

For Immediate Release

Company name: VITAL KSK HOLDINGS, INC.
Representative: Taisuke Murai, President & CEO
Company address: 1-1-12, Tsurumaki, Setagaya-ku, Tokyo

(Securities Code: 3151, TSE Prime Market)

Contact: Kenta Sato, Executive Officer, General Manager,

Corporate Communications (Tel. +81-22-266-8330)

Notice Regarding Participation in New Business Model Aiming to Eliminate Japan's Drug Loss

VITAL KSK HOLDINGS, INC. (the "Company") hereby announces that it recently took an equity stake in LinDo K.K. ("LinDo") in collaboration with the following three companies: CareNet, Inc (listed on TSE Prime Market; Code: 2150; "CareNet"), Forest Holdings inc. ("Forest HD") and Medical Incubator Japan K.K. ("MIJ"). Together with Forest HD, the Company also invested as strategic limited partners in MIJ BG2 Limited Partnership (the "Fund"), a new fund established by MIJ.

LinDo is a pharmaceutical company (a seed incubator) established with the aim of building a new business model for eliminating drug loss and developing and selling new drugs for which there is no development plan in Japan, despite the fact that the drugs have already been developed in Europe and the United States. Meanwhile, the Fund manages a total of 20 billion yen for the two purposes of equity investment in emerging pharmaceutical companies (Emerging Biopharma^(Note 1); "EBP") in and outside Japan and drug loss elimination in Japan.

In collaboration with LinDo, CareNet, Forest HD, MIJ and the Fund, the Company will, through initiatives to eliminate drug loss in Japan, contribute to broadening options for therapeutic agents for patients in Japan who have rare or intractable diseases, etc. in areas including the field of pediatric medicine and are waiting for new therapeutic agents, their families, and doctors and paramedical personnel in charge of their treatment.

(Note 1) In a report by IQVIA Inc., "Emerging Biopharma" is defined as companies with R&D spending of less than \$200 million and annual sales of less than \$500 million.

1. Investment objective

In April 2023, the Company adopted its Long-term Vision 2035 under the slogan: To transform the future of medical care by transcending boundaries and "acting as a bridge" to cutting-edge medicines. Based on this long-term vision, the Group will expand medical care-related businesses with the aim of developing a sustainable distribution structure for drugs and medical care-related products through independence and cooperation and contributing to the resolution of social issues and the extension of healthy life expectancy.

Among its specific initiatives, the Company launched third party logistics (3PL) business for the products of pharmaceutical manufacturers, has steadily accumulated a track record over the past few years, and plans to expand this area of business in the future.

Amid these circumstances, the Company strongly agreed with the purpose of establishing LinDo and the Fund and consequently made an investment. Going forward, the Company and Forest HD intend to engage in import, packaging for the Japanese market and overall logistics following the launch of therapeutical agent products for rare or intractable diseases, etc. that LinDo will develop and sell in the Japanese market.

2. Overview of business model

(1) What is drug loss?

In Europe and the United States, a number of drugs with new mechanisms of action that can be expected to treat root causes are being developed every year and finding clinical application In Japan, on the other hand, there have been no new drug applications and approvals with respect to approximately 70%^(Note 2) of the drugs that are newly approved in Europe and the United States, and this rate has been trending higher in the past several years. Particularly in the field of pediatric medicine in which the number of patients is small, the fact that the Japanese patients who need these drugs cannot be treated has become a major social problem.

(Note 2) Source: "Drug lag: Status and characteristics of drugs unapproved in Japan," OPIR News No. 63 (July 2021), Office of Pharmaceutical Industry Research (OPIR)

(2) Main factors for drug loss

In recent years, approximately 70%^(Note 3) of the new drugs approved in Europe and the United States have been discovered by EBPs overseas, significantly exceeding the ratio of new drugs created by major pharmaceutical companies (30%). Drugs that were discovered and developed independently by major drug manufacturers and certain products that were developed by EBPs and are expected to be successful are eventually developed and sold in Japan as well. However, many of the drugs newly discovered by EBPs who do not have development and sales functions in Japan have not been developed in Japan. Therefore, facilitating the development of these EBP products in Japan is a major issue to be addressed to eliminate drug loss.

