

WHAT'S PALTAC



Integrated Report 2022
PALTAC CORPORATION

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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 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. The Company is not obliged, and does not have a policy of updating this document and information to the most recent.

PALTAC's Value Foundation

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Corporate Data

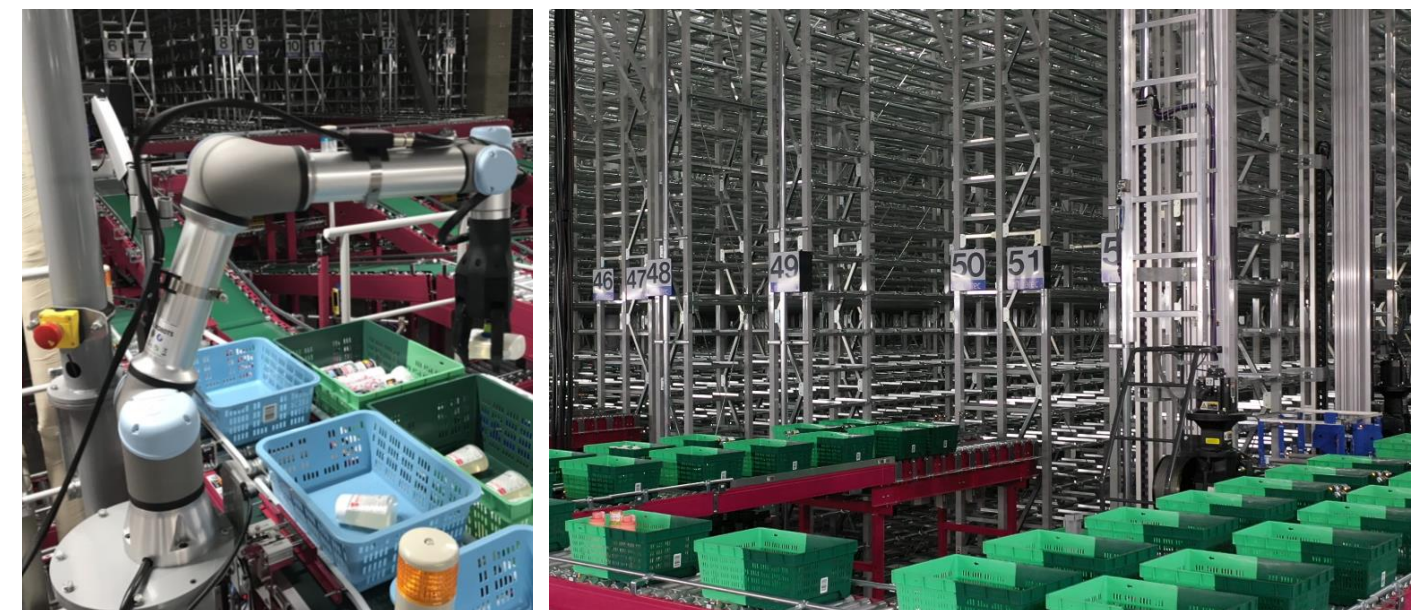
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Editorial Policy

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 it describes our history, corporate culture, and our approach to distribution.

Reference Guidelines

We have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Integrated Disclosure and Dialogue Guidance for Value Collaboration advocated by the Ministry of Economy, Trade and Industry.



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“Unchanged MIND” Moving forward

since
foundation

124 years



PALTAC MIND

Our DNA

Honesty and Trust

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

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 social infrastructure of supply chain while keeping pace with the rapid change of society.

Feeling a deep sense of our mission Supporting “usual daily lives”

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

Optimizing and streamlining entire supply chain through our intermediate distribution functions

Yearly shipments

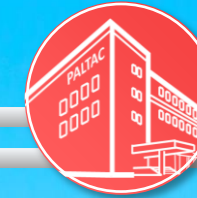
3.5 billion products

We supply 30 products per person for one year in Japan

Manufacturer

PALTAC

Retailer



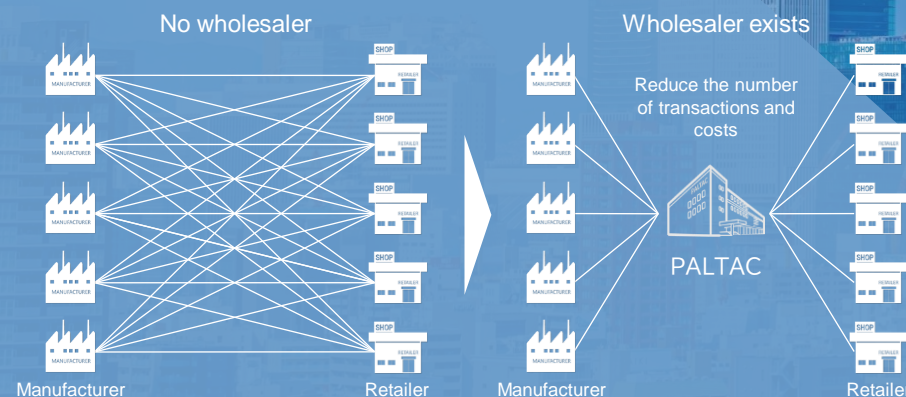
1,000 companies 50,000 items

400 companies 50,000 stores

PALTAC is an intermediate distributor that handles daily necessities related to “health and beauty”. Our mission is to deliver products to retailers in a stable and efficient way in a normal condition and even in an emergency with the aim to support “usual daily lives” in which people can obtain products that will enrich their daily lives “at any time” and “affordably”. We provide retail solution including provision both effective information and sales proposals ranging from “products assortments” at stores to “store support” such as product displays based on the information analysis of sales data and market trends, as well as high-quality, low-cost logistics solution that realizes efficient distribution processes and store operations. In addition to these solutions as above-mentioned, through our own information technology (IT) enterprise system that supports foundation of these solutions, we pursue optimization and streamlining of the entire supply chain from manufacturers to retailers and thus to consumers.

Reducing costs of the entire supply chain through the intermediate distribution function

Optimization and streamlining of the entire supply chain are realized by wholesaler’s collection and dispersion role at the mid-point, and consequently contribute to social costs reduction and to products delivery to consumers at stable prices.



Supplying products that are closely related people’s daily lives

Cosmetics	Daily necessities	OTC pharmaceuticals	Health and sanitary related products
Shampoo / Hair color / Facial cleanser / Cleansing agent / Skin lotion / Sheet mask / Men’s cosmetics / Deodorant / Lip balm / Makeup, etc.	Laundry detergent / dishwashing detergent / toothbrush / toothpaste / soap / household papers / food wrap / razor / feminine care / insecticide / disposable warmer, etc.	Cold remedy / headache medicine / skin disease remedy / vitamins / gastrointestinal drug / lifestyle drugs / eye drops / antiphlogistic sedative drug for external use, etc.	Baby products / supplements / functional foods, beverages / masks / disinfectants / nursing care products / contact care products, etc.

Chairman's Message



Because of the difficult environment
Now is the time to leverage our true
values as an intermediate distributor

Representative Director,
Chairman, CEO

Kunio Mikita

It has been more than two years since the COVID-19 pandemic started. During this period, while the wave of the outbreak has been repeated, the economy has declined due to restriction on movement and people's lifestyle has significantly changed. I think that COVID-19 pandemic has changed people's values and customs and we face a condition that past experience alone may not address. It seems to me that people feel infectious diseases caused by viruses as a familiar threat and lead a daily life with effective prevention. From our business standpoint, due to soaring raw materials prices and a weak yen for the first time in a few decades, we are facing strong trends as an ongoing rise in price of products which we are handling although that rise is not as sharp as seen in foods. I concerned about the decline in consumer sentiment. At the same time, various costs such as delivery costs and electricity prices, are rising, too and thus efforts to control operational costs are becoming increasingly important. In other words, we will have to conduct business operations in an environment where it is difficult not only to expand the sales but also to secure the profits. But, looking at it another way, this also means that because it is such a complex and difficult

environment as now there is a chance for success. We have a history of over 120 years of experience. Naturally, this history should have experienced ups and downs. This report presents our history, which is the background of our recent corporate culture and also includes many insights from overcoming the chaotic postwar period and oil shocks and subsequent growth, etc., and we are able to use these insights and address the recent issues. I have been working in this industry for about half a century. During this period, I saw bankruptcy of corporations which have longer history and bigger than our company. Even in a difficult environment, accurately grasping changes, proactively introducing something new and constantly evolving, I believe those must be the sources of the future growth. Issues are not clearly presented at the time when the performance was strong, but all the more because of the difficult environment, we are able to naturally find the issues that no one noticed before. It is important to address these issues accurately and quickly in corporation with not only our head offices but also customers. For example, the market environments become even more challenging as sales are sluggish due to consumer's budget-mindedness. The real place where the products are directly served to consumers is the retail store.



