

WHAT'S PALTAC



Contents

1 WHAT'S PALTAC

- 4 Message on the publication of the Integrated Report 2025
- 5 PALTAC MIND
- 6 PALTAC Business
- 7 PALTAC History
- 8 Our Accumulated Strengths
- 9 PALTAC in Facts and Figures

2 Value Creation Story

- 12 President's Message
- 17 Long-term Vision
- 18 Materiality (Material Issues)
- 21 Value Creation Process
- 22 Medium-term Management Plan PALTAC VISION 2027

3 Realizing Value Creation

- 25 Retail
- 30 Global
- 33 Logistics

4 Value Creation Foundation

- 40 DX Strategy
- 44 Sustainability Management
- 45 Human Capital
- 50 Environment
- 56 Corporate Governance
- 64 Compliance
- 65 Respect for Human Rights
- 65 Safety Measures
- 66 Disaster Countermeasures
- 66 Quality Management

5 Corporate Data

- 68 Financial Highlights (Eleven-Years)
- 69 ESG Highlights (Three-Years)
- 70 Stock Information
- 71 Corporate Information / Editor's Notes

Editorial Policy

This integrated report is intended to intelligibly convey the "value creation" for our sustainable growth and the "strengths" for realizing our value creation for stakeholders through describing our history, corporate culture, and our approach to distribution. Also, from the point of view of improving readability, includes relevant links to additional information in the report.

Reference Guidelines

We referred to the International Integrated
Reporting Framework recommended by the IFRS
Foundation and the "Guidance for Collaborative
Value Creation" proposed by the Ministry of
Economy, Trade and Industry.

Note concerning forward-looking statements

Information in this document presented by PALTAC CORPORATION (the "Company") contains forward-looking statements regarding the Company. Other than historical facts, these forecasts and strategies prepared under certain assumptions, and such matters include certain risks and uncertainties. As such, please be forewarned that actual results may not necessarily match these forecasts due to a variety of changes in the business environment and others causes. Please also note that even in cases where it might be desirable for the forecast information to be updated or revised due to new information, future events or other items. The Company is not obliged, and does not have a policy of updating this document and information to the most recent.

WHAT'S PALTAC

WHAT'S PALTAC

- 4 Message on the Publication of the Integrated Report 2025
- 5 PALTAC MIND
- 6 PALTAC Business
- 7 PALTAC History
- 8 Our Accumulated Strengths
- 9 PALTAC in Facts and Figures



Message on the publication of the Integrated Report 2025

WHAT'S PALTAC

It is my pleasure to share our Integrated Report 2025 with you.

Since our founding in 1898, we have supported people's daily lives and grown alongside society by ensuring a stable supply of daily necessities. Throughout our 126-year history, we have expanded our business by flexibly adapting to the changing times. Today, we have built a solid management foundation as the No.1 company in our industry. However, we recognize that past success does not guarantee future growth. Japan is undergoing major structural changes, including a declining working population, increasingly diverse values, climate change, and rapid digitalization —and the distribution industry is no exception. With a strong sense of urgency that the future cannot be shaped by simply extending past practices, we renewed our management structure in 2023 and embarked on a company-wide transformation. In 2024, we formulated our first long-term vision: "Creating the future of people and society through the power of connections." We are now advancing our medium-term management plan based on this vision. On-site, small but steady efforts to create new value are beginning to take root, and signs of change are clearly emerging.

As Chairman, I believe that human capital and governance are the foundation of our transformation. Sustainable growth depends on the development of each and every employee, as well as a governance framework that enables their strengths to be fully leveraged across the organization. We have identified the creation of a corporate culture that fosters autonomy and initiative as a key priority. We are committed to cultivating a corporate culture that emphasizes autonomy and spontaneity, empowering employees to think independently, take action, and embrace challenges, all while contributing to the growth of individuals, our company, and society. The path of transformation is never easy. Yet, through continuous trial and error, we are boldly taking on challenges that break away from conventional thinking. This report shares the background of our transformation and our current initiatives, incorporating voices from employees working hard on the front lines. I am confident that creating a workplace where employees can thrive and realize their full potential will lead to sustainable growth.

In terms of governance, we appointed one additional outside director in June 2025, resulting in a board structure where outside directors now make up the majority. I feel that the quality of discussions, centered on meetings of the Board of Directors, has steadily improved, and that we are now engaging in dialogue and debate that not only considers risk and compliance, but also encourages bold initiatives at the operational level. We will continue to actively incorporate diverse perspectives, enhance the quality of our decision-making, and strive to increase our corporate value.

I hope this report deepens your understanding of our direction and value creation initiatives, and provides an opportunity for constructive dialogue with you.



Representative Director, Chairman

Seiichi Kasutani

PALTAC MIND

Our DNA

Sincerity and Honesty

Our Aim

We would like to strive to contribute to a customer's prosperity and to create a people's rich and comfortable daily lives through distribution

Our Policy

We always respect, harmony with people and act with a sense of gratitude and humility

We tenaciously, take on the challenge of transformation by leveraging creativity, breakthrough technology and rapid decision-making

We fulfill a role through forming collaboration, making correct decisions and acting responsibly

Corporate Slogan

Maximizing customer satisfaction and minimizing distribution costs



"PALTAC MIND" is our "philosophy" which is shared by every employee and the starting point of our actions to continue to provide new value as a company that supports the social infrastructure of the supply chain while keeping pace with the rapid change of society.

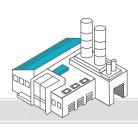
PALTAC Business

Creating people's rich and comfortable daily lives through distribution

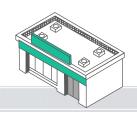
As a wholesaler handling daily necessities essential to people's lives, we at PALTAC support the "ordinary daily life" where people can obtain what they need, when they need it, and at a fair price. Delivering products in a stable and efficient manner to retailers across Japan—not only in normal times but also in emergencies—is our mission. By handling a wide variety of products and making sales proposals based on rich distribution data, we help retailers maximize their sales. At the same time, we contribute to manufacturers' logistics efficiency and cost reduction through bulk purchasing that considers loading efficiency and inventory optimization in response to demand fluctuations. We continue to pursue the optimization and streamlining of the entire supply chain, covering every process until products reach consumers.

Optimizing and streamlining the entire supply chain

WHAT'S PALTAC









Manufacturers

PALTAC

Retailers

Value provision to manufacturers

Expanding market access through a nationwide, diversified sales channel network

We leverage our nationwide distribution network, built through strong relationships with retailers, to efficiently and extensively deploy products.

For new manufacturers, this serves as a fast and effective way to access the market.

Strengthening marketing strategies through up-to-date market data

We provide up-to-date market insights, including shipment data, sales trends, and retailer feedback, to support manufacturers in improving the accuracy of their marketing strategies and product development.

Reducing logistics costs by leveraging our operational optimization expertise

We contribute to reducing logistics costs by optimizing inventory in response to demand fluctuations and improving procurement efficiency through better load utilization, while supporting the development of an efficient supply chain.

Value provision to retailers

Enhancing in-store appeal by offering a diverse range of products that meet evolving consumer needs

We enhance store appeal by offering a wide variety of products from diverse manufacturers, centered on beauty and health, to meet evolving consumer needs.

Enhancing sales strategies by harnessing a wealth of information on distribution

We provide consistent and comprehensive support to retailers in maximizing their sales by leveraging our industry-leading distribution data

From strategic sales proposals to in-store execution and post-sales analysis, we offer an endto-end solution that ensures performance improvement across every stage of the retail process.

Stable supply and cost reduction enabled by a highly efficient nationwide distribution network

We ensure stable supply and cost reduction by leveraging a highly efficient nationwide distribution network and proprietary logistics expertise, contributing to greater operational efficiency for retailers.

Supporting "ordinary daily life"

We deliver daily necessities to those who need them, when they need them, and at fair prices to support the everyday lives of consumers

WHAT'S PALTAC

Changes in net sales and operating profit since 1998,

(billions of yen)

1,200.0

Operating Profit Net Sales

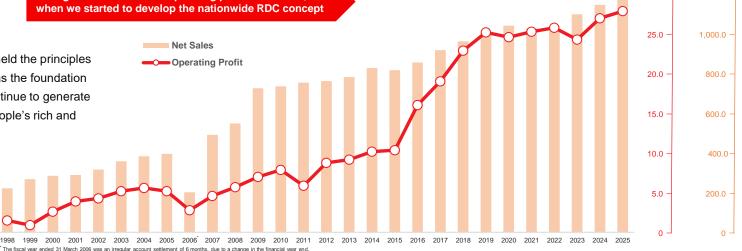
PALTAC History

Over the 126 years since our founding, we have upheld the principles of "Sincerity and Honesty" and an "Innovative Spirit" as the foundation of our activities and supply chain support. We will continue to generate new value across the entire supply chain to create people's rich and comfortable daily lives.

Please refer to our corporate website for more information on the "PALTAC History".

Our corporate website, "History" https://www.paltac.co.jp/en/corporate/history/

Our corporate website, "Integrated report back numbers" https://www.paltac.co.jp/en/ir/library/integrated_report/



Realizing Value Creation

1898 ~

Foundation The origins of "Sincerity and Honesty"

In 1898, PALTAC's history began, when Tanejiro Sumikura founded the variety store "Oboko-go Sumikura-shiten" in Osaka Senba, which handled cosmetics and daily necessities. At the time of our founding, we had a difficult start, with limited funds and inability to procure sufficient products. However, we embarked on a path of steady growth by adhering to solid management and building trust with our customers, based on our belief of "Sanyo, Saikaku, and Shimatsu".

The spirit of those days has been carried over to the present days and this has become the strength of enabling us PALTAC to create value.





"Oboko-go Sumikura-shiter

Becoming a nationwide wholesaler

In the 1950s, Japan entered an era of mass production and mass consumption against the backdrop of rapid economic growth. Additionally, the distribution industry reached a turning point of innovation. The retail industry developed significantly through chain-store operations. In response to this, we intended to integrate with other wholesalers. Since our founding, we demonstrated our capability to effectively manage costs. This also meant that we assisted other wholesalers in the same industry with improvements in stock management and delivery. These initiatives enabled us to steadily increase the number of group companies across the country, and we transformed ourselves from a traditional wholesaler to a comprehensive wholesaler of cosmetics and daily necessities

In 1951: We had changed our trade name to "Daisho Corporation" which means to sale cosmetics in Osaka



1976: Changed the tradename to Paltac Corporation. "PALTAC" stands for "Pioneers Alliance of Living-necessaries. Toiletries And Cosmetics". As well as "PAL" signifies "sameminded group" wishes our intention to strengthen the sense of solidarity among those responsible for distribution nationwide.

Optimizing and streamlining entire supply chain

In the 1990s, the economic downturn caused by the bursting of the bubble economy led to a restructuring of the wholesale industry. Against this backdrop, we accelerated the development of our group nationwide to strengthen our distribution system and achieve low-cost management.

Then in 1998, we merged with Shinwa corporation, which has strengths in logistics and IT systems. This merger resulted in the birth of the renewed Paltac, which combines the strengths of a nationwide sales network and an abundant product lineup with an excellent logistics and IT systems. From that time, we launched the "nationwide RDC concept *", which involved the nationwide deployment of large-scale distribution centers. Since then, we have continued to optimize and streamline the entire supply chain.



1998: Merged with Shinwa corporation and launched our "nationwide RDC concept"

2005 ~

To be a comprehensive wholesaler providing a full line of "Health and Beauty"

In 2005, we merged with pharmaceutical wholesaler Mediceo HD Co., Ltd. (currently MEDIPAL HD Co., Ltd.) and began handling over-the-counter (OTC) pharmaceuticals in addition to cosmetics and daily necessities. This enabled us to become a next generation distributor that provides a full line of "Health and Beauty" products. Delivering a full line of daily necessities led to the optimization of the entire supply chain, including improved convenience for retailers and increased truck loading rates.

From 2018, we have been challenging ourselves to further improve productivity by launching a distribution center equipped with cutting-edge technologies such as AI and robotics.



2005 : Business integration with Mediceo HD Co., Ltd.(currently MEDIPAL HD Co., Ltd.), a pharmaceutical wholesaler. Started handling OTC pharmaceuticals.

2023 ~

Towards new value creation

In 2023, we made our top management to the next generation. This is because we have decided that in order to achieve sustainable growth in a diverse and complex changing environment, we need to take on the challenge of corporate transformation with new ideas that are willing to be "destruction and creation".

In 2024, we developed a long-term vision looking ahead approx. 10 years and a three-years mediumterm management plan. Under the slogan of our long-term vision, "Creating the future of people and society through the power of connections", we will take on the challenge of creating new value through innovation in distribution and fulfill our aim of "Creating people's rich and comfortable daily lives through distribution"



Project members

2024 Medium-term management plan planning project

> To incorporate the thinking and opinions of frontline employees into the strategy of the new designed a growth strategy and presented it to management

^{*} RDC(Regional Distribution Center)

Our Accumulated Strengths

Logistics base

Logistics network that is capable of stable and efficient delivery covering the whole area in Japan

Main distribution centers

Industry's top share

Value Creation Story

Top sales in the industry

Net sales

WHAT'S PALTAC

Sales: **¥ 1,188.0** billion

Since our founding, we have built strong business foundations with partners based on sincerity and honesty. Today, we handle 3.5 billion products annually and play a vital role in supporting daily life as a leading company in the industry. In 1998, ahead of competitors, we began investing in nationwide, high-efficiency logistics systems, cutting-edge facilities, and the development of human capital to optimize the entire supply chain. These efforts have led to strong cost competitiveness. By accumulating logistics and operational expertise internally and

advancing human capital management, we continue to create new value.

Please refer to our corporate website for more information on the "PALTAC's Strengths". https://www.paltac.co.jp/en/business/advantage/

A wealth of information on distribution

Information on products, sales, in-store, delivery and more

Amount of information





As a leading company in intermediate distribution with the industry's top volume of products, we have built strong partnerships with retailers and manufacturers nationwide. Through these relationships, we have accumulated a diverse range of distribution data covering products, sales, store operations, and delivery.

This data is a vital asset that supports the creation of higher-value solutions aimed at optimizing the entire distribution. Looking ahead, we will further utilize this data infrastructure to develop innovative solutions that transcend traditional distribution boundaries.

Toward creating new value

Human capital

The driving force behind our continued creation of new value in distribution

A team of 200 expert professionals building distribution systems (Logistics, R&D, Information Systems, and Digital Transformation (DX))

Number of employees



Customers

Our partners who support people's rich and comfortable daily lives with us

Retailers Approx.

Manufacturers

Approx.



Approx. **50,000** stores



Consumers

Responsible for distributing products essential to people's daily lives

Yearly shipments

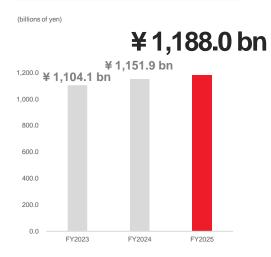
3.5 billion products 30 products per person



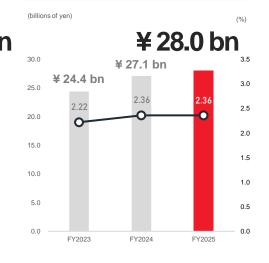
PALTAC in Facts and Figures

Financial index

Net Sales



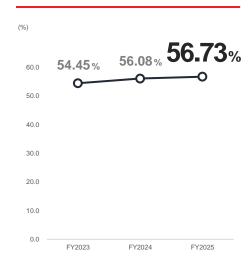
Operating Profit / OPM



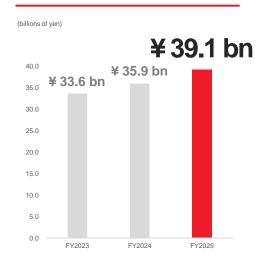
ROE



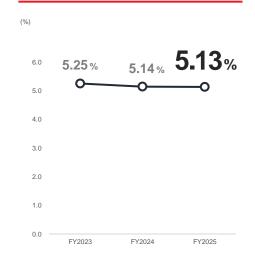
Equity ratio



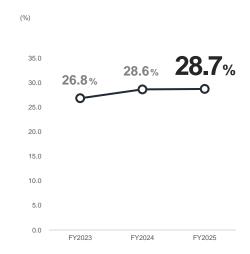
EBITDA



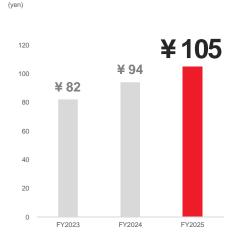
SG&A expenses ratio



Payout Ratio



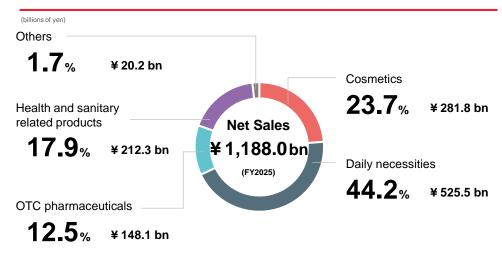
Cash dividend per share



PALTAC in Facts and Figures

Financial index

Sales composition by product category



WHAT'S PALTAC

Sales composition by customer category

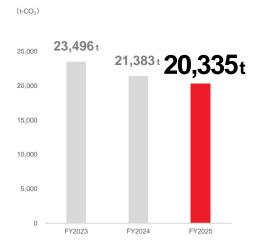


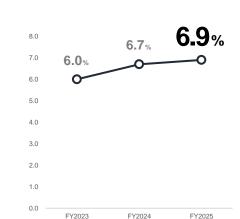
Non-Financial index

CO₂ emissions (Scope1 + 2)

Detail p.52

Percentage of female employees in management positions Detail p.47

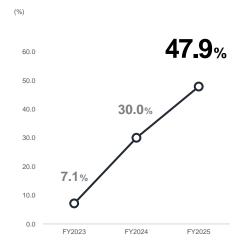


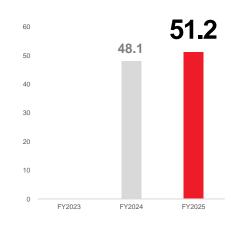


Percentage of male employees taking childcare leave

Engagement Score







^{*} Engagement score: Measured by "Motivation Cloud" service of Link and Motivation Inc.

PALTAC INTEGRATED REPORT 2025

WHAT'S PALTAC

Value Creation Story

- 12 President's Message
- 17 Long-term Vision
- 18 Materiality (Material Issues)
- 21 Value Creation Process
- 22 Medium-term Management Plan PALTAC VISION 2027



Value Creation Story

President's Message



WHAT'S PALTAC

Representative Director, President

Takuya Yoshida

Beyond wholesale: Driving the future of value creation

We now stand at a major turning point in the distribution industry. Society is changing at an unprecedented pace, and consumer values and purchasing behaviors are becoming increasingly diverse and complex. In this environment, we strongly recognize that it is difficult to continue supporting people's daily lives within the traditional framework, and that challenges are emerging which cannot be solved by a single company alone.

To respond to these changes, we believe it is essential to evolve beyond the boundaries of "wholesale" and become a company that drives transformation across the entire supply chain. Our goal is not simply to improve distribution efficiency, but to rebuild connections with our stakeholders and become a starting point for value creation.

Unlocking new value: First year of our medium-term transformation journey

To realize transformation, we have steadily advanced initiatives aligned with our key strategies under the long-term vision formulated last year, "Creating the future of people and society through the power of connections", and our medium-term management plan, "PALTAC VISION 2027," which is based on our long-term vision. In the first year of these plans, the fiscal year ended March 2025, we faced a challenging external environment, including rising prices and increased logistics costs. Despite these difficult conditions, we achieved results largely in line with our plan, setting new record highs in net sales, operating profit, and ordinary profit. On the operational side, we began to see signs of change across the organization. These included improved delivery efficiency through cross-industry collaboration, expansion into new product categories, and employee-driven revisions to workplace systems and environments. It was truly a foundational year of transformation for us.

These developments mark a solid step toward realizing our long-term vision. Building on this progress, we will accelerate the creation of a sustainable distribution model to continue supporting people's daily lives.

FALTAC VISION 2027

Constructing the foundation for transformation through structural reform

The essence of constructing the foundation for transformation

Four Key Strategies

Securina "adequate capitals"

Gaining "competitive edge"

Acquiring "practical abilities"

Obtaining "cooperation"

Improving profitability No. of existing business

Taking on the challenge to No.2 create new value

WHAT'S PALTAC

Improving sustainability

Undertaking management to enhance capital efficiency

Enhancing consumer satisfaction through new product development and bold distribution expansion

To create new value through transformation, we must first enhance the competitiveness of our existing businesses. By fully leveraging the management resources we have accumulated, such as data, expertise, and human capital and we will connect these strengths to the creation of new businesses. In particular, we will secure the source of strategic investments for transformation by continuously improving the profitability of our existing businesses.

As part of this initiative, we are expanding our range of new product offerings. In response to rapid societal changes, consumer needs are becoming increasingly diverse. Rather than simply meeting those needs, we aim to introduce high-value-added products that exceed expectations. Through this approach, we seek to enhance consumer satisfaction, contribute to industrywide profit growth, and ultimately increase our gross profit.

In developing products with functions or uses that are not yet available in the market, or not yet widely recognized, we have begun to see positive transformation, particularly in the domestic introduction of inner beauty products from Korea and localized cosmetics brands from Vietnam and Indonesia. In these regions, our company initially had no brand recognition. Starting from that point, we visited each manufacturer individually and carefully communicated our vision and direction. Through these efforts, we built collaborative relationships aimed at brand development and successfully connected these products to domestic distribution.

For manufacturers, entrusting the distribution of their own brands is a highly important decision. In this context, members of our purchasing department and overseas subsidiaries took the initiative, thinking and acting independently, to build trust from the ground up. Hearing manufacturers say, "We want to entrust our distribution to PALTAC," is deeply encouraging and has become a powerful driving force behind the expansion of future initiatives.

Until recently, we had limited opportunities to directly communicate value to consumers. Today, however, we are taking new approaches, such as hosting pop-up events produced in-house and utilizing social media. Even for products that are not yet widely recognized in the market, we are working to build meaningful connections with consumers and convey the appeal of these offerings. Through these efforts, we are beginning to see clear signs of change in our marketing activities, small but tangible steps toward the future.

