

November 10, 2023

VITALKSK HOLDINGS, INC.

**Financial Results for the First Half of the Fiscal Year
Ending March 31, 2024 (the 15th term)**

Taisuke Murai,
President & CEO

1. Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2024
2. Major Topics for this Fiscal Year
3. Achieving Management that is Conscious of ROE
4. Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2024

1. Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2024

Summary of Income for the First Half of the Fiscal Year Ending March 31, 2024

(Million yen, %)

	Previous year's results		Results forecast		FY2023 2Q Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Achievement rate	YoY
Net sales	290,166	—	290,000	—	294,213	—	101.5	—
Operating profit	1,521	0.52	2,400	0.82	2,868	0.97	119.5	—
Ordinary profit	2,423	0.84	3,100	1.07	3,478	1.18	112.2	—
Profit attributable to owners of parent	1,437	0.50	2,000	0.69	2,347	0.80	117.4	—

Profit by Segment

Prescription drugs	102.0%
Reagents and medical devices	92.2%
OTC drugs	93.6%

(Million yen, %)

	Pharmaceutical Wholesale Business*1			Pharmacy Business*2		Veterinary Drug Wholesale Business*3		Other Businesses*4	
	Results	Ratio to net sales	Results for the same period a year earlier	Results	Results for the same period a year earlier	Results	Results for the same period a year earlier	Results	Results for the same period a year earlier
Net sales	277,201	—	273,830	9,386	9,009	5,589	5,314	2,035	2,011
Gross profit	19,760	7.13	19,129	2,336	2,362	822	833	1,984	1,894
Selling, general and administrative expense	17,119	6.18	17,735	2,221	2,329	639	650	2,093	2,040
Operating profit	2,640	0.95	1,393	114	32	183	182	-108	-146

*1: VITAL KSK HOLDINGS, INC. VITAL-NET, INC., KSK Co., Ltd.

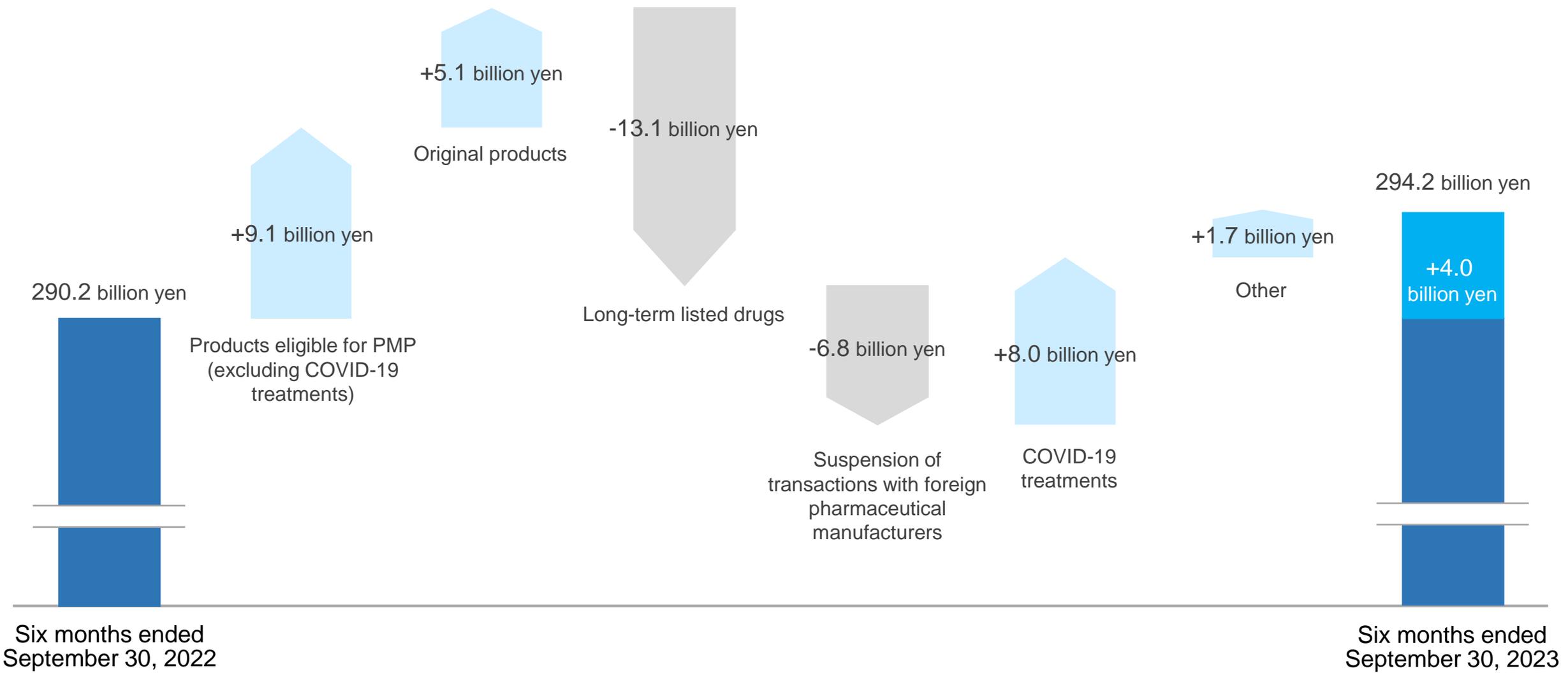
*2: OHNO CO. LTD., Goodneighbor Inc., Kenkodo Pharmacy Co., Ltd., etc.

*3: AGRO-JAPAN, Inc.

