

# Results for the 1st Quarter ended

August 8th, 2018

## June 30, 2018 【 Reference 】

NAC Co., Ltd.  
Code; 9788 TSE 1st section



### Translation

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

# 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 1st quarter

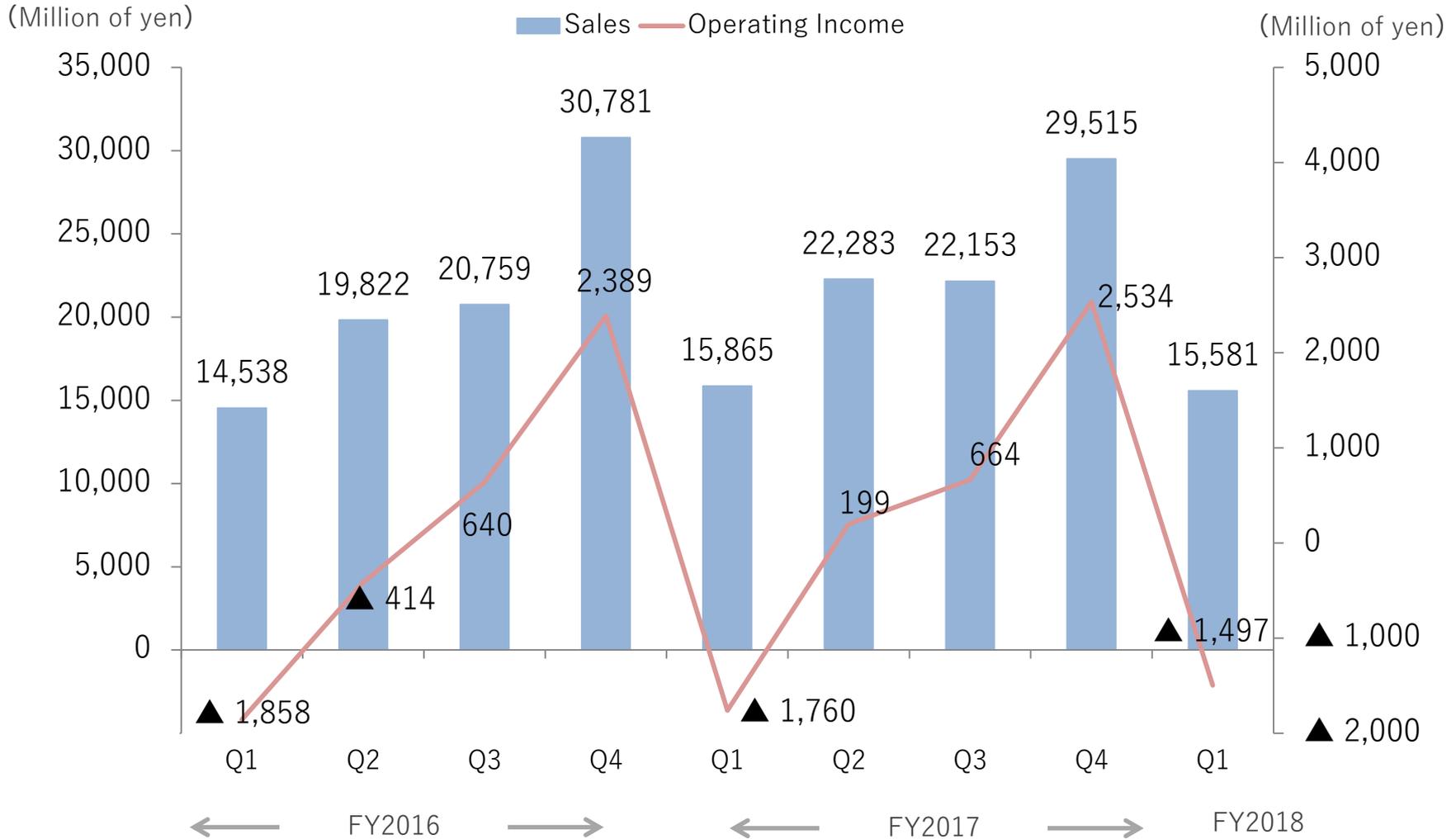
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(Millions of yen)

	3 months ending FY2017	3 months ended FY2018	YOY Comparison
Sales	15,865	15,581	▲ 1.8 %
Gross profit	7,108	7,126	+ 0.3 %
(Gross margin)	44.8 %	45.7 %	+ 0.9 pt
SG&A	8,869	8,623	▲ 2.8 %
Operating Income	▲ 1,760	▲ 1,497	—
(Operating margin)	▲ 11.1 %	▲ 9.6 %	—
Non-operating income and loss	4	▲ 11	—
Ordinary Income	▲ 1,756	▲ 1,508	—
Extra-ordinary income and loss	▲ 177	▲ 3	—
Net Income attributable to owners of parent	▲ 1,461	▲ 1,106	—

- » Consolidated sales declined year on year due to sales decreases in the Construction Consulting business, Housing Sales business and Beauty and Health business.
- » Operating income rose year on year thanks to the proper operation of investments in advertising and promotion in the CreCla business and Beauty and Health business.

# 1 Sales & Operating income trend by Quarter



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

# 1 Sales by Segment

(Millions of yen)

	3 months ending FY2017	3 months ended FY2018	YOY Comparison
CreCla	3,182	3,273	+ 2.8 %
Rental	3,341	3,541	+ 6.0 %
Construction Consulting	1,327	1,080	▲ 18.6 %
Housing Sales	5,485	5,419	▲ 1.2 %
Beauty and Health	2,547	2,277	▲ 10.6 %
Elimination	▲ 19	▲ 9	—
Total	15,865	15,581	▲ 1.8 %

- » In the CreCla business, a participation rate of the new service called “CreCla Security Support” has been glowing steadily from September, 2017. Thus, sales rose year on year.
- » In the Rental business, sales increased in all sections.
- » In the Construction Consulting business, sales decreased year on year since the construction materials business dropped sales.
- » The Housing Sales business declined sales year on year owing to the delay of the construction and delivery caused by the lack of manufacturers and craftspeople in Leohouse and J-wood.
- » The Beauty and Health business declined sales year on year because of a slowdown in the repeat rate and decreases in sales per customers

# 1 Operating income by Segments

(Millions of yen)

	3 months ending FY2017	3 months ended FY2018	YOY Comparison
CreCla	▲ 104 (▲ 3.3 %)	+ 87 (+ 2.7 %)	+ 191 (+ 6.0 pt)
Rental	+ 437 (+ 13.1 %)	+ 431 (+ 12.2 %)	▲ 5 (▲ 0.9 pt)
Construction Consulting	+ 45 (+ 3.4 %)	+ 49 (+ 4.5 %)	+ 3 (+ 1.1 pt)
Housing Sales	▲ 1,640 (▲ 29.9 %)	▲ 1,765 (▲ 32.6 %)	▲ 125 (▲ 2.7 pt)
Beauty and Health	▲ 202 (▲ 8.0 %)	▲ 50 (▲ 2.2 %)	+ 152 (+ 5.8 pt)
Elimination, HQ Cost	▲ 296	▲ 249	+ 46
Total	▲ 1,760 (▲ 11.1 %)	▲ 1,497 (▲ 9.6 %)	+ 263 (+ 1.5 pt)

- » In the CreCla business, our directly managed store increased sales, so operating income increased year on year.
- » The Rental business declined operating income year on year due to the allowance for the consumer service point.
- » In the Construction Consulting business, operating income increased year on year since Eco&Eco rose sales.
- » The Housing business decreased operating income year on year owing to the decrease in sales and the rise in construction costs.
- » In the Beauty and Health business, operating income improved year on year because of the proper operation of investments in advertising and promotion.

# 1 Analysis for operating income & loss (YoY change)

			Comparison
<b>FY2017 Operating Income</b>		▲ 1,760	-
1. Gross profit		+ 18	+ 0.3 %
2. Increase and Decrease of SG&A	Sales promotion costs and Advertising Exp.	+ 143	+ 8.3 %
	Others	+ 49	+ 2.3 %
	Depreciation and Amortization	+ 47	+ 9.6 %
	Rent	+ 24	+ 4.0 %
	Personnel expenses	▲ 16	▲ 0.5 %
	Commission paid	▲ 2	▲ 0.9 %
<b>FY2018 Operating Income</b>		▲ 1,497	-

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

1. The reason of increases in Gross profit
  - » The CreCla business and Rental business increased gross profit.
  
2. The reason of increases and decreases in SG&A
  - » Regarding decreases in sales promotion costs and advertising expenses, JIMOS focused on the proper operation of investments in advertising and promotion.
  - » Concerning decreases in depreciation and amortization, Leohouse closed unprofitable branches.

