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Value Creation Foundation

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DX Strategy

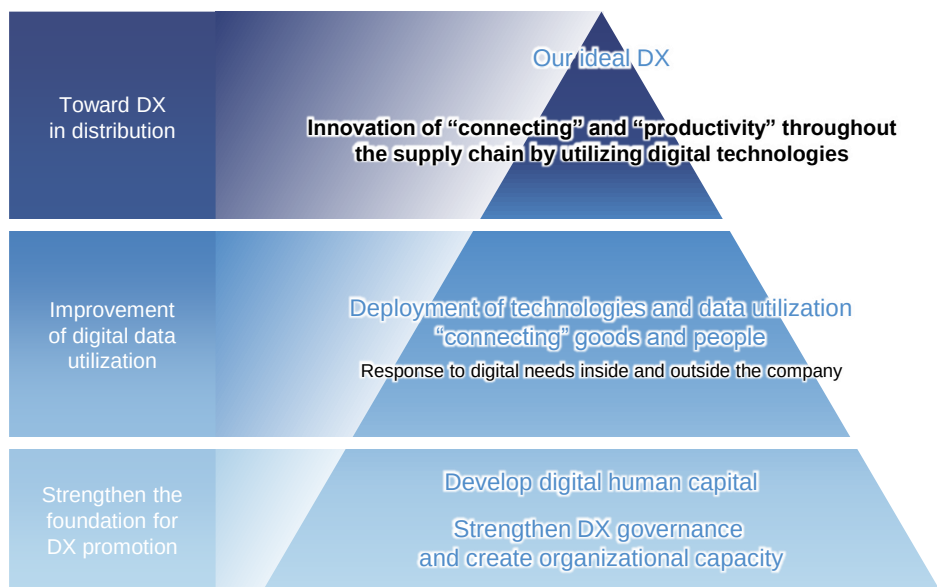
Driving innovation in connectivity and productivity across the distribution network through digital technologies

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

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

Our Aim

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



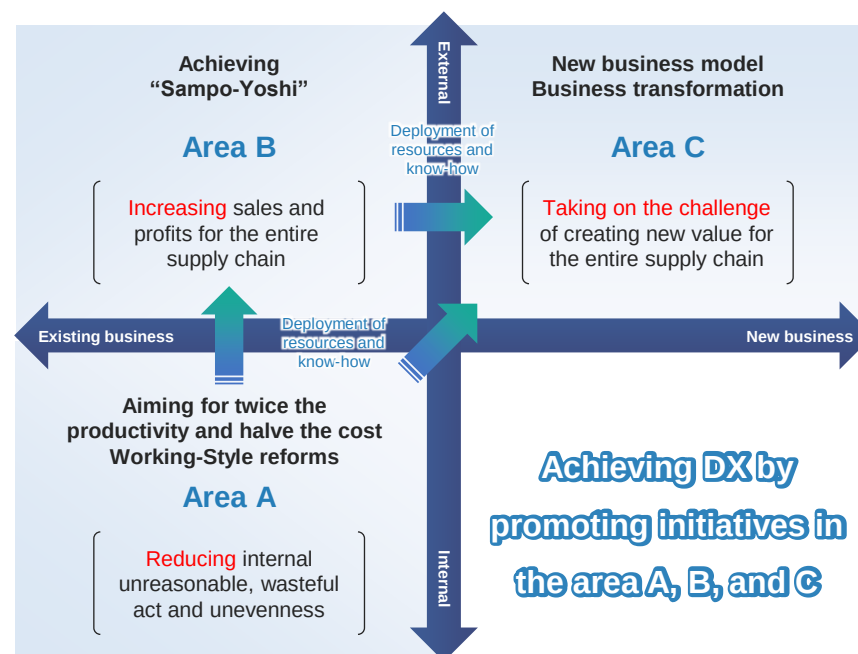
We are driving DX initiatives across three domains: A, B and C. These are structured around two perspectives: internal and external operations, and existing and new businesses.

