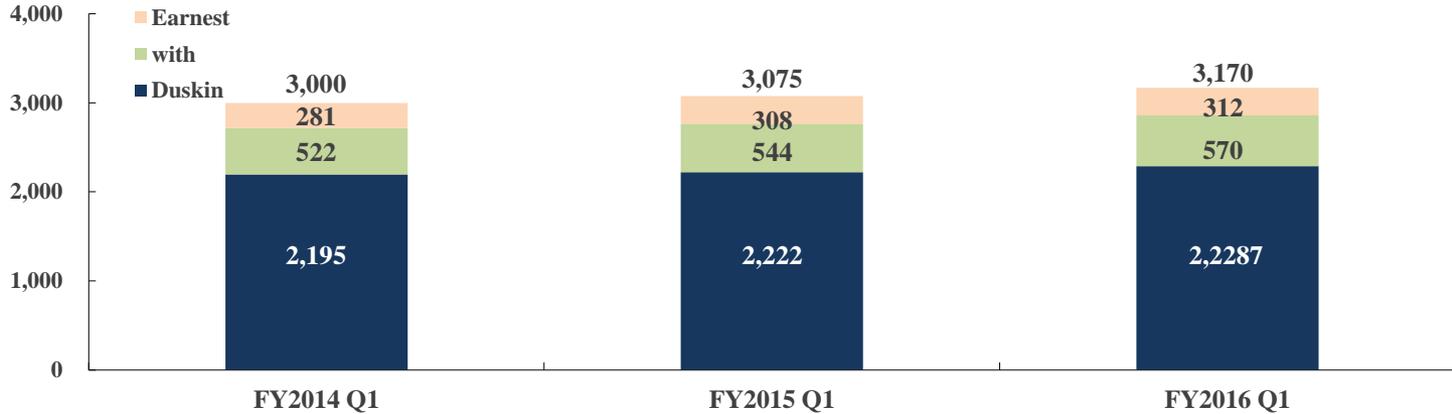


» The CreCla invests in advertising during Q1 & Q3 than Q2 & Q4

2 Results by Segment (2) Rental

Sales

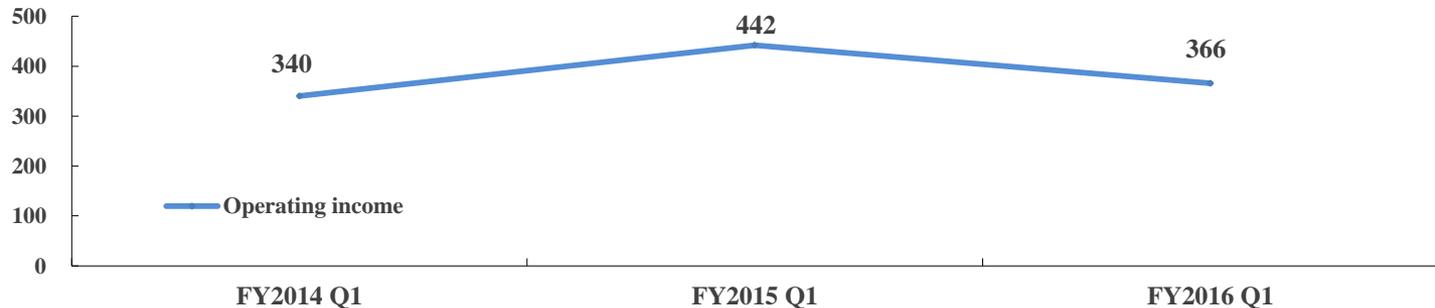
(Millions of yen)



- ≫ In Duskin division, we focused on several strategies (e.g. an increase in the number of customers by the use of M&A, the improvements of sales per customer, and the expansion of customer base through total care service business). As a result, sales increased year on year.
- ≫ In the With-branded pest control devices business, sales increased because of the reinforcements of sales promotions in our directly managed stores and affiliates.
- ≫ Earnest corporation recorded sales growth thanks to steady orders received via the Internet and an increase in referrals of new customers by existing customers.

Operating Income

(Millions of yen)

