

Value Creation Process



Contributing to and the advancement creation of value in

Ideal

Expand, Support, “Pharmaceuticals,

Input

External Environment

Changes in society

- Declining and aging population
- Advancement of digital technology
- Worsening environmental issues
- Accelerated development in the areas of science and technology
- Changes in consumption behavior

Changes in the business fields of “Pharmaceuticals, Health, and Beauty”

- Growing need for initiatives related to extending healthy life expectancy
- Expansion of the area of testing for prevention and pre-disease
- Strong demand for reduction of environmental impact
- Advanced logistics and efficiency improvements
- Creation of personalized service

- Human capital**
 - Shared values
 - Advanced specializations
 - Diverse careers
- Distribution facilities capital**
 - Nationwide launch of distribution bases with high functionality
- Intellectual capital**
 - Expertise in logistics in logistics and trust developed through extensive experience
 - Highly efficient and accurate distribution systems to meet diverse needs
 - Business model for creating new businesses
 - Information-gathering and provision capabilities covering medical institutions across the country
- Social and relationship capital**
 - Solid relationships with local medical institutes, municipalities, and customers
 - Synergy generated from our diverse subsidiaries and affiliates
 - Collaboration with partners
- Financial capital**
 - Stable financial position
 - Working capital efficiency

2027 MEDIPAL Medium-Term Vision

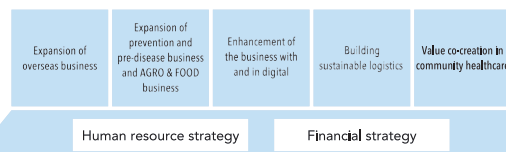
Change the 卸 Forever
Orishi
~Constant Innovation~

Sustainable growth of the MEDIPAL Group
Creating social and customer value

Method for implementing the strategies

Business portfolio prioritizations Collaboration with partners

Growth strategies



Details on page 18

Material Sustainability Tasks (Materiality) Details on page 48

Sustainable distribution in the “Pharmaceuticals, Health, and Beauty” fields

Enhancement of profitability through new value creation

Sustainability Policy Details on page 46

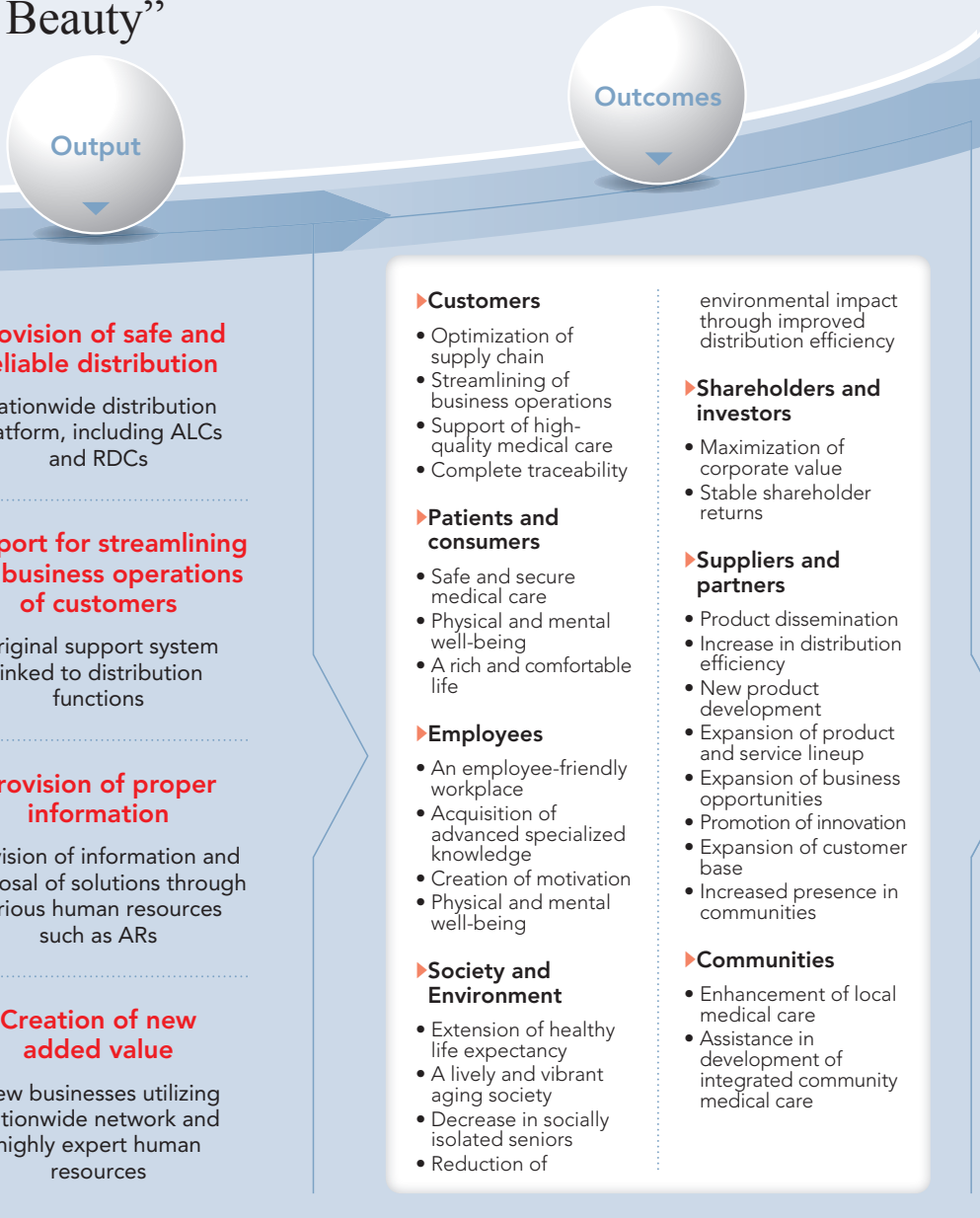
Connecting to the Future

Corporate

people's health of society through distribution

and Connect Health, and Beauty”

The MEDIPAL Group's value creation process is supported by initiatives related to corporate governance and the material sustainability tasks (Materiality) we identified based on our Sustainability Policy. By making the most of our nationwide distribution platform and expert human resources, we aim to realize a society in which everyone can live with physical and mental well-being and to enhance our corporate value by *expanding* businesses that create social value and customer value, *supporting* them with robust distribution infrastructure, and *connecting* the value that our partners possess in various sectors, unbound by our traditional frameworks. Some of the profits from these initiatives will be reinvested to strengthen our business foundation, which will enable us to create new value and meet the expectations of our diverse stakeholders.



SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING	11 SUSTAINABLE CITIES AND COMMUNITIES
5 GENDER EQUALITY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION
8 DECENT WORK AND ECONOMIC GROWTH	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	17 PARTNERSHIPS FOR THE GOALS

- Development of future-oriented human resources
- Promotion of diversity and inclusion
- Initiatives for decarbonization
- Sound and transparent corporate management

with “Energy and Brightness”

Governance Details on page 62

Review of the Medium-Term Vision

Aiming for Sustainable Growth Through Our “Change the *Oroshi*” Vision

The business environment in Japan has become increasingly tough due to a globally unprecedented decline in the birthrate coupled with an aging population, ballooning social security costs, and a shrinking working population. We expect these environmental changes to have a lasting impact on our industry and the businesses of the MEDIPAL Group. Accordingly, since April 2014, we have formulated a

2017 MEDIPAL Medium-Term Vision
(April 2014 – March 2016)*



2019 MEDIPAL Medium-Term Vision
(April 2016 – March 2019)



*This was originally a three-year plan, but was completed in two years as targets were achieved a year early, and we moved on to the next medium-term vision.

