

INTEGRATED REPORT

**2024**



# WHAT'S PALTAC



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### Editorial Policy

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

<Image> [Detail p.00](#)

### Reference Guidelines

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

### Note concerning forward-looking statements

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

# 1

## WHAT'S PALTAC

- 4 PALTAC MIND
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# PALTAC MIND

## Our DNA

Sincerity and Honesty

## Our Aim

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

## Our Policy

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

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

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

## Corporate Slogan

Maximizing customer satisfaction and minimizing distribution costs



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

# PALTAC History

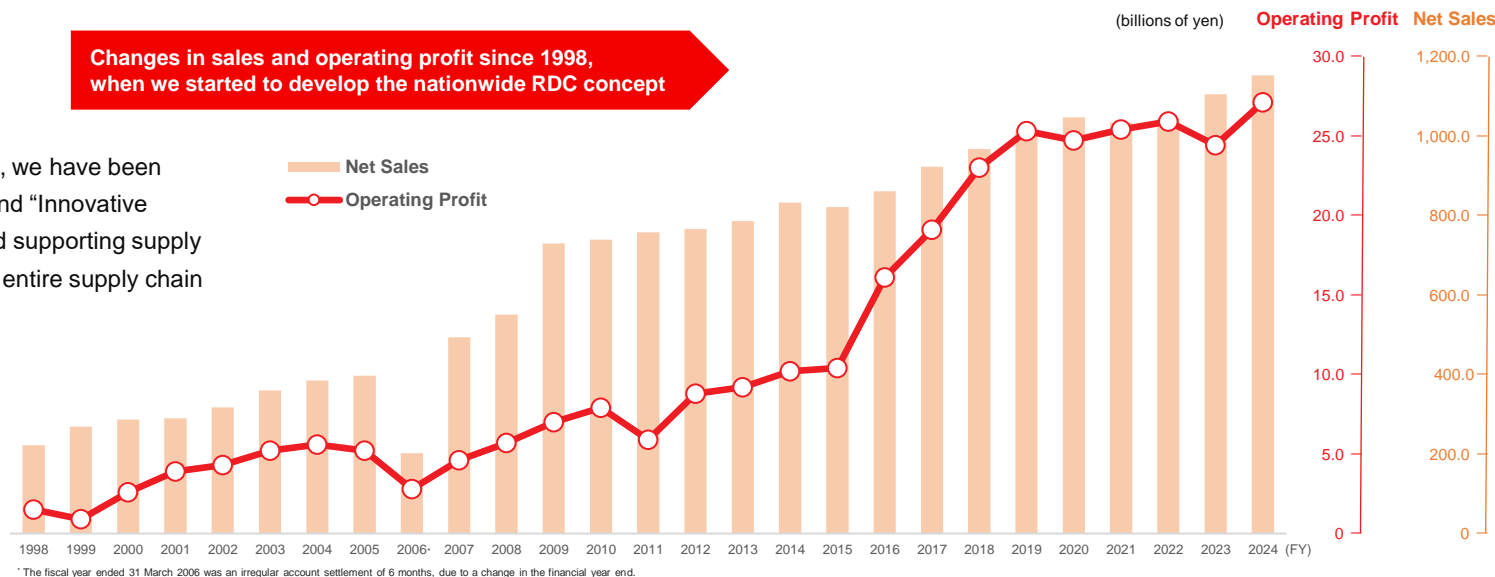
Over the course of 125 years since our foundation, we have been engendering the spirits of “Sincerity and Honesty” and “Innovative Spirits” as a fundamental principle of our activity and supporting supply chain. We will continue to create new values for the entire supply chain to create people’s rich and comfortable daily lives.

Please refer to our website for more information on the “PALTAC History”.

Our Japanese website, “History”  
<https://www.paltac.co.jp/today/history/index.html>

Our website “Integrated report back numbers”  
<https://www.paltac.co.jp/en/index.html>

Changes in sales and operating profit since 1998, when we started to develop the nationwide RDC concept



## 1898 ~

### Foundation The origins of “Sincerity and Honesty”

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

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



Founder  
Tanejiro Sumikura



“Oboko-go Sumikura-siten”

## 1951 ~

### Becoming a nationwide wholesaler

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

In 1951 : We had changed our trade name to “Daisho Corporation” which means to sell cosmetics in Osaka



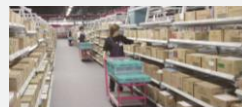
1976 : Changed the trade name to Paltac Corporation. “PALTAC” stands for “Pioneers Alliance of Living-necessaries, Toiletries And Cosmetics”. As well as “PAL” signifies “same-minded group” wishes our intention to strengthen the sense of solidarity among those responsible for distribution nationwide.

## 1998 ~

### Optimizing and streamlining entire supply chain

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

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



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

## 2005 ~

### To be a comprehensive wholesaler providing a full line of “Health and Beauty”

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

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



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

## 2023 ~

### Towards new value creation

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

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



Project members

Medium-term management plan planning project

To incorporate the thinking and opinions of frontline employees into the strategy of the new medium-term management plan, a select group of employees designed a growth strategy and presented it to management.

## Our Accumulated Strengths

### Connection with our customers

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

#### Retailer



**400** companies

Number of stores 50,000 stores

#### Manufacturer



**1,000** companies

Number of items 50,000 SKU

### Connection with consumers

Responsible for distributing products essential to people's daily lives

#### Yearly shipments



**3.5 billion** Products  
**30 products** per person

### Logistics base

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

#### Main distribution centers

**23** centers

The number of employees involved in developing logistics system



**200 members**  
(Logistics / R&D / System department)

### Human capital

The source of continuously creating new value for supply chain

#### Number of employees

**2,237** members



### A wealth of information on distribution

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

#### Amount of information

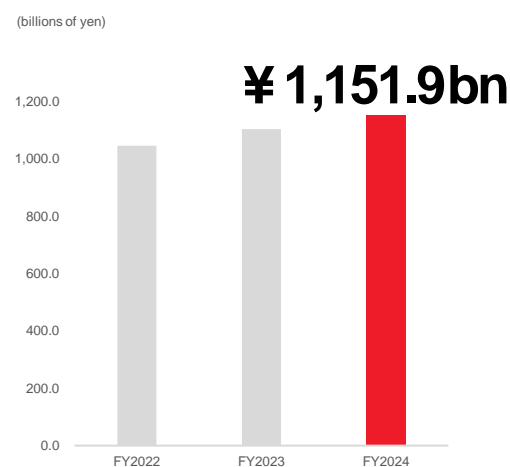
**No.1** in the industry



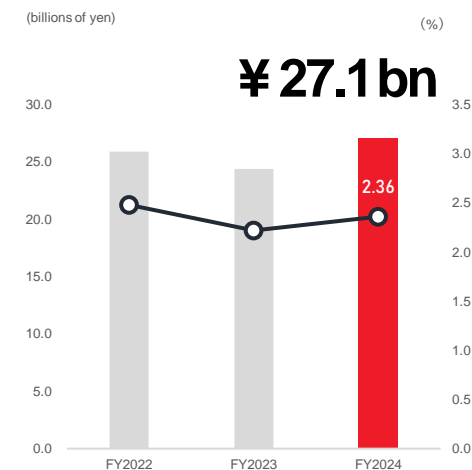
# PALTAC in Facts and Figures

## Financial index

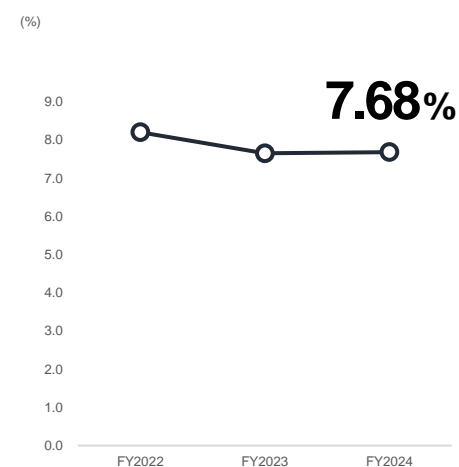
### Net Sales



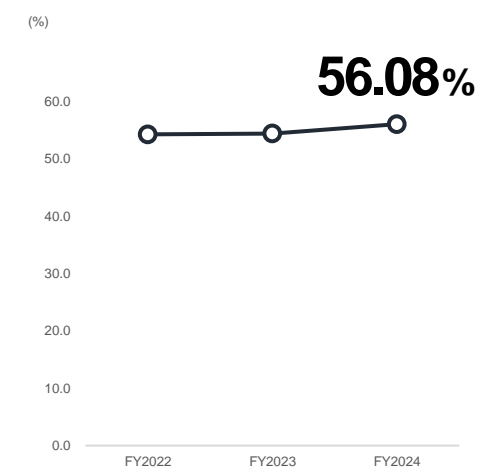
### Operating Profit / OPM



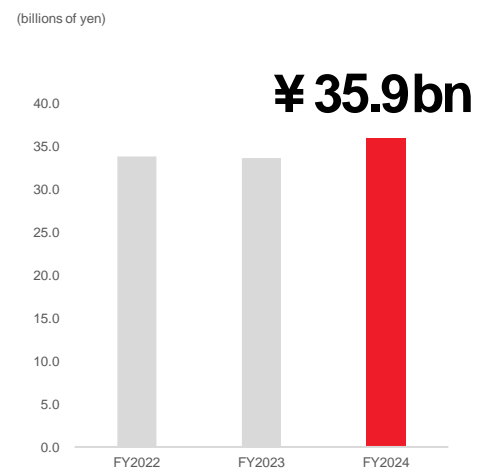
### ROE



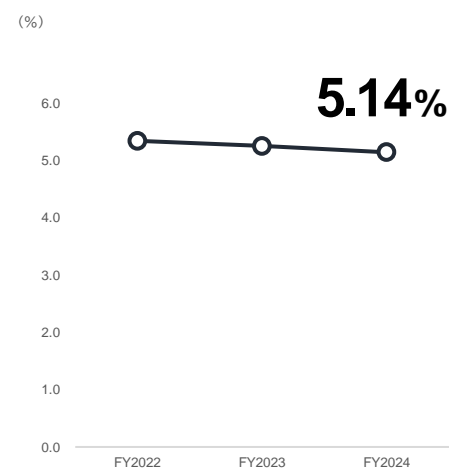
### Equity ratio



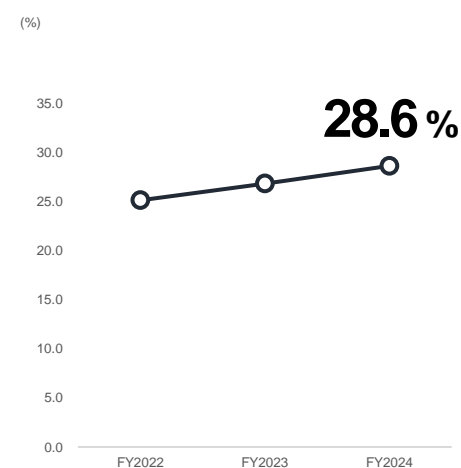
### EBITDA



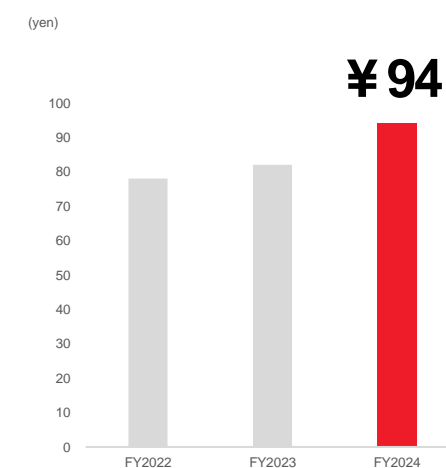
### SG&A expenses ratio



### Payout Ratio



### Cash dividend per share



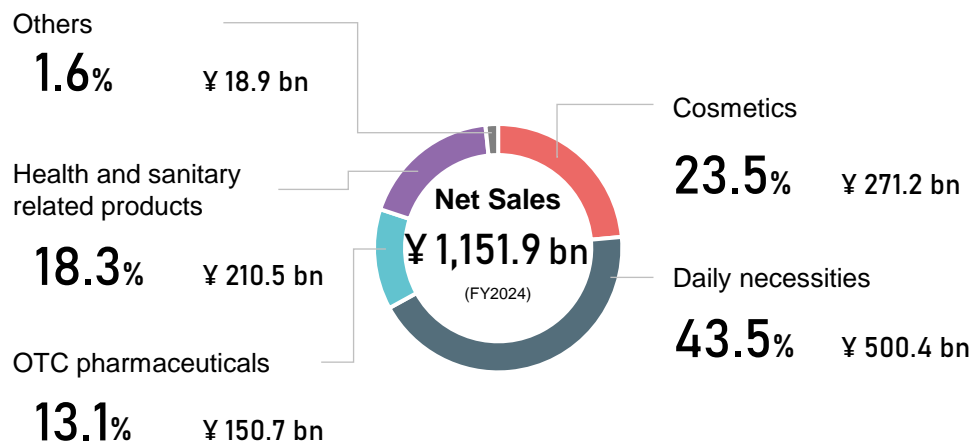


## PALTAC in Facts and Figures

### Financial index

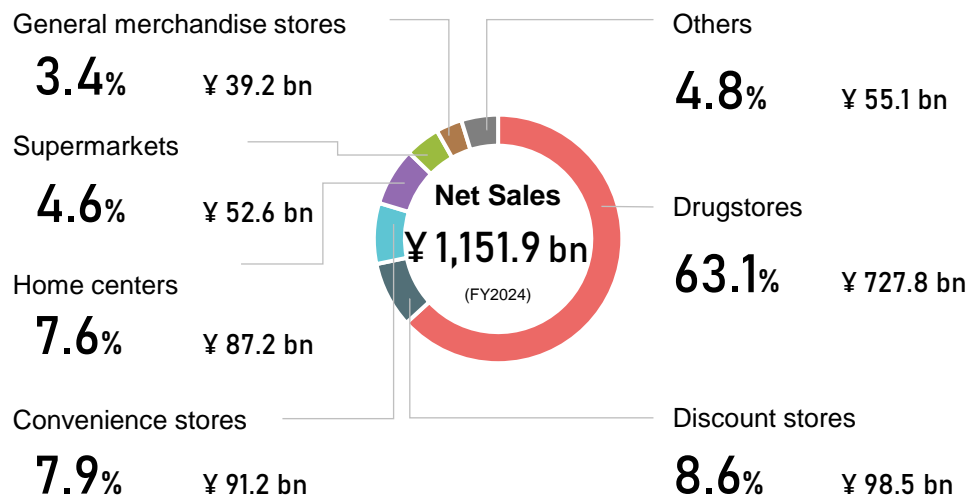
#### Sales composition by product category

(billions of yen)



#### Sales composition by customer category

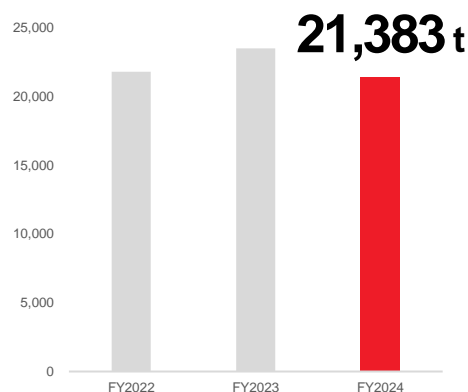
(billions of yen)



### Non-Financial index

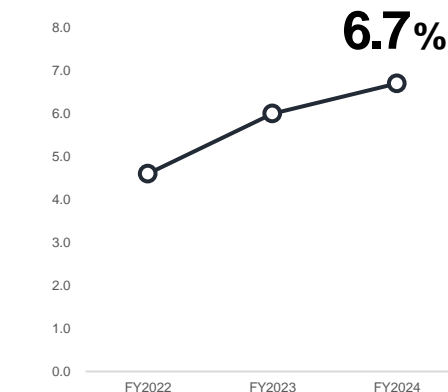
#### CO2 emissions (Scope1 + 2)

(t-CO2)



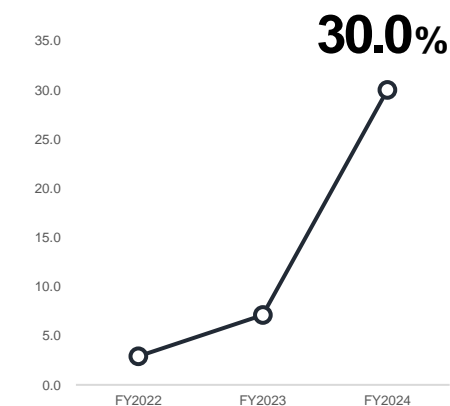
#### Percentage of female employees in management positions

(%)



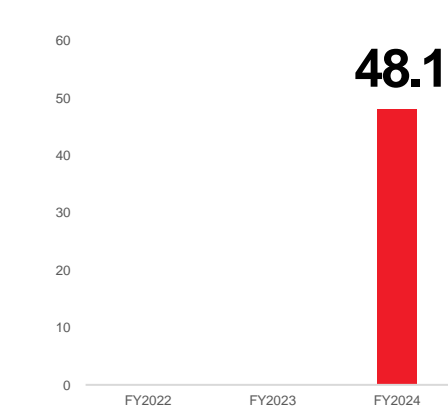
#### The percentage of male employees taking childcare leave

(%)



#### Employee Engagement Score\*

(%)



\* Engagement score: Measured by "Motivation Cloud" service of Link and Motivation Inc. from the fiscal year ended March 31, 2024.



# 2

## Value Creation Story

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PALTAC VISION 2027



## Chairman's Message

### Toward realizing our vision Pursuing to deepen the connection between our company and employees

Representative Director, Chairman

#### Seiichi Kasutani

In December 2023, our company marked 125 years since its founding. In this milestone year, we achieved record levels of sales, operating profit and ordinary profit. We appreciate for all the supports from our business partners, stakeholders, employees, predecessors and others who supported us. In our long history, upholding the baton passed from our predecessors, we pledge to fulfill our mission of making new history and realizing sustainable growth through continuing to pursue our aim “Creating people’s rich and comfortable daily lives through distribution”. To achieve this, we needed to transform our business, and transitioned the top management to the next generation at the General Meeting of Shareholders in June 2023. We also discussed many times about our future; looking about 10 years ahead and made our long-term vision “Creating the future of people and society through the power of connections”. We formulated our medium-term management plan, “PALTAC VISION 2027” using two approaches of backcasting methods based on the long-term vision and forecasting methods based on the current business environments. We have highly committed this plan and working in concerted efforts by all our employees.

In formulating our long-term vision, we have recognized again the environmental changes that will have a significant impact on our business, such as the decline in the Japanese population, including labor shortages, the falling birthrate and aging population and the diversification of people’s values. Therefore, we have made two points for our further growth based on these matters. The first point is the new challenge. We will deepen the “connections (networks)” of the supply chain by leveraging our strengths in logistics and the industry’s top-class quantity of information. Through these moves, we will aim to make new business additional to the growth in the existing business. As a result, we will take on the challenge of creating new value.



The second point is the drive for human capital management. In order to realize our vision, I place great emphasis on human capital and organization and their growth which execute our strategies. To encourage this growth, I am focusing on “improving employee engagement” as one of the key elements. Employee engagement reflects how the company builds the close and positive relations and maintain a solid relationship of trust with the employees. I think, there is the higher possibility of realizing strategy when building the deeper connection and greater mutual understanding between the employees and the company. In order to realize our long-term vision, it is essential not only to secure and develop human capital with exceptional skills, but also to build and maintain strong relationships of trust with such human capital.

We have been promoting a project aimed at “improving employee engagement” since the previous year, prior to the formulation of our long-term vision. As the first step in the project, we conducted an employee engagement survey. The results were below the average score of companies that conducted the same survey. Although I felt disappointed with the results, I quickly braced myself to work on improvements. Concretely, during the stage of formulating our long-term vision, we focused on having direct dialogues with our employees and understanding their thinking and feeling. Through these dialogues, we aimed to reflect the views of employees and increase their empathy with the vision. Switching analogies to family, I would like to describe the creation of those positive relationships. Family has a positive relationships in which it can understand and respect each other's honest opinions, goals and dreams, give awareness and advices each other, create empathy and motivate each other. I want to nurture those positive relationships with our employees.

I think that there still are a possibility in the growth of “the relationship between company and employees”. I am so excited to imagine the relationship between company and employees to be stronger and mutual development in a better way. I believe that “improving employee engagement” will be a key element in creating new value as advocated in our long-term vision and developing autonomous and spontaneous human capital. As Chairman of the Board, I will support greater employee engagement throughout the company.

In order to fulfil our aim of “Creating people's rich and comfortable daily lives”, first of all, we will work to ensure that all employees, including us directors, feel delighted and operate our business in the same direction. I hope that all our stakeholders will continue to watch over our growth from a long-term perspective. I also would like to ask for your continued understanding and support.



## President's Message



Representative Director, President

**Takuya Yoshida**

## To be a Company for “Creating the future of people and society through the power of connections”

One fulfilling year passed so quickly, since I assumed office in June 2023, every day was difficult, but they were fulfilling days for me. As is becoming a president the first item, I undertook was to perform the past medium-term management plan that would end in March 2024. Another item I tried hard was to deepen the understandings about the environment that surrounds us and the frontline situation through the active communication between our customers and employees.

We achieved all the numerical targets of the previous medium-term management plan, with net sales, operating profit, and ordinary profit reaching record highs. In terms of initiatives, we achieved many concrete results from the actions we worked on. In order to meet consumer needs which have become even more diversified due to COVID-19, we worked on “strengthening the handling of new products” and built new relationships with manufacturers whom we had not done business with before. We also expanded our shipping capacity by launching the “Tochigi distribution center”. In addition, we have prepared to build a new revenue base by establishing local subsidiaries in Vietnam and Indonesia. We would like to thank all of our stakeholders for their support.

