

Message from the President



**Pioneering our future
as a total healthcare
company through
creativity and challenge**

Sohta Yamaguchi

President, Representative Director
ASKA Pharmaceutical Holdings Co., Ltd.

My Commitment and Responsibilities on Becoming President

It is a great honor to be in charge of the management of a company that has a history spanning more than 100 years since the founding of ASKA Pharmaceutical in 1920, but at the same time, I am keenly aware of the weight of the responsibility that comes with it. I also feel a strong sense of responsibility. As the Group's leader, my first important mission is to achieve the targets set out in Medium-Term Management Plan 2025: net sales of ¥70 billion, an operating profit margin of 8%, and return on equity (ROE) of 8%. One of the reasons for me becoming President at this time is because we are in the process of formulating our next medium-term management plan and because we had successfully completed several major undertakings such as the acquisition of Ha Tay Pharmaceutical Joint Stock Company ("Hataphar") of Vietnam, making it a consolidated subsidiary

in FY2024. Against this backdrop, I decided that the smoothest path forward would be for those engaged in formulating Medium-Term Management Plan 2025 to remain involved in its implementation. We are now discussing details of how to proceed beyond that. While I think that initially we should reach ¥100 billion in net sales for the entire Group, I believe that we are now at the stage of pursuing substantially higher levels of sales, and I certainly will not be content with achieving the ¥100 billion figure. That said, ¥100 billion is a significant milestone, and one that we would like to reach as soon as possible. When we devise the new medium-term management plan, we plan to announce specific targets for net sales and profits. Net sales of ¥100 billion is not the Group's ultimate goal, but merely a stepping-stone along the way.

Medium-Term Management Plan 2025 Achievements and Growth Strategies

Under Medium-Term Management Plan 2025, which began in FY2021, the Group is aiming to become a total healthcare company with a strong foundation as a specialty pharma company. In FY2024, the fourth year of the plan, we achieved net sales of ¥64.1 billion, operating profit of ¥5.3 billion, and net profit attributable to owners of the parent of ¥5.1 billion, for an operating profit margin of 8.3% and ROE of 8.0%. In our core pharmaceutical business, we achieved particularly strong growth in the obstetrics and gynecology (Ob/Gyn) field. The animal health business is also evolving into a key source of revenue, contributing to business portfolio diversification and synergies across the Group.

Broadly speaking, we have three growth areas: Ob/Gyn, gastroenterology and rare diseases, and thyroid disease. In the Ob/Gyn area, our immediate focus is on the newly launched oral contraceptive Slinda, but we also anticipate further growth in demand for our existing products, especially the uterine fibroid and endometriosis agent RELUMINA and the dysmenorrhea agent DroEthi. In the gastroenterological and rare disease area, RIFXIMA is building a name for itself as the essential treatment for hepatic encephalopathy (a rare disease, still with high unmet medical need). Given the many undiagnosed and untreated hepatic encephalopathy patients, we think it is important to disseminate information that ensures that this drug reaches such patients. The Company has been involved in the thyroid disease field for over 100 years now, and the domestic market for thyroid disease treatments continues to expand. It is estimated that approximately 2.4 million patients in Japan would benefit from thyroid disease treatment, but only around one million are actually receiving it. For that reason, we aim to promote further access to treatment by increasing efforts to raise awareness of the disease among patients and general practitioners.

In our overseas activities, Vietnam-based Hataphar has been made a consolidated subsidiary as a new Group company. As such, our relationship with Hataphar has advanced from one of business partners to one of collaboration. Going forward, we will need to put in place an appropriate governance framework while also stepping up teamwork in terms of business planning and operations. I think it is essential that we act quickly in order to put the company on a growth trajectory. As a Group, we will continue working together toward our targets of ¥70 billion in net sales, an operating profit margin of 8%, and ROE of 8%.

