

# Results for the 2nd Quarter ended September 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**



November 8th, 2016

NAC Co., Ltd.

Code; 9788 TSE 1st section



# 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 2nd Quarter ended September 30, 2016

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(Millions of yen)

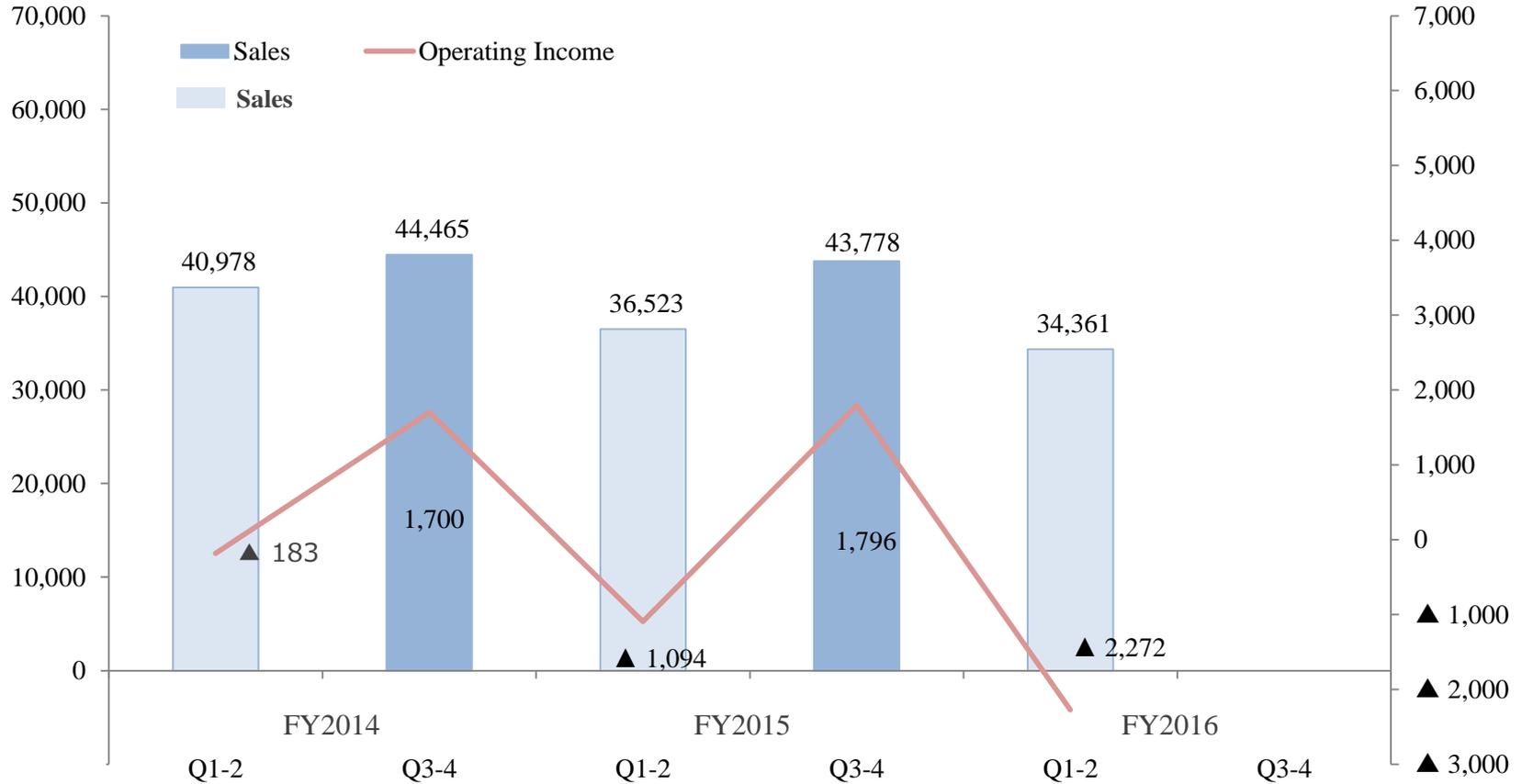
	6 months ending FY2016	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2015	YoY Comparison
Sales	34,361	35,700	▲ 3.8 %	36,523	▲ 5.9 %
Gross profit	15,390	—	—	15,866	▲ 3.0 %
(Gross margin)	44.8%	—	—	43.4%	+ 1.4 pt
SG&A	17,662	—	—	16,961	+ 4.1 %
Operating Income	▲ 2,272	▲ 2,500	—	▲ 1,094	—
(Operating margin)	▲ 6.6 %	▲ 7.0 %	+ 0.4 pt	▲ 3.0 %	▲ 3.6 pt
Non-operating income and loss	6	—	—	5	+ 22.6 %
Ordinary Income	▲ 2,266	▲ 2,500	—	▲ 1,089	—
Extra-ordinary income and loss	▲ 58	—	—	+ 31	—
Net income attributable to owners of parent	▲ 1,810	▲ 1,800	—	▲ 912	—

» 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

(Million of yen)

(Million of yen)



» Nac tends to post an operating income in the second half of the year because hand-over in Housing sales usually concentrates between 3rd and 4th quarters.

# 1 Sales by Segment

(Millions of yen)

	6 months ending FY2016	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2015	YoY Comparison
CreCla	6,858	7,040	▲ 181	6,660	+ 198
Rental	6,455	6,430	+ 25	6,296	+ 158
Construction Consulting	2,640	3,400	▲ 759	2,747	▲ 107
Housing Sales	13,388	13,700	▲ 311	15,874	▲ 2,485
Mail-order	5,022	5,130	▲ 107	4,959	+ 62
Elimination	▲ 3	-	-	▲ 15	+ 11
Total	34,361	35,700	▲ 1,338	36,523	▲ 2,162

- » In the CreCla Business, both affiliates and our directly managed stores increased sales year on year, but it was below the planed target.
- » The Rental business exceeded the planed target and previous year because all segments improved business performances.
- » In the Construction Consulting, sales decreased year on year and fell short of planed target due to the influence of market deterioration.
- » Housing sales decreased year on year and fell short of the planed target due to a decrease in orders in hand as of the end of the previous fiscal year and the delay of the construction and delivery.
- » Mail-order business sales increased year on year because the Macchia Label produced strong results and the Coyori brand increased the number of customers; however, it was below the planed target.

# 1 Operating income by Segments

(Millions of yen)

	6 months ending FY2016	Plan Comparison		YoY Comparison	
		Plan	Actual/Plan Comparison	6 months ended FY2015	YoY Comparison
CreCla	14 (0.2 %)	▲ 10 (▲ 0.1 %)	+ 24 (+ 0.3 pt)	▲ 219 (▲ 3.3 %)	+ 234 (+ 3.5 pt)
Rental	824 (12.8 %)	830 (12.9 %)	▲ 5 (▲ 0.1 pt)	912 (14.5 %)	▲ 87 (▲ 1.7 pt)
Construction Consulting	234 (8.9 %)	520 (15.3 %)	▲ 285 (▲ 6.4 pt)	523 (19.1 %)	▲ 289 (▲ 10.2 pt)
Housing Sales	▲ 2,214 (▲ 16.5 %)	▲ 2,340 (▲ 17.1 %)	+ 125 (+ 0.6 pt)	▲ 1,297 (▲ 8.2 %)	▲ 917 (▲ 8.3 pt)
Mail-order	▲ 481 (▲ 9.6 %)	▲ 670 (▲ 13.1 %)	+ 188 (+ 3.5 pt)	▲ 451 (▲ 9.1 %)	▲ 30 (▲ 0.5 pt)
Elimination, HQ Cost	▲ 650	▲ 830	+ 179	▲ 562	▲ 87
Total	▲ 2,272 (▲ 6.6 %)	▲ 2,500 (▲ 7.0 %)	+ 227 (+ 0.4 pt)	▲ 1,094 (▲ 3.0 %)	▲ 1,177 (▲ 3.6 pt)

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

- » In the CreCla business, operating income exceeded the planed target and previous year because of an increase in sales and revisions to management costs.
- » The Rental business decreased operating income year on year and fell short of the planed target owing to increases in personnel expenses and sales and general administrative expenses.
- » The Construction Consulting business decreased operating income year on year and fell short of the planed target owing to sales decreases.
- » In the Housing sales, operating income declined in comparison with last year, but it exceeded the planed target because of revisions to management costs.
- » In the Mail-order business, operating income declined year on year due to aggressive investments in advertising and promotions; on the other hand, it exceeded the planed target because of sales increases.

