

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 dose not have a policy of updating this document and information to the most recent.

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Corporate Data

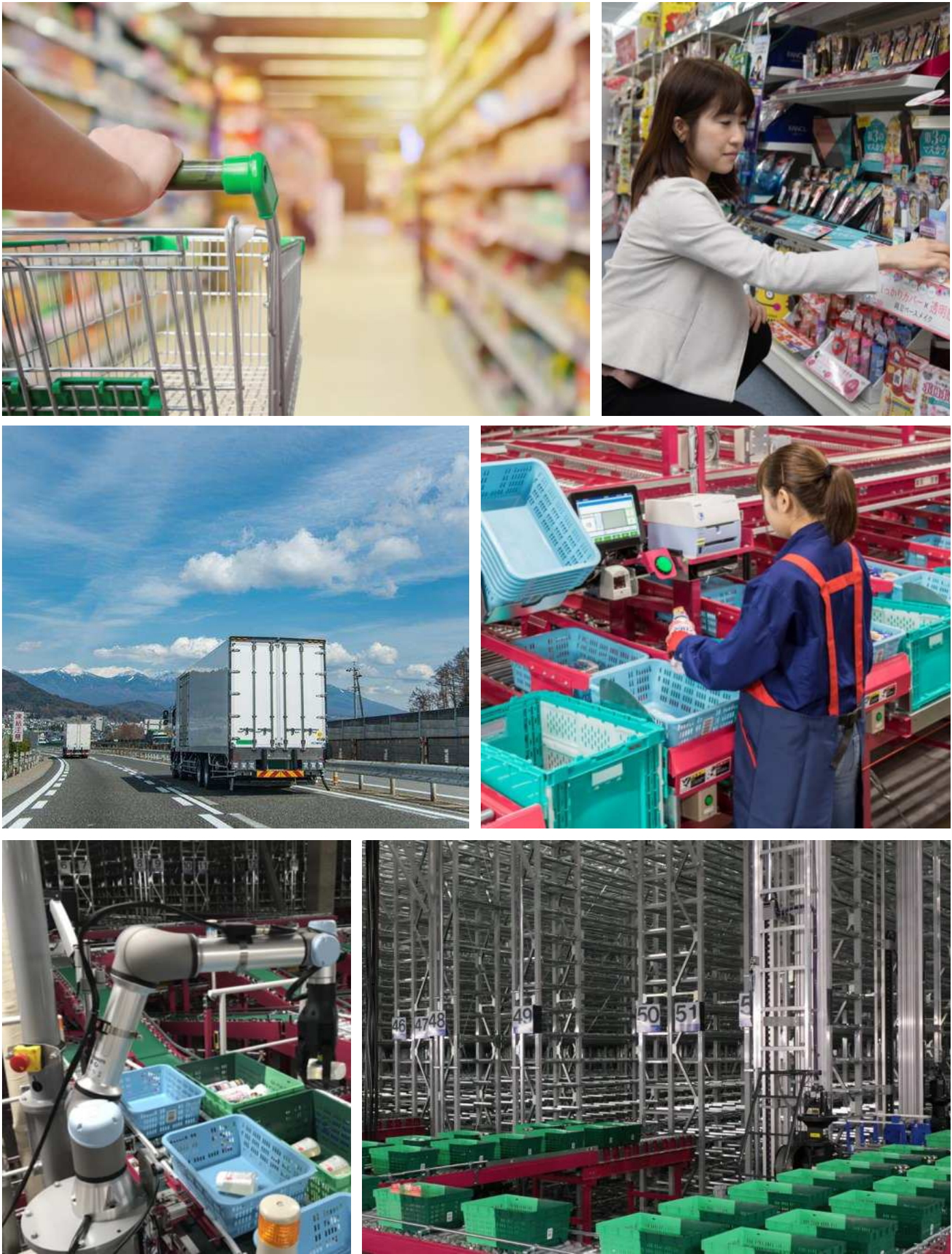
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Editorial Policy

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”

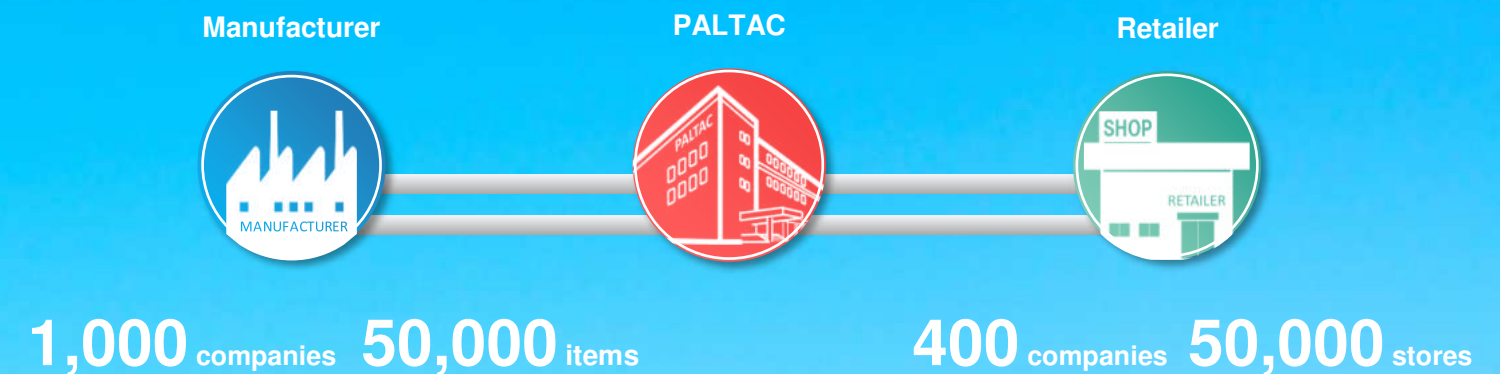
Yearly shipments

3.5 billion products

We supply 30 products per person for one year in Japan

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



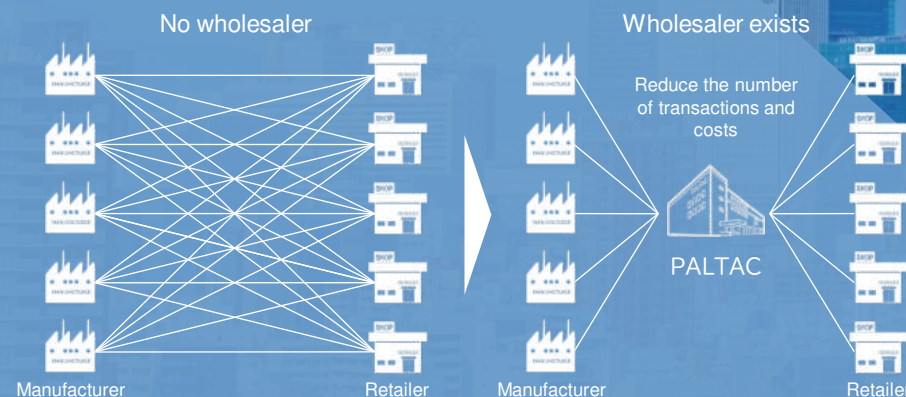
PALTAC is an intermediate distributor that handles daily necessities related to “health and beauty”. Our mission is to deliver products to retailers in a stable and efficient way in a normal condition and even in an emergency with the aim to support “usual daily lives” in which people can obtain products 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



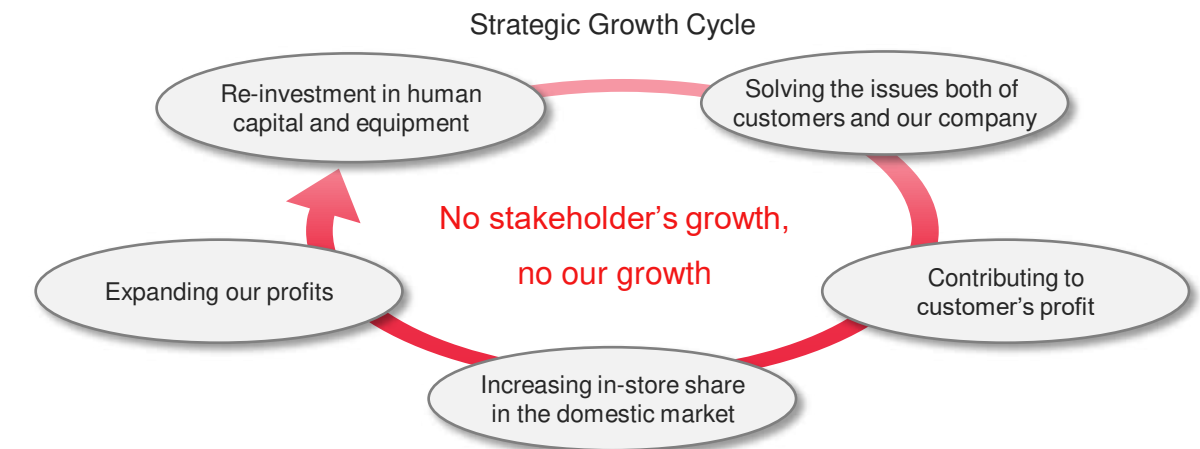
Because of the difficult environment
Now is the time to leverage our true
values as an intermediate distributor

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.

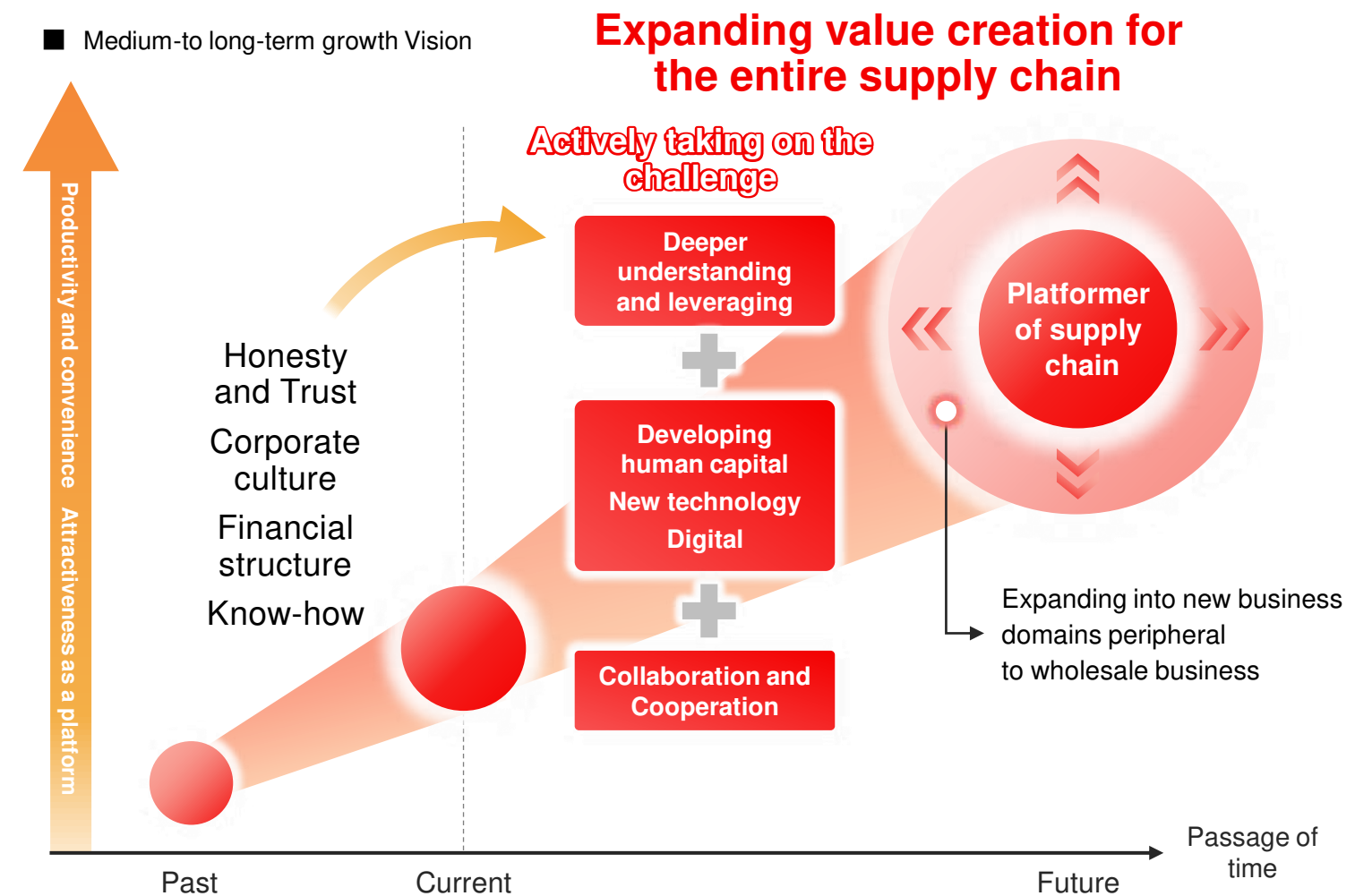
President's Message



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.

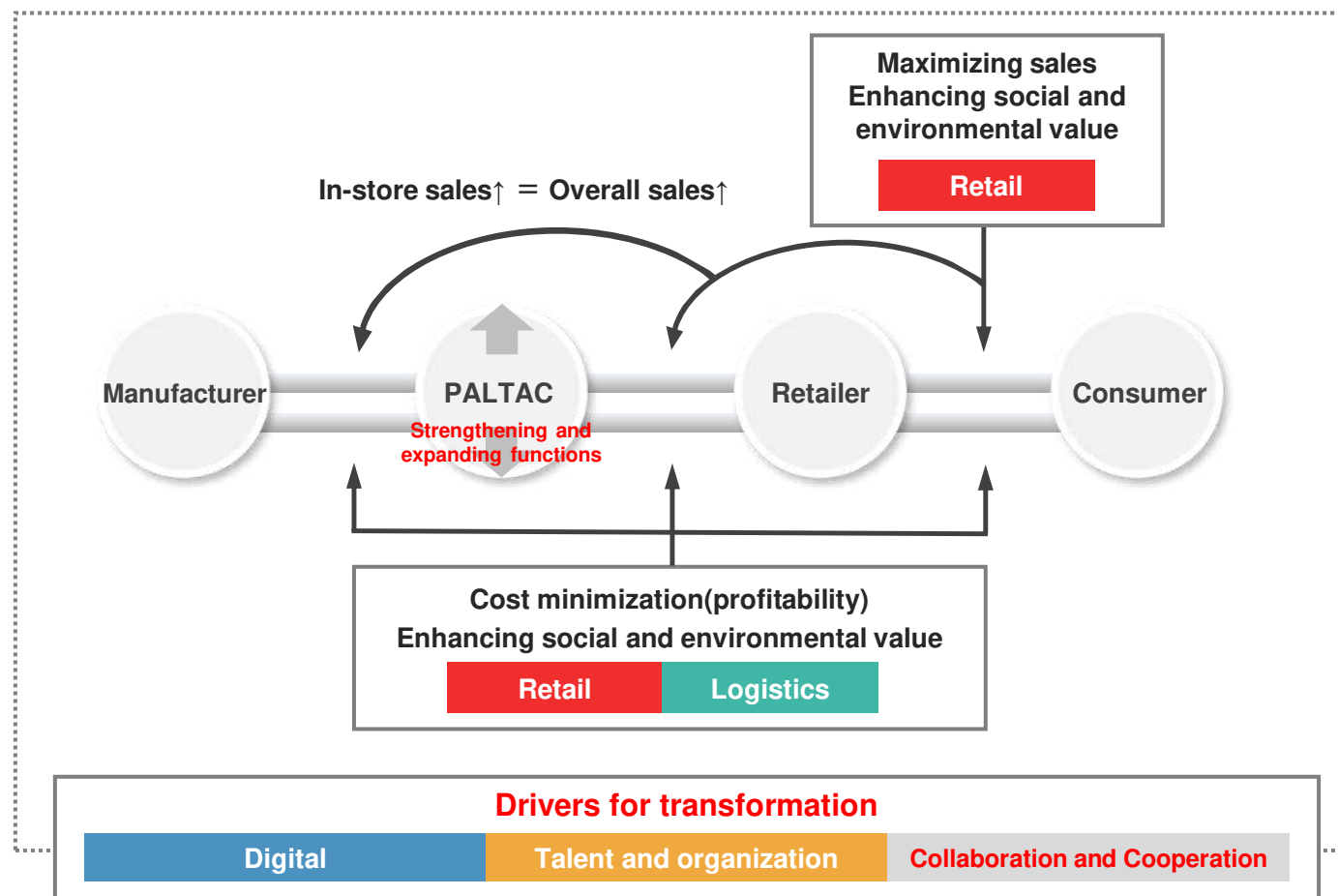
Venturing into new areas of distribution

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.

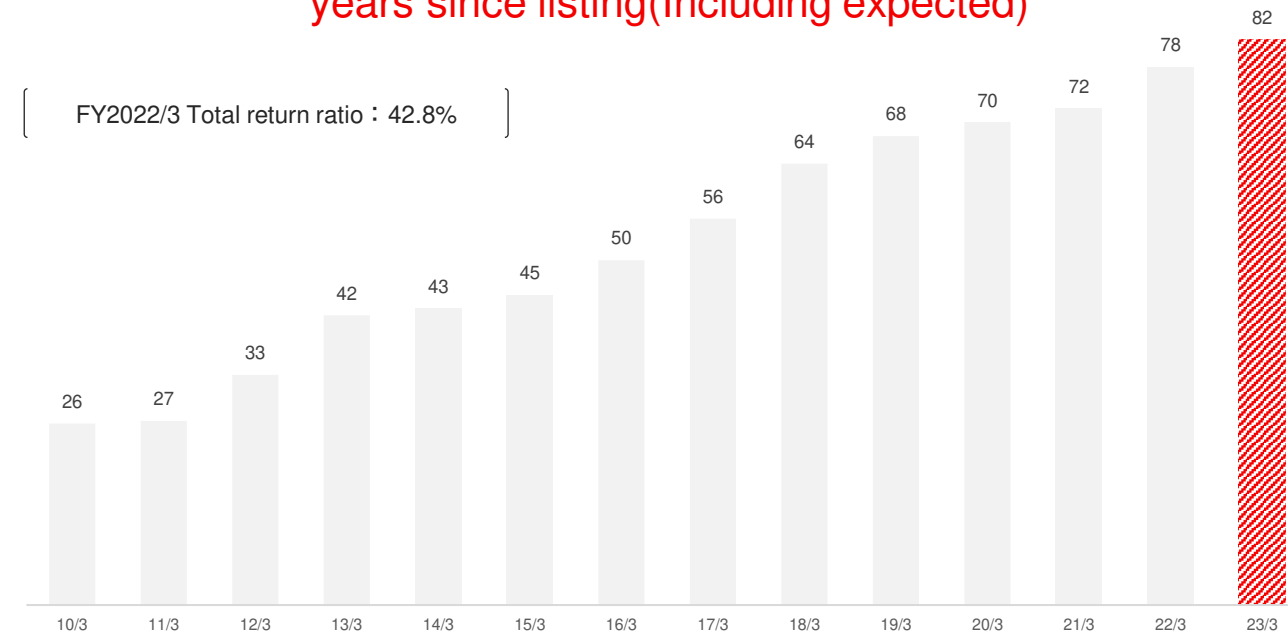
Capital policy

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

1 Strengthening retail solution capabilities

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

- 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.

2 Strengthening logistics solution capabilities

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

- 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.

3 Enhancing IT system and Promoting digitalization

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

- 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.

4 Developing talent and organization

Strengthened the foundations from a medium-to long-term perspective for achieving the vision of the medium-term management plan and further growth

- 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).

Enhancement of ESG / Contribution to achieving SDGs

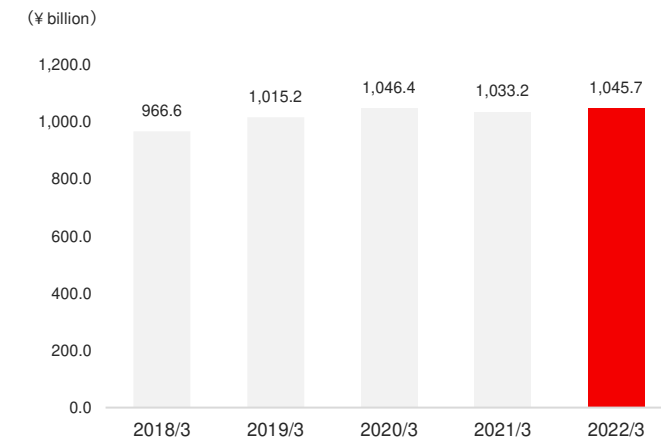
Strengthened our management foundations for sustainable growth
Promoted to contribute to the achievement of SDGs through business activities

- 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.

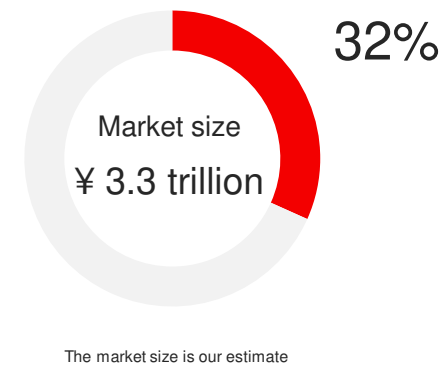
*SCM(Supply Chain Management)

Financial and Non-financial highlights

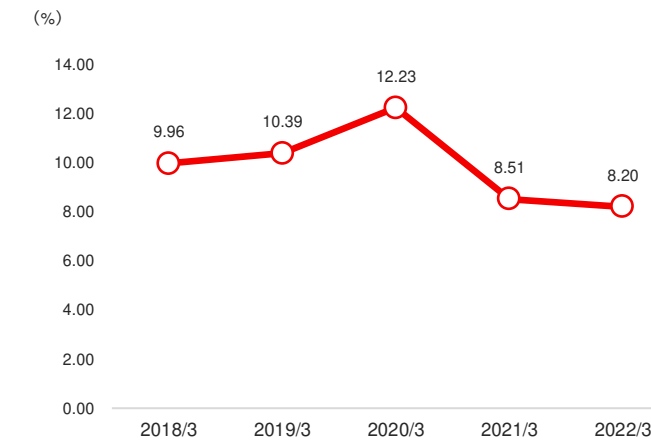
Net sales



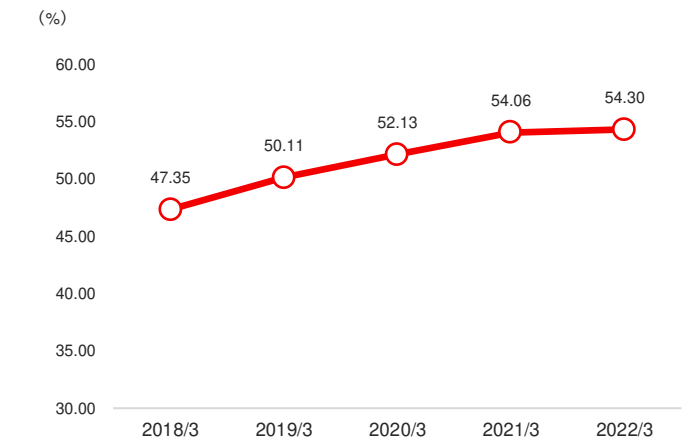
Market share



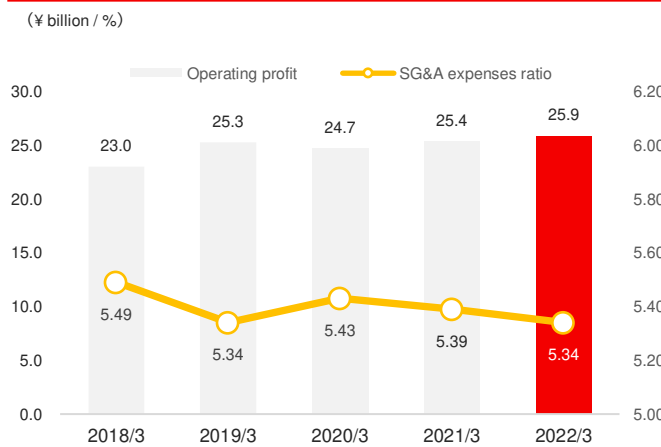
ROE



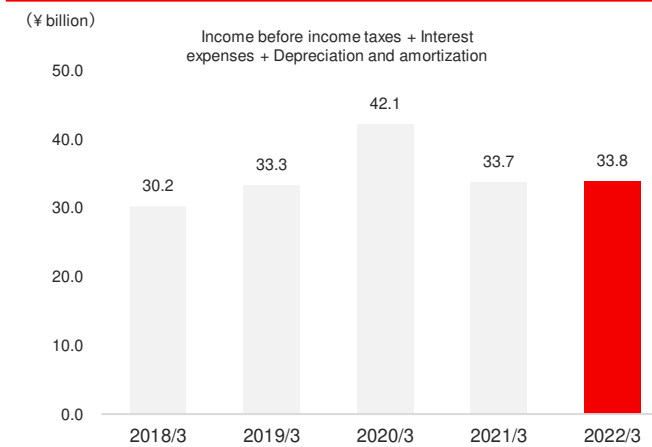
Equity ratio



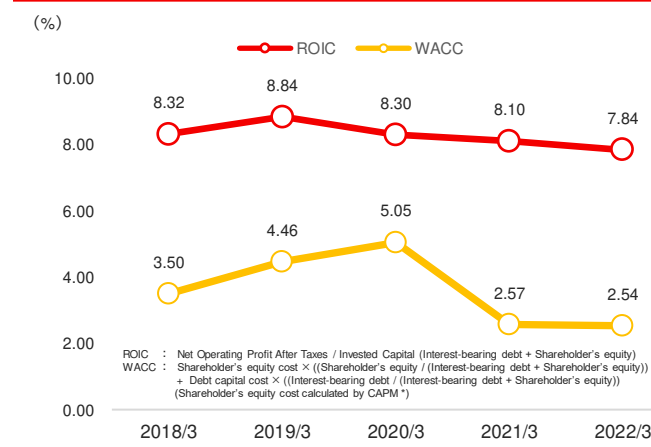
SG&A expenses ratio / Operating profit



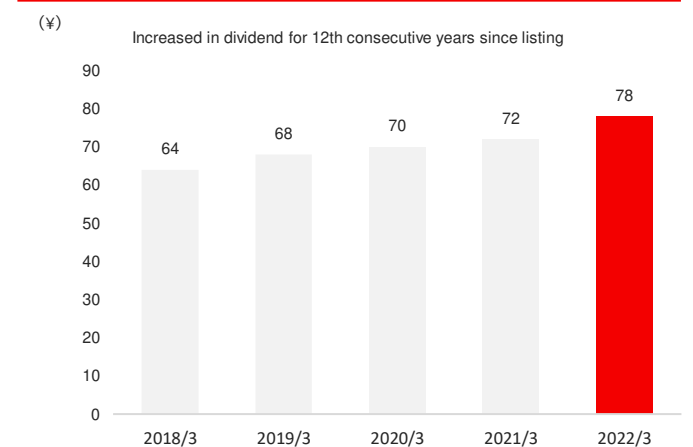
EBITDA



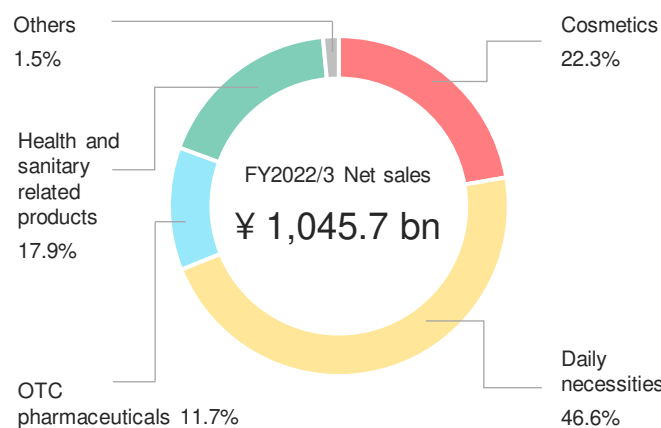
ROIC / WACC



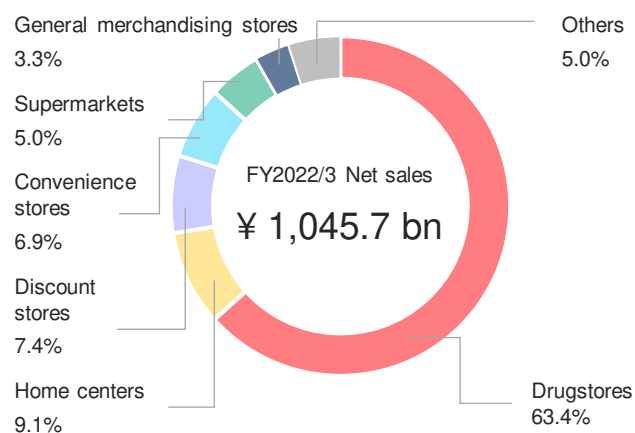
Cash dividend per share



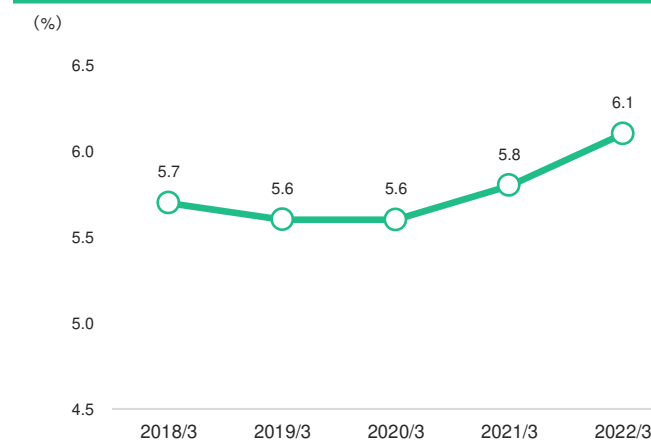
Sales composition by product category



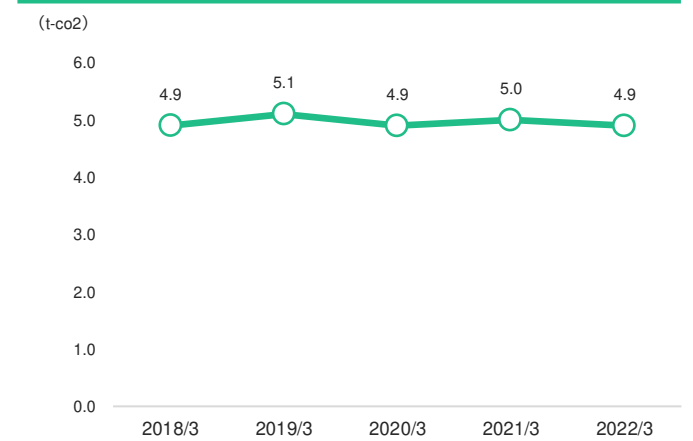
Sales composition by customer category



Percentage of female employees in management positions



CO2 emissions per 100 million yen in net sales

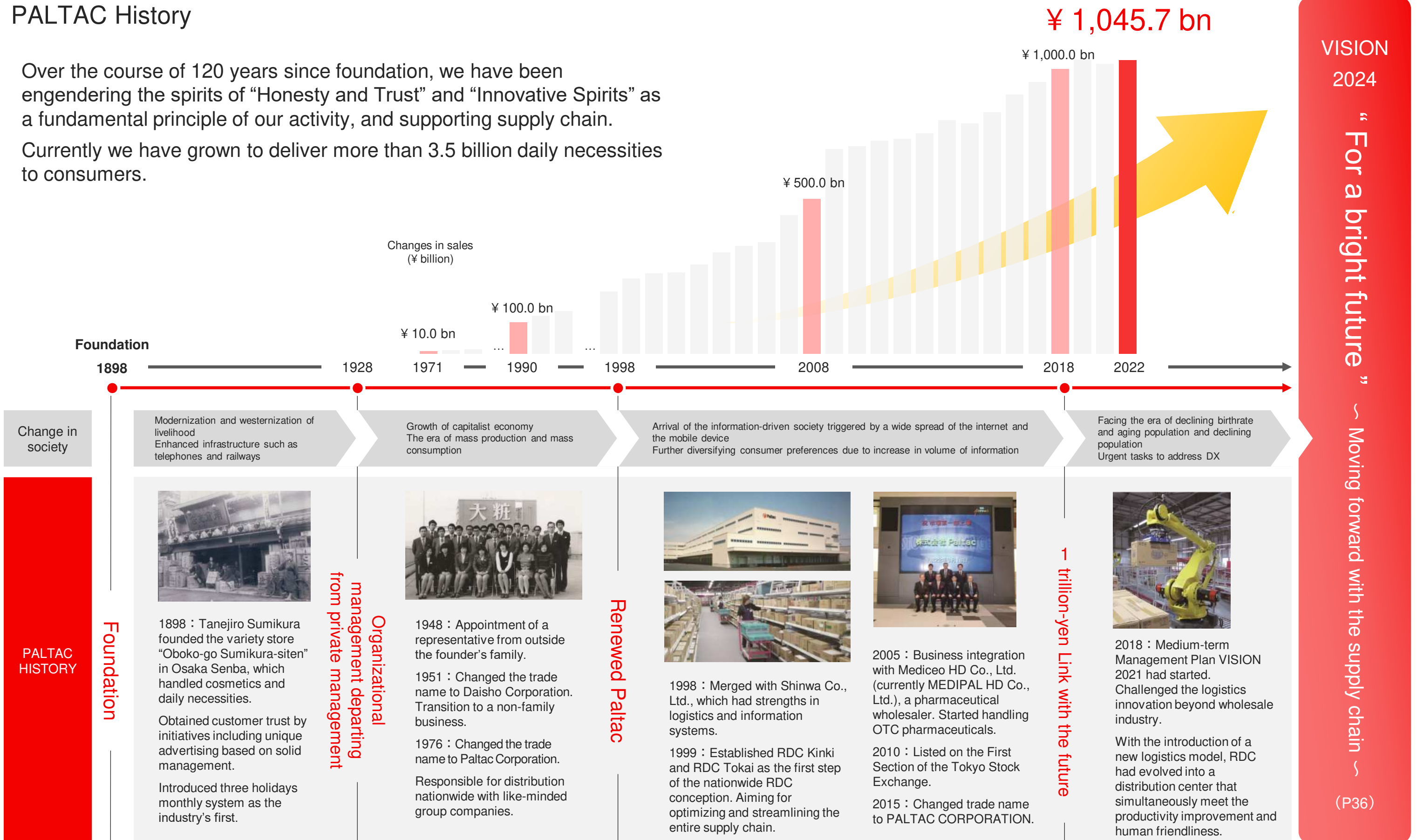


* The figures used to calculate WACC are as follows.
 • Risk premium : 4.37% (Average profit yield of all stocks on the First Section of the Tokyo Stock Exchange - Risk-free rate)
 • Risk-free rate : 0.18% (JGB 10-year bond yield)
 • β value : 0.54 (Regression coefficients of Nikkei Stock Average and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



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.

