Towards realization of healthy and prosperous society

Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (the 14th term)

November 2022

VITAL KSK HOLDINGS, INC.

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

I would like to present to you a summary of the financial results for the first half of the fiscal year ending March 31, 2023.

Today's Topics

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1. Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2023
2. Full-year Results Forecast for the Fiscal Year Ending March 31, 2023
3. Strengthening Efforts Toward Corporate Value Enhancement

Here we have the content of today's presentation.

I will begin with an explanation with respect to financial highlights for the first half of the fiscal year ending March 31, 2023. I will then move on to the full-year results forecast for the fiscal year ending March 31, 2023 before explaining how we are strengthening efforts to enhance our corporate value.

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1 Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2023

First of all, I will provide an explanation with respect to financial highlights for the first half of the fiscal year ending March 31, 2023.

Summary of Income for the First Half of the Fiscal Year Ending March 31, 2023

(Million yen, %)

	Previous year's results		Results forecast		FY2022 2Q Results			
			Announced on October 28, 2022	Revised on November 8, 2022				
	Amount	Ratio to net sales	Amount	Amount	Amount	Ratio to net sales	Achievement rate*	YoY
Net sales	285,229	–	289,300	289,300	289,376	–	100.0	101.5
Operating profit	934	0.33	1,500	730	730	0.25	48.7	78.2
Ordinary profit	2,355	0.83	3,200	2,420	2,423	0.84	75.7	102.8
Profit attributable to owners of parent	1,411	0.49	2,000	1,440	1,437	0.50	71.9	101.9

* Achievement rate is rate of achievement of forecast announced on October 28, 2022.

Net sales for the period under review were ¥289,376 million, 101.5% of the level a year earlier.

Operating profit amounted to ¥730 million, 78.2% of the level a year earlier. This reflects the recording of an allowance for doubtful accounts because receivables held by the Group may become impossible to collect, as announced on November 8.

Ordinary profit stood at ¥2,423 million, 102.8% of the level a year earlier, due to the recording of non-operating income of ¥1,800 million, reflecting a greater-than-anticipated gain on investments in investment partnerships, in addition to administrative service fee income from pharmaceutical companies and dividend income.

As a result, profit attributable to owners of parent was ¥1,437 million, 101.9% of the level a year earlier.

I will explain the factors behind the increase in net sales and the decrease in operating profit in more detail later.

Profit by segment

Prescription drugs	100.3%
Reagents and medical devices	119.8%
OTC drugs	100.4%

(Million yen, %)

	Pharmaceutical Wholesale Business*1			Pharmacy Business*2		Veterinary Drug Wholesale Business*3		Other Businesses*4	
	Results	Ratio to net sales	YoY	Results	YoY	Results	YoY	Results	YoY
Net sales	273,045	–	101.4	9,009	99.6	5,309	103.5	2,011	105.4
Gross profit	18,343	6.72	107.2	2,362	97.7	828	104.7	1,894	100.7
Selling, general and administrative expense	17,735	6.50	108.4	2,329	99.7	650	108.0	2,040	103.2
Operating profit	607	0.22	82.2	32	39.6	178	94.1	-146	– (-97 in the previous fiscal year)

*1: VITAL KSK HOLDINGS, INC. VITAL-NET, INC., KSK Co., Ltd.
*2: OHNO CO. LTD., Goodneighbor Inc., Kenkodo Pharmacy Co., Ltd.
*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.

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I would now like to explain income by segment.

Starting with the Pharmaceutical Wholesale Business, the NHI drug prices revisions in April had a negative impact; however, the growth rate of sales of prescription drugs was 100.3% mainly due to focused efforts on the sale of innovative products eligible for the price maintenance premium (PMP) and various vaccines, and the growth rate of reagents and medical devices was 119.8% due to increased sales of mainly COVID-19-related supplies. As a result, net sales in this segment came to ¥273,045 million, which is 104.1% of the level a year earlier. Gross profit amounted to ¥18,343 million, which is 107.2% of the level a year earlier. However, SG&A expenses came to ¥17,735 million, which is 108.4% of the level a year earlier, due to the recording of an allowance for doubtful accounts mentioned in the previous section. As a result, operating profit amounted to 607 million yen, 82.2% of the level a year earlier.

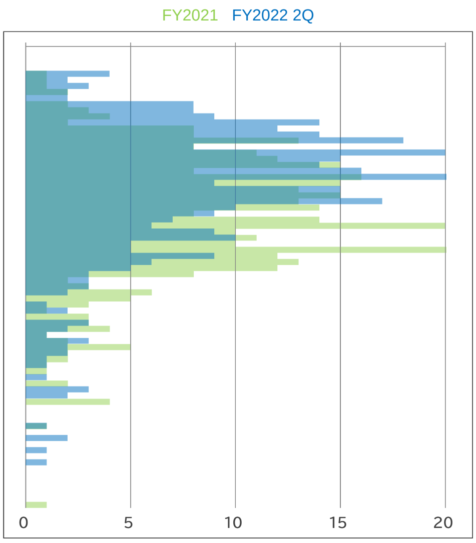
Next, I will discuss the Pharmacy Business. Aiming to realize the family pharmacies sought by the Japanese government, we endeavored to determine relevant dispensing fees but were negatively impacted by the NHI drug price revisions, and net sales in the segment amounted to ¥9,009 million, which is 99.6% of the level a year earlier, and gross profit was ¥2,362 million, which is 97.7% of the level a year earlier. SG&A expenses were ¥2,329 million, which is 99.7% of the level a year earlier. As a result, operating profit totaled ¥32 million.

Next, I will explain the results of the Veterinary Drug Wholesale Business. Net sales amounted to ¥5,309 million, which is 103.5% of the level a year earlier, due to increased sales of high profit products. The segment also posted gross profit of ¥828 million yen, which is 104.7% of the level a year earlier. However, SG&A expenses were ¥650 million yen, 108.0% of the level a year earlier, due to higher logistics expenses. As a result, operating profit amounted to ¥178 million yen, 94.1% of the level a year earlier.

