

NAC CO., LTD. Integrated Report 2024

Easy Living with NAC



NAC

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NAC

Integrated Report 2024

NAC CO., LTD.

The NAC Group will contribute broadly to society as “Your Trusted Partner for Everyday Life.”

Since its foundation in 1971, NAC has grown to be a “Your Trusted Partner for Everyday Life” through its track record in the “life” and “home” businesses that support consumers’ everyday lifestyles, such as environmental sanitation, water delivery, housing, beauty and health. Everyday life at home; the office you commute to each morning; the restaurant where you often have lunch: the NAC Group will continue to contribute to society as a company that extensively supports its customers’ daily lives across a wide range of different situations.

Corporate Message

Easy Living 🎵 with NAC

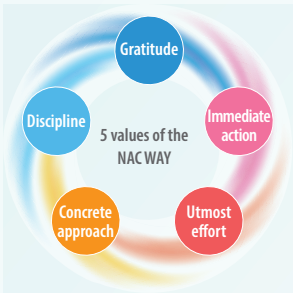
We maintain direct contact with over 900,000 customers, providing products and services to facilitate comfortable and enjoyable lifestyles. Our Corporate Message encapsulates our desire to constantly engage with consumers and society through these products and services.

Corporate Philosophy

To strive for more than material gain, always seek the path of virtue, and pursue the fundamental principle of development and growth to contribute broadly to society

Only companies that grow and endure can contribute to society. Japan faces an era of declining birth rates and an aging population. We perceive this as an opportunity to create new services and generate employment in the nation. Through these business operations, we hope to be a company that contributes to society.

NAC WAY (Our Values)



- Gratitude** Never forget humility and gratitude
- Discipline** Value clear distinctions, milestones, and switching between roles
- Concrete approach** Take action with clear goals
- Utmost effort** Do your very best in your environment
- Immediate action** Take action on decisions without delay

At the NAC Group, we are sensitive to change but also hope to continue our Corporate Philosophy and traditions. To this end, we have unified the five values we have fostered throughout our history—gratitude, discipline, concrete approach, utmost effort, and immediate action—in the NAC WAY, which guides the behavior of our employees.

Disclaimer

This report is intended to provide information on NAC’s business performance and business strategies. It does not constitute a solicitation to buy or sell shares of NAC. The report contains forward-looking information such as outlooks and forecasts of business performance. This information has been prepared based on the judgement of NAC at the time of preparation of the report. Therefore, it does not constitute a promise to achieve this performance. Outlooks and forecasts may be changed in the future without notice. NAC bears no responsibility for any losses resulting from the use of this report. Please do not copy, forward, or otherwise distribute this report without permission.

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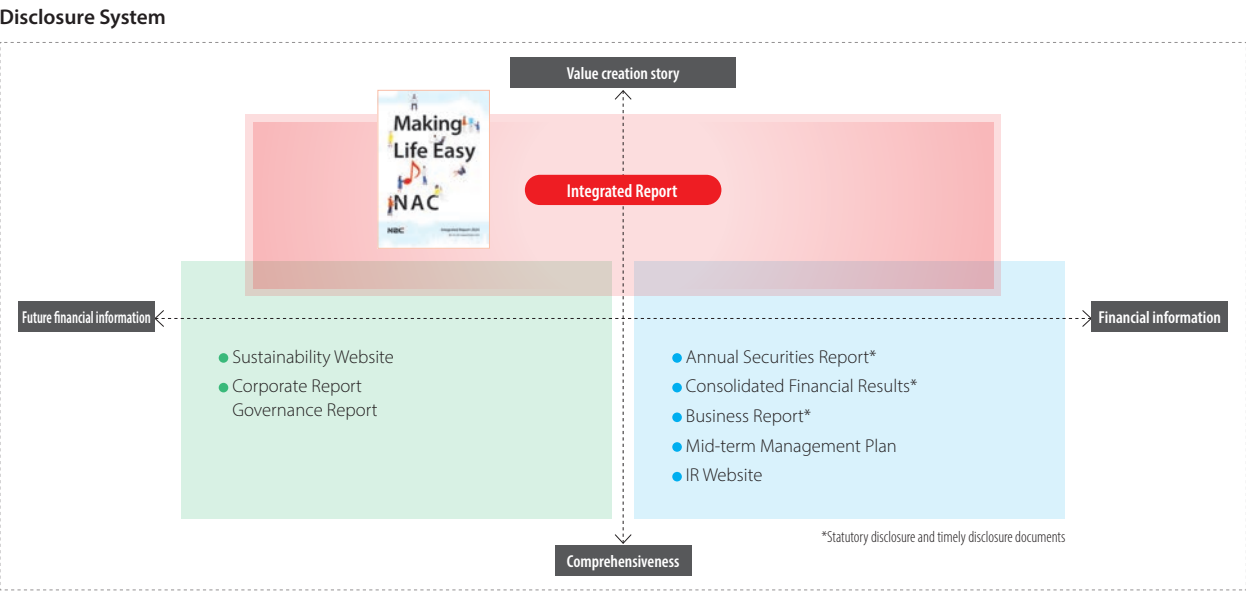
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On the publication of the integrated report

Beginning this year, in view of the need to communicate the progress of our initiatives focused on the long term, as well as increasing requests from our stakeholders for information disclosure from a long-term perspective, we have published this Integrated Report in place of the CSR Report published in previous years.

Through this Integrated Report, we aim to help readers gain a better knowledge of the NAC Group. At the same time, we hope to encourage deeper dialogue with all our stakeholders, to be a company that can constantly contribute to society.

Editorial policy

NAC CO., LTD. publishes this Integrated Report as a communication tool mainly for shareholders and investors.

In this report, we present information such as our Corporate Philosophy, strategies and business performance, in conjunction with ESG and sustainability information, to communicate our corporate value enhancement story. We also disclose information through various other media, and we encourage readers to use these to gain an even deeper understanding.

Period of the report

The report focuses on our activities from April 1, 2023, to March 31, 2024. Information on activities outside this range is also presented where appropriate as historical information and data or as examples of recent activities.

Subject of the report

The subject of the report is NAC CO., LTD. and NAC Group companies.

Reference guidelines

- IFRS Foundation *Integrated Reporting Framework*
- Global Reporting Initiative (GRI) Standards
- Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
- Ministry of Economy, Trade and Industry (METI) *Guidance for Collaborative Value Creation*

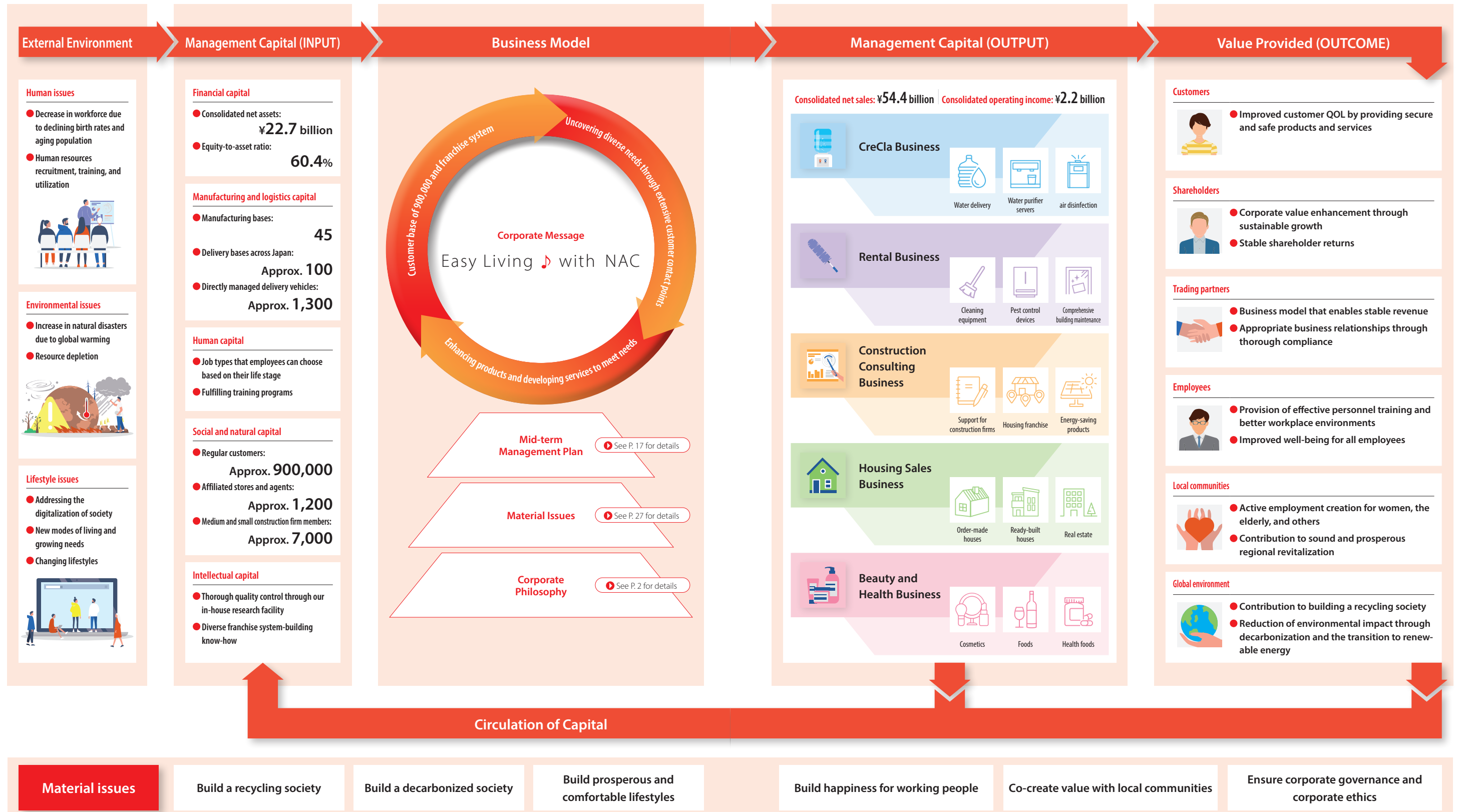
Caution regarding future forecasts

The forecasts for future business performance and other forward-looking statements presented in this report are based on the information available at the time of preparation of the report and certain assumptions considered reasonable by NAC. Actual results may differ significantly from forecasts for various reasons.

Published: September 2024

Value Creation Process

Throughout our history, we have pursued businesses in tune with the times as a “Your Trusted Partner for Everyday Life.” Dramatic changes continue to transform the social environment. We perceive these changes as opportunities. Through our strength in face-to-face customer contact points and by making active investments, we will generate new capital and build sustainable value.



NAC History

NAC CO., LTD. was established in 1971, and launched a cleaning equipment rental business as a franchisee of Duskin in Machida, Tokyo. Beginning with Duskin, we entered the business of environmental sanitation for restaurants. We utilized our customer base to expand into the construction consulting business, then the water delivery business and housing sales business in 2002. In 2013, we launched our mail-order business. NAC's businesses have adapted to changes in the business environment to grow steadily, pivoting on the themes of life and home to provide the services demanded by society.

We have continued to grow
by pursuing businesses
pivoting on life and home
as a “Your Trusted Partner for
Everyday Life.”

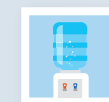


Rental Business



Construction Consulting Business

1992 Started Construction Consulting Business



CreCla Business

2002 Started CreCla Business

2011 Established CreCla Central Research Institute in Machida, Tokyo; Established CreCla Factory Tour Course in Machida, Tokyo

2015 Established CreCla Museum in Honjo, Saitama

2023 Established CreCla Nagasaki Co., Ltd.



Housing Sales Business

2002 Started Housing Sales Business

2006 Established Leohouse Co., Ltd.

2012 Established NAC Life Partners Co., Ltd.

2013 Acquired J-wood Co., Ltd.

2016 Acquired KDI CORPORATION

2017 Acquired KUNIMOKU HOUSE Co., Ltd.

2021 Merged with J-wood Co., Ltd.

2020 Transferred shares of Leohouse Co., Ltd.



Beauty and Health Business

2013 Acquired JIMOS Co., Ltd. and started Beauty and Health Business

2016 Acquired BELAIR Co., Ltd.

2021 Acquired TOREMY Co., Ltd. and established UP SALE Co., Ltd.

2024 Acquired TOMOE Wines & Spirits Co., Ltd.

1971– From establishment to No. 1 in Japan

1971 Established NAC Co., Ltd. in Machida, Tokyo
1979 Relocated Head Office to Shinjuku, Tokyo
1984 Achieved the highest sales of any Duskin business in Japan (approximately 2,500 franchise stores at the time). We have maintained the No.1 net sales in Japan ever since

1988– Start of business diversification

1995 Listed on the stock market
1997 Listed on the 2nd Section of the TSE
1999 Promoted to 1st Section of TSE

2002 Joined KEIDANREN (Japan Business Federation)
2006 Increased capital to ¥4.0 billion

2012– Expansion of Group companies

2010 Achieved ¥50.0 billion in consolidated net sales
2018 Capital increased to ¥6,729,493,750

2020s Towards a new stage

2021 50th Founding Anniversary
2022 Moved to Prime Market in TSE

This is NAC

Through our decisive ability to uncover and address swiftly changing and increasingly diverse customer needs, we strengthen our relationships with customers

Stronger relationships

Strengthening relationships with customers

Regular business with 900,000 customers

By regularly providing products and services that make life easy and fun, we have built long-term relationships with our approximately 900,000 customers, including companies and households.

Over 100 bases in Japan undertaking last-mile delivery

Our network of bases spanning all of Japan and our expert and responsive staff enable us to provide services rooted in the local community, achieving a high level of customer satisfaction.

Perception

Swiftly perceiving changing needs

Uncovering needs through face-to-face customer contact points

By taking on the task for the last mile of delivering services and products directly to customers, we uncover any inconvenience and potential demand that customers may experience in their everyday lives, which we promptly address.

Perceiving changes through regular visits

Regularly visiting our customers and talking with them face to face enables us to swiftly perceive any changes in our customers or the market. This ability to develop products and provide know-how tailored to the times is one of NAC's strengths.

Customer base

Ability to uncover needs

Continuing to create new services useful for "life"

Swift and decisive ability

Capabilities useful for life

Decisive ability

Balancing appropriate quality and speed

Achieving speedy solutions and reducing environmental impact

Our employees and staff at bases across Japan undertake last-mile delivery for our customers, realizing speedy response times while also reducing delivery costs and environmental impact.

Partnerships with over 1,200 companies

Through extensive partnerships, including collaboration with approximately 500 affiliated stores in the CreCla Business and approximately 450 sales agents in the With-branded pest control devices business, we stably deliver products and services to customers across Japan.

Capabilities

Delivering a broad range of services

Five business domains and 13 Group companies

We offer a lineup of services rooted in daily life, such as environmental sanitation, water delivery, housing, beauty and health. We meticulously address our customers' requests while also unearthing new needs.

Generating synergies through business diversification

We generate synergies between our businesses through sales promotions and operational efficiency enhancements, such as sharing know-how and resources between businesses with different markets and business models. This enables us to unearth growth potential.

NAC Business Domains

NAC's services are right beside you every day. Cleaning, water, housing... The keywords that link these seemingly scattered services are "life" and "home." It was our daily interaction with customers that enabled us to perceive how many of them felt dissatisfied or insecure about their homes. This, in turn, motivated us to establish our housing business. We will continue to listen directly to the voices of our customers, gaining hints to create new services useful for "life."



CreCla Business



CreCla water is not only delicious and safe, but it is also friendly to people and the environment. Through initiatives such as the adoption of reusable, sustainable bottles, the reduction of CO₂ emissions from transportation, and the launch of 100% recycling for our water servers, we aim to achieve a recycling society.



feel free



Rental Business



In addition to rental and sales of mops, mats and other dust control products, assisted-living products, welfare equipment, pest control devices and other equipment, we provide home and office cleaning services and comprehensive building maintenance. We help maintain hygienic environments tailored to customer needs.



Construction Consulting Business



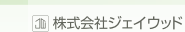
In this business, we provide builders and construction firms across Japan with management support know-how products, sell and install building materials, and conduct the housing franchising business. We pursue and provide products and services that enrich people's lives through the home.



Housing Sales Business



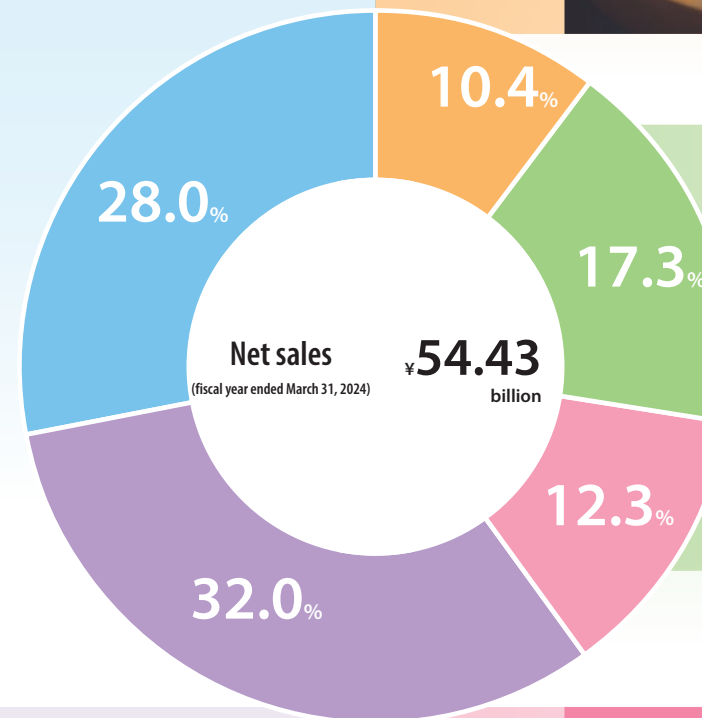
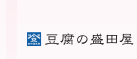
In this business, we engage in the contracted construction of custom-built houses, the sale of ready-built houses, and financing associated with these operations. We provide custom-built houses tailored closely to the wishes of each individual customer and easy-living ready-built houses suited to the local area.



