

Ideal Situation for the MEDIPAL Group

We aim to realize a society in which everyone can live with physical and mental well-being and to enhance our corporate value.

2027 MEDIPAL Medium-Term Vision

Change the 卸 Forever

Oroshi

~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

Expansion of
overseas business

Expansion of
prevention and
pre-disease business
and AGRO & FOOD
business

Enhancement of
the business
with and in digital

Building
sustainable logistics

Value co-creation in
community healthcare

Human resource strategy

Financial strategy

Present

Sustainability Policy

Connecting to
the Future with
“Energy and Brightness”

Management Philosophy

Contributing to people's health and the advancement of society through creation of value in distribution

Ideal Situation

Expand, Support, and Connect "Pharmaceuticals, Health, and Beauty"



"What is a healthy life? What can we do to support that?" We always ask ourselves these questions, and pursue various possibilities to contribute to the extension of healthy life expectancy.

Our "ideal situation" under our management philosophy is to "expand, support, and connect 'Pharmaceuticals, Health, and Beauty.'" 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.

History of Value Creation

The MEDIPAL Group has since its foundation continued growing through wide-ranging innovations, under its unchanging mission of reliably delivering products essential to people's safety and peace of mind whenever they are needed, even during emergencies.



Sanseido apothecary at time of foundation

1898
Founded



Establishment of KURAYA SANSEIDO

2000-

Formation of Nationwide Distribution Network

Starting with KURAYA SANSEIDO Inc. (a merger of Sanseido Co., Ltd., KURAYA CORPORATION and TOKYO PHARMACEUTICAL Co., Ltd.), built a distribution platform covering all regions of Japan through business integration and business alliances.



MEDICEO Holdings President Kumakura (left) and PALTAC President Mikita

2005-

Expansion of Business Fields

With the addition of PALTAC CORPORATION, became a wholesaler group providing a wide range of support for everyday life, including cosmetics, daily necessities, and OTC pharmaceuticals. Business fields are "Pharmaceuticals, Health, and Beauty."



KANAGAWA ALC (first ALC)

