

WHAT'S PALTAC



Integrated Report 2023
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.

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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.



WHAT'S PALTAC

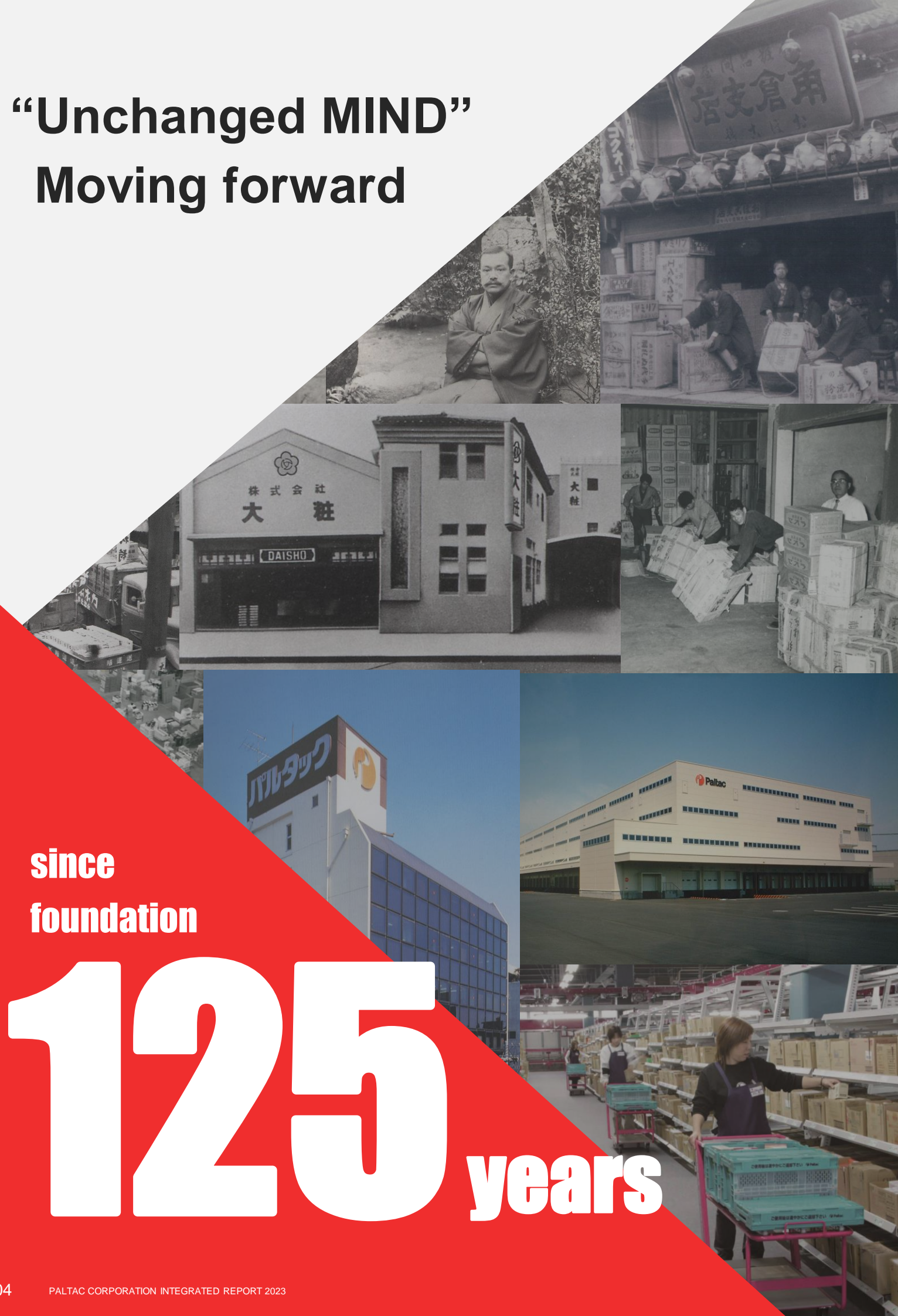
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“Unchanged MIND” Moving forward

since
foundation

125 years



PALTAC MIND

Our DNA

Sincerity and Honesty

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

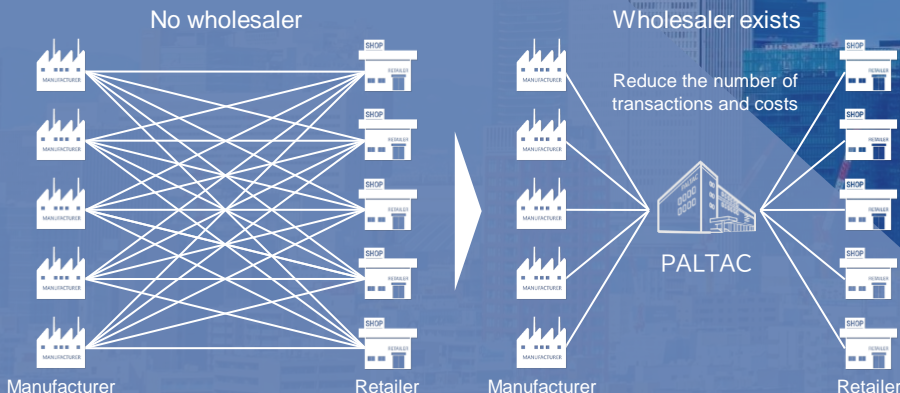


1,000 companies 50,000 items 400 companies 50,000 stores

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

Optimizing 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

Striving to maximize value creation for sustainable growth

Representative Director, Chairman

Seiichi Kasutani



About three years have already passed since the spread of the COVID-19 began, and the signs of a slowdown have been finally seen. After reclassification of COVID-19's category of Class 5 infection, people's daily lives have recovered to pre-COVID level, and with an increase in people's outing, it feels like vitality was back in society. During the COVID-19 of these years, while consumer behavior has changed, as with our company working styles have also changed dramatically, including a work from home system, remote meeting using web conferencing system, staggered working hours system and a flextime system. Furthermore, in the circumstances of economic resumption after the COVID-19 and the changed global situation, Japan's economy could be at a turning point on inflation due to the rise of raw material prices and severe labor shortage. Under such rapidly changing environment, our company is marking a milestone year, 125th year since founding and the 25th year since a transition to the current business model, which includes the construction of large-scale distribution centers, hence we called this transition "New Birth Paltac". The fact that our company has been able to have over 100 years' history is owing to our ability to adapt to this environment change. From a corporate management perspective, the importance of issues to be considered for sustainable growth in response to environmental changes, such as the corporate governance, CO2 emission reduction, and cost of capital-conscious management, has significantly changed over the past decade. We have

