

Roundtable with Outside Audit & Supervisory Board Members

Governance that Supports Sustainable Growth and Challenge for the Future

Hatsuyoshi Ichino

Outside Audit & Supervisory
Board Member

Yoko Sanuki

Outside Audit & Supervisory
Board Member

The Effectiveness of the Board of Directors That Has Vibrant Discussions

Sanuki Effective corporate governance is essential for the sustainable growth of a company. The core of that is the Board of Directors. The MEDIPAL's Board of Directors meetings play host to vibrant discussions, where opinions are exchanged and shared without overlooking any statements. On this point, I highly rate the effectiveness of the Company's Board of Directors. It is coming up on six years since I was appointed to this role. A major development in that time has been that the Board of Directors has come to discuss the opinions offered by institutional investors through the Company's IR activities.

Ichino That is certainly correct. It is approaching two years since I was appointed, and I rate the Board of Directors as highly effective. I have previously taken part in board meetings at many small to medium-sized enterprises, but I was surprised by the openness of the debate I saw when I took part in the Board of Directors of the MEDIPAL, as a Prime-listed company. As Ms. Sanuki mentioned earlier the chairperson's questions bring out a wide range of opinions, and each director speaks independently at the board meeting. In addition, the company's stance of objectively evaluating the effectiveness of the Board of Directors based on a third-party questionnaire survey in accordance with the Corporate Governance Code is also commendable.

Key Themes for the Medium- to Long-Term From the Perspectives of Outside Audit & Supervisory Board Members

Sanuki As an Outside Audit & Supervisory Board Member, I believe my role lies in "suitably establishing risk management structures, including for legal risks." The risks surrounding companies are changing, and new threats including cyberattacks have also emerged in recent years. To deal with such changes, the Company needs to keep updating its risk management structures. How the Company distributes limited resources is important in terms of achieving this. While operations are progressing in good order at present, I believe we need to be furthermore vigilant for sudden risks that could emerge going forward.

Ichino I am a corporate financial reporting specialist, so I believe that my role as an outside auditor is to improve the quality of financial reporting and establish a group governance system. Recent years have seen the number of Group companies grow through M&A deals. The importance of Group governance is thus ever increasing. In particular, the TSE has called for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" so I believe that improving capital profitability will be an important challenge for the Group as a whole going forward.

Proposals to Deepen Group Governance

Sanuki I evaluate the activities of the Compliance Committee¹ very highly. When an Antimonopoly Act issue arose, the president of MEDIPAL took charge and led the committee, and sought to ensure thorough legal compliance. Regular reports are made from the Compliance Committee. I believe the Audit & Supervisory Board is highly active as a legal organ, and it works well with each department.

Ichino In terms of improving group governance, when issues such as Antimonopoly Act violations arose, the Compliance Office and Audit Office worked closely together to respond quickly, which I believe played a major role.

Furthermore, I rate very positively the fact that the Audit & Supervisory Board's full-time members make use of their long careers and experiences to quickly and rationally gather

1. On April 1, 2025, the name of the Compliance Committee was changed to the Compliance and Risk Management Committee.

information. In addition, its four prescription pharmaceuticals wholesale companies¹ hold regular meetings of an Audit & Supervisory Board Member Liaison Council to share information on audit issues and challenges at each company, which I believe plays an important role in improving group governance.

Sanuki Looking at Group governance overall, I do feel that Board of Directors discussions are currently concentrated on the four prescription pharmaceuticals wholesale companies,¹ and that there is an issue in terms of information sharing at other Group companies being somewhat slow. I believe there should be a little more discussion about conditions at businesses outside of prescription pharmaceuticals distribution, such as PALTAC CORPORATION in particular. Recent years have also seen an increase in the number of Group companies. As all of these companies differ in terms of their scale and intensity of relationship to one another, I believe they may benefit from greater modulation in their governance.

I also have the sense that the purpose of the Nomination and Compensation Committees has not yet permeated the Company, due to these being voluntary systems and the committees still being only recently established. I feel that these tend to take on relatively passive roles, so I expect the Board



Regulations or some other instrument to strengthen its position, and move it to a more active role going forward.

Ichino That's a good point. The MEDIPAL is engaged in a wide range of businesses, primarily prescription pharmaceutical wholesale business, and we believe it is necessary to manage each Group company with a constant focus on and pursuit of business synergies.

On the other hand, in order to deepen Group governance, it is also necessary to enhance the financial synergies of all Group companies. To do so, it is necessary to analyze the current situation correctly. Our capital costs have already been disclosed, so going forward, in order to achieve the numerical targets set forth in the 2027 MEDIPAL Medium-Term Vision, it will be necessary to improve capital profitability, and further improvements in profitability and capital efficiency will be required. I believe it is necessary to establish a department that continuously monitors the financial status of each Group company, aggregates the information necessary for financial decision-making, and formulates specific financial policies to propose to the Board of Directors. The department is responsible for constantly monitoring the financial status of the Group as a whole and considering specific measures to implement our basic capital policy. I believe that discussing this proposal at the Board of Directors meeting and presenting the results will enable the market to accurately assess our company's growth potential, which I think should be considered a task for the future.

Expectations of MEDIPAL Group

Sanuki Businesses related to medicine or health have exceptionally high social significance. I hope that MEDIPAL continues to grow as a Group of companies that are socially necessary, centered on the mission of "to deliver pharmaceuticals." In practice, MEDIPAL has advanced business efficiency in its Prescription Pharmaceutical Wholesale Business by establishing high-performance distribution centers, called ALCs.* Furthermore, it has advanced new businesses



that support the distribution and development of orphan drugs. Under Japan's current NHI drug pricing system, the profitability of the Prescription Pharmaceutical Wholesale Business tends to be low structurally. However, even under these circumstances, I expect that the Company will seek to combine improved profitability with its social purpose.

Ichino I believe that a mission-oriented attitude has taken root across all of MEDIPAL Group, beginning with the Board of Directors at MEDIPAL HOLDINGS CORPORATION. In order to realize our management philosophy of "Contributing to people's health and the advancement of society through creation of value in distribution," I hope that MEDIPAL will continue to set its own goals and work toward its desired future. I also expect that it will continue to be a central presence in the business field of "Pharmaceuticals, Health, and Beauty."

Furthermore, although investing in the development of orphan drugs requires patience until results are achieved, I believe that it is an important social contribution of the Company, and I have high expectations for its future growth. I hope that MEDIPAL Group and its wide range of businesses continues to challenge for improved business and financial synergies and sustainable growth across the Group as a whole.

1. MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., TOSHICHI CO., LTD.

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

Management Team (As of June 25, 2025)

