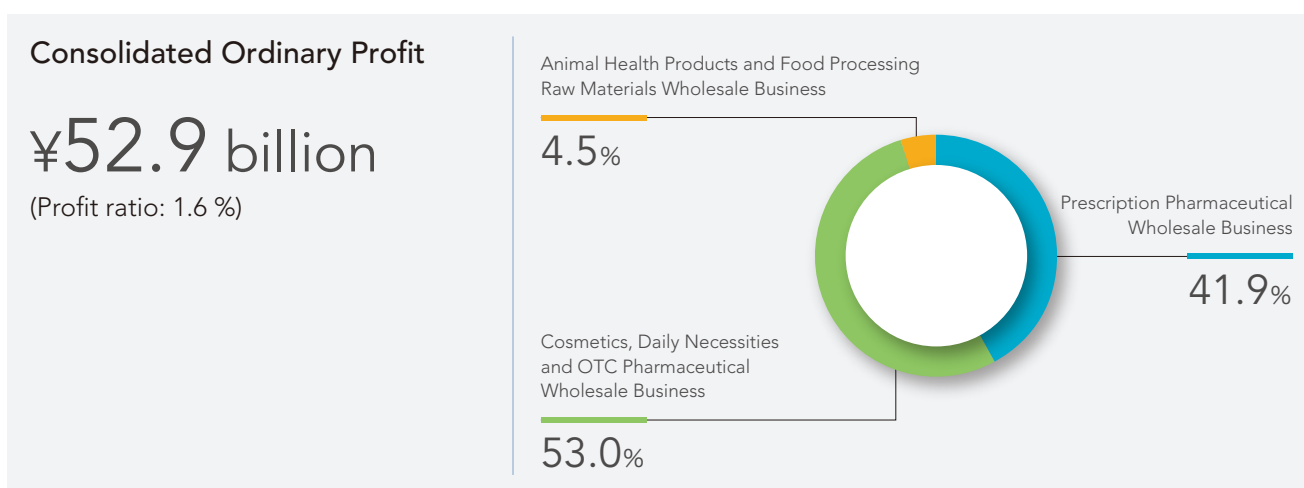
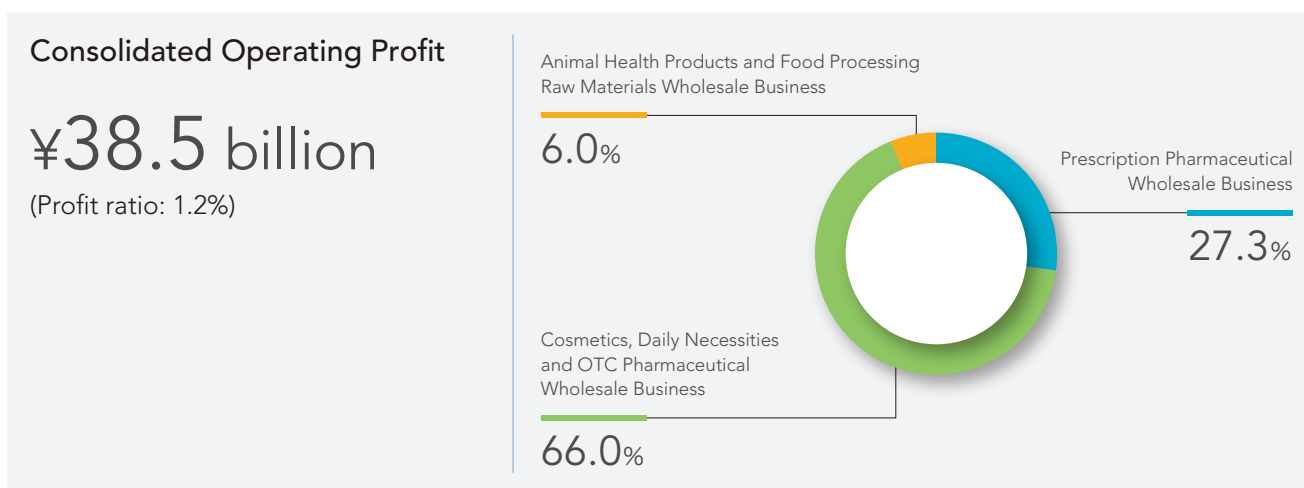
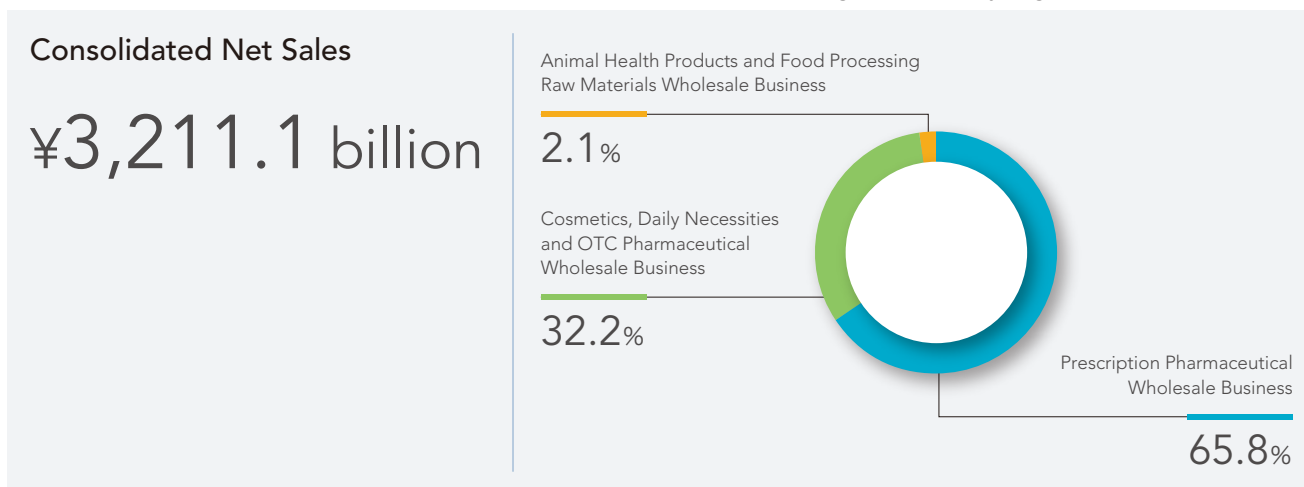


## At a Glance

The MEDIPAL Group is working to diversify earnings with our three pillars of “Prescription Pharmaceutical Wholesale Business,” “Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business,” and “Animal Health Products and Food Processing Raw Materials Wholesale Business.”