For the entire supply chain, we think it is important to revitalize retail stores and necessary to enhance our store support function. Although this function was not new, in order to meet the needs of retailers and manufacturers at a higher level, we reorganized the sales division as the head office specific to the store support reinforced this function. And, through incorporating the digital technology, we not only improve productivity of our employee, but also provide real-time image of the retail store and qualitative information by visualizing various information at the retail store in consideration about how to deliver and utilize effective information of a retail store. Furthermore, utilizing store support function, we have developed new service "Comprehensive support for promotional items". This is just an example of our solutions. I think that if we can contribute to optimizing and streamlining the entire supply chain while adapting to the change of environment, these difficult challenges will be leveraged into an excellent opportunity not only for the growth of the whole industry but also our growth. In doing so, it is our understanding that these initiatives contribute to the development of the whole industry and also bring us sustainable growth. Our company is an intermediate distributor. So our business relies on the mutual relationship between manufacturers who make products, retailers who sell products to consumers and delivery companies who deliver products. Accordingly, it is essential for each industry to earn fees in compensation for respective roles and provided value, but the business shall not take place under condition that

only some corporations of the entire supply chain reap the benefits. I think it is important to respect the "Sampo-Yoshi" thinking, under which the overall industry is able to reap the benefits, and to execute business activities based on its thinking. I regularly share my thinking with our employees. While maintaining the initiatives of partial optimization, I think, we are able to get an effect that is appreciably larger by the initiatives of overall optimization through cooperation between manufactures, distribution and retailers, and contribute to the realization of the development of the whole industry. In this sense, we are committed to collaboration and cooperation in implementing medium-term management plan. Our company is handling daily necessities and conducting business aiming to contribute to people's rich and comfortable daily lives. I can say that this aim has been passed on to the recent trend of SDGs and our company has incorporated contribution to SDGs into our business operation. We have selected 7 items from 17 SDGs targets associated with our business and, with strongly recognizing issues at each target, we will carry out governance reforms and effective management decision-making. We have always been highly conscious of the fact that the corporation is a public entity of the society and, as a team PALTAC, collaborating and cooperating with CEO, COO, directors, operating officer and employees we will work to contribute to sustainable growth of the society, the supply chain and our company.

President's Message



Aiming for the platformer
of the supply chain
Ensuring to the growth
together with all our stakeholders

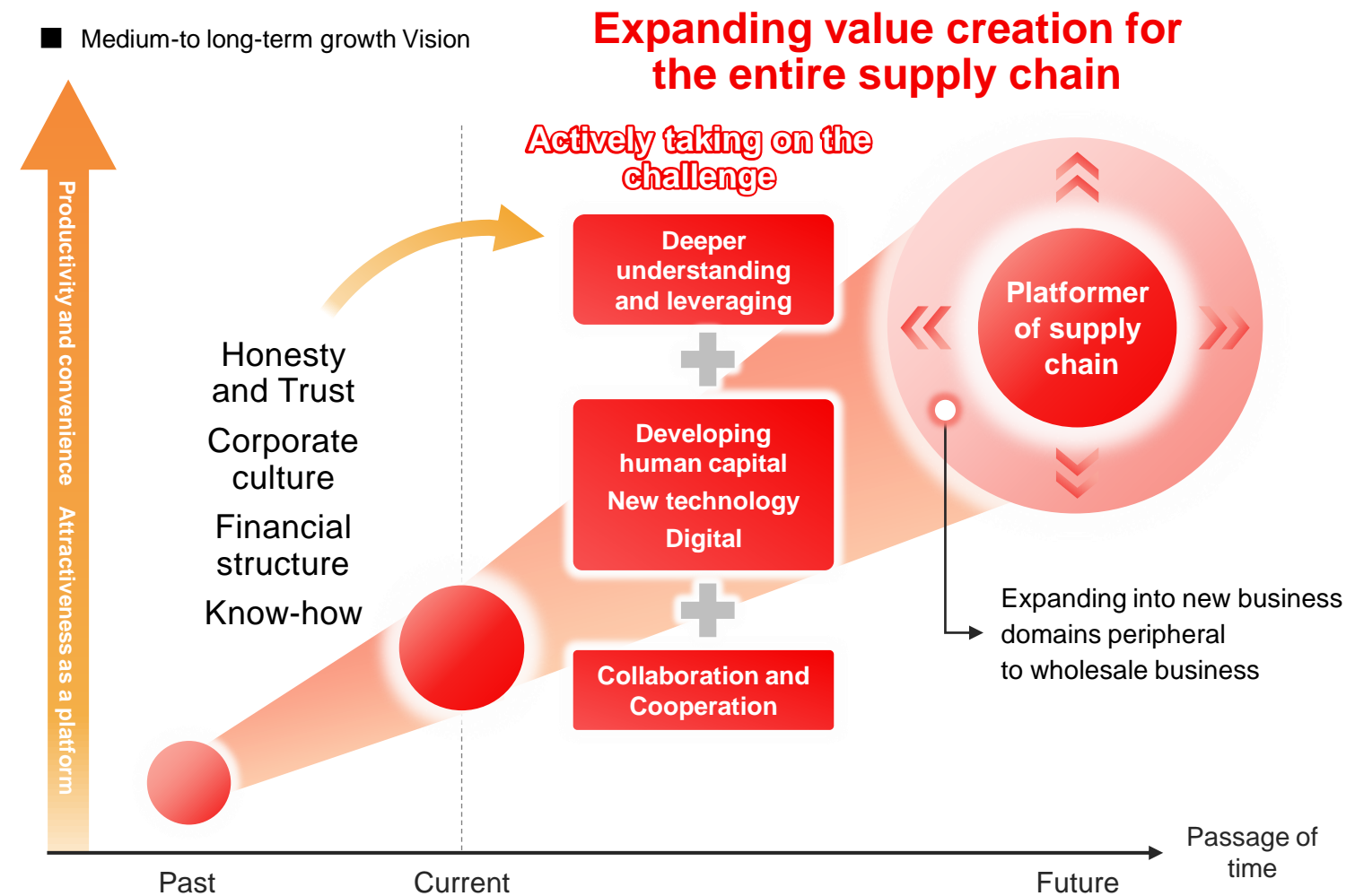
Representative Director,
President, COO

Seichi Kasutani

Further enhancing productivity that is the best in the industry by new challenges

Under environments such as continued seesawing of COVID-19 pandemic, rapid advancement in digital technologies, rising in the price of products and the contribution to and the engagement with SDGs including the response to climate change, we see various changes in people's behavior. In the market of cosmetics, daily necessities and Over-The-Counter (OTC) pharmaceuticals where our company operates, we are facing extensive and significant changes, not only short-term changes including market trends but also medium-to long-term changes including labor shortage which affects social structure. Looking back at our company's history, we have been continuing to invest approximately ¥200 billion for more than 20 years looking ahead into the future environmental changes, and established the efficient and convenient structure. Recently, this consistent initiative has led to our industry's top-level high productivity and has been a valuable factor of differentiation. I think that the importance of "Productivity" and "Convenience" will become greater. We have a perspective of five to ten years into the future and plan to the further improve our business advantage by proactively incorporating cutting-edge technologies such as

digital, AI and robotics. The point that we always should keep in mind in doing so is to promote with a view to "the entire supply chain". This is because that we, "intermediate distributor" are able to deliver products to consumers through unification of manufacturers, distribution and retailers which are undertaking their individual roles. Our company, which acting as an intermediate distributor in the supply chain, efforts to establish effective systems and evolves collaboration and cooperation so that all customers in the supply chain can make good use of these systems. By this virtuous cycle, we will offer the value which helps the development of the entire supply chain. By going beyond the conventional thought, we will continue to take on new challenges. And with the distribution business at our core, we will further promote our business aiming to continue to take an active role as "platformer of supply chain" by encompassing areas peripheral to our current businesses. We have presented specific initiatives in the medium-term management plan, which launched in May 2021. Detailed information regarding these initiatives can be found later in this report, and I will explain about new challenges in the first year of the plan.



Strengthening "Schemes of Sales Expansion"

First initiative is strengthening retail solution capabilities. During COVID-19, under a condition where there is a tendency of the difficulty in selling products, it goes without saying that it is essential for manufacturers, retailers and our company that products can be sold well. As our chairman mentioned, focusing on the retail stores where the products are sold, we have enhanced function of the Store Support Headquarter and promoted industry-first initiatives such as "Comprehensive support for promotional items" developed by this headquarter. And also, we have internally developed the system by which we analyze various data acquired from our activities as an intermediate distributor and observing demand trends. By using this system, we have begun efforts to take initiatives to help for the retailer's sales activity. Regarding the products not handled in our conventional manufacturers, we have started new transactions with new manufactures, and the recent sales volume has reached a scale exceeding 1% of

the total sales. During COVID-19, we desire to develop selling systems addressing the New Normal where conventional merchandising will no longer apply, and take on the new challenges.

