



MEDIPAL HOLDINGS CORPORATION



Change the 卸 Forever

—Constant Innovation—



Integrated Report 2024

Year ended March 31, 2024





Management Philosophy

Contributing to people's health and the advancement of society through creation of value in distribution

Management Policy

1. Create a vitalized corporate culture to make the MEDIPAL Group trusted by society
2. Raise shareholder value and ensure thorough legal compliance
3. Faithfully create a free and open-minded corporate culture and train creative personnel

Guiding Principle for Business Activities

Engaging in fair competition based on a spirit of observing regulatory compliance elevates the quality level of all employees and induces change in the company, which will lead to the delight of customers and further enhancement of corporate value.

Sustainability Policy

Connecting to the Future with Energy and Brightness

Business Fields

"Pharmaceuticals, Health, and Beauty"

Company Logo

The logo design represents people holding hands and harmony, which symbolize cooperation, coexistence, and the strength to live. It also expresses that MEDIPAL is a company that grows with customers and business partners, expands broadly, and respects people.

Cover Story #1

Our Commitment—Expand, Support, and Connect

The MEDIPAL Group maintains a steadfast commitment to resolve delivery of products to our customers in normal times and during emergencies.
We will continue to evolve in line with our management philosophy of "Contributing to people's health and the advancement of society through creation of value in distribution" as a wholesaler that provides valuable, safe, and secure distribution that can meet the needs of communities and our customers, regardless of the era.

Normal Times and Emergencies



Cover Story #2

Our Commitment—Expand, Support, and Connect

We do not deliver "goods." We deliver the "heart (affection)" in those goods. Connections between people are the most important factor, no matter how far digital technology advances. Heart-to-heart connections motivate people to act and bring about innovation before we realize it.

The source of our actions is the "heart" in people caring for other people.

We aim to create a society where everyone can live healthy lives due to the power of compassion we all carry in our hearts.





Person-to-Person

Cover Story #3

Our Commitment—Expand, Support, and Connect

In the MEDIPAL Group, we work with many stakeholders to resolve global environmental and social issues, based on our management philosophy.
We will create a future that is healthier and brighter for everyone.
We will strive to realize a sustainable society and enhance our corporate value.

Coexisting and Cocreating with Society







Contents



Introduction

Cover Stories 3
At a Glance 7
President's Message 9



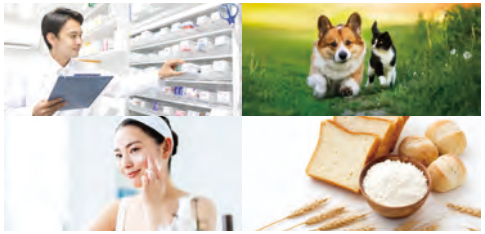
Value Creation Story

History of Value Creation 12
MEDIPAL Medium-Term Vision 13
Value Creation Process 15
Sustainability Management 16
Message from the Director in Charge of Sustainability 19



Strategy by Capitals

Human Capital 20
Distribution Facilities Capital 26
Intellectual Capital 30
Message from the Director in Charge of Business Development 34
Social and Relationship Capital 36
Financial Capital 40
Natural Capital 42



Strategy by Business

Prescription Pharmaceutical Wholesale Business 48
Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business 50
Animal Health Products Wholesale Business 52
Food Processing Raw Materials Wholesale and Related Business 53



Governance

Management Team 54
Corporate Governance 56
Roundtable Discussion with Outside Directors 64
Compliance 66
Quality Control 68
Risk Management 70
Business Continuity Plan (BCP) 71
Information Management 73



Data

Glossary 74
SASB Content Index 75
Eleven-Year Financial Highlights 76
Financial Highlights 77
Corporate Data / Stock Information 78

Editorial Policy

This integrated report has been compiled as a communication tool to comprehensively provide financial information, such as management strategies and results, and also non-financial information, such as our relationship with the environment and society, so that all our stakeholders understand the MEDIPAL Group's management approach to the creation of sustainable corporate value.

Reference Frameworks

In compiling this report, the MEDIPAL Group mainly referred to the International Integrated Reporting Framework published by the IFRS Foundation and the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry.

Report Coverage and Period

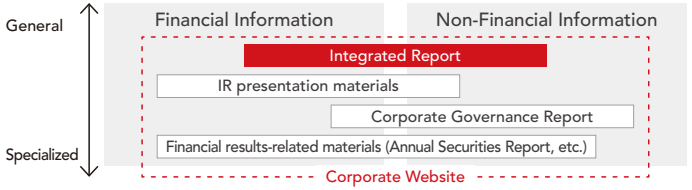
Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024), as of March 31, 2024

- Includes the latest information available as of the date of publication.
- Any differences in period of coverage and scope for individual items are explained.

Forward-Looking Statements

This report contains forward-looking statements regarding the MEDIPAL Group's plans, policies, strategies, and earnings forecasts. Accordingly, please note that certain risks and uncertainties could cause actual results to differ materially from those stated herein.

Positioning of the Integrated Report



The materials described above can be viewed on our corporate website.
https://www.medipal.co.jp/english/

The method of fiscal year presentation has changed from Integrated Report 2023.
In Integrated Report 2023, the fiscal year ended March 31, 2023 was defined as FY2023. In Integrated Report 2024, it is now defined as FY2022. Accordingly, the fiscal year ended March 31, 2024 is defined as FY2023 this report.

At a Glance



Consolidated net sales
¥3,558.7 billion

Consolidated operating profit
¥47.3 billion

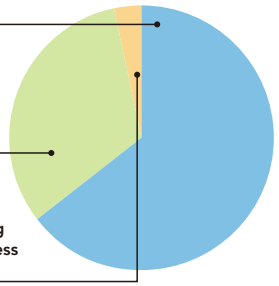
Consolidated ordinary profit
¥64.5 billion

Breakdown of Consolidated Net Sales

Prescription Pharmaceutical Wholesale Business
64.5%[1]
¥2,295.7 billion

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
32.4%[1]
¥1,151.9 billion

Animal Health Products and Food Processing Raw Materials Wholesale and Related Business
3.2%[1]
¥114.0 billion

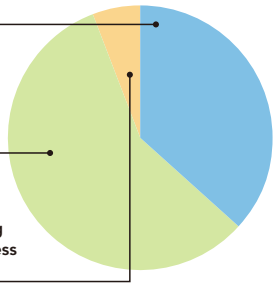


Consolidated Operating Profit

Prescription Pharmaceutical Wholesale Business
36.9%[1]
¥17.4 billion

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
57.4%[1]
¥27.1 billion

Animal Health Products and Food Processing Raw Materials Wholesale and Related Business
5.8%[1]
¥2.7 billion



Consolidated net assets
¥736.6 billion

Net worth ratio
33.4%

Free cash flow
¥54.0 billion

Market capitalization
¥513.3 billion

Return on equity (ROE)
7.1%

Consolidated total shareholder return ratio[2]
39.2%

1. The sum of percentages does not equal 100% because figures were calculated before the elimination of transactions among business categories.
2. The percentage of return on profit before exclusion of amortization of goodwill and intangible assets accompanying the growth investment in the 2027 MEDIPAL Medium-Term Vision over the cumulative two-year period of the fiscal year ended March 31, 2023 and the year ended March 31, 2024.

Number of Group employees
13,075

Percentage of female employees in management positions
8.5%

Specialist human resources
ARs* Approx. 2,400[1]

Consolidated subsidiaries
17

Greenhouse gas emissions[2] (Scope 1 and Scope 2)
73,575 t-CO_2

Delivery accuracy
99.999%

Prescription Pharmaceutical Wholesale Business

Number of employees	Number of distribution sites	
Approx. 10,000	13 sites	MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., TOSHICHI CO., LTD., SPLine Corporation, MM CORPORATION, ASTEC Co., Ltd., MVC CO., LTD., PharField Corporation, MEDIE Co., Ltd., MIC CO., LTD., Medipal Insurance Service Co., Ltd., MEDISKET CORPORATION

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Number of employees	Number of distribution sites	
Approx. 2,200	16 sites	PALTAC CORPORATION

Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

Number of employees	Number of distribution and research sites	
Approx. 800	14 sites	MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd., MEDIPAL FOODS CORPORATION

1. Number of personnel who have passed the MR* qualification exam
2. Scope 1 (direct emissions from Company fuel consumption) and Scope 2 (indirect emissions from electric power used by the Company)

* Please refer to page 74 for explanations of technical terms.

President's Message



Shuichi Watanabe
Representative Director, President and CEO
MEDIPAL HOLDINGS CORPORATION

Contributing to society and developing business through the business fields of "Pharmaceuticals, Health, and Beauty"

Steadfast commitment is MEDIPAL's driving force

The MEDIPAL Group handles a wide range of products which are essential for people's lives and well-being, from pharmaceuticals to medical equipment, clinical diagnostics, daily necessities, cosmetics, and food processing raw materials. We believe it is our role and social responsibility to deliver products safely, securely, and consistently on a routine basis during normal times, of course, and also to provide support during an emergency. We have stood by this commitment steadfastly from the time MEDIPAL was founded up to today.

When the Noto Peninsula Earthquake occurred in January 2024, we quickly activated the Disaster Countermeasures Headquarters and worked to supply the products needed as we also engaged in support activities in solidarity with our employees and their families, customers, and local residents in the affected area. Our ability to move swiftly and respond appropriately to the disaster stemmed from our experience during the Great Hanshin-Awaji Earthquake in 1995 and accumulated experience from various other subsequent natural disasters.

Japan experiences many natural disasters, such as earthquakes, typhoons, torrential rains, and heavy snowfall. All of our employees therefore share the philosophy, "Our mission is to deliver pharmaceuticals in Japan." Our past experiences have led us to think about what our business is and how we should operate it, and pass this down. I believe that the accumulation of these experiences and challenges is what has driven the growth of the MEDIPAL Group, and is the result of the fusion of employees across generations.

The significance of "*Change the Oroshi*"

The MEDIPAL Group's management philosophy is "Contributing to people's health and the advancement of society through creation of value in distribution." Based on this philosophy, we have actively created a Group, carried out business restructuring, and expanded our business fields to "Pharmaceuticals, Health, and Beauty." We also engage in activities to optimize the entire supply chain by building a robust logistics function, distribution network, and salesforce with the high expertise needed for stable supply nationwide, and utilizing these strengths.

The Japan of today is facing major changes in the business environment from a declining and aging population, growing social security expenses, a declining working population, and other pressures beyond what the rest of the world has seen. These changes are expected to increase in severity, and I think it is essential to pursue reforms and change our profit structure, without being held back by past practices and conventional thinking, in order for companies to survive.

We have been developing our vision, called "Change the Oroshi," since 2014 and continue to take on the challenges of changing how we approach the wholesale business to achieve this innovation. We have set our ideal corporate situation as "Expand, Support, and Connect 'Pharmaceuticals, Health, and Beauty.'", an Orchestra in Support of People's Health. We hope to be a company that contributes to people's healthy lives by creating new value through the combination of our employees, Group companies, and partner companies honing their respective roles and strengths.

The 2027 MEDIPAL Medium-Term Vision we are currently pursuing through the fiscal year ending March 31, 2027 outlines five growth strategies: (1) Expansion of Overseas Business, (2) Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business, (3) Enhancement of Business with and in Digital, (4) Building Sustainable Logistics Business, and (5) Value Co-creation in Community Healthcare. Below, are examples of the main activities we are focusing on.

- **Expansion of Overseas Business** Details on pages 32 and 34
  Tackling the challenge of developing pharmaceuticals in Japan and overseas with JCR Pharmaceuticals Co., Ltd. and targeting the realization and provision of new therapeutic treatments for patients with ultra-rare diseases and their families
- **Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business** Details on pages 33 and 34
  Targeting new value creation to address changes in the food environment in Japan by tackling the challenge of new businesses in the areas of pre-disease intervention and prevention and integrating the businesses of two subsidiaries, MP Gokyo Food & Chemical Co., Ltd. and MEDIPAL FOODS CORPORATION
- **Enhancement of Business with and in Digital** Details on pages 32 and 37
  Investing in venture companies possessing diverse characteristics in medical-related fields and combining the resources of the Group to create and propagate convenient new services
- **Building Sustainable Logistics Business** Details on page 26
  Strengthening the pharmaceuticals distribution base in the Kyushu area, as well as launching a logistics joint venture aimed at realizing combined transportation and delivery of pharmaceuticals and laboratory test samples (sharing logistics)
- **Value Co-creation in Community Healthcare** Details on page 38
  Engaging in activities specializing in rare disease fields, creating a professional organization specializing in women's health issues, and partnering with local medical institutions on disease awareness and identifying potential patients

The MEDIPAL Group will continue to put effort into initiatives that will contribute to extending healthy life expectancy, which is the desire of many people. These efforts are not only directed at treatment once people become ill but also before they become ill; in other words, at the prevention and pre-disease stage. We will also continue to broaden our focus to the treatment of animals which are good companions to people, and eating habits to create robust mental and physical well-being. I don't think there is any greater joy than helping people to live healthier lives and reducing the number of people who suffer from illnesses and thereby contributing to the advancement of society.

The power of human resources to advance the growth strategies

Human resources are the important element in pursuing the five growth strategies. This is especially true in the healthcare industry, because healthcare cannot be achieved without person-to-person connections in the real world, no matter how many cutting-edge systems are installed or how far digitization has progressed.

In the MEDIPAL Group, we define the ideal human resources needed in an era of rapid changes as "future-oriented human resources," and are pursuing initiatives to realize the ideal organization, ideal human resources, and ideal human resources portfolio.

We will continue to create an open, active, and cooperative culture that respects employees' diverse values and enables them to maximize their potential, regardless of their age, gender, career path, job position, or other such factors. I believe this will lead to growth of the Group and will carve out a path to the future. Details on page 20



Active investment, capital policy, and shareholder returns

The MEDIPAL Group is currently pursuing innovation, and we are at the point where we are actively investing in new businesses.

Amid this, we are striving for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing ROE and reducing the capital costs, in accordance with our Basic Capital Policy.

One of the main initiatives is reducing strategic shareholdings. Our basic policy is to reduce these shareholdings in the interest of controlling shareholding risk and capital efficiency, and we will continue to pursue reduction in the future.

For distribution of profits to shareholders, we are maintaining or increasing the dividend payout ratio on earnings before amortization of goodwill and amortization of intangible assets arising from the growth investments set forth in the Medium-Term Vision, while also comprehensively assessing demand for funding and flexibly implementing share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and greater return of profits. Details on page 40

Sustainability is coexisting and cocreating with society

We interpret sustainability as coexisting and cocreating with society. We analyze the relationship between social issues such as the Sustainable Development Goals (SDGs), the Group's business activities, and the Medium-Term Vision, and identify materiality in six categories that will support our goal of resolving social issues and achieving sustainable growth for the Group. We are actively pursuing sustainability management through collaboration and cooperation with each Group company.

Especially, we are focusing on strengthening Group compliance and building a governance system as part of that. In addition to enhancing education throughout the Group, the Board of Directors is working to further strengthen corporate governance by establishing a framework for monitoring the status of compliance and managing the Group in a highly transparent manner.

Our Company is a member of society and our role is to contribute to the advancement of society. I think continuing to create value that contributes to people leading abundant and healthy lives is certainly our major role. I want our Group to continue to be a group that strives to coexist and cocreate with society by taking the initiative to engage in a process of constant innovation and prepare for the future, and to grow and prosper along with all of our stakeholders. Details on page 16

History of Value Creation

Through our "Change the Oroshi" slogan, we are aiming to build on our strengths to drive further growth.

1898
Founded



2000 –
Formation of nationwide distribution network

Starting with KURAYA SANSEIDO Inc.[1], built a distribution platform covering all regions of Japan through business integration and business alliances.



KURAYA SANSEIDO Inc. formed

2005 –
Expansion of business fields

With the addition of PALTAC CORPORATION[1], became a wholesaler group providing a wide range of support for healthy lives, including cosmetics and daily necessities. Business fields are "Pharmaceuticals, Health, and Beauty."



MEDICEO Holdings Co., Ltd. President Kumakura (left) with PALTAC CORPORATION President Mikita

2009 –
Business innovation

Promoted the nationwide establishment of state-of-the-art distribution centers, called ALCs* while working to expand sales functions by increasing the number of MSs* who have MR* certification and through other measures.



KANAGAWA ALC (first ALC)

2011 –
Creating new value through new businesses

Developed new businesses, such as PFM®*, utilizing nationwide infrastructure and human resources, and broadened wholesale business fields to include such areas as animal health products and food processing raw materials.



MEDIPAL HOLDINGS CORPORATION President Watanabe (left) with JCR Pharmaceuticals Co., Ltd. Chairman and President Ashida

2014 –
Start of "Change the Oroshi"

Formulated a policy to change how we conduct our wholesale operations, without being limited by conventional thinking and approaches, and began a variety of initiatives.



MEDIPAL HOLDINGS CORPORATION President Watanabe (right) with H.U. Group Holdings, Inc. President Takeuchi

2019 –
Establishing business partnerships and expanding new businesses

Shifted new businesses from the "creation" to the "expansion" stage and built new frameworks to benefit customers and society through partnerships with companies in various fields.

2022 –
Growing through business portfolio prioritizations and collaboration with partners

Formulated the 2027 MEDIPAL Medium-Term Vision: Change the Oroshi Forever and began working to achieve our ideal situation.

Change the 卸 Oroshi

1. Corporate names are shown as they were at the indicated date.

* Please refer to page 74 for explanations of technical terms.

MEDIPAL Medium-Term Vision

Outcomes and Issues of the 2022 MEDIPAL Medium-Term Vision, the Previous Medium-Term Vision

	2022 MEDIPAL Medium-Term Vision (April 2019–March 2022) Change the 卸 Future Innovation for the Future	
Basic policy	**We will expand our earnings base and achieve sustainable growth by building new frameworks that benefit customers and society.**	
Key strategies	**Establishing business partnerships** Create new frameworks	**Expansion of new businesses** Strengthen the earnings foundation
	Innovation in existing businesses Resolve customer issues and increase productivity	**Strengthening human resources and evolving our organization**
Management targets	Consolidated Performance Targets	**Results for FY2021**
	Ordinary profit ¥72.0 billion	**¥62.0 billion**
	Gross profit from new businesses[1] ¥10.0 billion	**¥9.1 billion**
	Payout ratio Target of 30% with stable dividends	**31.4%**
	Investment in growth Around ¥100 billion over three years	**¥48 billion over 3 years**
Main outcomes	• Strengthened cooperation with start-ups through establishment of a corporate venture capital (CVC) • Used expertise in advanced temperature-controlled logistics to transport COVID-19 vaccines • Launched collaborative SDG and environmental, social, and governance (ESG) distribution initiatives with customers (MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., and PALTAC CORPORATION) • Promoted human resource exchanges with Group companies and partner companies • Promotion of health and productivity management • Enhanced compliance management	
Issues identified	• Growth investment results fell short of plan (¥48.0 billion vs. plan of ¥100.0 billion) • Established sales structure in response to changes in product characteristics of pharmaceuticals (shift from primary to specialty drugs) • Strengthened and expanded initiatives in response to the need to extend healthy life expectancy and increased interest in prevention and pre-disease • Responded to change in role required of MSs* Connected fragmented information (government, medical institutions, patients) • Responded to diversification of logistics needs • Responded to diverse work styles and promoted diversity and inclusion	

2027 MEDIPAL Medium-Term Vision

We formulated the 2027 MEDIPAL Medium-Term Vision, "***Change the 卸 Forever*** —Constant Innovation" in October 2022 as the Medium-Term Vision for the five years beginning in the fiscal year ended March 31, 2023 and ending in the fiscal year ending March 31, 2027, and are pursuing the strategies in this vision.

2027 MEDIPAL Medium-Term Vision

Change the 卸 Forever
—Constant Innovation—

Growing through business portfolio prioritizations and collaboration with partners

Overall Growth Image

We will carry out the following five growth strategies through business portfolio prioritizations and collaboration with partners.

1. **Expansion of Overseas Business**
2. **Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business**
3. **Enhancement of the Business with and in Digital**
4. **Building Sustainable Logistics**
5. **Value Co-creation in Community Healthcare**



Our human resources strategy and financial strategy are the foundation of our growth strategies. We will create social value and customer value through execution of our strategies to achieve the sustainable growth of the MEDIPAL Group.

To realize the Medium-Term Vision, we designated new businesses, the medical devices and reagents business, and the Animal Health Products and Food Processing Raw Materials Wholesale and Related Business as priority businesses. By intensively investing management resources in these priority businesses, we aim to grow their share of ordinary profit to approximately 50% in the fiscal year ending March 31, 2027 from approximately 30% in the fiscal year ended March 31, 2022, and to achieve ordinary profit of ¥100 billion. Our core businesses consist of the Prescription Pharmaceutical Wholesale Business—the Group's largest business that provides a stable supply of products that are indispensable to people's daily lives—as well as the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business. We will expand both of these core businesses, while also increasing added value and productivity further.

1. Gross profit from new businesses that use the MEDIPAL Group's nationwide infrastructure and human resources. Includes profit from the sale of related products.

* Please refer to page 74 for explanations of technical terms.

Progress on the 2027 MEDIPAL Medium-Term Vision

Main measures in and progress on the growth strategies

We are carrying out the following five growth strategies through business portfolio prioritizations and collaboration with partners. To achieve the Medium-Term Vision, we are pursuing initiatives aligned with the main measures in the growth strategies.

Growth Strategies	Main Measures	Main Past Initiatives
Expansion of Overseas Business	• Developing new global business in collaboration with partners	• Began R&D aimed at global development of orphan drugs through collaboration with JCR Pharmaceuticals Co., Ltd. Through this collaboration, we expanded the number of eligible patients and added a therapeutic drug for mucopolysaccharidosis type IIIB (JR-446). • Established local subsidiaries overseas (in Vietnam and Indonesia)
Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business	(Prevention and pre-disease) • Expansion into the business areas of inspection equipment for medical use, the latest therapeutic instruments, and oral health (AGRO & FOOD) • Manufacture and sales of animal health products and food processing raw materials • Expand private-brand product lines in animal and food domains	• Made MP Gokyo Food & Chemical Co., Ltd. a wholly owned subsidiary • Pursued business integration in the Food Processing Raw Materials Wholesale and Related Business • Established the Business Development Division in MP AGRO CO., LTD. and pursued development of animal health products • Acquired all shares in PreMedica Inc.
Enhancement of the Business with and in Digital	• Promoting and expanding digital platforms through collaboration with partners • State-of-the-art digital devices	• Pursued healthcare digital transformation (DX) through a CVC fund, and achieved management and sharing of medical images via a cloud • Began full-scale operation of the product shipment operating flow with the introduction of advanced shipping notice (ASN) using logistics electronic data interchange (EDI) • Began providing automatic ordering services via AI-based demand forecasting
Building Sustainable Logistics	• Creating new value by integrating logistics of analytical reagents, clinical reagents, and pharmaceuticals	• Began operation of the Hanshin ALC and Tochigi Distribution Center • Established MEDISKET CORPORATION and launched an initiative aimed at sharing logistics • Acquired all shares of TOSHICHI CO., LTD. and strengthened distribution infrastructure in Kyushu • Concluded a cooperation agreement on sustainable logistics with Sagawa Express Co., Ltd. • Conducted a proof-of-concept (PoC) trial on using a Level 4 drone to transport pharmaceuticals
Value Co-creation in Community Healthcare	• Value co-creation through coordination activities to connect medical experts	• Pursued sales activities in specialty fields such as rare diseases and women's health issues

● Prescription Pharmaceutical Wholesale Business ● Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business ● Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

Management Targets

Key financial indicators

Item	Targets for the Fiscal Year Ending March 2027	Results for the Fiscal Year Ended March 2024
Total profitability	ROE: 9%	ROE: 7.1%
	Ordinary profit: ¥100.0 billion	Ordinary profit: ¥64.5 billion
Investment	Investment in growth: ¥100.0 billion (cumulative)	Investment in growth: ¥60.0 billion (cumulative)
Shareholder returns	Total shareholder return ratio[1]: 40% (over a five-year cumulative period)	Total shareholder return ratio[1]: 39.2% (cumulative (two-year) return during the Medium-Term Vision period)

Resolving ESG issues through growth strategies

Item	Targets for the Fiscal Year Ending March 2027	Results for the Fiscal Year Ended March 2024
Initiatives for Decarbonization	Targets for reduction of greenhouse gas emissions[2] a) FY2030: 50% reduction (compared with FY2020) b) FY2050: Carbon neutrality	Greenhouse gas emissions[2] 73,575 t-CO_2
Promotion of Diversity and Inclusion	Women's activity promotion target FY2030: Percentage of female employees in management positions of 20% or higher	Percentage of female employees in management positions 8.5%
Sound and Transparent Corporate Management	Expansion of training in compliance Construction of a corporate governance system to accommodate Group companies	• Support for development and implementation of governance systems at companies newly added to the Group • Considering ways to improve the sophistication of the risk management structure • Ongoing implementation of compliance training

1. The percentage of return on profit before exclusion of amortization of goodwill and intangible assets accompanying the growth investment in the 2027 MEDIPAL Medium-Term Vision.
2. Scope 1 (direct emissions from Company fuel consumption) + Scope 2 (indirect emissions from electric power used by the Company)

Value Creation Process

We will use the MEDIPAL Group's capital to pursue strategies to realize our "ideal situation" under the management philosophy. The profits generated through these efforts will be reinvested to strengthen our business base and we will work to create new value, thereby satisfying the expectations of our various stakeholders.

Management Philosophy

Contributing to people's health and the advancement of society through creation of value in distribution

Ideal Situation

Expand, Support, and Connect "Pharmaceuticals, Health, and Beauty"

External Environment

Society-wide changes
- Declining population and the birthrate coupled with an aging population
- Expansion of social welfare spending
- Worsening environmental issues
- Promotion of innovation
- Advancement of digital technology
- Accelerating inflation
- Changes in consumption behavior

Changes in the business fields of "Pharmaceuticals, Health, and Beauty"
- Growing needs for extending healthy life expectancy
- Expansion of the area of testing for prevention and pre-disease
- Growing needs to address environmental impact
- Advanced logistics and efficiency improvements
- Growing needs for personalization

INPUT

Human capital
Details on page 20

Distribution facilities capital
Details on page 26

Intellectual capital
Details on page 30

Social and relationship capital
Details on page 36

Financial capital
Details on page 40

Natural capital
Details on page 42

Strengths

- Diverse human resources, embodying our management philosophy
- Nationwide network of distribution bases with advanced functions
- Expertise in optimizing distribution
- Knowledge cultivated in new businesses
- Group synergies

2027 MEDIPAL Medium-Term Vision

Change the 卸 Forever
—Constant Innovation—

Sustainable growth of the MEDIPAL Group
Creating social and customer value

Method for implementing the strategies
Business portfolio prioritizations | Collaboration with partners

Growth strategies
Expansion of Overseas Business
Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business
Enhancement of the Business with and in Digital
Building Sustainable Logistics
Value Co-creation in Community Healthcare

Human resources strategy | **Financial strategy**

Details on page 13

OUTPUT

Delivering sustainable logistics
- Delivering safe, secure, and reliable logistics through a nationwide logistics platform
- Providing new logistics solutions to achieve evolution of the nationwide logistics network and resolve social issues

Providing solutions for customer problems
- Original support system linked to distribution functions
- Original community-oriented solutions
- Logistics solutions that optimize the entire supply chain and improve efficiency
- Retail solutions to meet customer needs

Providing proper information
- Proper information provided by human resources with diverse specializations

Providing new solutions in new fields
- Providing new solutions utilizing nationwide network and highly expert human resources
- Groundbreaking new drugs for rare diseases launched overseas
- Innovation in prevention and pre-disease fields
- Expanding new R&D-driven solutions in the AGRO & FOOD business

OUTCOME

Customers
- Optimization of supply chain
- Improved management efficiency
- Delivery of high-quality medical care
- Complete traceability

Patients and consumers
- Safe and secure medical care
- Physical and mental well-being
- A rich and comfortable life

Employees
- An employee-friendly workplace
- Application of skills and capabilities by all employees
- Improvement in creativity and engagement
- Achieving employee well-being

Society and environment
- Extension of healthy life expectancy
- A lively and vibrant society
- Female participation in society
- Reduction of environmental impact

Shareholders and investors
- Maximization of corporate value
- Stable shareholder returns

Suppliers and partners
- Product dissemination
- Expansion of customer base
- Enhancing logistics sophistication and efficiency
- Expansion of product and service lineup
- Promotion of innovation
- Growth by start-up companies

Location
- Enhancement of local medical care
- Development of integrated community care system
- Enhancement of disease prevention
- Improvement of measures to address pre-disease

SUSTAINABLE DEVELOPMENT GOALS

Material Sustainability Tasks (Materiality) Details on page 16

Sustainability Policy, "Connecting to the Future with 'Energy and Brightness'" Details on page 16

Corporate Governance Details on page 56

Sustainability Management

Policy

The MEDIPAL Group is pursuing its business activities in line with its management philosophy. Amid rising public interest in environmental problems and other issues, MEDIPAL formulated the Sustainability Policy, "Connecting to the Future with 'Energy and Brightness,'" to clearly state our stance for realizing a sustainable society and enhancing our corporate value.

Please see our corporate website for more information.
https://www.medipal.co.jp/english/csr/policy/

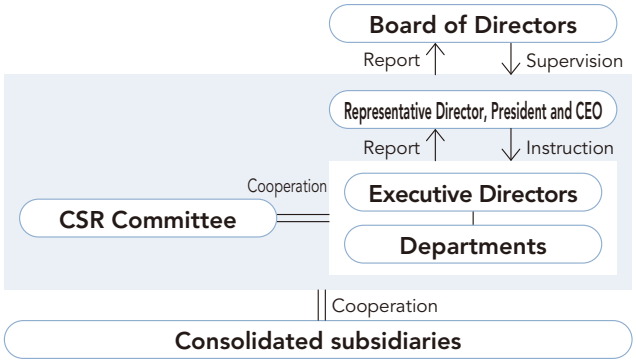
Material Sustainability Tasks (Materiality)

We have analyzed the relationship between social issues, such as the SDGs, and the MEDIPAL Group's business activities based on our management philosophy. We have identified materiality in six categories that will support our goal of resolving social issues and achieving sustainable growth for the MEDIPAL Group. We have set medium- to long-term targets in each category of materiality and will progress initiatives at each Group company. Details on page 17



Promotion System

At the MEDIPAL Group, the CSR Committee promotes sustainability management and discusses policies and initiatives for managing sustainability across the Group, as well as important tasks such as medium-term sustainability targets. The details of those discussions are brought up in Board of Directors' meetings by the director in charge (the CSR Committee chairperson) for resolution. Based on the sustainability policies decided at Board of Directors' meetings, consolidated subsidiaries carry out initiatives led by the responsible departments, and report specific measures and progress to the CSR Committee. The results of these initiatives are then reported to the Board of Directors on a regular basis by the director in charge of CSR, helping to maintain a management system that enables appropriate supervision by the Board of Directors.



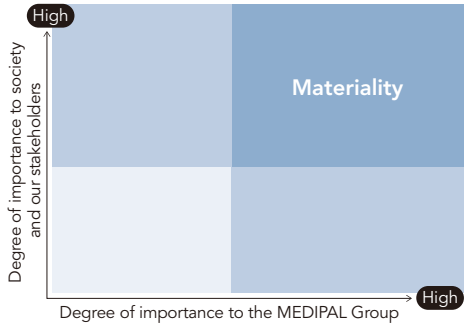
CSR Committee in FY2023

- Number of meetings held: 8
- Main discussion points

- Consider new targets (KPIs) for Material Sustainability Tasks (Materiality)
- Monitor the status of progress across the Group
- Consider initiatives for decarbonization, diversity and inclusion
- Confirm progress on health management
- Consider human rights policy

Process to Identify Material Sustainability Tasks (Materiality)

We combined and mapped the information after identifying issues that are highly important for society and stakeholders as well as for the MEDIPAL Group, as shown in the chart below. After discussion on order of priority and appropriateness, we identified materiality for the MEDIPAL Group in six categories.



Step 1 Identify social issues	We comprehensively listed 85 items of social issues that reflect industry trends and perspectives on the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB) Standards, SDGs, and other long-term matters.
Step 2 Evaluate importance	Questionnaires on the items of social issues identified in Step 1 were sent out to the CSR Committee members, outside directors, and managers, with instructions to evaluate the items from the perspective of the degree of importance to society and our stakeholders and the degree of importance to the MEDIPAL Group and to assign priorities.
Step 3 Create a draft of materiality	Based on the evaluations in Step 2 and the opinions of outside directors, the CSR Committee discussed the appropriateness and order of priority of the items and then created a draft of materiality.
Step 4 Discussion and decision at the management level	Management debated the draft produced by the CSR Committee before a decision on the materiality at the Board of Directors.

Relationship Between Materiality and Capitals

We think it is important to leverage the strengths of our Group companies and maximize the use of capitals. We will work on enhancing and expanding our capitals through the material sustainability tasks (materiality).