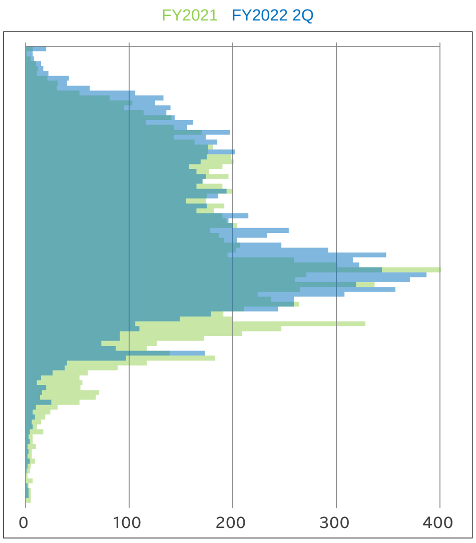
Turning finally to the Other Businesses segment, sales in the agricultural chemicals wholesale business were strong; however, other operations such as the nursing care business and the sports facility management business were lackluster due to the COVID-19 pandemic and, as a result, the segment recorded an operating loss of ¥146 million.

Main Initiatives (1) Thorough implementation of price negotiations based on an awareness of transaction costs

Comparison of selling prices with weighted average (hospitals)



Comparison of selling prices with weighted average (pharmacies)



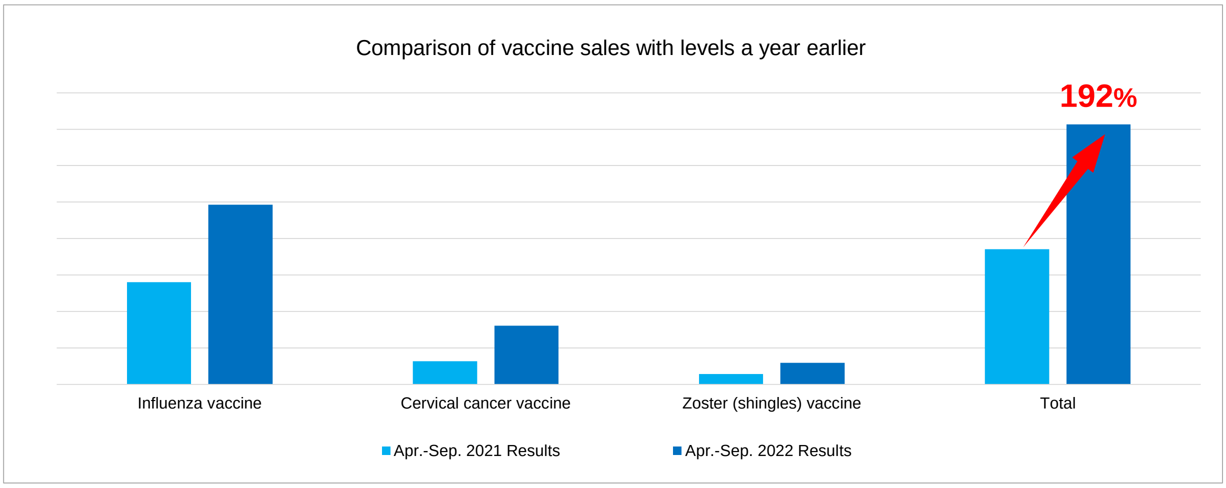
I would now like to explain the main factors behind the financial results for the first half of the fiscal year ending March 31, 2023.

Firstly, the results reflect thorough implementation of price negotiations focused on the profit contribution of individual customers (=operating profit per customer). In our transactions with customers, specifically hospitals with more than 200 beds and pharmacies, we politely explained the costs of drug manufacturers, including invoice prices, and the rise in logistics costs and, as a result of our efforts, the gross profit of the Pharmaceutical Wholesale Business improved significantly year on year.

Going forward, we will continue striving to conduct transactions at reasonable prices in order to maintain a stable supply of drugs.

Main Initiatives (2) Promotion of the sale of vaccines

- Focus on sales of influenza vaccine, cervical cancer vaccine and zoster (shingles) vaccine
- Leveraged our high clinic coverage ratio to increase combined total sales of all three vaccines to 192% of level a year earlier



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We also actively focused on sales of vaccines.

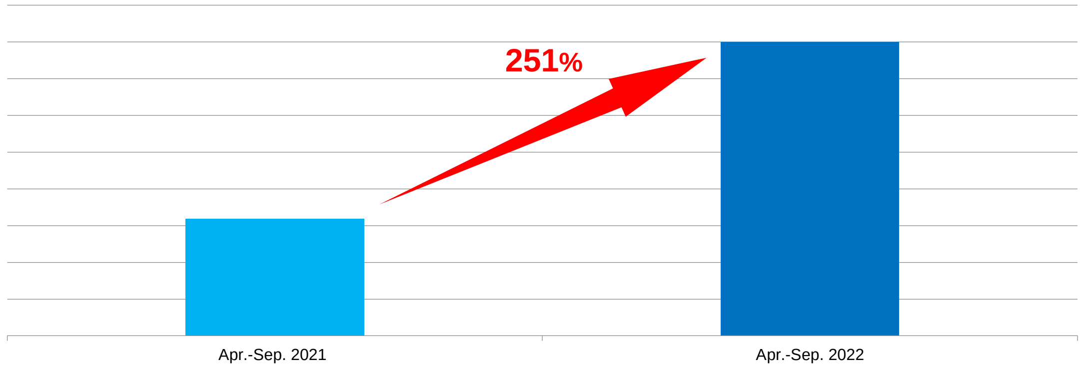
As a drug wholesaler with close ties with local communities, we have a high clinic coverage ratio. Leveraging this strength, we focused on sales of influenza vaccine, cervical cancer vaccine and zoster (shingles) vaccine, and as a result, combined total sales of the three vaccines grew sharply, increasing to 192% of the level a year earlier.

This also contributed significantly to improvement in sales and gross profit in the quarter under review.