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

Scenery of new year shipping at Minamikuhojijmachi



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.

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".

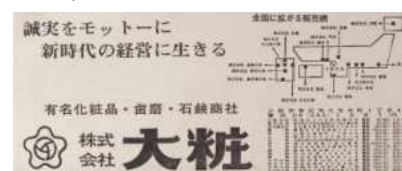
From family business to business enterprise, the birth of "Daisho"

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.

RDC system contributing to the efficient operations of retail stores

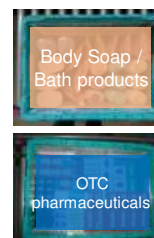
< Shipment accuracy 99.999% >



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

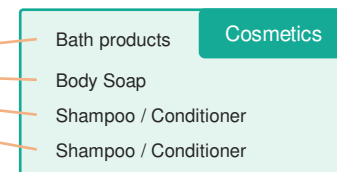
< Shipping in a packing style that is easy to display >



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

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.



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.

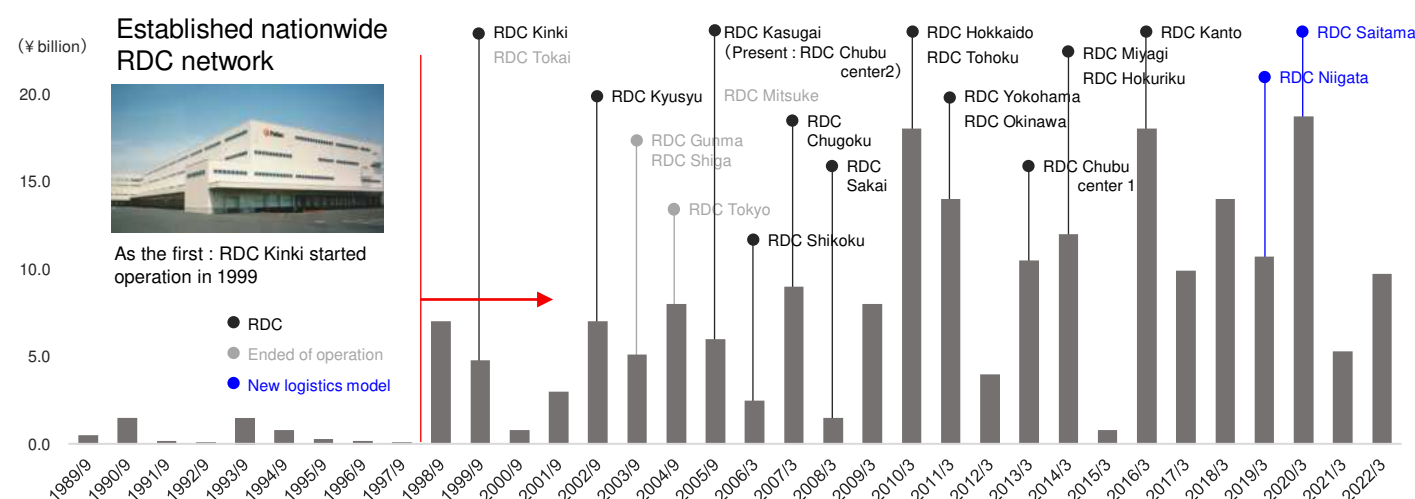


RDC Saitama and newly introduced case loading robot



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

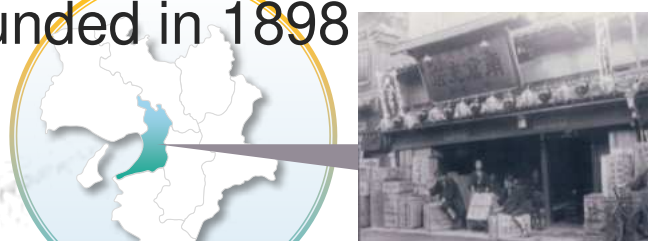
Changes in capital investment and establishment of RDCs



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

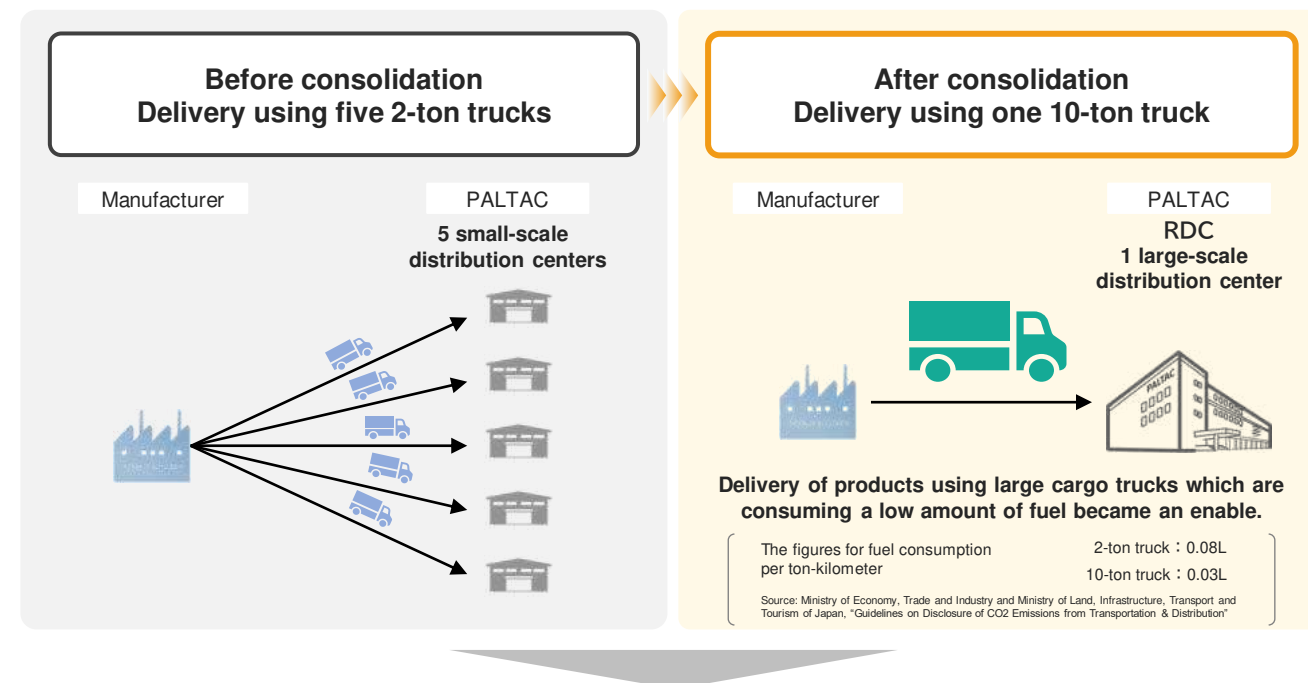
Contributing to reducing the environmental burden through constructing the nationwide RDC network



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
 $0.08L(2\text{-ton truck fuel consumption per ton-kilometer}) \times 5 \text{ trucks} \rightarrow 0.03L(10\text{-ton truck fuel consumption per ton-kilometer}) \times 1 \text{ truck}$

* 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.

Annual power generation by photovoltaic power generation (estimated)

5,094,000 kwh
About 11% of the annual electric power consumption

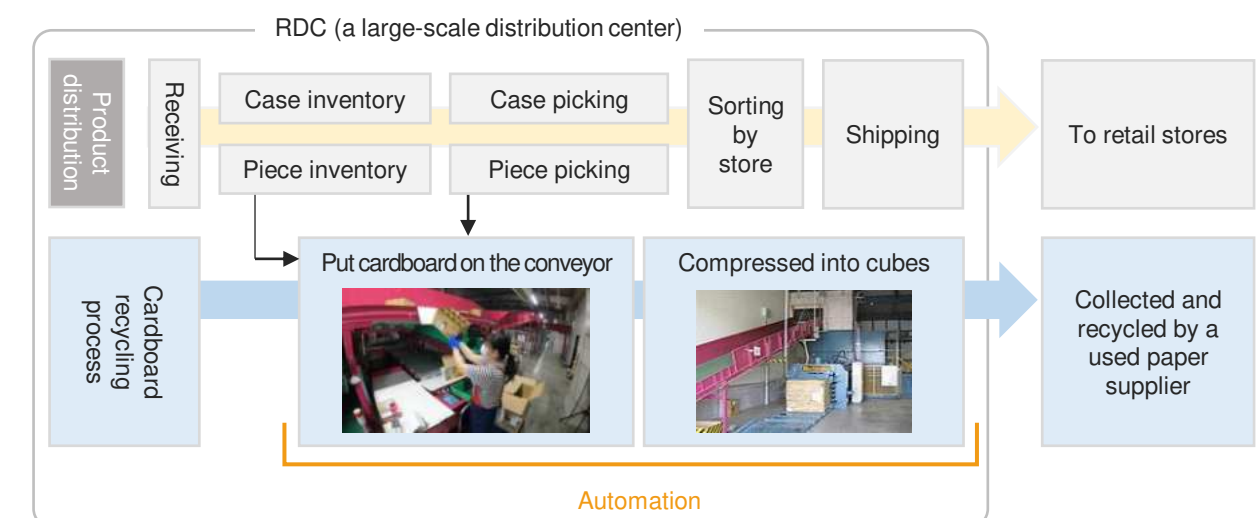


CO2 emissions Equivalent to a reduction in about 2,100 tons

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.

Build a recycling system as part of the RDC function



PALTAC's Value Creation

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- 80 Financial capital



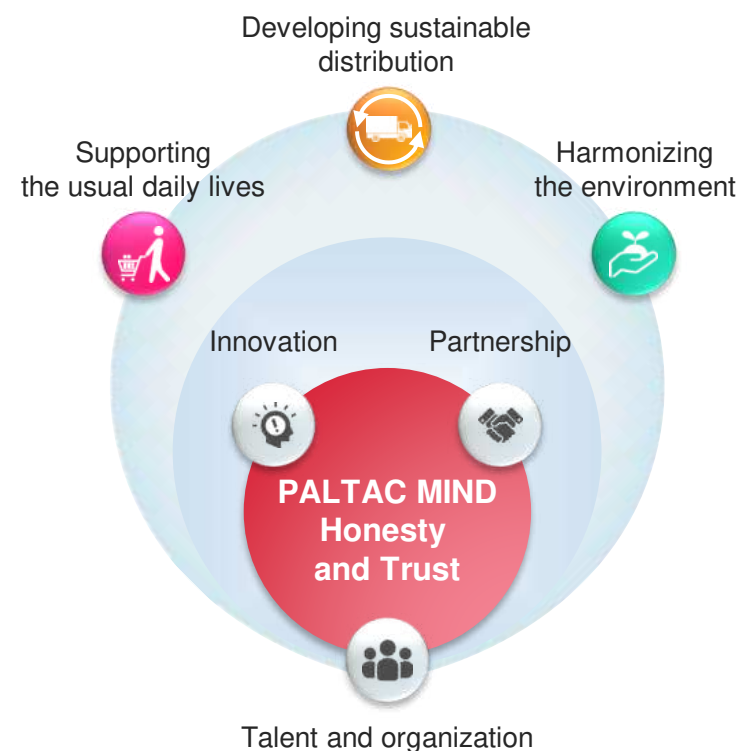
PALTAC's Materiality toward Sustainable Growth (material issues)

Approach to Materiality

We have identified the material issues that we should address with priority to various changes in the environment and grow sustainably with society. We categorize the material issues from the two perspectives of “Sources of Growth (issues that can refine our strengths and become opportunities for further growth by working to solve them)” and “Contribution to Solving Social Issues (issues that can be solved by leveraging our strengths)”. We have positioned them as important elements in our strategy formulation and decision-making, and we will work to resolve them through our business activities. In addition, we will accurately grasp changes in the environment and review the material issues as necessary.

Identification of Materiality

We reviewed and identified the material issues when formulating the medium-term management plan (VISION 2024) in the midst of diversified and complicated social environment, including the expansion of COVID-19 pandemic. When identifying the material issues, in addition to in-house environmental analyses, we examined and analyzed from various perspectives using the “Specific Measures to Achieve the SDGs” (published on the website of the Prime Minister's Office), as our business is mainly targeted at the domestic market. We then identified issues highly relevant to our business and selected the material issues that should be resolved. Under the medium-term management plan, we will resolve the material issues by steadily implementing our key strategies. In addition to realizing sustainable growth, we will contribute to the achievement of SDGs.



Environmental analysis

Particularly important environmental changes	Impact on us
Declining birthrate and aging population	Opportunity <ul style="list-style-type: none"> Increasing needs for an efficient distribution network Increasing needs for a nationwide distribution network capable of responding to the retailer's M&A strategy Increased sales opportunities for seniors Expansion of the healthcare market Diversification and complexity of consumer needs Increasing importance of data utilization (sales proposal / logistics improvement) Increasing needs for a secure and safety distribution network Expansion of environmentally friendly consumption due to penetration of SDGs (ethical consumption) Increasing challenges that customer faced due to expansion of the EC business market Flexible working style utilizing digital technology
Decrease in the working populations	
Increasingly serious delivery issues	
COVID-19 Pandemic / New normal	
Climate change	Challenges <ul style="list-style-type: none"> Intensifying price competition due to domestic market shrinkage Expansion of buying power through the retailer's M&A activities Increase in burden of operations which support the supply chain (manufacturing, shipping, store operations, etc.) Increase in logistics costs (personnel costs / delivery cost unit price) Uncertainty about the supply of products due to shortage of drivers Shrinking consumption due to refraining from going out and decreasing income Disruption of distribution network due to increase in natural disasters Decrease in profits due to carbon pricing, etc. Decline in competitiveness due to delay in digitalization
Digitalization	

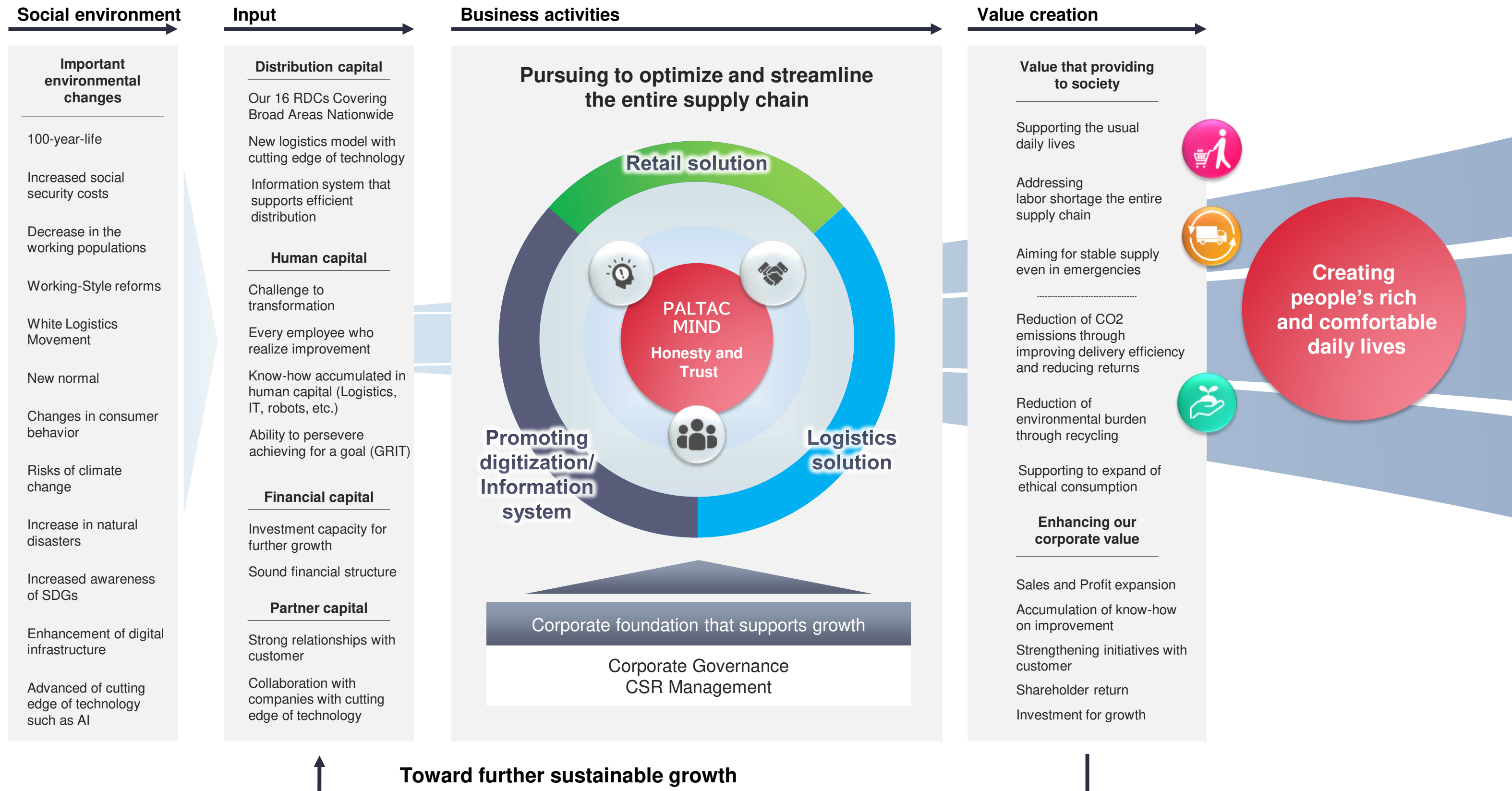
Materiality

	Issues that can be solved by leveraging our strengths	Issues that can refine our strengths and become opportunities for further growth by working to solve them
Materiality	Supporting the usual daily lives Developing sustainable distribution Harmonizing the environment	Innovation Partnership Talent and organization
Relevance to SDGs	<div> Good health and well-being Elimination of overwork in the distribution process through initiatives to optimize and streamline the entire supply chain </div> <div> Sustainable cities and communities Maintaining and continuing a social mechanism in which daily necessities are available "at any time" and "affordably" </div> <div> Responsible consumption, production Prevention of waste generation by reducing returns Supporting for expanding ethical consumption </div> <div> Climate action Initiatives to reduce CO2 emissions and to recycle simultaneously with improving operations </div>	<div> Gender equality Promoting business reforms with an awareness of diversity, including women's success </div> <div> Decent work and economic growth The growth of each individual is the source of growth for the intermediate distribution industry which does not have proprietary own products </div> <div> Industry, innovation, infrastructure Taking on the challenge of dramatically improving productivity by actively introducing cutting-edge technologies such as AI and robots </div>

PALTAC's Value Creation Process

PALTAC VISION 2024

“For a bright future” ~ Moving forward with the supply chain ~



Medium-term Management Plan VISION 2024

Currently, the environment surrounding the industry as a whole is rapidly and complicatedly changing, as evidenced by the decrease in working populations, as well as the spread of COVID-19 infection and the increasing number of natural disasters associated with climate change. Under these environments, we believe that the importance of our mission to stably provide daily necessities which are indispensable to people's lives becomes even more important. Under the new medium-term management plan (VISION 2024), we will work to reinforce intermediate distribution functions that can address to the wide-ranging issues of our customers, and accelerate collaboration and cooperation with retailers, manufacturers, and other stakeholders. By doing so, we will respond flexibly to the needs of society and achieve sustainable growth.

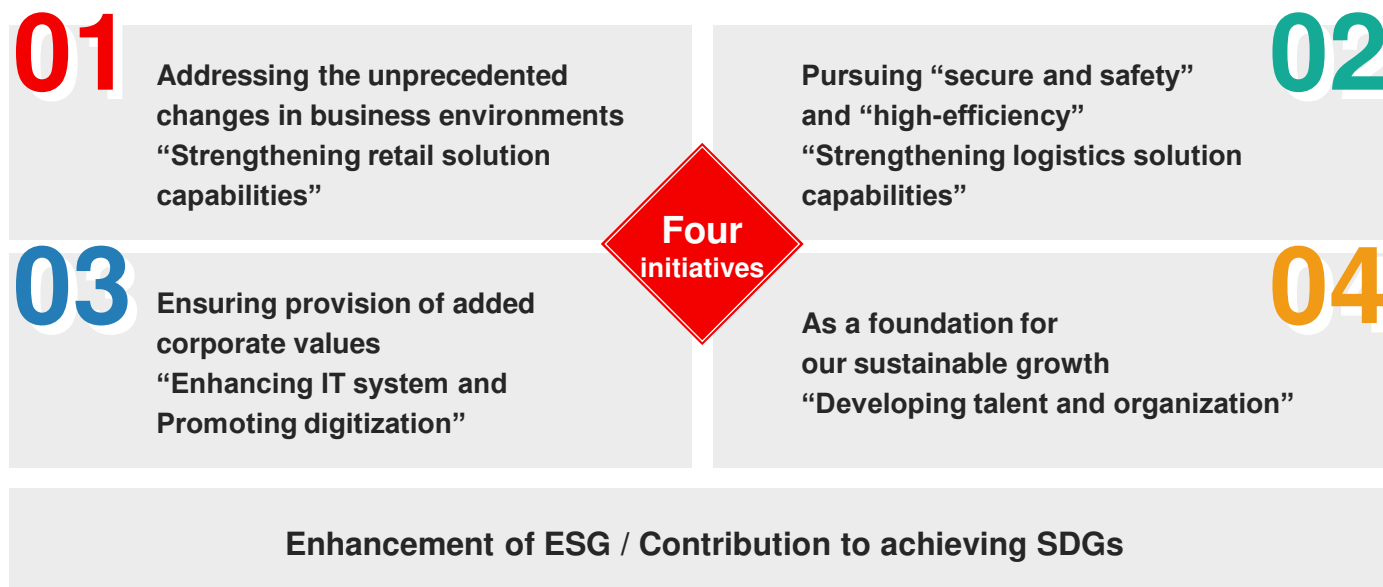
PALTAC VISION 2024

“For a bright future”

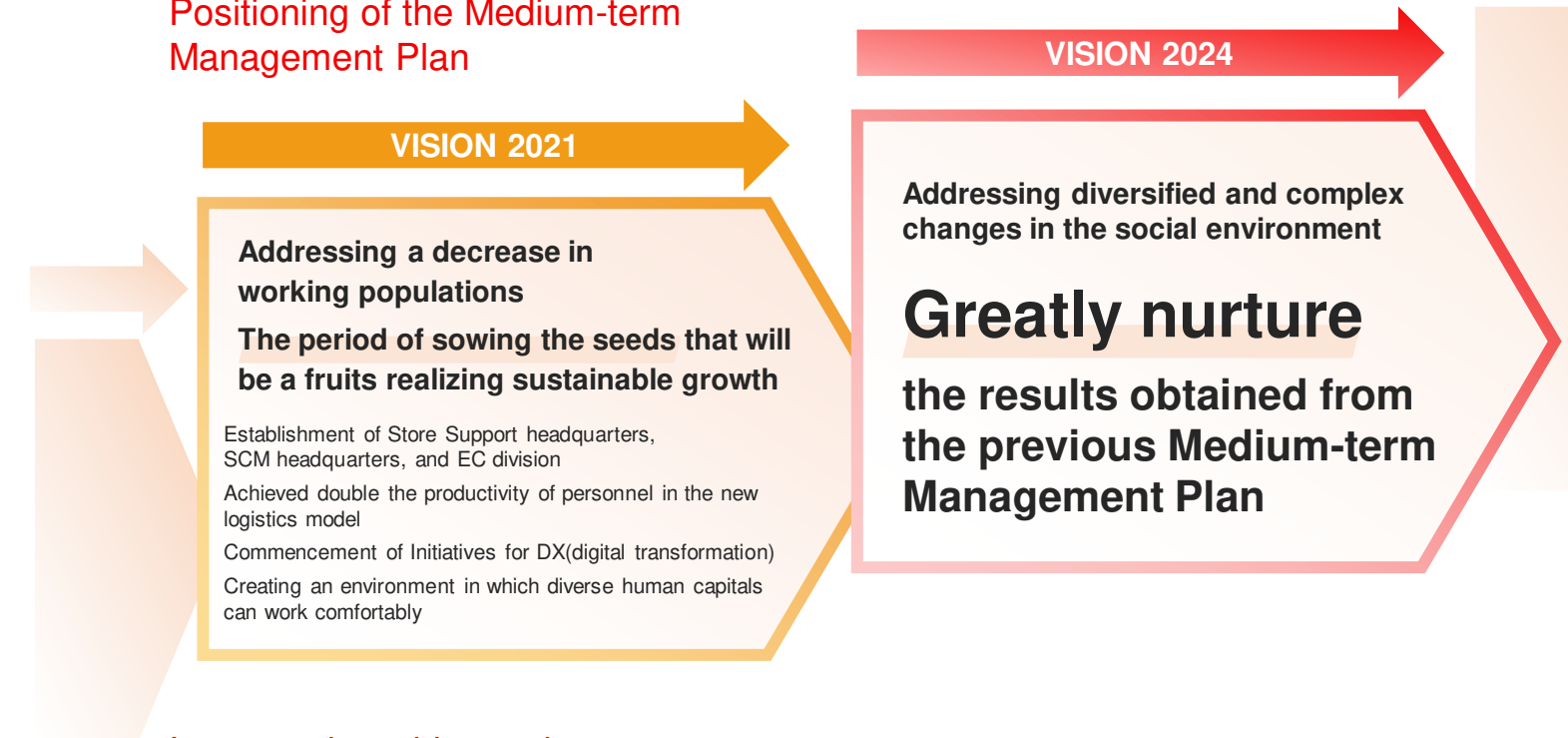
~ Moving forward with the supply chain ~

With our position as an intermediate distribution platform actively showing our values by **collaboration and cooperation**, and **reinforcement of systems**

Aiming for sustainable growth with whole stakeholders through optimizing and streamlining the entire supply chain



Positioning of the Medium-term Management Plan

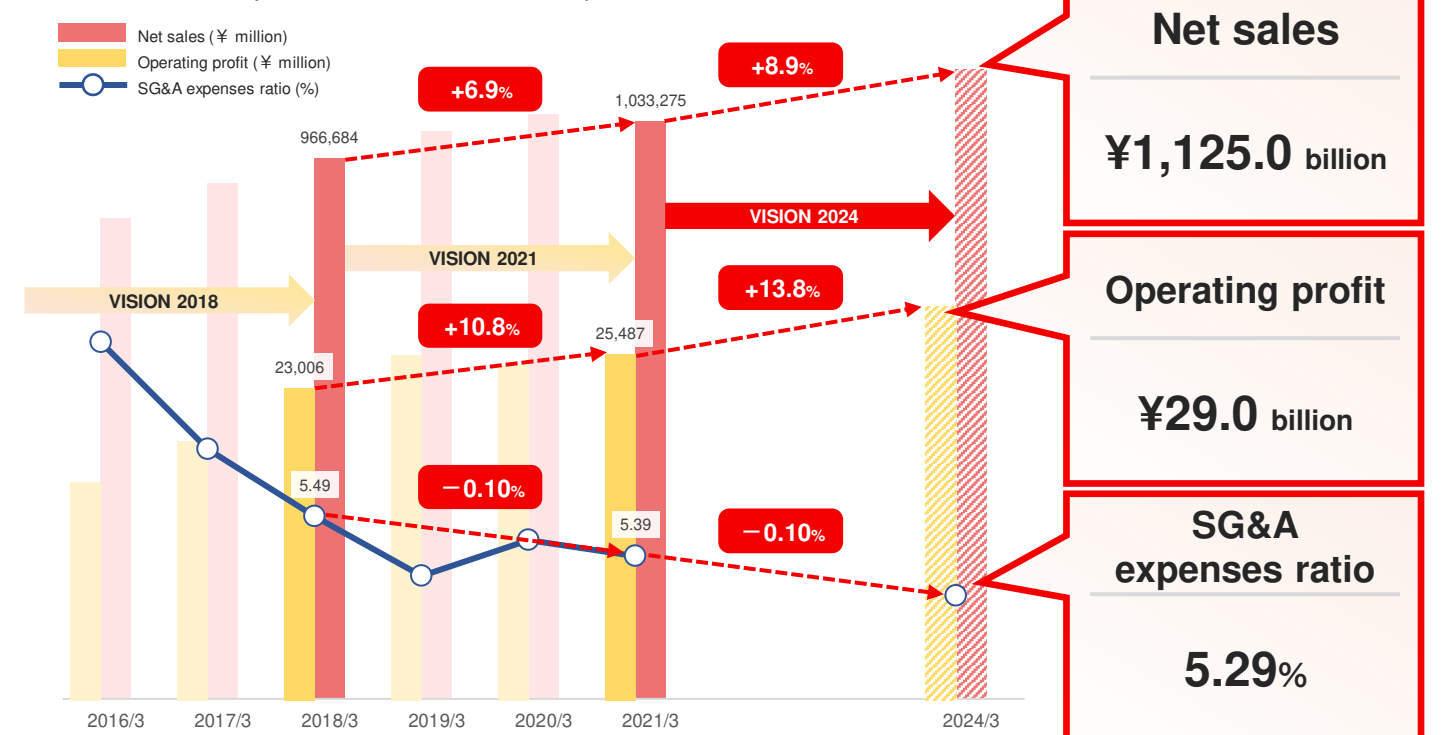


Issues to be addressed

A decrease in the working populations / COVID-19 Pandemic, New normal
 Extracted delivery issues / ESG, SDGs

Numerical targets

< Assumptions used for this Financial Forecasts >
 • Assumption that COVID-19 related demand situation will not be changed(As of April 2021)
 • A recovery of inbound demand cannot be expected



01

Addressing the unprecedented changes in business environments
“Strengthening retail solution capabilities”



Drastic changes called “New normal” has significantly impacted on the distribution industries. We will focus on the retail store where the products are directly served to consumers and will strengthen retail solution capabilities such as merchandising and improving productivity to address various challenges of entire supply chain by enhancing internal relationship between the Sales Headquarter and each divisions including the Store Support Headquarters, the SCM Headquarters and the EC division that were established under previous medium-term management plan.

