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Value Creation Foundation

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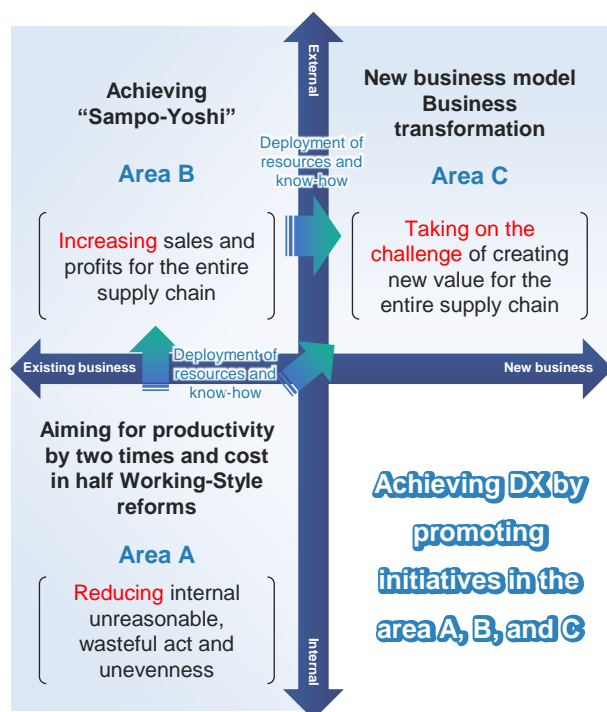
DX Strategy

We believe that the ideal DX we should strive for is the realization of innovative productivity throughout the supply chain by digital technology. First of all, we will strengthen the DX promotion base by training digital human resources and strengthening DX governance and expanding organizational capacity. We will use the resources we have created there to deploy technologies that “connect” both things and people and to respond to internal and external digital needs. In this way, we will challenge to achieve mind-blowing improvements of productivity across the entire supply chain through a series of digitalization initiatives suited the situations.

As targets for initiatives, we are proceeding initiative by classifying it into three areas, A, B, and C, from the perspective of “internal or external” and “existing business or new business”. In area A, where we aim to reduce unreasonable, wasteful act and unevenness in our company, we aim to enhance resources to provide value to outside the company by reforming business processes.

In area B where we aim to provide value to outside companies in existing businesses, we aim to extract issues that will lead to new value creation and accumulate data as we increase sales and profits for the entire supply chain. Then, by investing the resources and know-how gained from area A and B into area C, and bringing out a new services, we would like to realize mind-blowing productivity to create new value for the entire supply chain.

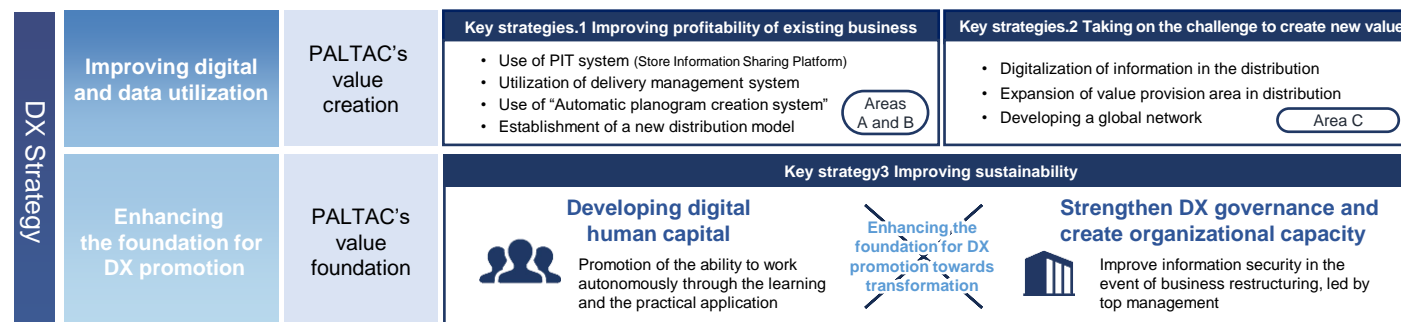
Target we aim to achieve : Three areas



Achieving DX by promoting initiatives in the area A, B, and C

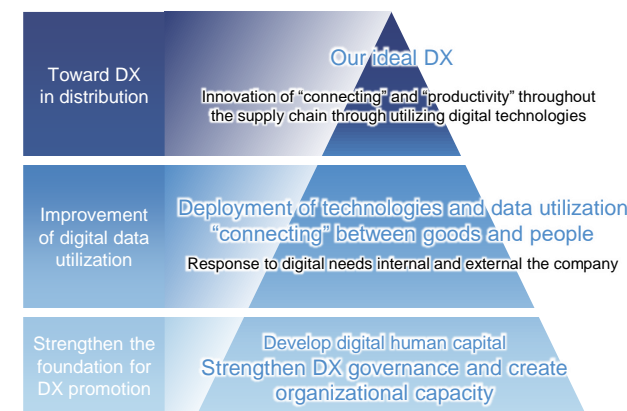
Positioning of the DX strategy in PALTAC VISION 2027

The period of three-year for our newly formulated medium-term management plan is positioned as a period for building the foundation for transformation to realize our long-term vision. To build a foundation for the transformation, it is essential to “improve the utilization of digital data” and “strengthen the foundation for DX promotion”. For “improving the utilization of digital data” as an intermediate distributor, we will collect and manage all data from distribution. In this way, we will aim to provide data-driven value by providing solutions that could handle a variety of needs. Therefore, we will make efforts to “strengthen the foundation for DX promotion” to realize these effects. Specifically, for the education of digital human capital, by providing both the opportunity and the implementation, our autonomy ability of improvement would be promoted, and we will educate human capital that would challenge to the new value creation. Also, we will strengthen information security and ensure risk management related to the promotion of DX. In addition, we will promote the revolution of business structure by the top management leadership. By doing so, we will create an environment where our employees can focus on high value-added business operations by using external resources and leveraging digitalization through the effectiveness of business operations.



Our Aim

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



System for DX promotion

To create new value using digital technology, 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 effort 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 in 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 the value creation”, through internal and external collaboration and cooperation.

* DDI : Digital Dynamics Initiative

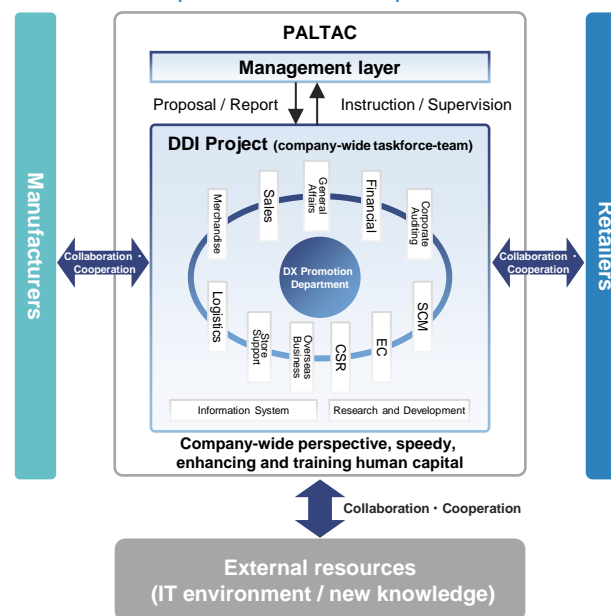
Development of digital human capital

To realize our long-term vision, we will build a human capital portfolio that will be aligned with our strategy. By also developing specialized human capital that makes full use of digital technology and improving the digital literacy of all employees, we will establish a system to promote the use of digital technology throughout the company. For the development of professional human capital, we will promote continuous skill improvement, by developing educational programs and career paths to develop advanced human capital such as cloud engineers and business architects.

For the improvement in the digital literacy of all employees, we are working to acquire knowledge of digital technologies through online training. By empowering all employees to understand and effectively use digital technology, we will encourage to unlock their ideas and creativity for improvement and new value from the diverse perspectives, that will lead to the improvement of our competitiveness.

In addition, in order to effectively realize the DX promotion, we have established a “DX Plaza” to connect human capital beyond the geographical distance and the job categories. The “DX Plaza” is a digital workspace that enables diverse human resources to interact and collaborate, where employees can discuss with each other and share knowledge about issues in the field and the use of digital in the business. We post discussions and examples of improvements on the “DX Portal on-site” and share widely within the company. We will accumulate the widely opened knowledge and the individual know-how of related to digital and site as the corporate assets. Also, to create a high-quality projects, we will try “cultivating diverse perspectives”, “improving digital literacy”, “acquiring digital skills” and “deepening understanding” of operation on-site.

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



Utilization of Generative AI

We will promote the use of generative AI as part of our efforts to create organizational capacity using digital technology to strengthen our DX promotion foundation. We will start by improving the efficiency of existing business operations using generative AI, with the goal of achieving organizational transformation that enables the creation of new value. We have already completed a verification of the effectiveness of the use of generative AI in improving operational efficiency. We have confirmed significant operational improvements in such administrative tasks such as taking meeting minutes, processing emails, and gathering market information. We have already completed a verification of the effectiveness of the use of generative AI in improving operational efficiency. We have confirmed significant operational improvements in such administrative tasks such as taking meeting minutes, processing emails, and gathering market information.

We believe it is important to first create and share successful role models, to effectively expand the use of generative AI throughout the company. First, we will introduce generative AI to some employees with high innovation temperament. We will also encourage them to actively use the system and share successful role model via “DX Plaza”. In doing so, we plan to build a knowledge base that will enable us to learn how to use generative AI effectively, and plan for a smooth company-wide rollout once it is deployed. For managing the risks associated with the use of generative AI, we will conduct security training based on AI usage guidelines and ensure information security.

Through gradual introduction, we will try to maximize the effects of using generative AI by developing an effective utilization system and then deploying it throughout the company. In this way, we will effectively build the DX promotion foundation and aim to improve the competitiveness of the entire company.

Information security system

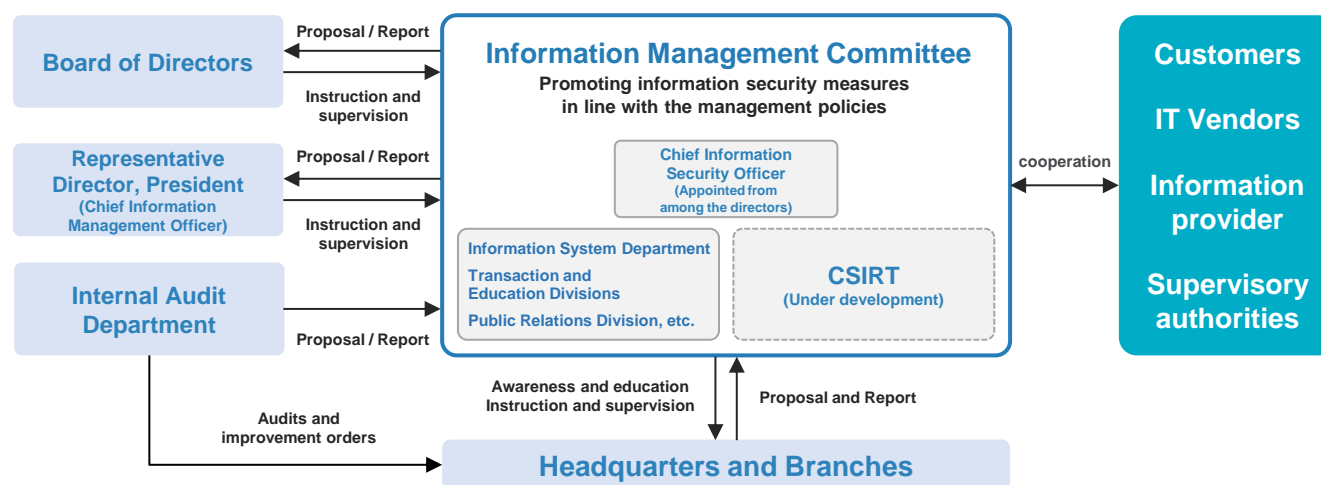
As society becomes more digitized, companies are also facing a growing number of security threats such as cyber-attacks. As a result, these attacks are increasingly leading to shutdowns.

