# Management Philosophy and Mission

The MEDIPAL Group undertakes the role of delivering necessary products and connecting those who make products and those who eagerly await those products, as a company supporting the consistent distribution of "Pharmaceuticals, Health, and Beauty." We further attempt various innovations, such as developing and fostering businesses that have high value for society, while also pursuing and realizing logistics that are without waste and resilient even in emergencies, in order to optimize our supply chains overall. We will continue to evolve in line with our management philosophy of "Contributing to people's health and the advancement of society through creation of value in distribution" as a wholesaler that provides valuable, safe, and secure distribution that can meet the needs of communities and our stakeholders, regardless of the era.

## Company Logo

The logo design represents people holding hands and harmony, which symbolize cooperation, coexistence, and the strength to live. It also expresses that MEDIPAL is a company that grows with customers and business partners, expands broadly, and respects people.

### Management Philosophy

Contributing to people's health and the advancement of society through creation of value in distribution

### Management Policy

1. Create a vitalized corporate culture to make the MEDIPAL Group trusted by society
2. Raise shareholder value and ensure thorough legal compliance
3. Faithfully create a free and open-minded corporate culture and train creative personnel

### Guiding Principle for Business Activities

Engaging in fair competition based on a spirit of observing regulatory compliance elevates the quality level of all employees and induces change in the company, which will lead to the delight of customers and further enhancement of corporate value.

### Sustainability Policy

Connecting to the Future with Energy and Brightness

### Business Fields

"Pharmaceuticals, Health, and Beauty"

Prescription Pharmaceutical Wholesale Business

Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

# History of Value Creation

**The MEDIPAL Group is taking on the challenge of creating new value under a slogan of "Change the Oroshi" to realize sustainable growth by leveraging the strengths we have developed as a wholesaler over a long period of time.**

| | 2000– | 2005– | 2009– | 2011– | 2019– | 2022– |
|---|---|---|---|---|---|---|
| **Social Trends** | • **Start of the Long-Term Nursing Care Insurance System** | • **Transition to a prevention-focused system due to revision of the Long-Term Care Insurance Act** | • **Effects of the Lehman Shock**<br>• **Spread of novel influenza virus** | • **Great East Japan Earthquake**<br>• **Review of disaster prevention and energy policies** | • **Implementation of the Work Style Reform Act**<br>• **Spread of COVID-19** | • **Promotion of reskilling, development and improvement of digital personnel** |
| **Social Issues** | • Sustainability of the pension, medical and insurance systems<br>• Increase in chronic and lifestyle-related diseases | • Securing medical personnel and regional medicine system<br>• Combining limiting medical costs and high-quality medical care | • Employment anxieties and increase in non-regular employees<br>• Novel influenza countermeasures<br>• Doctor shortages and overwork of hospital doctors<br>• Increase in medical costs and financial pressures | • Reconstructing medical and welfare systems in disaster-struck regions<br>• Unmasking fragilities in medical infrastructure during disasters | • Limiting medical costs<br>• Promoting medical ICT (online diagnosis, etc.)<br>• Promoting preventative medicine | • Pressure on medical settings and overwork of medical personnel<br>• Preparation of vaccine systems<br>• Continuation of countermeasures for COVID-19<br>• DX (digitalization of medicine) |

2014– **Change the 卸** (Oroshi)

## 1898
### Founded
Saichiro Kumada, a pharmacist, opened Kumada Sanseido Pharmacy in Kobe City

## 2000–
### Formation of nationwide distribution network
Starting with KURAYA SANSEIDO Inc.,[1] built a distribution platform covering all regions of Japan through business integration and business alliances

