

Results for the 3rd Quarter ended December 31, 2017

【 Reference 】

Translation

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

Best Communication
NAC



February 9, 2018

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, 2017

Q3 FY2017 Consolidated Income Statement

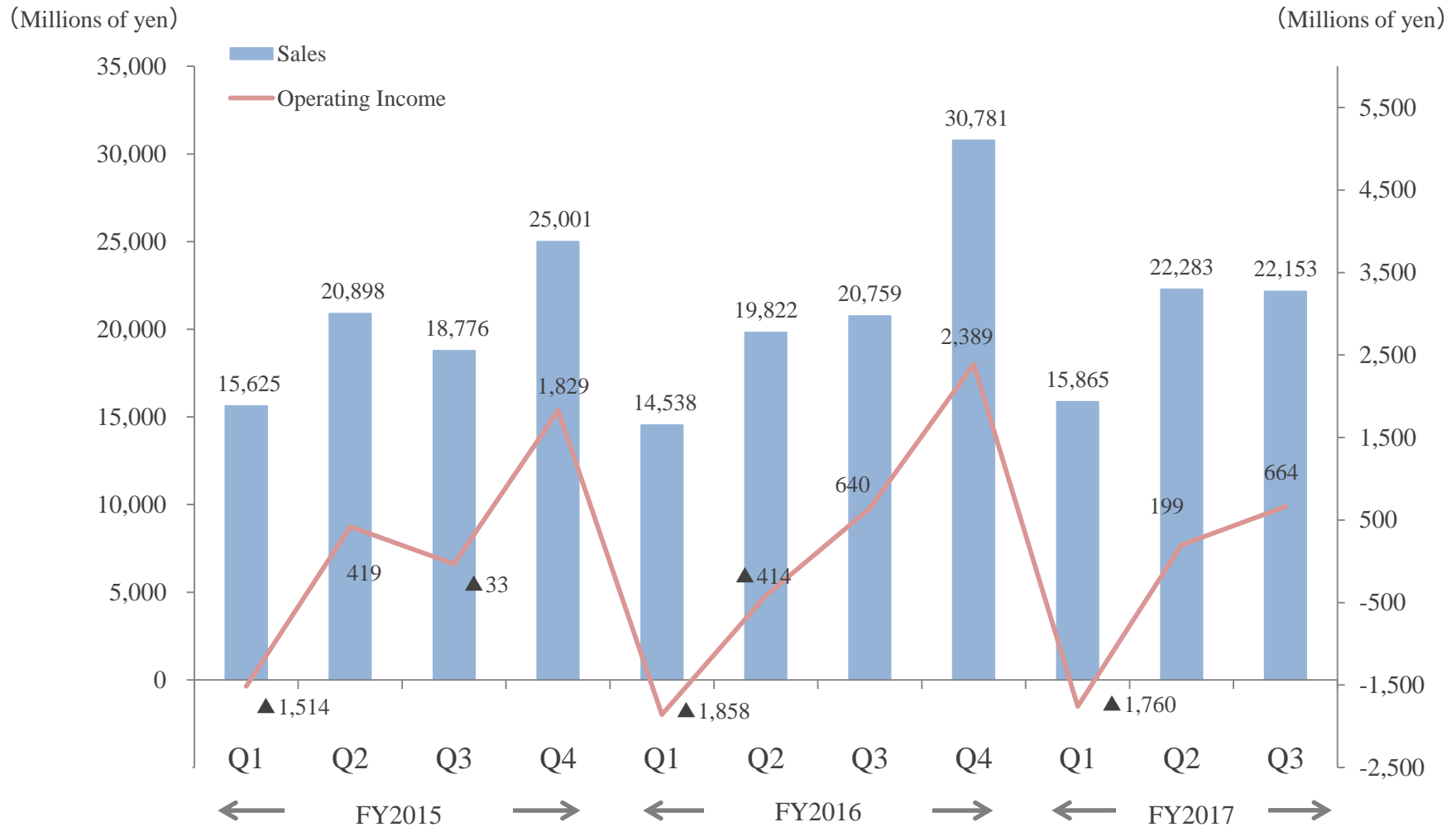
(Millions of yen)

	9 months ending FY2017	9 months ending FY2016	YOY Comparison	Plan (at Nov.10)
Sales	60,302	55,120	+ 9.4%	94,100
Gross profit	24,636	24,464	+ 0.7%	—
(Gross margin)	40.9%	44.4%	▲ 3.5pt	—
SG&A	25,533	26,097	▲ 2.2%	—
Operating Income	▲ 896	▲ 1,632	—	2,000
(Operating margin)	▲ 1.5%	▲ 3.0%	+ 1.5pt	2.2%
Non-operating income and loss	38	41	—	—
Ordinary Income	▲ 858	▲ 1,590	—	2,050
Extra-ordinary income and loss	▲ 217	▲ 63	—	—
Net Income attributable to owners of parent	▲ 1,042	▲ 1,407	—	550

< Point>

- ≫ In the Housing sales business, sales rose year on year because of increases in hand as of the end of the previous fiscal year
- ≫ In the Rental business, sales increased in all sections.
- ≫ The CreCla business improved operating income.

1 Sales & Operating income trend



» 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.

(Millions of yen)

Sales	9 months ending FY2017	9 months ended FY2016	YOY Comparison	Plan (at Nov.10)
CreCla	10,061	10,072	▲ 0.1%	13,500
Rental	10,425	9,920	+ 5.1%	13,600
Construction Consulting	3,772	4,003	▲ 5.8%	6,200
Housing Sales	28,344	23,114	+ 22.6%	50,000
Mail-order	7,738	8,016	▲ 3.5%	10,800
Elimination	▲ 40	▲ 6	—	—
Total	60,302	55,120	+ 9.4%	94,100

- » In the CreCla Business, sales declined year on year since sales of the CreCla plant that contributed to business results last year was not appropriated in this period and the sales volume of bottled water decreased owing to adverse weather conditions in East Japan.
- » The Rental business increased sales year on year because all segments improved business performances.
- » In the Construction Consulting, sales decreased year on year due to sales decreases in the construction know-how systems business and Eco & Eco.
- » Although there were the delay of the construction and delivery caused by the lack of manufacturers and craftspeople, the Housing sales business rose sale year on year thanks to increases in hand as of the end of the previous fiscal year in Leohouse and J-wood.
- » In the Mail-order business, sales declined year on year because of the slowdown in the repeat rate and decreases in sales per customers.

1 Operating income by Segments

(Millions of yen)

Operating income	9 months ending FY2017	9 months ended FY2016	YOY Comparison	Plan (at Nov.10)
CreCla	404 (4.0%)	104 (1.0%)	+ 300 (+ 3.0pt)	500 (3.7%)
Rental	1,557 (14.9%)	1,391 (14.0%)	+ 166 (+ 0.9pt)	2,000 (14.7%)
Construction Consulting	333 (8.8%)	450 (11.2%)	▲ 116 (▲ 2.4%)	900 (14.5%)
Housing Sales	▲ 2,267 (▲ 8.0%)	▲ 2,358 (▲ 10.2%)	+ 90 (+ 2.2pt)	▲ 200 (▲ 0.4%)
Mail-order	▲ 58 (▲ 0.8%)	▲ 267 (▲ 3.3%)	+ 209 (+ 2.5pt)	100 (0.9%)
Elimination, HQ Cost	▲ 866	▲ 952	+ 85	▲ 1,300
Total	▲ 896 (▲ 1.5%)	▲ 1,632 (▲ 3.0%)	735 (+ 1.5pt)	2,000 (2.1%)

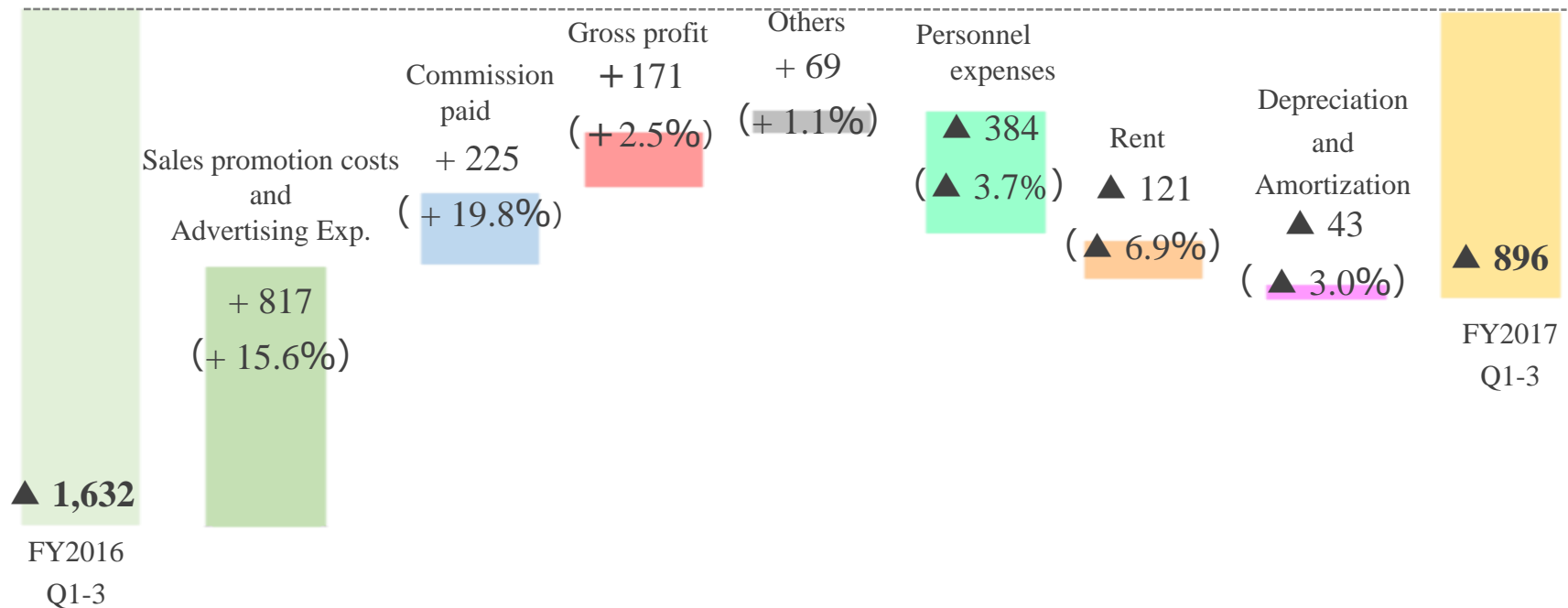
Note) The figures inside () marks indicate operating margin.