Beauty and Health Business



In this business, we engage in direct selling through mail-order and face-to-face sales, as well as wholesale, mainly of our own products. Our products include various cosmetics, quasi-drugs, and nutritional supplements. We also possess contract manufacturing (OEM and ODM) functions, supplying products to other companies.



Message from the President

Best Communication
NAC

Over more than half a century since our founding, we have successively pioneered new businesses and diversified to fulfill our role as a “Your Trusted Partner for Everyday Life.” We will leverage our base of approximately 900,000 customers to pursue further growth.

Kan Yoshimura

President, NAC CO., LTD.



Since starting a business as a Duskin franchise store, we have expanded into a diverse range of businesses based on the keyword “life”

▶ p. 7-8
NAC History

NAC CO., LTD. was founded in 1971 as a franchise store of Duskin in Machida, Tokyo. The booming population of the Tama New Town area provided the opportunity to expand our sales channels in the Tokyo metropolitan area, and in 1984, we achieved the highest sales of any Duskin franchise store in Japan. We have continued to hold our national top position ever since, in terms of customer numbers as well as net sales. Starting from this Duskin business, we launched our own With-branded pest control devices business in 1988, achieving growth centered on the Rental Business. At the same time, we have pursued diversification, taking the challenge to embark on successive new businesses.

▶ p. 11-12
NAC Business Domains

In the CreCla Business, our own brand established in 2002, we deliver secure, safe, delicious bottled water to homes and offices through our unique delivery network comprising approximately 500 bases across Japan. In the Beauty and Health Business, we offer MACCHIA LABEL and a range of other internally developed cosmetics, quasi-drugs, nutritional supplements, and other products through direct sales and wholesaling.

We are also engaged in the Construction Consulting Business for builders and construction firms across Japan and the Housing Sales Business, including the contracted construction of custom-built houses and the sale of ready-built houses. These businesses may appear to have little in common with the Rental Business and CreCla Business described above. However, all our businesses share the common keyword “life.”

Many of the businesses we develop and pursue, beginning with Duskin and CreCla, employ a face-to-face sales style where sales representatives visit customers regularly, one or two times each month. By

engaging in direct communication with customers in this way, we are able to uncover and understand their concerns and problems related to everyday “life.” Moreover, these frequent visits enable us to swiftly perceive circumstances in the local area where customers live and uncover and address potential needs.

Our entry into the Housing Sales Business was also motivated by our perception of the dissatisfaction and insecurity that many of our customers felt toward their homes. Throughout the history of NAC, we have upheld our aim to be a “Your Trusted Partner for Everyday Life.” All our businesses implement this aim, forming NAC’s business portfolio today.

Leveraging our base of approximately 900,000 customers to launch new businesses and promote cross-selling

Thanks to the patronage of our customers, the Group now boasts approximately 330,000 customers in the Rental Business, centered on Duskin, approximately 420,000 customers in the CreCla Business, and approximately 110,000 customers in the Beauty and Health Business. Together with our other businesses, we maintain relationships with a total of approximately 900,000 customers through regular contracts and regular visits. This customer base represents the Group’s greatest strength. The various comments and requests we receive from our customers provide clues that help us pioneer new businesses. We can also pursue greater **LTV** by cross-selling (proposing new products) to customers who patronize our existing products and services.

Another feature of our customer base is the overwhelming preponderance of individual customers over corporate clients. Although corporate (wholesale) contracts tend to have relatively high sales per customer, they are often cancelled due to reasons such as changing business conditions. By contrast, in the majority of cases, individual customers use our services over a long period of time, leading to more stable revenue.

Another feature is the large number of individual customers who consider it worth paying somewhat higher prices to purchase products promoted by the Group, as they expect that these will be of high quality. This is likely due to the relationships of trust we have built through our contact with customers so far. Customers tend to feel secure about patronizing the Group’s products as they perceive that these products have been endorsed by NAC.

In an increasing number of cases, other companies entrust the sale of their mega-hit products and high-value-added products to us, recognizing the value of the Group’s customer base. We hope to actively pursue alliances such as these with other companies, to offer our customers more ways to enrich their lives.

Our wholesale business also accounts for a certain percentage of sales. Our strength lies in the business relationships we have with corporate clients across almost all industries. Again, the feedback we receive through our contact with clients in diverse industries provides us with hints for the development of new businesses. In some cases, our corporate clients even propose ways that we can collaborate.

Given the Group’s strengths I have described so far, we believe that the Rental Business and CreCla Business should continue to be our core businesses into the future. Competition is becoming fiercer in the water delivery business, but we pride ourselves on the differentiated services that CreCla provides. For example, whereas our competitors use a courier service to deliver water and require customers to dispose of empty bottles, we maintain our own water delivery service direct to our customers and

▶ p. 9-10
This is NAC

Lifetime value (LTV)

LTV is a measure that indicates the profit that customers generate for a company throughout the time they use the company’s products or services.

▶ p. 19-20
CreCla Business

▶ p. 21-22
Rental Business

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NAC Sustainability
(Environment)

employ the sustainable bottle method, where empty bottles are collected, cleaned, and reused. We also emphasize safety and sustainability in the water servers we provide to customers rent-free. Every year, we replace each water server used by our customers with one that has undergone full maintenance. This water delivery service is unique to NAC. We have also implemented a recycling initiative for water bottles. Bottles that have obvious damage or have otherwise deteriorated from long years of use are melted down and reprocessed into stationary, which we donate to developing countries and elsewhere.

At NAC, we began by supporting housework. We have progressively expanded the range of products and services we offer, engaging in businesses linked to improving the quality of various aspects of everyday life. Looking ahead, we will continue to actively offer new products and services that lead to the further enrichment of everyday life. In this sense, it is crucial that our customers implicitly trust the products we sell, and I believe that this is also NAC's social purpose.

Revising the business results forecast for the final fiscal year of the Mid-term Management Plan based on dramatic changes in the environment

Under the five-year Mid-term Management Plan (the "Plan"), which began in the fiscal year ended March 31, 2021, we target net sales of ¥75,000 million and operating income of ¥5,000 million for the fiscal year ending March 31, 2025, the final fiscal year of the Plan. Under the Plan, we also targeted net sales of ¥68,000 million and operating income of ¥3,800 million for the fiscal year ended March 31, 2024. Regrettably, however, our results fell short of these targets, with net sales of ¥54,433 million (80.0% of the target) and operating income of only ¥2,298 million (60.4% of the target).

Given this situation, we have determined that it will not be possible to achieve our targets for the final fiscal year. At the start of this fiscal year, we announced our revised forecasts: net sales of ¥65,500 million (87.3% of the Plan) and operating income of ¥4,000 million (80.0% of the Plan). Although it represents a year-on-year increase in revenue and profit, this forecast falls short of our targets under the Plan against a backdrop of dramatic changes in the business environment since we initially formulated the Plan.

For example, in the Duskin business, funds raised from a third-party allotment in 2018 were planned to be invested to achieve a total of 130 store openings in the Care Service division and HealthRent division by September 2023. However, the number and timing of store openings fell substantially behind schedule, mainly due to the COVID-19 pandemic that started in spring 2020.

The rise of inflation worldwide was another factor that squeezed profits. Most of our businesses involve regular customer visits, so the persistently high gasoline prices have been a very heavy blow for us, while our Housing Sales Business has also been under pressure from the soaring price of materials.

Nevertheless, our Care Service division and HealthRent division are definitely experiencing an expansion in demand, mainly from the generation of dual-income households and the older generation, and we will proceed to expand new store openings in the future. We will also continue to actively pursue the cross-selling of new products and services and our alliance strategy with other companies. At the same time, we intend to expand sales, including the possibility of capital and business alliances and M&A (corporate acquisitions).

At present, the Group's main market area comprises the three large metropolitan areas of Tokyo, Osaka, and Nagoya, as well as other major cities across Japan. We hope to use the various initiatives described above to expand sales routes and achieve the further growth of our business bases.

p. 17-18
Progress on the Mid-term
Management Plan

To this end, in the CreCla Business, we will strengthen our sales promotion activities focusing on sales events at shopping malls and other locations and continue our activities aimed at increasing contact points with new customers. In the Construction Consulting Business, we will offer new products relating to aspects such as securing human resources and DX, for which we are seeing an increasing need among medium and small building companies and construction firms.

We are working towards the formulation of a new mid-term management plan, but conditions make deriving clear targets extremely difficult, with the persistence of an uncertain outlook. Nonetheless, our overall vision is to further expand our customer base, which currently numbers approximately 900,000, aiming to be a million-customer corporate group.

This will be no easy target to achieve. It took more than half a century to build the support of 900,000 customers, and Japan's population is anticipated to continue to decline. However, we will make steady efforts to expand our sales channels, aiming to achieve our vision.

Fulfilling our role as a "Your Trusted Partner for Everyday Life" and building a sustainable future

Personally, I always aim for a stoic, steady way of living. In management, I try to keep my eyes on the essence of each issue without fretting overly about the short term. The environment will remain challenging, but we will continue to provide customers with products and services to enrich their lives as a "Your Trusted Partner for Everyday Life."

In addition to financial results, we believe that a focus on non-financial aspects is vital for sustainable growth. The Group's core businesses are labor-intensive. Unless we can constantly secure and train outstanding human resources, we will not be able to gain the high regard of our customers by regularly delivering products and maintaining close communication with them. Given the increasingly intense competition to secure human resources playing out across industries at present, we believe that the enhancement of workplace environments and more flexible working conditions are issues that we must focus on.

To this end, we think it is vital to create environments where each individual employee can feel proud to work, while also striving to promote the growth of the organization as a whole. As President, I will take the leadership and steadily perform my role to ensure that our workplaces enable the participation and advancement of diverse human resources. At the same time, I will ensure that we can further enhance systems that enable diverse working styles, from full-time to reduced working hours, part-time (entrustment contract), and independent contractors.

Building a sustainable future together is the Group's mission, and we promise to attain it. I would like to express my gratitude to all our stakeholders for their continued support and cooperation.



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NAC Sustainability (Society)

Progress on the Mid-term Management Plan

Overview of the Mid-term Management Plan

At the NAC Group, we have built a platform for diversified management, our basic strategy throughout our history, comprising five businesses centered on the Rental Business upon which NAC was founded. However, changes in the external environment are expected to lead to intensifying competition in the Group's markets. Under these conditions, we recognize the following matters as key issues for the Group's future business expansion as we aim for sustainable development by creating new value and providing valuable services.



Sales

- The expansion of sales channels through expanded sales areas, routes, and targets
- The improvement of LTV through enhanced product lineup



Costs

- Cost reductions through greater operational efficiency



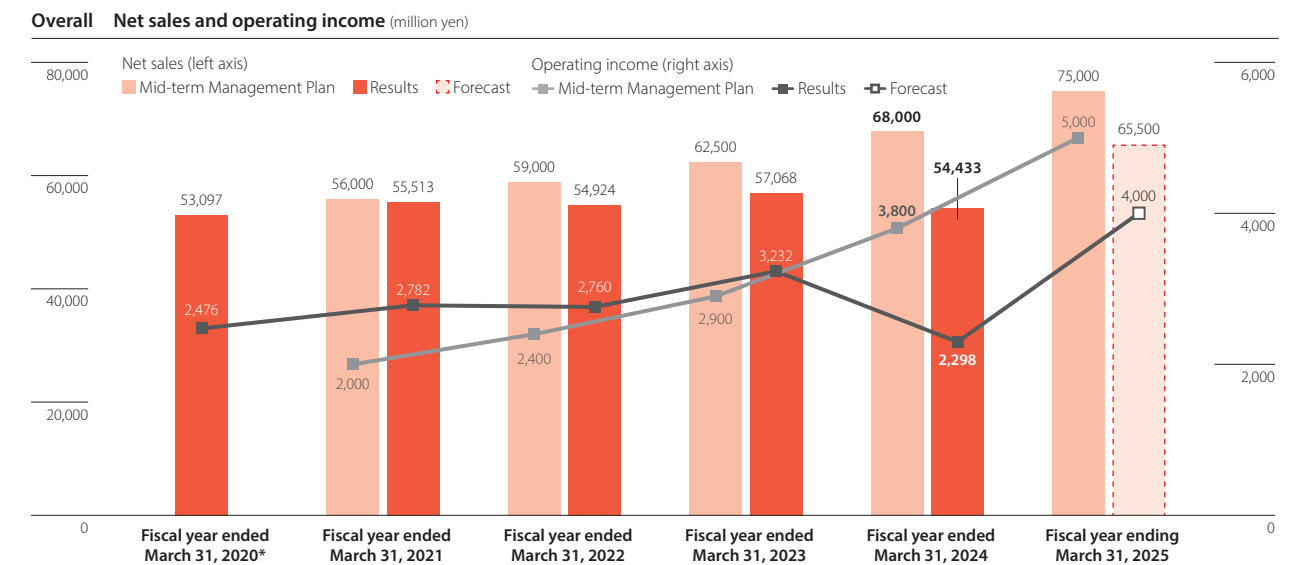
Synergies

- The generation of synergies in management, sales, and costs through collaboration, M&A, mergers, and business integration and reorganization

Initiatives

Sales	Expansion of sales channels	CreCla Business Implement more active sales events at shopping malls and other venues, as well as telemarketing, to grow customer numbers
		Rental Business Use the funds raised from the third-party allotment to Duskin Co., Ltd. to open at least 120 new bases in the Care service business and HealthRent business. Develop and strengthen the alliance and promote joint projects with Duskin aimed at enhancing corporate value through further business expansion and growth
		Beauty and Health Business Commence e-commerce sales in addition to existing sales methods to expand the customer demographic
	Improvement of LTV	CreCla Business Expand the range of subscription plans and enhance CreCla Points and other services for existing customers Develop new services and new servers (carbonating servers, purifying servers)
		Rental Business Actively incorporate new products in the sterilization and sanitation fields to expand the pest control business
		Construction Consulting Business Launch DX promotion support for the local construction industry and a new, free D-mot service aimed at industry-wide development as new solutions to maximize the value of construction firms. Continue to enhance services
Costs	Cost reductions	Beauty and Health Business Expand the business by launching new products in existing brands and offering new brands Begin offering SINN PURETÉ
		CreCla Business Establish CrePF (CreCla platform) system infrastructure aimed at improving productivity Analyze real-time data to provide more timely and appropriate support, while also improving the operational efficiency of sales and administrative staff through the use of smart devices
		Construction Consulting Business Improve the operational efficiency of local medium and small construction firms through the promotion of DX and develop VR display rooms
Synergies	Generation of synergies	Beauty and Health Business Generate cost merits through the acquisition of TOREMY Co., Ltd., the subcontractor that manufactures the flagship products of JIMOS Co., Ltd.
		Rental Business Acquire CAN'S Co., Ltd., engaged in restoration work for rental properties and vacant room cleaning, as a wholly owned subsidiary Expand the house cleaning business and internalize restoration work to control subcontracting expenses and strengthen the Corporate Sales Department
		Construction Consulting Business Jointly develop know-how products for construction firms in the Consulting division and ACE HOME
		Housing Sales Business Merge KUNIMOKU House Co., Ltd., consolidate management resources and improve management efficiency while also developing businesses that leverage the strengths of both companies
		Beauty and Health Business Acquire TOMOE Wines & Spirits Co., Ltd., engaged in the import and sale of foreign wines and spirits, as a wholly owned subsidiary

Progress on quantitative targets



Overall

(million yen)

	Fiscal year ended March 31, 2020*	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025
	Results	Plan	Results	Plan	Results	Forecast
Net sales	53,097	56,000	55,513	59,000	62,500	75,000
Operating income	2,476	2,000	2,782	2,400	2,900	4,000

Segments

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025
	Results	Plan	Results	Plan	Results	Forecast

CreCla Business

Net sales	13,375	14,500	14,881	15,000	15,019	16,000	14,733	18,000	15,239	20,000	16,100
Operating income	1,030	1,300	1,627	1,300	1,269	1,500	1,618	1,700	1,706	2,100	1,720

Rental Business

Net sales	14,808	14,100	14,626	15,000	15,916	15,500	18,722	16,000	17,463	17,000	17,800
Operating income	1,844	1,300	1,333	1,350	1,621	1,500	2,050	1,700	1,597	2,000	1,810

Construction Consulting Business

Net sales	5,251	9,000	8,495	9,500	7,449	10,000	6,754	11,000	5,661	13,000	9,000
Operating income	730	750	807	800	872	1,000	847	1,300	28	1,600	1,350

Housing Sales Business

Net sales	10,975	10,000	10,341	10,500	10,686	10,500	10,067	10,500	9,448	11,000	10,900
Operating income	(187)	(100)	74	50	233	130	(181)	200	27	300	320

Beauty and Health Business

Net sales	8,764	8,400	7,213	9,000	5,921	9,500	6,826	10,000	6,684	11,000	8,000
Operating income	125	50	122	200	151	250	238	350	298	500	360

*The results of Leohouse Co., Ltd. have been eliminated from the results for the fiscal year ended March 31, 2020, for comparability, as all shares were sold in May 2020

Business Domains



CreCla Business

As a proprietary brand, we are engaged in water delivery and the manufacture and sale of water purifier-type servers. Together with approximately 500 affiliated stores across Japan, we continue to grow as a brand friendly to the Earth and the future, based on our business philosophy of “security and safety.”