Percentage of Results by Segment\*

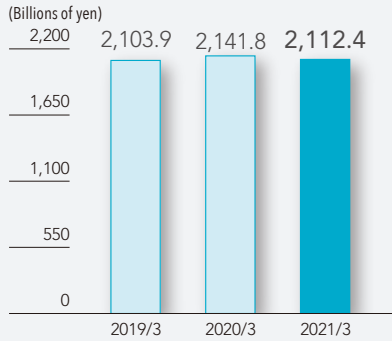


\* Representative segment percentages are calculated after the elimination of intersegment sales and transfers. As a result, individual figures may not total 100%.

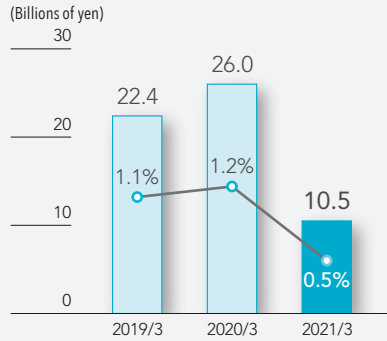
## Prescription Pharmaceutical Wholesale Business

P. 28-31

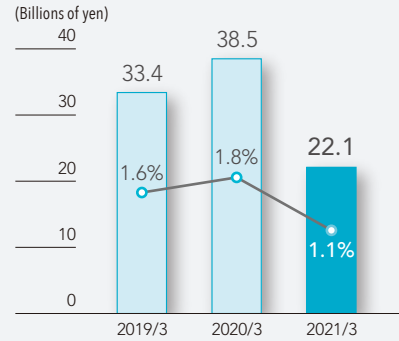
### Net Sales



### Operating Profit and Profit Ratio



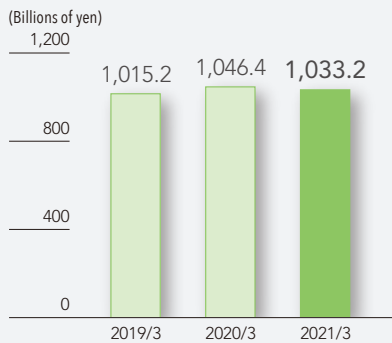
### Ordinary Profit and Profit Ratio



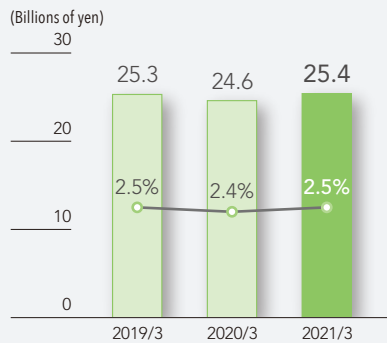
## Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

P. 32-35

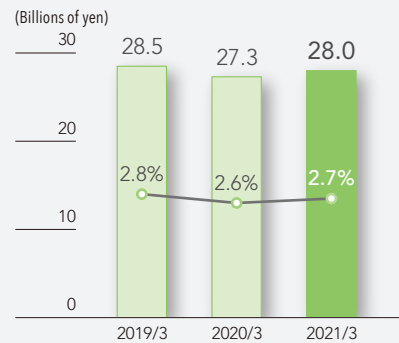
### Net Sales



### Operating Profit and Profit Ratio



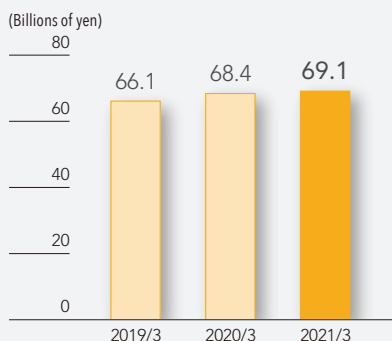
### Ordinary Profit and Profit Ratio



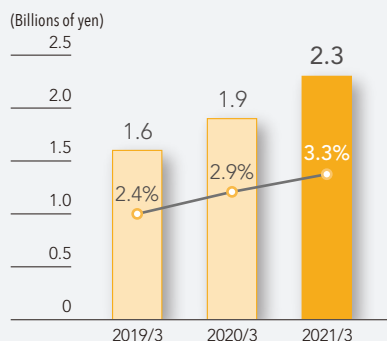
## Animal Health Products and Food Processing Raw Materials Wholesale Business

P. 36-37

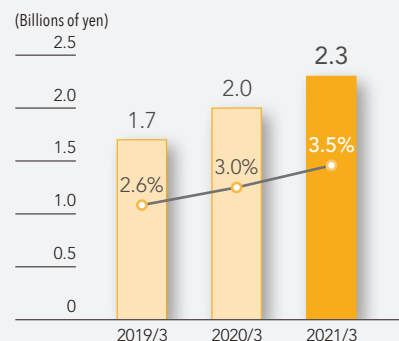
### Net Sales



### Operating Profit and Profit Ratio



### Ordinary Profit and Profit Ratio



# Strategy by Business



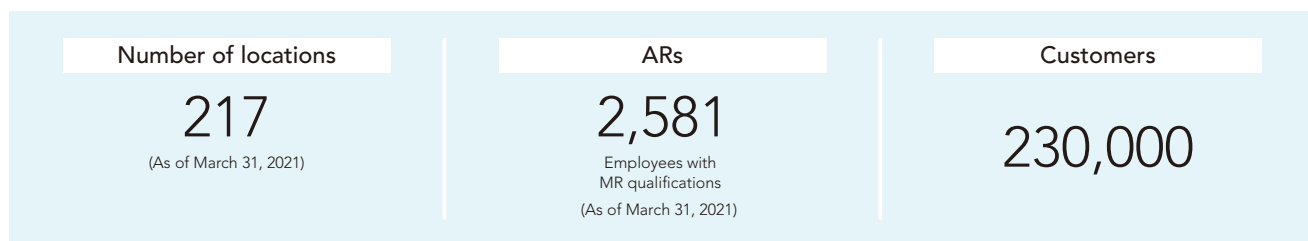
## Prescription Pharmaceutical Wholesale Business