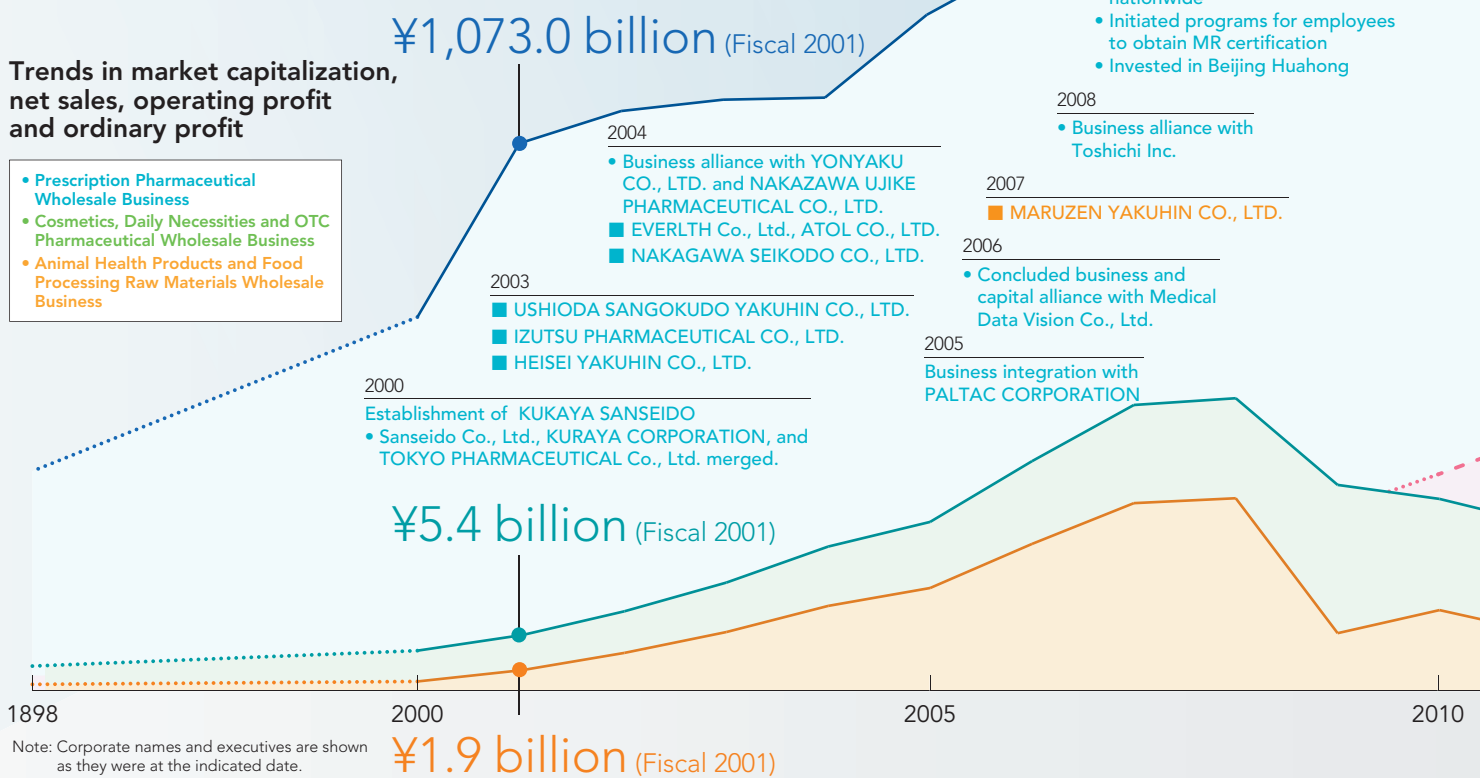
2009-

Business Innovation

Promoted the nationwide establishment of state-of-the-art distribution centers, called ALCs (Area Logistics Centers*), while working to expand sales functions by increasing the number of MSs* who have MR* certification and through other measures.

Trends in market capitalization, net sales, operating profit and ordinary profit

- Prescription Pharmaceutical Wholesale Business
- Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
- Animal Health Products and Food Processing Raw Materials Wholesale Business



Note: Corporate names and executives are shown as they were at the indicated date.
■ Became a wholly owned subsidiary

2027 MEDIPAL Medium-Term Vision
Change the 卸 Forever
 ~Constant Innovation~



MEDIPAL HOLDINGS President Watanabe (left) and JCR Pharmaceuticals Chairman and President Ashida



MEDIPAL HOLDINGS President Watanabe (right) and H.U. Group President Takeuchi

2011-

Creating New Value through New Businesses

Promoted development of new businesses utilizing nationwide infrastructure and human resources, and broadened wholesale business fields to include such areas as animal health products and food processing raw materials.