Material Sustainability Tasks (Materiality)	Relationship Between Materiality and Capitals	Non-Financial Capitals					Financial Capital
		Human capital	Distribution facilities capital	Intellectual capital	Social and relationship capital	Natural capital	
							
Sustainable Distribution in the "Pharmaceuticals, Health, and Beauty" Fields	Programs to build new distribution networks or develop a model for sharing logistics infrastructure enhance social and relationship capital or distribution facilities capital while also increasing the value of intellectual capital through expertise development or patenting. The contributions such programs make to sales and profits also help us to develop a more resilient financial capital base.		○	○	○		○
Enhancement of Profitability through New Value Creation	We expect better synergies across the Group to enhance intellectual capital and distribution facilities capital, while also increasing financial capital as the Company generates new profits. Examples of how we are creating Group synergies include the development of new business models through R&D into rare disease medications, programs aimed at overseas market entry, or business integration in the Food Processing Raw Materials Wholesale and Related Business. We also expect to increase social and relationship capital through the activities of Regional Medical Coordinators, who engage with various partners to resolve healthcare issues in regional communities.		○	○	○		○
Development of Future-Oriented Human Resources	Our programs to improve engagement, introduce new performance review systems, or develop the next generation of leaders may enhance human capital through access to more transformative human resources and increase intellectual capital through greater expertise and organizational strength. Such programs improve our competitive edge and increase productivity, resulting in increased financial capital.	○		○			○
Promotion of Diversity and Inclusion	Human capital can be maximized if we ensure diversity through our women's activity promotion and other programs, retain talented staff by creating employee-friendly workplaces, and foster a corporate culture that respects human rights. On top of this, we can increase the value of intellectual capital through innovation and new value creation, which in turn increases financial capital. We also think that improving our reputation and position of trust with society will help to strengthen our social and relationship capital.	○		○	○		○
Initiatives for Decarbonization	Our programs to reduce greenhouse gas emissions by the Company can enhance distribution facilities capital through green technology installation and help to reduce the degradation of natural capital through climate change mitigation. Helping business partners to decarbonize may increase not only social and relationship capital but also financial capital because of the sales boost from such initiatives.		○		○	○	○
Sound and Transparent Corporate Management	Programs aimed at rigorous compliance help to strengthen human capital by increasing the number of employees with a strong sense of morality. They also develop a sound organization culture that can enhance financial capital. In addition, more sophisticated risk management systems can increase the value of intellectual capital as we accumulate expertise in risk management, and also enhance social and relationship capital by, for example, helping the Company build relationships of trust with our business partners.	○		○	○		○

○: Capitals relevant to material sustainability tasks (materiality)

Materiality Progress Report

The CSR Committee plays a central role in materiality management at the MEDIPAL Group, working in cooperation with relevant departments. We set targets (KPIs) for all materiality sustainability tasks and regularly check on progress made with these tasks. We have now added 100% of male employees taking childcare leave by FY2030 as a new target (KPI) for promotion of diversity and inclusion. In the future, we will review the tasks as needed in line with social and business changes, and will also work to strengthen our initiatives by disclosing the status of progress and through dialogue with stakeholders.

Material Sustainability Tasks (Materiality)	Summary	Targets and KPIs	Results and Main Initiatives (Fiscal year ending March 31, 2024)	Plans and Main Initiatives (Fiscal year ending March 31, 2025)
Sustainable Distribution in the "Pharmaceuticals, Health, and Beauty" Fields	Growing through the creation of social and economic value by building a safe and secure distribution network in normal times and during emergencies	Improve productivity by integrating distribution and create new distribution functions to add ¥1.5 billion to ordinary profit in the FY2026 (compared with FY2021)	• Addition of TOSHICHI CO., LTD. to the Group • Start of shared logistics test operations with joint materials delivery and shared specimens collection • Start of automatic ordering services using AI at PALTAC CORPORATION	• Unification of distribution operations for the Prescription Pharmaceutical Wholesale Business and laboratory testing business • Development of model for sharing logistics infrastructure • Growth in contracts for manufacturer logistics • Development of new distribution network at PALTAC CORPORATION
Enhancement of Profitability through New Value Creation	Connecting various people, goods, and services to create new value for the world in cooperation with partners in a forward-looking spirit	Pursue growth strategies to add ¥21.5 billion to ordinary profit in the FY2026 (compared with FY2021)	• Further R&D on rare disease medications in-licensed from JCR Pharmaceuticals Co., Ltd. • Expansion of digital product lineup (investment in Pestalozzi Technology Inc. and Grace imaging, Inc.)	• Further R&D on rare disease medications in-licensed from JCR Pharmaceuticals Co., Ltd. • In-licensing and marketing of new products in the pre-disease and prevention fields (acquisition of all shares in PreMedica Inc. that operates in this field) • Business integration in the Food Processing Raw Materials Wholesale and Related Business • Expanded sales of new and existing digital products (investment in MNES Inc.)
Development of Future-Oriented Human Resources	Developing future-oriented human resources who work proactively toward achieving the ideal situation for MEDIPAL	Build systems to develop future-oriented human resources	• Design and implementation of Group-wide competency assessment systems that include requirements for future-oriented human resources • Summary proposal development for Group education and training system • Summary proposal development for talent management system, review of how to introduce and develop the talent management system • Development of a human resources training program for the next generation of management and key positions	• Introduction and implementation of a new competency assessment system based on the requirements defined for future-oriented human resources • Development and implementation of systems to develop future-oriented human resources (both Group-wide and company-specific systems) • Development and implementation of talent management systems at the Group level • Roll out of the human resources training program for the next generation of management and key positions
Promotion of Diversity and Inclusion	Creating an open, active, and cooperative culture that respects employees' diverse personalities and enables them to maximize their potential	• FY2030: Percentage of female employees in management positions of 20% or higher • FY2030: 100% of male employees taking childcare leave	• Percentage of female employees in management positions 8.5% • Panel discussion on women's activity • Implementation of survey on career aspirations targeting female employees • Implementation of diversity and inclusion training • 48.1% of male employees taking childcare leave	• Percentage of female employees in management positions 9.0% • Encouragement for male employees to take childcare leave • Implementation of diversity and inclusion training • Promotion of health and productivity management
Initiatives for Decarbonization	Conducting business with environmentally friendly activities to reduce greenhouse gas emissions and our environmental impact together with stakeholders	Targets for reduction of greenhouse gas emissions (Scope 1 + Scope 2) • FY2030: 50% reduction (compared with FY2020) • FY2050: Carbon neutrality	• 10.9% reduction in greenhouse gas emissions (versus FY2020) • Introduction of 54 EVs, switching to eco-friendly electric power at seven sites • Disclosure of Scope 3 emissions, response to CDP questionnaire • Implementation of programs to increase employee awareness	• Reduction in greenhouse gas emissions by 16% (versus FY2020) • Expansion of information disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations • Inclusion of more companies in the Scope 3 calculations • Building a model for optimization of distribution
Sound and Transparent Corporate Management	Maintaining sound ethical standards in all business activities through the enhancement of compliance, regulatory affairs management, information security, and corporate governance	• Expand training in compliance • Construct a corporate governance system to accommodate Group companies	• Hosting of a meeting for employees in charge of compliance, attended by representatives from the Company and all 18 consolidated subsidiaries • Investigations into the development of a Group risk management system • Implementation of information security training and various compliance training programs	• Strengthening of compliance systems for Group companies, led by MEDIPAL HOLDINGS (programs to address the three components of misconduct: opportunity, motivation, and justification) • Development of a Group risk management system, practical application of the plan-do-check-act (PDCA) cycle • Implementation of various compliance training programs

Message from the Director in Charge of Sustainability

Emphasizing program continuity and connecting to the future with "Energy and Brightness"



Yuji Sakon

Managing Director, General Manager of Administration Division, Chairman of CSR Committee
MEDIPAL HOLDINGS CORPORATION

Sustainability Management at the MEDIPAL Group

The MEDIPAL Group contributes to healthy lives through our distribution operations in the "Pharmaceuticals, Health, and Beauty" business fields. Our mission, as defined in our management philosophy, is to increase value in distribution and we believe that our business activities are helping Japan to become a sustainable society. As a corporate group that is part of the social infrastructure, we must be able to provide distribution services at any time without interruption, and we also value our role in connecting various people, goods, and services to create new value. To fulfill this mission, we have defined material sustainability tasks (materiality) and are implementing sustainability activities across the Group. The 2027 MEDIPAL Medium-Term Vision includes sustainability perspectives and provides solutions to social issues through our growth strategies. Dialogue with a range of stakeholders is crucial if we are to make further progress in the future, and we aim to actively increase opportunities for such interactions with the goal of increasing corporate value.

The MEDIPAL Cantabile[1] Program

We include promotion of diversity and inclusion as part of our material sustainability tasks because we believe that human resources with diverse values, who exchange opinions and work with mutual respect regardless of gender, nationality, or background, drive personal growth and the development of the Company. We named our diversity and inclusion initiatives the MEDIPAL Cantabile Program to help disseminate the message in an easily understandable way. We have run various activities under this banner, including a panel discussion with female employees in management positions and sharing the experiences of male employees taking childcare leave. As a result, a sense of personal responsibility is gradually spreading among our employees and we are steadily changing mindsets, as evidenced by the 48.1% of male employees who took childcare leave in FY2023 (an approximately 20% increase over the previous fiscal year). However, the percentage of female employees in management positions is only 8.5% compared with our target of over 20%. We are actively working to achieve this goal by creating employee-friendly workplaces where diverse human resources can actively contribute.

1. Cantabile is a musical term meaning song-like. Everyone working in the MEDIPAL Group wants to be part of a "health support orchestra" that brings a rich song-like tone to the performance, rather than simply playing off the musical score (in their job roles).

Extending the Reach of Our Programs to Realize a Decarbonized Society

We are targeting a 50% reduction of greenhouse gas emissions by Group companies by FY2030 compared with FY2020 and carbon neutrality by FY2050. We are working on various programs to reduce our environmental impact, including the installation of solar panels and introduction of EVs. As well as investment in environmentally friendly hardware, we have also run in-company events for the purpose of improving environmental literacy. We have already achieved an 11% reduction in greenhouse gas emissions versus the base year. However, we must ensure such changes are made across the supply chain if we are to become a decarbonized society, and we see this as a challenge. In the future, we will work with experts in the field and extend the reach of our decarbonization programs in order to increase the accuracy of Scope 3 calculations and set targets.

Deepening Group Governance

We need to build appropriate governance systems to ensure sound and transparent corporate management. Given the expansion in our business portfolio and the diverse range of companies that are now part of the MEDIPAL Group, we have recently started to consider Group company history, culture, and even management temperament alongside company size and business operation as important factors when developing company systems. The answer to governance structures is not one-size-fits-all. In order to make governance more effective across the Group, we will continue to investigate how to strengthen our governance systems with an approach founded on mutual respect and reflective of the circumstances at the various Group companies.

Continuing to Take on Challenges and Not Fear Change

Since our founding, we have continued to take on the challenge of expanding our business portfolio and not fear change as we strive to contribute to people's health and the advancement of society. Our sustainability activities progressed into the execution phase in 2023 and we are now running our programs across the entire Group. Program continuity is key when promoting sustainability management. We will therefore collaborate with a wide range of partners while also proactively taking on new challenges, so that we connect to the future with "Energy and Brightness."



MEDIPAL Group

Human Capital

DATA

Number of Group employees

13,075

Percentage of female employees in management positions

8.5%

Number of ARs*

Approx. 2,400[1]

Vision

Realizing the ideal organization (fostering of a creative corporate culture and diverse human resources), ideal human resources (future-oriented human resources), and ideal human resources portfolio (matching the right person to the right job position)

Strengths

- A shared sense of values emphasized as the standards for making decisions (integrity, morality, and a sense of mission)
- Diverse human resources, embodying our management philosophy
- An organizational culture that generates diverse business models in the "Pharmaceuticals, Health, and Beauty" business fields

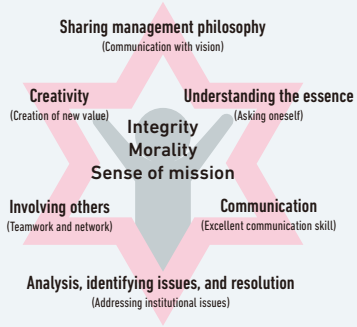
Weaknesses to Overcome

- Centralization, visualization, and analysis of HR data
- Personnel exchanges among Group companies
- Establishing the foundation for Group development targeting systematic, strategic, and sustained development of future-oriented human resources
- Increasing the percentage of female employees in management positions
- Setting concrete indicators (KPIs) and increasing the sophistication of KPI-based management

1. Number of personnel who have passed the MR* qualification exam

Future-Oriented Human Resources

We have defined future-oriented human resources as our vision for the human resources that we need to realize the MEDIPAL Group's management philosophy. We have also identified six human resource requirements: sharing management philosophy; creativity; understanding the essence; involving others; communication; and analysis, identifying issues, and resolution. Having clarified these requirements, we are actively working to develop future-oriented human resources while reviewing our systems for hiring, training, personnel system, evaluation, and compensation, and are putting into practice measures that will enable the MEDIPAL Group to foster a creative corporate culture and allow full participation by diverse human resources.



○ Common values

For its human resources, the MEDIPAL Group places great importance on integrity, morality, and a sense of mission as common values and considers these qualities to be the foundations of decision making.

Integrity: Always take a sincere approach and behave with fairness and honesty
Morality: Act with general common sense as well as in compliance with laws and industry rules
Sense of mission: Take responsibility and behave in accordance with what is right for the organization and oneself

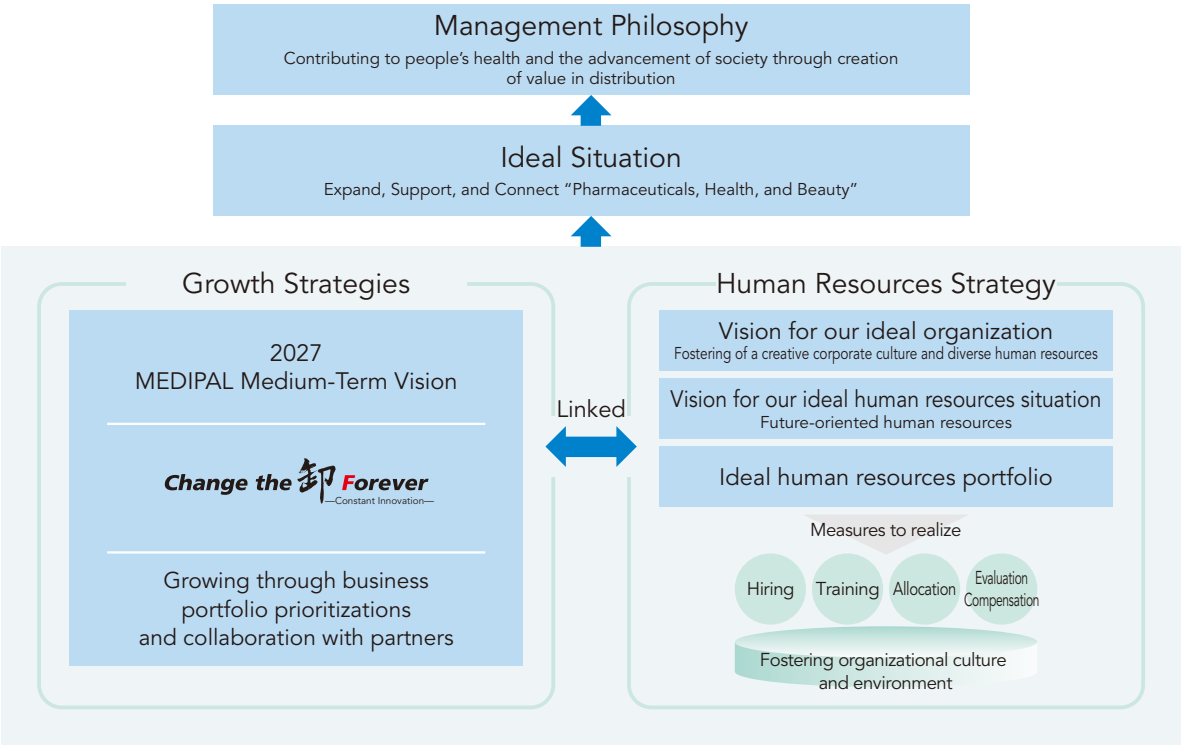
* Please refer to page 74 for explanations of technical terms.

Human Resources Strategy

As we work to achieve our ideal situation and our 2027 MEDIPAL Medium-Term Vision, we are pursuing a human resources strategy linked with our growth strategies because the Group considers human resources to be the source of our competitive edge and corporate value. Our employees across the MEDIPAL Group are a diverse group of people but they share the common value of "integrity," "morality," and a "sense of mission." We are executing a human resources strategy that nurtures their individual personalities, capabilities, and strengths. We actively invest in our people to identify and draw out the potential value of our human capital, and work to orchestrate our resources as a diverse team full of potential, which will lead to sustainable improvements in corporate value.

Overview of Our Human Resources Strategy

To create social value and customer value and to ensure sustainable growth for the Group, we are focusing on a human resources strategy that links with our growth strategies to achieve our ideal situation, and will reflect this in our programs. Specifically, we have defined the ideal situation for both our organization and our human resources and are developing a human resources management program to build the ideal human resources portfolio to achieve our ideal situation. Through this, the MEDIPAL Group will continue to contribute to people's health and the advancement of society by thinking proactively and constantly evolving, no matter what changes we face in the operating environment.

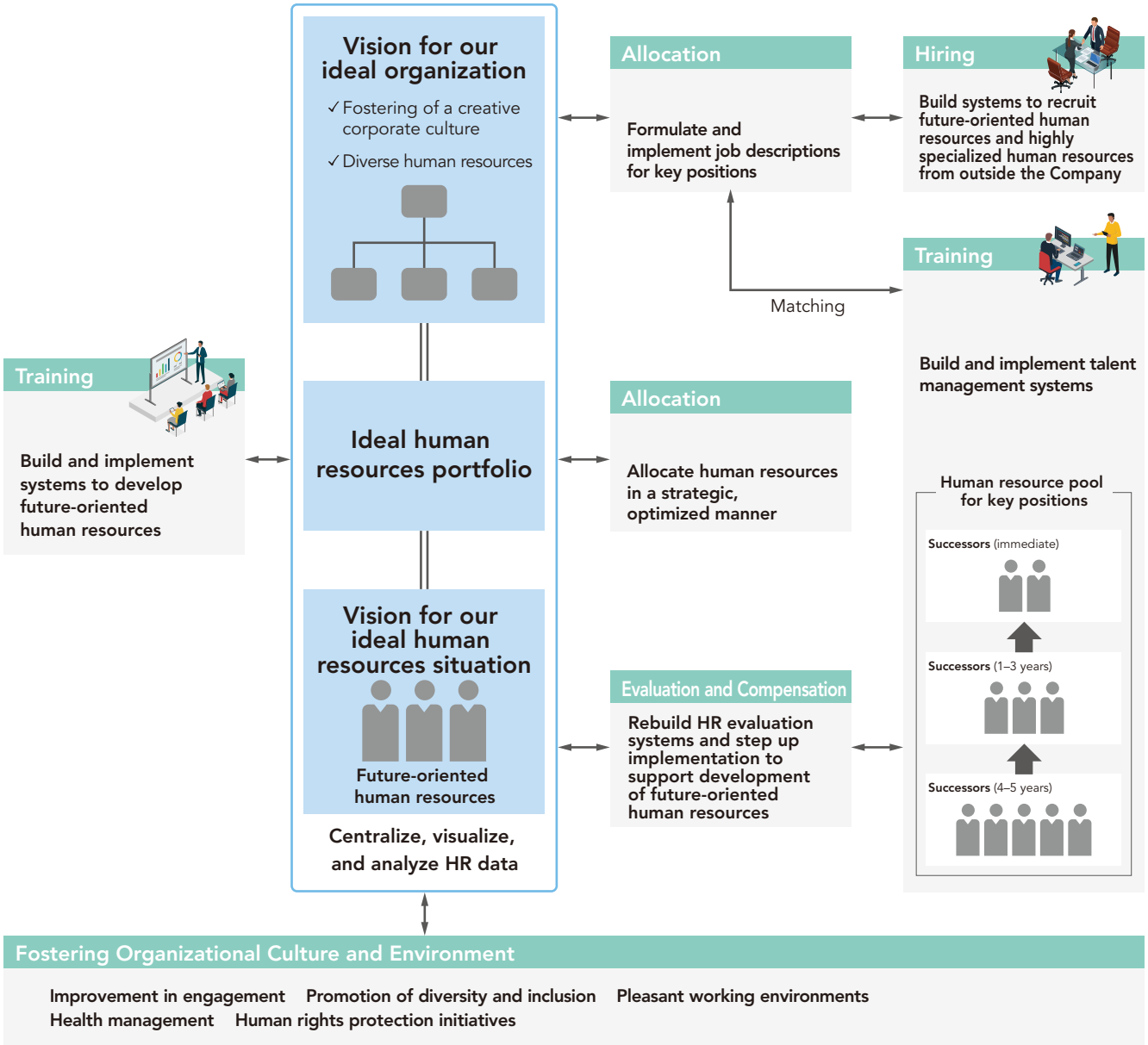


Disseminating and Realizing Our Vision for Ideal Organization and Ideal Human Resources Situation

In order to realize the vision we have for our ideal organization and ideal human resources, we have opened up various communication channels to further everyone's understanding, including opportunities for direct interaction between management and employees, and are drafting and executing human resources management action plans for each function with an emphasis on employee initiative and autonomy.

Realizing the Ideal Human Resources Portfolio

To shift to a business portfolio that will allow us to achieve the Medium-Term Vision, we need to match the right person to the right job position. In our core businesses, we aim to increase added value and productivity while also achieving further growth. In order to shift human resources into what we now define as priority businesses, such as new businesses, medical devices and reagents, and Animal Health Products and Food Processing Raw Materials Wholesale and Related Business, we will analyze the current human resources portfolio for each business and design and visualize targets in order to execute our human resources strategy for both quantity and quality. We will enable faster business decisions and constant innovation by pursuing a human resources strategy to take us into the future. This will allow us to build systems to create social value and customer value and to achieve sustainable growth by the Group.



Systems to Implement Our Strategy

To pursue this strategy, our Human Resources Strategy Department is working out the concept and direction of the human resources strategy for the Group and developing platforms and other programs for overall management. After laying the groundwork in this way, the actual programs are handed over for the administrative and HR departments of each Group company to actually implement. We have set up a Human Resources Committee as the organization responsible for liaising and coordinating between the Human Resources Strategy Department and the HR divisions of each Group company. This committee meets monthly to share, investigate, and discuss problems, measures, and actions. The strategies and measures decided by the committee are reported to the management levels as needed.

Human Resources Committee in FY2023

■ Number of meetings held: 11

■ Main discussion points

- Building an evaluation system and confirming progress on projects
- Sharing the analysis of results from the survey of workplace culture and considering how to utilize the results
- Considering a human resources training program for the next generation of management and key positions
- Considering how to utilize the talent management system

Centralize, Visualize, and Analyze HR Data

The MEDIPAL Group introduced a talent management system in April 2023 for more advanced management of human resources. Centralizing the information on human resources possessed by each company in this system has enabled us to integrate and visualize information for the entire Group. Going forward, we will centralize, visualize, and analyze various HR data, including in-depth work experience and qualifications for individual employees, the skills they possess, and their career plans. This system will allow us to place the right person in the right job position. At the same time, the system provides status reports on employee numbers and sufficiency of suitable human resources for particular roles, and we aim to use this information to build a human resources portfolio that links with our business strategies.

Hiring

We must transform our recruitment activities so we are focused on quality not quantity. We will change our hiring processes by using the requirements for future-oriented human resources for the Group. One of our first actions was to hire 10 human resources with advanced and specialized knowledge to realize the growth strategies in the Group's Medium-Term Vision. In the future, our policy will be to actively hire human resources from outside the Company, including hiring referrals[1] by employees.

Training

Build and implement systems to develop future-oriented human resources

In our Group, each Group company independently implements human resource development measures through on- and off-the-job training and self-study aimed at advancing each Group company's business strategy. In FY2024, we launched a project to build a new Group development system aimed at developing future-oriented human resources, an issue shared throughout the Group, while also strengthening independent implementation further. In this project, we are considering effective measures to developing future-oriented human resources as we analyze the present status of and issues with development measures at each Group company. We are gradually introducing common Group measures that can be implemented from among those considered. To be more specific, programs being implemented include new training to improve management skills linked to goal management and demonstrating competency, correspondence courses to support employees in developing their own careers, and programs to improve DX literacy and develop DX professionals to support the "Enhancement of Business with and in Digital" growth strategy. Going forward, we will continue to maintain a sense of urgency in building and operating a system for developing future-oriented human resources.

Build and implement talent management systems

In parallel with setting up Group-wide systems to develop future-oriented human resources, we consider the creation of Group talent management systems to be an urgent priority. We will provide training tailored to individual needs and support career development, as well as provide more opportunities to be active at work, which will improve employee engagement and reduce employee resignations.

We will focus especially on the systematic, strategic, and sustained development of the talented human resources who will be responsible for the Group in the future through talent reviews and successor development plans for personnel who are candidates for future management, important positions, and other key positions. This will provide the driving force to realize the growth strategies. We formulated and launched our original, new human resources training program for the next generation of management and key positions as part of those efforts. More specifically, we launched the MEDIPAL Project Design Academy for section managers in July 2024 and 16 sections managers participated in the first academy.

Trained ARs*

The Prescription Pharmaceutical Wholesale Business has been implementing its own education program since 2009 to support employees who take the MR* qualification exam. An AR combines the agility of an MS* with the expertise of an MR. The MEDIPAL Group supports its sustainable growth by developing human resources with a strong ethical sense and specialized knowledge to enable them to propose solutions as a "medical coordinator."

AR

The agility of an MS	The expertise of an MR
• Relationships of trust with medical institutions • Routine consultations with doctors • Connections with medical institutions across the nation	• Information and knowledge concerning medicine and disease • Solid relationships with doctors

Allocation

As we execute the five growth strategies in the Medium-Term Vision, we aim to transform our human resources portfolio as the business portfolio shifts.

To transform the human resources portfolio, we will continue to allocate human resources in a strategic, optimized manner by formulating descriptions of the key positions that lead execution of the growth strategies and matching human resources to these positions.

In FY2023, we focused on human resource investment in growth strategy businesses and executed 28 personnel transfers across the Group. We will continue to promote personnel exchanges within the Group as we also target further business development and establishment of a support system to support employees in developing their own careers.

Evaluation and Compensation

We launched a project with members assigned from each Group company to rebuild our evaluation and compensation systems in order to develop future-oriented human resources and provide appropriate evaluation and treatment. In this project, we analyzed the current status of the different evaluation and compensation systems in place at the various Group companies and identified any issues with these systems. We then considered what parts will be retained in a Group-wide system and whether to tailor some aspects for some of the companies, so that we maintain the competitive edge of Group companies while also generating synergies for the Group. This resulted in the definition of MEDIPAL Core Competencies (MCC) shared by the entire Group and we have begun phased introduction and operation of the new MCC-based evaluation system from FY2024, starting with Group companies which have completed preparations for introduction. Linking goal management and competency and strengthening operation of the system so it can promote achievement of organizational goals and achievement of individual goals and development of competency by each employee will facilitate development of many future-oriented human resources. We will also link this to building the optimal human resources portfolio and optimal allocation of human resources as a Group.

1. A process where company employees recommend candidates from their own network or personal relationships for possible recruitment

* Please refer to page 74 for explanations of technical terms.

Improvement in Engagement

The MEDIPAL Group conducts a survey of workplace culture. We use this survey to measure employee engagement and work engagement, or the connections between employees and the Company and their motivation toward work, and identify issues to address in order to realize our ideal organization. In FY2023, we saw statistically significant improvement in employee engagement and work engagement scores, compared to the previous fiscal year. The issues for each Group company are specified and we strive to create an even better workplace culture through dialogue between management and employees, and other initiatives. We will continue to conduct regular surveys, foster a creative corporate culture, and promote the active participation of diverse human resources.

Promotion of Diversity and Inclusion

Based on our Declaration on Diversity and Inclusion, "Creating the shining future with bright personalities," human resources with diverse values, who exchange opinions and work with mutual respect regardless of gender, nationality, or background, will continue to drive personal growth and the development of the Company. The MEDIPAL Cantabile[1] Program engages in grassroots activities that span all Group companies, under the key themes of promoting understanding of diversity and inclusion, ensuring psychological safety, and promoting the active participation of women.

Medipal Cantabile メディパル カンタービレ

1. Cantabile is a musical term meaning song-like. Everyone working in the MEDIPAL Group wants to be part of a "health support orchestra" that brings a rich song-like tone to the performance, rather than simply playing off the musical score (in their job roles).

Diversifying employment

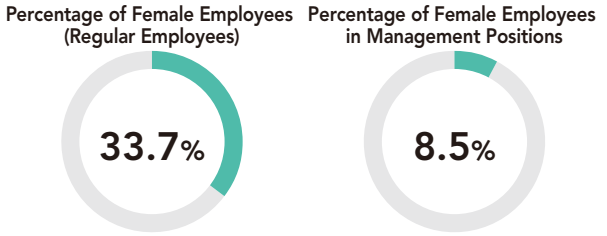
Through hiring categories such as new graduate hiring, mid-career hiring, hiring of employees with disabilities, and rehiring of employees who have reached retirement age, the MEDIPAL Group is leveraging the uniqueness and strengths of each employee.

The percentage of employees with disabilities on a Group average was 2.66% (as of March 31, 2024), and we will continue to actively hire people with disabilities and promote the activities of them.

PALTAC CORPORATION has also begun building an alumni network to enlist the participation of alumni who know the company well and have developed new experiences and knowledge outside of the company (company retirees and those who have declined to accept a tentative job offer).

Promotion of women's activity

We strive to create a workplace environment that makes it possible for all women who work in our Group to achieve a good work–life balance, enabling them to work energetically and grow personally along with the Company. We aim to achieve "percentage of female employees in management positions of 20% or higher" in FY2030, as a target for women's activity promotion.



Awarded the highest level of Eruboshi Certification (Three Stars)

The Minister of Health, Labour and Welfare awarded the Company the highest level of Eruboshi Certification (three stars) as a company that promotes women's activity in business.

女性が活躍しています

■ Awarded companies: MEDICEO CORPORATION, ATOL CO., LTD.

VOICE

Toward the further advancement of women
— Women's Coordinators —



Ayako Ishizaka

Higashi-Nihon Women's Group, AR Training Department
MEDICEO CORPORATION

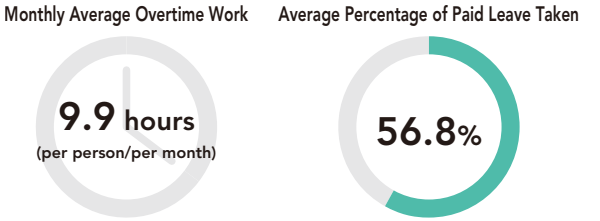
In April 2022, I was appointed as a Women's Coordinator (WCN), a sales representative specialized in female-specific health issues who is responsible for delivering comprehensive information to medical facilities on pharmaceuticals related to women's health, as well as disease prevention, diagnosis, and treatment. I work together with other WCNs stationed nationwide. Women have many concerns, including concerns about specific health issues that arise in each stage of life. While I personally experience the daily tribulations of continuing to work in a sales position while raising children, I think there is great value in acquiring specialized knowledge of obstetrics and gynecology, listening to the issues experienced by doctors, and being able to propose solutions. Women need to have a primary care physician in women's healthcare and regularly undergo examinations in order to facilitate fuller participation in the future. As a working woman and a mother, I want to communicate the importance of both mental and physical health to women in general, in addition to physicians.

Pleasant Working Environments

The MEDIPAL Group creates workplace environments in which employees can work without sacrificing their own lifestyles and values, and provides support to help them lead healthy lives, both mentally and physically.

Promoting workstyle reform

We are promoting effective work styles through the introduction of more flexible systems, including staggered and variable working hours and working from home. We are also working to reduce overtime work and increase the rate of use of paid leave.



■ Implemented at
MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, MEDISKET CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd., MEDIPAL FOODS CORPORATION

Supporting employees' work–life balance

We strive to create employee-friendly workplace environments in which employees can use a number of systems (childcare and nursing care leave systems, shorter working hour system, caregiving leave system, etc.) to realize their work–life balance at every life stage.

In FY2023, the percentage of male employees taking childcare leave was 48.1% in the MEDIPAL Group. We will continue to make employees aware of this system and educate them on its importance in order to actively promote a better understanding of different work styles and encourage more male employees to take childcare leave.

MEDICEO CORPORATION also introduced a system to support working while undergoing treatment for infertility in May 2023, and launched a system to support working while undergoing treatment for cancer in April 2024.

Health Management

As a distribution networking group that supports the business fields of "Pharmaceutical, Health, and Beauty," the MEDIPAL Group actively carries out initiatives to maintain both the physical and mental health of its employees.

Improvement in health checkups and increase in the participation rate

The MEDIPAL Group provides regular health checkups for employees to detect any illness early and to maintain and improve wellness. The participation rate is nearly 100%. Our health checkups offer a wider range of tests than the legal requirements, and we actively encourage employees to receive follow-up health consultations.

Mental health measures

The Group is dedicated to protecting the mental health of its employees, provides mental health education, and performs awareness-raising activities at all Group companies. We have also established an EAP Hotline[1].

Recognition as a "2024 Certified Health & Productivity Management Outstanding Organization"

We have been recognized in the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program, administered by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



■ Implemented at

(Large enterprise category)
MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd., MEDIPAL FOODS CORPORATION

(Small/medium-sized enterprise category)
TOSHICHI CO., LTD., ASTEC Co., Ltd., PharField Corporation, MEDIE Co., Ltd., PreMedica Inc., Medipal Insurance Service Co., Ltd., class A Network Co., Ltd.

Human Rights Protection Initiatives

In the course of its business activities, the MEDIPAL Group respects the individuality of its employees and protects their right to pursue happiness. We protect the human and working rights of all our employees, and work to improve the workplace environment by establishing internal regulations and a hotline that enable smooth work operations. We are also keenly aware of the need to consider human rights and strive to eliminate harassment or discrimination based on gender, age, race, nationality, beliefs, religion, social status, or physical and mental disability, while also respecting the human rights of the many stakeholders involved in our businesses. Following a series of discussions on formulating a human rights policy by the CSR Committee and management, the MEDIPAL Group Human Rights Policy for the entire Group was disclosed in August 2024. We will also continue to conduct human rights due diligence based on the policy.

Please see our corporate website for more information.
https://www.medipal.co.jp/english/csr/social/humanrights/

Development of harassment prevention regulations

Group companies have established the necessary regulations to prevent various forms of harassment and have set up systems that allow all employees to work with peace of mind. Ensuring that anyone making a consultation about harassment will not face disadvantageous treatment, we take strict measures in cases of improper actions.

Establishment of a harassment and interpersonal relation hotline

We have established an external hotline that employees can use for consultations regarding sexual harassment, power harassment, gender harassment, interpersonal relation issues, and other workplace problems. Counselors are qualified industrial counselors, clinical psychologists, and psychiatric social workers. Consultations can be made 24 hours a day via telephone or the internet. It is also possible to have a consultation anonymously.