# 1 Factors causing the differences of financial results

compared with planed targets

## 【Housing Sales business】

- ≫ Sales fell short of the planed target because of the postponement of the consumption tax hike and a decrease in orders in hand as of the end of the previous fiscal year.
- ≫ Operating income exceeded the planed target owing to revisions to management costs.

## 【 Construction Consulting business】

- ≫ Sales largely fell short of the planed target due to the influence of market deterioration.
- ≫ Operating income was below the planed target owing to sales decreases.



(Millions of yen)

	As of Sep. 2016	Break down	As of Mar. 2016	Break down	Comparison
Current assets	21,273	50.0 %	20,113	48.2%	+ 1,159
Total property, plant and equipment	13,937	32.7 %	14,249	34.2%	▲ 312
Intangible assets	3,593	8.4 %	3,700	8.9%	▲ 107
Investments and other assets	3,774	8.9 %	3,630	8.7%	+ 143
Non-current assets	21,304	50.0 %	21,580	51.8%	▲ 275
Total assets	42,578	100.0 %	41,694	100.0%	884
Current liabilities	22,018	51.7 %	17,695	42.4%	+ 4,323
Non-current liabilities	6,961	16.4 %	8,167	19.6%	▲ 1,205
Total liabilities	28,980	68.1 %	25,862	62.0%	+ 3,118
Shareholder's equity	14,427	33.9 %	16,661	40.0%	▲ 2,234
Accumulated other comprehensive income	▲ 829	▲ 1.9 %	▲ 829	▲ 2.0%	0
Total net assets	13,597	31.9 %	15,831	38.0%	▲ 2,234
Total liabilities and net assets	42,578	100.0%	41,694	100.0%	884

■ Current assets : Cash and deposits ▲3,019 Products +1,606 Costs on uncompleted construction contracts +1,604

■ Non-current assets : Building and structures ▲ 179

■ Current liabilities : Advances received on uncompleted construction contracts +3,542 Short-term loans +1,350

■ Non-current liabilities : Long-term loans ▲1,150

Equity Ratio : 31.9 %

# 1 Consolidated Cash Flow

(Millions of yen)

	1st half of FY2016	1st half of FY2015	FY2015
1.Net cash provided by operating activities	▲ 879	▲ 872	2,653
2.Net cash used in investing activities	▲ 1,837	▲ 906	▲ 205
3.Net cash used in financing activities	▲ 302	909	1,424
Net increases cash and cash equivalents	▲ 3,019	▲ 869	3,872
Cash and cash equivalents at beginning of period	8,346	4,474	4,474
Cash and cash equivalents at end of period	5,326	3,605	8,346
Depreciation and amortization	945	1,101	2,131

## The main reasons of the fluctuation

- Operating activities : An increase in Advances received on uncompleted construction contracts + 3,316  
 An increase in depreciation + 945  
 An increase in inventory ▲ 2,257 A decrease in accounts payable ▲ 732 Net loss ▲ 2,324
- Investing activities : Acquisition of property, plant and equipment ▲ 667  
 Purchase of investments in subsidiaries resulting in change in scope of consolidation ▲ 880
- Financing activities : An increase in Short-term loans +1,350 Proceeds from sale and leaseback transaction +134  
 Long-term loans ▲ 1,150 Dividends ▲ 321

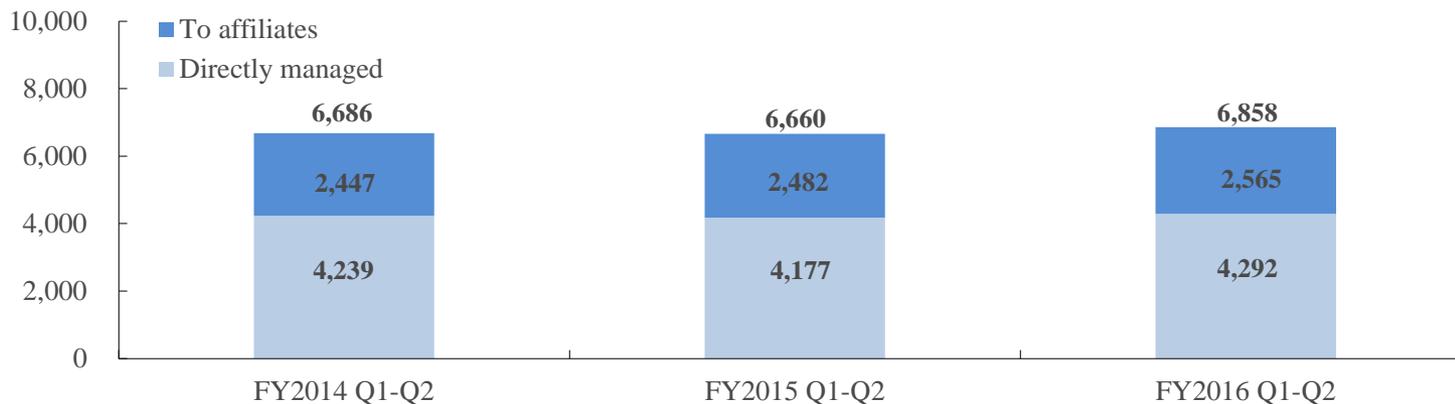
## 2. Results by Segments

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## 2 Results by Segment (1) CreCla

### Sales

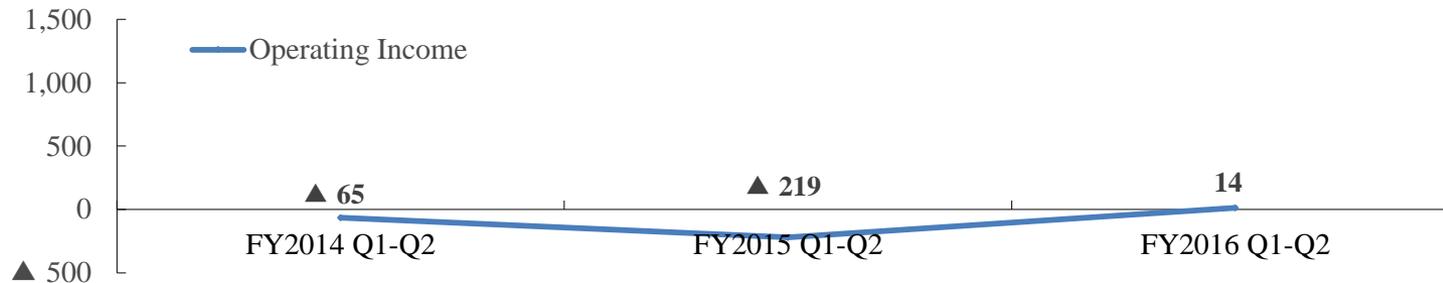
(Millions of yen)



» Both affiliates and our directly managed stores increased sales year on year.

### Operating Income

(Millions of yen)

