

November 10, 2023

VITAL KSK HOLDINGS, INC.

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

Taisuke Murai,
President & CEO

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

I will explain financial results for the first half of the fiscal year ending March 31, 2024.

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

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, 2024.

I will then discuss major topics related to the areas of activities outlined in our Long-Term Vision 2035, announced in May this year.

Next, I would like to talk about achieving management that is conscious of ROE, which is a focus under our fifth medium-term management plan.

Finally, I will explain our full-year earnings forecasts for FY2023.

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

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

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

(Million yen, %)

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

Net sales for the period under review were ¥294,213 million, up ¥4,047 million from the previous period. Although transactions with some foreign pharmaceutical manufacturers were suspended from the current fiscal year, the drop in sales attributable to this was more than offset by sales growth of COVID-19 treatments, resulting in an increase in net sales.

Operating profit increased ¥1,347 million year on year, to ¥2,868 million. This was due to the absence of an allowance for doubtful accounts for large customers recorded the previous fiscal year, and an increase in profit due to the growth in sales of COVID-19 treatments.

Ordinary profit increased ¥1,055 million year on year, to ¥3,478 million, mainly due to an increase in operating profit.

Profit attributable to owners of parent increased by ¥910 million year on year, to ¥2,347 million, mainly due to the aforementioned reasons as well as a gain on sales of investment securities.

Profit by Segment

			Prescription drugs 102.0%			Reagents and medical devices 92.2%			OTC drugs 93.6%		
			(Million yen, %)								
	Pharmaceutical Wholesale Business*1			Pharmacy Business*2			Veterinary Drug Wholesale Business*3			Other Businesses*4	
	Results	Ratio to net sales	Results for the same period a year earlier	Results	Results for the same period a year earlier	Results	Results	Results for the same period a year earlier	Results	Results	Results for the same period a year earlier
Net sales	277,201	—	273,830	9,386	9,009	5,589	5,314	2,035	2,011		
Gross profit	19,760	7.13	19,129	2,336	2,362	822	833	1,984	1,894		
Selling, general and administrative expense	17,119	6.18	17,735	2,221	2,329	639	650	2,093	2,040		
Operating profit	2,640	0.95	1,393	114	32	183	182	-108	-146		

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

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

*3: AGRO-JAPAN, Inc.

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

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

I would now like to explain profit by segment.

First, net sales in the pharmaceutical wholesaling business increased by ¥3,371 million from the same period last year, to ¥277,201 million, due to a significant increase in sales of COVID-19 treatments, which offset the suspension of transactions with some foreign pharmaceutical manufacturers and a drop in sales of COVID-19-related test reagents and equipment. Gross profit rose ¥631 million from the level a year earlier, to ¥19,760 million, reflecting the impact of increased sales and progress with price negotiations based on an awareness of transaction costs with every single customer. Meanwhile, SG&A expenses amounted to ¥17,119 million, down ¥616 million from the level a year earlier in the absence of the allowance for doubtful accounts for some large customers recorded the previous fiscal year. As a result, the segment achieved operating profit of ¥2,640 million, up ¥1,247 million from the level a year earlier.

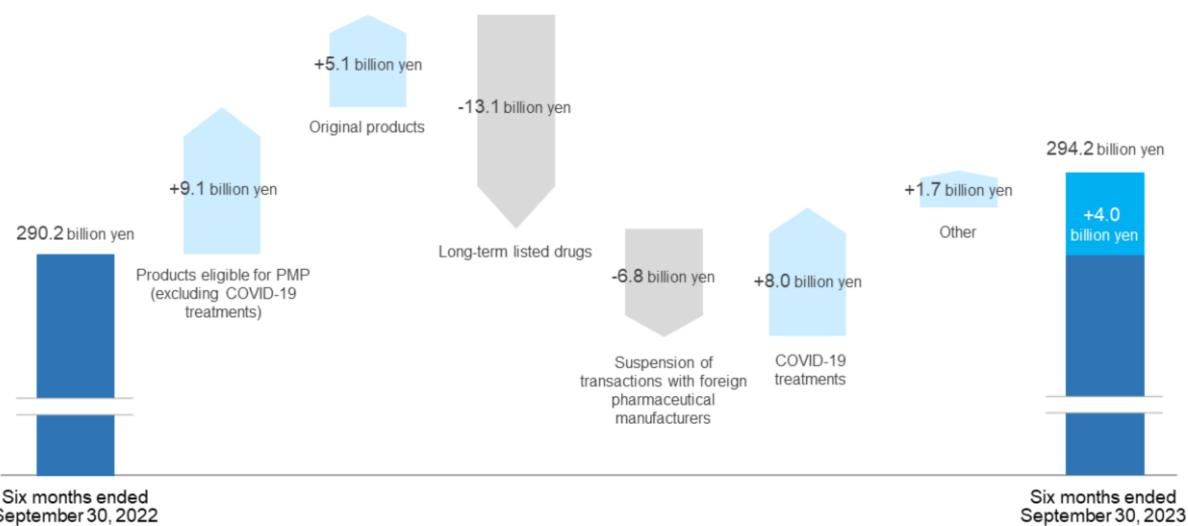
Next, the pharmacy business posted net sales of ¥9,386 million, an increase of ¥377 million from the same period of the previous year, due to one extra store as a result of business acquisition, as well as efforts to expand income from dispensing technical fees and income from pharmaceutical management fees and 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 under the

