

February 12, 2025

VITAL KSK HOLDINGS, INC.

**Financial Results for the First Nine Months of the
Fiscal Year Ending March 31, 2025 (the 16th term)**

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This material is supplemental material for the financial results for the first nine months (April-December) of the fiscal year ending March 31, 2025 (the 16th term) of Vital KSK Holdings, Inc.

Please read this material together with the Consolidated Financial Statements for the First Nine Months of the Fiscal Year Ending March 31, 2025 released on February 12, 2025.

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Financial Highlights for the First Nine Months of the Fiscal Year Ending March 31, 2025

First of all, we will provide an explanation with respect to financial highlights for the first nine months of the fiscal year ending March 31, 2025.

Summary of Income

(Million yen, %)

	FY2023 Apr.-Dec. 2023 Results		FY2024 Apr.-Dec. 2024 Results				FY2024 Results forecast	
	Amount	Ratio to net sales	Amount	Ratio to net sales	YoY	Achievement rate	Amount	Ratio to net sales
Net sales	448,909	—	460,680	—	102.6	78.1	590,000	—
Operating profit	5,658	1.26	5,406	1.17	95.5	98.3	5,500	0.93
Ordinary profit	6,506	1.45	6,419	1.39	98.7	100.3	6,400	1.08
Profit attributable to owners of parent	5,054	1.13	6,459	1.40	127.8	107.7	6,000	1.02

Looking at the summary of consolidated income, the Group achieved growth in sales.

In particular, the pharmaceutical wholesale business, which is the Group's core business, saw increased sales of products eligible for the price maintenance premium, such as anticancer drugs, and various vaccines, growing sales of influenza test kits and treatments associated with a surge in cases at the end of the year.

At the same time, a reaction to the reversal of allowance for doubtful accounts in the previous year and an increase in selling, general and administrative expenses, including investments in information systems, resulted in a slight year-on-year decrease in operating profit and ordinary profit.

Because the Company sold most of cross-held shares it planned to sell in the third quarter, profit attributable to owners of parent was ¥6,459 million (127.8% of that of the same period of the previous year).

Pharmaceutical Wholesale Business

(Million yen, %)

	Apr.-Dec. 2023 Results		Apr.-Dec. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	423,218	—	434,162	—	10,943	102.6
Gross profit	30,548	7.22	31,326	7.22	777	102.5
Selling, general and administrative expense	25,337	5.99	26,251	6.05	914	103.6
Operating profit	5,211	1.23	5,075	1.17	▲136	97.4

1. Sales of COVID-19 related products decreased.
2. Sales of products eligible for the price maintenance premium, mainly anticancer drugs, and various vaccines increased.
3. Profit decreased slightly year on year, mainly due to a reaction to the reversal of allowance for doubtful accounts in the previous year and investments in information systems.

Growth rate by category

Prescription drugs	103.0%
Reagents and medical devices	96.9%
OTC drugs	104.4%



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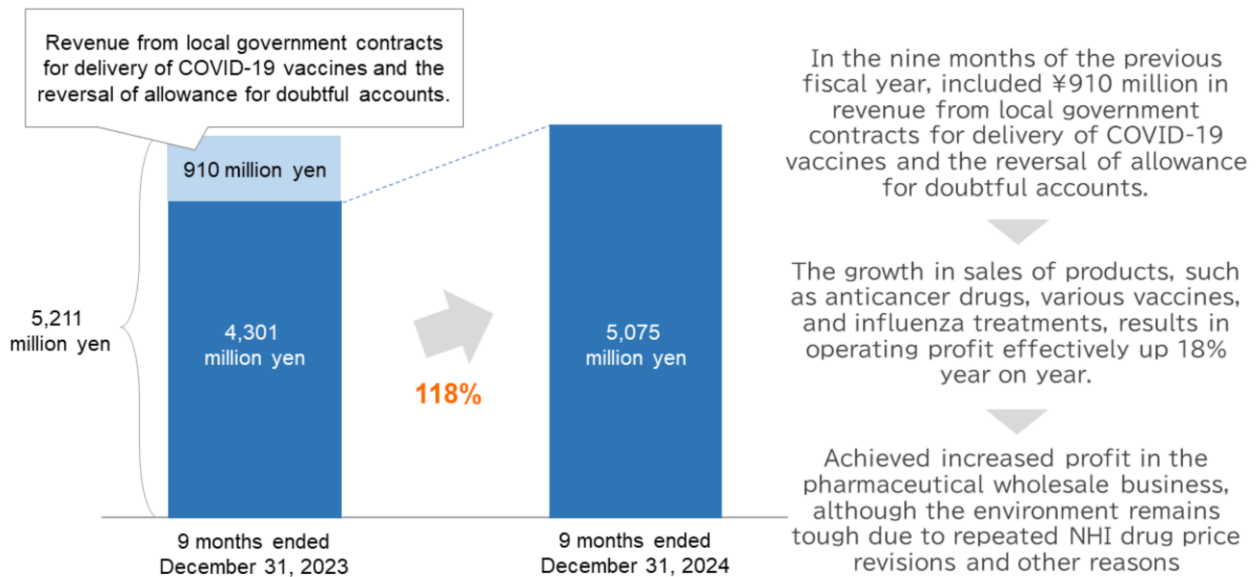
Next up is performance by segment.

