

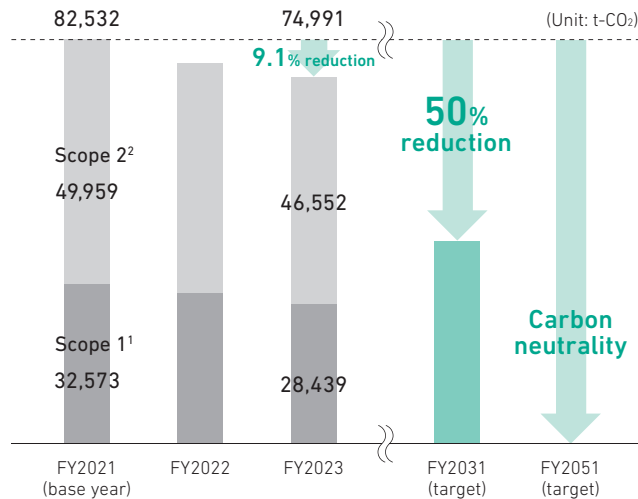
Environmental Conservation

As a company responsible for distribution, the MEDIPAL Group will help to achieve a sustainable society through environmentally friendly business activities.

We are working to reduce the environmental burden of our activities and are targeting a 50% reduction of greenhouse gas emissions by the fiscal year ending March 31, 2031 compared with the fiscal year ended March 31, 2021 and carbon neutrality by the fiscal year ending March 31, 2051.

Environmental Declaration
 Our Beautiful Planet
 Our responsibility for preserving and mission to pass it on to.
 We are working with stakeholders to realize a distribution model that is kind to people and the environment, so that we have a beautiful world to pass on to subsequent generations.

Greenhouse Gas Emissions



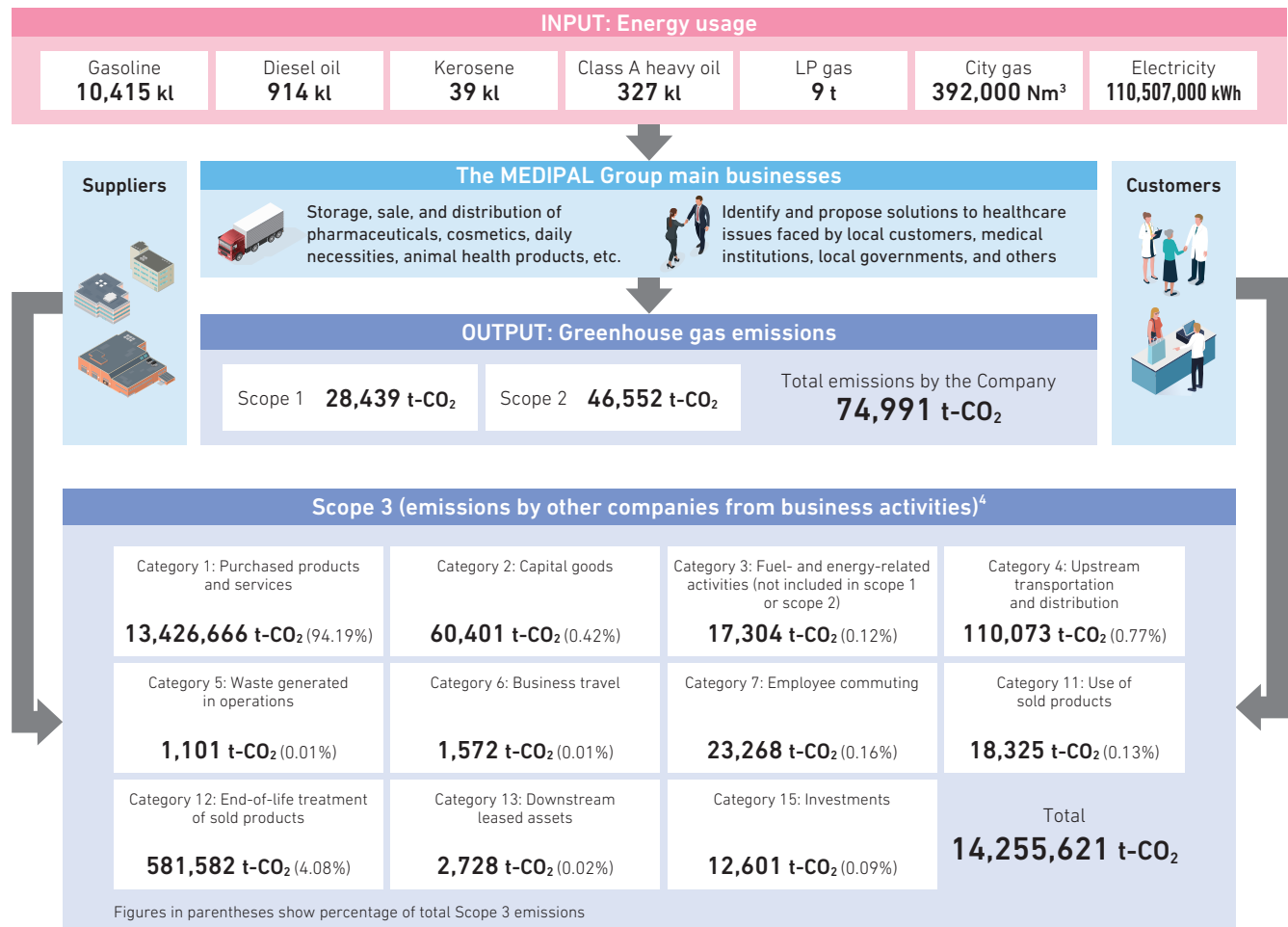
1. Emissions associated with in-house fuel consumption
 2. Emissions associated with in-house power usage

Changes in the Greenhouse Gas Emissions Generated from Company-owned Vehicles

	FYE March 31, 2019	FYE March 31, 2020	FYE March 31, 2021	FYE March 31, 2022	FYE March 31, 2023
Amount of fuel (kl)	14,354	13,659	13,080	12,296	11,329
Greenhouse gas emissions (t-CO ₂)	33,627	31,973	30,624	28,803	26,543
Number of vehicles ³	8,848	8,498	8,231	8,045	8,621
Average emissions per vehicle (t-CO ₂)	3.80	3.76	3.72	3.58	3.07

3. As of March 31

Overview of the environmental burden across the supply chain (Fiscal year ended March 31, 2023)



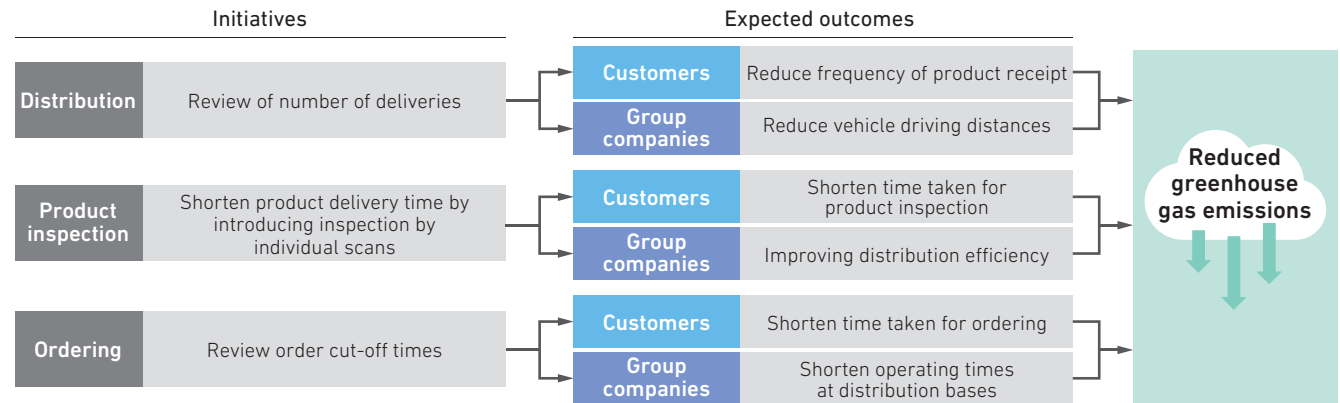
4. Companies included in Scope 3 emissions are MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., MEDIPAL FOODS CORPORATION.

Optimizing Pharmaceutical Distribution

In our prescription pharmaceutical wholesale business, we are collaborating with our customers, including drugstore and dispensing pharmacy chains, to build an optimized pharmaceutical distribution model that reduces greenhouse gas emissions.

Specific measures include analyzing and managing the optimal inventory of pharmaceuticals for each store to streamline ordering/supplying and delivery operations for all parties, thus reducing greenhouse gas emissions. These initiatives will help achieve efficient operations, improve productivity, promote workstyle reforms and ensure more environmentally friendly practices, all of which contribute to a more sustainable society.

Flow of reducing greenhouse gas emissions through distribution optimization



- ✓ Proposals for resolving both the MEDIPAL Group and customer issues by optimizing the entire supply chain
- ✓ Accelerate efficiency improvements and outcomes from initiatives by growing the number of cooperating enterprises and participating stores

Reducing Product Returns

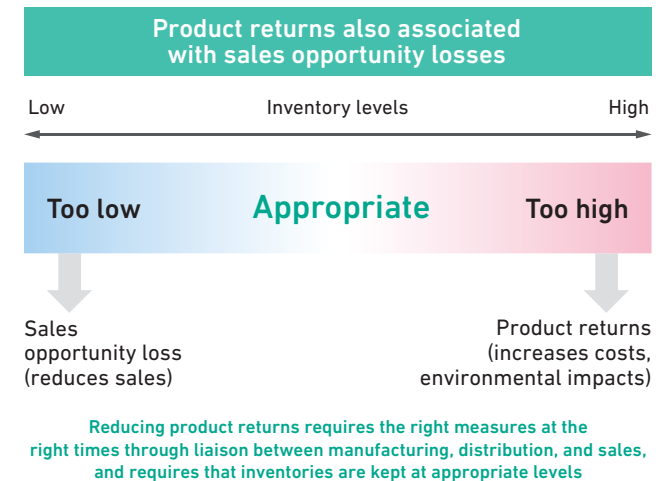
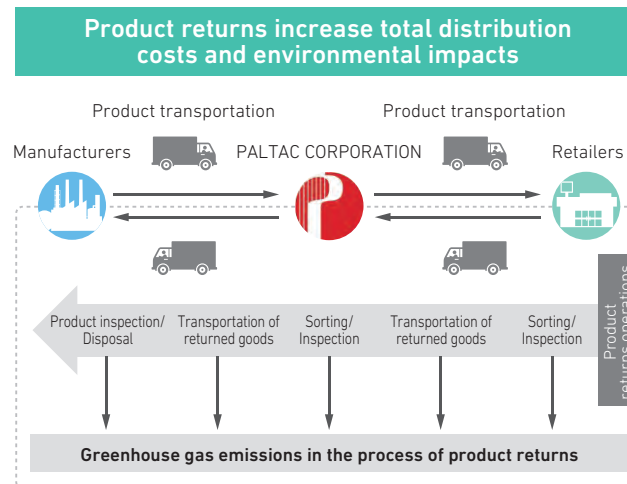
PALTAC CORPORATION is working with business partners to reduce product returns towards build a more sustainable distribution cycle.

Product returns are standard commercial practice in the cosmetics, daily necessities, and OTC pharmaceuticals industry. As well as generating additional costs for product sorting and delivery, product returns increase environmental impacts through greenhouse gas emissions and product waste. Returns occur during the process of quickly introducing products to stores in response to Japan's four seasons and changing consumer needs, and are inextricably linked to lost sales opportunities. We must maintain appropriate inventory levels by coordinating right across the supply chain, creating sales spaces that satisfy consumer needs (and do not result in sales opportunity losses) and reducing product returns.

PALTAC CORPORATION is working to reduce product returns by liaising with retailers and manufacturers from the early

stages, to assess store sales and inventory levels, movements in sales indicators for seasonal products as temperatures change, as well as information on upgraded or discontinued products,

and to implement the right solutions at the right time, including preventing excess inventory levels by transferring stock between stores or putting a stop on order placement.



Modal Shift

MEDICEO CORPORATION is working on a joint project with Japan Oil Transportation Co., Ltd., Japan Freight Railway Company, and Japan Freight Liner Company to achieve a modal shift* in pharmaceutical transportation between distribution centers.

The project promotes the switching of product transportation in some areas away from conventional large trucks and onto more environmentally friendly railroad containers, to reduce greenhouse gas emissions.

The project started using railroad container transportation on routes between Saitama ALC and Tohoku ALC, and was expanded in February 2023 to include routes between Saitama ALC and Nishi-Nihon Distribution Center. Through these efforts, greenhouse gas emissions have been reduced by around 77% compared with conventional transportation methods, which converts to a reduction in annual emissions of around 352 t-CO₂.

* Modal shift: Shift of transportation of goods from trucks and other motor vehicles to modes with lower environmental impact such as railways and ships.

