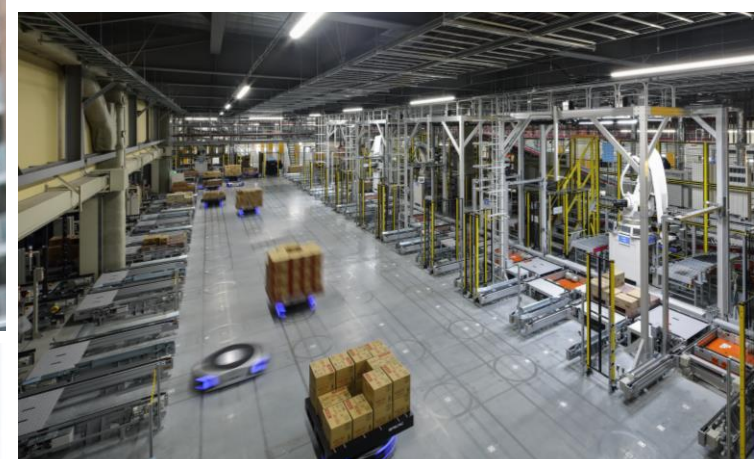


3

Realizing Value Creation

- 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 shortage
- 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

Risks

- 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

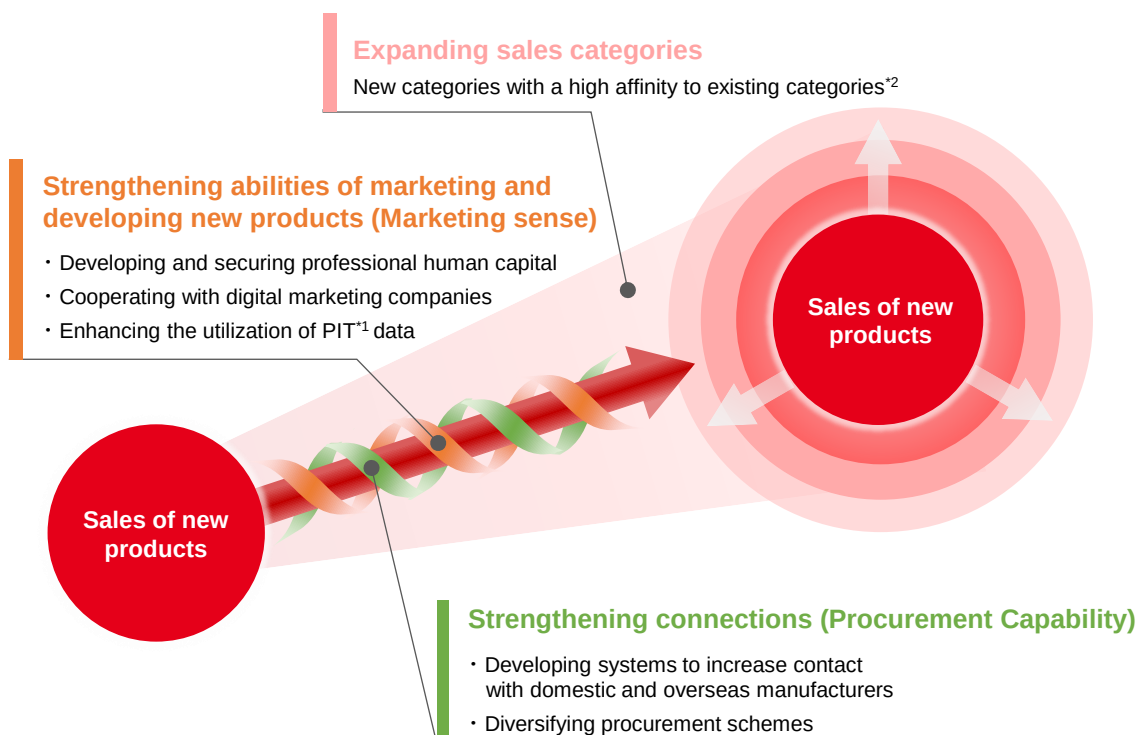
Key strategies.1 Improving the profitability of existing business

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

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.