Directors

 Shuichi Watanabe Representative Director, President and CEO (Chief Compliance Officer) Shareholdings (thousands): 177	Aug. 1979 Joined KURAYA CORPORATION (now the Company) Dec. 1990 Director of KURAYA CORPORATION Apr. 2000 Managing Director of KURAYA CORPORATION (now the Company) Apr. 2004 President and Chief Executive Officer of KURAYA SANSEIDO Spin-off Preparation Inc. (now MEDICEO CORPORATION) Jun. 2007 Managing Director of Mediceo Paltac Holdings Co., Ltd. (now the Company) Jun. 2008 Senior Managing Director of the Company Apr. 2011 Representative Director, Executive Vice President of the Company Apr. 2012 Representative Director, President and CEO of the Company (current position) Apr. Representative Director, Chairman of MEDICEO CORPORATION Jun. 2020 Chief Compliance Officer of the Company (current position) Apr. 2022 Director and Advisor of MEDICEO CORPORATION (current position)
 Yasuhiro Choufuku Representative Director, Vice President In charge of Pharmaceutical Business Shareholdings (thousands): 53	Apr. 1977 Joined Sanseido Co., Ltd. (now the Company) Jul. 2004 Executive Officer of KURAYA SANSEIDO Inc. (now the Company) Jun. 2007 Director of Mediceo Paltac Holdings Co., Ltd. (now the Company) Oct. 2009 Director of MEDICEO CORPORATION Jun. 2010 Managing Director of MEDICEO CORPORATION Apr. 2012 Representative Director, President and CEO of MEDICEO CORPORATION Jun. In charge of Pharmaceutical Business of the Company (current position) Jun. 2016 Senior Managing Director of the Company Jun. 2019 Director, Vice President of the Company Apr. 2022 Representative Director, Chairman of MEDICEO CORPORATION (current position) Mar. 2023 Outside Director, Chairman of Nichi-Iko Pharmaceutical Co., Ltd. (current position) May 2025 Representative Director, Vice President of the Company (current position)
 Toshihide Yoda Senior Managing Director In charge of IR and General Manager of Business Development Division Shareholdings (thousands): 14	Apr. 1985 Joined Nippon Kangyo Kakumaru Securities Co., Ltd. May 1989 Joined UBS Securities Japan Co., Ltd. Jul. 1996 Joined ING Barings Securities (Japan) Ltd. Dec. 2000 Joined Lehman Brothers Japan Inc. Oct. 2008 Joined Barclays Capital Japan Ltd. Jun. 2010 Managing Director of Barclays Capital Japan Ltd. Apr. 2012 Director of the Company Jun. Managing Director, In charge of IR, General Manager of Business Development Division of the Company May 2016 Director of SPLINE Corporation May Director of MEDIE Co., Ltd. Jun. Director of MEDICEO CORPORATION Feb. 2018 Director of JCR USA, Inc. (current position) Jun. Senior Managing Director of the Company (current position) Jun. Outside Director of JCR Pharmaceuticals Co., Ltd. (current position) Jan. 2020 Manager of Business Investment Department, Business Development Division of the Company May 2021 Director of PharField Corporation Jun. 2022 General Manager of Business Development Division of the Company (current position) Jun. 2023 In charge of IR of the Company (current position)
 Yuji Sakon Managing Director General Manager of Administration Division, Chairman of CSR Committee Shareholdings (thousands): 24	Apr. 1977 Joined Sanseido Co., Ltd. (now the Company) Jul. 2008 Executive Officer of KURAYA SANSEIDO Inc. (now MEDICEO CORPORATION) Apr. 2012 Executive Officer of the Company Jun. Director of the Company Oct. Chairman of CSR Committee of the Company (current position) Jun. 2013 General Manager of Administration Division of the Company (current position) Jan. 2016 Director of ASTEC Co., Ltd. (current position) Jun. 2017 Director of MM CORPORATION Jun. 2018 Managing Director of the Company (current position) May 2022 Director of PharField Corporation (current position) Jun. 2023 Director of PALTAC CORPORATION (current position)
 Shinjiro Watanabe Director In charge of Information Systems and DX Shareholdings (thousands): 36	Sep. 2008 Joined ATOL CO., LTD. Jun. 2009 Director of ATOL CO., LTD. Apr. 2013 Representative Director, President and CEO of ATOL CO., LTD. (current position) Jun. Director of the Company (current position) Jun. 2016 In charge of the IT Business of the Company Apr. 2018 In charge of Information Systems of the Company Oct. General Manager of Information Systems Management Division of the Company Oct. 2021 In charge of Information Systems of the Company Jun. 2025 In charge of Information Systems and DX of the Company (current position)
 Kuniaki Imagawa Director Deputy in charge of Pharmaceutical Business Shareholdings (thousands): 10	Apr. 1984 Joined KURAYA CORPORATION (now the Company) Oct. 2004 Full-time Manager of the Sales Strategy Department of MEDICEO Holdings Co., Ltd. (now the Company) Oct. 2005 Manager of Sales Strategy Department of Mediceo Paltac Holdings Co., Ltd. (now the Company) Jul. 2008 Executive Officer of the Company Oct. 2009 Executive Officer and Manager of Solutions Department of MEDICEO CORPORATION Apr. 2010 Deputy General Manager of Sales Strategy Division of MEDICEO CORPORATION Apr. 2011 Manager of the Sales Strategy Department of MEDICEO CORPORATION Apr. 2012 General Manager of Strategy Division of MEDICEO CORPORATION Jun. Director of MEDICEO CORPORATION Oct. Executive Officer and Deputy General Manager of Business Development Division of the Company Oct. 2015 Manager of Pharmacy Business Development, Business Development Division of the Company Apr. 2017 Deputy General Manager of Tokyo Branch Office, Director of Tokyo Regional Sales Department, Manager of Tokyo Wholesale Sales Branch of MEDICEO CORPORATION Apr. 2019 General Manager of Tokyo Branch Office of MEDICEO CORPORATION Apr. 2022 Representative Director, President and CEO of MEDICEO CORPORATION (current position) Jun. 2022 Director of the Company (current position) Jun. 2024 Deputy in charge of Pharmaceutical Business of the Company (current position)
 Takuya Yoshida Director In charge of Cosmetics, Daily Necessities and OTC Business Shareholdings (thousands): 1	Apr. 1995 Joined The Sanwa Bank, Limited (now MUFG Bank, Ltd.) Apr. 2000 Joined Shinwa Paltac Corporation (now PALTAC CORPORATION) Apr. 2016 Executive Officer, General Manager of Kinki Branch Office of PALTAC CORPORATION Apr. 2019 Managing Executive Officer, General Manager of Merchandise Headquarters of PALTAC CORPORATION Oct. 2020 Managing Executive Officer, General Manager of Tokyo Branch Office of PALTAC CORPORATION Apr. 2021 Senior Managing Executive Officer, General Manager of Tokyo Branch Office of PALTAC CORPORATION Apr. 2023 Vice Presidential Executive Officer, COO of PALTAC CORPORATION Jun. Representative Director, President of PALTAC CORPORATION (current position) Jun. Director of the Company (current position) Jun. 2025 In charge of Cosmetics, Daily Necessities and OTC Business for the Company (current position)
 Hidemitsu Wakita Director In charge of AGRO & Food Business Shareholdings (thousands): —	Apr. 1986 Joined Dainippon Pharmaceutical Co., Ltd. (now Sumitomo Pharma Co., Ltd.) Apr. 2015 Executive Officer, General Manager of Business Development Department of DSP GOKYO FOOD & CHEMICAL Co., Ltd. (now MP Gokyo Food & Chemical Co., Ltd.) Apr. 2016 Executive Officer, General Manager of Corporate Management Division of DSP GOKYO FOOD & CHEMICAL Co., Ltd. Jun. 2017 Director, Executive Officer and General Manager of Corporate Management Division of DSP GOKYO FOOD & CHEMICAL Co., Ltd. Jun. 2023 Representative Director, President and CEO of MP Gokyo Food & Chemical Co., Ltd. (current position) Jun. 2025 Director of MP AGRO CO., LTD. (current position) Jun. 2025 Director of the Company (current position) Jun. 2025 In charge of AGRO & Food Business of the Company (current position)
 Mitsuko Kagami Outside Director Shareholdings (thousands): 0	Apr. 1985 Assistant Judge of Tokyo District Court Apr. 1988 Assistant Judge of Akita District Court and Family Court Apr. 1991 Assistant Judge of Yokohama District Court Jan. 1995 Registered as Attorney-at-Law Apr. 1998 Part-time Lecturer at Faculty of Law of Keio University Apr. 2000 Part-time Lecturer at Faculty of Law of Toin University of Yokohama Apr. 2004 Professor at Keio University Law School Apr. 2007 Part-time Lecturer at Keio University Law School Jun. 2014 Outside Director of the Company (current position) Jun. 2015 Outside Director of Sotetsu Holdings, Inc. (current position) Jun. 2021 Outside Audit & Supervisory Board Member of Shin-Etsu Chemical Co., Ltd. (current position)

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



Toshio Asano
Outside Director

Apr. 1975 Joined Asahi Kasei Corporation
Oct. 2003 Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2008 Director and Senior Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2010 President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
Apr. 2011 Executive Officer of Asahi Kasei Corporation
Apr. 2014 Presidential Executive Officer of Asahi Kasei Corporation
Jun. President & Representative Director of Asahi Kasei Corporation
Apr. 2016 Director of Asahi Kasei Corporation
Jun. Permanent Consultant of Asahi Kasei Corporation
Aug. Advisor of the Company
Jun. 2017 Outside Director of the Company (current position)
Jun. 2019 Outside Director of Daicel Corporation (current position)
Jun. Outside Director of Tokyo Century Corporation (current position)
Jun. 2021 Chairman of Japanese Foundation for Cancer Research (current position)
Jun. 2022 Consultant of Asahi Kasei Corporation
Jun. 2024 Special Advisor of Asahi Kasei Corporation (current position)

Shareholdings (thousands): 7



Kuniko Shoji
Outside Director

Apr. 1977 Joined Mochida Pharmaceutical Co., Ltd.
Jul. 1986 Joined Johnson & Johnson K.K.
Sep. 2002 Joined Terumo Corporation
Jun. 2004 Executive Officer of Terumo Corporation
Jun. 2007 Senior Executive Officer of Terumo Corporation
Jun. 2010 Director and Senior Executive Officer of Terumo Corporation
Apr. 2017 Director and Corporate Advisor of Terumo Corporation
Jun. Corporate Advisor of Terumo Corporation
Jun. 2018 Outside Director of the Company (current position)
Jun. Outside Director of Nichirei Corporation
Mar. 2019 Outside Director of DIC Corporation
Apr. Professor of Graduate School of Health Innovation Studies of Kanagawa University of Human Services
Apr. 2024 Senior Fellow of Kanagawa University of Human Services (current position)

