

April 17, 2025

Medium-Term Management Plan 2027

— Move on to the Next Stage —



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Message from CEO

To Our Stakeholders

It is almost 10 years since I became President in June 2015. During this time, the environment surrounding our company has changed significantly.

In FY2015, right after I became President, our net sales and profit both increased sharply due to the sale of hepatitis C medications. However, with less than 10 years until 2025 when the entire Japanese "dankai" (baby boomer) generation would be 75 years old or older, it was also from around this time that the Japanese government stepped up its medical cost reduction measures. As part of these measures, NHI price revisions began being implemented annually from 2018, including revisions associated with the 2019 consumption tax increases based on the Four Minister Agreement at the end of 2016.

Then in 2020, the COVID-19 pandemic started, plunging society into disarray. The Tokyo Stock Exchange also began reorganizing its market, and listed companies were urged to take action to implement management that is conscious of cost of capital and stock price.

In April 2022, right in the middle of these changes, our company launched its Fifth Medium-Term Management Plan.

With "Business model innovation for the next generation" as our Medium-Term Vision, we have focused on building an advanced supply chain, strengthening our sales capabilities in the hospital market, shifting to a mindset that emphasizes contributed profit, and strengthening our corporate governance structure. As a result, our forecast for FY2024, the final year of the plan, is continued growth in sales and profits as well as significant improvement in ROE.

And now, we are about to launch the new Medium-Term Management Plan 2027 in April 2024.

Under this plan, we will develop the initiatives implemented to date and aim for further improvement in our corporate value.

In particular, we will focus with unwavering resolve on the following three priority measures: (1) Business portfolio management aimed at strengthening profitability; (2) Financial strategy and capital policy including balance sheet management, and cash flow allocation that ensures the right balance between sustainable growth and shareholder returns; and (3) Building a group management structure fit for a Prime Market listed company.

We believe that by steadily implementing this new Medium-Term Management Plan, we will remain an indispensable presence as company that supports community health care and can achieve the various financial KPIs set forth in this plan.

We at Vital KSK Holdings will work together with the rest of the Group to reach greater heights.

We kindly ask our stakeholders for their continued understanding and support.

April 2025

Taisuke Murai,
President & CEO

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Our Vision

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Medium-Term Management Plan 2027
Three Priority Measures

(i) Business portfolio management

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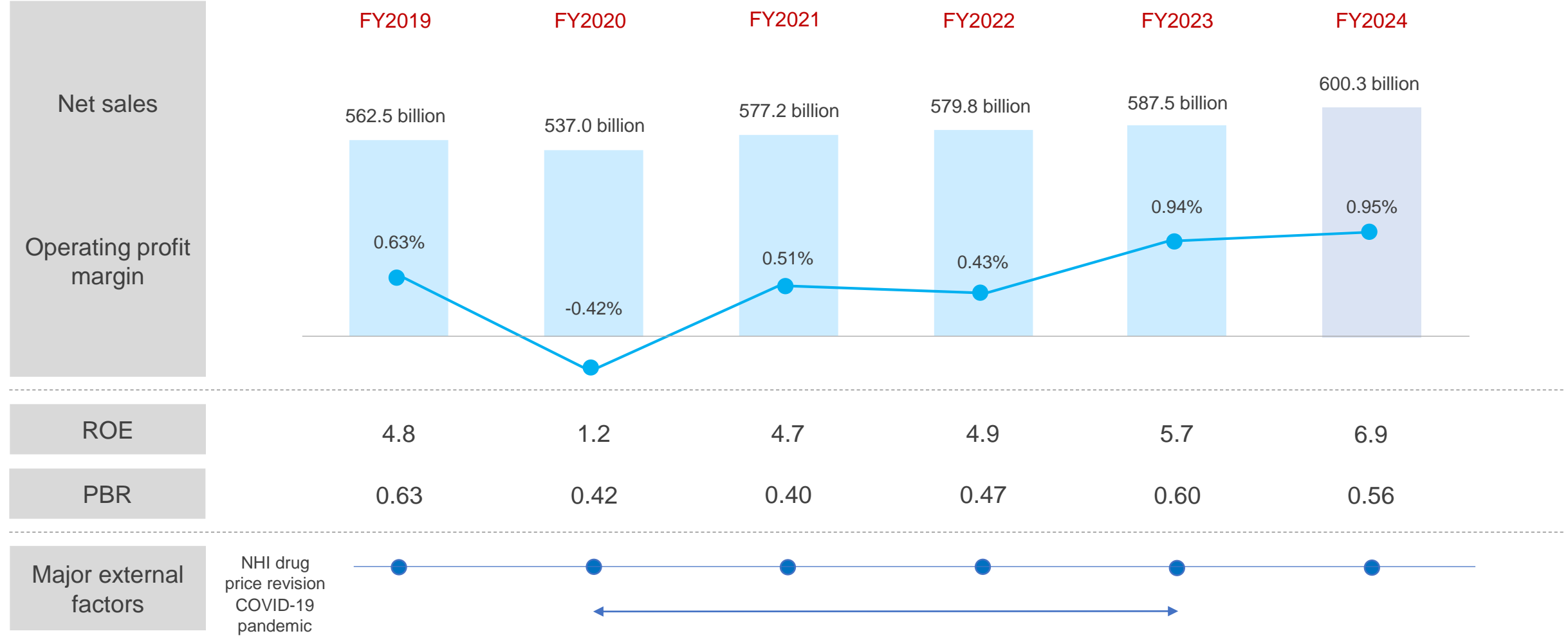
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Appendix

Summary (FY2019-2024)

Six-Year
Summary

- As a result of our focus on pharmaceuticals whose prices are maintained such as products receiving the price maintenance premium, our net sales have steadily trended up since FY2021.
- While we continued to face a challenging environment, with repeated NHI drug price revisions and the COVID-19 pandemic, our operating profit margin also rose thanks to widespread initiatives focused on transaction costs.
- Through the implementation of management that is conscious of the cost of capital, our ROE has risen since FY2022; however, we still have a way to go.
- Our stock price, which fell to the 600 yen level during the COVID-19 pandemic, rose to 1,258 yen as of the end of March 2025; however, our PBR is less than 1x, falling short of the level expected by stock markets.



Our Purpose and Long-Term Vision 2035

Purpose

Supporting community healthcare so that people can live healthy lives with peace of mind

Long-Term Vision 2035

Beyond medicine, beyond barriers
Innovating the future of medical care by being a “connector”

8 Areas of Activities



Sophistication of logistics functions



Overhaul of pharmaceutical wholesale business



Expansion of medical product sales



Expansion of life support business



Strengthening of rental business



Expansion of pharmacy business



Cooperation with central and local governments



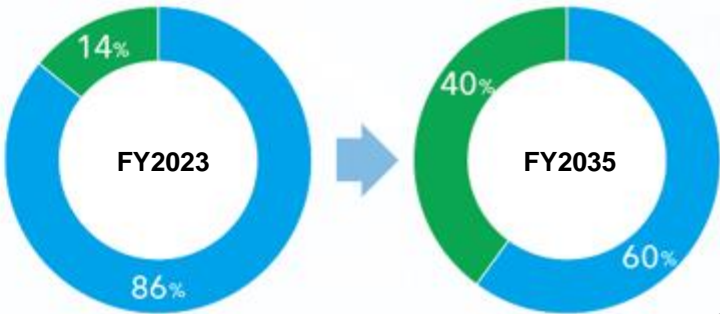
Business expansion in the companion animal and agri-tech fields

Vision for 2035

Sales composition



Composition of operating profit

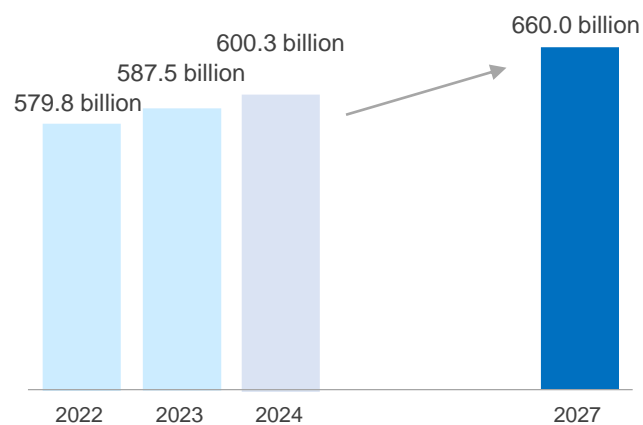


Managerial Goals in Medium-Term Management Plan 2027

660.0 billion yen

Net sales

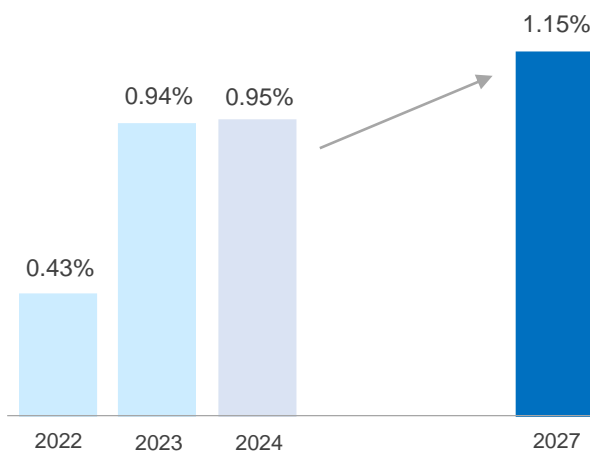
Business growth indicator



1.15% or more

Core operating profit margin*1

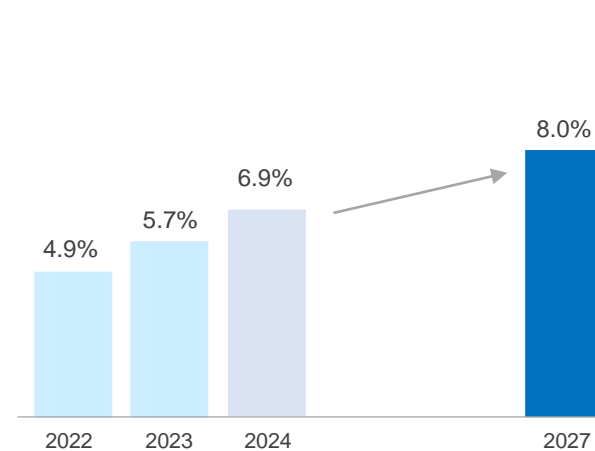
Business profitability indicator



8.0% or more

Adjusted ROE *2

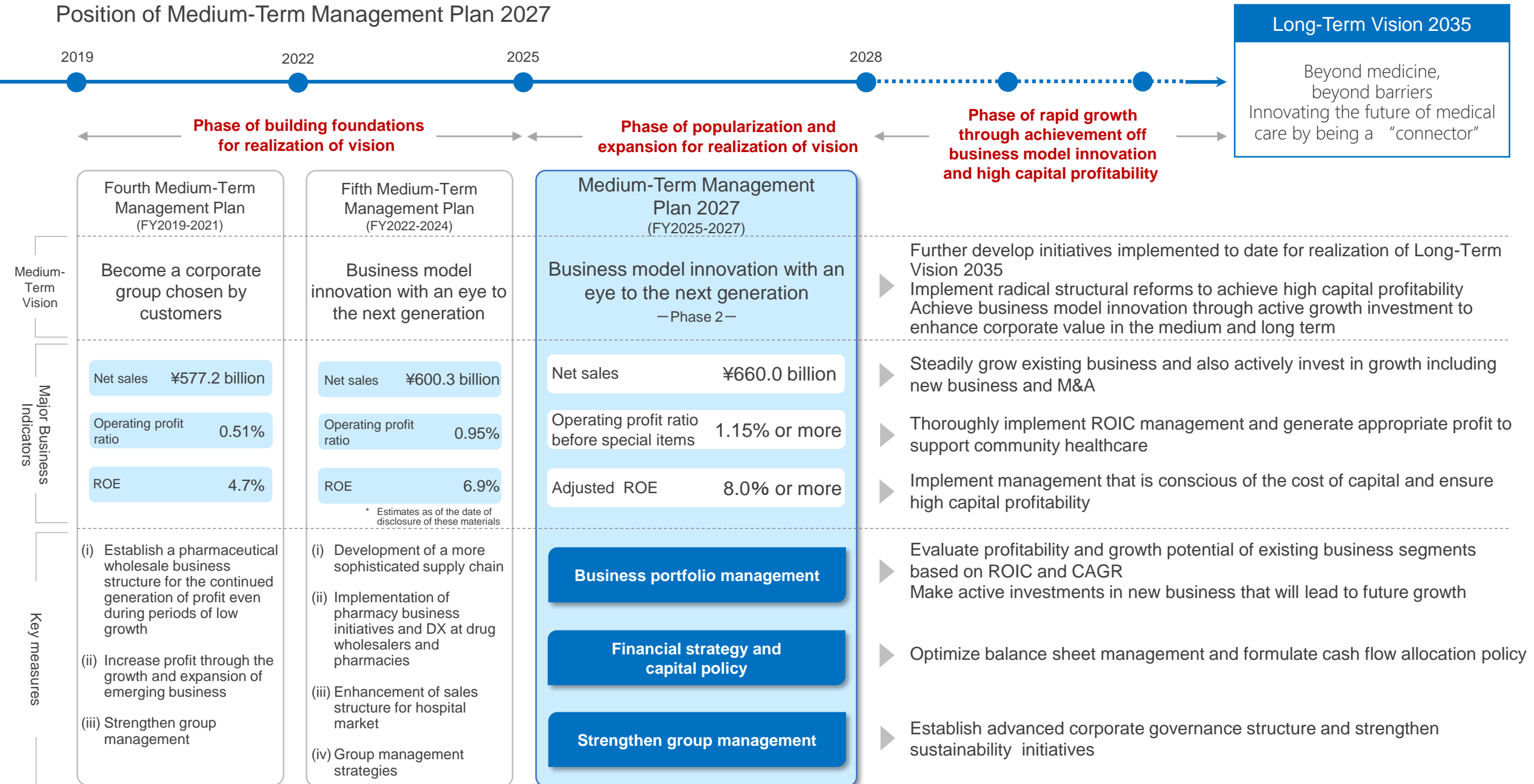
Capital profitability indicator



*1 Metric of core business profitability before deduction of pharmaceutical business research and development expenses planned within the period from existing business revenue

*2 Metric of core capital profitability before deduction of pharmaceutical business research and development expenses planned within the period from existing business revenue

Position of Medium-Term Management Plan 2027



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Medium-Term Management Plan 2027 Three Priority Measures

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Priority
Measures

1

**Business portfolio
management**

Establish a business portfolio basic policy for sustainable growth and medium-to-long-term improvement of corporate value based on an awareness of the cost of capital, and perform regular evaluation and monitoring