These developments are not limited to results in the domestic market; they also carry significant meaning as a foundation for our medium- to longterm global expansion. To help realize richer and more comfortable lifestyles for consumers across borders, we aim to build a global distribution network that connects Japan with other countries, and also links countries to each other. Last year, our local subsidiary in Indonesia began exporting to Mongolia. Although the scale remains modest, this development represents a meaningful milestone for us. There is still room to expand exports from Japan to other countries. Many products that can enrich people's lives in each region have yet to be introduced. By accurately identifying local needs and selecting products that deliver even greater value, we will further foster brand growth through collaboration with local partners. By doing so, we aim to establish ourselves not merely as a wholesaler, but as a value-creating producer, and expand the scale of our distribution.





WHAT'S PALTAC

Co-creating a sustainable distribution infrastructure in harmony with the environment and society

When we think about the future of distribution, logistics is one of the areas facing the greatest risks today. Challenges surrounding logistics are diverse, ranging from population decline and labor shortages to increasing environmental impact and rising disaster risks. If we continue relying on traditional frameworks, it may soon become difficult to sustain either comfortable lifestyles or long-term growth. In response, we aim to leverage our position as an intermediary distributor and our unique strengths to take on a role in shaping logistics across the entire supply chain.

Today, the challenges surrounding logistics are too complex for individual companies to solve on their own by pursuing isolated optimizations. We believe it is essential to approach these shared issues through collaboration and co-creation.

In the past, inefficiencies were often accepted as the norm due to barriers such as industry boundaries, business practices, and competition. For example, even when nearby distribution centers were shipping small loads to the same destination, separate trucks would still be dispatched. This is precisely the kind of structure we must urgently redesign—and joint delivery is no longer a rare initiative.

We are accelerating our joint delivery initiatives by joining hands with companies across industries that share common logistics challenges—such as SG Holdings (Sagawa Express) in the logistics sector, Mitsubishi Shokuhin in the food industry, and Arata Corporation, a peer in our own industry. In particular, collaboration among competitors is inherently difficult, as we are constantly striving and competing with one another. However, given the urgency of the current environment, we have proactively moved forward with discussions to collaborate in non-competitive areas.

Our collaboration efforts are not limited to joint delivery. We are exploring a wide range of possibilities with various partners. In addition, by joining hands with more companies and expanding the scope of collaboration and cooperation, we aim to co-create a sustainable logistics network.

Another way to enhance the quality of the logistics network is to strengthen the functions of distribution centers, which function as its core hubs. By upgrading the capabilities of our own distribution centers, we aim to deliver even greater value.

Value Creation Foundation

One key focus is achieving far and away the highest productivity. We continue to pursue greater efficiency in our distribution centers, which have been a major driver of our growth. As Japan moves further toward small-lot, multi-product distribution, there is a growing risk that picking operations within distribution centers will not be able to keep pace. Even with a well-developed network, we may not be able to fully leverage it unless we address this issue. With this in mind, we have gone through a process of trial and error and have now completed the basic design needed to achieve productivity that can withstand these demands.

We are also taking on the challenge of expanding our product categories. Similar in concept to joint delivery, we believe there is significant value in handling products together at the same distribution center if they are sold at the same retail store. In September 2024, we began integrated handling of food and non-food items by expanding one of our existing centers. While there were challenges due to the differing characteristics of each category, thanks to the cooperation of our retail partners and others, the center is now operating stably. The know-how we have accumulated through this initiative is not only valuable for operating our own centers, but also plays an important role in expanding the scope of collaboration and cooperation.

Empowering change through human capital and digital technology Accelerating digital transformation

WHAT'S PALTAC

The driving force behind transformation lies in human capabilities, such as creativity and empathy. It is also human capital that harnesses digital technologies to bring speed and scale. That is why, in the era ahead, transformation cannot be realized without the fusion of human capital and digital. We are now taking on the challenge of connecting the supply chain through data. Even when physical connections exist, the lack of visibility into what is happening on the ground can lead to inefficiencies, wasteful acts, unevenness, and unreasonable burdens. We are working to overcome these "invisible disconnects" through the power of digital technology and Al.

We believe that our "Digital Transformation" is about realizing a more efficient and sustainable supply chain in the future. Our efforts to build global product and logistics networks also serve as a source of data. By visualizing this data, we aim to further optimize and streamline the entire supply chain. True value is created only when systems are in place to make use of it, and human capital is able to fully utilize those systems.

What matters first is ensuring that everyone can use digital technology and AI as their own tools. Digital is just a means, but without the ability to use it effectively, transformation cannot happen. In the past, we moved from handwritten slips and calculators to computers, and now we use smartphones as a matter of course. Technologies like cloud computing and generative AI will continue

to evolve, but what's needed is a mindset that says, "It's just a change in the tools we use—it's not something difficult."

In April 2025, we introduced a flextime system. I hope this initiative will help shift the relationship between employees' work and personal lives from conflict to harmony. By enabling employees to choose work styles that suit their individual lifestyles, those who previously had to work shorter hours due to childcare responsibilities can now engage in their duties without added burden. I also believe this system will encourage employees to take greater ownership in designing their own work. Digital technology plays a key role in enabling efficient operations and high-quality output. Today, generative AI is increasingly being used across our organization, and we are gradually building an environment that fosters digital literacy, for example, by encouraging employees to obtain IT Passport certification. Phrases like "Why not ask AI?" or "Maybe let AI handle that part" are becoming more common throughout the company. While we have not yet reached the stage where AI is fully embedded in our workflows. I believe we have already taken the first step.

As more employees begin to use digital technology as their own tool, and eventually reach a stage where AI becomes a true partner in collaboration, I believe the day when the supply chain is fully connected through data is not far off. We will continue accelerating our efforts to empower each employee to act autonomously and embrace digital as a personal strength—so that transformation can truly take shape.



Key issues for enhancing corporate value

We aim to improve capital efficiency over the long term, targeting an ROE of 9–10%, by driving profit growth through business expansion and optimizing our capital structure. In the fiscal year ended March 2025, we maintained our operating profit margin and improved our net profit margin through measures such as the sale of strategic shareholdings, resulting in a 0.4% increase in ROE compared to the previous year. As a wholesaler, our business serves as part of the distribution infrastructure and relies heavily on facilities such as warehouses, making dramatic improvements in capital efficiency difficult. However, by ensuring stable growth in our existing businesses, creating new value in adjacent areas as described above, and appropriately returning the cash generated to our stakeholders, we will steadily enhance efficiency and realize greater corporate value.

In line with the policy set forth in our medium-term management plan, "dividends that exceed profit growth, a payout ratio of 35% or more in the final year, and enhanced shareholder returns through share buybacks", we are steadily implementing shareholder return measures. We have achieved 15th consecutive years of dividend increases and have also undertaken share buybacks.

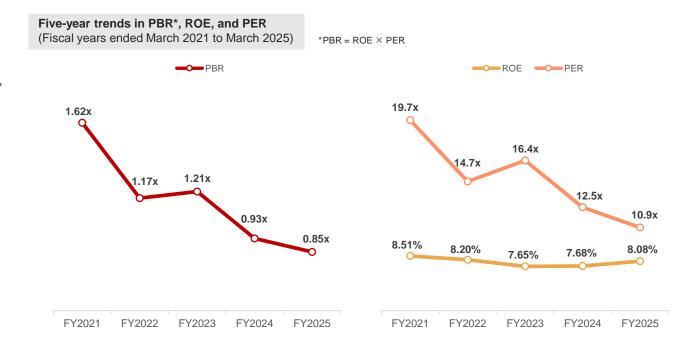
WHAT'S PALTAC

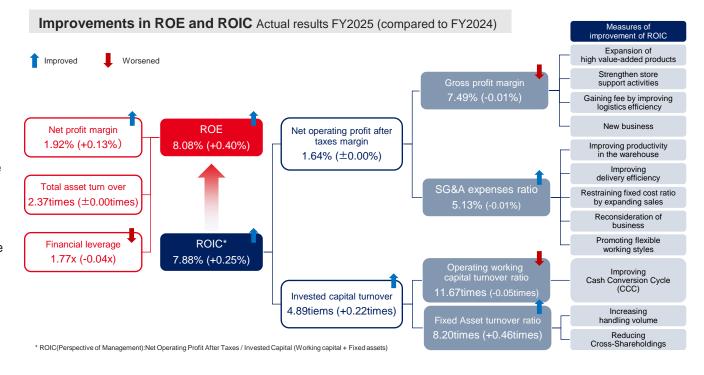


Although we are steadily advancing these initiatives, our current PBR remains below 1. This is a significant challenge for us. When we break down the PBR, we find that our ROE has remained at a stable level, and the main factor behind the decline is the drop in PER.

While multiple factors are closely interrelated, this situation suggests that market expectations for our future growth have not yet been sufficiently cultivated. To address this, we will continue to strengthen dialogue and communication with our stakeholders through this report, as well as through IR activities and briefings.

As we continue engaging in constructive dialogue and communication with our stakeholders, we hope to share our growth story. We sincerely appreciate your continued support and encouragement for our ongoing challenges.





Long-term Vision

Creating the future of people and society through the power of connections

Under the newly established long-term vision, we has adopted the slogan "Creating the future of people and society through the power of connections" and will strive to innovate supply chain through our steadily accumulated strength and new ideas. We will create new value for consumers and society through creating diverse connections among people, things and information and will fulfill our aim "Create people's rich and comfortable daily lives".

Growth story

technology and data

WHAT'S PALTAC

Awareness of environment

The next decade should be a time of transformation towards a sustainable society (The standard and the fundamental nature will change across many aspects of society)

> Providing new value to society through creating diverse connection of the supply chain

Long-term vision (approx. 10 years ahead)

Creating "the future" in which sustainable well-being of people and society

Growth of existing businesses

We will expand our domestic market share by leveraging our strengths, despite the ongoing difficult environment, including a shrinking domestic market due to a declining population and labor shortages.

Creating new businesses

We will develop the assets accumulated through evolving existing businesses into new business domains. Through this, we will improve profitability by creating new value on the periphery of existing business domains and by strengthening our global development.



Net Sales

ROE

¥2tn

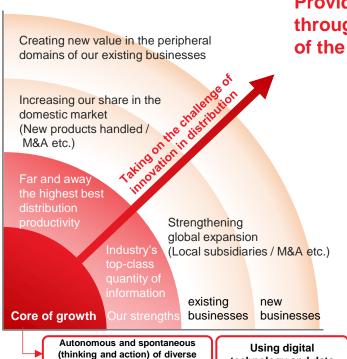
9% ~ **10**%

Sustainability goals

Building organization in which diverse human capital play active roles with autonomous and spontaneous thinking

Developing a safe and secure supply chain

Contributing to the transition to a decarbonized society and circular economy



human capital

Materiality (Material Issues)

Towards the realization of our long-term vision, we have identified four material issues to be solved (materiality) that will lead to "securing new revenue opportunities" and "reduction of risk" and have drawn the future we are aiming for each issue. To create value by leveraging our strengths, we will work to solve material issues in the three domains of retail, logistics and global, and promote sustainable business practices that is capable of both solving social issues and increasing corporate value.

Material issues to be resolved to realize our long-term vision (materiality)

WHAT'S PALTAC

	Materiality (Material issues)	The future we aim for	Value creation area		SDGs	
Securing new revenue opportunities	Creating new value through developing borderless supply chain network	 Eliminating unreasonable, wasteful act and unevenness factors through digitalizing distribution process Connecting people, things and information with the digital network and creating colorful and rich daily lives 	Retail Global Logistics	7 AFFORMAL FOR MARKET - CONT. AND		Eliminating overwork in supply chain Supporting people's rich and healthy lives Building a diverse organization, including women's empowerment Ensuring respect for human rights in the supply chain
	Developing a distribution network beyond the conventional approach through far and away the highest productivity	 Developing high-efficient distribution network, which has far and away the highest productivity Developing sustainable distribution network through cooperation beyond the industries and the conventional business practices 			Contributing to the creation of renewable energy, such as installing solar panels Building an organization in which diverse human capital can exercise their full potential in autonomy and spontaneity Realizing co-growth of individual employees, our company and society	
Reduction of risks	Coexisting and co-creating with the environment and society	Contributing to the realization of sustainable environment and society by developing supply chain that does not incur burdens		9 MOSTRY MONITOR AND MAINTENANCE THE SECONDARIES THE SECONDARI	Realizing unprecedented high productivity driven by cutting-edge technologies including AI, robotics system and more Creating a sustainable supply chain that makes daily necessities available "at any time" and "at affordable prices"	
	Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society	 Cultivating a corporate culture that emphasizes autonomy and spontaneity and building an environment where diverse human capital can exercise their full potential Establishing governance that supports the sustainable growth of individual employees, our company and society 			12 attronoment of the process of the	Contributing to the creation of a recycling- oriented society by reducing returned products and increasing ethical consumption Reducing CO ₂ emissions and promoting recycling in sync with improvements in business operations

Materiality (Material Issues)

Identification of process

Awareness of social environment Step.1

Identification of opportunities and risks

WHAT'S PALTAC

We identified important changes in the social environment through the GRI Guidelines, SDGs, as well as dialogue with our stakeholders and others. By doing this, we identified opportunities and risks affecting our business.

Step.2 Mapping material issues

We have assessed and prioritized our importance ratings along two axes: "importance to stakeholders" and "importance to PALTAC".

Step.3 Identification of materiality

We have identified four materiality from the perspectives of "Securing new revenue opportunities" and "Reduction of risk" through discussions at the management and meetings of Board of Directors, based on the drafts we have prepared.

Awareness of social environment Identification of opportunities and risks

Significant changes in the social environment	Business As Usual (BAU) scenario	
Decrease in the working populations	Growing difficulty in the development of a sustainable distribution network Reducing the transportation capacity of truck due to the driver shortage Increasing the workload in retail stores due to smaller market areas and an increase in the number of retail stores	
Declining birthrate and aging population	Shrinking domestic market Increasing household burden in age groups with high consumption expenditure (social security contributions) Expanding composition of age groups (elderly) with lower consumption	
Diversification of values	Increasing in diverse needs in a wide range of situations • Increasing importance of One to One marketing • Penetrating of flexible and diverse work-styles	
Climate change, Resource and energy scarcity	Growing concerns for business continuity Increasing number of natural disasters due to more extreme weather events Soaring resource and energy prices	

The impact on the PALTAC

Opportunities

- Growth of needs for high-efficient distribution
- Penetration of data distribution
- Growth of needs for health and sanitary
- Increase in demand for personalized products
- Increase in economic value of sustainablebusinesses

- Decrease in profits due to the contraction of the domestic economy
- Decrease in profitability due to soaring business operating costs (higher energy and material prices, higher costs due to increased small-lot production and sales, etc.)
- Decrease in the competitiveness due to the outflow of human capital and difficulties in securing human
- The growing threat to sustainability of supply chain (Serious labor shortage, increase in severity of natural disasters)

Materiality (Material Issues)

Step. 2 Mapping material issues

Importance to stakeholders

WHAT'S PALTAC

- Securing new revenue opportunities
- O Reduction of risk

- O Promoting sustainable and ethical consumption
- O Generating renewable energy
- O Responding to the spread of infectious diseases
- Creating services that enable sustainable revenue models
- Creating products and services that satisfy diverse values
- Extension of healthy life expectancy
- Optimizing the entire supply chain through DX in distribution (connection with distribution data, etc.)
- O Developing a distribution network that is resilient, sustainable and highly efficient
- Stably providing supply of daily necessities
- O Respecting human rights

- Creating an environment enables human capital to exercise their full potential
- Coexistence with the local community
- O Strengthening information security
- O Protection of water resources
- O Conservation of biodiversity

- Developing a global network
- Ensuring shipping capacity of RDC
- Transition to a decarbonized society
- ■○ Transition to a circular economy
- O Developing human capital and cultivating a corporate culture that generates innovation
- O Promoting diversity and inclusion
- O Enhancing the effectiveness of corporate governance
- O Promoting health and productivity management
- O Ensuring compliance

Important

Most important

Importance to PALTAC

Step.3

Materiality towards realizing our long-term vision

Securing new revenue opportunities

Reduction of risks

Creating new value through developing borderless supply chain network

Developing distribution network beyond the conventional approach through far and away the highest productivity

Coexisting and co-creating with the environment and society

Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society

Important

Most

important

Value Creation Process

WHAT'S PALTAC

Our long-term vision Slogan (approx. 10 years ahead)

Creating the future of people and society through the power of connections

Significant environmental changes

Decrease in the working populations

Declining birthrate and aging population (Decline in population)

Diversification of values

> Climate change, resource / energy scarcity

Our principal capital

Distribution capital

Logistics network that is capable of stable and efficient delivery covering the whole area in Japan Our principal nationwide distribution centers



Human capital

A source of sustainable growth Diverse human capital that takes on the challenge of innovation in distribution

Number of employees 2,283 Number of

part-time employees 5,574



Social capital

Our partners who work to support the usual daily lives and create new value with us

Number of retailers trading Approx. 400 companies

Number of manufacturers trading Approx. 1.000 companies



Financial capital

Stable financial base to support growth in the medium and long term

Total assets Operating CF ¥ 507.0 bn ¥ 20.6 bn



Natural capital

Reducing environmental burden by improving business operations

Energy consumption 12,634kl

electricity consumption 11,510kl (Electricity consumption 51,663MWh)

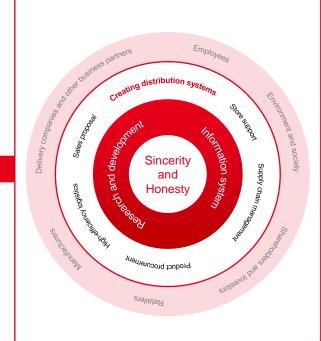
(FY ended March 2025)

Value creation through resolution of materiality

Business activities

Value Creation Story

Taking on the challenge of innovation in distribution together with our stakeholders



Value creation area

Retail



Connecting people, things and information with the digital network and creating colorful and rich daily lives

Eliminating unreasonable, wasteful acts and unevenness factors through digitalizing the distribution process

Global



Building a borderless supply chain network

Logistics



Developing a highly efficient distribution network, which has far and away the highest productivity

Developing a distribution network beyond the conventional approach through far and away the highest productivity

The capability to support value creation

(DX promotion foundation, human capital exercise their full potential, governance)

Outcome

Value creation for stakeholders

Creation of economic value

Consumers

Stably delivering daily

Providing "color that enriches and enlivens life through delivering diverse

Retailers(Customer)

Maximizing sales of retail

educing the burden of instore operations by enhancing distribution efficiency

Manufacturers (Supplie Providing a system that

allows manufacturers to efficiently deliver products to retailers across Japan

Delivery companies

Improving the working environment for drivers

Employees

Creating a working environment that encourages the growth of individual employees

Cultivating a corporate culture that emphasizes autonomy and spontaneity Improving employee engagement

Natural environment

Reducing CO2 emissions Forming a recyclingoriented society

Shareholders and Investors

Enhancing shareholder returns, including dividend increases that outpace profit growth

Increasing share value

Numerical targets in long-term vision (approx. 10 years ahead)

Net Sales

¥ 2 tn

ROE

9% ~ 10%

Creating 90 (D

Medium-term Management Plan PALTAC VISION 2027

Key strategies

WHAT'S PALTAC

Towards the realization of our long-term vision, three years of "Constructing the foundation for transformation through structural reform"

In order to realize our long-term vision, we have formulated a three-year medium-term management plan, PALTAC VISION 2027, which runs until March 2027, based on both the long-term vision and the current situation. The three-year period is positioned as a phase for "Constructing the foundation for transformation through structural reform" to realize our long-term vision. This plan will focus on improving profitability of existing business, taking on the challenge of create new value, improving sustainability and undertaking management to enhance capital efficiency.

The essence of constructing the foundation for transformation



Securing "adequate capital"

Securing investment capacity for new value creation by increasing sales and profits in existing businesses



Gaining "competitive edge"

Enhancing our functions of distribution, sales and digital Accumulating valuable information Enhancing and building connections with our partners



Acquiring "practical abilities"

Increasing capacity of the organization (through business structural reforms) Improving utilization of digital and information Cultivating a corporate culture that emphasizes autonomy and spontaneity Strengthening governance system



Obtaining "cooperation"

Promoting cooperation with multi-stakeholder (contribution to the environment and society, the appropriate distribution of profits to employees and shareholders, etc.)

Long-term vision: Creating the future of people and society through the power of connections **PALTAC VISION 2027**

Value Creation Foundation

Constructing the foundation for transformation to create new value

- 1. Improving the profitability of existing business
- 2. Taking on the challenge of creating new value
- 3. Improving sustainability
- 4. Undertaking management to enhance capital efficiency



Long-term goals Numerical targets **Net Sales** ¥ 2 tn ROE **9**% ~ **10**% Sustainability goals — Building an organization in which diverse human capital plays active roles with autonomous and spontaneous thinking Developing a safe and

secure supply chain

Contributing to the transition

to a decarbonized society and circular economy

Medium-term Management Plan PALTAC VISION 2027

WHAT'S PALTAC

Four key strategies to "Constructing the foundation for transformation"

Value creation area **PALTAC VISION 2027** Four key strategies Enhancing Key strategies.1 **Enhancing the** improvement in Improving the handling of new delivery profitability of products efficiency Realizing value creation existing Strengthen both Developing a Promoting business marketing and cooperation global network procurement and various capabilities improvements Connecting various products and information **Expanding areas** Digitalizing to a global network Key strategies.2 in which our By leveraging our supply chain bases in each country logistics values Taking on the information as the hubs could be provided challenge of "unreasonable. Unprecedented creating wasteful acts and productivity new value unevenness" by Acquiring know-how in food logistics connecting data Developing a joint and visualizing the distribution process delivery network **Enhancing the foundation for DX promotion** Strengthening the foundation for promoting transformation towards new value creation Value creation foundation Key strategies.3 Maximizing the value of human capital **Improving** Fostering individuals with autonomous and spontaneous thinking who can create sustainability new value Optimizing the organization in line with the strategy Contributing to the environment and society / Strengthening corporate governance Building a corporate foundation to support sustainable growth

Forecast of cash allocation Managing with an awareness of business growth and optimal capital structure Enhancing return to shareholders along with aggressive investment for sustainable growth Cash In Establishing a new distribution center Key strategies. Undertaking Investing in human capital, DX, and Cash sustainability management Approx. Strategic investments (M&A, alliances, etc.) Approx. 60.0 -70.0 bi to enhance ¥ 60.0 bn Investing in new business capital (expanding logistics domains, etc.) efficiency Continuing to increase dividends Aiming for a payout ratio of 35% or more Cash flows Enhancing shareholder returns through share buyback operations Approx. Policy to hold cash and deposits equivalent to approximately 0.35 to 0.5 months of monthly sales

		FY2027	Percentage change from FY2024	Percentage change from FY2024
	Net sales	¥ 1,270.0 bn	+ ¥ 118.0 bn	+ 10.2 %
Financial	Operating Profit	¥ 30.0 bn	+ ¥ 2.8 bn	+ 10.4 %
	ROE	Increasing dividends at a rate exceeding profit growth	-	-
	Payout ratio	Aiming for a payout ratio of 35% or more	-	-
Non-Financial	Ratio of CO ₂ emissions reduction*1	Reduction of 28%	+ 16 %	-
	Diversity	Percentage of female employees in management positions: 8.4% The percentage of male employees taking childcare leave: 60%	+ 1.7 % + 30 %	-
	Engagement Score*2	55.0	+ 6.9	-

PALTAC

Realizing Value Creation

WHAT'S PALTAC

- 25 Retail
- 30 Global
- 33 Logistics









Value Creation Area

Retail

Creating new value "Visualizing" distribution process

As the declining birth rate and aging population proceed, people's values diversify. In order to activate the market, it is essential to implement marketing that focuses more on consumer-centric approaches, such as one-to-one marketing.

