

Results for the nine months ended December 31, 2019 【 Reference 】

February 8th, 2020
NAC CO., Ltd.
Code; 9788 TSE 1st section



Translation

In case of any inconsistency between the Japanese version and the English version, the Japanese version shall prevail.

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This document contains certain forward-looking statements including the NAC group of companies' sales and contract targets based on information available to us 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 from the forward-looking statements.

1. Results for the nine months ended December 31, 2019

(Millions of yen)

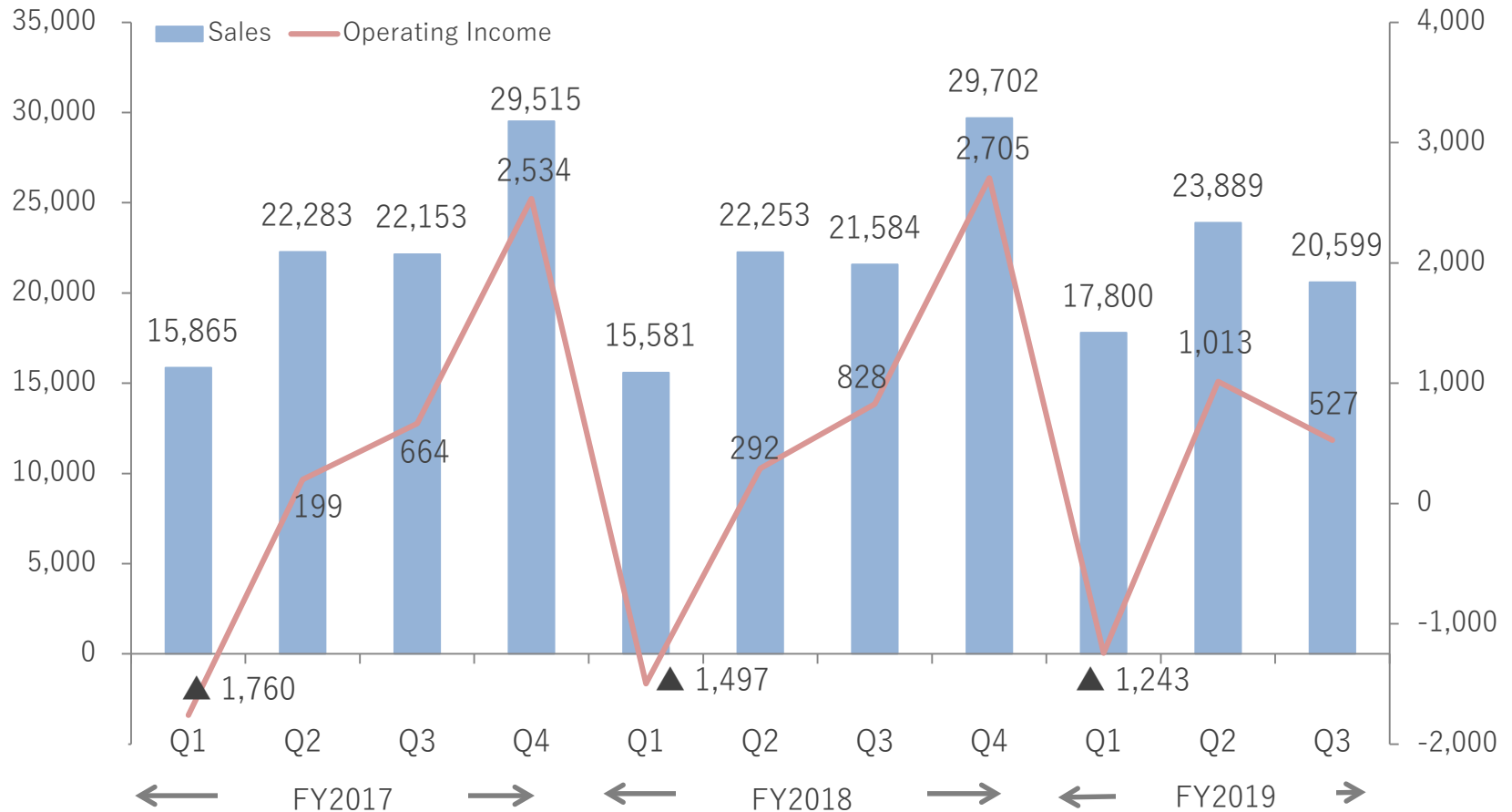
	9 months ended FY2019	9 months ended FY2018	YoY Comparison	FY2019 Forecasts
Sales	62,290	59,420	4.8 %	100,200
Gross profit	23,806	24,641	▲ 3.4 %	-
(Gross margin)	38.2 %	41.5 %	▲ 3.3 pt	-
SG&A	23,509	25,018	▲ 6.0 %	-
Operating Income	297	▲ 376	-	2,037
(Operating margin)	0.5 %	▲ 0.6 %	+ 1.1 pt	2.0 %
Non-operating income and loss	▲ 63	▲ 20	-	-
Ordinary Income	234	▲ 396	-	2,081
Extra-ordinary income and loss	▲ 42	31	-	-
Net income attributable to owners of parent company	▲ 564	▲ 437	-	1,000

- » Consolidated sales increased year on year, since sales increased in the Rental Business and the Housing Sales Business.
- » Operating income improved year on year due to an increase in gross profit in the Housing Sales Business and a decrease in SG&A expenses mainly in the Housing Sales Business and the Beauty and Health Business.

1 Sales & Operating Income trend

(Million of yen)

(Million of yen)



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

(Millions of yen)

	9 months ended FY2019	9 months ended FY2018	Comparison	FY2019 Forecasts
CreCla	9,958	10,215	▲ 2.5 %	13,400
Rental	11,160	10,960	1.8 %	14,500
Construction Consulting	3,842	3,832	0.3 %	5,800
Housing Sales	30,603	27,409	11.7 %	55,000
Beauty and Health	6,758	7,029	▲ 3.9 %	11,500
Elimination	▲ 33	▲ 27	-	-
Total	62,290	59,420	4.8 %	100,200

- » In the CreCla Business, the number of customers decreased due to withdrawal from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year. Thus, sales decreased year on year.
- » The Rental Business exceeded previous year because all segments improved business performances.
- » In the Construction Consulting, sales increased year on year due to strong sales promotion of new services during the nine months under review.
- » In the Housing Sales Business, sales grew year on year because of an increase in the number of completed buildings at Leohouse.
- » In the Beauty and Health Business, an unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period. Therefore, sales decreased year on year.

1 Operating Income by Segments

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

(Millions of yen)

	9 months ended FY2019	9 months ended FY2018	YoY Comparison	FY2019 Forecasts
CreCla	587 (5.9 %)	648 (6.4 %)	▲ 60 (▲ 0.4 pt)	500 (3.7 %)
Rental	1,476 (13.2 %)	1,582 (14.4 %)	▲ 105 (▲ 1.2 pt)	1,500 (10.3 %)
Construction Consulting	400 (10.4 %)	365 (9.5 %)	35 (0.9 pt)	800 (13.8 %)
Housing Sales	▲ 1,439 (▲ 4.7 %)	▲ 2,325 (▲ 8.5 %)	885 (3.8 pt)	550 (1.0 %)
Beauty and Health	80 (1.2 %)	122 (1.7 %)	▲ 42 (▲ 0.6 pt)	100 (0.9 %)
Elimination	▲ 807	▲ 770	▲ 37	▲ 1,250
Total	297 (0.5 %)	▲ 376 (▲ 0.6 %)	674 (1.1 pt)	2,200 (2.2 %)

- » In the CreCla Business, operating income decreased year on year due to the completion of temporary profit factors.
- » In the Rental Business, operating income decreased year on year due to an increase in SG&A expenses due to the opening of new stores.
- » In the Construction Consulting Business, operating income increased year on year due to a increase sales at the construction know-how systems.
- » In the Housing Sales Business, operating loss was reduced year on year due to an increase sales and the decline in SG&A associated with reorganization of unprofitable branches in the previous fiscal year.
- » In the Beauty and Health Business, operating income decreased year on year due to a decrease sales at JIMOS.

1

Analysis for Operating Income & Loss (YoY change)

(Millions of yen)

			YoY Comparison
FY2018 Q3 Operating Income		▲ 376	-
Gross profit		▲ 834	▲ 3.4 %
Increase and Decrease of SG&A ※Increase and Decrease of SG&A + Increase in profit and loss ▲ Decrease in the profit and loss	Sales promotion costs and Advertising Exp.	+ 881	+ 21.0 %
	Depreciation and Amortization	+ 98	+ 7.6 %
	Rent	+ 16	+ 0.9 %
	Personnel expenses	+ 70	+ 0.7 %
	Commission paid	▲ 53	▲ 5.3 %
	Others	+ 495	+ 8.1 %
FY2019 Q3 Operating Income		+ 297	-

1. The reason of decrease of Gross profit margin

» This is due to reorganize sales composition in the Beauty and Health Business.

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

» At Leohouse and JIMOS, sales promotion costs and advertising expenses decreased.

» Depreciation and amortization decreased, since Leohouse closed unprofitable branches.