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

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

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

Target we aim to achieve: Three areas

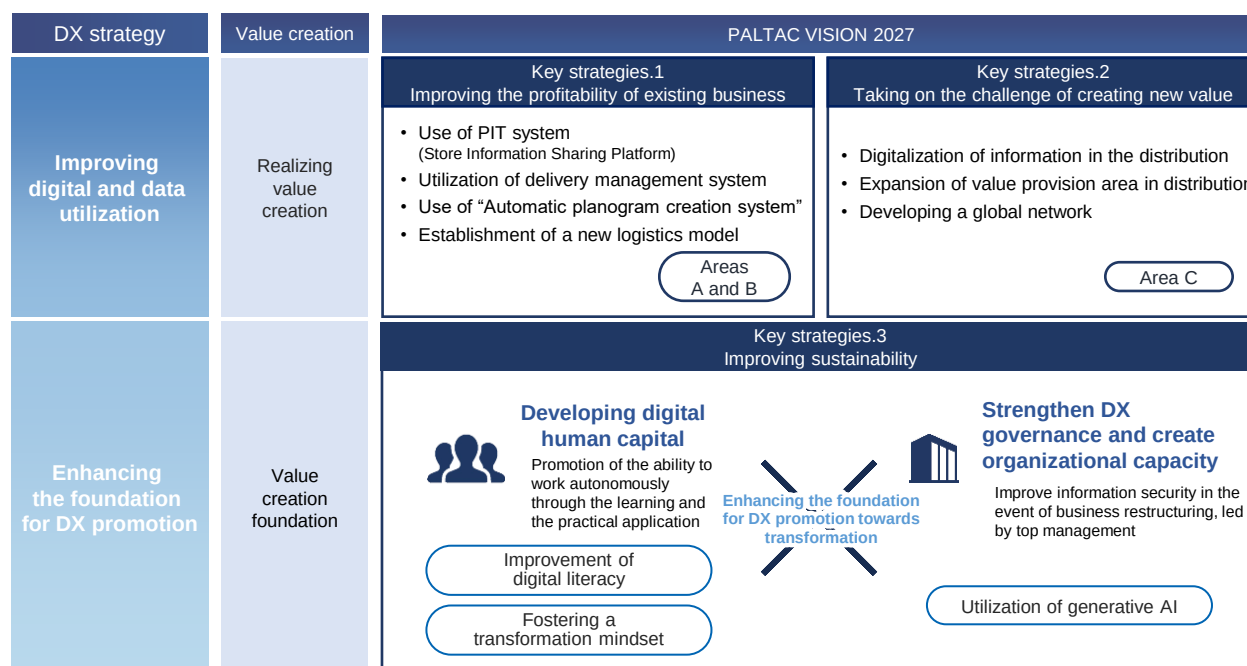


DX Strategy

Positioning of the DX strategy in PALTAC VISION 2027

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

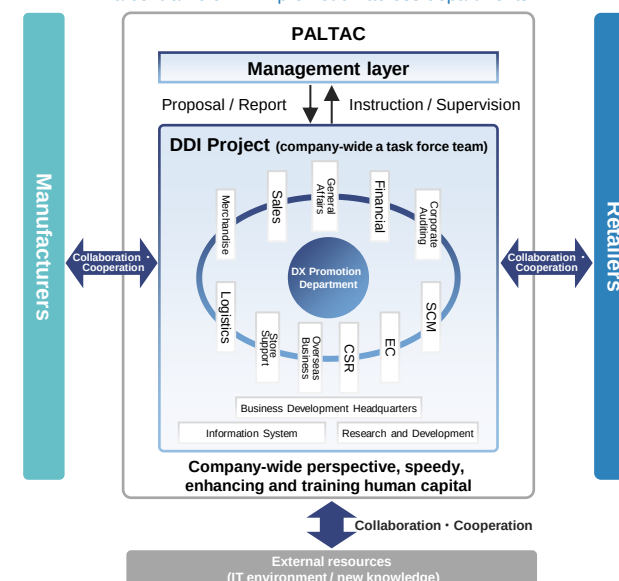
To effectively realize this goal, we are focusing on strengthening our DX foundation. Specifically, we are developing human capital that drives transformation by offering opportunities for both learning and practical experience, encouraging autonomous skill development, and nurturing individuals who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



