

Ideal Situation for the MEDIPAL Group

# Expand, Support, and Connect “Pharmaceuticals, Health, and Beauty”

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.”

*I want to make everyday lifestyles even richer by nurturing connections with people.*

Cosmetics, Daily Necessities  
and OTC Pharmaceutical  
Wholesale Business  
Sales representative



*I am taking on the challenge of contributing more to the local community by continually transforming our operations.*

Prescription Pharmaceutical  
Wholesale Business  
Marketing specialist



*I help to provide an uninterrupted distribution service that gets products to the people that need them, under any circumstances.*

Prescription Pharmaceutical  
Wholesale Business  
Logistics staff member



*I help prevent and treat disease in farm animals, contributing to food safety and security.*

Animal Health Products Wholesale Business  
Specialty field staff member  
Technical support

*I deliver treatments around the world to patients and their families suffering from rare diseases.*

Prescription Pharmaceutical  
Wholesale Business  
Overseas business staff member



*Becoming a manufacturing wholesaler that unlocks the potential of food; tackling new challenges in the food business.*

Food Processing Raw Materials  
Wholesale and Related Business  
R&D business staff member



*I am hoping to bring in women's perspectives to contribute to both our company and our society.*

Prescription Pharmaceutical  
Wholesale Business  
Marketing specialist  
Women's Coordinator



For “ideal situation” based on our management philosophy, we put up “Expand, Support, and Connect ‘Pharmaceuticals, Health, and Beauty.’”

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”

2027 MEDIPAL Medium-Term Vision

**Change the 卸 Forever**  
*Oroshi* —Constant Innovation—

Growing through business portfolio prioritizations and collaboration with partners

Sustainability Policy

Connecting to the Future with  
“Energy and Brightness”

Present



“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.

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 the business fields of “Pharmaceuticals, Health, and Beauty,” unbound by our traditional frameworks.





## Management Philosophy

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

## Management Policy

1.

Create a vitalized corporate culture to make the MEDIPAL Group trusted by society

2.

Raise shareholder value and ensure thorough legal compliance

3.

Faithfully create a free and open-minded corporate culture and train creative personnel

## Guiding Principle for Business Activities

Engaging in fair competition based on a spirit of observing regulatory compliance elevates the quality level of all employees and induces change in the company, which will lead to the delight of customers and further enhancement of corporate value.

## Business Fields

Pharmaceuticals, Health, and Beauty

### Company Logo

The logo design represents people holding hands and harmony, which symbolize cooperation, coexistence, and the strength to live. It also expresses that MEDIPAL is a company that grows with customers and business partners, expands broadly, and respects people.

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### Editorial Policy

This integrated report has been compiled as a communication tool to comprehensively provide financial information, such as management strategies and results, and also non-financial information, such as our relationship with the environment and society, so that all our stakeholders understand the MEDIPAL Group's management approach to the creation of sustainable corporate value.

### Reference Frameworks

In compiling this report, the MEDIPAL Group mainly referred to the International Integrated Reporting Framework published by IFRS Foundation (formerly VRF) and the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry.

### Forward-Looking Statements

This report contains forward-looking statements regarding the MEDIPAL Group's plans, policies, strategies, and earnings forecasts. Accordingly, please note that certain risks and uncertainties could cause actual results to differ materially from those stated herein.

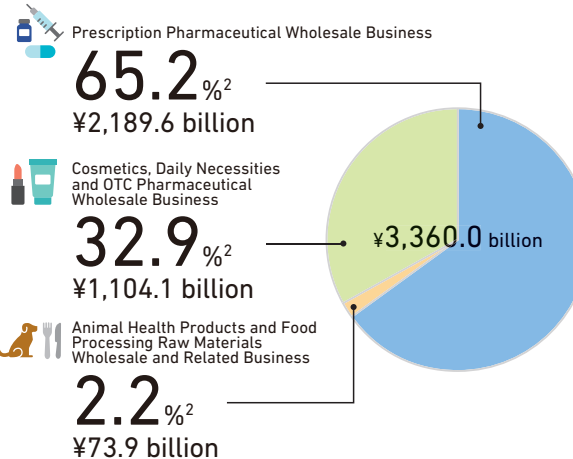
## At a Glance

(As of March 31, 2023)

» Consolidated Net Sales<sup>1</sup>  
**¥3,360.0 billion**

» Consolidated  
Ordinary Profit<sup>1</sup>  
**¥65.1 billion**

» ROE<sup>1</sup>  
**7.1 %**

» Breakdown of Consolidated Net Sales<sup>1</sup>

## » Number of Consolidated Subsidiaries

**16**

## » Number of Group Employees

**12,795**

## » Market Capitalization

**¥406.7 billion**

Prescription Pharmaceutical  
Wholesale Business

» Number of Bases  
**224** nationwide

» Customers  
 Approx. **230,000**

» AR\*  
 Approx. **2,500**

Cosmetics, Daily Necessities  
and OTC Pharmaceutical  
Wholesale Business

» Distribution Centers  
**16** nationwide

» Business Partners  
**Retailers** Approx. **400**  
**Manufacturers** Approx. **1,000**

» Number of Items Handled  
 Total shipments:  
**3.5 billion per year**

Animal Health Products and  
Food Processing Raw Materials  
Wholesale and Related Business

» Number of Bases  
 (Animal Health Products Wholesale Business)  
**Sales bases** **32** nationwide  
**Distribution bases** **5** nationwide

» Number of Manufacturers  
 (Food Processing Raw Materials Wholesale and Related Business)  
 Approx. **800**

» Number of Items Handled  
 (Food Processing Raw Materials Wholesale and Related Business)  
 Approx. **14,000**

## President's Message

We will apply new concepts as we work to enhance our corporate value and realize a society in which everyone can live with physical and mental well-being.

The MEDIPAL Group pursues its business activities based on our management philosophy of “contributing to people’s health and the advancement of society through creation of value in distribution.”

Our company was founded in Kobe in 1898. As time marched on and lifestyles changed significantly, we were consistently at the forefront of our industry as we expanded into new business domains through M&A with like-minded companies, built a national distribution network, and optimized the overall supply chain. For 125 years now, we have been carrying out our basic mission to reliably deliver the products needed, and we have no intention of changing.

“What is a healthy life? What can we do to support that?” We always ask ourselves these questions and pursue various possibilities. We are developing our business based on a determination to contribute to people’s health and the advancement of society, even in the face of environmental change.

### Shuichi Watanabe

Representative Director, President and CEO  
MEDIPAL HOLDINGS CORPORATION



## Supporting Social Lifelines, Creating Value in Distribution

At the MEDIPAL Group, we are developing our business across three segments: Prescription Pharmaceutical Wholesale Business; Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business; and Animal Health Products and Food Processing Raw Materials Wholesale and Related Business.

We handle pharmaceuticals, medical equipment, clinical diagnostics, daily necessities, cosmetics, and food processing raw materials, among others. All these products are essential for people's lives and well-being. We recognize that our most important role as part of the social infrastructure is to build distribution networks and logistics functions so that we can reliably deliver these products night and day, even during emergencies.

This idea is rooted in our experience during the Great Hanshin-Awaji Earthquake in 1995. We were made painfully aware of just how valuable it is to be able to continue supplying life-saving products, while also protecting employees right in the midst of the disaster zone. We then worked to use this experience for a better future and came up with the concept of a nationwide distribution system in the Prescription Pharmaceutical Wholesale Business.

We realized that Japan needs a distribution system that covers the whole country and a robust logistics function capable of stable product supply at all times. We have made steady progress in developing this concept since 2000 when we merged three prescription pharmaceutical wholesalers to create a nationwide pharmaceutical wholesale function. In September 2023, we finished construction of our 13th ALC\*, the Hanshin ALC (Nishinomiya City, Hyogo), giving the MEDIPAL Group a logistics service network with uniform coverage across Japan.

There are those who think that expecting emergencies to happen and preparing for future eventualities costs too much. But we think it is often not possible to see what is actually important and people only become aware after the need arises. Looking to the future, we will continue to innovate as a wholesaler that provides society with a valuable, stable, safe and secure distribution function.

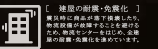
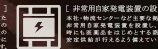
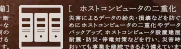
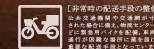
## Our mission is to deliver pharmaceuticals in Japan.

MEDIPAL is a distribution group that deals in pharmaceuticals and daily necessities. We are connecting pharmaceutical companies with health care institutions, prescription pharmacies, and drugstores in every town and village, and have 240,000 locations all over the country.

