

Capital Summary

MEDIPAL Group divides the management resources that form the foundation for our business into six categories. Taking advantage of the characteristics (i.e., the strengths) of each type of capital, we are realizing our “ideal situation.”

	Ideal Situation	Strengths	Weaknesses
 Human Capital Strategy ▶ p. 19	Realizing the ideal organization (fostering of a creative corporate culture and diverse human resources), ideal human resources (future-oriented human resources), and ideal human resources portfolio (matching the right person to the right job position)	- A shared sense of values emphasized as the standards for making decisions (integrity, morality, and a sense of mission) - Diverse human resources, embodying our management philosophy - An organizational culture that generates diverse business models in the “Pharmaceuticals, Health, and Beauty” business fields	- Centralize, visualize, and analyze HR data - Personnel exchanges among Group companies - Establishing the foundation for Group development targeting systematic, strategic, and sustained development of future-oriented human resources - Increasing the percentage of female employees in management positions - Increasing the percentage of male employees taking childcare leave
 Distribution Facilities Capital Strategy ▶ p. 27	- Optimizing the entire supply chain from manufacturing to final consumers - Building the largest healthcare distribution platform in Japan with advanced functionality to provide safe and secure distribution for “Pharmaceuticals, Health, and Beauty” - Improving distribution productivity	- Nationwide optimal distribution network (ALCs,* RDCs*) - Safe and secure distribution systems that can deliver in normal times and during emergencies - High delivery accuracy - Multi-temperature logistics system - Quality control systems compliant with the Good Distribution Practice (GDP)* guidelines - Distribution systems that are kind to people and the environment (White Logistics Movement)	- Nationwide rollout of sharing logistics - Development of supply chain management for realizing sustainable distribution - Improved productivity and greater logistics efficiency in line with workstyle reforms - Development of efficient and effective distribution systems (shared logistics, modal shifts, home deliveries)
 Intellectual Capital Strategy ▶ p. 30	- Building new business models that meet diverse needs related to the “Pharmaceuticals, Health, and Beauty” business fields and create markets - Creating new value by developing a borderless supply chain network	- Insight and execution capable of identifying promising concepts (projects or needs) at an early stage and connecting them to new value creation - Highly efficient and accurate distribution systems to meet diverse needs, and credibility - Group synergies in logistics know-how - Information-gathering and provision capabilities covering medical institutions across the country - Utilizing information sharing platform - Manufacturing technologies for unique materials from natural sources	- Enhancement of the business with and in digital - Improving discernment and knowledge sharing within the organization when evaluating and signing new programs to expand the pipeline in the PFM* business - Acquisition of expertise in pharmaceutical development procedures - Acquisition of expertise to build overseas sales bases - Discernment when building partnerships in prevention and pre-disease fields - Knowledge relating to DX and oral health in dentistry fields
 Social and Relationship Capital Strategy ▶ p. 33	Sustainable growth for the Group by creating of social and customer value through collaboration with partners	- Ability to create value through co-creation with partners - Broad nationwide network and strong relationships with municipalities and business partners including manufacturers, medical institutions, and retailers - Cooperation with start-ups and ventures	- Selection of partners in the field of prevention and pre-disease - Investigation and selection of partners in DX fields (clarification of selection criteria) - Development and disclosure of business schemes to create synergies
 Financial Capital Strategy ▶ p. 37	Maximizing Group sustainable growth and corporate value based on optimal capital structure	- Stable financial position - Expanding growth opportunities and diversifying risks through the possession of multiple business segments	- Increasing return on equity - Reducing the cost of capital - Improving the PBR
 Natural Capital Strategy ▶ p. 40	- Reduction in greenhouse gas emissions by 50% in FY2030 (compared to FY2020), and achievement of carbon neutrality in FY2050 - Optimization of entire supply chain and reduction in environmental burden - Realization of management incorporating the opportunities and risks posed by climate change	- Building an optimal distribution model through collaboration with customers - Jointly developing eco-friendly products aimed at expanding ethical consumption - Reducing greenhouse gas emissions during transportation between distribution centers through a modal shift - Improving the efficiency of long-distance relay transportation through collaboration with partners - Implementing operations and recycling to control the volume of waste	- Switching to EVs and hybrid vehicles in Company-owned vehicles - Diversifying renewable energy procurement methods - Shortening vehicle running distance per vehicle and operating time of distribution locations - Conducting quantitative analysis of the impact of climate change on management and considering countermeasures in the future - Reducing the environmental burden throughout the supply chain, and improving calculation accuracy and setting targets for Scope 3¹

1. Emissions by other companies from business activities

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

Human Capital Strategy

As the MEDIPAL Group works to achieve our ideal situation and our 2027 MEDIPAL Medium-Term Vision, we are pursuing the enhancement of our human capital linked with our growth strategies because we consider human resources to be the source of our competitive edge and corporate value. The Group encompasses diverse employees with the shared values of integrity,

morality, and a sense of mission, actively investing in human resources to develop each person's individual personalities, capabilities, and strengths while tapping latent human capital to actualize it, to generate organizational synergy through fusion like a chorus of harmony, underpinning improved sustainable corporate value.

Overview of Our Human Resources Strategy

To create social value and customer value and to ensure sustainable growth for the Group, we are focusing on a human resources strategy that links with our growth strategies to achieve our ideal situation, and will reflect this in our various types of programs. Specifically, we have defined the ideal situation for both our organization and our human resources and are developing a human resources management program to build the ideal human resources portfolio to achieve our ideal situation. Through this, the MEDIPAL Group intends to continue to contribute to people's health and the advancement of society by being proactive and constantly evolving, no matter the changes in the operating environment.

Vision for our ideal human resources situation: future-oriented human resources

We have defined future-oriented human resources as our vision for the human resources that we need to realize the Group's management philosophy.

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

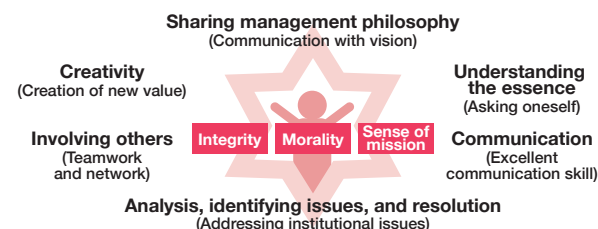
Morality

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

We have defined the six requirements for the human resources that will ensure a sound business base for the future of the MEDIPAL Group and develop our operations in



multiple directions while driving innovation (future-oriented human resources): sharing management philosophy; creativity; understanding the essence; involving others; communication; and analysis, identifying issues, and resolution.

Grand Design of the Human Resources Strategy

We have formulated the Grand Design of the Human Resources Strategy as a base for our human resource strategy that links with our management strategy. The goal of our human resources strategy is to maximize the value of the Group human resources. We will realize this through the evolution of individuals in interaction with the evolution of organizations. To achieve this, we built a five-stage individual and organizational growth cycle.

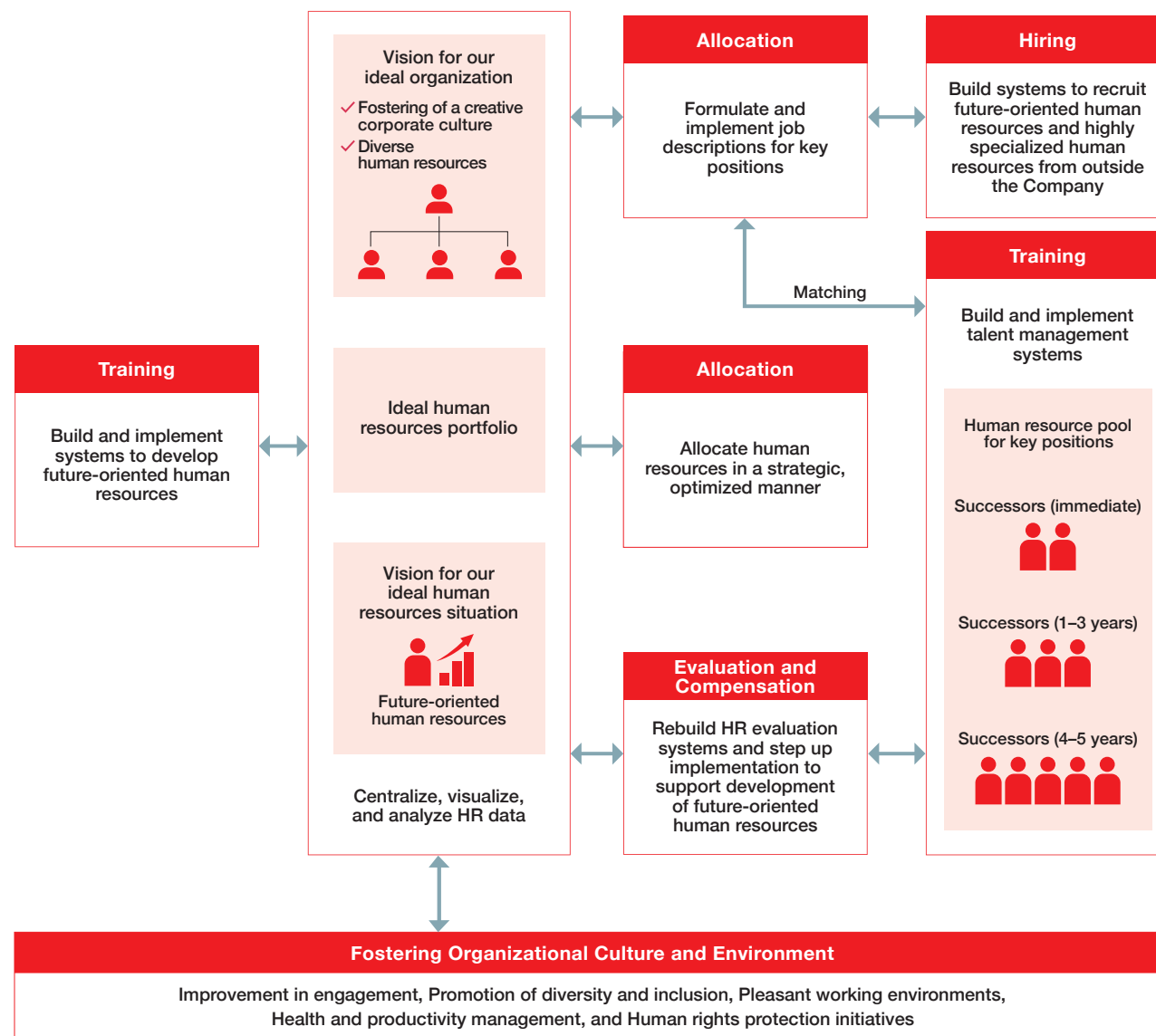
For the evolution of individuals, we will apply programs from the three viewpoints of developing them, bringing them together, and empowering them: (1) individuals exercising their initiative and strengths so that (2) the outcome and added value result in (3) internal synergy for the growth of organizations. The growth cycle is then completed as (4) the growing organizations create new value and (5) expand opportunities for individuals to use their abilities.

This cycle will underpin our human capital, build know-how, and lead to business innovation to enhance our earnings structure, realizing sustainable growth of corporate value.

Grand Design of the Human Resources Strategy



Talent management programs to maximize the value of Group human resources



Systems to Implement Our Strategy

To pursue the human resources strategy, our Human Resources Strategy Department is working out the entire concept and direction for the Group and developing platforms and other programs for overall management. Based on this, the actual programs are handed over to the administrative and HR departments of each Group company to implement according to their circumstances.

The Human Resources Committee meets once a month to ensure coordination between the Human Resources Strategy Department and the HR divisions of each Group company. This committee shares problems, measures, and actions for mutual understanding and greater strategic efficiency, engaging in discussion and coordination geared to the best overall outcome. Matters the committee has deliberated on and decided are reported to management levels as needed to underpin consistent strategies and rapid decision making.

Human Resources Committee in FY2024

Main discussion points

- Sharing the progress of and challenges involving the introduction of the new HR evaluation systems to Group companies
- Sharing initiatives for improvement and challenges based on the results of the survey of workplace culture
- Considering a human resources training program for the next generation of management and key positions
- Utilizing the talent management system to realize the human resources portfolio
- Progress report on the project to build Group human resources systems
- Hearings with the companies on the human resources strategy and the management of human resources overall

Human Resources Management Program

Centralize, visualize, and analyze HR data

The MEDIPAL Group introduced a talent management system for more advanced management of human resources to integrate and visualize information on human resources possessed by Group companies.

In FY2024, we collected information on career awareness. We also implemented a gradual transfer to the talent management system and collated evaluation information for the operation of the new human resources evaluation system. This information will be analyzed and put to use for the optimal allocation for both employees and organizations, strengthening our human capital.

Hiring

The Group believes it is essential to transform our recruitment activities to focus on quality not quantity, and as such we are shifting to hiring based on the requirements for future-oriented human resources. In FY2024 we hired 11 human resources with advanced and specialized knowledge and secured talent to support the realization of the growth strategies in our Medium-Term Vision. In the future, our approach will be to step up our hiring of human resources with expertise from outside the Company, including via referrals¹ by employees. In line with this, the entire Group will adopt a hiring policy aligned with the requirements of future-oriented human resources and develop systems to secure strategic talent.