Shareholdings (thousands): —



Hiroshi Iwamoto
Outside Director

Apr. 1981 Joined The Dai-ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.)
Oct. 2004 Senior Research Fellow, Deputy General Manager of Research Division, Chief Economist of Mizuho Research Institute, Ltd.
Jun. 2009 Managing Executive Officer, Deputy General Manager of Research Division of Mizuho Research Institute, Ltd.
Apr. 2010 Managing Executive Officer, General Manager of Planning and Administrative Division of Mizuho Research Institute, Ltd.
Apr. Lecturer at Musashino Academia Musicae
Apr. 2017 Senior Managing Executive Officer, General Manager of Planning and Administration Division of Mizuho Research Institute, Ltd.
May 2019 Advisor of Chuo Fudosan Co., Ltd. (now Chuo-Nittochi Co., Ltd.)
Jun. Outside Statutory Auditor of Morinaga & Co., Ltd.
Jun. 2021 Outside Director of the Company (current position)
Mar. 2024 Outside Auditor of Hakuyosha Company., Ltd. (current position)

Shareholdings (thousands): —

Audit & Supervisory Board Members



Toshio Hirasawa
Full-time Audit & Supervisory Board Member

Apr. 1974 Joined HONGO YAKUJIN, INC. (now the Company)
Jul. 2004 Executive Officer of KURAYA SANSEIDO Inc. (now the Company)
Apr. 2012 Senior Managing Executive Officer of the Company
Apr. In charge of Group Accounting, Manager of Finance and Accounting Department of the Company
Jun. 2013 Audit & Supervisory Board Member of MP AGRO CO., LTD.
Oct. 2014 In charge of Group Accounting of the Company
Jan. 2015 Audit & Supervisory Board Member of Sakurai Tsusho Corporation (now MP Gokyo Food & Chemical Co., Ltd.)
Jun. Full-time Audit & Supervisory Board Member of the Company (current position)
Jun. 2017 Audit & Supervisory Board Member of MEDICEO CORPORATION (current position)
Jun. 2020 Audit & Supervisory Board Member of EVERLTH Co., Ltd.

Shareholdings (thousands): 38



Kazuo Hashida
Full-time Audit & Supervisory Board Member

Apr. 1983 Joined Sanseido Co., Ltd. (now the Company)
Apr. 2007 Manager of the Accounting Department of KURAYA SANSEIDO Inc. (now MEDICEO CORPORATION)
Apr. 2012 Deputy Manager of the Finance & Accounting Department of the Company
Apr. 2017 Manager of the Finance & Accounting Department of the Company
Jul. Executive Officer of the Company
Apr. 2023 In charge of Finance & Accounting of the Company
Jun. Audit & Supervisory Board Member of MEDIPAL FOODS CORPORATION (now MP Gokyo Food & Chemical Co., Ltd.)
Jun. Audit & Supervisory Board Member of ASTEC Co., Ltd. (current position)
Jun. Full-time Audit & Supervisory Board Member of the Company (current position)
Jun. 2024 Audit & Supervisory Board Member of MP AGRO CO., LTD. (current position)

Shareholdings (thousands): 10



Yoko Sanuki
Outside Audit & Supervisory Board Member

Apr. 1981 Registered as Attorney-at-Law
Dec. 1996 Outside Audit & Supervisory Board Member of KURAYA Corporation (now the Company)
Nov. 2001 Director of NS LAW OFFICE (current position)
Jun. 2003 Outside Audit & Supervisory Board Member of KURAYA SANSEIDO Inc. (now the Company)
Jun. 2007 Outside Auditor & Supervisory Board Member of Meiji Dairies Corporation
Apr. 2009 Outside Director of Meiji Holdings Co., Ltd.
Jun. 2011 Outside Director of Resona Bank, Limited
Jun. 2012 Outside Director of Resona Holdings, Inc.
Jun. 2015 Outside Director, Chairman of Audit Committee of Resona Holdings, Inc.
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (current position)
Jun. 2022 Outside Director of Sanken Electric Co., Ltd.
Jun. 2025 Auditor of Japanese Foundation for Cancer Research (current position)

Shareholdings (thousands): 5



Hatsuyoshi Ichino
Outside Audit & Supervisory Board Member

Mar. 1987 Registered as a tax accountant
Apr. 1991 Started Ichino Hatsuyoshi Tax Accountant Office
Apr. 1995 Full-time Lecturer of Department of Commerce, Aichi Gakuin University
Apr. 2000 Assistant Professor of Department of Commerce, Aichi Gakuin University
Oct. 2006 Professor of Department of Commerce, Aichi Gakuin University
Apr. 2010 Part-time Lecturer of Tax Administration Training Course, Local Autonomy College, Ministry of Internal Affairs and Communications (current position)
Apr. 2011 Professor, Graduate School of International Management, Aoyama Gakuin University (current position)
Jun. 2018 Tax accountant of Kanon Tax Accountant Corporation (current position)
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (current position)

Shareholdings (thousands): —



Masayuki Mitsuoka
Outside Audit & Supervisory Board Member

Apr. 1982 Joined Mitsubishi Chemical Industries (now Mitsubishi Chemical Corporation)
Jun. 2009 Board Director, Executive Officer, General Manager of Global Product Strategy Department of Mitsubishi Tanabe Pharma Corporation
Apr. 2012 Board Director, Managing Executive Officer, Division Manager of Development Division of Mitsubishi Tanabe Pharma Corporation
Apr. 2014 Representative Director, Senior Managing Executive Officer of Mitsubishi Tanabe Pharma Corporation
Jun. 2014 President & Representative Director, Chief Executive Officer of Mitsubishi Tanabe Pharma Corporation
Apr. 2020 Board Director of Mitsubishi Tanabe Pharma Corporation
Jun. 2020 Advisor of Mitsubishi Tanabe Pharma Corporation
Jul. 2022 Advisor of the Company
Jun. 2023 External Director of Sawai Group Holdings Co., Ltd. (current position)
Jun. 2025 Outside Audit & Supervisory Board Member of the Company (current position)
Jun. Outside Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd. (current position)