Infectious Diseases Act. Gross profit was ¥2,336 million, falling ¥26 million year on year under the impact of NHI drug price revisions, and SG&A expenses amounted to ¥2,221 million, down ¥108 million year on year due to a significant decrease in amortization of goodwill. As a result, the segment reported operating profit of ¥114 million, an increase of ¥82 million year on year.

Next, the veterinary drug wholesale business recorded net sales of ¥5,589 million, an increase of ¥275 million from the same period of the previous year, driven by sales growth in companion animal operations. However, gross profit dropped ¥11 million year on year, to ¥822 million under the impact of higher purchase prices, while SG&A expenses fell ¥11 million year on year, to ¥639 million due to a decrease in the allowance for doubtful accounts. As a result, the segment posted operating profit of ¥183 million, mostly unchanged year on year.

And finally, we have the other businesses segment. Net sales grew by ¥24 million year on year, to ¥2,035 million, due to increased revenue in the sports facility management business as a result of greater movement of people following the downgrading of COVID-19 to a Class 5 infectious disease under the Infectious Diseases Act. Gross profit rose by ¥90 million year on year, to ¥1,984 million due mainly to the sales growth and improvement in the profitability of the nursing supplies rental business. SG&A expenses climbed ¥53 million year on year, to ¥2,093 million, due to rising electricity charges and gas prices, despite cost-cutting efforts. As a result, the segment posted an operating loss of ¥108 million, representing a year-on-year improvement of ¥38 million.

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



Next, I will explain in detail the main reasons for the increase or decrease in net sales compared to the same period of 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 ¥9,100 million. Sales of original drugs also increased by ¥5,100 million. However, sales of long-listed products fell by ¥13,100 million, largely due to the impact of NHI drug revisions.

Furthermore, the suspension of transactions with some foreign pharmaceutical manufacturers from this fiscal year pushed sales down by ¥6,800 million, although many more foreign manufacturers continued to support the Group. Our transactions with some of these manufacturers showed significant growth thanks to close collaboration, offsetting the aforementioned decline of ¥6,800 million and resulting in growth in total sales from transactions with foreign pharmaceutical manufacturers in the second quarter under review, with sales reaching 101% of the level a year earlier.

An increase of ¥8,000 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 ¥294,200 million, up ¥4,000 million year on year.

Negotiation of the right price

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

Collaborated with customers to solve social issues

Common social issues

Labor shortage and work style reform

Rising fuel/prices

Reduction of CO₂ emissions

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

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

76% reduction in urgent deliveries

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

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

Next, I will discuss in detail our implementation of initiatives based on an awareness of the contribution margin that led to a significant increase in operating profit in the Pharmaceutical Wholesaling Business.

As an infrastructure company supporting local healthcare, we have worked to build a stable pharmaceutical distribution system. As part of these efforts, we ensured we negotiated the right prices based on the value of individual pharmaceutical products, and prioritized reviewing transactions with customers who demand excessive discounts without considering distribution costs, which led to the improvement of transactions with a negative contribution margin.

In addition to cost reduction, we have also begun collaborating with some customers to solve common social issues such as labor shortages, work style reforms, rising fuel and price costs, and CO₂ reduction.

I would like to highlight two examples. Starting with the first example. While examining the optimal delivery system with a chain pharmacy, we also agreed to charge for urgent deliveries. As a result, we achieved highly efficient delivery and reduced the number of urgent deliveries by 76%.

Moving on to the second example. We collaborated with customers in

certain areas to optimize delivery times and frequency in order to realize efficient pharmaceutical delivery. As a result, the number of deliveries was reduced by 33% by working out effective and efficient delivery times, leading to an improvement in work stoppages at customers related to the receipt of products and a 50% reduction in overtime hours for logistics personnel.

As in these examples, we will continue to strive to further increase our corporate value by securing appropriate profits that will lead to sustainable growth and implementing initiatives to solve social issues.

Balance Sheet

Million yen

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

Next, I would like to discuss the balance sheet.

Total assets were ¥321,745 million, an increase of ¥24,429 million from the end of the previous fiscal year. This is attributable to an increase of ¥19,661 million in current assets due to a rise of ¥11,434 million in cash and deposits reflecting unsettled notes and accounts payable-trade as a result of the end of September being a bank holiday and an increase of ¥9,429 million in notes and accounts receivable-trade. Meanwhile, non-current assets also climbed ¥4,769 million, reflecting an increase in unrealized gains on investment securities due to rising stock prices.