SDG-Related Initiatives in Our Business Activities

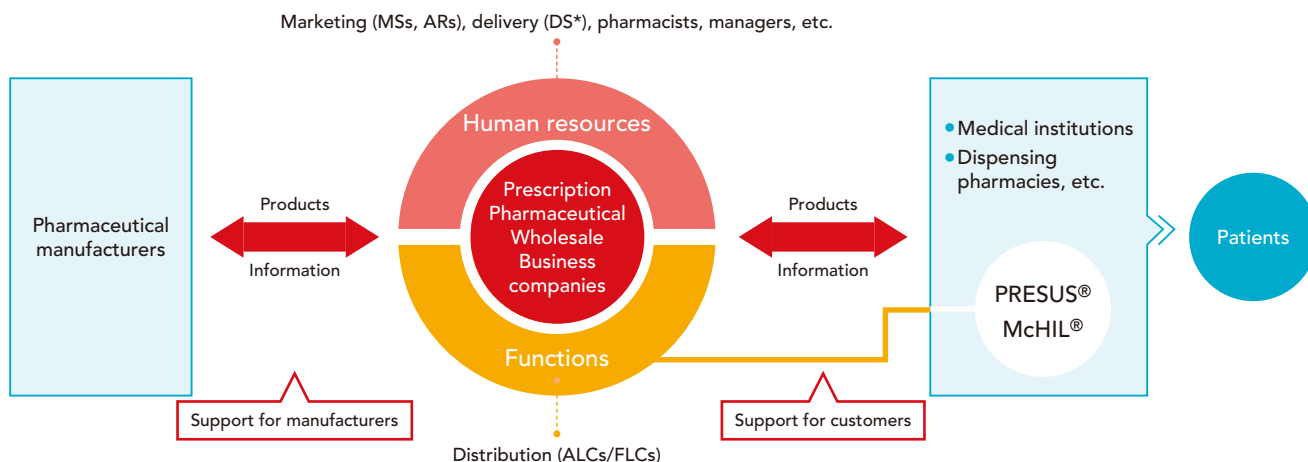
### Business Overview

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 pre-symptomatic stage. We deliver these products to 230,000 medical institutions through a nationwide distribution system with 217 locations, including ALCs, state-of-the-art distribution centers and FLCs\* established in areas near our customers. We utilize this system to provide a stable supply of medical products to medical institutions, including hospitals, clinics, and dispensing pharmacies.

In addition, the number of ARs, employees with MR qualifications, now exceeds 2,500. This is a large number even compared with major pharmaceutical companies in Japan. Our ARs are the driving force in expanding new businesses such as PMS and PFM®, which will support future business growth.



### Value Chain



#### Support for Manufacturers

ARs use their advanced skills in discussions with physicians and medical professionals to provide useful information on medical treatment. The MEDIPAL Group also handles PMS services on contract for manufacturers. Furthermore, we also engage in PFM® based on a business model of investing in orphan drugs and other products where prompt development is expected, in order to receive returns on investments after placing these drugs on the market and distributing them to medical institutions preferentially.

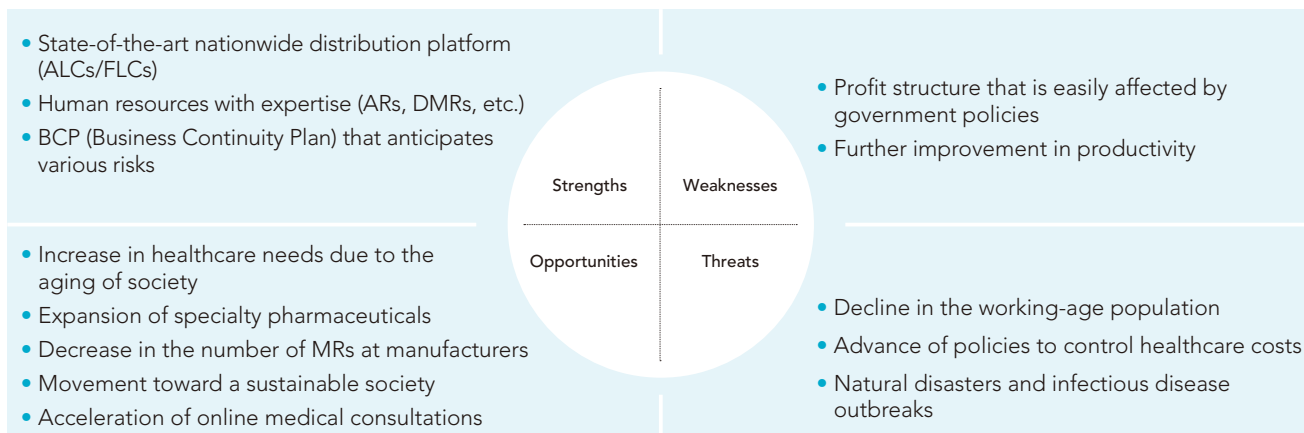
#### Support for Customers

Through PRESUS®, a support system for dispensing pharmacy operations, and McHIL®, a support system for logistics operations in hospitals, both of which apply the functions and know-how of ALCs, the MEDIPAL Group provides medical professionals both time and an environment that allows them to focus on their primary work.