(Millions of yen)

	As of Mar. 2018	Break down	As of June. 2017	Break down	Comparison
Current assets	22,980	54.6 %	22,840	54.7%	▲ 139
Total property, plant and equipment	12,579	29.9 %	12,113	29.0%	▲ 466
Intangible assets	2,782	6.6 %	2,570	6.2%	▲ 212
Investments and other assets	3,773	9.0 %	4,229	10.1%	+ 455
Non-current assets	19,135	45.4 %	18,912	45.3%	▲ 222
Total assets	42,115	100.0 %	41,753	100.0 %	▲ 362
Current liabilities	20,973	49.8 %	21,105	50.5%	+ 132
Non-current liabilities	7,027	16.7 %	7,580	18.2%	+ 552
Total liabilities	28,001	66.5 %	28,686	68.7%	+ 685
Shareholder's equity	14,873	35.3 %	13,767	33.0%	▲ 1,106
Accumulated other comprehensive income	▲ 758	▲ 1.8 %	▲ 700	▲ 1.7%	+ 58
Total net assets	14,114	33.5 %	13,067	31.3%	▲ 1,047
Total liabilities and net assets	42,115	100.0 %	41,753	100.0 %	▲ 362

■ Current assets : Costs on uncompleted construction contracts +2,223 Cash and deposits ▲1,809  
Trade notes account · Accounts receivable ▲953

■ Non-current assets : Building and structures ▲248

■ Current liabilities : Advances received on uncompleted construction contracts +2,991 Accounts payable ▲2,489

■ Non-current liabilities : Long-term loans +760 Lease obligations ▲132

Equity Ratio : 31.3%

## 2. Results by Segments

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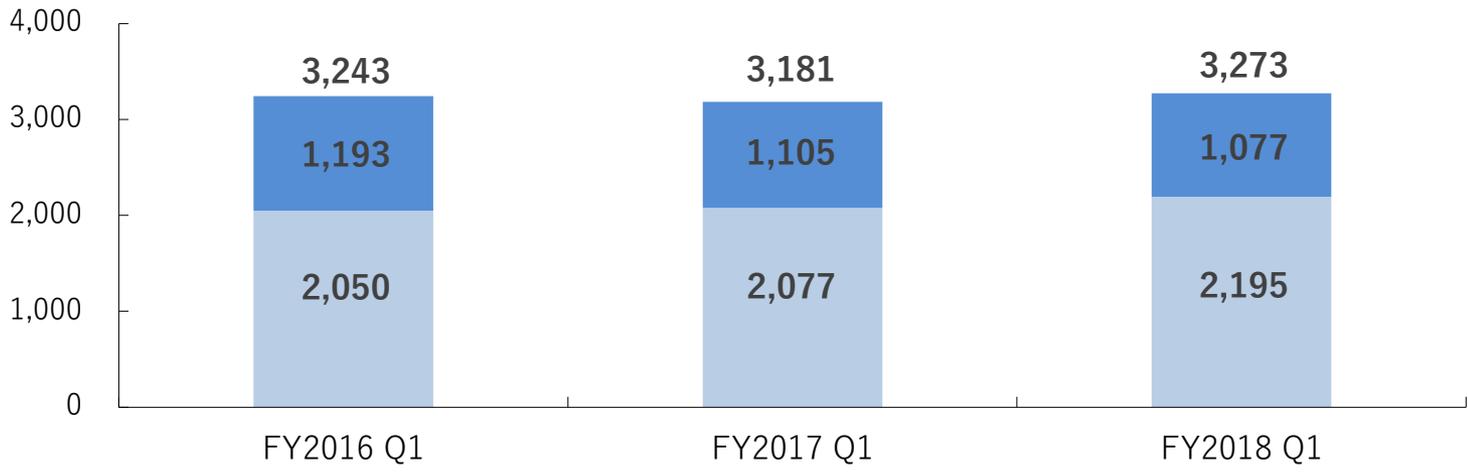
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Results by Segment (1) CreCla (1)

(Millions of yen)

■ To affiliates    ■ Directly managed

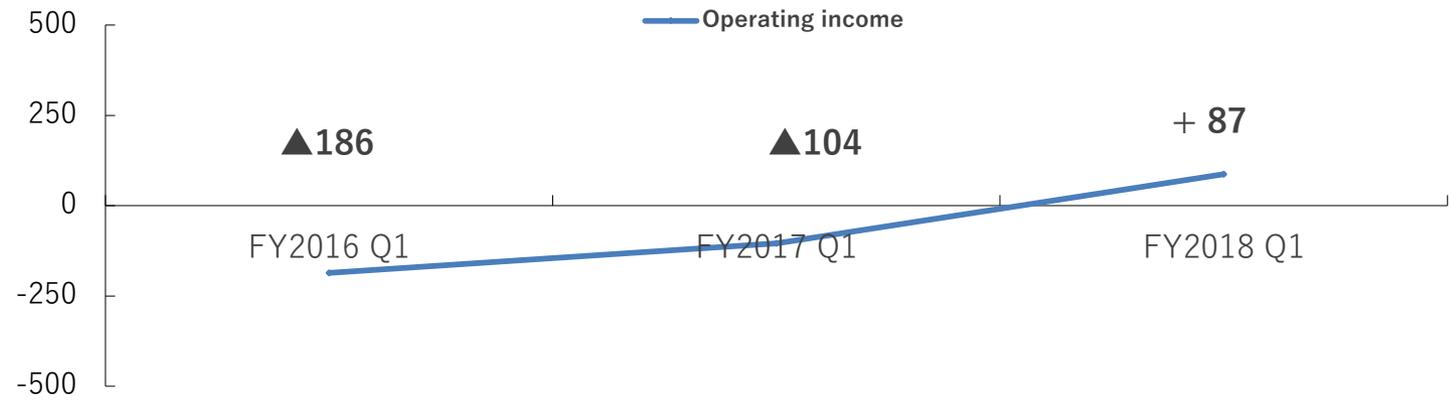
Sales



- » In our direct managed stores, a participation rate of the new service called “CreCla Security Support” has been glowing steadily from September, 2017. Thus, sales rose year on year.
- » In affiliates, the number of customers in affiliated stores and sales of bottles to customers declined. Then, sales decreased year on year.

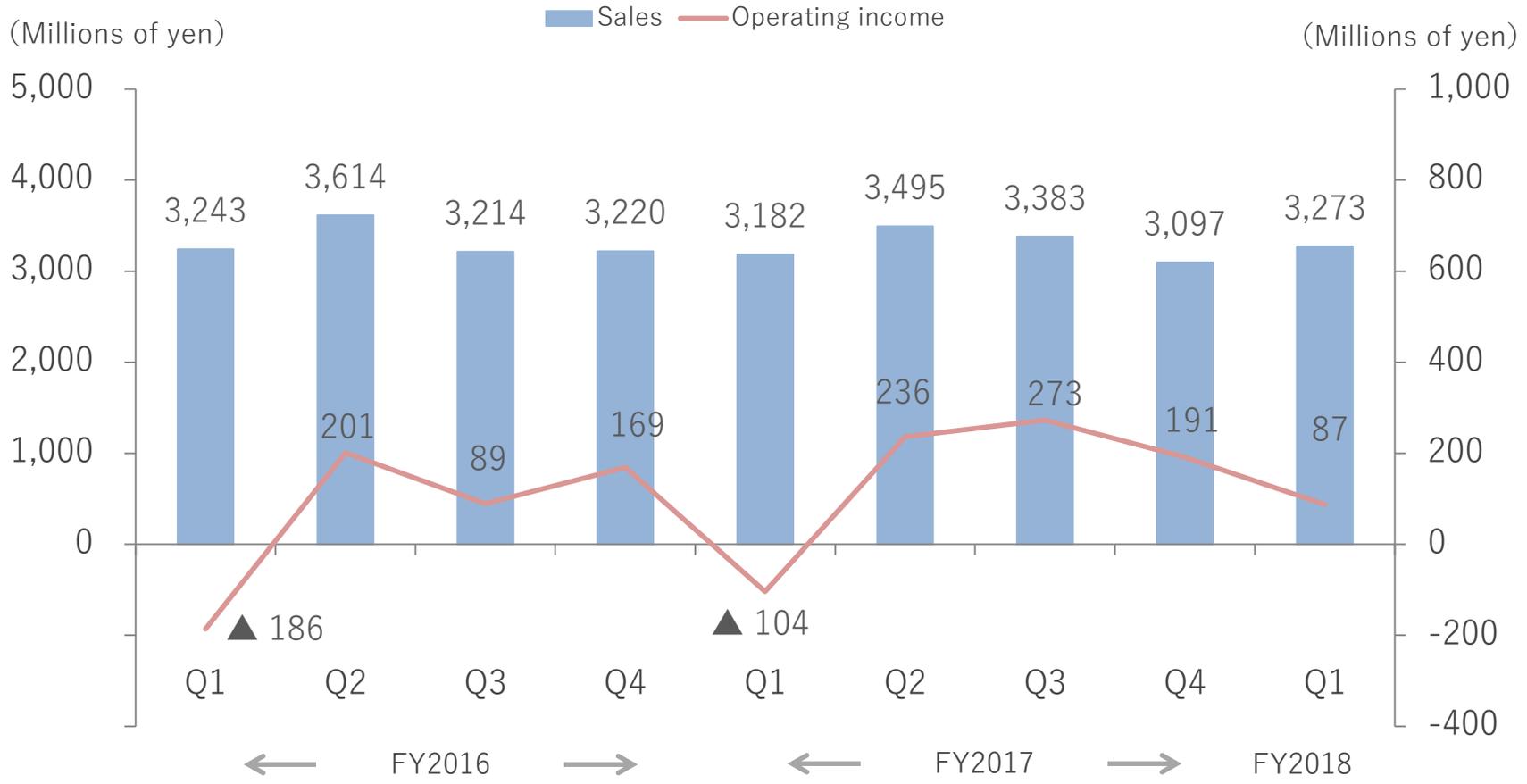
Operating Income

(Millions of yen)



- » Our directly managed store increased sales, so operating income increased year on year.