Our motto is to reliably deliver required products at the required time in just the required amount. Earthquakes, typhoons, blizzards, and other natural disasters are a fact of life in Japan. We are fully prepared for every eventuality.


For those of us who deal in pharmaceuticals, this is a vital mission.

To protect the status quo in everyday life. Our unseen challenges will continue.



Please visit our website for more details.

[https://www.medipal.co.jp/english/brand/story\\_01/](https://www.medipal.co.jp/english/brand/story_01/)

\* Please refer to  page 72 for explanations of technical terms.

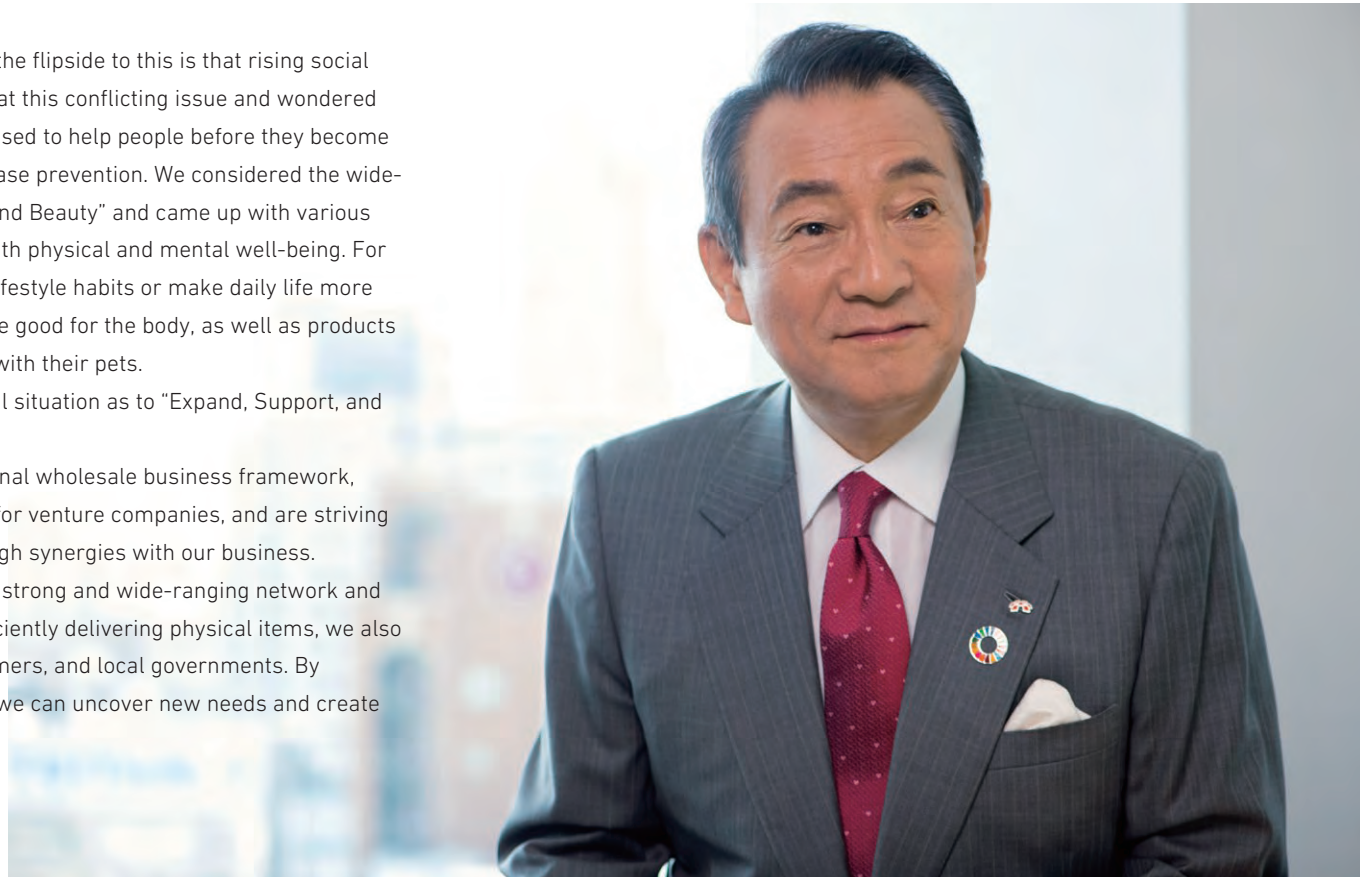
## “Pharmaceuticals, Health, and Beauty”