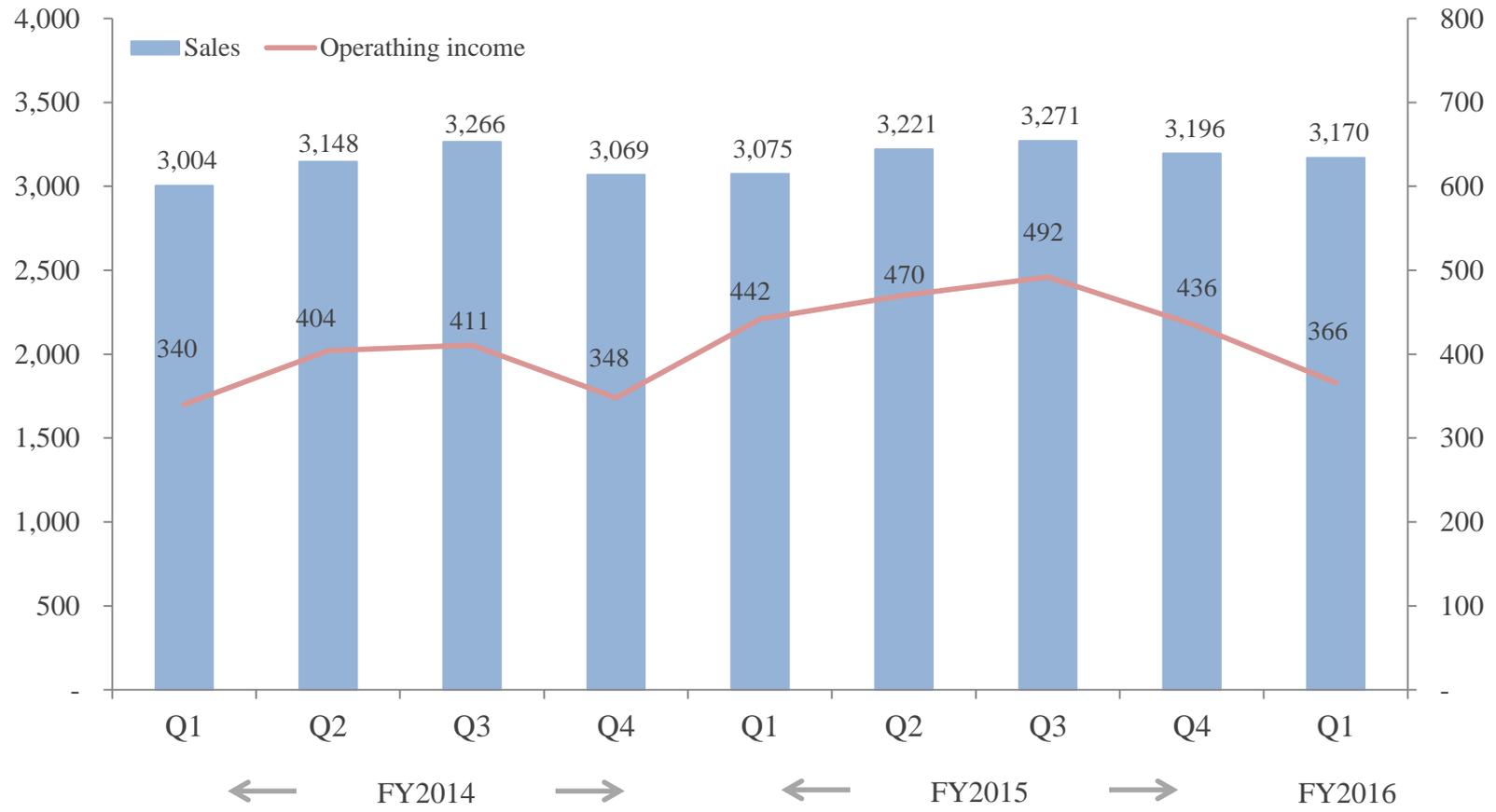


- ≫ The rental business decreased operating income year on year owing to increases in personnel expenses and sales and general administrative expenses.

2 Results by Segment (2) Rental

(Millions of yen)

(Millions of yen)

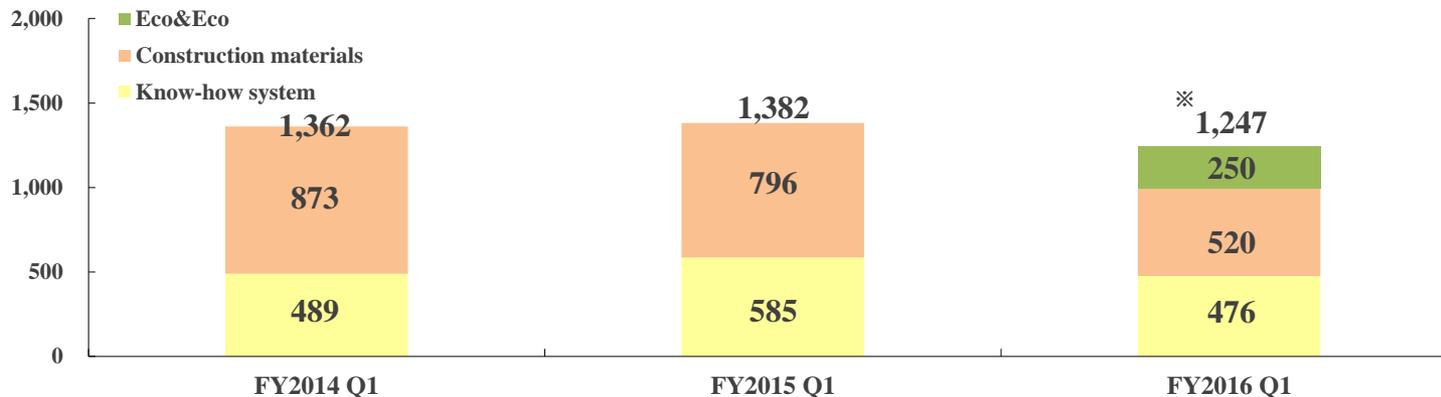


» Sales and Operating income hold steady all the year over.

2 Results by Segment (3) Construction Consulting

(Millions of yen) ※ It includes internal transactions about 27 millions yen.

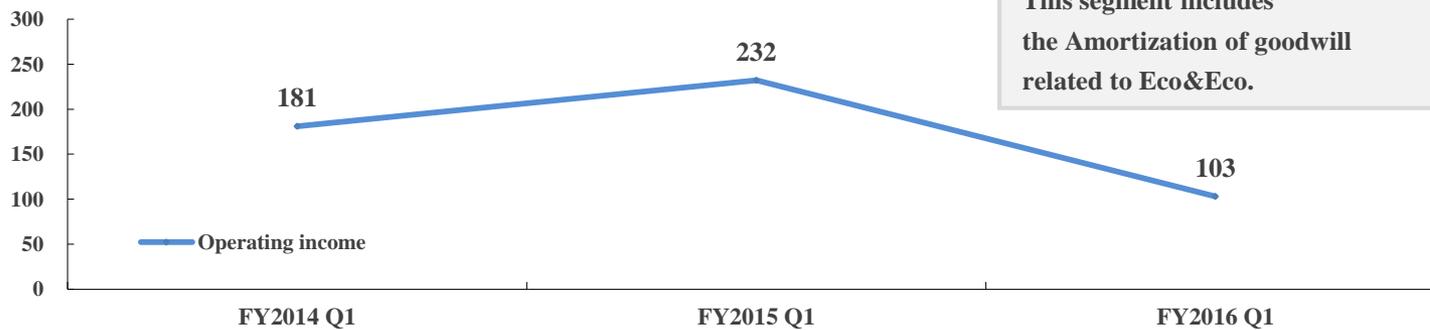
Sales



- » In construction know-how systems, we worked on developments of new products and improvements of exiting products actively; however, sales decreased year on year due to the influence of market deterioration.
- » In the construction materials business, we concentrated energy on the new house market by the use of construction network (Eco & Eco). Moreover, we proposed “Zero energy house” to increase customers. Nevertheless, sales decreased year on year.