*4: Agricultural chemicals wholesale business, nursing care business etc.

*5: The sum total of the SG&A expenses and operating income of each segment may not match the total amounts shown in the previous section as intersegment adjustments of SG&A expenses are omitted.

Major factors in the Year-on-Year Change in Consolidated Net Sales



Negotiation of the right price

- Ensured transactions at the right price based on the value of individual pharmaceutical products
- Reviewed as a priority transactions with customers with a very large negative contribution margin

Collaborated with customers to solve social issues

Common social issues

Labor shortage and work style reform

Rising fuel/prices

Reduction of CO₂ emissions

Held discussions with a chain pharmacy and began charging for urgent deliveries this fiscal year

Apr.-Sep. previous year: 6,087 times
Apr.-Sep. this year: 1,447 times

} **76%** reduction in urgent deliveries

Worked with customers in certain areas to examine efficient pharmaceutical delivery and collaborated to optimize delivery times and frequency.

33% reduction in number of deliveries **50%** reduction in overtime

Balance Sheet

Million yen

	March 31, 2023	September 30, 2023	Increase/decrease	Main factors for increase/decrease
Current assets	188,502	208,163	19,661	
Cash and deposits	19,029	30,463	11,434	Reflects unsettled notes and accounts payable-trade due to month-end bank holiday
Notes and accounts receivable - trade	118,386	127,815	9,429	Due to increased sales
Inventories	30,846	31,052	206	
Non-current assets	108,813	113,582	4,769	
Property, plant and equipment and intangible assets	52,402	53,216	814	
Investments and other assets	56,411	60,365	3,954	Increase in unrealized gains on investment securities due to rising stock prices
Total assets	297,316	321,745	24,429	
Current liabilities	178,659	199,821	21,162	
Notes and accounts payable - trade	164,571	186,787	22,216	Unsettled notes and accounts payable-trade due to month-end bank holiday and increase in purchases
Short-term borrowings (including current portion of long-term borrowings)	1,960	1,860	-100	
Other current liabilities	12,127	11,174	-953	Payment of corporate tax, etc.
Non-current liabilities	18,491	19,157	666	Increase in deferred tax liabilities corresponding to increase in unrealized gains on investment securities
Total liabilities	197,150	218,979	21,829	
Net assets	100,165	102,766	2,601	
Shareholders' equity	78,099	78,099	0	
Accumulated other comprehensive income	20,886	23,440	2,554	Increase in unrealized gains on investment securities due to rising stock prices
Total liabilities and net assets	297,316	321,745	24,429	

2. Major Topics for this Fiscal Year

Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Business expansion in the companion animal and agritech fields

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Progress of 3PL business

Sales trend of 3PL business handling manufacturer logistics for pharmaceutical companies

YoY **117.2%**

Sales trend of Pivratz[®] Intravenous Injection 150mg developed by Idorcia Pharmaceuticals Japan Co., Ltd.

YoY **154.4%**



Demonstration Project for Drone Long-distance Pharmaceutical Deliveries

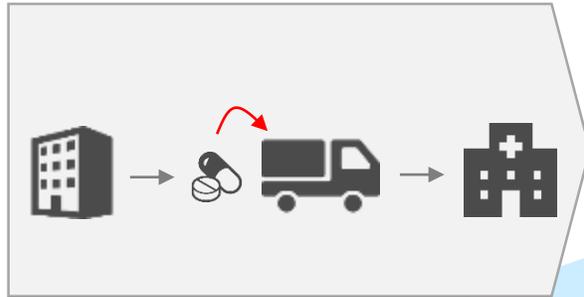
Participants	Class	Specific role
 和歌山県立医科大学 <small>WAKAYAMA MEDICAL UNIVERSITY</small>	Medical institutions	<ul style="list-style-type: none"> ➤ Advisor from the perspective of identifying issues in community health care
Wakayama	Government	<ul style="list-style-type: none"> ➤ Identification of issues related to drone operations in the prefecture ➤ Advice on delivery plans based on pharmaceutical delivery guidelines
Hidagawa-cho	Local governments	<ul style="list-style-type: none"> ➤ Provision of flying sites ➤ Support for landowner coordination in the vicinity of drone landing sites ➤ Assistance in informing residents
	Comprehensive ICT	<ul style="list-style-type: none"> ➤ Overall design and management related to the project ➤ Provision of over-the-air communication and related services (temperature/acceleration measurement and face recognition software) ➤ Procurement of drones and UGVs (unmanned ground vehicles)
 株式会社ケーエスケー	Pharmaceutical wholesaler	<ul style="list-style-type: none"> ➤ Planning of demonstration experiments ➤ Selection and provision of delivery pharmaceuticals

Demonstration Project for Drone Long-distance Pharmaceutical Deliveries

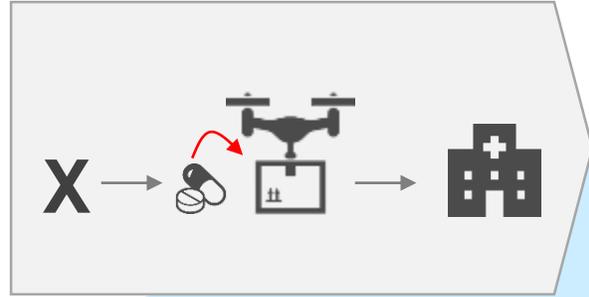
■ Aims of the demonstration project

- (1) To confirm the practicality of pharmaceutical delivery through **level 3*** drone flights * Out-of-sight flights over uninhabited areas
- (2) To verify feasibility of long-distance flights to medical facilities in remote areas
- (3) To identify issues for subsequent level 4 flights