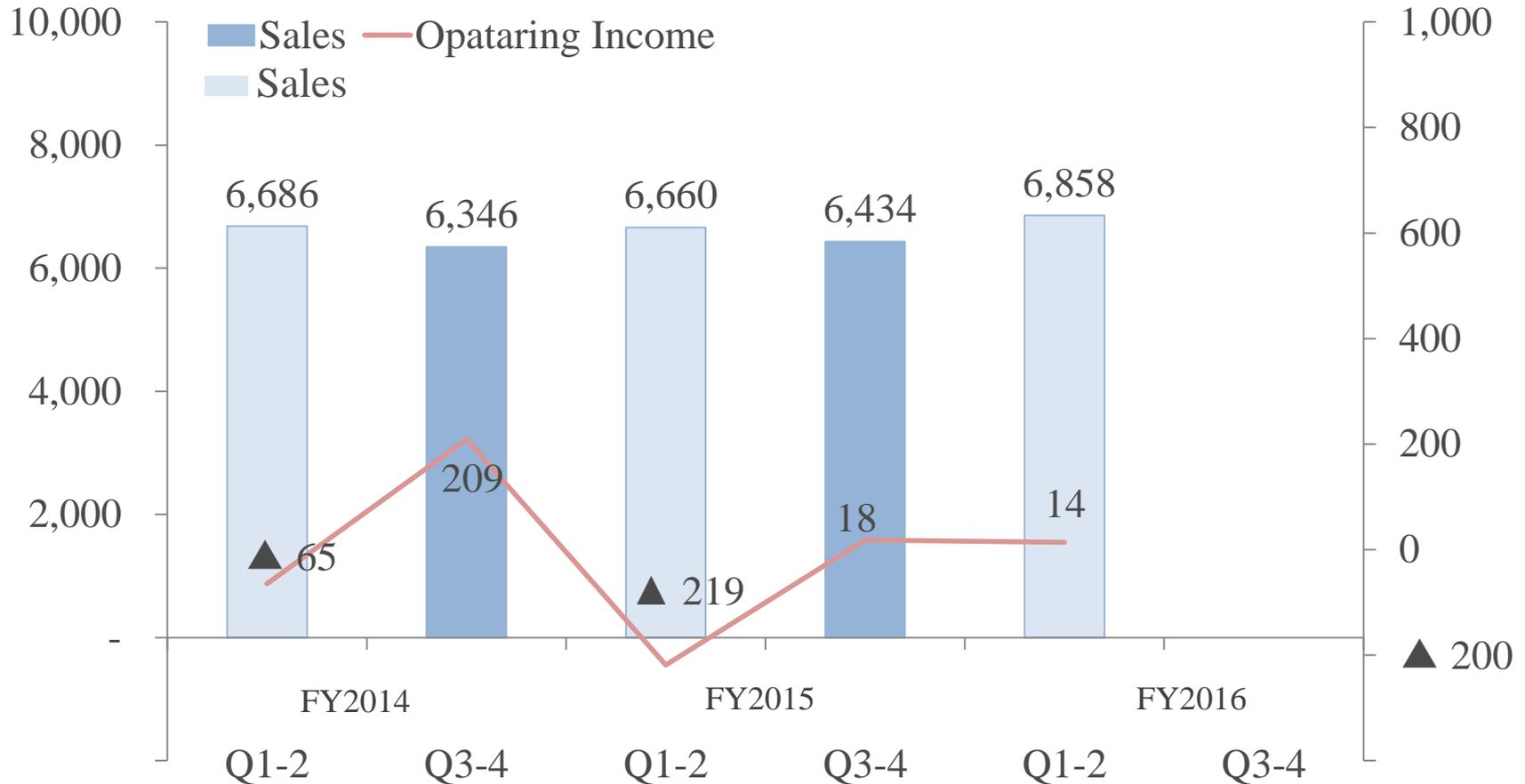


» Operating income exceeded previous year because of an increase in sales and revisions to management costs.

## 2 Results by Segment (1) CreCla

(Million of yen)

(Million of yen)



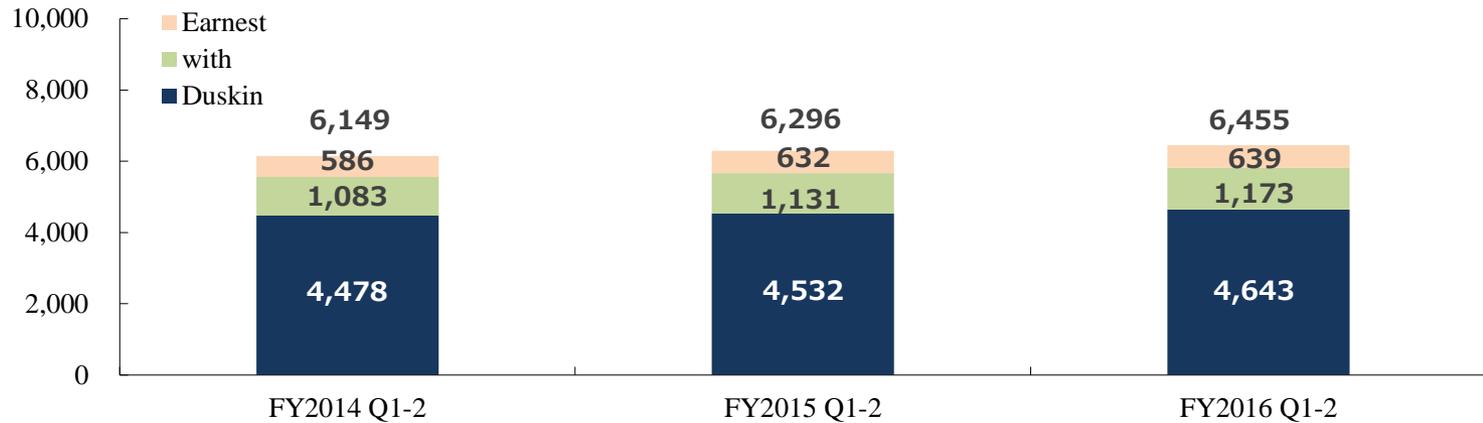
» Operating income exceeded previous year because of an increase in sales and revisions to management costs.

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## Results by Segment (2) Rental

### Sales

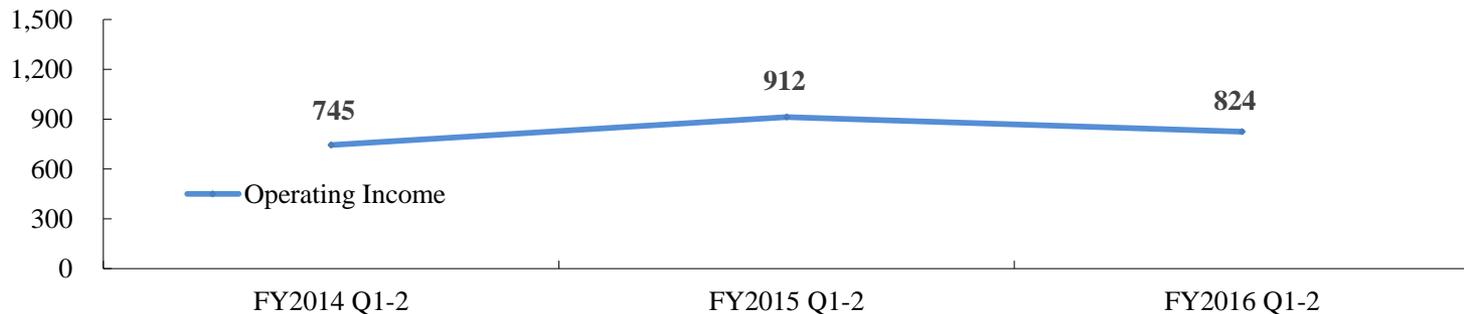
(Millions of yen)



- » The Duskin business focused on M&A and existing customers. Therefore, the number of customers and contract termination rates held steady. As a result, sales increased year on year.
- » In the With-branded pest-control devices business, directly managed stores reinforced sales activities nationwide, so sales grew year on year.
- » Earnest corporation recorded sales growth thanks to steady orders received via the Internet and an increase in referrals of new customers by existing customers.