In addition, in the face of a decline in the working population, it is also essential to streamline the entire supply chain.

We have provided daily necessities in order to contribute to creating people's rich and comfortable daily lives. In addition, we have provided a wide range of solutions, such as improving the efficiency of store management and delivery to address various distribution issues.

From now on, we will further promote the use of data and expand the handling of new products that can meet diverse consumer needs. Also, by using digital technologies, we will improve the capability to provide value through our existing solutions. We will integrate information gained through the provision of these solutions, visualize distribution processes, and provide the best solutions to address the issues.



Awareness of environment

Opportunities

- Growing needs for improving the efficiency of in-store management due to the labor
- Increasing value of information assets in the supply chain due to the growing importance of data utilization
- Expanding personalized consumption due to the diversification of consumer needs

- · Increasing complexity of in-store management due to diversification of values
- Falling consumer spending due to the escalation of product prices
- · Shrinking domestic market and falling labor force due to declining population

Our strengths



Systems designed to create a "virtuous cycle" of sales promotion

Realizing high-quality sales promotion planning through the capability to promptly implement promotion in the storefront by using digital technology and highly accurate effectiveness verification by using in-store information



Long-accumulated "know-how on improving" productivity

"Visualizing" issues by quantitatively capturing in-store information, using digital technology Pursuing the elimination of "unreasonable, wasteful act and unevenness" by repeatedly testing hypotheses from a wide range of perspectives



"Connection" with retailers and manufacturers

Procuring attractive products through connections with over 1,000 domestic and international manufacturers Delivering a wide range of products to consumers through a nationwide retail network

Key strategies.1 Improving the profitability of existing business

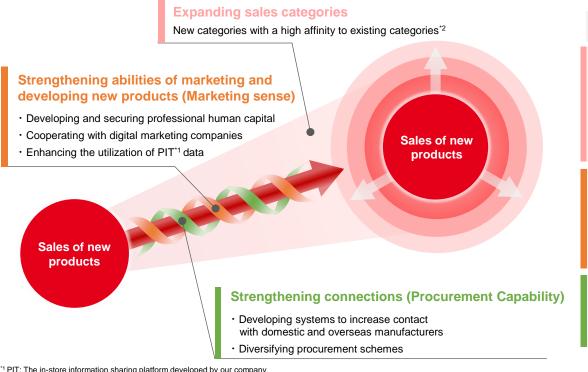
WHAT'S PALTAC

Enhancing the handling of new products which can add color to people's daily lives through enhancing our marketing sense and purchasing abilities

With the rise of social media and other personal information sources, consumers can now easily access the information they want. This has led to rapidly shifting consumption trends, such as "buzz-driven consumption," where viral content sparks explosive demand, and "personalized consumption," where individuals choose products tailored to their preferences and physical characteristics.

To respond swiftly to these evolving trends, we are focusing on expanding our lineup of new products. We are developing and securing expert talent capable of conducting precise market analysis and formulating marketing strategies, collaborating with digital marketing

firms that analyze purchasing behavior using social media platforms, and enhancing our marketing capabilities by leveraging in-store data aggregated through the PIT system to strengthen our product selection expertise. We are building a framework to foster new connections with domestic and international manufacturers, enhancing our product procurement capabilities. Through this initiative, we will expand our product lineup in categories that closely align with our existing offerings. By delivering high-value-added products that bring color and richness to everyday life, we aim to contribute to industrywide profit growth and improve our gross profit ratio.



Theme	Major initiatives	
Expanding sales categories	 Expanding our unique product lineup in "beauty and health," including Korean inner beauty products Enhancing our apparel offerings to meet growing demand in men's and women's health tech (men-tech / fem-tech) Broadening our Broadening our EC-exclusive product offerings, including skincare and supplements 	
Strengthening abilities of marketing and developing new products (Marketing sense)	 Securing experienced expert human capital Accumulating marketing know-how through local market research (including customer analysis and commercial practices) Enhancing PIT functionality by improving the speed of in-store data collection 	
Strengthening connections (Procurement Capability)	 Launched a dedicated contact page on the corporate website for new manufacturing partners Strengthening engagement with overseas manufacturers through direct visits to local sites 	

^{*1} PIT: The in-store information sharing platform developed by our company

² Existing categories: Cosmetics, daily necessities, OTC pharmaceuticals, Health and sanitary related products

Key strategies.1 Improving the profitability of existing business

WHAT'S PALTAC

Pioneering Japan's inner beauty market: A bold new venture

As a company specializing in products related to beauty and health, we are committed to expanding Japan's inner beauty market with the aim of creating new sources of revenue. Since the COVID-19 pandemic, the concept of inner beauty—enhancing health and beauty from within by boosting immunity and improving metabolism—has gained widespread acceptance among consumers. Noting the rapid growth of this market in Korea, a country renowned for its advanced beauty culture, we are strengthening partnerships with local manufacturers and actively introducing attractive products to the Japanese market. These efforts aim to differentiate our offerings from existing product categories and drive domestic market expansion.

To further connect Asian manufacturers with Japanese retailers, we are facilitating business opportunities and relationship-building through events such as the "Asia Pickup Business Meeting" and the "PALTAC Fair." In July 2025, we hosted the "K-INNERBEAUTY POP-UP event" in collaboration with an exclusive import distributor to raise awareness of Korean brands and support their market penetration. By leveraging influencer-driven communication, we focused on enhancing brand recognition and deepening engagement with consumers.

This event marked PALTAC's first direct outreach to consumers and represented a significant step in leading and promoting emerging trends.

~ Hosted the K-INNERBEAUTY POP-UP event ~

- Date: July 17-18, 2025
- Venue: LIFORK, 3rd Floor, WITH HARAJUKU

Over the two-day event, six companies and eleven brands exhibited their offerings.

The event welcomed approximately 450 visitors, including influencers and general participants, and was met with great success.



-Voice-



Persistent negotiations fostered trust and laid a solid foundation for market expansion Merchandise Headquarters

Yumi Kunimoto

Japan's inner beauty market remains largely untapped, offering significant potential for growth. To help expand this market, we are introducing inner beauty products from Korea, a country renowned for its advanced beauty culture.

As a fan of K-POP, I was already familiar with the inner beauty products favored by Korean idols through social media. However, these products were not yet available in Japan and could only be purchased via cross-border e-commerce or by visiting Korea. This gap made me feel personally frustrated and sparked my strong interest in this initiative. Convinced that "this will definitely catch on in Japan," I launched full-scale research to support its introduction.

Once I began, I encountered many challenges. The existing distributor model didn't apply, and retailers were skeptical. Information available at domestic trade shows was limited, and I often felt unsure where to begin. Still, I didn't give up. I decided to "go straight to the source" and traveled overseas. Through repeated market research and business meetings, I faced many language and cultural barriers. But by engaging in sincere, face-to-face communication, I gradually built trust. Today, our partners even visit Japan to participate in our exhibitions and events.

This experience gave me a strong sense of accomplishment and confidence. I believe there are still many products around the world that have the potential to shine in the Japanese market. I'm determined to continue exploring new opportunities and expanding our reach.

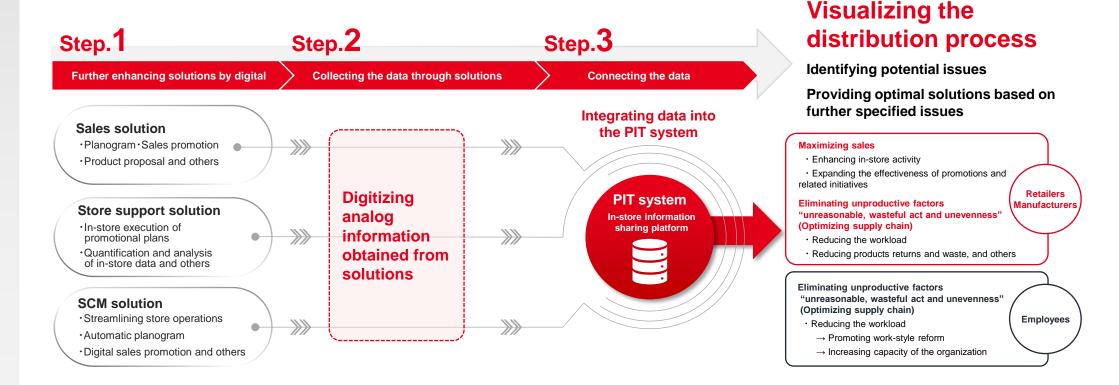
WHAT'S PALTAC

Maximizing in-store sales and eliminating unproductive factors "unreasonable, wasteful act and unevenness" through digitalization of supply chain information and the opination of solutions

Currently, the distribution industry faces a complex business environment, including shrinking market due to the falling domestic population, declining working population, diversifying values and rising operating costs, including logistics costs. We have been contributing to the development of the distribution industry by solutions based on our sales functions, store support functions, and SCM functions" and pursuing optimization and streamlining of the entire supply chain. However, in order to achieve further development in such a complex environment, it is necessary to transform the entire supply chain system. As a first step, we will work digitalizing various types of information that exist throughout the supply chain and connecting them. We, as an intermediate distributor,

will construct a system that enables to excavate the potential issues and provide optimal solutions by connecting various information from manufacturers to retailers with data and visualizing the distribution process.

Specifically, we will strengthen the solution capabilities of each function by actively utilizing digital technology. Also, we will accumulate the analog information collected through each solution we provided as data integrate them into the PIT system". We will contribute to further optimization and streamlining of the entire supply chain, such as maximizing sales in the retail store, eliminating "unreasonable, wasteful act and unevenness" factors in distribution, and promoting work style reforms.

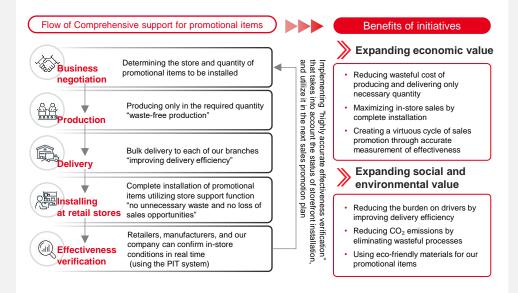


Key strategies.2 Taking on the challenge of creating new value

WHAT'S PALTAC

"Comprehensive support for promotional items" that connects sales promotion processes with data

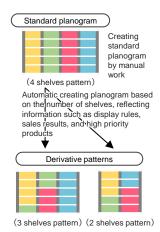
"Comprehensive support for promotional items" is a service in which we are responsible for the planning, production, packaging, delivery and installation of sales promotion items (sales floor fixtures for sales promotion), and subsequent measurement of their effectiveness in collaboration with our store support function and SCM function, and the sales floor promotion function of our subsidiary HABA CREATION Co., Ltd. In our industry, there is a lot of wasteful process in the distribution not only of products, but also of promotional items, causing sales opportunity loss and environmental burden. By providing "Comprehensive support for promotional items", we make it possible to reduce waste in distribution of promotional items, through collaboration with retailers and manufacturers from the production planning step of promotional items. We produce promotional items with quantity that meets the sales promotion plan, and deliver efficiently, and completely install and accurately verify effectiveness by using "PIT system" which enables real-time confirmation of in-store conditions. This initiative has already proved successful with several customers, with promotional activities, helping to increase sales and improve social and environmental value.



"Automatic planogram creation system" Reducing the workload through digitalization

We developed an "automated planogram function" in collaboration with CYBERLINKS CO., LTD. to streamline shelf planning proposals for retailers.

Planogramming, which determines product placement, is a critical task but also a labor-intensive process across manufacturing, distribution, and retail. By automating part of this process, we aim to reduce working hours by approximately 60%—equivalent to about 18,000 hours annually. The resources saved through this initiative are being redirected to enhance attractive store displays and improve work-life balance. Based on feedback from our sales representatives, we continue to upgrade the system by expanding its functionality and improving usability, making it more practical and user-friendly every day.

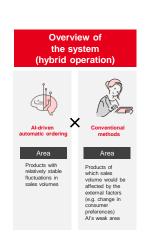


"Al-driven automated ordering system" Reducing food waste

in the retail sector by leveraging AI-based demand forecasting and automated ordering systems. This service features a hybrid model that allows conventional ordering methods to be used for product categories where AI ordering is less effective, while automation is applied where AI performs well. In a pilot test, the system achieved a 10% reduction in food waste. As more stores adopt the system, it has evolved to support seasonal ordering, resulting in improved accuracy. We are continuously enhancing the system to make it more accessible to retailers, aiming to streamline ordering

operations and contribute further to food waste reduction.

We have launched a service to help reduce food waste



Global

Developing a global distribution network Adding color to the world and people

WHAT'S PALTAC

In Japan, a growing number of manufacturers and retailers are becoming more eager to expand overseas in anticipation of a shrinking market due to a declining population, and significant economic development in emerging countries. However, there are many challenges involved in expanding overseas business, such as securing products, establishing sales channels, and developing effective local marketing strategies. Overcoming these challenges and implementing successful overseas strategies are key factors in the future growth of domestic companies.

We have the trading expertise and connections with local distributors that have been accumulated over 50 years of trading experience. From 2022, we have established local subsidiaries in emerging countries and have been taking on the challenge of overseas wholesale business by leveraging our distribution functions developed in Japan. Specifically, we will strengthen our capabilities to gather useful information and sell products in local markets by using our local subsidiaries.

Leveraging these strengths, we will continue to support our partners in solving the challenges of overseas expansion. We will also take on the challenge of developing a global network by leveraging our bases in each country as the hubs. In this way, we will seamlessly connect products that enrich people's daily lives, including not only Japanese products but also products from overseas, to people around the world.



Awareness of environment

Opportunities

- Expansion of promising overseas markets
- Expansion of domestic retailers and manufacturers into overseas markets
- · Growing needs for market information in other countries
- Decline in competitiveness of Japanese products due to increased competition against overseas products
- Shrinkage of the domestic economy due to declining population
- · A decline in domestic competitiveness due to delays in developing procurement channels for overseas products

Our strengths



Connections with domestic retailers and manufacturers

Business relationships with numerous domestic retailers and manufacturers cultivated in the domestic business

Numerous opportunities to provide our solutions



Trading know-how

Distributing Japanese products worldwide through our sales network, using local distributors and sales know-how gained for more than 50 years of trading



The latest overseas information from our local subsidiaries

Gathering the latest local market information on the ASEAN economies, where future economic growth is expected

Key strategies.2 Taking on the challenge of creating new value

WHAT'S PALTAC

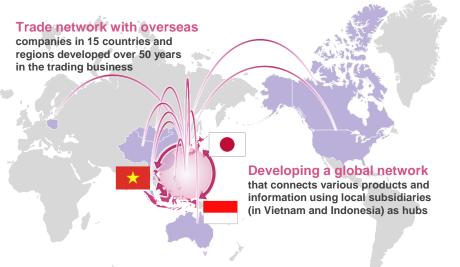
Developing a global network in which product to meet diverse needs and high-quality information in enormous quantities is circulating

Value Creation Story

As the first step in creating new value in our overseas business, we have established local subsidiaries in Vietnam and Indonesia, where strong economic growth is expected. By leveraging the agility and insight of these subsidiaries, we support Japanese manufacturers in expanding their business abroad. We also propose high-quality Japanese products tailored to local needs, which has earned positive feedback from local retailers. Through these efforts, we are steadily building expertise and a solid track record in operating local subsidiaries.

We are now taking on new challenges to enhance the functions and scale of our local subsidiaries. In addition to promoting Japanese products, we have begun developing local cosmetic brands that utilize the rich resources available in the ASEAN region. We are also exploring the global expansion of locally produced goods. To further grow our sales network, we are actively considering M&A and alliances with leading local companies.

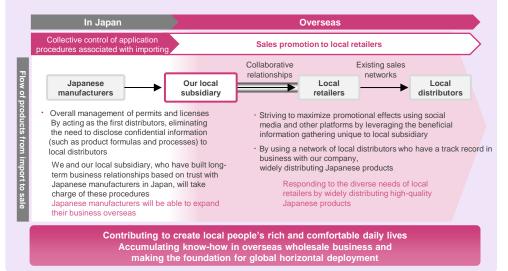
Through these initiatives, we aim to build a global network that connects attractive products and valuable information across borders, with our local subsidiaries serving as hubs. We are also continuing research into establishing new bases in neighboring countries with promising economic growth.



Local subsidiaries as the hub for overseas development

Vietnam and Indonesia, where we have established local subsidiaries, have young and growing populations and are expected to experience economic growth in the future. On the other hand, domestic manufacturers face many challenges, such as managing local applications for permits and licenses, marketing, and securing sales channels. To address these challenges, our local subsidiaries are helping solve issues through wholesale operations that make use of the distribution capabilities and trade expertise we have developed in Japan.

Specifically, we support manufacturers in expanding into overseas markets by directly managing the regulatory application process, which involves handling confidential information (such as product ingredients, production methods, and other sensitive data). We also aim to widely distribute Japanese products by utilizing the sales network of reliable local distributors with whom we already have transactions. Additionally, we strive to maximize promotional effects using social media and other platforms by using the beneficial information gathering unique to our local subsidiary. Through these initiatives, we will contribute to creating rich and comfortable daily lives for local people by widely distributing high-quality Japanese products.



Key strategies.2 Taking on the challenge of creating new value

WHAT'S PALTAC

Launching overseas local brands in the Japanese market

Our local subsidiaries have supported Japanese manufacturers in expanding overseas and contributed to the wider distribution of high-quality Japanese products. Building on the market insight and distribution expertise gained through these efforts, we are now working to discover promising local brands and introduce them to the Japanese market. In Vietnam, we have begun developing a "vegan cosmetics" brand that contains no animal-derived ingredients and is not tested on animals. These products use natural materials such as locally grown plants and fruits, making them gentle on the skin and environmentally friendly. We believe these qualities align well with the latent demand in the Japanese market.

These high-value-added products help improve the profitability of existing businesses by enabling premium pricing through differentiation and attracting new customer segments. Leveraging our strengths in local market insight and domestic distribution networks, we are committed to delivering attractive products to the Japanese market.

From Vietnam Vegan cosmetics brand "Cocoon" - Body scrub

Launching the global expansion of an Indonesian brand

In Indonesia, we are expanding our efforts to support the global growth of local brands. Our local subsidiaries have begun introducing brands they developed to other countries, including Vietnam and Mongolia. We aim to enrich the lives of more people

by delivering attractive products discovered locally not only to the Japanese market but also to consumers around the world through our global network. The expansion into Vietnam and Mongolia marks the first step in this journey. Going forward, we will continue to take on the challenge of discovering local brands and bringing valuable products to global markets, with our local subsidiaries serving as hubs.



-Voice-



Partnering in value creation: From Indonesia to the world

PT PALTAC TRADING INDONESIA Representative: Shingo Furuta Manager: David

In recent years, Japan has seen a string of summer days with temperatures exceeding 30°C. Meanwhile, Jakarta, the capital of Indonesia, experiences a hot and humid climate year-round, with temperatures ranging from 25°C to 33°C. This climate has created strong demand for functional products such as sweat-resistant cosmetics and long-lasting fragrances. Combined with a population of over 280 million, the market is home to a wide variety of brands. (Furuta)

Culturally, around 87% of the population is Muslim, and religious values are deeply rooted in daily life and consumer behavior. For example, restrictions on pork-derived ingredients and alcohol, as well as the presence or absence of halal certification, play a major role in product selection. Halal certification also gives consumers a sense of reassurance, which is one of the defining characteristics of the Indonesian market. We are actively working to navigate these commercial customs and regulatory frameworks. (David)

One of the biggest challenges in our operations has been PALTAC's low brand recognition in Indonesia. We employed every possible method, including cold calling and direct visits, to build relationships with manufacturers. In a market shaped by regulatory and cultural differences, it was not logic but passion and belief in the future that truly drove our business forward. Looking ahead, we remain committed to our vision: delivering diverse value from Indonesia to the world, and from the world to Indonesia. Alongside expanding our brand portfolio, we are exploring new export destinations in countries that seek brand value, including Japan. By staying close to the aspirations of local brands, we aim to go beyond product distribution and become a global partner that supports brand growth and international expansion. We will continue to build strong relationships based on trust. (Furuta & David)

Value Creation Area

Logistics

Creating a sustainable"usual daily lives" in the future

The environment surrounding domestic distribution is facing a dramatic change due to increased risk of difficulty in maintaining logistics arising from decline in working population and climate change and more. To realize a sustainable society, it is important to develop a "strong", "flexible" and "highly efficient" logistics system by eliminating unreasonable, wasteful act and unevenness factors in distribution.

We have historically aimed to optimize and streamline the entire supply chain and have built logistics bases and accumulated know-how through the development of nationwide distribution network and distribution centers with state-of-the-art technology. From now on, we will build on our accumulated strengths accumulated over the years and create a new logistics model with unprecedented productivity.

In addition, by acquiring know-how in logistics areas where we have not yet entered, and by collaborating beyond the boundaries of industry and conventional practice, we will take on the challenge of create a distribution network that will make the sustainable 'usual daily lives' of 'what is necessary, when it is necessary, to whom it is necessary' our daily lives in the future.



