



DISCUSSION MATERIAL FOR MATSUKIYO COCOKARA & CO.

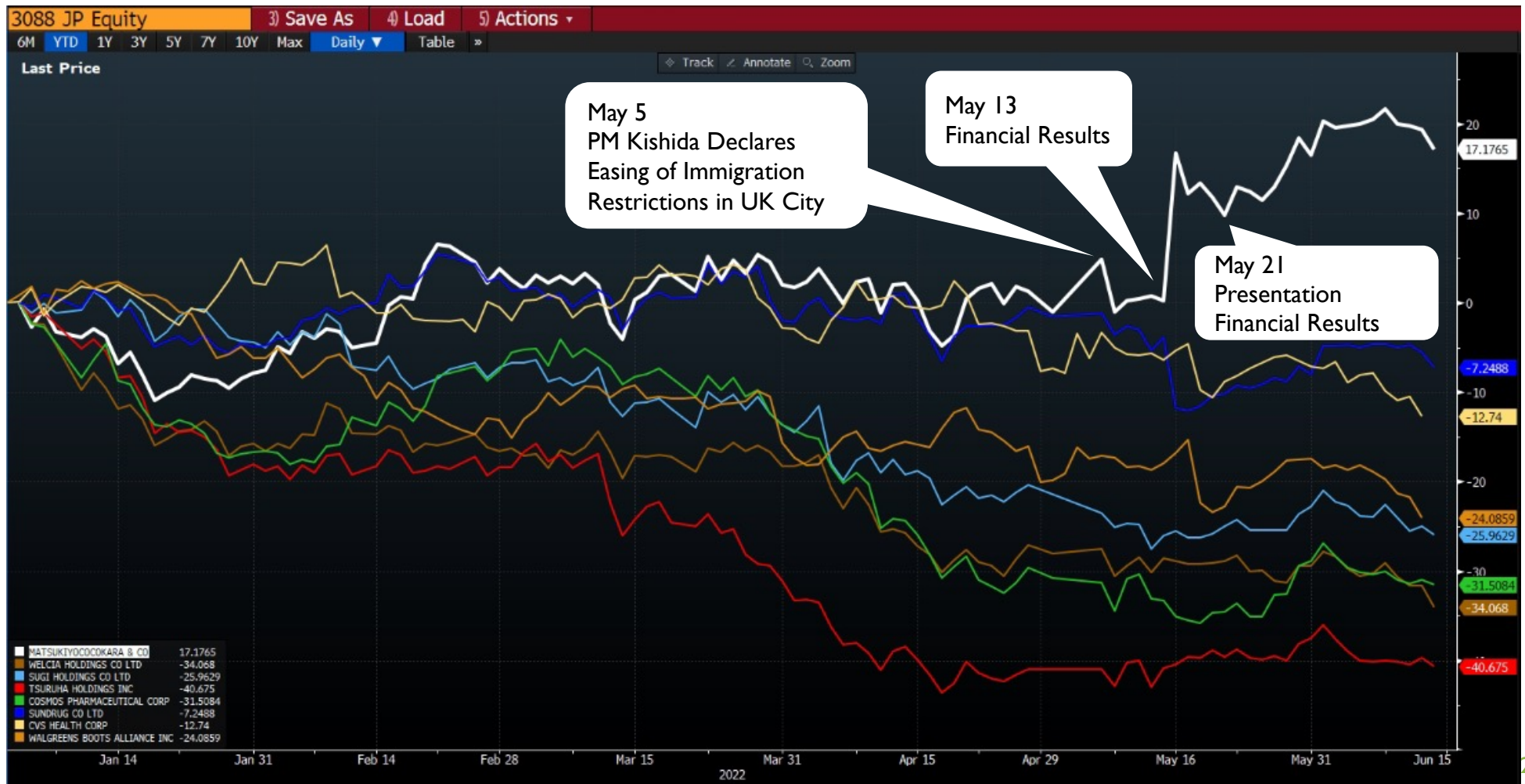
JUNE 15, 2022



YTD STOCK PERFORMANCE



- In a weak performance of the drug sector in Japan and the U.S., your company's isolated gains suggest that you are clearly aware of the unique factors.



YTD PBR



- In terms of PBR, your company jumped to the top in Japan and is closing in on CVS due to (1) reopening expectations,(2) brand-new Financial Result (3) synergy appeals, and other factors.