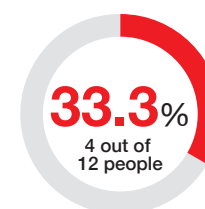
Shareholdings (thousands): —

Corporate Governance

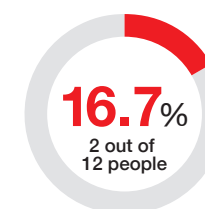
Basic Policy

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

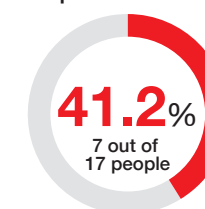
Ratio of Independent Outside Directors



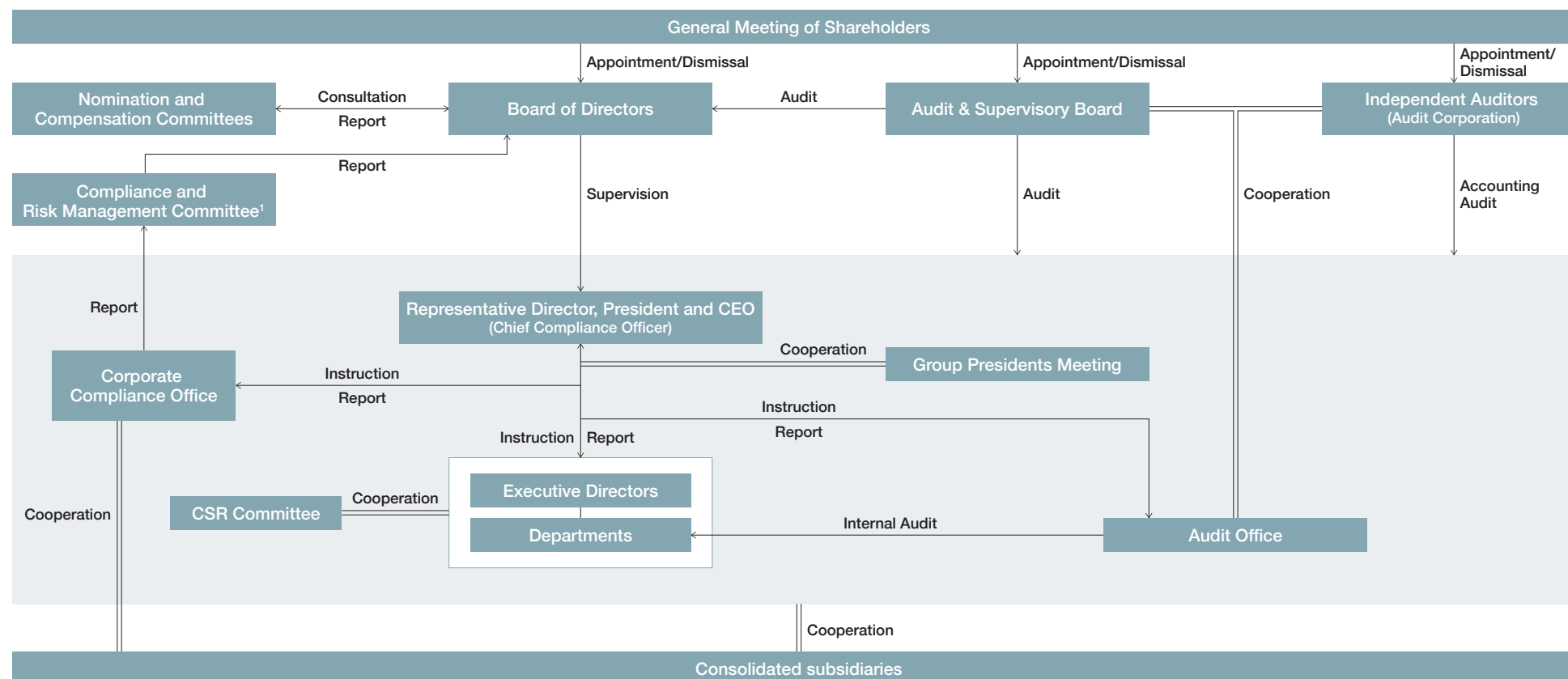
Ratio of Female Directors



Ratio of Independent Officers



Corporate Governance System (As of April 1, 2025)

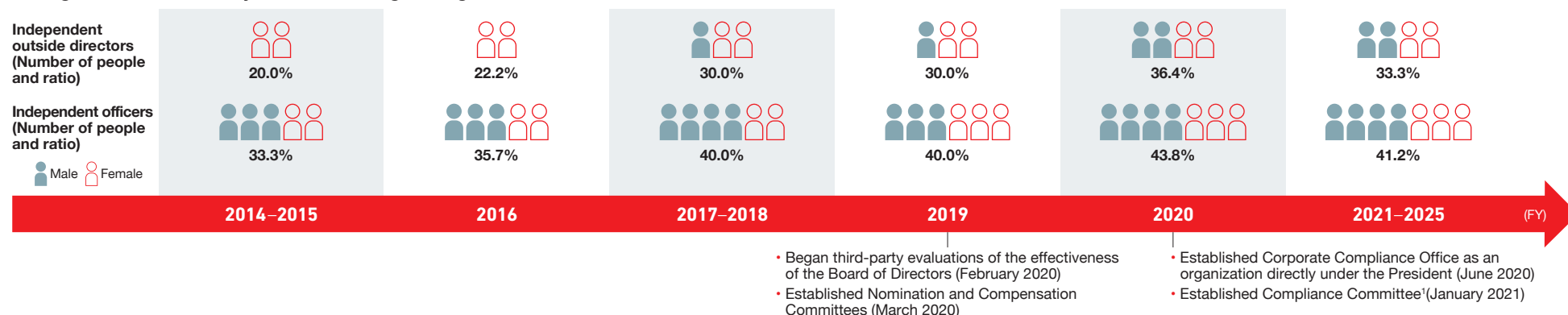


1. The Committee changed its name from Compliance Committee on April 1, 2025.

Overview of the Corporate Governance System

Body	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Committees	Compliance and Risk Management Committee ¹
Purpose, role	Established as a supervisory body to consider and decide on matters stipulated by management policy and by law, as well as other important matters concerning corporate management, and also to supervise the status of overall business execution.	Established as an organization to conduct strict audits of the legality and appropriateness of the execution of duties by the Directors.	Established as an advisory body to the Board of Directors for the purpose of improving fairness, transparency, and objectivity of the process of nomination and compensation of the Directors as a measure to enhance corporate governance.	The Compliance and Risk Management Committee has been established as an advisory body to the Board of Directors for the purpose of ensuring continuous monitoring of Group compliance.
Composition	Comprised of 12 directors (including 4 outside directors). (10 male directors, 2 female directors)	Comprised of 5 appointed Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members). (4 male members, 1 female member)	Comprised 3 or more members selected by resolution of the Board of Directors. A majority of the committee members must be outside directors and the chairperson must be an outside director. Audit & Supervisory Board members and persons nominated by the committee chairperson can also attend as observers.	The committee is chaired by the Chief Compliance Officer (Representative Director, President and CEO) and committee members include executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business and outside directors. Audit & Supervisory Board members and persons nominated by the committee chairperson attend as observers.
Meeting outcomes in FY2024	13 times	13 times	Nomination Committee: 4 times Compensation Committee: 4 times	4 times
Attendance by outside officers	Outside directors: 96.2% Outside Audit & Supervisory Board members: 100%	100%	Nomination Committee: 87.5% Compensation Committee: 87.5%	87.5%
Main matters for consideration	- Ordinary matters, such as results, dividends, and budgets - Special matters, such as the Medium-Term Vision, sustainability, various investment projects, and acquisition and cancellation of treasury shares	- Produces audit reports and decides on matters concerning the appointment and dismissal of full-time Audit & Supervisory Board members; the audit policy and procedures, and methods to survey asset status; and execution of other duties by Audit & Supervisory Board members - Matters decided by resolution of the Audit & Supervisory Board including the appointment/dismissal or reappointment/non-reappointment of independent auditors or compensation of independent auditors	- Nomination Committee: Director candidates for the General Meeting of Shareholders in June 2025, succession planning, officer appointment process, reasoning behind appointments, candidates for new directors and Audit & Supervisory Board members, etc. - Compensation Committee: Officer bonuses to be paid in June 2025, compensation level, pay ratio, reasoning behind compensation, review of compensation for Audit & Supervisory Board members, etc.	- Progress reports on initiatives to ensure rigorous compliance - Initiatives related to rebuilding of our risk management system - Reports on Antimonopoly Act audits - Incident sharing on matters arising at Group companies - Results from compliance questionnaires

Changes in Governance System and Strengthening of Initiatives



1. The Committee changed its name from Compliance Committee on April 1, 2025.

Director Appointment Policy

1. Director Appointment Policy

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

(1) Internal directors

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

(2) Outside directors

Candidates are chosen from among individuals with extensive knowledge and experience of corporate management, healthcare, finance/accounting, legal affairs, international affairs, etc. We also give comprehensive consideration to factors such as personality and concurrent service as an officer at another company. In principle, the total term of office is a maximum of eight or 12 years (four years as an Audit & Supervisory Board member with two or three terms). Outside directors are prohibited from serving as an officer at four or more companies. Notwithstanding, even in the event that a candidate does not meet the separately determined independence requirements, an individual with deep insight and a high ethical viewpoint can be selected as a candidate for outside director. However, in such a case, the ratio of independent outside directors shall be one-third or higher.

2. Director appointment procedure

Candidates shall be proposed to the General Meeting of Shareholders after deliberation by and reports from the Nomination and Compensation Committees (with the majority of members being outside directors and an outside director serving as the chair of the committee), and a resolution by the Board of Directors. The selection of representative directors as well as executive directors with special titles is conducted by

the Board of Directors after deliberation by and reports from the Nomination and Compensation Committees.

3. Director dismissal procedure

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

Ensuring Diversity of the Board of Directors

The Company’s Board of Directors is designed to have diverse representation as well as an appropriately balanced mix of knowledge, experience, and skills, including through the appointment of a number of outside directors and outside Audit & Supervisory Board members.

The Company has appointed a diverse lineup of outside directors and outside Audit & Supervisory Board members, including former business executives and specialists in pharmaceutical development, accounting, and legal affairs, to ensure the effective functioning of the Board.

Use of Outside Directors and Audit & Supervisory Board Members

When appointing outside directors, the emphasis is on extensive experience, deep insight, and a high level of specialization, as well as the requirements stipulated in the Companies Act. We expect outside directors to contribute to improved corporate governance by contributing questions and opinions based on diverse perspectives that stimulate discussion at the Board of Directors’ meetings and contribute to appropriate decision making.