Priority
Measures

2

**Financial strategy and
capital policy**

Implement balance sheet management based on an awareness of the optimal capital structure, and also establish a cash flow allocation policy and allocate cash in a well-balanced manner to investments that will lead to sustainable growth and shareholder returns

Priority
Measures

3

Strengthen group management

Establish a corporate governance structure fit for a prime-listed company, and also step up sustainability initiatives to bring about steady growth

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(i) Business portfolio management

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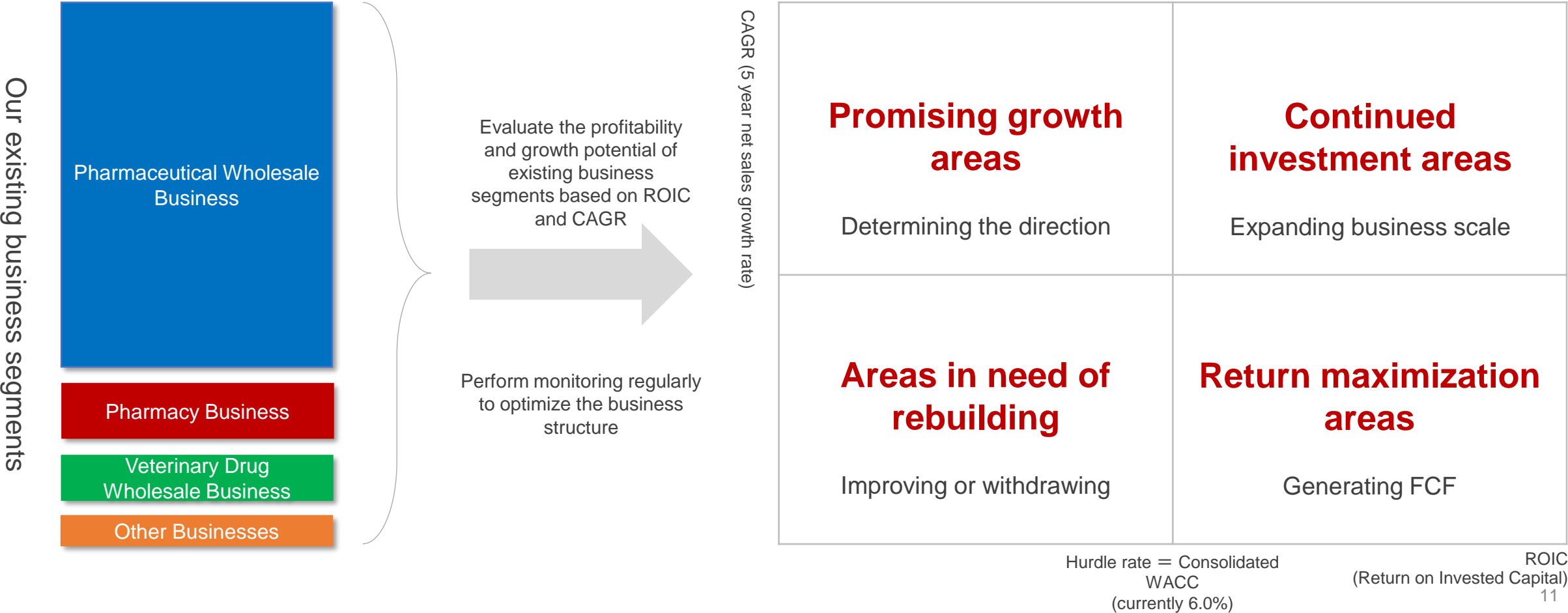
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Business Portfolio Basic Policy

- In existing business, perform evaluation and monitoring each fiscal year based on ROIC*¹ (Return On Invested Capital) and CAGR (5 year net sales compound annual growth rate)
- For hurdle rate, use consolidated WACC*² (Weighted Average Cost of Capital). Currently, WACC is estimated at around 6.0% (average for past three fiscal years)
- For any unprofitable, low growth businesses positioned as "areas in need of rebuilding", formulate a turnaround plan and judge whether to attempt to rebuild them or withdraw from them in accordance with the business portfolio basic policy.

*1: For ROIC, use profit after taxes but before interest is paid as the numerator and the average of interest bearing debt and shareholders' equity for the most recent two fiscal years as the denominator

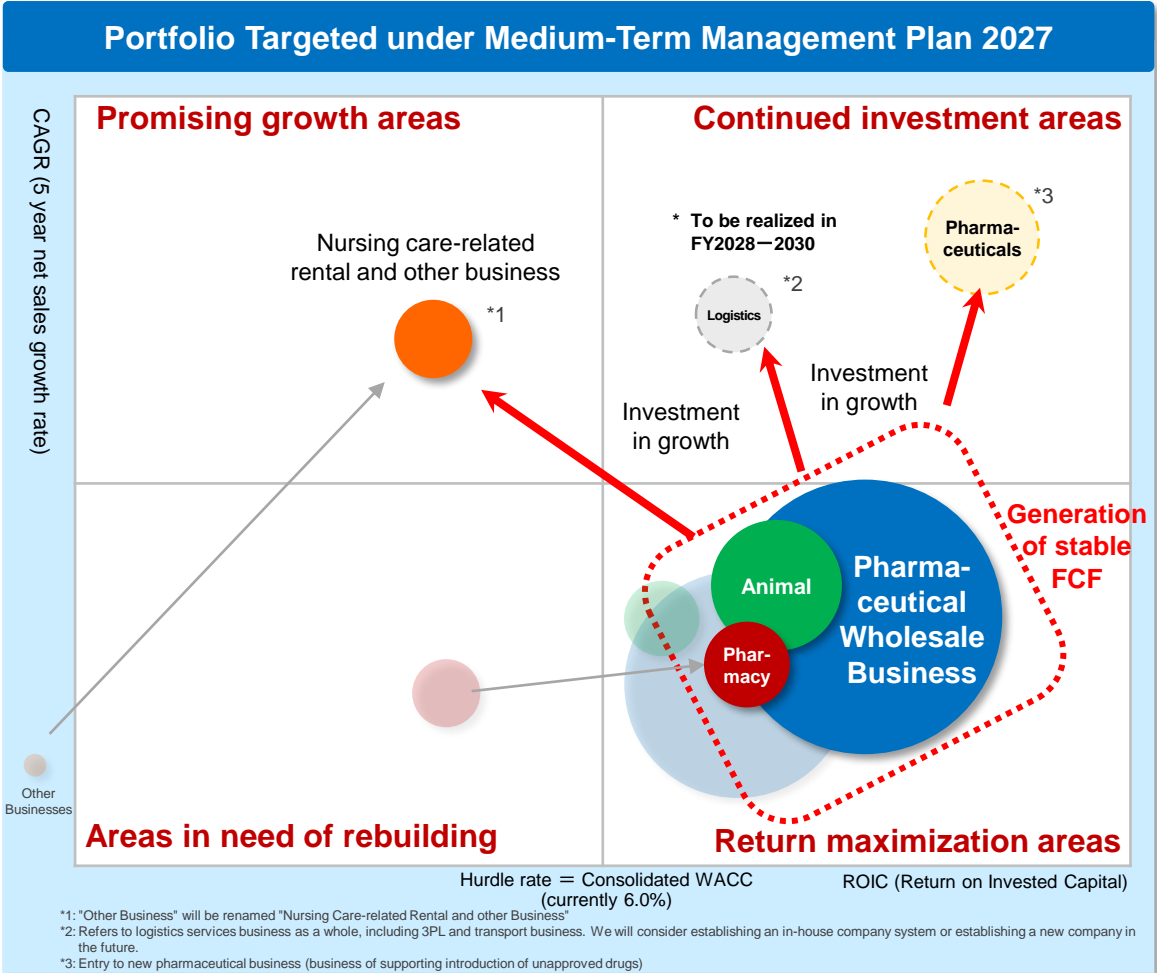
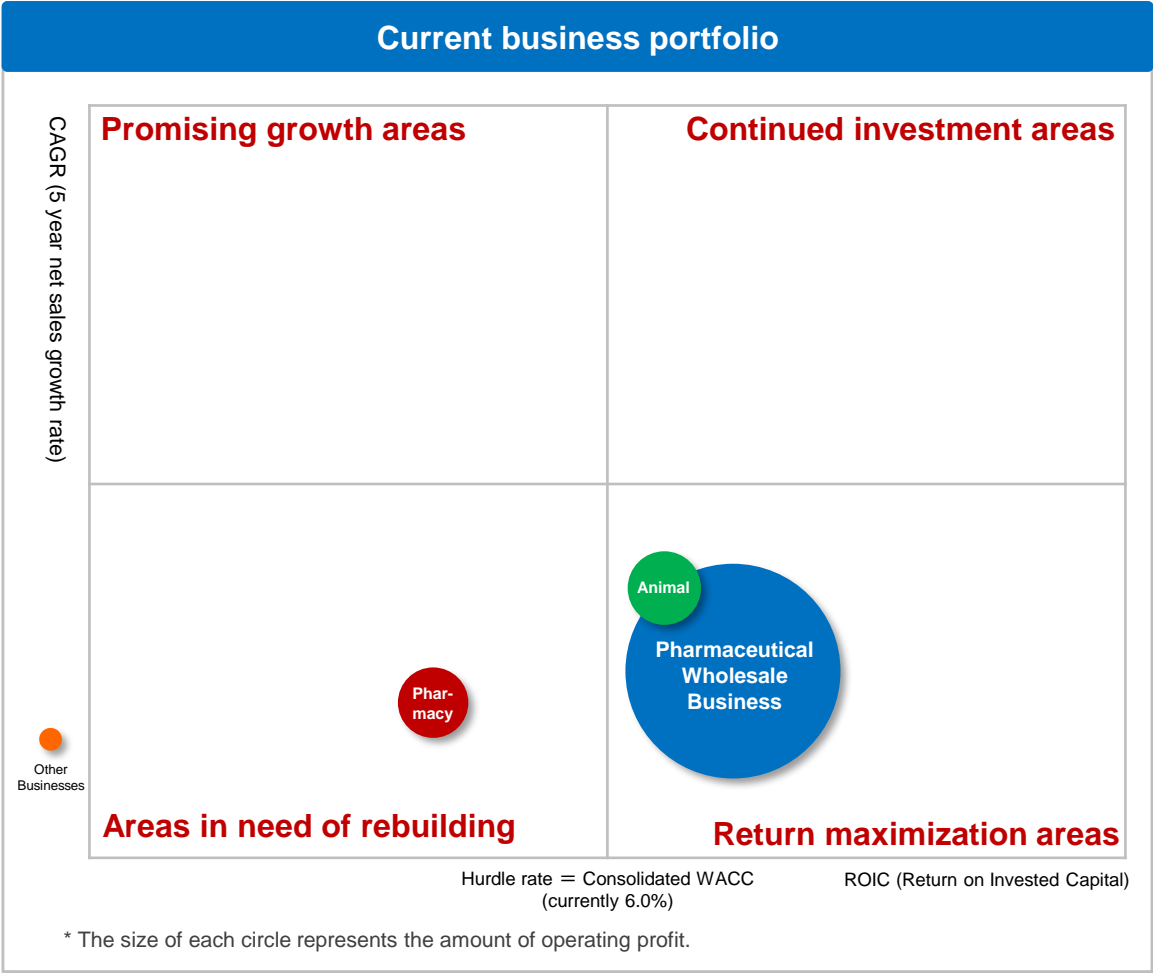
*2: Calculate WACC using the CAPM method taking the liquidity risk premium into consideration and use the average for the most recent three fiscal years.



Business Portfolio Strategy

- Improve ROIC of existing business and encourage growth ⇒ Strengthen profitability of core businesses, scale back or withdraw from loss-making businesses, reduce costs through business integration, and invest in growing businesses
- Create new businesses to serve as future pillars of earnings ⇒ Expand the logistics services business focusing on 3PL*, and branch out into new pharmaceutical business (business of supporting the introduction of unapproved drugs)

* 3PL: 3rd Party Logistics



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Medium-Term Management Plan 2027 Three Priority Measures

(i) Business portfolio management

Strategies by Business – 1. Pharmaceutical Wholesale Business

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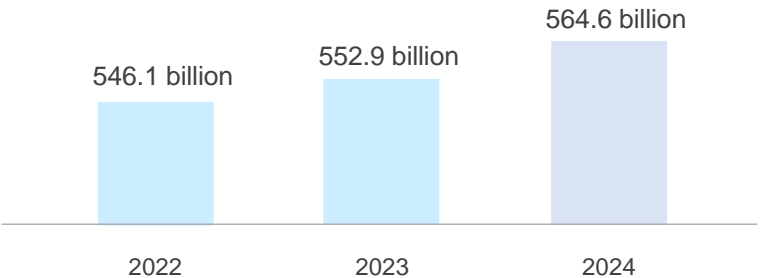
Appendix

Strategies by Business - 1. Pharmaceutical Wholesale Business

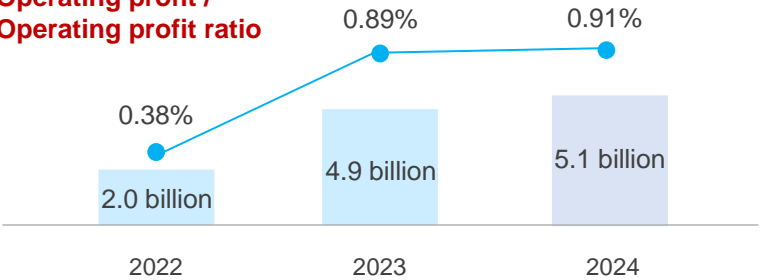
Summary of the Fifth Medium-Term Management Plan

- Focused on sales of prime maintenance premium products and vaccines; sales growth is expected to exceed the initial plan
 - Negotiated prices politely based on the prices of individual pharmaceuticals and distribution costs, and operating profit also increased sharply
- * Changed method of presentation from FY2023, recording income from the provision of information through pharmaceutical companies (approx. 1.6 billion yen) in net sales instead of non-operating income.

Net sales



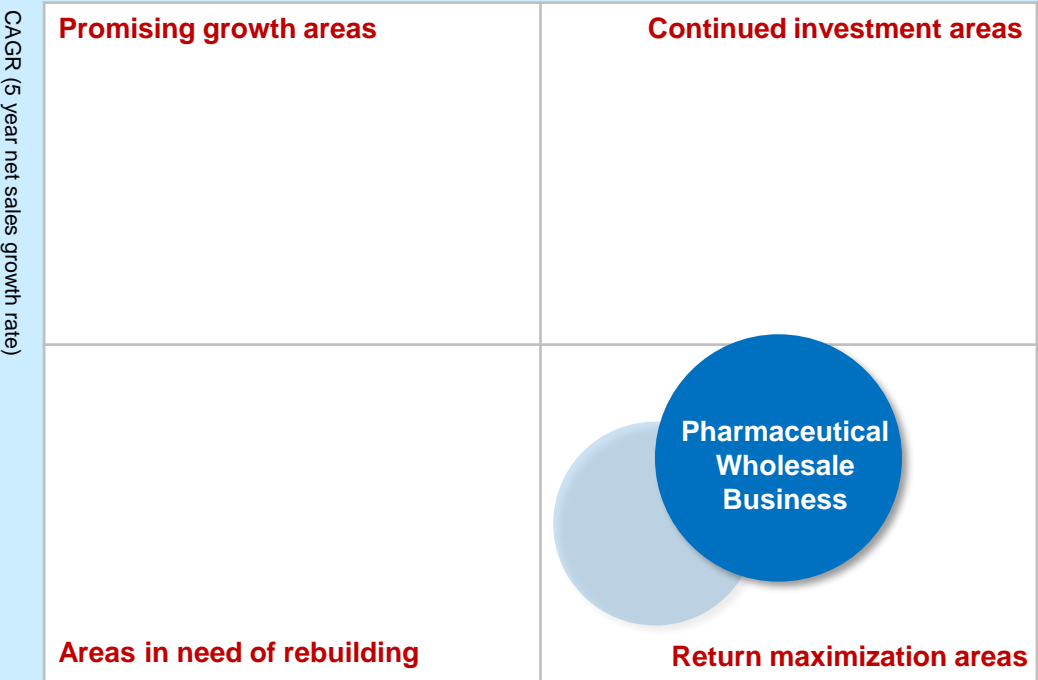
Operating profit / Operating profit ratio



Desired Direction under Medium-Term Management Plan 2027

- Compliance with Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs, and complete stabilization of contributed profit
- Sales expansion that leverages our strengths, according to area characteristics
- Realization of distinctive drug distribution that steadily taps into market growth for each customer
- Pursuit of further business efficiency through the promotion of DX and use of AI

Improvement of ROIC and generation of stable FCF



Hurdle rate = Consolidated WACC (currently 6.0%) ROIC (Return on Invested Capital)

* The size of the circle represents the amount of operating profit

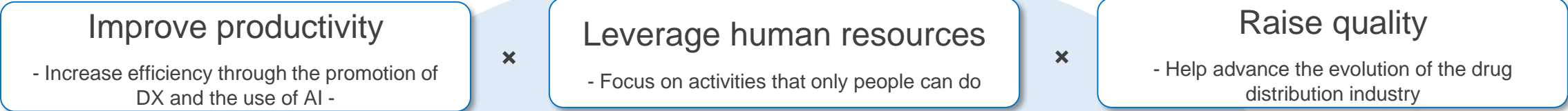
Strategies by Business - 1. Pharmaceutical Wholesale Business

Move the Pharmaceutical wholesale business into a new stage



Conceptual drawing of growth of Pharmaceutical Wholesale Business

3 concepts for strengthening profitability



Our Strengths Supporting Community Healthcare

Pharmaceutical distribution network covering every corner of the community



Increased distribution costs

3 values we have cultivated

Compliance with Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs and nuanced management of contributed profit



NHI drug price revision

Challenge

Trust

Collaboration

Our Founding Spirit
Deliver medicines to people who need them at any time

Relationships of trust with many customers built up over many years

Knowledge and expertise possessed by diverse human resources with a strong sense of mission

High-quality, resilient logistics functions



Population decline in rural regions



Market growth



DX in healthcare



Growing healthcare demand in urban areas

Strategies by Business - 1. Pharmaceutical Wholesale Business

Specific Initiatives for Strengthening Profitability

Improve productivity

- Increase efficiency through the promotion of DX and the use of AI -

×

Leverage human resources

- Focus on activities that only people can do

×

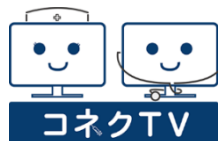
Raise quality

- Help advance the evolution of the drug distribution industry

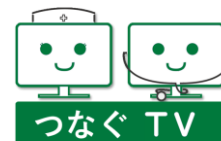
Promotion of DX



Reduce MS workload through completion of operation for handling customer enquiries about orders received and delivery dates within the system



Step up rollout of platform providing contents such as pharmaceutical company webinars and disease awareness and health-related information



Further increase work efficiency through the renewal of systems useful both internally and externally for the reduction of urgent deliveries, inventory management, etc.

Reorganization

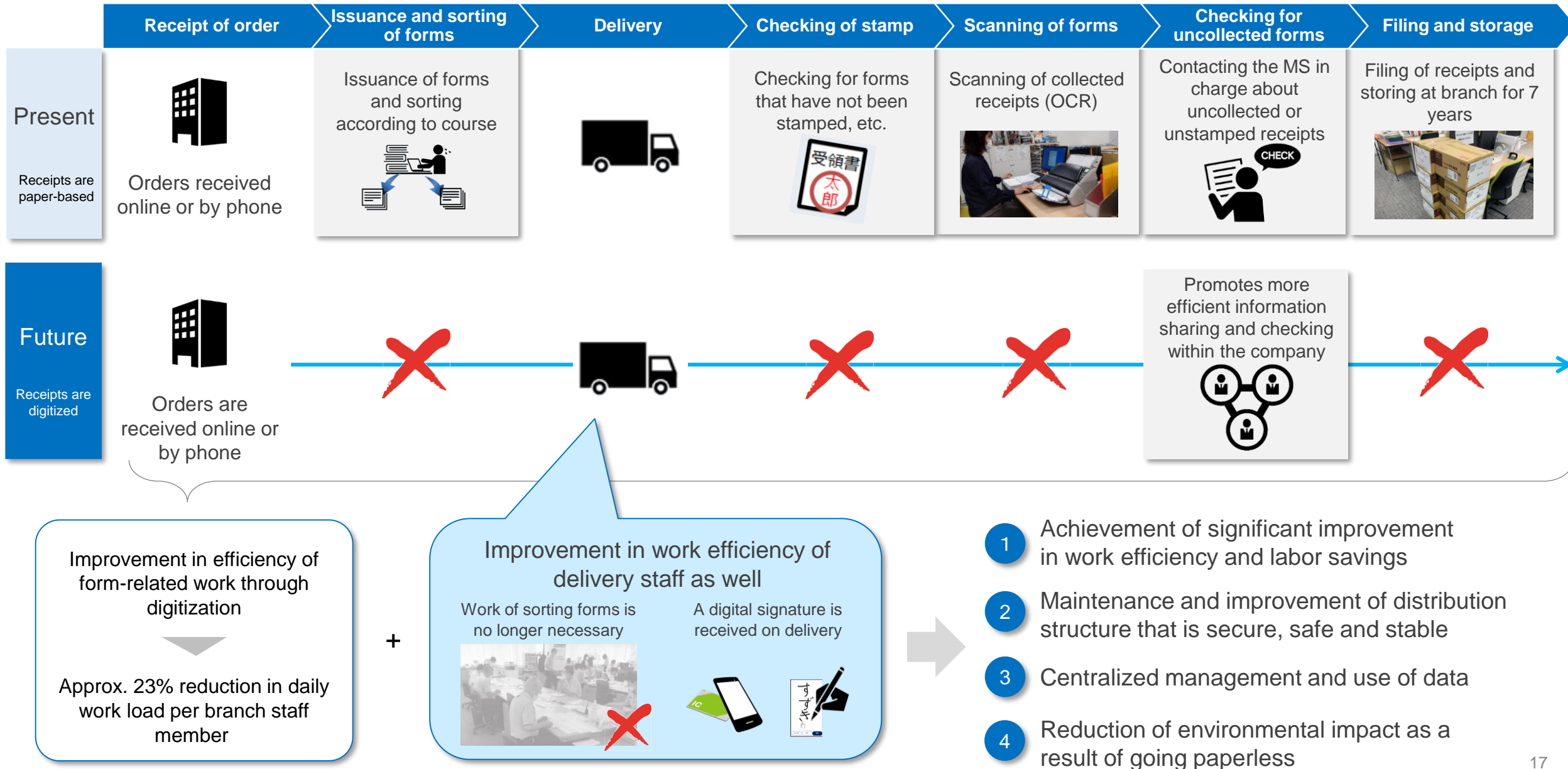
Review of internal work flows

Conduct a review of internal work flows, restructuring organizations and using IT and AI, with the aim of increasing productivity by centralizing information and avoiding the duplication of work

Further improvement of delivery efficiency

Increase the efficiency of deliveries, introducing systems to digitize various forms and determine optimal delivery routes

■ Work flow of branch staff



Strategies by Business - 1. Pharmaceutical Wholesale Business

Specific Initiatives for Strengthening Profitability

Improve productivity

- Increase efficiency through the promotion of DX and the use of AI -

×

Leverage human resources

- Focus on activities that only people can do

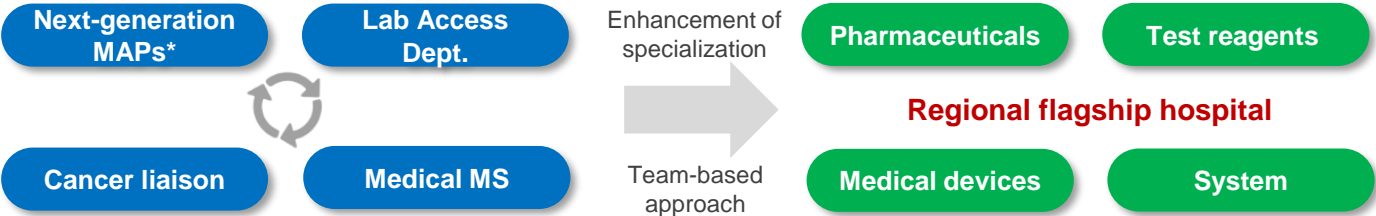
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Raise quality

- Help advance the evolution of the drug distribution industry

Hospital Strategy

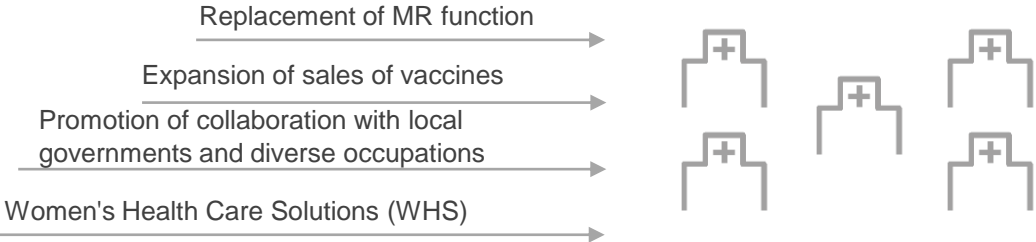
Create a highly specialist team sales structure to further strengthen presence in the hospital market where anti-cancer drugs and other high cost injectable drugs are used



*MAPs: Medical Assist Partners

Area Marketing Strategy

Make the most of our high prescriber coverage rate and links with local governments and diverse occupations as a regional wholesaler to replace the declining MR function and bring about sales of vaccines and pharmaceuticals



Next-generation MAPs



- Professional human resources familiar with all aspects of health care provided at core regional hospitals
- Access a wide range of information necessary before and after treatment and create team sales opportunities

Lab Access Dept.



- Strengthen sales structure by establishing a new organization specializing in cancer to strengthen access to pathology laboratories

Cancer liaison



- Further strengthen information provision activities to expand handling off anti-cancer drugs
- Become anti-cancer drug specialists and aim to obtain new drugs or earn information fees

Medical MS



- Encourage collaboration with MAPs and cancer liaison to tap into growing medical device market
- Expand handling of high-cost medical devices used in hospitals to generate a stable profit



Expansion in sales of specialty pharmaceuticals including treatments for rare diseases



Expansion in sales of high-cost medical devices and test reagents



Replacement of pharmaceutical company MR function to earn further information fees

Pursue the generation of stable profit by providing various types of value in the hospital market

Strategies by Business - 1. Pharmaceutical Wholesale Business

Specific Initiatives for Strengthening Profitability

Improve productivity

- Increase efficiency through the promotion of DX and the use of AI -

×

Leverage human resources

- Focus on activities that only people can do

×

Raise quality

- Help advance the evolution of the drug distribution industry

Distribution strategy by area

Urban areas
(Tokyo Metropolitan Area,
Kita-Kanto, Keihanshin
District)

- Reorganize base network in Tokyo Metropolitan Area and Kita-Kanto
- Rebuild logistics bases in Keihanshin District



Rural regions and suburbs
(Tohoku, Niigata, rural
municipalities of Kinki region)

- Achieve further rationalization through integration of logistics bases
- Review delivery structure and consider joint deliveries



Sophisticated supply chain

Establish a high quality logistics structure including developing GDP and GMP* compliance logistics facilities and acquiring ISO certification

Develop a distribution structure that can meet needs even in times of emergency through the additional introduction of disaster response vehicles, etc.