Management conscious of stock price is becoming increasingly important. In the current business climate, dialogue with stakeholders reveals that the quality of a company is subject to ever more rigorous scrutiny. Traditionally, we looked principally at weighted average cost of capital (WACC) and cost of capital when considering business investments, but in recent years we have felt a need for more in-depth explanations and dialogue about the forms of investment we undertake, the levels of cash flow

we anticipate, and the type of growth we target. For a mid-cap company such as ASKA Pharmaceutical, it is especially difficult to garner market and investor attention unless we actively disseminate information. Even if we transform our business through strategies devised in-house, we know that the market is unlikely to assess these efforts on their actual worth unless we create opportunities to explain them in detail. During the current medium-term management plan, we accordingly ramped up IR activities targeting both institutional and individual investors. In addition to IR, we are also emphasizing SR activities,* in which we proactively engage in dialogue with investors to ensure that they understand the philosophy behind our operations, and to create opportunities for gauging market expectations. Fortunately, our price-to-book ratio (PBR) has recovered to around 1x even as the stock price continues to fluctuate. We believe that ROE has at least reached a level required by investors, but we think further improvement is required. Accordingly, we will continue to disseminate information and strengthen IR and SR activities to win greater understanding and approval from the market.

*SR (shareholder relations) activities: Initiatives for companies to build good relationships with shareholders through constructive dialogue



Message from the President

ASKA Pharmaceutical's Strengths in Specialty Areas and the Foundation for Sustainable Growth

The Group's strength lies in the expertise and knowledge it has amassed in specialty domains such as internal medicine (gastrointestinal and thyroid disease), Ob/Gyn, and urology. In that regard, our social contribution efforts, including educational activities, also enhance our competitiveness. Even now, when the market is demanding greater selection and concentration, we are harnessing the diversity and flexibility that is characteristic of a mid-sized company in our search for new business opportunities. The Group's ability to respond flexibly to societal change while adhering resolutely to its corporate values has been key to its sustainable growth, and we intend to maintain this approach as we pursue overseas expansion. When it comes to my own judgement, I aim to make decisions that deliver value while also balancing the needs of stakeholders from a medium- to long-term standpoint. My priority is to make choices that ultimately are beneficial for all stakeholders, even if those benefits are difficult to picture in the short term.

The Group places importance on dialogue with employees, and to that end we hold town hall meetings (targeting a total of 100 hours per year) where employees can communicate face-to-face with the management team, including myself. As we shift from a growth model based on simply executing tasks to one based on attaining stretch goals through a process of trial and error, I value employees' input on issues and proposed solutions. Some such proposals have already been put into practice, such as the Work Support Grant, which grew out of feedback from the workplace.

In FY2025, the Group's ESG Committee reorganized material issues into six items. In particular, in regards to "promotion of environmental management," one of our priority areas, we have set a goal of reducing CO₂ emissions by 46% by FY2030 compared with FY2013, principally at the Iwaki Factory, and to that end have taken steps such as commencing solar power

generation and obtaining ZEB (zero energy building) certification. As for "development of diverse human resources," we are focused on strengthening diversity including women's advancement while improving the work environment and raising awareness. As part of our efforts to support women's health, the Group operates the Health Lab Mint* for Women's health website, through which we disseminate information on health concerns unique to women. In FY2025, we added "respect for human rights" to our list of material issues. In this regard, we seek to create a workplace that facilitates collaboration between people of diverse cultural backgrounds. Regarding governance, we have established a Group Nomination Committee and Group Remuneration Committee, both of which include independent outside directors, to ensure transparency and impartiality. I believe addressing material issues will reinforce the foundation for sustainable growth.

The Group has a diverse training system, which includes an increasing number of programs that are freely available to employees. We have also introduced specialized training programs aimed at cultivating next-generation leaders and global talent who will lead our organization into the future. Slowly but surely, the pool of promising talent is taking shape and expanding. We are persisting with these initiatives in the view that opportunities to obtain practical experience will be critical to our human resource development over the next decade. For overseas work or jobs entailing new challenges, we make a point of assigning people with diverse knowledge acquired through training programs, and we also seek to create work environments conducive to growth. Globalization means that all departments inevitably have international dealings, and we aim to foster an environment in which all employees are capable of taking on this challenge. We assign great importance to supporting motivated employees in tackling work that will lead to their own growth.