- » The CreCla business increased operating income year on year owing to revisions to management costs.
- » The Rental business rose operating income year on year owing to sales increases in all sections.
- » The Construction Consulting decreased operating income year on year owing to sales decreases in the construction know-how systems business and Eco & Eco.
- » The Housing sales improved operating income year on year resulting from sales increases even though there were an upward tendency about construction costs and expenses related to new store openings.
- » The Mail-order business improved operating income year on year because of the proper operation of investments in advertising and promotion to maintain stable profits in the “Macchia Label” and “Coyori brand”.

1

Analysis for operating income & loss (YoY change)

(Millions of yen)



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

- » Sales promotion costs and advertising expenses decreased because of the proper operation of investments in advertising and sales in all segments.
- » Commission paid declined since consulting fees decreased compared with last year.
- » We newly posted personnel expenses in BELAIR, suzukuri, KUNIMOKU HOUSE and AILIFE.

Consolidated Balance Sheet

(Millions of yen)

	As of Dec.31 2017	Breakdown	As of March.31 2017	Break down	Comparison
Current assets	25,907	56.2%	22,133	50.9%	+ 3,773
Total PP&E	13,376	29.0%	13,813	31.8%	▲ 436
Intangible assets	3,044	6.6%	3,546	8.2%	▲ 502
Investments and other assets	3,785	8.2%	4,006	9.2%	▲ 221
Non-current assets	20,205	43.8%	21,366	49.1%	▲ 1,160
Total assets	46,113	100.0%	43,499	100.0%	+ 2,613
Current liabilities	24,493	53.1%	20,905	48.1%	+ 3,588
Non-current liabilities	7,578	16.4%	7,087	16.3%	+ 491
Total liabilities	32,072	69.6%	27,992	64.4%	+ 4,079
Shareholder's equity	14,829	32.2%	16,314	37.5%	▲ 1,484
Accumulated other comprehensive income	▲ 788	▲ 1.7%	▲ 807	▲ 1.9%	+ 18
Total net assets	14,040	30.4%	15,506	35.7%	▲ 1,465
Total liabilities and net assets	46,113	100.0%	43,499	100.0%	+ 2,613

■ Current assets : Cash and deposit ▲ 2,346 Costs on uncompleted construction contracts + 3,130

■ Non-current assets : Building and structures ▲ 389

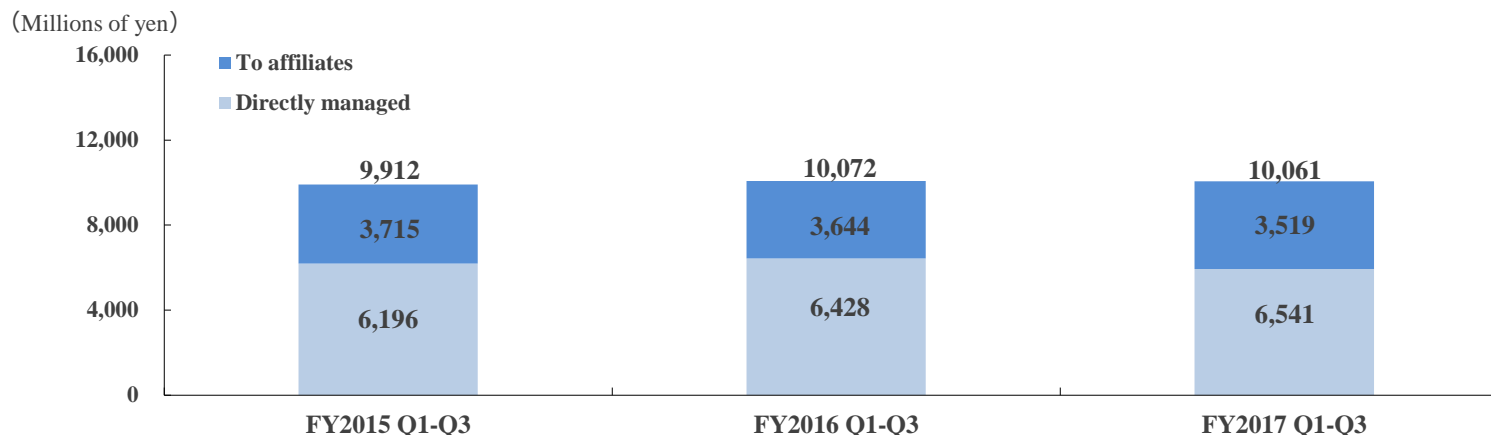
■ Current liabilities : Advances received on uncompleted construction contracts + 5,430 Short-term loans ▲ 1,770

■ Non-current liabilities : Long-term loans + 497

Equity Ratio : 30.4%

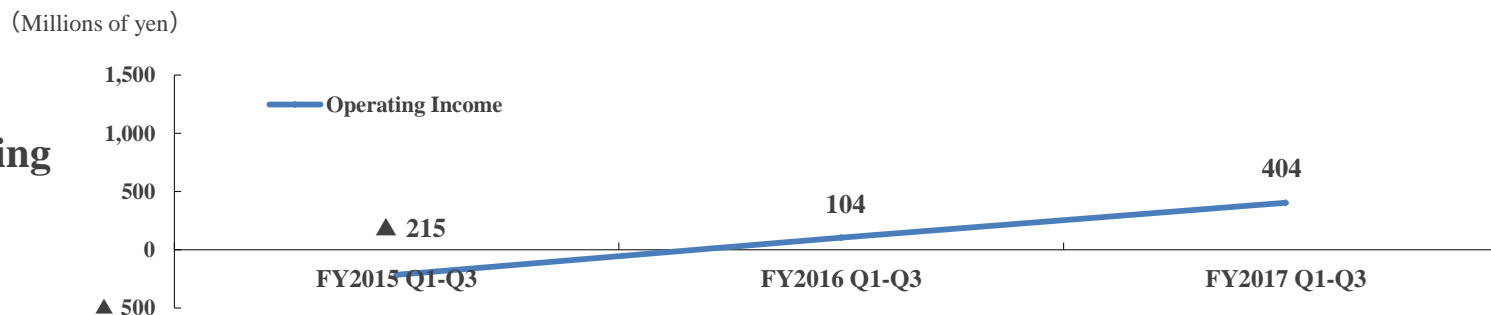
2. Results by Segments

Sales



- » Our direct managed stores continuously tried to improve customer retention rate and bottle consumption per customer, so sales rose slightly year on year.
- » In our affiliated stores, sales declined year on year since sales of the CreCla plant that contributed to business results last year was not appropriated in this period and the sales volume of bottled water decreased owing to adverse weather conditions in East Japan.

