

Towards realization of healthy and prosperous society



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

February 2023

**VITALKSK HOLDINGS, INC.**

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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 nine months of the fiscal year ending March 31, 2023.

# 1 Financial Highlights for the First Nine Months of the Fiscal Year Ending March 31, 2023

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

## Summary of Income for the First Nine Months of the Fiscal Year Ending March 31, 2023

(Million yen, %)

	Previous year's results		Year ending March 31, 2023 FY2022 3Q Results			
	Amount	Ratio to net sales	Amount	Ratio to net sales	YoY	Achievement rate*
Net sales	439,329	—	443,190	—	100.9	78.1
Operating profit	2,086	0.47	1,866	0.42	89.5	96.2
Ordinary profit	4,220	0.96	4,302	0.97	101.9	87.8
Profit attributable to owners of parent	2,448	0.56	2,433	0.55	99.4	55.3

\* Achievement rate is rate of achievement of forecast announced on November 8, 2022.

Net sales for the period under review were ¥443,190 million, 100.9% of the level a year earlier and 78.1% of the full-year forecast, mainly due to increased sales of COVID-19-related products.

Operating profit amounted to ¥1,866 million, 89.5% of the level a year earlier and 96.2% of the full-year forecast. Operating profit was below the level a year earlier mainly due to the recording of an allowance for doubtful accounts in the second quarter because receivables held by the Group may become impossible to collect.

Ordinary profit stood at ¥4,302 million, 101.9% of the level a year earlier and 87.8% of the full-year forecast, due to the recording of gain on investments in investment partnerships in the second quarter.

As a result, profit attributable to owners of parent was ¥2,433 million, 99.4% of the level a year earlier and 55.3% of the full-year forecast.

## Profit by segment

Prescription drugs	99.5%
Reagents and medical devices	120.7%
OTC drugs	108.7%

(Million yen, %)

	Pharmaceutical Wholesale Business <sup>*1</sup>			Pharmacy Business <sup>*2</sup>		Veterinary Drug Wholesale Business <sup>*3</sup>		Other Businesses <sup>*4</sup>	
	Results	Ratio to net sales	YoY	Results	YoY	Results	YoY	Results	YoY
Net sales	418,262	—	100.8	13,769	99.8	8,157	103.9	3,000	107.5
Gross profit	28,080	6.71	106.2	3,571	97.8	1,264	102.6	2,825	99.6
Selling, general and administrative expense	26,457	6.33	106.9	3,494	100.1	988	108.2	3,061	103.6
Operating profit	1,623	0.39	96.1	77	47.5	276	86.8	-236	—

\*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.

I would now like to explain income by segment.

Starting with the Pharmaceutical Wholesale Business, the growth rate of reagents and medical devices was 120.7% due to solid sales of mainly COVID-19-related medical devices and clinical laboratory reagents, and net sales in this segment came to ¥418,262 million, which is 100.8% of the level a year earlier. Gross profit amounted to ¥28,080 million, which is 106.2% of the level a year earlier. SG&A expenses came to ¥26,457 million, which is 106.9% of the level a year earlier, due to the recording of an allowance for doubtful accounts because receivables held by the Group may become impossible to collect. As a result, operating profit amounted to 1,623 million yen, 96.1% 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 ¥13,769 million, which is 99.8% of the level a year earlier, and gross profit was ¥3,571 million, which is 97.8% of the level a year earlier. SG&A expenses were ¥3,494 million, which is 100.1% of the level a year earlier. As a result, operating profit totaled ¥77 million.

Next, I will explain the results of the Veterinary Drug Wholesale Business. Net sales amounted to ¥8,157 million, which is 103.9% of the level a year earlier, due to increased sales of high profit products. The segment also posted gross profit of ¥1,264 million yen, which is 102.6% of the level a year earlier. SG&A expenses were ¥988 million, which is 108.2% of the level a year earlier. As a result, operating profit amounted to ¥276 million, which is 86.8% 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 ¥236 million.

## 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		Year ending March 31, 2023 Full-year Earnings Forecasts		
	Amount	Ratio to net sales	Amount	Ratio to net sales	YoY
Net sales	577,249	–	567,300	–	98.3
Operating profit	2,945	0.51	1,940	0.34	65.9
Ordinary profit	5,834	1.01	4,900	0.86	84.0
Profit attributable to owners of parent	4,770	0.83	4,400	0.78	92.2

Our full-year earnings forecasts for the fiscal year ending March 31, 2023 are currently unchanged from those announced on November 8, 2022.

# 3 (Reshown) From materials released on October 28, 2022 Strengthening of shareholder returns

Finally, I would like to once again explain the "strengthening of shareholder returns" as announced on October 28, 2022.



- We have adopted dividend on equity (DOE) as an index and our future dividend policy is to 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)		<b>An annual dividend of 39 yen*</b> (an interim dividend of 12 yen <b>and a year-end dividend of 27 yen</b> )

- A total return ratio of 50% or more

	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)	<b>39.0 yen</b>	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

The Company is strengthening efforts towards corporate value enhancement and will also endeavor to strengthen shareholder returns policy as part of this.

Starting with the 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 a 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.

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%

This shows a summary of our shareholder returns policy for the year ending March 31, 2023 based on the foregoing.

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%.

## 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.**

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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 brings me to the end of my financial results presentation.