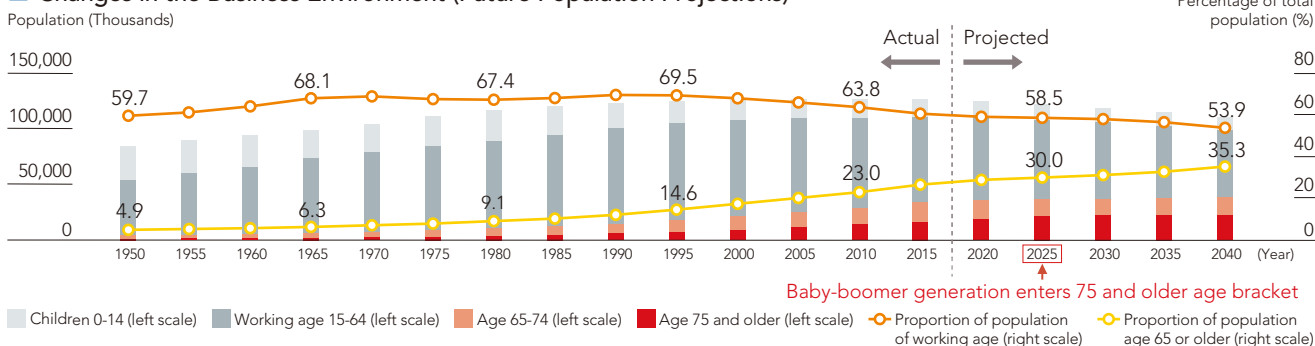
\* Please refer to page 73 for explanations of technical terms.



## SWOT Analysis



### Changes in the Business Environment (Future Population Projections)



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 (April 2017, medium-fertility and medium-mortality projections)

## Business Environment

In Japan, controlling the rapidly increasing social security costs for healthcare, nursing care, and social welfare has become a crucial task. As a consequence, a review of the system for providing healthcare is required to bring about a shift in emphasis from quantity to quality, which we think will lead to a range of developments from increased use of preventive medicine and self-medication to the development of integrated community care systems.

Trends such as reform of the NHI (National Health Insurance) drug price system and increasing use of generic drugs are progressing in the pharmaceutical industry. NHI drug price revisions, which had taken place every two years in principle, are scheduled to become yearly from fiscal 2021. This is expected to create an even more challenging business environment.

The emphasis of development activities of pharmaceutical companies has shifted toward drugs, regenerative medicines, and other products for cancer and orphan diseases, and the stringent temperature control requirements of these products at the distribution stage has contributed to the need for more sophisticated distribution systems. At the same time, the increasing use of generic drugs for lifestyle-related diseases and other areas of primary healthcare also requires greater distribution efficiency. In addition, the COVID-19 pandemic has accelerated the adoption of online medical consultations and other digital technologies in the healthcare industry.

Amid these dramatic changes, the Prescription Pharmaceutical Wholesale Business has worked to maintain

a resilient distribution network capable of operating even during emergencies as part of the social infrastructure supporting safe and secure medical care. We have built a system that reliably delivers the required products at the required time, in just the required amount. From the perspective of contributing to the SDGs, we are working

to reduce CO<sub>2</sub> emissions by reviewing the number of deliveries. In addition, we are implementing a variety of initiatives to boost wholesale functions in an effort to optimize and raise the efficiency of the entire supply chain, from pharmaceutical manufacturers to patients.

## Business Strategies

### 2022 MEDIPAL Medium-Term Vision

## Development of a Customer-Oriented Business Model

### Key Strategies

We are implementing three key strategies and working to develop a customer-oriented business model.

1

#### Establishing business partnerships

Create new frameworks

We will develop business models that are not bound by existing frameworks while utilizing our various connections with medical institutions to support regional cooperation in medical care. We will achieve this through means such as partnerships with companies in various fields, medical institutions, and local governments. We will also invest in ICT companies (digital healthcare field) in the medical and healthcare sectors.

2

#### Expansion of new businesses

Strengthen the earnings foundation

We facilitate the development and stable supply of orphan drugs in the PFM<sup>®</sup> business, which is a unique MEDIPAL initiative. Growth in the PMS business will strengthen our earnings foundation. We aim to develop this business into a new profit generator through the establishment of a new company. We have also positioned our network of ARs, one of the largest in Japan, as a driving force for expanding new businesses.

3

#### Innovation in existing businesses

Resolve customer issues and increase productivity

By maximizing the various functions of our ALCs, we will pursue efficient operations for both MEDIPAL and our customers with the aim of further increasing productivity.

We are also contributing to the SDGs, such as by establishing an environmentally friendly distribution system.

### Progress Report

As one of our partnership initiatives in the digital healthcare field, the MEDIPAL Group is operating a medical information portal site, "Clinical Cloud by MEDIPAL," in collaboration with Medical Data Vision Co., Ltd. and its subsidiary, Doctorbook Inc. The MEDIPAL Group will continue to support medical institutions by providing cutting-edge medical information, including detailed clinical knowledge, to healthcare professionals who have subscribed to the service. In addition, the MEDIPAL Group is participating in the COPD (chronic obstructive pulmonary disease) Awareness Campaign promoted by the Japan Medical Association and other organizations to raise awareness of

the disease and to promote early diagnosis and treatment of patients. In addition, the MEDIPAL Group is providing information about the relationship between COVID-19 and COPD to subscribers of its portal site.

In strengthening our distribution bases, which is also an opportunity for reforming existing businesses, we are progressing with the nationwide rollout of ALCs and FLCs as high-quality, state-of-the-art facilities with inbuilt disaster resilience. The Hiroshima ALC of EVERLTH Co., Ltd. and the Sapporo ALC of MEDICEO CORPORATION began operation smoothly in May 2020 and July 2020, respectively. In addition, we are creating a logistics platform that can handle all

temperature ranges, including ultra-low temperatures, to safely, reliably and efficiently deliver regenerative medicines and other products that require strict temperature control. For customers, we have introduced inspection by individual scans for product inspections, a logistics method that dramatically shortens the time needed for product inspections. This is contributing to the operational efficiency of healthcare professionals and helps to lessen the risk of COVID-19 transmission by reducing contact opportunities.