Environmental changes to be addressed

Increase in burden of store operations by the decrease in working populations, Diversification of consumer behavior and sales channels

Value creation

Supporting the solution of issues faced by retailers, Enriching the daily lives of consumers

Key initiatives

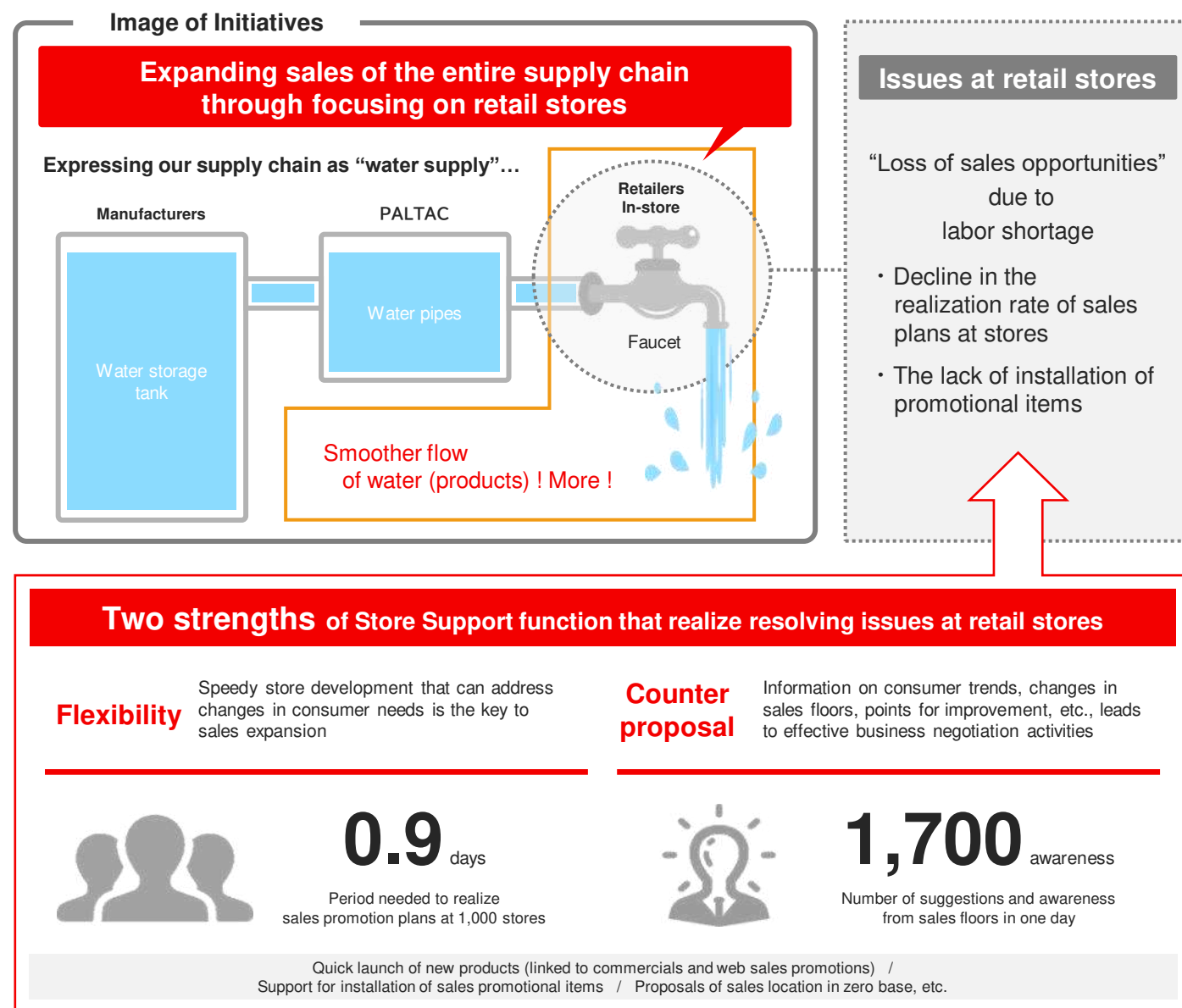
Strengthening the development of new functions (Store Support, SCM, EC) and evolving MD function

Addressing various issues through collaboration and cooperation between each functions



The retail stores where the products are sold is just our starting point Strengthening “Schemes of Sales Expansion” and aiming for an industrywide sales increase

At retailer’s stores, because of the labor shortage, “loss of sales opportunities” was seen due to a decline in the realization rate of sales plans at stores and the lack of installation of promotional items. To provide numerous consumers with products made by manufacturers, we focus on retail store where products are sold and allocate human capitals. We have a department specialized in store support, consisting of about 250 staffs. We are trying to make attractive stores for consumers in corporation with retailers through utilizing the functions of both “Flexibility” which enables speedy storefront promotion and “Counter-proposal” which is contribution to the successful business discussion leveraging in-store information. Even in an environment with labor shortage, we establish a system that catches the latest trend and aim for industrywide sales expansion.



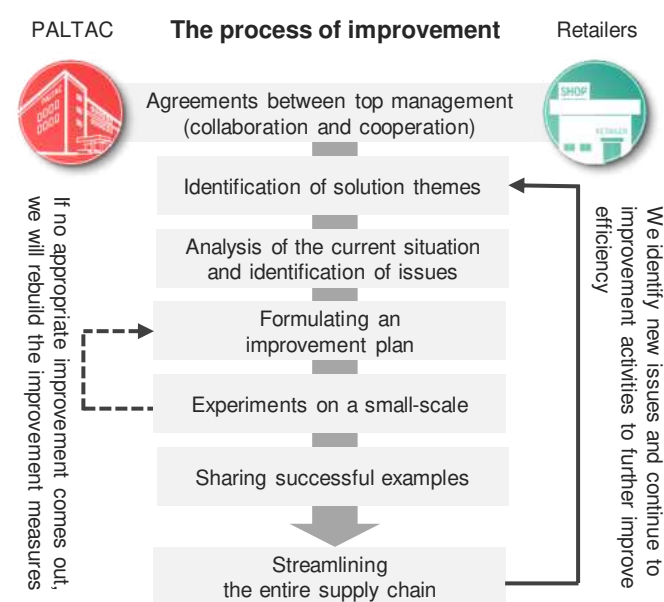
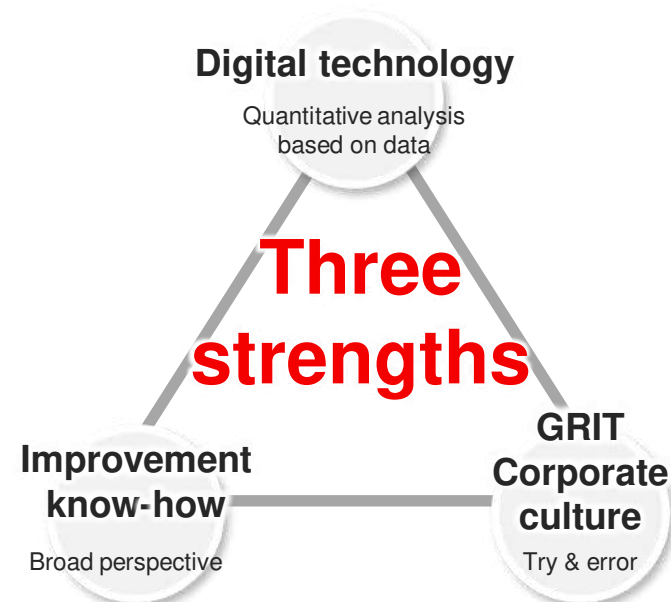
Eliminating unproductive factors “unreasonable, wasteful act and unevenness” in distribution, generating “profits” from “unproductive factors”

It is understood that productivity of Japanese various sectors is lower than that of other nations. Similarly, we think that in the distribution industry there are productivity challenges of “unreasonable, wasteful act and unevenness” factors and we see opportunities to improve productivity. Our SCM function uses data analysis by digital technology and merchandising know-how, which are our strength, and find unproductive factors based on the retail store, and work to aim for improving productivity and to generating profits from unproductive factors through resolving these factors. Not confining each company in the industry to simply cutting cost and increase profits, but also providing products at reasonable price, developing attractive sales floor and improving customers service that gain higher consumer satisfaction, moreover these practices lead to ESG and SDGs activities including reducing CO2 emissions through efficient delivery, etc.

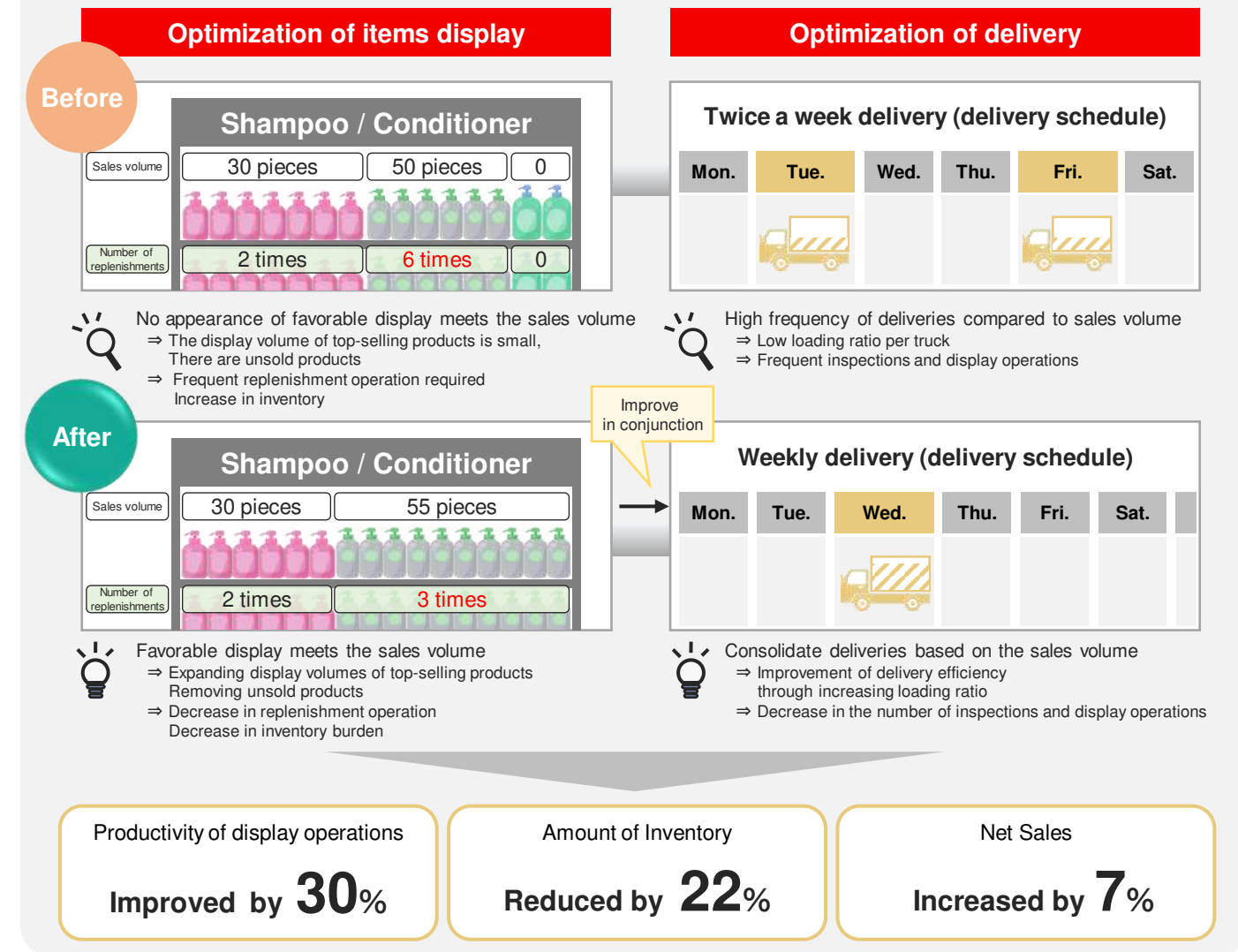
Capitalizing our strength, trying to maximize the effect

To resolve “unreasonable, wasteful act and unevenness” factors we start to visualize the issues. First, we try to visualize the issues by analysis from all aspects such as sales data, inventory data and video data of store work, etc., and to eliminate wasteful process and operation through repeated hypotheses and tests. In just a few numbers of verification, we may not produce results that we need to, but by taking our strength, which has been cultivated for many years, such as “Improvement know-how” and our employee's

“GRIT”, etc., we work continuously to improve productivity and to maximize the effects. Recently, we work with retailers that our sales account 45 percent of the total, and we can see successful examples. In the exercise of those initiatives, top managements has also joined and discussed, we positively and continuously undertake initiatives which are extensive and more in-depth, contributing to the retailer's profit and further strengthening of business relationship with retailers by leveraging trust from them.



Successful examples of improvement efforts at real stores



Promoting optimization and streamline of the entire supply chain, starting from “cost efficiency” of retailers Aiming for effect of Sampo-Yoshi



Started providing the industry's first "Comprehensive support for promotional items"

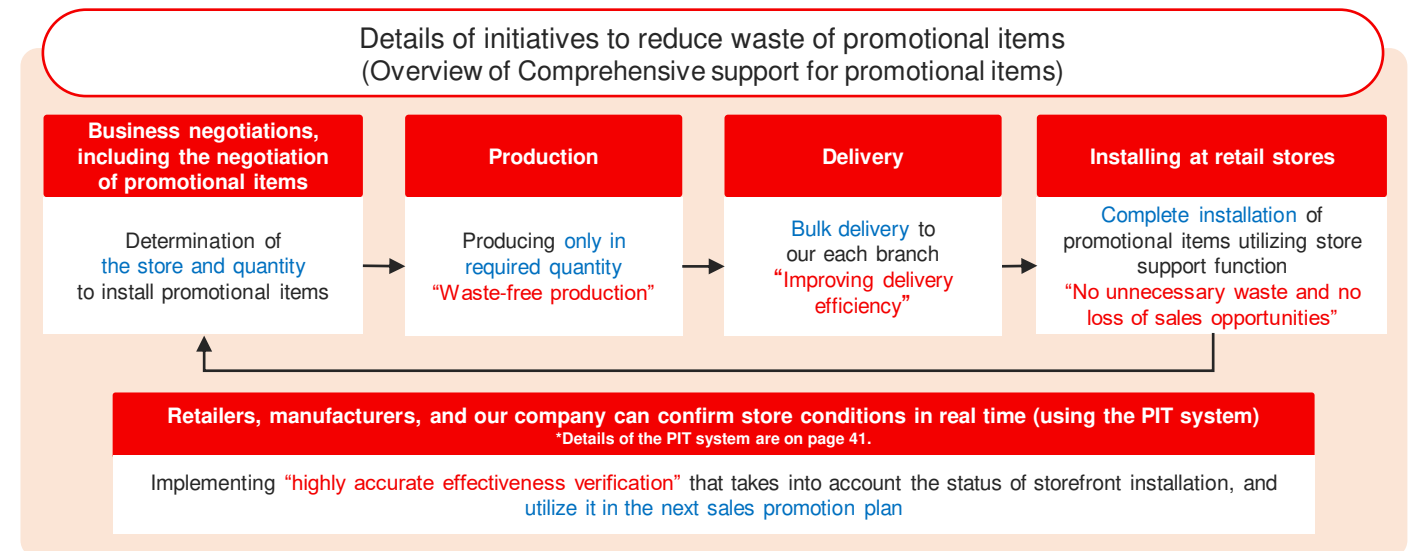
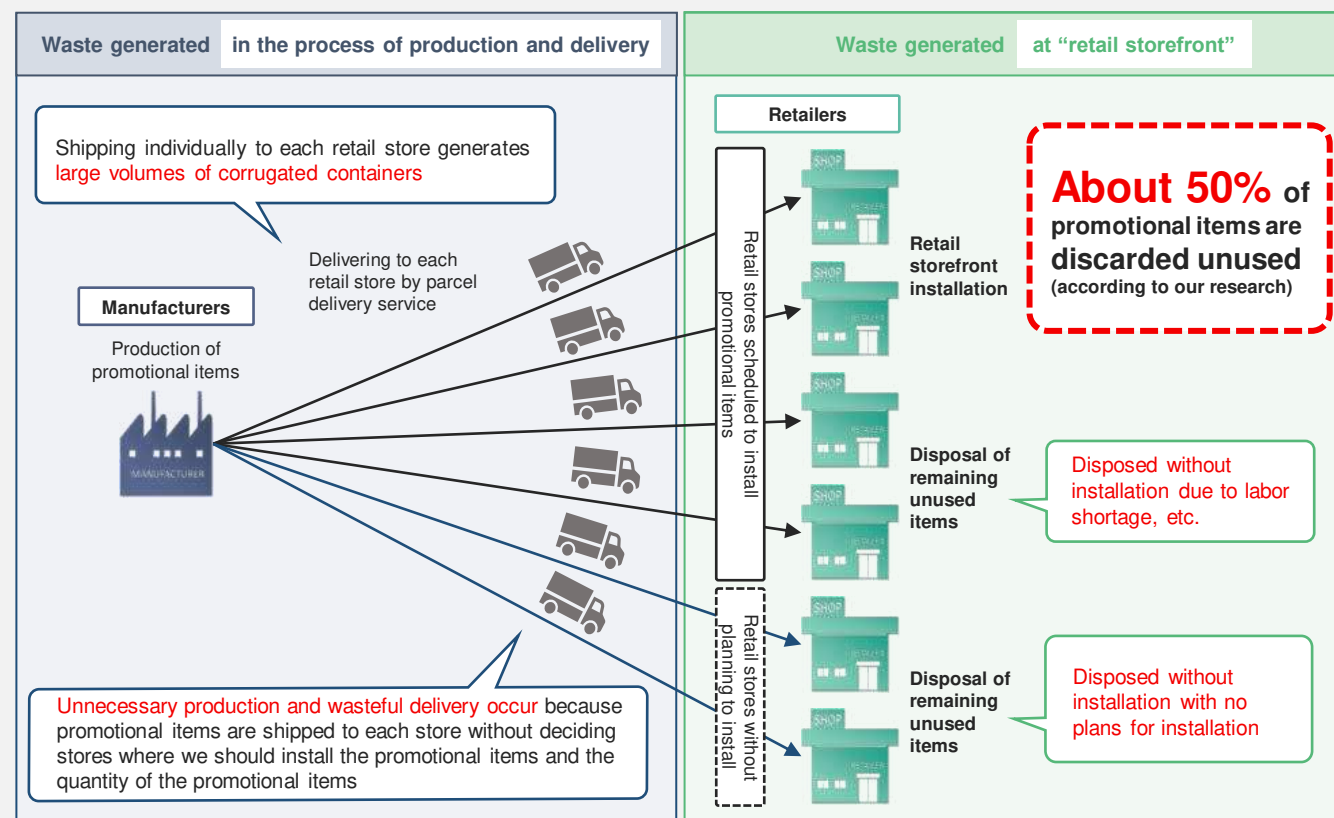
Contributing to sales expansion and reduction of environmental burden by reducing waste in the development of promotional items

We started a new service "Comprehensive support for promotional items" by collaboration with our store support function, SCM function, and the promotion function of sales floor (planning and production of promotional items, etc.) of our subsidiary HABA CREATION Co., Ltd. This service covers the planning and production of promotional items (sales floor fixtures for sales promotion), packaging, delivery, storefront installation, and subsequent measurement of effectiveness. In our industry, many wastes exists not only in the distribution of products but also in the distribution of promotional items, which causes the loss of sales opportunities and an environmental burden at retail stores.

By providing "Comprehensive support for promotional items", we make it possible to reduce waste in distribution of promotional items, through collaboration with retailers and manufacturers from the production planning stage of promotional items, appropriate production volume that meets the sales promotion plan and efficient delivery, complete installation of promotional items, and highly accurate verification of effectiveness. Initiatives with several retailers have already shown successful results, and we are contributing to the realization of retailer's sales growth as well as developing sales promotion activities which lead to the growth of a social and an environmental value.

Awareness of issues Waste in the distribution of promotional items is causing a loss of sales opportunities and an environmental burden

~ Various waste generated in the process of distribution of promotional items ~



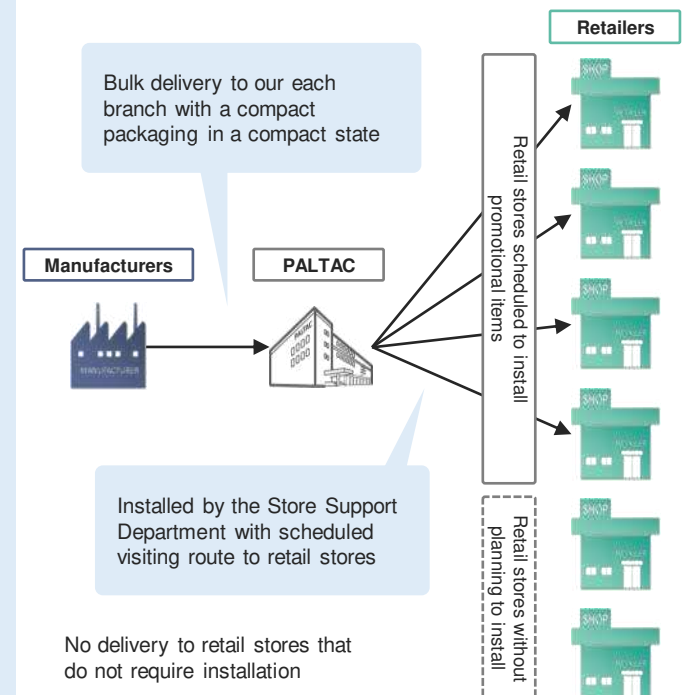
Expanding Economic Value

- Reducing wasteful costs of manufacturers by producing and delivering only the necessary quantity
 - Contributing to sales growth at retail stores through complete installation of promotional items utilizing the store support function and elimination of losing sales opportunity
 - Highly accurate verification of effectiveness based on the development status of each store has been made possible by the use of SCM function and the PIT system.
- Creating a "highly effective sales promotion cycle" through utilizing highly accurate verification of effectiveness for the next sales promotion plan



Expanding Social and Environmental Value

Delivery model that reduces waste in promotional items



Benefits of initiatives

Number of deliveries	Reduction of 90% (420 sites ⇒ 41 sites)
Number of cardboard boxes for packaging	Reduction of 85% (420 units ⇒ 63 units)
Reducing the burden on drivers by improving delivery efficiency	
Reducing CO2 Emissions from Trucking	
Promotional items are made from environmentally friendly materials	
Reducing the burden of installation work through the easy-to-assemble design	
Reducing the use of packaging materials through bulk delivery	
Zero unnecessary waste	

Realizing timely proposal of products in response to drastic changes in market needs

In an environment in which consumer needs drastically changes, conventional MD is no longer applicable. Effective MD proposals require timely and much more information gathering and selection. Through internal and external collaboration and digital technology, we will try to strengthen timely merchandising by procuring new products meet the consumer needs utilizing in-store information which are points of contact with consumers and market-wide marketing information, as well as the enormous amount of data we possess as the industry's top.



Contributing to the expansion of ethical consumption

As social issues, such as natural disasters and marine pollution caused by climate change, become more serious, there is a growing interest in environmentally friendly products, and the number of those products launched by manufacturers has been increasing year by year. From the standpoint of being responsible for intermediate distribution, we are trying to expand “ethical consumption” In response to consumers awareness of choosing ethical products. In order to expand ethical consumption, it is essential to devise ways to intelligibly inform the added value of ethical products to consumers, such as commitment to ingredients and eco-friendly manufacturing methods. We are not only just simply displaying ethical products in stores, but also making efforts to create a sales floor that makes it easier for consumers to notice the value of these products, through sales promotion using digital tools and products development in consideration of environment. The market for ethical consumption is expected to expand against the background of the penetration of SDGs.

We will contribute to the construction of a sustainable distribution cycle through the expansion of ethical consumption by strengthening both sales promotions for existing products and handling new products.



Proposal of product development that collects eco-friendly products



Intelligibly informing the added value of products to consumers using digital advertising (digital POP)

Development of environmentally-friendly products

As a new initiative to expand ethical consumption, we have developed environmentally friendly products using waste plastics as raw materials in collaboration with companies that develop materials and products that promote resource recycling. In addition to provision of ethical products made by manufacturers, we ourselves will be involved in product development and actively contribute to expansion of the distribution of “high value-added products that enable consumers to contribute to the environment in their daily lives”.

『使えば使うほど世界のプラごみを減らせるゴミ袋』
(A garbage bag that the more using it, the more reducing the amount of plastic waste around the world)



Collaborative development with TBM Co., Ltd.
(TBM is the Company engaged in environmentally friendly material development and businesses that promote resource recycling)

- ① Used of recycled materials
- ② Obtained Eco Mark certification
- ③ Using this product in place of garbage bags made of only virgin plastic reduces the amount of waste plastic

Please refer to our website for details of these initiatives
Disclosed on October 14, 2021
: Notice of starting of handling “A garbage bag that reducing the amount of plastic waste”

『サステナブレラ』
(Non-disposable plastic umbrella)



Collaborative development with TBM Co., Ltd
and Ca et la Co., Ltd
(Ca et la is the Company aims to expand ethical consumption through the development and sale of recyclable plastic umbrellas.)

- ① Use of recycled materials
- ② The tip of an umbrella incorporates safety design with a flat surface
- ③ Wind-resistant, rust-resistant Long-lasting umbrella
- ④ All made of plastic
- ⑤ Frame for umbrella is made of reinforced plastic “Hardly breakable”

Please refer to our website for details of these initiatives
Disclosed on April 27, 2022
: Notice of starting of handling “サステナブレラ(Non-disposable plastic umbrella)”

TOPIC

Held a press conference for the new product “サステナブレラ (Non-disposable plastic umbrella)”

On April 27, 2022, we held a press conference for new product “サステナブレラ” together with Ca et la International Co.,Ltd and TBM Co.,Ltd. Approximately 60 million plastic umbrellas (more than 100,000 per day) are discarded annually. We are taking on the challenge of creating a new standard for plastic umbrellas by expanding the distribution of “サステナブレラ”, which was born from the common desire of the three companies to aim for a recycling-oriented society by using recycled materials.