System for DX promotion

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

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



DX Strategy

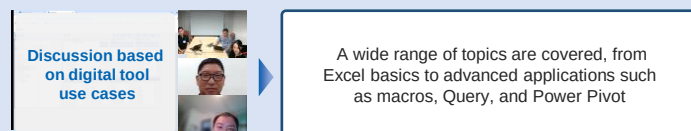
Development of digital human capital

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

Fostering a transformation mindset

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

Scene from an online study session



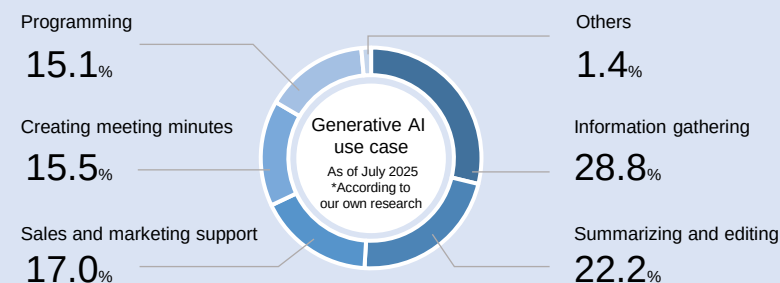
Utilization of generative AI

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

Establishing AI-driven business processes

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

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



DX Strategy

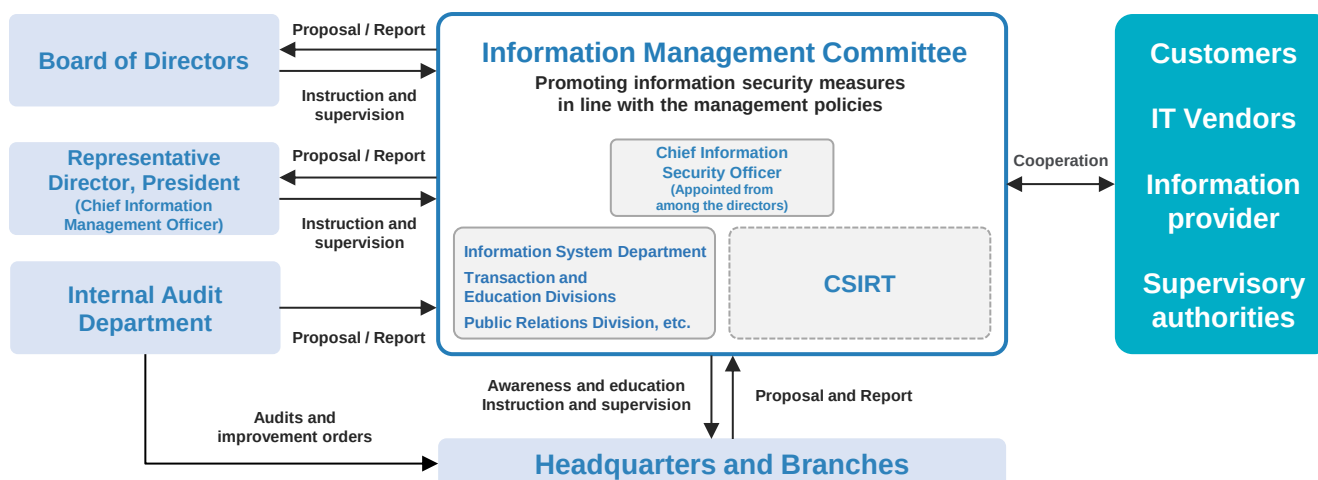
Information security system

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

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

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

Information security system

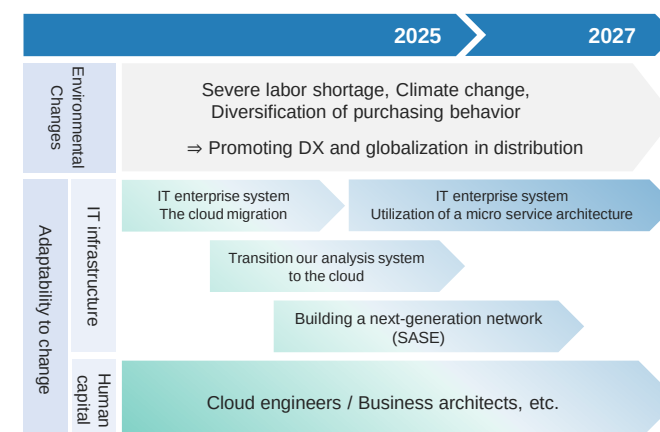


CSIRT: Computer Security Incident Response Team

Strengthening IT systems to support DX promotion

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

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



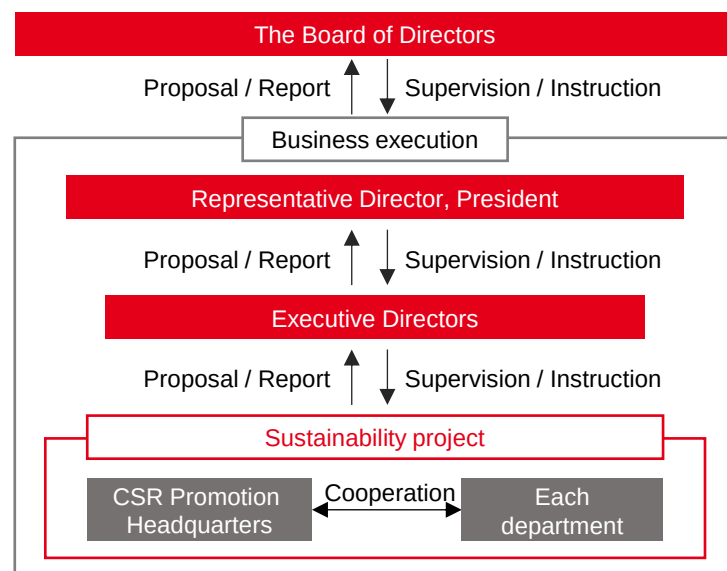
Sustainability Management

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

Governance

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

■ Promotion structure

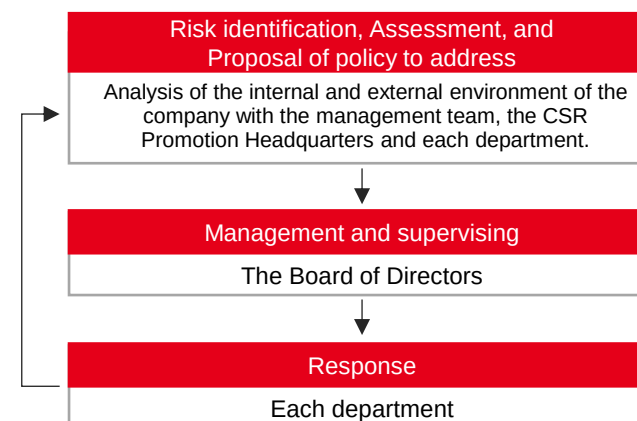


Basic Sustainability Policy, which is based on sincerity and honesty. Leveraging the “power of connections” we have cultivated over 126 years and the strong relationships with all those involved with PALTAC, we are committed to driving innovation in distribution and creating new value for society and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

Risk management

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

■ Risk management process



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 growth together with the company and society through mutual respect among diverse human capital and enabling individuals to exercise their potential with autonomy and spontaneity. For the realization of long-term vision, we will

Strategy

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

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

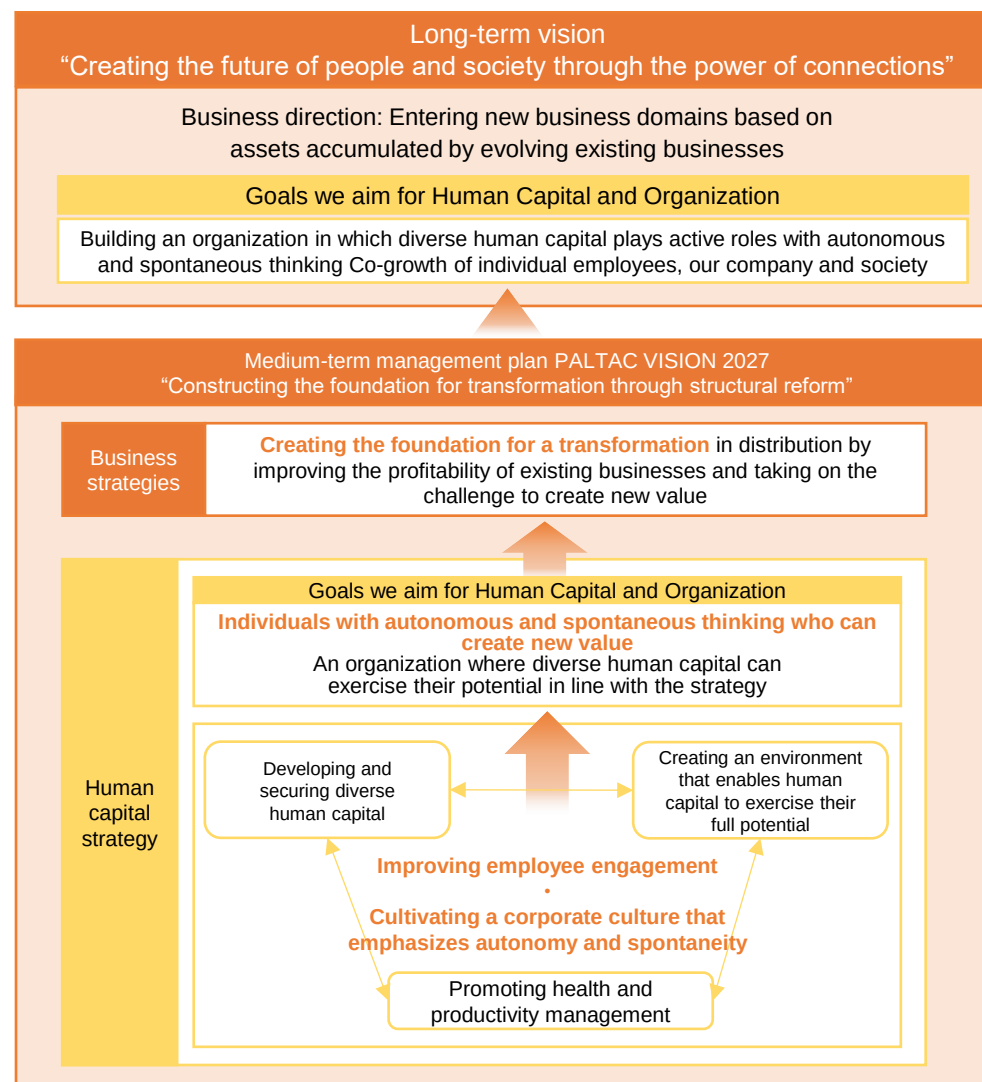
In terms of promoting health and productivity management, we will strengthen our systems to ensure the total care of employee health and safety, which is the basis of our business activities. In concrete terms, we will work to raise the health awareness of each and every employee through enhanced seminars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

Metrics and Targets

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

* Engagement score: Measured by “Motivation Cloud” service of Link and Motivation Inc.

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



Maximizing the Value of Human Capital

Continuous human capitals development

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

Training framework diagram

Position	Development theme	Level-based training	Career development training	Selective training	Common training	Specialized training	Online training	Support for self-development
Senior Manager, Deputy Senior Manager, Senior Researcher	Building a management mindset ◆ Fostering aspirations ◆ Enhancing leadership ◆ Strengthening management control ◆ Improving organizational operation capabilities ◆ Cultivating a management perspective	360-degree feedback (Performance feedback)	Training for newly appointed senior manager					
Manager, Chief Researcher	Strengthening management capabilities ◆ Enhancing human capital development capabilities ◆ Improving management skills ◆ Enhancing leadership ◆ Strengthening individual skills		Training for newly appointed manager (basic and advanced Modules)	PALTAC school (development of the next generation)		(Human Affairs, CSR, Pharmaceutical Affairs, Information Systems, Store Solution, Logistics)		
Leader Researcher			Training for newly appointed leader (evaluator and follow-up modules)	PALTAC junior school (development of the next generation)	PALTAC common training for knowledge and skills Common education curriculum contents	External seminar Training organized by each headquarters	Online training (MEDIPAL group) Online training (SLOPLA)	PALTAC correspondence education
Chief Assistant Researcher	Strengthening individual skills		Training for chief	Logical Thinking training				
General	Laying the foundation ◆ Developing business mindset		New employee training Follow-up training for new employee Follow-up training for second-year employee Fourth-year employee training					

