History of Value Creation

The MEDIPAL Group has since its foundation continued growing through wide-ranging innovations, under its unchanging mission of reliably delivering products essential to people’s safety and peace of mind whenever they are needed, even during emergencies.

Starting with KURAYA SANSEIDO Inc. (a merger of Sanseido Co., Ltd., KURAYA CORPORATION and TOKYO PHARMACEUTICAL Co., Ltd.), built a distribution platform covering all regions of Japan through business integration and business alliances.

1898

Founded

2000 –

Formation of Nationwide Distribution Network

1988

MEDIPAL HOLDINGS CORPORATION Integrated Report 2021

¥1,073.0 billion (Fiscal 2000)

With the addition of PALTAC CORPORATION, became a wholesaler group providing a wide range of support for everyday life, including cosmetics, daily necessities, and OTC pharmaceuticals. Business fields are “pharmaceuticals, health, and beauty.”

2003

KURAYA SANSEIDO Inc. formed

• Sanseido Co., Ltd., KURAYA CORPORATION, and TOKYO PHARMACEUTICAL Co., Ltd. merged

2004

• Business alliance with YONYAKU CO., LTD. and NAKAZAWA UIJKE PHARMACEUTICAL CO., LTD.

Everth Co., Ltd., ATOL CO., LTD.

• NAKAGAWA SEIKODO CO., LTD.

2009 –

Business Innovation

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

2009

• Began establishing ALCs nationwide

• Initiated programs for employees to obtain MR certification

• Invested in Beijing Huahong

2006

• Concluded business and capital alliance with Medical Data Vision Co., Ltd.

2008

• Business alliance with Toshichi Inc.

2007

• MARUZEN YAKUHIN CO., LTD.

1898

1901

1927

1936

1945

1956

1962

1978

1988

1995

2000

2005

2010

2015

1898 2010 2015

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Note: Corporate names and executives are shown as they were at the indicated date.

• Became a wholly owned subsidiary

Trends in market capitalization, net sales, operating profit and ordinary profit

• Prescription Pharmaceutical Wholesale Business

• Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

• Animal Health Products and Food Processing Raw Materials Wholesale Business

¥1.9 billion (Fiscal 2000)

¥5.4 billion (Fiscal 2000)
Promoted development of new businesses utilizing nationwide infrastructure and human resources, and broadened business fields to include such areas as animal health products and food processing raw materials.

**2009 – Creating New Value through 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.

**2012**
- Installed emergency in-house power generators at RDCs* nationwide to enhance system for stable supply of products.

**2011**
- Began PFM® initiatives as new business.

**2010**
- PALTAC CORPORATION listed its shares on the First Section of the Tokyo Stock Exchange.

**2013**
- MEDIE Co., Ltd.
- Invested in Beijing Tianxingpuxin

**2015**
- MVC CO., LTD.

**2016**
- Concluded business and capital alliance with MTI Ltd.
- ASTEC Co., Ltd.
- SLine Corporation established

**2017**
- Concluded business and capital alliance with JCR Pharmaceuticals Co., Ltd.

**2018**
- Joint venture was established in U.S. with JCR Pharmaceuticals Co., Ltd.
- Opened RDC Niigata and introduced next-generation logistics system SPAID®

**2019**
- Business alliance with Mitsubishi Logistics Corporation
- Investment in DP Network Co., Ltd.

**2020**
- Capital and business alliance with Heartseed Inc.
- Business alliance with Cryoport, Inc.
- Business alliance with H.U. Group Holdings, Inc.
- Established PharField Corporation

**2021**
- Jointly established corporate venture capital fund with SBI Investment Co., Ltd.

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*Please refer to page 73 for explanations of technical terms.
Value Creation Process

**Human capital**
- Shared values
- Advanced specializations
- Diverse careers

**Distribution facilities capital**
- Nationwide launch of distribution bases with high functionality

**Intellectual capital**
- Expertise and trust developed through extensive experience
- Highly efficient and accurate distribution systems to meet diverse needs
- Business model for creating new businesses

**Social and relationship capital**
- Solid relationships with medical institutes, communities, and customers
- Collaboration with partners in overseas business