Operating Income

(Millions of yen)

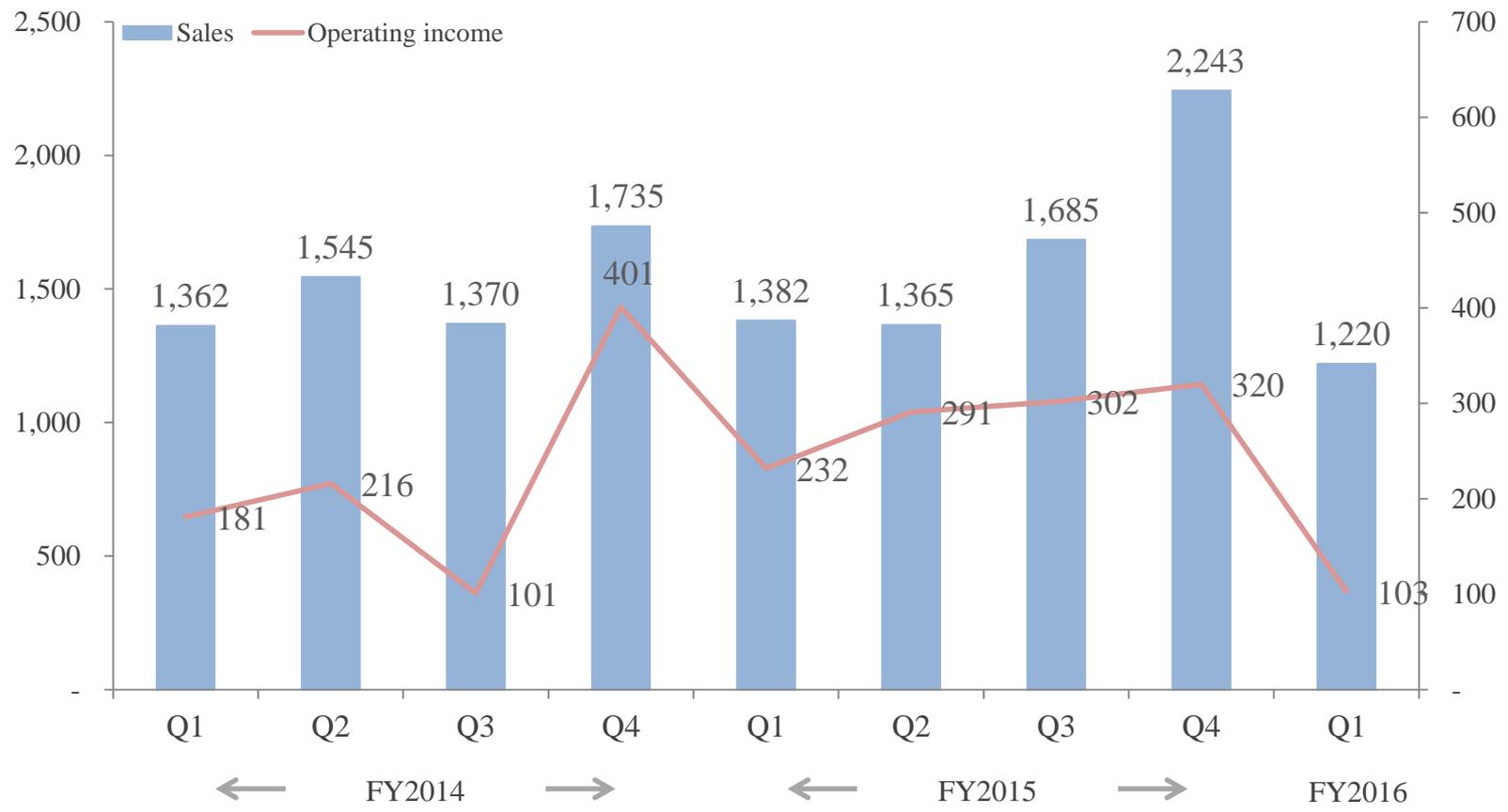


- » Operating income decreased year on year owing to sales decrease in construction know-how systems.

2 Results by Segment (3) Construction Consulting

(Millions of yen)

(Millions of yen)

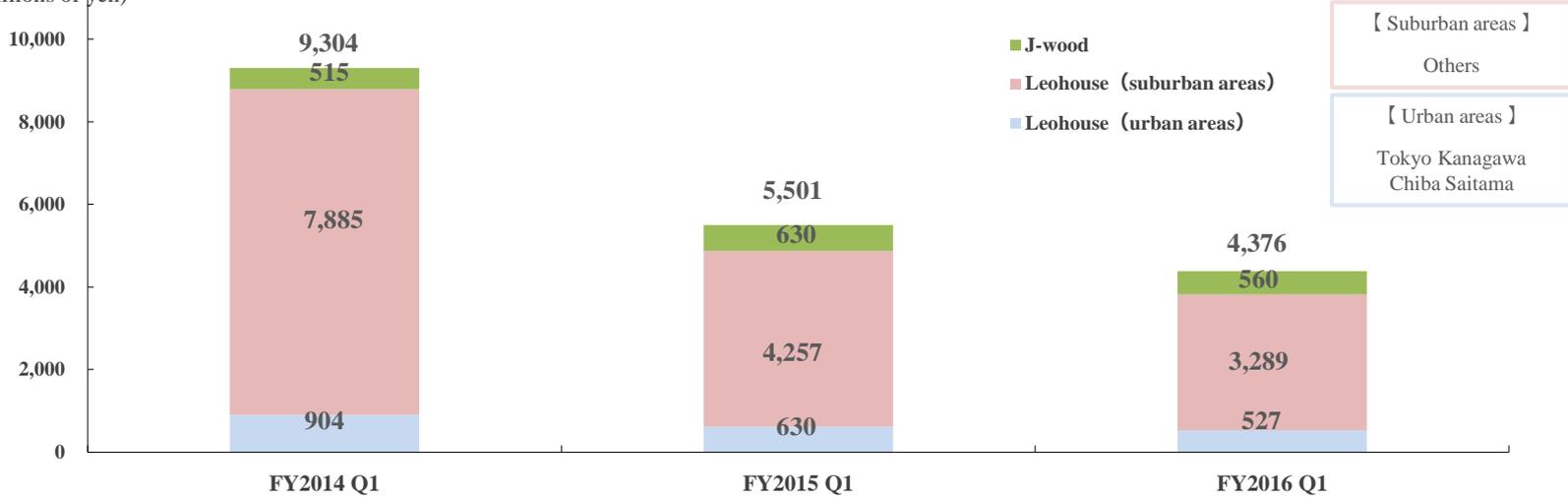


» Sales and Operating income tend to increase around Q4

2 Results by Segment (4) Housing sales

(Millions of yen)

