MEDIPAL HOLDINGS CORPORATION

Change the 卸 Future

Oroshi Innovation for the Future

Integrated Report 2020

Fiscal year ended March 31, 2020

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Editorial Policy

This integrated report has been compiled as a communication tool to comprehensively provide financial information, such as management strategies and results, and also non-financial information, such as our relationship with the environment and society, so that all our stakeholders understand the MEDIPAL Group's management approach to the creation of sustainable corporate value.

Forward-Looking Statements

This report contains forward-looking statements regarding the MEDIPAL Group's plans, policies, strategies, and earnings forecasts. Accordingly, please note that certain risks and uncertainties could cause actual results to differ materially from those stated herein.

Yen amounts on all pages except for the financial statements are rounded down to the nearest million yen. Yen amounts in the financial statements are rounded to the nearest million yen.

Management Philosophy

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

Management Policy

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

Business Fields

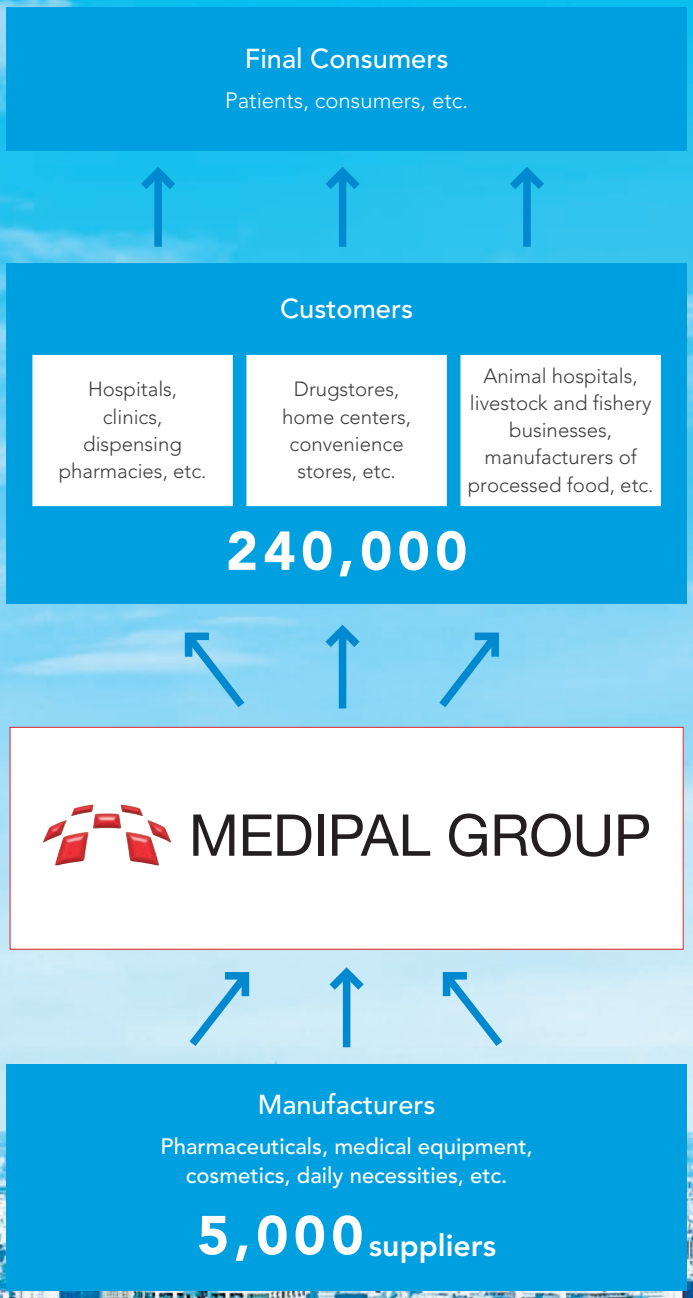
Pharmaceuticals, Health, and Beauty

Company Logo

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

Business Fields

The MEDIPAL Group is one of the largest distribution networking groups linking manufacturers, medical institutions, and retailers all across the nation in fields of pharmaceuticals, health, and beauty.



Prescription Pharmaceutical Wholesale Business

Business Companies

MEDICEO CORPORATION
SPLine Corporation
MVC CO., LTD.
EVERLTH Co., Ltd.
MM CORPORATION
MEDIE Co., Ltd.
ATOL CO., LTD.
ASTEC Co., Ltd.
M.I.C. (Medical Information College), INC.
Medipal Insurance Service Co., Ltd.

Product Range

Prescription pharmaceuticals
Medical supplies
Medical equipment
Clinical diagnostics

Customers

Hospitals
Clinics
Dispensing pharmacies

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Business Company

PALTAC CORPORATION

Product Range

Cosmetics
Daily necessities
OTC Pharmaceuticals

Customers

Drugstores
Convenience stores
Discount stores
Home centers
Supermarkets

Animal Health Products and Food Processing Raw Materials Wholesale Business

Business Companies

MP AGRO CO., LTD.
MEDIPAL FOODS CORPORATION

Product Range

Animal health products
Raw ingredients for food processing

Customers

Animal hospitals
Livestock and fishery businesses
Manufacturers of processed food

President's Message

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

Shuichi Watanabe
Representative Director, President and CEO
MEDIPAL HOLDINGS CORPORATION

Our *Oroshi* Business

MEDIPAL is an enterprise group whose main business is wholesaling. Another word for our business is simply "distribution," but we believe that by delivering the products they need, we provide customers and society with value that enhances safety and security. We also adapt our functions and systems to match changing times and needs, resulting in resilience to change in the business environment. *Oroshi* is part of the social infrastructure that supports people's lives and lifestyles, and it is our mission to deliver products whenever they are needed, even during emergencies.

Linking people through reliable delivery

Our business field is distribution in the fields of pharmaceuticals, health, and beauty. The basis of the wholesaling business is sourcing products from manufacturers and delivering them to customers. A major difference from pharmaceutical wholesaling in Europe and North America is that Japan has a large number of both manufacturers and customers. Wholesaling fulfils the role of linking these two groups efficiently and optimizing the entire supply chain. The pharmaceuticals and daily necessities that we handle are all items essential to human life and people's lives and lifestyles. Specifically, those products that play a vital role in human life—prescription pharmaceuticals, medical equipment and clinical diagnostics—need to be used properly, and it is the job of our Marketing Specialists (MSs) to provide the necessary information in a timely manner. This role is unique to Japan.

Amid the current COVID-19 pandemic, we have continued responding to the needs of the medical frontline. We are actively implementing measures and introducing workstyle reform to minimize the infection risk to both customers and employees, as well as supplying products in a safe way.

Linking medical professionals, who are devoted to saving patients' lives, with pharmaceutical companies, who contribute through highly effective drugs, results in the development of optimal medical treatments. We believe that linking these desires is the true value of our *Oroshi* business.

Shared values are the foundation of governance

A turning point in MEDIPAL's growth was the merger in 2000 of three pharmaceutical wholesalers: Sanseido Co., Ltd., KURAYA CORPORATION, and TOKYO PHARMACEUTICAL Co., Ltd. The resulting company, KURAYA SANSEIDO Inc., became the core of a growing group of leading wholesalers from all regions of Japan that developed into a nationwide pharmaceutical distribution network. The second turning point came in 2005 when this group integrated its business with PALTAC CORPORATION, a cosmetics and daily necessities wholesaler. This gave us the opportunity to expand our business areas and take a more customer-oriented approach to logistics. We have built

on the distribution platform that resulted from these changes, and in recent years we have sought alliances with pharmaceutical companies specializing in the development of orphan drugs and companies with strengths in the digital field. In this way, we are developing more sophisticated wholesaling functions and taking advantage of the potential for further corporate growth.

We also have a multifaceted corporate culture and diverse human resources. Nevertheless, we have been able to establish high-quality Group governance on the foundation of shared values—the desire to be of service to people. Our historical journey and our record of innovation are now part of our excellent Group DNA.

Our challenge for sustainable growth: Change the *Oroshi*

Japan faces a range of social issues, from a declining birthrate and population aging at globally unprecedented levels to a shrinking working population and ballooning social security costs. These trends make for an increasingly severe business environment. Envisioning the impact of these environmental changes on business growth, we adopted a vision with the aim of "Change the *Oroshi*" in 2015. Since then, we have pursued a path of redefining the concept of wholesaling by reexamining conventional ways of thinking and acting.

We have now entered the vision's third phase "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future—Innovation for the Future." Under this banner, we are working to innovate in existing businesses, expand new businesses and establish business partnerships. The reinforcement of logistics functions, which is vital to wholesaling, is progressing according to plan, while initiatives in new businesses are steadily translating into earnings. As a result, we were able to post record figures for net sales and all levels of profit in our consolidated results for the fiscal year ended March 31, 2020, allowing us to advance largely in line with our vision.

Creating the future by establishing business partnerships

One of the focal points of our current medium-term vision is establishing business partnerships. MEDIPAL's strengths lie in its wholesaling functions and its nationwide network of customers and human connections. By combining these strengths with the outstanding technologies and expertise of companies in other industries, we aim to build new platforms to respond to a broad range of future healthcare needs, which will follow an accelerating path of sophistication and diversification.

To give an example, we are currently devoting resources to promoting the maternal and child health handbook app "Boshi-mo" through an alliance with the content distribution business MTI Ltd. The app has been positively received for its enhanced childcare support functions, which make it easier to manage schedules for preventative vaccinations and perform other operations that were difficult with the conventional paper-based handbook. The app has been adopted by many local governments and is now in widespread use among families with children. We are also collaborating with MTI to introduce information and communications technology (ICT) to the medical and healthcare sector. For example, using data from MTI's women's healthcare information app Luna-Luna, we are jointly creating a system to support treatment for dysmenorrhea.

We believe that helping women with the challenges they face with health management and childrearing will bring them improved quality of life and more opportunities to play an active part in society. By anticipating change in our business environment to create business models that are able to transcend existing structures, we aim to provide not only medical professionals but also patients and the community at large with a high level of convenience and value.

Sincere efforts to realize highly transparent business activities

On November 27, 2019, in connection with the suspicion of a violation of the Antimonopoly Act by four major pharmaceutical wholesalers, our wholly owned consolidated subsidiary MEDICEO Corporation was the subject of an on-site inspection by the Japan Fair Trade Commission (JFTC). MEDIPAL Holdings and MEDICEO take this situation seriously and sincerely, and have cooperated fully with

the JFTC's investigation. In this regard, the MEDIPAL Group will work to ensure even more rigorous legal compliance and enhanced internal control. As part of these efforts, I assumed the position of Chief Compliance Officer on June 25, 2020. The medical care system in Japan is funded by taxes and social insurance contributions from the public and medical fees paid by private individuals. It therefore needs to be a highly transparent operation that works in a way that is clear to the public. I am committed to personally taking the lead in initiatives to further raise the Group's level of awareness and action on compliance and will make sincere efforts, however long they may take, to ensure that the Group grows on a sound basis.

Supporting people's health and the development of society through a virtuous circle of value creation

Wholesalers do not have the opportunity for direct contact with patients or general consumers, but we do have a strong desire to stand with and support them. To give practical form to this desire, MEDIPAL makes investments in orphan drug discovery and takes other actions to direct resources to supporting treatments for intractable diseases with limited numbers of patients. Meanwhile, after disaster strikes in the form of earthquakes and floods, we make full use of our seismic isolation systems and in-house power generation systems to ensure stable supply. No matter how few the patients, or how great the obstacle, the MEDIPAL Group works together like a relay team to support people's lives by fulfilling our mission to deliver pharmaceuticals in Japan, driven by our awareness that all medicines are devoid of meaning if they are not made available for patients.

Wholesaling generates value that supports people's lives and lifestyles. To carry on fulfilling this role, MEDIPAL will continue to make active investments to strengthen its infrastructure, establish business partnerships and cultivate human resources. We will then recirculate the profits from our business to strengthen infrastructure and make other improvements, thus continuing to create services that offer new value.

To realize the "Innovation for the Future" that is central to our vision and to reform our business to make operations more transparent to the public, we will continue working with the combined resources of the Group to improve corporate value from a long-term perspective.

History of Value Creation

The MEDIPAL Group has since its foundation continued growing through wide-ranging innovations, under its unchanging mission of reliably delivering products essential to people's safety and peace of mind whenever they are needed, even during emergencies.

Meeting of executives of all companies at launch of KURAYA SANSEIDO

MEDICEO Holdings President Kumakura (left) and PALTAC President Mikita

1898

Founded

Sansiedo apothecary at time of foundation

2000 – Formation of Nationwide Distribution Network

Starting with KURAYA SANSEIDO Inc. (a merger of Sanseido Co., Ltd., KURAYA CORPORATION and TOKYO PHARMACEUTICAL Co., Ltd.), built a distribution platform covering all parts of Japan through business integration and business alliances.

2005 – Expansion of Business Fields

With the addition of PALTAC CORPORATION, became a wholesaler group providing a wide range of support for everyday life, including cosmetics, daily necessities, and over-the-counter pharmaceuticals, based on the theme "pharmaceuticals, health, and beauty."

Trends in market capitalization, net sales, operating profit and ordinary profit

- Prescription Pharmaceutical Wholesale Business
- Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business
- Animal Health Products and Food Processing Raw Materials Wholesale Business

¥1,073.0 billion (Fiscal 2000)

¥5.4 billion (Fiscal 2000)

¥1.9 billion (Fiscal 2000)

1898

2000
KURAYA SANSEIDO Inc. formed
- Sanseido Co., Ltd., KURAYA CORPORATION, and TOKYO PHARMACEUTICAL Co., Ltd. merged

2003
- USHIODA SANGOKUDO YAKUHIN CO., LTD.
- IZUTSU PHARMACEUTICAL CO., LTD.
- HEISEI YAKUHIN CO., LTD.

2004
- Business alliance with YONYAKU CO., LTD. and NAKAZAWA UJIKE PHARMACEUTICAL CO., LTD.
- EVERLTH Co., Ltd., ATOL CO., LTD.
- NAKAGAWA SEIKODO CO., LTD.

2005
Business integration with PALTAC CORPORATION

2006
- Concluded business and capital alliance with Medical Data Vision Co., Ltd.

2007
- MARUZEN YAKUHIN CO., LTD.

2008
- Business alliance with Toshichi Inc.

Note: Corporate names and executives are shown as they were at the indicated date.

Kanagawa ALC (first ALC)

MEDIPAL HOLDINGS President Watanabe (left) and JCR Pharmaceuticals Chairman and President Ashida

2009 – Business Innovation

Promoted the nationwide establishment of state-of-the-art distribution centers, called Area Logistics Centers (ALC), while working to expand sales functions by increasing the number of MSs* who have MR* certification and through other measures.

2011 – Creating New Value through New Businesses

Promoted development of new businesses utilizing nationwide infrastructure and human resources, and broadened business fields to include such areas as animal health products and food processing raw materials.

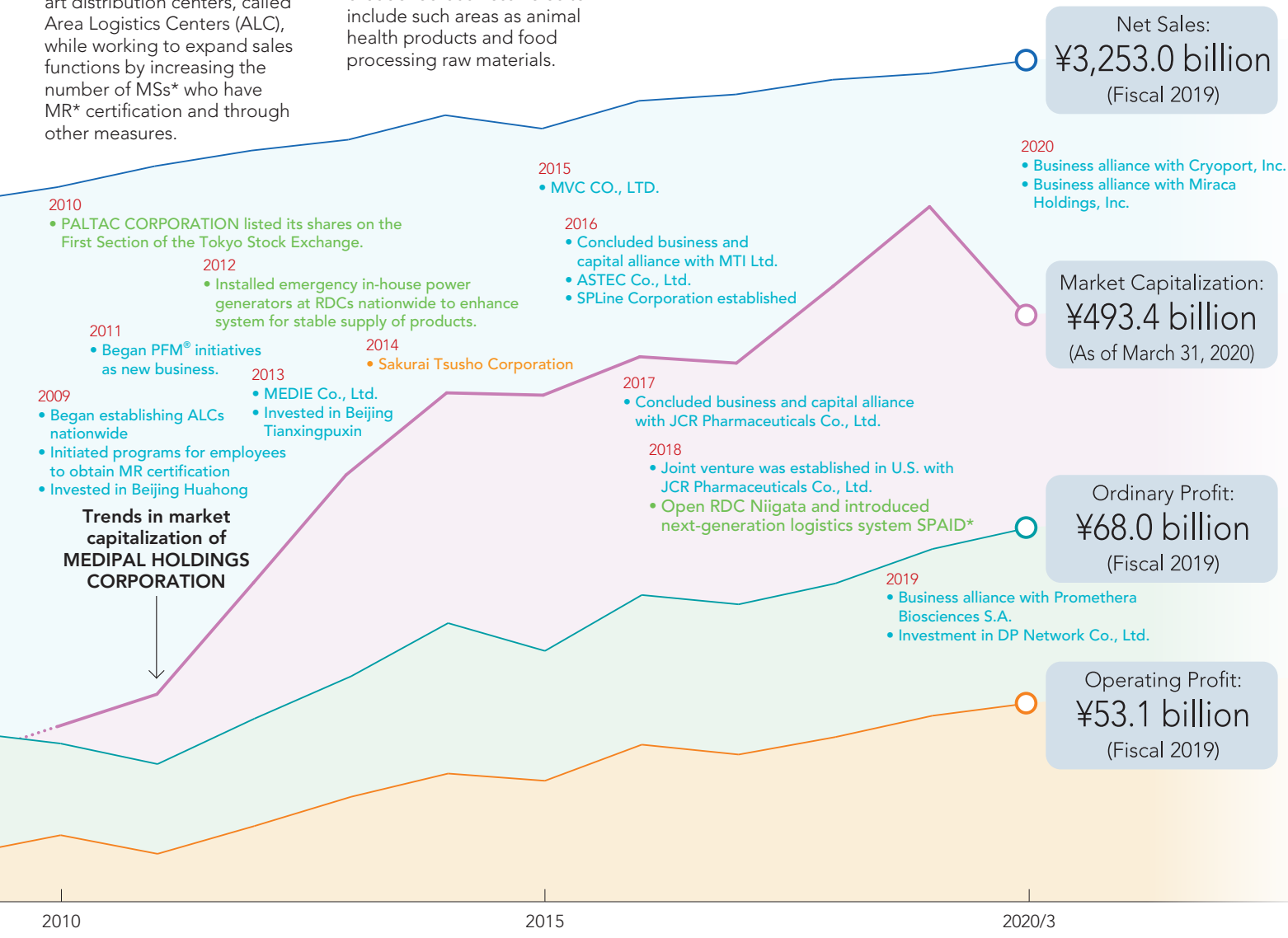
2019 – Establishing Business Partnerships and Expanding New Businesses

Shifted new businesses from the "creation" to the "expansion" stage and built new frameworks to benefit customers and society through partnerships with companies in various fields.

2022 MEDIPAL Medium-Term Vision

Change the 卸 Future (Oroshi)

Innovation for the Future



* Please refer to page 69 for explanations of technical terms.

Value Creation Process

MEDIPAL GROUP

Management

Contributing to people's
of society through creation

2022 MEDIPAL Medium-

Change the

Innovation for

Input

External Environment

Changes in society

Decreasing birthrate, aging society and population decline

- Growing social security costs
- Shortage of labor
- Era of 100-year lifespans

Advancement of digital technologies

- Digital transformations
- Utilization of AI, robots, etc.
- Changes in consumer behavior

Advancement of global warming

- Increase in natural disasters

Global COVID-19 pandemic

- Slowdown of global economy
- Downturn in corporate management and stock prices
- Disruption of medical care system

Changes in the fields of medical treatment and healthcare

Efficiency and optimization

- Controlling healthcare costs and frequent drug price revisions
- Enhancement of regional medical care
- Promotion of preventive medicine and extending healthy life expectancy

Sophistication and diversification

- Progress in healthcare technologies and introduction of digital technologies
- Expansion of regenerative medicine and development of orphan drugs
- Expansion of precision medicine

Human capital

- Shared values
- Advanced specializations
- Diverse careers

Distribution facilities capital

- Nationwide launch of distribution bases with high functionality

Intellectual capital

- Expertise and trust developed through extensive experience
- Equipment and systems for building new logistics style
- Business model for creating new businesses

Social and relationship capital

- Solid relationships with medical institutes, communities and customers
- Collaboration with partners in overseas business

Financial capital

- Healthy financial position
- Working capital efficiency

P. 14-19 Source of Our Growth

Sustainable growth

Establishing bus

Expansion of n

Innovation in ex

Strengthening human resources

Prescription Pharmaceu

Cosmetics, Daily Pharmaceutical

Animal Health Products Raw Materials

Important Issues (Materialities) ▶ P. 36 Compliance, Pharmaceutical Management, Respect for

Corporate

The MEDIPAL Group's value creation process is supported by initiatives related to corporate governance and important issues (materiality). By making the most of our nationwide distribution platform and highly expert human resources, the Group offers information and a stable supply of indispensable products to meet the expectations of our diverse stakeholders. Profits from these initiatives are reinvested to strengthen our business foundations, which will create new value.

Philosophy

health and the advancement of value in distribution

Term Vision ▶ P. 20

Oroshi 卸 Future

the Future

of the Group

iness partnerships

ew businesses

isting businesses

and evolving our organization

tical Wholesale Business ▶ P. 24

Necessities and OTC Wholesale Business ▶ P. 30

and Food Processing Wholesale Business ▶ P. 34

Output

Provision of safe and reliable distribution

Nationwide distribution platform, including ALCs and RDCs

Support for streamlining the businesses of customers

Original support system linked to distribution functions

Provision of proper information

Provision of information and proposal of solutions through various human resources such as ARs

Creation of new added value

New businesses utilizing nationwide network and highly expert human resources

The value we offer stakeholders

Customers

- Optimization of supply chain
- Streamlining of business
- Support of high-quality medical care

Patients and consumers

- Safe and secure medical care
- A rich and comfortable life

Employees

- A comfortable work environment
- Acquisition of advanced specialized capabilities
- Creation of motivation

Shareholders and investors

- Maximization of corporate value
- Stable shareholder returns

Manufacturers

- Product dissemination
- Increase in distribution efficiency
- New product development

Local communities and local environment

- Enhancement of local medical care
- Development of integrated community care
- Reduction of environmental impact through improved distribution efficiency

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
5 GENDER EQUALITY
11 SUSTAINABLE CITIES AND COMMUNITIES
7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Affairs Management, Disaster Planning, Information Human Rights, and Environmental Conservation ▶ P. 51-68

Governance ▶ P. 38

* Please refer to page 69 for explanations of technical terms.

Source of Our Growth

1

Distribution Functions That Optimize the Supply Chain as a Whole

The MEDIPAL Group has built a system that efficiently and reliably delivers the required products at the required time, in just the required amount, by connecting manufacturers in the pharmaceuticals, health, and beauty fields with medical institutions, dispensing pharmacies and retailers all over the country, through its independently developed state-of-the-art distribution centers.

ALCs and RDCs: State-of-the-Art Distribution Centers

The ALCs (Area Logistics Centers) and RDCs (Regional Distribution Centers), which are state-of-the-art distribution centers, are vital distribution bases that enable the MEDIPAL Group to fulfill its role in social infrastructure. We are working to achieve reliable delivery with no stock-outs or errors, and 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. As of the end of June 2020, this system was in operation at 12 locations in Japan, and by establishing one more new location, we plan to complete a distribution platform for prescription pharmaceuticals covering the entire country.

RDCs, which are distribution bases for the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, are operating in 16 locations in Japan. RDCs provide efficient, low-cost delivery of over 50,000 items necessary for daily life to suit a range of retail business formats and sales floors.

Uni-Shuttle (high-speed automated storage and retrieval system)

AI case-picking robot

Developing Next-Generation Distribution to Further Enhance Productivity

At next-generation ALCs, picking productivity is five times higher thanks to the introduction of the AUPUS (Automatic Piece Picking Ultimate System), which automates work such as storage, dispatch and sorting of products. At RDCs, we are developing and introducing SPAID (Super Productivity Advanced Innovative Distribution), a next-generation distribution system that actively utilizes the newest technologies such as AI and robotics. With SPAID, we are able to do twice as much work with the same number of workers as before through the use of AI case-picking robots that enable fully automated shipping operations from automatic case storage and retrieval warehouses, and adoption of our independently developed MUPPS* (Multitaskcrane Piece Picking System) that moves products to specified locations, with no human intervention, in bulk picking areas where individual products are retrieved.

* Please refer to page 69 for explanations of technical terms.

Features of ALCs

Shortened inspection time

Saving customers 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 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 a delivery ratio of over 99% with almost no stock-outs.

Ultra-low temperature distribution

Below −150°C

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 below –150°C. We are building a distribution platform with different temperature ranges that can deliver anywhere in Japan.

Features of RDCs

Delivery accuracy

99.999%

The use of JAN and ITF codes during 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

2 times

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

21

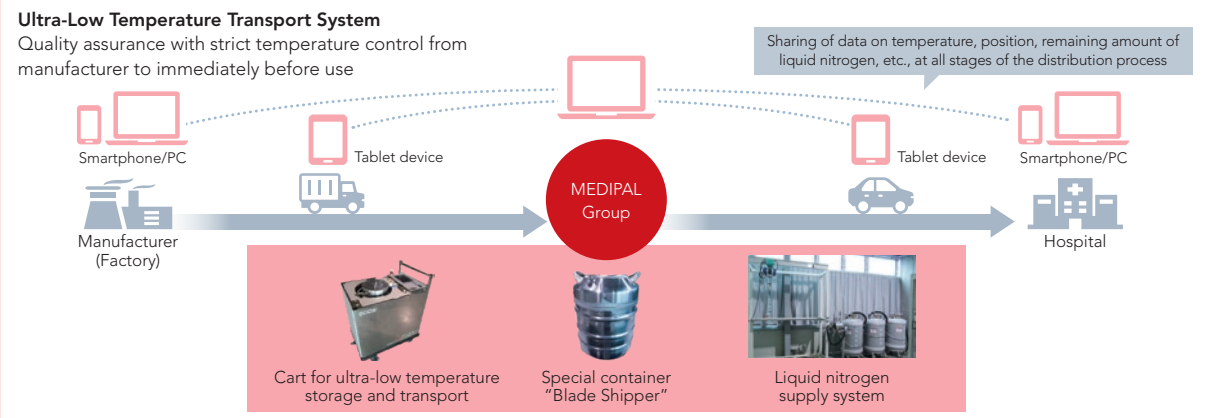
We are pursuing distribution technologies to achieve high productivity and low cost. In order to create a new distribution system that utilizes cutting-edge AI technology and robotics, we are progressing with in-house technology development, and have received patents for 21 devices and systems.

Highlight

Ultra-low temperature transport system for distribution of products such as regenerative medicines:
Prescription Pharmaceutical Wholesale Business

The MEDIPAL Group predicts expansion in pharmaceutical distribution in the field of regenerative medicine going forward. We have established storage facilities and shipping systems capable of maintaining ultra-low temperatures of -150°C or below to deliver items safely and securely from the time they leave the manufacturer's facility to immediately before administration to patients.

Building storage facilities and shipping systems for the distribution of a wide variety of pharmaceutical products



2

New Businesses That Meet Needs and Create Markets

Drawing on the original distribution functions of ALCs and diverse human resources such as ARs with highly specialized knowledge, we create and cultivate new businesses that meet the needs of medical institutions and pharmaceutical companies.

Positioning of New Businesses

In the MEDIPAL Group, the aim of new businesses is to enrich the distribution value that we create through the original functions of wholesaling, and bolstering our information provision capabilities together with our distribution capacity. Specifically, we position the provision of proper information by ARs, PFM® (project finance & marketing), PMS (post-marketing surveillance) and overseas businesses as new businesses.

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 from major pharmaceutical companies and other operators. ARs are also involved in distribution that requires expertise and specialization, such as for orphan drugs and regenerative medicine products.

PFM®

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

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.

* Please refer to page 69 for explanations of technical terms.

Overseas Business

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, know-how and cultivated human resources.

Highlight

Contribution of new business initiatives to results

Under our "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future—Innovation for the Future," we are shifting new businesses from the "creation" to the "expansion" stage by implementing unique MEDIPAL Group initiatives. We have carefully cultivated these businesses and they are beginning to steadily generate profit, contributing more to the MEDIPAL Group's overall business results every year.

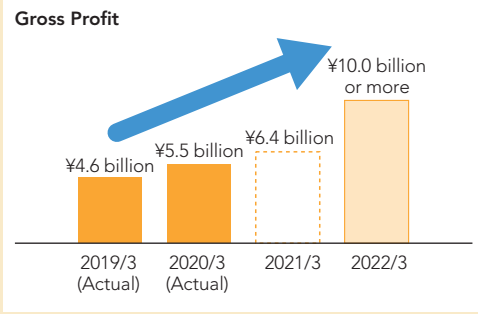
Gross profit from new business was ¥5.5 billion in the fiscal year ended March 31, 2020, and it is forecast to reach ¥6.4 billion in the fiscal year ending March 31, 2021. The target for the fiscal year ending March 31, 2022, the final year of the medium-term vision, is ¥10.0 billion or more.

Gross Profit

New Businesses	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020
AR activities	¥1.8 billion	▶ ¥1.8 billion
PFM®	¥2.6 billion	▶ ¥3.8 billion
PMS	¥0.6 billion	▶ ¥0.3 billion
Others	(¥0.4) billion	▶ (¥0.4) billion
Total	¥4.6 billion	▶ ¥5.5 billion

Includes profit from the sale of related products.

Gross Profit



Highlight

PFM®
By supporting the development of orphan drugs, this business contributes 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 the lives of patients suffering from diseases and their families. Through this initiative, we hope to increase the number of therapeutic options for orphan diseases and bring relief to as many patients as possible.

Melatobel® Granules for Pediatric 0.2% is a drug developed through a PFM® initiative and released by Nobelpharma Co., Ltd. in June 2020, with the MEDIPAL Group in charge of stable supply and information provision.

Melatobel® is indicated for the treatment of difficulty in sleep onset accompanying pediatric neurodevelopmental disorders. Children with such disorders show a high rate of sleep disorder, with particular risk of chronic lack of sleep and irregular sleeping and waking cycles. The drug, whose active ingredient is melatonin with the same chemical formula as the physiological hormone, helps to maintain and regulate the circadian cycle that governs sleeping and waking, thus shortening the time from going to bed to falling asleep.

Going forward, we will continue working to expand the range of drugs we handle and build an optimal value chain.

3

Human Resources with Advanced Specialized Capabilities

In order to carry out its business, the MEDIPAL Group employs a large number of human resources with the requisite specialized capabilities. Against a background of major change in social needs brought on by the rapidly aging society and accelerating change in the business environment, our sustainable growth is supported by human resources equipped with not only high ethical standards but also wide-ranging specialized capabilities.

Creation of Distribution Value through Human Resources with Specialized Capabilities

(Number of personnel)

Qualification	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020
MR (in charge of drug information)[1]	2,168	2,298	2,391[2]
DMR (in charge of providing information on clinical diagnostic reagents)[1]	254	344	344
Pharmacists (including supervising pharmacists)[3]	523	522	513
Veterinarians[2]	7	6	7
Hazardous material security officers[3]	42	42	38

1. Cumulative total of qualified personnel
2. The qualifying examination for the fiscal year ended March 31, 2020 was not held.
3. As of March 31

Positioning of ARs

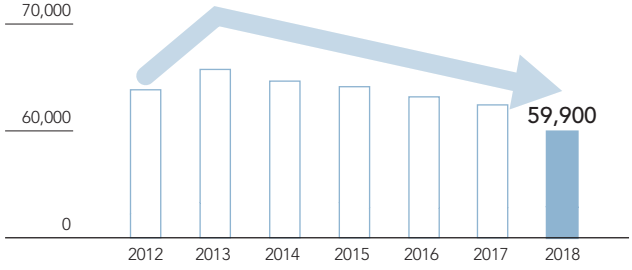
The Prescription Pharmaceutical Wholesale Business has been implementing its own education program since 2009 to support employees who take the MR (Medical Representative) qualification exam. An AR combines the agility of an MS* with the expertise of an MR. In addition to carrying out extensive and high-level sales activities, ARs also promote business as creators of new value.

The agility of an MS	The expertise of an MR
• Relationships of trust with medical institutions • Routine consultations with doctors	• Possess information and knowledge concerning medicine and disease • Solid relationships with doctors

AR

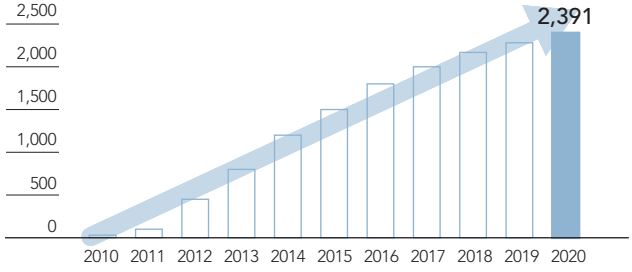
* Please refer to page 69 for explanations of technical terms.

Number of MRs in Japan



Source: 2019 White Paper on Medical Representatives, MR Education & Accreditation Center of Japan

Number of ARs in the MEDIPAL Group



Note: Cumulative total of qualified personnel excluding retired personnel, etc. (As of January 2020)

Message from an AR
I want medical institutions to feel I'm a good person to consult.

Nana Kameshita
Tokyo Chuo Sales Department, Chuo-Chiyoda Branch, MEDICEO CORPORATION

I joined the Company in 2015 and decided to take the MR qualification examination because I wanted to be able to provide higher-quality information based on an understanding of the mechanisms of disease. In my current role as an AR, I want to support diagnosis and treatment by always making sure that medical institutions receive the latest information as soon as possible. Whether our products are adopted depends on the customer's individual needs. That means it is important to find out what the customer wants, and make sure that I take time to discuss the issues together. Going forward, I want medical institutions to feel I'm a good person to consult. By doing so, I want to contribute to bringing relief to as many people suffering with diseases as possible.

4

Creating Frameworks by Establishing Business Partnerships

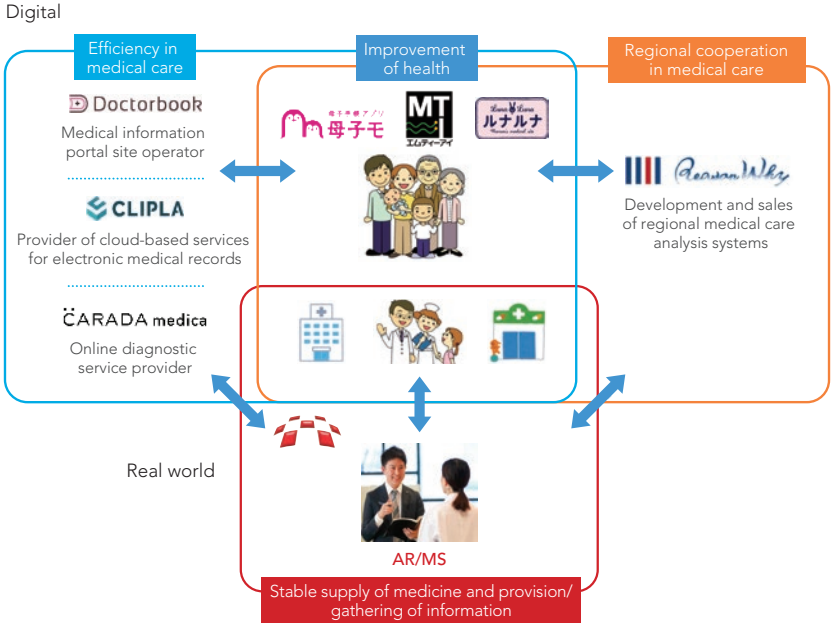
Through collaboration with companies in various fields, medical institutions and local governments, we are building business models not bound by existing frameworks.

Providing Groundbreaking Services Unique to MEDIPAL

To continue to respond to increasingly diverse social needs, we are collaborating with companies in various fields, as well as medical institutions and local governments to create new and 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 pharmaceutical distribution at controlled temperatures, to develop groundbreaking services unique to MEDIPAL.

In particular, by providing digital healthcare solutions in the medical and healthcare sectors, we offer numerous services that benefit not only medical institutions but also the health of patients and the general public by integrating face-to-face communication and communication through digital channels.

Providing New Value through Collaboration with ICT Companies



Main Initiatives

Company name	Initiative
Medical Data Vision Co., Ltd.	Capital and business alliance in 2006. Creation and operation of the medical information portal site Clinical Cloud by MEDIPAL in collaboration with the partner's subsidiary Doctorbook Inc.
MTI Ltd.	Capital and business alliance in 2016. Various projects including promotion of MTI's Luna-Luna Medico service, which puts women in touch with medical consultants, and the CARADA online medical consultation service operated by MEDIPAL subsidiary CARADA medica Inc.
Mitsubishi Logistics Corporation	Business alliance in 2019. Aims to establish an optimal pharmaceutical distribution system covering all processes from launch to delivery to end user. In addition, the initiative aims to establish a platform for distribution under strict temperature control using DP-Cool, a refrigerated pharmaceutical transportation service compliant with good distribution practice (GDP) guidelines.
H.U. Group Holdings, Inc.	Strategic business alliance in the medical and healthcare sectors in 2020. Aims to realize ESG/SDG-friendly low-environmental burden operations through sharing of ordering systems, warehouse infrastructure and other logistics functions. In addition, the initiative aims to promote the utilization of medical and healthcare information and exploration of projects in the regenerative medicine field.

