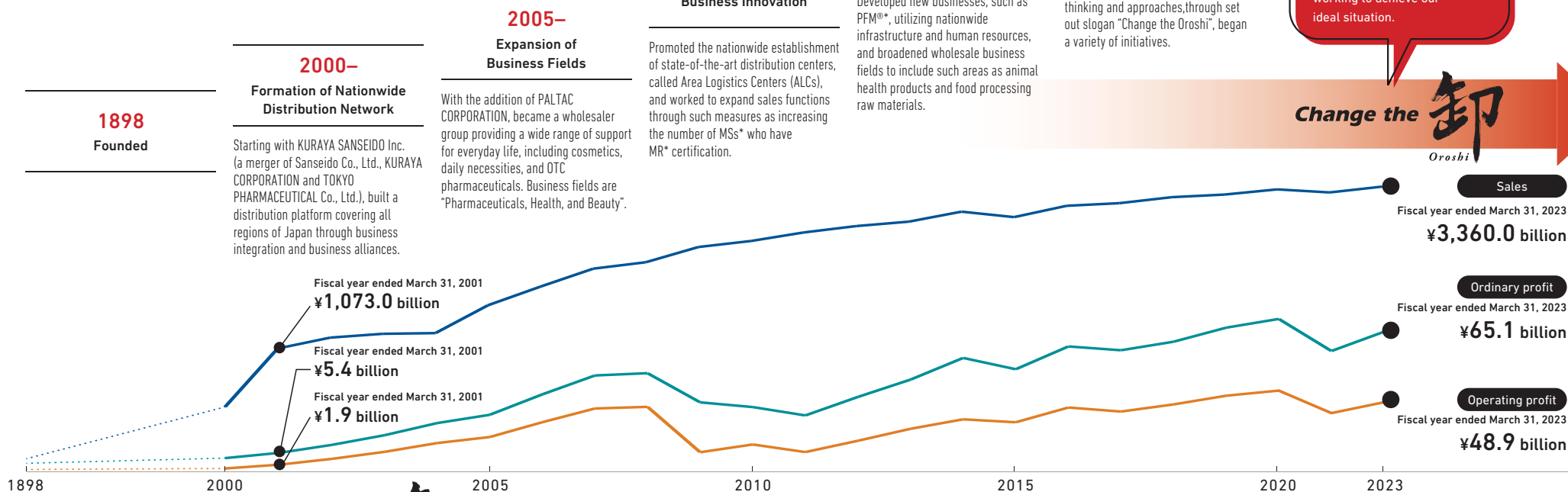


# History of Value Creation

Business development at the MEDIPAL Group has been guided by our unchanging mission to reliably deliver products essential for people to lead safe and secure lives, whether in normal times or during emergencies.

Through our Change the Oroshi slogan, we are aiming to build on our strengths (sources of value creation) to drive further growth.



## New initiatives under the **Change the 卸** Oroshi

2017 MEDIPAL Medium-Term Vision  
(April 2014–March 2016)\*

**Change the 卸**  
Oroshi Innovate and Create

2019 MEDIPAL Medium-Term Vision  
(April 2016–March 2019)

**Change the 卸 next**  
Oroshi Innovate and Create

2022 MEDIPAL Medium-Term Vision  
(April 2019–March 2022)

**Change the 卸 Future**  
Oroshi Innovation for the Future

\* Achieved targets one year ahead of schedule, so moved on to next Medium-Term Vision

- **Create new businesses**  
Effectively utilize assets, personnel, and fund, and make further use of external resources
- **Innovation in existing businesses**  
Further strengthen businesses by enhancing logistics and sales functions

- **Create new businesses**  
Expand new businesses by leveraging our nationwide infrastructure and human resources
- **Realize Group synergies**  
Develop business in growth areas leveraging the functions and resources of Group companies
- **Innovation in existing businesses**  
Make existing businesses more efficient and expand functions

- **Establishing business partnerships**  
Create new frameworks
- **Expansion of new businesses**  
Strengthen the earnings base
- **Innovation in existing businesses**  
Resolve customer issues and increase productivity

- **Strengthening human resources and evolving our organization**

- Trained Assist Representatives (ARs)
- Established ultra-low temperature transport technology
- Enhanced business continuity plans of ALCs (installed on-site fueling stations)
- Added highly specialized companies as subsidiaries

- Established the foundation for expanding new business through alliances and cooperation with companies in different industries
- Established special-temperature transport to comply with the characteristics of specialty drugs
- Built a nationwide logistics network of ALCs (Construction of next-generation ALCs, construction of ALCs of EVERLTH Co., Ltd. and ATOL CO., LTD.)
- Increased interaction among Group companies in growth business fields (medical equipment, AGRO & FOOD business, etc.)
- Accelerated PFM investment


- Strengthened cooperation with startups through establishment of a CVC (corporate venture capital)
- Used expertise in advanced temperature-controlled logistics to transport COVID-19 vaccines
- Launched initiatives for the SDGs and ESG distribution in collaboration with customers (MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., PALTAC CORPORATION)
- Increased human resource exchanges with Group companies and partner companies
- Promotion of health and productivity management
- Enhanced compliance management

# Value Creation Process

## Management Philosophy

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

## Ideal Situation

 MEDIPAL GROUP

### Expand, Support, and Connect "Pharmaceuticals, Health, and Beauty"

Input

Output

Outcomes

#### External Environment

##### Society-wide changes

- Declining and aging population
- Curbs on social welfare spending
- Worsening environmental issues
- Promotion of innovation
- Advancement of digital technology
- Accelerating inflation
- Changes in consumption behavior

##### Changes in the business fields of "Pharmaceuticals, Health, and Beauty"

- Growing need for initiatives related to extending healthy life expectancy
- Expansion of the area of testing for prevention and pre-disease
- Strong demand for reduction of environmental impact
- Advanced logistics and efficiency improvements
- Growing needs for personalization

#### Human capital

- Diverse human resources, embodying our management philosophy
- Future-oriented human resources
- Advanced specializations
- Culture of mutual respect for diverse values

#### Distribution facilities capital

- Nationwide launch of distribution bases with high functionality

#### Intellectual capital

- Expertise in logistics and trust developed through extensive experience
- Highly efficient and accurate distribution systems to meet diverse needs
- Unique business model that creates new value
- Information-gathering and provision capabilities covering medical institutions across the country