2019-

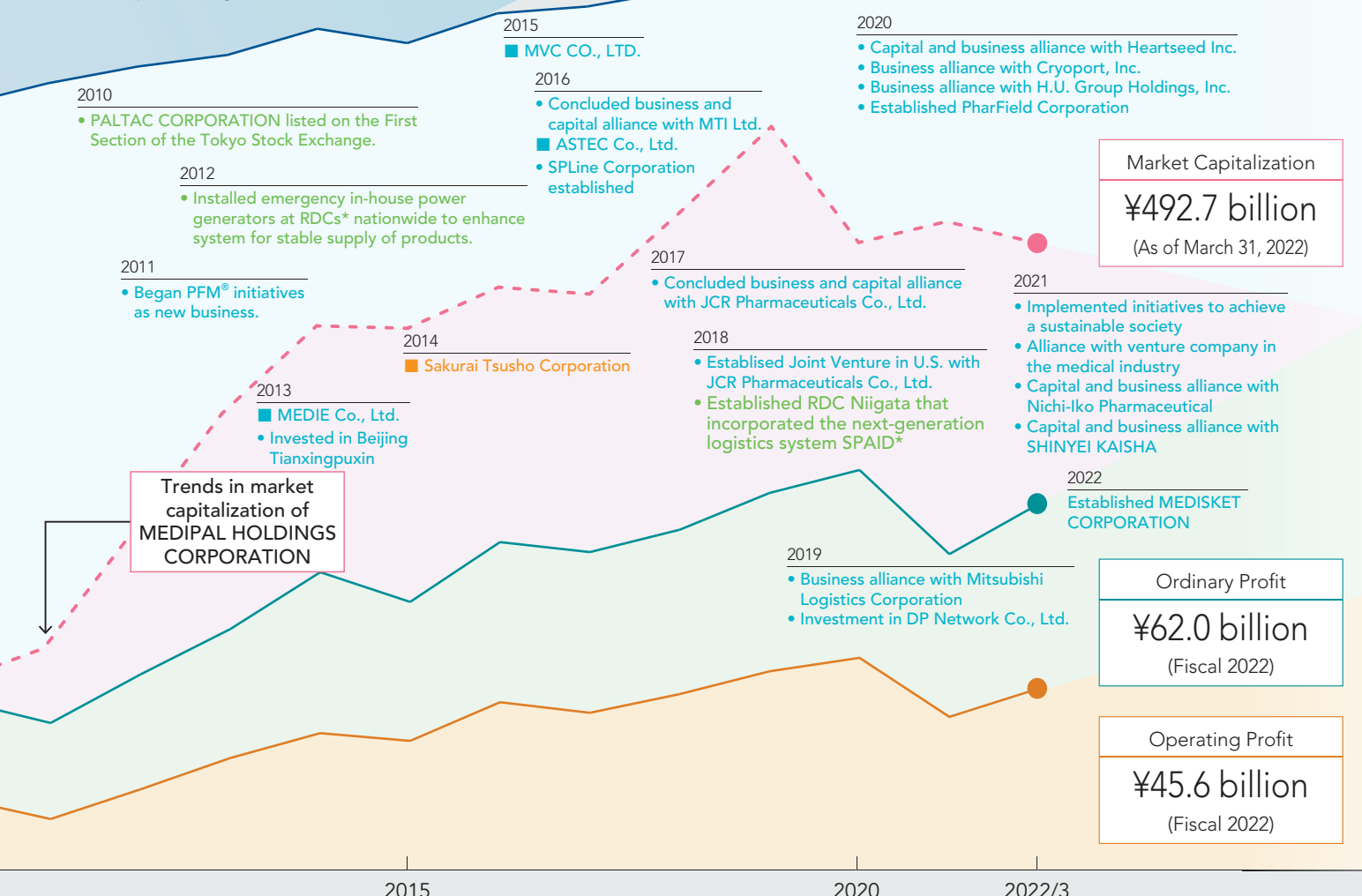
Establishing Business Partnerships and Expanding New Businesses

Shifted new businesses from the "creation" to the "expansion" stage and built new frameworks to benefit customers and society through partnerships with companies in various fields.

2022-

Transforming and Growing through Business Portfolio Prioritization and Collaboration with Partners

Formulated "2027 Medium-Term Vision" and began working to achieve its targets



Net Sales
¥3,290.9 billion
 (Fiscal 2022)

Market Capitalization
¥492.7 billion
 (As of March 31, 2022)

Ordinary Profit
¥62.0 billion
 (Fiscal 2022)

Operating Profit
¥45.6 billion
 (Fiscal 2022)

Trends in market capitalization of MEDIPAL HOLDINGS CORPORATION

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

Business Fields / At a Glance

Pharmaceuticals
 Medical equipment
 Clinical diagnostics
 Cosmetics
 Daily necessities
 Animal health products
 Food processing
 raw materials, etc.



Prescription Pharmaceutical Wholesale Business
 (MEDICEO business)

MEDICEO CORPORATION
 EVERLTH Co., Ltd.
 ATOL CO., LTD.
 SPLine Corporation

MM CORPORATION
 ASTEC Co., Ltd.
 MVC CO., LTD.
 PharField Corporation



Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
 (PALTAC business)

PALTAC CORPORATION



Animal Health Products and Food Processing Raw Materials Wholesale Business
 (AGRO & FOOD business)