* GDP: Good Distribution Practice
* GMP: Good Manufacturing Practice

Expansion of services besides wholesale

Popularize new services that allow people to live healthy lives with peace of mind, expanding them beyond regional boundaries



あかちゃんと家族のための

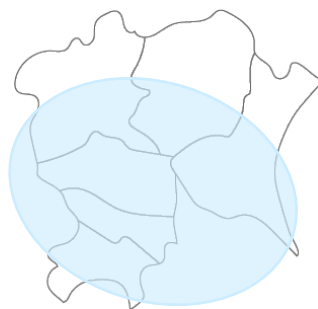
ねんね相談室 ★ GumiMin



**Distribution strategy in urban areas
(Tokyo Metropolitan Area, Kita-Kanto, Keihanshin District)**

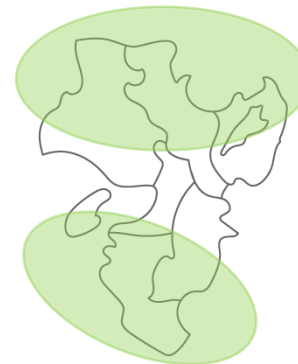
**High population accumulation rate × Large scale market
= Establish distribution network that optimizes product flow and logistics**

- Establish the optimal distribution network for steadily capturing health care demand, which is expected to grow due to population aging in urban areas with high population accumulation rates
- Make the Isehara Logistics Center (tentative name), scheduled to start operation in FY2026, a core facility in the 3PL business
- Develop a structure for the stable supply of pharmaceuticals in an emergency situation based on the assumption of an urban disaster scenario

**Keihanshin District****Tokyo Metropolitan Area and Kita-Kanto****Distribution strategy in rural regions and suburbs
(Tohoku, Niigata, rural municipalities of Kinki region)**

**Population decline × Large area
= Establish efficiency structure and assume responsibility for stable supply of pharmaceuticals**

- Establish optimal distribution structure to support community care by integrating bases to achieve rationalization and introducing information systems to increase efficiency
- Pursue new distribution possibilities such as the healthcare in remote areas and the operation of drones for the stable supply of pharmaceuticals in the event of disaster

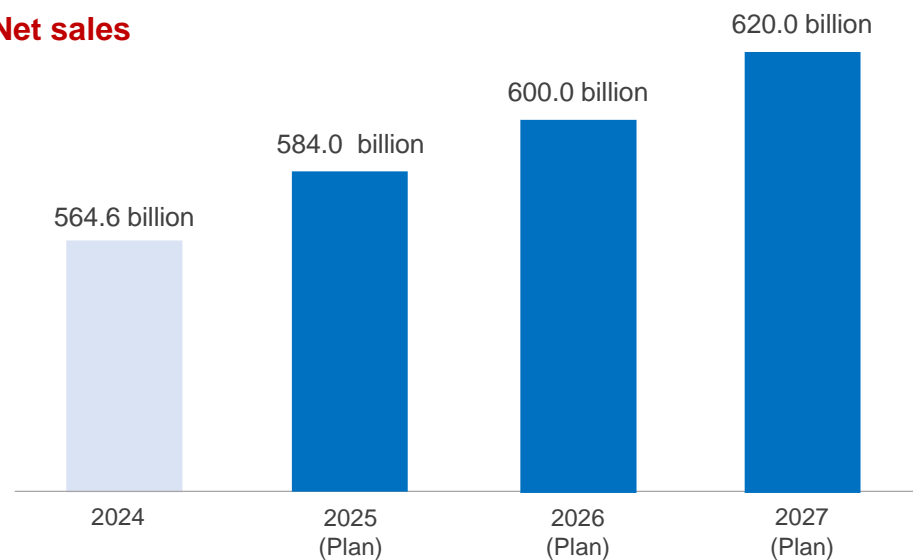
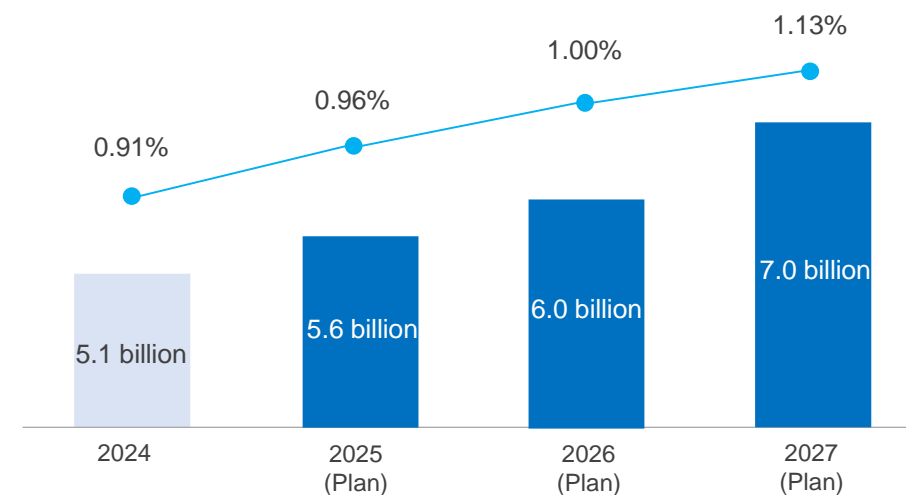
**Rural municipalities of Kinki region****Most areas in Tohoku and Niigata**

Strategies by Business - 1. Pharmaceutical Wholesale Business

**Financial Targets under Medium-Term
Management Plan 2027**

Unit: billion yen, %

	FY2024		FY2025			FY2026			FY2027		
	Results	Ratio to net sales	Plan	Ratio to net sales	YoY	Plan	Ratio to net sales	YoY	Plan	Ratio to net sales	YoY
Net sales	564.6	—	584.0	—	103.6	600.0	—	102.7	620.0	—	103.4
Operating profit	5.1	0.91	5.6	0.96	108.4	6.0	1.00	108.6	7.0	1.13	116.5

Net sales**Operating profit / Operating profit ratio**

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Medium-Term Management Plan 2027 Three Priority Measures

(i) Business portfolio management

Strategy for Each Business: – 2. Pharmacy Business

– 3. Veterinary Drug Wholesale Business

– 4. Other Businesses

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(ii) Financial strategy and capital policy

(iii) Strengthen group management

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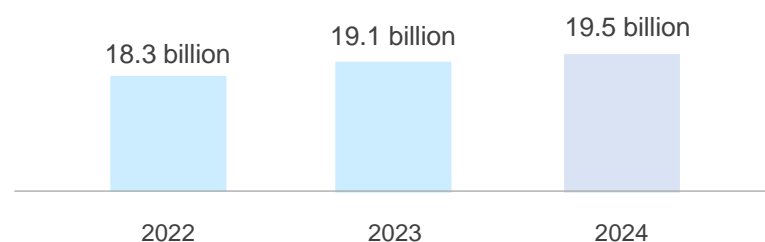
Appendix

Strategy for Each Business: —2. Pharmacy Business

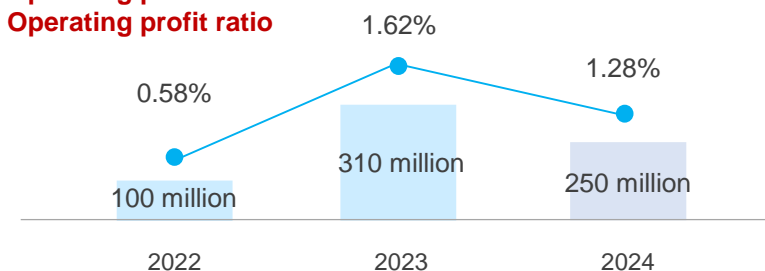
Summary of the Fifth Medium-Term Management Plan

- Sales rose slightly due to increases in both technical fees and dispensing fees
- Operating profit margin fell due to higher SG&A expenses and higher purchase prices
- Certifications for pharmacies in cooperation with specialized medical institutions and as pharmacies in cooperation with local health care facilities increased
- Strengthened family pharmacy and home care support functions
- Recognized goodwill impairment loss in FY2023

Net sales



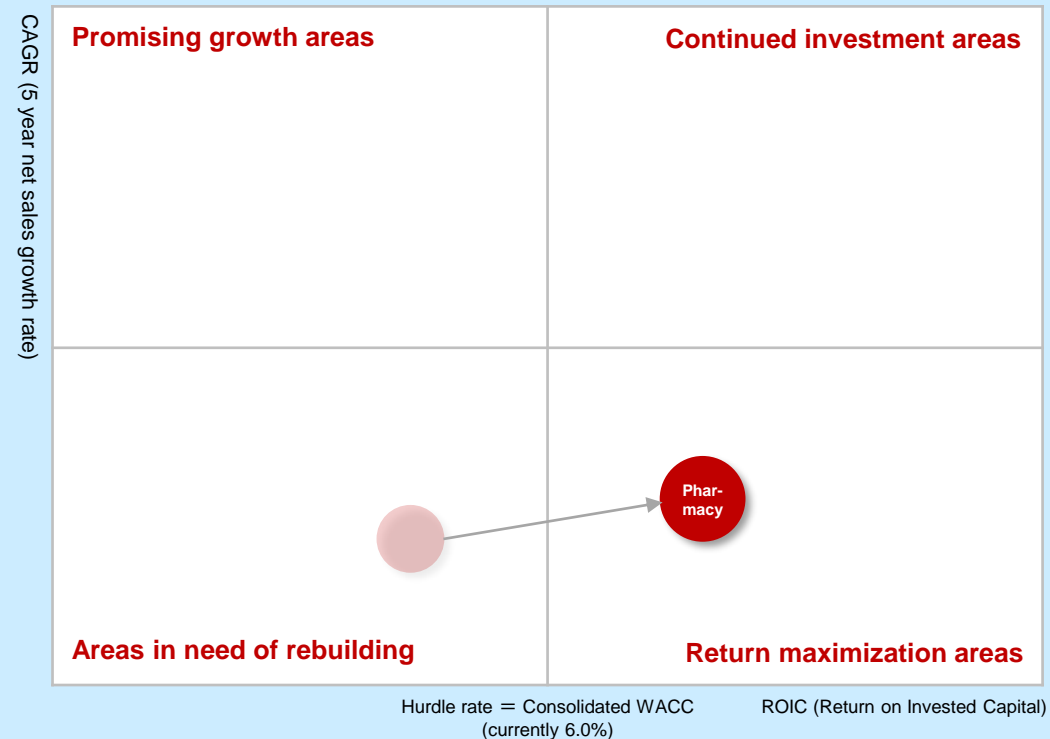
Operating profit / Operating profit ratio



Desired Direction under Medium-Term Management Plan 2027

- Integrate 6 consolidated and non-consolidated operating companies into a single company in a bid to improve productivity
- Improve capital profitability by eliminating surplus capital
- Expand sales and increase Group synergy through new pharmacy openings and M&A

→ Aim to achieve a ROIC that is greater than the hurdle rate



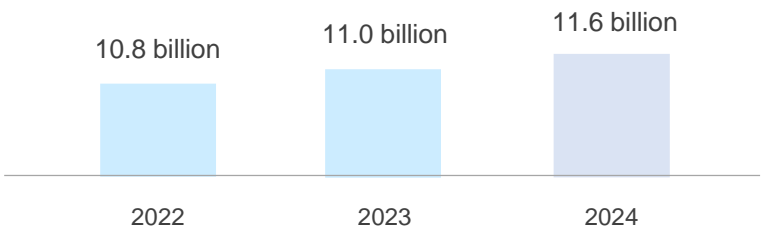
*The size of the circle represents the amount of operating profit

Strategy for Each Business: — 3. Veterinary Drug Wholesale Business

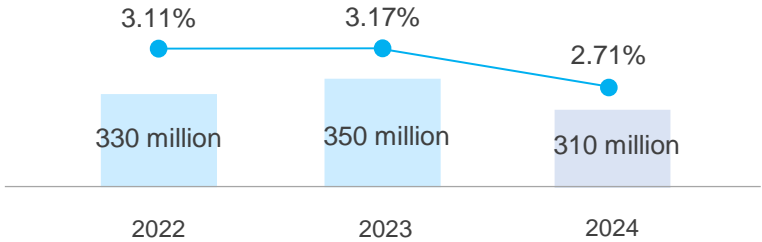
Summary of the Fifth Medium-Term Management Plan

- Made Arrow Medical Corporation a consolidated subsidiary in FY2024
- Sales fell, after manufacturer started selling certain products directly in FY2024
- Rising purchase prices squeezed operating profit

Net sales



Operating profit / Operating profit ratio



Desired Direction under Medium-Term Management Plan 2027

- Strengthen pharmaceutical sales in the Tokyo Metropolitan Area and medical device sales in Tohoku and Hokkaido to maximize the effect of making Arrow Medical Corporation a consolidated subsidiary
- Expand the business of manufacturing and selling pet food

Improvement of ROIC and generation of stable FCF

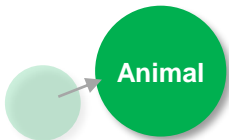
CAGR (5 year net sales growth rate)

Promising growth areas

Continued investment areas

Areas in need of rebuilding

Return maximization areas



Hurdle rate = Consolidated WACC (currently 6.0%) ROIC (Return on Invested Capital)

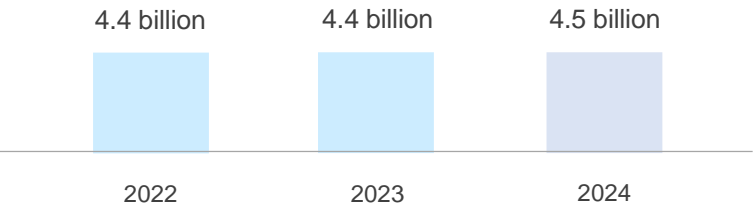
* The size of the circle represents the amount of operating profit

Strategy for Each Business: —4. Other Businesses

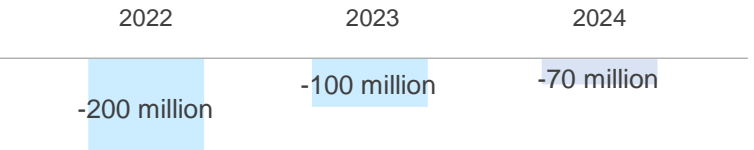
Summary of the Fifth Medium-Term Management Plan

- Net sales recovered at each operating company
- The segment still showed an operating loss but the amount grew smaller
- Business segment that includes delivery companies, etc. and has many intergroup transactions

Net sales



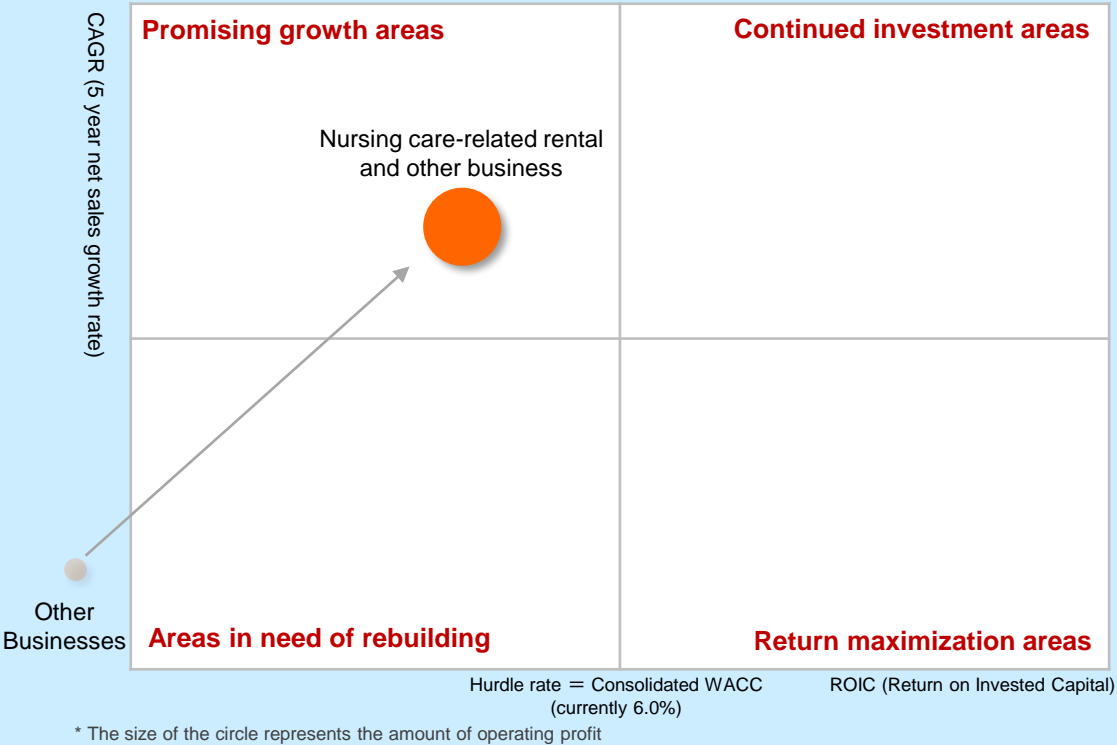
Operating loss



Desired Direction under Medium-Term Management Plan 2027

- Seek to expand the nursing-care rental business, which has high capital profitability, through intensive investment
- Decide whether to rebuild or withdraw from businesses/operations with low capital profitability
- Change name from "Other Businesses" to "Nursing Care-related Rental and Other Businesses"