Growth Strategy Built on a Diverse Business Portfolio and Creation of Synergies

The ASKA Pharmaceutical Holdings Group is building a diverse portfolio of businesses with individual strengths. Going forward, we aim to generate synergies between businesses and bring to bear the collective strengths of the entire Group in order to achieve further growth. One of the Group's strengths is its long history of supplying high-quality products and services in particular niche areas. This is a unique source of value supported by long-term relationships of trust, and we seek to continue leveraging this trust in the creation of new business and collaboration opportunities. Another key strength is the speed with which the Group is able to make decisions, allowing us to act quickly and flexibly even as market needs gain in diversity and complexity. We intend to continue drawing on this strength in our pursuit of sustainable growth.

We believe that the annual drug price revisions undertaken as part of efforts to contain social security costs

constitute the domestic market's biggest challenge. These drug price revisions lead to shorter product life cycles and make it difficult to secure profits. There are still many patients, though, who would benefit from treatment in the fields in which we operate. We accordingly think there is room for market expansion through such means as improving access to healthcare. We see this challenge as an opportunity for growth and aim to steadily generate results in this regard. If we are to secure profits regardless of changes in the external environment, we must not only reduce production costs, but also lobby for revisions to drug pricing systems and build a highly efficient and lean organizational structure. At the same time, we must also ensure stable supply and quality. Given constraints on our workforce, we need to step up our compliance activities and build a system for preventing supply shortages. In response

to labor shortages, we will review business processes and adopt AI and other cutting-edge technologies in pursuit of operational efficiency gains to maintain and expand our supply capacity.

In R&D, open innovation is essential as rising development costs and longer development periods have imposed limits on companies' capacity to capture the full range of business opportunities on their own. We will explore collaboration in various forms, forming alliances with other companies to acquire drug discovery seeds and engage in joint development, and in some cases provide our own drug discovery seeds to other parties. The key to ensuring that other companies are aware of the added value to be gained through collaboration with our Group is the creation of attractive seeds. We also envision a system in which drugs and technologies developed in Japan can become a source of renewed value in overseas markets. We also focus on broader frameworks—including regulatory systems, drug pricing, IP protection, and international collaboration—and aim to expand our global reach through in-house development rather than just importing technologies from overseas.

In the context of that global expansion, our first step will be to strengthen collaboration with Hataphar in the rapidly growing market in Vietnam, with a view to steadily improving that company's profitability. The Group is recognized as a leading company in the field of women's health in Japan, and that is in part due to its technological skills in hormone preparations. In Southeast Asia, we will establish a presence in fields that allow us to leverage the Group's expertise, not only in Ob/Gyn, but also in using hormone preparations and building supply systems to meet local needs. In Asia, we think it is important to expand our markets and our own operations. In the drug discovery field, though, we believe that intellectual

Creating Corporate Value by Helping to Resolve Social Issues

The Group's greatest strength lies in the track record and expertise it has accumulated over years of focusing on specialty domains. This wealth of experience is one of the Group's major assets and a source of competitive advantage. I believe that the Group's most attractive attribute is the value it provides by leveraging this expertise in addressing social issues.

Currently, we are tackling themes directly tied to social issues, including the promotion of women's advancement, and raising awareness in areas with an abundance of potential patients. In short, in the course of our business activities, we are tackling modern social issues head-on. We believe that this will broaden understanding of our significance as a company that contributes to society. Apart from our business activities, we are also actively engaged in educational activities through channels such as Health Lab Mint* for Women's health. I believe that initiatives such as these will become a new source of competitiveness for the Company. By contributing to resolving social issues, we are in fact also essentially creating competitiveness. In my view, this

is another key source of the Group's appeal.

I believe that our sustainable growth today is founded on a history of adapting flexibly to the needs of society and industry in each era, while also holding true to our fundamentals and core values as a company, without being swept up in short-term perspectives. We have been able to combine flexibility with our convictions by maintaining a fine balance between "changing" and "not changing too much." We have shown a capacity to stay true to our fundamentals while making appropriate adjustments in order to shift our center of balance in response to changes in the environment, and I can proudly say this is one of the Company's great strengths as well as a source of appeal.

I believe that this approach of responding to changes in the environment while not losing sight of our true essence will be the single greatest factor driving sustainable growth as we ramp up expansion into overseas markets. The Group's businesses provide enduring value in these changing times, and I hope that their key features and strengths will continue to draw your attention.

