

November 11, 2024

**VITAL KSK HOLDINGS, INC.**  
**Financial Results for the First Half of the**  
**Fiscal Year Ending March 31, 2025 (the 16th term)**

President & CEO

**Taisuke Murai**

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Hello, everyone. I am Taisuke Murai, President & CEO of VITAL KSK HOLDINGS, INC.

I would like to present a summary of the financial results for the first half of the fiscal year ending March 31, 2025.

- 1 Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2025
- 2 Major Topics
- 3 Initiatives Based on an Awareness of the Cost of Capital and the Stock Price
- 4 Full-year Earnings Forecasts and Shareholder Returns

Here is what we will discuss today.

I will begin with an explanation with respect to financial highlights for the first half of the fiscal year ending March 31, 2025.

I will then discuss major topics for the period under review and the status of our initiatives with an awareness of the cost of capital and our share price. Finally, I will explain our full-year earnings forecasts and shareholder returns for the fiscal year ending March 31, 2025.

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## Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2025

I will provide an explanation with respect to financial highlights for the first half of the fiscal year ending March 31, 2025.

## Summary of Income

(Million yen, %)

	Apr.-Sep. 2023 Results		Apr.-Sep. 2024 Results				Apr.-Sep. 2024 Forecasts	
	Amount	Ratio to net sales	Amount	Ratio to net sales	YoY	Achievement Rate	Amount	Ratio to net sales
Net sales	294,213	—	297,079	—	101.0	100.4	296,000	-
Operating profit	2,868	0.97	2,876	0.97	100.3	102.7	2,800	0.95
Ordinary profit	3,478	1.18	3,637	1.22	104.6	110.2	3,300	1.11
Profit attributable to owners of parent	2,347	0.80	2,420	0.81	103.1	110.0	2,200	0.74



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In the fiscal period under review, we achieved increases in both sales and profits in all the categories. Additionally, the progress made against all of our earnings forecasts exceeded 100%.

The conditions at the start of this fiscal year were difficult, including the NHI drug price revisions and the loss of revenue from the contracts for delivery of COVID-19 vaccines recorded in the previous fiscal year. However, we feel that things have been progressing very smoothly.

First, net sales increased by 1% year on year to ¥297,079 million, thanks to increased sales in the pharmaceutical wholesaling business, our core business.

Operating profit was ¥2,876 million, up 0.3 % year on year. This was mainly due to increased profits in the pharmaceutical wholesale business as well as improved profitability in other businesses.

Ordinary profit was ¥3,637 million, up 4.6% from the same period of the previous year, due primarily to the recognition of gains on redemption of investment securities.

As a result, the interim net profit attributable to owners of parent was ¥2,420 million, up 3.1% year on year.

## Pharmaceutical Wholesale Business

(Million yen, %)

	Apr.-Sep. 2023 Results		Apr.-Sep. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	277,201	—	279,541	—	2,339	100.8
Gross profit	19,760	7.13	19,996	7.15	235	101.2
Selling, general and administrative expense	17,119	6.18	17,271	6.18	151	100.9
Operating profit	2,640	0.95	2,724	0.97	83	103.2

1. The Pharmaceutical Wholesale Business, which is the Group's core business, achieved gains in sales and profit.
2. Sales of COVID-19 related products decreased.
3. Sales of products eligible for the price maintenance premium, mainly anticancer drugs, and various vaccines increased.

### Growth rate by category

Prescription drugs	101.1%
Reagents and medical devices	97.5%
OTC drugs	101.6%



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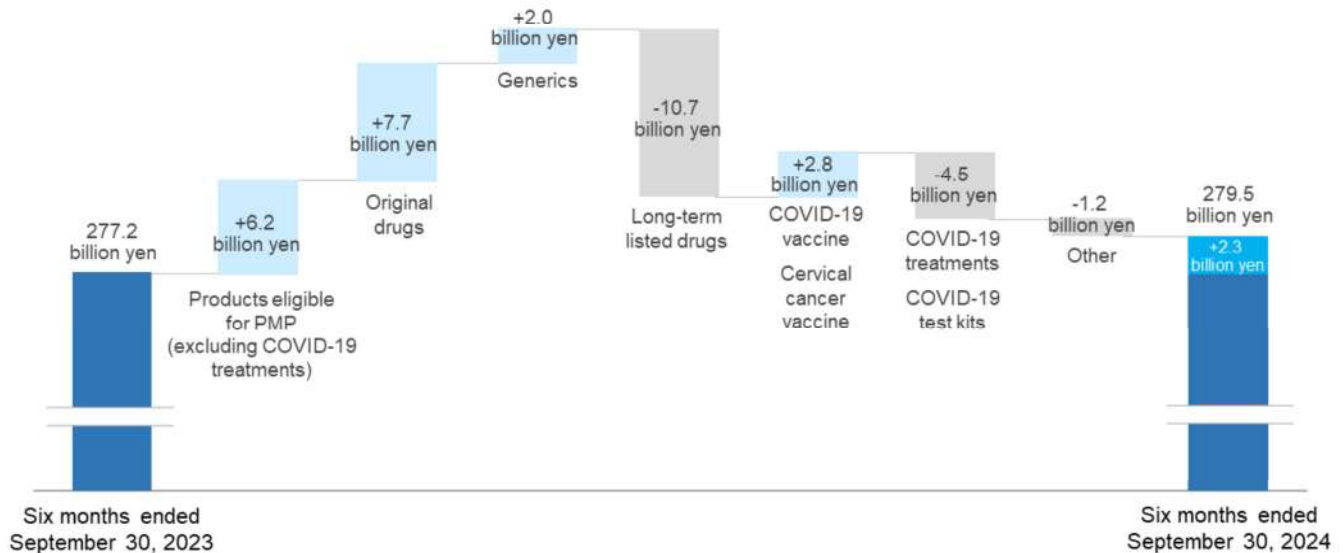
I would now like to explain the situation by segment. First, in the pharmaceutical wholesale business, sales and profit increased.

