

Glossary

A

● ALC: Area Logistics Center

A state-of-art distribution center that supplies prescription pharmaceuticals, medical materials and clinical diagnostic reagents, etc., primarily to dispensing pharmacies, hospitals and clinics.

● AR: Assist Representatives

An internal designation given to Marketing Specialists (salespeople for the Prescription Pharmaceutical Wholesale Business), pharmacists and others who have passed the MR qualification exam.

D

● DMR: Diagnostics Medical information Representatives

Person in charge of diagnostics medical information.

● DS: Delivery Specialist

Person in charge of deliveries in the Prescription Pharmaceutical Wholesale Business.

F

● FLC: Front Logistics Center

A sales and distribution base that helps support the stable supply of products in collaboration with ALCs. FLCs are established in areas near our customers.

M

● McHIL®: Mediceo Hospital Innovative Logistics

A system that applies ALC functions and know-how to logistics in hospitals. Supports improvement of efficiency in hospital logistics operations.

● MR: Medical Representatives

Person in charge of drug information at pharmaceutical companies.

● MS: Marketing Specialist

Person in charge of sales in the Prescription Pharmaceutical Wholesale Business.

P

● PFM®: Project Finance & Marketing

A business model in which MEDIPAL HOLDINGS CORPORATION invests in the development of new drugs of pharmaceutical companies in order to share in the risk and return.

● PMS: Post Marketing Surveillance

Surveillance that the Japanese government requires companies to conduct after launching pharmaceuticals to verify their quality, efficacy, and safety. PMS consists of early post-marketing phase vigilance and Post-Marketing Surveillance.

● PRESUS®: Pharmacy Real-time Support System

An all-in-one system that functions together with ALCs to conduct automatic ordering and inventory management based on demand forecasts. This system supports the various operations of dispensing pharmacies.

R

● RDC: Regional Distribution Center

Large-scale distribution centers that handle cosmetics, daily necessities, over-the-counter pharmaceuticals and other items. They supply products to retailers.

● RD-MR: Rare Disease MR

ARs specializes in rare disease fields

S

● SPAID: Super Productivity Advanced Innovative Distribution

A proprietary developed total-management and operation system for next-generation logistics centers based on the adoption of AI, cutting-edge robot technology, or MUPPS. This system yields twice the volume of conventional systems with the same number of workers.

● Inspection by individual scans

A method shortening product inspection time by switching from the conventional method of reading packing slips to scanning information for individual products from barcodes on the delivery boxes.










● Prescription Pharmaceutical Wholesale Business
● Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Japan's Drug Pricing System



In Japan, official prices (NHI (National Health Insurance) drug price standards) for pharmaceuticals that can be used for insured medical treatments are stipulated by the Ministry of Health, Labour and Welfare and the Central Social Insurance Medical Council. Medical institutions and dispensing pharmacies bill for the cost of pharmaceuticals used by patients at the official prices. However, delivery prices of pharmaceuticals sold to medical institutions and dispensing pharmacies by pharmaceutical wholesalers are the prevailing market prices. The official prices of prescription pharmaceuticals had been revised once every two years until fiscal 2021, in principle, to reflect market prices. However, since fiscal 2022 NHI drug price revisions have occurred during off years.

SASB Content Index

Sustainability Disclosure Topics and Accounting Metrics

Topic	Accounting Metric	Code	Disclosure Location
Fleet fuel management	Payload fuel economy	HC-DI-110a.1	 Integrated Report 2023, page 33
	Description of efforts to reduce the environmental impact of logistics	HC-DI-110a.2	 Integrated Report 2023, pages 33-35
Product safety	Total amount of monetary losses as a result of legal proceedings associated with product safety	HC-DI-250a.1	N/A
	Description of efforts to minimize health and safety risks of products sold associated with toxicity/chemical safety, high abuse potential, or delivery	HC-DI-250a.2	 Integrated Report 2023, pages 14, 60-61
Counterfeit drugs	Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting	HC-DI-260a.1	 Integrated Report 2023, pages 14, 60-61
	Discussion of due diligence process to certify suppliers of pharmaceuticals and medical equipment and devices	HC-DI-260a.2	 Integrated Report 2023, pages 60-61
	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	HC-DI-260a.3	 Integrated Report 2023, pages 60-61
Product lifecycle management	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	HC-DI-410a.1	 Homepage > CSR Information > CSR Initiatives > Environmental Initiatives
	Amount (by weight) of products accepted for take-back and reused, recycled, or donated	HC-DI-410a.2	 Homepage > CSR Information > CSR Initiatives > Environmental Initiatives
Business ethics	Description of efforts to minimize conflicts of interest and unethical business practices	HC-DI-510a.1	 Integrated Report 2023, pages 57-59
	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices	HC-DI-510a.2	N/A