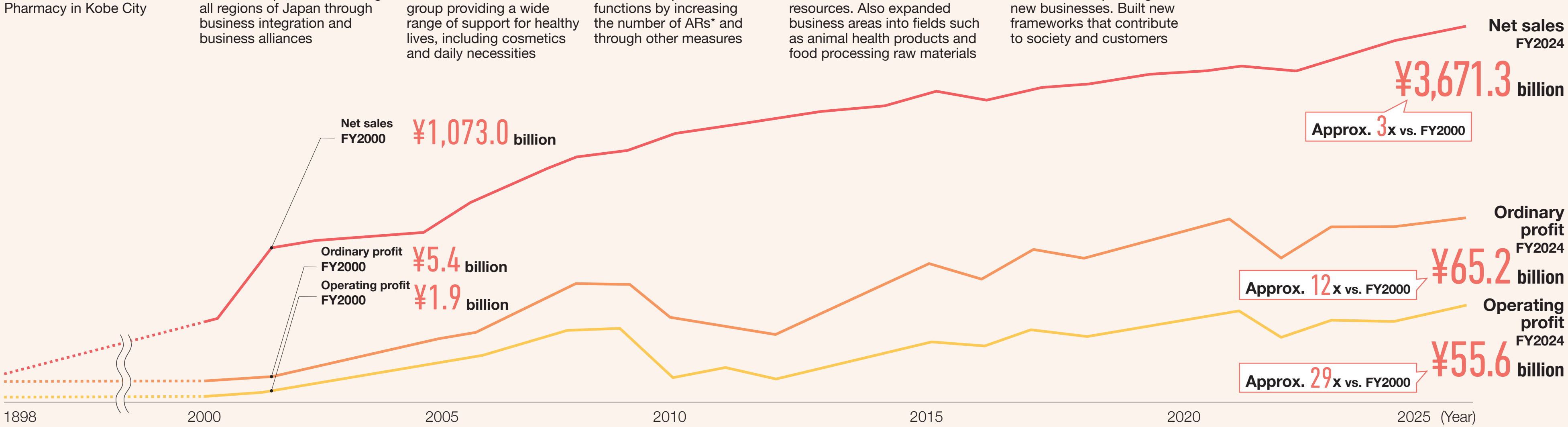
## 2005–
### Expanded business fields to "Pharmaceuticals, Health, and Beauty"
With the addition of PALTAC CORPORATION,[1] established a wholesaler group providing a wide range of support for healthy lives, including cosmetics and daily necessities

## 2009–
### Business innovation
While promoting the nationwide establishment of ALCs,* improved sales functions by increasing the number of ARs* and through other measures

## 2011–
### Creating new value through new businesses
Developed new businesses such as PFM®,* leveraging nationwide infrastructure and human resources. Also expanded business areas into fields such as animal health products and food processing raw materials

## 2019–
### Expanding new businesses and establishing business partnerships
Concluded partnerships with companies in various fields, while expanding new businesses. Built new frameworks that contribute to society and customers

## 2022–
### Growing through business portfolio prioritizations and collaboration with partners
Formulated the 2027 MEDIPAL Medium-Term Vision and began working to achieve our ideal situation



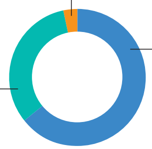

1. Corporate names are shown as they were at the indicated date.

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

# MEDIPAL Group Overview

| Consolidated net sales | Consolidated operating profit | Consolidated ordinary profit | Number of consolidated subsidiaries | Number of consolidated employees | Number of locations overall | Number of years since foundation |
|---|---|---|---|---|---|---|
| ¥3,671.3 billion | ¥55.6 billion | ¥65.2 billion | 19 | 13,061[1, 2] | 575 | 127 |

## Breakdown of consolidated net sales

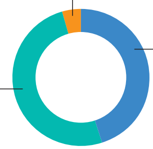


Animal Health Products and Food Processing Raw Materials Wholesale and Related Business
**3.2**%[3] ¥116.8 billion

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
**32.4**%[3] ¥1,188.0 billion

Prescription Pharmaceutical Wholesale Business
**64.5**%[3] ¥2,370.2 billion

## Breakdown of consolidated operating profit



Animal Health Products and Food Processing Raw Materials Wholesale and Related Business
**4.4**%[3] ¥2.4 billion

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
**50.4**%[3] ¥28.0 billion

Prescription Pharmaceutical Wholesale Business
**45.3**%[3] ¥25.2 billion

### Prescription Pharmaceutical Wholesale Business

The Prescription Pharmaceutical Wholesale Business procures not only prescription pharmaceuticals but also healthcare products related to diagnostics, testing, treatment, and administration, including medical equipment and medical materials, and clinical diagnostic reagents for use from the presymptomatic stage. We utilize our distribution network, particularly our state-of-the-art ALCs* located at 13 sites across the country, to provide a stable supply of medical products to hospitals, clinics, and dispensing pharmacies and so on. We have also developed systems to support not only our customers but all pharmaceutical manufacturers, including a team of more than 2,000 ARs* who have obtained MR* certification.

**Consolidated Company Names:**
MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., TOSHICHI CO., LTD., SPLine Corporation, MM CORPORATION, ASTEC Co., Ltd., MVC CO., LTD.,[4] PharField Corporation, MEDIE Co., Ltd., PreMedica Inc., FloraDiscovery Inc., MIC CO., LTD., Medipal Insurance Service Co., Ltd., PRESUSCUBE Corporation, MEDISKET CORPORATION

**Products and Services:**
Prescription pharmaceuticals, medical equipment, tools and clinical materials, and clinical diagnostics, etc.

