

Message from the President

Backed by drug discovery capabilities built up over 100 years and an organizational culture that nurtures innovation, we are becoming a total healthcare company.

The businesses of ASKA Pharmaceutical Holdings are growing steadily, even amid the pharmaceutical industry's increasingly severe business environment. The main initiatives of Medium-Term Management Plan 2025 have begun to bear fruit, with sales reaching record highs for two consecutive fiscal years. In this section of the report, President Yamaguchi explains the challenges of FY2023, which marks the midway point of the medium-term management plan. He also outlines ASKA's new approaches to its distinctive material issues of "contribution to women's health" and "contribution to animal health," and the Group's unique strengths and sources of motivation.

Takashi Yamaguchi

President, Member of the Board of Directors, Representative Director
ASKA Pharmaceutical Holdings



■ Toward Sustainable Growth

— What is the focus for ASKA Pharmaceutical Holdings in terms of sustainable growth, and what do you see as your mission as a top member of management?

We are currently on track to achieve our vision for 2025 of becoming a total healthcare company with a strong foundation as a specialty pharma company. To achieve this vision, we are promoting seven strategies based on the three pillars of "specialty," "ability to create," and "social contribution." We recognize that a particularly important element in achieving sustainable growth is specialty. In the Group's core pharmaceutical business, we are focusing on the three priority areas of internal medicine (gastrointestinal and thyroid), Ob/Gyn, and urology. We recognize that continuous value creation through new drug development and provision of services that only we can offer, is a vital factor in achieving sustainable growth.

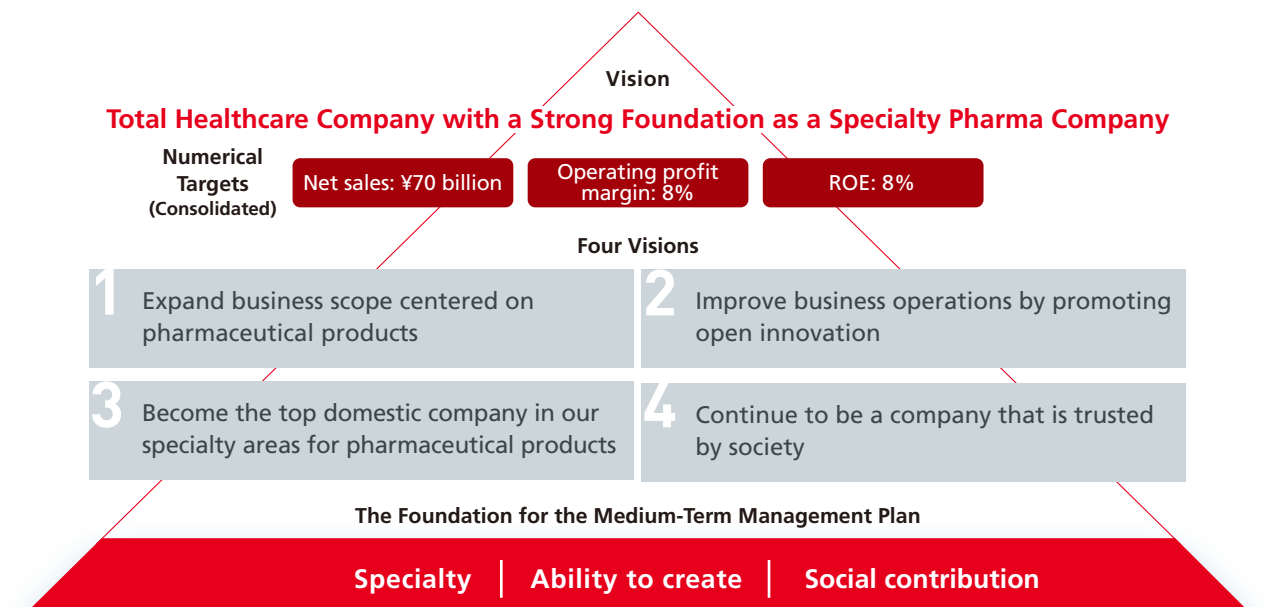
Sustainable growth will also depend on diversifying our revenue streams through collaboration with the animal health business, testing, and the diagnostics business. We must build a management structure that can respond to future risks and changes in the environment.