(Millions of yen)

	As of Dec. 2019	Break down	As of Mar. 2019	Break down	Comparison
Current assets	30,821	63.8 %	31,575	63.6 %	▲ 754
Total property, plant and equipment	11,026	22.8 %	11,457	23.1 %	▲ 431
Intangible assets	2,043	4.2 %	2,549	5.1 %	▲ 506
Investments and other assets	4,307	8.9 %	3,908	7.9 %	+ 398
Non-current assets	17,377	36.0 %	17,916	36.1 %	▲ 538
Total deferred assets	92	0.2 %	134	0.3 %	▲ 41
Total assets	48,291	100.0%	49,626	100.0 %	▲ 1,335

Current liabilities	22,676	47.0 %	23,410	47.2 %	▲ 733
Non-current liabilities	6,877	14.2 %	6,055	12.2 %	+ 821
Total liabilities	29,553	61.2 %	29,465	59.4 %	+ 88
Shareholder's equity	19,522	40.4%	20,950	42.2 %	▲ 1,427
Accumulated other comprehensive income	▲ 785	▲ 1.6 %	▲ 789	▲ 1.6 %	+ 3
Total net assets	18,737	38.8 %	20,161	40.6 %	▲ 1,423
Total liabilities and net assets	48,291	100.0%	49,626	100.0 %	▲ 1,335

■ Current assets : Cash and deposits ▲ 2,232 Real estate for sale ▲ 1,977

Costs on uncompleted construction contracts + 1,850

■ Non-current assets : Building and structures ▲ 120 Goodwill ▲ 392

■ Current liabilities : Accounts payable ▲ 2,936 Income taxes payable ▲ 632

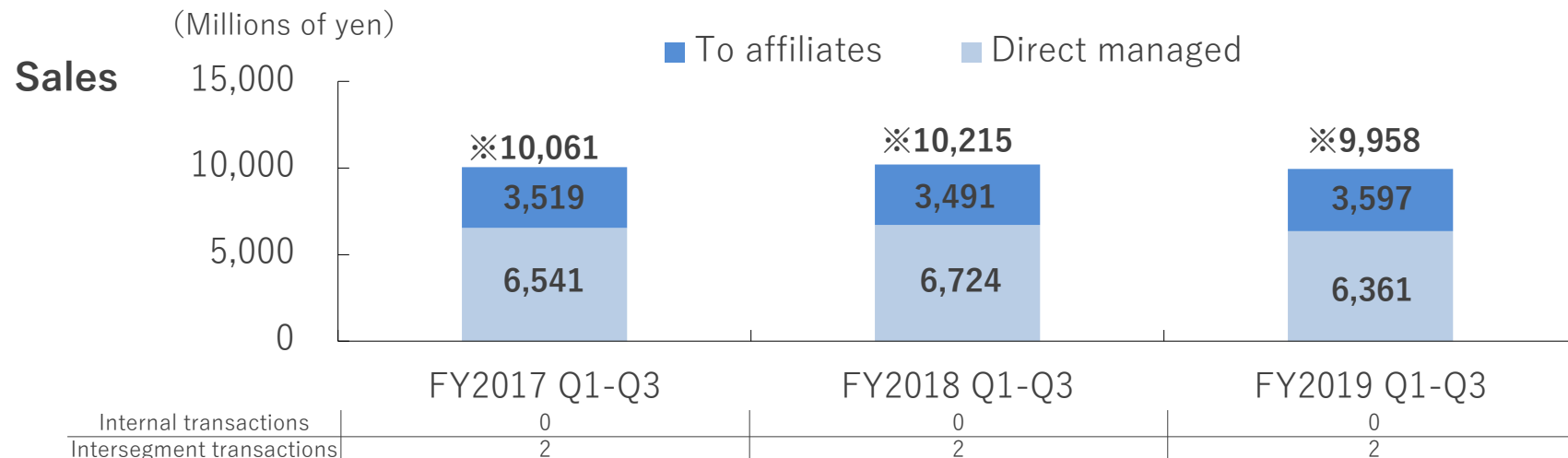
Advances received on uncompleted construction contracts + 3,606

■ Non-current liabilities : Long-term loans payable + 1,125

Equity Ratio : 38.8 %

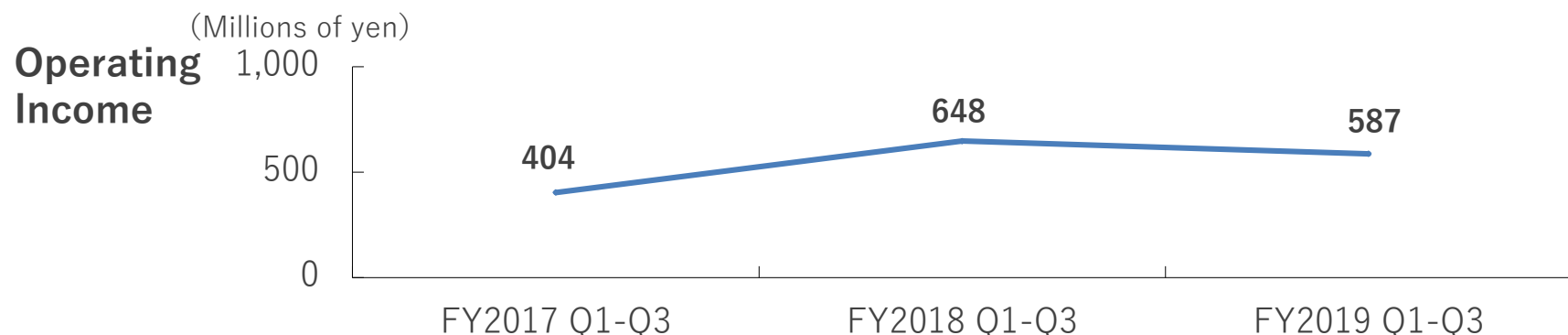
2. Results by Segments

2 Results by Segment (1) CreCla



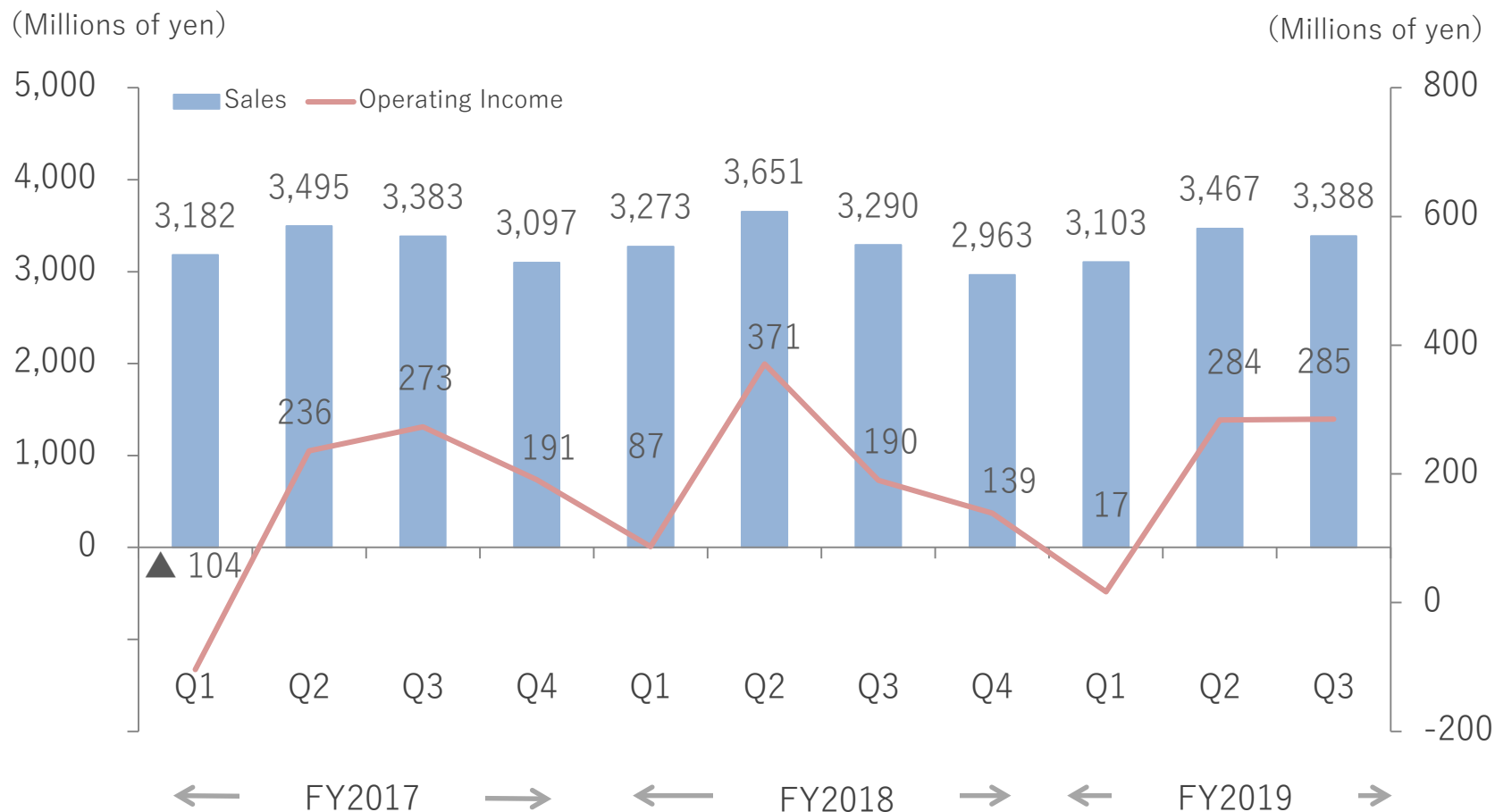
※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

- » In the direct managed stores, the number of customers decreased due to withdrawal from the one-way bottle delivery service because of rising logistics costs in the previous fiscal year. Thus, sales decreased year on year.
- » In our affiliated stores, sales remained at the same level as the corresponding period of the previous year due to an increase in server sales and bottle price hike.