Training

>> Build and implement systems to develop future-oriented human resources

To speed up our training of future-oriented human resources, we have launched a project to build a Group-wide development system centered on on- and off-the-job training and self-study in line with the individual business strategies of the Group

companies. Deliberations in the project revealed shared challenges throughout the Group such as personal growth, wider promotion of career design, and the development of the next generation of leaders, plus the need for organizational growth to support these. Currently we are steadily implementing specific programs to take on these challenges while ensuring mutual coordination between the various initiatives.

Going forward, we intend to introduce tiered leadership and management training and competency development training open to all types of job levels. Through these initiatives, we support employees' autonomous growth while continuously enhancing the Group-wide human resources development systems.

The Group is proactively advancing the development of future-oriented human resources through such measures, and is working swiftly to establish and implement a solid foundation for talent development that underpins sustainable organizational growth.

● Development of the next generation of leaders

To cultivate the next generation of leaders, we are implementing a selective program through the MEDIPAL Project Design Academy, aimed at enhancing practical management skills and leadership capabilities. All participants have successfully completed the full curriculum and received high evaluations. In addition, we are utilizing external programs to implement selective programs for developing female executive candidates and financial leaders.

FY2024 Results

- Next-generation leader development program, MEDIPAL Project Design Academy: 16 participants completed the program
- Female management and executive candidate development program: 4 participants completed the program
- Financial leader development program: 1 participant completed the program

● Strengthening management capabilities and supporting career development

In our training to improve management skills for managerial-level employees, we aim to enhance practical skills by linking goal setting with the demonstration of competency. We also continue to offer correspondence courses to enable each employee to proactively design their own career path. We encourage our employees to adopt career design and foster a stronger desire for personal growth.

FY2024 Results

- Training to improve management skills: 998 participants
- Correspondence courses: 478 participants (147 courses offered)

● DX literacy improvement and generative AI project

We are promoting the improvement of DX literacy and the development of DX professionals with our initiative for the "Enhancement of Business with and in Digital." In FY2024 we launched a generative AI project in which 300 selected employees are striving through trials to improve productivity and create new added value. The insights and challenges identified through the project are being shared inside the Group to be incorporated into future developments.

FY2024 Results

- Number of accesses to the DX literacy improvement self-study program: 2,910
- Number of use cases of generative AI shared within the Group: 7

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

>> Build and implement talent management systems

The Group is setting up systems to develop future-oriented human resources and is also working on building talent management systems. Our aim is to provide training tailored to individual needs and support career development, as well as expanding opportunities to be active at work to improve employee engagement and reduce employee resignations.

We will focus especially on the systematic, strategic, and sustained development through talent reviews and successor development plans for next generation management human resources and talent holding key positions, fostering core capabilities to support the growth strategy of the Group.

Each of the Group companies is currently engaged in the building of talent management systems as a trial program. In the program, key positions that lead the growth strategies of the Group companies are identified and job descriptions matching these positions are prepared. The talent management system finds human resources with high potential who show strong alignment with the required competencies, then formulates and implements successor development plans after discussions in the Human Resources Development Committee.

Through this trial, we will verify the effectiveness of these systems, looking toward a full-scale rollout through the entire Group in the future.

Allocation

As the Group executes the five growth strategies described in the Medium-Term Vision, we are transforming our human resources portfolio to align with changes in our business portfolio.

To shift our human resources portfolio, we formulate personnel plans for each business for strategic and optimal allocation.

In FY2024, we focused on human resource investment in growth strategy businesses and executed personnel transfers across the Group. We will continue to promote personnel exchanges within the Group and work to establish systems to support employees in developing their own careers.

Evaluation and compensation

We launched a project with members selected from each Group company to develop future-oriented human resources and

provide appropriate evaluation and treatment. In this project, we analyzed the current status of the different evaluation and compensation systems in place at the various Group companies. We then considered 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 their competitive edge while also generating synergies for the Group.

This resulted in the definition of MEDIPAL Core Competencies (MCC) shared by the entire Group and we have begun phased introduction of the new MCC-based evaluation system from FY2024, starting with Group companies which have completed preparations for introduction. Linking goal management and competency will promote achievement of individual and organizational goals and development of competency, facilitating the development of future-oriented human resources as well as leading to the optimal human resources portfolio and allocation of human resources for the entire Group.

Fostering organizational culture and environment

>> Improvement in engagement

The Group regularly conducts surveys on employee awareness and workplace environments to realize a better workplace

culture. These surveys use employee engagement and work engagement as metrics to measure the relations between employees and the Company and their motivation toward work, and identify issues in organizations.

The results of surveys in the past three years (FY2022 to FY2024) have shown rising figures over time. Specifically, employee engagement went from 3.5 to 3.7 and then 3.9 (on a five-point scale) while work engagement went from 2.9 to 3.0 and then 3.2 (on a six-point scale), with both metrics improving consistently over three consecutive years.

Having analyzed the results of surveys so far, the three elements that especially contribute to raising engagement in the Group are the linking of individual goals to organizational ones, open communication, and autonomy within the organization. We will develop initiatives that focus on these elements in the future.

Our aim is to promote mutual understanding and enhanced awareness to create better workplaces by first clarifying the issues for each Group company and then holding dialogues between management and employees as well as internal discussions. We will continue to conduct these surveys to foster a creative corporate culture and promote the active participation of diverse human resources.

New Evaluation System in FY2024

Operation

- Seven Group companies adopted the new evaluation system.
- We implemented evaluator training for employees in managerial positions in each Group company, covering goal setting, competency evaluation and utilization, and the holding of evaluator review meetings and the Human Resources Development Committee.
- The Group companies began to hold evaluator review meetings and Human Resources Development Committee meetings.

Outcomes and challenges

- In the initial fiscal year, we gained a certain level of understanding and acceptance of the system through various training courses, information sessions, evaluator review meetings, and the Human Resources Development Committee. Employees in managerial positions and ordinary employees indicated a positive attitude.
- However, there were variations in evaluations due to differences in interpretations among evaluators and how the system is implemented.
- Insufficient coordination of goal management and competency evaluations led in some cases to goals not being achieved and skills not developed.
- Going forward, we must continue evaluator and management training and add training to develop competency among those under evaluation to fully establish the system.

>> Promotion of Diversity and Inclusion

The MEDIPAL Group aims for human resources with diverse values, who exchange opinions and work with mutual respect regardless of gender, nationality, or background, to continue to drive personal growth and the development of the Company, based on our Declaration on Diversity and Inclusion, “Creating the shining future with bright personalities.”

Such efforts are promoted across the Company under the name of the MEDIPAL Cantabile Program,¹ which works on the three key themes of promoting understanding of diversity and inclusion, ensuring workplaces with high psychological safety, and promoting the active participation of women. The Group-wide Diversity and Inclusion Subcommittee explores and discusses grassroots initiatives that transcend organizational boundaries and puts them into practice.

The Group promotes diversity and inclusion by incorporating approaches to equity. Instead of only developing and supporting systems to address individual circumstances and differences, we also provide unconscious bias awareness training to all employees and ensure fair opportunities so that our workplace environments allow diverse human resources to act with fairness and justice.



FY2024 Diversity and Inclusion Subcommittee

Number of meetings held: 11

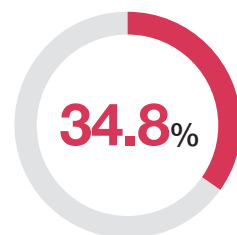
Main activities

- Annual D&I training for all employees
- Training for D&I section managers
- Annual unconscious bias awareness training for all employees
- Preparation of original leaflet on unconscious bias
- Monthly release of an email magazine on D&I, etc.

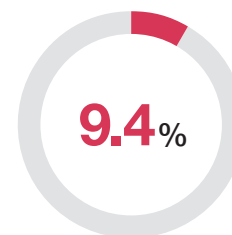
● Promotion of women's activity

The Group is committed to creating a workplace environment where all our female employees can thrive by choosing work styles that align with their life stages. With the aim of building an environment where both individual and corporate growth can be achieved, we have set a target of achieving the percentage of women in management positions of 20% or higher by FY2030, and are actively promoting various initiatives to realize this goal.

Percentage of
Female Employees
(Regular Employees)



Percentage of
Female Employees in
Management Positions



Examples of Activities Supporting Women's Empowerment

- Survey on career aspirations targeting female employees
- Sharing internally articles featuring interviews with female employees in managerial positions
- Holding Women's Empowerment Week 2025 and more

Awarded the Highest Level of Eruboshi Certification (Three Stars)

MEDICEO CORPORATION and ATOL CO., LTD. received the highest level of Eruboshi Certification (three stars) from the Minister of Health, Labour and Welfare for our initiatives to promote women's empowerment.



Focus

Women's Empowerment Week 2025

The Group has designated March 1–8 each year as Women's Empowerment Week, during which we carry out Group-wide awareness initiatives in alignment with International Women's Day. In 2025, we held a panel discussion featuring young section managers and hosted an employee-participation poster design contest to promote understanding from diverse perspectives. We also introduced accessible ways for all employees to take part, such as wearing mimosa-colored attire and decorating office spaces.



1. Cantabile is a musical term meaning song-like. Everyone working in the MEDIPAL Group wants to be part of an “Orchestra in Support of People's Health” that brings a rich song-like tone to the performance, rather than simply playing off the musical score (in their job roles).

● Diversifying employment

Through employing diverse categories such as new graduates, mid-career hires, people 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 2.76% as of March 31, 2025, and we will continue to actively hire people with disabilities and promote their activities.

At PALTAC CORPORATION, an alumni network has been established to engage former employees and declined job offer recipients (alumni), with the aim of enabling them to apply the new experiences and insights gained outside the company and thrive once again. Several individuals have already been rehired through this network and are actively contributing to the organization.

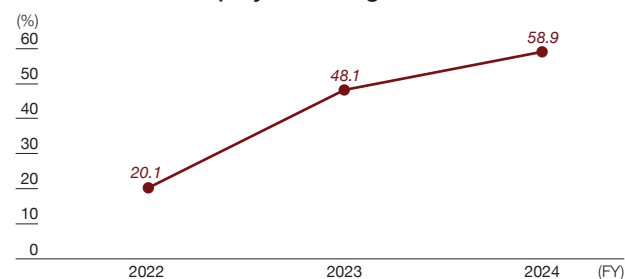
>> Pleasant working environments

The MEDIPAL Group is committed to creating workplace environments where every employee can work with peace of mind, while respecting each individual's lifestyle and values. At the same time, we are enhancing our support systems to promote physical and mental well-being, fostering an environment where everyone can continue working in good health.

● Encouraging male employees to take childcare leave

The Group has set a target of achieving a 100% of male employees taking childcare leave by FY2030, and is working to create a workplace environment where everyone can work with positivity, enjoyment, and a forward-looking mindset. By clearly stating this target, we are actively promoting a range of initiatives aimed at increasing awareness of the system and fostering a workplace culture in which taking childcare leave is encouraged and supported.

Trends in male employees taking childcare leave¹



Examples of Initiatives to Encourage Male Employees to Take Childcare Leave

- Sharing interview articles featuring male employees who have taken childcare leave
- Sharing informational materials about male employee childcare leave policies and how to take leave, and more.

Voice

Took childcare leave under the slogan “Creating Better Workplace Environments”



Hiroki Matsumoto

Manager, Head of Southern-Japan Food Sales Section 1, Southern-Japan Food Sales, Sales & Marketing MP Gokyo Food & Chemical Co., Ltd.

I took one month of childcare leave for both the birth of my fourth and fifth children. As a manager, I initially had some hesitation about taking leave, but my supervisor and team members encouraged me, under the shared slogan of “Creating Better Workplace Environments,” to take childcare leave regardless of gender or position. By thoroughly organizing and handing over my duties in advance, I was able to ease my concerns.

Through childcare leave, I was able to experience my children's growth firsthand and spend meaningful time with my family, an experience which I consider a great personal asset. Additionally, during my absence, the team members who took over my responsibilities had the opportunity to take initiative and demonstrate ownership in their work. As a result, I believe they gained valuable experience, which contributed to the growth of the entire team. Even after returning to work, I continue to balance childcare and my professional duties by making use of remote work and paid leave programs. Going forward, I hope to use my own experience to help foster a workplace culture where everyone feels empowered to take childcare leave.

1. Applicable companies for FY2022: 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
Applicable companies for FY2023 and FY2024: MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries

● Supporting employees' work-life balance

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

Also, we are providing continued support for childcare after childbirth by offering financial assistance for respiratory syncytial virus (RSV) vaccinations¹ to pregnant female employees to prevent RSV infection during infancy. This support aims to reduce anxiety related to infant health and enhance peace of mind in balancing childcare and work.

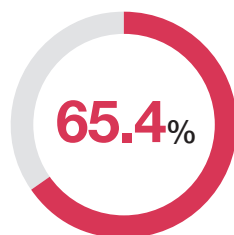
● Promoting workstyle reform

The Group has introduced flexible work arrangements such as staggered working hours, variable working hour systems, telecommuting, and flextime, to promote more efficient ways of working. Through these initiatives, we are working to reduce overtime and improve the rate of paid leave utilization.