2022 MEDIPAL Medium-Term Vision

Change the *Oroshi* 卸 Future

Innovation for the Future

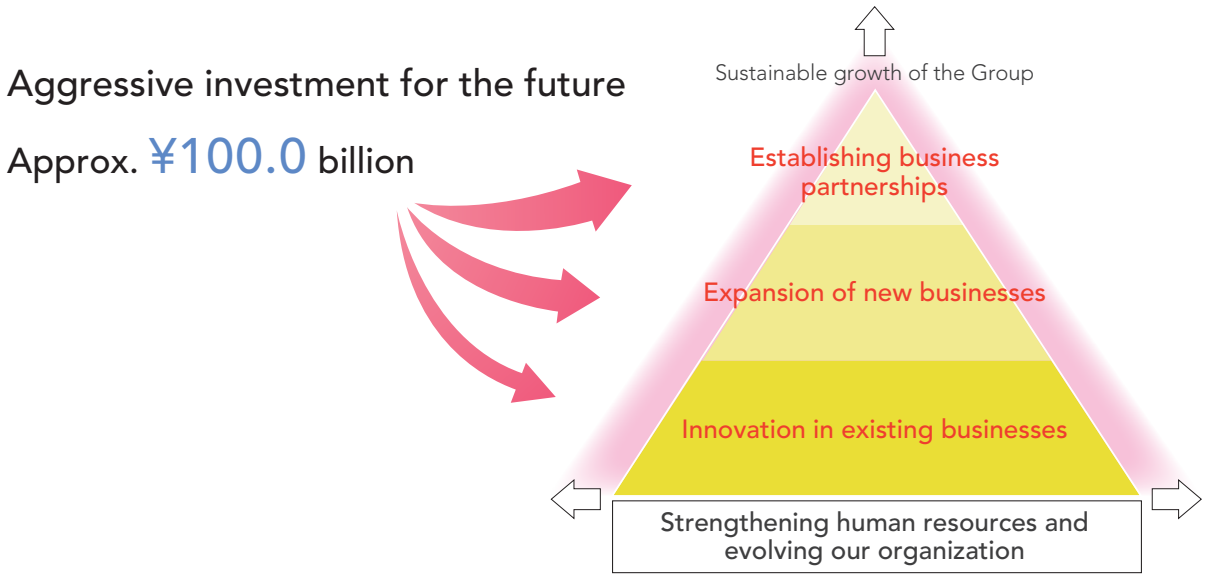
We will expand our earnings foundation and achieve sustainable growth by building new frameworks that benefit customers and society.

The MEDIPAL Group has formulated a new medium-term vision, "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future – Innovation for the Future," covering the three-year period ending March 31, 2022.

The MEDIPAL Group's current operating environment is influenced by Japan's ballooning social security costs and labor shortages, which are projected to become even more severe due to the decreasing birthrate, aging society and declining population. In addition, the advancements in digital technologies in the so-called "Society 5.0" are giving rise to new business models, and they are expected to bring about major changes in consumer lifestyles and purchasing behavior.

Given these circumstances, over the three years of the vision the MEDIPAL Group will carry out further innovation in its existing businesses while shifting its new businesses from the "creation" to the "expansion" stage. At the same time, the MEDIPAL Group will build new frameworks that benefit customers and society through partnerships with companies in various fields, and by doing so, aims to further expand its earnings foundation and achieve sustainable growth.

Image of Overall Growth



Management Targets

	Results for the Fiscal Year Ended March 2019	Results for the Fiscal Year Ended March 2020	Targets for the Fiscal Year Ending March 31, 2022
Ordinary profit	¥63.9 billion	**¥68.0 billion**	¥72.0 billion
Gross profit from new businesses*	¥4.6 billion	**¥5.5 billion**	¥10.0 billion
Payout ratio	24.7%	**23.3%**	Stable dividends with target of 30%
Planned investment in growth		**Approx. ¥100.0 billion over three years**	

* Gross profit from new businesses that use the MEDIPAL Group's nationwide infrastructure and human resources. Includes profit from the sale of related products.

Key Strategies by Business

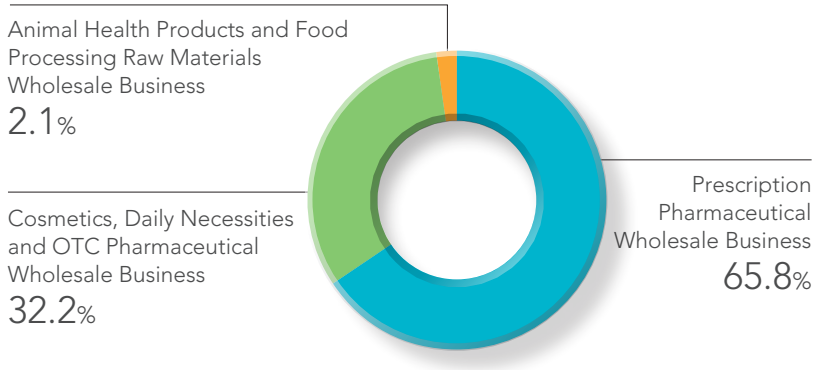
Business	Key Strategies
Prescription Pharmaceutical Wholesale Business	1 Establishing business partnerships Create new frameworks 2 Expansion of new businesses Strengthen the earnings foundation 3 Innovation in existing businesses Resolve customer issues and increase productivity See page 24 for details.
Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	1 Aiming to streamline the entire supply chain Re-investment of the profit 2 Fusing new technologies with accumulated know-how A breakthrough logistics model 3 Riding on our strength High-quality and high-productivity 4 Meeting customer's needs Developing talent and organization See page 30 for details.
Animal Health Products Wholesale Business	1 Using our original brand strategy Business expansion 2 Through reconstruction of logistics and sales functions Productivity improvement 3 Through human resource development Enhancement of information transmission and organizational strength See page 34 for details.
Food Processing Raw Materials Wholesale Business	1 Effectively connect suppliers and customers nationwide Sales activities that add value 2 Expansion into new areas 3 Reinforcement of product development capabilities See page 35 for details.

At a Glance

The MEDIPAL Group is working to diversify earnings with our three pillars of "Prescription Pharmaceutical Wholesale Business," "Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business," and "Animal Health Products and Food Processing Raw Materials Wholesale Business."

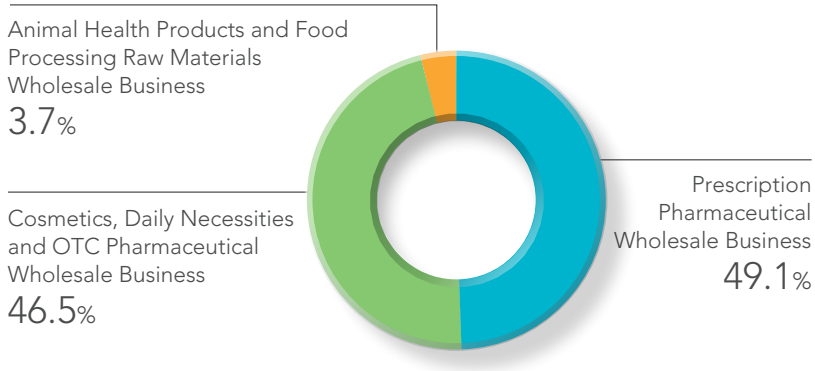
Consolidated Net Sales

¥3,253.0 billion



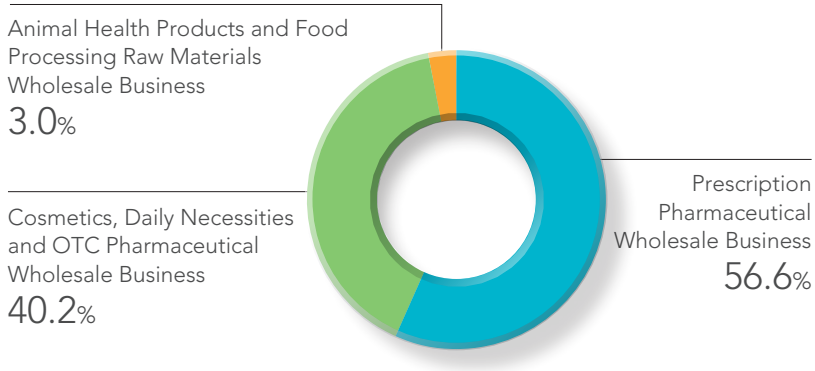
Consolidated Operating Profit

¥53.1 billion



Consolidated Ordinary Profit

¥68.0 billion

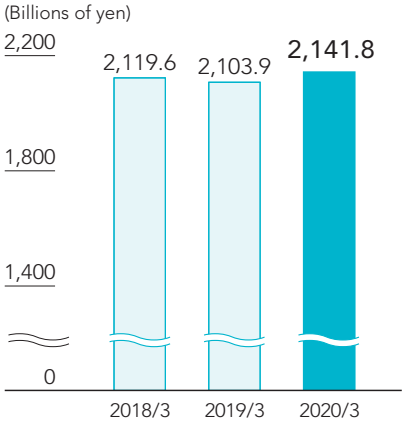


Note: Representative segment percentages are calculated after the elimination of intersegment sales and transfers. As a result, individual figures may not total 100%.

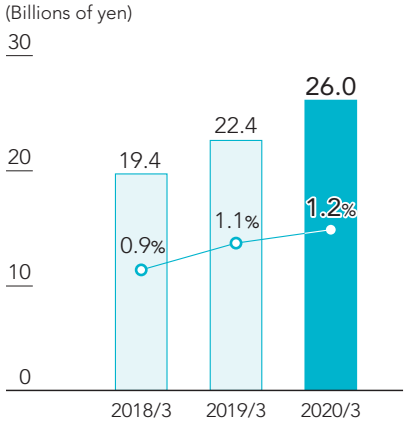
Prescription Pharmaceutical Wholesale Business

> P. 24-29

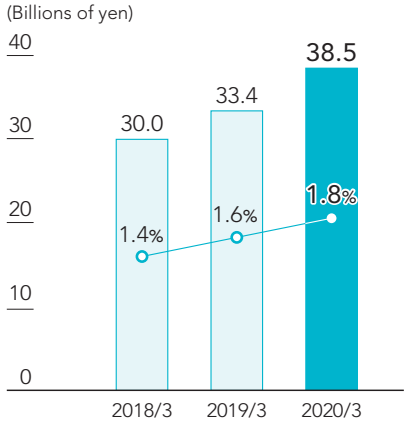
Net Sales



Operating Profit and Profit Ratio

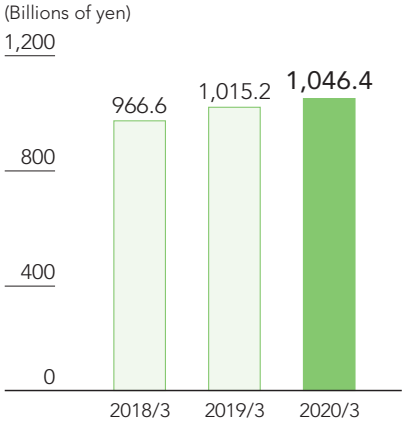


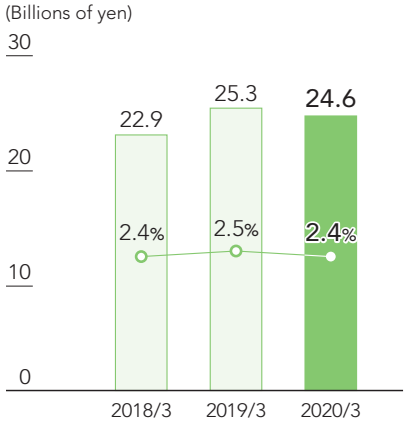
Ordinary Profit and Profit Ratio

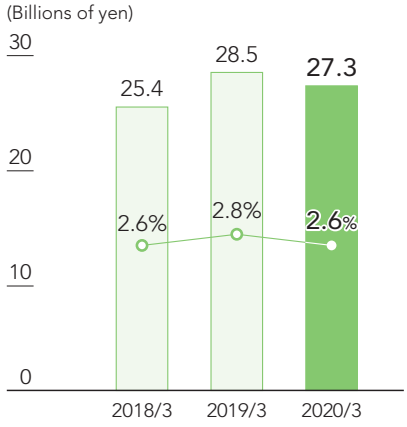


Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

> P. 30-33

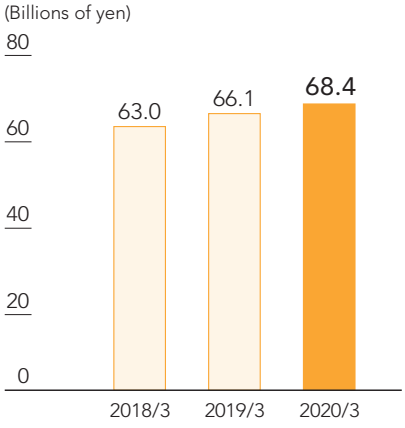


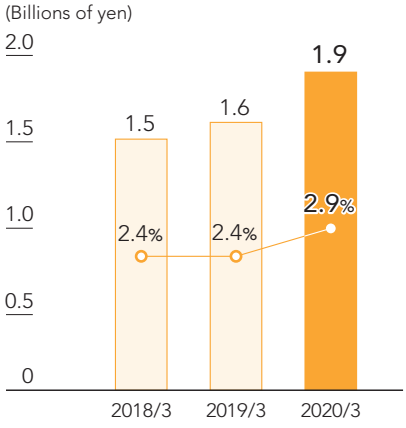


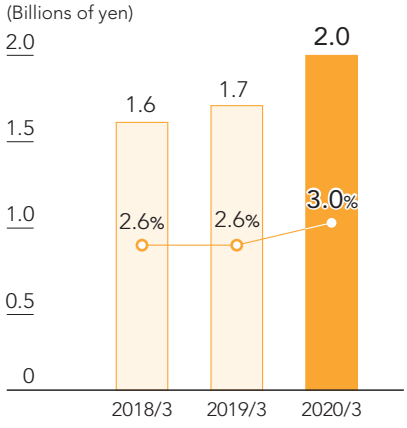


Animal Health Products and Food Processing Raw Materials Wholesale Business

> P. 34-35







Strategy by Business

Prescription Pharmaceutical Wholesale Business

SDG-Related Initiatives in Our Business Activities

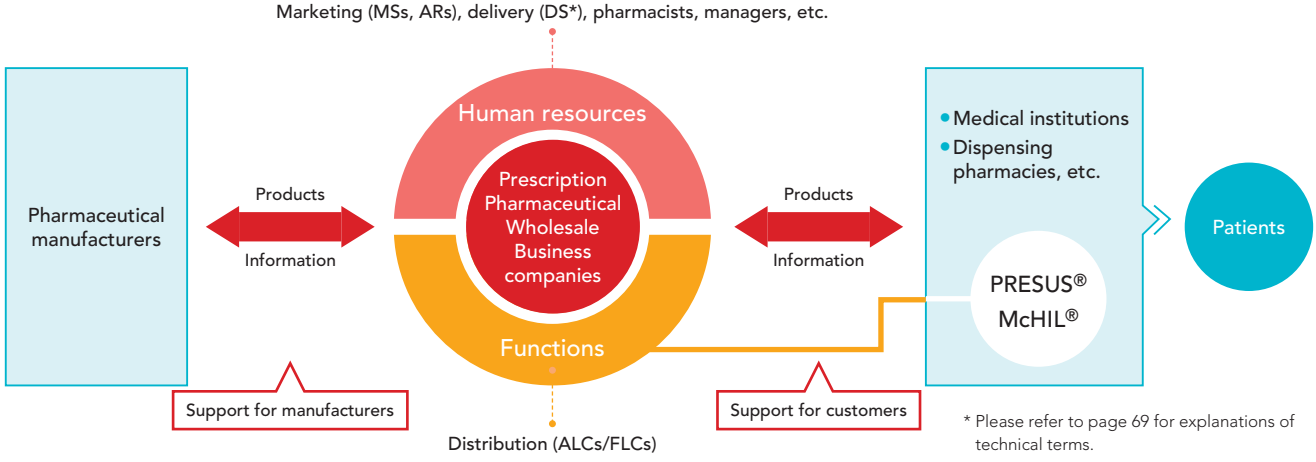
Business Overview

The Prescription Pharmaceutical Wholesale Business procures not only prescription pharmaceuticals, but also healthcare products related to diagnostics, testing, treatment and administration, including medical equipment and medical materials, and clinical diagnostic reagents for use from the pre-symptomatic stage. We deliver these products to 230,000 medical institutions through a nationwide distribution system with 223 locations, including ALCs, state-of-the-art distribution centers and FLCs established in areas near our customers. We utilize this system to provide a stable supply of medical products to medical institutions, including hospitals, clinics and dispensing pharmacies.

In addition, we have a strong team of approximately 2,400 ARs, who are employees with MR qualifications, which is a large number even compared with major pharmaceutical companies in Japan. Our ARs are the driving force in expanding new businesses such as PMS and PFM, which will support future business growth.

Number of locations	ARs	Customers
223 in 43 prefectures (As of April 1, 2020)	2,391 Employees with MR qualifications (As of March 31, 2020)	230,000

Value Chain



* Please refer to page 69 for explanations of technical terms.

Support for Manufacturers

ARs use their advanced skills in discussions with physicians and medical professionals to provide useful information on medical treatment. The MEDIPAL Group also handles PMS services on contract for manufacturers. Furthermore, we also engage in PFM® based on a business model of investing in orphan drugs and other products where prompt development is expected, in order to receive returns on investments after placing these drugs on the market and distributing them to medical institutions preferentially.

Support for Customers

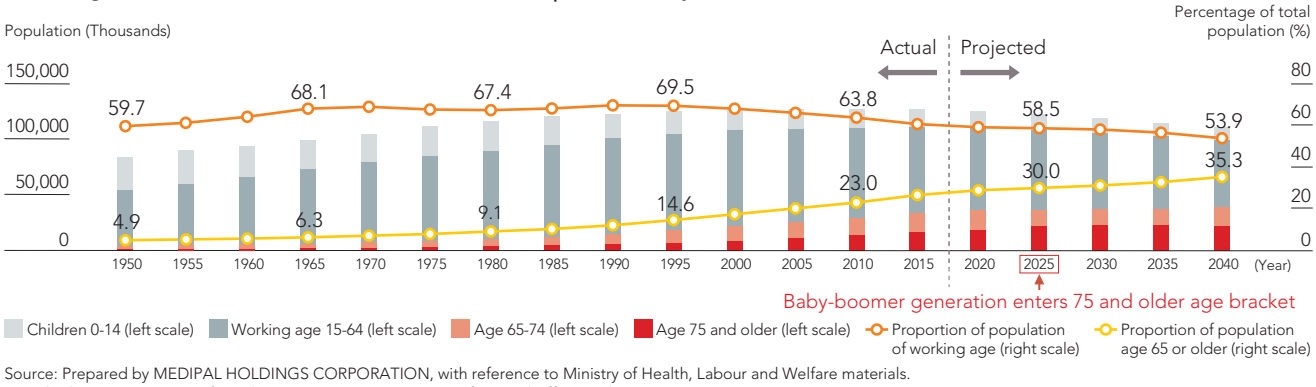
Through PRESUS®, a support system for dispensing pharmacy operations, and McHIL®, a support system for logistics operations in hospitals, both of which apply the functions and know-how of ALCs, the MEDIPAL Group provides medical professionals both time and an environment that allows them to focus on their primary work.

SWOT Analysis

Strengths	Weaknesses
• Nationwide distribution platform (ALCs/FLCs) • Human resources with expertise (ARs, DMRs,* etc.) • Business Continuity Plan (BCP) that anticipates various risks	• Profit structure that is easily affected by government policies • Further improvement in productivity
Opportunities	**Threats**
• Increase in healthcare needs due to the aging of society • Expansion of specialty pharmaceuticals • Decrease in the number of MRs at manufacturers	• Decline in the working-age population • Advance of policies to control healthcare costs • Natural disasters

* Please refer to page 69 for explanations of technical terms.

Changes in the Business Environment (Future Population Projections)



Source: Prepared by MEDIPAL HOLDINGS CORPORATION, with reference to Ministry of Health, Labour and Welfare materials.
Actual values up to 2015 are from the Statistics Bureau, Ministry of Internal Affairs and Communications, Census.
Projected values for 2020 and after are from the National Institute of Population and Social Security Research, Population Projections for Japan (April 2017, medium-fertility and medium-mortality projections)

Business Environment

In Japan, controlling the rapidly increasing social security costs for healthcare, nursing care and social welfare has become a crucial task. As a consequence, a review of the system for providing healthcare is required to bring about a shift in emphasis from quantity to quality, which we think will lead to a range of developments from increased use of preventive medicine and self-medication to the development of integrated community care systems.

Trends such as reform of the National Health Insurance (NHI) drug price system and increasing use of generic drugs are progressing in the pharmaceutical industry. NHI drug price revisions, which currently take place every two years in principle, are scheduled to become yearly from fiscal 2021, which is expected to make the business environment even more challenging.

The emphasis of development activities of pharmaceutical companies has shifted toward drugs, regenerative medicine and other products for cancer and orphan diseases, and the stringent temperature control requirements of these products at the distribution stage has contributed to the need for more sophisticated distribution systems. At the same time, the increasing use of generic drugs for lifestyle-related diseases and other areas of primary healthcare also requires greater distribution efficiency. Additionally, we envisage that the COVID-19 pandemic will accelerate the adoption of online consultations and other digital technologies in the healthcare industry.

Business Strategies

2022 MEDIPAL Medium-Term Vision

Development of a Customer-Oriented Business Model

Key Strategies

We are implementing three key strategies and working to develop a customer-oriented business model.

1 Establishing business partnerships
Create new frameworks

We will develop business models that are not bound by existing frameworks while utilizing our various connections with medical institutions to support regional cooperation in medical care. We will achieve this through means such as partnerships with companies in various fields, medical institutions and local governments. We will also invest in ICT companies (digital healthcare field) in the medical and healthcare sectors.

2 Expansion of new businesses
Strengthen the earnings foundation

We have positioned our network of ARs, one of the largest in Japan, as the driving force for expanding new businesses.

We are also working to strengthen our earnings foundation by facilitating the development and stable supply of orphan drugs in the PFM® business, which is a unique MEDIPAL initiative. We established a full range of consignment PMS services to strengthen our earnings foundation.

3 Innovation in existing businesses
Resolve customer issues and increase productivity

Through the establishment of the nationwide ALC platform, which is scheduled for completion during the period of the medium-term vision, we will pursue efficient operations with the aim of further increasing productivity.

Progress Report

As a new partnership initiative, we are operating the medical information portal site "Clinical Cloud by MEDIPAL" in collaboration with Medical Data Vision Co., Ltd. (Chiyoda-ku, Tokyo) and its subsidiary Doctorbook Inc. (Chiyoda-ku, Tokyo) to provide the latest medical information to over 40,000 healthcare professionals.

To expand new businesses, we are working to strengthen the earnings foundation of our unique initiatives such as PFM® and PMS services, using one of the largest AR teams in Japan as a growth driver.

Strengthening our distribution bases is a means of reforming existing businesses, and we are progressing with the nationwide rollout of ALCs and FLCs* as high-quality, high-performance facilities with inbuilt disaster resilience. Our wholly owned subsidiary MEDICEO CORPORATION (Chuo-ku, Tokyo) began operation of the Kanto ALC (Kazo-shi, Saitama Prefecture) in June 2019 and the Hiroshima ALC (Hiroshima-shi, Hiroshima Prefecture) in May 2020. Going forward, we will work to improve productivity for both customers and the MEDIPAL Group by increasing the volume of products handled. Meanwhile, to ensure that regenerative medicine products and other items requiring strict temperature control are delivered safely, securely and efficiently, we are constructing a distribution platform that can handle all temperature ranges including ultra-low temperatures.

To step up our sales activities, we have appointed the approximately 2,400 staff members with MR qualifications as ARs, who use their highly specialized knowledge and skills to provide information.

* Please refer to page 69 for explanations of technical terms.

Highlight

Establishing Business Partnerships:
Challenges in the Field of Digital Healthcare

In the "2022 MEDIPAL Medium-Term Vision," we set out three key strategies with a view to developing a customer-oriented business model. To continue supporting the health of people going forward, it will be necessary to collaborate with companies in various fields, medical institutions and local governments. We are establishing business partnerships, which is one of the three key strategies.

We plan to build a new platform through collaboration with ICT business partners in the field of digital healthcare. Combining the specific advantages of the internet with the real-world customer connections that are MEDIPAL's strength, we will work to realize early detection and treatment of diseases, and create new frameworks for supporting local medical cooperation. In this way, we will contribute to medical advancement in Japan.

Examples of Initiatives

Clinical Cloud *by* MEDIPAL

In January 2019, we entered into a capital and business alliance with Medical Data Vision Co., Ltd., and began collaboration with its subsidiary Doctorbook Inc. In April 2019, we began operating the membership-based medical information portal site "Clinical Cloud by MEDIPAL."

"Clinical Cloud by MEDIPAL" is a portal site offering doctors and other medical professionals access to the latest medical information. As well as current clinical insights and drug information, it presents a wide range of other material useful in medical practice, including commentaries on the medical system. As of July 2020, it has more than 40,000 members and more than 1,100 recorded items of content.

As part of its clinical insight content, the site offers video presentations in which key opinion leaders who are authorities in their respective disease areas explain cutting-edge therapies. These have been rated highly by our members.

The COVID-19 pandemic has limited our ability for face-to-face information provision to medical institutions, and this situation seems likely to continue. Under these conditions, we believe that "Clinical Cloud by MEDIPAL," which enables members to access the information they need when they need it, will provide even stronger support to all medical professionals.

Going forward, in addition to further enhancing its content, integrating our portal site with information provided person-to-person by ARs will enable us to progressively build a medical information platform unique to MEDIPAL.

Homepage of "Clinical Cloud by MEDIPAL"

Message from the General Manager of the Business Development Department

This year brought clear results and highlighted remaining issues. We will now accelerate the "expansion" stage.

Toshihide Yoda
Senior Managing Director
In charge of IR and General Manager of Business Development Department
MEDIPAL HOLDINGS CORPORATION

New business expansion is progressing smoothly and contributed to results for the fiscal year ended March 31, 2020.

New businesses, which we are promoting around the four core areas of ARs, PFM®, PMS, and overseas businesses, achieved satisfying results. In the fiscal year ended March 31, 2020, gross profit from new businesses was ¥5.5 billion (up ¥0.9 billion year on year), making an increased contribution to overall results. We believe this reflects the success of our strategic focus on orphan drugs, which are resistant to market fluctuations, and the positive impact of the diverse range of business partners we concluded alliances with. At the same time, the rapid expansion of new businesses has created issues, such as reforming our employees' understanding of these businesses and putting in place appropriate personnel systems.

Building on the success of initiatives to date for rapid progress toward our medium-term vision goals

Although new businesses that had advanced to the "expansion" stage have been impacted by economic restrictions related to the COVID-19 pandemic and other factors, the initiatives of the last few years are showing steady results.

ARs: Improving the quality of information provision

As the number of Medical Representatives (MRs) in pharmaceutical companies decreases, the number of MEDIPAL Group Assist Representatives (ARs) who have passed the MR qualification exam has risen to approximately 2,400, making it one of the largest in Japan (as of March 2020). We implement educational and awareness-raising activities for ARs through a dedicated training department as part of our efforts to ensure rigorous compliance with the "Guidelines on Activities to Provide Sales Information on Prescription Pharmaceuticals," and to generally raise the quality of our activities in this area.

Meanwhile, to avoid face-to-face contact during the COVID-19 crisis, we are expanding digital communications through the use of electronic media such as tablet computers and other devices.

PFM®: Combining both social contribution with earnings contribution

The PFM® business, a unique MEDIPAL initiative, invests in the development of orphan drugs. As a result, we can obtain a post-launch return followed by preferential sales and distribution rights. The social significance of PFM® is that it contributes to constant drug supply by sharing the risks and benefits between the pharmaceutical company and MEDIPAL, so that even orphan drugs with small numbers of patients become viable business propositions. Another significant social contribution activity, and one that also drives earnings growth, is our in-house development of an ultra-low temperature transportation system, which grew out of our substantial experience in supporting product development in regenerative medicine and our extensive record of constructing distribution systems. So far, our PFM® business has resulted in the approval and marketing of 25 new drugs, which contributed ¥3.8 billion in gross profit in the fiscal year ended March 31, 2020. These are the fruits of projects where investment started several years ago and show the success of initiatives pursued under our medium-to-long-term vision.

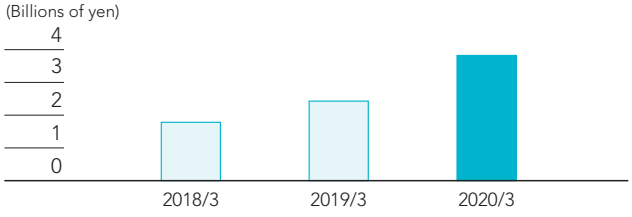
TEMCELL® HS Inj. (developed by JCR Pharmaceuticals Co., Ltd.) is a therapeutic drug for acute GVHD[1] that has performed well since its launch in February 2016. As its application has been expanded to include moderate as well as severe cases, it is being used for a larger number of patients than initially

forecast. Meanwhile, NOBELZIN® Tablets (from Nobelpharma Co., Ltd.), Japan's only therapeutic drug for hypozincemia, has been widely administered to patients and its use is expected to expand in the future due to benefits including improvement in frailty-related conditions. Another Nobelpharma product, Melatobel® Granules for Pediatric 0.2%, launched in June 2020, is indicated for treating difficulty in sleep onset and is a drug long awaited by many families of children with developmental disorders. We are very pleased to be able to market a product that contributes to improving the quality of life of patients and their families.

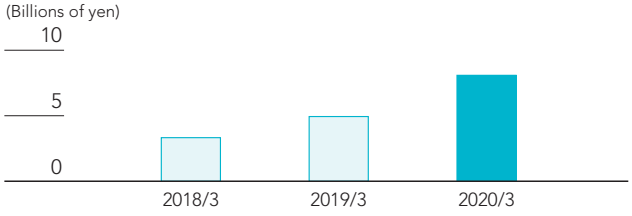
In terms of new development projects, in March 2020, we entered into a capital and business alliance with Heartseed Inc., a spin-out venture from Keio University that is working for rapid commercialization of cardiac regenerative medicine. Through this alliance, we are supporting the development of a therapy for patients with severe heart failure.

1. Graft versus host disease (GVHD): Severe complications associated with the hematopoietic stem cell transplant used as a therapy for leukemia, etc.

Sales of TEMCELL HS Inj.



Sales of NOBELZIN Tablets



PMS: Strengthening our systems to secure more new projects

As the MEDIPAL Group works to strengthen relationships with doctors and medical professionals, it is taking advantage of the pharmacological knowledge and agility of its ARs to attract PMS contracts from pharmaceutical companies. In the fiscal year ended March 31, 2020, we carried out assessments of eight products for five companies. Although we currently have the ability to cover the full range of procedures from protocol design to report preparation, recognition of our services has not yet fully reached all pharmaceutical companies. Going forward, we will work to upgrade our framework with a view to securing more new contracts.

Overseas businesses: Expansion through partnership with leading enterprises

In China, we are currently rolling out an initiative to increase the number of business contracts from hospitals wishing to outsource supply, processing and distribution operations in order to improve management and boost efficiency. Going forward, we are looking at the possibility of a partnership in PFM® and PMS projects with China's largest pharmaceutical wholesaler, Sinopharm Holdings. Meanwhile, in Europe and the United States, JCR USA, Inc., a joint venture with JCR Pharmaceuticals Co., Ltd., is leading clinical trials of a new drug based on the blood-brain barrier penetration technology J-Brain Cargo®.[2]

2. J-Brain Cargo®: A unique technology developed by JCR Pharmaceuticals that enables the target drug to penetrate the blood-brain barrier through receptors expressed on the endothelial cell surface of brain capillaries.

Digital healthcare field: Integrating our distribution platform with digital technology

In 2016, we began promoting the maternal and child health handbook app "Boshi-mo", which has in the meantime been adopted by many local governments. Going forward, we will explore the addition of functions that will help improve MEDIPAL Group services and continue to raise awareness of the optimal timing of child vaccinations. Additionally, we are developing the medical information portal site "Clinical Cloud by MEDIPAL", which provides essential medical information to more than 40,000 medical professionals. By building infrastructure through investment in the digital field, and then integrating this infrastructure with the MEDIPAL Group's distribution platform, we will maintain our competitive advantage.

Coming within reach of our medium-term vision targets

In the PFM® field, the core of our new business activities, our growth forecast based on the development status of projects currently in the investment pipeline indicates earnings expansion over the next few years. We are now moving closer to the final year of our medium-term vision, which concludes in the fiscal year ending March 31, 2022. As we continue to focus on ARs and on attracting new PMS projects, we feel that the target of ¥10 billion in gross profit is within our grasp.

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

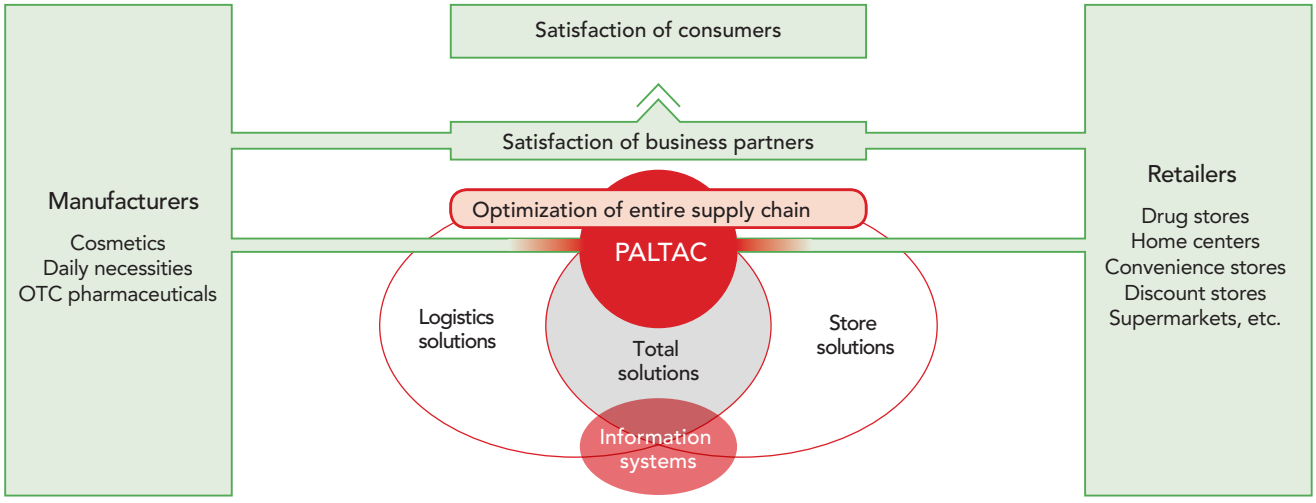
SDG-Related Initiatives in Our Business Activities

Business Overview

In the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, the Group's consolidated subsidiary PALTAC has built a position as Japan's No. 1 wholesaler delivering daily necessities in the field of beauty and health. Currently, PALTAC procures approximately 50,000 types of products from approximately 1,000 companies, and has established a nationwide sales network comprising almost all the main retailers (approximately 400 companies), focused on drugstores, in an effort to optimize and increase the efficiency of its supply chains as a whole.

Number of items handled	Business partners	Number of state-of-the-art large-scale distribution centers
Total shipments 3.5 billion per year 30 items per year per person in Japan	1,400 companies	16 nationwide

Value Chain

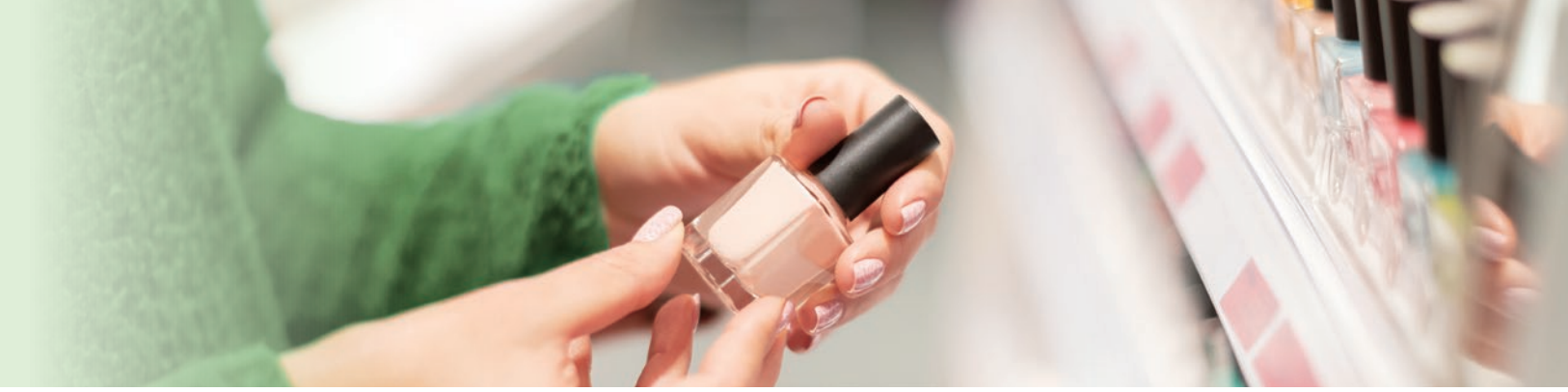


Logistics Solutions

PALTAC operates 16 "RDC" large-scale distribution centers nationwide, which boast a shipping accuracy of 99.999%. We have achieved increased efficiency in distribution across the supply chain, from production to distribution and delivery to stores, through exhaustive rationalization including introduction of a unit load system for mechanized loading and unloading.

Store Solutions

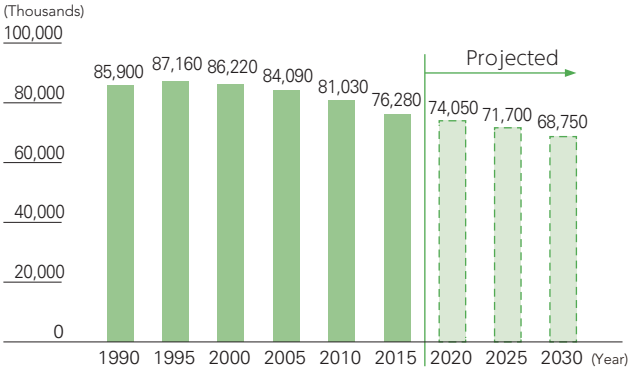
We do not just deliver products. Staff with expertise in each category provide comprehensive analysis of retailers' store location, POS information, etc., and help improve the productivity of sales floors through efficient and effective in-store merchandising, from product composition and shelf space allocation, to inventory management and handling of new and discontinued products.