Main Initiatives (3) Growth in sales of COVID-19-related products

- Sales of products such as COVID-19 antigen test kits, simple PCR testing devices and reagents grew to 251% of the level a year earlier.
- Sales of COVID-19-related products and supplies to local governments also increased sharply.

Comparison of sales of COVID-19-related products with level a year earlier

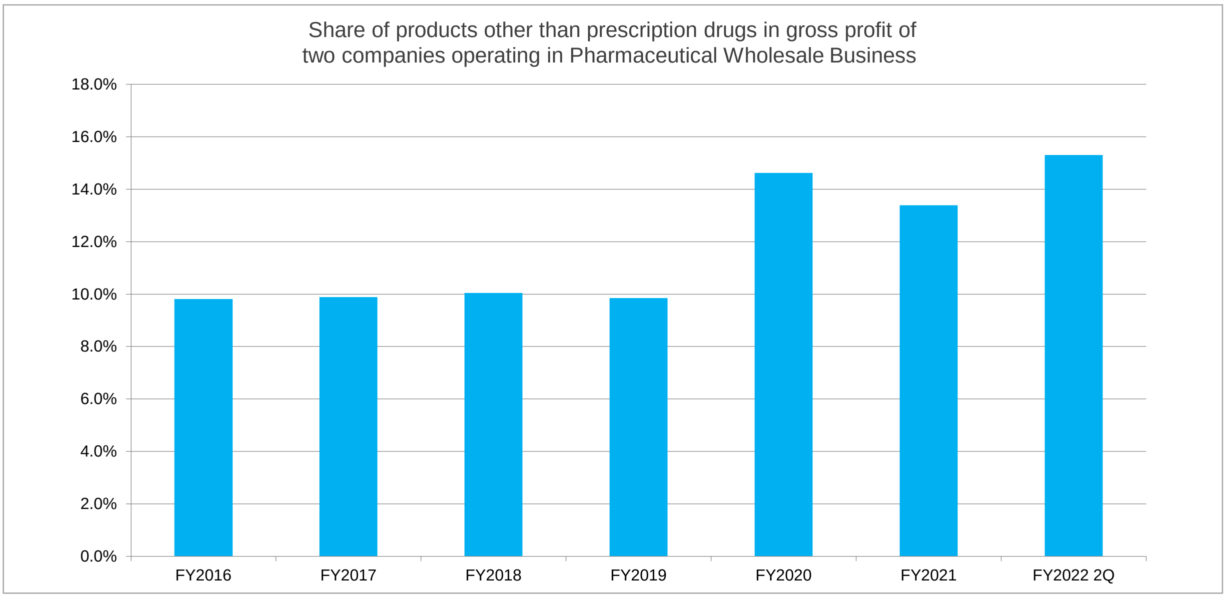


The sales growth of COVID-19-related products was also a factor behind the increases in net sales and gross profit.

Sales grew significantly, reaching 251% of the level a year earlier, reflecting a strong performance in the COVID-19-related equipment rental business, in addition to sales of products such as COVID-19 antigen testing kits, simple PCR testing devices and reagents.

The growth is attributable to an increase in sales not only to medical institutions who are our existing customers but also to local governments. This is one example of our success in leveraging our special characteristics as a company with close ties to local communities operating for many years.

Main Initiatives (4) Focus on sales of products other than prescription drugs in the Pharmaceutical Wholesale Business



Moreover, with sales of prescription drugs growing at a sluggish pace, mainly due to the impact of repeated NHI drug revisions, we sought to generate gross profit by focusing on sales of other products such as medical devices, diagnostics and reagents in addition to the COVID-19-related products explained earlier. As a result, the share of products other than prescription drugs in the gross profit of the two companies operating in Pharmaceutical Wholesale Business showed steady growth.

Moving forward, we will continue working to generate stable profit by actively expanding products and sales channels with the aim of increasing this share to more than 20%.

Main Initiatives (5) Strengthening outsourcing business -1

■ **Expansion of 3PL (3rd Party Logistics) business**

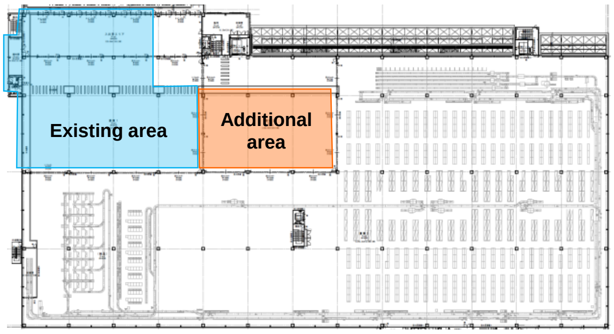
Development of a high quality distribution structure that is GDP*1-compliant and partially GMP*2-compliant

Expansion of service area due to increase in logistics services for drug manufacturers based on our reputation for strict quality management

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

■ Outside view of VITAL-NET, INC. Miyagi Logistics Center (Kurokawa District, Miyagi Prefecture)

■ Floor plan of Miyagi Logistics Center 3F



The outsourcing business, which has been a focus of our efforts for some time, is also steadily producing results.

One such result is the 3PL business. We have developed a high quality distribution structure that is compliant with Guidelines on Good Distribution Practice (GDP) and also partially compliant with Guidelines on Good Manufacturing practices (GMP).

Logistics services for drug manufacturers are growing based on our reputation for strict quality management. At VITAL-NET, INC.'s Miyagi Logistics Center, which is responsible for some logistics functions, we have expanded the area for such service to 1.3 times its previous size from the current fiscal year.

Main Initiatives (5) Strengthening outsourcing business -2

■ **Utilization of ICT by our MS to support MR information provision activities**

Demand for ICT-based remote sales activities have remained at a high level during the COVID-19 pandemic.

Our MS fulfil the role of linking up doctors and other health professionals with drug manufacturers through the use of tablets for virtual accompanied visits, web seminars and so on.

Our MS use ICT to support the provision of information to doctors by the MR of drug manufacturers

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I would also like to highlight initiatives to support the information provision function of drug manufacturers' MR.