To strengthen sales, the MEDIPAL Group has appointed employees with MR certification as ARs to carry out detailing activities that take advantage of their specialized knowledge and skills. Also, with restrictions on in-person visits due to COVID-19, we are working to conduct proper drug detailing and information gathering through online meetings and workshops with healthcare professionals.

Highlight

**Distribution of orphan drugs led by SPLine Corporation**

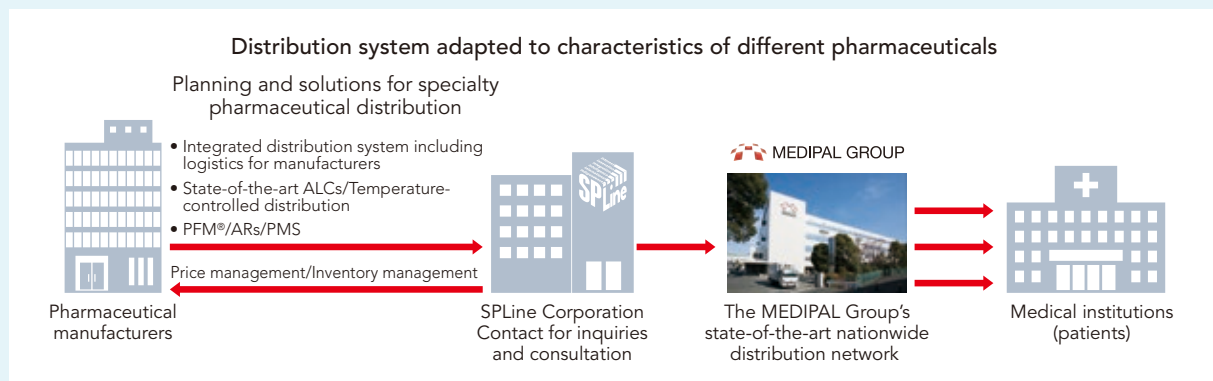
Recently, there has been progress in the development of innovative drugs in the field of orphan diseases, where the number of patients is small. Many of these innovative drugs are treatments for serious or life-threatening diseases. We see it as part of our social mission to establish a system for the safe and secure delivery of these drugs.

Unlike treatments for chronic diseases such as hypertension and diabetes, many orphan drugs are expensive and require strict control. An efficient and waste-free distribution system is essential. Some orphan drugs also require traceability and precise temperature control.

Consolidated subsidiary SPLine Corporation offers solutions that take advantage of the high-quality pharmaceutical distribution management functions of the MEDIPAL Group, including its total cold chain logistics management system. It also provides planning and solutions for pharmaceutical distribution, covering areas including PFM®, ARs, and PMS. By linking pharmaceutical companies with MEDIPAL Group companies, it creates a distribution system adapted to the characteristics of different pharmaceuticals. The high-quality and stable service that SPLine Corporation provides meets the needs of pharmaceutical companies and medical institutions nationwide.

SPLine Corporation also supports overseas pharmaceutical companies seeking to enter the Japanese pharmaceutical market.

Acting mainly through SPLine Corporation, the MEDIPAL Group provides total service coordination from consigned clinical trial logistics to stable distribution after launch, working to deliver pharmaceuticals reliably to the patients who need them.





# Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

SDG-Related Initiatives in  
Our Business Activities

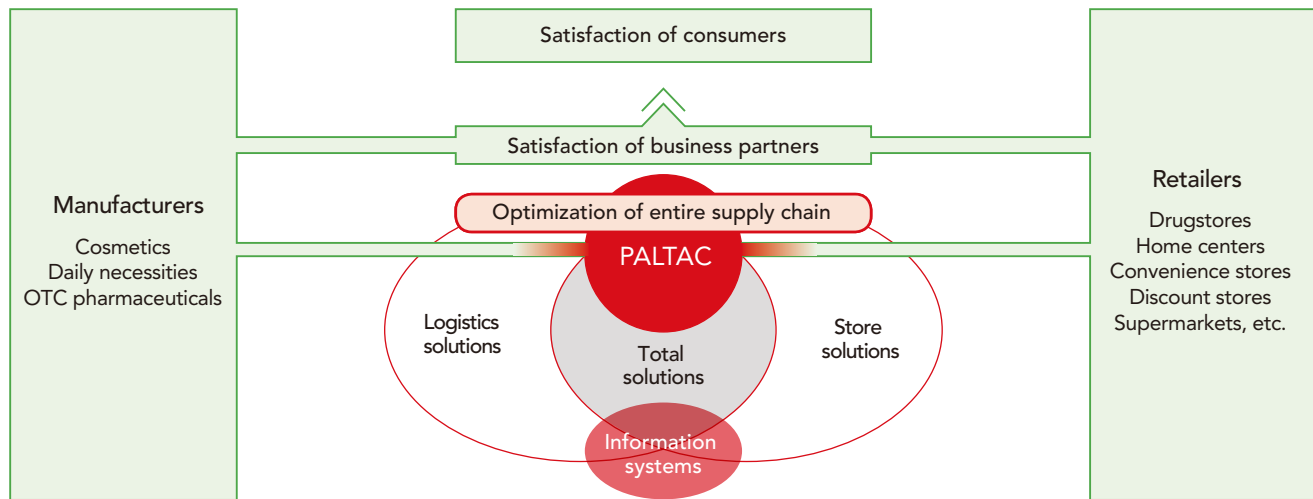


## Business Overview

In the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, the Group's consolidated subsidiary PALTAC has built a position as Japan's No. 1 wholesaler delivering daily necessities in the field of beauty and health. Currently, PALTAC 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 its supply chains as a whole.