continued to grow through promoting business expansion in line with our management policy of aiming to optimize and streamline the entire supply chain, which was established 25 years ago by our predecessors, including Mikita, former chairman. As a wholesaler, our company does not manufacture any products. Our business process covers purchasing products from manufacturers and selling them to retailers, but it is only completed when the products reach the consumers from the retailers. Our business process is simple, but the approach of focusing on the entire supply chain to determine what we must do is essential and is relevant to the "Sampo-Yoshi" the business philosophy of the merchants of Omi. I believe that PALTAC could get to where it is now because we have embodied this way of thinking. Over the past 25 years, we have made investments exceeding 200 billion yen, and built the highly efficient and low-cost distribution network which contributes to improve efficiency of the entire supply chain. And this network has become our current strength. Moreover, we have promoted investment in information systems enable us to make decisions regarding initiatives we could pursue in order to optimize and streamline the entire supply chain. We have implemented ABC analysis system and "visualize our business operations", including identifying profits and costs of each customer, distinguishing areas where costs are incurred such as distribution centers and delivery process and identifying areas of cost waste. Therefore, we are utilizing this system in order to optimize and streamline

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

Aiming for transformation which could be called destruction and creation

Towards sustainable growth

"Transition of our management team to the next generation"
The ability to generate and embody new ideas

Strengthening the function as an intermediate distribution platform

"Strengthening structure of corporate governance"
Improving fairness and transparency and growing with stakeholders

Maximizing value creation through distribution

"Inheritance of corporate spirit"
Sampo-Yoshi (good for all three sides), Innovative spirit, GRIT (the ability to persevere achieving for a goal)

the entire supply chain. Further improving and organically linking these strengths, we have created new services such as "VAN services", "Automatic planogram creation system", "PIT system", and "Comprehensive support for promotional items" which has led to the development of our strengths. In order to respond to such issues as the "2024 problem" in logistics (possible shortage of truck drivers due to a reduction in the maximum overtime work limit of 960 hours per year from April 2024), which is attracting growing concern, the whole industry will have to seek to transform itself. Exploiting our strengths, we will not only pursue initiatives, including joint delivery with individual companies but also actively engage in creating new frameworks industrywide. Looking back at this past year, we have examined various issues, such as how to address the materiality for adapting flexibly to the future changes and achieving sustainable growth, and what kind of system would be actually needed to realize this. As the decline in the working populations becomes even more serious, first of all, we have made the decision of transition of our management team to the next generation, believing that for our further growth we must plot the way, including how we could utilize the latest digital technologies, based on new ideas. We have no change in our policy to evolve the business with a view across the entire supply chain. However, we anticipate that the needs for our company will significantly change in the future. Responding to these changes agilely through engaging in transformation which could be called destruction and creation based on new ideas, we will aim to achieve sustainable growth. Mr. Yoshida, who assumed the position of Representative Director, President in June 2023, is 50 years old, more than 10 years younger than me. I would like to take this opportunity to introduce our new President,

Mr. Yoshida. He has accumulated experience in various departments, and I believe he is capable of making a judgment from a multifaceted perspective. I think that abilities of business environmental analysis, and financial analysis, which has been cultivated through his experience in financial accounting department and management planning department, an in-depth understanding of the business operations and conditions on-site which has been cultivated through his experience in sales department and procurement department and personnel networks which he has developed through working in various departments will serve as the backbone of his business execution as president. President Yoshida is also a colleague with whom I have worked together. Going forward, he will be able to acquire his experience as a management executive and I will build the foundation of the future of our company together with him. We are also committed to further strengthening corporate governance under the new management structure. In order to respond to various changes and grow with our stakeholders from a medium to long-term perspective, we believe it is necessary to evaluate and improve our management from various perspectives. Based on this thinking, from June 2023, we have established a Special Committee to strengthen fairness and transparency in corporate management and reviewed Nomination and Compensation Committee and changed its composition to that centered on independent outside directors, with the Committee chairman also been an independent outside director. In the fiscal year ending March 2024, under the new management structure, we will strive to achieve the targets in the current medium-term management plan and work on formulating the next medium-term management plan in which we draw our new future.

President's Message

Transformation with the sprit of “Fueki and Ryuko”

Representative Director, President

Takuya Yoshida



Since appointment as President of PALTAC

My name is Takuya Yoshida and I have appointed as Representative Director and President of PALTAC CORPORATION through a resolutions of the annual shareholders meeting and a subsequent resolution the Board of Directors meeting in June 2023. I keenly feel the heavy responsibilities of the president of PALTAC CORPORATION with a history of 125 years, sales of over 1 trillion yen and 7,000 full-time and part-time employees. And I will boldly practice the management with the spirit of challenger and do my utmost for our growth. I sincerely appreciate the cooperation and support of our stakeholders. Under the significant environmental change, in order to achieve sustainable growth, we have shifted to a new management team and determined to carry out transformation which could be called destruction and creation with new ideas and innovative spirits. Soon after the World War II, our company has carried out a business operation as a wholesaler, without founder and his family owned and managed businesses. We have inherited our thinking that “President is a Manager of business” from our predecessors. I took the helm as a corporate manager who carry the future of our history that has been retained and passed down through the generations and I believe that my mission is to realize further growth and to pass to the future generations. We are an intermediate distributor handling cosmetics, daily necessities and

OTC pharmaceuticals and delivers 3.5 billion of products to consumers per year. At a yearly delivery of 30 products per person, these are toothpaste, shampoo, soap, laundry detergent, toilet paper, stomach medicine and cold remedies, and all of them are essential to people's daily lives. In other words, we are an infrastructure company that support for daily lives and extremely important for society. As stated in the Chairman's Message, the thoughts of the “Optimizing and streamlining the entire supply chain” and the “Sampo-Yoshi” on which we place the importance are truly aligned with our social role and meaning of our existence. In addition to above, with the spirit of Fueki (immutability, not subject or susceptible to change) and Ryuko (fluidity, always seeking something new as time goes by) advocated by the Japanese greater poet “Matsuo Bashō” I will make every effort to conduct our company. Consideration for the business operation from a perspective of the entire supply chain, the spirit of the “Sampo-Yoshi”, which originally means “Good for the Seller, Good for the Buyer and Good for the Society” and is additionally perceived by us as “Good for the Manufacturer, Good for the Retailer and Good for our company” and the spirit of “Sincerity and Honesty” that has enabled us to continue to exist for 125 years, are fundamentals of the PALTAC's business management. We will effort to hold these fundamental thoughts as unwavering philosophies.

