

# Compliance

## Basic Policy



The MEDIPAL Group has designated “rigorous compliance” as one of its business policies. In order 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 sensibilities of society, and to act in a highly ethical manner. Accordingly, the Group takes ongoing steps to raise awareness of compliance.

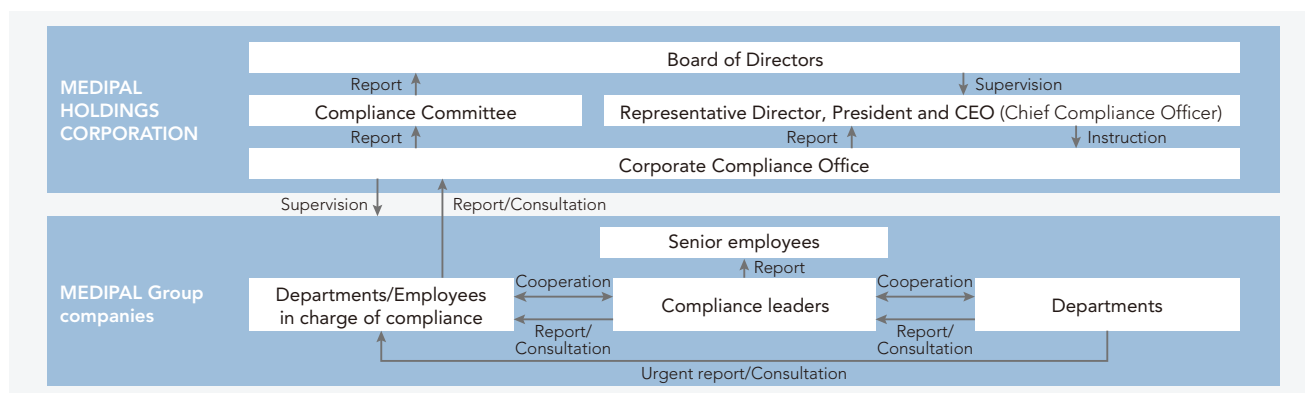
## Compliance Promotion System

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

To support the systematic and continuous implementation of initiatives, a 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, the Compliance Committee has been established to ensure continuous monitoring of Group compliance and to provide guidance, advice, and oversight to support the improvement and continuation of initiatives. 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. In addition, Audit & Supervisory Board members and other officers participate as observers to take in relevant opinions and ensure more efficient monitoring.

With the goal of raising awareness within sales departments, we have appointed sales department managers as compliance leaders to promote compliance on the sales frontline and to monitor and supervise the status of compliance.



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

### (1) Antimonopoly Act Audit

The Audit Office, which is in charge of internal audits, will conduct Antimonopoly Act audits to confirm whether there are Antimonopoly Act violations and monitor the status of efforts to prevent a recurrence of any violations. This process enables it to identify problem areas and guide improvements.

### (2) Reporting of Audit Results

The audit results will be reported to the Board of Directors and the Audit & Supervisory Board.

### (3) Reporting of Status of Improvements

The status of improvements and operation of the Group’s compliance system will be reported regularly (quarterly) to the Board of Directors.

Attendance at Compliance Committee Meetings	No. of meetings:	2*
	Attendance of executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business:	100%
	Attendance of outside directors:	100%
	Meetings take place quarterly in principle.	

\* From committee establishment to July 2021

## Formulation of Guiding Principle for Business Activities

In response to the on-site inspection by the Japan Fair Trade Commission in November 2019 and based on a spirit of observing regulatory compliance, the Group formulated a Guiding Principle for Business Activities to demonstrate the commitment of the CEO to compliance.

To make this commitment universal across the Group, the CEO has continued to convey this message in meetings, in-house publications and other forums to ensure that all employees are aware of compliance, and has visited business sites throughout Japan and engaged in dialogue with employees.