Hironari Kawakami
Director
Representative of CreCla Business Company

The CreCla Business: NAC's mainstay business that continues to provide safe water

Ever since it was launched in 2002, the CreCla Business has developed based on the business philosophy of “security and safety.” It is NAC's flagship business. We function as a nationwide franchise headquarters, with 28 directly operated stores and approximately 500 affiliated stores. With over 20 years in business, we are a well-established water server brand. Our flagship plant stands on approximately 3.3 ha of land in Honjo, Saitama, representing a total investment of ¥6.0 billion. We boast 44 manufacturing plants and 11 maintenance centers across Japan. In 2011, we constructed the CreCla Central Research Institute, our R&D center, in Machida, Tokyo, where our specialized researchers use the latest equipment to conduct our own detailed inspections and analyses. We also conduct tours of our plant in Honjo and our plant and R&D center in Machida, which are used not only by individuals but also for social studies tours by elementary and junior high schools.

The greatest feature of the CreCla Business is its high level of safety. CreCla water is sourced mainly from tap water, the safety of which is managed by the government, rather than spring water, which is of unstable quality and subject to fewer inspection criteria than tap water. This tap water is thoroughly filtered into pure water using reverse osmosis (RO) filtering. We have established 10 self-imposed safety criteria for this water, in addition to the general quality criteria for mineral water. The purified water is combined with high-quality natural minerals to suit the tastes of Japanese consumers to create a delicious product with a high-quality standard and stability. Our water servers are all developed in-house and delivered by our dedicated staff. This enables us to ensure, unlike other companies, that we carry out server maintenance once per year. To maintain safety, water servers that have been used for a year are replaced with

servers that have been disassembled and thoroughly undergone a full cleaning by our dedicated maintenance staff. In addition, through our First Water Project, we provide CreCla to approximately 590 maternity hospitals across Japan, delivering water to new mothers and babies that they can drink with a sense of security. Our initiatives for security and safety in CreCla, including server maintenance, have been extremely well received by expectant and new mothers with babies and other customers who are mindful of hygiene.

Establishing CreCla's status as the brand selected by consumers, even amid a growing number of other options

In the fiscal year ended March 31, 2024, the CreCla Business achieved net sales of ¥15,239 million (up 3.4% year on year) and operating income of ¥1,706 million (up 5.4% year on year). An increase in customer numbers and a decrease in the cancellation rate contributed to our performance in directly managed stores, especially. The increase in net sales was also linked to the price increase we implemented in the previous fiscal year and an increase in the number of bottles consumed per customer due to the hot summer.

In recent years, the water server market has seen rapid growth in the demand for flat-rate, inexpensive and water purifier-type servers. In the CreCla Business, too, we offer water purifier-type servers under the brand name feel free. Given this expansion in demand, we released the tabletop model, feel free putio, in July 2023, which has steadily attracted customers. Looking ahead, we will strengthen online advertising and sales events for both CreCla and feel free products as we strive to expand customer contact points and acquire new customers.

We are also focused on sustainability in the CreCla Business. CreCla water is produced at 44 manufacturing plants across Japan,

and we promote local production for local consumption. This enables us to curb our CO₂ emissions from long-distance transportation. In addition, CreCla water is packaged in reusable sustainable bottles, with damaged or unusable bottles recycled into stationary and donated to elementary schools and social welfare groups. These activities enable us to raise our brand value as an environmentally friendly brand.

Reinforcing the CreCla brand amid intensifying competition in the business environment

Today, the water server industry has become a red ocean, with one-way water deliveries in disposable bottles by courier services capturing an expanding share of the market, as well as the rapid growth in water purifier-type servers that do not require bottles and the entry of major mail-order companies in recent years. This situation also presents many opportunities. To begin with, there are new markets to pioneer. The market is expanding for water purifier-type servers, which are experiencing rapid demand growth, and our customer base is expected to continue to expand further. Moreover, the introduction of innovative new products such as CreCla Shuwa, which can produce highly carbonated water, will help us open up new markets and capture new customers by matching their needs. We therefore believe that we can expect further growth in this business.

Next, the current situation also represents a great opportunity to promote sustainability. With the rise in environmental consciousness, there is increasing demand for environmentally friendly products such as the reusable sustainable bottles used for CreCla water and local production for local consumption to curb CO₂ emissions from long-distance transportation.

In addition, we are engaged in promoting the introduction of CrePF, developed to encourage DX, at affiliated stores to improve productivity and promote DX. These initiatives are expected to improve operational efficiency and enhance the quality of customer service.

One of the challenges we face is recruiting human resources. Because the CreCla business model is labor-intensive, the question of how we will secure human resources is an important issue in the context of concerns over the declining population and soaring personnel costs. The increase in costs associated with movements in exchange rates and rising prices also represents a substantial risk. In the CreCla Business, specifically, we purchase servers using foreign currency, so the increase in purchase costs due to the depreciation of the yen is putting pressure on our profits.

To be a business that contributes to society while fulfilling our role as a pillar of revenue

The fiscal year ending March 31, 2025, is the final fiscal year of the Mid-term Management Plan, and we will do our utmost to achieve

our targets. First and foremost, we are striving to acquire new customers. In addition to proactive online advertising, we will strengthen our sales events at shopping malls to expand our customer base. Another important initiative is strengthening system infrastructure. We have already introduced and achieved results with CrePF at all our directly managed stores, and will promote its introduction at affiliated stores, too. We will engage in improving productivity and promoting DX throughout the CreCla Business to enhance the quality of customer service.

Our mission is to provide secure and safe water. We promise to supply customers with the highest quality products and services. We will constantly heed the voice of our customers and persistently strive to meet their expectations through repeated improvement.

At the same time, we promote environmentally friendly business operations, aiming to contribute to achieving a sustainable society. Through initiatives such as the use of sustainable bottles and recycling activities, we endeavor to reduce environmental impact. We will continue to fulfill our social responsibility and strive for symbiosis with local communities.

I would like to thank all our stakeholders for their continued support and cooperation. We value our relationships of trust and aim to grow in cooperation with our stakeholders. Let's build the future of the CreCla Business together.

Contributing to sustainability in the CreCla Business

In recent years, terms such as “sustainability” and “SDGs” have become increasingly familiar and attracted growing attention. Ever since we launched the CreCla water delivery service, we have made the delivery of secure and safe water our first priority, while choosing to package the water in sustainable bottles that can be reused over and over again rather than becoming waste. In 2009, we became the first business in the water delivery industry to obtain the Eco Mark. We are also involved in activities to protect water sources, and we plant 365 trees each year.

In addition, we have signed agreements with nine municipalities on the provision of disaster relief supplies. Through our disaster support activities and the donations we make through CreCla Points to organizations such as WaterAid and UNICEF, we support the improvement of water and sanitary environments around the world.

We also emphasize education. In addition to providing free plant tours to nursery school children and elementary school students, we conduct hand-washing awareness-raising opportunities for local children in Bangladesh. We also donate original measuring rulers made from recycled waste bottles and hold Water Workshops for children.

Going forward, we will strive to achieve a sustainable society and further business growth through CreCla water, aiming to realize a society that is carbon-neutral by 2050.

Business Domains



Rental Business

For over four decades, we have steadily upheld our No. 1 status among all franchise stores in the Duskin business, our founding business, in terms of both net sales and customer numbers.

We also provide other services such as regular pest control device rentals, building maintenance, and property restoration work.

Kazuyoshi Wakimoto
Director
Representative of Rental Business Company

We undertake a wide variety of businesses relating to “life,” generating synergies between them

We have been engaged in the Duskin business ever since NAC was founded in 1971. In addition to rental and sales of equipment such as mops, mats, nursing care equipment, and welfare equipment, we provide cleaning and housekeeping services. From 1984 to today, we have maintained our top position among all Duskin franchise stores in terms of both net sales and customer numbers. The With-branded pest control devices business, established in 1988, is built on NAC's proprietary brand. It was the first business in Japan to provide the regular rental of pest control devices authorized by the Ministry of Health, Labour and Welfare (MHLW) as pharmaceuticals to restaurants and other facilities and stores.

Among our Group companies, Earnest Co., Ltd. provides comprehensive maintenance, including everyday cleaning, regular cleaning, sanitation and sterilization work and other services for office buildings and shopping malls. Likewise, CAN'S Co., Ltd. is a subcontractor for projects such as property restoration work, large-scale repair and renovation work, and interior finishing work for new homes (cloth finishing and various flooring work). These businesses have grown from our pursuit of solutions to the concerns and problems related to “life” faced by our customers.

Overview of the Rental Business

Duskin	Dust control Regular rental and sales of mops, mats, and other cleanness products Care Service Professional cleaning and housekeeping services, garden maintenance, etc. HealthRent Rental and sales of nursing care and welfare equipment
With	Pest control device rental
Earnest	Comprehensive building maintenance
CAN'S	Restoration work for rental properties, etc.

Even amid the serious risk of labor shortages, our robust customer base provides revenue opportunities

While the Japanese government promotes workstyle reforms, labor shortages are becoming increasingly serious, with companies in various industries finding it difficult to secure human resources. The labor-intensive nature of the Rental Business, where employees travel regularly to visit customers, means that this difficulty in securing human resources poses a massive risk.

However, no matter how advanced technological innovations become, it will never be possible for artificial intelligence (AI) to take over practical functions such as delivery. On the contrary, factors such as the increase in single-person households will only increase the social importance of interpersonal connections through real communication. There can be no doubt of the indispensable role our business plays in society, and we believe that the potential for business growth lies in the vital nature of this role. We are therefore pursuing initiatives to create more attractive workplace environments.

If we can create working environments where outstanding human resources are able to work long-term with a sense of fulfillment, it will provide a huge revenue opportunity for the Rental Business. The Group has already built a customer base of approximately 330,000 customers in this business alone, and we have gained a high level of trust from many customers through the relationships we have maintained over many years. The establishment of these relationships of trust makes it easier for us to expand smoothly into cross-selling to our existing customers. We have been asked to form alliances by many companies that offer high-added-value products that they wish to avoid selling at a discount. In cases where we have recommended these products to the customers we visit each month in the Rental Business, we have gained a very positive response. We hope to continue to put effort into these alliances.

Initiatives in the fiscal year ended March 31, 2024

Despite the success of expanded store openings in the Care Service division and a recovery in the demand for eating out, orders shrank in businesses related to the pandemic

In the fiscal year ended March 31, 2024, the number of business locations in the Care Service division grew in line with the policy of our capital and business alliance with Duskin, and the division's orders received and sales increased. The Japanese government's reclassification of COVID-19 down to a Class 5 infectious disease, the same class as seasonal influenza, sparked a recovery in the demand for eating out and an increase in deliveries of With-branded devices to restaurants. On the other hand, NAC's subsidiary Earnest, which had experienced a rapid expansion in demand for its infectious disease-related products during the pandemic, was hit by a reactionary slump due to the reduction to Class 5 status.

In addition to the decline in sales of infectious disease-related products, the Rental Business suffered from soaring raw materials and personnel expenses, forcing operating income lower. As a result, in the fiscal year ended March 31, 2024, net sales were ¥17,463 million (down 6.7% year on year) and operating income was ¥1,597 million (down 22.1% year on year). Despite the decline in revenue and profit, we were able to achieve our net sales target.

In the fiscal year ending March 31, 2025, the final fiscal year of the Mid-term Management Plan, we will expand new store openings in the Care Service division and HealthRent division, strengthen sales of With-branded products, and capture inbound demand in Earnest, aiming for year-on-year increases in both revenue and profit.

We have already achieved the final-year targets of the Mid-term Management Plan, but demand related to COVID-19 is also coming to an end

One of our initiatives under the Mid-term Management Plan (the “Plan”) has been to invest the funds raised from a third-party allotment in the Duskin business in 2018 to expand store openings in the Care Service division and HealthRent division. In addition, we planned to strengthen sales of dust control products in the household market and expand the pest control business pivoting on the With brand through the active adoption of new products in the sterilization and sanitation fields, as well as planning to further grow peripheral business domains in our Group companies Earnest and CAN'S. Through these measures, we aimed to achieve net sales of ¥17,000 million in the Rental Business in the fiscal year ending March 31, 2025.

We have already achieved results that exceed this target, recording net sales of ¥18,722 million in the fiscal year ended March 31, 2023. Sales in the fiscal year ended March 31, 2024 were down slightly, partly due to the impact of changes in the business environment with demand related to COVID-19 coming to an end. Nevertheless, we have set a new net sales target of ¥17,800 million for the fiscal year ending March 31, 2025, the final year of the Plan, and are making steady progress towards it.

Capital and business alliance agreement with Duskin Co., Ltd.

August 30, 2018
Signed a capital and business alliance agreement with Duskin Co., Ltd.



Launched the second stage of our joint project on November 8, 2023
→ Plan new measures to expand the businesses of both companies with our sights on the future

Building a streamlined revenue structure to further increase profit margins

As mentioned in the section on the Plan, we signed a capital and business alliance agreement with Duskin when we raised capital through a third-party allotment in 2018. Ever since, we have pursued an expansion of store openings in the Care Service division and HealthRent division. As a result of these measures, we have managed to grow sales in the Rental Business by approximately ¥3,000 million.

We are proud of the role that this segment plays in driving the business performance of the NAC Group. As the next phase in reinforcing this revenue base, we must implement measures to further increase the weight of profit derived from our sales revenue. As we grow sales, we will also enhance our revenue efficiency through appropriate cost control.

To achieve this, we will strive to rationalize and strengthen our administration systems through digitalization, including the shift to paperless, cashless operations, and the promotion of DX, to build a streamlined revenue structure without waste. This will enable us to utilize our employee resources to grow sales while also pursuing the further expansion of profits.

Meanwhile, given the nature of the Rental Business, which requires us to meet directly with customers, we face the extremely important challenge of securing, training, and retaining human resources. In addition to improving treatment and remuneration, we will create workplace environments where employees can work with a sense of fulfillment through measures designed to improve engagement, the introduction of a mentor program, and support for employees who wish to start businesses independently, among other measures.

Business Domains



Construction Consulting Business

We provide medium, small, and micro-sized builders and construction firms, which compose an overwhelming majority of companies in the building industry, with management support know-how products. We are also engaged in the housing franchise business under our own brand, as well as the sale and installation of energy-saving parts and materials.

Naoki Oba
Director
Representative of Construction Consulting Company



Providing management support know-how products to approximately 7,000 builders and construction firms across Japan

The image of the housing construction industry generally tends to be associated with large-scale home builders, but the overwhelming majority of companies in the industry are actually medium, small, and micro-sized builders and construction firms. Many of these are struggling in the wake of the COVID-19 pandemic. Ever since the establishment of the Construction Consulting Business in 1992, we have provided management support know-how products focused on aspects such as business strategy formulation, cost reduction, product development, and sales techniques. Our solutions have been implemented by approximately 7,000 builders and construction firms across Japan.

At the same time, we are engaged in the housing franchise business through our Group company NAC Haus Partner Co., Ltd., operating housing franchises under our own brands, such as ACE HOME and HUCK. Through our Arie brand, which conforms to the Long-life Quality Housing promoted by the Japanese government, we support our member builders and construction firms in the Construction Consulting Business. We are also engaged in the sale and installation of energy-saving parts and materials such as solar power generation systems and storage batteries.

As described above, the housing construction industry has a bottom-heavy pyramidal structure. One feature of our business is its specialization in providing management consulting to the small builders and construction firms that form the majority of the industry. We have built a network of members including approximately 7,000 construction firms across Japan. Our strength is our ability to provide our member companies with the know-how to construct high-quality yet relatively inexpensive homes.

We face the risk of a deterioration in the business environment for the housing construction industry, but this also expands our revenue opportunities

The current business environment for medium, small, and micro-sized builders and construction firms is deteriorating markedly. Amid soaring construction parts and materials prices due to the rise of inflation worldwide, firms also face increasingly serious labor shortages. Added to these factors is the pressure on management from the start of repayments for loans taken out during the COVID-19 pandemic. The review of monetary policy by the Bank of Japan, leading to the start of domestic interest rate rises, has further compounded the burden of loan repayments. This may work to reduce consumers' desire to purchase homes. This deterioration in the business environment also represents a risk for the Construction Consulting Business.

However, for us, risk and opportunity are two sides of the same coin. A deterioration in the business environment means that firms must take action to overcome the crisis, leading to a greater need for the management support know-how products we provide. Looking ahead, we envisage solutions for management continuity, including succession issues, such as proposals to transfer businesses to other companies through M&A.

It is the policy of the Japanese government to promote the spread of housing that enables substantial energy savings (Net Zero Energy Houses: ZEH). However, increased environmental performance inevitably comes with a higher price tag, resulting in a gap opening up between the cost of homes and the disposable income available to the house-buying demographic. Solving this dilemma through methods such as the use of subsidies and the development of more inexpensive high-performance housing is expected to present opportunities for revenue growth for the Construction Consulting Business.

Initiatives in the fiscal year ended March 31, 2024

While sales grew through our proposals for the application of subsidies to our main products, some revenue was carried forward the next fiscal year

In the fiscal year ended March 31, 2024, the Construction Consulting Business recorded net sales of only ¥5,661 million (down 16.2% year on year) due to the deteriorating business environment in the housing construction industry. Operating income fell to ¥28 million (down 96.6% year on year) due to the impact of the decrease in net sales in the consulting business, which has a high gross profit margin.

