

# Strategy by Business



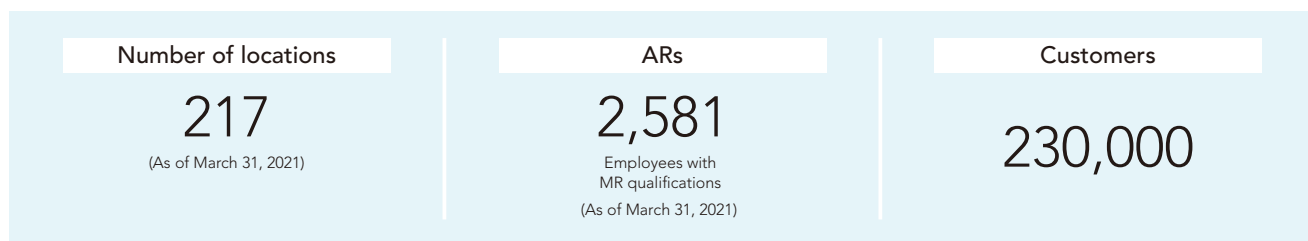
## Prescription Pharmaceutical Wholesale Business



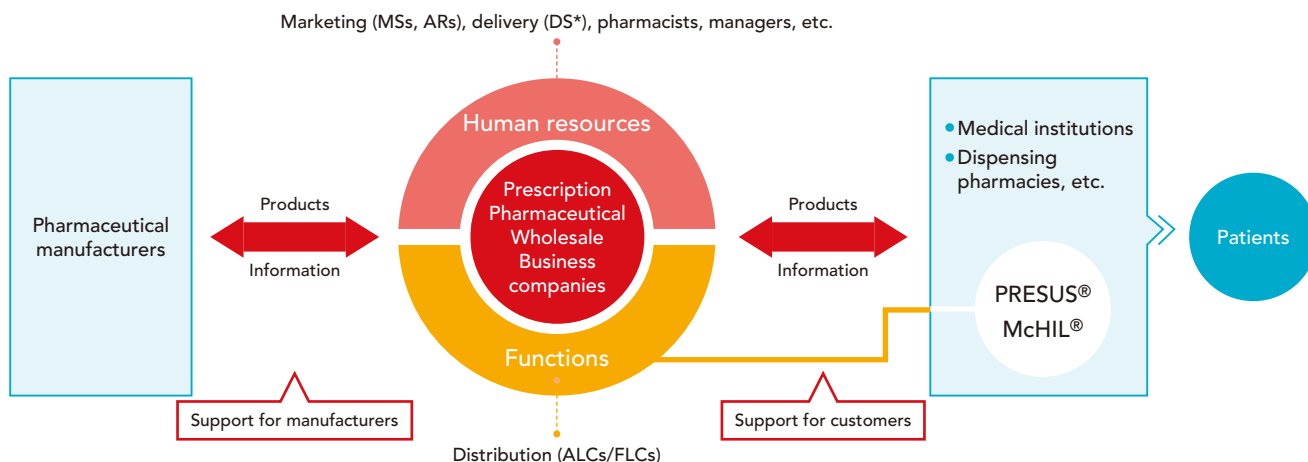
### Business Overview

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.

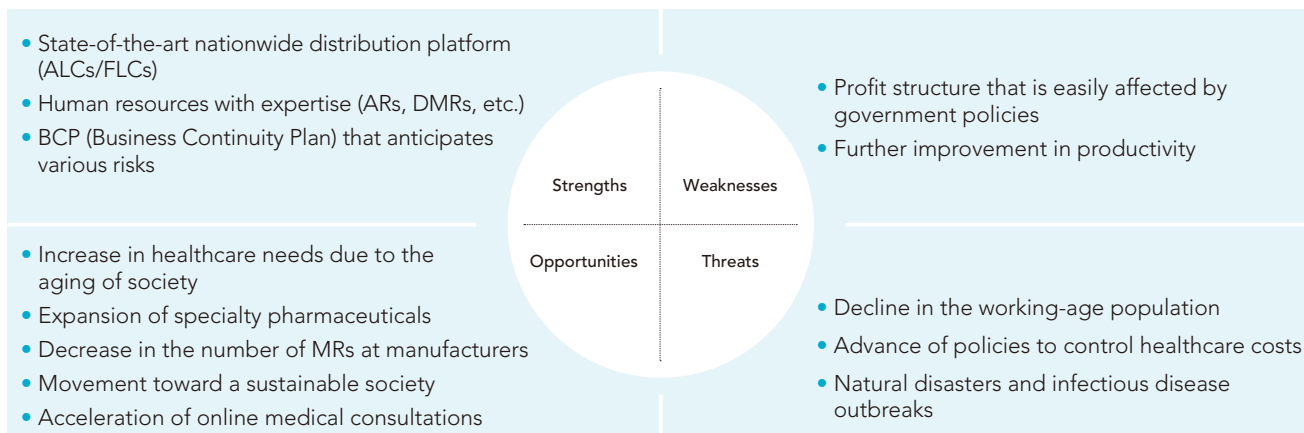
#### Support for Customers

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.

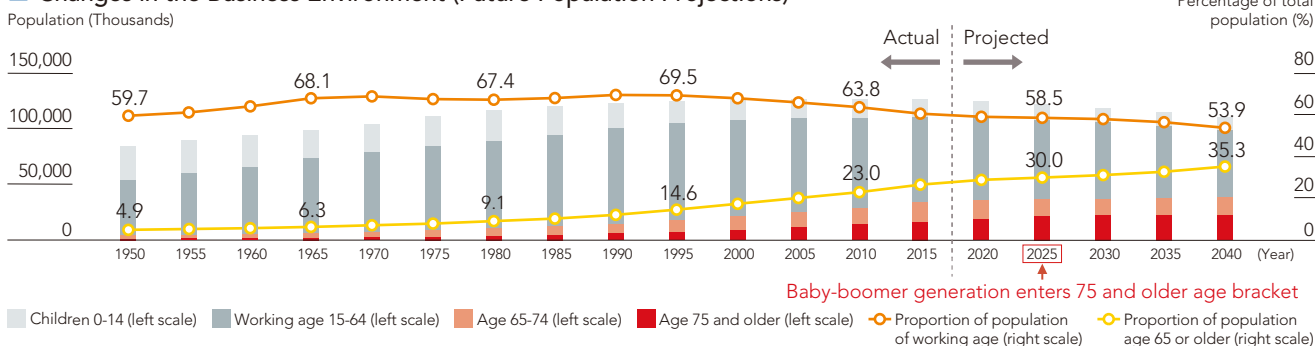
\* Please refer to page 73 for explanations of technical terms.



## 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.