Our efforts will have limited results if the operating companies only work in isolation within the Group. Of the seven strategies that the Group is pursuing, this applies in particular to our efforts toward "enhance corporate value by strengthening initiatives in the specialty areas," "continuously create new drugs

through advanced drug discovery," "overseas operations," and "provide new value to realize total healthcare." Collaborating not only with companies in the same industry but also those in other industries will therefore be key. We are actively promoting open innovation with this in mind.

I recognize that my mission is to lead the Group in enhancing quality, as a corporate group, while growing primarily the core business and other multiple pillars. A company's quality depends on its people. The other day, when I visited the Iwaki factory, one of the Group's production bases, I was struck by how confident the employees were in the way they spoke and acted. It was a moment when I felt that the talent we have is steadily growing. Furthermore, in 2022 the Group announced its intention to promote Femtech business initiatives. I am proud of how we have continued to contribute to women's healthcare by developing drugs and providing information in the Ob/Gyn area. That makes me confident in our ability to rise to this new challenge. In this business, we will investigate various options for addressing women's health issues, including the use of the latest technology and collaboration with other companies, as I mentioned above.

* Seven Strategies ▶ See page 19 for details



■ Progress of the Medium-Term Management Plan

— Now that we have reached the midway point of Medium-Term Management Plan 2025, what results have been achieved so far and what challenges do you see ahead?



In FY2022, the second year of the medium-term management plan, performance remained strong, as it was in the previous year, driven mainly by new products. As a result, sales exceeded ¥60 billion, a record high. With regard to operating profit margin and ROE, we have already exceeded the targets we set for the final year of the current medium-term management plan, and we will continue pushing ourselves to achieve even higher levels.

Looking back over the past two years, we have worked to hone our efforts in the area of “specialty,” which is the source of our value creation, and solidified our foundation as a holding company. The Group is currently balancing “offensive” approaches, represented by R&D investments to promote innovation and the development of new markets, and “defensive” approaches, such as risk management, governance systems, and the development of human resources who can

■ Growth Potential in the Ob/Gyn Market

— What is the market potential for Ob/Gyn products, which is our greatest strength? Also, what new measures are we taking to contribute to women’s health?

ASKA Pharmaceutical achieved the No. 1 share of sales in the Ob/Gyn field in Japan in the second half of FY2022, becoming the leading company in this area. Japan’s pharmaceutical market is often seen as shrinking, as the country’s population is declining. However, the Ob/Gyn market is expanding due to various environmental changes related to women’s

earnestly pursue high-quality work. While maintaining this balance, we must continue to invest in management resources and accelerate collaboration with a view to realizing our growth strategy beyond 2025.

In terms of the offensive approach, our overseas operations will become even more important as a new pillar of growth. In our core pharmaceutical business, we plan to expand our presence by developing pharmaceutical products for international standards, mainly in the Southeast Asian market. In line with this plan, the new plant construction project, carried out with our equity method affiliate Ha Tay Pharmaceutical Joint Stock Company (Hataphar), a Vietnamese pharmaceutical company, was completed in August 2023. Preparations are currently underway at both companies toward the start of commercial production.

In the animal health business, we are working to expand our product lineup by applying our strengths in breeding, immunity, and nutrition, which we acquired in the livestock and fisheries field, to the companion animal field. In the testing and diagnostics business, we are expanding our test items and sample lineup based on trace analysis technology for endogenous hormones. For example, we believe that kits that can test stress levels from hair and nails may open up new markets, such as in company benefit plans.

In FY2023, the midway point of the medium-term management plan, we are continuing to work on achieving the quantitative and qualitative targets announced in May 2021, taking into account the issues I have mentioned and our progress on each initiative.