#### Social and relationship capital


- Solid relationships with local medical institutes, municipalities, schools, and customers
- Synergy generated from our diverse subsidiaries and affiliates
- Collaboration with partners

#### Financial capital

- Stable financial position
- Working capital efficiency

#### 2027 MEDIPAL Medium-Term Vision

Change the  Forever  
Oroshi —Constant Innovation—

 Details on page 25

#### Delivering sustainable logistics

- Nationwide distribution platform, including ALCs and RDCs\*
- Evolution of nationwide logistics network and new logistics functions that solve social issues

#### Providing solutions for customer problems

- Original support system linked to distribution functions
- Original community-oriented solutions
- Logistics solutions that optimize the entire supply chain and improve efficiency
- Retail solutions to meet customer needs

#### Provision and gathering of proper information

- Proper information provided and gathered by human resources with diverse specializations

#### Create new businesses

- New businesses utilizing nationwide network and highly expert human resources
- Groundbreaking new drugs for rare diseases launched overseas
- Innovation in prevention and pre-disease fields
- Expansion of new R&D-driven business in the AGRO & FOOD business

#### Customers

- Optimization of supply chain
- Improved management efficiency
- Delivery of high-quality medical care
- Complete traceability

#### Patients and consumers

- Safe and secure medical care
- Physical and mental well-being
- A rich and comfortable life

#### Employees

- An employee-friendly workplace
- Application of skills and capabilities by all employees
- Improvement in creativity and engagement
- Achieving employee well-being

#### Society and environment

- Extension of healthy life expectancy
- A lively and vibrant society
- Female participation in society
- Reduction of environmental impact through improved distribution efficiency

#### Shareholders and investors

- Maximization of corporate value
- Stable shareholder returns

#### Suppliers and partners

- Product dissemination
- Increase in distribution efficiency
- New product development
- Expansion of product and service lineup
- Expansion of business opportunities
- Promotion of innovation
- Expansion of customer base
- Growth by start-up companies

#### Communities

- Enhancement of local medical care
- Development of integrated community care system
- Enhancement of disease prevention
- Improvement of measures to address pre-disease

#### SUSTAINABLE DEVELOPMENT GOALS




Material Sustainability Tasks (Materiality)  Details on page 31

Sustainability Policy Connecting to the Future with "Energy and Brightness"  Details on page 30

Corporate Governance  Details on page 46

We will use the MEDIPAL Group's capital to pursue strategies to realize our "ideal situation" under the management philosophy. The profits generated through these efforts will be reinvested to strengthen our business base and we will work to create new value, thereby satisfying the expectations of our various stakeholders.

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



## Distribution Functions That Optimize the Supply Chain as a Whole

—Prescription Pharmaceutical Wholesale Business—

The area logistics centers (ALCs) and regional distribution centers (RDCs) are vital distribution bases that enable the MEDIPAL Group to fulfill its role in social infrastructure. We are working to ensure reliable delivery with no stock-outs or errors, and to maintain solid distribution channels that remain in operation even during emergencies, with the aim of optimizing the supply chain as a whole.

ALCs are distribution bases for the Prescription Pharmaceutical Wholesale Business. Located close to our customers, these centers have a full line of over 20,000 items in stock, including pharmaceuticals, medical equipment, and clinical diagnostics. We deliver directly to customers, which shortens the lead time from receipt of order to delivery of goods. Construction of our 13th distribution base, the Hanshin ALC, was completed in September 2023. This completes a distribution platform for prescription pharmaceuticals covering the entire country.

### Features of ALCs



Shortened inspection time

**Saving  
customer time**

We provide support for streamlining of customers' operations through distribution functions that leverage high delivery accuracy supported by shortened inspection times by scanning delivery container barcodes (individual scans\*) among other procedures, and operational support systems linked to ALCs such as PRESUS\*\* and MCHIL\*\*.



Delivery ratio

**Over 99%**

In order to properly manage over 20,000 widely varied products, we independently developed a demand forecasting system based on actual shipments, which has enabled us to achieve a delivery ratio of over 99%<sup>1</sup> with almost no stock-outs.

1. Normal delivery ratio of 99.8%



Ultra-low temperature distribution

**-150°C or below**

We have developed a storage and delivery system that can handle various temperature ranges, including ultra-low temperatures, to accommodate products such as regenerative medicines that require handling at temperatures of -150°C or below. We are building a distribution platform with different temperature ranges that can deliver anywhere in Japan.

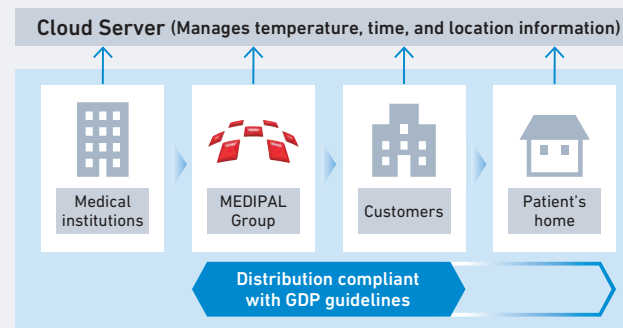
## FOCUS

### Efforts to visualize the pharmaceutical distribution process

When distributing prescription pharmaceuticals, we need to comply with GDP guidelines<sup>2</sup> on rigorous quality control. The MEDIPAL Group has partnered with a company that owns technologies for advanced temperature and vibration monitoring and jointly developed a cloud-based system that seamlessly monitors temperature and other data relevant for pharmaceutical quality control.



PoE-capable G-TAG<sup>3</sup> TempView  
(model number GT101-T)



<sup>2</sup> Good Distribution Practice: GDP guidelines set out appropriate procedures for ensuring the proper management of distribution (purchase, storage, and supply), maintaining the integrity of pharmaceuticals, and preventing the entry of counterfeit drugs into regular distribution channels.

<sup>3</sup> Operated by Power-over-Ethernet (PoE) supply and equipped with back-up battery and back-up memory functions to maintain data acquisition even during power outages, ensuring ongoing temperature measurement and data logging. PoE is a technology that allows electrical power to be transmitted alongside data over internet cables (LAN cables).