Event promotional material



Scenes from the venue



—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.

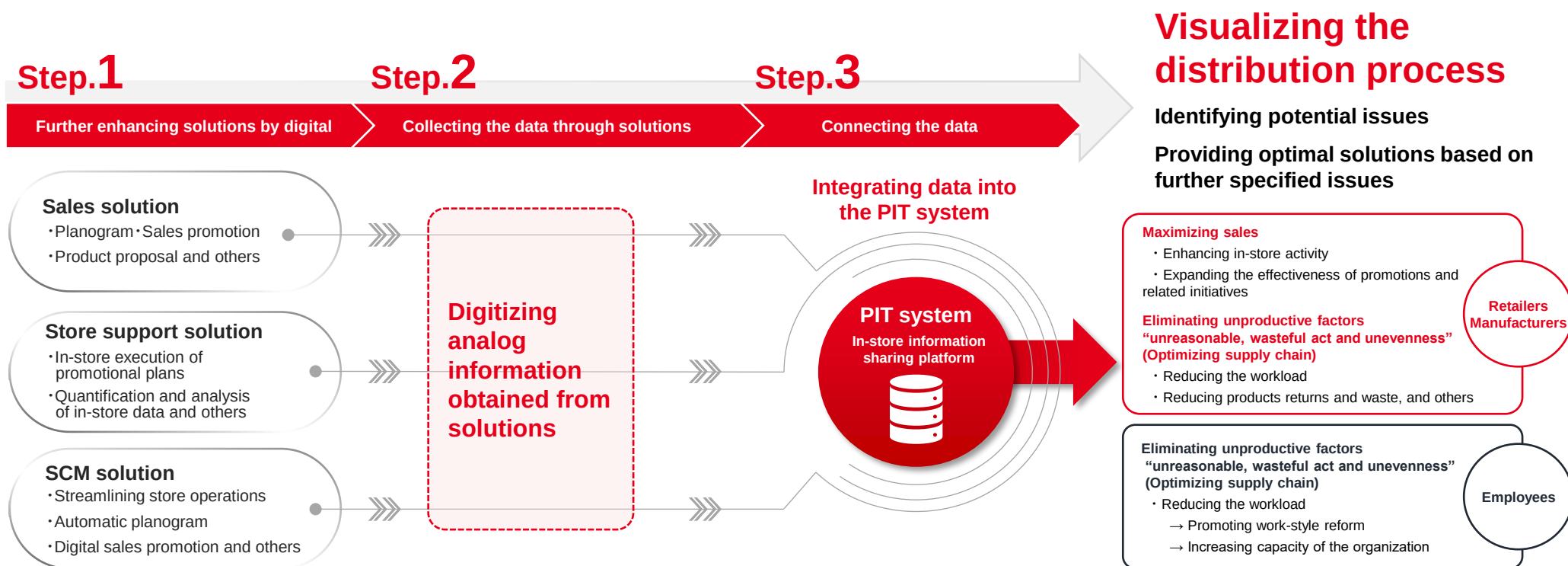
Key strategies.2 Taking on the challenge of creating new value

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.

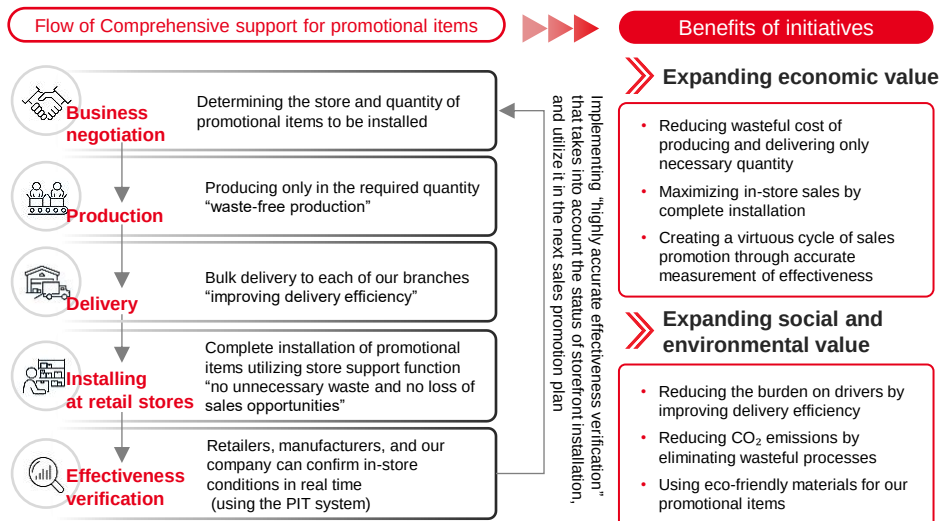
Specifically, we will strengthen the solution capabilities of each function by actively utilizing digital technology. Also, we will accumulate the analog information collected through each solution we provided as data integrate them into the PIT system". We will contribute to further optimization and 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