SWOT Analysis

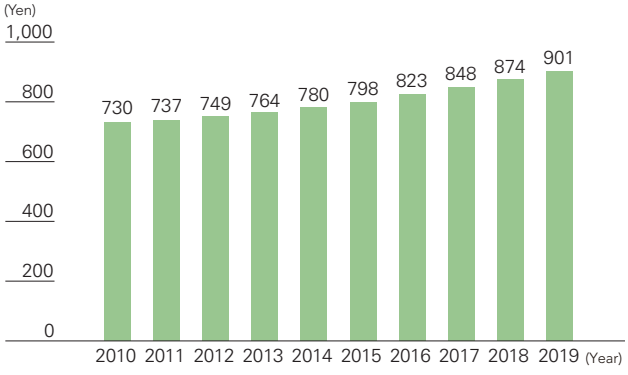
Strengths	Weaknesses
• Highly efficient large-scale distribution centers • Distribution systems development capabilities • Cost competitiveness • Cash flow generation capabilities (investment capabilities)	• Chronic labor shortages • Rising labor costs • Rising delivery costs and other distribution-related expenses
Opportunities	**Threats**
• Nationwide expansion and shift to chains by retailers • Growing demand for increased efficiency of the entire supply chain	• Decreasing demand due to overall population decline • Natural disasters, infectious disease outbreaks

Working-age Population



Source: Statistics Bureau, Ministry of Internal Affairs and Communications materials

Minimum Wage



Source: Ministry of Health, Labour and Welfare materials

Business Environment

Sales of cosmetics, daily necessities and over-the-counter (OTC) pharmaceuticals were impacted by factors including natural disasters such as typhoons and torrential rains, changes in consumer sentiment reflecting the consumption tax increase, and, since the fourth quarter, the COVID-19 outbreak, amid the continued rise in labor costs and distribution costs due to the labor shortage in Japan. Among current trends, demand from inbound visitors to Japan has plummeted while demand for products related to infection prevention has increased rapidly. In addition, there has been a temporary surge in demand for paper products and certain other products, and making adjustments in supply and demand and shipping remains difficult. PALTAC handles necessities essential to daily life, and these conditions further raise the importance of its business in the maintenance and continuity of the supply chain, including stable product supplies.

Business Strategies

Medium-Term Management Plan (FY2019 to FY2021)

1 trillion yen Link with the Future

— The logistics innovation through aggressive investment —

Key Strategies

PALTAC has set out initiatives based on four key strategies in order to respond to the issue of labor shortages by taking on both research and development and new technological challenges that exceed the boundaries of wholesaling, and to achieve sustainable growth as a social infrastructure company that delivers daily necessities.

1 Aiming to streamline the entire supply chain
Re-investment of the profits

The aim is to further reinforce our business foundation by reinvesting business profits into distribution centers and other facilities. This will strengthen our shipping capacity and improve distribution efficiency.

2 Fusing new technologies with accumulated know-how
A breakthrough logistics model

The aim is to establish a new distribution model that deploys the latest technologies such as AI and robotics, and fuses those technologies with PALTAC's distribution know-how. In this way, we will realize people-friendly distribution in response to the decrease in the working-age population, and reduce the amount of labor-intensive work and eliminate dangerous operations.

3 Riding on our strength
High-quality and high-productivity

The aim is to press ahead with steady improvements in productivity and quality through ongoing enhancements at existing distribution centers, continued consolidation of operations and optimal allocation of human resources in order to build a business foundation capable of providing systems with even higher quality and at lower cost.

4 Meeting customer's needs
Developing talent and organization

The aim is to develop personnel who can act with initiative and build an optimal organization where they can cooperate with each other and make meaningful contributions in order to demonstrate PALTAC's comprehensive strengths. At the same time, we will work to collaborate with retailers, manufacturers and other partners in pursuit of solutions to the issues faced by our business partners.

Progress Report

In November 2019, PALTAC began operation of RDC Saitama (Sugito-cho, Kitakatsushika-gun, Saitama Prefecture) with the aim of expanding shipping capacity in the Greater Tokyo Area and dramatically increasing productivity by developing a new distribution model that utilizes artificial intelligence (AI), robots and other technology. In addition to improving productivity and reducing employee workload, the new RDC will help to resolve the shortage of truck drivers and other overall supply chain issues. In March 2020, PALTAC divested RDC Tokyo (Urayasu-shi, Chiba Prefecture) to improve the efficiency of assets by building an optimal shipping structure in the Greater Tokyo Area and making effective use of business resources. Through these moves, we are expanding shipping capacity in the Greater Tokyo Area and creating an optimized delivery system.

To reform and strengthen its sales organization, PALTAC established the Supply Chain Management (SCM) Headquarters in October 2019 to strengthen cooperative initiatives among companies, generate profits by removing unproductive costs and work toward productivity improvement throughout the supply chain. In addition, it established the Store Support Headquarters, which will enhance initiatives focusing on retail stores where consumers purchase products, and improve the quality of business negotiations by utilizing information from and providing feedback to stores. These innovations and reinforcements of the sales organization will contribute to increased sales for retailers while also boosting PALTAC's earnings.

Highlight

Winner of Supply Chain Innovation Award 2020:

Initiative to Resolve Issues through Cooperation throughout the Supply Chain

A joint project by PALTAC CORPORATION, YAKUODO Co., Ltd., Unicharm Corporation and distributors won the Supply Chain Innovation Award 2020 in recognition of the industry's first initiative to standardize unit loads using a cart. The award, conferred by the Council for Collaboration between the Manufacturing, Distribution and Sales Sectors, for which the Ministry of Economy, Trade and Industry serves as secretariat, recognizes the achievement of Japanese companies that have led the industry with outstanding initiatives to optimize the entire supply chain through cooperation between the manufacturing, distribution and sales sectors. We are committed to continuing to deploy creativity and inventiveness in cooperation between the manufacturing, distribution and sales sectors to eliminate waste throughout the supply chain and establish frameworks for creating new value.

Objectives

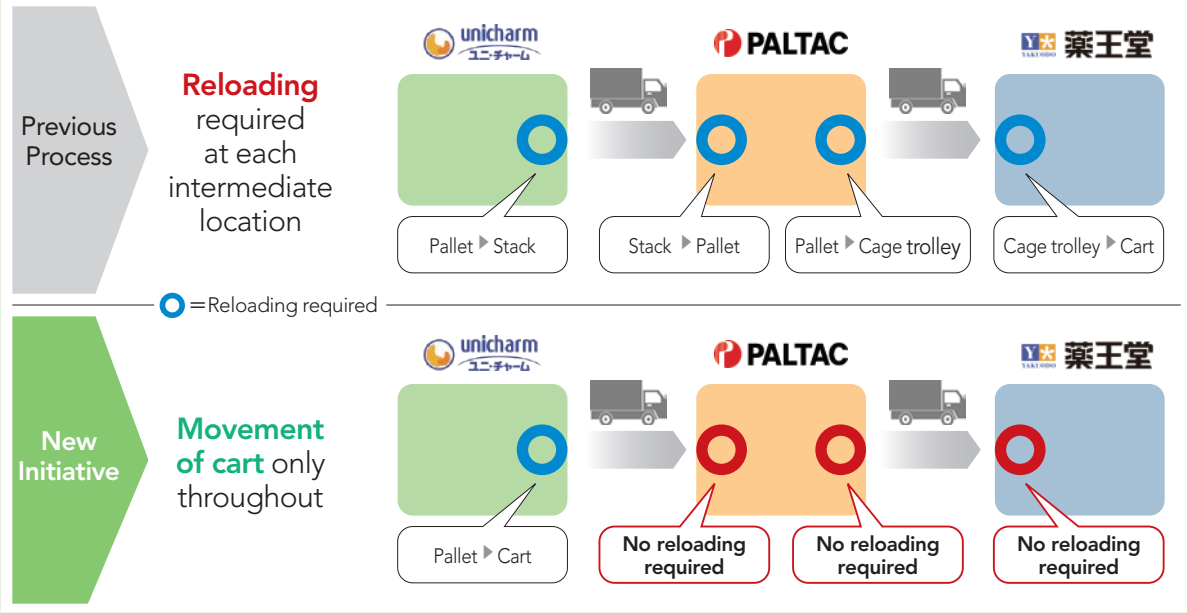
- Optimize and raise the efficiency of the overall supply chain
- Promote "white logistics" and reduce the workload and working hours of distributors
- Contribute to achieving the SDGs

Specific Initiatives

Collaboration within the industry among manufacturers, intermediate distributors/wholesalers and retailers to replace the different containers used in the product distribution process with a single PALTAC cart from start to finish

Benefits

In addition to increasing delivery efficiency, it reduces the number of operations in the distribution process, particularly the reloading normally required at each intermediate location, thus reducing the workload and decreasing working hours of operatives and drivers by approximately 60% from the previous process for optimization and improved efficiency throughout the supply chain.



Animal Health Products and Food Processing Raw Materials Wholesale Business

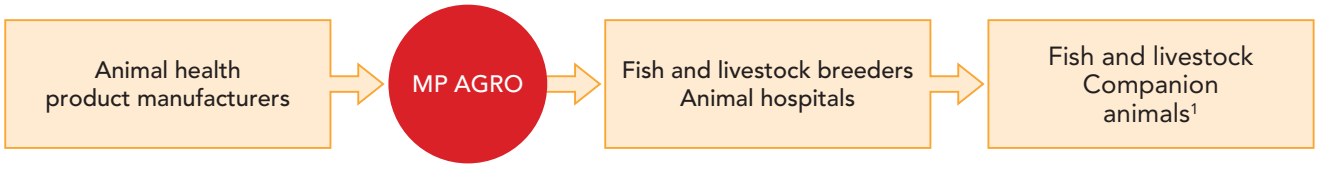
SDG-Related Initiatives in Our Business Activities

Animal Health Products Wholesale Business

Business Overview

In the Animal Health Products Wholesale Business, the MEDIPAL Group's consolidated subsidiary MP AGRO CO., LTD. boasts Japan's highest sales in animal health products, thanks to its nationwide sales branches and five distribution centers that provide a stable supply of products.

Value Chain



1. Companion animal refers to an animal that has a companion-like presence and a close relationship with humans in daily life.

Business Environment

In the livestock market, Japan had its first outbreak of classical swine fever in 26 years in September 2018, and vaccinations began in October 2019. With active outbreaks of foot and mouth disease, African swine fever, and other contagions in neighboring countries, continued vigilance is required against the threat of infectious livestock diseases.

Meanwhile, the companion animal market continues to perform well despite a decrease in the number of household dogs and cats, partly because of longer animal lives due to advances in drug treatments and other factors.

Key Strategies

The Group's consolidated subsidiary, MP AGRO CO., LTD, is engaged in a wide range of initiatives including deployment of an original online order information system for animal hospitals (MP PLUS), promotion of operations to support drug use surveillance for PMS (a first in the animal health products wholesale industry), expansion of the lineup of exclusive products and the strengthening of sales capabilities. In addition, MP AGRO aims to expand its transactions by responding in detail to various customer needs, for instance by offering enhanced consulting services through its HACCP[2] department and drawing on the skills of the veterinarians and other technical staff who carry out physiological, serum antibody, bacterial, genetic and other forms of testing at its in-house testing center.

2. HACCP (Hazard Analysis and Critical Control Point): A scientifically based method by which food business operators manage hazards that can cause food poisoning or otherwise harm health throughout the entire process from the reception of raw materials to the shipping of products.

1 Using our original brand strategy
Business expansion

2 Through reconstruction of logistics and sales functions
Productivity improvement

3 Through human resource development
Enhancement of information transmission and organizational strength

Initiatives in the Fiscal Year Ended March 31, 2020 and Future Policies

In the fiscal year ended March 31, 2020, we actively implemented initiatives in the areas of vaccines and food additives in the livestock market, expanded use of MP PLUS in the companion animal market and boosted sales efforts for products planned by the MEDIPAL Group. As a result, we achieved solid sales.

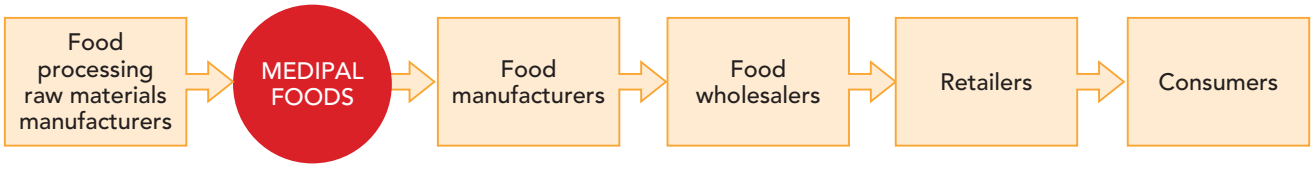
Going forward, we will promote sales that leverage the strengths of our nationwide operations, and will work to further strengthen our business infrastructure and enhance customer service in anticipation of changes in the market environment.

Food Processing Raw Materials Wholesale Business

Business Overview

The Group's consolidated subsidiary, MEDIPAL FOODS CORPORATION, has a lineup of products (approximately 14,000 as of March 31, 2020) ranging from raw materials for agriculture and livestock, to seasonings and food additives, as well as packaging materials and industrial chemicals. MEDICAL FOODS CORPORATION also operates a nationwide supply system based on the themes of "food safety and security," and providing "great taste" with the aim of being a general trading company for food manufacturers.

Value Chain



Business Environment

In the foodstuff business, Japan's decreasing population, declining birthrate and aging society mean that market expansion cannot be expected. On the other hand, heightened awareness of food safety and health is leading to diversification of consumer needs.

In addition, due to factors such as the sharp rise in raw material prices and rising labor and distribution costs due to labor shortages, severe conditions are expected to persist.

Moreover, consumer behavior is changing. While the COVID-19 pandemic has had an increasingly serious impact on the food service and tourism industries, the avoidance of public places has increased demand for at-home eating.

Key Strategies

According to the 2019 Food Industry Change Survey by the Ministry of Agriculture, Forestry and Fisheries, the value of manufactured goods shipped in Japan's food manufacturing industry is approximately ¥35 trillion, of which food processing raw materials is believed to account for 10% to 30%. The size of the food additive market has been estimated at ¥1,043.9 billion (Food Chemicals Newspaper, January 16, 2020). In this market, MEDIPAL FOODS CORPORATION uses its wide-ranging network with manufacturers to accurately analyze market trends and provide total support for customers, from product planning and raw materials procurement to manufacturing and distribution. In addition, we are working to further enhance the services we provide, including helping our customers acquire certification for international standards such as SQF[1] and FSSC 22000.[2]

1. SQF (Safe Quality Food): International regulations integrating primary production, transportation and distribution to ensure the safety and quality of food across all food industry sectors.
2. FSSC 22000: A management system standard, based on ISO 22000, to ensure the practice of more reliable food safety management.

1 Effectively connect suppliers and customers nationwide **Sales activities that add value**

2 **Expansion into new areas**

3 **Reinforcement of product development capabilities**

Initiatives in the Fiscal Year Ended March 31, 2020 and Future Policies

In the fiscal year ended March 31, 2020, sales of food processing raw materials were solid, as the MEDIPAL Group's promotion of consultation-based selling led to expansion of new business.

Going forward, we will promote sales that leverage the strengths of our nationwide operations, and will work to further strengthen our business infrastructure and enhance customer service in anticipation of changes in the market environment.

Important Issues of the MEDIPAL Group (Materialities)

Basic Policy

The MEDIPAL Group's social mission is to reliably deliver products to the people who need them, without fail. To achieve this mission, we believe that it is important to establish a solid business structure. We have identified issues of high priority (materialities) in six categories: compliance, pharmaceutical management, disaster planning, information management, respect for human rights and environmental conservation.

Relationship with CSR (handling of individual materialities)

The above six categories are CSR categories that have been defined by the MEDIPAL Group, and reflect our risk management perspective. The MEDIPAL Group has defined its corporate social responsibility as "conducting business activities with consideration for the economy, society, and the environment so that, by perpetually growing, the companies that make up the Group will realize the Group's Management Philosophy, and the results of those activities will also rightfully benefit society." Based on this shared understanding, we hold CSR General Meetings primarily for the chairmen of the CSR committees of Group wholesale operating companies, and carry out CSR initiatives.

Relationship with ESG, which supports our long-term corporate value

These six categories, along with the underlying corporate governance, correspond to the three themes of ESG (environmental, social and governance), which is an area of great interest to investors. We believe that the material issues we have selected are ESG elements that support the long-term improvement of the MEDIPAL Group's corporate value, and that they have a substantial impact on value creation.

■ Relationships between Material Issues, CSR and ESG

Six Materiality Categories

	Examples of CSR activities	ESG category
Compliance ⇒P. 51-52	• Whistleblowing system • Bribery prevention	G
Pharmaceutical Affairs Management ⇒P. 53-55	• Pharmaceutical affairs management system • Education systems	S/G
Disaster Planning ⇒P. 56-59	• Natural disaster risk countermeasures • Base isolation of distribution centers • Countermeasures against pandemics involving new strains of influenza	S/G
Information Management ⇒P. 60	• Information management policy/system • Education systems	G
Respect for Human Rights ⇒P. 61-65	• Personnel development initiatives • Diversity initiatives • Systems to provide a pleasant working environment • Human rights protection initiatives	S
Environmental Conservation ⇒P. 66-67	• CO_2 emissions reduction, reducing energy consumption and initiatives to prevent global warming • Waste processing and effective resource utilization	E
Social Initiatives ⇒P. 68	• Automated external defibrillators (AEDs) • Bone marrow donor leave • "Dementia Supporters" training programs • Support for patients with rare and intractable diseases • Activities to raise awareness of COPD • "Kuruma Kodomo 110" (vehicles that help keep children safe)	E/S

Corporate Governance ⇒P. 38-44

SDGs for the MEDIPAL Group

The Sustainable Development Goals (SDGs) defined by the U.N. as priority global issues to be addressed by the world during the years leading up to 2030 are closely connected to the MEDIPAL Group's efforts to achieve its social mission through its businesses, and to its material issues.

Specific Initiatives of the MEDIPAL Group

3 GOOD HEALTH AND WELL-BEING	1) We support people's lives and lifestyles by providing a stable supply of pharmaceuticals and living necessities nationwide. 2) We provide physicians and medical personnel with helpful information regarding pharmaceuticals, etc.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	We are actively introducing cutting-edge technologies such as AI and robots to improve the productivity of discontinuous operations.
5 GENDER EQUALITY	We strive to ensure diversity by incorporating different experiences, abilities, and characteristics, such as through our appointment of three female outside directors (three in MEDIPAL HOLDINGS CORPORATION and two in PALTAC CORPORATION).	11 SUSTAINABLE CITIES AND COMMUNITIES	We are thoroughly prepared to continuously supply pharmaceuticals and daily necessities in the case of emergencies such as large-scale disasters and pandemics.
7 AFFORDABLE AND CLEAN ENERGY	We strive to improve energy efficiency through measures such as the aggregation of logistics sites and improving delivery efficiency.	13 CLIMATE ACTION	We strive to conserve energy at our logistics centers, and to reduce CO_2 emissions through measures such as the introduction of high fuel efficiency vehicles.
8 DECENT WORK AND ECONOMIC GROWTH	The source of growth of the distribution business, which does not sell products, is the growth of each employee.	17 PARTNERSHIPS FOR THE GOALS	We collaborate with various companies to build partnerships.

We will continue working to further enhance corporate governance and strengthen our commitment to the SDGs.

MEDICEO CORPORATION, a wholly owned subsidiary of MEDIPAL HOLDINGS CORPORATION, received an on-site inspection by the Japan Fair Trade Commission in November 2019. As chairman of the CSR Committee, I take this matter very seriously. Together with the COVID-19 pandemic, it marks a turning point for us and an opportunity to re-examine the governance of our operating companies and how they should do business in the future, starting with a review of the Group compliance system.

To strengthen compliance, top management made a clear statement regarding responsibility for supervising compliance by establishing the position of Chief Compliance Officer. We set up the Corporate Compliance Office under the direct supervision of the president to promote the systematic and continuous implementation of compliance. I, myself, am committed to effecting change in our corporate ethos and culture. Over the past year, we also focused on strengthening corporate governance with measures such as establishing the Nomination and Compensation Committee and increasing the number of outside directors.

Amid the current COVID-19 pandemic, to fulfill our mission of delivering products whenever they are needed, while maintaining safety and security at all times, we have put in place measures to prevent infection and ensure the safety of employees. These measures include wiping down and sterilizing delivery containers. To minimize contact between people and between people and products, we have been working to reduce the frequency of deliveries and implement a system for inspection by individual scans as well as a "no-touch" product handling system with full-cover packaging. Reducing deliveries also reduces the CO_2 emissions generated by transportation. Our business partners are also committed to the SDGs, and we believe measures like this will become part of an ever-growing trend.

Under the "2022 MEDIPAL Medium-Term Vision," we will contribute to a sustainable society through our business activities, and we are strengthening our ESG initiatives. Specifically, reducing environmental impact by increasing distribution efficiency is an urgent task that must be addressed as part of sales and logistics reform. Meanwhile, since the fiscal year ended March 31, 2015, the MEDIPAL Group has worked to develop a new concept for the wholesaling business under the banner "Change the Oroshi." As part of this, the Group has been developing human resources who will lead the innovation necessary for change. We are also recruiting actively from outside. Going forward, we will continue to ensure thorough compliance and enhance our commitment to ESG initiatives and the SDGs as well as achieve innovation in our businesses through the efforts of all employees.

Yuji Sakon
Managing Director
General Manager of Administration Division,
Chairman of CSR Committee
MEDIPAL HOLDINGS CORPORATION

Corporate Governance

Basic Policy

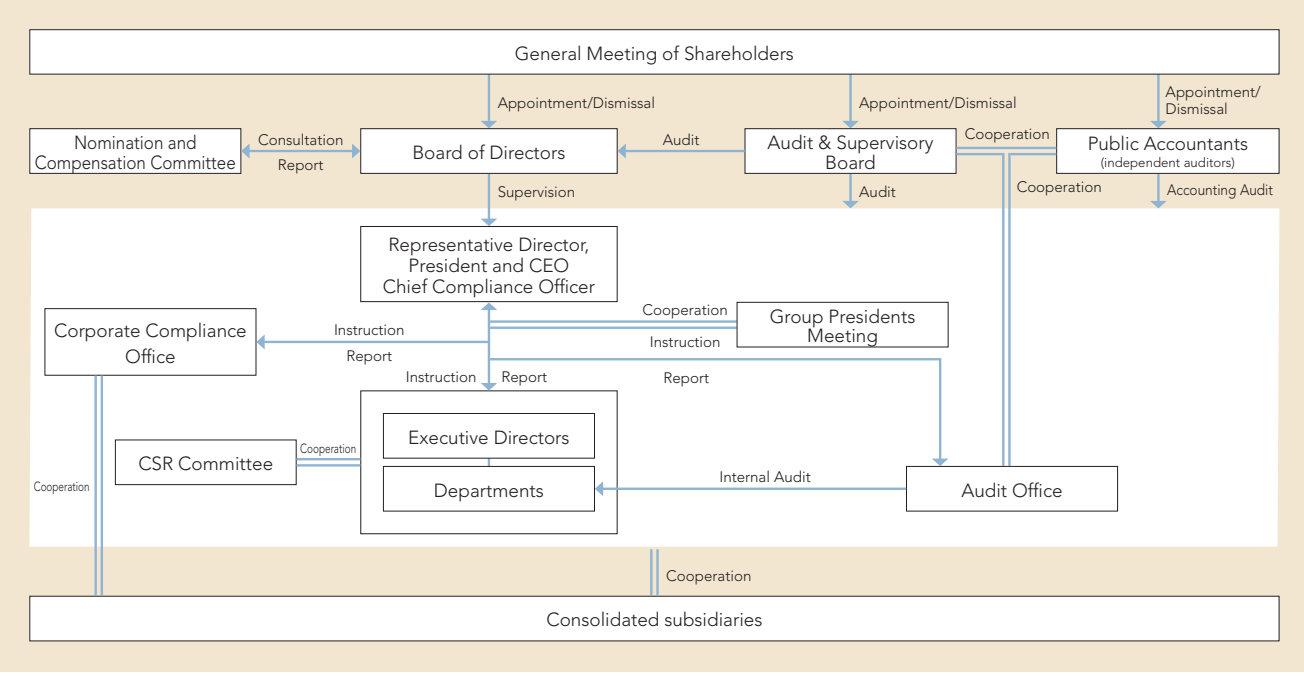
The MEDIPAL Group ensures sound, transparent management and places importance on maximizing corporate value. The Group also believes that appropriately disclosing high-quality information is one of its responsibilities to stakeholders and enhances the transparency and soundness of management. Therefore, the Group proactively discloses quarterly explanations of financial results and other information.

Change in Governance Structure/Progress of Strengthening Our Initiatives

Female Male

	Independent Outside Directors (Number of people and ratio)	Independent Officers (Number of people and ratio)	Organizational Structure/System
Fiscal year ended March 31, 2014	(11%)	(29%)	● Abolishment of the Directors' retirement benefits system (June 2006)
Fiscal year ended March 31, 2015	(20%)	(33%)	
Fiscal year ended March 31, 2016	(20%)	(33%)	
Fiscal year ended March 31, 2017	(22%)	(36%)	
Fiscal year ended March 31, 2018 to Fiscal year ended March 31, 2019	(30%)	(40%)	
Fiscal year ended March 31, 2020	(30%)	(40%)	● Began third-party evaluations of the effectiveness of the Board of Directors (February 2020) ● Established Nomination and Compensation Committee (March 2020)
Fiscal year ended March 31, 2021	(36%)	(44%)	● Corporate Compliance Office newly established as an organization directly under the president (June 2020)

Corporate Governance Structure



Role and Composition of Board of Directors

[Ratio of Outside Directors: 36% (4/11)] [Ratio of Female Directors: 18% (2/11)]

The Board of Directors of MEDIPAL HOLDINGS CORPORATION (the Company) includes 11 Directors (9 men and 2 women; 4 outside directors) and considers and decides matters stipulated by management policy and by law, as well as other important matters concerning corporate management, and also supervises the status of overall business execution. The Board holds monthly meetings and, when necessary, extraordinary meetings. Audit & Supervisory Board Members attend these meetings.

Representative directors of main consolidated subsidiaries are appointed as directors of the Company to share information.

The Company has also adopted the executive officer system to clearly separate the functions of management decision making and supervision from business execution. Senior managers of the main consolidated MEDIPAL Group companies are appointed as executive officers of the Company with the objective of upgrading and improving the corporate governance system. They periodically exchange information, as well as deliberate and conduct studies, which helps maintain organizational unity.

In addition, to promote efficient Group management activities, representative directors, directors, and representative directors of consolidated subsidiaries designated by the president hold the Group Presidents Meeting. Functioning as an advisory council, the Group Presidents Meeting convenes once a month, in principle, to share information on the Group's management strategies and deliberate and consider business solutions. Meetings of the Board of Directors were held as follows in the fiscal year ended March 31, 2020.

Meetings of the Board of Directors in the Fiscal Year Ended March 31, 2020		
	Meetings:	13
	Outside director attendance rate:	100%
	Outside Audit & Supervisory Board member attendance rate:	100%

Director Appointment Policy

① Director Appointment Policy

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

a) Internal Directors

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

b) Outside Directors

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

② Director Appointment Procedure

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

③ Director Dismissal Procedure

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

About the Nomination and Compensation Committee

As a measure to enhance corporate governance, the Nomination and Compensation Committee was voluntarily established as an advisory body to the Board of Directors for the purpose of improving the fairness, transparency and objectivity of procedures related to the nomination and compensation of directors. The Nomination and Compensation Committee shall, in response to requests from the Board of Directors, discuss and report to the Board of Directors on the following matters.

(1) Matters Related to Nomination
① Policy on appointment and dismissal of directors
② Matters concerning appointment and dismissal of directors (matters subject to resolution by the General Meeting of Shareholders)
③ Matters concerning appointment and dismissal of representative directors
④ Matters concerning appointment and dismissal of executive directors
⑤ Matters concerning succession plans

(2) Matters Related to Compensation
① Policy on compensation of directors, etc
② Matters concerning director compensation limits (matters subject to resolution by the General Meeting of Shareholders)
③ Matters concerning compensation of individual directors

(3) Other Management Matters the Board of Directors Deems Important

The Nomination and Compensation Committee is composed of three members or more selected in accordance with the resolution of the Board of Directors. Outside directors account for a majority of the members, and the committee is also chaired by an outside director.

Committee Composition

Nomination Committee	Toshio Asano (Committee Chair/Outside Director) Mitsuko Kagami (Outside Director) Kuniko Shoji (Outside Director) Shuichi Watanabe (Representative Director, President and CEO) Yuji Sakon (Managing Director)
Compensation Committee	Toshio Asano (Committee Chair/Outside Director) Mitsuko Kagami (Outside Director) Kuniko Shoji (Outside Director) Toshihide Yoda (Senior Managing Director) Yuji Sakon (Managing Director)

Role and Composition of Audit & Supervisory Board

[Ratio of Outside Audit & Supervisory Board Members: 60% (3/5)] [Ratio of Female Audit & Supervisory Board Members: 20% (1/5)]

The Company employs an audit & supervisory board system, to which it appoints 5 members (1 female, 4 male, and three of whom are outside members).

In addition to attending the above-mentioned meetings, Audit & Supervisory Board members strictly audit the legality and adequacy of business execution by Directors, based on the standards determined by the Audit & Supervisory Board, and exchange views with the independent auditors. The Audit & Supervisory Board members of the MEDIPAL Group also exchange information and cooperate with each other.

Status of meetings of the Audit & Supervisory Board in the fiscal year ended March 31, 2020 is described below.

Fiscal year ended March 31, 2020 Meetings of the Audit & Supervisory Board	Meetings:	13
	Outside Audit & Supervisory Board member attendance rate:	100%

Standards of Independence for Independent Officers

The Group, after receiving reports of the Nomination and Compensation Committee, enacts specific, quantitative standards for ensuring the rationality of judgements on the independence of outside directors. If none of the following cases apply, outside directors and outside Audit & Supervisory Board members as well as candidates for such positions may be judged as having sufficient independence.

① Executive person[1] of the Company and its affiliated companies (hereinafter referred to as "the Group")
② Major lender[2] to the Group or its executive person
③ Major client[3] of the Group or its executive person
④ Major shareholder[4] of the Group or its executive person
⑤ Financial auditors who belong to a company that audits the Group
⑥ Consultants, accounting specialists or legal experts who obtain large monetary payments[5] or other assets from the Group outside of compensation for directors (also applies to members of a corporation, association or other organization that is obtaining such assets)
⑦ Those receiving large donations from the Group (also applies to members of a corporation, association or other organization that is receiving such donations)
⑧ Executive officers of companies, parent companies or subsidiaries that take in a director from the Group.

⑨ Those for whom ② to ⑧ have been applicable in the past five years
⑩ A near relative[6] of those for whom ② to ⑧ above are applicable (restricted to those in important positions[7])

1. An executive person is defined as an executive director, an executive, an executive officer, or others who conform to these conditions as well as their employees.
2. A major lender is defined as a financial institution with which the lending amount corresponds to 2% or more of the Group's total consolidated assets.
3. A major client is defined as one with which the annual transaction amount is 2% or more of the Group's consolidated sales.
4. A major shareholder is defined as one who directly or indirectly possesses 10% or more of the consolidated voting rights.
5. A large monetary payment is defined as ¥10 million or more annually in the case of individuals, or in the case of a corporation, association or other organization, an amount equivalent to 2% of the organization's annual consolidated income, on an average of the past three fiscal years.
6. A near relative refers to a spouse or a relation within the second degree.
7. Those in important positions refers to an executive or others who conform to these conditions with a position of director (excluding outside directors), executive, executive officer, or department manager or higher.

Outside Directors' Attendance at Audit & Supervisory Board Meetings

(Fiscal year ended March 31, 2020)

Name	Independent Officer	Attendance
Mitsuko Kagami	○	100% (13/13)
Toshio Asano	○	100% (13/13)
Kuniko Shoji	○	100% (13/13)

Outside Audit & Supervisory Board Members' Attendance at Audit & Supervisory Board Meetings

(Fiscal year ended March 31, 2020)

Name	Independent Officer	Attendance
Tetsuo Kitagawa	○	100% (13/13)
Tomoyasu Toyoda	○	100% (13/13)
Yoko Sanuki	○	100% (10/10)*

* Number of meetings held since being inaugurated on June 26, 2019

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

Our system has been established to enable mutual cooperation between outside directors and outside Audit & Supervisory Board members and Audit Office, Audit & Supervisory Board members, independent auditors, and each department. This system enables these parties to coordinate as necessary, either directly or indirectly, through methods such as via email or telephone. In addition, outside directors and outside Audit & Supervisory Board members issue statements at meetings of the Board of Directors, and express their frank opinions, through means such as creating opportunities for briefings ahead of important discussions. The Company also periodically provides opportunities to view worksites at subsidiaries.

Evaluation of Effectiveness

The Group periodically verifies whether or not the Board of Directors is operating efficiently. Based on those results, we implement measures on an ongoing basis for the improvement of issues and strengths. In this way, we analyze and evaluate the effectiveness of the Board of Directors with the goal of realizing functional improvements.

Analysis/evaluation process	The Board of Directors created a questionnaire for all directors and Audit & Supervisory Board members with the cooperation of a third party, and analyzed and evaluated the results. In addition, we confirmed the evaluation results and initiatives going forward based on a report from the third-party organization at a Board of Directors Meeting in March 2020.
Analysis/evaluation Outline of results	The results of the analysis showed the Board of Directors was highly evaluated as a whole, and we judged that it is maintaining its effectiveness. However, we also became aware of issues that need to be addressed going forward for further functional improvements.
Issues going forward and response	The Board of Directors will take the following actions to further increase its effectiveness. (1) Increase number of outside directors Response: We increased the number of outside directors by one at the General Meeting of Shareholders held in June 2020 (2) Revision of standards for matters to be deliberated on by the Board of Directors (3) Enhanced training for directors and Audit & Supervisory Board members

Compensation for Directors

The total amount of compensation for our Company's Directors is determined by a resolution of the General Meeting of Shareholders. A director's compensation consists of base compensation and bonuses as a short-term incentive. The amount of the base compensation is determined by the Board of Directors, based on the internal rules and regulations, in accordance with the position of each director. The total amount of bonuses is determined by the Board of Directors based on consideration of the consolidated performance in each fiscal year (consolidated operating profit) as an incentive for directors to be conscious of business performance. It is apportioned according to the standards for each position. The compensation for outside directors only consists of base compensation in view of their role and independence.

The percentage of compensation paid by category slightly differs from position to position. As a rule, the amount of bonuses accounts for about 25%.

The compensation for an Audit & Supervisory Board member only consists of base compensation in view of their role and independence. The amount of base compensation differs between full-time and part-time members.

(Fiscal year ended March 31, 2020)

Corporate Officer Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Category (Millions of yen)		Number of Relevant Corporate Officers
		Fixed Compensation	Bonuses	
Directors (excluding outside directors)	261	196	65	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	49	49	—	3
Outside corporate officers	71	64	6	7

Note: 1. Fixed compensation includes the payment to one director who retired from the position as of the close of the 110th General Meeting of Shareholders, which was held on June 26, 2019.
2. There are no officers receiving a total of compensation and other benefits of ¥100 million or more.

Concept of Cross-Shareholdings

The MEDIPAL Group considers it essential to cooperate with various companies comprising a supply chain to ensure a steady supply of products, such as medicines, cosmetics and daily necessities, in the wholesale business. Accordingly, our policy is to hold such shares as a strategic shareholding when we determine that doing so can increase medium-to-long-term corporate value after comprehensively taking into account business strategies and our relationship with business partners.

The rationality of each cross-shareholding is assessed individually as to whether or not it contributes to increasing medium-to-long-term corporate value through creation of a smooth business relationship and an enhanced partnership. The final decision on the appropriateness of the cross-shareholding is made by the Board of Directors every year.

Responsible Dialogue with Shareholders and Investors

General Meeting of Shareholders

In order to provide shareholders with sufficient time to make decisions on exercising their voting rights, the Company issued the notice of convocation for the June 25, 2020 Annual General Meeting of Shareholders on June 1, 2020, which is earlier than the legal requirement. Prior to this, the Company also made an early disclosure of its notice of convocation for the General Meeting of Shareholders on its website on May 25, 2020. In addition, since the General Meeting of Shareholders held in June 2002, the Company has enabled voting rights to be exercised electronically via the internet or mobile phone, in order to ensure that voting rights are exercised promptly and actively. Since 2006, the Company has also joined the voting rights platform for institutional investors operated by ICJ, Inc. to create an environment in which institutional investors may directly exercise voting rights by electronic means. Other measures to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights include posting the notice of convocation and voting results on our website. At the General Meeting of Shareholders held on June 25, 2020, a total of 3,406 shareholders exercised voting rights (of whom, 3,378 did so in writing or via the internet), for a voting ratio of 84.9%.

Dialogue with Institutional Investors

The Company actively maintains a dialogue with institutional investors, including providing briefings for security analysts and institutional investors on financial results, as well as executive meetings by the President and corporate officer in charge of IR, implementation of overseas investor relations, and participation in conferences hosted occasionally by securities companies. Feedback received from investors is reported each week to management and the relevant departments, and utilized in public relations, and IR activities.

The following IR events were held for institutional investors in the fiscal year ended March 31, 2020.

