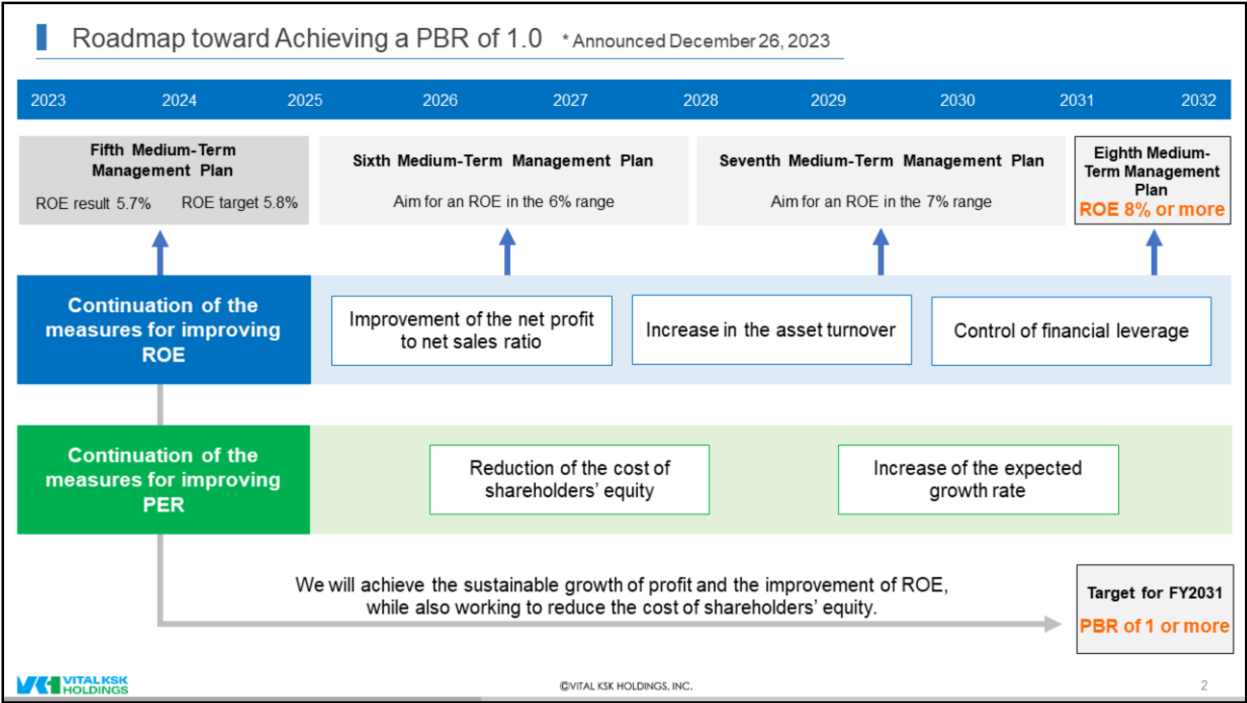


The Progress of our efforts toward implementing management based on an awareness of the cost of capital and stock price, as announced on December 26, 2023.

December 16, 2024

VITAL KSK HOLDINGS, INC.

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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.

We 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 reduce 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, we would like to explain 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.

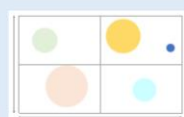
Towards the Sixth Medium-term Management Plan (FY2025-2027)

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

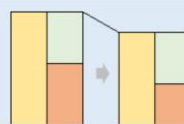


Sixth Medium-term Management Plan

Business portfolio management



Financial strategy & capital policy



Cash flow allocation



We are working on the formulation of the 6th Mid-Term Management Plan which will start in April 2025.

We will incorporate specific policies and strategies regarding the following three points into the next Mid-Term Management Plan and work toward sustainable growth and long-term improvement of corporate value.

- Future business portfolio strategy, including both existing and new businesses
- Financial strategy and capital policy, which establish the foundation of our business operations
- Cash allocation policy generated through our business activities

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.

Corporate Communications Department

Mail: ir@vitalksk.co.jp

Contacts: Sato, Nanjo

If you have any inquiries, please contact our Corporate Communications Department.