Financial Results Q3 FY2025

(Nine months ended December 31, 2024)

February 3, 2025

PALTAC CORPORATION

(TSE Code:8283)

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Financial Highlights (Apr - Dec) Q3 FY2025

PALTAC

Net Sales

¥911.0bn

Change in YoY Q3

+¥28.0bn (+3.2%)

Operating Profit

¥22.4bn

Change in YoY Q3

+¥0.4bn (+2.1%)

[YoY] Both net sales and operating profit exceeded previous fiscal year

- Increase in demands for products related to outdoor movement and inbound tourism
  Executing sales growth strategies such as strengthening to offer new products
- Price-led sales growth, driven by price hike and strong sales of high-value added products
- Increase in gross profit from sales expansion and decrease in SG&A expenses ratio, due to the control of variable expenses and effects of fixed expenses absorption

YoY (Apr - Dec) Q3 FY2025

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Growth in both sales and profits due to successful profit measures and strengthening sales activity

¥ billion (ratio of net sales: %)	Q3 FY2024 Results	Q3 FY2025 Results	Difference	Difference rate
Net Sales	883.0	**911.0**	+28.0	+3.2%
Gross Profit	66.3 (7.52)	**68.0** **(7.47)**	+1.6 (−0.05)	+2.5%
SG&A Expenses	44.4 (5.03)	**45.5** **(5.00)**	+1.1 (−0.03)	+2.6%
Operating Profit	21.9 (2.49)	**22.4** **(2.46)**	+0.4 (−0.03)	+2.1%
Ordinary Profit	24.6 (2.79)	**25.4** **(2.79)**	+0.7 (0.00)	+3.1%
Profit	17.1 (1.94)	**18.2** **(2.01)**	+1.1 (+0.07)	+6.6%

Net Sales

- Increase in demands for products related to outdoor movement and inbound tourism
- Growth in sales of high-value added products and new handling products
- Consumers restraint to purchase certain products, such as supplements

Gross Profit

- Successful gross profit measures with a focus on sales expansion
- Decline in gross profit margin due to the increase of center fee and the cost of contracted logistics
- The initial costs accompanying the start of food logistics(- ¥ 0.24bn - 0.02%)

SG&A Expenses

- Absorption of fixed expenses due to sales expansion
- Despite unit price increases in both personnel and delivery expenses, SG&A expenses ratio was lower than the previous year

YoY (Oct - Dec) Q3 FY2025

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Operating profit exceeded the previous year, due to an increase in gross profit, mainly driven by sales growth and decline in SG&A expenses ratio by the improvement activities

¥ billion (ratio of net sales: %)	Q1			Q2			Q3		
	FY2024	FY2025	Difference	FY2024	FY2025	Difference	FY2024	FY2025	Difference
Net Sales	293.5	**302.9**	+9.3 [+3.2%]	289.9	**297.5**	+7.6 [+2.6%]	299.6	**310.6**	+11.0 [+3.7%]
Gross Profit	21.7 (7.39)	**22.3 (7.38)**	+0.6 (-0.01)	21.6 (7.46)	**21.8 (7.34)**	+0.2 (-0.12)	23.0 (7.69)	**23.8 (7.67)**	+0.7 (-0.02)
SG&A Expenses	14.7 (5.02)	**14.9 (4.93)**	+0.1 (-0.09)	14.8 (5.12)	**15.2 (5.14)**	+0.4 (+0.02)	14.8 (4.96)	**15.3 (4.95)**	+0.5 (-0.01)
Operating Profit	6.9 (2.38)	**7.4 (2.45)**	+0.4 (+0.07)	6.7 (2.34)	**6.5 (2.20)**	-0.2 (-0.14)	8.1 (2.74)	**8.4 (2.72)**	+0.2 (-0.02)
Ordinary Profit	7.8 (2.67)	**8.3 (2.74)**	+0.4 (+0.07)	7.7 (2.68)	**7.8 (2.65)**	+0.1 (-0.03)	9.0 (3.02)	**9.2 (2.97)**	+0.1 (-0.05)
Profit	5.5 (1.88)	**6.0 (2.01)**	+0.5 (+0.13)	5.3 (1.85)	**5.8 (1.96)**	+0.4 (+0.11)	6.2 (2.09)	**6.3 (2.06)**	+0.1 (-0.03)

Market Environment Q3 FY2025

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Positive factors | Negative factors

	FY2024		FY2025		
	Q3	Q4	Q1	Q2	Q3

Breaking through from the era of COVID-19

- Growth in demand for products of cosmetics, OTC pharmaceuticals due to increase in outdoor movements → **Growth of demand has slowed after a year since COVID-19 was reclassified to class 5**
- Increase in inbound demand (cosmetics, OTC pharmaceuticals) → **Growth of demand has slowed after a year since COVID-19 was reclassified to class 5**
- Decline in demand for the hygiene products (face masks and disinfectant) → **Decline in demand has continued after a year since COVID-19 was reclassified to class 5**
- Drop due to a reaction to the special demand for the antigen test kit (OTC) in the fiscal year ended March 2023

Soaring prices

- Trend for consumers, becoming more money-saving mindset has taken roots (selective consumption) / Sales volume tends to decline
- Increase in the selling unit prices of products due to price hike and growth in sales of high-value added products

Climate

- Weak demand for hand warmers due to the warm winter
- Strong demand for summer seasonal products as the temperature rose (insecticide and seasonal cosmetics etc.)
- Strong demand for summer seasonal products due to the lingering summer heat (insecticide and seasonal cosmetics etc.)
- Strong demand for hand warmers due to the temperature drop in late November

Net Sales YoY Q3 FY2025

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Accumulated Total

Net sales exceeded the previous year due to successful sales growth strategies in response to environmental changes, such as an increase in outdoor movement, growing inbound demand, and diversifying consumer needs (YoY + ¥ 28.0 bn +3.2%)

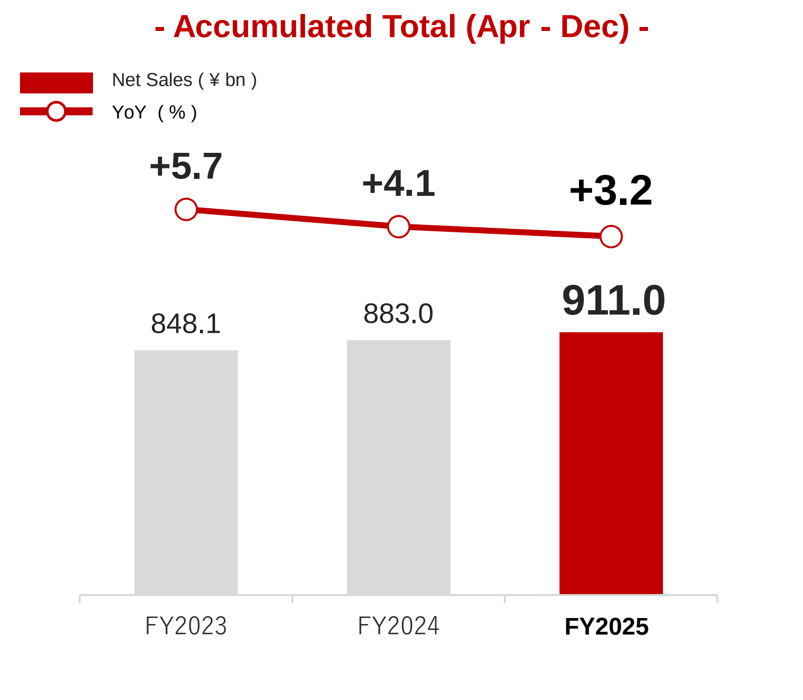
Factors in YoY increase in net sales: Growth in demand for products related to consumers to going out / Increase in inbound tourism consumption / Strong demand for summer seasonal products such as insecticides and seasonal cosmetics due to intense heat and lingering summer heat / Strengthening procurement of the new products / Increase in the selling unit prices of products due to price hike and growth in sales of high-value added products