## VOICE

### Contributing to pharmaceutical quality control



Yoshiaki Tomofuji

GDP Manager  
Logistics Division  
MEDICEO CORPORATION

Traceability across all distribution channels is important for pharmaceutical quality control. In the future, we envision achieving end-to-end temperature traceability and visibility in the pharmaceutical supply chain, starting from storage at pharmaceutical companies, passing through wholesalers, and extending to medical facilities and even patients' homes, by combining the smart-sensing S3 PLATFORM product developed by our partner SHINYEI KAISHA and management systems from other companies. Moreover, the newly developed temperature logger has back-up functionality, ensuring ongoing temperature measurement and data logging.

We expect to apply these functions in support of pharmaceutical quality control so that there is no loss of traceability across all distribution channels.

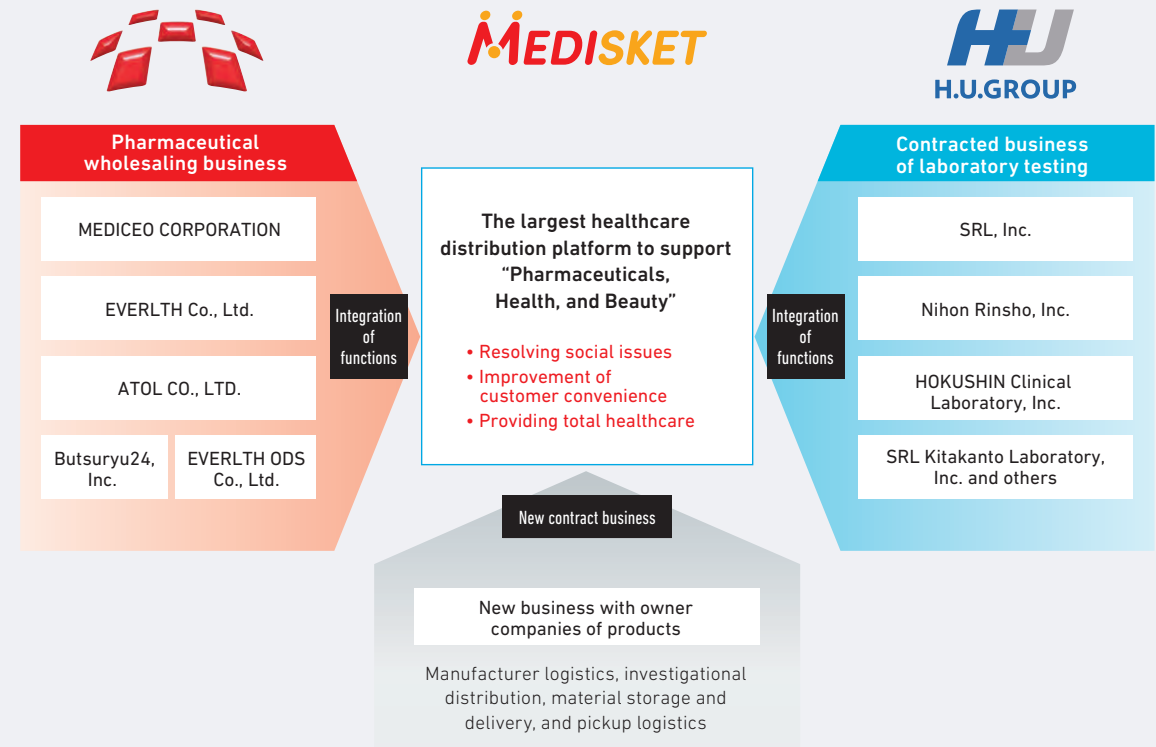
\* Please refer to [page 72](#) for explanations of technical terms.

## MEDISKET CORPORATION

# Building the largest healthcare distribution platform in Japan to support “Pharmaceuticals, Health, and Beauty”

In April 2022, MEDISKET CORPORATION was established as a joint venture between MEDIPAL HOLDINGS CORPORATION and H.U. Group Holdings, Inc. By combining logistics for the prescription pharmaceutical wholesaling business and the contract clinical testing business, MEDISKET optimizes the supply of pharmaceuticals, clinical testing materials, and other items, as well as the collection of test specimens from clinical laboratories, clinical trials, and research. It also provides high-quality logistics services that conform to GDP guidelines.

MEDISKET CORPORATION handles goods to which third parties have ownership rights, thereby promoting participation by various companies active in the healthcare field. In addition, it contributes to society by more quickly resolving global environmental issues such as the reduction of greenhouse gas emissions, as demanded by society. Aside from seeking greater efficiency by combining distribution functions, MEDISKET also creates new profit opportunities through logistics outsourcing services for external companies. We will promote MEDISKET as an initiative that will lead to building sustainable logistics, which is one of the growth strategies of the 2027 MEDIPAL Medium-Term Vision: “Change the Oroshi Forever: Constant Innovation.”



Operations started in December 2022, completed the transfer of approximately 40 sites in the pharmaceutical wholesale business and contracted business of laboratory testing

Now licensed for general freight vehicle transportation business, investigating possible commercialization of sharing logistics\*

**Aims to complete preparations for sharing logistics infrastructure by FY2024**

Sources of  
Value  
Creation

01.

## Distribution Functions That Optimize the Supply Chain as a Whole

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

PALTAC CORPORATION aims to achieve further optimization and improved efficiency across all distribution processes, from manufacturing to consumption. The company will not limit its efforts to simply reducing distribution costs, but will take a more holistic view in its investigations and work to eliminate waste in distribution processes and store operations and improve productivity at manufacturing and retail customers. PALTAC CORPORATION will continue to evolve its proprietary logistics systems, which has already established an excellent reputation both inside and outside the industry, achieving 99.999% accuracy in product delivery. The factor is the company's 16 large-scale regional distribution centers (RDCs) located across Japan. PALTAC CORPORATION has created a database of the sales plan and sales results for 50,000 items, and applies the results of data analysis to cost rationalization initiatives, starting with appropriate production volumes at manufacturer customers right through to inventory control and product displays at retail customer stores. In this way, the company delivers high accuracy and quality solutions.

### Features of RDCs



Delivery accuracy  
**99.999%**

The use of JAN and ITF codes for scanning and weight inspection results in minimal mistakes during delivery to stores. Also, we have introduced a high-precision system capable of handling EDI in distribution. This ensures speedy and waste-free logistics by eliminating delivery mistakes.