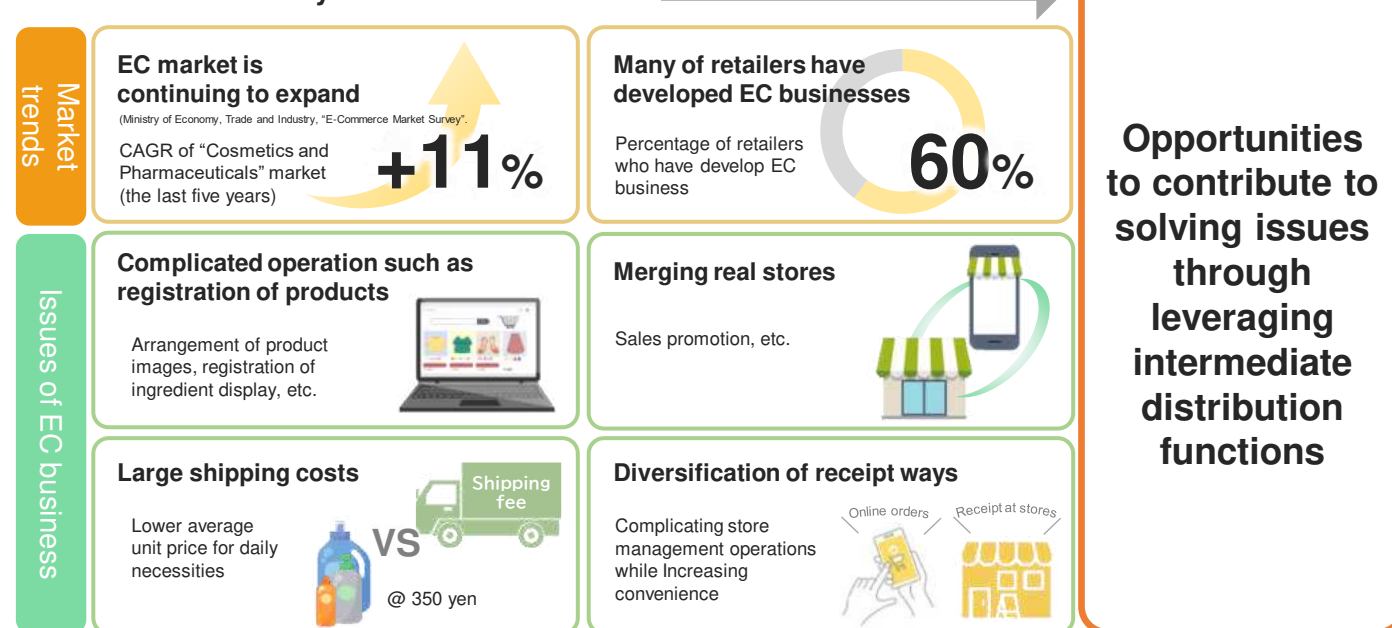


Press conference (held by real & online simultaneous)
From left: PALTAC : Yasutaka Yamada, Senior Managing Executive Officer;
Ca et la : Takeshi Yamamoto, President and Representative Director;
TBM : Taichi Yamaguchi, Executive Officer and CSO

Striving to provide services specific to EC business

The expansion of the EC market has been further accelerated during the spread of COVID-19, and our major customers are also actively developing their EC business. However, there are various issues that differ from real stores, and become the concerns of retailers. We have judged that we want to help retailers to resolve those issues unique to EC business through our capabilities as an intermediate distributor. And we are trying to develop services specialized for EC business through setting up a specialized department.

Environmental analysis in the EC business



Providing four services unique to intermediate distribution

In order to solve the issues in EC business of our customers, we will try to provide "Information provision" and "Product / Sales promotion planning" about consumer's behavior in the EC market and "Operation support" for EC websites. We have also established an organizational structure that facilitates the collaboration with retailers to resolve issues. Until now, one sales representative was responsible for both real store and the EC, but now we have established the specialized division (EC division) in January 2021 and are making efforts to resolve more critical issues. In order to respond to the integration real

store and EC (omni-channel, etc.), we will also work to cooperate with the division that is in charge of real stores and to contribute to customers which addressing consumer needs.

Information provision	Such as good-selling products and successful examples of sales methods
Product planning	Proposals for bundled products and outlet products (discontinued products), Supporting to develop EC specialty products
Sales promotion planning	Creating an opportunity for planned purchases (Such as listing advertisement)
Operation support	Support activities for overall EC website operations

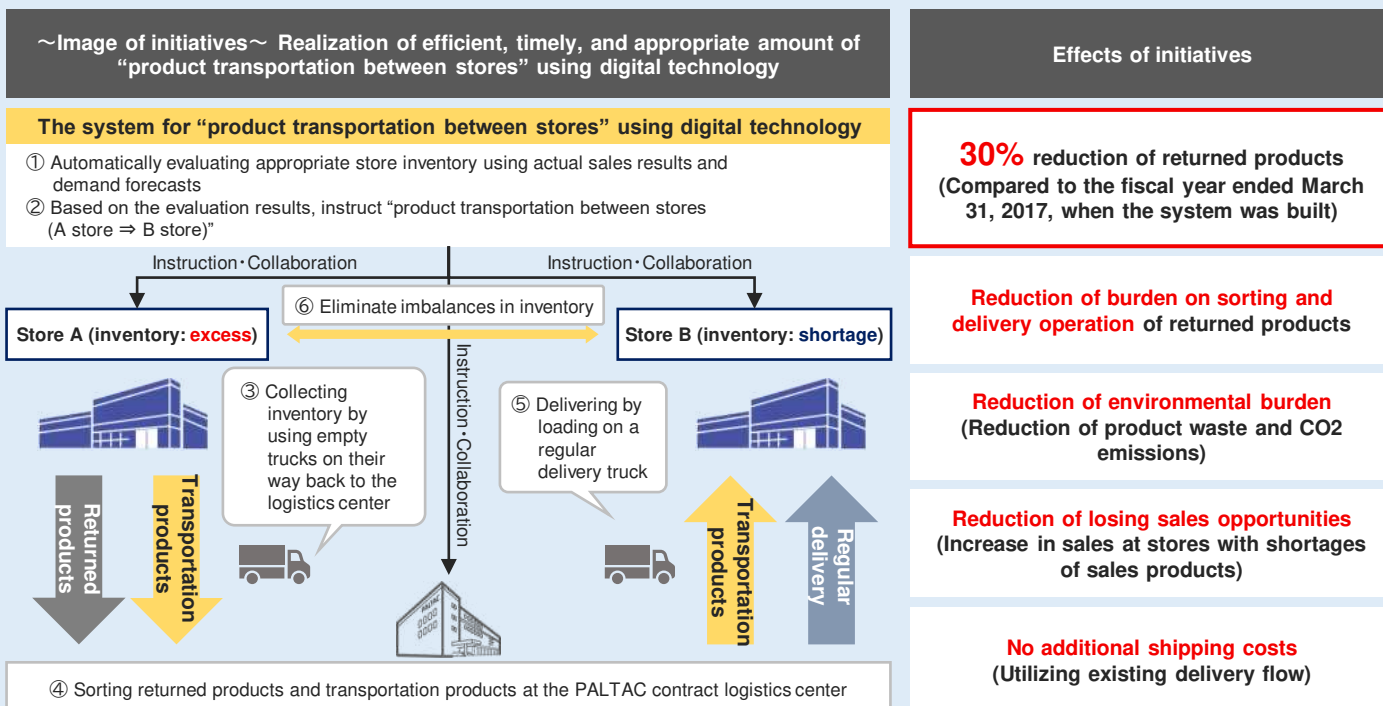


Received the "Excellence Award" of the Supply Chain Innovation Awards 2022 for "Reduction of losing sales opportunity by reducing returned products and an eliminating imbalances in inventory"

On July 8, 2022, we received the "Excellence Award" of the "Supply Chain Innovation Award 2022" from Manufacturing, Distribution and Retail joint Forum in recognition of "Reduction of losing sales opportunity by reducing returned products and an eliminating imbalances in inventory" implemented in collaboration with YAKUODO Co. Ltd. We have made it possible to reduce both returned products and loss of sales opportunities through the scheme of "timely and appropriate amount of product

movement between stores". This initiative was realized by jointly developing with YAKUODO Co. Ltd "a system for moving products between stores", which utilizes digital technology such as demand forecasting algorithms, to significantly reduce both amount and time of operation required to move products between stores.

【Main SDGs related to this initiative】



Please refer to our website for details of these initiatives Disclosed on July 11, 2022 : Notice of Received the Supply Chain Innovation Awards 2022

Previous initiatives that won the Supply Chain Innovation Award



We received praise for the initiative to "Maintaining stock availability and reduction of returned products in open collaboration with manufacturing, distribution and retail" implemented in collaboration with Sugi Holdings Co., Ltd. and Lion Corporation.

Please refer to our website for details of these initiatives
Disclosed on July 12, 2021 : Notice of Received the Supply Chain Innovation Awards 2021



We received praise for the initiative to "consistent unit loading system utilizing carry" implemented in collaboration with YAKUODO Co. Ltd. and Unicharm Corporation.

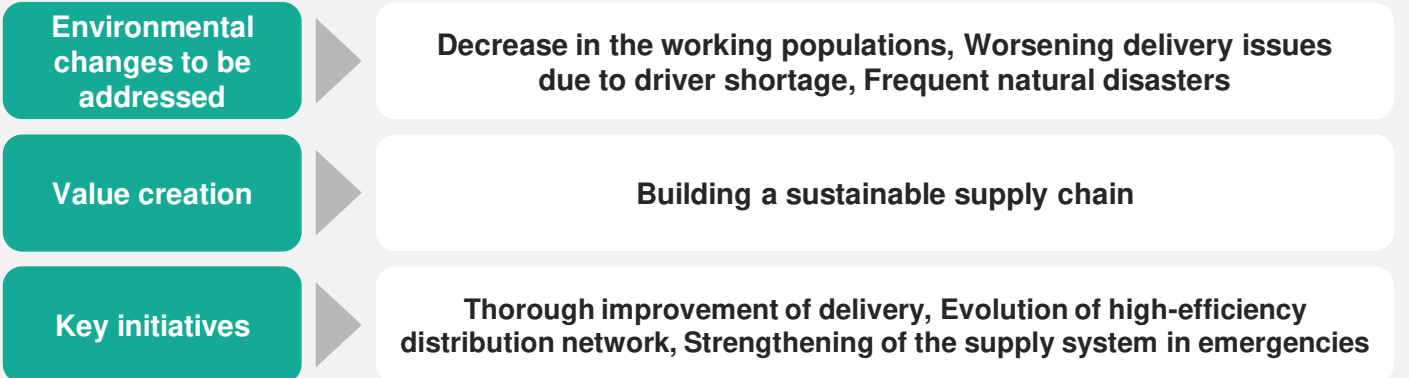
Please refer to our website for details of these initiatives
Disclosed on July 6, 2020 : Notice of Received the Supply Chain Innovation Awards 2020

02

Pursuing “secure and safety” and
“high-efficiency”
“Strengthening logistics solution
capabilities”



We will continue to strengthen highly efficient logistics system based on “secure and safety” that supports the usual daily lives. In order to do that, we will carry out continuous improvement activities at existing distribution centers, expand shipping capacity by new distribution centers equipped with a “new logistics model”, and solve “delivery issues” such as White Logistics Movement.



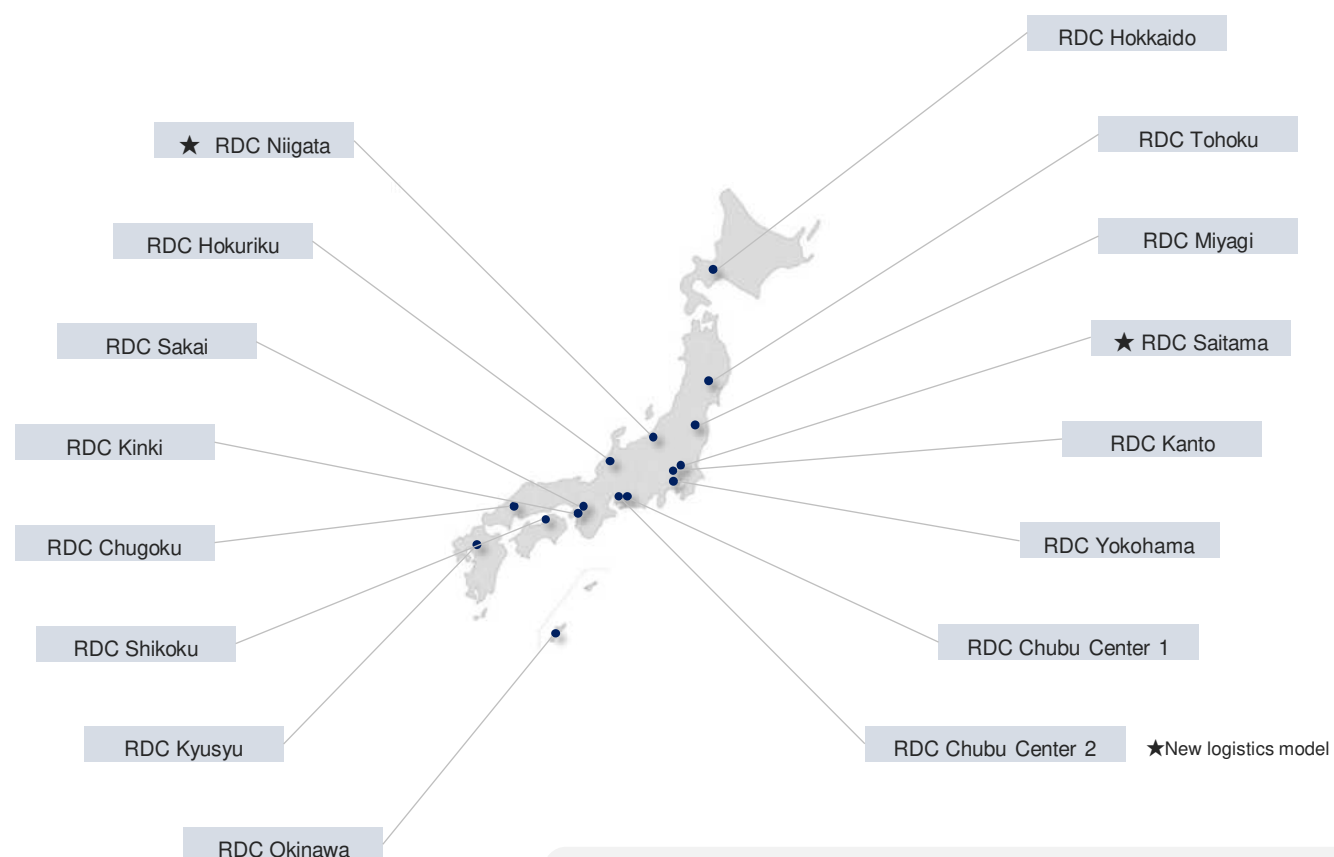
Enhancing resilience of logistics infrastructure



Developing a highly efficient and large-scale distribution center

We will aim to optimize and streamline the entire supply chain including consumers who acquire the products. We think that we not only pursue to improve productivity of our own RDC but also want to contribute to improving productivity of retailers, manufacturers and delivery companies through our capability to eliminate the waste in distribution processes. Based on the above thoughts, we hold land and RDC ourselves and we design the center buildings and distribution facilities with our own know-how considering for service level at first. In addition, we provide stable, high-quality distribution services in any area through our RDC network located at 16 locations nationwide.

RDC network located in 16 locations nationwide



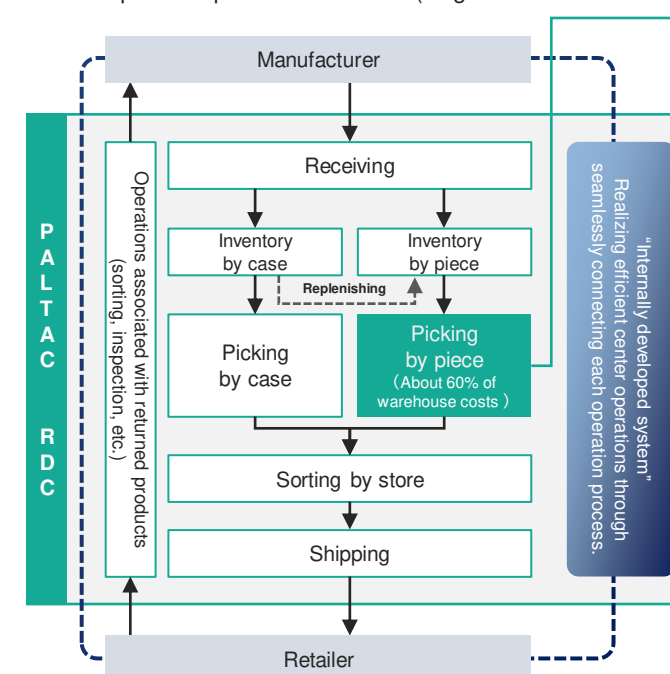
Responding to the business expansion needs of retailers

The nationwide RDC network can respond to the rapid increase in handling the volume of products and expansion of the developing area of retailers due to aggressive openings of new stores and M&A.

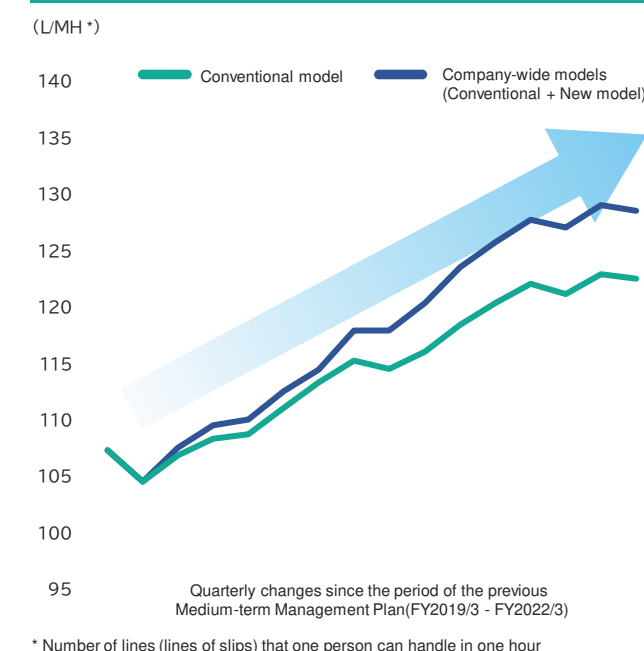
Continued improving existing RDC

We have realized efficient management of our distribution center through internally designing warehouse and producing IT system which controls material handling equipment, and by seamlessly connecting complex operation processes. In addition, we have visualized costs and productivity according to a wide range of operational processes. Through these efforts, we are continuously promoting activities to improve the bottlenecks in each working unit based on detailed data and making efforts to improve the productivity of the center as a whole. Furthermore, we are promoting bottom-up activities starting with on-site employees and part-time employees by utilizing improvement proposal questionnaires, etc., and working as one company to make improvements. Going forward, we will continue to strengthen activities to improve warehouse operations, such as receiving and replenishing, including piece picking, which accounts for approximately 60% of our distribution center costs, and work to further improve the productivity of existing centers that support our ability to generate profits.

Main operation processes at RDC (Regional distribution center)



Piece picking productivity



The power to generate "system"

Internal production that supports effective improvement activities within the distribution center makes it possible to introduce optimal material handling equipment and flexibly change the "system" of IT system responding to changes of the business environment. In this way, we are aiming to continuously improve productivity. In addition, internal production makes it possible to construct at low-cost way and further accumulating know-how, such as acquired 18 patents even though we are in the distribution business. This is also a driving force for creating new systems.

Human capitals that support internally development

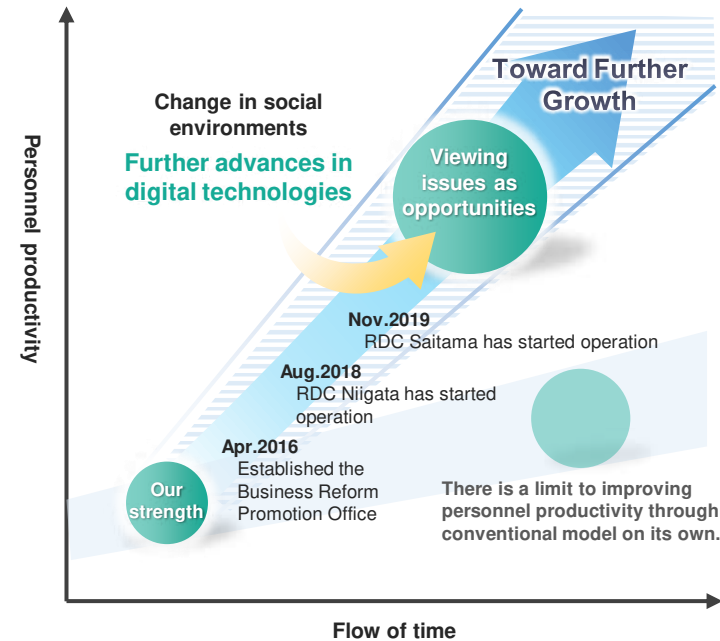
198 members

System department 116 members
R&D department 43 members
Logistics department 39 members
(As of the end of March 2022)

18 patents

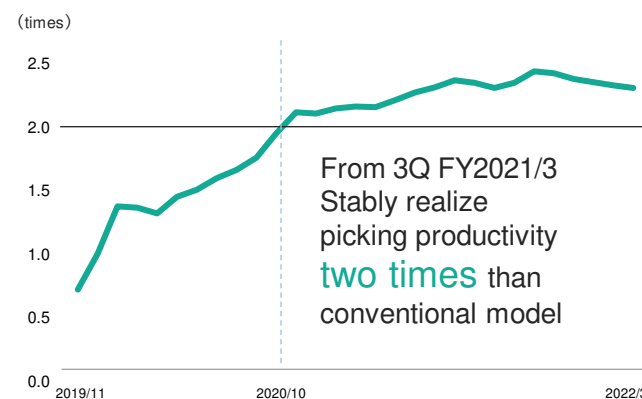
Challenge of further improvement personnel productivity

With the advancement of digital technologies such as AI and robot, we have taken advantage of this situation to expand business, and newly established Business Restructuring Promotion Division (currently Research and Development Headquarters) in April 2016 and undertaken to acquire knowledge of cutting-edge technology. Through fusing low-cost distribution know-how, we have accumulated so far and cutting-edge digital technology, we have worked to develop new logistics model for achieving greater productivity. As our first new logistics model “RDC Niigata” performed well, we have started operation of the second “RDC Saitama” in November 2019. RDC Saitama has also achieved greater productivity, and after October 2020, we have stably realized piece-picking productivity more than two times than that of existing model that we targeted. In the future, we will try to make further improvements, and also through the continuous construction of new RDC improving the shipment ratio of the new model which remains low at around 10 percent, we work to enhance and expand high-efficient distribution network, simultaneously ensure shipping capacity that support for sales expansion.



RDC Saitama

RDC Saitama Piece picking productivity compared to conventional model



Aiming to ensure shipping capacity and raise the shipment ratios by the new logistics model

Investment plan during the three years
Medium-term Management
(FY2022/3-FY2024/3)

¥ 30 billion

[Investment area]

Tohoku, Kanto, Kansai, Kyushu

During the period of the medium-term management plan, “Tochigi distribution center” is scheduled to start operation in February 2023.

New logistics model achieved productivity improvement and human-friendly center operations

【Piece picking】

Picking products that automatically flow to the work area

Ratio of operation

Walking 0%:Picking 100%



(Conventional model)

Walking to the product spot and picking them as if they are shopping

Ratio of operation

Walking 50%:Picking 50%



【Automatic acceptance inspection】

The inspection will be completed automatically only by putting the products that placed on the pallet into the lane

⇒ Forklift work is unnecessary, so it is safe
⇒ Completion of inspections during lane transport reduces driver unloading time



【Case picking robot】

Determine products on a master-less
⇒ Eliminate the need for cumbersome registrations



【Case loading robot】

Automatically load the cases into the shipping materials handling system
⇒ Be free from heavy labor



【Piece picking robot】

Challenging to develop automated piece picking system which is highly innovative



Construction of “Tochigi distribution center”

We are proceeding with the construction of the Tochigi distribution center, which will serve a contract logistics service to CAWACHI LTD, with the aim of expanding shipping capacity and improving productivity in the Kanto region, which is our largest market. This center is planned to use the new logistics model, and we will deploy the management know-how, cultivated at “RDC Niigata” and “RDC Saitama” which are already operating under the new logistics model, to the contract logistics center. In addition, we will build an efficient distribution system that is suitable for CAWACHI's store location and delivery plan, etc., through operating the center as a dedicated that

for CAWACHI LTD. By enhancing mutual collaboration and cooperation between both companies, we will also promote initiatives to reduce the environmental burden, such as efficient recycling of recyclable waste utilizing the product distribution network.

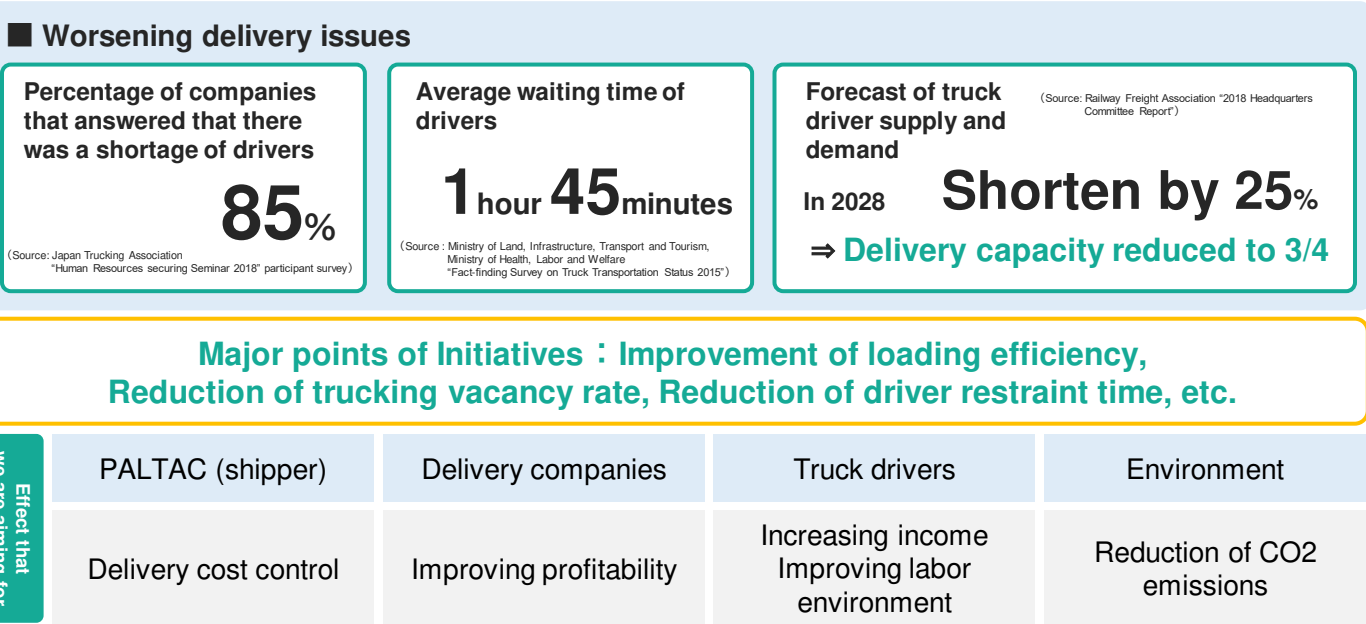


Tochigi distribution center location: Nogi-machi, Shimotsuga-gun, Tochigi

Amount Investment : about ¥ 23.3 bn Start of shipment(plan) : February 2023

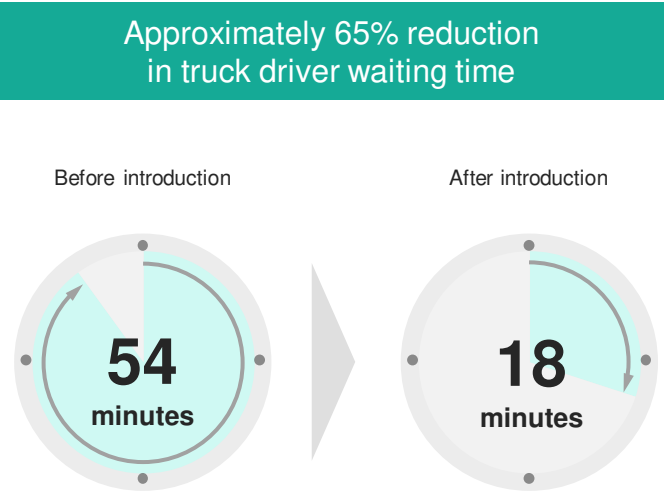
Realizing to address for both White Logistics Movement and increase in delivery costs

As the so-called “2024 problem”, caused by the enforcement of the Work Style Reform Law from April 2024 which will set the upper limit of overtime hours for truck drivers, is imminent, addressing for delivery issues such as White Logistics Movement etc., arising from driver shortage have become urgent issues. For us, that provide daily necessities, not only raise of delivery costs become burden on our operation but also these issues could subject us to potential difficulties in continuing of stable supply, so challenges for improvement of delivery operation are high priority issues. Aiming for ensuring continuous distribution, we have to take not an instant measure, but a real solution which can provide the unified view of the entire supply chain. Through these solutions, we simultaneously aim to achieve reduction of CO2 emissions.



Utilization of warehouse dock reservation system

By March 2021, we had introduced an internally developed warehouse dock reservation system at major RDCs nationwide. This system eliminated the process where drivers had to wait their turn in front of the center and then reduced truck wait time by about 65%. In addition, the efficiency of operation in the warehouse has been improved by systematic and appropriate allocation of labor based on the digitized entry schedules. Going forward, we will work to further promote the White Logistics Movement and improve productivity by expanding the number of delivery companies that can utilize our system and improving operations.



Initiatives for improvement of delivery efficiency

Initiative for improvement of delivery efficiency are not only just beginning now, but situation of the customer and shipping volume, etc., are constantly changing. Under the situation where the success patterns of the past are no applicants, broader vision and more flexible ideas and continuous efforts has come to be required. Currently, We have launched a delivery

innovation project with the participation of on-site delivery representative from each area, and commit initiatives such as reduction of transportation distance and application of free trucks, collaborative delivery under the slogan of “all of the delivery company and drivers and our company and the environment equally can gain benefits” and “active share of information”.

Voices from on-site where the challenges of delivery innovation are taken up

Trying to solve social issues with the entire supply chain in the spirit of “Collaboration and Cooperation” and “Sampo-Yoshi”

Kyushu Branch Office
RDC Kyushu
Logistics department
Delivery representative
Leader

Toru Nagabuchi



Q: Please tell me about the issues with delivery that you feel on the site.

The first issue is the driver shortage. In the case where sudden necessity to arrange a truck is arising, even if I ask ten delivery companies, I can receive a response from only one or two companies, so I struggle every time. Five years ago, I had not experienced that. Also, I feel that the burden on drivers is increasing year by year because the number of deliveries per driver is increasing.

Q: Are there any points you consider important when carrying out the project ?

I value the spirit of “Sampo-Yoshi”, which is our basic thinking in carrying out our operation. I am trying to create benefits not only for us, but also for retailers and delivery companies. If I receive a proposal for cost reduction from a delivery company, I consider from the viewpoint of overall optimization, for example, whether that would be beneficial for the retailer as well. In addition, when making improvements, I try to communicate with as many people as possible, both internal and external the company, in order to have a broad perspective and to correctly understand the thought of business partners.

Q: Has there been any change in yourself through the project ?

I think my perspective has been broadened because I was able to learn about the improvement initiatives and successful examples of other branch offices. At the beginning of this project, I stuck to reduction of delivery costs. However, through proceeding this project, I was able to reaffirm the importance of resolving the industrywide issues of “driver shortage”. Also, I think that I have been able to develop a broader perspective and to enhance the level of my awareness for initiatives.

Q: Please tell me about your next ambitions.

