

May 15, 2024

VITAL KSK HOLDINGS, INC.
Financial Results for the Fiscal Year Ended
March 31, 2024 (the 15th term)

President & CEO

Taisuke Murai

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Hello, everyone. Thank you for the introduction.
I am Taisuke Murai, President & CEO of VITAL KSK HOLDINGS, INC.

Thank you for taking the time out of your busy schedules to attend our financial results briefing for the fiscal year ended March 31, 2024.

1. Financial Highlights for the Fiscal Year Ended March 31, 2024
2. Efforts Toward Corporate Value Enhancement
3. Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2025

Here is what we will discuss today.

I will begin with an explanation with respect to financial highlights for the fiscal year ended March 31, 2024.

I will then give details of efforts towards corporate value enhancement and finally, I will explain our full-year earnings forecasts for FY2024.

After that, I would like to answer your questions for as long as time permits.

Thank you very much.

1. Financial Highlights for the Fiscal Year Ended March 31, 2024

First of all, I will provide an explanation with respect to financial highlights for the fiscal year ended March 31, 2024.

Summary of Income for the Fiscal Year Ended March 31, 2024

(Million yen, %)

	Previous year's results		Results forecast Announced May 12, 2023		FY2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Achievement rate	YoY
Net sales	581,327	—	576,000	—	587,481	—	102.0	—
Operating profit	4,024	0.69	4,700	0.82	5,556	0.95	118.2	—
Ordinary profit	5,960	1.03	6,000	1.04	6,557	1.12	109.3	110.0
Profit attributable to owners of parent	4,831	0.83	5,200	0.90	5,843	0.99	112.4	120.9
ROE	4.9%		5.2%		5.7%			

* The previous year's results for net sales and operating profit have been restated to reflect a change in presentation method i.e. the inclusion of administrative service fee income from manufacturers in net sales.

* The forecast was revised upward on February 7, 2024, however, the achievement rate is rate of achievement of forecast announced on May 12, 2023.



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Net sales for the period under review were ¥587,481 million, up ¥6,154 million from the previous period. Revenue increased, attributable to favorable sales of anti-cancer drug and anti-coronavirus agents, in addition to growth of the overall market for prescription pharmaceuticals, although transactions with certain foreign pharmaceutical companies were discontinued.

Operating profit increased ¥1,532 million year on year, to ¥5,556 million. This increase reflects the absence of allowance for doubtful accounts for certain major customers which was posted in the previous fiscal year, in addition to the effect of the increased revenue described above.

Ordinary profit increased ¥597 million year on year, to ¥6,557 million, mainly due to an increase in operating profit.

Profit attributable to owners of parent rose ¥1,012 million year on year, to ¥5,843 million. This increase is mainly attributable to the aforementioned reasons as well as a gain on sales of cross-shareholdings.

As a result, ROE for the fiscal year under review came to 5.7%, an improvement of 0.8 percentage points from 4.9% the previous fiscal year.

Profit by Segment

Prescription drugs 101.3%
Reagents and medical devices 97.5%
OTC drugs 88.8%

(Million yen, %)

	Pharmaceutical Wholesale ^{*1} Business			Pharmacy Business ^{*2}		Veterinary Drug ^{*3} Wholesale Business		Other Businesses ^{*4}	
	Results	Ratio to net sales	Previous year's results	Results	Previous year's results	Results	Previous year's results	Results	Previous year's results
Net sales	552,870	—	547,603	19,115	18,361	11,027	10,889	4,468	4,473
Gross profit	40,487	7.32	38,699	4,790	4,780	1,610	1,671	4,092	3,922
Selling, general and administrative expense	35,574	6.43	35,101	4,479	4,673	1,259	1,322	4,201	4,127
Operating profit	4,913	0.89	3,597	310	106	350	349	-109	-204

*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 profit of each segment may not match the total amounts shown in the previous section as intersegment adjustments of SG&A expenses are omitted.



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I would now like to explain profit by segment.

Firstly, the pharmaceutical wholesale business posted an increase in sales, with growth in products eligible for the price maintenance premium such as anticancer drugs and COVID-19 treatments more than offsetting the decline in sales due to the negative impact of NHI drug price revision and the suspension of handling of certain manufacturers. In addition, the Company negotiated prices while paying attention to transaction costs with each of its customers, recorded revenue from the delivery of new corona vaccines commissioned by the national and local governments, and recorded a gain on reversal of a portion of the allowance for doubtful accounts for major customers recorded the previous year, resulting in significantly higher profits than in the previous year. As a result, net sales climbed ¥5,267 million, to ¥552,870 million, and operating profit grew ¥1,316 million, to ¥4,913 million.

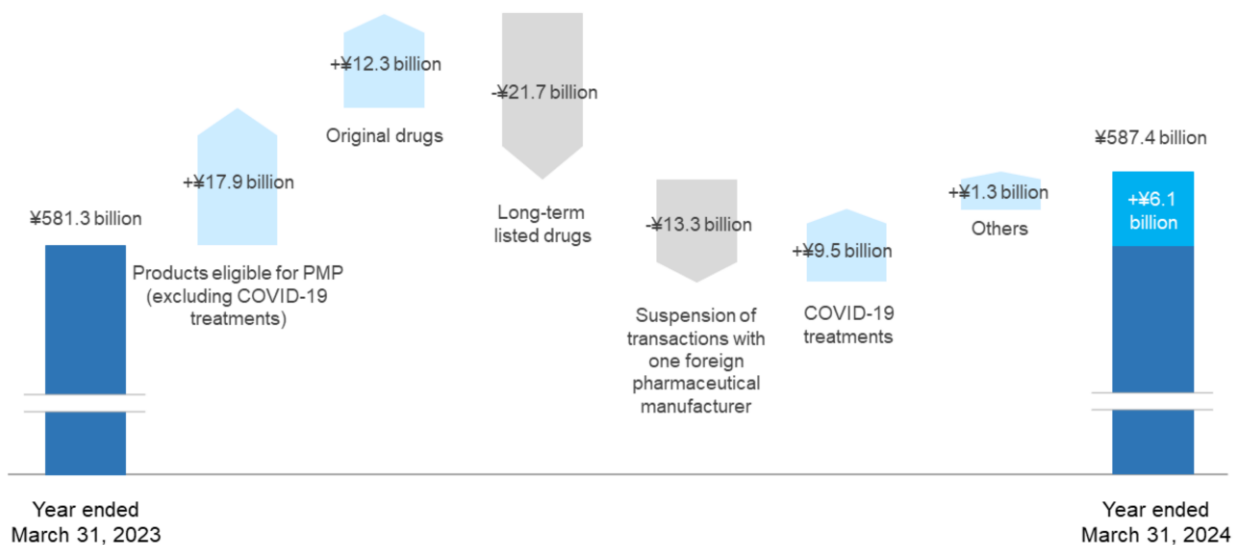
Next, the pharmacy business posted net sales of ¥19,115 million, an increase of ¥754 million from the previous year, reflecting an increase of one store due to business acquisition plus efforts to expand income from dispensing technical fees and income from pharmaceutical management fees as well as an increase in the number of prescriptions received as a result of increased movement of people with the downgrading of COVID-19 to a Class 5 infectious disease. Operating profit grew ¥204 million, to ¥310 million, due to the effect of higher sales as well as a significant decrease in amortization of goodwill.

Next, the veterinary drug wholesale business recorded net sales of ¥11,027 million, an increase of ¥138 million from the previous year, driven by sales growth in companion animal operations. However, gross profit dropped ¥61 million year on year, to ¥1,610 million under the impact of

higher purchase prices, while SG&A expenses fell ¥63 million year on year, to ¥1,259 million due to a decrease in the allowance for doubtful accounts. As a result, the segment posted operating profit of ¥350 million, mostly unchanged year on year.

And finally, we have the other businesses segment. Net sales sank ¥5 million, to ¥4,468 million, reflecting lackluster performances mainly in the sports facility management business. Gross profit rose by ¥170 million year on year, to ¥4,092 million due mainly to the improvement in the profitability of the nursing supplies rental business. SG&A expenses climbed ¥74 million year on year, to ¥4,201 million, due to rising electricity charges and gas prices, despite cost-cutting efforts. As a result, the segment posted an operating loss of ¥109 million, representing a year-on-year improvement of approx. ¥100 million.

Factors in the Year-on-Year Change in Consolidated Net Sales



Next, I will explain the main reasons for the increase or decrease in net sales compared to the previous year.