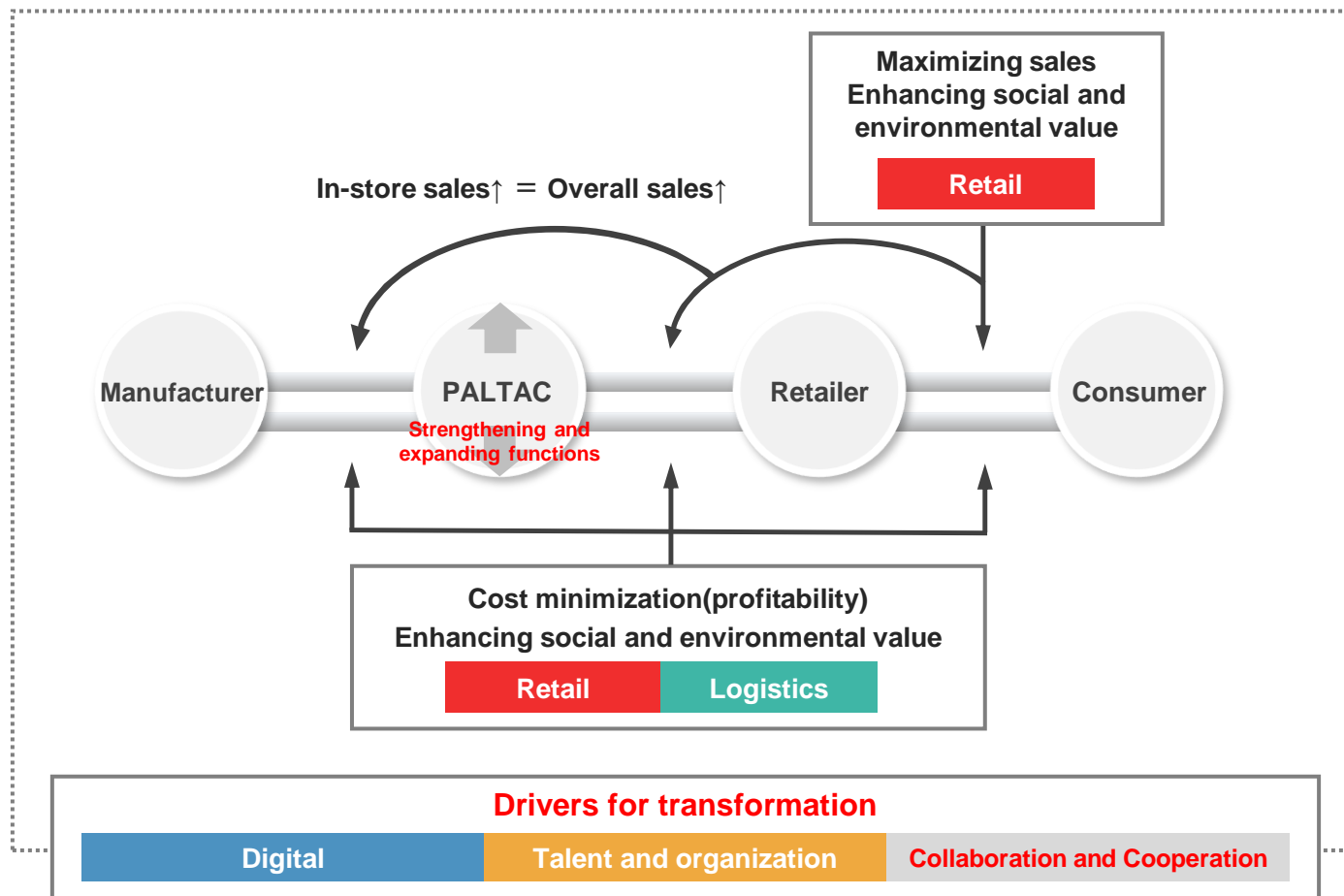
Venturing into new areas of distribution

Regarding to strengthening logistics solution capabilities, we will start to operate Tochigi distribution center early in 2023 aiming to increase of shipments from the new logistics model and expanding shipping capacity in the Kanto area that is our main market. We also have started expansion of RDC* Miyagi for entering foods distribution business. Even though it is important that through this initiative we aim to improve productivity of retailers and our company and reduce CO2 emissions, the most important point of this initiative is taking up a new challenge of distribution of foods field beyond the

*RDC(Regional Distribution Center)

Taking on the challenge of innovating the entire supply chain Pursuing value creation that is broader and deeper

■ Medium-term Management Plan Position of priority initiatives



market of cosmetics, daily necessities and OTC pharmaceuticals. In the logistics area, there are many social issues such as White Logistics Movement and CO2 emissions, by innovative spirits that we have accumulated, we will take on the challenge of transformation is not bound by conventional frameworks.

Progressively promoting DX initiatives

Digital is a technology essential in various transformations. Our company has widely utilized digital technologies, including internally developing enterprise system, advanced robotics "SPAID" which is new system addressing issues of labor shortage and using AI. Digital technology is

becoming indispensable for our further growth. Going forward, to promote collaboration and cooperation with retailers and manufacturers and to fulfill our roles of the platformer of supply chain, I think it is necessary to proactively utilize digital technology and DX is an important management issue. In promoting DX, we are first pushing forward replacing enterprise system, including enhancing security system and moving to cloud computing. We have built a stable system base and promoted company-wide initiative by establishing "DX Promotion Department" as a new department, which is responsible for DX in April 2022, Regarding promote DX, believing that the key points are various perspectives, knowledge and idea, we have built a "Digital Dynamics Initiative(DDI)", company-wide taskforce-team.

While we have already provided new system such as virtual exhibition, VAN service and PIT system which are utilizing digital technologies, through DDI, we will try to initiate concrete activities, which incorporating views and idea on-site, including connecting individual projects and creating new services to meet the customer's needs. Data utilization is also an important aspect of DX promotion, utilizing the data is also an important. While our big data has been utilized at the case of strengthening "Schemes of Sales Expansion", we can also gradually accumulate some big data, which was difficult to accurately recognize, related to the correlation between advertising effectiveness such as situation of production roll out, use of promotional items and sales result. Through connecting the data which was not visualized, it can be realized that the optimal distribution method suited to actual circumstances is recognized and deployed, and it is expected that productivity and convenience of the entire supply chain will further improve. Under new team and initiatives, while utilizing digital at existing area, we will take on a challenge of digitization of on-site information and data mining, which have great potential for innovative productivity of the entire supply chain and lead to realize our DX.

Human capital who creates a new value

In the future, with the aim of raising the level of activities, talented person who creates a new value is necessary. Every great evolution starts as an idea of personnel and is realized by personnel. I think that human capital is driving force behind all value creation. Our Initiatives to contribute to optimizing and streamlining the entire supply chain are created by our human capital. We are hearing DX, AI every day and technology is advancing day by day. Under these situations, Human capital who recognizes and uses their own strength and work to do, and are tolerant about new ideas, will support our future growth. Thanks to your support sales and operating profit per person have shown improvements. Currently, in preparation for further growth, we will actively engage in recruiting professional and nurturing human capital. Under condition of labor shortage, these tasks are not easy, but without deviating from the object we will make effort more carefully and promptly. Simultaneously, through establishing the organizations and systems under which every employee can exercise their full potential, we will further enhance the value of human capital.



Addressing Climate Change

Under the worldwide trends in responding to achieve the SDGs, responding to climate change, including the move towards a low-carbon society has been a particular priority issue. Considering these trends, we have analyzed future risks and opportunities in line with the framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We have never been experienced risk that the continuation of the business became difficult in from 10 to 20 years, but we expect an increase in cost in many fields due to political measures and regulations with moving towards a low-carbon society.

On the other hand, combined increase in cost due to the response to climate change with the labor shortage as an urgent issue for the industry as a whole, it is expected that the needs of high-productive supply system will increase further. Without missing these opportunities, we will effort to promote the establishment of a platform and optimizing and streamlining the entire supply chain through collaboration and cooperation between retailers, manufacturers, delivery companies and address issues including response to climate change.

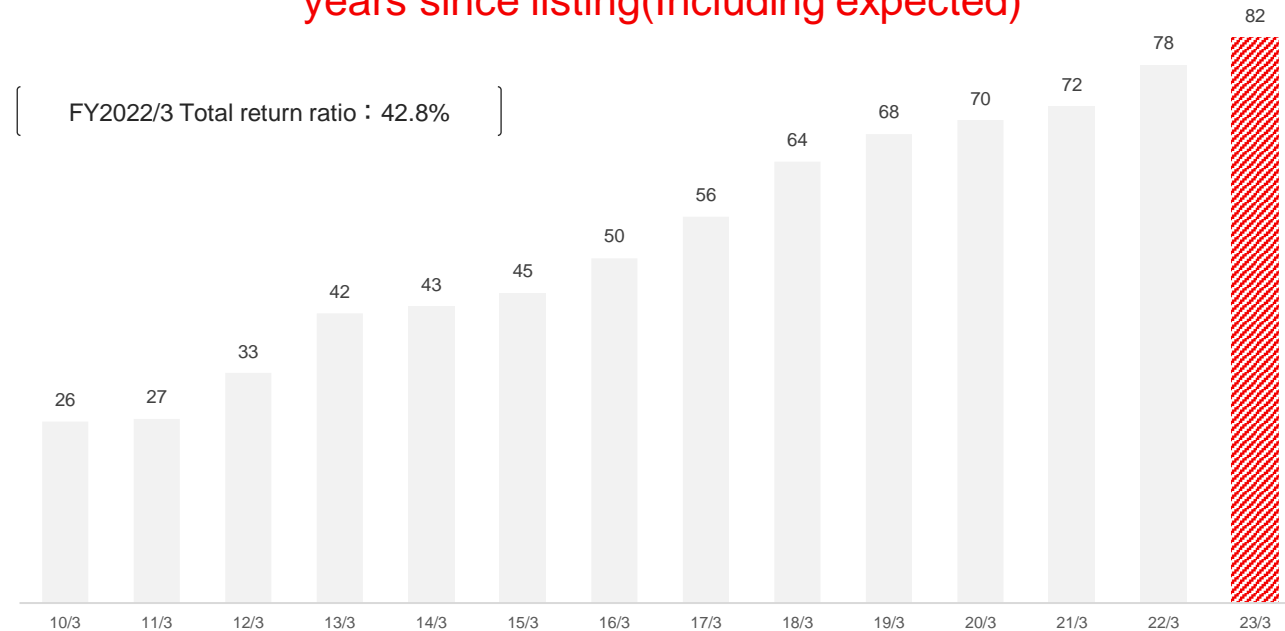
Capital policy

We consider the distribution of profits to shareholders and enhancement of corporate value by sustainable revenue growth to be its top management priorities. Regarding to capital policy, we have various measures such as reductions in equity and diversification of funding sources, and as an intermediate distribution industry of daily necessities which is responding to social infrastructure, we recognizes the importance of