Project awards

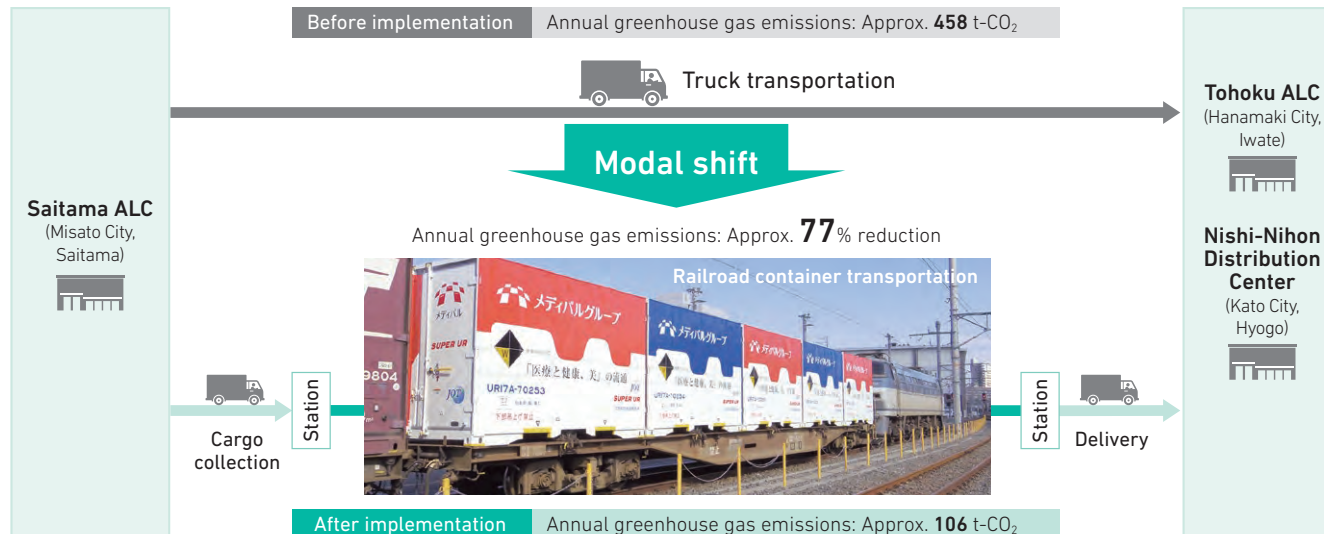
- Received the Low Carbon Logistics Award at the 22nd Logistics Environment Awards
- Received the 20th Green Logistics Partnership Conference Special Award in FY2022
- Received the Special Award at the 24th Logistics Environment Awards

Use of Eco-Friendly Electric Power

At the Hanshin ALC (construction completed in September 2023), we have introduced renewable energy in-house power generation facilities, such as roof-top solar panels. The electric power thus generated is used at facilities on site, covering for some of the power used by the Hanshin ALC. In addition, at 25 facilities across the MEDIPAL Group, we have switched to eco-friendly electric power, which is helping to reduce greenhouse gas emissions from electric power use by the Company (Scope 2).



Schematic of modal shift



Introduction of EVs

We are installing charging stations and other infrastructure at each bases across the MEDIPAL Group and are introducing EVs. By switching from vehicles powered by conventional fossil fuels, we are working to reduce greenhouse gas emissions associated with in-house fuel consumption (Scope 1).



Climate-related Information Disclosure Based on TCFD Recommendations



The MEDIPAL Group believes that it is important to build a more environmentally friendly distribution system as the Group's business requires the use of automobiles and other vehicles in logistics.

In that context, the MEDIPAL Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD)¹ recommendations in October 2022. The MEDIPAL Group will strive for more accurate disclosure in line with the TCFD recommendations, taking into account the results of external surveys and internal analysis, and will continue its business based on management plans that incorporate financial risks and opportunities from climate change, and work to contribute to the realization of a sustainable society.

1. TCFD: A task force that recommends evaluating and disclosing the financial impact of risks and opportunities from climate change

Corporate Governance

Climate change is one of our important tasks in corporate management. Formulation of a policy for responding to the climate change-related risks and opportunities of the Group as a whole, as well as important tasks such as medium-term reduction targets for greenhouse gas emissions, are discussed in the CSR Committee, which promotes sustainability management. The details of those discussions are brought up in Board of Directors meetings by the director in charge (the CSR Committee chairperson) for resolution. Based on policies related to climate change countermeasures, consolidated subsidiaries carry out initiatives led by the responsible departments, and report the specific measures and progress to the CSR Committee. The results of these initiatives are then reported to the Board of Directors on a regular basis (about twice a year) by the director in charge of CSR, helping to maintain a management system that enables appropriate supervision by the Board of Directors.

[Details on page 30](#)

Strategy

The MEDIPAL Group referred to multiple scenarios² presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) to assess the business impact of two different scenarios: the average rise in global temperature of less than 2°C, and the average rise in global temperature of 4°C by the end of this century, compared with pre-industrial levels. A scenario analysis was conducted in order to evaluate the resilience of the Group's strategies against climate-related risks and opportunities.

As a result of the analysis, in the less than 2°C scenario, it is assumed that risks such as cost increases related to the adoption of carbon taxes and other measures, and supply shortages and higher procurement costs due to increasing demand for renewable energy, will increase, while demand for products such as ethical products, alternative foods and health foods will expand. In the 4°C scenario, it is assumed that there will be an increase in capital expenditures for enhancing disaster preparedness functions, and that natural disasters will cause shutdowns of sales and logistics bases, delivery delays due to traffic paralysis and damage to supply networks. However, the MEDIPAL Group assumes risks such as large-scale disasters even in normal times, and has a backup system in place so that even if one logistics center is unable to provide supplies, alternative shipments can be made from other logistics centers. When record rainfall centered in Kumamoto Prefecture occurred in July 2020, our employees were dispatched to the affected region to assist in disaster-relief activities, and we were able to maintain stable supplies by delivering products to customers directly from a nearby logistics center. Because of such experiences, the MEDIPAL Group believes that the impact of risks related to natural disasters caused by climate change as of the fiscal year ending March 31, 2031 will be small. On the other hand, we expect opportunities to increase as a result of growing demand due to the creation of logistics bases to maintain stable

supplies and strict adherence to operational procedures that comply with quality control regulations and GDP guidelines.

In either scenario, we view the prospect of certain cost increases as a risk, but we also believe it is an opportunity to leverage the sophisticated logistics functions the MEDIPAL Group has built.

Currently, to help solve issues related to climate change, the MEDIPAL Group is working to build a new model for optimized pharmaceutical distribution with customers, enhancing its intermediary distribution functions, and improving efficiency throughout the supply chain in collaboration and cooperation with stakeholders in the pharmaceutical, health, and beauty fields.

We recognize that evaluating the financial impact of climate change is a task that we need to consider. We plan to obtain a deeper understanding of this impact through further scenario analysis.

2. Main reference scenarios: IEA WEO 2021 (APS, STEPS), IPCC (RCP 2.6, RCP 8.5)

Risk Management

We are assessing the impact that climate change will have on the MEDIPAL Group's business and identifying climate change risks and opportunities. The identified risks and opportunities are discussed in the CSR Committee, which makes reports and proposals to the Board of Directors on a case-by-case basis.

In addition, the MEDIPAL Group, which handles distribution of products that are essential to healthy living, including pharmaceuticals and daily necessities, responds quickly to physical risks to ensure uninterrupted distribution. We have formulated a business continuity plan (BCP) to carry out supply activities even during emergencies, and are implementing various measures that will enable us to reliably deliver required products.

Indicators and Targets

We are using greenhouse gas emissions (Scope 1 and Scope 2) as indicators to evaluate our efforts to combat climate change, and have set medium-to-long-term targets for reduction of greenhouse gas emissions for the entire Group.

[Details on page 33](#)

Future Initiatives

We are planning the following initiatives as countermeasures for climate change-related risks and opportunities.

Countermeasures

- Expand use of renewable energy, such as switching to Eco-friendly electric power
- Introduce renewable energy in-house power generation facilities, such as solar panels
- Step up programs to improve energy efficiency, such as power saving measures
- Reduce the number of vehicles and deliveries
- Switch to EVs in sales and delivery vehicles
- Conduct supply chain management for realizing sustainable distribution, including the use of drones
- Update the emergency response manual for extreme weather events and conduct disaster response training
- Enhance climate-related disclosures
- Implement programs to increase employee awareness of environmental conservation

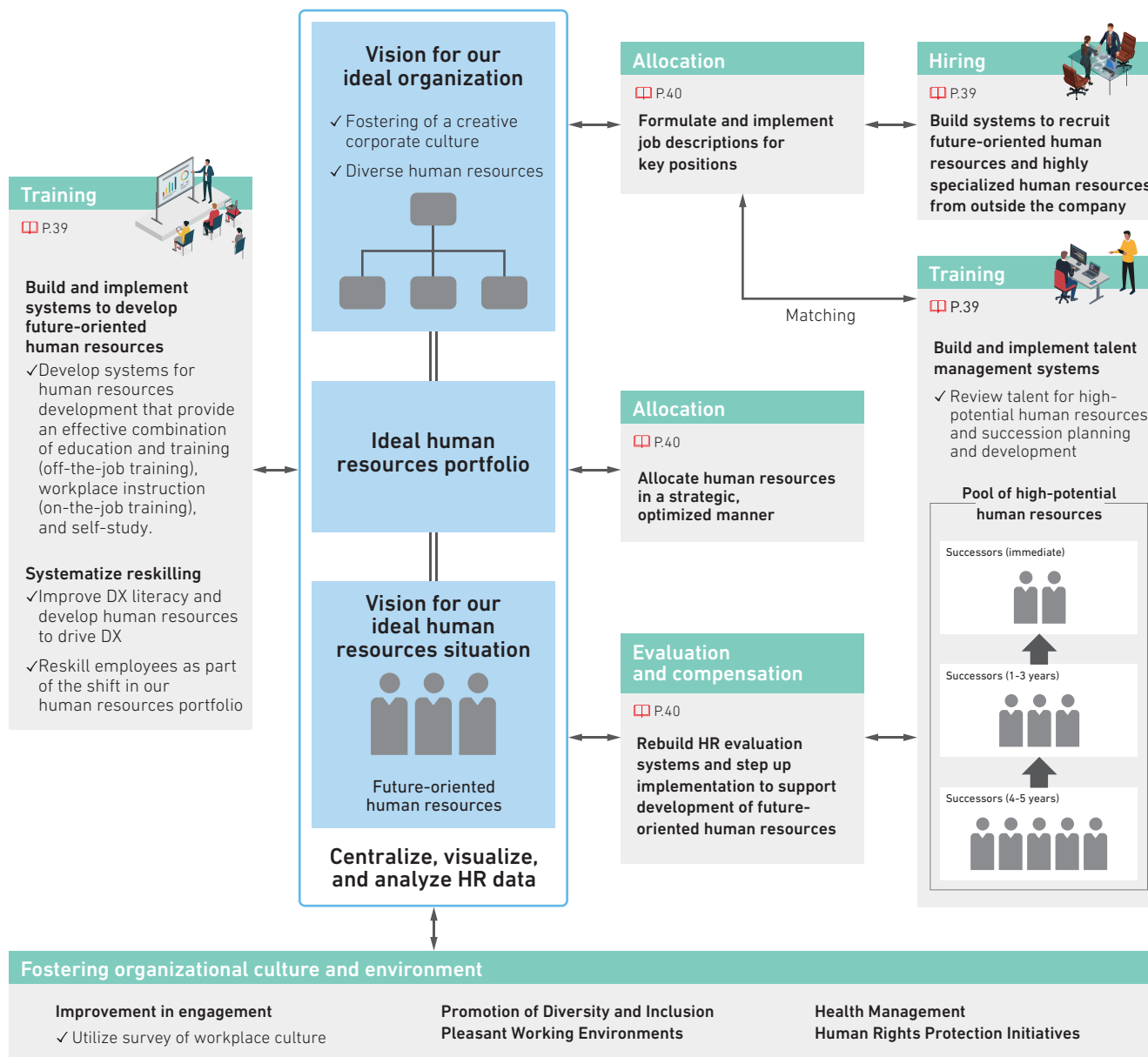
Risks and Opportunities

Classification		Contents	Impact*		Status of Initiatives	
			Less than 2°C	4°C		
Transition Risks	Government policies, laws and regulations	Introduction of government policies such as carbon taxes and emission trading systems	• Carbon taxes on our own emissions • Cost of purchasing emission rights for excess emissions • Increase in costs due to the application of regulations such as carbon taxes on manufacturers and distributors, and resulting price adjustments	Moderate	Small	• Targets set for reduction of greenhouse gas emissions • Emissions by the Company reduced through switching to EVs or eco-friendly electric power
	Market	Changes in energy prices	• Supply shortages and higher procurement costs due to increasing demand for renewable energy	Small	Small	• Installation of solar panels
	Reputation	Growing stakeholder concern	• Loss of public confidence due to delay in responding to climate change (decline in business transactions, loss of business opportunities due to selection of wholesalers based partly on environmental impact, etc.)	Moderate	Small	• Worked to optimize distribution through collaboration with customers • Conducted analyses aimed at increasing information disclosure
Physical Risks	Chronic	Changes in flooding and weather patterns	• Increase in expenses for capital investment in vehicles and air conditioning systems to enhance temperature control functions for products • Increase in difficulty of handling prescription pharmaceuticals and other temperature-controlled products • Decrease in demand for seasonal products (winter goods), etc., due to rising temperatures • Higher prices and difficulty in procuring raw materials such as agricultural products, marine products, and livestock products (higher purchasing costs)	Small	Small	• Considered plans for appropriate capital expenditures that take into account future risks • Worked to develop systems for complete traceability • Investigated quantitative analysis of impact costs
	Acute	Intensifying extreme weather (typhoons, floods, etc.)	• Increase in capital expenditures for enhancing disaster preparedness functions • Damage to and shutdowns of sales and logistics bases, delivery delays due to traffic paralysis, and damage to supply networks	Small	Small	• Built mutual coordinated distribution center functions • Ran disaster drills
Opportunities	Increase in sales opportunities		• Expansion of ethical consumption needs • Expanding demand for alternative foods and health foods • Increase in demand for seasonal products (summer goods), etc., due to rising temperatures • Increasing demand for disaster response products	Small	Small	• Considered product and service development, taking market trends into account
	Rise in relative competitiveness		• Growing need for creation of environmentally friendly distribution model • Growing need for low-cost logistics network • Growing need for logistics infrastructure to maintain stable supplies (operational procedures based on BCP measures and GDP guidelines, nationwide logistics network, etc.)	Small	Small	• Worked to reduce emissions across the entire supply chain, such as through modal shifts • Shifted to a low-cost distribution network through distribution optimization • Ensured continuity of business through the formulation of a BCP

* Impact is presented qualitatively on three levels:
Large: A large impact on business strategy or financial impact is assumed
Moderate: A moderate impact on business strategy or financial impact is assumed
Small: A small impact on business strategy or financial impact is assumed

Human Resource Management

At the MEDIPAL Group, we believe that human resources provide our competitive edge and drive the creation of corporate and social value, so we have positioned our human resources strategy as a key factor in realizing the growth strategy in the 2027 MEDIPAL Medium-Term Vision. Under this Medium-Term Vision, we aim to generate a sustainable increase in corporate value across the entire Group by actively investing in human resources.



Centralize, Visualize, and Analyze HR Data

The MEDIPAL Group introduced a talent management system in April 2023 for more advanced management of human resources. This system allows us to centralize, visualize, and analyze various HR data, including in-depth work experience and qualifications for individual employees, or the skills developed through work experience and employee career plans. This system will allow us to place the right person in the right job. At the same time, the system provides status reports on employee numbers and sufficiency of suitable human resources for particular roles, and we aim to use this information to build a human resources portfolio that links with our business strategies.

