

Results for the 3rd Quarter ended December 31, 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



February 10, 2017

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 3rd Quarter ended December 31, 2016

(Millions of yen)

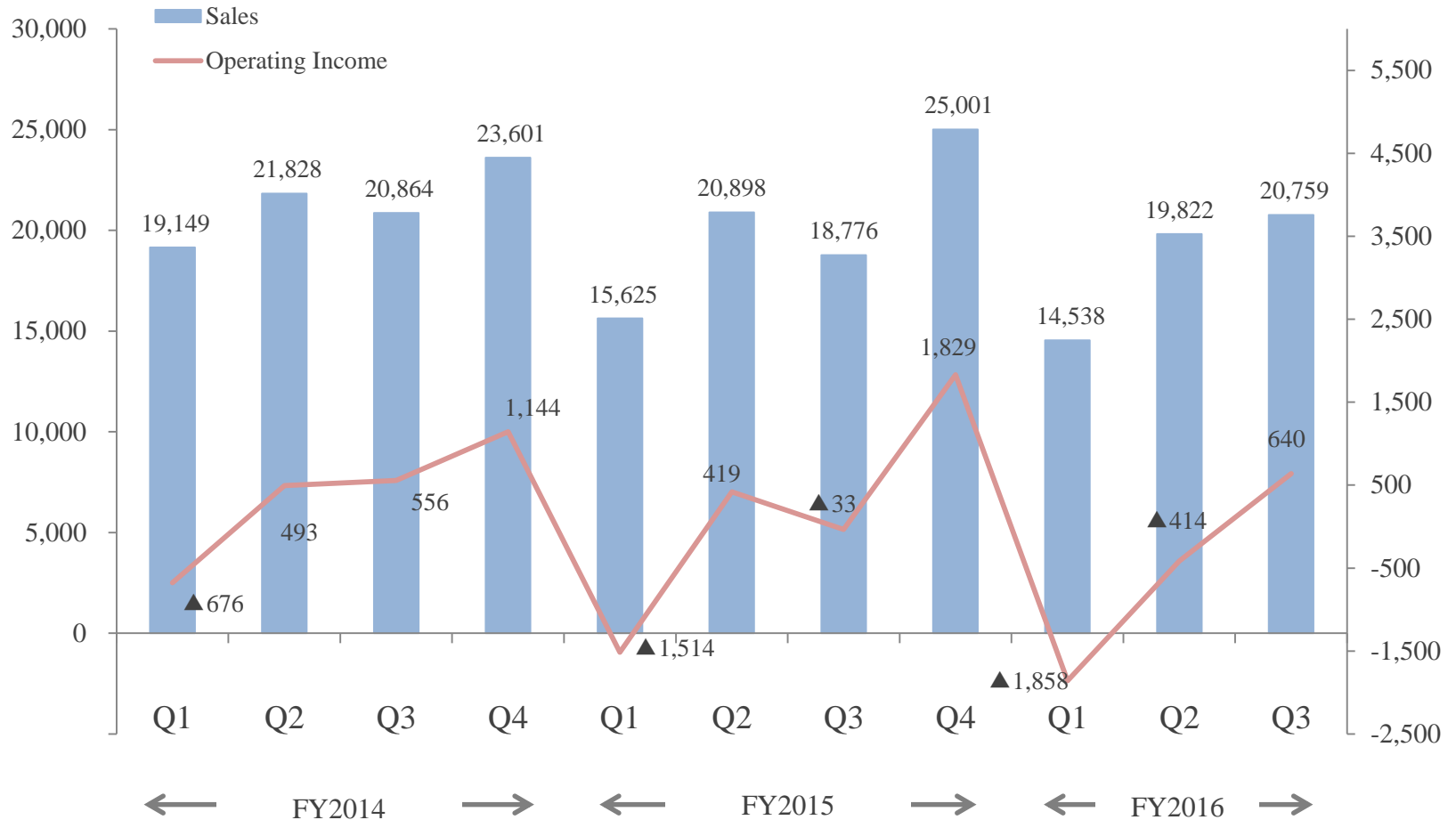
| | 9 months ending FY2016 | 9 months ending FY2015 | YOY Comparison | Plan (at May.9) |
|---|---------------------------|---------------------------|-------------------|--------------------|
| Sales | 55,120 | 55,300 | ▲0.3% | 92,000 |
| Gross profit | 24,464 | 24,298 | +0.7% | — |
| (Gross margin) | 44.4% | 43.9% | +0.5pt | — |
| SG&A | 26,097 | 25,425 | +2.6% | — |
| Operating Income | ▲1,632 | ▲1,127 | — | 2,000 |
| (Operating margin) | ▲3.0% | ▲2.0% | ▲1.0pt | 2.2% |
| Non-operating income and loss | 41 | ▲11 | — | — |
| Ordinary Income | ▲1,590 | ▲1,139 | — | 2,000 |
| Extra-ordinary income and loss | ▲63 | 21 | — | — |
| Net Income attributable to owners of parent | ▲1,407 | ▲1,017 | — | 800 |

» Sales decreased in the Construction consulting business and Housing sales business, and operating income declined year on year.

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 FY2016 | 9 months ended FY2015 | YOY Comparison | Plan (at July.4) |
|-------------------------|------------------------|-----------------------|----------------|------------------|
| CreCla | 10,072 | 9,912 | +1.6% | 13,700 |
| Rental | 9,920 | 9,568 | + 3.7% | 13,000 |
| Construction Consulting | 4,003 | 4,433 | ▲9.7% | 6,800 |
| Housing Sales | 23,114 | 23,519 | ▲1.7% | 47,500 |
| Mail-order | 8,016 | 7,919 | +1.2% | 11,000 |
| Elimination | ▲6 | ▲52 | — | — |
| Total | 55,120 | 55,300 | ▲0.3% | 92,000 |

- » In the CreCla Business, sales of directly managed stores increased year on year; on the other hand, sales to affiliated stores decreased slightly. As a result, total sales increased 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.
- » 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 FY2016 | 9 months ended FY2015 | YOY Comparison | Plan (at July.4) |
|-------------------------|------------------------|-----------------------|------------------|------------------|
| CreCla | 104 (1.0%) | ▲215 (▲2.2%) | 320 (+3.2pt) | 200 (1.5%) |
| Rental | 1,391 (14.0%) | 1,404 (14.7%) | ▲13 (▲0.7pt) | 1,770 (13.6%) |
| Construction Consulting | 450 (11.2%) | 825 (18.6%) | ▲375 (▲7.4pt) | 1,050 (15.4%) |
| Housing Sales | ▲2,358 (▲10.2%) | ▲1,715 (▲7.3%) | ▲643 (▲2.9pt) | 795 (1.7%) |
| Mail-order | ▲267 (▲3.3%) | ▲217 (▲2.8%) | ▲50 (▲0.5pt) | ▲200 (▲1.8%) |
| Elimination, HQ Cost | ▲952 | ▲1,209 | +257 | ▲1,615 |
| Total | ▲1,632 (▲3.0%) | ▲1,127 (▲2.0%) | ▲504 (▲1.0pt) | 2,000 (2.2%) |

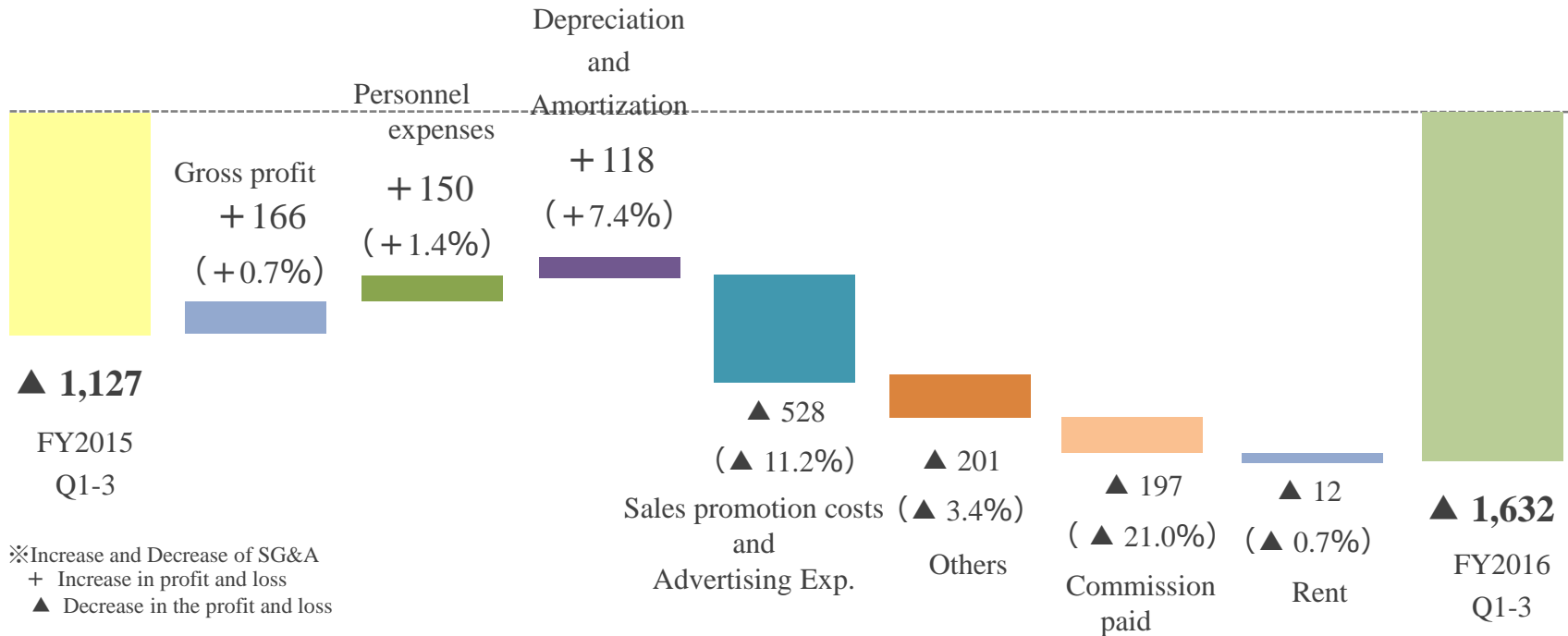
Note) The figures inside () marks indicate operating margin.