In the Consulting division, we proposed our flagship products including D-mot, our free member service featuring a diverse range of functions, and i-Style, which packages various know-how such as customer service skills utilizing DX, together with

proposals for the application of the IT introduction subsidy. Although sales grew thanks to the success of our strategy to support our members promote DX while controlling costs, the recognition of revenue from some orders was delayed until the next fiscal year due to the time required for the screening and payment of this subsidy. In the Smart Energy division, the supply delays for products such as storage batteries and power conditioners, caused by the shortage in semiconductors, were ameliorated and net sales declined year on year.

Launching new products that promote DX and energy-saving for builders and construction firms

Medium, small, and micro-sized builders and construction firms face a mountain of management challenges. In addition to responding urgently to issues such as reducing costs and securing and training human resources, the times demand that they must promote digital transformation (DX) and address the SDGs. Given this situation, we believe that it is our mission in this business to support firms to reduce costs through joint purchasing and restructure their businesses and to promote DX through measures such as proposing the use of national subsidy programs.

As new solutions aimed at maximizing the value of builders and construction firms, we plan the sale of several new products that promote DX and energy saving. We also plan to expand the number of free members.

In 2023, Nac Smart Energy Co., Ltd. merged with ACE HOME Co., Ltd. for the purpose of generating further synergies between their businesses to achieve a decarbonized society. The resulting company was launched with the new name NAC HAUS Partner Co., Ltd. In addition to enhancing the value offered in its existing businesses, this company will collaborate with the Consulting division to engage in expanding sales of energy-saving products and developing new know-how products related to energy conservation. Regrettably, our net sales and operating income for the fiscal year ended March 31, 2024 fell short of the quantitative targets established in the Mid-term Management Plan. However, we will do our utmost to achieve the targets for the final fiscal year.

Our housing-related businesses have a highly social nature, supporting one of the basic human necessities: food, clothing, and shelter. We will continue to focus on social contribution

As described above, the housing construction industry is not only vulnerable to the impact of various factors such as the COVID-19 pandemic, monetary policy, and national government policies (the spread of environmental housing), but it is also composed of a majority of medium, small, and micro-sized firms. It is without hope, however. I experienced the real estate and construction downturn that resulted from the global financial crisis in September 2008. There was a feeling of total pessimism at the time; yet, after we somehow overcame that difficult period, the business environment recovered to be stronger than it had been before the crisis.

Moreover, even with declining birthrates and the aging population, there is no way that the need for housing in Japan will totally disappear. In addition, housing is one of the essential elements for human life — food, clothing, and shelter — and we are proud of the highly social nature of this business we are engaged in. We provide solutions for builders and construction firms located throughout Japan, so improving our customers' management through our solutions can also be said to contribute to regional revitalization.

Japan's housing, while boasting high performance, is also expensive, making it out of reach of many people who have an average level of income. It was an awareness of this dilemma that originally motivated NAC, which aspires to be a "Your Trusted Partner for Everyday Life," to enter this field. In the Construction Consulting segment, we will continue to engage in socially significant businesses to contribute to society.

Business Domains



Housing Sales Business

We provide custom-built houses tailored closely to the wishes of each individual customer and easy-living ready-built houses suited to the local area. We will provide services to meet demand and strengthen our sales capabilities to enable these services, aiming to expand the scale of our businesses.

Achieving a profit for the entire segment in a challenging business environment

The Housing Sales Business recorded a decrease in revenue but an increase in profit, with net sales of ¥9,448 million (down 6.1% year on year) and operating income of ¥27 million (compared to operating loss of ¥181 million in the previous fiscal year). We face a challenging business environment. According to the number of housing starts for March 2024 announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), total housing starts have declined for ten consecutive months, and the number of owned houses has declined for 28 consecutive months. The price of housing increased due to the impact of the rising price of urban land and soaring construction materials prices, and the entire housing and real estate market lost its vigor. As a result, net sales for KDI were down by 10.8% year on year to ¥5,095 million, with lackluster growth in the number of units sold. For J-wood, although the unit sales price per house rose and revenue from real estate for sale increased, net sales fell by 0.9% year on year to ¥4,309 million, affected by a decrease in the number of completed buildings. In terms of profit and loss, KDI adjusted selling prices and expedited sales to avoid the deterioration of inventory and the gross profit margin fell as a result, leading to a substantial decline in operating income. J-wood transferred the rising cost of construction materials onto selling prices, improving its unit sales price and gross profit margin. As a result, we achieved positive operating income for the entire segment.

Initiatives in the fiscal year ending March 31, 2025

Acquiring Shuwa Juken Co., Ltd. as a subsidiary

Shuwa Juken Co., Ltd. was founded in 1990. It has grown its sales, mainly in the Aomori Prefecture and Akita Prefecture areas, as a building subcontractor for new detached houses. It is affiliated with several housing franchises, offering a full product lineup to meet the needs of a wide range of customers. Ever since it joined the ACE HOME housing franchise operated by our Group company NAC Haus Partner Co., Ltd., we have built an excellent

Striving to strengthen sales activities, aiming to increase revenue and profit

In the fiscal year ending March 31, 2025, we forecast net sales of ¥10,900 million (up 15.4% year on year) and operating income of ¥320 million (compared to operating income of ¥27 million in the previous fiscal year). KDI will expand land purchases beyond Tokyo's 23 wards to include the suburbs of Tokyo and aim to expand the business, pivoting on stronger real estate solutions. J-wood will pursue sales activities to strengthen orders for barrier-free solutions and increasingly popular bungalows, as well as stores and dwellings combined with stores. We will also expand product sales in the ACE HOME brand to increase the number of orders we receive. In the KUNIMOKU HOUSE business in Hokkaido, we will enhance our product lineup, including high-performance homes and energy-saving homes, to acquire new customers. Through these initiatives, we aim to further improve our business results and grow net sales and operating income.

relationship, with Shuwa Juken positioned as one of our top dealers in terms of sales results, too. By becoming part of the NAC Group, we expect Shuwa Juken to strengthen the ACE HOME brand and generate synergies with our subsidiary J-wood Co., Ltd., which carries our sales activities in the same areas, enhancing NAC's corporate value.

Business Domains



Beauty and Health Business

We offer a range of internally developed cosmetics, quasi-drugs, nutritional supplements, and other products through mail-order sales, direct face-to-face sales, and wholesaling. Looking ahead, we aim to promote cross-selling between our businesses and expand NAC's unique services.

Despite a decline in revenue, we achieved an increase in profit through thorough cost control

The Beauty and Health Business recorded net sales of ¥6,684 million (down 2.1% year on year) and operating income of ¥298 million (up 24.9% year on year). Although revenue declined year on year, demand increased for skincare products, anti-aging and other products in the cosmetics industry. This was due partly to a rise in demand associated with the removal of masks from the abatement of COVID-19 and heat stroke countermeasures. Inbound demand from foreign visitors to Japan is also rising. Signs of a recovery are apparent across the entire industry, and the market is showing indications of an upturn.

In this environment, at JIMOS, brands such as MACCHIA LABEL and SINN PURETÉ performed steadily, while sales were also strong of CLEAR ESTHE VEIL EX, the top-selling product in the flagship CLEAR ESTHE VEIL series. Our efforts to reflect the rise in raw materials and logistics costs in product prices, as well as a similar recovery in the cosmetics market for TOREMY and an increase in new orders received, had a positive effect on net sales. However, net sales declined overall due mainly to a decrease in customer numbers at BELAIR and UP SALE and the impact of price competition for e-commerce sales.

Focusing on new customer acquisition and strengthening collaboration between each business

In the fiscal year ending March 31, 2025, we forecast net sales of ¥8,000 million (up 19.7% year on year) and operating income of ¥360 million (up 20.8% year on year). For JIMOS, we will endeavor to acquire customers by strengthening our flagship products and developing new products, while in BELAIR, we will aim to acquire new customers through a return to the brand's origin in supplement sales and the implementation of product renewals. For UP SALE, we will focus on expanding our mail-order business and the direct selling of imported wines, while for TOREMY, we will engage in ODM proposals and improve productivity. We will maximize Group synergies. Through these initiatives, we aim to grow sales and improve profit margins in the Beauty and Health Business.

TOMOE Wines & Spirits Co., Ltd. becomes part of the NAC Group

Under the Mid-term Management Plan, we aim for Group-wide development and growth through the reallocation of management resources and the active implementation of investments. In February 2024, we acquired TOMOE Wines & Spirits Co., Ltd. as a subsidiary and a new member of the NAC Group.

TOMOE Wines & Spirits has grown with a focus on the import and sale of foreign liquor, primarily wine. By integrating it into the Group, we are able to offer its products, which feature a high probability of repeat sales, to our customers in the Rental Business, the CreCla Business, and our other businesses through cross-selling. We have also launched a new wine subscription business model where customers can rent a wine refrigerator free of charge and receive regular deliveries of wine.

Topic

Using shareholder benefits to expand sales and improve brand recognition

At NAC, we implement a program of shareholders benefits to express our gratitude for our shareholders' support, as well as to increase investment appetite in NAC shares and encourage more shareholders to hold our shares over the medium and long term.

In the fiscal year ended March 31, 2024, we added MICRO BUBBLE LOTION from JIMOS to our shareholder benefits to help more people understand the Group's appeal.

We have offered the Group's own products as shareholder

benefits before. This addition is aimed at providing shareholders the opportunity to use our products and actually purchase them on our e-commerce site, as well as encouraging recognition of these products in conjunction with the NAC company name.

We will continue to develop and offer attractive products so that we can use the shareholder benefits program and our own products to build relationships with shareholders that encourage their long-term support for the Group.



MICRO BUBBLE LOTION

NAC Sustainability

We perceive social and environmental changes as opportunities for business growth, and we aim to achieve a sustainable society and further grow our businesses together with all our stakeholders as a Your Trusted Partner for Everyday Life.

Basic Policy

At the NAC Group, we perceive social and environmental changes as opportunities for business growth. Based on our Corporate Philosophy and the NAC WAY, we aim to achieve a sustainable society and further grow our businesses together with all our stakeholders as a Your Trusted Partner for Everyday Life.

Code of Conduct

For our customers

We shall provide secure and safe products and services through daily communication

For our shareholders

We shall aim to constantly create new value and demand, achieving sustainable growth

For our trading partners, competitors, and government

We shall comply with laws, regulations, and social norms, engaging in fair business activities

For our employees

We shall endeavor to actively provide personnel training and better workplace environments

For society

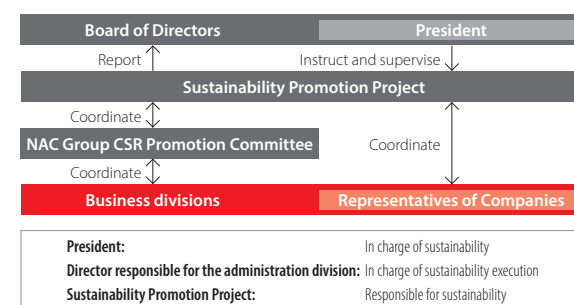
We shall strive for close cooperation and coordination with local communities and contribute to creating a sound and prosperous society

For the environment

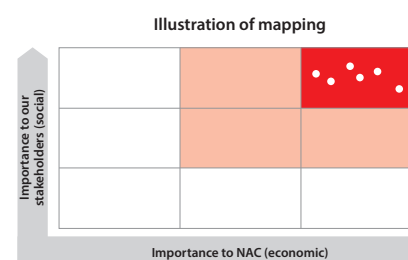
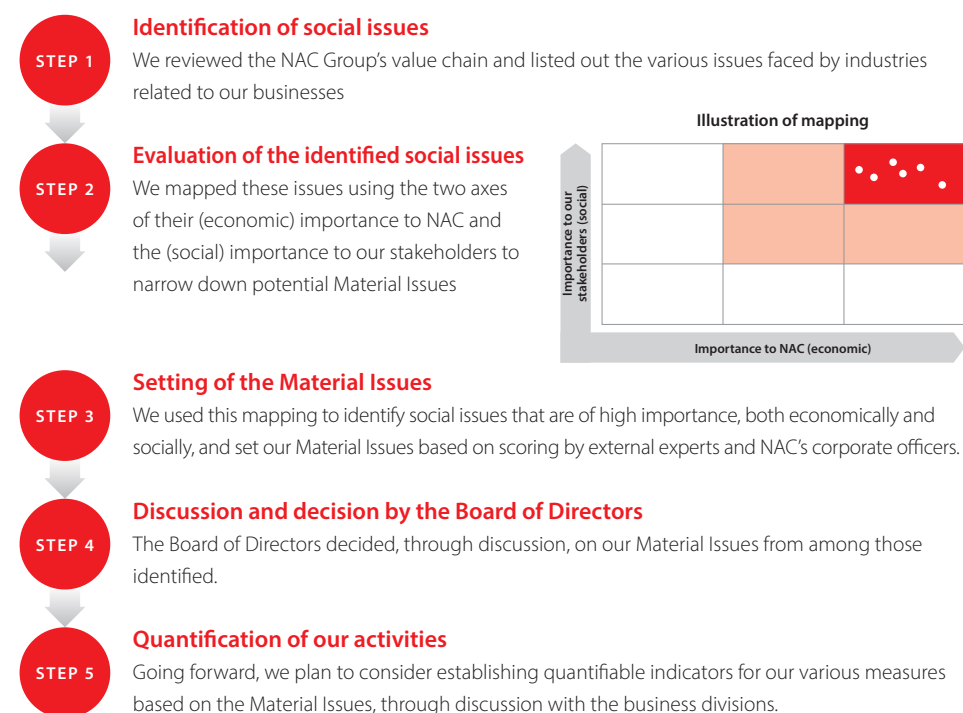
We shall undertake business operations with environmental impact in mind and actively engage in environmental conservation activities

Sustainability Promotion Structure

At the NAC Group, the Sustainability Promotion Project is responsible for addressing sustainability issues. It promotes various sustainability measures under the supervision of the Director responsible for the administration division.



Process for the Establishment of Material Issues



Material Issues

Theme	Item	Specific Initiatives	KPIs
I. Build a recycling society	Establish resource recycling processes and respond to stronger environmental regulation of chemical products, plastics, etc.	<ul style="list-style-type: none"> Promotion of the 3Rs (reduce, reuse, and recycle) Expansion of the Rental Business Promotion of the switch away from plastics 	<ul style="list-style-type: none"> Reuse rate, number of times used, and number of years used Number of customers, number of locations, and average number of consecutive months of service Proportion of packaging, containers, etc. switched
II. Build a decarbonized society	Address the decarbonization of society through our own operations	Switch to low-emissions vehicles	Number (proportion) of vehicles switched
	Address the decarbonization of society by providing energy-creating and energy-saving products and services and through the value chain	<ul style="list-style-type: none"> Installation of water servers using green refrigerants Penetration of energy-creating and energy-saving products 	<ul style="list-style-type: none"> Number (proportion) of units installed Sales amounts and volumes of relevant products
III. Build prosperous and comfortable lifestyles	Provide secure and safe products and services	Improving customer loyalty	Lifetime value (LTV)
	Support life across a range of domains (sanitation, nursing care, living environments, cosmetics, health foods, etc.)	<ul style="list-style-type: none"> Expansion of housekeeping and nursing care equipment services Provision of living environments that residents can continue to enjoy Forward-looking everyday support through cosmetics and health foods 	<ul style="list-style-type: none"> Number of businesses added Cumulative number of households supplied Customer satisfaction, number of regular customers, repeat rate, and average number of consecutive months of service
	Provide products and services to address changing lifestyles through the use of DX, AI and robotic technologies	<ul style="list-style-type: none"> Introduction and utilization of new systems to improve productivity Establishment of a digital talent training program 	<ul style="list-style-type: none"> Amount invested in innovation Number of training sessions held
IV. Build happiness for working people	Attract, recruit, train, and enhance the skills of human resources	Promotion of investment in human resources	Number of hours of training per employee per year
	Respect human rights and enhance labor environments	Creation of work-friendly labor environments	<ul style="list-style-type: none"> Days of leave per year Working hours per year
	Diversity & inclusion	Promotion of diversity	Proportion of women among employees
V. Co-create value with local communities	Revitalize regions and co-exist with local communities	<ul style="list-style-type: none"> Promotion of local construction firms Establishment of sustainable supply chains 	<ul style="list-style-type: none"> Number of member firms and premium service paid member retention rate Proportion of signatories to our Trading Code of Conduct
	Address water stress	Revitalization of plant tours and awareness activities for water-related knowledge	Number of plant tour participants
VI. Ensure corporate governance and corporate ethics	Further strengthen and enhance corporate governance	<ul style="list-style-type: none"> Diverse Board of Directors Formation of advisory committees Formulation of policies and plans to enhance the skills of Directors and Audit & Supervisory Board Members 	Improvement in the effectiveness of the Board of Directors
	Ensuring and strengthening risk management	Maintaining production systems and ensuring business continuity through stronger disaster countermeasures	Formulation and renewal of risk-level tables
	Privacy and data security	<ul style="list-style-type: none"> Implementation of training and drills for employees and thorough compliance with rules IT security countermeasures using defense in depth 	Implementation of training and e-learning relating to information security
	Ensure thorough compliance	<ul style="list-style-type: none"> Implementation of education and training; establishment and reinforcement of systems Cultivation of an open corporate culture with high ethical standards 	<ul style="list-style-type: none"> Number of compliance violations Number of consultations on the NAC Hotline Implementation of training and e-learning relating to compliance

Environment

At NAC, we aim to contribute to reducing society-wide environmental impact and achieving a sustainable society. We will do this not only by continuing to reduce the environmental impact of our business activities but also by providing customers with environmentally friendly products and services.