Basic Policy	<p>We will stabilize the MEDIPAL Group’s earnings and achieve sustained growth by pursuing a new <i>oroshi</i> business model that benefits customers and society.</p> <p>Innovate—Further raise the efficiency and expand the functions of existing businesses</p> <p>Create—Cultivate new businesses using our nationwide infrastructure and human resources</p>	<p>We will expand our earnings base and achieve sustainable growth by pursuing a new <i>oroshi</i> business model that benefits society with distribution in the business fields of pharmaceutical, health and beauty.</p>
Key Strategies	<p>Create new businesses Effectively utilize assets, personnel, and fund, and make further use of external resources</p> <hr/> <p>Innovation in existing businesses Further strengthen businesses by enhancing logistics and sales functions</p>	<p>Create new businesses Expand new businesses by leveraging our nationwide infrastructure and human resources</p> <hr/> <p>Realize Group synergies Develop business in growth areas leveraging the functions and resources of Group companies</p> <hr/> <p>Innovation in existing businesses Make existing businesses more efficient and expand functions</p>
Management Targets	<p>Consolidated Performance Targets</p> <p>Net sales¥3,130.0 billion</p> <p>Operating profit¥41.0 billion</p> <p>Ordinary profit ¥53.0 billion</p> <p>ROE.....Eyeing 8% or higher in the future</p> <p>Capital expenditures¥126.0 billion</p> <p>Payout ratioTarget of 25% with stable dividends</p>	<p>Consolidated Performance Targets</p> <p>Net sales ¥3,260.0 billion</p> <p>Operating profit ¥50.0 billion</p> <p>Ordinary profit ¥65.0 billion</p> <p>ROE..... 8.0%</p> <p>Operating profit from new businesses.....¥5.0 billion</p> <p>Percentage of operating profit from major growth fields..... 15% or higher</p> <p>Capital expenditures ¥85.0 billion</p> <p>Payout ratioTarget of 25% with stable dividends</p>
Main Outcomes	<ul style="list-style-type: none"> • Trained Assist Representatives (ARs) • Established ultra-low temperature transport technology • Enhanced business continuity plans of ALCs (installed on-site fueling stations) • Added highly specialized companies as subsidiaries 	<ul style="list-style-type: none"> • Established the foundation for expanding new business through alliances and cooperation with companies in different industries • Established special-temperature transport to comply with the characteristics of specialty drugs • Built a nationwide logistics network of ALCs (Construction of next-generation ALCs, construction of ALCs of EVERLTH Co., Ltd. and ATOL CO., LTD.) • Increased interaction among Group companies in growth business fields (medical equipment, Agro & Food Business, etc.) • Accelerated PFM investment
Identified Issues	<ul style="list-style-type: none"> • Cooperation among Group companies • Monetization of new initiatives 	<ul style="list-style-type: none"> • Response to digitalization in society and health care industry • Strengthened cooperation with partner companies • Business expansion through M&A in growth fields (Agro & Food Business)

policy to change how we conduct our wholesale operations, without being limited by conventional thinking and approaches, through our “Change the *Oroshi*” vision, and are undertaking a variety of initiatives.

2022 MEDIPAL Medium-Term Vision
(April 2019 – March 2022)



To 2027 MEDIPAL Medium-Term Vision

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

Establishing business partnerships

Create new frameworks

Expansion of new businesses

Strengthen the earnings base

Innovation in existing businesses

Resolve customer issues and increase productivity

Strengthening human resources and evolving our organization

Consolidated Performance Targets

Ordinary profit ¥72.0 billion
Gross profit from new businesses* ¥10.0 billion
Payout ratio Target of 30% with stable dividends
Investment in growth Around ¥100 billion over three years

Results for FY22

¥62.0 billion
¥9.1 billion
31.4%

¥48 billion over 3 years

* Gross profit from new businesses we are undertaking by utilizing the MEDIPAL Group's nationwide infrastructure and human resources, including gross profit from the sales of related products.

- Strengthened cooperation with startups through establishment of a CVC (corporate venture capital)
 - Used expertise in advanced temperature-controlled logistics to transport COVID-19 vaccines
 - Launched initiatives for the SDGs and ESG distribution in collaboration with customers (MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., PALTAC CORPORATION)
 - Increased human resource exchanges with Group companies and partner companies
 - Promotion of health and productivity management
 - Enhanced compliance management
-
- Growth investment results fell short of plan (¥48.0 billion vs. plan of ¥100.0 billion)
 - Established sales structure in response to changes in product characteristics of pharmaceuticals (shift from primary to specialty drugs)
 - Responded to change in role required of MSs
Connecting fragmented information (government, medical institutions, patients)
 - Responded to diversification of logistics needs
 - Responded to diverse work styles and promoted diversity

Ongoing Tasks

- Expansion of investment opportunities
- Creation of new businesses
- Building sustainable supply chains
- Enhancement of business with and in digital
- Development of future-oriented human resources
- Promotion of diversity and inclusion
- Initiatives for decarbonization

External Environment

Society-wide changes

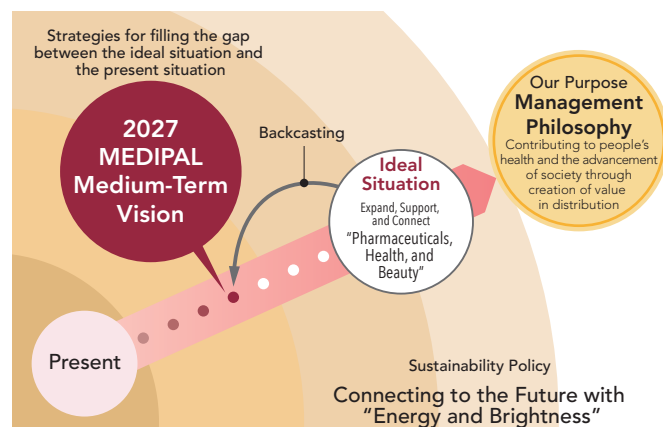
- Declining population and the birthrate coupled with an aging population
- Advancement of digital technology
- Worsening environmental issues
- Innovations in science and technology
- Changes in consumption behavior

Effects on the Business Field of “Pharmaceuticals, Health, and Beauty”

- Growing needs for extending healthy life expectancy
- Expansion of the area of testing for prevention and pre-disease
- Strong demand for reduction of environmental impact
- Advanced logistics and efficiency improvements
- Creation of personalized service

2027 MEDIPAL Medium-Term Vision

We have formulated 2027 MEDIPAL Medium-Term Vision “*Change the Oroshi Forever ~ Constant Innovation~*” as our new medium-term vision. This vision describes our strategy for realizing the MEDIPAL Group’s “ideal situation” by pursuing various possibilities in the business fields of “Pharmaceuticals, Health, and Beauty.”



2027 MEDIPAL Medium-Term Vision – Basic Policy

Change the **卸** Forever

Oroshi

~Constant Innovation~

Growing through business portfolio prioritizations and collaboration with partners

The MEDIPAL Group will contribute to people’s health and the advancement of society by thinking proactively and constantly evolving, no matter what changes we face in the operating environment.

Overall Growth Image

We will carry out the following five growth strategies through business portfolio prioritizations and collaboration with partners.