Activity Metrics

Topic	Code	Disclosure Location
Number of pharmaceuticals sold by product category	HC-DI-000.A	Currently, sales volume of pharmaceuticals by product category is not disclosed, but net sales by product type is disclosed.  Data Book for the year ended March 31, 2023, page 7
Number of medical devices sold by product category	HC-DI-000.B	Currently, sales volume of medical devices by product category is not disclosed, but net sales by product type is disclosed.  Data Book for the year ended March 31, 2023, page 7

Eleven-Year Financial Highlights

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31

	Millions of yen											Thousands of U.S. dollars ⁵ (Note)
	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3 ¹	2023/3	2023/3
Operating Results (Millions of yen)												
Net sales	¥2,810,959	¥2,947,798	¥2,872,905	¥3,028,187	¥3,063,900	¥3,146,314	¥3,181,928	¥3,253,079	¥3,211,125	¥3,290,921	¥3,360,008	\$27,453,288
Gross profit	202,142	209,358	201,735	217,497	219,019	228,100	232,502	236,739	214,259	217,445	224,304	1,832,698
Selling, general and administrative expenses	173,622	174,695	168,940	175,214	179,369	183,839	182,675	183,629	175,683	171,820	175,331	1,432,559
Operating profit	28,519	34,662	32,795	42,283	39,650	44,260	49,827	53,109	38,576	45,624	48,972	400,130
Ordinary profit	39,643	49,777	44,475	55,140	53,360	57,349	63,914	68,020	52,968	62,046	65,122	532,085
Profit attributable to owners of parent	18,655	25,485	23,687	30,771	29,011	34,780	34,359	37,968	23,926	29,423	38,806	317,068
Depreciation	12,618	13,147	12,325	12,391	13,573	14,898	13,452	14,232	14,468	14,083	14,393	117,599
Capital expenditures	21,306	24,743	15,168	38,395	44,883	20,652	19,361	29,321	16,141	18,150	17,434	142,446
Financial Position (Millions of yen)												
Total assets	¥1,328,601	¥1,400,792	¥1,454,800	¥1,497,310	¥1,525,912	¥1,618,819	¥1,617,911	¥1,644,279	¥1,679,934	¥1,709,474	¥1,709,658 ³	\$13,968,935
Total net assets	381,892	407,480	457,604	488,328	521,165	572,656	592,848	607,424	638,933	649,089	688,055	5,621,823
Cash Flows (Millions of yen):												
Cash flows from operating activities	¥ 61,769	¥ (72)	¥ 80,466	¥ 21,985	¥ 47,954	¥ 63,558	¥ 63,716	¥ 56,917	¥ 34,448	¥ 61,216	¥ 16,146	\$ 131,922
Cash flows from investing activities	(15,841)	(28,065)	(11,834)	(41,267)	(11,354)	(43,064)	(23,512)	(13,319)	(2,939)	(24,343)	(39,494)	(322,689)
Cash flows from financing activities	(14,379)	(2,834)	(19,834)	6,093	(17,663)	15,845	(30,755)	(49,067)	(16,003)	(16,471)	(43,541)	(355,756)
Free cash flow ²	45,928	(28,137)	68,632	(19,282)	36,600	20,494	40,204	43,598	31,509	36,873	(23,348)	(190,767)
Per Share (Yen)												
Basic earnings	¥ 82.24	¥ 112.77	¥ 104.73	¥ 135.89	¥128.12	¥ 154.13	¥ 154.09	¥ 175.80	¥ 113.96	¥ 140.14	¥ 184.82	\$ 1.510
Total net assets	1,433.19	1,529.63	1,722.56	1,832.45	1,950.25	2,154.93	2,233.52	2,382.88	2,490.98	2,525.72	2,673.62	21.845
Cash dividends	20.00	23.00	24.00	28.00	31.00	34.00	38.00	41.00	42.00	44.00	46.00	0.375
Financial Indicators (%)												
Ratio of gross profit to sales	7.19	7.10	7.02	7.18	7.15	7.25	7.31	7.28	6.67	6.61	6.68	
Ratio of operating profit to net sales	1.01	1.18	1.14	1.40	1.29	1.41	1.57	1.63	1.20	1.39	1.46	
Net worth ratio	24.33	24.69	26.81	27.71	28.94	29.89	30.71	30.43	31.13	31.02	32.83 ³	
Return on equity	5.89	7.62	6.44	7.65	6.77	7.51	7.00	7.62	4.68	5.59	7.11	
Return on assets	3.09	3.68	3.14	3.76	3.55	3.66	3.96	4.18	3.19	3.66	3.81 ³	
Payout ratio	24.3	20.4	22.9	20.6	24.2	22.1	24.7	23.3	36.9	31.4	24.9	
Number of employees	11,115	10,930	10,930	10,959	13,252 ⁴	14,151	13,868	13,599	12,971	12,801	12,795	