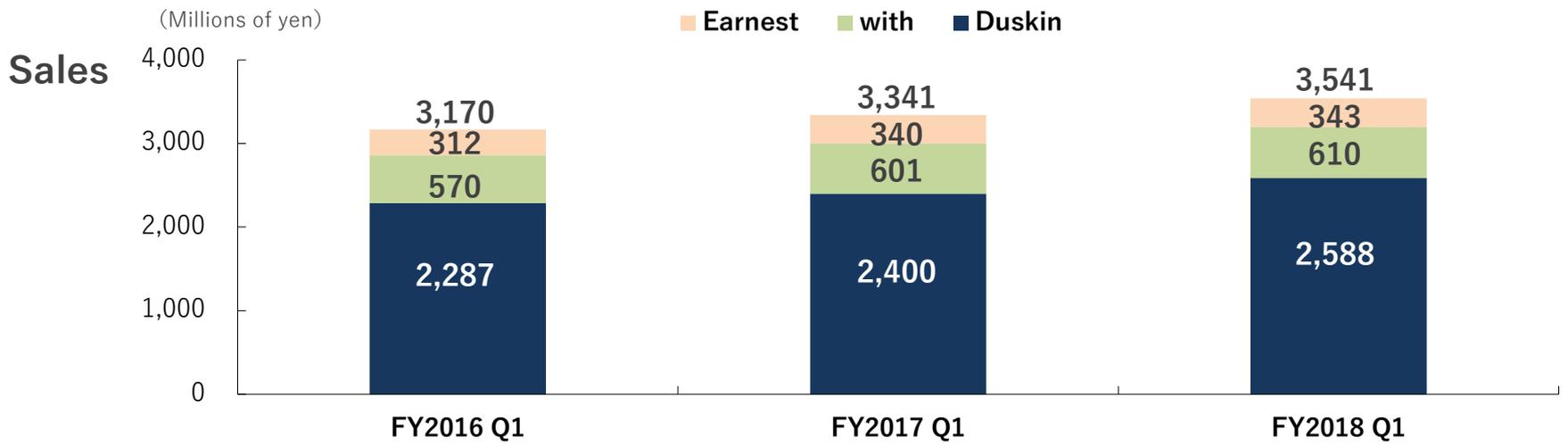
2 Results by Segment (1) CreCla ②



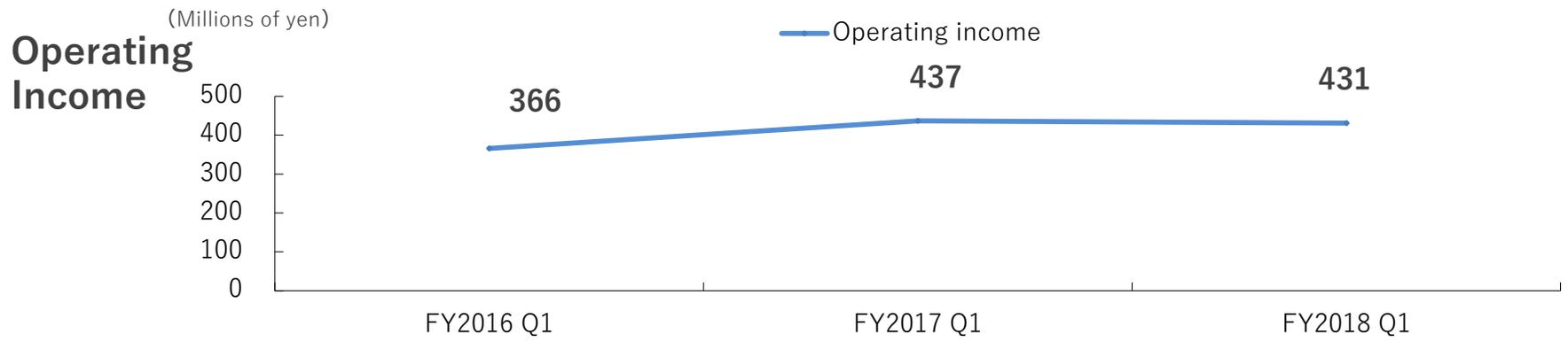
» The CreCla invests in advertising during Q1 & Q3 than Q2 & Q4.

» The CreCla business tends to increase operating income in Q2 & Q4.

## 2 Results by Segment (2) Rental ①

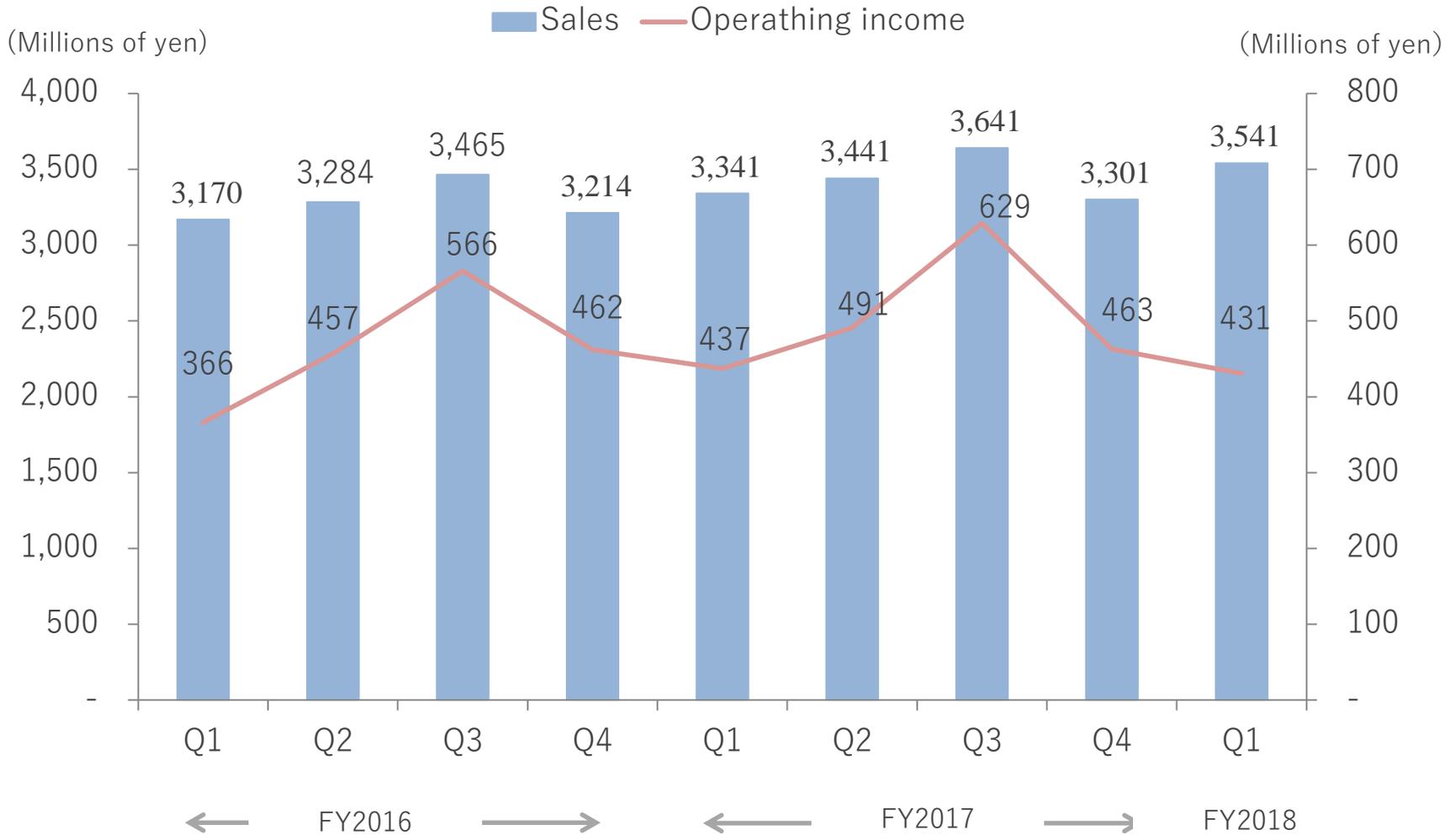


- » The Duskin business opened a new store and focused on existing customers, so the number of customers and sales per customer rose gradually. As a result, sales increased year on year.
- » The With-branded pest-control devices business also opened a new store and strengthened sales promotions before the summer peak demand season, so sales rose year on year.
- » Earnest also grew sales since there were increases in referrals of new customers by existing customers.



- » Operating income decreased year on year due to increases in labor costs and an allowance for the consumer service point.

**2** Results by Segment (2) Rental ②

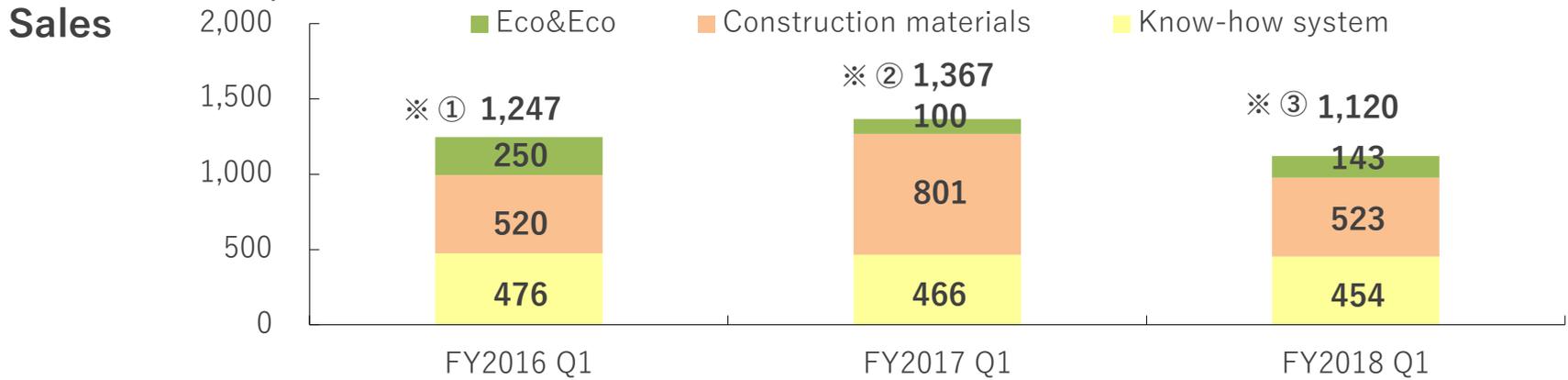


» Sales and Operating income hold steady through the year over.