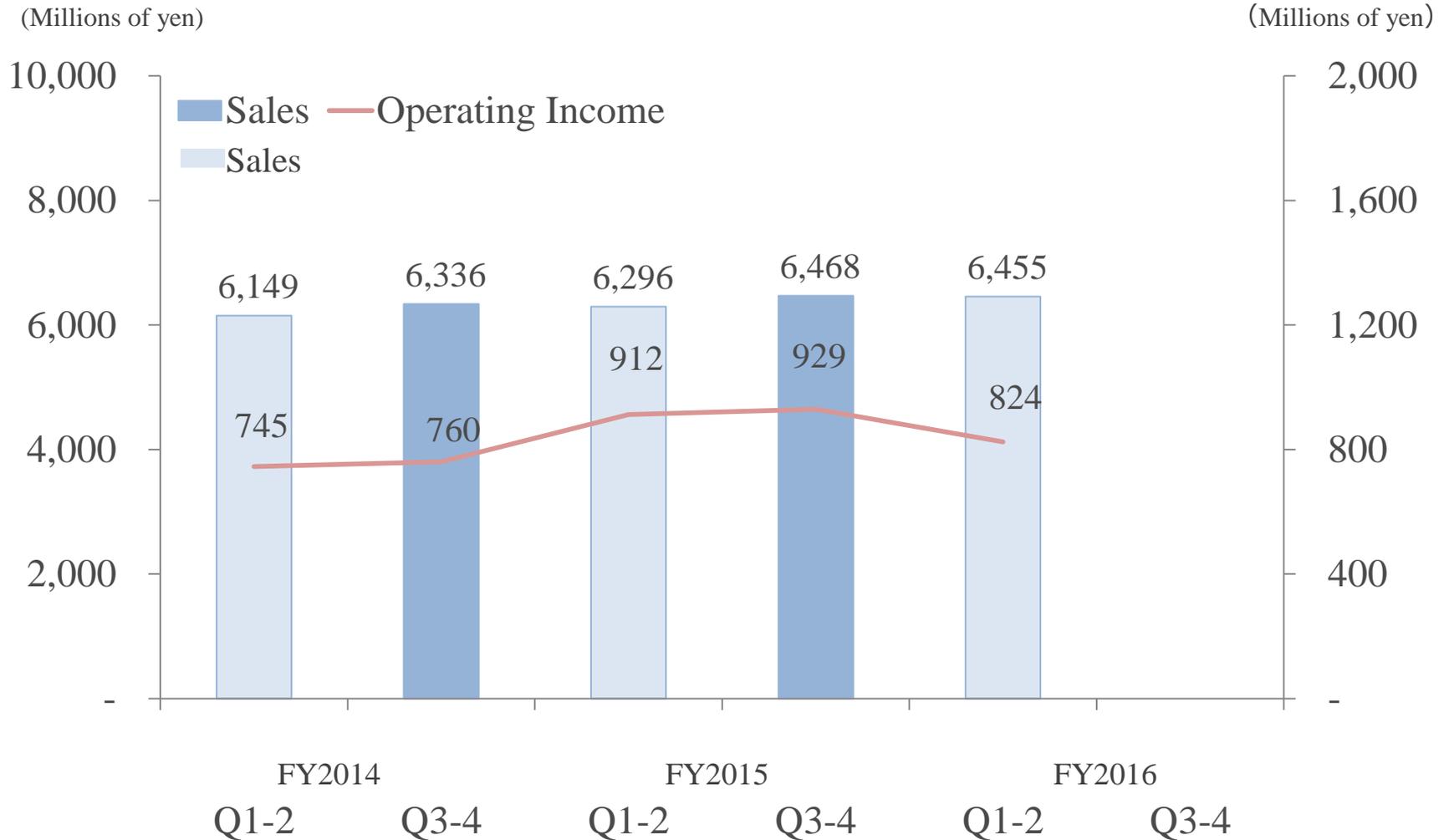
### Operating Income

(Millions of yen)



- » Operating income decreased year on year owing to increases in personnel expenses and sales and general administrative expenses.

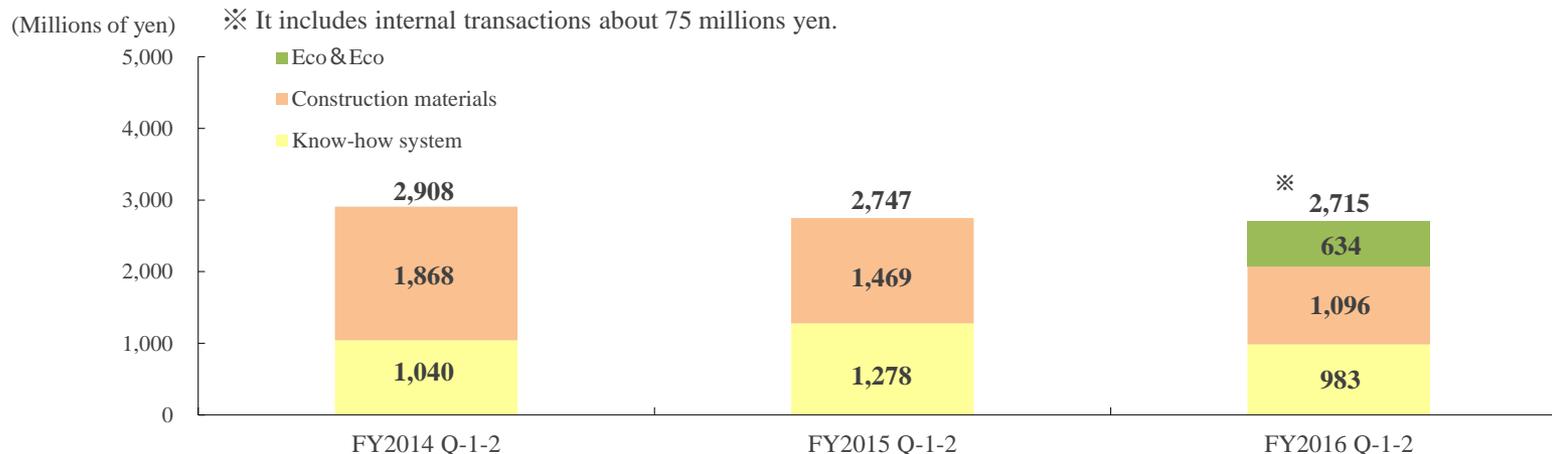
## 2 Results by Segment (2) Rental



» Operating income decreased year on year owing to increases in personnel expenses and sales and general administrative expenses.

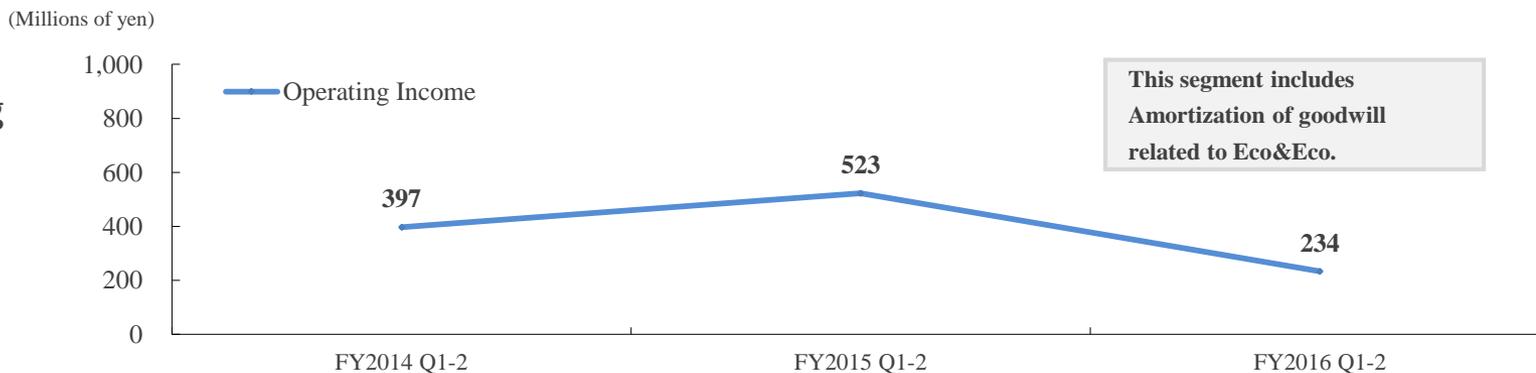
## 2 Results by Segment (3) Construction Consulting

### Sales



- » The construction know-how systems business actively worked on developments of original products and evolutions of existing products. However, sales decreased year on year.
- » The construction materials concentrated the new housing market by the use of “Zero energy house” and construction network building to utilize management resources in Eco & Eco. Nevertheless, sales decreased year on year due to the influence of market deterioration.