- ① Expansion of overseas business
- ② Expansion of prevention and pre-disease business and AGRO & FOOD business
- ③ Enhancement of business with and in digital
- ④ Building sustainable logistics
- ⑤ Value co-creation in community healthcare

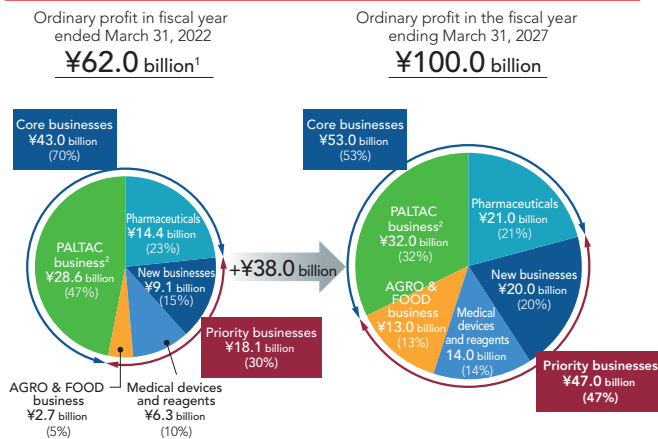
Our human resource strategy and financial strategy are the foundation of our growth strategies. We will create social value and customer value through execution of our strategies to achieve the sustainable growth of the MEDIPAL Group.



Business Portfolio Prioritizations (Ordinary Profit)

To realize our vision, we designated new businesses, the medical devices and reagents business, and the AGRO & FOOD business as priority businesses that are resilient to changes in government systems. By intensively investing management resources in these priority businesses, we aim to grow their share of ordinary profit to approximately 50% in the fiscal year ending March 31, 2027 from approximately 30% at present, and to achieve ordinary profit of ¥100 billion. Our core businesses consist of the Prescription Pharmaceutical Wholesale Business – the Group’s largest business – and the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, both of which provide a stable supply of products that are indispensable to people’s daily lives. We will grow our core businesses while further raising their added value and increasing productivity.

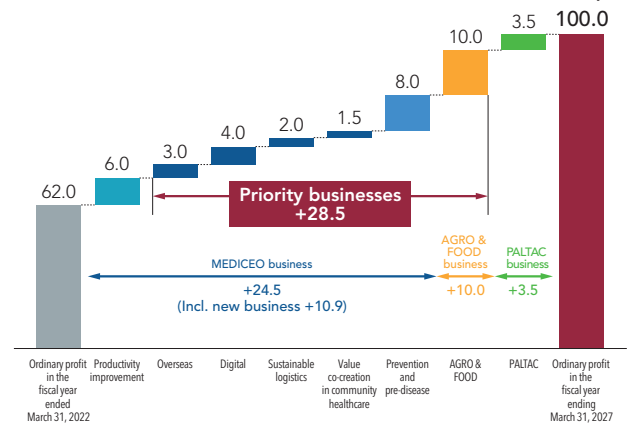
Aim for ordinary profit of ¥100 billion in the fiscal year ending March 31, 2027, with approx. 50% coming from priority businesses



- Figure does not equal the sum of core businesses and priority businesses shown in the pie chart, mainly due to the inclusion of the elimination of transactions among business categories.
- The ordinary profit figure for PALTAC business in the fiscal year ending March 31, 2027 is calculated based on PALTAC's currently disclosed medium-term management plan, past performance, and other factors.

Breakdown of increase in ordinary profit by growth strategy

Implementing growth strategies to expand priority businesses (Billions of yen)



Management Targets

Key Financial Indicators

Item		Target
Total Profitability	ROE	9% in five years
	Ordinary profit	¥100 billion in five years
Investment	Investment in growth	Approx. ¥100 billion over five years
Shareholder Returns	Total shareholder return ratio	Target of 40% with stable dividends over the five-year period

Resolving ESG Issues through Growth Strategies

Set medium-to-long-term targets to steadily resolve ESG issues through growth strategies.

Initiatives for Decarbonization
Targets for Reduction of Greenhouse Gas Emissions*
 FY2031: **50% reduction** (compared with FY2021)
 FY2051: **Carbon-neutral**
* Total of Scope 1 + Scope 2

Promotion of Diversity and Inclusion
Women’s activity promotion target
 FY2031: Proportion of women in managerial positions of **20% or higher**

Sound and Transparent Corporate Management

- Expand training in compliance
- Construct a corporate governance system to accommodate group companies

See page 23 for details

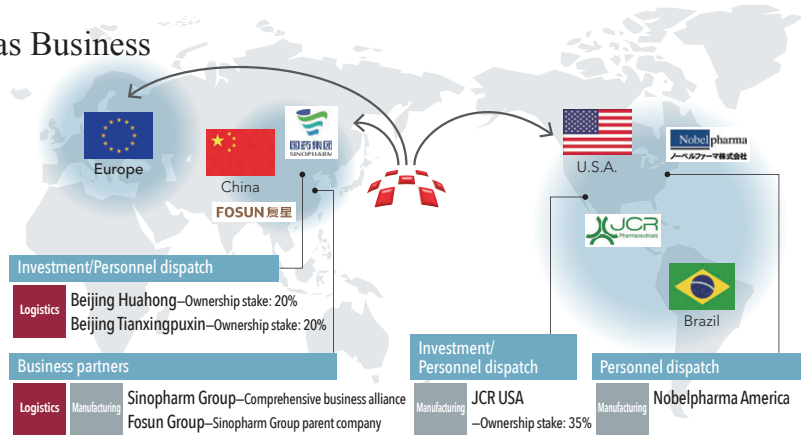
Growth Strategies



1 Expansion of Overseas Business

Leveraging its highly advanced distribution functions, the MEDIPAL Group will promote new global business in collaboration with business partners.

We will develop new business together with our partner JCR Pharmaceuticals Co., Ltd. In China, we will continue to collaborate and reinforce our cooperative relationship with Sinopharm Group to achieve further growth.

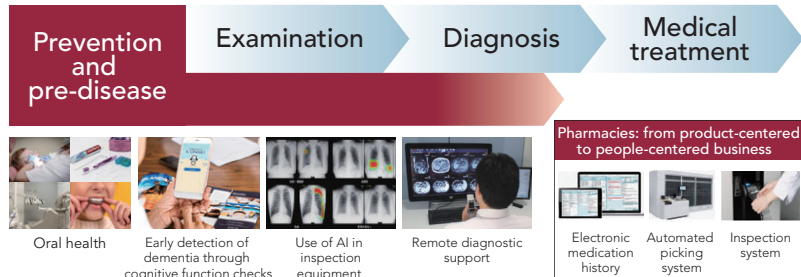
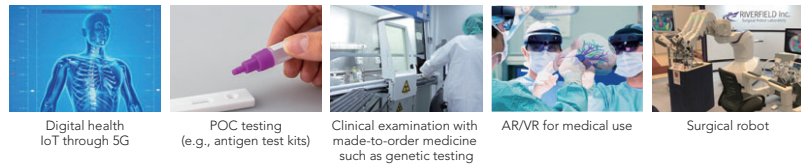


2 Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business

Expansion of Prevention and Pre-disease Business

Investing resources in the area of prevention and pre-disease and expanding our product portfolio, including state-of-the-art medical testing equipment and reagents

The market for testing and reagents is expanding and becoming more sophisticated, driven by technological innovations in diagnosis and treatment. We will expand our product portfolio to include state-of-the-art medical testing equipment and reagents. In addition, the government of Japan has recently considered making dental checkups mandatory, and it is said that people who practice good oral care and take care of their teeth are more likely to maintain good health. We believe that by entering the area of preventive dental care, we can play a role in extending healthy life expectancy, and are looking to expand new services.



Note: Images are for illustrative purposes only and may differ from actual business content

Expansion of AGRO & FOOD Business

Further enhancing and expanding the companion animal* health products and food processing raw materials business

Amid Japan's declining birthrate and aging population, living with a companion animal* that is considered a family member can help to maintain physical and mental health. It is also believed that eating healthy food on a daily basis helps in the prevention and treatment of sickness, as expressed in the saying, "eating healthy prevents and cures disease."

The MEDIPAL Group will contribute to healthy living by further strengthening and expanding its AGRO & FOOD Business, with an eye on M&A opportunities.

* An animal that has a companion-like presence and a close relationship with humans in daily life



* Please refer to page 82 for explanations of technical terms.



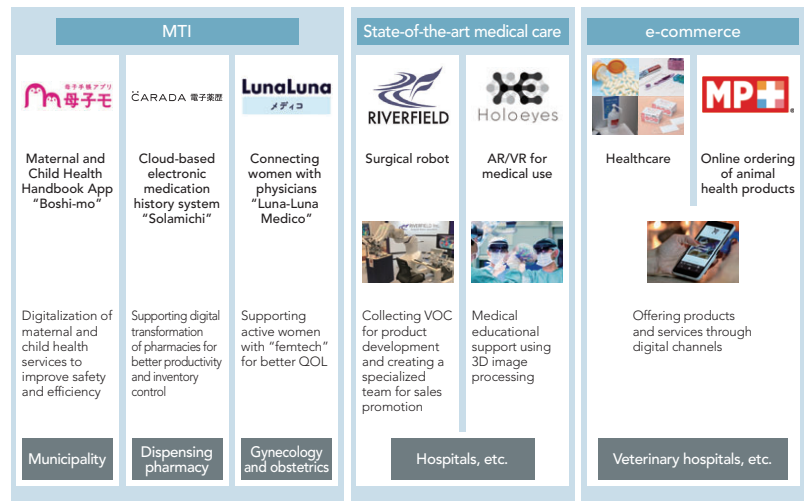
3 Enhancement of Business with and in Digital

Creating and monetizing digital platforms for healthcare services to improve public health and enable more efficient medical care

In the area of digital healthcare, we plan to combine the business resources of the MEDIPAL Group and partner companies to create new top-level businesses in Japan.

One example is our cooperative relationship with MTI, Ltd., which includes capital participation. Under this alliance, we will accelerate the development of a new digital healthcare business that combines MTI's strengths in digital technology, such as the "Boshi-mo" app, Solamichi electronic medication history system, and Luna-Luna Medico service, with the MEDIPAL Group's customer base.

Monetizing priority businesses using digital technologies in collaboration with partners



4 Building Sustainable Logistics

MEDISKET CORPORATION

Establishment of a joint venture with H.U. Group Holdings will create a new model for environmentally friendly logistics from diagnosis to treatment. [See page 37 for details](#)

Traceability and logistics by temperature zone

Aiming for complete traceability that centralizes management of quality control information for pharmaceuticals, including temperature and vibration, from manufacturers to patients. [See page 25 for details](#)

Building a new model for optimization of pharmaceutical distribution

Eliminating waste in the supply chain together with customers to promote greenhouse gas emission reduction, productivity improvement, and workstyle reform. [See page 50 for details](#)

Cosmetics, daily necessities and OTC drugs

Further enhancing and expanding supply chain coordination and collaboration. [See page 40 for details](#)

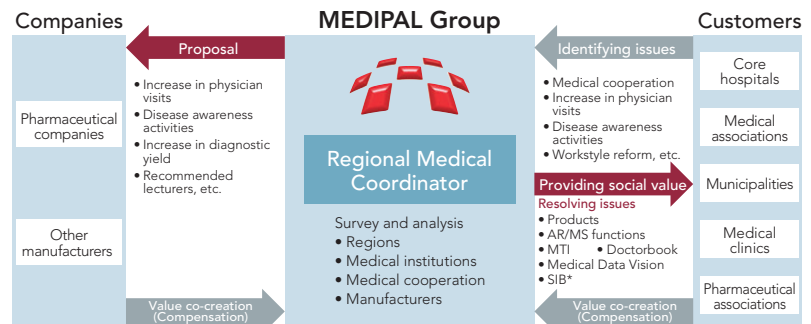


5 Value Co-creation in Community Healthcare

Providing new social value by resolving regional healthcare issues

The MEDIPAL Group has established Regional Medical Coordinators, who will co-create win-win situations with communities by identifying healthcare issues facing customers, medical institutions, local governments, and others in the region, and proposing solutions.

In addition, they will focus on prevention, early detection, and treatment of disease to contribute to people's physical and mental well-being, and will make cooperative proposals by coordinating solutions for local customers and business partners.

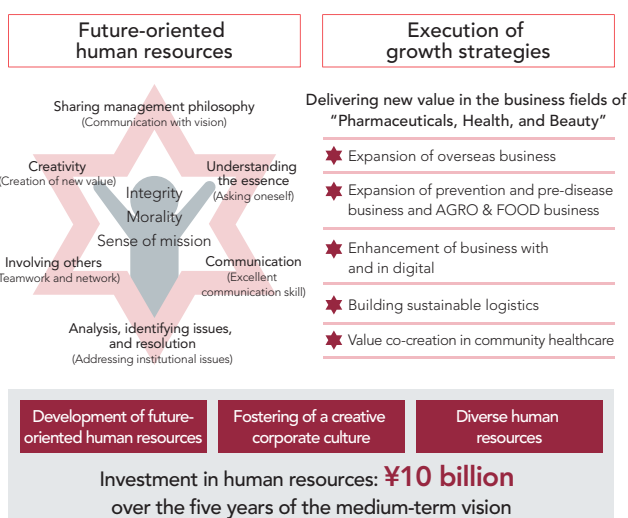


* SIB (Social Impact Bond): An approach to outsourcing public services to the private sector. It is a pay-for-success contract in which the outcomes of the project are evaluated and visualized, and payment is tied to the achievement of outcomes.



Human Resource Strategy

We define the people who will become leaders of the MEDIPAL of tomorrow as “future-oriented human resources.” We view our human resources as the most important asset in executing our growth strategies. MEDIPAL’s people uphold the shared values of “integrity,” “morality,” and “sense of mission” as the basis for their decision making. We have defined six requirements for the human resources we need to execute our growth strategies: Sharing management philosophy, “Creativity,” “Understanding the essence,” “Involving others,” “Communication,” and “Analysis, identifying issues, and resolution.” We will actively cultivate future-oriented human resources who possess these attributes, and will implement measures to promote “fostering of a creative corporate culture” and “diverse human resources.” We plan to invest ¥10 billion in human resources over the five years of the 2027 MEDIPAL Medium-Term Vision.



Hiring	<ul style="list-style-type: none"> Hiring future-oriented human resources Active external hiring
Training	<ul style="list-style-type: none"> Enhancement of leadership training by career stage Engagement and workplace environment survey One-on-one meetings and mentoring Diversity and inclusion
Systems	<ul style="list-style-type: none"> Personnel exchange among Group companies and reskilling Human resource database and list of people with high potential Job return system and interaction with other companies Diverse work styles
Evaluation and compensation	<ul style="list-style-type: none"> Fair evaluation and competitive compensation Performance-based promotion and pay system
Aim to obtain ISO 30414* through the establishment of the Human Resources Strategy Department	

*ISO 30414: A management system standard established by the International Organization for Standardization (ISO) for the disclosure of human capital information internally and externally. It is an international benchmark for organizations to quantify and disclose human capital information.