→ Improve ROIC and CAGR through expansion of the nursing-care rental business



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Medium-Term Management Plan 2027 Three Priority Measures

(i) Business portfolio management

Strategy for Each Business: — 5. New Businesses

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(i) Business portfolio management

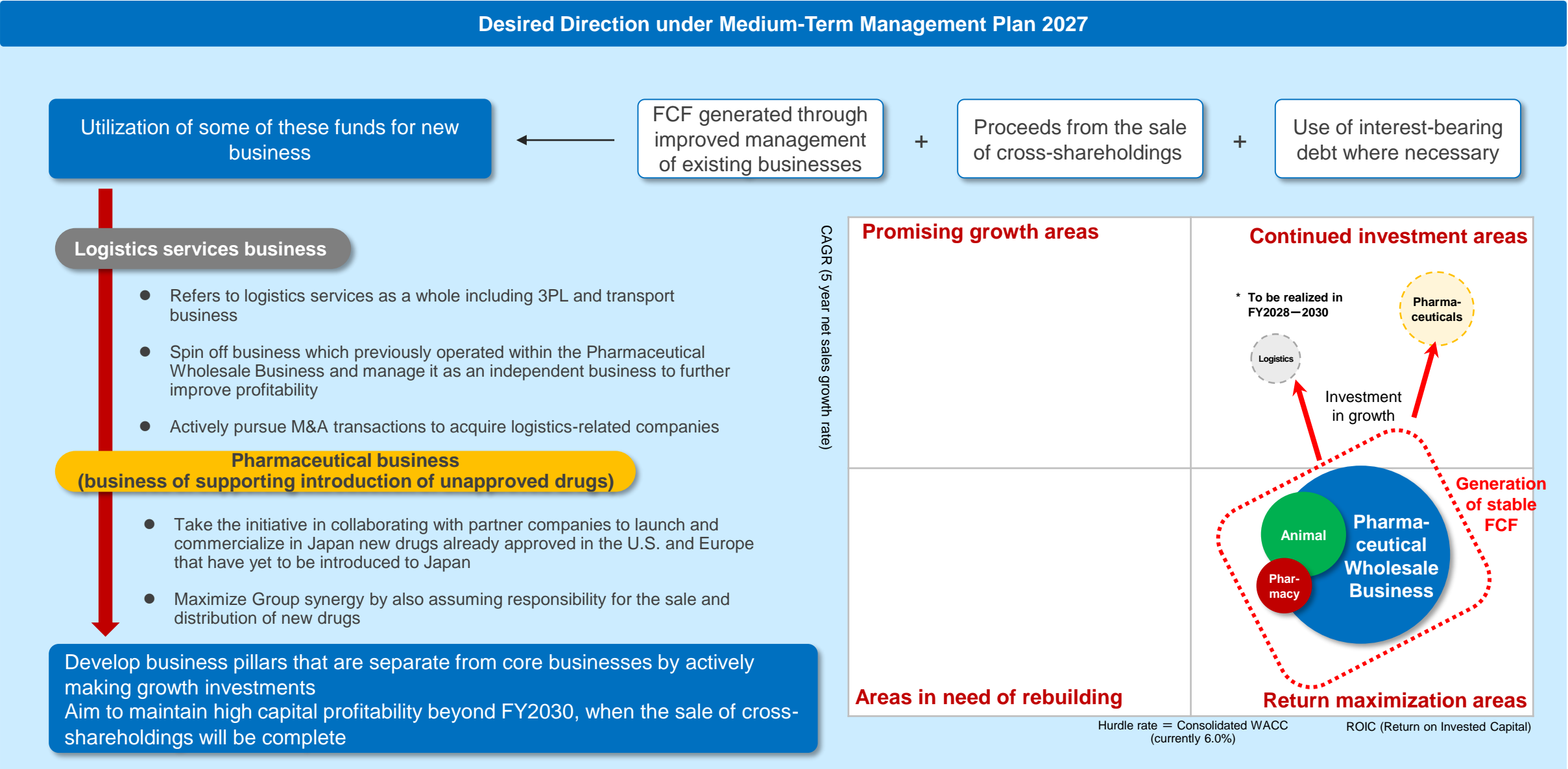
(ii) Financial strategy and capital policy

(iii) Strengthen group management

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Strategy for Each Business: —5. New Businesses



Strategy for Each Business: —5. New Businesses

Logistics services business

Turn logistics function into a new **profit** pillar through further development of the advanced supply chain we have established to date

High profit

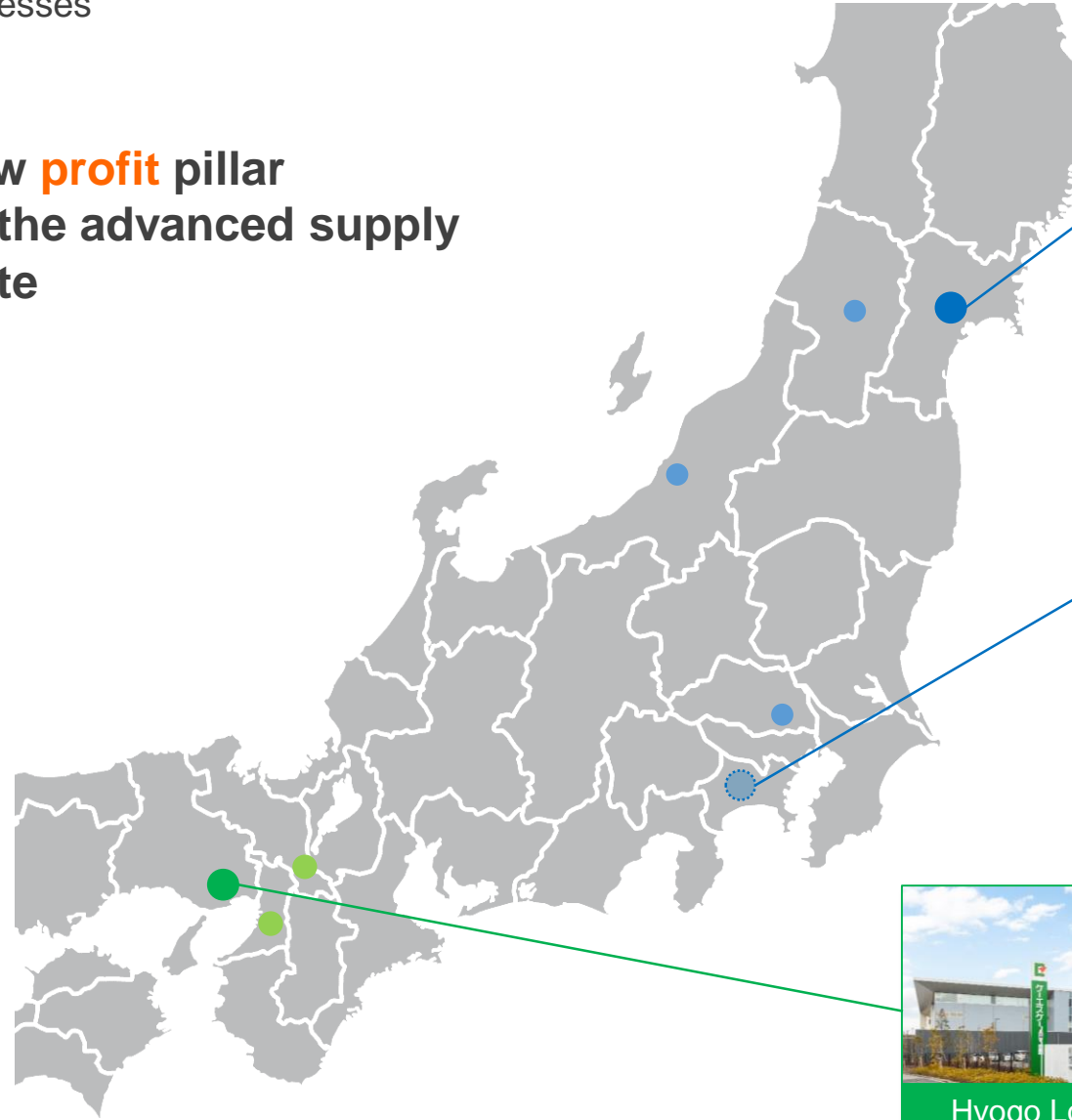
- Strengthen acquisition of new customers in the 3PL business
- Pursue M&A transactions to acquire warehouse business operators and transport companies

High quality

- Comply with GDP and GMP standards
- Acquire ISO 9001 certification

Highly functional

- Equipment for increasing delivery speed and accuracy
- Logistics network that supports stable supply



Miyagi Logistics Center

Boasts industry-leading scale and functions



Isehara Logistics Center
(tentative name)

Scheduled to begin operating in FY2026
Make into core facility of 3PL business



Hyogo Logistics Center

Base in West Japan equipped with cutting-edge logistics equipment

Strategy for Each Business: —5. New Businesses

Pharmaceutical business (business of supporting introduction of unapproved drugs)

New venture where we take the initiative in collaborating with partner companies to launch and commercialize in Japan new drugs already approved in the U.S. and Europe that have yet to be introduced to Japan

Purpose of entering this business

- To play a part in resolving social issues by becoming more proactive about Japan's drug loss issue as a company involved in health care.
- To achieve further improvement in corporate value and fulfil our responsibility as part of the social infrastructure supporting community health care in the medium and long term

Overview of business model



Pharmaceutical companies in the
U.S. and Europe

Research, development and
import/export of pharmaceuticals
Manufacture and sale



License agreements for
pharmaceuticals already
launched overseas



Import and package manufacturing
Clinical development and post-
marketing surveillance
Marketing and sales
Distribution within Japan

* Some operations will be outsourced to partner companies

Strategy for Each Business: —5. New Businesses

Pharmaceutical business (business of supporting introduction of unapproved drugs)

How exactly is the latest new business different from various pharmaceutical-related business initiatives implemented to date such as the capital and business alliance with SanBio Co., Ltd. formed in September 2018, and the investments in LinDo K.K. and MIJ BG2 LP respectively in February 2024?

Capital and business alliance with SanBio is a **direct-investment-type** business. After the launch of a new drug developed by SanBio, SanBio's share price is expected to rise and extraordinary income will arise through the sale of shares. Meanwhile, investments in LinDo and MIJ BG2 LP respectively are **indirect investment-type** businesses. When a gain on investment in the fund arises after the launch of a new drug, non-operating income according to our equity interest will arise. This latest pharmaceutical business (the business of supporting the introduction of unapproved drugs) is a **direct business** where we become involved on our own initiative in the process of launching in Japan new drugs that are already approved and commercially available in the U.S. and Europe but yet to be introduced to Japan, and where we also assume responsibility for commercialization and distribution after launch. After the launch of a new product, we expect not only sales and profit generated from this business but also even greater ripple effects for our Pharmaceutical Wholesale Business, 3PL Business and other Group businesses.

What impact will your involvement in this new business have on future financial results?

Before the launch of a new drug, upfront investment relating to development and approval in Japan will arise. This investment will be **recorded as research and development expenses** during the period of Medium-term Management Plan 2027 and will be a factor pushing up SG&A expenses. After the launch of a new drug, much greater synergy not only in the sale of pharmaceuticals in this business but also in the Pharmaceutical Wholesale Business and the 3PL Business is envisaged, and the creation of **almost exclusive earning opportunities** across the entire supply chain can be expected.

Which pharmaceuticals developed by which pharmaceutical companies are you intending to introduce to Japan?

We cannot give any specific company names or product names at the moment for procedural reasons. **As soon as we are in a position to announce this information, we will promptly disclose it.**

How do you see the future potential and growth potential of this business?

We are currently **in negotiations with a number of pharmaceutical companies**. To help achieve the two purposes of resolving Japan's drug loss/lag issue and improving our corporate value in the medium and long term, we intend to develop this business as a new pillar of earnings through **the creation of the optimal alliances and business models** in the given moment. We will report the progress of the business in a timely manner.

What are the major potential risks associated with entry to this business?

Starting with the risk of failing to launch a new drug in Japan, we are attempting to introduce to Japan pharmaceuticals that have already been approved in the U.S. and Europe and we believe that the possibility of failure is extremely low. There is also the potential risk of a drug being launched but not being priced as expected. We have run detailed simulations based on various pricing scenarios and we are **thoroughly implementing risk control**.

Do you have the required clinical development and manufacturing capabilities? Surely, clinical development and manufacturing will be very costly?

For clinical development, post-marketing surveillance and manufacturing, we will form partnerships with companies that understand the purpose of this business. These are all highly specialist companies with strong capabilities, and we plan to **create a lean structure while properly ensuring safety**.