Firstly, we have been focusing for some time on sales of products eligible for the price maintenance premium, which allows products to maintain higher prices for longer. These efforts have paid off, and our sales in this category increased by ¥17,900 million. Sales of original drugs also increased by ¥12,300 million. However, sales of long-term listed drugs fell by ¥21,700 million, largely due to the impact of NHI drug revisions.

In addition, the suspension of transactions with one foreign pharmaceutical manufacturer had the effect of reducing sales by ¥13,300 million.

An increase of ¥9,500 million as a result of growth in sales of COVID-19 treatments and increased sales in the Pharmacy Business and the Veterinary Drug Wholesale Business also contributed, and ultimately net sales amounted to ¥587,400 million, up ¥6,100 million year on year.

Balance Sheet

(Million yen)

	March 31, 2023	March 31, 2024	Increase/ decrease	Main factors for increase/decrease
Current assets	188,502	203,303	14,801	
Cash and deposits	19,029	34,712	15,683	Unsettled notes and accounts payable-trade due to bank holiday at the end of March 2024
Notes and accounts receivable - trade	118,585	117,993	-592	
Inventories	30,846	31,421	575	
Non-current assets	108,813	113,954	5,141	
Property, plant and equipment and intangible assets	52,402	53,617	1,215	Financing of construction of logistics center for 3PL business, etc.
Investments and other assets	56,411	60,336	3,925	Increase in unrealized gains on investment securities, etc.
Total assets	297,316	317,258	19,942	
Current liabilities	178,659	193,407	14,748	
Notes and accounts payable - trade	164,571	179,174	14,603	Unsettled notes and accounts payable-trade due to bank holiday at the end of March 2024
Short-term borrowings (including current portion of long-term borrowings)	1,960	1,860	-100	
Other current liabilities	12,127	12,372	245	
Non-current liabilities	18,491	17,910	-581	
Total liabilities	197,150	211,317	14,167	
Net assets	100,165	105,940	5,775	
Shareholders' equity	78,099	79,958	1,859	Recording of net profit and implementation of shareholder return policy
Accumulated other comprehensive income	20,886	24,705	3,819	Increase in unrealized gains on investment securities, etc.
Total liabilities and net assets	297,316	317,258	19,942	

Next, I would like to explain the balance sheet.

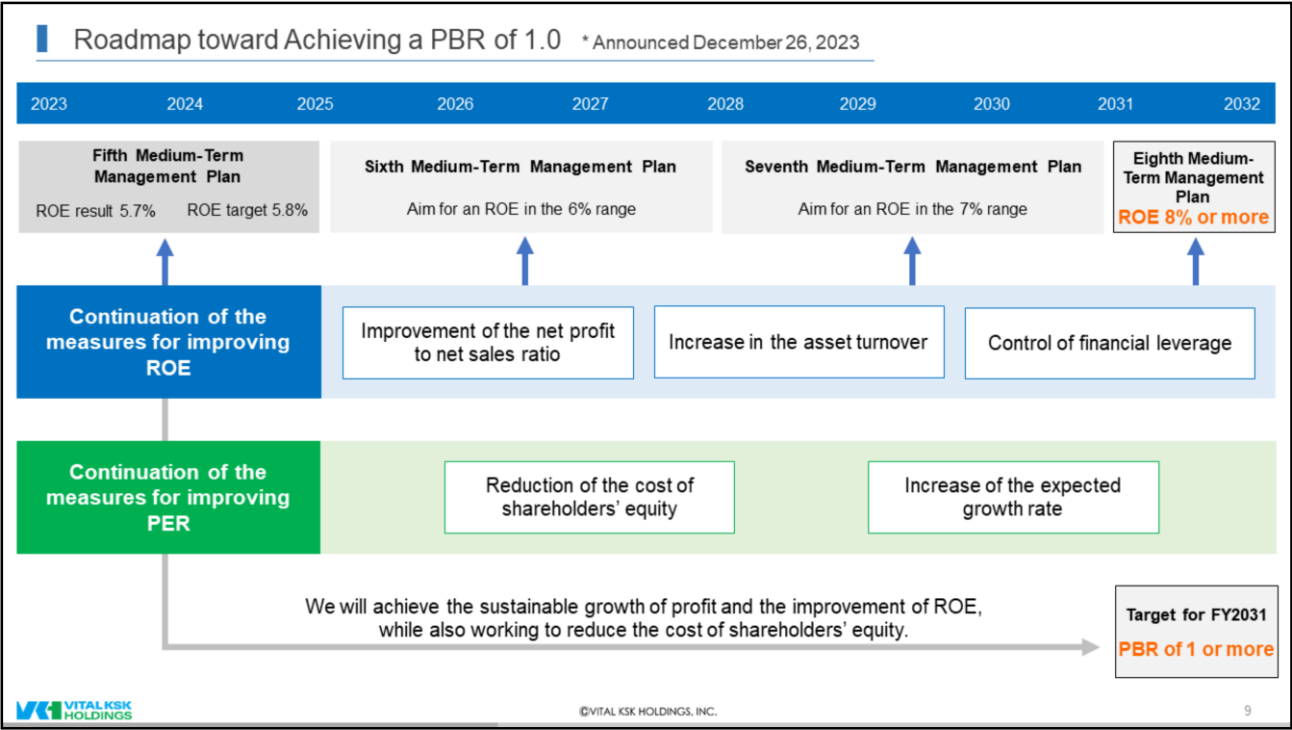
As of March 31, 2024, total assets were ¥317,258 million, an increase of ¥19,942 million from the end of the previous fiscal year. This is attributable to an increase of ¥14,801 million in current assets due to a rise of ¥15,683 million in cash and deposits reflecting unsettled notes and accounts payable-trade as a result of the end of March being a bank holiday. Meanwhile, non-current assets also climbed ¥5,141 million, mainly reflecting an increase in unrealized gains on investment securities due to rising stock prices.

Total liabilities came to ¥211,317 million, up ¥14,167 million from the end of the previous fiscal year. This is attributable to a rise of ¥14,603 million in notes and accounts payable-trade due to the impact of the March-end bank holiday.

Net assets were ¥105,940 million, an increase of ¥5,775 million from the end of the previous fiscal year. This is because the decrease due to implementation of the shareholder return policy was more than offset by the increase resulting from the recording of net profit and unrealized gains on investment securities.

2. Efforts Toward Corporate Value Enhancement

I will now explain our efforts toward corporate value enhancement.

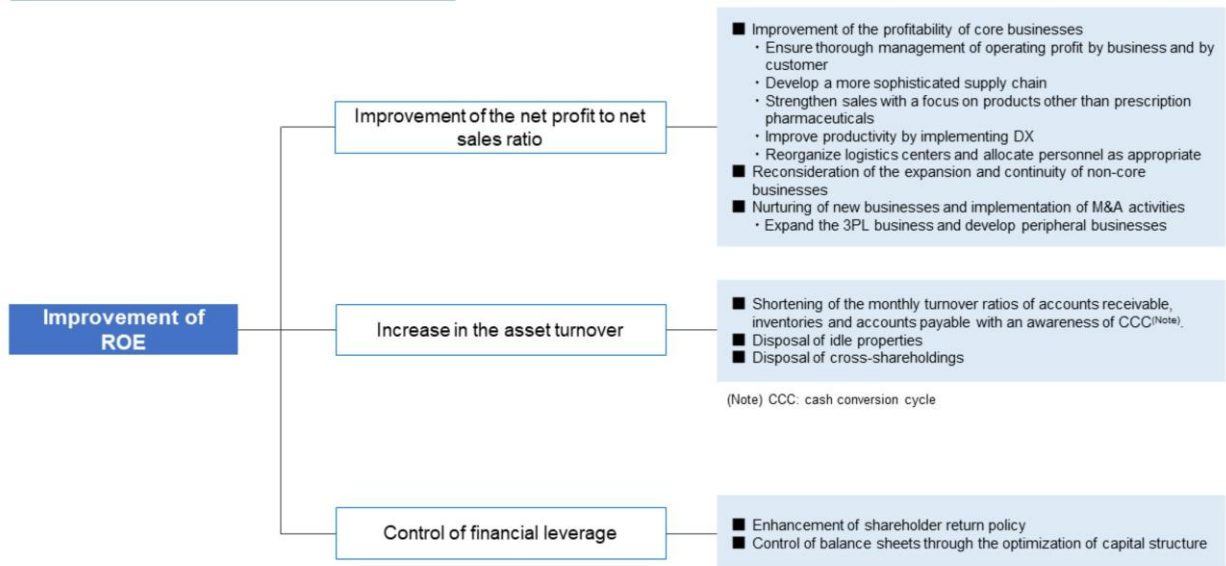


I would like to start by looking back once again at the "Roadmap toward Achieving a PBR of 1.0" based on materials presented on December 26, 2023.