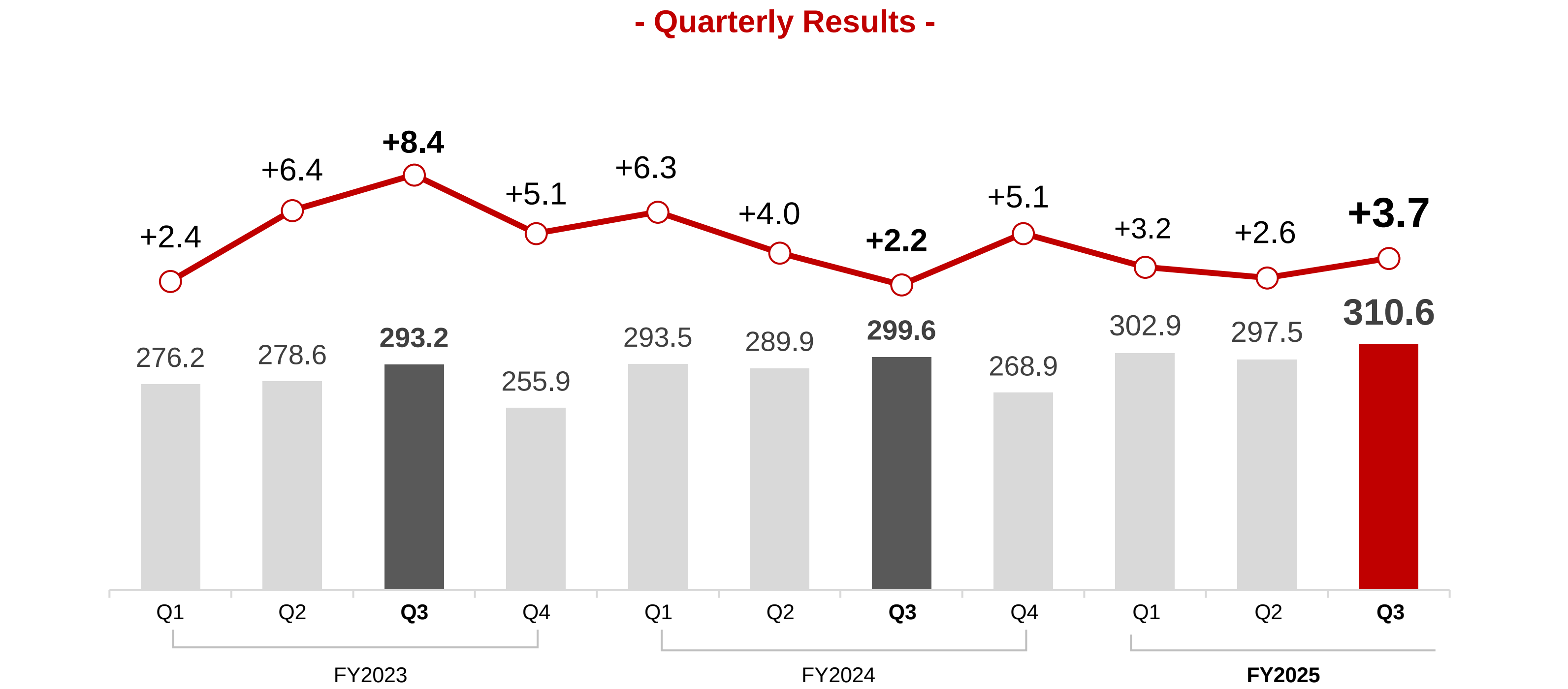
Factors in YoY decrease in net sales : Decrease in demand for products related to COVID-19 / Consumer restraint to purchase certain products, such as supplements

Q3

Trends in the first half (above mentioned) has continued. Sales activities adapted to the changes in demand have worked successfully (YoY + ¥ 11.0 bn +3.7%)

Increase in demand for medicine related to cold due to outbreak of infectious diseases (e.g. flu) / Strong sales of summer seasonal products due to record high temperatures in October / Increase in the number of operating days by one compared to the previous fiscal year





Sales Composition by Product Category YoY Q3 FY2025

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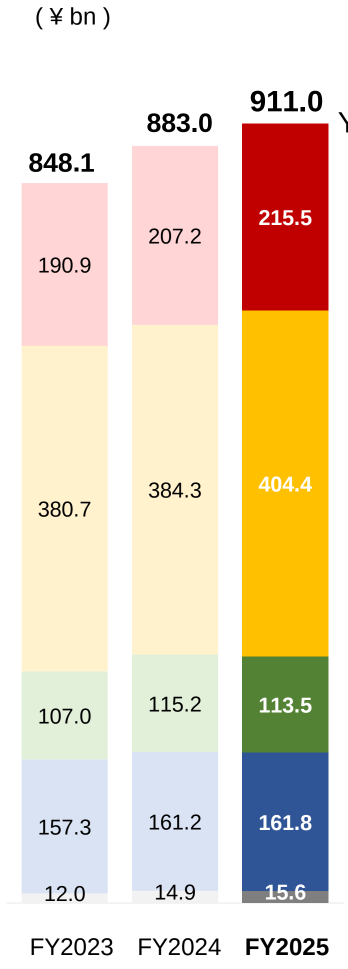
- Accumulated Total (Apr - Dec) -



YoY Accumulated Total (Apr - Dec)

Cosmetics
+ ¥ 8.3 bn / + 4.0 %
Composition ratio : 23.7 % (+ 0.2 %)

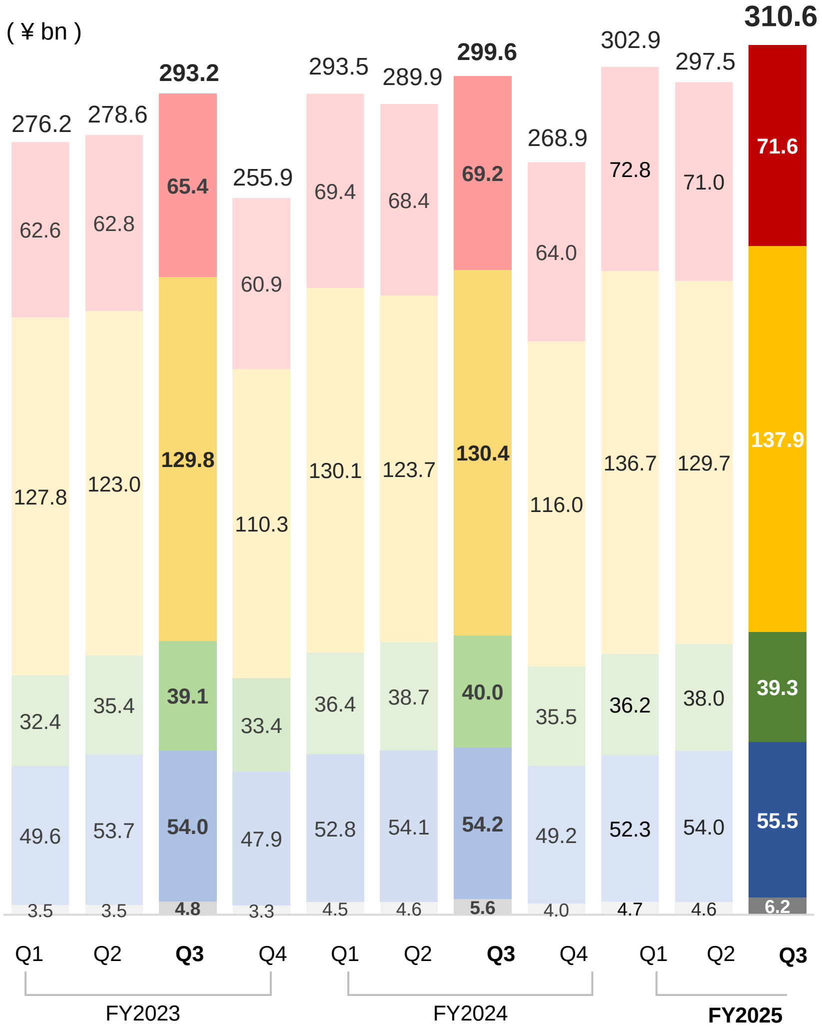
Daily necessities
+ ¥ 20.0 bn / + 5.2 %
Composition ratio : 44.3 % (+ 0.8 %)