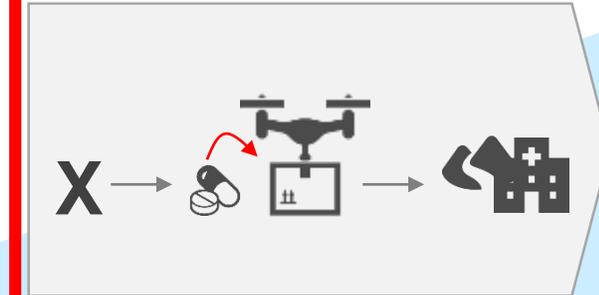
Current situation (FY2023)



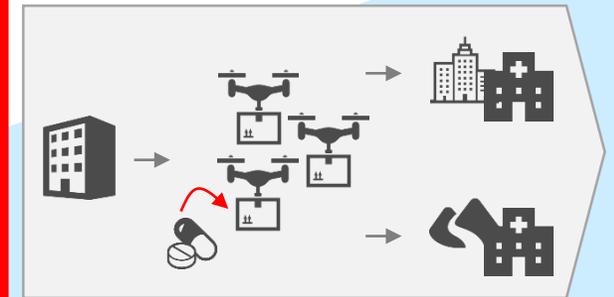
Verification of first demonstration experiment



Latest verification (FY2023~)



Future vision (FY202x)



Photograph of the demonstration experiment

On October 24th (Tuesday), the demonstration experiment in Hidakagawa-cho, Wakayama Prefecture was also covered in the media.



Website of KSK Co., Ltd.

Media coverage of demonstration experiment of drone pharmaceutical deliveries

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Business expansion in the companion animal and agritech fields

Initiatives of MAPs (Medical Assist Partners)

Due to activities in 12 months since launch of MAPs...

Medical departments visited for the first time

85

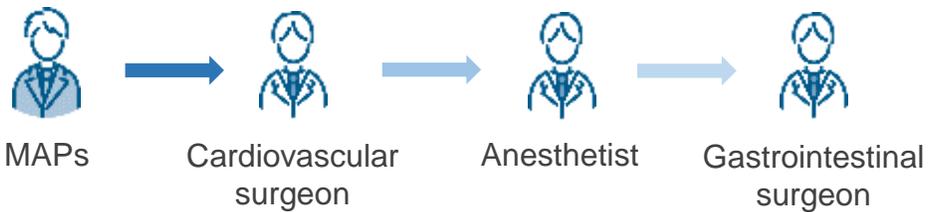
Doctors gained through contact points

112



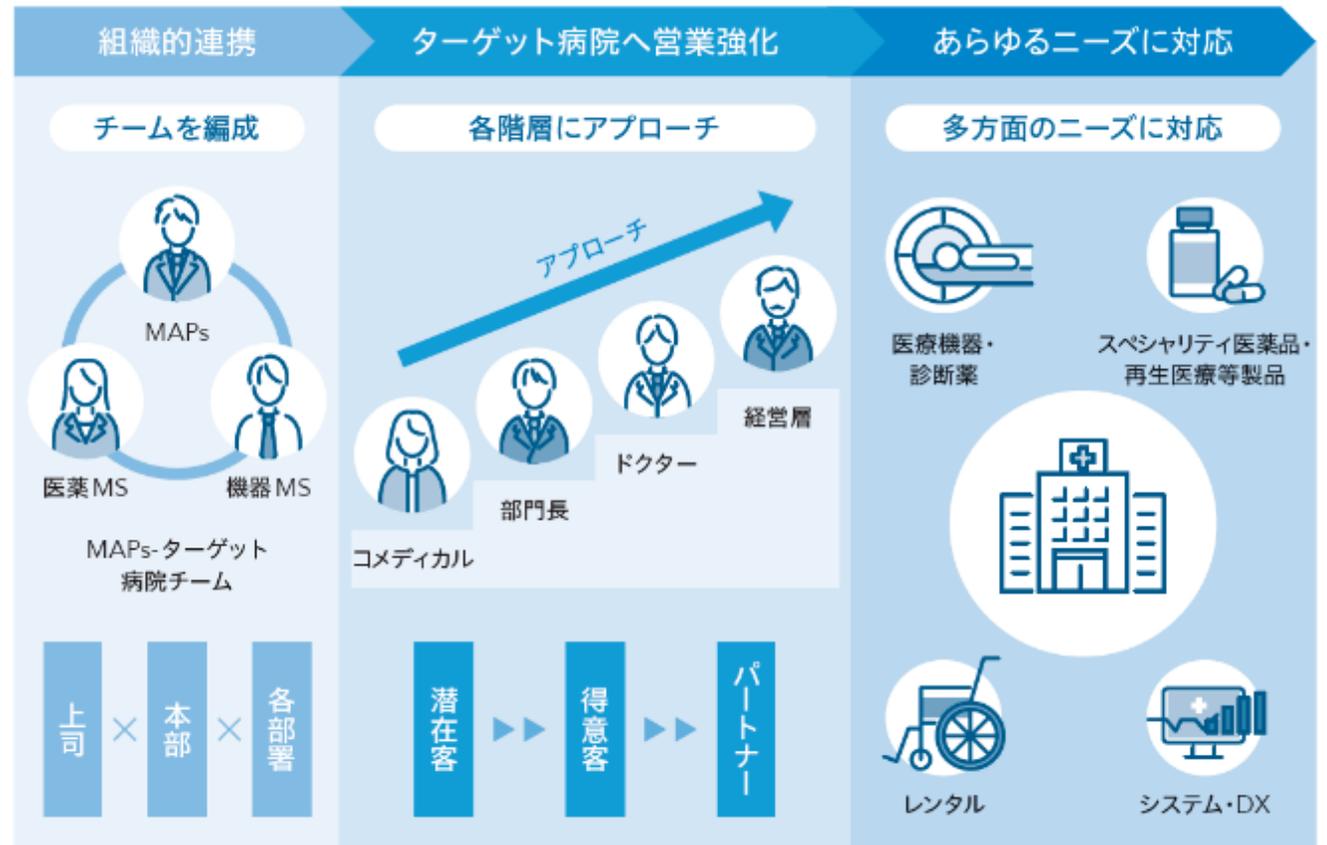
New transactions involving medical-related products such as medical devices and diagnostic reagents have grown