Firstly, the pharmaceutical wholesale business posted a slight increase in sales, reflecting growth in sales of influenza treatments due to the surge in cases mentioned earlier and growth in sales of products eligible for the price maintenance premium, such as anticancer drugs, original drugs, the cervical cancer vaccine and the COVID-19 vaccine that started being given to patients in October. This growth offset the loss of revenue due to the impact of the NHI drug price revision and the negative impact of matters in other areas such as the year-on-year decline in sales of COVID-19-related products.

Profit decreased slightly year on year, mainly due to a reaction to the reversal of allowance for doubtful accounts in the previous year and investments in information systems, which more than offset the increase in gross profit that was primarily a result of the aforementioned growth of revenue.

As a result, net sales were ¥434,162 million (102.6% of that of the same period of the previous year), and segment profit (operating profit) was ¥5,075 million (97.4% of that of the same period of the previous year).

Substantial Improvement in Operating Profit in the Pharmaceutical Wholesale Business



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

In the nine months of the previous fiscal year, the segment achieved operating profit of ¥5,211 million, which included ¥910 million in revenue from local government contracts for delivery of COVID-19 vaccines and the reversal of allowance for doubtful accounts.

In spite of the loss of this revenue this fiscal year, the growth in sales of products, such as anticancer drugs, various vaccines, and influenza treatments, results in an increase in operating profit to ¥5,075 million, effectively up 18% 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.-Dec. 2023 Results		Apr.-Dec. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	14,295	—	14,676	—	381	102.7
Gross profit	3,592	25.1	3,554	24.2	▲37	98.9
Selling, general and administrative expense	3,333	23.3	3,382	23.1	49	101.5
Operating profit	259	1.8	171	1.2	▲87	66.3

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 2.7% year on year to ¥14,676 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 ¥171 million, down 33.7% year on year, resulting in an increase in sales but a decrease in profit.

Veterinary Drug Wholesale Business

(Million yen, %)

	Apr.-Dec. 2023 Results		Apr.-Dec. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	8,472	—	8,770	—	297	103.5
Gross profit	1,247	14.7	1,262	14.4	15	101.3
Selling, general and administrative expense	958	11.3	1,020	11.6	61	106.4
Operating profit	288	3.4	242	2.8	▲46	84.1

1. Sales increased due to the acquisition of Arrow Medical 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, we 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 3.5% year on year to ¥8,770 million due to the acquisition of Arrow Medical Inc. as a consolidated subsidiary in August 2024.

However, operating profit was affected by rising purchase prices and other factors. It was ¥242 million, down 15.9% year on year, resulting in an increase in sales but a decrease in profit.

Other Businesses

(Million yen, %)

	Apr.-Dec. 2023 Results		Apr.-Dec. 2024 Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Change	YoY
Net sales	2,922	—	3,071	—	148	105.1
Gross profit	2,961	101.3	3,057	99.5	95	103.2
Selling, general and administrative expense	3,124	107.0	3,165	103.1	41	101.3
Operating profit	▲162	—	▲108	—	53	66.8

1. Sales recovered in each business.
2. Segment losses reduced by 53 million yen.

Next, other businesses.

Due to sales in each business recovering, losses were reduced by ¥53 million.

As a result, net sales was ¥3,071 million, up 5.1% year on year, and the operating loss was ¥108 million.

2 Gain on Sale of Investment Securities

Finally, we come to gain on sale of investment securities.

Gain on Sale of Investment Securities

1. Reasons for the sale of investment securities

For the purpose of reviewing cross-shareholdings and enhancing asset efficiency and financial standing.

2. Details of the gain on sale of investment securities

(1) Shares sold: Listed shares held by two consolidated subsidiaries of the Company

(2) Sale period: October 10, 2024 to December 26, 2024

(3) Gain on sale of investment securities: 3,235 million yen (consolidated)

3. Future outlook

The above gain on sales of investment securities of 3,235 million yen will be posted as part of extraordinary income in the consolidated financial statements for the third quarter of the fiscal year ending March 31, 2025.

The consolidated earnings forecasts for the fiscal year ending March 31, 2025, remain unchanged. The Company will promptly announce any revision of earnings forecasts if necessary.

We have been reviewing our cross-shareholdings in order to enhance the asset efficiency and the financial standing.

While the Company initially planned to post extraordinary income from the sale of cross-held shares in the fourth quarter, the Company sold most of the shares it planned to sell in the third quarter, taking into account trends in the stock market during the fiscal period under review, and posted ¥3,235 million as extraordinary income.

We will continue to accelerate the disposal of cross-shareholdings in order to practice management with an awareness of capital efficiency.

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.

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