Awareness of environment

Opportunitie

- · Growing needs for a highly-efficient logistics network
- Growing needs for standardization in logistics
- Growth of the logistics sharing market
- Behavioral changes in society to achieve sustainability (such as a reduction in returned products)
- Significant reduction in transportation capacity due to driver shortage
- Difficulty in operating distribution centers due to labor shortage
- · Complexity of logistics operations due to diversified products
- Decline in profitability due to rising material and labor costs
- · Supply chain disruptions due to severe natural disasters
- · Strengthening regulations on fossil fuels

Our strengths



Know-how to create a system

Having created a system that promotes the optimization and streamlining of the entire supply chain through logistics design that focuses on the entire supply chain from the starting point of in-store operations, and through the in-house production of material handling equipment and software for efficient operation in distribution centers



Know-how to improve the system

Continuous improvement of the system through visualization of processes by using data, and combination of accumulated analytical methods and measures of improvement



Development of highly efficient large-scale distribution centers throughout Japan

Providing high-quality distribution services throughout Japan by the nationwide distribution network centered on highly efficient, large-scale distribution centers

Risk

Key strategies.1 Improving the profitability of existing business

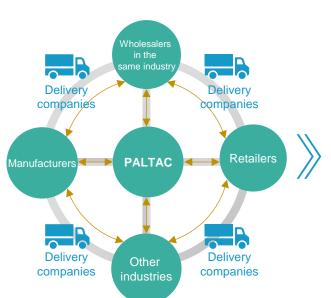
WHAT'S PALTAC

Developing a delivery network that responds to driver shortage by promoting cooperation and various improvements

The environment surrounding logistics is becoming increasingly challenging each year. Since April 2024, the enforcement of overtime work limits for truck drivers has exacerbated the driver shortage—a situation referred to in Japan as the "2024 problem in logistics." If left unaddressed, the combination of excess demand and rising delivery costs could lead to a society where goods can no longer be delivered or transported reliably. To address this issue, we are fundamentally rethinking our delivery systems. We are promoting cross-sector collaboration beyond traditional frameworks and applying data-driven, multifaceted improvement strategies. Key areas of focus include reducing waiting times, improving loading efficiency, shortening driving hours, and shifting to alternative transport modes. However, individual company efforts have their limits. To maximize the impact of these initiatives, it is essential to revisit existing commercial practices and expand collaboration across industries.

In recent years, the use of data in logistics operations has become a key driver in building a sustainable delivery network. Structural challenges such as labor shortages and rising costs cannot be effectively addressed through temporary, human-dependent measures.

To overcome these issues, objective and continuous improvement based on data is essential. Delivery sites generate vast amounts of data—vehicle operation status, dwell times, and route optimization, among others. By collecting, analyzing, and visualizing this data, we can uncover inefficiencies that were previously hidden and drive improvements. By leveraging our system design expertise cultivated through intermediate distribution and our data utilization know-how, we are working closely with delivery partners and other companies to strengthen data-driven delivery management capabilities. This approach not only improves operational efficiency but also contributes to better working conditions for drivers and greater sustainability, ultimately strengthening the stability and long-term competitiveness of our logistics infrastructure.



Visualization of delivery data Point of improvement Main initiatives Promoting the logistics EDI · Warehouse dock reservation Reducing the driver's system waiting time Standardization of material handling Joint delivery Improving delivery · Adjustment of delivery frequency efficiency · Adjustment of order quantity · Extension of delivery deadlines Reduction of driver Relay transportation restraint time Modal shift · Promoting a modal shift

Developing the delivery management system which integrates various delivery data Data held by Data held by **PALTAC** delivery companies Delivery course · Loading time Delivery date · Rest time · Delivery volume Delivery route Product Track information information, etc. · Waiting time at delivery sites, etc. We plan to gradually introduce the fleet management service MOVO Fleet by Hacobu, Inc. at 19 locations across Japan during fiscal year 2025.

^{*} EDI (Electronic Data Interchange): This is an electronic data system that exchanges information such as orders, deliveries, and invoices generated in business transactions between companies.

Value Creation Story

Key strategies.1 Improving the profitability of existing business

WHAT'S PALTAC

Launch of consolidated shipments through joint delivery in the Western Kanto area

We have started consolidated shipments through joint delivery in the Western Kanto area in collaboration with ARATA CORPORATION. To address the growing shortage of truck drivers, both companies have begun working together in the non-competitive area of delivery, based on a shared understanding that improving logistics efficiency through cooperation beyond traditional boundaries contributes to building a sustainable distribution infrastructure. Joint delivery was achieved by reviewing shipping locations based on the positioning of both companies' facilities and delivery destinations, and by designing optimal delivery routes. This initiative is expected to reduce the number of trucks needed, improve loading efficiency, and lessen the workload at stores by reducing the number of receiving operations. Building on this initiative, we will continue exploring further collaboration in non-competitive areas. We also aim to apply the expertise gained to expand our collaborative network and extend the co-creation of sustainable distribution infrastructure across the entire supply chain.



July 2, 2025: Notice concerning the launch of collaborative initiatives in logistics between PALTAC and ARATA CORPORATION to our corporate website for IR news (Japanese only): https://www.paltac.co.jp/news/?p_category=i

Launch of demonstration using autonomous trucks for line-haul transportation

A joint pilot project for line-haul transportation using autonomous trucks has begun in collaboration with Daio Paper Corporation and T2 Corporation. Level 2*1 autonomous vehicles are currently operating between the Kanto and Kansai regions to evaluate logistics efficiency and address the shortage of drivers. Looking ahead to future Level 4*2 operations, the initiative aims to build a sustainable logistics network.

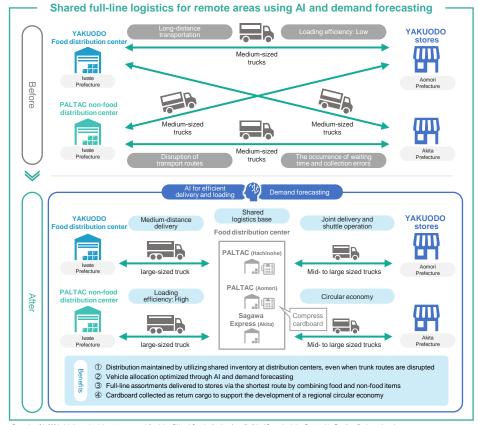


Schedule validity, etc.

July 30, 2025: Notice concerning the launch of a joint pilot project using autonomous trucks for line-haul transportation Please refer to our corporate website for IR news (Japanese only) https://www.paltac.co.ip/news/?p_category=ir

Jointly received the category award "Logistics DX and Standardization Award" of the "Green Logistics Partnership Excellent Business Award"

We were jointly honored with the "Logistics DX and Standardization Award" for building a supply chain model in collaboration with YAKUODO Co., Ltd. and Sagawa Express Co., Ltd. This initiative was recognized for its system that leverages AI and demand forecasting to optimize the number of trucks and loading efficiency. By establishing relay hubs, we successfully shortened delivery distances to remote areas and achieved various benefits, including reduced CO₂ emissions. We will continue contributing to local communities and the environment while striving to build a sustainable and flexible logistics network.



December 24, 2024: Jointly received the category award "Logistics DX and Standardization Award" of the "Green Logistics Partnership Excellent Business Award" Please refer to our corporate website for IR news (Japanese only): https://www.paltac.co.ip/news/?p category=i

^{*1} Advanced autonomous driving under specific conditions, conducted under driver supervision *2 A state in which the automated driving system fully replaces driver operations within a limited area that meets specific environmental conditions

PALTAC INTEGRATED REPORT 2025

Key strategies.2 Taking on the challenge of creating new value

Developing the industry-leading logistics model with unprecedented productivity

We have continued to develop a highly efficient nationwide distribution network with the aim of optimizing and streamlining the entire supply chain to meet environmental changes and achieve sustainable growth. In intermediate distribution, piece-picking plays a particularly important role. We have realized faster and more accurate piece-picking by continuously improving the SPIEC model, which was first introduced at RDC Kinki in 1998. In addition, in response to the declining working population, the new distribution centers established after 2018 have introduced the SPAID model, which boasts twice the productivity of the SPIEC model. This model was developed by combining our existing logistics know-how with digital technologies such as Al and robotics.

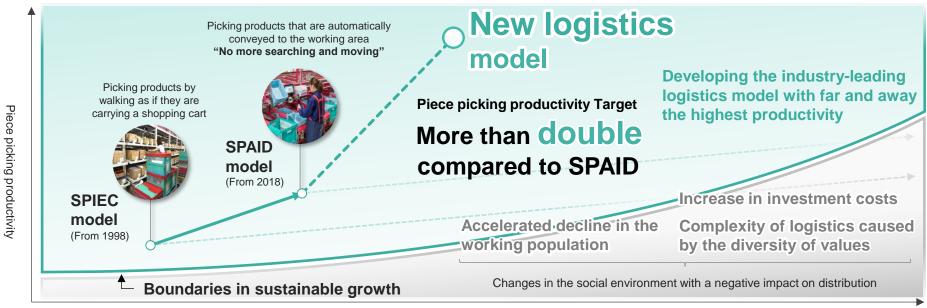
Despite these advancements, logistics operations are becoming increasingly complex due to a declining working population, rising material costs, and the growing personalization of services and products driven by diversified consumer values. To adapt to these challenges, further improvements in productivity are essential. Therefore, we will challenge ourselves to innovate the operation of our distribution centers, aiming to achieve productivity that is twice as high as that of the SPAID model, by leveraging the expertise of over 200 professionals who specialize in creating systems, along with the know-how we have cultivated over the years.

We have now completed the logistics concept and basic design. Moving forward, we will enhance the model through phased development and verification.

Changes in Distribution Models and Future Targets

Piece picking: Picking products by the piece (accounting for approx. 60% of the operation in distribution centers)

In intermediate distribution, we stock products received from manufacturers in case units. In response to orders from retailers, we consolidate products in piece units by category and ship them faster and more accurately, thereby supporting the wide variety of products availability in retail stores.



Key strategies.2 Taking on the challenge of creating new value

WHAT'S PALTAC

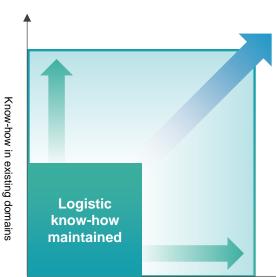
Expanding the areas of value creation in logistics solutions by realizing unprecedented productivity and strengthening our know-how and connections

As the decline in the working population accelerates, labor shortages are becoming increasingly severe across all logistics processes, including among truck drivers. At the same time, growing demand for personalized services and products, driven by more diverse consumer values, is leading to an increase in small-lot, multi-item production and sales, which is making logistics operations more complex. Even in such a changing environment, we believe that a distribution network with unprecedented productivity is essential to continuously deliver what is needed, when it is needed, to those who need it.

Therefore, to become an essential presence in the distribution network, we are developing a new logistics model with unprecedented productivity. By leveraging the know-how and shipping capacity gained through these efforts, accumulating expertise in new areas such as food logistics, and building a delivery network that transcends competitive and industry boundaries, we aim to expand the value provided by logistics across categories and industries.

Areas in which our logistics values could be provided

Developing the logistics model with far and away the highest productivity



Further expanding business areas where our logistics capabilities can be provided

Developing a joint delivery network **Acquiring know-how in food logistics**

In September 2024, food logistics operations were launched at RDC Miyagi

Connection and Know-how in new domains

Collaboration with wholesalers from both different and similar industries

Challenges surrounding logistics are increasingly difficult to solve through the efforts of individual companies alone. We recognize the need to address shared issues through a mindset of collaboration and co-creation, without being constrained by traditional business practices or industry structures.

Guided by this belief, we are building a collaborative framework with multiple companies, including Sagawa Express Co., Ltd., Mitsubishi Shokuhin Co., Ltd., and ARATA CORPORATION, that goes beyond the boundaries of industry, business type, and competition. Currently, we are advancing a wide range of initiatives, such as mutual utilization of logistics hubs, promotion of joint delivery, exploration of new logistics sites, and joint research aimed at driving digital transformation in logistics. These collaborative efforts are not simply aimed at improving operational efficiency. They also represent a bold challenge to envision the future of distribution. We will continue expanding the circle of collaboration to cocreate a sustainable distribution network.

Key collaboration initiatives

- · Sustainable logistics partnership with Sagawa Express Co., Ltd. March 31, 2023: Notice concerning the signing of a sustainable logistics partnership agreement with Sagawa Express Co., Ltd.
- · Supply chain and logistics integration with Mitsubishi Shokuhin Co., Ltd. January 21, 2025: Notice concerning the launch of a collaborative logistics initiative between PALTAC and Mitsubishi Shokuhin Co., Ltd.
- · Co-creation of sustainable distribution infrastructure with ARATA CORPORATION

July 2, 2025: Notice concerning the launch of a collaborative logistics initiative betwee PALTAC and ARATA CORPORATION

Please refer to our corporate website for IR news (Japanese only): https://www.paltac.co.ip/news/?p category=i

Key strategies.2 Taking on the challenge of creating new value

WHAT'S PALTAC

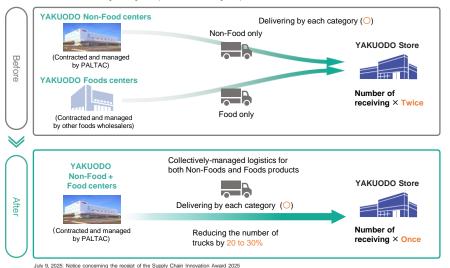
Launch of integrated logistics for food and non-food products



In collaboration with YAKUODO Co., Ltd. and 23 partner companies, we began integrated logistics for non-food products (such as cosmetics and daily necessities handled by our company) and food products in September 2024. Drugstores, which account for approximately 60% of our sales, are expanding their food offerings in response to growing consumer demand.

This integration has reduced the number of trucks, labor required for delivery, and CO₂ emissions by 20–30%, contributing to lower delivery costs and promoting White Logistics. Reducing the number of deliveries has also eased receiving tasks at stores. By applying category-based delivery, which has already been introduced in the non-food sector, to food products, we are streamlining shelf stocking operations and contributing to workstyle reform in the retail industry. Through this initiative, we are steadily expanding the scope of value creation in logistics by gaining insights into the characteristics of food logistics and efficient operational know-how.

Category-based delivery: Products are sorted and delivered by category, aligned with the store's shelf layout. This minimizes movement during stocking and replenishment, reducing the operational burden on store staff.



- Voice —



Driving innovation in food logistics through frontline collaboration and insight

Logistics Headquarters Yohei Kato

We have collaborated with YAKUODO Co., Ltd. on multiple initiatives focused on optimizing and streamlining the entire supply chain. This project was our first experience in the food sector, and I clearly remember how excited I felt when it started.

Soon after the launch, we faced many challenges that could not be solved within our department alone. For example, revising the store delivery acceptance process made us realize that collaboration was essential. This applied not only to our work with YAKUODO but also to coordination with many other internal functions.

Handling food products at the distribution center requires special care due to their unique packaging and higher risk of damage. For example, bundled items tied with string or adhesive can be difficult to define as a single unit, so accurate picking depends on closely checking the packaging. Fragile items like glass bottles are manually handled with care instead of using automated replenishment systems, with our approach tailored to each product's characteristics.

Since food logistics was a new challenge for everyone involved, we worked closely with relevant departments and part-time staff, combining our knowledge to find practical solutions.

Operations are now running smoothly, but we've identified new areas for improvement, such as optimizing delivery timing, methods, and volume. We continue to build a more efficient logistics system through close communication and information sharing with related teams.

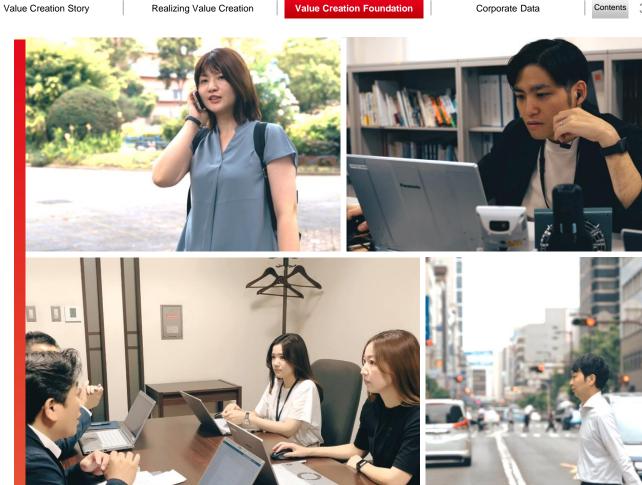
Looking ahead, we plan to incorporate feedback from frontline staff and enhance task support through digital tools. Through ongoing improvement efforts, we aim to accumulate expertise in food logistics and further strengthen our capabilities.



Value Creation Foundation

WHAT'S PALTAC

- DX Strategy
- Sustainability Management 44
- **Human Capital** 45
- 50 Environment
- Corporate Governance 56
- Compliance 64
- 65 Respect for Human Rights
- Safety Measures 65
- 66 Disaster Countermeasures
- 66 **Quality Management**







DX Strategy

Driving innovation in connectivity and productivity across the distribution network through digital technologies

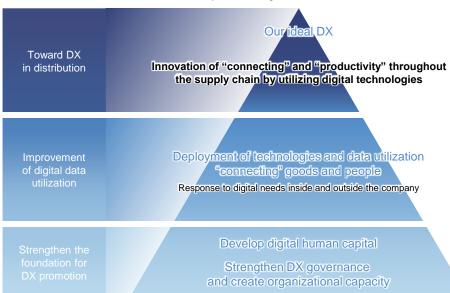
We believe that transforming productivity across the entire distribution network through digital innovation is the essence of the DX we aim to achieve. Rather than simply digitizing operations, our DX approach focuses on reshaping the structure of distribution itself to realize sustainable value creation.

WHAT'S PALTAC

To achieve this, we are first working to build a strong foundation for DX by developing digital talent, strengthening DX governance, and creating organizational capacity. By leveraging these resources, we are advancing technologies that connect goods and people, and responding to digital needs both inside and outside the company. Through continuous and context-driven digitalization, we are taking on the challenge of transforming productivity across the entire distribution network.

Our Aim

We strive to contribute to customers prosperity and to create people's rich and comfortable daily lives through distribution



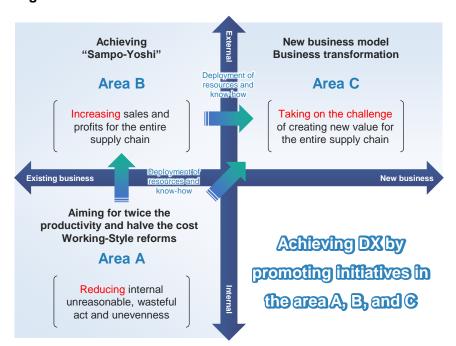
We are driving DX initiatives across three domains: A, B and C. These are structured around two perspectives: internal and external operations, and existing and new businesses.

Domain A focuses on transforming internal business processes to eliminate inefficiencies and generate resources that can be redirected toward external value creation.

In domain B, we aim to deliver value externally through existing businesses while identifying challenges and accumulating data that support future value creation and enhance overall sales and profitability across the distribution network.

Domain C involves deploying the resources and know-how gained from domains A and B to develop services that create new value throughout the distribution network.

Target we aim to achieve: Three areas



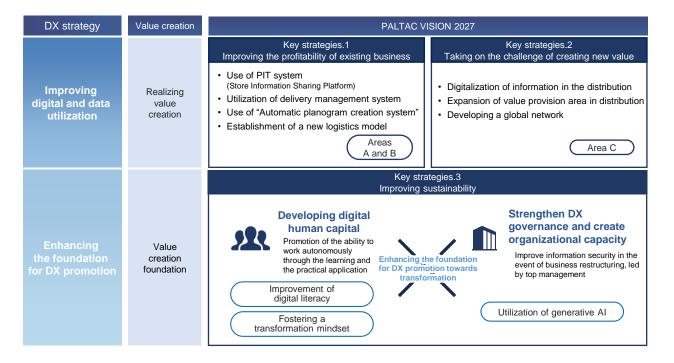
DX Strategy

Positioning of the DX strategy in PALTAC VISION 2027

WHAT'S PALTAC

Our current medium-term management plan defines the three-year period as a time for building the foundation for transformation to realize our long-term vision. Two essential pillars of this foundation are improving digital and data utilization, and strengthening the infrastructure for DX promotion. As for digital and data utilization, we aim to deliver data driven value by collecting and managing a wide range of distribution data, which is uniquely accessible to us as a company positioned in the middle of the supply chain. By leveraging this data, we provide solutions that meet diverse needs.

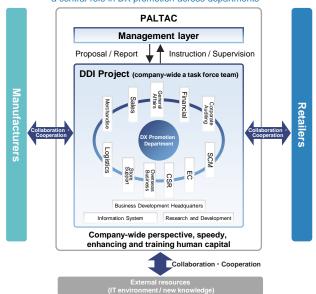
To effectively realize this goal, we are focusing on strengthening our DX foundation. Specifically, we are developing human capital that drives transformation by offering opportunities for both learning and practical experience, encouraging autonomous skill development, and nurturing individuals who take on the challenge of creating new value. We are also enhancing information security and thoroughly managing risks associated with DX promotion. Under strong leadership from top management, we are driving business structure reform, streamlining operations through digital utilization, and leveraging external resources to create an environment where our employees can focus on high-value-added work.



System for DX promotion

To create new value using digital and data, it is important to "connect" digital technology and issues of distribution with diverse perspectives, knowledge, and ideas. Accordingly, we established DDI*, a cross-divisional DX promotion taskforce-team composed of members from each department who decided to participate on their own. To promote optimal digital utilization, with the DDI as center player, we will make efforts to strengthen cooperation, among departments, promote understanding of the activities and on-site needs in the systems department, and to improve the digital literacy and digital awareness among our user departments. We will also effectively utilize external resources, such as the IT environment, and work to "acquire diverse knowledge", "to accelerate commitment to initiatives", and "to maximize value creation", through internal and external collaboration and cooperation. * DDI: Digital Dynamics Initiative

Promoting effective digital utilization centered on DDI, taskforce-team that plays a central role in DX promotion across departments



DX Strategy

Development of digital human capital

We believe that responding to rapidly evolving digital technologies, especially AI, is a key driver of sustainable growth and competitiveness. In a fast-changing environment, the ability of each employee to master digital tools as their own is critical to transforming operations and organizations and creating new value. Guided by this belief, we are developing a strategic human capital portfolio and building a company-wide framework that empowers all employees to understand and effectively apply digital technologies.