**Number of Employees:** 9,836[2]

### Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

We have built a position as Japan's number-one wholesaler delivering daily necessities in the business fields of "Beauty and Health." Currently, our Company procures approximately 50,000 types of products from approximately 1,000 companies, and has established a nationwide sales network comprising almost all the main retailers (approximately 400 companies), focused on drugstores, in an effort to optimize and increase the efficiency of the entire supply chain. In these times of dramatic change, we will deepen and evolve our "power of connections" as an intermediary distributor and will strive to innovate in distribution so that we can continue to create abundant and comfortable lives for all consumers through distribution.

**Consolidated Company Name:**
PALTAC CORPORATION

**Products and Services:**
Cosmetics, Daily Necessities and OTC pharmaceuticals

**Number of Employees:** 2,283[2]

### Animal Health Products and Food Processing Raw Materials Wholesale and Related Business

The Animal Health Products Wholesale Business has built the only domestic national-scale logistics network and sales system as a wide-area distributor. We have developed 31 sales branches and five logistics centers nationally. We use this platform to supply a wide range of products for fisheries, livestock, and companion animals[5] including animal health products, supplements, feed additives, and medical equipment, tools and clinical materials, and boast the top sales record in the industry. The Food Processing Raw Materials Wholesale and Related Business is involved in the manufacture, processing, sale, imports, and exports of products including food ingredients and additives, pharmaceutical excipients, and the raw materials used in personal care products, coatings, industrial materials and electronic materials, and has the functions of a R&D type manufacturer and specialized trading company. With high-quality standards and information provision capabilities as our strengths, we make it our mission to provide products that have the value of contributing to society.

**Consolidated Company Names:**
MP AGRO CO., LTD. (Animal Health Products Wholesale Business)
MP Gokyo Food & Chemical Co., Ltd.
(Food Processing Raw Materials Wholesale and Related Business)

**Products and Services:**
Animal health products, food raw materials and additives, chemical product inputs, etc.

**Number of Employees:** 746[2]

1. This figure includes employees of the holding company, MEDIPAL HOLDINGS CORPORATION.
2. Number of employees refers to the number of persons employed, and does not include directors who also hold employee positions.
3. The total does not add up to 100% because inter-segment transactions, etc. have been eliminated from the calculation.
4. MVC CO., LTD. merged with ATOL CO., LTD. on April 1, 2025.
5. An animal that has a companion-like presence and a close relationship with humans in daily life

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

# President's Message

**Shuichi Watanabe**
Representative Director, President and CEO
MEDIPAL HOLDINGS CORPORATION

## Contributing to people's health and the advancement of society through creation of new value in the business fields of "Pharmaceuticals, Health, and Beauty"

### Repeated transformations driving healthy living for people in body and mind

The MEDIPAL Group's management philosophy is "Contributing to people's health and the advancement of society through creation of value in distribution." Based on this philosophy, we have developed our businesses in the fields of "Pharmaceuticals, Health, and Beauty." Having set our ideal situation as "Expand, Support, and Connect 'Pharmaceuticals, Health, and Beauty,' an Orchestra in Support of People's Health," we strive to bring about a society in which everyone can live healthily in body and mind, and to increase our corporate value, by "expanding" businesses that create value for our stakeholders, "supporting" them by resilient distribution infrastructure and "connecting" partners across a wide range of domains.

The idea of an "Orchestra in Support of People's Health" is one that is intended to express the idea of weaving together greater health and prosperity in people's lives through the new value created by combining our employees, Group companies, and partner companies, as each respectively hones their own roles and strengths, with all of this coming together like the beautiful music of an orchestra.

To support people in leading healthy lives, it is essential to be able to reliably deliver products whether it be in ordinary times or in emergencies. Regardless of the era or circumstances, this therefore remains our definite and unchanging mission. Japan experiences many natural disasters, such as earthquakes, typhoons, torrential rains, and heavy snowfall. All of our employees therefore share the philosophy, "Our mission is to deliver pharmaceuticals in Japan." We have thus established structures to reliably transport and deliver what is needed, when it is needed, and in just the amount it is needed.

The MEDIPAL Group thus constantly aspires to be the "logistical lifeline" that earns the trust of society and our stakeholders.