Japan is known worldwide for its longevity. However, the flipside to this is that rising social security costs have become a major issue. We looked at this conflicting issue and wondered whether our organization and our functions could be used to help people before they become ill, in other words in the fields of pre-disease and disease prevention. We considered the wide-ranging business fields of “Pharmaceuticals, Health, and Beauty” and came up with various different scenarios where we could help people live with physical and mental well-being. For example, we offer daily necessities that can improve lifestyle habits or make daily life more convenient and comfortable, or delicious foods that are good for the body, as well as products that help people take care of their appearance or live with their pets.

Having thought this through, I can sum up our ideal situation as to “Expand, Support, and Connect ‘Pharmaceuticals, Health, and Beauty’.”

We are actively pursuing areas beyond the traditional wholesale business framework, such as innovative product development and support for venture companies, and are striving to expand into fields where we can be of service through synergies with our business.

One of the strengths of MEDIPAL is that we have a strong and wide-ranging network and we connect people. As well as the logistics side of efficiently delivering physical items, we also play a role in connecting numerous companies, customers, and local governments. By leveraging our strengths in connecting people, I think we can uncover new needs and create new business opportunities not seen before.



## 2027 MEDIPAL Medium-Term Vision

As change sweeps across the social environment and customer needs, we need a growth strategy to expand our business reach if we are to increase profitability and improve our growth potential as a Group. The MEDIPAL Group is now conducting initiatives in line with the 2027 MEDIPAL Medium-Term Vision, which takes as its basic policy "Change the *Oroshi* Forever: Constant Innovation." This vision is positioned as a roadmap to achieve the "ideal situation" for the MEDIPAL Group. Rather than simply achieving numeric targets, we believe it is important to advance change and evolve the Group.

Alongside this, we are also making efforts to address global-scale environmental crises. For logistics, we are working to improve efficiency to reduce the environmental burden of our activities. At the same time, we are developing more advanced logistics functions for groundbreaking new pharmaceuticals like gene therapies and regenerative medicine products that require tightly controlled temperature or vibration conditions.

Our vision includes five growth strategies based on our human resources strategy and financial strategy, with the goal of business portfolio prioritization and collaborating with partners to create social value and customer value. In addition, we aim to realize sustainable growth for the Group.

In the first year since we formulated this vision, we laid the groundwork for the MEDIPAL Group to carve out a new future, including an agreement with JCR Pharmaceuticals Co., Ltd. on global commercialization of programs targeting four rare diseases, the establishment of MEDISKET CORPORATION, and the addition to our Group of MP Gokyo Food & Chemical Co., Ltd. and Toshichi Inc. I think we have got off to a very good start.

## Human Resources Strategy to Achieve Transformation

As we aim to realize a society in which everyone can live with physical and mental well-being and to enhance our corporate value, we need to develop the individuality and skills of our employees with diverse knowledge, experience, and values, and create harmony in diversity. Just like conducting an orchestra of various instruments, we are working to create new value by combining these individualities in the Group.

Human resources underpin MEDIPAL's growth. We use the term "future-oriented human resources" to define the types of people that MEDIPAL needs to take the organization forward. We are actively investing to develop these human resources and will implement programs to promote "fostering of a creative corporate culture" and "diverse human resources."

I believe that MEDIPAL employees are a group of like-minded individuals who identify with our management philosophy. I want all our employees to lead fulfilling lives by actively engaging with their work, playing a useful role for society, and pursuing their interests in their personal time. To support this, we will make efforts to create employee-friendly workplaces, help employees manage their health, and expand welfare benefits.

Personal growth by employees connects to growth for the company, and corporate growth creates opportunities for us to tackle new businesses, which in turn helps employees develop further. In this way, we are pursuing a human resources strategy that is linked with our growth strategy.