well-balanced profit distribution between financial soundness, investment for sustainable growth and stable dividend to our shareholders. With regard to the investments for future growth, we proactively pursue investment for construction of the distribution center to secure high-efficient shipping capacity, digital for DX and human capital who supports our sustainable growth. With regard to shareholder's return, our basic policies for shareholder's return are targeting a total return ratio of 30% and to provide stable dividends and increase dividends in line with growth in earnings. For the fiscal year ended March 31, 2022, we increased the dividend per share for 12th consecutive years and reached a total return ratio of 42.8%. For the fiscal year ending March 31, 2023, although profits are expected to decrease from the previous fiscal year due to temporary expenses as Tochigi distribution center to start operation, we plan to increase the dividend per share for 13th consecutive years based on our basic policy. We remain committed to well-balanced profit distribution and increasing corporate value by sustainable revenue growth and effort to conduct our operations to grow with all our stakeholders.

■ Highlights of dividend per share(yen)

Increased in dividend for 13th consecutive years since listing(Including expected)



*The Company conducted a 1.5-for-1 stock split on January 1, 2012.
Dividend before FY2012/3 include the amount retroactively applied to the impact of the stock split.

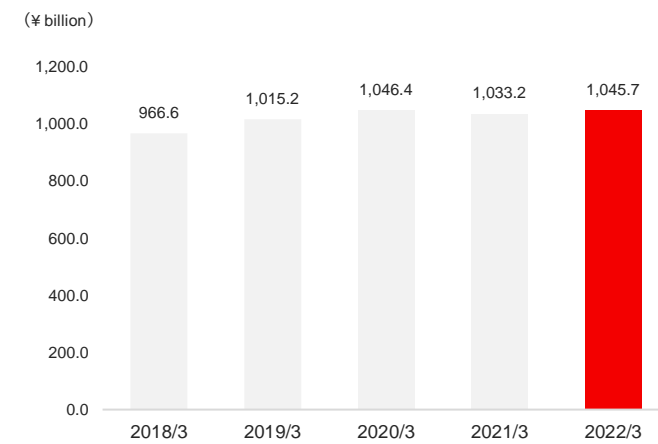
Medium-term Management Plan PALTAC VISION 2024 Progress of Priority Initiatives

<p>1 Strengthening retail solution capabilities</p>	<p style="text-align: center;">Through contributing to sales growth at retail store and expanding transactions by building a trustworthy relationship with customers Achieved the highest sales under the harsh environment of expanding infections</p> <ul style="list-style-type: none"> Increased in favorable cases of "Schemes of Sales Expansion" by strengthening store support function using digital. Made a steady progress in SCM* initiatives and deepened relationships with customers by having their experience effects of improvement. Strengthened the procurement of new products to meet consumer needs in the New Normal. Took on the challenge of developing environmentally-friendly products. Continued to support the expansion of e-commerce businesses of retailers who were performing well in the COVID-19 pandemic. Started "Comprehensive support for promotional items", through linking with the various functions of the retail solution.
<p>2 Strengthening logistics solution capabilities</p>	<p style="text-align: center;">Improved the SG&A ratio, while addressing social and environmental issues, such as White Logistics Movement and CO2-reduction, by building a logistics system aimed at high-efficient and overall optimization</p> <ul style="list-style-type: none"> Strengthened improvement of the warehouse operation as a whole amid the impact of deteriorating market conditions, such as a decrease in the volume of shipments per unit. Continuously improved productivity of warehouse operation. Improved delivery efficiency by promoting improvements from various perspectives amid an environment of driver shortage and rise in delivery cost per unit. Proceed the preparation for operation of "Tochigi distribution center" aiming to expand the high-efficient distribution network. Took up a new challenge of "Collectively-managed logistics both Non-Foods and Foods products" with the aim of optimizing and streamlining the entire supply chain beyond the existing business domains.
<p>3 Enhancing IT system and Promoting digitalization</p>	<p style="text-align: center;">Moved ahead to build the stable system base to support the priority initiatives in the medium-term management plan and the promotion of DX Started taking on the challenge of value creation in new areas by utilizing digital</p> <ul style="list-style-type: none"> Renovation of our IT enterprise systems progressed as planned, and those systems are planned to be implemented progressively from the fiscal year ending March 2023. Established the "Information Management Committee" and established a system to strengthen information security through the PDCA cycle. Established the "DX Promotion Department" and established a system to accelerate DX promotion through internal and external collaboration and cooperation. Started "VAN service" : PALTAC who is involved in distribution undertakes a comprehensive support encompassing "sales activity" and "logistics operation" through to "data exchange" and we will aim to reduce costs in the entire supply chain.
<p>4 Developing talent and organization</p>	<p style="text-align: center;">Strengthened the foundations from a medium-to long-term perspective for achieving the vision of the medium-term management plan and further growth</p> <ul style="list-style-type: none"> Continued proactive recruitment of professionals with consideration to form a diverse organization. Revised personnel system to utilize diverse perspectives and skills(establishment of new professional course). Announced Health Management Declaration to promote the physical and mental health of our employees who are the sources of the corporate growth. Started company-wide initiatives(Certified Health and Productivity Management Outstanding Organizations 2022).
<p>Enhancement of ESG / Contribution to achieving SDGs</p>	<p style="text-align: center;">Strengthened our management foundations for sustainable growth Promoted to contribute to the achievement of SDGs through business activities</p> <ul style="list-style-type: none"> Endorsed the recommendations of the TCFD and responded to information disclosure in line with TCFD requirements, and started initiatives to achieve long-term targets. Incorporated new structure of the Board of Directors with a majority of outside directors in order to further strengthen corporate governance. Developed initiatives such as streamlining logistics and expanding ethical consumption for simultaneously realizing both contribution to the achievement of SDGs and our sustainable growth.

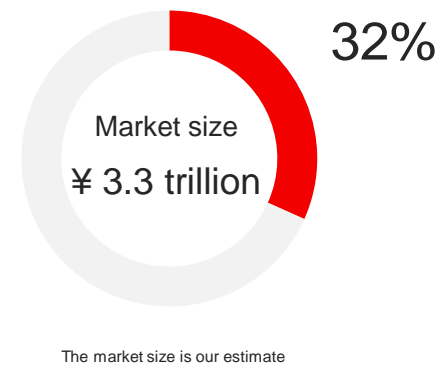
*SCM(Supply Chain Management)