<p><b>Number of items handled</b></p> <p>Total shipments <b>3.5</b> billion per year</p>	<p><b>Business partners</b></p> <p>Retailers: <b>400</b> Manufacturers: <b>1,000</b></p>	<p><b>Number of state-of-the-art large-scale distribution centers</b></p> <p><b>16</b> nationwide</p>
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## Value Chain



### Logistics Solutions

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

\* Unit load system: 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.

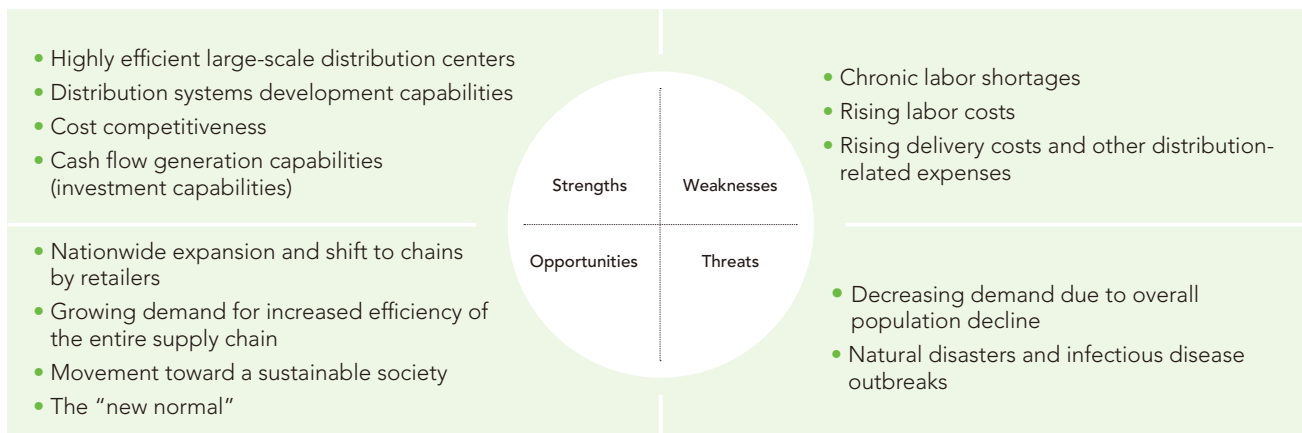
### Store Solutions

We do not just deliver products. Staff with expertise in each category provide comprehensive analysis of retailers' store location, 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.

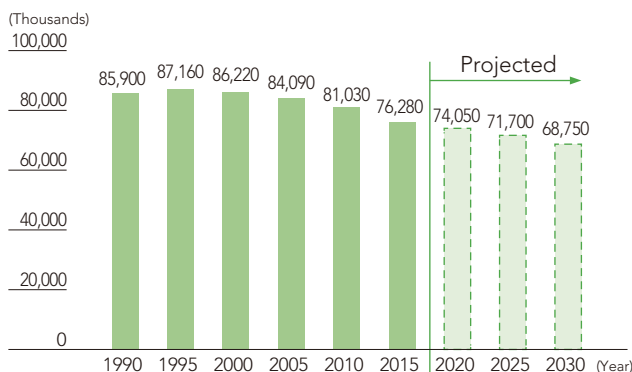




## SWOT Analysis

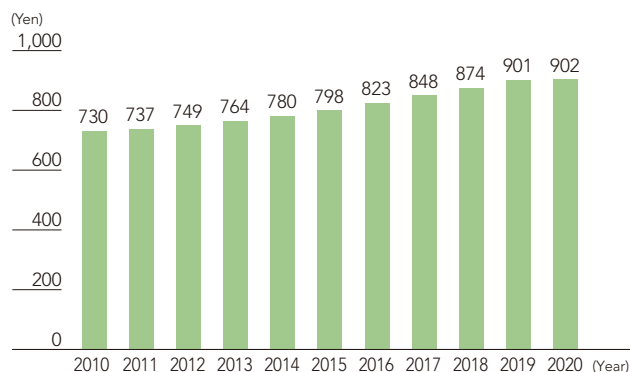


### Working-age Population



Source: Statistics Bureau, Ministry of Internal Affairs and Communications materials

### Minimum Wage



Source: Ministry of Health, Labour and Welfare materials

## Business Environment and Review of the Fiscal Year Ended March 31, 2021

Demand for hygiene-related products such as masks, hand soap, and disinfectants increased in tandem with rising awareness of hygiene. However, demand for cosmetics such as make-up and haircare products is decreasing because the number of people going out for leisure or other reasons has been restrained. In addition, demand for products that were popular among foreign tourists visiting Japan – such as facial masks – remains very low because there are still no prospects for the number of foreign tourists in the country to return to previous levels. In the fiscal year ended March 31, 2021, PALTAC worked to acquire expertise in efficiently operating a new model of logistics center, and in the second half of the period achieved stable productivity per employee at double the previous level. In addition, PALTAC is emphasizing greater

cost benefits through cooperation with other companies and with retail outlets (where consumers purchase products) to enhance the delivery efficiency of items as ordered. PALTAC is also implementing initiatives to create marketing frameworks that improve the quality of sales negotiations. These frameworks utilize information from and provide feedback to retail outlets. In addition, the Supply Chain Management (SCM) Headquarters, a specialized department established in the previous fiscal year, is leading efforts, such as steadily accumulating successful examples, to improve the operating structure in anticipation of medium-to-long-term growth. Moreover, in response to the expansion of e-commerce in distribution, PALTAC established an e-commerce department in January 2021 to strengthen solutions specifically for e-commerce business.



## Business Strategies

PALTAC VISION 2024 (FY2022/3 to FY2024/3)

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

### Key Strategies

PALTAC has set out initiatives based on four key strategies in order to further improve intermediate distribution functions, accelerate coordination and collaboration with business partners and other stakeholders, and flexible respond to society's needs to achieve sustainable growth.

#### 1 Addressing the unprecedented changes in the business environment Strengthening retail solution capabilities

The distribution industry, like others, has been impacted by changes during this “new normal,” which has made previous assumptions no longer viable. We will work to strengthen solution capabilities to respond to a wide range of issues across our distribution operations, including merchandising initiatives and improving productivity. A central task will be promoting coordination and collaboration between sales and other departments, such as the SCM Headquarters, the EC Business Division, and the Store Support Headquarters, which will focus on retail stores where products are sold.