With no end to the COVID-19 pandemic in sight, demand for ICT-based remote sales activities remains at a high level. As I explained when talking about sales of vaccines earlier, we are deeply involved in community-based healthcare and, leveraging this strength, our MS actively fulfil the role of linking up drug manufacturers and doctors and other health professionals. The frequency of implementation of virtual accompanied visits and web seminars is also steadily increasing and, with this, fees from drug manufacturers are also rising.

Factors for Decrease in Operating Profit

(Million yen)

Account item		Six months ended September 30, 2021	Increase/decrease from level a year earlier	Main factors for increase/decrease
Gross profit		22,149	1,195	As explained earlier
Selling, general and administrative expenses	Provision of allowance for doubtful accounts	809	828	Due to the self-declared bankruptcy of certain business partners
	Other SG&A expenses	20,609	570	Due to higher utilities expenses and depreciation and amortization
	Total	21,418	1,398	
Operating profit		730	-234	

Next, I would like to explain the decrease in operating profit.

SG&A expenses increased ¥1,398 million from the same period a year earlier due to the the recording of an allowance for doubtful accounts because receivables held by the Group may become impossible to collect, as announced on November 8, 2022.

As a result, operating profit amounted to ¥730 million, which is 78.2% of the level a year earlier.

Balance Sheet

(Million yen)

	March 31, 2022	September 30, 2022	Increase/ decrease	Main factors for increase/decrease
Current assets	198,532	200,920	2,388	
Cash and deposits	26,971	27,374	403	
Notes and accounts receivable – trade	119,533	123,569	4,036	Due to increase in sales (increase in sales of vaccines, etc. in September)
Inventories	31,788	31,444	-344	
Non-current assets	114,501	115,511	1,010	
Property, plant and equipment and intangible assets	50,797	50,269	-528	Due to recording or depreciation and amortization
Investments and other assets	63,703	65,241	1,538	Due to rising market prices of investment securities
Total assets	313,033	316,432	3,399	
Current liabilities	190,092	191,230	1,138	
Notes and accounts payable – trade	176,685	179,248	2,563	Due to increase in sales (increase in sales of vaccines, etc. in September)
Short-term borrowings (including current portion of long-term borrowings)	1,960	1,960	0	
Other current liabilities	11,447	10,020	-1,427	Due to payment of income taxes payable
Non-current liabilities	22,898	21,573	-1,325	Due to contribution to retirement benefit trust
Total liabilities	212,991	212,803	-188	
Net assets	100,041	103,628	3,587	
Shareholders' equity	75,631	75,332	-299	
Accumulated other comprehensive income	23,329	27,170	3,841	Due to rising market prices of investment securities
Total liabilities and net assets	313,033	316,432	3,399	

Next, I would like to explain the balance sheet.

Let me start with assets. Notes and accounts receivable - trade increased ¥4,036 million as a result of rising demand for drugs including vaccines and growth in sales of COVID-19-related products. Investments and other assets increased ¥1,538 million mainly due to the rising market prices of investment securities. As a result, total assets increased ¥3,399 million.

Moving onto liabilities. Notes and accounts payable - trade climbed ¥2,563 million, reflecting increased purchases as a result of sales growth. Other current liabilities fell ¥1,427 million, chiefly owing to the payment of income taxes payable. Meanwhile non-current liabilities shrank ¥1,325 million, primarily reflecting contribution to a retirement benefit trust. As a result, total liabilities were down ¥188 million.

Finally, total net assets rose ¥3,587 million. This is mainly because accumulated other comprehensive income increased ¥3,841 million due to the rising market prices of investment securities.

2 Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2023

I will now move on the earnings forecasts for the fiscal year ending March 31, 2023.

Full-year Earnings Forecasts for the Fiscal Year Ending March 31, 2023

(Million yen, %)

	Previous year's results		Results forecast		Revised earnings forecasts for the fiscal year ending March 31, 2023			
			Announced on May 12, 2022	Revised on October 28, 2022	Revised again on November 8, 2022			
	Amount	Ratio to net sales	Amount	Amount	Amount	Ratio to net sales	Increase/ decrease*	YoY
Net sales	577,249	–	563,300	567,300	567,300	–	0	98.3
Operating profit	2,945	0.51	2,300	2,300	1,940	0.34	-360	65.9
Ordinary profit	5,834	1.01	4,900	5,300	4,900	0.86	-400	84.0
Profit attributable to owners of parent	4,770	0.83	4,500	4,700	4,400	0.78	-300	92.2

* Increase/decrease is compared to forecast announced on October 28, 2022.

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Our full-year earnings forecasts for the fiscal year ending March 31, 2023 reflect many persisting uncertainties from the third quarter onwards, which include the stabilization of sales of COVID-19-related medical devices, clinical test reagents, etc. and of demand for the COVID-19 vaccine distribution services as well as increases in commodity prices and various costs due to surges in raw material prices amidst progressing global inflation, despite the higher-than-expected sales in the first six months as stated above.

Furthermore, we decided on the above forecast in light of the recording of an allowance for doubtful accounts because receivables held by the Group may become impossible to collect, as announced on November 8, 2022.

3 Strengthening Efforts Toward Corporate Value Enhancement

Next, I would like to explain how we are strengthening efforts to enhance our corporate value.