Additionally, while protecting the fundamental thoughts, in order to respond to changes of the needs of our customers and society, we will strive to undertake drastic transformations such as addressing the labor shortage and the adoption of cutting-edge technologies, including organizations and functions. Social change has become increasingly drastic, and its pace has been accelerated. Under this change, in order to accomplish these transformations, we need to make speedy and appropriate management decisions. Therefore, I will strengthen cooperation and discussions with chairman Kasutani and executive managements and make a decision on the direction in which we could head. For more meaningful discussions and optimal decisions, we have designed a system that enables to share critical information promptly and fairly and increased awareness. And I discussed and agreed with executive managements to exchange honest opinions from different position and perspectives. We will develop an environment enable participants to conduct open dialogue on a level playing field and make a decision. Moreover, we will put diversity in business management.

Initiatives under fiscal year ending March 2024

For the fiscal year ending March 2024, which is the final year of the current three-year medium-term management plan, we are steadily advancing our ongoing initiatives and striving toward achieving our planned targets including numerical targets. Under the current three-year medium-term management plan, with four key initiatives of “Strengthening retail solution capabilities”, “Strengthening logistics solution capabilities”, “Enhancing IT systems and Promoting digitization” and “Developing talent and organization” through collaboration and cooperation with inside and outside our company, and “Initiative for ESG and SDGs” which will be realized by above four initiatives, we are steadily carrying out our operations. While noting the details in the latter section, I explain approaches for the fiscal year ending March 2024.

■ Strengthening retail solution capabilities

Currently, an increase of SG&A expenses such as

rising labor costs due to labor shortage and soaring fuel and electricity prices due to rising raw material prices is pressing issue for the industrywide including retailers. Under this environment, our ongoing initiatives of optimizing and streamlining the entire supply chain will be even more important. While collaborating and cooperating with retailers, we will steadily implement initiatives not only to activate in-store and expand comprehensive support for promotional items by PIT system, our store support function, but also to optimize operation of delivery and warehouse beginning with retail store by our SCM function. Under environment where industrywide profits are shrinking, through these initiatives we will be able to prevent cost increase and supply products with customer-centric price and pursue to secure appropriate profits as a whole.

■ Strengthening logistics solution capabilities

The greatest challenge in logistics is “2024 problem” in logistics. Under the current three-year medium-term management plan, we segregated logistics issues into the operational aspect and the delivery aspect of the distribution center to clarify the issues. Regarding “2024 problem” in logistics, through cross-field initiatives, we will continue to share successful examples in each area and reduce the long-distance transportation which cross over the areas. In addition, although it may be difficult to do, we will strive to calculate a detailed estimation of the negative impacts from “2024 problem” in logistics and share this estimation with the delivery company and make efforts to minimize these negative impacts through collaboration and cooperation.

■ Enhancing IT systems and Promoting digitization

IT systems and digital technology are the keys for initiatives not only of retail solution and logistics solution but also of workstyle reforms, etc. Therefore, we has developed DX Promotion Department and are bringing company-wide approaches forward. Regarding IT base to support digitization, we are favorably progressing our process, including use of open-source cloud platform as scheduled.



In parallel with the above process, through strengthening recruitment and education of IT human capital, we will build a system to develop customer service with flexibility and speed. And not only IT human capital, but also all employees will effort to learn reskilling program in order to enable the effective use of digital technology. We have created the online community where the employees promote mutual understanding and sharing information. Through opening the personal know-hows and skills, we will aim to acquire digital literacy and foster a corporate culture of inclusion and mutual support.

■ Developing talent and organization

Under the environment where the working population decreases, management with a keen awareness of human capital will become increasingly important, accompanied by the promotion of mobility of workers based on the policy of labor market reforms approved by the Cabinet of Japan and gradual recovery of the economy after COVID-19. We are moving from an era in which “companies choose workers” to an era in which “each individual chooses company and their own career”. Under these circumstances, to ensure continuous sustainable growth, we must establish a relationship whereby a worker and company equally choose each other. In order to do this, we understand the importance not only to increase in attention toward wages, but also to realize the work-life balance and develop the worthwhile workplace for a lifelong. To realize these objectives, we visualize the situation and the challenges through a dialogue with employees and engagement surveys and strengthen the ties

between employees and our company by working to resolve the challenges. By sharing our company's basic policy and strategies with all employees, we will result in effect appears from communication and spontaneous behavior through matching our company's mission and the targets held by individual employees for the purpose of ensuring the effectiveness of the strategy and swift corporate activities.