WHAT'S PALTAC

Fostering a transformation mindset

We are building a foundation for internal communication and knowledge sharing to foster a mindset where employees proactively embrace change and actively leverage digital technologies and AI. As part of this initiative, we have created the "DX Plaza," a digital workspace where employees can share challenges, exchange improvement ideas, seek advice, and collaborate across locations and job functions. Through dialogue and case sharing in this space, employees gain exposure to new perspectives and ideas from other departments, which helps spark motivation to improve their own work and take on new challenges. To turn this mindset into action, we are enhancing learning programs that support employees from foundational understanding to practical application. In addition to e-learning and online study sessions, insights and improvement cases gathered through the DX Plaza are consolidated into the DX Portal Site, where they are formalized and shared as organizational knowledge assets. This initiative supports broader thinking, improved digital literacy, stronger digital skills, and deeper understanding of frontline operations. We also promote continuous skill development for specialized talent such as cloud engineers and business architects, who build systems and environments that enable organization-wide digital adoption. This is supported through dedicated training programs and structured career path development.

Scene from an online study session



A wide range of topics are covered, from Excel basics to advanced applications such as macros, Query, and Power Pivot

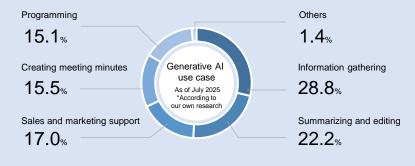
Utilization of generative Al

Generative AI has the potential not only to improve operations but also to significantly accelerate business speed and scale. To enable employees to use generative AI as a trusted partner and co-create new value, we are providing phased support and building an environment that promotes deeper utilization.

Establishing Al-driven business processes

To effectively deploy generative AI, we first focused on creating and sharing success stories and distributed licenses to employees with a strong innovator mindset. Given the various risks associated with generative AI, we also provided training based on AI usage guidelines at the time of license distribution, ensuring robust information security and compliance. As early adopters began sharing use cases and know-how and engaging in discussions on the DX Plaza, we expanded license distribution to approximately 1,000 employees. This has led to greater efficiency and quality in daily operations, including internal and external information gathering, market analysis, sales analytics support, and assistance with document creation.

Looking ahead, we plan to position high-usage employees as evangelists to further raise company-wide utilization levels. Beyond improving individual tasks, we aim to shift toward business processes designed with AI in mind, ultimately driving new value creation.



Realizing Value Creation

DX Strategy

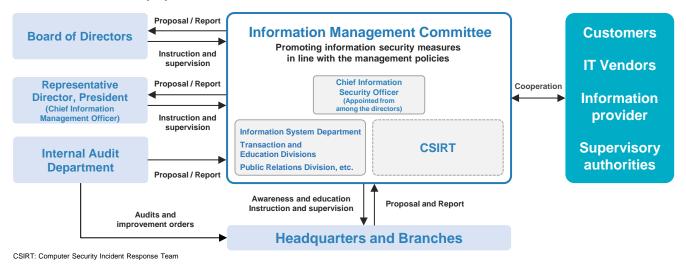
Information security system

As society becomes more digitized, companies are also facing a growing number of security threats such as cyberattacks. As a result, these attacks are increasingly leading to shutdowns. We are actively embracing digital technology as an important tool for sustainable growth and, as a distributor of everyday essentials, we are working to strengthen our response to information security risks that could affect the stable supply of our products. For our information security structure, including cybersecurity, we have established the Information Management Committee as an organization reporting directly to the Chief Information Management Officer (President). Under the direction of the Chief Information Security Officer (CISO), the committee is made up of managers and practitioners appointed from each department, and the PDCA cycle, which repeats the formulation, implementation, evaluation (audit) and improvement of plans, is at the heart of the committee to systematically and continuously improve security.

Today, based on the CSIRT*, which was established in the previous fiscal year, we are working to reinforce incident response by considering "What if our business operations stopped tomorrow?". In addition to strengthening security in the supply chain, we are now focusing on expanding our external partners.

To reinforce incident response, we conduct training based on real-world scenarios and use these exercises to improve manuals and procedures.

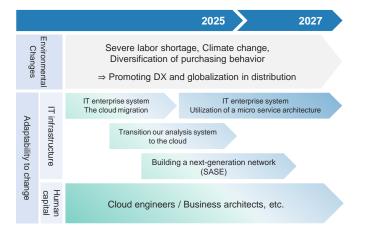
Information security system



Strengthening IT systems to support DX promotion

To respond to changes in the external environment, such as the advancement of digital technologies in distribution (including Al, data utilization, and cloud adoption) and the overseas expansion of our business partners, as well as evolving on-site needs, we are rebuilding our system infrastructure and strengthening the recruitment and development of specialized talent. (This marks a shift toward strategic IT.) In rebuilding our infrastructure, we aim not only to enhance security and cost efficiency but also to accelerate service implementation. We have completed the cloud migration of both core and analytical systems. Currently, we are working on microservices to increase system agility and building a next-generation network (SASE) to enable secure and flexible external collaboration.

On the human capital side, in addition to reallocating personnel through operational efficiency, we are securing talent for new business domains through planned mid-career hiring. We are also promoting continuous skill development by establishing training programs and career paths for advanced professionals such as cloud engineers and business architects.



Sustainability Management

We have always strived to create rich and comfortable daily lives for people by solving social issues through optimizing and streamlining the entire distribution. As society continues to evolve rapidly, we believe that driving further innovation in distribution is essential to shaping a better future for all. We promote business activities in line with our

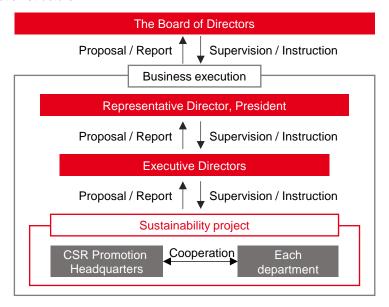
WHAT'S PALTAC

Value Creation Story

Governance

Toward an appropriate address to climate change and investing in human capital, under the supervision and instruction of Representative Director, President, within the sustainability project, which promotes company-wide initiatives, we identify risks and opportunities related to climate change that affect our business activities and formulate policies to deal with these risks and opportunities. Contents of this project are regularly reported to the Board of Directors by the CSR Promotion Headquarters, which is in charge of the project secretariat. Also, the Board of Directors manages and supervises the content of these reports.

Promotion structure



Basic Sustainability Policy, which is based on sincerity and honesty. Leveraging the "power of connections" we have cultivated over 126 years and the strong relationships with all those involved with PALTAC, we are committed to driving innovation in distribution and creating new value for society and the environment, contributing to a more sustainable future.

Risk management

Towards achieving our management goals, we have established the "risk management regulations" to appropriately respond to potential risks in business execution and fulfill our corporate social responsibility. Regarding the risk management system, the CSR Promotion Headquarters, which is the supervisory department for risk management, takes the lead in collaborating with the management layer and each department, and identifies and analyzes risks that may affect business operations, including aspects of sustainability such as climate related risks and human capital management. We also evaluate the importance based on criteria incorporating the potential impact on business operations, probability of the risk occurring and other factors, and formulate response policies. The results of progress are eventually reported to the Board of Directors and managed and overseen by the Board of Directors. We incorporate major risk factors which are identified through above the process into our medium-term management strategy and promote to address.

■ Risk management process



WHAT'S PALTAC

Value Creation Story

We believe that human capital is the source of value creation and our most important asset. In our long-term vision, we will aim to achieve growth together with the company and society through mutual respect among diverse human capital and enabling individuals to exercise their potential with autonomy and spontaneity. For the realization of long-term vision, we will

Strategy

About developing and securing diverse human capital, we will build up the portfolio of human capital needed to realize our long-term vision, including individuals who can design new forms of distribution with fresh perspectives, and those who can optimally utilize digital technology to bring their ideas to life. We will then design and operate a human capital development program and recruit flexibly in line with this portfolio. Also, in developing human capital, we will create new learning opportunities and foster a "diversity of knowledge and experience" from the perspective of different divisions through active job rotation and open departmental transfers.

In terms of creating an environment that enables human capital to exercise their full potential, we will improve "job satisfaction" by structuring the support of individual autonomy, career creation, and optimizing the allocation of human capital according to the characteristics of each individual using talent management system. In addition, by developing various systems and reforming work style to promote active actions regardless of gender or personal attributes, and by making the office a workplace that could improve the comfort and optimization, we will create a "comfortable work environment" that would make the most of diverse values.

In terms of promoting health and productivity management, we will strengthen our systems to ensure the total care of employee health and safety, which is the basis of our business activities. In concrete terms, we will work to raise the health awareness of each and every employee through enhanced seminars and training, improve various types of support to protect mental and physical health, and strengthen specialized teams to protect occupational health and safety in the workplace.

Metrics and Targets

Our Target	Metrics (FY2027)	Results (FY2025)		
Building an organization in which	Percentage of female employees in management positions	8.4%	6.9%	
diverse human capital play active roles with autonomous and	Percentage of male employees taking childcare leave	60%	47.9%	
spontaneous thinking	Employee engagement score*	55.0	51.2	

^{*} Engagement score: Measured by "Motivation Cloud" service of Link and Motivation Inc.

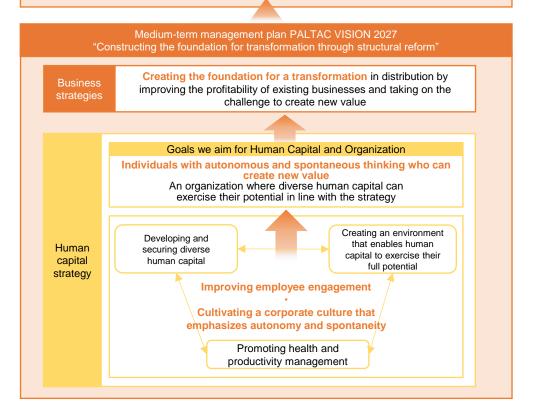
actively invest in an environment "developing and securing diverse human capital", "creating that enables human capital to exercise their full potential", and "promoting health and productivity management". By doing so, we will promote the synergistic effect of every initiative and will improve employees' engagement and create a corporate culture of autonomy and spontaneity.

Long-term vision "Creating the future of people and society through the power of connections"

Business direction: Entering new business domains based on assets accumulated by evolving existing businesses

Goals we aim for Human Capital and Organization

Building an organization in which diverse human capital plays active roles with autonomous and spontaneous thinking Co-growth of individual employees, our company and society

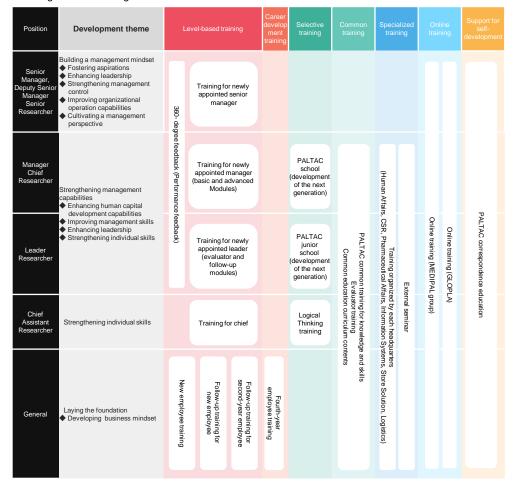


Continuous human capitals development

To realize our long-term vision, we continuously provide opportunities for employees to update their skills and mindset and to reskill. These efforts are essential for executing our business strategies. In addition to tiered training programs aligned with each individual's growth stage, we offer a diverse range of learning opportunities, including specialized training organized by each division, open enrollment programs, and various distance learning options.

WHAT'S PALTAC

Training framework diagram



We are committed to creating an environment where employees can take ownership of their development and grow into highly skilled professionals.

In the fiscal year ended March 2025, we strengthened our talent development efforts across three key areas: learning, dialogue, and career support, to foster self-driven growth among employees. To promote learning, we enhanced access to structured programs covering business skills, critical thinking, and management capabilities through online platforms. These programs are designed to support autonomous growth by allowing flexible learning tailored to individual interests and challenges.

In terms of promoting dialogue, we expanded our one-on-one training program to encourage regular conversations between managers and team members. These discussions help clarify career goals, address work-related concerns, and identify motivation and development needs, leading to more accurate development planning and effective talent placement. We also hosted engagement workshops where employees could openly share values and challenges, helping to build a stronger sense of unity and engagement across the organization.

Furthermore, to support career development and maximize individual potential, we advanced our talent management initiatives. By visualizing qualifications and work experience, we help employees shape careers aligned with their skills and aspirations. We also actively promote job rotation, including open-application transfers, to encourage crossfunctional diversity of knowledge and experience. This approach fosters creative talent capable of adapting to change.



Both total and peremployee training costs have been on the rise, driven by initiatives such as one-on-one training, engagement workshops, and the enhancement of distance learning programs.

Empowering diverse talent and fostering an inclusive workplace

WHAT'S PALTAC

To drive innovation, we believe it is essential to both embrace diversity in organizational management and create a work environment where individuals can perform at their best. We are implementing initiatives that allow these two elements to complement and reinforce each other.

As one aspect of diversity, we have set a goal to raise the percentage of female managers to 8.4% by the end of the fiscal year ending March 2027. While the current proportion of female employees is relatively low, making a rapid increase difficult, we are committed to steady progress with a medium to long term perspective. Our efforts include expanding the talent pipeline through stronger recruitment and supporting continuous experience building and career development, even during life events such as childbirth and childcare. We aim to create an inclusive environment where employees can continue to grow and take on new challenges. When designing these initiatives, we also gather input from female managers and employees through feedback sessions, using their insights

to identify issues, and drive improvements.

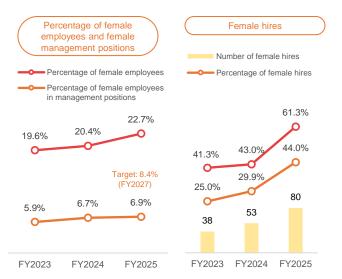
Value Creation Story

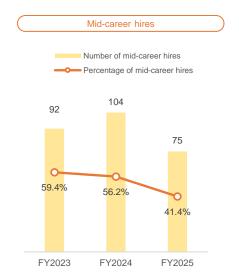
We define diversity to include differences in background and professional expertise. We are strengthening midcareer recruitment across a wide range of fields, including digital specialists with expertise in AI, data analytics, and cloud technologies, and appointing them as immediate contributors to broaden our organizational knowledge. In April 2024, we introduced an alumni program to reconnect with former employees and candidates who declined offers but are familiar with our company. Through this network, we aim to bring externally acquired experience and perspectives back into the organization. The alumni network has already been established, and some members have begun contributing.

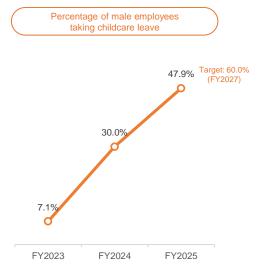
We are also enhancing systems that support flexible work styles, such as flextime, hourly paid leave, remote work, and support for childcare and eldercare. These efforts are designed to ensure that all employees, regardless of gender or job type, can continue working

with confidence and peace of mind.

As part of our broader commitment to supporting diverse talent, we are working to increase the rate of paternity leave taken by male employees. Our goal is to raise the current rate of 47.9% to 60.0% by the end of the fiscal year ending March 2027. To achieve this, we are cultivating a workplace culture that makes it easier for employees to take childcare leave. This includes reviewing how tasks are allocated, sharing real-life examples of employees who have taken leave, and providing training programs for managers. When men actively participate in childcare, it strengthens cooperation within the household and also fosters a deeper understanding of flexible work styles that accommodate life events. This approach improves transparency in team responsibilities and encourages stronger collaboration. As a result, we believe it will lead to higher levels of employee engagement and increased productivity.







TOPICS

To support the success of diverse talent, we are advancing initiatives that originate from voices on the ground. We regard the cultivation of a workplace culture that encourages autonomous and proactive behavior as a key priority. As part of this effort, we have created opportunities for female managers to openly share challenges related to career development and workstyles, and to engage in constructive dialogue aimed at improvement. Furthermore, at our logistics sites, a new project has been launched to promote improvement proposals that draw on the unique perspectives of women.

"A dialogue forum by female managers: Reflecting on diversity and growth" "PALTAC Nadeshiko Forum"

WHAT'S PALTAC

As part of our efforts to build a culture that respects diversity and encourages individuals to grow autonomously, we held the PALTAC Nadeshiko Forum. Female managers from across Japan gathered at our headquarters to reflect on their personal development and the future of the organization. The forum focused on two main themes. One was deepening understanding of diversity. The other was sharing concerns and challenges faced in management roles along with constructive proposals.

Participants offered many practical suggestions for improving workplace systems and environments based on real issues they have experienced. For example, the inconsistency in workload and responsibilities among employees returning from childcare leave was raised as a concern. This issue has now been recognized as a topic for further organizational review.

We will continue to listen to the voices of current female managers, identify key issues, and take action to create an environment where future female leaders can thrive with confidence.





Women-led improvement project: Creating a new normal "Neo Rosy Project"

Neo Rosy Project is a female-led initiative launched in logistics to address workplace challenges. Its goal is to create a new normal where everyone, regardless of gender or role, can work with ease and confidence. Fifteen members from across Japan collaborate on themes such as workplace environment, systems, and part-time staff management. They share insights and develop proposals to improve conditions. One example is the introduction of uniforms designed for comfort, mobility, and recyclability. These uniforms support both functionality and sustainability. Through this initiative, members are expanding their perspectives by engaging with diverse challenges and ideas from different locations.







Project name origin: The name Neo Rosy combines the meanings of renewal and a bright future. It conveys our intention to create a new and optimistic tomorrow.

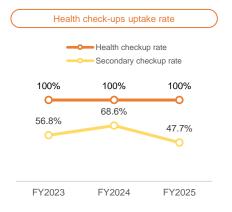
WHAT'S PALTAC

Promoting health and productivity management

We believe that when employees are health-conscious and work in an environment that supports long-term growth, it leads to the sustainable development of the company. Guided by this belief, we are committed to advancing health and productivity management. Our efforts include enhancing awareness through seminars and training, encouraging secondary health checkup, providing mental health education, offering access to an EAP hotline, and reinforcing expert teams dedicated to occupational health and safety. Together, these initiatives form a system that comprehensively supports both physical and mental health.

In the fiscal year ended March 2025, the rate of secondary health checkup declined due to an increase in eligible employees. To address this, we introduced a health information management system that enables employees to monitor and reflect on their health daily, while intensifying efforts to promote health awareness.

*Health information management system A system that allows individuals to regularly check their past health checkup results and receive periodic updates on health-related information



Improving employee engagement

To support the success and retention of diverse talent, we are committed to continuous development, creating inclusive work environments, and fostering a sense of unity built on mutual understanding and trust. Since August 2023, we have implemented an engagement survey to visualize employees' perceptions and feelings about their workplace. This allows us to tailor initiatives to the strengths and challenges of each team.

In the fiscal year ended March 2025, our engagement score rose by 3.1 points compared to the previous year. We believe this improvement was driven by stronger communication of our corporate vision from leadership and enhancements to internal systems, which helped employees feel the company-wide changes. At the same time, some employees expressed that they had not yet seen tangible changes in their immediate work environment or that operational transformation was lagging. To address this, we are expanding the scope of workshops and increasing site visits to further enhance engagement.

Engagement score

Medium-term management term Target for the final fiscal year (FY2027) 51.2 FY2024

Engagement score : Measured by "Motivation Cloud" service of Link and Motivation Inc.

Developing and securing diverse human capital

Creating an environment enables human capital to exercise their full potential

Promoting health and productivity management

X

Initiatives to foster a sense of unity within the company

Defining shared values through engagement workshops and embedding them across the organization through executive communication

In senior management workshops, executives engaged in discussions on the values to be shared across the company and formulated a definition. Each executive established personal behavioral guidelines and expressed a commitment to embodying these values and shaping a strong organizational culture. These messages are being communicated internally through newsletters, meetings, and most powerfully, through the president's direct address to all employees at the management policy briefing, embedding the values as a leadership message.





To drive further improvement, we are focusing on three core initiatives

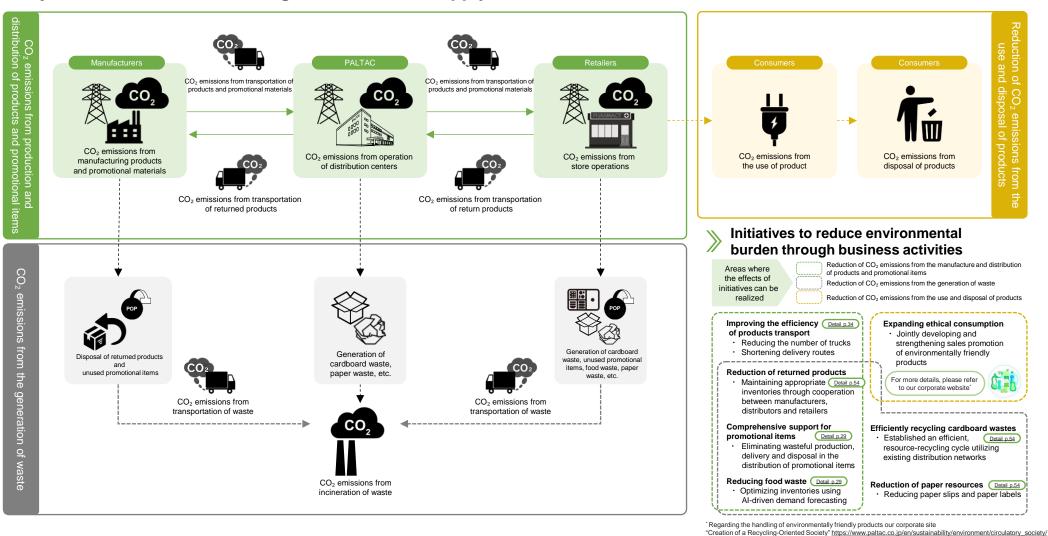
- ① Expand workshop participation to include influential frontline leaders, fostering autonomy and initiative.
- 2 Project office representatives visit each branch to support the articulation and sharing of the vision at the operational level.
- 3 Create an environment where all generations can work with vitality by reviewing system design and improving implementation.

Harmonizing the Environment

As a company dedicated to health and beauty, we are committed to reducing environmental impact throughout the entire supply chain. We place particular emphasis on addressing climate change and promoting a circular economy, as these are closely connected to our business activities. We also assess the impact of our operations on issues such as water conservation and biodiversity. When necessary, we implement appropriate measures and strive to ensure transparent information disclosure.