Enhanced productivity  
**x2**

The introduction of SPAID\* has doubled productivity without increasing the number of workers. Introducing robotic solutions for dangerous or labor-intensive work has both strengthened our distribution functions and created distribution centers that are more comfortable for employees.



Number of patents  
**18** (as of March 31, 2023)

We are pursuing distribution technologies to achieve high productivity and low cost. In order to create a new distribution system that utilizes cutting-edge AI technology and robotics, we are progressing with in-house technology development, and have acquired patents for 18 devices and systems.



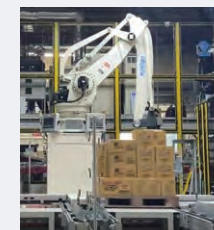
FOCUS

## New Tochigi distribution center began operations in February 2023

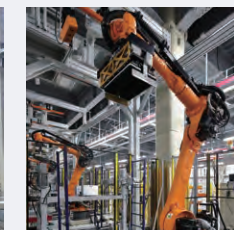
In February 2023, operations began at a new distribution center that is the third PALTAC center to be equipped with the latest AI and robotics technologies. This distribution center will be used exclusively for logistics services for our customer CAWACHI LTD. in a move that will deepen our collaborative partnership. In addition, the installation of more advanced logistics facilities will allow us to further optimize distribution and improve efficiency, and reduce the environmental burden as we work to become a sustainable society.



Tochigi distribution center



AI case-picking robot



AI case-loading robot

VOICE

### Improving efficiency across the entire supply chain and creating appealing workplaces



Atsushi Iwasaki

Logistics Headquarters  
PALTAC CORPORATION

I participated in the operational set-up of the Tochigi distribution center as a representative from the Distribution Division. During the work to improve operational systems at the center, I was responsible for liaising with the development departments working on the logistics equipment and robotics, all the while taking into account feedback from those working on site. I think we have created a center that is not only efficient, but also offers better delivery accuracy and quality, partly through the automation of cargo handling procedures and the use of AI.

The work we have done at the center not only benefits our customer CAWACHI LTD. but also benefits PALTAC CORPORATION in various ways. For example, we can use PALTAC's logistics functions for bulk deliveries, thereby reducing the number of units sent out for delivery and simplifying operations. I also think that we have helped to create an appealing workplace where it is good to work, which is another positive in the distribution industry that is grappling with a manpower shortage.

\* Please refer to [☐](#) page 72 for explanations of technical terms.



## Achieving Sustainable Human Capital Management

—Pursuing a human resources strategy linked with our growth strategy—

As we work to achieve our “ideal situation” and our 2027 MEDIPAL Medium-Term Vision: “Change the Oroshi Forever: Constant Innovation”, the MEDIPAL Group considers human resources to be the source of our competitive edge and corporate value, so we are pursuing a human resources strategy linked with our growth strategy.

Our employees across the MEDIPAL Group are a diverse group of people but they share the common value of “integrity,” “morality,” and a “sense of mission.” We are executing a human resources strategy that nurtures their individual personalities, capabilities, and strengths. We actively invest in our people to identify and draw out the potential value of our human capital, and we work to orchestrate our resources as a diverse team full of potential, which will lead to sustainable improvements in corporate value.

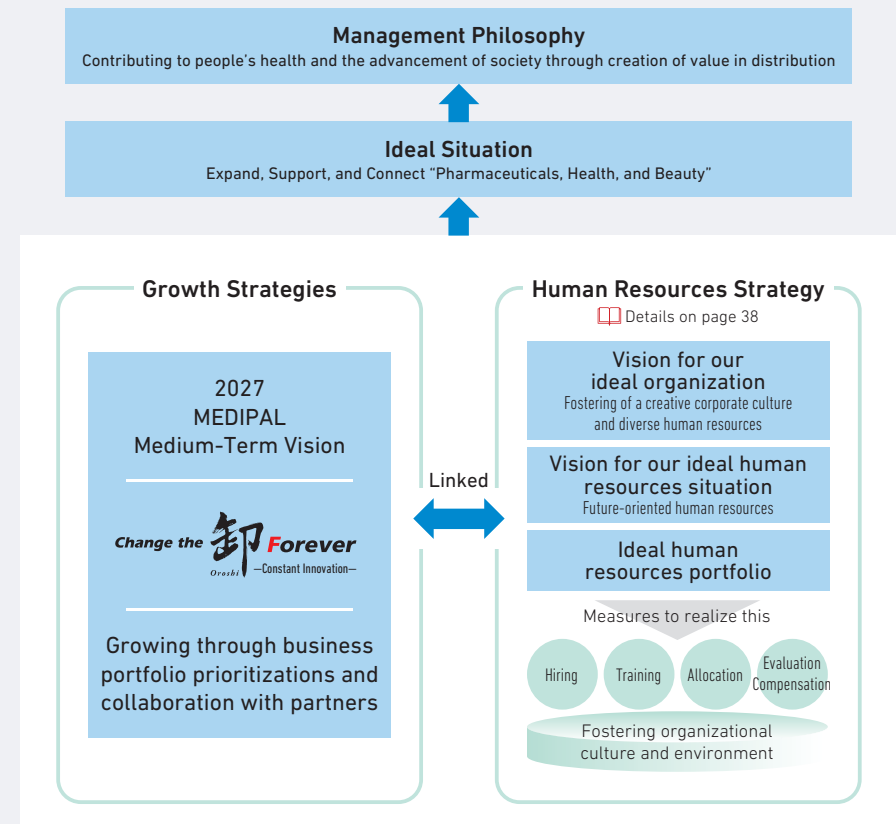


## Overview of our human resources strategy

### Human resources strategy positioning

To create social value and customer value and to ensure sustainable growth for the Group, we are focusing on a human resources strategy that links with our growth strategy to achieve our ideal situation, and will reflect this in our programs. Specifically, we have defined the ideal situation for both our organization and our human resources and are developing a human resources management program to build the ideal human resources portfolio to achieve our ideal situation.

Through this, the MEDIPAL Group will continue to contribute to people’s health and the advancement of society by thinking proactively and constantly evolving, no matter what changes we face in the operating environment.