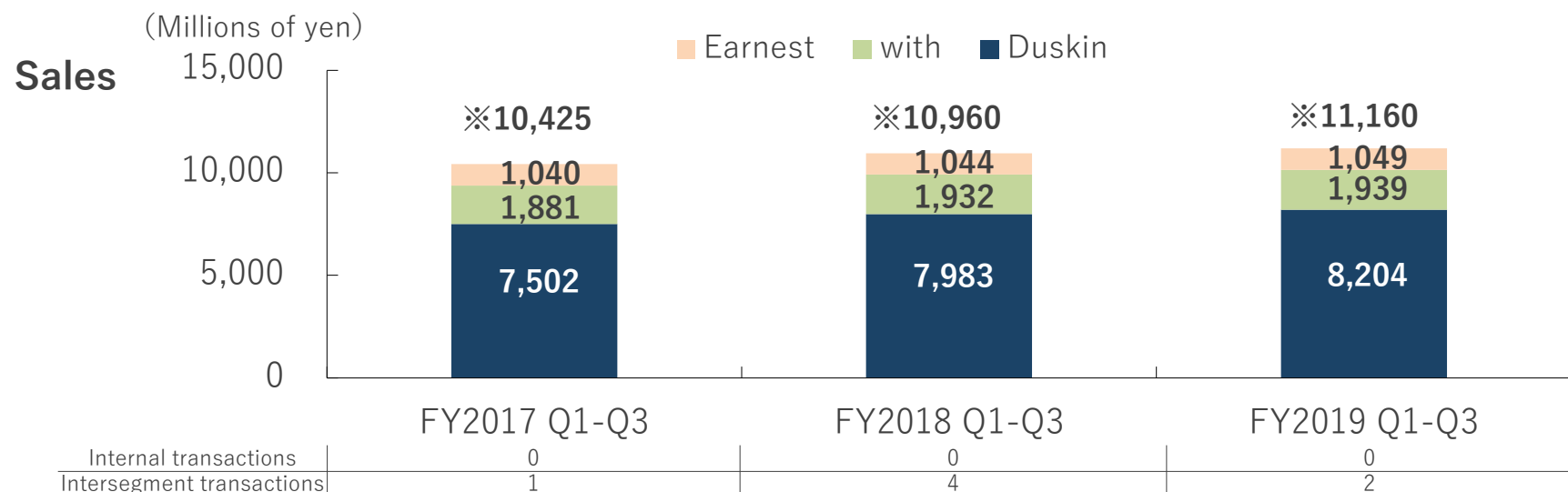
- » Operating income decreased year on year due to the completion of temporary profit factors.

2 Results by Segment (1) CreCla



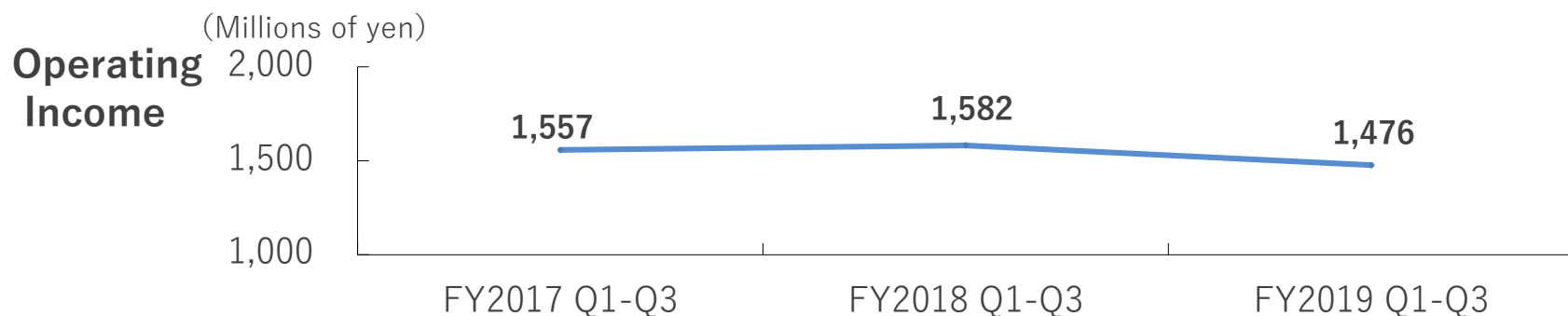
» Sales promotion expenses such as TV commercial increase to Q1 , and Operating Income increases after Q2.

2 Results by Segment (2) Rental



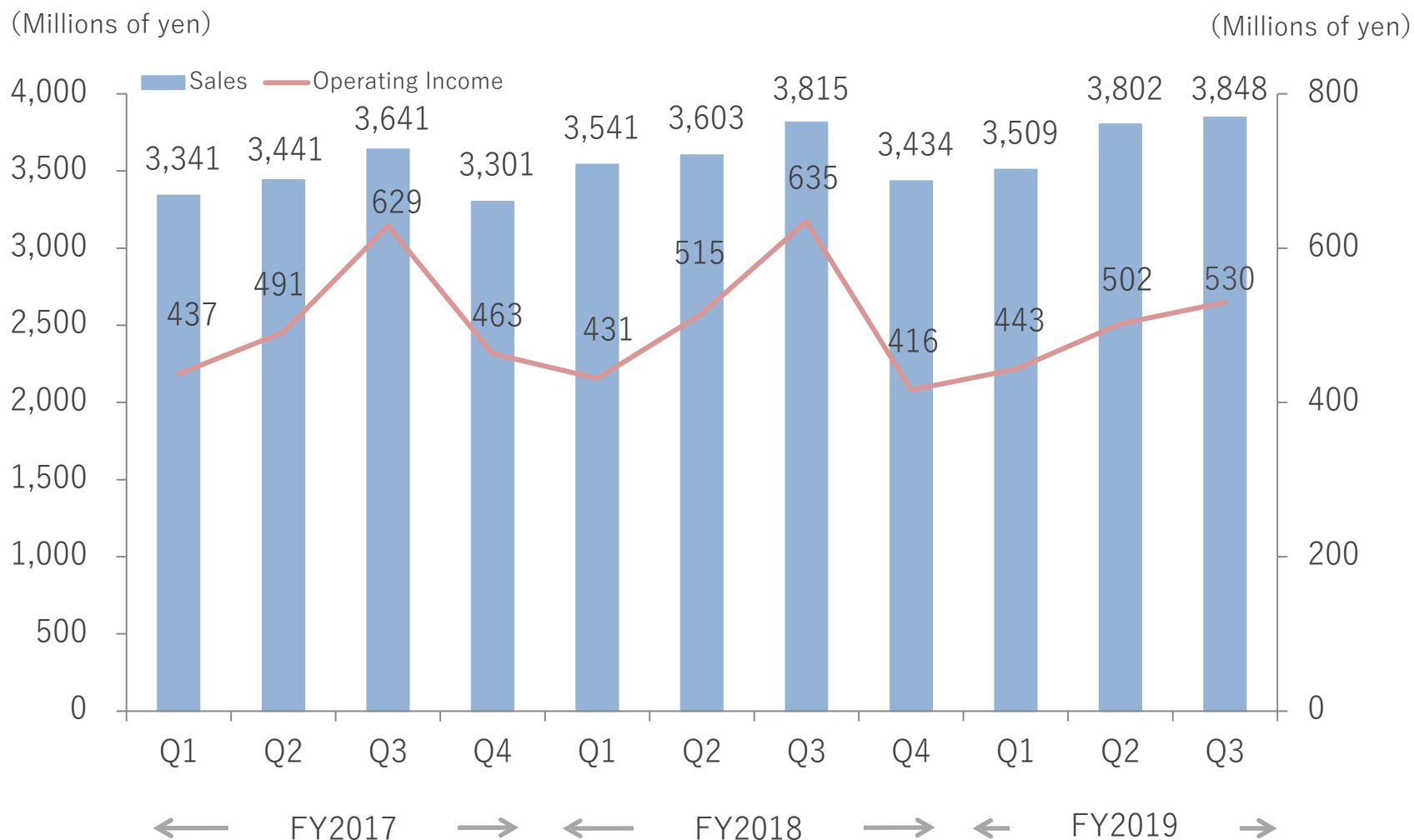
※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

- » The mainstay Duskin business expanded the provision of total care services, therefore, increased sales.
- » With-branded pest-control devices business strengthened sales promotions before the summer peak demand season. As a result, sales increased year on year.
- » At Earnest, which provides regular cleaning plan for business clients, increased sales year on year.