**Financial capital**
- Healthy financial position
- Working capital efficiency

---

**External Environment**

**Changes in society**
- Decreasing birthrate, aging society and population decline
  - Growing social security costs
  - Shortage of labor
  - Era of 100-year lifespans
- Global COVID-19 pandemic
  - Establishment of new lifestyles and behavior patterns

**Advancement of digital technologies**
- Digital transformations
- Utilization of AI, robots, etc.
- Changes in consumer behavior

**Advancement of global warming**
- Increase in natural disasters

**Changes in the fields of medical treatment and healthcare**
- Efficiency and optimization
  - Controlling healthcare costs and frequent drug price revisions
  - Enhancement of regional medical care
  - Promotion of preventive medicine and extending healthy life expectancy
  - Increasing need for more efficient logistics, and rising societal demand for reduced environmental impact
- Sophistication and diversification
  - Progress in healthcare technologies and introduction of digital technologies
  - Expansion of regenerative medicine and development of orphan drugs
  - Expansion of precision medicine

---

**MEDIPAL GROUP**

**Contributing to people’s of society through creation**

**2022 MEDIPAL Medium-term Vision**

**Change the Innovation for**

**Sustainable growth**
- Establishing
- Expansion of
- Innovation in
- Strengthening human resources

---

**MEDIPAL HOLDINGS CORPORATION**

**Integrated Report 2021**

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**Important Issues (Materialities)**

**Compliance, Pharmaceutical Management, Respect for Corporate**

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**P. 16-25 Source of Our Growth**
Philosophy

health and the advancement of value in distribution

Term Vision  P. 14

Future

The MEDIPAL Group’s value creation process is supported by initiatives related to corporate governance and important issues (materialities). By making the most of our nationwide distribution platform and highly expert human resources, we provide information and a stable supply of indispensable products to meet the expectations of our diverse stakeholders. Profits from these initiatives are reinvested to strengthen our business foundations, which will create new value.

Philosophy

Customers
- Optimization of supply chain
- Streamlining of business
- Support of high-quality medical care

Patients and consumers
- Safe and secure medical care
- A rich and comfortable life

Employees
- A comfortable work environment
- Acquisition of advanced specialized capabilities
- Creation of motivation

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

Manufacturers
- Product dissemination
- Increase in distribution efficiency
- New product development

Local communities and local environment
- Enhancement of local medical care
- Development of integrated community care
- Reduction of environmental impact through improved distribution efficiency

The value we offer stakeholders

Output

Provision of safe and reliable distribution
Nationwide distribution platform, including ALCs and RDCs

Support for streamlining the businesses of customers
Original support system linked to distribution functions

Provision of proper information
Provision of information and proposal of solutions through various human resources such as ARs

Creation of new added value
New businesses utilizing nationwide network and highly expert human resources
2022 MEDIPAL Medium-Term Vision

The MEDIPAL Group is implementing initiatives in line with its medium-term vision, “2022 MEDIPAL Medium-Term Vision: Change the Oroshi Future – Innovation for the Future,” a vision aimed at a new Oroshi business model that benefits society with distribution in the fields of pharmaceuticals, health, and beauty, to prepare for changes in the social environment. The MEDIPAL Group has been carrying out further innovation in its existing businesses while shifting its new businesses from the “creation” to the “expansion” stage. At the same time, the MEDIPAL Group is building new frameworks that benefit customers and society through partnerships with companies in various fields, and by doing so, aims to further expand its earnings foundation and achieve sustainable growth.

Basic Policy

We will expand our earnings foundation and achieve sustainable growth by building new frameworks that benefit customers and society.

Image of Overall Growth

Aggressive investment for the future

Approx. ¥100.0 billion

Sustainable growth of the Group

Establishing business partnerships

Expansion of new businesses

Innovation in existing businesses

Strengthening human resources and evolving our organization

See pages 16-25 for details.
Management Targets

<table>
<thead>
<tr>
<th></th>
<th>Results for the Fiscal Year Ended March 2020</th>
<th>Results for the Fiscal Year Ended March 2021</th>
<th>Targets for the Fiscal Year Ending March 2022¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary profit</td>
<td>¥68.0 billion</td>
<td>¥52.9 billion</td>
<td>¥72.0 billion</td>
</tr>
<tr>
<td>Gross profit from new businesses¹</td>
<td>¥5.5 billion</td>
<td>¥6.4 billion</td>
<td>¥10.0 billion</td>
</tr>
<tr>
<td>Payout ratio</td>
<td>23.3%</td>
<td>36.9%</td>
<td>Stable dividends with target of 30%</td>
</tr>
<tr>
<td>Planned investment in growth</td>
<td></td>
<td></td>
<td>Approx. ¥100.0 billion over three years</td>
</tr>
</tbody>
</table>

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.
². These are the target figures at the time the medium-term vision was announced (May 15, 2019).