OTC pharmaceuticals
- ¥ 1.6 bn / - 1.4 %
Composition ratio : 12.5 % (- 0.5 %)

Health and sanitary related products
+ ¥ 0.6 bn / + 0.4 %
Composition ratio : 17.8 % (- 0.5 %)

Others
+ ¥ 0.7 bn / + 4.7 %
Composition ratio : 1.7 % (± 0.0 %)

- Quarterly Results -



YoY Q3 (Oct - Dec)

Cosmetics
+ ¥ 2.3 bn / + 3.4 %
Composition ratio : 23.1 % (± 0.0 %)

Daily necessities
+ ¥ 7.4 bn / + 5.7 %
Composition ratio : 44.4 % (+ 0.9 %)

OTC pharmaceuticals
- ¥ 0.6 bn / - 1.7 %
Composition ratio : 12.7 % (- 0.7 %)

Health and sanitary related products
+ ¥ 1.3 bn / +2.4 %
Composition ratio : 17.9 % (- 0.2 %)

Others
+ ¥ 0.5 bn / + 10.5 %
Composition ratio : 2.0 % (+ 0.1 %)

Sales Composition by Customer Category YoY Q3 FY2025

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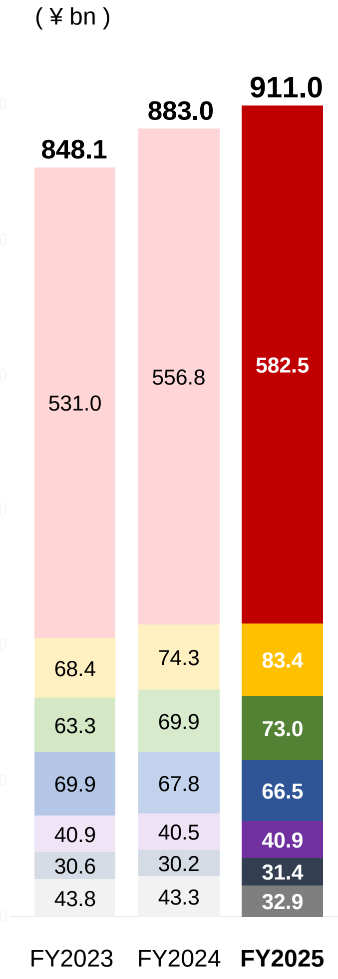
- Accumulated Total (Apr - Dec) -



YoY Accumulated Total (Apr - Dec)

Drugstores
+ ¥ 25.6 bn / + 4.6 %
Composition ratio : 63.9 % (+ 0.8 %)

Discount Stores
+ ¥ 9.0 bn / + 12.2 %
Composition ratio : 9.2 % (+ 0.8 %)

Convenience Stores
+ ¥ 3.1 bn / + 4.5 %
Composition ratio : 8.0 % (+ 0.1 %)

Home Center
- ¥ 1.2 bn / - 1.9 %
Composition ratio : 7.3 % (- 0.4 %)

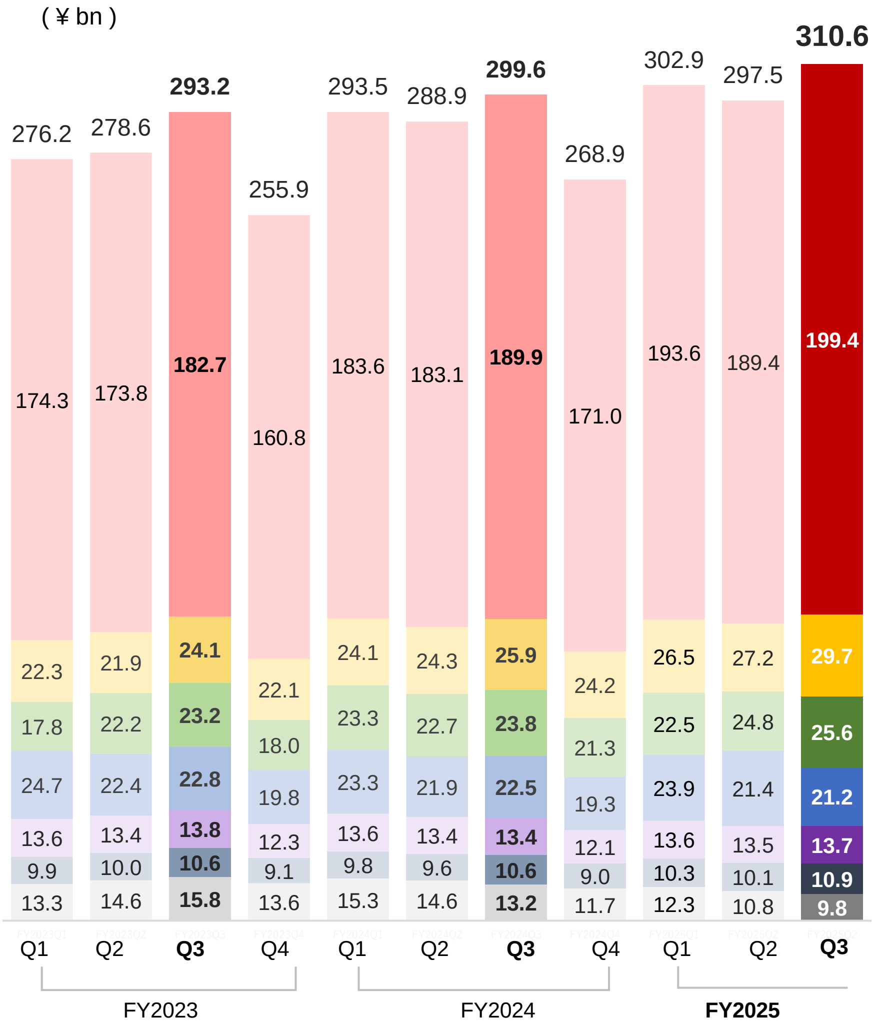
Super Market
+ ¥ 0.4 bn / + 1.2 %
Composition ratio : 4.5 % (- 0.1 %)

GMS*
+ ¥ 1.2 bn / + 4.1 %
Composition ratio : 3.5 % (+ 0.1 %)

Others
- ¥ 10.3 bn / - 23.9 %
Composition ratio : 3.6 % (- 1.3 %)