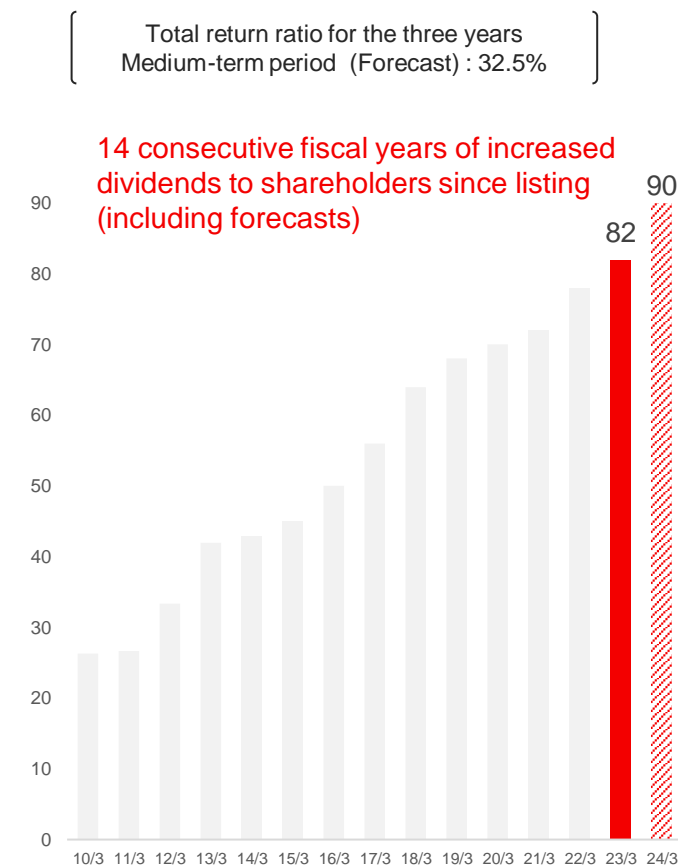
■ Initiative for ESG and SDGs

Our company is handling daily necessities, and we are operating with close ties to social lives. By optimizing and streamlining the entire supply chain through our business operation, we will contribute to resolving the social issues. We received the “Excellence Award” of the Supply Chain Innovation Awards 2023. We developed efficient, sustainable resource-recycling cycle using existing distribution network, that is unique to our company. It is particularly pleasing for this initiative to evaluate. Based on the thinking that realizing a sustainable society and our sustainable growth follow the similar direction, we will carry on our initiatives. Regarding sustainability issues, we have built the project and addressed “human capital management” and “reduction of CO2 emissions” as a priority issue. Increase of natural disasters such as heavy rains and typhoons due to climate change is one of the most important social issues need to be addressed to our company which carry out intermediate distribution of dairy necessities. Regarding the reduction of CO2 emissions, aiming to reduce Scope 1 and 2 CO2 emissions, we will effort to steadily reduce CO2 emissions through utilization of renewable energy following the roadmap to 2030 (50% reduction vs. FY2020). Regarding the Scope 3 CO2 emissions, we will continue to reduce CO2 emissions by improvement activities that has carried out over the years and efficient delivery, including reducing transportation distance and arranging joint delivery for the closely related products transportation. Regarding another CO2 emissions in the supply chain, we will effort to reduce CO2 emissions through a corporation with customers in consideration with relevance to our business activities.

■ Capital policy

We consider the distribution of profits to shareholders and increase of corporate values through sustainable growth to be our top management priorities. We, as an infrastructure entity which is responsible for an intermediate distribution, will return profits through maintaining a balance between “investments for sustainable growth” and “steady and continuous return of earnings to shareholders” based on our financial soundness. Under the current three-year medium-term management plan, we recently set a target of a total return ratio of 30%. Regarding the dividend for the fiscal year ending March 2024, we plan to pay an annual dividend of 90 yen per share (an increase of 8 yen per share) in conjunction with our business growth. As a result, a total return ratio during the period of current three-year management plan will be 32.5%, including treasury share buyback in the fiscal year ended March 2022. If the dividend is distributed as planned, increases in dividends for 14 consecutive fiscal years may realize. And we will effort to maintain the increase of dividends.

Annual Dividends per Share (Yen)

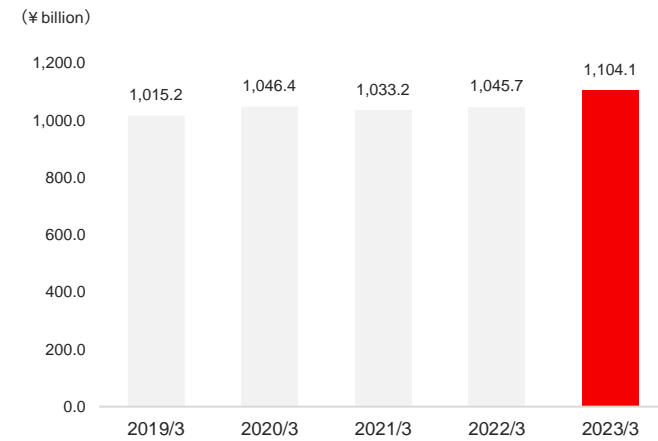


Next (three-years) medium-term management plan

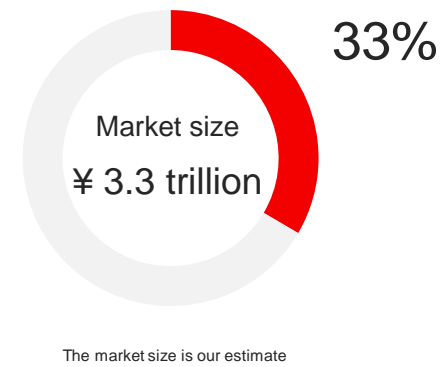
In the fiscal year ending March 2024, now, we are developing the next medium-term management plan in parallel with the efforts to achieve the targets of the current medium-term management plan. We are facing various medium-to-long-term social issues, including a declining birthrate and aging population, and expect this difficult environment for the entire supply chain will continue. In such circumstances, the new plan, while carrying on the basic approach of expanding our business through resolving issues with a view across the entire supply chain, we will aim to bring the transformation which could be called destruction and creation with new ideas as previously mentioned in “a new management team”. I would like to talk a little about what I say. Aiming for the development of the entire supply chain, we shall ensure the cooperation with retailers and manufacturers, as well as, closely monitoring competitive and non-competitive field, we explore cooperation with other companies in the same industry including joint delivery. Moreover, I feel it will be necessary to explore cooperation with companies across our industry. And I believe that, as Japanese companies increased their expansion overseas, we have an opportunity to spread high-quality Japanese products and services to overseas market. We have established local subsidiaries and begun to take on the challenge of overseas wholesale business. In the new plan, I believe that development of overseas business by driving our value has been accumulated will become key strategies. Regarding capital efficiency, while recognizing return on invested capital (ROIC) and return on equity (ROE) as its key management indicators, considering the rapid changes in the business environment we will deepen discussions over new initiatives and appropriate allocation of management resources. Including those initiatives, starting with the thoughts of our company's desirable shape for future decade, we will establish a new medium-term management plan in which diversity will also be reflected, through discussions with not only management members but also all employees. I offer my appreciation to all stakeholders and thank you for your continued support and encouragement.