Key Strategies by Business

<table>
<thead>
<tr>
<th>Business</th>
<th>Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription Pharmaceutical Wholesale Business</td>
<td>1 Establishing business partnerships 2 Expansion of new businesses</td>
</tr>
<tr>
<td></td>
<td>Establish new frameworks</td>
</tr>
<tr>
<td></td>
<td>3 Innovation in existing businesses</td>
</tr>
<tr>
<td></td>
<td>Resolve customer issues and increase productivity</td>
</tr>
<tr>
<td>Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business</td>
<td>1 Addressing the unprecedented changes in the business environment</td>
</tr>
<tr>
<td></td>
<td>Strengthening retail solution capabilities</td>
</tr>
<tr>
<td></td>
<td>2 Pursuing security and safety and high efficiency</td>
</tr>
<tr>
<td></td>
<td>Strengthening logistics solution capabilities</td>
</tr>
<tr>
<td></td>
<td>3 Ensuring provision of added corporate value</td>
</tr>
<tr>
<td></td>
<td>Enhancing IT systems and promoting digitalization</td>
</tr>
<tr>
<td></td>
<td>4 Sources of sustainable growth</td>
</tr>
<tr>
<td></td>
<td>Talent and organizational development</td>
</tr>
<tr>
<td>Animal Health Products Wholesale Business</td>
<td>1 Using our original brand strategy</td>
</tr>
<tr>
<td></td>
<td>Business expansion</td>
</tr>
<tr>
<td></td>
<td>2 Through reconstruction of logistics and sales functions</td>
</tr>
<tr>
<td></td>
<td>Productivity improvement</td>
</tr>
<tr>
<td></td>
<td>3 Through human resource development</td>
</tr>
<tr>
<td></td>
<td>Enhancement of information transmission and organizational strength</td>
</tr>
<tr>
<td>Food Processing Raw Materials Wholesale Business</td>
<td>1 Effectively connect suppliers and customers nationwide</td>
</tr>
<tr>
<td></td>
<td>Sales activities that add value</td>
</tr>
<tr>
<td></td>
<td>2 Expansion into new areas</td>
</tr>
<tr>
<td></td>
<td>3 Reinforcement of product development capabilities</td>
</tr>
</tbody>
</table>

See page 28 for details.

See page 32 for details.

See page 36 for details.

See page 37 for details.
Developing Next-Generation Distribution to Further Enhance Productivity

At next-generation ALCs, picking productivity is five times higher thanks to the introduction of the AUPUS (Automatic Piece Picking Ultimate System), which automates work such as storage, dispatch, and sorting of products. At RDCs, we are developing and introducing SPAID (Super Productivity Advanced Innovative Distribution), a next-generation distribution system that actively utilizes the newest technologies such as AI and robotics. With SPAID, we are able to do twice as much work with the same number of workers as before through the use of AI case-picking robots that enable fully automated shipping operations from automatic case storage and retrieval warehouses, and adoption of our independently developed MUPPS* (Multitaskcrane Piece Picking System) that moves products to specified locations, with no human intervention, in bulk picking areas where individual products are retrieved.

* Please refer to page 73 for explanations of technical terms.
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.

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 below −150°C. We are building a distribution platform with different temperature ranges that can deliver anywhere in Japan.

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.

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 received patents for 19 devices and systems.

The MEDIPAL Group predicts expansion in pharmaceutical distribution in the field of regenerative medicines going forward. We have established storage facilities and shipping systems capable of maintaining ultra-low temperatures of −150°C or below to deliver items safely and securely from the time they leave the manufacturer’s facility until they reach patients.