On the other hand, as I deepen our communication both internal and external, I have come to strongly feel two points about “how our company should be”. The first point is our “role”. As an intermediate distributor, we have a social infrastructure role to distribute 3.5 billions of daily necessities for the required amount, when necessary, in one year. In the future, with the changes in business environments, including decline in working population, declining birthrate and aging population, diversification of values, climate change and so on, I think, it will be possible to see the new standards and new rules in various areas. Under the time of transformation, I strongly think



that we not only play an important role of distributing daily necessities as an intermediate distributor, but also could play another role and help to realize better future by fully leveraging our assets. This is one of the main reasons why we came up to make our long-term vision.

The second point is the “work-style”. I realized that there are many points we could improve on our employees' work-style. For example, sales representatives spend a lot of time preparing for business negotiations to gain the cooperation of retailers and manufacturers, and also, they invest time for wasteful work in operations such as documentation and analysis. I think it is necessary to make a structure allows employees to concentrate on their work for creating a better future through saving labor and lightening the burden by using the power of digital.



## Formulated our first long-term vision

There are two reasons for the formulation of our long-term vision. The first reason is to realize our vision of creating a better future by innovating our function of connecting distribution. We used to make our past medium-term management plan based on forecasting approach. However, in this way, we could not free ourselves from the conventional approaches and concepts and have difficulty to generating transformation. Therefore, we set our image what our company should be in about 10 years from now on, and considered the strategy based on backcasting. I considered we would like to make new value that are completely new and make ourselves grow rapidly.

The second reason is that “I want our employees to have a dream through work”. Sometimes intermediate distributors are seen as the behind-the-scenes players in the industry, but I believe this is not always the case. In order to create new value for society, we, as intermediate distributors, need to proactively involve the surrounding companies and take a leadership role. I hope that our employees will overlap their own growth with our company's vision and play a central roles, holding dreams and proud “we can create new values for the society”. Our vision of “The future in which sustainable well-being of people and society” includes not only consumers and our customers, but also our employees. I believe that working to realize the long-term vision would lead to our employees' happiness.

### Long-term vision Slogan

**“Creating the future of people and society through the power of connections”**

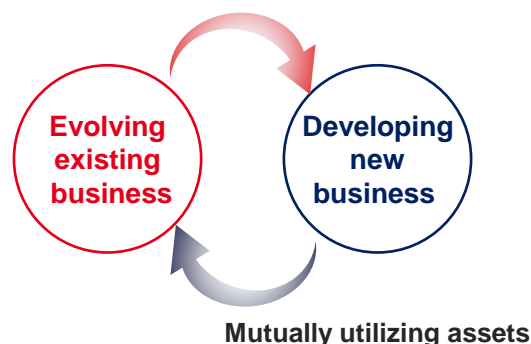
## What we want to achieve with our long-term vision

### Our growth story

We have been playing the role of “connection” between retailer and manufacturer for 125 years. In our function for “connection”, there are roles of “procurement, sales, logistics, finance, information provision and retail support”. In our long-term vision, we put our feeling that by innovating these function of “connection”, we will provide services and products lead to “The future in which sustainable well-being of people and society”. We will eliminate unreasonable, wasteful act and unevenness factors through newly developing data-driven system that has the capability of “connecting” information and build encounter of things and peoples. As a result, we will make people, society and the environment affluent. Also, through these value creations, we will aim to achieve “Sales of 2 trillion-yen, ROE of 9~10%”. In this vision, we have set a target of nearly double-digit sales growth compared with the previous fiscal year. By setting this challenging sales target, we aim to expand our perspectives and create new businesses with “new ideas that can be called as destruction and creation”. We will accumulate assets such as human capital and data

and utilize them to evolve value creation in our existing businesses and to develop new businesses in areas peripheral to our existing businesses. I believe that these figures are achievable if leveraging our assets and know-how.

Invest assets acquired in existing business into new business



## Achieving our long-term vision

### About materiality

To realize our long-term vision, we analyzed the issues of society, and our company based on environmental changes. As a result, we identified four materialities, based on two aspects: “securing new revenue opportunities” and “reduction of risks”.

The key issues that need to be resolved to realize our long-term vision

Securing new revenue opportunities	Creating new value through developing borderless supply chain network
	Developing a distribution network beyond the conventional approach through far and away the highest productivity
Reduction of risks	Coexisting and co-creation with the environment and society
	Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society

The first materiality is “Creating new value through developing borderless supply chain network”. Today, we have ushered in an era where new value can be created by connecting everything, through the development of digital technology. I think this movement will continue to accelerate. We will create new value for the society by deepening the “connection” we have developed in intermediate distribution business through digital technologies and

data. We see the key to solve the issues in “connecting” unique information held by each of manufacturers, wholesalers and retailers supply chain through the state-of-the-art digital technologies. In this way, we optimize and streamline the flow of things and information in the supply chain and the associated activities. With standardizing and connecting information of inventory which held at each industry, it is possible to share information of distribution inventory in the supply chain. These initiatives will help to avoid out of stock, to reduce product return by lowering over-stocking and to undertake planned production with higher accuracy by a mixture of the sales trends. In terms of sales, by expanding the use of data, we can identify the cause-and-effect relationship between sales results and sales promotions and implement more effective sales promotions and propose more attractive products. The word “borderless” we used in the materiality also includes the meaning of expanding overseas businesses. As Japanese population declines, developing overseas markets is becoming increasingly important. Therefore, we will strengthen our overseas business rooted in local markets, with a view to collaborating with local companies and M&As. Also, by developing global network through our bases in each country as the hubs, we connect products and information that enrich people’s daily lives, beyond the border of both country and cultures.

The second materiality is “Developing a distribution network beyond the conventional approach through far and away the highest productivity”. “Logistics” is one of the important functions that constructs the supply chain, and this is included into the first materiality

“borderless supply chain”. However, we put this as one of the materialities this time because “logistics function” is our strength and the area of “logistics” have a large impact from both “decrease in the working populations” and “climate change”. The role of delivering daily necessities to those who need them, when they need them will continue for eternity. As values diversify, it is expected that “high-mix, low-volume production and sales” will increase responding to personalization of services and products. This means that logistics operations may become more complex amid labor shortage. To cope with these situations, the unprecedented improvements of productivity in distribution centers and deliveries will become necessary. Regarding the improvement of the productivity of our distribution center, we will develop a new logistics model that will have unprecedented productivity. In a society where “high-mix, low-volume production and sales” are growing, and the efficiency of piece-based logistics\* will become increasingly important. I believe that we need to create the piece-based logistics of the future by innovating the low-cost logistics that has supported our growth through using human capitals and digital technology. To improve productivity of delivery, we will expand the cooperation with other companies, such as promoting joint delivery that are was already underway at various locations. In addition, we will dramatically increase the productivity of each distribution center, which is the node of the network and by connecting the network with data, we believe we can build a “developing distribution network beyond the conventional approach” that

help manufacturers, retailers and delivery companies to mutually enhances productivity. It is easy to just say by words, but to make it come true, we must overcome many challenges, such as differences between industries, business practices, and competition. However, I believe that the more challenging, the greater the contribution to a sustainable society and the greater the fulfillment when we overcome them. We look forward to feel those excitement by playing a central role in the collaboration and promote building networks like how we dream to be.

The third materiality is “Coexisting and co-creation with the environment and society”. We take this as an important point with a view to working on both the first and second materialities. Both the first and second materialities are aimed at the creation of new systems for “optimization” and “streamlining” of the supply chain. I believe that this new system will contribute to the transition to a decarbonized and resource-recycling society and should enable people associated with the supply chain to work actively in safe and secured environment. By building this new system, we will create a distribution without unreasonable, wasteful act and unevenness factors, and realize a future in which we can “coexist and co-create new value” with all stakeholders, including the environment and society.

The fourth materiality is “Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees’ growth leads to the growth of our company and society”. To realize our long-term vision, I believe

that transformation is the necessary factor, and that to realize this transformation, “each and every employees must think for themselves and open up their new paths”. First, we will work to “Cultivate a corporate culture that emphasizes autonomy and spontaneity” that encourages each and every employee to play an active role. To achieve this, we will create an environment which diverse human capital can work comfortably, a framework that supports the self-transformation and growth and a system that encourages interactive communication both internally and externally. Through pursuing challenges and realizing the transformation in businesses, we will aim to establish a close “connection”, among our employees, our company and society, enable them to coexist and co-create. In other words, we can proudly say that our company is the best place for our employees to exercise their full potential and feel satisfied with their work. I strongly desire, we would like to make our company that way.



\* Piece-based logistics : Logistics of products received in case units and shipped and delivered by the piece



## Position of medium-term management plan to achieve our long-term vision

In the new three-year medium-term management plan, we will work on “Constructing the foundation for transformation through structural reform” to realize our long-term vision. First, we will secure the “adequate capitals” for the transformation by increasing sales and profits in our existing businesses. Secondly, we will invest to gain our “competitive edge” in the areas of retail, global and logistics, including digitalization and enhancing the use of data, with a view to create new businesses and new value. We will also undertake decisive structural reform of our operations and acquire the “practical abilities” to carry out new challenges, including organizational capacity. Additional to these three points, by obtaining “cooperation” with our multi-stakeholders, we will build the foundations for transformation towards the realization of our long-term vision.

### 「PALTAC VISION 2027」

Constructing the foundation  
for transformation through structural reform

The essence of  
constructing the  
foundation for  
transformation



#### Four Key Strategies

Securing  
“adequate capitals”  
Gaining  
“competitive edge”  
Acquiring  
“practical abilities”  
Obtaining  
“cooperation”

- No.1 Improving profitability of existing business
- No.2 Taking on the challenge to create new value
- No.3 Improving sustainability
- No.4 Undertaking management to enhance capital efficiency

## Specific initiatives of the medium-term management plan

We will work on four strategies on the medium-term management plan.

First is “Improving profitability of existing business”. We aim to improve our gross profit margin and control delivery expenses. Gross profit margin tends to decrease due to the change in the environment like the price escalation. Delivery expenses are expected to increase in the future due to the 2024 problem in logistics and various other factors. To improve gross profit margin, we will work on enhancing the handling of new products. People’s values and lifestyles have changed significantly due to COVID-19. I think these changes will be even more significant due to declining birthrate and aging population and declining population and other factors. In this environment, we will strengthen our marketing sense and procurement capabilities to provide products that meet the consumer needs. By providing a high value-added products, we will increase the profit in all of our industry and improve our gross profit. To control delivery expenses, we will work on building a delivery network. Already, many issues related to the delivery have emerged, including the 2024 problem in logistics. In response, we will strengthen our delivery management capabilities by expanding delivery-related data. We will also take on the challenge of cooperation beyond the borders of competition and industry, such as joint delivery.

Second is “Taking on the challenge to create new

value”. We will take on the challenge of creating new value in three areas: retail, global and logistics. In the distribution today, there still are a lot of analog information and processes that have not yet been visualized. Digitizing these information and combining them with a substantial amount of data accumulated by us, which are holding one third market share in business of intermediate distribution. Especially in the retail area, by digitalizing distribution information we will develop a system that we can make better use of our existing solution of sales, store support, SCM. In the global area, we will promote to invest in our local subsidiaries in Vietnam and Indonesia, which will be hubs of the global network. Also, in the logistics area, we will proceed with the development of the new logistics model and aim to have a new logistics know-how by challenging food logistics that are inexperienced for us. Food logistics had already started from September 2024.



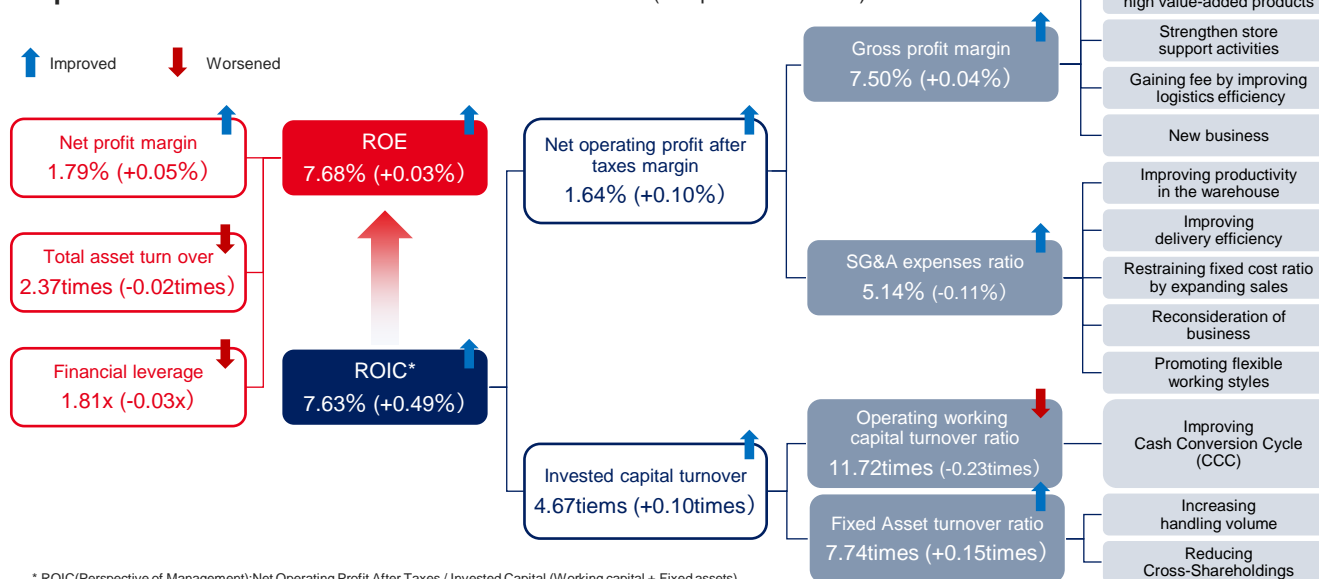
Third is “Improving sustainability”. To improve the “sustainability”, “connections” with the environment and society will become very important. Thus, it is the human capital that strengthens our connections with the environment and society. We will promote human capital management based on our belief that employees are our property. We can easily see that the working population are decreasing more in the future so we assume that the working market would become more fluid. In those environments, to establish a corporate structure with growth potential by improving profitability of existing business and creating new values, and to make this sustainable, management will first take the initiative in fostering corporate culture, which our employees want to work for our company. Also, I think there are relationships with DX and improving sustainability. Value creation through DX relates to the first and second of the key strategies. In terms of supporting value creation, enhancing the foundation for DX promotion relates to the third key strategy “improving sustainability”. To strengthen the foundation for DX promotion, we will develop digital literacy training for all our employees and establish professional human capital development programs to promote the autonomous improvement of employee capabilities. In addition, we will enhance information security as well as IT infrastructure. Furthermore, we will create organizational capacity through reforming our business processes by visualizing unreasonable, wasteful act and unevenness factors. Through this, we enhance the ability to realize transformation.

Fourth is “Undertaking management to enhance capital efficiency”. When making our long-term vision

and medium-term management plan, we identified issues for improving capital profitability, through comparisons with other companies and chronological order analysis of ROE based on DuPont-decomposition, and we also had discussed at the Board of Directors meetings. The issues to improving capital profitability are improving profit margins and reviewing the capital structure. While we have been working to improve our profit margins based on various indicators related to profit and loss, in the future, we will also focus on indicators related to the optimal capital structure. Regarding the cash allocation for the medium-term management plan period, we considered to provide into “investment for our business growth”, “shareholders returns”, “working capital to continue operating”. We considered cash flow during and after medium-term management plan because we plan to take a

large investment in “renewal of our obsolete distribution centers” after this plan. We will invest in the first through the third strategy. We will strengthen the shareholders returns based on our capital policy. In terms of dividends, we have increased our dividend for 14 consecutive years and intend to continue to do so in line with the expansion of our business. By increasing dividends in excess of profit growth, we will aim to achieve a dividend payout ratio of 35% or more in the final year of the medium-term management plan. In addition, we will enhance shareholder returns through flexible share buy-backs. We will aim to maintain ROE that is over the cost of capital during medium-term management plan and for the long-term ROE to be 9~10% by the increase of profit from growth of business and to optimize the contents of capital structure.

### Improvements in ROE and ROIC Actual results FY2024 (compared to FY2023)



## Long-term Vision

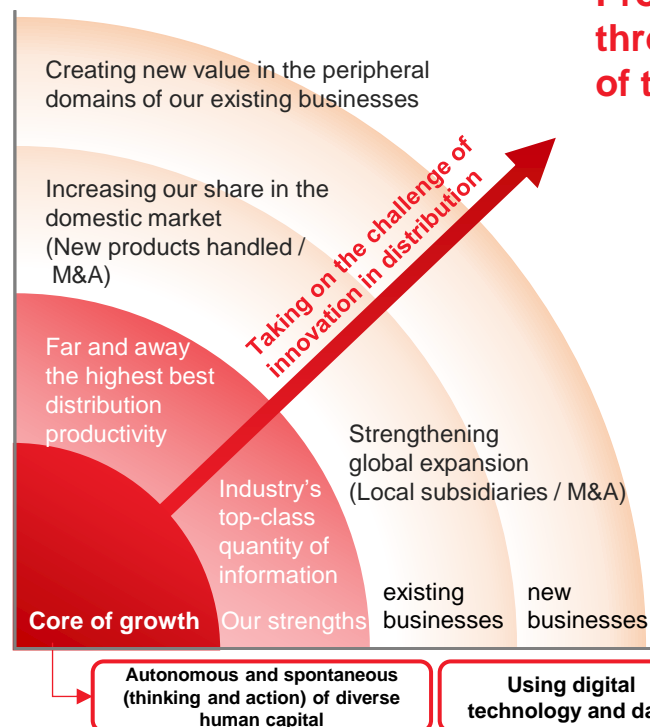
# Creating the future of people and society through the power of connections

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

### Growth story

Awareness of environment

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



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

### Growth of existing businesses

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

### Creating new businesses

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

### Long-term vision (approx. 10 years ahead)

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

### Numerical targets

Net Sales

ROE

¥2 tn

9% ~ 10%

### Sustainability goals

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









Developing a safe and secure supply chain

Contributing to the transition to a decarbonized society and circular economy

## Materiality (Material Issues)

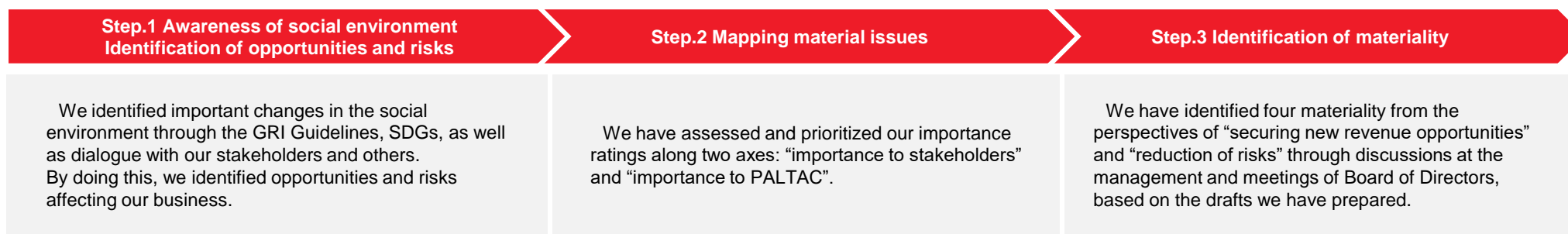
Towards the realization of our long-term vision, we have identified four material issues to be solved (materiality) that will lead to “securing new revenue opportunities” and “reduction of risks” and have drawn the future we are aiming for each issue. To create value by leveraging our strengths, we will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

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

Materiality (Material issues)	The future we aim for	Value creation areas	SDGs
Securing new revenue opportunities	Creating new value through developing borderless supply chain network	Retail 	 Eliminating overwork in supply chain Supporting people's rich and healthy lives  Building a diverse organization, including women's empowerment Ensuring respect for human rights in the supply chain  Contributing to the creation of renewable energy, such as installing solar panels
	Developing a distribution network beyond the conventional approach through far and away the highest productivity		
Reduction of risks	Coexisting and co-creation with the environment and society	Global 	 Building an organization in which diverse human capital can exercise their full potential in autonomy and spontaneity Realizing co-growth of individual employees, our company and society  Realizing unprecedented high productivity driven by cutting-edge technologies including AI, robotics system and more
	Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our company and society	Logistics 	