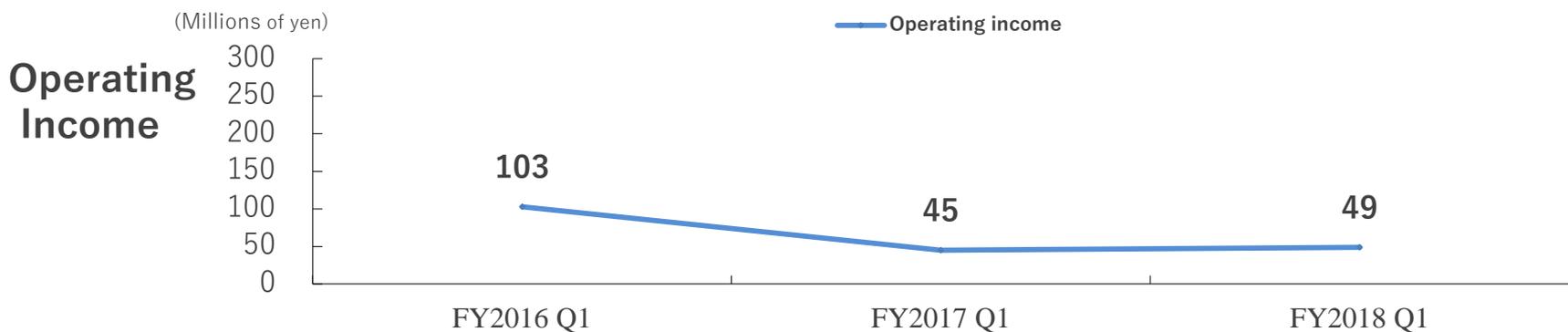
## 2 Results by Segment (3) Construction Consulting ①

※① It includes internal transactions about 27 millions yen. ※② It includes internal transactions about 40 millions yen

(Millions of yen) ※③ It includes internal transactions about 40 millions yen.

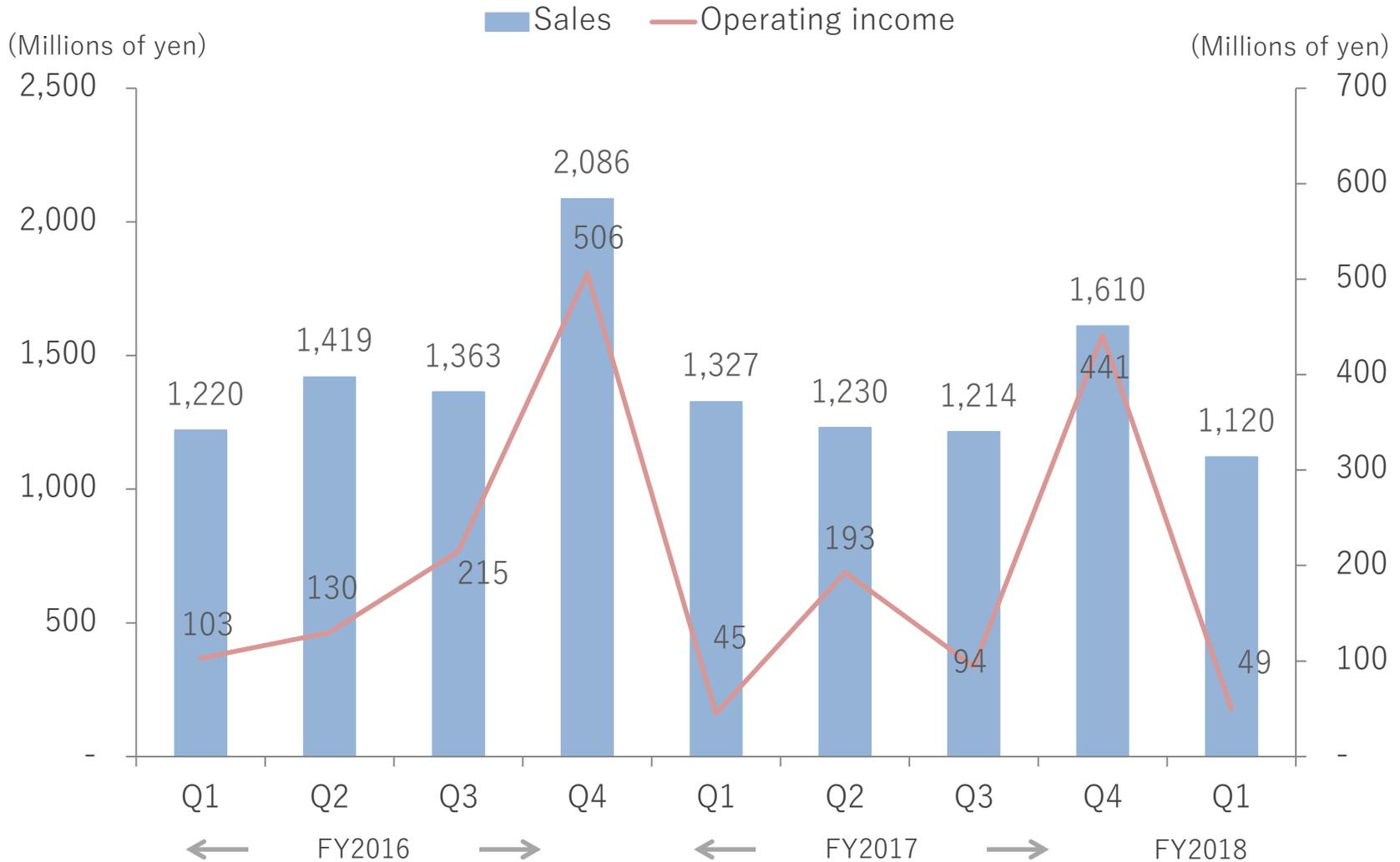


- » The construction know-how systems actively reinforced support programs for small and midsize building contractors and promoted new products; however, sales declined year on year.
- » In the construction materials, sales decreased year on year owing to the delay in delivery of commodities, which was affected by Revised-FIT.
- » Eco & Eco have conducted an overhaul of income structure, sales promotions and process management in fiscal 2017, so sales improved year on year.



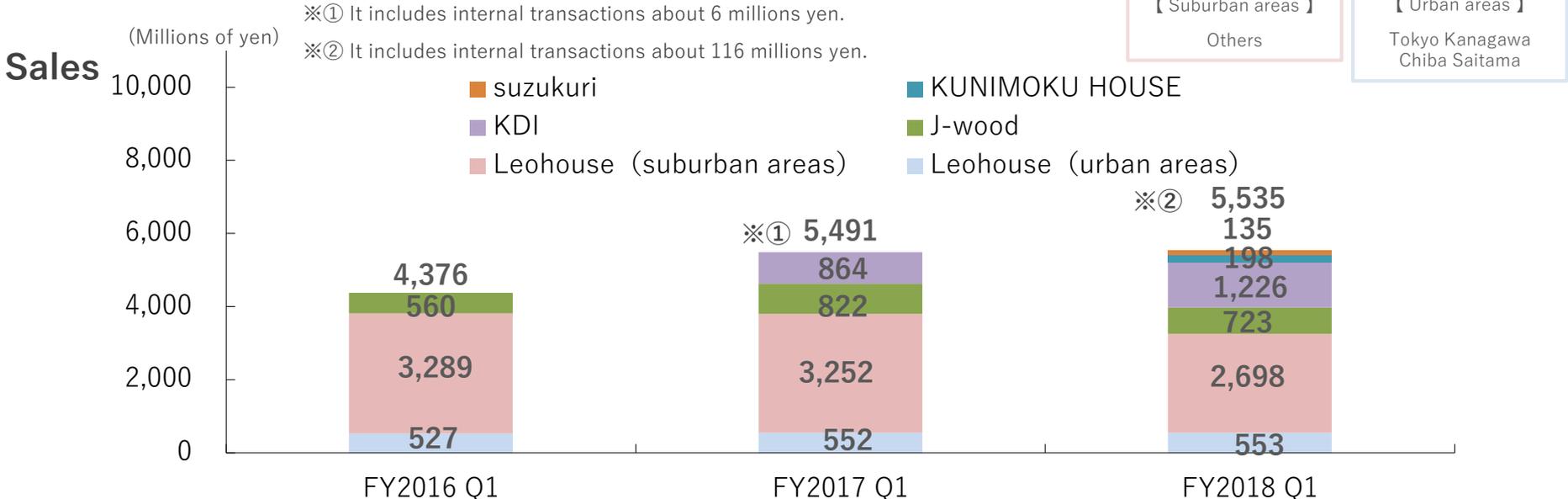
- » Operating income increased year on year thanks to increases in sales of Eco & Eco and revisions to management costs.

## 2 Results by Segment (3) Construction Consulting ②



» Sales and Operating income tend to increase around Q4.

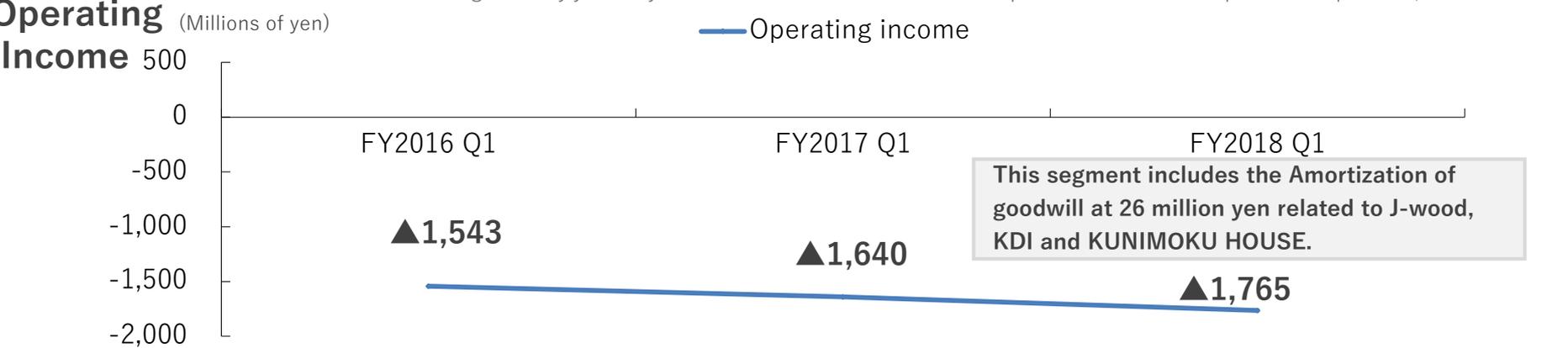
## 2 Results by Segment (4) Housing sales ①



» In Leohouse, sales declined year on year owing to the delay of the construction and delivery caused by the lack of manufacturers and craftspeople.

» In J-wood, the number of handover dropped compared with previous year. Hence, sales decreased year on year.