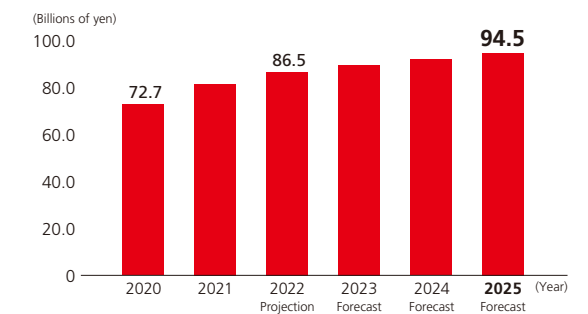
healthcare, such as women’s advancement, changes in medical administration, and improvements in health literacy. Overseas, the Ob/Gyn market has also been growing, with pharmaceuticals used for treatment that are not widely available in Japan. We therefore see considerable market potential for Ob/Gyn products, with a lot of room for growth.

The concept of medical care has changed in recent years, expanding its scope to include prevention, testing and diagnosis, treatment, and prognosis. In each of those areas, many businesses targeting the needs of women’s healthcare have newly entered the field. We aim to promote collaboration with such companies through the Femtech Business Promotion Unit we established in April 2023. In addition, during the same period, we established a corporate venture capital fund to secure strategic returns through investments in startups that offer potential synergies with our Group, such as those with a focus on addressing women’s health issues.

We hope more investors come to know about our business, which is dedicated to addressing women’s health issues. That is why we feel it necessary, for example, to hold briefings that are focused solely on the development pipeline; that is to say, the R&D status of new drug candidate compounds. There are also improvements to be made in terms of the dissemination of information on women’s health, an

initiative we have been focusing on for some time. In our workplace, sensitive topics such as menstruation are discussed as a matter of course. But, from our standpoint as a specialist and a leading company in the Ob/Gyn field, we need to disseminate information to a wider range of people with expressions that are easy to understand while at the same time becoming more conscious of our external stakeholders.

Ob/Gyn Market Size*



* FUJII KEIZAI CO., LTD. “Trend analysis and future forecast of the market related to obstetrics and gynecology, which is attracting attention in insurance coverage”
All rights reserved.

■ The Unique Organizational Culture of the ASKA Pharmaceutical Group

— The ASKA Group recognizes that the foundation to become a total healthcare company is human capital. What mindset and characteristics are shared by the human resources of the Group companies?

The answer can be found in the Group’s origins. When we started researching hormone preparations 103 years ago as a venture involved in medical care, what mattered most were the ideas and motivation of our employees. Through daily contact with the medical front line, a passion to contribute to the world through unique ideas and drug discovery capabilities gradually grew among our employees. The sense of mission—that we are directly involved in the life and health of people and animals—is also a common awareness within the Group. In fact, even before the concepts of ESG or CSR existed, we had a sense of not only responsibility but also a dedication toward the mission that we should fulfill as a pharmaceutical company, and made that sense a natural part of the spirit of our corporate organization.

This spirit and this corporate climate of innovation have been passed down to the present day. We in the management team value the ideas and motivation that our employees have brought to the Company over time and strive to create a constant flow of ideas that will blossom into new businesses. In a recent

message to our Company employees, I made the point that even if you aim for Mount Everest from the beginning, it will be difficult to reach the summit on the first try. But if you climb lower mountains again and again, racking up both successes and failures, you will eventually realize the main goal of reaching the summit of Mount Everest. In other words, trying something new is bound to have moments of failure. A positive failure always feeds into success. The Group today also has accumulated successes that have emerged from such challenges. As a result, we have become able to expand the scope of our business with a focus on pharmaceuticals and to develop our business in a way that enables us to target the entire healthcare market. We believe that, backed by the drug discovery capabilities we have built up over our century-long history, we have grown into a corporate group that can respond to the diverse demands of society. Going forward, we will continue to take on further challenges while evolving our relationships with stakeholders toward co-creation to build new value together.