## Materiality (Material Issues)

### Identification of process



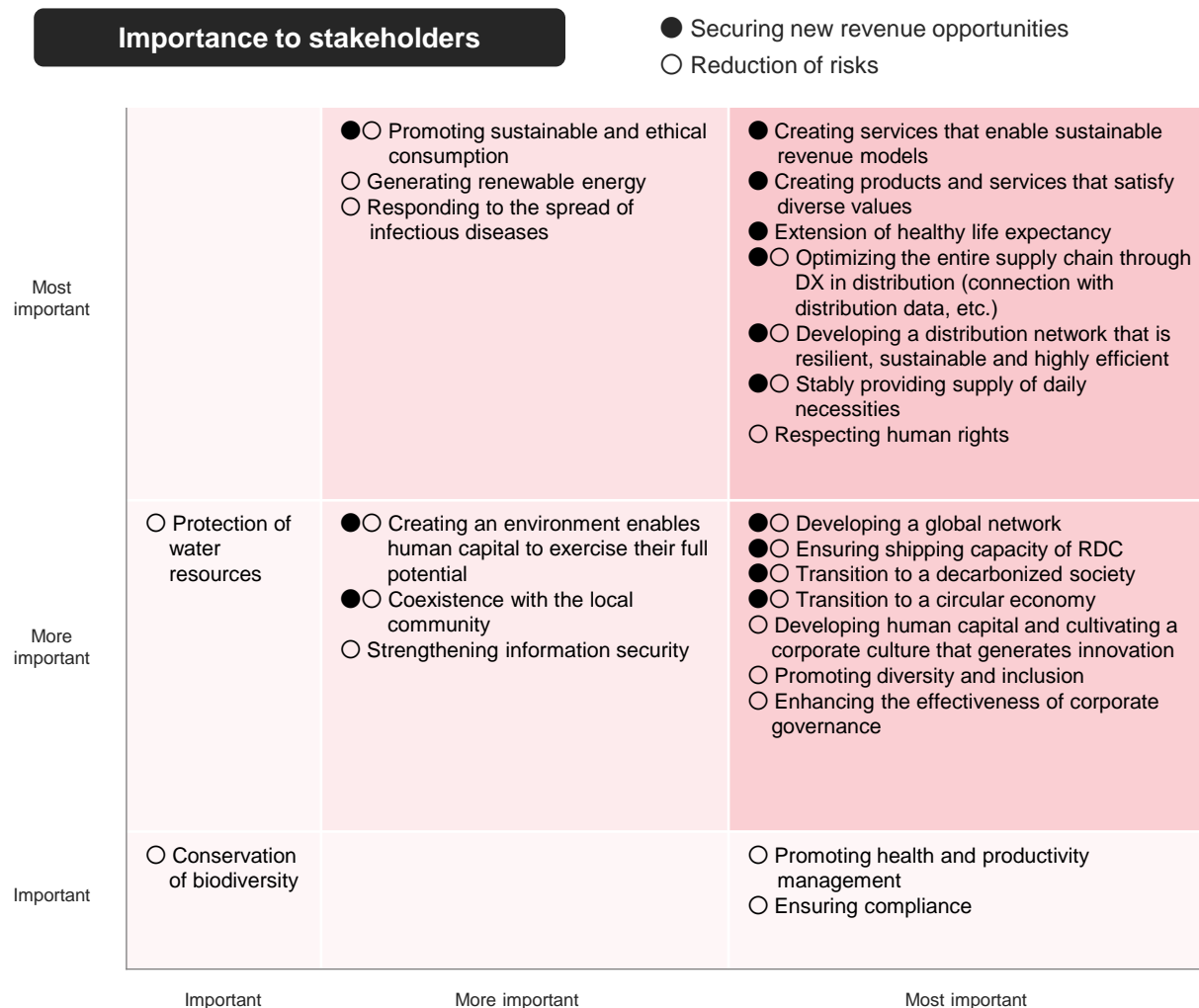
### Step.1 Awareness of social environment Identification of opportunities and risks

Significant changes in the social environment	Business As Usual (BAU) scenario		The impact on the PALTAC
Decrease in the working populations	<b>Growing difficulty in the development of a sustainable distribution network</b> <ul style="list-style-type: none"> <li>Reducing the transportation capacity of truck due to the driver shortage</li> <li>Increasing the workload in retail stores due to smaller market areas and an increase in the number of retail stores</li> </ul>		<b>Opportunities</b> <ul style="list-style-type: none"> <li>Growth of needs for high-efficient distribution</li> <li>Penetration of data distribution</li> <li>Growth of needs for health and sanitary</li> <li>Increase in demand for personalized products</li> <li>Increase in economic value of sustainable-businesses</li> </ul>
Declining birthrate and aging population	<b>Shrinking domestic market</b> <ul style="list-style-type: none"> <li>Increasing household burden in age groups with high consumption expenditure (social security contributions)</li> <li>Expanding composition of age groups (elderly) with lower consumption</li> </ul>		
Diversification of values	<b>Increasing in diverse needs in a wide range of situations</b> <ul style="list-style-type: none"> <li>Increasing importance of One to One marketing</li> <li>Penetrating of flexible and diverse work-styles</li> </ul>		
Climate change, Resource and energy scarcity	<b>Growing concerns for business continuity</b> <ul style="list-style-type: none"> <li>Increasing number of natural disasters due to more extreme weather events</li> <li>Soaring resource and energy prices</li> </ul>		<b>Risks</b> <ul style="list-style-type: none"> <li>Decrease in profits due to the contraction of the domestic economy</li> <li>Decrease in profitability due to soaring business operating costs (higher energy and material prices, higher costs due to increased small-lot production and sales, etc.)</li> <li>Decrease in the competitiveness due to the outflow of human capital and difficulties in securing human capital</li> <li>The growing threat to sustainability of supply chain (Serious labor shortage, increase in severity of natural disasters)</li> </ul>



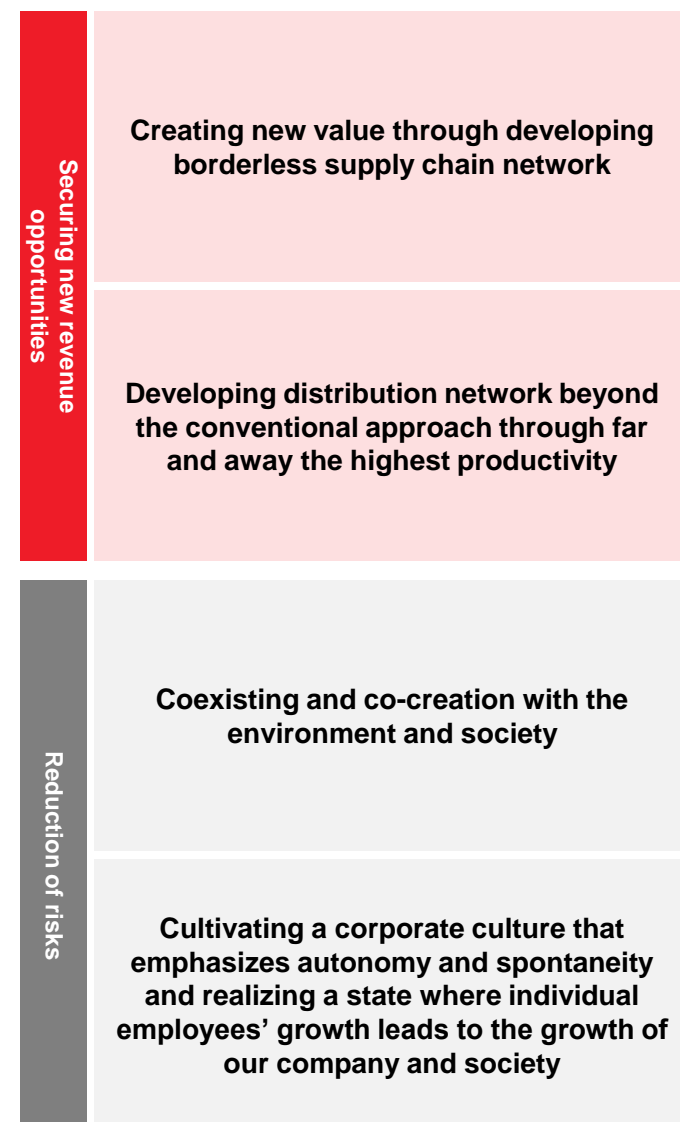
## Materiality (Material Issues)

### Step.2 Mapping material issues



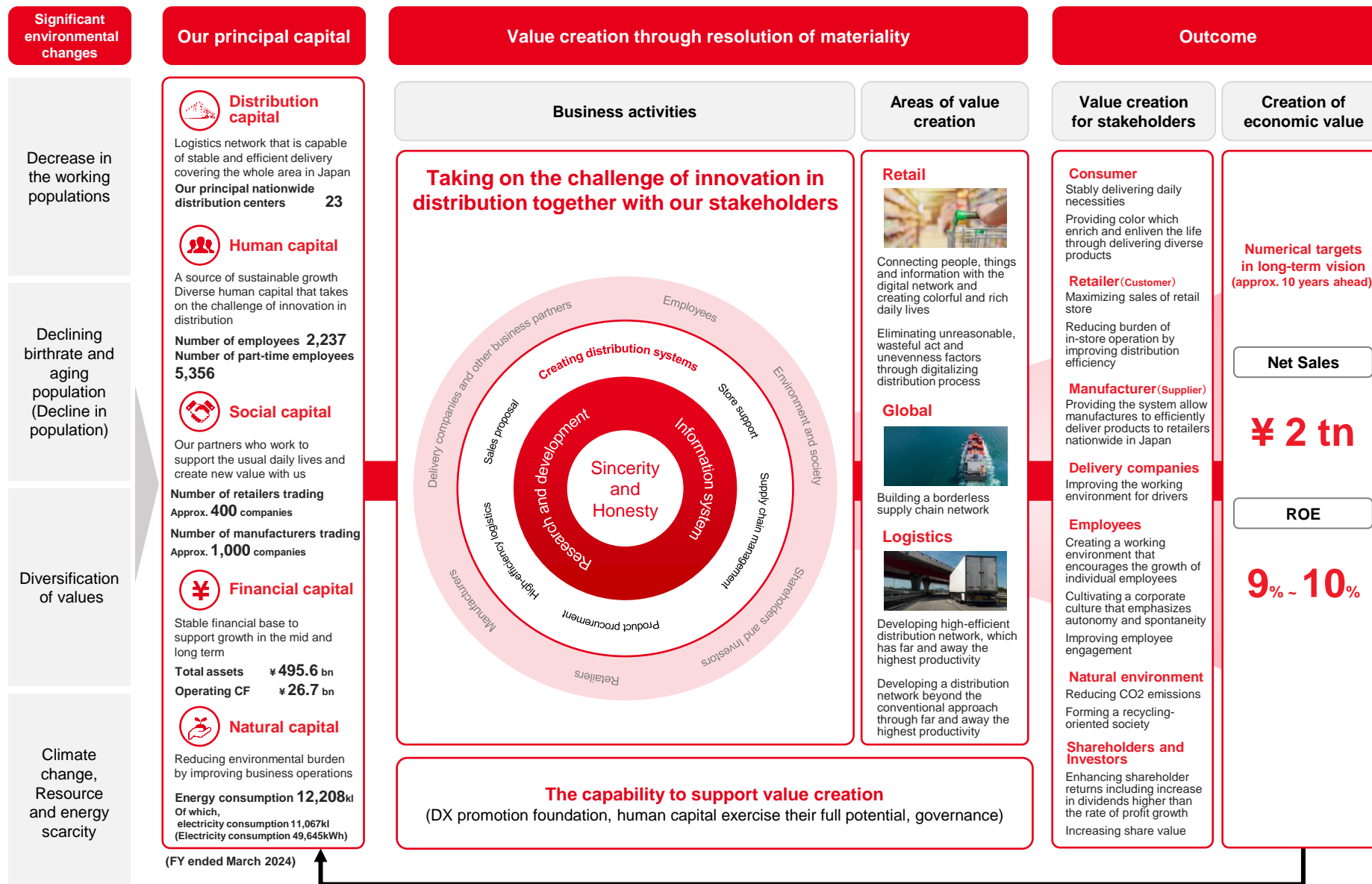
### Step.3

### Materiality towards realizing our long-term vision



# Value Creation Process

**Our long-term vision Slogan (approx. 10 years ahead)**  
**Creating the future of people and society through the power of connections**



(FY ended March 2024)

Creating people's rich and comfortable daily lives



## Medium-term Management Plan PALTAC VISION 2027

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

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

#### The essence of constructing the foundation for transformation



##### Securing “adequate capitals”

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



##### Gaining “competitive edge”

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



##### Acquiring “practical abilities”

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



##### Obtaining “cooperation”

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

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

##### PALTAC VISION 2027

#### Constructing the foundation for transformation to create new value

Key strategies

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

Invest assets acquired in existing business into new business

New Business

Evolving existing business

Mutually utilizing assets

#### Long-term goals

##### Numerical targets

Net Sales

¥ 2 tn

ROE

9% ~ 10%

##### Sustainability goals

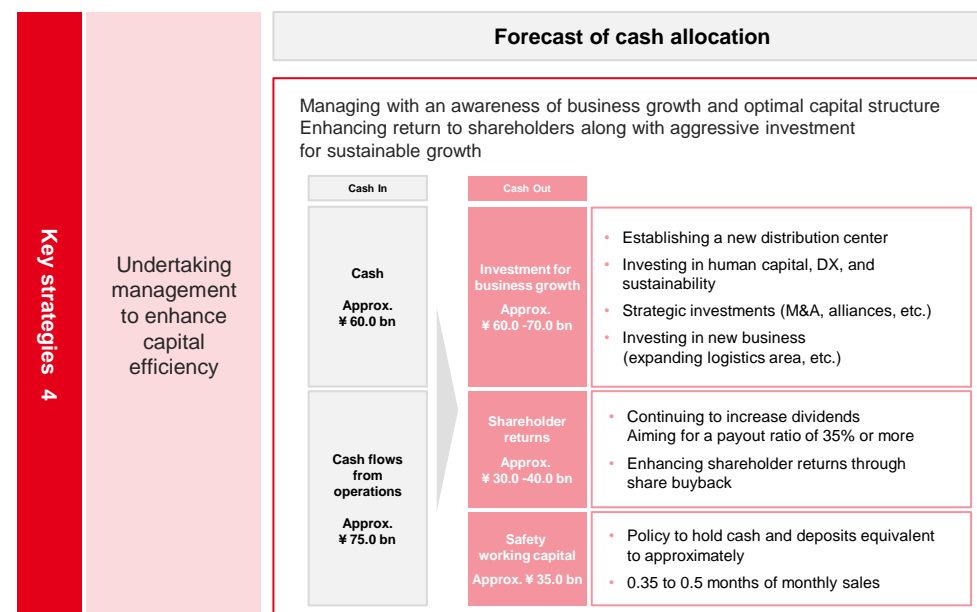
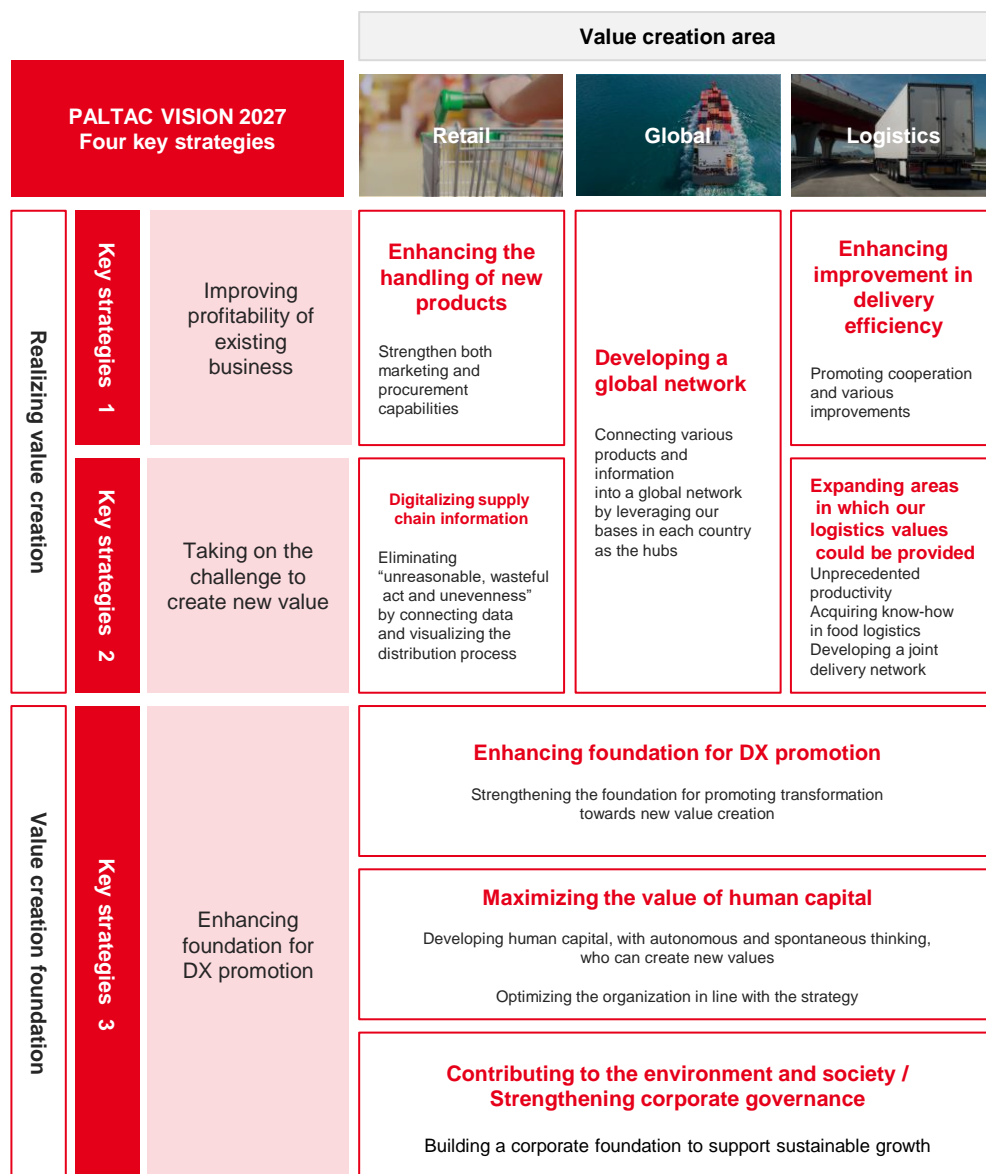
Building organization in which diverse human capital plays active roles with autonomous and spontaneous thinking

Developing a safe and secure supply chain

Contributing to the transition to a decarbonized society and circular economy

## Medium-term Management Plan PALTAC VISION 2027

# Four key strategies to “Constructing the foundation for transformation”



Numerical targets		FY2027	Vs. FY2024 Amount	Vs. FY2024 Rate
Financial	Net sales	¥ 1,270 bn	+ ¥ 118.0 bn	+ 10.2 %
	Operating Profit	¥ 30 bn	+ ¥ 2.8 bn	+10.4 %
	ROE	Increasing dividends higher than the rate of profit growth	-	-
	Payout ratio	Aiming for a payout ratio of 35% or more	-	-
Non-Financial	Ratio of CO2 emissions reduction <sup>*1</sup>	Reduction of 28%	+ 16 %	-
	Diversity	Percentage of female employees in management positions : 8.4% The percentage of male employees taking childcare leave : 60%	+ 1.7 % + 30 %	-
	Employee engagement score <sup>*2</sup>	55.0	+ 6.9	-

<sup>\*1</sup> Ratio of CO2 emissions reduction: Scope 1+2 (Vs. FY2021)  
<sup>\*2</sup> Employee engagement score: Measured by "Motivation Cloud" service of Link and Motivation Inc

## 3

## Realizing Value Creation

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## Value Creation Area

# Retail

## Creating new value “Visualizing” distribution process

As the declining birth rate and aging population proceed, people's values diversify, in order to activate the market, it is essential to have a marketing that focus more on consumer-centric marketing, for instance, one to one marketing. In addition, in the face of decline in the working population, it is also essential to streamline the entire supply chain.

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

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



### » Awareness of environment

#### Opportunities

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

#### Risk

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

### » Our strengths



#### Systems designed to create a “virtuous cycle” of sales promoting

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



#### “Know-how on improving” productivity long-accumulated

“Visualizing” issues by quantitatively capturing in-store information, using digital technology Pursuing the elimination of “unreasonable, wasteful act and unevenness” factors by repeating hypothesis and verification with a wide range of point of view



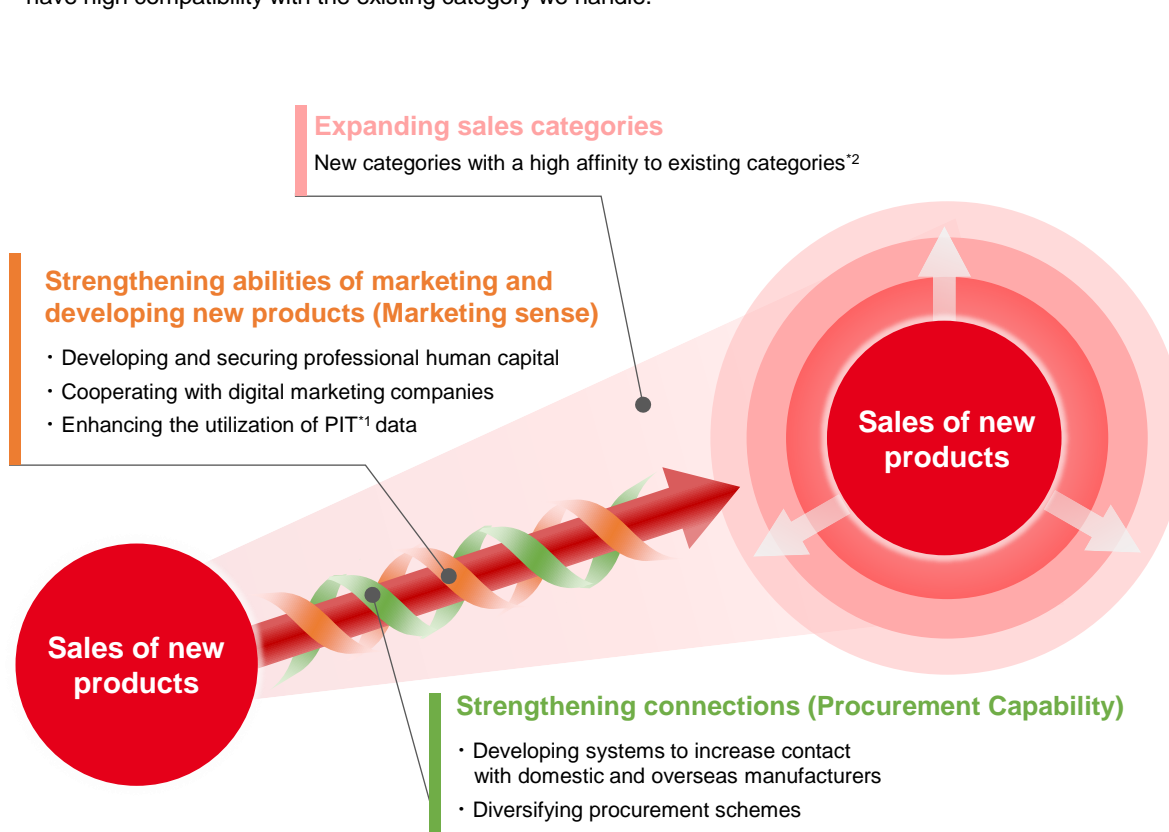
#### “Connection” with retailers and manufacturers

Procuring attractive products by the connection of more than 1,000 manufacturers Providing wide range of products to consumers through connection with nationwide retailers

## Key strategies.1 Improving profitability of existing business

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

By accessing various formats, such as social media, consumers can now easily collect information on what they wish to obtain. Consequently, recent consumption trends have changed dramatically, including “viral consumption”, where explosive demand is born, and “personalized consumption”, where consumers choose products that suit their individual lifestyles and preferences. We will expand the handling of new products to swiftly address these changing consumption trends. We will strengthen “marketing sense” and functions by developing and securing specialized human capital to undertake accurate analysis of market and formulate marketing strategy, collaborating with digital marketing companies that use social media to analyze consumer behavior and utilizing data on in-store information gathered in the PIT system. Also, we will strengthen the capability of procurement by creating a system to newly “connect” with domestic and global manufacturers. In the progress of our work, we will try to achieve new profit through the provision of “adding color to people's daily lives” products, by expanding handling categories that have high compatibility with the existing category we handle.