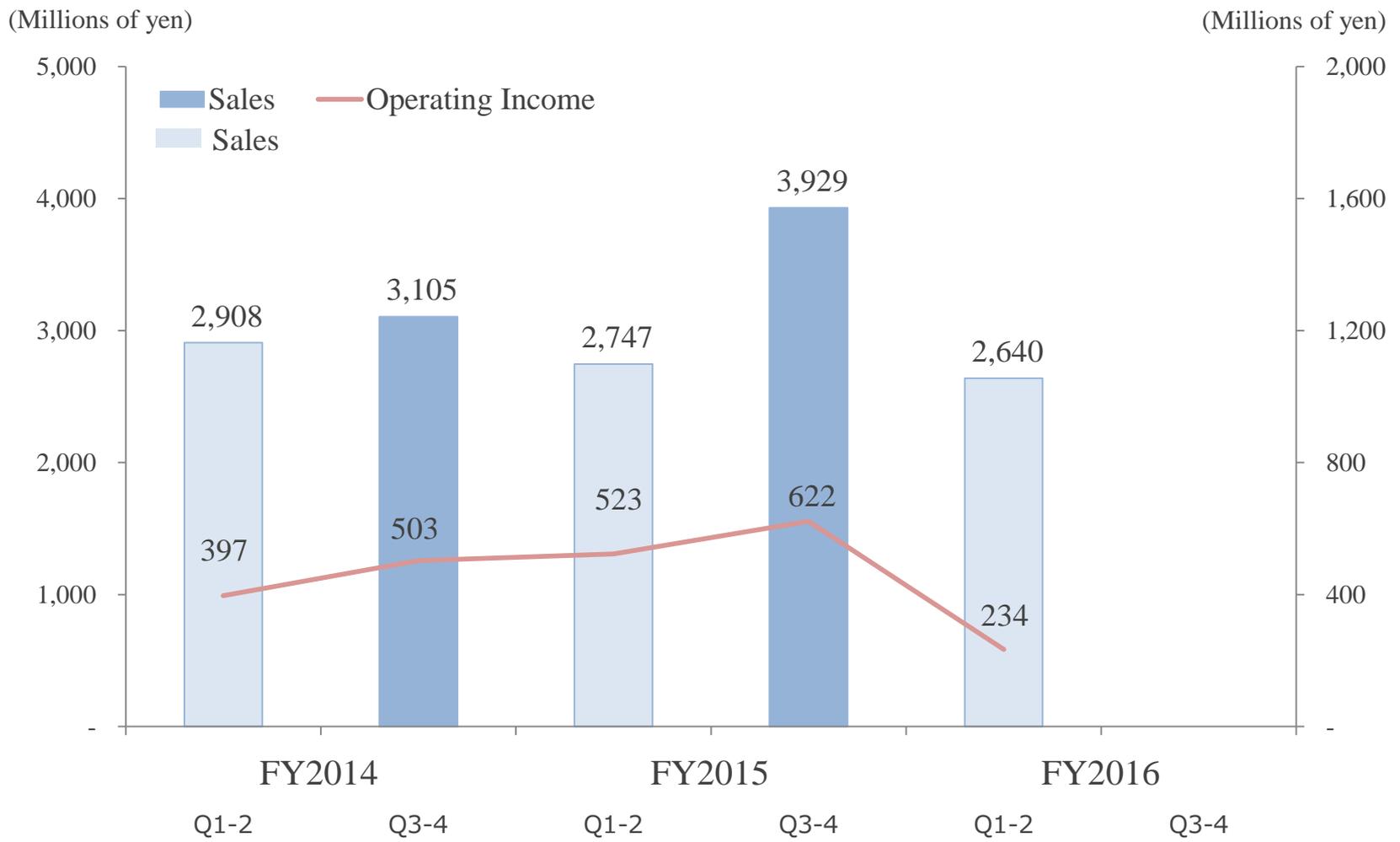
### Operating Income



- » Operating income decreased largely year on year owing to sales decreases.

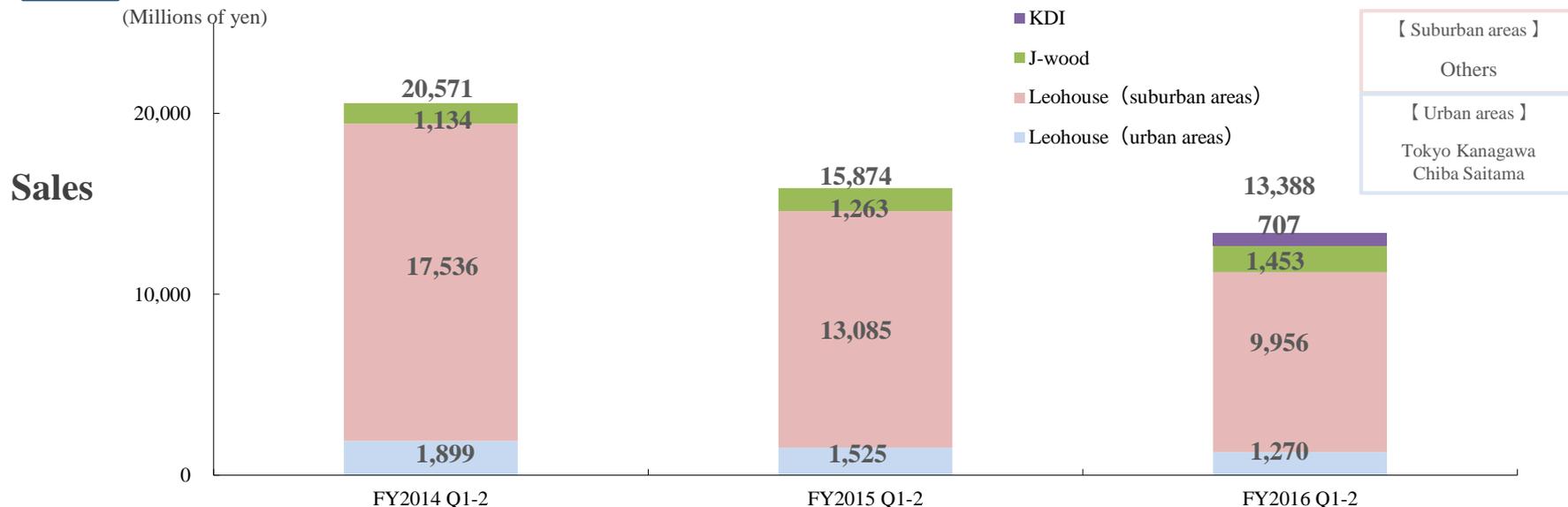
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Results by Segment (3) Construction Consulting



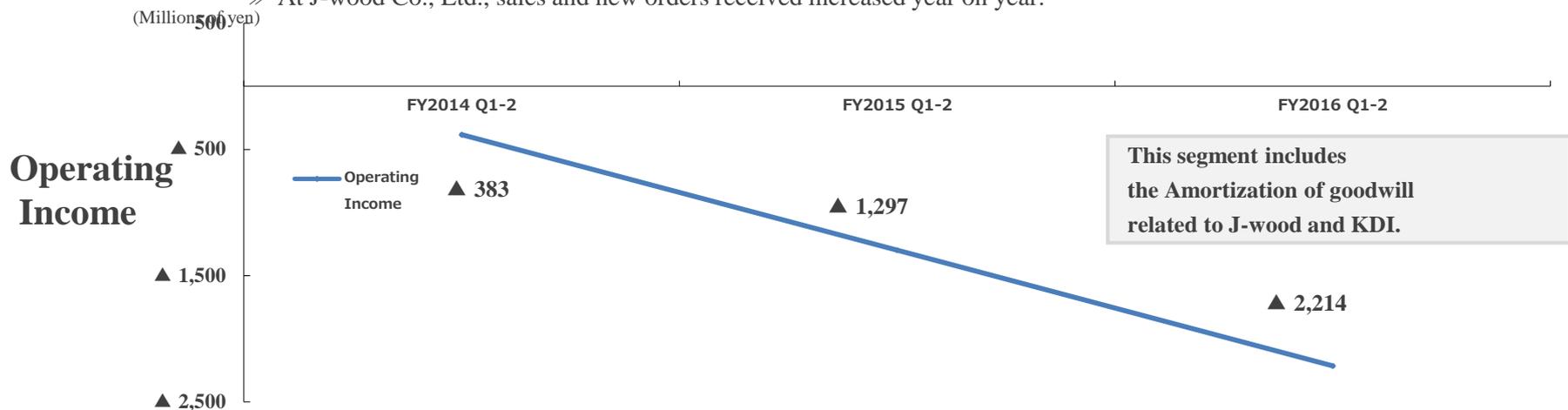
» Operating income decreased largely year on year owing to sales decreases.

## 2 Results by Segment (4) Housing sales



» In Leohouse, Ltd., sales declined year on year because of a decrease in orders in hand as of the end of the previous fiscal year and the delay of construction and delivery.