Reducing the environmental impact of our business activities

Using sustainable bottles

For CreCla, we have chosen to use sustainable bottles that can be reused over and over again to conserve resources and reduce waste. When our delivery staff deliver water, they also collect the used, empty bottles from customers. These empty bottles are inspected and cleaned under stringent quality controls at the CreCla plant, which boasts internationally recognized hygiene standards before being reused. Each 12L CreCla bottle travels between a household and the plant twice each month and lasts for approximately three years. This translates to the reduction of the equivalent of approximately 1,700 500ml PET bottles in waste.



*CreCla was the first business in the water delivery industry to obtain the Eco Mark.

Reducing the number of trips by expanding the cargo capacity of vehicles

At CreCla, we are also improving our delivery vehicles. We have developed the first dedicated delivery vehicle in the water delivery industry, which we have devised to eliminate any waste in the cargo space. By making each vehicle's deliveries more efficient, we can effectively reduce the total distance traveled. We have also designed a special cargo tray (patented) that makes it easier to remove the water bottles, reducing the physical burden on delivery staff.



Contributing to the creation of a recycling society through reuse

Reuse is a feature of the Duskin business, our original business at the time of NAC's founding. Every four weeks, our delivery staff visit customers' homes or offices to replace the mops and doormats. The used mops and mats are thoroughly cleaned at Duskin's plant before they are returned to our customers. The water used in the cleaning process is filtered and reused as cleaning water, while the dust and dirt on returned rental products are also used effectively as a resource. From production to usage and beyond, we provide secure, safe, and environmentally friendly products and services.



Avoiding engine idling

In the CreCla, Duskin, and With businesses, our delivery staff delivers products directly to the door of customers' homes and offices. We operate over 1,300 registered vehicles across the entire Group. If we can decrease the idling time of all our vehicles by just 10 minutes every day, we can reduce our gasoline consumption by approximately 60 kiloliters (equivalent to around 300 oil drums) per year, and our CO₂ emissions by approximately 39 tons per year. At NAC, all our staff are careful to avoid leaving the engine idling while vehicles are stopped.



Homes that are friendly to people and the environment

In the Construction Consulting Business, we have built a network to popularize house-building using natural materials since 2013. By using building materials derived from sources such as coral and rice, among other measures, we aim for the construction of homes that are friendly to people and the environment, and free from harmful substances.



Promoting the use of natural energy

Providing industrial solar systems

Through NAC Haus Partner, which sells and installs energy-saving products, we provide solar power generation systems for domestic and industrial use, home energy management systems (HEMS), and eco-friendly building materials. We have also installed large-scale solar panels at our own plant, achieving an annual CO₂ emissions reduction of approximately 25 tons. This effect is equivalent to planting 1,300 cedar trees each year.



Addressing climate change (information disclosure based on the TCFD recommendations)

At the NAC Group, we regard building a decarbonized society as one of its Material Issues. In September 2021, we declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We are also members of the TCFD Consortium, a group of companies and financial institutions that support the TCFD recommendations and work together to promote initiatives. We are considering the forward-looking disclosure of climate change-related information based on the TCFD recommendations.



1. Governance

Oversight of climate-related risks and opportunities by the Board of Directors

At NAC, we regard the impact of climate change on business activities as an important issue. We believe it is vital to ascertain our achievement and progress against climate-related targets and reflect this in our management. For this purpose, we have established a system where the Sustainability Promotion Project delivers a status report to the Board of Directors at least once each half-year, enabling the Board to ascertain and monitor the actual risks and opportunities presented by climate change, and we are strengthening our governance related to climate change. The Board of Directors meets at least once per month to make decisions on important matters concerning the management of the NAC Group, as well as supervising business execution. For strategies, action plans, risk management policy, target-setting, and the monitoring and supervision of progress against targets, too, it makes decisions after considering the impact of climate-related issues.

Management's role in assessing and managing climate-related risks and opportunities

NAC's Board of Directors makes decisions and supervises business execution with an awareness of climate change-related risks and opportunities as important management matters. The President, who also chairs the Board of Directors, is in charge of climate-related issues. The Sustainability Promotion Project is responsible for addressing sustainability issues, including climate-related issues. Under the supervision of the Director responsible for the administration division, who has executive responsibility for sustainability, the Sustainability Promotion Project assesses risks and opportunities, reviews and directs strategies, plans, and budgets, and monitors progress against set targets. The results of these activities are reported to the Board of Directors for deliberation.

2. Strategy

(1) Identification of risks and opportunities

Within the NAC Group, we are progressively identifying the risks and opportunities related to climate change for the CreCla Business, Rental Business, and Construction Consulting Business of NAC CO., LTD.

Risks

	Changes in the environment	Risks for the NAC Group	Businesses impacted	Details of impact	Item impacted
Transition risks	GHG emissions regulation	Soaring price of fossil fuels	Companywide	● Implementation costs for the transition from gasoline-powered vehicles to low-emissions vehicles *Gasoline-powered vehicles: Approx. 1,300	Increase in expenses
		Transition to renewable energy	CreCla	● Cost of replacing equipment at CreCla plants with low-GHG emissions equipment	Increase in expenses
		Increase in carbon tax	Companywide	● Increase in tax burden associated with CO ₂ emissions *Carbon tax: ¥10,000/t-CO ₂ equivalent	Increase in expenses
Physical risks	Flooding from typhoons, torrential rain, etc.	Suspension of operations at sales and manufacturing bases	CreCla	● Suspension of manufacturing function ● Decrease in net sales due to suspension of the function of sales bases ● Cost of restoring damaged bases *See hazard map (Ministry of Land, Infrastructure, Transport and Tourism) *Relevant plants: 4 plants/10 plants; relevant bases: 12 bases/28 bases	Decrease in net sales Increase in expenses
			Rental	● Decrease in net sales due to suspension of the function of sales bases ● Cost of restoring damaged bases *See hazard map (Ministry of Land, Infrastructure, Transport and Tourism) *Relevant bases: 27 bases/61 bases	Decrease in net sales Increase in expenses
	Rise in average temperatures	Capital investment	Companywide	● Increase in investment expenditure associated with adding air conditioning equipment	Increase in expenses
		Decrease in efficiency of delivery operations	CreCla Rental	● Increase in personnel expenses due to more delivery staff	Increase in expenses
	Rising sea levels	Relocation of bases in coastal regions	Companywide	● Cost of relocating sales bases and plants in coastal regions	Increase in expenses
	Shortage of high-quality water resources	Increase in cost of securing raw water	CreCla	● Increase in cost of securing raw water due to soaring water rates *2040: 1.36 times 2015 levels *Reference: Ernst & Young ShinNihon LLC	Increase in expenses

Opportunities

Aspects	Business divisions	Changes in the environment	Details of opportunity	Item impacted
Resource efficiency	Consulting	Further advance of the shift to online training and seminars	● Access to potential customers	Increase in net sales
	Construction		● Reduction in expenses (print expenses, design costs)	Decrease in expenses
Energy sources	Companywide	Spread of low-emissions vehicles (EVs, etc.)	● Reduction in total costs associated with vehicle maintenance	Decrease in expenses
Products and services	CreCla	Development of technologies for resource conservation and low emissions	● Sale of low-environmental-impact plant equipment to affiliated stores	Increase in net sales
	CreCla	Rise in demand for drinking water	● Increase in net sales due to growth of peak sales period	Increase in net sales
	Rental	Rise in demand for pest control devices	● Increase in net sales due to expansion of area served by new stores	Increase in net sales
Markets	CreCla	Rise in awareness of disaster prevention	● Promotion of consumption through rolling stockpile awareness activities	Increase in net sales
	Companywide	Environmentally conscious consumption behavior	● Increase in customer numbers due to the rise in demand for reusable products ● Increase in customer numbers due to the advantage of returnable bottles ● Reduction in cancellation rate through expanded services for premium service members	Increase in net sales

*The risks and opportunities shown above mainly represent the results of the review for NAC CO., LTD. on a non-consolidated basis. We plan to expand the scope of this review to include Group companies and add to the tables above, as appropriate.

(2) Scenario analysis

At the NAC Group, we are analyzing the effects of a rise in global average temperatures due to climate change based on two scenarios corresponding to temperature rises of 2°C and 4°C.

We have begun by organizing forums for discussion with each business on the general framework for scenario analysis for NAC CO., LTD. on a non-consolidated basis. We are currently in the process of developing the content of this analysis to make it more closely focused on business strategy and more specific.

① Definition of scenarios used

Period considered	From 2030 to 2050
Scenario definition	2.0°C scenario (IPCC RCP2.6) 4.0°C scenario (IPCC RCP8.5)

	The world in the 2.0°C scenario	The world in the 4.0°C scenario
Policies and regulation	● Increase in carbon tax ● GHG emissions restrictions	● No specific policies or regulation
Procurement	● Rise in price of electric power due to the spread of green energy ● Soaring raw material expenses	● Increase in damage from flooding in supply chains
Delivery	● Transition to low-emissions vehicles	● Rise in costs of electric power, etc. due to rising oil prices
Products and services	● Increase in demand for sustainable products	● Rise in demand for drinking water and disaster prevention products

These scenario definitions represent an examination of our outlook for the world during the period considered based on the outlook for society defined by participants through internal discussions, with reference to information such as scientific evidence from external bodies.

*We also plan to progressively consider conducting scenario analysis with altered assumptions and an expanded range of businesses.

② Results of the scenario analysis

We identified the impact on NAC if average temperatures around the world increased by 2.0°C and 4.0°C, but the impact in both scenarios was only slight, due to the level of resilience in our businesses.

Going forward, we will proceed to develop the analysis by expanding the assumed scope of impact to include entire supply chains, while continuing to closely monitor changes in the situation related to climate change.

3. Risk management

Processes for identifying and assessing climate-related risks

At the NAC Group, we are working to understand and assess the impact of climate change on the Group's businesses, including entire supply chains, through the identification of risks and opportunities, as well as scenario analysis.

As the section primarily responsible for these efforts, the Sustainability Promotion Project outlines, identifies and assesses the risks and opportunities of climate change based on interviews with each business division. A process is in place for review at least once per year.

Processes for managing climate-related risks

For risks and opportunities assessed to have a material impact, the Corporate Management Department plays a central part in considering specific countermeasures, with each business division and formulating policies to address these risks and opportunities. It reports at least twice per year to the Board of Directors. A framework is in place for the supervision of all aspects of our response to climate-related issues, including the content of these reports.

4. Metrics and targets

Regarding GHG emissions, we aim to achieve carbon neutrality at the NAC Group by 2050, in line with the target set by the Japanese government.

We are mainly considering the following initiatives to achieve this target.

- Introduction of low-emissions vehicles
- Switch to electric power sourced from renewable energy
- Switch from selling electricity to in-house consumption at bases with solar power generators
- Consideration aimed at reducing the use of gas in CreCla manufacturing processes
- We are also collecting information to facilitate the early adoption of the results of technological innovation, as well as considering collaboration, etc.

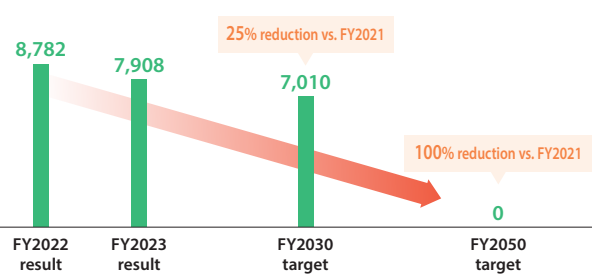
We are considering comprehensive initiatives, including collaboration with external entities in related fields, beginning with active information-gathering for the transition to low-emissions vehicles and the introduction of renewable energy.

Position of this process in overall risk management

At the NAC Group, we have established Risk Management Regulations where each business reports on the status of risks and considers issues, as well as sharing information on risks. The Group Management Council deliberates on policies to address risks, which are then decided by the Board of Directors.

The Board of Directors makes decisions on climate-related risks based on reports by the Business Management Department.

GHG emissions (Scope 1 + Scope 2) (t-CO₂)



*Data is aggregated from April each year to March the following year, based on NAC's fiscal year.

Specific progress includes the commencement of the proof-of-concept testing of electric vehicles in the Rental Business, as well as initial information-gathering on the procurement of electric power from renewable energy and consideration aimed at reducing gas usage. Regarding metrics other than GHG emissions, we have separately established Material Issues covering all aspects of sustainability, one of which is to "build a decarbonized society."

Measuring GHG emissions from our supply chains based on Scope 3

Category	Category name	GHG emissions (t-CO ₂)
Category 1	Purchased goods and services	64,039
Category 2	Capital goods	101
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	529
Category 4	Upstream transportation and distribution	5,212
Category 5	Waste generated in operations	1,168
Category 6	Business travel	88
Category 7	Employee commuting	495

Category	Category name	GHG emissions (t-CO ₂)
Category 8	Upstream leased assets	Excluded from measurement
Category 9	Downstream transportation and distribution	1,343
Category 10	Processing of sold products	Excluded from measurement
Category 11	Use of sold products	Excluded from measurement
Category 12	End-of-life treatment of sold products	36
Category 13	Downstream leased assets	2,856
Category 14	Franchises	3,692
Category 15	Investments	Excluded from measurement

We are currently considering measures to reduce Scope 3 GHG emissions for each category with a significant impact.

*Method used to measure Scope 3 emissions
We referred to Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables (3EID, 2015), as well as IDEA v2.3 by the National Institute of Advanced Industrial Science and Technology (AIST) and the emission factor database for corporate GHG emissions accounting over the supply chain (MOE-DB) Ver3.1, compiled by the Ministry of the Environment.
The measurement of GHG emissions may vary in the future due to changes in our references and measurement conditions.

Our website has information on disclosure based on the TCFD recommendations.
For details, visit: https://www.nacoo.com/sustainability/environment/climate_change/ (in Japanese only)





Society

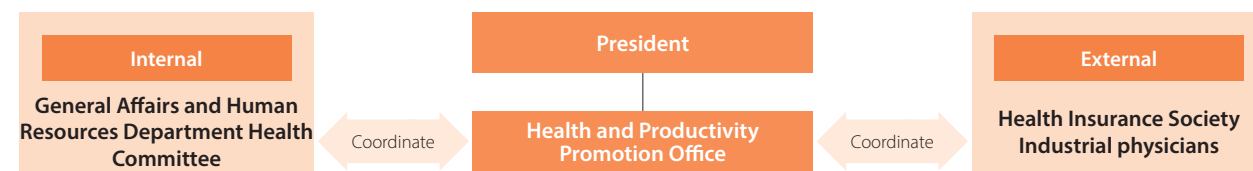
Our businesses are supported by a wide range of stakeholders. We strive to provide customers with maximum satisfaction while simultaneously building a company where our employees can feel happiness. By meeting our stakeholders' expectations and winning their trust, we will contribute to achieving a prosperous society.

Building work-friendly workplaces (health and productivity management)

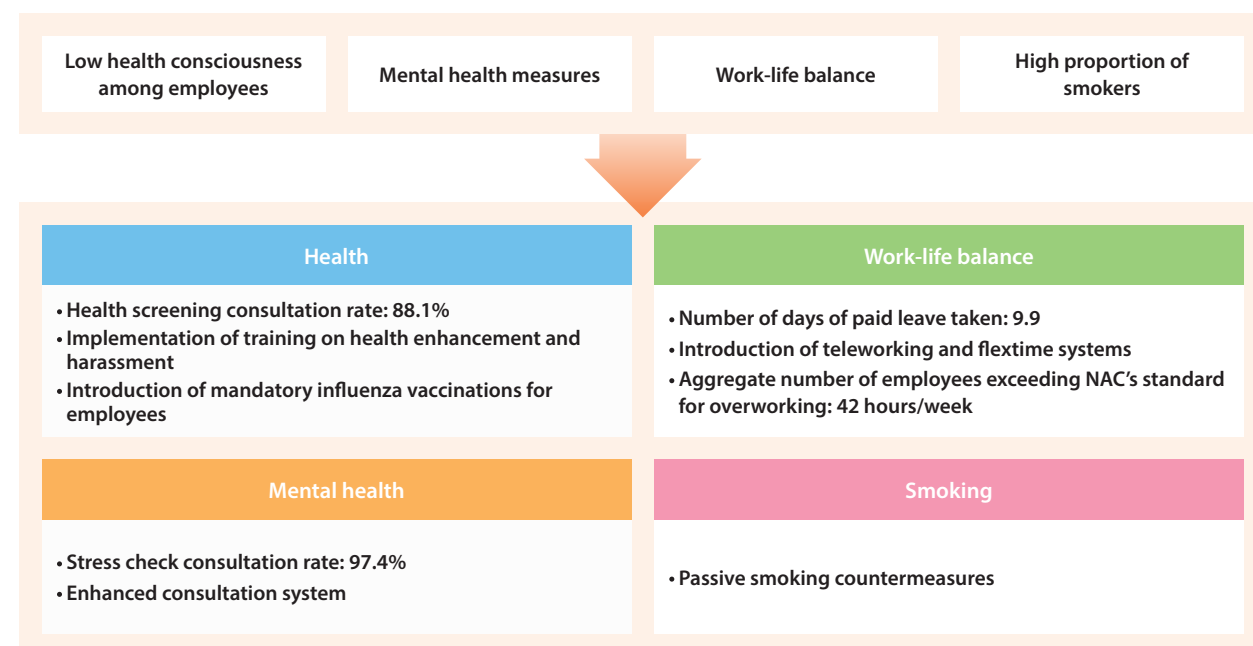
The health of our employees is absolutely essential for our pursuit of businesses pivoting on "life" and "home." We aspire to be a "Your Trusted Partner for Everyday Life," so it is vital that our employees, who engage closely with customers, can work vigorously all their lives in health and safety. We will implement various companywide health promotion initiatives to enable all of our employees to strive to maintain and improve their health.