## Disseminating and realizing our vision for ideal organization and ideal human resources

In order to realize the vision we have for our ideal organization and ideal human resources, we have opened up various communication channels to further everyone's understanding, including opportunities for direct interaction between management and employees, and are drafting and executing human resources management action plans for each function with an emphasis on employee initiative and autonomy.

## Realizing the ideal human resources portfolio

To shift to a business portfolio that will allow us to achieve the 2027 MEDIPAL Medium-Term Vision, we need to match the right person to the right job position. In our core businesses, we aim to increase added value and productivity while also achieving further growth. In order to shift human resources into what we now define as priority businesses, such as new businesses, medical devices and reagents, or AGRO & FOOD, we will analyze the current human resources portfolio for each business and design and visualize targets in order to execute our human resource strategy for both quantity and quality. We will enable faster business decisions and constant innovation by pursuing a human resources strategy to take us into the future. This will allow us to build systems to create social value and customer value and to achieve sustainable growth by the Group.

## Systems to implement our strategy

To pursue this strategy, our Human Resources Strategy Department is working out the concept and direction of the human resources strategy for the Group and developing platforms and other programs for overall management. After laying the groundwork in this way, the actual programs are handed over for the administrative and HR departments of each company to actually implement. We have set up a Human Resources Committee as the organization responsible for liaising and coordinating between the Human Resources Strategy Department and the HR divisions of each company. This committee meets monthly to share, investigate, and discuss problems, policies, and actions. The strategies and measures decided by the committee are reported to the management levels as needed.

## Roadmap

To realize our vision for the the ideal organization and ideal human resources and to develop our human resources portfolio, we will implement the foundation building phase and the execution phase in parallel.

### 1 Understand the current situation and identify problems

To be able to put this human resources portfolio management into practice, we will work to understand where we are now in terms of what skills our human resources have, where these resources are, and how much resource we have. In parallel, we will also run a survey of our workplace culture to identify any problems.

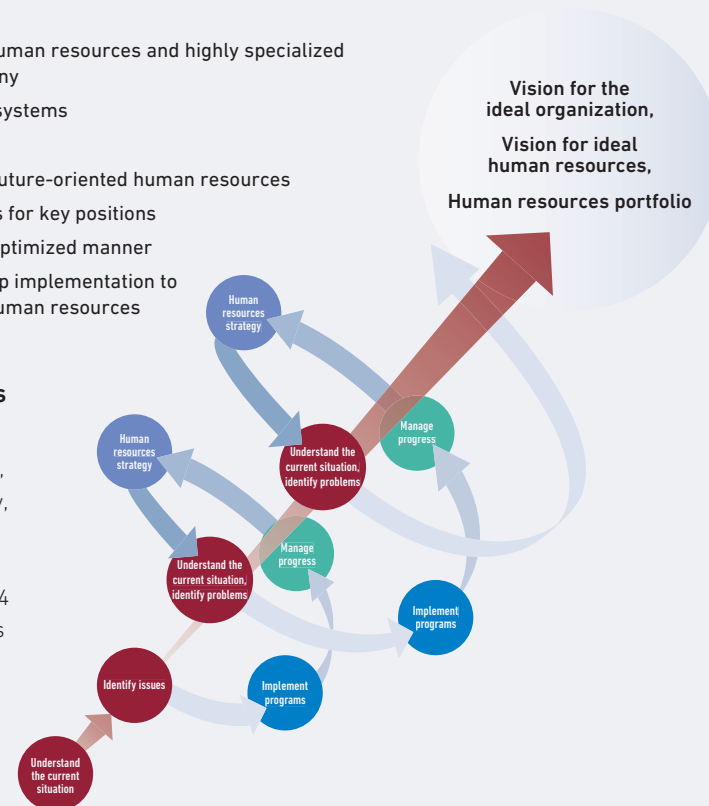
### 2 Implement programs and build a human resources platform

Reflecting on both the problems identified (current situation) and the vision (target), we will implement programs and build a human resources platform.

- ✓ Centralize, visualize, and analyze HR data
- ✓ Build systems to recruit future-oriented human resources and highly specialized human resources from outside the company
- ✓ Build and implement talent management systems
- ✓ Systematize reskilling
- ✓ Build and implement systems to develop future-oriented human resources
- ✓ Formulate and implement job descriptions for key positions
- ✓ Allocate human resources in a strategic, optimized manner
- ✓ Rebuild HR evaluation systems and step up implementation to support development of future-oriented human resources

### 3 Manage progress based on KPIs

As we implement the foundation building phase and the execution phase in parallel, in line with our human resources strategy, we will set KPIs for our human resources strategy to manage our progress. To set the KPIs, we are drawing on the ISO 30414 standard and considering developing KPIs specific to the MEDIPAL Group that link with our growth strategy.



## New Businesses That Meet Needs and Create Markets

The MEDIPAL Group's new businesses are built on existing business infrastructure. Taking full advantage of our strengths such as a nationwide distribution platform and the expertise of our human resources, we create markets based on meeting the needs of pharmaceutical companies, medical institutions, and doctors and other medical professionals. We focus on new business activities in the areas of PFM®, which launched in 2011, the provision of proper information by ARs, post-marketing surveillance (PMS\*), digital businesses that integrate face-to-face relationships with digital communication, and overseas businesses.

### Competitive superiority of new businesses

The competitive superiority of our new businesses lies in our ability to identify projects with potential at an early stage then put in place a business model capable of not only achieving commercial success, but also social value. We are able to do this using our keen business insight and ability to execute.

#### ○ Appropriate information provision by ARs

ARs promote the appropriate use of pharmaceuticals by providing the right information to medical institutions. In addition, they use their advanced specialized knowledge to secure contracts for information collection and provision with major pharmaceutical companies and the like. ARs are also involved in distribution that requires expertise and specialization, such as for orphan drugs and regenerative medicines.

#### ○ Post-marketing surveillance (PMS)

PMS consists of early post-marketing phase vigilance and post-marketing surveillance conducted after the sale of pharmaceuticals and medical equipment in order to ensure their quality, efficacy, and safety. The MEDIPAL Group handles a full range of contracted PMS operations from protocol design to report preparation.

#### ○ Digital businesses

Having developed strong partnerships with information and communication technology (ICT) companies that possess leading technologies, we are moving forward with digital transformation (DX) of patient-centered healthcare and information provision to medical institutions.