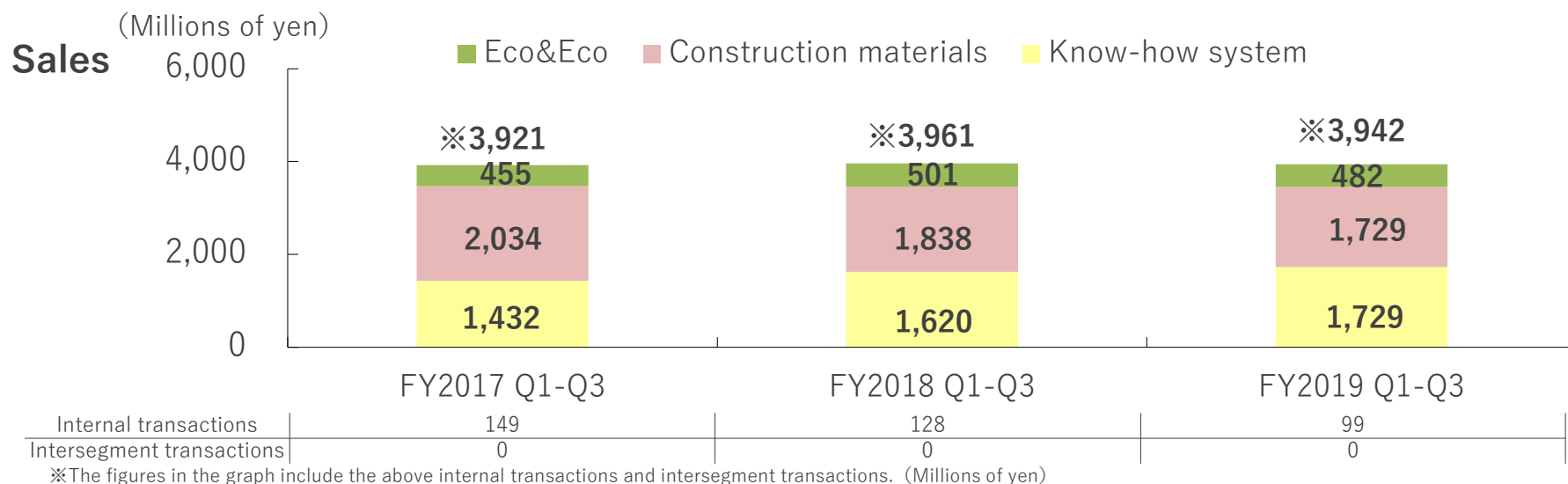
- » Operating income decreased year on year due to an increase in SG&A due to the opening of new stores and the reinforcement of the sales promotion.

2 Results by Segment (2) Rental

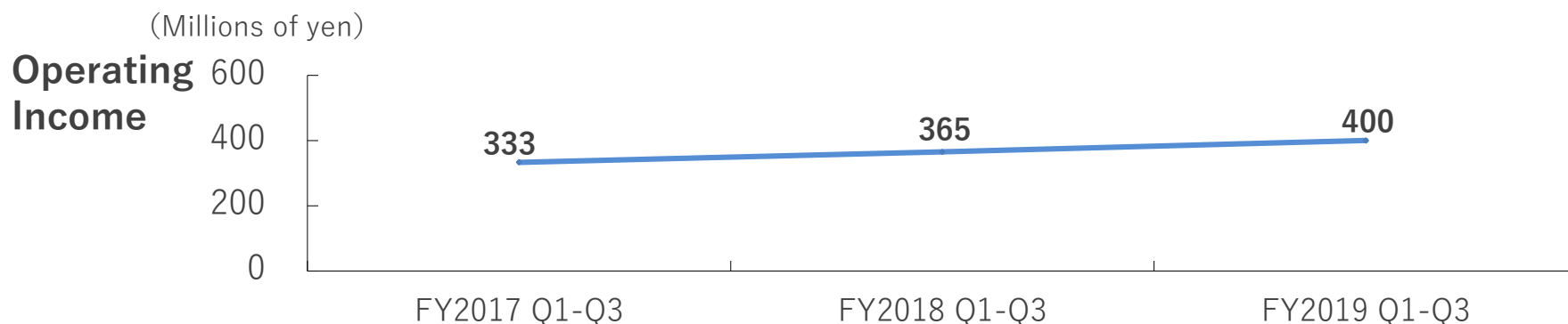


» Operating income increased year on year due to increased sales in all sections.

2 Results by Segment (3) Construction Consulting

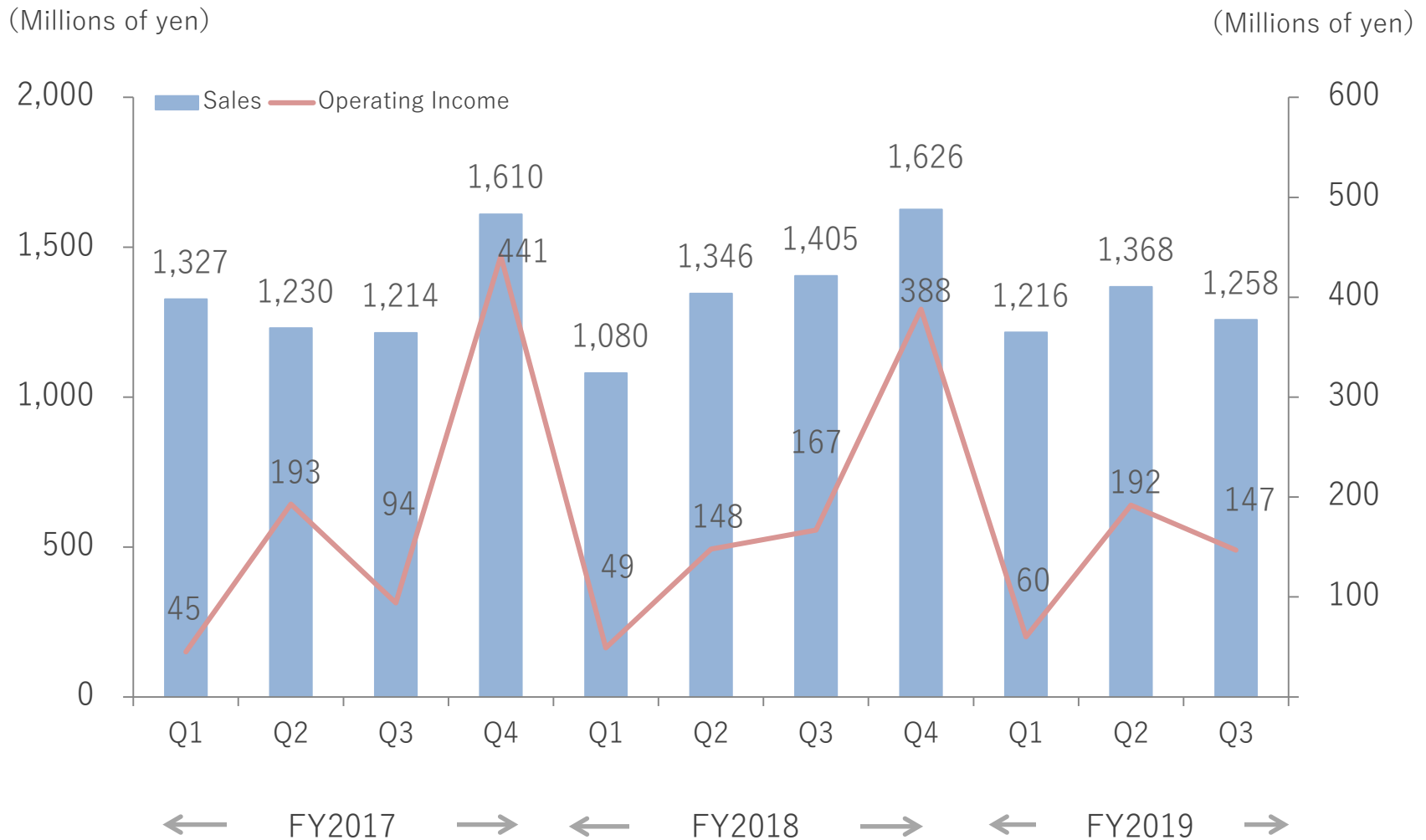


- » At the construction know-how systems, sales increased year on year due to strong sales promotion of new products.
- » At the construction materials business, which focused on solar power generation systems, continued to shift the sales target to the residential solar and storage battery market. However, sales decreased year on year.