Total liabilities came to ¥218,979 million, up ¥21,829 million from the end of the previous fiscal year. This is attributable to a rise of ¥22,216 million in notes and accounts payable-trade due to the impact of the month-end bank holiday and an increase in purchases.

Net assets were ¥102,766 million, an increase of ¥2,601 million from the end of the previous fiscal year. This is mainly attributable to an increase in unrealized gains on investment securities.

2. Major Topics for this Fiscal Year

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

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Business expansion in the companion animal and agritech fields

In our Long-Term Vision 2035 announced in May of this year, we defined eight main areas of activity.

These are sophistication of logistics functions, overhaul of pharmaceutical wholesale business, expansion of medical product sales, strengthening of rental business, expansion of pharmacy business, cooperation with central and local governments, expansion of life support business, and business expansion in the companion animal and agritech fields.

I would now like to highlight some major topics that are currently a focus in these areas.

■ Main Areas of Activity under Long-Term Vision 2035



The first step is sophistication of logistics functions.

Development of GDP* framework

*GDP: Good Distribution Practice (standards for appropriate distribution)



We are in the process of developing a GDP framework.

We have established a new GDP Control Department within Vital KSK Holdings for the purpose of developing a management framework in compliance with GDP as stipulated in the Ministry of Health, Labour and Welfare's Guide to Good Distribution Practice for Medicinal Products, and periodically auditing and controlling the operation of the framework. In addition, at operating companies, we have established a GDP Quality Assurance Department at VitalNet and a Quality Assurance Department at KSK, and the entire group is working together to build a logistics framework for the future GDP legislation.

In addition, we will build an advanced supply chain that can also handle special pharmaceutical products that require more strict temperature control.

■ Progress of 3PL business

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

YoY

117.2%



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

YoY

154.4%



We are also working on expansion of the 3PL business as part of our growth strategy, and the net sales of this business were 117.2% of the level a year earlier. We will continue to expand our investment in outsourcing business contracts for pharmaceutical companies.

In addition, sales of Pivratz® Intravenous Injection 150mg from Idorsia Pharmaceuticals Japan Co., Ltd., for which we are solely responsible for distribution in Japan, were 154.4% of the level a year earlier. Idorsia has multiple drug development pipelines targeting diseases with high clinical needs in Japan, and we will continue striving to further improve the supply chain going forward.

Demonstration Project for Drone Long-distance Pharmaceutical Deliveries

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

As an example of our efforts to advance logistics functions, I would like to highlight a demonstration project for drone long-distance pharmaceutical delivery implemented in October this year.

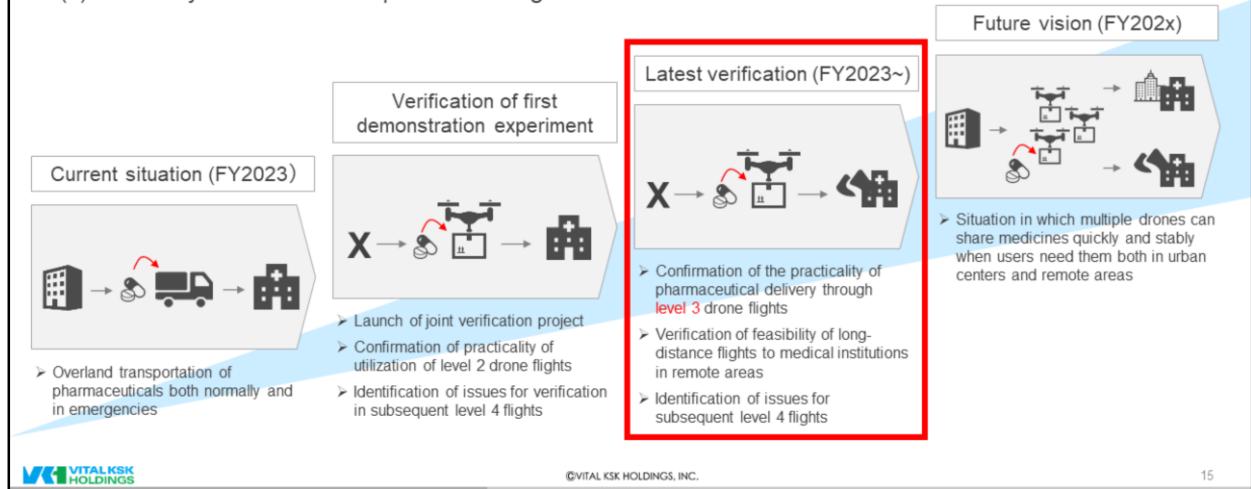
This project is being undertaken in anticipation of a large-scale disaster such as a major Nankai Trough earthquake that prevents use of overland routes, or drone delivery combined with telemedicine to contribute to community healthcare.