Major environmental burdens generated in the supply chain

WHAT'S PALTAC



Responding to Climate Change

WHAT'S PALTAC

We are addressing climate changes as part of as part of promoting the optimization and streamlining of the entire supply chain. Specifically, we are promoting energy-saving measures and the procurement of electricity derived from renewable energy, as well as reducing the environmental burden through business activities, such as the reduction of CO₂ emissions by improving delivery efficiency and the development and sales promotion of environmentally friendly products. Also, we will continue to identify and assess the risks and opportunities to our business due to the climate change, promote our response to them and strive to improve the level of our initiative and information disclosure through dialogue with our stakeholders.

Strategy

For reference, the scenario analysis uses existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We assume two possible worlds: one scenario assumes "limiting the average global temperature rise to no more than 2 °C above preindustrial levels", or the Paris Agreement goal (the below 2 °C scenario), and another scenario under which it is assumed that already published national policies and regulations are achieved without introducing new policies and schemes, entailing an increase in the volume of global greenhouse gas emissions from the current level (the 4 °C scenario).

We assessed the impacts on our business under these two scenarios and we analyzed impacts caused by climate change in 2030 to verify our strategic resilience for climate change risks and opportunities. As a result of the analysis, under the below 2 °C scenario, we recognize that we face higher risks such as an increase in cost due to the introduction of carbon taxes, etc., and a decline in transactions due to the delay in efforts to address the climate change and we can expect an increase in demand for ethical products. Under the 4 °C scenario, we anticipate damage on the supply networks of products caused by natural disaster as a major risk. Nevertheless, we have established effective Business Continuity Plan (BCP) that consider risks including the occurrence of a large-scale natural disaster. One of the measures in that plan includes a system under which, even if the distribution capabilities at some distribution centers can no longer be deployed safely, other distribution centers can take

over these capabilities as their backup. Consequently, we believe that the physical risks caused by natural disaster may not have much of an impact on our business in 2030.

While addressing opportunities, we recognize the positive factors by increase of demand for summer-seasonal products due to high temperatures and disaster and emergency response products. And, in either scenario, it is expected that upward pressure on cost is likely to gain momentum. That is not only risk but also opportunity to

use low-cost and high-efficient distribution network as our strength which has been established so far. Our industry has also faced immediate issues which are upward pressure on cost, including addressing labor shortage at retail stores and driver shortage, due to impact besides the climate change. In this environment, we will strive to create a distribution that does not generate burdens, reduce risks and capture profit opportunities by innovating our strengths of "logistics functions" and the "connections" developed in intermediate distribution.

■ Risks and Opportunities

	Type of risks/ opportunities		Overview of the risks/opportunities	Impact on business and finance				
				Below 2°C	4°C			
	Transition	Policies, laws and regulations	•Increase in costs due to the introduction of carbon taxes, etc. •Rise in the unit cost of logistics due to cost increase in the delivery industry	Moderate	Small			
Z	tion	Reputation	·Decline in transactions due to delay in efforts to address the climate change	Moderate	Small			
Risks			·Decline in demand for winter-seasonal products due to high temperatures	Small	Small			
O)	Physical	Long-term	·Rise in raw material prices due to shifting weather patterns (raise in purchasing costs)	Small-Moderate	Small-Moderate			
	cal	Acute	Damage to supply network due to an intensification of abnormal weather (damage to facilities or injuries to employees)	Small	Small			
0		Increase in sales	•Expansion in consumer needs for ethical consumption •Increase in demand for disaster and emergency response products	Small-Moderate	Small			
ppon	opportunities		 Increase in demand for summer-seasonal products and for products against the hot weather due to high temperatures 	Small	Small			
Opportunitie		Rise in relative	Rise in needs for low-cost distribution network which minimize the cost increase to address climate change	Small-Moderate	Small			
ΐν		competitiveness	·Rise in needs for distribution bases to ensure stable supply (BCP and nationwide distribution network)	Small-Moderate	Small-Moderate			

[Method of assessing financial impact] The impact is assessed as large, moderate or small, based on the size of the amount of impact on operating profit for the fiscal year ending March 31,2031. (Assuming that operating profit in FY2031 increases by 3% annually from FY2028 onwards)

Large: Expected to have an increase or decrease of 10% or more in operating profit (±3.5 billion or more) Equivalent to an increase in operating profit of approximately 3 years Moderate: Expected to have an increase or decrease of 3% or more in operating profit (±1.0 billion or more) Equivalent to an increase in operating profit of approximately 1 year Small: Expected to have an increase or decrease of less than 3% in operating profit (less than ±1.0 billion)

Metrics and Targets

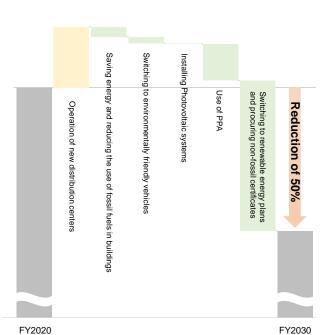
Scope1+2

With a view to contributing to limiting global temperature rise to below 2 °C by the end of the century, we have set Scope 1 and 2 targets of a 50% reduction in CO₂ emissions by FY2030 (ending March 2031) compared to FY2020 (ending March 2021), and net-zero CO₂ emissions by FY2050 (ending March 2051). As an important non-financial target under "PALTAC VISION 2027", we have set an interim goal of a 28% reduction in CO₂ emissions by FY2026 (ending March 2027) compared to FY2020 (ending March 2021). The majority of our Scope 1 and 2 emissions come from electricity consumption at distribution centers. However, as we cannot suspend product shipments, we must reduce emissions even under constraints that limit significant reductions in electricity use. Therefore, we are promoting initiatives to achieve our goals, centered on efforts to generate and procure renewable energy.

WHAT'S PALTAC

We are implementing a phased reduction in CO₂ emissions by transitioning to environmentally friendly vehicles, installing solar power systems on suitable distribution center rooftops, procuring non-fossil certificates, and adopting renewable electricity plans. Thanks to these initiatives, we successfully met our CO₂ reduction target for the fiscal year ending March 2025.

■ The roadmap for achieving the 2030 reduction target



Toward further reductions

To avoid relying on non-fossil certificates, which may face future supply-demand constraints and price volatility, we aim to establish more stable and additional electricity procurement methods. At our distribution centers, where space for installing solar panels is limited, we are considering the use of off-site power purchase agreements (PPAs), starting with high-priority sites that offer greater reduction potential. These priorities are determined based on factors such as operational years and regional market size trends. Currently, we estimate that approximately 20% of the required reduction can be achieved through PPAs. For the remaining reduction, we are also considering the use of renewable energy plans in parallel. While monitoring market trends, we will build an optimal energy procurement portfolio.

In addition, for investments related to Scope 1 and 2 reductions, we plan to allocate the outperformance equivalent generated through the ESG share buyback announced on August 4*.

August 4, 2025: Notice Concerning Determination of Matters Related to Acquisition of Treasury Shares and the Adoption of ESG Share Buyback IR News on our corporate website: https://www.paltac.co.jp/en/news/?p_category=ir

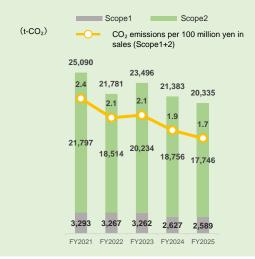
TOPICS

Selected for the first time as an Asia-Pacific Climate Leader 2025

Our efforts and achievements in reducing greenhouse gas emissions have been recognized, and we have been selected for the first time as one of the "Asia-Pacific Climate Leaders 2025," an international survey jointly conducted by the Financial Times and Statista.

This survey identifies the top 350 companies headquartered in the Asia-Pacific region that have made outstanding contributions to reducing greenhouse gas emissions. We believe that a key factor in our selection was the steady progress we have made toward achieving our Scope 1 and 2 reduction targets.

Related information: Financial Times website (English) Asia-Pacific Climate Leaders 2025: the interactive listing



In Scope 3, we are working to reduce CO₂ emissions from product transportation (GHG Protocol: Category 4) by accelerating our existing efforts to improve delivery efficiency and expanding initiatives through collaboration with business partners. For other categories, we are striving to calculate CO₂ emissions and improve calculation accuracy based on their relevance to our business activities. We are also conducting research and gathering information on reduction potential through initiatives such as participation in the GX League*, and will continue to advance our efforts in stages.

Value Creation Story

■ Scope3 CO₂ emissions*1 (t-CO₂)

Category	FY2023	FY2024	FY2025
Scope 3 total	6,189,933	6,399,566	6,617,924
1 : Purchased goods and services	5,523,521	5,715,331	5,942,301
2 : Capital goods	36,855	5,638	6,543
3 : Fuel- and energy-related activities not included in Scope1 or Scope2	7,332	3,993	4,133
4 : Upstream transport and delivery*2	30,578	28,855	29,500
5 : Waste generated in operations	460	677	723
6 : Business travel	284	290	296
7 : Employee commuting	9,571	9,554	9,534
12 : End-of-life treatment of sold products	581,197	635,096	624,762
13 : Downstream Leased Assets	135	132	132

WHAT'S PALTAC

■ Toward reducing high-emission categories

Category	Key initiatives
1 : Purchased goods and services FY2025 CO ₂ emissions 5,942,301 t	Reducing CO ₂ emissions from product manufacturing and disposal requires greater market penetration of environmentally conscious products. Manufacturers are advancing efforts such as lightweight packaging and the use of recycled materials, and we are working to
12 : End-of-life treatment of sold products FY2025 CO ₂ emissions 624,762 t	expand their reach by promoting distribution through our network. In some cases, we also collaborate with manufacturers developing materials and products that support resource circulation, contributing to the creation of items made with recycled content.
4: Upstream transport and delivery FY2025 CO ₂ emissions 29,500 t	Reducing CO ₂ emissions from product transportation, we are working to shorten transport distances and improve loading efficiency, thereby reducing fuel consumption through more efficient delivery operations. Specific initiatives include visualizing delivery data by implementing a delivery management system and promoting joint delivery with other companies. CO ₂ emissions in Category 4 (Upstream transport and deliver) (t-CO ₂) CO ₂ emissions per 100 million yen in sales (Category 4) 29,500

GX League: A place where companies that challenges to achieve carbon neutrality by 2050 and strive for social change and sustainable growth in today's and future's society, collaborate with government, academia and other groups of companies making similar efforts.

Establishing a Recycling-oriented Society

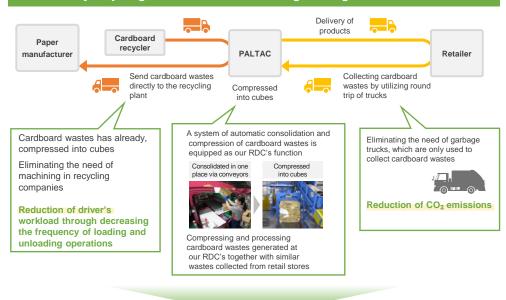
WHAT'S PALTAC

In addition to efforts to reduce waste generation, such as minimizing product returns, we are also promoting resource circulation by recycling damaged cardboard generated during the distribution process. By advancing these initiatives, we aim to contribute to the development of a circular society.

Recycling of cardboard waste

We are collaborating with resource recycling partners to establish a system for efficiently recycling cardboard waste. This involves collecting cardboard waste from retail stores by utilizing the return trips of delivery trucks after product delivery. Combined with automated sorting and compression functions at our distribution centers, this approach eliminates the need for recycling partners to handle collection, compression, or processing. By transporting the materials directly from our distribution centers to paper manufacturers, we reduce the number of loading and unloading operations, thereby enhancing recycling efficiency and easing the overall workload across the distribution network.

Efficiently recycling cardboard wastes utilizing existing distribution networks



In collaboration with cardboard recyclers, donate a portion of income due to sell of cardboard wastes to the "Green Fund" for forest conservation activities

Reduction of returned the products

Value Creation Foundation

To build a sustainable distribution cycle, we work closely with our business partners to reduce product returns. Returns, often driven by industry-specific commercial practices, not only incur additional costs such as sorting and transportation but also increase environmental impact through CO₂ emissions and product waste. At the same time, returns are closely tied to the need for rapid product deployment in response to Japan's seasonal shifts and changing consumer preferences, making them inseparable from the risk of missed sales opportunities. Reducing returns while maintaining store displays that meet consumer needs and avoiding lost sales requires coordinated inventory management across the entire distribution network. We proactively share information with retailers and manufacturers, including store-level sales and inventory data, temperature-based sales trends for seasonal items, and product revision schedules. By implementing timely measures such as inter-store transfers and order suspensions, we aim to prevent excess inventory and minimize returns.

Using eco-friendly foldable container

A "Rewritable laser system" has been installed at the new distribution center, which allows necessary shipping information to be printed and erased on foldable container. Use of disposable shipping labels that until now have been manually attached or replaced was eliminated, thus contributing to the improvement of work efficiency and reduction of waste.

Reducing food waste through Al-driven demand forecasting

We have launched an "Al-driven automated ordering system". This is designed to help retailers not only streamline their ordering process, but also reduces food waste.



Enabling to rewrite shipping labels repeatedly without contact with the surface

Eliminated the need for disposable label

Contributing to reducing waste

[Conventional model] Manually attach and replace of shipping labels



Expanding our line of environmentally friendly products to promote ethical consumption.

(For more details, please refer to our corporate site*)

* Regarding the handling of environmentally friendly products Our corporate website "Creation of a Recycling-Oriented Society" https://www.paltac.co.ip/en/sustainability/environment/circulatory_society

Approach to biodiversity conservation

Biodiversity is a key element of natural capital and brings diverse benefits to corporate activities. As part of our commitment to preserving a healthy natural environment, we have initiated an assessment of the relationship between our domestic operations and biodiversity, guided by the LEAP approach¹ recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). This assessment utilized internationally recognized tools, ENCORE2 and IBAT3. ENCORE helped us evaluate the degree of dependency and impact associated with our core business, wholesale, on specific aspects of natural capital.

WHAT'S PALTAC

Value Creation Story

IBAT was used to screen the surroundings of our domestic sites for geographic overlap with key biodiversity areas and protected zones. The ENCORE results indicated no critical dependencies or significant negative impacts on natural capital. Meanwhile, IBAT revealed that some sites are located within a 3 km radius of key biodiversity areas or protected regions. We operate in full compliance with applicable laws and regulations. Based on the scope of this assessment, we believe our activities are unlikely to have a direct and significant impact on biodiversity at this time. We will continue to monitor our dependencies and impacts on natural capital, including biodiversity, and take appropriate action as needed.

■ Assessment of our wholesale business's dependencies and impacts on natural capital using ENCORE

	Dependencies																																			
	rovis serv	sionir rices										Cultural services				Pressures																				
Biomass provisioning	Genetic material	Water supply	Animal-based energy	Global climate regulation	Water flow regulation	Mediation of sensory impacts (other than noise)	Air Filtration	Soil quality regulation	Soil and sediment retention	Solid waste remediation	Water purification	Storm mitigation	Flood control	Pollination	Nursery population and habitat maintenance	Local (micro and meso) climate regulation	Biological control	Rainfall pattern regulation	Dilution by atmosphere and ecosystems	Noise attenuation	Recreation related services	Visual amenity services	Education, scientific and research services	Spiritual, artistic and symbolic services	Disturbances (e.g. noise, light)	Area of freshwater use	Emissions of GHG	Area of seabed use	Emissions of non-GHG air pollutants	Other biotic resource extraction (e.g. fish, timber)		water pollutants	<u> </u>	Area of land use	Volume of water use	Introduction of invasive species
		L		VL	L				L			L	L			L	VL	VL							L		М		L			L	VL	L	М	

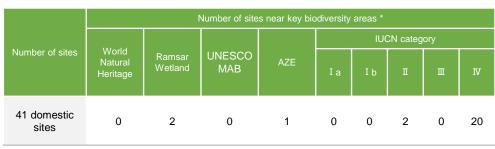
*1 LEAP approach: A nature-related risk assessment framework consisting of four stages—Locate (identifying points of interaction with nature), Evaluate (analyzing dependencies and impacts). Assess (examining risks and opportunities), and Prepare (developing responses and disclosures).

*2 ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure): A tool jointly developed by UNEP-WCMC, UNEP FI, and Global Canopy, used to evaluate industry-

*3 IBAT (Integrated Biodiversity Assessment Tool): A tool that integrates global biodiversity databases provided by organizations such as IUCN, used to screen business sites for geographic overlap with key biodiversity areas and protected regions.

*4 Based on the assessment of the industry category "Wholesale of household goods," which is considered closely aligned with our core business, we examined the nature-related dependencies and impacts.

Assessment of biodiversity impacts at domestic sites (screening using IBAT)



Biodiversity Priority Areas

World Natural Heritage Sites: Designated by UNESCO for their outstanding universal value

Ramsar Wetlands: Wetlands of international importance for biodiversity conservation, recognized under the Ramsar Convention

UNESCO MAB (Man and the Biosphere Programme) Areas: Model regions established under the Man and the Biosphere Programme, aimed at promoting harmony between people and nature.

AZE (Alliance for Zero Extinction) Sites: Key Biodiversity Areas that represent the last remaining habitats for critically endangered species IUCN Protected Area Categories:

la: Strict nature reserves with highly restricted access, primarily for scientific research

lb: Wilderness areas with minimal human disturbance

II: National parks that integrate ecosystem protection with recreational use III: Natural monuments, small areas with distinct natural or cultural significance

IV: Habitat and species management areas focused on the conservation of specific species or habitats

Approach to water resource management

We have begun assessing the relationship between our domestic business operations and water resources. To evaluate water-related risks, we used AQUEDUCT, a global assessment tool, to examine drought exposure. The results confirmed that none of our sites source water from areas under high water stress.

In terms of biodiversity and water use, an ENCORE-based assessment indicated a "Medium" level of impact for industries associated with our core business. Based on these findings, we believe our operations currently pose a low risk of significant impact on water resources or biodiversity. Nevertheless, we remain committed to using limited water resources responsibly and efficiently.

	FY2025
Water usage	95,007 m³

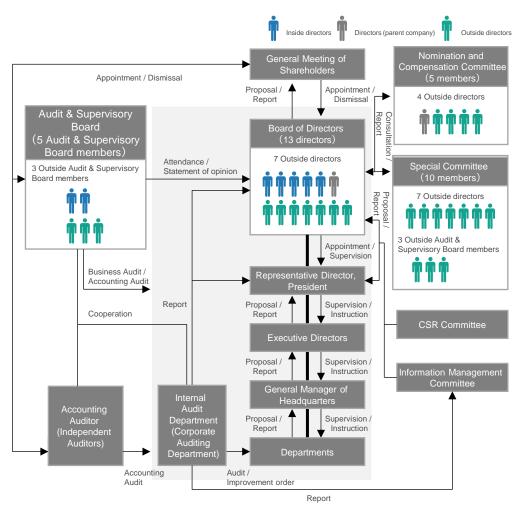
AQUEDUCT: A tool developed by the World Resources Institute to assess water-related risks such as water stress, drought, flooding, and water quality. It provides region-specific, data-driven evaluations of these risks.

WHAT'S PALTAC

Corporate Governance

We are an intermediate distributor that handles daily necessities related to "Health and Beauty", and we play a social role by promoting the optimization and streamlining of the entire supply chain together with our valued stakeholders, as well as improving our own productivity. In addition, we are carrying out management activities with an emphasis on sustainable growth through constructing a corporate governance system that enables us to ensure management transparency and soundness, as well as timely and fair disclosure and dialogue with the shareholders.

Corporate Governance structure



History of Governance reforms

2004	Introduction of Executive Officer system										
2011	Appointment	Appointment of Outside directors									
2015	Appointment of Female directors										
2019	Establishment of voluntary Nomination and Compensation Committee The role is to enhance the fairness, impartiality, and objectivity of procedures related to the nomination and compensation of directors and so on, by securing appropriate involvement of outside directors, and to strive for continuous strengthening and enhancement of our corporate governance.										
	(Members : A	s of June 20, 2025 Per	centage of C	Outside Directors: 80.0%]							
	Chairman	Shingo Inui (Outside Directo	or)								
	Members	Kaori Oishi (Outside Directo	r) Ichiro	Yoshitake (Outside Director)							
	Wellberg	Akito Hattori (Outside Direct	or) Yuji S	akon (Director)							
2020	Ratio of outsi	de directors increased	d to at leas	et one-third							
2021	Started evalu	ation of the effectiven	ess of the	Board of Directors							
2023 Established the Special Committee The roll is to carefully discuss and deliberate the necessity and rational appropriateness of transaction terms and conditions with regard to import transactions that conflict with the interests between controlling sharehold minority shareholders, and report to the Board of Directors.											
	[Members : A	s of June 20, 2025 Per	centage of C	Outside Directors: 100.0%]							
	Chairman	Ichiro Yoshitake (Outside Director)	Members	All Independent Outside Directors / Auditors							
2025	Ratio of outsi	de directors increased	d to a majo	prity							

Management Team (As of June 20, 2025)

Members of the Board

Number of attendance at the Board of Directors Number of the Company's shares owned

(as of March 31, 2025)

Average Age: 61

(Inside: 58 / Outside: 62 / Parent company: 72)

Percentage of Outside directors: 53.8% Percentage of Female directors: 23.1%

Please refer to our corporate website for the reasons for nomination and career summary

Our corporate site IR Library "General Meeting of Shareholders": https://www.paltac.co.jp/en/ir/stockholder/stockholdersmeeting/

Our corporate site Corporate Information "Board of Directors": https://www.paltac.co.jp/en/corporate/officer/



Director, Chairman

Seiichi Kasutani

0 14/14

22,755 shares



Representative Director. President

Takuya Yoshida

14/14

22,967 shares

(Significant concurrent positions outside the Company)

Director. In charge of cosmetics daily necessities and OTC business of MEDIPAL HOLDINGS CORPORATION



Director, Senior Managing Executive Officer, Senior General Manager of Administration Headquarters

Masahiro Noma

14/14

18,992 shares



Director, Senior Managing Executive Officer, General Manager of Management Planning Headquarters

Masaharu Shimada

14/14

♦ 18,587 shares



Director, Senior Managing Executive Officer, Senior General Manager of Sales Administration Headquarters

Yoshitaka Yamada

14/14

5,990 shares



Board of Directors

Yuji Sakon

14/14

♦ 500 shares

(Significant concurrent positions outside the Company) Managing Director of MEDIPAL HOLDINGS CORPORATION Director of ASTEC Co., Ltd. Director of PharField Corporation



Outside Director Independent Officer

Kaori Oishi

14/14

989 shares

(Significant concurrent positions outside the Company)

Partner of Kitahama Partners Outside Director, Audit and Supervisory Committee Member of TOWA PHARMACEUTICAL CO., LTD. Outside Director of ESLEAD CORPORATION



Outside Director Independent Officer

Mineko Orisaku

() 13/14

1,036 shares

(Significant concurrent positions outside the Company)

Representative of Office Orisaku (Photographer) Dean and Professor of Photography Department, Osaka University of Arts Executive Managing Director of Japan Advertising Photographers' Association Director of University Correspondence Education

Director of Japan Photographic Copyright Councilor of The Japan Society for Arts and History of Photography



Independent Officer

Shingo Inui

O 14/14

♦ 769 shares

(Significant concurrent positions outside the Company)

Advisor of Inui Global Logistics Co., Ltd. Representative Director of KENKO KAIUN K.K. Outside Director, Audit & Supervisory Committee Member of NIPPON KANZAI Holdings Co., Ltd.