## Executing on five growth strategies for sustainable growth

The environment in which each MEDIPAL Group business operates is growing ever more diverse and complex, be it in the form of healthcare system reform, an aging population with declining birth rates, digital transformation or growing environmental awareness. The review of the social security system coinciding with inflation in healthcare costs and frequent revisions to drug prices in particular have become a major issue forcing new responses from pharmaceutical wholesalers. Amidst such a changing business environment, we believe that, in order to achieve sustainable business growth, we need to change to a new business model that is not mere an extension of what has come before, while retaining what is good about the wholesaler model.

Based on our vision, called "Change the Oroshi," the MEDIPAL Group seeks to generate new value while working with Group companies and other partners. I think of a vision as something that describes our dream. I want to make MEDIPAL the sort of corporate group that achieves its dreams one by one, with each dream achieved contributing to the next.

We formulated the "2027 MEDIPAL Medium-Term Vision: Change the Oroshi Forever—Constant Innovation" as the Medium-Term Vision for the five years beginning in the fiscal year ended March 31, 2023 and ending in the fiscal year ending March 31, 2027, and we are presently advancing initiatives in line with this as a united Group.

Under the Medium-Term Vision, we will seek to carry out the following five growth strategies through business portfolio prioritizations and collaboration with partners. We will also seek to create new social and customer value, and pursue the sustainable growth of the MEDIPAL Group.

### Expansion of Overseas Business

We are advancing research and development in the field of orphan drugs with the aim of global roll out of new drugs in partnership with JCR Pharmaceuticals Co., Ltd. In December 2024, the first patient was administered a treatment in a Phase I/II study for mucopolysaccharidosis type IIIB (JR-446) created by JCR Pharmaceuticals Co., Ltd. This represented the clearing of an important milestone. We hope to help patients awaiting treatment, as soon as we can, by developing ultra-rare disease medications through this partnership going forward.

### Expansion of Prevention and Pre-disease Business and AGRO & FOOD Business

To extend healthy lifespans and to create a society in which people can live every day in both physical and mental health, we believe that what matters is not just treatments for disease, but also diet, self-care, and testing at the pre-disease stage. It is in this context that, in FY2024, we merged our subsidiaries MP Gokyo Food & Chemical Co., Ltd. and MEDIPAL FOODS CORPORATION, and converted PreMedica Inc. into a subsidiary. At present, we are working to provide products, establish services and improve the customer base in order to expand business at these subsidiaries, while leveraging the strengths of the MEDIPAL Group.

### Enhancement of the Business with and in Digital

The recent advancement of digital technology is giving rise to convenient services day by day. The MEDIPAL Group is also advancing a range of initiatives with the aim of offering digital services that help achieve operational streamlining for our clients in the form of medical institutions and retailers, and of offering services that support healthy living for general consumers. Such initiatives demand firms that can act as partners. That is why we have continued to generate synergies by working with partners who have strong technical capabilities, beginning with PRESUSCUBE Corporation, which we converted to a consolidated subsidiary in FY2024.

### Building Sustainable Logistics Business

Logistics functions are a key business foundation for wholesale. We position not only the development of systems that enable the consistent provision of products whether in normal times or emergencies but also efficiency and concern for the environment as key issues. We have established MEDISKET CORPORATION, which is the largest healthcare distribution platform in Japan, supporting "Pharmaceuticals, Health, and Beauty," and we are working to introduce joint deliveries (sharing logistics) for both pharmaceuticals and lab test specimens in urban areas. By optimizing supply chains in partnership with our clients, we are also driving improvements in distribution efficiency and productivity.

We are also taking on the challenge of building a new distribution model that raises productivity more than twofold by, for example, further advancing the cutting-edge SPAID* model, which integrates AI and robotics technologies into the distribution know-how built up at RDCs,* which are the strategic distribution sites at PALTAC CORPORATION.

### Value Co-creation in Community Healthcare

The regional healthcare zones approach is essential for achieving efficient healthcare. Our strength as a pharmaceutical wholesaler is in being able to "connect" medical institutions, local governments and patients in regional areas. At present, our pharmaceutical information representative, who have specialized expertise in the areas of neurological and psychiatric disorders, rare diseases and the diagnosis and treatment of women, are contributing as Regional Medical Coordinators to solving healthcare challenges rooted in regional areas.

Transformation is not something that is achieved overnight. However, I am firm in the belief that, by steadily accumulating small steps in the form of looking ahead and taking on challenges, we will forge a path to the future. The MEDIPAL Group will flexibly meet any change in the environment, and take on the challenge of creating businesses that go beyond the bounds of "wholesale" to serve the public.