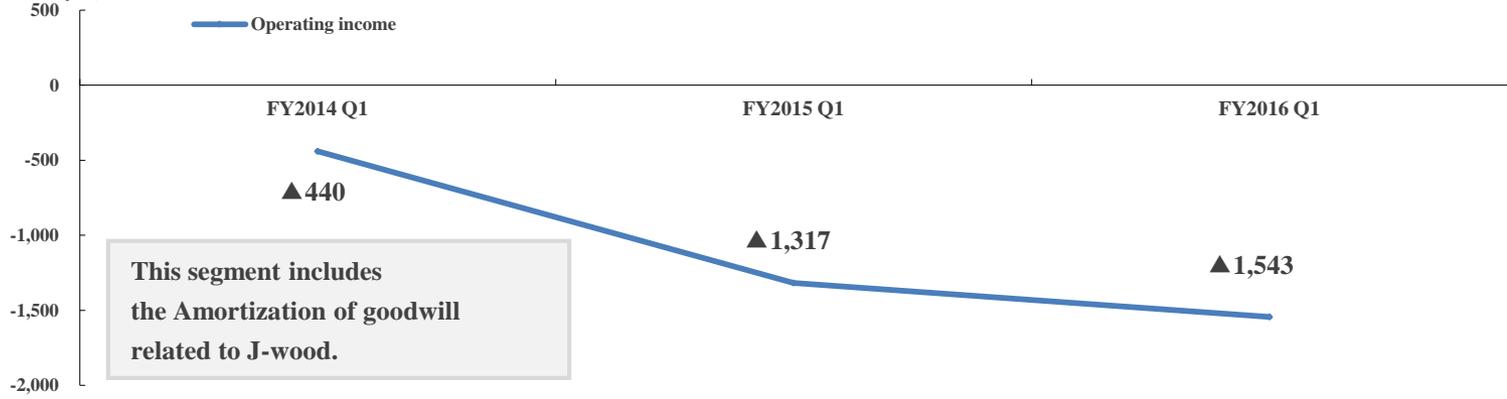
Sales



- » In the Housing Sales Business, although the number of orders received rose year on year, sales declined because the number of orders received was decreased as of the end of the previous fiscal year
- » J-wood Co., Ltd. increased the number of new orders; however, sales decreased year on year due to delay of construction and delivery.

Operating Income

(Millions of yen)

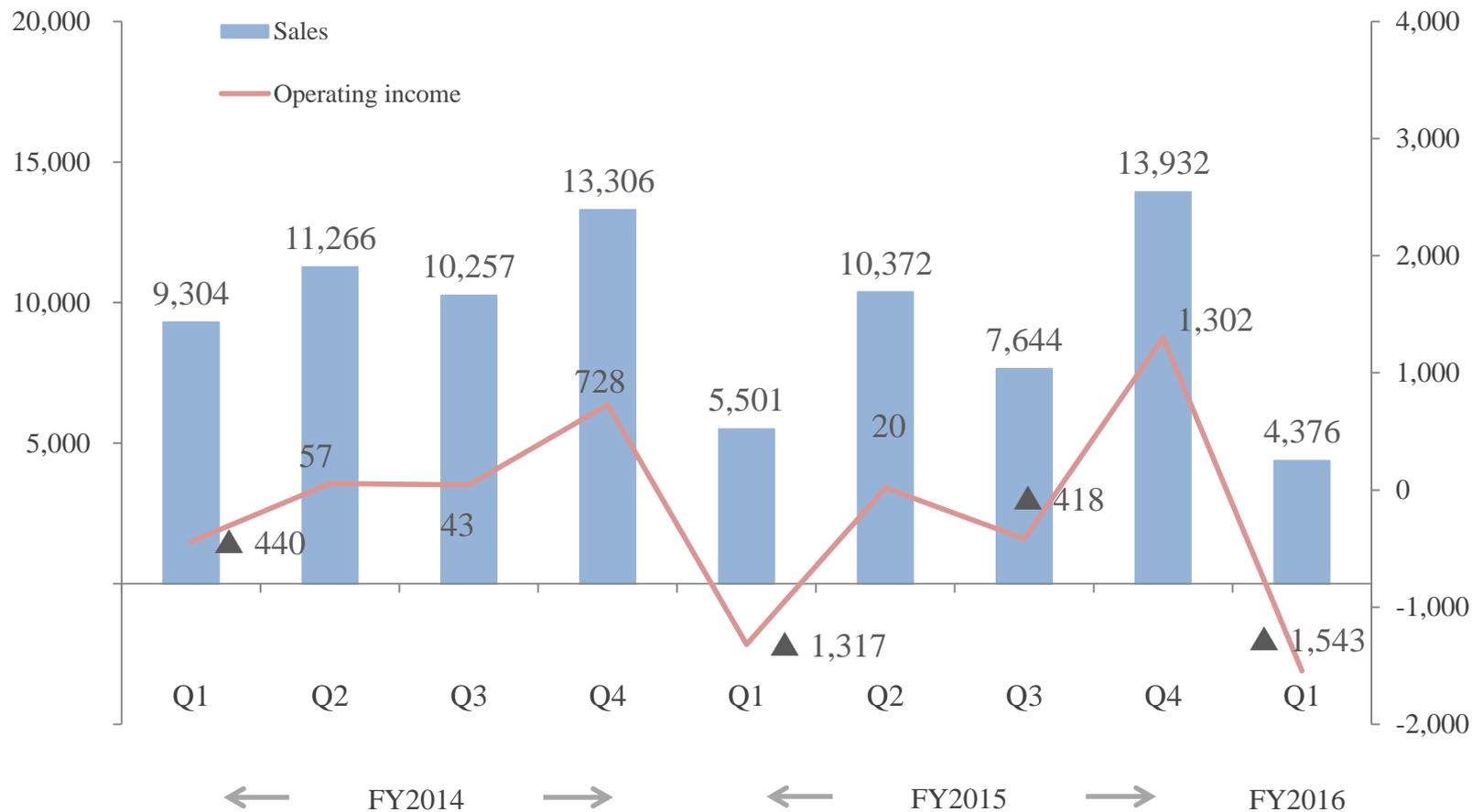


- » Operating income declined year on year due to the effect of lower sales and costs related to new store openings.