We have made all kinds of efforts to implement management based on an awareness of cost of capital and stock price. As a result, our stock price, which stood at ¥639 on October 3, 2022, almost doubled to ¥1,231 as of April 30, 2024.

We will continue working to enhance our corporate value going forward, with the implementation of various measures that will lead to improvement of ROE and PER, which are components of PBR upmost in our mind.

Our ROE Improvement Measures



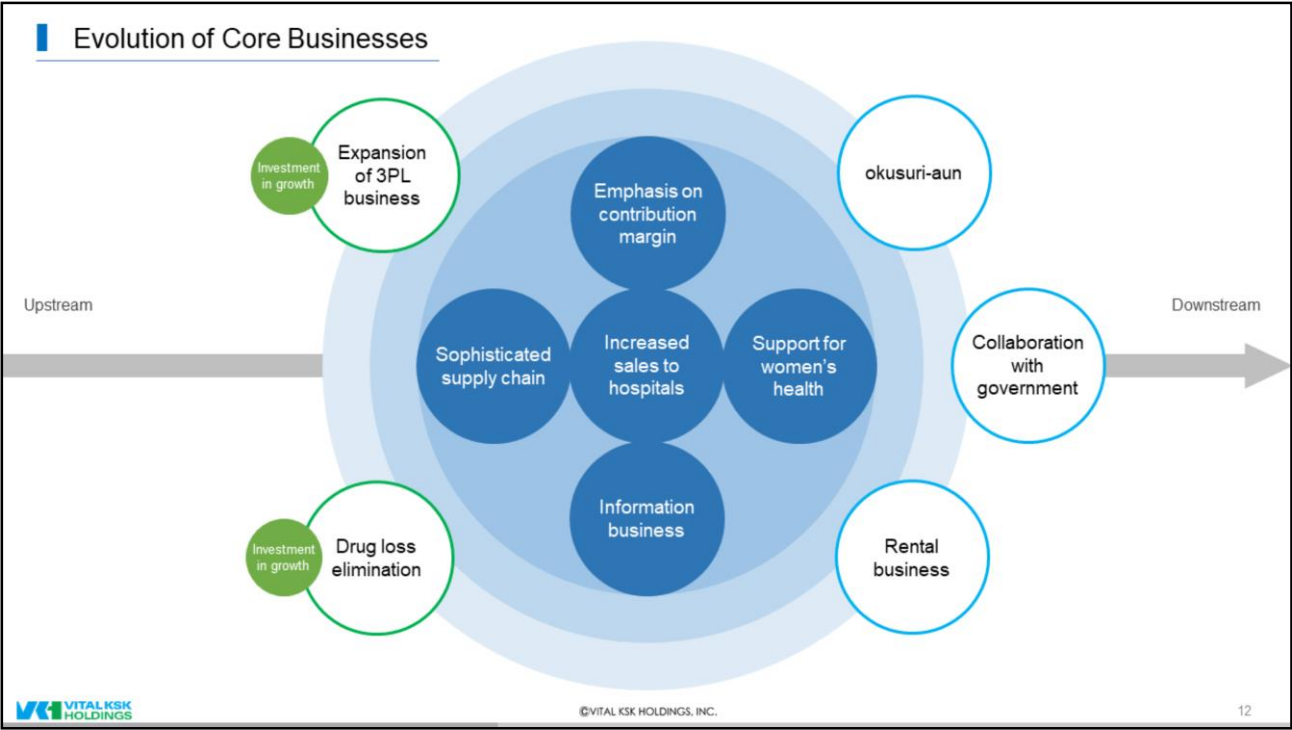
To improve our ROE, we must take action on the following three fronts as shown above: improvement of the net profit to net sales ratio, increase in the asset turnover, and control of financial leverage.

I will now introduce several of our efforts in more detail.

Measures for Improving ROE

Improvement of the net profit to net sales ratio

The first was improving the net profit to net sales ratio.



In addition to existing initiatives, we are implementing new initiatives with a wider scope, to achieve further evolution in our core pharmaceutical wholesale business.

Starting with our existing initiatives, in addition to "Negotiation of the right prices with emphasis on the contribution margin," "Increased sales to hospitals," "Expansion of information business with drug manufacturers" and "Development of sophisticated supply chain," in April this year, we established the Women's Health Care Solutions Dept., which is focused on supporting women's health, and further strengthened the sales structure.

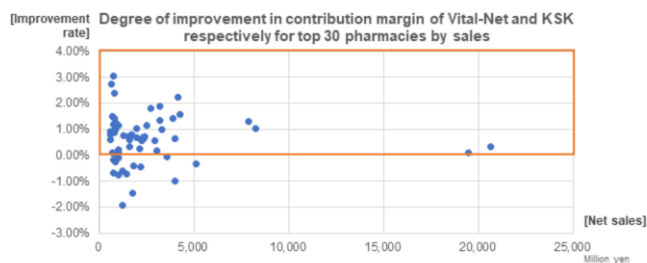
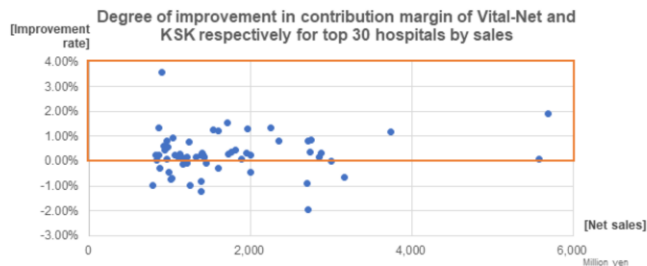
Furthermore, we have broadened the scope of activities in downstream domains that are close to patients and local communities, releasing *okusuri-aun* as a new tool that will help improve the quality of care for patients with intractable diseases and also further increasing collaboration with governments. Positive examples are also increasing in the rental business, which is another business we are putting effort into.

Meanwhile, we are also making investments in upstream domains that will lead to growth in the future, such as the construction of a new logistics center to expand 3PL business with drug manufacturers, and participation in a new business model aimed at eliminating drug loss, which is an issue in Japanese society.

In the coming slides, each of these initiatives is explained in more detail.

Emphasis on Contribution Margin

At both Vital-Net and KSK, the contribution margin has significantly improved thanks to improvement in distribution.



Frequency of urgent deliveries **16% decrease**

Customer returns **14% decrease**

Deliveries by MS **11% decrease**

Let me begin with our emphasis on the contribution margin, which is an area we have long been focusing on.

I think you can see from the analysis of transactions at both Vital-Net and KSK with the top 30 customers (hospitals and pharmacies) by sales that the contribution margin improved for many customers compared with the previous year.

We have ensured we negotiated the right prices based on the value of individual pharmaceutical products and have also carefully and courteously discussed transactions with customers based on distribution costs. As a result, the frequency of urgent deliveries fell by 16% and customer returns dropped by 14%. In addition, through a review of our logistics structure we also succeeded in reducing MS deliveries by 11%.

To maintain a stable drug distribution structure going forward, we will work to ensure reasonable profits and control costs, while at the same time continuing to invest in information systems and human resources, striving for sustainable corporate value enhancement.

Increased Sales to Hospitals

Increased cultivation of human resources with advanced expertise

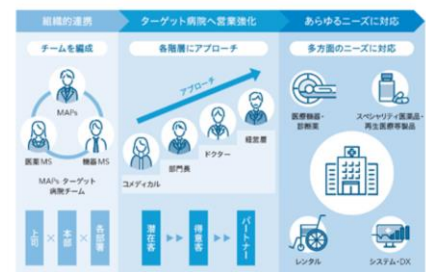
We will cultivate **brand-new cancer liaison** human resources, aiming to further expand our share of new drugs and priority items in the growing cancer market.

We will enhance our training structure and seek to further strengthen MS functions.

Further strengthening of sales structure with MAPs* at the center

Sales and profits from drugs and medical products have grown as a result of information sharing with **MAPs** as the reference point.