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

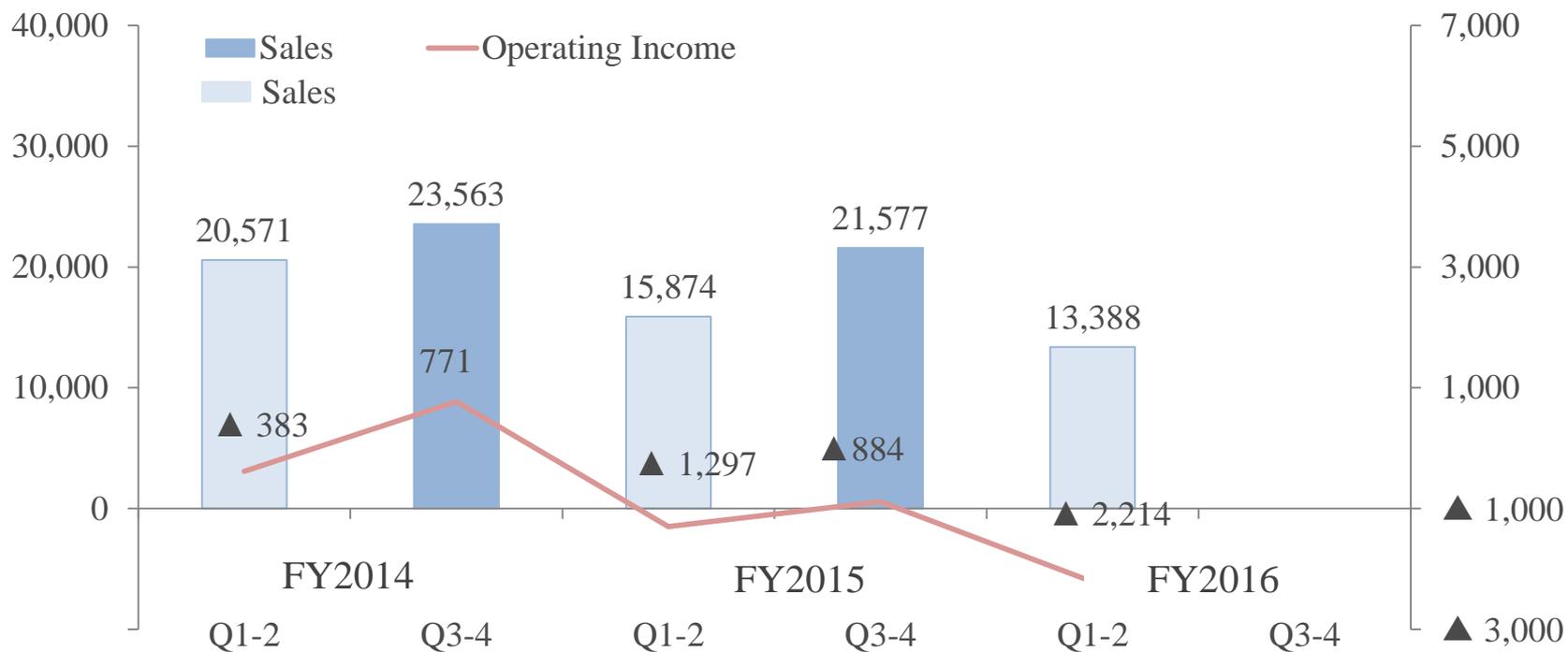


» Operating income declined in comparison with last year due to declines of sales in the Leohouse, Ltd.

## 2 Results by Segment (4) Housing sales

(Millions of yen)

(Millions of yen)



» Sales and Operating income tend to increase around Q4.

» Operating income declined in comparison with last year due to declines of sales.

## 2 Results by Segment (4) Housing sales

115 stores ( Leohouse : 105 stores, J-wood : 9 stores, KDI : 1 stores )

- Leohouse  
( As of Sep.31, 2016 )
- J-wood  
( As of Sep.31, 2016 )
- J-wood new store opened during the 2<sup>st</sup> quarter
- KDI  
( As of Sep.31, 2016 )

Leohouse	: 105 stores ( Branch : 50 / Model display site : 52 / Others : 3 )
J-wood	: 9 stores ( Housing café : 2 / Model display site : 7 )
KDI	: 1 stores ( Branch : 1 )



## 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	677		
Completions	468	557	492	654	238	500	347	694	186	390		
Orders in hand	1,267	1,220	1,129	902	1,035	1,057	1,109	861	1,114	1,385		
Change	+34	▲47	▲91	▲227	+133	+22	+52	▲248	+253	+271		
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	0		
Total stores	※2 97	100	103	107	※3 109	※4 108	108	※5 105	※6 105	105		

※2 ▲2 through reorganization of branch stores

Closing of model display sites :

※3 ▲5

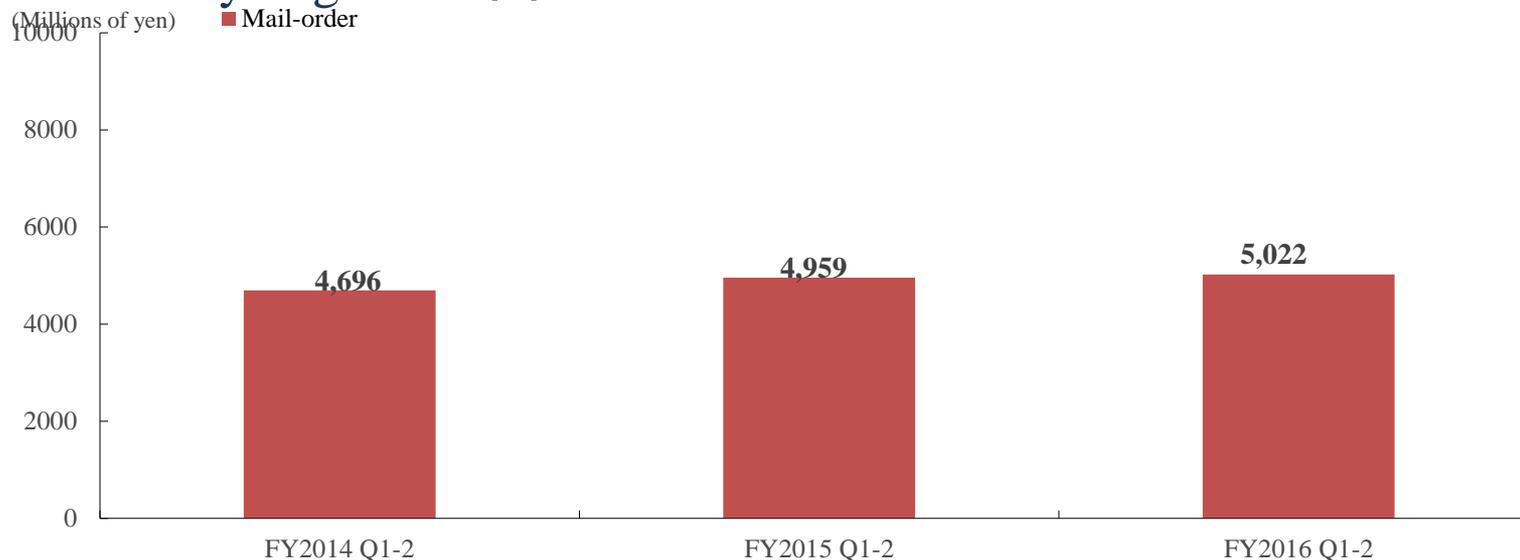
※4 ▲1

※5 ▲3

※6 ▲2 through reorganization of branch stores

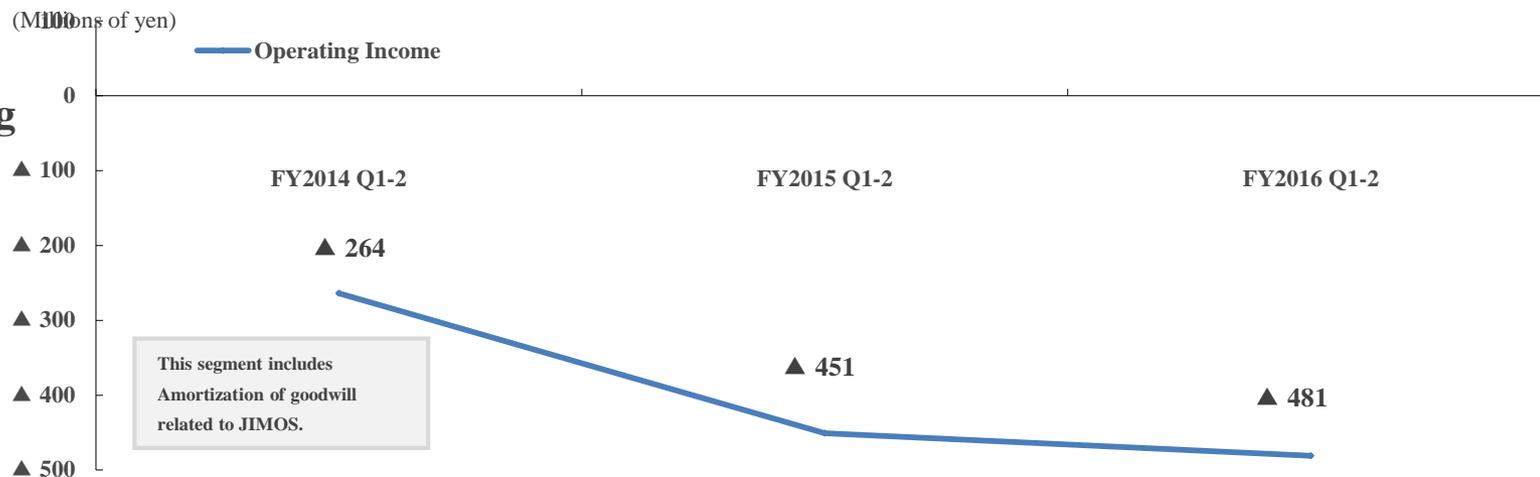
## 2 Results by Segment (5) Mail-order

### Sales



- ≫ At JIMOS Co., Ltd., the mainstay Macchia Label brand produced strong results because of an increase in loyal customers resulted from the development of new customers.
- ≫ Sales of the Coyori brand of skin and hair care products grew year on year as a result of a steady increase in the number of new customers.
- ≫ Sales decreased year on year in the wholesaling business.

