Press Release

ASKA Pharmaceutical Holdings Co., Ltd.

ASKA Pharmaceutical Holdings Takes Action to Implement Management That is Conscious of Cost of Capital and Share Price

TOKYO, November 10, 2023 – ASKA Pharmaceutical Holdings Co., Ltd. (Head Office: Minato-ku, Tokyo/ President, Representative Director: Takashi Yamaguchi) is pleased to update you on its assessment of the current status of its efforts to enhance capital profitability and its measures to achieve management that is aware of the cost of capital and share price, as well as its discussions on policies and initiatives to improve its performance.

1. Assessment of Current Status

Based on its corporate philosophy: "Contribute toward the improvement of people's health and progress in society through the development of innovative products," the Company aims to become a "total healthcare company with a strong foundation as a specialty pharma company" under the Medium-Term Management Plan 2025, a five-year plan starting in 2021. Although the core domestic pharmaceutical business continues to face challenging conditions, including the impact of the NHI drug price revisions every year, its ROE has increased to the 8% level for three consecutive fiscal years of profit growth, exceeding the target of 8% set in Medium-Term Management Plan 2025. On the other hand, the P/B ratio (hereinafter "PBR") has been less than 1x since FY2018.

The reason for the PBR of less than 1x is that the feasibility of the growth strategy was not fully understood, the external communication was not sufficient, and the Company did not disclose specific cash allocation. The Company did not provide a clear direction for the growth strategy and shareholder returns. In addition, the Company assesses that one of the factors is that the market has not yet sufficiently evaluated the Company's earning power in its core business.

Five-Year Financial Indicators

	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales (Millions of yen)	46,706	52,542	55,181	56,607	60,461
Operating profit (Millions of yen)	1,782	1,507	3,609	4,795	5,108
Profit attributable to owners of parent (Millions of yen)	1,744	649	2,713	4,290	4,238
ROE (%)	4.1	1.5	6.3	8.8	8.2
PBR (Multiple)	0.76	0.72	0.97	0.73	0.65
Share price at fiscal year-end (Yen)	1,146	1,098	1,471	1,263	1,189

2. Policies for improvement

To improve market valuation, the Company will continue to strengthen IR activities to communicate its growth strategy by holding financial results briefings and pipeline briefings. In addition, in order to enhance the feasibility of the growth strategy and meet the expectations of its shareholders, it will consider optimal cash allocation and take action to implement management that is conscious of the cost of capital and its share price. The Company will continue to reduce cross-shareholdings as a percentage of net assets to less than 20% by the end of March 2024.

3. Details of Initiatives

1) Growth strategy

In the pharmaceuticals business, the Company is further strengthening its position as a leading company in the field of obstetrics and gynecology while expanding its business into the companion animal field in the animal health business. As an R&D-oriented company, the Company aims to strengthen its drug discovery research activities. It plans to invest the cash generated from its business activities into the pharmaceutical business to grow as a total healthcare company and to expand the Company's reach further. The investments will include new businesses such as overseas development as well as Femtech, which is estimated to have a significant impact on the economy as a whole, contributing approximately 2 trillion yen by 2025. Moreover, the Company strives to strengthen its management base by investing in human capital and updating and expanding production facilities.

2) Strengthen shareholder returns

The Company recognizes that returning profits to shareholders is an essential management issue. The Company plans to raise the annual dividend from 20 yen per share to 40 yen per share in FY2023, taking into account its strong business performance and the extraordinary income from the sale of cross-shareholdings. From FY2024, the Company will shift to a performance-linked profit-sharing method, indicating a consolidated dividend payout ratio of 30%. The minimum dividend per share will be set at 30 yen per share, and the Company will maintain stable dividends while linking profit distribution to business performance. Regarding the purchase of treasury shares, the Company will consider flexibly implementing share repurchases at appropriate times, taking into consideration investment in growth, dividend levels, cash reserves, and share price levels.