Operating Income

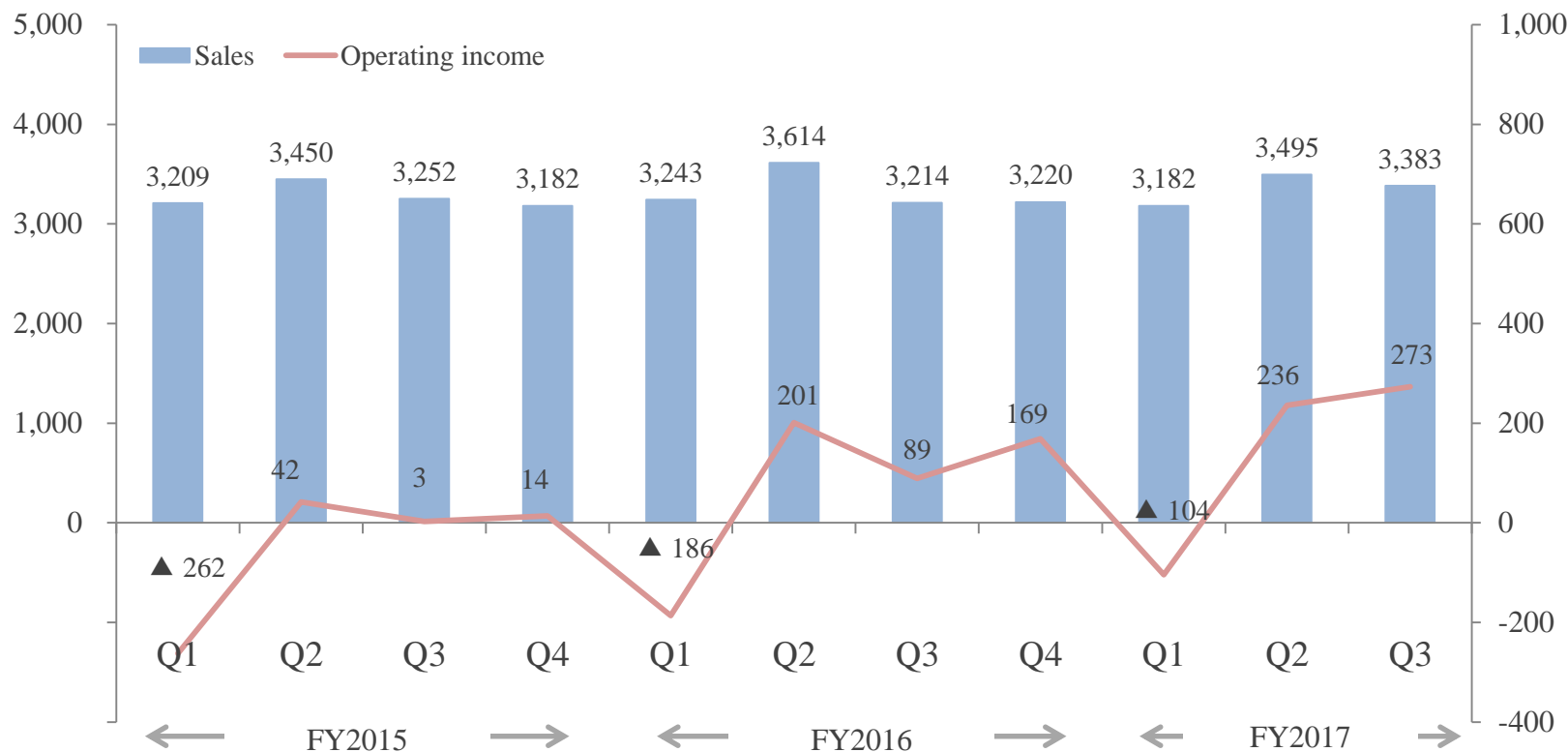


- » Operating income exceeded previous year because of revisions to management costs.

Results by Segment (1) CreCla ②

(Millions of yen)

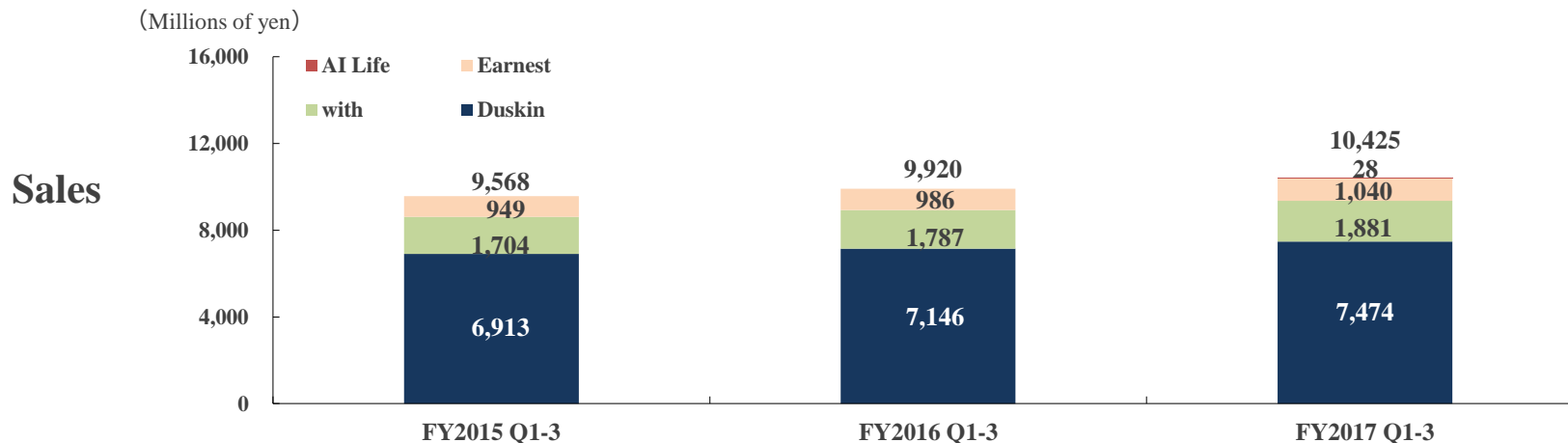
(Millions of yen)



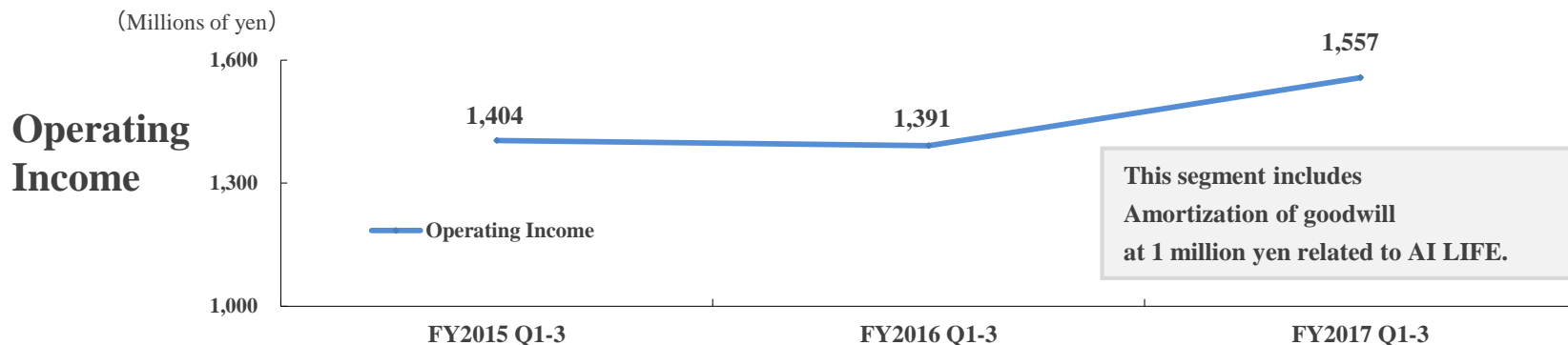
» The CreCla invests in advertising during Q1.

» The CreCla business tends to increase operating income after Q2.

2 Results by Segment (2) Rental ①



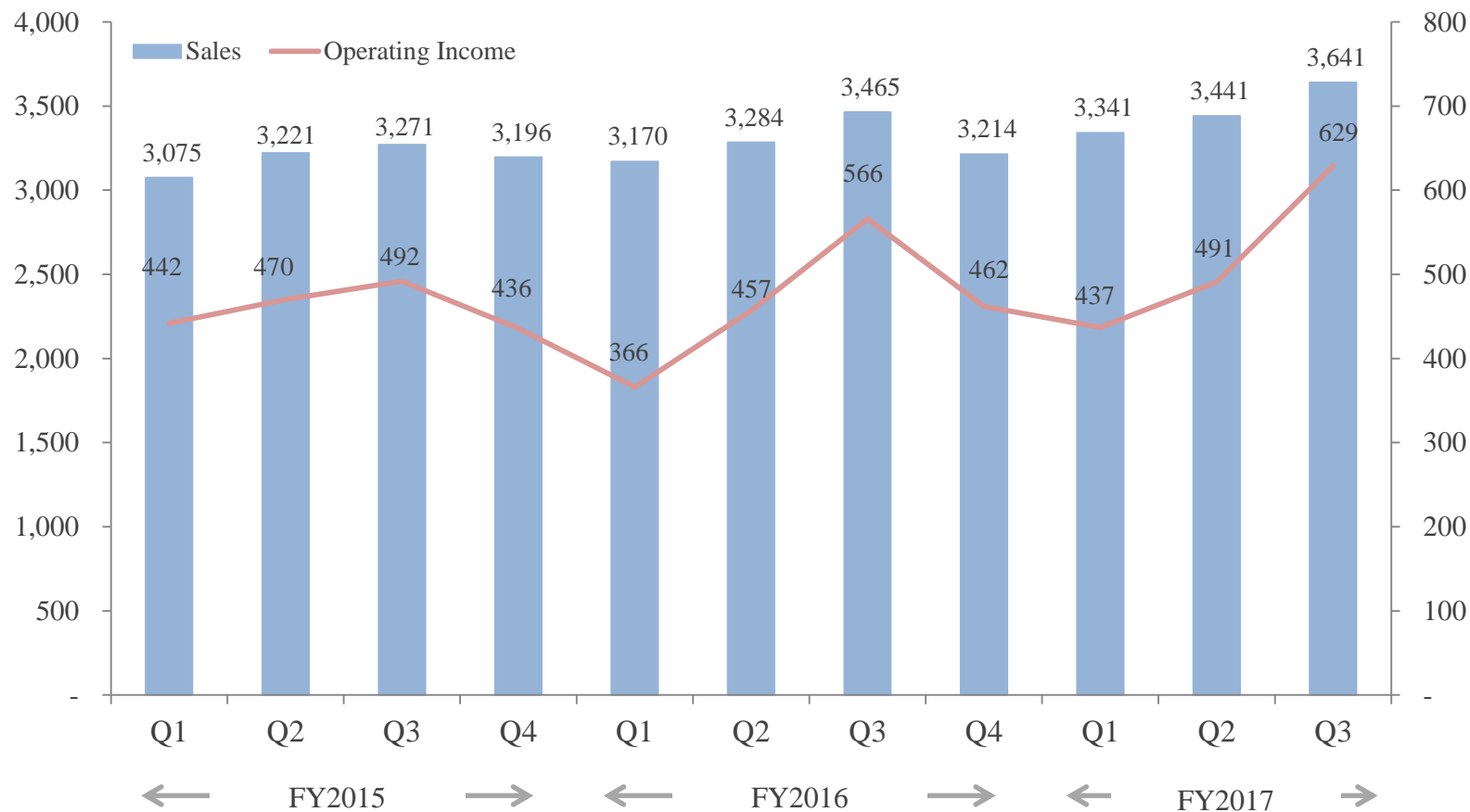
- » The mainstay dust control products business implemented sales promotions and focused on existing customers to improve customer satisfaction. Meanwhile, we utilized M&A strategy to expand business areas. Furthermore, we concentrated energy on house cleaning services for increases in demand at the end of the year. Consequently, sales increased year on year.
- » In the With-branded pest-control devices business, the number of loyal customers held steadily thanks to sales promotions, so sales rose year on year.
- » Earnest that provides regular cleaning plan for business also grew sales because there were increases in referrals of new customers by existing customers.