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 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.

Information security system



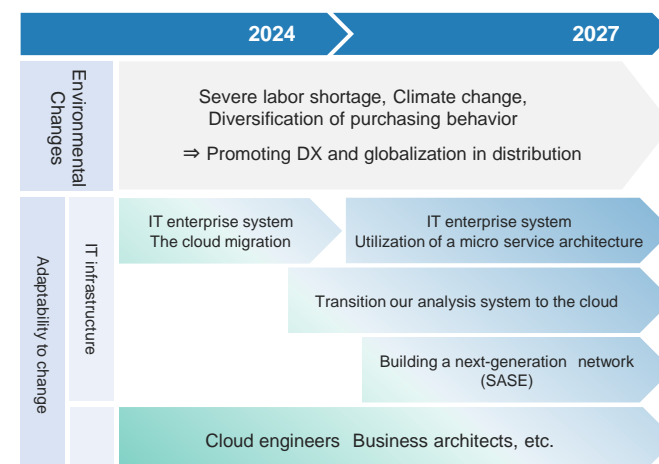
* CSIRT: Computer Security Incident Response Team

Strengthening IT systems to support DX promotion

We are promoting the shift to cloudification of information systems and both acquisition and training of human capital, for the aim of acquiring the ability to respond to changes in on-site needs and the external environment such as the progress of digital utilization in distribution (AI, data utilization, cloudification etc.) and overseas expansion of customers.

In terms of cloudification, in addition to security and cost effectiveness, we aim to improve the speed of service implementation. The cloud migration of our IT enterprise system has already been completed. Currently, we are promoting the utilization of a micro service architecture enables to realize the speedy system's change and the transition of our analysis system to the cloud. Additionally, we are planning to build a next-generation network of Secure Access Service Edge (SASE) that enables secure and flexible connection with customers.

Furthermore, we are promoting continuous skill improvement by the development of educational programs and career paths to cultivate advanced human capitals such as cloud engineers and business architects.

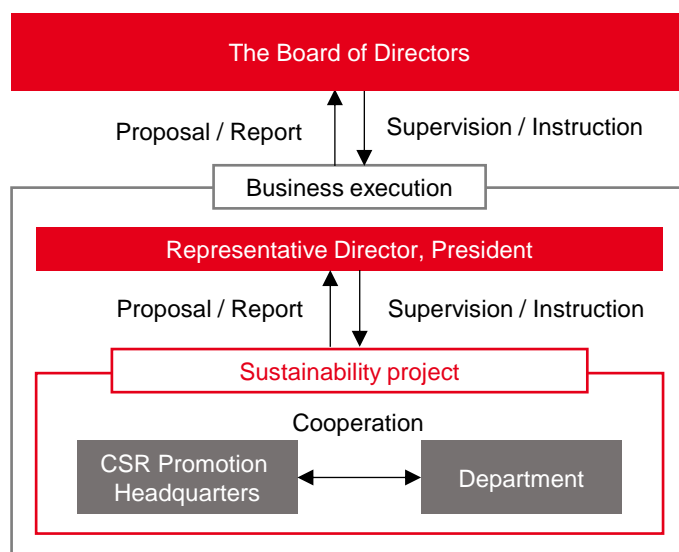


Sustainability Management

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

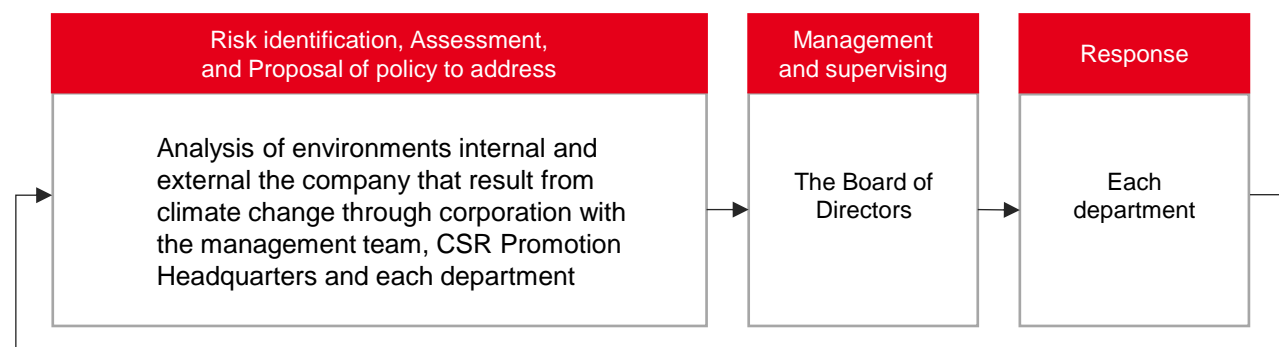


Risk management

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



Maximizing the Value of Human Capital

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 the growth with the company and the society through respecting each other of diverse human capitals and the exercising of its potential with autonomy and spontaneity. For the realization of long-term vision, we will actively invest in “developing and securing diverse human capital”, “creating an environment 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.

Strategy

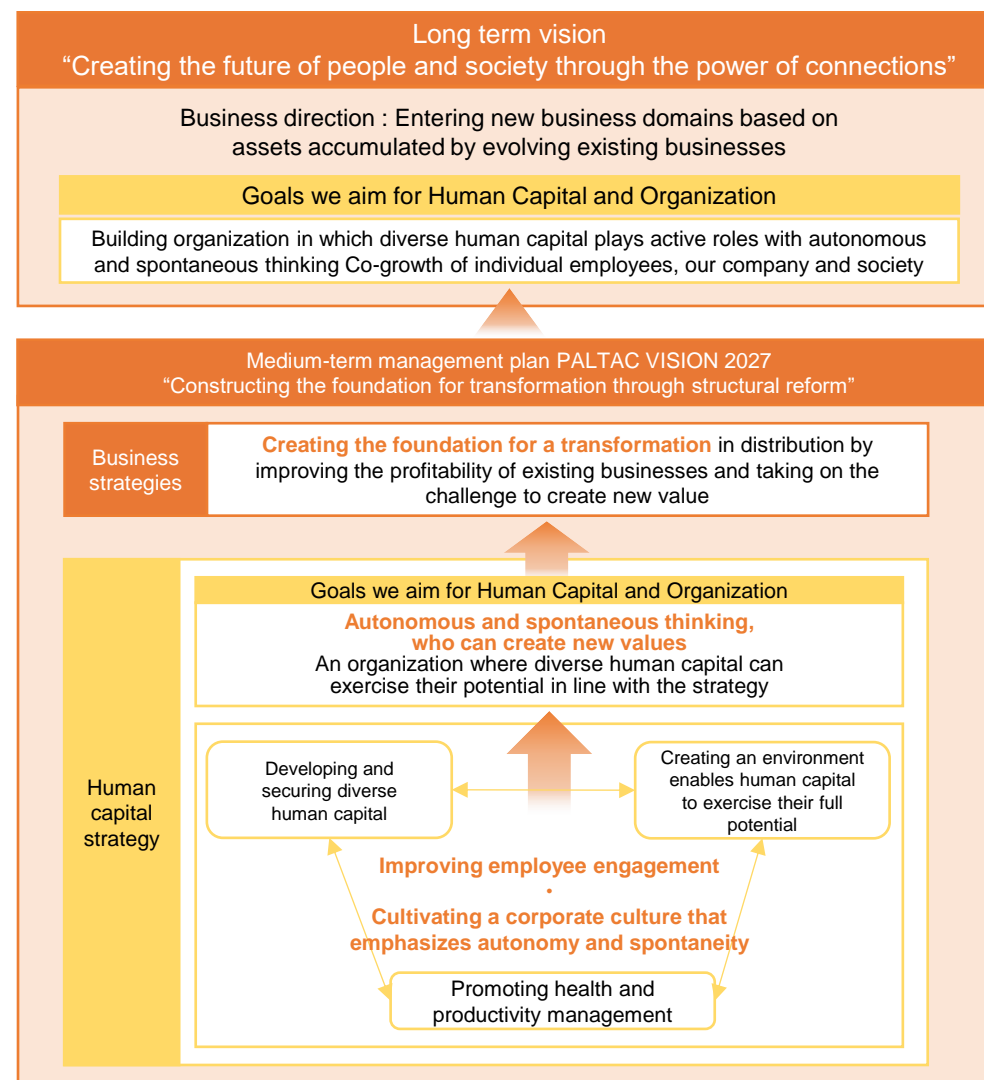
About developing and securing diverse human capital, we will build up the portfolio of human capital needed to realize our long-term vision, including talents that can design new forms of distribution with fresh perspectives, and those who can optimally utilize digital technology and materialize their ideas. 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 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 system and reforming work style to promote active actions regardless of their gender nor their 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 (FY2024)
Building organization in which diverse human capital play active roles with autonomous and spontaneous thinking	Percentage of female employees in management positions	8.4%	6.7%
	Percentage of male employees taking childcare leave	60%	30%
	Employee engagement score	55.0	48.1



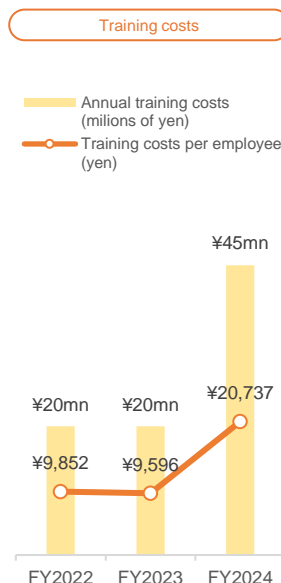
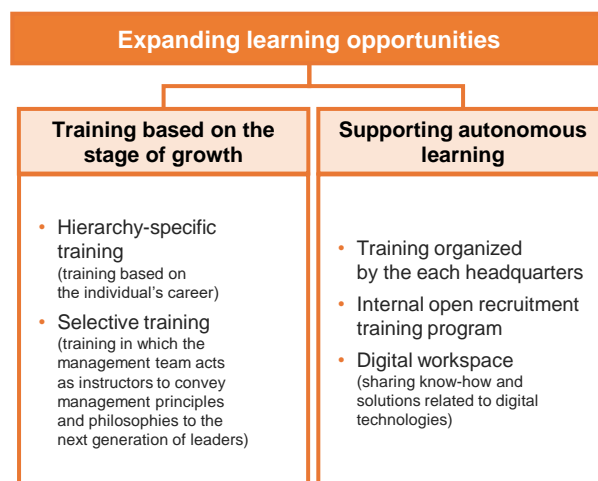
Maximizing the Value of Human Capital

Developing and securing diverse human capital

Continuous human capitals development

To realize our long-term vision, we will provide opportunities to update the skills and mindsets and re-skill, needed to execute our strategy. Specifically, we will expand opportunities for employees to learn autonomously through training based on their individual growth stages, a wide variety of correspondence education based on individual needs, training organized by each headquarters for professional development, and publicly advertised training. Through these trainings, we continuously support the growth of our employees into professional human capital.