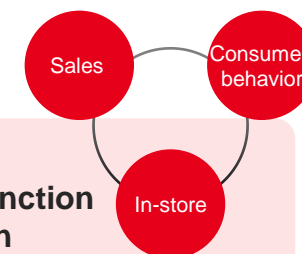


<sup>1</sup> PIT: The in-store information sharing platform developed by our company

<sup>2</sup> Existing categories: Cosmetics, daily necessities, OTC drugs, health and hygiene products

### Strengthening the marketing function using three types of information

We will strengthen the marketing function through the use of three types of information: “sales”, “consumer behavior” and “in-store”. Additional to the improvement of analysis of sales information through POS/ID-POS analysis, we will strengthen analysis of consumer behavior information through social media in collaboration with digital marketing companies. To collect in-store information, we use in-store information sharing platform, called “PIT system” which we developed in-house. The PIT system enables real-time confirmation of in-store information (for instance, product display status, and availability of promotional items), which is making it possible to analyze sales in a high quality based on each store development status. By making use of these three information, we will strengthen the marketing function that could catch consumers diversifying needs and will expand the new product we handle.

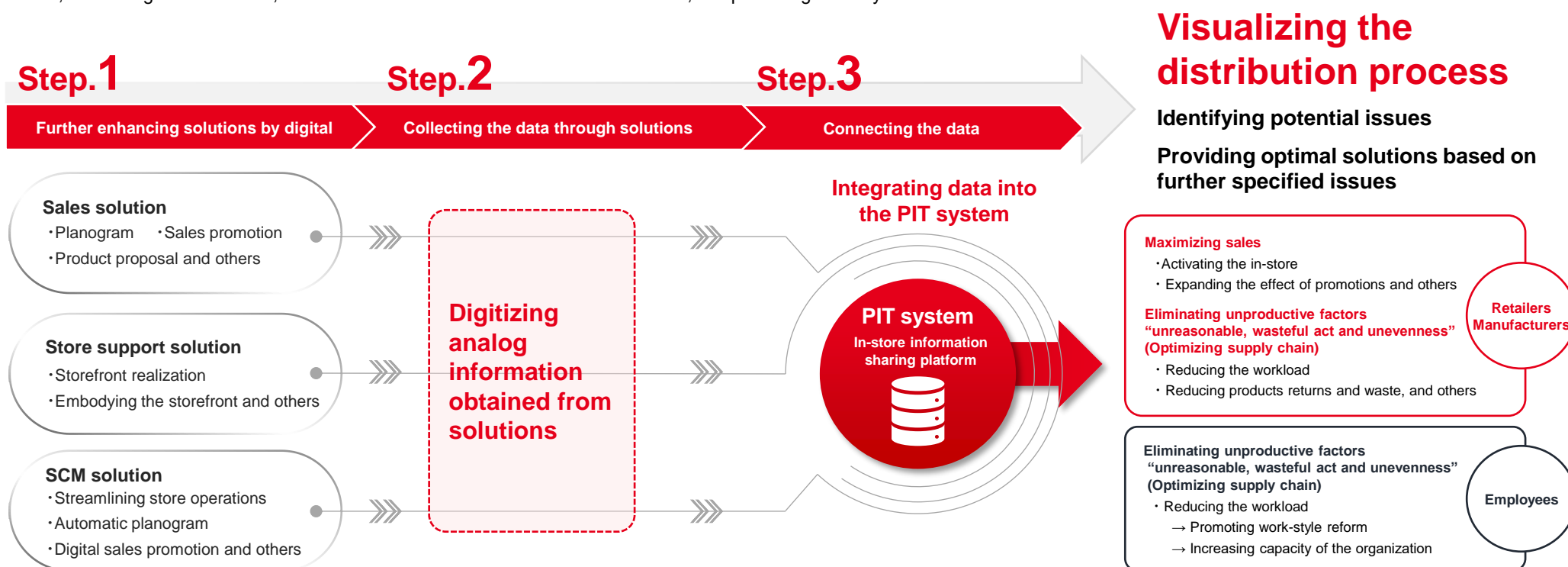


## Key strategies.2 Taking on the challenge to create new value

### Maximizing in-store sales and eliminating unproductive factors “unreasonable, wasteful act and unevenness” through digitalization of supply chain information and optimal solutions

Currently, the distribution industry faces a complex business environment, including shrinking market due to the falling domestic population, declining working population, diversifying values and rising operating costs, including logistics costs. We have been contributing to the development of the distribution industry by providing solutions based on “Sales function”, “Store support function” and “SCM function” and pursuing optimization and streamlining of the entire supply chain. However, in order to achieve further development in such a complex environment, it is necessary to transform the entire supply chain system.

As a first step, we will work on digitalizing various information that exists throughout the supply chain and connecting them. We, as an intermediate distributor, will construct a system that enables to excavate the potential issues and provide optimal solutions by connecting various information from manufacturers to retailers with data and visualizing the distribution process. Specifically, we will strengthen the solution capabilities of each function by actively utilizing digital technology. Also, we will accumulate the analog information which collected through each solution we provided as data and integrate them into “PIT system”. We will contribute to further optimization and streamlining of the entire supply chain, such as maximizing sales in the retail store, eliminating “unreasonable, wasteful act and unevenness” factors in distribution, and promoting work style reforms.

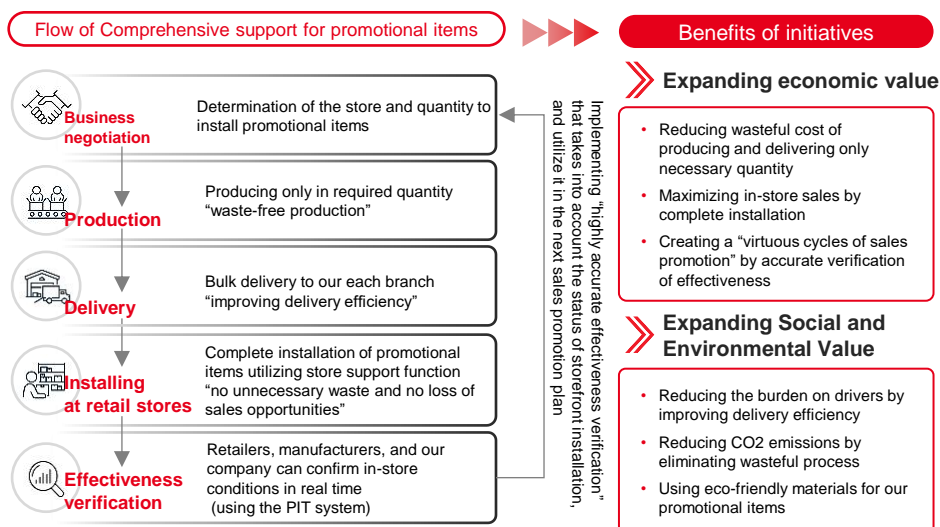




## Key strategies.2 Taking on the challenge to create new value

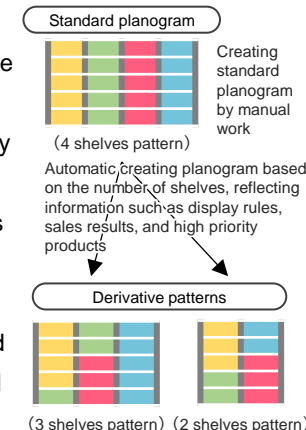
### “Comprehensive support for promotional items” that connects sales promotion processes with data

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



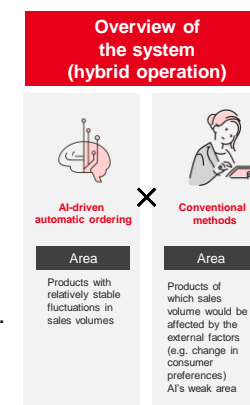
### “Automatic planogram creation system” Reducing the workload through digitalization

We have developed an automatic planogram creation system in collaboration with CYBERLINKS Co., LTD., with the aim of improving the efficiency of proposal activities of planogram. “Planogram” is an important operation that may affect sales of retail stores. This is quite a burdensome operation for retailers, manufacturers, and wholesalers because it requires consideration of various factors. We will aim to reduce about 60% of our working hours (18,000 hours per year). We will improve the resources generated by this solution will be used to strengthen the creation of an attractive “sales floor” as well as enhance the work-life balance of employees.



### “AI-driven automated ordering system” Reducing food waste

We also provide store management solutions developed by our IT department. As the reduction of food waste is becoming an issue with retailers, we have started a service aimed at reducing food waste through an AI-driven demand forecasting and automated ordering system. It provides a hybrid operation system that considers the strengths and weaknesses of AI-driven automatic ordering, allowing the use of conventional ordering methods in areas where AI is less effective. We achieved a 10% reduction in the food waste as a result of PoC. From now on, we will try to improve the accuracy of the AI-driven automatic ordering, and by being used by many retailers, we will contribute to the efficiency of the ordering operations and the reduction of food waste.





## Value Creation Area

# Global

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

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

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

Going forward, through these initiatives, we will first contribute to our customers for overcoming the challenges of expanding their overseas business. We will also take on the challenge of developing a global network by leveraging our bases in each country as the hubs. In this way, we will seamlessly connect products that enrich people's daily lives, including not only Japanese products but also products from overseas, to people around the world.



### » Awareness of environment

#### Opportunities

- Expansion of promising overseas markets
- Expansion of domestic retailers and manufacturers into overseas markets
- Growing needs for market information in other countries

#### Risk

- Decline in competitiveness of Japanese products due to increased competition against overseas products
- Shrinkage of the domestic economy due to declining population
- A decline in domestic competitiveness due to delays in pioneering the procurement channels of overseas products

### » Our strengths



#### Connections with domestic retailers and manufacturers

Business relationships with numerous domestic retailers and manufacturers cultivated in the domestic business  
Numerous opportunities to provide our solutions



#### Trading know-how

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



#### The latest overseas information from our local subsidiaries

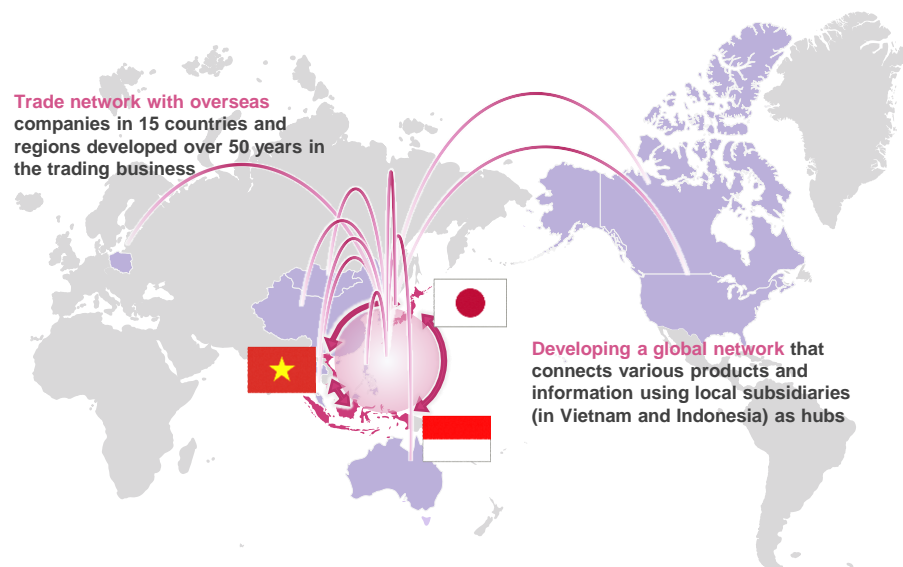
Gathering the latest local market information on the ASEAN economies, where future economic growth is expected

## Key strategies.2 Taking on the challenge to create new value

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

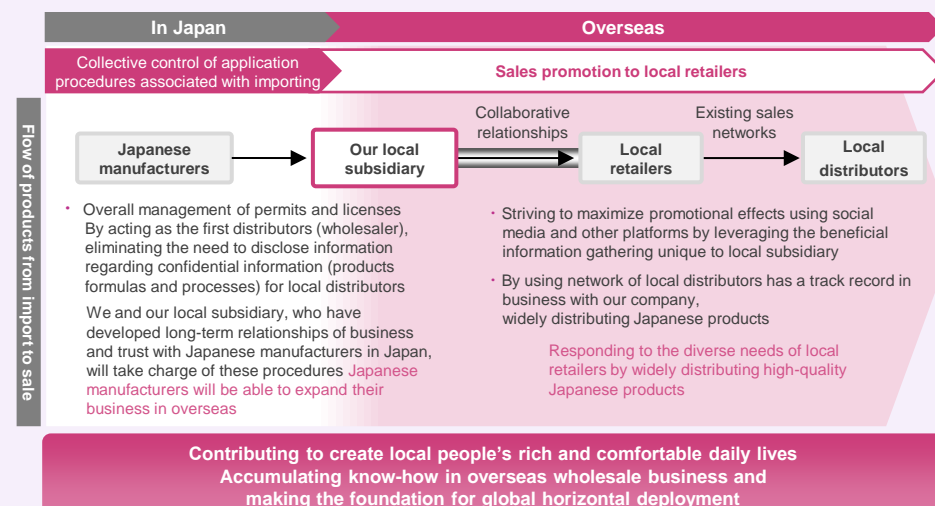
As a first step towards creating new value in our overseas business, we have established local subsidiaries in Vietnam and Indonesia, where significant economic growth is anticipated. We have been steadily acquiring know-how in the local subsidiary business by providing services that utilize the flexibility and information-gathering capabilities of a unique local subsidiary, including supporting the overseas business expansion of domestic manufacturers and proposing high-quality Japanese products that are suited to local needs. These services have been gained a favorable reputation.

In the future, we will undertake new initiatives aimed at expanding the scale of our local subsidiaries. We will not only propose the promotion of Japanese products, but also take on the challenge of developing local brands and expanding the cross-border distribution of them. In addition, we will consider M&A and alliances with leading local companies to expand our distribution network. Through these initiatives, we will take on the challenge of developing a global network that seamlessly connects attractive products and useful information by using our local subsidiaries as hubs. In developing the global network, we will also conduct research to establish new bases in neighboring countries with promising economic growth.



#### Local subsidiaries as the hub for overseas development

Vietnam and Indonesia, where we have established local subsidiaries, have young and growing populations and are expected to experience economic growth in the future. On the other hand, domestic manufacturers face many challenges, such as managing local applications for permits and licenses, marketing, and securing sales channels. To this end, our local subsidiaries will solve these challenges through wholesale business by using our distribution functions and trading know-how accumulated in Japan. Specifically, we support manufacturers entering the overseas market by having our local subsidiary handle the “application for permits and licenses” which involves dealing with confidential information (product ingredients, manufacturing methods, and others), needed when the Japanese products are imported into overseas. We also aim to widely distribute Japanese products by utilizing the sales network of reliable local distributors with whom we already have transactions. Additionally, we strive to maximize promotional effects using social media and other platforms by using the beneficial information gathering unique to our local subsidiary. Through these initiatives, we will contribute to creating rich and comfortable daily lives for local people by widely distributing high-quality Japanese products.





## Value Creation Area

# Logistics

## Creating a sustainable “usual daily lives” in the future

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

We have historically aimed to optimize and streamline the entire supply chain and have acquired the logistics bases and know-how for efficient intermediate distribution through the development of nationwide distribution network and distribution centers with state-of-the-art technology.

From now on, we will innovate on our strengths accumulated over the years and create a new logistics model with unprecedented productivity. In addition, by acquiring know-how in logistics areas where we have not yet entered, and by collaborating beyond the boundaries of industry and conventional practice, we will take on the challenge of creating a distribution network that will make the sustainable “usual daily lives” of “what is necessary, when it is necessary, to whom it is necessary” our daily lives in the future.

### » Environment awareness

#### Opportunities

- Growing needs for highly- efficient logistics network
- Growing needs for standardization in logistics
- Growing logistics sharing market
- Behavioral changes in society to achieve sustainability (such as reduction of returned products)

#### Risk

- Significant reduction in transportation capacity due to driver shortage
- Difficulty in operation of distribution centers due to labor shortage
- Complexity of logistics operations due to diversified products
- Decline in profitability due to rising material and labor costs
- Supply chain disruptions due to severe natural disasters
- Strengthening regulations against fossil energy

### » Our strengths



#### Know-how to create a system

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



#### Know-how to improve the system

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



#### Development of highly efficient large-scale distribution centers throughout Japan

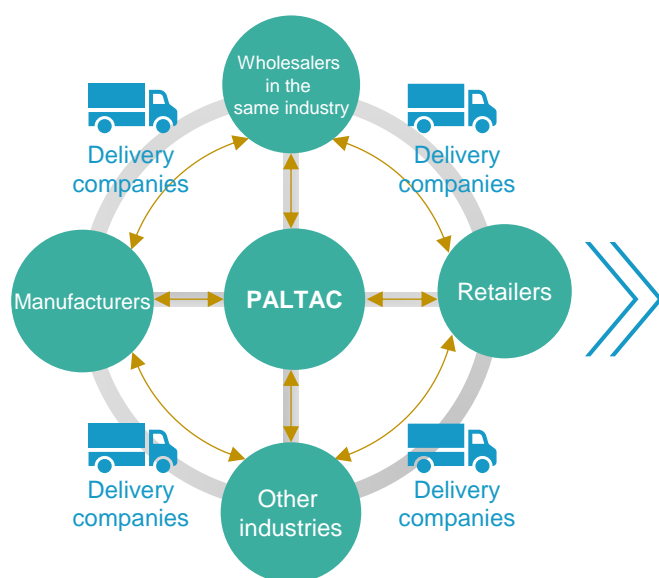
Providing high-quality distribution services throughout Japan by the nationwide distribution network centered on highly efficient, large-scale distribution centers

## Key strategies.1 Improving profitability of existing business

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

Regarding the “2024 problem in logistics”, the situation of shortage of truck drivers is getting worse. This is due to the limit for overtime work for truck drivers from April 2024, the environment for transporting products are becoming more difficult. At the same time, due to the increase in the over demands for transportation, logistics cost would rise and there are possibilities of facing the challenges that the society to which products “can not be delivered and carried” would not become reality in the near future.

About rethinking the delivery system, the important point would be to reduce the waiting time, improve the loading efficiency, shorten the driving time and modal shift. However, in the measures we could work on, there are already many efforts going on in each company, and we consider it important to higher the effect of these measures we are working on, by expanding the collaboration beyond the border of the industry and competition, including the reconsideration of the custom in this industry. In these situations, we will promote cooperation with others by using the know-how to design the structures and the know-how to improve the structures based on data, we have gained as an intermediate distributor and would like to create the logistics network that could solve the problem of lack of drivers through the multifaceted approach.



Point of improvement	Main initiatives
Reducing the driver's waiting time	<ul style="list-style-type: none"> <li>Promoting the logistics EDI</li> <li>Warehouse dock reservation system</li> <li>Standardization of material handling</li> </ul>
Improving delivery efficiency	<ul style="list-style-type: none"> <li>Joint delivery</li> <li>Adjustment of delivery frequency</li> <li>Adjustment of order quantity</li> <li>Extension of delivery deadlines</li> </ul>
Reduction of driver restraint time	<ul style="list-style-type: none"> <li>Relay transportation</li> </ul>
Modal shift	<ul style="list-style-type: none"> <li>Promoting a modal shift</li> </ul>

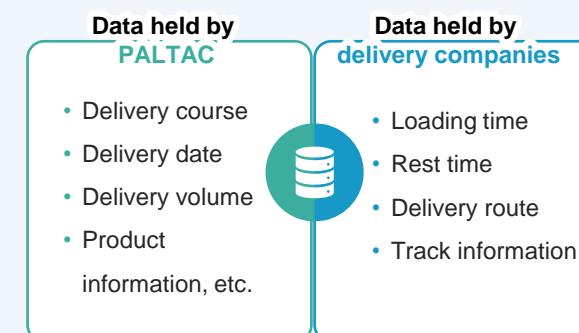
\* EDI (Electronic Data Interchange): This is an electronic data system that exchanges information such as orders, deliveries, and invoices generated in business transactions between companies.

#### Improving delivery management capabilities

The important perspective in addressing the driver shortage is to improve the working environment for drivers. To promote delivery improvement through collaboration, we first developed a delivery management system in cooperation with delivery companies for the purpose of “visualizing delivery management”.

We will obtain and analyze the data we can not only obtain internally such as both delivery volume and course, but also obtain from information related to driver operations. To do so, we will expand the range of our measures by gaining the broad understanding of delivery issues.