Chain reaction produced by single transaction



Assist suit that greatly reduces fatigue of physicians standing for long periods of time in the operating room

Source: From website of Archelis Inc.



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Visualizing vegetable intake Vegemeter

OPTICS FOR HEALTH
Longevity Link Corporation



THE VEGGIE METER®

ベジメータ

Rental product that is perfect for promotional events
Available for 1 day rental
Can be used to attract customers at health events
Encourages pharmacy visits
Promotes sales of health foods

Helping reduce utility costs LED lighting

初期導入コストは要りません！
新しいLED レンタルサービス
電気料金の削減効果でLED化を実現できます



- 初期導入費用無料
レンタル期間終了後
再機償還
- 現地調査無料実施
設備を基に数量・種類
検知、設置状況
を調査
- シミュレーション無料作成
品目別・導線日数
業種別等から作成

For medical and social welfare corporations to cope with rising electricity costs

Defective products are replaced free of charge during the rental period

Protecting people's lives AED



Japan's first autoshock AED
Equipped with automatic analysis and automatic shock functions

Delivered 200 units to local governments, clinics, pharmacies, nursing care facilities, hospitals, and general companies.

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Business expansion in the companion animal and agritech fields

Number of stores

87 stores → 88 stores (+1)

Number of prescriptions

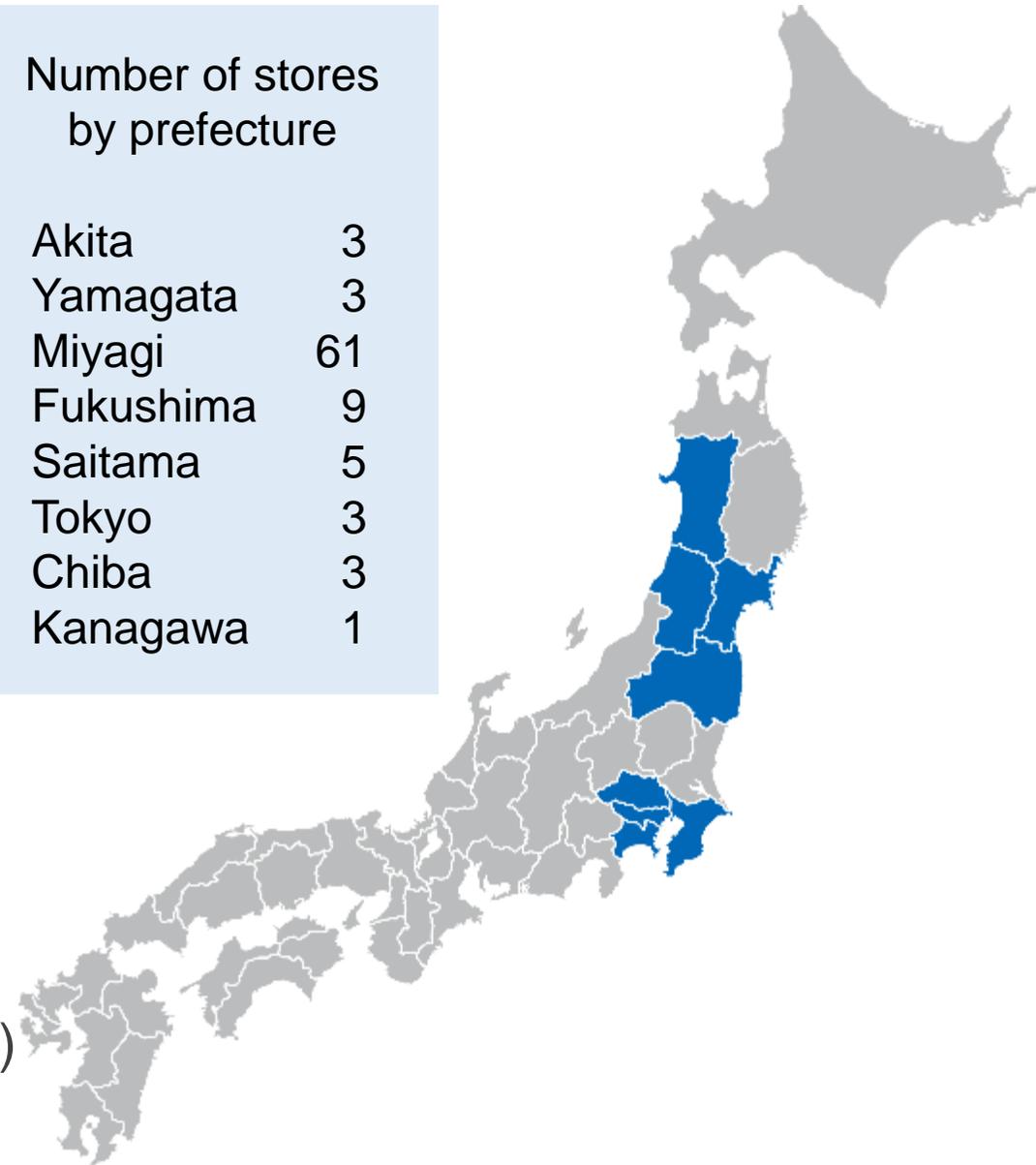
721,488 (103.0% yoy)