* GMS stands for General Merchandising Store

- Quarterly Results -



YoY Q3 (Oct - Dec)

Drugstores
+ ¥ 9.4 bn / + 5.0 %
Composition ratio : 64.2 % (+ 0.8 %)

Discount Stores
+ ¥ 3.7 bn / + 14.6 %
Composition ratio : 9.6 % (+ 0.9%)

Convenience Stores
+ ¥ 1.8 bn / + 7.8 %
Composition ratio : 8.3 % (+ 0.4 %)

Home Center
- ¥ 1.2 bn / - 5.6 %
Composition ratio : 6.8 % (- 0.7 %)

Super Market
+ ¥ 0.3 bn / + 2.9 %
Composition ratio : 4.4 % (- 0.1 %)

GMS*
+ ¥ 0.2 bn / + 2.5 %
Composition ratio : 3.5 % (- 0.1 %)

Others
- ¥ 3.4 bn / - 26.2 %
Composition ratio : 3.2% (- 1.2 %)

Gross Profit YoY Q3 FY2025

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Accumulated Total

Although the amount exceeded the previous year due to sales growth and higher-margin control, the margin was below the previous year due to the initial costs accompanying the start of food logistics, intensified price competition in the wholesale industry and price hikes
(YoY + ¥ 1.6 bn GPM - 0.05%)

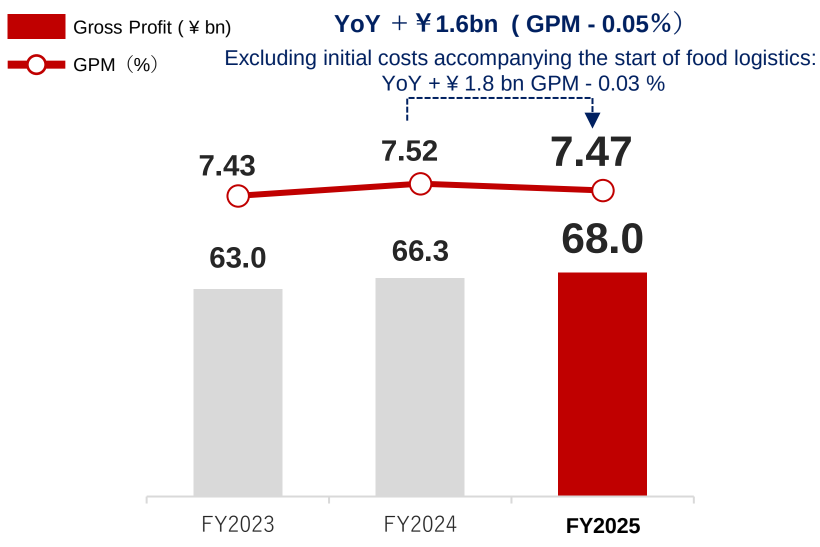
Factors in YoY improving：Securing amount of gross profits due to sales expansion / Strengthening the sales of high-value added products with high gross profit margin (includes new handling products)

Factors in YoY worsening : Increase in center fees (expanded sales for customers that required to pay center fees and soaring fuel price etc.) / Decline in sales of the hygiene products with relatively high gross profit margin / Initial costs accompanying the start of food logistics (- ¥ 0.24 bn) (*Excluding initial costs accompanying the start of food logistics : YoY+ ¥ 1.8 bn GPM - 0.03%) / Increase in the cost of contracted logistics due to rising logistics costs (delivery and personal cost etc.)

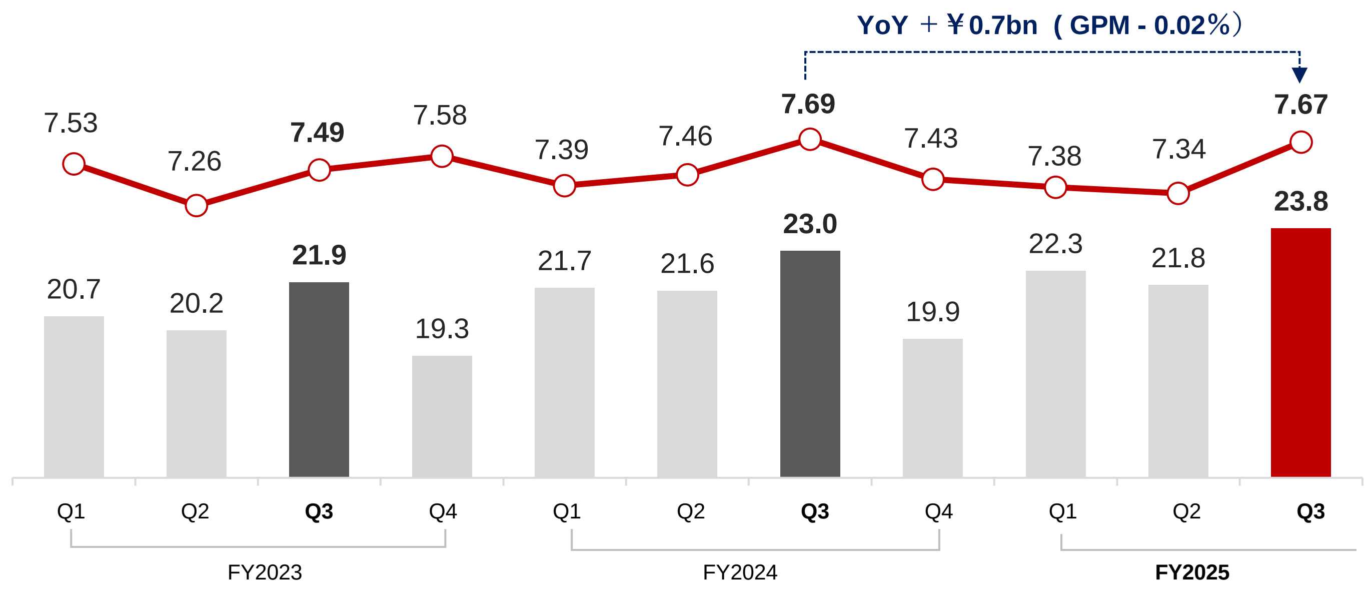
Q3

Maintained same level of gross profit margin as previous year, even in the circumstances that made it hard to secure profit（YoY + ¥ 0.7 bn GPM - 0.02%）
Reduced worsening gross profit margin due to the higher-margin control and strengthening the sales of high-value added products (include new products) in the circumstances of continuous center fee increases

- Accumulated Total (Apr - Dec) -



- Quarterly Results -



SG&A Expenses YoY Q3 FY2025

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Accumulated Total

Improved SG&A expenses ratio thanks to improving activities and fixed-expense absorption effect, despite increase in SG&A expenses due to an increase in investment in human capital (YoY + ¥ 1.1 bn SG&A expenses ratio - 0.03 %)