Financial and Non-financial highlights

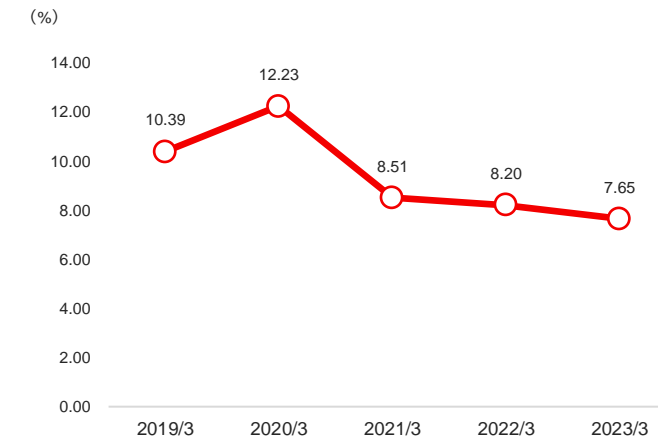
Net sales



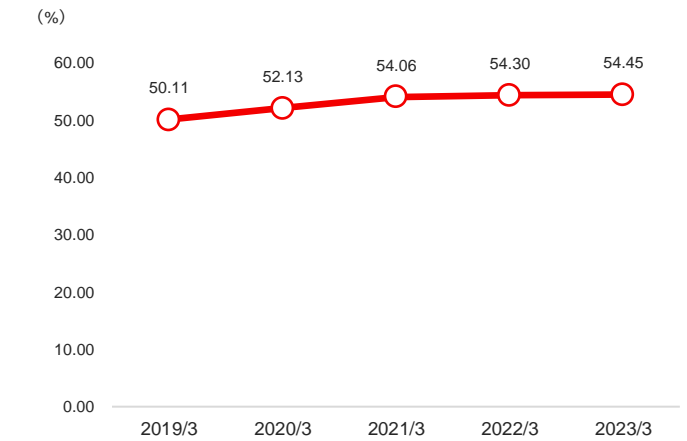
Market share



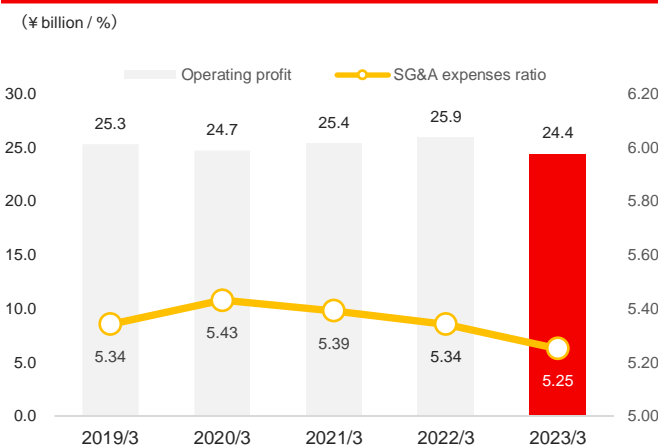
ROE



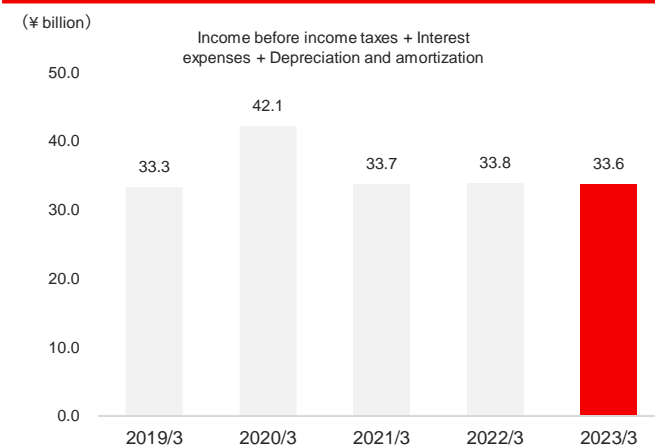
Equity ratio



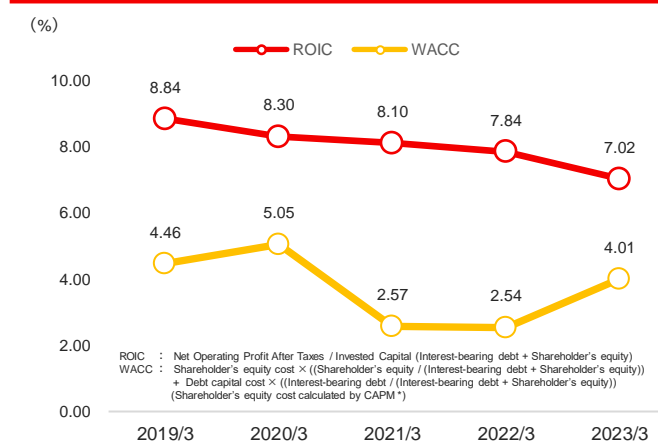
SG&A expenses ratio / Operating profit



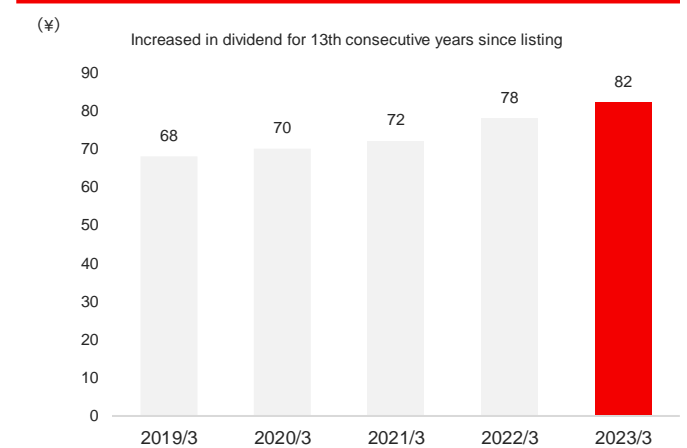
EBITDA



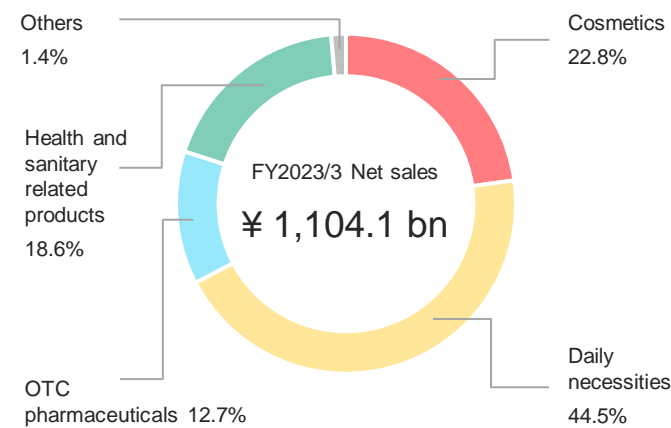
ROIC / WACC



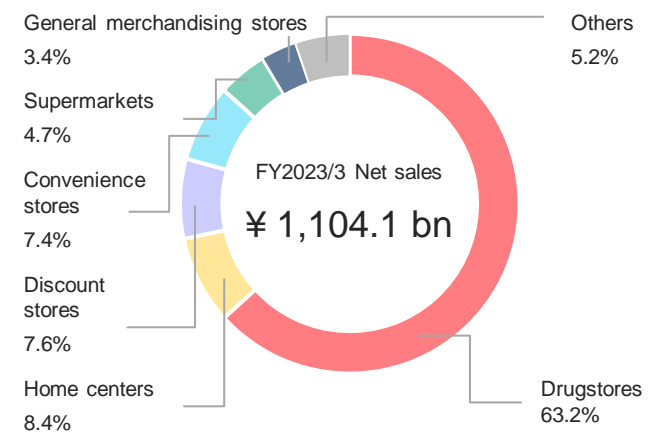
Cash dividend per share



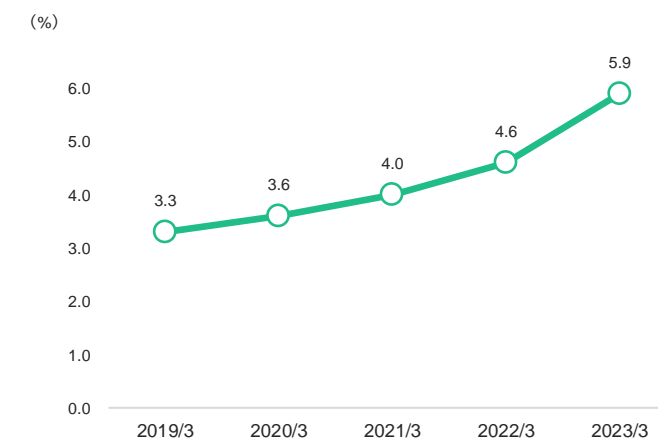
Sales composition by product category



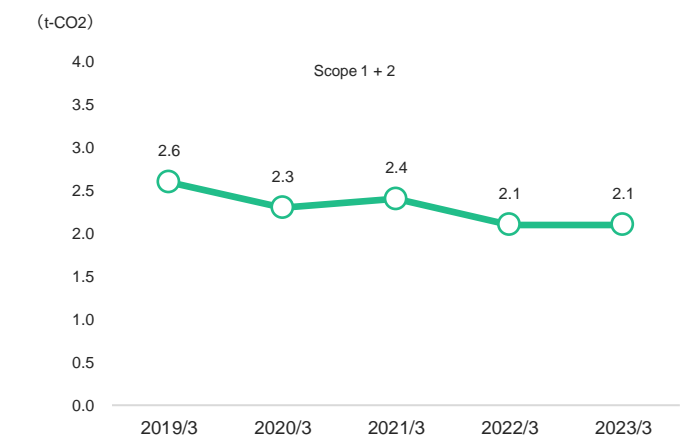
Sales composition by customer category



