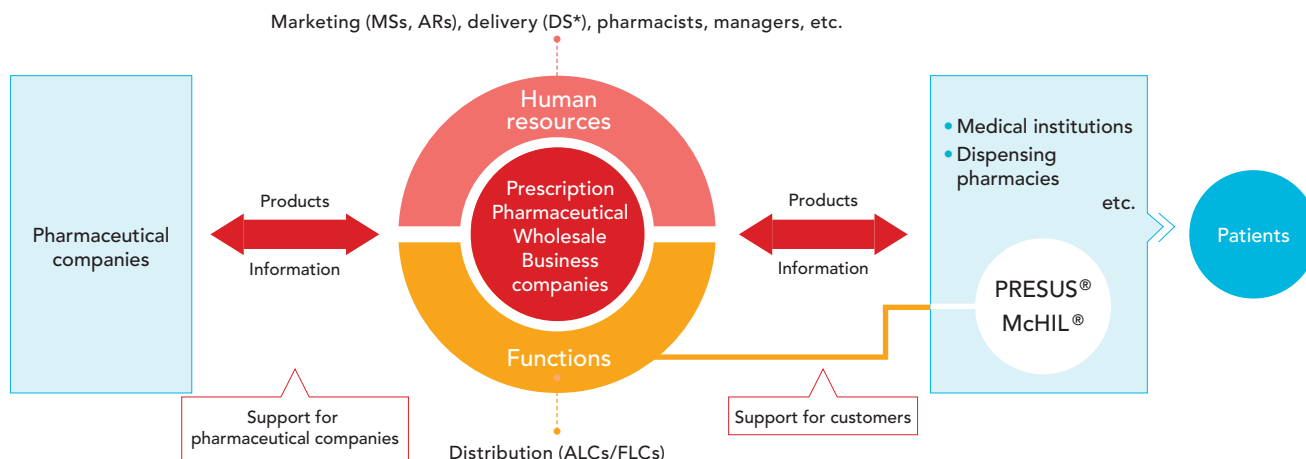




► Value Chain



**Support for Pharmaceutical Companies**

ARs use their advanced skills in discussions with physicians and medical professionals to provide useful information on medical treatment. We handle PMS services on contract for pharmaceutical companies. Furthermore, we also engage in PFM® based on a business model of investing in orphan drugs and other products where prompt development is, in order to get returns on investments after launch of these drugs and distribute 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 with both time and an environment that allows them to focus on their primary work.

**Business Environment**

The overall pharmaceutical industry market in Japan grew compared with the previous fiscal year despite the impact of NHI drug price reductions and the COVID-19 pandemic, as visits to the doctor gradually increased.

Sales for the fiscal year ended March 31, 2022 were solid due to various factors, including an increase in demand for COVID-19-related clinical diagnostic reagents, and promotion of collaborative initiatives with dispensing pharmacies to build a new model for pharmaceutical distribution optimization in the dispensing pharmacy market. We worked to reduce selling, general and administrative expenses by adjusting the number of deliveries and the cut-off time for orders, and by optimizing the size of our workforce as part of our structural reforms for sustainable growth.

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



## Business Strategies

### Growth Strategies

Under the 2027 MEDIPAL Medium-Term Vision, we will implement the following growth strategies.