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

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

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

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



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

Maximizing the Value of Human Capital

Empowering diverse talent and fostering an inclusive workplace

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

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

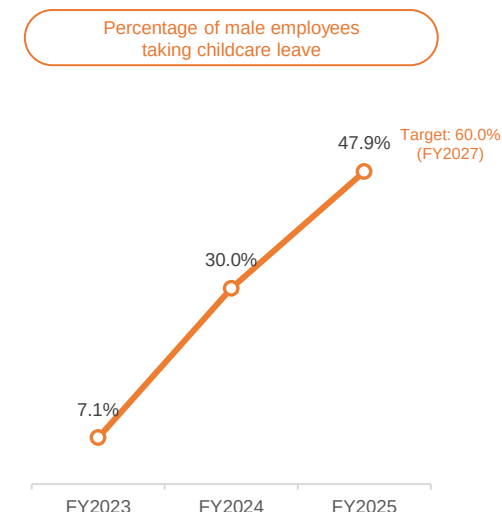
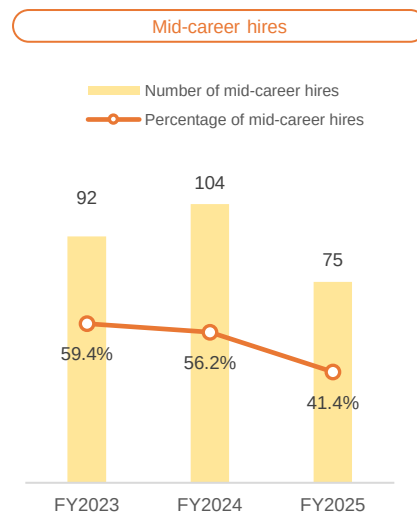
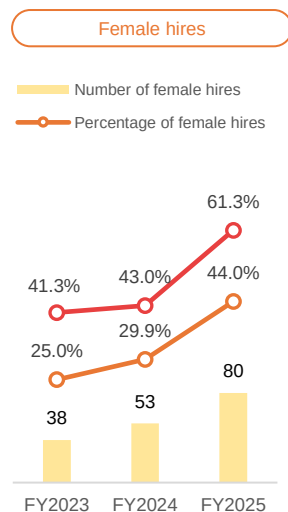
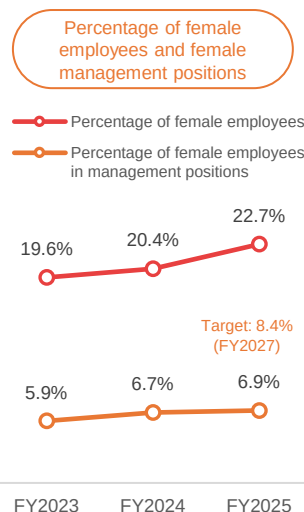
to identify issues, and drive improvements.

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

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

with confidence and peace of mind.

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



Maximizing the Value of Human Capital

TOPICS

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

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

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

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

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



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

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



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

Maximizing the Value of Human Capital

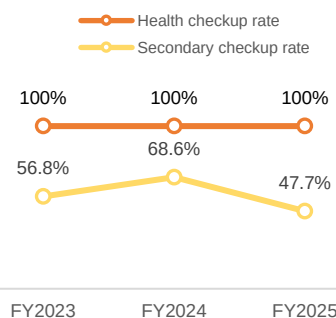
Promoting health and productivity management

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

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

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

Health check-ups uptake rate



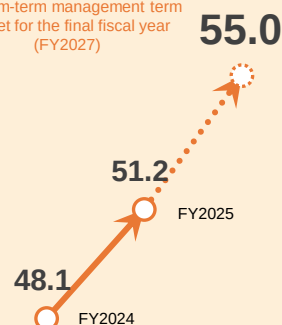
Improving employee engagement

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

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

Engagement score

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



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

Developing and securing
diverse human capital

Creating an environment
enables human capital to
exercise their full potential

Promoting health and
productivity management



Initiatives to foster a sense of unity within the company

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

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



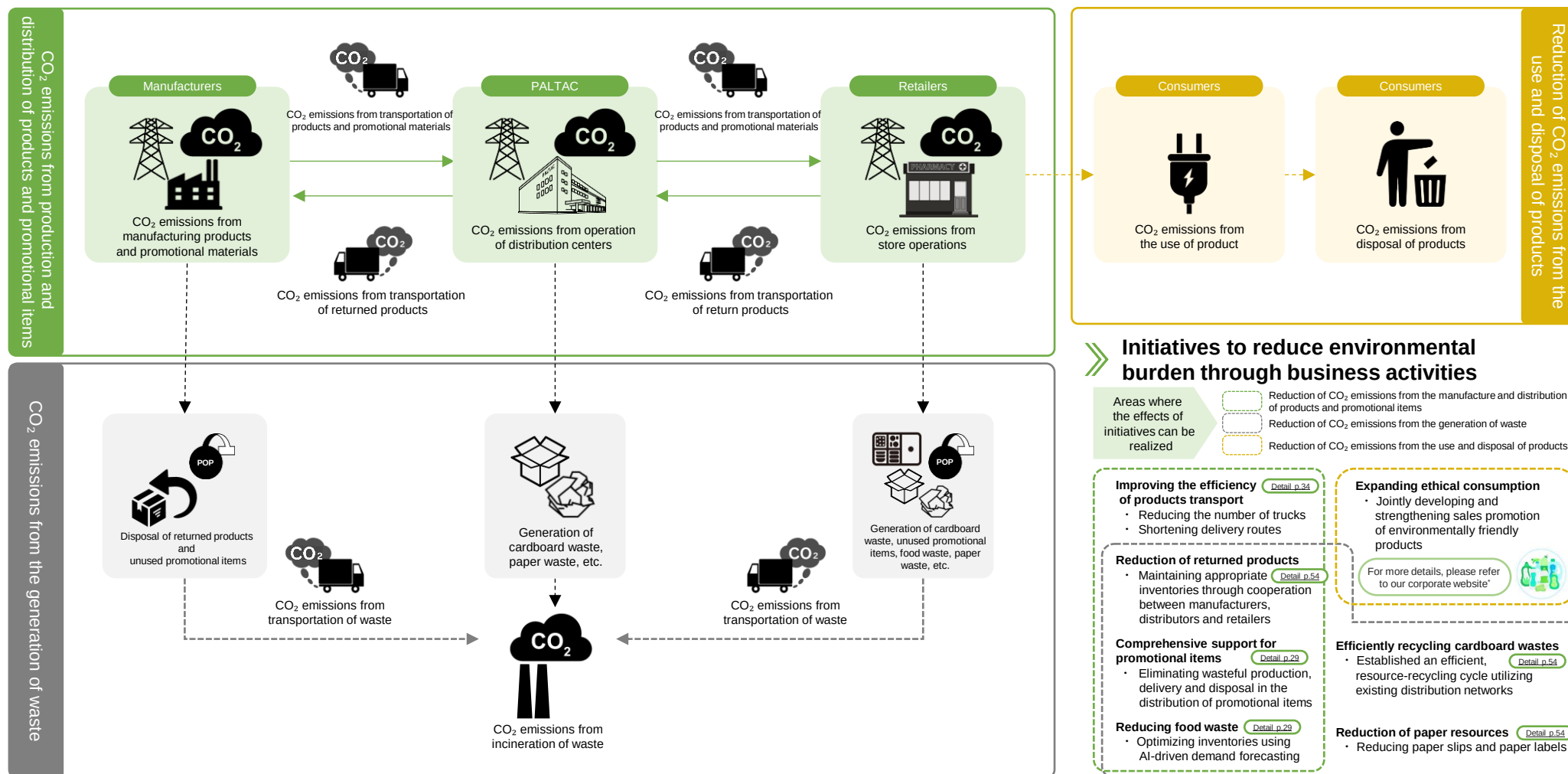
To drive further improvement, we are focusing on three core initiatives