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 : 6.26% (Average profit yield of all stocks on the First Section of the Tokyo Stock Exchange - Risk-free rate)
 - Risk-free rate : 0.50% (JGB 10-year bond yield)
 - β value : 0.56 (Regression coefficients of Nikkei Stock Average and Our stock price (as of the end of the month))

PALTAC History

Over the course of 125 years since 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. Currently we have grown to deliver more than 3.5 billion daily necessities to consumers.

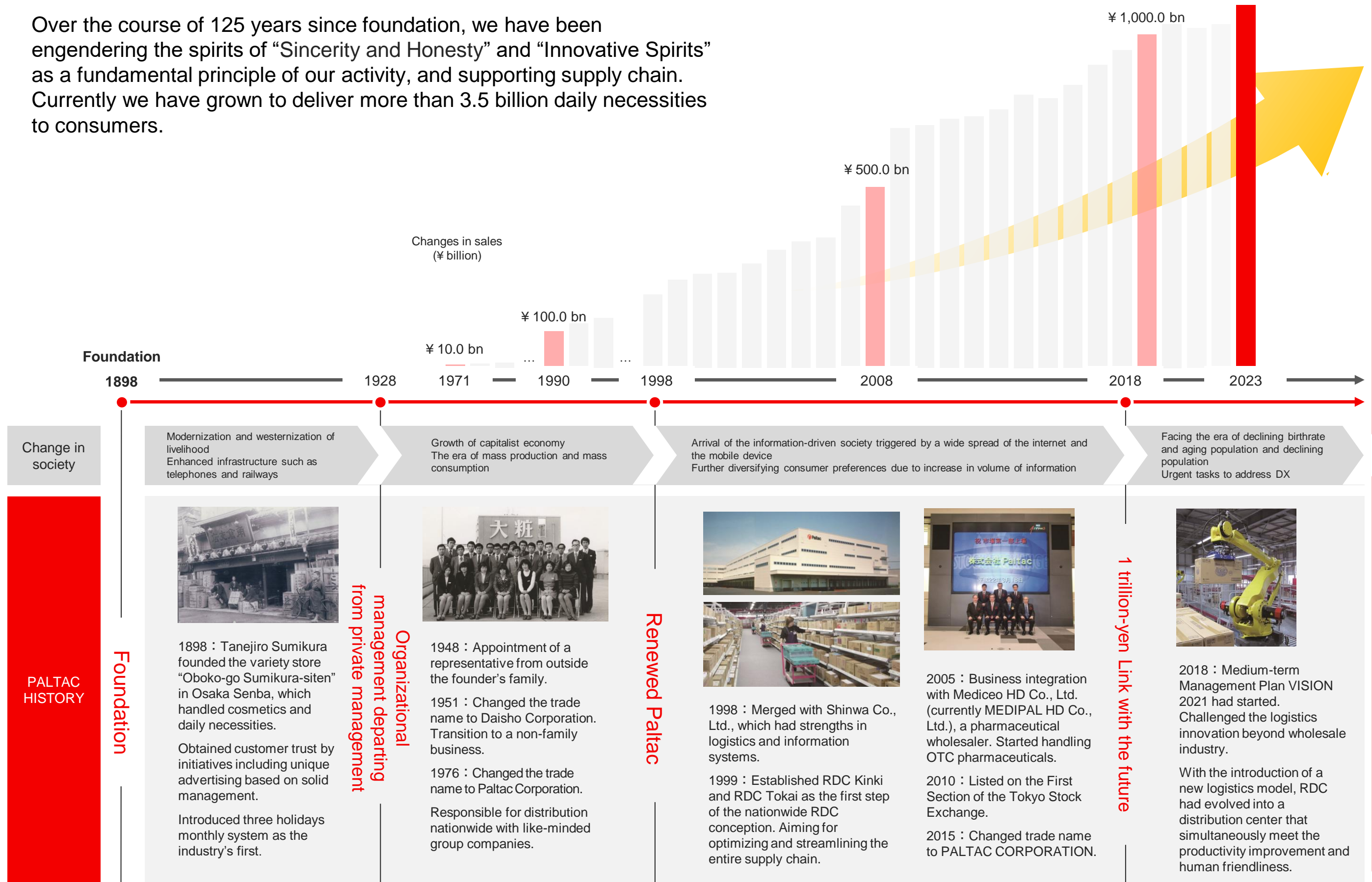
¥ 1,104.1 bn

VISION 2024

“For a bright future”

~ Moving forward with the supply chain ~

(P32)



Foundation
1898

1928

Changes in sales (¥ billion)

¥ 10.0 bn

¥ 100.0 bn

1998

¥ 500.0 bn

¥ 1,000.0 bn

2023

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.