<p>Promoting new global businesses</p> <p><b>Expansion of Overseas Business</b></p>	<ul style="list-style-type: none"> <li>• Develop new businesses in partnership with JCR Pharmaceuticals Co., Ltd.</li> <li>• Strengthen relationship with partner Sinopharm Holdings in China</li> </ul>
<p>Responding to market expansion and sophistication</p> <p><b>Expansion of Prevention and Pre-disease Business</b></p>	<ul style="list-style-type: none"> <li>• Expand product portfolio, including state-of-the-art medical testing equipment and reagents, in response to market expansion and advances in the fields of testing and reagents</li> <li>• Enter the field of preventive dentistry</li> </ul>
<p>Creating a digital platform for medical and healthcare services and monetizing priority businesses</p> <p><b>Enhancement of the Business with and in Digital</b></p>	<ul style="list-style-type: none"> <li>• Create new top-level businesses in Japan that combine the management resources of the MEDIPAL Group and its partners</li> </ul>
<p>Establishing a new logistics model</p> <p><b>Building Sustainable Logistics</b></p>	<ul style="list-style-type: none"> <li>• Establish MEDISKET CORPORATION, a logistics joint venture with H.U. Group Holdings, Inc. In addition to improving logistics functions, the consolidation of the two companies' logistics will accelerate the construction of Japan's largest healthcare logistics platforms for testing, diagnosis and treatment to support "Pharmaceuticals, Health, and Beauty," with the aim of creating new value in the healthcare industry, including helping to resolve social issues through green logistics</li> <li>• Build a new model for optimized of pharmaceutical logistics with SHINYEI KAISHA and other partners that have advanced temperature and vibration monitoring technologies</li> <li>• Work to optimize the number of orders and deliveries by analyzing and managing inventories in consultation with customers</li> <li>• Reduce warehouse and delivery work by upgrading the logistics system using AI and robotics technologies</li> </ul>
<p>Providing new social value by resolving regional healthcare issues</p> <p><b>Value Co-creation in Community Healthcare</b></p>	<ul style="list-style-type: none"> <li>• Establish the position of Regional Medical Coordinator to identify and propose solutions to healthcare issues faced by local customers, medical institutions, local governments and others.</li> <li>• Coordinate solutions to the issues of local customers and business partners, and implement collaborative proposals</li> </ul>

### Perception of Issues and Future Direction

Reforms to the drug pricing system, revision of laws (Pharmaceutical and Medical Devices Act) related to ensuring the quality, efficacy, and safety of pharmaceutical products and medical devices, the Japanese government's Data-based Health Management Initiatives, and other measures are being promoted against the backdrop of reforms to the social security system and establishment of a post-pandemic sustainable society. Furthermore, with trends including a sharp rise in energy prices assumed, it is expected that a faster response to these measures will be required.

In these circumstances, the MEDIPAL Group will work toward optimization and efficiency throughout the supply chain from pharmaceutical companies to patients, particularly by utilizing the advanced logistics functions of ALCs, and will also take steps to reduce environmental impact.

In the fiscal year ending March 31, 2023, the MEDIPAL Group will continue to provide stable supplies of prescription pharmaceuticals and other products, and will also contribute to medical care by distributing COVID-19-related products, COVID-19 vaccines, and clinical diagnostic reagents. We will work to enhance our earnings foundation by expanding information supply activities and post-marketing surveillance (PMS) by ARs, strengthening sales of medical equipment and clinical diagnostic reagents, and further accelerating initiatives in the field of digital healthcare. In addition, we will promote distribution with consideration for the environment by implementing a modal shift in logistics and optimizing the number of deliveries.

**Highlight**

**MEDISKET CORPORATION: Japan’s Largest Healthcare Logistics Platform Supporting “Pharmaceuticals, Health, and Beauty”**

In April 2022, MEDISKET CORPORATION was established as a joint venture between MEDIPAL HOLDINGS CORPORATION and H.U. Group Holdings, Inc. By combining logistics for the prescription pharmaceutical wholesaling business and the contract clinical testing business, MEDISKET will optimize the supply of pharmaceuticals, clinical testing materials, and other items, as well as the collection of test specimens from clinical laboratories, clinical trials, and research. It will also provide high-quality logistics services that conform to GDP guidelines.

MEDISKET will encourage participation by various companies active in the healthcare field that handle goods to which third parties have ownership rights. In addition, it will contribute to society by more quickly resolving global environmental issues such as the reduction of greenhouse gas emissions, as demanded by society.

Aside from seeking greater efficiency by combining distribution functions, MEDISKET will also create new profit opportunities through logistics outsourcing services for external companies. We will promote MEDISKET as an initiative that will lead to building sustainable logistics, which is one of the growth strategies of the 2027 MEDIPAL Medium-Term Vision: Change the *Oroshi* Forever.