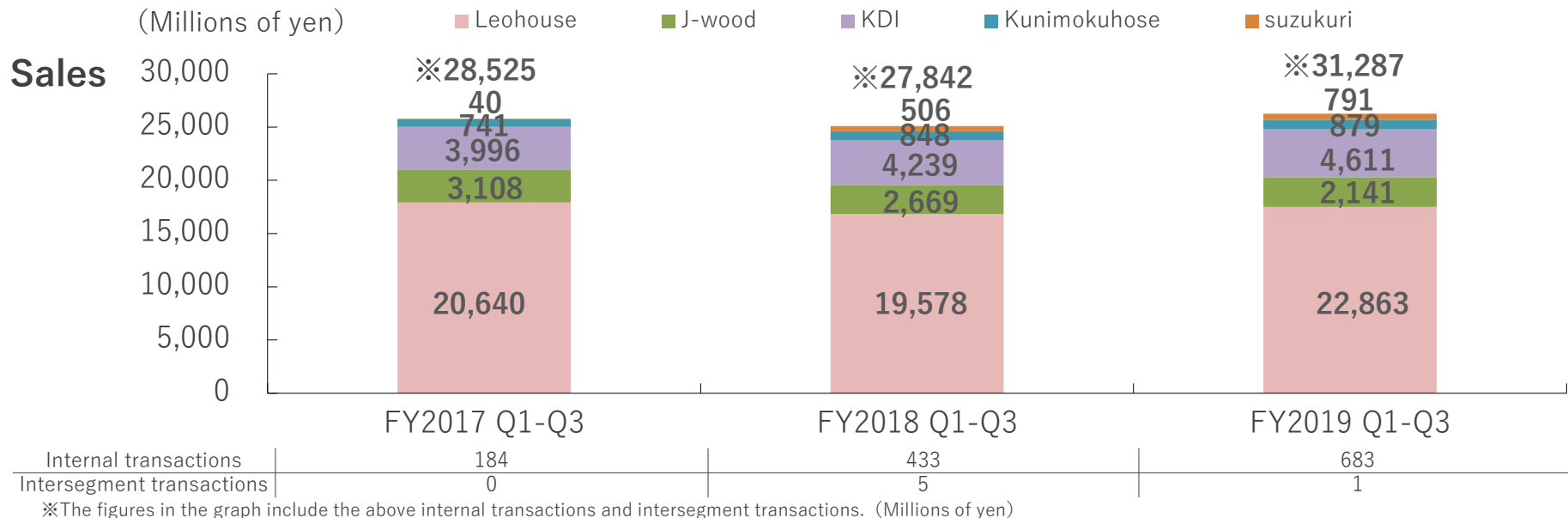
- » Operating income increased year on year due to an increase sales in the construction know-how systems and a decreases in SG&A expenses at the construction materials business and an increase gross profit percentage at Eco & Eco Co., Ltd.

2 Results by Segment (3) Construction Consulting



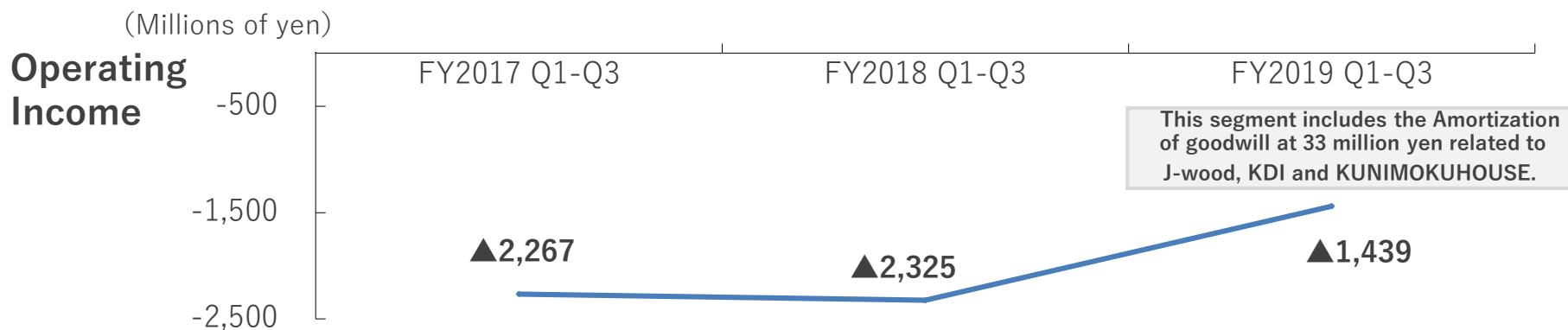
» Both sales and operating income tend to concentrate on Q4

2 Results by Segment (4) Housing Sales



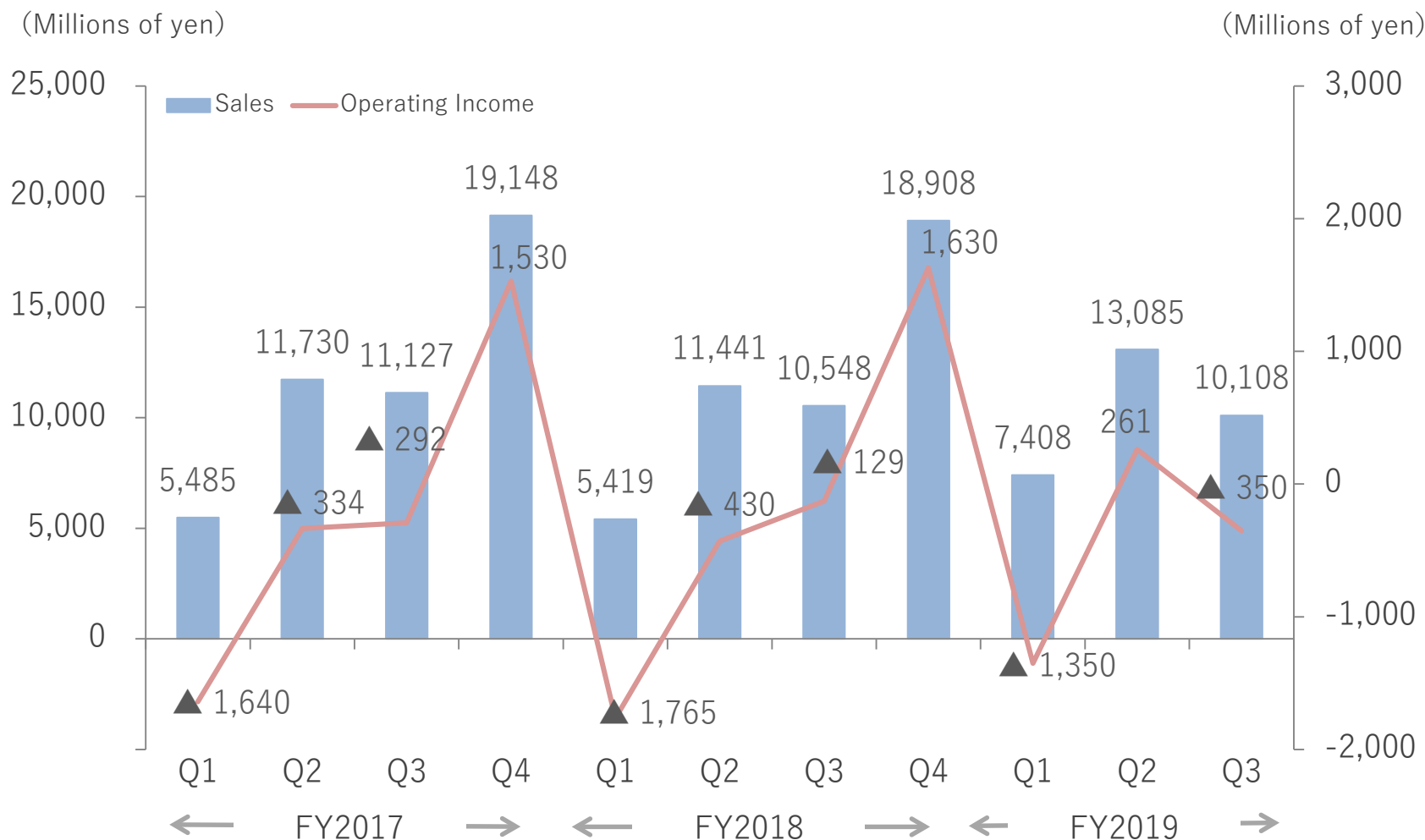
» At Leohouse, sales grew year on year due to an increase in the number of completed buildings.

» At J-wood, sales decreased year on year due to a decrease in the number of handover.



» Operating loss was reduced year on year due to the decline in the fixed cost as amortization cost associated with reorganization of unprofitable branches in the previous fiscal year.

2 Results by Segment (4) Housing Sales

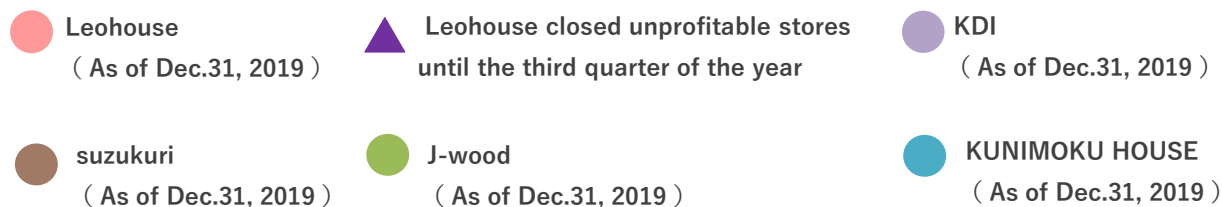


» Sales and Operating income tend to increase around Q4.