- » Operating income increased year on year owing to sales increases in all sections.

(Millions of yen)

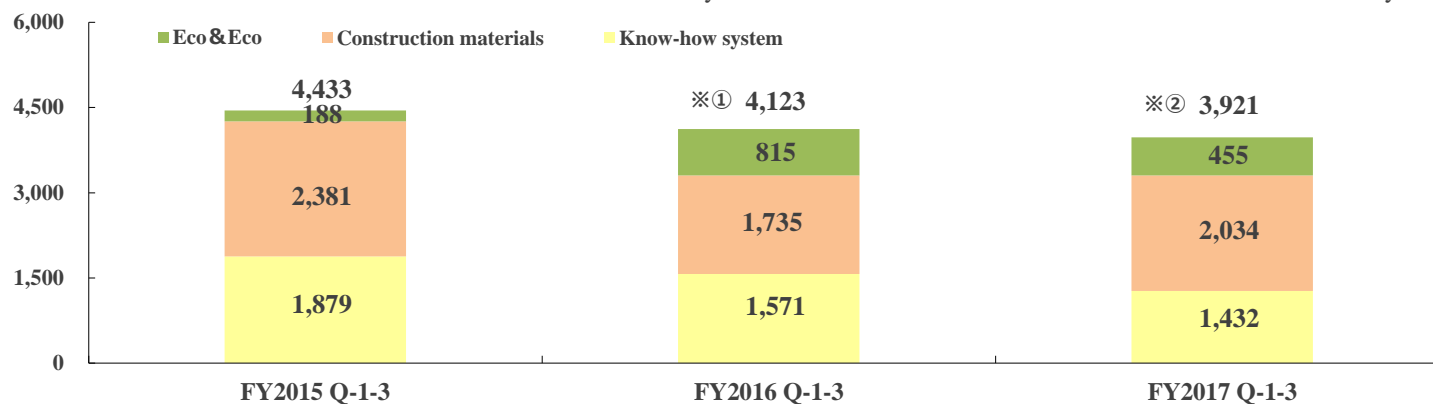
(Millions of yen)



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

(Millions of yen)

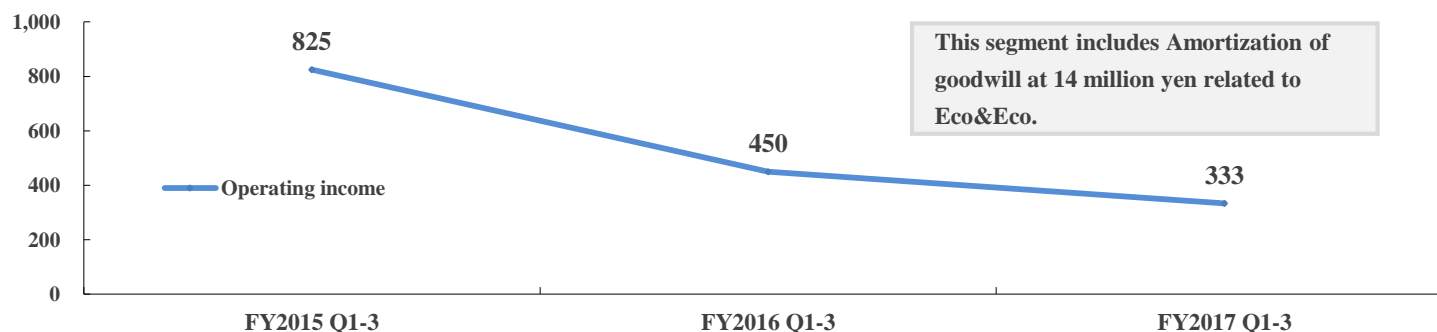
※① It includes internal transactions about 119 millions yen. ※② It includes internal transactions about 149 millions yen.

Sales

≫ The construction know-how systems reinforced with an emphasis on support programs for small and midsize building contractors (e.g. upgrade of products, developments of new goods and the provision of financial instruments). However, small and midsize building contractors tended to reduce investments resulting from uncertainty about market prospects. Thus, sales declined year on year.

≫ The construction materials increased the number of orders regarding solar powered house, especially new-built house, in the housing market. Additionally, we have started offering construction materials for subdivided housing unit and renovation in the adjacent market from last year, and it produced positive results. Overall, sales increased significantly year on year.

(Millions of yen)

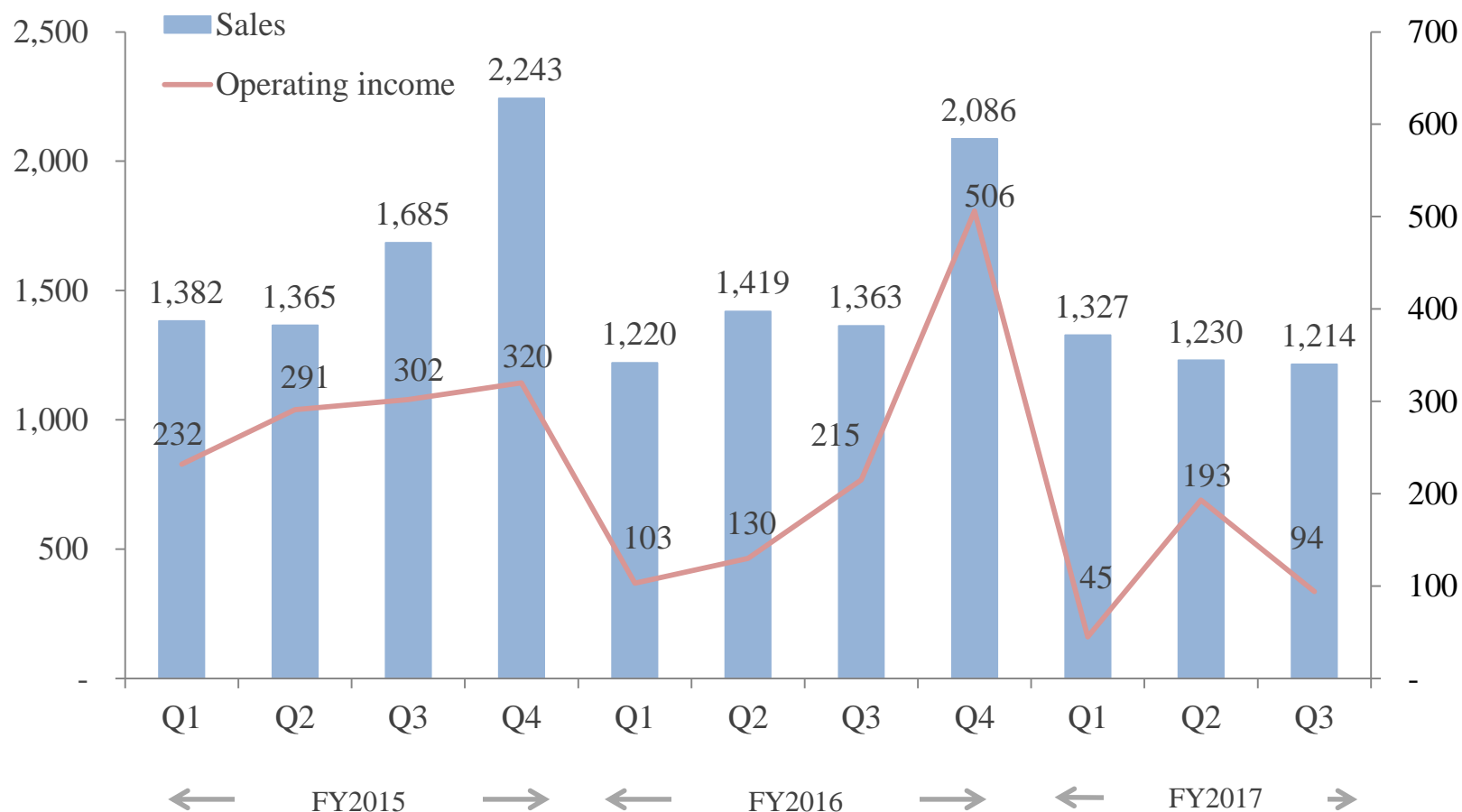
Operating Income

≫ Operating income downed year on year owing to sales decreases in the construction know-how systems business.