1. EAP (Employee Assistance Program) hotline: A contact point for employees to consult a professional counselor on a wide range of concerns about their work or personal lives



MEDIPAL Group

Distribution Facilities Capital

DATA

Number of distribution sites

Prescription Pharmaceutical Wholesale Business (ALC*)
13 sites

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business (RDC*)
16 sites

Consolidated capital expenditures

¥20.3 billion

Vision

- **Optimizing the entire supply chain from manufacturing to final consumers**
- **Building the largest healthcare distribution platform in Japan with advanced functionality to provide safe and secure distribution for "Pharmaceuticals, Health, and Beauty"**
- **Improving distribution productivity**

Strengths

- State-of-the-art nationwide distribution network (ALCs, RDCs)
- Safe and secure distribution systems that can deliver in normal times and during emergencies
- High delivery accuracy
- Quality control systems compliant with the Good Distribution Practice (GDP) guidelines
- Distribution systems that are kind to people and the environment (White Logistics Movement)

Weaknesses to Overcome

- Preparations for sharing logistics infrastructure
- Development of supply chain management for realizing sustainable distribution
- Improved productivity and greater logistics efficiency in line with workstyle reforms
- Development of efficient and effective distribution systems (shared logistics, modal shifts, home deliveries, unmanned distribution)

* Please refer to page 74 for explanations of technical terms.

Prescription Pharmaceutical Wholesale Business

The ALC*s are vital distribution bases that enable the MEDIPAL Group to fulfill its role in social infrastructure. We are working to ensure reliable delivery with no stock-outs or errors, and to maintain solid distribution channels that remain in operation even during emergencies.

ALCs are distribution bases for the Prescription Pharmaceutical Wholesale Business. Located close to our customers, these centers have a full line of over 20,000 items in stock, including pharmaceuticals, medical equipment, and clinical diagnostics. We deliver directly to customers, which allows for optimal logistics from receipt of order to delivery of goods. Construction of our 13th distribution base, the Hanshin ALC, was completed in September 2023. This completes a distribution platform for prescription pharmaceuticals covering the entire country.

We have set out to build a new model for pharmaceutical distribution under "Building Sustainable Logistics Business," one of the five growth strategies in the 2027 MEDIPAL Medium-Term Vision. We aim to work together with customers to optimize the entire supply chain, which will help to reduce greenhouse gas emissions, improve productivity, and achieve workstyle reforms.

Features of ALCs

Shortened inspection time
Saving customers time

We provide support for streamlining of customers' operations through distribution functions that leverage high delivery accuracy supported by shortened inspection times by scanning delivery container barcodes (individual scans[1]) among other procedures, and operational support systems linked to ALCs such as PRESUS®* and McHIL®*.

Delivery ratio
Over 99%[2]

In order to properly manage over 20,000 widely varied products, we independently developed a demand-forecasting system based on actual shipments, which has enabled us to achieve a delivery ratio of over 99% with almost no stock-outs.

Ultra-low temperature distribution
–150°C or below

We have developed a storage and delivery system that can handle various temperature ranges, including ultra-low temperatures, to accommodate products such as regenerative medicines that require handling at temperatures of –150°C or below. We are building a distribution platform with different temperature ranges that can deliver anywhere in Japan.

Hanshin ALC Completes Our Nationwide Distribution Network

As part of our efforts to build a sustainable society in which everyone can live with physical and mental well-being, the MEDIPAL Group is working to optimize the entire supply chain that runs from manufacturers shipping pharmaceuticals and other products through to patients. We are making the most of the technologies and expertise built up through our business operations thus far. With the establishment of the Hanshin ALC and the various new capabilities this site offers, we will be able to provide customers with new value in our distribution services.

Basic data on the Hanshin ALC



Capital expenditures: Approx. ¥26.7 billion
Annual shipment value (at operational start): Approx. ¥240 billion

Features of the Hanshin ALC

- Optimized distribution from order receipt to delivery due to the extensive and wide-ranging product inventory
- Improved order fulfillment rate due to our proprietary demand forecasting system
- Fewer tasks due to the productivity provided by AUPUS* II logistics (for some processes, number of tasks reduced by 50%)
- Increased productivity of the third-generation picking system (seven-fold improvement versus the first-generation system)

Measures to address the 2024 logistics problem

We have adopted a booking system for incoming shipments at the Hanshin ALC to solve the problem of long waiting times for truck drivers during product arrival. As well as solving the problem of truck driver waiting times, we are also working to eliminate paper packing slips. We started to roll this system out across all ALCs nationwide from April 2024.

Future initiatives at the ALCs

We are working to eliminate heavy labor at our ALCs by adopting the concept of human–machine collaboration, with a focus on highly productive, labor-efficient work that can be done easily and accurately by anyone. At the Hanshin ALC, we have achieved better productivity and delivery accuracy than initially expected. We will continue to evolve and develop logistics functions that align with the times, aiming to achieve our vision for logistics.

1. A method shortening product inspection time by switching from the conventional method of reading packing slips to scanning information for individual products from barcodes on the delivery boxes
2. Normal delivery ratio of 99.8%

* Please refer to page 74 for explanations of technical terms.

Nationwide Rollout of Sharing Logistics

MEDISKET CORPORATION, established in March 2022 by the MEDIPAL Group and H.U. Group Holdings, Inc., is working to address workstyle reforms and other social problems, improve customer convenience, and be more environmentally sustainable (reducing greenhouse gas emissions) through a sharing logistics approach to the delivery of pharmaceuticals and laboratory test materials and the collection of test specimens from clinical laboratories, clinical trials, and research.

The distribution industry needs to address various external issues, including a shortage of workers combined with increased delivery volumes. In the healthcare sector as well, the grace period has come to an end in Japan's laws on workstyle reforms for doctors, nurses, pharmacists, and other medical professionals, so steps are now being taken to manage workloads and shorten working hours in order to protect the health of doctors and other medical workers.

From the perspective of distribution, these reforms may drive greater operational efficiency and environmental sustainability at medical institutions and dispensing pharmacies, so MEDISKET is introducing more efficient services, such as inspection-free processes, as well as shared deliveries (i.e., sharing logistics) for pharmaceuticals and lab test specimens.

Resolving social issues
Workstyle reforms for drivers and medical professionals

Improving convenience
Deliver various product types

Environmentally friendly
Reduce CO_2 emissions through shared deliveries

Initiatives to date and future perspectives

Steady progress is being made with the transfer of sites that will form the basic infrastructure. There were 192 sites as of March 31, 2024, and we expect to transfer over 300 sites in FY2024.

For sharing logistics (pharmaceutical delivery on the outward journey, lab test specimen collection on the return journey), a feasibility study was completed in Chiba Prefecture and we will now roll this out to major cities across the nation from FY2024.



VOICE

Creating new value in distribution
— Sharing logistics —



Satoru Tsukada

General Manager of Pharmaceutical Division
MEDISKET CORPORATION

We will be the first company in our industry to attempt sharing logistics for pharmaceutical deliveries and lab test sample collection. The challenge lies in trying to change conventional business practices.

We are helping customers move away from conventional practices where the driver checks the lab sample and test request slip before accepting the order for collection. We will switch to a driver pick up method that uses dedicated boxes supplied to the customer in which they can seal or lock the sample securely for collection. This system makes the collection process much more efficient.

During the pilot phase in FY2023, we received feedback on how meaningful the efficiency improvements would be for society, including as a measure to address climate change or the 2024 logistics problem. In FY2024, we will take on the challenge of a nationwide roll out for this sharing logistics system to create new value in distribution.

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

PALTAC CORPORATION aims to achieve further optimization and improved efficiency across all distribution processes, from manufacturing to consumption.

The company will not limit its efforts to simply reducing distribution costs, but will take a more holistic view in its investigations and work to eliminate waste in all store-based distribution processes and improve productivity across the entire supply chain. We have already established an excellent reputation both inside and outside the industry, achieving 99.999% accuracy in product delivery, and we continue to evolve our proprietary logistics systems. The factor is the company's 16 large-scale RDCs* located across Japan. PALTAC has created a database of the sales plan and sales results for 50,000 items, and applies the results of data analysis to cost rationalization initiatives, starting with appropriate production volumes at manufacturer customers right through to inventory control and product displays at retail customer stores. In this way, the company delivers high accuracy and quality solutions.

We have formulated the three-year Medium-Term Management Plan PALTAC VISION 2027 that runs through March 2027. This plan was unveiled on May 13, 2024. PALTAC is "Taking on the challenge to create new value: developing a new logistics model" as one of four key strategies identified in PALTAC VISION 2027, and aims to develop an industry-leading logistics model with far and away the highest productivity as part of this strategy. As the decline in working population picks up pace, we will pursue increased efficiencies and further optimization of the supply chain by delivering highly productive distribution functions not seen before at the intermediary distribution level for cosmetics, daily necessities, and OTC pharmaceuticals. Moreover, we aim to improve the selling, general and administrative (SG&A) expenses ratio and increase the efficiency of capital investment through the new distribution model and look to build business foundations for sustained growth even when distribution costs and resource prices are soaring.

Features of RDCs

Delivery accuracy
99.999%

The use of JAN and ITF codes for scanning and weight inspection results in minimal mistakes during delivery to stores. Also, we have introduced a high-precision system capable of handling EDI in distribution. This ensures speedy and waste-free logistics by eliminating delivery mistakes.

Enhanced productivity
x2

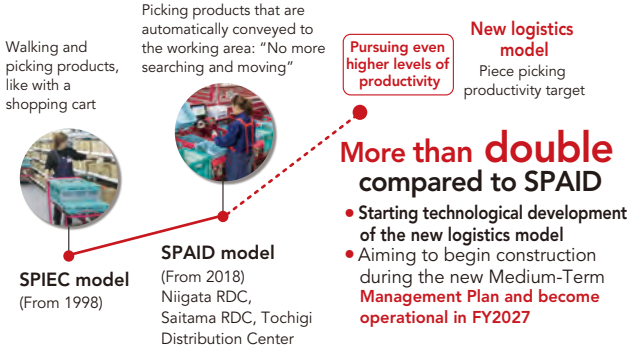
The introduction of SPAID* has doubled productivity without increasing the number of workers. Introducing robotic solutions for dangerous or labor-intensive work has both strengthened our distribution functions and created distribution centers that are more comfortable for employees.

Number of patents
18

We are pursuing distribution technologies to achieve high productivity and low cost. In order to create a new distribution system that utilizes cutting-edge AI technology and robotics, we are progressing with in-house technology development, and have acquired patents for 18 devices and systems.

Developing an Industry-Leading Logistics Model with Far and Away the Highest Productivity

Changing logistics models and next targets



Domains where the value of our logistics solutions could be provided



Drawing on the logistics know-how we have built up over time, we aim for even greater productivity through the latest SPAID model that combines AI technologies with robotics. We are working to develop a new logistics model with more than double the productivity of previous systems. Through this, we will achieve far and away the highest productivity in existing domains and acquire new know-how, while also building distribution networks through collaborations beyond our industry and gaining know-how in new domains such as food logistics. Our overall aim is to further expand the domains where we can provide value through our logistics solutions.

* Please refer to page 74 for explanations of technical terms.



DATA

Earnings contributions from new businesses

Gross profit from new businesses	Development investment programs
¥8.7 billion	Over 20 programs

MEDIPAL Group

Intellectual Capital

Vision

- **Develop new business models in the "Pharmaceuticals, Health, and Beauty" business fields that meet needs for products that support people's lives and well-being and create markets**
- **Create new value by developing a borderless supply chain network**

Strengths

- Insight and execution capable of identifying promising concepts (projects or needs) at an early stage and connecting them to new value creation
- Highly efficient and accurate distribution systems to meet diverse needs, and credibility
- Synergies between logistics know-how across the Group
- Information-gathering and provision capabilities covering medical institutions across the country
- Manufacturing technologies for unique materials from natural sources

Weaknesses to Overcome

- Enhancement of the business with and in digital
- Discernment and knowledge sharing within the organization when evaluating and signing new programs to expand the pipeline in the PFM®* business
- Acquisition of expertise in pharmaceutical development procedures
- Acquisition of expertise to build overseas sales bases
- Discernment when building partnerships in prevention and pre-disease fields
- Knowledge relating to DX and oral health in dentistry fields

* Please refer to page 74 for explanations of technical terms.

Strengthening Strategies

The MEDIPAL Group has accumulated expertise and knowledge as intellectual capital through our work to upgrade and enhance logistics functions to meet diverse needs, as well as our efforts to develop PFM®*, PMS*, and other new businesses. We are leveraging this intellectual capital and executing the growth strategies set out in the 2027 MEDIPAL Medium-Term Vision to enhance our human resources with advanced and specialized knowledge, deepen our collaborations with various partners, and expand our business domains. We will work to improve our knowledge and discernment when developing new business models, while also continuing to share knowledge within the organization and strengthen our intellectual capital further.

Overview of New Businesses

The business environment in Japan has become increasingly difficult due to the ongoing decline in the birthrate coupled with an aging population, ballooning social security costs, and a shrinking working population. These environmental changes are not temporary trends and we expect them to impact the healthcare industry and all businesses in the MEDIPAL Group. We have started developing new businesses so that we can transform our earnings structures to be more resilient to government actions, such as changes to the medical insurance system.

The competitive superiority of our new businesses lies in our ability to identify projects with potential at an early stage then put in place a business model capable of not only achieving commercial success but also social value. We are able to do this using our keen business insight and ability to execute.

Taking full advantage of our strengths such as a nationwide distribution platform and the expertise of our human resources, we create markets based on meeting the needs of pharmaceutical companies, medical institutions, and doctors and other medical professionals. We focus on new business activities in the areas of PFM®, which launched in 2011, the provision of proper information by ARs*, PMS, digital businesses that integrate face-to-face relationships with digital communication, and overseas businesses.

Contribution of new business initiatives to business performance

Steady growth by new businesses has made significant contributions to earnings. We are currently in a period of change as we move into the next growth stage. However, new businesses that are part of our business portfolio prioritization strategy outlined in the Medium-Term Vision have been positioned as priority businesses and we are targeting ordinary profit contributions of ¥20 billion in the fiscal year ending March 31, 2027.

Significance of PFM® and main products

The PFM® business model encompasses the development and stable supply of orphan drugs, thus embodying the MEDIPAL Group's social mission of contributing to improving quality of life for patients suffering from rare diseases and their families. We will continue to support the commercialization and stable supply of orphan drugs to treat rare diseases by utilizing our sophisticated logistics know-how, our knowledge and discernment in the rare disease field, and our strong relationships with pharmaceutical manufacturers in this field.

New Business	FY2021	FY2022	FY2023
AR activities	¥1.6 billion	¥1.5 billion	¥1.0 billion
PFM®	¥7.8 billion	¥7.8 billion	¥8.0 billion
PMS	¥0.1 billion	¥0.5 billion	¥0.3 billion
Digital businesses Other	¥(0.4) billion	¥(0.5) billion	¥(0.6) billion
Total gross profit	¥9.1 billion	¥9.2 billion	¥8.7 billion

Including gross profit from the sale of related products

Highlight

In-house business contest at MEDIPAL Group ZERO ONE competition:

Targeting new business creation and operational transformation

MEDIPAL has started an in-house business contest for all Group companies called ZERO ONE as an initiative to achieve the 2027 MEDIPAL Medium-Term Vision. The ZERO ONE competition invites employees to submit ideas for new business creation and operational transformation with the goals of realizing a society in which everyone can live with physical and mental well-being and enhancing our corporate value. In this first round of the competition, employees were invited in July 2023 to submit ideas on MEDIPAL Group transformation under the theme of "A Better Future." A total of 187 submissions were received from 311 applicants. The final judging session saw 26 participants in 7 teams give enthusiastic presentations on their ideas. The winning ideas will be commercialized with support from the Company.



* Please refer to page 74 for explanations of technical terms.

Initiatives Aimed at Moving into Overseas Markets

For "Expansion of Overseas Business," one of the five growth strategies in the Medium-Term Vision, we are leveraging the highly advanced distribution functions of the MEDIPAL Group and utilizing partnerships to tackle new business in global markets. In October 2022, MEDIPAL and JCR Pharmaceuticals Co., Ltd. executed a memorandum granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR Pharmaceuticals for ultra-rare lysosomal storage diseases (LSDs). Then in September 2023, we secured a license to commercialize JR-446 overseas for mucopolysaccharidosis type IIIB (MPS IIIB or Sanfilippo syndrome type B) and concluded a contract to partner on the development and commercialization of JR-446 in Japan.

JCR Pharmaceuticals is focused on the research and development of several products for the treatment of rare LSDs that use J-Brain Cargo[1], JCR's proprietary blood–brain barrier (BBB) penetration technology. Ultra-rare diseases have very small patient populations, which generally makes new drug development challenging. The MEDIPAL Group will support new drug development in these ultra-rare disease fields.

Progress toward commercialization

We will continue to create value for society as a company involved in healthcare to help patients around the world who are waiting in hope for new drugs to be developed. For the two programs where we currently have development rights, we are focusing on development for commercialization. We are progressing JR-446 for MPS IIIB, the most common form of LSD, and aim to start clinical trials in FY2024.

Future initiatives

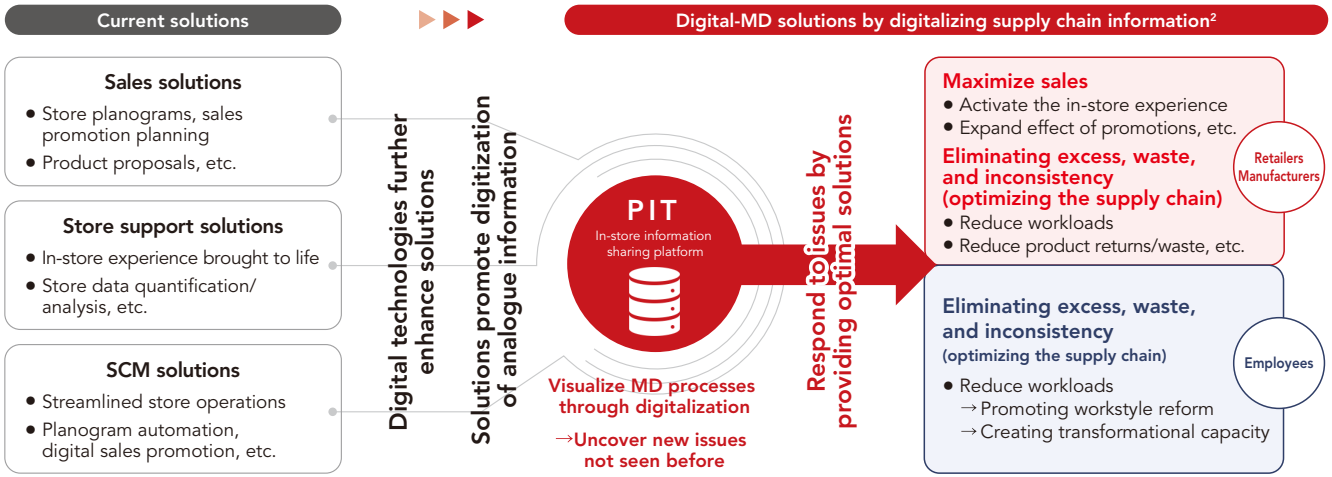
We are working toward commercialization with the goal of supplying pharmaceuticals as soon as possible for patients suffering with diseases for which there are no treatments. We also expect this business to generate higher profit margins than existing businesses. We are currently in a phase of making the necessary investments in this business.

Digitalizing Supply Chain Information

Taking on the challenge to create new value

One of the key strategies in PALTAC VISION 2027 is "Taking on the challenge to create new value."

There is a lot of logistics information in the supply chain that has yet to be visualized. PALTAC CORPORATION is using in-house functionality to turn this information into data for input into the PIT information-sharing platform in order to visualize distribution processes. This will allow the company to uncover issues not seen before and deliver solutions to optimize the entire supply chain, including programs to reduce the environmental burden through fewer product returns and sales growth in a store-oriented fashion.



1. A proprietary technology developed by JCR Pharmaceuticals that allows a target substance to penetrate the BBB using transferrin receptors which appear on the surface of endothelial cells in brain capillaries
2. Digital merchandising solution: A service that digitally solves product merchandising issues that originate in the store

Expansion of Prevention and Pre-disease Business

Another growth strategy in the MEDIPAL Group's Medium-Term Vision is "Expansion of the Prevention and Pre-disease Business." We are investing to expand our product portfolio to include state-of-the-art medical testing equipment and reagents.

As part of this strategy, on May 31, 2024, we completed an agreement made with Noritsu Koki Co., Ltd. to acquire all shares in the latter's subsidiary company PreMedica Inc., which provides value-added test services.

PreMedica specializes in disease risk testing in the field of preventive medicine, a business that aligns with the current healthcare trend of shifting the focus from treatment to prevention. The company uses cutting-edge technologies to gain a better understanding of the risk of future disease onset in a wide range of fields. This information can help test recipients manage their physical condition so that they are less likely to develop a particular disease in the future. Good health is said to start with a good diet and PreMedica also offers the Flora Scan® test to investigate gut flora. Sales growth is expected via non-hospital sales channels.

Acquired All Shares in PreMedica Inc.

- Aligns with the healthcare trend of shifting the focus from treatment to prevention and pre-disease
- The PreMedica business is compatible with the MEDIPAL Group's growth strategies and is expected to have synergistic effects.

PreMedica

Generating synergies with the MEDIPAL Group's businesses in the Pharmaceuticals, Health, and Beauty business fields
Added-value test services to determine disease risk

LOX-index®

This test measures the levels of substances thought to cause arteriosclerosis and assesses the risk of developing cerebral or myocardial infarction occurring in the future. The test can be taken at partner medical institutions nationwide.

Flora Scan®

A gut flora test service developed through joint research by Kyoto Prefectural University of Medicine, Setsunan University, and PreMedica Inc. The test analyzes the types of gut flora present and the results can be used to manage health through better dietary habits and other measures.

Expansion of AGRO & FOOD Business

In March 2023, the MEDIPAL Group added Sumitomo Pharma Food & Chemical Co., Ltd. (now MP Gokyo Food & Chemical Co., Ltd.) to the Group. This acquisition has allowed us to combine the new subsidiary's competitive products created through its strong R&D capabilities, such as natural polysaccharides and healthy functional ingredients, with the MEDIPAL Group's broad distribution network. We are now pursuing synergies in the prevention and pre-disease business and working to deliver the resulting value to even more people.

GLYLOID® in Food Product Development

GLYLOID® is a polysaccharide tamarind seed gum supplied by MP Gokyo Food & Chemical. Its unique properties make it suitable for a range of applications in food and personal care products and even industrial chemicals. GLYLOID® is an excellent stabilizer from the perspective of mouthfeel and ease of use, and can even be used in high protein and nutrient-rich foods where demand is forecast to increase. GLYLOID® has a role to play in the development of these types of food products and help us embody the "Your Helping Hand" corporate slogan.



The GLYLOID® Japanese-language product website (https://www.glyloid.com/) has information on GLYLOID® use and various technologies.

VOICE

Promoting research activities
— Pioneering polysaccharide business —



Yumeo Suzuki

Planning & Coordination of Research, Development & Technology
MP Gokyo Food & Chemical Co., Ltd.

The tamarind seed product GLYLOID® was commercially produced and marketed in 1964 for the first time in the world. It is an original product from MP Gokyo Food & Chemical. Our company took a leading role in the development of this polysaccharide business some 60 years ago in the early stages of manufacturing industrial history. We have achieved significant growth as a pioneer in polysaccharides. This year marks the 60th anniversary of this product, so we are stepping up our promotional activities including the launch of a special website. From a research perspective, we aim for greater innovation to develop this business further in the future and are setting up a Tamarind Seed Gum (Xyloglucan)[1] Research Forum. We will use the Research Forum as a venue to discuss the findings of in-house and external research on tamarind seed gum and future prospects, which may spur further research activities.

1. Xyloglucan is the main polysaccharide found in tamarind seed gum and scientifically speaking there is a lot of research underway into xyloglucan. We have therefore included xyloglucan in the name of the Research Forum.

Message from the Director in Charge of Business Development

We will accelerate our active growth investments aimed at business portfolio prioritizations.



Toshihide Yoda

Senior Managing Director, General Manager of
Business Development Department
MEDIPAL HOLDINGS CORPORATION

Current Perceptions of New Businesses

We have developed four new business areas thus far: AR activities, PFM®*, PMS*, and digital businesses. We have grown these businesses so that today they generate some ¥9 billion in gross profit and are capable of contributing to MEDIPAL Group earnings.

We have nurtured these businesses for 10 years or more and many of them have already been handed over to Group companies where they are generating stable profits. We are now moving into the next phase where we need to create new sources of growth. We are working across the entire MEDIPAL Group to expand into new business fields. In the business fields of "Pharmaceuticals, Health, and Beauty," we are exploring and ploughing new ground to develop new businesses that will contribute to the growth of the Group. I want to present information on the types of programs we are working on and the results being generated in a clearer format so that we can build a better understanding with our stakeholders.

PFM® has already grown into a business that generates steady profits and we expect demand for these services to rise further moving forward. We therefore need to develop more advanced strategies through to the final year of the 2027 MEDIPAL Medium-Term Vision. Some of the development costs for current business schemes are currently borne by MEDIPAL. In the future, we look to obtain manufacturing and marketing licenses with a view to moving into overseas markets. Our goals are exactly the same as when we took the PFM® concept and developed it further upstream in the value chain.

Growth Strategies — Expansion of Overseas Business —

For the "Expansion of Overseas Business" strategy, one of the five growth strategies in the Medium-Term Vision, we are working on the development and commercialization of ultra-rare disease medications originated by JCR Pharmaceuticals Co., Ltd.. In September 2023, in partnership with JCR Pharmaceuticals, we secured a license to commercialize JR-446 overseas for mucopolysaccharidosis type IIIB (MPS IIIB or Sanfilippo syndrome type B) and concluded a contract on the joint development and commercialization of JR-446 in Japan. The clinical trial notification (CTN) for a Phase I/II study has been accepted by the Pharmaceuticals and Medical Devices Agency (PMDA) and the required reviews have been completed. The study is scheduled to start in Japan by September 2024. MPS IIIB is a type of lysosomal storage disease (LSD) that presents with severe central nervous system symptoms. It is an ultra-rare disease that affects an estimated 500 to 1,000 individuals worldwide[1]. There are currently no approved treatments available. To help patients suffering from this disease, we aim to gain approval for the JR-446 program and deliver the treatment to patients as soon as possible.

This business is completely different from the standard wholesaler business model we have pursued to date. We expect to grow earnings, but also think this business has significance for the broader community through the contributions it makes to patient treatment.

Growth Strategies — Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business —

Acquired as a subsidiary in May 2024, PreMedica Inc. offers test services that can visualize the risk of developing, for example, cerebral/myocardial infarction, dementia, pancreatic cancer, colon cancer, or chronic kidney disease. PreMedica's tests are used by many annual health check services. The LOX-index® test investigates the risk of developing cerebral or myocardial infarction. PreMedica developed this test and obtained patent rights. This product is the most widely used test in this field of medicine in Japan, in terms of the number of medical facility users and the number of people tested.

For many years, the MEDIPAL Group has wanted to develop business at the pre-disease stages before people get sick. Through this new business scheme, we will pursue a growth strategy that combines the value-added testing services provided by PreMedica and the nationwide business resources of the MEDIPAL Group (including our network of medical institutions, sales resources, and distribution network). Another PreMedica test is Flora Scan®, which tests gut flora. The company expects to expand sales channels beyond the

1. Based on data from the Ministry of Health, Labour and Welfare's public research and JCR's own investigations

* Please refer to page 74 for explanations of technical terms.

current medical institution route and into non-hospital channels, so we expect business synergies with all the MEDIPAL Group companies and not just the Prescription Pharmaceutical Wholesale Business.

MP Gokyo Food & Chemical Co., Ltd., a subsidiary since March 2023, offers a wide range of products in the food and chemical raw materials fields. As well as gut flora testing, PreMedica Inc. is also starting to provide dietary guidance suited to the individual. We expect to create business synergies between PreMedica and MP Gokyo Food & Chemical, and think this will generate significant progress in the MEDIPAL Group growth strategy of "Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business."

Use of Human Capital

To implement new businesses and other ventures, in Japan we mostly appoint human resources from within the Group. We advertise positions internally as needed. We provide those human resources who have demonstrated a proactive attitude the opportunity to take on new challenges and further their career. This approach also has positive effects for the Group as a whole.

Some employees of the MEDIPAL Group have experience from pharmaceutical company or overseas postings, and we can draw on these human resources when developing our business overseas. It is not an easy task to recruit human resources in local markets or to obtain marketing authorization and then sell pharmaceuticals in compliance with local laws, so helping our employees develop this type of experience in their career can also help our business to grow in the future.

However, we can also make solid progress in business development through the recruitment of people with experience and a good track record for roles that require specialist expertise. Over the past few years, we have worked to recruit such expert human resources. As we progress new business initiatives, we have had to make upfront investments to secure and develop our human resources, but we are definitely starting to see the results today.

Investment in Growth

We are currently at the stage of actively making the growth investments needed for business portfolio prioritizations. Previously, most of the investment proposals were in the prescription pharmaceuticals area, such as PFM®*, but we have recently seen an increase in proposals in various other fields, including digital, testing, and foods. Our track record through the CVC fund amounts to 12 projects, including the investment in MNES Inc. in April 2024. The CVC fund considers over 70 proposals each year. The fund reviews in detail the potential returns and synergies with MEDIPAL Group businesses, and invests in programs that fit the fund's criteria. The investment in MNES was aimed at the forthcoming era of "full cloud" implementations for medical information.

More recently, we have considered more proposals for large-scale investments, including in a business to develop rare disease medications overseas and to make a company a wholly owned subsidiary. These investments are an essential part of our business portfolio prioritizations and, although they also bring a certain amount of risk, we will continue to actively invest in this way to ensure future business growth.

Initiatives in ultra-rare disease medications development and commercialization

June 2024	PMDA accepted and completed review of the CTN for a Phase I/II study on mucopolysaccharidosis type IIIB (MPS IIIB or Sanfilippo syndrome type B)
February 2024	Participated in 20th WORLDSymposium™ 2024 (San Diego, United States)
January 2024	Launched an information-based website "Rare Disease Insights for Everyone": https://www.medipal.co.jp/english/rare-disease/index.html
September 2023	Secured a license on overseas commercialization of JR-446 for MPS IIIB (Sanfilippo syndrome type B) and concluded a joint development and commercialization contract for JR-446 in Japan
April 2023	Established new Pharmaceuticals & Global Business Development Department as part of the Business Development Division
February 2023	Participated in 19th WORLDSymposium™ 2023 (Orlando, United States)
October 2022	Acquired an exclusive license with sublicensing rights for global commercialization outside Japan of a drug substance that targets BBB penetrating human α-L-fucosidase to treat fucosidosis, including research, development, manufacturing, and marketing
October 2022	Executed a memorandum with JCR Pharmaceuticals Co., Ltd. granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR for ultra-rare lysosomal storage diseases: fucosidosis, neuronal ceroid lipofuscinosis type 1 (CLN1), neuronal ceroid lipofuscinosis type 2 (CLN2), and galactosialidosis



DATA

MEDIPAL Group

Social and Relationship Capital

Number of CVC investment projects

12 projects (as of July 31, 2024)

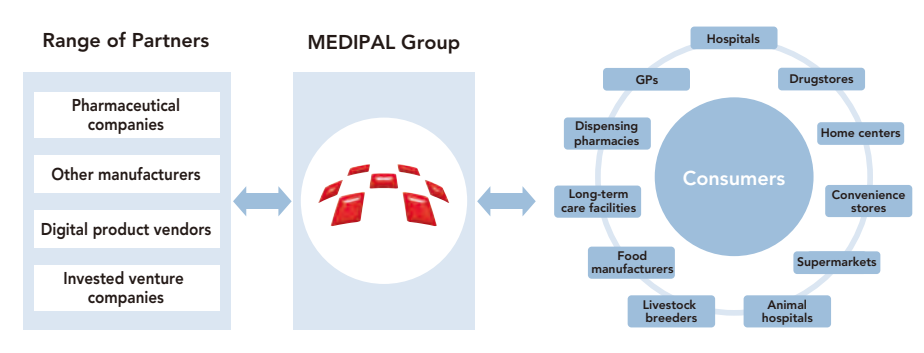
- Digital health: 4 projects
- Drug discovery: 3 projects
- Medical equipment: 3 projects
- Other: 2 projects

Vision

Sustainable growth for the Group by creating of social and customer value through collaboration with partner companies

Strengths

- Ability to create value through co-creation with partners
- Broad nationwide network and strong relationships with municipalities and business partners including manufacturers, medical institutions, pharmacies, and retailers
- Cooperation with start-ups and ventures



Weaknesses to Overcome

- Investigation and selection of best partners in the field of prevention and pre-disease
- Investigation and selection of partners in DX fields
  (clarification of selection criteria)
- Development and disclosure of business schemes to create synergies

Value Co-creation with Various Partners

To respond to diversified social needs, the MEDIPAL Group is collaborating with companies in various business fields to create unprecedented business models as part of the growth strategies in the Medium-Term Vision. We leverage our special capabilities, such as our nationwide distribution network and technology for special temperature-controlled distribution of pharmaceuticals, to deliver groundbreaking services to pharmaceutical companies, medical institutions, and retailers.

Building New Business Models through Collaboration with Companies in Various Fields, Medical Institutions, and Municipalities

Main Initiatives in Building Partnerships

2006 – **Improving the efficiency of medical care**	We entered into a capital and business alliance with Medical Data Vision Co., Ltd. in 2006. We began joint operation of the medical information portal site "Clinical Cloud" with Medical Data Vision subsidiary Doctorbook INC. in 2019.
2016 – **Improving health**	We entered into a capital and business alliance with MTI Ltd. We are working to increase market share by expanding MTI's "Luna-Luna Medico" service, which connects women with physicians, and the maternal and child health handbook app "Boshi-mo."
2019 – **Stable supply of pharmaceuticals**	We entered into a capital and business alliance with Mitsubishi Logistics Corporation. We aim to establish an optimal pharmaceutical distribution system covering all processes from the time products leave the manufacturer's facility until they reach patients.
2020 – **Integration of distribution functions**	We entered into a strategic business alliance agreement with H.U. Group Holdings, Inc., in the medical and healthcare sectors.
2020 – **Enhancing productivity throughout the supply chain**	We are engaged in a joint initiative with major dispensing pharmacy groups and drugstores to develop an optimized model for pharmaceutical distribution to help achieve the SDGs.
2022 – **Pharmaceutical development overseas**	MEDIPAL and JCR Pharmaceuticals Co., Ltd. have executed a memorandum granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR Pharmaceuticals for ultra-rare diseases.
2023 – **Introducing state-of-the-art distribution functionality**	We have increased productivity through the introduction of AI technologies from Fujitsu Limited, and have also introduced a fault detection system for materials handling equipment, jointly developed with SHINYEI Technology Co., Ltd., and electronic shipper container marking (SCM) labels using SmartTags, jointly developed with AIOI Systems Co., Ltd.
2024 – **Moving into prevention and pre-disease**	We acquired all shares in PreMedica Inc. The acquisition is aimed at using PreMedica as a platform to expand the prevention and pre-disease product portfolio and business.

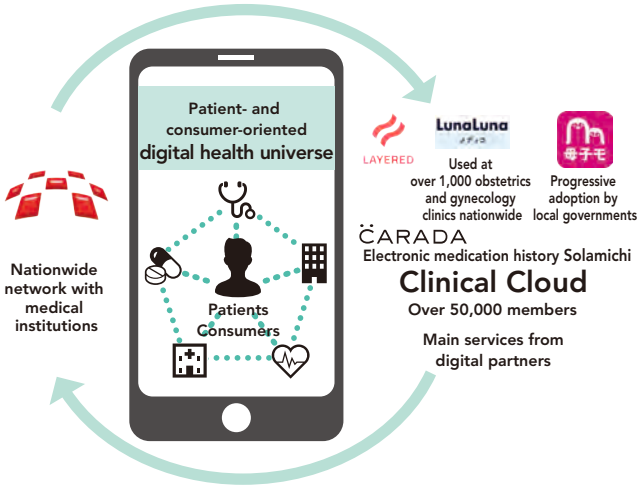
Development of Digital Healthcare Platforms Will Contribute to Healthcare DX

The MEDIPAL Group is promoting and expanding various digital services from digital partners to build digital platforms in medical and healthcare fields and pursue healthcare DX.

In the medical field, we are using the medical information portal site "Clinical Cloud" to provide the latest medical information to clinicians and develop better quality regional cooperation in medical care.

We are also using "Luna-Luna Medico" and DX products for clinics from LAYERED Inc. (operational tie-up announced July 17, 2024) to connect medical institutions and patients and deliver quality medical care.

Another initiative has seen municipalities across the country adopt the "Boshi-mo" maternal and child health handbook app, thereby connecting local governments and consumers (mothers and other child carers) and helping to create a safe and secure society for child-raising.



Actively Investing to Create Business Synergies through CVC

We jointly established the MEDIPAL Innovation Fund with SBI Investment Co., Ltd.

Through this fund, we are using the diverse sourcing functions of SBI Investment and their extensive investment experience to invest in and support the growth of 12 start-ups in Japan and overseas. Our goal is to expand the earnings base and maximize corporate value, as well as contribute to the realization of an economically sustainable society.

Recent Investment Projects

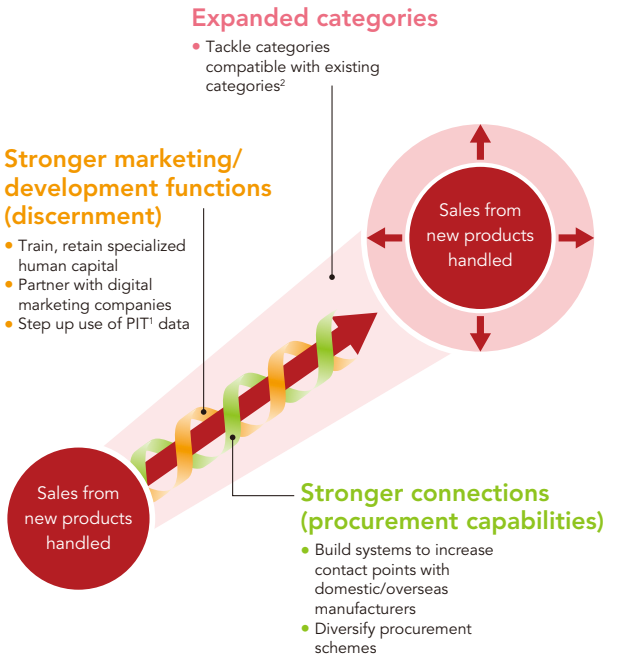
Company name	**Hepalys Pharma, Inc.** Bioventure aiming to develop and commercialize novel therapeutics for liver disease
Category	Drug discovery
Purpose of investment	Hepalys Pharma's main development program is lanifibranor. This small-molecule drug was discovered by the French biopharmaceutical company Inventiva S.A. and is under development as an oral treatment for metabolic dysfunction-associated steatohepatitis (MASH), previously known as non-alcoholic steatohepatitis (NASH). Hepalys Pharma has obtained exclusive rights for development and commercialization in Japan and South Korea in order to bring this innovative new drug to patients in these countries. We are supporting the development of lanifibranor through the MEDIPAL Innovation Fund investment and aim to continue this partnership with Hepalys Pharma to work together on more programs in the future.
Investment timing	September 2023

Company name	**MNES Inc.** Developing business in cloud-based medical-support services and remote diagnostic imaging support services performed by full-time specialists, based on the LOOKREC platform for the management and sharing of CT, MRI, and other medical images in the cloud
Category	Digital health
Purpose of investment	MNES has potential for further business development through the use of its proprietary LOOKREC platform that supports better healthcare efficiency and helps people to live healthy and rich lives. We invested in the company because of the forthcoming full-cloud implementation of medical information and to strengthen our digital business base.
Investment timing	April 2024

Increasing Points of Contact with Domestic and Overseas Manufacturers (Improving Procurement Capabilities)

PALTAC CORPORATION is working to improve its discernment as it expands its product portfolio and steps up marketing in order to respond to increasingly diverse consumer needs, and is also developing its product procurement capabilities through stronger ties with domestic and overseas manufacturers so that it can offer a broader range of products that bring color to daily life.

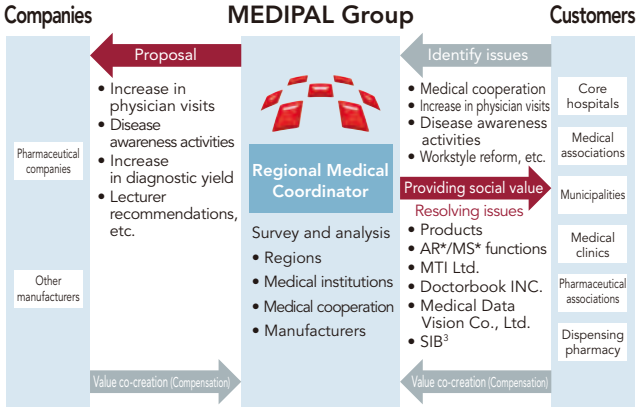
Enhancing the Handling of New Products



Value Co-creation in Community Healthcare

Providing new social value by resolving regional healthcare issues

Value Co-creation in Community Healthcare



Development of marketing activities for specialized fields

We aim to create new value as Regional Medical Coordinators by identifying healthcare issues faced by regional customers, such as medical institutions, local governments, and schools, and proposing solutions to those issues.

• RD-MR

ARs who specialize in rare disease fields are designated as RD-MRs, and mainly provide and collect information on orphan drugs in the hospital market.

• Women's Coordinator

In April 2022, we established Women's Coordinator positions to deliver comprehensive information to healthcare professionals on women's health issues (dysmenorrhea, cervical cancer, etc.) in terms of disease prevention, diagnosis, and treatment. This is the start of our programs to support better health for women.

VOICE

Bringing a smile to the faces of patients with rare diseases and their families
— RD-MRs* —



Mitsuo Komori

Third Field Group, Marketing Department, Sales Division
ATOL CO., LTD.

As RD-MRs, my colleagues and I work as MRs specialized in rare diseases to help patients and their families. Patients with rare diseases have limited treatment options available to them because, as the name implies, their condition is so rare. This is probably because the general public and even medical professionals may have a limited understanding and interest in the condition and pharmaceutical companies marketing therapeutics may not have many resources in this field.

The mission of an RD-MR is to bring more smiles to the faces of patients and their families. To that end, we deliver the latest medical information, through disease awareness initiatives and other activities, and provide support for treatment. Our goals are to cooperate with medical professionals so that patients around the country can get treatment with confidence, develop systems where regional communities overall can support them, and create environments that make it easier to access information on rare diseases.

1. In-store information sharing platform developed in-house
2. Cosmetics, daily necessities, OTC pharmaceuticals, and health/hygiene products
3. Social Impact Bond: An approach to outsourcing public services to the private sector, the Social Impact Bond is a pay-for-success contract in which the outcomes of the project are evaluated and visualized, and payment is tied to the achievement of outcomes.

* Please refer to page 74 for explanations of technical terms.

Social Contribution Activities

The MEDIPAL Group is highly aware that, as a corporate entity, it is also a member of society. Through its activities, it aims to be a company that is trusted by its various stakeholders.

Support for Patients with Rare and Intractable Diseases

The MEDIPAL Group supports Rare Disease Day (RDD), an initiative aimed at improving the quality of life of patients with rare and intractable diseases through better diagnosis and treatment. RDD events are held in February of each year. During that time, MSs* and other employees of MEDIPAL Group companies wear the official RDD badge and work to increase the recognition of rare and intractable diseases.



Support for Activities to Combat Hunger and Poverty

MP Gokyo Food & Chemical Co., Ltd. supports the activities of the Japan Association for the World Food Programme, a certified non-profit organization dedicated to the mission of eradicating hunger and poverty through the United Nations (UN) World Food Programme. As a council member of this association, the company supports initiatives aimed at combating hunger and poverty.

Support for Children Requiring Medical Care and Their Families

MEDIPAL, as a company that plays an important part in healthcare, supports "Momiji House," a short-term in-patient facility for children with serious illnesses and disabilities and their families. It is operated by the National Center for Child Health and Development.

We have also supported an event hosted by the National Medical Care Line, which aims to develop a society where everyone can live with peace of mind, even those with severe disease or disability. The event brought together children who require constant medical care[1] and their families, from all across the country, to share information on the current challenges they face and the support required.



2nd National Medical Care Line Forum

Environmental Conservation Activities

In June every year, the MEDIPAL Group runs MEDIPAL Environment Month, in line with World Environment Day[2] on June 5. Throughout the month, the entire Group gets involved in environmental conservation activities, such as local community clean-up days. These allow the MEDIPAL Group to support local environmental conservation, while at the same time raising employee awareness of the global environment.



1. Children who, due to advancements in medical science, have been long-term patients in a Neonatal Intensive Care Unit (NICU) or similar settings, and continue to need medical interventions such as ventilators or feeding tubes. They require daily medical care, including suctioning of secretions and tube feeding.
2. A day that commemorates the UN Conference on the Human Environment that met in Stockholm from June 5, 1972. The UN agreed to the proposal, tabled by Japan, to designate June 5 as World Environment Day. In Japan, the Basic Act on the Environment (1993) established this day as Environment Day.

DATA

MEDIPAL Group

Financial Capital

Net worth ratio
33.4%

ROE
7.1%

Total shareholder return ratio
39.2%[1]

Vision

Maximizing Group sustainable growth and corporate value based on optimal capital structure

Strengths

- Stable financial position
- Expanding growth opportunities and diversifying risks through the possession of multiple business segments

Weaknesses to Overcome

- Increasing ROE
- Reducing the cost of capital
- Enhancing financial management, including setting concrete indicators (KPIs)

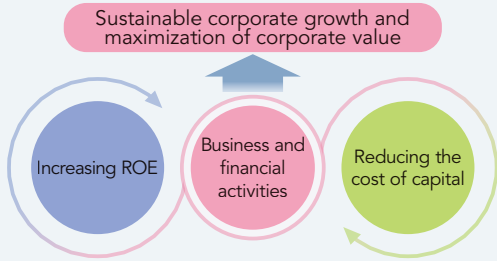
1. The percentage of return on profit before exclusion of amortization of goodwill and intangible assets accompanying the growth investment in the 2027 MEDIPAL Medium-Term Vision over the cumulative two-year period of the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024.

Capital Policy and Shareholder Returns

In order to generate profits that exceed the cost of capital, we will regularly monitor and verify this cost and pursue an optimal capital structure for the Company while ensuring financial soundness.

Basic Capital Policy

Strive for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing ROE and reducing the cost of capital



Strengthening Strategies

Initiatives Aimed at Increasing Return on Capital

The Group is pursuing initiatives aligned with the 2027 MEDIPAL Medium-Term Vision and is implementing five growth strategies through business portfolio prioritizations and collaboration with partners.

We aim to increase profitability through implementation of these strategies and achieve an ROE of 9% in the fiscal year ending March 31, 2027, the final fiscal year of the Medium-Term Vision.

Financial indicators

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2026 Target
ROE (%)	5.6	7.1	7.1	9.0
Net profit to net sales ratio (%)	0.9	1.2	1.2	1.5
Asset turnover (times)	1.94	1.97	2.03	2.00
Financial leverage (x)	3.2	3.1	3.0	3.3

Explanation of changes in main indicators

ROE: ROE was 7.1% in the fiscal year ended March 31, 2024. The net profit to net sales ratio, asset turnover, and financial leverage did not change significantly from and were roughly on par with the previous fiscal year. However, the levels continue to exceed the cost of shareholders' equity.

Net profit to net sales ratio: The ratio was 1.2% in the fiscal year ended March 31, 2024. While both operating profit margin and ordinary profit margin declined due to active advance investment necessary for sustained growth in line with the growth strategies in the Medium-Term Vision, improvement in extraordinary income resulted in the ratio nearly on par with the previous fiscal year.

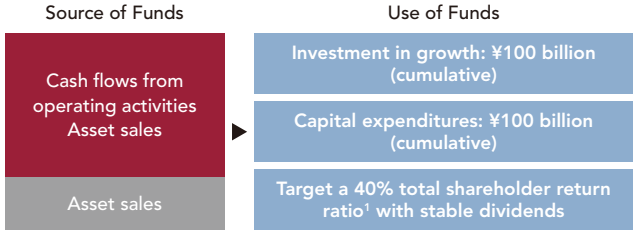
Asset turnover: Asset turnover was 2.03 times in the fiscal year ended March 31, 2024. Asset turnover improved slightly from the previous fiscal year (1.97 times) because growth in net sales outpaced the growth in total assets.

Financial leverage: Financial leverage in the fiscal year ended March 31, 2024 decreased slightly to 3.0x from the previous fiscal year due to the increase in net assets.

Cash Allocation

Vision policy

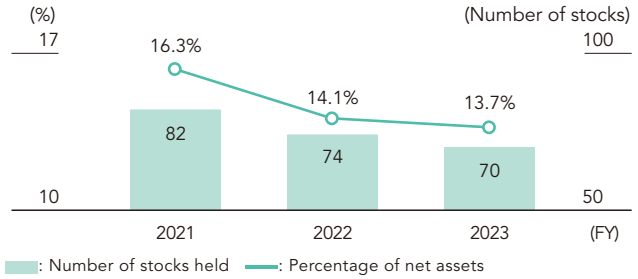
During the time frame of the Medium-Term Vision, we anticipate an increase in cash inflows as we improve asset efficiency, including the sale of assets, in addition to strengthening earning power. Those cash inflows will mainly be used for the investment in growth and capital expenditures necessary to implement the growth strategies in the Medium-Term Vision, and our policy is to achieve a good balance with shareholder returns.



Reduction in strategic shareholdings

Our basic policy is to reduce these shareholdings in the interest of controlling shareholding risk and capital efficiency, and we are steadily pursuing sale. We also intend to limit strategic shareholdings to 10% or less of net assets and ¥50 billion or less by around March 31, 2027.

Status of Strategic Shareholdings



Growth investments and capital expenditures

We have set ¥100 billion in investment in growth and capital expenditures as the standard for cumulative investments during the Medium-Term Vision time frame.

Investment in growth is necessary to achieve sustainable growth of the MEDIPAL Group, and we invested roughly ¥61 billion in acquiring MP Gokyo Food & Chemical Co., Ltd. as a consolidated subsidiary and in development expenses for ultra-rare disease drugs, over the two years from the fiscal year ended March 31, 2023 to the fiscal year ended March 31, 2024.

Capital expenditures are also essential to maintain and develop a safe, secure distribution system. The main investments were in construction to build new and expand distribution centers as well as for repairs. Over the two years from the fiscal year ended March 31, 2023 to the fiscal year ended March 31, 2024, we invested approximately ¥37 billion in establishing the Hanshin ALC* and other projects. We are also planning around ¥11 billion in capital expenditures in the fiscal year ending March 31, 2025. This will mainly include repairs and system upgrades at branches and distribution center facilities.

Shareholder returns

In principle, our policy is to maintain or increase the dividend payout ratio on earnings before amortization of goodwill and amortization of intangible assets arising from the growth investments set forth in the Medium-Term Vision. Simultaneously, we will comprehensively assess demand for funding and flexibly implement share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and further returning profits to shareholders. We will continue to strive to achieve a total shareholder return ratio of 40% for the five-year cumulative period from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2027. This ratio is applied to earnings before amortization of goodwill and intangible assets arising from the growth investments set forth in the Medium-Term Vision. In the fiscal year ended March 31, 2024, we declared annual dividends of ¥60 per share, an increase of ¥14 per share from the fiscal year ended March 31, 2023. We also bought back and canceled approximately ¥10 billion in treasury shares. In the fiscal year ending March 31, 2025, we plan to maintain annual dividends at ¥60 per share, and buy back and cancel around ¥5 billion in treasury shares.

1. Details updated based on the Basic Capital Policy resolved at the Board of Directors' meeting held on May 12, 2023.



MEDIPAL Group

Natural Capital

DATA

Greenhouse gas emissions (Scope 1[1] and Scope 2[2])

73,575 t-CO_2

Percentage of energy from renewable energy

14.5%

Number of Company-owned electric vehicles

143

Vision

- **Reduction in greenhouse gas emissions by 50% in FY2030 (compared to FY2020), and achievement of carbon neutrality in FY2050**
- **Optimization of entire supply chain and reduction in environmental burden**
- **Realization of management incorporating the opportunities and risks posed by climate change**

Strengths

- Building an optimal distribution model through collaboration with customers
- Jointly developing eco-friendly products aimed at expanding ethical consumption
- Reducing greenhouse gas emissions during transportation between distribution centers through a modal shift
- Improving the efficiency of long-distance relay transportation through collaboration with partners
- Implementing operations and recycling to control the volume of waste

Weaknesses to Overcome

- Switching to EVs and hybrid vehicles in Company-owned vehicles
- Diversifying renewable energy procurement methods
- Shortening vehicle running distance per vehicle and operating time of distribution locations
- Conducting quantitative analysis of the impact of climate change on management and considering countermeasures in the future
- Reducing the environmental burden throughout the supply chain, and improving calculation accuracy and setting targets for Scope 3[3]

1. Direct emissions from Company fuel consumption
2. Indirect emissions from electric power used by the Company
3. Emissions by other companies from business activities

General Overview of Environmental Burden

As a company responsible for distribution, the MEDIPAL Group thinks that reducing environmental burden is a pressing issue.
We are working on initiatives to calculate Scope 3 emissions in addition to Scope 1 and Scope 2 greenhouse gas emissions and ascertain and reduce environmental burden throughout our supply chain.

Greenhouse Gas Emissions (Company Emissions Only)

(Unit: t-CO_2)

	FY2021	FY2022	FY2023
Scope 1	30,700	28,439	31,081
Scope 2	46,996	46,552	42,494
Total	77,696	74,991	73,575

Greenhouse gas emissions (Scope 3)[1]

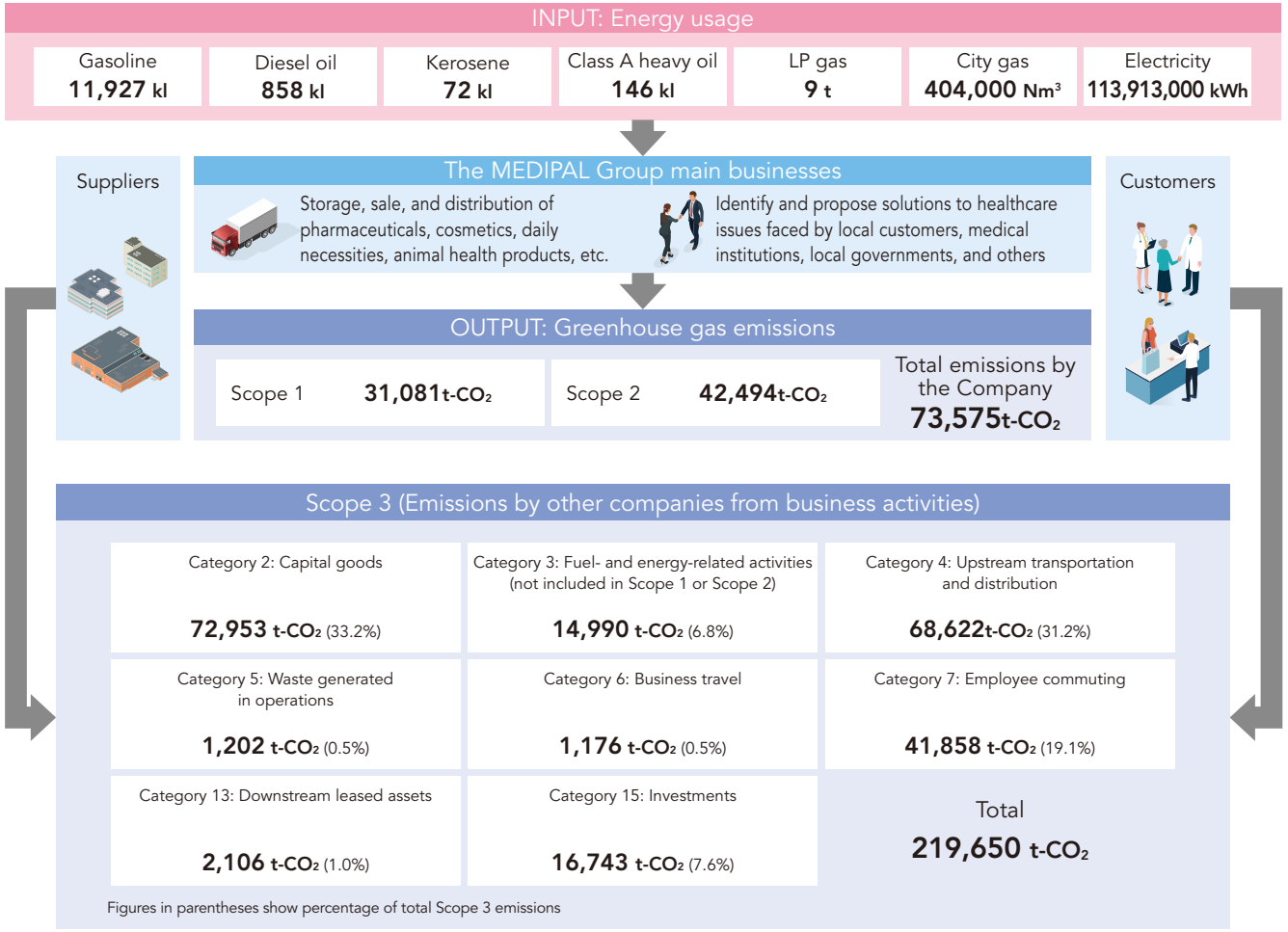
(t-CO_2)

	FY2021	FY2022[2]	FY2023[3]
Scope 3 total	—	228,773	219,650

Greenhouse Gas Emissions from Company-Owned Vehicles

	FY2021	FY2022	FY2023
Amount of fuel (kl)	12,296	11,329	12,785
Greenhouse gas emissions (t-CO_2)	28,803	26,543	29,561
Number of vehicles[4]	8,025	8,555	9,608
Average emissions per vehicle (t-CO_2)	3.58	3.10	3.07

Environment Burden from the Supply Chain



1. Publicly disclosed from FY2022. Target categories are 2, 3, 4, 5, 6, 7, 13, and 15. We are in the process of carefully examining other categories to increase the accuracy of calculations.
2. Implemented at MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., and MEDIPAL FOODS CORPORATION
3. Implemented at the Company and its consolidated subsidiaries
4. As of March 31

Environmental Conservation Initiatives

Introduction of EVs and Hybrid Vehicles

We are making progress on switching to EVs and hybrid vehicles at each location as we work to reduce greenhouse gas emissions from fuel consumption in our Company.

We have also made EV charging stations available to visiting manufacturers at some locations, and this is contributing to promotion of EV use by our business partners.



Reusable Delivery Boxes

The MEDIPAL Group uses collapsible plastic containers and tote boxes that can be reused multiple times for product transportation. The utilization of such reusable materials reduces waste volumes and contributes to emissions reductions.



Collapsible containers



Tote boxes

Use of Eco-Friendly Electric Power

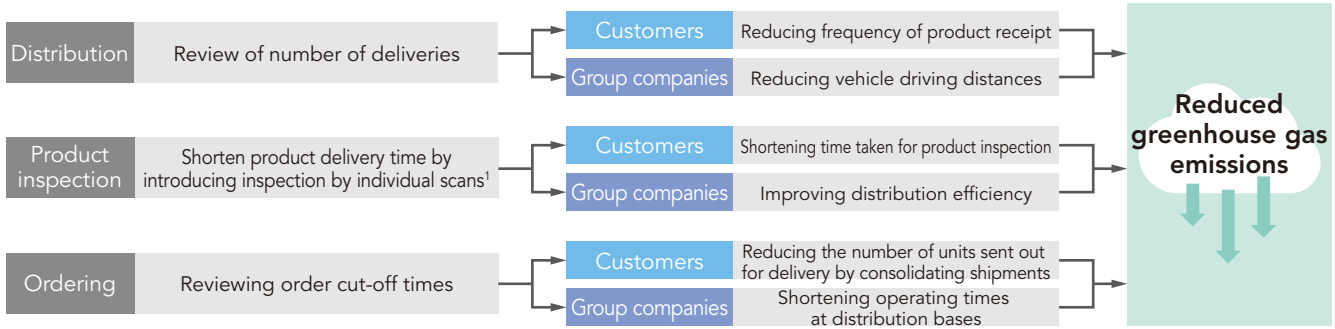
We have introduced renewable energy in-house power generation facilities, such as rooftop solar panels, in some Group buildings. The power generated is used in the facility and covers part of the total electricity used. For example, roughly 21% of electricity used in the Hanshin ALC* of MEDICEO CORPORATION is generated from solar power. In addition, at 32 facilities across the MEDIPAL Group, we have switched to eco-friendly electric power, which is helping to reduce greenhouse gas emissions from electric power use by the Company.



Optimizing Pharmaceutical Distribution

In our Prescription Pharmaceutical Wholesale Business, we are collaborating with our customers, including drugstore and dispensing pharmacy chains, to build an optimized pharmaceutical distribution model that reduces greenhouse gas emissions. Specific measures include analyzing and managing the optimal inventory of pharmaceuticals for each store to streamline ordering/supplying and delivery operations for all parties, thus reducing greenhouse gas emissions.

Flow of Reducing Greenhouse Gas Emissions through Distribution Optimization



✓Proposals for resolving both the MEDIPAL Group and customer issues by optimizing the entire supply chain
✓Accelerate efficiency improvements and outcomes from initiatives by growing the number of cooperating enterprises and participating stores

1. A method shortening product inspection time by switching from the conventional method of reading packing slips to scanning information for individual products from barcodes on the delivery boxes

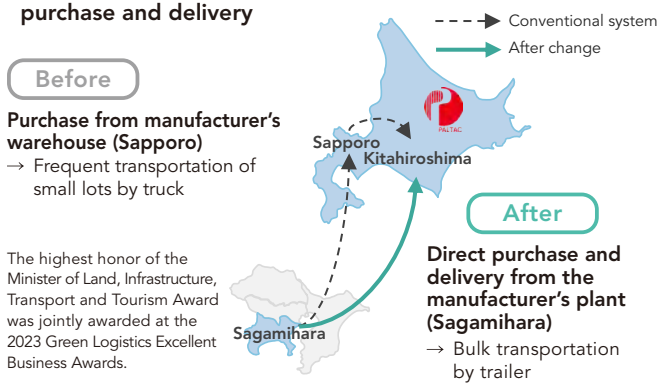
* Please refer to page 74 for explanations of technical terms.

Improving the Transportation Process through Direct Purchase and Delivery

As responding to the "2024 logistics problem," which places restrictions on maximum overtime worked by drivers, becomes an issue, we are making progress on improving the working environment of drivers and reducing greenhouse gas emissions through a drastic revision of transportation methods, especially for long-distance routes where working hours unavoidably tend to be long.

In collaboration with Unilever Japan K.K. and Suzuyo & Co., Ltd., PALTAC CORPORATION has switched its transportation method from high-frequency truck transport of small lots to a direct purchase and delivery method using an order coordination system where purchased products are directly transported from the manufacturer to the destination in bulk by trailer. Through these efforts, they were able to reduce greenhouse gas emissions by approximately 43% compared with conventional transportation methods, which converts to a reduction in annual emissions of roughly 16 t-CO_2.

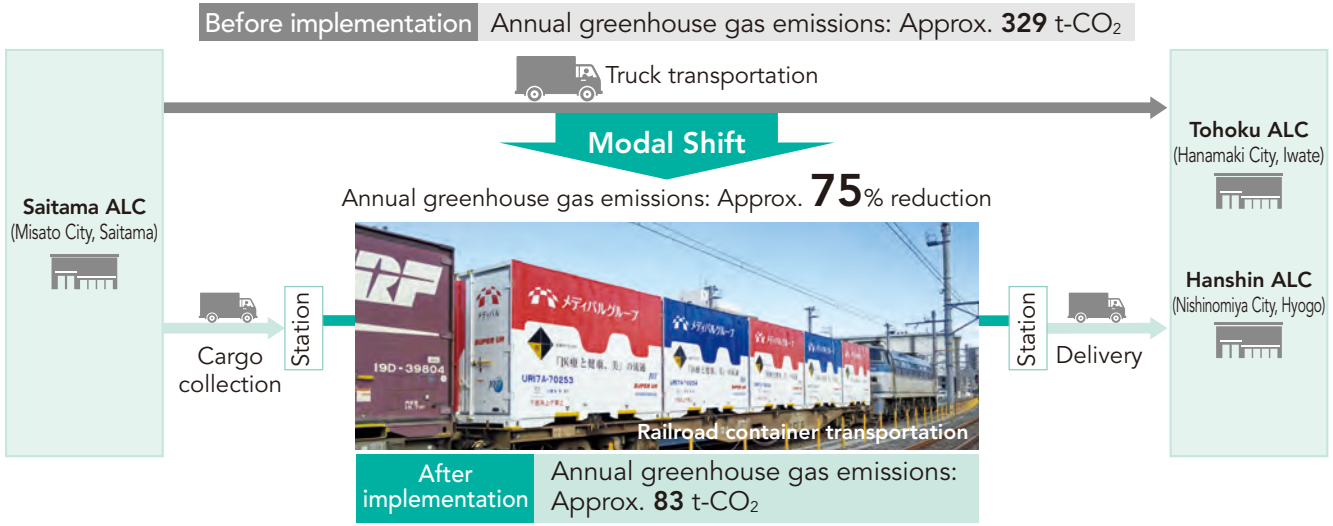
Improving the transportation process through direct purchase and delivery



Modal Shift

MEDICEO CORPORATION is working on a joint project with Japan Oil Transportation Co., Ltd., Japan Freight Railway Company, and Japan Freight Liner Company to achieve a modal shift[1] in pharmaceutical transportation between distribution centers. The project promotes the switching of product transportation in some areas away from conventional large trucks and onto more environmentally friendly railroad containers, to reduce greenhouse gas emissions. Through this effort, greenhouse gas emissions have been reduced by approximately 75% compared with conventional transportation methods, which converts to a reduction in annual emissions of roughly 246 t-CO_2.

Schematic of Modal Shift



Highlight

Adoption of Eco-Friendly Uniforms

MEDISKET CORPORATION updated employee uniforms in April 2024. A recycling system is used to recycle the new uniforms into material after employees are finished wearing them, thereby reducing the burden on the environment.

We also continue to pursue diversity and inclusion by adopting a universal design suitable for all genders and ages, along with our efforts to increase functionality and make it easy to work.



1. Shift of transportation of goods from trucks and other motor vehicles to modes with lower environmental impact such as railways and ships

Climate-related Information Disclosure Based on TCFD Recommendations

The MEDIPAL Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD)[1] recommendations in October 2022. We will strive for more accurate disclosure in line with the TCFD recommendations, taking into account the results of external surveys and internal analysis, and increase the resilience of our businesses and contribute to the realization of a sustainable society through management that incorporates the climate-related financial risks and opportunities.

Governance

Climate change is one of our important tasks in corporate management. Formulation of a policy for responding to the climate change-related risks and opportunities of the Group as a whole, as well as important tasks such as medium-term reduction targets for greenhouse gas emissions, are discussed in the CSR Committee, which promotes sustainability management. The details of those discussions are brought up in Board of Directors' meetings by the director in charge (the CSR Committee chairperson) for resolution. Based on policies related to climate change countermeasures, consolidated subsidiaries carry out initiatives led by the responsible departments, and report the specific measures and progress to the CSR Committee. The results of these initiatives are then reported to the Board of Directors on a regular basis by the director in charge of CSR, helping to maintain a management system that enables appropriate supervision by the Board of Directors.

Details on page 16

Strategy

The MEDIPAL Group referred to multiple scenarios[2] presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) to assess the business impact of two different scenarios: the average rise in global temperature of less than 2°C, and the average rise in global temperature of 4°C by the end of this century, compared with preindustrial levels. A scenario analysis was conducted in order to evaluate the resilience of the Group's strategies against climate-related risks and opportunities.