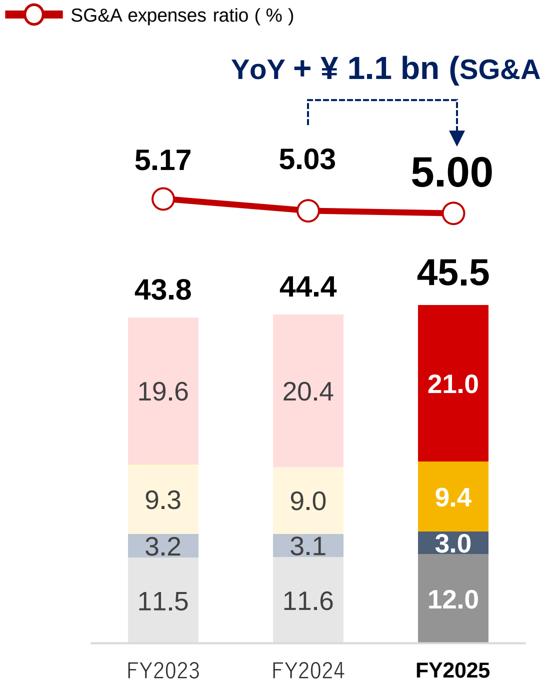
Factors in YoY increase in SG&A expenses : Investment in human capital (Securing human capital, wage hikes) / Increase in repair expenses for distribution center for the long-term use

Factors in YoY improvement in SG&A expenses ratio: Fixed-expenses absorption effect due to the sales expansion / Controlled delivery expenses ratio even in an environment of rising delivery expenses (YoY delivery expenses ratio ± 0.00 %)

Q3

Although SG＆A expenses increased due to the rise in delivery expenses and repair expenses, SG&A expenses ratio improved, thanks to fixed-expense absorption effect.（YoY + ¥ 0.5 bn SG&A expenses ratio - 0.01%）

- Accumulated Total (Apr - Dec) -



YoY Accumulated Total (Apr - Dec)

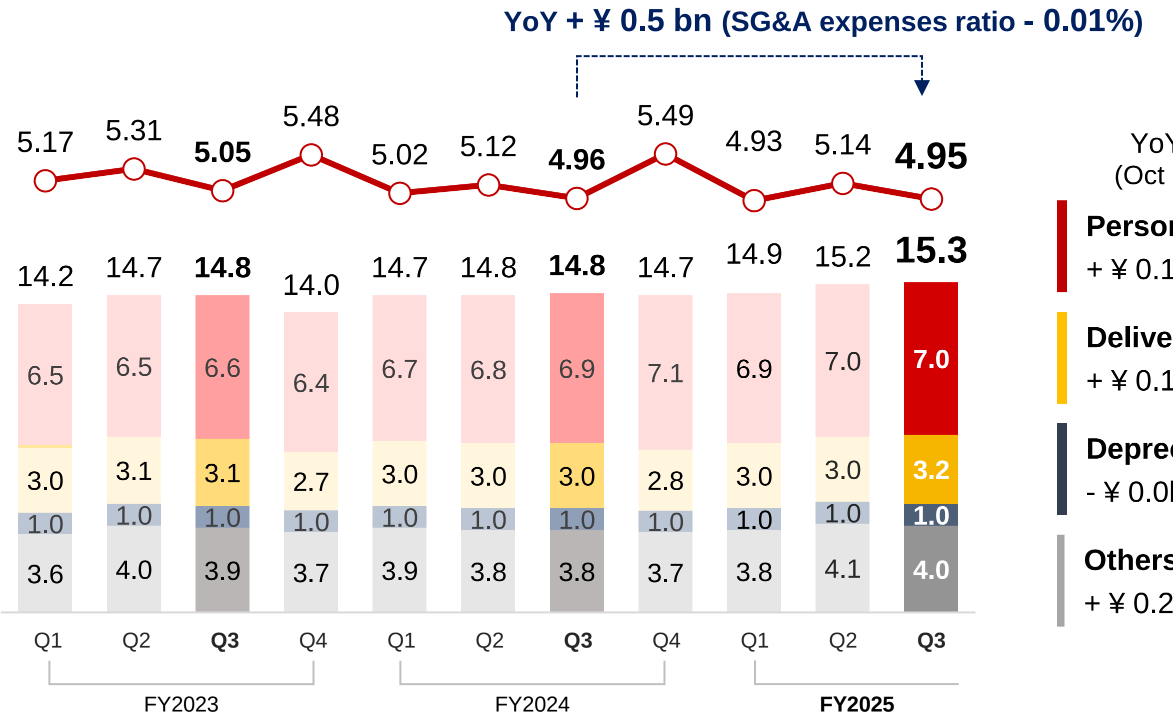
Personnel expenses
+ ¥ 0.6bn (- 0.01%)

Delivery expenses
+ ¥ 0.3bn (± 0.00%)

Depreciation
- ¥ 0.1bn (- 0.03%)

Others
+ ¥ 0.3bn (± 0.00%)

- Quarterly Results -



YoY Q3 (Oct - Dec)

Personnel expenses
+ ¥ 0.1bn (- 0.02%)

Delivery expenses
+ ¥ 0.1bn (+ 0.02%)

Depreciation
- ¥ 0.0bn (- 0.02%)

Others
+ ¥ 0.2bn (+ 0.03%)

