Natural Capital Strategy

The MEDIPAL Group is advancing efforts aimed at fulfilling SDGs, such as driving reductions in environmental burden through optimizations across distribution as a whole.
Among these, one of our material tasks (materiality) is "Initiatives for Decarbonization," with reducing greenhouse gas emissions by 50% (compared to FY2020 levels) by FY2030 and carbon neutrality by FY2050 set as medium- to long-term goals. We are advancing various efforts aimed at achieving these goals, while aspiring to build a distribution model that is aware of the global environment.

General Overview of Environmental Burden

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

Greenhouse Gas Emissions (Company Emissions Only)

Unit: t-CO_2

	FY2022	FY2023	FY2024	FY2025
Scope 1	28,439	31,081	31,208	**30,315**
Scope 2 (location-based)[1]	-	-	48,649	**48,807**
Scope 2 (market-based)	46,552	42,494	40,518	**37,465**
Scope 1 + Scope 2 (market-based) total	74,991	73,575	71,726	**67,780**

Greenhouse Gas Emissions (Scope 3)[2]

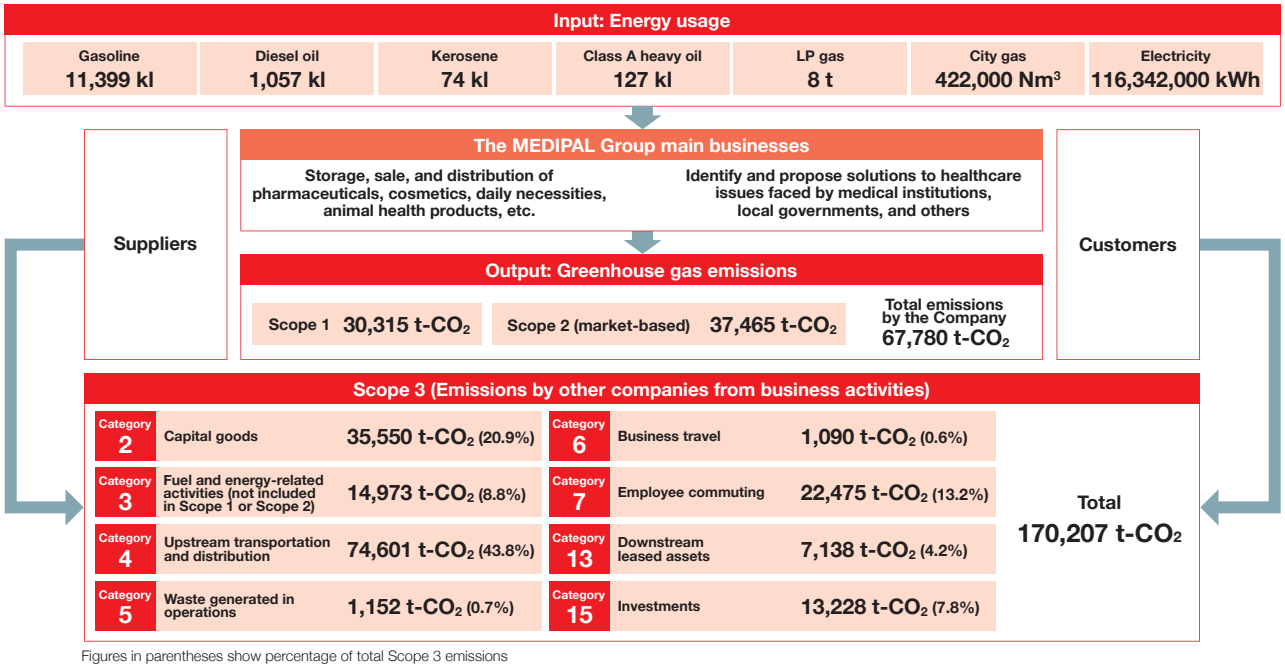
Unit: t-CO_2

	FY2022[3]	FY2023	FY2024	FY2025
Scope 3 total	228,773	219,650	185,379	**170,207**

Greenhouse Gas Emissions from Company-Owned Vehicles

	FY2022	FY2023	FY2024	FY2025
Amount of fuel (kl)	11,329	12,785	12,814	**12,456**
Greenhouse gas emissions (t-CO_2)	26,543	29,561	29,679	**28,875**
Number of vehicles[4]	8,555	9,608	9,555	**9,552**
Average emissions per vehicle (t-CO_2)	3.10	3.07	3.10	**3.02**