- » The CreCla business increased operating income year on year owing to an increase in sales and revisions to management costs.
- » The Rental business decreased operating income year on year due to increases in personnel expenses and sales and general administrative expenses.
- » The construction Consulting decreased operating income year on year owing to large sales decreases in the construction know-how systems business and the construction materials business.
- » In the housing sales, operating income declined year on year due to the effect of lower sales and increases in construction costs and promotion costs.
- » Operating income of the Mail-order business declined year on year due to aggressive investment in advertising and promotions ahead of the spending plan.

1

Analysis for operating income & loss (YoY change)

(Millions of yen)



1. The reason of decreases of Gross profit margin

» Gross profit increased because we acquire KDI Co., Ltd in 2016.

2. The reason of increases and decreases of SG&A

» Sales promotion costs and advertising expenses increased since we aggressively performed sales promotion in each of the operating segments.

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

» Depreciation increased owing to the closure of model houses in Leohouse. Furthermore, the Honjo plant is amortized by the declining balance method.

Consolidated Balance Sheet

(Millions of yen)

| | As of Dec.31 2016 | Breakdown | As of March.31 2016 | Break down | Comparison |
|---|----------------------|-----------|------------------------|------------|------------|
| Current assets | 24,050 | 53.4% | 20,113 | 48.2% | +3,936 |
| Total PP&E | 13,664 | 30.3% | 14,249 | 34.2% | ▲585 |
| Intangible assets | 3,455 | 7.7% | 3,700 | 8.9% | ▲245 |
| Investments and other assets | 3,879 | 8.6% | 3,630 | 8.7% | 249 |
| Non-current assets | 20,999 | 46.6% | 21,580 | 51.8% | ▲581 |
| Total assets | 45,049 | 100.0% | 41,694 | 100.0% | +3,355 |
| | | | | | |
| Current liabilities | 24,212 | 53.7% | 17,695 | 42.4% | +6,517 |
| Non-current liabilities | 7,144 | 15.9% | 8,167 | 19.6% | ▲1,022 |
| Total liabilities | 31,357 | 69.6% | 25,862 | 62.0% | +5,494 |
| | | | | | |
| Shareholder's equity | 14,491 | 32.2% | 16,661 | 40.0% | ▲2,169 |
| Accumulated other comprehensive income | ▲799 | ▲1.8% | ▲829 | ▲2.0% | 30 |
| Total net assets | 13,692 | 30.4% | 15,831 | 38.0% | ▲2,139 |
| Total liabilities and net assets | 45,049 | 100.0% | 41,694 | 100.0% | +3,355 |

■ Current assets : Cash and deposit ▲ 3,652 Costs on uncompleted construction contracts +3,252 Products +2,449

■ Non-current assets : Building and structures ▲ 327

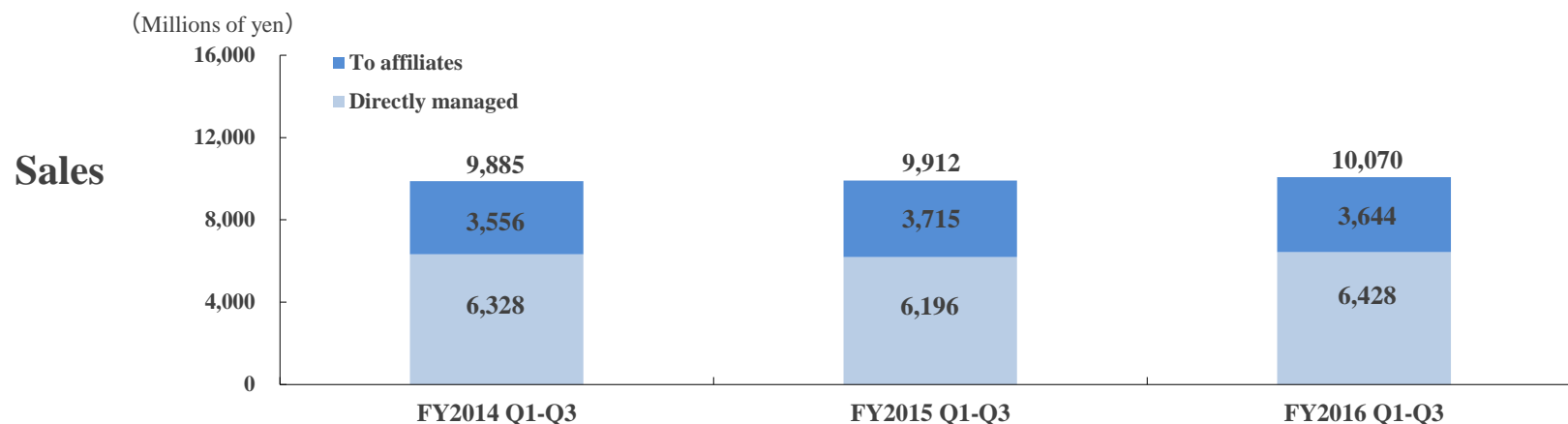
■ Current liabilities : Advances received on uncompleted construction contracts +5,999 Short-term loans 350

■ Non-current liabilities : Long-term loans ▲925

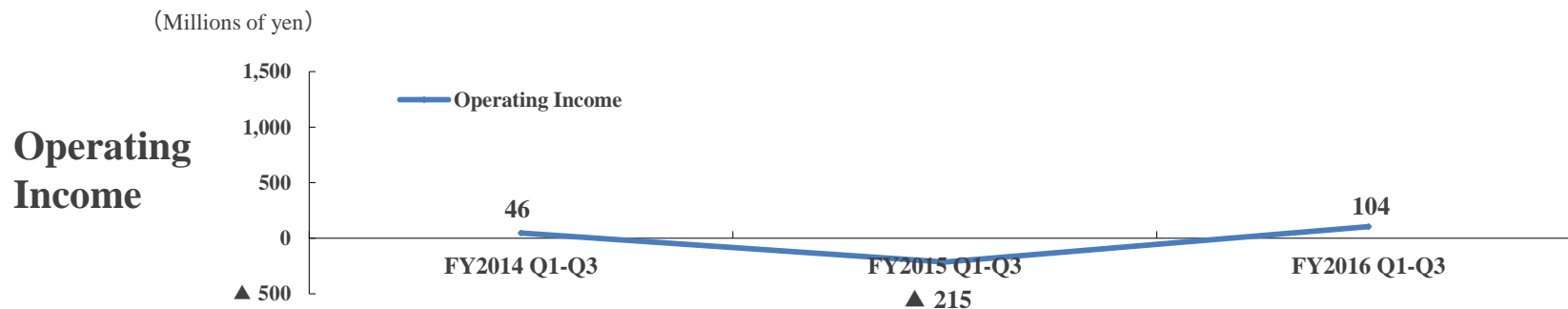
Equity Ratio : 30.4%

2. Results by Segments

2 Results by Segment (1) CreCla



- » Our direct managed stores continuously worked on sales promotions to increase new customers. Moreover, we tried to increase the bottle consumption per customer and improve sales per customer. As a consequence, sales increased year on year.
- » In our affiliated stores, sales decreased year on year due to decreases in sales of the water cooler and bottle to affiliates.