Future-Oriented Human Resources

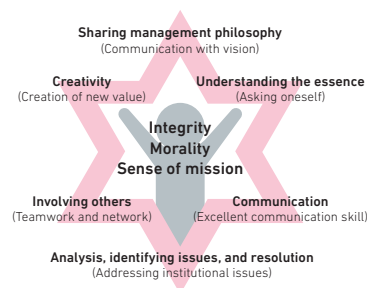
Common values

For its human resources, the MEDIPAL Group places great importance on integrity, morality, and a sense of mission as common values and considers these qualities to be the foundations of decision making.

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



For the future of the MEDIPAL Group, we have defined six requirements listed below for the future-oriented human resources we need to strengthen our business foundation, drive transformation, and develop our business broadly.

Image for human resources	Specific behaviors
Sharing management philosophy (Communication with vision)	<ul style="list-style-type: none"> Consistently make decisions to realize the management philosophy Set clear visions and shares them with enthusiasm to inspire others to become involved
Creativity (Creation of new value)	<ul style="list-style-type: none"> Collect information from a range of sources and creates new value for society and customers Propose innovative and original ideas that do not hang on to the past, regardless of how things were done before Capable of seeing things from an external perspective
Understanding the essence (Asking oneself)	<ul style="list-style-type: none"> Constantly ask oneself a question about the purpose of the MEDIPAL Group, including as its employees Ask oneself what is being worked toward and ensures that the means do not become the ends Spare no effort to achieve growth for oneself and others
Involving others (Teamwork and network)	<ul style="list-style-type: none"> Foster a sense of unity by working beyond the confines of one's own group and eliciting collaboration across departments Self-motivated to actively collaborate with people taking a leadership role to achieve organizational targets, and offers constructive opinions while engaging in work beyond the scope of work Always listen for information to expand knowledge and one's personal network
Communication (Excellent communication skill)	<ul style="list-style-type: none"> Listen closely and develop the trust of others, and engage in dialogue based on real intentions Engage in an exchange of constructive opinions with free and open-minded discussions and provide accurate feedback. Capable of leading constructive conversation, even in difficult situations. Achieve personal growth by listening to others
Analysis, identifying issues, and resolution (Addressing institutional issues)	<ul style="list-style-type: none"> Self-motivated to scientifically analyze the current status of the organization that is belonged to, identify issues, and work independently to resolve them Think of what can be contributed rather than searching for reasons to avoid contributing, and gets started with a sense of speed

Hiring

We must transform our recruitment activities so we are focused on quality not quantity. We will change our hiring processes by using the requirements for future-oriented human resources for the Group. Above all, for highly specialized human resources capable of dynamically executing the Group's growth strategy, our policy is to actively recruit human resources from outside the

company. We are developing systems to hire external candidates, for example through referrals* from company employees.

* A process where company employees recommend candidates from their own network or personal relationships for possible recruitment

Training

Build and implement systems to develop future-oriented human resources

We are preparing Group-wide systems to develop future-oriented human resources. We are currently evaluating and analyzing the systems in place for human resources training and the HR training issues faced at Group companies. In the future, we will develop Group-wide systems for human resources development that provide an effective combination of education and training (off-the-job training), workplace instruction (on-the-job training), and self-study. Specific plans include managerial training to improve leadership and management capabilities, training on personnel evaluation systems for human resources development, and one-on-one sessions to improve the quality and quantity of communication between supervisors and their direct reports and to support personal growth for employees. We will also focus on building platforms to help employees take self-directed steps to improve their study skills and develop career pathways; reskill our employees as part of the shift in our human resources portfolio, including the development of human resources for DX; and implement more diversity and inclusion training. We will use workplace culture surveys to evaluate and analyze the outcomes from these initiatives and will incorporate employee feedback to optimize our efforts.

Build and implement talent management systems

In parallel with setting up Group-wide systems to develop future-oriented human resources, we consider the creation of Group talent management systems to be an urgent priority. We will provide training tailored to individual needs and support career development, as well as provide more opportunities to be

active at work, which will improve employee engagement and reduce employee resignations.

For key positions, such as management personnel and important posts, we will strategically develop our human resources through succession planning. Based on talent reviews, we will develop successors systematically, strategically, and sustainably over several years, and believe this will serve as the driving force for realizing our growth strategy.

○ Development of 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	As of March 31, 2023
MR qualification*	2,510
DMR* qualification*	446
Pharmacists (including supervising pharmacists)	472
Veterinarians	7
Hazardous material security officers	49

* Total number of qualified personnel in our organization

○ 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 an MS* with the expertise of an MR.

AR	
<p>The agility of an 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>The expertise of an MR</p> <ul style="list-style-type: none"> • Information and knowledge concerning medicine and disease • Solid relationships with doctors

Allocation

If we are to execute the five growth strategies in the 2027 MEDIPAL Medium-Term Vision, we need to transform our human resources portfolio as the business portfolio shifts.

To achieve the Medium-Term Vision, we need to optimize the allocation of human resources by analyzing and planning for each business the current status and target status for (1) resource allocations (department, management, position), (2) human resource types (occupation, skill, capability, aptitude, personality type), and (3) resource amounts (headcount). To achieve this, we will build a human resources database to understand the current situation and visualize the skills, experience, and career goals for all Group employees.

To transform the human resources portfolio, we need to make sure we take into account quality as well as achieving a shift in quantity. In particular, for the key positions needed to realize our ideal organization, we first need to clarify job descriptions and create development plans for potential successors, and then move forward in a strategic manner. We will match employees with the requirements for executing our growth strategy, thereby optimizing our human resource allocation.

For human resources with advanced and specialized knowledge, we plan to utilize our database and focus on identifying potential resources and optimized allocation within the Group. We need to move quickly to secure these resources, so we will also consider recruiting highly specialized human resources from outside the company. Ultimately, we will take into account overall optimization within the Group and will embark on the development of a framework to promote personnel transfers across the Group and human resource exchanges. We will also work on establishing support systems for employees to drive their own career development, which serves as the foundation for these initiatives.

Evaluation and Compensation

We have launched a project with members assigned from each group company and are currently considering how to rebuild our evaluation and compensation systems in order to develop future-oriented human resources and provide appropriate evaluation and treatment. This project will analyze the current status of the different evaluation and compensation systems in place at the various Group companies and identify any issues with these systems. The project will then consider what parts will be retained in a Group-wide system and whether to tailor some aspects for some of the companies, so that we maintain the competitive edge of Group companies while also generating synergies for the Group. In terms of our direction and concept, we will continue to deliberate how best to achieve the following: (1) make our system design and implementation as standardized across the Group as possible to ensure a smooth shift in our human resources portfolio; (2) redefine our competency assessment criteria to align with the requirements we have defined for future-oriented human resources, so that we are better positioned to develop such talent; and (3) enhance our evaluation system with a focus on connecting goal management and competencies, in order to support the achievement of organizational goals and individual employee goals, as well as competency development.

*Please refer to [☐](#) page 72 for explanations of technical terms.

Improvement in Engagement

The MEDIPAL Group has conducted a survey on workplace culture and used the results from this survey to design new measures for human resource development. This survey included questions on employee engagement and work engagement to measure and improve the connections between employees and the Company and their motivation toward work. We plan to review our programs for human resource development as we work to develop the appropriate human resources to support business growth while conducting this survey periodically.

Promotion of Diversity and Inclusion

We are working to build a corporate culture of mutual respect and respect for fundamental human rights of employees and non-employees alike. We are creating an environment where everyone can work with energy and brightness to maximize the potential of our employees' different personalities and skills and boost corporate vitality.

Declaration on Diversity and Inclusion Creating the shining future with bright personalities

Human resources with diverse values, who exchange opinions and work with mutual respect regardless of gender, nationality, or background, drive personal growth and the development of the Company.

○ Diversifying employment

Through hiring categories such as new graduate hiring, mid-career hiring, hiring of employees with disabilities, and rehiring of employees who have reached retirement age, the MEDIPAL Group is leveraging the uniqueness and strengths of each

employee. The percentage of employees with disabilities on a Group average was 2.54% (as of March 31, 2023), and we will continue to actively hire people with disabilities and promote the activities of them.

○ Promotion of women's activity

The MEDIPAL Group strives to create a workplace where female employees can actively perform. We aim to achieve "20% or higher of female managers ratio in FY2031," as a target for women's activity promotion.

● Women's Coordinators

We have designated the Women's Coordinator role for sales representatives specialized in female-specific health issues who are responsible for delivering comprehensive information to medical facilities on pharmaceuticals related to women's health, as well as disease prevention, diagnosis, and treatment. The Women's Coordinator role also creates new opportunities for the participation of women in the workplace, opening up a new career path for female employees that suits their different life stages.

● Awarded the Highest Level of Eruboshi Certification (Three Stars)

The Minister of Health, Labour and Welfare awarded the company the highest level of Eruboshi Certification (three stars) as a company that promotes women's activity in business.

Awarded companies: MEDICEO CORPORATION, ATOL CO., LTD.



Proportion of Female Employees in the MEDIPAL Group

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023
Proportion of female employees (regular employees)	32.0%	32.6%	35.3%
Percentage of managerial roles filled by women	7.0%	7.3%	7.9%

Calculated based on data from MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, MEDISKET CORPORATION*, PALTAC CORPORATION, MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd.*, MEDIPAL FOODS CORPORATION

* Included as of March 31, 2023

TOPICS

Promotion of women's activity: Panel discussion

On International Women's Day on March 8, 2023, we held an in-house panel discussion on the theme of "Thinking about women's activity at the MEDIPAL Group." On the day of the event, approximately 400 people watched the webinar, including those at the headquarters and those who participated remotely. There were five panelists, including three outside directors or Outside Audit & Supervisory Board members, and the discussions were facilitated by a member of staff. Everyone spoke on their experience and how women participate in the workplace, and there was a lively exchange of views on the best way to overcome barriers to women's activity.

At the MEDIPAL Group, we are promoting diversity and inclusion with a particular focus on initiatives to promote women's activity. This panel discussion underlined just how important it is to provide various different opportunities for female employees and to develop training systems, regardless of standard practices in the past.



Pleasant Working Environments

The MEDIPAL Group creates workplace environments in which employees can work without sacrificing their own lifestyles and values, and provides support to help them lead healthy lives, both mentally and physically.

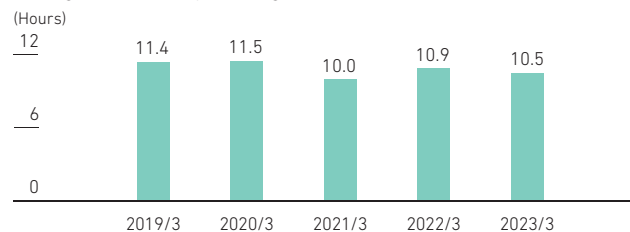
○ Promoting workstyle reform

The MEDIPAL Group is working to improve productivity and promote a good work-life balance.

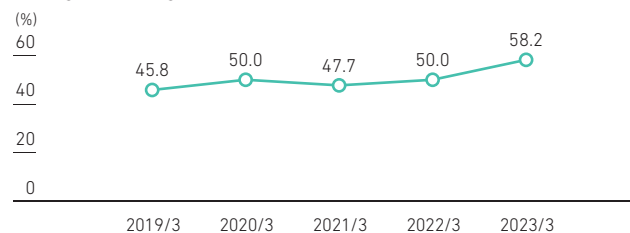
● System Reform

We are promoting effective work styles through the introduction of more flexible systems, including staggered and variable working hours and working from home. We are also working to reduce overtime work and increase the rate of use of paid leave.

Changes in Monthly Average Overtime Work



Changes in Usage Rate of Paid Leave



Calculated based on data from MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, MEDISKET CORPORATION*, PALTAC CORPORATION, MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd.*, MEDIPAL FOODS CORPORATION
* Included as of March 31, 2023

○ Initiatives for optimal time management and reduction of overtime work

Work hours, including the start of work and end of work, are managed and recorded objectively through the use of IC cards and other measures. We work to promote awareness of optimal time management among all employees and hold discussions between labor and management with the aim of reducing overtime work.

These initiatives enable them to work more systematically and efficiently, which can help improve the quality of their work and ensure that they have time to spend with their families or on their own hobbies and studies. These initiatives help to save power, as lighting, multifunction printers, and air-conditioning systems are used for shorter periods of time.

○ Supporting employees' work-life balance

We strive to create employee-friendly workplace environments in which employees can use a number of systems (childcare and nursing care leave systems, shorter working hour system, caregiving leave system, etc.) to realize their work-life balance at every life stage.

At the MEDIPAL Group, the percentage of male employees taking childcare leave is 20.1% (fiscal year ending March 31, 2023). We will continue to make employees aware of this system and educate on its importance in order to actively promote a better understanding of different work styles and encourage more male employees to take childcare leave.

In addition, to support employees' work-life balance, MEDICEO CORPORATION has introduced the job return system, which offers reemployment opportunities to persons who left the company due to unavoidable family-related reasons, such as marriage, childbirth, childcare, nursing care and spouse job relocation.

TOPICS

Head office relocation project: Accommodating diverse working styles



Hisao Hiraga

Executive Officer, Manager of General Affairs
Department, Administration Division
Head Office Relocation Project Secretariat
MEDIPAL HOLDINGS CORPORATION

The head offices for MEDIPAL HOLDINGS CORPORATION and MEDICEO CORPORATION were relocated to Kyobashi, Chuo Ward in February 2023 because of the redevelopment of the Yaesu district where the previous head offices were located. The number one priority when choosing the new location was business continuity of head office functions during an emergency, followed by such criteria as amenity, convenience, creativity, and sense of unity. The new head offices are located on a single floor and can accommodate flexible work styles, such as working from home, through the use of hot desking and private booths for web conferencing. The offices have also been designed to facilitate communication beyond the confines of organizational structures. There is also a cafe area that can provide opportunities for interaction through chance meetings. We are moving to more paperless procedures to improve work efficiency and make effective use of the office space, and have reduced office paper use by over 30% compared with the previous year. We plan to use this relocation as an opportunity to achieve more active communication and operational efficiency, and to accommodate the diverse working styles of employees.

Health Management

As a distribution networking group that supports the business fields of “Pharmaceutical, Health, and Beauty,” the MEDIPAL Group actively carries out initiatives to maintain both the physical and mental health of its employees.