Health and productivity management declaration/Health and productivity management structure

We have established the Health and Productivity Promotion Office within the Corporate Management Department to promote health and productivity management.



Current issues, specific initiatives and results



Developing human resources

We are focusing on initiatives such as proactive recruitment and level-specific training to develop human resources, the foundation of our businesses. To enable all of our employees to acquire the necessary knowledge and skills and carve out their own careers, we have established programs such as our internal recruitment system, subsidy system for obtaining qualifications, and various training programs. We have also introduced our Satellite Program, where veteran sales staff provide support for new recruits on the sales frontline, establishing a high-quality educational environment for small groups of people.

Basic approach

At the NAC Group, we pursue businesses pivoting on "life" and "home," providing a wide range of products and services closely associated with everyday life to achieve our Corporate Philosophy. To win the trust of our customers, we believe it is vital for all employees to make maximum use of their abilities and continue to take challenges with a consciousness of growth.

Based on this belief, at the NAC Group, we have established and promote the human resources development policy and internal environment enhancement described below.

Human resources development policy

To fulfill our aspiration to be a "Your Trusted Partner for Everyday Life," we will pursue and implement the development of human resources capable of providing value to our customers and directly winning their trust.

Specific initiatives

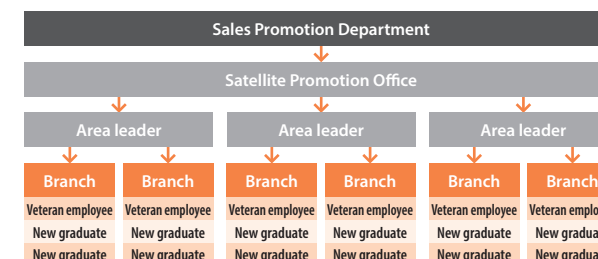
Various training programs

Through training and other programs, we will strive to develop the human resources who hold the key to the future of the NAC Group. In addition to the conventional collective training sessions, we introduced new online training sessions and e-learning during the COVID-19 pandemic. Through position-specific and career-specific training using these forums, we will strive to improve employee skills and cultivate communication.

Level	Basic training	Management	Problem-solving and strategy	Human skills	Career
General Managers of business divisions and departments		Senior management training	No regular schedule		
Managers		Middle management training	No regular schedule		
Heads and deputy heads					
Store managers, plant managers, assistant heads, etc.	Compulsory e-learning II New manager training	Selective training (public lecture)	Store manager training III: strategic thinking and imagination Store manager training I: marketing strategy	Selective training (public lecture)	
Leaders				Selective training (public lecture)	
Regular and administrative employees	NBS follow-up training New graduate follow-up training				
New employees	NBS training Compulsory e-learning I New employee training				

Satellite Program

At NAC, we hold sales training for groups of two to four new employees, who form satellites around a veteran employee. By focusing on on-the-job training on the sales frontline, we aim to quickly develop our young employees.



Female employee training

In fiscal 2023, we launched female employee training for women in a wide range of age groups and positions. This program encourages female employees to reassess their lives and careers, reaffirm their own strengths, and use these to build their future careers.

Internal recruitment

We offer positions through the internal recruitment system twice each year, providing support for employees looking to change careers or improve their skills to further develop their careers.

NAC Innovation Contest

This contest welcomes ideas for new businesses and initiatives to expand revenue to help NAC grow. We have held it since 2022, and we are currently making preparations for the commercialization of the winning entry from the second contest, held last year.

Developing DX human resources

In 2018, we launched the Digital Innovation Project, primarily for young employees, to develop DX human resources. We introduced level-specific DX Training in 2022 and held Generative AI Training for some management employees for the purpose of promoting the understanding and utilization of generative AI. In this way, we are striving to develop core digital human resources. We were recognized as a DX-certified operator in 2023.

Internal environment enhancement

At the NAC Group, we will enhance our diverse range of support programs to maximize the potential of our ambitious personnel.

Specific initiatives

Promoting women’s participation and advancement

We are working to create environments where female employees can work long-term with a sense of security, as well as build an organization where they can utilize their own strengths to play active roles. We will raise the proportion of women among regular employees to 30% by fiscal 2026 to incorporate diverse value perceptions and new perspectives and ideas, as we progressively create environments that enable women’s participation and advancement.

Item	FY2023 results	FY2026 targets
Proportion of women among regular employees (%)	18.5	30.0
Proportion of women among managers (%)	3.7	10.0
Utilization rate of shortened working times for childcare (%)	100	100
Years of continuous service among regular employees in their 20s	Men: 2 years and 3 months Women: 2 years and 4 months	Achieve 5 years of continuous service for both men and women

Active involvement of mid-career recruits

In addition to incorporating diverse approaches and value perceptions into our businesses, we actively use mid-career recruitment to revitalize our organization.
*Proportion of mid-career recruits among regularly employed workers (date of announcement: June 1, 2024)
FY2021: 69%; FY2022: 62%; FY2023: 68%

Diverse working styles

We endeavor to improve and strengthen labor management to create workplaces where our employees can work with a sense of fulfillment. In addition to the introduction of flexible work systems such as flextime and teleworking, we will strive to create work-friendly workplace environments through measures such as the promotion of childcare leave for male employees and support for balancing work and childcare or nursing care.

Improving engagement

In fiscal 2023, we began conducting engagement surveys and launched activities to obtain honest feedback from employees on issues such as fulfillment through work and interpersonal relationships, using this feedback to strengthen the organization and improve workplaces.
Using the results of the surveys conducted, we will engage in making a range of improvements. This includes revising operational processes and other aspects of our businesses based on the issues highlighted in the free comments section, to enable our employees to demonstrate higher levels of performance.

Promotion of diversity

Reemployment (commission) system for retirees

In this era of the 100-year lifespan, amid the aging of society, we have adopted a reemployment system for retired employees to solve the issue of finding a job after the statutory retirement age of 60 as well as utilizing these human resources. Some Group companies have established a retirement age of 65, and we also have a framework in place to enable employees to pursue a second career, with full consideration for their personal preferences and state of health. We will continue to promote the reemployment of retired employees to make full use of their experience and abilities to guide and develop younger employees and to pass on their skills.

Promoting women’s participation and advancement

We have established an action plan for women’s participation and advancement based on the Act on the Promotion of Women’s Active Engagement in Professional Life. In addition to expanding our recruitment of (mid-career) female sales personnel, we enable women to play active roles across a full range of fields such as home sales, design, interior coordination, construction management, and after-sales maintenance, including at Group companies.



Employment of persons with disabilities

We aim for the further employment and retention of persons with disabilities to enable them to live independent lives, regardless of their handicap. We actively engage in considering duties suited to the characteristics of each of our disabled employees and building a framework to follow up on employee retention. Moreover, by accepting interns from local special-needs schools, we work to create employment.

Internal awards and rewards programs

We operate internal awards and rewards programs such as the NAC Ace Club, which recognizes employees who have cleared stringent sales results criteria as aces, incentive travel rewards in each business division, and the Long-term Service Awards presented to employees who have contributed to the NAC Group for many years in gratitude for their achievement of continuous service. Through the establishment of internal awards and rewards programs such as these, we are striving to revitalize the organization and enhance employees’ motivation in their work.



Respect for human rights

We provide training through e-learning and hold meetings of the Compliance Committee to prevent improper conduct (legal and regulatory violations, abuse of authority, sexual harassment, etc.).
We have also established a consultation point (the NAC Hotline) in coordination with an external law firm and we aim to build an environment that makes it easy to seek consultation.

Together with our customers

Donations using points

In the Duskin business, we make donations to the Japanese Red Cross Society and UNICEF using NAC Green Points, which are awarded to customers when they rent Duskin products for household use. Customers can request donations of a single unit of 1,000 points (¥500) or more, which NAC will match point-for-point, doubling the amount donated. By providing services to assist in creating safe, convenient, and clean-living environments, and through our donations using points, we are contributing to the creation of a prosperous society together with our customers.
In addition, CreCla, which aims for a world where all people can use clean water and hygiene, supports the efforts of WaterAid, an

international NGO engaged in various aid activities around the world. It has continued to donate to WaterAid since 2016. Through CreCla points, we put the patronage of our customers to a broad range of uses around the world, including the supply of safe water and the widespread availability of toilets.

Participation in government-industry collaboration projects

In the Duskin business, we participate in the National Movement to Support Children’s Futures, to which we donate part of the revenue from sales of eligible Duskin kitchen sponges. The Children’s Future Support Fund helps support groups across Japan, such as groups that provide learning aids, children’s cafeterias, and childcare facilities.

Supporting sports

Sponsoring athletes as a company that supports life

At NAC, we have signed sponsorship agreements with athletes including racing driver Takuma Sato, who grew up in Machida, Tokyo, where NAC was founded, the junior snowboarders Uta Yanagihara and Link Yanagihara, who used CreCla water at home.

In the CreCla Business, we have also signed a sponsorship agreement with the e-sports team YOSHIMOTO Gaming, operated by Yoshimoto Kogyo Co., Ltd. We hold a variety of events and pursue initiatives to raise health consciousness, not only among team members but also many customers.

Together with local communities

Plant tours and collaboration with government

In the CreCla Business, we hold plant tours for local residents, as well as children at local nursery schools and elementary schools, as part of our social contribution. In these combined tours, the largest in the water delivery industry, participants can also learn about the state of water around the world and the history of water. Through the cooperation of the local governments of Machida, Tokyo, where NAC was founded, and Honjo, Saitama, where the CreCla Head Office is located, we coordinate with the plant tours of other companies in the city to utilize the CreCla Museum as a new tourism resource.

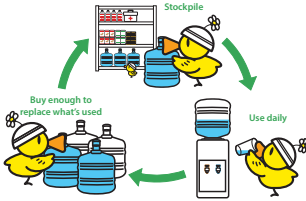


To achieve regional revitalization

By providing services that guarantee healthy and comfortable living over a long period, we support the creation of homes where homebuyers can live long-term with a sense of security. We aim to achieve regional revitalization by supporting builders and construction firms with close ties to the local region to bring about the development of local communities and the activation of the local housing industry.

Disaster prevention and rolling stockpile awareness activities

In the wake of disasters such as the Great East Japan Earthquake of 2011, the Kumamoto Earthquake of 2016, and the Noto Peninsula Earthquake of January 2024, our CreCla Business was among the first to enter the affected area, delivering water to shelters and engaging in a range of other support activities. We have signed agreements on the provision of disaster relief supplies with nine municipalities across Japan, and we have a framework in place to provide the maximum assistance at times of disaster.
We also actively engage in awareness activities to promote rolling stockpiles. A rolling stockpile is a stockpile that is used and added to on a rolling basis. A constant stockpile of three 12L CreCla bottles represents enough water to support a family of four for three days. Since 2017, we have participated in the tenki.jp bousai knowledge Project, promoted by the Japan Weather Association, to encourage greater disaster prevention awareness, primarily focusing on awareness activities to promote rolling stockpiles.





Governance

At NAC, we believe that stronger corporate governance is crucial for the sustainable enhancement of corporate value. To this end, we have adopted a management structure that enables swift decision-making adapted to changes in the business environment. We also strive to ensure the transparency and soundness of management through prompt and appropriate disclosure.

Basic approach

We believe that retaining the trust of our shareholders, customers, trading partners, and various other stakeholders will enable us to achieve sustainable corporate growth and medium- and long-term corporate value enhancement. We therefore recognize the importance of establishing corporate governance based on the principles of Japan's Corporate Governance Code. Based on this recognition, we have built a structure for decision-making and business execution that can swiftly adapt to changes in the business environment and strive to strengthen compliance.

Overview of the corporate governance structure (as of June 27, 2024)

Legal structure	Company with Audit & Supervisory Board Members	Non-statutory committee	Established
Directors	8 (including 3 independent outside Directors)	Nomination and Remuneration Advisory Committee Members	5 (including 5 independent Officers)
Chair of the Board of Directors	Kan Yoshimura (President)	Chair	Yuko Nakahata (independent outside Director)
Audit & Supervisory Board Members	3 (including 2 independent outside Audit & Supervisory Board Members)	Executive officer system	Adopted
Term of office of Directors under the Articles of Incorporation	2 years	Number of Executive Officers	8

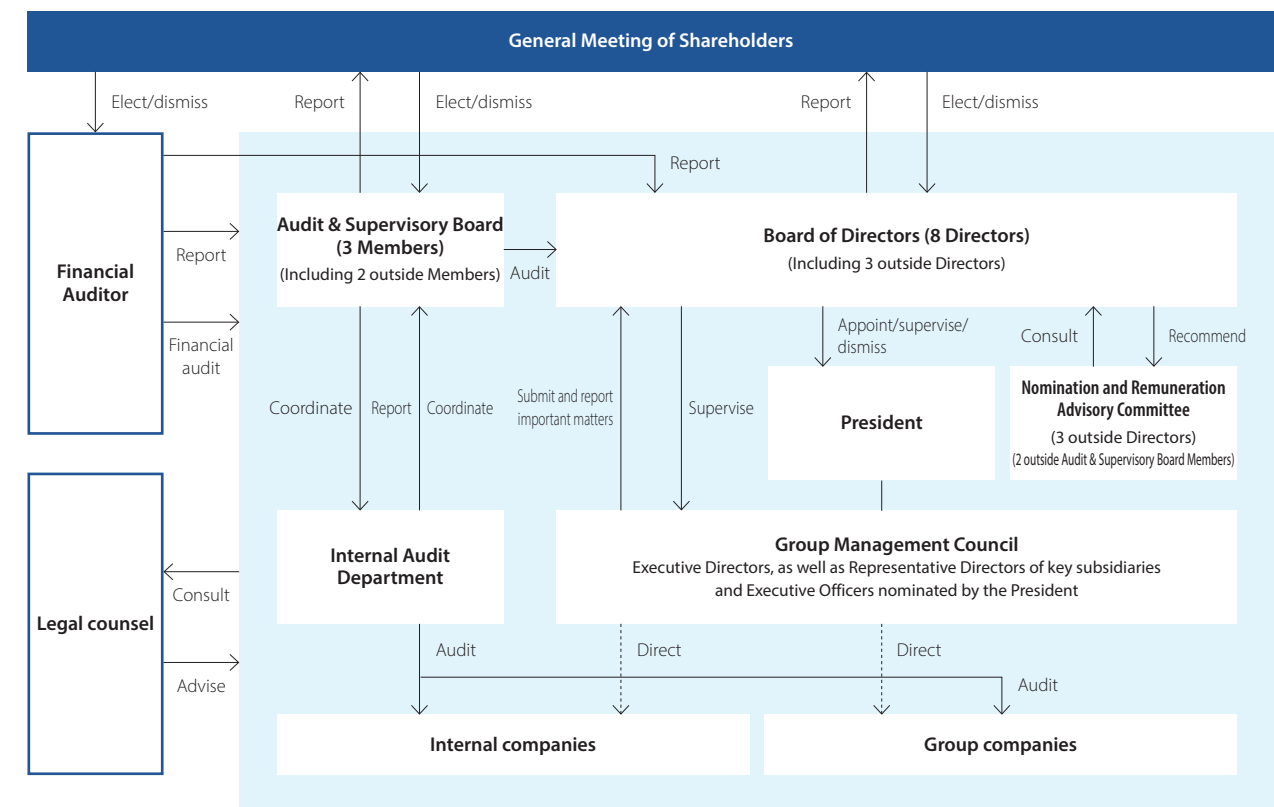
Progress towards stronger governance

	Board of Directors*		Internal Directors	Outside Directors	Internal Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	Non-statutory committee
	Number of Directors	Proportion of outside Directors			Number of Members	Proportion of outside Members	
2017	7	28%		Internal: 5; outside: 2	4	75%	Internal: 1; outside: 3
2018	7	28%		Internal: 5; outside: 2	3	66%	Internal: 1; outside: 2
2019	6	16%		Internal: 5; outside: 1	3	66%	Internal: 1; outside: 2
2020	8	37%		Internal: 5; outside: 3	3	66%	Internal: 1; outside: 2
2021	8	37%		Internal: 5; outside: 3	4	75%	Internal: 1; outside: 3
2022	9	44%		Internal: 5; outside: 4	4	75%	Internal: 1; outside: 3
2023	9	44%		Internal: 5; outside: 4	3	66%	Internal: 1; outside: 2
2024	8	37%		Internal: 5; outside: 3	3	66%	Internal: 1; outside: 2

*Numbers and proportions after the General Meeting of Shareholders

The Nomination and Remuneration Advisory Committee was established in April 2021

Governance structure (as of June 27, 2024)



Overview and composition of boards and committees (fiscal year ended March 31, 2024 (FY2023))

Name	Outside Directors	Role, structure, and initiatives
1 Board of Directors Number of meetings held in FY2023: 16	Women: 1 Outside Directors: 3/8	<ul style="list-style-type: none"> Resolutions (50): matters related to the General Meeting of Shareholders, budgets and business plans, HR and organization, settlement of accounts, shares, funds, officers' remuneration, etc. Reports (54): monthly consolidated financial results, status of progress on M&A projects, status of progress on investments, matters related to sustainability and ESG, effectiveness of the Board of Directors, litigation, etc. Deliberations (7): earnings forecast, structure of the internal company system, etc.
2 Audit & Supervisory Board Number of meetings held in FY2023: 12	Outside Directors: 2/3	<ul style="list-style-type: none"> Status of establishment and operation of the Group's corporate governance and internal control system, establishment of audit policy and audit plans and division of duties, etc., assessment of audits by the Financial Auditor, etc.
3 Nomination and Remuneration Advisory Committee Number of meetings held in FY2023: 6	Women: 1 Outside Directors: 5/5	<ul style="list-style-type: none"> Proposals to the General Meeting of Shareholders regarding the appointment and dismissal of Directors Proposals for promotions and demotions relating to the position of Executive Officer, for Directors concurrently serving as Executive Officers Matters deemed necessary by the Nomination and Remuneration Advisory Committee relating to the selection of Director candidates and the dismissal of Directors Decision policy and content of remuneration for individual Directors and important employees Matters deemed necessary by the Nomination and Remuneration Advisory Committee relating to remuneration for Directors and important employees

Procedures for appointing and dismissing Directors

At NAC, our policy is to nominate candidates for the positions of Director and Audit & Supervisory Board Member who possess the will and ability to achieve NAC's sustainable growth and medium- and long-term corporate value enhancement based on an understanding of its management philosophy and business strategy, and who will be able to fulfill their duties and responsibilities. This judgment is made upon consideration of candidates' individual characters, knowledge, and other qualities, regardless of their gender, age, or nationality. The Nomination and Remuneration Advisory Committee, which is mainly composed of independent outside Directors, deliberates on suitable candidates, who are appointed or nominated by the Board of Directors. Executive Officers and other senior managers are appointed by the Board of Directors upon proposals from the President based on the policy outlined above, after prior assessment, interviews, etc.