### Operating Income

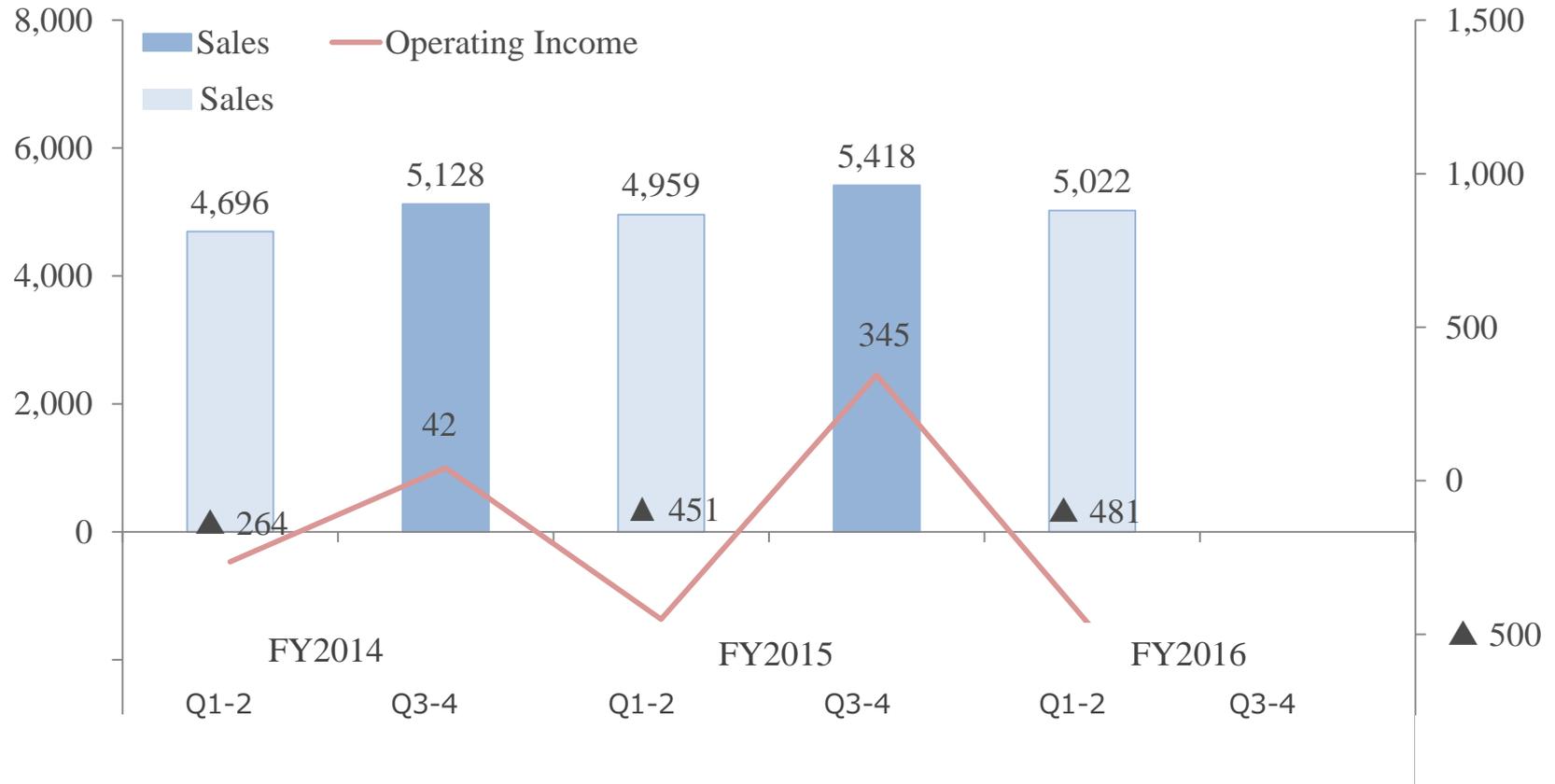


- ≫ Operating income declined year on year due to aggressive investments in advertising and promotions.

## 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 goodwill amortization.

## **3. FY2016 Forecasts of Financial Results**

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### 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 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.

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

(Million of yen)

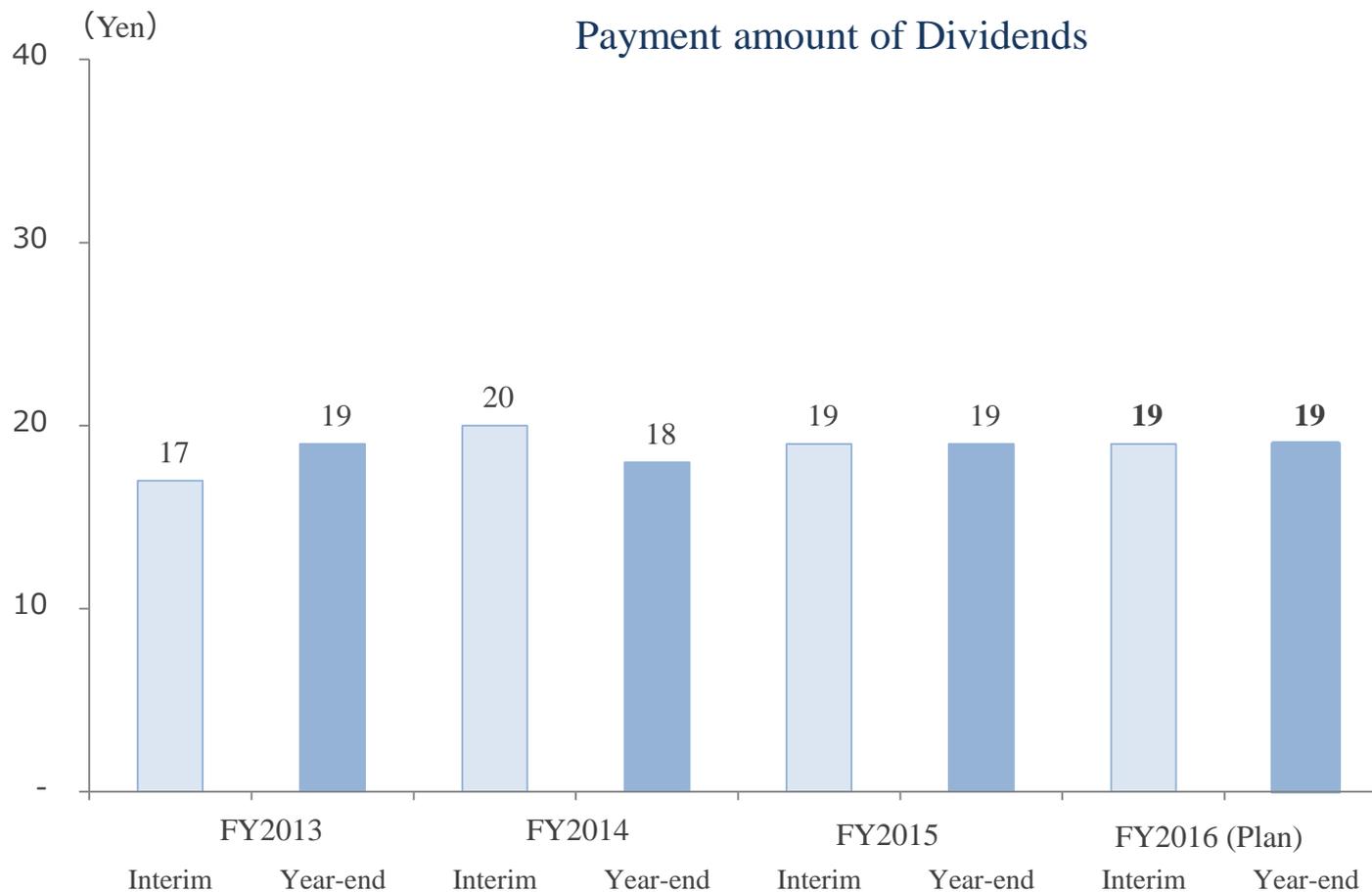
Operating income	Result FY 2015	Plan FY 2016	Comparison
CreCla	▲ 201 (▲1.5%)	200 (1.5%)	- (+3.0pt)
Rental	1,841 (14.4%)	1,770 (13.6%)	▲ 3.9% (▲ 0.8pt)
Construction Consulting	1,146 (17.2%)	1,050 (15.4%)	▲ 8.4% (▲ 1.8pt)
Housing Sales	▲ 412 (▲1.1%)	795 (1.7%)	- (+ 2.8pt)
Mail-order	▲ 105 (▲1.0%)	▲ 200 (▲ 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. Plan of Dividends

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## 4 Plan of dividends : Dividend Policy with DOE 4%

※ Payout ratio : within 100 %



Dividends per share	36 yen	38 yen	38 yen	<b>38 yen</b>
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» Our dividend policy is DOE 4%.

In accordance with this dividend policy, annual dividend is 38 yen in FY2016.