IR Event	Date Held	Presenter
Briefings on financial results	May and November 2019 (twice a year)	President, corporate officer in charge of IR
Overseas investor relations	October 2019 (London and Edinburgh)	President, corporate officer in charge of IR, IR representative
	July 2019 (Los Angeles and San Francisco)	President, corporate officer in charge of IR, IR representative

The following individual IR interviews were held with institutional investors in the fiscal year ended March 31, 2020.

Number of interviews during year	86 (64 in Japan; 22 overseas)

Note: Figures represent cumulative numbers

Dialogue with Individual Investors

The Company strives to promote understanding of its corporate philosophy and business strategy, holding corporate presentations for individual investors in major cities throughout Japan with the aims of improving recognition of the Company and establishing its brand. The presentation is headed by the corporate officer in charge of IR or the department in charge of IR (Corporate Planning and Public Relations Department).

The following individual IR sessions were held with institutional investors in the fiscal year ended March 31, 2020.

Date Held	Location
August 2019	Kanazawa City (Ishikawa Prefecture)
November 2019	Matsue City (Shimane Prefecture)
November 2019	Yonago City (Tottori Prefecture)

Group Governance

Special Circumstances with a Possible Major Impact on Corporate Governance

Among the Company's subsidiaries, PALTAC CORPORATION is listed on the Tokyo Stock Exchange. PALTAC is involved in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, and cooperates to generate synergy with the Prescription Pharmaceutical Wholesale Business, which is the main business of the Group's other subsidiaries. The Group is striving to find a future growth strategy in the business of pharmaceuticals, health and beauty together with PALTAC.

PALTAC is highly significant in terms of the Group's efforts to achieve continuous growth. In the future, it will conduct initiatives such as logistics that go beyond the boundaries of business categories and systems collaborations by making use of technologies that are making steady progress such as AI and full automation. We plan to expand its business fields as a wholesaler that is responsible for logistics not only for prescription pharmaceuticals, cosmetics, daily necessities and OTC pharmaceuticals, but also for products that are indispensable to people's daily lives.

The Company believes that from the standpoint of Group management, it is preferable for PALTAC to increase its corporate value by ensuring its independence, procuring its own financing, and aggressively developing its business based on swift decision making. PALTAC decides its business strategy and human resources policies after its own independent analysis.

In addition, in order to ensure minority shareholder protection and independent decision making at PALTAC, the ratio of independent outside directors is one out of three or more, and independent outside directors are not chosen from among former members of the Company.

The Company plans to retain a majority of PALTAC's shares and maintain its position as a consolidated subsidiary from the viewpoint of contributing to the improvement of corporate value for both companies, while ensuring appropriate governance in accordance with its percentage of voting rights going forward. However, while preserving PALTAC's current level of independence, from the viewpoint of ensuring the management's degree of freedom, there will be no changes, and we plan to continue our relationship of co-existence and co-prosperity while respecting the intentions of PALTAC.

Interview with an Outside Director

We engage in active discussion to increase the effectiveness of the Board of Directors and further improve its functions.

Kuniko Shoji
Outside Director

Career History: After more than 20 years' professional experience in the pharmaceutical and healthcare field, Ms. Shoji joined Terumo Corporation in 2002, serving as director among other roles and assuming responsibility for the pharmaceutical affairs and clinical development departments. Ms. Shoji uses her extensive experience and insight to supervise and advise MEDIPAL's management.

Attention to Balancing Opportunities and Risks

As an outside director of the Company since 2018, I have been deeply impressed by its philosophy of "creation of value in distribution." Significantly, this philosophy emphasizes that distribution is not a matter of simply delivering goods from one place to another, but means delivering wide-ranging value with a perspective embracing the whole of healthcare.

I have worked for many years in the healthcare industry and my experience has included close involvement in research and development and related communication with government bodies. This taught me that if something appears to have potential future value, it is worth cooperating on. A project may go against the short-term interests of your own company, but if it has value for society, I think it is important to weigh up the two sides and make a balanced decision. The MEDIPAL Group's value creation should not aim to benefit the Company alone. Instead, I want it to contribute to business development that builds mutually advantageous relationships with the whole of society. When looking at new business development, I observe developments with a keen interest in the potential for future growth. Specifically, I ask questions to ensure that the decision has been made after due consideration of the opportunities and risks, and express my opinion where appropriate.

A Comprehensive Support System and Frank Discussions

Meetings of the Company's Board of Directors take place in a very frank and open atmosphere. I feel that we outside directors and the outside Audit & Supervisory Board members give our opinions without holding back and receive adequate opportunity to speak. President Watanabe himself takes the lead in giving readily understandable explanations of the medium-term outlook and of management policies and issues, and I know this management transparency generates active discussion. Every month, the secretariat provides a briefing on the meeting agenda. That enables me to catch up in advance, which I think ensures the effectiveness of the Board of Directors. When I talk to employees, I also sense that the ideas of the corporate leadership have effectively permeated the organization.

The voluntary establishment of the Nomination and Compensation Committee in March 2020 as an advisory body to the Board of Directors has also raised the motivation for outside directors to exchange opinions and stimulated more active communication. The outside directors and outside Audit and Supervisory Board members are appropriate in terms of our number and range of backgrounds. I think that balance helps foster a sense of unity among us.

Essentials for Creating Corporate Value

I feel that the Board of Directors operates effectively, with proposals for improvement also being presented by the executive side, and that management operates in an open fashion. However, one issue to be addressed is a review of the Board's discussion criteria. To intensify discussion of management strategies for increasing corporate value over the medium to long term and related matters, including compliance with the Corporate Governance Code, I think we will need to decide an order of priority for the items discussed at Board meetings.

Meanwhile, compliance has recently come to be viewed as an issue, and strengthening internal auditing offers one possible solution. However, it will be important to carry it out based on good teamwork, with support not only from Audit and Supervisory Board members but also outside directors. The Company, which welcomes diversity, is currently engaged in initiatives for change and its business model is expected to evolve in various ways, but that makes management founded on the twin pillars of compliance and ethics all the more vital. I believe it essential for the Company to devise carefully considered strategies to enhance corporate value and implement them in line with its values and principles.

Management Team (As of July 1, 2020)

Members of the Board

Shuichi Watanabe

Representative Director,
President and CEO
Chief Compliance Officer

1979 Joined KURAYA CORPORATION (Currently, the Company)
1990 Director of KURAYA CORPORATION
1994 Managing Director of KURAYA CORPORATION
2000 Director of KURAYA SANSEIDO Inc.
(Currently, the Company)
2004 President and Chief Executive Officer of KURAYA SANSEIDO Spin-off Preparation Inc. (Currently MEDICEO CORPORATION)
2007 Managing Director of Mediceo Paltac Holdings Co., Ltd. (Currently, the Company)
2008 Senior Managing Director of Mediceo Paltac Holdings Co., Ltd.
2011 Representative Director, Executive Vice President of the Company
2012 Representative Director, President and CEO of the Company (Current)
Representative Director, Chairman of MEDICEO CORPORATION (Current)
2020 Chief Compliance Officer of the Company (Current)

Reason for selection

Mr. Watanabe has led the management of the MEDIPAL Group as Representative Director, President and CEO of the Company, has appropriately run the Board of Directors as Chairman, and has appropriately overseen the operational execution of the Directors. Since taking office as Representative Director, President and CEO of the Company in April 2012, he has pushed even more strongly for the transformation of existing businesses and creation of new businesses, and has worked to expand our earnings base and achieve sustainable growth. The Company believes that, based on the "2022 MEDIPAL Medium-Term Vision" formulated in May 2019, he will suitably perform his duties as Director and contribute to further increases in the corporate value of the MEDIPAL Group.

Yasuhiro Choufuku

Director, Vice President
In charge of Pharmaceutical Sales

1977 Joined Sanseido Co., Ltd. (Currently, the Company)
2004 Executive Officer of KURAYA SANSEIDO Inc. (Currently, the Company)
2007 Director of Mediceo Paltac Holdings Co., Ltd. (Currently, the Company)
2009 Director of MEDICEO CORPORATION
2010 Managing Director of MEDICEO CORPORATION
2012 Representative Director, President and CEO of MEDICEO CORPORATION (Current)
In charge of Pharmaceutical Sales of the Company (Current)
2016 Senior Managing Director of the Company
2019 Director, Vice President of the Company (Current)

Reason for selection

Mr. Choufuku has profound knowledge of the pharmaceutical business, which is one of the core business segments of the MEDIPAL Group, and has been involved in operational execution as Representative Director, President and CEO of the MEDIPAL subsidiary, MEDICEO CORPORATION. Because of his work to improve the performance of the MEDIPAL Group, the Company believes that he will suitably perform his duties as Director to contribute to increasing the corporate value and develop customer-oriented business models.

Toshihide Yoda

Senior Managing Director
In charge of IR and General Manager of Business Development Department

1985 Joined Nippon Kangyo Kakumaru Securities Co., Ltd.
1989 Joined UBS Securities Japan Co., Ltd.
1996 Joined ING Barings Securities Japan Ltd.
2000 Joined Lehman Brothers Japan Inc.
2008 Joined Barclays Capital Japan Ltd.
Managing Director of Barclays Capital Japan Ltd.
2010 Director of the Company
2012 Managing Director of the Company,
In charge of IR and General Manager of Business Development Department (Current)
2016 Director of SPLine Corporation
Director of MEDIE Co., Ltd.
Director of MEDICEO CORPORATION (Current)
2018 Director of JCR USA, Inc. (Current)
Senior Managing Director of the Company (Current)
Outside Director of JCR Pharmaceuticals Co., Ltd. (Current)
2020 Manager of Business Investment Department, Business Development Department of the Company (Current)

Reason for selection

Mr. Yoda has utilized the insight he developed as a pharmaceuticals industry analyst in the financial industry to the fullest extent. Due to his steady progress in driving the creation of new business for the MEDIPAL Group, the Company believes that he will suitably perform his duties as Director and contribute to increasing corporate value through the establishment of a business model not bound by existing frameworks.

Yuji Sakon

Managing Director
General Manager of Administration Division,
Chairman of CSR Committee

1977 Joined Sanseido Co., Ltd. (Currently, the Company)
2008 Executive Officer of KURAYA SANSEIDO Inc. (Currently, MEDICEO CORPORATION)
2012 Executive Officer of the Company
Director of the Company
Chairman of CSR Committee (Current)
2013 General Manager of Administration Division of the Company (Current)
2016 Director of ASTEC Co., Ltd. (Current)
2017 Director of MM CORPORATION (Current)
2018 Manager of Corporate Planning and Public Relations Department, Administration Division of the Company
Senior Managing Director of the Company (Current)
2020 Director of YAKUJU HOLDINGS, Inc. (Current)

Reason for selection

Mr. Sakon has a thorough knowledge of the MEDIPAL Group's operations, and has worked in his role as the General Manager of the Administration Division of the Company to ensure the sound governance of the MEDIPAL Group. The Company believes that he will suitably perform his duties as Director in contributing to increasing corporate value to achieve an economically sustainable society through ESG and SDG initiatives.

Takuro Hasegawa

Director
In charge of Business Planning

1987 Joined Osuido Pharmaceuticals Co. Ltd. (Currently, EVERLTH Co., Ltd.)
1990 Director of Osuido Pharmaceuticals Co. Ltd. (Currently, EVERLTH Co., Ltd.)
1991 Director of OAK Yakuhin Co., Ltd. (Currently, EVERLTH Co., Ltd.)
1997 Director of EVERLTH Co., Ltd.
2004 Director of MEDICEO HOLDINGS (Currently, the Company) (Current)
2009 Director of EVERLTH Co., Ltd.
2011 Representative Director, President and CEO of EVERLTH Co., Ltd. (Current)
2012 In charge of Liaison of the Company
2019 In charge of Business Planning of the Company (Current)

Reason for selection

Mr. Hasegawa has promoted the MEDIPAL Group's business development strategy as the person in charge of business planning, and has been involved in operational execution as the Representative Director, President and CEO of EVERLTH Co., Ltd., a MEDIPAL subsidiary, thereby working to improve the performance of the MEDIPAL Group. Because of his work to improve the performance of the MEDIPAL Group, and promote business plans, the Company believes that he will suitably perform his duties as Director and contribute to further increases in corporate value.

Shinjiro Watanabe

Director
General Manager of Information Systems Management Division

2008 Joined ATOL CO., LTD.
2009 Director of ATOL CO., LTD.
2013 Representative Director, President and CEO of ATOL CO., LTD. (Current)
Director of the Company (Current)
2016 In charge of the IT Business of the Company
2018 In charge of Information Systems
General Manager of Information Systems Management Division of the Company (Current)

Reason for selection

Mr. Watanabe has supervised the MEDIPAL Group's systems as General Manager of the Information Systems Management Division, and has been involved in operational execution as the President and Representative Director of ATOL CO., LTD., a MEDIPAL subsidiary. Because of his work to improve the performance of the MEDIPAL Group, the Company believes that he will suitably perform his duties as Director in providing new value in the digital healthcare field and contributing to increasing corporate value.

Members of the Board

Seiichi Kasutani
Director

1985 Joined Paltac Corporation (Currently, PALTAC CORPORATION)
2011 Executive Officer, General Manager of Yokohama Branch Office of PALTAC CORPORATION
2013 Managing Executive Officer, General Manager of Yokohama Branch Office of PALTAC CORPORATION
2014 Director, Managing Executive Officer, General Manager of Yokohama Branch Office of PALTAC CORPORATION
2016 Managing Executive Officer, General Manager of Sales Division of PALTAC CORPORATION
2017 Director, Senior Managing Executive Officer, General Manager of Sales Division of PALTAC CORPORATION
2018 Director, Vice President, Executive Officer, Director of Sales Division of PALTAC CORPORATION
Representative Director, President, COO, Director of Sales Division of PALTAC CORPORATION
2019 Representative Director, President, COO of PALTAC CORPORATION (Current)
Director of the Company (Current)

Reason for selection

Mr. Kasutani has extensive experience in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, which is one of the core businesses of the MEDIPAL Group, and has been involved in operational execution as Representative Director, President and COO of PALTAC CORPORATION, a MEDIPAL subsidiary. Because of his work to improve the performance of the MEDIPAL Group, the Company believes that he will suitably perform his duties as Director in contributing to increasing corporate value through steadily implementing PALTAC CORPORATION's medium-term business plan.

Mitsuko Kagami
Outside Director

1985 Assistant Judge of Tokyo District Court
1988 Assistant Judge of Akita District Court and Family Court
1991 Assistant Judge of Yokohama District Court
1995 Registered as Attorney-at-Law
1998 Part-time Lecturer at Faculty of Law of Keio University
2000 Part-time Lecturer at Faculty of Law of Toin University of Yokohama
2004 Professor at Keio University Law School
2007 Part-time Lecturer at Keio University Law School
2014 Director of the Company (Current)
2015 Outside Director of Sotetsu Holdings, Inc. (Current)

Reason for selection

Ms. Kagami uses the extensive experience she has accumulated as an attorney and her specialized knowledge regarding corporate law to provide opinions from a broad-ranging perspective to the Company's Board of Directors, and will continue to reflect her knowledge in the Company's business management. We therefore find her suitable as an outside director. Although she has no previous experience regarding company management other than serving as an outside director, we believe, for the above reasons, that she can appropriately perform the duties of an outside director.

Toshio Asano
Outside Director

1975 Joined Asahi Kasei Corporation
2003 Executive Officer of Asahi Kasei Pharma Corporation
2008 Director and Senior Executive Officer of Asahi Kasei Pharma Corporation
2010 Representative Director, President, Executive Officer of Asahi Kasei Pharma Corporation
2011 Executive Officer of Asahi Kasei
2014 Representative Director, President, Executive Officer of Asahi Kasei
2016 Director of Asahi Kasei
Permanent Consultant at Asahi Kasei (Current) Advisor of the Company
2017 Outside Director of the Company (Current)
2019 Outside Director of Daicel Corporation (Current) Outside Director of Tokyo Century Corporation (Current)

Reason for selection

Mr. Asano has served as Representative Director and President of Asahi Kasei Pharma Corporation and Asahi Kasei Corporation, and uses his extensive experience and broad-ranging knowledge related to company management to provide valuable, objective, expert-level opinions and appropriate advice to the Board of Directors. He has also contributed to the enhancement of corporate governance as chair of the Nomination and Compensation Committee. We therefore find him suitable as an outside director.

Kuniko Shoji
Outside Director

1977 Joined Mochida Pharmaceutical Co., Ltd.
1986 Joined Johnson & Johnson K.K.
2002 Joined Terumo Corporation
2004 Executive Officer of Terumo Corporation
2007 Senior Executive Officer of Terumo Corporation
2010 Director and Senior Executive Officer of Terumo Corporation
2017 Director and Corporate Advisor of Terumo Corporation
Corporate Advisor of Terumo Corporation
2018 Outside Director of the Company (Current)
Independent Director of Nichirei Corporation (Current)
2019 Outside Director of DIC Corporation (Current)
Professor at School of Health Innovation, Kanagawa University of Human Services Graduate School (Current)

Reason for selection

Ms. Shoji has served as a director at Terumo Corporation, and has also been responsible for its pharmaceutical and clinical development departments. Based on her extensive experience and insight, she has provided us with helpful opinions and appropriate advice from an objective, expert perspective at the Company's Board of Directors meetings. For this reason, we believe that she is suitable as an outside director.

Koichi Mimura
Outside Director

1987 Joined Sumitomo 3M Limited (Currently, 3M Japan Limited)
2006 President of 3M Indonesia
2009 Executive Officer and Director in charge of Industrial Markets of Sumitomo 3M Limited (Currently, 3M Japan Limited)
2010 Director in charge of Industrial and Transportation Business of Sumitomo 3M Limited (Currently, 3M Japan Limited)
2012 President of Sumitomo 3M Limited (Currently, 3M Japan Limited)
President of 3M Health Care Limited
2014 President of 3M Japan Limited
2016 Vice President of Electronics Assembly Solutions of 3M Corporate Headquarters (U.S.)
2018 Business Director in charge of the Transportation and Electronics Business of 3M Asia Pacific Pte. Ltd.
2020 Outside Director of the Company (Current)

Reason for selection

Mr. Mimura has served as President of 3M Indonesia, President of 3M Japan Limited, and as a Business Director in charge of the Global Electronics Business at 3M Corporate Headquarters in the U.S. We believe that he is suitable as an outside director as he can be expected to reflect his extensive experience and insight gained from his involvement in global corporate management in the supervision of the Company's business management.

Audit & Supervisory Board Members

Toshio Hirasawa
Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member, MEDICEO CORPORATION
Audit & Supervisory Board Member, EVERLTH Co., Ltd.

Shigeru Kanda
Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member, MEDICEO CORPORATION , MP AGRO CO., LTD., and MEDIPAL FOODS CORPORATION

Tetsuo Kitagawa
Outside Audit & Supervisory Board Member
Emeritus Professor at Aoyama Gakuin University
Research Professor at Graduate School of Management, Tokyo Metropolitan University
Outside Director of Mitsubishi UFJ Trust and Banking Corporation (Audit and Supervisory Board member)

Tomoyasu Toyoda
Outside Audit & Supervisory Board Member
Advisor, K.F. Planning Co., Ltd.
Audit & Supervisory Board Member, Nobelpharma Co., Ltd.

Yoko Sanuki
Outside Audit & Supervisory Board Member
Head of NS Law Office

Executive Officers

Hiroshi Yarimizu
Senior Managing Executive Officer
Manager of Corporate Planning and Public Relations Department, Administration Division
Director, ATOL CO., LTD.

Masanori Kawahara
Managing Executive Officer
Representative Director and Vice President, Orphan Pacific, Inc. (Seconded)

Kunie Yamazaki
Managing Executive Officer
General Manager of Corporate Compliance Office
Managing Executive Officer of MEDICEO CORPORATION

Mitsuhiro Kyohgoku
Executive Officer
Deputy General Manager of Administration Division (In charge of MEDICEO CORPORATION)
Managing Director, MEDICEO CORPORATION
Director, ATOL CO., LTD.

Senjin Yanai
Executive Officer
Deputy General Manager of Administration Division (In charge of EVERLTH Co., Ltd.)
Director, EVERLTH Co., Ltd.

Hisashi Tsutsui
Executive Officer
Deputy General Manager of Administration Division (In charge of ATOL CO., LTD.)
Director, ATOL CO., LTD.
Director, MVC CO., LTD.

Tadashi Kashiwagi
Executive Officer
Deputy General Manager of Information Systems Management Division
Director, SPLine Corporation

Kazuo Hashida
Executive Officer
Manager of Finance & Accounting Department, Administration Division

Teruhiro Yamasaki
Executive Officer
Deputy Manager of Business Investment Department, Business Development Division,
Auditor, SPLine Corporation,
Director, MEDIE Co., Ltd.

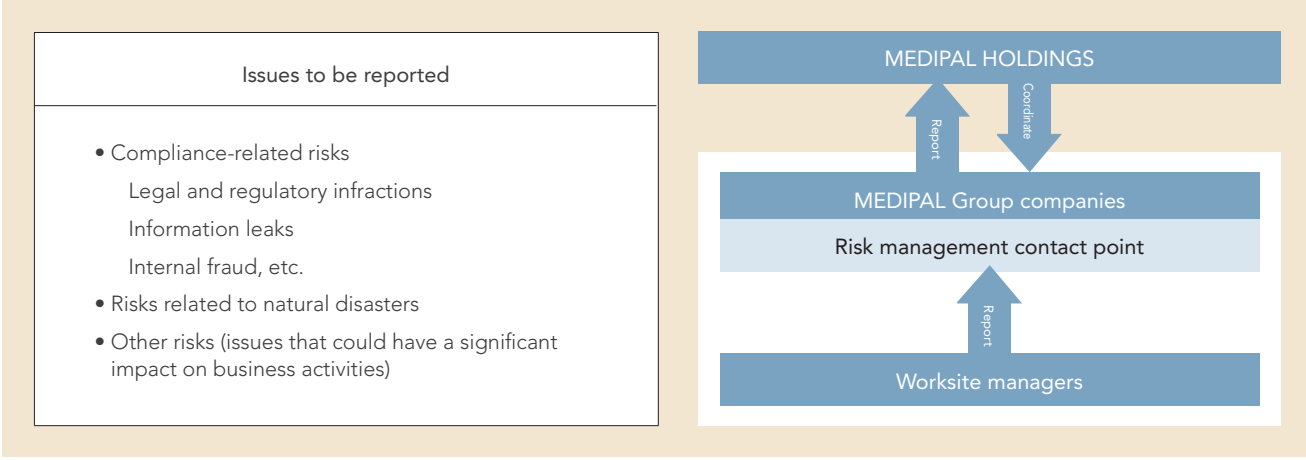
Hisao Hiraga
Executive Officer
Manager of General Affairs Department, Administration Division

Risk Management

Basic Policy

The MEDIPAL Group's risk management system includes the formulation of rules and guidelines, implementation of training, and creation of manuals, as well as activities to ensure thorough risk management awareness. Pre-appointed risk management officers take an active role when risks are forecast to become manifest, and have a significant impact on the MEDIPAL Group. The Group thoroughly prevents the involvement of antisocial forces in management activities by specifying a department that handles related matters under the leadership of the risk management officer, and implementing central management. With regard to the internal control reporting system for financial reporting, in accordance with the Financial Instruments and Exchange Act, each department has its own functions for maintaining and implementing internal control. Having the authority to perform monitoring, the Audit Office coordinates with the Group's internal auditing department to rapidly identify potential loss risks.

Risk Management Structure



Business Risks

Matters with the potential to have a significant impact on investor decisions are as indicated below. Statements regarding the future represent the positions of the MEDIPAL Group as of March 31, 2020.

About medical insurance system reform

The Prescription Pharmaceutical Wholesale Business, one of the MEDIPAL Group's core businesses, is intrinsically linked to Japan's social security system and medical policies. Japan is moving forward with healthcare reform in response to social developments such as growing social security costs due to demographic changes. Going forward, the occurrence of any major unforeseeable systematic change or events that impact the business structure of the MEDIPAL Group may affect the performance and financial condition of the Group.

About the NHI drug price system*

Prescription pharmaceuticals, products handled by the MEDIPAL Group, are listed in the National Health Insurance (NHI) drug price standards, which stipulate the range of drugs that can be used in insured medical treatment and the billing prices of the drugs used. Therefore, the drug price standards act as a ceiling on selling prices. As part of measures to control medical expenses, the prices set by the drug price standards are based on surveys of prevailing market prices and are generally revised every two years.

- Fiscal 2018 NHI drug price revision rate (drug cost basis): –7.48%
- NHI drug price revision rate associated with the October 2019 consumption tax increase (drug cost basis): –2.40%
- Fiscal 2020 NHI drug price revision rate (drug cost basis): –4.38%

Currently, NHI drug price revisions are carried out once every two years, in principle. The next "off-cycle" price revision is scheduled for April 2021. A drop in selling prices to medical institutions may affect the performance and financial condition of the Prescription Pharmaceutical Wholesale Business.

Note: Please refer to page 69 for explanations of technical terms.

About risks related to specific legal regulations, etc.

The MEDIPAL Group handles various types of prescription pharmaceuticals and related products. Therefore, the Group conducts sales activities after receiving the necessary authorizations, registrations, designations and licenses from the local governments where business sites are located, or after notifying the authorized supervisory agency, pursuant to the Law for Ensuring the Quality, Efficacy and Safety of Drugs and Medical Devices and other laws. For this reason, the business results of the Prescription Pharmaceutical Wholesale Business may be affected by the status of approvals and licenses issued by the relevant authorities. In addition, if companies from different industries were to enter the business domain of the MEDIPAL Group due to deregulation in the future, it may become difficult for the Group to maintain and expand its business model and existing strengths. This may affect the performance and financial condition of the MEDIPAL Group.

About trade practices with medical institutions

Prescription pharmaceuticals, the main products handled by the MEDIPAL Group, are products that lives depend on, and late deliveries are unacceptable. As such, it is an industry-specific trading practice to deliver products to medical institutions while the price is still pending, and then carry out negotiations after delivery. To improve such trading practices, the Guidelines for the Improvement of Commercial Transaction Practices of Prescription Pharmaceuticals for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies were enacted in April 2018. However, if negotiations prove difficult, the sales price will be reasonably estimated by taking past results into consideration. Therefore, a difference between the determined selling price and the estimated price may affect the performance and financial condition of the Prescription Pharmaceutical Wholesale Business. In fiscal 2019, sales of prescription pharmaceuticals totaled ¥1.9 trillion, and the ratio of transactions with a determined selling price (amount basis) was 99.7%. Transaction prices were largely determined by the end of the period. (The ratio of transactions with a determined selling price for the last three years is as follows: 99.3% in fiscal 2016, 99.9% in fiscal 2017, and 96.6% in fiscal 2018.)

About trade practices with pharmaceutical companies

The use of rebates and allowances results in significant price reductions when trading with pharmaceutical companies that supply prescription pharmaceuticals, which are the Group's main products. While we work to maintain favorable trading relationships with pharmaceutical companies, a drastic change in their sales strategies or trade practices may affect the performance and financial condition of the Prescription Pharmaceutical Wholesale Business.

About changes to the competitive environment

In the Cosmetics, Daily Necessities, and OTC Pharmaceutical Wholesale Business, one of the MEDIPAL Group's core businesses, competition is intensifying across industry types and business categories, and the size of the industry is continuing to expand due to M&As. For this reason, the Cosmetics, Daily Necessities, and OTC Pharmaceutical Wholesale Business is working to identify customer needs and build an organization capable of responding flexibly to environmental changes. However, an increase in competition, or a significant change in customers' policies or terms and conditions due to business reorganization may affect the performance and financial condition of the Group.

About system interruptions

The MEDIPAL Group is actively promoting the use of IT in order to increase the efficiency and sophistication of its supply chains and to fulfill its role as social infrastructure that supports the reliable distribution of "pharmaceuticals, health, and beauty." The business operations of the MEDIPAL Group are heavily reliant on computer network systems. In addition to duplicating the server network of core systems and taking measures such as seismic base isolation, disaster preparedness and power outage countermeasures for the buildings where servers are housed, we have also established a comprehensive data backup system. We have also implemented countermeasures for viruses and unauthorized access, and introduced data encryption for mobile PCs. However, in the event of system failure, sales and logistics functions may be significantly disrupted, and the Group's performance and financial condition may be affected.

About risk of information leaks

In the protection of information assets held by the MEDIPAL Group, including customer information and confidential information, the Group works to maintain a management system that prevents information from leaking to parties outside the Group, and provides information security training twice annually to all employees based on its Information Security Policy. However, in the event that an information leak occurs due to unforeseen circumstances, it may affect the Group's business performance and financial condition due to a decline in sales caused by a decrease in public trust or an increase in costs related to countermeasures.

About disasters and traffic accidents

The MEDIPAL Group handles the distribution of prescription pharmaceuticals, daily necessities, and other products indispensable to living a healthy life. We are implementing a variety of measures to ensure that we reliably deliver the required products at the required time in just the required amount.

1. About disaster risk
   The MEDIPAL Group has established crisis management systems and a Business Continuity Plan (BCP) in preparation for natural disasters such as earthquakes and typhoons, an outbreak of a new strain of influenza, or other such events, and to ensure the Group is able to carry out supply activities in the event of an emergency. However, if the Group's business operations are suspended due to a large-scale natural disaster, the Group's business performance and financial condition may be affected due to decreased sales resulting from lost sales opportunities or an increase in recovery costs or other expenses.
2. About traffic accidents
   The MEDIPAL Group uses many vehicles (8,700 Group-wide) in its sales and delivery activities. In addition to using vehicles with low environmental impact, we are also introducing vehicles equipped with drive recorders and automatic braking systems in order to prevent traffic accidents. In addition, we proactively conduct awareness-raising activities to promote traffic accident prevention, such as the establishment of a safe driving month and holding classes taught by police officers. However, in the event a serious traffic accident occurs, social credibility may decline, and this may affect the performance and financial condition of the Group.

About securing a labor force

In order to reliably distribute the pharmaceuticals, daily necessities, and other products of the MEDIPAL Group, it is essential to secure high-quality human resources and assign them appropriately. In recent years, securing a labor force in the distribution field has become difficult due to the declining population resulting from the decreasing birthrate and aging population. In addition to promoting labor saving measures at distribution centers, we are implementing work style reforms and making efforts to improve the working environment. However, if the demand for labor tightens further and we are unable to secure adequate human resources, it may affect the performance and financial condition of the Group. In addition, a significant increase in employee-related costs due to revised laws and systems or price fluctuations may affect the performance and financial condition of the Group.

About investing

The MEDIPAL Group has formulated "2022 MEDIPAL Medium-Term Vision" for fiscal 2019 to fiscal 2021. We plan to proactively invest ¥100 billion over the three-year period of the vision to ensure the continuous growth of the Group.

1. About investment in logistics infrastructure
   The MEDIPAL Group is proactively investing in logistics and systems as well as introducing cutting-edge technology in order to carry out its social mission of safe, secure distribution. These activities are also essential for the Group to maintain its competitiveness. However, any increase in investment costs or the inability to earn the expected return on investments may affect the performance and financial condition of the Group. In fiscal 2020, capital expenditures totaled ¥29.3 billion.
2. About investment in business development
   In order to expand its business foundation and diversify earnings, the MEDIPAL Group invests in the development of new drugs by pharmaceutical companies in order to receive returns on investment after these drugs go to market (project finance), and sell and distribute them to medical institutions preferentially (marketing). We aim to reliably supply medical treatments to patients with rare diseases by making effective use of the MEDIPAL Group's management resources, such as its logistics capabilities and sales network. However, the development of new drugs takes time and may be suspended, and does not always proceed smoothly. As a result, we may incur losses and or not achieve the earnings we expected, and this may affect the performance and financial condition of the Group.
3. About capital alliances and business partnerships
   In line with the basic policy of our medium-term vision, "The MEDIPAL Group will expand its earnings foundation and achieve sustainable growth by building new frameworks that benefit customers and society," we are proactively reaching beyond the boundaries of our industry into fields such as the digital realm and logistics, in addition to investing in startup companies, with a focus on venture companies in the life sciences field. Regarding capital alliances and business partnerships such as these, prior to investment we consider profitability and return on investment from various perspectives. However, in the event of an unexpected environmental change or significant divergence from the assumed business plan, the Group may incur an impairment loss, which may impact the performance and financial condition of the Group.

About legal and regulatory infractions

The MEDIPAL Group has set "ensure thorough legal compliance" as one of its business policies, and continually carries out employee education and awareness activities. In addition, we work to detect problems within the Group at an early stage, and have established whistleblowing hotlines both inside and outside the Company. Nonetheless, if a legal violation occurs, not only will this necessitate the payment of monetary penalties through administrative measures, fines related to criminal proceedings, and damages through civil proceedings, the MEDIPAL Group may face the negative impact of the loss of trust from society, and this may affect the performance and financial condition of the Group.

About COVID-19 pandemic countermeasures

The MEDIPAL Group reliably supplies products that lives depend on. As such, we anticipate various circumstance related to the COVID-19 pandemic, and work to maintain a reliable supply system (establishment of backup system through mutual cooperation of nationwide distribution centers, maintenance of inventory, use of thermal cameras to check temperatures of persons entering buildings and acceleration of planned maintenance of equipment) and to prevent the further spread of the virus (prevention of spread of infection among employees, thorough cleaning and disinfection of vehicles and equipment and prevention of spread of infection at medical institutions). Nonetheless, if the virus spreads among employees, or if logistics functions need to be suspended, we will face difficulties in reliably supplying pharmaceuticals and other products, and this could affect the performance and financial condition of the Group.

Various risks other than these exist, and the risks described here are not all of the risks faced by the MEDIPAL Group.

Compliance

Basic Policy

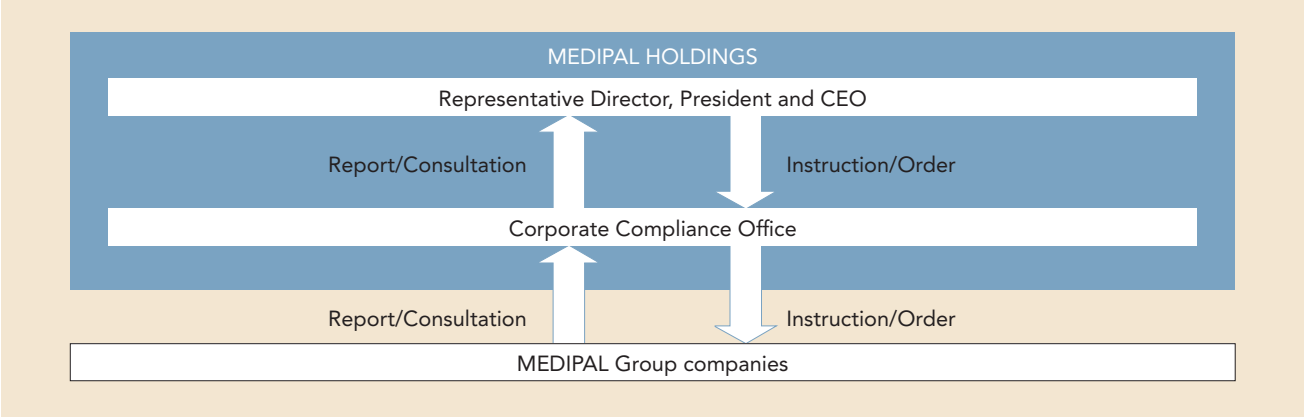
The MEDIPAL Group has designated "rigorous compliance" as one of its business policies. In order to earn the trust of all of our stakeholders and continue to develop as a company, we consider it important for each and every MEDIPAL Group employee to respect not only the law, but also the rules and sensibilities of society, and to act in a highly ethical manner. Accordingly, the MEDIPAL Group takes ongoing steps to raise awareness of compliance.

System

In the MEDIPAL Group, the Representative Director, President and CEO holds the position of Chief Compliance Officer to promote compliance management under the leadership of top management.

In addition, to promote compliance systematically and continuously, the Corporate Compliance Office was established as an organization directly under the president, and is tasked with further strengthening compliance throughout the MEDIPAL Group.

Going forward, in addition to further enhancing compliance education for the entire Group, the Board of Directors will work to further improve corporate governance by enhancing the structure for monitoring compliance.



About Compliance Training

The MEDIPAL Group offers various kinds of educational programs and training, such as group training and online training, so that each individual can develop a better understanding of the importance of compliance. In addition, we increase awareness of compliance by publishing a CSR newsletter on the in-house network every month and introducing examples of compliance-related issues, among other initiatives.

Specific Initiatives

- Compliance education (for new employees)
- Education related to the prevention of insider trading
- Education to eliminate drunk driving
- Education related to the protection of personal information

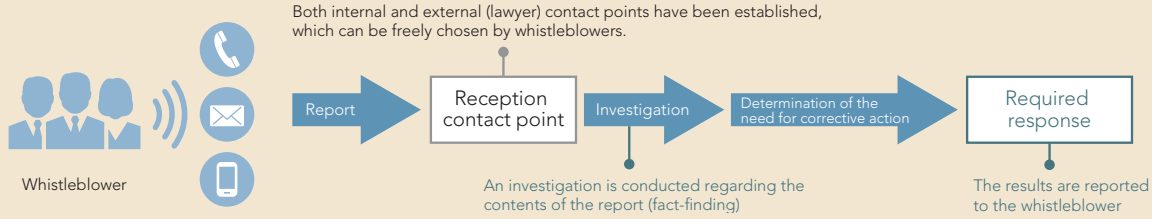
Whistleblowing System

In order to more rapidly identify and address problems within the MEDIPAL Group, on April 1, 2006, the Group established a Whistleblower Hotline. We have used the Group intranet and posters to inform employees that they can use the hotline to raise concerns about impropriety, legal violations, or unethical conduct, or when such activities seem likely to occur.