Net sales increased 0.8% year on year to ¥279,541 million because the increase in revenue due to the increased sales of products eligible for the price maintenance premium, mainly anticancer drugs, original drugs, new COVID-19 vaccines, which were rolled out in October, and cervical cancer vaccines exceeded the decrease in revenue due to the impact of the NHI drug price revisions and the reduced sales of COVID-19 test kits.

As a result of our efforts to negotiate appropriate prices, gross profit exceeded the level in the previous year. However, selling, general and administrative expenses also increased slightly due to factors such as the recording of allowances for doubtful accounts following the bankruptcy of some customers.

As a result of the above, final operating profit was ¥2,724 million, up 3.2% year on year.

## Factors in the Year-on-Year Change in Net Sales in the Pharmaceutical Wholesale Business



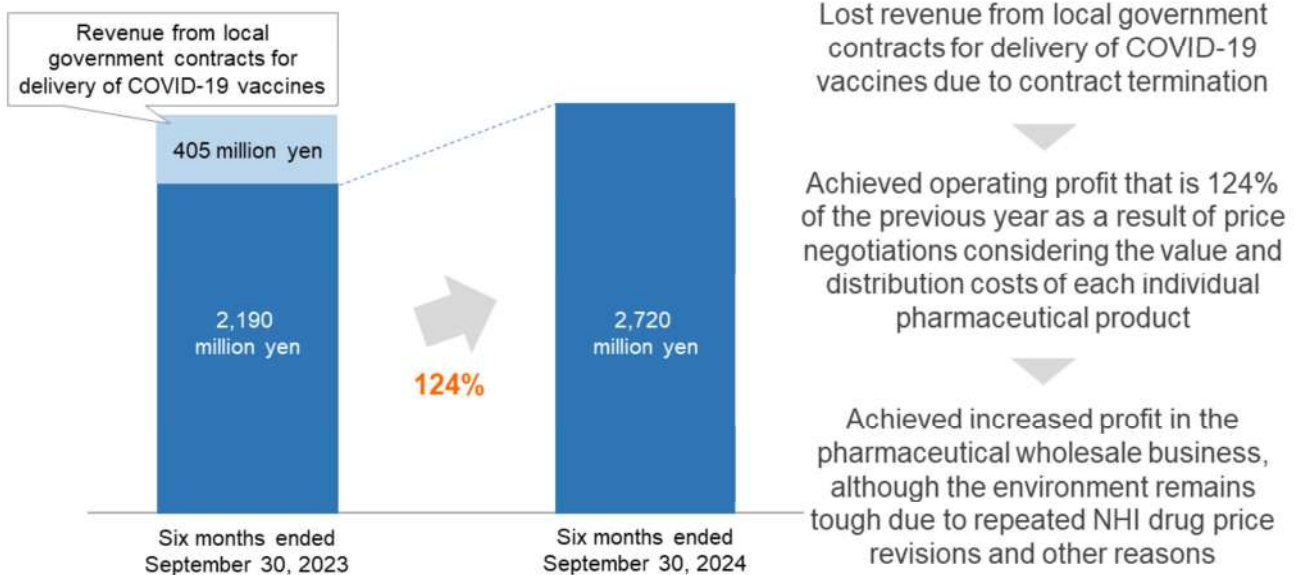
Next, I will explain in detail the main factors behind the increases and decreases in net sales in the pharmaceutical wholesale business.

We have been focusing for some time on sales of products eligible for the price maintenance premium, which allows products to maintain prices for longer. These efforts have paid off, and our sales in this category increased by ¥6,200 million. In addition, sales of original drugs and generic drugs increased by ¥7,700 million and ¥2,000 million, respectively. However, sales of long-term listed drugs fell by ¥10,700 million, largely due to the impact of NHI drug revisions.

In addition, sales of COVID-19 vaccines which were rolled out in October and catch-up vaccinations to prevent cervical cancer, for which public subsidies will end this fiscal year, contributed to an increase of ¥2,800 million, while sales of COVID-19 treatment drugs and test kits decreased by ¥4,500 million.

As a result, net sales increased by ¥2,300 million year on year to ¥279,500 million.

## Substantial Improvement in Operating Profit in the Pharmaceutical Wholesale Business



Next, I will explain the results of our analysis of the operating profit of the pharmaceutical wholesale business.

In the first half of the previous fiscal year, the segment achieved operating profit of ¥2,640 million, which included ¥450 million in revenue from local government contracts for delivery of COVID-19 vaccines.

In spite of the loss of this revenue this fiscal year, our previous efforts to carefully negotiate prices that took into account the value and distribution costs of each individual pharmaceutical product proved successful, resulting in an increase in operating profit to ¥2,720 million, effectively up 24% year on year.

As such, we were able to achieve increased profits in the pharmaceutical wholesaling business, our core business, although the environment remains difficult due to the repeated revision of NHI drug prices.