Operating Profit YoY Q3 FY2025

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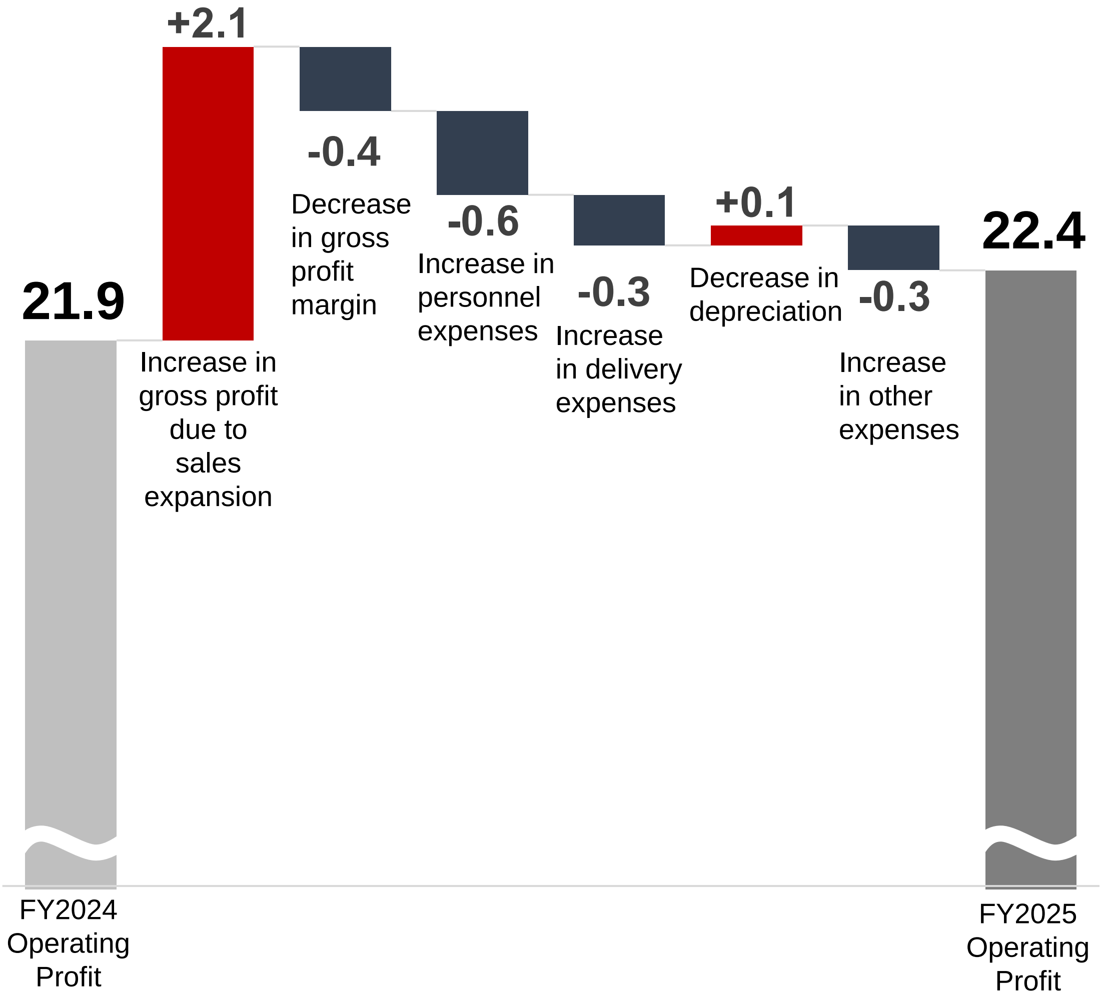
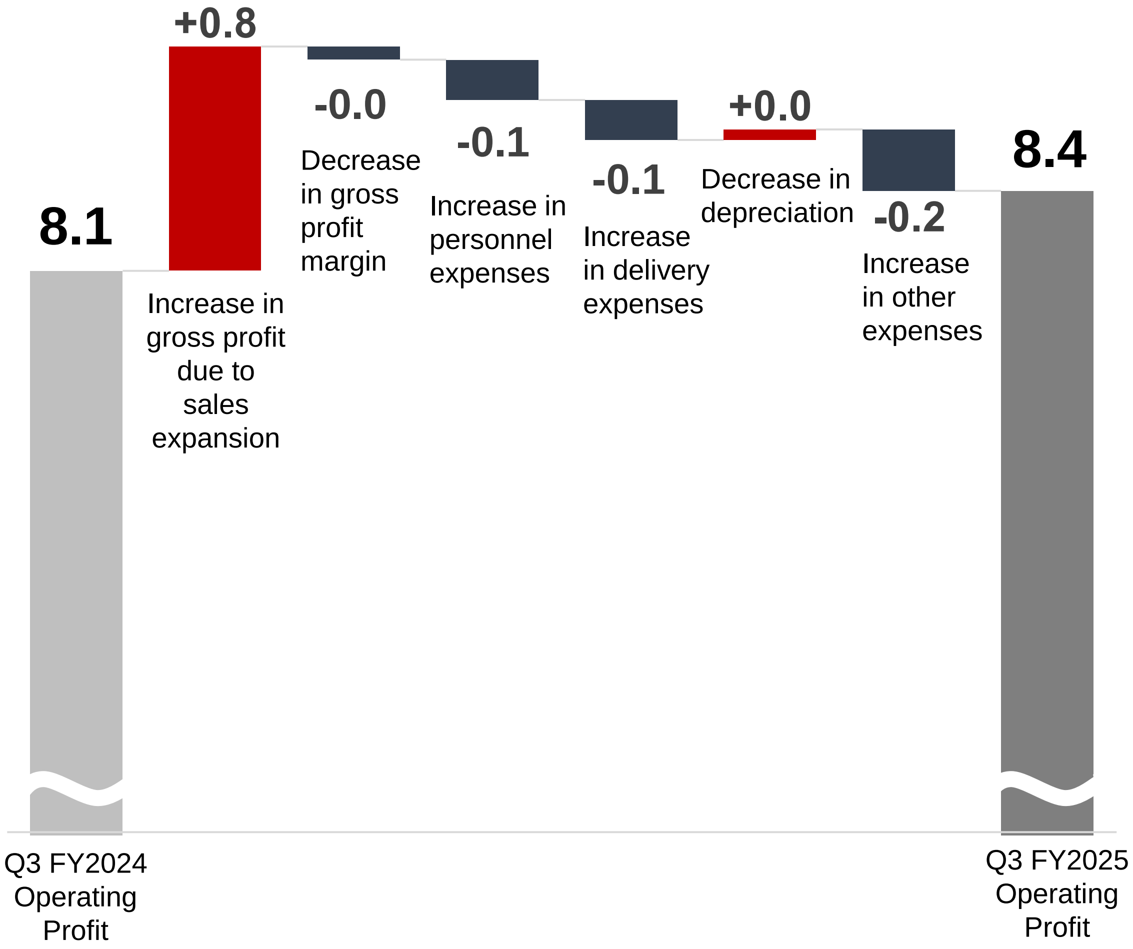
- Accumulated Total (Apr - Dec) -

(¥ bn)



- Quarterly Results -

(¥ bn)



Operating Profit YoY Q3 FY2025

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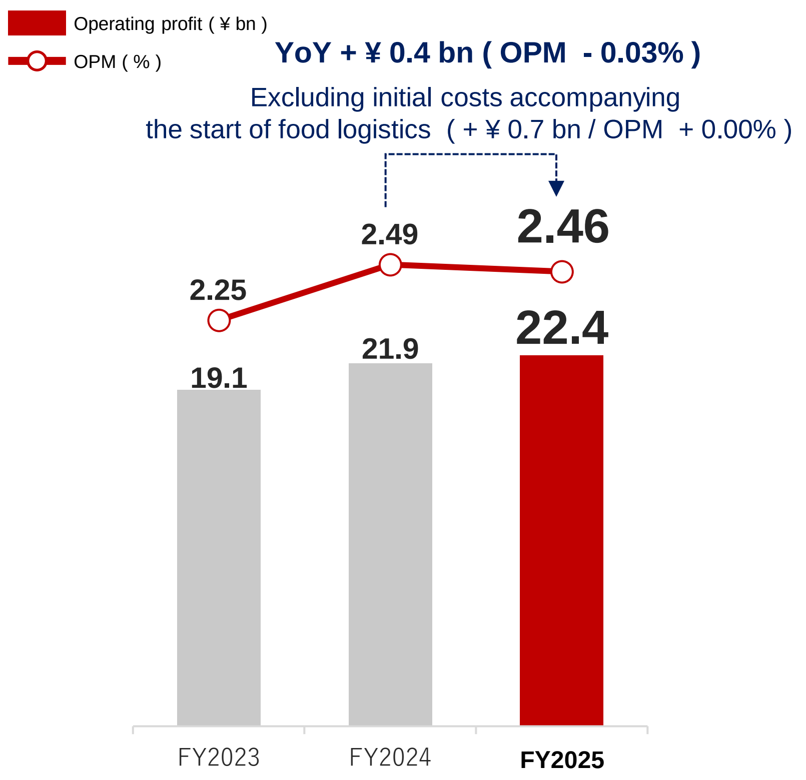
Accumulated Total

Although the amount exceeded the previous year, the margin was below the previous year due to a decline in the gross profit margin (YoY + ¥ 0.4 bn OPM - 0.03 %)