# 5. Appendix

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(As of the end of September 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"> <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>■ Mail-order (Cosmetics and health food mail-order sales)</li> </ul>
Consolidated companies	<p>Leohouse Co., Ltd. (Housing sales)            Earnest Corporation (Building maintenance)            JIMOS Co., Ltd. (Mail-order)            J-wood Co., Ltd. (Housing sales)            Eco &amp; Eco Co., Ltd. (Sales of energy-saving products • Construction)            KDI Co., Ltd. (Housing sales)            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	9,536 (Total number of shareholders; treasury shares are excluded)

## Key Financial Indicators (Consolidated)

	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

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## 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	

5

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, 2015) that deals with energy-saving products.

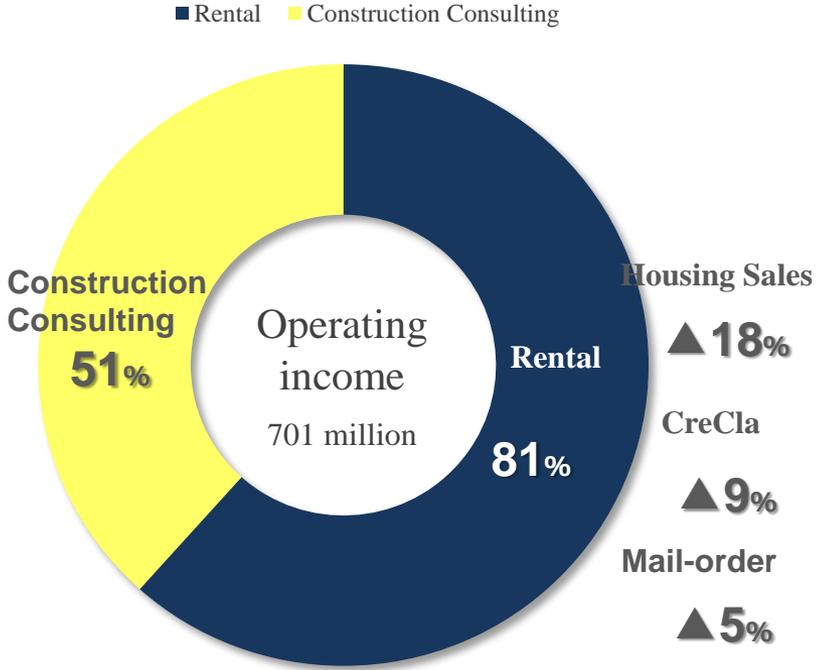
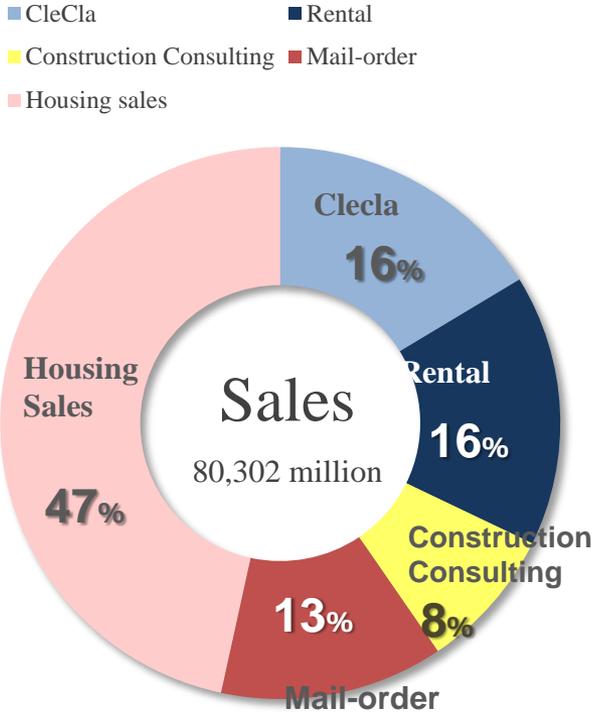
**Housing Sales**

- 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

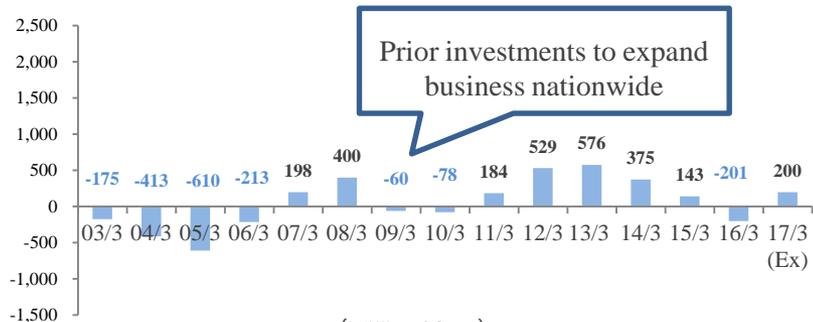
## Operating margin on sales

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

# 5 Operating income trend by segment

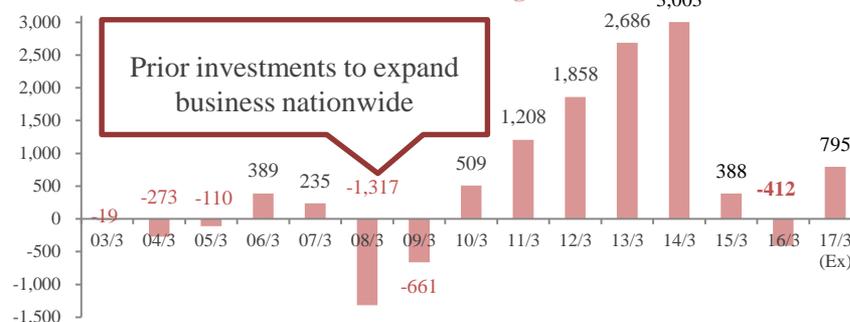
(Million Of yen)

## 【CreCla】



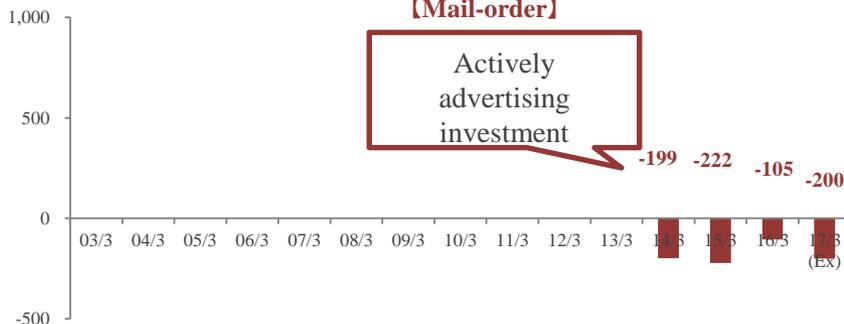
(Million Of yen)

## 【Housing sales】



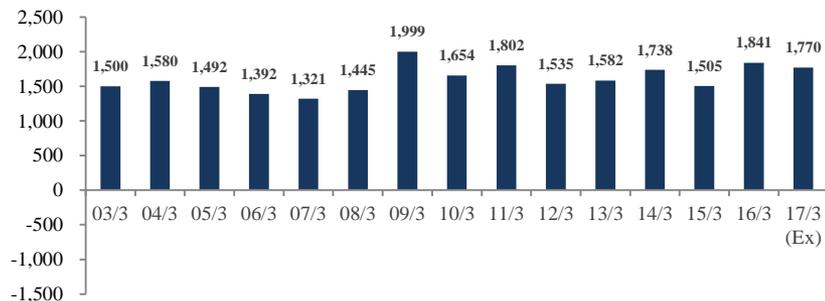
(Million Of yen)

## 【Mail-order】



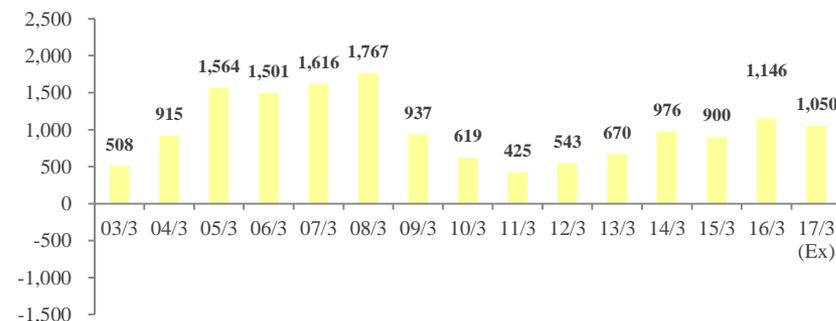
(Million Of yen)

## 【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.