Our policy is for at least one-third of directors to be independent outside directors. Of the 12 directors, four are outside directors, all of whom are independent outside directors.

We believe we have appointed a sufficient number of independent outside directors based on comprehensive consideration of our industry, size, business characteristics, organizational structure, and the surrounding business environment.

Of the five Audit & Supervisory Board members, three are outside members, all of whom are independent outside

members. This system of monitoring and supervision of the Board of Directors by independent outside directors and independent outside Audit & Supervisory Board members ensures highly transparent management.

Reasons for Selecting Outside Directors and Outside Audit & Supervisory Board Members (As of June 25, 2025)

Name	Reason for Appointment
Mitsuko Kagami Outside Director	Thanks to her wealth of experience and specialist knowledge of corporate law developed through her work as an attorney-at-law, Ms. Mitsuko Kagami provides us with valuable opinions from a broad perspective at meetings of the Board of Directors of the Company. Such insight will be reflected in the supervision of the Company’s management going forward.
Toshio Asano Outside Director	Mr. Toshio Asano has a wealth of experience and broad-ranging insight gained through his involvement in corporate management, having served as President & Representative Director of Asahi Kasei Pharma Corporation and Asahi Kasei Corporation. Based on this, he offers us valuable opinions and appropriate advice from objective, specialized viewpoints at meetings of the Board of Directors of the Company.
Kuniko Shoji Outside Director	Ms. Kuniko Shoji has a wealth of experience and broad-ranging insight, having served as Director at Terumo Corporation and as the officer in charge of Terumo Corporation’s pharmaceutical and clinical trial departments. Based on this, she offers us valuable opinions and appropriate advice from objective, specialized viewpoints at meetings of the Board of Directors of the Company.
Hiroshi Iwamoto Outside Director	Mr. Hiroshi Iwamoto possesses experience in financial and HR affairs developed in the finance industry, and a wealth of management experience subsequently developed in the information and telecommunications industry. Leveraging this wealth of experience and broad-ranging insight, he offers us valuable advice across all management matters and strengthens oversight on the Board of Directors.
Yoko Sanuki Outside Audit & Supervisory Board Member	Thanks to her wealth of experience and specialist knowledge of corporate law developed through her work as an attorney-at-law, Ms. Yoko Sanuki has served as an outside director and outside Audit & Supervisory Board member at multiple companies, and makes use of this knowledge in auditing the Company.
Hatsuyoshi Ichino Outside Audit & Supervisory Board Member	As a qualified tax accountant, Mr. Hatsuyoshi Ichino currently not only teaches subjects including accounting, financial statement accounting and tax planning, among other subjects, in his role as a professor at the Graduate School of International Management of Aoyama Gakuin University, he also serves as part-time lecturer of the Tax Administration Training Course at the Local Autonomy College, Ministry of Internal Affairs and Communications, giving him a high degree of knowledge in financial and accounting matters. He makes use of this wealth of experience and specialist knowledge in auditing the Company.
Masayuki Mitsuka Outside Audit & Supervisory Board Member	Mr. Masayuki Mitsuka has served as the manager in charge of the development department at Mitsubishi Tanabe Pharma Corporation, as well as the President & Representative Director of said company, meaning he has been deeply involved in corporate management. He makes use of this wealth of experience and broad insight in auditing the Company.

Skill Matrix and Composition of the Nomination and Compensation Committees (As of June 25, 2025)

The MEDIPAL Group seeks sustainable development and medium- to long-term improvement of corporate value. As such, we have established as areas of expertise and experience that are fundamental to the Company: business management experience, sales/marketing, medical/pharmaceutical science/public service, financial affairs/accounting/financing/M&A, legal affairs/governance, IT/DX, personnel & labor/human resources development, global, and sustainability. We have therefore selected officers who possess expertise and experience in these fields.

■ Chairperson □ Member

Name		Specialty, Experience ¹									Nomination Committee member	Compensation Committee member	Compliance and Risk Management Committee ² member
		Business management experience	Sales/ Marketing	Medical/ Pharmaceutical science/ Public service	Financial affairs/ Accounting/ Financing/ M&A	Legal affairs/ Governance	IT/ DX	Personnel & labor/ Human resources development	Global	Sustainability			
Representative Director and President	Shuichi Watanabe	●	●								☐		☒
Representative Director, Vice President	Yasuhiro Choufuku	●	●										☐
Senior Managing Director	Toshihide Yoda	●			●				●			☐	
Managing Director	Yuji Sakon	●	●			●				●	☐	☐	☐
Director	Shinjiro Watanabe	●					●						
Director	Kuniaki Imagawa	●	●										
Director	Takuya Yoshida	●	●		●								
Director	Hidemitsu Wakita	●							●				
Outside Director	Mitsuko Kagami					●				●	☐	☐	☐
Outside Director	Toshio Asano	●		●							☒	☒	
Outside Director	Kuniko Shoji	●		●					●	●	☐	☐	☐
Outside Director	Hiroshi Iwamoto				●			●			☐	☐	
Full-time Audit & Supervisory Board Member	Toshio Hirasawa				●								
Full-time Audit & Supervisory Board Member	Kazuo Hashida				●								
Outside Audit & Supervisory Board Member	Yoko Sanuki					●				●			
Outside Audit & Supervisory Board Member	Hatsuyoshi Ichino				●					●			
Outside Audit & Supervisory Board Member	Masayuki Mitsuka	●		●									

Please see the notice of convocation for more details. (in Japanese only)
https://ssl4.eir-parts.net/doc/7459/ir_material/251237/00.pdf

1. Does not include all the experience and expertise of directors and Audit & Supervisory Board members.
 2. The Committee changed its name from Compliance Committee on April 1, 2025.

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

We have established a system that enables mutual cooperation between outside directors and outside Audit & Supervisory Board members and the Audit Office, Audit & Supervisory Board members, and independent auditors. This system enables these parties to coordinate as necessary, either directly or indirectly, through methods such as email or telephone. In addition, outside directors and outside Audit & Supervisory Board members share their views at meetings of the Board of Directors, and express their frank opinions on other occasions such as during briefings ahead of important discussions. The Company also periodically provides opportunities to view worksites at subsidiaries.

Compensation for Directors

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

Compensation Amount for Directors

Corporate Officer Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Category (Millions of yen)				Number of Relevant Corporate Officers ¹
		Fixed compensation	Performance-linked compensation	Retirement benefits	Non-monetary compensation, etc., included in the left column	
Directors (excluding outside directors)	281	192	88	-	-	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	45	45	-	-	-	2
Outside directors	57	57	-	-	-	4
Outside Audit & Supervisory Board members	32	32	-	-	-	3

1. There are no officers receiving a total of compensation and other benefits of ¥100 million or more in the fiscal year ended March 31, 2025.

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

Monetary compensation (i.e., compensation that is neither performance-linked compensation nor non-monetary compensation) is defined as a fixed monthly amount as base compensation paid in accordance with the position of each director.

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

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

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

A system for non-monetary compensation has not yet been introduced, but for some time now we have been considering the introduction of a stock-based compensation scheme linked to the increase in corporate value as an incentive that functions with medium- to long-term earnings. The Nomination and Compensation committees will also engage in various discussions on this matter.

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

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

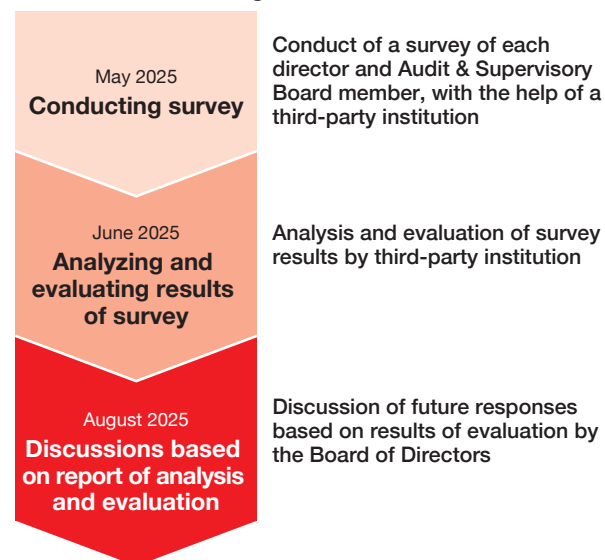
5. Methods to decide the content of compensation for individual directors

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

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors of the Company conducts self-evaluation of the effectiveness of directors and Audit & Supervisory Board members, while receiving support from third-party institutions, with the aim of improving the effectiveness of our governance. Our secretariat first works with a third-party institution to create and distribute an evaluation survey. We then gather responses from our directors and Audit & Supervisory Board members, and the third-party institution analyzes and evaluates the results. The results of the analysis are collected in the form of a report from the third-party institution and then presented to the Board of Directors. The Board of Directors checks the results of the evaluation based on this report, discusses future issues and improvement measures, and decides on policies in response. Through this series of processes, the MEDIPAL Group seeks to improve the functioning of the Board of Directors and continuously improve our governance structures.