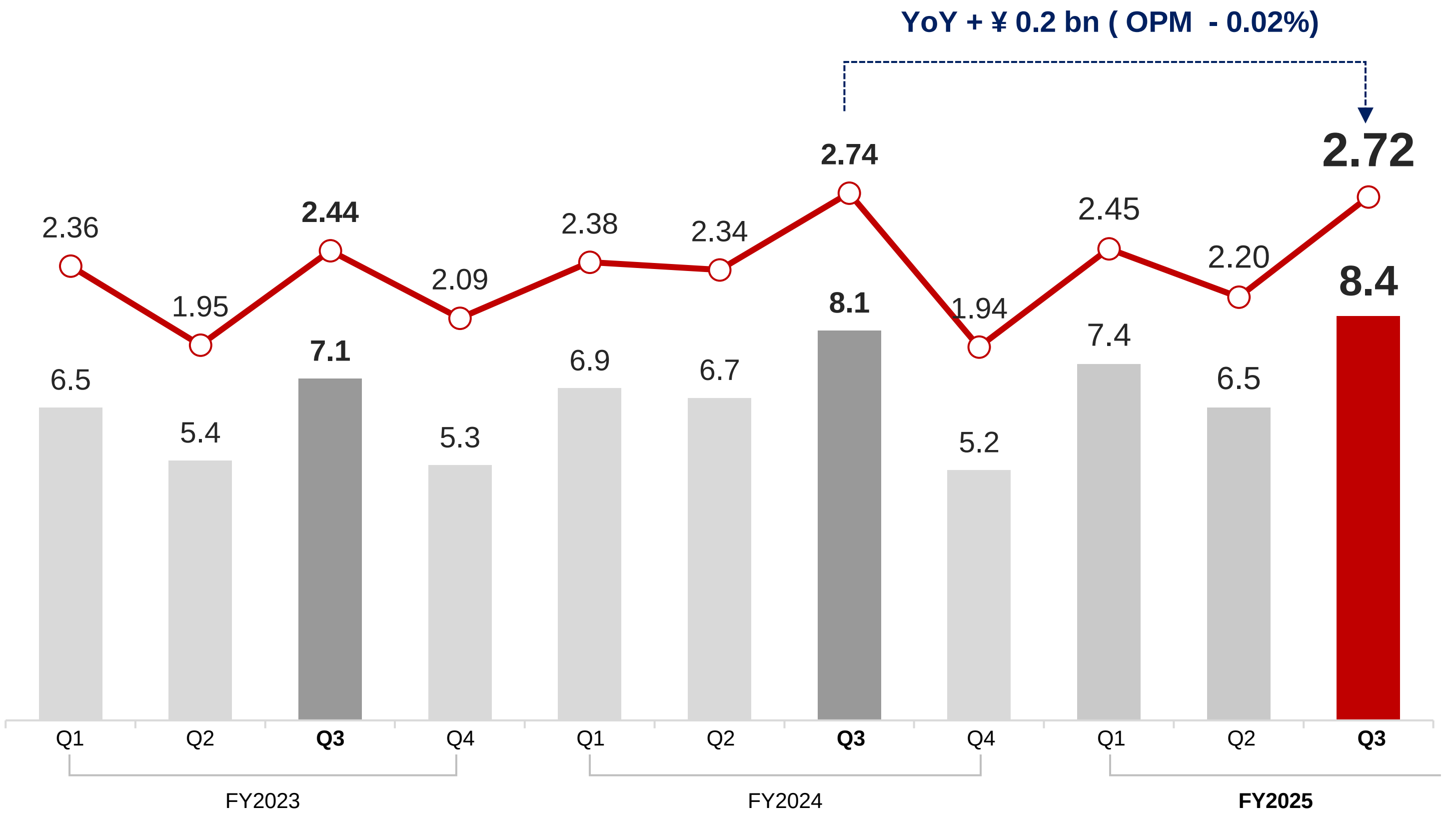
Q3

As well as accumulated total, although the amount exceeded the previous year, the margin was below the previous year due to a decline in the gross profit margin(YoY + ¥ 0.2 bn OPM - 0.02 %)

- Accumulated Total (Apr - Dec) -



- Quarterly Results -



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Forecasts (No revision to the forecasts most recently announced) FY2025

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- We expect to continue to face challenging business circumstances, including price hikes and sharp rise of logistics costs due to labor shortage
- FY2025 is the first year of the new medium-term management plan, “Constructing the foundation for transformation through structural reform”
- For the new value creation, we aim to steadily increase both sales and profits in order to secure adequate capital

¥ billion (ratio of net sales:%)	FY2024 Results	FY2025 Plan	Difference	Difference rate
Net Sales	1,151.9	**1,190.0**	+38.0	+3.3%
Gross Profit	86.3 (7.50)	**88.7 (7.45)**	+2.3 (-0.05)	+2.7%
SG&A Expenses	59.1 (5.14)	**60.7 (5.10)**	+1.5 (-0.04)	+2.6%
Operating Profit	27.1 (2.36)	**28.0 (2.35)**	+0.8 (-0.01)	+3.0%
Ordinary Profit	30.5 (2.65)	**31.7 (2.66)**	+1.1 (+0.01)	+3.8%
Profit	20.6 (1.79)	**22.0 (1.85)**	+1.3 (+0.06)	+6.6%
Earnings per share (¥)	328.40	**350.06**	+21.66	+6.6%

Net Sales

- Strengthening the lineup of new products to meet the diversifying consumer needs
- Strengthening prompt and effective proposals of sales promotion by leveraging our various promotion systems

Gross Profit

- Increase in center fees to sales ratio (Impact of soaring prices and rising delivery expenses, etc.)
- Initial costs accompanying the start of food logistics (Total : ¥ 0.22 bn)

SG&A Expenses

- Effect of fixed expenses absorption with expanding sales
- Investment in human capital (securing human capital / wage hikes)
- Increase in delivery expenses per unit

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Initiatives towards achieving our medium-term management plan

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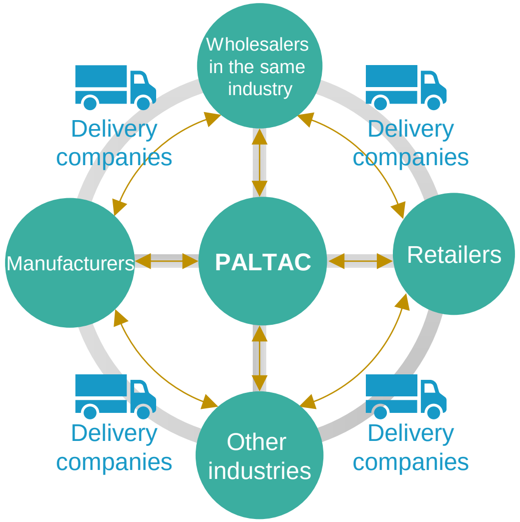
Enhance delivery improvements

- Developing a delivery network that responds to driver shortage by promoting cooperation and various improvements
- Enhancing the effects of measures by further expanding cooperation network beyond the competitive relations and industrial boundaries



- Realizing efficient and sustainable logistics by cooperation with delivery company and retailer

Jointly received the category award “Logistics DX and Standardization Award” of the “Green Logistics Partnership Excellent Business Award”
（Sagawa Express Co.,Ltd. × YAKUODO Co., Ltd. × PALTAC CORPORATION）

Point 1 **Optimized number of vehicles** through **demand forecasting** and **AI for efficient delivery and loading**

Point 2 **Improved loading efficiency** and **delivery distances** by using relay points and combining food and non-food items in mixed loads

Reduction of CO2 by :
Reducing the number of trucks and driving distance

*For more detail, please refer to the website for release data of December 24, 2024 “Jointly received the category award “Logistics DX and Standardization Award” of the “Green Logistics Partnership Excellent Business Award” in Japanese（URL：https://www.paltac.co.jp/tomorrow/news.html）

PALTAC

Expansion of the value creation area in the logistics

Beginning collaboration in logistics with Mitsubishi Shokuhin

~ Collaboration beyond industries = toward realizing sustainable logistics ~

Started concrete discussions and consideration on the cooperative use of each asset and know-how cultivated by both companies in the industry of food products and daily necessities