Dispensing technical fees

¥1,792 million (105.7% of level a year earlier)

Number of stores
by prefecture

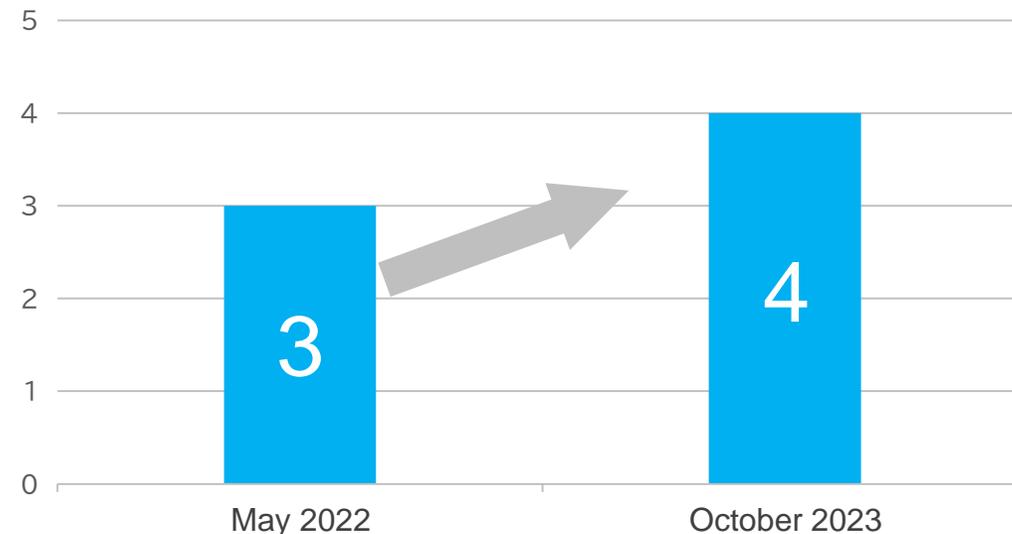
Akita	3
Yamagata	3
Miyagi	61
Fukushima	9
Saitama	5
Tokyo	3
Chiba	3
Kanagawa	1



Pharmacies cooperating with specialized medical institutions that require advanced pharmacy management and a high level of expertise, with a focus on cancer treatment

As of August 1, 2023

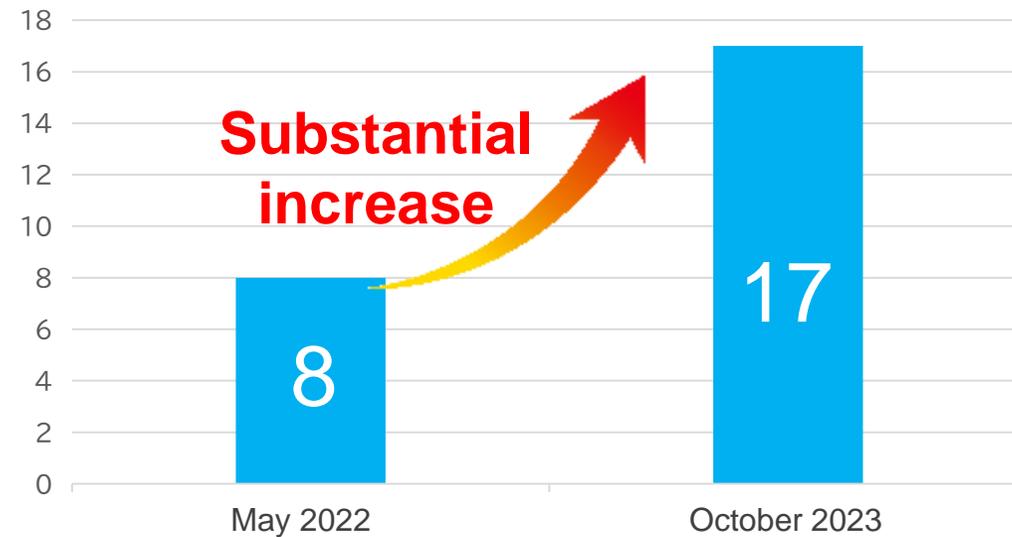
Certified pharmacists employed by the Group	Miyagi	Fukushima	Saitama
Pharmacists specializing in community pharmacy care	4 / 6	—	—
Pharmacists specializing in outpatient oncology	3 / 5	1 / 4	2 / 15



Planning to strengthen training system to develop specialist pharmacists with expertise in areas such as pediatric care and palliative care, with a focus on the five diseases listed in the seventh medical plan (cancer, stroke, cardiovascular disease, diabetes, and psychiatric disorders)

Assuming responsibility for last mile delivery of pharmaceuticals that require advanced management amid the transition from inpatient to outpatient care/home care for cancer patients

Pharmacies cooperating with local health care facilities that combine outpatient medical care and home medical care and fulfil a family pharmacy function



Rate of calculation of family pharmacist guidance fee

4.0%
(Japan national average 1.6%)

Home medical care growth rate

102.1%
(Private home care 116.3%)

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Number of local government contracts