## Pharmacy Business

(Million yen, %)

	Apr.-Sep. 2023 Results		Apr.-Sep. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	9,386	—	9,725	—	338	103.6
Gross profit	2,336	24.9	2,350	24.2	14	100.6
Selling, general and administrative expense	2,221	23.7	2,254	23.2	33	101.5
Operating profit	114	1.2	96	1.0	-18	83.7

1. Net sales increased due to the opening of one extra store in March 2024 and an increase in the price per prescription
2. Profit fell under impact of NHI drug price revisions, despite efforts to expand income from dispensing technical fees and income from pharmaceutical management.

This is the situation in the pharmacy business.

Net sales increased by 3.6% year on year to ¥9,725 million due to the opening of one extra store in March 2024 and an increase in the price per prescription.

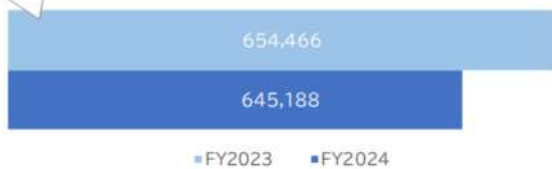
However, as a result of the insufficient growth of gross profit due to the impact of the NHI drug price revisions, operating profit was ¥96 million, down 16.3% year on year, resulting in an increase in sales but a decrease in profit.

## Details of the Pharmacy Business

Decline in fever outpatient visits and pediatric patients with infectious diseases

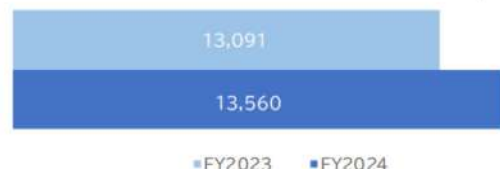
Number of prescriptions

(Unit: prescriptions)



Price per prescription

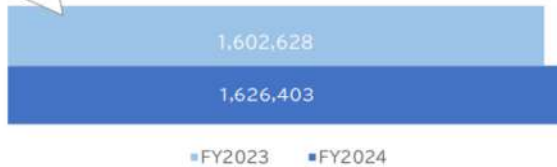
(Unit: yen)



Enhancement of calculation of dispensing fees for patient-focused services

Technical fee

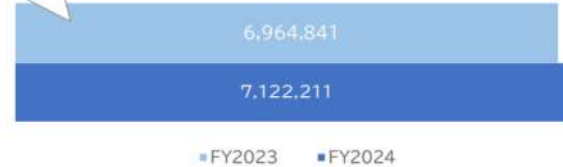
(Unit: thousand yen)



Increase in the demand for prescriptions for expensive medicines, particularly at stores in front of hospitals

Cost of drugs

(Unit: thousand yen)



I would like to go into a little more detail about our pharmacy business.

First, in spite of the opening of one additional store in March 2024, the number of prescriptions decreased to 645,188, down 1.5% year on year, due largely to the decline in fever outpatient visits and pediatric patients with infectious diseases. On the other hand, the price per prescription increased by 3.5% year on year to ¥13,560.

There are two factors behind this.

First, technical fees increased by 1.4% year on year to ¥1,626 million. Despite the decrease in the overall number of prescriptions, the total technical fees exceeded the level of the same period of the previous year, which can be attributed to our proactive efforts to calculate dispensing fees for patient-focused services required by the government.

Drug costs also increased to ¥7,122 million, up 2.3% year on year. This is due to an increase in the demand for prescriptions for expensive medicines, particularly at hospital front stores, and this trend is expected to continue in the future.

In our pharmacy business, we will continue to strive to ensure fair profits by working on calculating dispensing fees for the family pharmacy function required by the government.

## Veterinary Drug Wholesale Business

(Million yen, %)

	Apr.-Sep. 2023 Results		Apr.-Sep. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	5,589	—	5,647	—	57	101.0
Gross profit	822	14.7	787	13.9	-34	95.7
Selling, general and administrative expense	639	11.4	643	11.4	4	100.6
Operating profit	183	3.3	144	2.6	-39	78.6

1. Sales slightly increased due to the acquisition of Arrowmedical Inc. as a consolidated subsidiary in August 2024, in spite of the impact of the switch of some products due to the commencement of direct sales from manufacturers.
2. Profit decreased as profit was squeezed due to rising purchase prices and other factors.

Next, I will explain about the situation of the veterinary drug wholesale business.

Although negatively impacted by the switch of some products due to the commencement of direct sales from manufacturers, net sales increased by 1% year on year to ¥5,647 million due to the acquisition of Arrowmedical Inc. as a consolidated subsidiary in August 2024.

However, operating profit was affected by rising purchase prices and other factors. It was ¥144 million, down 21.4% year on year, resulting in an increase in sales but a decrease in profit.

Later, I will provide more details about the acquisition of Arrowmedical Inc.

## Other Businesses

(Million yen, %)

	Apr.-Sep. 2023 Results		Apr.-Sep. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	2,035	—	2,165	—	129	106.4
Gross profit	1,984	97.5	2,033	93.9	49	102.5
Selling, general and administrative expense	2,093	102.9	2,122	98.0	28	101.4
Operating profit	-108	—	-88	—	20	—

1. Sales recovered in each business.
2. Segment losses reduced by 20 million yen.

Next, other businesses.

Due to sales in each business recovering, losses were reduced by ¥20 million.

As a result, net sales was ¥2,165 million, up 6.4% year on year, and the operating loss was ¥88 million.