Hospital sales: ¥187,000 million (101.9% of level a year earlier)
Hospitals' share of our sales: 33.1% * 32% in FY2021



*MAPs: Medical Assist Partners

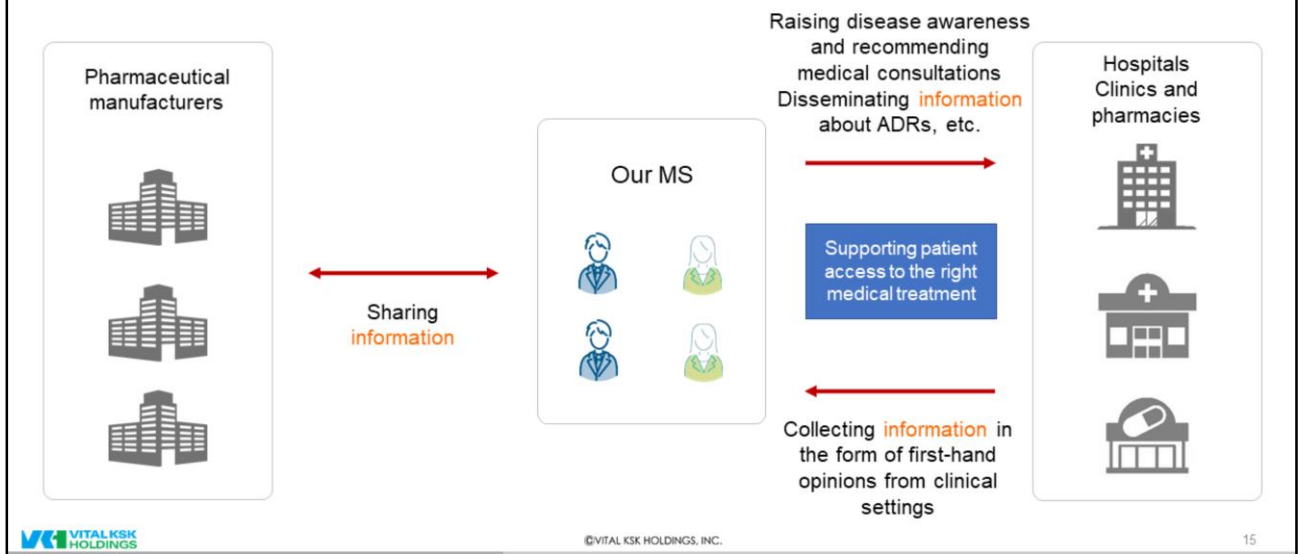
Increased sales to hospitals, which was an important issue under the Fifth Medium-Term Management Plan, is also steadily paying off but we intend to go even further.

We have continued to focus on strengthening the expertise of MS. And we recently started to cultivate brand-new cancer liaison human resources, aiming to expand our share of new drugs and priority items in the cancer market, which is expected to grow more and more in the future. We will build a more sophisticated training structure and, in collaboration with the MRs of manufacturers, we will aim to increase our presence in the hospital market.

In addition, MAPs who are experts in medication and medical care are also starting to get on track, giving rise to a succession of new transactions. As a result, hospital sales amounted to ¥187,000 million, which is 101.9% of the level a year earlier, and hospitals' share of our sales also grew from 32% in FY2021 before the launch of the Fifth Medium-Term Management Plan, to 33.1% in FY2023.

Expansion of Information Business with Drug Manufacturers

Our strength as a Group with broad, in-depth coverage of entire regions



Next we have the expansion of information business with drug manufacturers.

In our activities to date, our sales force, which has in-depth access to healthcare settings such as hospitals, clinics and pharmacies, has been our unique strength as a regional wholesaler.

Our substantial sales structure that enables such finely tuned activities is now once again attracting attention. Our activities to support patient access to the right medical treatment, including raising disease awareness, encouraging medical consultation and disseminating information about ADRs in place of MRs, and feeding the high quality information collected from clinical settings back to drug manufacturers, are starting to be appreciated by drug manufacturers. As a result, fees from information activities are also increasing, and there is a real sense that the information business is moving up a gear.

With limited distribution drugs on the rise recently, we have been focusing on improving not only logistics quality but also information quality, aiming to be the wholesaler that is the first choice of drug manufacturers and customers in all respects.

Development of a Sophisticated Supply Chain

- (i) Development of a logistics structure that is GDP compliant
- (ii) Response to the 2024 logistics problem
- (iii) Obtaining ISO9001 certification
- (iv) Drone demonstration experiment
- (v) Introduction of additional disaster response vehicles
- (vi) Construction of new logistics center

* Explained later



The next slide deals with the development of a more sophisticated supply chain.

In addition to the development of a logistics structure that is GDP compliant, we will also further encourage joint deliveries with other companies to address the 2024 logistics problem.

At a total of five logistics centers: Vital Net's Miyagi and Niigata logistics centers and KSK's Hyogo, Osaka and Kyoto logistics centers, we aim to further improve logistics quality and plan to obtain ISO9001 in the course of this year. **KSK's three centers that were previously certified will obtain their certification again.**

Furthermore, in response to the increasing frequency of disasters in Japan, we are also putting effort into developing a crisis management logistics structure, including drone demonstration experiments and the introduction of additional disaster response vehicles, in order to deliver drugs at any time and in any situation.

In addition to these initiatives, we have also decided to build a new distribution center in Kanagawa Prefecture as part of our investment in future growth. I will share details of this matter later.

KSK: Establishment of New Organization Focused on Supporting Women's Health

April 1, 2024

KSK established the new Women's Health Care Solutions Dept.

Recently, women's advancement in society and changing work styles have brought women-specific diseases and health issues to the fore.

With female MS taking charge of obstetrics and gynecology in the Kinki District, which is home to more than 10 million women, we will make solutions to women-specific health issues widely available by strengthening the women-specific disease domain and incorporating femtech into our product lineup.



Furthermore, in April this year, KSK established the new Women's Health Care Solutions Dept. focused on supporting women's health.

Recently, women's advancement in society and changing work styles have brought women-specific diseases and health issues to the fore.

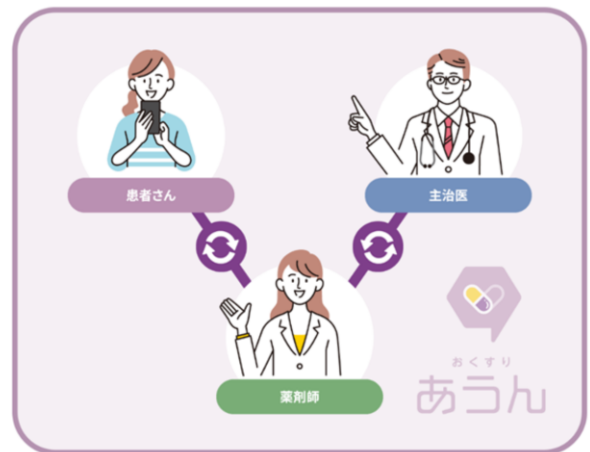
The Kinki District, where KSK operates, is home to more than 10 million women. With the aim of providing solutions to women-specific health issues, KSK is deploying female MS and has just launched a training program to develop them into specialists in the women-specific disease domain and femtech products.

New Collaboration Tool "okusuri-aun"

Okusuri-aun is a system developed through our joint research with Tohoku University Hospital. It integrates an educational program with a chat function connecting patients with pharmacists and their doctors.

Through the system, pharmacists who understand prescription intentions and have advanced expertise interpose themselves between patients and their doctors, achieving seamless collaboration.

We have launched the collaboration tool initially for inflammatory bowel disease (IBD) and plan to gradually expand the diseases covered.





Next, I would like to explain the release of "okusuri-aun", a system developed through joint research between Vital-Net and Tohoku University Hospital. It integrates an educational program with a chat function connecting patients with pharmacists and their doctors.

Through the system, pharmacists who understand prescription intentions and have advanced expertise interpose themselves between patients and their doctors, achieving seamless collaboration, with the aim of improving treatment quality.

We have launched the collaboration tool initially for inflammatory bowel disease (IBD) and Crohn's disease, and plan to gradually expand the diseases covered and the areas in which the app is available.