Many EBPs are startup enterprises with limited financial resources and are operating their development business through repeated rounds of fundraising. With the aim of enhancing corporate value, the funds raised are injected into development and sales in the European and U.S. markets, where the largest sales and an early market launch of products are expected. Another area of concern is that the cost of development is higher in Japan than it is in Europe and the United States. Moreover, barriers for EBPs who remain reluctant to start development activities in Japan include their insufficient understanding of the Japanese market, such as the processes of development, approval and National Health Insurance (NHI) drug price registration, in addition to language differences.

Factors that are seen as inhibiting EBP products from being introduced in the Japanese market include the standpoint of domestic pharmaceutical companies who may be able to support EBPs' development and sales of products. These companies see new drug products with smaller sales volumes as being less profitable compared to successful products, even if they are highly promising and effective for rare or intractable diseases, etc., including those in pediatric medicine. This makes it difficult to actively promote their development, in addition to the low probability of obtaining timely access to prospective EBPs based outside Japan.

(Note 3) Source: "Global Trends in R&D Overview through 2021" (February 2022), IQVIA.

(3) Launch of new business model for drug loss elimination

The above five companies, including the Company, have launched a new business model with the aim of eliminating this drug loss, using the opportunity of the establishment of LinDo, a seed incubator that will develop and sell new drugs for rare or intractable diseases, etc., the introduction of which to Japan had been difficult, and of the origination of MIJ's new investment fund (the "Fund").

In this business model, the search for promising EBPs and stable procurement of clinical development expenses in

Japan will be conducted through collaboration with the Fund that is the No. 3 Fund of MIJ, a venture capital firm specializing in therapeutic areas. Moreover, in collaboration with CareNet, which is a shareholder of LinDo, the aim is to realize a lean development and sales structure that will be highly efficient compared to existing drug manufacturing business models. Meanwhile, the Company and Forest HD, which are shareholders of LinDo and investors in the Fund as limited partners, will be responsible for the supply chain, which enables the building of a framework for speedy development and sales with minimum cost (* Please refer to the following outline drawing of the business model).

To facilitate the introduction of new drugs for rare or intractable diseases, etc. with relatively small numbers of patients, the five companies including the Company will take on the challenge of eliminating drug loss with experienced members, efficient internal organizations and strong networks.

(4) Roles of each player in the business model

The major roles of each player in the business model are as described below.

[1] Search for and introduction of promising EBP seeds

This will be implemented by MIJ, which has extensive experience and strong connections regarding investment in overseas EBPs. MIJ has unique networks with global ecosystems and a track record in searching for innovative EBPs around the world, assessing more than 200 cases annually, through its activities of investing in new startup drug manufacturers using No. 1 and No. 2 Funds.

[2] DLE (Drug-Loss Elimination)(Note 4) using the Fund

Financing LinDo will procure funds for development initiatives for DLE. If the final amount of the Fund's origination is in the range of 20 billion yen, which is the Fund's target amount, investment in 15-20 items is anticipated.

[3] Strategic alliance between shareholders of LinDo and strategic limited partners of the Fund

Based on an alliance between LinDo and four large industry leaders including the Company, the optimal administrative operation of a series of processes, from clinical development in Japan, through application for approval, sales, and logistics, to the collection of safety information following market launch, etc. will be realized.

The actual functions and roles to be outsourced by LinDo will be as described below.

O To CareNet Group

- Use of database containing 220,000 members who are doctors and specialist physicians
- Streamlining of clinical trials through digital transformation (DX) in the medical field (collaboration in the selection of facilities, patients who participate in clinical trials as subjects and CRO^(Note 5))
- Efficient marketing and sales using DX communication platform and CSO^(Note 6) function

O To the Company and Forest HD

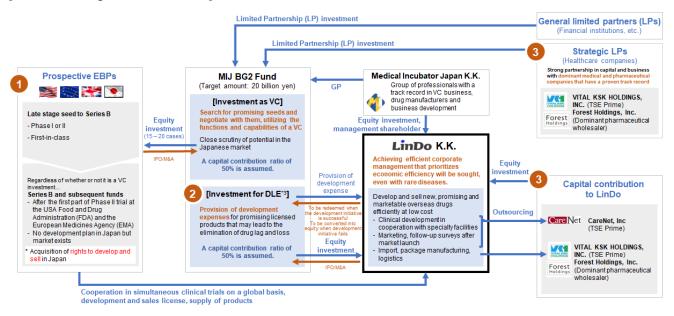
- Import of products, packaging for the domestic market
- Overall logistics following market launch