**Ultra-low temperature transport system for distribution of regenerative medicines:**

Prescription Pharmaceutical Wholesale Business

The MEDIPAL Group predicts expansion in pharmaceutical distribution in the field of regenerative medicines going forward. We have established storage facilities and shipping systems capable of maintaining ultra-low temperatures of −150°C or below to deliver items safely and securely from the time they leave the manufacturer’s facility until they reach patients.
New Businesses That Meet Needs and Create Markets

Drawing on the unique logistics functions of our ALCs and the expertise of our ARs (assist representatives) and other human resources, we create and cultivate new businesses that meet the needs of medical institutions and pharmaceutical companies.

Positioning and Competitive Advantage of New Businesses

The MEDIPAL Group’s new businesses are built on existing business infrastructure. 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® (project finance & marketing), which launched in 2011, the provision of proper information by ARs, PMS (post-marketing surveillance), digital businesses that integrate face-to-face relationships with digital communication, and overseas businesses.

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.

| Appropriate information provision by ARs | ARs promote the appropriate use of pharmaceuticals by providing the right information to medical institutions. In addition, they use their advanced specialized knowledge to secure contracts for information collection and provision from major pharmaceutical companies and other operators. ARs are also involved in distribution that requires expertise and specialization, such as for orphan drugs and regenerative medicines. |
| PFM® Project finance & marketing | PFM® is a business in which MEDIPAL HOLDINGS CORPORATION invests in the development of new drugs of pharmaceutical companies in order to receive returns on investment after these drugs go to market (project finance), and sell and distribute them to medical institutions preferentially (marketing). |
| PMS Post-marketing surveillance | PMS consists of early post-marketing phase vigilance and post-marketing surveillance conducted after the sale of pharmaceuticals and medical equipment in order to ensure their quality, efficacy, and safety. The MEDIPAL Group handles a full range of contracted PMS operations from protocol design to report preparation. |
| Digital businesses | Having developed strong partnerships with ICT companies that possess leading technologies, we are moving forward with DX (digital transformation) of patient-centered healthcare and information provision to medical institutions. |
| Overseas businesses | We are steadily securing a foothold for overseas expansion. Since our investment in a Chinese pharmaceutical wholesaler in 2009, we have accumulated overseas business experience, know-how and cultivated human resources. |
The PFM® business model encompasses the development and stable supply of orphan drugs, thus embodying the MEDIPAL Group’s social mission of contributing to the lives of patients suffering from diseases and their families. Going forward, we will continue to support the development and stable supply of drugs for orphan diseases, where the number of patients is small.

By supporting the development of orphan drugs, this business contributes to improving the quality of life for patients and their families.

**Main PFM® Products**

- **TEMCELL HS Inj.** (JCR Pharmaceuticals Co., Ltd.) Treatment for acute GVHD
- **NOBELZIN Tablets** (Nobelpharma Co., Ltd.) Treatment for hypozincemia
- **Melatobel Granules 0.2% for Pediatric** (Nobelpharma Co., Ltd.) Treatment of difficulty in sleep onset accompanying pediatric neurodevelopmental disorder

**Sales**

- **TEMCELL HS Inj.**
  - ( Millions of yen )
  - 2017: ¥2,000, 2018: ¥1,796, 2019: ¥2,448, 2020: ¥3,848

- **NOBELZIN Tablets**
  - ( Millions of yen )
  - 2017: ¥7,500, 2018: ¥5,000, 2019: ¥8,121, 2020: ¥9,945

**Contribution of new business initiatives to results**

Under our “2022 MEDIPAL Medium-Term Vision: Change the Oroshi Future – Innovation for the Future,” we are shifting new businesses from the “creation” to the “expansion” stage. We have cultivated these businesses and they are beginning to steadily generate profit and contribute more to business results every year.

<table>
<thead>
<tr>
<th>New Businesses</th>
<th>Fiscal Year Ended March 31, 2019</th>
<th>Fiscal Year Ended March 31, 2020</th>
<th>Fiscal Year Ended March 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR activities</td>
<td>¥1.8 billion</td>
<td>¥1.8 billion</td>
<td>¥1.7 billion</td>
</tr>
<tr>
<td><strong>PFM®</strong></td>
<td>¥2.6 billion</td>
<td>¥3.8 billion</td>
<td>¥4.8 billion</td>
</tr>
<tr>
<td>PMS</td>
<td>¥0.6 billion</td>
<td>¥0.3 billion</td>
<td>¥0.3 billion</td>
</tr>
<tr>
<td>Digital businesses, etc.</td>
<td>(¥0.4) billion</td>
<td>(¥0.4) billion</td>
<td>(¥0.4) billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥4.6 billion</td>
<td>¥5.5 billion</td>
<td>¥6.4 billion</td>
</tr>
</tbody>
</table>

Includes profit from the sale of related products.

Gross profit from new business was ¥6.4 billion in the fiscal year ended March 31, 2021. We expect to meet the target of ¥10.0 billion set for the fiscal year ending March 31, 2022, which is the final year of the medium-term vision.
Message from the General Manager of the Business Development Department

Promoted unique MEDIPAL initiatives aligned with the medium-term vision. Proactively built ideal new businesses for achieving goals.

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

New Businesses Have Begun Generating Returns

Gross profit from new businesses was a solid ¥6.4 billion for the fiscal year ended March 31, 2021, and continued to make a significant contribution to business results. PFM®, which contributes to both society and earnings by supporting the development and stable distribution of specialty pharmaceuticals, drove new business results.

For ten years we have been proactively building new businesses in areas including drug discovery, distribution, dispensing pharmacies, and the digital field, with PFM® leading the way. Some of these businesses are now generating returns.

At the same time, I feel that employee awareness of our new businesses has changed significantly. Employees broadly recognize the significance of our new business initiatives and the fact that they help make MEDIPAL an outstanding company. We have also included the degree to which employees contribute to new businesses in performance evaluations, thus adding a mechanism that enables proper evaluation of individual effort.

On the other hand, ongoing strategic investments pose difficulties. Digital healthcare startups are a good example, because so many have launched that we have reached the limit of our ability to screen for sound investments on our own. Therefore, we jointly established a corporate venture capital fund with SBI Investment Co., Ltd., a wholly owned subsidiary of SBI Holdings Inc. This has enabled us to further accelerate investment in and support the growth of startups in Japan and abroad. We are making steady progress with “Change the Oroshi,” and will maintain our proactive attitude toward creating new wholesaling businesses.

Investments in PFM® Contributing to Results

Gross profit from PFM® for the fiscal year ended March 31, 2021 increased ¥1.0 billion year on year to ¥4.8 billion, driven by products from JCR Pharmaceuticals Co., Ltd. and Nobelpharma Co., Ltd.

Nobelpharma is a drug discovery company founded in 2003. Its expanding product lineup includes NOBELZIN Tablets, the only therapeutic drug for hypozincemia in Japan; JEMINA tablets for the treatment of dysmenorrhea; and Melatobel Granules 0.2% for Pediatric for the treatment of difficulty in sleep onset accompanying pediatric neurodevelopmental disorders. JCR Pharmaceuticals also has a strong partnership with MEDIPAL and is steadily developing innovative new pharmaceuticals in Japan and abroad.

Our investments in the development of pharmaceuticals are poised to further contribute to results.
ARs: Enhanced Expertise and Greater Contribution to Society

ARs support the information activities conducted by the MRs of pharmaceutical companies. Currently, we are taking this business one step further by developing ARs who specialize in orphan diseases. One issue is that it is difficult to diagnose orphan diseases in newborn babies and children. Delayed diagnosis leads to delayed treatment, which affects subsequent growth. ARs with specialized knowledge of orphan diseases can contribute to early diagnoses by conducting educational activities for medical institutions.

These activities generate earnings, contribute to society, and further enhance the value of our ARs. We have already established an in-house organization and education system, and are enhancing our initiatives.

Drug-Use Surveillance* and PMS: A New Company Established to Demonstrate Superior Capabilities

MEDIPAL established PharField Corporation to develop PMS into a profitable new business. The objective is to create a stand-alone company that makes earnings transparent. We can demonstrate our superiority as a company that collects data most efficiently by deploying about 40 monitors nationwide and operating in a flexible manner. In the future, we will enhance awareness of the new company while considering the launch of clinical research projects with universities and research institutes.

* Post-marketing surveillance and testing based on the GPSP Ministerial Ordinance (Ministerial Order on Standards for Post-Marketing Surveillance and Test of Pharmaceuticals).