【UPDATED】 MARKET VALUATION CVS VS. WBA



	CVS	WBA
PER	10.8	7.9
PBR	1.6	1.3
EV/EBITDA	9.3	11.9
3 month	-13.2%	-16.9%
6 month	-8.2%	-18.5%
12 month	7.1%	-26.4%

- Market valuation completely reversed from a year ago, with CVS now receiving a higher Valuation
- CVS has the advantage of capturing the medical and health needs of the public in a broader business domain (retail, medical, insurance)
- WBA was late to the game due to the post-processing of past M&A → CEO Roz, who took over in March last year, is changing direction

P/CF BAND (APPROXIMATION OF PER)



- Due to weakness in U.S. equities, momentum was slightly lost, but the difference is apparent. WBA is a component of Dow 30.



Walgreens Boots Alliance



PBR BAND



- PBR shows a slight upturn in the view of WBA.



Walgreens Boots Alliance



CVS Q1 (JAN-MAR)



FIRST QUARTER 2022

Capital and cash flow

Liquidity and capital position remain strong

Powerful cash generation

\$3.6 billion cash flow from operations,
~23% higher than prior year

Committed to investment grade ratings

Repaid net \$21 billion of long-term debt since the close of the Aetna transaction

Deploying capital to generate shareholder value

Quarterly dividend increase of 10% resulted in \$722 million in shareholder dividends

Repurchased ~19.1 million shares of common stock, marking first time the Company has repurchased stock since 2017

8 ©2022 CVS Health and/or one of its affiliates.

CVSHealth.

- Adjusted operating income of \$4.48 billion was 6% higher than in the same period last year; Operating income margin declined slightly from 6.1% to 5.8%.
- After acquisition of Aetna's insurance business, repayment of \$21B in debt after confirmation of stable conditions
- Increased quarterly dividend by 10% YoY (total \$730 million)
- Executed first share buyback since 2017 (about \$2 billion) → bullish message!
- BS Management → Maintained cruising speed with net debt-equity of 0.88x (including operating lease)

WBA Q2 (JAN-MAR)



- Sales up 3% YoY; Boots' U.K. retail business rebounds strongly in after-Covid time
- Adjusted operating income of \$1.7 billion up 36% YoY profit margin up from 3.8% to 5.1%
- BS Management - Net Debt Equity 0.43x
- However, goodwill of \$34.3 billion overwhelms shareholders' equity of \$30.8 billion, likely putting negative pressure to stock valuation
- To accelerate the expansion of the US business, the company increased ownership stake on VillageMD to become majority owner last year to make it a consolidated subsidiary, in order to expand the touch points with customers as well as to cater higher-end medical needs.
- Now going into vertical expansion from its original focus on horizontal integration (following CVS for a few years)
- Continued to explore restructuring strategies, indicating the possibility in divestment of the Boots Unit

OUR IDEA AND RECOMMENDATION



Key is to initiate “un-orthodox” actions ahead of your competitors → “Merger Anniversary dividend” is an excellent start

- Do Share buybacks → Messaging impact
- Start Quarterly dividend → connect with consumers not in the store but also in capital markets to increase your fans
- Simultaneous English translation or additional English subtitles for web IR briefings in order to cater needs for foreign investors

HIBIKI WAS ASSIGNED FOR THE CDP CAMPAIGN



About CDP

- International initiative to promote climate change solutions from an institutional investor perspective (formerly the Carbon Disclosure Project)
- An international NGO founded in 2000 that sends questionnaires to the world's leading companies in the areas of Climate Change, Water Security, and Forests, evaluates the responses, and publishes the results.
- Largest database on greenhouse gases, water, and forests
- Hibiki signed in January 2022.



Non-Disclosure Campaign

Campaign to encourage companies that have not responded to CDP requests for information to disclose information under the joint name of investors.

- Your company is in the forest sector
- Hibiki has been appointed as a Lead Signer to engage your company on behalf of 20+ jointly-named institutional investors.
- We are currently working with CDP to prepare a Japanese version of the letter and related materials.
- Deadline for submission to CDP is July 27th.

DISCLAIMER



Hibiki Path Advisors Pte. Ltd.

Tel: +65 6931 3914

Email: info@hibiki-path-advisors.com

Website: www.hibiki-path-advisors.com

Address: 39 Temple Street, #02-01 Singapore (058584)

Capital Market Services License (Singapore) – CMS100710-1

■ Important Information: This document is prepared and issued by Hibiki Path Advisors Pte. Ltd. (HPA) and has not been reviewed by any regulatory authority. This document does not constitute an offer, recommendation or solicitation to buy or sell any security or enter into any other transaction. Its content must not be reproduced, distributed or transmitted without the prior written consent of HPA. Past performance is not indicative of future performance or returns. HPA does not guarantee or make any representations or warranties that any performance or returns referred to in this document will be achieved by the investment. This document contains general information only. HPA does not purport to provide any investment, financial, legal or other expert advice or recommendation in this document. You must not rely on this document as any such advice or any offer, recommendation or solicitation to buy or sell any security or to implement any investment strategy.