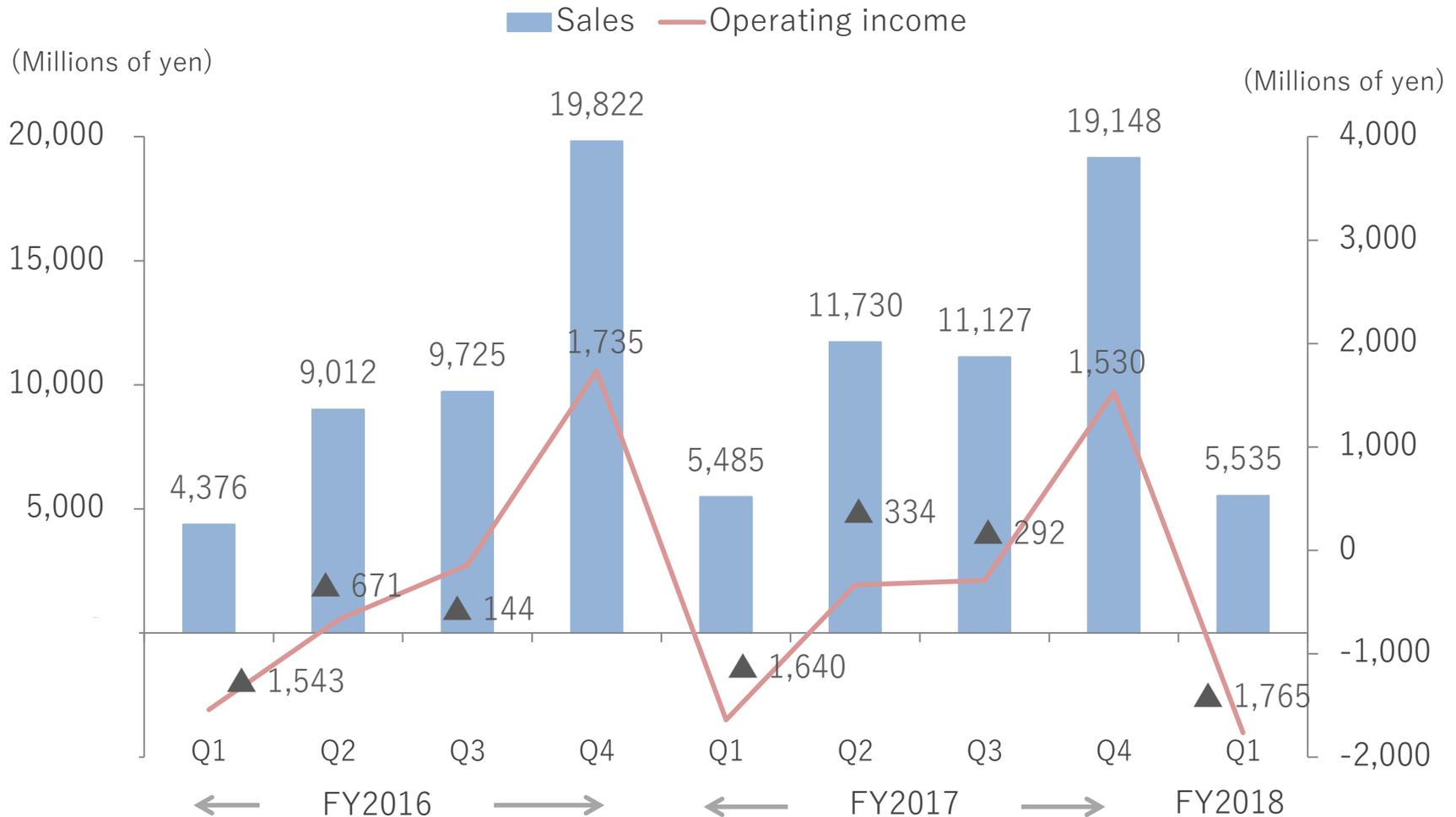
» KDI increased sales significantly year on year thanks to new stores in the metropolitan area that was opened in September, 2017.



This segment includes the Amortization of goodwill at 26 million yen related to J-wood, KDI and KUNIMOKU HOUSE.

» Operating income also decreased year on year due to decreases in sales and the rise in construction costs that was affected by Tokyo Olympics and redevelopment in the metropolitan area.

## 2 Results by Segment (4) Housing sales ②

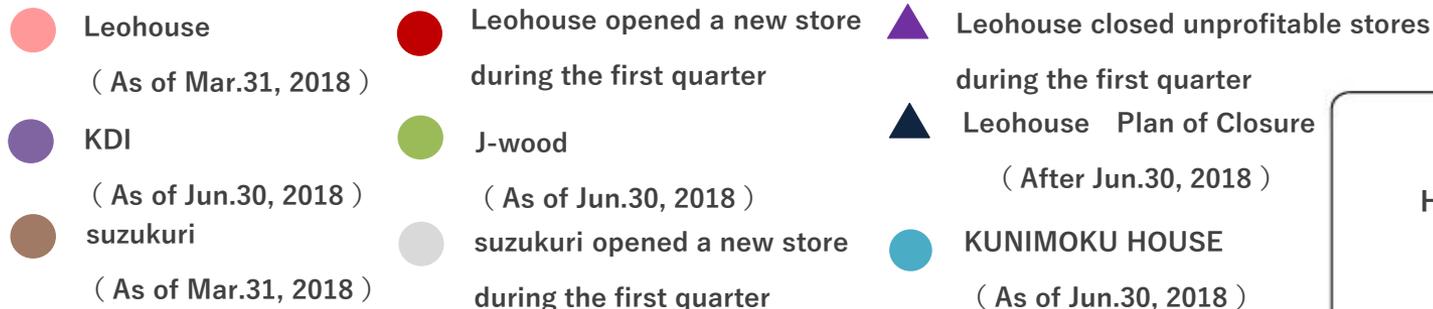


» Sales and Operating income tend to increase around Q4.

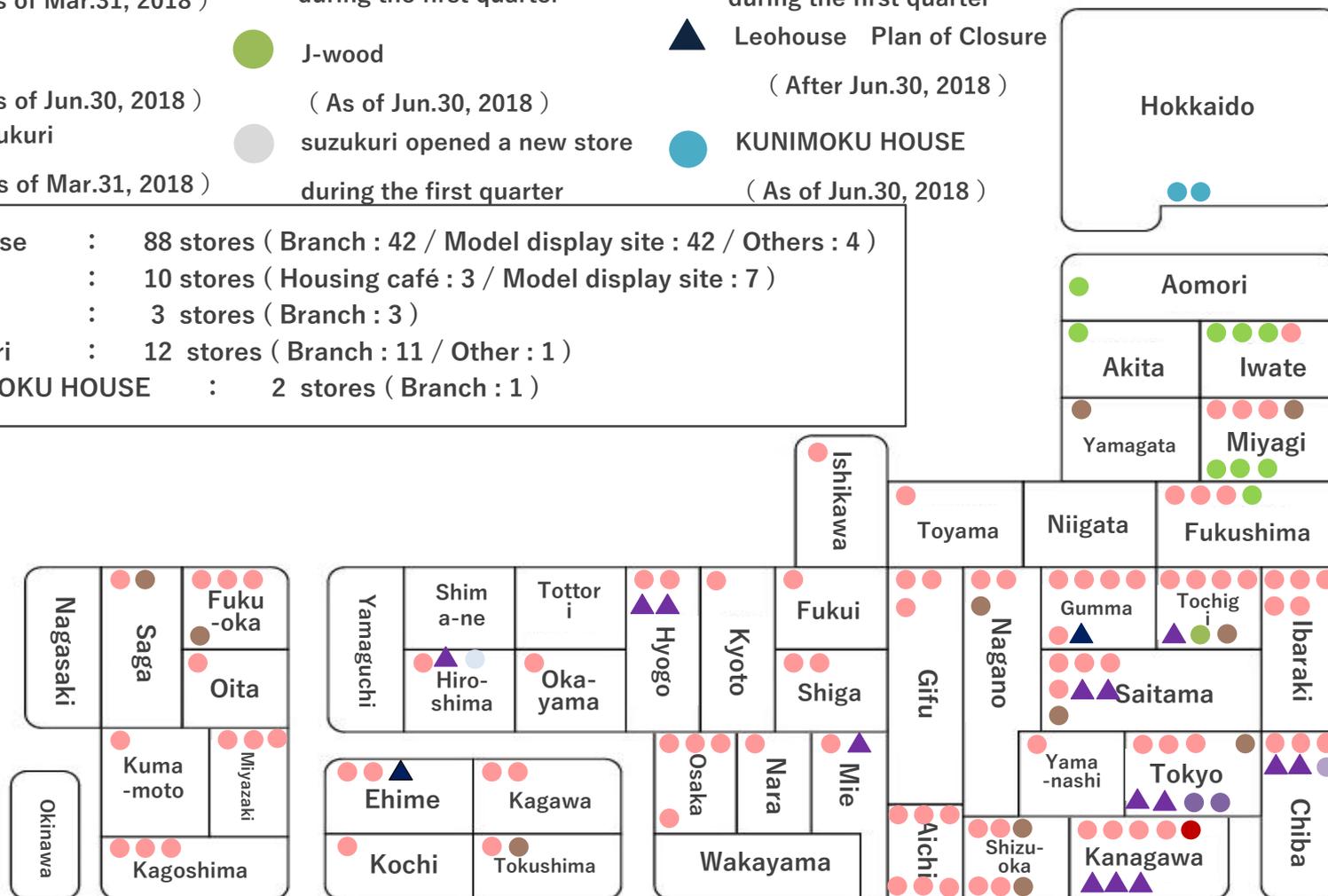
## 2 Results by Segment (4) Housing sales ③

### Total 115 stores

( Leohouse : 88 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 12 stores, KUNIMOKU HOUSE : 2 stores )



Leohouse	: 88 stores ( Branch : 42 / Model display site : 42 / Others : 4 )
J-wood	: 10 stores ( Housing café : 3 / Model display site : 7 )
KDI	: 3 stores ( Branch : 3 )
suzukuri	: 12 stores ( Branch : 11 / Other : 1 )
KUNIMOKU HOUSE	: 2 stores ( Branch : 1 )