Monthly Average
Overtime Work



Average Percentage of
Paid Leave Taken



>> Health and productivity management

As a distribution networking group that supports the business fields of “Pharmaceuticals, Health, and Beauty,” the MEDIPAL Group believes that fostering an environment where each employee maintains a strong awareness of health and can work with vitality is a fundamental foundation for the sustainable growth of the company. Based on this belief, we regard the maintenance and promotion of employee health as a key management issue and are actively promoting health-oriented management.

● Improvement in health checkups and increase in the participation rate

The MEDIPAL Group provides regular health checkups for employees with a participation rate of 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 to detect any illness early and prevent disease.

● Mental health measures

The Group is dedicated to protecting the mental health of its employees, providing mental health education and conducting awareness-raising activities in Group companies. We have also established an EAP Hotline² and put in place a system allowing consultations with dedicated counselors on problems relating to work and personal life.

● Prevention of lifestyle-related diseases

The Group has established a Health Month, during which we promote employee engagement through initiatives focused on

improving dietary habits, as well as encouraging the viewing of seminar videos aimed at addressing lifestyle and health-related issues. In addition, to help establish regular exercise habits, we are working to raise health awareness among employees through collaborative initiatives with the health insurance association and by promoting participation in company-specific online walking events.

● Recognition as an “Outstanding Organization of KENKO Investment for Health 2025”

We have been recognized in the 2025 Outstanding Organizations of KENKO Investment for Health Program,³ jointly administered by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



● Recognition as a “Sports Yell Company 2025”

ATOL CO., LTD. was certified by the Japan Sports Agency as a Sports Yell Company 2025 in recognition of its proactive approach to supporting employee health through promoting sports initiatives.



1. Applicable companies: MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., and TOSHICHI CO., LTD.

2. Employee Assistance Program (EAP) Hotline: A contact point for employees to consult a professional counselor on a wide range of concerns about their work or personal lives

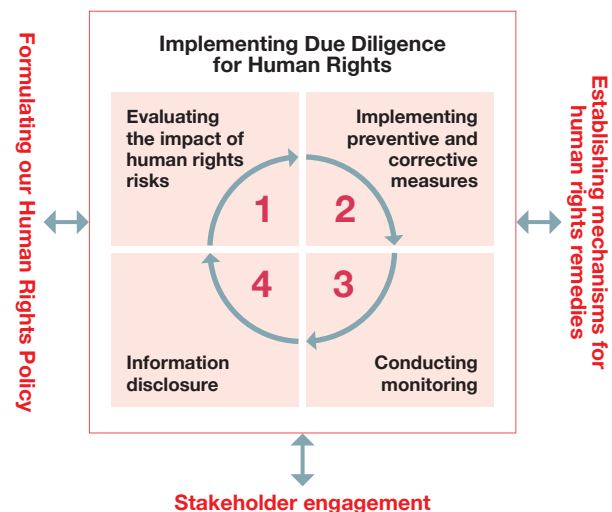
3. Applicable companies: (Large enterprise category) MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, MP AGRO CO., LTD., MP Gokyo Food & Chemical Co., Ltd. (Next Bright 1000 Program for Small and Medium-Sized Enterprises) TOSHICHI CO., LTD. (Small/medium-sized enterprise category) ASTEC Co., Ltd., PharField Corporation, MEDIE Co., Ltd., Medipal Insurance Service Co., Ltd., class A Network Co., Ltd.

>> Initiatives for respect for human rights**● Approach to human rights**

In the course of its business activities, the MEDIPAL Group respects the individuality of its employees and attaches great importance to their right to pursue happiness. We are engaged in ongoing efforts to build environments that protect the human and working rights of every individual, such as by establishing internal regulations and an external hotline. We strive to eliminate every type of harassment or discrimination based on gender, age, race, nationality, beliefs, religion, social status, or physical and mental disability, while also making it our basic stance to respect the human rights of all the stakeholders involved in our businesses.

● General overview of our initiatives for respect for human rights

Based on our Human Rights Policy, the MEDIPAL Group identifies impacts on human rights through internal and external assessments, takes preventive and responsive measures against identified risks, and provides appropriate remedies as necessary.

**● Promotion system**

The MEDIPAL Group's initiatives on human rights are deliberated by the CSR Committee, which promotes sustainability management, and their compliance and implementation are supervised by the Board of Directors.

● Due diligence for human rights

In our Group, we are advancing initiatives based on a human rights due diligence framework with the aim of preventing and mitigating adverse human rights impacts in our business activities.

We regularly conduct risk questionnaires and interviews with Group companies to identify priority human rights issues, evaluating them along the axes of the likelihood of occurrence and the degree of impact.

● Fostering awareness and understanding among employees

To foster awareness and promote understanding based on our Human Rights Policy, we conduct awareness-raising initiatives for all employees.

Key Initiatives

- Training programs on diversity and inclusion and unconscious bias, information security, and harassment prevention (including sexual harassment and power harassment).
- Continuous information-sharing, such as posting awareness-raising posters and so forth.

● Development of harassment prevention regulations

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

● 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 such problems. The consultations are dealt with by qualified industrial counselors, clinical psychologists, and psychiatric social workers. They can be made 24 hours a day via telephone or online. We also accept anonymous consultations.



Distribution Facilities Capital Strategy

Prescription Pharmaceutical Wholesale Business

The Prescription Pharmaceutical Wholesale Business of the MEDIPAL Group has established an optimized nationwide distribution network to support “Pharmaceuticals, Health, and Beauty” by integrating 13 ALCs* and three Medical Ryutsu Centers (MRCs). Our ALCs ensure a stable supply of over 20,000 items with a product fulfillment ratio exceeding 99%, while our MRCs serve as next-generation logistics platforms for manufacturers, focused on greater

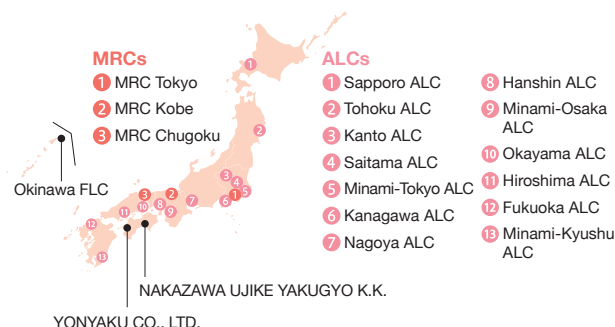
efficiency, reducing unnecessary processes, and easing the burden on workers. We are also developing our multi-temperature logistics system and working on the realization of strict quality control and delivery processes for specialty pharmaceuticals. In addition, we are promoting initiatives such as direct-to-home deliveries for patients who have difficulty visiting hospitals, and joint delivery systems that reduce both costs and CO₂ emissions.

Logistics Network Centered on ALCs and MRCs

ALCs maintain inventory of more than 20,000 pharmaceutical products, medical equipment, tools and clinical materials, and clinical diagnostics, and utilize high-efficiency distribution systems to optimize the entire process from order to delivery. MRCs, designed based on the expertise gained from ALC operations, serve as logistics hubs. Working in coordination with pharmaceutical wholesaler distribution centers, MRCs play a role in manufacturer distribution. Through cooperation between these two types of centers, we have built a stable, nationwide supply network capable of delivering products quickly and reliably to medical institutions. The distribution platform resulting from cooperation between ALCs and MRCs eliminates inefficiencies and waste, and accommodates a wide range of medical needs with enhanced safety, reliability.

Optimized nationwide distribution network

Distribution centers including 13 ALCs and three MRCs work in close coordination to ensure uninterrupted distribution across Japan even in times of emergency.



Distribution centers that form the core of our supply chain



Shared features of MRCs and ALCs

High-quality distribution aligned with GDP* guidelines

We comply with GDP guidelines and have established standard operating procedures (SOPs)* in accordance with the procedures of each manufacturer. In our DP-Terminal-certified¹ cold storage areas, temperatures are monitored 24/7. Shipping and receiving zones are equipped with dock shelters to block outside air and dust, and we regularly conduct environmental assessments and implement measures to protect against insects and rats. An ID-based access control system is in place to manage entry and enhance security, preventing counterfeiting and theft.

Comprehensive disaster preparedness

In-house power generators and voltage regulation equipment ensure that material handling systems continue to operate stably even during power outages. Seismic isolation devices (μ-Solators) are installed to prevent products from falling or being damaged, enabling a swift return to operations in the event of a disaster.

Features of ALCs

Over 99% product fulfillment ratio²

To ensure proper management of over 20,000 diverse products, we have developed a proprietary demand forecasting system based on shipping data. This enables us to maintain a product fulfillment ratio of over 99%, supporting a stable supply with no stockouts.

Fully sealed packaging for each customer

To deliver pharmaceuticals, medical supplies, and reagents safely and securely, all orders are individually packaged and sealed within the ALC for each customer. We employ a no-touch system that ensures no one handles the package after sealing, and use environmentally friendly plastic for the seal bands.

Services that save customers time

Inspection by individual scans*

Inspection is completed simply by scanning the barcode on the delivery box, significantly reducing work time.

Shelf-location-based delivery

Based on each customer's shelving layout of pharmaceuticals, items are packaged and delivered in shelf order, reducing the need for sorting and shelving after delivery to improve work efficiency and free up time for core tasks.

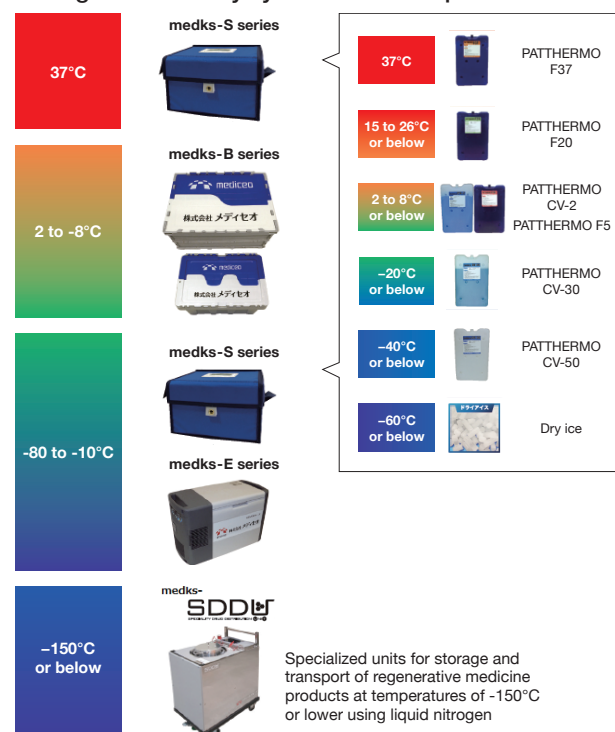
1. A certified facility specializing in temperature- and security-controlled logistics compliant with GDP guidelines under the DP-Cool pharmaceutical cold-chain transport service operated by Dia Pharmaceutical Network Co., Ltd. the dedicated pharmaceutical transport company of Mitsubishi Logistics Corporation.
2. Normal stock fulfillment ratio of 99.8%

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

Multi-temperature Logistics System

Products such as regenerative medicine products that require strict temperature control, including cell products and pharmaceuticals, are steadily developing. The MEDIPAL Group has built a storage and delivery system that supports a full range of temperature zones, from ultra-low temperatures below -150°C to 37°C, providing a safe, secure, and highly convenient platform for multi-temperature logistics.

Storage and delivery system for all temperature zones



We have developed a storage and delivery system that supports the full range of temperature zones required for pharmaceuticals. Under strict quality control, we ensure products are delivered safely and securely.

Supporting the Distribution of Specialty Pharmaceuticals

Specialty pharmaceuticals, such as orphan drugs, high-cost medications, biopharmaceuticals, and regenerative medicine products, are vital treatment options that can save patients' lives. Demand for these products is expected to continue growing. The distribution of such products requires a high level of expertise and capability, including strict quality control, support for a wide range of temperature zones, and advanced traceability systems.

We view meeting these demands as part of our new mission in pharmaceutical distribution. By leveraging our Group's advanced logistics infrastructure, we have established a system that provides integrated support from manufacturing to final distribution, striving to ensure both safety and efficiency throughout the distribution process.

In addition, by offering solutions that optimize the entire supply chain, we are helping to ensure a safe and reliable supply system for healthcare providers and patients, while also responding effectively to the increasingly diverse needs of modern medicine.

Secure transport packaging Medks-SHIP

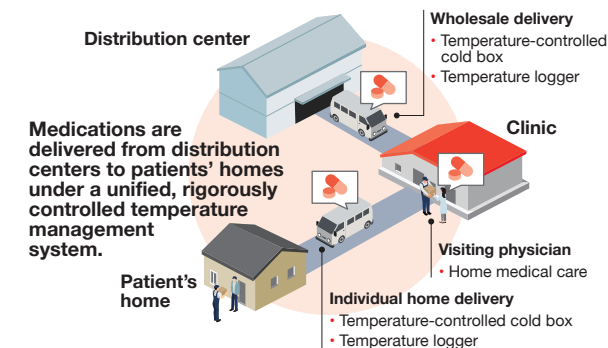
We have developed a sealed transport container equipped with a temperature logger. Each medication is stored individually, allowing verification of whether it has been opened and enabling temperature monitoring of any medication that remains inside. This system also helps prevent contamination or unintentional opening of individual pharmaceutical packages during transport or storage.