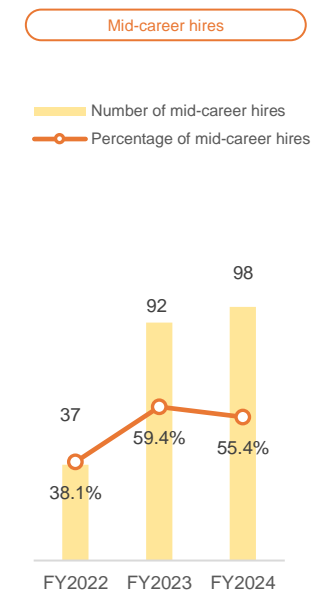
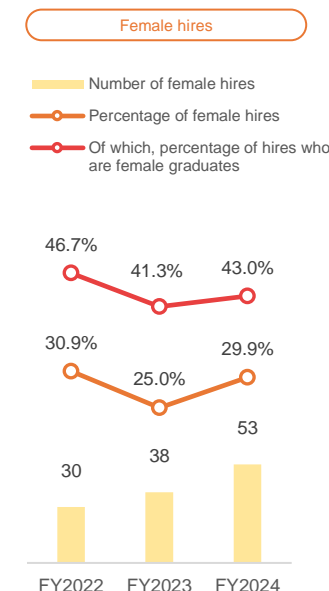
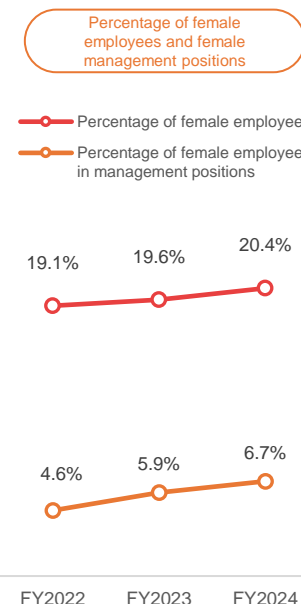
To effectively utilize digital technology, which is essential for the creation of new value in distribution, we aim to improve the digital literacy of our employees by creating the digital workspace and portal website where employees can interact with each other and share knowledge, know-how and issues, regardless of their location or department. Also, 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.



Flexible recruitment of human capital

In terms of recruitment, we are promoting the active recruitment of human capital that has special skills, such as digital technologies. We introduced the alumni program in April 2024. We expect that recruiting alumni (our retired employees and those who have declined the offer) who know our company well and bring external knowledge will broaden our diversity and encourage innovation.

We are also working to increase the ratio of female management positions, as one of the indicators of diversity. Specifically, we are actively recruiting female employees to increase their ratio, currently around 20%, and expanding systems that enable flexible working styles to balance work and family life.



Maximizing the Value of Human Capital

Creating an environment enables human capital to exercise their full potential

We will enhance employee job satisfaction by establishing systems to support autonomous career development and optimizing the allocation of human capital based on the characteristics of each individual employee using a talent management system. These approaches will help build an organization where employees, the company, and society can grow together. We will create a “comfortable work environment” that leverages diverse values through developing various systems, including “childcare and nursing support system” to help employees balance their work with childcare and / or eldercare, reforming work style and optimizing workplace that could improve office comfortability.

Creating an environment enables human capital to exercise their full potential

- Childcare and nursing support system
Schemes such as short-time work are available beyond the legal obligation
 - Childcare : Available until child graduate (6th grade) elementary school
 - Nursing : Available for any period or number of times
- Work from home / Variable working hours system
- Flextime work system
- Hourly paid leave
- The human capital system for professional careers (to improve the motivation of specialized human capital)
- Changing retirement age (Changed from 60 to 65)
- Silver human resources employment system (Employable until the age of 70)

Renovation of head office cafeteria



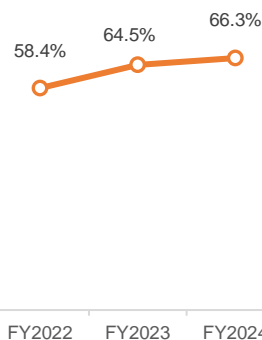
The cafeteria has been renovated as a place that can be used in a variety of ways, such as open meeting, concentration on their individual work (we set up a concentration booth for employees who want to concentrate). It is used not only for meals, but also as a place for communication among employees.

Promoting health and productivity management

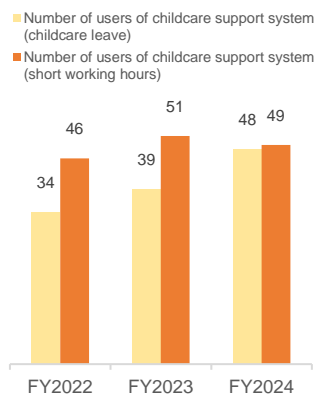
As a company engaged in the distribution of daily necessities, we recognize that maintaining and promoting the health of employees is the most important issues in management. We are working on initiatives to promote the health of our employees in the belief that working in an environment where each and every employee has a high level of health awareness and is able to play an active role in the long term will lead to sustainable growth for the company.

Specifically, we are working to raise the health awareness of each and every employee by enhancing seminars and training for health maintenance and promotion, thereby encouraging employees to undergo secondary health check-ups. Also, we have built our systems to ensure the total care of employee health and safety, which is the basis of our business activities. Specifically, we are working on mental health education to protect mental and physical health, improving various types of support such as the EAP hotline, and strengthening specialized teams to protect occupational health and safety in the workplace.

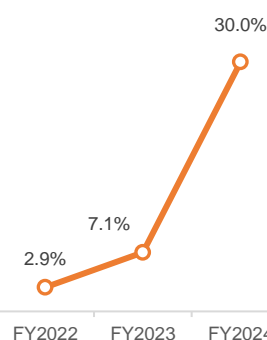
Percentage of taking annual paid leave



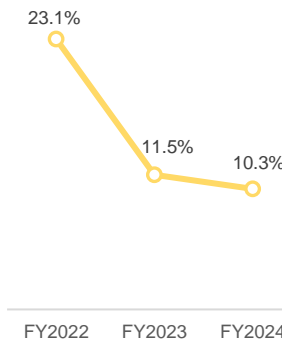
Number of users of childcare support system



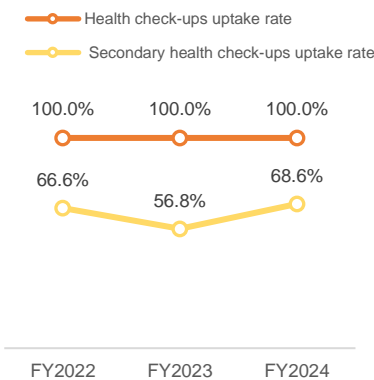
Percentage of male employees taking childcare leave



Turnover Rate within three years of joining-for University graduates



Health check-ups uptake rate



Maximizing the Value of Human Capital

Improving employee engagement

As the labor market becomes more fluid, to continuously increase the value of the company, it is important that each and every employee works actively and with a sense of fulfillment and exercises their full potential. To ensure the “playing an active role” and “retention” of our diverse human capital, we are working to improve employee engagement by continuously developing human capital, establishing flexible personnel systems and cultivating a sense of oneness based on mutual understanding and trust.

We have been measuring engagement score by the “employee engagement survey” since August 2023. We develop measures that meet the strengths and challenges of each organization by visualizing the subjectivity and thoughts of employees. To cultivate a sense of oneness within the company, we hold workshops for directors and executives. We believe that the first step is to raise awareness of “employee engagement” at the management level, which is leading the transformation. Lectures by external experts help management to understand the importance of engagement and to formulate and implement specific measures, leading to a change in awareness throughout the company. We also encourage interactive communication. Specifically, we are increasing the opportunities for top management to share their vision and thoughts with employees through internal newsletters and other media, as well as responding directly to employees’ opinions and questions through town hall meetings where top management visits sites.

Developing and securing
diverse human capital

Creating an environment enables human
capital to exercise their full potential

Promoting health and
productivity management



Cultivating a sense of oneness within the company

Improving the management's
awareness of employee engagement

Engagement workshops

We have held engagement workshops for our management. We raised management's awareness of employee engagement through lectures by external experts and analyzed the results of engagement surveys and developed action plans to transform organizations.



Promoting interactive communication

Messages from top management

We are increasing the opportunities for top management to share their vision and thoughts with employees through regularly publishing messages in the internal newsletter.



Company Newsletter "Palace"

Town-hall meeting

We are increasing the opportunities for top management themselves to visit on-site regularly and to respond directly to employees' opinions and questions.