3) Strengthen IR activities

The Company is committed to creating more opportunities for investors to gain a deeper understanding of its growth strategy. This includes strengthening briefings for both individual and institutional investors, maintaining constructive dialogue with shareholders and investors (IR meetings), and providing new opportunities for dialogue, such as small meetings and pipeline briefings. Furthermore, in order to raise public awareness about the Company, it will focus on enhancing its sustainability activities and various information disclosures as well as expanding information available on its website.

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About Action to Implement Management That Is Conscious of Cost of Capital and Share Price

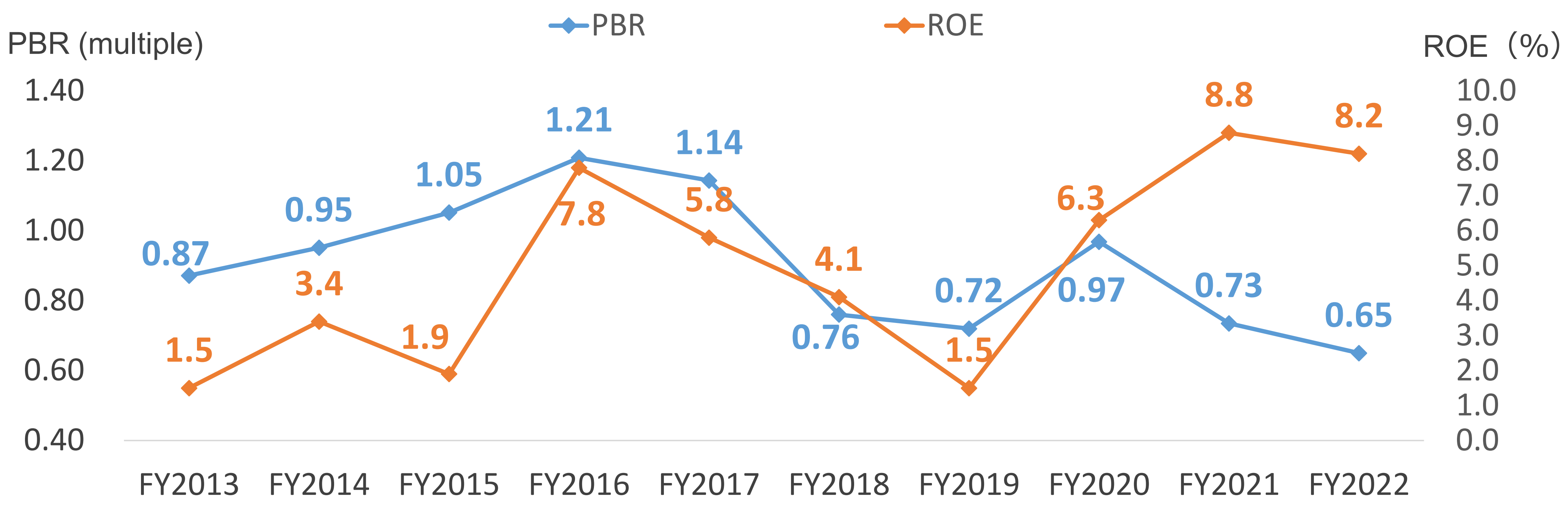
Business Environment and the Company’s Direction

Business Environment under Headwinds

The business environment remains challenging due to policies to curb healthcare costs, such as annual NHI drug price revisions, drug quality/ supply issues, increasing difficulty in drug discovery, changing international circumstances, including the Russian-Ukrainian crisis, global supply chain disruptions, and rising costs associated with soaring energy, raw materials, wages, and other costs.

Despite facing an uncertain future and challenges ahead, we aim for growth by capitalizing on external changes.

PBR and ROE



In the light of PBR being below 1x, we assessed the current situation and discussed improvement policies and detailed initiatives at the board meeting several times.

* PBRs for FY2013-FY2022 are calculated based on the year-end share price.
PBRs and ROEs up to FY2020 are those of ASKA Pharmaceutical Co., Ltd.
PBRs and ROEs after FY2021 are those of ASKA Pharmaceutical Holdings Co., Ltd.