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

Harmonizing the Environment

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

Major environmental burdens generated in the supply chain



Responding to Climate Change

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

Strategy

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

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

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

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

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

Risks and Opportunities

Type of risks/ opportunities			Impact on business and finance	
			Below 2°C	4°C
Risks	Transition	Policies, laws and regulations	Moderate	Small
		Reputation	Moderate	Small
	Physical	Long-term	Small	Small
		Acute	Small-Moderate	Small-Moderate
Opportunities	Increase in sales opportunities	Expansion in consumer needs for ethical consumption	Small-Moderate	Small
		Increase in demand for disaster and emergency response products	Small	Small
	Rise in relative competitiveness	Increase in demand for summer-seasonal products and for products against the hot weather due to high temperatures	Small-Moderate	Small
		Rise in needs for low-cost distribution network which minimize the cost increase to address climate change	Small-Moderate	Small-Moderate

[Method of assessing financial impact] The impact is assessed as large, moderate or small, based on the size of the amount of impact on operating profit for the fiscal year ending March 31, 2031. (Assuming that operating profit in FY2031 increases by 3% annually from FY2028 onwards)
 Large: Expected to have an increase or decrease of 10% or more in operating profit (±3.5 billion or more) Equivalent to an increase in operating profit of approximately 3 years
 Moderate: Expected to have an increase or decrease of 3% or more in operating profit (±1.0 billion or more) Equivalent to an increase in operating profit of approximately 1 year
 Small: Expected to have an increase or decrease of less than 3% in operating profit (less than ±1.0 billion)

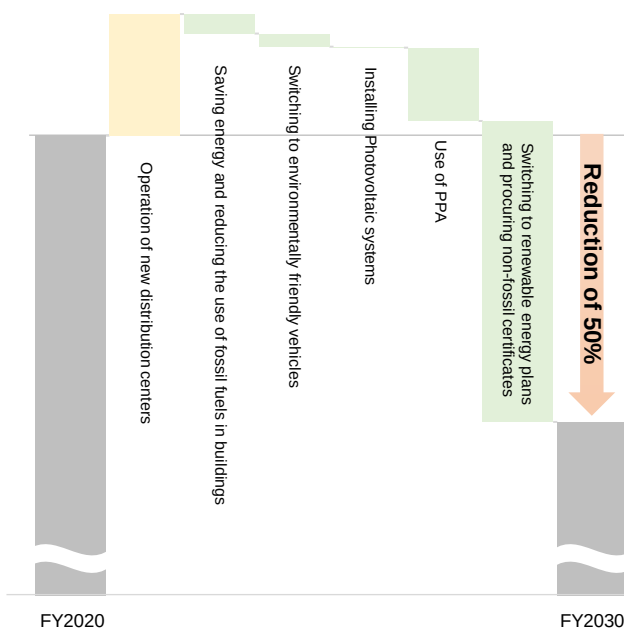
Metrics and Targets

Scope1+2

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

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

■ The roadmap for achieving the 2030 reduction target



Toward further reductions

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

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

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

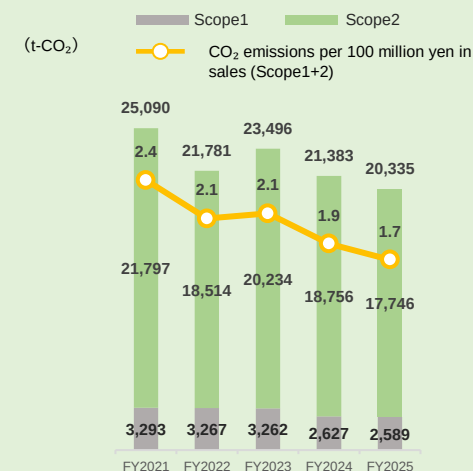
TOPICS

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

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

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

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



Scope3

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

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

*¹ Based on the Emission Factor Database (Ver. 3.5) published by Japan's Ministry of the Environment.

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

■ Toward reducing high-emission categories

Category	Key initiatives																												
1 : Purchased goods and services FY2025 CO ₂ emissions 5,942,301 t	Reducing CO ₂ emissions from product manufacturing and disposal requires greater market penetration of environmentally conscious products. Manufacturers are advancing efforts such as lightweight packaging and the use of recycled materials, and we are working to expand their reach by promoting distribution through our network. In some cases, we also collaborate with manufacturers developing materials and products that support resource circulation, contributing to the creation of items made with recycled content.																												
12 : End-of-life treatment of sold products FY2025 CO ₂ emissions 624,762 t																													
4 : Upstream transport and delivery FY2025 CO ₂ emissions 29,500 t	Reducing CO₂ emissions from product transportation, we are working to shorten transport distances and improve loading efficiency, thereby reducing fuel consumption through more efficient delivery operations. Specific initiatives include visualizing delivery data by implementing a delivery management system and promoting joint delivery with other companies. CO₂ emissions in Category 4 (Upstream transport and delivery) (t-CO₂) — CO₂ emissions per 100 million yen in sales (Category 4) <table border="1"> <caption>CO₂ emissions per 100 million yen in sales (Category 4)</caption> <thead> <tr> <th>Fiscal Year</th> <th>CO₂ emissions (t-CO₂)</th> </tr> </thead> <tbody> <tr><td>FY2013</td><td>3.4</td></tr> <tr><td>FY2014</td><td>3.1</td></tr> <tr><td>FY2015</td><td>2.9</td></tr> <tr><td>FY2016</td><td>2.5</td></tr> <tr><td>FY2017</td><td>2.5</td></tr> <tr><td>FY2018</td><td>2.4</td></tr> <tr><td>FY2019</td><td>2.5</td></tr> <tr><td>FY2020</td><td>2.6</td></tr> <tr><td>FY2021</td><td>2.6</td></tr> <tr><td>FY2022</td><td>2.9</td></tr> <tr><td>FY2023</td><td>2.8</td></tr> <tr><td>FY2024</td><td>2.5</td></tr> <tr><td>FY2025</td><td>2.5</td></tr> </tbody> </table>	Fiscal Year	CO ₂ emissions (t-CO ₂)	FY2013	3.4	FY2014	3.1	FY2015	2.9	FY2016	2.5	FY2017	2.5	FY2018	2.4	FY2019	2.5	FY2020	2.6	FY2021	2.6	FY2022	2.9	FY2023	2.8	FY2024	2.5	FY2025	2.5
Fiscal Year	CO ₂ emissions (t-CO ₂)																												
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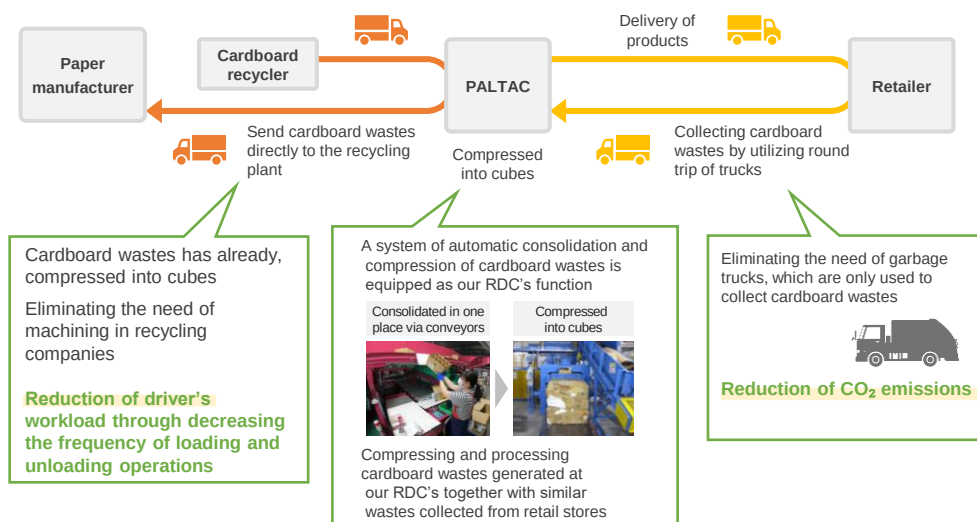
Establishing a Recycling-oriented Society