Digital: Constructing Digital Healthcare Platforms

We have been collaborating with ICT companies and have developed maternal and child health handbook app “Boshi-mo,” online diagnosis and medication counseling service “CARADA online medical care,” and medical information portal site “Clinical Cloud by MEDIPAL.” We have begun linking each of these projects to structure a platform that connects consumers and medical institutions and builds on MEDIPAL’s existing infrastructure. In the future, we expect this platform to be able to compile consumer health data in a PHR (personal health record) from birth for use in health management and treatment.

We are confident that MEDIPAL will be an essential partner in creating this new medical world because of our real-world relationships with medical institutions. We will therefore increase our focus on building a digital healthcare platform.

Strategies for the Future and Proactive Investment

For MEDIPAL, a new business is not an extension of a conventional business; rather it is an initiative to create completely new value by leveraging existing infrastructure and capabilities. We carefully plan strategies to ensure success and proactively make the investments they require.

In the fiscal year ending March 31, 2022, we expect new businesses to generate gross profit of ¥10.0 billion, which is the goal of our medium-term vision. We will look to the future of MEDIPAL as we create opportunities for more growth from new businesses.
Positioning of ARs

The Prescription Pharmaceutical Wholesale Business has been implementing its own education program since 2009 to support employees who take the MR (Medical Representative) qualification exam. An AR combines the agility of an MS with the expertise of an MR. In addition to carrying out extensive and high-level sales activities, ARs also promote business as creators of new value.

Support for AR training to contribute to the appropriate use of pharmaceuticals

The AR Training Department where I work provides integrated education from initial training as an AR to subsequent skill and knowledge enhancement training. To support MSs (marketing specialists) who want to become ARs by passing the MR qualification examination, I arrange lecturers and create training materials. I help break down complicated terminology into more accessible language using my specialized knowledge as a pharmacist. I work every day to improve my ability to help them steadily acquire the basic knowledge required to pass the exam. This includes deepening their understanding of specialized terminology, pharmaceuticals, and different diseases.

Going forward, I want to continue to help develop as many ARs as I can because their work not only supports pharmaceutical distribution but also contributes to medical treatment by promoting the appropriate use of pharmaceuticals.
Creating Frameworks by Establishing Business Partnerships

Through collaboration with companies in various fields, medical institutions, and local governments, we are building business models not bound by existing frameworks.

Providing Groundbreaking Services Unique to MEDIPAL

To continue to respond to increasingly diverse social needs, we are collaborating with companies in various fields, as well as medical institutions and local governments, to create new and unprecedented business models. In addition to the MEDIPAL Group’s network of pharmaceutical companies and medical institutions, we leverage our special capabilities, such as our nationwide distribution network and technology for pharmaceutical distribution at controlled temperatures, to develop groundbreaking services unique to the Group.

In particular, by providing digital healthcare solutions in the medical and healthcare sectors, we offer numerous services that benefit not only medical institutions but also the health of patients and the general public by integrating face-to-face relationships with digital communication.

Main Initiatives

<table>
<thead>
<tr>
<th>Company name</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI Investment Co., Ltd.</td>
<td>Joint establishment of CVC (corporate venture capital) fund called MEDIPAL Innovation Fund in 2021. Leveraging SBI Investment’s accumulated experience in nurturing venture businesses, we will invest in startups where synergies with MEDIPAL’s businesses can be expected.</td>
</tr>
<tr>
<td>H.U. Group Holdings, Inc.</td>
<td>Strategic business alliance in the medical and healthcare sectors in 2020. Aims to realize ESG/SDG-friendly low-environmental burden operations through the sharing of ordering systems, warehouse infrastructure, and other logistics functions. In addition, the initiative aims to promote the utilization of medical and healthcare information and exploration of projects in the field of regenerative medicines.</td>
</tr>
<tr>
<td>Mitsubishi Logistics Corporation</td>
<td>Business alliance in 2019. Aims to establish an optimal pharmaceutical distribution system covering all processes from launch to delivery to final customers. In addition, the initiative will establish a platform for distribution under strict temperature control using DP-Cool, a refrigerated pharmaceutical transportation service compliant with GDP (good distribution practice) guidelines.</td>
</tr>
<tr>
<td>MTI Ltd.</td>
<td>Capital and business alliance in 2016. Various projects including promotion of Luna-Luna Medico service, which puts women in touch with physicians, and child health handbook app “Boshi-mo” operated by MTI. Subsidiary CARADA medica Inc. also promotes the spread of “CARADA online medical consultation” and “CARADA electronic medication history system, Solamichi.”</td>
</tr>
<tr>
<td>Medical Data Vision Co., Ltd.</td>
<td>Capital and business alliance in 2006. Creation and operation of the medical information portal site “Clinical Cloud by MEDIPAL” in collaboration with the partner’s subsidiary Doctorbook Inc.</td>
</tr>
</tbody>
</table>
Main Initiatives in Building Partnerships