(Chairman, Nomination and Compensation Committee)



Outside Director Independent Officer

Ichiro Yoshitake

14/14

♦ 618 shares

(Significant concurrent positions outside the Company)

Outside Director of Unicafe Inc. (Chairman of the Special Committee



Outside Director Independent Officer

Tatsuomi Takamori

13/14

484 shares



Outside Director Independent Officer

Akito Hattori

14/14

249 shares

(Significant concurrent positions outside the Company)

Representative of Hattori Akito Law Office Representative Director and President of Hagiwarazaimokuten,Inc. Outside Audit & Supervisory Board Member of

ANABUKI KOSAN INC. External Director serving as Audit & Supervisory

Committee Member of MEGMILK SNOW BRAND Co., Ltd. Director of Social Welfare Corporation Goodwill Welfare Association



Outside Director Independent Officer

Mari Iga

New>

0 shares

(Significant concurrent positions outside the Company)

Representative Director of March Co., Ltd. Outside Director of The Sumitomo Warehouse Co., Ltd. Outside Director of TOYO INNOVEX Co., Ltd.

Management Team (As of June 20, 2025)

Audit & Supervisory Board Members

Number of attendance at the Board of Directors

Number of attendance at the board of Audit & Supervisory

Number of the Company's shares owned (as of March 31, 2025)

Average Age: 63 (Inside: 63 / Outside: 63)

Percentage of Outside Audit & Supervisory Board members: **60.0**% Percentage of Female Audit & Supervisory Board members: 20.0%

Please refer to our corporate website for the reasons for nomination and career summary

Our corporate site IR Library "General Meeting of Shareholders": https://www.paltac.co.jp/en/ir/stockholder/stockholdersmeeting/

Our corporate site Corporate Information "Board of Directors": https://www.paltac.co.jp/en/corporate/officer/



Standing Audit & Supervisory Board Member

Takashi Shintani

14/14

8,255 shares

П 14/14



Standing Audit & Supervisory Board Member

Takeo Gomi

11/14

14/14

9,116 shares



Outside Audit & Supervisory Board Member Independent Officer

Hiroshi Haraguchi

0 14/14

14/14

♦ 384 shares



Outside Audit & Supervisory Board Member Independent Officer

Kyoko Hikita

14/14

14/14

0 shares

(Significant concurrent positions outside the Company)

Certified Public Accountants

President of Hikita CPA Office Professor of Institute of Business and Accounting Professional Graduate School, Kwansei Gakuin University Outside Director and Audit & Supervisory Committee Member of MARUKA FURUSATO Corporation Council Member of The Japanese Institute of

Outside Audit & Supervisory Board Member of AOYAMA TRADING Co., Ltd.



Outside Audit & Supervisory Board Member Independent Officer

Noriaki Miki

11/14

14/14

116 shares

(Significant concurrent positions outside the Company) Attorney at law of IBUKI LAW OFFICE Supervisory Director of Nankai Private Reit Inc.

Executive Officers

Senior Managing **Executive Officer**

Akiyoshi Moriya

Management of Tokyo Branch Office

Managing Executive Officer

Satoshi Akiyama

General Manager of Yokohama Branch Office

Executive Officer

Naoki Sawada

General Manager of Hokkaido Branch Office

Executive Officer

Tadamichi Matsuie

General Manager of Tokyo Branch Office Senior Managing **Executive Officer**

Masashi Maeda

General Manager of Information System Headquarters

Managing **Executive Officer**

Sachiyo Yoshida

General Manager of General Affairs Headquarters

Executive Officer

Hirokazu Takayama

General Manager of Chubu Branch Office

Executive Officer

Kei Shirota

General Manager of Overseas Business Headquarters

Senior Managing **Executive Officer**

Hideo Ashihara

General Manager of Sales Headquarters

Managing Executive Officer

Makoto Konishi

Management of MCC Business Headquarters

Executive Officer

Yukinori Sakakihara

General Manager of Kinki Branch Office

Executive Officer

Ryohei Isobe

Deputy General Manager of General Affairs Headquarters

Senior Managing **Executive Officer**

Masakazu Mikita

General Manager of Research and Development Headquarters

Managing Executive Officer

Akira Mikami

General Manager of MCC Business Headquarters

Executive Officer

Yuji Mikami

General Manager of Tohoku Branch Office

Executive Officer

Koji Yoshida

Deputy General Manager of Overseas Business Headquarters Managing **Executive Officer**

Hiroshi Murai

General Manager of Supply Chain Management Headquarters, HABA CREATION Co., Ltd. Representative Director, President

Managing Executive Officer

Uemura Takashi

General Manager of Kyusyu Branch Office

Executive Officer

Hiroaki Muraki

General Manager of CSR Promotion Headquarters

Executive Officer

Shohei Matsumoto

Deputy General Manager of Research and Development Headquarters

Managing Executive Officer

Mitsuhiko Seki

General Manager of Store Support Headquarters

Managing Executive Officer

Hirokazu Inoue

General Manager of Merchandise Headquarters

Executive Officer

Hiroshi Yoshihara

General Manager of Chushikoku Branch Office Managing **Executive Officer**

Naoto Murao

General Manager of Financial Headquarters

Executive Officer

Hideki Inaba

General Manager of LC Business Headquarters

Executive Officer

Atsushi Hiyama

General Manager of Business Development Headquarters

Skills matrix (Skills required of Directors and Audit & Supervisory Board Members)

Value Creation Story

WHAT'S PALTAC

In consideration overall balance amongst knowledge, experience and ability as well as diversity, skills requirements and roles at each director we particularly expect, are as follows In addition, this skill matrix does not contain all the skills held by each director.

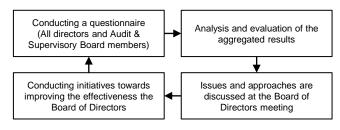
	Name	Position	Age	Tenure	Corporate Management	ESG & Sustainability	Sales Strategy	Human Capital Strategy	Financial Strategy	Legal Affairs & Risk Management	IT & DX	Logistics & SCM	Selection of skill items	Reasons
	Seiichi Kasutani	Representative Director, Chairman	62	8	•	•	•			•		•	Corporate	This item represents the necessary skills to formulate management strategies that capture environmental changes surrounding the Company
	Takuya Yoshida	Representative Director, President	52	2	•	•	•		•		•	•	Management	and are aimed at sustainable enhancement of corporate value, as well as to exercise appropriate decision-making based on opportunities and risks and perform oversight functions.
	Masahiro Noma	Director	62	7	•	•		•	•	•			ESG & Sustainability	This item represents the necessary skills to take a long-term perspective to
	Masaharu Shimada	Director	57	5	•	•			•	•	•			build a corporate foundation that can contribute to a sustainable environment and society, including the transition to a decarbonized and circular economy society, in order to enhance both social and economic
	Yoshitaka Yamada	Director	59	2	•	•	•					•		value.
Board	Yuji Sakon	Director	72	2	•	•				•			Sales Strategy	This item represents the necessary skills to enable the Company to provide the required products and information in a timely and accurate manner as an intermediary distributor that handles essential goods for "health and
으	Kaori Oishi	Outside Director	48	8	•	•				•				beauty," capturing environmental changes and diversifying customer needs.
Directors	Mineko Orisaku	Outside Director	64	4	•	•		•					Human Capital Strategy	This item represents the necessary skills to foster an organizational culture where individuals can fully utilize their abilities through enhanced
	Shingo Inui	Outside Director	57	3	•	•						•		engagement, by developing an environment that encourages the skill development, securing and career advancement of diverse talents, based on the recognition that human resources are the driving force of value
	Ichiro Yoshitake	Outside Director	68	3	•	•						•	Financial Strategy	This item represents the necessary skills to not only grasp timely and
	Tatsuomi Takamori	Outside Director	72	3	•	•	•							accurate financial information but also to strategically invest from a medium- to long-term perspective, improve capital efficiency, and ensure financial soundness, all aimed at building a comprehensively balanced
	Akito Hattori	Outside Director	66	2	•	•				•				financial foundation.
	Mari Iga	Outside Director	57	New	•	•		•				•	Legal Affairs & Risk	This item represents the necessary skills to develop and establish a corporate governance system that serves as the foundation for sustainable
	Takashi Shintani	Standing Audit & Supervisory Board Member	63	6	•	•					•		Management	enhancement of corporate value, and to establish an appropriate risk management system to ensure the execution of sound corporate activities.
Audit &	Takeo Gomi	Standing Audit & Supervisory Board Member	63	1	•	•	•					•	IT & DX	This item represents the necessary skills to actively utilize IT and promote DX, leveraging the Company's data to enhance overall distribution
Supervisory	Hiroshi Haraguchi	Outside Audit & Supervisory Board Member	71	3	•	•		•	•				II a DA	efficiency, drive innovation for new value creation, and expand domains in which our logistics values could be provided.
ory Board	Kyoko Hikita	Outside Audit & Supervisory Board Member	60	2	•	•			•				Logistics &	This item represents the necessary skills to strengthen logistics functions for optimizing the entire supply chain, enhance solution capabilities, and
	Noriaki Miki	Outside Audit & Supervisory Board Member	57	1	•	•				•			SCM	create new value and expand areas of value delivery through collaboration and cooperation based on these functions.

Value Creation Story

Evaluation of the effectiveness

We have evaluated the effectiveness of the Board of Directors for the first time in 2021 with the goal of improving the effectiveness of the Board. In carrying out this evaluation, a questionnaire was distributed to all directors and Audit & Supervisory Board members and was collected and aggregated by the administrative office of the Board of Directors. The administrative office analyzed and evaluated the aggregated results and reported to the Board of Directors. The Board of Directors then examines the report from the office and discussed issues and the future approach. We have continued to improve the effectiveness of the Board of Directors.

■ Evaluation process



■ Evaluation items

The contents of the questionnaire are described in the section below. The questionnaire consists of items rated on a 5-point scale. Also, there is an additional comment field for each item.

The highlights of the evaluation

- · Board composition
- · Activities of outside directors
- · State of operation
- · Nomination and Compensation Committee
- Content of discussions
- Overall review
- · Support system for the **Board of Directors**

Review of evaluation results in February 2025

Overall, we concluded that the Board of Directors and the Nomination and Compensation Committee engage in active discussions, and that the effectiveness of the Board is being maintained. At the same time, we believe there is still room for improvement in the content of the discussions. It has been pointed out that the focus of discussions should shift further from operational matters to medium- to long-term management strategies and risk management that contribute to sustainable growth. The long-term vision and medium-term management plan announced in the previous fiscal year were formulated through discussions within the Board. Going forward, we believe it is essential to conduct comprehensive discussions and exchange of views on specific initiatives and progress, in conjunction with individual execution matters, based on these visions and plans.

■ Issues and future initiatives identified from evaluation conducted in February 2025

Issues	Initiatives
Revision of the executive compensation system (new issue)	Restructuring the compensation system to function as an incentive for sustainable growth
Enhancing discussions on medium- to long-term management strategies and risk management (ongoing issue)	 Shifting the focus of discussions from business execution to medium- to long-term management strategies Streamlining discussions on business execution through agenda selection and document improvement
Promoting understanding of our business to sustain active discussions (ongoing issue)	 Expanding engagement between outside directors and operational managers (participation in internal meetings and creation of dialogue opportunities) Enhancing advance briefings on key issues (early scheduling and document improvement) Creating opportunities for dialogue outside of board meetings, such as information-sharing sessions among outside directors (to further enhance communication)

Examples of specific comments listed in the effectiveness evaluation questionnaire

- It would be beneficial to hold study sessions on market and industry trends outside of board meetings.
- More opportunities for communication among outside directors would help deepen information sharing.
- Discussions on compensation should be further addressed going forward.
- Environmental issues, including the SDGs, require further research and deeper discussion.

Compensation for Directors

We have established a basic policy on the compensation of directors and Audit & Supervisory Board members, shall be incentives that enable our company to attract, secure, and reward diverse and talented personnel in order to achieve our management strategy, and shall be one that maintain respective ranks in consideration of a balance amongst common practices, business performance and employee salaries based on changes in business environment and objective data. Compensation for the directors comprises fixed basic compensation and annual bonus based on each year's performance, but compensation which reflects the mid-and-long term performance is not set out. Fixed basic compensation is determined based on the significance of the position and duty of the director. The bonus is set at a level that accounts for approximately 20–30% of annual compensation, and this percentage has remained relatively stable over time. Directors in higher positions are entitled to retain a higher percentage of that.

WHAT'S PALTAC

We do not have any specific management indicator but determine compensation according to internal rules in comprehensive consideration of results of operating profit, ordinary profit and SG&A expenses ratio, which are our important performance indicators, linked to KPIs in annual business plans, and even individual performance and contribution to increase corporate value.

As non-monetary compensation, we provide in order to be able to offer a right-person-in-the-right-place system for talented personnel who are in charge nationwide due to merger and so on.

Also, in order to ensure clarifying decision-making processes in relation to compensation, we have established a Nomination and Compensation Committee, the majority of which consists of outside directors. Fixed basic compensation for directors and bonuses are determined by a resolution of the Board of Directors meeting, based on the deliberations of the Nomination and Compensation Committee meeting held prior to the resolution on individual compensation by the Board of Directors.

(Fiscal year ended March 2025)

				(i local year	chaca maron 2020)
Corporate officer	Number of relevant	Total amount of	Total amount of o	compensation by catego	ry (millions of yen)
category	corporate officers	compensation (millions of yen)	Fixed basic compensation	Bonus, and others	Non-monetary rewards, and others
Directors (Of which Outside directors)	12 (6)	339 (72)	274 (72)	63 (-)	1 (-)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board members)	7 (4)	97 (36)	97 (36)	(-)	(-)
Total (Of which Outside corporate officers)	19 (10)	436 (108)	371 (108)	63 (-)	1 (-)

[·] The above includes two Audit & Supervisory Board Members who resigned during the fiscal year

Purchase of our company's shares through the Executive Share Ownership Plan

We do not set compensation that reflects the mid-andlong term performance, but from the perspective of boosting incentives for increasing long-term shareholder value, we will allocate 10% of fixed basic compensation to a fund for acquiring treasury stock through the shareholding association.

<Image> Officer compensation



Purchasing our shares through the stockholding association allocating 10% or more of the fixed compensation every month

Value Creation Story

Group governance structure

Aiming for contribution to the society, the parent company's group MEDIPAL HOLDINGS CORPORATION with a majority share of our voting rights, operates mainly in three business areas: prescription pharmaceutical wholesale business, cosmetics, daily necessities and OTC pharmaceuticals wholesale business and animal health products and food processing raw materials wholesale business. In these business areas, we operate cosmetics, daily necessities and OTC pharmaceuticals wholesale business. There is no competition with the parent company's group excluding our company and, we carry out our own sales activities without any restrictions, due to differences in merchandise categories and distribution channels from the other two business areas Also, from a corporate governance perspective, we make all decisions on matters such as business strategy and personnel policy independently and autonomously. The decisions made by our Board of Directors represent the final decision within the corporate group.

WHAT'S PALTAC

At the same time, the parent company respects our independency and protection of minority shareholders of our company. Based on the Group Company Management Regulations, the parent company believes it is desirable, from the perspective of group management, for us to improve our corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the Regulations state that our Board of Directors is a final decision-making organ. With regard to personnel relationships with the parent company group, we aim to optimize the balance between our independence as a listed company and group governance. To this end, Mr. Takuya Yoshida, Representative Director, President of our company, has served as a director of the parent company, and we have appointed Mr. Yuji Sakon, Managing Director of the parent company, as a director of our company. Based on the above, we recognize that appropriate independence from the parent company group has been secured.

On the other hand, we share the common goal of contributing to society through distribution. To achieve this goal, we are working to effectively utilize the resources available across the group, such as sharing distribution know-how that we each possess, and examples of initiatives aimed at solving sustainability issues. In addition, for our customers, retailers engaged in the dispensing pharmacy business, we believe that the MEDIPAL Group as a whole is able to provide our services, leading to the building of stronger relationships of trust with customers.

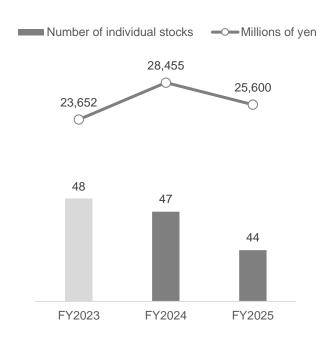
We will continue to strive to enhance the value through such group-wide initiatives.

Cross-Shareholdings strategy

For sustainable growth, we hold shares of other companies as cross-shareholdings for the purpose of cultivation and expansion of business through building and strengthening stable, long-term relationships with customers. Our policy is to reduce with the decision-making criterion based on the contribution to our growth from a mid- and long-term perspective. In accordance with this policy, we make decisions on this matter at the Board of Directors meeting on a yearly basis. Specifically, based on requirements which are listed below we examine by individual stock we examine each individual stock based on the following criteria.

Evaluation criteria for shares held

Whether the total amount of profits from transactions and dividends has exceeded, or is expected to exceed, the Company's cost of capital and associated risks



Communication with shareholders and investors

We are actively engaged in IR activities in order to achieve sustainable growth and increase our corporate value over the medium-to long-term through constructive dialogue with institutional investors, analysts, and other stakeholders. By providing feedbacks to management layer and general manager of business headquarters on investor concerns and assessments gained through our IR activities, we strive for higher quality management and disclosures, as well as a cycle of engaging in new communication.

WHAT'S PALTAC

In addition, we will communicate our policies and strategies through the dissemination of corporate information due to our website, financial results briefings, and individual investor briefings, and strive to increase corporate value through communication with stakeholders.

■ Cycle of dialogue with the stakeholders



- Reporting the stock price performance to the management layer (Quarterly)
- Timely reporting to senior management about IR activities, including conferences and dialogue outcomes
- Reporting on the investor's interests and evaluations in financial results announcements and PR information, etc., to the management layer and general manager of business headquarters

Value Creation Story

Promoting sustainable growth and medium- to long-term enhancement of corporate value through dialogue with stakeholders

IR activities

FY2025	Number of implementations
Financial results briefing for institutional investors and analysts	2
Individual meetings	160

Exhibited at the "Asset Management EXPO Kansai for Individual Investors" for the third year in a row

We exhibited at the "Asset Management EXPO Kansai" held at INTEX Osaka from September 6 to 8, 2024. With the growing awareness of the new NISA, we were able to engage directly with over 400 individual investors. At our booth and in seminars held at the venue, we explained our business overview. strengths, and initiatives for growth to the visitors. The valuable feedback we received through these conversations has contributed not only to our IR activities but also to enhancing the content of our corporate website.



Scene of our session at the "Asset Management EXPO Kansai" Explainer. Director, Senior Managing Executive Officer, General Manager of Management Planning Headquarters Masaharu Shimada

Renewed the corporate website* to enhance investor information

We carried out a full renewal of our corporate website in March 2025, positioning it not merely as a platform for information delivery, but as a space to foster dialogue and strengthen connections with our stakeholders.

The renewal included a redesigned layout to improve visibility and usability for smoother access to diverse information, the creation of multiple contact points tailored to different needs, and multilingual support—all aimed at deepening engagement with our stakeholders.

We will continue to expand content that clearly communicates our vision and business. We invite you to visit our corporate website.



* Our corporate website: https://www.paltac.co.jp/en/

Compliance

In order to be a company that is trusted by all of our stakeholders and to achieve sustainable growth, we believe it is important for each and every employee not only to ensure compliance with laws and regulations, but also to observe the manners and rules of society and to act with high ethical standards. We provide training and learning programs for its officers and employees for raising awareness regarding the importance of compliance.

WHAT'S PALTAC

Initiatives to raise compliance awareness

Online training

We regularly conduct online training using the MEDIPAL Group's common "CSR training" materials.

CSR Newsletters

We publish the "CSR Newsletters" on our internal portal site, which presents case studies of compliance issues, to raise awareness of the importance of compliance.

Group training

We also conduct group training, including compliance training for new employees, training on the prevention of insider trading and training on the protection of personal data.



The "CSR training" common to the MEDIPAL GROUP



An example from our CSR Newsletter: Prevention of insider trading

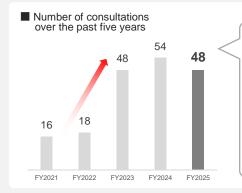


"Compliance training" for new employees

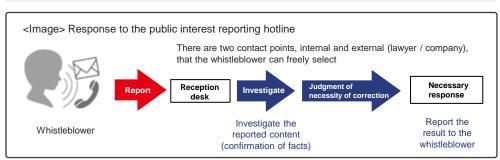
Establishment of a hotline and consultation desk

To create a workplace where everyone can feel safe and secure, we have established multiple consultation desks to help prevent socially unacceptable behavior—such as legal violations, misconduct, and harassment—and to support employees with personal concerns, including interpersonal issues. We have set up one internal and two external consultation desks, all of which strictly protect the privacy of those seeking advice and ensure safeguards against retaliation, providing a system that employees can use with confidence. When a consultation is received, we conduct a thorough investigation of the facts. If a compliance issue such as misconduct or harassment is confirmed, we take appropriate corrective actions, including guidance for the individuals involved.

Going forward, we will continue to raise awareness and understanding of the consultation desks, promote further communication, and build an environment where employees feel comfortable seeking advice—even on minor issues—so we can maintain sound corporate management.



Since 2022, we have continuously strengthened awareness initiatives through internal posters, the intranet, and CSR newsletters. As a result, the number of consultations has increased. and we recognize that the consultation desks are functioning effectively.