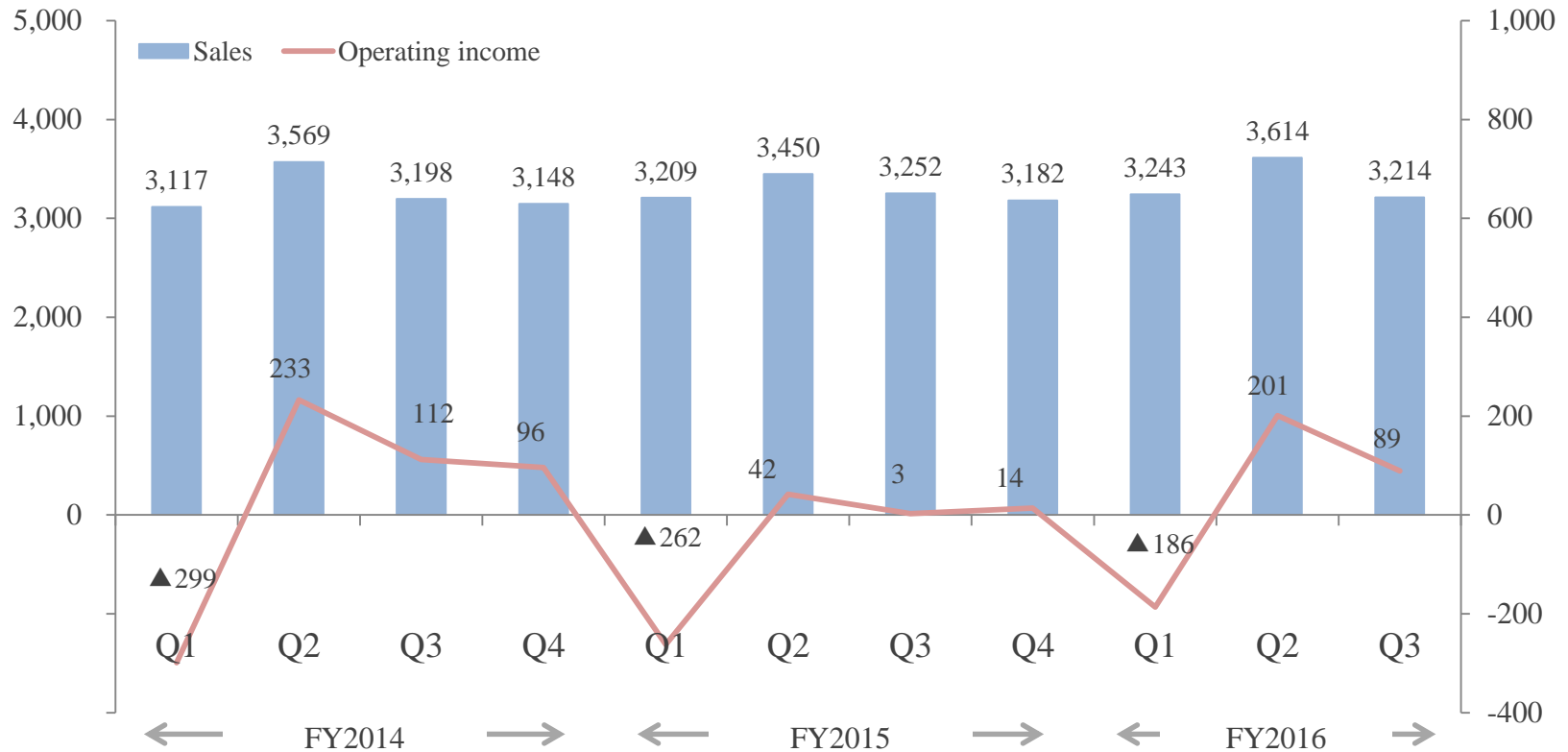


- » Operating income year on year owing to an increase in sales and revisions to management costs.

2 Results by Segment (1) CreCla

(Millions of yen)

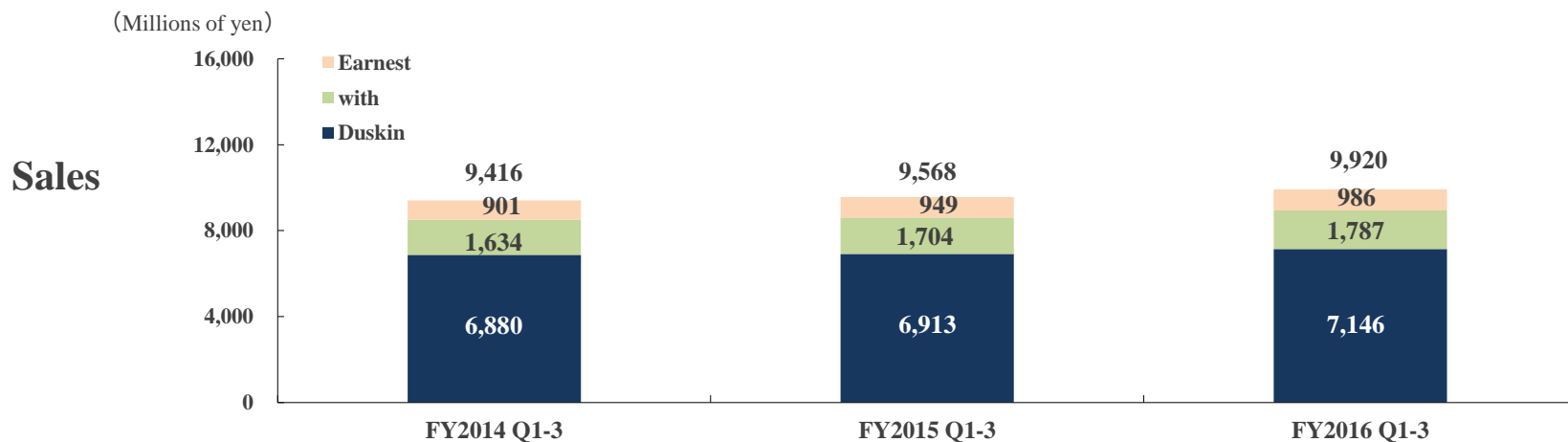
(Millions of yen)



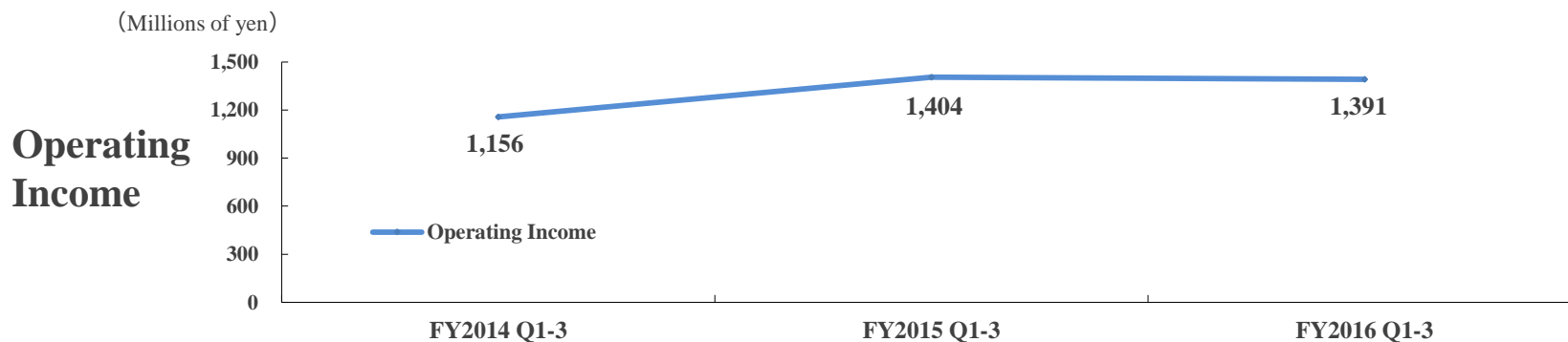
» The CreCla business invests in advertising, especially, in the first quarter.

» The CreCla business tends to increase operating income in the second quarter.

2 Results by Segment (2) Rental



- » 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.
- » The With-branded pest-control devices business made continuous sales efforts, 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.



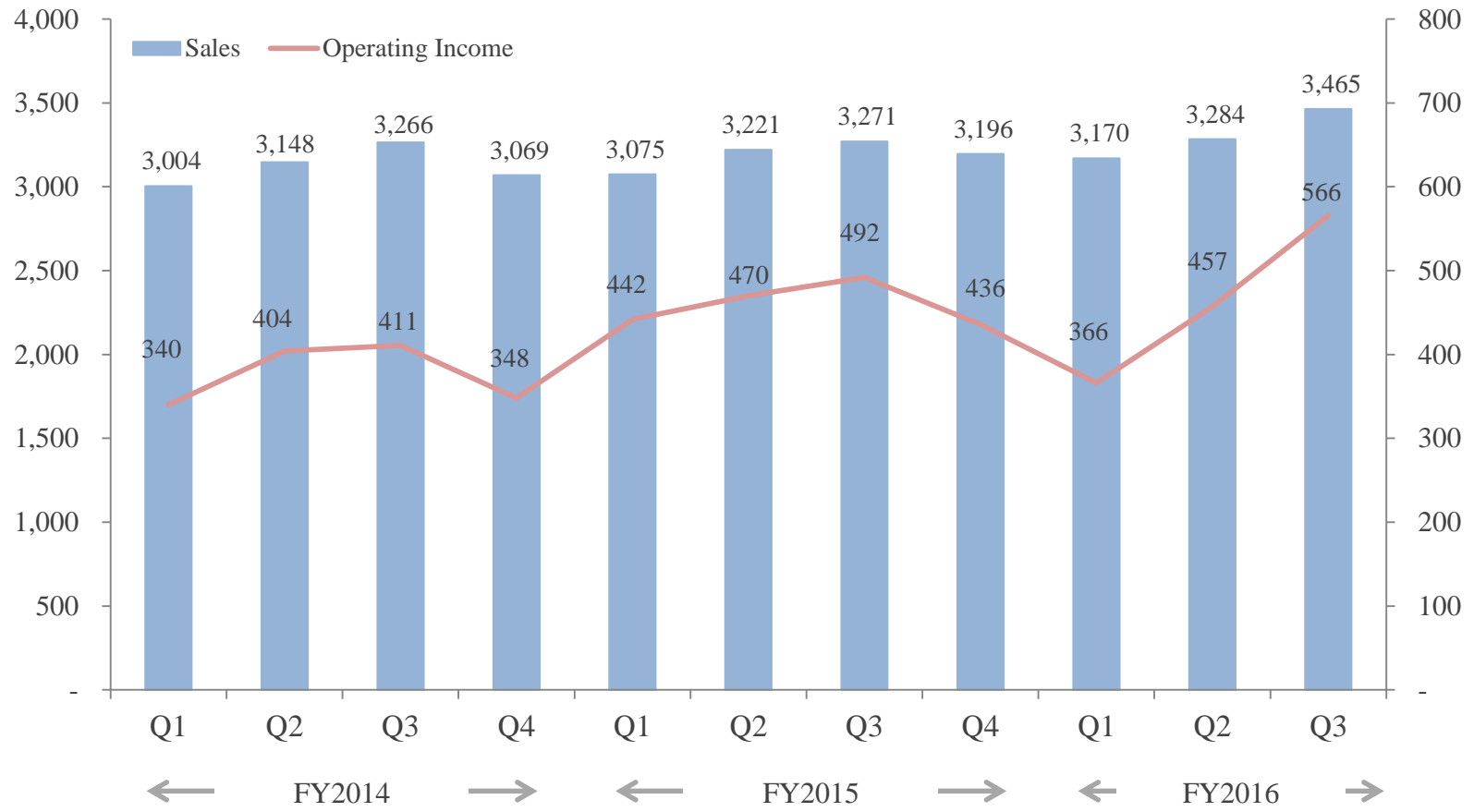
- » Operating income decreased year on year owing to increases in personnel expenses and sales and general administrative expenses.