As the so-called “2024 problem” is imminent, I would like to work on the theme of reducing the burden of drivers in our spirit of “Sampo-Yoshi”. I am verifying whether the burden of drivers can be reduced by improving our operation without changing the current contract unit price. If it goes well, I think, the productivity of drivers will improve, and as a result, it will lead to an increase in their income. By continuing these initiatives, I try to build a more efficient system, and I would like to work hard in the following steps so that the improvement activities of the Kyushu branch can be a successful example that other branches refer to.

Taking on the challenge of Collectively-managed logistics both Non-Foods and Foods products

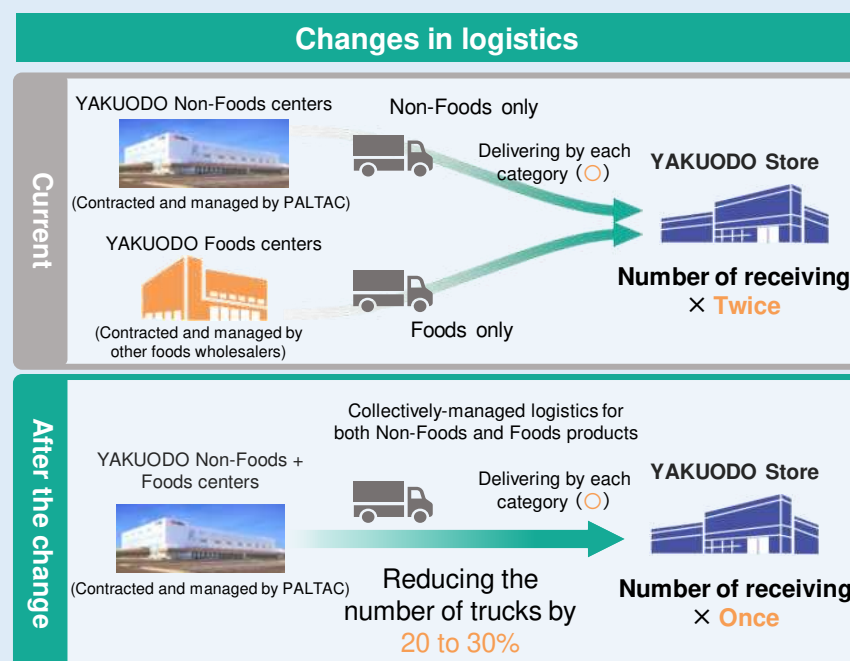
Through cooperation with YAKUODO Co. Ltd., we are taking on the challenge of “Collectively-managed logistics” that handles both non-foods (cosmetics, daily necessities, etc.) and foods products which had been handled separately. Drugstores, which account for about 60% of our sales, are expanding sales of foods due to rising consumer needs. Along with this trend, the needs of our customers for more efficient distribution are increasing, and we recognize that the challenge of Collectively-managed logistics both non-foods and foods products are a great opportunity to contribute to solving social issues by utilizing our distribution know-how. In addition to improving the efficiency of delivery through bulk logistics, we will take on the challenge of improving the efficiency of overall distribution beyond conventional domains by deploying the logistics know-how (*category delivery etc.) that we have cultivated in non-foods products.

Through this initiative, we will contribute to solving social issues, such as addressing driver shortage and reducing CO2 emissions. At the same time, we will strive to acquire knowledge about the characteristics in foods logistics and efficient management know-how and strengthen the foundation that contributes to challenge of expanding new business domains.

Drugstore market / Sales Composition by Product Category



Source : Ministry of Economy, Trade and Industry Current Survey of Commerce (April 2021 to March 2022)



Expected benefits

Reduction of the burden of store operations

- Decrease in the number of receiving (twice ⇒ once)
- Improvement of efficiency of display operations through category delivery

Reduction of delivery costs and promotion of White Logistics Movement

- Reduction of the number of labor and trucks needed for delivering by 20 to 30%

Reduction of environmental burden

- Reduction of CO2 emissions by reducing the number of trucks

*Category delivery : Classifying and delivering products by category to adapt to layouts on the sales floor of retail store. Reduction of operational burden in store due to reducing the walking distance during product display.

BCP

Strengthening the “secure and safety” logistics base that realizes stable supply even in an emergency

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

Functions that support BCP



Seismic isolation structure

Adopted a structure that minimizes the effects of earthquakes



Emergency private power generator

Center operation is possible for three days in disasters



Server duplication system

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



Mutual shipping system

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

Building an organizational structure in disasters

In the event of an earthquake with a seismic intensity of 6-lower or greater, we will immediately grasp the disaster situation and set up a “Disaster Countermeasures Headquarters”, in principle, at the head office as necessary. In the event of the Great East Japan Earthquake in March 2011 and the Fukushima Prefecture Offshore Earthquake in February 2021 and March 2022, the Disaster Countermeasures Headquarters was set up immediately after the earthquake to promptly confirm the safety of employees and their families in the affected areas and the status of the disaster. At the same time, the headquarters took the lead in implementing various measures to ensure business continuity.

Preparation of disaster countermeasure manual

We have prepared a manual that shows specific details about damage estimation, preventative measures, restoration and continuation of operations, organizational structure in emergencies, etc., and make it known to every employee.



“Disaster Countermeasures Maintenance Basic Manual”



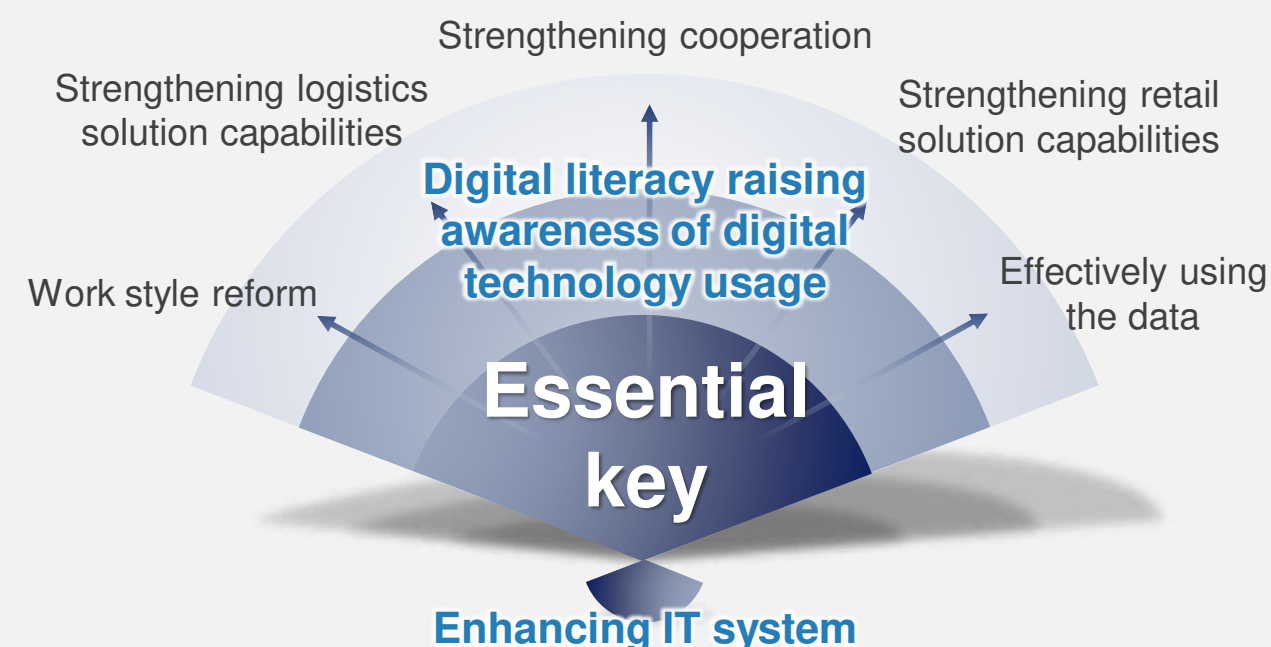
“Earthquake Initial Action Manual”

03

Ensuring provision of added corporate values “Enhancing IT system and Promoting digitization”



Enhancing IT systems, supporting our value creation model, is essential key to be able to realize the improvement of productivity and precise response to practical needs. In addition to strengthen cybersecurity addressing increasing cyber risks, we placed our priority on shifting from defensive to “Offensive IT structure” through restructuring of our IT enterprise system, retaining and developing of digital talents and so on, and adapt to changing practical needs. Moreover, we will continue effort to transform our value creation and operating system through DX strategies for the next generation.

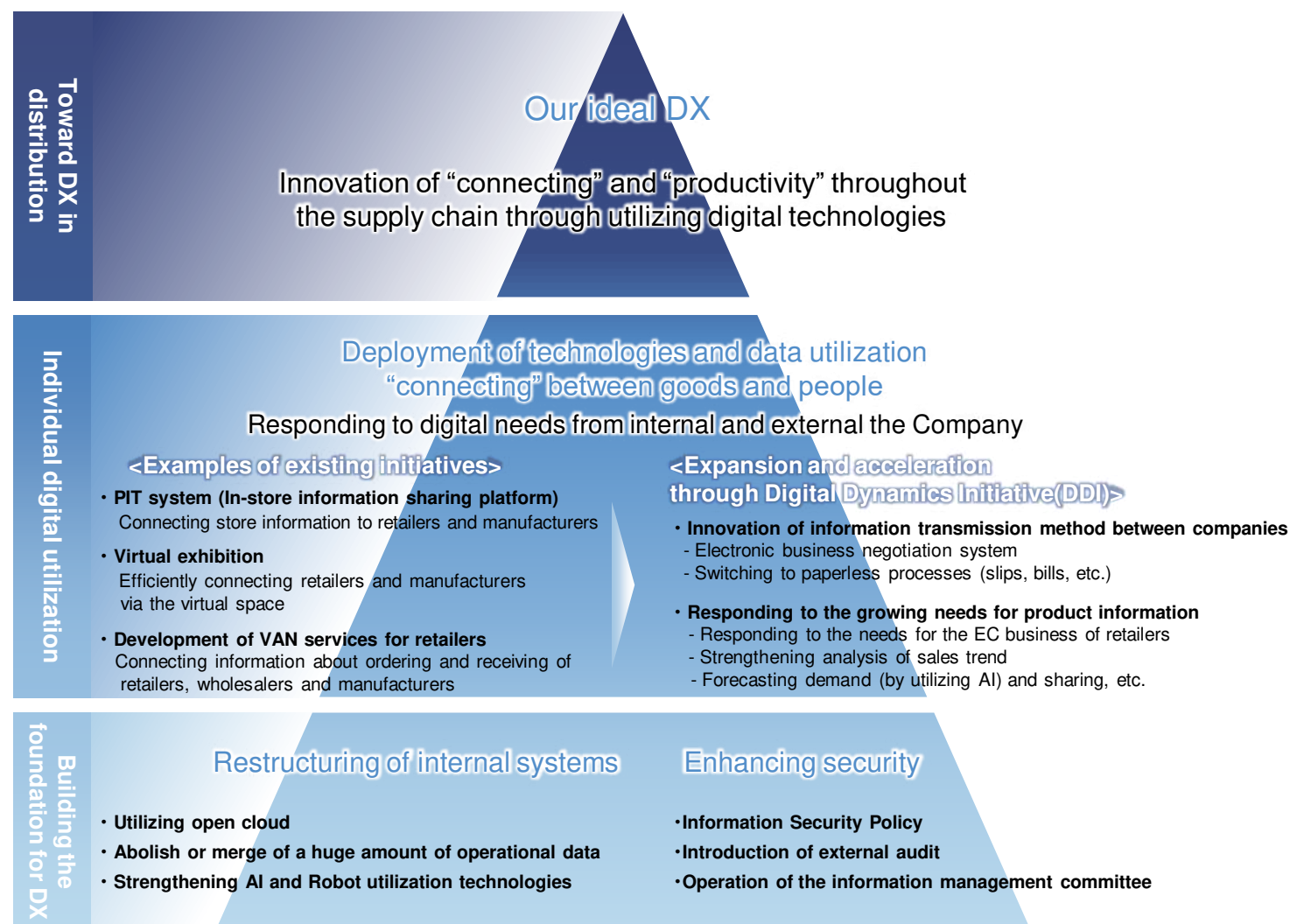


Aiming toward realizing innovative productivity in the entire supply chain

The ideal DX which we should aim for is realizing innovative productivity in the entire supply chain by utilizing digital technology. DX Promotion Department, newly established in April 2022, plays a central role toward the realization of this goal. In promoting DX, we will first build the foundation for promotion of DX by revamping internal IT systems and strengthening security. We will take on the challenge of realizing innovative productivity in the entire supply chain by accumulating optimal digitization efforts in response to conditions, such as the deployment of technologies “connecting” between goods and people and the response to digital needs internal and external the company, by leveraging the resources and knowledge generated under the new foundation.

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



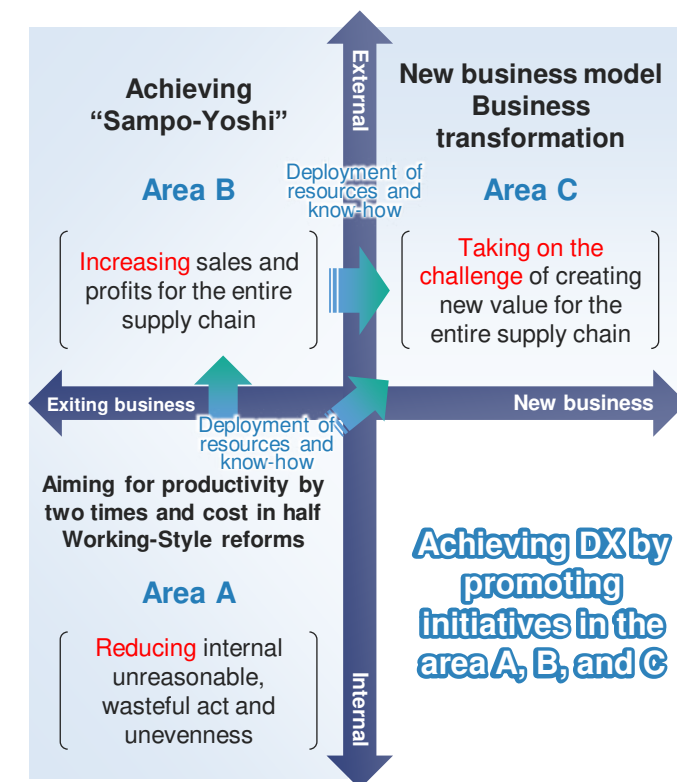
Measures to Promote DX

Toward the realization of DX, we are proceeding initiative by classifying it into three areas, A, B, and C, from the perspective of “internal / external” and “existing business / new business”. In area A where we are aiming to reduce unreasonable, wasteful act and unevenness in the company, we are trying to enhance resources to provide value to external the company by reforming business processes, and focus on total working hours and man-hours for each task as a KPI. Next, in area B where we are aiming to provide value to the external the company in existing businesses, the currently ongoing “PIT system” and “VAN service” fall into this area. This is an area that aims to extract issues that will lead to new value creation and accumulate data while increasing sales and profits for the entire supply chain. Then, by investing the resources and know-how gained through A and B into area C initiative which bring out a new service, we would like to realize innovative productivity to create a new value for the entire supply chain.

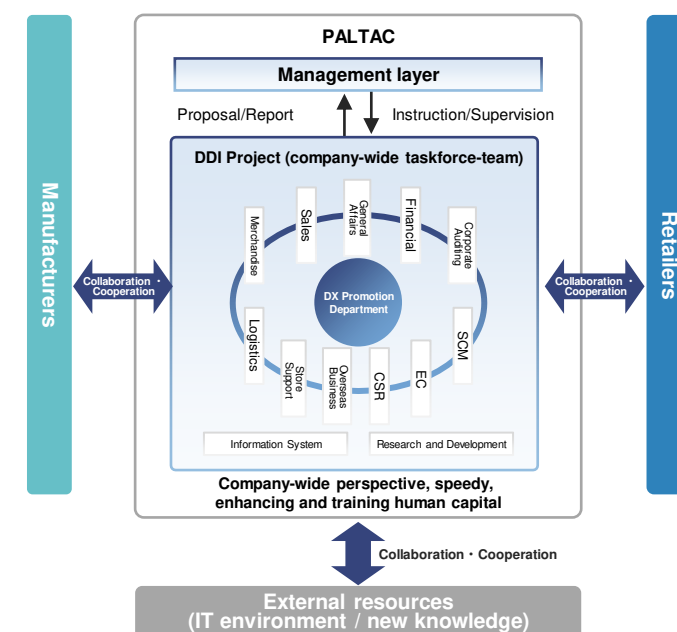
System for DX promotion

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

*Please refer to our website for details of DDI(Digital Dynamics Initiative) Disclosed on July 28, 2022: Notice of the started of DDI



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

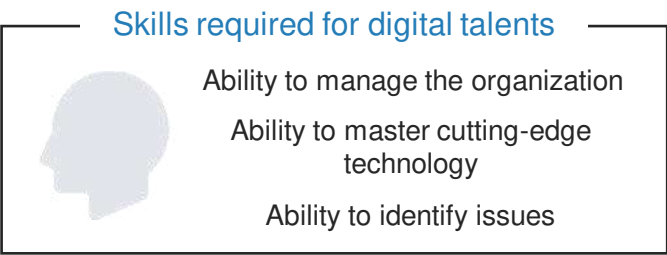


Enhancing IT system

Timely responding to changing practical needs through strengthening of development skills and speed

Practical needs for IT system function have rapidly changed with the diversification and complication of society. Nevertheless, our IT enterprise system, which was repeatedly revised pursuing efficiency, has brought many issues such as increasing frustration with maintenance operations and these issues made it even more difficult to meet the practical needs. Therefore, we thought that we should free ourselves from the situation with an emphasis on the “Defensive IT structure” and shifted management resources to the “Offensive IT structure” to offer added value to the customers and started restructuring of our IT enterprise system from April 2020. And along with the restructuring our IT enterprise system, we are shifting our IT platform to open-source cloud platform and advance the consolidation and abolition of the data with a view to flexibly utilizing that. Regarding to retaining and developing of digital talents who are needed to carry out our strategy, we intend to start through training to

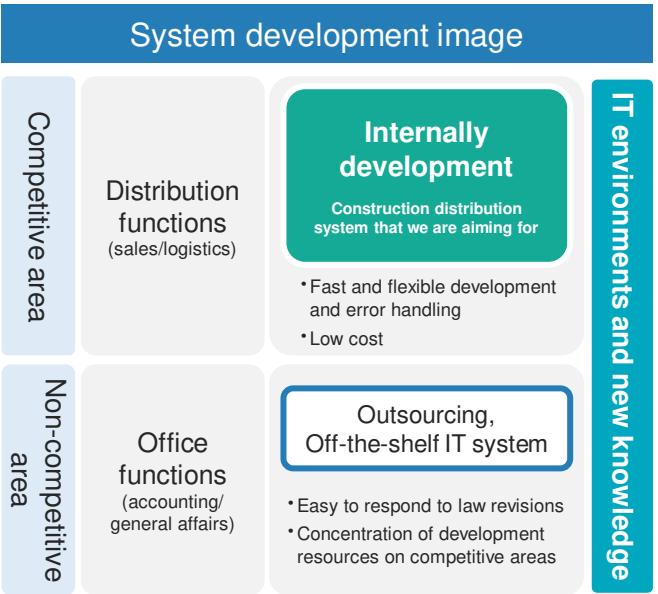
boost of existing human capitals, and then we establish the system including career path in order to raise retention of human capitals who are recruited from outside, and actively hired digital talents.



Internal development to generate our strength

We have found it most appropriate to establish IT systems which support our effective function of sales and distribution operation by our own and have internally established those systems without simply relying on the outside vender because we have in-depth understanding of our business and operation. This enables us to gain a competitive edge and helps our sustainable growth. But not all the IT systems are established by our own. Since outsourcing and off-the-shelf IT system also has some advantages, in non-competitive field such as accounting, we use outsourcing and off-the-shelf IT system and concentrate our development resource into a competitive field. From now on, we will try to further evolve our internal development system to enhance our competitive advantages while incorporating external IT environments and

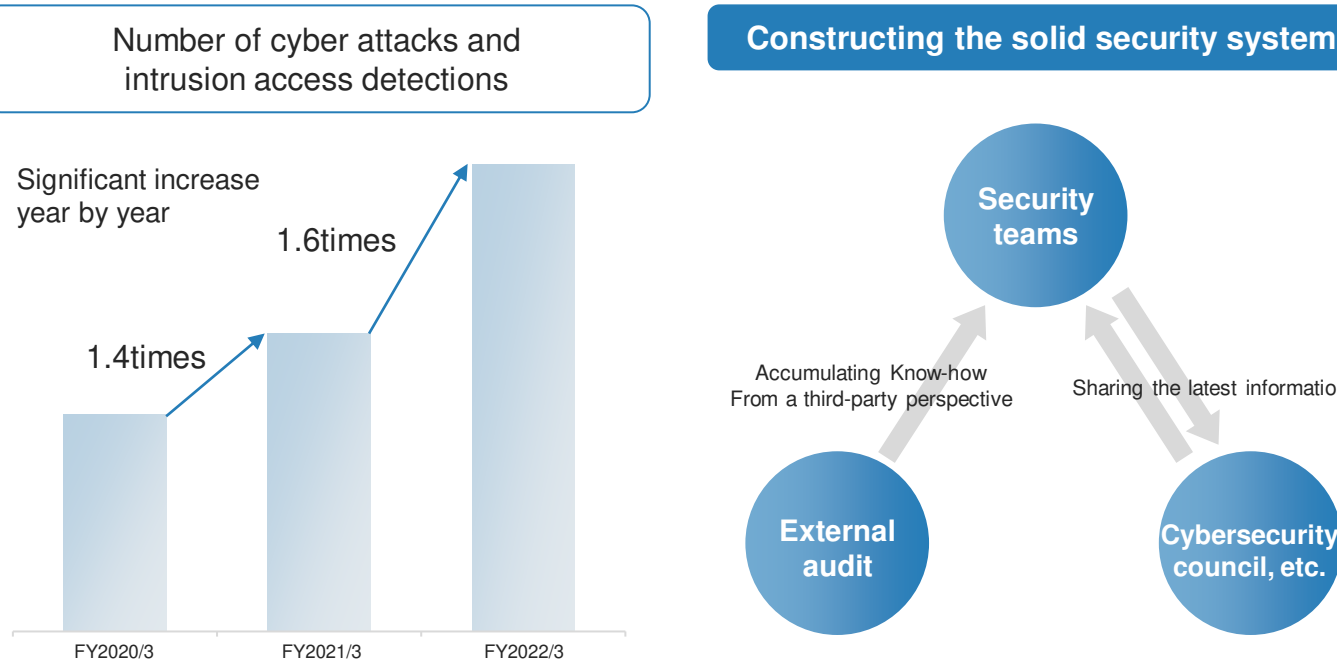
new knowledge effectively.



Cybersecurity system

Implementing cybersecurity system

There are increasingly cyber risks with the progress of digital technology and IT. And also, there were some cases of companies who were damaged by the cyber attacks and not only had a financial impact but also lost their credibility. We implement digital technologies as important tools for our sustainable growth, and as an enterprise responsible for intermediate distribution of daily necessities, we are working to strengthen cybersecurity addressing cyber risks which making secure supply of products difficult. In specific, we have established a dedicated team mainly consisting of expert and qualified persons of cybersecurity, and ensure a strong security in collaboration with the Cybersecurity council and external audit and so on. And we raise awareness of the importance of ensuring security not only to system administrators but also to users and effort to establish solid security throughout the company.



Strengthening security with the “Information Management Committee” as the core

In order to ensure thorough information-management, we have established an “Information Security Policy” and “Information Management Regulations” as standards for information management, and have established an “Information Management Committee” as an organization under the direct control of the Chief Information Management Officer (Representative Director, President). Under the direction of the Chief Information Security Officer (CISO), it consists of managers and representative in charge of operations

selected from each department. Centered on this committee, we strengthen security trough repeating the PDCA cycle of formulating of plan, executing, evaluating (auditing), and improving for strengthen information management, systematically and continuously,. In addition to strengthening security, we are also striving to improve the awareness of information management among each and every employee who handle information, such as by conducting regular online training.

Providing Value through Digital Utilization for DX Realization

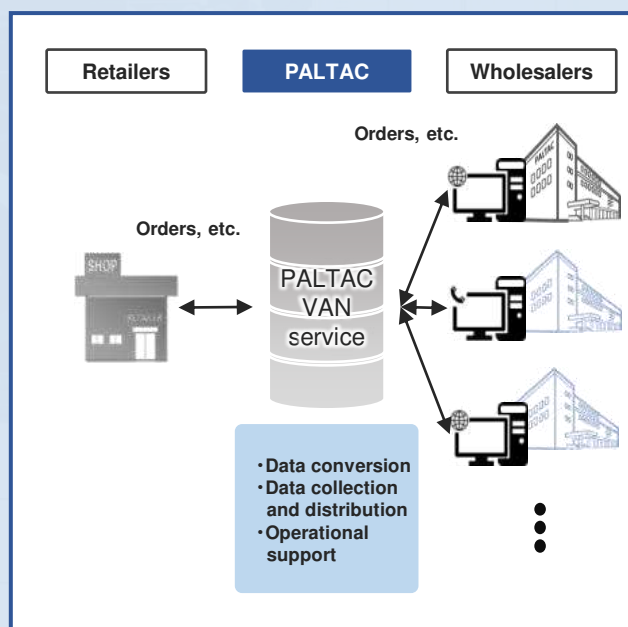
Examples of initiatives

We will aim to realize “innovative productivity in the entire supply chain” by accumulating effective digital utilization that responds to changes in the social environment

Started providing “PALTAC VAN Service” - an electronic data interchange system

To support for promoting DX in the retail industry and also to promote our DX, we have started providing “PALTAC VAN Service”, an EDI (VAN) service, - an electronic data interchange system. In general, “VAN services” are provided by IT vendors, but we who are involved in distribution directly provide that services with advanced integration of data which realize to complete not only “sales activity” and “logistics operation”

but also “data exchange” within the industry. Thereby, we will contribute to cost reduction in the industry as a whole. In the future, Including providing VAN service, we will effort to contribute to optimizing and streamlining of the entire supply chain through striving to solve the issues in “data exchange” while going beyond the existing business domain.



Contributing to resolving issues in “data exchange” in addition to conventional business domains of “sales activity” and “logistics operation”

Even “data exchange” is completed within the industry
Contributing to reducing cost of the entire supply chain

Contributing to resolving the issues for retailers promote DX, such as creating funds for IT investment of retailers and securing IT talents

• Please refer to our website for details of these initiatives

• December 16, 2021 Disclosure: Notice regarding the provision of “VAN Service”, an initiative to promote DX

Held “PALTAC Fair 2022” virtual exhibition

We hold the exhibitions in February every year and invite retailers nationwide to introduce our unique MD proposals and intermediate distribution functions. In 2022, as in the previous year, we held a virtual exhibition online because it was difficult to hold a real exhibition due to the COVID-19 pandemic. This exhibition, which utilized digital technology, enabled us to present our unique proposals without incurring travel costs, in addition to reduce the risk of infection. In addition, by utilizing the characteristics of virtual, such as offering a large amount of information and holding in long-term (approximately one month)

that cannot be achieved through real, we were able to repeatedly explain the interest and important points for retailers. As a result that, we received high evaluation that this event enabled a deeper understanding of products and initiatives. Also, we are extending the know-how gained at the virtual exhibition to business negotiations such as when new products are launched, and offering that enhance information on product features and other topics. Although the system was constructed to respond to the COVID-19 pandemic, it has become an important sales promotion support tool that “connects” manufacturers and retailers with digital.

■ PALTAC Fair 2022



“Warehouse dock reservation system”

Reducing long working hours in the delivery companies

In order to solve the delivery issues becoming more serious, we have introduced internally developed “Warehouse dock reservation system” to all our distribution centers nationwide by March 2021. In addition to achievement of reduction in driver's waiting time by approximately 65%, this system improved productivity of warehouse receiving operations by utilizing digitized reservation status.

(For details of initiatives, please refer to p.56.)

“PIT system”

Realizing store revitalization and creating a comfortable working environment

We have established a PIT system (In-store information sharing platform) that enables retailers, manufacturers, and our company to share the status information of product development at retail stores in real time. In addition to contributing to sales expansion through more precise effectiveness verification and proposal of sales promotion based on in-store information, we are realizing efficient store support activities.

(For details of initiatives, please refer to p.41.)

04

As a foundation for
our sustainable growth
“Developing talent and organization”

While making use of diverse talents, we will strive to promote understanding of our corporate philosophy and will improve organizational capability to steadily carry out our business strategies. With respect to human capitals, we will undertake various measures to draw upon the strength of our employees through supporting and encouraging them who refine individual expertise in respective workplace and position and also maintain the spirit of challenges and GRIT (Guts, Resilience, Initiative and Tenacity). With respect to an organization, we will efforts to strengthen integrated management of each division using digital technology and so on and to establish the structure which is formulated to enable us to demonstrate comprehensive strength.