2024年4月23日

報道機関 各位

株式会社バイタルネット
国立大学法人東北大学

**医薬品連携システム『おくすりあうん』スタート
難病・HID 患者の医療の質向上へ**

【発表のポイント】

- バイタルネットと東北大学病院は、炎症性腸疾患（HID）[※]に関する医師、薬剤師、患者を対象とした web アプリケーション『おくすりあうん』を共同開発しました。
- 『おくすりあうん』は、HID に関する医師、薬剤師、患者を対象としたチャットツールと教育プログラムとを統合したシステムです。
- 医薬品連携が HID 治療を正確に提供し、適切な医薬品指導を行うことで HID の医療の質を向上せんとし、医療従事者の負担軽減と協力促進し、より効果的な患者ケアを実現することを目指しています。
- 2024 年 4 月 23 日よりバイタルネットが提供を開始します。

【背景】

近年、日本で HID 患者が増加しており、新たな治療法の開発が進んでいます。治療が高度化・複雑化する一方で、適切な治療選択のための医師・薬剤師・患者の連携が課題となっています。

株式会社バイタルネット（本社：宮城県仙台市、代表：一橋 武（いちひら たけし））と東北大学病院（宮城県仙台市、病院長：藤野秀樹（はらげしゅじ））は、消化器内科の正教授（末次和 かつ）・後援グループ2の共同研究の成果をもとに、仙台市医師会仙台市薬剤師会（会長：北村 智治（きたむらたけ））と HID 患者会（HID 支援）の協力を得て、HID 患者と薬剤師、医師と薬剤師とを連携させるシステム『おくすりあうん』を共同開発しました。本システムは 2024 年 4 月 23 日よりバイタルネットから web アプリケーションとして提供（医師・薬剤師と患者は無料、患者は年会費を徴収します）。

『おくすりあうん』は、HID 治療に関する医薬品使用の教育プログラムと、主治医と薬剤師・HID 患者のリアルタイムな連携に特化した専用チャットツールとを統合したシステムです。専門知識を持った薬剤師が主治医と患者との間でリアルタイムな連携の架け橋となり、HID 患者の悩みを解消し、最適な治療を実現することが期待されます。

【詳細】

HID は主にクローン病と潰瘍性大腸炎に大別され、消化管に慢性的な炎症を引き起こす腸管炎症の疾患で、国の難病に指定されています。元々は米国で3～4のサブタイプの数に多い疾患でしたが、近年は日本でも患者数が増加しており、現在約 29 万人¹の患者が国内に治療を受けています。

患者数の増加に伴い、HID 治療法の開発が進み、治療の選択肢も増えてきました。それに伴い、薬剤師には高度化する医薬品の理解と、治療方針に基づいた的確な医薬品指導の必要性が高まっています。しかし、処方を行う医師の医師は、対応する医薬品指導を継続することが難しく、薬剤師と医師連携を断ち切ることがほとんどないため、処方の変更を伝えることができません。

また、HID 患者は自身の処方箋を薬局に持って行っても、初めて行く薬局では診療がなく、処方された薬をすぐに受け取れないことがあります。さらに、薬剤師側にもHIDに関する高度な知識がないことが医薬品指導を断りかねない場合があります。患者自身、生活に合わせた服薬が難しいこともあり、HID 患者は多くの悩みやストレスを抱えています。

『おくすりあうん』は医師と薬剤師の連携の課題、HID 患者の悩みを解消するため、HID 治療に関する医薬品使用の教育プログラムと、主治医と薬剤師・HID 患者のリアルタイムな連携に特化した専用チャットツールとを統合した web アプリケーションです（医師、患者、薬剤師、薬局 全提携無料）。

¹ 厚生労働省「難病研究開発事業 難病治療薬臨床研究事業 難病性炎症性腸疾患に関する調査報告書」(平成28年度)

【特徴】

患者におけるメリット

- (1) 医師
 - ・薬剤師側に対して患者にしっかりと説明してほしいこと（例えば、副作用の検査や投薬量）を伝えることで、そのことについて、薬局でも丁寧な説明がなれます。
 - ・薬剤師側には処方箋を伝えることで、医師の説明と齟齬がない的確な医薬品指導が可能になり、ひいては経費削減²が促進し、タスクシフトによる医師の働き方改善に繋がります。
- (2) 薬剤師
 - ・教育プログラムで学習することで、処方箋情報からの処方判断がある程度可能になり、医師の処方意図に基づいた的確な医薬品指導が可能になります。
 - ・医師と同様に患者と直接接点があるため、患者の悩みも的確に相談できます。
- (3) 患者
 - ・チャットツールを用いて処方箋情報を確認することにより、自分の受け取りが可成りど分か、薬の準備ができるまでの時間が分か、それまでの時間を有効活用できます。
 - ・服薬期間中の体調の不安や、薬の飲み方、副作用に医師へ伝えられたことなどをHID に詳しい「薬剤師側」に気軽に相談できます。


【今後の展開】

下記のように『おくすりあうん』は、専門知識を持った薬剤師が主治医と患者との間でリアルタイムな連携の架け橋となり、HID 患者の悩みを解消し、最適な治療を実現します。

この取り組みは、薬剤師側が HID 治療を正確に提供し、適切な医薬品指導を行うことで、HID 患者の医療の質を向上させることを目的としています。また、医療従事者の負担軽減と協力促進し、より効果的な患者ケアを実現することを目指しています。

また、本取り組みで得られた知見を活かし、将来的には他の疾患に広げてまいります。

チャットツールが使えるよ



「おくすりあうん」アプリの画面イメージです。

医師・薬剤師・患者の連携が実現します。

医師側：処方箋情報を確認・説明

薬剤師側：処方箋情報を確認・説明

患者側：処方箋情報を確認・説明

URL: <https://tokaui.vitalnet.aus.com/>

This is the text issued jointly with Tohoku University on April 23.

More details can be accessed via the QR Code in the top right hand corner.

Creation of Business Opportunities through Collaboration with Government

In January 2024, Morioka City in Iwate Prefecture and Vital-Net signed a Collaboration Agreement Concerning Health Promotion.

We are working with the government to improve the health of city residents through cancer measures, lifestyle disease prevention, control of infectious diseases and other measures.

In June this year, we plan to hold a cervical cancer vaccine awareness raising event for city residents.

In cooperation with government and drug manufacturers, we will strengthen initiatives that help solve regional health care issues and create new business opportunities.

Some of the local governments
we have signed agreements with

- Sendai City, Miyagi Prefecture
- Morioka City, Iwate Prefecture
- Sano City, Tochigi Prefecture
- Osaka Prefecture
- Hyogo Prefecture
- Kyoto City, Kyoto Prefecture



We are also strengthening collaboration with government.

I would like to talk about our Collaboration Agreement Concerning Health Promotion with Morioka City in Iwate Prefecture as one example. Vital-Net is now working with Morioka City to implement initiatives aimed at improving the health of city residents including cancer measures, lifestyle disease prevention and control of infectious diseases. Already, in June this year, we will hold a cervical cancer vaccine awareness raising event.

By implementing such initiatives, we will not only help solve regional health care issues but will also access new business opportunities, with the creation of opportunities to sell vaccines, for example.

June 30, 2024

Flyer about the cervical cancer awareness
raising event to be held by Vital-Net in
collaboration with Morioka City and
Morioka City Medical Association



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盛岡市 市民公開講座

日時 2024年6月30日 10:00-12:30

会場 いわて県民情報交流センター
アイーナ7階 小田島組☆ほーる
盛岡市盛岡駅西通1丁目7-1

プログラム

オープニング演奏 10:00~10:10
岩手県立盛岡第四高等学校 音楽部

開会 10:15~10:20
盛岡市医師会会長 吉田 耕太郎 先生

講演 10:20~10:50
「子宮頸がんってなに？」
岩手医科大学産婦人科学講座
教授 馬場 長(つかさ) 先生

休憩 10:50~11:00

演説 11:00~11:20
岩手県立大学さんさ踊り実行委員会

特別講演 11:25~12:10
「子宮内腫瘍について」
岩手医科大学産婦人科学講座
助教 佐藤 千絵 先生

「スポーツ医学 アスリートと月経のお話」
岩手医科大学産婦人科学講座
助教 岩崎 ちず子 先生

閉会 12:10~12:15
株式会社バイタルネット 取締役副社長 鈴木 三尚

エンディング演奏 12:20~12:30
岩手県立盛岡第四高等学校 音楽部

ブース出展

・大塚製薬株式会社：女性対象の体45チェック(プレゼントあり)
株式会社バイタルネット：野菜摂取量測定

主催：株式会社バイタルネット 共催：盛岡市 盛岡市医師会

お問い合わせ先：株式会社バイタルネット 盛岡営業所 担当：森田 幸子 TEL：019-638-8891

カラダのおはなし

参加無料
申込不要

This is the flyer for the event to be held in June.

Going forward, we will continue further strengthening collaboration with local governments and medical associations, to support regional health care.

Promotion of Rental Business

Proposal of new solutions

Rental × MAPs



Development of new sales channels

Rental × Private companies

Long-Term Vision 2035



Strengthening of rental business

For both medical institutions and companies

Propose rental of more than 100 AEDs to private companies operating in the Tohoku region



Demonstrate strength as Group with close links to local communities



Meanwhile, in the rental business also, there has been a number of positive examples, and I would like to highlight two of these today.