See page 55 for details



Financial Strategy

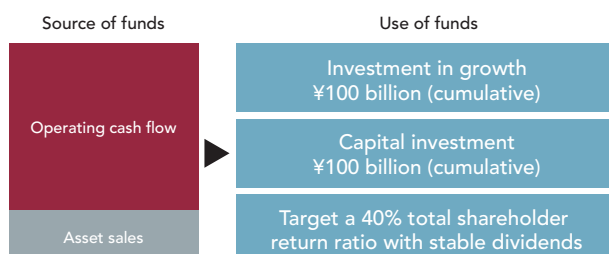
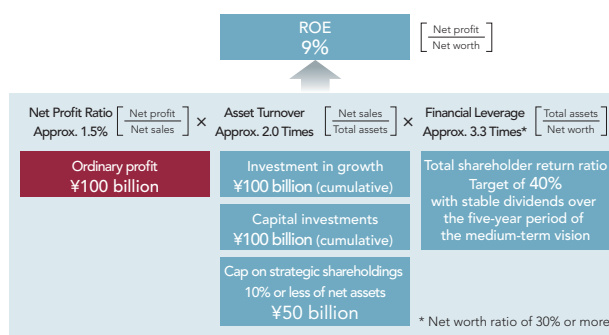
Financial Strategy Underpinning Our Business Strategy

We are planning to make ¥100 billion in investments in growth over the five-year period of the 2027 Medium-Term Vision based on our growth strategies. Since these will be long-term investments, unlike those we made in the past, profit may decline in the first half of the medium-term vision, but we will aim for ordinary profit of ¥100 billion in the fiscal year ending March 31, 2027.

We also intend to make capital investments of ¥100 billion, limit strategic shareholdings to 10% or less of net assets, and target a 40% total shareholder return ratio with stable dividends over the five-year period of the medium-term vision. By executing financial strategies that take our growth strategy and asset efficiency into account, we plan to achieve ROE of 9% in the fiscal year ending March 31, 2027.

Operating Cash Flow and Use of Funds

We will use the operating cash flow generated by increasing profitability as the source of funds for investment in growth, capital investments, and shareholder returns. Over the five-year period of the 2027 Medium-Term Vision, we are planning growth investment of ¥100 billion, capital investments of ¥100 billion, and target a 40% total shareholder return ratio with stable dividends.



Sustainability Policy

Connecting to the Future with “Energy and Brightness”

Under our management philosophy of “Contributing to people’s health and the advancement of society through creation of value in distribution,”MEDIPAL Group will solve environmental and social issues together with various stakeholders.

We will create a future that is healthier and brighter for everyone.

We will strive to realize a sustainable society and enhance our corporate value.

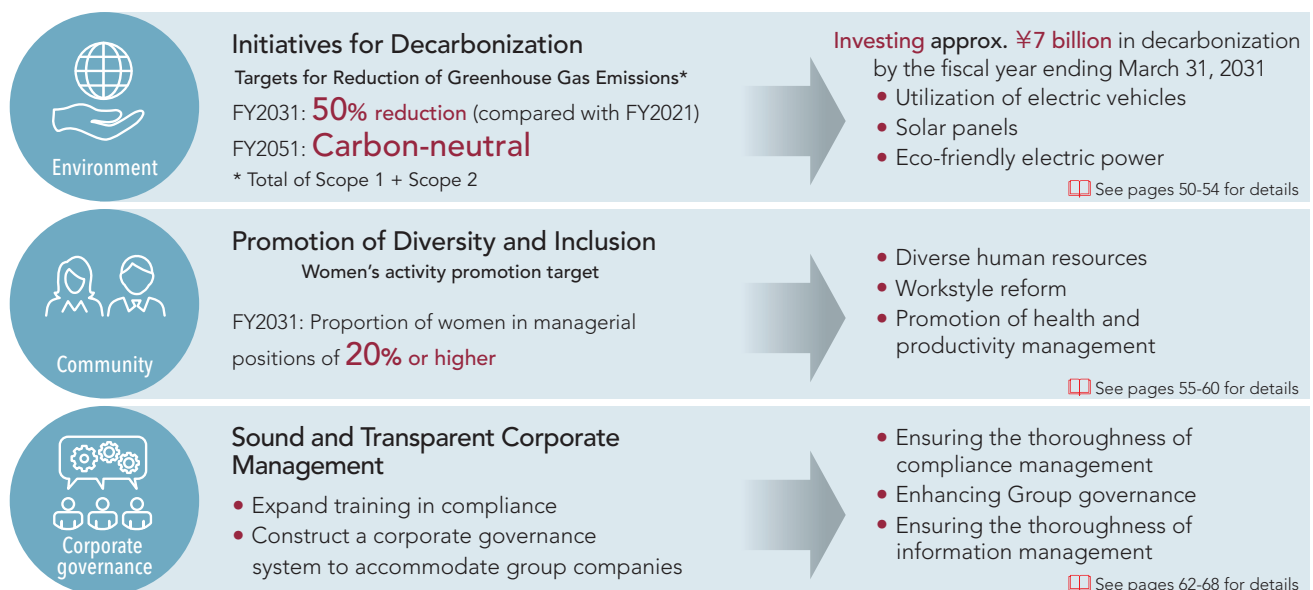
[See page 46 for details](#)

Material Sustainability Tasks (Materiality)



Resolving ESG Issues through Growth Strategies

From the ESG perspective, we have set targets for reducing greenhouse gas emissions (environment), promoting women’s workplace participation (social), and enhancing governance (governance). We intend to achieve these targets in the course of executing the strategies of the 2027 MEDIPAL Medium-Term Vision. We will also set KPIs and strengthen initiatives for other material sustainability tasks (materiality).





ALCs and RDCs: State-of-the-Art Distribution Centers

The ALCs (Area Logistics Centers) and RDCs (Regional Distribution Centers), which are state-of-the-art distribution centers, are vital distribution bases that enable the MEDIPAL Group to fulfill its role in social infrastructure. We are working to ensure reliable delivery with no stock-outs or errors, and to maintain solid distribution channels that remain in operation even during emergencies, with the aim of optimizing the supply chain as a whole.

ALCs are distribution bases for the Prescription Pharmaceutical Wholesale Business. Located close to our customers, these centers have a full line of over 20,000 items in stock, including pharmaceuticals, medical equipment, and clinical diagnostics. We deliver directly to customers, which shortens the lead time from receipt of order to delivery of goods. Currently, this system is in operation at 12 locations in Japan, with plans to newly establish the Hanshin ALC. This will complete a distribution platform for prescription pharmaceuticals covering the entire country.

RDCs, which are distribution bases for the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, are operating in 16* locations in Japan. RDCs provide efficient, low-cost delivery of over 50,000 items necessary for daily life to suit a range of retail business formats and sales floors.

* As of September 30, 2022

1 Source of Our Growth

Distribution Functions That Optimize the Supply Chain as a Whole

The MEDIPAL Group has built a system that efficiently and reliably delivers the required products at the required time, in just the required amount, by connecting manufacturers in the business fields of “Pharmaceuticals, Health, and Beauty” with medical institutions, dispensing pharmacies, and retailers all over the country, through its independently developed state-of-the-art distribution centers. In addition, the Group is taking steps* to reduce its environmental impact, including reduction of greenhouse gas emissions.

* See “Environmental Conservation” on pages 50-51 for details.





Shortened inspection time
Saving customers time

We provide support for streamlining of customers' operations through distribution functions that leverage high delivery accuracy supported by shortened inspection times by scanning delivery container barcodes (individual scans*) among other procedures, and operational support systems linked to ALCs such as PRESUS** and MCHIL**.



Features of ALCs

Delivery ratio
Over 99%

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.
* Normal delivery ratio of 99.8%



Ultra-low temperature distribution
-150°C or below

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



Delivery accuracy
99.999%

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.