The first demonstration experiment in March this year had three participants: Wakayama Medical University, NTT Communications, and KSK, a member of our group, and in the latest second demonstration experiment, Wakayama Prefecture and Hidagawa-cho also took part.

Demonstration Project for Drone Long-distance Pharmaceutical Deliveries

■ Aims of the demonstration project

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



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The latest demonstration project has three aims.

The first is to confirm the practicality of pharmaceutical delivery through level 3 drone flights. Level 3 flights are defined as out-of-sight flights over uninhabited areas.

The second is to verify the feasibility of long-distance flights to medical facilities located in remote areas.

The third is to identify issues for subsequent level 4 flights, which are defined as the automatic flight of a drone in a range out of the view of the operators in an airspace over a densely populated area.

■ Photograph of the demonstration experiment

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



Website of KSK Co., Ltd.

Media coverage of demonstration experiment of drone pharmaceutical deliveries

The demonstration experiment conducted in Hidakagawa-cho, Wakayama Prefecture on October 24 was also covered by the media.

Please see the website of our group company, KSK.

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Business expansion in the companion animal and agri-tech fields

Next, I will discuss sales expansion of medical products.

Initiatives of MAPs (Medical Assist Partners)

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

Medical departments visited for the first time

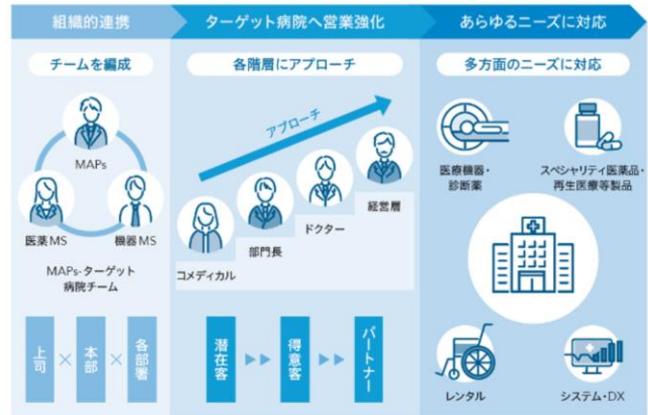
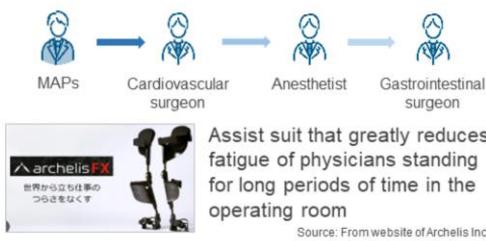
85

Doctors gained through contact points

112

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

Chain reaction produced by single transaction



In July 2022, the Company introduced MAPs, professional sales staff with expertise in hospital care, pharmaceuticals, equipment, and diagnostics, as part of its efforts to strengthen its sales structure in order to expand its share of the hospital market, which is expected to grow.

Steady progress has been made through activities in the first year since the launch of MAPs, with 85 medical departments visited for the first time and 112 hospital doctors gained through contact points. As a result, we have seen an increase in new transactions involving medical-related products, such as medical devices and diagnostic reagents.

I would like to highlight one such example.

MAPs working in Fukushima Prefecture succeeded in creating new sales contacts with operating theater cardiac surgeons through continuous visits to core hospitals in the region. They then proposed to these doctors an assistive suit that greatly reduced fatigue from prolonged standing, which led to a new transaction. Furthermore, anesthesiologists and gastroenterologists who saw the suits liked them, leading to a string of sales.

We will continue to strengthen our activities through MAPs and strive to increase sales of products other than prescription drugs in the hospital market, which is expected to grow.

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Business expansion in the companion animal and agri-tech fields

Next, I will discuss the strengthening of our rental business.

Rental Business with a Broad Array of Products

Visualizing vegetable intake Vegemeter



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

Helping reduce utility costs LED lighting



For medical and social welfare corporations to cope with rising electricity costs
Defective products are replaced free of charge during the rental period

Protecting people's lives AED



Japan's first autoshock AED
Equipped with automatic analysis and automatic shock functions
Delivered 200 units to local governments, clinics, pharmacies, nursing care facilities, hospitals, and general companies.

The rental business, which we started as part of efforts to strengthen initiatives in areas besides prescription drugs, is also showing results. Our rental services are also greatly appreciated by customers because they save customers the trouble of disposal and rental charges can be claimed as expense. In this rental business, we offer a wide range of products never handled before, and I would like to introduce some of them to you.

Let me start with the vegemeter, a device that visualizes vegetable intake and can be rented on a daily basis. After the reclassification of COVID-19 as a Category 5 disease, all kinds of events started being held again across Japan, and rental demand for the vegemeter is increasing because it is an ideal product for health fairs.

In addition, rising utility costs have become a major issue in recent years and, against this backdrop, there is also growing interest in LED lighting. Recently, we have received an increasing number of inquiries from new social welfare corporations as well as medical corporations.