As a result of the analysis, in the less than 2°C scenario, it is assumed that risks such as cost increases related to the adoption of carbon taxes and other measures, and supply shortages and higher procurement costs due to increasing demand for renewable energy, will increase, while demand for products such as ethical products, alternative foods, and health foods will expand. In the 4°C scenario, it is assumed that there will be an increase in capital expenditures for enhancing disaster preparedness functions, and that natural disasters will cause shutdowns of sales and logistics bases, delivery delays due to traffic paralysis, and damage to supply networks. However, the MEDIPAL Group assumes risks such as large-scale disasters even in normal times, and has a backup system in place so that even if one logistics center is unable to provide supplies, alternative shipments can be made from other logistics centers. When record rainfall centered in Kumamoto Prefecture occurred in July 2020, our employees were dispatched to the affected region to assist in disaster-relief activities, and we were able to maintain stable supplies by delivering products to customers directly from a nearby logistics center. Because of such experiences, the MEDIPAL Group believes that the impact of physical risks related to natural disasters caused by climate change in FY2030 will be small. On the other hand, we expect opportunities to increase as a result of growing demand due to the creation of logistics bases to maintain stable supplies and strict adherence to operational procedures that comply with quality control regulations and the GDP guidelines.

In either scenario, we view the prospect of certain cost increases as a risk, but we also believe it is an opportunity to leverage the sophisticated logistics functions the MEDIPAL Group has built.

Currently, to help solve issues related to climate change, the MEDIPAL Group is working to build a new model for optimized pharmaceutical distribution with customers, enhancing its intermediary distribution functions, and improving efficiency throughout the supply chain in collaboration and cooperation with stakeholders in the "Pharmaceuticals, Health, and Beauty" business fields.

We recognize that evaluating the financial impact of climate change is a task that we need to consider. We plan to obtain a deeper understanding of this impact through further scenario analysis.

Risk Management

We are assessing the impact that climate change will have on the MEDIPAL Group's business and identifying climate change risks and opportunities. The identified risks and opportunities are discussed in the CSR Committee, which makes reports and proposals to the Board of Directors on a case-by-case basis.

In addition, the MEDIPAL Group, which handles distribution of products that are essential to healthy living, including pharmaceuticals and daily necessities, responds quickly to physical risks to ensure uninterrupted distribution. We have formulated a BCP to carry out supply activities even during emergencies, and are implementing various measures that will enable us to reliably deliver required products.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

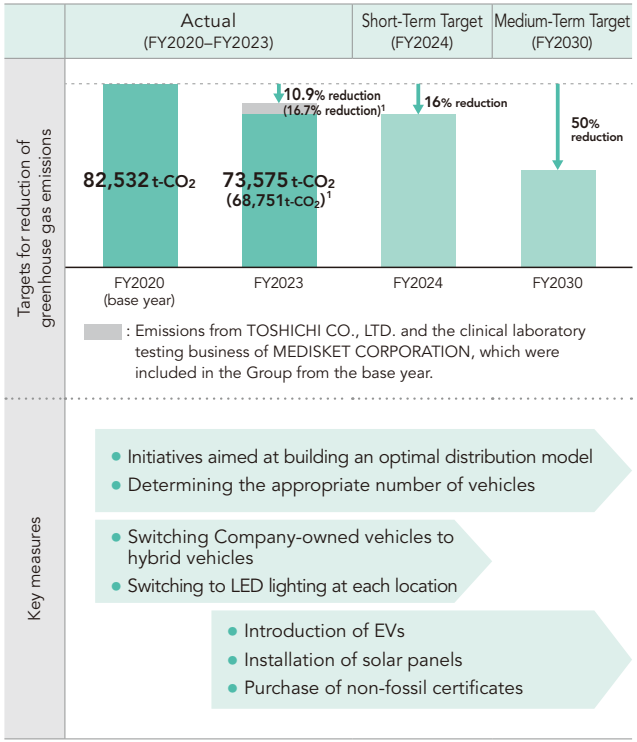
1. A task force that recommends evaluating and disclosing the financial impact of risks and opportunities from climate change.
2. Main reference scenarios: IEA WEO 2021 (APS, STEPS), IPCC (RCP 2.6, RCP 8.5)

Indicators and Targets

We are using greenhouse gas emissions (Scope 1 and Scope 2) as indicators to evaluate our efforts to combat climate change, and have set medium- to long-term targets for reduction of greenhouse gas emissions for the entire Group.

	Targets
FY2030	50% reduction (compared with FY2020)
FY2050	Carbon neutrality

Greenhouse Gas Emissions (Scope 1 + Scope 2) Actual Results and Targets



Risks and Opportunities

Classification			Contents	Impact[2]		Status of Initiatives
				Less than 2°C	4°C	
Transition risks	Government policies, laws and regulations	Introduction of government policies such as carbon taxes and emission trading systems	• Carbon taxes on our own emissions • Cost of purchasing emission rights for excess emissions • Increase in costs due to the application of regulations such as carbon taxes on manufacturers and distributors, and resulting price adjustments	Moderate	Small	• Targets set for reduction of greenhouse gas emissions • Emissions by the Company reduced through switching to EVs or eco-friendly electric power
	Market	Changes in energy prices	• Supply shortages and higher procurement costs due to increasing demand for renewable energy	Small	Small	• Installation of solar panels
	Reputation	Growing stakeholder concern	• Loss of public confidence due to delay in responding to climate change (decline in business transactions, loss of business opportunities due to selection of wholesalers based partly on environmental impact, etc.)	Moderate	Small	• Worked to build an optimal distribution model through collaboration with customers • Conducted analyses aimed at increasing information disclosure
Physical risks	Chronic	Changes in flooding and weather patterns	• Increase in expenses for capital investment in vehicles and air conditioning systems to enhance temperature control functions for products • Increase in difficulty of handling prescription pharmaceuticals and other temperature-controlled products • Decrease in demand for seasonal products (winter goods), etc., due to rising temperatures • Higher prices and difficulty in procuring raw materials such as agricultural products, marine products, and livestock products (higher purchasing costs)	Small	Small	• Considered plans for appropriate capital expenditures that take into account future risks • Worked to develop systems for complete traceability • Investigated quantitative analysis of impact costs
	Acute	Intensifying extreme weather (typhoons, floods, etc.)	• Increase in capital expenditures for enhancing disaster preparedness functions • Damage to and shutdowns of sales and logistics bases, delivery delays due to traffic paralysis, and damage to supply networks	Small	Small	• Built mutual coordinated distribution center functions • Ran disaster drills
Opportunities	Increase in sales opportunities		• Expansion of ethical consumption needs • Expanding demand for alternative foods and health foods • Increase in demand for seasonal products (summer goods), etc., due to rising temperatures • Increasing demand for disaster response products	Small	Small	• Considered product and service development, taking market trends into account
	Rise in relative competitiveness		• Growing need for creation of environmentally friendly distribution model • Growing need for low-cost logistics network • Growing need for logistics infrastructure to maintain stable supplies (operational procedures based on BCP measures and GDP guidelines, nationwide logistics network, etc.)	Small	Small	• Worked to reduce emissions across the entire supply chain, such as through modal shifts • Shifted to a low-cost distribution network through distribution optimization • Ensured continuity of business through the formulation of a BCP

Approach to Biodiversity

In recent years, companies have been asked to consider biodiversity as a corporate environmental initiative. In the MEDIPAL Group, we believe that we have limited dependence and impact on biodiversity at the present. We will continue to analyze the connections between our businesses and biodiversity, and endeavor to provide appropriate disclosure, according to the circumstances.

1. Numbers exclude companies that were included in the Group from the base year onward.
2. Impact is presented qualitatively on three levels: Large: A large impact on business strategy or financial impact is assumed; Moderate: A moderate impact on business strategy or financial impact is assumed; and Small: A small impact on business strategy or financial impact is assumed.

Strategy by Business | Prescription Pharmaceutical Wholesale Business



Yasuhiro Choufuku
Director, Vice President
In charge of Pharmaceutical Business
MEDIPAL HOLDINGS CORPORATION

Creating new value and social contributions by leveraging our advanced logistics and sales capabilities

The Prescription Pharmaceutical Wholesale Business procures not only prescription pharmaceuticals but also healthcare products related to diagnostics, testing, treatment, and administration, including medical equipment and medical materials, and clinical diagnostic reagents for use from the presymptomatic stage. We utilize our distribution network, particularly our state-of-the-art ALCs located at 13 sites across the country, to provide a stable supply of medical products to medical institutions, including hospitals, clinics, and dispensing pharmacies. We have also developed systems to support not only our customers but all pharmaceutical companies, including a team of more than 2,400 ARs who have obtained MR certification.

To help everyone lead healthy lives with peace of mind, we are leveraging our logistics and sales capabilities and also taking on the challenges of digitalization and prevention and pre-disease to optimize healthcare systems as a whole.

SWOT Analysis

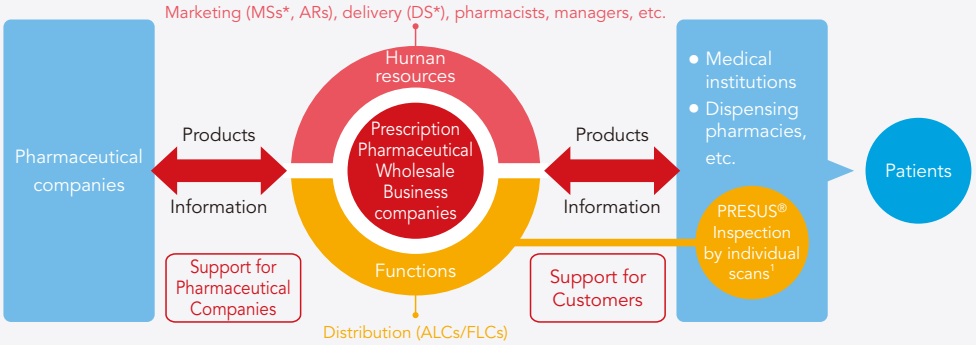
S Strengths
- State-of-the-art nationwide distribution platform (ALC*/FLC*)
- BCP that anticipates various risks
- Human resources with expertise (ARs*, DMRs*, etc.)
- Pharmaceutical distribution technology under special temperature zones

W Weaknesses
- Further improvement in productivity
- Building a new environmentally friendly distribution optimization model
- Complete traceability
- Building a profit structure that is not subject to government systems
- Creating and monetizing digital healthcare platforms
- Resolving regional healthcare issues

O Opportunities
- Decrease in the number of MRs* at pharmaceutical companies
- Movement toward a sustainable society
- Increase in medical needs due to the aging of society
- Expansion of specialty pharmaceuticals
- Acceleration of online medical consultations
- Market expansion in the fields of prevention and pre-disease

T Threats
- Decline in the working-age population
- Natural disasters
- Increase in infectious disease risk
- Advance of policies to reduce healthcare costs

Business Model (Value Chain)



Support for Pharmaceutical Companies

ARs use their expertise in discussions with physicians and other medical professionals to provide useful information on medical treatment. We handle PMS* services on contract for pharmaceutical companies. Furthermore, we also engage in PFM® based on a business model of investing in orphan drugs and other products where prompt development is, in order to get returns on investments after launch of these drugs and distribute them to medical institutions preferentially.

Support for Customers

Through inspection by individual scans and the PRESUS®* support system for dispensing pharmacy operations that taps into the ALCs' functionality and expertise, the MEDIPAL Group provides customer medical professionals with both time and an environment that allows them to focus on their primary work.

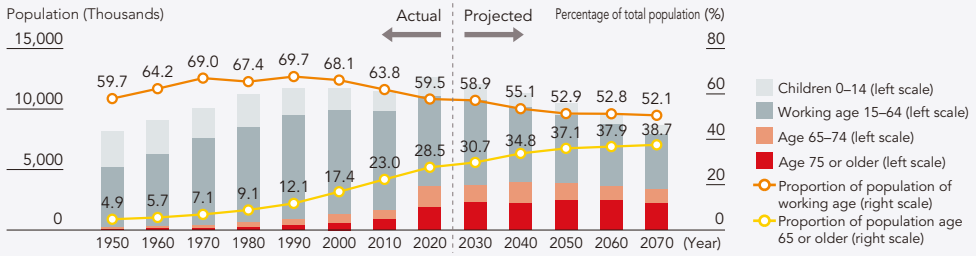
1. A method shortening product inspection time by switching from the conventional method of reading packing slips to scanning information for individual products from barcodes on the delivery boxes.

Business Environment and Review of the Fiscal Year Ended March 31, 2024

Economic activity in Japan returned to normal after COVID-19 was reclassified as a Class 5 infectious disease, and this has resulted in pharmaceutical market growth now that patients have more opportunities to attend medical appointments.

In this operating climate, we have worked to connect medical institutions, dispensing pharmacies, and municipalities through our Regional Medical Coordinators, with the goal of creating new value. MEDIPAL Group ARs include Women's Coordinators with expertise in the field of women's medical care and RD-MRs* who are specialized in rare diseases. They combine agility with specialized pharmaceutical knowledge and work to resolve issues in regional healthcare by delivering comprehensive information on disease prevention, diagnosis, and treatment; conducting disease awareness activities and identifying potential patient populations; and acting as a bridge to specialist physicians.

▶ Changes in the Business Environment (Future Population Projections)
Rising Need for Prevention as the Population Ages



Source: Prepared by MEDIPAL HOLDINGS CORPORATION, with reference to Ministry of Health, Labour and Welfare materials
Actual values up to 2015 are from the Statistics Bureau, Ministry of Internal Affairs and Communications, Census. Projected values for 2020 and after are from the National Institute of Population and Social Security Research, Population Projections for Japan August 2023, medium-fertility and medium-mortality projections).

* Please refer to page 74 for explanations of technical terms.

Business Strategies

We will help achieve a sustainable society by pursuing the "Enhancement of Business with and in Digital" growth strategy as outlined in the 2027 MEDIPAL Medium-Term Vision.

Start of collaboration with LAYERED that promotes healthcare DX for clinics

In July 2024, we concluded a business partnership agreement with LAYERED Inc. Ito provide new value to healthcare providers and consumers to realize sustainable healthcare through the dual approach of reducing the burden on medical professionals and providing high-quality medical services by promoting healthcare DX.

Through the partnership, we will work with LAYERED on the development of various support tools for healthcare DX and, to create new value in healthcare DX, will promote joint research and service development in areas including: (1) management support for medical institutions, (2) streamlined logistics through more accurate demand forecasting, (3) identification of and treatment support for potential patients, and (4) DX to promote clinical trials and clinical research.

In January 2023, we invested in LAYERED through the CVC fund MEDIPAL Innovation Fund. We have since been providing LAYERED's DX products and services to clinics and other medical institutions. Through our partnership, we will be able to combine the logistics and marketing capabilities of MEDIPAL with LAYERED's medical interface[1] in order to make the most of mutual physical and digital business resources and further existing initiatives.



DX products from LAYERED

MEDICEO conducts Japan's first-ever demonstration of Level 4 drone flights for pharmaceutical transportation

MEDICEO CORPORATION, KDDI Corporation, KDDI SmartDrone Inc., Japan Airlines Co., Ltd., East Japan Railway Company, and Weathernews Inc. partnered to conduct a demonstration of Level 4 drone flights (unmanned flights beyond visual line of sight in populated areas) for pharmaceutical delivery in Japan. This demonstration took place from December 14 to December 20, 2023 in Hinohara Village in Nishitama, Tokyo, marking the first time such flights were conducted in Japan.[2]

On December 20, the media was invited to observe the 4.8 km, 13-minute round trip made by the drone between Hinohara Clinic car park and the roof of Hinohara Sanahome Special Nursing Home.

The demonstration was based on the "Demonstration Project for the Promotion of Drone Logistics Service Implementation in Tokyo,"[3] and aims to accelerate the social implementation of drone logistics services in Tokyo. Delays in the delivery of pharmaceutical products can be fatal, and there are rising expectations for drone deliveries, as such services would enable the transport of pharmaceutical products without being impacted by traffic conditions, road congestion, or disasters.


Drone during the demonstration flight

Perception of Issues and Future Direction

As healthcare becomes increasingly complex, there is a greater focus on rigorous quality control and rapid and stable supplies of pharmaceuticals. Pharmaceutical wholesalers operating in this environment need to build distribution networks and gather and deliver information in order to optimize functions across the entire supply chain. Now that National Health Insurance (NHI) drug prices are being revised every year, we can no longer expect substantial growth in the prescription pharmaceutical market, so we need to create new businesses, delivering products and services that satisfy changing customer needs.

In FY2024, the MEDIPAL Group will leverage our unique ALC* and AR* functionality to deliver new value in distribution in line with these trends.

We have expanded our network nationwide since the first ALC was established in Kanagawa Prefecture in 2009. In 2023, we started operations at our 13th facility, the Hanshin ALC, giving the MEDIPAL Group an advanced logistics service network capable of delivery to medical institutions across Japan. The Group will continue to provide stable supplies of prescription pharmaceuticals through our ALCs, while also optimizing the supply of pharmaceuticals, clinical testing materials, and other items as well as the collection of test specimens from clinical laboratories, clinical trials, and research through outsourcing to our logistics venture MEDISKET and delivering high-level logistics services that comply with the GDP guidelines. We will work to create new earnings opportunities through contract logistics services for external companies.

We started working on our AR program in 2010 and now have some 2,400 ARs with MR certification who are engaged in sales activities to deliver comprehensive information to medical professionals and find solutions to regional healthcare issues.

We are now seeing growing demand and increasing interest in our ALC and AR functionality. By pushing ahead with programs utilizing the "Two As," we will take on the challenges of digitalization and prevention and pre-disease to optimize healthcare systems as a whole.

1. Refers to systems and functions that provide a seamless connection between medical professionals and consumers
2. According to research by KDDI Corporation, KDDI SmartDrone Inc., Japan Airlines Co., Ltd., East Japan Railway Company, Weathernews Inc., and MEDICEO CORPORATION. As of December 8, 2023.
3. Call for applications in a project that aims to accelerate the social implementation of drone logistics services in Tokyo (in Japanese only): https://www.metro.tokyo.lg.jp/tosei/hodohappyo/press/2022/05/11/05.html

Strategy by Business | Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business



Takuya Yoshida
Representative Director, President
PALTAC CORPORATION

Through distribution, we contribute to the prosperity of our business partners and plentiful, comfortable lives for people.

PALTAC CORPORATION has built a position as Japan's number-one wholesaler delivering daily necessities in the business fields of "Beauty and Health". Currently, our Company procures approximately 50,000 types of products from approximately 1,000 companies, and has established a nationwide sales network comprising almost all the main retailers (approximately 400 companies), focused on drugstores, in an effort to optimize and increase the efficiency of the entire supply chain. In these times of dramatic change, we will deepen and evolve our "power of connections" as an intermediary distributor and will strive to innovate in distribution so that we can continue to create abundant and comfortable lives for all consumers through distribution.

SWOT Analysis

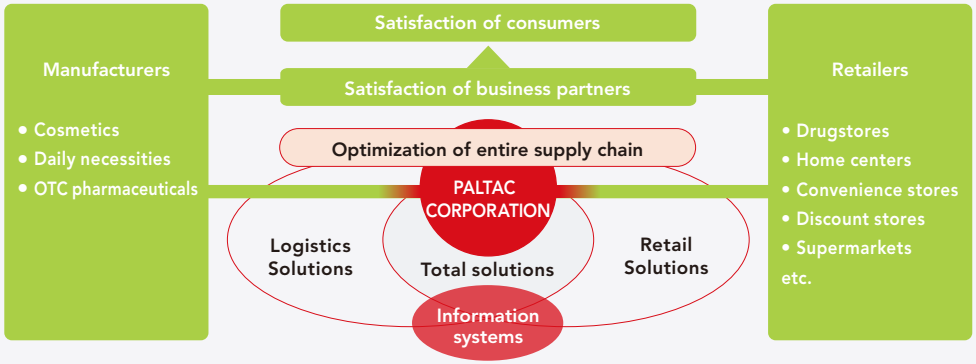
S Strengths
- Highly efficient large-scale distribution centers
- Cost competitiveness
- Cash flow generation capabilities (investment capabilities)
- Extensive distribution information
- Information systems development capabilities
- Human resources with the ability to persevere (grit)
- Know-how to improve delivery efficiency and reduce returns which contributes to a reduced environmental impact

W Weaknesses
- Increasing return on equity
- Expanding the lineup of value-added products
- Improving distribution efficiency further (warehouse and delivery)
- Developing human capital for transformation
- Cultivating a corporate culture that emphasizes autonomy and spontaneity

O Opportunities
- Increasing needs for highly efficient distribution
- Uptake of data-driven distribution solutions
- Rising needs for health and hygiene products
- Increasing demand for personalized products
- Improving economic value of sustainable businesses

T Threats
- Decreasing profits due to the contraction of the domestic economy
- Decreasing profit margins as business operating costs soar
- Decreasing competitiveness due to the outflow of human capital and difficulties in securing human capital
- Growing threats to sustainability of distribution

Business Model (Value Chain)



Logistics Solutions

Our company operates 16 RDC* large-scale distribution centers nationwide, which boast a delivery accuracy of 99.999%. We have achieved increased efficiency in distribution across the entire supply chain, from production to distribution and delivery to stores, through exhaustive rationalization including introduction of a unit load system[1] for mechanized and automated loading and unloading.

Retail Solutions

We do more than just deliver products. Expert staff provide comprehensive analysis of retailers' store locations, POS information, etc., and help improve the productivity of sales floors through efficient and effective in-store merchandising, from product composition and shelf space allocation to inventory management and handling of new and discontinued products.

Environmental Awareness from a Long-Term Perspective

To manage the PALTAC for sustainable growth, we have to take into account major changes in the environment, including the shrinking Japanese population (decrease in working population, declining birthrate, and aging population), diversification of values, climate change, and resource/energy scarcity. These changes may pose greater risks to our business. For example, earnings may fall when the domestic economy contracts and or profit margins may decline as business costs soar. On the other hand, there are new earnings opportunities to be had through the delivery of new functionality, for example to satisfy increasing needs for highly efficient distribution and the uptake of data-driven distribution solutions.

Looking Back on the Previous Medium-Term Management Plan (FY2022/3 to FY2024/3)

Quantitative Targets

	Revised Plan[2]	FY2024/3 Results	
Net sales	¥1,142.0 billion	¥1,151.9 billion	Achieved
Operating profit	¥26.5 billion	¥27.1 billion	Achieved
SG&A expenses ratio	5.25%	5.14%	Achieved

Key Strategies

- Achieved all revised numerical targets
  (For details of the revised plan, please refer to the results presentation for the fiscal year ended March 31, 2023.)
- Procurement of new products to meet diverse consumer needs and strengthen initiatives with business partners contributed to net sales and operating profit
- Laid the groundwork for new revenue bases (operations started at Tochigi Distribution Center, established local subsidiaries overseas)
- As costs rose, made various improvements in purchasing, delivery, and warehouse operations, etc., that helped to reduce the SG&A expenses ratio

1. A system to increase the efficiency of transportation, storage, and other operations. It aggregates individual cargo items into fixed units using pallets, containers, and other distribution tools.
2. Initial plan was revised effective May 11, 2023. The revisions reflect the substantial changes in the assumptions included in the initial plan around May 2021 versus current market conditions, such as soaring raw material and energy prices and accelerating changes across all of society as Japan moved on from the pandemic.

* Please refer to page 74 for explanations of technical terms.

Long-Term Vision

To respond to changes in the social environment and achieve sustainable growth from a long-term perspective, we have formulated our Long-Term Vision under the motto "Creating the future of people and society through the power of connections." To achieve our Long-Term Vision, we see four materiality sustainability tasks from the perspective of PALTAC's purpose, securing new revenue opportunities, and reduction of risk.

Vision for the Future and Growth Story

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

Creating "the future" in which the sustainable well-being of people and society can be realized by diverse connection of supply chain from innovation



Material Sustainability Tasks (Materiality)

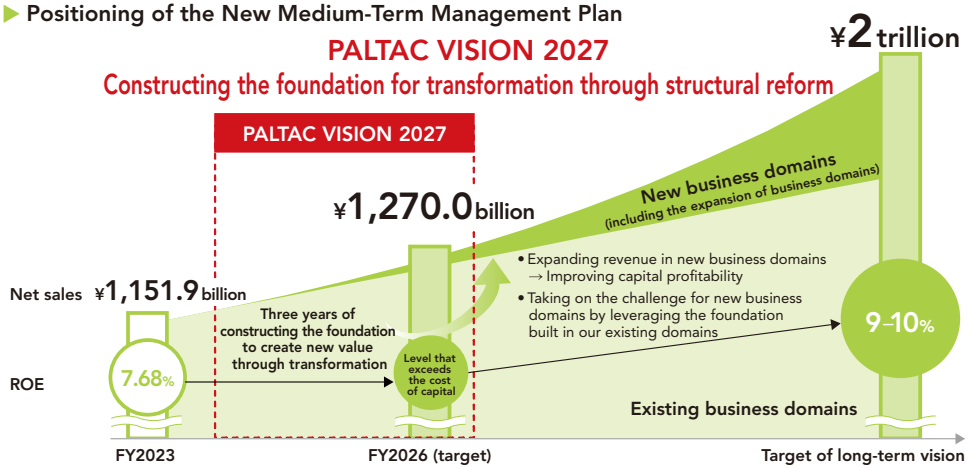
Securing New Revenue Opportunities	Creating new value by developing a borderless supply chain network	• Eliminating excess, waste, and inconsistency by digitizing distribution processes • Connecting people, things and information with the digital network and creating colorful and abundant daily lives
	Developing distribution networks beyond the conventional approach through far and away the best productivity	• Developing highly efficient distribution networks with far and away the best productivity • Developing sustainable distribution networks through cooperation beyond industries and conventional business practices
Reduction of Risk	Coexisting and co-creation with a sustainable environment and society	• Contributing to the realization of a sustainable environment and society by developing supply chains that do not create burdens
	Cultivating a corporate culture that emphasizes autonomy and spontaneity and realizing a state where individual employees' growth leads to the growth of our Company and society	• Cultivating a corporate culture that emphasizes autonomy and spontaneity and building an environment where diverse human capital can exercise their full potential • Establishing governance that supports the sustainable growth of individual employees, our Company and society

1. Ratio of CO_2 emissions reduction: versus Scope 1 and Scope 2 emissions in FY2020
2. Engagement score: Estimated using the Motivation Cloud service from Link and Motivation Inc.

New Medium-Term Management Plan PALTAC VISION 2027

We have formulated PALTAC VISION 2027, a new three-year medium-term management plan that runs through March 2027. This plan will take a dual approach based on the current situation and the long-term vision in order to address our materiality sustainability tasks. To realize our long-term vision, the next three years of the medium-term management plan are positioned as a period for constructing the foundation for transformation through structural reform. We will work on improving the profitability of existing businesses, promoting new value creation, increasing sustainability, and managing the business with an awareness of capital efficiency.

Positioning of the New Medium-Term Management Plan



Key Points in Constructing the Foundation for Transformation

Secure "adequate capitals," "competitive edge," "practical abilities," and "cooperation"

Key Strategies

1. **Improving profitability of existing business**
   - Enhancing the handling of new products
   - Enhancing improvement in delivery efficiency
2. **Taking on the challenge to create new value**
   - Digitalizing supply chain information
   - Developing a new logistics model
   - Expanding domains in which our logistics values could be provided
   - Developing a global network
3. **Improving sustainability**
   - Maximizing the value of human capital
   - Enhancing the foundation for DX promotion
   - Contributing to environment and society
   - Strengthening corporate governance
4. **Undertaking management to enhance capital efficiency**

Quantitative Targets

		FY2026	Vs. FY2023	YoY change (%)
Financial indicators	Net sales	¥1,270.0 billion	+¥118 billion	+10.2%
	Operating profit	¥30.0 billion	+¥2.8 billion	+10.4%
	ROE	Maintaining the level that exceeds the cost of capital	–	–
	Payout ratio	Aiming for 35% or more	–	–
Non-financial indicators	Ratio of CO_2 emissions reduction[1]	28% reduction	+16%	–
	Diversity	Percentage of female employees in management positions: 8.4% Percentage of male employees taking childcare leave: 60%	+1.7% +30%	–
	Engagement score[2]	55.0	+6.9	–

Strategy by Business | Animal Health Products Wholesale Business



Yoshitaka Ichiyanagi
Representative Director, President and CEO
MP AGRO CO., LTD.

We aim to build a nationwide distribution network that contributes to emotional comfort and food safety and security.

MP AGRO CO., LTD. is the only animal health products wholesaler in Japan with a nationwide distribution network and salesforce. We have achieved Japan's top track record in sales as a wide-area wholesaler of animal health and other products from our 31 sales branches and five distribution centers nationwide (as of March 31, 2024) and use this platform to supply a wide range of veterinary products for fisheries, livestock, and companion animals[1] including supplements, feed additives, and veterinary medical equipment. As the front-runner in Japan's animal health products market, each and every one of our employees will continue their unstinting efforts to contribute to everyone involved in the fisheries and livestock field and the companion animal field.

SWOT Analysis

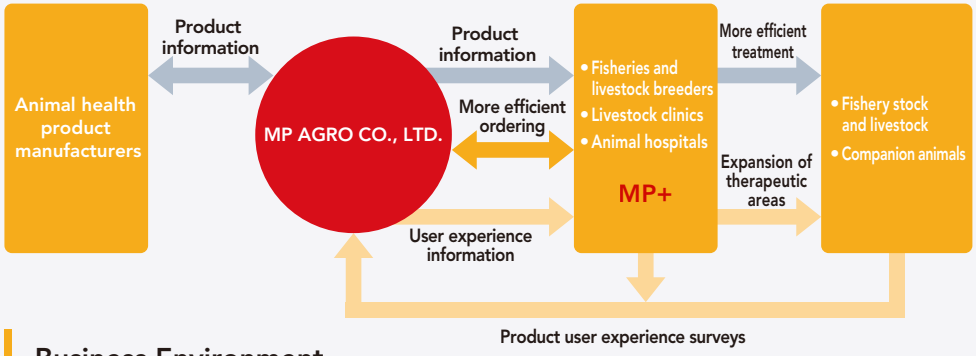
S Strengths
- Japan's only nationwide animal health products wholesaler
- A stable supply of products from five distribution centers nationwide
- Exclusive sales of products designed in-house
- Comprehensive hygiene management based on HACCP[2]

W Weaknesses
- Rising logistics costs
- Combining distribution and manufacturing functions
- Expansion of sales personnel with specialized knowledge
- Improving productivity
- Digitalization

O Opportunities
- Entry into new regions
- Increase in products designed in-house
- Expansion of treatment fields for customers
- Increase in consumer needs for safety and security

T Threats
- Market entry of companies from other industries
- Changes in distribution formats
- Population decline
- Natural disasters and infectious disease outbreaks

Business Model (Value Chain)



Business Environment

The business environment for the fishery and livestock markets remains severe due to the increase in production costs from soaring feed prices and heating and lighting expenses. Despite this, there are signs of a rebound as the impact of the highly pathogenic avian influenza, which raged from October 2022 to 2023, eased. The market for companion animals continues to grow due to progress in veterinary medicine and proliferation of vaccines and anthelmintics, which extend the lifespan, despite negative factors such as the decrease in the number of dogs kept by people and the weakening of consumer sentiment from rising prices.

1. An animal that has a companion-like presence and a close relationship with humans in daily life
2. HACCP (Hazard Analysis and Critical Control Point): A scientifically based method by which food business operators manage hazards that can cause food poisoning or otherwise harm health throughout the entire process from the reception of raw materials to the shipping of products.

Business Strategies

To contribute to emotional comfort and food safety and security, we are working to expand therapeutic areas by ensuring market penetration of products designed in-house and launch new products. We have also established an animal health support center equipped with various lab testing and production guidance functions to ensure the safety and security of livestock as food while also supporting marketing operations. Initiatives to expand the use of HACCP are also part of our efforts to achieve these goals and be of service to our customers.

Review of the Fiscal Year Ended March 31, 2024

In the fishery and livestock markets, we focused on new use of vaccines and strengthening transactions with major customers. In the market for companion animals, our efforts in biopharmaceuticals and dermatology products contributed to firm net sales.

Perception of Issues and Future Direction

In the fishery and livestock markets, persistently high feed prices and a continuing rise in production costs due to yen weakness are causes for concern and we are therefore utilizing our Business Development Division functions to contribute to an even greater increase in the productivity of customers by importing products from overseas that are not yet distributed in Japan, in addition to providing product information. In the market for companion animals, we will continue to introduce products designed in-house for dermatology, which has considerable latent demand, as we also enhance our ability to look ahead and identify products with expanding markets. Thus, we will propose products that create greater value for customers.

Strategy by Business | Food Processing Raw Materials Wholesale and Related Business



Hidemitsu Wakita
Representative Director, President and CEO
MP Gokyo Food & Chemical Co., Ltd.

Creating and delivering "new value" and contributing to improving the health and lifestyles of people in a wide range of areas, from food ingredients to chemical raw materials

MP Gokyo Food & Chemical Co., Ltd. is a manufacturer and specialized trading company that manufactures, processes, sells, imports, and exports food ingredients and additives, pharmaceutical excipients, and the raw materials used in personal care products, coatings, industrial materials, electronic materials, and other products. The mission of the company is to continually provide manufactured goods and products of value to society, based on its commitment to R&D capabilities and quality, and its strengths in information provision and communication. In October 2024, we plan to integrate the businesses of MP Gokyo Food & Chemical and MEDIPAL FOODS CORPORATION to respond to a changing environment with increasingly diverse food needs of customers and consumers. We are utilizing business resources and strengthening the nationwide customer base to further expand our Food Processing Raw Materials Wholesale and Related Business.