The Board of Directors resolves on the appointment and dismissal of Directors and the nomination of Director candidates after deliberation by the Nomination and Remuneration Advisory Committee, which is mainly composed of independent outside Directors, upon proposals from the President based on the policy outlined above, after prior assessment, interviews, etc. Directors are elected by the General Meeting of Shareholders. At NAC, we have established independence criteria for outside Directors. Only persons who satisfy these criteria are nominated for the position of outside Director. The President makes proposals on the appointment and dismissal of Audit & Supervisory Board Members and the nomination of Audit & Supervisory Board Member candidates based on the policy outlined above, after prior assessment, interviews, etc. The Audit & Supervisory Board Members are nominated by the Board of Directors, with the consent of the Audit & Supervisory Board, and elected by the General Meeting of Shareholders.

Reasons for election of outside Directors (as of June 27, 2024)

Kenichi Miyajima	Number of shares owned	—	Reason for election Kenichi Miyajima was elected as outside Director because we judged that he will be able to contribute outside Director because it has judged that he will be able to contribute to strengthening the Company's business promotion and implementing the capital and business alliance with Duskin Co., Ltd. using the perspective of an outside Director because he has experience as an officer of Duskin Co., Ltd. and he has a wide range of insight into overall management.
	Tenure as Director	3 years	
	Attendance at Board of Directors meetings	16/16	
Yuko Nakahata	Number of shares owned	—	Reason for election Ms. Yuko Nakahata has abundant experience and broad knowledge as a President and Representative Director and outside Director of multiple companies. The Company requests the election of Ms. Nakahata as an outside Director because it judged that her external perspectives based on her high level of expertise and abundant experience will benefit efforts to enhance the Company's management structure and to secure the diversity of the Board of Directors.
	Tenure as Director	3 years	
	Attendance at Board of Directors meetings	16/16	
Mami Yamashita	Number of shares owned	—	Reason for election Ms. Mami Yamashita has abundant experience and broad knowledge as an outside Director in addition to her experience in corporate management. The Company requests the election of Ms. Yamashita as an outside Director because she is well versed in the promotion of women's participation and advancement, and it judged that her external perspectives based on her high level of expertise and abundant experience will benefit efforts to enhance the Company's management structure and to secure the diversity of the Board of Directors with regard to the social issues the Company is addressing.
	Tenure as Director	New election	
	Attendance at Board of Directors meetings	—	

Evaluation of the effectiveness of the Board of Directors

We analyzed and evaluated the effectiveness of the Board of Directors in the 53rd fiscal year by carrying out a questionnaire-based survey of all Directors and Audit & Supervisory Board Members regarding issues such as the composition, operation, and governance of the Board of Directors as well as self-evaluation by officers.

<Overview of the results of the evaluation of effectiveness of the Board of Directors>

- In the overall evaluation of the effectiveness of the Board of Directors in the 53rd fiscal year, there was an increase in positive responses and a decrease in responses demanding improvements. As in the previous fiscal year, respondents evaluated the performance of the roles and duties of the Board of Directors as effective.
- On the other hand, some respondents indicated the need for improvements in matters relating to the composition, operation, and governance of the Board of Directors. We will proceed to make improvements through more thorough and extensive deliberation and discussion by the Board of Directors on these matters.
- We will also consider the implementation of questionnaire-based surveys by a third party to increase transparency and effectiveness, as we strive to further enhance the effectiveness of the Board of Directors.

Officers' remuneration

Total remuneration for Directors and Audit & Supervisory Board Members

Position	Total remuneration (million yen)	Total remuneration by type (million yen)			Number of recipients
		Fixed remuneration	Officers' bonuses	Restricted stock remuneration	
Directors (excluding outside Directors)	152	122	—	29	5
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	9	9	—	—	2
Outside Directors	18	18	—	—	4
Outside Audit & Supervisory Board Members	6	6	—	—	3

Matters related to resolutions of the General Meeting of Shareholders regarding remuneration for Directors and Audit & Supervisory Board Members

- i) Remuneration for Directors not exceeding ¥400 million per year was approved by resolution of the 36th Annual General Meeting of Shareholders held on June 24, 2007. There were 12 Directors in office at the conclusion of that General Meeting of Shareholders.
- ii) Remuneration for Audit & Supervisory Board Members not exceeding ¥2 million per month was approved by resolution of the 19th Annual General Meeting of Shareholders held on June 25, 1990. There was one Audit & Supervisory Board Member in office at the conclusion of that General Meeting of Shareholders.
- iii) The introduction of restricted stock remuneration for Directors (excluding outside Directors) not exceeding ¥30 million (or 91,200 shares) per year was approved by resolution of the 50th Annual General Meeting of Shareholders held on June 29, 2021. There were five Directors in office at the conclusion of that General Meeting of Shareholders.

Matters related to decision policy on the details of remuneration for individual Directors

At NAC, remuneration for Directors is composed of fixed remuneration and performance-linked remuneration. Our policy is to determine remuneration based on factors such as business performance and individual contribution to business performance. The specific amounts of remuneration for each individual Director for the fiscal year ended March 31, 2024, are within the overall compensation limit approved by resolution of the General Meeting of Shareholders and have been decided by the Board of Directors after deliberation by the Nomination and Remuneration Advisory Committee, which is mainly composed of independent outside Directors.

Composition of remuneration for Directors

i) Fixed remuneration

Our basic policy for fixed remuneration is to evaluate Directors' degree of contribution, abilities, and qualities and to reflect these in remuneration within the limits approved by the resolution of the General Meeting of Shareholders. We have also established an evaluation system for Directors to ensure their effectiveness, as well as establishing the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors to ensure the objectivity and transparency of decisions on each Director's remuneration.

ii) Restricted stock remuneration

Restricted stock remuneration for Directors (excluding outside Directors) not exceeding ¥30 million per year was approved by resolution of the 50th Annual General Meeting of Shareholders held on June 29, 2021, and introduced the same year, to provide an incentive for Directors to sustainably enhance corporate value and promote further value sharing with shareholders. Shares of restricted stock are granted to Directors by the payment date, based on an allotment resolution by the Board of Directors adopted after deliberation by the Nomination and Remuneration Advisory Committee, which is mainly composed of independent outside Directors. The restriction period begins on the payment date of monetary remuneration claims and ends on the date when the relevant Director retires from the positions of both Director and Executive Officer of the Company. The total amount of restricted stock remuneration granted during the fiscal year ended March 31, 2024, was ¥29 million.

Matters related to delegation of decisions on remuneration for individual Directors

Of remuneration for Directors (excluding outside Directors), the total amount of fixed remuneration (annual remuneration) for each fiscal year is decided by the Board of Directors within the limits approved by resolution of the General Meeting of Shareholders. Decisions on the details of remuneration for individual Directors are delegated to President Kan Yoshimura by resolution of the Board of Directors, as we believe it is appropriate for the President to make these decisions taking into account companywide business performance and the execution of duties by each Director. The delegated authority is limited to decisions on the amounts of fixed remuneration (annual remuneration) for each individual, within the limits approved by the General Meeting of Shareholders. To ensure the appropriate exercise of this authority, the Board of Directors has established internal regulations regarding remuneration based on deliberations by the Nomination and Remuneration Advisory Committee, which is mainly composed of independent outside Directors. In addition, the delegation of authority is conditional on deliberation by the Nomination and Remuneration Advisory Committee, with maximum regard taken for the content of this deliberation, prior to any decision being made regarding the details of remuneration for individual Directors based on the authority delegated. The Board of Directors believes that the details of remuneration for individual Directors are in line with the policy on the details of officers' remuneration, outlined above, as they are decided through these procedures. Remuneration for Audit & Supervisory Board Members is determined through discussion between Audit & Supervisory Board Members.

Compliance and risk management

Basic principles and policies

At the NAC Group, we declare that we will be a company that can contribute to society through activities that emphasize legal and regulatory compliance, ethics as a company and a member of society, and social norms.

Specific action guidelines

- ① **Appropriate disclosure of management information**
We strive to appropriately disclose management information to shareholders and investors and engage in highly transparent management.
- ② **Adherence to agreements**
We make and adhere to fair agreements with our trading partners.
- ③ **Legal and appropriate transactions with trading partners**
We promote fair trading and never engage in acts that may result in legal or regulatory violations. We refuse any invitations to participate in improper or illegal behavior by our trading partners.
- ④ **Appropriate management of confidential and personal information**
We appropriately manage our own confidential information and confidential information legally obtained from other companies (including personal information) in accordance with laws, regulations, and internal rules.
- ⑤ **Prohibition of insider trading**
If, in the course of business, we are privy to material information regarding NAC, its associates or trading partners, we never engage in insider trading or any behavior or actions that may give rise to the suspicion of insider trading until that information is officially announced.
- ⑥ **Appropriate use of information systems**
We only use corporate information systems in the course of business and never for personal purposes.
- ⑦ **Eradication of relationships with antisocial forces**
We do not maintain any relationship with antisocial forces or participate in any antisocial transactions (such as the activities of so-called corporate racketeers or others who similarly seek to illegally extort profits from companies) whatsoever.
- ⑧ **Rigorous distinction between corporate and personal interests**
We observe a rigorous distinction between our personal interests and those of NAC, honestly fulfilling our duties.
- ⑨ **Building safe and work-friendly workplaces**
We comply with the laws, regulations, and internal rules relating to safety and health. We will maintain workplace environments that ensure the safety and health of employees.
- ⑩ **Respect for human rights**
We respect human rights and never engage in any form of discrimination or harassment based on nationality, race, gender, age, belief, social status, disability, etc.

Risk management structure

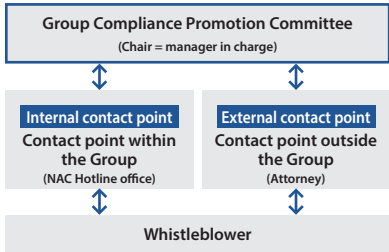
Establishment of the Compliance Committee

At the NAC Group, we have established the Group Compliance Promotion Committee, which oversees compliance in the Group, to recognize and respond to risks that would seriously impact Group management and promote a compliance structure for the thorough adherence to laws, regulations, and corporate ethics.

Whistleblowing system

We operate the NAC Hotline system based on our Group-wide internal reporting rules.

By handling information provided through reports and consultations relating to actions that violate laws, regulations, social norms, or internal rules, and other compliance issues, the NAC Hotline system is aimed not only at preventing and mitigating risk but also at improving through the autonomous cleansing effect on the organization.



Risk management

We have established the Risk Management Regulations for the NAC Group to provide an integrated overview of various risks and to enable us to identify and prevent risks.

When risks emerge, we aim to protect the Group's corporate value by responding swiftly and accurately to keep damage to a minimum, as well as preventing reoccurrence.

(3) A framework is in place to enable the officer to exchange information with legal counsel regarding day-to-day legal issues and obtain advice and guidance, as appropriate, regarding all aspects of legal issues that arise on a daily basis.

(4) NAC's internal audit division conducts audits of compliance as part of its business auditing, based on the Internal Audit Regulations. It reports the results of these audits to the officer responsible for business management and recommends improvement measures or other steps as necessary.

Basic approach to the elimination of antisocial forces and the status of measures

Basic approach

Under the NAC Group Code of Conduct, we uphold the basic policy of resolutely opposing antisocial forces that threaten the safety of civil society and refusing all relations with them, thus aiming to eliminate antisocial forces.

Status of measures

Under our basic policy on internal control system, we have established the basic approach outlined above, together with the following status of measures.

- (1) We have created an environment that enables us to respond swiftly to antisocial forces in close coordination with our legal counsel and the responsible police station. We also endeavor to ascertain the latest trends relating to antisocial forces.
- (2) Our contractual documents with trading partners include clauses concerning the elimination of antisocial forces.

Basic policy on information security

NAC CO., LTD. and its corporate group (the "NAC Group") have engaged in business activities based on the concept of being a "useful company" since the time of its founding.

The information resources entrusted to us by our customers are fundamental to the performance of these business activities. We are fully aware of the need to protect these information resources from various risks.

At the NAC Group, we have established our Information Security Policy on the appropriate protection of the information resources we hold. We declare that all officers and employees will be involved in this policy and understand, support, and strictly observe it.

Information Security Policy

- 1. **Protection of information resources**
We will implement appropriate organizational, physical, human, and technological measures to ensure the confidentiality, integrity, and usability of information resources.
- 2. **Information security system**
We will establish a system to clarify responsibility and implement measures relating to information security.
- 3. **Adherence to laws, regulations, and agreements**
We will adhere to laws, standards, the requirements of our agreements with customers and trading partners, and internal rules relating to information security.

- 4. **Implementation of training**
We will provide regular training and drills relating to information security for all officers and employees of the NAC Group and endeavor to ensure their thorough understanding and implementation of the importance of information security and the appropriate handling and management of information.
- 5. **Assessment and revision**
We will implement checks of our management system and initiatives relating to information security and continually improve and revise them.
- 6. **Emergency response**
In the event of an accident relating to information security, we will respond swiftly to implement corrective measures, as well as analyze the cause of the accident and endeavor to prevent recurrence through appropriate management and other measures.

Internal control system

Basic approach and status of controls For details, see: https://www.nacoo.com/sustainability/governance/internal_control/ (in Japanese only)

Internal controls

Basic approach

At NAC, we have established our purpose to be a company that contributes to society. We practice corporate activities based on our management philosophy and in accordance with the Charter of Corporate Behavior established by KEIDANREN (Japan Business Federation).

Our basic policy on internal controls is to endeavor to attain a consensus of understanding among all NAC's officers and employees and build and operate a framework, as described below, to ensure corporate activities that conform to these standards. This includes the establishment of systems and rules to enable the verification of decision-making processes and their results.

Status of controls

Systems to ensure that the execution of duties by Directors and employees conforms to laws, regulations, and the Articles of Incorporation

- (1) We have established the Group Code of Conduct, in accordance with NAC's Corporate Philosophy, to be the behavioral standards by which Directors, Audit & Supervisory Board Members, and employees comply with laws, regulations, the Articles of Incorporation, and social norms.
- (2) The officer responsible for business management endeavors to ascertain the status of compliance and any related issues throughout the Group, including NAC, as the person in charge of compliance.

Supply chain management

Amid the increasingly global nature of corporate activities, companies have an important social responsibility to look beyond the bounds of their own organizations and aim for a sustainable society throughout supply chains.

To fulfill our social responsibilities, such as compliance with laws, regulations, and social norms, respect for human rights, and consideration for environmental conservation, we believe it is crucial to undertake activities through partnerships with our trading partners throughout our supply chains, not limited to NAC alone.

As one initiative linked to these efforts, we endorse the principles of the Declaration of Partnership Building by Council for the Promotion of Partnership Building for the Future, which featured the

participation of the Chairman of KEIDANREN (Japan Business Federation), Chairman of The Japan Chamber of Commerce and Industry, President of the Japanese Trade Union Confederation (RENGO), and relevant government ministers, and we have issued our own declaration. In this Partnership Building Declaration, we declare that we will build new partnerships by promoting collaboration, coexistence and co-prosperity with our supply chain trading partners and all enterprises aiming to create value.

We will continue to provide secure and safe services through the establishment of environmentally and socially friendly value chains, in addition to quality, and work with our partner companies to support sustainable growth for our customers.

Message from an Outside Director

The outside board directors have recently become increasingly important amid calls for stronger corporate governance. As an outside board director of NAC, I will actively provide independent counsel to fulfill my role in effective management.

Yuko Nakahata
Outside Director



Specializing in corporate management and new business development
Actively offering advice on the medium-term vision from an objective standpoint

I would like to provide a brief overview of my career background. I initially joined a company as a new graduate but later transferred to a venture enterprise focused on sales promotion through human resources. In 2002, this venture completed its initial public offering (IPO), and I was appointed as the president of a staffing and recruitment subsidiary that same year. After three years in this management position, I established my own independent company in 2005.

I had always wanted to do business on my own. Based on the insight and know-how I acquired through my corporate experience, I launched a company that provides recruitment services for the fashion industry. I went on to sell this business after five years, in 2010, to enable me to take on new challenges.

This sale was negotiated soon after I arrived in Hong Kong, planning a long visit. The deal was struck sooner than anticipated, so I stayed there. At the request of a customer I had known in my previous employment, I joined a multinational corporation that handles subsidiary materials for apparel. There, I was responsible for establishing several local subsidiaries across Southeast Asia. I was appointed Chief Administration Officer (CAO) to manage 11 group companies in Japan, Hong Kong, Singapore, Bangladesh, Indonesia, Cambodia, and China. I moved back to Japan in 2017.