Home Delivery of Specialty Pharmaceuticals

The Group is conducting a home delivery trial for medications used in the treatment of ultra-rare lysosomal storage diseases, delivering them directly to patients' homes. While home-based care is a valuable option for patients who have difficulty visiting medical facilities, there are issues that hinder broader adoption such as drug weight, temperature control, and inventory risks. To address these issues, we have developed a proprietary distribution model that delivers medications directly from clinics to patients' homes under strict quality control systems. Feedback from physicians and families who have used the service includes comments indicating greater confidence about continuing treatment. Going forward, we aim to expand this model in collaboration with dispensing pharmacies and apply it to other specialty pharmaceuticals, contributing to improved quality of life for patients and the creation of new value in healthcare.

Overview of home delivery services



Sharing Logistics (Shared Delivery and Collection)

MEDISKET CORPORATION, jointly established in March 2022 by the Company and H.U. Group Holdings, Inc., aims to build Japan's largest healthcare distribution platform. By integrating pharmaceutical deliveries with the provision of materials and the collection of specimens, we expect to reduce both costs and greenhouse gas emissions.

▶Details on page 49



Distribution Facilities Capital Strategy

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Developing a Logistics Model with Far and Away the Highest Productivity

At its RDC logistics strategy hubs, PALTAC CORPORATION is working to further advance its latest SPAID* model, which combines accumulated logistics know-how with AI and robotics technologies, as part of efforts to develop a new logistics model that will more than double productivity. In FY2024, the company completed concept development and basic design, and has since moved into the detailed design phase. It has also begun prototyping material handling equipment aimed at improving productivity in piece-picking operations.

As part of its drive to expand domains where the values of logistics could be provided, PALTAC CORPORATION launched an integrated logistics service in September 2024 that manages and delivers ambient-temperature food and non-food products together. This reduces operational workloads by cutting the number of trucks and receiving instances, while

Features of RDCs

Delivery accuracy
99.999%

High delivery accuracy through a product inspection system

By using JAN and ITF codes together with weight inspection, we eliminate shipping errors and achieve highly accurate logistics supporting EDI.¹

Enhanced productivity
x2

Doubling productivity and enhancing safety through implementing SPAID

We have doubled work efficiency and, through the use of robots, created a safer and more comfortable logistics environment.

Number of patents
18

Proprietary high-efficiency logistics technology

We have developed our own logistics technologies utilizing AI and robotics, and have obtained 18 patents to date.

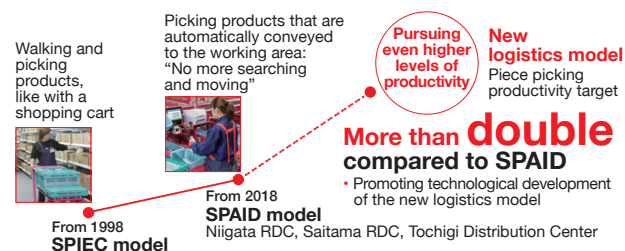
PALTAC CORPORATION pursues optimization and efficiency across the entire supply chain, from production through to consumption. Rather than focusing solely on reducing distribution costs, we take a point-of-sale-driven, end-to-end view of the logistics process, succeeding in eliminating waste and raising productivity. Our proprietary logistics system, which boasts shipment accuracy of 99.999%, is highly regarded across industries and continues to evolve. At its core are 16 large-scale regional distribution centers (RDCs)* located nationwide. PALTAC CORPORATION

has created a database of sales plans and results for roughly 50,000 items, providing high-quality solutions that support cost rationalization from manufacturers' production volumes to in-store inventory and display management. PALTAC CORPORATION is "Taking on the challenge to create new value: developing a new logistics model" as one of four key strategies in its Medium-Term Management Plan, PALTAC VISION 2027, announced in May 2024, and aims to develop an industry-leading logistics model with far and away the highest productivity as part of this strategy.

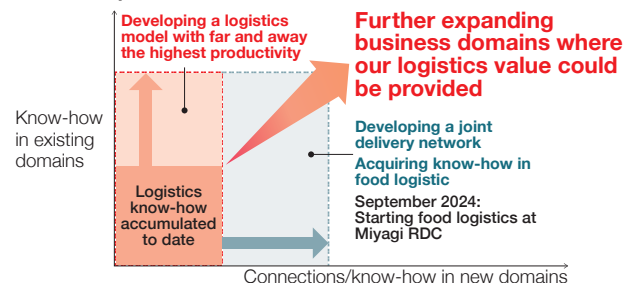
also contributing to lower greenhouse gas emissions. Looking ahead, the company plans to expand shipment volumes while building up its expertise in food logistics.

Through these initiatives, PALTAC CORPORATION is working to improve its selling, general and administrative (SG&A) expenses ratio and capital expenditure efficiency and to build a sustainable business foundation despite an external environment marked by rising delivery costs and material prices.

Changing logistics models and next targets



Domains where the value of our logistics solutions could be provided



Voice

Balancing efficiency and accuracy through integrated logistics and on-site collaboration



Yohei Kato

Logistics Headquarters
PALTAC CORPORATION

In September 2024, we launched integrated logistics at Miyagi RDC for cosmetics and daily necessities, and food products. By reviewing our delivery arrangements with retailers and delivering both categories on the same vehicles, we have improved transport efficiency and reduced in-store workload. At the distribution center, we are strengthening coordination with related departments and part-time staff to handle packaging formats unique to food products, ensuring highly accurate operations. Going forward, we will continue to address challenges such as delivery timing and volume adjustments while deepening collaboration both inside and outside the company to make further improvement toward establishing a sustainable logistics framework.

1. Electronic data interchange

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



Intellectual Capital Strategy

The MEDIPAL Group has accumulated expertise and knowledge as intellectual capital through our work to upgrade and enhance logistics functions to meet diverse needs, as well as our efforts to develop PFM[®],* PMS,* and other new businesses. We are leveraging this intellectual capital and promoting the growth strategies set out in the 2027 MEDIPAL Medium-Term Vision to enhance our human

resources with advanced and specialized knowledge, deepen our collaborations with various partners, and expand our business domains. Going forward, we will work to further improve our knowledge and discernment to aid in developing new business models, while also continuing to accumulate and share knowledge within the organization and strengthen our intellectual capital further.

New Businesses through Accumulated Know-how and Knowledge

The business environment in Japan has become increasingly difficult due to the ongoing decline in the birthrate coupled with an aging population, ballooning social security costs, and a shrinking working population. These changes are not temporary trends, and are expected to have a medium- to long-term impact not only on the healthcare industry, but also on each business in the MEDIPAL Group. In light of this context, we are pursuing new business development as one of our key strategic initiatives to shift toward a more sustainable earnings structure less susceptible to government policy such as changes to the medical insurance system.

Significance of PFM[®] and main products

The PFM[®] business model encompasses the development and stable supply of orphan drugs, thus embodying the MEDIPAL

New businesses using our advantages and strengths

Advantages of the new businesses in the Group

Insights and ability to act

Ability to identify projects with potential at an early stage and then put in place a business model capable of not only achieving commercial success but also social value



Strengths of management resources

Nationwide distribution platform and human resources with advanced expertise

Group's social mission of contributing to improving quality of life for patients and their families. We will continue to support the commercialization and stable supply of orphan drugs by utilizing our sophisticated logistics know-how, our wide-ranging knowledge and discernment in the rare disease field, and our strong partnership with pharmaceutical manufacturers in this field.

Initiatives aimed at moving into overseas markets

For "Expansion of Overseas Business," one of the growth strategies in the Medium-Term Vision, we are leveraging the highly advanced distribution functions of the MEDIPAL Group and utilizing our partnership with JCR Pharmaceuticals Co., Ltd. to tackle new business in global markets.

JCR Pharmaceuticals Co., Ltd. is focused on the research and development of several products for the treatment of rare LSDs that use J-Brain Cargo,¹ JCR's proprietary blood-brain barrier (BBB) penetration technology. The MEDIPAL Group is committed to supporting drug development in the ultra-rare

AR*
activities

PFM[®]

PMS

Digital
businesses
Other

As a result of having nurtured these businesses for 10 years or more, we have now handed them over to Group companies where they have established stable profit bases. The Group has now entered the next growth phase and is working to further expand its business domains and achieve innovation toward creating new value.

disease field, which is generally considered highly challenging. As a company engaged in healthcare, we are dedicated to creating lasting social value by helping deliver new treatments to patients around the world who are eagerly awaiting them.

Initiatives with JCR Pharmaceuticals Co., Ltd. in ultra-rare disease medications development and commercialization

October 2022	Signed a memorandum of understanding on exclusive global commercialization negotiation rights for four new drug candidates for ultra-rare diseases, and secured a license agreement for commercialization of a treatment for fucosidosis.
September 2023	The license agreement for the overseas commercialization of a BBB-penetrating α-N-acetylglucosaminidase preparation (development number: JR-446) for the treatment of mucopolysaccharidosis type IIIB and the joint development and commercialization agreement in Japan have been concluded.
December 2024	Clinical test in Japan for mucopolysaccharidosis type IIIB: The first dose was administered to the first subject in a Phase I/II clinical trial in Japan for JR-446.
May to June 2025	JR-446 received Orphan Designation from the U.S. Food and Drug Administration and the European Commission for the treatment of mucopolysaccharidosis type IIIB

1. This is a technology that enables the targeted drug to cross the BBB by utilizing the transferrin receptor expressed on the surface of endothelial cells in the brain's capillaries.

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

Voice

Delivering new treatments to patients around the world

— Tackling the challenges of ultra-rare diseases —



Tatsuro Narahara

Pharmaceutical & Global Business Development Group,
Pharmaceutical & Global Business Development Department,
Business Development Division
MEDIPAL HOLDINGS CORPORATION

I am currently engaged in the development of treatments in Japan and the formulation of global expansion strategies for two ultra-rare diseases: fucosidosis and mucopolysaccharidosis type IIIB. Having come into contact with the heartfelt hopes of patients and their families, I feel a profound sense of mission. Working hand in hand with our partner, JCR Pharmaceuticals Co., Ltd., we are tackling challenges in the field of ultra-rare diseases with flexible thinking, unconstrained by conventional industry norms.

Moving forward, we will continue to advance the development of these treatments and establish a global distribution network. By delivering therapies to patients around the world, we aim to lay the foundation for the Group's global expansion and bring smiles to the faces of patients and their families.

Digitalizing Supply Chain Information

Taking on the challenge to create new value

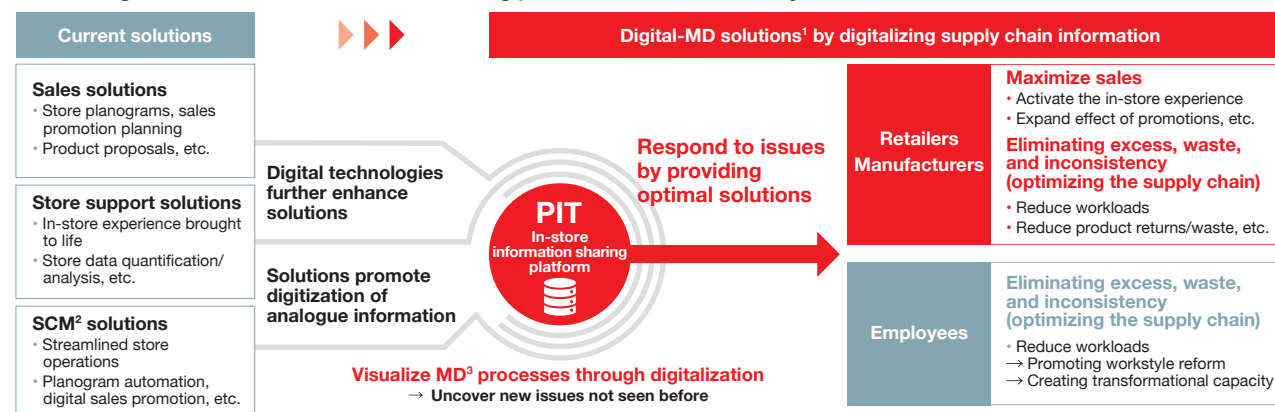
PALTAC CORPORATION has set "Taking on the challenge to create new value" as one of the key strategies in "PALTAC VISION 2027." There is a lot of logistics information in the supply chain that has yet to be visualized. PALTAC CORPORATION is

using in-house functionality to turn this information into data for input into the PIT information-sharing platform in order to visualize distribution processes. This will allow the company to uncover issues not seen before and deliver solutions to optimize the entire supply chain, including programs to reduce the

environmental burden through fewer product returns and sales growth in a store-oriented fashion.

We are currently working to digitize logistics information through each of our solutions, while steadily organizing the master data essential for effective data utilization.