Furthermore, we are proposing the use of rental equipment such as AEDs to customers we have never dealt with before such as local governments and nursing care facilities.

In this way, we will aim to evolve from a pharmaceutical wholesaler into a healthcare-related distributor by developing new sales channels, in addition to providing a wide range of new products and services also develop.

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



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Expansion of life support business



Business expansion in the companion animal and agritech fields

Next, we have expansion of the pharmacy business.

■ Status of Pharmacy Business (Sept. 2022 → Sept. 2023)

Number of stores

87 stores → 88 stores (+1)

Number of prescriptions

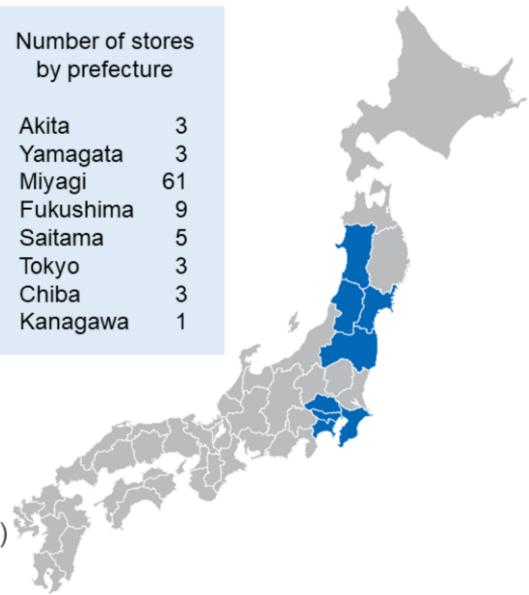
721,488 (103.0% yoy)

Dispensing technical fees

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

Number of stores
by prefecture

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



During the past year, the number of stores in our pharmacy business has increased by one, to 88 stores.

In addition, the number of prescriptions grew steadily, reaching 103% of the level a year earlier, partly due to greater movement of people as a result of the reclassification of COVID-19 as a Category 5 disease.

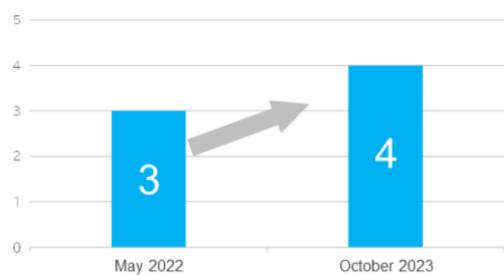
Furthermore, as a result of efforts to calculate dispensing fees for pharmacy functions required by the government, technical fees amounted to ¥1,792 million, 105.7% of the level a year earlier.

■ Steady Progress in Strengthening Pharmacy Functions (1)

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

As of August 1, 2023

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



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

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

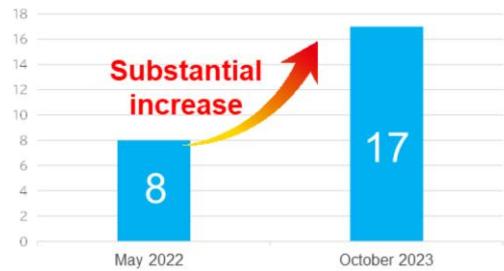
At the same time, we are also taking steps to strengthen our pharmacy functions.

The number of pharmacies cooperating with specialized medical institutions, which require advanced pharmacy management and a high level of expertise, primarily in cancer treatment, increased by one to four. We are also working to increase certified pharmacists such as pharmacists specializing in community pharmacy care and pharmacists specializing in outpatient oncology, and more than half of the government approved pharmacists in Miyagi Prefecture are employed by our group.

Amid the transition from inpatient treatment to outpatient and home treatment for cancer, we will continue to strengthen our pharmacy functions to ensure that patients living in the community can take their medication with peace of mind.

■ Steady Progress in Strengthening Pharmacy Functions (2)

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



Rate of calculation of family pharmacist guidance fee **4.0%**
(Japan national average 1.6%)

Home medical care growth rate **102.1%**
(Private home care 116.3%)

In addition, the number of pharmacies cooperating with local health care facilities that fulfil a family pharmacy function in the community has increased significantly to 17.

The rate of calculation of fees for the guidance provided by family pharmacists who are responsible for the centralized management of medications taken by patients is also much higher than the national average, and we feel that the trust of patients in the community is growing.

We are also steadily building up a track record in home medical care, which is in ever-increasing demand in Japan's aging society, and our private home care result in particular was 116.3% of the level a year earlier.

We will continue to develop community-based stores so that patients can take their medication with peace of mind wherever they are.

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



Expansion of life support business



Business expansion in the companion animal and agritech fields

Moving on to cooperation with central and local governments.