○ Improvement in health checkups and increase in the participation rate

The MEDIPAL Group provides regular health checkups for employees to detect any illness early and to maintain and improve wellness. The participation rate is nearly 100%. Our health checkups offer a wider range of tests than the legal requirements, and we actively encourage employees to receive follow-up health consultations.

○ Mental health measures

The Group is dedicated to protecting the mental health of its employees, provides mental health education, and performs

awareness-raising activities at all Group companies. We have also established an EAP Hotline.¹

1. EAP (Employee Assistance Program) Hotline: Employee contact point offering counseling on work-related and private concerns.

○ Recognition as a “2023 Certified Health & Productivity Management Outstanding Organization”

We have been recognized in the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program, administered by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.



Awarded companies:

(Large enterprise category)
MEDIPAL HOLDINGS CORPORATION,
MEDICEO CORPORATION, ATOL CO., LTD.,
MM CORPORATION, MP AGRO CO., LTD.,
MEDIPAL FOODS CORPORATION



(Small/medium-sized enterprise category)
Medipal Insurance Service Co., Ltd.

Human Rights Protection Initiatives

In the course of its business activities, the MEDIPAL Group respects the individuality of its employees and protects their right to pursue happiness. We protect the human and working rights of all our employees, and work to improve the workplace environment by establishing internal regulations and a hotline that enable smooth work operations. We also respect the human rights of the various stakeholders in our business.

The MEDIPAL Group is keenly aware of the need to consider human rights and has established a Harassment and Interpersonal Relation Hotline as part of efforts to eliminate harassment or discrimination based on gender, age, race, nationality, beliefs, religion, social status, or physical and mental disability. We will analyze results from the regular workplace culture surveys from the perspective of human rights protection in order to identify risks and prevent issues like discrimination or harassment from arising.

○ Development of harassment prevention regulations

Group companies have established the necessary regulations to prevent various forms of harassment and have set up systems that allow all employees to work with peace of mind. Ensuring that anyone making a consultation about harassment will not face disadvantageous treatment, we take strict measures in cases of improper actions.

○ Establishment of a harassment and interpersonal relation hotline

We have established an external hotline that employees can use for consultations regarding sexual harassment, power harassment, gender harassment, interpersonal relation issues and other workplace problems. Counselors are qualified industrial counselors, clinical psychologists, and psychiatric social workers. Consultations can be made 24 hours a day via telephone or the Internet. It is also possible to make a consultation anonymously.

TOPICS

Supporting the health of female employees through the Shift P medication support system



Shift P Medication Support
System Secretariat

MEDIPAL HOLDINGS has worked with MTI Ltd. since 2019 on “Shift P”² project activities that provide medication support for those taking the low-dose pill. The Shift P medication support system provides female employees of our Group suffering from dysmenorrhea or other women’s health conditions with opportunities for obstetrics and gynecology consultations and medication support to help ease concerns over taking the low-dose pill.

Since the introduction of this system, there has been a 7.5pt improvement (from 56.9% to 64.4%) in users’ “period presenteeism” (where 100% represents work performance when an employee is not experiencing menstrual-related discomfort) and a huge improvement (from 68.1% to 18.2%) in how much menstrual-related discomfort impacts daily life (where daily activities are hampered by the need to lie down and rest or to stay in bed all day). We also sense that this project has helped more people, both at home and in the workplace, be more considerate of whether female employees are dealing with menstrual-related issues.

Going forward, we will continue to work to improve the health literacy of our employees and to ensure everyone understands the importance of working in good physical and mental health.

2. Shift P: the name of a joint project between MEDIPAL HOLDINGS and MTI Ltd. to provide pill-related medication support. For women who are suffering from unwell physical condition due to dysmenorrhea, we want to change the image of the “Pill” including “period cramps,” “PMS (premenstrual syndrome),” and “PMDD (premenstrual dysphoric disorder)” and put our wishes to shift (change) the concept of “P” to “something that doesn’t bother you.”

Social Contribution Activities

Basic Policy

The MEDIPAL Group is highly aware that, as a corporate entity, it is also a member of society. Through its activities, it aims to be a company that is trusted by its various stakeholders.

○ Support for Patients with Rare and Intractable Diseases

The MEDIPAL Group supports RDD (Rare Disease Day), an initiative aimed at improving the quality of life of patients with rare and intractable diseases through better diagnosis and treatment. In February of each year, when RDD events are held, MSs and other employees of MEDIPAL Group companies wear the official RDD badge.

○ Support for Momiji House

MEDIPAL, as a company that plays an important part in healthcare, supports "Momiji House," a short-term in-patient facility for children with serious illnesses and disabilities and their families. It is operated by the National Center for Child Health and Development.



○ Enactment of Bone Marrow Donor Leave

Employees can take special paid leave for the procedures necessary for donating marrow, including registration, testing, hospitalization and health examination.

○ Support for Local Flower Display Campaign

ATOL CO., LTD. participates in a campaign by Fukuoka City to enhance the attractiveness and amenity of the city with the beauty of flowers. By planting flowers all over the city, the campaign hopes to foster community spirit and emotional wellbeing.



Highlight

Support for the National Medical Care Line Forum

We supported an event hosted by the National Medical Care Line, which aims to develop a society where everyone can live with peace of mind, even those with severe disease or disability. The event brought together children who require constant medical care and their families, from all across the country, to share information on the current challenges they face and the support required.

About Medical Care

Medical care in this context describes the medical support needed just to survive, such as managing tracheostomy tubes and tube feeding in a non-hospital setting. Enacted in September 2021, the Medical Care Child Support Law provides support for, and lessens the burden on, children who require constant medical care and their families, based on the concept of supporting them by all members of society.



National Medical Care Line Forum
Celebrating the first anniversary of the enactment of the Medical Care Child Support Law, and sharing our thoughts

Management Team

(As of June 27, 2023)



1. Shuichi Watanabe

Representative Director,
President and CEO
Chief Compliance Officer
Director and Advisor of
MEDICEO CORPORATION

4. Yuji Sakon

Managing Director
General Manager of Administration Division
Chairman of CSR Committee
Director of MM CORPORATION
Director of ASTEC Co., Ltd.
Director of PharField Corporation
Director of PALTAC CORPORATION

7. Kuniaki Imagawa

Director
Representative Director,
President and CEO of MEDICEO CORPORATION

10. Toshio Asano

Outside Director
Consultant at Asahi Kasei Corp.
Outside Director of Daicel Corporation
Outside Director of Tokyo Century Corporation
Chairman of Japanese Foundation for
Cancer Research

13. Toshio Hirasawa

Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member of MEDICEO
CORPORATION
Audit & Supervisory Board Member of
EVERLTH Co., Ltd.

16. Yoko Sanuki

Outside Audit & Supervisory Board Member
Director of NS LAW OFFICE
External Director of Sanken Electric Co., Ltd.

17. Hatsuyoshi Ichino

Outside Audit & Supervisory Board Member
Part-time Lecturer of Tax Administration
Training Course, Local Autonomy College,
Ministry of Internal Affairs and Communications
Professor, Graduate School of International
Management, Aoyama Gakuin University
Tax accountant of
Kanon Tax Accountant Corporation

2. Yasuhiro Choufuku

Director, Vice President
In charge of Pharmaceutical Business
Representative Director and Chairman of
MEDICEO CORPORATION
Outside Director, Chairman of
Nichi-ko Pharmaceutical Co., Ltd.

5. Koichi Mimura

Director
In charge of Business Strategy
Director of MEDICEO CORPORATION
Director of MP Gokyo Food & Chemical Co., Ltd.
Director of MP AGRO CO., LTD.

8. Takuya Yoshida

Director
Representative Director,
President of PALTAC CORPORATION

11. Kuniko Shoji

Outside Director
Outside Director of Nichirei Corporation
Outside Director of DIC Corporation
Professor of Graduate School of Health
Innovation Studies of
Kanagawa University of Human Services

14. Kazuo Hashida

Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member of
ASTEC CO., LTD.
Audit & Supervisory Board Member of
MEDIPAL FOODS CORPORATION

3. Toshihide Yoda

Senior Managing Director
In charge of IR
General Manager of Business
Development Division
Outside Director of
JCR Pharmaceuticals Co., Ltd.
Director of JCR USA, Inc.

6. Shinjiro Watanabe

Director
In charge of Information System
Representative Director,
President and CEO of ATOL CO., LTD.

9. Mitsuko Kagami

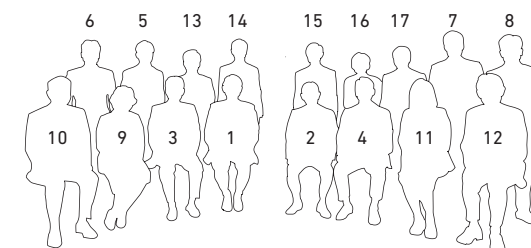
Outside Director
Attorney at Kagami Law Office
Outside Director of Soletsu Holdings, Inc.
Outside Audit & Supervisory Board Member of
Shin-Etsu Chemical Co., Ltd.

12. Hiroshi Iwamoto

Outside Director
Advisor of Chuo-Nittochi Co., Ltd.
Outside Statutory Auditor of Morinaga & Co., Ltd.

15. Tomoyasu Toyoda

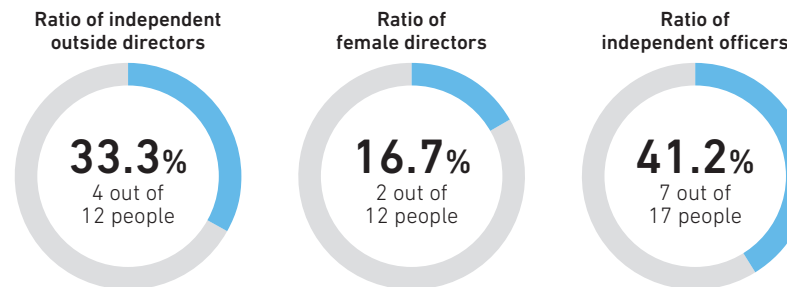
Outside Audit & Supervisory Board Member
Advisor of K.F. Planning Co., Ltd.
Audit & Supervisory Board Member of
Nobelpharma Co., Ltd.



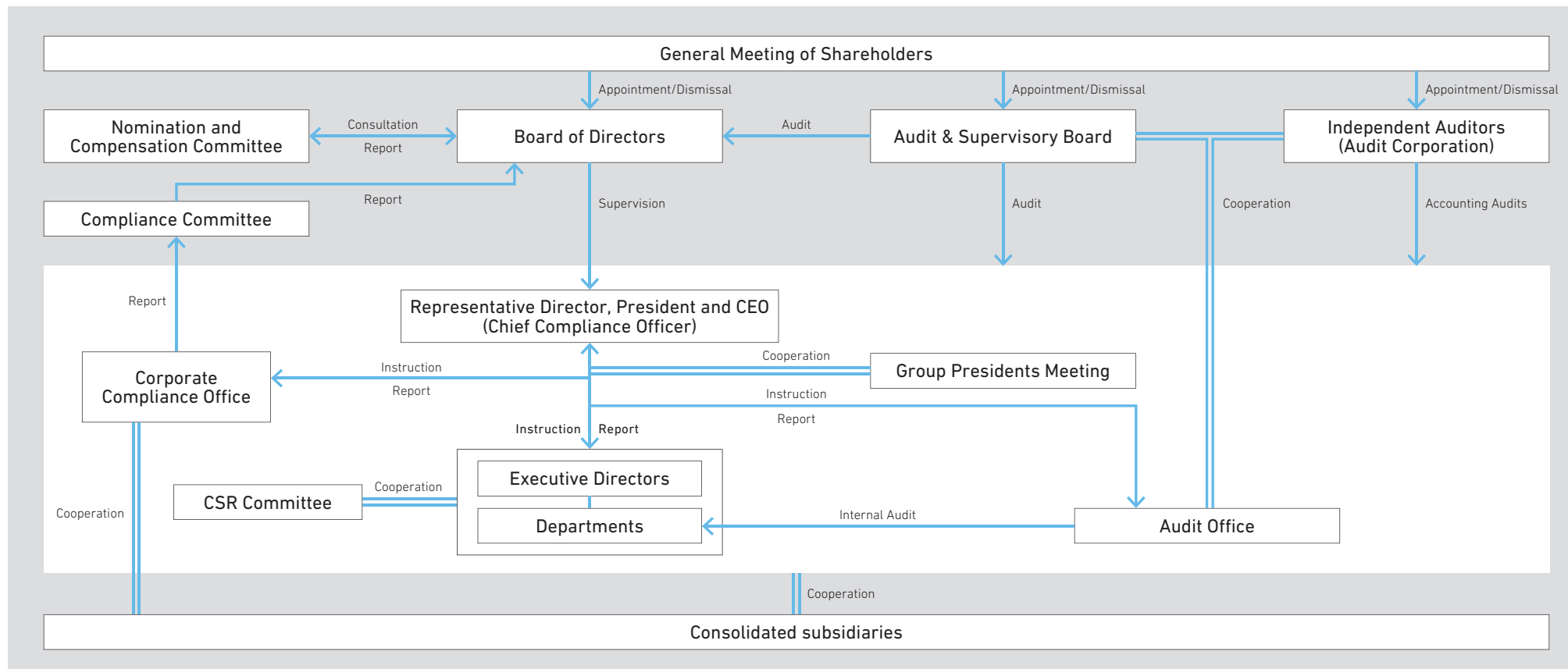
Corporate Governance

Basic Policy

The MEDIPAL Group places importance on maximizing corporate value, while ensuring transparency and soundness of management. The Group also believes that disclosing high-quality information is one of its responsibilities to stakeholders, and that it enhances the transparency and soundness of management. Therefore, the Group takes a proactive approach to appropriate and timely disclosure.