Financial and Non-financial highlights

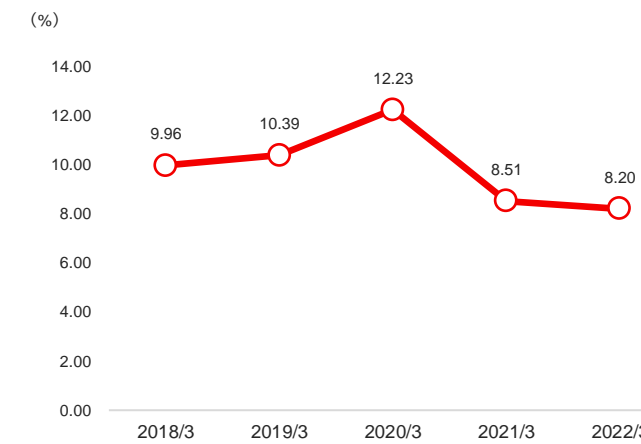
Net sales



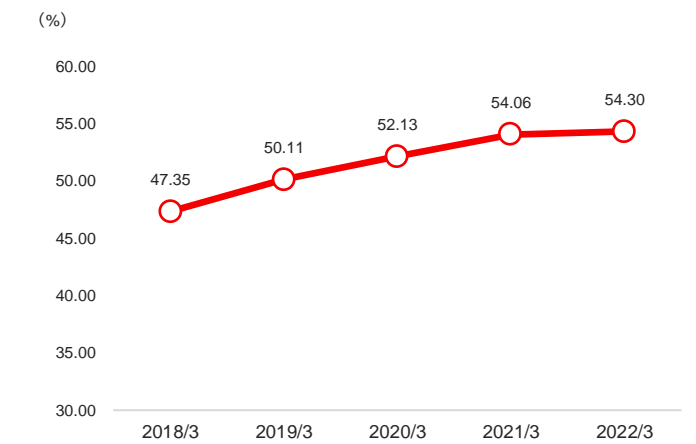
Market share



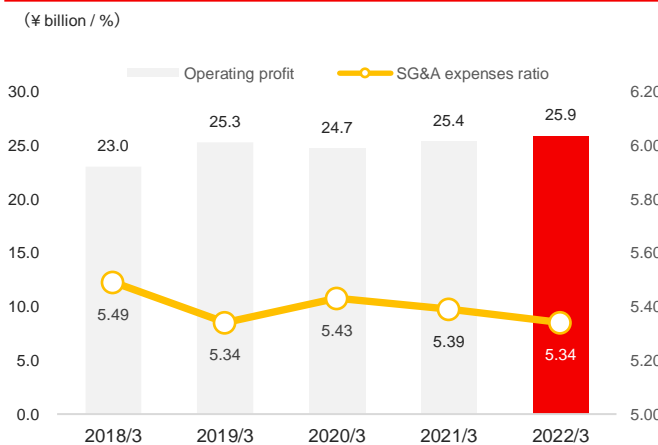
ROE



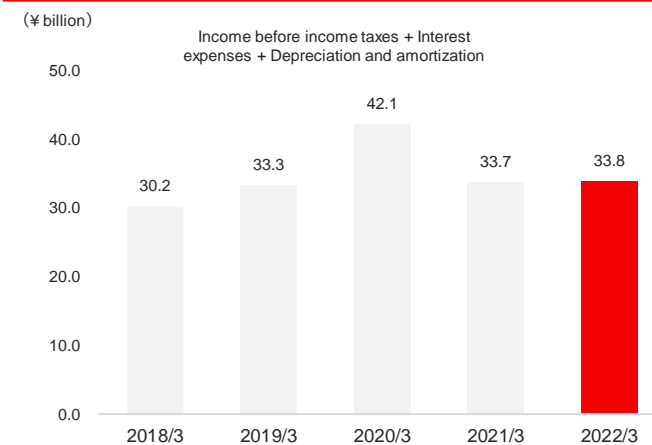
Equity ratio



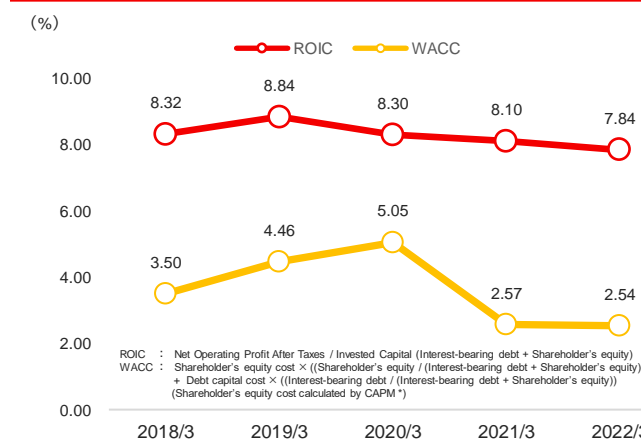
SG&A expenses ratio / Operating profit



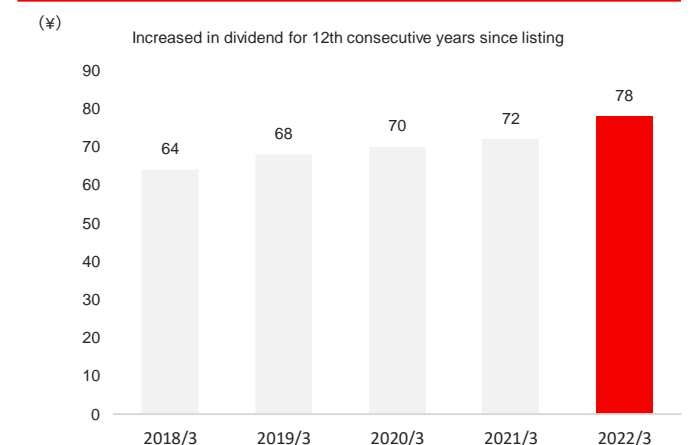
EBITDA



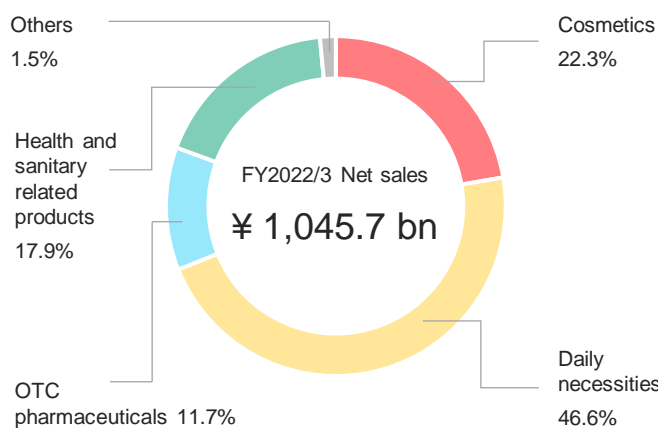
ROIC / WACC



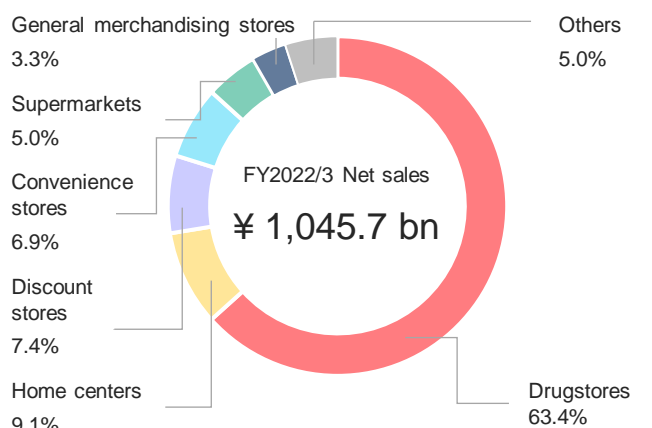
Cash dividend per share



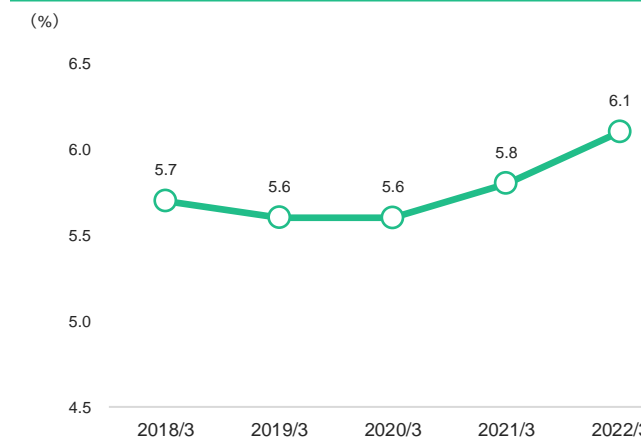
Sales composition by product category



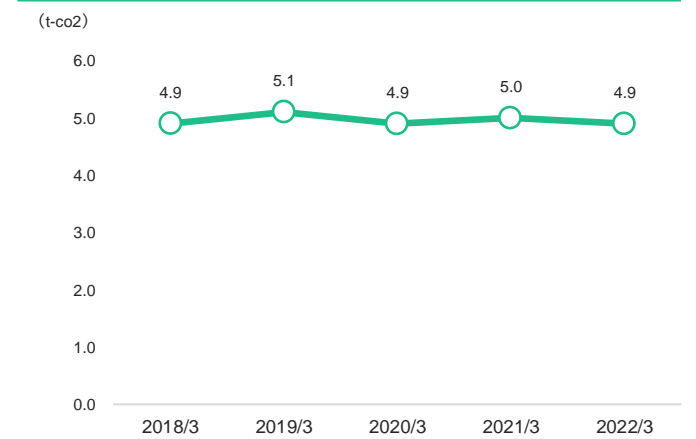
Sales composition by customer category



Percentage of female employees in management positions



CO2 emissions per 100 million yen in net sales



* The figures used to calculate WACC are as follows.
 - Risk premium : 4.37% (Average profit yield of all stocks on the First Section of the Tokyo Stock Exchange - Risk-free rate)
 - Risk-free rate : 0.18% (JGB 10-year bond yield)
 - β value : 0.54 (Regression coefficients of Nikkei Stock Average and Our stock price (as of the end of the month))

PALTAC History

Over the course of 120 years since foundation, we have been engendering the spirits of “Honesty and Trust” and “Innovative Spirits” as a fundamental principle of our activity, and supporting supply chain. Currently we have grown to deliver more than 3.5 billion daily necessities to consumers.

¥ 1,045.7 bn

¥ 1,000.0 bn

¥ 500.0 bn

¥ 100.0 bn

¥ 10.0 bn

Changes in sales (¥ billion)

Foundation

1898

1928

1971

1990

1998

2008

2018

2022

Change in society

Modernization and westernization of livelihood
Enhanced infrastructure such as telephones and railways

Growth of capitalist economy
The era of mass production and mass consumption

Arrival of the information-driven society triggered by a wide spread of the internet and the mobile device
Further diversifying consumer preferences due to increase in volume of information

Facing the era of declining birthrate and aging population and declining population
Urgent tasks to address DX



1898 : Tanejiro Sumikura founded the variety store “Oboko-go Sumikura-siten” in Osaka Senba, which handled cosmetics and daily necessities.