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

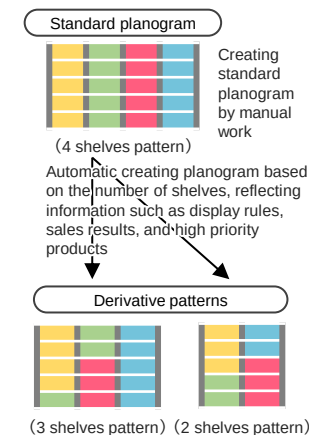
“Comprehensive support for promotional items” is a service in which we are responsible for the planning, production, packaging, delivery and installation of sales promotion items (sales floor fixtures for sales promotion), and subsequent measurement of their effectiveness in collaboration with our store 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

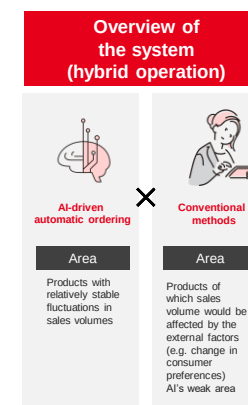
We developed an “automated planogram function” in collaboration with CYBERLINKS CO., LTD. to streamline shelf planning proposals for retailers.

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.



“AI-driven automated ordering system” Reducing food waste

We have launched a service to help reduce 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.



Value Creation Area

Global

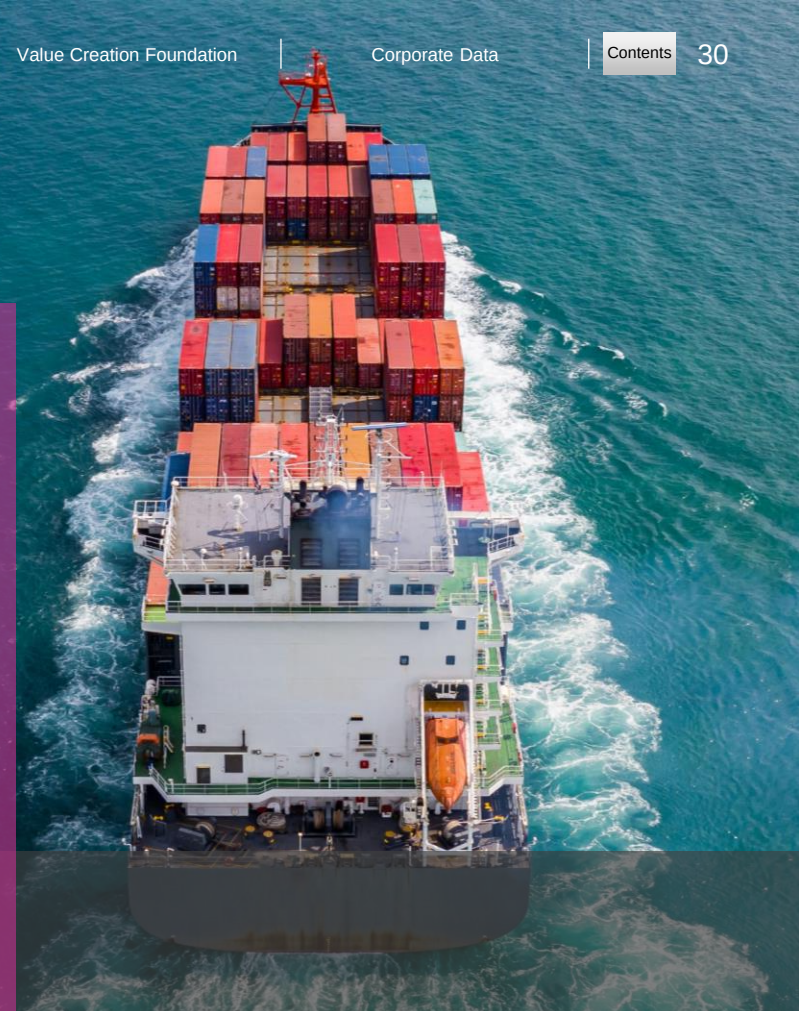
Developing a global distribution network