Enhanced productivity
2 times

The introduction of SPAID* has doubled productivity without increasing the number of workers. Introducing robotic solutions for dangerous or labor-intensive work has both strengthened our distribution functions and created distribution centers that are more comfortable for employees.



Number of patents
18 (As of March 31, 2022)

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 acquired patents for 18 devices and systems.

Highlight

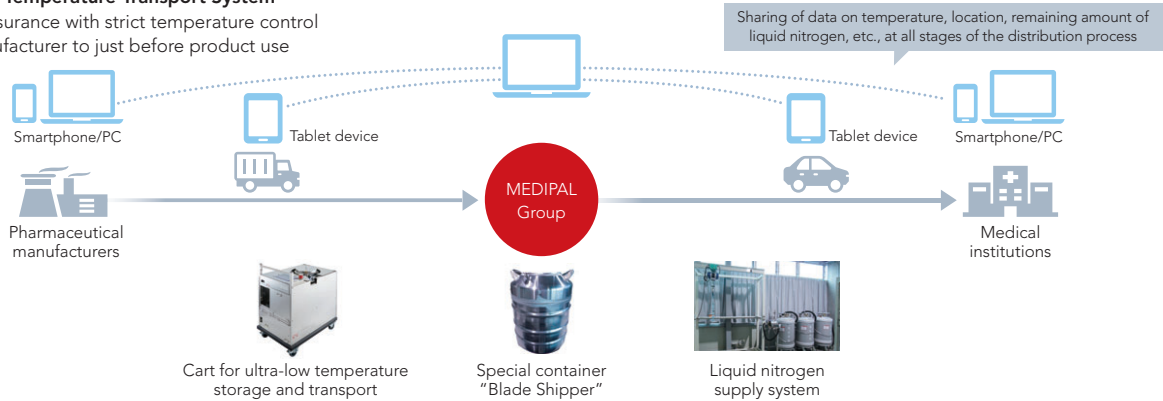
Ultra-low temperature transport system for distribution of regenerative medicines: Prescription Pharmaceutical Wholesale Business

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 products safely and securely from the time they leave the manufacturer's facility until they reach patients.

Building storage facilities and shipping systems for the distribution of a wide variety of pharmaceutical products

Ultra-Low Temperature Transport System

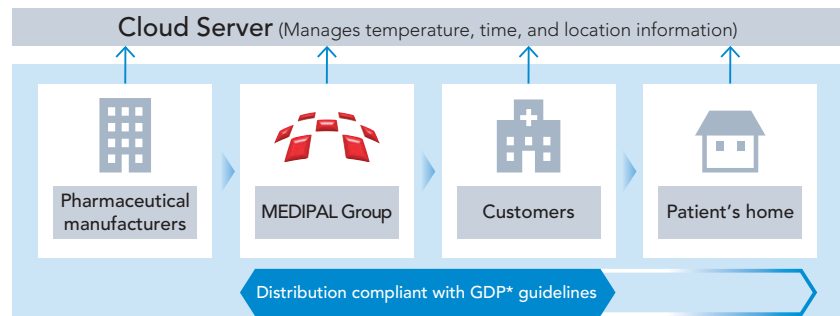
Quality assurance with strict temperature control from manufacturer to just before product use



Highlight

Traceability and temperature zone logistics

The MEDIPAL Group and a partner that has advanced temperature and vibration monitoring technology will co-develop a cloud-based system that seamlessly monitors the temperature and other quality data of pharmaceuticals. This technology will provide us with an advantage in the industry as it will enable us to complete traceability from manufacturer to patients, and to move toward compliance with GDP guidelines.



* Good Distribution Practice: GDP guidelines set out appropriate procedures for ensuring the proper management of distribution (purchase, storage, and supply), maintaining the integrity of pharmaceuticals, and preventing the entry of counterfeit drugs into regular distribution channels.

* Please refer to page 82 for explanations of technical terms.



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[®], 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 with major pharmaceutical companies and the like. 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 achieve returns on investment after these drugs are launched (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 and know-how, and cultivated human resources.

*Please refer to page 82 for explanations of technical terms.

Contribution of new business initiatives to business performance

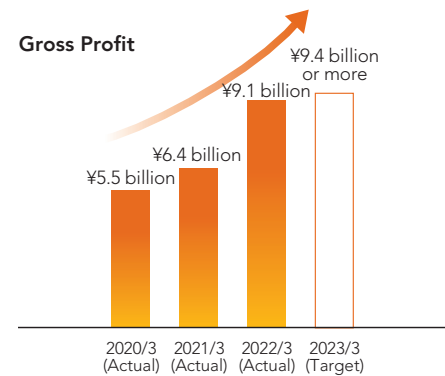
Under our “2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future – Innovation for the Future,” we have shifted new businesses from the “creation” to the “expansion” stage. As a result, they are beginning to steadily generate profit and contribute more to business performance every year.

Gross profit from new business was ¥9.1 billion in the fiscal year ended March 31, 2022. In the 2027 MEDIPAL Medium-Term Vision “Change the *Oroshi* Forever – Constant Innovation,” new businesses will contribute to increasing earnings as one of our key growth drivers.

Gross Profit

New Businesses	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022
AR Activities	¥1.8 billion	¥1.7 billion	¥1.6 billion
PFM®	¥3.8 billion	¥4.8 billion	¥7.8 billion
PMS	¥0.3 billion	¥0.3 billion	¥0.1 billion
Digital Businesses, etc.	¥(0.4) billion	¥(0.4) billion	¥(0.4) billion
Total Gross Profit	¥5.5 billion	¥6.4 billion	¥9.1 billion

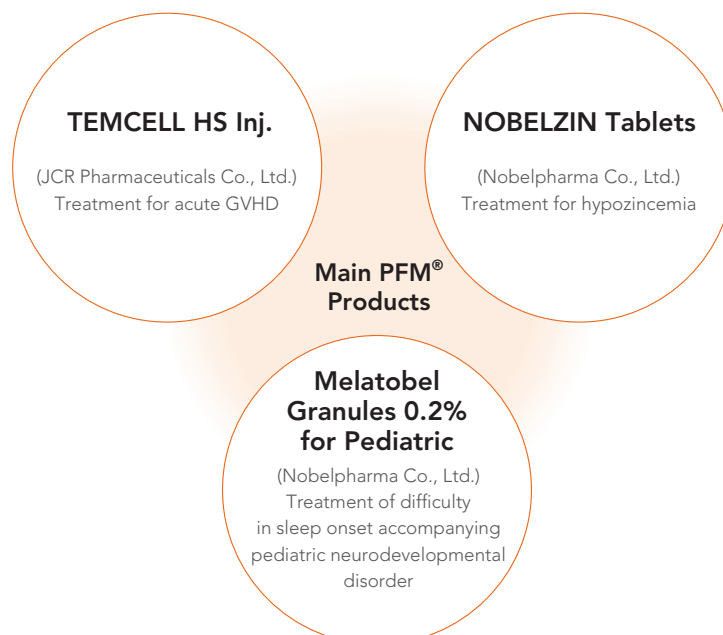
Note: Including gross profit from the sale of related products.



Significance of PFM® and Main Products

By supporting the development of orphan drugs, we contribute to improving the quality of life for patients and their families.