Engagement score

Medium-term
management term

Target for the final
fiscal year

55.0

FY2027

48.1

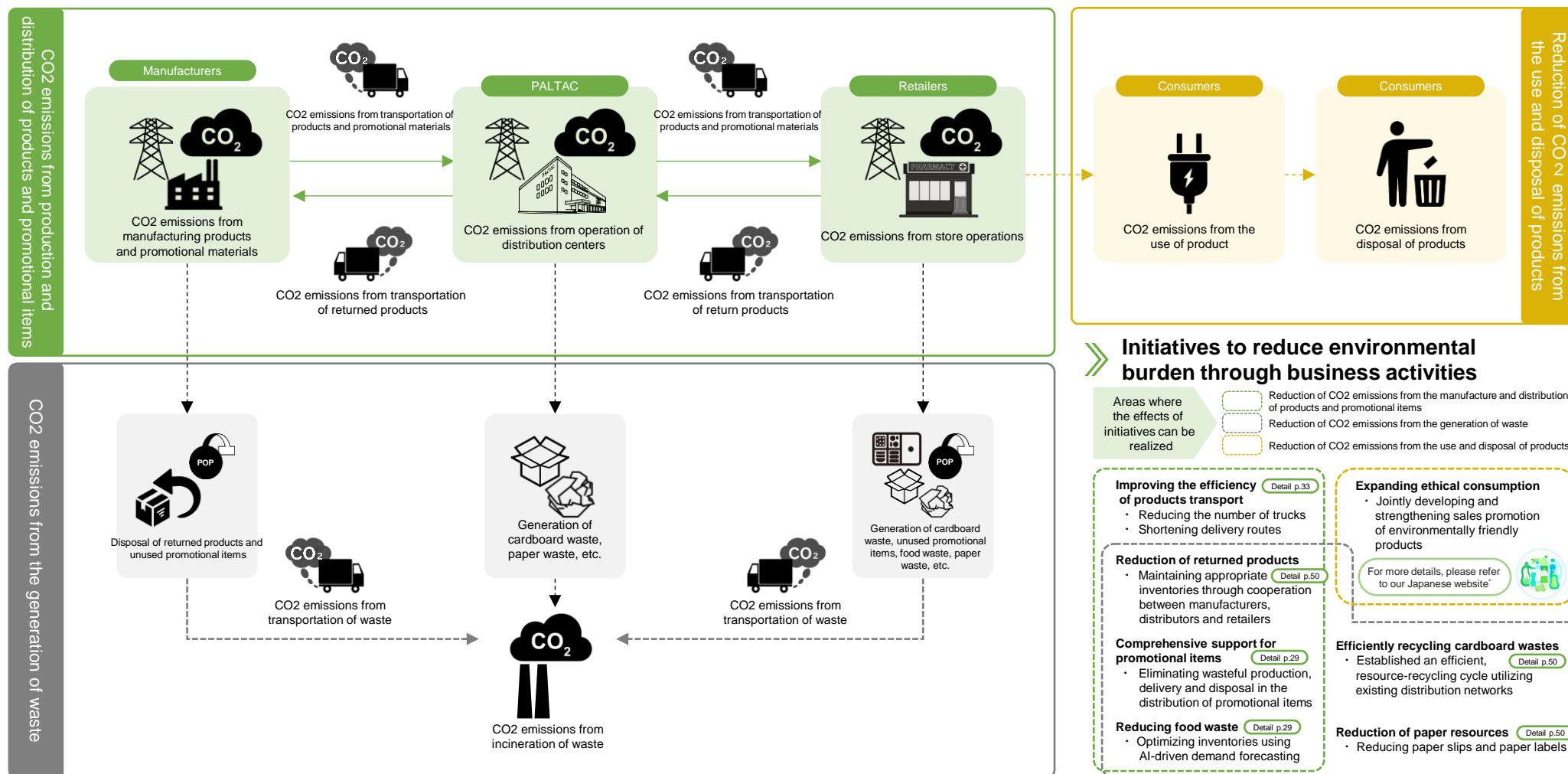
FY2024

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

Harmonizing the Environment

Now we are working on reducing environmental burden that occur in the entire supply chain, as a company that contributes to people's health and beauty. We will prioritize and work on initiatives addressing issues that are highly related to our business; "dealing with climate change" and "formation of a recycling-oriented society(circular economy)". For other issues such as water resource protection and biodiversity, we will investigate the impact of our business activities.

Major environmental burdens generated in the supply chain



*Regarding the handling of environmentally friendly products Our Japanese website "Environment"
<https://www.paltac.co.jp/attitude/environment/index.html>

Responding to Climate Change

We are addressing climate changes as part of promoting to optimize and streamline the entire supply chain. Specifically, we are promoting measures of energy-saving and the procurement of renewable energy-derived electricity, 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 changes, 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 assumes 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 the increase in demand for ethical products. Under the 4 °C scenario, we anticipate a 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 include 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. 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
Risks	Transition	Policies, laws and regulations	<ul style="list-style-type: none"> • 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
		Reputation	<ul style="list-style-type: none"> • Decline in transactions due to delay in efforts to address the climate change 		Moderate	Small
	Physical	Long-term	<ul style="list-style-type: none"> • Decline in demand for winter-seasonal products due to high temperatures • Rise in raw material prices due to shifting weather patterns (raise in purchasing costs) 		Small	Small
		Acute	<ul style="list-style-type: none"> • Damage on supply network due to an intensification of abnormal weather (damage to facilities or injuries to employees) 		Small-Moderate	Small-Moderate
Opportunities		Increase in sales opportunities	<ul style="list-style-type: none"> • Expansion in consumer needs for ethical consumption • Increase in demand for disaster and emergency response products 		Small	Small
			<ul style="list-style-type: none"> • Increase in demand for summer-seasonal products and for products against the hot weather due to high temperatures 		Small-Moderate	Small
		Rise in relative competitiveness	<ul style="list-style-type: none"> • Rise in needs for low-cost distribution network which minimize the cost increase to address climate change 		Small	Small
			<ul style="list-style-type: none"> • Rise in needs for distribution base which 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 the realization of a temperature rise of less than 2 °C by the end of the century, we have set targets for Scope 1 and 2 of “50% reduction in CO2 emissions in FY2030 (ending March 2031) compared to FY2020 (ending March 2021)” and “virtually zero CO2 emissions in FY2050 (ending March 2051)”. As an indicator for achieving the target, we have set our goals as “28% reduction of CO2 emissions in FY2026 (ending March 31, 2027) compared to FY2020 (ending March 31, 2021)” as an important non-financial target in “PALTAC VISION 2027”.

In Scope 1 and 2, CO2 emissions related to electricity consumption at the distribution centers account for most of total CO2 emissions. However, we are not allowed to halt the supply of products. Also, it is necessary to reduce CO2

emissions even in a situation where we can not drastically reduce electricity consumption. Therefore, we will promote initiatives to achieve our goals, centered on measures to “create” and “procure” renewable energy. Specifically, we will install photovoltaic power generation systems on the rooftops of distribution centers where they can be installed and procure renewable energy through the procurement of non-fossil fuel certificates and switching to renewable energy power plans, thereby promoting a gradual reduction. We are also promoting initiatives for “reduction” (power saving), simultaneously aimed at reducing costs and promoting employee work-life balance and health, such as shortening operating hours at offices and distribution centers and encouraging the use of stairways. As a result of these initiatives, the CO2 reduction plan for

FY2024 has been achieved.

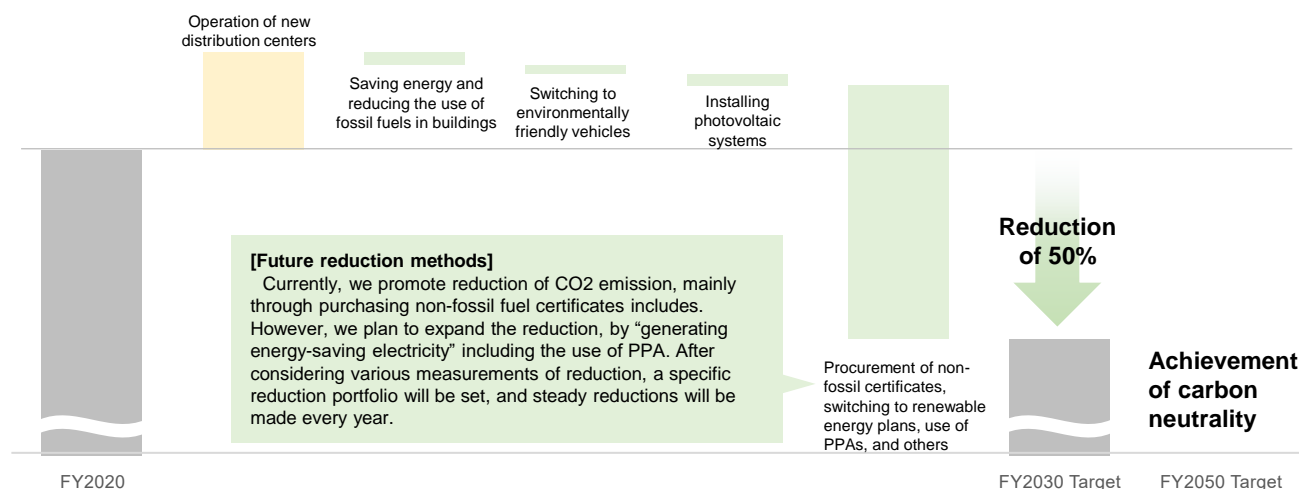
We will continue to make steady reductions from year to year and promote effective initiatives in response to environmental changes by considering all possible measures, including procurement of renewable energy derived from power with additionally using Power Purchase Agreements (PPA).

TOPICS

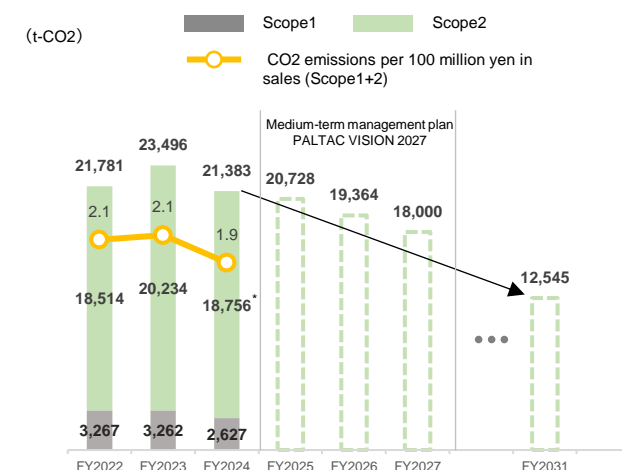
We will use the amount of outperformance expected to arise from the “ESG share buyback” announced on 29 July to fund for reduction of Scope 1+2 emission. For more details, please refer to the released document*.

On July 29th, 2024, “Notice of the decision on matters relating to share buyback and ESG share buyback”
Our Japanese website “IR News” : <https://www.paltac.co.jp/tomorrow/news.html>

■ The roadmap for achieving the 2030 reduction target



CO2 emission Scope1+2



Scope3

For Scope 3, we are now working to reduce CO2 emissions from product transportation (GHG Protocol: Category 4) through our business activities by accelerating existing efforts to improve delivery efficiency and expanding the scope of our efforts through collaboration and cooperation with our customers. In other categories, we will strive to calculate CO2 emissions and improve the accuracy of calculations, considering the degree of relevance to our business. We will also investigate and gather information on potential reductions through activities in the GX League* and take other actions as needed.

* 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.

■ Scope3 CO2 emissions*1 (t-CO2)

Category	FY2022	FY2023	FY2024
Scope 3 total	30,408	6,189,933	6,399,372
1 : Purchased goods and services	-	5,523,521	5,715,331
2 : Capital goods	-	36,855	5,638
3 : Fuel- and energy-related activities not included in Scope1 or Scope2	-	7,332	3,993
4 : Upstream transport and delivery*2	30,408	30,578	28,855
5 : Waste generated in operations	-	460	483
6 : Business travel	-	284	290
7 : Employee commuting	-	9,571	9,554
12 : End-of-life treatment of sold products	-	581,197	635,096
13 : Downstream Leased Assets	-	135	132

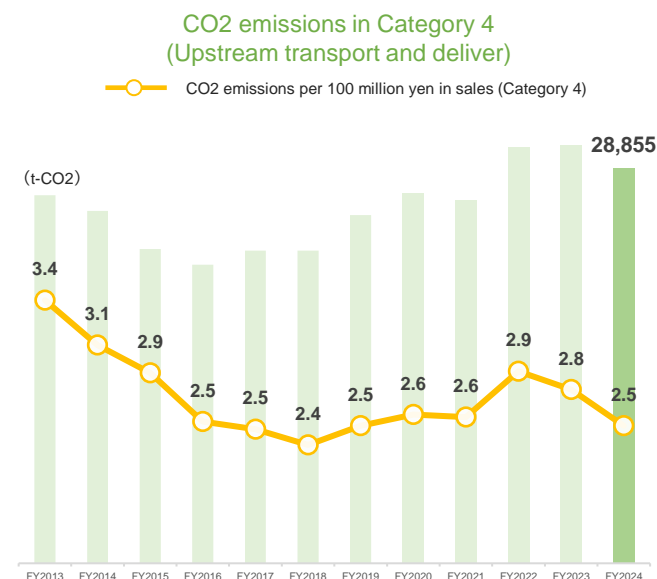
*1 From the fiscal year ended March 2023, we have increased the number of calculation categories for Scope3 and have calculated the above-mentioned 9 categories. In calculating, we refer to the guidelines (Ver3.4) and the emission unit database (Ver3.4) published by the Ministry of the Environment.