#### ○ Project finance & marketing (PFM®)

PFM® is a business in which MEDIPAL HOLDINGS CORPORATION invests in the development of new drugs of pharmaceutical companies in order to achieve returns on investment after these drugs are launched (project finance), and sell and distribute them to medical institutions preferentially (marketing).

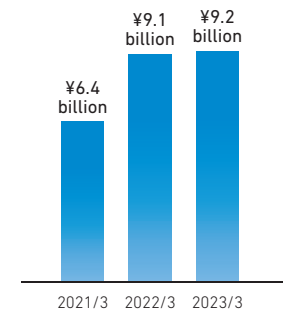
#### ○ Overseas businesses

We are steadily securing a foothold for overseas expansion. Since our investment in a Chinese pharmaceutical wholesaler in 2009, we have accumulated overseas business experience and know-how, and cultivated human resources.

### Contribution of new business initiatives to business performance

New business	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
AR Activities	¥1.7 billion	¥1.6 billion	¥1.5 billion
PFM®	¥4.8 billion	¥7.8 billion	¥7.8 billion
PMS	¥0.3 billion	¥0.1 billion	¥0.5 billion
Digital Businesses, etc.	¥(0.4) billion	¥(0.4) billion	¥(0.5) billion
<b>Total Gross Profit</b>	<b>¥6.4 billion</b>	<b>¥9.1 billion</b>	<b>¥9.2 billion</b>

#### Gross profit



Including gross profit from the sale of related products.

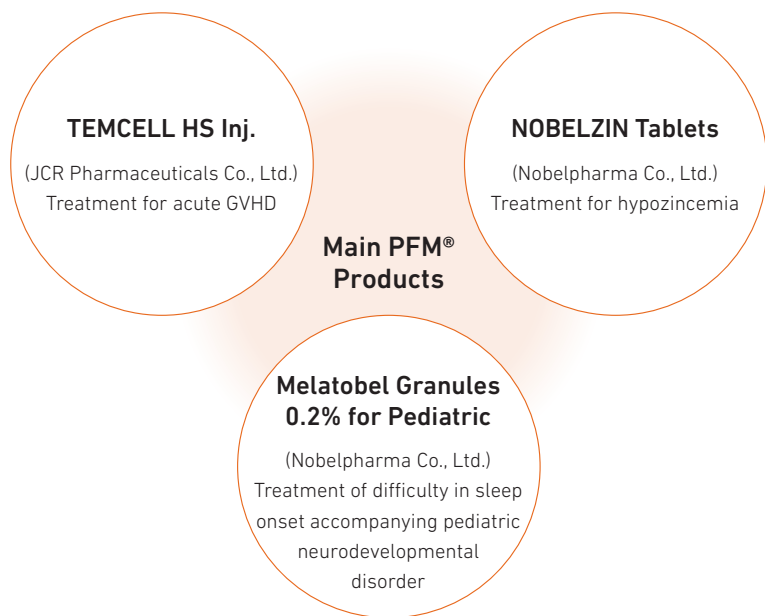
\* Please refer to [page 72](#) for explanations of technical terms.



## Significance of PFM® and Main Products

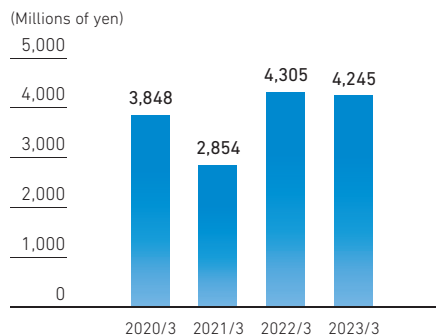
By supporting the development of orphan drugs, we contribute to improving the quality of life for patients and their families.

The PFM® business model encompasses the development and stable supply of orphan drugs, thus embodying the MEDIPAL Group's social mission of contributing to improving quality of life for patients suffering from rare diseases and their families. Going forward, we will continue to support the development and stable supply of orphan drugs, for which the number of patients is small.

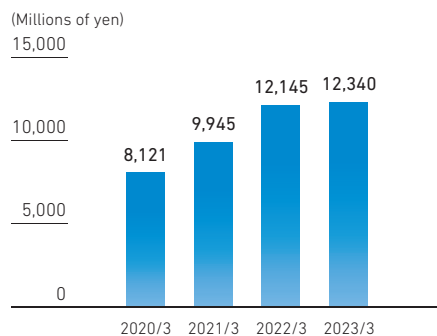


### Sales

#### ▶ TEMCELL HS Inj.



#### ▶ NOBELZIN Tablets



## FOCUS

### Efforts to move into overseas markets: Collaboration with JCR Pharmaceuticals Co., Ltd. on global development of new drugs in the ultra-rare disease area

In October 2022, MEDIPAL and JCR Pharmaceuticals Co., Ltd. executed a memorandum granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR Pharmaceuticals for ultra-rare lysosomal storage diseases (LSDs).

JCR Pharmaceuticals Co., Ltd. is focused on the research and development of several products for the treatment of rare LSDs that use J-Brain Cargo, JCR's proprietary blood brain barrier (BBB) penetration technology.

Ultra-rare diseases have very small patient populations, which generally makes new drug development challenging. The MEDIPAL Group will support new drug development in these ultra-rare disease fields.



Sources of Value Creation **04.**

## Creating Value with Partners in Various Business Fields

To continue to respond to diversified social needs, we are collaborating with companies in various business fields, as well as medical institutions and local governments, to create unprecedented business models. In addition to the MEDIPAL Group's network of pharmaceutical companies and medical institutions, we leverage our special capabilities, such as our nationwide distribution network and technology for special temperature-controlled distribution of pharmaceuticals, to develop groundbreaking services unique to the Group.