The Group has made the hotline easy to use by setting up whistleblowing channels both inside and outside of the Group and by making it possible through telephone, e-mail (24 hours a day), fax, and mail. The system includes appropriate safeguards, such as an independent point of contact to ensure confidentiality and specific internal rules to protect whistleblowers from adverse consequences. We also address anonymous reports.

Whistleblower Hotline response process

The privacy of whistleblowers is strictly protected. Whistleblowers are subject to no adverse treatment.



Initiative to Prevent Corruption

The MEDIPAL Group carries out its business activities in a just and lawful manner, and strictly prohibits all supply of profits to civil servants or those in a similar position. All Group companies have formulated bribery prevention regulations. To ensure the effectiveness of these regulations, we have also established internal rules regarding disbursements including acts of endowment to third parties, such as the receipt of all internal approvals in writing.

Furthermore, as there are many companies incorporated in various foreign countries among the manufacturers of medical and pharmaceutical products and medical equipment that form the major business partners of the MEDIPAL Group, we are conducting employee education to bring the education standard of the relevant business partner company up to a satisfactory level, including compulsory annual online training for all employees which uses the material of FCPA training induction course that is implemented by the American Medical Devices and Diagnostics Manufacturers' Association (AMDD) as reference.

About onsite inspections by the Japan Fair Trade Commission

MEDICEO CORPORATION, a wholly-owned subsidiary of MEDIPAL HOLDINGS CORPORATION ("MEDIPAL"), received on on-site inspection by the Japan Fair Trade Commission in November 2019 on suspicion of violating the Antimonopoly Act regarding the bidding for prescription pharmaceuticals ordered by Japan Community Healthcare Organization (JCHO). MEDIPAL and MEDICEO take the situation seriously, and are cooperating fully with the Japan Fair Trade Commission in its investigation. MEDIPAL Holdings will make efforts to enhance internal controls to further reinforce the MEDIPAL Group's legal compliance.

Pharmaceutical Affairs Management

Basic Policy

The MEDIPAL Group considers it its social mission to comply with pharmaceutical laws and regulations such as the Pharmaceutical and Medical Device Act, and to distribute safe, reliable prescription pharmaceuticals and medical equipment, etc. In order to accomplish this mission, we strive to implement thorough pharmaceutical affairs management, from product receipt to delivery to medical institutions, etc., to secure the efficacy, safety, and quality of delivered products.

Systems

In its management of the quality of the storage and distribution of prescription pharmaceuticals, medical equipment, etc., the MEDIPAL Group complies with ministerial ordinances issued by the Ministry of Health, Labour and Welfare regarding prevention of the distribution of counterfeit drugs, as well as JGSP* and JGSP2008. The Group creates manuals regarding logistics operations and supervising pharmacist operations, etc., and aims to develop appropriate storage systems and distribution systems based on these manuals.

*JGSP (Japanese Good Supplying Practice: Practices regarding quality management and safety management in the supply of pharmaceuticals): Industry practices defined by The Federation of Japan Pharmaceutical Wholesalers Association in order to protect the safety of products and prevent their degradation due to temperature, humidity, sunlight, etc., during storage, shipping, and transport. JGSP applies to prescription pharmaceuticals, while JGSP2008 applies to over-the-counter pharmaceuticals. Many pharmaceutical storage warehouses now manage warehouse operations and transport in accordance with JGSP and JGSP2008.

Education System

The MEDIPAL Group offers training to marketing specialists and pharmacists on an ongoing basis in order to cultivate the knowledge and qualifications necessary to appropriately gather and supply information regarding pharmaceuticals and medical equipment (20 hours per year; 60 hours per year for new employees).

For details regarding education of marketing specialists/pharmacists, please see "Respect for Human Rights" on page 61.

Why counterfeit drugs are not a growing concern in Japan

The spread of counterfeit drugs is becoming a severe problem worldwide. However, there is no room for counterfeit drugs to enter the Japanese drug market. The main reasons for this are the development of laws (the Pharmaceutical and Medical Device Act, etc.) and compliance with these laws, as well as the fact that nearly all prescription pharmaceutical distribution (roughly 96%) is performed by pharmaceutical wholesalers.

The existence of wholesalers (1) simplifies distribution channels, (2) makes it possible to handle everything from purchase to delivery in-house, and (3) creates close relationships with all clients: pharmaceutical companies, medical institutions, and dispensing pharmacies.

High-quality distribution is the key factor in preventing the spread of counterfeit drugs, and investment in such distribution is essential. In that sense, the Japanese pharmaceutical wholesale industry is also responsible for safety and social costs.

The MEDIPAL Group conducts lot traceability management, and employs a system that allows it to determine what has been sold, when, to whom, and in what quantities. In the event of a voluntary product recall by a pharmaceutical company, this system allows the MEDIPAL Group, at the pharmaceutical company's request, to rapidly provide information to the medical institutions and other customers to whom the products have been sold, and recall those products.

Pharmaceutical Wholesalers' Response to the Japanese Version of the Good Distribution Practice (GDP) Guidelines

Corporate Reliability Department Established to Lead Efforts to Ensure Compliance with the GDP Guidelines (Good Distribution Practice for Prescription Pharmaceuticals)

Background

The Japanese version of the GDP Guidelines, which is in line with the global standard, PIC/S GDP,* was issued by the Ministry of Health, Labour and Welfare (MHLW) at the end of 2018. In January 2019, relevant explanatory materials were also released. The aim of the GDP Guidelines is to ensure the high quality of prescription pharmaceuticals in the distribution process and to prevent counterfeit drugs from entering the system. These Guidelines outline appropriate measures for managing the purchase, storage and supply of prescription pharmaceuticals in the process of getting them to markets (distribution to pharmaceutical wholesalers, medical institutions and pharmacies).

Following the release of the GDP Guidelines by the MHLW, the Federation of Japan Pharmaceutical Wholesalers Association (JPWA) reviewed the former "Japanese Good Supplying Practice" (JGSP) and published the (partially amended) JGSP as an internationally compliant JGSP GDP in October 2019. Currently, efforts are focused on increasing harmony with the GDP Guidelines.

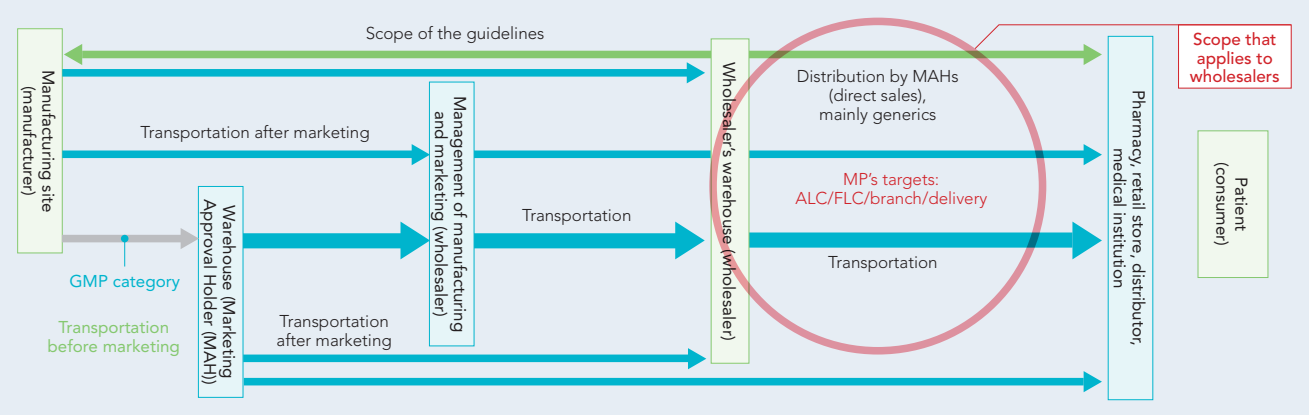
*PIC/S GDP: Acronym for Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme Good Distribution Practice

Response

The scope of the GDP Guidelines covers the distribution process, which extends to delivery to medical institutions and pharmacies. For pharmaceutical wholesalers, the guidelines cover activities from storage of products at warehouses to delivery to medical institutions, pharmacies and retail stores (see figure below).

In ensuring the appropriate management of distribution channels (purchase, storage and supply), maintaining the integrity of prescription pharmaceuticals in distribution channels and preventing counterfeit drugs from entering regular distribution channels, the following tasks are critical: 1) develop a GDP system, 2) prepare standard operating procedures for all business activities that are easily understood by employees, 3) provide employees with training based on these procedures so that they can properly perform their work, 4) maintain a record of business activities, and 5) retain these records for a specified period of time. It is also essential that management of pharmaceutical wholesalers implement a PDCA cycle to improve distribution quality and regularly assess and confirm that tasks specified in quality guidelines are carried out appropriately.

■ Scope of the GDP Guidelines



Note: Please refer to page 69 for explanations of technical terms.

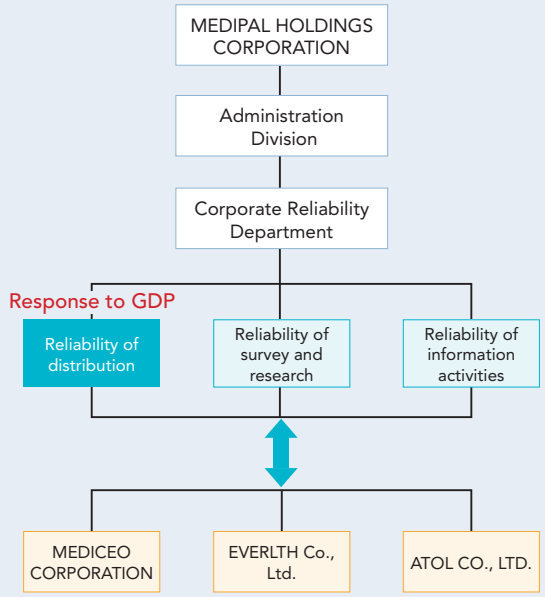
Source: Study on the international harmonization of guidelines for the distribution of prescription pharmaceuticals
Material prepared by the study team

MEDIPAL Group Initiatives

The MEDIPAL Group developed a quality control manual and a standard operating procedure in preparation for the issuance of the GDP Guidelines. After obtaining approval from management in January 2018, in April of the same year the Group started to provide training on relevant issues at ALCs, which play key roles in ensuring proper distribution. The Corporate Reliability Department was established inside the Administration Division in April 2019 to increase quality assurance levels and reliability. To ensure compliance with the GDP Guidelines, we have integrated the efforts of three prescription pharmaceutical wholesalers, including MEDICEO CORPORATION, and have positioned "reliability of distribution and quality" next to the pillars of "reliability of survey and research" and "reliability of information activities." Along with the establishment of a new system in 2019, we established a GDP organization that includes a Logistics Department for the three prescription pharmaceutical wholesalers and the positions of Supply Management Manager and Quality Control Manager for ALCs. After the revised quality control manual/SOP was approved, we provided education and training for all employees at ALCs and started full-scale operations in April 2020. Going forward, we will establish a GDP management system in the pharmaceutical supply chains of FLCs and branches, implement and promote GDP activities, and collect evidence in order to create an appropriate system for the distribution of prescription pharmaceuticals.

Organization and Role of the Corporate Reliability Department

(As of April 1, 2019)



Pharmaceutical Supply Chain

MAH → ALC

Using DP-Cool* (Mitsubishi Logistics + forwarding agencies), etc.

Characteristics of DP-Cool

- Compliant with the PIC/S GDP Guidelines
- Cooling temperature control throughout transportation
- Round-the-clock monitoring by the temperature control center
- Terminals with dock shelters directly connected to cold insulating warehouses
- Authorized drivers, etc.

ALC → FLC/branch

Using mainly refrigerated trucks owned by the Company

- ALC shipping berths with dock shelters
- Constant mapping taking into account seasonal variations for temperature controlled transportation
- Staff trained using "Basic Knowledge about Distribution"
- Regular OJT training by a trainer, etc.

* DP Cool is a new cold insulation transportation service for medical products compliant with the PIC/S GDP Guidelines

Disaster Planning

Basic Policy

The MEDIPAL Group anticipates various risks, and has drafted an effective Business Continuity Plan (BCP) that allows it to provide a steady supply of products, even in the event of large-scale natural disasters such as earthquakes and pandemics, equipping the Group to fulfill its role as a social infrastructure company.

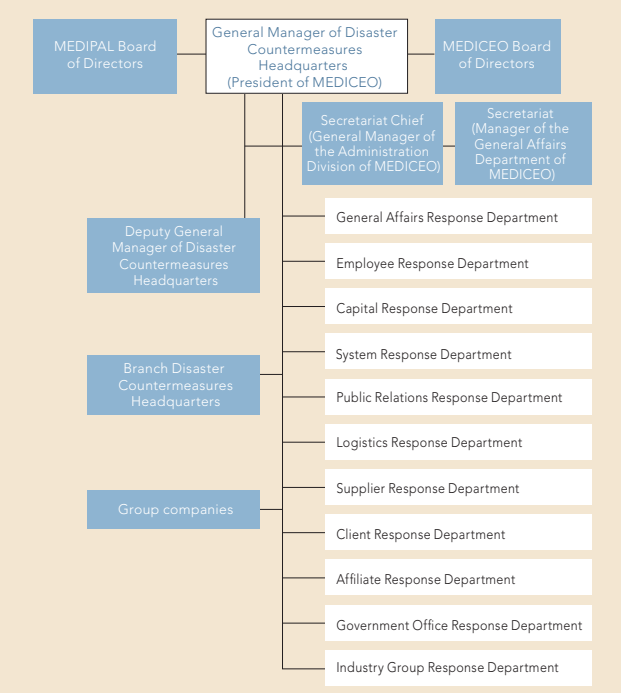
Natural disaster risk countermeasures

In 2000, the MEDIPAL Group created a Disaster Response Manual (for Natural Disasters) that contains specific content regarding envisioned disaster damage, preparatory measures, operations in the event of a disaster, emergency organization structures, and the like, and has thoroughly informed all employees regarding the manual's contents. The manual was partially revised following the Great East Japan Earthquake. In the event of an earthquake with a seismic intensity of 6-lower or above, the Group immediately establishes the MEDIPAL Group Disaster Countermeasures Headquarters. This headquarters rapidly confirms the safety of Group company employees and their families in the affected areas, as well as the extent of damage to buildings, systems, and the like, and the state of lifelines. It also leads various response activities aimed at business continuity.

Countermeasures against pandemics involving new strains of influenza

Highly virulent outbreaks of avian influenza occur frequently in Japan, and there are concerns regarding the possibility of a human pandemic of avian influenza. The MEDIPAL Group has created a Disaster Response Manual (for New Influenza Strains) and makes revisions, as necessary. The MEDIPAL Group recognizes its role as a maintainer of social functions, and regards its social mission in the event of an outbreak of a new strain of influenza to include defining a response activity program, protecting the lives of employees and their families, maintaining a steady supply of pharmaceuticals, etc., and doing its utmost to support the disaster responses of medical institutions.

Disaster Countermeasures Headquarters – Headquarters Established by MEDICEO CORPORATION (Great East Japan Earthquake)



Structures may differ depending on the location of the disaster in order to flexibly respond to the situation.

Coordination of Distribution Center Functions

A backup system has been put in place in the event that any center is rendered incapable of supply due to a large-scale natural disaster, etc.

MEDIPAL's Mission in Japan Is to Deliver Pharmaceuticals Securely and Safely.

The MEDIPAL Group has gained experience in previous major natural disasters, including the Great Hanshin Awaji Earthquake, the Great East Japan Earthquake, and the series of earthquakes in Kumamoto, and has undertaken many initiatives to keep distribution channels in operation, even at the time of a natural disaster. Because Japan is a land of natural disasters, MEDIPAL must make full preparations for dealing with a wide range of disaster scenarios. For us at MEDIPAL, the delivery of pharmaceuticals is a vital part of the lifelines of society.

Business Continuity Plan (BCP)

The pharmaceuticals, daily necessities, and other items that the MEDIPAL Group distributes are all essential for people to lead healthy lives. We believe that providing stable supplies of these items is the social mission of the MEDIPAL Group. For this reason, MEDIPAL has prepared disaster response manuals for dealing with major natural disasters, pandemics, and other contingencies. The specific activities and procedures to follow in such times of emergency are stated in these manuals.

In-house fueling stations

Based on our experience during times when gasoline was in short supply due to disasters, MEDIPAL's principal distribution centers are equipped with their own fuel supplies.

Disaster cooperation with the Self-Defense Forces and local governments

MEDIPAL has signed pharmaceutical supply contracts with local governments and Japan's Self-Defense Forces, and periodic training drills are conducted during non-disaster times.

Preparedness measures for times of emergency

To prepare for times when public transportation and transportation networks are cut off, motorcycles are kept ready at distribution centers and elsewhere. At times when roads to some areas have become blocked, motorcycles prove to be an important means of delivering pharmaceuticals.

Seismic isolation structure

Distribution centers and other buildings are designed to have high earthquake resistance, in order to prevent products from falling from shelves and becoming damaged during disasters, and to prevent our distribution facilities from becoming inoperative.

Organizational systems for dealing with disasters

In cases where an earthquake with a seismic intensity of 6-lower or higher occurs, the MEDIPAL Group Disaster Countermeasures Headquarters immediately goes into action.

In-house power generators

MEDIPAL's principal business locations, including the Head Office and distribution centers, are equipped with in-house electric power generators. Even in times of disaster, MEDIPAL is prepared to provide stable supplies of pharmaceuticals and other products.

COVID-19 Pandemic Countermeasures

Our mission as social infrastructure that supports people's safety and security

From December 2019, the COVID-19 pandemic has spread across the world, and the number of infected people has been increasing in Japan since January 2020. The Japanese government has strengthened its efforts to prevent the spread of the disease. On March 2, 2020, we established the COVID-19 Countermeasures Department to increase communication within the Group and speed up related activities. To continue to maintain a steady supply of prescription pharmaceuticals and other products while ensuring the safety of customers and employees, we collected and centrally managed information about government policies and local trends, and quickly and flexibly implemented countermeasures against various anticipated situations.

Initiatives to Maintain Our Steady Supply System

Backup through the coordination of distribution centers nationwide

The Prescription Pharmaceutical Wholesale Business has distribution centers in 13 locations nationwide, with a system that enables cooperation. The Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business has distribution centers in 16 locations nationwide capable of the same functions. If impediments should occur in any area, it is possible for the neighboring distribution center to provide backup.

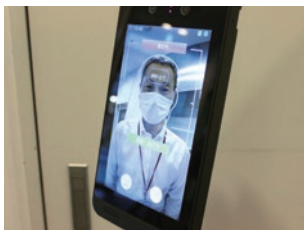
Distribution center of the Prescription Pharmaceutical Wholesale Business (Kanto ALC)

Distribution center of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business (RDC Saitama)

Efforts to Prevent the Spread of Infection among Employees and at Facilities

Installation of thermal cameras

We take the temperatures of outside visitors with a thermal camera and restrict entries.



Installation of splash guards for seats that face one another in our offices

We have installed acrylic plates to reduce the risk of infection from droplets, which are most dangerous when people speak face to face.

Distribution of masks to all employees

We distributed reserve masks for disaster use to all Group employees.

Promotion working from home

In an effort to lower the spread of the infection in Japan without interrupting work, when possible, our employees work from home using online meeting tools.

Initiatives to Prevent the Spread of Infections at Medical Institutions

Inspection by individual scans Promoting one delivery of products per day

In order to reduce contact with customers, we are using individual scans, a non-face-to-face method. We are also working to reduce the frequency of deliveries.

Wiping down delivery containers

When containers are returned by customers, we wipe them down with towels covered in antiseptic solution.

Washing and sterilizing vehicles and equipment

We clean product delivery areas and delivery vehicles with high-pressure washing equipment, and thoroughly sterilize tools and equipment as well as handrails inside facilities.

Wearing a mask and plastic gloves while working

We thoroughly enforce the wearing of masks and gloves inside facilities.

While working to prevent infections, we will provide the necessary products through safe, secure distribution.

Currently, the COVID-19 pandemic is continuing to spread. Our first priority is preventing the infection of our workers and their families. We are working to create an environment in which our employees can work with peace of mind, such as by distributing masks to all employees, installing thermal cameras and spray guards and encouraging working from home.

Although Japan has lifted its state of emergency, each employee thoroughly washes their hands and avoids the "three Cs" based on accurate information. We are striving to protect ourselves from infection while showing consideration for those around us.

In addition, we make thorough efforts to deliver products safely to our customers, such as through the use of individual scans, a non-face-to-face method. We clean vehicles and the product delivery areas and disinfect each container.

The COVID-19 pandemic is expected to be prolonged. However, as social infrastructure that supports people's lives and lifestyles we will continue to quickly take the necessary actions and reliably deliver the necessary products to those who need them through safe, secure distribution under any circumstances.

Yasuhiro Choufuku
General Manager of the COVID-19 Countermeasures Headquarters
MEDIPAL HOLDINGS CORPORATION

Information Management

Basic Policy

The MEDIPAL Group handles a variety of information, most notably the personal information of our clients. Managing and safeguarding this information is also an important social responsibility for the MEDIPAL Group. In addition to taking measures to protect our systems and other hardware, we consider it important to educate the employees who handle information. In this manner, we take a range of precautions, on both the hardware and the software sides, to ensure the rigor of our information management.

Policies and Systems

As a standard for information management, the MEDIPAL Group has established a Group-wide Information Security Policy. To ensure thorough information management, it has created an internal system, which is headed by the Chief Information Officer, with managers and personnel in each section.

Education System

The MEDIPAL Group considers the mentality of each and every employee who handles information to be the most critical element of information management. Accordingly, we raise awareness regarding information management by providing information security education through online training, etc. twice per year, periodically having employees carry out the "Information Security Oath," which consists of key points of note regarding the handling of information in our internal network.

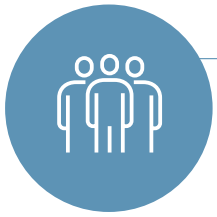
Initiatives for Information Protection

The MEDIPAL Group implements security measures to protect information and prevent its leakage, such as deploying antivirus measures and countermeasures against unauthorized access, and encrypting data on mobile computers in all Group companies.

Cyberterrorism countermeasures

Our cyberterrorism countermeasures include identifying suspicious email, blocking access to suspicious sites, using antivirus software, and keeping software updated to the most current versions. Furthermore, in order to deal with cases in which an attack breaks through these measures and attempts to steal data, we use counter-cyberterrorism software that monitors our systems 24 hours per day and immediately disconnects compromised systems, preventing data leakage. Our countermeasures are not limited to these preventive measures. We also caution and provide warnings to employees as necessary, and foster an enhanced awareness of information security through periodic awareness-raising activities.

Respect for Human Rights



Basic Policy

The MEDIPAL Group respects the fundamental human rights of every person including its employees. Accordingly, we believe that building a corporate culture of mutual acceptance will lead to corporate vitality. We conduct various initiatives aimed at strengthening the human resource foundation and creating an environment where employees can demonstrate their individual strengths to the fullest.

1 Personnel Development

Personnel Development Policy

As expressed in the saying, "A company is its people," employee growth is essential for improving corporate value. One of the MEDIPAL Group's management policies is to "faithfully create a free, open-minded corporate culture, and train creative personnel," and we are actively and continuously engaged in the development of our personnel.

Personnel Allocation

Job rotation is regularly implemented for the purpose of developing employees and vitalizing work environments. When selecting members for new business projects, we allocate personnel to maximize the potential of employees and the organization, including recruiting from inside the MEDIPAL Group.

Training System

In order to train creative personnel, we regularly provide level-specific training to all employees, from new recruits to section managers, department managers, etc. In addition, we provide occupation-specific training in order to develop highly skilled, diverse human resources. Furthermore, we provide opportunities for personal development through correspondence courses that are available to all Group employees.

Next-generation leader development

The MEDIPAL Group invites outside instructors to provide education and training, with the aim of developing personnel who are open-minded, creative and capable of formulating and implementing Group-wide strategies from a medium-to-long-term perspective. Participants in this education and training have, through repeated discussions, developed new business plans, presented these plans to management and had their plans put into actual operation. This program has been held on an annual basis since 2011, and has been attended by 84 employees (as of March 31, 2020).

Training and education for marketing specialists/pharmacists

For marketing specialists, we provide training and education through branch pharmacists regarding not only the efficacy of pharmaceuticals, but also the pathophysiology necessary to understand them, as well as related laws and regulations, such as the Pharmaceutical and Medical Device Act. We also have developed an environment that enables individual study through online training. In addition, we regularly hold training sessions for pharmacists using highly specialized scientific resources in order to promote enlightenment and information sharing.

Correspondence courses

Correspondence courses are offered as a part of the MEDIPAL Group's personnel training program. The courses are aimed at improvement of skills and ultimately at career development, and are based on research of themes useful in improving job performance. We offer 195 courses, such as for learning business skills, acquiring qualifications and studying foreign languages.

Skill enhancement programs

MEDICEO CORPORATION has established a skill enhancement support system for employees aged 35, 45 and 54. The goal of this program is to enable them to re-examine their life plans as a working member of society and to build motivation toward work and self-improvement through acquisition of willpower, knowledge and physical strength at important milestones in their careers. In addition to a special five-day paid leave, employees can also choose to participate in outside training programs (including correspondence courses) or undergo extensive medical checkups.

■ MEDICEO CORPORATION Training System

Job Grade		Level-Specific Training	Job Type/Other	E-Learning	Support
Management level employees	Department managers	• Sales department manager training	● Evaluator training	● Compliance (CSR, sexual harassment, power harassment, etc.) ● Department-specific training (Job skill and knowledge training/specialized knowledge training) ● AR exams	● Correspondence courses
	Section managers	• Section manager follow-up training II • Section manager follow-up training I • New section manager training • New branch manager training • New operating manager training			
Clerical positions	Deputy section managers/senior staff members	• Preliminary training for new section managers • Training for deputy section managers • Training for senior staff members	● Brother & Sister training ● Recruit training		
	Senior employees	• Fifth-year training • Third-year training			
	General employees	• Second-year training • New employee training			

Fair Evaluation and Treatment

The MEDIPAL Group has established evaluation indicators such as whether or not employees are taking actions that meet the expectations of their company and producing results accordingly. We conduct evaluations every six months.* The wage structure is based on duties, role and level of contribution. Job evaluation results are applied in determining promotions, pay raises and bonuses and we aim for fair treatment in order to maximize the capabilities and motivation of employees.

MEDICEO CORPORATION holds regular job evaluator training in order to assure fairness and validity of job evaluations. At the same time, evaluator meetings are held semiannually in each department for standardization of job evaluation and decision-making metrics. In addition, 360-degree (multilateral) surveys are conducted for branch managers and other employees in managerial positions for objective analysis of their own words and conduct on a daily basis, and the results are used to enhance management.

* At some Group companies, evaluations differ depending on employment system and occupation.

2 Pleasant Working Environments

The MEDIPAL Group creates workplace environments in which employees can work without sacrificing their own lifestyles and values, and provides support to help them lead healthy, fulfilling lives, both mentally and physically.

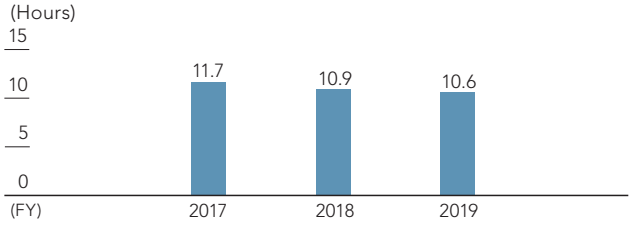
Promoting Workstyle Reform

MEDICEO CORPORATION set up a Workstyle Reform Committee in May 2017 to promote improvement in productivity and in work-life balance.

(1) System reform

With the introduction of more flexible working hours, including staggered and variable working hours, and a new work scheme, we are promoting more effective work styles. This has included a reduction in overtime work and an increase in the rate of use of paid leave.

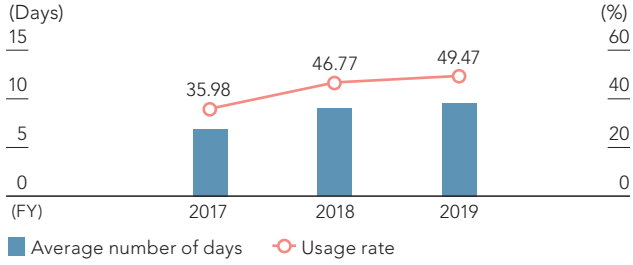
Changes in Average Monthly Overtime Work



Telework: By enabling employees to work at home, we are expanding the range of workstyle options and improving productivity.

Planned energy-recharge paid leave: As a measure to promote greater use of paid leave, energy-recharge paid leave for five days each year has been introduced to promote employee health and work-life balance.

Usage of Paid Leave (Average)



(2) Employee awareness and corporate culture reform

In order to promote workplace and employee awareness and corporate culture reform, we implement workplace-level activities and encourage employee proposals with the goal of improving productivity. We recognize outstanding workplaces and employees on a semiannual basis. Award-winning proposals and activities are posted on the intranet for information sharing purposes and to promote successful examples throughout the organization.

(3) Work reform

Measures are being implemented to achieve efficient work styles. They include re-examination of work details, reduction of wasted time and change in work styles.

Initiatives for Optimal Time Management and Reduction in Overtime Work

Work hours, including the start of work and end of work, are managed and recorded objectively through the use of IC cards and other measures. We work to promote awareness of optimal time management among all employees and hold discussions between labor and management with the aim of reducing overtime work.

Additionally, "No-Overtime Days" and other measures encourage employees to leave at the end of their scheduled work hours. We believe that this increases the time they can spend with their families, and on their own hobbies and studies, and promotes a better work-life balance while enabling them to work more systematically and efficiently, improving the quality of their work.

Support Measures for Handling Work and Personal Life

We strive to create workplace environments in which it is easy for employees to use various systems (childcare and nursing care leave systems, childcare shift system, short shift system, caregiving leave system), so that employees can achieve work-life balance at every life stage – managing their work and lifestyles themselves and experiencing joy and fulfillment in their work.

Through the "Job Return" program to support work-life balance, MEDICEO CORPORATION offers reemployment opportunities to employees who left the company due to unavoidable family-related reasons, such as marriage, childbirth, childcare, nursing care and spouse job relocation.

3 Health Management

Health Management

As a distribution group that supports the pharmaceutical, health and beauty fields, the health of our employees is paramount. The MEDIPAL Group actively carries out initiatives to maintain both the physical and mental health of its employees.

Improvement in health checkups and increase in participation rate

The MEDIPAL Group provides regular health checkups for employees to detect any illness early and to maintain and improve wellness. The participation rate is nearly 100%.

MEDICEO CORPORATION offers non-standard medical inspection items in addition to items that are statutory requirements.

Mental health measures

The Group is dedicated to protecting the mental health of its employees, provides mental health education and performs awareness-raising activities at all Group companies. We have also established an EAP Hotline.*

*EAP (Employee Assistance Program) hotline: Employee contact point offering counseling on work-related and private concerns.

Influenza prevention

In order to maintain employee health, influenza vaccinations are provided to all interested employees each year.

Mindfulness

Mindfulness (brain and mental relaxation method based on meditation) sessions have been held at all Group companies for the improvement of mental and physical health. The sessions are aimed at providing relief for mental and physical stress, improving concentration and enhancing the ability to handle stress.

Japan Health Master Exam

The Japan Health Master Exam, which has been administered since 2017 by the Japan Healthy Lifestyle Promotion Association, promotes healthier business operation, and an increasing number of companies and local governments are engaging in efforts aimed at receiving certification. In the MEDIPAL Group, employees take the exam's expert course in order to improve their health literacy and contribute to society. To date, a total of 3,984 employees have passed the exam (as of June 30, 2020).

健康マスター

4 Diversity

Since its founding in 1898, the MEDIPAL Group has been involved in numerous mergers, and has achieved continuous growth through expansion and innovation. Employees from a range of corporate cultures and with a range of experiences, providing it with a foundation that contributes to its efforts to promote diversity.

Employment Diversification

The MEDIPAL Group uses various employment activities to invigorate the entire Group. Through hiring categories such as new graduate hiring, mid-career hiring, hiring of employees with disabilities, and rehiring of employees who have reached retirement age, we are leveraging the uniqueness and strengths of each employee. The average rate of employment of people with disabilities in the MEDIPAL Group is 2.45% (as of March 31, 2020), and we will continue to actively hire and promote people with disabilities.

Promotion of Women's Workplace Participation

As a distribution group that supports the pharmaceutical, health and beauty fields, the perspectives of women are indispensable. The ratio of female employees in the MEDIPAL Group is rising, and we aim to create workplaces that are more accommodating to women through efforts such as work style optimization. This will contribute to our ability to provide an even greater level of service to customers.

At MEDICEO CORPORATION, female employees actively participate in in-house projects and play a key role in helping the Company fulfill its mission.

Ratio of Female Employees in the MEDIPAL Group

	March 31, 2019	March 31, 2020
Ratio of female employees (regular employees)	29.8%	30.4%
Ratio of female managers	8.4%	8.9%
Number of corporate officers, executive officers, etc.*	5.3%	5.0%
Managers	6.2%	7.0%
Leaders	12.7%	12.9%

*Number of corporate officers is as of June 30, 2020

5 Human Rights Protection Initiatives

We protect the human and working rights of our employees, and work to improve the environment by establishing internal regulations and a hotline that enable smooth work operations.

Development of Harassment Prevention Regulations

The MEDIPAL Group has established the necessary regulations to prevent various forms of harassment and has set up a system that allows all of its employees to work with peace of mind. In addition to ensuring that anyone making a consultation will not face disadvantageous treatment, we take strict measures in accordance with the internal rules of each Group company should an improper act occur.

Establishment of a Harassment and Interpersonal Relation Hotline

We have established an external hotline that employees can use for consultations regarding sexual harassment, power harassment, gender harassment, interpersonal relation issues and other workplace problems. Counselors are qualified industrial counselors, clinical psychologists, and psychiatric social workers. Consultations can be made 24 hours a day via telephone or the Internet. It is also possible to make a consultation anonymously.

Environmental Conservation Initiatives

Basic Policy

The MEDIPAL Group strives to reduce greenhouse gas emissions and to promote the appropriate disposal of waste, with the aim of preventing global warming and creating a recycling-oriented society as a Group that contributes to human health and the advancement of society.

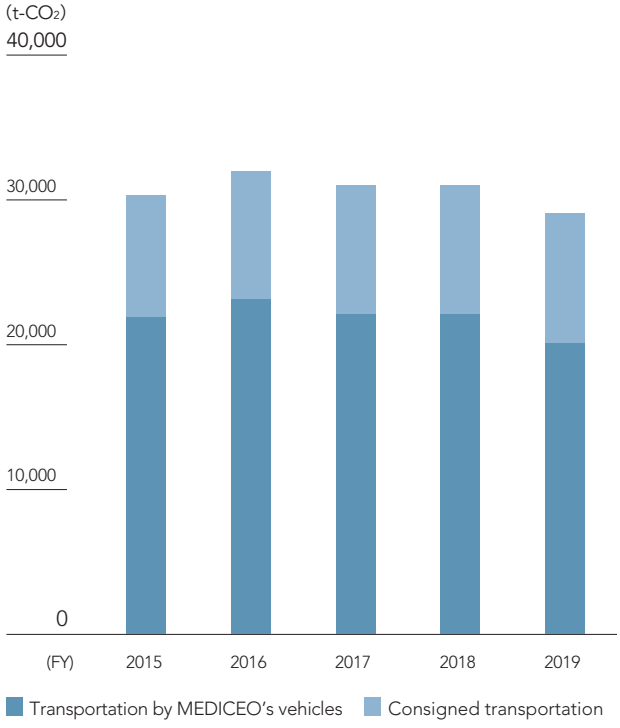
Efforts for Reducing CO_2 Emissions, Cutting Power Usage and Preventing Global Warming

Emissions related to transportation

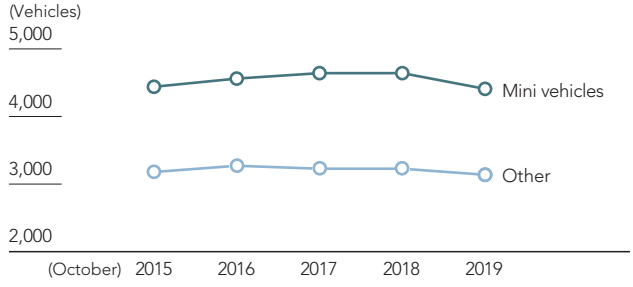
MEDICEO CORPORATION is designated as a specified consigner and specified freight carrier under the Energy Saving Act,* and tabulates the CO_2 emissions produced by its fleet of vehicles and consigned transport activities. CO_2 emissions in fiscal 2019 decreased by 1,898 t-CO_2 compared with the previous fiscal year. In the Prescription Pharmaceutical Wholesale Business, we decreased the fleet size from 7,865 vehicles in the previous fiscal year to 7,541. In addition, we raised the introduction ratio of highly fuel efficient mini vehicles with low environmental impact, and are working to prevent large increases in CO_2 emissions per fleet vehicle.