Promoting the use of the information-sharing platform called the PIT System



Expansion of AGRO & FOOD Business

MP Gokyo Food & Chemical Co., Ltd. and MEDIPAL FOODS CORPORATION were integrated in October 2024. Through this integration, we aim to further enhance the effective use of management resources and strengthen our nationwide customer base. By offering value that meets the increasingly diverse needs of our clients and consumers, such as health-conscious foods and foods with function claims, we are working to further develop our food business.

GLYLOID® in food product development

GLYLOID® is a polysaccharide tamarind seed gum supplied by MP Gokyo Food & Chemical Co., Ltd. Its unique properties can be utilized in a range of applications in food and personal

care products and even industrial chemicals. GLYLOID® is an excellent stabilizer from the perspective of mouthfeel and ease of use, and can even be used in high protein and nutrient rich foods for which demand is forecast to increase.

GLYLOID® has a major role to play in the development of these types of food products and has built a powerful reputation that helps us embody the "Your Helping Hand" corporate slogan of MP Gokyo Food & Chemical Co., Ltd.



The GLYLOID® Japanese-language product website (<https://www.glyloid.com/>) has information on GLYLOID® use and various technologies

1. A service that digitally solves product merchandising issues that originate in the store
2. Managing the supply chain
3. Merchandising

Expansion of Prevention and Pre-disease Business

In May 2024, we acquired all shares of PreMedica Inc.

PreMedica Inc. specializes in disease risk testing in the field of preventive medicine, a business that aligns with the current healthcare trend of shifting from treatment to prevention. The company uses cutting-edge technologies to gain a better understanding of the future risk of disease onset across a wide range of medical conditions. This information can help test recipients manage their physical condition so that they are less likely to develop a particular disease in the future.

From the standpoint that good health is said to start with the gut, PreMedica is focused on the Flora Scan® test. Through the testing service, sales growth is expected via not only medical institutions but also new non-hospital sales channels.

PreMedica Inc. is aiming to reach 10 million service users and is expanding its aftercare services that support behavioral change to help extend users' healthy life expectancy. As part of this effort, the company conducted a joint research project with Setsunan University called the Gut Health Bento Project, focusing on the theme of gut health which can be easily incorporated into everyday life. Additionally, it conducted a year-long longitudinal study on the gut microbiota of players from Kagoshima United FC to investigate the relationship between changes in gut microbiota and athletic performance. This research aims to establish new health management methods that can also be applied to the general public.



Gut flora testing service
Flora Scan®

— Focus

PreMedica Inc. received the Special Award: Database Development Award in the Evidence Category of the DST EVIDENCE AWARDS 2024

To further strengthen the credibility of Flora Scan®, which was developed through industry-academia collaboration, PreMedica Inc. continuously works to enhance the evidence related to the gut environment. In particular, by exploring the relationship between lifestyle habits such as diet and exercise and gut microbiota, the company aims to improve test accuracy, offer personalized health recommendations, and create new services.

Flora Scan® uses a database of subject data (from 1,803 Japanese individuals) linked to high-precision clinical data obtained through 16 clinical studies conducted by Kyoto Prefectural University of Medicine. Furthermore, by standardizing all analytical methods from DNA extraction of gut bacteria to final analysis, the company ensures the acquisition of high-quality gut microbiota data. With a sufficient number of samples, comprehensive health and disease data, and high-accuracy background information on subjects, combined with standardized analytical methods, the company has constructed a database that meets the essential criteria for analyzing the gut flora types of the Japanese population.

Research related to Flora Scan® titled Development of a Gut Environment Assessment System Using a Japanese Gut Microbiota Database and Commercialization of the Testing Service was submitted to the Evidence Category of the DST EVIDENCE AWARDS 2024 hosted by Data for Social Transformation,¹ winning

the Special Award: Database Development Award. The project was recognized as a solid example of database construction for solving social issues.

At PreMedica Inc., we are committed to creating a new type of health checkup that goes beyond the traditional approach and leads to specific lifestyle improvements and increased health awareness. We will continue to utilize the knowledge gained from our research on the intestinal microbiota to develop evidence-based methods for improving the intestinal environment, aiming to implement health management solutions that can be widely used by the general public.



Scene at the awards ceremony

1. A third-party evidence verification institution established in November 2022. It focuses on resolving issues in social security fields such as healthcare, nursing care, welfare, poverty, employment, and education by using data to uncover evidence in the prevention phase before disease, caregiving, or poverty occurs. It brings together academia, corporations, and local governments to collaboratively tackle social issues, from research to real-world implementation of evidence-based solutions

Social and Relationship Capital Strategy

The MEDIPAL Group positions partnership building as a core strategic pillar and works to strengthen its social and relationship capital. In the digital health field, it operates services such as Clinical Cloud and Boshi-mo. The Group also invests in domestic and overseas start-ups through

its corporate venture capital (CVC) fund to drive business expansion. In the area of social contribution, it addresses a wide range of issues, including support for community healthcare, rare diseases, pediatric medicine, and young carers, with the aim of helping to build a sustainable society.

Building Partnerships to Create New Business Models

To respond to diversified social needs, the MEDIPAL Group is collaborating with partners in various business fields to create unprecedented business models as part of the growth strategies in the 2027 MEDIPAL Medium-Term Vision.

Main Initiatives in Building Partnerships

2006–	Improving the efficiency of medical care	Entered into a capital and business alliance with Medical Data Vision Co., Ltd. in 2006. Began operation of the medical information portal site Clinical Cloud in cooperation with Medical Data Vision Co., Ltd.'s subsidiary, Doctorbook INC., in 2019.
2016–	Improving health	Entered into a capital and business alliance with MTI Ltd. Conducting initiatives to increase market share by expanding MTI's Luna-Luna Medico service, which connects women with physicians, and the maternal and child health handbook app Boshi-mo.
2019–	Stable supply of pharmaceuticals	Entered into a capital and business alliance with Mitsubishi Logistics Corporation. Establishing an optimal pharmaceutical distribution system covering all processes from the time products leave the manufacturer's facility until they reach patients.
2020–	Integration of distribution functions	Entered into a strategic business alliance agreement with H.U. Group Holdings, Inc., in the medical and healthcare sectors.
2020–	Enhancing productivity throughout the supply chain	Engaged in a joint initiative with major dispensing pharmacy groups and drugstores to develop an optimized model for pharmaceutical distribution to help achieve the SDGs.
2022–	Pharmaceutical development overseas	MEDIPAL and JCR Pharmaceuticals Co., Ltd. executed a memorandum granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR Pharmaceuticals for ultrarare diseases.
2022–	Investment in generic drug companies	Invested in Nichi-Iko Pharmaceutical Co., Ltd., KYOWA Pharmaceutical Industry Co., Ltd., and Teva Takeda Pharma Ltd. Working to establish a new production and distribution model for generic drugs.
2023–	Introducing state-of-the-art distribution functionality	Increased productivity through the introduction of AI technologies from Fujitsu Limited, and have also introduced a fault detection system for materials handling equipment, jointly developed with Shinyei Technology Co., Ltd., and electronic SCM labels ¹ using SmartTags, jointly developed with AIOI-SYSTEMS CO., LTD.
2024–	Moving into prevention and pre-disease	Acquired all shares in PreMedica Inc. and has expanded the prevention and pre-disease product portfolio and business using the company as a platform.
2025–	Promotion of industry–government–academia collaboration	Launched joint industry–academia development with Juntendo University. Promoting collaboration among industry, government, and academia to address social issues.

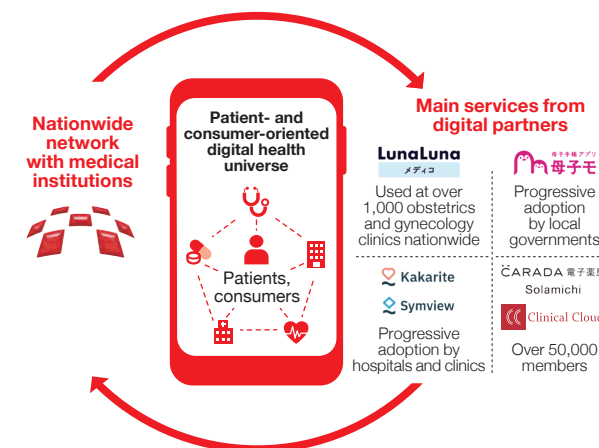
Providing Digital Health Services in Collaboration with Partners

The MEDIPAL Group is collaborating with digital partners to build digital platforms and pursue healthcare DX through promoting and expanding digital services in medical and healthcare fields. In the medical field, we are using the medical information portal

site Clinical Cloud to provide the latest medical information to clinicians and develop better quality regional cooperation in medical care.

In addition, by supporting the introduction of clinic-oriented DX solutions such as Luna-Luna Medico, a service which connects women with physicians, LAYERED Inc.'s online medical questionnaire system Symview, and the patient management system Kakarite, we connect medical institutions and patients, facilitate smoother medical communication, improve operational efficiency at medical institutions, and help ensure the delivery of high-quality healthcare. Another initiative has seen municipalities adopt the Boshi-mo maternal and child health handbook app, thereby helping to create a safe and secure society for raising children.

Digital Health Services in Collaboration with Partners



1. Shipper container marking labels

Business Investment Through a Corporate Venture Capital (CVC) Fund

Through MEDIPAL Innovation Fund, a CVC fund which we established jointly with SBI Investment Co., Ltd., we are using the diverse sourcing functions of SBI Investment and their extensive investment experience to invest in and support the growth of 14 startups in Japan and overseas. As a result, we have advanced investment in new fields such as digital health and biohealth, expanding our business domains beyond conventional areas.

Going forward, we will continue working to expand our revenue base and maximize corporate value, while contributing to the realization of a sustainable economic society.

Investment by the MEDIPAL Innovation Fund

>> Investment in N.B.Medical Inc.

The Fund has invested in N.B.Medical Inc., which possesses device design technologies that enhance operability and safety within delicate cerebral blood vessels, as well as coating technologies that suppress thrombus formation and promote adhesion of vascular endothelial cells. Through this investment, we aim to address significant clinical challenges in endovascular treatment, contributing to improved public health and the development of a sustainable society.

In addition, through this investment, we will expand our portfolio of products that meet unmet medical needs and pursue business growth.

>> Basic agreement on investment in and business alliance with Aculy's Pharma, Inc.

Aculy's Pharma, Inc., is a Japan-based pharmaceutical venture working to resolve the issues of drug lag and drug loss in Japan, and to address social challenges in the field of neurological and psychiatric disorders. The company introduces innovative pharmaceuticals approved overseas into the Japanese market and promotes their rapid development.

In addition to providing our distribution capabilities, we have entered into a business alliance agreement to support the market penetration of Aculy's Pharma, Inc.'s development products through commissioned services such as promotional support and product logistics. Through this initiative, both companies aim to enhance their corporate value.

Increasing Points of Contact with Domestic and Overseas Manufacturers (Improving Procurement Capabilities)

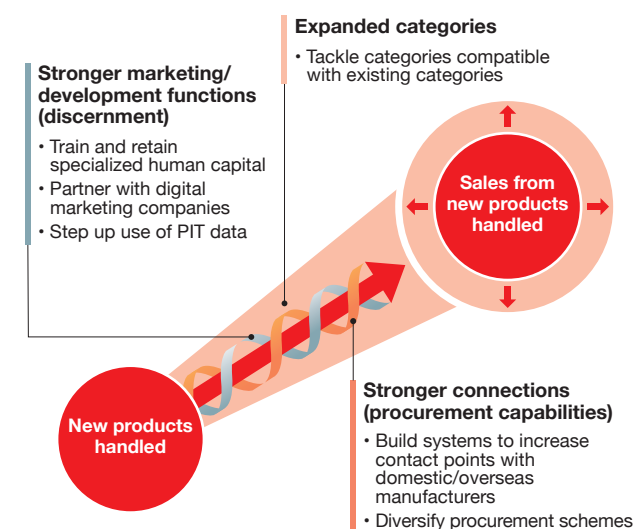
PALTAC CORPORATION is working to improve its discernment through enhanced marketing and development functions in order to respond to increasingly diverse consumer needs, and is also developing its product procurement capabilities through stronger ties with domestic and overseas manufacturers. This will enable us to offer a broader range of products that bring color to daily life.

In FY2024, in Japan, we began doing business with manufacturers offering products with uses and functions not previously found in the market. Overseas, particularly in South Korea, we have built relationships with manufacturers handling cosmetics and inner beauty-related products. These products have already been launched in the Japanese market.

In October 2024, we hosted the Asia Pickup Business Meeting, where we introduced attractive products from across Asia. The event was well received by participating companies, and some products have already entered distribution in Japan, contributing to the strengthening of PALTAC CORPORATION's global product sourcing capabilities.

Furthermore, leveraging our group's local subsidiaries in Vietnam and Indonesia, we are procuring appealing local brands that combine sustainability considerations with excellent quality. We began supplying these products to the Japanese market in FY2025.

Enhancing the Handling of New Products



Value Co-creation in Community Healthcare

We contribute to providing new social value by resolving regional healthcare issues.

Development of marketing activities for specialized fields

We promote the creation of new value in communities as Regional Medical Coordinators by identifying healthcare issues faced by customers such as regional medical institutions, local governments, and schools, and proposing solutions to those issues.