Process for Evaluating Effectiveness



Results from analysis and evaluation in FY2024 and status of response

Analysis/Evaluation Outline of Results

The average score for the question asking for an overall evaluation of the effectiveness of the Board of Directors was 4.1, above the average score for all questions of 3.8. The questions on whether discussions at the Board of Directors were open-minded returned a high average score of 4.5, and there were multiple comments confirming the liveliness of discussions in the free comment section. Compared with last year, evaluations regarding risk management and group governance have improved significantly. In light of these results, we conclude that the Board of Directors is functioning effectively overall.

Issues Identified and Response Policies

The results from the questionnaires identified the following issues.

Discussions at the Board of Directors' meetings

- Following up with progress reports on business plans
- Investigate how the business should be managed with an awareness of capital costs and the share price
- Sufficient discussion on the allocation of management resources, such as investment in human capital and intellectual property, and the execution of strategies related to the business portfolio
- Sufficient discussion on the development of successor candidates.

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

Concept of Strategic Shareholdings

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

The balance as of March 31, 2025 was ¥95.4 billion, 12.6% of net assets (1.1 percentage points lower than the end of the previous fiscal year).

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

Special Circumstances Affecting Large Impact on Corporate Governance

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

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

2. The Company believes that from the standpoint of Group management, it is preferable to boost corporate value by respecting PALTAC's independence and actively conducting business operations based on swift decision making. PALTAC decides on appropriate business strategies independently and in a self-directed manner.

3. The Company plans to retain a majority of PALTAC's shares and keep PALTAC as a consolidated subsidiary from the viewpoint of contributing to the improvement of corporate value for both companies. Furthermore, in our role as the parent, the Company dispatches directors to PALTAC to ensure appropriate Group governance. However, PALTAC has established an independent committee of all the independent outside directors and independent outside Audit & Supervisory Board members, and is working to ensure protection of minority shareholders' interests.

Responsible Dialogue with Shareholders and Investors

General Meeting of Shareholders

In order to provide shareholders with sufficient time to make decisions on exercising their voting rights, the Company issued the notice of convocation for the June 25, 2025 Annual General Meeting of Shareholders on June 2, 2025, which is earlier than the legal requirement. Prior to this, the Company also made an early disclosure of its notice of convocation for the General Meeting of Shareholders on its corporate website on May 26, 2025. In addition, since the Annual General Meeting of Shareholders held in June 2002, the Company has enabled voting rights to be exercised electronically via the internet, in order to ensure that voting rights are exercised promptly and actively. Since 2006, the Company has also joined the voting rights platform for institutional investors operated by ICJ, Inc. to create an environment in which institutional investors may directly exercise voting rights by electronic means. In addition, other measures to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, including posting the notice of convocation and details of the resolutions on our corporate website, have been taken. At the Annual General Meeting of Shareholders held on June 25, 2025, a total of 3,264 shareholders exercised voting rights (of whom, 3,168 did so in writing or via the internet), for a voting ratio of 84%.

Dialogue with institutional investors

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

IR events for institutional investors in FY2024

IR Event	Date Held	Presenter
Briefings on financial results	May and November 2024 (twice a year)	President, corporate officer in charge of IR
Conferences held by securities companies	February 2025	Director in charge of IR
Small meetings held by securities companies	March 2025	IR member

IR interviews with institutional investors in FY2024

Number of interviews during the year	86 (54 in Japan; 32 overseas) ¹
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Dialogue with individual investors

For dialogue with individual investors, we hold conferences for individual investors in major cities throughout Japan with the aim of enhancing recognition and establishing the brand of the Company. We also send newsletters to shareholders to deepen their understanding of our management philosophy and business strategy. To prevent the spread of COVID-19, in recent years, we have refrained from holding conferences for individual investors. However, we held such a conference in Sapporo in October 2024, with the director in charge of IR providing explanations. We will hold such conferences regularly going forward, and create opportunities for dialogue with individual investors.

1. Figures represent cumulative numbers

Compliance

Basic Policy

The MEDIPAL Group has designated “rigorous compliance” as one of its business policies. To earn the trust of all of our stakeholders and continue as a company achieving sustainable development, we believe it is essential for each and every MEDIPAL Group employee to not only comply with relevant laws and regulations, but also to follow rules and manners in societies, and to act in line with the highest ethical standards. To that end, we continually carry out training programs and awareness activities for all employees.

Compliance Promotion System

In the MEDIPAL Group, the Representative Director, President and CEO is charged with management of Group compliance, and top management takes the lead in promoting compliance.

To put in place structures to tackle this in a systematic and ongoing manner, the Corporate Compliance Office has also been established as an organization under the direct control of the President to further strengthen compliance throughout the Group.

The Compliance and Risk Management Committee¹ has also been established with the aim of continuously monitoring the MEDIPAL Group’s compliance and risk management systems. The Compliance and Risk Management Committee, which functions as an advisory body to the Board of Directors, is chaired by the Chief Compliance Officer. Members also include executive directors with sales experience in the Prescription Pharmaceutical Wholesale Business and outside directors. Audit & Supervisory Board members and other officers also participate as observers and offer opinions from a variety of angles to help realize a more effective monitoring system.

With the aim of raising awareness of compliance in sales departments and of effecting thorough monitoring and oversight of the progress of such efforts on the sales front lines of Group companies that operate the Prescription Pharmaceutical Wholesale Business, we have appointed some of the sales department managers as compliance leaders to promote compliance.

We have undertaken the following initiatives in an effort to establish an audit/monitoring system:

1. Antimonopoly Act audits

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

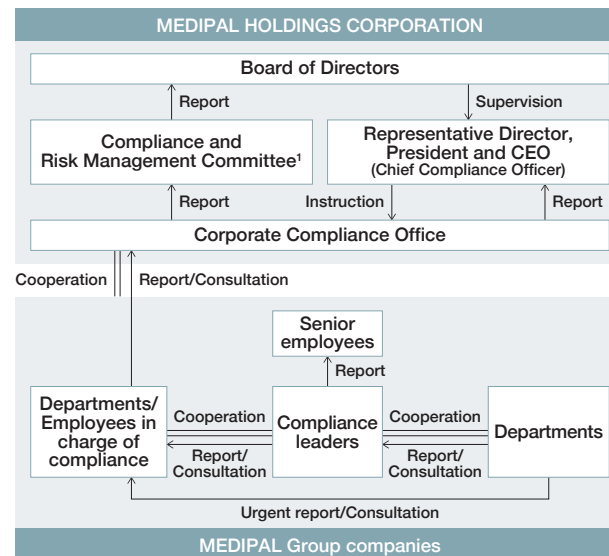
2. Reporting of audit results

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

3. Reporting of status of improvements

The establishment and operation of the MEDIPAL Group’s compliance system is also reported quarterly to the Board of Directors.

Compliance Promotion Structure Chart (As of April 1, 2025)



Formulation of Guiding Principle for Business Activities

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

Initiatives to Prevent Violations of the Antimonopoly Act

The MEDIPAL Group is proceeding with the establishment of rules and regulations to prevent violations of the Antimonopoly Act. We have also revised our work regulations. We put in place a person in charge of compliance at every Group company and develop systems for appropriate guidance based on these rules and regulations.

Review of business plans and sales targets

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

Creation of Antimonopoly Act Compliance Guidebook

We produce an easy-to-understand guidebook with the aim of preventing violations of the Antimonopoly Act. The guidebook outlines points that invite misunderstanding and cases where judgment can easily err in the context of sale activities.

1. The Committee changed its name from Compliance Committee on April 1, 2025.

Establishment of regulations regarding the prevention of involvement in bid rigging, etc.

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

Compliance based on rules for estimates and bids

Our activities comply with internal rules that realize proper competition in line with the spirit of observing regulatory compliance. The rules specify that approvals are obtained after we have confirmed that there has been no contact with other companies in the industry, and that price estimates and bids are not to be submitted for projects where we have no intention of accepting the contract.

Formulation of rules on activities within the industry and contact with other wholesalers

We have, in principle, prohibited actions that may invite suspicion, such as contact with other companies in the industry, in the wake of the on-site inspection conducted by the Japan Fair Trade Commission. On the other hand, we permit appropriate participation in industry activities on the basis of certain rules on the presence of lawyers or other relevant parties, and the preservation of minutes of proceedings.