Environmental
changes to be
addressed

Diversification and complexity of issues to be solved

Our aim

Establish human capitals and organization that
capable to carry out our strategies

Key initiatives

Penetration of management philosophy,
Creating a comfortable working environment,
Improving personal skills, Active mid-career recruitment

01 Strengthening retail solution capabilities

02 Strengthening logistics solution capabilities

03 Enhancing IT system and Promoting digitization

04 Developing talent and organization

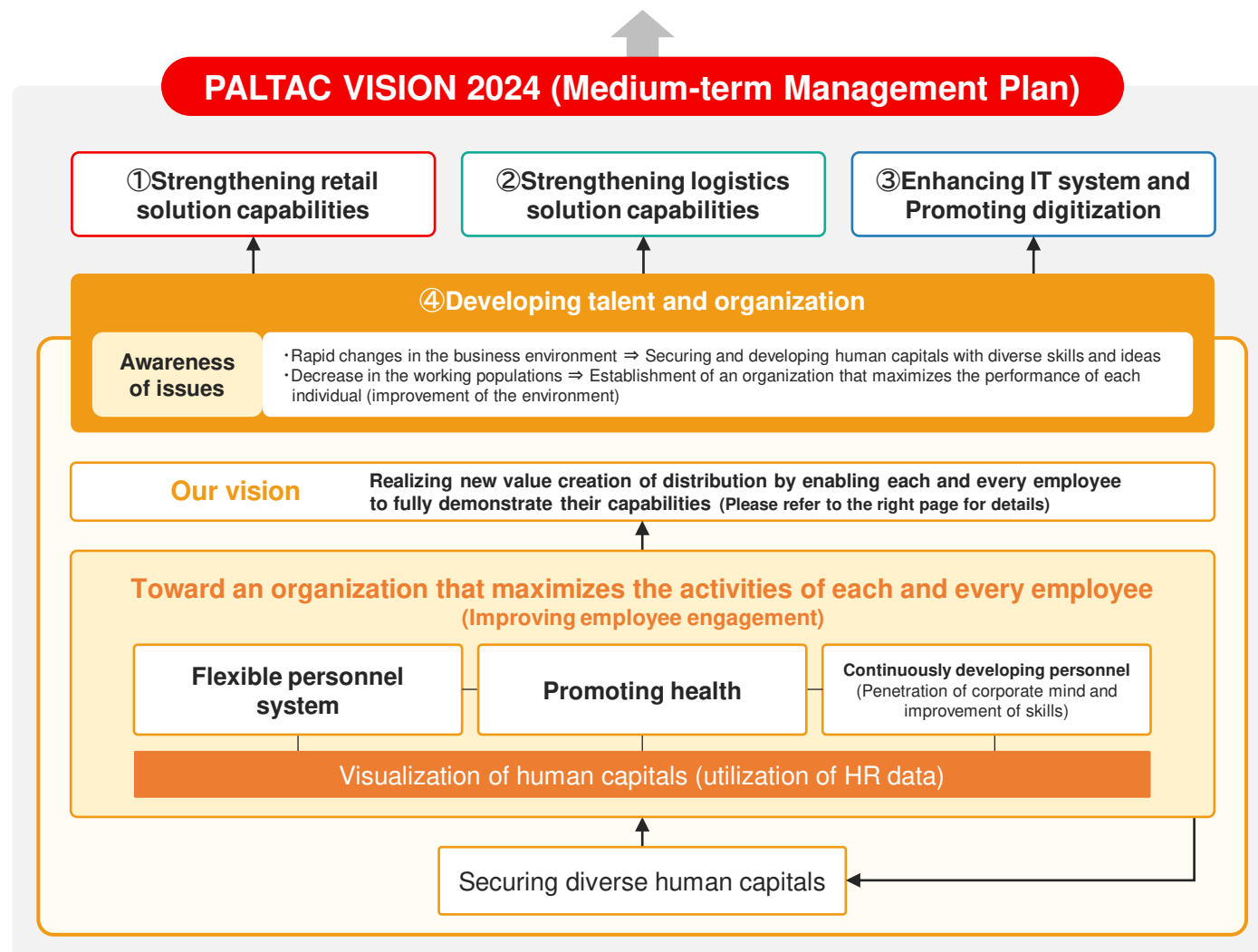
Human capitals as a
significant driving force
for developing
new value creation

Realizing new value creation of distribution by enabling each and every employee to fully demonstrate their capabilities

Based on the idea that human capitals are the source of growth, we are working to develop human capitals and organizations that possess the skills and mindset necessary to execute our business strategies. In addition to actively securing diverse human capitals, we strive to visualize human capitals by using HR data, identify the gap between the human capitals and organizations we should aim for and the current situation, and thereby we plan the countermeasures. We are advancing initiatives from the three perspectives of “flexible personnel system”, “promoting health”, and “continuously developing personnel”. Through these efforts, we will improve employee engagement and create new value in distribution by building an organization that can demonstrate the diverse ideas and strengths of each individual employee.

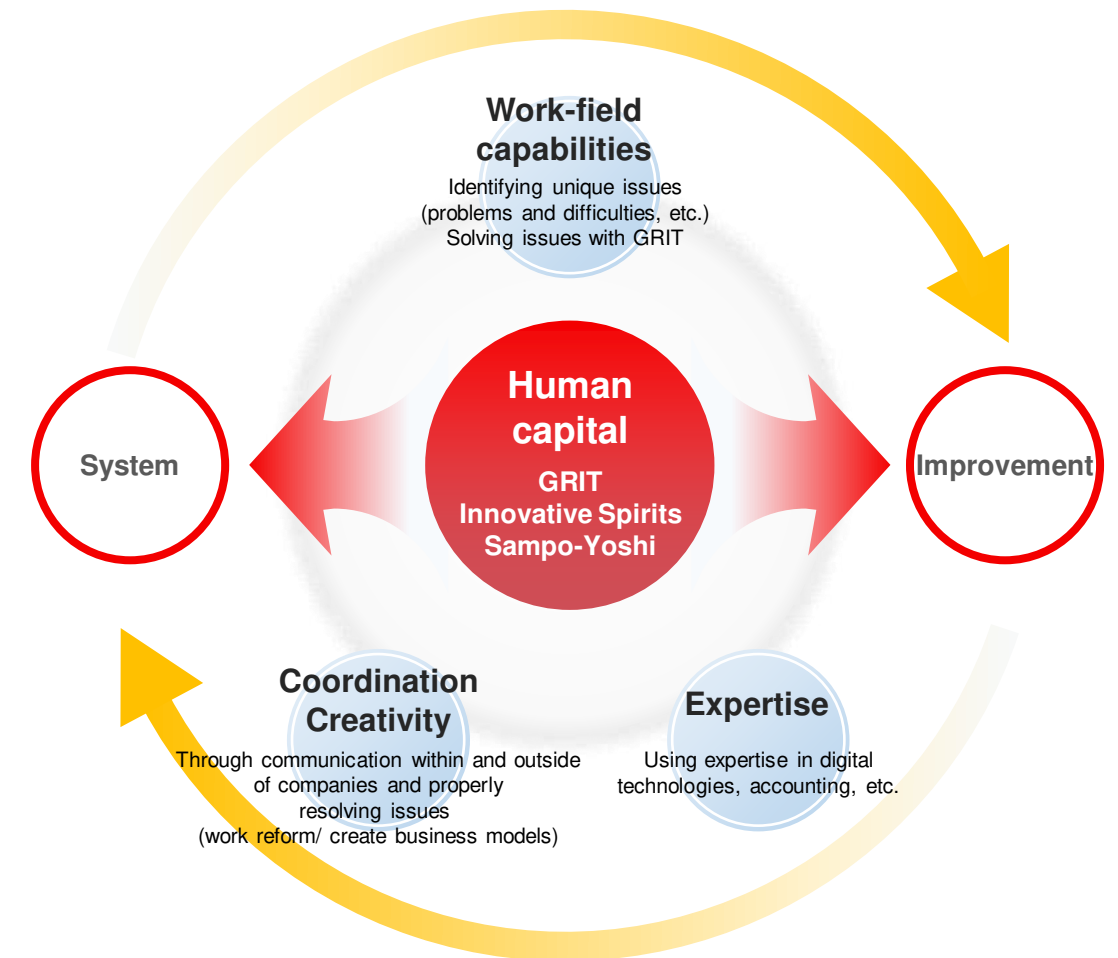
Our Aim

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



Our vision

“System” of high-efficient distribution on its own cannot realize optimizing and streamlining of the entire supply chain. The system can function more effectively when accompanied by know-how of efficient operation and improvement of the system. We develop the system, not end, and it is necessary to update and newly creating as business condition changes. These works are exercised by power of our human capitals. Amid such radical changes in the social environment, human capitals who have “Innovative Spirits” take on the challenges and do not give up with their strength “GRIT” and repeat the cycle of “improvement” and “creating a system”. By these activities we try to establish the optimal supply chain to fit for changes of time repeating. Going forward, in executing the strategy of vision 2024 we will work to establish organization in which we create human-resource-management system for enhancing skills and appropriate allocation based on individual characteristics, and will try to create new value of supply chain.



Toward ensuring diversity

We are working to secure diverse human capitals to implement strategies that respond to rapid and complex changes in the environment. We are actively recruiting human capitals with specialized skills such as digital technology, and are working to improve the percentage of female employees in management positions. In order to improve the percentage of female employees in management positions, in addition to creating an environment that enables flexible working styles that allow employees to balance work and family, we are actively recruiting to increase the percentage of female employees, which currently stands at around 20%.

Establishing the flexible personnel system

Aiming to enable each and every employee to work with a sense of job satisfaction and motivation, and to enable both employees and the company to grow together, we are striving to create a flexible system, which allows diverse human capitals to play an active role, including “a childcare and nursing care support system” that supports a balance between work and family. Also, in June 2022, in light of changes in the environment, such as the progress of digitization, the activities of professional human capitals are becoming more important, we revised our personnel system to establish a new professional course in order to motivate our professional human capitals and enable them to fully demonstrate their skills. In the future, we will work to strengthen our human capitals and organization through promoting the development of an environment in which diverse human capitals will be able to make the most of their abilities.

Initiatives for promoting health

In recognition that maintaining and improving the health of our employees is an important management issue, we are enhancing health checkups, improving the uptake rate of secondary examinations, addressing mental health such as mental health education and EAP hotlines, and training for health maintenance and improvement. In March 2022, we were certified as a “Health and Productivity Management Outstanding Organization 2022”.

	2020/3	2021/3	2022/3
Percentage of mid-career hires	21.3%	34.0%	38.1%
Percentage of mid-career hires in management positions	68.3%	68.4%	67.9%
Percentage of female employees	18.1%	18.3%	19.1%
Percentage of female employees in management positions	5.6%	5.8%	6.1%
Percentage of new female hires	28.0%	35.8%	30.9%

Target figure for the percentage of female employees in management positions 8.0% (by the fiscal year ending March 2025)

Main initiatives			
<ul style="list-style-type: none"> Childcare and nursing support system Changing retirement age (Changed from 60 to 65) Silver human resources employment system (Employable until the age of 70) Work from home Introduced variable working hours system (December 2020) Revised our personnel system in which professionals can take maximum advantage of their abilities (June 2022) 			
	2020/3	2021/3	2022/3
Number of users of childcare support system (childcare leave)	31	31	34
Number of users of childcare support system (short working hours)	52	51	46
Percentage of employees returning to work after childcare leave	100%	100%	100%
Number of users of the silver human resources employment system (65 years old and over)	270	333	421

We will continue to enhance our initiatives to improve health, based on the belief that it is the foundation for sustainable growth to work in an environment where each and every employee are highly conscious of their own health and where they can work energetically.



Continuous human capitals development

In order to support the long-term growth of human capitals, which is the source of our sustainable growth, we have prepared a variety of training programs for each stage. We continuously support employees to have highly professional expertise through providing correspondence courses tailored to individual needs and training organized by each department to enhance expertise. In addition, from the perspective of business continuity, we recognize that developing next-generation leaders is our important issue. For this reason, we established various educational systems, including training that current executive directly convey management philosophy to next-generation leaders. We also have a system in which next generation leaders can gain a lot of experience in positions with responsibility and authority.



(Training using a web conferencing system)

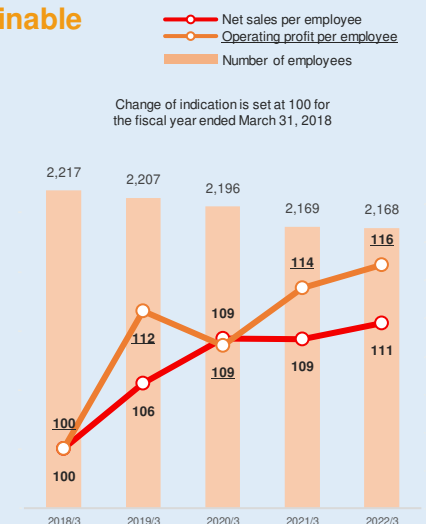


(Internally training “PALTAC School”)

	Foundation formation training	Selection training	Common / specialized training	Learning support
Senior	Career training New manager training	Executive training PALTAC school	PALTAC common knowledge training / e-Learning Training sponsored by each division Sales, pharmaceutical affairs, logistics, finance, systems, etc. Harassment prevention education (training / e-Learning)	PALTAC correspondence education (self-development support)
Middle	Evaluator training New leader training	PALTAC Junior School Logical thinking training		
Junior	Career management training Second year follow-up training New employee training			

Steady activities of each and every employee support our sustainable growth

Although the number of employees has declined over the past five years, sales have grown 8.3% and the per-employee indicators for both sales and operating profit have grown in double digits. We believe that this is the result of each and every employee steady efforts to proceed sales promotion activities that meet the needs of consumers and improvement activities aimed at streamlining logistics based on strategies, even in a harsh environment such as the COVID-19 pandemic. We will continue to strive for business growth by steadily executing various activities, and for the fiscal year ending March 31, 2023, we will proactively secure external human capitals in order to respond to medium-to-long-term changes in the environment and aim for a stage of further growth.



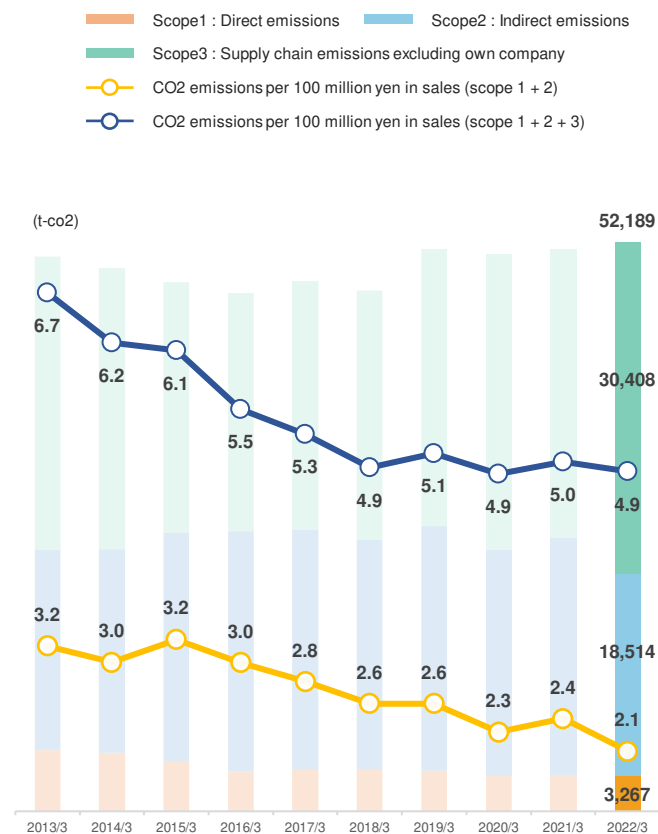
Harmonizing the environment

Creating the sustainable society through various efforts toward optimizing and streamlining

Reducing CO2 emissions

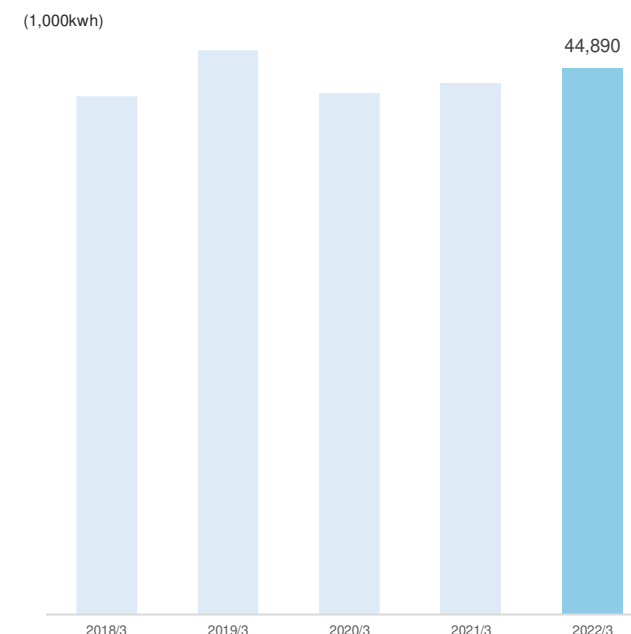
As an enterprise that contributes to realize people's rich and comfortable daily lives and moves forward with people and society, we are promoting initiatives aimed at a sustainable society, such as reducing greenhouse gases through our business activities, such as reducing CO2 emissions from truck transportation by improving loading efficiency in product and optimizing delivery routes, and, reducing the amount of electricity used at business sites by switching to LEDs, etc.

CO2 emissions



* Calculation range of CO2 emissions
 Scope 1: Emissions associated with the use of own fuel
 Scope 2: Emissions associated with the use of electricity at business sites and RDC
 Scope 3: Emissions associated with truck transportation (shipments from our distribution center: GHG protocol "Category 4")

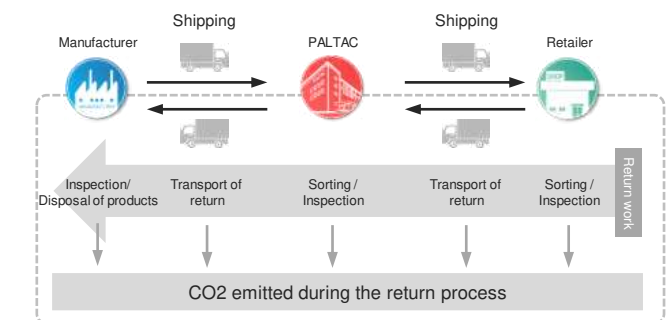
Electricity usage



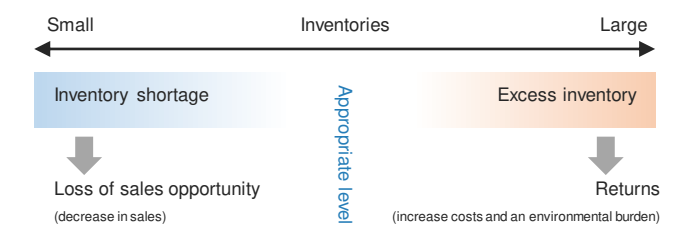
Reduction of returned products

We are working to reduce returned products in collaboration with customers aiming for the sustainable distribution cycle. Returned products which occurred with conventional practices cause not only additional costs related to delivery operation but also increase in environmental issues such as CO2 emissions and products disposal. Returned products are generated by the promotion activity which meets the consumer's needs and seasonal changes, so promotion activity and generation of returned products are in conflict. Maintaining stock availability through the collaboration of the entire supply chain is essential in order to create sales floor to match consumer's needs while reducing returned products. We are trying to reduce returned products through sharing information, such as status of sales and stock of each stores, sales index change of seasonal products and renewal or elimination of products, etc., with retailer and manufacturer, and promptly and accurately executing efforts such as mutual products exchange across the stores and suspend of orders.

Returned products increase the cost and an environmental burden of the entire supply chain



Promotion activity and generation of returned products are in conflict



To reduce returned products, it is important to maintain appropriate inventory through implementing timely and accurate measures in collaboration with manufacturers, distribution and retailers.

Using eco-friendly foldable container

We use eco-friendly foldable containers for product transportation. It uses less plastic and does not contain impurities such as screws, so it is easy to recycle after it breaks. In addition, the foldable container, which uses less plastic, reduces the workload and CO2 emissions from trucking.



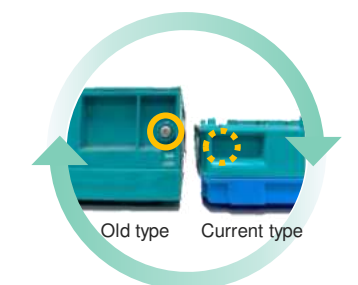
Foldable container

24% lighter

Old type
Current type

⇒ Reduction of plastic usage
 ⇒ Improvement of work efficiency

Easy to recycle through it does not contain screws

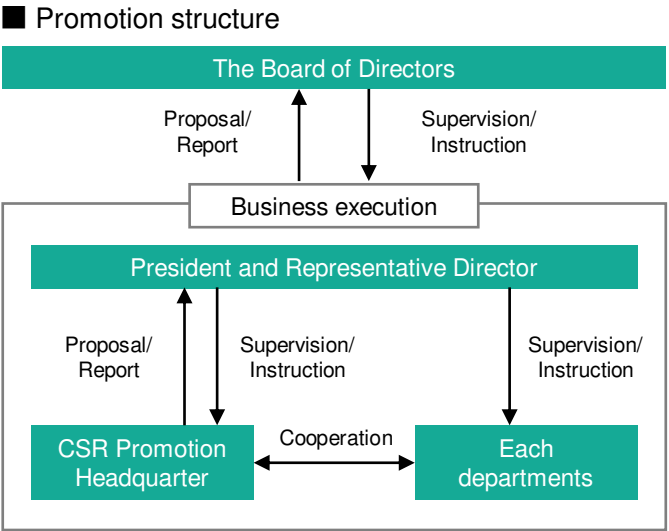


Information disclosure in line with TCFD recommendations

Climate change which is issue to be addressed on a global scale, and in the dairy necessities distribution industry, due to climate change, extreme weather has become more severe and posed a serious threat to stable supply and climate change is recognized as an important issue to be addressed by the whole industry. We have identified climate change as one of the key issues to be solved for our sustainable growth and have taken proactive measures which are incorporated into our medium-to long-term strategy. Specifically, in proceeding with “optimizing and streamlining the entire supply chain” the mission that we should play, through business activities including reducing CO2 emissions by consolidation of our distribution center and increase in the efficiency of delivery, the replacement of illumination with LED lighting at the offices and the development and sales expansion of environmentally friendly products, we are engaged in reducing the environmental burden. Including these activities, we will move forward with initiatives to address climate change and continue to identify and assess various risks and opportunities that could arise from climate change and aim to minimize risks and reinforce our competitiveness. In addition, through engaging in dialogue with our stakeholders, we will enhance initiatives and improve an environmental information disclosure.

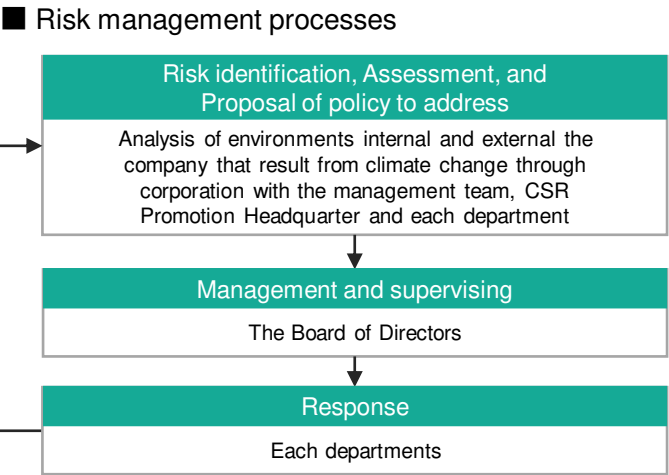
Governance

To promote initiatives across our company aiming for appropriately addressing climate change, in accordance with the instructions and supervision of the President and Representative Director, while the CSR Promotion Headquarter takes the lead and cooperate with each department, we identify risks and opportunities associated with climate change may have an impact on business activities and propose policies to address those risks and opportunities. The Board of Directors receives reports on progress addressing climate change from CSR Promotion Headquarter, guided by proposals made by the Board of Directors, we devises countermeasures to climate change, create strategic plans, and evaluate, approve, and monitor progress on these initiatives and plans.



Risk management

In our company, while CSR Promotion Headquarter takes the lead and cooperate with each department, in terms of identification of risks, associated with climate change may have an impact on business activities, analysis, the level of impact and the likelihood of their materialization, we assess major risk factors and propose policies to address. The results of progress are eventually reported to the Board of Directors and managed and overseen by the Board of Directors. We incorporate major risk factors which are identified through above the process into our medium-term management strategy and promote to address.



Strategy

For reference, the scenario analysis uses existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We assumes two possible worlds: one scenario assumes “limiting the average global temperature rise to no more than 2°C above pre-industrial levels”, or the Paris Agreement goal (the below 2°C scenario), and another scenario under which it is assumed that already published national policies and regulations are achieved without introducing new policies and schemes, entailing an increase in the volume of global greenhouse gas emissions from the current level (the 4°C scenario). We assessed the impacts on our business under these two scenarios and we analyzed impacts caused by climate change in 2030 to verify our strategic resilience for climate change risks and opportunities. As a result of the analysis, under the below 2 °C scenario, we recognize that we face higher risks such as an increase in cost due to the introduction of carbon taxes, etc., and a decline in transactions due to the delay in efforts to address the climate change and we can expect the increase in demand for ethical products. Under the 4°C scenario, we anticipate a damage on the supply networks of products caused by natural disaster as a major risk. Nevertheless, we have established effective Business Continuity Plan (BCP) that take into account risks including the occurrence of

a large-scale natural disaster. One of the measures in that plan include a system under which, even if the distribution capabilities at some distribution centers can no longer be deployed safely, other distribution centers can take over these capabilities as their backup. Consequently, we believe that the physical risks caused by natural disaster may not have much of an impact on our business in 2030. While addressing opportunities, we recognize the positive factors by increase of demand for summer-seasonal products due to high temperatures and disaster and emergency response products. And, in either scenario, it is expected that upward pressure on cost is likely to gain momentum. That is not only risk but also opportunity to use low-cost and high-efficient distribution network as our strength which has been established so far. Our industry has also faced immediate issues which are upward pressure on cost, including addressing labor shortage at retail stores and driver shortage, due to impact besides the climate change. Under these environments, we believe that our sustainable growth depends on how well we create an efficient distribution system and are striving for optimizing and streamlining the entire supply chain through strengthening of the intermediate distribution function and collaboration and cooperation with stakeholders based on the medium-term management plan “Vision 2024”.

■ Risks and Opportunities

Type of risks/ opportunities		Overview of the risks/opportunities	Impact on business and finance	
			Below 2°C	4°C
Risks	Transition	Policies, laws and regulations	Moderate	Small
		Reputation		
	Physical	Long-term	Small	Small
		Acute	Small~ Moderate	Small~ Moderate
Opportunities	Increase in sales opportunities		Small~ Moderate	Small
	Rise in relative competitiveness		Small~ Moderate	Small

The degree of impact on business and finance Large: The impact on our business and finance is expected to be large. Moderate: The impact on our business and finance is expected to be moderate. Small: The impact on our business and finance is expected to be small.

<Reference> Assumed worldviews in different scenarios

Below 2°C scenario	The impact of transition risks and opportunities to a decarbonized society, such as the introduction of a carbon tax, will increase.
4°C scenario	The impact of physical risks and opportunities, such as an increase in natural disasters, will increase.

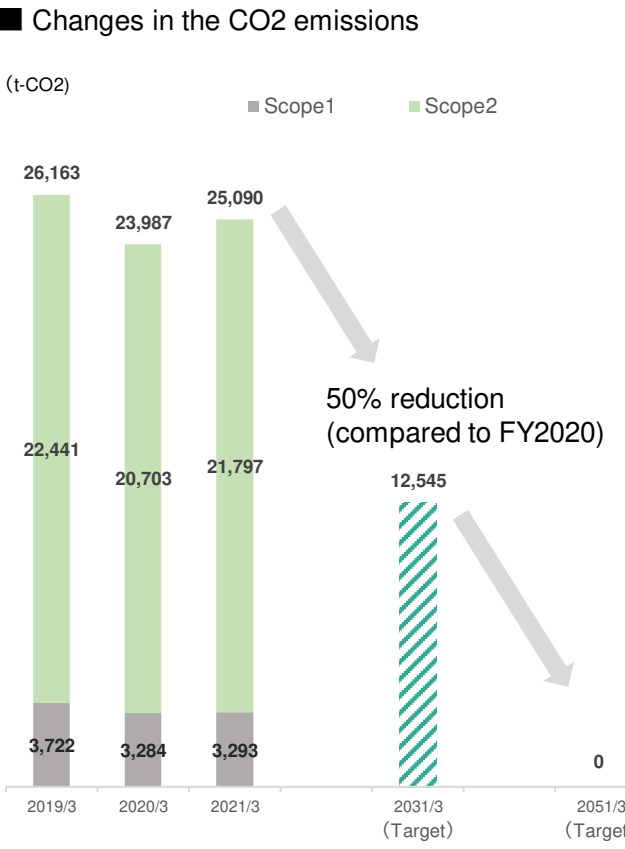


Metrics and targets

With a view toward contributing to realization of limiting the average global temperature rise to no more than 2°C, we have established the Scope 1 and 2 target to the goals of “reducing CO2 emissions 50% from fiscal year ended March 2021 by fiscal year ending March 2031” and “net zero by fiscal year ending March 2051”. A large portion of CO2 emissions occurs by the use of electricity at our distribution center and we are promoting initiatives to achieve these goals through measures centered on “Reducing”, “Creating” and “Procuring”.

Reduction targets	FY2030 : 50% reduction (compared to FY2020) FY2050 : Net zero emissions
Specific measures	
“Reducing”	Power reduction measures in office and distribution center Research and knowledge acquisition with regards to reduction in electricity consumption upon utilization of logistics equipment
“Creating”	Considering the safety in times of emergency and planning to install solar panels on the rooftop of distribution center.
“Procuring”	Procuring renewable energy-derived electricity
We are aiming to achieve the reduction targets through paying attention to technology development and market trends and implement these measures in a balanced manner.	

Regarding the Scope 3 CO2 emissions, we will effort to reduce CO2 emissions (GHG protocol : category 4) accompanying transportation of products through the initiative of increasing the delivery efficiency, and research and gathering information to calculate other category, and will consider relevance to our business and possibility of reduction and gradually address.