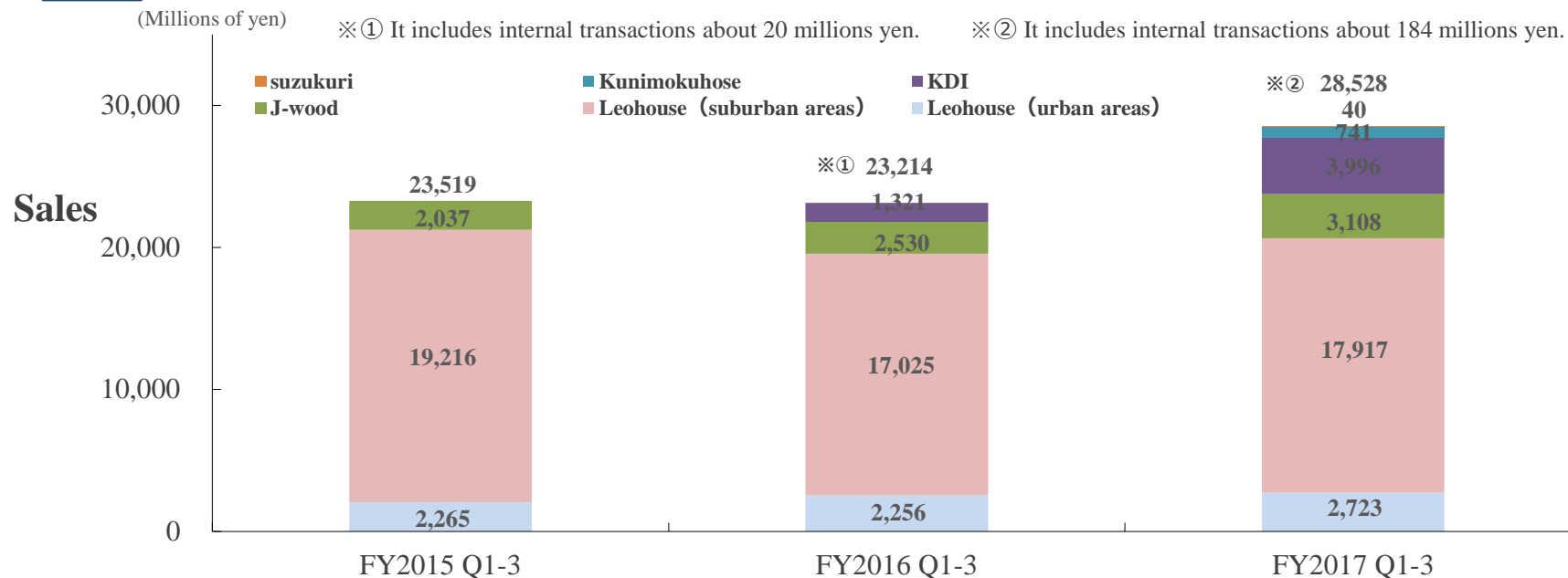
2 Results by Segment (3) Construction Consulting②

(Millions of yen)

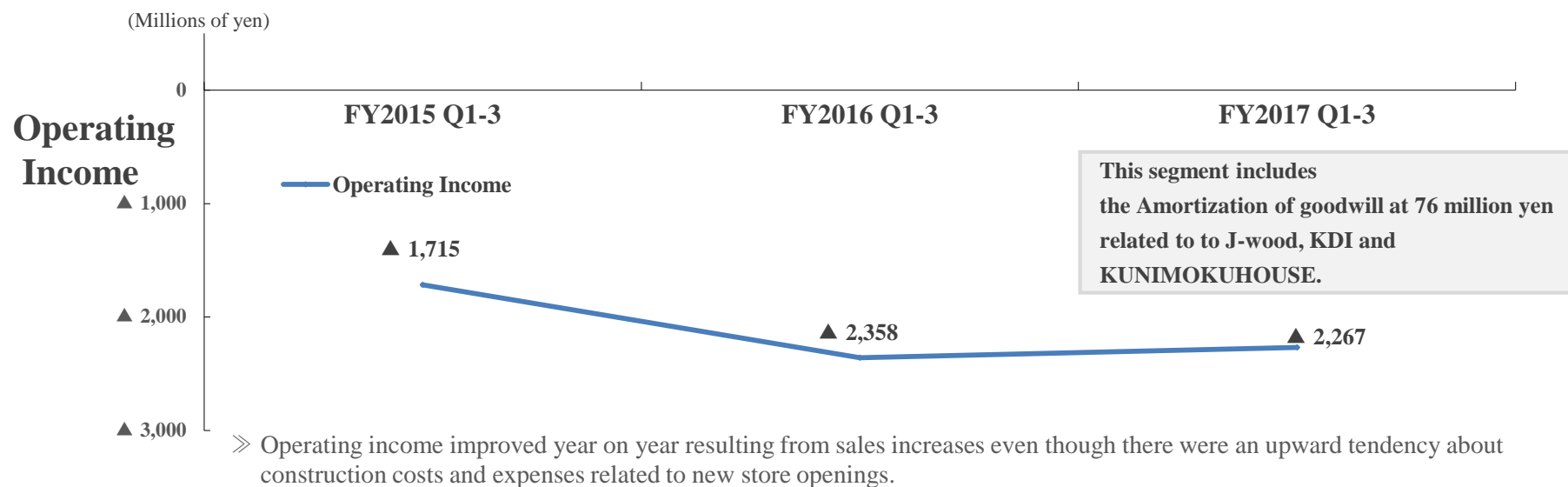
(Millions of yen)



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

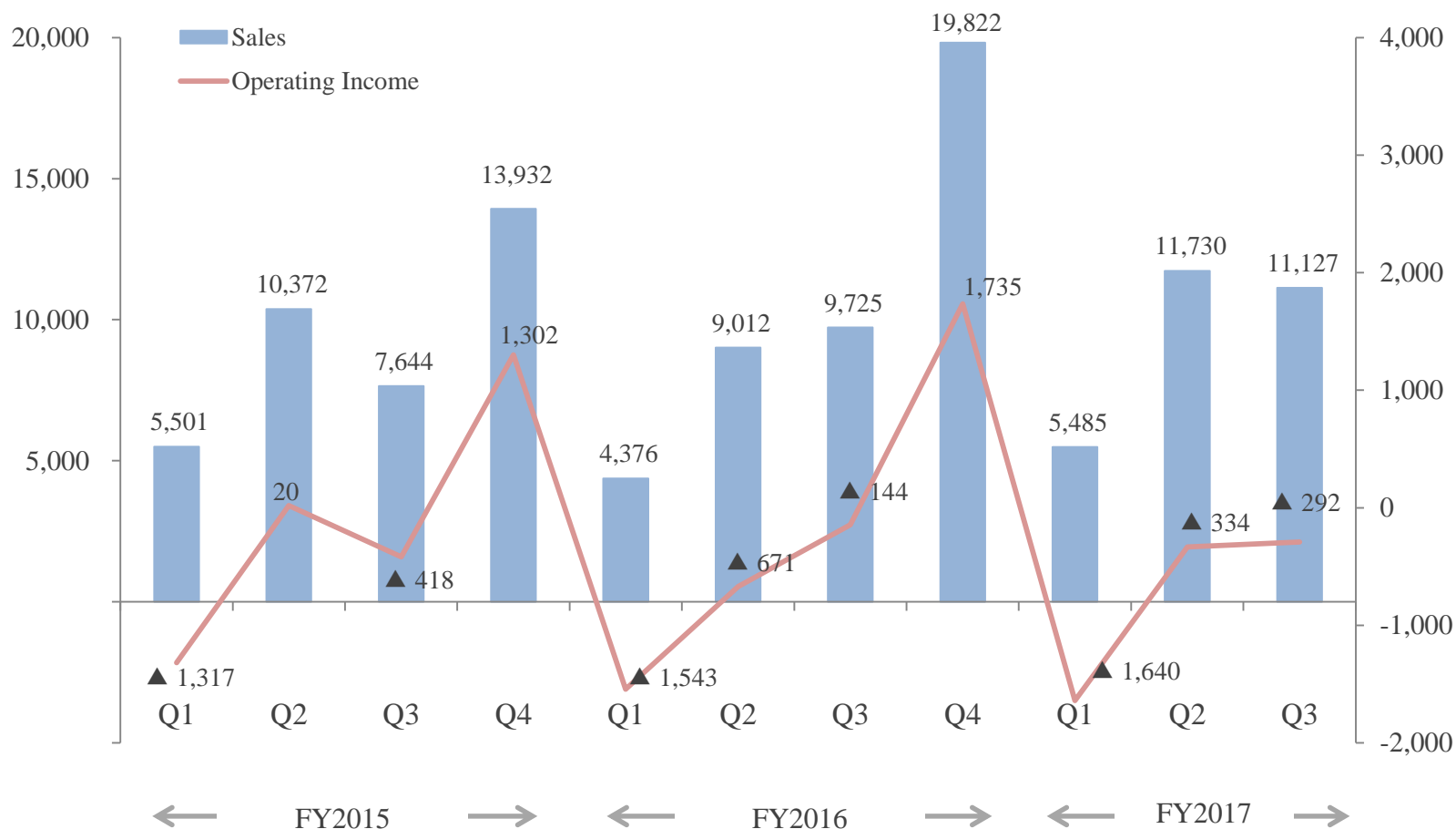


» In the Housing sales business, sales rose largely year on year because of increases in hand as of the end of the previous fiscal year in Leohouse and J-wood.