Central and Local Government Contracts for Delivery of COVID-19 Vaccines, Needles, and Syringes

Number of local government contracts

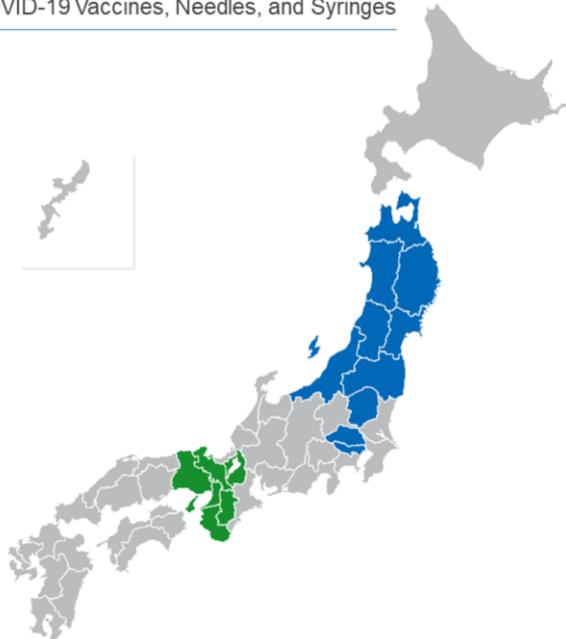
As of October 31, 2023

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

April 2012 to September 2023

Number of vaccines delivered

1.63 million vials



Looking at central and local government contracts for the delivery of COVID-19 vaccines and other products since 2020, we have contracts with 107 local governments as of October 2023.

Furthermore, since April 2021, the Group has played a role in the distribution of more than 1.63 million vials of COVID-19 vaccine over the past two and a half years, which means that the Group has contributed to more than 16 million vaccinations.

As a community-based company, we will continue to deepen our partnerships with central and local governments going forward.

■ Main Areas of Activity under Long-Term Vision 2035



Sophistication of logistics functions



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Expansion of life support business



Business expansion in the companion animal and agritech fields

Next, I will explain about expansion of life support business

Promoting a Comfortable Working Environment for Female Employees

Support for employees returning to work after taking child care leave

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

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



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Health seminars for female employees

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



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Female employees opinion exchange meeting

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



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As of March 31, 2023, the Group had 1,190 female employees, representing approximately 32% of the total workforce.

A company where women play an active part, that is, a company that provides a good working environment for women, is also a good place for men to work. In the future, as we enter an era in which diverse work styles will be required not only for childcare but also for nursing care and other various circumstances, improvement of the workplace environment is an important issue that companies must address.

We offer a number of training programs, seminars, and social events for female employees.

One of these is to support MS, that is, sales personnel in the pharmaceutical wholesale business, who are returning to work after taking child care leave. We hold discussions with senior MS who have returned from child care leave and MS who are currently on child care leave in an effort to dispel various concerns and anxieties.

We also hold seminars on diseases specific to women and their prevention, and regularly hold opinion exchange meetings to promote

cross-departmental connections within the organization, creating an environment that increases the job satisfaction and the health awareness of our female employees.

■ Disaster Response (Heavy Rainfall in Akita in July 2023)

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

July 16 (Sunday) Although the water has gradually begun to recede, it remains difficult to grasp the full extent of the damage.
Disaster response vehicles dispatched from Miyagi Logistics Center (Photo2)

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



Photo 1



Photo 2



Photo 3

Finally, although not a major area of activity in our long-term vision, I would like to introduce our disaster response efforts to the torrential rains that hit Akita, Japan, in July of this year.

The torrential rains that hit Akita Prefecture on July 15 caused widespread flooding and many of our customers were also affected. On the following day, the 16th, the water gradually began to recede, but it remained difficult to ascertain the full extent of the damage. We immediately made the decision to dispatch disaster response vehicles and staff, and delivered polyethylene tanks, drinking water, and other relief supplies to the area.

As a company responsible for life-related products, we believe it is important to be able to respond not only under normal conditions but also in an emergency. In Japan, where major disasters occur frequently every year, we will continue to aim for sustainable growth in order to fulfill our mission of delivering medicines safely and securely to those who need them at any time.