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

Recycling of cardboard waste

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

Efficiently recycling cardboard wastes utilizing existing distribution networks



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

Reduction of returned the products

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

Using eco-friendly foldable container

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



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 corporate site*)

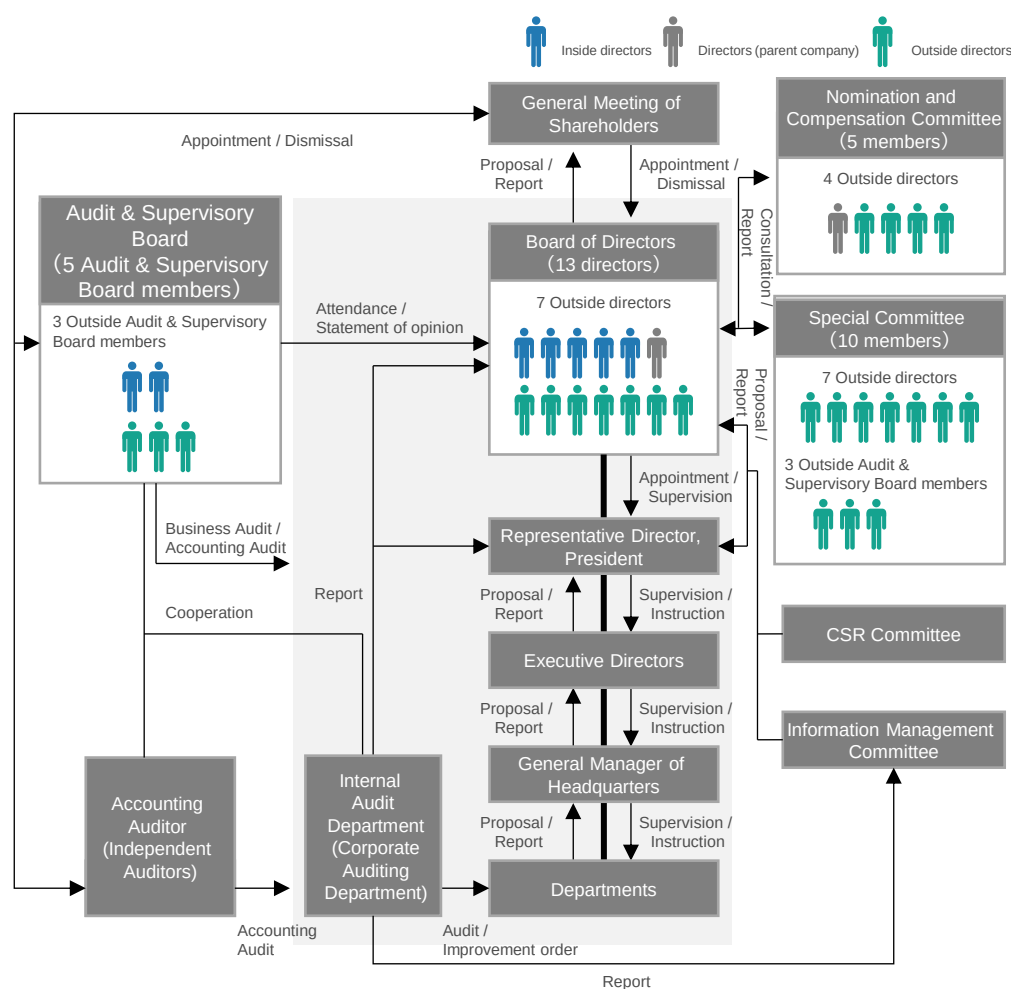


* Regarding the handling of environmentally friendly products
Our corporate website "Creation of a Recycling-Oriented Society"
https://www.paltac.co.jp/en/sustainability/environment/circular_society/

Corporate Governance

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

Corporate Governance structure



History of Governance reforms

2004	Introduction of Executive Officer system													
2011	Appointment 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 20, 2025 Percentage of Outside Directors : 80.0%] <table><tr><td>Chairman</td><td colspan="3">Shingo Inui (Outside Director)</td></tr><tr><td rowspan="2">Members</td><td>Kaori Oishi (Outside Director)</td><td colspan="2">Ichiro Yoshitake (Outside Director)</td></tr><tr><td>Akito Hattori (Outside Director)</td><td colspan="2">Yuji Sakon (Director)</td></tr></table>			Chairman	Shingo Inui (Outside Director)			Members	Kaori Oishi (Outside Director)	Ichiro Yoshitake (Outside Director)		Akito Hattori (Outside Director)	Yuji Sakon (Director)	
Chairman	Shingo Inui (Outside Director)													
Members	Kaori Oishi (Outside Director)	Ichiro Yoshitake (Outside Director)												
	Akito Hattori (Outside Director)	Yuji Sakon (Director)												
2020	Ratio of outside directors increased 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 20, 2025 Percentage of Outside Directors : 100.0%] <table><tr><td>Chairman</td><td>Ichiro Yoshitake (Outside Director)</td><td>Members</td><td>All Independent Outside Directors / Auditors</td></tr></table>			Chairman	Ichiro Yoshitake (Outside Director)	Members	All Independent Outside Directors / Auditors							
Chairman	Ichiro Yoshitake (Outside Director)	Members	All Independent Outside Directors / Auditors											
2025	Ratio of outside directors increased to a majority													