Adding color to the world and people

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

Risks

- 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

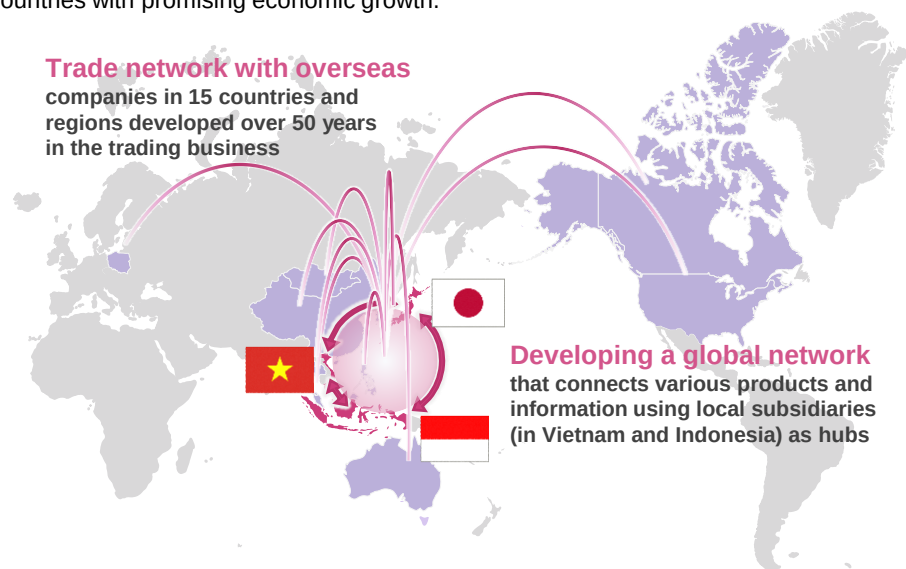
Key strategies.2 Taking on the challenge of creating new value

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

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.

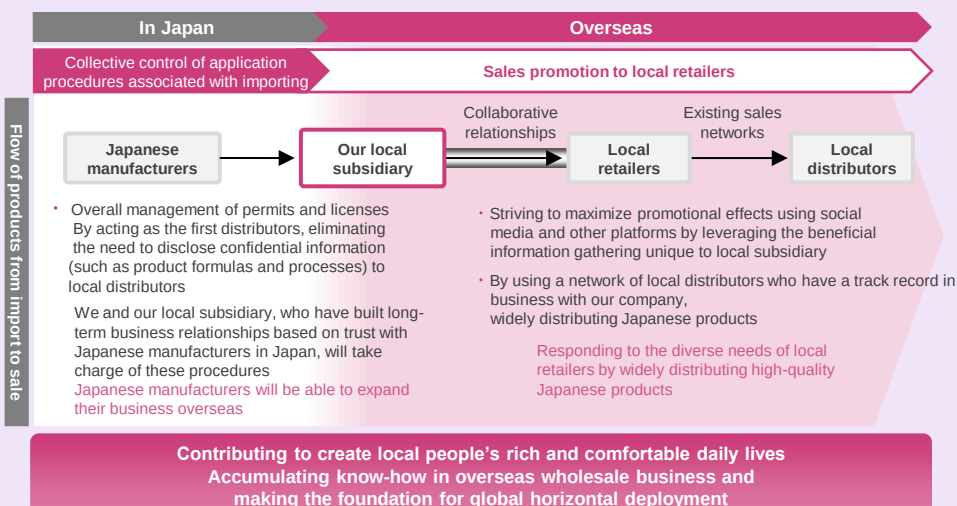
Through these initiatives, we aim to build a global network that connects attractive products and valuable information across borders, with our local subsidiaries serving as hubs. We are also continuing research into establishing new bases in neighboring countries with promising economic growth.