SWOT Analysis

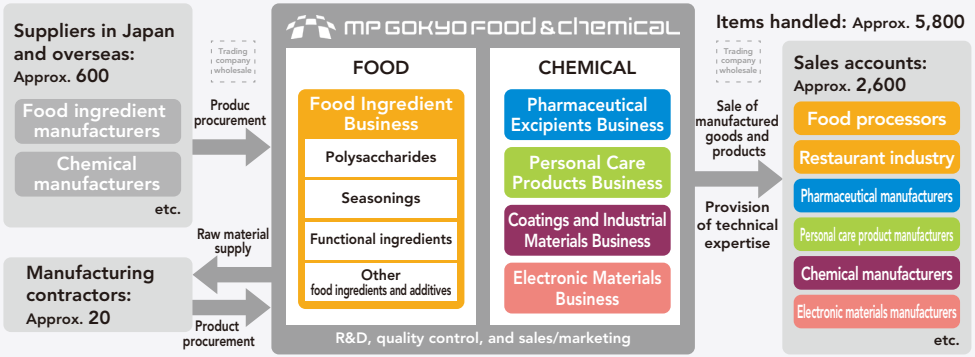
S Strengths
- Original natural raw materials
- Extensive product lineup
- Deepening of Group collaboration
- R&D capabilities in materials
- Quality and safety management capabilities
- Domestic and overseas networks as a specialized trading company
- Technology and expertise accumulated over many years

W Weaknesses
- Rising logistics costs
- Improving productivity
- Securing and developing specialist human resources
- Overseas sales

O Opportunities
- Diversification of consumer needs
- Heightened consumer interest in the environment
- Heightened interest in health needs, prevention and pre-disease intervention
- Advancement of AI and IT, and acceleration of DX

T Threats
- Difficulty in procuring raw materials due to political instability and abnormal weather
- Soaring raw material prices
- Soaring costs due to yen weakness
- Falling demand due to population decline
- Natural disasters and infectious disease outbreaks

Business Model (Value Chain)



Business Environment

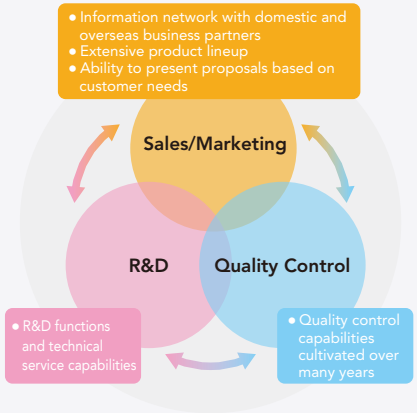
Although the food business is seeing a rebound in demand and strong sales with the reclassification of COVID-19 as a Class 5 infectious disease, the pressure on the profit front is increasing due to soaring costs, mainly for imports, owing to the steep increase in prices and the impact from yen weakness.

The chemical raw materials business is seeing signs of a rebound in the market, mainly in semiconductors, and future growth is anticipated.

Business Strategies

MP Gokyo Food & Chemical will continue to provide high-value-added services and strengthen the business base as it also expands sales of original polysaccharides overseas through its network as a specialized trading company and through its R&D and quality control functions as a manufacturer.

It will also put even more effort into developing new products targeting growth areas, such as products for the prevention and pre-disease business, health needs, and environmentally friendly products.



Value creation by the entire company, as one team

Review of the Fiscal Year Ended March 31, 2024 and Future Outlook

Demand for food ingredients rebounded, mainly in the restaurant business, with the reclassification of COVID-19 as a Class 5 infectious disease, resulting in growth in sales over the previous fiscal year. Chemical raw materials underperformed the previous fiscal year despite relatively firm demand for pharmaceutical excipients. The underperformance resulted in a year-on-year decline in performance of other chemical raw materials (industrial materials and coatings, personal care products, and electronic materials) from decreased demand for customers' products due to the slump in the Chinese economy and the time needed to absorb the excess inventory in the semiconductor market. In the future, we will continue efforts to strengthen customer service and grow sales and profit by further strengthening sales of polysaccharides in Japan and overseas, and initiatives in product development, mainly in electronic materials for the semiconductor market, in the chemical raw materials area.

Management Team (As of June 25, 2024)

Directors



Shuichi Watanabe
Representative Director, President and CEO

Aug. 1979 Joined KURAYA CORPORATION (now the Company)
Dec. 1990 Director of KURAYA CORPORATION
Dec. 1994 Managing Director of KURAYA CORPORATION
Apr. 2000 Director of KURAYA SANSEIDO Inc. (now the Company)
Apr. 2004 President and Chief Executive Officer of KURAYA SANSEIDO Spin-off Preparation Inc. (now MEDICEO CORPORATION)
Jun. 2007 Managing Director of Mediceo Paltac Holdings Co., Ltd. (now the Company)
Jun. 2008 Senior Managing Director of Mediceo Paltac Holdings Co., Ltd.
Apr. 2011 Representative Director, Executive Vice President of the Company
Apr. 2012 Representative Director, President and CEO of the Company (Current position)
Apr. Representative Director and Chairman of MEDICEO CORPORATION (Current position)
Jun. 2020 Chief Compliance Officer of the Company (Current position)
Apr. 2022 Director and Advisor of MEDICEO CORPORATION (Current position)

Shareholdings (thousands): 175



Yasuhiro Choufuku
Director, Vice President
In charge of Pharmaceutical Sales

Apr. 1977 Joined Sanseido Co., Ltd. (now the Company)
Jul. 2004 Executive Officer of KURAYA SANSEIDO Inc. (now the Company)
Jun. 2007 Director of Mediceo Paltac Holdings Co., Ltd. (now the Company)
Oct. 2009 Director of MEDICEO CORPORATION
Jun. 2010 Managing Director of MEDICEO CORPORATION
Apr. 2012 Representative Director, President and CEO of MEDICEO CORPORATION
Jun. In charge of Pharmaceutical Sales of the Company (Current position)
Jun. 2016 Senior Managing Director of the Company
Jun. 2019 Director, Vice President of the Company (Current position)
Apr. 2022 Representative Director, Chairman of MEDICEO CORPORATION (Current position)
Mar. 2023 Outside Director, Chairman of Nichi-Iko Pharmaceutical Co., Ltd. (Current position)

Shareholdings (thousands): 52



Toshihide Yoda
Senior Managing Director
In charge of IR and General Manager of Business Development Department

Apr. 1985 Joined Nippon Kangyo Kakumaru Securities Co., Ltd.
May 1989 Joined UBS Securities Japan Co., Ltd.
Jul. 1996 Joined ING Barings Securities (Japan) Ltd.
Dec. 2000 Joined Lehman Brothers Japan Inc.
Oct. 2008 Joined Barclays Capital Japan Ltd. Managing Director of Barclays Capital Japan Ltd.
Jun. 2010 Director of the Company
Apr. 2012 Managing Director, In charge of IR, General Manager of Business Development Division of the Company
May 2016 Director of SPLine Corporation
May Director of MEDIE Co., Ltd.
Jun. Director of MEDICEO CORPORATION
Feb. 2018 Director of JCR USA, Inc. (Current position)
Jun. Senior Managing Director of the Company (Current position)
Jun. Outside Director of JCR Pharmaceuticals Co., Ltd. (Current position)
Jan. 2020 Manager of Business Investment Department, Business Development Division of the Company
May 2021 Director of PharField Corporation
Jun. 2022 General Manager of Business Development Division of the Company (Current position)
Jun. 2023 In charge of IR (Current position)

Shareholdings (thousands): 13



Yuji Sakon
Managing Director
General Manager of Administration Division, Chairman of CSR Committee

Apr. 1977 Joined Sanseido Co., Ltd. (now the Company)
Jul. 2008 Executive Officer of KURAYA SANSEIDO Inc. (now MEDICEO CORPORATION)
Apr. 2012 Executive Officer of the Company
Jun. Director of the Company
Oct. Chairman of CSR Committee of the Company (Current position)
Jun. 2013 General Manager of Administration Division of the Company (Current position)
Jan. 2016 Director of ASTEC Co., Ltd. (Current position)
Jun. 2017 Director of MM CORPORATION (Current position)
Jun. 2018 Managing Director of the Company (Current position)
May 2022 Director of PharField Corporation (Current position)
Jun. 2023 Director of PALTAC CORPORATION (Curren position)

Shareholdings (thousands): 23



Koichi Mimura
Director
In charge of AGRO & FOOD Business

Oct. 1987 Joined Sumitomo 3M Limited (now 3M Japan Limited)
Feb. 2006 President of 3M Indonesia
Feb. 2009 Executive, Director, Director in charge of Industrial Markets of Sumitomo 3M Limited (now 3M Japan Limited)
Mar. 2010 Director in charge of Industrial and Transportation Business of Sumitomo 3M Limited
Apr. 2012 President of Sumitomo 3M Limited
Apr. President of 3M Health Care Limited
Sep. 2014 President of 3M Japan Limited
Sep. 2016 Vice President, Electronics Assembly Solutions of 3M Corporate Headquarters (U.S.)
Nov. 2018 Business Director in charge of the Transportation and Electronics Business of 3M Asia Pacific
Jun. 2020 Outside Director of the Company
Jun. 2021 Director of the Company (Current position)
Jun. 2022 Director of MEDICEO CORPORATION (Current position)
Jun. In charge of Public Relations and IR of the Company
Apr. 2023 Director of MP Gokyo Food & Chemical Co., Ltd. (Current position)
Jun. Director of MP AGRO CO., LTD.
Jun. In charge of Business Strategy of the Company
Oct. Director, Chairman of MP AGRO CO., LTD. (Current position)
Jun. 2024 Director of MEDIPAL FOODS CORPORATION (Current position)
Jun. In charge of AGRO & FOOD Business of the Company (Current position)

Shareholdings (thousands): 2



Shinjiro Watanabe
Director
In charge of Information System

Sep. 2008 Joined ATOL CO., LTD.
Jun. 2009 Director of ATOL CO., LTD.
Apr. 2013 Representative Director, President and CEO of ATOL CO., LTD. (Current position)
Jun. Director of the Company (Current position)
Jun. 2016 In charge of the IT Business of the Company
Apr. 2018 In charge of Information Systems of the Company
Oct. General Manager of Information Systems Management Division of the Company
Oct. 2021 In charge of Information Systems of the Company (Current position)

Shareholdings (thousands): 36



Kuniaki Imagawa
Director
Deputy In charge of Pharmaceutical Sales

Apr. 1984 Joined KURAYA CORPORATION (now the Company)
Oct. 2004 Full-time Manager of the Sales Strategy Department of MEDICEO Holdings Co., Ltd. (now the Company)
Oct. 2005 Manager of Sales Strategy Department of Mediceo Paltac Holdings Co., Ltd. (now the Company)
Jul. 2008 Executive Officer of Mediceo Paltac Holdings Co., Ltd.
Oct. 2009 Executive Officer and Manager of Solutions Department of MEDICEO CORPORATION
Apr. 2010 Deputy General Manager of Sales Strategy Division of MEDICEO CORPORATION
Apr. 2011 Manager of the Sales Strategy Department of MEDICEO CORPORATION
Apr. 2012 General Manager of Strategy Division of MEDICEO CORPORATION
Jun. Director of MEDICEO CORPORATION
Oct. Executive Officer and Deputy General Manager of Business Development Division of the Company
Oct. 2015 Manager of Pharmacy Business Development, Business Development Division of the Company
Apr. 2017 Deputy General Manager of Tokyo Branch Office, Director of Tokyo Regional Sales Department, Manager of Tokyo Wholesale Sales Branch of MEDICEO CORPORATION
Apr. 2019 General Manager of Tokyo Branch Office of MEDICEO CORPORATION
Apr. 2022 Representative Director, President and CEO of MEDICEO CORPORATION (Current position)
Jun. 2022 Director of the Company (Current position)
Jun. 2024 Deputy in charge of Pharmaceutical Sales of the Company (Current position)

Shareholdings (thousands): 10



Takuya Yoshida
Director

Apr. 1995 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.)
Apr. 2000 Joined Shinwa Paltac Corporation (now PALTAC CORPORATION)
Apr. 2016 Executive Officer, General Manager of Kinki Branch Office of PALTAC CORPORATION
Apr. 2019 Managing Executive Officer, General Manager of Merchandise Headquarters of PALTAC CORPORATION
Oct. 2020 Managing Executive Officer, General Manager of Tokyo Branch Office of PALTAC CORPORATION
Apr. 2021 Senior Managing Executive Officer, General Manager of Tokyo Branch Office of PALTAC CORPORATION
Apr. 2023 Vice Presidential Executive Officer, COO of PALTAC CORPORATION
Jun. Representative Director, President of PALTAC CORPORATION (Current position)
Jun. Director of the Company (Current position)

Shareholdings (thousands): 1



Mitsuko Kagami
Outside Director

Apr. 1985 Assistant Judge of Tokyo District Court
Apr. 1988 Assistant Judge of Akita District Court and Family Court
Apr. 1991 Assistant Judge of Yokohama District Court
Jan. 1995 Registered as Attorney-at-law
Apr. 1998 Part-time Lecturer at Faculty of Law of Keio University
Apr. 2000 Part-time Lecturer at Faculty of Law of Toin University of Yokohama
Apr. 2004 Professor at Keio University Law School
Apr. 2007 Part-time Lecturer at Keio University Law School
Jun. 2014 Outside Director of the Company (Current position)
Jun. 2015 Outside Director of Sotetsu Holdings, Inc. (Current position)
Jun. 2021 Outside Audit & Supervisory Board Member of Shin-Etsu Chemical Co., Ltd. (Current position)

Shareholdings (thousands): 0

Note: Shareholdings rounded down to the nearest 1,000 shares. Also, does not include the number of shares held by our officer stock ownership association.



Toshio Asano
Outside Director

Apr. 1975 Joined Asahi Kasei Corporation
Oct. 2003 Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2008 Director and Senior Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2010 President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2011 Executive Officer of Asahi Kasei Corporation
Apr. 2014 Presidential Executive Officer of Asahi Kasei Corporation
Jun. President & Representative Director of Asahi Kasei Corporation
Apr. 2016 Director of Asahi Kasei Corporation
Jun. Permanent Consultant of Asahi Kasei Corporation
Aug. Advisor of the Company
Jun. 2017 Outside Director of the Company (Current position)
Jun. 2019 Outside Director of Daicel Corporation (Current position)
Jun. Outside Director of Tokyo Century Corporation (Current position)
Jun. 2021 Chairman of Japanese Foundation for Cancer Research (Current position)
Jun. 2022 Consultant at Asahi Kasei Corporation
Jun. 2024 Special Advisor of Asahi Kasei Corporation (Current position)

Shareholdings (thousands): 7



Kuniko Shoji
Outside Director

Apr. 1977 Joined Mochida Pharmaceutical Co., Ltd.
Jul. 1986 Joined Johnson & Johnson K.K.
Sep. 2002 Joined Terumo Corporation
Jun. 2004 Executive Officer of Terumo Corporation
Jun. 2007 Senior Executive Officer of Terumo Corporation
Jun. 2010 Director and Senior Executive Officer of Terumo Corporation
Apr. 2017 Director and Corporate Advisor of Terumo Corporation
Jun. Corporate Advisor of Terumo Corporation
Jun. 2018 Outside Director of the Company (Current position)
Jun. Outside Director of Nichirei Corporation
Mar. 2019 Outside Director of DIC Corporation (Current position)
Apr. Professor of Graduate School of Health Innovation studies of Kanagawa University of Human Services
Apr. 2024 Senior Fellow at Graduate School of Health Innovation Studies of Kanagawa University of Human Services (Current position)

Shareholdings (thousands): —



Hiroshi Iwamoto
Outside Director

Apr. 1981 Joined The Dai-Ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.)
Oct. 2004 Senior Research Fellow, Deputy General Manager of Research Division, Chief Economist of Mizuho Research Institute, Ltd.
Jun. 2009 Managing Executive Officer, Deputy General Manager of Research Division of Mizuho Research Institute, Ltd.
Apr. 2010 Managing Executive Officer, General Manager of Planning and Administrative Division of Mizuho Research Institute, Ltd.
Apr. Lecturer at Musashino Academia Musicae
Apr. 2017 Senior Managing Executive Officer, General Manager of Planning and Administration Division of Mizuho Research Institute, Ltd.
May 2019 Advisor of Chuo Fudosan Co., Ltd. (now Chuo-Nittochi Co., Ltd.)
Jun. Outside Statutory Auditor of Morinaga & Co., Ltd.
Jun. 2021 Outside Director of the Company (Current position)
Mar. 2024 Outside Auditor of Hakuyosha Company., Ltd. (Current position)

Shareholdings (thousands): —

Audit & Supervisory Board Members



Toshio Hirasawa
Full-time Audit & Supervisory Board Member

Apr. 1974 Joined HONGO YAKUHIN, INC. (now the Company)
Jul. 2004 Executive Officer of KURAYA SANSEIDO Inc. (now the Company)
Apr. 2012 Senior Managing Executive Officer of the Company
Apr. In charge of Group Accounting, and Manager of Finance and Accounting Department of the Company
Jun. 2013 Audit & Supervisory Board Member of MP AGRO CO., LTD.
Oct. 2014 In charge of Group Accounting of the Company
Jan. 2015 Audit & Supervisory Board Member of Sakurai Tsusho Corporation (now MEDIPAL FOODS CORPORATION)
Jun. Full-time Audit & Supervisory Board Member of the Company (Current position)
Jun. 2017 Audit & Supervisory Board Member of MEDICEO CORPORATION (Current position)
Jun. 2020 Audit & Supervisory Board Member, EVERLTH Co., Ltd.

Shareholdings (thousands): 38



Kazuo Hashida
Full-time Audit & Supervisory Board Member

Apr. 1983 Joined Sanseido Co., Ltd. (now the Company)
Apr. 2007 Manager of the Accounting Department of KURAYA SANSEIDO Inc. (now MEDICEO CORPORATION)
Apr. 2012 Deputy Manager of the Finance & Accounting Department of the Company
Apr. 2017 Manager of the Finance & Accounting Department of the Company
Jul. Executive Officer of the Company
Apr. 2023 In charge of Finance & Accounting of the Company
Jun. Audit & Supervisory Board Member of MEDIPAL FOODS CORPORATION (Current position)
Jun. Audit & Supervisory Board Member of ASTEC Co., Ltd. (Current position)
Jun. Full-time Audit & Supervisory Board member of the Company (Current position)
Jun. 2024 Audit & Supervisory Board member of MP AGRO CO., LTD. (Current position)

Shareholdings (thousands): 10



Tomoyasu Toyoda
Outside Audit & Supervisory Board Member

Apr. 1972 Joined Ajinomoto Co., Inc.
Dec. 2009 President and CEO of Ajinomoto Pharmaceuticals Co., Ltd. (now EA Pharma Co., Ltd.)
Apr. 2014 Advisor of K.F. Planning Co., Ltd. (Current position)
Jun. 2017 Outside Audit & Supervisory Board member of the Company (Current position)
May 2018 Audit & Supervisory Board Member of Nobelpharma Co., Ltd. (Current position)

Shareholdings (thousands): 2



Yoko Sanuki
Outside Audit & Supervisory Board Member

Apr. 1981 Registered as an Attorney-at-Law
Dec. 1996 Outside Audit & Supervisory Board Member of KURAYA Corporation (now the Company)
Nov. 2001 Director of NS LAW OFFICE (Current position)
Jun. 2003 Outside Audit & Supervisory Board Member of KURAYA SANSEIDO Inc. (now the Company)
Jun. 2007 Outside Auditor & Supervisory Board Member of Meiji Dairies Corporation
Apr. 2009 Outside Director of Meiji Holdings Co., Ltd.
Jun. 2011 Outside Director of Resona Bank, Limited
Jun. 2012 Outside Director of Resona Holdings, Inc.
Jun. 2015 Outside Director, Chairman of Audit Committee of Resona Holdings, Inc.
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (Current position)
Jun. 2022 Outside Director of Sanken Electric Co., Ltd.

Shareholdings (thousands): 5



Hatsuyoshi Ichino
Outside Audit & Supervisory Board Member

Mar. 1987 Registered as a tax accountant
Apr. 1991 Started Ichino Hatsuyoshi Tax Accountant Office
Apr. 1995 Full-time Lecturer of Department of Commerce, Aichi Gakuin University
Apr. 2000 Assistant Professor of Department of Commerce, Aichi Gakuin University
Oct. 2006 Professor of Department of Commerce, Aichi Gakuin University
Apr. 2010 Part-time Lecturer of Tax Administration Training Course, Local Autonomy College, Ministry of Internal Affairs and Communications (Current position)
Apr. 2011 Professor, Graduate School of International Management, Aoyama Gakuin University (Current position)
Jun. 2018 Tax accountant of Kanon Tax Accountant Corporation (Current position)
Jun. 2023 Outside Audit & Supervisory Board member of the Company (Current position)

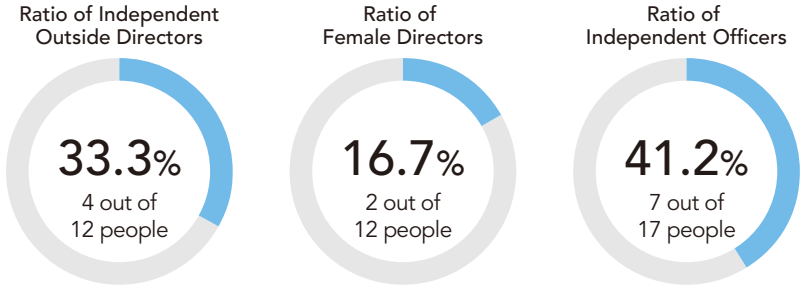
Shareholdings (thousands): —

Note: Shareholdings rounded down to the nearest 1,000 shares. Also, does not include the number of shares held by our officer stock ownership association.

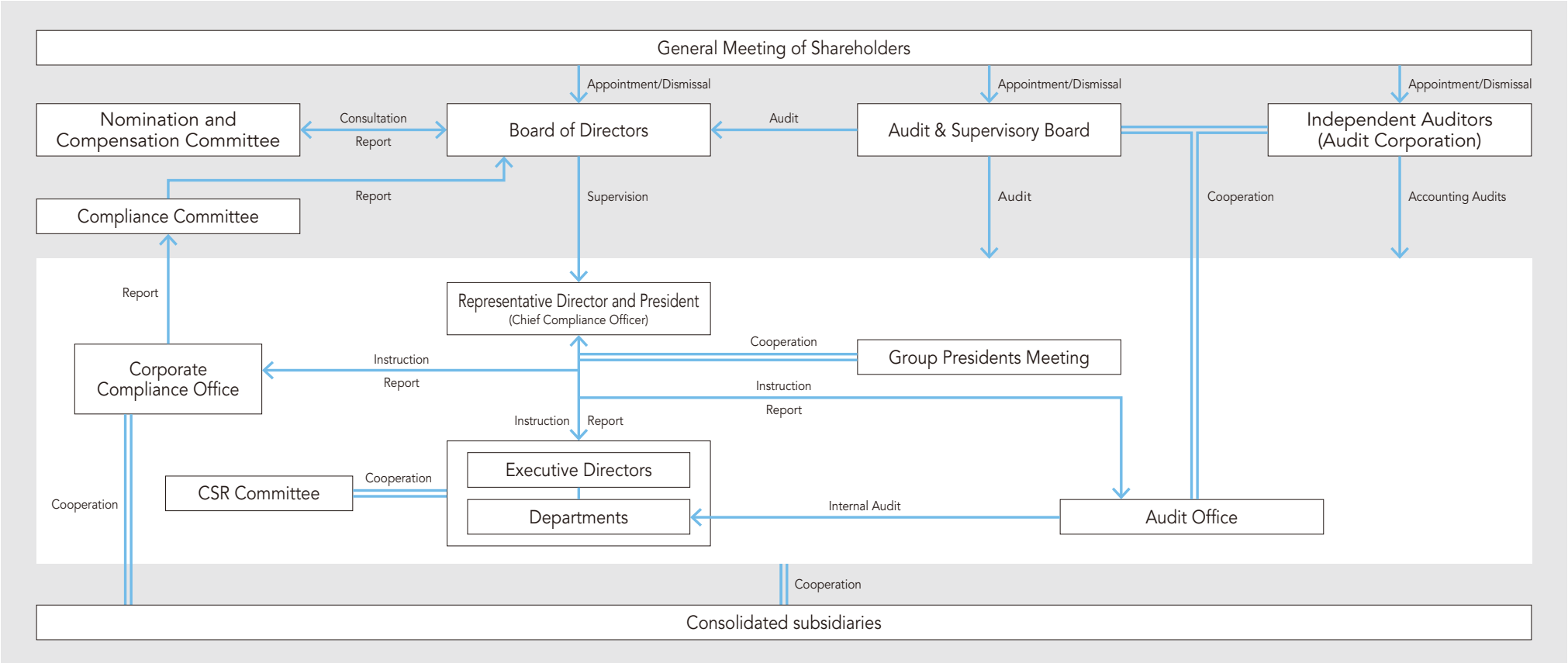
Corporate Governance

Basic Policy

The MEDIPAL Group ensures sound, transparent management and places importance on maximizing corporate value. The Group also believes that disclosing high-quality information is one of its responsibilities to stakeholders, and that it enhances the transparency and soundness of management. Therefore, the Group takes a proactive approach to appropriate and timely disclosure.



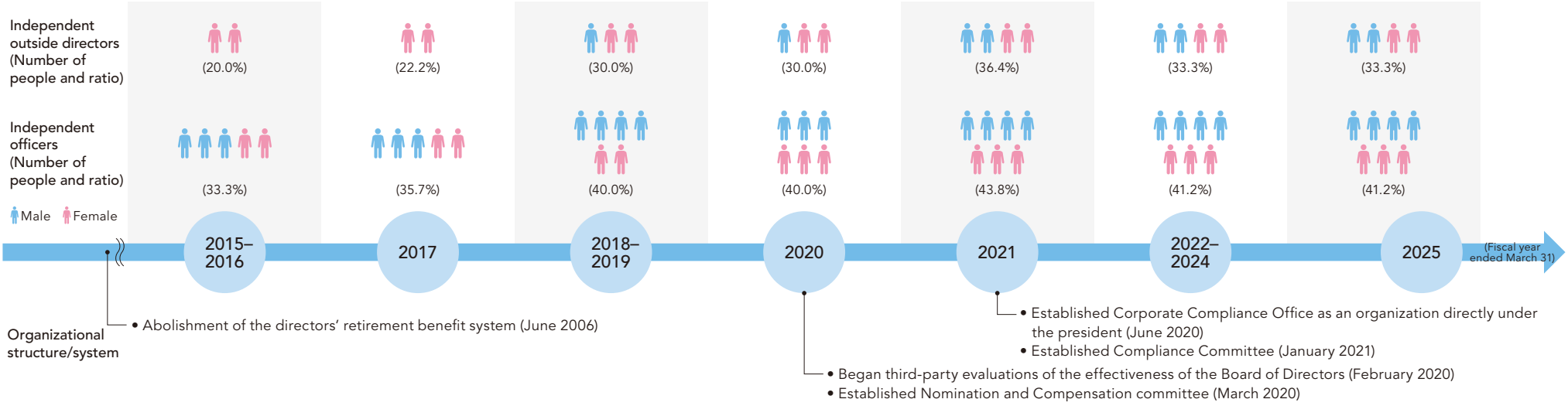
Corporate Governance System



Overview of the Corporate Governance System

Body	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Committee	Compliance Committee
Purpose, role	Established as a supervisory body to consider and decide on matters stipulated by management policy and by law, as well as other important matters concerning corporate management, and also to supervise the status of overall business execution	The purpose of the Audit & Supervisory Board is for members to attend the Board of Directors and Group Presidents Meetings; to strictly audit the legality and adequacy of business execution by directors, based on the standards determined by the Audit & Supervisory Board; and to exchange views with the independent auditors.	Established as an advisory body to the Board of Directors for the purpose of improving fairness, transparency and objectivity and as a measure to enhance corporate governance	The Compliance Committee has been established as an advisory body to the Board of Directors for the purpose of ensuring continuous monitoring of Group compliance.
Composition	Comprised of 12 directors (including 4 outside directors) (10 male directors, 2 female directors)	Comprised of 5 appointed Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members) (4 male members, 1 female member)	Comprises 3 or more members selected by resolution of the Board of Directors. A majority of the committee members must be outside directors and the chairperson must be an outside director. Persons nominated by the Audit & Supervisory Board members and committee chairperson can also attend as observers.	The committee is chaired by the Chief Compliance Officer (Representative Director, President and CEO) and committee members include executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business and outside directors. Audit & Supervisory Board members and persons nominated by the committee chairperson attend as observers.
Meeting frequency, outcomes	Meetings in FY2023 13 times	Meetings in FY2023 13 times	Meetings in FY2023 Nomination Committee: 3 times Compensation Committee: 3 times	Meetings in FY2023 4 times
Attendance by outside officers	Outside directors: 92.3% Outside Audit & Supervisory Board members: 97.1%	100%	Nomination Committee: 91.7% Compensation Committee: 91.7%	75.0%
Main matters for consideration	・Ordinary matters, such as results, dividends, and budgets ・Special matters, such as the Medium-Term Vision, sustainability, various investment projects, and cancellation of treasury shares	・Produces audit reports and decides on matters concerning the appointment and dismissal of full-time Audit & Supervisory Board members; the audit policy and procedures, and methods to survey asset status; and execution of other duties by Audit & Supervisory Board members ・Matters decided by resolution of the Audit & Supervisory Board including the appointment/dismissal or reappointment/non-reappointment of independent auditors or compensation of independent auditors	Nomination Committee: Reappointment of the honorary chairperson and of advisors, director candidates for the General Meeting of Shareholders in June 2024, etc. Compensation Committee: Officer bonuses to be paid in June 2024, etc.	・Progress reports on initiatives to ensure rigorous compliance ・Reports on Antimonopoly Act audits ・Incident sharing on matters arising at Group companies ・Results from compliance questionnaires

Change in Corporate Governance System / Strengthening Our Initiatives



Director Appointment Policy

1. Director appointment policy
The basic policy is to appoint as director individuals who will take the lead in sincerely implementing compliance initiatives as well as individuals with extensive experience, deep insight, and a high level of specialization in order to contribute to the MEDIPAL Group's sustainable growth and medium- to long-term improvement of corporate value.

a) Internal directors
Candidates are chosen from among individuals with work history and skills in corporate management, healthcare, M&As, governance, IT, etc. Candidates must possess the appropriate leadership skills to promote the MEDIPAL Group's management philosophy as well as a medium- to long-term perspective as someone engaged in supervision of management's decision making and business execution. We also give comprehensive consideration to factors such as personality and experience.

b) Outside directors
Candidates are chosen from among individuals with extensive knowledge and experience of corporate management, healthcare, finance/accounting, legal affairs, international affairs, etc. We also give comprehensive consideration to factors such as personality and concurrent service as an officer at another company. In principle, the total term of office is a maximum of eight or 12 years (four years as an Audit & Supervisory Board member with two or three terms). Outside directors are prohibited from serving as an officer at more than four companies. Notwithstanding, even in the event that a candidate does not meet the separately determined independence requirements, an individual with deep insight and a high ethical viewpoint can be selected as a candidate for outside director. However, in such a case, the ratio of independent outside directors shall be one-third or higher.

2. Director appointment procedure
Candidates shall be proposed to the General Meeting of Shareholders after deliberation by and reports from the Nomination and Compensation Committee (with the majority of members being outside directors and an outside director serving as the chair of the committee), and a resolution by the Board of Directors. The selection of representative directors as well as executive directors with special titles is conducted by the Board of Directors after deliberation by and reports from the Nomination and Compensation Committee.

3. Director dismissal procedure
In a case where a director commits an act that violates laws and ordinances or the articles of incorporation, or in a case where a director shows inadequate ability to carry out their professional duties due to negligence or other reasons, the Board of Directors will deliberate on the matter after fair and rigorous consideration by the Nomination and Compensation Committees.

Ensuring Diversity of the Board of Directors

The Company's Board of Directors is designed to have diverse representation as well as an appropriately balanced mix of knowledge, experience, and skills, including through the appointment of a number of outside directors and outside Audit & Supervisory Board members. The Company has appointed a diverse lineup of outside directors and outside Audit & Supervisory Board members, including former business executives and specialists in pharmaceutical development, accounting, and legal affairs, to ensure the effective functioning of the Board.

Use of Outside Directors

When appointing outside directors, the emphasis is on extensive experience, deep insight, and a high level of specialization, as well as the requirements stipulated in the Companies Act. We expect outside directors to contribute to improved corporate governance by contributing questions and opinions based on diverse perspectives that stimulate discussion at the Board of Directors' meetings and contribute to appropriate decision-making. Our policy is for at least one-third of directors to be independent outside directors. Of the 12 directors, four are outside directors, all of whom are independent outside directors. We believe we have appointed a sufficient number of independent outside directors based on comprehensive consideration of our industry, size, business characteristics, organizational structure, and the surrounding business environment. Of the five Audit & Supervisory Board members, three are outside members, all of whom are independent outside members. This system of monitoring and supervision of the Board of Directors by independent outside directors and independent outside Audit & Supervisory Board members ensures highly transparent management.

Support System for Outside Directors and Outside Audit & Supervisory Board Members

We have established a system that enables mutual cooperation between outside directors and outside Audit & Supervisory Board members and the Audit Office, Audit & Supervisory Board members, and independent auditors. This system enables these parties to coordinate as necessary, either directly or indirectly, through methods such as email or telephone. In addition, outside directors and outside Audit & Supervisory Board members share their views at meetings of the Board of Directors, and express their frank opinions on other occasions such as during briefings ahead of important discussions. The Company also periodically provides opportunities to view worksites at subsidiaries.

Skill Matrix and Composition of the Nomination and Compensation Committees

■Committee chairperson □Committee member

Name	Specialty, Experience[1]									Nomination Committee Member	Compensation Committee Member	Compliance Committee Member
	Business management Experience	Sales/ Marketing	Medical Pharmaceutical Science Public service	Financial affairs Accounting Financing M&A	Legal affairs Governance	IT DX	Personnel & labor human resources development	Global	Sustainability			
Representative Director and President Shuichi Watanabe	●	●								□		■
Director, Vice President Yasuhiro Choufuku	●	●										□
Senior Managing Director Toshihide Yoda	●			●				●			□	
Managing Director Yuji Sakon	●	●			●				●	□	□	□
Director Koichi Mimura	●							●	●			
Director Shinjiro Watanabe	●					●						
Director Kuniaki Imagawa	●	●										
Director Takuya Yoshida	●	●		●								
Outside Director Mitsuko Kagami					●				●	□	□	□
Outside Director Toshio Asano	●		●							■	■	
Outside Director Kuniko Shoji	●		●					●	●	□	□	□
Outside Director Hiroshi Iwamoto				●			●			□	□	
Full-time Audit & Supervisory Board Member Toshio Hirasawa				●								
Full-time Audit & Supervisory Board Member Kazuo Hashida				●								
Outside Audit & Supervisory Board Member Tomoyasu Toyoda	●		●									
Outside Audit & Supervisory Board Member Yoko Sanuki					●				●			
Outside Audit & Supervisory Board Member Hatsuyoshi Ichino				●					●			

1. Does not include all the experience and expertise of directors and Audit & Supervisory Board members.

Please see the notice of convocation for more details.
https://ssl4.eir-parts.net/doc/7459/ir_material/229760/00.pdf

Evaluation of the Effectiveness of the Board of Directors

The Company periodically verifies the effectiveness of the Board of Directors. Based on those evaluations, we implement measures on an ongoing basis for the improvement of issues and the enhancement of our strengths. This analysis and evaluation of the effectiveness of the Board of Directors leads to functional improvements.