MP AGRO CO., LTD.
 MEDIPAL FOODS CORPORATION


Manufacturers **5,000**


 **MEDIPAL GROUP**

Consolidated Net Sales

¥3,290.9 billion

 66.2%

 31.8%


 2.2%

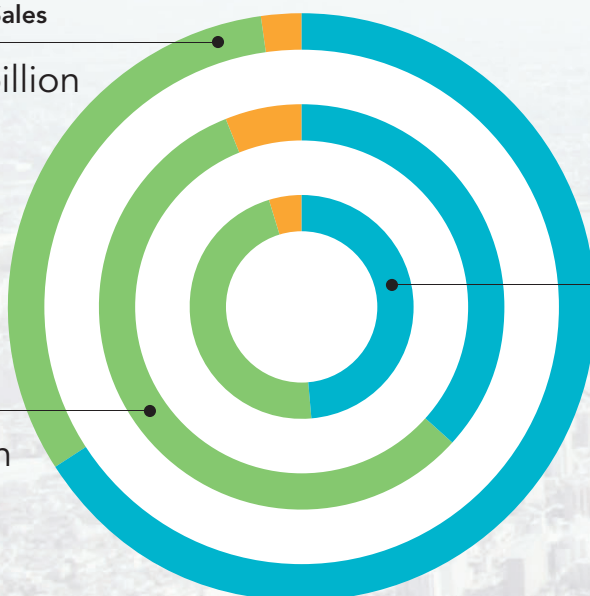
Consolidated Operating Profit

¥45.6 billion

 36.4%


 56.8%


 5.9%




Consolidated Ordinary Profit

¥62.0 billion

 48.1%

 46.2%

 4.5%



Prescription Pharmaceutical Wholesale Business



Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business



Animal Health Products and Food Processing Raw Materials Wholesale Business

Note: Since the breakdown of net sales and profit by segment in the pie chart above includes figures before the elimination of transactions among business categories, the sum of percentages does not equal 100%.

The MEDIPAL Group is one of the largest distribution networking groups linking manufacturers, medical institutions, and retailers all across the nation in the business fields of “Pharmaceuticals, Health, and Beauty.”

MEDIE Co., Ltd.
M.I.C. (Medical Information College), INC.
Medipal Insurance Service Co., Ltd.
MEDISKET CORPORATION¹
1. Established April 2022

Hospitals, clinics,
dispensing pharmacies, etc.



Patients

Drugstores, home centers,
convenience stores, etc.



Consumers

Livestock and fishery businesses,
livestock clinics, animal hospitals,
manufacturers of processed food,
etc.



Livestock and aquatic
animals,
companion animals²

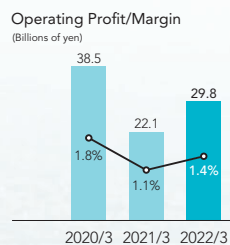
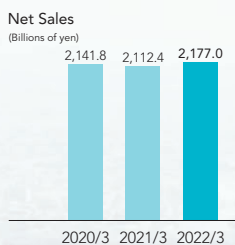


Consumers

2. Companion animal refers to an animal that has a companion-like presence and a close relationship with humans in daily life.

Customers **240,000**

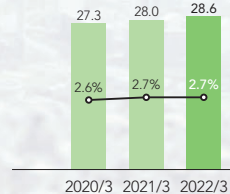
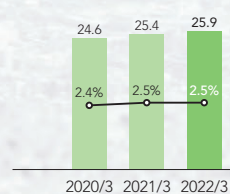
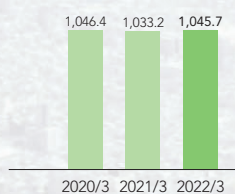
End User



Number of
bases
216
(As of March 31, 2022)

Customers
Approx. **230,000**

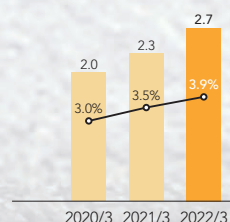
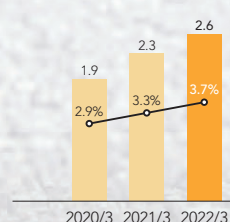
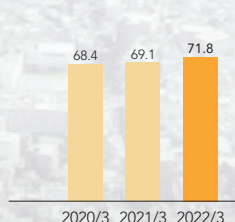
ARs*
Approx. **2,500**
Employees with
MR qualifications
(As of March 31, 2022)