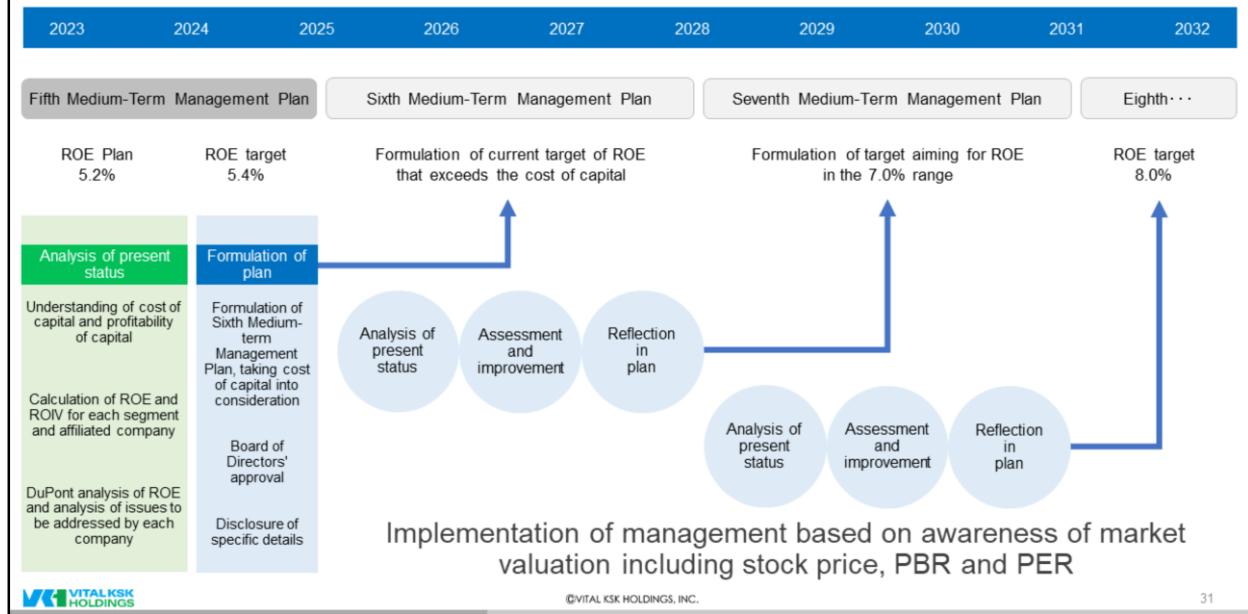
3. Toward Achieving ROE-conscious Management

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I would now like to mention a number of initiatives for achieving our goal under the Fifth Medium-Term Management Plan of ROE conscious management.

Toward Achieving ROE-conscious Management



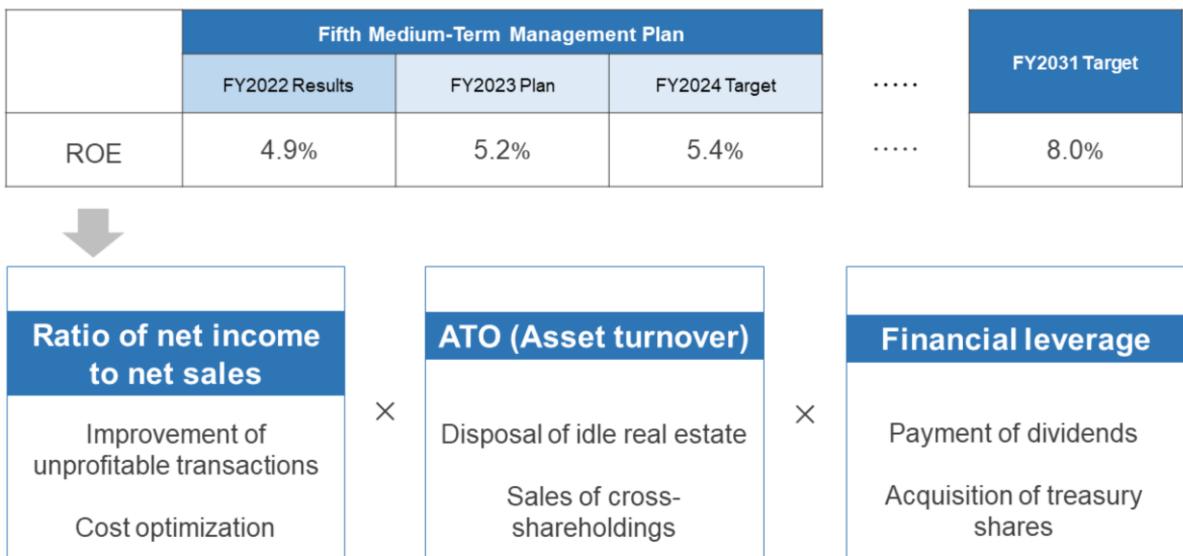
At the end of March this year, the Tokyo Stock Exchange asked listed companies to disclose and implement specific improvement measures for achieving management that is conscious of cost of capital and stock price.

We had been implementing initiatives based on an awareness of ROE prior to this, for example, releasing Strengthening Efforts Toward Corporate Value Enhancement on October 28 last year.

Our Board of Directors is currently gaining an understanding of the cost of capital and profitability of capital, as well as calculating ROE and ROIC for each segment and affiliated company and analyzing the issues to be addressed for improvement of ROE.

Moreover, next fiscal year is the final fiscal year of our Fifth Medium-term Management Plan, and we will be working on formulating the Sixth Medium-term Management Plan starting from FY2025. Under the Sixth Medium-term Management Plan, we plan to disclose ROE exceeding the cost of capital as our target.