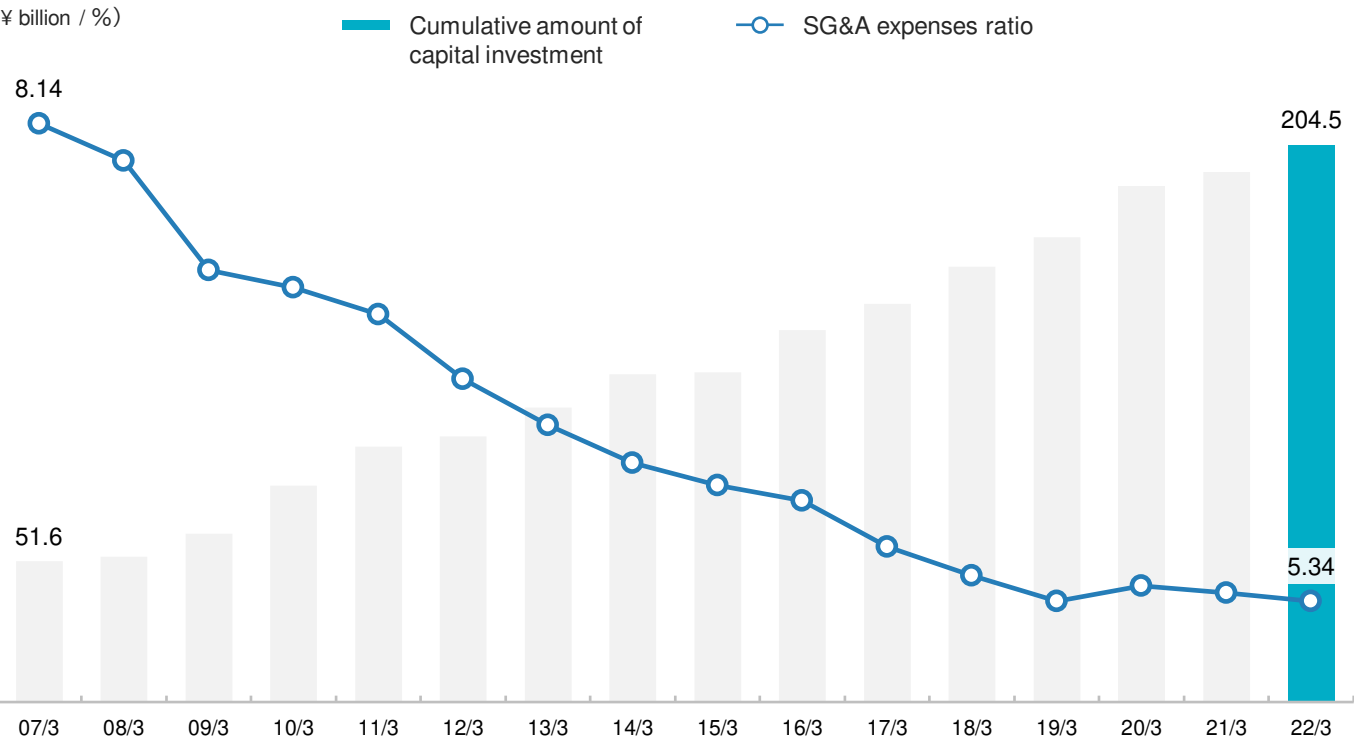


Financial capital

Business structure to generate profit
Accelerating growth cycle

Generating profit through pursuing improvement of productivity

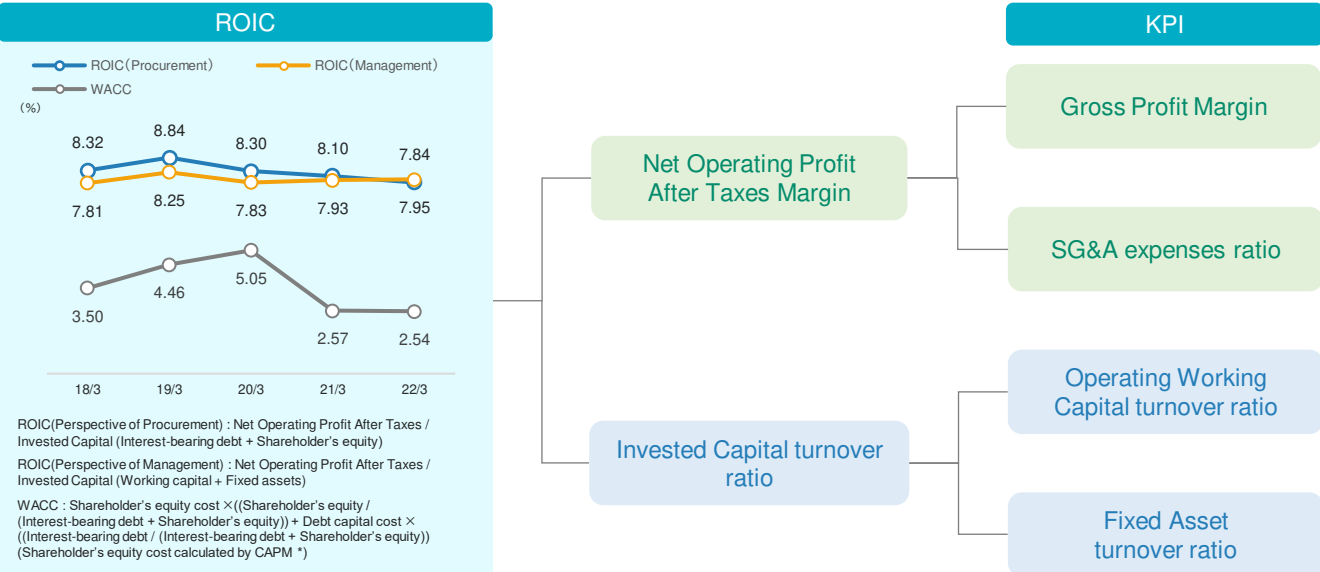
Over the past 20 years, we have actively invested earnings from our operation to optimizing and streamlining the entire supply chain, furthermore similarly invested, and established virtuous cycles for sustainable growth. Our strength in decreasing SG&A expenses system that combines the benefits of both systems with high-efficient large-scale distribution center and IT system, and improving activities by every employee has refined through accumulating, and contribute to the strengthening capability of generating profits. Going forward, we will accelerate active investment aiming for optimizing and streamlining of the entire supply chain and ongoing growth cycle by pursuing improving productivity, and effort to enhance our corporate value.



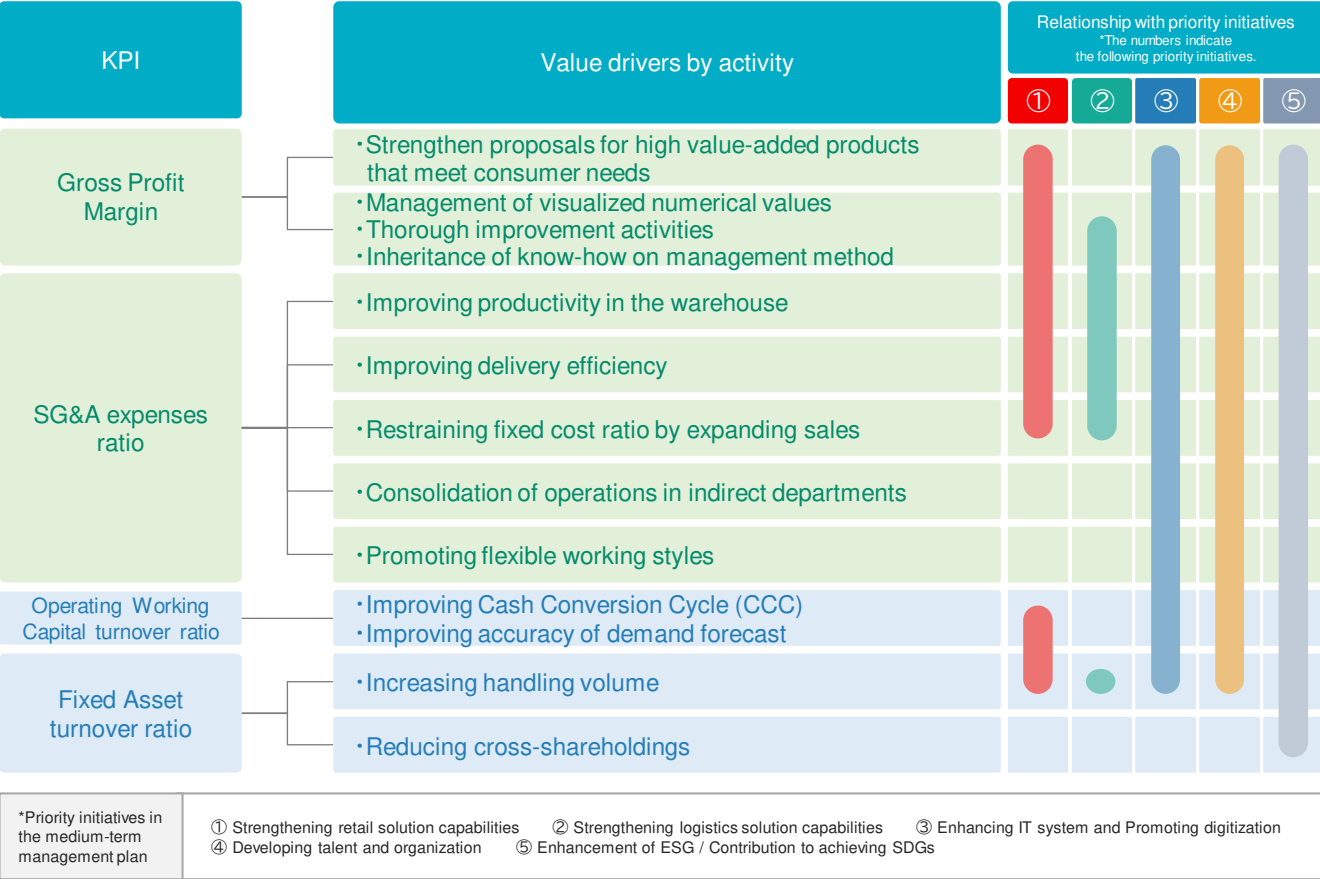
*Cumulative amount from fiscal year ended September 1998

Enhancing corporate value

We are thoroughly implementing measures under KPI management to improve PL perspectives, such as pursuing a reduction in the SG&A expenses ratio, and to improve BS perspectives, such as accounts payable turnover and inventory turnover. ROIC, which represents a return on invested capital, has been above WACC. Through ongoing efforts to optimizing and streamlining the entire supply chain, we will strive to continuously increase corporate value by improving profitability and capital efficiency at the same time.



Relationship between the KPIs that comprise ROIC and initiatives based on the medium-term management plan



PALTAC's Value Foundation

- 84 Management Team
- 90 Corporate Governance
- 96 CSR Management



Management Team (As of June 22, 2022)

Members of the Board

○ Number of attendance at the Board of Directors



Representative Director,
Chairman, CEO

Kunio Mikita

○ 17/17

Reasons for nomination

Mr. Kunio Mikita has engaged in various important posts of the Company's Sales Division, and after assuming the position of Director in 1990, he then served as Representative Director, President from 1998 to 2010, and has served as Representative Director, Chairman since 2010. He possesses extensive experience, far-ranging insight, as well as strong leadership as a manager. The Company has nominated Mr. Kunio Mikita as a candidate for Director, having deemed him qualified for corporate management of the Company particularly in terms of enabling the Company to sustainably increase corporate value and strengthening governance, and having determined that he will be able to utilize his extensive experience and track record and continue to play a full role in the oversight of management as a whole, as well as in decision-making.



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

Masahiro Noma

○ 17/17

Reasons for nomination

Mr. Masahiro Noma has engaged in various important posts of the Company's Sales Division and is currently extensively working to enhance the Sales Division, Procurement Division, and Overseas Business Division as Director, Senior Managing Executive Officer, Senior General Manager of Sales Headquarters, General Manager of Merchandise Headquarters and Overseas Business Headquarters after assuming the position of Director in 2018. He possesses extensive experience and far-ranging insight as a manager. The Company has nominated Mr. Masahiro Noma as a candidate for Director, having deemed him qualified for corporate management of the Company particularly in terms of enabling the Company to sustainably increase corporate value and strengthening governance, and having determined that he will be able to utilize his extensive experience and track record and continue to play a full role in the oversight of management as a whole, as well as in decision-making.



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

Masaharu Shimada

○ 17/17

Reasons for nomination

Mr. Masaharu Shimada has engaged in various important posts of the Company's Corporate Planning Division by drawing on his expertise gained in financial and investment trust industries, and is currently working to enhance the Management Planning and IR Division as Director, Managing Executive Officer, General Manager of Management Planning Headquarters. He possesses extensive experience and far-ranging insight as a manager. The Company has nominated Mr. Masaharu Shimada as a candidate for Director, having deemed him qualified for corporate management of the Company particularly in terms of enabling the Company to sustainably increase corporate value and strengthening governance, and having determined that he will be able to utilize his extensive experience and track record and continue to play a full role in the oversight of management as a whole, as well as in decision-making.



Representative Director,
President, COO

Seiichi Kasutani

○ 17/17

Reasons for nomination

Mr. Seiichi Kasutani has engaged in various important posts of the Company's Sales Division, and after assuming the position of Director in 2017, he has served as Representative Director, President since 2018. He possesses extensive experience, far-ranging insight, as well as strong execution ability as a manager. The Company has nominated Mr. Seiichi Kasutani as a candidate for Director, having deemed him qualified for corporate management of the Company particularly in terms of enabling the Company to sustainably increase corporate value and strengthening governance, and having determined that he will be able to utilize his extensive experience and track record and continue to play a full role in the oversight of management as a whole, as well as in decision-making.



Director, Senior Managing Executive Officer,
In charge of Administration

Akiyoshi Moriya

○ 17/17

Reasons for nomination

Mr. Akiyoshi Moriya has engaged in various important posts of the Company's Financial Division, and is currently working to enhance the overall function of the Administration Division as Director, Senior Managing Executive Officer, In charge of Administration after assuming the position of Director in 2019. He possesses extensive experience and far-ranging insight as a manager. The Company has nominated Mr. Akiyoshi Moriya as a candidate for Director, having deemed him qualified for corporate management of the Company particularly in terms of enabling the Company to sustainably increase corporate value and strengthening governance, and having determined that he will be able to utilize his extensive experience and track record and continue to play a full role in the oversight of management as a whole, as well as in decision-making.



Outside Director
Independent Officer

Kaori Oishi

○ 17/17

Reasons for nomination

Ms. Kaori Oishi possesses expert knowledge and extensive experience gained as an attorney at law and is well versed in corporate legal affairs, and has served as an Outside Director of the Company since 2017. Although Ms. Kaori Oishi has not been involved in corporate management in a role other than Outside Officer in the past, she has been supervising the executive operations of the Company and participating in the decision-making from an independent standpoint as well as with a woman's perspective, utilizing her expert knowledge and extensive experience. The Company has nominated Ms. Kaori Oishi as a candidate for Outside Director in expectation of her continuing to fulfill her role with respect to enabling the Company to sustainably increase corporate value and strengthening governance. At the conclusion of this Meeting, Ms. Kaori Oishi will have served as Outside Director for five years.



Outside Director
Independent Officer

Mineko Orisaku

○ 14/14

Reasons for nomination

Ms. Mineko Orisaku possesses extensive insight relating to the environment and society, having extensively served in positions such as trustee of public interest incorporated foundations and other such bodies, while also managing an agency of her own along with activities as a photographer and university professor, and she has served as an Outside Director of the Company since 2021. She has been supervising the executive operations of the Company and participating in the decision-making from an independent standpoint as well as with a woman's perspective particularly in terms of ESG and human capitals development, utilizing her far-ranging insight. The Company has nominated Ms. Mineko Orisaku as a candidate for Outside Director in expectation of her continuing to fulfill her role with respect to enabling the Company to sustainably increase corporate value and strengthening governance. At the conclusion of this Meeting, Ms. Mineko Orisaku will have served as Outside Director for one year.



Outside Director
Independent Officer

Ichiro Yoshitake

< New election >

Reasons for nomination

Mr. Ichiro Yoshitake possesses extensive experience and far-ranging insight as a manager of a leading Japanese automotive manufacturing company. The Company has nominated Mr. Ichiro Yoshitake as a candidate for Outside Director in expectation of him supervising the executive operations of the Company and participating in the decision-making from an independent standpoint looking toward enabling the Company to sustainably increase corporate value and strengthening governance, utilizing his extensive experience and far-ranging track record.



Outside Director
Independent Officer

Katsumi Asada

○ 17/17

Reasons for nomination

Mr. Katsumi Asada served as President of a national consumer's union organization from 2011 to 2017 after joining a consumers co-operative union, and he possesses extensive experience and far-ranging insight cultivated from running an organization at the front line of consumer issues. He has served as an Outside Director of the Company since 2020. He has been supervising the executive operations of the Company and participating in the decision-making from an independent standpoint, considering his extensive experience and far-ranging track record in addition to his long-term perspective in the field of ESG. The Company has nominated Mr. Katsumi Asada as a candidate for Outside Director in expectation of him continuing to fulfill his role with respect to enabling the Company to sustainably increase corporate value and strengthening governance. At the conclusion of this Meeting, Mr. Katsumi Asada will have served as Outside Director for two years.



Outside Director
Independent Officer

Shingo Inui

< New election >

Reasons for nomination

Mr. Shingo Inui possesses extensive experience and far-ranging insight as a manager in the global business domain centering on the shipping industry. The Company has nominated Mr. Shingo Inui as a candidate for Outside Director in expectation of him supervising the executive operations of the Company and participating in the decision-making from an independent standpoint looking toward enabling the Company to sustainably increase corporate value and strengthening governance, utilizing his extensive experience and track record.



Outside Director
Independent Officer

Tatsuomi Takamori

< New election >

Reasons for nomination

Mr. Tatsuomi Takamori possesses extensive experience and far-ranging insight as a manager of a leading Japanese cosmetics manufacturer. The Company has nominated Mr. Tatsuomi Takamori as a candidate for Outside Director in expectation of him supervising the executive operations of the Company and participating in the decision-making from an independent standpoint looking toward enabling the Company to sustainably increase corporate value and strengthening governance, utilizing his extensive experience and track record encompassing overseas operations.

Audit & Supervisory Board Members

○ Number of attendance at the Board of Directors
□ Number of attendance at the board of Audit & Supervisory



April 1982 Joined KOBAYASHI PHARMACEUTICAL CO., LTD.
April 2001 Joined Kobasho Inc. (current PALTAC CORPORATION)
October 2003 Representative Director, President of SEIEI CO., LTD.
(current PALTAC CORPORATION)
June 2006 Executive Officer of Kobasho Inc.
January 2008 Director of Kobasho Inc.
April 2008 Managing Executive Officer, General Manager of Shikoku Branch
Office of the Company
October 2009 Managing Executive Officer, General Manager of Management
Planning Headquarters of the Company
October 2010 Managing Executive Officer, General Manager of Merchandise
Headquarters of the Company
June 2012 Standing Audit & Supervisory Board Member of the Company
(incumbent)

Standing Audit & Supervisory
Board Member

Yukihiro Kanaoka ○ 17／17 □ 15／15

Reasons for nomination

Mr. Yukihiro Kanaoka has gained extensive experience and track records in his positions in our Sales Division and Administrative Division. After assuming the position of Standing Audit & Supervisory Board Member in 2012, he currently plays an important role in ensuring and enhancing the legal compliance and appropriateness of our business operations.
We believe that he can be expected to utilize his extensive experience and continue to play a valuable role in strengthening our auditing system.



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

Standing Audit & Supervisory
Board Member

Takashi Shintani ○ 17／17 □ 15／15

Reasons for nomination

Mr. Takashi Shintani has engaged in various important posts of a major insurance company and our Information System Headquarters. After assuming the position of Standing Audit & Supervisory Board Member in 2019, he currently plays an important role in ensuring and enhancing the legal compliance and appropriateness of our business operations.
We believe that he can be expected to utilize his extensive experience and track records and play a full role in strengthening our auditing system.



October 2004 Registered as Attorney at Law
October 2004 Joined KIKUCHI SOGO LAW OFFICE
December 2005 Joined Law Office of Kazuya Kotera (incumbent)
June 2012 Outside Audit & Supervisory Board Member of the Company
(incumbent)

(Significant concurrent positions outside the Company)
Law Office of Kazuya Kotera

Outside Audit &
Supervisory Board Member
Independent Officer

Yohei Kotera ○ 16／17 □ 15／15

Reasons for nomination

Mr. Yohei Kotera has expert knowledge and extensive experience as a lawyer. After assuming the position of Outside Audit & Supervisory Board Member in 2012, he has played an important role in building and maintaining the compliance system for Company management.
Although Mr. Yohei Kotera has not been involved in corporate management in a role other than Outside Audit & Supervisory Board Member in the past, we believe that he can be expected to continue to utilize his expert knowledge and experience to strengthen our audit system from an independent standpoint.



October 2002 Joined ChuoAoyama Audit Corporation (renamed to Misuzu
Audit Corporation)
January 2007 Registered as Certified Public Accountant
August 2007 Joined Deloitte Touche Tohmatsu (current Deloitte Touche
Tohmatsu LLC)
April 2017 Established Hara Certified Public Accountant Office,
Representative at the office (incumbent)
June 2019 Outside Audit & Supervisory Board Member of the Company
(incumbent)

(Significant concurrent positions outside the Company)
Representative of Hara Certified Public Accountant Office Executive Secretary,
Chairperson of Diversity Promotion Committee of
The Japanese Institute of Certified Public Accountants Kinki Chapter

Outside Audit &
Supervisory Board Member
Independent Officer

Mayuko Hara

(Family register name : Mayuko Arima) ○ 17／17 □ 15／15

Reasons for nomination

Ms. Mayuko Hara possesses extensive specialist knowledge and advanced insight as a certified public accountant and has assumed the position of Outside Audit & Supervisory Board Member in 2019.
Although Ms. Mayuko Hara has not been involved in corporate management in a role other than Outside Audit & Supervisory Board Member in the past, we believe that she can be expected to utilize her specialist knowledge and insight to strengthen our auditing system from an independent standpoint as well as with a woman's perspective.



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

(Significant concurrent positions outside the Company)
Senior Consultant of The Midori Kai Co., Ltd.

Outside Audit &
Supervisory Board Member
Independent Officer

Hiroshi Haraguchi

< New election >

Reasons for nomination

Mr. Hiroshi Haraguchi possesses extensive experience as a manager in the banking industry and also has substantial expert knowledge particularly when it comes to providing comprehensive solutions in the stock transfer agency field, facilitating dialogue with shareholders, and furnishing governance-related support. The Company has nominated Mr. Hiroshi Haraguchi as a candidate for Outside Audit & Supervisory Board Member having determined that he will be able to utilize his extensive experience and insight in strengthening the Company's auditing system from an independent standpoint.

Executive Officers

Senior Managing Executive Officer

Takuya Yoshida

General Manager of
Tokyo Branch Office

Yoshitaka Yamada

General Manager of
East Japan Sales Headquarters,
General Manager of EC Division

Masashi Maeda

General Manager of
Information System
Headquarters

Hideo Ashihara

General Manager of
West Japan Sales Headquarters

Managing Executive Officer

Akinori Ito

General Manager of
MK Business Headquarters

Takeo Gomi

General Manager of
LC Business Headquarters

Hiroshi Murai

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

Mitsuhiko Seki

General Manager of
Store Support Headquarters

Naoto Murao

Deputy General Manager of
Sales Headquarters

Satoshi Akiyama

General Manager of
Yokohama Branch Office

Masakazu Mikita

General Manager of
Research and Development Headquarters

Kenji Nose

General Manager of
Logistics Headquarters

Sachiyo Yoshida

General Manager of
General Affairs Headquarters

Executive Officer

Ryohei Isobe

General Manager of Tokyo Branch Office
and LC Business Headquarters

Katsumi Nakamura

Deputy General Manager of
Financial Headquarters

Makoto Konishi

General Manager of Tokyo Branch
MK Business Division

Hideki Inaba

General Manager of
Hokuriku Branch Office

Koji Yoshida

Deputy General Manager of
Overseas Business Headquarters

Naoki Sawada

General Manager of
Hokkaido Branch Office

Hirokazu Takayama

















General Manager of
Nagoya Branch Office

Yukinori Sakakihara

General Manager of
Kinki Branch Office

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

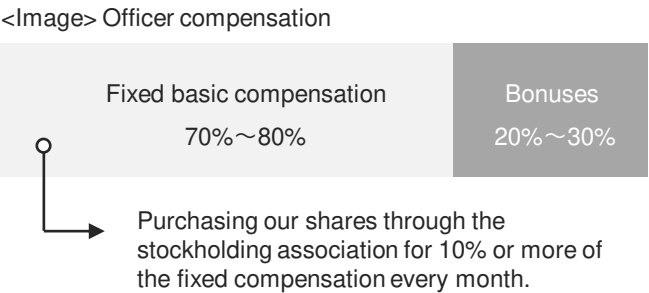
In consideration overall balance amongst knowledge, experience and ability as well as diversity, skills requirements and roles at each director we particularly expect, are as follows. In addition, this skill matrix does not contain all the skills held by each director.

		Corporate Management	Industry Experience/ Sales Strategy	ESG/ Sustainability	Finance/ Accounting	Personnel/ Labor Affairs	Legal Affairs/ Compliance/Risk Management	Logistics/SCM/ Digital Technology
	Representative Director Kunio Mikita	●	●	●				
	Representative Director Seichi Kasutani	●	●	●				●
	Director Masahiro Noma	●	●					●
	Director Akiyoshi Moriya	●			●	●	●	
	Director Masaharu Shimada	●		●	●		●	
	Outside Director Kaori Oishi			●			●	
	Outside Director Katsumi Asada	●		●				
	Outside Director Mineko Orisaku	●		●		●		
	Outside Director Shingo Inui	●		●				●
	Outside Director Ichiro Yoshitake	●		●				●
	Outside Director Tatsuomi Takamori	●	●	●				
	Standing Audit & Supervisory Board Member Yukihiro Kanaoka	●	●			●		
	Standing Audit & Supervisory Board Member Takashi Shintani	●		●				●
	Outside Audit & Supervisory Board Member Yohei Kotera			●			●	
	Outside Audit & Supervisory Board Member Mayuko Hara <small>(Family register name: Mayuko Aizawa)</small>			●	●			
	Outside Audit & Supervisory Board Member Hiroshi Haraguchi	●		●	●	●		

Compensation for Directors

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

company housing in accordance with our regulations in order to be able offer right-person-in-the-right-place system for talented personnel who are in charge nationwide due to merger and so on. And, In order to ensure clarifying decision-making processes in relation to compensation, we have set out Nomination and Compensation Committee a majority of which is outside directors on January 21, 2019. Fixed basic compensation for directors and bonus are determined by a resolution of the Board of Directors meeting based on the deliberations of the Nomination and Compensation Committee meeting which held prior to the Board of Directors meeting. We do not set compensation which reflects the mid-and-long term performance, but from the perspective of boosting incentives for increasing long-term shareholder value, we will appropriate 10% part of fixed basic compensation for funds for acquiring treasury stock through the shareholding association.



(Fiscal year ended March 2022)

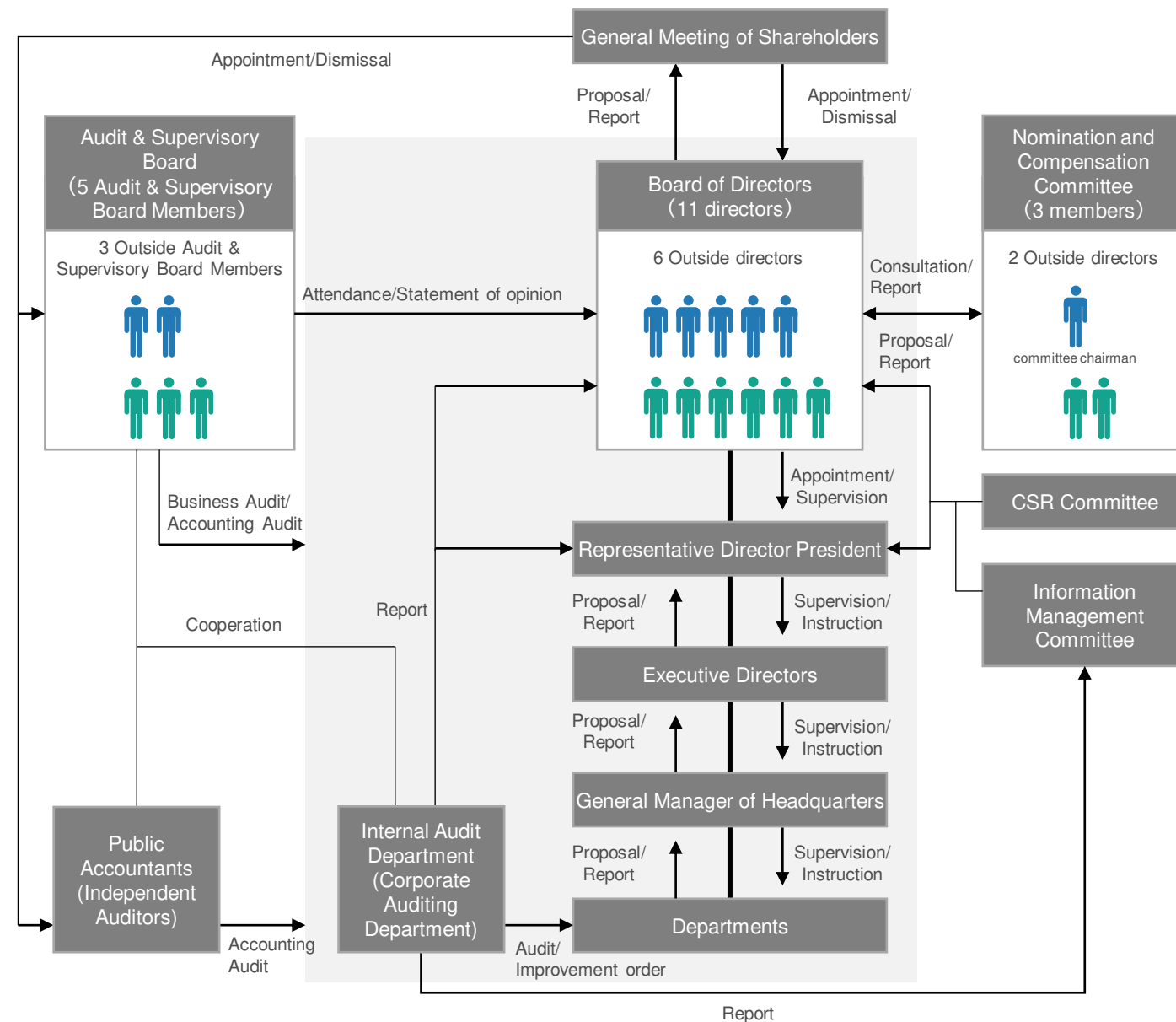
Corporate officer category	Number of relevant corporate officers	Total amount of compensation (¥ million)	Total amount of compensation by category (¥ million)		
			Fixed basic compensation	Bonus, etc.	Non-monetary rewards, etc.
Directors (Outside directors)	9 (4)	420 (46)	314 (46)	100 (—)	5 (—)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5 (3)	87 (37)	87 (37)	— (—)	— (—)
Total (Outside corporate officers)	14 (7)	507 (83)	402 (83)	100 (—)	5 (—)

Corporate Governance

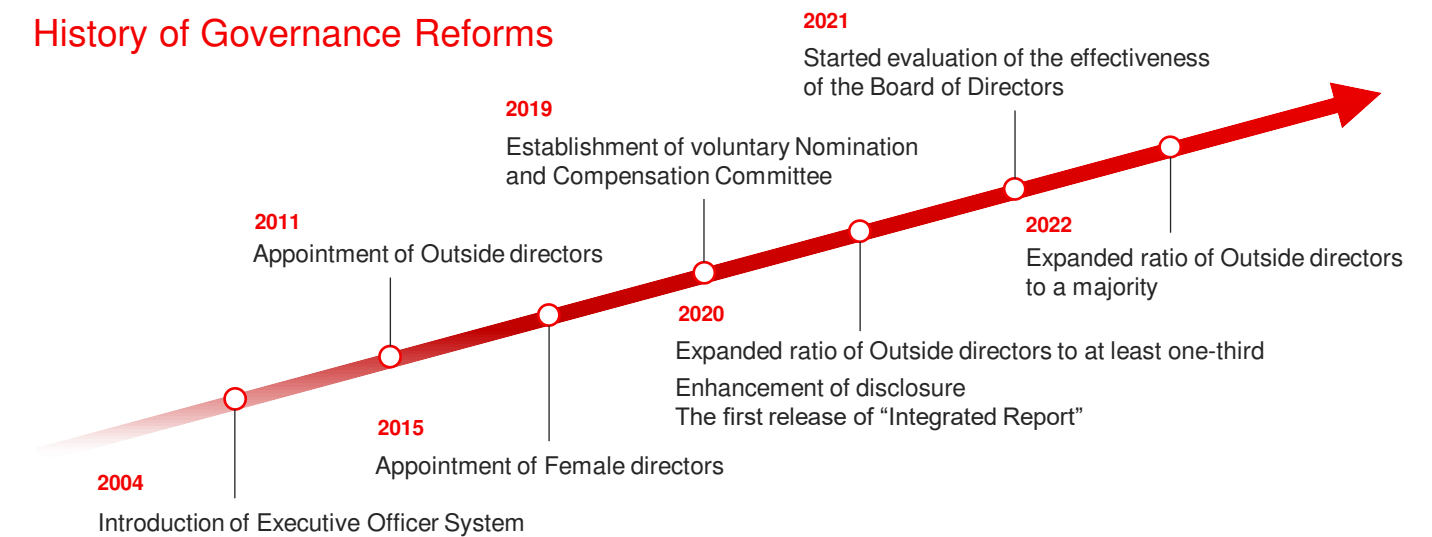
Basic policy

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

Corporate Governance structure



History of Governance Reforms



Board of Directors

The Board of Directors consists of 5 inside directors and 6 outside directors, for a total of 11 directors. In the presence of our company's Auditors, as a rule the Board of Directors meets monthly to consider and to make decisions on business policy, legal matters and other important business issues, and supervise the implementation of business operations. In consideration overall balance amongst knowledge, experience and ability as well as diversity, skills requirements and roles at each director we particularly expect, are as follows. In addition, this skill matrix does not contain all the skills held by each director.