## 2 Results by Segment (4) Housing sales (4)

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

(Number of houses ordered)

	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	457	677	397	550	439	542	419	489	470			
Completions	186	390	403	871	188	478	396	834	156			
Orders in hand	1,114	1,385	1,361	1,016	1,245	1,294	1,309	944	1,233			
Change	+253	+271	▲24	▲345	+229	+49	+15	▲365	+289			
Unit price	※1 18.49 million yen				※1 18.26 million yen				※1 1,950 million yen (Plan)			

※1 Unit price excludes additional costs and exterior construction costs

Store openings	2	0	0	0	5	0	0	0	1			
Total stores	※1 105	105	105	105	※2 105	105	105	※3 101	※4 88			

Closing of model display sites :

※1 ▲2

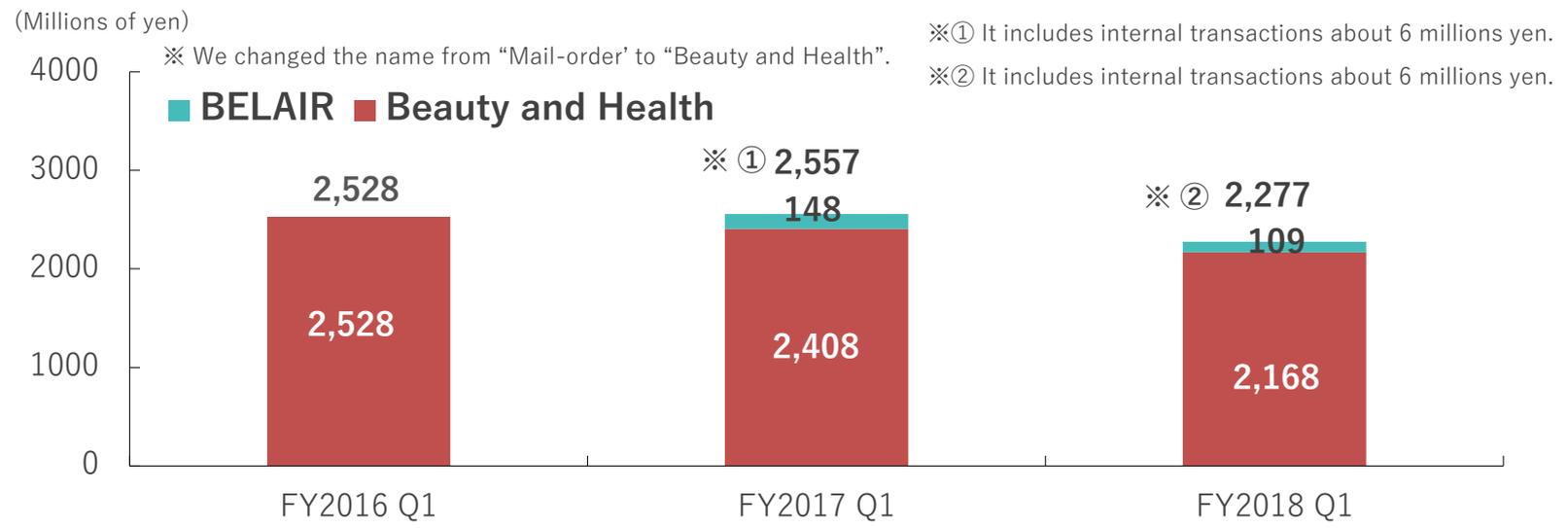
※2 Brand change to suzukuri ▲5

※3 Closing of unprofitable model display sites ▲4

※4 Closing of unprofitable model display sites ▲14

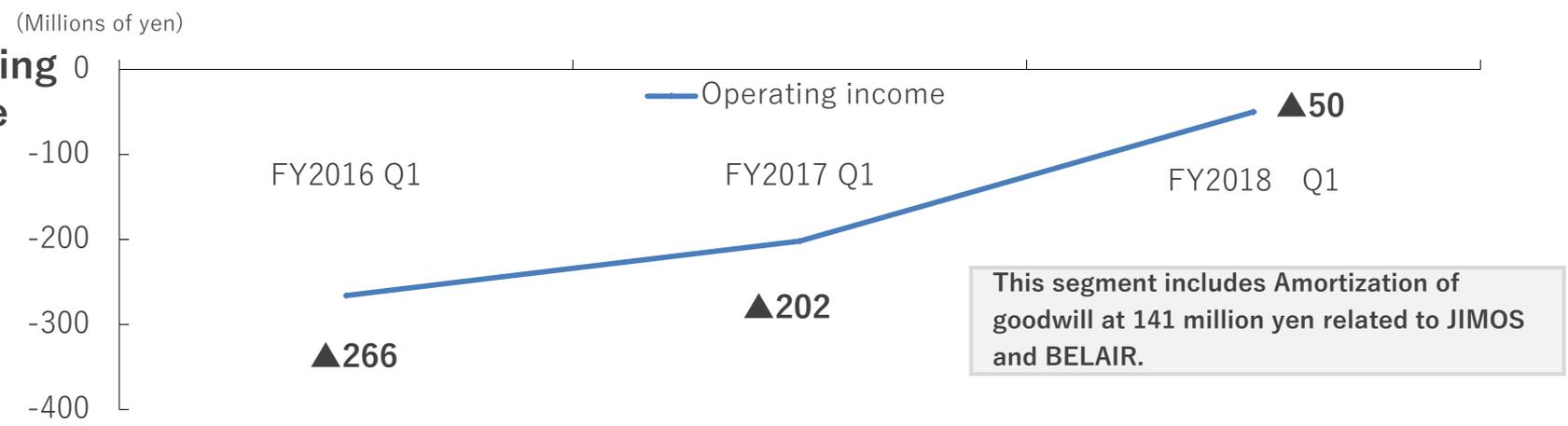
## 2 Results by Segment (5) Beauty and Health ①

### Sales

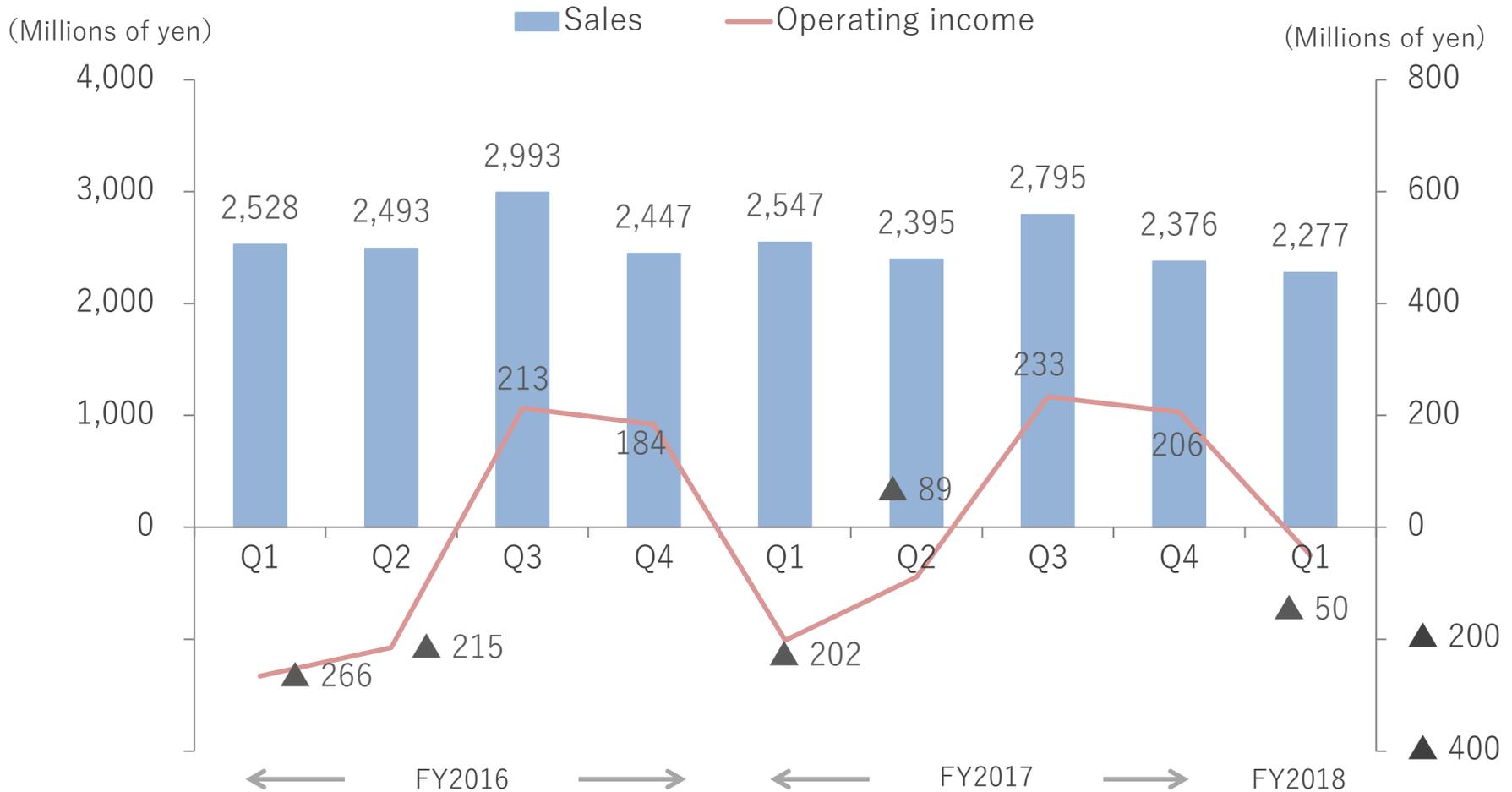


- » The mainstay Macchia Label brand increased new customers, but sales decreased year on year resulting from decreases in sales per customers.
- » The Coyori brand of skin and hair care products that is made from natural ingredients declined sales year on year because of a slowdown in the repeat rate and the number of new customers.

### Operating Income



- » Operating income improved year on year because of the proper operation of investments in advertising and promotion.