* Act on Rationalizing Energy Use

CO_2 Emissions Resulting from Transportation (MEDICEO CORPORATION)



Number of Mini Vehicles in the Fleet



Scope: MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION

CO_2 Emissions Resulting from Fleet Vehicles

Fiscal	2015	2016	2017	2018	2019
Amount of fuel (kl)	12,014	11,939	12,431	12,245	11,657
CO_2 emissions (t-CO_2)	27,892	27,718	28,862	28,428	27,109
Number of vehicles (as of October)	7,434	7,613	7,828	7,865	7,541
Emissions per vehicle (t-CO_2)	3.75	3.64	3.69	3.61	3.59

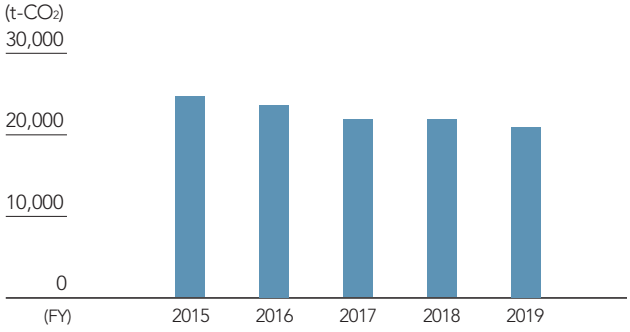
* Formula for calculating CO_2 emissions: Amount of fuel (kl) x 34.6 (GJ/kl: calorific value per unit) x 0.0183 (tC/GJ: emission coefficient) x 44/12

Scope: MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION

CO_2 emissions from facilities

MEDICEO CORPORATION is a specified business operator under the Energy Saving Act and calculates CO_2 emission data for ALCs and other facilities. Its adjusted greenhouse gas emissions for fiscal 2019 were 20,820 t-CO_2, a reduction of 934 t-CO_2. This was due to a decrease in electricity usage in buildings as a result of the climate during the fiscal year.

■ Total CO_2 Emissions from Facilities



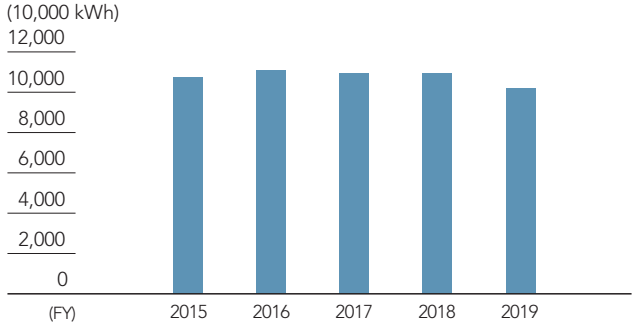
Scope: MEDICEO CORPORATION

Power usage

Each company in the MEDIPAL Group manages the power consumption amounts at its facilities. The main companies in the MEDIPAL Group used a total of 101,890,000 kWh of power in fiscal 2019.

MEDICEO CORPORATION installed demand monitoring devices in some of its buildings, in order to visualize power usage and reduce maximum demand power, etc.

■ Power Usage of the Entire Group



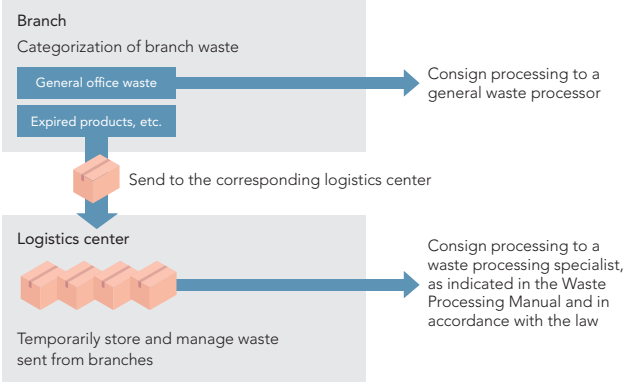
Scope: MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION, MP AGRO CO., LTD., MEDIPAL FOODS CORPORATION

Waste Processing and Effective Resource Utilization

Waste processing

As a distribution group, the MEDIPAL Group has created a Waste Processing Manual detailing processing procedures for pharmaceuticals and other waste, in accordance with laws such as the Basic Act on Establishing a Sound Material-Cycle Society. The Group processes waste appropriately and in compliance with laws and regulations.

■ Waste Processing Procedure

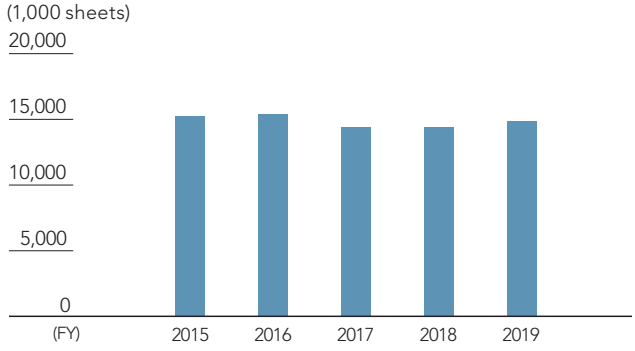


Scope: MEDICEO CORPORATION, EVERLTH Co., Ltd., ATOL CO., LTD., MM CORPORATION, PALTAC CORPORATION

Effective resource utilization

MEDICEO CORPORATION tabulates paper usage counts by multifunction printers, and strives to reduce paper waste. It is reducing paper consumption by promoting dual-sided printing and working to utilize resources effectively.

■ Multifunction Printer Paper Usage



Scope: MEDICEO CORPORATION

Social Initiatives

Basic Policy

The MEDIPAL Group is highly aware that, as a corporate entity, it is also a member of society. Through its activities, it aims to be a company that is trusted widely by its stakeholders.

AED installation

The MEDIPAL Group has installed AEDs* at logistics centers and other locations where large numbers of employees gather and work.

* AED (Automated External Defibrillator): AEDs are medical devices that apply an electric shock to a heart that is undergoing ventricular fibrillation (quivering condition of the heart that prevents it from being able to circulate blood through the entire body), thereby restoring it to its normal state.

Establishment of bone marrow donor leave

The MEDIPAL Group has established a bone marrow donor leave system, enabling employees to take special paid leave for the registration, examinations, hospitalization, health diagnoses, etc., involved in bone marrow donation.

Promotion of participation in "Dementia Supporters" training programs

MEDIPAL HOLDINGS CORPORATION, MEDICEO CORPORATION, EVERLTH Co., Ltd., and ATOL CO., LTD. promote participation in "Dementia Supporters" training programs, which help to create communities that enable persons with dementia and their families to enjoy peace of mind. "Dementia Supporters" are persons with an accurate understanding of dementia, who provide warm support to persons suffering from dementia and their families. More than 1,000 employees have become Dementia Supporters.

Support for patients with rare and intractable diseases

The MEDIPAL Group supports the Rare Disease Day, a global initiative with the aim of improving the quality of life of patients with rare and intractable diseases through better diagnosis and treatment.

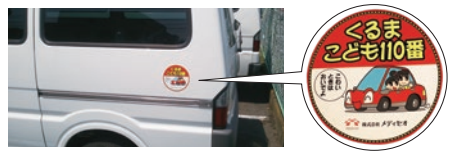
Support for raising awareness of COPD

Chronic obstructive pulmonary disease (COPD) is a disease in which the airways and lungs become inflamed from smoking, leading to deterioration of lung functions. The fact that many people do not receive diagnoses or treatments for this disease is also an issue. The MEDIPAL Group supports the COPD Awareness Project in its efforts to raise awareness of COPD, with the goal of leading more patients to early diagnosis and treatment.

COPD啓発プロジェクト
COPD Awareness Campaign

Regional contribution with "Kuruma Kodomo 110" stickers

MEDICEO CORPORATION leverages its sales activities, which are closely linked to local communities, to contribute to safer environments for children by applying "Kuruma Kodomo 110 (vehicles that help keep children safe)" stickers to company-owned vehicles.



Support for patients with rare and intractable diseases

MEDIPAL, as a company that plays a part in healthcare, supports "Momiji House," a short-term in-patient facility for children with serious illnesses and disabilities and their families operated by the National Center for Child Health and Development. As part of this initiative, we planned a spring concert featuring violinist Ikuko Kawai at the center's auditorium on February 4, 2020. This event allowed children who cannot usually go to amusement facilities and their families to enjoy a relaxing time together. The participants swayed to the music and clapped along while listening to the concert. We received lovely comments, such as "I had given up on ever seeing a concert with my family. We were deeply moved!"

Glossary

● Prescription Pharmaceutical Wholesale Business
● Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

A	
● ALC: Area Logistics Center	A state-of-the-art distribution center in the Prescription Pharmaceutical Wholesale Business. ALCs provide highly functional logistics services to healthcare institutions, including a large selection of pharmaceuticals and related items, high shipping accuracy, Saturday delivery, and partial lot sales.
● AR: Assist Representatives	A MEDIPAL Group employee who has passed the MR qualification exam and is engaged full-time in businesses such as PFM®.
● AUPUS: Automatic Piece Picking Ultimate System	A next-generation logistics system that automates product storage, issuing, and sorting.
D	
● DMR: Diagnostics Medical Information Representatives	Person in charge of diagnostics medical information.
● DS: Delivery Specialist	Person in charge of deliveries in the Prescription Pharmaceutical Wholesale Business.
F	
● FDC: Front Distribution Center	Distribution centers that hold inventories of products in cases that are ordered frequently, thus providing support for RDCs.
● FLC: Front Logistics Center	A distribution and sales base that can provide the same quality of service as ALCs. To make our logistics services available to all healthcare institutions nationwide, FLCs operate mainly in areas that ALCs cannot cover directly.
M	
● McHIL®: Mediceo Hospital Innovative Logistics	A system that applies ALC functions and know-how to logistics in hospitals. Supports improvement of efficiency in hospital logistics operations.
● MR: Medical Representatives	Person in charge of drug information at pharmaceutical companies.
● MS: Marketing Specialist	Person in charge of sales in the Prescription Pharmaceutical Wholesale Business.
● MUPPS: Multitaskcrane Piece Picking System	A newly developed crane-based product-picking system. The system moves products to the location of the worker, thereby eliminating the need to walk and find each product with a cart. This system doubles productivity.
P	
● PFM®: Project Finance & Marketing	PFM® is a business model developed by MEDIPAL. We invest in orphan drugs in the development stage and supply them to healthcare providers through preferential marketing rights after they are launched.
● PMS: Post Marketing Surveillance	Surveillance that the Japanese government requires companies to conduct after launching pharmaceuticals to verify their quality, efficacy, and safety. PMS consists of early post-marketing phase vigilance and Post-Marketing Surveillance.
● PRESUS®: Pharmacy Real-time Support System	An all-in-one system that functions together with ALCs to conduct automatic ordering and inventory management based on demand forecasts. This system supports the various operations of dispensing pharmacies.
R	
● RDC: Regional Distribution Center	Large-scale distribution centers that PALTAC operates nationwide. RDCs handle cosmetics, daily necessities,over-the-counter pharmaceuticals and other items.
S	
● SCM: Supply Chain Management	Management to optimize the efficient flow of goods and information throughout the product distribution process until the manufactured product is purchased by the consumer.
● SPAID: Super Productivity Advanced Innovative Distribution	A proprietary developed total-management and operation system for next-generation logistics centers based on the adoption of AI, cutting-edge robot technology, or MUPPS. This system yields twice the volume of conventional systems with the same number of workers.

Japan's Drug Pricing System

In Japan, official prices (National Health Insurance (NHI) drug price standards) for pharmaceuticals that can be used for insured medical treatments are stipulated by the Ministry of Health, Labour and Welfare and the Central Social Insurance Medical Council. Medical institutions and dispensing pharmacies bill the cost of pharmaceuticals used by patients at the official prices. However, delivery prices of pharmaceuticals sold to medical institutions and dispensing pharmacies by pharmaceutical wholesalers are the prevailing prices set by the market. The official prices of prescription pharmaceuticals are revised regularly to reflect market prices.

Eleven-Year Financial Highlights

MEDIPAL HOLDINGS CORRPORATION and its consolidated subsidiaries
Years ended March 31

	2010/3	2011/3	2012/3	2013/3	2014/3
Sales and Income:					
Net sales	¥2,546,030	¥2,662,822	¥2,750,233	¥2,810,960	¥2,947,799
Gross profit	191,091	188,147	192,568	202,142	209,358
Selling, general and administrative expenses	172,657	174,598	171,677	173,622	174,695
Operating profit	18,434	13,549	20,891	28,520	34,663
Ordinary profit	26,803	22,889	31,548	39,643	49,778
Profit attributable to owners of parent	1,958	1,705	11,651	18,656	25,485
Depreciation	11,441	12,158	12,661	12,619	13,147
Capital expenditures	28,927	22,708	16,678	21,307	24,743
Financial Position:					
Total assets	¥1,166,487	¥1,284,680	¥1,274,411	¥1,328,601	¥1,400,792
Total net assets	330,993	340,984	354,344	381,892	407,481
Cash Flows:					
Cash flows from operating activities	¥ 13,993	¥ 49,474	¥ (1,988)	¥ 61,769	¥ (73)
Cash flows from investing activities	(29,845)	(24,101)	(12,166)	(15,841)	(28,066)
Cash flows from financing activities	10,195	(10,101)	(7,252)	(14,379)	(2,834)
Free cash flow	(15,852)	25,373	(14,154)	45,928	(28,139)
Per Share:					
Basic earnings	¥ 8.31	¥ 7.27	¥ 49.60	¥ 82.24	¥ 112.77
Total net assets	1,236.15	1,275.94	1,329.60	1,433.19	1,529.63
Cash dividends	18.00	18.00	18.00	20.00	23.00
Ratios (%):					
Ratio of gross profit to sales	7.5	7.1	7.0	7.2	7.1
Profit ratio	0.7	0.5	0.8	1.0	1.2
Net worth ratio	24.86	23.30	24.34	24.33	24.69
Return on equity	0.67	0.58	3.82	5.89	7.62
Return on assets	2.42	1.92	2.51	3.09	3.68
Payout ratio	216.7	247.7	36.3	24.3	20.4
Number of employees	11,363	11,661	11,194	11,115	10,930

Note: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to U.S. $1.00, the approximate exchange rate on March 31, 2020. Yen amounts on all pages except for the Financial Statements are rounded down to the nearest million yen. Yen amounts in the Financial Statements are rounded to the nearest million yen.

* The main reason for the increase in employees in comparison to the end of the previous fiscal year is the partial change to employment practices, with a new system being introduced on October 1, 2016.

					Millions of yen	Thousands of U.S. dollars (Note)
2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2020/3
¥2,872,906	¥3,028,187	¥3,063,901	¥3,146,314	¥3,181,929	¥3,253,079	$29,891,381
201,736	217,497	219,019	228,100	232,503	236,739	2,175,310
168,941	175,214	179,369	183,839	182,675	183,629	1,687,301
32,795	42,283	39,650	44,261	49,828	53,110	488,009
44,476	55,141	53,360	57,349	63,914	68,020	625,011
23,688	30,772	29,012	34,781	34,359	37,968	348,874
12,326	12,391	13,573	14,898	13,452	14,233	130,782
15,168	38,395	44,884	20,653	19,361	29,322	269,429
¥1,454,800	¥1,497,310	¥1,525,912	¥1,618,819	¥1,617,911	¥1,644,279	$15,108,692
457,604	488,329	521,165	572,656	592,848	607,424	5,581,402
¥ 80,467	¥ 21,985	¥ 47,955	¥ 63,559	¥ 63,716	¥ 56,917	$ 522,990
(11,834)	(41,267)	(11,355)	(43,065)	(23,513)	(13,319)	(122,384)
(19,835)	6,093	(17,663)	15,845	(30,755)	(49,068)	(450,868)
68,633	(19,282)	36,600	20,494	40,203	43,598	400,606
¥ 104.73	¥ 135.89	¥ 128.12	¥ 154.13	¥ 154.09	¥ 175.80	$ 1.615
1,722.56	1,832.45	1,950.25	2,154.93	2,233.52	2,382.88	21.895
24.00	28.00	31.00	34.00	38.00	41.00	0.377
7.0	7.2	7.1	7.3	7.3	7.3	
1.1	1.4	1.3	1.4	1.6	1.6	
26.81	27.71	28.94	29.89	30.71	30.43	
6.44	7.65	6.77	7.51	7.00	7.62	
3.14	3.76	3.55	3.66	3.96	4.18	
22.9	20.6	24.2	22.1	24.7	23.3	
10,930	10,959	13,252*	14,151	13,868	13,599	

Financial Review

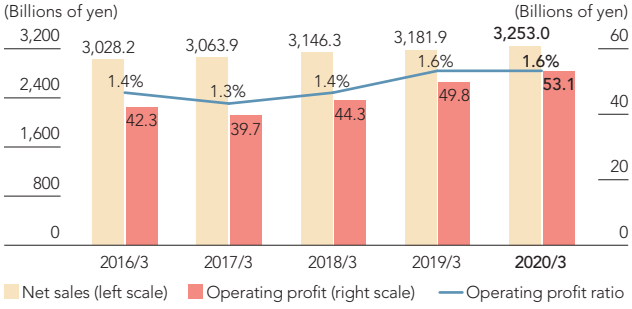
Management Environment and Strategies

While the fiscal year ended March 31, 2020 initially saw a gradual recovery in Japan's economy, reflecting the effects of government economic policies and improvements in the employment and income environment and other factors, harsh conditions caused by the global COVID-19 pandemic are now ongoing, including a downturn in economic activity. As a business that handles pharmaceutical products and daily necessities, the MEDIPAL Group is required to continue its operations under these circumstances. The MEDIPAL Group is devoting its full efforts to supporting people's lives and lifestyles with the mission of providing steady supplies of products at any time.

The MEDIPAL Group formulated its "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future – Innovation for the Future," a vision aimed at a new *Oroshi* business model that benefits society with distribution in the fields of pharmaceuticals, health and beauty, to prepare for changes in the social environment. The new vision was announced on May 15, 2019. The MEDIPAL Group will carry out further innovation in existing businesses and shift new businesses from the "creation" stage to the "expansion" stage. At the same time, the MEDIPAL Group will build new frameworks that benefit customers and society through partnerships with companies in various fields, and by doing so, aims to further expand its earnings foundation and achieve sustainable growth.

Overview of Sales and Income

Net Sales, Operating Profit and Operating Profit Ratio



Net Sales

Consolidated net sales increased 2.2% year on year to ¥3,253,079 million. In the Prescription Pharmaceutical Wholesale Business, sales increased 1.8% year on year. Sales of prescription pharmaceuticals were firm due to growth in sales of new drugs, including an anti-cancer drug, despite the effects of NHI drug price revisions implemented in conjunction with an increase in the consumption tax rate on October 1, 2019. In the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, sales increased 3.1% year on year. In the Animal Health Products and Food Processing Raw Materials Wholesale Business sales increased 3.3% year on year.

Operating Profit

Operating profit increased 6.6% year on year to a new record high of ¥53,110 million. The operating profit ratio was unchanged from the previous fiscal year at 1.6%. Both the ratio of gross profit to sales and the ratio of selling, general and administrative (SG&A) expenses to sales remained at the same level as in the previous fiscal year.

Ordinary Profit and Profit Attributable to Owners of Parent

Ordinary profit increased 6.4% year on year to ¥68,020 million. Profit attributable to owners of parent increased 10.5% year on year to ¥37,968 million because the Group recognized gain on sale and retirement of non-current assets. The impact of the COVID-19 pandemic on results has not been material.

Segment Profit or Loss

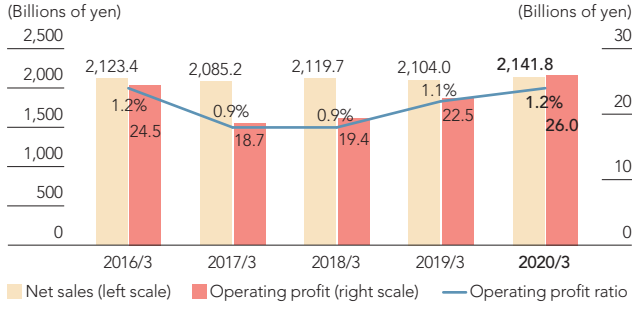
Note: Segment sales include intersegment sales and transfers.

Prescription Pharmaceutical Wholesale Business

(Millions of yen)

Years ended March 31	2019	2020
Net sales	¥2,103,969	**¥2,141,828**
Operating profit	22,461	**26,055**
Assets	1,165,441	**1,143,160**
Depreciation	8,585	**8,642**
Capital expenditures	8,398	**10,333**

Net Sales, Operating Profit and Operating Profit Ratio

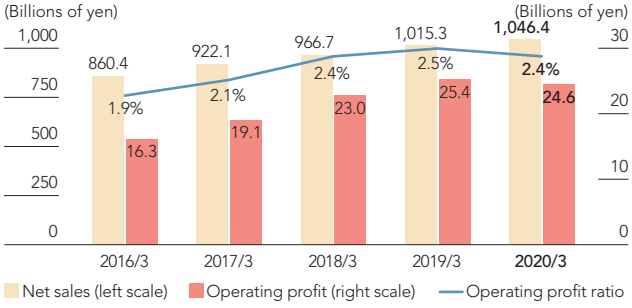


Net sales in the Prescription Pharmaceutical Wholesale Business increased 1.8% year on year to ¥2,141,828 million. In addition, operating profit increased 16.0% year on year to ¥26,055 million because of earnings generated as a result of reduced SG&A expenses due to increased productivity, new business initiatives and other factors.

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

		(Millions of yen)
Years ended March 31	2019	2020
Net sales	¥1,015,254	**¥ 1,046,413**
Operating profit	25,372	**24,681**
Assets	387,012	**413,817**
Depreciation	4,491	**5,058**
Capital expenditures	10,701	**18,792**

Net Sales, Operating Profit and Operating Profit Ratio

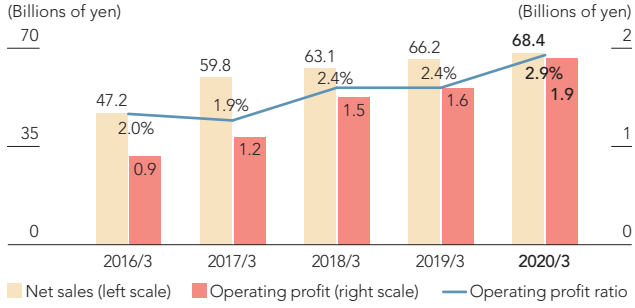


Net sales in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business increased 3.1% year on year to ¥1,046,413 million. However, operating profit decreased 2.7% year on year because of non-recurring investments in growth and higher shipping costs due to Japan's labor shortage.

Animal Health Products and Food Processing Raw Materials Wholesale Business

		(Millions of yen)
Years ended March 31	2019	2020
Net sales	¥66,190	**¥ 68,405**
Operating profit	1,608	**1,979**
Assets	24,322	**25,211**
Depreciation	156	**247**
Capital expenditures	234	**168**

Net Sales, Operating Profit and Operating Profit Ratio



Net sales in the Animal Health Products and Food Processing Raw Materials Wholesale Business increased 3.3% year on year to ¥68,405 million. Operating profit increased 23.1% to ¥1,979 million because sales were firm as a result of aggressive sales activities.

Overview of Financial Position

Assets, Liabilities and Net Assets

Assets

As of March 31, 2020, total assets were ¥1,644,279 million, an increase of ¥26,368 million from the end of the previous fiscal year. Total current assets were ¥1,146,179 million, an increase of ¥10,777 million, primarily because cash and deposits decreased ¥5,480 million, merchandise and finished goods increased ¥5,304 million and income taxes receivable (included in "Other") increased ¥8,578 million. Total non-current assets increased ¥15,591 million from the end of the previous fiscal year to ¥498,100 million, primarily because total property, plant and equipment increased ¥11,394 million and total investments and other assets increased ¥7,246 million.

Liabilities

As of March 31, 2020, liabilities totaled ¥1,036,855 million, an increase of ¥11,792 million from the end of the previous fiscal year. Current liabilities increased ¥12,982 million from the end of the previous fiscal year to ¥945,600 million, primarily because notes and accounts payable – trade increased ¥13,976 million. Total non-current liabilities decreased ¥1,190 million from the end of the previous fiscal year to ¥91,255 million, primarily because long-term borrowings decreased ¥3,558 million.

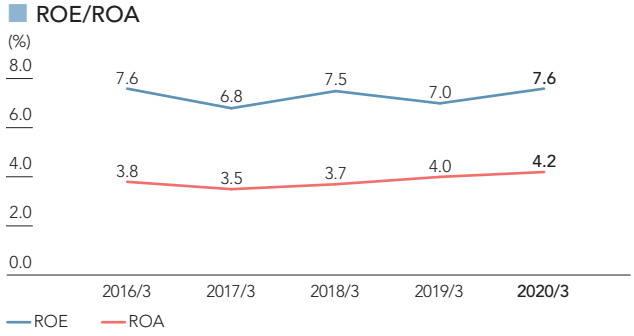
Net Assets

As of March 31, 2020, total net assets were ¥607,424 million, an increase of ¥14,576 million from the end of the previous fiscal year. This was mainly due to an increase of ¥29,320 million in retained earnings, a decrease of ¥28,140 million due to purchase of treasury shares, an increase of ¥2,852 million in valuation difference on available-for-sale securities, and an increase of ¥11,137 million in non-controlling interests. In August 2019, the Company purchased 12,500,018* treasury shares in line with its flexible capital policy to improve capital efficiency.

* The ratio of treasury shares purchased to the number of shares issued (excluding treasury shares) was 5.95%.

Capital Efficiency

In the fiscal year ended March 31, 2020, ROE increased by 0.6 percentage points from the previous fiscal year to 7.6%, while ROA rose by 0.2 percentage points to 4.2%. The increase in ROE was due primarily to an increase in return on sales.



* ROA is calculated by using "ordinary profit + interest expenses" as the denominator.

Overview of Cash Flows

As of March 31, 2020, cash and cash equivalents (cash) totaled ¥224,541 million, a decrease of ¥5,470 million from the end of the previous fiscal year.

Cash Flows from Operating Activities

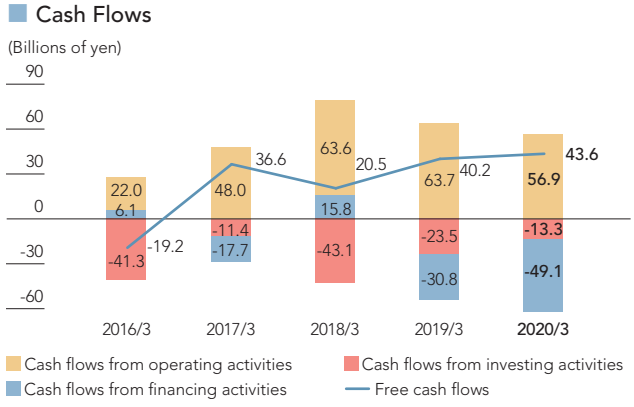
Net cash provided by operating activities was ¥56,917 million, a decrease of ¥6,799 million from the previous fiscal year, due to solid performance in each business and cost reductions, particularly in the Prescription Pharmaceutical Wholesale Business. Principal factors were profit before income taxes of ¥75,536 million, depreciation of ¥14,233 million, an increase in notes and accounts receivable – trade of ¥2,703 million, an increase of ¥5,252 million in inventories, an increase of ¥13,976 million in trade payables, and income taxes paid of ¥29,920 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥13,319 million, a decrease of ¥10,194 million from the previous fiscal year. The main factors were ¥24,300 million for the purchase of property, plant and equipment in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business and other operations, and proceeds of ¥14,031 million from sales of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥49,068 million, an increase of ¥18,312 million from the previous fiscal year. The principal factors were a net decrease in borrowings of ¥8,450 million, cash dividends paid of ¥10,836 million and purchase of treasury shares of ¥28,250 million.

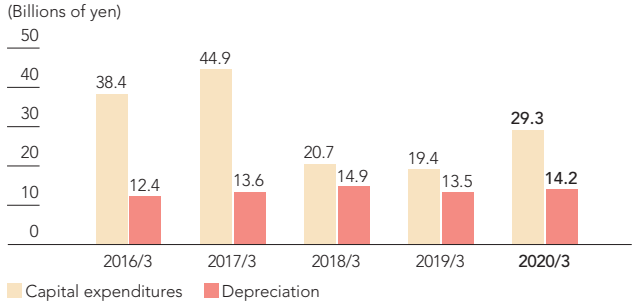


Capital Expenditures

Capital expenditures for the MEDIPAL Group in the fiscal year ended March 31, 2020 totaled ¥29,321 million, including ¥26,536 million for capital investments and ¥2,784 million for investment in software, mainly in the Prescription Pharmaceutical Wholesale Business and the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business to further reinforce logistics functions and enhance efficiency. The Company funded capital expenditures using internal capital resources and loans.

Major investments included capital investments of ¥7,761 million for construction of the Kanto ALC of MEDICEO CORPORATION and the Hiroshima ALC of EVERLTH Co., Ltd. in the Prescription Pharmaceutical Wholesale Business, investment in software of ¥2,570 million for integration of the mainframe systems for sales and logistics, as well as capital investments of ¥18,604 million for the construction of RDC Saitama of PALTAC CORPORATION in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business.

Capital Expenditures and Depreciation



Dividend Policy

The Company considers returns to shareholders one of its highest management priorities. The Company's basic policy for the distribution of profits is to provide dividends that are linked to profits from business activities, while securing the necessary internal reserves to strengthen its financial position and aggressively expand its businesses.

The Company's basic policy is to pay dividends twice a year, an interim and a fiscal year-end dividend from retained earnings.

The amount of these dividends is decided by the Board of Directors.

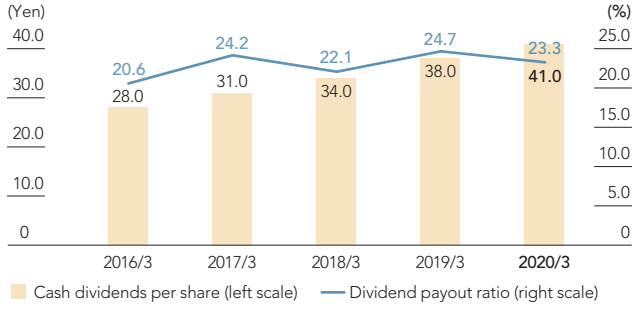
Based on consideration of the Company's financial condition during the fiscal year under review and other factors, the Board has set cash dividends applicable to the fiscal year at ¥41.00 per share, including an interim dividend of ¥20.00 per share and year-end cash dividend of ¥21.00 per share. As a result, the consolidated payout ratio for the period ended March 31, 2020 was 23.3%.

Internal reserves will be used effectively for the purpose of promoting innovations aimed at strengthening and expanding business to cope with change and other objectives. In executing a flexible capital policy that responds to changes in the corporate environment, the Company will appropriately make repurchases of its own shares, taking into account its financial condition, stock price, and other factors.

For the fiscal year ending March 31, 2021, the Company plans to pay dividends of ¥42 per share, consisting of an interim and a year-end dividend of ¥21 per share each.

Going forward, the Company will continue its basic approach of distribution of profits and will strive to maintain stable dividends with a target consolidated payout ratio of 30% based on its new vision, "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future – Innovation for the Future," announced on May 15, 2019.

Cash Dividends per Share and Dividend Payout Ratio



Outlook for the Fiscal Year Ending March 31, 2021

The operating companies of the MEDIPAL Group handle products that are essential to people's safe, secure lives. A stable supply of these products is therefore necessary, whether in ordinary times or during emergencies. The end of the COVID-19 pandemic remains uncertain, but the MEDIPAL Group will continue to fulfill its role as a part of the social infrastructure. At the same time, the MEDIPAL Group will continue initiatives in each business that reflect its new vision, "2022 MEDIPAL Medium-Term Vision: Change the *Oroshi* Future – Innovation for the Future," and will work to expand its earnings foundation and achieve sustainable growth.

The MEDIPAL Group had not determined a performance forecast for the fiscal year ending March 31, 2021 because of the difficulty in reasonably calculating the impact of the COVID-19 pandemic on the business performance of the MEDIPAL Group. However, taking into account currently available information, the MEDIPAL Group has made calculations based on the assumption that social restrictions, including another declaration of a state of emergency, will not materialize.

The impact of the COVID-19 pandemic will likely be prolonged. At least for the fiscal year ending March 31, 2021, the MEDIPAL Group assumes that patient visits to medical institutions will remain suppressed in the Prescription Pharmaceutical Wholesale Business, and that demand from overseas tourists in Japan will not recover in the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business.

For the fiscal year ending March 31, 2021, the MEDIPAL Group expects net sales of ¥3,218,000 million, operating profit of ¥43,000 million, ordinary profit of ¥57,000 million and profit attributable to owners of parent of ¥30,000 million.

Consolidated Balance Sheets

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2020**	2019	**2020**
Current assets:			
Cash and deposits (Notes 4, 5 and 17)	**¥ 207,545**	¥ 213,025	**$ 1,907,057**
Notes and accounts receivable–trade (Notes 4 and 7)	**689,144**	686,886	**6,332,298**
Securities (Note 4)	**18,770**	18,770	**172,471**
Merchandise and finished goods	**151,123**	145,819	**1,388,615**
Accounts receivable–other (Note 4)	**65,112**	64,867	**598,291**
Other	**14,945**	6,628	**137,324**
Allowance for doubtful accounts	**(460)**	(593)	**(4,227)**
Total current assets	**1,146,179**	1,135,402	**10,531,829**
Property, plant and equipment (Note 11):			
Buildings and structures (Notes 9 and 10)	**196,029**	190,632	**1,801,240**
Machinery, equipment and vehicles (Notes 10 and 13)	**66,798**	55,761	**613,783**
Land (Notes 9, 10 and 12)	**120,596**	118,348	**1,108,114**
Construction in progress	**3,510**	8,231	**32,252**
Other (Note 9)	**26,201**	27,548	**240,752**
Total property, plant and equipment	**413,134**	400,520	**3,796,141**
Accumulated depreciation	**(147,557)**	(146,337)	**(1,355,849)**
Property, plant and equipment, net	**265,577**	254,183	**2,440,292**
Intangible assets:			
Software	**8,167**	8,803	**75,044**
Other	**2,877**	5,291	**26,435**
Total intangible assets	**11,044**	14,094	**101,479**
Investments and other assets:			
Investment securities (Notes 4, 6 and 17):			
Unconsolidated subsidiaries and associates	**50,141**	48,166	**460,728**
Other	**145,486**	142,434	**1,336,819**
Long-term loans receivable (Note 4)	**116**	15	**1,066**
Deferred tax assets (Note 20)	**5,161**	3,600	**47,423**
Net defined benefit asset (Note 16)	**4,332**	5,234	**39,805**
Other assets:			
Unconsolidated subsidiaries and associates (investment in capital of subsidiaries and associates)	**6,152**	5,224	**56,529**
Others	**11,107**	10,843	**102,058**
Allowance for doubtful accounts	**(1,016)**	(1,284)	**(9,336)**
Total investments and other assets	**221,479**	214,232	**2,035,092**
Total assets	**¥1,644,279**	¥1,617,911	**$15,108,692**

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2020**	2019	**2020**
Current liabilities:			
Notes and accounts payable–trade (Notes 4, 7 and 17)	**¥ 883,624**	¥ 869,648	**$ 8,119,305**
Short-term borrowings (Notes 4 and 14)	**—**	2,500	**—**
Current portion of long-term borrowings (Notes 4 and 14)	**3,558**	5,950	**32,693**
Income taxes payable	**13,006**	11,119	**119,507**
Provision for bonuses	**8,502**	8,446	**78,122**
Provision for sales returns	**557**	600	**5,118**
Other	**36,353**	34,355	**334,036**
Total current liabilities	**945,600**	932,618	**8,688,781**
Non-current liabilities:			
Convertible bond-type bonds with share acquisition rights (Notes 4 and 15)	**30,378**	30,529	**279,133**
Long-term borrowings (Notes 4 and 14)	**350**	3,908	**3,216**
Deferred tax liabilities (Note 20)	**29,213**	25,304	**268,428**
Deferred tax liabilities for land revaluation (Note 12)	**999**	999	**9,179**
Provision for loss on guarantees	**168**	170	**1,544**
Net defined benefit liability (Note 16)	**19,220**	19,754	**176,606**
Other	**10,927**	11,781	**100,403**
Total non-current liabilities	**91,255**	92,445	**838,509**
Contingent liabilities (Note 18)			
Net assets (Note 19):			
Shareholders' equity:			
Share capital:			
Authorized—900,000,000 shares in 2020 and 2019 Issued—244,524,496 shares in 2020 and 2019	**22,398**	22,398	**205,807**
Capital surplus	**134,362**	134,362	**1,234,604**
Retained earnings	**350,562**	321,243	**3,221,189**
Treasury shares—34,560,549 shares in 2020 and 22,059,487 shares in 2019	**(58,609)**	(30,469)	**(538,537)**
Total shareholders' equity	**448,713**	447,534	**4,123,063**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 7)	**66,261**	63,409	**608,848**
Deferred gains or losses on hedges	**4**	2	**37**
Revaluation reserve for land (Note 12)	**(14,028)**	(14,028)	**(128,898)**
Foreign currency translation adjustment	**245**	418	**2,251**
Remeasurements of defined benefit plans (Note 16)	**(876)**	(455)	**(8,049)**
Total accumulated other comprehensive income	**51,606**	49,346	**474,189**
Non-controlling interests	**107,105**	95,968	**984,150**
Total net assets	**607,424**	592,848	**5,581,402**
Total liabilities and net assets	**¥1,644,279**	¥1,617,911	**$15,108,692**

Consolidated Statements of Income

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	**¥3,253,079**	¥3,181,929	**$29,891,381**
Cost of sales	**3,016,340**	2,949,426	**27,716,071**
Gross profit	**236,739**	232,503	**2,175,310**
Selling, general and administrative expenses	**183,629**	182,675	**1,687,301**
Operating profit	**53,110**	49,828	**488,009**
Other income (expenses):			
Research fee income	**7,856**	7,730	**72,186**
Real estate rent, net	**342**	459	**3,143**
Interest and dividend income	**2,789**	2,669	**25,627**
Interest expenses	**(137)**	(181)	**(1,259)**
Loss on valuation of investment securities	**(951)**	(65)	**(8,738)**
Gain on sales of investment securities, net	**663**	166	**6,092**
Share of profit of entities accounted for using equity method	**3,025**	2,103	**27,796**
Gain (Loss) on sales and retirement of non-current assets, net	**8,913**	(412)	**81,898**
Impairment loss (Note 9)	**(886)**	(8)	**(8,141)**
Office relocation expenses	**(257)**	(0)	**(2,361)**
Provision of allowance for doubtful accounts	**—**	(359)	**—**
Loss on disaster	**—**	(332)	**—**
Insurance claim income	**—**	201	**—**
Commission for purchase of treasury shares	**(110)**	(11)	**(1,011)**
Other, net	**1,179**	1,674	**10,832**
Total other income (expenses)	**22,426**	13,634	**206,064**
Profit before income taxes	**75,536**	63,462	**694,073**
Income taxes (Note 20):			
Current	**23,170**	20,476	**212,901**
Deferred	**1,137**	(2,440)	**10,447**
Total income taxes	**24,307**	18,036	**223,348**
Profit	**51,229**	45,426	**470,725**
Profit attributable to non-controlling interests	**13,261**	11,067	**121,851**
Profit attributable to owners of parent	**¥ 37,968**	¥ 34,359	**$ 348,874**

		Yen	U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings	**¥175.80**	¥154.09	**$1.615**
Diluted net income	**165.33**	145.15	**1.519**
Cash dividends applicable to the period	**41.00**	38.00	**0.377**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	**¥51,229**	¥45,426	**$470,725**
Other comprehensive income (Note 21):			
Valuation difference on available-for-sale securities	**3,011**	(9,262)	**27,667**
Deferred gains or losses on hedges	**3**	24	**27**
Remeasurements of defined benefit plans, net of tax	**(382)**	(331)	**(3,510)**
Share of other comprehensive income of entities accounted for using equity method	**(308)**	(619)	**(2,830)**
Total other comprehensive income	**2,324**	(10,188)	**21,354**
Comprehensive income	**¥53,553**	¥35,238	**$492,079**
Comprehensive income attributable to:			
Owners of the parent	**¥40,229**	¥25,093	**$369,650**
Non-controlling interests	**13,324**	10,145	**122,429**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen				
	Shareholders' equity				
Year ended March 31, 2019	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥22,398	¥134,362	¥293,727	¥(24,419)	¥426,068
Changes in items during period					
Dividends of surplus			(8,053)		(8,053)
Change in scope of equity method			1,201		1,201
Profit attributable to owners of parent			34,359		34,359
Purchase of treasury shares				(6,050)	(6,050)
Disposal of treasury shares	0			0	0
Change in ownership interest of parent due to transactions with non-controlling interests	(0)				(0)
Reversal of revaluation reserve for land			9		9
Net changes of items other than shareholders' equity					
Total changes in items during period	—	(0)	27,516	(6,050)	21,466
Balance at end of period	¥22,398	¥134,362	¥321,243	¥(30,469)	¥447,534

	Millions of yen							
	Accumulated other comprehensive income							
Year ended March 31, 2019	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥71,935	¥(10)	¥(14,019)	¥ 787	¥ (93)	¥58,600	¥87,988	¥572,656
Changes in items during period								
Dividends of surplus								(8,053)
Change in scope of equity method								1,201
Profit attributable to owners of parent								34,359
Purchase of treasury shares								(6,050)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Reversal of revaluation reserve for land								9
Net changes of items other than shareholders' equity	(8,526)	12	(9)	(369)	(362)	(9,254)	7,980	(1,274)
Total changes in items during period	(8,526)	12	(9)	(369)	(362)	(9,254)	7,980	20,192
Balance at end of period	¥63,409	¥ 2	¥(14,028)	¥ 418	¥(455)	¥49,346	¥95,968	¥592,848

The accompanying notes are an integral part of these financial statements.