Assessment of Current Status and Policy for Improvement

Assessment of Current Status

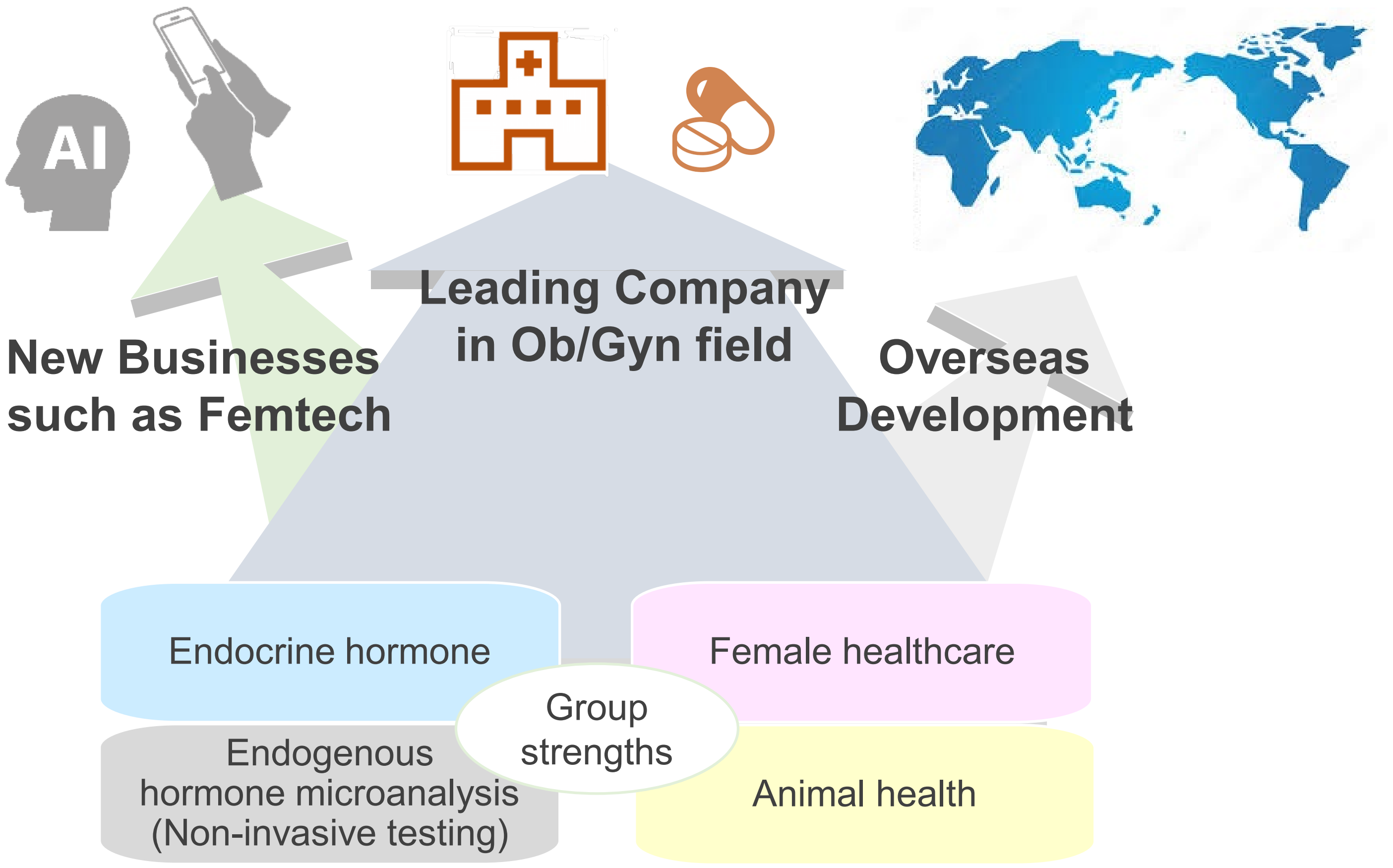
- ✓ The Company's ROE has increased to the 8% level for three consecutive fiscal years of profit growth and has exceed the 8% target for FY2025, the final year of the Medium-Term Management Plan.
- ✓ On the other hand, PBR has been below 1x since FY2018. We assess that the feasibility of the growth strategy was not fully understood, the external communication was not sufficient, and the Company did not disclose specific cash allocation. This was due to the Company's lack of clear direction for growth strategy and shareholder returns.