#### Developing the delivery management system which integrates various delivery data

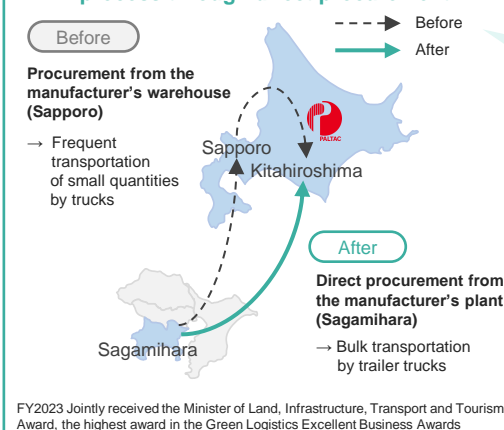


## Key strategies.1 Improving profitability of existing business

### Improvement by reviewing transportation processes

In the delivery from manufacturers to our company, compared to the delivery from our company to retailers, there tend to be large quantities of products and long-distance delivery. Based on these trends, we now are promoting the reduction of both the number of trucks and the transportation distance by rethinking the transportation process with manufacturers and delivery companies and controlling the amount and timing of orders by us.

#### Improvement of transportation process through direct procurement



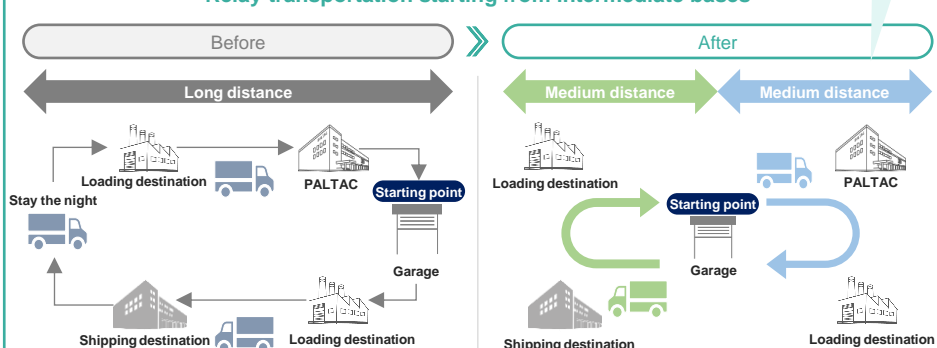
We will switch from low-volume, high-frequency truck transportation to direct purchase from of manufacturer's plants and to batch transportation by trailer through control of the use of the order coordination system (with the collaboration with Unilever Japan K.K. and Suzuyo & Co.,Ltd.)

For more details, please refer to the release document<sup>1</sup>

We have shifted from the long-distance transportation using chartered truck, to relay transportation originating from intermediate bases due to the control in lot order, order date and delivery hours. (with the collaboration with Unilever Japan K.K., Lion Corporation and Suzuyo & Co., Ltd.)

For more details, please refer to the release document<sup>2</sup>

#### Relay transportation starting from intermediate bases



<sup>1</sup> On December 19th, 2023 "Jointly awarded the highest honor, the Minister of Land, Infrastructure, Transport and Tourism Award, at the Green Logistics Excellent Business Operator Awards"

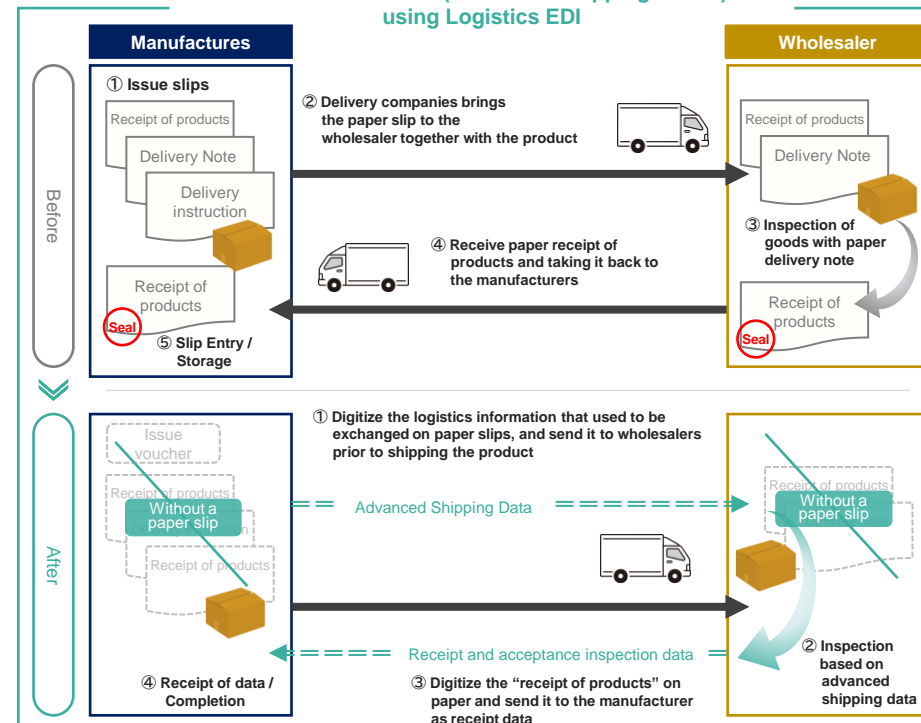
<sup>2</sup> On December 23rd, 2022 "Jointly awarded the highest honor, the Minister of Land, Infrastructure, Transport and Tourism Award, at the Green Logistics Excellent Business Operator Awards" Our Japanese website "IR news" : <https://www.paltac.co.jp/tomorrow/news.html>

### Improving productivity through the "connection" of data

In this field, there are still many paper-based daily operations. A wealth of opportunities exists for productivity improvement through digitization. In cooperation with the EDI service provider PLANET,INC., manufacturers and other wholesalers in the same industry, we promote the scheme of sharing Advanced Shipping Notice (ASN) from manufacturers using the EDI system. In this way, we aim to simplify the inspection process when receiving products, and to digitize paper slips. Moreover, we are working to make this scheme an industry standard. By receiving data on shipping information from the manufacturer before receiving the products, it is possible to generate a wide range of benefits, including reducing waiting time for drivers by simplifying the inspection process, and reducing the printing, storage, receipting and entry of paper slips by digitizing them.

For more details, please refer to the release document<sup>3</sup>

#### Introduction of ASN (Advanced Shipping Notice) using Logistics EDI



<sup>3</sup> On August 29, 2023 "Notice of Improving industry-wide productivity through the digitalization of logistics" Our Japanese website "IR news" : <https://www.paltac.co.jp/tomorrow/news.html>

## Key Strategies.2 Taking on the challenge to create new value

### Developing the industry-leading logistics model with unprecedented productivity

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

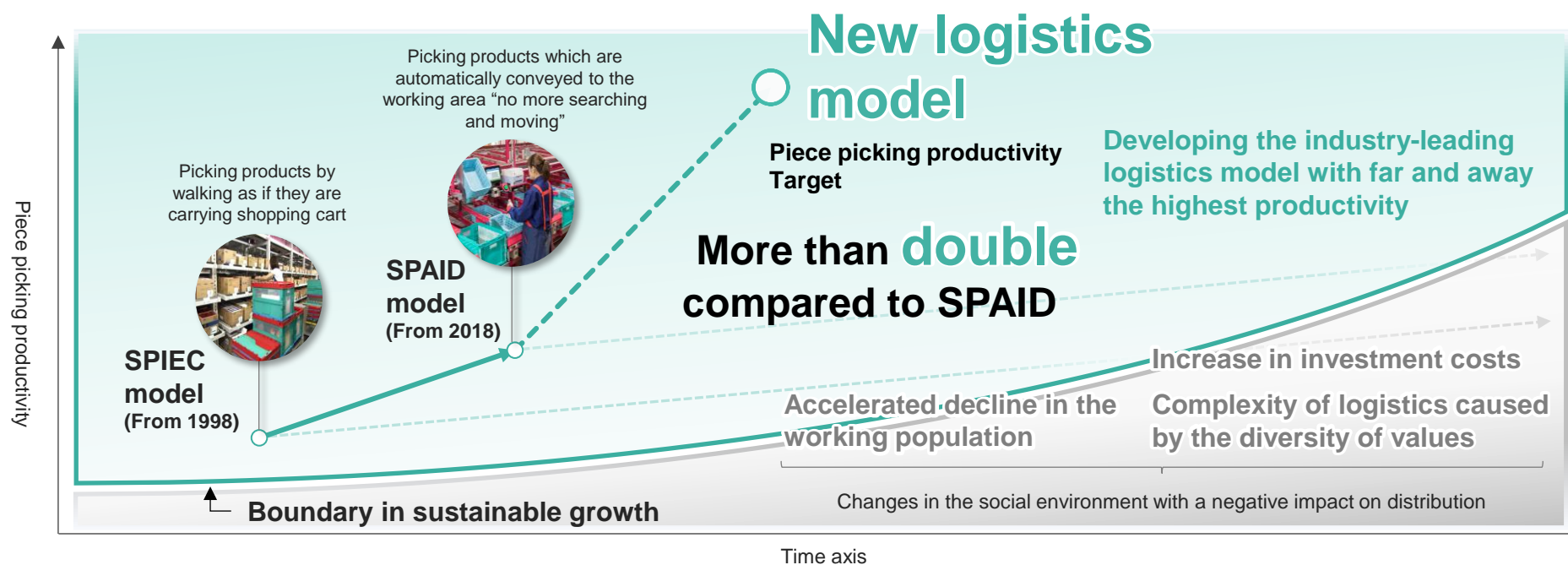
However, further productivity improvements will be needed to cope with changes in a more challenging distribution environment, such as a decline in the working population, higher investment costs due to rising material prices and growing in complexity of logistics operations due to diversifying value.

Therefore, we will challenge ourselves to innovate the operation of our distribution centers, aiming at a productivity that is twice as high as the SPAID model, by taking advantage of more than 200 expert employees who “create systems” and the know-how that cultivated over the years. In doing so, we will develop a logistics model with unprecedented productivity, which will support the distribution of the future and our sustainable growth.

#### Changes in distribution models and future targets

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

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





## Key strategies.2 Taking on the challenge to create new value

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

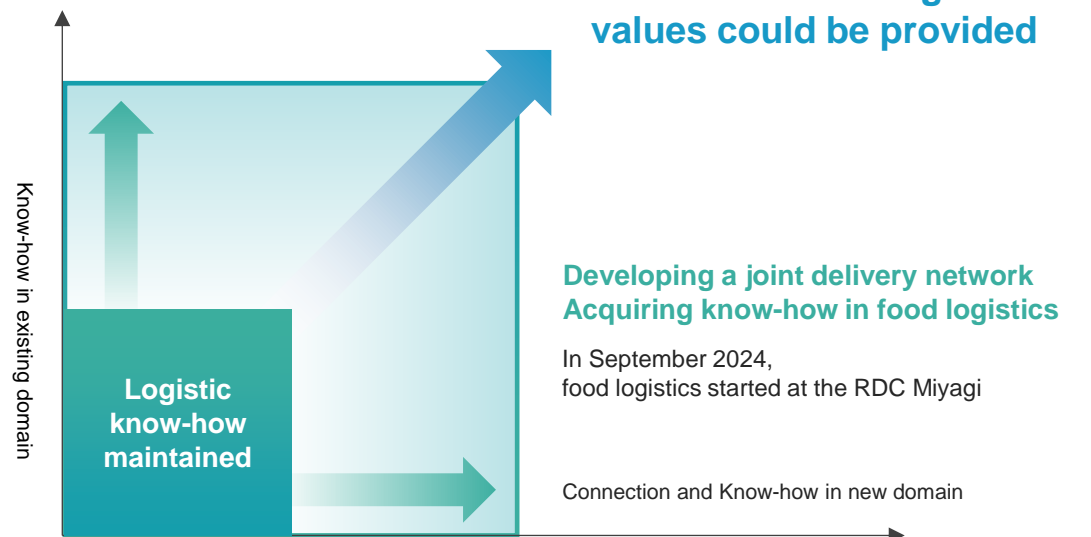
In the future, the decline in the working population will accelerate, so we anticipate a labor shortage in every process in supply chain, not just truck drivers. On the other hand, as values diversify and products and services become more personalized, there would be an increase in “high-mix, low-volume production and sales”. This would lead to the possibility that the operation in distribution will become complicated.

Even in such a changing environment, we believe that a distribution network with unprecedented productivity is essential to “continuously deliver the products when it is necessary, what it is necessary, to whom it is necessary”.

Therefore, in order to make us an “essential presence” in the distribution network, we will develop a new logistics model with unprecedented productivity. Obtaining know-how and shipping capacity from these efforts, accumulating know-how in new areas such as food logistics, and developing a delivery network that bridges competitive and industry barriers, we will expand the value creation of logistics beyond the boundaries of both categories and industries.

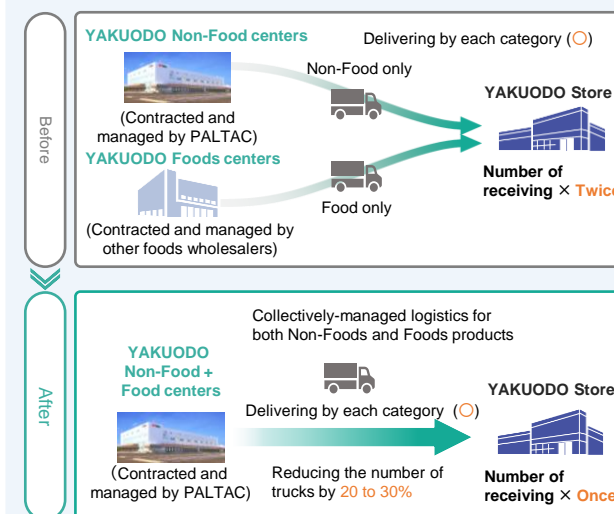
#### Areas in which our logistics values could be provided

Developing the logistics model with far and away the highest productivity



#### Collectively-managed logistics both Non-Food and Food products

We are taking on the challenge of Collectively-managed logistics both non-food (categories handled by us, such as cosmetics and daily necessities) and food products in cooperation with YAKUODO Co., Ltd Drugstores, which account for about 60% of our sales, are expanding sales of foods due to rising consumer needs. Collectively-managed logistics for both non-food and food products will improve the efficiency not only of delivery, but also of in-store display operations by applying our know-how, such as category delivery to food logistics. Also, through these initiatives, we will try to achieve the knowledge such as characteristics and operation know-how in the food logistics and will expand value creation area of logistics.





# 4

## Value Creation Foundation

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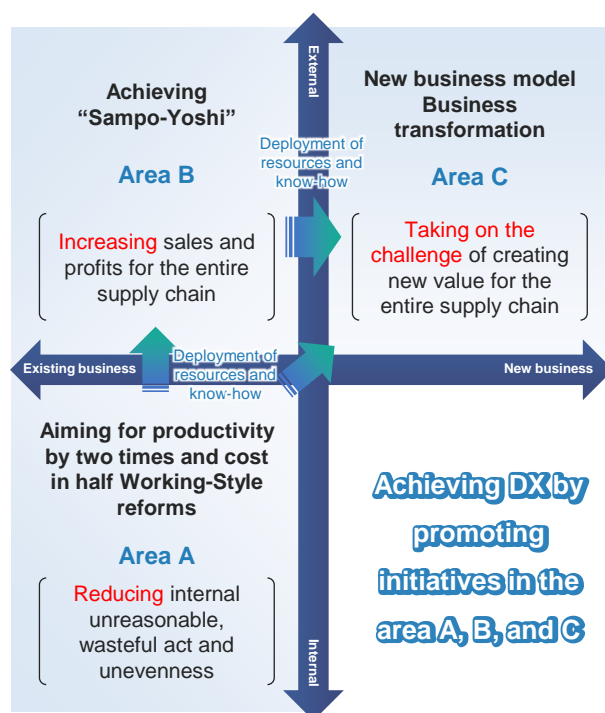
# DX Strategy

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

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

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

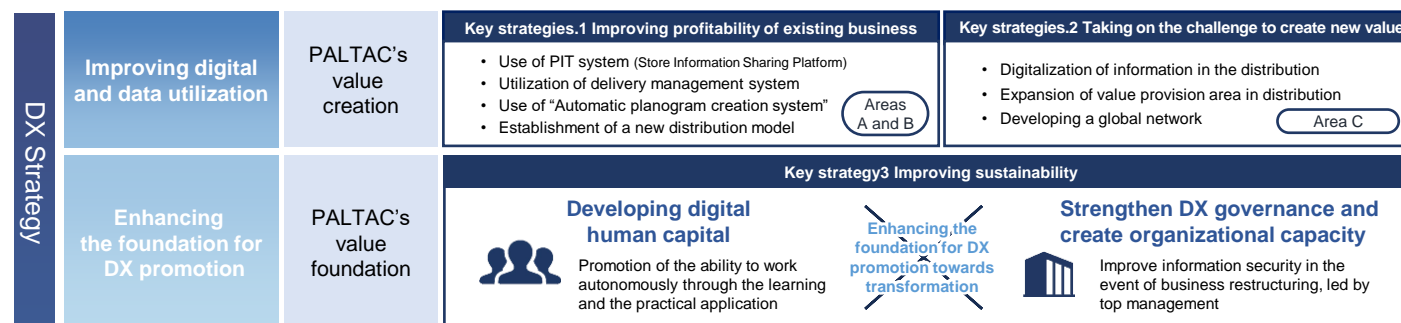
## Target we aim to achieve : Three areas



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

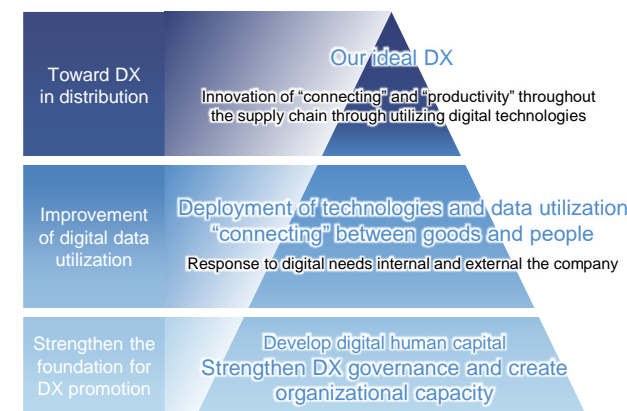
## Positioning of the DX strategy in PALTAC VISION 2027

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



## Our Aim

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



## System for DX promotion

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

\* DDI : Digital Dynamics Initiative

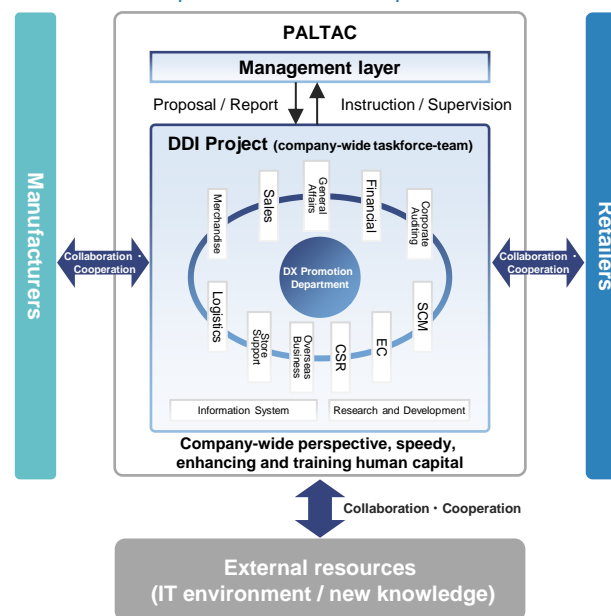
## Development of digital human capital

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

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

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

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



## Utilization of Generative AI

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

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

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

## Information security system

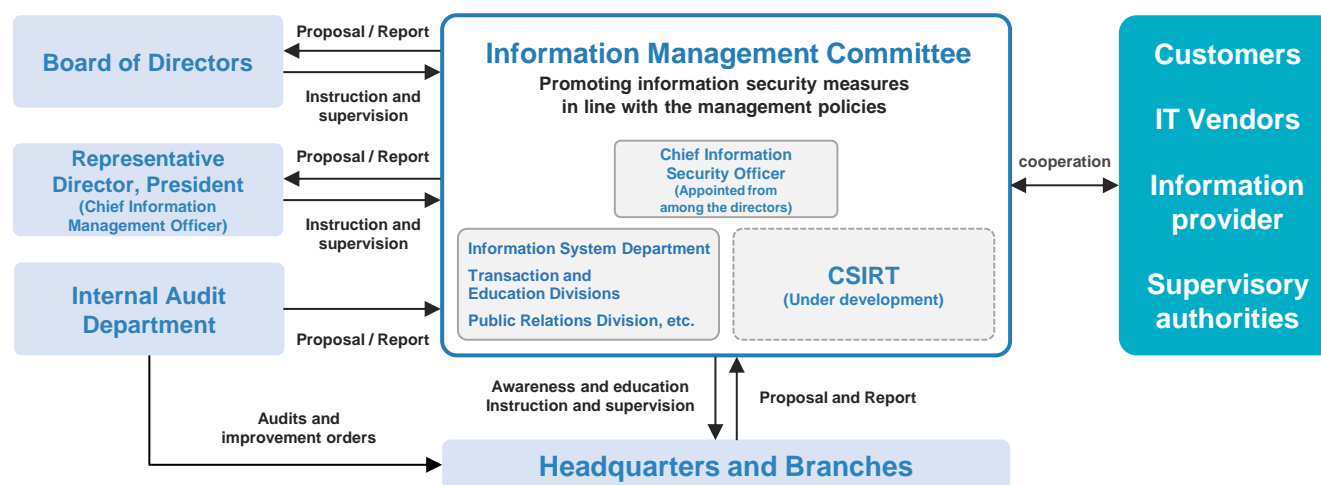
As society becomes more digitized, companies are also facing a growing number of security threats such as cyber-attacks. As a result, these attacks are increasingly leading to shutdowns.