## Balance Sheet

(Million yen)

	As of March 31, 2024	As of September 30, 2024	Increase/decrease	Main factors for increase/decrease
<b>Current assets</b>	<b>203,303</b>	<b>198,376</b>	<b>-4,926</b>	
Cash and deposits	34,712	19,659	-15,053	Unsettled notes and accounts payable - trade due to the last day of the previous fiscal year being a bank holiday
Notes and accounts receivable - trade	117,993	123,552	5,559	Increased sales of influenza and COVID-19 vaccines in September
Inventories	31,421	35,667	4,246	Increased purchases of influenza and COVID-19 vaccines in September
<b>Non-current assets</b>	<b>113,954</b>	<b>119,192</b>	<b>5,238</b>	
Property, plant and equipment and intangible assets	53,617	53,744	127	
Investments and other assets	60,336	65,446	5,110	Increase in unrealized gains on investment securities
<b>Total assets</b>	<b>317,258</b>	<b>317,568</b>	<b>310</b>	
<b>Current liabilities</b>	<b>193,407</b>	<b>189,383</b>	<b>-4,024</b>	
Notes and accounts payable - trade	179,174	177,308	-1,866	Difference between the aforementioned unsettled notes and accounts payable - trade and the purchase of vaccines in September
Short-term borrowings (including current portion of long-term borrowings)	1,860	1,860	0	
Other current liabilities	12,370	10,214	-2,156	Payment of accrued expenses
<b>Non-current liabilities</b>	<b>17,910</b>	<b>18,558</b>	<b>648</b>	
<b>Total liabilities</b>	<b>211,317</b>	<b>207,942</b>	<b>-3,375</b>	
<b>Net assets</b>	<b>105,940</b>	<b>109,626</b>	<b>3,686</b>	
Shareholders' equity	79,958	79,682	-276	Profit - year-end dividend - acquisition of treasury shares
Accumulated other comprehensive income	24,705	28,602	3,897	Increase in unrealized gains on investment securities
<b>Total liabilities and net assets</b>	<b>317,258</b>	<b>317,568</b>	<b>310</b>	

Finally, I would like to explain the balance sheet.

As of September 31, 2024, total assets were ¥317,568 million, an increase of ¥310 million from the end of the previous fiscal year.

Current assets decreased by ¥4,926 million. This is because sales and purchases of influenza vaccines and COVID-19 vaccines increased in September, causing accounts receivable and inventories to increase by ¥5,559 million and by ¥4,246 million, respectively, while the temporary increase in cash and deposits at the end of the previous fiscal year due to purchase payables not being settled due to a bank holiday was eliminated, resulting in a decrease in cash and deposits of ¥15,053 million.

Additionally, non-current assets increased by ¥5,238 million due to an increase in unrealized gains on investment securities.

Subsequently, total liabilities came to ¥207,942 million, up ¥3,375 million from the end of the previous fiscal year. The main factors behind this included a decrease in accounts payable of ¥1,866 million due to the difference between the aforementioned unsettled accounts payable and the purchase of vaccines in September, as well as the payment of accrued expenses.

Net assets were ¥109,626 million, an increase of ¥3,686 million. 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 Major Topics

Next, I would like to talk about major topics for this fiscal year.



## Long-Term Vision 2035: 8 Areas of Activities

Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Business expansion in the companion animal and agritech fields



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Here are the eight areas of activity that the Group will focus on going forward, as outlined in our Long-Term Vision 2035 announced in May 2023.

Today, I will highlight a few of these initiatives.

## Investment in Logistics-related Funds

- To resolve various issues facing the logistics industry in Japan and to strengthen the Group's logistics functions



The first step is sophistication of logistics functions.

In September 2024, we signed an investment agreement with Mercuria Supply Chain Investment Limited Partnership.

The intent of the fund is to invest in startups and other companies with innovative technologies and business models that contribute to solving issues in the logistics and supply chain fields.

In addition to providing funds to the targets of investments, it will also enable us to capture opportunities to collaborate and cooperate with startup companies, which we believe will further strengthen our logistics functions.

Going forward, we will continue to work to resolve social issues, such as the 2024 logistics problem and carbon emissions, as well as establish a resilient logistics system that can continue to stably supply pharmaceuticals even in the event of a large natural disaster.

## Effects of Collaboration with Local Governments

Promoting initiatives in collaboration with local governments and pharmaceutical companies as a locally rooted pharmaceutical wholesaler

In Iwate Prefecture, where a public lecture was held at the end of June, sales of cervical cancer vaccines during the period from July to September increased significantly compared to all of the other sales areas of VITAL-NET.

Continuously promoting collaboration with local governments

Year-on-year change in sales of cervical cancer vaccine during the period from July to September



Number of the local governments we have signed agreements with

Disaster 10 Health/the elderly 26



Next, I would like to introduce some of our initiatives regarding the revamping of our medical pharmaceutical wholesale business and collaboration with local and national governments.

First, we are already seeing results regarding the creation of business opportunities through collaborations with local governments, which was discussed at the financial results briefing in May.

As a pharmaceutical wholesaler rooted in the local community, we have been promoting collaboration with local governments and pharmaceutical companies for some time. As of the end of September 2024, we have concluded agreements on health and disasters with 36 local governments.

In Morioka City, Iwate Prefecture, which is one of the cities we signed an agreement with, local governments, local medical associations, and Vital KSK co-hosted the *Things about the body: we want everyone to know more* open lecture on cervical cancer held at the end of June.

Many participants, including junior and senior high school students and their parents, attended the event, where we raised awareness of catch-up vaccinations for people who missed the opportunity to receive the cervical cancer vaccine subsidized by the government, which will end at the end of this fiscal year.

While the event was held with the goal of promoting the health of local residents, it has also had a positive impact on our business performance. In the three months following the event, sales of cervical cancer vaccines increased significantly in the Iwate area, compared to all the other sales areas of VITAL-NET.