2

Results by Segment (2) Rental

(Millions of yen)

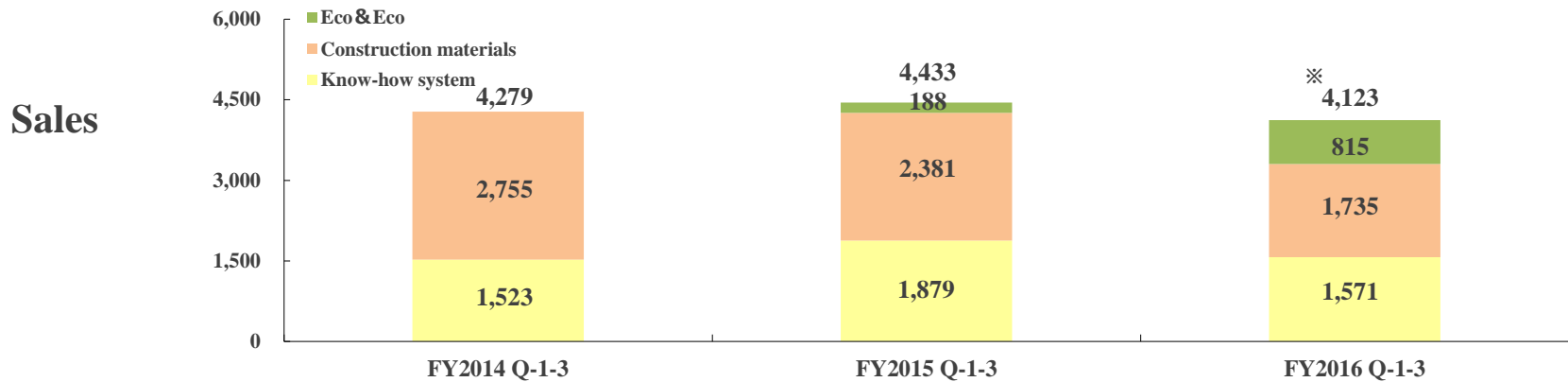
(Millions of yen)



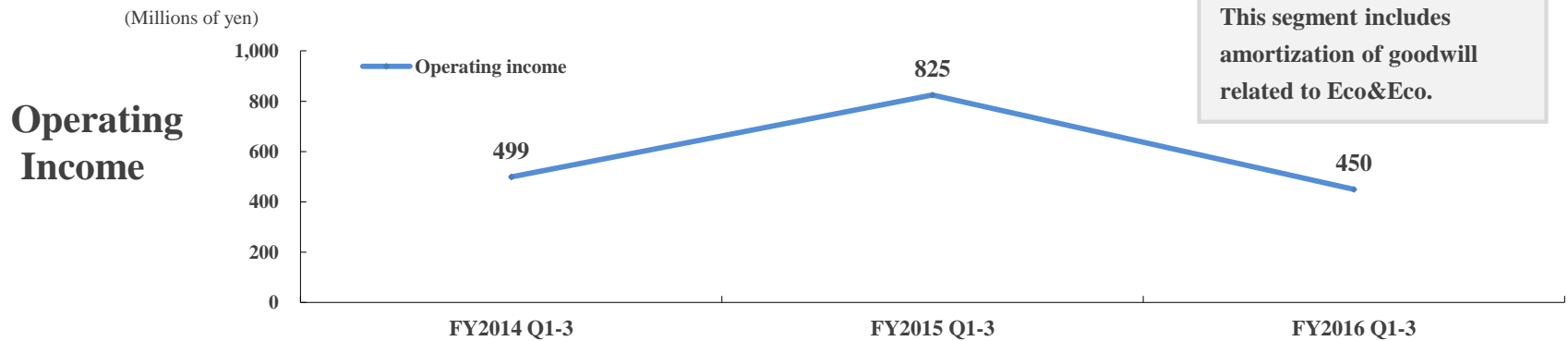
» The Rental business stabilizes both sales and operating income through the year.

2 Results by Segment (3) Construction Consulting

(Millions of yen) ※ It includes internal transactions about 119 millions yen.



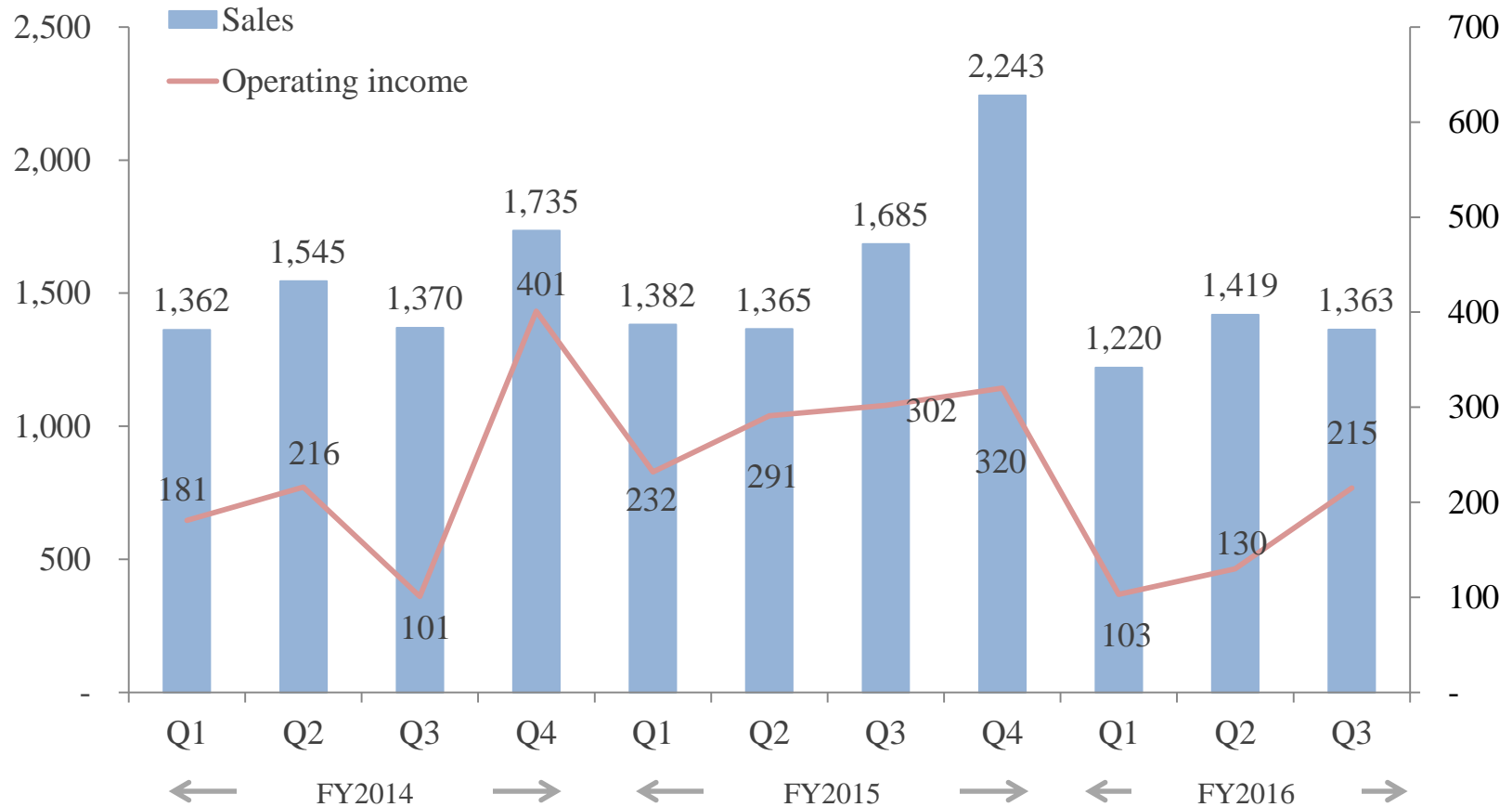
- » The construction know-how systems actively worked on upgrade of products, developments of new products and reinforcements of sales activities. On the other hand, based on the market deterioration, our main customers, small and midsize building contractors tended to reduce investments. As a result, sales declined year on year.
- » In the construction materials, the number of orders regarding solar powered house increased, sales decreased year on year due to the influence of overall market deterioration.