Establishing Business Partnerships

2006–

**Improving the efficiency of medical care**

Concluded business alliance with Medical Data Vision Co., Ltd. in 2006. We began working with its subsidiary Doctorbook Inc. in the joint operation of the medical information portal site “Clinical Cloud by MEDIPAL” in 2019.

2016–

**Improving health**

Concluded business and capital alliance with MTI Ltd. We are working to increase the market share of MTI’s “Luna-Luna Medico” service, which puts women in touch with physicians, and the maternal and child health handbook app “Boshi-mo.”

2019–

**Stable supply of pharmaceuticals**

Concluded a capital and business alliance with Mitsubishi Logistics Corporation. We aim to establish an optimal pharmaceutical distribution system covering all processes from launch to delivery to final consumers.

---

Integration of distribution functions

Concluded strategic business alliance with H.U. Group Holdings, Inc.

In June 2020, we concluded a strategic business alliance with H.U. Group Holdings, Inc. (company name changed from Miraca Holdings, Inc. on July 1, 2020) in the medical and healthcare sectors. We aim to integrate the MEDIPAL Group’s pharmaceutical distribution network and specialized knowledge with the H.U. Group’s logistics functions for high-quality clinical testing. We will also explore various opportunities in the field of regenerative medicines and work to establish a distribution platform in the medical and healthcare sectors.

The alliance will enable us to enhance convenience for medical institutions through joint delivery of pharmaceuticals and clinical diagnostics. It will also lead to enhanced productivity and reduced CO₂ emissions through the sharing of logistics functions (shared collection and delivery of products).

Currently, as phase one of this initiative, we are moving forward with the creation of a shared ordering system and shared warehouse infrastructure.

**Clinical laboratory testing business**

**Pharmaceutical wholesale business**

**Pre-symptomatic**

**Diagnosis/Testing**

**Treatment/Medication**

**Regenerative medicines**

**Goals**

- Increase customer convenience
- Help resolve social issues
- Provide total healthcare solutions

(Phase 1) Shared ordering system and warehouse infrastructure
(Phase 2) Shared logistics in a limited region
(Phase 3) Nationwide expansion of shared logistics and commercialization in the field of regenerative medicines
### Enhancing productivity throughout the supply chain

**Initiatives for the realization of a sustainable society**

As awareness of the SDGs grows worldwide, the Prescription Pharmaceutical Wholesale Business is implementing initiatives to help achieve a sustainable society by collaborating with drugstore chains and other retail customers to reduce CO₂ emissions, enhance productivity, and reform work styles.

By identifying and monitoring the optimal inventory of pharmaceuticals for each store, we will streamline ordering and delivery operations for all parties, thus reducing vehicle CO₂ emissions. In addition, by increasing efficiency in ordering, product inspection, and other operations, we will enhance the productivity of distribution staff and also free up time for medical professionals to spend on essential duties. This system will also contribute to improving medical treatment in local communities.

**Optimizing distribution to increase efficiency and reduce CO₂ emissions**

- Resolving both MEDIPAL and customer issues by optimizing the whole supply chain
- Steadily growing number of cooperating enterprises and participating stores

**Examples of improvements**

<table>
<thead>
<tr>
<th>Current situation: Frequent or irregularly timed deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review of number of deliveries</td>
</tr>
<tr>
<td>• Introduction of inspection by individual scans</td>
</tr>
</tbody>
</table>

| **Number of deliveries** |
| **Once a day, in principle** |
| **80% reduction in CO₂ emissions from vehicles** |

| **Product inspection time** |
| **One-minute inspection time per delivery** |
| **84% reduction in inspection time** |