As a company working hand in hand with the local community, we will continue to promote collaboration with local governments and support the health of local residents.

## KSK: WHS Department Fully Operational

The Women's Healthcare Solutions (WHS) Department was launched on April 1, 2024. After a training period of about three months, full-scale sales activities started on July 1.

Three dedicated female MS staff provide a wide range of solutions to women's health issues, including medicines, vaccines, and femtech products.

### ■ Customers handled by WHS

Obstetrics and gynecology clinics in Osaka City and seven surrounding cities

### ■ Response

Establishing strong touch points that could not be achieved through the traditional sales system

The effects on sales are gradually becoming apparent, mainly on sales of cervical cancer vaccines.



Next, I will talk about the progress of KSK's Women's Healthcare Solutions Dept, launched in April 2024.

The department is made up of three dedicated women who are MS staff members, and it aims to provide a wide range of solutions to women's health issues, including pharmaceuticals, vaccines, and femtech products. After a training period of about three months starting in April, full-scale activities started on July 1.

The customers served by the department include obstetrics and gynecology clinics in Osaka City and seven surrounding cities.

Although it has only been a short time since the launch of the department, we are gradually seeing results in terms of sales, including sales of the cervical cancer vaccine, as well as the robust touchpoints unique to women who are MS staff members.

## Customer Comments



I am very interested in the department, which specializes in gynecology.

I look forward to receiving a wide range of information about trending products and suggestions.



I am interested in this department because it is a specialized department made up entirely of MS staff members that are women.

I hope you proactively propose study sessions regarding companies manufacturing gynecological products.



I think it is a unique and new effort.

I look forward to your providing information about medical supplies and femcare products.



Also, I highly commend KSK for its company-wide promotion of women's participation in society.

Here are actual comments from our customers.

It has been requested that we provide information about products specific to the field of gynecology, and we have received positive feedback praising the efforts of our dedicated MS staff members that are women. We will continue to work hard to live up to people's expectations such as these.



## Supporting Medical Institutions and Pharmacies in Addressing the Digital Transformation of Healthcare

In the situation where the use of My Number health insurance cards is being encouraged, medical institutions and pharmacies across the country are also busy addressing the digital transformation of healthcare

Is there anything that only a local wholesaler can do?

KSK holds Medical DX Exhibitions at each branch to listen to the opinions of individual customers and propose optimal solutions that meet their needs.

The company supports the selection and introduction of equipment that is compatible with the digital transformation of healthcare, such as electronic medical records, medical receipt computers, online medical examinations, and online medication instructions.



This is another initiative promoted by KSK.

As the government moves to switch from traditional health insurance cards to My Number health insurance cards from December 2024, medical institutions and pharmacies across the country are busy addressing the digital transformation of healthcare. Operating in a medical setting, they are facing the issue of being busy with their everyday work, so it is difficult for them to find enough time to keep up with the digital transformation of healthcare.

Is there anything that a local wholesaler can do?

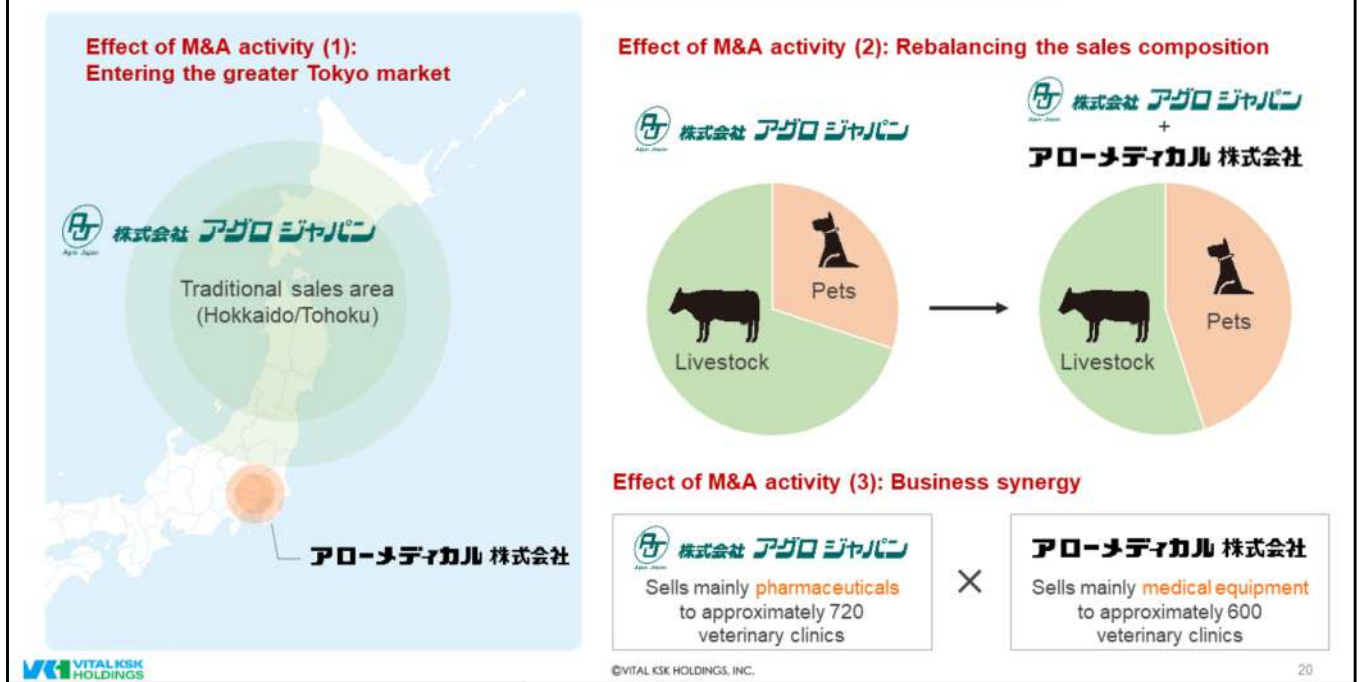
With this in mind, KSK holds Medical DX Exhibitions at each branch to propose optimal solutions that meet the needs of each individual customer. We support the selection and introduction of equipment compatible with the digital transformation of healthcare, such as electronic medical records systems, medical receipt computers, and online medical consultation systems.