## Initiatives to Raise Compliance Awareness

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

### (1) Compliance training

Compliance training is regularly carried out for all employees including corporate officers. Going forward, in addition to e-learning for all employees, we will continuously implement group training based on relevant duties to ensure that employees have the necessary knowledge and mindset. We will also continue to update the content of training.

### (2) Declaration of Compliance Day

To demonstrate our commitment to compliance we have designated November 27 as Compliance Day. The day focuses on reaffirming awareness of compliance, and includes a variety of activities, including questionnaire surveys.

### Compliance Training

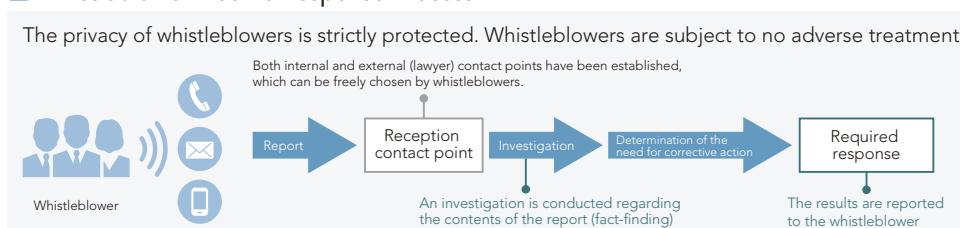
Scope	Content
Corporate Officers	We provide lectures on the theme of enhancing compliance awareness. One example is the yearly executive seminar, at which outside experts are invited to speak.
Management-level Employees	At management conferences and other meetings, the CEO talks about our spirit of observing regulatory compliance to firmly inculcate this idea throughout the organization. For sales department managers, who also act as compliance leaders, we provide training in a discussion-based format with a focus on eliminating violations of the Antimonopoly Act.
All Employees	In addition to messages from the CEO, we provide training on the Antimonopoly Act.

## Whistleblowing System

In order to more rapidly identify and address problems within the MEDIPAL Group, on April 1, 2006, the Group 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, or when such activities seem likely to occur.

The Group has made the hotline easy to use by setting up whistleblowing channels both inside and outside of the Group and by making it possible through telephone, e-mail (24 hours a day), fax, and mail. 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 address anonymous reports.

### Whistleblower Hotline Response Process



## Initiatives to Prevent Violation of the Antimonopoly Act

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The Group has established rules and regulations to prevent violation of the Antimonopoly Act. We have also revised our work regulations.

### Establishment of Regulations Regarding the Prevention of Involvement in Bid Rigging, Etc.

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Regulations regarding the prevention of involvement in bid rigging, etc. have been 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

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To avoid situations where violations of the Antimonopoly Act are likely to occur, we have carried out a fundamental review of our business activities and are also considering reviewing our business plan.

### Creation of Antimonopoly Act Compliance Guidebook

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We have produced an easy-to-understand guidebook on how to avoid violations of the Antimonopoly Act. The guidebook outlines sales situations open to misunderstanding or ambiguous interpretation.

### Formulation of New Rules for Estimates and Bids

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We have formulated new internal rules on fair competition based on a spirit of observing regulatory compliance. The rules specify that no contact is to be made with other companies in the industry when submitting price estimates and bids, that monetary amounts are to be

presented on a clear basis 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

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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 have also established clear rules 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)

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Immediately following the on-site inspection by the Japan Fair Trade Commission, we established a dedicated consultation desk for the Antimonopoly Act to ensure 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 and we have taken steps to make the Antimonopoly Act Hotline even more accessible.

## Initiative to Prevent Corruption

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The 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 internal rules regarding disbursements including acts of endowment to third parties, such as the receipt of all internal approvals in writing.

Furthermore, as many of the major business partners of the Group (manufacturers of medical and pharmaceutical products and medical equipment) are incorporated in various foreign countries, we are conducting education programs for all employees to bring the education standard of the relevant business partner up to a satisfactory level. These programs include compulsory annual online training that uses as reference the material of the FCPA training induction course that is implemented by the AMDD (American Medical Devices and Diagnostics Manufacturers' Association).