We are actively embracing digital technology as an important tool for sustainable growth and, as a distributor of everyday essentials, we are working to strengthen our response to information security risks that could affect the stable supply of our products.

For our information security structure, including cybersecurity, we have established the Information Management Committee as an organization reporting directly to the Chief Information Management Officer (President). Under the direction of the Chief Information Security Officer (CISO), the committee is made up of managers and practitioners appointed from each department, and the PDCA cycle, which repeats the formulation, implementation, evaluation (audit) and improvement of plans, is at the heart of the committee to systematically and continuously improve security.

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

### Information security system



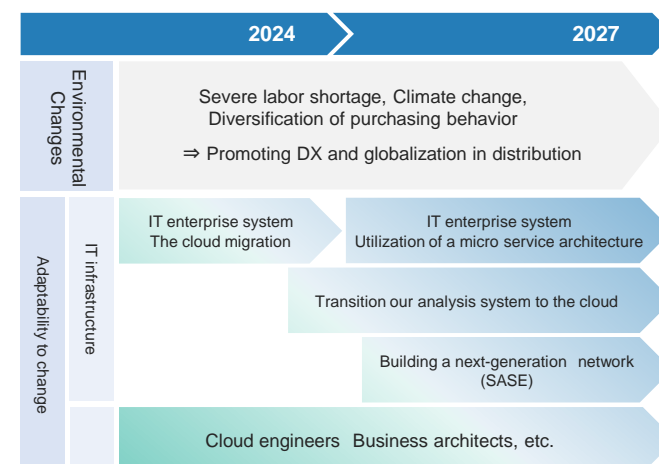
\* CSIRT: Computer Security Incident Response Team

## Strengthening IT systems to support DX promotion

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

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

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



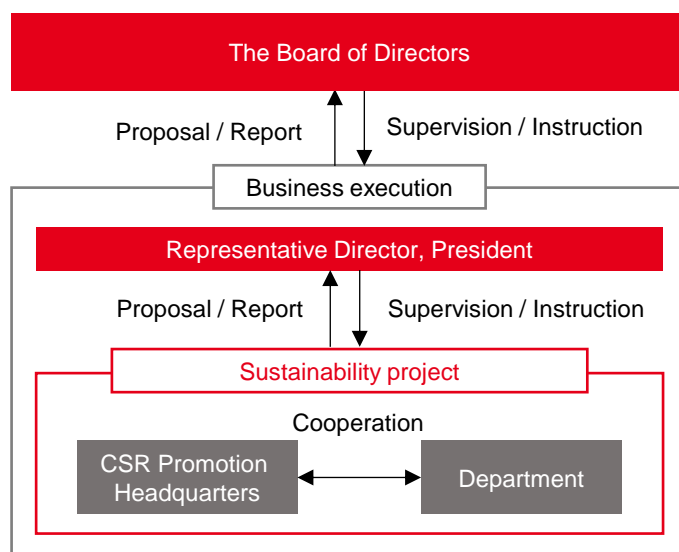


# Sustainability Management

## Governance

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

### ■ Promotion structure

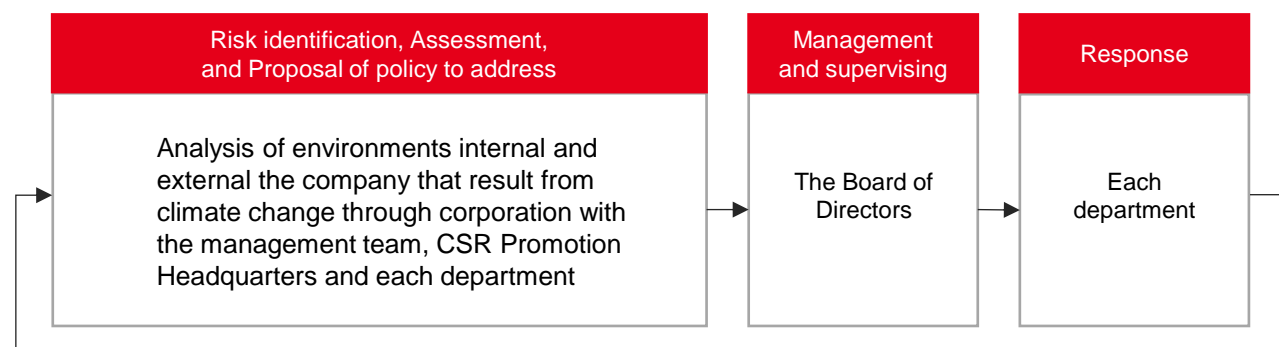


## Risk management

Towards achieving our management goals, we have established the "risk management regulations" to appropriately respond to potential risks in business execution and fulfill our corporate social responsibility. Regarding the risk management system, the CSR Promotion Headquarters, which is the supervisory department for risk management, takes the lead in collaborating with the management layer and each department, and identifies and analyzes risks that may affect business operations, including aspects of sustainability such as climate related risks and human capital management. We also evaluate the importance based on criteria

incorporating the potential impact on business operations, probability of the risk occurring and other factors, and formulate response policies. The results of progress are eventually reported to the Board of Directors and managed and overseen by the Board of Directors. We incorporate major risk factors which are identified through above the process into our medium-term management strategy and promote to address.

### ■ Risk management process



# Maximizing the Value of Human Capital

We believe that human capital is the source of value creation and our most important asset. In our long-term vision, we will aim to achieve the growth with the company and the society through respecting each other of diverse human capitals and the exercising of its potential with autonomy and spontaneity. For the realization of long-term vision, we will actively invest in “developing and securing diverse human capital”, “creating an environment enables human capital to exercise their full potential”, and “promoting health and productivity management”. By doing so, we will promote the synergistic effect of every initiative and will improve employees’ engagement and create a corporate culture of autonomy and spontaneity.

## Strategy

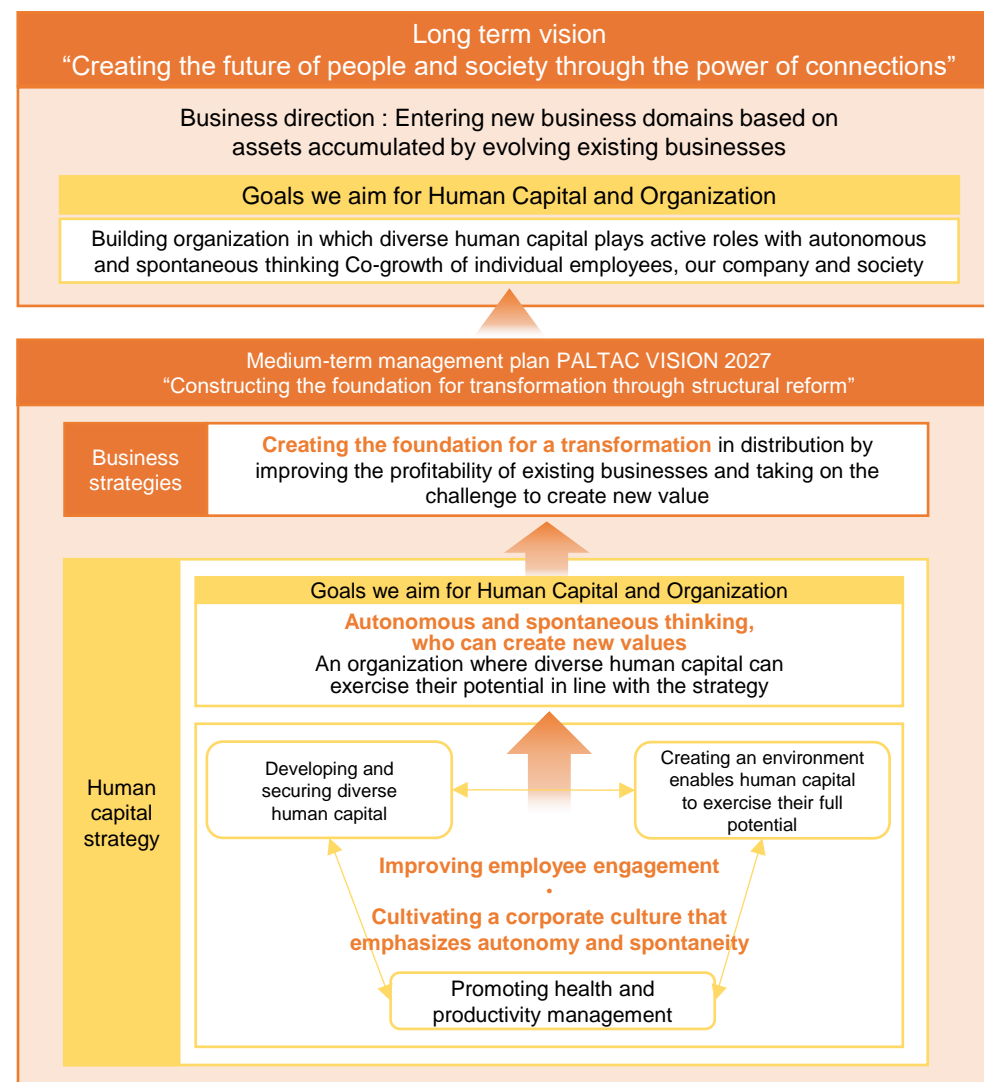
About developing and securing diverse human capital, we will build up the portfolio of human capital needed to realize our long-term vision, including talents that can design new forms of distribution with fresh perspectives, and those who can optimally utilize digital technology and materialize their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

In terms of creating an environment enables human capital to exercise their full potential, we will improve “job satisfaction” by structuring the support of individual autonomy, career creation, and optimizing the allocation of human capital according to the characteristics of each individual using talent management system. In addition, by developing various system and reforming work style to promote active actions regardless of their gender nor their attributes, and by making the office a workplace that could improve the comfort and optimization, we will create a “comfortable work environment” that would make the most of diverse values.

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

## Metrics and Targets

Our Target	Metrics (FY2027)		Results (FY2024)
Building organization in which diverse human capital play active roles with autonomous and spontaneous thinking	Percentage of female employees in management positions	8.4%	6.7%
	Percentage of male employees taking childcare leave	60%	30%
	Employee engagement score	55.0	48.1



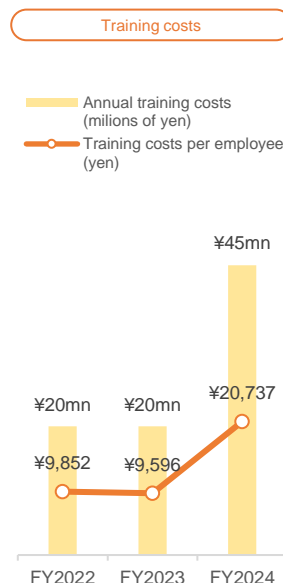
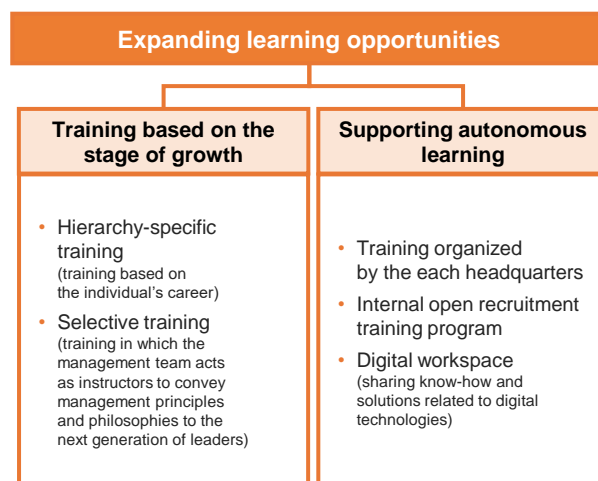
## Maximizing the Value of Human Capital

### Developing and securing diverse human capital

#### Continuous human capitals development

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

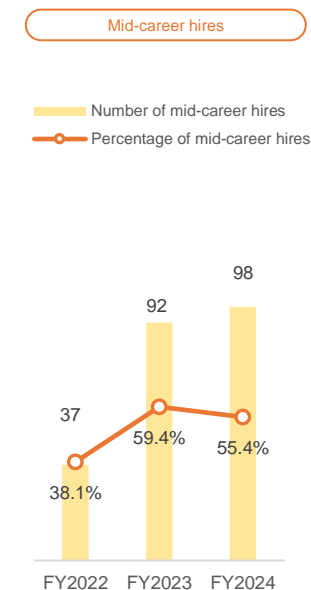
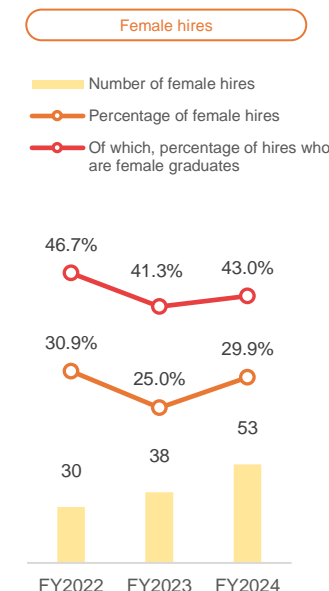
To effectively utilize digital technology, which is essential for the creation of new value in distribution, we aim to improve the digital literacy of our employees by creating the digital workspace and portal website where employees can interact with each other and share knowledge, know-how and issues, regardless of their location or department. Also, we will create new learning opportunities and foster a “diversity of knowledge and experience” from the perspective of different divisions through active job rotation and open departmental transfers.



#### Flexible recruitment of human capital

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

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



## Maximizing the Value of Human Capital

### Creating an environment enables human capital to exercise their full potential

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

#### Creating an environment enables human capital to exercise their full potential

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

#### Renovation of head office cafeteria



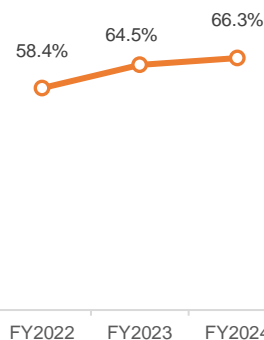
The cafeteria has been renovated as a place that can be used in a variety of ways, such as open meeting, concentration on their individual work (we set up a concentration booth for employees who want to concentrate). It is used not only for meals, but also as a place for communication among employees.

### Promoting health and productivity management

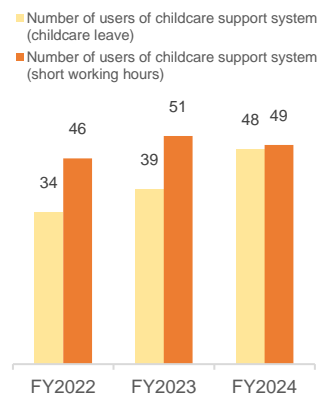
As a company engaged in the distribution of daily necessities, we recognize that maintaining and promoting the health of employees is the most important issues in management. We are working on initiatives to promote the health of our employees in the belief that working in an environment where each and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

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

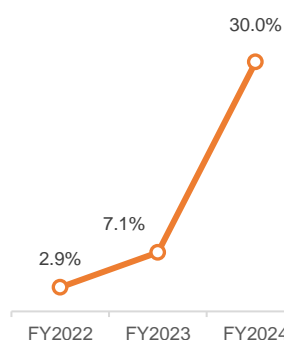
Percentage of taking annual paid leave



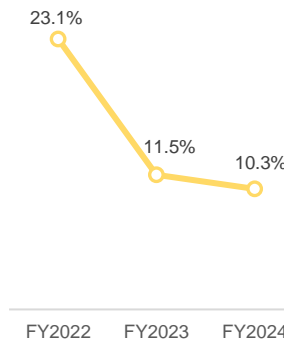
Number of users of childcare support system



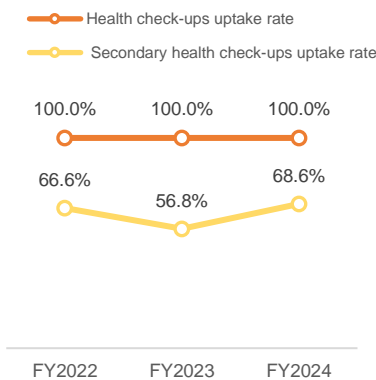
Percentage of male employees taking childcare leave



Turnover Rate within three years of joining-for University graduates



Health check-ups uptake rate





## Maximizing the Value of Human Capital

### Improving employee engagement

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

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

Developing and securing  
diverse human capital

Creating an environment enables human  
capital to exercise their full potential

Promoting health and  
productivity management



#### Cultivating a sense of oneness within the company

Improving the management's  
awareness of employee engagement

##### Engagement workshops

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



Promoting interactive communication

##### Messages from top management

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



Company Newsletter “Palace”

##### Town-hall meeting

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

### Engagement score

Medium-term  
management term

Target for the final  
fiscal year

55.0

FY2027

48.1

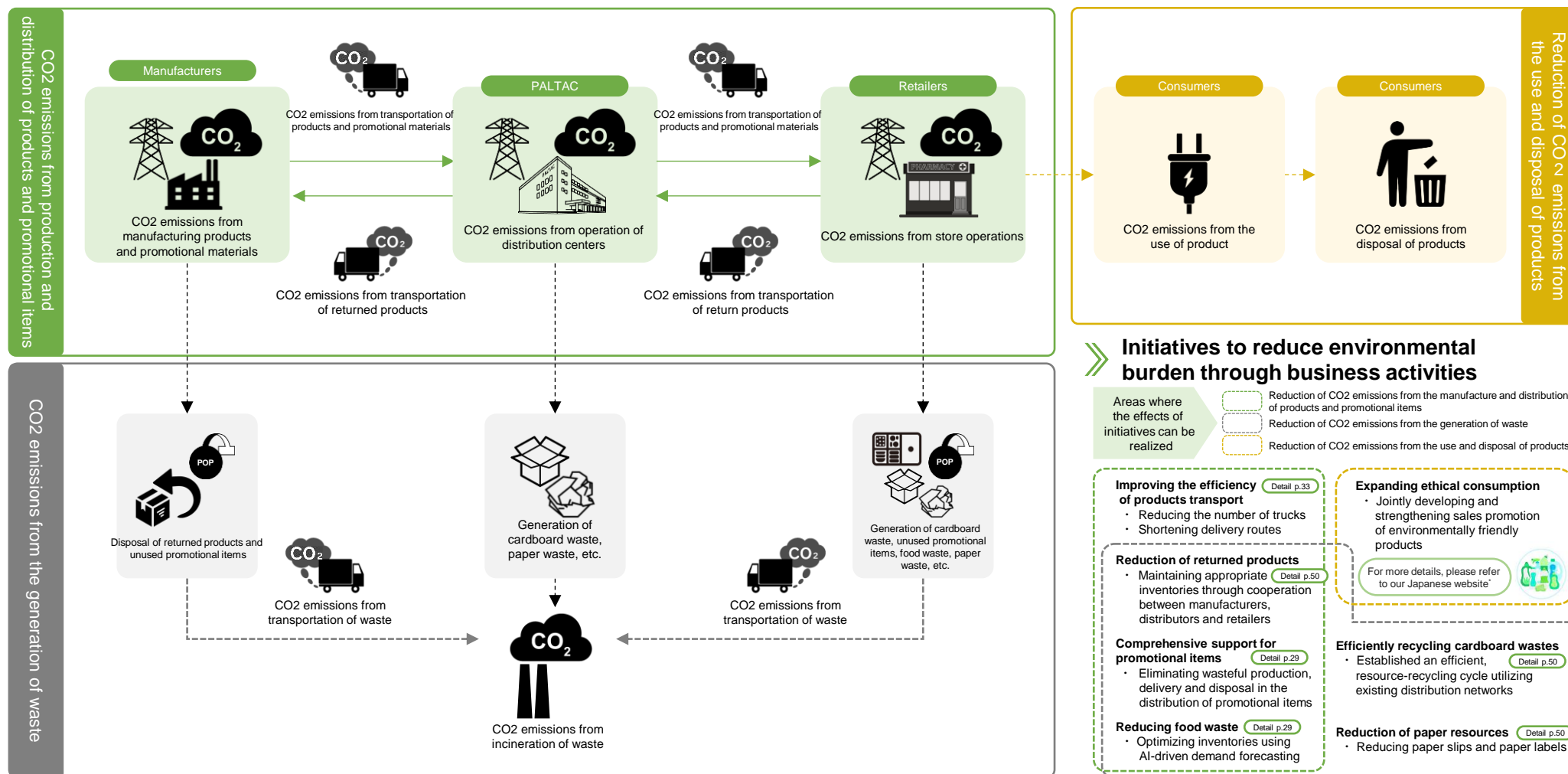
FY2024

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

# Harmonizing the Environment

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

## Major environmental burdens generated in the supply chain



# Responding to Climate Change

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

## Strategy

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

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

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

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

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

## Risks and Opportunities

Type of risks/ opportunities			Overview of the risks/opportunities		Impact on business and finance	
					Below 2°C	4°C
Risks	Transition	Policies, laws and regulations	<ul style="list-style-type: none"> <li>• Increase in costs due to the introduction of carbon taxes, etc.</li> <li>• Rise in the unit cost of logistics due to cost increase in the delivery industry</li> </ul>		Moderate	Small
		Reputation	<ul style="list-style-type: none"> <li>• Decline in transactions due to delay in efforts to address the climate change</li> </ul>		Moderate	Small
	Physical	Long-term	<ul style="list-style-type: none"> <li>• Decline in demand for winter-seasonal products due to high temperatures</li> <li>• Rise in raw material prices due to shifting weather patterns (raise in purchasing costs)</li> </ul>		Small	Small
		Acute	<ul style="list-style-type: none"> <li>• Damage on supply network due to an intensification of abnormal weather (damage to facilities or injuries to employees)</li> </ul>		Small-Moderate	Small-Moderate
Opportunities		Increase in sales opportunities	<ul style="list-style-type: none"> <li>• Expansion in consumer needs for ethical consumption</li> <li>• Increase in demand for disaster and emergency response products</li> </ul>		Small	Small
			<ul style="list-style-type: none"> <li>• Increase in demand for summer-seasonal products and for products against the hot weather due to high temperatures</li> </ul>		Small-Moderate	Small
		Rise in relative competitiveness	<ul style="list-style-type: none"> <li>• Rise in needs for low-cost distribution network which minimize the cost increase to address climate change</li> </ul>		Small	Small
			<ul style="list-style-type: none"> <li>• Rise in needs for distribution base which to ensure stable supply (BCP and nationwide distribution network)</li> </ul>		Small-Moderate	Small-Moderate

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

## Metrics and Targets

### Scope1 + 2

With a view to contributing to the realization of a temperature rise of less than 2 °C by the end of the century, we have set targets for Scope 1 and 2 of “50% reduction in CO2 emissions in FY2030 (ending March 2031) compared to FY2020 (ending March 2021)” and “virtually zero CO2 emissions in FY2050 (ending March 2051)”. As an indicator for achieving the target, we have set our goals as “28% reduction of CO2 emissions in FY2026 (ending March 31, 2027) compared to FY2020 (ending March 31, 2021)” as an important non-financial target in “PALTAC VISION 2027”.