Basic policy and concrete measures

Basic policy	Concrete measures
1. Enhancement of corporate governance	i. Transition to a company with an Audit & Supervisory Committee ii. Introduction of a performance-linked compensation system with ROE as performance indicator
2. Improvement of capital efficiency	i. Strengthening of shareholder returns ii. Acceleration of disposal of cross-shareholdings iii. Specification of ROE target
3. Aggressive investment in growth	i. Standby funds for risks essential for BCP ii. Investment in existing businesses as a social infrastructure company iii. Investment for new earnings sources and future growth

Aiming for further enhancement of corporate value
through steadily execution of these measures

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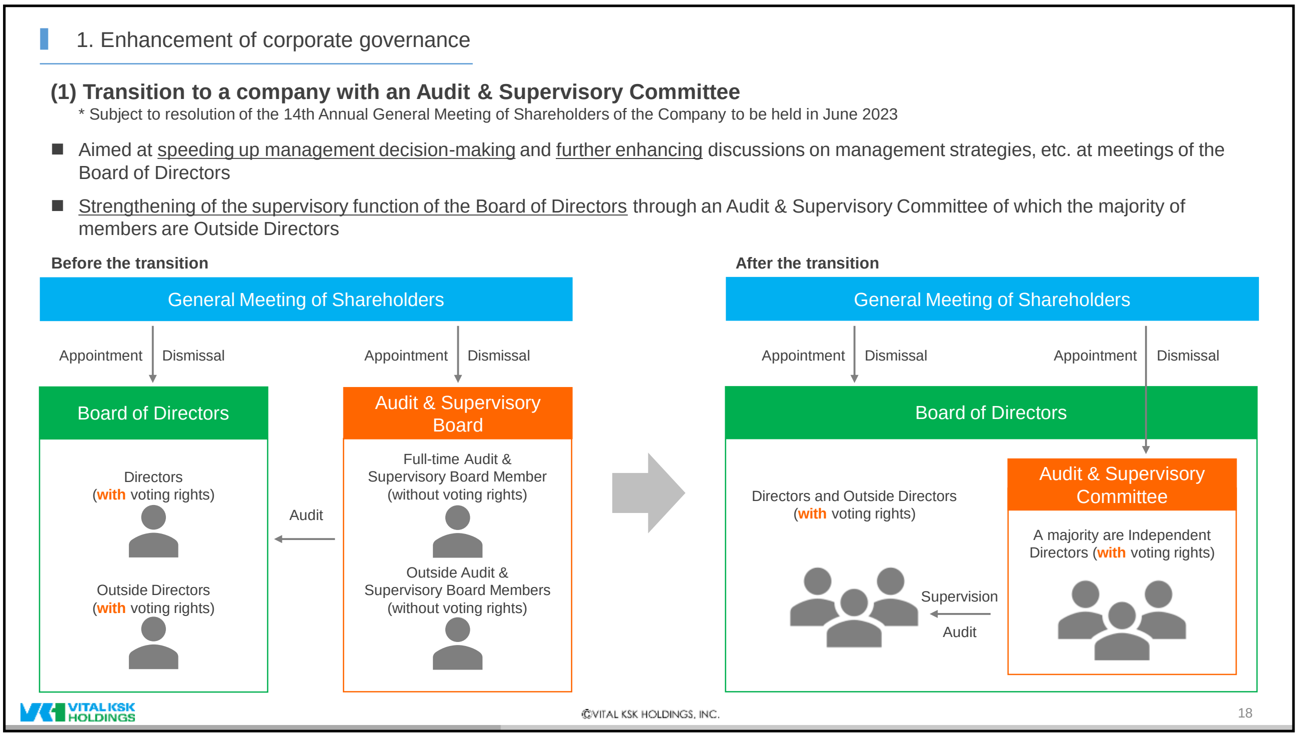
In April 2022, we launched our fifth Medium-Term Management Plan (FY2022-FY2024). Under the plan, based on its medium-term vision “Business model innovation looking at next-generation capabilities,” the Company has set out three practical tasks, namely "1. Pursuit of drug distribution model in keeping with market structure changes and market characteristics," "2. Evolution of distribution and marketing model in step with progress of DX in health care," and "3. Implementation of group management that meets prime market requirements."

In order to address the third practical task "3. Implementation of group management that meets prime market requirements," the Company has continuously been engaged in constructive dialogue with many institutional investors since April 2022. Consequently, in order to implement more specific actions toward the medium- to long-term enhancement of its corporate value and to actively disclose information, the Company decided to take concrete measures based on three basic policies: (1) Enhancement of corporate governance, (2) Improvement of capital efficiency, and (3) Aggressive investment in growth.

By steadily implementing these basic policies, we will aim to further enhance our corporate value.



In connection with "1. Enhancement of corporate governance," I would now like to explain our transition to a company with an Audit & Supervisory Committee.

The Company has been working to enhance corporate governance with the goal of achieving sustained growth and enhancing corporate value over the medium- to long-term. Amidst the rapid change in the business environment surrounding the Company, the Company decided to transition to a company with an Audit & Supervisory Committee, subject to a resolution at the Annual General Meeting of Shareholders to be held in June 2023, in order to accelerate management decision-making, further improve discussions on management strategies, etc. at meetings of the Board of Directors, and strengthen the supervisory functions of the Board.

1. Enhancement of corporate governance

(2) Introduction of a performance-linked compensation system with ROE as the performance indicator

* Subject to resolution of the 14th Annual General Meeting of Shareholders of the Company to be held in June 2023

- For Directors, Executive Officers, and some employees of the Company and its major operating subsidiaries who satisfy certain conditions
- Introduction of a restricted stock unit plan for granting stock-based compensation according to the degree of achievement of ROE
- Giving the Company's management and employees the same perspective as shareholders toward the sustained enhancement of corporate value

	Restricted stock unit plan (RS: Restricted Stock)
Timing of introduction	From July 2023
Performance indicator	ROE
Eligibility	Directors, Executive Officers, and some employees of the Company and its major operating subsidiaries who satisfy certain conditions

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Next, I will discuss our introduction of a performance-linked compensation system with ROE as a performance indicator.

The Company plans to introduce a restricted stock unit plan (RS) as a new performance-based remuneration plan, under which stock compensation is granted to Directors, Executive Officers, and some employees of the Company and its major operating subsidiaries who satisfy certain conditions according to the degree of achievement of return on equity (ROE), on the assumption that the resolution will be approved at the Annual General Meeting of Shareholders to be held in June 2023.

The Company believes that the introduction of this plan will develop a strong shared awareness of ROE among Directors, Executive Officers, and employees of the Company as well as enable them to have the same perspective as shareholders toward the sustained enhancement of corporate value.

