FOR IMMEDIATE RELEASE

Nac Announces Consolidated Financial Results for Fiscal 2013

Tokyo, May 9, 2014 --- Nac Ltd. (TSE:9788) today announced its consolidated financial results for fiscal 2013, ended March 31, 2014.

Notes:
1. In the case of inconsistences between the Japanese and English versions of this release, the Japanese version will control and supersede any ambiguities.
2. Operating income is presented in accordance with financial reporting principles and practices generally accepted in Japan.

1. Summary

	The years ended March 31		
	Yen (millions)		(B)/(A) (%)
	2013(A)	2014(B)	
1. Sales	72,621	91,630	126.2
2. Operating income	4,444	4,672	105.1
3. Ordinary income	4,456	4,709	105.7
4. Income before income taxes	4,014	4,752	118.3
5. Net income	2,467	2,794	113.2
6. Net income per share	149.52 yen	168.23 yen	112.5
7. Return on equity	19.6%	18.8%	(0.8pt)
8. Ordinary income to Total assets	16.0%	13.4%	(2.6pt)

2. Financial Position

(Millions of yen)

	As of the end of Mar. 2013	As of the end of Mar. 2014	YOY change
Total assets	29,971	40,455	10,484
Total liabilities	16,322	24,449	8,127
Interest-bearing debt	2,228	5,623	3,394
Shareholder's equity	14,448	16,849	2,401
Total net assets	13,648	16,005	2,357
Net assets per share	824.06 yen	961.07 yen	137.01 yen
Equity ratio	45.5%	39.6%	(5.9pt)

Note: Figures took into account a 1:2 stock split on common stock with an effective date of April 1, 2014.

3. Cash Flows

(Millions of yen)

	As of the end of Mar. 2013	As of the end of Mar. 2014	YOY change
Cash flows from operating activities	4,689	5,827	1,138
Cash flows from investing activities	(1,646)	(10,645)	(8,999)
Free cash flows	3,043	(4,817)	(7,861)
Cash flows from financing activities	(477)	2,781	3,258

4. Cash Dividends

	As of the end of Mar. 2013	As of the end of Mar. 2014	YOY change
Dividends per share	61 yen	36 yen	(25 yen)
Total Annual Cash Dividends	504 million yen	598 million yen	94 million
Dividend ratio	20.4%	21.4%	1.0pt
Ratio of dividends to shareholder's equity	4.0%	4.0%	0pt

5. Outlook for Fiscal 2014

	Year ending March 31, 2015	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	101,000	10.2%
2. Operating income	5,150	478
3. Ordinary income	5,200	491
4. Net income	2,850	56
5. Net income per share	171.13 yen	2.9 yen

Note: Figures took into account a 1:2 stock split on common stock with an effective date of April 1, 2014.

1. Qualitative Information Concerning Consolidated Business Results

(1) Business Results

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	91,630	26.2%
2. Operating income	4,672	228
3. Ordinary income	4,709	253
4. Net income	2,794	327
5. Net income per share	168.23 yen	18.71 yen

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

(Operating results for the fiscal year)

During the fiscal year ended March 31, 2014 (fiscal 2013), the operating environment for Japanese enterprises improved against a background of government-driven economic stimulus and monetary easing, which triggered the correction of past excessive yen strengthening, and a stock market rally. As a result, corporate earnings and consumer spending have both began to recover. However, a weaker yen has driven up the cost of raw materials and energy, and the recent consumption tax hike raises concerns of a fallback in consumer spending. We must therefore maintain a vigilant watch on future business conditions.

In the fiscal year under review, Japan’s housing market, Nac’s core operating domain, benefited from a surging demand ahead of the consumption tax hike and concerns about rising mortgage interest rates. As a result, new housing starts increased 10.6% year on year, reaching the 987,000 level. On the other hand, the retail and services industries faced an increasingly uncertain business environment, with competition heating up among companies operating in different market segments and business formats.

Under these circumstances, the Nac Group endeavored to strengthen the conglomerate business model that has been a fundamental strategy since our founding. We also focused aggressively in sales promotions and investments to push us closer toward realization of our goal of annual sales of at least 100 billion yen in the fiscal year ending in March 2015.

In the year under review, the Housing Sales Business opened new stores and the Rental Business saw sales to corporate customers rise amid a rebounding economy. The Construction Consulting

Business benefited from reorganization of its marketing structure. As a result of these efforts, sales increased year on year in all business segments.

Also in the fiscal year under review, the Nac Group added two new consolidated subsidiaries with the July 2013 acquisitions of JIMOS Co., Ltd., a mail-order business centering on cosmetics and health foods, and J-wood Co., Ltd., a maker of custom-built homes. In both cases, Nac acquired 100% of the target company's outstanding issued shares.

As a result, consolidated results for the fiscal year under review included net sales of 91,630 million yen, up 26.2% year on year, operating income of 4,672 million yen, up 5.1% year on year, ordinary income of 4,709 million yen, up 5.7%, and net income of 2,794 million yen, up 13.2%.

As for non-consolidated operating results, the Company recorded net sales of 30,181 million yen, up 4.8% year on year, an operating income of 1,853 million yen, up 4.1% year on year, an ordinary income of 1,898 million yen, up 4.2% year on year, and a net income of 1,109 million yen, up 17.6% year on year.

Operating results by business segment were as follows. The addition of JIMOS to the Nac Group resulted in the creation of a new reportable business segment, the Mail-order Business, from the second quarter of the fiscal year under review.

In addition to the operating income or loss of each segment, the Group posted 1,222 million yen as corporate expenses not attributable to any segment.

(2) Sales and operating income by Segment

[CleCla Business (Bottled Water)]

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	13,376	1.1%
2. Operating income	375	▲200

In the fiscal year under review, the bottled water delivery industry saw the end of the sharp increase in new customers in the wake of Great East Japan Earthquake as well the winding down of the subsequent reactionary decline in new demand. As a result, market growth returned to the pre-quake level. Nonetheless, new market entrants, including some major companies, created an intensely competitive market environment.

In response, our directly managed stores increased staffing and stepped up sales promotions to win new customers. Despite these efforts, the increase in new customer numbers was insignificant. Affiliated stores achieved a slight increase in bottles sold but struggled to boost customer numbers.

As a result, sales of water coolers to affiliated stores declined.

As a result, CreCla Business sales totaled 13,376 million yen in the fiscal year under review, up 1.1% year on year. Operating income, however, declined 34.8% to 375 million yen owing to higher personnel expense and a rise in the cost of goods sold owing to higher material prices and the impact of the weak yen. During the year, we opened two directly managed sales offices, the Saitama office and the Kohoku office. Expecting a continued negative impact from rising material prices and the weak yen, in February 2014 we raised the price of our water 4.2%, from 1,200 yen to 1,250 yen per bottle. We expect the higher price to help improve segment profits in fiscal 2014.

[Rental Business]

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	12,147	2.2%
2. Operating income	1,738	156

Regarding sales of mainstay dust control products, Duskin for business faced a challenging operating environment, with a cost-cutting trend during the first-half of the year and a shortage of sales staff leading to a slight decline in sales. We responded by promoting greater efficiency at the individual store and as a result achieved a solid gain in operating income.

Meanwhile, the regular cleaning plan for business and the With-branded pest-control devices both posted steady sales growth on the back of stepped-up marketing activities as signs of an economic recovery increased.

The sum total of these efforts enabled the Rental Business segment to post sales of 12,147 million yen, up 2.2% year on year, and operating income of 1,738 million yen, up 9.9%.

[Construction Consulting Business]

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	5,628	26.3%
2. Operating income	976	306

Against a backdrop of improving sentiment in Japan's housing industry, building firms became more positive about our construction know-how systems, and the Construction Consulting Business saw solid sales for its consulting service on natural houses and designer-brand houses which were strengthened during the year under review.

Meanwhile, our construction materials business achieved strong increases in both sales and profits as the commercial-use market for solar energy systems was buoyed in the latter half of the fiscal year under review by a rush to install systems before feed-in tariffs for electric power sales were reduced. The positive growth here offset a decline in demand for solar energy systems from built houses following reductions in government subsidies for new system installation.

As a result, the Construction Consulting Business segment posted sales of 5,628 million yen, up 26.3% year on year, and operating income of 976 million yen, a 45.7% increase.

[Housing Sales Business]

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or millions yen)
1. Sales	53,059	23.3%
2. Operating income	3,003	316

Demand for new housing construction was brisk in the fiscal year under review, stimulated by the consumption tax hike, concerns about higher mortgage interest rates, and rising expectations for income improvement amid a recovery in the employment environment.

In this positive environment, Group home builder Leohouse, Ltd., aggressively opened new stores and realized higher unit prices on its homes by increasing sales of optional features, such as solar energy systems. As a result, Leohouse sales increased 20.1% year on year to 51,700 million yen. The strong gain offset an increase in expenses related to spending to open new stores, rising material prices and higher wages. As a result, Leohouse achieved a 10.6% increase in operating income, to 2,928 million yen.

Orders received were boosted by our opening of new stores and the rush to place orders in time to avoid the higher consumption tax rate. As a result, orders received during the year under review totaled 2,809, up from 2,575 in the previous fiscal year. Orders in hand as of March 31, 2014 totaled 1,233, down from 1,306 year earlier, reflecting a drop in orders in the latter half of the year following the consumption tax hike related surge in orders in the first half.

In the fiscal year under review, Leohouse opened 20 new branches or model display sites, bringing the total number of stores to 48 branches and 47 model display sites.

In July 2013, we supplemented our Housing Sales Business by adding the newly acquired consolidated subsidiary J-wood Co., Ltd.

J-wood is a builder of custom homes constructed of natural materials. Its operations are centered in Iwate Prefecture. J-wood homes are in a different product category than Leohouse homes. The addition of J-wood to the Housing Sales Business therefore adds to the Business' product capabilities and know-how. Positioning J-Wood as a new home brand for the Nac Group, we aim to enhance the profit-generating potential of the Housing Sales Business.

In the fiscal year under review, J-wood recorded sales of 1,345 million yen and operating income of 72 million yen.

With respect to orders received, there were 70 new orders during the year and the orders in hand as of March 31, 2014 were 99.

J-wood opened one model display site in the fiscal year under review and now has 4 model display sites.

As a result of the above developments, the fiscal year under review sales of the Housing Sales

Business totaled 53,059 million yen, up 23.3% year over year. The segment's operating income reached 3,003 million yen, up 11.8% (including goodwill amortization expense related to J-wood).

[Mail-order Business]

	Year ended March 31, 2014	
	Yen (millions)	YOY change (% or million yen)
1. Sales	7,421	-
2. Operating income	▲199	▲199

In July, 2013, Nac acquired 100% of the share capital of JIMOS Co., Ltd., the cosmetics and health food direct marketer and made the company a wholly owned subsidiary of the Nac Group. The acquisition expands the Group's business domain into the mail-order business.

JIMOS's mail-order business consists of three brand lineups: (1) the company's core Macchia Label brand of cosmetics, (2) the Coyori brand of skin and hair care products made from natural ingredients, and (3) the Taisha Seikatsu CLUB brand of health food products.

JIMOS is also engaged in wholesaling of its products to large retailers, such as general merchandise stores and drugstores, and runs a mail-order consulting business that includes a customer contact-center agency and a merchandise delivery agency.

In the fiscal year under review, JIMOS steadily won new customers as it increased advertising spending. As a result, its sales increased to 7,409 million yen. Increased spending on advertising and the February launch of a renewed Macchia Label resulted in the operating income of 172 million yen.

Combining JIMOS with the Nac Group's previously existing mail-order operations brings the segment sales of the fiscal year to 7,421 million yen. However, the posting of goodwill amortization related to the JIMOS acquisition on this segment resulted in an operating loss of 199 million yen.

Fiscal 2014 outlook

The outlook for the Japanese economy in the fiscal year ending March 31, 2015 (fiscal 2014) is clouded by a number of factors, including a potential fallback in consumer spending after the consumption tax hike and weak overseas economies. However, corporate earnings are expected to sustain their recent rebound with support from the government's stimulus measures and more stable forex rates.

In this environment, the Nac Group is targeting consolidated sales of 100 billion yen in fiscal 2014, as we reform our business with a focus on growth areas.

In the CreCla Business, we plan to establish a new training system based on the accumulated know-how of our directly managed stores and strengthen marketing capabilities of both our directly managed stores and affiliated stores. We will also build a new delivery system to better respond to the needs of single customers and customers in city centers and strive to develop new markets and customers through tie-ups with other companies and through the introduction of products that promote the consumption of bottled water.

In the Rental Business, where our business is centered in mature markets, we aim to expand the scale of our core dust control and pest control product businesses by broadening our store network and seeking strategic M&A and alliances. Through such strategies we will strengthen the foundations of this core, stable business.

In the Construction Consulting Business, the construction know-how sales business will focus on developing and providing new products that will be at the forefront of the mandatory movement toward more energy-efficient houses. The construction materials sales division will focus on proposing solar energy systems as standard equipment for new houses while also promoting the sale of materials that contribute to more energy-efficient houses.

The Housing Sales Business faces a possible demand downturn in reaction to the demand surge ahead of the consumption tax hike. However, this could be mitigated by mortgage loan tax breaks on homes bought under the new consumption tax rate and the establishment of a “housing subsidy”. Rising expectations for an increase in incomes could also support the new home market. As such, we will continue to open new stores in an ongoing effort to win new customers for our housing products. We also will seek to raise the unit price of our new home offerings through product policies focused on strengthening our proposals for installation of solar energy systems.

In the new Mail-order Business Division segment, we will continue to spend aggressively on advertising as we seek to win new customers and expand sales. We will also build a business portfolio comprising quality brands with well-balanced lineups that are not dependent on a single mainstay product.

(2) Analysis of financial position

(Assets, liabilities and net assets)

As of the end of fiscal 2013 (March 31, 2014), total assets were 40,455 million yen, an increase of 10,484 million yen from the end of the previous fiscal year. The growth in total assets primarily reflects increases in (1) notes and accounts receivable (1,058 million yen) and merchandise and finished goods (798 million yen), both of which are attributable to the two newly consolidated subsidiaries acquired during the fiscal year, (2) costs on uncompleted construction contracts of the Housing Sales Business (571 million yen), (3) construction in progress (3,086 million yen, primarily related to factory construction for the CreCla Business), and (4) goodwill (1,958 million yen), right of trademark (423 million yen), and customer-related assets (1,293 million yen) again attributable to the two subsidiaries acquired during the fiscal year under review.

As of the end of fiscal 2013, total liabilities were 24,449 million yen, an increase of 8,127 million yen from the end of the previous fiscal year. The growth in liabilities primarily reflects increases in (1) accounts payable (1,432 million yen) owing to increases in delivered houses and orders in hand at the Housing Sales Business following the surge in demand ahead of the consumption tax hike, (2) advances received on uncompleted construction contracts (1,243 million yen) at the Housing Sales Business (for the same reason as noted in (1)), (3) accounts payable (745 million yen) attributable to the two newly consolidated subsidiaries, (4) income taxes payable (480 million yen) resulting from the increase in net profits, and (5) long-term loans (3,224 million yen) attributable to the two newly consolidated subsidiaries.

As of the end of the fiscal year under review, total net assets were 16,005 million yen, an increase of 2,356 million yen from the end of the previous fiscal year. The growth primarily reflects the increase in retained earnings (2,251 million yen) realized from the period's net income.

(Cash flows)
Cash and cash equivalents at the end of the fiscal year under review amounted to 6,371 million yen, a decline of 2,035 million yen from the end of the previous fiscal year.

Cash flows from operating, investing and financing activities during the year are presented below.

i) Cash flows from operating activities
Cash flows from operating activities in the fiscal year under review amounted to a net inflow of 5,827 million yen, 1,137 million yen more than in fiscal 2012. The main inflows were from income before income taxes and minority interests (4,752 million yen), depreciation and amortization (1,457 million yen), an increase in advances received on uncompleted construction contracts (986 million yen), an increase in notes and accounts payable (1,286 million yen), and an increase in inventories (601 million yen). The main outflow was the income taxes paid (1,724 million yen).

ii) Cash flows from investing activities
Investing activities in the fiscal year under review produced a net cash outflow of 10,645 million yen, representing increased outflows of 8,998 million yen over fiscal 2012. Cash inflows from the proceeds from sales of investment securities totaled 214 million yen, while the major outflows included purchase of property, plant and equipment (4,750 million yen) and purchase of investments in subsidiaries resulting in change in scope of consolidation (5,499 million yen).

iii) Cash flows from financing activities
Financing activities in the fiscal year under review resulted in a net cash inflow of 2,781 million yen, a 3,259 million yen increase from a new outflow in fiscal 2012. A net combined inflow of 2,916 million yen from short-term and long-term loans offset a 539 million yen outflow for cash dividends paid to shareholders.

(3) Dividend Policy and Dividends for Fiscal Years 2013 and 2014

Nac's basic dividend policy is to sustain stable return profits to shareholders over the long term while securing the internal reserves needed to grow our business and strengthen our management constitution. We have set a 4% of consolidated net assets as our specific numerical target for dividend payouts.