In preparation for cases where circumstances inadvertently arise necessitating contact with other companies in the industry, we have established clear rules including procedures for making approvals in advance, and conduct strict operations.

Consultation desk for Antimonopoly Act (Antimonopoly Act Hotline)

Immediately following the on-site inspection by the Japan Fair Trade Commission, we established a dedicated consultation desk for the Antimonopoly Act to ensure a swift response in cases where decisions regarding compliance with the Antimonopoly Act are difficult for those on the ground in sales. This consultation desk operates separately from the existing whistleblower hotline.

Initiatives to Prevent Bribery

The MEDIPAL Group carries out its business activities in a sound and proper manner, and strictly prohibits all supply of profits to civil servants or those in a similar position. All Group companies have formulated bribery prevention regulations. To guarantee the effectiveness of these regulations, we have also established specific rules regarding disbursements, such as mandating that all actions such as donations to third parties pass through internal approvals in writing.

Furthermore, as the major business partners of the MEDIPAL Group, including manufacturers of pharmaceutical products and medical equipment, are firms with corporate entities based overseas, we are conducting annual online training based on the education standards set by our business partners, in reference to the training materials used in Foreign Corrupt Practices Act (FCPA) training induction course which is implemented by the American Medical Devices and Diagnostics Manufacturers' Association (AMDD).

Initiatives to Raise Compliance Awareness

Compliance training

The following training is provided using e-learning.

Status of compliance-related training (portion hosted by MEDIPAL Group only)	
	- Antimonopoly Act training: Once a year - Compliance training: Once a year - Information security training: Twice a year - Harassment prevention training: Once a year - FCPA training: Once a year - Training on guidelines for sales information provision activities: Four times a year

Declaration of Compliance Day

To demonstrate our ongoing commitment to compliance, we have designated November 27 as Compliance Day. We are working to prevent past incidents from fading from memory through efforts such as conducting a survey targeting employees to ascertain the effects of initiatives to improve compliance and the level of awareness of compliance matters among employees.

Whistleblowing System

As part of a structure to identify and address problems within the MEDIPAL Group early, the Group has established a Whistleblower Hotline. We have used the Group intranet and posters to inform employees that they can use this hotline to raise concerns about work-related impropriety, legal violations, or unethical conduct that has occurred or risks occurring.

The Group has established both internal and external points of contact for receiving reports and put in place an environment where it is easy for employees to consult about such matters, by establishing a system where they can make reports through various means including phone, email, FAX and post. To ensure the confidentiality of reporters, we have made the point of contact for receiving reports an independent agency, and clarified in our internal regulations that reporters are not to suffer disadvantages as a result of their conduct. We have also prepared a system that can respond appropriately to anonymous reports.

Whistleblower Hotline Response Process



Quality Control

Basic Policy

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

Maintaining Quality

For quality control in the storage and distribution of pharmaceuticals, medical equipment, and other products, the MEDIPAL Group strives to build and operate appropriate systems by creating manuals on logistics operations, supervising pharmacist operations, etc., based on ordinances issued by the Ministry of Health, Labour and Welfare, and on JGSP¹ and JGSP2008.

The Group also formulates manuals for quality control and standard operating procedures (SOPs) in accordance with the globally harmonized JGSP/GDP,^{*} revised to reflect PIC/S² GDP, and with GDP guidelines issued by the Ministry of Health, Labour and Welfare. In addition, the MEDIPAL Group works to enhance management systems, provide opportunities for suggesting improvements at GDP review meetings, and implement educational activities.

Education and Training

The MEDIPAL Group provides systematic and ongoing training to maintain the integrity of pharmaceuticals, etc. The training is based on the annual education and training plan formulated at the beginning of the fiscal year and covers quality control manuals and SOPs for employees and personnel in charge of merchandise management and distribution. The training combines multiple methodologies including online training sessions, classroom study, and on-the-job training (OJT) to meet various roles and levels of mastery.

Introductory Education and Training

Scope	New assignees/personnel
Contents	Learn the basic procedures and acquire knowledge for performing work in each department
Hours	Approx. 5 hours

Regular Education and Training

Scope	Employees and personnel responsible for product management and distribution
Contents	Acquiring knowledge of GDP and knowledge related to quality control matters such as drug regulatory affairs and supply of pharmaceutical products handled by the Company
Hours	10+ hours

Why counterfeit drugs are not a growing concern in Japan

The spread of counterfeit drugs is becoming a severe problem worldwide. However, there is largely no room for counterfeit drugs to enter the Japanese drug market. The main reasons for this are the thorough preparation of and compliance with relevant laws and regulations beginning with the Pharmaceutical and Medical Device Act, and the fact that the distribution system is one in which nearly all prescription pharmaceutical distribution (roughly 96%) is performed by pharmaceutical wholesalers.

The existence of pharmaceutical wholesalers has the following results, which support highly trusted distribution in Japan: (1) distribution routes are simplified; (2) a single company is responsible for everything from procurement to delivery; and (3) structures of close cooperation are established between pharmaceutical manufacturers, medical institutions and dispensing pharmacies.

The existence of high-quality distribution platforms and ongoing investment to support these are essential for preventing the spread of counterfeit pharmaceuticals. In that sense, the Japanese pharmaceutical wholesale industry is also responsible for safety and social costs.

The Group conducts lot traceability management, and has constructed a system that allows it to accurately determine what has been sold, when, to whom, and in what quantities.

For this reason, in the event of a voluntary product recall by a pharmaceutical company, this system allows the Group, at the pharmaceutical company's request, to rapidly provide information to the medical institutions and other customers to whom the products have been sold, and recall those products.

1. The Japanese Good Supplying Practice (JGSP) is an industry-internal practical standard by the Federation of Japan Pharmaceutical Wholesalers Association for quality and safety management in the supply of pharmaceuticals, aimed at preventing loss of quality due to the effects of temperature, humidity and light in each of the stages of storage, shipping and transportation. JGSP applies to prescription pharmaceuticals, while JGSP2008 applies to over-the-counter pharmaceuticals.
2. The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S) is an international cooperative framework for the quality management of pharmaceuticals

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

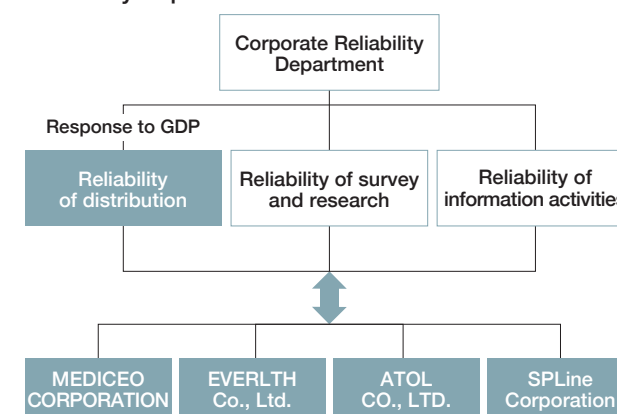
Compliance with the Japanese Version of the GDP* Guidelines

The MEDIPAL Group is now providing training based on quality control manuals and SOPs to the logistics departments of the four prescription pharmaceutical wholesalers¹ as well as to all ALCs.* In addition, we carry out regular quality reviews to promote and enhance the quality of GDP activities. In FY2022, we also expanded our GDP activities, which had previously focused on distribution centers, to FLC* and branches. At EVERLTH Co., Ltd. and ATOL CO., LTD., we confirmed consolidation of such activities in FY2023. We are also advancing the development of GDP activities per area from FY2024 at MEDICEO CORPORATION.