>> Contribution to the field of rare diseases

We appoint ARs* who work exclusively in the rare disease field as RD-MRs* and provide healthcare professionals not only with information on the proper use of pharmaceuticals, but also with details on subsidy programs, the high-cost medical treatment expense system, and cooperating facilities within patients' living areas. Through these efforts, we contribute to the realization of better medical care for patients.

>> Contribution to the field of neurological and neuropsychiatric disorders

We have established the NS-MR* Group as an organization specializing in information activities related to neurological and neuropsychiatric disorders. To help improve the quality of life (QOL) of patients and their families, we undertake information service activities on behalf of pharmaceutical companies, providing and collecting information on diagnosis, treatment, and the proper use of pharmaceuticals primarily to specialists in neurology, psychiatry, and neurosurgery.

>> Contribution to the field of women's health

With the aim of creating a society in which patients can consult obstetricians and gynecologists without hesitation, we have established the Women's Group, composed entirely of women, and assigned Women's Coordinators with strong community ties to each area. We carry out community-based activities such as providing healthcare professionals with comprehensive information on the prevention, diagnosis, and treatment of female-specific conditions (including dysmenorrhea and cervical cancer), as well as giving lectures at schools, chambers of commerce, and other local venues.

Voice

Toward a society in which parents can raise children with peace of mind

Expanding and promoting the Boshi-mo service



Yuki Shido

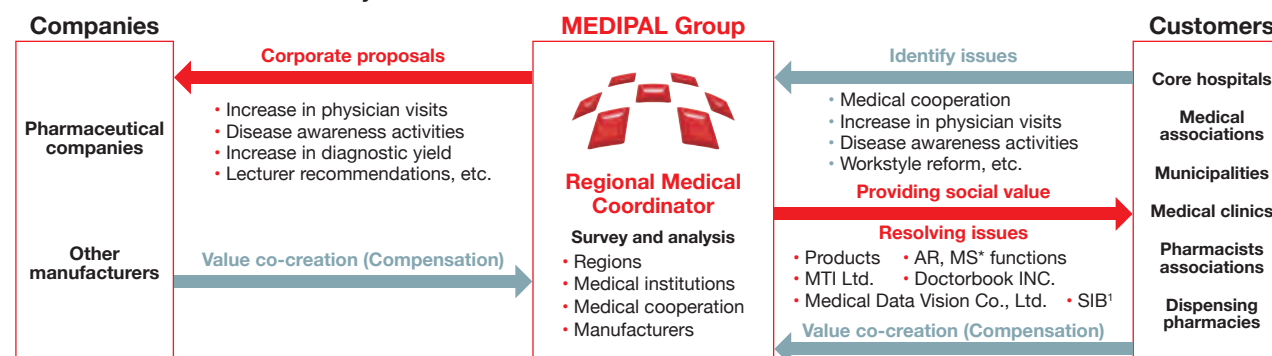
Medical DX Group
DX Promotion Department
Digital Business Division
MEDICEO CORPORATION

The MEDIPAL Group is working to promote and expand the use of the Boshi-mo electronic maternal and child health handbook app. As the national government advances the adoption of electronic maternal and child health handbooks as the standard and promotes the digital transformation (DX) of maternal and child health, further growth in the use of Boshi-mo and Kosodate DX² is expected.

In addition to its convenience, Boshi-mo serves as a tool that contributes to disseminating information during disasters and supporting households raising children in isolation, which are often difficult to reach to provide assistance. As pharmaceutical wholesalers, we serve as a link between medical institutions and patients. Beyond simply delivering products, the Boshi-mo initiative is deeply connected to our role of reliably providing the information and goods needed in local communities.

Going forward, we will focus on the health of expectant mothers and young children and, from a medical perspective, contribute to building safer and more secure environments for raising children.

Value Co-creation in Community Healthcare



1. An approach to outsourcing public services to the private sector, the Social Impact Bond (SIB) is a pay-for-success contract in which the outcomes of the project are evaluated and visualized, and payment is tied to the achievement of outcomes
 2. A service, starting with Boshi-mo, that supports the digitalization of child-rearing services provided by municipalities (such as pediatric vaccinations, infant health checkups, and various notifications), thereby improving convenience for residents and streamlining municipal operations.

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

Social Contribution Activities

Our Commitment to Social Contribution

The MEDIPAL Group recognizes the importance of actively and continuously working to resolve social issues in order to help realize a society in which everyone can live in good physical and mental health. By leveraging our expertise and resources, we will engage in social contribution activities together with a wide range of stakeholders.

Three Commitments

Health and happiness	We support people facing various challenges so they can live in good physical and mental health.
Children of the future	We aim to foster the next generation who will lead the future of this country.
Protecting nature	We engage in activities to preserve the environment and pass it on to future generations.

Health and happiness

>> Support for patients with rare and intractable diseases

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

>> Support for children requiring medical care and their families

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.

We have also supported an event hosted by the National Medical Care Line, which aims to realize a society where everyone can live with peace of mind, even those with severe disease or disability. The event brought together children who require medical care¹ and their families from all across the country, to share information on the current challenges they face and the support they need, while also providing opportunities for the children to enjoy a variety of experiences.



3rd National Medical Care Line Forum

Children of the future

>> Support for young carers²

With the aim of improving circumstances for young carers, we carry out a variety of support activities, including hosting company visits and offering workplace experience programs.



Scene from a company visit

>> Awareness activities on pediatric diseases through the Japan Society of School Health

To contribute to the advancement of school health and the healthy growth of children, we engage in awareness-raising activities on pediatric diseases, thus contributing to supporting education on illnesses, prevention, pre-disease measures, and early detection.

Protecting nature

>> Running the MEDIPAL Environment Month

In June every year, the MEDIPAL Group runs MEDIPAL Environment Month, in line with World Environment Day³ on June 5. Throughout the month, the entire Group gets involved in environmental conservation activities, such as local community clean-up days. These allow the MEDIPAL Group to support local environmental conservation, while at the same time raising employee awareness of the global environment.

>> Community contribution through the One Person, One Flower Campaign

ATOL CO., LTD., participates in the One Person, One Flower Campaign, an initiative by the City of Fukuoka aimed at community development through flowers. By creating flower-filled spaces throughout the city, the campaign seeks to enrich connections between people, nurture the spirit, and enhance the city's appeal and value.



1. Children who, due to advancements in medical science, have been long-term patients in a Neonatal Intensive Care Unit (NICU) or similar settings, and continue to need medical interventions such as ventilators or feeding tubes. They require daily medical care, including suctioning of secretions and tube feeding.
 2. Refers to children and young people who regularly perform responsibilities that would ordinarily be undertaken by adults, such as household chores or providing care for family members. The burden can interfere with their studies, friendships, and employment, and many become isolated, making this a serious social issue.
 3. A day that commemorates the UN Conference on the Human Environment that met in Stockholm from June 5, 1972. The UN agreed to the proposal, tabled by Japan, to designate June 5 as World Environment Day. In Japan, the Basic Act on the Environment established this day as Environment Day.

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

Financial Capital Strategy

The MEDIPAL Group is pursuing initiatives aligned with the 2027 MEDIPAL Medium-Term Vision and is implementing five growth strategies through business portfolio prioritizations and collaboration with partners.

We aim to increase profitability through steady implementation of these strategies and achieve an ROE of 9% in FY2026, the final fiscal year of the Medium-Term Vision.

Initiatives to Manage the Business with an Awareness of Capital Costs and the Share Price

Our price-to-book ratio (PBR) has remained below 1.0 for the past five years, making the enhancement of shareholder value an urgent priority. To address this, we are pursuing a strategic approach focused on both improving profitability and fostering expectations for future growth.

Raising the PBR requires both an improvement in return on equity (ROE) and a higher price-to-earnings ratio (PER) reflecting growth expectations. To this end, we are implementing comprehensive initiatives from a medium- to long-term perspective.

For ROE, a key indicator of profitability, we have set a target of achieving 9% in FY2026, the final fiscal year of the Medium-Term Vision. Since FY2020, ROE has been on a steady recovery trend. However, in FY2024, profit attributable to owners of parent declined due to a decrease in share of loss of entities accounted for using equity method and an increase in income taxes, resulting in an ROE of 6.6%. To reach our target, we will continue working to improve operational efficiency and optimize our profit structure to realize sustainable earnings growth.

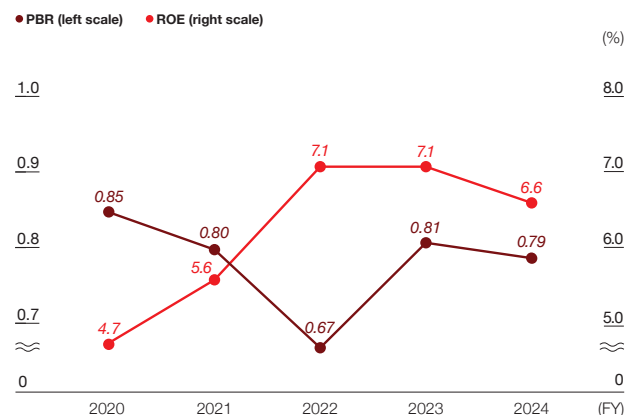
Meanwhile, our weighted average cost of capital (WACC)¹ currently ranges from the upper 4% to mid-5% levels, while our earnings yield is between the low 7% and low 8% range. Although our current ROE exceeds our cost of capital, it still falls short of our earnings yield.

Going forward, we aim to narrow this gap between cost of capital and earnings yield by further improving ROE, enhancing capital efficiency, and executing growth strategies that will drive sustainable increases in corporate value.

$$\text{PBR} = \text{ROE (profitability)} \times \text{PER (growth expectations)}$$

⇒ We aim to improve our PBR by enhancing both profitability and growth expectations.

Trends of PBR and ROE



Overview of initiatives to improve PBR

We are currently implementing the following initiatives to enhance our PBR. PBR is the product of ROE and PER. Accordingly, we are promoting initiatives aimed at improving both ROE and PER.

Policies and initiatives to improve PBR

Improving PBR

Improving ROE
9% target
2027 MEDIPAL
Medium-Term Vision



Improving PER

Overview of initiatives

Enhancing profitability and growth potential

Executing the growth strategies outlined in the Medium-Term Vision

Optimal allocation of management resources

Actively pursuing growth and capital investments while steadily returning value to shareholders

Strengthening non-financial capital, centered on human capital

Advancing human resource strategies in alignment with our growth strategy

Further enhancing IR and SR activities

Regular disclosure of progress on our strategies and strengthened communication with individual investors via our brand website

1. WACC (%) = (shareholders' equity cost² × shareholders' equity ÷ (interest-bearing debt + shareholders' equity)) + (debt cost × (1 – effective tax rate) × interest-bearing debt ÷ (interest-bearing debt + shareholders' equity))

2. Calculated using the CAPM (Capital Asset Pricing Model)

Key Performance Indicators

In FY2024, ROE was 6.6% and net profit to net sales ratio was 1.10%. In addition, operating income increased 17.5% year-on-year, and ordinary income also increased 1.1%, showing steady growth.

On the other hand, profit attributable to owners of parent decreased by 2.9% due to an increase in income taxes.

The total asset turnover ratio, which indicates asset management efficiency, was 2.03 times, and the financial leverage ratio was 2.96 times, both of which remained at the same level as the previous fiscal year, ensuring a sound financial structure and capital efficiency.

Trends in key performance indicators

	FY2021	FY2022	FY2023	FY2024	FY2026 Target
ROE (%)	5.6	7.1	7.1	6.6	9.0
Net profit to net sales ratio (%)	0.89	1.15	1.17	1.10	1.5
Asset turnover (times)	1.94	1.97	2.03	2.03	2.00
Financial leverage (x)	3.24	3.13	2.99	2.96	3.3

Cash Allocation

Policy in the Medium-Term Vision

During the time frame of the Medium-Term Vision, we anticipate an increase in cash inflows as we improve asset efficiency, including the sale of assets, in addition to strengthening earning power. These cash inflows will mainly be used for the investment in growth and capital expenditures necessary to implement the growth strategies in the Medium-Term Vision, and our policy is to achieve a good balance with shareholder returns.

Progress with cash allocation

Regarding the allocation of management resources over the five years of the Medium-Term Vision, we plan to take capital generated through cash flows from operating activities and the sale of assets such as policy shareholdings and allocate it to growth investments, capital expenditures, and shareholder returns. For the three years from FY2022 to FY2024, we have allocated approximately ¥70 billion for investment in growth, ¥52 billion for capital expenditures, and ¥50 billion for shareholder returns.

We will actively pursue growth and capital investments while steadily returning value to shareholders.

Policy in the Medium-Term Vision and investment over its three years

Source of Funds	Five-Year Plan of the 2027 MEDIPAL Medium-Term Vision	Total three-year results from FY2022 to FY2024
Cash flows from operating activities	Investment in growth: ¥100 billion (cumulative)	Approx. ¥70 billion • MP Gokyo Food & Chemical Co., Ltd. becomes a subsidiary • Development of ultra-rare disease drugs • Equity investment via a CVC fund¹
Asset sales	Capital expenditures: ¥100 billion (cumulative)	Approx. ¥52 billion • Building and repair of distribution centers • Constructing and upgrading systems
	Total shareholder return ratio ² : 40%	Approx. ¥50 billion • Total shareholder return ratio: 40.2%

Growth Investments and Capital Expenditures

During the period of the Medium-Term Vision, both growth investments and capital expenditures are each set at a baseline investment amount of ¥100 billion.