Distribution centers
16 nationwide

Business partners
Retailers:
Approx. **400**
Manufacturers:
Approx. **1,000**

Number of items
handled
Total shipments
3.5 billion per year



Bases
(AGRO business)
Sales offices:
31 nationwide
Distribution centers:
5 nationwide

Number of
items handled
(FOOD business)
Approx. **14,000**

Manufacturers
(FOOD business)
Approx. **800**

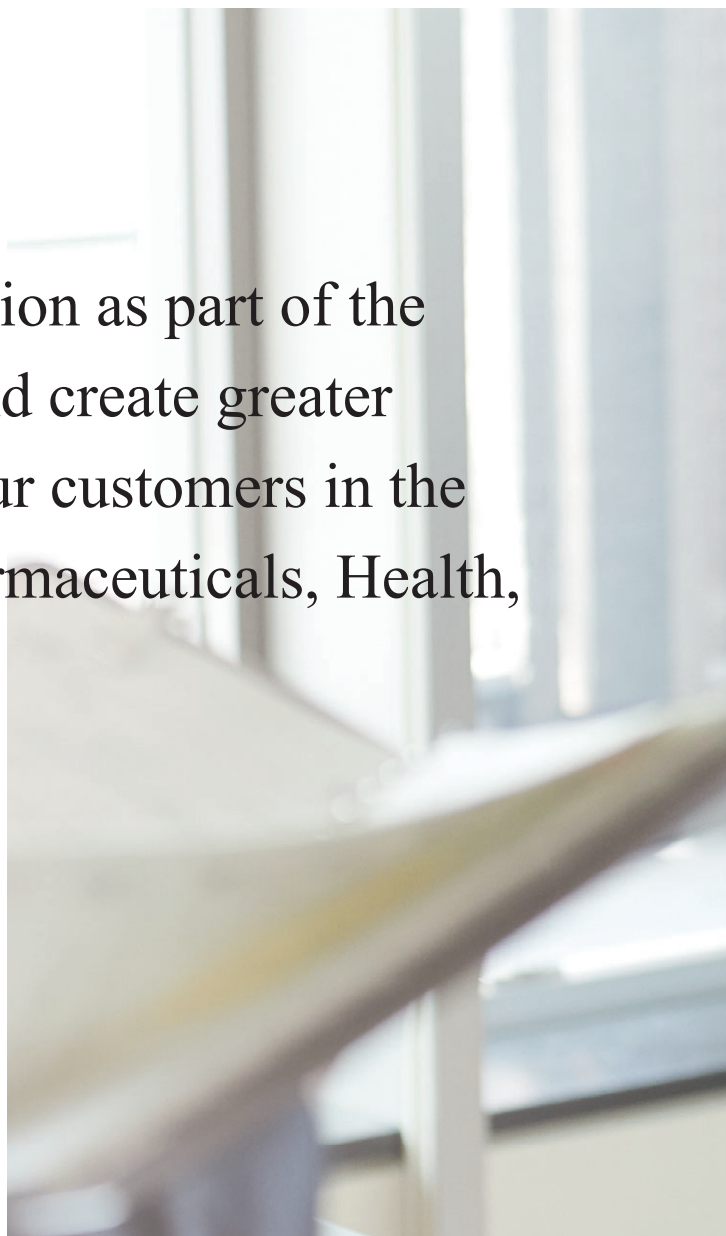
* Please refer to page 82 for explanations of technical terms.

President's Message

We will fulfill our mission as part of the social infrastructure, and create greater value for society and our customers in the business fields of “Pharmaceuticals, Health, and Beauty.”

Shuichi Watanabe

Representative Director,
President and CEO
MEDIPAL HOLDINGS CORPORATION



Evolving Daily as an Innovative Wholesaler

The MEDIPAL Group has a clear corporate vision (ideal situation) of what it wants to achieve.

Our vision is to “be a health support orchestra that expands, supports, and connects ‘Pharmaceuticals, Health, and Beauty.’” Everyone earnestly wishes to lead a healthy life. We constantly ask ourselves what we can do to extend healthy life expectancy. By pursuing various possibilities in total harmony and making the most of the individuality of each MEDIPAL Group employee, we intend to create greater value for society and our customers in the business fields of “Pharmaceuticals, Health, and Beauty.”