- » Operating income year on year owing to sales decreases in the construction know-how systems business and the construction materials business.

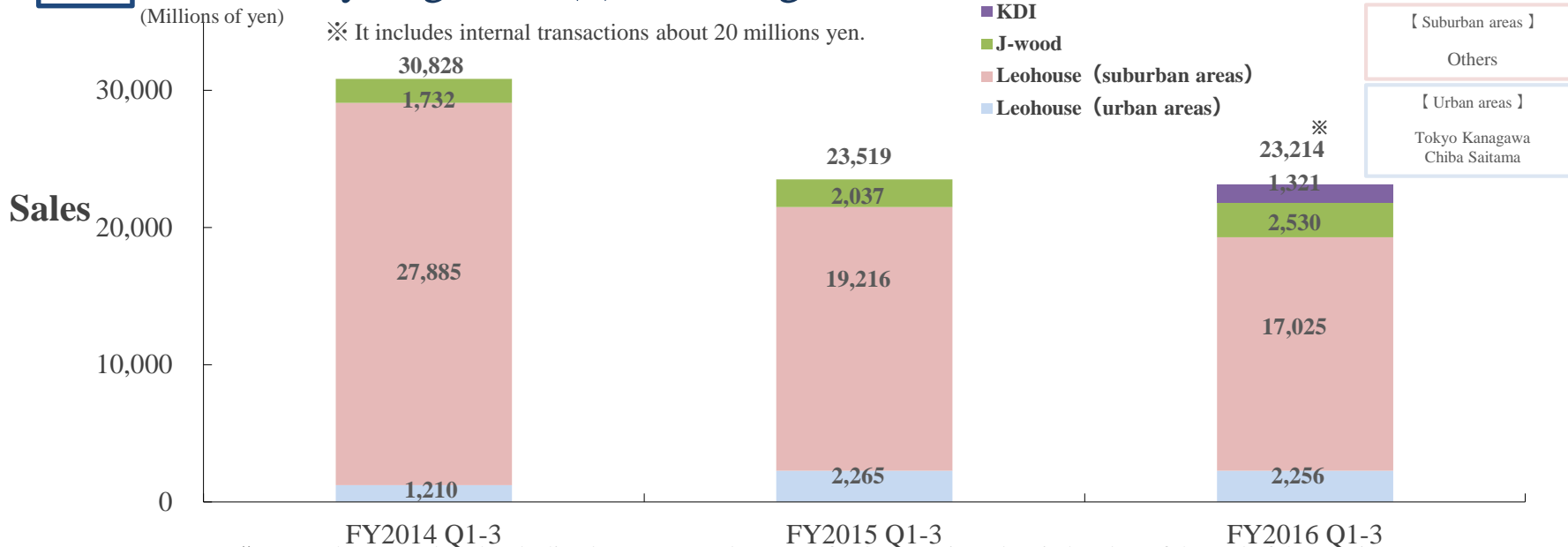
(Millions of yen)

(Millions of yen)



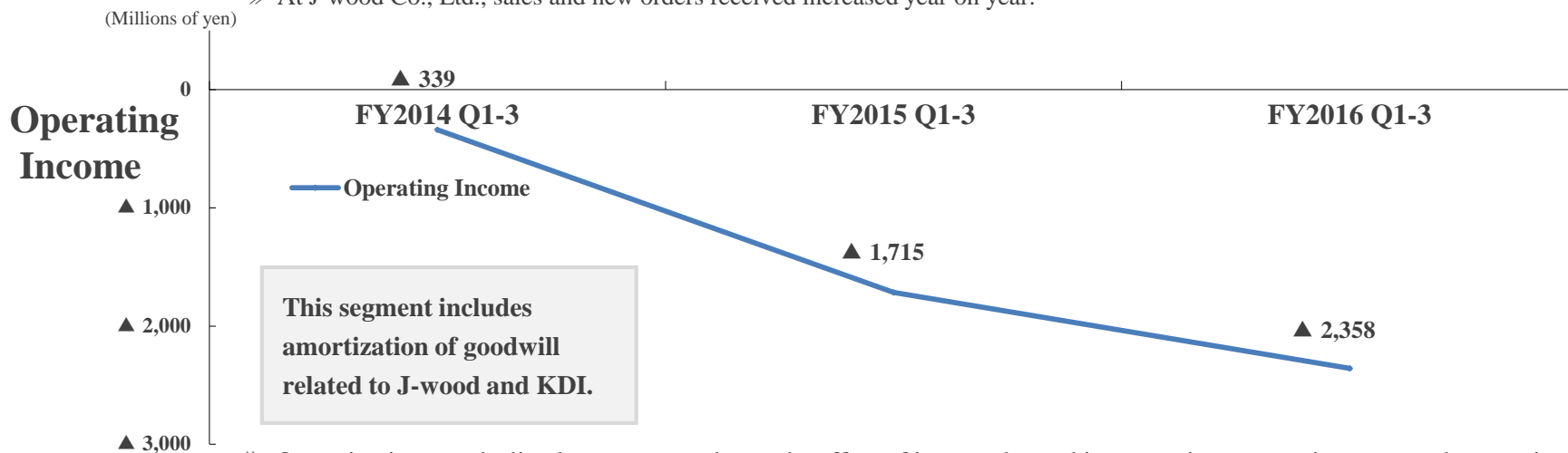
» Both sales and operating income tend to increase around the fourth quarter.

2 Results by Segment (4) Housing sales



FY2014 Q1-3
 » 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.

FY2015 Q1-3
 » At J-wood Co., Ltd., sales and new orders received increased year on year.

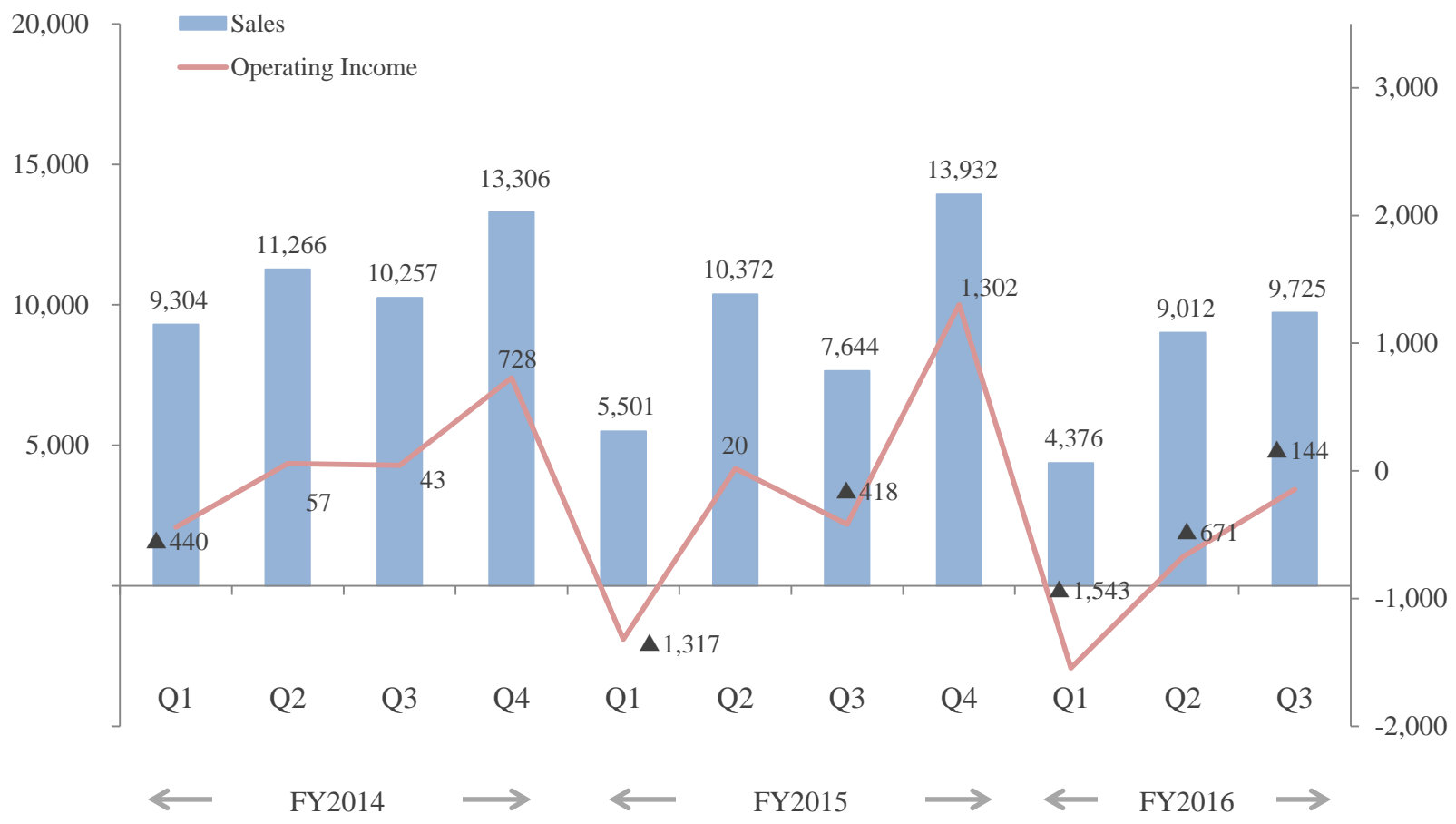


FY2016 Q1-3
 » Operating income declined year on year due to the effect of lower sales and increases in construction costs and promotion costs.