Investment in growth is necessary to achieve sustainable growth of the MEDIPAL Group, and we invested roughly ¥70 billion in acquiring MP Gokyo Food & Chemical Co., Ltd. as a consolidated subsidiary and in development expenses for ultra-rare disease drugs, over the three years from FY2022 to FY2024.

Capital expenditure is essential for maintaining and enhancing a safe and secure distribution system. These investments are primarily directed toward the construction, expansion, and renovation of distribution centers, as well as the development and improvement of systems. Over the three years from FY2022 to FY2024, we invested approximately ¥52 billion in establishing the Hanshin ALC* and other projects. We are also planning ¥12.1 billion in capital expenditures in FY2025. This will mainly include repairs and system upgrades at branches and distribution center facilities.

1. MEDIPAL Innovation Fund

2. The percentage of return on profit before exclusion of amortization of goodwill and intangible assets accompanying the growth investment in the Medium-Term Vision.

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

Capital Policy and Shareholder Returns

In order to generate profits that exceed the cost of capital, we will regularly monitor and verify this cost and pursue an optimal capital structure for the Company while ensuring financial soundness.

Basic capital policy

Sustainable corporate growth and maximization of corporate value

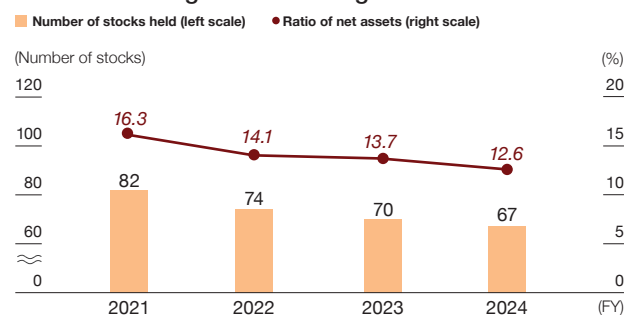


We will strive for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing ROE and reducing the cost of capital.

Reduction in strategic shareholdings

Our basic policy is to reduce these shareholdings in the interest of controlling shareholding risk and improving capital efficiency, and we are steadily pursuing sales. We also intend

Status of strategic shareholdings



to limit strategic shareholdings to 10% or less of net assets and ¥50 billion or less by around March 31, 2027. Although we are actively moving forward with asset sales, the remaining balance has been affected by rising share prices of the holdings, and as of the end of March 2025, the portfolio was valued at approximately ¥95 billion.

Shareholder returns

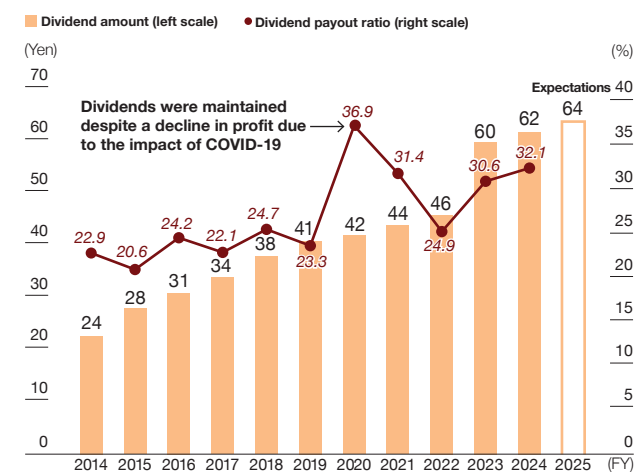
As a basic principle, we aim to maintain and improve a stable dividend payout ratio based on profit before amortization of goodwill and intangible assets arising from the growth investments outlined in the Medium-Term Vision. Furthermore, we will comprehensively assess demand for funding and flexibly implement share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and further returning profits to shareholders. We will continue to aim to achieve a total shareholder return ratio of 40% for the five-year cumulative period from FY2022 to FY2026. This ratio is applied to earnings before amortization of goodwill and intangible assets arising from the growth investments set forth in the Medium-Term Vision.

In FY2024, we declared annual dividends of ¥62 per share, an increase of ¥2 per share from FY2023. We also bought back and canceled approximately ¥5 billion in treasury shares. As a result, the cumulative total shareholder return ratio from FY2022,

to FY2024 was 40.2%.

In FY2025, we are planning annual dividends of ¥64 per share, an increase of ¥2 per share from the previous fiscal year. We plan to conduct a share buyback and cancellation with an upper limit of approximately ¥8 billion or 4 million shares.

Dividends and dividend payout ratio over the past 10 years



Share buyback status

Share buyback in FY2024

- Type of shares acquired: common shares
- Total number of shares acquired: 2,065,300
- Total acquisition amount: ¥4,999,825,755
- Acquisition period: May 15, 2024, to August 30, 2024
- Acquisition method: Market purchases on the Tokyo Stock Exchange

Note: All shares acquired through this buyback have been canceled.

Share buyback in FY2025

- Type of shares to acquire: common shares
- Total number of shares to acquire: 4,000,000 (upper limit) (Equivalent to 1.9% of the total number of shares issued excluding treasury shares)
- Total acquisition amount: ¥8 billion (upper limit)
- Acquisition period: May 14, 2025, to October 31, 2025
- Acquisition method: Market purchases on the Tokyo Stock Exchange

Note: All shares acquired through this buyback will be canceled by December 31, 2025.



Natural Capital Strategy

As a company responsible for distribution, the MEDIPAL Group recognizes that reducing greenhouse gas emissions is a pressing issue. We are working to optimize the entire distribution process and reduce environmental impact as part of our efforts to contribute to the achievement of the SDGs.

General Overview of Environmental Burden

In order to visualize and reduce environmental impact across the entire supply chain, the Group calculates Scope 3 as well as Scope 1 and Scope 2 greenhouse gas emissions.

Greenhouse Gas Emissions (Company Emissions Only)

Unit: t-CO₂

	FY2021	FY2022	FY2023	FY2024
Scope 1	30,700	28,439	31,081	31,208
Scope 2 (location-based) ¹	-	-	-	48,649
Scope 2 (market-based)	46,996	46,552	42,494	40,518
Scope 1 + Scope 2 (market-based) total	77,696	74,991	73,575	71,726

Greenhouse Gas Emissions (Scope 3)²

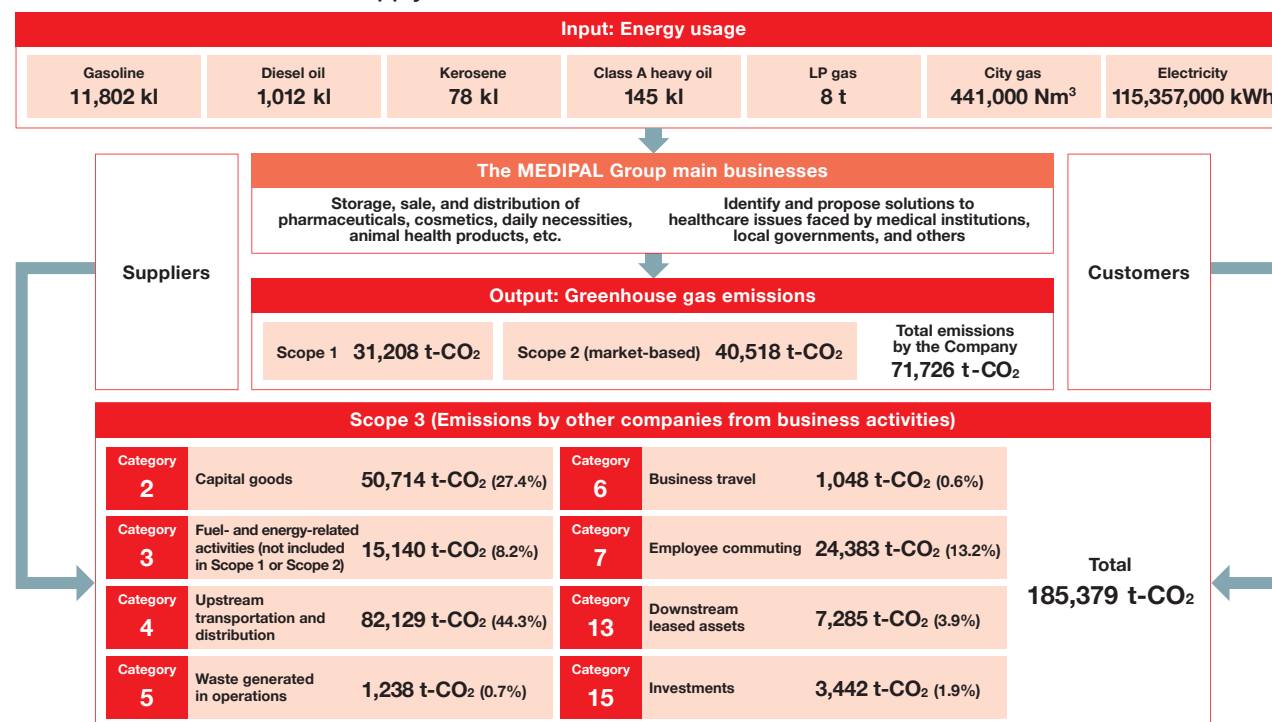
Unit: t-CO₂

	FY2021	FY2022 ³	FY2023	FY2024
Scope 3 total	-	228,773	219,650	185,379

Greenhouse Gas Emissions from Company-Owned Vehicles

	FY2021	FY2022	FY2023	FY2024
Amount of fuel (kl)	12,296	11,329	12,785	12,814
Greenhouse gas emissions (t-CO ₂)	28,803	26,543	29,561	29,679
Number of vehicles ⁴	8,025	8,555	9,608	9,555
Average emissions per vehicle (t-CO ₂)	3.58	3.10	3.07	3.10

Environment Burden from the Supply Chain



Figures in parentheses show percentage of total Scope 3 emissions

Approach to Biodiversity

In recent years, companies have been asked to consider biodiversity as a corporate environmental initiative. In the MEDIPAL Group, we believe that we have limited dependence and impact on biodiversity at the present. We will continue to analyze the connections between our businesses and biodiversity, and endeavor to provide appropriate disclosure, according to the circumstances.

1. Publicly disclosed from FY2024. 2. Publicly disclosed from FY2022. Target categories are 2, 3, 4, 5, 6, 7, 13, and 15. We are in the process of carefully examining other categories to increase the accuracy of calculations.

3. Implemented at MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL Co., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO Co., LTD., and MEDIPAL FOODS CORPORATION

4. As of March 31

Environmental Conservation Initiatives



Electric vehicles used by MEDISKET CORPORATION

Introduction of Electric vehicles and hybrid vehicles

We are making progress on gradually switching to Electric vehicles and hybrid vehicles at each location as we work to reduce greenhouse gas emissions from fuel consumption in our Company.

We have also made Electric vehicles charging stations available to visiting manufacturers at some locations, and this is contributing to promotion of Electric vehicles use by our business partners.

Number of vehicles owned

Hybrid vehicles

419

Electric vehicles

153

Use of eco-friendly electric power

The MEDIPAL Group have introduced renewable energy in-house power generation facilities, such as rooftop solar panels, in some Group buildings. The power generated is used in the buildings and covers part of the total electricity used, thereby reducing greenhouse gas emissions. We introduced them at two more locations in FY2024, to bring the number of locations where they are operating up to three. In addition, at 36 buildings across the MEDIPAL Group, we have switched to eco-friendly electric power, which together with procurement of non-fossil certificates is helping to reduce greenhouse gas emissions from electric power use.

Percentage of energy from renewable energy

19.5% (Previous fiscal year: 14.5%)



Solar panels installed at the Hanshin ALC* of MEDICEO CORPORATION

Reusable delivery boxes

The MEDIPAL Group uses collapsible plastic containers and tote boxes that can be reused multiple times for product transportation, thus reducing waste volumes and contributing to emissions reductions.



Collapsible containers



Tote box

Introduction of eco-friendly stretch film for pallet wrapping

The stretch film used for pallet wrapping to prevent load collapse during transportation emits greenhouse gases during both production and incineration. In response to this issue, MEDICEO CORPORATION is using environmentally friendly stretch film made from recycled materials at selected distribution centers.

At Saitama ALC, we have also introduced a new system for collecting and reusing used stretch film generated within the warehouse rather than disposing of it through incineration. This initiative is expected to reduce greenhouse gas emissions from incineration by approximately 3 t-CO₂ per year. We will continue to strengthen our efforts to contribute to the realization of a circular, resource-efficient society that is mindful of the global environment.