The MEDIPAL Group operates in three business segments: the Prescription Pharmaceutical Wholesale Business; the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business; and the Animal Health Products and Food Processing Raw Materials Wholesale



Business. Each segment handles merchandise that is indispensable for supporting people's lives and healthy lifestyles. In that sense, we take pride in playing a role in the social infrastructure that is as essential as electricity, gas and water—and, like those utilities, one that must never be interrupted.

From our founding in 1898 to the present, we have undertaken a variety of mergers, acquisitions, and business reforms. All were pioneering, breakthrough moves at the time. They enabled us to build a strong foundation and a network for efficient nationwide distribution that is resilient to emergencies and responsive to change, as well as to develop a highly experienced workforce.

Our forward-looking corporate approach is also linked to the evolution of our business. In the medical industry, for example, an increasing number of biopharmaceuticals, orphan drugs, and other pharmaceuticals are extremely difficult to manage and deliver. At the same time, the total market share by volume of high-quality, low-price generic drugs for chronic

diseases is now in excess of 80%. MEDIPAL's distinctive and substantial strengths are its ability to deliver products with completely different properties reliably, efficiently, and at the right time while ensuring their quality, and to significantly reduce delivery times through speedy inspections. We are leveraging these strengths to diversify our earnings by creating various new businesses.

Progress of Initiatives under the Slogan “Change the *Oroshi*”

Japan's declining birthrate and aging population have progressed further than other countries, and the country is facing a growing number of issues that need to be addressed, including a shrinking workforce and rising social security costs. On the assumption that this severe situation will continue, the entire MEDIPAL Group has been working together since 2014 to rapidly transform its business model under the slogan “Change the *Oroshi*.”

Guided by this vision over the past eight years, we have enhanced the quality of both our sales and distribution functions, worked to generate synergies among Group companies, and grown our new businesses from the launch stage to a stage where they are poised for expansion. Particularly in the past three years, we have fully utilized the Group's strengths. Initiatives have included focusing on partnerships with like-minded companies in different industries, venture companies, businesses in the digital field and others to invest in the launch of groundbreaking medical technologies, and combining our strengths to reduce the environmental impact of shipping.

There was also an unforeseen event—the global COVID-19 pandemic. As it brought a halt to the economy as well as to people's movements, we were unable to reach the financial performance targets that we initially set in our vision. Nevertheless, it was an opportunity to gain confidence as employees of the MEDIPAL Group, undaunted by the uncertain outlook, thoroughly minimized infection risks and used their expertise and ingenuity to continue supplying essential medicines and products. We have always had a strong sense of mission and maintained a solid corporate culture in times of emergency. We also take pride in our efforts to ensure business continuity; in this case in dealing with an unfamiliar infectious disease. I think we should receive greater recognition from society for our contributions. In addition, the ultra-low temperature transportation technologies and distribution know-how that we have built up in-house were very useful as we worked to help protect the public through the management and delivery of vaccines. The measures we implemented during the

period of “Change the *Oroshi*” have proven to be effective in an unprecedented situation and were useful to society. This is validation that the progress, as well as the investments we have made so far are on target, and gives us greater confidence to proceed.

A Crucial Five Years toward Our Ideal Situation

We are now conducting initiatives in line with **the 2027 MEDIPAL Medium-Term Vision**, which takes as its basic policy “**Change the *Oroshi* Forever: Constant Innovation.**” The ideal situation it envisions for the MEDIPAL Group is to “be a health support orchestra that expands, supports, and connects ‘Pharmaceuticals, Health, and Beauty.’” Our medium-term vision will serve as the roadmap for achieving this goal.

None of the growth strategies we will pursue over the next five years are mere continuations of past strategies. Consequently, there are aspects with which MEDIPAL is unfamiliar, or has little experience. For example, expansion of the overseas business, the prevention and pre-disease business, and the AGRO & FOOD business will all be major challenges, but we look forward to creating something new. Because these are challenges that will lead to happiness for people, we will have a sense of purpose as we open up the path to our future.