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.

2 Results by Segment (4) Housing sales

116 stores (Leohouse : 105 stores, J-wood : 10 stores, KDI : 1 stores)

- Leohouse
(As of Dec.31, 2016)
- J-wood
(As of Sep.31, 2016)
- J-wood new store opened during the 3rd quarter
- KDI
(As of Dec.31, 2016)

| | |
|----------|---|
| Leohouse | : 105 stores (Branch : 50 / Model display site : 52 / Others : 3) |
| J-wood | : 10 stores (Housing café : 3 / 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 | 397 | |
| Completions | 468 | 557 | 492 | 654 | 238 | 500 | 347 | 694 | 186 | 390 | 403 | |
| Orders in hand | 1,267 | 1,220 | 1,129 | 902 | 1,035 | 1,057 | 1,109 | 861 | 1,114 | 1,385 | 1,361 | |
| Change | +34 | ▲47 | ▲91 | ▲227 | +133 | +22 | +52 | ▲248 | +253 | +271 | ▲24 | |
| 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 | 0 | |
| Total stores | ※2 97 | 100 | 103 | 107 | ※3 109 | ※4 108 | 108 | ※5 105 | ※6 105 | 105 | 105 | |

※2 ▲2 through reorganization of branch stores

Closing of model display sites :

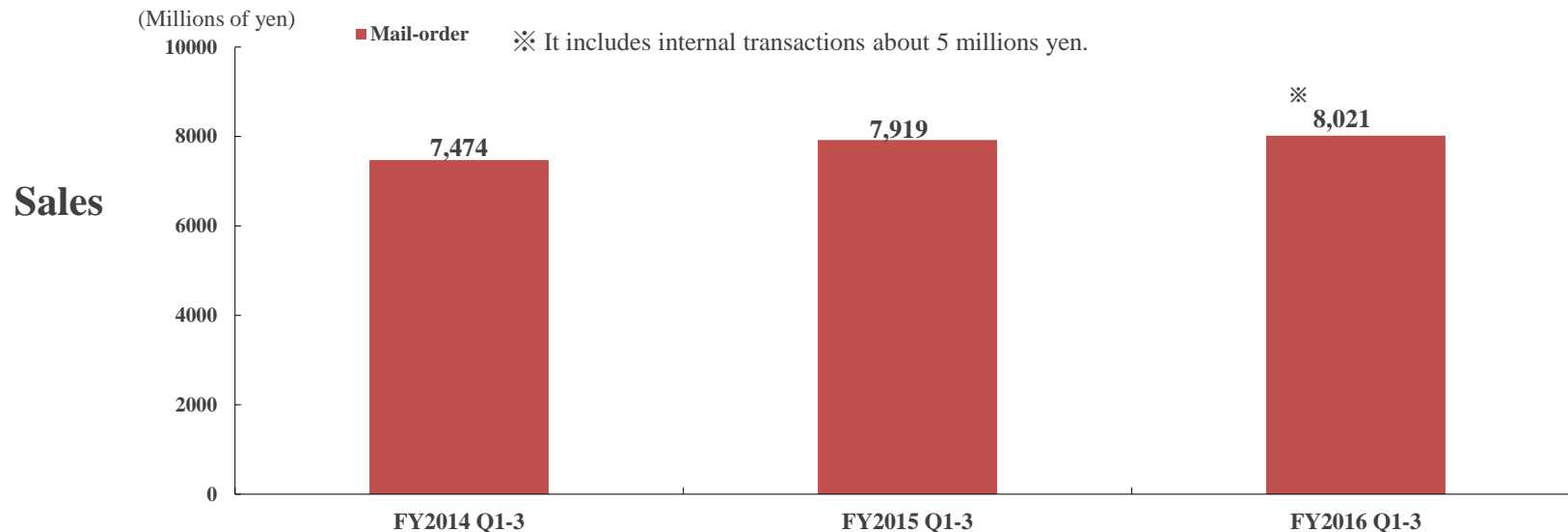
※3 ▲5

※4 ▲1

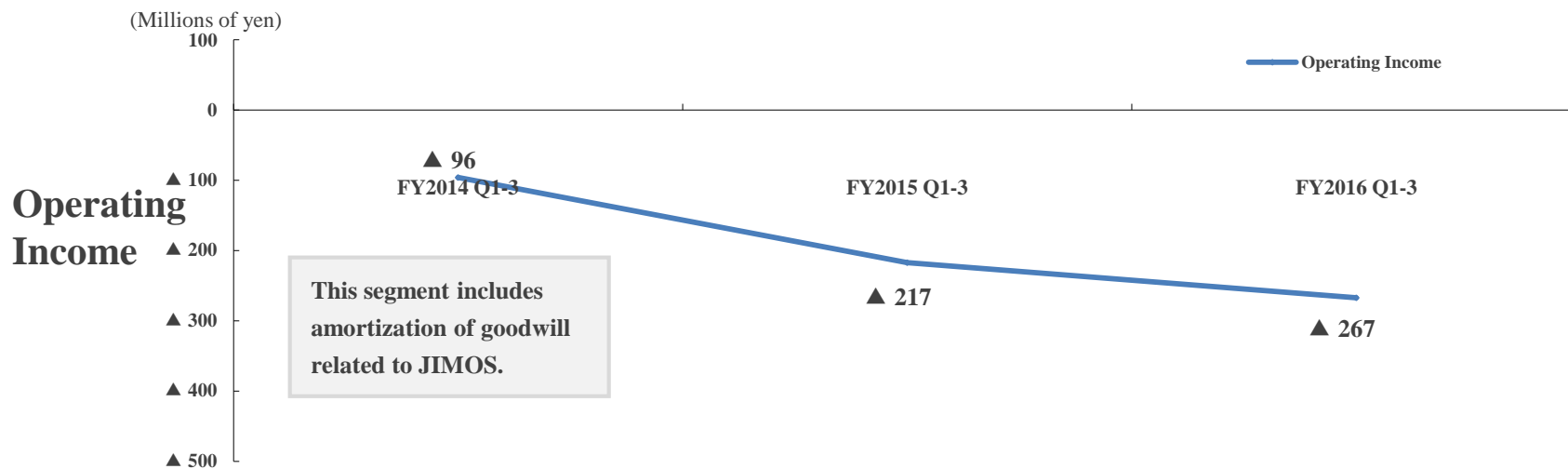
※5 ▲3

※6 ▲2 through reorganization of branch stores

2 Results by Segment (5) Mail-order

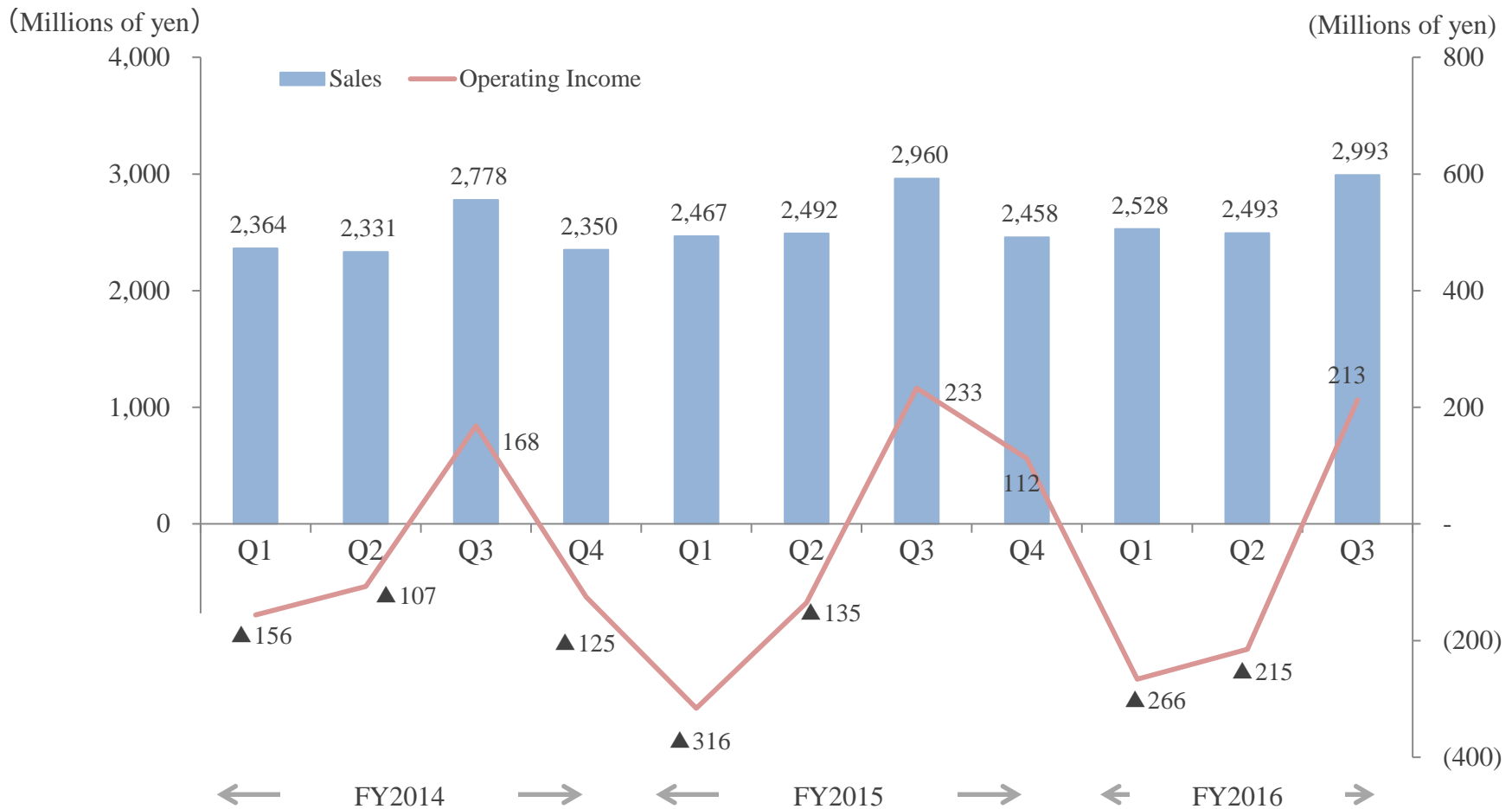


- ≫ At JIMOS Co., Ltd., the mainstay Macchia Label brand produced strong results because of an increase in loyal customers resulted from the development of new customers.
- ≫ Sales of the Coyori brand of skin and hair care products grew year on year as a result of a steady increase in the number of new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



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

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 bellow zero because of goodwill amortization.

3. FY2016 Forecasts of Financial Results

(Millions of yen)

| | Plan (at Feb.10) | Plan Comparison | | FY2015 Results |
|---------------------|---------------------|--------------------|-----------|----------------|
| | | Plan (at May.9) | change | |
| Sales | 86,200 | 92,000 | ▲5,800 | 80,302 |
| Operating income | 1,360 | 2,000 | ▲640 | 701 |
| Ordinary income | 1,350 | 2,000 | ▲650 | 795 |
| Net income | 660 | 800 | ▲140 | 252 |
| EPS | 39.16 yen | 47.24 yen | ▲8.08 yen | 14.99 yen |
| Dividends per share | 38 yen | 38 yen | — | 38 yen |