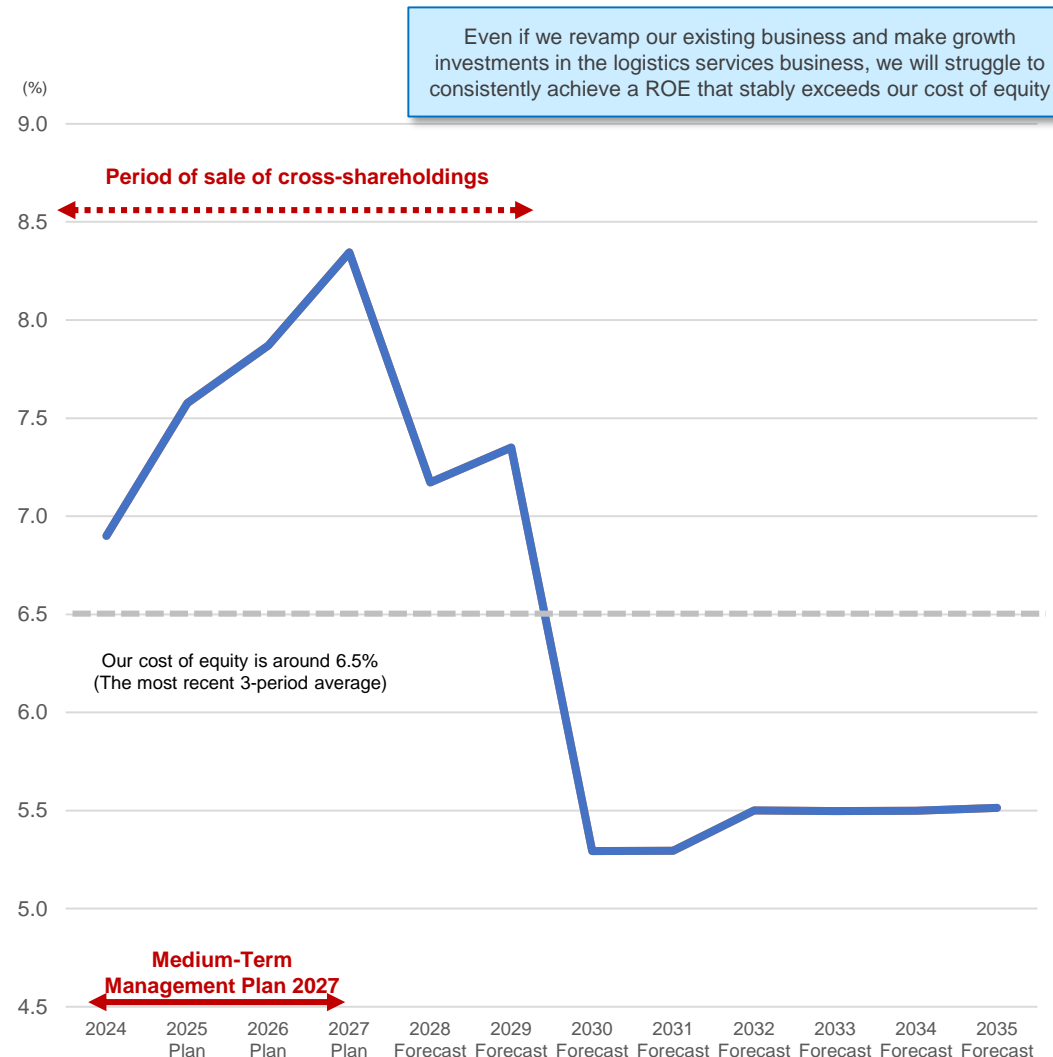
Investment in growth for improvement of corporate value is important but does this business meet the new business investment requirements?

The Holding Company's Investment Committee thoroughly discussed the matter based on detailed simulations using various patterns of patient numbers, prices, etc. before our Board of Directors resolved to enter this business. Even for the pattern with the highest risk, the IRR (internal rate of return) **far exceeded the hurdle rate** set out in our new business investment standards. Also in regard to the pharmaceuticals we plan to introduce in the future, we will make appropriate investment decisions each time in accordance with strict internal standards.

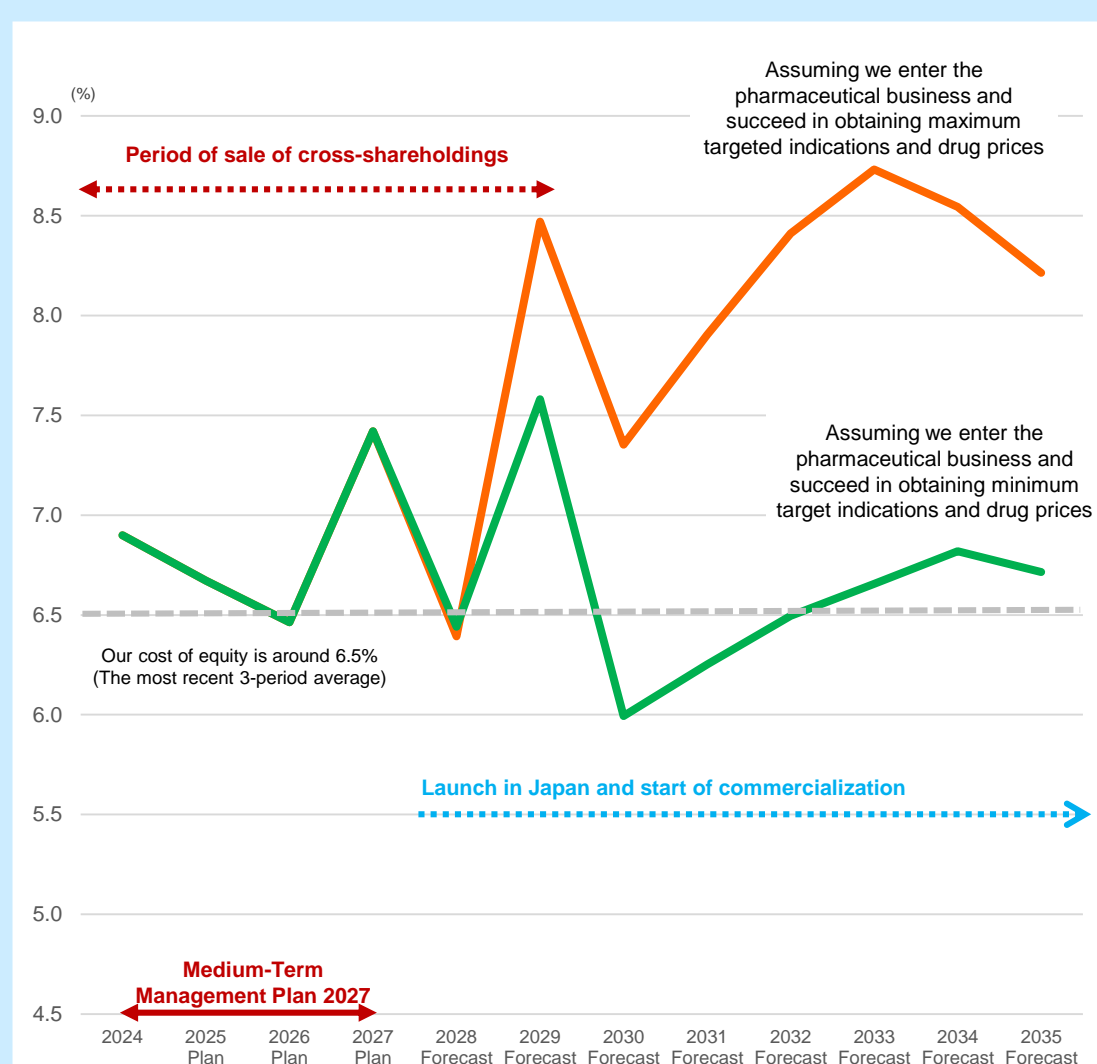
10 Year ROE Forecast

Entry to the pharmaceutical business will enable the achievement of high capital profitability in the medium and long term

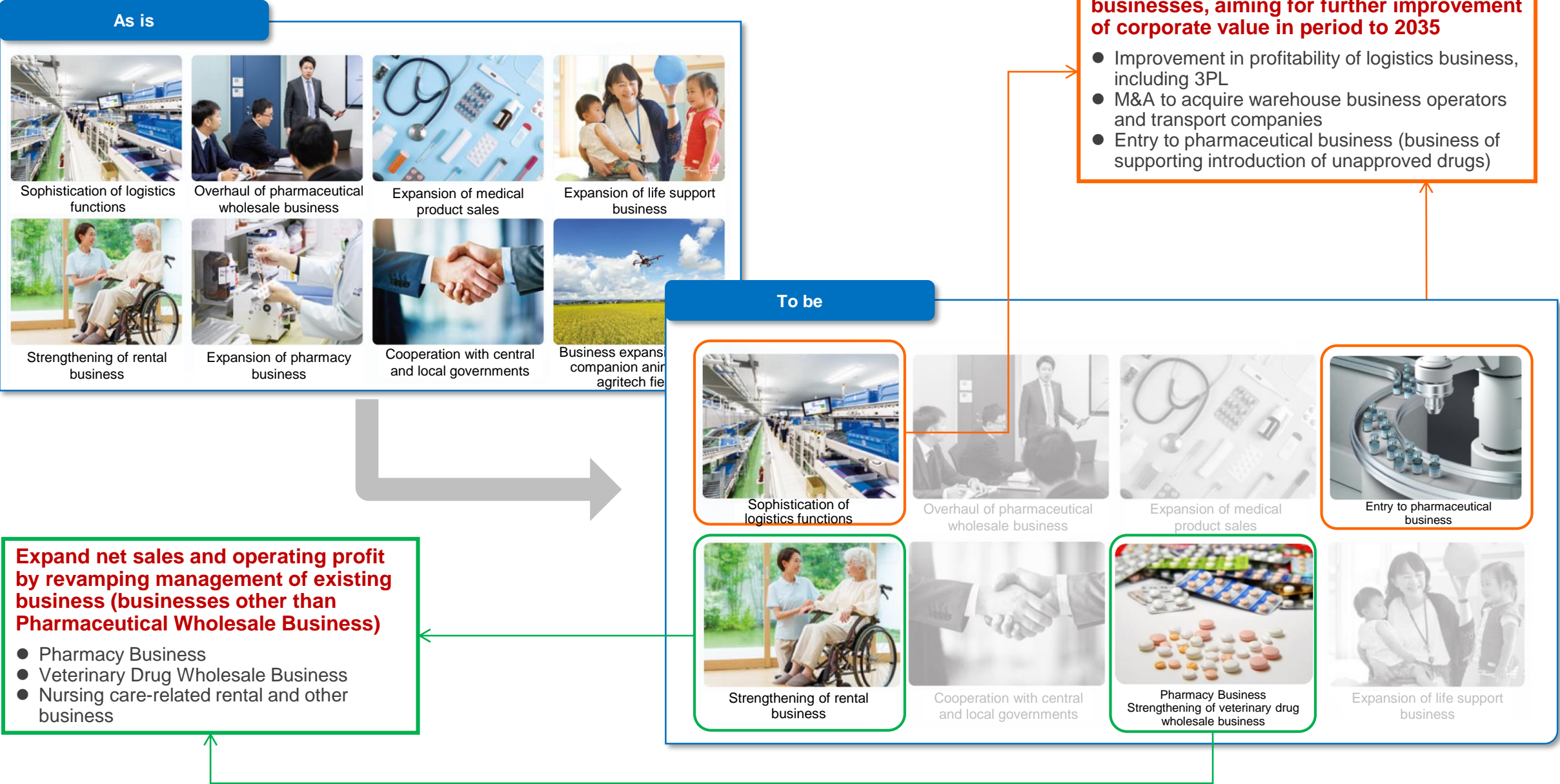
Without pharmaceutical business



Entry to pharmaceutical business



Long-term Vision 2035: Review of 8 Areas of Activities



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Medium-Term Management Plan 2027 Three Priority Measures

(ii) Financial strategy and capital policy

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Medium-Term Management Plan 2027
Three Priority Measures

(i) Business portfolio management

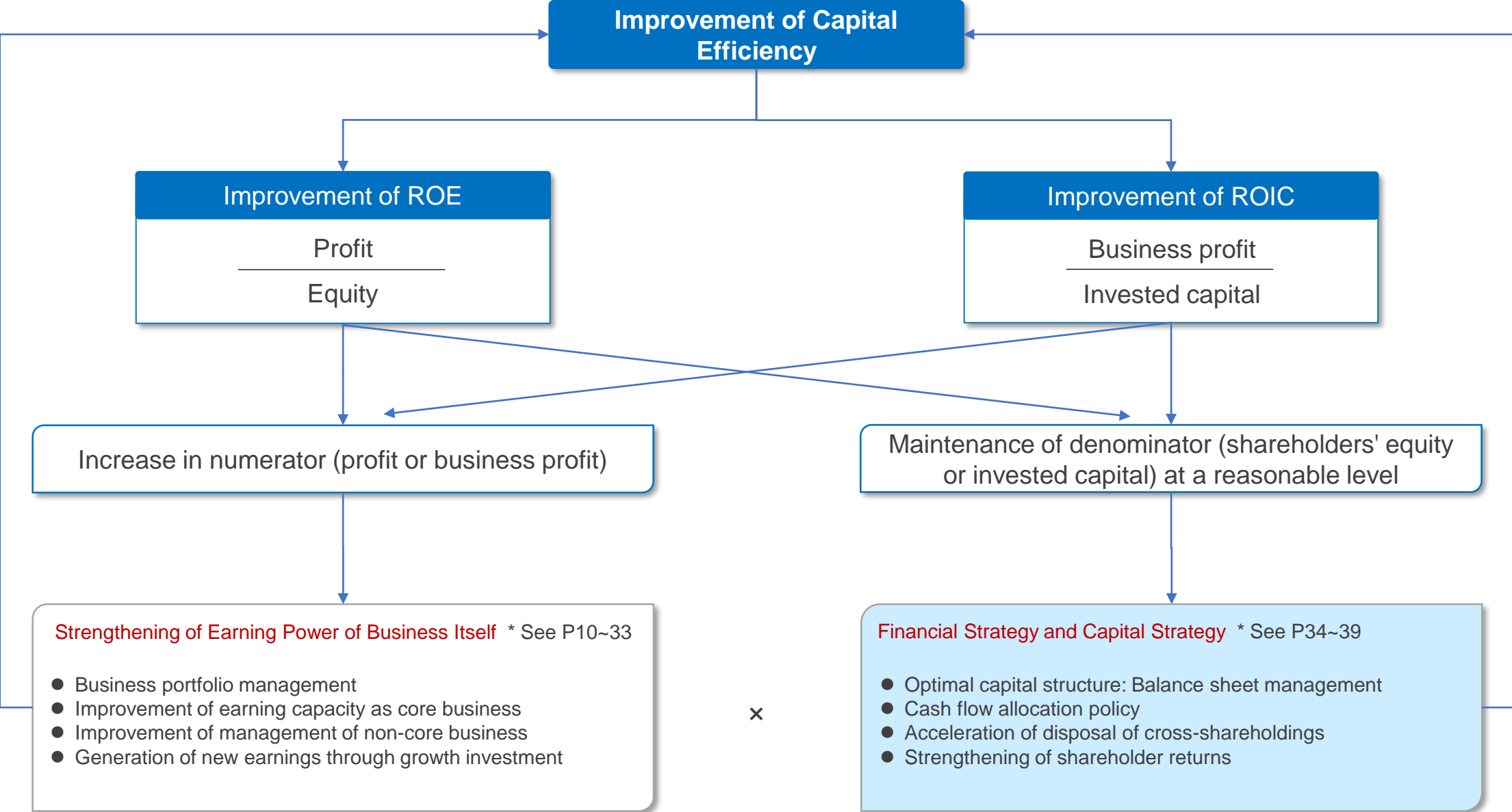
(ii) Financial strategy and capital policy