As of the end of October, the exhibitions had been held at 20 of the 32 branches of KSK, and more are scheduled to be held in various locations in and after this month. The branches where the seminars were held have seen there has been ripple effect on the performance of their business, with sales of equipment increasing significantly compared to the previous year. We plan to continue strengthening locally rooted initiatives such as

these.



## Veterinary Drug Wholesale Business: M&A Activity Involving Arrowmedical Inc.



Next, I would like to talk about our expanding our business in the companion animal and agritech fields.

At the end of August 2024, AGRO-JAPAN, Inc., a consolidated subsidiary of KSK, acquired 90% of the shares of Arrowmedical Inc., headquartered in Yokohama-shi, Kanagawa Prefecture, making it a subsidiary. This is expected to further strengthen the veterinary drug wholesale business segment.

There are three specific effects brought about by this M&A activity.

The first is our expansion into the metropolitan market. The companion animal market is concentrated in major metropolitan areas. Arrowmedical's sales area covers the Greater Tokyo Area: Tokyo and Kanagawa, Chiba, and Saitama prefectures. As approximately 39% of the country's veterinary clinics are in this area, this M&A activity will allow us to gain a foothold in this large market.

The second is the rebalancing of our sales mix. AGRO-JAPAN mainly operates in the Hokkaido and Tohoku regions, with livestock-related sales accounting for approximately 70% of its sales. This M&A activity will increase companion animal-related sales, helping

to level out the sales mix for the entire segment.

The third is business synergy. AGRO-JAPAN has mainly sold pharmaceuticals to approximately 720 veterinary clinics in the Hokkaido and Tohoku areas, while Arrowmedical has mainly sold medical equipment to approximately 600 veterinary clinics in the Greater Tokyo Area. We believe that this M&A will increase the opportunities to sell the products that each company specializes in to each other's customers, which will greatly contribute to increasing sales and profit in the future.



## Aiming for a society where babies and families can sleep peacefully



### ■ Services for individuals \* Released on September 6, 2024

A service supporting families suffering from their infant sleep problems

### ■ Benefit services for corporate employees

\* Scheduled for release by the end of FY2024

A service supporting employees returning to work after childcare leave as well as juggling work and childcare, centering on improving the sleep of infants and young children

Examples: gift box/seminars and consultations/individual support from experts

Provision of these services will continuously help improve employee engagement and support employees in their return to work

Lastly, I would like to talk about improving life support business.

In September 2024, VITAL-NET launched a new service intended to solve sleep problems for infants and young children.

This service was created due to the real-life experience of one of the women who is our employee. After her child was born, the child cried, making it difficult for her to sleep at night.

Initially we have started offering the service to individuals, and now we also plan to offer it to corporate employees as a part of welfare program. Focusing on improving the sleep of infants and young children, this service is to support employees returning to work from parental leave and balancing work and raising their children, which is expected to lead to increased employee engagement at companies adopting the service.

Leveraging the strength of its role as a "connector" cultivated in the medical-related field over many years, the company will continue to expand its business activities into fields peripheral to medical care to contribute to solving social issues and extending people's healthy lifespans.

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## Initiatives Based on an Awareness of the Cost of Capital and the Stock Price

Next, I would like to report on the progress of our efforts toward implementing management based on an awareness of the cost of capital and the stock price announced at the end of 2023.



First, this is a document about our Roadmap to a PBR of 1 published on December 26, 2023.

Although we have been making various efforts to implement management based on an awareness of the cost of capital and the stock price, our PBR remains at 0.6, which is not a sufficient level for a company listed on the Prime Market.

In these circumstances, we are currently revisiting our efforts, including the revision of the roadmap.

## Investor Feedback and Current Status of Consideration

### Voices of investors

Your most recent ROE is 5.7% and your PBR is 0.6, which is not sufficient for a company listed on the prime market.

You announced a policy regarding increasing corporate value on October 28, 2022, but I find your progress slow.

Don't you think that further action is needed?



We have been implementing initiatives to improve corporate value since October 2022.

The stock price has doubled since then, which is not considered sufficient.

Specific measures to quickly achieve ROE targets will also be discussed at meetings of the Board of Directors.

To do this, we need to listen sincerely to the voices of our stakeholders, so we are strengthening our engagement with investors.

Now, I would like to share the opinions of our investors and explain how we are currently addressing these opinions.

First, this is a comment stating that our current ROE and PBR are not sufficient. Several investors have also shared with us their opinion that the time frame of fiscal 2031, as outlined in the roadmap published at the end of 2023, should be brought forward.

The Board of Directors is currently discussing the issue, taking these comments into consideration.

## Investor Feedback and Current Status of Consideration

### Voices of investors

The Corporate Governance Code calls for companies to reduced their cross-shareholdings.