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

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 - - Hair care -



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

Opportunities

- 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)

Risks

- 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

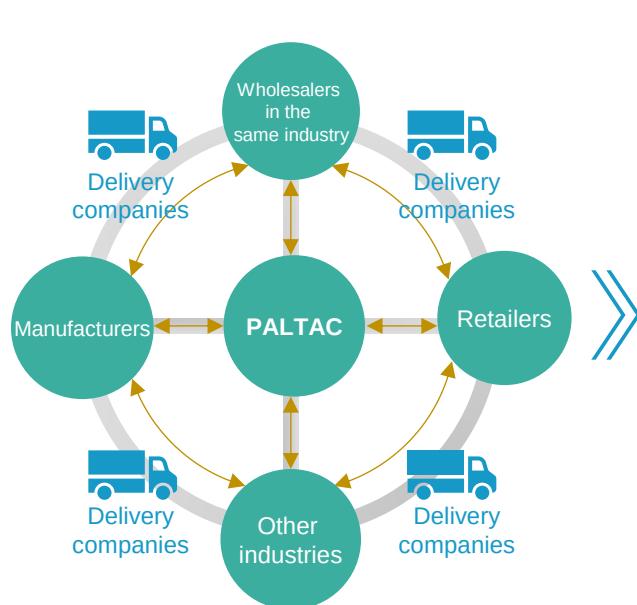
Providing high-quality distribution services throughout Japan by the nationwide distribution network centered on highly efficient, large-scale distribution centers

Key strategies.1 Improving the profitability of existing business

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

Developing the delivery management system which integrates various delivery data

Data held by PALTAC

- Delivery course
- Delivery date
- Delivery volume
- Product information, etc.

Data held by delivery companies

- Loading time
- Rest time
- Delivery route
- Track information
- 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.

Key strategies.1 Improving the profitability of existing business

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.

Consolidated shipments through joint delivery with ARATA CORPORATION



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

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.



- Verification items
- Autonomous driving routes, Lead times
 - Transport quality verification
 - Operation patterns
 - Schedule validity, etc.

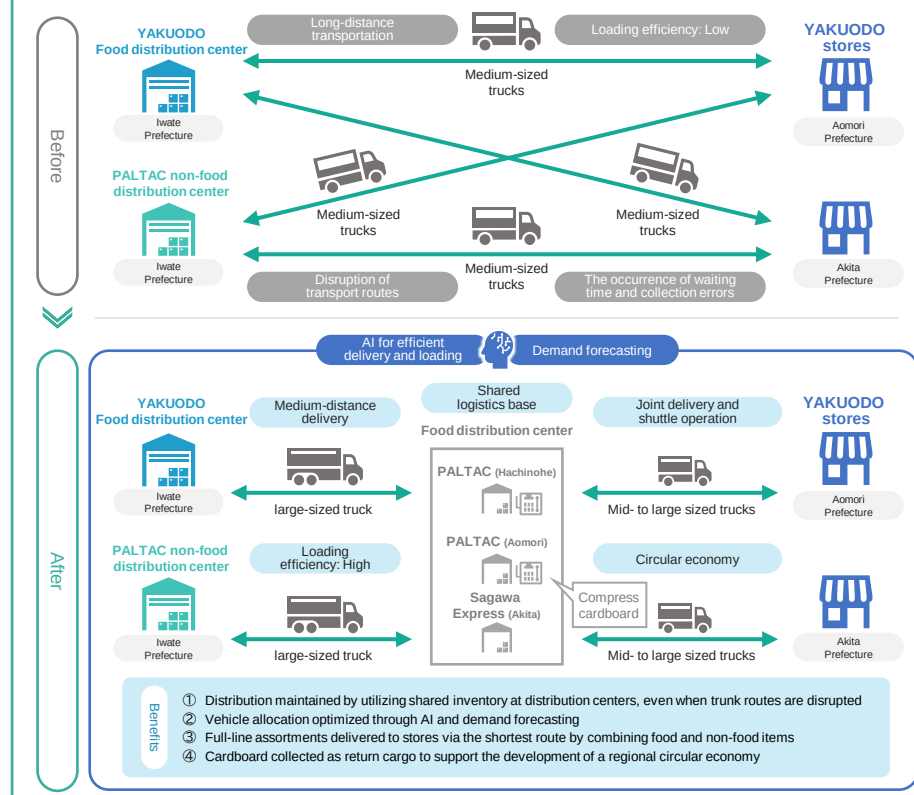
^{*1} Advanced autonomous driving under specific conditions, conducted under driver supervision
^{*2} A state in which the automated driving system fully replaces driver operations within a limited area that meets specific environmental conditions