(iii) Strengthen group management

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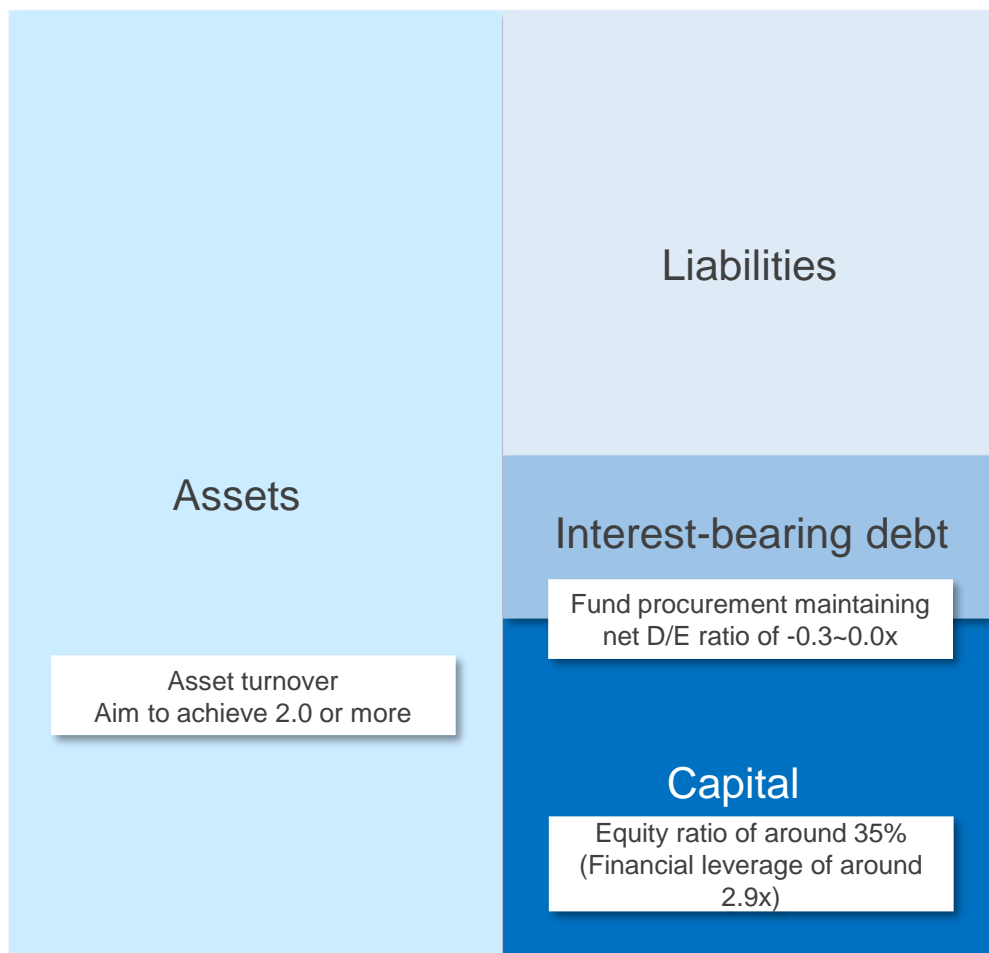
Appendix

Positioning of Financial Strategy and Capital Policy



Optimal capital structure: Balance sheet management

Thoroughly implement balance sheet management to achieve optimal capital structure that achieves the right balance between financial soundness and capital efficiency



Funding policy

- Raise funds while keeping the net D/E ratio in the range for maintaining the internally estimate credit rating (-0.3~0.0x)
- Maintain the shareholders' equity ratio at around 35% (financial leverage off around 2.9x)

Shareholder return policy

- Maintain a DOE (dividend on equity ratio) of 3.0% or more based on the assumption of stable dividend payments
- Enhance shareholder returns in the event that surplus capital is expected after consideration of growth investment needs
- Step up the disposal of cross-shareholdings, and scrap previous policy of total shareholder returns of 50% or more in order to allocate part of the proceeds from the sale of cross-shareholdings to growth investment

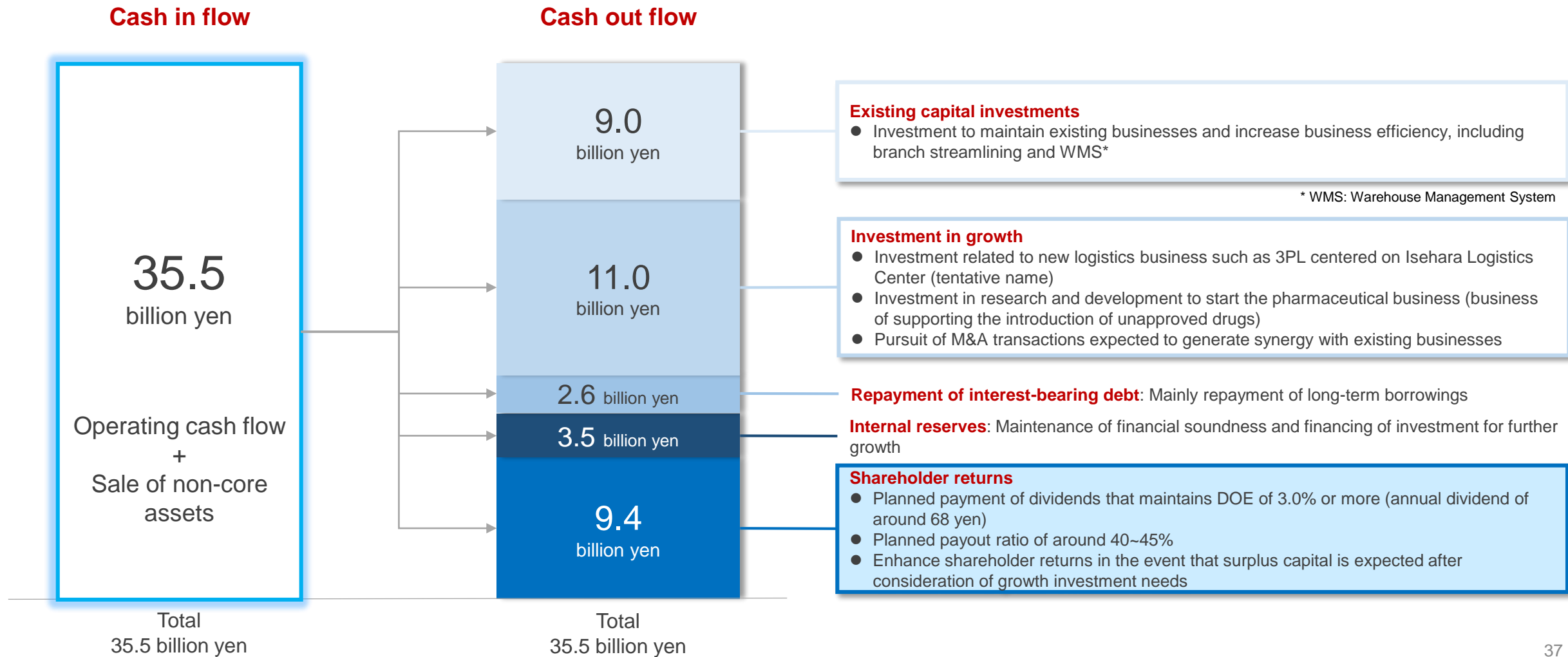
Asset acquisition/reduction policy

- Aim for total assets turnover of 2.0 or more*1
- Strictly apply standards for investment selection based on an awareness of cost of capital
- Accelerate reduction in ratio off cross-shareholdings to net assets *See P38
- Also achieve as much reduction as possible in receivables and payables and inventories, idle real estate, and other assets

* 1: Target before the mandatory application of Japan's new lease accounting standards in FY2027 The target may be revised once the impact of the standard's application is confirmed.

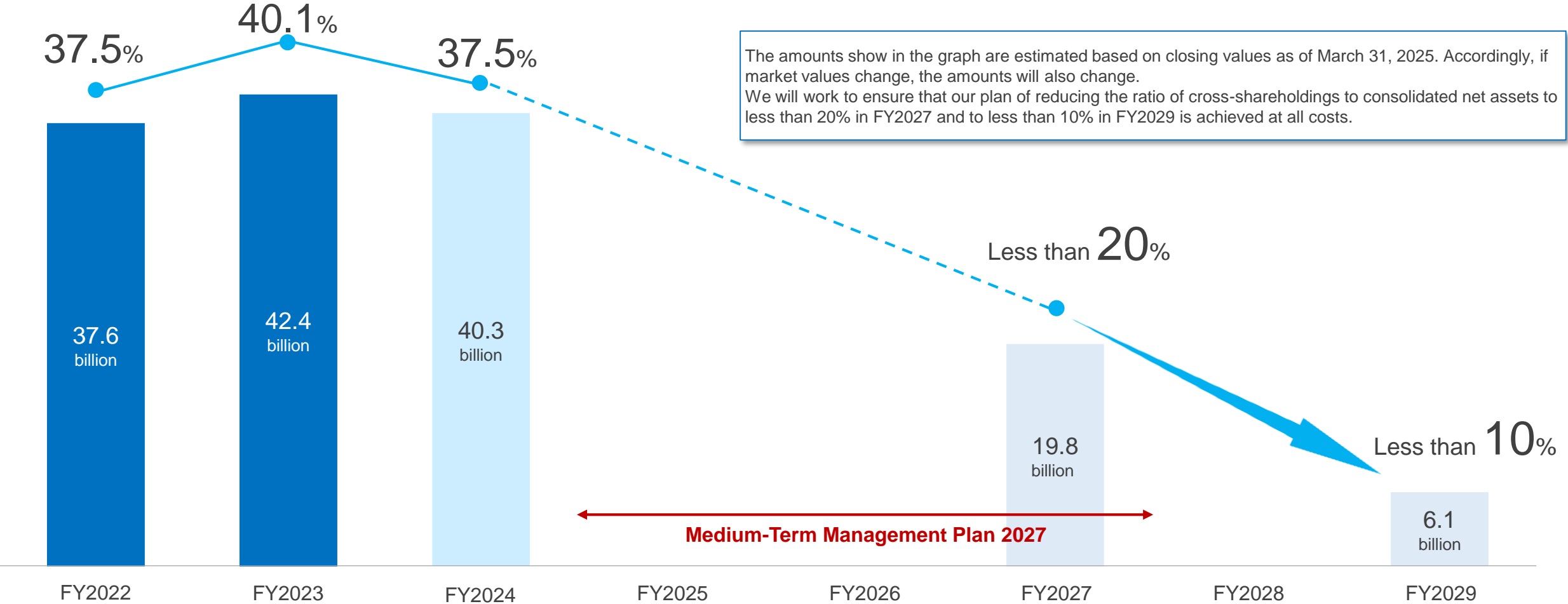
Cash flow allocation policy

Achieve the right balance between investment in strategic businesses and future growth, for realizing our target business portfolio, and enhancement of shareholder returns



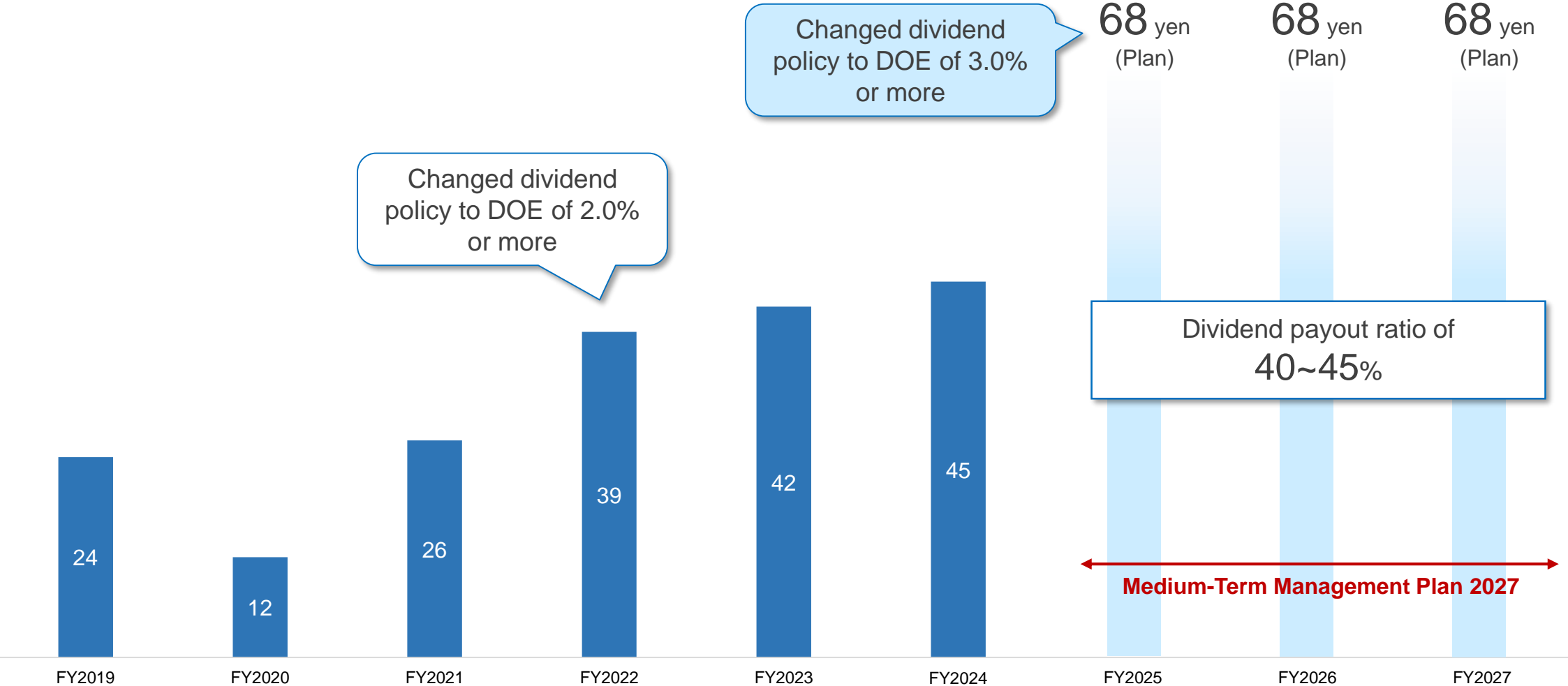
Acceleration of disposal of cross-shareholdings

Achieve previous target two years ahead of schedule and speed up disposal to reduce ratio of cross-shareholdings to consolidated net assets to **less than 20%** in FY2027 and to **less than 10%** in FY2029



Strengthening of Shareholder Returns

We have revised our target DOE(dividend on equity ratio) from 2.0% or more to 3.0% or more. We plan to achieve a dividend payout ratio of around 40~45%.