2 Results by Segment (4) Housing sales

(Millions of yen)

(Millions of yen)



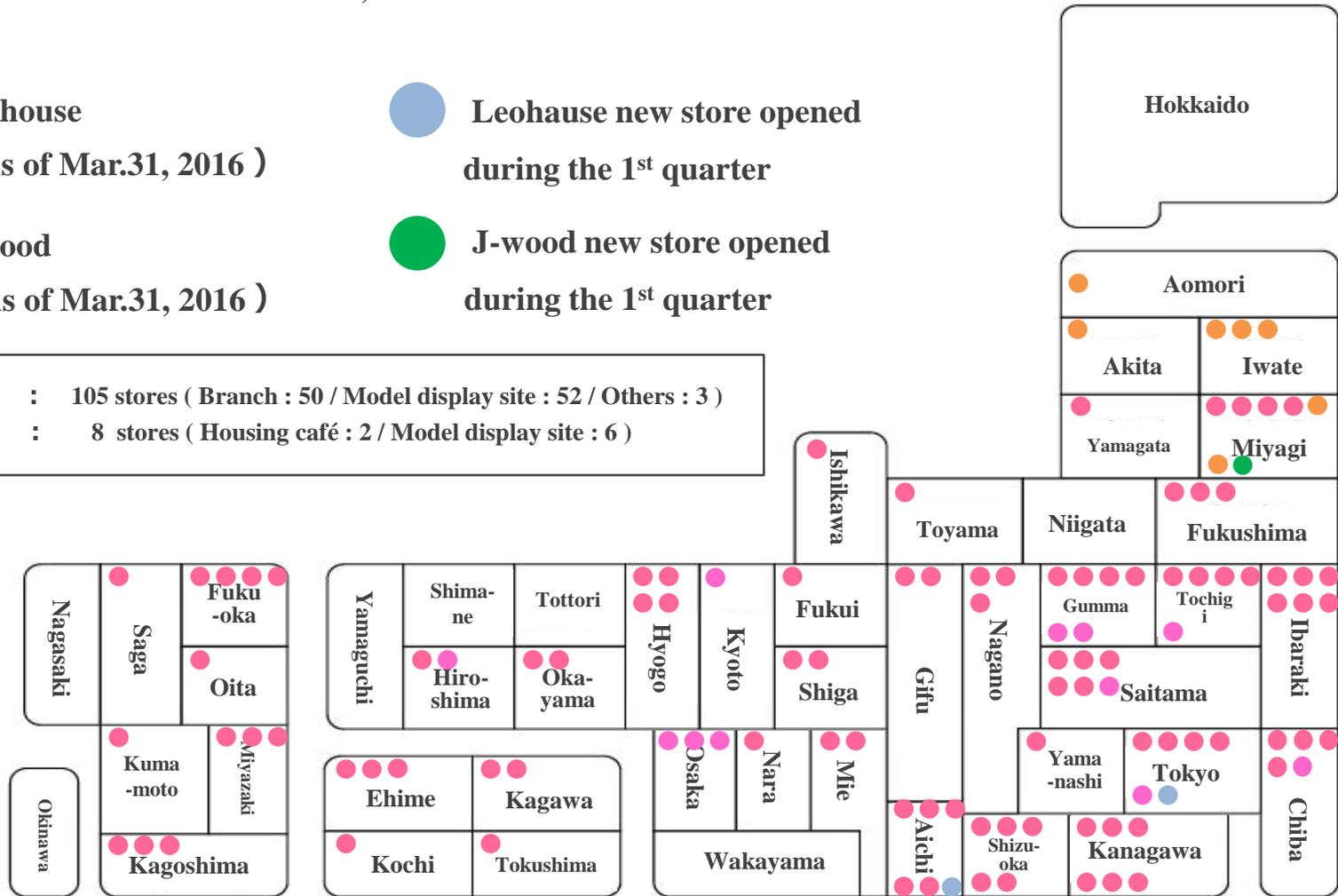
» Sales and Operating income tend to increase around Q4

2 Results by Segment (4) Housing sales

113 stores (Leohouse : 105 stores, J-wood : 8 stores)

- Leohouse (As of Mar.31, 2016)
- Leohouse new store opened during the 1st quarter
- J-wood (As of Mar.31, 2016)
- J-wood new store opened during the 1st quarter

Leohouse	: 105 stores (Branch : 50 / Model display site : 52 / Others : 3)
J-wood	: 8 stores (Housing café : 2 / Model display site : 6)



2 Results by Segment (4) Housing sales

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

(Number of houses ordered)

	FY2014				FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	530	525	415	435	387	533	406	459	457			
Completions	468	557	492	654	238	500	347	694	186			
Orders in hand	1,267	1,220	1,129	902	1,035	1,057	1,109	861	1,114			
Change	+34	▲47	▲91	▲227	+133	+22	+52	▲248	+253			
Unit price	※1 18.50 million yen				※1 18.49 million yen				※1 Target : 20.00 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	4	3	3	4	7	0	0	0	2			
Total stores	※2 97	100	103	107	※3 109	※4 108	108	※5 105	※6 105			

※2 ▲2 through reorganization of branch stores

Closing of model display sites :