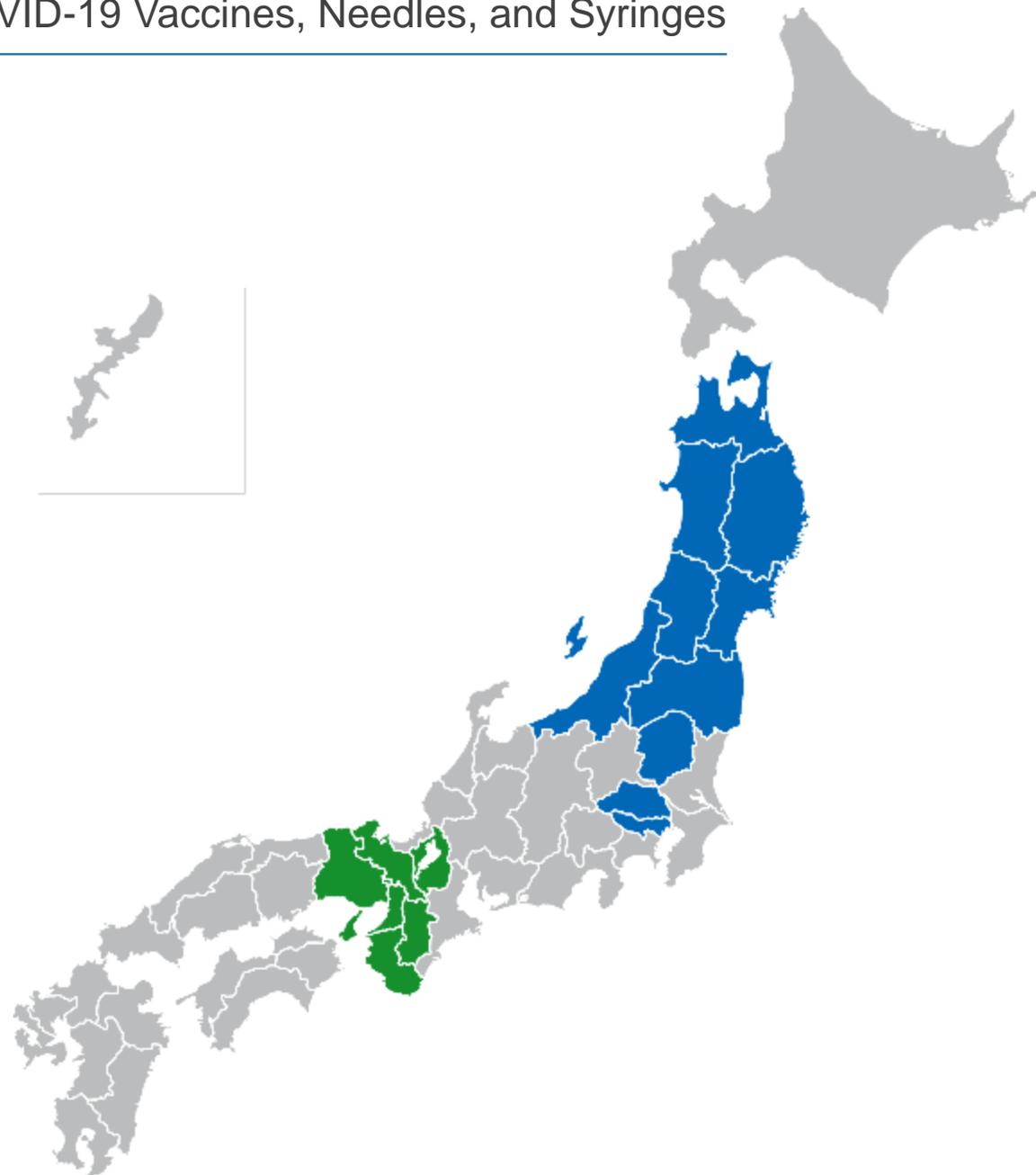
As of October 31, 2023

	Number of local governments
VITAL-NET, INC.	32
KSK Co., Ltd.	75
Total	107

April 2012 to September 2023

Number of vaccines delivered

1.63 million vials



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Promoting a Comfortable Working Environment for Female Employees

Support for employees returning to work after taking child care leave

Discussion meetings with female MS who have returned to work after child care leave and MS on child care leave

Discussion of scenarios such as a child falling ill or how to access follow-up support at work, to help participants envisage a return to work



Health seminars for female employees

Seminars on cervical and breast cancer, cancer screening and vaccination, and other diseases and disease prevention specific to women



Female employees opinion exchange meeting

Opinion exchange meeting to create an environment that makes it easier for women to continue working and fulfill their potential and to encourage the development of cross-departmental connections



Disaster Response (Heavy Rainfall in Akita in July 2023)

July 15 (Saturday) Heavy rains that hit Akita Prefecture causing widespread flooding (Photo 1)

July 16 (Sunday) Although the water has gradually begun to recede, it remains difficult to grasp the full extent of the damage.
Disaster response vehicles dispatched from Miyagi Logistics Center (Photo(2))

July 17 (Monday) Assessing the damage at customers and delivering relief supplies such as polyethylene tanks and drinking water (Photo 3)