The first is where a combination of team sales using MAPs and rental solutions led to new business. When our MAPs and drugs MS visited a core hospital, they were told that expensive equipment had broken down but the hospital could not afford to repair or replace it, causing inconvenience to patients. After this information was fed back internally and discussed as a team including Medical MS and those in charge of rental, it was decided to propose the introduction of equipment on a rental basis. This proposal was accepted by the hospital, which decided to introduce the equipment immediately. This is a business opportunity that arose because there was an alternative solution to selling products i.e. rental, and both the hospital and patients were very pleased with the outcome.

The second example is the development of new sales channels. Also in our Long-Term Vision 2035, we affirmed that we would also expand the sales channels of the rental business beyond medical institutions. We have now succeeded in delivering 100 rental AEDs to private companies with which we have had absolutely no dealings in the past. I believe this is a business opportunity that arose precisely because we are a Group with close links to local communities.

Moving forward, we will continue rapidly creating new business opportunities by thinking outside the box.

Expansion of 3PL Business: Construction of New Logistics Center in Kanagawa Prefecture

Investment
in growth



Overview of new logistics center

- Planned start of operation: March 2026
- Total floor area: 7,706 m²
- To include facilities where some drug manufacturing processes can be carried out



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Furthermore, as part of our investment for growth, we recently decided to establish a new logistics center in Kanagawa Prefecture, with the aim of expanding the 3PL business with drugs manufacturers.

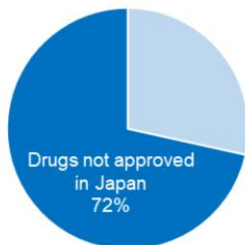
This center will be very favorably located, almost midway between the head offices of Vital-Net and KSK and around 2 hours from Narita Airport. With the future development of the expressway network, access to regions all over Japan is expected to improve even further.

The center will also have an ambient warehouse where some drug manufacturing processes such as packaging, labelling and storage can be carried out and is expected to make a significant contribution to expanding revenue opportunities in the drug distribution business in the future.

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

Investment
in growth

<Current status of drug loss>



Source: Office of Pharmaceutical Industry Research (OPIR)
OPIR News No. 63 issued July 2021

<Current status of new drug>



* EBP: Emerging Biopharma

Source: IQVIA (February 2022)
Global Trends in R&D Overview through 2021

Reason overseas EBP do not enter the Japanese market

[Cause (1)]

Funds are limited so development of drugs for sale in the US and European markets is prioritized

[Cause (2)]

Due to language and culture differences, barriers to entry to the Japanese market are high

[Cause (3)]

Market is small and not profitable for domestic drug manufacturers

Next, I will explain the Notice Regarding Participation in New Business Model Aiming to Eliminate Japan's Drug Loss released on February 14 this year.

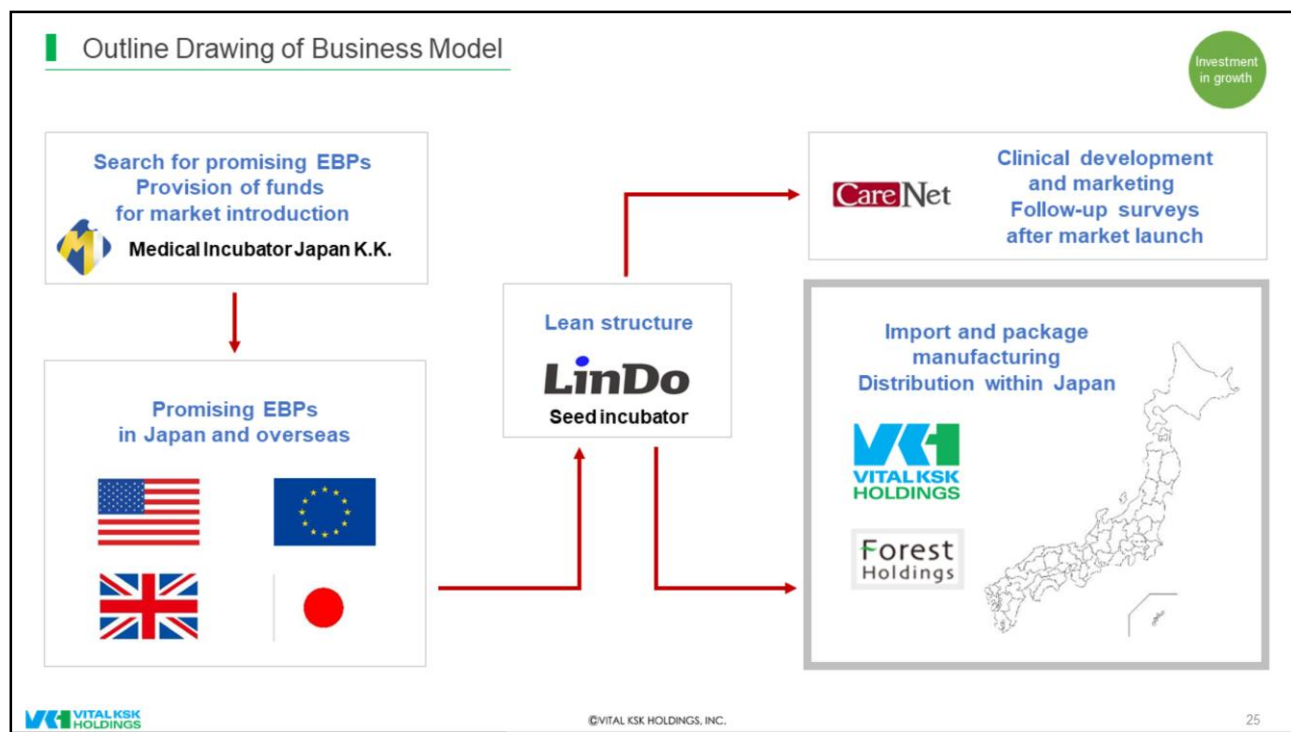
As you know, drug loss whereby drugs used in medical settings in the US and Europe are not authorized for use in Japan is becoming a major social issue. In fact, 72% of drugs newly approved in the US and Europe are not approved for use in Japan and this percentage has been trending upward in recent years.

Looking at the current status of new drug development globally, around 70% of the new drugs approved in the US and Europe are developed by emerging biopharma or EBP. Many of the drug products created by overseas EBP which do not have development or sales capabilities in Japan are not introduced to the Japanese market and this is a major cause of Japan's drug loss.

So why are overseas EBP reluctant to enter the Japanese market? Broadly speaking, there are three causes.

First, overseas EBP, which operate with limited funds, prioritize the development of drugs for sale in the US and European markets, where they can expect the most sales and the fastest market introduction. The second cause is that differences in language and culture mean that the barriers to entry to the Japanese market are high. The third cause is down to domestic drug manufacturers. New drug products for rare or intractable diseases or pediatric use which though highly effective and promising will not generate large sales are not very profitable and so are not actively developed.

We recently decided to participate in a new business model that will eliminate such causes and are working to eliminate Japan's drug loss problem.



This is an outline drawing of the business model.

Firstly, MIJ, a venture capital firm specializing in therapeutic areas, is responsible for searching for promising EBPs in Japan and overseas and providing them with the funds for market entry.

In collaboration with the CareNet Group, seed incubator LinDo will realize a development and sales structure that will be highly efficient compared to existing drug manufacturing business models.

Together with Forest Holdings, Inc., we will be responsible for the supply chain for new drugs developed in Japan, thereby quickly making drugs available to patients with rare diseases or intractable diseases across Japan at minimum cost.

The effect that our participation in this business model has on our future performance is expected to be insignificant for the time being. That said, I believe it will give a considerable boost to the Group's corporate value in the medium and long run.