※3 ▲5

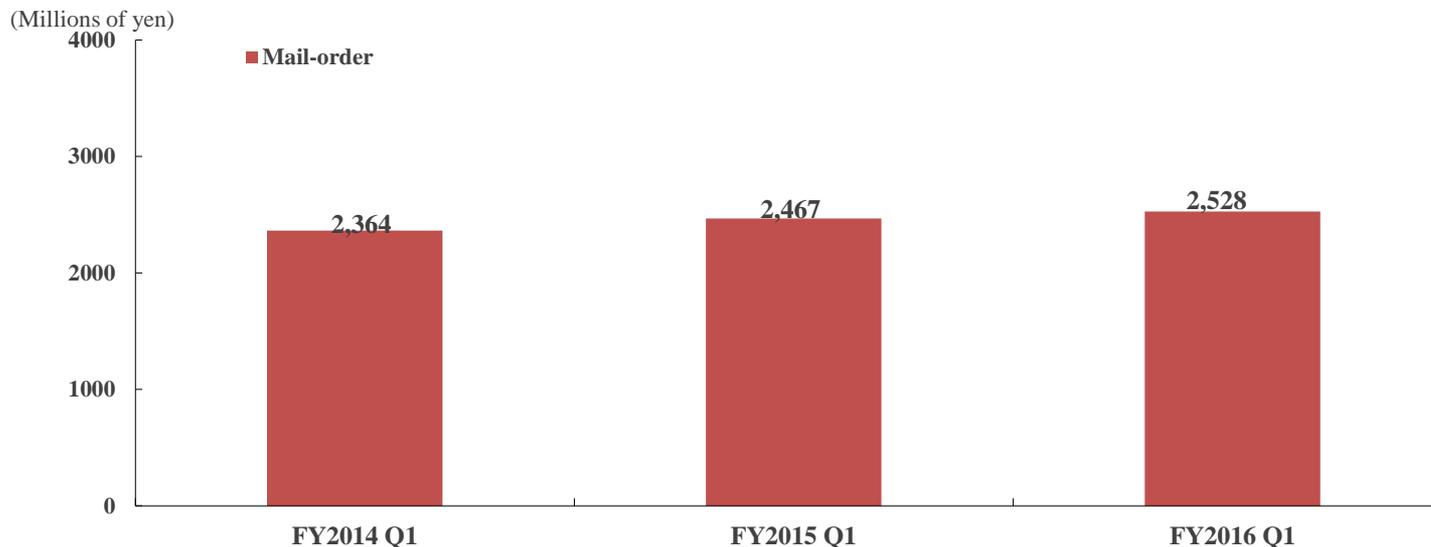
※4 ▲1

※5 ▲3

※6 ▲2 through reorganization of branch stores

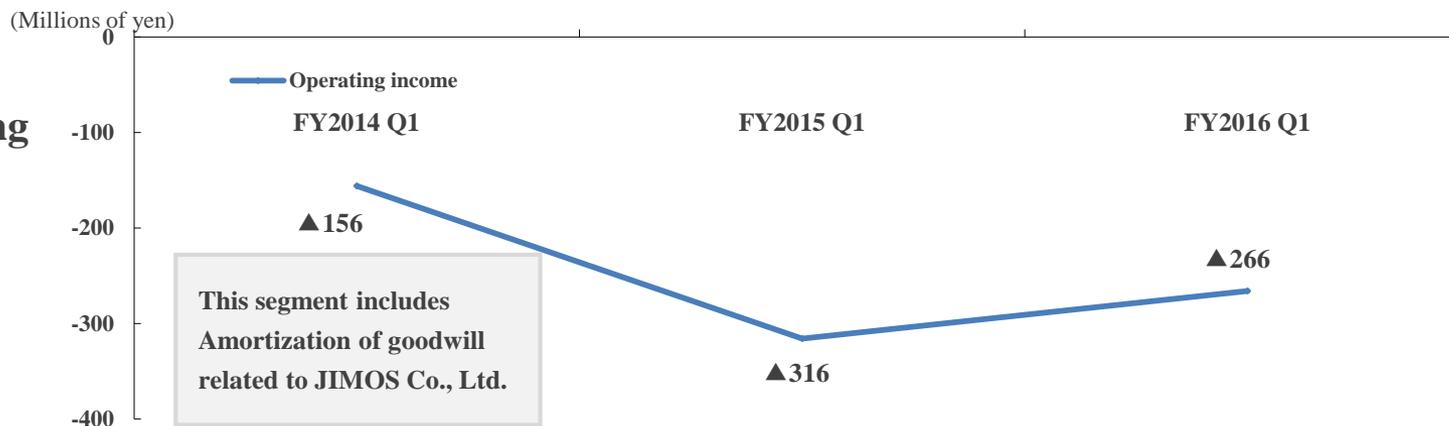
2 Results by Segment (5) Mail-order

Sales



- » 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 due to several reasons (e.g. our main customers has been replaced).

Operating Income

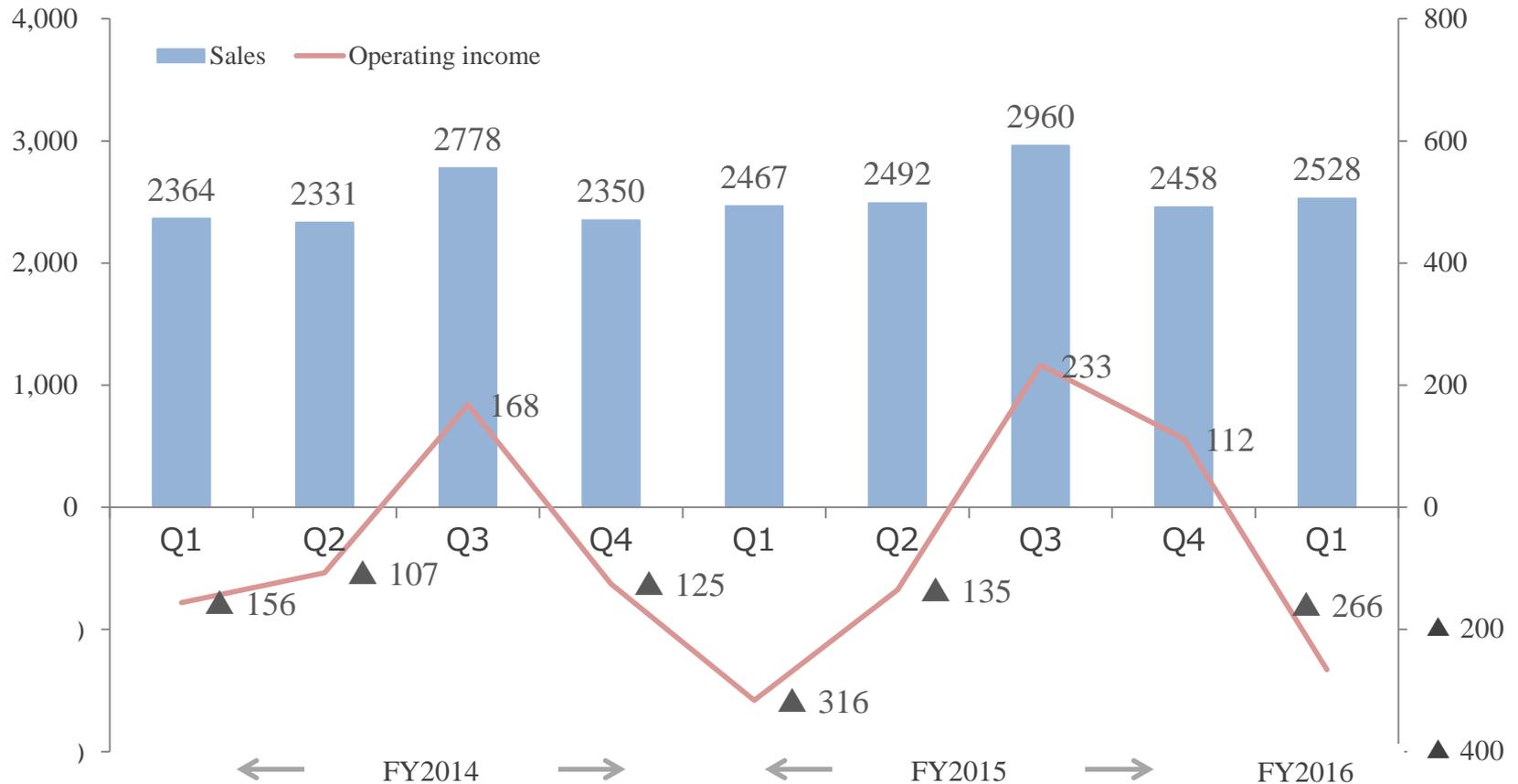


- » Mail-order business improved operating income year on year due to the proper operation of investments in advertising and sales and general administrative expenses.