» 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 resulting from amortization of goodwill .

## 3. FY2018 Forecasts of Financial Results

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### 3 FY2018 Forecasts of Financial Results

(million yen)

	FY2017	FY2018	YoY comparison
Sales	89,818	96,500	+ 7.4%
Operating income	1,637	2,000	+ 22.2%
Ordinary income	1,574	2,050	+ 30.2%
Net income	▲ 994	600	-
Dividends per share	18 yen	34 yen	-
EPS	▲ 59.15yen	35.68yen	+ 94.83yen

» We reorganize the Housing Sales business to increase sales, operating income, ordinary income and net income.

# 3 FY2018 Forecasts of Financial Results

■ Sales:96.5 billion yen (YoY Comparison + 7.4%)

■ Operating income 2 billion yen (YoY comparison + 22.2%)

## Rental

### [ Dust control products business ]

- ⇒ Carry out M&A strategy
- ⇒ Expand the total care service

### [ Pest-control devices business]

- ⇒ Win new customers and implement sales promotion

## Housing Sales

### [ Leohouse ]

- ⇒ Withdrawal from unprofitable stores to reduce fixed costs
- ⇒ Proper Distribution of resources to improve profitability
- ⇒ Rebuild sales systems to meet demands of the surge ahead of the consumption tax hike.

### [J-wood]

- ⇒ Lay the foundation for better business management by the use of SNS

### [KDI]

- ⇒ Focus on metropolitan area and reduce construction costs

### [suzukuri]

- ⇒ Expand targets and form a business tie-up with different type of business

## Crecla

- ⇒ Enhance brand through improvement of customer services
- ⇒ Supply products to meet a wide variety of customer needs
- ⇒ Delivery at nighttime and holiday

## Construction Consulting

### [ Know-how business ]

- ⇒ Strengthen sales promotion regarding ZEH and termination of national policy

### [ Construction materials ]

- ⇒ Strengthen coordination with Know-how business

## Beauty-health

### Acquire new customers

- ⇒ Expand targets and form a business tie-up with different type of business
- ⇒ Tap into overseas markets

### 3 FY2018 Sales Forecasts by Segment

(Millions of yen)

Sales	Result FY 2017	Plan FY 2018	Comparison
CreCla	13,158	13,700	+ 4.1%
Rental	13,727	14,200	+ 3.4%
Construction Consulting	5,383	6,300	+ 17.0%
Housing Sales	47,492	52,500	+ 10.5%
Beauty-health	10,115	9,800	▲ 3.1%
Elimination	▲ 59	-	-
Total	89,818	96,500	+ 7.4%

### 3 FY2018 Operating income Forecasts by Segment

(Million of yen)

Operating income	Result FY 2017	Plan FY 2018	Comparison
CreCla	596 (4.5%)	405 (3.0%)	▲ 32.1% (▲ 1.5pt)
Rental	2,021 (14.7%)	2,000 (14.1%)	▲ 1.1% (▲ 0.6pt)
Construction Consulting	775 (14.4%)	755 (12.0%)	▲ 2.6% (▲ 2.4pt)
Housing Sales	▲ 736 (▲ 1.6%)	160 (0.3%)	- (+ 1.9pt)
Beauty-health	147 (1.5%)	80 (0.8%)	▲ 45.8% (▲ 0.7pt)
Elimination, HQ Cost	▲ 1,166	▲ 1,400	-
Total	1,637 (1.8%)	2,000 (2.1%)	+ 22.2% (+ 0.3pt)

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

## 4. Medium-Term Strategy/ Plan of Dividends

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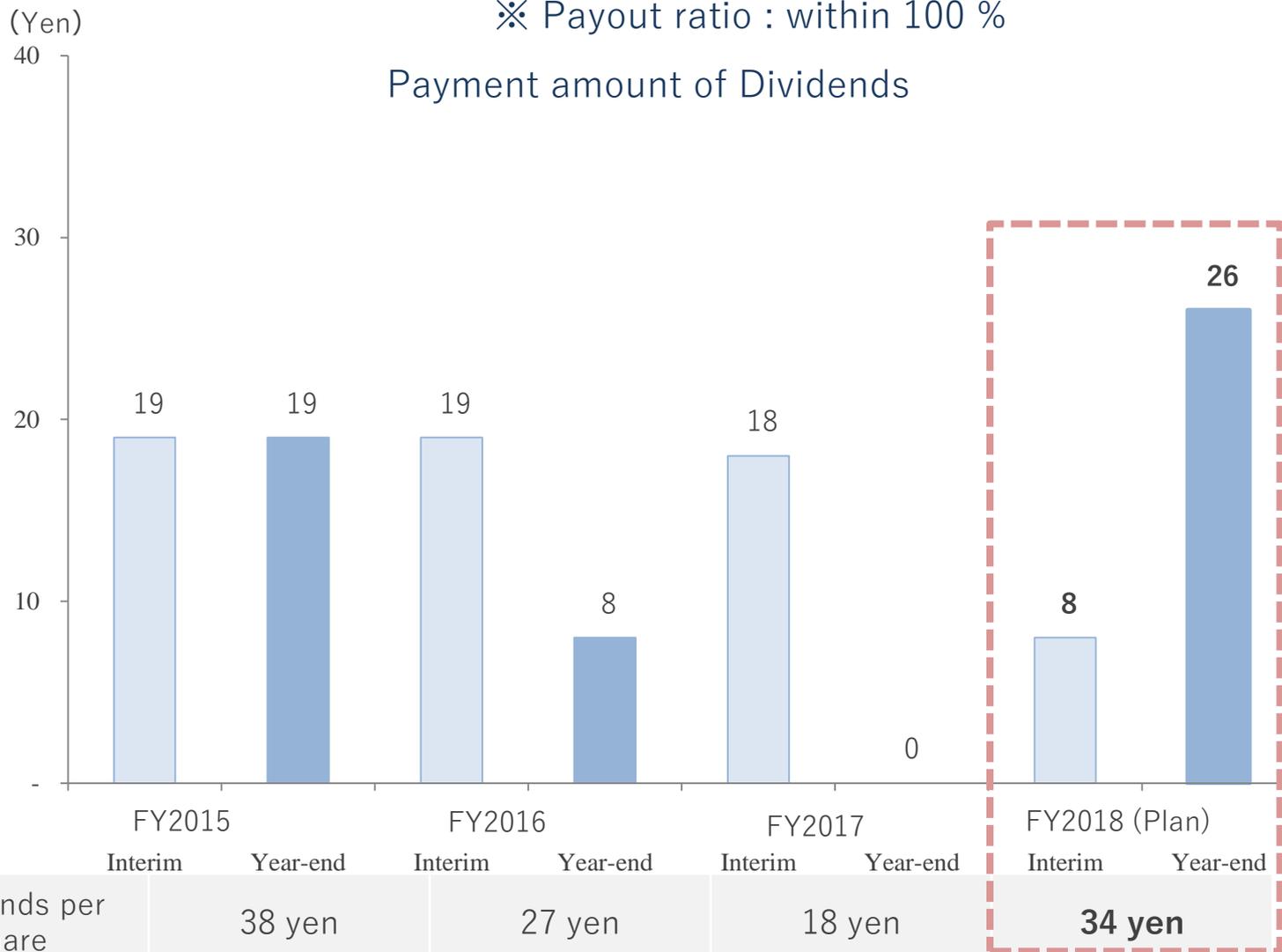
Regarding the medium-term strategy for fiscal 2020, we are reviewing the current plans.

4

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

※ Payout ratio : within 100 %

Payment amount of Dividends



≫ Our dividend policy is DOE 4%. In accordance with this dividend policy, annual dividend is 34 yen in FY2018.

≫ Our dividend policy is “Interim” with “Year-end” in a ratio of 1 to 3 from FY2018.

# 5. Appendix

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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>■ Beauty-health (Cosmetics and health food Beauty-health sales)</li> </ul>
Consolidated companies	<p>Leohouse Co., Ltd. (Housing sales)  Earnest Corporation (Building maintenance)  JIMOS Co., Ltd. (Beauty-health)  BELAIR Co., Ltd. (Beauty-health)  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)  KUNIMOKU HOUSE Co., Ltd. (Housing sales)  suzukuri Co., Ltd. (Housing sales)  AI LIFE Co., Ltd. (Rental businesses)</p>
Employees	2,169(consolidated)
Capital stock	4,000 millions yen
Number of shares	18,719,250 shares (share unit :100 shares)
Number of shareholders	13,269 (Total number of shareholders; treasury shares are excluded)

## 5 Key Financial Indicators (Consolidated)

	FY2016	FY2017	Comparison
Average number of shares during the period	16,854,157 shares	16,807,436 shares	▲ 46,721 shares
Net assets per share (BPS)	923.41 yen	839.28 yen	▲ 84.13 yen
Net income per share (EPS)	24.65 yen	▲ 59.15 yen	▲ 83.79 yen
Equity ratio	35.7%	33.4%	▲ 2.3pt
Ratio of shareholder's equity to Net income (ROE)	2.7%	▲ 6.7%	▲ 9.4pt
Dividends per share	27 yen	18 yen	▲ 9 yen
Dividend ratio	109.5%	▲ 30.4%	▲ 139.9pt
Ratio of dividends to shareholder's equity	2.9%	2.1%	▲ 0.8pt

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	
Mar. 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. 2015	Opened the CreCla Honjo-Plant	
Sep. 2015	Acquired Eco & Eco Co., Ltd.	
May. 2016	Acquired KDI Co., Ltd.	
Dec. 2016	Acquired BELAIR Co., Ltd.	
Apr. 2017	Acquired suzukuri Co., Ltd.	
Jun. 2017	Acquired KUNIMOKU HOUSE Co., Ltd.	
Sep. 2017	Acquired AI LIFE Co., Ltd.	
Apr. 2018	Absorption-type merger of AI LIFE 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
- Acquired AI LIFE Co., Ltd. (September, 2017) that runs Duskin business.
- Absorption merger AI LIFE Co., Ltd.

