

## 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.

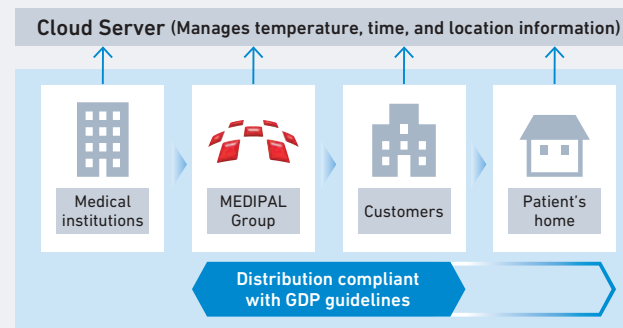
## FOCUS

### 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.

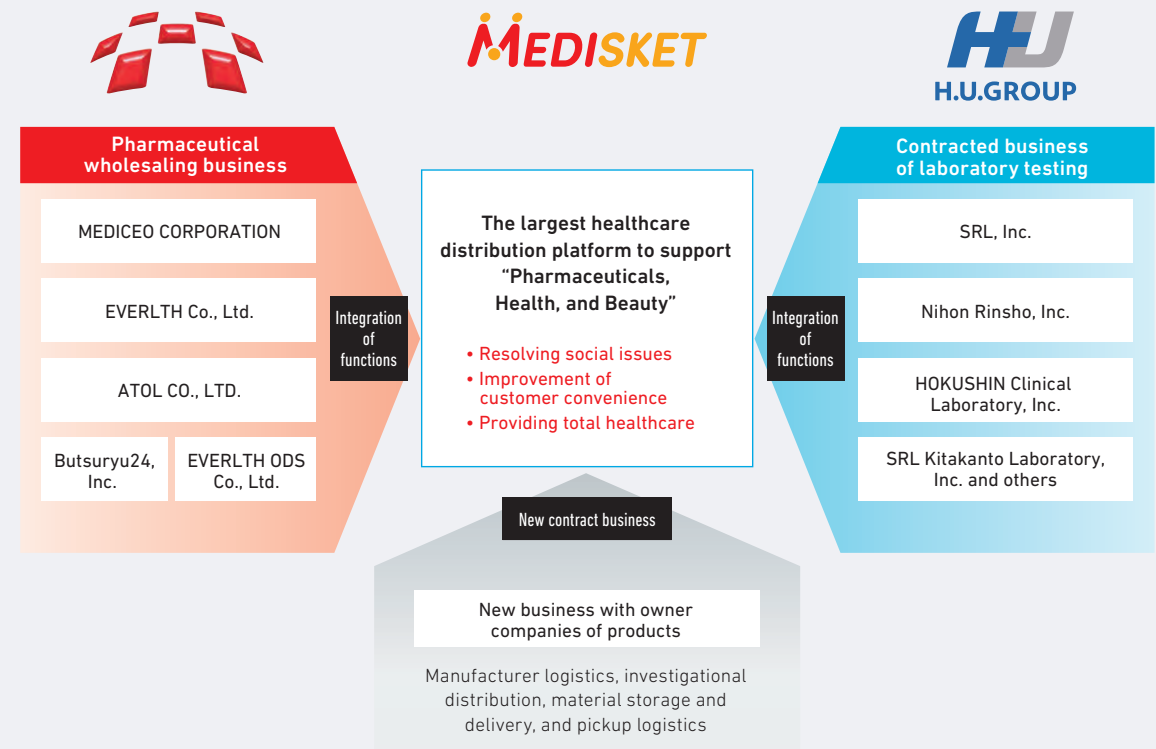
We expect to apply these functions in support of pharmaceutical quality control so that there is no loss of traceability across all distribution channels.

\* 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.



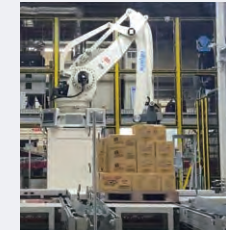
FOCUS

## 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.

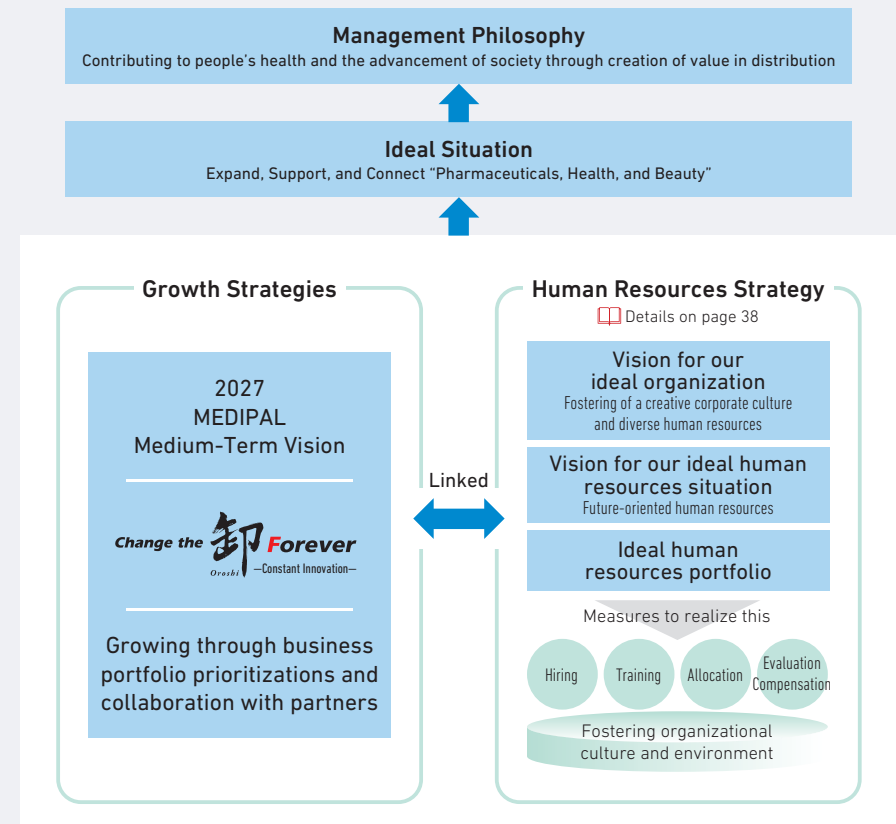


## Overview of our human resources strategy

### 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.

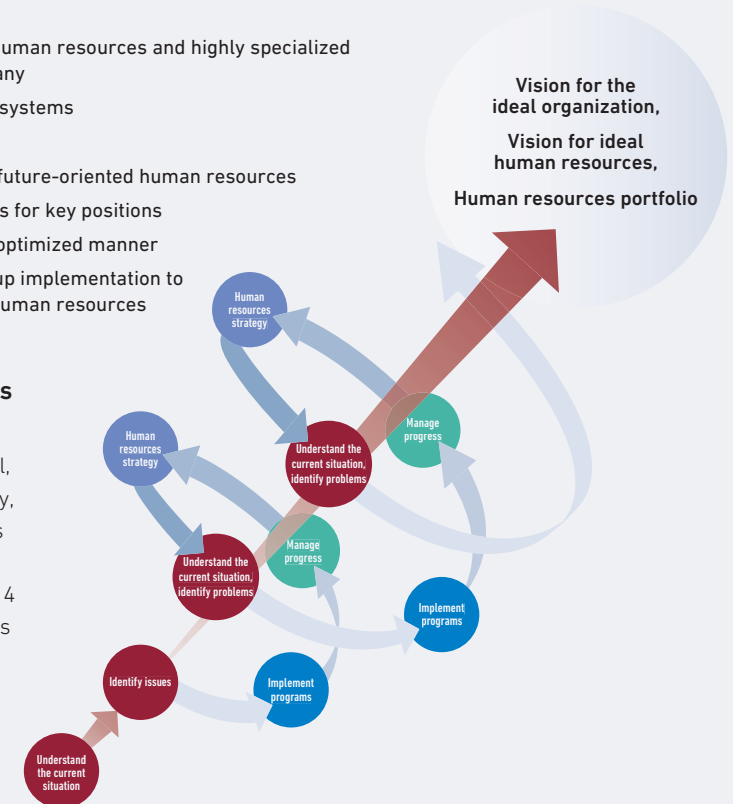
### 2 Implement programs and build a human resources platform

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).

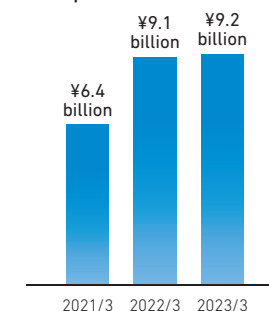
#### ○ Overseas businesses

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



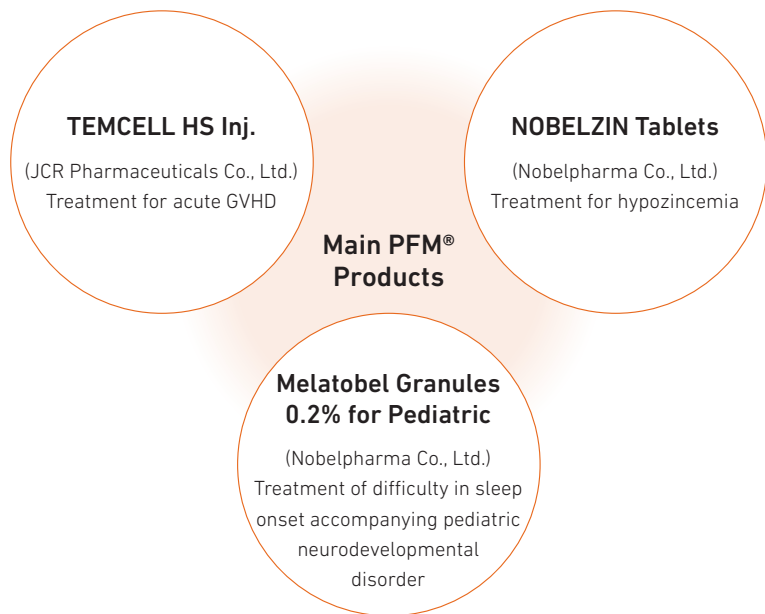
Including gross profit from the sale of related products.

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

## Significance of PFM® and Main Products

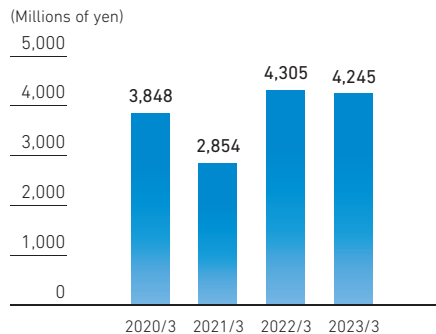
By supporting the development of orphan drugs, we contribute to improving the quality of life for patients and their families.

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.

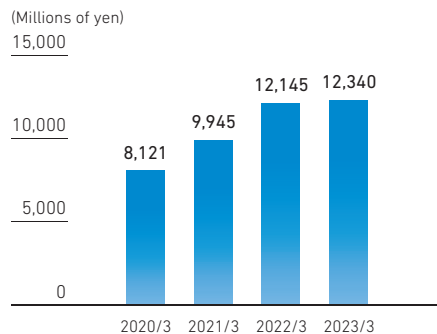


### Sales

#### ▶ 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.

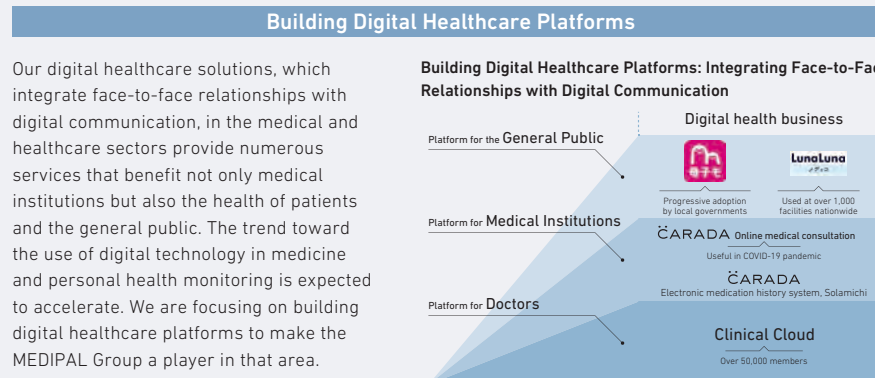


FOCUS

### 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



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