#### 2 Pursuing security and safety and high efficiency Strengthening logistics solution capabilities

We will continue to strengthen our highly efficient logistics system based on the “safety and security” that supports daily life. We carry out continuous improvement activities at existing distribution centers, expand shipping capacity with new centers based on the new model of logistics and solve delivery issues, such as through the promotion of the White Logistics Movement.

#### 3 Ensuring provision of added corporate value Enhancing IT systems and promoting digitalization

Strengthening the IT systems that support PALTAC's value creation model is key to improving productivity and achieving faster response times. In addition to strengthening security to address increasing cyber risks, we will update our IT enterprise system and recruit and train digital talent as part of the shift from a defensive IT strategy to a proactive one to meet rapidly changing needs on the frontlines. We will continue to boost operational efficiency and increase the value we provide as part of our efforts to enhance systems in preparation of future digital transformation.

#### 4 Sources of sustainable growth Talent and organizational development

While utilizing its diverse talent, PALTAC will promote understanding of its management philosophy to strengthen the organization and implement its business strategy. Regarding human resources, we will work to maximize the strengths of our employees by encouraging them to refine individual expertise in their respective workplace and helping them maintain the spirit of taking on challenges and persevering. In terms of our organization, we will create a system for coordination and collaboration between different departments using digital technology and other means to maximize the potential of our talent, thus building a platform to unlock the organization's comprehensive strengths.

Highlight



サプライチェーンイノベーション大賞  
Supply chain Innovation Award  
2021

## Winner of Supply Chain Innovation Award 2021

Initiative to reduce waste through cooperation throughout the supply chain

PALTAC CORPORATION joined Sugi Pharmacy Co., Ltd. and Lion Corporation in an effort to optimize inventory levels and reduce product returns through an “open manufacturing, distribution, and sales platform.” In recognition of this initiative, PALTAC CORPORATION received the Supply Chain Innovation Award 2021. The award, conferred by the Council for Collaboration between the Manufacturing, Distribution, and Sales Sectors, for which the Ministry of Economy, Trade and Industry serves as secretariat, recognizes the achievement of Japanese companies that have led the industry with outstanding initiatives to optimize the entire supply chain through cooperation between the manufacturing, distribution, and sales sectors. We are committed to continuing to deploy creativity and inventiveness in cooperation with these sectors to eliminate waste throughout the supply chain and establish frameworks for creating new value.

### Issue and Objective

Issue: Excess inventory and product returns  
Objective: Optimize inventory levels to reduce product returns

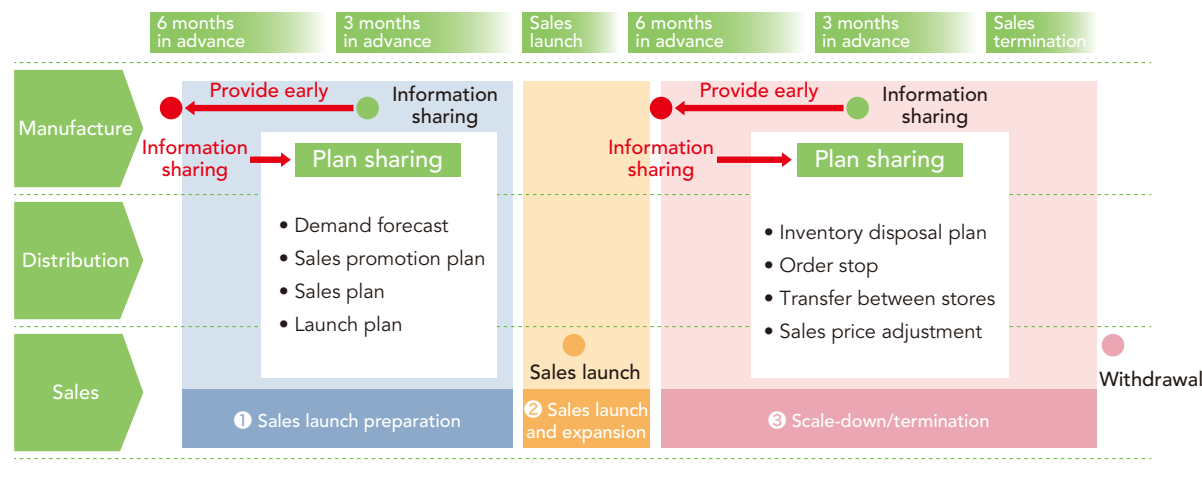
### Specific Initiatives

Share information at an early stage on new, upgraded, or discontinued products, planned sales promotions, the amount of stock to be delivered to each store, etc., in order to develop and implement a systematic solutions model for store operations from sales launch to termination. This will lead to optimized inventory levels and reduced product returns while increasing sales.

### Benefits

The three companies reached beyond their corporate frameworks to establish a system for coordination that focused on the frontline, speed, and openness. This resulted in a reduction in product returns through the optimization of inventory levels.

### Sales expansion and return reduction through inventory optimization 3-in-1 solutions model for manufacturer, distributor, and retailer



PALTAC, which occupies an intermediate position in the distribution chain, will work to strengthen the functions specific to an intermediate operator and pursue activities such as the one above to enhance coordination and collaboration throughout the supply chain from manufacturers to retailers. After identifying issues such as unproductive operations in the distribution process, PALTAC will work with partners to resolve the issues with the aim of delivering new value. Through these initiatives, PALTAC will work to realize prosperity for our business partners, more fulfilling and comfortable lifestyles for people, and a sustainable society.