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Medium-Term Management Plan 2027 Three Priority Measures

(iii) Strengthen group management

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Three Priority Measures

(i) Business portfolio management

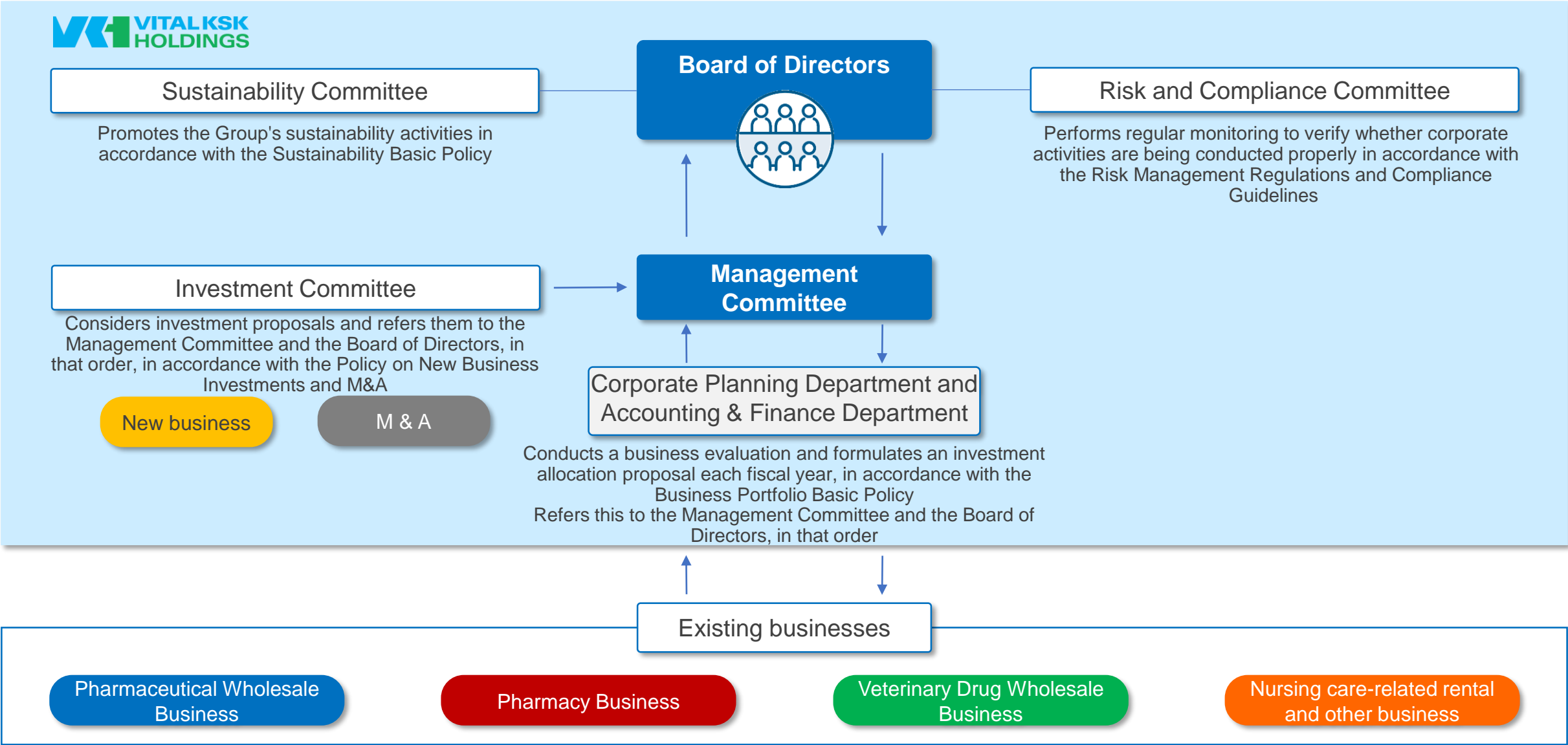
(ii) Financial strategy and capital policy

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Appendix

Business Portfolio Management
Organization Chart



Environmental

Address climate change issues

- Continue initiatives to reduce greenhouse gas (GHG) emissions, including installing solar panels at each base, including logistics centers, and introducing HV and EVs
- Aim to further reduce environmental impact by building an efficient drug distribution structure, including developing the optimal network and reducing urgent deliveries
- Continue previously implemented initiatives such as switching to LED lighting, going paperless through the digitization of in-house operations, using recycled paper, and introducing energy efficient air conditioners

Social

Practice human capital management

- Create new personnel systems to increase employee retention
- Continue conducting engagement surveys
- Enhance employee training, including next-generation leader training

Promote diversity and work place improvement

- Continue initiatives to increase percentage of female employees in management positions to 20.0% by FY2030
- Continue initiatives to increase percentage of male employees taking child care leave to 80% by FY2030
- Implement human rights due diligence in accordance with Human Rights Policy, and promote Health & Productivity Management

Governance

Strengthen monitoring function of the Board of Directors

- Aim for a majority of Outside Directors to further increase the independence of the Board of Directors
- Further promote diversity in terms of gender, etc. on the Board of Directors
- Establish the new positions of CFO and CHRO

Strengthen organizational structure of holding company

- Tighten up operations in accordance with each policy, including the Business Portfolio Management Policy
- Strengthen compliance structure
- Step up IR activities including increasing opportunities for dialogue between Directors and stakeholders

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Medium-Term Management Plan 2027 Profit / Loss Plan

(Million yen, %)

	FY2024 Results		FY2025 Plan		FY2026 Plan		FY2027 Plan	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	600,370	-	620,000	-	640,000	-	660,000	-
Core operating profit ^{*1}	5,896	0.98	6,000	0.97	6,600	1.03	7,600	1.15
(Research and development expenses) ^{*2}	190	-	900	0.15	1,500	0.23	900	0.14
Operating profit	5,706	0.95	5,100	0.82	5,100	0.80	6,700	1.02
Ordinary profit	6,970	1.16	6,000	0.97	6,000	0.94	7,400	1.12
Profit	7,308	1.22	7,200	1.16	7,000	1.09	8,100	1.23

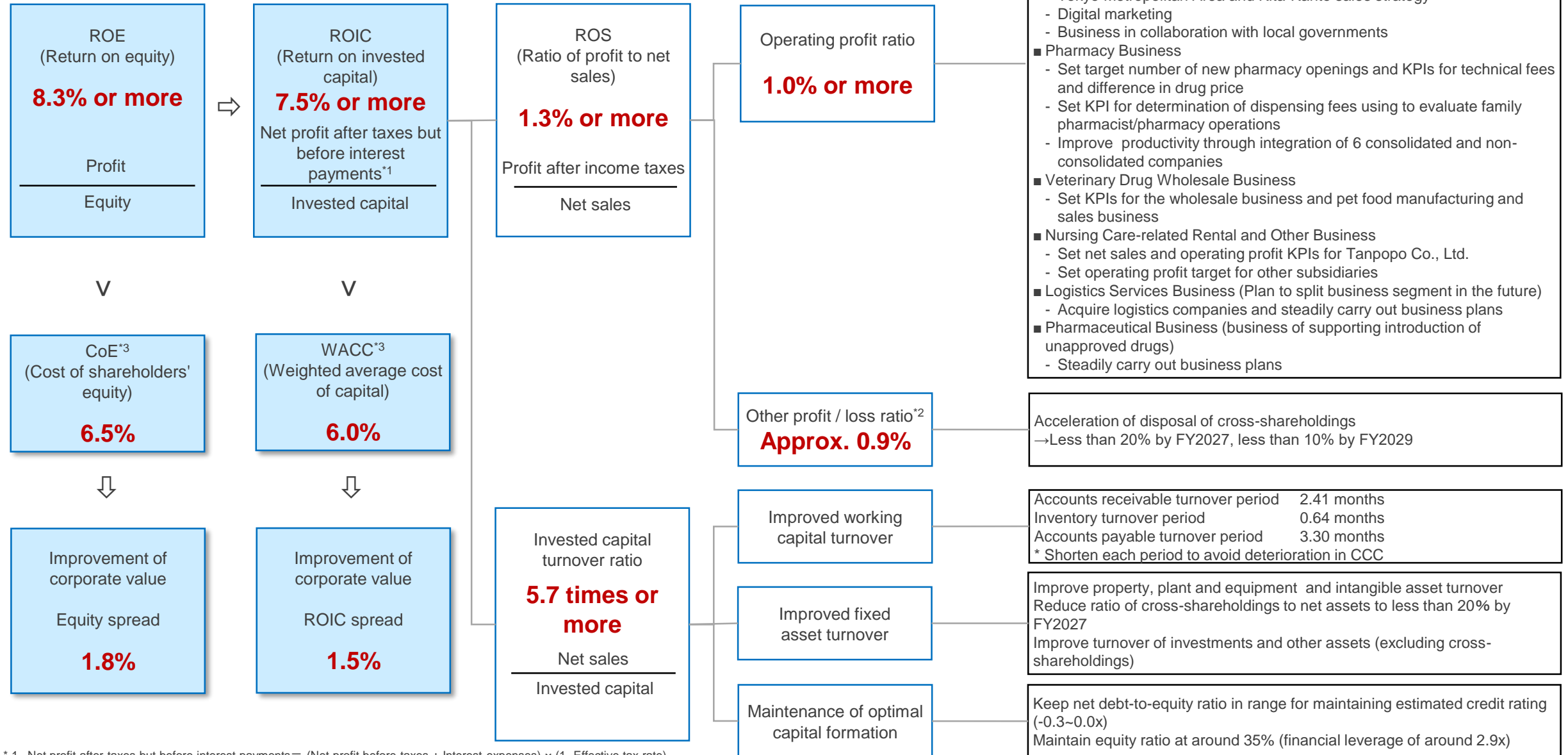
*1: Metric of core business profitability before deduction of research and development expenses for the pharmaceutical business (business of supporting the introduction of unapproved drugs) to be implemented during the plan period from the sales revenue of existing businesses

*2: Expenses for the pharmaceutical business (business of supporting the introduction of unapproved drugs) to be implemented during the plan period

Adjusted ROE ^{*3}	—	7.6	7.9	8.3
ROE	6.9	6.8	6.5	7.5
Adjusted ROIC ^{*3}	—	6.7	6.8	7.5
EPS	149.0 yen	149.1 yen	145.0 yen	167.8 yen
Number of shares outstanding	48,274 thousand shares	48,274 thousand shares	48,274 thousand shares	48,274 thousand shares

*3: Metric of core capital profitability before deduction of research and development expenses for the pharmaceutical business (business of supporting the introduction of unapproved drugs) to be implemented during the plan period from the sales revenue of existing businesses

Medium-Term Management Plan 2027 ROIC Tree (Before Deduction of Research and Development Expenses)

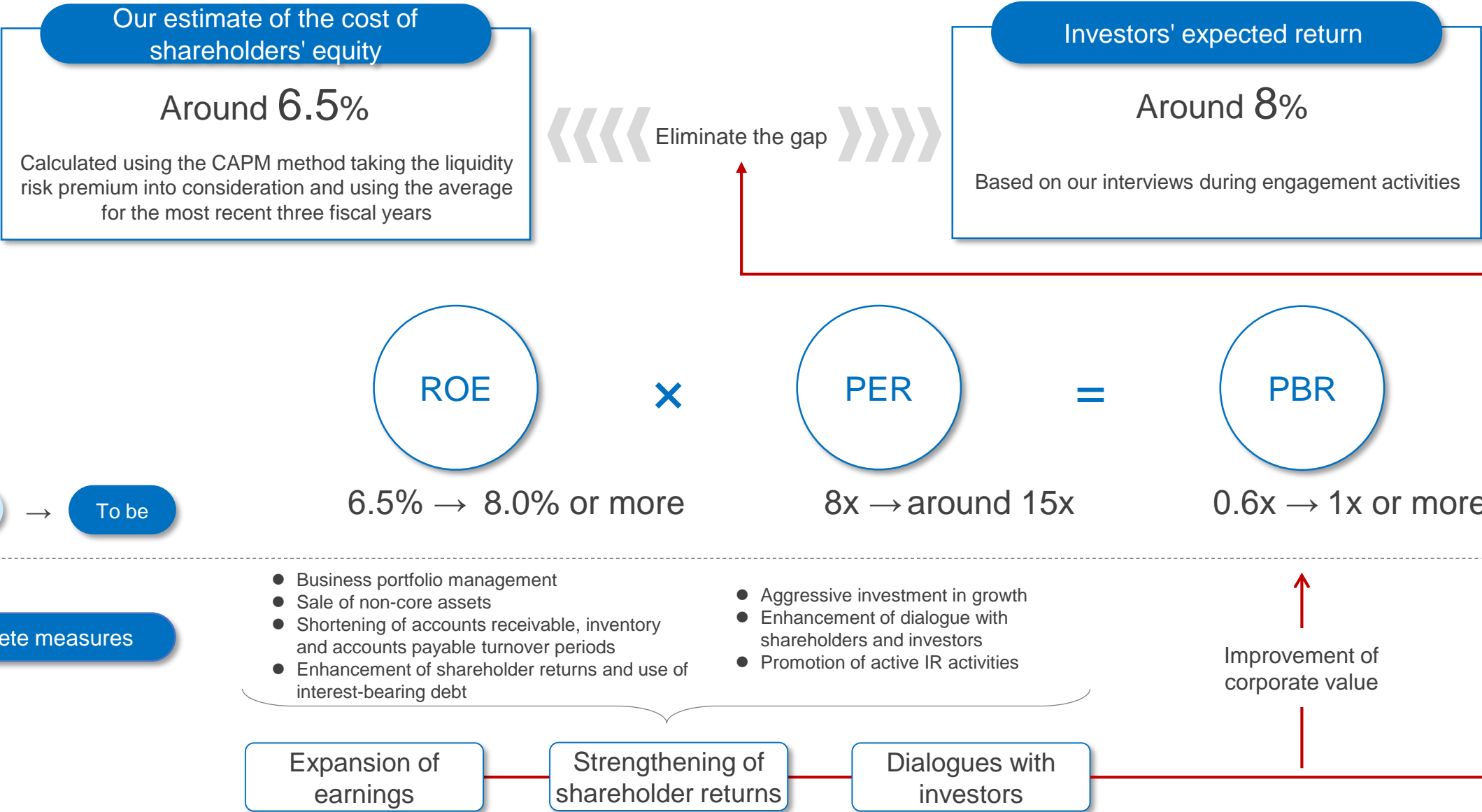


* 1 Net profit after taxes but before interest payments = (Net profit before taxes + Interest expenses) × (1 - Effective tax rate)

* 2 Other profit/loss ratio = (Net profit before taxes - Operating profit) ÷ Net sales

* 3 Values for CoE and WACC are average values for last 3 years

Our Approach to the Cost of Capital



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.

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