*2 Category 4 was calculated for CO2 emissions associated with the transportation of products from us to retailers.

Reduction of CO2 emissions from the transportation of products

We now are working to reduce fuel consumption by improving delivery efficiency, such as by shortening transport distances and improving the loading efficiency to reduce CO2 emissions from product transportation. Based on the newly formulated medium-term management plan, we plan to visualize delivery data by establishing the delivery management system and promote the cooperative delivery with other companies to reduce more CO2 emissions by improving delivery efficiency. [Detail p.33](#)

From the perspective of the medium to long-term, we will also strengthen cooperation with delivery companies and other business partners for the conversion of delivery trucks to non-fossil fuels, while focusing on technological developments and changes in the market environment.



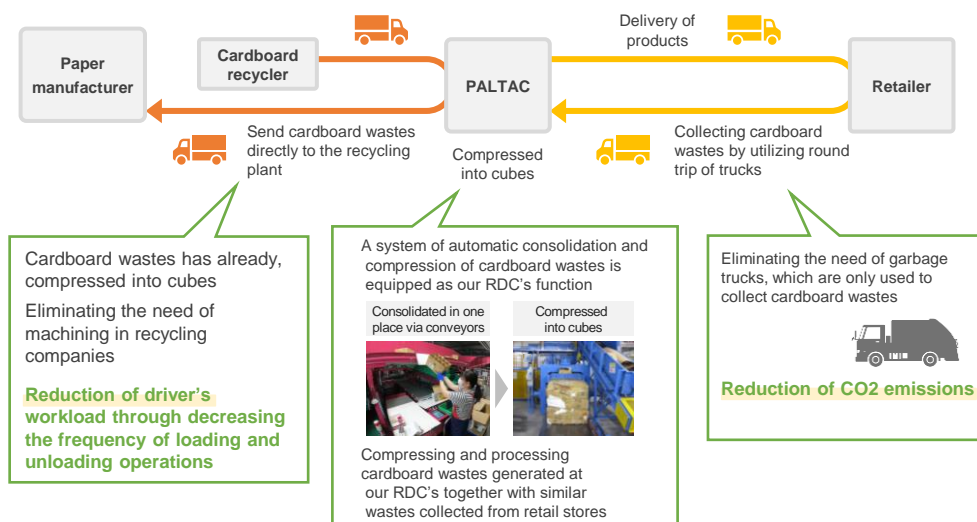
Establishing a Recycling-oriented Society

We are working to create a recycling-oriented society by reducing the amount of waste generated in our operations, including the recycling of cardboard waste generated in the distribution stage and the reduction of returned products.

Recycling of cardboard waste

We have established a system for the efficient recycling of cardboard waste in cooperation and collaboration with resource recycling companies. Collection, compression, and processing of cardboard waste by resource recycling companies will be eliminated, by using trucks returning from product deliveries to collect cardboard waste generated by retailers and utilizing this with the “automatic consolidation and compression of cardboard waste” machine of our distribution center. In addition, direct delivery from distribution center to paper manufacturers reduces the number of times of loading and unloading. This leads to efficient recycling of cardboard waste as well as a reduction in the workload of the entire supply chain.

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

We are working to reduce returned products in collaboration with customers aiming for the sustainable distribution cycle. Returned products which occurred with conventional practices cause not only additional costs related to delivery operation but, also increase in environmental issues such as CO2 emissions and products disposal. Returned products are generated by the promotion activity which meets the consumer's needs and seasonal changes, so promotion activity and generation of returned products are in conflict.

Maintaining stock availability through the collaboration of the entire supply chain is essential in order to create sales floor to match the consumer's needs while reducing returned products. We are trying to reduce returned products through sharing information, such as status of sales and stock of each stores, sales index change of seasonal products and renewal or elimination of products, etc., with retailer and manufacturer, and promptly and accurately executing efforts such as mutual products exchange across the stores and suspend of orders.

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.

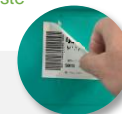


Enabling to rewrite shipping labels repeatedly without contact with the surface

Eliminated the need for disposable label

Contributing to reducing waste

[Conventional model]
Manually attach and replace of shipping labels



Reducing food waste through AI-driven demand forecasting

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

Detail p.29

Expanding our line of environmentally friendly products to promote ethical consumption. (For more details, please refer to our Japanese website*)

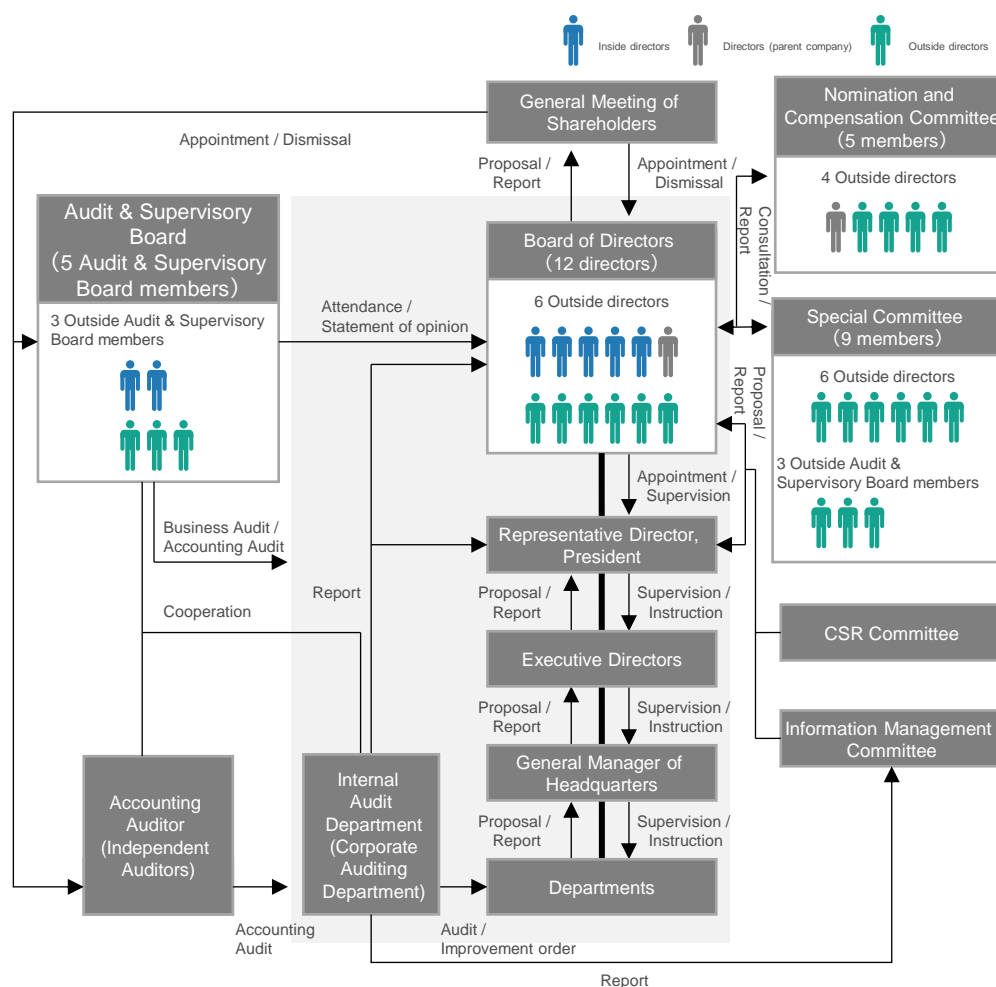


* Regarding the handling of environmentally friendly products
Our Japanese website “Environment”
<https://www.paltac.co.jp/attitude/environment/index.html>

Corporate Governance

We are 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 corporate governance system which enable to ensure maintaining 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 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 : As of June 21, 2024 〕		
	Chairman	Shingo Inui (Outside Director)	
Members	Kaori Oishi (Outside Director)	Ichiro Yoshitake (Outside Director)	
	Akito Hattori (Outside Director)	Yuji Sakon (Director)	
2020	Expanded ratio of Outside directors to at least one-third		
2021	Started evaluation of the effectiveness of the Board of Directors		
2023	Established the Special Committee		
	The roll is to carefully discuss and deliberate the necessity and rationality, appropriateness of transaction terms and conditions with regard to important transactions that conflict with the interests between controlling shareholders and minority shareholders, and report to the Board of Directors.		
	〔Members : As of June 21, 2024 〕		
	Chairman	Ichiro Yoshitake (Outside Director)	Members

Management Team (As of June 24, 2024)

Members of the Board

Please refer to the “Notice of Convocation of the 96th Ordinary General Meeting of Shareholders” for the reason for nomination.

Our website IR Library “General Meeting of Shareholders” : <https://www.paltac.co.jp/en/index.html>



Representative Director,
Chairman

Seichi Kasutani

Age : 61
Tenure(year) : 7
Number of attendance : 14 / 16
at the Board of Directors
Number of the Company's : 21,082
shares owned(shares)
(as of March 31, 2024)

April 1985 Joined the Company
June 2011 Executive Officer, General Manager of Yokohama Branch Office of the Company
April 2013 Managing Executive Officer, General Manager of Yokohama Branch Office of the Company
June 2014 Director, Managing Executive Officer, General Manager of Yokohama Branch Office of the Company
June 2016 Managing Executive Officer, General Manager of Sales Headquarters of the Company
June 2017 Director, Senior Managing Executive Officer, General Manager of Sales Headquarters of the Company
April 2018 Director, Vice President, Executive Officer, Senior General Manager of Sales Headquarters of the Company
December 2018 Representative Director, President, COO, Senior General Manager of Sales Headquarters of the Company
April 2019 Representative Director, President, COO of the Company
June 2019 Director of MEDIPAL HOLDINGS CORPORATION
April 2023 Director, Vice Chairman of the Company
June 2023 Representative Director, Chairman of the Company (incumbent)



Representative Director,
President

Takuya Yoshida

Age : 51
Tenure(year) : 1
Number of attendance : 11 / 11
at the Board of Directors
Number of the Company's : 22,165
shares owned(shares)
(as of March 31, 2024)

April 1995 Joined The Sanwa Bank, Limited (current MUFG Bank, Ltd.)
April 2000 Joined Shinwa Paltac Corporation (current PALTAC CORPORATION)
April 2016 Executive Officer, General Manager of Kinki Branch Office of the Company
April 2019 Managing Executive Officer, General Manager of Merchandise Headquarters of the Company
October 2020 Managing Executive Officer, General Manager of Tokyo Branch Office of the Company
April 2021 Senior Managing Executive Officer, General Manager of Tokyo Branch Office of the Company
April 2023 Vice President, Executive Officer, COO of the Company
June 2023 Representative Director, President of the Company (incumbent)
June 2023 Director of MEDIPAL HOLDINGS CORPORATION (incumbent)

(Significant concurrent positions outside the Company)
Director of MEDIPAL HOLDINGS CORPORATION



Director, Senior Managing
Executive Officer, In charge
of Administration

Masahiro Noma

Age : 61
Tenure(year) : 6
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 17,954
shares owned(shares)
(as of March 31, 2024)

