Financial and Capital Strategy

Achieving sustainable value enhancement through a balance of investing in future growth and improving capital efficiency

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Recognition of Changes in the Business Environment and Progress of Medium-Term Management Plan 2025

In FY2022, with the lifting of restrictions related to the COVID-19 pandemic, economic activities gradually normalized. However, the business environment remained challenging due to the economic impact of factors that increased costs such as the sharp rise in energy and raw material prices associated with geopolitical risks. Despite this situation, however, the Group's business maintained the same strength that it achieved in the previous fiscal year, thanks to the growth of new products and even greater efforts to reduce costs. As a result, we achieved record net sales of ¥60,461 million. We were also able to meet our profitability targets with operating profit of ¥5,108 million and an operating profit margin of 8.4%.

Furthermore, for ROE, which we emphasize as an indicator of capital efficiency, we have set a target 8.0% for the final year of the medium-term management plan. In FY2022, ROE was 8.2%, exceeding the target, as it had in the previous fiscal year. To consistently keep our ROE above 8.0%, we will need to continue with the implementation of the strategies of the medium-term management plan, increasing profitability while improving capital efficiency through appropriate capital allocation. The Group will maintain a balance of investing in growth and improving capital efficiency as we strive to enhance our corporate value.

Financial and Capital Strategy KPIs

		FY2022 Actual	FY2023 Forecast	FY2025 Targets
Profitability	Net sales (Millions of yen)	60,461	62,000	70,000
	Operating profit (Millions of yen)	5,108	5,400	5,600
	Operating profit margin (%)	8.4	8.7	8.0
	Profit attributable to owners of parent (Millions of yen)	4,238	4,400	—
	Earnings per share (EPS) (Yen)	150.08	155.81	—
Capital efficiency	Profit attributable to owners of parent/ Equity (ROE) (%)	8.2	—	8.0
Financial soundness	D/E ratio (Interest-bearing debt ratio) (%)	0.23	—	—
	Equity ratio (%)	62.6	—	—

Note: Amounts are rounded down to the nearest million yen.

Growth Investments

As the core of the Group is the pharmaceutical business, we recognize that R&D investment is a source of future earnings and is vital for increasing corporate value. In drug discovery research, we are promoting open innovation and utilizing external resources. In business development, we are strengthening our strategy of in-licensing drugs under development and enhancing our pipeline in specialty areas and fields of expertise. Aiming to become a total healthcare company, we will actively invest in promising business fields, not only in pharmaceutical products, while also pursuing capital alliances with other companies and M&A. In March 2023, we established a corporate venture capital fund, ASKA Innovation Investment Limited Partnership, jointly with Future Venture Capital Co., Ltd. This fund will enable us to accelerate collaboration with venture and start-up companies, creating new value as we work to solve women's health issues and other problems.

Furthermore, one of the Group's medium-term management plan strategies is to "Develop Human Resources to Realize Growth Strategies." To enhance our specialty and ability to create, we are working toward various goals such as developing and acquiring human resources who can respond to new businesses and changes in the environment, and creating a workplace environment where diverse human resources can play an active role. Achieving sustainable corporate value enhancement depends on linking management and human resources strategies. With this in mind, we view human resources, the most important of all management resources, as a form of capital, and work to maximize their capabilities through autonomous learning, which leads to value creation.

Assessment of Financial Soundness

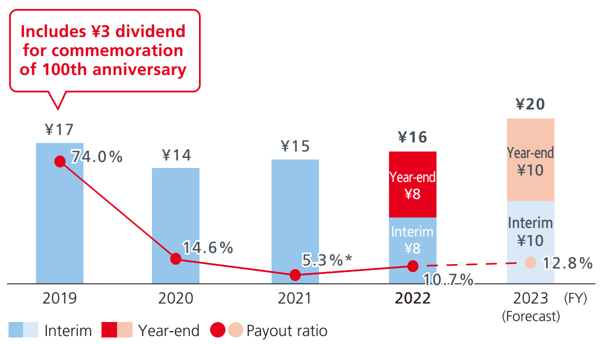
Regarding the consolidated financial position of the Group as of March 31, 2023, total assets were ¥87,138 million, while net assets totaled ¥54,533 million, resulting in the equity ratio of 62.58%. We view ensuring the stability of our financial base as an important management issue for the Group. On the other hand, from the viewpoint of capital efficiency, the Group judges appropriately whether or not to continue cross-shareholdings. We strive to reduce the holding of shares determined not to have sufficient meaning as appropriate. During FY2022, the Company sold its holdings in three companies. As a first step, we will strive to quickly bring the market value of our cross-shareholdings to below 20% of net assets. We will also continue working to balance equity and interest-bearing debt while ensuring a stable financial base and enhancing capital efficiency by thoroughly examining investment projects and properly controlling risks and costs.

Note: Amounts are rounded down to the nearest million yen.

Policy for Returns to Shareholders

The Group regards the return of profits to shareholders as an important management issue. We aim to return appropriate profits to our shareholders by achieving strong results and continuously improving our corporate value. Our basic policy regarding dividends is to maintain stable dividends while considering necessary management resources such as internal reserves for long-term business development and future funding needs. In the most recent fiscal year, FY2022, we raised our annual dividend by ¥1 per share to ¥16. For FY2023, in light of our business performance, we expect to pay an annual dividend of ¥20 per share (interim dividend and year-end dividend: ¥10 per share). On the other hand, we are also fully aware of the importance of ensuring that the return of profits is properly aligned with earnings. We also plan to consider the acquisition of treasury shares in a flexible manner in response to changes in the business environment. We will continue to meet the expectations of our shareholders by improving capital efficiency and strengthening our financial base to enhance corporate value sustainably.

Dividends per Share



* The interim dividend for FY2021 is excluded from the calculation of the payout ratio as it is derived from other capital surplus.