Policy for Improvement

To improve market valuation, we will continue to strengthen IR activities to communicate our growth strategy by holding financial results briefings and pipeline briefings. Moreover, we will consider optimal cash allocation and take action to implement management that is conscious of the cost of capital and our share price to enhance the feasibility of the growth strategy and meet the expectations of our shareholders. We will continue to reduce cross-shareholdings as a percentage of net assets to less than 20% by the end of March 2024.

Details of Initiatives 1) Growth Strategy

Toward Total Healthcare Company



Implementation of Growth Strategy

- **Pharmaceutical business**
  Further strengthening our position as a leading company in the Ob/Gyn field
- **Establish new businesses**
  In the peripheral area of pharmaceutical, such as Femtech, as a total healthcare company
- **Overseas development**
  With a focus on the growing Southeast Asian market

Details of Initiatives 1) Growth Strategy

Cash allocation for future growth

FY2020-2022

(Historical breakdown)

Operating CF 12.7 billion	Growth investment Strengthen management base 6.7 billion
	Debt repayment Others 4.5 billion
	Shareholder return* 1.6 billion
Sale of tangible assets 10.3 billion	Increase in cash on hand 10.2 billion

*Dividend + Share buyback

FY2023-2025

Source of funds	Investment direction		Objectives	Distri-bution
Operating CF* 20 billion	Growth investment	Pharmaceutical business	Expand pipeline by strengthening R&D and BD	15 billion +X
		New field	Femtech, CVC, Digital Health	
			Testing, Animal Health (CA)	
		Overseas development	Establish business in Southeast Asia	
		M&A	Acquisition of competencies necessary for growth	
Cash from sale of cross-shareholdings 3 billion	Strengthen management base		Renewal and expansion of production facilities	3-4 billion
			Digital transformation	
			Investment in human capital	
Fundraising (+X)	Shareholder return		Dividends, share buybacks	3-4 billion

*Assumed operating profit + depreciation
+Research and development expenses (except tangible assets)

✓ Maintain Equity ratio of over 50%

Reference March 2023	Cash Equivalents 17.5 billion Interest-bearing debt 12.6 billion