# Animal Health Products and Food Processing Raw Materials Wholesale Business

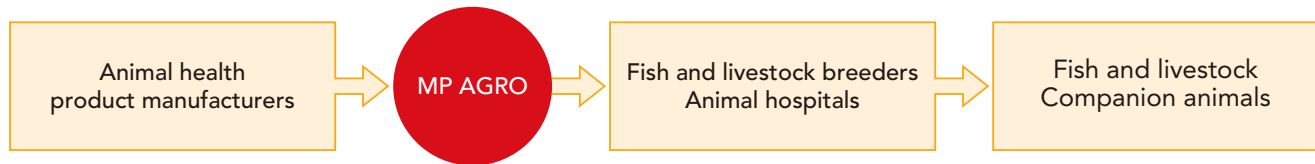


## Animal Health Products Wholesale Business

### Business Overview

The MEDIPAL Group’s consolidated subsidiary MP AGRO CO., LTD. boasts Japan’s highest sales in animal health products, thanks to its nationwide sales branches and five distribution centers that provide a stable supply of a variety of products. In addition to its mainstay animal health products for companion animals,<sup>1</sup> it offers products for fisheries and livestock. It also handles livestock feed additives, veterinary medical equipment, and other products.

## Value Chain



## Business Environment

In the livestock market, the widespread threat from avian influenza and other infectious livestock diseases demands continued vigilance.

Meanwhile, the companion animal market continues to perform well despite a decrease in the number of household dogs and cats, partly because of longer animal lives due to advances in drug treatments and other factors.

## Key Strategies

The Group’s consolidated subsidiary, MP AGRO CO., LTD, is engaged in a wide range of initiatives including expanded use of an original online order information system for animal hospitals (MP PLUS), promotion of operations to support drug use surveillance for PMS (a first in the animal health products wholesale industry), expansion of the lineup of exclusive products and the strengthening of sales capabilities. In addition, MP AGRO aims to expand its transactions by responding in detail to various customer

needs, for instance, by offering enhanced consulting services through its HACCP\* department and drawing on the skills of the veterinarians and other technical staff who carry out physiological, serum antibody, bacterial, genetic, and other forms of testing at its in-house testing center.

\* 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.

1 Using our original brand strategy  
**Business expansion**

2 Through reconstruction of logistics and sales functions  
**Productivity improvement**

3 Through human resource development  
**Enhancement of information transmission and organizational strength**

## Initiatives in the Fiscal Year Ended March 31, 2021 and Future Policies

In the fiscal year ended March 31, 2021, sales were affected by a widespread outbreak of avian influenza in the livestock market, but remained firm due to expanding use of MP+ in the companion animal market. Amid the COVID-19 pandemic, measures necessary for business continuity were taken to ensure stable supply, such as practicing thorough hygiene

management and working from home. Going forward, we will promote sales that leverage the strengths of our nationwide operations, and will work to further strengthen our business infrastructure and enhance customer service in anticipation of changes in the market environment.

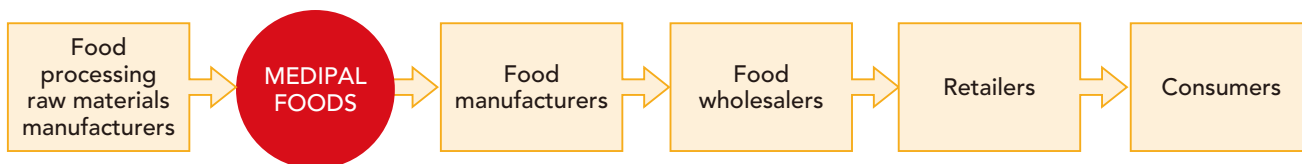


## Food Processing Raw Materials Wholesale Business

### Business Overview

The Group's consolidated subsidiary, MEDIPAL FOODS CORPORATION, has a lineup of products (approximately 14,000 as of March 31, 2021) ranging from raw materials for agriculture and livestock, to seasonings and food additives, as well as packaging materials and industrial chemicals. It also operates a nationwide supply system based on the themes of providing "food safety and security," and "great taste" with the aim of being a general trading company for food manufacturers.

### Value Chain



### Business Environment

In the foodstuff business, Japan's decreasing population, declining birthrate, and aging society mean that market expansion cannot be expected. On the other hand, heightened awareness of food safety and health is leading to diversification of consumer needs.

In addition, due to factors such as the sharp rise in raw material prices and rising labor and distribution costs due to labor shortages, severe conditions are expected to persist.

Moreover, consumer behavior is changing. While the COVID-19 pandemic has had an increasingly serious impact on the food service and tourism industries, the avoidance of public places has increased demand for at-home eating.

### Key Strategies

According to the 2020 Food Industry Change Survey by the Ministry of Agriculture, Forestry and Fisheries, the value of manufactured goods shipped in Japan's food manufacturing industry is approximately ¥36 trillion, of which food processing raw materials is believed to account for 10% to 30%. The size of the food additive market has been estimated at ¥1,047.6 billion (*Food Chemicals Newspaper*, January 14, 2021). In this market, MEDIPAL FOODS CORPORATION uses its wide-ranging network with manufacturers to accurately analyze market trends and provide total support

for customers, from product planning and raw materials procurement to manufacturing and distribution. In addition, we are working to further enhance the services we provide, including helping our customers acquire certification for international standards such as SQF<sup>1</sup> and FSSC 22000.<sup>2</sup>

1. SQF (Safe Quality Food): International regulations integrating primary production, transportation and distribution to ensure the safety and quality of food across all food industry sectors.
2. FSSC 22000: A management system standard, based on ISO 22000, to ensure the practice of more reliable food safety management.

**1** Effectively connect suppliers and customers nationwide  
Sales activities that add value

**2** Expansion into new areas

**3** Reinforcement of product development capabilities

### Initiatives in the Fiscal Year Ended March 31, 2021 and Future Policies

In the fiscal year ended March 31, 2021, sales were challenged by the loss of some existing accounts due to the slump in the restaurant and tourism industries caused by the impact of COVID-19, although new accounts increased.

Going forward, we will promote sales that leverage the strengths of our nationwide operations, and will work to further strengthen our business infrastructure and enhance customer service in anticipation of changes in the market environment.