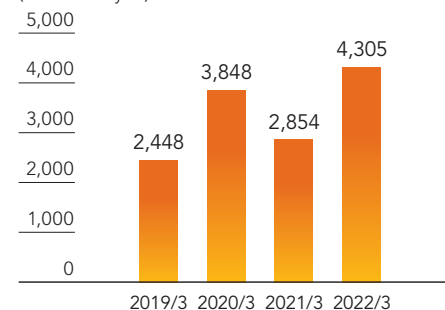
The PFM® business model encompasses the development and stable supply of orphan drugs, thus embodying the MEDIPAL Group’s social mission of contributing to patients suffering from rare diseases and their families. Going forward, we will continue to support the development and stable supply of orphan drugs, for which the number of patients is small.



Sales

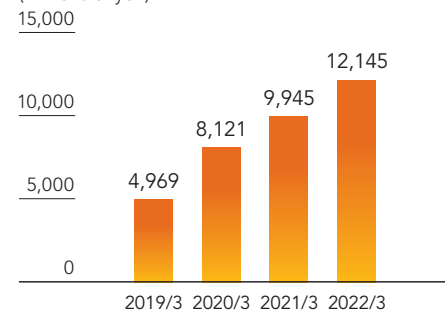
▶ TEMCELL HS Inj.

(Millions of yen)



▶ NOBELZIN Tablets

(Millions of yen)



Providing Groundbreaking Services Unique to MEDIPAL

To continue to respond to diversified social needs, we are collaborating with companies in various business fields, as well as medical institutions and local governments, to create 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 special temperature-controlled distribution of pharmaceuticals, to develop groundbreaking services unique to the Group.

Main Initiatives with Partners

SBI Investment Co., Ltd.

We jointly established a CVC (corporate venture capital) fund called MEDIPAL Innovation Fund in 2021. Leveraging SBI Investment's accumulated experience in nurturing venture businesses, we have invested in startup companies where synergies with MEDIPAL's businesses can be expected. Note: See "Highlight" on page 29 for details on the main CVC fund's investments.

H.U. Group Holdings, Inc.

We entered into a strategic business alliance in the medical and healthcare sectors in 2020. We aim 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.

Mitsubishi Logistics Corporation

We entered into a business alliance in 2019. We aim to establish an optimal pharmaceutical distribution system covering all processes from the time products leave the manufacturer's facility until they reach patients. In addition, the initiative aims to establish a platform for distribution under strict temperature control using DP-Cool, a refrigerated pharmaceutical transportation service compliant with GDP (Good Distribution Practice) guidelines.

MTI Ltd.

We entered into a capital and business alliance in 2016. Various projects including promotion of the Luna-Luna Medico service, which connects women with physicians, and the maternal and child health handbook app "Boshi-mo" operated by MTI. MTI's subsidiary CARADA medica Inc. also promotes the spread of "CARADA online medical consultation" and the CARADA electronic medication history system, "Soramichi."

Medical Data Vision Co., Ltd.

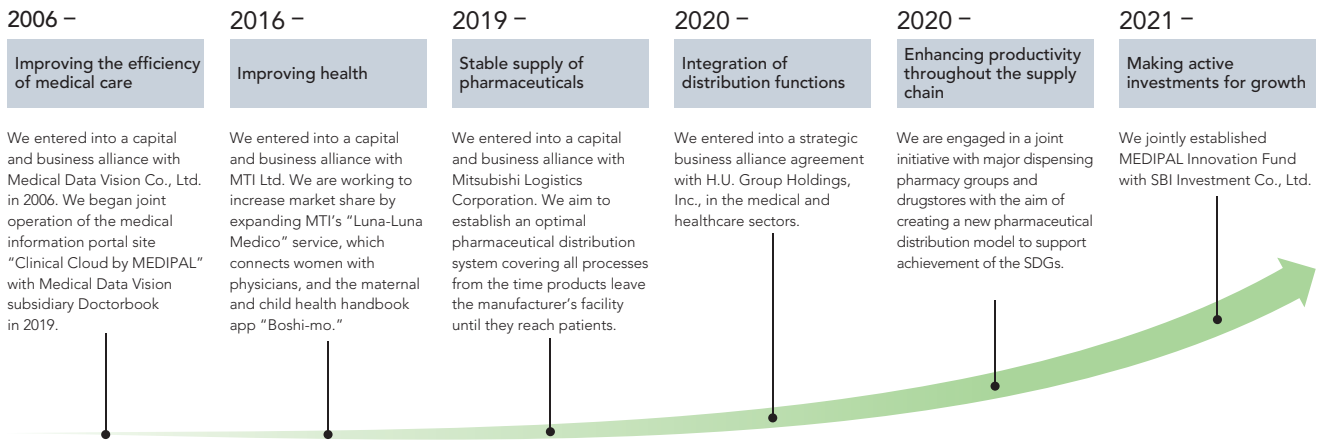
We entered into a capital and business alliance in 2006. Creation of the medical information portal site "Clinical Cloud by MEDIPAL" began in collaboration with Medical Data Vision subsidiary Doctorbook Inc.

3 Source of Our Growth

Creating Value with Partners in Various Business Fields

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

Main Initiatives in Building Partnerships

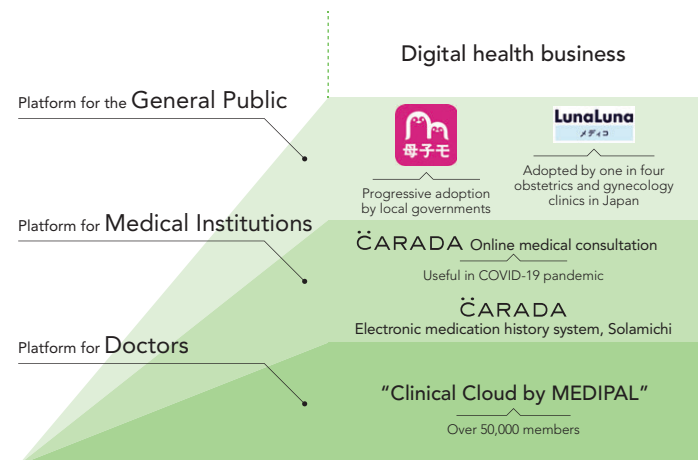


Building Digital Healthcare Platforms

Our digital healthcare solutions, which integrate face-to-face relationships with digital communication, in the medical and healthcare sectors provide numerous services that benefit not only medical institutions but also the health of patients and the general public.

The trend toward the use of digital technology in medicine and personal health monitoring is expected to accelerate. We are focusing on building digital healthcare platforms to make the MEDIPAL Group a player in that area.

Building Digital Healthcare Platforms: Integrating Face-to-Face Relationships with Digital Communication



Highlight Main Investments by the CVC Fund

MEDIPAL Innovation Fund

Established:
March 9, 2021

Investment period:
10 years

Investment targets:
Domestic and overseas startup companies expected to have business synergy in MEDIPAL’s existing business areas and new business areas

Fund size:
¥10.0 billion

August 2021: Riverfield Inc.
Development of surgical robots using proprietary pneumatic control technology

November 2021: Holoeyes, Inc.
Development of a software program for processing medical images for diagnosis and a medical support service that enables immersive remote conferencing for multiple participants in a common three-dimensional virtual environment

December 2021: Innovacell K.K.
Development of regenerative pharmaceuticals for diseases with high unmet medical need, with a focus on fecal and urinary incontinence

May 2022: Chordia Therapeutics Inc.
Research and development of first-in-class anti-cancer drugs expected to be effective in treating cancers with specific abnormalities

September 2022: EVEC, Inc.
Development of fully human antibodies produced from human peripheral blood cells for pharmaceutical use

Message from the General Manager of the Business Development Department

Stepping Up New Business Expansion, Powered by the Results of the 2022 MEDIPAL Medium-Term Vision

Toshihide Yoda

Senior Managing Director
General Manager of Business Development Department
MEDIPAL HOLDINGS CORPORATION

Review of the 2022 MEDIPAL Medium-Term Vision

The 2022 MEDIPAL Medium-Term Vision set a target for the fiscal year ended March 31, 2022 of ¥10.6 billion in gross profit from new businesses. Rather than a numerical target that represented a painstaking accumulation of business opportunities, this was a challenging goal that reflected our ambition to expand our new businesses to the greatest extent possible in order to maximize the advantages of the MEDIPAL Group.