Going forward, wholesaling that consists of simply stocking and selling merchandise will not be a feasible business. That much is clear. There can be no fruit without putting in the effort to till uncultivated soil, sow seeds, and carefully nurture them. There is a Japanese proverb, “Planted peaches and chestnut seeds take three years to bear fruit, persimmons take eight.” It often takes time to produce the desired results. However, based on the time and effort you put in, you can obtain stable, ongoing results—in this case, earnings. I would like MEDIPAL to be a company that diligently accumulates such results. Fortunately, the business fields of “Pharmaceuticals, Health, and Beauty” encompass some of people’s dearest wishes. There are many “seeds,” in the form of investment projects, that we would like to cultivate. We also have highly capable human resources we can cultivate. In addition to these elements, we have strong partners for each type of project. If we can generate synergies, I believe that achieving our vision is not beyond our reach. We will supplement the elements we lack. To do so, we are investing ¥100 billion in the growth and reskilling of our human resources.

I would like to proactively tackle this challenge, taking the view that the foundation and businesses that we will build up in the next five years will lead to MEDIPAL’s growth over the five to ten years after that.



Human Resource and Financial Strategies as the Basis of Our Future Growth

Our human resource and financial strategies support the growth strategies of our vision. The implementation and results of these two strategies will lead not only to the realization of our vision, but also to sustainable growth for MEDIPAL.

We define the people who will become leaders of the MEDIPAL of tomorrow as “future-oriented human resources.” Human resources with integrity, morality, and a sense of mission who act with a proper understanding of the business of each MEDIPAL Group company are fundamental. In addition, I would like to develop human resources who can play roles that span the Group’s businesses and acquire skills that are both wide-ranging and deep. MEDIPAL is investing its resources in growth areas. Having many such human resources will enable us to speedily make decisions for a flexible shift in our business portfolio. Moreover, because our vision will open up paths into unfamiliar business areas, we will proactively hire expert talent from outside the Group as necessary. A company grows when the diverse employees gathered in it learn and grow together. As a company grows, the scope of its business expands and its employees grow further as they get opportunities to take on new challenges. I hope to develop both our people and Group companies through this cycle.

Our financial strategy sets a target of ¥100 billion in ordinary profit. We also aim to achieve ROE of 9% by following a capital policy that considers financial leverage in addition to improving the net profit ratio and asset turnover. We will use the operating cash flow generated from improved profitability, together with the sale of some assets, to fund investments in growth and for capital investments, as well as to return profits to shareholders with a target total shareholder return ratio of 40%.

Promoting Sustainability Management

To both help realize a sustainable society and improve our corporate value, we have formulated a new sustainability policy, "Connecting to the Future with 'Energy and Brightness'". Based on this policy, we conducted a materiality assessment and identified six material tasks. The Group's CSR Committee played a central role and discussions lasted over six months. The process included selecting social issues, identifying issues for MEDIPAL, and discussing the Group's ideal situation, then deciding on the material sustainability tasks (Materiality) in consultation with the Board of Directors. It is now our responsibility to work toward resolving the tasks we identified.

Viewed from the perspective of ESG, for the environment, we aim to reduce greenhouse gas emissions by 50% by the fiscal year ending March 31, 2031 (Scope 1 and Scope 2; compared with the fiscal year ended March 31, 2021), and to become carbon neutral by the fiscal year ending March 31, 2051.

For community, we will promote diversity and inclusion, and increase the proportion of women in managerial positions to 20% or higher by the fiscal year ending March 31, 2031.

Regarding "corporate governance", we will continue to focus on strengthening Group compliance and building a governance system for sound and transparent corporate management. In addition to further enhancing education throughout the Group, the Board of Directors will work to further strengthen corporate governance by establishing a framework for monitoring the status of compliance.

Proactively Promoting Business Transformation

In this era of rapid change, accurately realizing our ideal situation will require an unwavering vision and a proactive stance. Rather than blaming the operating environment or aligning our actions with those of others, I intend to consider what we would like MEDIPAL to be and steadily move forward with what must be done.

MEDIPAL exists to contribute to people's health and the advancement of society. With a spirit of creating value for that purpose, we will continue to grow through constant innovation.