	Millions of yen				
	Shareholders' equity				
Year ended March 31, 2020	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**¥22,398**	**¥134,362**	**¥321,243**	**¥(30,469)**	**¥447,534**
Changes in items during period					
Dividends of surplus			**(8,649)**		**(8,649)**
Profit attributable to owners of parent			**37,968**		**37,968**
Purchase of treasury shares				**(28,140)**	**(28,140)**
Change in ownership interest of parent due to transactions with non-controlling interests		**(0)**			**(0)**
Net changes of items other than shareholders' equity					
Total changes in items during period	**—**	**(0)**	**29,319**	**(28,140)**	**1,179**
Balance at end of current period	**¥22,398**	**¥134,362**	**¥350,562**	**¥(58,609)**	**¥448,713**

	Millions of yen							
	Accumulated other comprehensive income							
Year ended March 31, 2020	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	**¥63,409**	**¥2**	**¥(14,028)**	**¥ 418**	**¥(455)**	**¥49,346**	**¥ 95,968**	**¥592,848**
Changes in items during period								
Dividends of surplus								**(8,649)**
Profit attributable to owners of parent								**37,968**
Purchase of treasury shares								**(28,140)**
Change in ownership interest of parent due to transactions with non-controlling interests								**(0)**
Net changes of items other than shareholders' equity	**2,852**	**2**	**—**	**(173)**	**(421)**	**2,260**	**11,137**	**13,397**
Total changes in items during period	**2,852**	**2**	**—**	**(173)**	**(421)**	**2,260**	**11,137**	**14,576**
Balance at end of current period	**¥66,261**	**¥4**	**¥(14,028)**	**¥ 245**	**¥(876)**	**¥51,606**	**¥107,105**	**¥607,424**

The accompanying notes are an integral part of these financial statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
Year ended March 31, 2020	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**$205,807**	**$1,234,604**	**$2,951,787**	**$(279,969)**	**$4,112,229**
Changes in items during period					
Dividends of surplus			**(79,472)**		**(79,472)**
Profit attributable to owners of parent			**348,874**		**348,874**
Purchase of treasury shares				**(258,568)**	**(258,568)**
Change in ownership interest of parent due to transactions with non-controlling interests		**(0)**			**(0)**
Net changes of items other than shareholders' equity					
Total changes in items during period	**—**	**(0)**	**269,402**	**(258,568)**	**10,834**
Balance at end of current period	**$205,807**	**$1,234,604**	**$3,221,189**	**$(538,537)**	**$4,123,063**

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
Year ended March 31, 2020	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	**$582,642**	**$19**	**$(128,898)**	**$ 3,841**	**$(4,181)**	**$453,423**	**$881,816**	**$5,447,468**
Changes in items during period								
Dividends of surplus								**(79,472)**
Profit attributable to owners of parent								**348,874**
Purchase of treasury shares								**(258,568)**
Change in ownership interest of parent due to transactions with non-controlling interests								**(0)**
Net changes of items other than shareholders' equity	**26,206**	**18**	**—**	**(1,590)**	**(3,868)**	**20,766**	**102,334**	**123,100**
Total changes in items during period	**26,206**	**18**	**—**	**(1,590)**	**(3,868)**	**20,766**	**102,334**	**133,934**
Balance at end of current period	**$608,848**	**$37**	**$(128,898)**	**$ 2,251**	**$(8,049)**	**$474,189**	**$984,150**	**$5,581,402**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	**¥ 75,536**	¥ 63,462	**$ 694,073**
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation	**14,233**	13,452	**130,782**
Impairment loss	**886**	8	**8,141**
Amortization of goodwill	**456**	477	**4,190**
Increase (decrease) in provision for loss on guarantees	**(2)**	(119)	**(18)**
Increase (decrease) in provision for bonuses	**56**	(468)	**515**
Increase (decrease) in allowance for doubtful accounts	**(400)**	(72)	**(3,675)**
Increase (decrease) in provision for sales returns	**(43)**	(7)	**(395)**
Increase (decrease) in net defined benefit liability	**(535)**	(201)	**(4,916)**
Interest and dividend income	**(2,789)**	(2,669)	**(25,627)**
Interest expenses	**137**	181	**1,259**
Share of loss (profit) of entities accounted for using equity method	**(3,025)**	(2,103)	**(27,796)**
Loss (gain) on sales and retirement of non-current assets	**(8,913)**	412	**(81,898)**
Loss (gain) on sales of short-term and long-term investment securities	**(663)**	(166)	**(6,092)**
Loss (gain) on valuation of short-term and long-term investment securities	**951**	65	**8,738**
Insurance claim income	**—**	(201)	**—**
Loss on disaster	**—**	332	**—**
Decrease (increase) in notes and accounts receivable–trade	**(2,703)**	10,901	**(24,837)**
Decrease (increase) in inventories	**(5,252)**	15	**(48,259)**
Decrease (increase) in net defined benefit asset	**902**	351	**8,288**
Increase (decrease) in notes and accounts payable–trade	**13,976**	2,536	**128,420**
Increase (decrease) in accrued consumption taxes	**179**	(3,127)	**1,645**
Other, net	**(260)**	64	**(2,389)**
Subtotal	**82,727**	83,123	**760,149**
Interest and dividends received	**4,248**	4,130	**39,033**
Interest expenses paid	**(138)**	(181)	**(1,268)**
Proceeds from insurance income	**—**	201	**—**
Payment for loss on disaster	**—**	(263)	**—**
Income taxes paid	**(29,920)**	(23,294)	**(274,924)**
Net cash provided by (used in) operating activities	**56,917**	63,716	**522,990**
Cash flows from investing activities:			
Payments into time deposits	**(1,476)**	(1,476)	**(13,562)**
Proceeds from withdrawal of time deposits	**1,476**	1,476	**13,562**
Purchase of property, plant and equipment	**(24,300)**	(14,580)	**(223,284)**
Proceeds from sales of property, plant and equipment	**14,031**	999	**128,926**
Purchase of intangible assets	**(3,053)**	(3,913)	**(28,053)**
Purchase of investment securities	**(977)**	(3,271)	**(8,977)**
Proceeds from sales and redemption of investment securities	**2,075**	911	**19,066**
Purchase of shares of subsidiaries and associates	**(1,809)**	(3,940)	**(16,622)**
Payments of loans receivable	**(108)**	(2)	**(992)**
Collection of loans receivable	**12**	16	**110**
Net decrease (increase) in loans receivable from subsidiaries and associates	**(34)**	(134)	**(312)**
Other, net	**844**	401	**7,754**
Net cash provided by (used in) investing activities	**(13,319)**	(23,513)	**(122,384)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	**(2,500)**	(6,500)	**(22,972)**
Repayments of lease obligations	**(1,532)**	(1,568)	**(14,077)**
Proceeds from long-term borrowings	**—**	1,000	**—**
Repayments of long-term borrowings	**(5,950)**	(7,450)	**(54,672)**
Proceeds from sales of treasury shares	**—**	0	**—**
Purchase of treasury shares	**(28,250)**	(6,061)	**(259,579)**
Cash dividends paid	**(8,649)**	(8,053)	**(79,472)**
Dividends paid to non-controlling interests	**(2,187)**	(2,123)	**(20,096)**
Other, net	**—**	0	**—**
Net cash provided by (used in) financing activities	**(49,068)**	(30,755)	**(450,868)**
Effect of exchange rate change on cash and cash equivalents	**(0)**	(0)	**(0)**
Net increase (decrease) in cash and cash equivalents	**(5,470)**	9,448	**(50,262)**
Cash and cash equivalents at beginning of period	**230,011**	220,563	**2,113,489**
Cash and cash equivalents at end of period (Note 5)	**¥224,541**	¥230,011	**$2,063,227**

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

MEDIPAL HOLDINGS CORPORATION and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

MEDIPAL HOLDINGS CORPORATION (the "Company") and its consolidated subsidiaries (the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Companies Act and the Financial Instruments and Exchange Act and their related accounting regulations and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the accounting and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. $1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (13 subsidiaries in the year ended March 31, 2020).

All significant intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded using the fair value at the time the Company acquired control of the respective subsidiaries.

B. EQUITY METHOD

Investments in associates (all those 20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method.

Unconsolidated subsidiaries and the other associates are stated at cost since their net income and retained earnings in the aggregate are not material compared to consolidated net income and retained earnings, respectively.

C. INTANGIBLE ASSETS

Goodwill, which is the difference between the cost of investments and equity in their net assets at the date of acquisition, arising from consolidated subsidiaries is amortized over the estimated useful lives up to 20 years using the straight- line method, or is charged to income in the year incurred if it is immaterial.

Software for its own use is amortized over the estimated useful life (5 years) using the straight-line method.

D. CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

E. SECURITIES

Held-to-maturity debt securities are carried at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using moving-average cost.

Available-for-sale securities with no available fair market values are stated at moving-average cost.

F. DERIVATIVES AND HEDGE ACCOUNTING

Derivatives for which the hedge accounting is not applied are stated at fair value.

The Companies use the following derivatives to hedge the risk of exchange rate fluctuations and to fix cash flows.

Hedging instruments:	forward foreign exchange contracts
Hedged items:	payables denominated in foreign currencies and forecasted transactions denominated in foreign currencies

As a policy, the Companies do not enter derivatives for speculative transactions.

The Companies apply deferral hedge accounting except for forward foreign exchange contracts which meet the special criteria for allocation method. The Companies evaluate hedge effectiveness of forward foreign exchange contracts by comparing the total changes in values of hedging instruments and hedged items for the periods from the commencement of hedge contracts to the evaluation dates. If major terms and conditions of a hedging instrument are consistent to those of an asset or liability as a hedged item, the Companies consider it is obvious that the hedge is 100% effective and omit the evaluation test.

G. INVENTORIES

Inventories, as shown as "Merchandise and finished goods" on the balance sheets, are stated at cost, primarily determined by the moving-average method, with book value written down as necessary to reflect any decrease in profitability.

Loss on valuation of inventories is recorded as cost of sales.

H. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, excluding leased assets, are stated at cost. Depreciation is computed by the straight-line method at rates based on their estimated useful lives.

The estimated useful lives were as follows:

Buildings and structures: 2-50 years
Machinery, equipment and vehicles: 2-12 years

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with the lease periods as the useful lives. The residual value is to be zero, unless the amount of residual value is agreed upon in the lease contract.

I. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified items and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

J. PROVISION FOR BONUSES

Provision for employees' bonuses is provided in the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

K. PROVISION FOR SALES RETURNS

Provision for sales returns is provided in the amount estimated by multiplying the balance of notes and accounts receivable–trade as of the end of the fiscal period by the actual sales return ratio and gross margin ratio.

L. PROVISION FOR LOSS ON GUARANTEES

Provision for loss on guarantees is provided in the amount sufficient to cover probable losses on debt guarantees in consideration of the financial condition of the relevant associates.

M. ACCOUNTING METHOD FOR EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

1) The method of attributing expected retirement benefits to the fiscal period

In calculating the projected benefit obligations, the method of attributing expected retirement benefits to the fiscal period is based on the benefit formula basis.

2) The method of amortization of actuarial difference and prior service costs

Prior service costs are primarily amortized by the straight-line method over 3 to 5 years, which is not longer than the average remaining service period of the employees when the costs are incurred.

Actuarial difference is primarily amortized by the straight-line method over 3 to 10 years, which is not longer than the average remaining service period of the employees when the costs are incurred.

N. INCOME TAXES

The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

O. AMOUNTS PER SHARE OF COMMON STOCK

The computation of earnings per share of common stock is based on the average number of shares outstanding during each fiscal period.

Cash dividends per share represent the actual amounts declared during the respective years.

P. RECLASSIFICATIONS

Certain prior year amounts have been reclassified and restated to conform to the current year presentation. These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Outline of changes

IASB and FASB co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Considering IFRS No. 15 will be applied from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the ASBJ developed comprehensive Accounting Standard for Revenue Recognition and published it together with implementation guidance.

The fundamental policy for developing Accounting Standard for Revenue Recognition by the ASBJ was that the accounting standards would incorporate the fundamental policy of IFRS No. 15 as the starting point from the perspective of comparability of financial statements, which is one of the benefits of achieving consistency with IFRS No. 15. If there are matters to be taken into consideration in Japan in actual practice, etc., alternative handling will be added within a range that will not impair financial statement comparability.

(2) Date of adoption

The Companies plan to adopt the accounting standards effective from the beginning of the fiscal year ending March 31, 2022.

(3) The effect of adopting the accounting standards

The Companies are currently assessing the effects of these new standards and guidances on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan (ASBJ) Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2109)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(1) Outline of changes

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the United States have issued congruent and detailed guidance regarding fair value measurement (IFRS 13 "Fair Value Measurement" by IFRS and Accounting Standards Codification Topic 820 "Fair Value Measurement" by FASB as a U.S. accounting standard). The Accounting Standards Board of Japan (ASBJ) considered IFRS and FASB guidance, mainly with regard to fair value of financial instruments and disclosure, in order to improve the comparability with such international accounting standards, and issued the Accounting Standard for Fair Value Measurement, the Implementation Guidance on Accounting Standard for Fair Value Measurement and other standards.

The fundamental policy for developing Accounting Standard for Fair Value Measurement by the ASBJ was that the accounting standard would incorporate the fundamental policy of IFRS 13 in its entirety from the perspective of improving the comparability of financial statements by using a uniform method for calculating fair value. In addition, ASBJ took actual practices, etc. in Japan into consideration by allowing for other treatment for specific items within a range that will not materially impair financial statement comparability.

(2) Date of adoption

The Companies plan to adopt the accounting standards effective from the beginning of the fiscal year ending March 31, 2022.

(3) The effect of adopting the accounting standards

The Companies have not yet determined the effect that adopting Accounting Standard for Fair Value Measurement and the other standards will have on the consolidated financial statements.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Outline of changes

The International Accounting Standards Board (IASB) issued International Accounting Standard (IAS) 1, "Presentation of Financial Statements" (IAS 1) in 2003. Paragraph 125 of IAS 1 requires disclosure regarding the sources of estimation uncertainty. ASBJ developed and issued Accounting Standard for Disclosure of Accounting Estimates after considering requests for accounting standard notes in Japan to disclose information regarding estimation uncertainty that would be useful to parties that make use of financial statements.

The fundamental policy for developing Accounting Standard for Disclosure of Accounting Estimates was to identify principles and objectives for disclosure, rather than increase the number of notes, and to have companies determine specific items for disclosure in light of the disclosure objectives. ASBJ referred to Paragraph 125 of IAS 1 in developing the Accounting Standard for Disclosure of Accounting Estimates.

(2) Date of adoption

The Companies will adopt the accounting standards effective from the end of the fiscal year ending March 31, 2021.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Statement No. 24, March 31, 2020)

(1) Outline of changes

ASBJ revised and issued the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections to address proposals to enhance the information in notes related to principles and procedures of accounting treatment adopted when the provisions of related accounting standards and other guidance are not clear.

Notes 1 and 2 of the Notes to Accounting Principles remain in force when the provisions of related accounting standards and other guidance are clear to preclude any effect on previously used accounting practices from enhancing the information in notes related to principles and procedures of accounting treatment adopted when the provisions of related accounting standards and other guidance are not clear.

(2) Date of adoption

The Companies will adopt the accounting standards effective from the end of the fiscal year ending March 31, 2021.

4. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

As a matter of policy, the Companies limit fund management to the use of instruments including short-term deposits and raise money by borrowing from financial institutions. The Companies use derivatives to reduce the risk noted in (2), not for speculative transactions.

(2) Types of financial instruments and related risk

Notes and accounts receivable and other monetary claims on customers and counterparties expose the Companies to customer credit risk.

Securities and investment securities consist primarily of certificates of deposits, held-to-maturity debt securities and shares of companies with which the Companies do business. Certificates of deposits expose the Companies to the credit risk of issuers. The yield on certain held-to-maturity debt securities is structured to vary according to foreign exchange or interest rates, but this variability does not affect the principal. Investment securities expose the Companies to the risk of changes in market prices.

Long-term loans receivable expose the Companies to the credit risk of the borrowers.

Notes and accounts payable–trade are almost entirely due within one year.

Interest-bearing debt includes short-term borrowings to fund working capital requirements associated with operations, and long-term borrowings to fund capital expenditures.

Convertible bond-type bonds with share acquisition rights are to mainly fund share purchases.

The Companies use derivatives including forward foreign exchange contracts to hedge the risk of exchange rate fluctuations associated with trade payables denominated in foreign currencies.

(3) Risk management for financial instruments

1) Credit risk management

Credit risk is the risk of default by customers or counterparties. The Companies have procedures for managing receivable balances and due dates by counterparty and for regularly monitoring the financial condition of significant counterparties. The Companies mitigate the risks associated with certificates of deposits in accordance with internal policies and procedures for investments and fund management. The Companies also mitigate the risk of long-term loans receivable in accordance with internal policies and procedures for loans receivable.

2) Market risk management

As for investment securities, market prices of listed equity securities are monitored on a quarterly basis.

3) Liquidity risk associated with funding

Liquidity risk is the risk of being unable to make scheduled payments. The Companies manage liquidity risk by creating and updating a cash management plan based on reports from each of the Companies.

(4) Supplemental information on the fair value of financial instruments

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value when market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

The following table summarizes the book value and the estimated fair values of financial instruments outstanding at March 31, 2020 and 2019. Financial instruments for which fair value is not readily determinable are not included in the following table. Note 2 provides information on financial instruments that are not included as their fair value is not readily determinable.

			Millions of yen
March 31, 2020	Book value	Fair value	Difference
Cash and deposits	¥ 207,545	¥ 207,545	¥ –
Notes and accounts receivable–trade	689,144	689,144	–
Accounts receivable–other	65,112	65,112	–
Securities and investment securities:			
Held-to-maturity debt securities	–	–	–
Investment in subsidiaries and affiliates	29,729	80,114	50,385
Available-for-sale securities	156,445	156,445	–
Long-term loans receivable (including portion due within one year)	122	122	0
Total assets	¥1,148,097	¥1,198,482	¥50,385
Notes and accounts payable–trade	¥ 883,624	¥ 883,624	¥ –
Short-term borrowings	–	–	–
Current portion of long-term borrowings	3,558	3,557	(1)
Convertible bond-type bonds with share acquisition rights	30,378	31,425	1,047
Long-term borrowings	350	349	(1)
Total liabilities	¥ 917,910	¥ 918,955	¥ 1,045
Derivatives*	¥ 12	¥ 12	¥ –

			Thousands of U.S. dollars (Note 1)
March 31, 2020	Book value	Fair value	Difference
Cash and deposits	$ 1,907,057	$ 1,907,057	$ –
Notes and accounts receivable–trade	6,332,298	6,332,298	–
Accounts receivable–other	598,291	598,291	–
Securities and investment securities:			
Held-to-maturity debt securities	–	–	–
Investment in subsidiaries and affiliates	273,169	736,139	462,970
Available-for-sale securities	1,437,517	1,437,517	–
Long-term loans receivable (including portion due within one year)	1,121	1,121	0
Total assets	$10,549,453	$11,012,423	$462,970
Notes and accounts payable–trade	$ 8,119,305	$ 8,119,305	$ –
Short-term borrowings	–	–	–
Current portion of long-term borrowings	32,693	32,684	(9)
Convertible bond-type bonds with share acquisition rights	279,133	288,753	9,620
Long-term borrowings	3,216	3,207	(9)
Total liabilities	$ 8,434,347	$ 8,443,949	$ 9,602
Derivatives*	$ 110	$ 110	$ –

			Millions of yen
March 31, 2019	Book value	Fair value	Difference
Cash and deposits	¥ 213,025	¥ 213,025	¥ –
Notes and accounts receivable–trade	686,886	686,886	–
Accounts receivable–other	64,856	64,856	–
Securities and investment securities:			
Held-to-maturity debt securities	600	610	10
Investment in subsidiaries and affiliates	29,892	60,584	30,692
Available-for-sale securities	152,695	152,695	–
Long-term loans receivable (including portion due within one year)	25	25	0
Total assets	¥1,147,979	¥1,178,681	¥30,702
Notes and accounts payable–trade	¥ 869,648	¥ 869,648	¥ –
Short-term borrowings	2,500	2,500	–
Current portion of long-term borrowings	5,950	5,963	13
Convertible bond-type bonds with share acquisition rights	30,529	36,600	6,071
Long-term borrowings	3,908	3,891	(17)
Total liabilities	¥ 912,535	¥ 918,602	¥ 6,067
Derivatives*	¥ 7	¥ 7	¥ –

* The value of assets and liabilities arising from derivatives is shown at net value. Amounts in parentheses represent net liability.

Note 1: Methods to determine the estimated fair value of financial instruments and other information for securities and derivatives

Assets

a. Cash and deposits, notes and accounts receivable–trade, and accounts receivable–other:
Book value approximates fair value because of their short settlement period.

b. Securities and investment securities:
As for certificates of deposits, book value approximates fair value because of their short settlement period. The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on quotes provided by financial institutions.

c. Long-term loans receivable (including current portion):
The fair value of long-term loans receivable is calculated as discounted present value of total principal and interest using assumed interest rates for equivalent new loans.

Liabilities

a. Notes and accounts payable–trade and short-term borrowings:
Book value approximates fair value because of their short settlement period.

b. Current portion of long-term borrowings and long-term borrowings:
The fair value of long-term borrowings is calculated as discounted present value of total principal and interest using assumed interest rates for equivalent new borrowings.

c. Convertible bond-type bonds with share acquisition rights:
Market value of convertible bond-type bonds with share acquisition rights depends on the price presented by the correspondent financial institutions.

Derivatives

Please refer to Note 8. DERIVATIVE TRANSACTIONS of the notes to the consolidated financial statements.

Note 2: Financial instruments for which fair value is not readily determinable at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2020	2019	2020
Unlisted equity securities	¥28,223	¥26,183	$259,331

Note 3: The annual maturities of financial assets and investment securities with contractual maturities subsequent to March 31, 2020 and 2019 were as follows:

Millions of yen

March 31, 2020	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥207,545	¥–	¥–	¥ –
Notes and accounts receivable–trade	689,144	–	–	–
Accounts receivable–other	65,112	–	–	–
Securities and investment securities				
Held-to-maturity debt securities:				
Government bonds, municipal bonds	–	–	–	–
Corporate bonds	–	–	–	–
Other securities	–	–	–	–
Available-for-sale securities with contractual maturities:				
Equity securities	–	–	–	–
Debt securities	–	–	–	–
Other securities	18,770	–	–	–
Long-term loans receivable (including current portion)	6	6	0	110
Total	¥980,577	¥6	¥0	¥110

March 31, 2020	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	$1,907,057	$ –	$–	$ –
Notes and accounts receivable–trade	6,332,298	–	–	–
Accounts receivable–other	598,291	–	–	–
Securities and investment securities				
Held-to-maturity debt securities:				
Government bonds, municipal bonds	–	–	–	–
Corporate bonds	–	–	–	–
Other securities	–	–	–	–
Available-for-sale securities with contractual maturities:				
Equity securities	–	–	–	–
Debt securities	–	–	–	–
Other securities	172,471	–	–	–
Long-term loans receivable (including current portion)	55	55	0	1,011
Total	$9,010,172	$55	$0	$1,011

Millions of yen

March 31, 2019	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥213,025	¥–	¥ –	¥ –
Notes and accounts receivable–trade	686,886	–	–	–
Accounts receivable–other	64,856	–	–	–
Securities and investment securities				
Held-to-maturity debt securities:				
Government bonds, municipal bonds	–	–	–	–
Corporate bonds	–	–	600	–
Other securities	–	–	–	–
Available-for-sale securities with contractual maturities:				
Equity securities	–	–	–	–
Debt securities	–	–	–	–
Other securities	18,770	–	–	–
Long-term loans receivable (including current portion)	10	5	0	10
Total	¥983,547	¥5	¥600	¥10

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2020	2019	2020
Cash and deposits	¥207,545	¥213,025	$1,907,057
Securities–certificate of deposits	18,770	18,770	172,471
Time deposits with maturities over three months	(1,476)	(1,476)	(13,562)
Other	(298)	(308)	(2,739)
Cash and cash equivalents	¥224,541	¥230,011	$2,063,227

6. INVESTMENT SECURITIES

(1) Held-to-maturity debt securities

The book value and fair value of held-to-maturity debt securities as of March 31, 2020 is not applicable.

The following tables summarize the book value and fair value of held-to-maturity debt securities as of March 31, 2019

Millions of yen

March 31, 2019	Book value	Fair value	Difference
Securities whose fair value exceeds their book value:			
Government bonds, municipal bonds	¥ –	¥ –	¥ –
Corporate bonds	600	610	10
Other securities	–	–	–
	¥600	¥610	¥10
Securities whose fair value does not exceed their book value:			
Government bonds, municipal bonds	¥ –	¥ –	¥ –
Corporate bonds	–	–	–
Other securities	–	–	–
	¥ –	¥ –	¥ –
Total	¥600	¥610	¥10

(2) Available-for-sale securities with a fair value

The following tables summarize the acquisition cost and book value of available-for-sale securities with a fair value as of March 31, 2020 and 2019.

Non-listed equity securities, in the amount of ¥7,811 million ($71,772 thousand) and ¥7,910 million as of March 31, 2020 and 2019, respectively, are not included in the tables below since no readily determinable market price is available and it is extremely difficult to determine their fair value.

			Millions of yen
March 31, 2020	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	**¥135,758**	**¥33,307**	**¥102,451**
Debt securities:			
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	–	–	–
	¥135,758	**¥33,307**	**¥102,451**
Securities whose book value does not exceed their acquisition cost:			
Equity securities	**¥ 1,917**	**¥ 2,263**	**¥ (346)**
Debt securities:			
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	**18,770**	**18,770**	–
	¥ 20,687	**¥21,033**	**¥ (346)**
Total	**¥156,445**	**¥54,340**	**¥102,105**

			Thousands of U.S. dollars (Note 1)
March 31, 2020	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	**$1,247,432**	**$306,046**	**$941,386**
Debt securities:			
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	–	–	–
	$1,247,432	**$306,046**	**$941,386**
Securities whose book value does not exceed their acquisition cost:			
Equity securities	**$ 17,614**	**$ 20,794**	**$ (3,180)**
Debt securities:			
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	**172,471**	**172,471**	–
	$ 190,085	**$193,265**	**$ (3,180)**
Total	**$1,437,517**	**$499,311**	**$938,206**

			Millions of yen
March 31, 2019	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	¥132,576	¥34,600	¥97,976
Debt securities:	–	–	–
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	–	–	–
	¥132,576	¥34,600	¥97,976
Securities whose book value does not exceed their acquisition cost:			
Equity securities	¥ 1,349	¥ 1,560	¥ (211)
Debt securities:			
Government bonds, municipal bonds	–	–	–
Corporate bonds	–	–	–
Other securities	–	–	–
Other securities	18,770	18,770	–
	¥ 20,119	¥20,330	¥ (211)
Total	¥152,695	¥54,930	¥97,765

(3) Available-for-sale securities sold during the year

Total sales of available-for-sale securities sold and the related gains and losses for the year ended March 31,2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended March 31	2020	2019	2020
Proceeds from sales	**¥1,449**	¥311	**$13,314**
Realized gains on sales	**669**	169	**6,147**
Realized losses on sales	**6**	3	**55**

For the years ended March 31, 2020 and 2019, the Companies recognized ¥951 million ($8,738 thousand) and ¥65 million in loss on valuation of investment securities, respectively, of which ¥951 million ($8,738 thousand) and ¥65 million applied to available-for-sale securities, respectively. The Companies recognize impairment of applicable equities as an unrealized loss on devaluation if the market value at the end of the fiscal period is 30% or more below the acquisition cost. The Companies recognize impairment of equities for which fair value is not readily determinable net of amount deemed recoverable if the net assets per share of the issuer fall 50% or more below the acquisition cost.

7. NOTES MATURING AT THE END OF CONSOLIDATED FISCAL YEAR

The Companies accounted for notes maturing on March 31, 2019, which was bank holiday, as though settled.

Notes receivable and notes payable maturing on March 31, 2019 was as follows:

	Millions of yen
March 31	2019
Notes receivable	**¥ 2,132**
Notes payable	**(4,987)**

8. DERIVATIVE TRANSACTIONS

For the years ended March 31, 2020 and 2019, there was no derivative transaction for which the hedge accounting was not applied.

Currency-related transactions for which the hedge accounting was applied for the years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020

				Millions of yen
Accounting method	Type	Hedged item	Notional amount	Fair value
Allocation method for foreign exchange forwards	Buy: US$	Accounts payable	**¥1,766**	**¥12**
Total			**¥1,766**	**¥12**

Year ended March 31, 2020

				Thousands of U.S. dollars (Note 1)
Accounting method	Type	Hedged item	Notional amount	Fair value
Allocation method for foreign exchange forwards	Buy: US$	Accounts payable	**$16,227**	**$110**
Total			**$16,227**	**$110**

Year ended March 31, 2019

				Millions of yen
Accounting method	Type	Hedged item	Notional amount	Fair value
Allocation method for foreign exchange forwards	Buy: US$	Accounts payable	**¥1,140**	**¥7**
Total			**¥1,140**	**¥7**

Note: Calculation of fair value is based on the prices provided by financial institutions.

9. IMPAIRMENT LOSS

Accumulated impairment losses are directly written off against the value of each asset based on the relevant rules for consolidated financial statements.

For business-use assets owned by the Companies that are idle, are not expected to be used in the future and have recoverable values less than book value, the Companies write down the book value to the recoverable value, and accounts for the amount of this write-down as an impairment loss in other income (expenses).

The Prescription Pharmaceutical Wholesale Business Segment has established region-based operating classification and groups its assets by region. Assets of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business Segment and the Animal Health Products and Food Processing Raw Materials Wholesale Business Segment are also grouped by region.

During the year ended March 31, 2020, the Companies recorded impairment loss of non-current assets for the following asset groups:

Application	Type	Location	Millions of yen	Thousand of U.S. dollars (Note 1)
Idle assets	Land and Buildings, etc.	Kyusyu 2 items	**¥293**	**$2,692**
		Others	**52**	**478**
			345	**3,170**
Business assets	Buildings, etc.	Hokkaido 7 items	**462**	**4,245**
		Others	**21**	**193**
			483	**4,438**
Rental assets	Land	Kinki 2 items	**58**	**533**
Total			**¥886**	**$8,141**

For the year ended March 31, 2020, the Companies measured the recoverable value of assets using the net sale value. The net sale value is the amount calculated based on the appraised value determined by a real estate appraiser or the value assessed for property tax purposes. The Companies consider the net sale value of an asset, which is deemed to be very difficult to sale or reuse, to be zero.

During the year ended March 31, 2019, the Companies recorded loss on impairment of fixed assets for the following asset groups:

Application	Type	Location	Millions of yen
Idle assets	Buildings	Tokai, 1 item	¥5
Business assets	Other	Kinki, 1 item	3
Total			¥8

For the year ended March 31, 2019, the Companies measured the recoverable value of assets using the net sale value. The net sale value is the amount calculated based on the appraised value determined by a real estate appraiser or the value assessed for property tax purposes. The Companies consider the net sale value of an asset, which is deemed to be very difficult to sale or reuse, to be zero.

For the years ended March 31, 2020 and 2019, impairment loss of noncurrent assets totaled ¥886 million ($8,141 thousand) and ¥8 million, respectively, as presented below.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Item	2020	2019	2020
Land	**¥ 67**	¥–	**$ 616**
Buildings and structures	**343**	5	**3,152**
Other	**476**	3	**4,373**
Total	**¥886**	¥8	**$8,141**

10. LOSS ON REDUCTION OF NON-CURRENT ASSETS

When a company acquires property, plant and equipment with funds from a national or local government subsidy, the transaction is qualified for deferred gain and reduced basis transactions ("Asshuku Kicho"). The accumulated amount of cost reduction as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Buildings and structures	**¥ 704**	¥ 704	**$ 6,469**
Machinery and vehicles	**359**	359	**3,299**
Land	**792**	792	**7,277**
Other	**0**	0	**0**
Total	**¥1,855**	¥1,855	**$17,045**

11. INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings (including land) and idle land in Tokyo and elsewhere. For the years ended March 31, 2020 and 2019, net rent income totaled ¥342 million ($3,143 thousand) and ¥459 million, respectively. Rent income is included in other income and rent expense is included in other expenses. For the years ended March 31, 2020 and 2019, the Companies recorded impairment loss of investment and rental property of ¥403 million ($3,703 thousand) and ¥5 million, respectively.

The book value, net change and fair value of investment and rental property as of March 31, 2020 and 2019 were as follows:

				Millions of yen
	Book value			Fair value at
March 31, 2020	March 31, 2019	Net change	March 31, 2020	March 31, 2020
Investment and rental property	**¥6,223**	**¥4,491**	**¥10,714**	**¥19,443**

				Thousands of U.S. dollars (Note 1)
	Book value			Fair value at
March 31, 2020	March 31, 2019	Net change	March 31, 2020	March 31, 2020
Investment and rental property	**$57,181**	**$41,266**	**$98,447**	**$178,655**

				Millions of yen
	Book value			Fair value at
March 31, 2019	March 31, 2018	Net change	March 31, 2019	March 31, 2019
Investment and rental property	¥6,000	¥223	¥6,223	¥13,816

Notes: 1. Book value represents the acquisition cost less accumulated depreciation and impairment loss.
2. Net change for the year ended March 31, 2020 mainly consisted of an increase due to transfer to investment and rental properties in the amount of ¥4,203 million ($38,620 thousand) and a decrease due to sale in the amount of ¥326 million ($2,995 thousand). Net change for the year ended March 31, 2019 mainly consisted of an increase due to transfer from business assets to Idle assets in the amount of ¥682 million and a decrease due to sale in the amount of ¥304 million.
3. Fair value of principal properties at March 31, 2020 and 2019 was mainly based on external appraisal values or real-estate tax appraisal values.

12. LAND REVALUATION

Under the "Law on Land Revaluation," passed on March 31, 1998 and revised on March 31, 2001, the Company and some consolidated subsidiaries carried out a one-time revaluation of their own-use land to a value based on real estate appraisal information at March 31, 2002.

The resulting land revaluation differences represent unrealized appreciation of land and are accounted for as land revaluation differences, net of taxes in net assets.

13. LEASE

(1) Finance lease transactions

The Companies hold leased assets as a lessee under finance lease transactions that do not transfer ownership. Such leased assets are mainly machinery and equipment.