FOCUS

## Building new business models through collaboration with companies in various fields, medical institutions and municipalities

### Main Initiatives in Building Partnerships

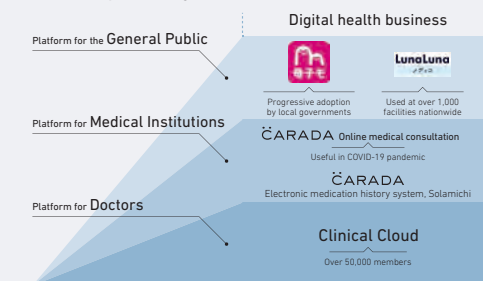
2006–	2016–	2019–	2020–	2020–	2022–
<b>Improving the efficiency of medical care</b>	<b>Improving health</b>	<b>Stable supply of pharmaceuticals</b>	<b>Integration of distribution functions</b>	<b>Enhancing productivity throughout the supply chain</b>	<b>Pharmaceutical development overseas</b>
We entered into a capital and business alliance with Medical Data Vision Co., Ltd. in 2006. We began joint operation of the medical information portal site "Clinical Cloud" with Medical Data Vision subsidiary Doctorbook INC. in 2019.	We entered into a capital and business alliance with MTI Ltd. We are working to increase market share by expanding MTI's "Luna-Luna Medico" service, which connects women with physicians, and the maternal and child health handbook app "Boshi-mo."	We entered into a capital and business alliance with Mitsubishi Logistics Corporation. We aim to establish an optimal pharmaceutical distribution system covering all processes from the time products leave the manufacturer's facility until they reach patients.	We entered into a strategic business alliance agreement with H.U. Group Holdings, Inc., in the medical and healthcare sectors.	We are engaged in a joint initiative with major dispensing pharmacy groups and drugstores with the aim of creating a new pharmaceutical distribution model to support achievement of the SDGs.	MEDIPAL and JCR Pharmaceuticals Co., Ltd. have executed a memorandum granting exclusive negotiation rights for the global commercialization outside Japan of four new drug candidates being developed by JCR Pharmaceuticals Co., Ltd. for ultra-rare diseases.

## Aiming to develop new digital platforms for better health for all

### Building Digital Healthcare Platforms

Our digital healthcare solutions, which integrate face-to-face relationships with digital communication, in the medical and healthcare sectors provide numerous services that benefit not only medical institutions but also the health of patients and the general public. The trend toward the use of digital technology in medicine and personal health monitoring is expected to accelerate. We are focusing on building digital healthcare platforms to make the MEDIPAL Group a player in that area.

#### Building Digital Healthcare Platforms: Integrating Face-to-Face Relationships with Digital Communication



Boshi-mo, Luna Luna Medico, CARADA online medical consultation, and CARADA electronic medication history system Solamichi are services provided by MTI Group. Clinical Cloud is a service provided by Doctorbook INC.

## Actively investing to create business synergies through corporate venture capital

We jointly established MEDIPAL Innovation Fund with SBI Investment Co., Ltd.

	Category	Company name	Business	Investment made
1	Medical equipment	RIVERFIELD Inc.	Medical equipment venture originated at Tokyo Institute of Technology. Developing various types of surgical robots.	August 2021
2	Digital health	Holoeyes, Inc.	Developing and provides software that converts CT and MRI images into 3D to enable surgery, simulation, and navigation, as well as educational support services for medical professionals.	November 2021
3	Regenerative medicine	Innovacell K.K.	Regenerative medicine venture that is developing cell therapy methods specifically for fecal and urinary incontinence	December 2021
4	Drug discovery (small molecules)	Chordia Therapeutics Inc.	Biotech venture company specializing in R&D on cancer therapies	May 2022
5	Medical equipment	Not disclosed	Not disclosed	August 2022
6	Regenerative medicine	Noile-Immune Biotech Inc.	Bioventure engaged in R&D into CAR-T cell therapy methods against solid tumors	August 2022
7	Drug discovery (antibodies)	EVEC, Inc.	Bioventure developing fully human antibodies against infectious diseases	September 2022
8	Digital health	LAYERED Inc.	Digital health venture that aims to use healthcare data and healthcare DX to improve family doctor functions	December 2022
9	Digital health	Pestalozzi Technology Inc.	Develops and markets the ALPHA digital data measurement and aggregation system for physical fitness testing of elementary, middle, and high school students	May 2023
10	Medical equipment	Grace imaging, Inc.	Developing, manufacturing, and marketing medical devices for cardiac rehabilitation that use proprietary sensors to measure lactic acid in sweat	June 2023

## Message from the General Manager of the Business Development Department



**Toshihide Yoda**

Senior Managing Director,  
General Manager of Business Development Department  
MEDIPAL HOLDINGS CORPORATION

We will pursue overseas business development and healthcare DX, with a focus on executing our growth strategy and generating results.

### Main new business initiatives to realize our Medium-Term Vision

#### Overview of FY2023

We are targeting ordinary profit of ¥100 billion in the fiscal year ending March 31, 2027, the final year of our 2027 MEDIPAL Medium-Term Vision. This includes a target of ¥20 billion for new businesses. We are actively progressing various initiatives to achieve this. In the fiscal year ended March 31, 2023, new businesses generated ordinary profit of ¥9.2 billion, roughly on track versus the target of ¥9.4 billion.

<b>PFM®</b>	Invested in orphan drugs where patient numbers are low and achieved stable product supply. Currently selecting new targets for product development investment.
<b>AR</b>	There are significant needs for information supply and gathering by ARs, but the methods used changed during the pandemic.
<b>Post-marketing surveillance (PMS)</b>	Orders at PharField Corporation, which was spun off as a separate function in 2020, are tracking steadily.

Thus far, we have focused on new businesses as a key strategy unique to the MEDIPAL Group, and we have succeeded in growing them into businesses capable of sustained profit creation. However, we recognize that we are now approaching a period of change as we move into the next growth stage. We will need to do more than just expand existing businesses like AR and PFM® if we are to achieve further growth in the future. We also need to realize and evolve the strategies set out in the Medium-Term Vision, including expansion of overseas business and enhancement of business with and in digital.

By going beyond our conventional business frameworks thus far, we will broaden our outlook and be in a position to develop businesses that generate new profits.

#### Digital health

We are pursuing healthcare DX by combining the business resources of the MEDIPAL Group with the resources at our partners. We are focused on efficient business development by leveraging our customer base and collaborating with partners that bring advanced technologies and expertise to the table.