In the end, gross profit from new businesses for the fiscal year ended March 31, 2022 was ¥9.1 billion. This result is basically in line with our target, considering that we proactively sowed the seeds for the next five or ten years based on the expectation of sustainable growth.

Initiatives in Each Business

PFM® ▶ Achievements and Prospects in the Field of Regenerative Medicines

For PFM®, TEMCELL HS Inj. from JCR Pharmaceuticals Co., Ltd. and NOBELZIN Tablets and Melatobel Granules 0.2% for Pediatric from Nobelpharma Co., Ltd. were growth drivers that contributed to earnings.

Through our PFM® initiatives, the field of regenerative medicines has become one of our strengths. Rather than simply investing in development, we have established a unique business model that incorporates our distribution know-how in areas such as special temperature control. PFM® offers tremendous benefits for both the MEDIPAL Group and its partner companies. It enables pharmaceutical companies to target projects and get funding when they need it, and unlike financing through the issuance of new shares, there is no dilution of stock.

In the future, we will also roll out PFM® for bio-venture companies. We take pride in being the world's only company to conduct a business driven by know-how in the storage and distribution of cellular medicine.

AR ▶ Developing Human Resources Who Specialize in Rare Diseases

Our ARs have strengthened our competitiveness. Having ARs with MR qualifications, which other companies do not, enables us to link all the elements of new businesses in an unbroken chain from pharmaceutical distribution and information activities to drug-use surveillance and PMS. This contributes to increased profitability.

We are also working to establish an organization and education system to enhance AR expertise. We created the RD-MR (Rare Disease MR) designation for human resources who specialize in information activities for orphan drugs. RD-MRs play an important role in helping patients with rare diseases receive early diagnosis and start medical treatment, among other socially meaningful activities.

Drug-Use Surveillance and PMS ▶ Focusing on Enhancing Expertise

The business environment for PMS has changed significantly, as online reminders for medical institutions and data collection have become mainstream. Moreover, market needs are likely to continue changing, such as through a swing toward data analysis for retrospective studies rather than simply collecting data on drug-use results and side effects.

To prepare for such an eventuality, we are focusing on enhancing our expertise by engaging in PMS in the field of clinical research together with universities and research institutes.

Corporate Venture Capital (CVC) ▶ Selecting Investments That Generate Synergies with Our Core Businesses

In March 2021, we jointly established a CVC fund with SBI Investment Co., Ltd., a wholly owned subsidiary of SBI Holdings Co., Ltd. The fund has invested in several promising projects. Its original purpose was to cover the digital health field, but once it was launched, more projects than we expected arose in other fields. We investigate investment projects after ascertaining their potential synergies with our core businesses. A CVC fund does not seek to obtain one-time profits by selling the shares of investees. Rather, it is a business format capable of generating profits each year from commercializing the projects in which it has invested and selling them through the MEDIPAL Group's distribution channels. In other words, it aims to generate profits in our core wholesale businesses.

Digital Health ▶ Deepening Our Business Alliance with the MTI Group

Numerous companies have entered the field of digital services for healthcare, and competition in development is intensifying. We assume that this will result in new approaches to healthcare in the near future. When they arise, we believe that the MEDIPAL Group must be a central player.

We are collaborating closely with MTI, with which we started a capital and business alliance in 2016, to leverage the relationships of trust that we have cultivated with pharmaceutical companies and medical institutions with the aim of developing a new digital platform that contributes to people's health.

Growth Scenarios for New Businesses

When drawing up growth scenarios for new businesses, we carefully plan business strategies that consider synergies with our core businesses, business sustainability, and social contribution as well as profitability. Finding superior investments is not easy. Therefore, we proactively seek out projects and make investments after careful examination. The amount of profit in a single fiscal year tends to be the focus for new businesses, but it is important to know how good an investment the business has been. That, I believe, is what will lead to future profits.

Five years from now, the MEDIPAL Group aims to have an expanded business range and capacity that will allow it to invest around ¥100 billion annually. We will continue to strategically select investments and work to create new value while utilizing all of our management resources, including human capital.

Shared Values

As the basis for decision making in daily operations, we have set forth three shared values – integrity, morality and a sense of mission – in addition to realizing our management philosophy.

Integrity

Always take a sincere approach and behave with fairness and honesty

Morality

Act with general common sense as well as in compliance with laws and industry rules

Sense of mission

Take responsibility and behave in accordance with what is right for the organization and oneself

Source of
Our Growth

Human Resources with Integrity, Morality, and a Sense of Mission

Amid the great changes in social needs in a super-aging society, we support sustainable growth by fostering human resources with a strong ethical sense in addition to advanced and specialized knowledge.



Human Resources with Advanced and Specialized Knowledge

As a “medical coordinator” that links customers, manufacturers, and patients, the MEDIPAL Group supports its sustainable growth by developing human resources with a strong ethical sense and specialized knowledge to enable them to propose solutions.

Examples of Human Resources with Specialized Knowledge (Number of personnel)

Qualification	Fiscal Year Ended March 31, 2022
MR qualification ¹	2,531
DMR* qualification ¹	435
Pharmacists (including supervising pharmacists) ²	495
Veterinarians ²	7
Hazardous material security officers ²	52

1. Total number of qualified personnel
 2. As of March 31, 2022

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 a MS with the expertise of a MR.

AR*

<p style="color: #0056b3; margin: 0;">The agility of a MS*</p> <ul style="list-style-type: none"> Relationships of trust with medical institutions Routine consultations with doctors Connections with medical institutions across the nation 	<p style="color: #0056b3; margin: 0;">The expertise of a MR*</p> <ul style="list-style-type: none"> Information and knowledge concerning medicine and disease Solid relationships with doctors
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Highlight Regional Medical Coordinators

Leveraging AR Expertise to Provide Value in Distribution

With their specialized knowledge and skills, ARs conduct a wide range of high-quality sales activities while also playing a role in promoting businesses that create new value.

ARs who specialize in rare diseases are designated as RD-MRs (Rare Disease MRs), and mainly provide and collect information on orphan drugs in the hospital market. They gain experience in MR duties at a pharmaceutical company and acquire more advanced knowledge about diseases and conditions as they conduct activities in compliance with our guidelines for providing sales information.

Female sales ARs with expertise in the field of women’s medical care are designated as Women’s Coordinators. They utilize their ample training in the products they sell under contract to provide and collect information and to ensure compliance with the guidelines for providing information.

Employees in both of the above designations create social value as regional medical coordinators by identifying healthcare issues faced by customers, medical institutions, and local governments in their regions and proposing solutions to those issues.

What Is a Regional Medical Coordinator?

This new sales approach helps to realize regional cooperation in medical care by making both real-world and digital connections with medical practitioners. Regional Medical Coordinators raise awareness of diseases, identify new patients, and introduce patients to core hospitals through activities that range from collecting qualitative information through surveys on regional cooperation to holding lectures on coordination between local clinics and hospitals and “Doctor to Doctor” study sessions.

MS = Regional Medical Coordinator

AR

RD-MR

Specialized Field Coordinator
(Women’s Coordinator)



RD-MR sales activities



Women’s Coordinators

* Please refer to page 82 for explanations of technical terms.