Photo 1



Photo 2



Photo 3

3. Toward Achieving ROE-conscious Management

Toward Achieving ROE-conscious Management



ROE Plan
5.2%

ROE target
5.4%

Formulation of current target of ROE
that exceeds the cost of capital

Formulation of target aiming for ROE
in the 7.0% range

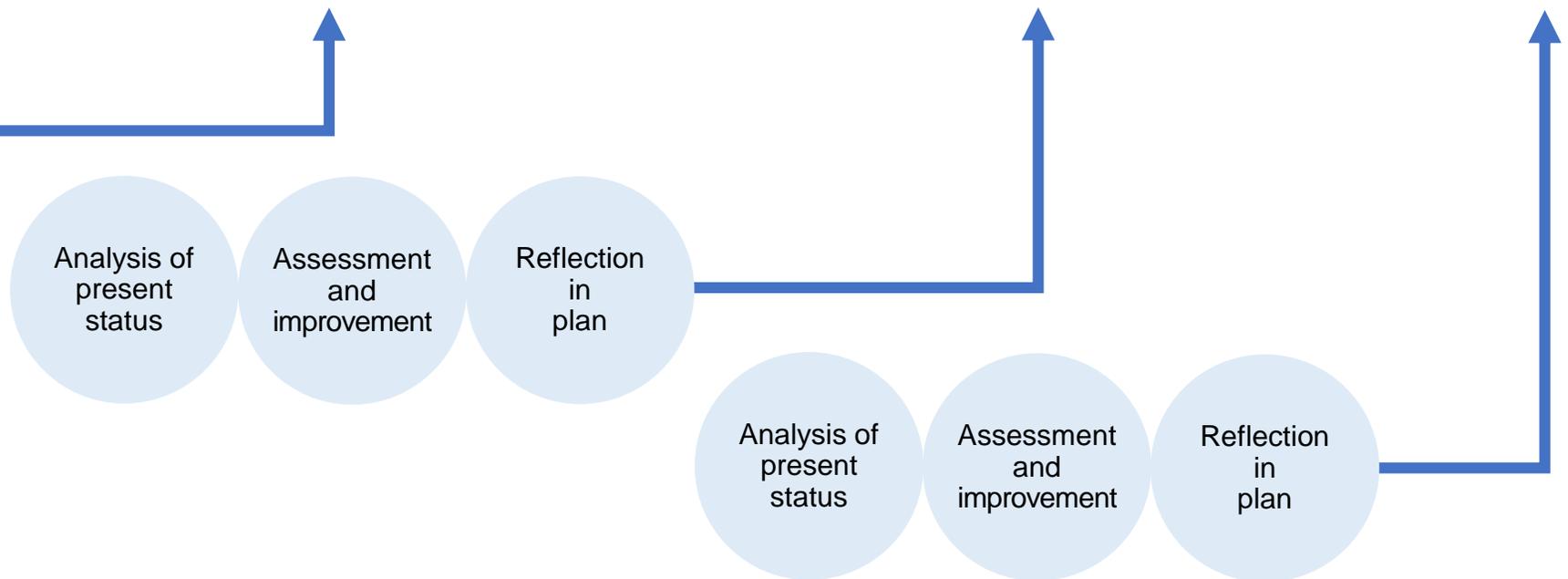
ROE target
8.0%

Analysis of present status

- Understanding of cost of capital and profitability of capital
- Calculation of ROE and ROIV for each segment and affiliated company
- DuPont analysis of ROE and analysis of issues to be addressed by each company

Formulation of plan

- Formulation of Sixth Medium-term Management Plan, taking cost of capital into consideration
- Board of Directors' approval
- Disclosure of specific details



Implementation of management based on awareness of market valuation including stock price, PBR and PER

Toward Achieving ROE-conscious Management

	Fifth Medium-Term Management Plan		
	FY2022 Results	FY2023 Plan	FY2024 Target
ROE	4.9%	5.2%	5.4%

.....	FY2031 Target
.....	8.0%



Ratio of net income to net sales

- Improvement of unprofitable transactions
- Cost optimization

×

ATO (Asset turnover)

- Disposal of idle real estate
- Sales of cross-shareholdings

×

Financial leverage

- Payment of dividends
- Acquisition of treasury shares

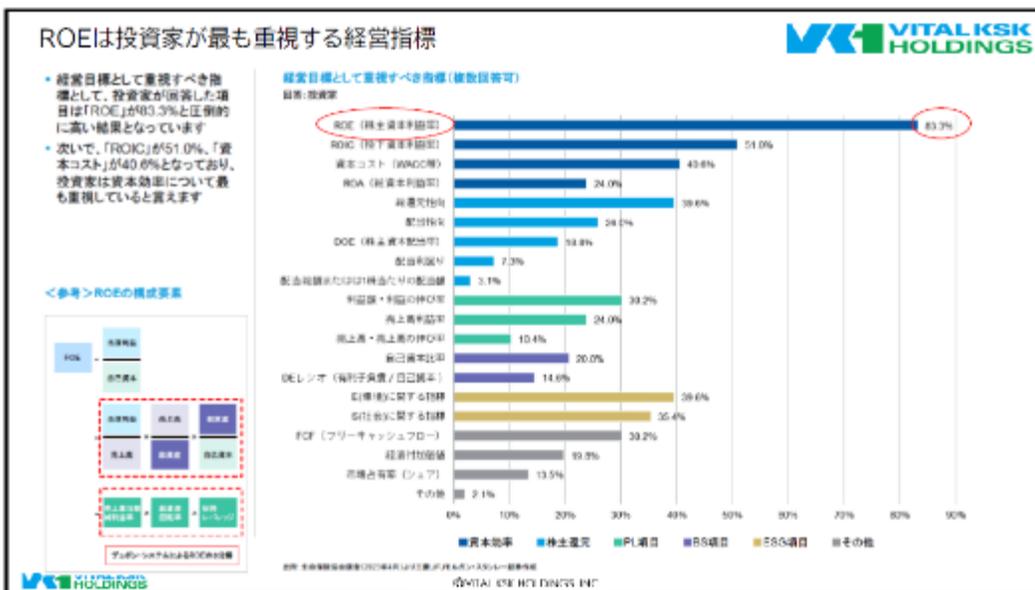
Plan for Directors, Executive Officers, and department/branch manager class employees of the Company and its major operating subsidiaries