2 Results by Segment (5) Mail-order

(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.

» Operating income is expected below zero because of aggressive investment in advertising and goodwill amortization.

3. FY2016 Forecasts of Financial Results

3 FY2016 Forecasts of Financial Results

(million yen)

	Result FY 2015	Plan FY 2016	YoY comparison
Sales	80,302	92,000	+ 14.6%
Operating income	701	2,000	+ 185.1%
Ordinary income	795	2,000	+ 151.4%
Net income	252	800	+ 216.5%
Dividends per share	38 yen	38 yen	-
EPS	14.99 yen	47.24 yen	+ 32.25 yen

3 FY2016 Forecasts of Financial Results

■ **Sales** **92 billion yen** (YoY Comparison +14.6%)

■ **Operating income** **2 billion yen** (YoY comparison +185.1%)

Crecla

Improvements in attracting new customers and continuity

⇒ Strengthen returnable systems

Take effective measures against wide needs

⇒ Expand the one-way service, branded “CreCla Mio”

Housing Sales

[Leohouse, Ltd.]

Acquire a variety of customers by the use of sales strategy

⇒ Utilise trademarks that acquired market researches.

⇒ Diversity of products

[J-wood Co., Ltd.,] **The expansion of marketing area**

⇒ Develop original products and open new stores.

Rental

Increase customer count and sales

⇒ M&A in Duskin division

⇒ Expand total care service

Expand sale channels

⇒ Open new stores in pest-control device division.

Construction Consulting

Pursuit of synergy effects

⇒ One stop service between the construction know-how systems, the construction materials business and Eco & Eco Co., Ltd.

Strengthen services for our construction companies

⇒ Develop discriminatory products such as energy-saving goods.

Mail-order

Increase customer counts

⇒ The evolution of exiting brands and new brand.

Increase profitability

⇒ Improvement in advertising investments

3 FY2016 Sales Forecasts by Segment

(Millions of yen)

Sales	Result FY 2015	Plan FY 2016	Comparison
CreCla	13,095	13,700	+ 4.6%
Rental	12,765	13,000	+ 1.8%
Construction Consulting	6,676	6,800	+ 1.8%
Housing Sales	37,452	47,500	+ 26.8%
Mail-order	10,378	11,000	+ 6.0%
Elimination	▲65	-	-
Total	80,302	92,000	+ 14.6%

We reorganise housing businesses in order to improve corporate performances.

3 FY2016 Operating income Forecasts by Segment

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

(Million of yen)

Operating income	Result FY 2015	Plan FY 2016	Comparison
CreCla	▲ 201 (▲1.5%)	200 (1.5%)	- (+3.0pt)
Rental	1,841 (14.4%)	1,770 (13.6%)	▲ 3.9% (▲ 0.8pt)
Construction Consulting	1,146 (17.2%)	1,050 (15.4%)	▲ 8.4% (▲ 1.8pt)
Housing Sales	▲ 412 (▲1.1%)	795 (1.7%)	- (+ 2.8pt)
Mail-order	▲ 105 (▲1.0%)	▲ 200 (▲ 1.8%)	- (▲ 0.8pt)
New Business and M&A	-	▲ 365	-
Elimination, HQ Cost	▲ 1,567	▲ 1,250	-
Total	701 (0.9%)	2,000 (2.2%)	+185.1 % (+ 1.3pt)

4. Appendix

About Us and Our Business

(As of the end of March 2016)

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. (Sales of energy-saving products • Construction) Nac life partners Co., Ltd. (Housing sales)</p>
Employees	2,100 (consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	10,670 (Total number of shareholders; treasury shares are excluded)

	FY2014	FY2015	Comparison
Average number of shares during the period	16,717,171 shares	16,867,190 shares	+ 150,019 shares
Net assets per share (BPS)	961.22 yen	934.95 yen	▲ 26.27 yen
Net income per share (EPS)	31.09 yen	14.99 yen	▲ 16.1 yen
Equity ratio	40.5 %	38.0 %	▲ 2.5 pt
Ratio of shareholder's equity to Net income (ROE)	3.2 %	1.6 %	▲ 1.6 Pt
Dividends per share	38 yen	38 yen	0 yen
Dividend ratio	122.2%	253.6 %	+ 131.4 pt
Ratio of dividends to shareholder's equity	4.0%	4.0 %	0 pt

4

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	
Sep. 2015	Acquired Eco & Eco Co., Ltd.	
May. 2016	Acquired KDI Co., Ltd	

4

Positioning in a market of each business

CreCla

- **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

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

- Nac members (Construction company : 6,000)
- 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 2016) that deals with energy-saving products.

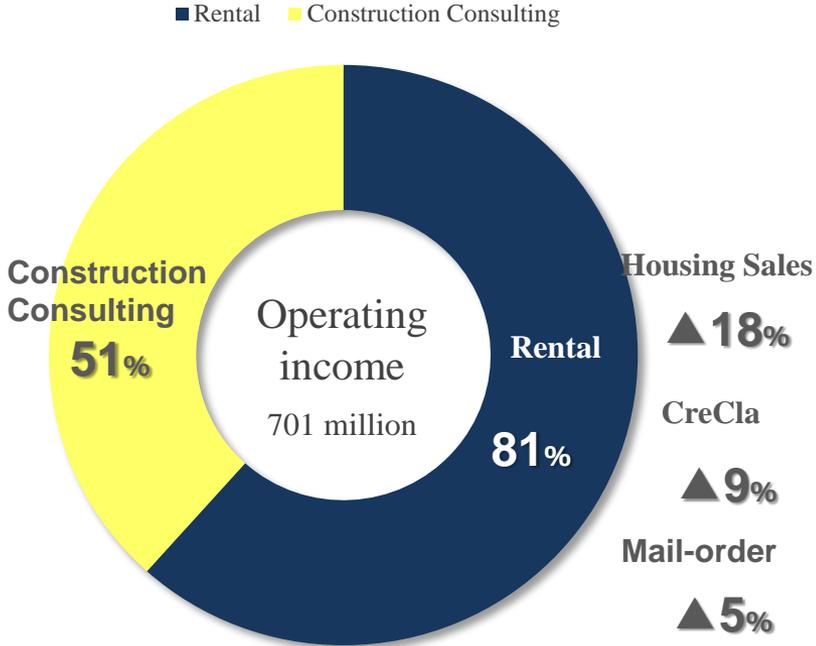
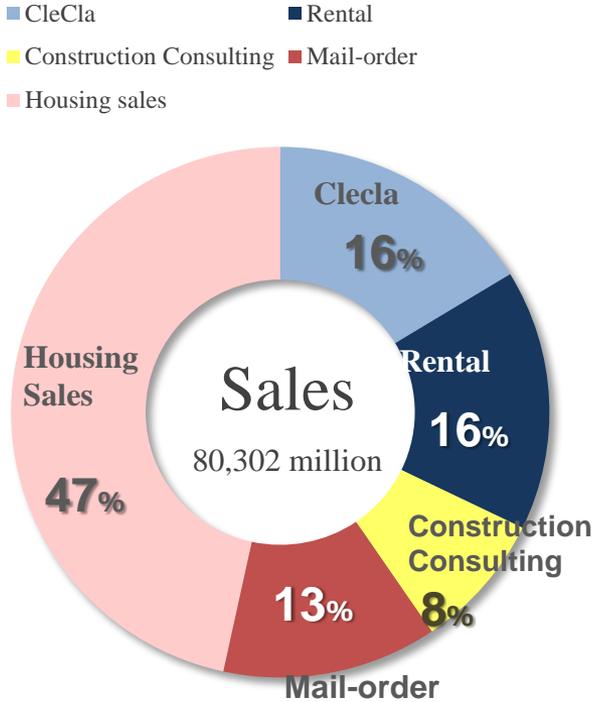
Housing Sales