(Millions of yen)

(Millions of yen)



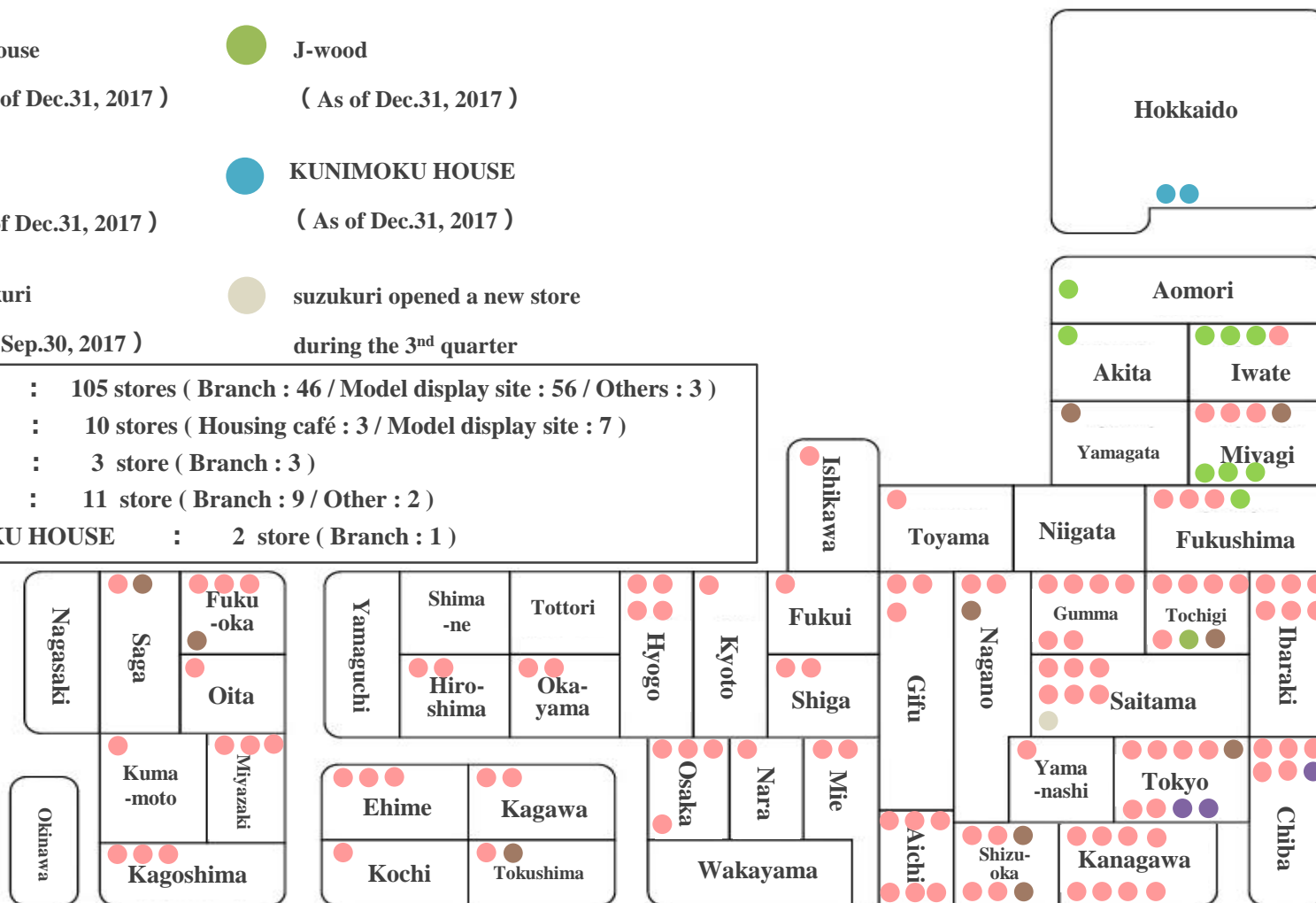
» Sales and Operating income tend to increase around Q4.

2 Results by Segment (4) Housing sales③

131 stores (Leohouse : 105 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 11 stores, KUNIMOKU HOUSE : 2 stores)



Leohouse : 105 stores (Branch : 46 / Model display site : 56 / Others : 3)
 J-wood : 10 stores (Housing café : 3 / Model display site : 7)
 KDI : 3 store (Branch : 3)
 suzukuri : 11 store (Branch : 9 / Other : 2)
 KUNIMOKU HOUSE : 2 store (Branch : 1)



2 Results by Segment (4) Housing sales④

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

(Number of houses ordered)

	FY2015				FY2016				FY2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	387	533	406	459	457	677	397	550	439	542	419	
Completions	238	500	347	694	186	390	403	871	188	478	396	
Orders in hand	1,035	1,057	1,109	861	1,114	1,385	1,361	1,016	1,245	1,294	1,309	
Change	+133	+22	+52	▲248	+253	+271	▲24	▲345	+229	+49	+15	
Unit price	※1 18.49 million yen				※1 Target : 18.26 million yen				※1 Target : 18.50 million yen			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	7	0	0	0	2	0	0	0	5	0	0	
Total stores	※2 109	※3 108	108	※4 105	※5 105	105	105	105	※6 105	105	105	

Closing of model display sites :

※2 ▲5

※3 ▲1

Closing of model display sites :

※4 ▲3

※5 ▲2

※6 Brand change to suzuki ▲5

2

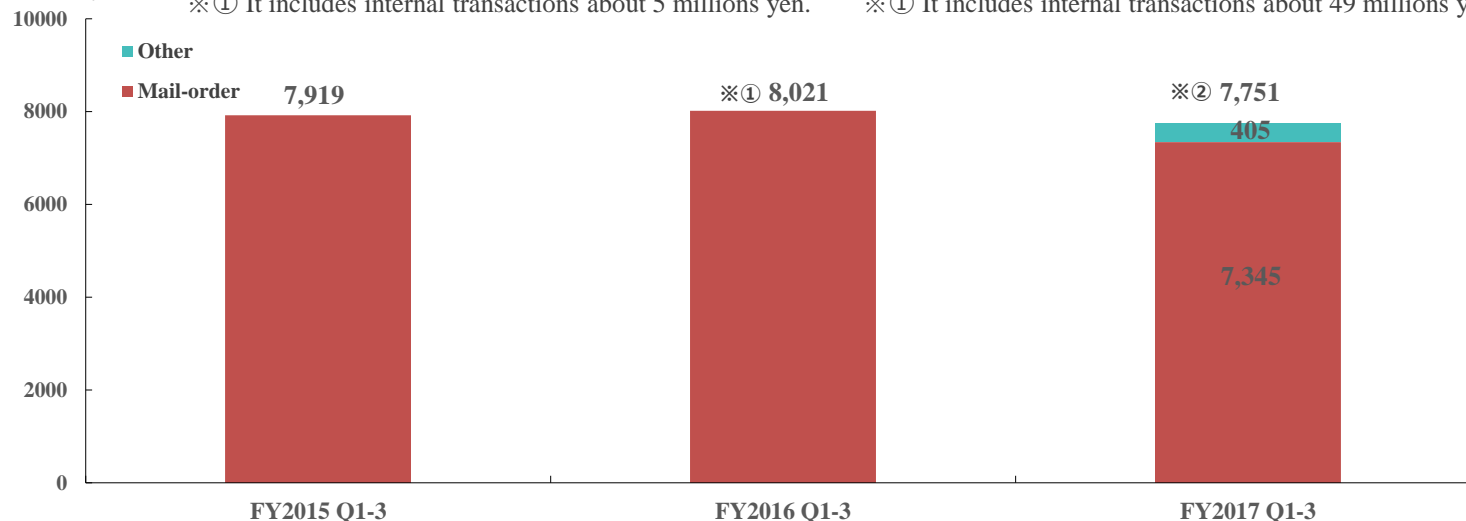
Results by Segment (5) Mail-order ①

(Millions of yen)

※① It includes internal transactions about 5 millions yen.

※② It includes internal transactions about 49 millions yen.