## Basic Capital Policy

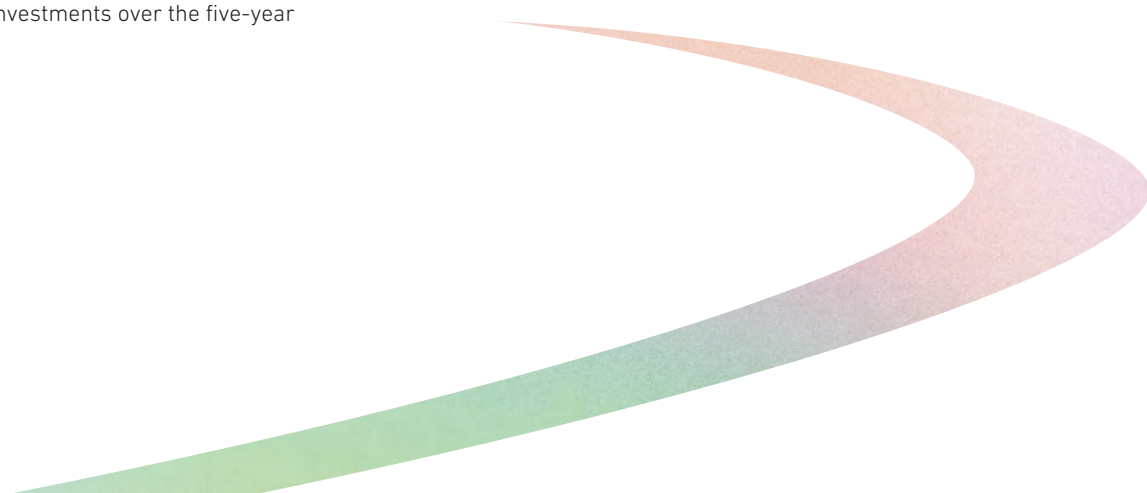
In May 2023, we defined our basic capital policy as striving for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing return on equity and reducing the cost of capital.

In line with this policy, we have formulated our basic policies on strategic shareholdings and distribution of profits. For the basic policy on strategic shareholdings, we intend to reduce these shareholdings in the interest of controlling shareholding risk and capital efficiency, targeting a reduction to 10% or less of net assets and ¥50 billion or less by the fiscal year ending March 31, 2027, the final year of the 2027 MEDIPAL Medium-Term Vision.

For distribution of profits, in principle, we have decided to maintain or increase the dividend payout ratio on earnings before amortization of goodwill and amortization of intangible assets arising from the growth investments set forth in the Medium-Term Vision. Simultaneously, we will comprehensively assess demand for funding and flexibly implement share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and further returning profits to shareholders. We aim to achieve a total shareholder return ratio of 40%, applied to earnings before amortization of goodwill and intangible assets arising from the growth investments over the five-year period of the Medium-Term Vision.

This capital policy was formulated through multiple rounds of lively discussions that drew on the opinions of shareholders and investors from our IR activities as well as the views of outside directors and other parties. We will manage our business with an awareness of capital costs and return on capital, while also disclosing more information and actively engaging in dialogue with shareholders and investors.

As well as pursuing a sound financial position that balances safety and efficiency, we are investing in growth in an active and flexible manner with a focus on maximizing future earnings to increase corporate value and continue to grow as a company that satisfies the expectations of our shareholders and all other stakeholders.



## Promoting Sustainability Management

To both help realize a sustainable society and improve our corporate value, we have formulated a 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 in a process that involved 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.

Companies are members of society and we have a duty to help build a better society. We take pride in the fact that our business at MEDIPAL is essential for society, and we look to develop our company and our human resources with a keen awareness of the global environment and human rights.

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.

## Constant Innovation as We Work towards Our "Ideal Situation"

"Dream, do, think and pray"

These words are from Dr. Yuichi Yamamura, a clinical immunologist who was President of Osaka University.

Anything we do starts with a dream. The next step is to take action. Once you have acted, you need to carefully consider the results and any issues that have arisen, work out how to improve things, and finish off what needs to be done. I think that in today's world where the future seems so uncertain, we need to believe in ourselves and stick to our principles.

MEDIPAL operates in the wide-ranging business fields of "Pharmaceuticals, Health, and Beauty" where there is significant potential for growth. There is a lot of very worthwhile work to be done to help everyone live with physical and mental well-being. Therefore, MEDIPAL will constantly innovate to meet the expectations of all our stakeholders and lay the groundwork for a brighter future.