Obtained customer trust by initiatives including unique advertising based on solid management.

Introduced three holidays monthly system as the industry's first.

Organizational management departing from private management



1948 : Appointment of a representative from outside the founder's family.

1951 : Changed the trade name to Daisho Corporation. Transition to a non-family business.

1976 : Changed the trade name to Paltac Corporation.

Responsible for distribution nationwide with like-minded group companies.

Renewed Paltac



1998 : Merged with Shinwa Co., Ltd., which had strengths in logistics and information systems.

1999 : Established RDC Kinki and RDC Tokai as the first step of the nationwide RDC conception. Aiming for optimizing and streamlining the entire supply chain.



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

2010 : Listed on the First Section of the Tokyo Stock Exchange.

2015 : Changed trade name to PALTAC CORPORATION.

1 trillion-yen Link with the future



2018 : Medium-term Management Plan VISION 2021 had started. Challenged the logistics innovation beyond wholesale industry.

With the introduction of a new logistics model, RDC had evolved into a distribution center that simultaneously meet the productivity improvement and human friendliness.

VISION 2024

“For a bright future”

~ Moving forward with the supply chain ~

(P36)

PALTAC HISTORY

Foundation

In 1898 Foundation

History of "Honesty and Trust" was born in Senba Osaka

Unique ideas and customers first policy

On December 1, 1898, in Senba Osaka, Tanejiro Sumikura (founder) opened "Oboko-Go Sumikura-Shiten" which serve variety goods (cosmetics such as face powder, ripsticks, etc., daily necessities such as soap, dental powder, etc.). History of about 120 years has started from this. Tanejiro who was born in a family run the variety store was taught the management policy of Senba merchants "Sanyo, Saikaku and Shimatsu". When our company founded, because funds were scarce, we could not prepare sufficient products and could unavoidably be forced to start our business under situation in which the road ahead was still very difficult. In order to overcome this challenging situation, Tanejiro took thoroughly solid measures. He did not purchase any products which sales had bleak prospects and focused on the transactions with small business customers in cash, while giving consideration for raising products turnover rate and working capital turnover rate. In the beginning, there were only three employees. To embark our business on the sustained growth trajectory, first we tried to improve awareness of this small store and to improve customer service. In specific, they tried to use illustration like a caricature as advertise

contents, and to actively offer himself for customers in remote geographies through devising newspaper ads and new year greeting cards in which Tanejiro's picture was installed and to appeal his friendliness beyond the business relationships. Sumikura-Shiten became the first entity in Osaka to advertise on electric poles. With regard to improving customers service, they try to attach the good and bad aspect of items and precaution to each cosmetics that were handled particularly large volume and to provide the latest information on new merchandises. Thanks to unique advertisement and their dedicated customer service, their trust was becoming higher every day and sales expanded steadily. And also, Tanejiro respected employee's health and introduced the original system of "three-holiday monthly system" at that time when it was taken for granted that employees got a holiday once a month in the Senba area Osaka.

Rooted in the core business, Built customer's trust

In 1905, in the post Japanese-Russo War (the War) reconstruction, the Japanese economy was brisk

Founder Tanejiro Sumikura



Advertisement at that time



New year greeting cards printed with portrait



An information about holiday expansion published in the newspaper



Inherited belief



"Sanyo" means that properly managing profitability

- Cost management by work process (ABC*)
- Profit management by individual item of about 50,000 items



"Saikaku" means generating innovative and creative ideas and planning strategies by which those ideas turn into practice

- Supply chain optimization through internally developed logistics equipment and internally developed system
- Taking on the challenge of logistics innovation through utilizing AI and robots that beyond wholesale industry
- Taking on the challenge of DX to realize the innovative productivity of the entire supply chain



"Shimatsu" means that while eliminating waste with plan, making generous and aggressive investments necessary for management

- Active investment aiming for optimization of supply chain
- Developing corporate structure that generates investment capacity

and cosmetics industries had been entering a new era of solid progress. At the same time, we faced intense business competition. Many competitors, in order to succeed amid intensifying competition, pursued profit maximization with the quality of merchandises taking a back seat. Under overconfidence to economic expansion following the War, aiming for a big payout, investment for new businesses accelerated, and but their core business aside, many managements came to depend too much on speculation. However, Sumikura-Shiten, without any speculation, maintained its policy which is to bring the fine products more cheaply rooted in core business. Oftentimes in a situation to be ridiculed, but Tanejiro had strongly held his belief "we must reinvest earnings from business in the future development of that business", and that had been one of policies since foundation. By these customer first policies "Sumikura business practices" we naturally won the customer's trust. They grew until they called the "His merchandises

are undoubtedly best" and their sales steadily continued to increase. Also, because they did not sell and buy on credit their financing was stabilized and credibility from manufacturers had further enhanced. There had been a flood of offers from manufacturers and the number of items which we handled had reached 3 thousand. At the competition of variety goods held at that time, the products we handled was won the prize and their social reputation further rose. Tanejiro was nominated for official of Osaka Cosmetics Association. In those ways, our management system which was steady in every aspect brought a sense of relief to customers and Sumikura-Shiten business had been in the stead growth mode ever since. Our sound management strategy had evolved to the current PALTAC. And the belief of merchant in Senba Osaka "Sanyo, Saikaku and Shimatsu" has passed forward over the year and has become source of PALTAC our strength to create values.

*ABC (Activity Based Costing) : A methodology for more precisely allocating overhead costs by assigning them to activities. Company can execute business activity based on accurate cost structure.

In 1928, started nationwide development through a trust

Recovered from the World War II (the War),
Made an effort to pursue logistics innovation

Enhanced employee's sense of participation in organizational management

In the early years of the Showa period, the time of operate relied on only personal trust was over, and the time in which company's trust was considered important had come. Sumikura-Shiten was reorganized Sumikura-Shoten as a joint-stock company in 1918 and Sumikura-Shoten Corporation as a stock company in 1928 aiming for departing from private management. At the time of the stock company's establishment, investment ratios are family 80% and employees 20%. From this time, employees invested in the company and participated in management, management by all of the company has been the source of PALTAC's basic management stance.

Scenery of new year shipping at Minamikuhojimachi



in our powers", had been heightened. After working time, they gathered at the café in Kitahama and repeated active discussion to overcome these conditions and started activities for recovering. In the period of confusion after the War, every company were hard to work to gather products under the background of supply shortage. And to do so, illegal and black-market transactions were widespread, and many companies devoured greedily any profit that could be taken, and products were sold at price for five times than the normal. But Sumikura-Shoten pursued transaction at normal price. Without aiming to pursue immediate gains, Sumikura-Shoten set their prime importance on trust. By these thinking and approaches they built a true trust with customers. And under condition where product shortage occurred again due to the oil crisis of the 1970s, we ensure purchased the enough products through cooperation with manufacturers. It had been several years since the War, the excise tax which was raised due to government policy on procurement of expenses for the War had been gradually decreased. We were released from the controlled economy and free and open trade was backed. In the Kyuhoji area Senba, the former townscape was restored, and business was brisk.

Employee's Struggle for recover from the War

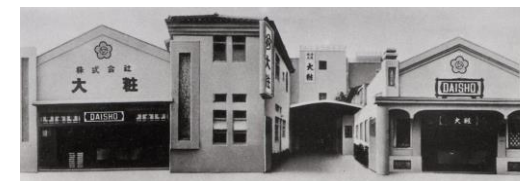
After reorganization, Sumikura-Shoten Corporation pursued further business growth and expanded their results steadily. But consumption of cosmetics drastically decreased due to refrain from make-up, because Japan embarked the Pacific War and the people's living fell into extreme poverty. In 1945, Osaka turned into the burnt field by the air raids on Osaka. Headquarter of Sumikura-Shoten Corporation was completely destroyed, and all stocks burned out. A small office in which interior wall was gutted, only survived and they quickly recovered. It's difficult to make forecasts of recovery. As they shared a sense of crisis "If nothing is done, Sumikura will disappear", awareness that "we younger employees must rebuild glorious Sumikura trough doing everything

Sumikura-Shoten's business recovery had settled down and along with this our sales network had been rebuilt and improved and sales department worked to carry out sales activities. Sumikura's sales staff helped not only to bring the products but also unpacked the box and to dispose wooden box and waste when customers male staff was away from that store. Naturally, we earned appreciation from customers. In the "aware of employees" of that period, it was described that "business activity is not just to merely sale and buy the products but also to have a power to move someone's soul". The key to successful expanding sales channel was exactly "a power to move someone's soul".