Sales

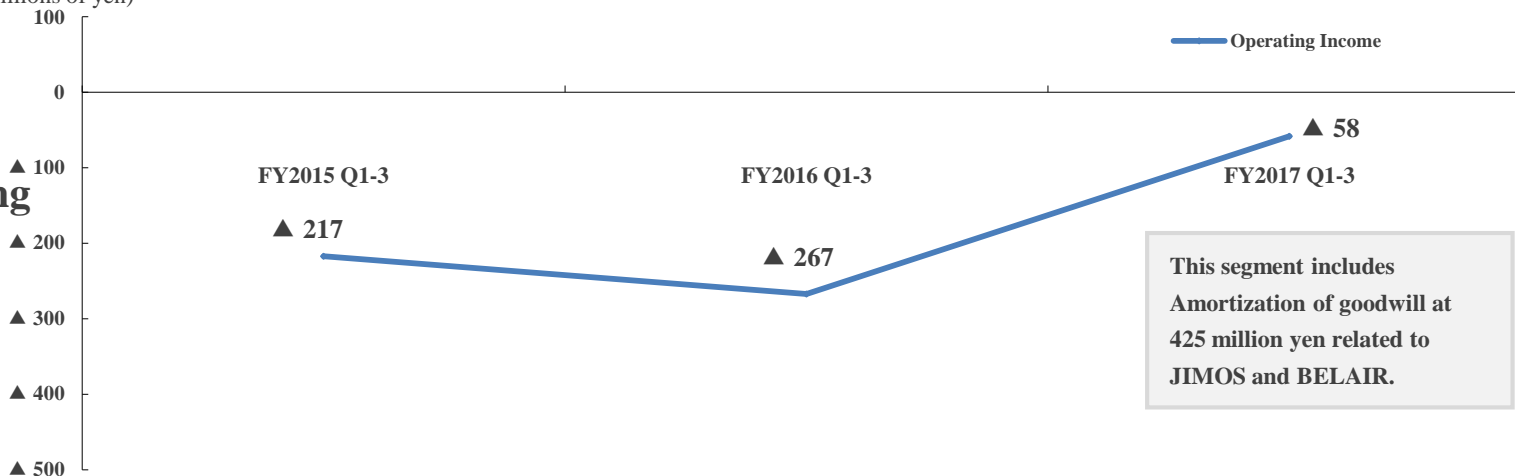


» Regarding the mainstay Macchia Label brand, sales decreased year on year due to a slowdown in the repeat rate and the decrease in sales per customers.

» Although sales per customers was improved, sales of the Coyori brand of skin and hair care products made from natural ingredients declined year on year as a result of decreases in the number of customers.

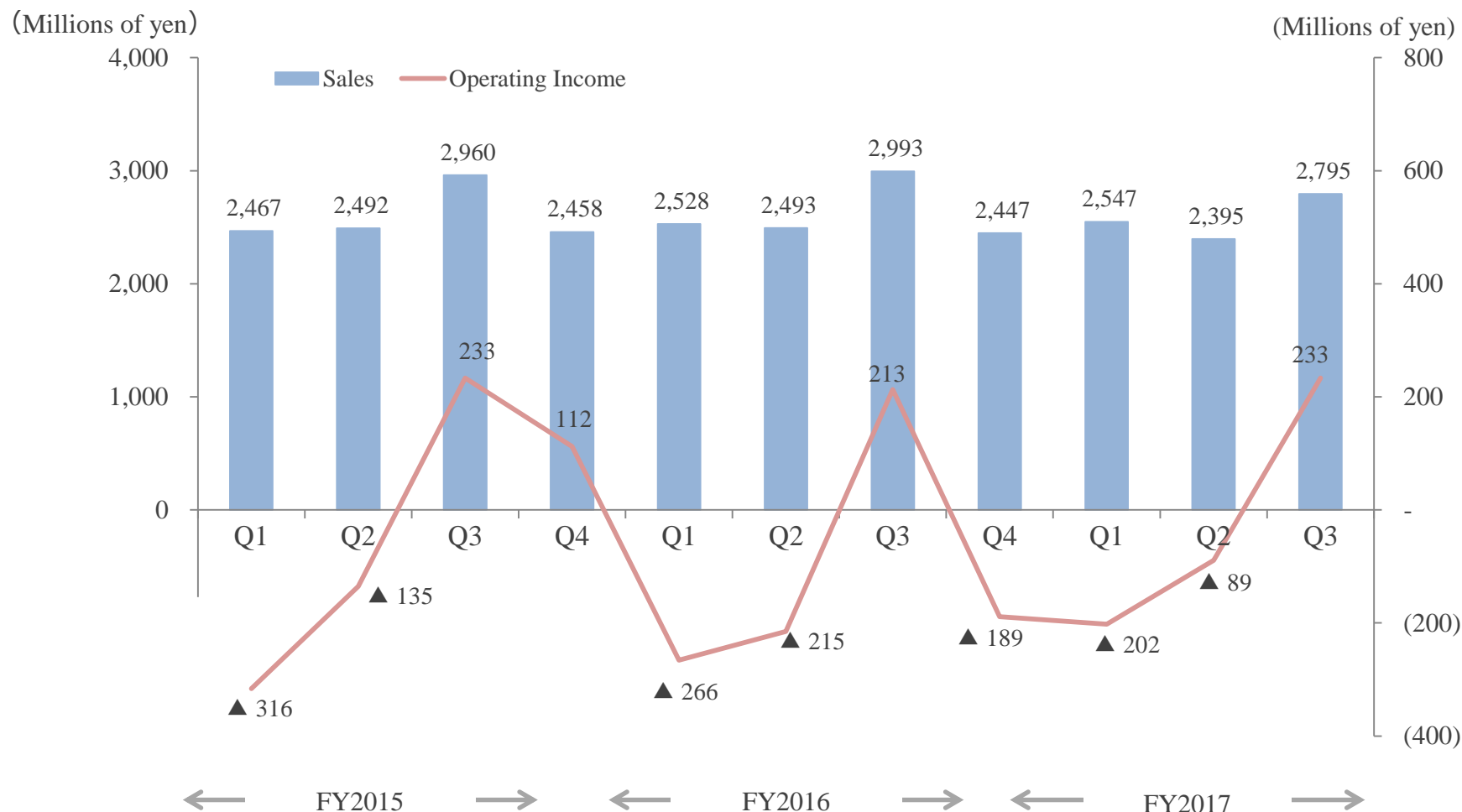
Operating Income

(Millions of yen)



» Operating income improved year on year because of the proper operation of investments in advertising and promotion to maintain stable profits in the Macchia Label and Coyori brand.

Results by Segment (5) Mail-order ②



» 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.

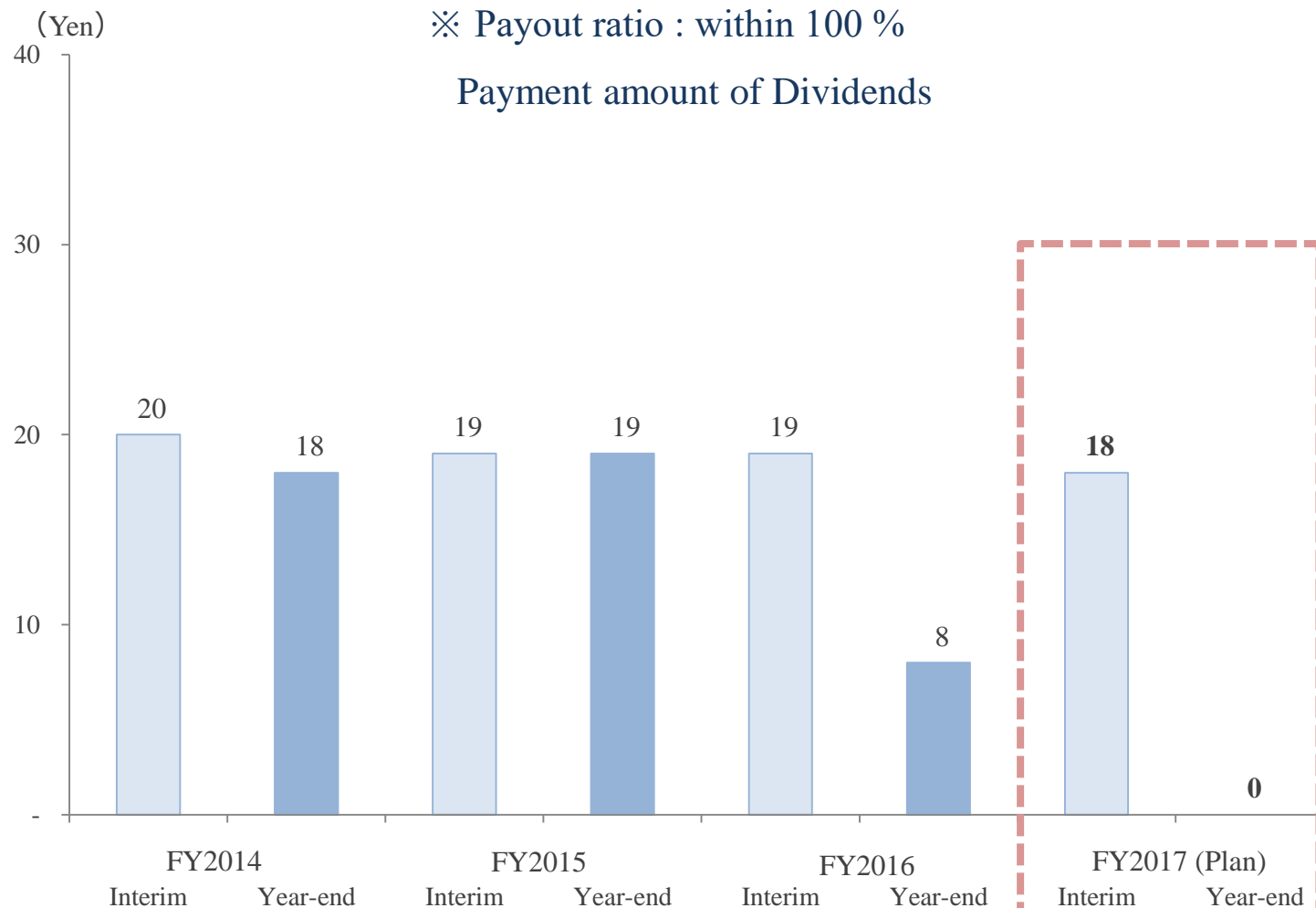
3. Plan of Dividends

3

Plan of dividends : Dividend Policy with DOE 4%

※ Payout ratio : within 100 %

Payment amount of Dividends



Dividends per
share

38 yen

38 yen

27 yen

18 yen




4. Appendix

(As of the end of September 2017)