Management Team (As of June 20, 2025)

○ Number of attendance at the Board of Directors

Average Age: 61

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

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

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

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

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

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

Members of the Board



Representative
Director, Chairman

Seichi Kasutani

○ 14/14
◇ 22,755 shares



Representative Director,
President

Takuya Yoshida

○ 14/14
◇ 22,967 shares

(Significant concurrent positions
outside the Company)
Director, In charge of cosmetics,
daily necessities and OTC business of
MEDIPAL HOLDINGS CORPORATION



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

Masahiro Noma

○ 14/14
◇ 18,992 shares



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

Masaharu Shimada

○ 14/14
◇ 18,587 shares



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

Yoshitaka Yamada

○ 14/14
◇ 5,990 shares



Board of Directors

Yuji Sakon

○ 14/14
◇ 500 shares

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



Outside Director
Independent Officer

Kaori Oishi

○ 14/14
◇ 989 shares

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



Outside Director
Independent Officer

Mineko Orisaku

○ 13/14
◇ 1,036 shares

(Significant concurrent positions
outside the Company)
Representative of Office Orisaku (Photographer)
Dean and Professor of Photography Department,
Osaka University of Arts
Executive Managing Director of Japan
Advertising Photographers' Association
Director of University Correspondence Education
Director of Japan Photographic Copyright
Association
Councilor of The Japan Society for Arts and History
of Photography



Outside Director
Independent Officer

Shingo Inui

○ 14/14
◇ 769 shares

(Significant concurrent positions
outside the Company)
Advisor of Inui Global Logistics Co., Ltd.
Representative Director of KENKO KAIUN K.K.
Outside Director, Audit & Supervisory Committee
Member of NIPPON
KANZAI Holdings Co., Ltd.
(Chairman, Nomination and Compensation Committee)



Outside Director
Independent Officer

Ichiro Yoshitake

○ 14/14
◇ 618 shares

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



Outside Director
Independent Officer

Tatsuomi Takamori

○ 13/14
◇ 484 shares



Outside Director
Independent Officer

Akito Hattori

○ 14/14
◇ 249 shares

(Significant concurrent positions
outside the Company)
Representative of Hattori Akito Law Office
Representative Director and President of
Hagiwarazaimokuten, Inc.
Outside Audit & Supervisory Board Member of
ANABUKI KOSAN INC.
External Director serving as Audit & Supervisory
Committee Member of
MEG MILK SNOW BRAND Co., Ltd.
Director of Social Welfare Corporation
Goodwill Welfare Association



Outside Director
Independent Officer

Mari Iga

○ <New>
◇ 0 shares

(Significant concurrent positions
outside the Company)
Representative Director of March Co., Ltd.
Outside Director of The Sumitomo
Warehouse Co., Ltd.
Outside Director of
TOYO INNOVEX Co., Ltd.

Management Team (As of June 20, 2025)

Audit & Supervisory Board Members

- Number of attendance at the Board of Directors
 □ Number of attendance at the board of Audit & Supervisory
 ◇ Number of the Company's shares owned
 (as of March 31, 2025)

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

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

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

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

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

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



Standing Audit & Supervisory Board Member

Takashi Shintani

○ 14/14
 □ 14/14
 ◇ 8,255 shares



Standing Audit & Supervisory Board Member

Takeo Gomi

○ 11/14
 □ 14/14
 ◇ 9,116 shares



Outside Audit & Supervisory Board Member Independent Officer

Hiroshi Haraguchi

○ 14/14
 □ 14/14
 ◇ 384 shares



Outside Audit & Supervisory Board Member Independent Officer

Kyoko Hikita

○ 14/14
 □ 14/14
 ◇ 0 shares

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



Outside Audit & Supervisory Board Member Independent Officer

Noriaki Miki

○ 11/14
 □ 14/14
 ◇ 116 shares

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

Executive Officers

Senior Managing Executive Officer

Akiyoshi Moriya

Management of Tokyo Branch Office

Senior Managing Executive Officer

Masashi Maeda

General Manager of Information System Headquarters

Senior Managing Executive Officer

Hideo Ashihara

General Manager of Sales Headquarters

Senior Managing Executive Officer

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

Managing Executive Officer

Mitsuhiko Seki

General Manager of Store Support Headquarters

Managing Executive Officer

Naoto Murao

General Manager of Financial Headquarters

Managing Executive Officer

Satoshi Akiyama

General Manager of Yokohama Branch Office

Managing Executive Officer

Sachiyo Yoshida

General Manager of General Affairs Headquarters

Managing Executive Officer

Makoto Konishi

Management of MCC Business Headquarters

Managing Executive Officer

Akira Mikami

General Manager of MCC Business Headquarters

Managing Executive Officer

Uemura Takashi

General Manager of Kyusyu Branch Office

Managing Executive Officer

Hirokazu Inoue

General Manager of Merchandise Headquarters

Executive Officer

Hideki Inaba

General Manager of LC Business Headquarters

Executive Officer

Naoki Sawada

General Manager of Hokkaido Branch Office

Executive Officer

Hirokazu Takayama

General Manager of Chubu Branch Office

Executive Officer

Yukinori Sakakihara

General Manager of Kinki Branch Office

Executive Officer

Yuji Mikami

General Manager of Tohoku Branch Office

Executive Officer

Hiroaki Muraki

General Manager of CSR Promotion Headquarters

Executive Officer

Hiroshi Yoshihara

General Manager of Chushikoku Branch Office

Executive Officer

Atsushi Hiyama

General Manager of Business Development Headquarters

Executive Officer

Tadamichi Matsuie

General Manager of Tokyo Branch Office

Executive Officer

Kei Shiota

General Manager of Overseas Business Headquarters

Executive Officer

Ryohei Isoe

Deputy General Manager of General Affairs Headquarters

Executive Officer

Koji Yoshida

Deputy General Manager of Overseas Business Headquarters

Executive Officer

Shohei Matsumoto

Deputy General Manager of Research and Development Headquarters

Management Team (As of June 20, 2025)

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

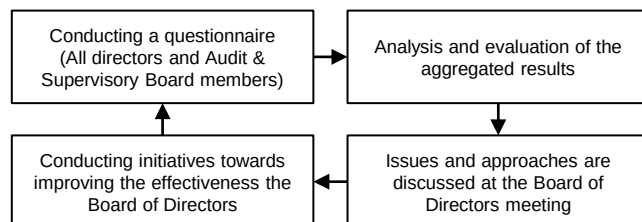
In consideration overall balance amongst knowledge, experience and ability as well as diversity, skills requirements and roles at each director we particularly expect, are as follows
In addition, this skill matrix does not contain all the skills held by each director.