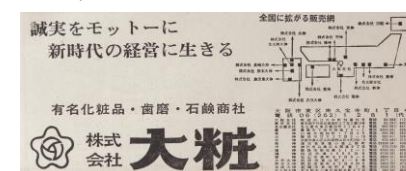
From family business to business enterprise, the birth of "Daisho"

In 1949, since the retirement of sickly president of founder family, we had changed our trade name to "Daisho Corporation" which means to sale cosmetics in Osaka. Despite opposition from our customers because of disappointment of disappearance trade name "Sumikura" which had been in used for a long time, with their consensus of "make a new start from starting point" we clearly had stated the breaking away from private management to within and outside of the company and we had become non-family company both in name and reality. After that, as the Japanese economy had begun to recover, Daisho moved into Tokyo and Nagoya and had achieved significant growth.

Headquarters building at the time when we had changed our trade name to "Daisho Corporation"



Our corporate advertisements at that time



For intermediate distributor that challenged logistics innovation "Paltac" was born

In 1950's, as Japan met the rapid economic growth, it entered a period by mass production and mass consumption due to increase in personal income. Supply chain industry had reached a turning point from where they were taking new steps. In the retail industry, "volume seller" and "supermarket" emerged and opened up a store nationwide. Major supermarket further advanced through nationwide operation and development of chain stores. It was a big change of environment in which success depended on the ability to respond quickly and reliably to the market needs. At the same time, the number of product items rose, and we intended to integrate same wholesaler who shared the same passion, to the group. Daisho had strong capabilities in cost management and provided solution for improvement of business operations such as paper-work, inventory management, delivery operation, etc. Thanks to those successful initiatives, we steadily increased the number of group company across the country and started organization reform and streamlining of management and tried to change from traditional wholesaler to integrated wholesale company In 1976, we changed our trade name to "Paltac". "PALTAC" means "Pioneers Alliance of Living-necessaries, Toiletries And Cosmetics". As well as "PAL" means same-minded group and we had made a new start in expressing wishes that through strengthening solidarity with each Daisho group company which operated the nationwide distribution.

Company logomark at that time



In 1998 Renewed Paltac

Optimizing and streamlining entire supply chain

Launched RDC conception Restructuring of logistics and IT system

In 1991, in Japan the bubble economy collapsed. In the continued severe economic conditions, restructuring of the wholesales rapidly improved and movements towards expansion of enterprise scale accelerated. We had enhanced nationwide distribution system such as promotion of grouping and tried to promote reforming of logistics and IT system aiming for low-cost management, but it was difficult for us to promote on our own resources. In that condition, we decided merger with Shinwa corporation with depth in both distribution system and IT system at that time. Renewed Paltac was born through integration of Paltac's comprehensive capabilities of nationwide sales network and rich lineup and Shinwa's skills in the distribution system and IT system. Since that time, we had made significant efforts in initiatives to optimize and streamline the entire supply chain and launched nationwide RDC conception utilizing large-scale and high-efficiency distribution centers. In 1999, as the first phase, we established RDC Kinki and RDC Tokai.

Since then, We had steadily strengthened operational base through active investment. RDC was equipped various functions, including automation equipment, pursuing for productivity, and the most innovative on these functions was a significant change of shipment system. In order to adapt to floor layout of retail store, shipment system was changed from existing maker-based sorting to goods-category-based sorting and that change brought improvement for both efficiency of our shipment operations and efficiency of retailer's displaying operation at their stores. In 2005, in addition to cosmetics and daily necessities, we could start to deliver OTC pharmaceuticals as a result of business integration with Mediceo Holdings Corporation (currently MEDIPAL HOLDINGS CORPORATION). Providing a full lineup of health and beauty products contributed to improvement of convenience for retailers and more to further our growth.


Internally developed system that realizes an efficient distribution system

In conjunction with the development of RDC conception, we tried to replace our enterprise resource planning (ERP) system aiming to ensure smooth business operation including operation of the distribution center. Usually, as for RDC, aspect of hardware attracted interest, but in practice, aspect of software such as IT system is important in order for the efficient operation of RDC. We had believed that it was essential to construct IT system by ourselves, and developed our own system without dependency on outsourcers and could boost productivity of RDC. And result of construction of our own system was useful for speed and low-cost development of following updating. Second initiative was

construction of a cost analysis system "ABC" in 2002. We had become the first in the wholesale industry to implement and realized visualization of operating profit of each customer, that was previously impossible. In this system, we have clearly understood issues of each customer and could offer effective proposals for improvement. Moreover, "ABC" is also effective for us to discover our own issues and improve by analyzing each operation. Thanks to this solution process's cycle, we have enhanced cost-control accuracy. Recently, through improving "ABC" system itself and combination with operation support tools, that accuracy has been further enhanced.

RDC system contributing to the efficient operations of retail stores


< Shipment accuracy 99.999% >




We have realized delivery at extremely high accuracy by using our own functions, which does not cause errors in shipments, such as internally developed picking machines equipped with a weight inspection module

Reducing inspection operation

< Shipping in a packing style that is easy to display >




Body Soap / Bath products



OTC pharmaceuticals


Packaging and delivering product by each category




Stacking Folding Containers automatically based on product display locations

Reducing the burden of unloading and display work through shipping the Carry bundled with folding containers

Ensuring a smooth transition to display work
Minimizing distances to walk for operations ⇒ Reducing time of displaying operation




Internally developed system that realizes an efficient distribution system




Contributing to the efficient operation of large-scale distribution center

- Developing seamless distribution process from receiving to shipping
- Realizing appropriate allocation of human capitals based on the accurate prediction of operations
- Streamlining operation at the distribution center through internally developed logistics equipment (Number of patents obtained:18 (As of the end of March 2022))



Visualizing costs to increase the accuracy of improvement activities

Calculating the cost of each process from receiving operation to shipping operation at the distribution center Repeating the cycle of discovering and improving bottlenecks



Developing tools to support sales and purchasing departments

Improving the efficiency and quality of various operations through utilizing digital technology

PALTAC History

For a bright future

At present, companies just have to act on diversifying and complex social environment, such as labor shortage caused by the decline in the working populations, response to a new normal brought by the COVID-19 pandemic, frequent natural disasters arising from climate change. Over the period, we have consistently pursued to optimize and streamline the entire supply chain, and from 2016 developed new logistics model with a combination of existing distributive know-how and cutting-edge technologies including artificial intelligence (AI) and robotics, and that enable us for doubling of the productivity of personnel and is friendly to employees.

And also, from April 2021, we have formulated a three-year medium-term management plan 2024 "For a Bright Future : Moving Forward with the supply chain". Under this medium-term management plan, we will continue with initiatives for addressing diversifying and complex social environment and are taking on the challenge of contributing to solve the various customer's issues. Since our founding, while have been committed to customer first policy, we have taken up business very seriously for over 120 years, particularly within 20 years, have continued to make effort to optimize and streamline the entire supply chain though without changing our business model,

we have ensured successful business growth through being quick to understand changing needs. Going forward, as an intermediate distributor handling daily necessities, we will continue to strive to create people's rich and comfortable daily lives in cooperation with all partners of the supply chain.

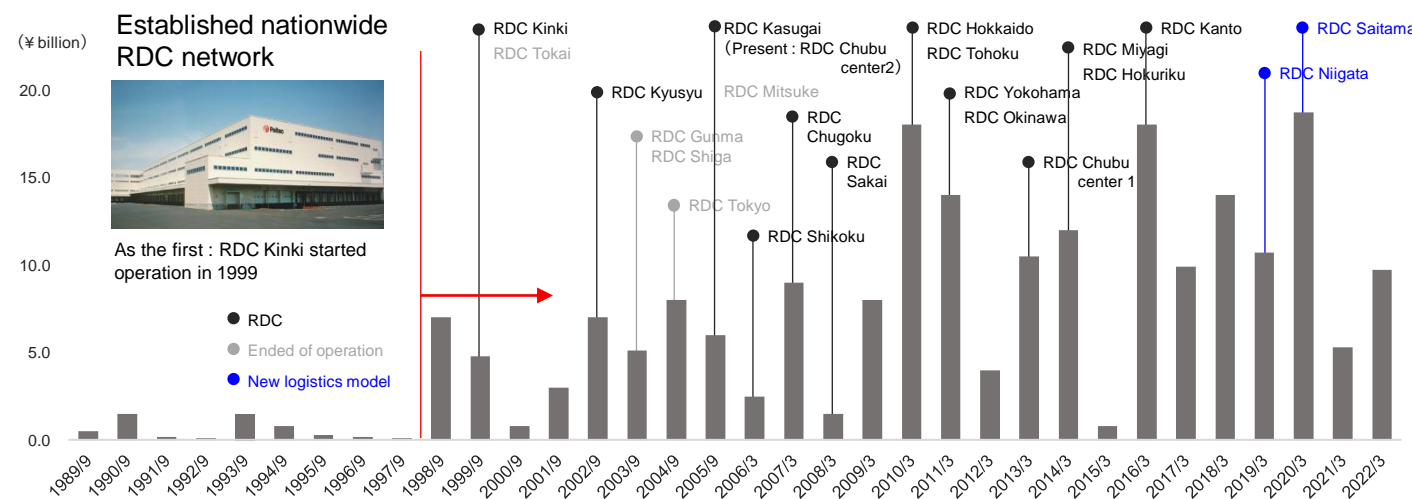


RDC Saitama and newly introduced case loading robot



Continuing to supply products even in the spread of COVID-19 while thoroughly taking measures against infection