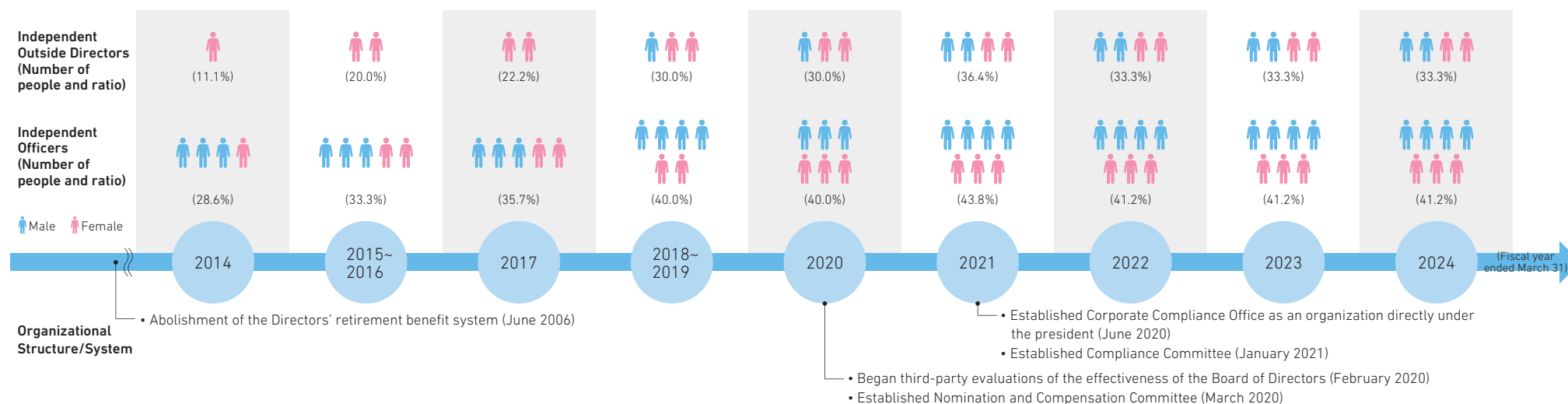
Corporate Governance System



Overview of the Corporate Governance System

Body	Board of Directors	Audit & Supervisory Board	Nomination and Compensation
Purpose, role	Established as a supervisory body to consider and decide on matters stipulated by management policy and by law, as well as other important matters concerning corporate management, and also to supervise the status of overall business execution	The purpose of the Audit & Supervisory Board is for members to attend the Board of Directors and Group Presidents Meetings; to strictly audit the legality and adequacy of business execution by directors, based on the standards determined by the Audit & Supervisory Board; and to exchange views with the independent auditors	Established as an advisory body to the Board of Directors for the purpose of improving fairness, transparency and objectivity and as a measure to enhance corporate governance
Composition	Comprised of 12 directors (including 4 outside directors) (10 male directors, 2 female directors)	Comprised of 5 appointed Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members) (4 male members, 1 female member)	Comprised 3 or more members selected by resolution of the Board of Directors. A majority of the committee members must be outside directors and the chairperson must be an outside director. Persons nominated by the Audit & Supervisory Board members and committee chairperson can also attend as observers.
Meeting frequency, outcomes	Meetings in fiscal year ended March 31, 2023 15 times	Meetings in fiscal year ended March 31, 2023 13 times	Meetings in fiscal year ended March 31, 2023 Nomination Committee: 6 times Compensation Committee: 2 times
Attendance by outside officers	Outside directors: 95.0% Outside Audit & Supervisory Board members: 97.8%	97.4%	Nomination Committee: 95.8% Compensation Committee: 100%
Main matters for consideration	<ul style="list-style-type: none"> Ordinary matters, such as results, dividends, and budgets Special matters, such as Medium-Term Vision, sustainability, various investment projects, and cancellation of treasury shares 	<ul style="list-style-type: none"> Produces audit reports and decides on matters concerning the appointment and dismissal of full-time Audit & Supervisory Board members; the audit policy and procedures, and methods to survey asset status; and execution of other duties by Audit & Supervisory Board members Matters decided by resolution of the Audit & Supervisory Board including the appointment/dismissal or reappointment/non-reappointment of independent auditors or compensation of independent auditors 	<p>Nomination Committee: Measures to strengthen compliance (e.g., formulation of code of conduct for officers), director candidates for the General Meeting of Shareholders in June 2023, etc.</p> <p>Compensation Committee: Officer bonuses to be paid in June 2023, etc.</p>

Change in Corporate Governance of Strengthening Our Initiatives



Director Appointment Policy

(1) Director Appointment Policy

The basic policy is to appoint as director individuals who will take the lead in sincerely implementing compliance initiatives as well as individuals with extensive experience, deep insight, and a high level of specialization in order to contribute to the MEDIPAL Group's sustainable growth and medium-to-long-term improvement of corporate value.

a) Internal Directors

Candidates are chosen from among individuals with work history and skills in corporate management, healthcare, M&As, governance, IT, etc. Candidates must possess the appropriate leadership skills to promote the MEDIPAL Group's management philosophy as well as a medium-to-long-term perspective as someone engaged in supervision of management's decision-making and business execution. We also give comprehensive consideration to factors such as personality and experience.

b) Outside Directors

Candidates are chosen from among individuals with extensive knowledge and experience of corporate management, healthcare, finance/accounting, legal affairs, international affairs, etc. We also give comprehensive consideration to factors such as personality and concurrent service as an officer at another company. In principle, the total term of office is a maximum of eight or twelve years (four years as an Audit & Supervisory Board member with two or three terms). Outside directors are prohibited from serving as an officer at more than four companies. Notwithstanding, even in the event that a candidate does not meet the separately determined independence requirements, an individual with deep insight and a high ethical viewpoint can be selected as a candidate for outside director. However, in such a case, the ratio of independent outside directors shall be one-third or higher.

(2) Director Appointment Procedure

Candidates shall be proposed to the General Meeting of Shareholders after deliberation by and reports from the

Nomination and Compensation Committee (with the majority of members being outside directors and an outside director serving as the chair of the committee), and a resolution by the Board of Directors. The selection of representative directors as well as executive directors with special titles is conducted by the Board of Directors after deliberation by and reports from the Nomination and Compensation Committee.

(3) Director Dismissal Procedure

In a case where a director commits an act that violates laws and ordinances or the articles of incorporation, or in a case where a director shows inadequate ability to carry out his/her professional duties due to negligence or other reasons, the Board of Directors will deliberate on the matter after fair and rigorous consideration by the Nomination and Compensation Committee.

Ensuring Diversity of the Board of Directors

The Company's Board of Directors is designed to have diverse representation as well as an appropriately balanced mix of knowledge, experience, and skills, including through the appointment of a number of outside directors and outside Audit & Supervisory Board members. The Company has appointed a diverse lineup of outside directors and outside Audit & Supervisory Board members, including former business executives and specialists in pharmaceutical development, accounting, and legal affairs, to ensure the effective functioning of the Board.

Use of Outside Directors

When appointing outside directors, the emphasis is on extensive experience, deep insight, and a high level of specialization, as well as the requirements stipulated in the Companies Act. We expect outside directors to contribute to improved corporate

governance by contributing questions and opinions based on diverse perspectives that stimulate discussion at the Board of Directors meetings and contribute to appropriate decision-making. Our policy is for at least one third of directors to be independent outside directors. Of the 12 directors, four are outside directors, all of whom are independent outside directors. We believe we have appointed a sufficient number of independent outside directors based on comprehensive consideration of our industry, size, business characteristics, organizational structure, and the surrounding business environment. Of the five Audit & Supervisory Board members, three are outside members, all of whom are independent outside members. This system of monitoring and supervision of the Board of Directors by independent outside directors and independent outside Audit & Supervisory Board members ensures highly transparent management.

Support System for Outside Directors and Outside Audit & Supervisory Board Members

We have established a system that enables mutual cooperation between outside directors and outside Audit & Supervisory Board members and the Audit Office, Audit & Supervisory Board members, and independent auditors. This system enables these parties to coordinate as necessary, either directly or indirectly, through methods such as email or telephone. In addition, outside directors and outside Audit & Supervisory Board members share their views at meetings of the Board of Directors, and express their frank opinions on other occasions such as during briefings ahead of important discussions. The Company also periodically provides opportunities to view worksites at subsidiaries. In addition, every six months starting in the fiscal year ended March 31, 2022, the Company has held briefings on new businesses to further the outside directors' and outside Audit & Supervisory Board members' understanding of the Group's businesses. The Company also runs other briefings and information exchanges as needed in response to specific themes requested by the outside directors and outside Audit & Supervisory Board members.


Skill Matrix and Composition of the Nomination and Compensation Committee

■ Committee Chairperson □ Committee Member

Name	Specialty, experience ¹									Nomination Committee Member	Compensation Committee Member	No. of Company shares held (thousands) ²
	Business Management Experience	Sales/Marketing	Medical Pharmaceutical Science Public Service	Financial Affairs Accounting Financing M&A	Legal Affairs Governance	IT DX	Personnel & Labor Human Resources Development	Global	Sustainability			
Representative Director, President and CEO Shuichi Watanabe	●	●								□		173
Director, Vice President Yasuhiro Choufuku	●	●										51
Senior Managing Director Toshihide Yoda	●			●				●			□	12
Managing Director Yuji Sakon	●	●			●				●	□	□	22
Director Koichi Mimura	●							●	●			1
Director Shinjiro Watanabe	●					●						33
Director Kuniaki Imagawa	●	●										10
Director Takuya Yoshida		●		●								1
Outside Director Mitsuko Kagami					●				●	□	□	0
Outside Director Toshio Asano	●		●							■	■	6
Outside Director Kuniko Shoji	●		●					●	●	□	□	—
Outside Director Hiroshi Iwamoto				●			●			□	□	—
Full-time Audit & Supervisory Board Member Toshio Hirasawa				●								26
Full-time Audit & Supervisory Board Member Kazuo Hashida				●								10
Outside Audit & Supervisory Board Member Tomoyasu Toyoda	●		●									1
Outside Audit & Supervisory Board Member Yoko Sanuki					●				●			5
Outside Audit & Supervisory Board Member Hatsuyoshi Ichino				●					●			—

1. Does not include all the experience and expertise of directors and Audit & Supervisory Board members.

2. Shareholdings rounded down to the nearest 1,000 shares. Also does not include the number of shares held by our officer stock ownership association.

 See the notice of convocation for more details.
<https://ssl4.eir-parts.net/doc/7459/announcement8/90254/00.pdf>

Evaluation of the Effectiveness of the Board of Directors

The Company periodically verifies the effectiveness of the Board of Directors. Based on those evaluations, we implement measures on an ongoing basis for the improvement of issues and the enhancement of our strengths. This analysis and evaluation of the effectiveness of the Board of Directors leads to functional improvements.

Analysis/ Evaluation Process

The Board of Directors created a questionnaire for all directors and Audit & Supervisory Board members with the cooperation of a third party, and analyzed and evaluated the results. In addition, we confirmed the evaluation results and initiatives going forward based on a report from the third-party organization given at a Board of Directors meeting.

Results from Analysis and Evaluation in Fiscal Year Ended March 31, 2023 and Status of Response

Analysis/Evaluation Outline of Results

The average score for the question asking for an overall evaluation of the effectiveness of the Board of Directors was 4.0, above the average score for all questions of 3.7.

The questions on whether discussions at the Board of Directors were open-minded returned a high average score of 4.4, and there were multiple comments confirming the liveliness of discussions in the free comment section. In terms of the operation of the Board of Directors, multiple answers showed that the respondents thought the prior briefings were functioning effectively. In light of these results, we conclude that the Board of Directors is functioning effectively overall.

Identified Issues

The results from the free comment section of the questionnaire highlighted the issue that the topics currently discussed often involved short-term themes or decisions on the execution of specific tasks, whereas multiple opinions confirmed that the Board of Directors should be discussing long-term strategies.

In terms of monitoring of the Board of Directors, the free comments also highlighted how monitoring should be performed as the Board of Directors of the holding company and the need to define the relationship with the business companies. As such, the questionnaire confirmed a range of opinions on how the separation of execution and supervision should be secured.

Status of response

Status of Response

After reviewing the questionnaire results, we identified the following seven points for discussion at the Board of Directors.

- (1) Board of Directors monitoring function
- (2) Composition of the Board of Directors
- (3) Discussions at the Board of Directors' meetings
- (4) Operation of the Board of Directors
- (5) Support systems for corporate officers
- (6) Dialogue with investors
- (7) Nomination and Compensation Committee

Of these, the main initiatives in the fiscal year ended March 31, 2023 were as follows.

(3) Discussions at the Board of Directors' meetings
In the process of formulating the MEDIPAL Group's Sustainability Policy Connecting to the Future with "Energy and Brightness" and the 2027 MEDIPAL Medium-Term Vision: Change the Oroshi Forever—Constant Innovation—, announced in October 2022, there were multiple discussion sessions between the outside directors and outside Audit & Supervisory Board members on the direction and strategy for medium- to long-term management of the business. The outside directors and outside Audit & Supervisory Board members also engaged in multiple exchanges of opinion when considering our basic capital policy that was announced in May 2023.

(5) Support systems for corporate officers
We ran a site tour of the Saitama RDC owned by our subsidiary PALTAC CORPORATION. The tour was aimed at helping outside directors and outside Audit & Supervisory Board members understand the Group's business in more detail. Four participants developed a real understanding of this next-generation distribution center equipped with cutting-edge AI technologies and robotics.

(6) Dialogue with investors
The content of discussions with institutional investors is shared at Board of Directors meetings and opinions are exchanged as needed with the outside directors and outside Audit & Supervisory Board members.

Looking ahead, we will continue to consult on and select high-priority themes and will engage in specific, concrete discussions at the Board of Directors' meetings.

Compensation for Directors

Our basic policy is to establish compensation levels and systems that are appropriate to the roles and responsibilities of each director as they work to realize our management philosophy, enhance corporate value, and achieve sustainable growth. Compensation for directors includes base compensation and bonuses, and the amount of compensation is decided after taking into account general compensation levels in the market, our financial position, and the balance with employee salaries. The Nomination and Compensation Committee was voluntarily established as an advisory body to the Board of Directors for the purpose of improving the fairness, transparency and objectivity of procedures related to the nomination and compensation of directors and as a measure to enhance corporate governance.

1. Policy on decisions relating to the amount of monetary compensation and the methods used to calculate this amount

Monetary compensation (i.e., compensation that is neither performance-linked compensation nor non-monetary compensation) is defined as a fixed monthly amount as base

compensation paid in accordance with the position of each director.

2. Policy on decisions relating to the type of performance indicators used for performance-linked compensation and the methods used to calculate this amount or number

Performance-linked compensation is monetary compensation paid at a certain time every year as a bonus. The total amount is determined by the Board of Directors based on consideration of the consolidated performance in each fiscal year (consolidated operating profit) as an incentive for executive directors to be conscious of business performance. It is apportioned according to the standards for each position.