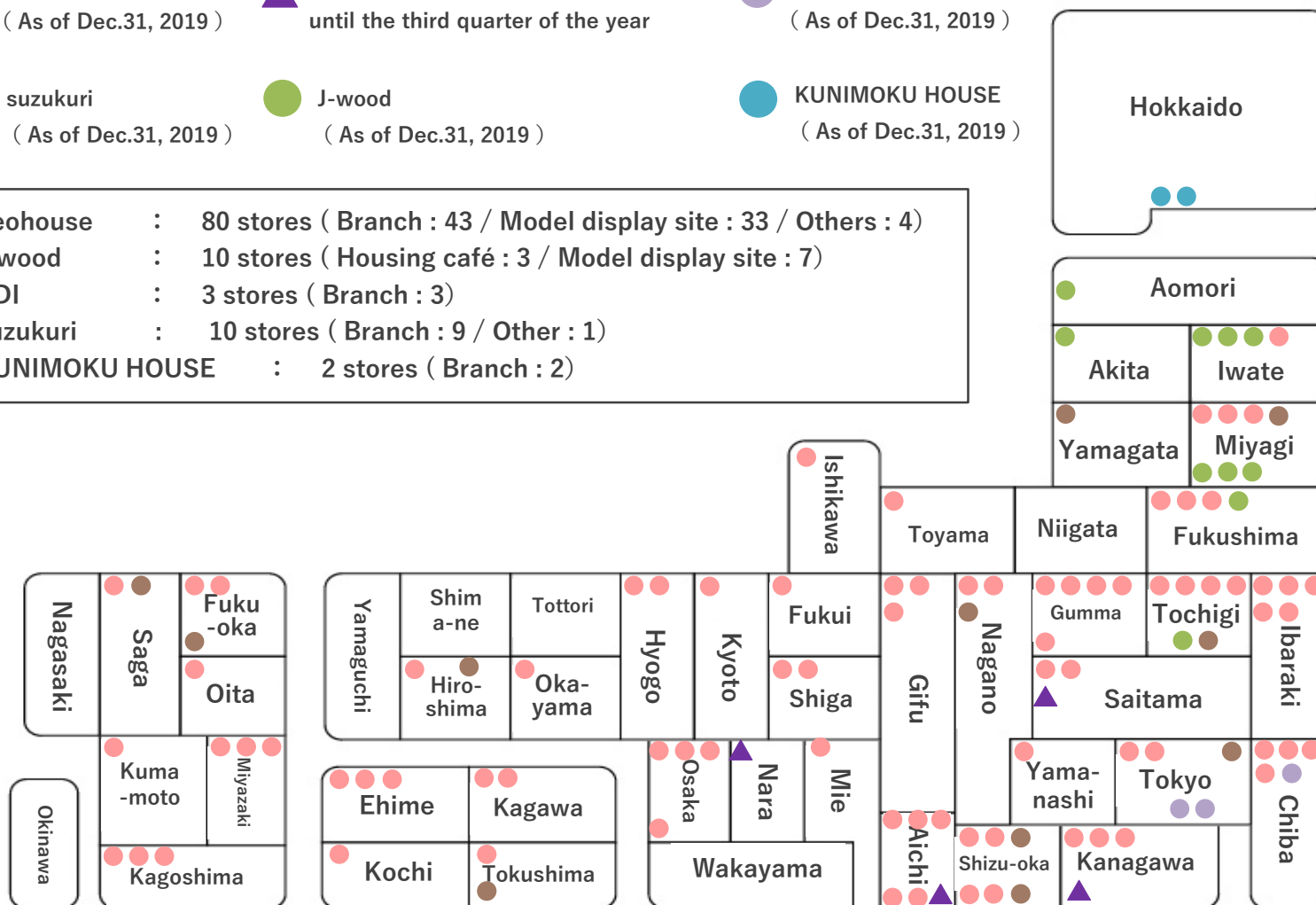
2 Results by Segment (4) Housing Sales

Total 105 stores

(Leohouse : 80 stores, J-wood : 10 stores, KDI : 3 stores, suzukuri : 10 stores, KUNIMOKU HOUSE : 2 stores)



Leohouse	:	80 stores (Branch : 43 / Model display site : 33 / Others : 4)
J-wood	:	10 stores (Housing café : 3 / Model display site : 7)
KDI	:	3 stores (Branch : 3)
suzukuri	:	10 stores (Branch : 9 / Other : 1)
KUNIMOKU HOUSE	:	2 stores (Branch : 2)



2 Results by Segment (4) Housing Sales

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

(Number of houses ordered)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Orders	439 (439)	542 (981)	419 (1,400)	489 (1,889)	470 (470)	537 (1,007)	395 (1,402)	468 (1,870)	305 (305)	484 (789)	284 (1,073)	
Completions	188 (188)	477 (665)	396 (1,061)	834 (1,895)	156 (156)	427 (583)	400 (983)	766 (1,749)	256 (256)	484 (740)	328 (1,068)	
Orders in hand	1,245	1,294	1,309	944	1,233	1,317	1,271	976	1,022	969	910	
Change	+ 229	+ 49	+ 15	▲ 365	+ 289	+ 85	▲ 41	▲ 301	+ 46	▲ 53	▲ 59	
Unit price	※1,792 million yen				※ 1,806 million yen							

※ Unit price excludes additional costs and exterior construction costs

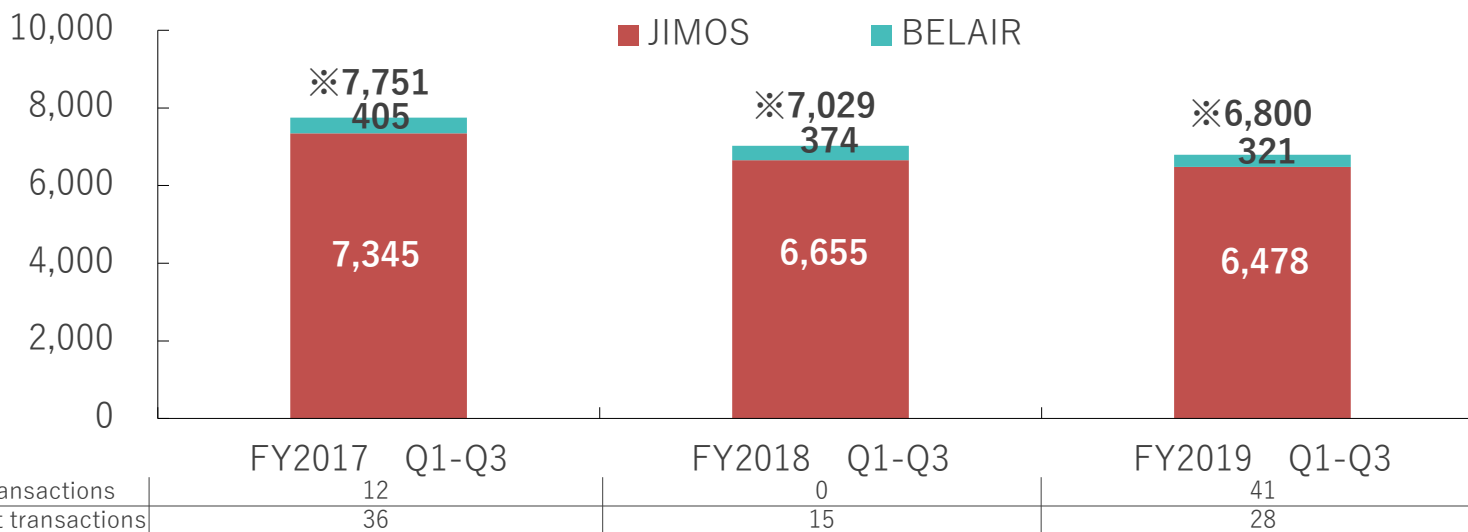
出店数	5	0	0	0	1	0	0	0	0	0	0	
店舗計	105	105	105	※101	※ 88	88	88	88	※ 87	※ 84	※ 80	

※ Closure of unprofitable branches

2 Results by Segment (5) Beauty and Health

(Millions of yen)

Sales

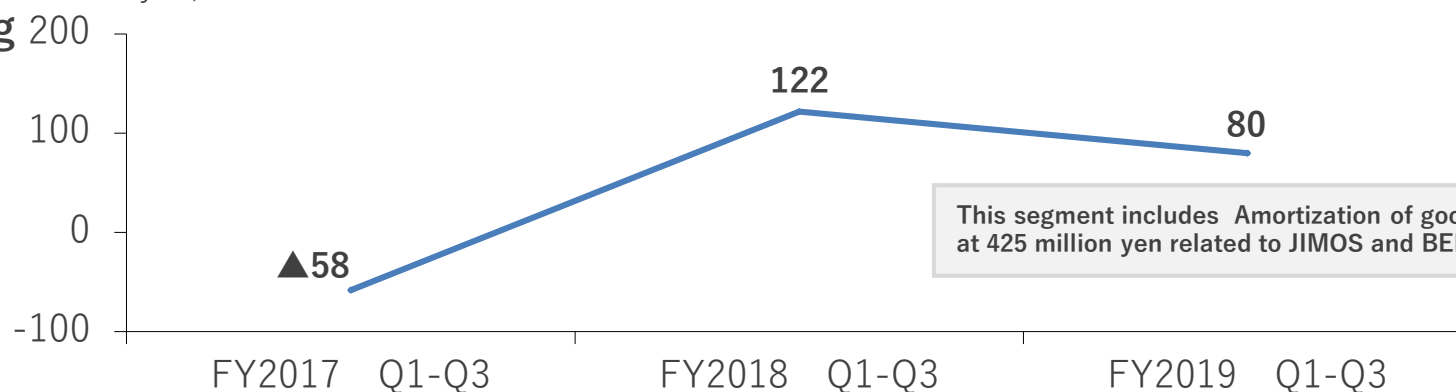


※The figures in the graph include the above internal transactions and intersegment transactions. (Millions of yen)

» Sales decreased year on year due to an unauthorized access to the server used at the company's EC site for online-shopping of cosmetics took place during the period.