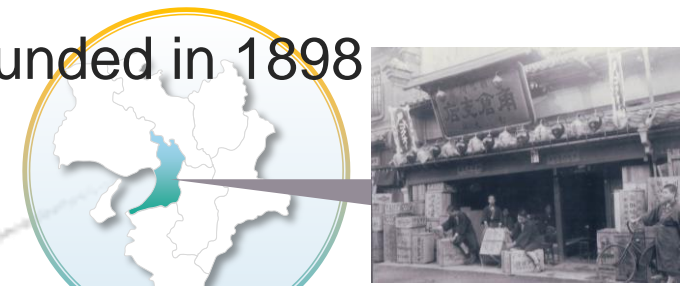
Changes in capital investment and establishment of RDCs



History of integration that realized nationwide-scale business

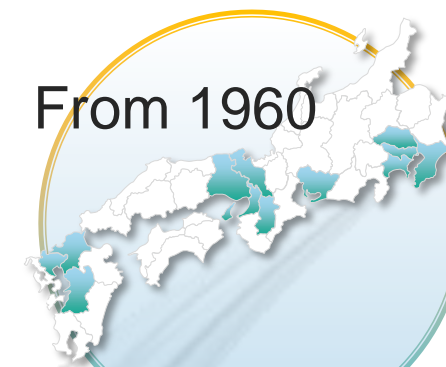
We established a nationwide distribution network by repeating a number of mergers since the foundation of "Oboko-go Sumikura-Shiten" which is the predecessor of PALTAC up to the present date. And talents from different regions, backgrounds and values have successfully created an organization with great diversity.

Founded in 1898



December 1, 1898
Established "Oboko-Go Sumikura-Shiten" in Senba Osaka

From 1960

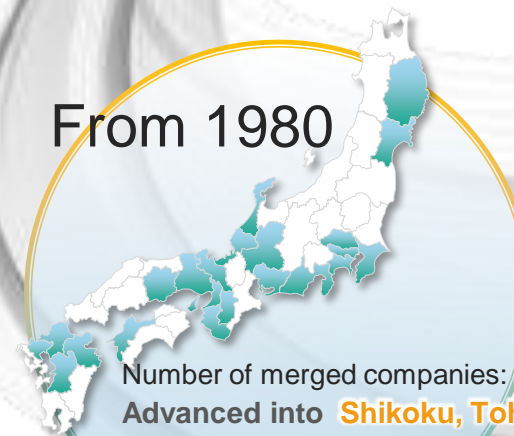


Number of merged companies: 8
Advanced into Kanto, Tokai, and Kita-Kyushu areas

Merged with **54** companies up to present

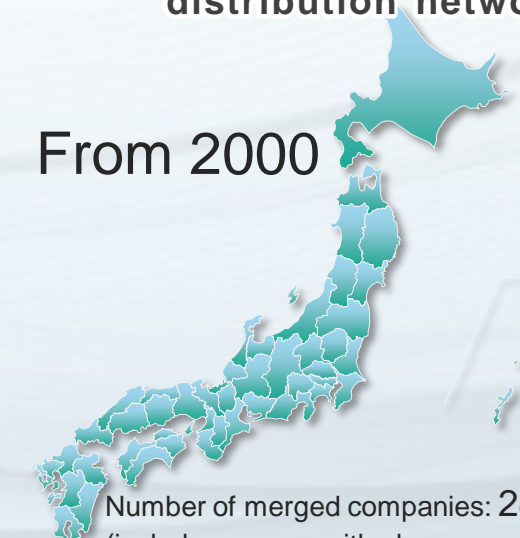
Established a nationwide distribution network

From 1980



Number of merged companies: 18
Advanced into Shikoku, Tohoku, Hokuriku, and Chugoku areas

From 2000



Number of merged companies: 28 (include mergers with pharmaceutical wholesalers)
Advanced into Hokkaido, Minami-Kyushu, and Okinawa areas

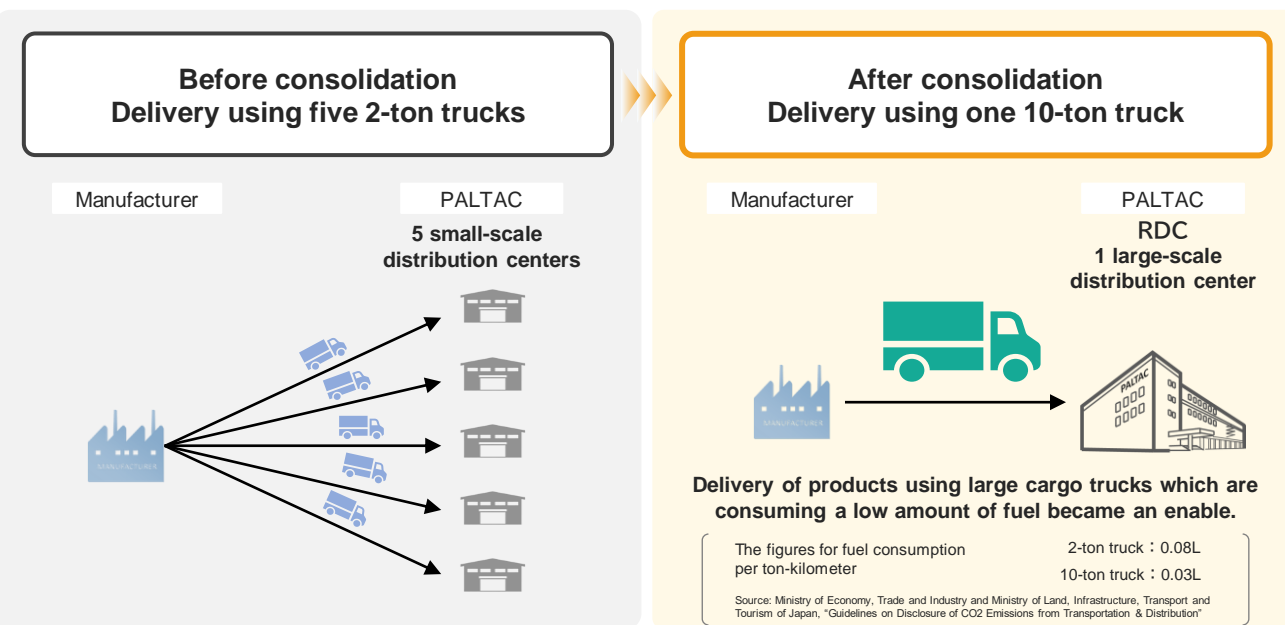
Contributing to reducing the environmental burden through constructing the nationwide RDC network



Expansion and consolidation of our distribution centers should make important contributions to reducing CO2 emissions

Since 1999, nationwide RDC network has been constructed and main distribution centers have been consolidated to nearly one-fifth, and thereby we have contributed to streamlining the entire supply chain from a shipment at manufacturers to display at retail stores. Not only that, it has been possible to transport products by large cargo trucks whose fuel consumption per unit is less than light trucks and to realize a reduction in CO2 emissions.

Main distribution centers have been consolidated to nearly one-fifth (*73 centers → 16 centers)



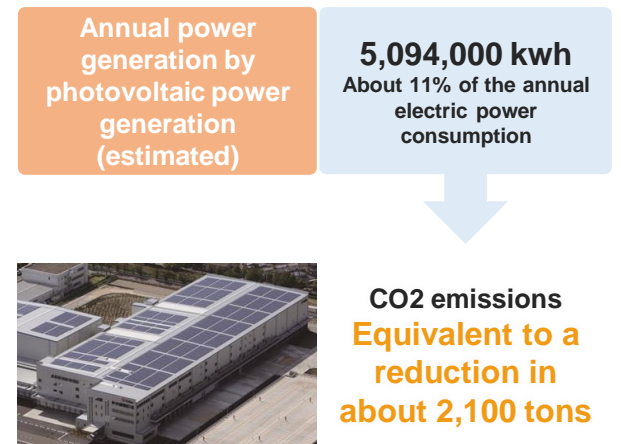
Fuel consumption used for truck transportation was reduced to one tenth

A trial calculation : 0.40L per ton-kilometer → 0.03L per ton-kilometer
 0.08L(2-ton truck fuel consumption per ton-kilometer)× 5 trucks → 0.03L (10-ton truck fuel consumption per ton-kilometer)× 1 truck

* 73 locations as of 2005

Installation of photovoltaic system

To contribute to the creation of renewable energy, we lease the rooftop spaces of some RDCs to power generation companies and installed photovoltaic systems. Annual power generation is 5,094,000 kwh (about 11% of our company's annual power consumption), which is equivalent to a reduction in CO2 emissions by approximately 2,100 tons. In addition, we are conducting businesses operation with minimal environmental burden, including replacing conventional lightings which were installed in offices and distribution centers to the LED lights, from the standpoint of reduction of power consumption.



Cardboard recycling

At our distribution center, a large amount of cardboard used for packing products which were purchased from manufacturers is generated every day. We have incorporated a mechanism to efficiently recycle them as part of the center function. Cardboard is automatically aggregated in one place through a conveyor and compressed and bundled into a cube that is easy to carry. After that, it is collected by a used paper supplier and revived as recycled paper such as toilet paper.