We started a capital alliance with MTI Ltd. in 2016 and this collaboration has helped MTI Ltd. to introduce its electronic maternal and child health handbook “Boshi-mo” to over 520 municipalities (as of March 31, 2023) and expand its services to support the digital transformation of childcare services. MTI Ltd. is digitalizing processes in childcare support services, such as screening questionnaires before childhood vaccinations and infant health checks or government funding claims. MEDIPAL invested in LAYERED Inc. in January 2023 via the CVC fund. Layered Inc. develops systems to ensure efficient clinic operations, more opportunities for communication with patients, and better support for healthcare DX at family doctors, thus improving operational efficiency and convenience at clinics.

It may take time to generate earnings in the digital health field, but we think this area has the potential to become new infrastructure in the future, so we need to take a long-term perspective. At the same time, it is vital that we work out how to monetize our business in the face of increasing competition. At the moment we are progressing a number of initiatives in isolation, but in the future I think we need to connect these programs organically to develop infrastructure, which in turn may point the way to monetization in this field.



## Message from the General Manager of the Business Development Department

**Collaboration with JCR Pharmaceuticals Co., Ltd. and future strategy overseas**

MEDIPAL HOLDINGS is collaborating with JCR Pharmaceuticals Co., Ltd. on the global development of new drugs in the ultra-rare disease area. We have signed an agreement on the global commercialization of treatments for four ultra-rare diseases that use JCR's J-Brain Cargo blood-brain barrier (BBB) penetration technology. One of the properties of the brain is the ability to take up iron. The J-Brain Cargo technology uses this property to pass through the BBB and deliver drugs within the brain. J-Brain Cargo is also capable of effectively delivering drugs within the skeletal muscles, where drug delivery has proven difficult thus far.

MEDIPAL HOLDINGS plans to obtain a license to market overseas our own pharmaceuticals that use the J-Brain Cargo technology, and develop our business globally through development and distribution. We are already making preparations and are working to develop the necessary systems over the next two or three years. This represents a step forward from the typical PFM® initiatives we have engaged with thus far, and will be a challenging program for our company. Through this initiative, we will work with JCR Pharmaceuticals Co., Ltd. to deliver new treatments as soon as possible to patients and their families around the world.

**Corporate venture capital (CVC)**

The CVC fund has now made ten investments, including Grace imaging, Inc. announced in July 2023. We are investigating possible investments in different venture companies using the diverse sourcing functions of SBI Investment Co., Ltd, a wholly owned subsidiary of SBI Holdings, Inc. We aim to contribute profits to the Group's core businesses by marketing and distributing innovative products created through the investments.

We are now making more investments and also improving our evaluation processes. We will work faster to create breakthrough services only found at the MEDIPAL Group.

**Human resources development to achieve our Medium-Term Vision**

Recruitment and training of human resources is a key issue when developing new businesses. To rapidly progress our growth strategy, we need to bring in human resources with experience and a good track record. We are working on mid-career recruitment of people who have experience at pharmaceutical companies overseas, and are involved in the development of human resources at our company. We are also training up employees responsible for overseas business development by transferring them to partner companies like JCR Pharmaceuticals Co., Ltd.

Our Rare Disease MRs (RD-MRs\*) have a wealth of experience as specialists in rare diseases and specialize in providing information on orphan drugs. We look to strengthen our training systems in the future so that ARs can take on new roles in the fields of digital health or PMS.



# Capital Policy and Shareholder Returns

## Basic Capital Policy

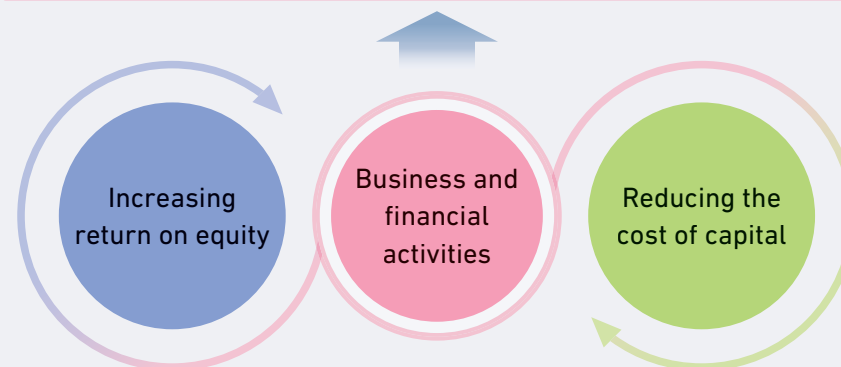
MEDIPAL HOLDINGS CORPORATION resolved its basic capital policy at a meeting of the Board of Directors held on May 12, 2023.

### Basic Capital Policy

Strive for sustainable corporate growth and maximization of corporate value through business and financial activities founded on the dual focus of increasing return on equity and reducing the cost of capital

- ▶ In order to generate profits that exceed the cost of capital, we will regularly monitor and verify this cost and pursue an optimal capital structure for the Company while ensuring financial soundness.
- ▶ To achieve this, we are identifying areas for improvement, and examining and scrutinizing specific key performance indicators (KPIs), targets to achieve for these KPIs, and timelines for achievement. Specific details will be disclosed as soon as this initiative is completed.

### Sustainable corporate growth and maximization of corporate value



## Basic Policies on Strategic Shareholdings and Distribution of Profits

Based on this basic capital policy, we have revised our basic policies on strategic shareholdings and distribution of profits.

### Basic Policy on Strategic Shareholdings

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 the sale after striving to gain sufficient understanding from our business partners.
- ▶ Even in cases where shareholdings are deemed appropriate, we may sell these in accordance with the basic policy of reducing strategic shareholdings and in consideration of market conditions, management and financial strategies, and other factors.
- ▶ We will reduce strategic shareholdings to 10% or less of net assets and ¥50 billion or less by March 31, 2027, the target end date of the 2027 MEDIPAL Medium-Term Vision.

### Basic Policy on Distribution of Profits

In principle, we will maintain or increase the dividend payout ratio on earnings before amortization of goodwill and amortization of intangible assets arising from the growth investments set forth in the 2027 MEDIPAL Medium-Term Vision. Simultaneously, we will comprehensively assess demand for funding and flexibly implement share buybacks and cancellations of shares as appropriate for the purpose of improving capital efficiency and further returning profits to shareholders.

- ▶ We aim to achieve a total shareholder return ratio of 40% for the five-year cumulative period from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2027. This ratio is applied to earnings before amortization of goodwill and intangible assets arising from the growth investments set forth in the Medium-Term Vision.