2. Improvement of capital efficiency

(1) Strengthening of shareholder returns

- Adopted dividend on equity (DOE) as an index for dividends, replacing the previous target of dividend payout ratio of 25% or more, because DOE is relatively immune to changes in single-year business results.
- Future dividend policy: Maintain a DOE of 2% or more

Change in forecast dividend per share for the current fiscal year (ending March 31, 2023)

	Before revision	→	After revision
Dividend per share	An annual dividend of 24 yen (an interim dividend of 12 yen and a year-end dividend of 12 yen)	→	**An annual dividend of 39 yen*** (an interim dividend of 12 yen and **a year-end dividend of 27 yen**)

* DOE is over 2% in the following calculation: (39 yen x total shares issued (excluding treasury shares) 51,903,000 shares as of September 30, 2022) ÷ Amount of capital at the end of the fiscal year ended March 31, 2022 (excluding amount paid for new shares) 100,041,897,000 yen = 2.02%

I would now like to turn to "2. Improvement of capital efficiency."

Let me start with the change to our dividend policy. The Company has decided to adopt dividend on equity (DOE) as an index for dividends starting in the fiscal year under review, replacing the previous target of dividend payout ratio of 25% or more, because DOE is relatively immune to changes in single-year business results. The Company also set a target of maintaining a DOE of 2% or more.

Based on this policy, we changed our initial dividend forecasts of an interim dividend of 12 yen and year-end dividend of 24 yen, making an annual dividend of 24 yen, to an interim dividend of 12 yen and a year-end dividend of 27 yen, making an annual dividend of 39 yen.

2. Improvement of capital efficiency

(1) Strengthening of shareholder returns

- A total return ratio of 50% or more
- For returning profits to all shareholders with maximum consideration for them, while maintaining its financial soundness.

	Year ended March 31, 2020 Results	Year ended March 31, 2021 Results	Year ended March 31, 2022 Results	Year ending March 31, 2023 Forecast	Policy from the year ending March 31, 2024
Cash dividends per share	24.0 yen	12.0 yen	26.0 yen (includes special dividend of 2.0 yen)	**39.0 yen**	Maintain a DOE of 2% or more
Purchases of treasury stock	1,400,000 shares (1,498 million yen)	–	2,000,000 shares (1,559 million yen)	1,450,000 shares (998 million yen)	TBD
Total return ratio	61.0%	56.4%	62.0%	68.7%	50.0% or more

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Next, I will explain our shareholder return policy.

As the shareholders’ equity ratio is not at a particularly high level, currently at around 30%, the Company will need to continuously maintain its financial soundness. However, the Company has set the total shareholder return target at 50% or more based on the maximum consideration for shareholders and will make returns to shareholders accordingly.

Shareholder Returns Policy for Year Ending March 31, 2023

■ **Changes in net profit**

	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023 (forecast)
Profit attributable to owners of parent	1,171 million yen	4,770 million yen	4,400 million yen

■ **Changes in basic earnings per share**

	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023 (forecast)
Basic earnings per share	21.3 yen	87.9 yen	84.4 yen

■ **Changes in shareholder return policy**

	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023 (forecast)
Dividend per share	12 yen Interim dividend of 12 yen + year-end dividend of 0 yen	26 yen Interim dividend of 12 yen + year-end dividend of 14 yen (includes special dividend of 2 yen)	**39 yen** Interim dividend of 12 yen + year-end dividend of 27 yen
Payout ratio	56.4%	29.6%	46.0%
Purchase of treasury shares	–	2,000,000 shares (1,559 million yen)	1,450,000 shares (998 million yen)
Total payout ratio	56.4%	62.0%	68.7%

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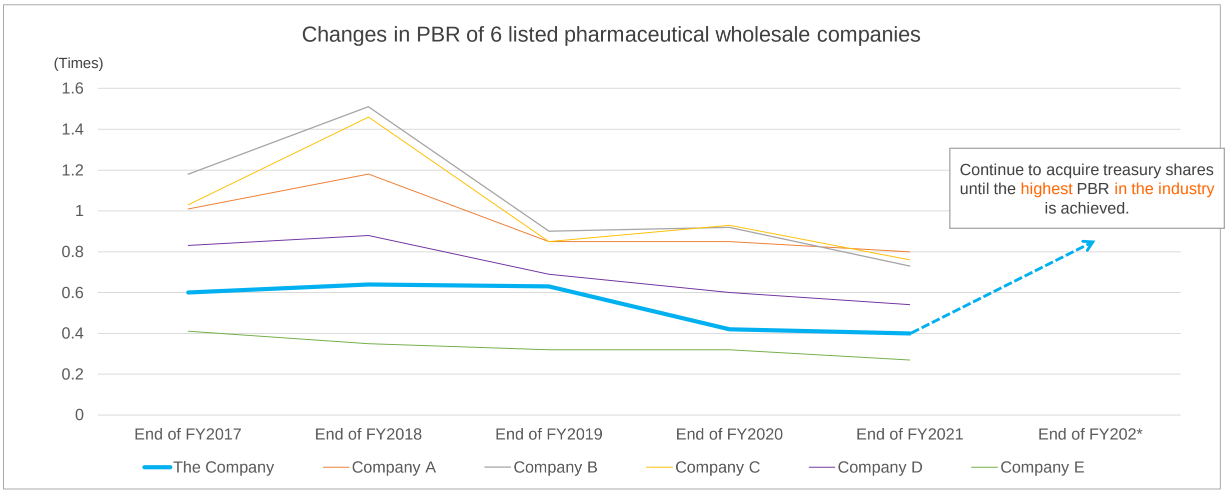
I would now like to explain our shareholder return policy for the year ending March 31, 2023.

As explained earlier, we changed our dividend policy to "Maintain a DOE of 2% or more" starting from the current fiscal year. Accordingly, we decided to pay a year-end dividend of 27 yen, bringing the annual dividend to 39 yen. As a result, the consolidated payout ratio will be 46.0%. As the Company acquired 1,450,000 shares of treasury stock in June 2022, total shareholder return that incorporates the annual dividend will be 68.7%.