## 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.

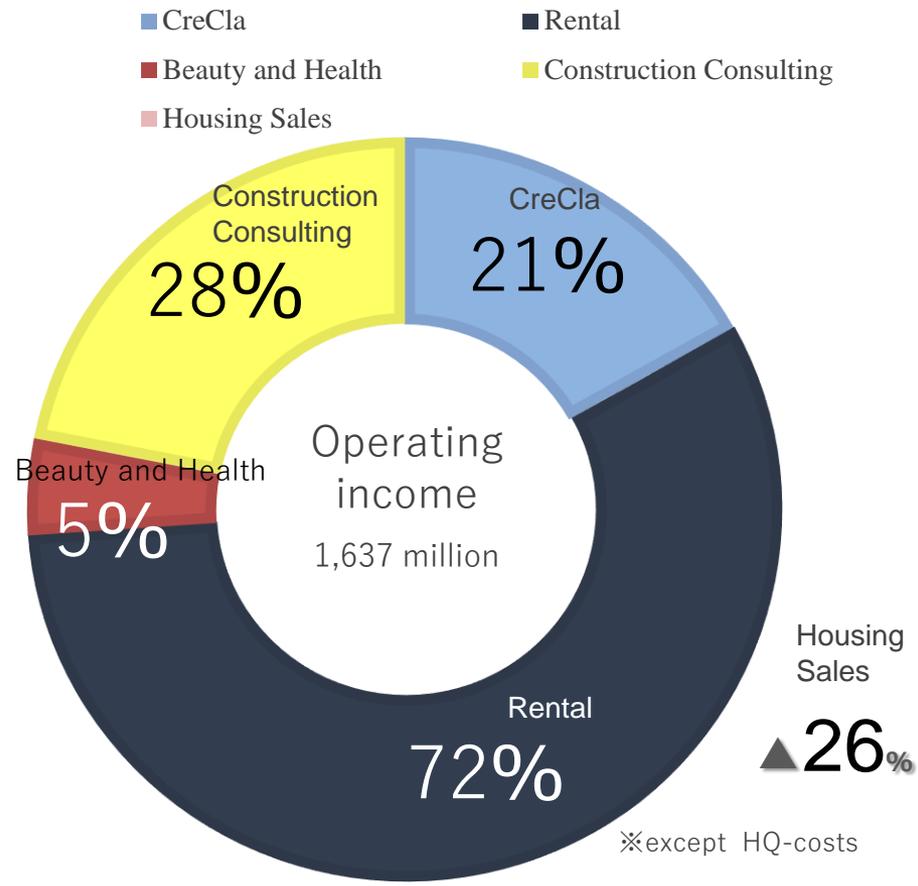
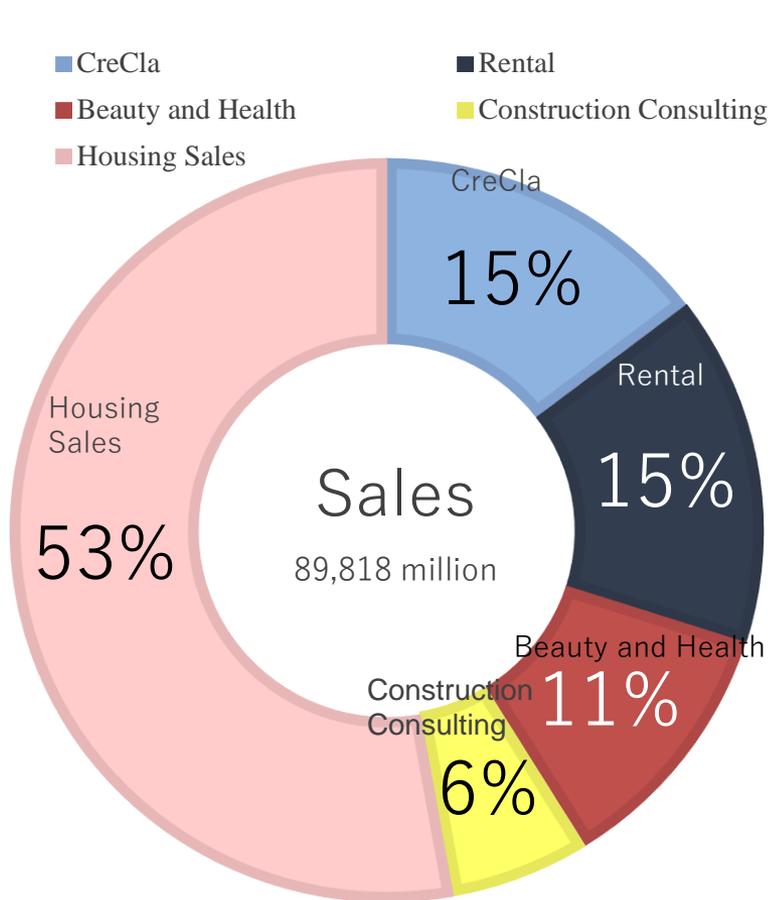
## Housing Sales

- 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.

## Beauty and Health

- In July 2013, the Beauty and Health 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

5 FY2017 Sales and Operating income Breakdown



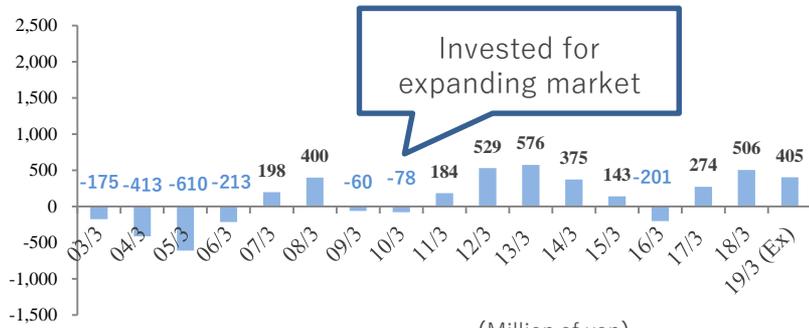
Operating margin on sales

CreCla	Rental	Construction Consulting	Beauty and Health	Housing sales	Total
4.5%	14.7%	14.4%	1.5%	▲ 1.6%	1.8%

# 5 Operating income trend by segment

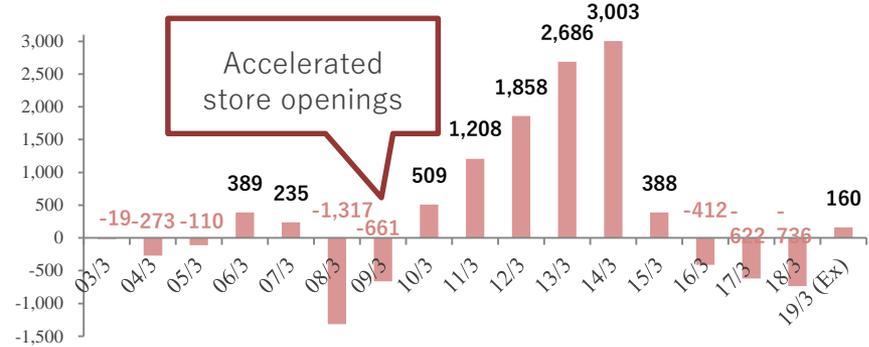
(Million of yen)

**【CreCla】**



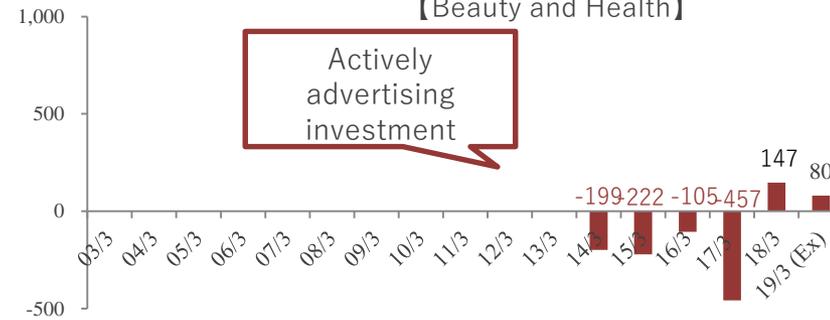
(Million of yen)

**【Housing sales】**



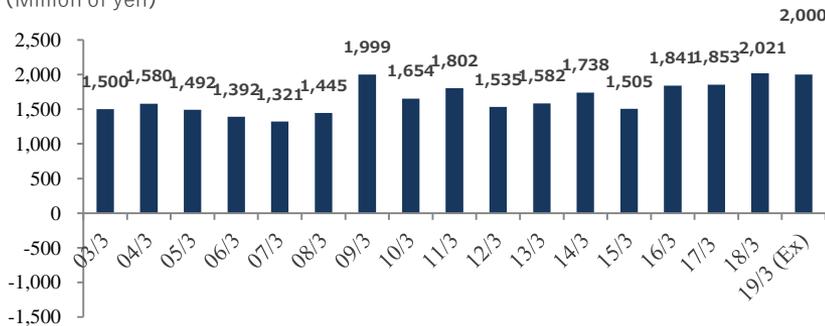
(Million of yen)

**【Beauty and Health】**



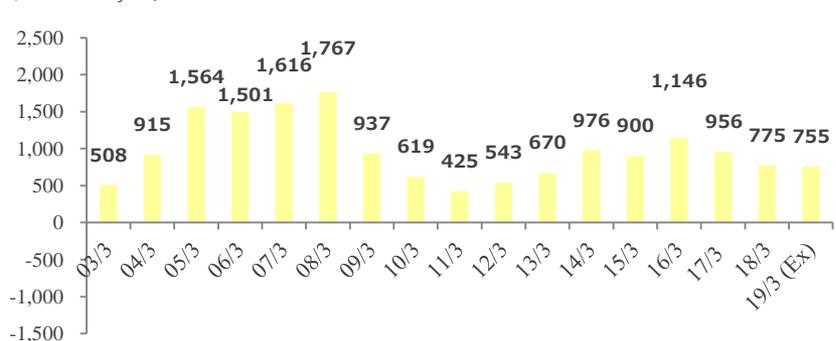
(Million of yen)

**【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.