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	Leohouse Co., Ltd. (Housing sales) Earnest Corporation (Building maintenance) JIMOS Co., Ltd. (Mail-order) BELAIR 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) KUNIMOKU HOUSE Co., Ltd. (Housing sales) suzukuri Co., Ltd. (Housing sales) AI LIFE Co., Ltd. (Rental business)
Employees	2,152(consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	10,446 (Total number of shareholders; treasury shares are excluded)

Key Financial Indicators (Consolidated)

	FY2015	FY2016	Comparison
Average number of shares during the period	16,867,190 shares	16,854,157 shares	▲ 13,033 shares
Net assets per share (BPS)	934.95yen	923.41yen	▲ 11.54yen
Net income per share (EPS)	14.99yen	24.65yen	+ 9.66yen
Equity ratio	38.0%	35.6%	▲ 2.4pt
Ratio of shareholder's equity to Net income (ROE)	1.6%	2.7%	+ 1.1pt
Dividends per share	38yen	27yen	▲ 11yen
Dividend ratio	253.6%	110.1%	▲ 143.5pt
Ratio of dividends to shareholder's equity	4.0%	2.9%	▲ 1.1pt

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.	
May. 2016	Acquired KUNIMOKU HOUSE Co., Ltd.	
Sep. 2017	Acquired AI LIFE Co., Ltd.	

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
- Acquired AI LIFE Co., Ltd. (September, 2017) that runs Duskin business.

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.

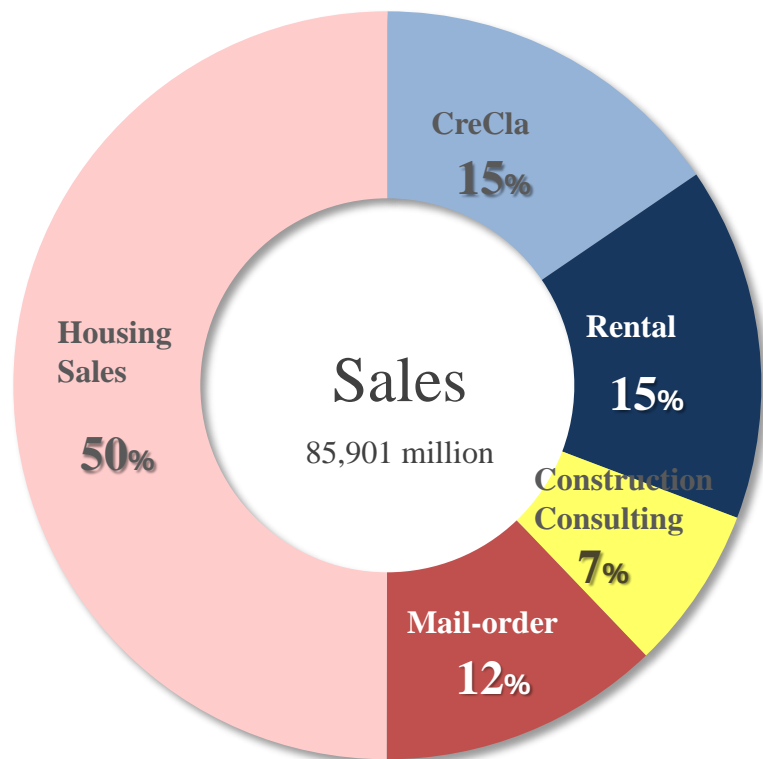
Housing Sales

- 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.
- We acquired suzukuri Co., Ltd. that perform business in a matrix concept.
- We acquired KUNIMOKU HOUSE Co., Ltd. that expands the housing sales business in Hokkaido.

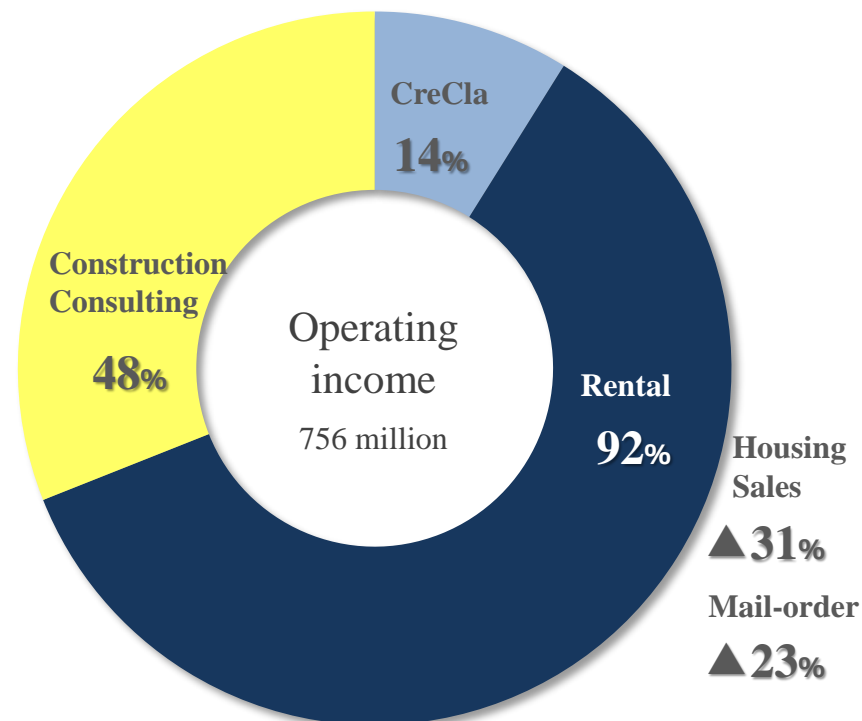
Mail-order

- 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

■ CreCla ■ Rental ■ Construction Consulting ■ Mail-order ■ Housing sales



■ CreCla ■ Rental ■ Construction Consulting



※except HQ-costs

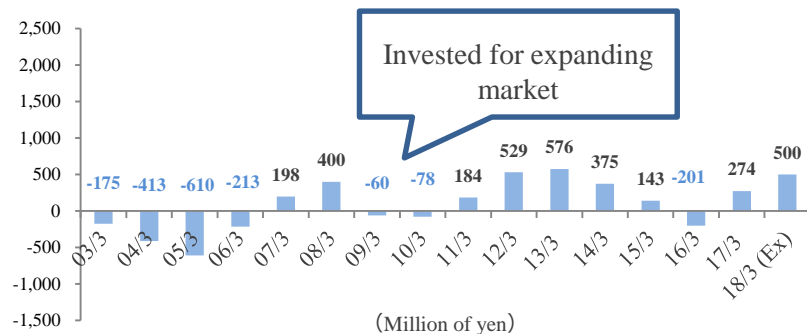
Operating margin on sales

CreCla	Rental	Construction Consulting	Mail-order	Housing sales	Total
2.1%	14.1%	15.7%	▲4.4%	▲1.5%	1.3%

4 Operating income trend by segment

(Million of yen)

【CreCla】



(Million of yen)

【Housing sales】



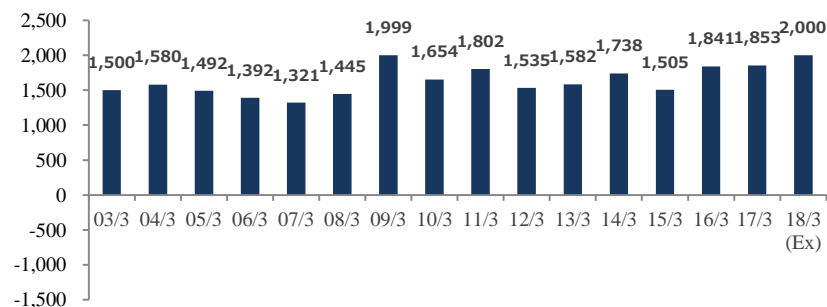
(Million of yen)

【Mail-order】



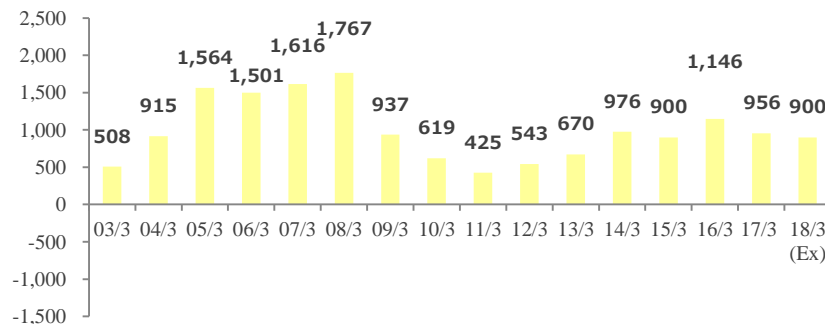
(Million of yen)

【Rental】



(Million of yen)

【Consulting Construction】



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