Notes:

1. The Company adopted "Accounting Standard for Revenue Recognition" at the beginning of the fiscal year ended March 31, 2022, and figures for the fiscal year ended March 31, 2022 reflect this change.

2. Cash flows from operating activities + cash flows from investing activities

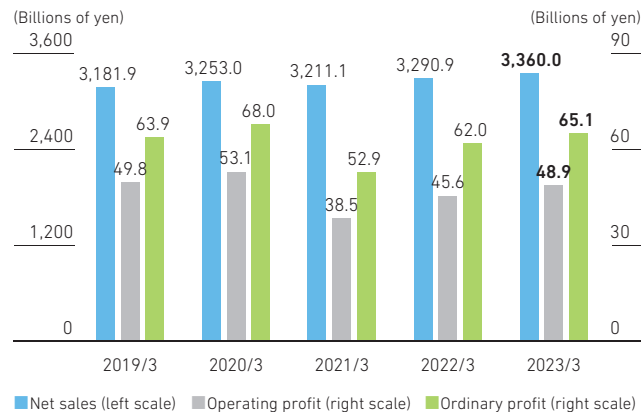
3. In the fiscal year ended March 31, 2023, the Company provisionally carried out accounting treatment (allocation of acquisition costs) related to business combination. This accounting treatment was finalized in the first quarter of the fiscal year ending March 31, 2024, and as a result, provisional values have been updated to reflect finalized values for the consolidated financial position as of March 31, 2023.

4. The main reason for the increase in employees in comparison to the end of the previous fiscal year is the partial change to employment forms, with a new system being introduced on October 1, 2016.

5. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of 122.39 to U.S. \$1.00, the approximate exchange rate on March 31, 2023.