April 1985 Joined the Company
June 2012 Executive Officer, General Manager of Kinki Branch Office of the Company
April 2013 Managing Executive Officer, General Manager of Kinki Branch Office of the Company
June 2014 Director, Managing Executive Officer, General Manager of Kinki Branch Office of the Company
June 2016 Managing Executive Officer, General Manager of Nagoya Branch Office of the Company
April 2018 Senior Managing Executive Officer, General Manager of West Japan Sales Headquarters, General Manager of Merchandise Headquarters of the Company
June 2018 Director, Senior Managing Executive Officer, General Manager of West Japan Sales Headquarters, General Manager of Merchandise Headquarters of the Company
July 2019 Director, Senior Managing Executive Officer, General Manager of Hokkaido Branch Office of the Company
January 2020 Director, Senior Managing Executive Officer, Senior General Manager of Sales Headquarters of the Company
October 2020 Director, Senior Managing Executive Officer, Senior General Manager of Sales Headquarters, General Manager of Merchandise Headquarters and Overseas Business Headquarters of the Company
April 2023 Director, Senior Managing Executive Officer, In charge of Administration of the Company
April 2024 Director, Senior Managing Executive Officer, Senior General Manager of Administration Headquarters of The Company (incumbent)



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

Masaharu Shimada

Age : 56
Tenure(year) : 4
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 17,262
shares owned(shares)
(as of March 31, 2024)

April 1990 Joined THE TOYO TRUST & BANKING CO., LTD. (current Mitsubishi UFJ Trust and Banking Corporation)
April 2005 Joined the Company
April 2013 Executive Officer, Deputy General Manager of Management Planning Headquarters of the Company
April 2014 Executive Officer, General Manager of Management Planning Division of the Company
April 2018 Managing Executive Officer, General Manager of Management Planning Division of the Company
June 2020 Director, Managing Executive Officer, General Manager of Management Planning Division of the Company
October 2021 Director, Managing Executive Officer, General Manager of Management Planning Headquarters of the Company
April 2023 Director, Senior Managing Executive Officer, General Manager of Management Planning Headquarters of the Company (incumbent)



Director, Senior Managing
Executive Officer, Senior General Manager
of Sales Headquarters, General Manager
of Overseas Business Headquarters

Yoshitaka Yamada

Age : 58
Tenure(year) : 1
Number of attendance : 11 / 11
at the Board of Directors
Number of the Company's : 5,166
shares owned(shares)
(as of March 31, 2024)

November 1993 Joined Shinwa Paltac Corporation (current PALTAC CORPORATION)
June 2016 Executive Officer, General Manager of Chushikoku Branch Office of the Company
April 2020 Managing Executive Officer, General Manager of Sales Headquarters of the Company
April 2021 Senior Managing Executive Officer, General Manager of East Japan Sales Headquarters and EC Business Division of the Company
April 2023 Senior Managing Executive Officer, Senior General Manager of Sales Headquarters, General Manager of Overseas Business Headquarters of the Company
June 2023 Director, Senior Managing Executive Officer, Senior General Manager of Sales Headquarters, General Manager of Overseas Business Headquarters of the Company (incumbent)



Board of Directors

Yuji Sakon

Age : 71
Tenure(year) : 1
Number of attendance : 11 / 11
at the Board of Directors
Number of the Company's : 216
shares owned(shares)
(as of March 31, 2024)

April 1977 Joined Sanseido Co., Ltd. (current MEDIPALHOLDINGSCORPORATION)
July 2008 Executive Officer of KURAYA SANSEIDO Inc. (current MEDICEO CORPORATION)
April 2012 Executive Officer, In charge of Corporate Division of MEDIPAL HOLDINGS CORPORATION
June 2012 Director, In charge of Corporate Division of MEDIPAL HOLDINGS CORPORATION
October 2012 Director, In charge of Corporate Division, Chairman of CSR Committee of MEDIPAL HOLDINGSCORPORATION
June 2013 Director, General Manager of Administration Headquarters, Chairman of CSR Committee of MEDIPAL HOLDINGS CORPORATION
January 2016 Director of ASTEC Co., Ltd. (incumbent)
June 2017 Director of MM CORPORATION (incumbent)
June 2018 Managing Director, General Manager of Administration Headquarters, Chairman of CSR Committee of MEDIPAL HOLDINGS CORPORATION (incumbent)
May 2022 Director of PharField Corporation (incumbent)
June 2023 Director of the Company (incumbent)

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

Management Team (As of June 24, 2024)

Members of the Board



October 2001 Registered as Attorney at Law
October 2001 Joined Kitahama Law Office (current Kitahama Partners)
January 2013 Partner of Kitahama Partners (incumbent)
June 2017 Outside Director of the Company (incumbent)
June 2020 Outside Director, Audit and Supervisory Committee Member of
TOWA PHARMACEUTICAL CO.,LTD. (incumbent)

(Significant concurrent positions outside the Company)
Partner of Kitahama Partners Outside Director,
Audit and Supervisory Committee Member of
TOWA PHARMACEUTICAL CO., LTD.

Outside Director
Independent Officer

Kaori Oishi

Age : 47
Tenure(year) : 7
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 835
shares owned(shares)
(as of March 31, 2024)



April 1981 Chosen to represent Japan in the Miss Universe pageant
April 1982 Began studying photography under Shoji Otake
April 1987 Independent freelance photographer
April 2004 Associate Professor of Photography Department, Osaka University of Arts
January 2005 Representative of Office Orisaku (incumbent)
April 2006 Professor of Photography Department, Osaka University of Arts (incumbent)
April 2007 Dean of Photography Department, Osaka University of Arts (incumbent)
June 2021 Outside Director of the Company (incumbent)

(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 Association
Councilor of The Japan Society for Arts and History of Photography

Outside Director
Independent Officer

Mineko Orisaku

Age : 63
Tenure(year) : 3
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 742
shares owned(shares)
(as of March 31, 2024)



April 1990 Joined Mitsui O.S.K. Lines, Ltd.
February 1995 Joined Lorentzen & Stemoco (Oslo)
July 1996 Joined Inui Global Logistics Co., Ltd.
June 2000 Director, General Manager of Sales Department of Inui Global Logistics Co., Ltd.
June 2001 Representative Director, President of Inui Global Logistics Co., Ltd.
June 2014 Director, Chairman of Inui Global Logistics Co., Ltd.
October 2016 Advisor of Inui Global Logistics Co., Ltd.(incumbent)
January 2020 Representative Director of KENKO KAIUN K.K. (incumbent)
June 2022 Outside Director of the Company (incumbent)
April 2023 Outside Director, Audit & Supervisory Committee Member of NIPPON KANZAI Holdings Co., Ltd.(incumbent)

(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.

Outside Director
Independent Officer

Shingo Inui

Age : 56
Tenure(year) : 2
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 481
shares owned(shares)
(as of March 31, 2024)

[Chairman of the Nomination and Compensation Committee]



April 1979 Joined Toyota Motor Co., Ltd. (current TOYOTA MOTOR CORPORATION)
January 2011 Director of Toyota Marketing Japan Corporation
June 2015 Director, Senior Managing Executive Operating Officer of Daihatsu Motor Co., Ltd.
April 2017 Representative Director, President of TOYOTA Tokyo Sales Holdings Inc.
April 2019 Representative Director, Vice Chairman of TOYOTA Mobility Tokyo Inc.
April 2020 Representative Director, President of TOYOTA MOBILITY PARTS Co., Ltd.
March 2022 Outside Director of Unicafe Inc. (incumbent)
June 2022 Outside Director of the Company (incumbent)

(Significant concurrent positions outside the Company)
Outside Director of Unicafe Inc.

Outside Director
Independent Officer

Ichiro Yoshitake

Age : 67
Tenure(year) : 2
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 240
shares owned(shares)
(as of March 31, 2024)

[Chairman of the Special Committee]



April 1975 Joined Shiseido Company, Limited
April 1995 Director, Senior Manager of Sales Department of AYURA Inc
April 2007 Corporate Officer, Chief Officer of China Business Division of Shiseido Company, Limited
June 2009 Director, Responsible for Business Strategy and Marketing of Domestic Cosmetics Business Division of Shiseido Company, Limited
April 2010 Director, Corporate Executive Officer, Chief Officer of Domestic Cosmetics Business Division of Shiseido Company, Limited
April 2012 Director, Corporate Executive Officer, Responsible for Business Strategies of Domestic Cosmetics Business of Shiseido Company, Limited (Retired in June 2014)
June 2022 Outside Director of the Company (incumbent)

Outside Director
Independent Officer

Tatsuomi Takamori

Age : 71
Tenure(year) : 2
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 340
shares owned(shares)
(as of March 31, 2024)



April 1989 Registered as Attorney at Law
April 1989 Joined Miyake, Hatazawa & Yamazaki Law Office
April 1991 Joined Ozaki Law Office
November 2006 Representative of Hattori Akito Law Office (incumbent)
January 2013 Representative Director and President of Hagiwarazaimokuten, Inc. (incumbent)
September 2016 Outside Audit & Supervisory Board Member of ANABUKI KOSAN INC. (incumbent)
June 2018 External Director serving as Audit & Supervisory Committee Member of MEGMILK SNOW BRAND Co., Ltd. (incumbent)
June 2021 Director of Social Welfare Corporation Goodwill Welfare Association (incumbent)
June 2023 Outside Director of the Company (incumbent)

(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

Akito Hattori

Age : 65
Tenure(year) : 1
Number of attendance : 11 / 11
at the Board of Directors
Number of the Company's : 108
shares owned(shares)
(as of March 31, 2024)

Management Team (As of June 24, 2024)

Audit & Supervisory Board Members



Standing Audit &
Supervisory Board Member

Takashi Shintani

Age : 62
Tenure(year) : 5
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 7,451
shares owned(shares)
(as of March 31, 2024)

April 1985 Joined Nippon Life Insurance Company
April 2011 General Manager of Information System Headquarters
of the Company
June 2012 Executive Officer, General Manager of Information System
Headquarters of the Company
April 2013 Managing Executive Officer, General Manager of
Information System Headquarters of the Company
January 2019 Managing Executive Officer, Management of Information
System Headquarters of the Company
June 2019 Standing Audit & Supervisory Board Member
of the Company (incumbent)



Standing Audit &
Supervisory Board Member

Takeo Gomi

Age : 62
Tenure(year) : New election
Number of attendance : -
at the Board of Directors
Number of the Company's : 8,334
shares owned(shares)
(as of March 31, 2024)

April 1986 Joined the Company
April 2009 General Manager of LC Business Division, Sales
Headquarters of the Company
June 2011 General Manager of LC Business Division, LC
Business Headquarters of the Company
April 2012 Deputy General Manager of LC Business
Headquarters of the Company
June 2012 General Manager of LC Business Headquarters of the
Company
April 2014 Executive Officer, General Manager of LC Business
Headquarters of the Company
April 2018 Managing Executive Officer, General Manager of LC
Business Headquarters of the Company
June 2024 Standing Audit & Supervisory Board Member
of the Company (incumbent)



Outside Audit & Supervisory
Board Member Independent
Officer

Hiroshi Haraguchi

Age : 70
Tenure(year) : 2
Number of attendance : 16 / 16
at the Board of Directors
Number of the Company's : 240
shares owned(shares)
(as of March 31, 2024)