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.jp/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.

Shared full-line logistics for remote areas using AI and demand forecasting



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.jp/news/?p_category=ir

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 AI and robotics.

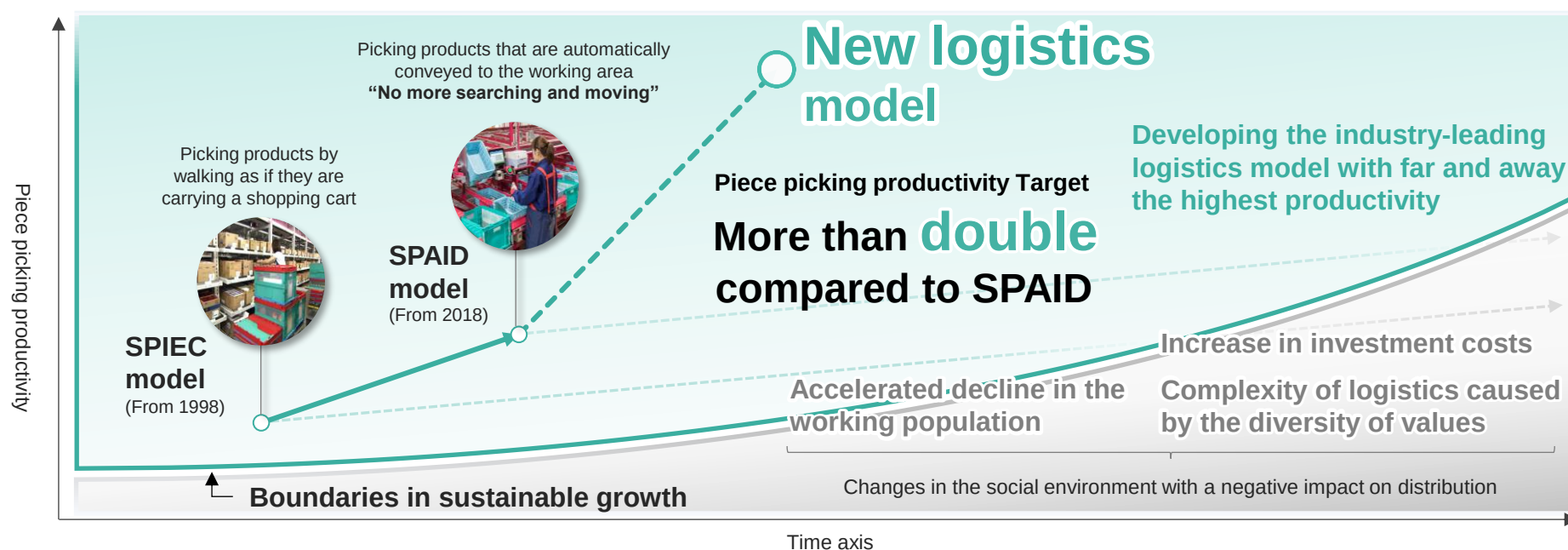
Despite these advancements, logistics operations are becoming increasingly complex due to a declining working population, rising material costs, and the growing personalization of services and products driven by diversified consumer values. To adapt to these challenges, further improvements in productivity 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