» Based on situations of the constructions and orders in the housing sales business that accounts for 40 to 50% of total sales in the NAC group and the construction consulting business, we revise forecasts of sales, operating income, ordinary income and net income attributable to owners of parent downwards. .

3 Sales Forecast by Segment

(Millions of yen)

| Sales | Plan (at Feb.10) | Plan Comparison | | FY2015 Results |
|----------------------------|---------------------|---------------------|--------|----------------|
| | | Plan (at July.4) | Change | |
| CreCla | 13,300 | 13,700 | ▲400 | 13,095 |
| Rental | 13,000 | 13,000 | — | 12,765 |
| Construction Consulting | 6,000 | 6,800 | ▲800 | 6,676 |
| Housing Sales | 43,400 | 47,500 | ▲4,100 | 37,452 |
| Mail-order | 10,500 | 11,000 | ▲500 | 10,378 |
| Total | 86,200 | 92,000 | ▲5,800 | 80,302 |

- » In Housing Sales Business, the lack of artisan lead to the delay of the construction and delivery, so we can not finish expected house completion until the end of fiscal year. As a result, we decreased sales forecast.
- » In the construction know-how systems business, our main customers, small and midsize building contractors tented to reduce investments, so we could not glow sales. Moreover, the construction materials business decreased sales forecast due to the influence of market deterioration even though the number of orders regarding solar powered house increased.

3 Operating income Forecasts by Segment

(Millions of yen)

| Operating income | Plan (at Feb.10) | Plan Comparison | | FY2015 Results |
|----------------------------|---------------------|---------------------|-------------------|------------------|
| | | Plan (at July.4) | Change | |
| CreCla | 230 (1.7%) | 200 (1.5%) | +30 (+0.2pt) | ▲ 201 (▲1.5%) |
| Rental | 1,900 (14.6%) | 1,770 (13.6%) | +130 (+ 1.0pt) | 1,841 (14.4%) |
| Construction Consulting | 820 (13.7%) | 1,050 (15.4%) | ▲230 (▲1.7pt) | 1,146 (17.2%) |
| Housing Sales | ▲100 (▲0.2%) | 795 (1.7%) | ▲895 (▲1.9pt) | ▲412 (▲1.1%) |
| Mail-order | ▲90 (▲0.9%) | ▲200 (▲1.8%) | +110 (+0.9pt) | ▲105 (▲1.0%) |
| Elimination, HQ cost | ▲1,400 | ▲1,615 | +215 | ▲1,567 |
| Total | 1,360 (1.6%) | 2,000 (2.2%) | ▲640 (▲0.6pt) | 701 (0.9%) |

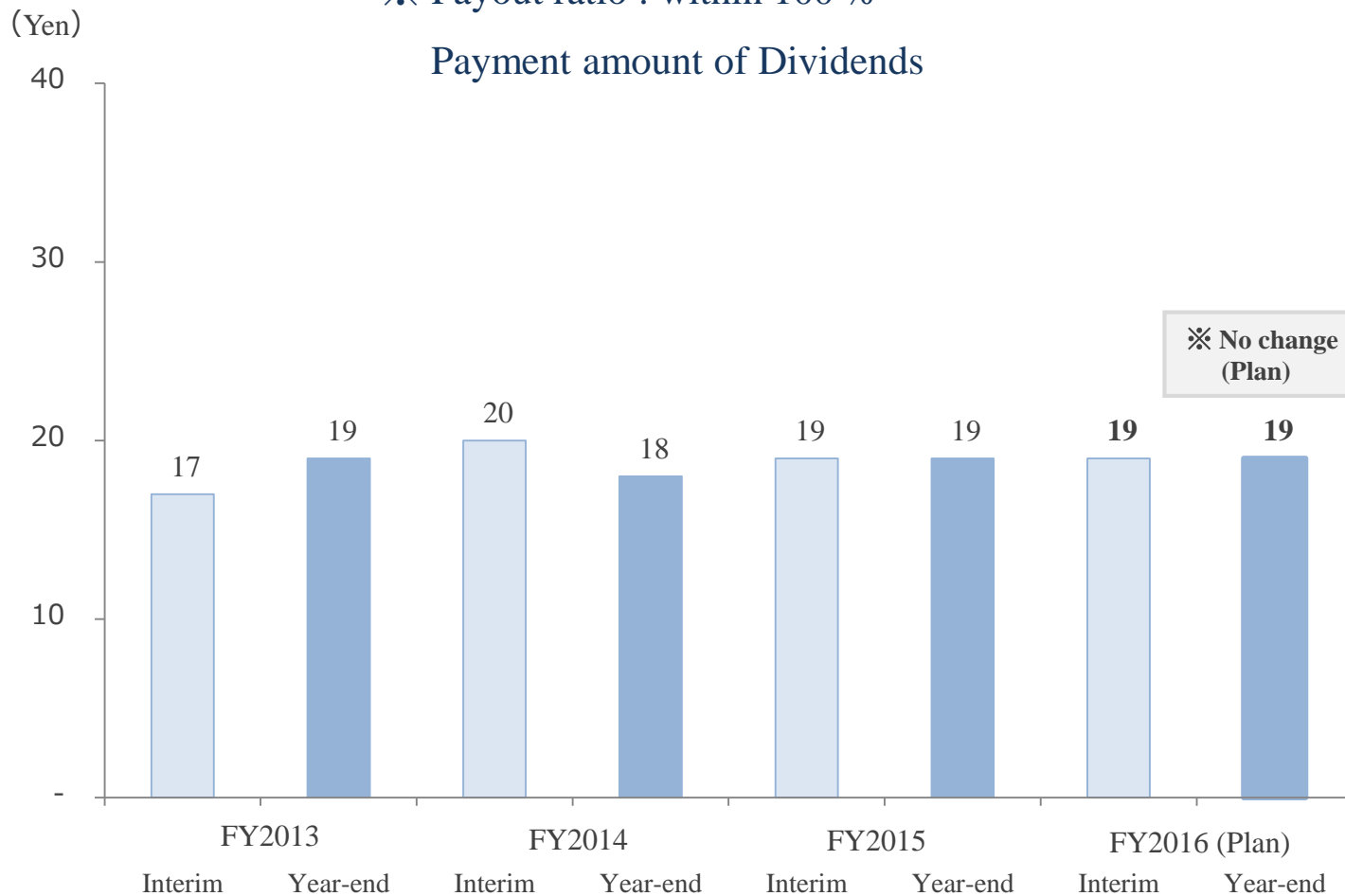
Note) The figures inside ()marks indicate operating margin.