In accordance with the above policy, we plan to pay a year-end dividend of 19 yen per share, which combined with the midterm dividend of 17 yen brings the planned annual dividend for the fiscal year under review to 36 yen per share.

In fiscal 2014, we plan to distribute an annual dividend of 40 yen per share (20 yen dividends at the midterm and yearend).

(4) Business risks

Listed below are the main factors that could pose a risk to the Nac Group's businesses and operations and have a significant impact on the decisions of investors. Highly cognizant of the possible emergence of these risks, the management of the Nac Group makes every effort to conduct businesses in a manner that will avoid the emergence of such risks and minimize their impact should they arise.

Forward-looking statements appearing in this document represent management's judgment based on information available at the end of the fiscal year under review.

i) Dependence on particular business partners

The Nac Group has a franchise agreement with Duskin Co., Ltd., under which the Rental Business borrows or purchases outright Duskin products that are then leased or sold to its customers. These borrowed or purchased Duskin products accounted for 80.6% of the Rental Business' sales of 4,179 million yen in the fiscal year under review.

ii) Sales of new products

The Construction Consulting Business provides various know-how products developed to support the management of small and midsized building firms. Because these products have a relatively short useful lifespan, delays in the development and introduction of follow-up products could adversely affect the Company's profits.

iii) Provisioning for doubtful accounts

The Construction Consulting Business' customer base is predominantly small and midsized local building firms. As such, the Business is exposed to risks from deterioration in economic conditions as well as concerns over customer credit risk. The Company may therefore have to make additional provisions to its reserves against doubtful accounts from time to time.

iv) Regulatory environment

The Nac Group, with guidance from its legal department, endeavors to maintain compliance with the many domestic laws governing its various businesses. These include but are not limited to the Construction Business Act, the Building Standards Act, and the Housing Quality Assurance Act (Housing Sales Business); the Food Sanitation Act (CreCla Business); and the Act on Specified Commercial Transactions, the Pharmaceutical Affairs Act, and the Premiums and Representations Act (Mail-order Business). The passage of new laws or revisions to existing laws, as well as any violations of such laws, could have an impact on the Group earnings.

v) Changes in the operating environment

The Housing Sales Business is exposed to trends in consumer spending, interest rates, land prices and government policies on housing and taxes, including the consumption tax, as well as the changed in rental market conditions caused by those trends. The Business also tends to be easily affected by regional economic conditions. Any changes in the operating environment caused by these trends could impact Group earnings.

vi) Rising material and resource prices

Sudden, sharp rises in the prices of plywood, lumber and other structural materials used in housing construction can lead to higher material and resource costs at the Housing Sales Business, which in turn could impact Group earnings.

vii) Quality assurance

The Housing Sales Business endeavors to assure the quality of its housing construction and the materials, components and equipment used in the same. However, the emergence of quality issues not within the expected scope of warranty liability could lead to large expenditures and damage consumer confidence in the Company and its product, which could in turn impact Group earnings.

The CreCla Business produces mineral water under a strict quality control system that conforms to the Hazard Analysis and Critical Control Point (HACCP) guidelines for comprehensive sanitation management of production processes. The related manufacture, rental, and maintenance of water coolers also are subject to thorough quality control processes. Quality issues related to our bottled water or the dispensers provided by the Company could damage consumer confidence in the Company and its product, which could in turn impact Group earnings.

The Mail-order Business endeavors to maintain the quality of the cosmetics and health foods it sells by conducting regular inspections of contracted manufacturers’ facilities and overseeing actual production. However, if quality issues were to arise, damage to consumer confidence in the Company and its product could impact Group earnings.

viii) Exchange rate fluctuations

In the CreCla Business, the price of imported water coolers is primarily denominated in the Korean won. A greater-than-expected depreciation of the yen could impact the Business’s earnings. The Company uses foreign exchange contracts and other means to hedge its exposure to currency risk.

ix) Expansion of affiliated store network

The CreCla Business has a nationwide network of some 630 affiliated stores, some of which produce their own bottled water while others are engaged only in the sale of bottled water. Nac provides these affiliates with the know-how and materials required to conduct business. However, the affiliates are responsible for quality control and marketing practices. Any problems in these areas could damage the CreCla brand image and have an impact on Group earnings.

x) Management of personal information

The Nac Group is in possession of a large amount of personal information. We take thorough precautions to protect that information, including establishing rules on the use of personal information and employee education programs. Nonetheless, any leakage of personal information could damage public trust in the Company and have an impact on Group earnings.