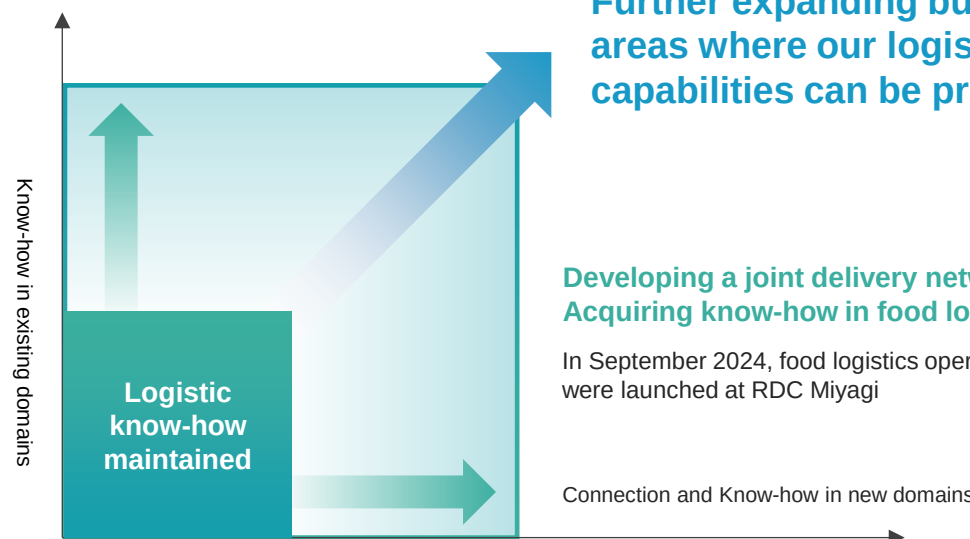
Expanding the areas of value creation in logistics solutions by realizing unprecedented productivity and strengthening our know-how and connections

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

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 co-create 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 between PALTAC and ARATA CORPORATION

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

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

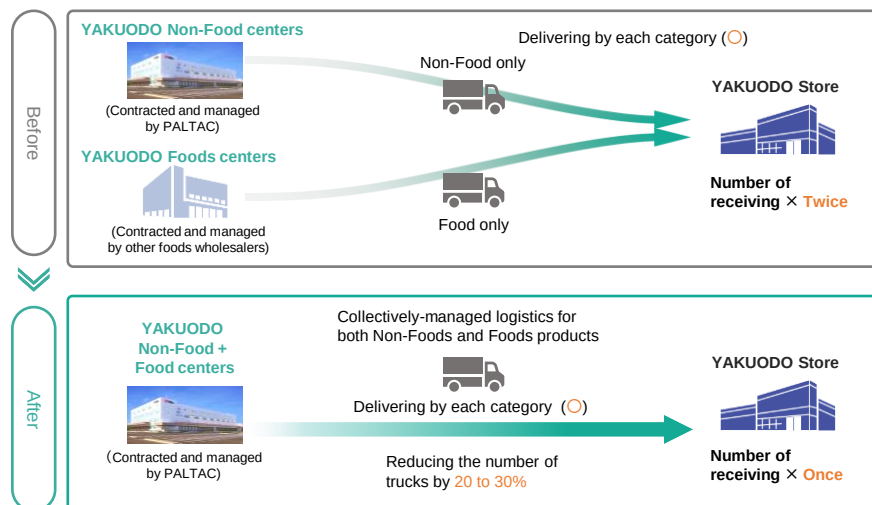
Launch of integrated logistics for food and non-food products



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.



July 9, 2025: Notice concerning the receipt of the Supply Chain Innovation Award 2025
Please refer to our corporate website for IR news (Japanese only): https://www.paltac.co.jp/news/2p_category

—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.