Analysis/Evaluation Process	The Board of Directors created a questionnaire for all directors and Audit & Supervisory Board members with the cooperation of a third party, and analyzed and evaluated the results. In addition, we confirmed the evaluation results and initiatives going forward based on a report from the third-party organization given at a Board of Directors' meeting.

Results from analysis and evaluation in the fiscal year ended March 31, 2023 and status of response

Analysis/Evaluation Outline of Results	Identified Issues	Status of Response to Issues
The average score for the question asking for an overall evaluation of the effectiveness of the Board of Directors was 4.0, above the average score for all questions of 3.7. The questions on whether discussions at the Board of Directors were open-minded returned a high average score of 4.4, and there were multiple comments confirming the liveliness of discussions in the free comment section. In terms of the operation of the Board of Directors, multiple answers showed that the respondents thought the prior briefings were functioning effectively. In light of these results, we conclude that the Board of Directors is functioning effectively overall.	The results from the free comment section of the questionnaire highlighted the issue that the topics currently discussed often involved short-term themes or decisions on the execution of specific tasks, whereas multiple opinions confirmed that the Board of Directors should be discussing long-term strategies. In terms of monitoring of the Board of Directors, the free comments also highlighted how monitoring should be performed as the Board of Directors of the holding company and the need to define the relationship with the business companies. As such, the questionnaire confirmed a range of opinions on how the separation of execution and supervision should be secured.	The questionnaire results were summarized into points for discussion by the Board of Directors under the following topics: (1) Board of Directors' monitoring function, (2) composition of the Board of Directors, (3) discussions at the Board of Directors' meetings, (4) operation of the Board of Directors, (5) support systems for directors and other officers, (6) dialogue with investors, and (7) operation of the Nomination and Compensation committee. Under the topic of discussions at the Board of Directors' meetings, opinions were exchanged multiple times on the direction and strategies for medium- and long-term management during the process of formulating the 2027 MEDIPAL Medium-Term Vision and Sustainability Policy. There were also multiple exchanges of opinion when the Board was considering the Basic Capital Policy. As part of the topic of support systems for directors and other officers, outside directors and outside Audit & Supervisory Board members visited the Saitama RDC* of subsidiary PALTAC CORPORATION to further their understanding of Group company businesses.

Results from analysis and evaluation in the fiscal year ended March 31, 2024 and status of response

Analysis/Evaluation Outline of Results	Issues Identified and Response Policies
The average score for the question asking for an overall evaluation of the effectiveness of the Board of Directors was 4.3, above the average score for all questions of 3.8. The questions on whether discussions at the Board of Directors were open-minded returned a high average score of 4.5, and there were multiple comments confirming the liveliness of discussions in the free comment section. In terms of the operation of the Board of Directors, multiple answers showed that the respondents thought the prior briefings were functioning effectively. In light of these results, we conclude that the Board of Directors is functioning effectively overall.	The results from the questionnaires identified the following issues.

Item	Issues for Consideration
Composition of the Board of Directors	Reviewing appropriate numbers. (ratio) of internal directors and (independent) outside directors
Operation of the Board of Directors	Securing enough time for discussions
Discussions at the Board of Directors' meetings	• Following up with progress reports on business plans • Ensuring discussions are based on a sufficient awareness that business strategies and plans are consistent with sustainable growth of the Company and the creation of corporate value • Discussing how the overall Group business portfolio is designed and the need for review • Reviewing how the business is managed with an awareness of capital costs and the share price • Participating proactively in the formulation and implementation of succession plans for the CEO, etc. • Conducting sufficient discussions on the vision for and response to change through the use of data and digital technologies

Item	Issues for Consideration
Board of Directors' monitoring function	• Monitoring investment decisions and investment status appropriately • Deciding the design of the management compensation system and actual compensation amounts • Discussing potential risks for the Group as a whole, methods to address these risks, and crisis management systems • Following up sufficiently on important matters resolved by the Board of Directors • Ensuring sufficient discussion and appropriate actions regarding the perception of issues in the previous fiscal year's evaluation of effectiveness and methods to address these issues • Engaging in sufficient discussion on the effectiveness of governance systems and the rationale for retaining the listed status of listed subsidiaries • Appropriately supervising the development and implementation of Group governance systems
Operation of the Nomination and Compensation committees	Ensuring these voluntary committees are effective

Looking ahead, we will use this information to consult on and select high-priority themes and will engage in specific, concrete discussions at the Board of Directors' meetings.

* Please refer to page 74 for explanations of technical terms.

Compensation for Directors

Our basic policy is to establish compensation levels and systems that are appropriate to the roles and responsibilities of each director as they work to realize our management philosophy, enhance corporate value, and achieve sustainable growth. Compensation for directors includes base compensation and bonuses, and the amount of compensation is decided after taking into account general compensation levels in the market, our financial position, and the balance with employee salaries. The Nomination and Compensation committees were voluntarily established as advisory bodies to the Board of Directors for the purpose of improving the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and as a measure to enhance corporate governance.

1. Policy on decisions relating to the amount of monetary compensation and the methods used to calculate this amount

Monetary compensation (i.e., compensation that is neither performance-linked compensation nor non-monetary compensation) is defined as a fixed monthly amount as base compensation paid in accordance with the position of each director.

2. Policy on decisions relating to the type of performance indicators used for performance-linked compensation and the methods used to calculate this amount or number

Performance-linked compensation is monetary compensation paid at a certain time every year as a bonus. The total amount is determined by the Board of Directors based on consideration of the consolidated performance in each fiscal year (consolidated operating profit) as an incentive for executive directors to be conscious of business performance. It is apportioned according to the standards for each position.

3. Policy on decisions relating to the type of non-monetary compensation and the methods used to calculate this amount or number

A system for non-monetary compensation has not yet been introduced, but for some time now we have been considering the introduction of a stock-based compensation scheme linked to the increase in corporate value as an incentive that functions with medium- to long-term earnings. The Nomination and Compensation committees will also engage in various discussions on this matter.

4. Policy on decisions relating to the percentage breakdown for each type of compensation

Compensation for executive directors comprise fixed monthly base compensation and bonuses linked to short-term earnings. The percentage breakdowns of these two types of compensation differ slightly depending on the position of each director, but in general the basic standard is for bonuses to account for approximately 25% of the total. The compensation for outside directors only consists of base compensation in view of their role and independence.

5. Methods to decide the content of compensation for individual directors

The amount of compensation for individual directors is left to the decision of the Representative Director and President, based on resolution by the Board of Directors. However, the Representative Director and President is advised by the Nomination and Compensation committees and receives a report from the committees on draft compensation amounts for individuals. The Nomination and Compensation committees are composed of three members or more selected in accordance with a resolution of the Board of Directors. Outside directors account for a majority of the members, and the committee is also chaired by an outside director. In addition, persons nominated by the Audit & Supervisory Board members and committee chairperson can also attend as observers.

Corporate Officer Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Category (Millions of yen)				Number of Relevant Corporate Officers[2]
		Fixed compensation[1]	Performance-linked compensation	Retirement benefits	Non-monetary compensation, etc., included in the left column	
Directors (excluding outside directors)	255	189	66	—	—	9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	46	46	—	—	—	3
Outside directors	57	57	—	—	—	4
Outside Audit & Supervisory Board members	32	32	—	—	—	4

1. For fixed compensation, the number includes one director, one internal Audit & Supervisory Board member, and one outside Audit & Supervisory Board member who stepped down when they completed their term of office as of the close of the 114th General Meeting of Shareholders held on June 27, 2023.
2. There are no officers receiving a total of compensation and other benefits of ¥100 million or more in the fiscal year ended March 31, 2024.

Concept of Strategic Shareholdings

The basic policy of the MEDIPAL Group is to reduce these shareholdings in the interest of controlling shareholding risk and capital efficiency. We will regularly verify the significance and economic rationality of our strategic shareholdings for the social significance of the main business and contribution to our earnings via stronger business relationships. If any of these shareholdings are deemed to be inappropriate, we will proceed with their sale after striving to gain sufficient understanding from our business partners. Even in cases where shareholdings are deemed appropriate, the Company may sell these in accordance with its basic policy of reducing strategic shareholdings and in consideration of market conditions, management and financial strategies, and other factors.

The balance as of March 31, 2024 was ¥100.8 billion, 13.7% of net assets (0.4 percentage point lower than the end of the previous fiscal year).

We also intend to limit strategic shareholdings to 10% or less of net assets and ¥50 billion or less by around March 31, 2027. Note that the Group regularly conducts verification and confirmation of the significance and economic rationale for all strategic shareholdings. Here, verification and confirmation refer to processes leading to a comprehensive judgment of whether the holdings will contribute to the maintenance and improvement of the Group's corporate value. This judgment is based on the social significance of the main business, contribution to our earnings via stronger business relationships, and the current and future profitability of the business partner, taking into consideration the growth potential of the business partner and capital costs.

Special Circumstances Affecting Large Impact on Corporate Governance

Among the Company's subsidiaries, PALTAC CORPORATION is listed on the Prime Market of the Tokyo Stock Exchange. The Company's views on the purpose of having listed subsidiaries and measures to ensure effective governance systems at listed subsidiaries are as follows.

1. PALTAC engages in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, and cooperates to generate synergy with the Prescription Pharmaceutical Wholesale Business, which is the main business of the MEDIPAL Group's other subsidiaries. PALTAC also aims to work with the Company to identify future growth strategies in the business fields of "Pharmaceuticals, Health, and Beauty."

   Recently, the dispensing business of drugstores, our customers, has expanded. MEDIPAL is now able to offer total solutions to the needs of its customers. This also leads to enhanced synergy through coordination between PALTAC, which handles cosmetics, daily necessities, and OTC pharmaceuticals, and MEDICEO CORPORATION, which handles prescription pharmaceuticals. PALTAC is highly significant in terms of the Group's efforts to achieve continuous growth. The Group will utilize the know-how of both the Prescription Pharmaceutical Wholesale Business and the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business to optimize the supply chain and expand the Group's business fields as a wholesaler engaged in the distribution of products indispensable to people's daily lives.

2. The Company believes that from the standpoint of Group management, it is preferable to boost corporate value by respecting PALTAC's independence and actively conducting business operations based on swift decision making. PALTAC decides on appropriate business strategies independently and in a self-directed manner.

3. The Company plans to retain a majority of PALTAC's shares and keep PALTAC as a consolidated subsidiary from the viewpoint of contributing to the improvement of corporate value for both companies. Furthermore, in our role as the parent, the Company dispatches directors to PALTAC to ensure appropriate Group governance. However, PALTAC has established an independent committee of all the independent outside directors and independent outside Audit & Supervisory Board members, and is working to ensure protection of minority shareholders' interests.

Responsible Dialogue with Shareholders and Investors

General Meeting of Shareholders

In order to provide shareholders with sufficient time to make decisions on exercising their voting rights, the Company issued the notice of convocation for the June 25, 2024 Annual General Meeting of Shareholders on June 3, 2024, which is earlier than the legal requirement. Prior to this, the Company also made an early disclosure of its notice of convocation for the General Meeting of Shareholders on its corporate website on May 27, 2024. In addition, since the General Meeting of Shareholders held in June 2002, the Company has enabled voting rights to be exercised electronically via the internet, in order to ensure that voting rights are exercised promptly and actively. Since 2006, the Company has also joined the voting rights platform for institutional investors operated by ICJ, Inc. to create an environment in which institutional investors may directly exercise voting rights by electronic means. In addition, other measures to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, including posting the notice of convocation and details of the resolutions on our corporate website, have been taken. At the General Meeting of Shareholders held on June 25, 2024, a total of 3,341 shareholders exercised voting rights (of whom, 3,243 did so in writing or via the internet), for a voting ratio of 84.9%.



Dialogue with institutional investors

We maintain active dialogue with institutional investors through events such as financial results briefings for securities analysts and institutional investors, IR meetings with the president and the corporate officer in charge of IR, and various conferences hosted by securities companies. Feedback from investors is reported to management of the Company and the relevant departments as necessary, where it informs policy in areas such as MEDIPAL Group management strategy and governance.

In November 2023, the corporate officer in charge of IR and person in charge of IR went to the United Kingdom for a dialogue with overseas investors.

The following IR events were held for institutional investors in the fiscal year ended March 31, 2024.

IR Event	Date Held	Presenter
Briefings on financial results	May and November 2023 (two times a year)	President, corporate officer in charge of IR
Dialogue with institutional investors	November 2023	Corporate officer in charge of IR, person in charge of IR

The following individual IR interviews were held with institutional investors in the fiscal year ended March 31, 2024.

Number of interviews during the year	106 (62 in Japan; 44 overseas)[1]

Dialogue with individual investors

For dialogue with individual investors, we hold conferences for individual investors in major cities throughout Japan with the aim of enhancing recognition and establishing the brand of the Company. We also send newsletters to shareholders twice a year, in June and December, to deepen their understanding of our management philosophy and business strategy.

To prevent the spread of COVID-19, in recent years, we have refrained from holding conferences for individual investors. We plan to resume these conferences in the fiscal year ending March 31, 2025.

1. Figures represent cumulative numbers

Roundtable Discussion with Outside Directors



Looking Back at the Board of Directors over the Past Year

Kagami: The Company is in a phase of increased up-front investment to ensure sustainable growth under the five growth strategies outlined in the 2027 MEDPAL Medium-Term Vision. Over the past year, multiple matters have come before the Board for resolution, including the addition to the Group of TOSHICHI CO., LTD., MP Gokyo Food & Chemical Co., Ltd., and PreMedica Inc., and the establishment of MEDISKET CORPORATION that aims to build the largest healthcare distribution platform in Japan. There have also been various investments to launch innovative new drugs in the rare diseases field or for the "Enhancement of Business with and in Digital" growth strategy. The Board of Directors was also consulted during decision making on new businesses and engaged in repeated rounds of discussion on each proposal. Regardless of the ongoing business expansion, there were exchanges of opinion, particularly with the outside directors and Audit & Supervisory Board members, to ensure that compliance and governance systems were functioning effectively in light of past compliance-related impropriety. Mr. Asano also suggested that because a year has passed since the formulation of the Medium-Term Vision, it might be wise from an overall perspective for the Board to do another review of the vision and the growth strategies.

Asano: That's right. To achieve this Medium-Term Vision, the executive team is pushing ahead with various projects with a sense of urgency, so I think it would be a good idea to have separate discussions at the midway point on the progress made toward the overall vision. Over this past year, the Board has discussed a wide range of matters, including at roundtable conferences, ranging from how to respond to Tokyo Stock Exchange demands to Group governance issues, as well as the various business proposals. Compliance and governance are continuous processes with no final endpoint. I believe we need to take a serious look at any points of concern even if they do not amount to full-scale impropriety. I think that addressing minor issues can prevent major ones, so when an issue first comes to light we should view this as an opportunity for improvement and take action. Looking ahead, I agree with the approach of increasing the discussions around governance and sharing views on long-term policies.

Kagami: We need to run regular briefings in advance to ensure everyone, including outside directors, can actively participate in the discussions in the limited time available. When we have so many business-related proposals tabled for discussion, as is the case right now, I think it would be good to create opportunities for a frank exchange of views after the Board of Directors' meeting has concluded, possibly in the form of a roundtable discussion or brainstorming session. At a Compliance Committee meeting the other day, managers from MEDIPAL Group companies participated as observers on the suggestion of the outside directors. We were able to hear people's views in person and, most importantly, engage in candid discussions with everyone on current issues. It was a really useful meeting. I felt that we laid the foundations for building a shared perception and understanding of how to approach and manage compliance matters at MEDIPAL Group companies.



Progress Toward the 2027 MEDIPAL Medium-Term Vision

Asano: In terms of realizing the Medium-Term Vision, my assessment is that the Company is making steady progress in terms of digging deeper in areas surrounding the core wholesale business and working to develop more business opportunities. Of particular interest are the skillful efforts made to develop the human resources that will drive the Company forward into new fields, as outlined in the growth strategies. In the core wholesale business, the Company is working to overcome various compliance difficulties and I have a positive view on the ongoing honest efforts being made to secure earnings. The Company is also making progress with business portfolio prioritizations.

Kagami: I also have the impression that the Company has made substantial progress in its efforts to expand into new business fields. I think the organization is developing its human resources by actively providing opportunities to build up experience across the Company through projects driven by the younger members of staff, such as the PRESUS®* support system for dispensing pharmacy operations. On the other hand, as the Company accelerates the five growth strategies, I think it needs to take more of a bird's-eye view of the entire Group. I saw the preliminary results from the questionnaires evaluating the effectiveness of the Board of Directors the other day. I realized that there is a shared understanding of the need for discussions from a broad perspective and was reminded of how enormously beneficial it is to conduct this analysis and evaluation every year.

Asano: I think at the start of the fiscal year it would be good to schedule in discussions to monitor progress toward the Medium-Term Vision.

Toward Enhancement of Corporate Value

Asano: The Basic Capital Policy, unveiled in May 2023, is for the business to be managed with an awareness of capital costs and return on capital, and we are also advancing discussions on capital efficiency with the executive team with a shared understanding of this topic.

Kagami: Detailed reports on dialogue with investors, such as overseas IR opportunities, are also given at the Board of Directors' meetings, eliciting lively suggestions from outside officers and much debate. Based on my experience in various industries, I think each company is unique in terms of its history and business characteristics, so although we talk about capital policy as a general concept, there are many different options to consider. The pharmaceutical industry overall is an extremely difficult sector to operate in and I think the biggest issues are what type of capital policy to put in place and how to get all the shareholders on board.

Asano: That's a good point. I think that the executive team has an excellent approach to its business operations in pharmaceutical distribution, as they are acutely aware of the important role the Company plays in the social infrastructure. Discussions at the Compensation Committee meetings do not focus on returns in the form of compensation if the business is profitable. Instead, business stability is the primary consideration when making decisions. Many of the issues debated might seem rather opaque for outsiders to understand, but if the executive team explained their approach, it might help to develop a mutual understanding with the shareholders. However, if the



Company is to be a reliable part of the social infrastructure, one of the most pressing issues is managing cybersecurity. With rising geopolitical risk, we need to recognize the importance of running simulations on how we would respond after a cybersecurity attack, rather than being overly focused on prevention.

Kagami: I recall that the department responsible for cybersecurity gave a report at a Board of Directors' meeting and there was an interactive discussion on this very topic. What I would like to raise with regard to sustainability matters is the progress made with diversity and inclusion. The Company has set up in-house meetings to discuss the environment and issues related to diversity and inclusion, and we receive a report once a year. Female outside directors and outside Audit & Supervisory Board members are active participants in this, and last year they all took part in a panel discussion on promoting women's activity.

Asano: Sustainability was also the subject of a lively Q&A session with the entire Board of Directors, including discussions on the Task Force on Climate-related Financial Disclosures. There has also been much discussion of human resource management as another key element in material sustainability tasks (materiality). I think that it has been a very meaningful year in terms of the discussions over the direction the Company needs to take to address a wide range of issues.

* Please refer to page 74 for explanations of technical terms.

Compliance

Basic Policy

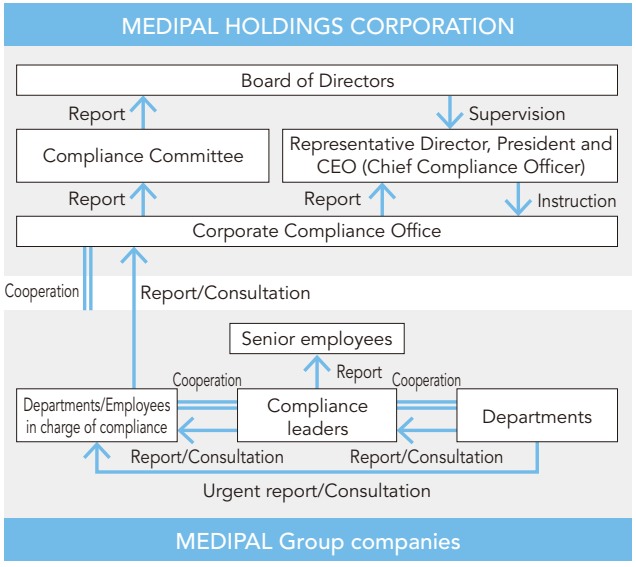
The MEDIPAL Group has designated "rigorous compliance" as one of its business policies. To earn the trust of all of our stakeholders and continue to develop as a company, we consider it important for each and every MEDIPAL Group employee to respect not only the law but also the rules and social manners, and to act in line with the highest ethical standards. To address this, we continually carry out training programs and awareness activities.

Compliance Promotion System

In the MEDIPAL Group, the Representative Director, President and CEO of MEDIPAL HOLDINGS CORPORATION holds the position of Chief Compliance Officer, and top management takes the lead in promoting compliance.

To support the systematic and continuous implementation of the initiatives, the Corporate Compliance Office has also been established as an organization under the direct control of the president to further strengthen compliance throughout the Group.

In addition, our Compliance Committee has been established to ensure continuous monitoring of Group compliance. The Compliance Committee, which functions as an advisory body to the Board of Directors, is chaired by the Chief Compliance Officer. Members also include executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business and outside directors. Audit & Supervisory Board members and other officers also participate as observers and offer their opinions to ensure more effective monitoring.



With the aim of raising awareness at the sales front lines of Group companies that operate the Prescription Pharmaceutical Wholesale Business, we have appointed some of the sales department managers as compliance leaders to promote compliance on the sales front lines and to monitor and supervise the status of compliance.

We have established an audit/monitoring system with the following functions:

1. Antimonopoly Act audits
   The Audit Office, which is in charge of internal audits, will conduct Antimonopoly Act audits with the purpose of confirming whether there are Antimonopoly Act violations and the status of efforts to prevent a recurrence of any such violations.
2. Reporting of audit results
   The audit results are reported to the Board of Directors and the Audit & Supervisory Board quarterly.
3. Reporting of status of improvements
   The status of improvements and operation of the MEDIPAL Group's compliance system is reported regularly (quarterly) to the Board of Directors.

Formulation of Guiding Principle for Business Activities

In response to the on-site inspection of MEDICEO CORPORATION by the Japan Fair Trade Commission in November 2019, and based on the spirit of observing regulatory compliance, the MEDIPAL Group formulated the Guiding Principle for Business Activities to demonstrate the commitment of the CEO to compliance. To make this commitment universal across all employees in the Group, management has continued to convey this message in meetings, in-house publications, and other forums. We are also working to ensure all employees engage in fair competition by having all attendees at Company meetings recite the Guiding Principle for Business Activities.

Initiatives to Prevent Violations of the Antimonopoly Act

The MEDIPAL Group establishes rules and regulations to prevent violations of the Antimonopoly Act. We have also revised our work regulations. We appoint a person in charge of compliance at every Group company and develop systems for guidance on how to comply with these rules and regulations.

○ Establishment of regulations regarding the prevention of involvement in bid rigging, etc.

Regulations regarding the prevention of involvement in bid rigging, etc., are established for the purpose of eliminating collusion, cartels, and other violations of the Antimonopoly Act, preventing behavior that may be suspected of such violations, and reducing the risk of becoming involved in such violations.

○ Review of business plans and sales targets

We have conducted a fundamental review of business plans and sales targets, and have considered how we pursue our business activities from the perspective of preventing the occurrence of situations that may violate the Antimonopoly Act.

Creation of Antimonopoly Act Compliance Guidebook
We produce an easy-to-understand guidebook on how to avoid violations of the Antimonopoly Act. The guidebook outlines sales situations that are open to misunderstanding or ambiguous interpretation.

Compliance based on rules for estimates and bids
Our activities comply with internal rules on fair competition based on a spirit of observing regulatory compliance. The rules specify that no contact with other companies in the industry is confirmed and subjected to an approval process, and that price estimates and bids are not to be submitted for projects where there is no commitment to accepting the contract.

Formulation of rules on activities within the industry and contact with other wholesalers
Immediately following the on-site inspection by the Japan Fair Trade Commission, we forbade, in principle, any actions that may arouse suspicion, such as contact with other companies in the industry. Regarding activities within the industry, however, contact is allowed subject to certain rules (presence of an attorney or other relevant official, keeping a record of proceedings, etc.).

We conduct business and corporate activities in line with the clear rules we have also established for approval procedures and other aspects in cases where there is an unavoidable need to contact another company in the industry.

Consultation desk for Antimonopoly Act (Antimonopoly Act Hotline)
Immediately following the on-site inspection by the Japan Fair Trade Commission, we established a dedicated consultation desk for the Antimonopoly Act to ensure a swift response in sales situations open to ambiguity with regard to compliance with the Act. This consultation desk operates separately from the existing whistleblower hotline.

Initiatives to Prevent Bribery

The MEDIPAL Group carries out its business activities in a just and lawful manner, and strictly prohibits all supply of profits to civil servants or those in a similar position. All Group companies have formulated bribery prevention regulations.

To ensure the effectiveness of these regulations, we have also established rules regarding disbursements, such as the receipt of all internal approvals in writing in cases of donations to third parties.

Furthermore, as many of the major business partners of the MEDIPAL Group (manufacturers of pharmaceutical products and medical equipment, etc.) are incorporated in foreign countries, we are conducting employee training based on the education standards set by our business partners. These programs include annual online training that uses as reference the material of the Foreign Corrupt Practices Act (FCPA) training induction course which is implemented by the American Medical Devices and Diagnostics Manufacturers' Association (AMDD).

Initiatives to Raise Compliance Awareness

To raise compliance awareness, the MEDIPAL Group has implemented the following initiatives:

1. Compliance training
   The following training is provided through e-learning. In addition to such training, all personnel who are at department manager level and above at all Group companies have attended collective training sessions on harassment prevention, from the perspective of respect for human rights.

Status of compliance-related training (only training administered in-house)	Antimonopoly Act training: Once a year Compliance training: Once a year Information security training: Twice a year Harassment prevention training: Once a year FCPA training: Once a year Training on guidelines for sales information provision activities: Four times a year

2. Declaration of Compliance Day
   To demonstrate our ongoing commitment to compliance, we have designated November 27 as Compliance Day. The day focuses on reaffirming awareness of compliance for all employees, including a questionnaire to check employee awareness and the effectiveness of our initiatives put in place to strengthen compliance.

Whistleblowing System

To more rapidly identify and address problems within the MEDIPAL Group, the Group has established a Whistleblower Hotline. We have used the Group intranet and posters to inform employees that they can use the hotline to raise concerns about impropriety, legal violations, or unethical conduct at work, or when such activities seem likely to occur. Various whistleblowing contact points have been established within and outside of the Group and we make sure that whistleblowers can choose the point of contact freely. The Whistleblower Hotline is available for use 24 hours a day, 365 days a year, and provides various means of contact, including email, fax, postal mail, and telephone. The system includes appropriate safeguards, such as an independent point of contact to ensure confidentiality and specific internal rules to protect whistleblowers from adverse consequences. We also accept anonymous reports.

Whistleblower Hotline Response Process



Quality Control

Basic Policy

The MEDIPAL Group considers it its social mission to comply with pharmaceutical laws and regulations such as the Pharmaceutical and Medical Device Act, and to distribute safe, reliable prescription pharmaceuticals and medical equipment, etc. To accomplish this mission, we strive to implement thorough quality control processes, from pharmaceutical product receipt to delivery to medical institutions, etc., to maintain the integrity of delivered products.

Maintaining Quality

For quality control in the storage and distribution of pharmaceuticals, medical equipment, and other products, the MEDIPAL Group ensures the operation of appropriate systems by creating manuals on logistics operations, supervising pharmacist operations, etc., based on ordinances issued by the Ministry of Health, Labour and Welfare, and on JGSP[1] and JGSP2008. The Group also formulates manuals for quality control and standard operating procedures (SOPs) in accordance with the globally harmonized JGSP GDP, revised to reflect PIC/S[2] GDP, and with GDP guidelines[3] issued by the Ministry of Health, Labour and Welfare. In addition, the MEDIPAL Group works to enhance management systems, provide opportunities for suggesting improvements at GDP review meetings, and implement educational activities.

1. JGSP (Japanese Good Supplying Practice): Practice standards regarding quality management and safety management in the supply of pharmaceuticals These industry practices are defined by The Federation of Japan Pharmaceutical Wholesalers Association in order to protect the safety of products and prevent their degradation due to temperature, humidity, sunlight, etc., during storage, shipping, and transport. JGSP applies to prescription pharmaceuticals, while JGSP2008 applies to over-the-counter pharmaceuticals.
2. PIC/S (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme)
3. GDP (Good Distribution Practice): GDP guidelines set out appropriate procedures for ensuring the proper management of distribution (purchase, storage, and supply), maintaining the integrity of pharmaceuticals, and preventing the entry of counterfeit drugs into regular distribution channels.

Education and Training

The MEDIPAL Group provides systematic training via online training sessions, classroom study, and on-the-job (OJT) training to maintain the integrity of pharmaceuticals, etc. The training is based on the annual education and training plan formulated at the beginning of the fiscal year and covers quality control manuals and SOPs for personnel in charge of merchandise management and distribution.

Introductory Education and Training

Scope	New assignees/personnel
Contents	Learn the basic procedures and acquire knowledge for performing work in each department
Hours	Approx. 5 hours

Regular Education and Training

Scope	Personnel responsible for product management and distribution
Contents	Includes acquiring knowledge of GDP and quality control in pharmaceutical affairs, supply, etc., for products carried (pharmaceuticals)
Hours	10+ hours

Why counterfeit drugs are not a growing concern in Japan

The spread of counterfeit drugs is becoming a severe problem worldwide. However, there is no room for counterfeit drugs to enter the Japanese drug market. The main reasons for this are the development of laws (the Pharmaceutical and Medical Device Act, etc.) and compliance with these laws, as well as the fact that nearly all prescription pharmaceutical distribution (roughly 96%) is performed by pharmaceutical wholesalers.

The existence of wholesalers (1) simplifies distribution channels, (2) makes it possible to handle everything from purchase to delivery in-house, and (3) creates close relationships with all clients: pharmaceutical companies, medical institutions, and dispensing pharmacies.

High-quality distribution is the key factor in preventing the spread of counterfeit drugs, and investment in such distribution is essential. In that sense, the Japanese pharmaceutical wholesale industry is also responsible for safety and social costs.

The Group conducts lot traceability management, and employs a system that allows it to determine what has been sold, when, to whom, and in what quantities. In the event of a voluntary product recall by a pharmaceutical company, this system allows the Group, at the pharmaceutical company's request, to rapidly provide information to the medical institutions and other customers to whom the products have been sold, and recall those products.

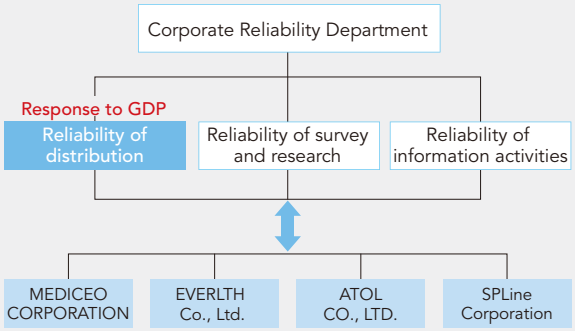
Compliance with the Japanese Version of the GDP Guidelines

The MEDIPAL Group is now providing training on quality control manuals and SOPs to the logistics departments of the four prescription pharmaceutical wholesalers[1] as well as to all ALCs*. In addition, we carry out regular quality reviews to promote and enhance the quality of GDP activities. In 2022, we also began offering our GDP programs, which had previously focused on centers, at FLCs* and branches, established GDP at EVERLTH Co., Ltd. and ATOL CO., LTD. in FY2023, and are progressively rolling out the programs to Group wholesalers.

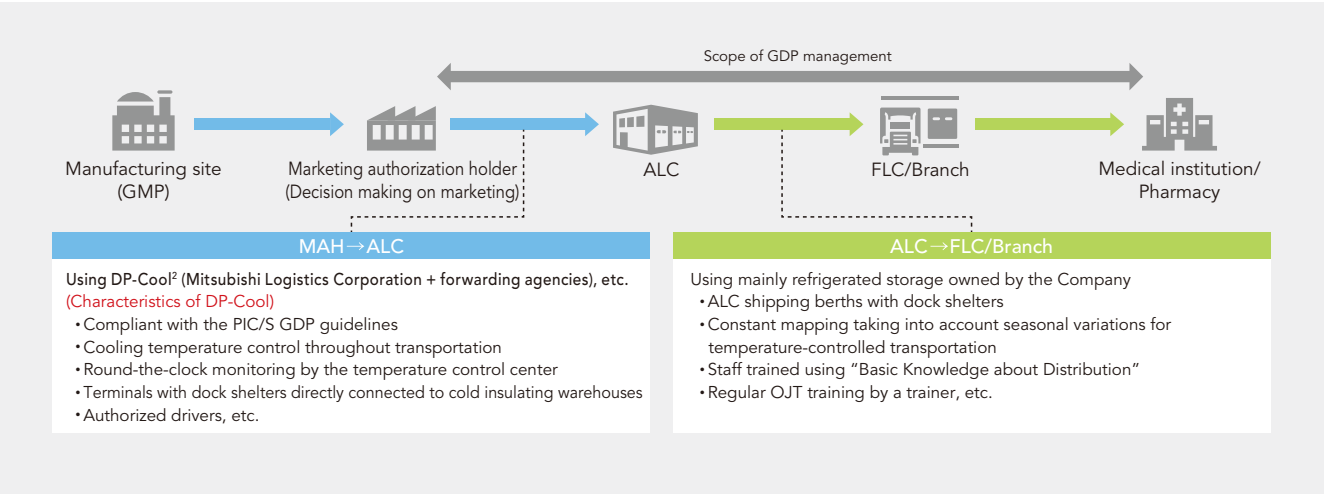
Organization and role of the Corporate Reliability Department

The Corporate Reliability Department supervises the status of logistics quality control at the four prescription pharmaceutical wholesalers and is working to promote methodologies based on GDP guidelines at ALCs and to continuously improve the quality of logistics. The department is also working to outfit FLCs and branches throughout Japan with organizational systems based on the guidelines and the necessary capital investments, while implementing educational activities for employees responsible for product management and distribution. In addition, to increase reliability in logistics quality, we are further enhancing our pharmaceutical distribution practices by strengthening cooperation, not only with relevant internal departments but also with pharmaceutical companies, distributors, and other external partners.