3. Policy on decisions relating to the type of non-monetary compensation and the methods used to calculate this amount or number

A system for non-monetary compensation has not yet been introduced, but for some time now we have been considering the

introduction of a stock-based compensation scheme linked to the increase in corporate value as an incentive that functions with medium- to long-term earnings. The Nomination and Compensation Committee will also engage in various discussions on this matter.

4. Policy on decisions relating to the percentage breakdown for each type of compensation

Compensation for executive directors comprise fixed monthly base compensation and bonuses linked to short-term earnings. The percentage breakdowns of these two types of compensation differ slightly depending on the position of each director, but in general the basic standard is for bonuses to account for approximately 25% of the total. The compensation for outside directors only consists of base compensation in view of their role and independence.

5. Methods to decide the content of compensation for individual directors

The amount of compensation for individual directors is left to the decision of the Representative Director and President, based on resolution by the Board of Directors. However, the Representative Director and President is advised by the Nomination and Compensation Committee and receives a report from the committee on draft compensation amounts for individuals. The Nomination and Compensation Committee is composed of three members or more selected in accordance with a resolution of the Board of Directors. Outside directors account for a majority of the members, and the committee is also chaired by an outside director. In addition, persons nominated by the Audit & Supervisory Board members and committee chairperson can also attend as observers.

(Fiscal year ended March 31, 2023)

Corporate Officer Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Category (Millions of yen)				Number of Relevant Corporate Officers ²
		Fixed Compensation ¹	Performance-linked Compensation	Retirement Benefits	Non-Monetary Compensation, etc., Included in the Left Columns	
Directors (excluding outside directors)	264	202	62	—	—	9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	—	—	—	2
Outside directors	57	57	—	—	—	4
Outside Audit & Supervisory Board members	32	32	—	—	—	3

1. For fixed compensation, the number includes one director who stepped down when they came to the end of their term of office as of the close of the 113th General meeting of the Shareholders held on June 24, 2022.

2. There are no officers receiving a total of compensation and other benefits of ¥100 million or more in the fiscal year ended March 31, 2023.

Concept of Strategic Shareholdings

The basic policy of the MEDIPAL Group is to reduce these shareholdings in the interest of controlling shareholding risk and capital efficiency. We will regularly verify the significance and economic rationality of our strategic shareholdings for the social significance of the main business and contribution to our earnings via stronger business relationships. If any of these shareholdings are deemed to be inappropriate, we will proceed with their sale after striving to gain sufficient understanding from our business partners. Even in cases where shareholdings are deemed appropriate, the Company may sell these in accordance with its basic policy of reducing strategic shareholdings and in consideration of market conditions, management and financial strategies, and other factors.

The balance of strategic shareholdings as of March 31, 2023 was 14.1% of net assets or ¥96.7 billion (a decrease of 8.7% compared with the end of the previous fiscal year), mainly due to the sale of ¥13.8 billion of holdings during the fiscal year ended March 31, 2023.

We also intend to limit strategic shareholdings to 10% or less of net assets and ¥50 billion or less by around March 31, 2027. Note that the Group regularly conducts verification and confirmation of the significance and economic rationale for all strategic shareholdings. Here, verification and confirmation refer to processes leading to a comprehensive judgment of whether the holdings will contribute to the maintenance and improvement of the Group's corporate value. This judgment is based on the social significance of the main business, contribution to our earnings via stronger business relationships, and the current and future profitability of the business partner, taking into consideration the growth potential of the business partner and capital costs.

Group Governance

○ Special Circumstances affecting Large Impact on Corporate Governance

Among the Company's subsidiaries, PALTAC CORPORATION is listed on the Prime market of the Tokyo Stock Exchange. The Company's views on the purpose of having listed subsidiaries and measures to ensure effective governance systems at listed subsidiaries are as follows.

1. PALTAC engages in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, and cooperates to generate synergy with the Prescription Pharmaceutical Wholesale Business, which is the main business of the MEDIPAL Group's other subsidiaries. PALTAC also aims to work with the Company to identify future growth strategies in the business fields of "Pharmaceuticals, Health, and Beauty". Recently, the dispensing business of drugstores, our customers, has expanded. MEDIPAL is now able to offer total solutions to the needs of its customers. This also leads to enhanced synergy through coordination between PALTAC, which handles cosmetics, daily necessities, and OTC pharmaceuticals, and MEDICEO CORPORATION, which handles prescription pharmaceuticals. PALTAC is highly significant in terms of the Group's efforts to achieve continuous growth. The Group will utilize the know-how of both the Prescription Pharmaceutical Wholesale Business and the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business to optimize the supply chain and expand the Group's business fields as a wholesaler engaged in the distribution of products indispensable to people's daily lives.
2. The Company believes that from the standpoint of Group management, it is preferable to boost corporate value by respecting PALTAC's independence and actively conducting business operations based on swift decision

making. PALTAC decides on appropriate business strategies independently and in a self-directed manner.

3. The Company plans to retain a majority of PALTAC's shares and keep PALTAC as a consolidated subsidiary from the viewpoint of contributing to the improvement of corporate value for both companies. Furthermore, in our role as the parent, the Company dispatches directors to PALTAC to ensure appropriate Group governance.

However, PALTAC has established an independent committee of all the independent outside directors and independent outside Audit & Supervisory Board members, and is working to ensure protection of minority shareholders' interests.

Responsible Dialogue with Shareholders and Investors

○ General Meeting of Shareholders

In order to provide shareholders with sufficient time to make decisions on exercising their voting rights, the Company issued the notice of convocation for the June 27, 2023 Annual General Meeting of Shareholders on June 1, 2023, which is earlier than the legal requirement. Prior to this, the Company also made an early disclosure of its notice of convocation for the General Meeting of Shareholders on its website on May 25, 2023. In addition, since the General Meeting of Shareholders held in June 2002, the Company has enabled voting rights to be exercised electronically via the internet, in order to ensure that voting rights are exercised promptly and actively. Since 2006, the Company has also joined the voting rights platform for institutional investors operated by ICJ, Inc. to create an environment in which institutional investors may directly exercise voting rights by electronic means. In addition, other measures to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, including posting the notice of convocation and details of the resolutions on our website, have been taken. At the General Meeting of Shareholders held on June 27, 2023, a total of 3,609 shareholders exercised voting rights (of whom, 3,505 did so in writing or via the internet), for a voting ratio of 87.7%.



○ Dialogue with Institutional Investors

We maintain active dialogue with institutional investors through events such as financial results briefings for securities analysts and institutional investors, IR meetings with the President and the corporate officer in charge of IR, and various conferences hosted by securities companies. Feedback from investors is reported to management of the Company and the relevant departments as necessary, where it informs policy in areas such as MEDIPAL Group management strategy and governance.

In November 2022, the corporate officer in charge of IR and person in charge of IR went to the United Kingdom for dialogue with overseas investors.

The following IR events were held for institutional investors in the fiscal year ended March 31, 2023.

IR Event	Date Held	Presenter
Briefings on financial results	May and November 2022	President, corporate officer in charge of IR
Dialogue with Institutional Investors	November 2022	Corporate officer in charge of IR, person in charge of IR

The following individual IR interviews were held with institutional investors in the fiscal year ended March 31, 2023.

Number of interviews during the year	73 (47 in Japan; 26 overseas)*
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* Figures represent cumulative numbers

○ Dialogue with Individual Investors

For dialogue with individual investors, we hold conferences for individual investors in major cities throughout Japan every year with the aim of enhancing the Company's recognition and establishing its brand. We also send newsletters to shareholders twice a year, in June and December, to deepen their understanding of our management philosophy and business strategy.

In the fiscal year ended March 31, 2023, to prevent the spread of COVID-19, we decided not to hold conferences.

Roundtable Discussion with Outside Directors



Outside Director
Hiroshi Iwamoto

Outside Director
Mitsuko Kagami

Outside Director
Kuniko Shoji

Outside Director
Toshio Asano

Strengthening the effectiveness of the Board of Directors, and supporting the MEDIPAL Group's business portfolio transformation

The Outside Directors offered their thoughts on the Company's governance system, effectiveness of the Board of Directors, and how the Group will improve corporate value going forward.

The Company's Governance System

Iwamoto: I believe the important thing in governance is an effective Board of Directors that engages in thorough deliberations, and executives that fully act upon the results of those deliberations to proceed to the next stage in the proper manner. In that sense, I recognize that the Company's Board of Directors is highly effective, with internal and outside directors actively exchanging opinions. My understanding is that this high level of effectiveness is due in no small part to the leadership of

the Board's chair, President Watanabe, and has sufficiently established a bridge to the executive team.

Shoji: I highly value the fact that in the Board of Directors' discussions, not only the internal and outside directors but also the internal and outside Audit & Supervisory Board Members actively voice their opinions, which I feel is leading towards even sounder and stronger governance. What I feel is an important issue is Group governance. As an outside director of the Company, which is a holding company, I would like to start taking a closer look at how to make governance effective for the entire Group.



In my personal view, we are only halfway there on this point.

Asano: I believe that the governance of the Company is sound. The declaration that the compliance-related impropriety that occurred in the past will never happen again and the sincere efforts to this end are a testament to that. I think what is important in terms of governance is a proper response by the Board of Directors to any impropriety that has occurred. What is even more important is to instill a corporate culture of integrity toward the future and continue to take steps to ensure that the fact that mistakes were made does not fade from memory. I believe that the Group is taking up such efforts head-on to make steady progress.

Kagami: I believe that the Company's governance system has certainly grown stronger. Following the course of events from the past, preliminary briefings on important proposals began in 2017 with the aim of enriching discussion at the Board of Directors. I believe this has led to very lively discussion at the Board of Directors, including among outside Audit & Supervisory Board members. Then in 2020, the Compliance Committee was established as an advisory body to the Board of Directors and

has promoted and continuously monitored Group compliance. At the same time, Audit Office and Corporate Compliance Office personnel visit each site to check on the status of initiatives and improve compliance awareness among employees.

I think that going forward, it will be important for the Company, as a holding company, to further strengthen governance and compliance for the entire Group.

Effectiveness of the Board of Directors

Iwamoto: In addition to strengthening compliance and governance, I recognize that thorough discussion of risk management is essential. There are many risks that the Company must manage as a holding company. Going forward, establishing the scope and proceeding with discussions in a balanced manner should also be taken into consideration. As the Board of Directors of a holding company, it is also necessary to shift focus to discussion of medium- to long-term growth strategies for the entire Group. The progress of overseas business and new business and the issues they face should also be comprehensively understood and supervised.

Regarding the operation of the Board of Directors, while there is active discussion, the fact that it ends up taking too much time may be an issue.

Asano: There have been efforts to limit the number of agenda items related to execution, but realistically, further reduction may be difficult since some are stipulated by the Companies Act. That said, I think there is room for improvement in terms of operation. For example, for matters such as the progress of the Medium-Term Vision that require in-depth discussion, it may be good to set time aside in advance and prioritize such discussion. This would mean securing time by setting matters for discussion that are neither matters for reporting nor matters for resolution.



Shoji: Setting aside time for discussion is very important. I think that the necessary time should be taken to create the Medium-Term Vision and so forth based on in-depth discussion. In that sense, last year, the opinion was expressed that there should be sufficient discussion in drawing up "the Ideal Situation" and "2027 MEDIPAL Medium-Term Vision", and that hasty decisions should not be made with things not fully worked out, so the decision was made to postpone announcement from spring to fall. As a result, we were able to create an accurate medium- to long-term vision after going through a process of in-depth discussion, which I think was very positive.

Toward Realizing the 2027 MEDIPAL Medium-Term Vision

Kagami: I think that in order to ensure promotion of the growth strategy outlined in the Medium-Term Vision, it is essential for the Board of Directors to monitor strategically important new business and joint ventures with investees and partners and regularly evaluate their progress. Also, when making large-scale



investments, it is important to examine what impact such investment will have on the Group's overall profits and what kind of issues will arise, and properly follow up on the progress even after the decision has been made. I think that an important issue for the Board of Directors is how the progress of such investment projects and so forth is monitored by outside directors.

Asano: The first year of the Medium-Term Vision has gone by, so it is necessary to discuss and share how the executive team views the progress of the Medium-Term Vision and what challenges they perceive. I would like this to be added to the Board of Directors agenda. The executive team is working enthusiastically to achieve the Medium-Term Vision, so I would like to see those results.

Shoji: Progress and evaluation of new business efforts are discussed twice a year. Analysis of progress should be conducted through scientific and quantitative monitoring. As various changes are occurring, it is more important than ever to approach management scientifically, including the PDCA cycle.

Iwamoto: One of the key phrases in the Medium-Term Vision is

“business portfolio prioritizations.” Monitoring the progress of new business will lead to discussions on how to proceed with transforming the business portfolio. For the Board of Directors to make an appropriate decision on whether business portfolio prioritizations are proceeding properly, it is necessary to recognize the cost of equity for each business group and proceed with quantitative visualization.

Toward Enhancement of Corporate Value

Kagami: The MEDIPAL Group is now moving toward business transformation. I feel that we outside directors, who are in a position removed from internal common practices and company culture, also need to provide appropriate advice so that this transformation follows the right path and is highly valued by people outside the company. At the same time, compliance issues are a never-ending challenge. We must always keep in mind that the goal is not the here and now. I intend to keep this in mind as I fulfill my role as an outside director.

Shoji: I think it is necessary for the Group to aim to be a company that is respected in the world and can contribute to a sustainable society. I believe that we will be conscious of all our stakeholders and aim to be a good company that offers value from anyone's perspective. I will do my utmost to support this goal as an outside director.

Iwamoto: Outside directors play an important role in monitoring management to meet the expectations of shareholders and investors. To that end, while maintaining appropriate relationships with the members of the executive team, we will have them provide accurate information on progress and issues in execution so that we may judge the appropriateness of



strategies and management while considering the interests of various stakeholders. I believe that this will ultimately lead to improved corporate value in the long term. Our mission is to deliver pharmaceuticals in Japan. The business fields of “Pharmaceuticals, Health, and Beauty” have been established to carry out this mission, which I understand to be the expansion of new business and overseas business. I intend to keep this in mind as I fulfill my duties as an outside director.

Asano: Working to transform the business portfolio and keeping up “constant innovation” will lead to transformation into a stronger corporate group. Of course, we outside directors will spare no effort in achieving the goals that have been set. I hope that all our shareholders, investors, and other stakeholders will take a close look at the Company's appeal and essence and have high expectations for sustainable growth and efforts to address social issues.