Percentage of
Outside directors

54.5%
[6 / 11]

Percentage of
Female directors

18.2%
[2 / 11]

Percentage of Outside Audit &
Supervisory Board Member

60.0%
[3 / 5]

Percentage of Female Audit &
Supervisory Board Member

20.0%
[1 / 5]

Nomination and Compensation Committee

Nomination and Compensation Committee as an advisory board to the Board of Directors consist of the president Seiichi Kasutani acting as the chairman of this committee and, 2 outside directors Katsumi Asada and Ichiro Yoshitake, for a total 3 directors. As a role of this committee, through obtaining appropriate advice from outside directors, we shall aim for ensuring fairness, impartiality and objectivity regarding procedures for nomination and compensation of directors, and also for strengthening and improving corporate governance structure.

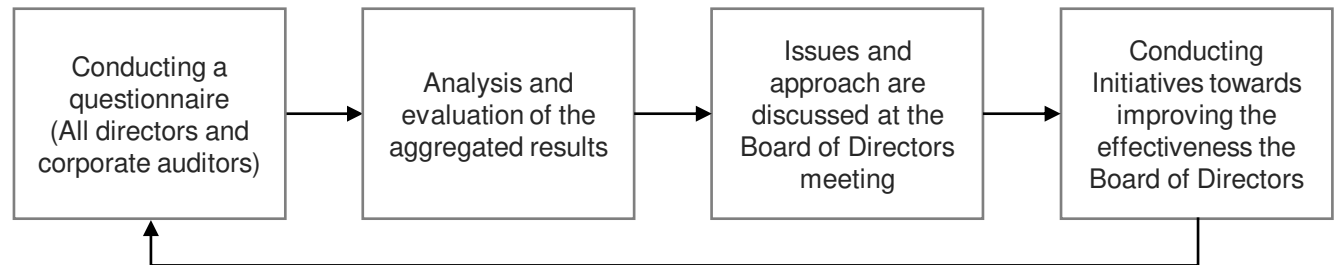
Committee members

	Committee chairman Representative Director, President	Seiichi Kasutani
	Outside Director	Katsumi Asada
	Outside Director	Ichiro Yoshitake

Evaluation of the effectiveness of the Board of Directors

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

Evaluation process



Evaluation items

Questionnaire contains 20 multiple-choice questions and 6 text open-ended questions with items described on the right.

The highlights of the evaluation	
• Board composition	• Support system for the Board of Directors
• State of operation	• Activities of outside directors
• Content of discussions	• Overall review

Review of evaluation results in 2021

Questionnaire survey to all of directors and corporate auditors indicated that there were answers “appropriate” to each question with a large percentage, and we decided that the effectiveness of the Board of Directors was generally ensured. Regarding an itemized breakdown, “Activities of outside directors” item has received particularly high evaluation and it is believed that statements from outside directors have a favorable impact on improvement of management quality.(Examples of their statements described on the right)

On the other hand, we have recognized the issues such as ensuring necessary time to intensify discussions on medium-to long-term growth strategies and opportunities to acquire knowledge for

tightening the monitoring of business execution. In the fiscal year ended March 2022, in response to these issues, we carried out efforts described on the right.

Examples of outside director’s statements

- Proposal of a new analytical model for the effect measurement capital investment
- Proposal of proactive PR aiming for improving corporate values
- Revising internal rules, Legal risk management regarding alliances with other companies
- Provision and proposal of information regarding corporate management in the trend of ESG activities such as addressing climate change

Evaluation results and efforts to address the issues

Answer to the questionnaire

“We would like to further Intensify discussions on medium-to long-term growth strategies”	
Recognized issues	Countermeasures
Tightening the monitoring of business execution on the medium-term management plan	Revising reporting format which used in creating headquarter’s report regarding the operations and status of activities every three months. Clearly showing the relationship between agenda contents and medium-term management plan, and creating an environment that encourages discussions from the perspective of sustainable growth → Monitoring the progress of operations and holding active discussions, etc.
Ensuring the necessary time to intensify discussions on growth strategies	Improving the operation of the Board of Directors by considering the balance between items to be resolved and items reported, and continuing to closely investigate and review the items to be proposed for active discussions at the meetings of the Board of Directors → Developed internal regulations for enabling to review proposals at certain times of the year

Answer to the questionnaire

“We would like to increase understanding of the agenda items and our business to invigorate discussions at the meetings”	
Recognized issues	Countermeasures
Providing the proposal items promptly, and reducing the cost of information transfer	Reducing time to determine proposal items and produce briefing materials in collaboration between department responsible for submitting a proposal items and the secretariat of the Board of Directors
Creating a study session for outside directors	Offering the study sessions learned about the company’s history, philosophies, strength(the flows of supply chain/business model/future vision) and issues to be addressed(such as carbon-neutral)
Supporting to newly appointed outside directors	As a measure of easing participation in the active discussion immediately after the appointment of directors, after the nominating, becoming Senior Advisor joining and attending the Board of Directors as an observer

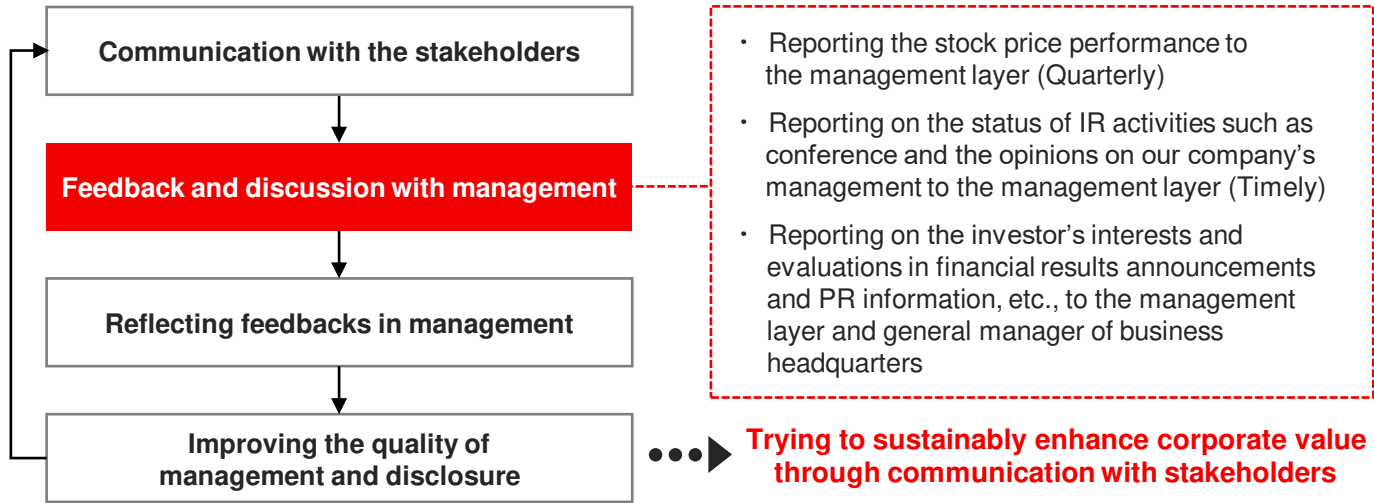
Communication with shareholders and investors

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

website, financial results briefings, and individual investor briefings, and strive to increase corporate value through communication with stakeholders.

IR activities (FY2022/3)	Number of implementations
Financial results briefing for institutional investors and analysts	2
Conferences hosted by a securities company	3
Individual meetings	128

■ Cycle of dialogue with the stakeholders



Held an online briefing for individual investors

Held an online briefing for individual investors in July 2022. At the beginning of the briefing, in order to convey to investors, the “meaning of existence” and “strengths” of our company, we explained mainly focusing on “our role in the society that is indispensable in the daily lives” and “our approach to the distribution” which has brought our growth over the past 120 years. After that, we explained our growth strategy centered on the medium-term management plan, and ESG and SDGs, shareholder returns, which are of great interests. We will strive to further enhance our corporate value through the dialogue with as many investors as possible.



Participated in “WEB IR DAY” an event sponsored by SMBC Nikko Securities Inc.
Presenter : Director, Managing Executive Officer, General Manager of Management Planning Headquarters Masaharu Shimada

Group governance structure

Aiming for contribution to the society, the parent company's group MEDIPAL HOLDINGS CORPORATION with a majority share of our voting rights, operates mainly in three business areas : Prescription Pharmaceutical Wholesale Business, Cosmetics, Daily Necessities and OTC Pharmaceuticals Wholesale Business and Animal Health Products and Food Processing Raw Materials Wholesale Business. In these business areas, we operate Cosmetics, Daily Necessities and OTC Pharmaceuticals Wholesale Business. And because of the differences in the merchandise categories and in the distribution channels compared to the other two business areas, there is not competition with the parent company's group excluding our company and also, we carry out our own sales activities without any restriction. And we make all decisions on matters such as business strategy and personnel policy on the basis of independent and autonomous discussions our own. At the same time, the parent company respects our independency and protect of minority shareholders of our company. Based on the Group Company Management Regulations, the parent company believes it's desirable, from the perspective of group management, for us to

improve its corporate value through actively pursuing business development by autonomous funding and quick decision-making. Furthermore, the Regulations state that our Board of Directors is a final decision-making organ. We do not accept a director from parent company. On the other hand, Seiichi Kasutani, Representative Director, President of our company, serves as a director of the parent company from the perspective of effective group governance. We are confident that we have achieved a certain level of independence from the parent company's group. On the other hand, we have a common goal of contributing to society through the distribution, and to achieve this goal, we are working to make effective use of resources of the entire group, including sharing each other's distribution know-how and examples of initiatives to solve sustainability issues. In addition, we believe that, for the retailers who also operate the dispensing pharmacy business among our customers, the MEDIPAL group can provide the supports and build a stronger relationship of trust with our customers. Through these efforts, we will strive to improve the value provided by the entire group.

Cross-Shareholdings strategy

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

Specifically, based on requirements which are listed below we examine by individual stocks.

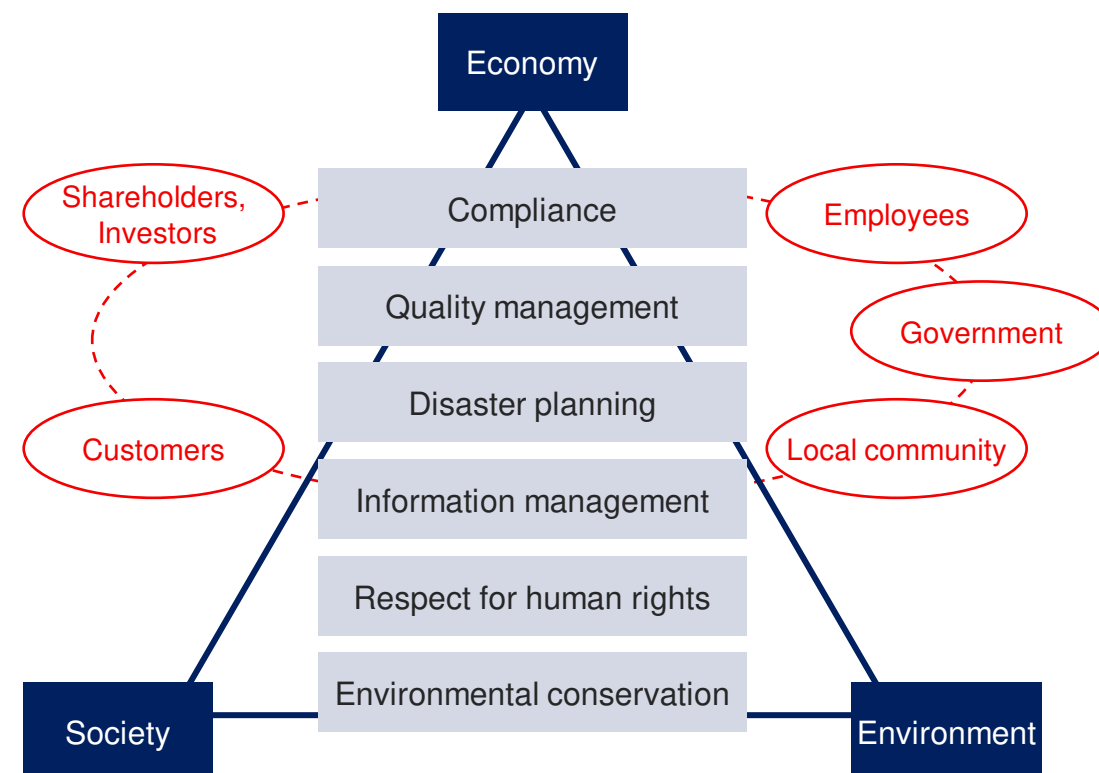
Evaluation criteria for shares held
• Whether the purpose of holding is appropriate
• Whether profits (total amount of profits from transactions and profits from dividends) and benefits that exceed the cost of capital and risks of the Company have been obtained or are expected to be obtained

CSR Management



Basic policy

Our mission is to ensure the delivery of daily necessities at all times. In order to fulfill this mission, we have established six material categories of "Compliance", "Quality management", "Disaster planning", "Information management", "Respect for human rights", and "Environmental conservation". And through risk management and corporate structure, we are striving to resolve materiality as a company that moves forward together with society.



Compliance

In order to realize sustainable corporate growth while taking to earn the trust of stakeholders, we believe that every officer and employee must hold the highest ethical philosophy, including not only complying with laws and regulations but also taking part in the manners and rules. We provide training and learning programs for its officers and employees for raising awareness regarding the importance of compliance.



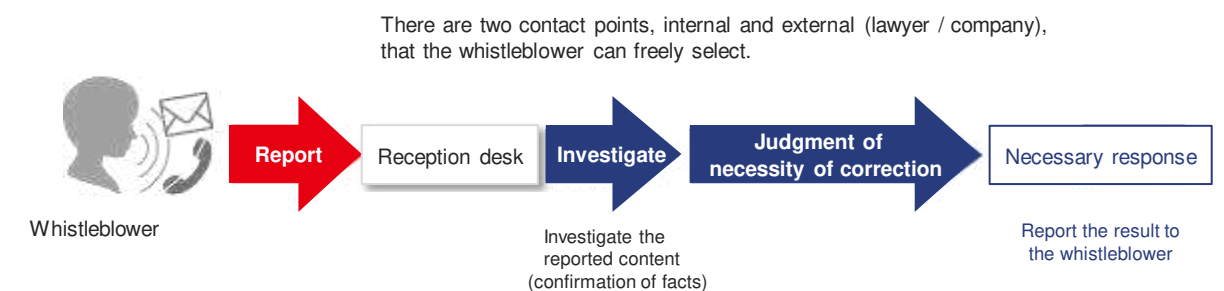
Initiatives to raise compliance awareness

- Conducting periodical online training using the "CSR training" materials common to the MEDIPAL GROUP
- Posted "CSR newsletter" that introduced examples of compliance issues on the internal online bulletin board
- Conducting group training
 - Education on compliance in new employee training
 - Education on insider trading prevention
 - Education on eradication of drunk driving
 - Education on personal information protection

Established various consultation services

To use for the prevention, early detection, and resolution of the internal compliance violation and others, we maintain a "Hot-Line of Public Interest Whistle-Blowing System". Those hot lines are put one at company internal and two at outside of our company to make employees feel more comfortable in talking to the counselor. In addition, we provide consultation services at outside of the company regarding employee problems and grievances on an individual basis and offer systems for solving various problems.

<Image> Response to the public interest reporting hotline



Quality management

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

Date management

For products with expiration dates and best-by dates, such as pharmaceuticals, quasi-drugs, and health foods, we confirm those dates at the time of arrival, register and manage them by our information system. As a general rule, products are shipped on a first-in, first-out basis, and the system checks daily those shipping deadlines set by our rule. We conduct quality management by excluding products that have reached the shipping deadline set by ourselves from shipping products, so that retailers can sell them safely.

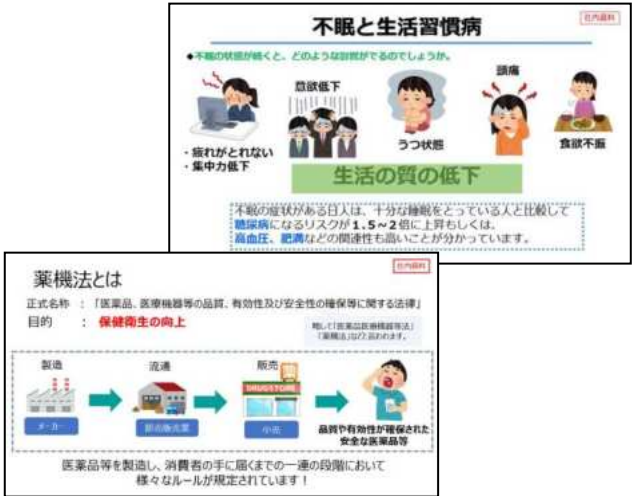
Quality management based on JGSP

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

* JGSP (Japanese Good Supplying Practice): JGSP (OTC Pharmaceutical version) is a practice standard for the supply and quality management of OTC Pharmaceuticals. This is a voluntary norm for the pharmaceutical wholesale industry established by the Japan Pharmaceutical Wholesalers Association based on Pharmaceutical affairs related regulations.

Continuous education of pharmaceutical affairs

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



(Pharmaceutical affairs training text)

Disaster planning

All of the products we handle are indispensable for the healthy lives of people. We believe that the stable supply of these products is our social mission. Under this mission, we will formulate a business continuity plan (BCP) and play a role as a social infrastructure company so that we can provide a stable supply of products even in the event of a large-scale disaster or pandemic.

Specific measures are described on P59

Information management

We handle a variety of information, including the personal information of our customer. In order to manage and protect this information, we conduct security measures such as virus countermeasures, unauthorized access countermeasures, and data encryption for mobile PCs. In addition, we have established “Information Management Regulations” and conduct information security education for employees to ensure thorough information management with the “Information Management Committee” as the central player.

Specific measures are described on P65

Respect for human rights

We believe that the human capitals who support our business activities are most valuable assets and are the driving force to sustainably increase our corporate value. Therefore, we work to educate human capitals in line with each employee’s growth stage, create a work environment where employees are mentally and physically healthy and can work with peace of mind, and create an environment where diverse human capitals can fully demonstrate their abilities.

Specific measures are described on P72

Environmental conservation

We contribute to creating people’s rich and comfortable daily lives, and are pursuing environmental conservation as an enterprise walking together with society. Aiming for a sustainable society, we are reducing greenhouse gases and promoting recycling to prevent global warming and form a recycling-oriented society.

Specific measures are described on P74

Corporate Data

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Financial Highlights (Eleven-Year)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
Sales and Income (¥ million)											
Net sales	765,654	785,833	831,899	794,221	860,350	922,095	966,684	1,015,253	1,046,412	1,033,275	1,045,735
Gross profit	81,469	82,599	86,440	61,985	67,104	71,348	76,051	79,645	81,527	81,162	81,759
Selling, general and administrative expenses	72,647	73,398	76,223	47,808	51,003	52,218	53,045	54,246	56,818	55,674	55,838
Operating profit	8,821	9,201	10,216	14,177	16,101	19,129	23,006	25,399	24,708	25,487	25,921
Ordinary profit	14,013	14,880	15,779	16,322	18,556	21,573	25,498	28,528	27,316	28,053	28,637
Profit	6,159	8,397	9,185	10,267	11,929	14,605	17,453	19,767	25,412	19,317	19,639
Depreciation	4,947	4,860	5,180	4,861	4,985	4,931	4,830	4,493	5,059	5,650	5,486
Capital expenditures	3,705	10,766	12,056	691	15,583	9,791	13,649	10,700	18,791	5,352	9,726
Financial Position (¥ million)											
Total assets	292,969	302,851	325,189	318,186	351,880	361,363	387,399	393,603	418,756	435,501	448,877
Total net assets	111,421	125,756	132,427	143,535	154,976	166,921	183,435	197,237	218,297	235,428	243,741
Cash Flows (¥ million)											
Cash flows from operating activities	6,742	11,792	3,340	23,204	5,226	24,721	24,107	23,565	21,005	28,745	21,949
Cash flows from investing activities	−2,198	−9,982	−11,686	365	−19,327	−6,413	−15,830	−9,531	−3,788	−5,471	−10,170
Cash flows from financing activities	−1,460	−2,705	1,191	−15,464	10,675	−17,876	−5,142	−17,323	−13,001	−8,225	−8,731
Free cash flow (CF from operating activities + CF from investing activities)	4,544	1,810	−8,346	23,569	−14,101	18,308	8,277	14,034	17,217	23,274	11,779
Per Share (¥)											
Earnings	110.28	144.41	144.54	161.58	187.73	229.84	274.65	311.07	399.90	303.98	310.34
Total net assets	1,994.96	1,978.85	2,083.86	2,258.71	2,438.74	2,626.72	2,886.59	3,103.80	3,435.20	3,704.78	3,878.33
Cash dividends	40.00 ^{*1}	42.00	43.00	45.00	50.00	56.00	64.00	68.00	70.00	72.00	78.00
Ratios (%)											
Ratio of Gross profit to sales	10.64	10.51	10.39	7.80	7.80	7.74	7.87	7.84	7.79	7.85	7.82
Ratio of SG&A expenses to sales	9.49	9.34	9.16	6.02	5.93	5.66	5.49	5.34	5.43	5.39	5.34
Ratio of Operating profit to sales	1.15	1.17	1.23	1.79	1.87	2.07	2.38	2.50	2.36	2.47	2.48
Equity ratio	38.0	41.5	40.7	45.1	44.0	46.2	47.4	50.1	52.1	54.1	54.3
Return on equity	5.66	7.08	7.12	7.44	7.99	9.07	9.96	10.39	12.23	8.51	8.20
Return on assets	4.74	5.00	5.03	5.07	5.54	6.05	6.81	7.31	6.73	6.57	6.48
Payout ratio	30.2	29.1	29.7	27.8	26.6	24.4	23.3	21.9	17.5	23.7	25.1
Number of employees											
	2,288	2,284	2,250	2,202	2,245	2,221	2,217	2,207	2,196	2,169	2,168

^{*1} Our company conducted a 1.5-for-1 stock split on January 1, 2012. The dividends per share, which are retroactively applied to the impact of the stock split prior to the fiscal year ended March 31, 2012, are as follows. [2011/3 : ¥26.66 2012/3 : ¥33.33]

^{*2} Effective from the fiscal year ended March 31, 2016, our company changed accounting policies and retrospectively applied to data for the fiscal year ended March 31, 2015.

^{*3} Effective from the fiscal year ended March 31, 2022, our company has applied the "Accounting Standard for Revenue Recognition", etc., and applied to data for the fiscal year ended March 31, 2022.

ESG Highlights (Three-Year)

	2020/3	2021/3	2022/3
Environment			
CO2 emissions (t-CO2) *	51,052	51,627	52,189
Scope 1	3,284	3,293	3,267
Scope 2	20,703	21,797	18,514
Scope 3	27,065	26,537	30,408
CO2 emissions per 100 million yen in sales (scope1+2)	2.3	2.4	2.1
CO2 emissions per 100 million yen in sales (scope1+2+3)	4.9	5.0	4.9
Electricity usage (1,000kwh)	42,872	43,665	44,890
* Calculation range of CO2 emissions Scope 1: Emissions associated with the use of own fuel Scope 2: Emissions associated with the use of electricity at business sites and RDC Scope 3: Emissions associated with truck transportation (shipments from our distribution center: GHG protocol "Category 4")			
Society			
Number of employees	2,196	2,169	2,168
Average age of employees	45.9	46.3	46.3
Average number of years of continuous employment	19.0	19.5	19.6
Percentage of female employees	18.1	18.3	19.1
Percentage of female employees in management positions	5.6	5.8	6.1
Percentage of new female hires	28.0	35.8	30.9
Percentage of mid-career employees in management position	68.3	68.4	67.9
Percentage of mid-career hires	21.3	34.0	38.1
Number of users of childcare support system (childcare leave)	31	31	34
Number of users of childcare support system (short working hours)	52	51	46
Percentage of employees returning to work after childcare leave	100.0	100.0	100.0
Number of users of the silver human resources employment system (65 years old and over)	270	333	421
Percentage of taking annual paid leave	56.3	55.9	58.4
Governance			
Number of Directors	9	8	9
Percentage of outside directors	33.3	37.5	44.4
Percentage of female directors	11.1	12.5	22.2
Number of Audit & Supervisory Board Members	6	5	5
Percentage of outside Audit & Supervisory Board Member	66.7	60.0	60.0
Percentage of female Audit & Supervisory Board Member	16.7	20.0	20.0
Percentage of female directors (Directors and Audit & Supervisory Board Members)	13.3	15.4	21.4

Corporate / Stock Information

Corporate information (As of ended March 2022)

Corporate name	PALTAC CORPORATION
Head office	2-46 Honmachibashi, Chuo-ku Osaka City, Osaka Prefecture 540-0029 Tel : 06-4793-1050
Founded	1898
Established	1928
Share capita	¥ 15,869 million
Number of employees	2,168 (Part-time employees :4,794)
Stock listing	Tokyo Stock Exchange, Prime Market
Stock code	8283
Trading unit	100 shares
Transfer Agent for Common Stock	Mitsubishi UFJ Trust and Banking Corporation
The General Meeting of Shareholders	The General Meeting of Shareholders is held annually in June.
Further information	Management Planning Headquarters Tel : 06-4793-1090
Stock information	Number of Shares Authorized : 180,000,000 Number of Outstanding Shares : 63,553,485 Number of Shareholders : 3,173

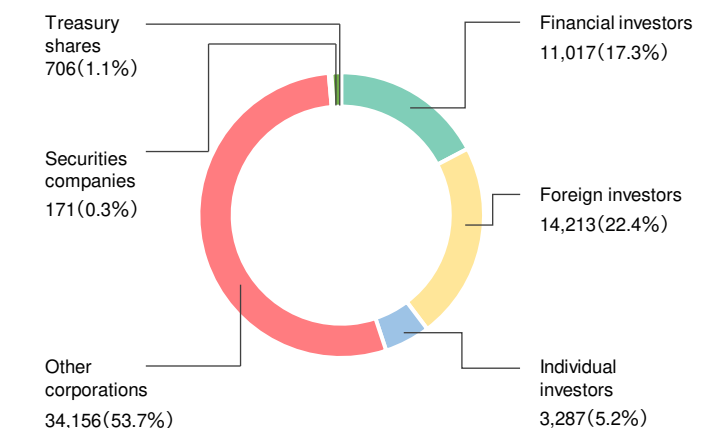
Stock information (As of ended March 2022)

Major Shareholders

Shareholders	Shares held (1,000 shares)	Shareholding ratio (%)
MEDIPAL HOLDINGS CORPORATION	31,853	50.68
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,845	10.89
JP MORGAN CHASE BANK 385632	1,959	3.12
Custody Bank of Japan, Ltd.(Trust Account)	1,623	2.58
PALTAC Employees Shareholders' Association	1,275	2.03
STATE STREET BANK AND TRUST COMPANY 505001	1,082	1.72
THE BANK OF NEW YORK MELLON 140044	993	1.58
NORTHERN TRUST CO. (AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND. L. P.	943	1.50
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	888	1.41
The Nomura Trust and Banking Co., Ltd. (investment trust account)	632	1.01

Shareholding Ratio is calculated after deducting treasury stock (706,549 shares).

Shareholder composition (1,000 shares)



Adoption to Index (As of July 28, 2022)

Since fiscal 2018, PALTAC has been selected as JPX-Nikkei Index 400 composed of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives.



Editor's Notes

Thank you for taking the time to read our integrated report, WHAT'S PALTAC 2022. Once again, we would like to thank all of you for your cooperation in making this publication possible. This report was published with the following two main points in mind. The first is to report on the progress of the three-year medium-term management plan “For a bright future - Moving forward with the supply chain”, which ends in the fiscal year ending March 31, 2024. In particular, we focused on explaining new challenges to optimize the entire supply chain and thus lead to our medium-to long-term growth, including the industry’s first “Comprehensive support for promotional items” and “Collectively-managed logistics both Non-Foods and Foods products”. We have devoted the most effort to make this report “easy to understand” and “easy to convey” by using specific examples and the expected benefits from initiatives. We hope that this report will convey to readers the value of the initiatives we are implementing and how we are utilizing our strengths, backed by our history of more than 120 years since our founding, in our new challenges. The second is to properly reflect the opinions and impressions we received from our stakeholders regarding the previous integrated report. Especially, we enhanced the disclosure on “Governance” and “Human Capital” which was so highly requested, and

in order to better communicate our value creation story, we endeavored to express with an awareness of the “linkage” between each item and the medium-to long-term strategy. This is the third publication of the integrated report. In the future as well, we will continue to enhance the disclosure in order to make this report useful material for making decisions on the evaluation of our company. Finally, we have again prepared a questionnaire on our website and would appreciate your comments and opinions. Based on your opinions and impressions, we will continue to improve our report so that we can advance the quality of dialogue with all of you. We hope that we can count on your continued understanding and support.

For you, More value



[Editor : Management Planning Headquarters]

Director, Managing Executive Officer, General Manager of Management Planning Headquarters				Masaharu Shimada
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Kazuki Kimura	Tomohiro Hashimoto			

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