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.



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.



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.

Organizational
management departing
from private management

Renewed Paltac

1 trillion-yen Link with the future

Foundation

PALTAC HISTORY

In 1898 Foundation

History of “Sincerity and Honesty” 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 Minamikyuhojimachi



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

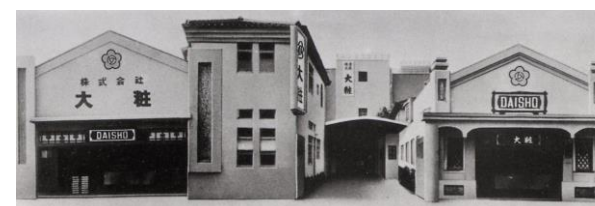
After reorganization, Sumikura-Shoten Corporation pursued further business growth and expanded their results steadily. But consumption of cosmetics drastically decreased due to refrain from make-up, because Japan embarked the Pacific War and the people's living fell into extreme poverty. In 1945, Osaka 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

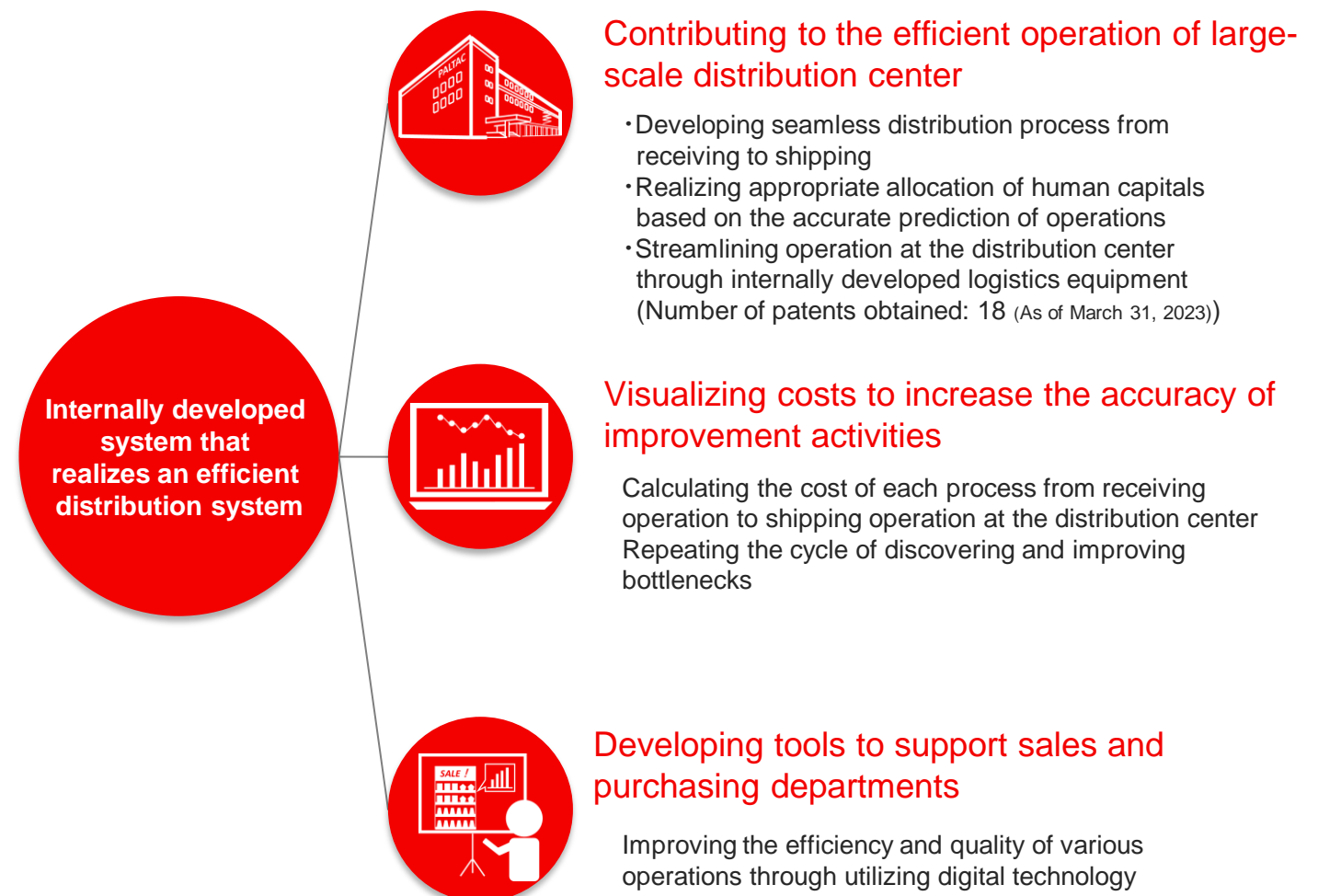
In 1991, in Japan the bubble economy collapsed. In the continued severe economic conditions, restructuring of the wholesales rapidly improved and movements towards expansion of enterprise scale accelerated. We had enhanced nationwide distribution system such as promotion of grouping and tried to promote 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

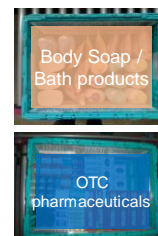
< Shipment accuracy 99.999% >



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

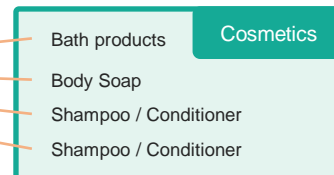
< Shipping in a packing style that is easy to display >