Compliance

Basic Policy

The MEDIPAL Group has designated "rigorous compliance" as one of its business policies. To earn the trust of all of our stakeholders and continue to develop as a company, we consider it important for each and every MEDIPAL Group employee to respect not only the law but also the rules and social manners, and to act in line with highest ethical standards. To address this, we continually carry out training programs and awareness activities.

Compliance Promotion System

In the MEDIPAL Group, the Representative Director, President and CEO of MEDIPAL HOLDINGS CORPORATION holds the position of Chief Compliance Officer, and top management takes the lead in promoting compliance.

To support the systematic and continuous implementation of the initiatives, a Corporate Compliance Office has also been established as an organization under the direct control of the president to further strengthen compliance throughout the Group.

In addition, the Compliance Committee has been established to ensure continuous monitoring of Group compliance. The Compliance Committee, which functions as an advisory body to the Board of Directors, is chaired by the Chief Compliance Officer. Members also include executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business and outside directors. Audit & Supervisory Board members and other officers also participate as observers and offer their opinions to ensure more effective monitoring.

With the aim of raising awareness at the sales frontlines of Group companies that operate prescription pharmaceutical wholesale business, we have appointed some of the sales

department managers as compliance leaders to promote compliance on the sales frontlines and to monitor and supervise the status of compliance.

We have established an audit/monitoring system with the following functions:

1. Antimonopoly Act Audits

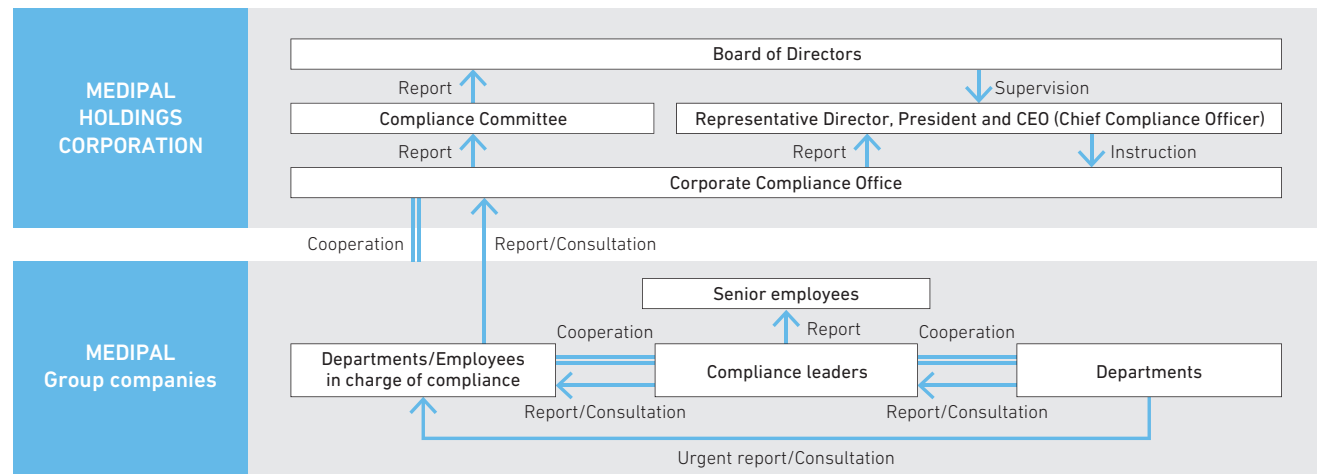
The Audit Office, which is in charge of internal audits, will conduct Antimonopoly Act audits with the purpose of confirming whether there are Antimonopoly Act violations and the status of efforts to prevent a recurrence of any such violations.

2. Reporting of Audit Results

The audit results are reported on the Board of Directors and the Audit & Supervisory Board quarterly.

3. Reporting of Status of Improvements

The status of improvements and operation of the MEDIPAL Group's compliance system is reported regularly (quarterly) to the Board of Directors.



Compliance Committee Meetings in the Fiscal Year Ended	No. of meetings: 4 times*
	Attendance of executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business: 100%
	The ratio of attendance of outside directors: 100%

* Meetings held in principle every quarter

Formulation of Guiding Principle for Business Activities

In response to the on-site inspection of MEDICEO CORPORATION by the Japan Fair Trade Commission in November 2019, and based on the spirit of observing regulatory compliance, the MEDIPAL Group formulated a Guiding Principle for Business Activities to demonstrate the commitment of the CEO to compliance. To make this commitment universal across all employees in the Group, management has continued to convey this message in meetings, in-house publications, and other forums. We are also working to ensure all employees engage in fair competition by having all attendees at company meetings recite the Guiding Principle for Business Activities.

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.

Initiatives to Prevent Violations of the Antimonopoly Act

The MEDIPAL Group has established rules and regulations to prevent violations of the Antimonopoly Act. We have also revised our work regulations. We have appointed a person in charge of compliance at every Group company and developed systems for guidance on how to comply with these rules and regulations.

○ Establishment of Regulations Regarding the Prevention of Involvement in Bid Rigging, Etc.

Regulations regarding the prevention of involvement in bid rigging, etc., have been established for the purpose of eliminating collusion, cartels and other violations of the Antimonopoly Act, preventing behavior that may be suspected of such violations, and reducing the risk of becoming involved in such violations.

○ Review of Business Plans and Sales Targets

We have conducted a fundamental review of business plans and sales targets, and we have considered how we pursue our business activities from the perspective of preventing the occurrence of situations that may violate the Antimonopoly Act.

○ Creation of Antimonopoly Act Compliance Guidebook

We have produced an easy-to-understand guidebook on how to avoid violations of the Antimonopoly Act. The guidebook outlines sales situations that are open to misunderstanding or ambiguous interpretation.

○ Compliance Based on Rules for Estimates and Bids

Our activities comply with internal rules on fair competition based on a spirit of observing regulatory compliance. The rules specify that no contact is to be made with other companies in the industry when making price estimates and bids, that monetary amounts are to be presented on a clear basis and subjected to an approval process, and that price estimates and bids are not to be submitted for projects where there is no commitment to accepting the contract.

○ Formulation of Rules on Activities within the Industry and Contact with Other Wholesalers

Immediately following the on-site inspection by the Japan Fair Trade Commission, we forbade, in principle, any actions that may arouse the suspicion, such as contact with other companies in the industry. Regarding activities within the industry, however, contact is allowed subject to certain rules (presence of an attorney or other relevant official, keeping a record of proceedings, etc.). We conduct business and corporate activities in line with the clear rules we have also established for approval procedures and other aspects in cases where there is an unavoidable need to contact another company in the industry.

○ Consultation Desk for Antimonopoly Act (Antimonopoly Act Hotline)

Immediately following the on-site inspection by the Japan Fair Trade Commission, we established a dedicated consultation desk for the Antimonopoly Act to ensure a swift response in sales situations open to ambiguity with regard to compliance with the act. This consultation desk operates separately from the existing whistleblower hotline.

Initiatives to Prevent Bribery

The MEDIPAL Group carries out its business activities in a just and lawful manner, and strictly prohibits all supply of profits to civil servants or those in a similar position. All Group companies have formulated bribery prevention regulations.

To ensure the effectiveness of these regulations, we have also established rules regarding disbursements, such as the receipt of all internal approvals in writing in cases of donations to third parties.

Furthermore, as many of the major business partners of the MEDIPAL Group (manufacturers of pharmaceutical products and medical equipment, etc.) are incorporated in foreign countries, we are conducting employee training to meet the education standards required by our business partners. These programs include compulsory annual online training that uses as reference the material of the Foreign Corrupt Practices Act (FCPA) training induction course which is implemented by the American Medical Devices and Diagnostics Manufacturers' Association (AMDD).

Initiatives to Raise Compliance Awareness

To raise compliance awareness, the MEDIPAL Group has implemented the following initiatives:

(1) Compliance training

As well as multiple training sessions on the Antimonopoly Act via an e-learning platform, we are also implementing training on the FCPA and information security. For human rights perspectives, the directors and other officers at all Group companies have attended collective training sessions on harassment.

(2) Declaration of Compliance Day

To demonstrate our ongoing commitment to compliance, we have designated November 27 as Compliance Day. The day focuses on reaffirming awareness of compliance for all employees, including a questionnaire to check employee awareness and the effectiveness of our initiatives put in place to strengthen compliance.

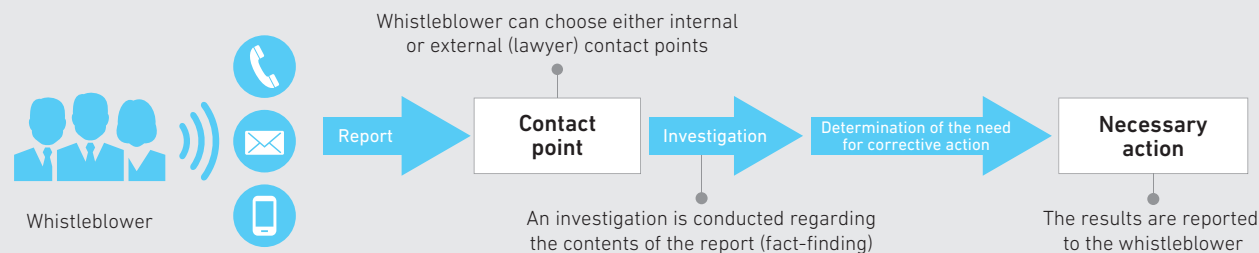
Whistleblowing System

To more rapidly identify and address problems within the MEDIPAL Group, the Group has established a Whistleblower Hotline. We have used the Group intranet and posters to inform employees that they can use the hotline to raise concerns about impropriety, legal violations, or unethical conduct at work, or when such activities seem likely to occur.

The Group has made the hotline easy to use by setting up whistleblowing channels both inside and outside of the Group and by making reporting possible through telephone, e-mail, fax, and mail. The system includes appropriate safeguards, such as an independent point of contact to ensure confidentiality and specific internal rules to protect whistleblowers from adverse consequences. We also accept anonymous reports.

Whistleblower Hotline Response Process

The privacy of whistleblowers is strictly protected, and they are protected from adverse consequences.



Quality Control

Basic Policy

The MEDIPAL Group considers it its social mission to comply with pharmaceutical laws and regulations such as the Pharmaceutical and Medical Device Act, and to distribute safe, reliable prescription pharmaceuticals and medical equipment, etc. To accomplish this mission, we strive to implement thorough quality control processes, from pharmaceutical product receipt to delivery to medical institutions, etc., to maintain the integrity of delivered products.

Maintaining Quality

For quality control in the storage and distribution of pharmaceuticals, medical equipment, and other products, the MEDIPAL Group ensures the operation of appropriate systems by creating manuals on logistics operations, supervising pharmacist operations, etc., based on ordinances issued by the Ministry of Health, Labour and Welfare, and on JGSP¹ and JGSP2008. The Group also formulates manuals for quality control and standard operating procedures (SOPs) in accordance with the globally harmonized JGSP GDP, revised to reflect PIC/S² GDP, and with GDP guidelines³ issued by the Ministry of Health, Labour and Welfare. In addition, the MEDIPAL Group works to enhance management systems, provide opportunities for suggesting improvements at GDP review meetings, and implement educational activities.

1. JGSP (Japanese Good Supplying Practice: Practices regarding quality control and safety management in the supply of pharmaceuticals): Industry practices defined by The Federation of Japan Pharmaceutical Wholesalers Association in order to protect the safety of products and prevent their degradation due to temperature, humidity, sunlight, etc., during storage, shipping, and transport. JGSP applies to prescription pharmaceuticals, while JGSP2008 applies to over-the-counter pharmaceuticals.
2. PIC/S (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme)
3. GDP (Good Distribution Practice) 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.

Education System

The MEDIPAL Group offers ongoing training for employees engaged in product management and distribution using quality manuals and SOPs to maintain the integrity of pharmaceuticals and other products.

Why counterfeit drugs are not a growing concern in Japan

The spread of counterfeit drugs is becoming a severe problem worldwide. However, there is no room for counterfeit drugs to enter the Japanese drug market. The main reasons for this are the development of laws (the Pharmaceutical and Medical Device Act, etc.) and compliance with these laws, as well as the fact that nearly all prescription pharmaceutical distribution (roughly 96%) is performed by pharmaceutical wholesalers.

The existence of wholesalers (1) simplifies distribution channels, (2) makes it possible to handle everything from purchase to delivery in-house, and (3) creates close relationships with all clients: pharmaceutical companies, medical institutions, and dispensing pharmacies. High-quality distribution is the key factor in preventing the spread of counterfeit drugs, and investment in such distribution is essential. In that sense, the Japanese pharmaceutical wholesale industry is also responsible for safety and social costs.

The Group conducts lot traceability management, and employs a system that allows it to determine what has been sold, when, to whom, and in what quantities. In the event of a voluntary product recall by a pharmaceutical company, this system allows the Group, at the pharmaceutical company's request, to rapidly provide information to the medical institutions and other customers to whom the products have been sold, and recall those products.

Compliance with the Japanese Version of the GDP Guidelines

The Group is now providing training on quality control manuals and SOPs to the logistics departments of the four prescription pharmaceutical wholesalers¹ as well as to ALCs, Tokyo Chuo FLC and the Nishi-Nihon Distribution Center.

In addition, we carry out regular quality reviews to promote and enhance the quality of GDP activities. In 2022, we began offering our GDP programs at FLCs/branches as well as at ALCs and other centers, progressively rolling out the programs to Group wholesalers, starting with EVERLTH Co., Ltd.