Environment Burden from the Supply Chain



Figures in parentheses show percentage of total Scope 3 emissions

Approach to Biodiversity

In recent years, there have been growing calls to address biodiversity as part of corporate environmental efforts. We believe that in the relationship between the Group's business activities and the natural environment, at present, there are no major direct dependencies that threaten business feasibility, and severe negative impacts on the natural environment are limited.

While major risks have not manifested at this point in time, we recognize that the importance of natural capital will continue to grow going forward with climate change and the advancing destruction of the natural environment. The MEDIPAL Group is continuously evaluating the relationship between the natural environment and our business activities, with reference to international indicators and the latest information from the government. Based on the outcomes of such evaluations, we are instituting necessary and appropriate measures in response to changes in the business environment.

1. Publicly disclosed from FY2024
2. Target categories are 2, 3, 4, 5, 6, 7, 13, and 15. We are in the process of carefully examining other categories to increase the accuracy of calculations.
3. Implemented at MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., and MEDIPAL FOODS CORPORATION
4. As of March 31

Environmental Conservation Initiatives

Introduction of Electric vehicles and hybrid vehicles

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

Number of vehicles owned

Hybrid vehicles	Electric vehicles
443	188



Electric vehicles used by MEDISKET CORPORATION

Use of eco-friendly electric power

The MEDIPAL Group have introduced renewable energy in-house power generation facilities, such as rooftop solar panels, in some Group buildings. The power generated is used in the buildings and covers part of the total electricity used, thereby reducing greenhouse gas emissions. In addition, at 33 buildings across the MEDIPAL Group, we have switched to eco-friendly electric power, which together with procurement of non-fossil certificates is helping to reduce greenhouse gas emissions from electric power use.

Percentage of energy from renewable energy

27.9% (Previous fiscal year: 19.5%)



Solar panels installed at the Hanshin ALC* of MEDICEO CORPORATION

Reusable delivery boxes

MEDIPAL Group uses collapsible plastic containers and tote boxes that can be reused multiple times for product transportation, thus limiting the amount of packing disposed of.



Collapsible containers



Tote box

Introduction of CR LIMEX Business Cards Made from Environmentally-Friendly Materials

In April 2026, PALTAC CORPORATION introduced business cards made with CR LIMEX, an environmentally-friendly material developed by TBM Co., Ltd. This initiative represents an effort aimed at further contributing to protection of the environment compared to our previous use of FSC forest management certified materials. CR LIMEX is an environmentally-friendly, low-carbon material inspired by the idea of realizing a resource cycle. Its principal input is CCU calcium carbonate made by combining greenhouse gases emitted from factories into the atmosphere and calcite waste products produced by factories through a low environmental impact chemical synthesis. 100 business cards made this way contain roughly 47g[1] of CO_2 in their materials, thus contributing to both the resource cycle and reductions in greenhouse gas emissions. Because CR LIMEX does not use wood pulp, compared to paper, it is a revolutionary material that reduces water usage during manufacturing by approximately 94%[2], thus contributing to the preservation of forest and water resources.

Going forward, the company will continue to promote environmentally-conscious initiatives in various aspects of its business activities.

Impact equivalent to using approx. 2,000 boxes (200,000 cards) of business cards per year by PALTAC CORPORATION

- Forest resources saved: 265kg
- Water resources saved: 20,000 liters
- Captured greenhouse gases: 94kg

The above figures are calculated based on TBM estimates, and are not guaranteed amounts.
Figures may vary depending on factors such as the circumstances in which data is acquired.