2. Improvement of capital efficiency

(1) Strengthening of shareholder returns

- Continue to acquire treasury shares until the <u>highest PBR in the industry</u> is achieved.



Next, I will explain our policy on the purchase of treasury shares.

We have previously conducted purchases of treasury shares as part of a flexible capital policy and going forward, we will continue to acquire treasury shares until the highest market-to-book value (PBR) in the pharmaceutical wholesale industry is achieved. The specific timing and scale of purchases will be determined following consideration by the Board of Directors.

2. Improvement of capital efficiency

(2) Acceleration of disposal of cross-shareholdings

■ The Company will sell around 50% of its cross-shareholdings over the next 5 years, and over the next 10 years, the Company will reduce its cross-shareholdings to less than 10% of its consolidated net assets.

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Next, I would like to explain the disposal of cross-shareholdings.

At the end of the previous fiscal year, our cross-shareholdings accounted for 41.6% of our net assets. The Company plans to sell approximately 50% of its cross-shareholdings in the next 5 years, aiming to reduce them to less than 20% of its net assets. By FY2031, another 5 years after that, all the shares held by the Company, excluding shares of counterparties in capital and business alliance agreements and shares entrusted with the employee pension trust, will be sold, and the Company will reduce its cross-shareholdings to less than 10% of its consolidated net assets.

(3) Establishment of ROE target

- Aiming for an ROE of 5.0% for next fiscal year (FY2023) and a ROE of 8.0% after 10 years (FY2031).

Improve the profitability of existing businesses

Introduction of a performance-linked compensation system with ROE as performance indicator

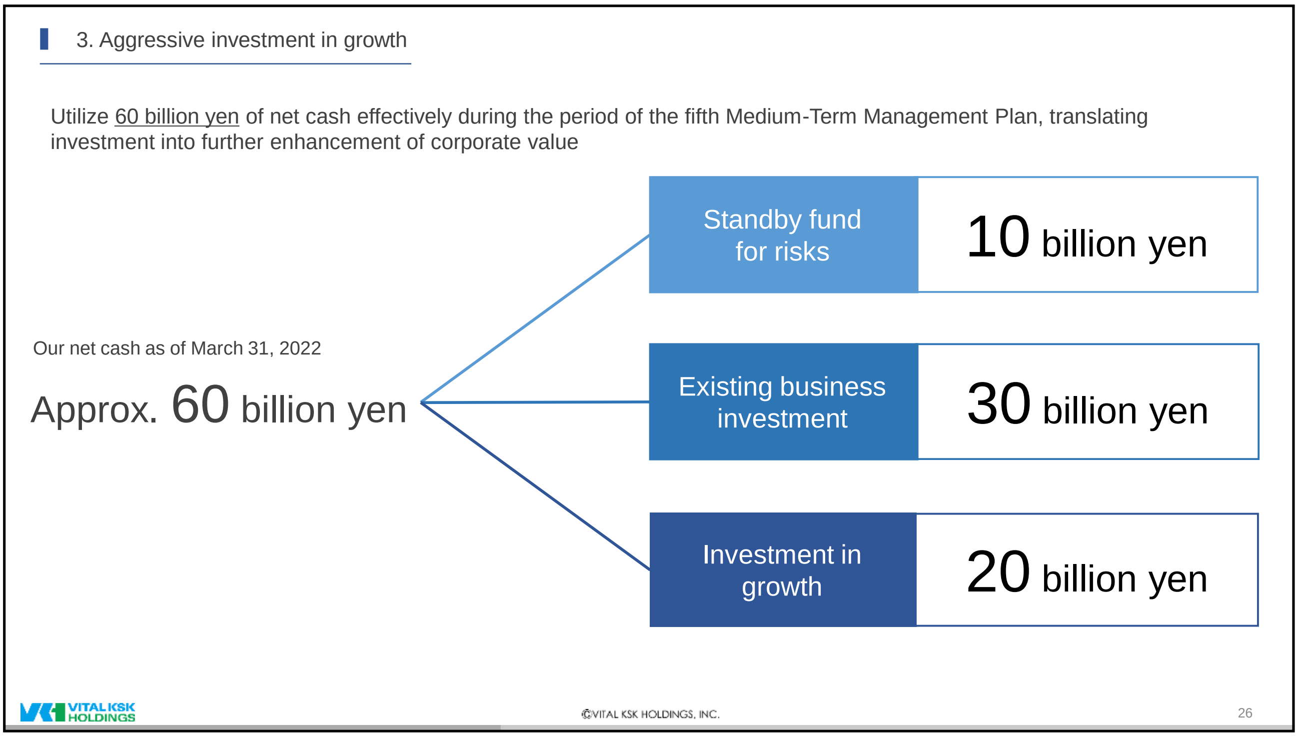
Improvement of capital efficiency

Aggressive investment in growth

	Year ended March 31, 2022 Results	Fifth Medium-Term Management Plan				
		Year ending March 31, 2023 Plan	Year ending March 31, 2024 Plan	Year ending March 31, 2025 Plan	·····	Year ending March 31, 2032 Plan
ROE	4.7%	4.5%	5.0%	5.2%	·····	8.0%

Next, I would like to discuss our ROE target.

The Company aims to achieve an ROE of 5.0% for the next fiscal year (FY2023) and 8.0% after 10 years (FY2031) by strengthening the profitability of the existing business through the implementation of the ongoing fifth Medium-Term Management Plan, shared ROE-linked incentives for the management team and employees as explained earlier, the improvement of capital efficiency and active investment for future growth as described next.



Let me now explain "3. Aggressive investment in growth."

As of March 31, 2022, we had net cash (cash and deposits + investment securities – interest-bearing debt) of around 60 billion yen. We plan to utilize this cash effectively and translate this investment into further enhancement of corporate value.