Packaging and delivering product by each category



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



Stacking Folding Containers automatically based on product display locations

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

For a bright future

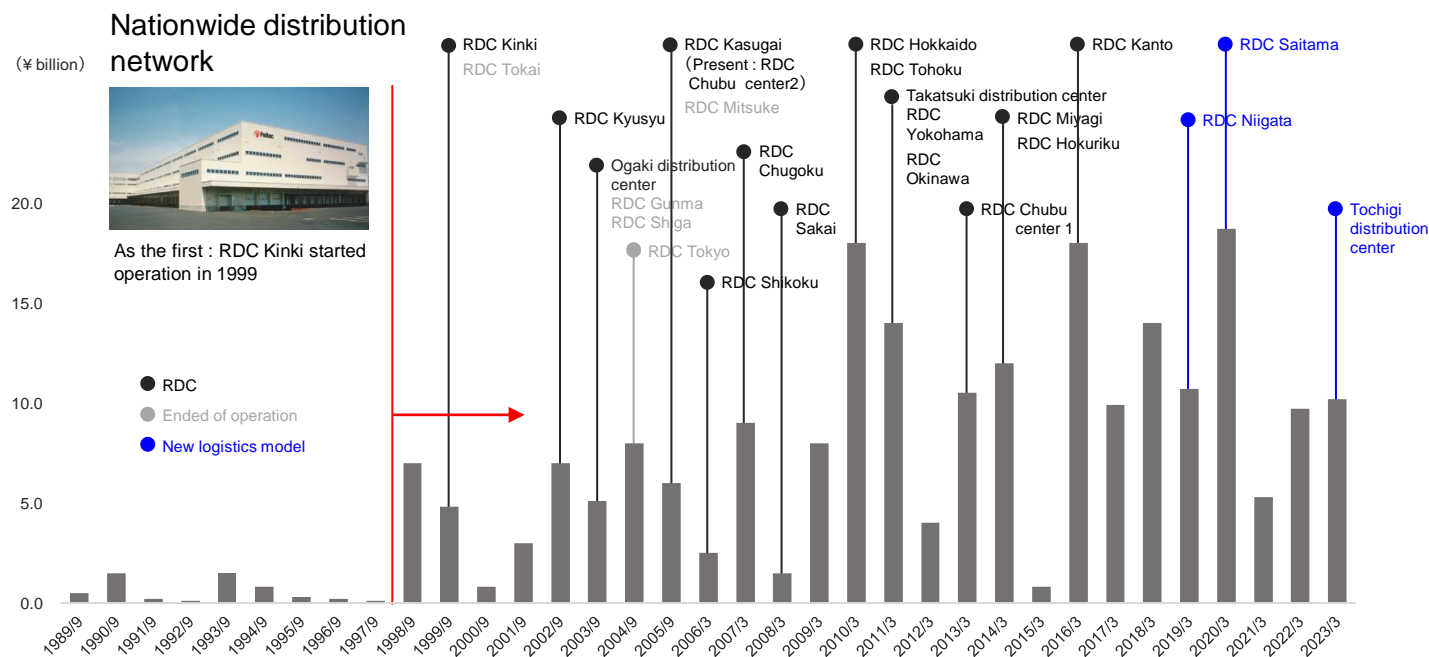
At present, companies just have to act on diversifying and complex social environment, such as labor shortage caused by the decline in the working populations, response to a new normal brought by the COVID-19 pandemic, frequent natural disasters arising from climate change. Over the period, we have consistently 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 AI and robotics, and that enable us for doubling of the productivity of personnel and is friendly to employees. And also, since 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 are taking on the challenge of contributing to solve the various customer's issues. Amid business environmental changes such as the advancement of digitalization and labor shortages, aiming to achieve sustainable growth, we have determined that we must challenge corporate transformation that can be called "destruction and creation" with new ideas.

Therefore, we have carried out the change of generations among top managements in April 2023, and are considering the future prospects, developing the business plans and pursuing business operations. In the 125 years since our foundation, we have merged with 54 other companies and created a nationwide distribution network. We have always prioritized our customers and executed business activities seriously, and for the past 25 years we have continuously pursued optimizing and streamlining entire supply chain. 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.



Tochigi distribution center (Started operation in February 2023) AI-powered case loading robot

Changes in capital investment and establishment of RDCs



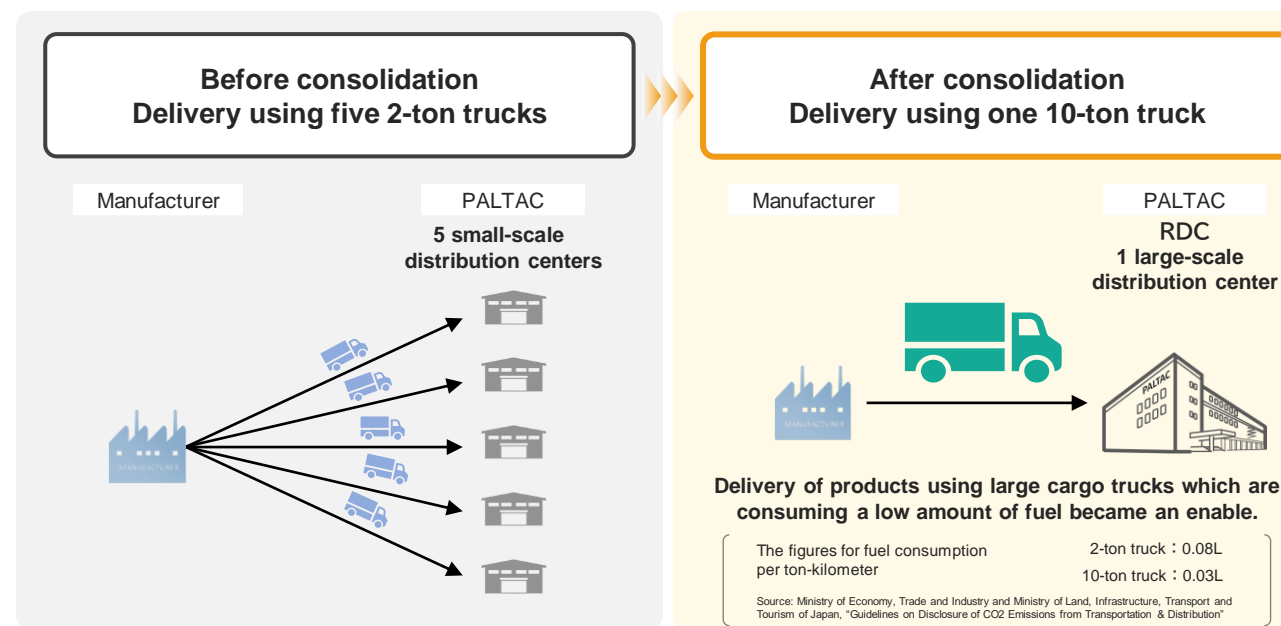
Contributing to reducing the environmental burden through constructing the nationwide RDC network



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



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