Your cross-shareholdings are over 40% of your net assets as of the end of FY2023.

Considering the improvement of capital efficiency as well, you should accelerate the reduction of cross-shareholdings.



Although we have been working to reduce our cross-shareholdings, the rise of stock prices at the end of the previous fiscal year caused the ratio of cross-shareholdings to increase based on net assets.

Currently, we are considering not only how we accelerate the disposal of shares, but also how we use the cash generated by the sale of shares, such as investments in existing businesses, investments in future growth, and the strengthening shareholder returns.

In addition, many investors commented about the reduction of cross-shareholdings.

We have been working to dispose of cross-shareholdings for some time, but the rise in stock prices at the end of the previous fiscal year has led to an increase in the ratio of cross-shareholdings based on net assets. Although we also had initially planned to reduce it to less than 10% of net assets by fiscal 2031, we find it essential to accelerate this process even further.

In addition to simply disposing of the stock, we also recognize the importance of considering how to utilize the cash generated by the sale of stock.

We are currently considering optimal cash flow allocation, including investments in existing facilities contributing to a stable supply of pharmaceuticals that support local healthcare, growth investments leading to future increases in corporate value, and the strengthening of shareholder returns.

## Investor Feedback and Current Status of Consideration

### Voices of investors

You face the challenge of improving your balance sheet.

I think your current ROE and ROIC are lower than the cost of capital.

You should aim to achieve capital-efficient management through efforts such as the disposal of idle assets and cross-shareholdings.



We recognize that a bloated balance sheet and declining capital efficiency are issues that we face.

Currently, we are calculating ROE and ROIC for each segment and affiliated company to identify issues.

Based on the results of these calculations, we are considering specific measures to achieve capital profitability that exceeds the cost of capital.

Next, I would like to talk about improving our balance sheet.

As exemplified by the cross-shareholdings explained earlier, our balance sheet has become bloated in recent years, resulting in a decline in capital efficiency.

We are currently calculating ROE and ROIC for each segment and affiliated company to identify issues.

Based on the results, we are considering specific measures to achieve capital profitability that exceeds the cost of capital.



## Investor Feedback and Current Status of Consideration

### Voices of investors

In recent years, you have been increasing dividends amid a tough business environment which has included annual drug price revisions, but these efforts have not been reflected in the stock price, resulting in a PBR that is below 1.

Shouldn't you take more measures to increase shareholder returns and other such efforts to raise the stock price?



In October 2022, we modified our shareholder return policy: Previously, the dividend payout ratio was 25% or more, but now the DOE is at 2% or more and the total return ratio is at 50% or more.

In addition, we are considering how to return value to shareholders based on the subsequent trends of other companies and market demands.

We have also heard a variety of opinions regarding further strengthening shareholder returns.

In October 2022, we modified our shareholder return policy: Previously, the dividend payout ratio was set at 25% or more, but now the DOE is set at 2% or more and the total return ratio is set at 50% or more.

As a result, total dividends increased 1.6 fold, and the stock price nearly doubled in that time.

At the same time, we are also considering how to return value to shareholders in the future, taking into account the upcoming trends of other companies and the level of returns demanded by the market.

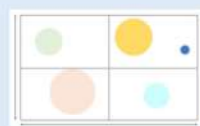
## Towards the Sixth Medium-term Management Plan (FY2025-2027)

Currently calculating ROE and ROIC for each segment and affiliated company to identify issues

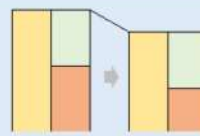


### Sixth Medium-term Management Plan

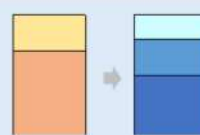
Business portfolio management



Financial strategy & capital policy



Cash flow allocation



Lastly, I would like to briefly touch on the status of our consideration of our Sixth Medium-term Management Plan, which will begin next fiscal year.

As I explained earlier, we are currently calculating the return on capital for each segment and affiliated company to identify issues regarding each. Furthermore, management leads the discussion of policies leading to sustainable growth and the increase of corporate value over the medium to long term.

Specifically, we are discussing the following three points: what to do with our business portfolio in the future, including existing and new businesses, how we will develop our financial strategy and capital policy to establish the foundation of our business operations, and how we should allocate the cash generated through our business activities. We anticipate incorporating these matters into the Sixth Medium-term Management Plan.

Although our Medium-term Management Plan has traditionally been announced in conjunction with our financial results briefing in May, we are currently considering how we might announce it to stakeholders a little earlier.

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## Full-year Earnings Forecasts and Shareholder Returns

Finally, I would like to talk about our full-year earnings forecast and shareholder returns.

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

(Million yen, %)

	Year ending March 31, 2025 First Half Results				Year ending March 31, 2025 Forecast		
	Forecast	Amount	Ratio to net sales	Rate of progress	Amount	Ratio to net sales	YoY
Net sales	296,000	297,079	—	50.4	590,000	—	100.4
Operating profit	2,800	2,876	0.97	52.3	5,500	0.93	99.0
Ordinary profit	3,300	3,637	1.22	56.8	6,400	1.08	97.6
Profit attributable to owners of parent	2,200	2,420	0.81	40.3	6,000	1.02	102.7

Plans to record larger gains on sales of cross-shareholdings in the second half of the year

There are no changes to our full-year results forecast for the fiscal year ending March 31, 2025 at present.

The rate of progress for operating profit and ordinary profit for the second quarter is 52.3% and 56.8%, respectively, which indicates steady progress. However, given the impact of there being fewer business days than usual in the second half, we have decided to keep the forecasts unchanged at this time.