Respect for Human Rights

Respect for human rights, which are fundamental rights inherent to all people, is a vital social responsibility that companies must fulfill. We also consider it essential for achieving sustainable growth. Based on this belief, we established the "PALTAC Human Rights Policy" in March 2025. In line with this policy, we are working to improve our internal environment by updating internal regulations and enhancing the operation of our hotline and consultation desks.

Looking ahead, we will expand our efforts to include human rights due diligence—identifying, preventing, and mitigating negative impacts on human rights—to ensure that human rights are respected not only for each employee, but across our entire supply chain.

PALTAC Human Rights Policy

Commitment to
 Respect Human Rights

WHAT'S PALTAC

- 2. Support and Respect for International Norms
- 3. Scope of Application
- 4. Governance and Management Structure for Human Rights
- 5. Human Rights Due Diligence
- 6. Key Human Rights Sections
- 7. Correction and Remediation
- 8. Dialogue and Consultation
- 9. Education and Penetration
- 10. Disclosure of Policy and Information

Our corporate website: Respect for Human Rights https://www.paltac.co.jp/en/sustainability/social/human_rights.

Participated in "Cosme Bank Project" as a partner company

Under the slogan of "Smile for Women and the Earth", this project collects quality products with the difficulty in resale, such as previous products due to product renewal and unopened products returned from stores via various companies and distributes them free of charge to women with economic hardships. This initiative aims to solve societal issues concerning women, companies and the global environment. We, as an intermediate distributor which handles cosmetics, are promoting efforts to encourage manufacturers with whom we do business to engage in support of this project.

This initiative supports women experiencing financial hardship in maintaining their dignity and living true to themselves while staying connected to society. It is deeply rooted in the principle of respecting human rights.



Safety Measures

We are committed to building a foundation for sustainable growth by ensuring that both the company and its employees fully understand the importance of safety, comply with relevant laws and regulations, and actively promote the maintenance and enhancement of safety standards. Although the number of occupational accidents has increased over the past three years, this trend is primarily attributable to minor incidents, such as slips and falls within our premises. Fortunately, no serious accidents, including fatalities, have occurred. Nevertheless, we recognize the rising number of incidents as a critical issue and are implementing various measures to prevent recurrence. Specific initiatives include awareness activities, such as the display of workplace safety awareness materials and the recognition of accident-free sites, as well as preventive measures, including daily safety patrols at distribution centers, twice-yearly inspections at all sites, and updates to our safety management manual. In addition, to address the recent extreme heat, we have introduced heatstroke prevention measures tailored to each site, including air-conditioned workwear and spot coolers. Since the legal requirement for heatstroke countermeasures came into effect in June 2025, we have further strengthened our response by installing WBGT(Wet Bulb Globe Temperature) monitors, displaying heatstroke response protocols, and preparing emergency kits. We will continue to focus on reducing the number of occupational accidents by regularly updating our safety manuals, enhancing safety awareness activities, and improving the quality of education and training.

Main safety measures

- Safety patrols (daily)
- Safety and health committee meetings (monthly)
- Safety training and testing (twice a year)
- National safety promoters conference (twice a year)
- Inspections at all sites (twice a year)
- Display of workplace safety awareness materials
- Display of safety calendars (monthly breakdown of incidents over the past three years)
- Recognition of accident-free sites

Number of occupational accidents	FY2023	FY2024	FY2025
Total*	83	84	91
Commuting accidents	18	15	20
Work-related accidents	65	69	71
Of which occurred within distribution centers	59	58	60
Fatal accident	0	0	0

* Types of occupational accidents: commuting accidents / work-related accidents





The employees of RDC Okinawa, who received recognition as an accident-free site

Disaster Countermeasures

We believe that it is our mission to reliably deliver the "daily necessities" that are indispensable to people's lives at all times, and we try to provide products in a stable manner under normal conditions and even in emergencies. To do that, we are strengthening our distribution base to respond to various issues such as natural disasters, and so on. By incorporating lessons learned from past disasters into our BCP, strengthening our facilities, and building optimal logistics operations, we ensure that essential products that enrich daily life are available "when needed" and "at a fair price." We will work to maintain and continue the "stable supply" that supports such usual daily lives.

WHAT'S PALTAC

Mechanisms to support "stable supply"

Earthquake-resistant and seismic isolation structures (seismic isolation applied only at selected locations)



Adopted a structure that minimizes the effects of earthquakes

Emergency private power generator



Center operation is possible for three days in disasters

Migration of servers to the cloud



Building a system that can contribute to operate even in an emergency

Mutual shipping

system

Even if one center cannot be shipped, alternative shipping is possible from another center

Establishment of an organizational structure in the event of a disaster

We have established a system that enables the immediate assessment of disaster conditions and, when necessary, the setup of a Disaster Response Headquarters at our head office in the event of a major disaster such as an earthquake. In 2023, we participated in a pilot project commissioned by the Ministry of Economy, Trade and Industry, simulating joint delivery operations during a large-scale disaster. As a company that handles daily necessities, we are actively working to strengthen inter-company collaboration and build a resilient distribution network capable of withstanding emergencies across the entire supply chain.

Following the Noto Peninsula earthquake in January 2024, we promptly launched our Disaster Response Headquarters, confirmed the safety of affected employees and their families, and assessed the damage. Our head office and regional branches worked together to implement various business continuity measures, including alternative shipments.

* March 6, 2023 "Notice concerning the demonstration of joint delivery in case of a major disaster"

Please refer to our corporate website for IR news (Japanese only): https://www.paltac.co.jp/news/?p_category=ir

Quality Management

We handle a large number of products such as cosmetics, daily necessities, and OTC pharmaceuticals. For "life-related products" such as pharmaceuticals, we carry out pharmaceutical affairs management to ensure "quality, effectiveness, and safety" in order to achieve our mission of delivering products so that they can be safely used. To that end, we strive for thorough quality management from manufacturers to retailers.

Date management

We manage products with expiration or best-before dates—such as pharmaceuticals, quasi-drugs, and health foods—by checking the dates upon arrival, registering them in our system, and tracking them digitally. Shipments are handled in principle using the first-in, first-out (FIFO) method, with daily monitoring through our system. For items approaching their shipping deadline, we follow internal standards and legal requirements to ensure proper handling. Through strict date and quality control, we ensure that retailers can sell our products with confidence.

Digitalizing logistics information to ensure date management and improve operational efficiency

We are promoting the digitalization of logistics information between several manufacturers and us. This allows us to automatically reflect expiry date information added to the ASN data (Advanced Shipping Notice) received from manufacturers, thereby removing the need to input dates for expiry date-controlled products at the time of receipt.

On August 29, 2023 "Notice concerning the Improving industry-wide productivity through the digitalization of logistics"
Please refer to our corporate website for IR news (Japanese only): https://www.palkac.co.jp/news/?p_categopy=ir

Quality management based on JGSP and GDP guidelines

Quality management for storage and distribution of OTC pharmaceuticals is based on JGSP (OTC pharmaceuticals version), GDP guidelines. We have prepared manuals for logistics-related operations and supervising pharmacist's operations, etc., and have been striving to build an appropriate storage and distribution system based on them.

- *1 JGSP (Japanese Good Supplying Practice): JGSP (OTC Pharmaceutical version) is a practice standard for the supply and quality management of OTC Pharmaceuticals
- *2 GDP (Good Distribution Practice) guidelines: Issued by Japan's Ministry of Health, Labor and Welfare for pharmaceutical wholesalers. They define procedures and management systems to ensure that products manufactured by pharmaceutical companies are properly stored, transported, and supplied throughout the distribution process while maintaining quality.

Continuous education of pharmaceutical affairs

We provide ongoing training for sales representatives, logistics personnel, and pharmacists to develop the knowledge and competencies required for appropriately collecting and sharing information related to pharmaceuticals and medical devices. For sales representatives, the training covers not only the efficacy of pharmaceuticals but also pathophysiology and various relevant regulations, including the Pharmaceuticals and Medical Devices Act. For logistics personnel, training focuses on proper product management and operations within warehouses. These sessions are conducted by branch pharmacists and supported by an online learning environment that enables individual study. Pharmacists also receive training designed to promote awareness and facilitate information sharing, using specialized and academic materials.

PALTAC INTEGRATED REPORT 2025

WHAT'S PALTAC

Corporate Data

- Financial Highlights (Eleven-Years)
- ESG Highlights (Three-Years)
- Stock Information 70
- Corporate Information / Editor's Notes



Financial Highlights (Eleven-Years)

	FY2015	FY2016 ^{*1}	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 ^{*2}	FY2023	FY2024	FY2025
Sales and Income (millions of yen)											
Net sales	794,221	860,350	922,095	966,684	1,015,253	1,046,412	1,033,275	1,045,735	1,104,152	1,151,966	1,188,097
Gross profit	61,985	67,104	71,348	76,051	79,645	81,527	81,162	81,759	82,395	86,358	88,982
Selling, general and administrative expenses	47,808	51,003	52,218	53,045	54,246	56,818	55,674	55,838	57,923	59,185	60,973
Operating profit	14,177	16,101	19,129	23,006	25,399	24,708	25,487	25,921	24,472	27,172	28,008
Ordinary profit	16,322	18,556	21,573	25,498	28,528	27,316	28,053	28,637	27,440	30,545	31,684
Profit	10,267	11,929	14,605	17,453	19,767	25,412	19,317	19,639	19,251	20,638	22,864
Depreciation	4,861	4,985	4,931	4,830	4,493	5,059	5,650	5,486	5,750	6,553	6,495
Capital expenditures	691	15,583	9,791	13,649	10,700	18,791	5,352	9,726	10,215	1,563	1,814
Financial Position (millions of yen)											
Total assets	318,186	351,880	361,363	387,399	393,603	418,756	435,501	448,877	476,936	495,697	507,048
Total net assets	143,535	154,976	166,921	183,435	197,237	218,297	235,428	243,741	259,700	277,962	287,669
Cash Flows (millions of yen)											
Cash flows from operating activities	23,204	5,226	24,721	24,107	23,565	21,005	28,745	21,949	16,594	26,790	20,675
Cash flows from investing activities	365	△19,327	△6,413	△15,830	△9,531	△3,788	△5,471	△10,170	△6,093	△6,268	△428
Cash flows from financing activities	△15,464	10,675	△17,876	△5,142	△17,323	△13,001	△8,225	△8,731	△5,177	△5,520	△11,324
Free cash flow (CF from operating activities + CF from investing activities)	23,569	△14,101	18,308	8,277	14,034	17,217	23,274	11,779	10,501	20,522	20,247
Per Share (yen)											
Earnings	161.58	187.73	229.84	274.65	311.07	399.90	303.98	310.34	306.33	328.40	366.46
Total net assets	2,258.71	2,438.74	2,626.72	2,886.59	3,103.80	3,435.20	3,704.78	3,878.33	4,132.28	4,422.87	4,664.19
Cash dividend per share	45.00	50.00	56.00	64.00	68.00	70.00	72.00	78.00	82.00	94.00	105.00
Ratios (%)											
Ratio of Gross profit to sales	7.80	7.80	7.74	7.87	7.84	7.79	7.85	7.82	7.46	7.50	7.49
Ratio of SG&A expenses to sales	6.02	5.93	5.66	5.49	5.34	5.43	5.39	5.34	5.25	5.14	5.13
Ratio of Operating profit to sales	1.79	1.87	2.07	2.38	2.50	2.36	2.47	2.48	2.22	2.36	2.36
Equity ratio	45.1	44.0	46.2	47.4	50.1	52.1	54.1	54.3	54.5	56.1	56.7
ROE (Return on equity)	7.44	7.99	9.07	9.96	10.39	12.23	8.51	8.20	7.65	7.68	8.08
ROIC (Return On Invested Capital)	5.40	6.23	6.97	8.32	8.84	8.30	8.10	7.84	7.02	7.35	7.19
ROA (Return On Assets)	5.07	5.54	6.05	6.81	7.31	6.73	6.57	6.48	5.93	6.28	6.32
PBR (Price Book value Ratio)	0.75	0.82	1.18	1.97	1.94	1.57	1.62	1.17	1.21	0.93	0.85
PER (Price Earnings Ratio)	10.45	10.62	13.49	20.75	19.35	13.48	19.71	14.66	16.39	12.53	10.86
Payout ratio	27.8	26.6	24.4	23.3	21.9	17.5	23.7	25.1	26.8	28.6	28.7
Number of employees	2,202	2,245	2,221	2,217	2,207	2,196	2,169	2,168	2,187	2,237	2,283

Contents 68

Corporate Data

^{*1} Effective for the fiscal year ended March 31, 2016, our company changed accounting policies and retrospectively applied to data for the fiscal year ended March 31, 2022, our company has applied the "Accounting Standard for Revenue Recognition", etc.,

	FY2023	FY2024	FY2025
Environment			
CO ₂ emissions (t-CO ₂) Scope 1 + 2 + 3	6,213,704	6,420,949	6,638,259
Scope 1 + 2	23,496	21,383	20,335
Scope 1	3,262	2,627	2,589
Scope 2*1	20,234	18,756	17,746
The amount of CO ₂ emissions reduced through procurement of non-fossil certificates	-	3,395	4,956
Scope 3*2	6,189,933	6,399,566	6,617,924
Category 1 : Purchased goods and services	5,523,521	5,715,331	5,942,301
2 : Capital goods	36,855	5,638	6,543
3 : Fuel- and energy-related activities not included in Scope 1 or Scope 2	7,332	3,993	4,133
4 : Upstream transport and delivery*3	30,578	28,855	29,500
5 : Waste generated in operations	460	677	723
6 : Business travel	284	290	296
7 : Employee commuting	9,571	9,554	9,534
12: End-of-life treatment of sold products	581,197	635,096	624,762
13 : Downstream Leased Assets	135	132	132
CO ₂ emissions per 100 million yen in sales (Scope 1 + 2)	2.1	1.9	1.7
CO ₂ emissions per 100 million yen in sales (Scope 3 category 4 "Upstream transport and delivery")	2.8	2.5	2.5
Energy usage (kl)	13,354	12,208	12,634
Of which electricity usage	11,994	11,067	11,510
Electricity usage (1,000kWh)	46,627	49,645	51,663
Water usage (m³)	_	_	95,007

WHAT'S PALTAC

Value Creation Story

	FY2023	FY2024	FY2025
Governance			
Number of Directors	11	12	12
Percentage of outside directors	54.5	50.0	50.0
Percentage of female directors	18.2	16.7	16.7
Number of Audit & Supervisory Board Members	5	5	5
Percentage of outside Audit & Supervisory Board Members	60.0	60.0	60.0
Percentage of female Audit & Supervisory Board Members	20.0	20.0	20.0
Percentage of female directors (Directors and Audit & Supervisory Board Members)	18.8	17.6	17.6

	FY2023	FY2024	FY2025
Society			
Number of employees	2,187	2,237	2,283
Average age of employees	46.1	45.4	44.5
Average number of years of continuous employment	19.3	18.7	18.1
Engagement Score ^{*4}	_	48.1	51.2
Training costs (millions of yen)	20	45	65
Training costs per employee (yen)	9,596	20,737	29,239
Percentage of female employees	19.6%	20.4	22.7
Number of female hires	38	53	80
Percentage of female hires	25.0	29.9	44.0
Of which, percentage of hires who are female graduates	41.3	43.0	61.3
Percentage of female employees in management positions	5.9	6.7	6.9
Percentage of mid-career employees in management position	65.4	65.3	65.6
Number of mid-career hires	92	104	75
Percentage of mid-career hires	59.4	56.2	41.0
Gender pay gap (All employees) (ratio)	45.9	48.1	54.3
Of which, full-time employees	68.5	76.1	72.6
Of which, part-time employees	88.2	90.1	109.2
Percentage of taking annual paid leave	64.5	66.3	70.1
Number of users of childcare support system (childcare leave)	39	48	61
Number of users of childcare support system (short working hours)	51	49	53
Percentage of employees returning to work after childcare leave	100.0	100.0	100.0
Percentage of male employees taking childcare leave	7.1	30.0	47.9
Percentage of turnover within three years of joining-for university graduation	11.5	15.4	15.2
Percentage of health check-ups uptake	100.0	100.0	100.0
Percentage of secondary health check-ups uptake	56.8	68.6	47.7
Number of users of the silver human resources, employment system (65 years old and over)	514	603	721
Percentage of employment of people with disabilities	2.7	2.7	2.8
Percentage of employees who are members of employee stock ownership plans	95.8	95.6	94.5

^{*1 &}quot;CO2 reduction through environmental certificate procurement" is calculated based on the "national emission factor" and the "FIT adjustment factor" provided in the "Emission Factors by Electricity Utility (for submission in FY2025)."

^{*2} Scope 3 emissions are calculated with reference to the emission factor database (Ver. 3.5) published by the Ministry of the Environment.

 $^{^{\}circ}$ 3 Category 4 was calculated for CO $_2$ emissions associated with the transportation of products from us to retailers.

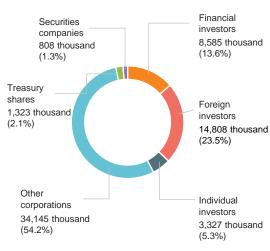
 $^{^{\}circ}4$ Measured by "Motivation Cloud" service of Link and Motivation Inc. from the fiscal year ended March 31, 2024.

Stock Information (As of March 31, 2025)

Stock overview



Shareholder composition (shareholding ratio)

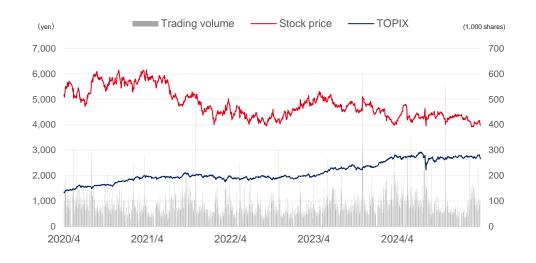


Major Shareholders

Shareholder Name	Shares held (1,000 shares)	Shareholding ratio (%)
MEDIPAL HOLDINGS CORPORATION	31,853	51.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,930	7.99
Custody Bank of Japan, Ltd. (Trust Account)	1,726	2.80
JP MORGAN CHASE BANK 385632	1,372	2.23
PALTAC Employees Shareholders' Association	1,251	2.03
BBH FOR FIDELITY LOW-PRICED STOCK FUND	1,149	1.86
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	1,122	1.82
BNYM AS AGT/CLTS NON TREATY JASDEC	903	1.47
GOVERNMENT OF NORWAY	856	1.39
STATE STREET BANK AND TRUST COMPANY 505103	784	1.27

[•] The above shareholding ratio is calculated after deducting treasury shares (1,323,911 shares).

Changes in stock prices



Cash dividend per share

	FY2021	FY2022	FY2023	FY2024	FY2025
Total (yen)	72	78	82	94	105
Second quarter (yen)	36	39	41	45	50
Year-end (yen)	36	39	41	49	55

Total shareholder return

	FY2021	FY2022	FY2023	FY2024	FY2025
Total shareholder return (%)	112.5	87.2	97.4	82.4	81.8
(Comparison index: TOPIX (%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest stock price (yen)	6,220	6,050	5,180	5,330	4,813
Lowest stock price (yen)	4,695	3,980	3,920	3,933	3,870

Corporate Information (As of March 31, 2025)

Corporate profile

Corporate name	PALTAC CORPORATION
Head office	2-46 Honmachibashi, Chuo-ku Osaka City, Osaka Prefecture 540-0029 Tel: 06-4793-1050
Founded	1898
Established	1928
Share Capital	¥ 15,869 million
Number of employees	2,283 (Part-time employees: 5,574)

Our group companies

WHAT'S PALTAC

Related domestic company (non-consolidated)	HABA CREATION Co.,Ltd. (Chuo-ku, Osaka City)
Related overseas companies (non-consolidated)	PALTAC VIETNAM COMPANY LIMITED (Local subsidiary) PT PALTAC TRADING INDONESIA (Local subsidiary)

Value Creation Story

External evaluation and certification / Participation in and endorsement of initiatives



2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX **2025** CONSTITUENT MSCLJAPAN ESG SELECT LEADERS INDEX









Main distribution centers

(RDC Hokkaido) Hokkaido Branch Office

Tohoku Branch Office (RDC Tohoku / RDC Miyagi)

Tokyo Branch Office (RDC Kanto / RDC Saitama / RDC Niigata /

Tochigi distribution center)

Yokohama Branch Office (RDC Yokohama)

Chubu Branch Office (RDC Chubu center 1 / RDC Chubu center 2 /

RDC Hokuriku / Ogaki distribution center)

Kinki Branch Office (RDC Kinki / RDC Sakai /

Takatsuki distribution center)

Chushikoku Branch Office (RDC Chugoku / RDC Shikoku) Kyusyu Branch Office (RDC Kyusyu / RDC Okinawa)

Editor's Notes No.006

We sincerely appreciate your time in reading our Integrated Report 2025 "WHAT'S PALTAC," and the generous support we received from many of you in its preparation.

In this report, we aimed to provide a more detailed view of the progress and outcomes from the first year of our medium-term management plan, "PALTAC VISION 2027," which is based on the long-term vision we announced last year. In particular, from the perspective of human capital management—recognizing that it is people who drive our initiatives—we have included voices from employees working on the front lines to help convey the background, challenges, and implementation status of each initiative more concretely. We hope this approach brings greater clarity to the reality of our efforts and the stance we take as a company.

As part of our commitment to transparency, we have also disclosed new non-financial information, including the number of occupational accidents related to safety management and the number of consultations received through our hotline and internal consultation desks. From a sustainability perspective, we have expanded our disclosures to include biodiversity and water resources. We hope this report will help deepen our dialogue with stakeholders.

This marks the sixth edition of our integrated report, and the valuable feedback we have received from stakeholders over the years is serving as a compass for us in its preparation. We have reflected your input in the content and structure of this report as well. We would be grateful if you could share your thoughts and comments through the survey available on our corporate website.

We will continue to incorporate the insights gained through dialogue into our business activities and strive to enhance our corporate value. We sincerely appreciate your continued support and cooperation.

Editor: Management Planning Headquarters



Contact Information

PALTAC CORPORATION



https://www.paltac.co.jp/en/

2-46 Honmachibashi, Chuo-ku Osaka City, Osaka Prefecture 540-0029

Management Planning Headquarters Tel: 06-4793-1090

Please fill in the integrated report questionnaire. Click **here** or scan the QR code.