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

Evaluation of the effectiveness

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

■ Evaluation process



■ Evaluation items

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

The highlights of the evaluation

- Board composition
- 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 February 2025

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

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

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

Examples of specific comments listed in the effectiveness evaluation questionnaire

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

Compensation for Directors

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

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

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

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

(Fiscal year ended March 2025)

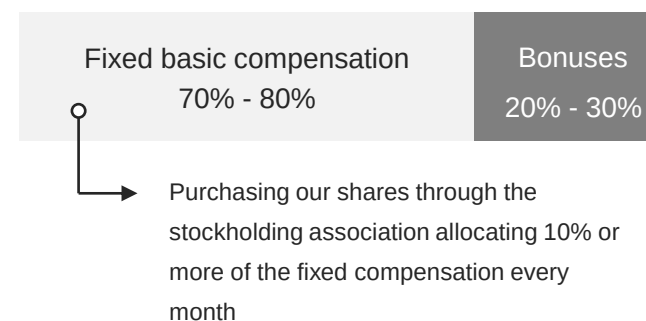
Corporate officer category	Number of relevant corporate officers	Total amount of compensation (millions of yen)	Total amount of compensation by category (millions of yen)		
			Fixed basic compensation	Bonus, and others	Non-monetary rewards, and others
Directors (Of which Outside directors)	12 (6)	339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

* The above includes two Audit & Supervisory Board Members who resigned during the fiscal year.

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

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

<Image> Officer compensation



Group governance structure

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

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

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

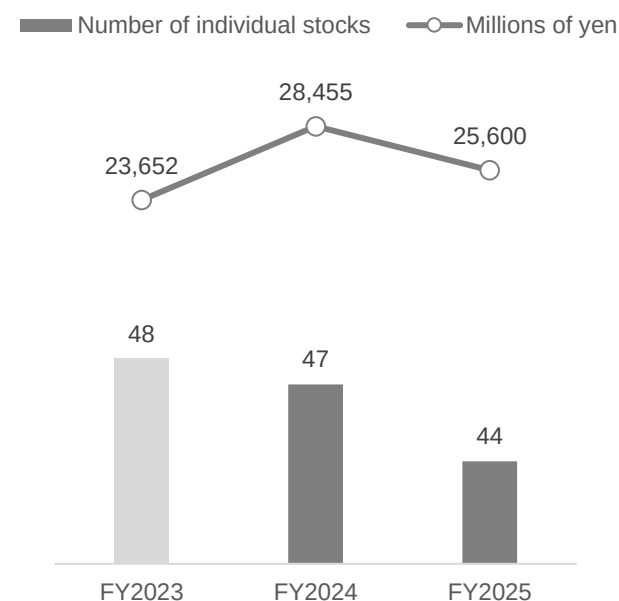
We will continue to strive to enhance the value through such group-wide initiatives.

Cross-Shareholdings strategy

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

Evaluation criteria for shares held

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



Communication with shareholders and investors

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

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

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

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

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



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

Renewed the corporate website* to enhance investor information

We carried out a full renewal of our corporate website in March 2025, positioning it not merely as a platform for information delivery, but as a space to foster dialogue and strengthen connections with our stakeholders. The renewal included a redesigned layout to improve visibility and usability for smoother access to diverse information, the creation of multiple contact points tailored to different needs, and multilingual support—all aimed at deepening engagement with our stakeholders. We will continue to expand content that clearly communicates our vision and business. We invite you to visit our corporate website.



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

Compliance

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

Initiatives to raise compliance awareness

Online training

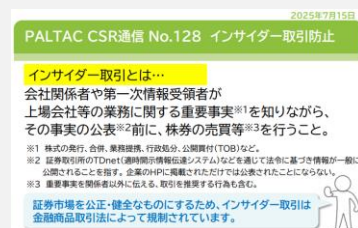
We regularly conduct online training using the MEDIPAL Group's common "CSR training" materials.



The "CSR training" common to the MEDIPAL GROUP

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.



An example from our CSR Newsletter: Prevention of insider trading

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.



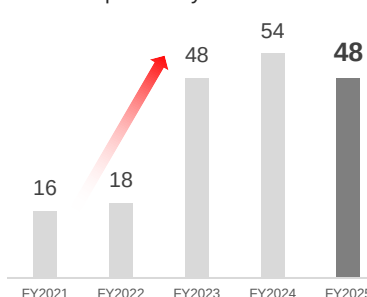
"Compliance training" for new employees

Establishment of a hotline and consultation desk

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

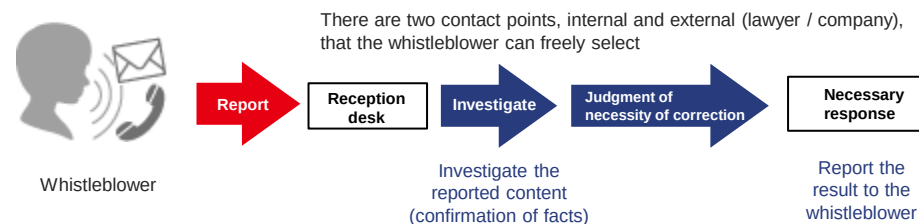
Going forward, we will continue to raise awareness and understanding of the consultation desks, promote further communication, and build an environment where employees feel comfortable seeking advice—even on minor issues—so we can maintain sound corporate management.

Number of consultations over the past five years



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

<Image> Response to the public interest reporting hotline



Respect for Human Rights

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

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

PALTAC Human Rights Policy

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

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

Participated in “Cosme Bank Project” as a partner company

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

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



Safety Measures

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

Main safety measures

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

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

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



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

Disaster Countermeasures

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

Mechanisms to support “stable supply”

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



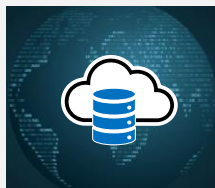
Adopted a structure that minimizes the effects of earthquakes

Emergency private power generator



Center operation is possible for three days in disasters

Migration of servers to the cloud



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

Mutual shipping system



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

Establishment of an organizational structure in the event of a disaster

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

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

* March 6, 2023 “Notice concerning the demonstration of joint delivery in case of a major disaster”
Please refer to our corporate website for IR news (Japanese only): https://www.paltac.co.jp/news/?p_category=ir

Quality Management

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

Date management

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

Digitalizing logistics information to ensure date management and improve operational efficiency

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

* On August 29, 2023 “Notice concerning the improving industry-wide productivity through the digitalization of logistics”
Please refer to our corporate website for IR news (Japanese only):
https://www.paltac.co.jp/news/?p_category=ir

Quality management based on JGSP and GDP guidelines

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

*1 JGSP (Japanese Good Supplying Practice): JGSP (OTC Pharmaceutical version) is a practice standard for the supply and quality management of OTC Pharmaceuticals

*2 GDP (Good Distribution Practice) guidelines: Issued by Japan’s Ministry of Health, Labor and Welfare for pharmaceutical wholesalers. They define procedures and management systems to ensure that products manufactured by pharmaceutical companies are properly stored, transported, and supplied throughout the distribution process while maintaining quality.

Continuous education of pharmaceutical affairs

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