

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

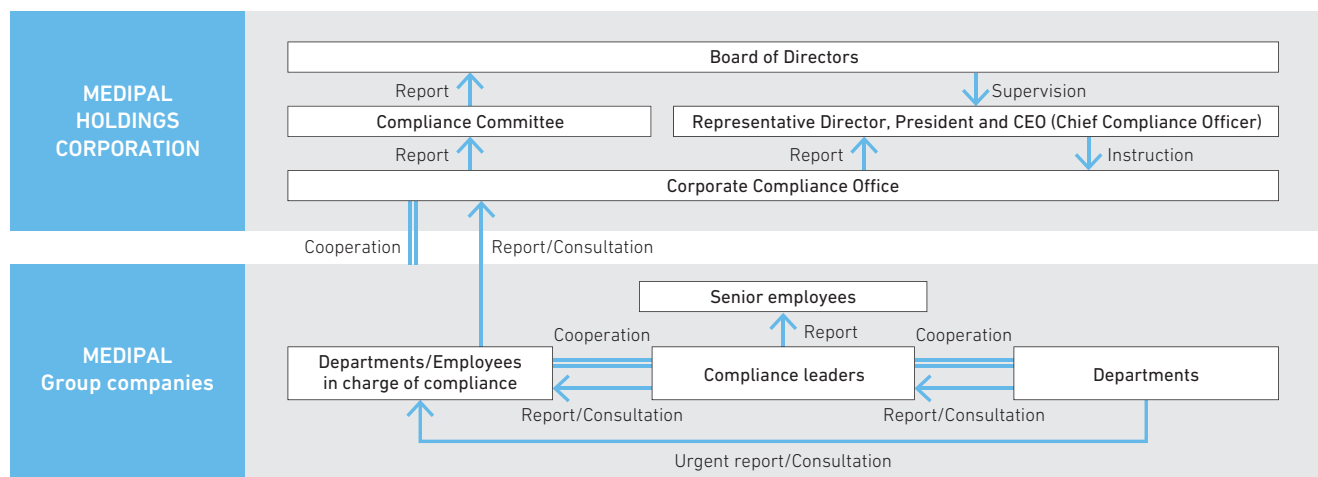
The Audit Office, which is in charge of internal audits, will conduct Antimonopoly Act audits with the purpose of confirming whether there are Antimonopoly Act violations and the status of efforts to prevent a recurrence of any such violations.

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.