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

## Fostering a corporate culture that takes on challenges undaunted by change or failure

Our human resources strategy is one of the foundations for securing our growth strategy. The MEDIPAL Group is endeavoring to improve our human capital, which is the source of improvements to corporate value, in order to grow sustainably in an era defined by dramatic change.

The MEDIPAL Group defines personnel who can take on the realization of our management philosophy as "future-oriented human resources." At present, we are working to foster a corporate culture in which such personnel can take on challenges undaunted by change or failure, so that they can tackle their work with energy.

We believe that a workplace environment in which people can take on challenges that expand their own potential with a view to the future will increase our vitality as an overall organization, and also serve as an environment that develops sustainable strength, while allowing employees to get a palpable sense of pride and motivation about supporting healthy living among the broader public.

For this reason also, we are dedicating efforts towards further expanding measures to support the physical and mental health of each and every employee, as well as benefits to meet every life stage. We are also seeking to create an organization in which employees can express to the utmost their various individualities and capabilities.

## Continuously improving ROE and delivering shareholder returns

Our financial strategy is one of the foundations for supporting our growth strategy. At present, the MEDIPAL Group is at the stage of advancing our business portfolio prioritizations in line with the Medium-Term Vision and making proactive investments in new businesses.On the other hand, we are pursuing the "implementation of management that is conscious of cost of capital and stock price," as demanded by the Tokyo Stock Exchange. We are also driving improvement in PER, while maintaining a focus on improving ROE, in order to improve PBR. We are aiming to achieve an ROE of 9% in the final fiscal year of the Medium-Term Vision by carrying out our growth strategy.

With regard to shareholder returns, we have positioned distributing profits to shareholders as one of the most important management tasks. We have thus set a total shareholder return ratio[1] of 40% cumulatively over the five years of the Medium-Term Vision as a target. In principle, to achieve these aims, we will consistently maintain and increase the payout ratio,[1] while also comprehensively assessing demand for funding and flexibly implementing share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and greater return of profits.

Based on this approach, we have achieved a shareholder payout ratio of 40.2% cumulatively over three years in the fiscal year ended March 31, 2025, and have set dividends per share at ¥62 per year (up ¥2 from the previous fiscal year). We have canceled all of the shares we obtained.

We will continue to strive to be viewed positively in the eyes of the market by growing profits through business growth and by implementing appropriate capital policies.

## Achieving a sustainable society and enhancing corporate value

Even in carrying out our growth strategy, the MEDIPAL Group pursues improving profitability and addressing social issues in a joined up way. We have thus identified materiality in six categories that combines addressing such issues with sustainably growing the Group.

Among these, we view reducing greenhouse gas emissions as a pressing task, given that distribution using vehicles is essential to the MEDIPAL Group businesses. We are thus dedicating efforts to initiatives aimed at solving this problem.

We believe that reducing our own greenhouse gas emissions is our first priority, so we are working to gradually make progress towards our medium- to long-term goals through measures such as the introduction of electric vehicles and the installation of solar panels. We also view reducing emissions across the entire supply chain as important. Thus, we are attempting to solve problems together with our business partners through measures such as revisions to the number of transport routes, with the aim of optimizing distribution, and by pursuing modal shift as a measure to reduce greenhouse gas emissions stemming from transportation.

One of our materiality tasks is "Sound and Transparent Corporate Management." In this respect, we have caused significant disturbance and concern for all our stakeholders in connection with illicit acts under the Antimonopoly Act by our consolidated subsidiary MP AGRO CO., LTD. in relation to bidding on swine fever vaccines ordered by Yamagata Prefecture and animal vaccines ordered by the Yamagata Prefecture Livestock Breeders Association. We deeply apologize for this incident. The MEDIPAL Group takes this matter solemnly and seriously, and we are working to further and more thoroughly pursue the various measures we have taken to date to ensure compliance with the Antimonopoly Act, to put in place more thoroughgoing compliance as a firm that has the trust of society, and to improve our corporate value.

The MEDIPAL Group is constantly pursuing transformation. Through transformation, we seek long-term growth in the business fields of "Pharmaceuticals, Health, and Beauty." While valuing our origin in wholesale, we are pursuing further improvements to our corporate value and the maximization of shareholder value beyond the bounds that business model. I hope that we can continue to enjoy the understanding and support of all of our stakeholders, and that you will have confidence in us to realize our dreams through transformation.

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