- » In the housing sales business, operating income forecasts declined due to the effect of lower sales and increases in construction costs and promotion costs.
- » In the construction consulting, operating income forecasts decreased owing to large sales decreases in the construction know-how systems business and the construction materials business.

4. Plan of Dvidends

4 Plan of dividends : Dividend Policy with DOE 4%

※ Payout ratio : within 100 %



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

» Our dividend policy is DOE 4%.

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

5. Appendix

About Us and Our Business

(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"> ■ 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) 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) |

5 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 |

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 | |
| 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

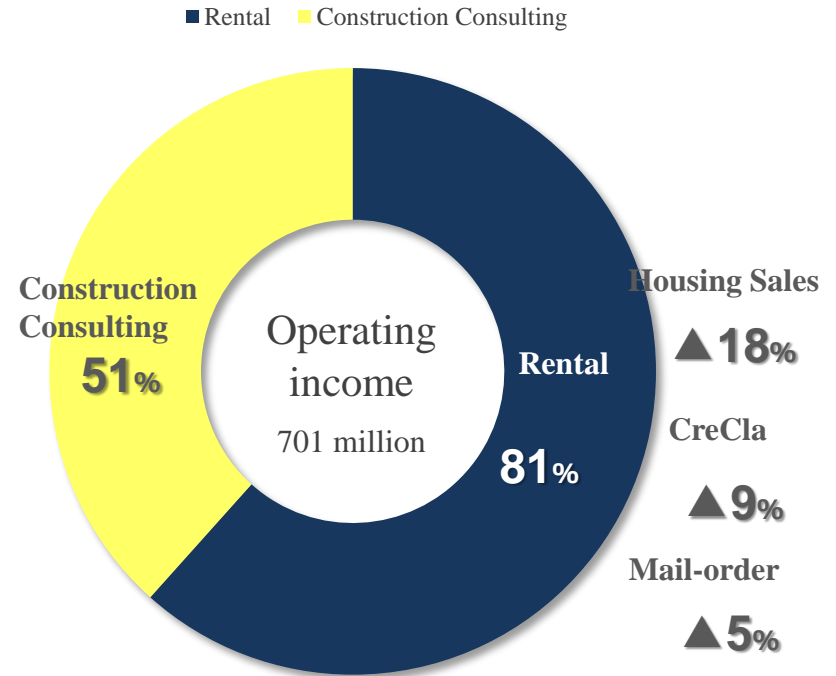
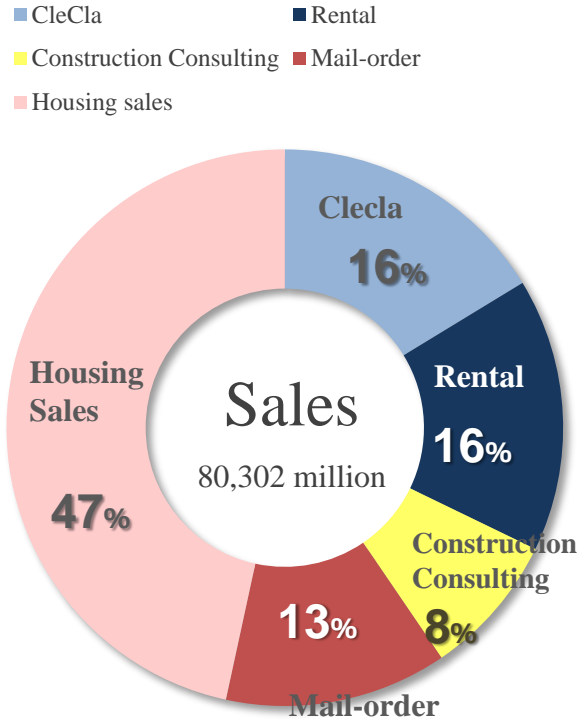
- Nac members (Construction company : 6,000)
- Providing support for affiliated building firms through order promotion and cost reduction services, including solar power systems and products for Smart House
- Acquired Eco & Eco Co., Ltd. (September, 2015) that deals with energy-saving products.

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.
- Providing various cosmetics for skin and hair care (Most of main customers are 40-60's)
- "Clear esthe veil" won customer's satisfaction **No.1** for the 12 consecutive years in the market.



※except HQ-costs

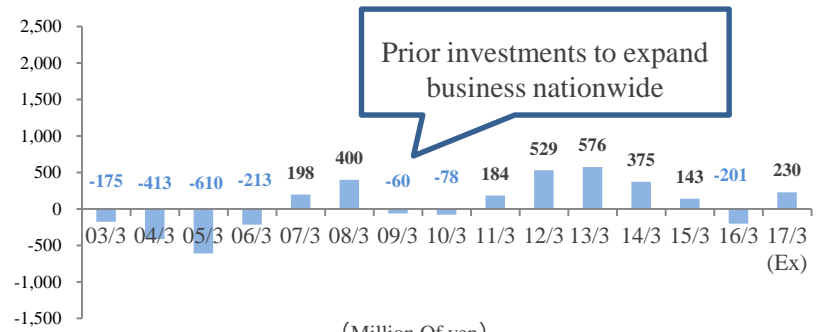
Operating margin on sales

| 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

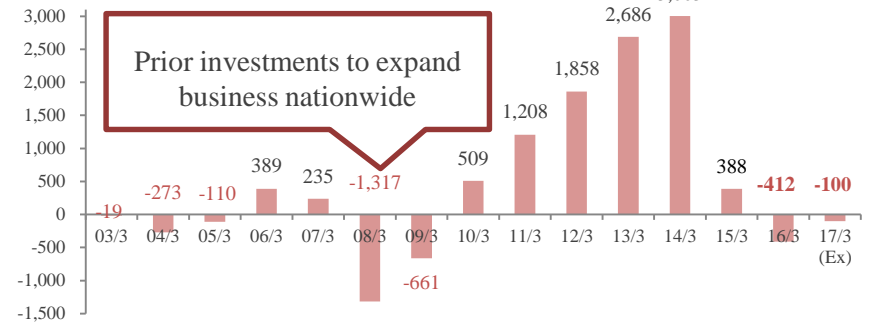
(Million Of yen)

【CreCla】



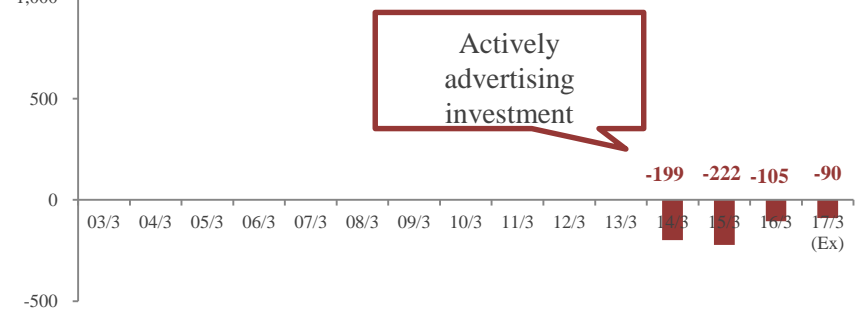
(Million Of yen)

【Housing sales】



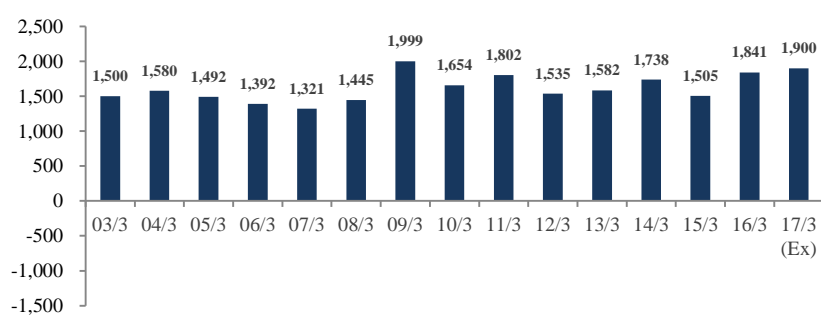
(Million Of yen)

【Mail-order】



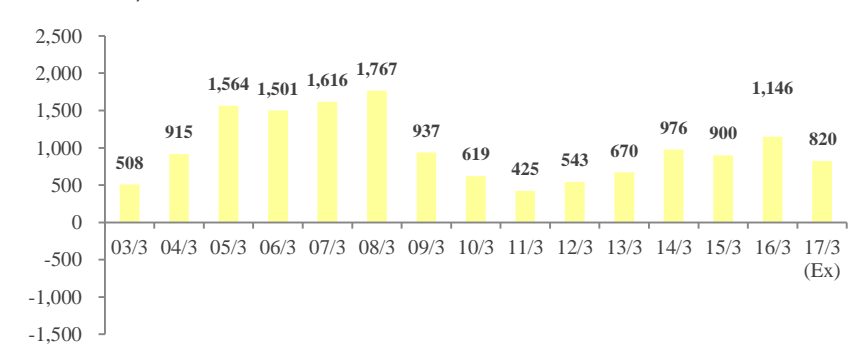
(Million Of yen)

【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.