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

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

FY2024 has been achieved.

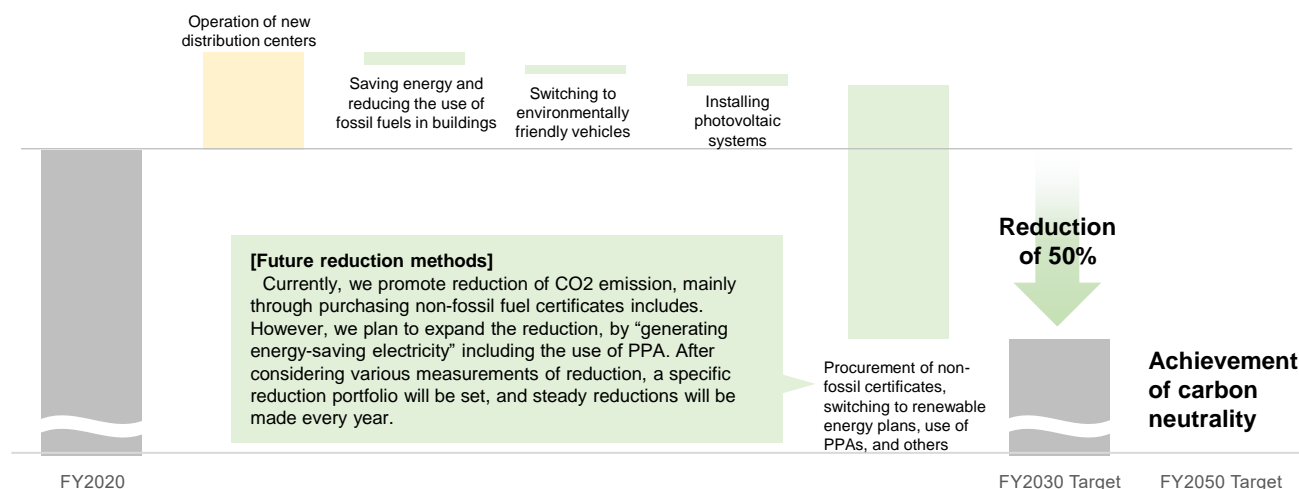
We will continue to make steady reductions from year to year and promote effective initiatives in response to environmental changes by considering all possible measures, including procurement of renewable energy derived from power with additionally using Power Purchase Agreements (PPA).

### TOPICS

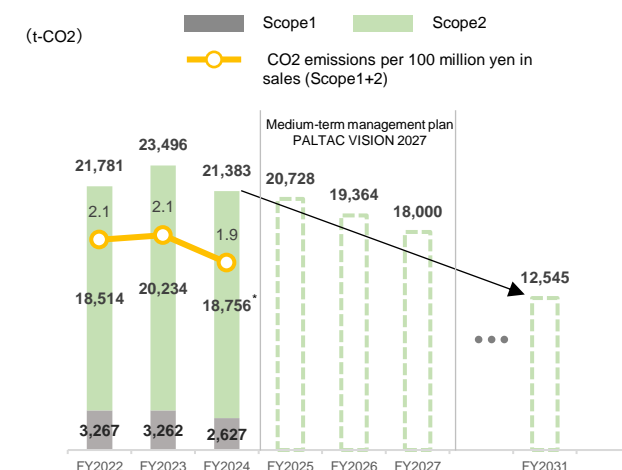
We will use the amount of outperformance expected to arise from the “ESG share buyback” announced on 29 July to fund for reduction of Scope 1+2 emission. For more details, please refer to the released document\*.

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

### ■ The roadmap for achieving the 2030 reduction target



### CO2 emission Scope1+2



\* The “CO2 reductions associated with the purchase of non-fossil fuel certificates”, for calculating CO2 emissions in Scope 2, are calculated by using the “National Emission Factor” and the “FIT Adjustment Rate” published on June 24th, 2024.



## Scope3

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

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

### ■ Scope3 CO2 emissions\*1 (t-CO2)

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

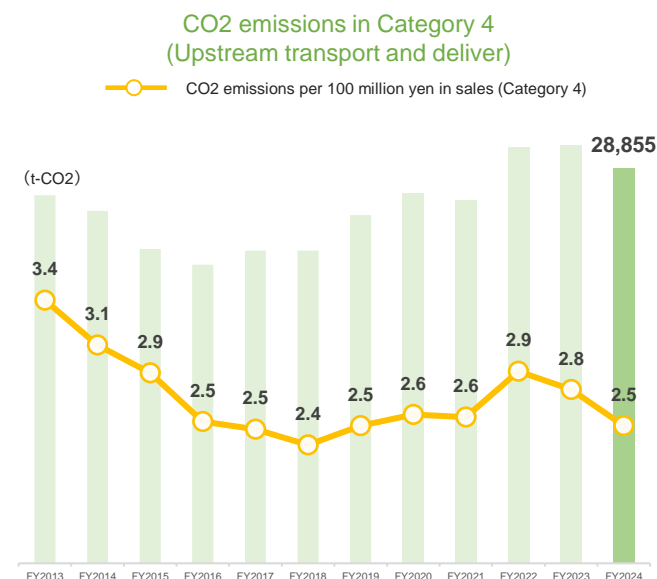
\*1 From the fiscal year ended March 2023, we have increased the number of calculation categories for Scope3 and have calculated the above-mentioned 9 categories. In calculating, we refer to the guidelines (Ver3.4) and the emission unit database (Ver3.4) published by the Ministry of the Environment.

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

### Reduction of CO2 emissions from the transportation of products

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

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



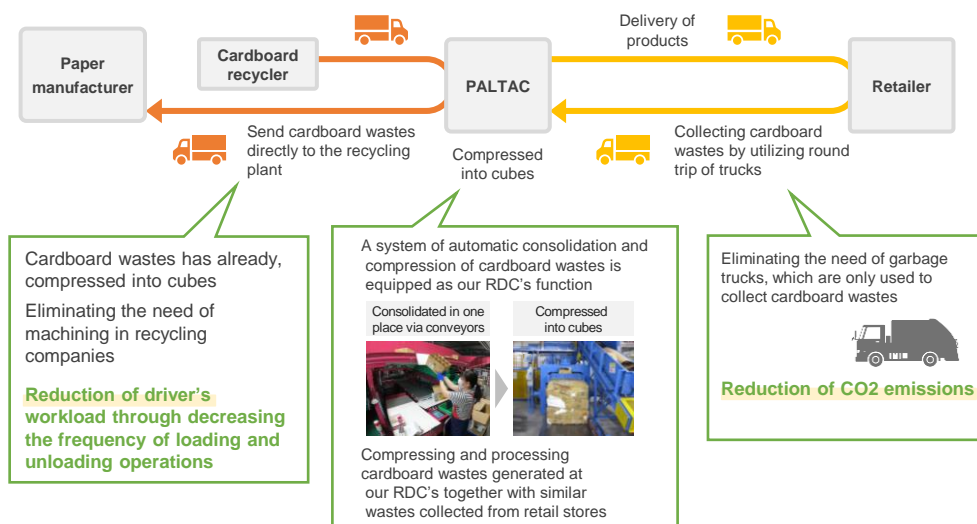
## Establishing a Recycling-oriented Society

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

### Recycling of cardboard waste

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

#### Efficiently recycling cardboard wastes utilizing existing distribution networks



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

### Reduction of returned the products

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

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

### Using eco-friendly foldable container

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

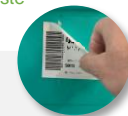


Enabling to rewrite shipping labels repeatedly without contact with the surface

Eliminated the need for disposable label

Contributing to reducing waste

【Conventional model】  
Manually attach and replace of shipping labels



### Reducing food waste through AI-driven demand forecasting

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

Detail p.29

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

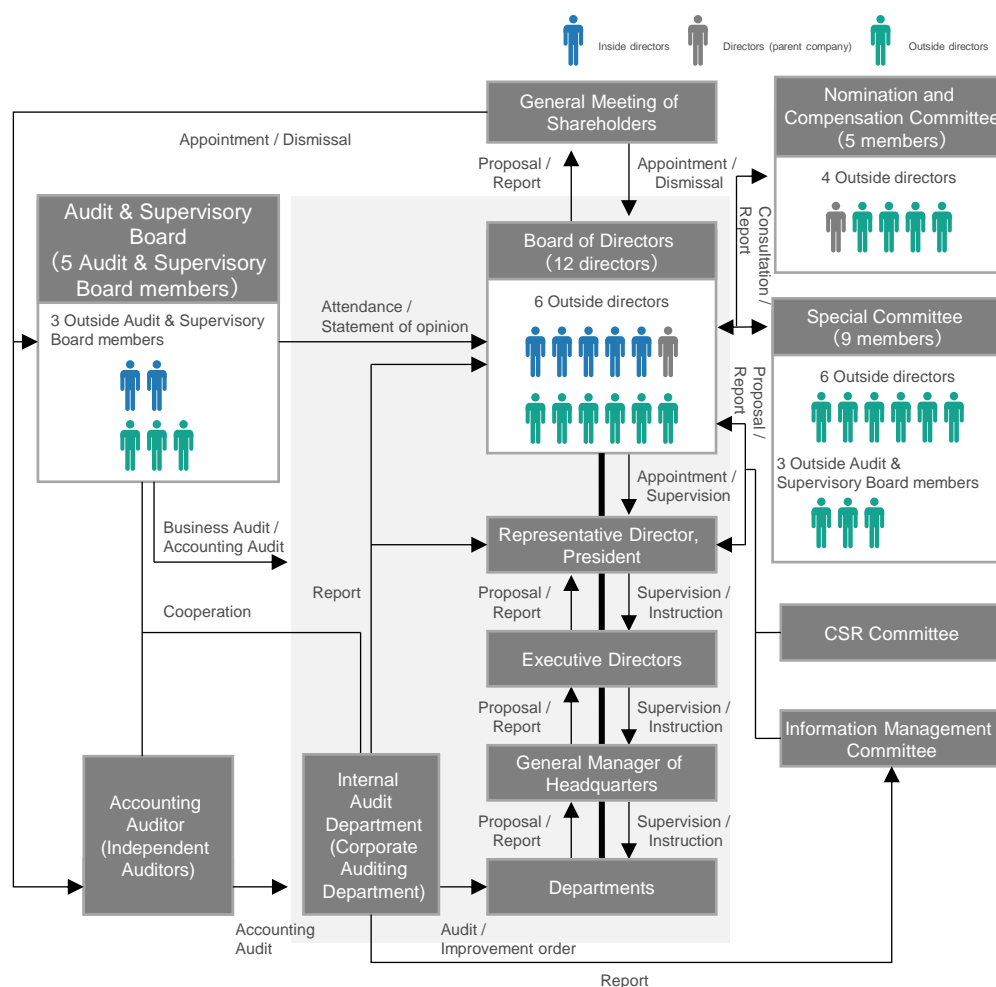


\* Regarding the handling of environmentally friendly products  
Our Japanese website “Environment”  
<https://www.paltac.co.jp/attitude/environment/index.html>

# Corporate Governance

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

## Corporate Governance structure



## History of Governance reforms

2004	Introduction of Executive Officer system		
2011	Appointment of Outside directors		
2015	Appointment of Female directors		
2019	<b>Establishment of voluntary Nomination and Compensation Committee</b>		
	The role is to enhance the fairness, impartiality, and objectivity of procedures related to the nomination and compensation of directors and so on, by securing appropriate involvement of outside directors, and to strive for continuous strengthening and enhancement of our corporate governance.		
	〔 Members : As of June 21, 2024 〕		
	Chairman	Shingo Inui (Outside Director)	
Members	Kaori Oishi (Outside Director)	Ichiro Yoshitake (Outside Director)	
	Akito Hattori (Outside Director)	Yuji Sakon (Director)	
2020	Expanded ratio of Outside directors to at least one-third		
2021	Started evaluation of the effectiveness of the Board of Directors		
2023	<b>Established the Special Committee</b>		
	The roll is to carefully discuss and deliberate the necessity and rationality, appropriateness of transaction terms and conditions with regard to important transactions that conflict with the interests between controlling shareholders and minority shareholders, and report to the Board of Directors.		
	〔Members : As of June 21, 2024 〕		
	Chairman	Ichiro Yoshitake (Outside Director)	Members

## Management Team (As of June 24, 2024)

### Members of the Board

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

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



Representative Director,  
Chairman

#### Seichi Kasutani

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

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



Representative Director,  
President

#### Takuya Yoshida

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

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

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



Director, Senior Managing  
Executive Officer, In charge  
of Administration

#### Masahiro Noma

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

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



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

#### Masaharu Shimada

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

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



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

#### Yoshitaka Yamada

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

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



Board of Directors

#### Yuji Sakon

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

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

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



## Management Team (As of June 24, 2024)

### Members of the Board



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

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

Outside Director  
Independent Officer

**Kaori Oishi**

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



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

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

Outside Director  
Independent Officer

**Mineko Orisaku**

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



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

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

Outside Director  
Independent Officer

**Shingo Inui**

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

[Chairman of the Nomination and Compensation Committee]



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

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

Outside Director  
Independent Officer

**Ichiro Yoshitake**

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

[Chairman of the Special Committee]



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

Outside Director  
Independent Officer

**Tatsuomi Takamori**

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



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

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

Outside Director  
Independent Officer

**Akito Hattori**

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

## Management Team (As of June 24, 2024)

## Audit & Supervisory Board Members



Standing Audit &  
Supervisory Board Member

### Takashi Shintani

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

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



Standing Audit &  
Supervisory Board Member

### Takeo Gomi

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

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



Outside Audit & Supervisory  
Board Member Independent  
Officer

### Hiroshi Haraguchi

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

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



Outside Audit & Supervisory  
Board Member Independent  
Officer

### Kyoko Hikita

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

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

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



Outside Audit & Supervisory  
Board Member Independent  
Officer

### Noriaki Miki

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

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

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

## Management Team (As of June 24, 2024)

### Executive Officers

#### Senior Managing Executive Officer

**Akiyoshi Moriya**

General Manager of Kanto  
Administration Headquarters

**Masashi Maeda**

General Manager of Information  
System Headquarters

**Hideo Ashihara**

General Manager of Sales  
Headquarters and Logistics  
Headquarters

**Masakazu Mikita**

General Manager of Research  
and Development Headquarters

#### Managing Executive Officer

**Hiroshi Murai**

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

**Mitsuhiko Seki**

General Manager of Store  
Support Headquarters

**Naoto Murao**

General Manager of Financial  
Headquarters

**Satoshi Akiyama**

General Manager of Yokohama  
Branch Office

**Sachiyo Yoshida**

General Manager of General  
Affairs Headquarters

**Makoto Konishi**

MCC Business Headquarters

#### Executive Officer

**Ryohei Isobe**

Deputy General Manager of  
General Affairs Headquarters

**Hideki Inaba**

General Manager of LC  
Business Headquarters

**Koji Yoshida**

Deputy General Manager of  
Overseas Business  
Headquarters

**Naoki Sawada**

General Manager of Hokkaido  
Branch Office

**Hirokazu Takayama**

General Manager of Chubu  
Branch Office

**Yukinori Sakakihara**

General Manager of Kinki  
Branch Office

**Akira Mikami**

General Manager of Kyusyu  
Branch Office

**Syohei Matsumoto**

Deputy General Manager of  
Research and Development  
Headquarters

**Takashi Uemura**

General Manager of Tokyo  
Branch Office

**Yuji Mikami**

General Manager of Tohoku  
Branch Office

**Hiroaki Muraki**

General Manager of CSR  
Promotion Headquarters

**Hiroshi Yoshihara**

General Manager of  
Chushikoku Branch Office

**Hirokazu Inoue**

General Manager of  
Merchandise Headquarters

## Management Team (As of June 24, 2024)

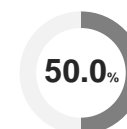
## Skills matrix (Skills required of Directors and Audit & Supervisory Board Members)

In consideration overall balance amongst knowledge, experience and ability as well as diversity, skills requirements and roles at each director we particularly expect, are as follows

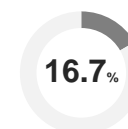
In addition, this skill matrix does not contain all the skills held by each director.

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

Percentage of Outside directors



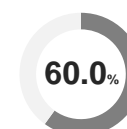
Percentage of Female directors



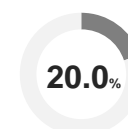
Average age of directors : 61

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

Percentage of Outside Audit & Supervisory Board members



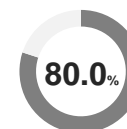
Percentage of Female Audit & Supervisory Board members



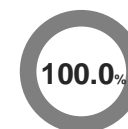
Average age of Audit & Supervisory Board members : 62

Inside auditor : 62  
Outside auditor : 62

Nomination and Compensation Committee  
Percentage of Outside Directors



Special Committee  
Percentage of Outside Directors

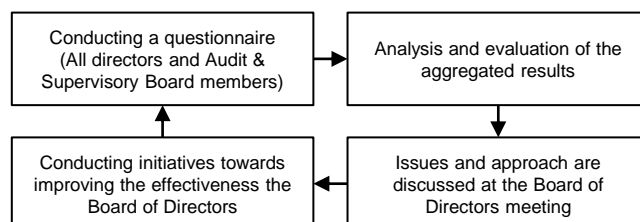




## Evaluation of the effectiveness

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

### ■ Evaluation process



### ■ Evaluation items

The contents of the questionnaire are described in the section as below. The questionnaire consists of each item is rated on 5 points scales. Also, there is additional comments form regarding each items.

#### The highlights of the evaluation

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

## Review of evaluation results in October 2023

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

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

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

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

### Examples of specific comments listed in the effectiveness evaluation questionnaire

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

## Compensation for Directors

We set out basic policy on directors and Audit & Supervisory Board members compensation, shall be incentives that enables our company to attract, secure, and reward diverse and talented personnel in order to achieve our management strategy, and shall be one that maintain respective ranks in consideration of a balance amongst common practices, business performance and employee salaries based on changes in business environment and objective data. Compensation for the directors comprises fixed basic compensation and annual bonus based on each year's performance, but compensation which reflects the mid-and-long term performance is not set out. Fixed basic compensation is determined based on the significance of the position and duty of the director. The bonus is set at the level which becomes a percentage of bonus in the annual compensation remained relatively steady at 20-30% and that directors with higher position would be entitled to retain a higher percentage of that. We do not have any specific management indicator but determine compensation according to internal rules in comprehensive consideration of results of operating profit, ordinary profit and SG&A expenses ratio, which are our important performance indicator, linked to KPIs in annual business plans, and even individual performance and contribution to increase corporate value.

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

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

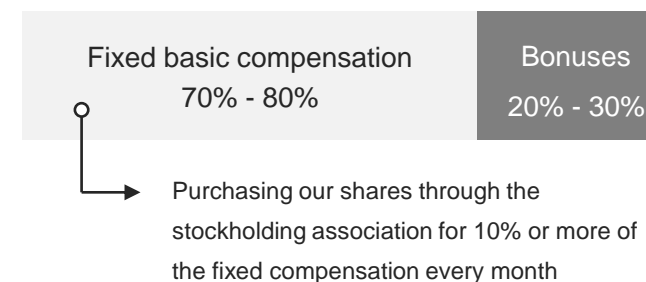
(Fiscal year ended March 2024)

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

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

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

<Image> Officer compensation



## Group governance structure

Aiming for contribution to the society, the parent company's group MEDIPAL HOLDINGS CORPORATION with a majority share of our voting rights, operates mainly in three business areas: prescription pharmaceutical wholesale business, cosmetics, daily necessities and OTC pharmaceuticals wholesale business and animal health products and food processing raw materials wholesale business.

In these business areas, we operate cosmetics, daily necessities and OTC pharmaceuticals wholesale business. There is no competition with the parent company's group excluding our company and, we carry out our own sales activities without any restriction, because of the differences in the merchandise categories and in the distribution channels compared to the other two business areas. Also, we make all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions our own.

At the same time, the parent company respects our independency and protect of minority shareholders of our company. Based on the Group Company Management Regulations, the parent company believes it is desirable, from the perspective of group management, for us to improve its corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the Regulations state that our Board of Directors is a final decision-making organ. Regarding the personal relationship with the parent company group, from the perspective of appropriate group governance, we accept one director of the parent company as our company's director, and in order to maintain our independence, one of our company's director also serves as a director of the parent company. Based on the above, we recognize that appropriate independence from the parent company group has been secured.