April 1978 Joined THE TOYO TRUST & BANKING CO., LTD.
(current Mitsubishi UFJ Trust and Banking Corporation)
June 2006 Senior Manager of Osaka Corporate Agency Division of
THE TOYO TRUST & BANKING CO., LTD.
April 2010 Managing Director of Mitsubishi UFJ
Daiko Business Co., Ltd.
November 2015 Senior Consultant of The Midori Kai Co., Ltd.
June 2022 Outside Audit & Supervisory Board Member
of the Company (incumbent)



Outside Audit & Supervisory
Board Member Independent
Officer

Kyoko Hikita

Age : 59
Tenure(year) : 1
Number of attendance : 10 / 11
at the Board of Directors
Number of the Company's : 0
shares owned(shares)
(as of March 31, 2024)

October 1991 Joined Showa Ota & Co.
(current Ernst & Young ShinNihon LLC)
August 1995 Registered as Certified Public Accountant
July 2019 President of Hikita CPA Office (incumbent)
February 2021 Outside Auditor of Maruka Corporation
April 2021 Professor of Institute of Business and Accounting,
Professional Graduate School,
Kwansei Gakuin University (incumbent)
October 2021 Outside Audit & Supervisory Board Member of
MARUKA FURUSATO Corporation (incumbent)
July 2022 Council Member of The Japanese Institute of
Certified Public Accountants (incumbent)
June 2023 Outside Audit & Supervisory Board Member of
the Company (incumbent)

(Significant concurrent positions outside the Company)
President of Hikita CPA Office Professor of Institute of
Business and Accounting, Professional Graduate School,
Kwansei Gakuin University Outside Audit & Supervisory
Board Member of MARUKA FURUSATO Corporation
Council Member of The Japanese Institute of Certified
Public Accountants



Outside Audit & Supervisory
Board Member Independent
Officer

Noriaki Miki

Age : 56
Tenure(year) : New election
Number of attendance : -
at the Board of Directors
Number of the Company's : 0
shares owned(shares)
(as of March 31, 2024)

April 1995 Registered as Attorney at Law
April 2000 Co-established IBUKI LAW OFFICE (incumbent)
September 2014 Director of Miyako Servicing Co., Ltd
June 2018 Outside Director of ACE SECURITIES CO., LTD.
(current Tokai Tokyo Securities Co., Ltd.)
July 2023 Supervisory Director of Nankai Private Reit Inc.
June 2024 Outside Audit & Supervisory Board Member of
the Company (incumbent)

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

Management Team (As of June 24, 2024)

Executive Officers

Senior Managing Executive Officer

Akiyoshi Moriya

General Manager of Kanto
Administration Headquarters

Masashi Maeda

General Manager of Information
System Headquarters

Hideo Ashihara

General Manager of Sales
Headquarters and Logistics
Headquarters

Masakazu Mikita

General Manager of Research
and Development Headquarters

Managing Executive Officer

Hiroshi Murai

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

Mitsuhiko Seki

General Manager of Store
Support Headquarters

Naoto Murao

General Manager of Financial
Headquarters

Satoshi Akiyama

General Manager of Yokohama
Branch Office

Sachiyo Yoshida

General Manager of General
Affairs Headquarters

Makoto Konishi

MCC Business Headquarters

Executive Officer

Ryohei Isobe

Deputy General Manager of
General Affairs Headquarters

Hideki Inaba

General Manager of LC
Business Headquarters

Koji Yoshida

Deputy General Manager of
Overseas Business
Headquarters

Naoki Sawada

General Manager of Hokkaido
Branch Office

Hirokazu Takayama

General Manager of Chubu
Branch Office

Yukinori Sakakihara

General Manager of Kinki
Branch Office

Akira Mikami

General Manager of Kyusyu
Branch Office

Syohei Matsumoto

Deputy General Manager of
Research and Development
Headquarters

Takashi Uemura

General Manager of Tokyo
Branch Office

Yuji Mikami

General Manager of Tohoku
Branch Office

Hiroaki Muraki

General Manager of CSR
Promotion Headquarters

Hiroshi Yoshihara

General Manager of
Chushikoku Branch Office

Hirokazu Inoue

General Manager of
Merchandise Headquarters

Management Team (As of June 24, 2024)

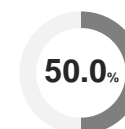
Skills matrix (Skills required of Directors and Audit & Supervisory Board Members)

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

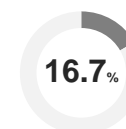
In addition, this skill matrix does not contain all the skills held by each director.

	Name	Position	Age	Tenure	Nomination and Compensation Committee	Special Committee	Corporate Management	Industry Experience & Sales Strategy	ESG & Sustainability	Finance & Accounting	Personnel & Labor Affairs	Legal Affairs, Compliance & Risk Management	Logistics, SCM & Digital Technology
Director	Seiichi Kasutani	Representative Director, Chairman	61	7			●	●	●				●
	Takuya Yoshida	Representative Director, President	51	1			●	●	●	●			●
	Masahiro Noma	Director	61	6			●	●		●	●		
	Masaharu Shimada	Director	56	4			●		●	●		●	●
	Yoshitaka Yamada	Director	58	1			●	●					●
	Yuji Sakon	Director	71	1	●		●		●			●	
	Kaori Oishi	Outside Director	47	7	●	●			●			●	
	Mineko Orisaku	Outside Director	63	3		●	●		●		●		
	Shingo Inui	Outside Director	56	2	● (Chairman)	●	●		●				●
	Ichiro Yoshitake	Outside Director	67	2	●	● (Chairman)	●		●				●
	Tatsuomi Takamori	Outside Director	71	2		●	●	●	●				
	Akito Hattori	Outside Director	65	1	●	●	●				●	●	
Audit & Supervisory	Takashi Shintani	Standing Audit & Supervisory Board Member	62	5			●		●				●
	Takeo Gomi	Standing Audit & Supervisory Board Member	62	New election			●	●					●
	Hiroshi Haraguchi	Outside Audit & Supervisory Board Member	70	2		●	●		●	●	●		
	Kyoko Hikita	Outside Audit & Supervisory Board Member	59	1		●			●	●			
	Noriaki Miki	Outside Audit & Supervisory Board Member	56	New election		●	●		●			●	

Percentage of Outside directors



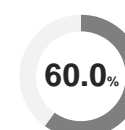
Percentage of Female directors



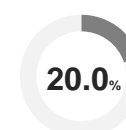
Average age of directors : 61

Inside directors : 57
Directors (parent company) : 71
Outside directors : 62

Percentage of Outside Audit & Supervisory Board members



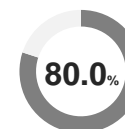
Percentage of Female Audit & Supervisory Board members



Average age of Audit & Supervisory Board members : 62

Inside auditor : 62
Outside auditor : 62

Nomination and Compensation Committee
Percentage of Outside Directors



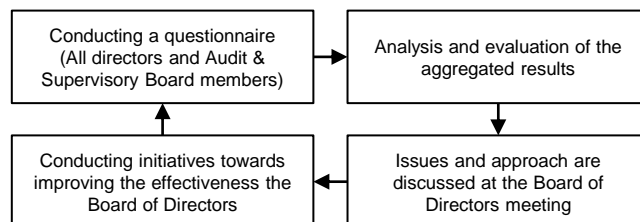
Special Committee
Percentage of Outside Directors



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, questionnaire was distributed to all of 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 about 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 as below. The questionnaire consists of each item is rated on 5 points scales. Also, there is additional comments form regarding each items.

The highlights of the evaluation

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

Review of evaluation results in October 2023

In the questionnaire sent to all directors and auditors, comments included “Discussions in the Nomination and Compensation Committee and the Board of Directors Meeting have become more active” and “Initiatives to strengthen the protection of minority shareholders have improved”. We have evaluated that the effectiveness of the Board of Directors is ensured since a high proportion of responses indicated appropriateness of each item.

While the overall evaluation was positive, the evaluation of the “composition of the board of directors” declined. The main reasons for the decline in the evaluation are that the number of outside directors does not constitute a majority of the board (currently : 50% of outside directors) and that the number of directors is high. We, as an operating company, need a reasonable number of executive directors to run our business. In addition, we, as a listed company with a parent company, are required by the Corporate Governance Code to have an outside director ratio constitute of majority. From these points of view, we will continue the discussion and consideration of what is the best composition for our Board of Directors. We will also implement other initiatives to further improve the effectiveness of our Board of Directors, such as enhancing discussions on medium- and long-term growth strategies.

■ Issues and future initiatives identified from evaluation conducted in October 2023

Issues	Initiatives
• Optimal board composition to strengthen corporate governance (New issues)	• Discussion and consideration of optimal board composition as a listed company with a parent company
• Enhancement of information provision, sharing, and exchange of opinions (New issues)	• Creating opportunities for information provision, sharing and exchange of opinions in order to stimulate discussion
• Enhancement of discussions on long-term growth strategies (Ongoing issues)	• Implementation of study sessions aimed at promoting understanding of our business and related activities • Implementation of a free discussion focused on the important issues related to sustainability
• Promotion of understanding of our business and the agenda for encouraging discussion (Ongoing issues)	• Implementation of a preliminary briefing on the Board of Directors meeting proposal • Providing opportunities for dialogue between field managers and outside directors through visits to our branch and headquarters by outside directors

Examples of specific comments listed in the effectiveness evaluation questionnaire

- I think it is commendable that the operation of the Board of Directors has been improved by focusing the Board's agenda on key issues and allowing for ongoing discussion.
- I think it was positive that there were more opportunities to discuss issues among outside directors, for instance by holding study sessions for outside directors.
- I consider that the composition of the Board needs to be discussed continuously. The reason for this is that, considering the requirements of the Corporate Governance Code, it would be desirable to have a majority of outside directors, but increasing the number of outside directors beyond the current level would increase the overall number of directors. Taking these perspectives into account, the optimum composition for us must be considered.
- I would like to see more opportunities for the exchange of information and opinions between outside directors and inside directors, and our employees, even outside the meetings of the Board of Directors.

Compensation for Directors

We set out basic policy on directors and Audit & Supervisory Board members compensation, shall be incentives that enables 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 the level which becomes a percentage of bonus in the annual compensation remained relatively steady at 20-30% and that directors with higher position would be entitled to retain a higher percentage of that. 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 indicator, linked to KPIs in annual business plans, and even individual performance and contribution to increase corporate value.

As non-monetary compensation, we provide company housing in accordance with our regulations in order to be able offer 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 set out Nomination and Compensation Committee a majority of which is outside directors. Fixed basic compensation for directors and bonus are determined by a resolution of the Board of Directors meeting based on the deliberations of the Nomination and Compensation Committee meeting which held prior to the Board of Directors meeting.

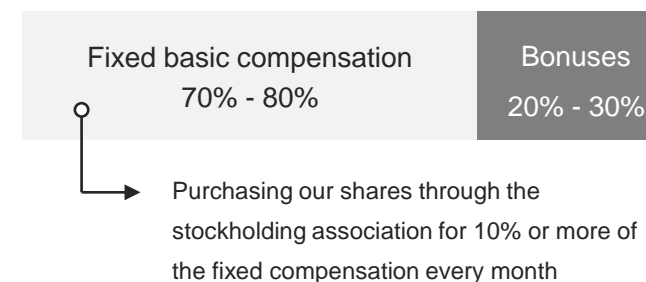
(Fiscal year ended March 2024)

Corporate officer category	Number of relevant corporate officers	Total amount of compensation (millions of yen)	Total amount of compensation by category (millions of yen)		
			Fixed basic compensation	Bonus, and others	Non-monetary rewards, and others
Directors (Outside directors)	15 (7)	359 (72)	288 (72)	67 (-)	2 (-)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board members)	6 (4)	92 (36)	92 (36)	- (-)	- (-)
Total (Outside corporate officers)	21 (11)	451 (108)	380 (108)	67 (-)	2 (-)

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

We do not set compensation which reflects the mid-and-long term performance, but from the perspective of boosting incentives for increasing long-term shareholder value, we will appropriate 10% part of fixed basic compensation for funds for acquiring treasury stock through the shareholding association.