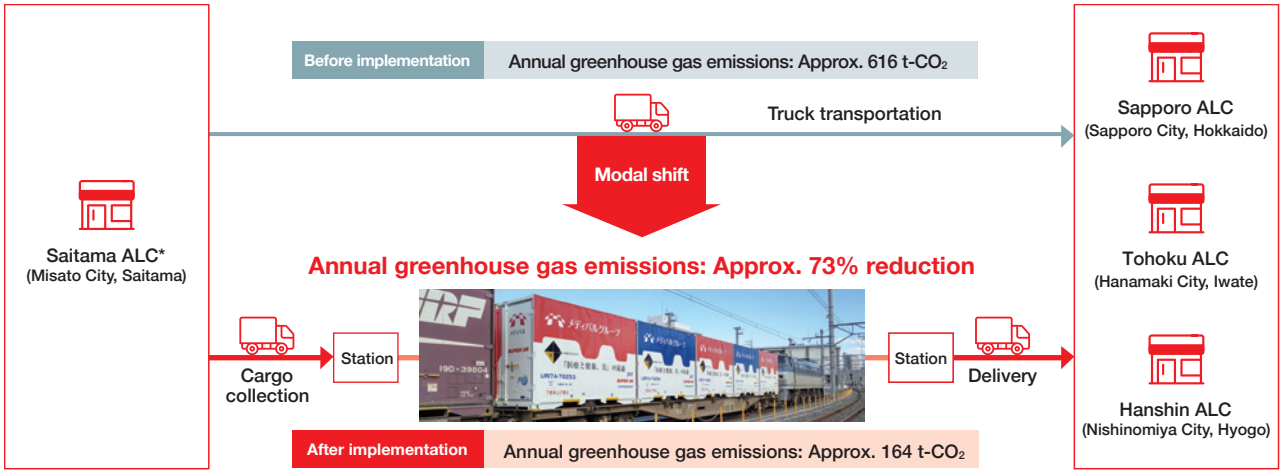
1. Calculated on the assumption that CR LIMEX business cards are 0.3mm thick.
2. Water usage during sheet production is calculated based on actual figures from the TBM Tohoku LIMEX plant. For water usage during paper production, refer to “Trends in New Water Usage Units Per Ton of Paper and Board Produced” from the Japan Paper Association.

* Please refer to page 75 for explanations of technical terms.

Reducing environmental impact with a modal shift

MEDICEO CORPORATION, Japan Oil Transportation Co., Ltd., Japan Freight Railway Company, and Japan Freight Liner Company are working on a joint project to achieve a modal shift[1] in pharmaceutical transportation between distribution centers. The project promotes the switching of product transportation in some areas away from conventional use of large trucks toward more environmentally friendly railroad containers, to reduce greenhouse gas emissions. Through these initiatives, we reduced greenhouse gas emissions in FY2025 by approximately 73% and 452 t-CO_2 compared to conventional transportation.

Schematic of the Modal Shift



Pharmaceutical distribution optimization

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

Specific measures include analyzing and managing the optimal inventory of pharmaceuticals for each store as well as streamlining operations such as ordering, delivery, and product inspection. This leads to reducing vehicle mileage and shortening operating hours of logistics hubs, in addition to improving operational efficiency.

Flow of Distribution Optimization

Initiatives		Expected Outcomes	
Distribution	Review of number of deliveries	Customers	Reducing frequency of product receipt
		Group companies	Reducing vehicle driving distances
Product inspection	Shorten product delivery time by introducing inspection by individual scans*	Customers	Shortening time taken for product inspection
		Group companies	Improving distribution efficiency
Ordering	Reviewing order cut-off times	Customers	Reducing the number of units sent out for delivery by consolidating shipments
		Group companies	Shortening operating times at distribution bases

- ✓ Proposals for resolving both the MEDIPAL Group and customer issues by optimizing the entire supply chain
- ✓ Accelerate efficiency improvements and outcomes from initiatives by growing the number of cooperating enterprises and participating stores

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

* Please refer to page 75 for explanations of technical terms.

Focus

Efforts to Optimize Supply Chains and Reduce Environmental Impact Through Cross-Industry Partnerships

The MEDIPAL Group partners with companies across industries as part of efforts to build out electric vehicle charging infrastructure and optimize supply chains.

1. Building a "Charging Equipment Sharing" Model for the Pharmaceutical Industry

Across the pharmaceutical industry, the switch to electric cars for company vehicles is progressing for the reduction of greenhouse gas emissions. However, long charge times compared to refueling with gasoline and difficulty in securing charging locations for corporate electric vehicles used by MRs*, who often go directly to and from work, are a bottleneck to adoption.