■ Toward Achieving ROE-conscious Management



Our ROE forecast for the current fiscal year is 5.2%, and our targets for next fiscal year and the fiscal year ending March 31, 2032 are 5.4% and 8.0% respectively.

To achieve these ROE targets, we will work to improve the ratio of net profit to net sales by improving unprofitable transactions and optimizing costs, improve asset turnover through the disposal of idle assets and the sale of cross-shareholdings, and increase financial leverage through the payment of dividends and the acquisition of treasury shares.

Holding of Briefings for the Introduction of ROE-linked RS* Compensation Plan

*RS: Restricted Stock

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

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

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



Furthermore, we have introduced a ROE-linked RS compensation plan this fiscal year to promote the groupwide implementation of ROE-conscious management.

The plan is not only for senior executives but also for department/branch manager class employees, giving them the same perspective as shareholders and further incentivizing them to improve business performance and enhance corporate value in the medium to long term.

We have been holding briefings about introduction of the plan since July this year and I feel that the way of thinking of frontline department/branch manager class employees is starting to change and that this also led to our strong financial results in the second quarter.

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

Finally, I will explain our full-year earnings forecasts for FY2023.

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

(Million yen, %)

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

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

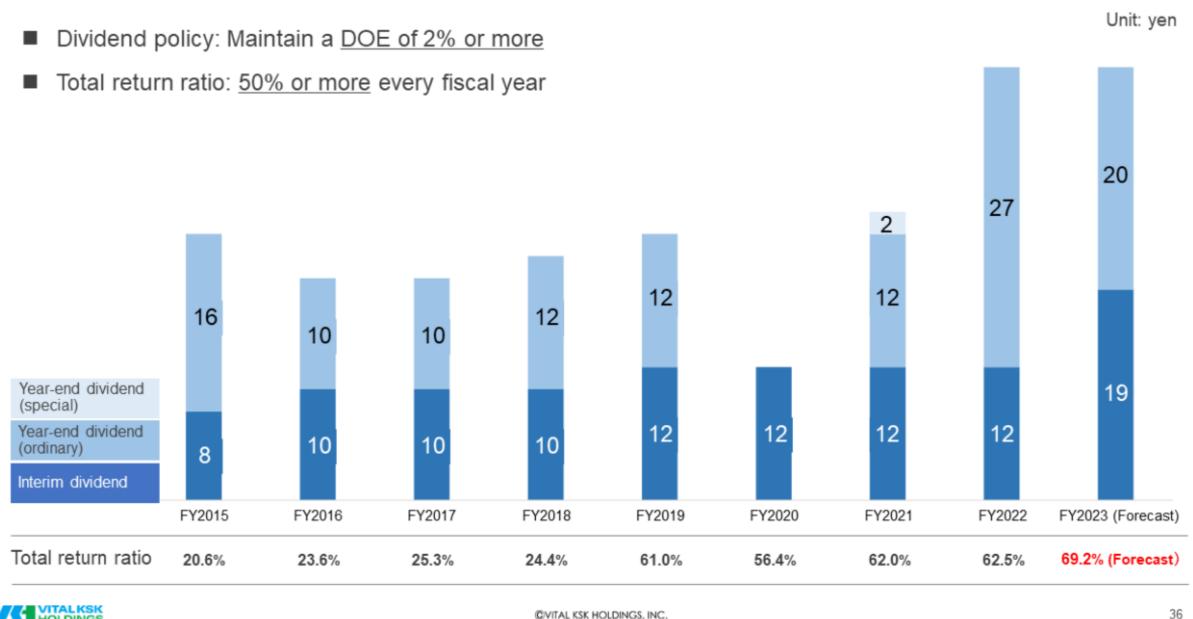
There are no changes to our full-year results forecast for the fiscal year ending March 31, 2024 at present.

This is because, although progress made against the full-year forecasts for operating profit and ordinary profit in the first half was 61.0% and 58.0% respectively, sales of COVID-19 treatments, which have been the main profit driver, are expected to stop sharply from October as patients will be asked to pay a portion of the cost for COVID-19 drugs.

Progress made against the full-year target for profit attributable to owners of parent in the first half was 45.1% because we are planning a large gain on the sale of cross-shareholdings in the second half of the current fiscal year. If we judge changes to the full-year forecast necessary in the future, we will announce the revisions in a timely manner.

■ Strengthening of Shareholder Returns

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



Looking at shareholders returns, we changed our dividend policy to DOE of 2% or more last fiscal year and accordingly our full-year dividend forecast for the current fiscal year is ¥39 comprising an interim dividend of ¥19 and a year-end dividend of ¥20.

Meanwhile, we forecast a total payout ratio, including the acquisitions of treasury shares implemented so far this fiscal year, of 69.2%.

We recognize that the return of profit to shareholders is a key management issue and are committed to strengthening shareholder returns.

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.

■ Contact for Inquiries

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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.