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

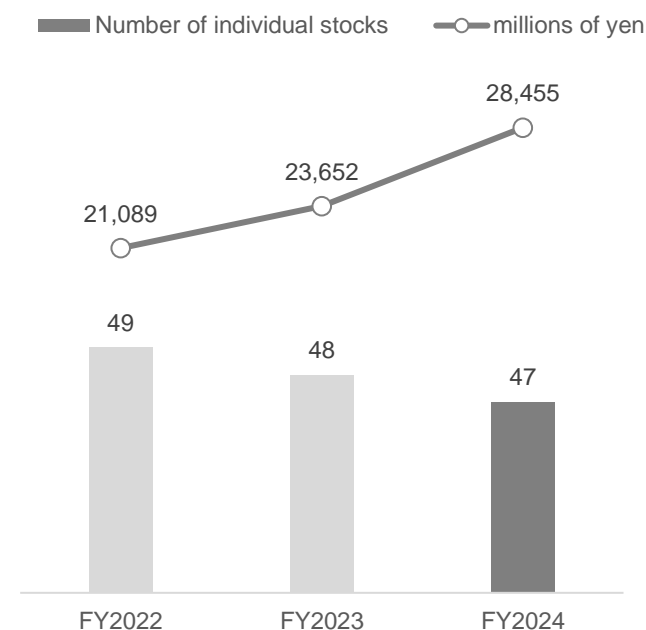
We will continue to strive to enhance the value through such group-wide initiatives.

## Cross-Shareholdings strategy

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

### Evaluation criteria for shares held

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

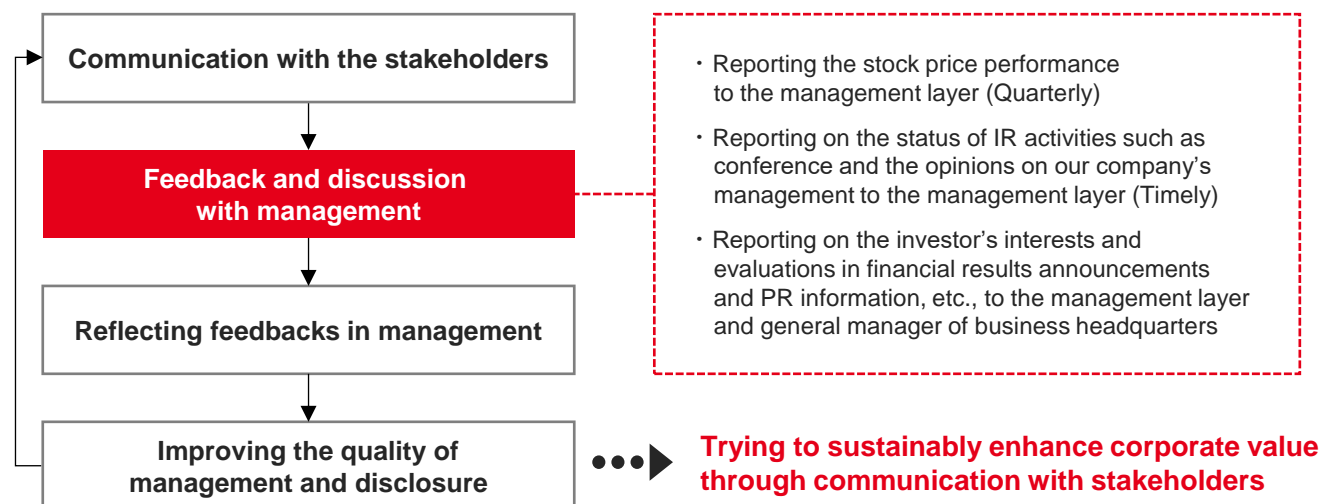


## Communication with shareholders and investors

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

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

### ■ Cycle of dialogue with the stakeholders



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

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

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



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



## Compliance

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

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

### Initiatives to raise compliance awareness

#### Online training

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

#### CSR Newsletters

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

#### Group training

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

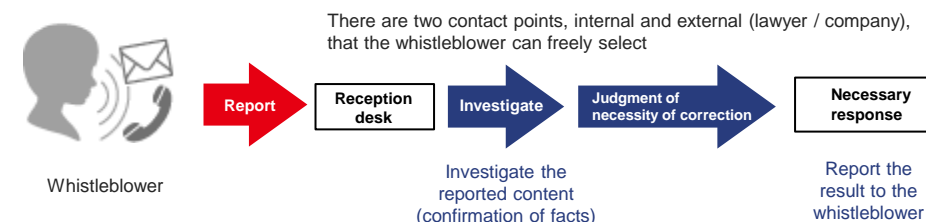


The “CSR training” common to the MEDIPAL GROUP



“Compliance training” for new employees

### <Image> Response to the public interest reporting hotline



## Respect for Human Rights

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

### Participated in “Cosme Bank Project” as a partner company

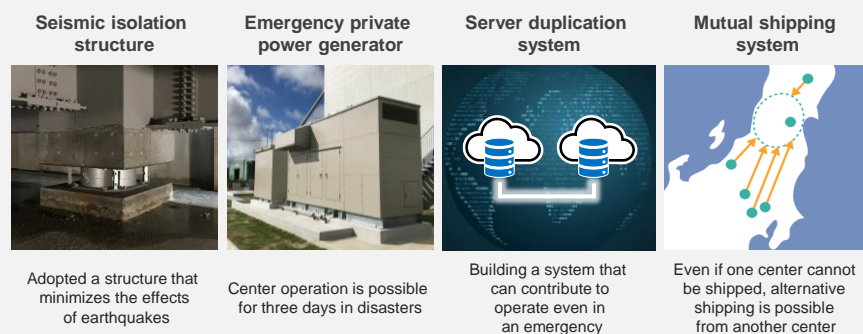
Under the slogan of “Smile for Women and the Earth”, this project collects quality products with the difficulty in resale, such as previous products due to product renewal and unopened products returned from stores via various companies and distributes them free of charge to women with economic hardships.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



## Disaster Countermeasures

We believe that it is our mission to reliably deliver the “daily necessities” that are indispensable to people’s lives at all times, and we try to provide products stably under normal conditions and even in emergencies. To do that, we are strengthening our distribution base to respond to various issues such as natural disasters, and so on. By constantly reflecting the experience of a disaster in the BCP, strengthening equipment, and building optimal operations, consumer will be able to obtain products that enrich daily lives “at any time” and “affordably”. We will work to maintain and continue the “stable supply” that supports such usual daily lives.

### Mechanisms to support “stable supply”



### Establishment of an organizational structure in the event of a disaster

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

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

## Quality Management

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

### Date management

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

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

#### Digitalizing logistics information to ensure date management and improve operational efficiency

Detail p.34

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

### Quality management based on JGSP

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

\* JGSP (Japanese Good Supplying Practice)

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

### Continuous education of pharmaceutical affairs

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

# 5

## Corporate Data

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## Financial Highlights (Eleven-Years)

	FY2014	FY2015	FY2016 <sup>*1</sup>	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 <sup>*2</sup>	FY2023	FY2024
<b>Sales and Income (millions of yen)</b>											
Net sales	831,899	794,221	860,350	922,095	966,684	1,015,253	1,046,412	1,033,275	1,045,735	1,104,152	1,151,966
Gross profit	86,440	61,985	67,104	71,348	76,051	79,645	81,527	81,162	81,759	82,395	86,358
Selling, general and administrative expenses	76,223	47,808	51,003	52,218	53,045	54,246	56,818	55,674	55,838	57,923	59,185
Operating profit	10,216	14,177	16,101	19,129	23,006	25,399	24,708	25,487	25,921	24,472	27,172
Ordinary profit	15,779	16,322	18,556	21,573	25,498	28,528	27,316	28,053	28,637	27,440	30,545
Profit	9,185	10,267	11,929	14,605	17,453	19,767	25,412	19,317	19,639	19,251	20,638
Depreciation	5,180	4,861	4,985	4,931	4,830	4,493	5,059	5,650	5,486	5,750	6,553
Capital expenditures	12,056	691	15,583	9,791	13,649	10,700	18,791	5,352	9,726	10,215	1,563
<b>Financial Position (millions of yen)</b>											
Total assets	325,189	318,186	351,880	361,363	387,399	393,603	418,756	435,501	448,877	476,936	495,697
Total net assets	132,427	143,535	154,976	166,921	183,435	197,237	218,297	235,428	243,741	259,700	277,962
<b>Cash Flows (millions of yen)</b>											
Cash flows from operating activities	3,340	23,204	5,226	24,721	24,107	23,565	21,005	28,745	21,949	16,594	26,790
Cash flows from investing activities	-11,686	365	-19,327	-6,413	-15,830	-9,531	-3,788	-5,471	-10,170	-6,093	-6,268
Cash flows from financing activities	1,191	-15,464	10,675	-17,876	-5,142	-17,323	-13,001	-8,225	-8,731	-5,177	-5,520
<b>Free cash flow</b> (CF from operating activities + CF from investing activities)	-8,346	23,569	-14,101	18,308	8,277	14,034	17,217	23,274	11,779	10,501	20,522
<b>Per Share (yen)</b>											
Earnings	144.54	161.58	187.73	229.84	274.65	311.07	399.90	303.98	310.34	306.33	328.40
Total net assets	2,083.86	2,258.71	2,438.74	2,626.72	2,886.59	3,103.80	3,435.20	3,704.78	3,878.33	4,132.28	4,422.87
Cash dividend per share	43.00	45.00	50.00	56.00	64.00	68.00	70.00	72.00	78.00	82.00	94.00
<b>Ratios (%)</b>											
Ratio of Gross profit to sales	10.39	7.80	7.80	7.74	7.87	7.84	7.79	7.85	7.82	7.46	7.50
Ratio of SG&A expenses to sales	9.16	6.02	5.93	5.66	5.49	5.34	5.43	5.39	5.34	5.25	5.14
Ratio of Operating profit to sales	1.23	1.79	1.87	2.07	2.38	2.50	2.36	2.47	2.48	2.22	2.36
Equity ratio	40.7	45.1	44.0	46.2	47.4	50.1	52.1	54.1	54.3	54.5	56.1
ROE (Return on equity)	7.12	7.44	7.99	9.07	9.96	10.39	12.23	8.51	8.20	7.65	7.68
ROIC (Return On Invested Capital)	5.29	5.40	6.23	6.97	8.32	8.84	8.30	8.10	7.84	7.02	7.35
ROA (Return On Assets)	5.03	5.07	5.54	6.05	6.81	7.31	6.73	6.57	6.48	5.93	6.28
PBR (Price Book value Ratio)	0.56	0.75	0.82	1.18	1.97	1.94	1.57	1.62	1.17	1.21	0.93
PER (Price Earnings Ratio)	8.14	10.45	10.62	13.49	20.75	19.35	13.48	19.71	14.66	16.39	12.53
Payout ratio	29.7	27.8	26.6	24.4	23.3	21.9	17.5	23.7	25.1	26.8	28.6
<b>Number of employees</b>	2,250	2,202	2,245	2,221	2,217	2,207	2,196	2,169	2,168	2,187	2,237

<sup>\*1</sup> Effective for the fiscal year ended March 31, 2016, our company changed accounting policies and retrospectively applied to data for the fiscal year ended March 31, 2015

<sup>\*2</sup> Effective for the fiscal year ended March 31, 2022, our company has applied the "Accounting Standard for Revenue Recognition", etc.,



## ESG Highlights(Three-Years)

	FY2022	FY2023	FY2024
<b>Environment</b>			
CO2 emissions (t-CO2) Scope 1 + 2 + 3	52,189	6,213,704	6,420,755
Scope 1 + 2	21,781	23,496	21,383
Scope 1	3,267	3,262	2,627
Scope 2 <sup>*1</sup>	18,514	20,234	18,756
The amount of CO2 emissions reduced through procurement of non-fossil certificates	—	—	3,395
Scope 3 <sup>*2</sup>	30,408	6,189,933	6,399,372
Category 1 : Purchased goods and services	—	5,523,521	5,715,331
2 : Capital goods	—	36,855	5,638
3 : Fuel- and energy-related activities not included in Scope 1 or Scope 2	—	7,332	3,993
4 : Upstream transport and delivery <sup>*3</sup>	30,408	30,578	28,855
5 : Waste generated in operations	—	460	483
6 : Business travel	—	284	290
7 : Employee commuting	—	9,571	9,554
12 : End-of-life treatment of sold products	—	581,197	635,096
13 : Downstream Leased Assets	—	135	132
CO2 emissions per 100 million yen in sales (Scope 1 + 2)	2.1	2.1	1.9
CO2 emissions per 100 million yen in sales (Scope 3 category 4 "Upstream transport and delivery")	2.9	2.8	2.5
Energy usage (kl)	12,898	13,354	12,208
Of which electricity usage	11,547	11,994	11,067
Electricity usage (1,000kWh)	44,890	46,627	49,645
	FY2022	FY2023	FY2024

## Governance

Number of Directors	9	11	12
Percentage of outside directors	44.4	54.5	50.0
Percentage of female directors	22.2	18.2	16.7
Number of Audit & Supervisory Board Members	5	5	5
Percentage of outside Audit & Supervisory Board Members	60.0	60.0	60.0
Percentage of female Audit & Supervisory Board Members	20.0	20.0	20.0
Percentage of female directors (Directors and Audit & Supervisory Board Members)	21.4	18.8	17.6

	FY2022	FY2023	FY2024
<b>Society</b>			
Number of employees	2,168	2,187	2,237
Average age of employees	46.3	46.1	45.4
Average number of years of continuous employment	19.6	19.3	18.7
Engagement Score <sup>*4</sup>	—	—	48.1
Training costs (millions of yen)	20	20	45
Training costs per employee (yen)	9,852	9,596	20,737
Percentage of female employees	19.1	19.6	20.4
Number of female hires	30	38	53
Percentage of female hires	30.9	25.0	29.9
Of which, percentage of hires who are female graduates	46.7	41.3	43.0
Percentage of female employees in management positions	4.6	5.9	6.7
Percentage of mid-career employees in management position	61.8	65.4	65.3
Number of mid-career hires	37	92	98
Percentage of mid-career hires	38.1	59.4	55.4
Gender pay gap (All employees) (ratio)	44.0	45.9	48.1
Of which, full-time employees	65.8	68.5	76.1
Of which, part-time employees	85.7	88.2	90.1
Percentage of taking annual paid leave	58.4	64.5	66.3
Number of users of childcare support system (childcare leave)	34	39	48
Number of users of childcare support system (short working hours)	46	51	49
Percentage of employees returning to work after childcare leave	100.0	100.0	100.0
Percentage of male employees taking childcare leave	2.9	7.1	30.0
Percentage of turnover within three years of joining-for university graduation	23.1	11.5	10.3
Percentage of health check-ups uptake	100.0	100.0	100.0
Percentage of secondary health check-ups uptake	66.6	56.8	68.6
Number of users of the silver human resources, employment system (65 years old and over)	421	514	603
Percentage of employment of people with disabilities	2.6	2.7	2.7
Percentage of employees who are members of employee stock ownership plans	96.1	95.8	95.6

<sup>\*1</sup> The "amount of CO2 reductions associated with non-fossil certificate procurement" used in the calculation of CO2 emissions for Scope 2 in FY2024 was calculated using "National Emission Factor" and "FIT Adjustment Rate" published on 24 June 2024.

<sup>\*2</sup> From the fiscal year ended March 2023, we have increased the number of calculation categories for Scope3 and have calculated the above-mentioned 9 categories.

In calculating, we refer to the guidelines (Ver3.4) and the emission unit database (Ver3.4) published by the Ministry of the Environment.

<sup>\*3</sup> Category 4 was calculated for CO2 emissions associated with the transportation of products from us to retailers.

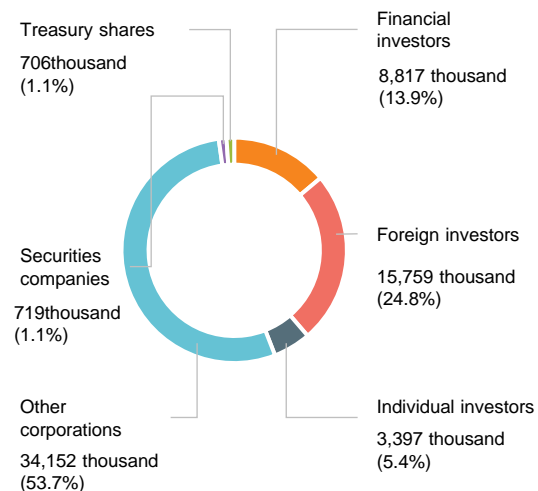
<sup>\*4</sup> Measured by "Motivation Cloud" service of Link and Motivation Inc. from the fiscal year ended March 31, 2024.

## Stock Information (As of March 31, 2024)

### Stock overview

Stock code	8283
Stock listing	Tokyo Stock Exchange, Prime Market
Number of Shares Authorized	180,000,000
Number of Outstanding Shares	63,553,485
Number of Shareholders	3,771
Trading unit	100 shares
Transfer Agent for Common Stock	Mitsubishi UFJ Trust and Banking Corporation
The General Meeting of Shareholders	Held annually in June

### Shareholder composition (shareholding ratio)



### Changes in stock price and trading volume



### Major Shareholders

Shareholder Name	Shares held (1,000 shares)	Shareholding ratio (%)
MEDIPAL HOLDINGS CORPORATION	31,853	50.68
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,115	8.14
Custody Bank of Japan, Ltd. (Trust Account)	1,512	2.41
PALTAC Employees Shareholders' Association	1,252	1.99
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,181	1.88
JP MORGAN CHASE BANK 385635	978	1.56
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	960	1.53
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	945	1.50
STATE STREET BANK AND TRUST COMPANY 505001	939	1.49
GOVERNMENT OF NORWAY	935	1.49

### Cash dividend per share

Fiscal Year End	2020	2021	2022	2023	2024
Total (yen)	70	72	78	82	94
Second quarter (yen)	35	36	39	41	45
Year-end (yen)	35	36	39	41	49

### Total shareholder return

Fiscal Year End	2020	2021	2022	2023	2024
Total shareholder return (%)	90.7	101.9	79.2	88.4	74.9
(Comparison index: TOPIX (%))	(90.5)	(128.6)	(131.2)	(138.8)	(196.2)
Highest stock price (yen)	6,470	6,220	6,050	5,180	5,330
Lowest stock price (yen)	4,160	4,695	3,980	3,920	3,933

## Corporate Information (As of March 31, 2024)

### Corporate profile

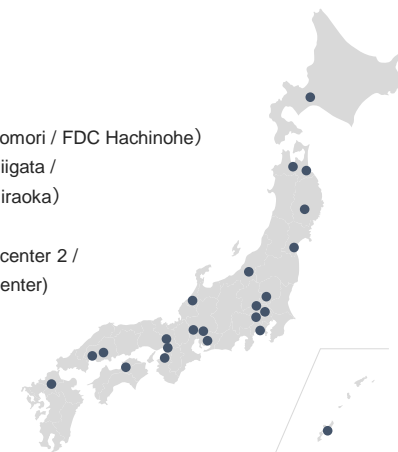
Corporate name	PALTAC CORPORATION
Head office	2-46 Honmachibashi, Chuo-ku Osaka City, Osaka Prefecture 540-0029 Tel : 06-4793-1050
Founded	1898
Established	1928
Share Capital	¥ 15,869 million
Number of employees	2,237 (Part-time employees : 5,356)

### Our group companies

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

### Main distribution centers

Hokkaido Branch Office	(RDC Hokkaido)
Tohoku Branch Office	(RDC Tohoku / RDC Miyagi / FDC Aomori / FDC Hachinohe)
Tokyo Branch Office	(RDC kanto / RDC Saitama / RDC Niigata / Tochigi distribution center / FDC Shiraoka)
Yokohama Branch Office	(RDC Yokohama)
Chubu Branch Office	(RDC Chubu center 1 / RDC Chubu center 2 / RDC Hokuriku / Ogaki distribution center)
Kinki Branch Office	(RDC Kinki / RDC Sakai / Takatsuki distribution center)
Chushikoku Branch Office	(RDC Chugoku / RDC Shikoku / FDC Hiroshima)
Kyusyu Branch Office	(RDC Kyusyu / RDC Okinawa)



### External Evaluation and Certification Participation in and Endorsement of Initiatives



2024 CONSTITUENT MSCI Nihonkabu  
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)



JPX-NIKKEI 400



Digital Transformation  
Certification



TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

### Editor's Notes

No.005

We appreciate your time in reading our integrated report "WHAT'S PALTAC 2024". We would like to express our heartfelt gratitude for the cooperation of many individuals in the issuance of this report.

In this report, we explain the story of creating value for future by leveraging our strengths, based on the newly created long-term vision and medium-term management plan. In addition, we have improved the disclosure of non-financial indicators, such as human capital, to make it easier to understand our initiatives for sustainable growth. With the increasing popularity of tablet devices, we have also used the horizontal layout and provided links to related information for this report to make it easier to use on tablet devices. To improve readability, we have decided to explain only key points in this report about our 125-year history since our foundation, which had been explained in detail in previous Integrated Reports. Details of our history can be seen in back issues or in the History section of our website. We have set up links in the report.

This is the fifth publication of our integrated report. The dialogue with our stakeholders through our integrated report provides us with valuable opportunities to acknowledge both our challenges and our strengths as a company. In addition, the feedback from stakeholders on our previous integrated report has provided us with very valuable insights. We thank all stakeholders for their feedback and opinions. Forthcoming, we will continue to reflect the insights we gained from the dialogue in our business activities and make further efforts to enhance corporate value. Finally, we have again prepared a questionnaire on our website and would appreciate your comments and opinions. Once again, we appreciate for your continue support and cooperation. We look forward to your continued support.

Editor : Management Planning Headquarters



#### Contact Information

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##### **PALTAC CORPORATION**

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540-0029

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Please fill in the integrated report questionnaire.  
Click [here](#) or scan the QR code.