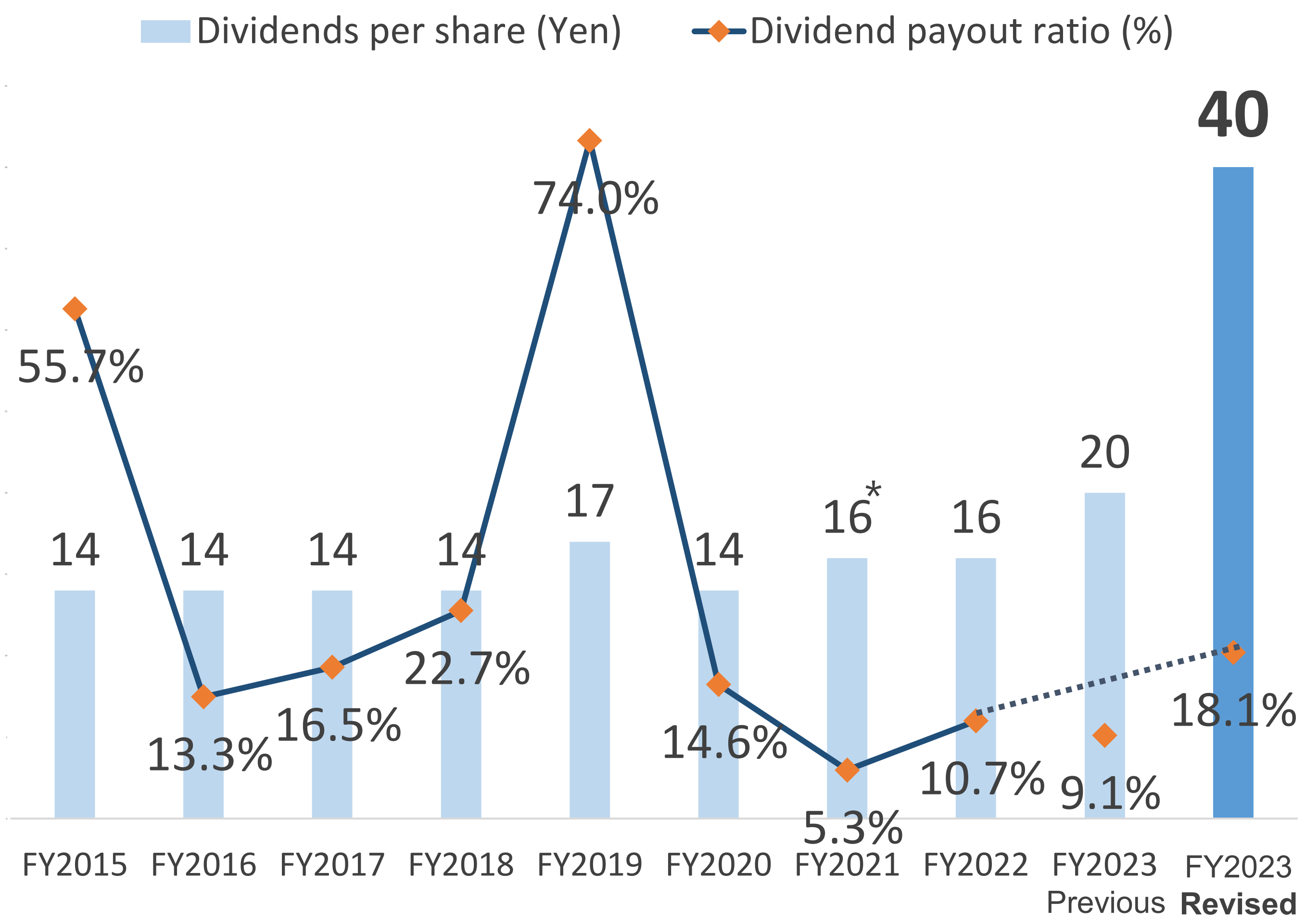
Details of Initiatives 2) Strengthen Shareholder Returns

◆ Revised Shareholder Return Policy

- ✓ We plan to increase the annual dividend payment to 40 yen per share, considering the solid performance and the extraordinary income from sale of investment securities in FY2023.
- ✓ Starting from FY2024, we will maintain stable profit distribution by indicating a consolidated dividend payout ratio of 30% as performance-linked profit distribution, with a minimum annual dividend per share of 30 yen.

◆ Consideration of Share Repurchase

- ✓ We will consider flexible measures, taking into account growth investment, dividend level, cash on hand and share price level, and other factors.



*The interim dividend for FY2021 was paid from other capital surplus and is excluded from the dividend payout ratio.

Details of Initiatives 3) Strengthen IR Activities

- **Strengthen financial results briefings for individual/institutional investors**
- **Continue constructive dialogue with shareholders and investors (IR meetings)**
- **Create new opportunities for dialogue, such as small meetings and pipeline briefings**
- **Report to the Board of Directors on opinions obtained at IR meetings, etc., as appropriate, and conduct reviews**
- **Enhance information disclosure by expanding our website information and availability in English**

Financial results briefing
for institutional investors
(Webcasts in May and November)

IR seminars for individual investors
(Held in February and August 2023)

IR meetings with analysts and institutional investors: 78 times; total of 98 participants

IR meetings
(Actual in FY2022)