Purpose of plan is to raise awareness of contributing to improving business performance and enhancing corporate value in the medium to long term through the sharing of the benefits of higher stock prices and the risks of falling stock prices with shareholders



Thorough implementation of ROE-conscious management by senior executives and frontline managers alike



4. Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2024

Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2024

(Million yen, %)

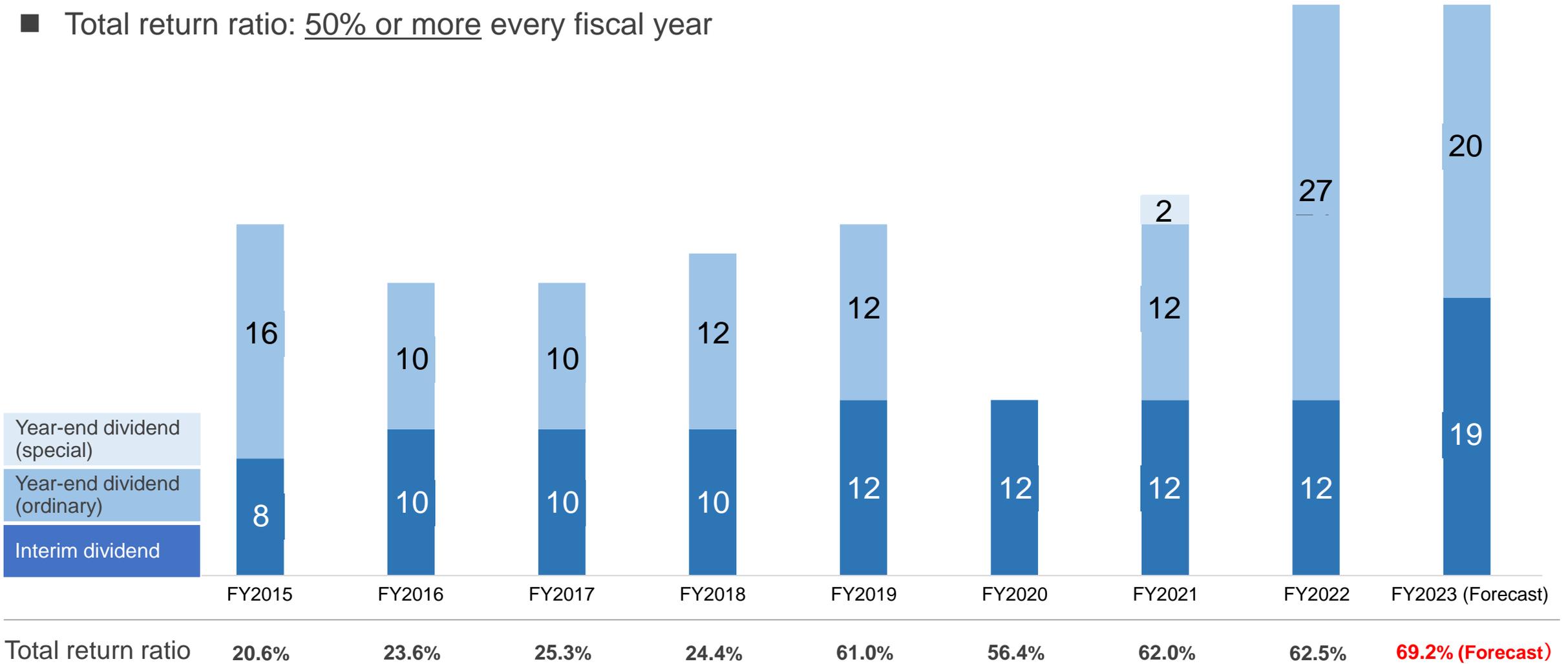
	Year ending March 31, 2024 First Half Results				Year ending March 31, 2024 Forecast		
	Forecast	Amount	Ratio to net sales	Rate of progress	Amount	Ratio to net sales	YoY
Net sales	290,000	294,213	—	51.1	576,000	—	—
Operating profit	2,400	2,868	0.97	61.0	4,700	0.82	—
Ordinary profit	3,100	3,478	1.18	58.0	6,000	1.04	100.7
Profit attributable to owners of parent	2,000	2,347	0.80	45.1	5,200	0.90	107.6

(Note) The YoY comparison for net sales and operating profit are omitted because "administrative service fee income," which was previously recorded in non-operating income, will be recorded in net sales following a change of presentation method from FY2023 due to the increased importance of the data business.

Strengthening of Shareholder Returns

- Dividend policy: Maintain a DOE of 2% or more
- Total return ratio: 50% or more every fiscal year

Unit: yen



The Company's current plans, strategies, earnings forecasts and other forward-looking statements in these materials are based on information currently available to the Company, and include potential risks and uncertainties.

Please be aware that there is a possibility that actual business activities and performance will differ greatly from these outlooks due to changes in the economic situation, market conditions and various other factors.

For this reason, please do not rely entirely on these forward-looking statements alone when considering aspects of the Company such as its performance and corporate value.

Furthermore, none of the information contained in these materials is intended to induce you to buy or sell the Company's stock or recommend investment in the Company's stock.

Final decisions on investment should be made at your own discretion.

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