The annual maturities of finance lease obligations at March 31, 2020 were as follows:

Years ended March 31	Average interest rate (%)	Millions of yen	Thousands of U.S. dollars (Note 1)
2020	**3.60%**	**¥1,991**	**$18,295**
2021	**1.14**	**1,300**	**11,945**
2022	**1.14**	**1,211**	**11,127**
2023	**1.14**	**5,746**	**52,798**
2024	**1.14**	**56**	**515**

(2) Operating lease transactions

The Companies also enters into operating lease contracts. Future minimum lease payments of non-cancellable operating lease contracts were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2020**	2019	**2020**
Within one year	**¥2,316**	¥2,546	**$21,281**
Over one year	**3,868**	4,668	**35,542**
Total	**¥6,184**	¥7,214	**$56,823**

14. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

The Company has overdraft facilities with 17 banks in order to support effective financing. The unexecuted balance of overdraft facilities at March 31, 2020 and 2019 was as below.

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2020**	2019	**2020**
Total overdraft facilities	**¥193,000**	¥193,000	**$1,773,408**
Less amounts currently executed	**–**	2,500	**–**
Unexecuted balance	**¥193,000**	¥195,500	**$1,773,408**

Short-term borrowings including overdraft facilities at March 31, 2020 and 2019 principally bore annual average interest rates of 0.32% and 0.39% per annum, respectively.

Long-term borrowings at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	**2020**	2019	**2020**
Borrowings from banks	**¥ 3,908**	¥ 9,858	**$ 35,909**
	¥ 3,908	¥ 9,858	**$ 35,909**
Less current portion	**(3,558)**	(5,950)	**(32,693)**
Amount due after one year	**¥ 350**	¥ 3,908	**$ 3,216**

The annual maturities of long-term borrowings at March 31, 2020 were as follows:

Years ended March 31	Average interest rate (%)	Millions of yen	Thousands of U.S. dollars (Note 1)
2020	**0.32%**	**¥3,558**	**$32,693**
2021	**0.32**	**350**	**3,216**
2022	–	–	–
2023	–	–	–
2024 and thereafter	–	–	–

15. BONDS PAYABLE

The Company has issued convertible bond-type bonds with share acquisition rights.

Company	MEDIPAL HOLDINGS CORPORATION
Description	Euro-yen convertible bond-type bonds with share acquisition rights due 2022
Date of Issuance	October 10, 2017
Maturity	October 7, 2022

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at beginning of period	**¥30,529**	**$280,520**
Balance at end of period	**30,378**	**279,133**
Interest rate (%)	–	–
Collateral	**None**	**None**
Total	**¥30,378**	**$279,133**

(1) Details of convertible bond-type bonds with share acquisition rights

Type of stock to be issued upon exercise of the share acquisition rights	Common stock	
	Yen	U.S. dollars (Note 1)
Issue price of the share acquisition rights	–	
Issue price of the shares*2	**¥2,299**	**$21.125**
	Millions of yen	Thousands of U.S. dollars (Note 1)
Total issue price	**¥30,750**	**$282,551**
Upon exercise of the share acquisition rights, total issue price to be issued common stock	–	–
Ratio (%)	**100**	**100**
Exercise period of the share acquisition rights	From October 24, 2017 To September 23, 2022	
Substitutive deposits	*1	

*1 Upon the exercise of the share acquisition rights, the bonds attached with the relevant share acquisition rights are contributed.

*2 The conversion price has been adjusted to ¥2,290 effective April 1, 2020 in accordance with the terms and conditions of the Euro-yen convertible bond-type bonds with share acquisition rights due 2022, with the Board of Directors held on May 14, 2020 approved a plan to pay year-end dividend of 21 yen per share, which resulted in an annual dividend of 41 yen per share for the fiscal year ended March 31, 2020.

(2) Redemption schedule of bonds for 5 years subsequent to March 31, 2020

Years ended March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2020	–	–
2021	–	–
2022	**¥30,378**	**$279,133**
2023	–	–
2024	–	–

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

(1) Overview of retirement benefit plan

The Companies use a contract-type corporate pension plan and an unfunded lump-sum retirement benefit plan as a defined benefit plan system, and a defined contribution pension plan as a defined contribution plan system. In addition, the Companies may pay a premium severance payment when employees retire. The Companies, except for a few, join in the multiemployer pension fund plans. Of which, the plan, for which the amount of plan assets attributable to the Company's contributions cannot be reasonably determined, is accounted for in the same manner as for a defined contribution pension plan.

The Tokyo Pharmaceutical Industry Employee Pension Fund which the Companies are joining received authorization from the Minister of Health, Labour and Welfare on April 1, 2018 for returning the contracted-out portion to the country (for the past period), and has been transferred to the Tokyo Pharmaceutical Corporate Pension Fund, which was established on April 1, 2018 as a successor system of the Tokyo Pharmaceutical Industry Employee Pension Fund.

Furthermore, the Osaka Pharmaceutical Industry Employee Pension Fund which the Companies were joining received authorization from the Minister of Health, Labour and Welfare on March 28, 2018 for dissolution of the fund. Accordingly, the Company and its main consolidated subsidiaries have joined the Tokyo Pharmaceutical Corporate Pension Fund which is the successor system of the Tokyo Pharmaceutical Industry Employee Pension Fund.

The additional amount of burden does not occur from returning the contracted-out portion nor from the dissolution of these funds.

Certain consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses. Under the simplified method, the amount of benefits payable to be accrued for the voluntary retirement of all employees at fiscal period end is used as the amount of projected benefit obligations.

(2) Defined benefit plans

(Excluding the plans accounted for using the simplified method)

1) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Balance at beginning of period	**¥45,121**	¥45,556	**$414,601**
Service cost	**2,749**	2,879	**25,259**
Interest cost	**41**	41	**377**
Actuarial difference	**(266)**	71	**(2,444)**
Benefits paid	**(3,756)**	(3,426)	**(34,513)**
Balance at end of period	**¥43,889**	¥45,121	**$403,280**

2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Balance at beginning of period	**¥30,818**	¥31,395	**$283,175**
Expected return on plan assets	**520**	532	**4,778**
Actuarial difference	**(1,241)**	(509)	**(11,403)**
Contribution paid by the employer	**1,170**	1,202	**10,751**
Benefits paid	**(2,047)**	(1,802)	**(18,809)**
Balance at end of period	**¥29,220**	¥30,818	**$268,492**

3) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability and asset

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded projected benefit obligations	¥ 24,879	¥ 25,572	$ 228,604
Unfunded projected benefit obligations	19,010	19,549	174,676
Plan assets	(29,220)	(30,818)	(268,492)
Net amount of liability and asset recognized in the consolidated balance sheet	¥ 14,669	¥ 14,303	$ 134,788
Net defined benefit liability	¥ 19,001	¥ 19,537	$ 174,593
Net defined benefit asset	(4,332)	(5,234)	(39,805)
Net amount of liability and asset recognized in the consolidated balance sheet	¥ 14,669	¥ 14,303	$ 134,788

4) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥2,749	¥2,879	$25,260
Interest cost	41	41	377
Expected return on plan assets	(520)	(532)	(4,778)
Amortization of actuarial difference	385	63	3,538
Amortization of prior service costs	–	–	–
Other	144	157	1,322
Retirement benefit expenses	¥2,799	¥2,608	$25,719

5) Remeasurements of defined benefit plans in other comprehensive income

The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Prior service cost	¥ –	¥ –	$ –
Actuarial difference	(590)	(517)	(5,421)
Total	¥(590)	¥(517)	$(5,421)

6) Remeasurements of defined benefit plans in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized prior service costs	¥ –	¥ –	$ –
Unrecognized actuarial difference	(1,464)	(874)	(13,452)
Total	¥(1,464)	¥(874)	$(13,452)

7) Plan assets

a. Components of plan assets

Percentage by major category of plan assets was as follows:

	2020	2019
Debt securities	44%	42%
Equity securities	21	25
Alternative investments (Note)	18	17
Life insurance general accounts	13	12
Other	4	4
Total	100%	100%

Note: Alternative investments mainly included investments in hedge funds.

b. Calculation of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the current and projected allocations and the long-term rate of returns on various categories of plan assets have been considered.

8) Actuarial assumptions

The major actuarial assumptions were as follows:

	2020	2019
Discount rate	0.0 to 0.9%	0.0 to 0.9%
Long-term expected rate of return on plan assets	0.2 to 2.0%	0.2 to 2.0%

(3) Defined benefit plans accounted for using the simplified method

1) Movement in net defined benefit liability for the plans accounted for using the simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Balance at beginning of period	¥217	¥210	$1,994
Retirement benefit expenses	21	14	193
Benefits paid	(19)	(7)	(175)
Contribution to the plans	–	–	–
Increase due to new consolidated subsidiaries	–	–	–
Balance at end of period	¥219	¥217	$2,012

2) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability and asset

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded projected benefit obligations	¥ –	¥ –	$ –
Unfunded projected benefit obligations	219	217	2,012
Plan assets	–	–	–
Net amount of liability and asset recognized in the consolidated balance sheet	¥219	¥217	$2,012
Net defined benefit liability	¥219	¥217	$2,012
Net amount of liability and asset recognized in the consolidated balance sheet	¥219	¥217	$2,012

3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method were ¥21 million ($193 thousand) and ¥14 million for the years ended March 31, 2020 and 2019, respectively.

(4) Defined contribution pension plans

The amount to be paid by the Companies to the defined contribution pension plans was ¥927 million ($8,518 thousand) and ¥924 million for the years ended March 31, 2020 and 2019, respectively.

(5) Funded status of the multiemployer pension fund plans

1) The amount to be paid by the Companies to the multiemployer pension fund plans was ¥975 million ($8,959 thousand) and ¥1,066 million for the years ended March 31, 2020 and 2019, respectively.

The funded status of these plans at March 31, 2020 and 2019 was as follows:

	Millions of yen	
2020	Tokyo Pharmaceutical Corporate Pension Fund	Other
Plan assets	**¥157,064**	**¥ 85,616**
Total of actuarial obligation and minimum actuarial reserve	**151,841**	**103,743**
Funded (unfunded) employees' retirement benefits	**¥ 5,223**	**¥(18,127)**

	Thousands of U.S. dollars (Note 1)	
2020	Tokyo Pharmaceutical Corporate Pension Fund	Other
Plan assets	**$1,443,205**	**$ 786,695**
Total of actuarial obligation and minimum actuarial reserve	**1,395,213**	**953,258**
Funded (unfunded) employees' retirement benefits	**$ 47,992**	**$(166,563)**

	Millions of yen	
2019	Tokyo Pharmaceutical Corporate Pension Fund	Other
Plan assets	¥531,844	¥59,376
Total of actuarial obligation and minimum actuarial reserve	512,771	53,079
Funded (unfunded) employees' retirement benefits	¥ 19,073	¥ 6,297

2) Percentage of plan assets ascribable to contributions by the Companies

The percentage of the assets of each of these plans ascribable to contributions by the Companies at March 31, 2020 and 2019 was as follows:

	2020	2019
Tokyo Pharmaceutical Corporate Pension Fund	**12.1%**	11.4%
Other	**9.3**	9.5

17. PLEDGED ASSETS

The following assets were pledged as collateral as of March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended March 31	2020	2019	2020
Cash and deposits	**¥860**	¥860	**$7,902**
Investment securities	**–**	45	**–**
Total	**¥860**	¥905	**$7,902**

The liabilities associated with the pledged assets as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2020	2019	2020
Notes and accounts payable-trade	**¥22,575**	¥26,007	**$207,434**

18. CONTINGENT LIABILITIES

The Companies were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, associates and others in the amount of ¥2,269 million ($20,849 thousand) and ¥1,418 million at March 31, 2020 and 2019, respectively.

19. NET ASSETS

Under the Japanese Companies Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Companies Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in capital or a legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Japanese Companies Act, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit, or could be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Japanese Companies Act, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese Companies Act.

At the Board of Directors meeting held on May 14, 2020, cash dividends amounting to ¥4,409 million ($40,513 thousand) were approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2020.

20. INCOME TAXES

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The aggregated statutory tax rates were approximately 30.6% for the years ended March 31, 2020 and 2019.

The reconciliation between the statutory tax rate and the effective tax rate of the Companies for financial statement purposes for the year ended March 31, 2020 and 2019 were as follows:

		Thousands of U.S. dollars (Note 1)
Year ended March 31	2020	2019
Statutory tax rate	**30.6%**	30.6%
Permanent differences (Non-deductible expenses and non-taxable income)	**(22.6)**	(6.6)
Per capita inhabitant taxes	**0.5**	0.6
Valuation allowance	**(0.2)**	(1.1)
Effects of consolidated eliminations	**22.6**	6.6
Equity in earnings of affiliates	**(1.2)**	(1.0)
Other, net	**2.5**	(0.7)
Effective tax rate	**32.2%**	28.4%

Significant components of the deferred tax assets and liabilities of the Companies at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2020	2019	2020
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 477**	¥ 594	**$ 4,383**
Impairment loss	**1,492**	1,357	**13,709**
Loss on valuation of investment securities	**1,738**	1,492	**15,970**
Accrued enterprise taxes	**1,045**	847	**9,602**
Provision for bonuses	**2,819**	2,793	**25,903**
Net defined benefit liability	**6,398**	6,569	**58,789**
Tax loss carry forward	**554**	819	**5,091**
Business investments	**2,448**	2,005	**22,494**
Other	**6,787**	6,229	**62,363**
Subtotal	**23,758**	22,705	**218,304**
Valuation allowance	**(4,120)**	(4,289)	**(37,857)**
Total deferred tax assets	**¥ 19,638**	¥ 18,416	**$ 180,447**
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	**(5,349)**	(2,877)	**(49,150)**
Valuation difference on available-for-sale securities	**(32,035)**	(30,690)	**(294,358)**
Other	**(6,306)**	(6,552)	**(57,944)**
Total deferred tax liabilities	**¥(43,690)**	¥(40,119)	**$(401,452)**
Net deferred tax liabilities	**¥(24,052)**	¥(21,703)	**$(221,005)**

21. OTHER COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Increase during the year	**¥ 4,788**	¥(12,915)	**$ 43,995**
Reclassification adjustments	**(359)**	(130)	**(3,299)**
Amount before income tax effect	**4,429**	(13,045)	**40,696**
Tax effect	**(1,418)**	3,783	**(13,029)**
Sub-total, net of tax	**3,011**	(9,262)	**27,667**
Deferred gains or losses on hedges:			
Increase (decrease) during the year	**12**	7	**110**
Adjustments of acquisition cost of assets	**(7)**	28	**(64)**
Amount before income tax effect	**5**	35	**46**
Tax effect	**(2)**	(11)	**(19)**
Sub-total, net of tax	**3**	24	**27**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**(975)**	(580)	**(8,959)**
Reclassification adjustments	**385**	63	**3,538**
Amount before income tax effect	**(590)**	(517)	**(5,421)**
Tax effect	**208**	186	**1,911**
Sub-total, net of tax	**(382)**	(331)	**(3,510)**
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during the year	**(308)**	(619)	**(2,830)**
Total other comprehensive income	**¥ 2,324**	¥(10,188)	**$ 21,354**

22. SEGMENT INFORMATION

(1) General information about reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of resources to segments and assess segment performance.

The Company is aiming to create a new, customer-oriented business model, and therefore has three reportable segments by customer: the Prescription Pharmaceutical Wholesale Business; the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business; and the Animal Health Products and Food Processing Raw Materials Wholesale Business.

The Prescription Pharmaceutical Wholesale Business conducts wholesale business for hospitals, clinics, dispensing pharmacies and other customers.

The Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business conducts wholesale business for drugstores, home centers, convenience stores, supermarkets and other customers. The Animal Health Products and Food Processing Raw Materials Wholesale Business conduct wholesale business for animal hospitals, livestock or fisheries vendors, food processing manufactures and other customers.

(2) Basis of measurement for reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting methods for the reported business segments are generally the same as those in 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Segment profit corresponds to the operating profit of the consolidated statements of income. Intersegment sales and transfer prices are based on market prices.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

Segment information as of and for the fiscal year ended March 31, 2020 was as follows:

Millions of yen

Year ended March 31 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales:						
(1) Sales to outside customers	¥2,138,687	¥1,045,991	¥68,401	¥3,253,079	¥ –	¥3,253,079
(2) Intersegment sales and transfers	3,141	422	4	3,567	(3,567)	–
Total sales	2,141,828	1,046,413	68,405	3,256,646	(3,567)	3,253,079
Segment profit (Operating profit)	¥ 26,055	¥ 24,681	¥ 1,979	¥ 52,715	¥ 395	¥ 53,110
Segment assets	¥1,143,160	¥ 413,817	¥25,211	¥1,582,188	¥62,091	¥1,644,279
Other						
Depreciation	¥ 8,642	¥ 5,058	¥ 247	¥ 13,947	¥ 149	¥ 14,096
Amortization of goodwill	255	138	63	456	–	456
Investment in affiliates accounted for using the equity method	53,909	–	–	53,909	–	53,909
Capital expenditures	10,333	18,792	168	29,293	29	29,322

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales:						
(1) Sales to outside customers	$19,651,631	$9,611,238	$628,512	$29,891,381	$ –	$29,891,381
(2) Intersegment sales and transfers	28,862	3,877	37	32,776	(32,776)	–
Total sales	19,680,493	9,615,115	628,549	29,924,157	(32,776)	29,891,381
Segment profit (Operating profit)	$ 239,410	$ 226,785	$ 18,184	$ 484,379	$ 3,630	$ 488,009
Segment assets	$10,504,089	$3,802,416	$231,655	$14,538,160	$570,532	$15,108,692
Other						
Depreciation	$ 79,408	$ 46,476	$ 2,270	$ 128,154	$ 1,369	$ 129,523
Amortization of goodwill	2,343	1,268	579	4,190	–	4,190
Investment in affiliates accounted for using the equity method	495,351	–	–	495,351	–	495,351
Capital expenditures	94,946	172,673	1,544	269,163	266	269,429

Notes:
1. Adjustments were as follows:
   (1) The ¥3,567 million ($32,776 thousand) adjustment of net sales represents elimination of intersegment transactions.
   (2) The ¥395 million ($3,630 thousand) adjustment of segment profit represents elimination of intersegment transactions of ¥2,704 million ($24,846 thousand), minus corporate expenses of ¥2,309 million ($21,216 thousand) that are not allocated to reportable segments.
   (3) The ¥62,091 million ($570,532 thousand) adjustment of segment assets represents corporate assets of ¥66,247 million ($608,720 thousand) that are not allocated to reportable segments, minus elimination of intersegment transactions of ¥4,156 million ($38,188 thousand).
   (4) The ¥149 million ($1,369 thousand) adjustment of depreciation represents corporate depreciation expenses that are not allocated to reportable segments.
   (5) The ¥29 million ($266 thousand) adjustment of capital expenditures represents corporate assets that are not allocated to reportable segments.
2. Segment profit is adjusted to operating profit as reported in the consolidated statements of income.

Segment information as of and for the fiscal year ended March 31, 2019 was as follows:

Millions of yen

Year ended March 31 2019	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales:						
(1) Sales to outside customers	¥2,100,976	¥1,014,768	¥66,185	¥3,181,929	¥ –	¥3,181,929
(2) Intersegment sales and transfers	2,993	486	5	3,484	(3,484)	–
Total sales	2,103,969	1,015,254	66,190	3,185,413	(3,484)	3,181,929
Segment profit (Operating profit)	¥ 22,461	¥ 25,372	¥ 1,608	¥ 49,441	¥ 387	¥ 49,828
Segment assets	¥1,165,441	¥ 387,012	¥24,322	¥1,576,775	¥41,136	¥1,617,911
Other						
Depreciation	¥8,585	¥ 4,491	¥ 156	¥ 13,232	¥ 184	¥ 13,416
Amortization of goodwill	256	138	83	477	–	477
Investment in affiliates accounted for using the equity method	52,815	–	–	52,815	–	52,815
Capital expenditures	8,398	10,701	234	19,333	28	19,361

Notes:
1. Adjustments were as follows:
   (1) The ¥3,484 million adjustment of net sales represents elimination of intersegment transactions.
   (2) The ¥387 million adjustment of segment profit represents elimination of intersegment transactions of ¥2,604 million, minus corporate expenses of ¥2,217 million that are not allocated to reportable segments.
   (3) The ¥41,136 million adjustment of segment assets represents corporate assets of ¥44,947 million that are not allocated to reportable segments, minus elimination of intersegment transactions of ¥3,811 million.
   (4) The ¥184 million adjustment of depreciation represents corporate depreciation expenses that are not allocated to reportable segments.
   (5) The ¥28 million adjustment of capital expenditures represents corporate assets that are not allocated to reportable segments.
2. Segment profit is adjusted to operating profit as reported in the consolidated statements of income.

(4) Information related to reportable segments

1) Information about products and services

The information about products and services is included in (3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items.

2) Information about geographic areas

a. Net sales

Information about net sales was not shown since sales to outside customers in Japan were more than 90% of net sales presented in the consolidated statements of income.

b. Property, plant and equipment

Information about property, plant and equipment was not shown since there are no property, plant and equipment outside Japan.

3) Information about major customers

Information about major customers was not shown since net sales to any single customer were less than 10% of the amount of net sales presented in the consolidated statements of income.

(5) Information on impairment loss of non-current assets by reportable segment

Millions of yen

Year ended March 31, 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Impairment loss of non-current assets	**¥856**	**¥18**	**¥12**	**¥–**	**¥886**

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Impairment loss of non-current assets	**$7,866**	**$165**	**$110**	**$–**	**$8,141**

Millions of yen

Year ended March 31, 2019	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Impairment loss of non-current assets	¥8	¥–	¥–	¥–	¥8

(6) Information on amortization of goodwill and unamortized balance by reportable segment

Millions of yen

Year ended March 31, 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Amortization of Goodwill	**¥ 255**	**¥138**	**¥63**	**¥–**	**¥ 456**
Unamortized Balance	**1,115**	**69**	**–**	**–**	**1,184**

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2020	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Amortization of goodwill	**$ 2,343**	**$1,268**	**$579**	**$–**	**$ 4,190**
Unamortized balance	**10,245**	**634**	**–**	**–**	**10,879**

Millions of yen

Year ended March 31, 2019	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Animal Health Products and Food Processing Raw Materials Wholesale Business	Eliminations and Corporate	Total
Amortization of goodwill	¥ 256	¥138	¥83	¥–	¥ 477
Unamortized balance	1,370	207	63	–	1,640

23. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Companies and a principal shareholder of the Company which owned more than a 10% interest for the years ended March 31, 2020 are not applicable.

The following are transactions between the Companies and a principal shareholder of the Company which owned more than a 10% interest for the years ended March 31, 2019.

	Millions of yen
	2019
Principal shareholder	Takeda Pharmaceutical Company Limited
Capital stock	**¥77,923**
Principal business	Pharmaceutical product manufacturer
Percentage of total shares	**10.2%**
Description of transactions:	
Purchase amount of pharmaceutical products	**70,217**
Balance of notes and accounts payable–trade at end of period	**69,953**

In accordance with Company policy, the purchase transactions were conducted after negotiations with due reference to actual market prices and other issues.

Takeda Pharmaceutical Co., Ltd. (Takeda) ceased to be a major shareholder on June 13, 2018, and is therefore no longer a related party. Consequently, the purchase transactions are the amount while Takeda was a related party, and balances at the end of period are the balance when Takeda ceased to be a related party. In addition, capital stock is as of the date Takeda ceased to be a related party, and percentage of total shares is as of March 31, 2018.

24. SUBSEQUENT EVENTS

CASH DIVIDENDS

On May 14, 2020 the Board of Directors approved the payment of a cash dividend of ¥21.00 ($0.193) per share to shareholders of record at March 31, 2020, for a total payment of ¥4,409 million ($40,513 thousand).

Independent Auditor's Report

Independent auditor's report

To the Board of Directors of MEDIPAL HOLDINGS CORPORATION:

Opinion

We have audited the accompanying consolidated financial statements of MEDIPAL HOLDINGS CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Toshiyuki Nishida

Designated Engagement Partner

Certified Public Accountant

Katsunori Tsukahara

Designated Engagement Partner

Certified Public Accountant

Junichi Kimura

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 29, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Subsidiaries and Affiliated Companies

Company Name / Location	Share Capital (Millions of yen, unless otherwise noted)	Voting Right Percentage (%)	Representative Director*	Date Established	Business (Main areas of business)
Consolidated subsidiaries					
MEDICEO CORPORATION (Chuo-ku, Tokyo)	100	100.0	Yasuhiro Choufuku, Representative Director, President and CEO	April 2004	Sales of prescription pharmaceutical products, medical equipment and supplies, clinical diagnostics, etc. (Hokkaido, Tohoku, Kanto, Chubu, and Kinki areas)
EVERLTH Co., Ltd. (Naka-ku, Hiroshima)	1,510	100.0	Takuro Hasegawa, Representative Director, President and CEO	April 1950	Sales of prescription pharmaceutical products, medical equipment and supplies, clinical diagnostics, etc. (Chugoku area)
ATOL CO., LTD. (Higashi-ku, Fukuoka)	3,965	100.0	Shinjiro Watanabe, Representative Director, President and CEO	January 1947	Sales of prescription pharmaceutical products, medical equipment and supplies, clinical diagnostics, etc. (Kyushu and Okinawa areas)
SPLine Corporation (Chuo-ku, Tokyo)	100	100.0	Atsushi Takumiya, Representative Director, President and CEO	May 2016	Distribution planning for specialty pharmaceuticals
MM CORPORATION (Bunkyo-ku, Tokyo)	100	100.0	Hideaki Kitauchi, Representative Director, President and CEO	January 1951	Sales of medical equipment and supplies, etc.
ASTEC Co., Ltd. (Tsukuba-shi, Ibaraki)	10	100.0	Yoshitaka Ichiyanagi, Representative Director, President and CEO	July 1992	Sales of medical equipment and supplies, etc.
MVC CO., LTD. (Higashi-ku, Fukuoka)	100	100.0	Yoshihiro Takimoto, Representative Director, President and CEO	November 2007	Sales of medical equipment and supplies, etc.
MEDIE Co., Ltd. (Chuo-ku, Tokyo)	14	100.0	Shinji Endo, President and CEO	July 1980	Creation of a computerized medical supply database, creation of master product databases for medical facilities
M.I.C. (Medical Information College), INC. (Bunkyo-ku, Tokyo)	10	100.0	Hiroshi Niwa, Representative Director and President	August 1984	Health insurance claims reviews, medical coding dispatch, outsourcing, and remote education
Medipal Insurance Service Co., Ltd. (Chuo-ku, Kobe)	90	100.0	Hisatake Kato, Representative Director and President	February 1999	Non-life insurance agency, operations related to life insurance
PALTAC CORPORATION (Chuo-ku, Osaka)	15,869	50.2	Seiichi Kasutani, Representative Director, President and COO	December 1928	Sale of cosmetics, daily necessities, and OTC pharmaceuticals
MP AGRO CO., LTD. (Kitahiroshima-shi, Hokkaido)	44	100.0	Tomohiko Kimura, Representative Director, President and CEO	July 1956	Sales of animal health products, food additives, etc.
MEDIPAL FOODS CORPORATION (Chuo-ku, Sapporo)	60	100.0	Takaharu Kayama, Representative Director and President	March 1965	Sales of food processing raw materials, food additives, etc.
Unconsolidated subsidiaries accounted for by equity method					
TOKIMO CO., LTD. (Chiyoda-ku, Tokyo)	80	100.0	Mitsuo Sakiyama, Representative Director and President	June 1986	Cleaning management
Butsuryu 24, Inc. (Bunkyo-ku, Tokyo)	40	100.0	Kimihiko Tokushige, Representative Director and President	June 1998	Management and operation of distribution centers, commissioned delivery service, and worker dispatch
EVERLTH ODS Co., Ltd. (Naka-ku, Hiroshima)	10	100.0	Katsumi Yoshioka, Representative Director and President	April 1987	Management and operation of distribution centers, commissioned delivery service, and worker dispatch
class A Network Co., Ltd. (Shibuya-ku, Tokyo)	10	70.0	Satoshi Akutsu, Representative Director and President	July 2006	Planning, management, administration, and product and service development for the Class A health dispensing pharmacies service brand
7 other companies					
Affiliated companies accounted for by equity method					
Qol Holdings Co., Ltd. (Minato-ku, Tokyo)	5,786	22.9	Takashi Nakamura, Representative Director and President	October 1992	Operation of dispensing pharmacies
MC Healthcare, Inc. (Minato-ku, Tokyo)	548	20.0	Masatoshi Kimura, Representative Director and President	April 2010	Operational support for hospitals
SHIKOKU YAKUGYO CO., LTD. (Matsuyama-shi, Ehime)	831	20.0	Eiichiro Nakazawa, Representative Director and President	October 2004	Sales of prescription pharmaceutical products, medical equipment and supplies, clinical diagnostics, etc. (Shikoku area)
YAKUJU HOLDINGS, Inc. (Yamato-shi, Kanagawa)	75	40.0	Yuta Komori, Representative Director, President and CEO	July 2018	Operation of dispensing pharmacies
PRESUSCUBE Corporation (Minato-ku, Tokyo)	100	49.0	Yuta Komori, Representative Director, President and CEO	July 2016	Management support and marketing support for dispensing pharmacies
JCR Pharmaceuticals Co., Ltd. (Ashiya-shi, Hyogo)	9,061	23.6	Shin Ashida, Chairman and President	September 1975	Manufacture and sales of prescription pharmaceutical products, etc.
Nobelpharma Co., Ltd. (Chuo-ku, Tokyo)	11	20.0	Jin Shiomura, Representative Director, President and CEO	June 2003	Manufacture and sale of prescription pharmaceutical products, etc.
CARADA medica Inc. (Shinjuku-ku, Tokyo)	150	34.4	Seitaro Sugawara, Representative Director	July 2015	Healthcare-related content distribution services
Doctorbook Inc. (Chiyoda-ku, Tokyo)	183	23.0	Rihito Soma, Representative Director, President and CEO	December 2013	Various information provision services using the Internet, etc.
Sinopharm Group Beijing Huahong Co., Ltd. (Beijing, China)	RMB 350 million	20.0	Jiang Xiuchang, President	April 1998	Sales of prescription pharmaceutical products, etc. (Beijing, China)
Beijing Tianxingpuxin Bio-med Sinopharm Holding Co., Ltd. (Beijing, China)	RMB 100 million	20.0	Jiang Xiuchang, President	July 2002	Sales of prescription pharmaceutical products, etc. (Beijing, China)
Affiliated companies not accounted for by equity method					
KURAYA (USA) CORPORATION (California, USA)	USD 300 thousand	49.0	Gerry Shishido, Representative Director and President	July 1997	Import and export of medical supplies, etc.
OrphanPacific, Inc. (Minato-ku, Tokyo)	100	34.0	Philippe Auvaro, Representative Director and President	May 2012	Manufacture and sales of prescription pharmaceutical products, etc.
5 other companies					

* As of July 1, 2020

Corporate Data / Stock Information

Corporate Data (As of March 31, 2020)

Corporate Name	MEDIPAL HOLDINGS CORPORATION
Head Office	2-7-15, Yaesu, Chuo-ku, Tokyo 104-8461, Japan Tel: 81-3-3517-5800 (Representative)
Founded	October 8, 1898
Established	May 6, 1923
Share Capital	¥22,398 million
Number of Employees	13,599 (Consolidated basis)
Stock Listing	Tokyo Stock Exchange, First Section
Ticker Code	7459
Trading Unit	100 shares
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
The General Meeting of Shareholders	The General Meeting of Shareholders is held annually in June.
Further Information	Corporate Planning and Public Relations Department Tel: 81-3-3517-5171
Stock Information	Number of Shares Authorized: 900,000,000 Number of Outstanding Shares: 244,524,496 Number of Shareholders: 11,013

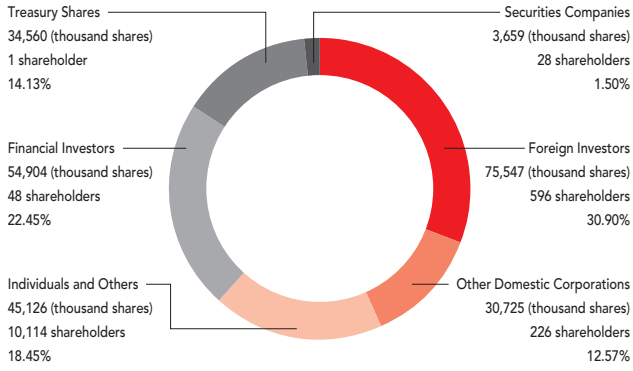
Stock Information (As of March 31, 2020)

Major Shareholders

Shareholders	Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,711	6.05
Japan Trustee Services Bank, Ltd. (Trust Account)	8,309	3.96
MEDICEO Employees Shareholders' Association of MP Group	6,943	3.31
Japan Trustee Services Bank, Ltd. (Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Ltd.)	5,845	2.78
Kobayashi Pharmaceutical Co., Ltd.	5,074	2.42
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	4,359	2.08
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,326	2.06
Trust & Custody Services Bank, Ltd. as trustee for Daiichi Sankyo Company, Limited Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	3,274	1.56
Sumitomo Dainippon Pharma Co., Ltd.	3,149	1.50
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,997	1.43

Notes:
1. The Company holds 34,560 thousand shares of treasury shares, which are excluded from the major shareholders listed above.
2. Shareholding ratio is calculated after subtracting treasury shares from the number of outstanding shares.
3. Shares held as a percentage of total outstanding shares and shareholding ratio excluding treasury shares are rounded to the nearest hundredth.

Shareholder Composition



Rating Information (As of July 13, 2020)

Rating firm	Rating
Rating and Investment Information, Inc. (R&I)	A+

Note: The above is an issuer rating. Issuer ratings are fixed symbols provided as information to investors regarding the overall ability of issuers to repay the financial obligations they have incurred, and the degree of certainty regarding payment of individual debts.

Adoption to Index (As of August 7, 2019)

Since fiscal 2014, the MEDIPAL Group has been selected as JPX-Nikkei Index 400 composed of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives. Group company PALTAC has also been selected as JPX-Nikkei Index 400.

JPX-NIKKEI 400

この国で、
薬を届けるという使命。

メディパルは、医薬品、日用品などを取り扱う流通グループ。

製薬会社と皆さんの町の医療機関、調剤薬局、ドラッグストアなど全国24万軒をつないでいます。

私たちのモットーは、必要なものを、必要な時に、必要な量だけ確実に運び届けること。

それは、災害時ならなおさらです。

私たちは、阪神・淡路大震災での被災経験から、災害時にも負けない流通を目指して、

様々な取り組みを重ねてきました。

東日本大震災や熊本地震などで、大変な困難の中、被災地に必要なものを送ることができたのも、

普段からの備えがあればこそでした。

災害とは切り離せないこの国だからこそ、あらゆるシナリオに対し、万全の準備をしておく。

私たちにとって、薬を届けるということは、ライフラインを担うことなのです。

毎日の暮らしが、何かあった「その時」にも途切れることのないよう。

私たちの目に見えない挑戦は続きます。

［非常時の配送手段の整備］
公共交通機関や交通網が寸断された場合に備え、物流センターなどに緊急用バイクを配備。車両の通行が困難な場所に薬を届ける重要な配送手段となっています。

［　ホストコンピュータの二重化　］
災害によるデータの紛失・損壊などを防ぐためにホストコンピュータの二重化やデータのバックアップ、ホストコンピュータ設置建屋の耐震・防災・停電対策などを行い、災害時においても事業を継続できるよう備えています。

［ 非常用自家発電装置の設置 ］
本社・物流センターなど主要な拠点に非常用自家発電装置を設置し、災害時にも医薬品をはじめとする商品の安定供給が行えるよう備えています。

［自家給油設備の設置］
震災時のガソリン不足の経験をふまえ、主要な物流センターに自家給油設備を設置しています。

［　建屋の耐震・免震化　］
震災時に商品が落下損壊したり、物流設備が故障することを避けるため、物流センターをはじめ、全建屋の耐震・免震化を進めています。

Our mission is to deliver pharmaceuticals in Japan.

MEDIPAL is a distribution group that handles pharmaceuticals and daily necessities.

We are connecting pharmaceutical companies with 240,000 locations of healthcare institutions, dispensing pharmacies, and drug stores in every town and village all over the country.

Our motto is to reliably deliver required products at the required time in just the required amount.

This is all the more important when natural disasters strike.

The MEDIPAL Group has gained experience in previous major natural disasters, including the Great Hanshin-Awaji Earthquake, and has taken many initiatives to build distribution channels that are resilient even in times of natural disaster.

In the midst of terrible hardships during the Great East Japan Earthquake and the series of earthquakes in Kumamoto, we were able to deliver necessary items to the affected areas. This was entirely because we always keep ourselves ready for emergency situations.

Because Japan is a land of natural disasters,
MEDIPAL must make full preparations for dealing with a wide range of disaster scenarios.

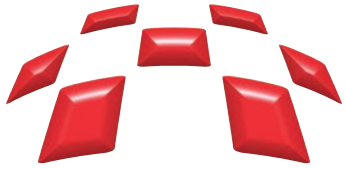
For us at MEDIPAL, delivery of pharmaceuticals is a vital part of the lifelines of society.

We are working to ensure that daily life is not interrupted "when an emergency occurs."

Our unseen challenges will continue.

MEDICEO CORPORATION / EVERLTH Co., Ltd. / ATOL CO., LTD. / SPLine Corporation / MM CORPORATION /ASTEC Co., Ltd.
MVC CO., LTD / MEDIE Co., Ltd. / M.I.C. (Medical Information College), INC. / Medipal Insurance Service Co., Ltd. / PALTAC CORPORATION
MP AGRO CO., LTD. / MEDIPAL FOODS CORPORATION / YONYAKU CO., LTD. / NAKAZAWA UJIKE PHARMACEUTICAL CO., LTD. / Toshichi Inc.

MEDIPAL HOLDINGS CORPORATION



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