[Translation]

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MEDIPAL HOLDINGS CORPORATION
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Initiatives for Medium- to Long-Term Enhancement of Corporate Value

MEDIPAL HOLDINGS CORPORATION (the "Company") regards enhancing its corporate value over the medium- to long-term as its most important management issue. While advancing the transformation of its business structure and financial structure, including making PALTAC CORPORATION ("PALTAC") a wholly owned subsidiary, which was completed on August 13, 2026, the Company is further promoting management that is conscious of the cost of capital and stock prices and is making further strides toward realizing it. As part of these efforts, the Company hereby announces that, at the meeting of its Board of Directors held today, it resolved to revise its recognition of the cost of capital and adopt a policy for continuous generation of returns that will stably exceed the cost of capital (equity spread).

This announcement updates the contents of "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced on May 13, 2025, based on dialogue with its shareholders and investors.

1. Analysis and Evaluation of Current Situation

The Company's P/B ratio (price-to-book ratio) has recently been at a level of around 1.0x; however, it has remained below 1.0x over the past several years.

In addition, the Company's ROE (return on equity) was 6.6% for the fiscal year ended March 31, 2025 (FY3/2025) and 6.7% for the fiscal year ended March 31, 2026 (FY3/2026).

Item	May 2025 announcement	This announcement
P/B ratio	0.78x (end of FY3/2025)	0.92x (end of FY3/2026)
ROE	6.6% (FY3/2025)	6.7% (FY3/2026)

In the May 2025 announcement, the Company recognized the WACC (weighted average cost of capital) as its cost of capital, recognized its cost of capital to be at a level from the high 4% range to the mid-5% range and its earnings yield to be at a level from the low 7% range to the low 8% range, and analyzed that its ROE was between the cost of capital and the earnings yield. However, because the P/B ratio has continued to remain around 1.0x, the Company decided to analyze and reevaluate its

current situation and to revise its recognition of the cost of capital based on the expected return of the market recognized through dialogue with its shareholders and investors.

2. Revision of Recognition of Cost of Capital

The Company has changed the indicator against which the ROE is compared from the WACC, as used previously, to the cost of equity, has adopted the cost of equity as the indicator of the cost of capital it recognizes, and has conducted a revision based on the return expected by the market, etc. Specifically, while the Company recognized its cost of capital to be at a level from the high 4% range to the mid-5% range at the time of the May 2025 announcement, it has now revised that recognition to approximately 6% to 7%.

This revision also takes into account that, while the cost of capital calculated based on the CAPM (capital asset pricing model) is approximately in the mid-5% range due to the effect of rising interest rates, the expected return of the market recognized through dialogue with its shareholders and investors is at a level exceeding it. Going forward, the Company will periodically revise its recognition of the cost of capital based on changes in the market environment, such as interest rate trends, and on dialogue with its shareholders and investors.

In light of the revised cost of capital, the Company recognizes that the ROE for FY3/2026 (6.7%) is at approximately the same level as the cost of capital; however, based on the revision of the full-year consolidated earnings forecast announced by the Company on October 23, 2026, the ROE for the fiscal year ending March 31, 2027 (FY3/2027) is expected to exceed 8%. Even after the revision of the cost of capital, the Company will aim for the ROE to be at a level that consistently exceeds the cost of capital.

3. Initiatives for Continuously Generating Equity Spread

The Company will aim to achieve an ROE that continuously exceeds the cost of capital. The Company recognizes that the continuous generation of an equity spread, which is the difference between the ROE and the cost of capital, will lead to value creation. Its policy is to strengthen the following initiatives from each of the perspectives of profit margin, asset efficiency, and financial leverage, which constitute the ROE, with the aim of enhancing its corporate value over the medium- to long-term while placing emphasis on improving the ROE. In addition, based on the fact that the P/B ratio is the product of the ROE and the PER (price-to-earnings ratio), in addition to improving the ROE, the Company will also work to improve the PER by increasing growth expectations through clarification of its growth strategy and through dialogue with its shareholders and investors and enhanced disclosure.

(1) Strengthening Profitability and Growth Potential

Since Mr. Shuichi Watanabe assumed office as Representative Director, President and CEO in April 2012, the Company, under his leadership, has adopted “Change the Oroshi” as its management vision and has worked on innovating its existing businesses and creating new businesses. During the period from fiscal year ended March 31, 2012 to fiscal year ended March 31, 2026, while net sales grew 1.4-

fold, ordinary profit increased 2.4-fold and the Company has achieved industry-leading levels of profitability and growth potential.

Going forward, under the leadership of Mr. Kuniaki Imagawa, who assumed the position of the Representative Director, President, and CEO as of October 1, 2026, building on PALTAC having become a wholly owned subsidiary, the Company will realize Group synergies that transcend the boundaries among 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 and Related Business, strongly promote initiatives aimed at evolving into a comprehensive platform supporting healthcare as a whole, and work to further strengthen its profitability and growth potential.