To address these issues, MEDICEO CORPORATION is partnering with Sumitomo Mitsui Auto Service Company, Limited (SMAS) and The Kansai Electric Power Company, Incorporated to build a "charging equipment sharing" model that contributes to achieving carbon neutrality in the pharmaceutical industry. We have installed "Kanmobi Charge," the EV charging service provided by Kansai Electric, at MEDICEO's Saitama ALC*, Nagoya ALC and Minami-Osaka ALC, and we are opening these up as daytime route charging spots for multiple pharmaceutical companies wishing to use them.

Taking advantage of this initiative, we will enhance support for the expansion of charging infrastructure and the introduction of electric vehicles by three companies, and further advance joint examination of decarbonization measures that take into account the entire supply chain.

2. Participation in Cross-Industry Cargo-Owner Alliance's Joint Delivery Consortium "CODE"

Labor shortages and logistics cost increases are growing more severe across society as a whole in Japan, necessitating a response from across industries, rather than efforts by individual companies.

Traditionally, partnership among cargo-owner companies was limited because the delivery conditions were diverse in transportation between logistics sites within regions and in the domain of "branch delivery[1]" in which products are delivered from logistics sites to retailers and other destinations. To address this, MEDICEO CORPORATION and PALTAC CORPORATION joined the Cargo Owners' Data-driven Ecosystem (CODE), a joint delivery consortium, which was created in April 2026. CODE is an undertaking by 9 cargo-owner companies spanning food products, daily necessities, medical products and publishing, including Kao Corporation and Mitsubishi Shokuhin Co., Ltd.

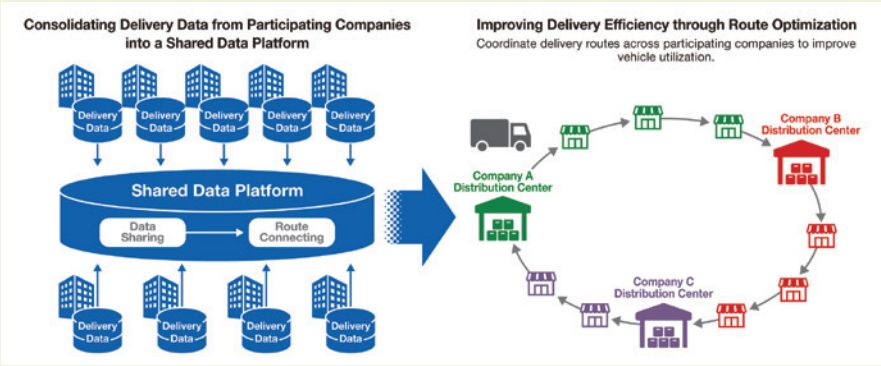
Through CODE, participants work to advance the sharing of delivery data among participating companies and the consideration of shared delivery, based on the activity principles of "realizing data-driven shared delivery," "focus on initiative value for logistics operators and drivers," and "thorough data governance and compliance."

Going forward, we will seek to improve delivery efficiency and reduce the burden on logistics sites, and thus optimize supply chains, by advancing research into matching methods aimed at maximizing joint delivery outcomes, through expansion of the scale of CODE and through cooperation with government logistics policies.

The "Charging Equipment Sharing" Model Scheme



Overview of the Joint Delivery Consortium (CODE)



1. Short-distance deliveries from logistics sites to shops and other destinations

* Please refer to page 75 for explanations of technical terms.

Climate-related Information Disclosure Based on TCFD Recommendations

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

Governance

Based on the Sustainability Policy, formulation of a policy for responding to the climate change-related risks and opportunities of the Group as a whole, as well as important tasks such as medium- to long-term reduction targets for greenhouse gas emissions, is discussed in the CSR Committee, which promotes sustainability management. Committee meetings are held, in principle, four times per year, with the director responsible acting as chairperson, and committee members selected from the departments overseeing each material task, including "Initiatives for Decarbonization." The details of those discussions are brought up in Board of Directors meetings by the CSR Committee chairperson for resolution.