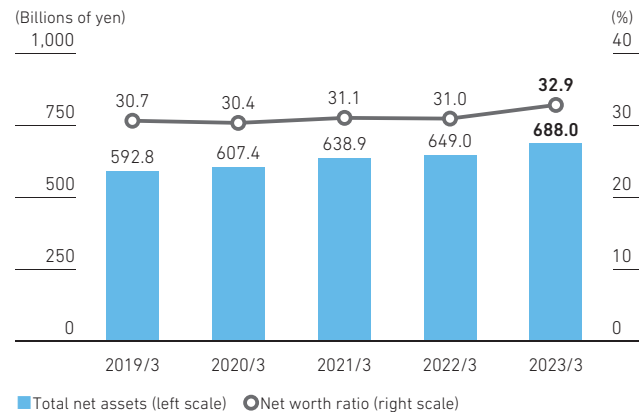
Financial Highlights

Net Sales, Operating Profit and Ordinary Profit



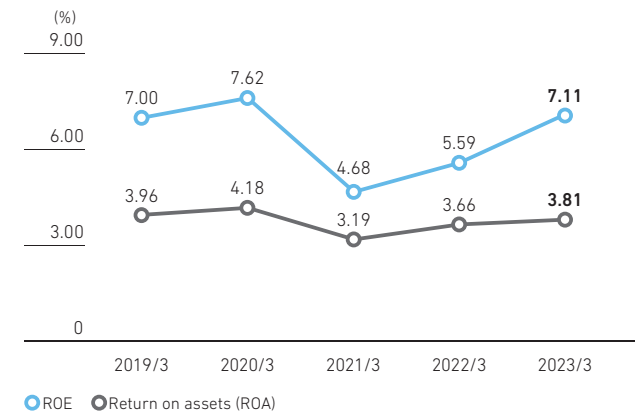
The increases in operating profit and ordinary profit were due to an improvement in the ratio of gross profit to sales in the Prescription Pharmaceutical Wholesale Business that offset the increase in business investment costs.

Total Net Assets and Net Worth Ratio



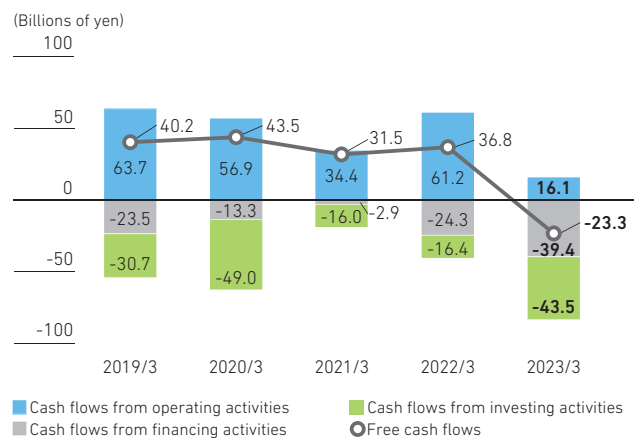
The increase in net assets was mostly due to an increase in retained earnings and non-controlling interests. The net worth ratio increased because of a slight decrease in total assets compared with the end of the previous fiscal year, due to redemption of bonds with share acquisition rights.

ROE/ROA



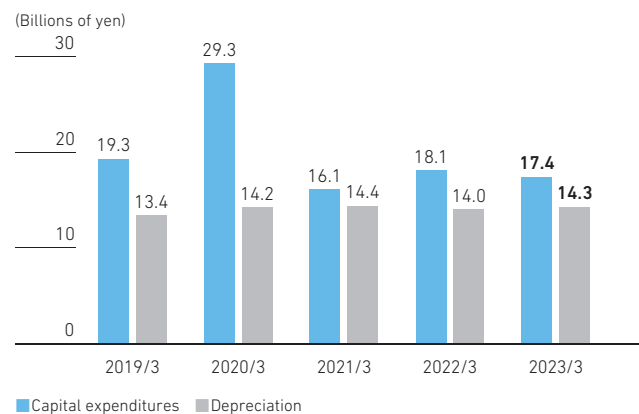
The rise in ROE was mostly due to gains on the sale of investment securities being booked as extraordinary income.

Cash Flows



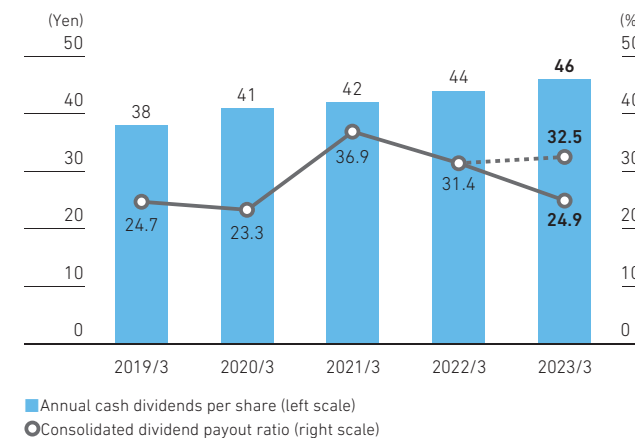
The decrease in free cash flow was mostly due to a decrease in trade payables and payments relating to the acquisition of Sumitomo Pharma Food & Chemical Co., Ltd. Cash flows from financing activities decreased due to redemption of bonds with share acquisition rights.