The details thereof will be presented in the Next Management Vision, which is currently being formulated and is scheduled to be announced in May 2027.

(2) Establishment of a System for Rigorous Evaluation and Verification of Business Investments

Although the Company has previously conducted certain evaluations when making business investments, based on 2. “Revision of Recognition of Cost of Capital” above, the Company will make its evaluation prior to the execution of investments more rigorous, in order to enhance the accuracy of evaluation in investment decisions and pursue the optimal allocation of management resources, and will also establish a system for verifying the progress and results after the execution of investments. The Company will announce the specific details and operation, etc. of this system as appropriate.

(3) Enhancement of Shareholder Returns and Capital Allocation

With respect to shareholder returns, in accordance with its current shareholder return policy of a total payout ratio of 40% or more, as stated in “Notice Regarding Decision on Matters Concerning Acquisition of Treasury Stock and Cancellation of Treasury Stock” announced on October 23, 2026, the Company resolved, at the meeting of its Board of Directors held on the same day, to conduct acquisition of treasury stock with an upper limit of 10 billion yen and to cancel the treasury stock acquired.

In addition, based on the transformation of its financial structure through making PALTAC a wholly owned subsidiary and its solid cash flow generation capability, the Company has commenced specific consideration toward raising the target level of shareholder returns.

In addition, with respect to capital allocation, the Company will actively pursue growth investment toward the initiatives aimed at evolving into a comprehensive platform supporting healthcare as a whole as described in (1) “Strengthening Profitability and Growth Potential” of 3. “Initiatives for **continuously**
Generating Equity Spread” above, and, at the same time, will implement measures such as reducing its strategic shareholdings, with the aim of further improving the efficiency of its capital and funds.

When announcing the Next Management Vision, the Company plans to announce the capital allocation at the same time. At the time of the announcement, the Company will present the optimal allocation of

management resources, balancing three elements toward enhancing its corporate value over the medium- to long-term: enhancing shareholder returns, growth investment and capital expenditure that are expected to generate returns exceeding the cost of capital, and ensuring financial soundness through control of interest-bearing debt.

4. Dialogue with Shareholders and Investors

The Company positions dialogue with its shareholders and investors as the starting point for enhancing corporate value and actively engages in dialogue with them, including at the management level. The revision of the recognition of the cost of capital this time is also based on the opinions received through dialogue.

(1) Status of dialogue

The Company's track record of dialogue with its shareholders and investors is as follows:

Category	**FY2024**	**FY2025**	**FY2026 (Schedule)**
Briefings on financial results	Twice (May, November)	Twice (May, November)	Twice (May, November)
Individual meetings with analysts and institutional investors	86 times	87 times	44 times (1st half track record)
Overseas investors (conferences and small meetings)	15 institutional investors	15 institutional investors	Meetings with a more than ten companies scheduled to be held in the second half
Hearing of opinions of analysts and institutional investors	Questionnaire surveys (March)	-	Individual interviews with 4 companies (April)

(2) Main Themes and Opinions

- Perceived level of the cost of capital and its difference from the ROE
- Level of shareholder returns and optimal capital structure
- Capital efficiency by business and business portfolio
- Synergies from making PALTAC a wholly owned subsidiary and the Next Management Vision
- Development progress of orphan drugs and timing of monetization
- Progress in reducing strategic shareholdings

(3) Feedback to Management

- Board of Directors: Officer in charge of IR reports on the status of dialogue and noteworthy matters
- President and officers: Department in charge of IR reports as needed
- Relevant business departments: Department in charge of IR reports at regular internal meetings

(4) Reflection in Management

Opinions received	The Company's response
There is a gap between the return expected by the market and the Company's recognition of the cost of capital.	Revised the Company's recognition of the cost of capital
We would like the investment decision criteria to be more rigorous.	Consider making the investment criteria more rigorous
We would like you to raise the level of shareholder returns.	Consider raising the target level of the total payout ratio and disclose it together with overall capital allocation in the Next Management Vision

(5) Future Initiatives

The Company positions dialogue with its shareholders and investors as the starting point for enhancing corporate value, and the revision of the cost of capital this time was also made based on the opinions received through dialogue with its shareholders and investors.

To date, the officer in charge of IR and the Corporate Communications Department (in charge of IR) have taken the lead in engaging in dialogue with its shareholders and investors; going forward, the Company will further expand opportunities for management to engage in dialogue directly, such as small meetings and meetings with overseas investors. The Company will also enhance opportunities for explanation in conjunction with the announcement of the Next Management Vision. Furthermore, the Company will continuously confirm through dialogue whether its recognition of the cost of capital is consistent with the expectations of its shareholders and investors, and will periodically disclose the status of dialogue.

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