<Image> Officer compensation



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 restriction, because of the differences in the merchandise categories and in the distribution channels compared to the other two business areas. Also, we make all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions our own.

At the same time, the parent company respects our independency and protect 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 its 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. Regarding the personal relationship with the parent company group, from the perspective of appropriate group governance, we accept one director of the parent company as our company's director, and in order to maintain our independence, one of our company's director also serves as a director of the parent 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 who 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.

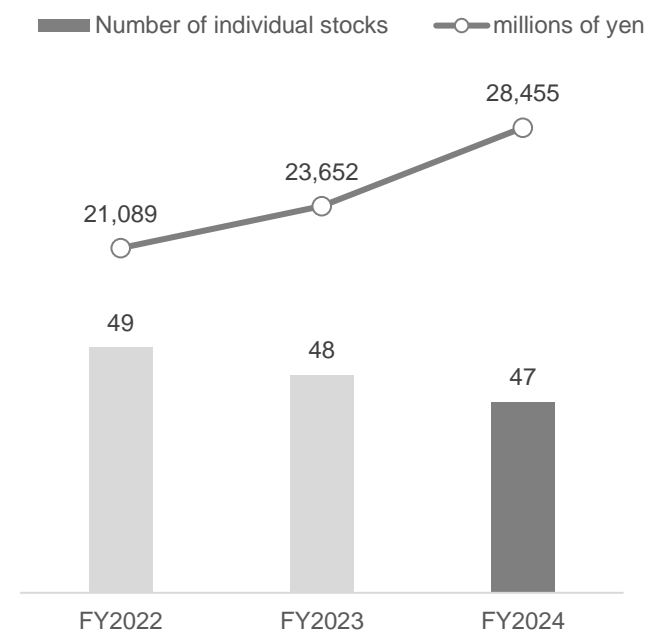
We will continue to strive to enhance the value through such group-wide initiatives.

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 constructing and strengthening ties of the stable and long-term relationship with customers. Our policy is to reduce cross-shareholdings basing the decision-making criterion on contribution to our growth from a mid and-long term perspective. In accordance with this policy, we make a decision on this matter by the Board of Directors meeting on a yearly basis. Specifically, based on requirements which are listed below we examine by individual stocks.

Evaluation criteria for shares held

Whether profits (total amount of profits from transactions and profits from dividends) and benefits that exceed the cost of capital and risks of the Company have been obtained or are expected to be obtained

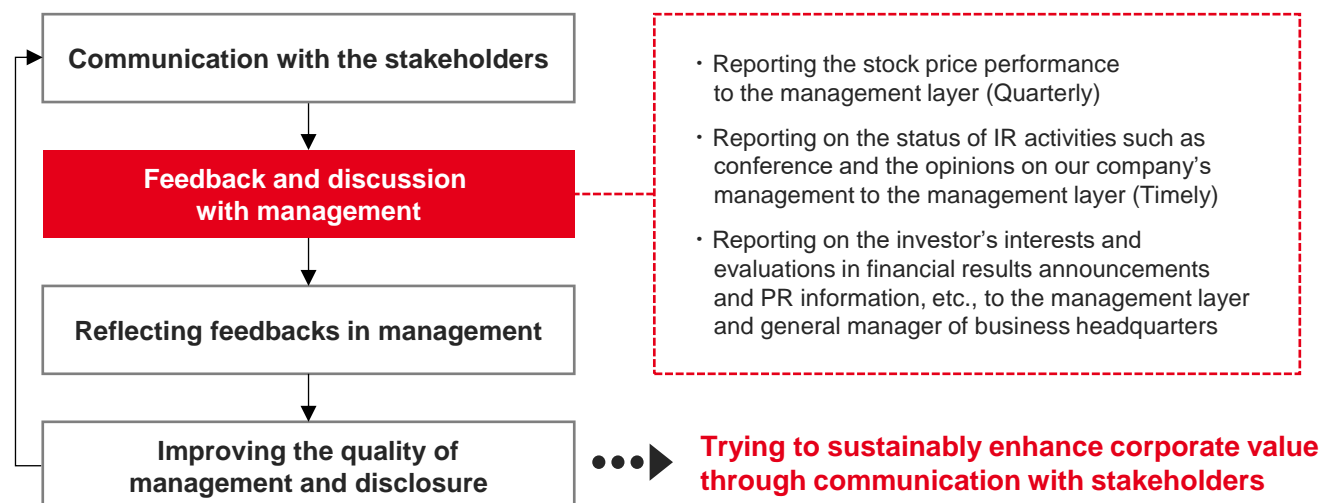


Communication with shareholders and investors

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.

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



IR activities (FY2024)	Number of implementations
Financial results briefing for institutional investors and analysts	2
Conferences hosted by a securities company	1
Individual meetings	167

Exhibited at the “Asset Management EXPO Kansai for Individual Investors” for the second year in a row

We exhibited at the “Asset Management EXPO Kansai”, which was held from September 1 to 3, 2023, at INTEX Osaka. We had direct dialogue with more individual investors than last year, partly thanks to the high level of interest from individual investors because of the new NISA (New Nippon Individual Savings Account: tax exemption program for small investments) starting in January 2024. We were able to explain to the individual investors who attended this event about our company's business overview, strengths and initiatives. Moving forward, we will continue to engage in dialogue with more investors, striving to further enhance our corporate value.



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

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.

Also, we have set up a “Hot-Line of Public Interest Whistle-Blowing System” to detect and resolve issues such as legal violations and misconduct more quickly. Those hot lines are put one at company internal and two at outside of our company to make employees feel more comfortable in talking to the counselor. In addition, we provide consultation services at outside of the company regarding employee problems and grievances on an individual basis and offer systems for solving various problems.

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.

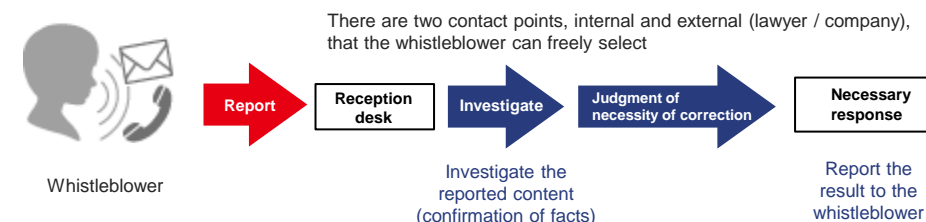


The “CSR training” common to the MEDIPAL GROUP



“Compliance training” for new employees

<Image> Response to the public interest reporting hotline



Respect for Human Rights

Respecting human rights, that are the fundamental rights, that all people are born with and is an important social responsibility companies must fulfill, and is also crucial for achieving sustainable growth. We are working to protect both the human rights and working rights of each and every employee and to improve the environment by establishing internal regulations and a hotline to ensure business operations with a sense of security. We are discussing formulating a human rights policy, which will be announced following a decision made by the Board of Directors. In addition, once the human rights policy has been formulated, we will conduct human rights due diligence based on the policy.

Participated in “Cosme Bank Project” as a partner company

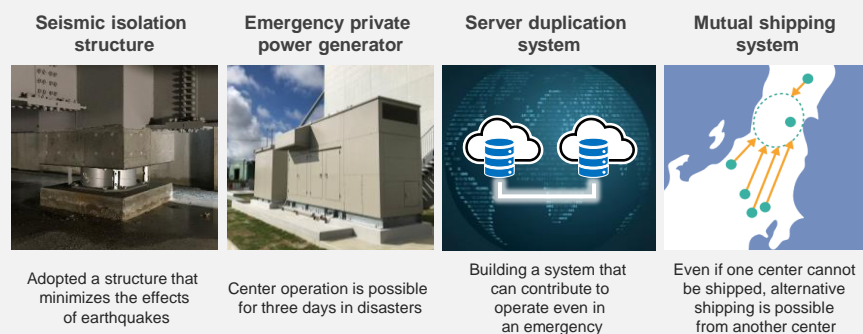
Under the slogan of “Smile for Women and the Earth”, this project collects quality products with the difficulty in resale, such as previous products due to product renewal and unopened products returned from stores via various companies and distributes them free of charge to women with economic hardships. 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.



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 stably 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 constantly reflecting the experience of a disaster in the BCP, strengthening equipment, and building optimal operations, consumer will be able to obtain products that enrich daily lives “at any time” and “affordably”. We will work to maintain and continue the “stable supply” that supports such usual daily lives.

Mechanisms to support “stable supply”



Establishment of an organizational structure in the event of a disaster

In the event of an earthquake of seismic intensity (level of earthquake) 6 or higher, we have established a system to immediately assess the disaster situation and, if necessary, set up a “Disaster countermeasures office” at the head office. In 2023, we participated in a joint delivery experiment* commissioned by the Ministry of Economy, Trade and Industry (METI), in Japan, which is designed to simulate the occurrence of a large-scale disaster. As a company that handles daily necessities, we are also addressing the challenge of building a resilient distribution network that can withstand emergencies by throughout the supply chain through cross-company collaboration. In the event of the Noto Peninsula Earthquake in January 2024, we set up a Disaster Countermeasures Headquarters immediately after the earthquake and promptly confirmed the safety of employees and their families in the affected areas and the extent of damage. Then, centered on the headquarters, all branch offices worked together to promote various measures for business continuity, including alternative shipments.

For more details, please refer to the released documents Our Japanese website “IR News” : <https://www.paltac.co.jp/tomorrow/news.html>
On March 6th, 2023 “Notice of demonstration of joint delivery in case of a major disaster”

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

For products with expiration dates and best-by dates, such as pharmaceuticals, quasi-drugs, and health foods, we confirmed those dates at the time of arrival, register and manage them by our information system.

Generally, products are shipped on a first-in, first-out basis and the system checks daily for compliance with our shipping deadlines. We conduct quality management by excluding products that have reached the shipping deadline set by ourselves from shipping products, so that retailers can sell them safely.

Digitalizing logistics information to ensure date management and improve operational efficiency

Detail p.34

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.

Quality management based on JGSP

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

* JGSP (Japanese Good Supplying Practice)

: JGSP (OTC Pharmaceutical version) is a practice standard for the supply and quality management of OTC Pharmaceuticals

Continuous education of pharmaceutical affairs

In order to collect and provide information on pharmaceuticals and medical devices properly, we continue to provide training for sales staff and pharmacists to develop their knowledge and qualifications. In order to deepen the product knowledge of sales staff, we provide training about not only the effectiveness of medicines, but also related laws and regulations such as the pathological physiology and the Pharmaceutical and Medical Device Act, and others, through branch office pharmacists. Also, online training tool is provided for self learning. For pharmacists, we are conducting training for the purpose of enlightenment and information sharing using specialized and academic materials.