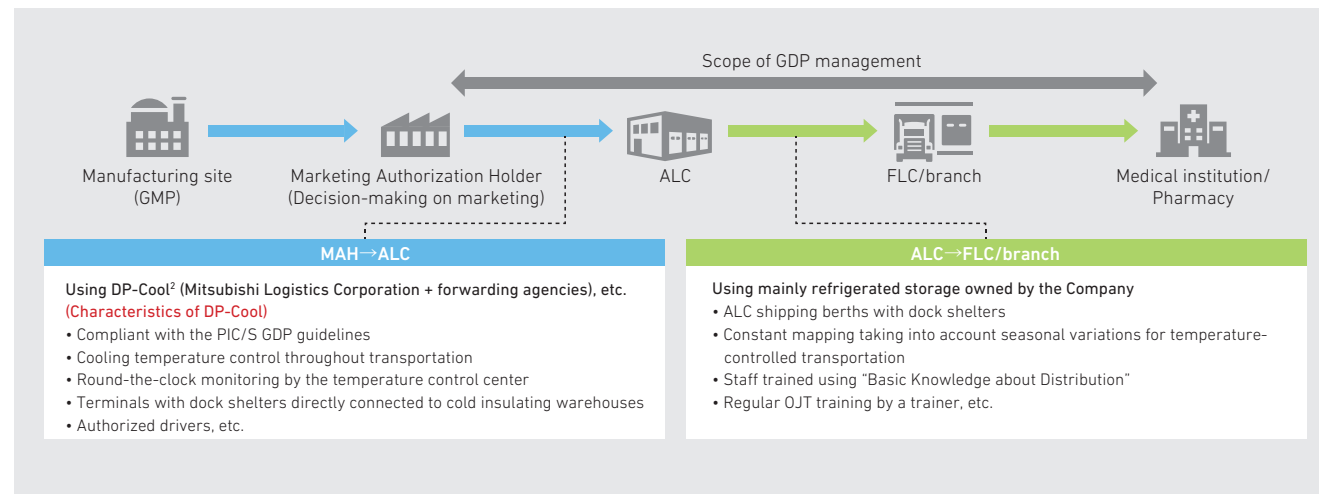
In response to the spread of COVID-19, in 2021 we took responsibility for handling the distribution of Moderna Japan's vaccine Spikevax intramuscular injection, which requires

temperature-controlled storage at -25°C to -15°C , and in 2022 we took responsibility for the distribution of Takeda Pharmaceutical's Nuvaxovid intramuscular injection, which requires temperature-controlled storage at $2-8^{\circ}\text{C}$. We ensure high-quality logistics through temperature mapping, which measures temperature distribution in cold storage warehouses and shipping containers.

With these measures in place, we have worked with government bodies and local wholesalers to distribute supplies to large-scale vaccination sites operated by national and local governments and to workplace vaccination sites.

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

Pharmaceutical Supply Chain



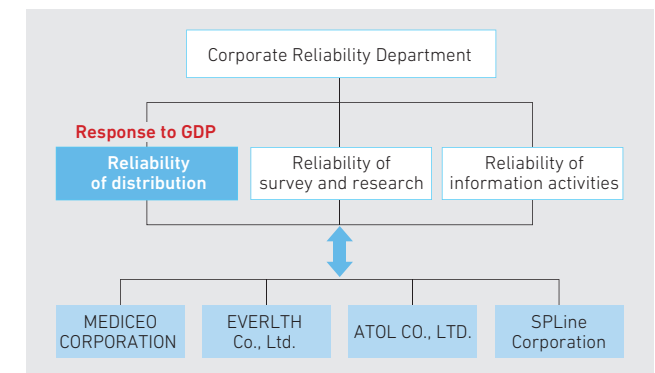
2. DP-Cool: Refrigerated transportation service for pharmaceuticals compliant with the PIC/S GDP guidelines.

Organization and Role of the Corporate Reliability Department

Many of the specialty pharmaceuticals and regenerative medical products that have been developed in recent years have strict requirements for temperature control during storage and transportation. As a result, pharmaceutical company audits require that distributors meet not only GDP guidelines but also the stricter global standards of the respective company.

The Corporate Reliability Department supervises the status of logistics quality control at four prescription pharmaceutical wholesalers and is working to promote methodologies based on GDP guidelines at ALCs and to continuously improve the quality of logistics. The department is also working to outfit FLCs and branches throughout Japan with organizational systems based on the guidelines and the necessary capital investments, while implementing educational activities for employees responsible for product management and distribution. In addition, to increase reliability in logistics quality, we are further enhancing our pharmaceutical distribution practices by strengthening cooperation, not only with relevant internal departments but also with pharmaceutical companies, distributors, and other external partners.

Organization and Role of the Corporate Reliability Department



Note: As of March 31, 2023

* Please refer to [☐](#) page 72 for explanations of technical terms.

Risk Management

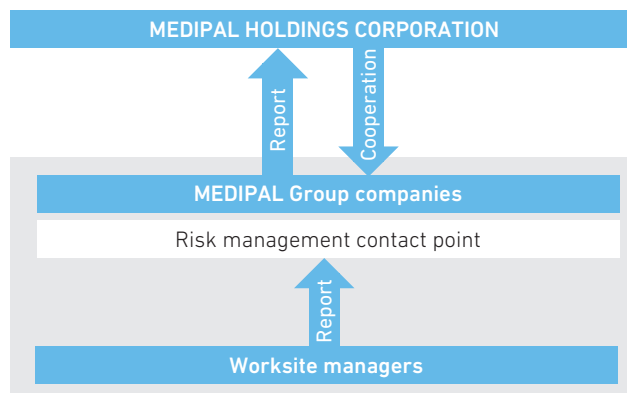
Basic Policy

With regard to business risks, the MEDIPAL Group formulates related rules and guidelines, implements training, creates manuals, as well as ensures thorough risk management awareness. The Group thoroughly prevents the involvement of antisocial forces in management activities by specifying a department that handles related matters under the leadership of the risk management officer, and by implementing central management. With regard to the internal control reporting system for financial reporting, in accordance with the Financial Instruments and Exchange Act, each department has its own functions for maintaining and implementing internal control. Having the authority to perform monitoring, the Audit Office coordinates with the Group's internal auditing department to rapidly identify potential loss risks.

Risk Management Structure

When a risk materializes and a significant impact is expected, pre-appointed risk management officers take a leading role in the response.

Issues to Be Reported
<ul style="list-style-type: none"> Compliance-related risks <ul style="list-style-type: none"> Legal and regulatory infractions Information leaks Internal fraud, etc. Risks related to natural disasters Other risks (issues that could have a significant impact on business activities)



Business Risks

The main risks to the MEDIPAL Group's businesses are as follows. Statements regarding the future represent the positions of the Group as of March 31, 2023. Various risks other than these exist, and the risks described here are not all of the risks faced by the Group.

<ul style="list-style-type: none"> Medical insurance system reform NHI drug price system Specific legal regulations Trade practices with medical institutions Trade practices with pharmaceutical companies 	<ul style="list-style-type: none"> Changes in the competitive environment System interruptions Information leaks Disasters and traffic accidents Climate change Securing a labor force Investing Legal and regulatory infractions
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Examples of Countermeasures

About disaster risk
Summary
<p>The MEDIPAL Group handles the distribution of prescription pharmaceuticals, daily necessities, and other products indispensable to a healthy life. We are implementing a variety of measures to ensure that we reliably deliver the required products both in normal times and during emergencies. In the event of a major disaster, the Group's business operations may be suspended and our business performance and financial condition may be affected due to decreased sales resulting from lost sales opportunities or incurring recovery costs and other expenses.</p>
Countermeasures
<p>The Group has established crisis management systems and a Business Continuity Plan (BCP) in preparation for natural disasters such as earthquakes, typhoons, or a pandemic, to ensure that the Group can quickly carry out supply activities in the event of an emergency.</p>

About traffic accidents
Summary
<p>The MEDIPAL Group uses many vehicles in its sales and delivery activities. In the event that a serious traffic accident occurs, social reputation could be damaged, and this may affect the performance and financial condition of the Group.</p>

Countermeasures
<p>We are introducing vehicles equipped with dashcams and automatic braking systems to prevent traffic accidents. In addition, we proactively conduct awareness-raising activities to promote traffic accident prevention, such as the establishment of a safe driving month and holding classes taught by police officers.</p>

About securing a labor force
Summary

In order for the MEDIPAL Group to reliably distribute the pharmaceuticals, daily necessities, and other products, it is essential to secure high-quality human resources and assign them appropriately. In recent years, securing a labor force in the distribution field has become difficult due to the declining population resulting from the decreasing birthrate and aging population. If the labor supply tightens further and adequate human resources cannot be secured, the Group's performance and financial condition may be affected. In addition, a significant increase in employee-related costs due to revised laws and systems or price fluctuations may affect the performance and financial condition of the Group.

Countermeasures
<p>We are boosting efficiency through labor-saving measures at distribution centers and revised delivery operations, as well as implementing workstyle reform and taking steps to improve the work environment.</p>

Business Continuity Plan (BCP)

Basic Policy

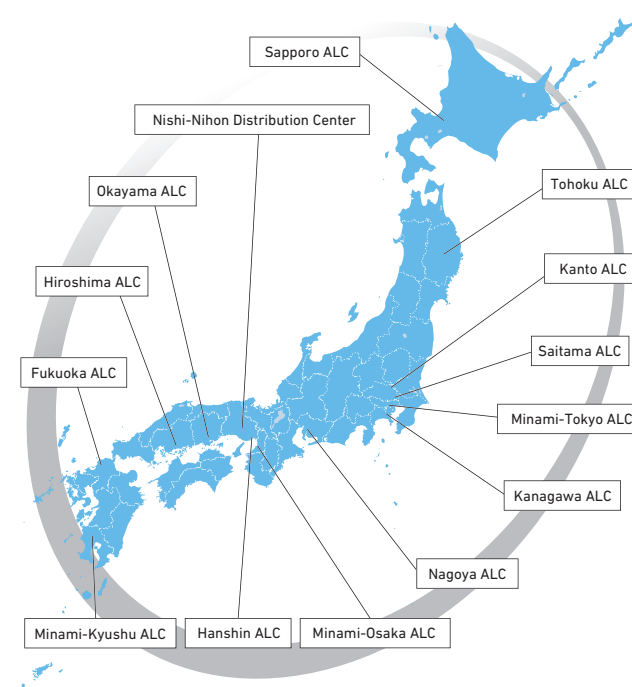
The MEDIPAL Group anticipates a range of risks, and has drafted an effective BCP that allows it to provide a steady supply of products, not only in normal times but also in the event of pandemics or large-scale natural disasters such as earthquakes. This enables the Group to fulfill its role as a social infrastructure company.

System

The MEDIPAL Group has created a Disaster Response Manual (for Natural Disasters) that contains specific content regarding envisioned disaster damage, preparatory measures, operations in the event of a natural disaster, emergency organization structures, and the like. In the event of an earthquake with a seismic intensity of 6-lower or above, the general manager of the Group's Disaster Countermeasures Headquarters will decide whether the Disaster Countermeasures Headquarters needs to be established based on reports from the secretariat chief on incurred or imminent damage and with reference to the manual. This headquarters rapidly confirms the safety of Group company employees and their families in the affected areas; the status of buildings, systems, and the like; the state of lifelines; and the situation with product supply systems. It also leads a range of response activities aimed at business continuity.

When there is an outbreak or spread of an infectious disease, a secretariat for the Disaster Countermeasures Headquarters is established based on the Disaster Response Manual (for Infectious Diseases) and information on the disease is gathered from the World Health Organization (WHO) and Japanese government agencies. Once the outbreak occurs in Japan and is expected to spread, the general manager of the Group's Disaster Countermeasures Headquarters will decide whether the Disaster Countermeasures Headquarters needs to be established based on reports from the secretariat chief. To maintain a stable supply of pharmaceuticals and other products while ensuring the safety of customers and employees, the headquarters collects and centrally manages information on government policies and local conditions, and quickly and flexibly implements countermeasures against various anticipated situations.

Coordination of Distribution Center Functions in the Prescription Pharmaceutical Wholesale Business



A backup system has been established to enable coordination with other centers to take over distribution in the event that the one center is rendered incapable of supply due to a large-scale natural disaster, etc.

Disaster Planning

The MEDIPAL Group has gained experience in previous major natural disasters, including the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, the Kumamoto earthquakes, and torrential rains in Western Japan and Kumamoto, and has undertaken many initiatives to ensure stable supply when disaster strikes. Because Japan is a land of natural disasters, MEDIPAL must make full preparations for dealing with a wide range of disaster scenarios.

Seismic isolation structure

We are working to ensure distribution centers and other buildings are earthquake resistant with seismic isolation structures in order to prevent products from falling from shelves and becoming damaged during disasters, and to prevent our distribution facilities from becoming inoperative.



Preparedness measures for times of emergency

To prepare for times when public transportation and transportation networks are disrupted, motorcycles are kept in readiness at distribution centers and other locations. When roads to some areas are impassable for larger vehicles, motorcycles prove to be an important means of delivering pharmaceuticals.



In-house power generators

MEDIPAL's principal business locations, including the Head Office and distribution centers, are equipped with in-house electric power generators.



In-house fueling stations

Based on our experience during times when gasoline was in short supply due to disasters, MEDIPAL's principal distribution centers are equipped with their own fuel supplies.



Information Management

Basic Policy

The MEDIPAL Group handles a variety of information, most notably the personal information of our clients. Managing and safeguarding this information is also the social responsibility for the MEDIPAL Group. There have also been increasing threats to cybersecurity in recent years, including ransomware and supply chain attacks, so we are executing both physical and procedural measures to ensure rigorous information management, including measures to protect our hardware systems and a focus on training for employees who handle information.

Policies and Systems

As a standard for information management, the MEDIPAL Group has established a Group-wide Information Security Policy. To ensure rigorous information management, we have set up an Information Management Committee headed by the Chief Information Officer (Representative Director, President and CEO) and have investigated initiatives including stronger cybersecurity measures. We have also created an internal management system of managers and personnel in each Group company and section.

Education System

The MEDIPAL Group considers the awareness of each and every employee who handles information to be the most critical element of information management. Accordingly, we conduct information security training twice a year via an e-learning platform to remind employees about information management and raise their awareness of security. In addition, we regularly chant together the "Information Management Pledge," which recites precautions when handling information, and raise awareness of information management on our internal network. Furthermore, we work to improve data collection and analyze the risk related to information security, drawing the attention of all employees to phishing emails and other methods of targeted attack as necessary, and ensuring thorough awareness of information security at all workplaces.

Initiatives for Information Protection

The MEDIPAL Group implements security measures to protect information and prevent its leakage, such as ensuring up-to-date antivirus programs on all devices connected to internal networks and countermeasures against unauthorized access, using biometric authentication and encrypting data on mobile computers. We also rigorously manage data access rights and reduce the risk of incidents from data leaks or falsification.

Cyberterrorism Countermeasures

Our cyberterrorism countermeasures include identifying suspicious emails, blocking access to suspicious sites, using the latest antivirus software, and keeping all software updated to the most current versions. Furthermore, the cases in which an attack breaks through these measures and data theft is attempted, we work with external security partners, which monitor our systems 24 hours a day, and also use counter-cyberterrorism software to prevent data leakage.

