

# Interview with an Outside Audit & Supervisory Board Member

## Promote diversity among the Board of Directors and executives to further strengthen the governance system

### Yoko Sanuki

Outside Audit & Supervisory Board Member

Career History: KURAYA CORPORATION appointed Ms. Sanuki as an outside audit & supervisory board member while she was serving as an attorney with a law firm advising a major pharmaceutical company. She has subsequently served as an outside director and outside audit & supervisory board member for several companies. Ms. Sanuki audits MEDIPAL using her extensive experience as a practicing attorney and specialized knowledge of corporate legal affairs. (A total of 9.5 years in office as of June 30, 2021)



### Energetic Board of Director Discussions

My first experience as an outside audit & supervisory board member came 24 years ago with KURAYA CORPORATION. My next stint as an outside audit & supervisory board member was with KURAYA SANSEIDO Inc. for four years beginning in 2003, and I have been an outside Audit & Supervisory Board member at MEDIPAL since June 2019. MEDIPAL's Representative Director, President and CEO has always provided leadership at Board of Directors meetings, and discussions are open and energetic among internal and outside officers alike. A primary management theme of the Corporate Governance Code is "separation of management supervision and execution," and this is an issue that MEDIPAL has in common with almost all Japanese companies. At present, internal and outside officers often discuss strategies and other matters to find optimal solutions, and I think this is an appropriate form of governance for MEDIPAL. However, constant verification is necessary.

Our support system involves timely exchanges of information with related departments by e-mail, phone, and other means, and briefing sessions prior to Board meetings are also very meaningful. These sessions are mini-Board of Directors meetings, and outside officers and members of executive departments can easily exchange opinions in a different atmosphere than that of the Board of Directors and they enable us to analyze and consider cases from multiple perspectives. These sessions are not regularly scheduled at present, but I think they can be held frequently without worrying too much about the schedules of outside officers.

### Current Group Governance and Issues

The MEDIPAL Group has a diversified portfolio of businesses. Its core business is the Prescription Pharmaceutical Wholesale Business, complemented by PALTAC CORPORATION in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, MP AGRO CO., LTD. in the Animal Health Products Business, and MEDIPAL FOODS CORPORATION in the Food Processing Raw Materials Wholesale Business.

From the perspective of Group governance, I have received sufficient explanation about the parent-subsidary listing of PALTAC CORPORATION. This company has a different business model and should be able to manage its operations with an appropriate degree of freedom while creating synergies with the Group. At the same time, Group risk management and compliance require MEDIPAL as the holding company to control the management of consolidated subsidiaries to ensure efficient Group management, as long as it does not unduly impair the independence of subsidiary management.

The MEDIPAL GROUP generally has a sophisticated awareness of compliance. President Watanabe has taken the lead in addressing the allegations that MEDICEO CORPORATION violated the Antimonopoly Act, and he is clearly determined to break with conventional practices. MEDIPAL has worked to ensure a thorough awareness of compliance among officers and employees. This situation is an opportunity to make further progress in our efforts to compete appropriately in compliance with rules and regulations.

In addition, the newly revised Corporate Governance Code requires companies to "ensure diversity in core human resources." MEDIPAL must delineate the mindset and measurable goals for the promotion of women to positions at the executive officer and division manager level. This means MEDIPAL must develop a systematic approach for strategically developing executive candidates.

### A Turning Point for Achieving "Innovation for the Future"

The wholesaling business model presents the challenge of making profits despite an array of constraints. MEDIPAL is at a turning point in a corporate environment that is continuing to change rapidly. New businesses are progressing faster than plan, and in fact MEDIPAL expects to increase strategic investments. The Board of Directors will need to exchange opinions on issues including medium-to-long-term investment and financial strategies, and these discussions should encompass new businesses and IT departments.