Organization and Role of the Corporate Reliability Department



Pharmaceutical Supply Chain



Highlight

Toward realizing efforts to visualize the pharmaceutical distribution process

MEDICEO CORPORATION uses the SHINYEI Technology Co., LTD. S3 PLATFORM, a smart sensing platform equipped with sophisticated temperature and vibration monitoring technology. The two companies jointly developed a temperature logger and cloud-based monitoring system to seamlessly monitor temperature and other quality control information on pharmaceuticals.

The newly developed temperature logger operates on power supplied by Power over Ethernet (PoE)[3] and contains a backup battery and memory, thereby ensuring ongoing temperature measurement and measurement data logging even during power outages. By rolling out this system and links to the management systems of other companies, we aim to visualize temperature traceability and the pharmaceutical distribution process throughout the entire process, from storage at pharmaceutical manufacturers, through wholesale, and to medical institutions and to the homes of patients.

1. MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., SPLine Corporation
2. Refrigerated transportation service for pharmaceuticals compliant with the PIC/S GDP guidelines
3. Power supply technology, in addition to communication data via Ethernet cables (LAN cables)

* Please refer to page 74 for explanations of technical terms.

Risk Management

Basic Policy

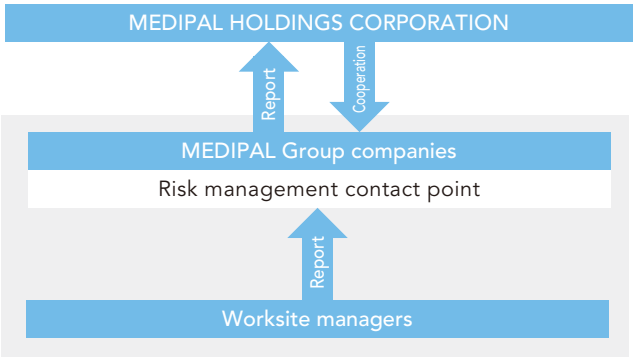
With regard to business risks, the MEDIPAL Group formulates related rules and guidelines, implements training, creates manuals, as well as ensures thorough risk management awareness. The Group thoroughly prevents the involvement of antisocial forces in management activities by specifying a department that handles related matters under the leadership of the risk management officer, and by implementing central management. With regard to the internal control reporting system for financial reporting, in accordance with the Financial Instruments and Exchange Act, each department has its own functions for maintaining and implementing internal control. Having the authority to perform monitoring, the Audit Office coordinates with the Group's internal auditing department to rapidly identify potential loss risks.

Risk management structure

When a risk materializes and a significant impact is expected, pre-appointed risk management officers take a leading role in the response.

Issues to Be Reported

- Compliance-related risks
  - Legal and regulatory infractions
  - Information leaks
  - Internal fraud, etc.
- Risks related to natural disasters
- Other risks (issues that could have a significant impact on business activities)



Business risks

The main risks to the MEDIPAL Group's businesses are as follows. Statements regarding the future represent the positions of the Group as of March 31, 2024.

- Medical insurance system reform
- NHI drug price system
- Specific legal regulations
- Trade practices with medical institutions
- Trade practices with pharmaceutical companies
- Changes in the competitive environment
- System interruptions
- Information leaks
- Disasters and traffic accidents
- Climate change
- Securing a labor force
- Investing
- Legal and regulatory infractions

Examples of countermeasures

About Disaster Risk

Summary: The MEDIPAL Group handles the distribution of prescription pharmaceuticals, daily necessities, and other products indispensable to a healthy life. We are implementing a variety of measures to ensure that we reliably deliver the required products both in normal times and during emergencies. In the event of a major disaster, the Group's business operations may be suspended and our business performance and financial condition may be affected due to decreased sales resulting from lost sales opportunities or incurring recovery costs and other expenses.

Countermeasures: The Group has established crisis management systems and a BCP in preparation for natural disasters such as earthquakes, typhoons, or a pandemic, to ensure that the Group can quickly carry out supply activities in the event of an emergency.

About Traffic Accidents

Summary: The MEDIPAL Group uses many vehicles in its sales and delivery activities. In the event that a serious traffic accident occurs, social reputation could be damaged, and this may affect the performance and financial condition of the Group.

Countermeasures: We are introducing vehicles equipped with dashcams and automatic braking systems to prevent traffic accidents. In addition, we proactively conduct awareness-raising activities to promote traffic accident prevention, such as the establishment of a safe driving month and holding classes taught by police officers.

About Securing a Labor Force

Summary: In order for the MEDIPAL Group to reliably distribute pharmaceuticals, daily necessities, and other products, it is essential to secure high-quality human resources and assign them appropriately. In recent years, securing a labor force in the distribution field has become difficult due to the declining population resulting from the decreasing birthrate and aging population. If the labor supply tightens further and adequate human resources cannot be secured, the Group's performance and financial condition may be affected. In addition, a significant increase in employee-related costs due to revised laws and systems or price fluctuations may also affect the performance and financial condition of the Group.

Countermeasures: We are boosting efficiency through labor-saving measures at distribution centers and revised delivery operations, as well as implementing workstyle reform and taking steps to improve the work environment.

Business Continuity Plan (BCP)

Basic Policy

The MEDIPAL Group anticipates a range of risks, and has drafted an effective BCP adapted to business characteristics that allows it to provide a steady supply of products, not only in normal times but also in the event of pandemics or large-scale natural disasters such as earthquakes. This enables the Group to fulfill its role as a social infrastructure company.

System

The MEDIPAL Group has created a Disaster Response Manual (for Natural Disasters) that contains specific content regarding envisioned disaster damage, preparatory measures, operations in the event of a natural disaster, emergency organization structures, and the like. In the event of an earthquake with a seismic intensity of 6-lower or above on the Japanese scale, the general manager of the Group's Disaster Countermeasures Headquarters will decide whether the Disaster Countermeasures Headquarters needs to be established based on reports from the secretariat chief on incurred or imminent damage and with reference to the manual. This headquarters rapidly confirms the safety of Group company employees and their families in the affected areas; the status of buildings, systems, and the like; the state of lifelines; and the situation with product supply systems. It also leads a range of response activities aimed at business continuity.

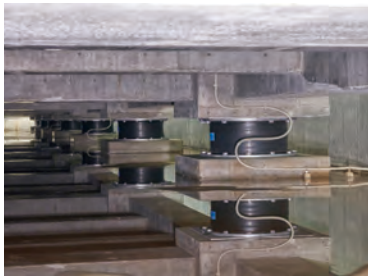
When there is an outbreak or spread of an infectious disease, a secretariat for the Disaster Countermeasures Headquarters is established based on the Disaster Response Manual (for Infectious Diseases) and information on the disease is gathered from the World Health Organization (WHO) and Japanese government agencies. Once the outbreak occurs in Japan and is expected to spread, the general manager of the Group's Disaster Countermeasures Headquarters will decide whether the Disaster Countermeasures Headquarters needs to be established based on reports from the secretariat chief. To maintain a stable supply of pharmaceuticals and other products while ensuring the safety of customers and employees, the headquarters collects and centrally manages information on government policies and local conditions, and quickly and flexibly implements countermeasures against various anticipated situations.

Disaster Planning

The MEDIPAL Group has gained experience in previous major natural disasters, including the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, the Kumamoto earthquakes, and torrential rains in Western Japan and Kumamoto, and has undertaken many initiatives to ensure stable supply when disaster strikes. Because Japan is a land of natural disasters, MEDIPAL must make full preparations for dealing with a wide range of disaster scenarios.

Seismic isolation structure

We are working to ensure distribution centers and other buildings are earthquake resistant with seismic isolation structures in order to prevent products from falling from shelves and becoming damaged during disasters, and to prevent our distribution facilities from becoming inoperative.



In-house power generators

MEDIPAL's principal business locations, including the Head Office and distribution centers, are equipped with in-house electric power generators.



Preparedness measures for times of emergency

To prepare for times when public transportation and transportation networks are disrupted, motorcycles are kept in readiness at distribution centers and other locations. When roads to some areas are impassable for larger vehicles, motorcycles prove to be an important means of delivering pharmaceuticals.



In-house fueling stations

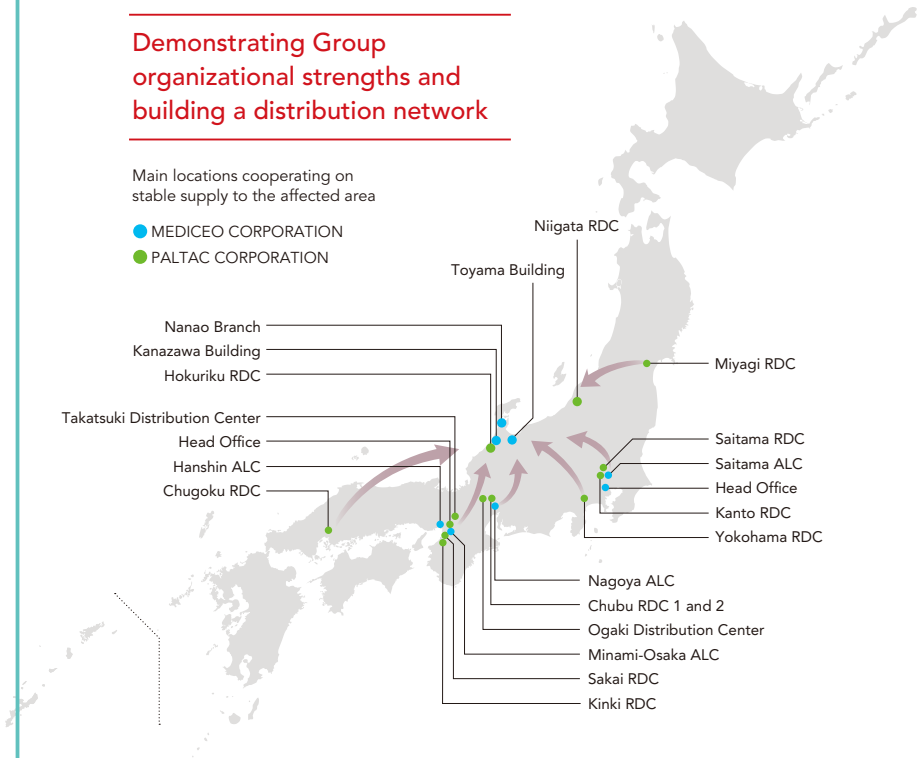
Based on our experience during times when gasoline was in short supply due to disasters, MEDIPAL's principal distribution centers are equipped with their own fuel supplies.



Highlight Group Company Response to the 2024 Noto Peninsula Earthquake

A 7.6-magnitude earthquake with a maximum seismic intensity of 7 on the Japanese scale, struck the Noto Peninsula in Ishikawa Prefecture at around 4:10 p.m. on January 1, 2024. The MEDIPAL Group worked to provide a stable supply of products to customers, in line with its mission to reliably deliver the products needed.

Demonstrating Group organizational strengths and building a distribution network



MEDICEO CORPORATION

The Nanao Branch (Nanao-shi, Ishikawa), Kanazawa Building (Kanazawa-shi, Ishikawa), and Toyama Building (Imizu-shi, Toyama) suffered damage such as partial building damage, water shut-off due to leaks, and products falling from shelves. Despite this, the effectiveness of the seismic isolation devices for shelves kept falling products to a minimum, thereby enabling a rapid recovery and business continuity.

Personnel in charge of logistics stepped in to support distribution at the Nanao Branch and delivered backup supplies, and local employees demonstrated the organizational strengths of the Group as they worked to provide a stable supply of products to medical institutions and customers, committed to "Our mission is to deliver pharmaceuticals in Japan."

PALTAC CORPORATION

Two regional distribution centers, Hokuriku RDC* (Nomi-shi, Ishikawa) and Niigata RDC (Mitsuke-shi, Niigata), suffered partial losses of buildings and equipment as well as other damage such as cargo shifting.

Because these centers handle cosmetics, daily necessities, OTC drugs, and other items essential to daily life, they formulate a BCP and maintain a shipment system capable of delivering necessities from other centers when a distribution center is affected by a disaster.

While past experience enabled them to recover rapidly, they also prepared for the next disaster by reflecting the weaknesses and countermeasures identified in this response in the manual.


An effective seismic isolation device for shelves prevented products from falling


Temporary toilets placed in the building


Recovery support activity at a customer's location


Relief supplies delivered from each ALC* to a site in the affected area


The connection between the affected area and the Head Office enabled a rapid response


Confirming information on road conditions and considering a delivery system


Damage at the Hokuriku RDC


Delivering products to the affected area

* Please refer to page 74 for explanations of technical terms.

Information Management

Basic Policy

The MEDIPAL Group handles a variety of information, most notably the information of its customers. Managing and safeguarding this information is also the social responsibility for the Group. There have also been increasing threats to cybersecurity in recent years, including ransomware and supply chain attacks, so we are executing both physical and procedural measures to ensure rigorous information management, including measures to protect our hardware systems and a focus on training for employees who handle information.

Policies and Systems

As a standard for information management, the MEDIPAL Group has established a Group-wide Information Security Policy. To ensure rigorous information management, we have set up an Information Management Committee headed by the Chief Information Officer (Representative Director, President and CEO) and have investigated initiatives including stronger cybersecurity measures. We have also created an internal management system of managers and personnel in each Group company and section.

Education System

The MEDIPAL Group considers the awareness of each and every employee who handles information to be the most critical element of information management. Accordingly, we conduct information security training twice a year via an e-learning platform to remind employees about information management and raise their awareness of security.
We conduct training for new employees and management in level-specific training and endeavor to ensure that everyone complies with the internal rules on handling information. Furthermore, we work to improve data collection and analyze the risk related to information security, drawing the attention of employees to phishing emails and other methods of targeted attack as necessary, and ensuring thorough awareness of information security at all workplaces.

Initiatives for Information Protection

The MEDIPAL Group implements security measures to protect information and prevent its leakage, such as ensuring up-to-date antivirus programs on all devices connected to internal networks and countermeasures against unauthorized access, using biometric authentication and encrypting data on mobile computers. We also rigorously manage data access rights and reduce the risk of incidents from data leaks or falsification.

Cyberterrorism Countermeasures

We install the latest antivirus software on all devices and servers in addition to preventive systems such as filtering suspicious email and firewalls, as countermeasures to combat cyberterrorism.

In cooperation with external security partners, we also monitor our network and devices round-the-clock, 365 days a year to make sure that we can detect cyberattacks, and maintain and operate a system that enables response in the event of a cyberattack by rapidly analyzing the scope of the impact, isolating affected devices, and other measures.



Glossary

A	
● ALC: Area Logistics Center	A state-of-art distribution center that supplies prescription pharmaceuticals, medical materials, and clinical diagnostic reagents, etc., primarily to dispensing pharmacies, hospitals, and clinics.
● AR: Assist Representatives	An internal designation given to Marketing Specialists (salespeople for the Prescription Pharmaceutical Wholesale Business), pharmacists, and others who have passed the MR qualification exam.
● AUPUS: Automatic Piece Picking Ultimate System	A next-generation logistics system that automates product storage, issuing, and sorting.
D	
● DMR: Diagnostics Medical information Representatives	Person in charge of diagnostics medical information.
● DS: Delivery Specialist	Person in charge of deliveries in the Prescription Pharmaceutical Wholesale Business.
F	
● FLC: Front Logistics Center	A sales and distribution base that helps support the stable supply of products in collaboration with ALCs. FLCs are established in areas near our customers.
M	
● McHIL®: Mediceo Hospital Innovative Logistics	A system that applies ALC functions and know-how to logistics in hospitals. Supports improvement of efficiency in hospital logistics operations.
● MR: Medical Representatives	Person in charge of drug information at pharmaceutical companies.
● MS: Marketing Specialist	Person in charge of sales in the Prescription Pharmaceutical Wholesale Business.
P	
● PFM®: Project Finance & Marketing	A business model in which MEDIPAL HOLDINGS CORPORATION invests in the development of new drugs of pharmaceutical companies in order to share in the risk and return.
● PMS: Post-Marketing Surveillance	Surveillance that the Japanese government requires companies to conduct after launching pharmaceuticals to verify their quality, efficacy, and safety. PMS consists of early post-marketing phase vigilance and Post-Marketing Surveillance.
● PRESUS®: Pharmacy Real-time Support System	An all-in-one system that functions together with ALCs to conduct automatic ordering and inventory management based on demand forecasts. This system supports the various operations of dispensing pharmacies.
R	
● RDC: Regional Distribution Center	Large-scale distribution centers that handle cosmetics, daily necessities, over-the-counter pharmaceuticals, and other items. They supply products to retailers.
● RD-MR: Rare Disease MR	ARs specializes in rare disease fields.
S	
● SPAID: Super Productivity Advanced Innovative Distribution	A proprietary developed total-management and operation system for next-generation logistics centers based on the adoption of AI, cutting-edge robotic technology, or MUPPS. This system yields twice the volume of conventional systems with the same number of workers.

● Prescription Pharmaceutical Wholesale Business
● Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

SASB Content Index

Sustainability Disclosure Topics and Accounting Metrics

Topic	Accounting Metric	Code	Disclosure Location
Fleet fuel management	Payload fuel economy	HC-DI-110a.1	Integrated Report 2024, page 43
	Description of efforts to reduce the environmental impact of logistics	HC-DI-110a.2	Integrated Report 2024, pages 42–47
Product safety	Total amount of monetary losses as a result of legal proceedings associated with product safety	HC-DI-250a.1	N/A
	Description of efforts to minimize health and safety risks of products sold associated with toxicity/ chemical safety, high abuse potential, or delivery	HC-DI-250a.2	Integrated Report 2024, pages 68–69
Counterfeit drugs	Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting	HC-DI-260a.1	Integrated Report 2024, pages 68–69
	Discussion of due diligence process to certify suppliers of pharmaceuticals and medical equipment and devices	HC-DI-260a.2	Integrated Report 2024, pages 68–69
	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	HC-DI-260a.3	Integrated Report 2024, pages 68–69
Product lifecycle management	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	HC-DI-410a.1	MEDIPAL HOLDINGS CORPORATION Website Home > Information on Sustainability and CSR Initiatives > Environmental Initiatives
	Amount (by weight) of products accepted for take-back and reused, recycled, or donated	HC-DI-410a.2	MEDIPAL HOLDINGS CORPORATION Website Home > Information on Sustainability and CSR Initiatives > Environmental Initiatives
Business ethics	Description of efforts to minimize conflicts of interest and unethical business practices	HC-DI-510a.1	Integrated Report 2024, pages 66–67
	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices	HC-DI-510a.2	N/A

Activity Metrics

Topic	Code		Disclosure Location
Number of pharmaceuticals sold by product category	HC-DI-000.A	Currently, sales volume of pharmaceuticals by product category is not disclosed, but net sales by product type is disclosed.	Data Book for the year ended March 31, 2024, page 6
Number of medical devices sold by product category	HC-DI-000.B	Currently, sales volume of medical devices by product category is not disclosed, but net sales by product type is disclosed.	Data Book for the year ended March 31, 2024, page 6

Eleven-Year Financial Highlights

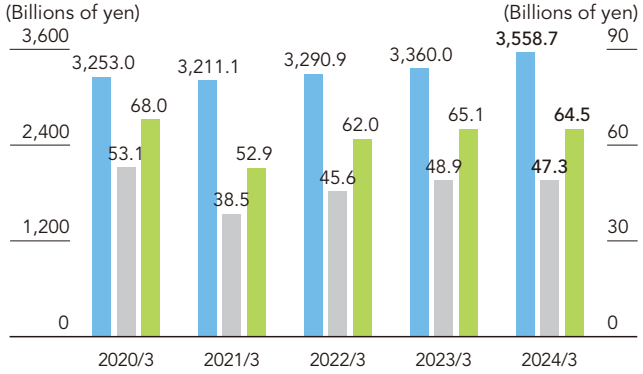
MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31

	Millions of yen										Thousands of U.S. dollars[5] (Note)
	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3[1]	2023/3	2024/3	2024/3
Operating Results (Millions of yen)												
Net sales	¥2,947,798	¥2,872,905	¥3,028,187	¥3,063,900	¥3,146,314	¥3,181,928	¥3,253,079	¥3,211,125	¥3,290,921	¥3,360,008	**¥3,558,732**	**$23,503,947**
Gross profit	209,358	201,735	217,497	219,019	228,100	232,502	236,739	214,259	217,445	224,304	**246,654**	**1,629,052**
Selling, general and administrative expenses	174,695	168,940	175,214	179,369	183,839	182,675	183,629	175,683	171,820	175,331	**199,324**	**1,316,452**
Operating profit	34,662	32,795	42,283	39,650	44,260	49,827	53,109	38,576	45,624	48,972	**47,330**	**312,599**
Ordinary profit	49,777	44,475	55,140	53,360	57,349	63,914	68,020	52,968	62,046	65,122	**64,570**	**426,462**
Profit attributable to owners of parent	25,485	23,687	30,771	29,011	34,780	34,359	37,968	23,926	29,423	38,806	**41,474**	**273,921**
Depreciation	13,147	12,325	12,391	13,573	14,898	13,452	14,232	14,468	14,083	14,393	**16,931**	**111,823**
Capital expenditures	24,743	15,168	38,395	44,883	20,652	19,361	29,321	16,141	18,150	17,434	**20,380**	**134,601**
Financial Position (Millions of yen)												
Total assets	¥1,400,792	¥1,454,800	¥1,497,310	¥1,525,912	¥1,618,819	¥1,617,911	¥1,644,279	¥1,679,934	¥1,709,474	¥1,709,658[2]	**¥1,799,127**	**$11,882,488**
Total net assets	407,480	457,604	488,328	521,165	572,656	592,848	607,424	638,933	649,089	688,055	**736,612**	**4,865,018**
Cash Flows (Millions of yen)												
Cash flows from operating activities	¥ (72)	¥ 80,466	¥ 21,985	¥ 47,954	¥ 63,558	¥ 63,716	¥ 56,917	¥ 34,448	¥ 61,216	¥ 16,146	**¥ 61,843**	**$ 408,453**
Cash flows from investing activities	(28,065)	(11,834)	(41,267)	(11,354)	(43,064)	(23,512)	(13,319)	(2,939)	(24,343)	(39,494)	**(7,817)**	**(51,629)**
Cash flows from financing activities	(2,834)	(19,834)	6,093	(17,663)	15,845	(30,755)	(49,067)	(16,003)	(16,471)	(43,541)	**(25,248)**	**(166,756)**
Free cash flow[3]	(28,137)	68,632	(19,282)	36,600	20,494	40,204	43,598	31,509	36,873	(23,348)	**54,026**	**356,823**
Per Share (Yen)												U.S. dollars[5]
Basic earnings	¥ 112.8	¥ 104.7	¥ 135.9	¥ 128.1	¥ 154.1	¥ 154.1	¥ 175.8	¥ 114.0	¥ 140.1	¥ 184.8	**¥ 195.8**	**$ 1.29**
Total net assets	1,529.6	1,722.6	1,832.5	1,950.3	2,154.9	2,233.5	2,382.9	2,491.0	2,525.7	2,673.6	**2,858.6**	**18.88**
Cash dividends	23.0	24.0	28.0	31.0	34.0	38.0	41.0	42.0	44.0	46.0	**60.0**	**0.39**
Financial Indicators (%)												
Ratio of gross profit to sales	7.1	7.0	7.2	7.1	7.2	7.3	7.3	6.7	6.6	6.7	**6.9**	
Ratio of operating profit to net sales	1.2	1.1	1.4	1.3	1.4	1.6	1.6	1.2	1.4	1.5	**1.3**	
Net worth ratio	24.7	26.8	27.7	28.9	29.9	30.7	30.4	31.1	31.0	32.9[2]	**33.4**	
Return on equity (ROE)	7.6	6.4	7.6	6.8	7.5	7.0	7.6	4.7	5.6	7.1	**7.1**	
Return on assets (ROA)	3.7	3.1	3.8	3.6	3.7	4.0	4.2	3.2	3.7	3.8[2]	**3.7**	
Payout ratio	20.4	22.9	20.6	24.2	22.1	24.7	23.3	36.9	31.4	24.9	**30.6**	
Number of employees	10,930	10,930	10,959	13,252[4]	14,151	13,868	13,599	12,971	12,801	12,795	**13,075**	

Notes:
1. The Company adopted the "Accounting Standard for Revenue Recognition" at the beginning of the fiscal year ended March 31, 2022, and figures for the fiscal year ended March 31, 2022 reflect this change.
2. In the fiscal year ended March 31, 2023, the Company provisionally carried out accounting treatment (allocation of acquisition costs) related to business combination. This accounting treatment was finalized in the first quarter of the fiscal year ending March 31, 2024, and as a result, provisional values have been updated to reflect finalized values for the consolidated financial position as of March 31, 2023.
3. Cash flows from operating activities + cash flows from investing activities
4. The main reason for the increase in employees in comparison to the end of the previous fiscal year is the partial change to employment forms, with a new system being introduced on October 1, 2016.
5. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥151.41 to U.S.$1.00, the approximate exchange rate on March 31, 2024.

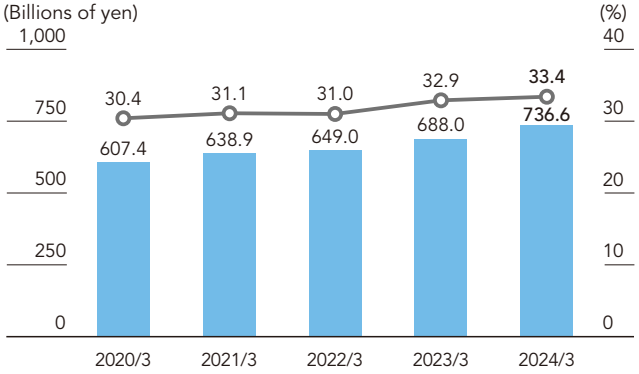
Financial Highlights

Net Sales, Operating Profit, and Ordinary Profit



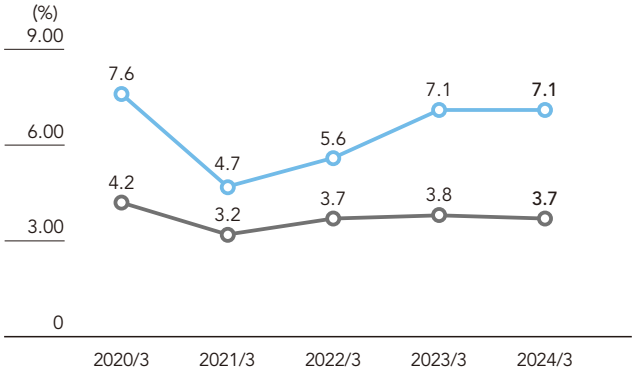
Both operating profit and ordinary profit declined. These declines resulted from an increase in selling, general and administrative expenses due to recognition of business investment expenses and amortization of goodwill and intangible assets related to the growth strategies in the 2027 MEDIPAL Medium-Term Vision. When these factors are excluded, both operating profit and ordinary profit increased.

Total Net Assets and Net Worth Ratio



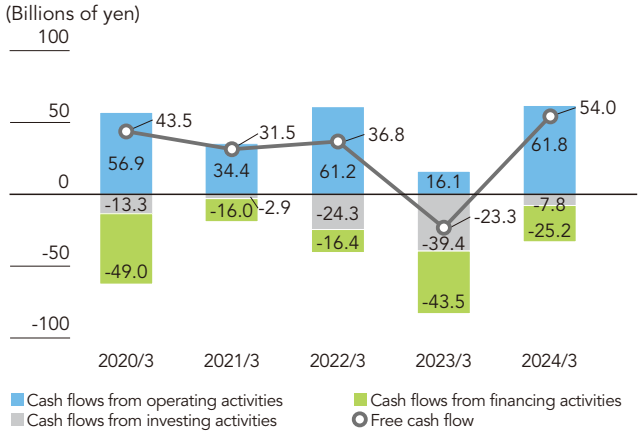
The increase in net assets was mainly due to an increase in retained earnings, non-controlling interests, and the valuation difference on available-for-sale securities.

ROE and ROA



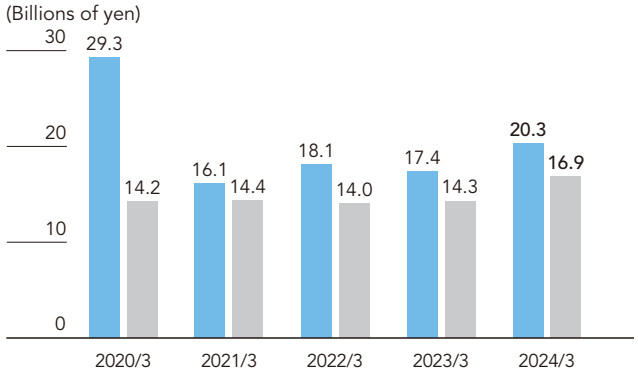
ROE: ROE was nearly on par with the previous fiscal year despite the increase in profit attributable to owners of parent because net assets also increased.
ROA: ROA decreased from the previous fiscal year due to the decrease in ordinary profit for the recognition of business investment expenses and amortization of goodwill and intangible assets, in addition to the increase in net assets.

Cash Flows



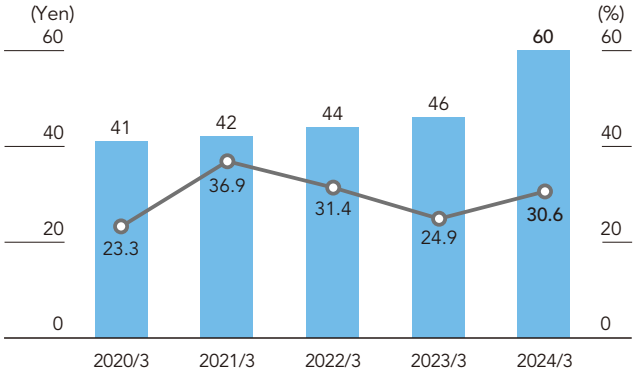
The increase in net cash provided by operating activities (an increase in cash inflow year on year) was mainly due to a decrease in trade receivables and an increase in trade payables.
The decrease in net cash used in investing activities (a decrease in cash outflow year on year) was due to the purchase of shares of subsidiaries resulting in a change in the scope of consolidation in the previous fiscal year.
Free cash flow was ¥54.0 billion.

Capital Expenditures and Depreciation



A total of ¥20.3 billion was invested in further strengthening and improving the efficiency of distribution functions. This included ¥16.4 billion in capital expenditures for construction of distribution centers, etc., and an investment of ¥3.9 billion in software, etc.

Annual Cash Dividends per Share and Dividend Payout Ratio



Annual dividends for the fiscal year ended March 31, 2024 increased by ¥14 per share year on year to ¥60 per share, resulting in a dividend payout ratio of 30.6%. Approximately ¥10 billion in treasury shares were also repurchased and canceled.

Corporate Data / Stock Information

Corporate Data

Corporate Name	MEDIPAL HOLDINGS CORPORATION
Head Office	3-1-1 Kyobashi, Chuo-ku, Tokyo 104-8461, Japan Tel: 81-3-3517-5800 (Representative) URL: https://www.medipal.co.jp/english
Founded	October 8, 1898
Established	May 6, 1923
Share Capital	¥22,398 million
Number of Employees	13,075 (Consolidated basis)
Stock Listing	Tokyo Stock Exchange, Prime Market
Ticker Code	7459
Trading Unit	100 shares
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
The General Meeting of Shareholders	Annually held in June
Further Information	Public Relations Department Tel: 81-3-3517-5171

Stock Information (As of August 27, 2024)

Rating Firm	Rating
Rating and Investment Information, Inc. (R&I)	A+

Note: The above is an issuer rating. Issuer ratings are fixed symbols provided as information to investors regarding the overall ability of issuers to repay the financial obligations they have incurred, and the degree of certainty regarding payment of individual debts.

Selected for the JPX-Nikkei 400 Index

Since 2014, the MEDIPAL HOLDINGS CORPORATION 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.

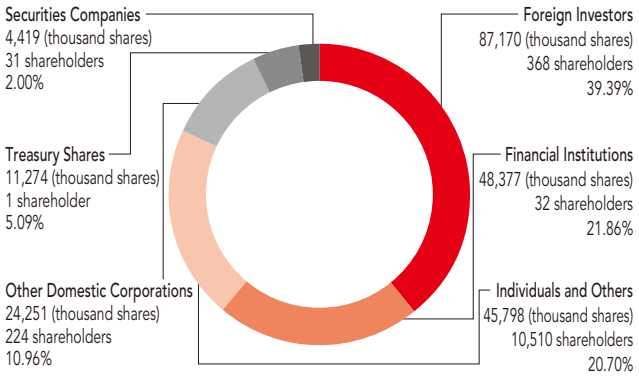
JPX-NIKKEI 400

Stock Information

Stock information

Number of Shares Authorized	900,000,000
Number of Outstanding Shares	221,291,342
Number of Shareholders	11,166

Shareholder composition



Major shareholders

Shareholders	Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	28,564	13.60
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	11,416	5.44
Custody Bank of Japan, Ltd. (Trust account)	9,042	4.31
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	5,814	2.77
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	5,773	2.75
MEDICEO Employees Shareholders' Association of MP Group	5,381	2.56
Kobayashi Pharmaceutical Co., Ltd.	5,074	2.42
Northern Trust Co. (AVFC) Re Non Treaty Clients Account (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,309	2.05
State Street Bank and Trust Company 505103 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	3,493	1.66
Northern Trust Co. (AVFC) Re IEDU UCITS Clients Non Lending 15 PCT TREATY Account (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	3,286	1.56

1. The Company holds 11,274 thousand shares of treasury shares, which are excluded from the major shareholders listed above.
2. Shareholding ratio is calculated after subtracting treasury shares from the number of outstanding shares.
3. Shares held as a percentage of total outstanding shares and shareholding ratio excluding treasury shares are rounded to the nearest hundredth.