Regarding initiatives related to climate change countermeasures, consolidated subsidiaries carry out initiatives led by the responsible departments, and report the specific measures and progress to the CSR Committee. The results of these initiatives are then reported to the Board of Directors on a regular basis by the CSR Committee chairperson, helping to maintain a management system that enables appropriate supervision by the Board of Directors.

In FY2025, we reviewed progress toward our greenhouse gas emissions reduction targets and examined new measures to address challenges in achieving those targets.

▸Please refer to page 27, "CSR Committee"

Strategy

The MEDIPAL Group referred to multiple scenarios[2] presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) to assess the business impact of two different scenarios: the average rise in global temperature of less than 2°C, and the average rise in global temperature of 4°C by the end of this century, compared with preindustrial levels. A scenario analysis was conducted in order to evaluate the resilience of the Group's strategies against climate-related risks and opportunities.

As a result of the analysis, in the less than 2°C scenario, it is assumed that risks such as cost increases related to the adoption of carbon taxes and other measures, and supply shortages and higher procurement costs due to increasing demand for renewable energy, will increase, while demand for products such as ethical products, alternative foods, and health foods will expand. In the 4°C scenario, it is assumed that there will be an increase in capital expenditures for enhancing disaster preparedness functions, and that natural disasters will cause shutdowns of sales and logistics bases, delivery delays due to traffic paralysis, and damage to supply networks. However, the MEDIPAL Group assumes risks such as large-scale disasters even in normal times, and has a backup system in place so that even if one logistics center is unable to provide supplies, alternative shipments can be made from other logistics centers. When record rainfall centered in Kumamoto Prefecture occurred in July 2020, our employees were dispatched to the affected region to assist in disaster relief activities, and we were able to maintain stable supplies by delivering products to customers directly from a nearby logistics center. Because of such experiences, the MEDIPAL Group believes that the impact of physical risks related to natural disasters caused by climate change in FY2030 will be limited. On the other hand, we expect opportunities to increase as a result of growing demand due to the creation of logistics bases to maintain stable supplies and strict adherence to operational procedures that comply with quality control regulations and the GDP* guidelines.

In either scenario, we view the prospect of certain cost increases as a risk, but we also believe it is an opportunity to leverage the sophisticated logistics functions the MEDIPAL Group has built.

Currently, to help solve issues related to climate change, the MEDIPAL Group is working to build a new model for optimized pharmaceutical distribution with customers, enhancing its intermediary distribution functions, and improving efficiency throughout the supply chain in collaboration and cooperation with stakeholders in the "Pharmaceuticals, Health, and Beauty" business fields. We recognize that evaluating the financial impact of climate change is a task that we need to consider. We plan to obtain a deeper understanding of this impact through further scenario analysis.

Risk management

We are assessing the impact that climate change will have on the MEDIPAL Group's business and identifying climate change risks and opportunities. The identified risks and opportunities are discussed in the CSR Committee, which coordinates with the Compliance and Risk Management Committee to make reports and proposals to the Board of Directors on a case-by-case basis.

In addition, the MEDIPAL Group, which handles distribution of products that are essential to healthy living, including pharmaceuticals and daily necessities, responds quickly to physical risks to ensure uninterrupted distribution. We have formulated a BCP to continue supply activities even during emergencies, and are implementing various measures that will enable us to reliably deliver required products.