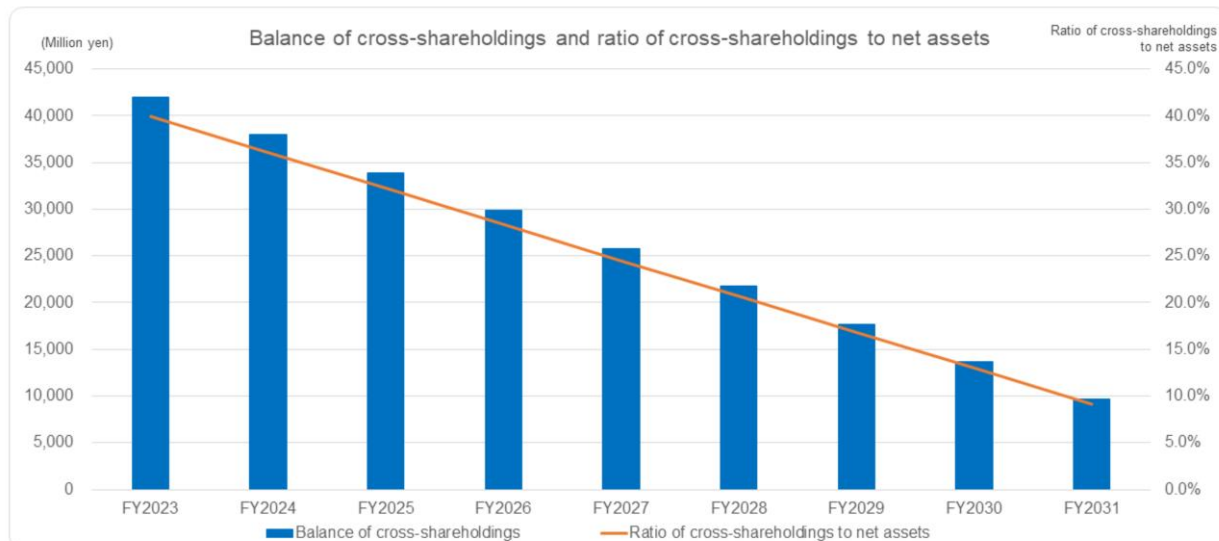
Measures for Improving ROE: Increase in the Asset Turnover

Disposal of Cross-shareholdings

Moving on, I would like to explain the disposal of cross-shareholdings that will help increase our asset turnover.

Disposal of Cross-shareholdings

- Between now and FY2031, we plan to increase the amount of cross-shareholdings disposed of every fiscal year.



We have announced a schedule for reducing the ratio of cross-shareholdings to net assets to less than 10% by FY2031.

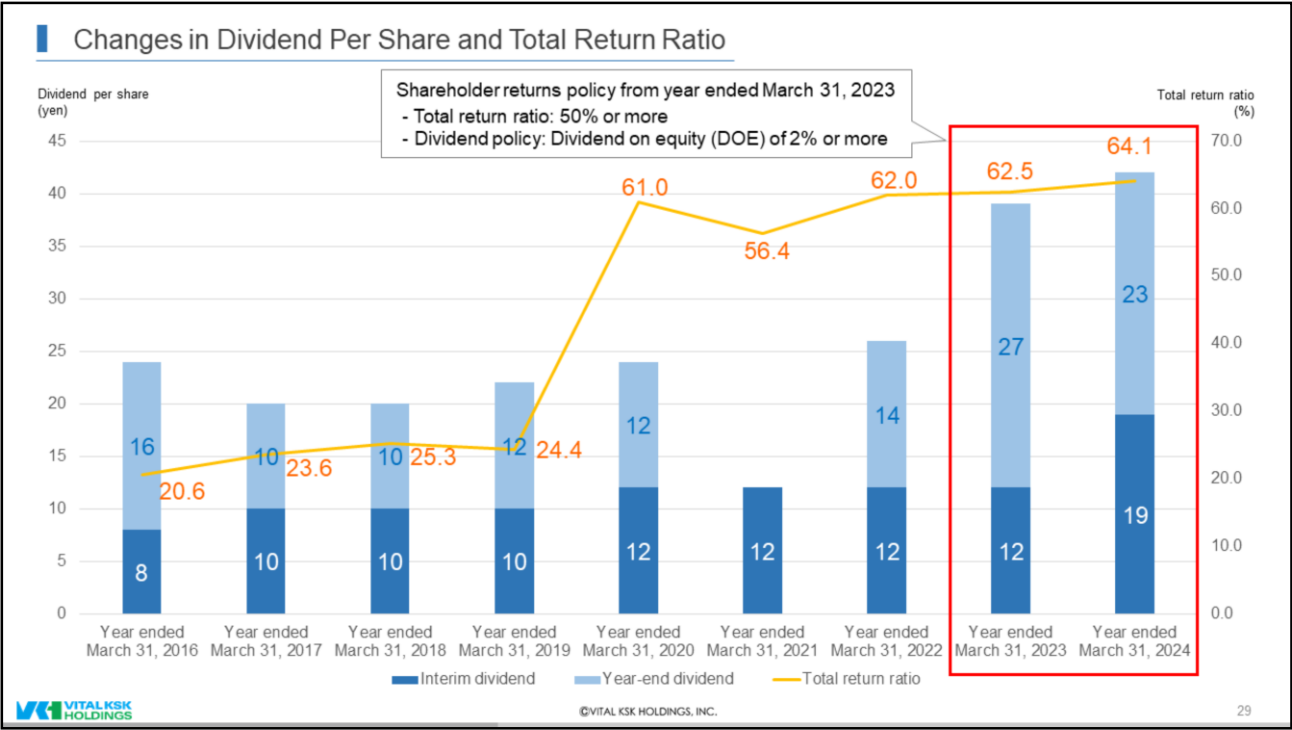
Although we have pushed ahead with the disposal of cross-shareholdings during FY2022 and FY2023 in line with this schedule, the balance of cross-shareholdings at the end of FY2023 increased under the impact of recent high stock prices. Consequently, we changed the schedule, increasing the amount of cross-shareholdings to be disposed of each fiscal year going forward while leaving our target of a ratio of cross-shareholdings to net assets of less than 10% by the final fiscal year (FY2031) unchanged.

The funds raised from the disposal of cross-shareholdings will be used for capital investment and business investment to improve our corporate value in the future and will also be used for shareholder returns as appropriate.

Measures for Improving ROE: Control of Financial Leverage

Enhancement of Shareholder Return Policy

Next, let me explain the strengthening of our shareholder returns policy as a measure to control financial leverage.



In terms of our shareholder returns policy, as explained before, with the "Notice Regarding Strengthening Efforts Toward Corporate Value Enhancement" released in October 2022, we set our total shareholder return target at 50% or more based on the maximum consideration for shareholders and are making returns to shareholders accordingly.

At the same time, we also changed our dividend policy, replacing the previous target of a dividend payout ratio of 25% or more with a target of dividend on equity (DOE) of 2% or more.

As a result, for the two years outlined in red in the chart (the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024), the dividend amount and the total return ratio increased.

Other Topics

Promotion of Human Capital Management

Next, in other topics, I would like to talk about our promotion of human capital management practices.

Promotion of Human Capital Management

Certified as "2024 Health & Productivity Management Outstanding Organization (Large Enterprise Category)"



2024
健康経営優良法人
Health and productivity



株式会社ケーエスケー

Improved employees' compensation and work place environment

We increased base pay and made progress improving the workplace environment by focusing on work style reform with emphasis on work-life balance.



Introduced new personnel system

We introduced a new personnel system that attaches importance to the value created by each individual employee rather than their position or age.



株式会社ケーエスケー



Conducted engagement survey

Monitoring engagement and using survey findings in management strategies helps improve the retention rate and strengthen organizational capabilities.



We are focusing as a priority on the development of a company environment in which diverse human resources can demonstrate their capabilities.

Firstly, both Vital-Net and KSK were certified as a "2024 Health & Productivity Management Outstanding Organization (Large Enterprise Category)".

In addition, we have taken recent inflation into consideration and increased base pay to improve compensation for employees and have also focused on work-style reform with emphasis on work-life balance.

Furthermore, KSK introduced a new personnel system that attaches importance to the value created by each employee from April this year. Further improvement in the motivation of employees can be expected as a result.

We also conducted an engagement survey last fiscal year. By accurately monitoring employee engagement and using our findings in management strategies, we will further improve the retention rate and help strengthen organizational capabilities.

3. Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2025

Finally, I will explain our full-year earnings forecasts for FY2024.

Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2025

(Million yen, %)

	Year ended March 31, 2024 Results		Year ending March 31, 2025 Forecast			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	587,481	—	590,000			
Operating profit	5,556	0.95	5,500	0.93	-56	99.0
Ordinary profit	6,557	1.12	6,400	1.08	-157	97.6
Profit attributable to owners of parent	5,843	0.99	6,000	1.02	157	102.7
ROE	5.7%		5.8%			



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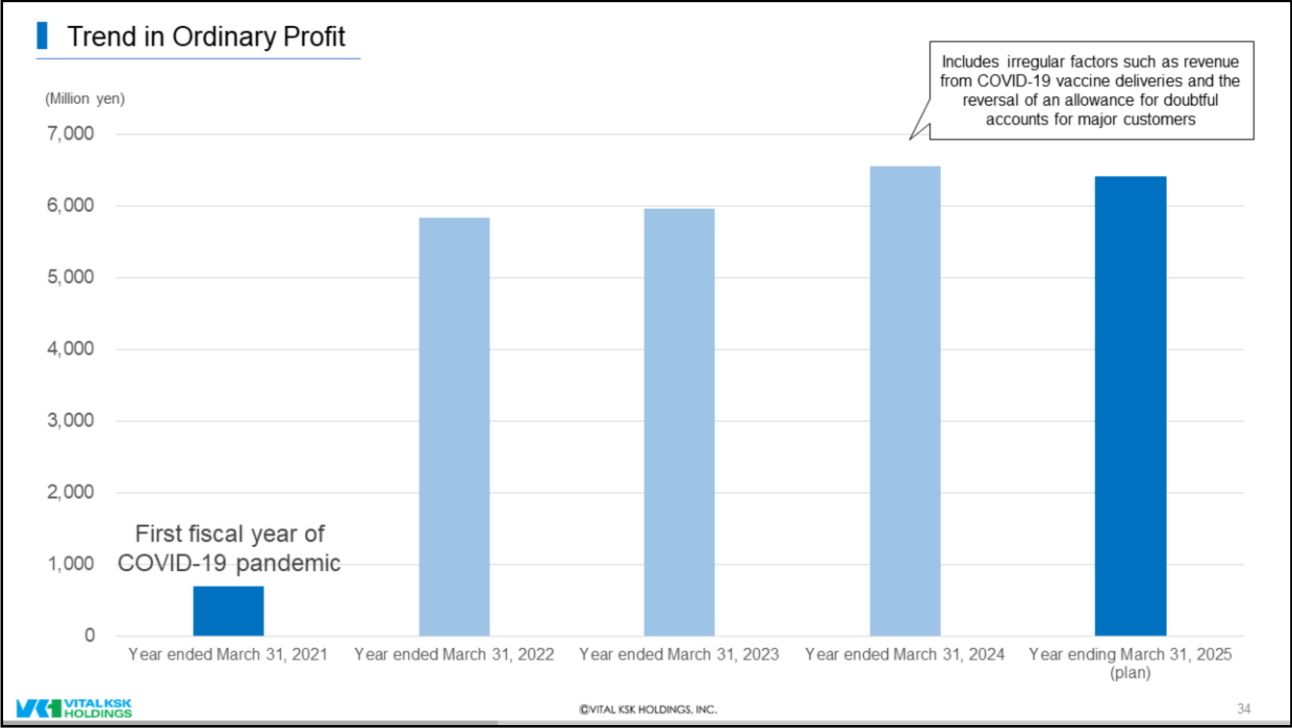
First, we forecast net sales of ¥590,000 million, which is 100.4% of the level a year earlier, on expectation of the impact of NHI drug price revisions in April 2024, the absence of revenue from COVID-19 vaccine deliveries with the end of COVID-19 subsidies, and significant decline in sales of COVID-19 treatments and other COVID-19 treatment-related products.

Moving onto operating profit, we expect a boost of around ¥1,200 million from the effect of increased sales as well as the implementation of various sales measures including those targeting hospitals and prescribing doctors and thoroughgoing management of the contribution margin through price negotiations in accordance with the distribution improvement guidelines as revised in March. However, the absence of revenue from the delivery of COVID-19 vaccines and the reversal of the allowance for doubtful accounts for certain major customers which was posted in the fiscal year ended March 31, 2024 will likely have a combined negative impact of ¥1,100 million. We also expect SG&A expenses to increase by ¥200 million mainly due to information investment including investment in the Open Data Revolution, and as a result, our operating profit forecast is ¥5,500 million, 99.0% of the level a year earlier.

Our ordinary profit forecast is ¥6,400 million, 97.6% of the level a year earlier, in anticipation of slightly lower operating profit, and declines in dividend income and investment returns due to the disposal of cross-shareholdings.

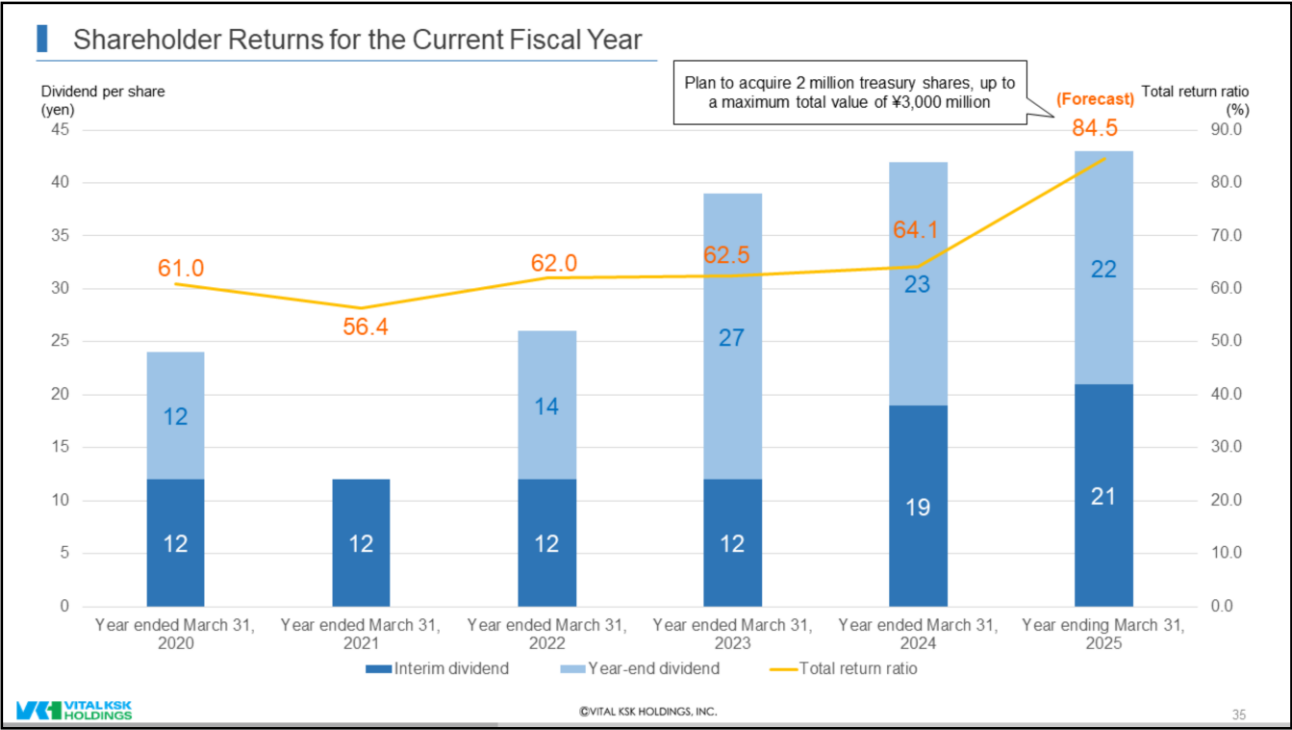
Profit attributable to owners of parent is expected to be ¥6,000 million, 102.7% of the level a year earlier, due to increased disposal of cross-shareholdings.

Finally, our ROE target is 5.8%, an improvement of 0.1% from the previous fiscal year.



As just explained, our ordinary profit forecast for the fiscal year ending March 31, 2025 is ¥6,400 million, slightly down year on year.

However, excluding irregular factors included in the previous fiscal year's results such as revenue from COVID-19 vaccine deliveries and the reversal of a provision for doubtful accounts for major customers, around ¥1,100 million, this represents a profit increase in real terms.



Finally, we come to shareholder returns for the current fiscal year.

Firstly, based on our dividend policy of maintaining a DOE of 2% or more, we plan to pay an interim dividend of ¥21 and a year-end dividend of ¥22, bringing the annual dividend to ¥43, which represents an increase of ¥1.

Next, since we plan to acquire 2 million treasury shares, up to a total value of ¥3,000 million, the total payout ratio is expected to reach an all-time high of 84.5%.

Note on Forward Looking Statements

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.

Please refer to the note on forward-looking statements shown here.

VITALKSK HOLDINGS, INC.

Corporate Communications Department

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Mail: ir@vitalsk.co.jp

Contacts: Sato, Nanjo

Finally, I would like to ask you to direct any inquiries your might have about today's presentation to our Corporate communications Department.

This concludes my presentation.

Thank you for your attention.