The rate of progress of profit attributable to owners of parent for the second quarter was 40.3%, which is because we plan to record a large amount of profit from the sale of cross-shareholdings in the second half.

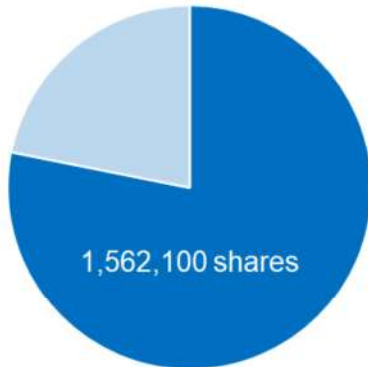
If we judge changes to the full-year forecast necessary in the future, we will announce the revisions in a timely manner.

## Treasury Share Acquisition

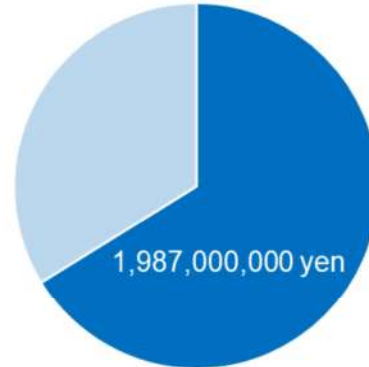
(as of October 31, 2024)

Period: From May 14, 2024 to March 24, 2025  
Number of shares: 2 million shares (upper limit)  
Total acquisition value: 3.0 billion yen (upper limit)

Total number of shares repurchased



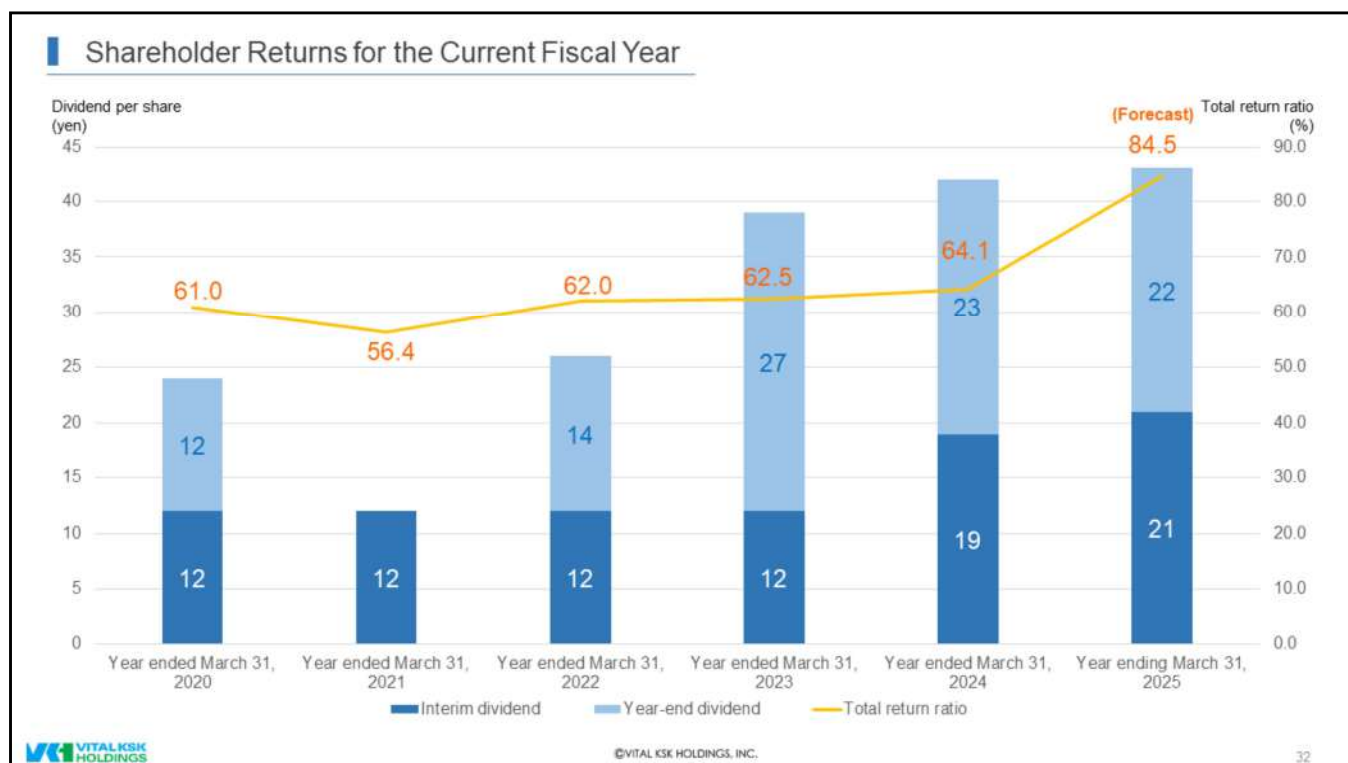
Total value of shares repurchased



Next, I would like to explain the status of the treasury share acquisition being implemented during this fiscal period.

As of October 31, 2024, we have repurchased 1,562,100 treasury shares, with a total value of ¥1,987,000,000.

We could, therefore, still purchase up to 437,900 shares, with a value of up to ¥1,013 million. We will continue to purchase shares within the period.



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.

## **VITAL KSK HOLDINGS, INC.**

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

This concludes my presentation.

Thank you for your attention.