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

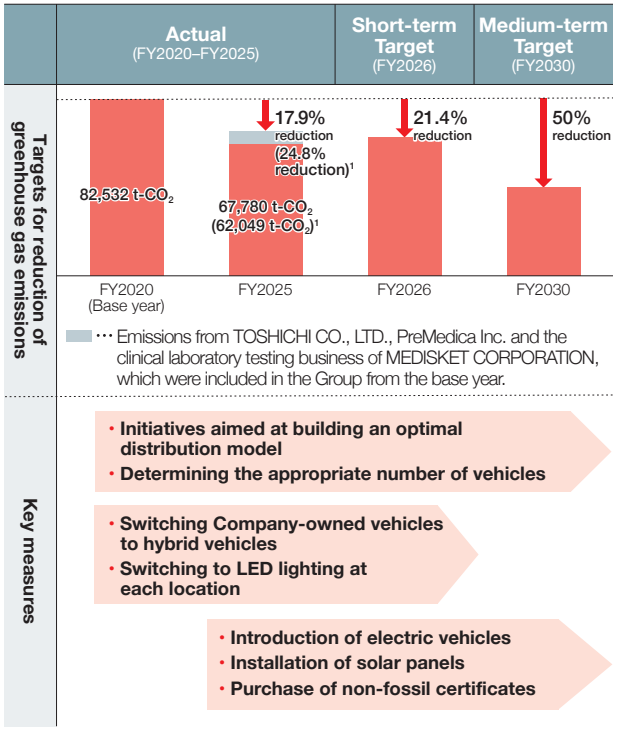
* Please refer to page 75 for explanations of technical terms.

Indicators and targets

We are using greenhouse gas emissions (Scope 1 and Scope 2) as indicators to evaluate our efforts to combat climate change, and have set medium- to long-term targets for reduction of greenhouse gas emissions for the entire Group.

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

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



Risks and Opportunities

Classification			Contents	Impact[2]		Status of Initiatives
				Less than 2°C	4°C	
Transition risks	Government policies, laws and regulations	Introduction of government policies such as carbon taxes and emission trading systems	• Carbon taxes on our own emissions • Cost of purchasing emission rights for excess emissions • Increase in costs due to the application of regulations such as carbon taxes on manufacturers and distributors, and resulting price adjustments	Moderate	Small	• Targets set for reduction of greenhouse gas emissions • Emissions by the company reduced through switching to electric vehicles or eco-friendly electric power
	Market	Changes in energy prices	• Supply shortages and higher procurement costs due to increasing demand for renewable energy	Small	Small	• Installation of solar panels
	Reputation	Growing stakeholder concern	• Loss of public confidence due to delay in responding to climate change (decline in business transactions, loss of business opportunities due to selection of wholesalers based partly on environmental impact, etc.)	Moderate	Small	• Worked to build an optimal distribution model through collaboration with customers • Conducted analyses aimed at increasing information disclosure
Physical risks	Chronic	Changes in flooding and weather patterns	• Increase in expenses for capital investment in vehicles and air conditioning systems to enhance temperature control functions for products • Increase in difficulty of handling prescription pharmaceuticals and other temperature-controlled products • Decrease in demand for seasonal products (winter goods), etc., due to rising temperatures • Higher prices and difficulty in procuring raw materials such as agricultural products, marine products, and livestock products (higher purchasing costs)	Small	Small	• Considered plans for appropriate capital expenditures that take into account future risks • Worked to develop systems for complete traceability • Investigated quantitative analysis of impact costs
	Acute	Intensifying extreme weather (typhoons, floods, etc.)	• Increase in capital expenditures for enhancing disaster preparedness functions • Damage to and shutdowns of sales and logistics bases, delivery delays due to traffic paralysis, and damage to supply networks	Small	Small	• Built mutual coordinated distribution center functions • Ran disaster drills
Opportunities	Increase in sales opportunities		• Expansion of ethical consumption needs • Expanding demand for alternative foods and health foods • Increase in demand for seasonal products (summer goods), etc., due to rising temperatures • Increasing demand for disaster response products	Small	Small	• Considered product and service development, taking market trends into account
	Rise in relative competitiveness		• Growing need for creation of environmentally friendly distribution model • Growing need for low-cost logistics network • Growing need for logistics infrastructure to maintain stable supplies (operational procedures based on BCP measures and GDP* guidelines, nationwide logistics network, etc.)	Small	Small	• Worked to reduce greenhouse gas emissions across the entire supply chain, such as through modal shifts • Shifted to a low-cost distribution network through distribution optimization • Ensured continuity of business through the formulation of a BCP

1. Numbers exclude companies that were included in the Group from the base year onward.
2. Impact is presented qualitatively on three levels. Large: a large impact on business strategy or financial impact is assumed; Moderate: a moderate impact on business strategy or financial impact is assumed; and Small: a small impact on business strategy or financial impact is assumed.

* Please refer to page 75 for explanations of technical terms.