- 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
- In the survey of customer's satisfaction of custom-built house conducted by Oricon, we won female customer's satisfaction **No.1** in three categories.
- We acquired KDI Co., Ltd that deal with subdivided housing unit and custom-built house in metropolitan area.

Mail-order

- 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 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

FY2015 Sales and Operating income Breakdown



※except HQ-costs

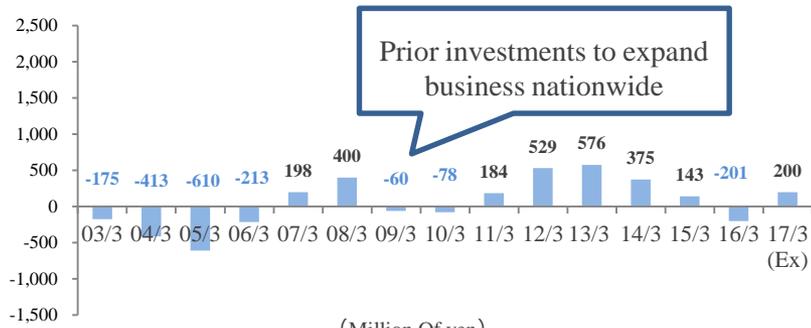
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
▲ 1.5%	14.4%	17.2%	▲ 1.0%	▲ 1.1%	0.9%

4 Operating income trend by segment

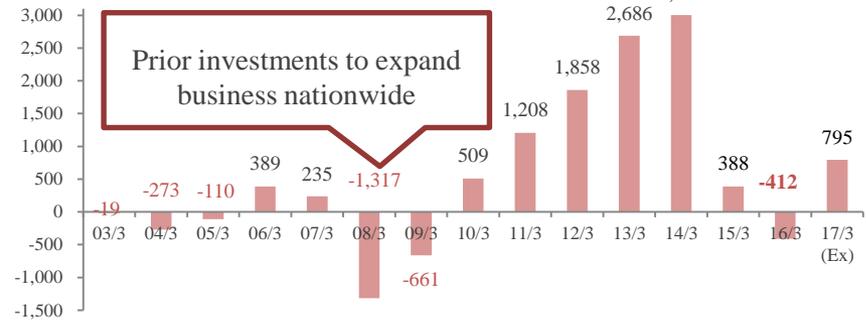
(Million Of yen)

【CreCla】



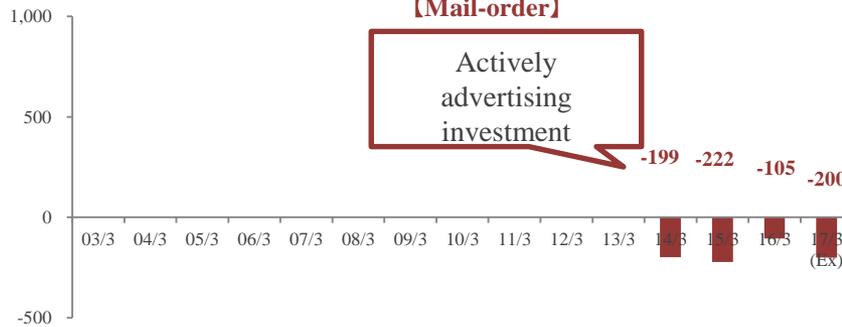
(Million Of yen)

【Housing sales】



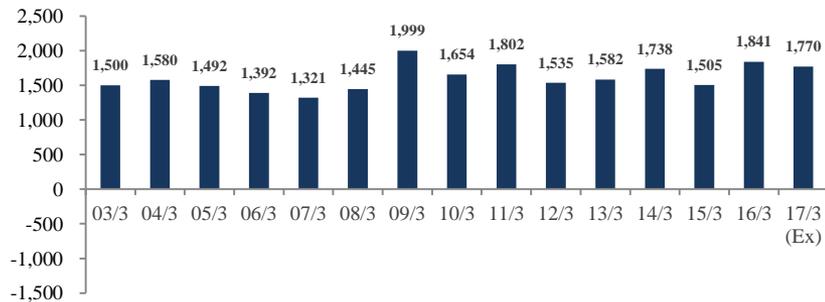
(Million Of yen)

【Mail-order】



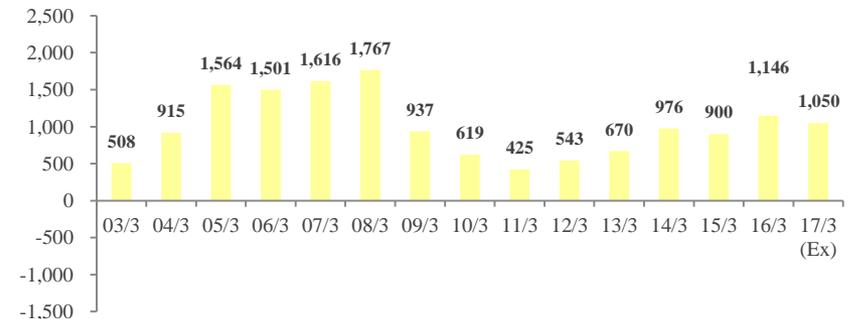
(Million Of yen)

【Rental】



(Million Of yen)

【Consulting Construction】



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