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

Reducing environmental impact with a modal shift

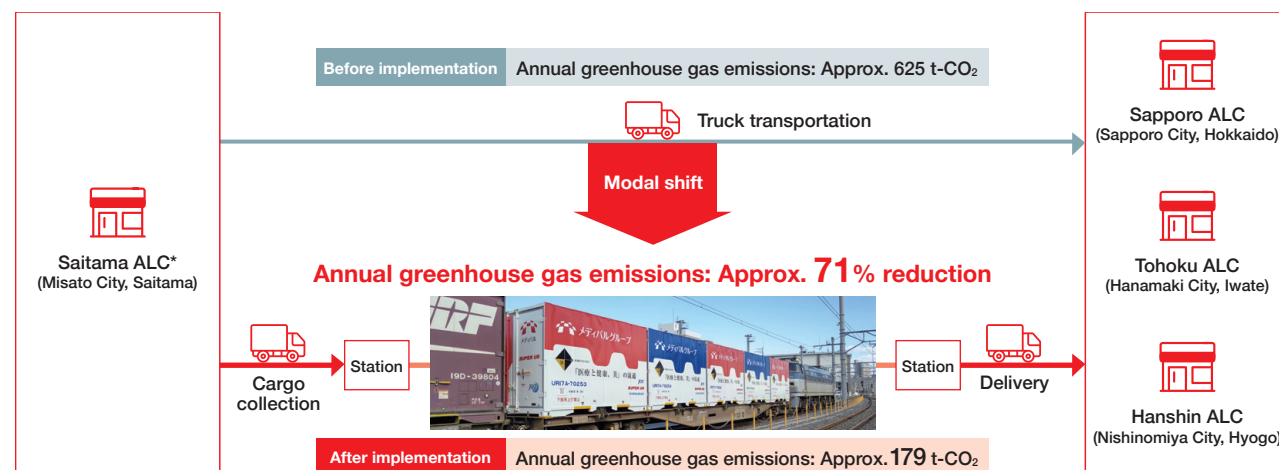
MEDICEO CORPORATION, Japan Oil Transportation Co., Ltd., Japan Freight Railway Company, and Japan Freight Liner Company are working on a joint project to achieve a modal shift¹ in pharmaceutical transportation between distribution centers. The project promotes the switching of product transportation in some areas away from conventional use of large trucks toward more environmentally friendly railroad containers, to reduce greenhouse gas emissions. From April 2025 we started a new modal shift for transportation from the Tokyo metropolitan area to Hokkaido. Calculated annually, these initiatives are expected to reduce greenhouse gas emissions by approximately 71% and 446 t-CO₂ compared to conventional transportation.

Reducing greenhouse gas emissions through pharmaceutical distribution optimization

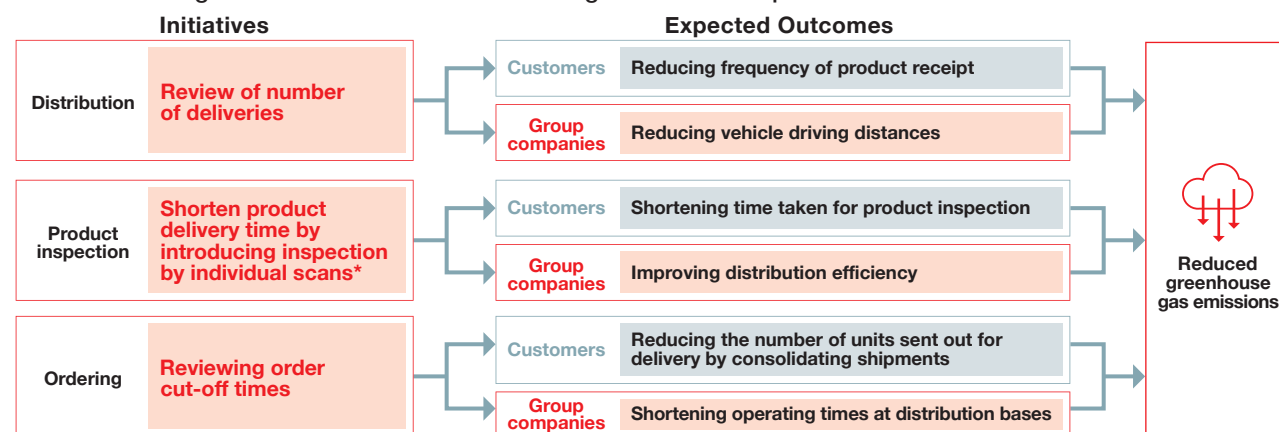
In our Prescription Pharmaceutical Wholesale Business, we are collaborating with our customers, including drugstore and dispensing pharmacy chains, to build an optimized pharmaceutical distribution model that reduces greenhouse gas emissions.

Specific measures include analyzing and managing the optimal inventory of pharmaceuticals for each store as well as streamlining operations such as ordering, delivery, and product inspection. This lightens the delivery workload and enhances operational efficiency while reducing greenhouse gas emissions accompanying distribution.

Schematic of the Modal Shift



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

1. The shift of transportation of goods from trucks and other motor vehicles to modes with lower environmental impact such as railways and ships.

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

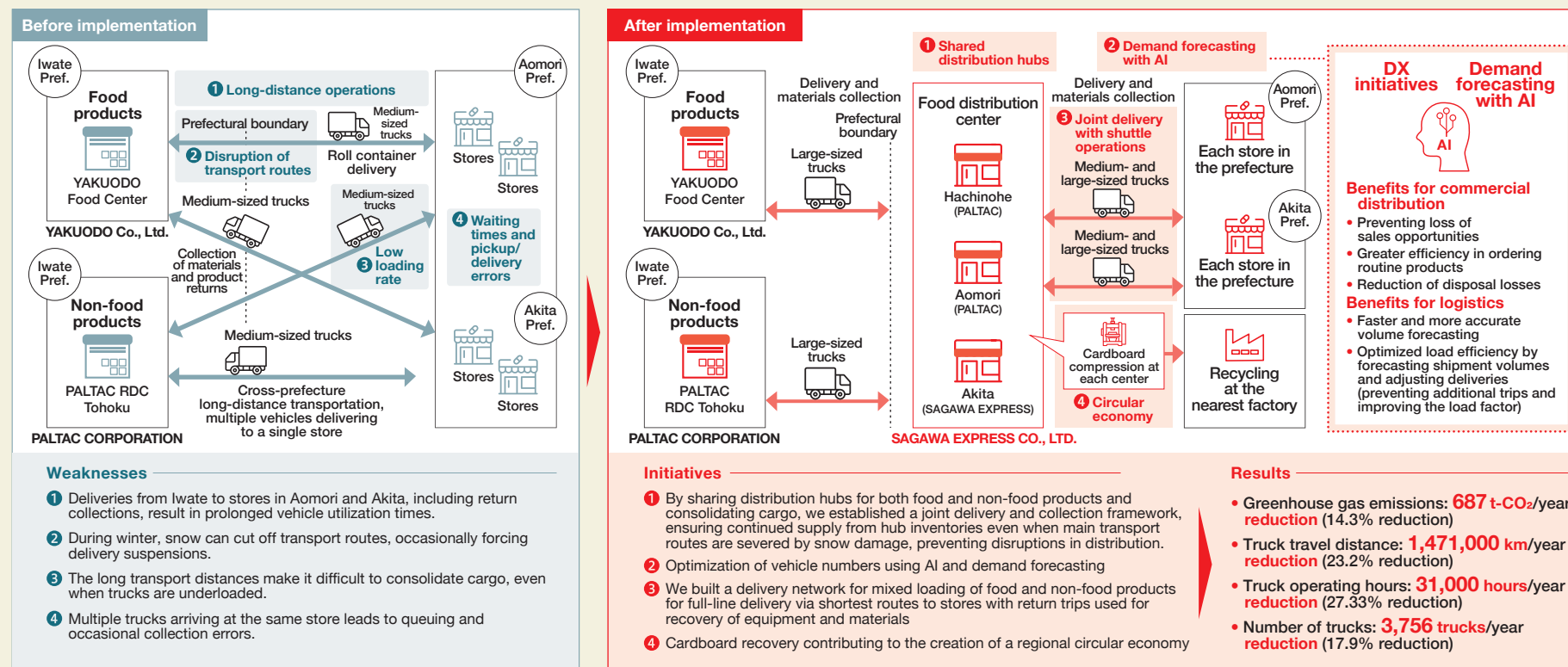
Focus

Jointly Received the Category Award “Logistics Digital Transformation and Standardization Award” in the Green Logistics Excellent Business Awards

PALTAC CORPORATION, together with YAKUODO Co., Ltd. and SAGAWA EXPRESS CO.,LTD., jointly received the Logistics Digital Transformation and Standardization Award in the 2024 Green Logistics Excellent Business Awards held by the Green Logistics Partnership Conference. The award was received at the 2024 Green Logistics Partnership Conference, Green Logistics Excellent Business Awards held on December 23, 2024.

This award recognizes the development of a supply chain management framework that begins with the retail sector and brings together multiple companies from different industries and divisions, including wholesalers and logistics operators. The framework leverages AI and demand forecasting to determine the optimal number of trucks and loading rate. By applying this system, the companies have achieved joint deliveries of food and non-food

products and improved the efficiency of inspection processes at retail stores. In addition, optimizing the number of vehicles used has contributed to reducing greenhouse gas emissions. Going forward, we will expand our collaborative network beyond industry and sector boundaries and increase the number of efficient systems tailored to the diverse characteristics of regions and retailers in order to build a sustainable distribution network.



Climate-related Information Disclosure Based on TCFD Recommendations

The MEDIPAL Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD)¹ recommendations in October 2022. Following this, we will strive for more accurate disclosure in line with the TCFD recommendations, taking into account the results of external surveys and internal analysis. We will increase the resilience of our businesses and contribute to the realization of a sustainable society through management that incorporates climate-related financial risks and opportunities.



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- to long-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 by the director in charge of CSR, helping to maintain a management system that enables appropriate supervision by the Board of Directors.

In FY2024, we reviewed progress toward our greenhouse gas emissions reduction targets and examined new measures to address challenges in achieving those targets.

▶ Please refer to page 11 for details.

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 preindustrial 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 physical risks related to natural disasters caused by climate change in FY2030 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 the 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 "Pharmaceuticals, Health, and Beauty" business 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.

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 coordinates with the Compliance and Risk Management Committee to make 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 BCP to carry out supply activities even during emergencies, and are implementing various measures that will enable us to reliably deliver required products.

1. A task force that recommends evaluating and disclosing the financial impact of risks and opportunities from climate change.
2. Main reference scenarios: IEA WEO 2021 (APS, STEPS), IPCC (RCP 2.6, RCP 8.5)

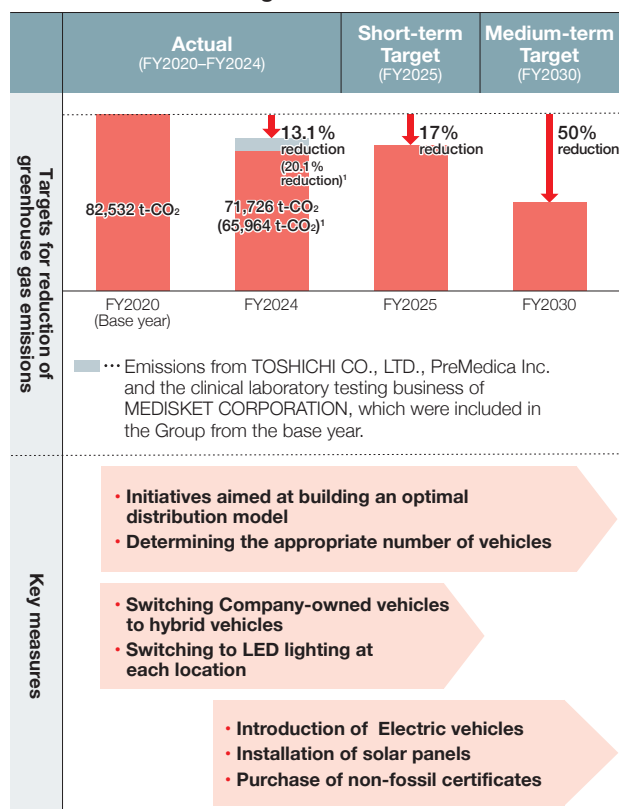
* Please refer to page 72 for explanations of technical terms.

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.

	Targets
FY2030	50% reduction (compared with FY2020)
FY2050	Carbon neutrality

Greenhouse Gas Emissions (Scope 1 + Scope 2) Actual Results and Targets



Risks and Opportunities

Classification		Contents	Impact ²		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	Moderate	Small	- Targets set for reduction of greenhouse gas emissions - Emissions by the Company reduced through switching to Electric vehicles or eco-friendly electric power
	Market	Changes in energy prices			Installation of solar panels
	Reputation	Growing stakeholder concern	Moderate	Small	- Worked to build an optimal distribution model through collaboration with customers - Conducted analyses aimed at increasing information disclosure
Physical risks	Chronic	Changes in flooding and weather patterns	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.)	Small	Small	- Built mutual coordinated distribution center functions - Ran disaster drills
Opportunities	Increase in sales opportunities		Small	Small	Considered product and service development, taking market trends into account
	Rise in relative competitiveness		Small	Small	- Worked to reduce greenhouse gas 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

1. Numbers exclude companies that were included in the Group from the base year onward.

2. 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; and Small: a small impact on business strategy or financial impact is assumed.

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