(Millions of yen)

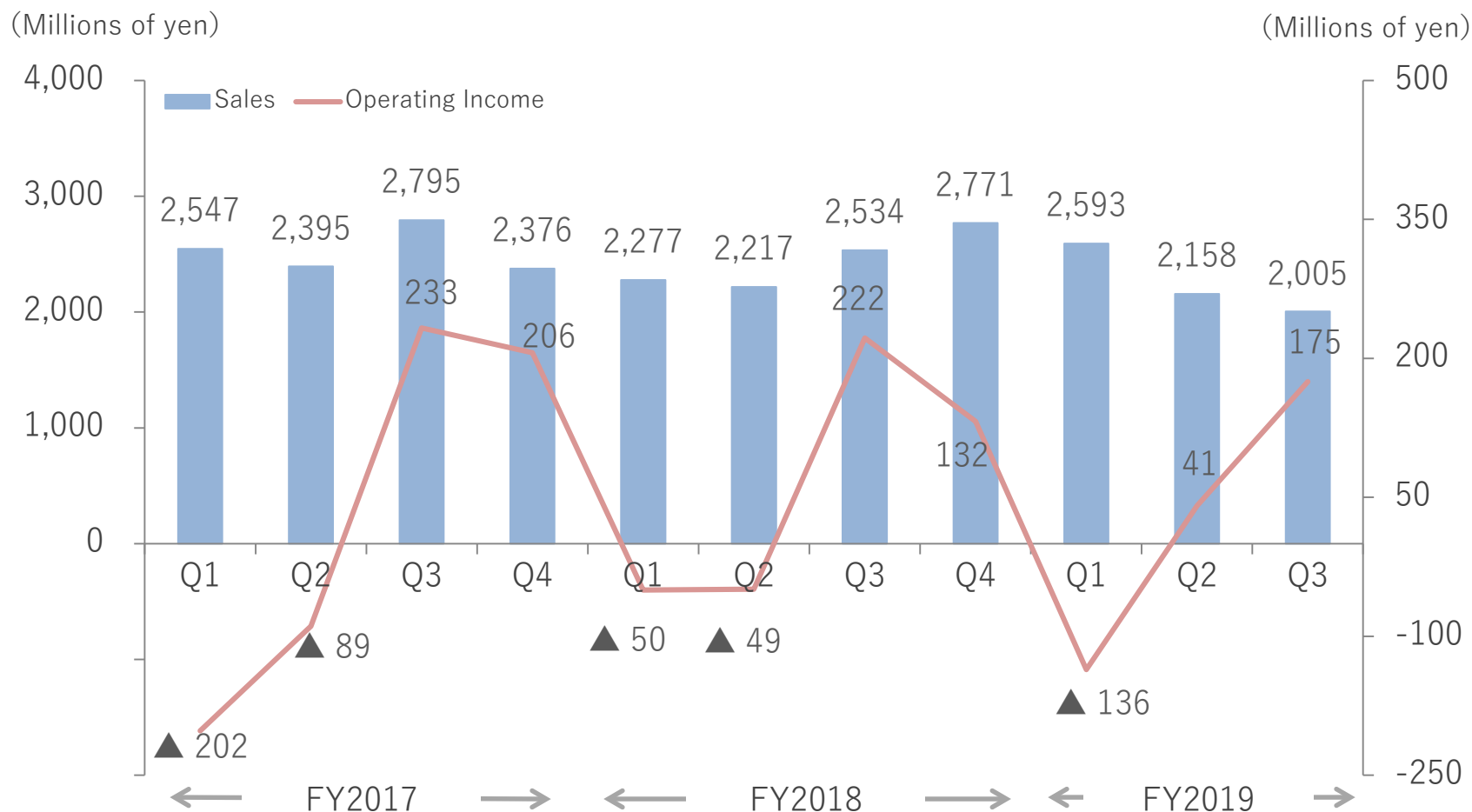
Operating Income



This segment includes Amortization of goodwill at 425 million yen related to JIMOS and BELAIR.

» Operating income decreased year on year due to a decrease in sales.

2 Results by Segment (5) Beauty and Health

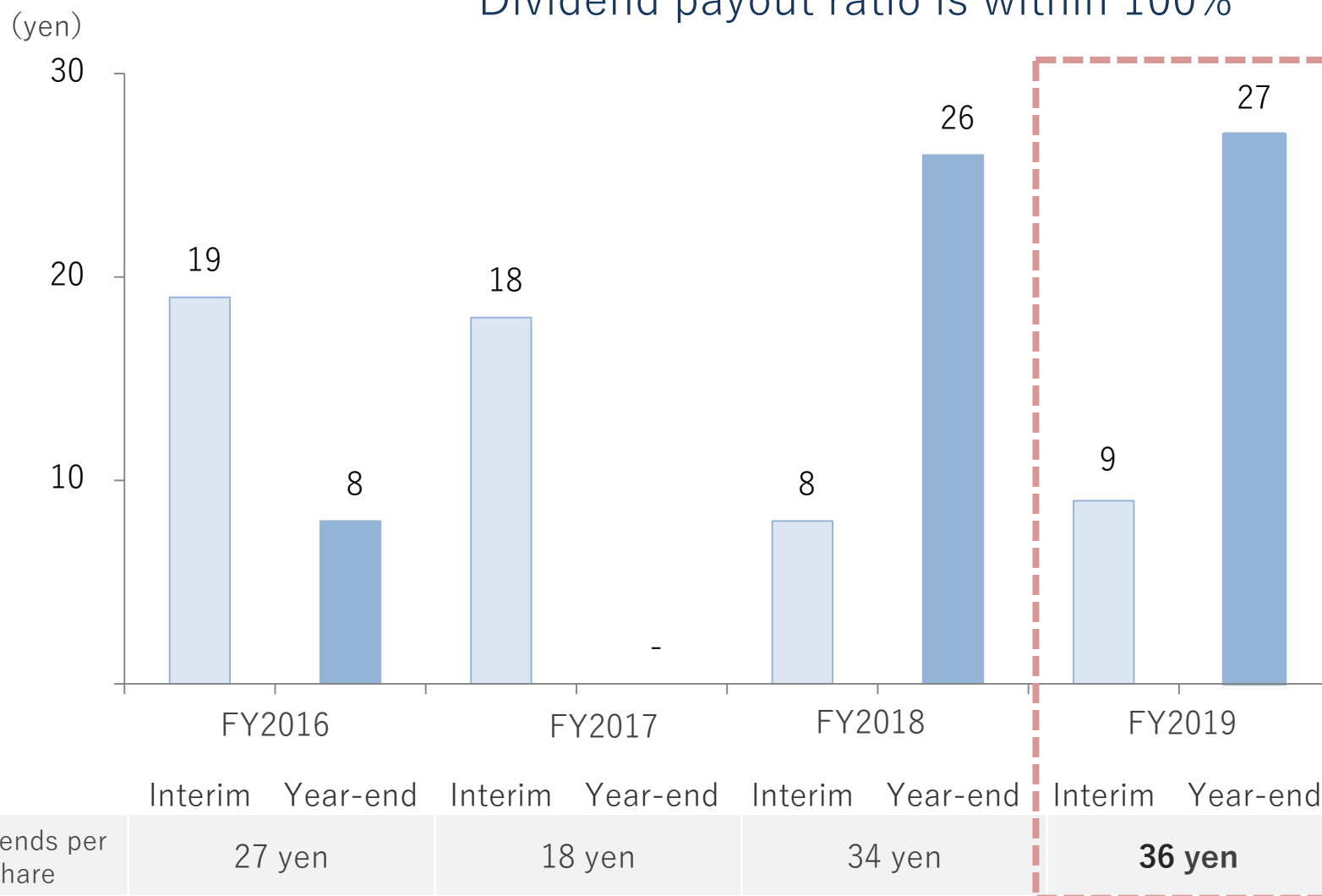


- » Sales and operating income generally are tilted toward the second half of the year due to aggressive investment in advertising and promotions in the first half of the year.
- » Operating income is expected below zero because of goodwill amortization.

3. Dividend policy

3 Plan of dividends : Dividend Policy with DOE 4%

Dividend payout ratio is within 100%




4. Appendix

(As of the end of September 2019)

Company name	Shinjuku Center Building, 1-25-1 Nishi-shinjuku Shinjuku-ku, Tokyo
Head office	May 1971
Established	Kan Yoshimura
President	Shinjuku Center Building, 1-25-1 Nishi-shinjuku Shinjuku-ku, Tokyo
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) ■ Beauty and Health (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)
Employees	2,248 (consolidated)
Capital stock	6,729,493,750 yen
Number of shares	24,306,750 shares (share unit :100 shares)
Number of shareholders	9,522 (Total number of shareholders; treasury shares are excluded)

	FY2018	FY2017	Comparison
Average number of shares during the period	19,802,890 shares	16,807,436 shares	+ 2,995,454 shares
Net assets per share (BPS)	899.84 yen	839.28 yen	+ 60.56 yen
Net income per share (EPS)	40.32 yen	▲ 59.15 yen	+ 99.47 yen
Equity ratio	40.6 %	33.4 %	+ 7.2 pt
Ratio of shareholder's equity to Net income (ROE)	4.7 %	▲ 6.7 %	+ 11.4 pt
Dividends per share	34 yen	18 yen	+ 16 yen
Dividend ratio	84.3 %	▲ 30.4 %	+ 114.8 pt
Ratio of dividends to shareholder's equity	3.9 %	2.1 %	+ 2.4 pt

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.	