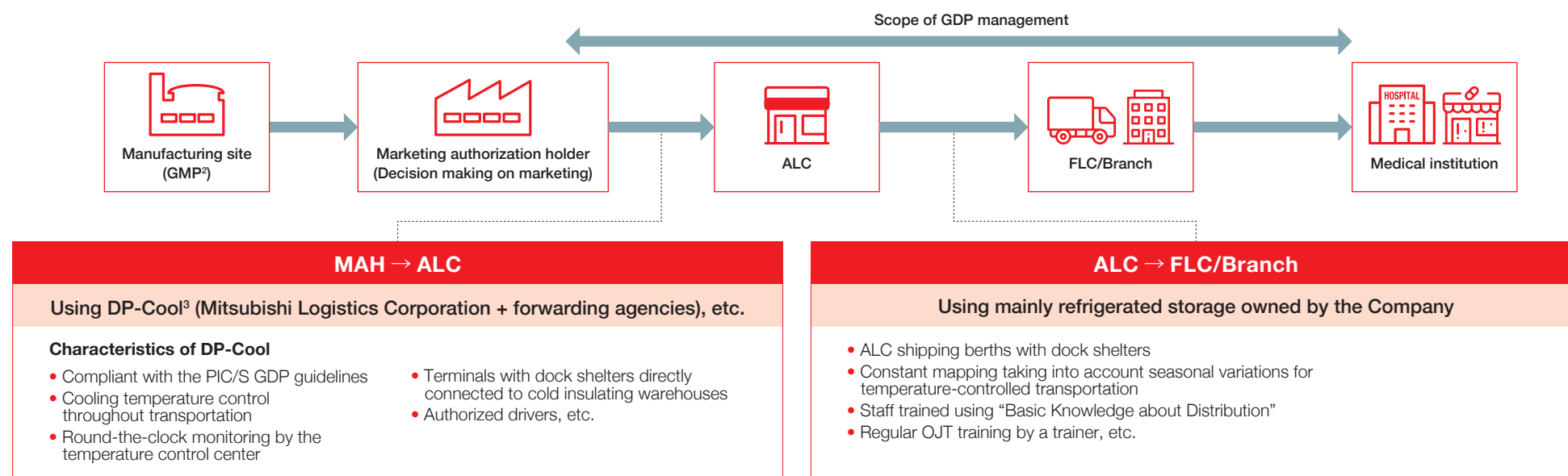
Organization and role of the Corporate Reliability Department

The Corporate Reliability Department supervises the status of logistics quality control at the four prescription pharmaceutical wholesalers. At ALC, in particular, which is a logistics site, the Corporate Reliability Department is promoting efforts aimed at consolidating methods based on the GDP guidelines and at improving ongoing logistics quality. Furthermore, the department is also working to outfit FLCs and branches throughout Japan with organizational systems based on the guidelines and the necessary capital investments, while implementing educational activities for employees responsible for product management and distribution. In addition, to increase reliability in logistics quality, the department is further enhancing our pharmaceutical distribution practices by strengthening cooperation not only with relevant internal departments but also with pharmaceutical companies, distributors, and other external partners.

Organization and role of the Corporate Reliability Department



Pharmaceutical Supply Chain



1. MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD. and SPLine Corporation
 2. Good Manufacturing Practice
 3. Refrigerated transportation service for pharmaceuticals compliant with the PIC/S GDP guidelines

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

Business Continuity Plan (BCP)

Basic Policy

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

System

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

When there is an outbreak or spread of an infectious disease, a secretariat for the Disaster Countermeasures Headquarters is established based on the Disaster Response Manual (for Infectious Diseases) and information on the disease is gathered from the World Health Organization (WHO) and Japanese government agencies. Once the outbreak occurs in Japan and is expected to spread, the general manager of the Group's Disaster Countermeasures Headquarters will decide whether the Disaster Countermeasures Headquarters needs to be established based on reports from the secretariat chief.

To maintain a stable supply of pharmaceuticals and other products while ensuring the safety of customers and employees, the headquarters collects and centrally manages information on government policies and local conditions, and quickly and flexibly implements countermeasures against various anticipated situations.

Disaster Planning

Based on the experience we have gained in previous major natural disasters, including the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake, the MEDIPAL Group is continuing to undertake various measures aimed at achieving "distribution that does not stop during disasters." Because Japan is a land where we must coexist with natural disasters, MEDIPAL has made full preparations for dealing with any disaster scenario.

Seismic isolation structure

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



In-house power generators

MEDIPAL's principal business locations, including the Head Office and distribution centers, are equipped with in-house electric power generators, creating systems that will support business continuity during disasters.



Highlight

Conducting trials aimed at achieving drone delivery of pharmaceuticals

MEDICEO CORPORATION, KDDI Corporation, KDDI SmartDrone Inc., Japan Airlines Co., Ltd., East Japan Railway Company, and Weathernews Inc. partnered to conduct a demonstration of drone delivery of pharmaceuticals aimed at its social implementation, in Hinohara Village in Nishitama, Tokyo, from October 21 to November 7, 2024.

This demonstration corresponded to the final year of a three-year plan. The companies conducted the demonstration with a view to the following, aiming to implement a service in a densely populated urban setting.

- Constructing an on-demand delivery system for pharmaceuticals using drones
- Introducing Crew Resource Management¹ used in aircraft operations by Japan Airlines Co., Ltd. to drone operations to establish an operating system that secures greater safety.
- Testing delivery efficiency using the simultaneous operation of two drones by one operator

The demonstration was conducted as part of the "Demonstration Project for the Promotion of Drone Logistics Service Implementation in Tokyo," and aims to accelerate the social implementation of drone logistics services in urban settings.

Delays in the delivery of pharmaceutical products can be fatal. As such, achieving drone delivery will be highly meaningful from the point of view of BCP, as it will allow for delivery without being affected by traffic conditions during times of congestion or disasters.



1. An approach that efficiently and effectively utilizes all available resources for safe operation, and thus increases the capacity of a team to carry out operations by aggregating the capabilities of team members

Information Management

Basic Policy

MEDIPAL Group possesses a variety of information, beginning with customer data. We understand that appropriately managing and preserving this information is an important social responsibility that the MEDIPAL Group bears. Recent years have seen an increase in cybersecurity threats, including ransomware and supply chain attacks. In response to this, in addition to hard countermeasures such as those implemented in our systems, we are focusing on improving soft measures such as education for employees in the handling of data. We are thus striving to more thoroughly manage information through the implementation of countermeasures made up of both such hard and soft approaches.

Policies and Systems

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

Education System

The MEDIPAL Group considers the awareness of each and every employee who handles information to be the most critical element of information management. Based on this idea, we conduct information security training twice a year via an e-learning platform to remind employees about information management and raise their awareness of security. Additionally, through trainings at different levels of the organization, we have conducted training to promote proper handling of data based on internal rules targeting new employees and management. Furthermore, we are working to improve data collection and analyze the risk related to information security, drawing the attention of employees to phishing emails and other methods of targeted attack as necessary, and ensuring thorough awareness of information security at all workplaces.

Countermeasures to Prevent Data Leaks and Data Falsification

We are working to prevent fraudulent use of systems and impersonation by thoroughly minimizing access permissions and by introducing two-factor authentication when logging into PCs, in order to prevent data leaks and data falsification stemming from unintended operations or mistakes within organizations, or from acts of fraud. We are logging operational history to enable tracking of suspicious operations on PCs, preventing access to suspicious websites and implementing detection and automatic removal of suspicious devices. By using biometric authentication and encrypting stored data on mobile devices, we have ensured data safety. As a measure to prevent mistaken sending of emails, we not only perform automatic inspection of emails contents, but we have also made it so that approval from a superior is required under certain circumstances, to thoroughly prevent mistaken transmissions.

Examples of Countermeasures to Prevent Data Leaks and Data Falsification

PC

- Introducing two-factor authentication during login
- Logging operational history
- Preventing access to suspicious websites
- Detecting usage of fraudulent devices and automatically removing them

Mobile devices

- Biometric authentication and encryption of stored data
- Automatic inspection of sent content (prevention of mistaken transmissions)
- Approval by superiors under special conditions (prevention of mistaken transmissions)

Cyberattack and Fraudulent Access Prevention

In order to protect data assets from external threats such as cyberattacks, fraudulent access and malware infection, we are defending against unauthorized access through means such as the installation of firewalls, and the use of secure remote access limited to the connection source PC.

We have also implemented EDR¹ as a malware countermeasure on all PCs and servers, and have made it possible to respond quickly in the early stages of an attack through real-time monitoring and detection of suspicious system operations. Additionally, we have also improved our filtering system for suspicious emails.

We also conduct monitoring in partnership with an external SOC² and using a 24-hour monitoring system, enabling us to both ascertain the signs of an attack as soon as possible and to determine the scope of any impacts when an incident occurs, and to quickly perform initial responses through, for example, isolation of PCs. We thus work to minimize damage and quickly restore systems.

Examples of Cyberattack and Fraudulent Access Prevention

- Installing firewalls
- Settling up secure remote access limited to the connection source PC
- Introducing EDR as a malware countermeasure on all PCs and servers
- Linking to external SOC and performing 24-hour monitoring

1. Security technology that monitors the status of PCs and servers (endpoints) and the content of transmissions, and notifies administrators if irregular or suspicious activity occurs, and then blocks such activity

2. A specialist team that provides 24-hour, 365-day-a-year monitoring of a company's or organization's networks or systems, gathering and analyzing logs, and proposing and executing countermeasures when incidents occur