< Themes for discussion and consideration >

① **Use of existing logistics bases**	Effective use of empty capacity in the existing base of both companies
② **Promotion of joint delivery**	Improvement of delivery efficiency by joint delivery of empty and unloaded delivery vehicles
③ **Consideration of joint distribution centers**	Consideration of new supply chain models and optimal warehouse management systems
④ **Joint research on logistics DX**	Construction of data linkage infrastructure Joint development of material handling equipment and systems for the future

* For more detail, please refer to the website for release data of January 21, 2025 “PALTAC and Mitsubishi Shokuhin to Begin Collaboration in Logistics” in Japanese（URL：https://www.paltac.co.jp/tomorrow/news.html）

Initiatives towards achieving our medium-term management plan

PALTAC

Sustainability（aim to reduce CO2 emissions）

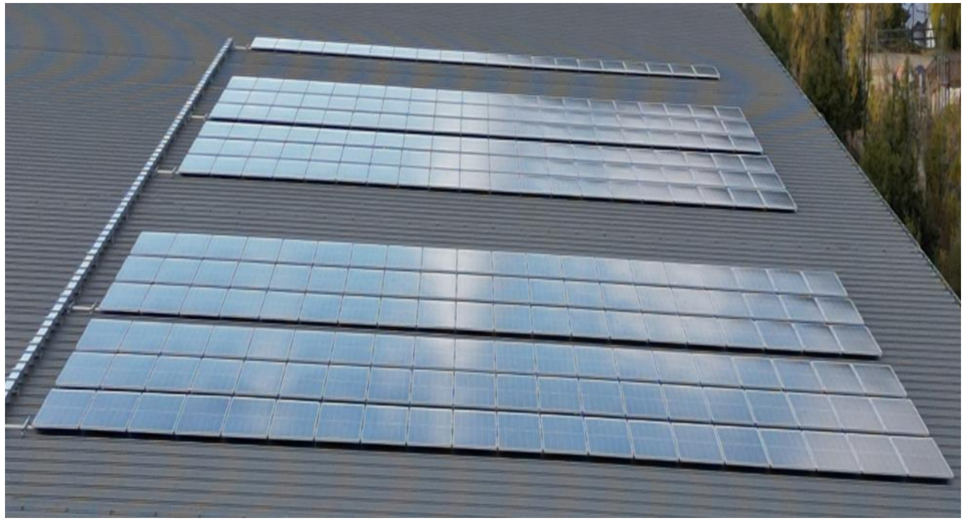
Test operation of EV(Electric Vehicles) < Scope1 >

To reduce CO2 emissions from corporate vehicles, introduced an EV on a trial basis, in addition to switching to hybrid vehicles and minivehicle (environmentally friendly vehicles)

Installation photovoltaic systems < Scope2 >

Started operating on the rooftop of FDC Hiroshima (Hiroshima City) in December 2024

< Expected 30% annual reduction in CO2 emissions at FDC Hiroshima >
（*Comparison with previous period emissions of FDC Hiroshima）



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Sales Composition by Product Category (Quarterly) FY2025

PALTAC

¥ billion	FY2025					
	Q1	YoY	Q2	YoY	Q3	YoY
Net Sales	302.9	+9.3 [+3.2%]	297.5	+7.6 [+2.6%]	310.6	+11.0 [+3.7%]
Cosmetics	72.8	+3.4 [+4.9%]	71.0	+2.5 [+3.8%]	71.6	+2.3 [+3.4%]
Daily necessities	136.7	+6.6 [+5.1%]	129.7	+5.9 [+4.8%]	137.9	+7.4 [+5.7%]
OTC pharmaceuticals	36.2	-0.2 [-0.6%]	38.0	-0.7 [-1.9%]	39.3	-0.6 [-1.7%]
Health and sanitary related products	52.3	-0.5 [-1.0%]	54.0	-0.1 [-0.4%]	55.5	+1.3 [+2.4%]
Others	4.7	+0.1 [+2.5%]	4.6	-0.0 [-0.0%]	6.2	+0.5 [+10.5%]

Sales Composition by Customer Category (Quarterly) FY2025

PALTAC

¥ billion	FY2025					
	Q1	YoY	Q2	YoY	Q3	YoY
Net Sales	302.9	+9.3 [+3.2%]	297.5	+7.6 [+2.6%]	310.6	+11.0 [+3.7%]
Drugstores	193.6	+9.9 [+5.4%]	189.4	+6.3 [+3.5%]	199.4	+9.4 [+5.0%]
Discount Stores	26.5	+2.3 [+9.9%]	27.2	+2.9 [+12.0%]	29.7	+3.7 [+14.6%]
Convenience Stores	22.5	-0.8 [-3.7%]	24.8	+2.1 [+9.6%]	25.6	+1.8 [+7.8%]
Home Center	23.9	+0.5 [+2.3%]	21.4	-0.5 [-2.5%]	21.2	-1.2 [-5.6%]
Super Market	13.6	-0.0 [-0.2%]	13.5	+0.1 [+0.9%]	13.7	+0.3 [+2.9%]
GMS *	10.3	+0.4 [+4.9%]	10.1	+0.4 [+5.0%]	10.9	+0.2 [+2.5%]
Others	12.3	-3.0 [-19.8%]	10.8	-3.8 [-26.2%]	9.8	-3.4 [-26.2%]

* GMS stands for General Merchandising Store

Forecasts 1st Half / 2nd Half FY2025

¥ billion (ratio of net sales: %)	FY2025 Plan								
	Total	YoY		1st Half	YoY		2nd Half	YoY	
		Difference	Difference rate		Difference	Difference rate		Difference	Difference rate
Net Sales	**1,190.0**	+38.0	+3.3%	**604.0**	+20.5	+3.5%	**586.0**	+17.4	+3.1%
Gross Profit	**88.7** **(7.45)**	+2.3 (-0.05)	+2.7%	**44.4** **(7.35)**	+1.0 (-0.08)	+2.5%	**44.3** **(7.56)**	+1.2 (-0.01)	+3.0%
SG&A Expenses	**60.7** **(5.10)**	+1.5 (-0.04)	+2.6%	**30.5** **(5.05)**	+0.9 (-0.02)	+3.2%	**30.2** **(5.15)**	+0.5 (-0.06)	+1.9%
Operating Profit	**28.0** **(2.35)**	+0.8 (-0.01)	+3.0%	**13.9** **(2.30)**	+0.1 (-0.06)	+1.0%	**14.1** **(2.41)**	+0.6 (+0.05)	+5.2%
Ordinary Profit	**31.7** **(2.66)**	+1.1 (+0.01)	+3.8%	**16.1** **(2.67)**	+0.4 (-0.01)	+3.1%	**15.6** **(2.66)**	+0.6 (+0.03)	+4.5%
Profit	**22.0** **(1.85)**	+1.3 (+0.06)	+6.6%	**11.2** **(1.85)**	+0.3 (-0.02)	+2.8%	**10.8** **(1.84)**	+1.0 (+0.13)	+10.8%

Note Concerning Forward-Looking Statements

Information in this document presented by PALTAC CORPORATION (the “Company”) contains forward-looking statements regarding the Company. Other than historical facts, these forecasts and strategies are prepared under certain assumptions and include certain risks and uncertainties. As such, please be forewarned that actual results may not necessarily match these forecasts due to a variety of changes in the business environment and others causes.

Please also note that even in cases where it might be desirable for the forecast information to be updated or revised due to new information, future events or other items. The Company is not obliged and does not have a policy of updating this document and information to the most recent.

Furthermore, this report is an English translation of the original, which was prepared in Japanese. In the event of any discrepancies between the Japanese original and the English translation, the Japanese original shall prevail.