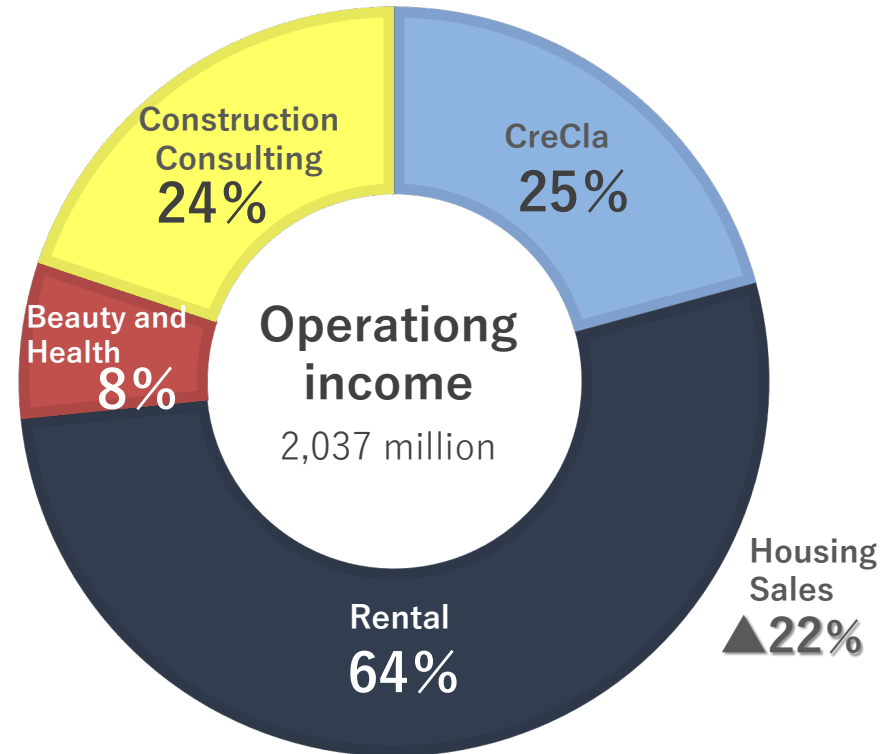
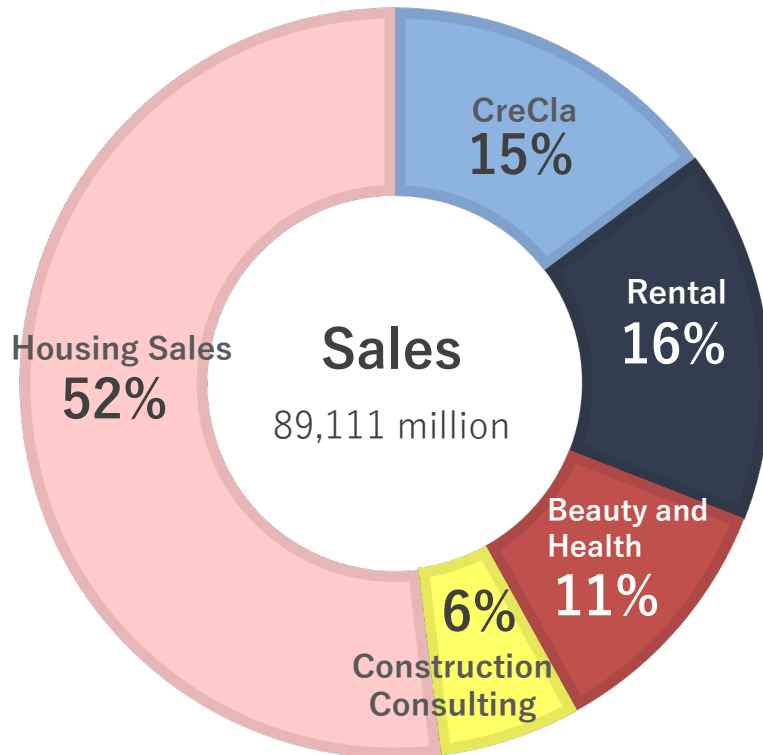
CreCla	<ul style="list-style-type: none"> ■ Market leader in bottled water production ■ First HACCP certified business in the industry ■ First Eco Mark certified business in the industry ■ First in the industry to open an R&D center
Rental	<ul style="list-style-type: none"> ■ Highest sales of all Duskin 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	<ul style="list-style-type: none"> ■ Nacmembers (Construction company :7,000) ■ 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	<ul style="list-style-type: none"> ■ 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 ■ 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	<ul style="list-style-type: none"> ■ 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 female customers (mainly in their 40-60's) ■ We acquired BELAIR CO., Ltd.

4

FY2018 Sales and Operating income Breakdown

■ CreCla
■ Beauty and Health
■ Housing sales
■ Rental
■ Construction Consulting

■ CreCla
■ Beauty and Health
■ Construction Consulting
■ Rental



Operating margin on sales

※except HQ-costs

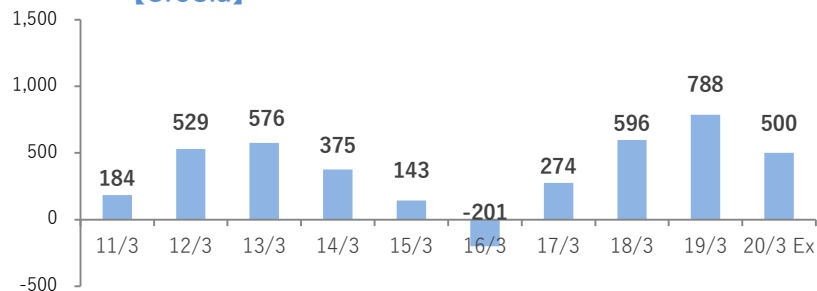
CreCla	Rental	Construction Consulting	Beauty and Health	Housing Sales	Total
6.0%	13.9%	13.8%	2.6%	▲1.5%	2.3%



5 Operating income trend by segment

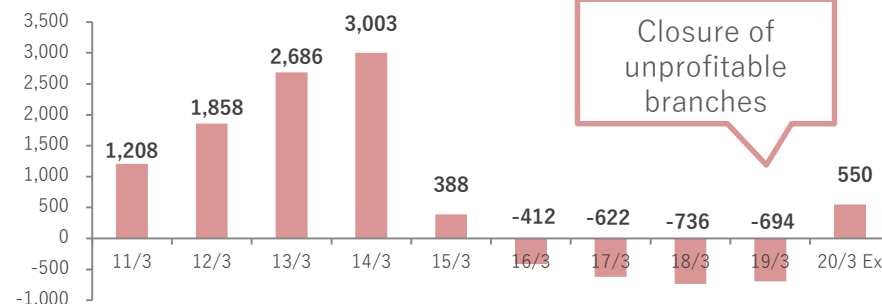
(Millions of yen)

【CreCla】



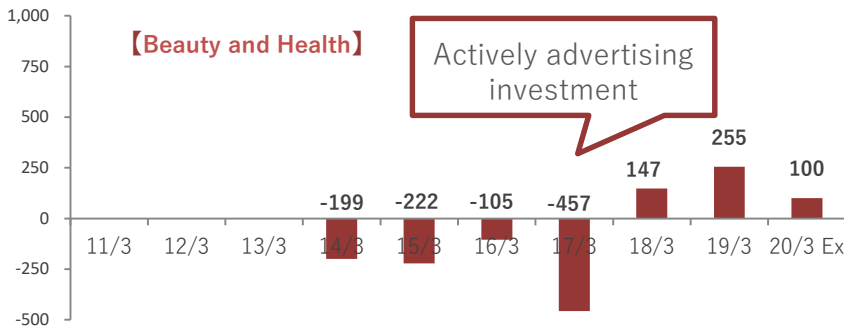
(Millions of yen)

【Housing Sales】



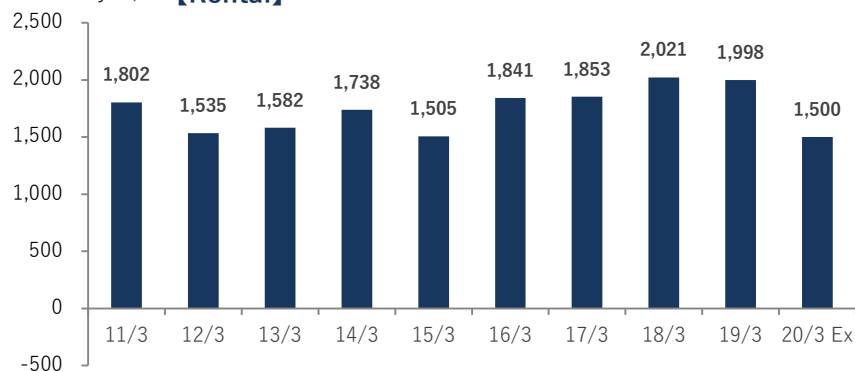
(Millions of yen)

【Beauty and Health】



(Millions of yen)

【Rental】



(Millions of yen)

【Construction Consulting】