Capital Expenditures and Depreciation



Capital expenditures mostly included construction of the Hanshin ALC and upgrades to the mainframe systems for sales and logistics in the Prescription Pharmaceutical Wholesale Business, and construction of the Tochigi Distribution Center in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business.

Annual Cash Dividends per Share and Consolidated Dividend Payout Ratio



In May 2023, we announced the acquisition and cancellation of treasury shares up to a maximum of ¥10 billion and we plan to finance this from allocations equating to the gains on the sale of strategic shareholdings booked in the fiscal year ended March 31, 2023. The consolidated dividend payout ratio, adjusted by subtracting the gains on the sale of strategic shareholdings, was 32.5% in the fiscal year ended March 31, 2023.

Corporate Data / Stock Information

Corporate Data (As of March 31, 2023)

Corporate Name	MEDIPAL HOLDINGS CORPORATION
Head Office	3-1-1 Kyobashi, Chuo-ku, Tokyo Tel: 81-3-3517-5800 (Representative) URL: https://www.medipal.co.jp/english
Founded	October 8, 1898
Established	May 6, 1923
Share Capital	¥22,398 million
Number of Employees	12,795 (Consolidated basis)
Stock Listing	Tokyo Stock Exchange, Prime Market
Ticker Code	7459
Trading Unit	100 shares
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
The General Meeting of Shareholders	Annually held in June
Further Information	Public Relations Department Tel: 81-3-3517-5171

Stock Information

(As of August 24, 2023)

Rating firm	Rating
Rating and Investment Information, Inc. (R&I)	A+

Note: The above is an issuer rating. Issuer ratings are fixed symbols provided as information to investors regarding the overall ability of issuers to repay the financial obligations they have incurred, and the degree of certainty regarding payment of individual debts.

Selected for the JPX-Nikkei 400 Index

(As of March 31, 2023)

Since 2014, the MEDIPAL HOLDINGS CORPORATION has been selected as JPX-Nikkei Index 400 composed of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives. Group company PALTAC CORPORATION has also been selected as JPX-Nikkei Index 400.

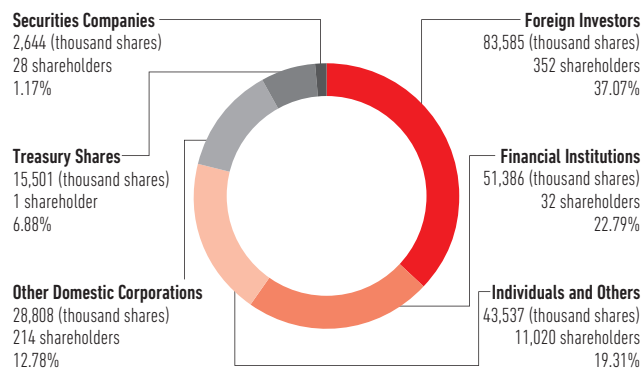


Stock Information (As of March 31, 2023)

Stock Information

Number of Shares Authorized	900,000,000
Number of Outstanding Shares	225,463,242
Number of Shareholders	11,647

Shareholder Composition



Major Shareholders

Shareholders	Shares Held (Thousands)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,943	13.78
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	12,750	6.07
Custody Bank of Japan, Ltd. (Trust Account)	9,806	4.67
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	6,377	3.04
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	5,983	2.85
MEDICEO Employees Shareholders' Association of MP Group	5,932	2.83
Kobayashi Pharmaceutical Co., Ltd.	5,074	2.42
Custody Bank of Japan, Ltd. (Eisai Co., Ltd. Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank Ltd.)	4,345	2.07
Northern Trust Co. (AVFC) Re Non Treaty Clients Account (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,294	2.05
Northern Trust Co. (AVFC) Re IEDU UCITS Clients Non Lending 15 PCT Treaty Account (Standing proxy: Securities Services Department, The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	3,820	1.82

1. The Company holds 15,501 thousand shares of treasury share, which are excluded from the major shareholders listed above.

2. Shareholding ratio is calculated after subtracting treasury share from the number of outstanding shares.

3. Shares held as a percentage of total outstanding shares and shareholding ratio excluding treasury stock are rounded to the nearest hundredth.