



## 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**

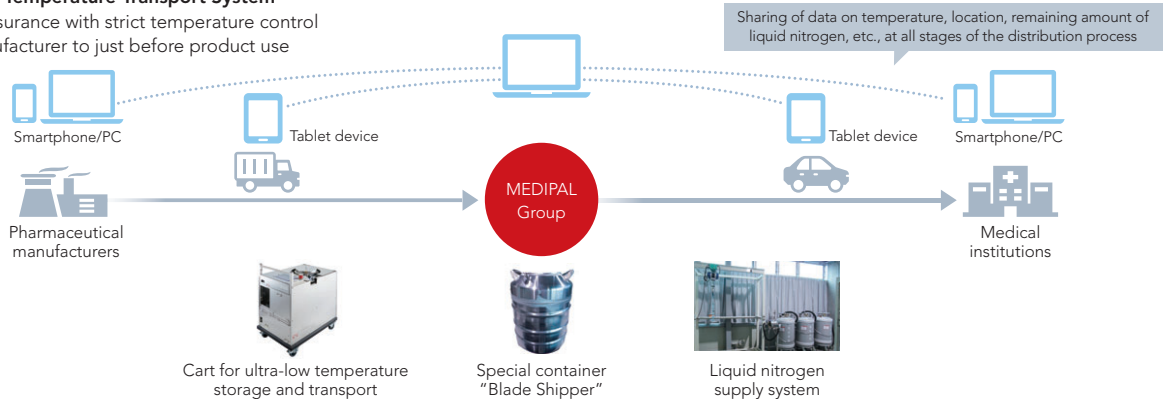
**Ultra-low temperature transport system for distribution of regenerative medicines: Prescription Pharmaceutical Wholesale Business**

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**

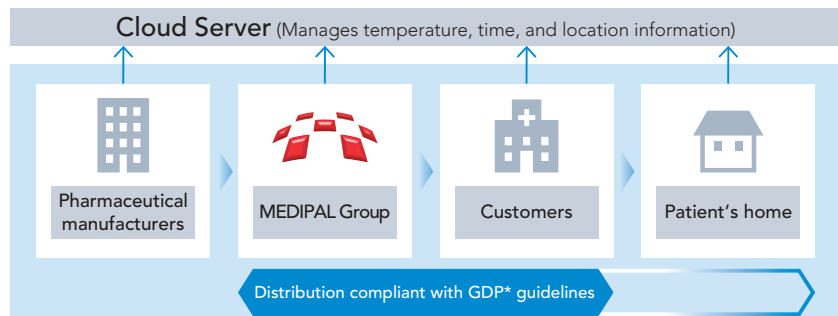
Quality assurance with strict temperature control from manufacturer to just before product use



**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.