More specifically, we expect to use 10 billion yen as standby funds for risks, 30 billion yen for existing business investment, and 20 billion yen for investment in growth.

3. Aggressive investment in growth

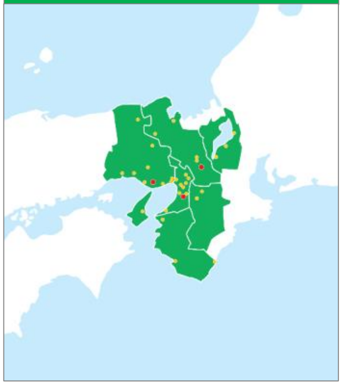
(1) Standby fund for risks (10 billion yen)

- Having experienced the East Japan Great Earthquake in March 2011, the Company will set aside approx. 10 billion yen as a standby fund for risks from a BCP perspective.

(2) Existing business investment (30 billion yen)

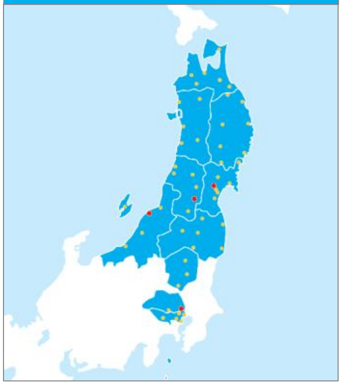
- Preparing for the construction of a new Osaka Distribution Center
- Building open core systems
- Renovating existing facilities and eliminating and consolidating branches, etc.

KSK's logistics network



3 logistics centers 32 branches

VITAL-NET's logistics network



4 logistics centers 53 branches and sales offices

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Let me start by explaining the 10 billion standby fund for risk. Having experienced the Great east Japan Earthquake in March 2011, we believe that around 10 billion yen is necessary from a business continuity planning (BCP) perspective.

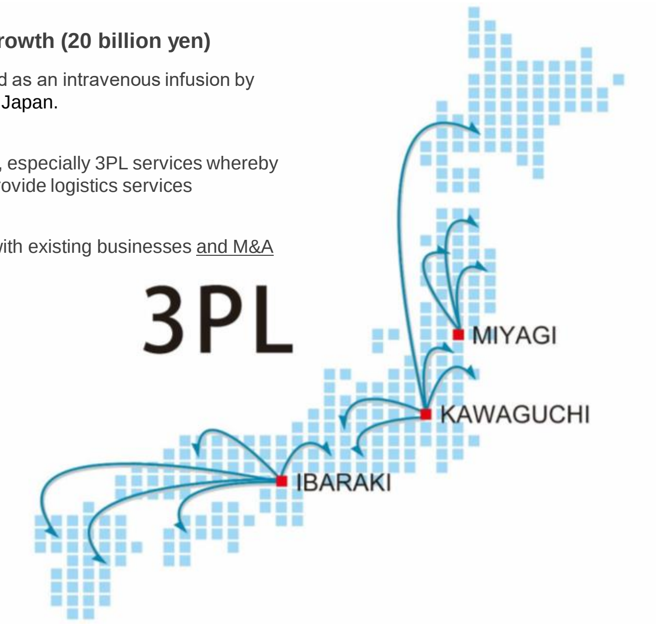
Turning next to existing business investment. The Company plans to use approximately 30 billion yen during the period of the fifth Medium-Term Management Plan mainly for preparing for the construction of a new Osaka Logistics Center, building open core systems, renovating existing facilities and eliminating and consolidating branches.

The VITAL KSK Group believes it has a responsibility to deliver pharmaceuticals—products that relate directly to life and wellbeing—with safety and peace of mind. As an infrastructure company supporting community-based healthcare, we are committed to distributing pharmaceuticals without interruption at all times and to reliably maintaining the capability to deliver what is needed, when needed, in the quantity needed.

3. Aggressive investment in growth

(3) Investment for new earnings sources and future growth (20 billion yen)

- In charge of logistics in Japan for PIVLAZ™ 150 mg, developed as an intravenous infusion by Idorsia Pharmaceuticals Japan Ltd. and being launched first in Japan.
- Expanding investment in various types of outsourcing services, especially 3PL services whereby we are contracted by other pharmaceutical manufacturers to provide logistics services
- Actively focusing on new businesses with potential synergies with existing businesses and M&A



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Moving on to investment for new earnings sources and future growth.

We are now in charge of logistics in Japan for PIVLAZ™ 150 mg, developed as an intravenous infusion by Idorsia Pharmaceuticals Japan Ltd. and being launched first in in Japan.

The Company plans to use approximately 20 billion yen mainly for the 3PL business for other pharmaceutical companies and various other outsourcing services, as well as for new business investment and M&As in business areas peripheral to the Company's mainline pharmaceutical wholesale business.

4. Others

Establishment of Sustainability Committee

- Established Sustainability Committee in October 2022, with the aim of further enhancing corporate value by solving social issues.
- Planning to implement initiatives responsibly as a company listed on the Prime Market in areas such as climate change and implementation of human capital management.

Commitment to environmental issues **E**nvironment	● Climate change countermeasures ● Reduction of greenhouse gas emissions	
Initiatives for social issues **S**ocial	● Promotion of human capital management ● Respect for the diversity of employees	● Improvements to the workplace environment ● Protection of human rights
Corporate governance initiatives **G**overnance	● Observance of corporate ethics ● Enhancement of governance transparency	● Ensuring compliance ● Appropriate risk management

Finally, I would like to announce the establishment of a Sustainability Committee.

We newly established a Sustainability Committee in October 2022, to further promote sustainability management aiming to further enhance corporate value by solving social issues, including contributing to the development of systems for providing healthcare in a sustainable manner.

Based on a Sustainability Basic Policy to be formulated in the future, the Committee will discuss matter such as the implementation of measures to address climate change and human capital management, and the enhancement of governance transparency. We are committed to implementing initiatives even more responsibly as a company listed on the Prime Market.

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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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 your might have about today's presentation to our Corporate communications Department.

This brings me to the end of my financial results presentation.