Meanwhile, I served as an outside board director of the ladies' shoe retailer AMAGASA in 2018 and KOURAKUEN HOLDINGS, which operates a chain of ramen restaurants, in 2019. In 2021, I started SustainaSeed Inc., a startup with a mission to improve sustainability.

I was appointed outside board director of NAC in June 2021 and have chaired the Nomination and Remuneration Advisory Committee since June 2024.

Given my background in business strategy, marketing, ESG, international experience, and cross-industry insight, my areas of expertise

are corporate management and new business development. I think that members of NAC's senior management expect me to leverage this expertise to actively express my views on the medium—and long-term management vision from the objective standpoint of an outside board director.

Vibrant, open, and egalitarian discussion at meetings of the Board of Directors
Actively offering business advice and governance.

Japan's Corporate Governance Code was established by the Financial Services Agency and the Tokyo Stock Exchange in June 2015. The code's content was revised in June 2021, requiring an even higher level of corporate governance from companies listed on the Prime Market.

With the establishment and revision of the code, some things previously regarded as acceptable became unsuitable in general. I imagine many listed companies were forced to respond amid doubt and confusion. In some cases, companies — especially those with long histories — no doubt had to renounce customs practiced over many years. Promoting the transformation of corporate governance is not always an easy task. This difficulty only shows the strong will with which NAC's management team has engaged in addressing this critical issue and why they have sought my views as somebody from a different business culture.

The great strength of NAC's governance lies in the function of Board of Directors meetings, which provide a forum for open and egalitarian discussions. I try to be careful how I phrase my advice, partly because of my long experience overseas, but I express directly what I need to bring on board.

Nonetheless, as an outsider from a different industry, I initially hesitated to contribute my views to the Board of Directors' discussions. I used to begin every comment with "I am afraid to say, but I need to..." I was told, "No worries about what you say because you are

doing your task well and coming to advise us. "Those words released me, and I should express my professional advice without reservation. Since then, I have been forthright in presenting my honest views.

I also comment on topics about the various businesses NAC pursues. Because of my entrepreneurial background, I am interested in multiple aspects, such as marketing and cost control. I can sometimes introduce companies that could generate synergies with NAC through my interactions with various startups.

One example was a startup company operating display homes in the metaverse (virtual space). I suggested that NAC may try using this startup's products, but the two companies agreed on more than product use and on a capital alliance. It's not easy for micro-sized or mid-level construction firms to exhibit their displays. The use of the metaverse lowers this hurdle having the displays. The Construction Consulting Business was, therefore, able to collaborate with this startup by developing virtual display homes for the free D-mot service it provides to construction firms.

Outside Board Directors revitalizes Board of Directors meetings further.
Proactive engagement in NAC's activities

I aim to contribute to further revitalizing Board of Directors meetings as forums for discussion. Of course, expanding business performance in the current fiscal year is a significant and immediate theme. However, the business will continue beyond the immediate future, and our objective standpoint as outside Directors means that we are expected to provide frank views from a medium — and long-term perspective as well. I hope to constantly participate in discussions at meetings of the Board of Directors to improve NAC.

Likewise, at meetings of the Nomination and Remuneration Advisory Committee, which I chair, it has been suggested that we prohibit negative comments to enable us to develop more forward-looking discussions. We have reached a common understanding that, in addition to its role as an advisory body, the Nomination and Remuneration Advisory Committee should also provide recommendations on matters that the Directors should engage in to enhance their effectiveness.

I am also actively involved in NAC's activities through other forums besides the Board of Directors and the Nomination and Remuneration Advisory Committee. In 2023, I served as a judge in NAC's annual new business contest, although, as an outside Director, I cannot be directly involved in executing these businesses. I listened with great curiosity to the business ideas proposed by NAC's employees, as I am the founding manager of a startup business. I examined aspects of each business, such as its viability, potential, and affinity with NAC as a company, and then gave advice based on my observations.

I also participated as an observer in NAC's internally launched Sustainability Proceed Project and actively proposed sustainability strategies for each business. For some time, NAC has recycled damaged or otherwise unusable water bottles into stationary and other items for children in its CreCla water delivery business.

Environmental awareness has been rising recently around the startups I am involved with, especially among the younger generation. More people carry their drink bottles rather than buying water commercially packaged in PET bottles. I presented this example to the Board of Directors and proposed reprocessing CreCla bottles into water bottles for reuse. President Yoshimura told me at the next Board of Directors meeting, "At once, we made water bottles!" I was impressed by NAC's speed of action in response.

The importance of the Mid-term Management Plan is a diligent review.
Growing NAC's fanbase can enhance corporate value.

All mid-term management plans have a starting point from which we endeavor to achieve the plan's targets. Plans are established for the medium term, beginning from this starting point. In this era of VUCA, differences in the business environment between the starting point and the present can make quantitative targets unrealistic given present conditions.




In these cases, I believe that medium-term targets should be flexibly revised based on the circumstances. It would be more appropriate if businesses could renew their medium-term targets at the start of each new fiscal year, with that fiscal year as the starting point.

Diligent reviews would be essential to do this. It would be vital to conduct a meticulous internal examination of the plans that succeeded and those the business failed to achieve, highlighting areas for improvement, requiring new efforts, and swiftly implementing detailed and accurate revisions.

Besides simply growing sales and profits, other approaches indirectly increase corporate value, such as sustainability initiatives. One of these is a flexible approach to maintaining close relationships with employees—valuable human capital—and creating work-friendly environments that facilitate the growth of personal capabilities.

Meanwhile, despite widespread recognition of product brand names operated by NAC, I still feel that the company name has not fully penetrated the public consciousness. I have actively proposed mechanisms to enhance public recognition of the "NAC" company name. I think that grassroots activities such as these will facilitate a more detailed understanding of this company. Encouraging more people to be NAC fans will also enhance its corporate value. Communicating the appeal of NAC's future through its long-term management plan is critical to improving corporate value.







Directors and Audit & Supervisory Board Members (Tenure is as of June 27, 2024; meeting attendance is for the fiscal year ended March 31, 2024)

					
Position	President	Director Representative of CreCla Business Company	Director Representative of Rental Business Company	Director Representative of Construction Consulting Company	Director General Manager of Duskin Business Division, Rental Business Company
Name	Kan Yoshimura	Hironari Kawakami	Kazuyoshi Wakimoto	Naoki Oba	Jo Shimauchi
Date of birth	May 8, 1961	October 28, 1965	July 12, 1961	September 15, 1969	December 31, 1963
Tenure	19 years	10 years	8 years	3 years	New election
Number of shares owned	140,917	83,346	43,926	51,670	22,574
Attendance at Board of Directors meetings	16/16	16/16	16/16	16/16	—
Nomination and Remuneration Advisory Committee	—	—	—	—	—
Attendance at Nomination and Remuneration Advisory Committee meetings	—	—	—	—	—

Fields of specialized experience and expected contribution

Business strategy and marketing	●		●	●	●
Finance, accounting and M&A		●			
Legal affairs and risk management	●	●		●	
SDGs/ESG	●	●	●	●	●
International experience		●			
Cross-industry insight	●		●	●	●

*Up to four fields are shown for each person, where they are expected to make an especially significant contribution. The table above does not represent all of the insight and experience possessed by each person.

						
Position	Outside Director	Outside Director	Outside Director	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Name	Kenichi Miyajima Outside Independent	Yuko Nakahata Outside Independent	Mami Yamashita Outside Independent	Masahiro Uruma	Toru Owada Outside Independent	Hiromune Matsuo Outside Independent
Date of birth	March 16, 1955	September 22, 1973	May 23, 1978	April 2, 1964	March 8, 1974	June 20, 1980
Tenure	3 years	3 years	New election	1 year	6 years	1 year
Number of shares owned	—	—	—	1,192	—	—
Attendance at Board of Directors meetings	16/16	16/16	—	13/13	16/16	13/13
Nomination and Remuneration Advisory Committee	●	● (Chair)	●	—	●	●
Attendance at Nomination and Remuneration Advisory Committee meetings	6/6	6/6	—	—	6/6	4/4

Fields of specialized experience and expected contribution

Business strategy and marketing	●	●	●			
Finance, accounting and M&A				●	●	●
Legal affairs and risk management	●			●		●
SDGs/ESG		●	●			
International experience	●	●	●			
Cross-industry insight	●	●	●		●	●

Financial and Non-financial Highlights

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Financial Highlights										
Profit and loss (Unit: million yen)										
Net sales	85,443	80,302	85,901	89,818	89,111	88,222	55,513	54,924	57,068	54,433
Operating income	1,517	701	756	1,637	2,037	2,118	2,782	2,760	3,232	2,298
Ordinary income	1,481	795	793	1,574	2,081	2,098	2,683	2,792	3,243	2,390
Profit attributable to owners of parent	519	252	415	(994)	798	514	1,837	1,708	2,002	1,436
Financial position (Unit: million yen)										
Net assets	16,132	15,831	15,506	14,114	20,161	19,808	21,355	22,138	23,204	22,715
Total assets	39,862	41,694	43,379	42,115	49,626	46,433	40,847	39,724	38,735	37,615
Equity	16,132	15,831	15,506	14,114	20,161	19,757	21,298	22,063	23,204	22,715
Cash flows (Unit: million yen)										
Cash flow from operating activities	(1,537)	2,653	3,473	1,152	(2,200)	2,488	6,454	2,847	1,709	(10)
Cash flow from investing activities	(4,086)	(205)	(2,657)	(905)	(835)	(1,706)	(1,448)	(1,107)	(361)	(1,097)
Cash flow from financing activities	3,727	1,424	(1,732)	(473)	4,941	(857)	54	(3,743)	(2,555)	(1,914)
Ending balances of cash and cash equivalents	4,474	8,346	7,430	7,261	9,167	9,115	14,188	12,187	11,029	8,056
Per-share information (Unit: yen)*1										
Net assets per share	961.22	934.95	923.41	839.28	899.84	881.83	950.59	983.20	1,032.62	527.92
Earnings per share (EPS)	31.09	14.99	24.65	(59.15)	40.32	22.94	82.02	76.17	89.14	33.22
Annual dividends per share	38.00	38.00	27.00	18.00	34.00	22.00	44.00	38.00	40.00	21.00
Net income per share	31.09	14.99	24.65	(59.15)	40.32	22.94	82.02	76.17	89.14	33.22
Financial indicators (Unit: %)										
Return on equity (ROE)*2	—	—	—	(6.7)	4.7	2.6	9.0	7.9	8.8	6.1
Return on assets (ROA)	1.3	0.6	1.0	(2.4)	1.6	1.1	4.5	4.3	5.2	3.8
Equity-to-asset ratio	40.5	38.0	35.8	33.5	40.6	42.6	52.1	55.5	59.9	60.4
Dividend payout ratio	30.1	65.5	43.6	22.7	57.6	29.1	137.8	74.8	69.4	63.2
Dividend yield*3	3.7	4.4	2.8	1.9	3.4	2.8	4.6	4.0	4.2	3.9
Non-financial Highlights										
Human resources data										
Number of employees	2,103	2,100	2,174	2,169	2,174	2,237	1,583	1,633	1,591	1,636
Proportion of women among regular employees (%)	—	—	—	—	—	—	—	—	17.9	18.5
Proportion of women among managers (%)*4	—	—	—	—	—	—	—	—	4.9	3.7
Environmental data										
Greenhouse gas emissions (Scope 1 + Scope 2) (kt)	—	—	—	—	—	—	—	—	8.78	7.91
Greenhouse gas emissions (Scope 3) (kt)	—	—	—	—	—	—	—	—	191.36	79.56

*1 NAC conducted a stock split on February 1, 2024
*2 Disclosed from the fiscal year ended March 31, 2018
*3 Calculated based on the closing price at the end of each fiscal year
*4 Non-consolidated basis

Company Profile (as of March 31, 2024)

Trade name	NAC CO., LTD
Date of incorporation:	May 20, 1971
Representative:	Kan Yoshimura, President
Head Office address:	Shinjuku Center Building 42F, 1-25-1 Nishi-Shin-juku, Shinjuku-ku, Tokyo 163-0675 TEL: +81-3-3346-2111 FAX: +81-3-3348-4311

Group Companies

CreCla Business

CreCla Nagasaki Co., Ltd.

Main business:

Sale of CreCla delivered water

Address:

20-17 Oroshihonmachi, Sasebo City, Nagasaki

Rental Business

Earnest Co., Ltd.

Main business:

Building maintenance

Address:

2-21-4 Hatagaya, Shibuya-ku, Tokyo

CAN'S Co., Ltd.

Main business:

Restoration work

Address:

36-2 Kubocho, Nishi-ku, Yokohama City, Kanagawa

Construction Consulting Business

NAC Haus Partner Co., Ltd.

Main business:

Housing franchise business, sale and installation of energy-saving parts and materials

Address:

1-8-1 Shinjuku, Shinjuku-ku, Tokyo

Housing Sales Business

J-wood Co., Ltd.

Main business:

Contracted construction of custom-built houses

Address:

3-4-1 Osawa, Izumi-ku, Sendai City, Miyagi

KDI CORPORATION

KDI-HOME

Main business:

Ready-built and custom-built houses

Address:

2-7-18 Ginza, Chuo-ku, Tokyo

Nac Life Partners Co., Ltd.

Main business:

Housing loans

Address:

1-25-1 Nishi Shinjuku, Shinjuku-ku, Tokyo

Capital:	¥6,729,493,750
URL:	https://www.nacoo.com/
Listing:	Tokyo Stock Exchange (Prime Market)
Securities code:	9788
Fiscal year:	From April 1 each year to March 31 the following year
Number of employees:	1,636 (consolidated basis, excluding part-time and casual workers)
Managing underwriter:	Nomura Securities Co., Ltd.
Audit corporation:	GYOSEI & CO.

Beauty and Health Business

JIMOS Co., Ltd.

Main business:

Mail-order sale of cosmetics and health foods

Address:

2-1 Reisenmachi, Hakata-ku, Fukuoka City, Fukuoka

JIMOS TAIWAN Co., Ltd.

Main business:

Wholesale and retail sale of cosmetics

Address:

FS-connect, No. 1, Lane 147, Section 4, Zhongxiao East Road, Da'an District, Taipei City

BELAIR Co., Ltd.

Main business:

Manufacture and sale of nutritional supplements and cosmetics

Address:

2-6-1 Nishi Shinjuku, Shinjuku-ku, Tokyo

TOREMY Co., Ltd.

Main business:

Development and manufacture of cosmetics

Address:

2-15-13 Miyamachi, Fuchu City, Tokyo

UP SALE Co., Ltd.

Main business:

Mail-order sale of cosmetics, health foods and pharmaceuticals

Address:

1-8-1 Shinjuku, Shinjuku-ku, Tokyo

TOMOE Wines & Spirits Co., Ltd.

Main business:

Import and sale of foreign liquor, primarily wine

Address:

5-5-15 Kitashinagawa, Shinagawa-ku, Tokyo

Shuwa Juken Co., Ltd. (subsidiary from May 2024)

Main business:

Subcontracting and construction of new detached houses and renovation work

Address:

3-13-16 Shiroshita, Hachinohe City, Aomori

Shuwa Co., Ltd.

Main business:

Subcontracting and construction of new detached houses

Address:

3-13-16 Shiroshita, Hachinohe City, Aomori

Share Information (as of March 31, 2024)

Securities code:	9788
Listing exchange:	Tokyo Stock Exchange (Prime Market)
Listing date:	September 8, 1995
Industry:	Services
Number of shares in one trading unit:	100
Total number of authorized shares:	86,000,000
Total number of issued shares:	46,613,500 *Including treasury shares
Number of shareholders:	25,497 (up 7,525 year on year) *Excluding shareholdings in the Company's name
Fiscal year:	From April 1 each year to March 31 the following year
Annual General Meeting of Shareholders:	June each year

Record date for the receipt of year-end dividends:	March 31 each year
Record date for the receipt of interim dividends:	September 30 each year
Shareholder register administrator (and special account management institution):	Mitsubishi UFJ Trust and Banking Corporation
Contact:	1-1 Nikkocho, Fuchu City, Tokyo TEL: 0120-232-711 (toll-free within Japan) Postal address: Mitsubishi UFJ Trust and Banking Corporation Securities Agency Division P/O Box 29, Shin-Tokyo Post Office 137-8081
Method of public notice:	Public notices are provided electronically. However, if it is not possible to provide public notices electronically due to an accident or other unavoidable cause, public notices shall be published in The Nikkei newspaper (The Nihon Keizai Shimbun). URL for public notices: https://www.nacoo.com/

Shareholders		
Major shareholders (top 10)		
Name	Number of shares held	Shareholding ratio (%)
Duskin Co., Ltd.	11,738,200	27.11
YAMADA HOLDINGS CO., LTD.	4,476,200	10.34
Lemongas Co., Ltd.	4,013,400	9.27
Capital Inc.	3,529,928	8.15
NAC Employee Shareholding Association	1,569,116	3.62
The Master Trust Bank of Japan, Ltd. (trust account)	1,338,400	3.09
Brilliant Future Inc.	815,700	1.88
Excellent Shareholders Association	761,286	1.76
Fumie Nishiyama	589,372	1.36
Yoshiyuki Nishiyama	452,368	1.04

Notes: 1. Shareholding ratios have been calculated after deducting treasury shares (3,311,960 shares). Treasury shares do not include shares of NAC held by the Board Incentive Plan (BIP) Trust (272,320 shares).
2. Treasury shares have been excluded from the major shareholders, above.
3. NAC conducted a 2-for-1 common stock split on February 1, 2024.