(Note 4) DLE = Drug-Loss Elimination

(Note 5) CRO = Contract Research Organization

(Note 6) CSO = Contract Sales Organization

[Outline drawing of business model]



3. Future prospect

Although this business model is completely new in Japan, several EBPs are already showing interest. Currently, LinDo and the Fund are negotiating with these EBPs for their introduction to Japan with the aim of an early launch of their development activities. The development of several products per annum is planned to start within the next few years. Accordingly, the impact of this matter on the Company's financial results is expected to be minor for the foreseeable future. The Company expects that it will make a significant contribution to improving its corporate value over the medium to long terms.

[Introduction and contact information of each company]

O CareNet, Inc Care Net

- Representative: Katsuhiro Fujii, President & CEO

- Address: Sumitomo Fudosan Chiyoda Fujimi Bldg., 1-8-19, Fujimi Chiyoda-ku Tokyo

- Business description: Provision of pharmaceutical marketing support services to pharmaceutical companies, medical

content services to doctors and paramedical personnel, etc.

- Website: https://www.carenet.co.jp

- Contact: Kanome, Administration Department (Phone: +81-3-5214-5800)

O Forest Holdings, Inc. Forest

Representative: Tsuguo Yoshimura, President
 Address: 2-3-8 Nishi-omichi, Oita, Oita

- Business description: The Forest Group has been developing a broad range of business mainly in the areas of medicine, health and food, including ethical drugs, medical device, materials, diagnostic pharmaceuticals and other products for medical institutions, non-prescription drugs, consumer healthcare products, and veterinary products and food.

- Website: https://www.forestg.jp/

Hirao, Corporate Planning Department (Phone: +81-92-477-5894) - Contact:

O Medical Incubator Japan K.K.



Jun Katsura, President/CEO - Representative:

- Address: 1-11-28 Akasaka, Minato-ku, Tokyo

- Business description: An independently owned investment business company specialized in healthcare and medical

care operated by investment professionals. MIJ undertakes exciting investment activities by searching for innovative startups with the aim of bringing hope to patients and profits to investors. Its track record in investment includes No. 1 & 2 Funds in Europe and the United

States and life science ventures in Japan.

- Website: https://www.medicalincubatorjapan.com/

- Contact: Takahashi, Administration Department (Phone: +81-3-6426-5308)

O LinDo K.K.

- Website:



Jun Katsura, President/CEO - Representative:

- Address: 1-11-28 Akasaka, Minato-ku, Tokyo

- Business description: LinDo started its business with the aim of eliminating drug loss by developing and selling new

drugs for which there is no plan for development and application for approval in Japan, despite the fact that they have already been developed in Europe and the United States. It will work to broaden options for therapeutic agents for patients in Japan who have rare or intractable diseases, etc. in areas such as pediatric medicine and are waiting for new therapeutic agents, their families, and doctors and paramedical personnel in charge of their treatment.

https://www.lindosi.com/

- Contact: Takahashi, Administration Department (Phone: +81-3-5545-5272)

O VITAL KSK HOLDINGS, INC. WITAL





- Representative: Taisuke Murai, President & CEO

- Address: 1-1-12, Tsurumaki, Setagaya-ku, Tokyo

- Business description: An ethical pharmaceuticals wholesaler established in 2009 through the merger of Vital-Net,

which is developing its business in the Tohoku, Niigata, North Kanto and Tokyo Metropolitan areas, and KSK, which is developing its business in the Kansai Region. The Vital KSK Group engages in pharmacy operations, the wholesale of medical device, diagnostic pharmaceuticals, materials, etc., wholesale of veterinary products and wholesale of agricultural chemicals and

materials, etc.

- Website: https://www.vitalksk.co.jp/english/

Sato, Corporate Communication Division (Phone: +81-022-266-8330) - Contact: