

Roundtable Discussion on Corporate Governance



(From left) Atsushi Maruo, Minoru Awabayashi, Yasuji Enokido

To achieve sustainable growth, the Company is focused on strengthening its governance framework and expanding its overseas operations. To foster broader understanding of the evolving corporate culture underpinning these efforts, three directors held a roundtable discussion to exchange views on current challenges and initiatives with a long-term outlook.

Selecting the Next-Generation Leader and the Effectiveness of the Nomination and Advisory Committee

Awabayashi: As an outside director, I participated in the selection of the new president by offering objective and unbiased perspectives on a broad range of both internal and external candidates. We prioritized fairness, and repeatedly held careful discussions, which I am assured resulted in a transparent selection process.

Maruo: The Group Nomination Committee began by discussing the fundamental question of what process should be followed in selecting top management. Building on these discussions, we initiated formal deliberations about a year ago.

Enokido: As the current medium-term management plan enters its final phase, the Board reached a consensus that it would be appropriate to begin the next medium-term plan period, starting in FY2026, with a new management structure. Against this backdrop, I believe the timing of the transition was natural and advanced with a shared understanding. The selection process was not centered on a pre-determined individual but instead began with the

fundamental question of what kind of leader ASKA Pharmaceutical Holdings needs. From there, we carefully narrowed down the candidates.

Awabayashi: I had no prior relationship with the new president before becoming an outside director. However, through interactions at Board meetings and other settings, I came to appreciate his medium- to long-term perspective and vision and recognized him as a highly capable leader. In the pharmaceutical industry—the Group's core business—development and validation require time, making it sometimes difficult to achieve results in the short term. The new president's commitment to driving growth through medium- to long-term strategies is therefore highly commendable.

Enokido: I have had monthly discussions with the new president and was particularly impressed by his consistent and strong vision of advancing ASKA Pharmaceutical to the next stage. He is deeply committed to R&D investment and, in particular, to overseas expansion, with a broad perspective that extends beyond Asia to include European markets. I am confident he is the right leader to drive the Group's future growth.

Maruo: Since joining the Board, the new president has

overseen key areas such as drug discovery research and business development. As president of ASKA Pharmaceutical, he has actively pursued overseas expansion against a backdrop of a slowing domestic market and has already delivered results. His deliberate efforts to build experience both inside and outside the Company, with an eye toward future management, also demonstrate his strong awareness and readiness as a leader.

Awabayashi: Among his overseas expansion initiatives, his focus on Southeast Asia is particularly noteworthy. The Company currently has a consolidated subsidiary in Vietnam and an equity-method affiliate in the Philippines. While numerous companies tend to prioritize Western markets, the new president's early recognition of Southeast Asia's high growth potential, and his strategic actions to meet rising pharmaceutical demand driven by regional economic development, demonstrate strong foresight.

Enokido: This shows that the new president has laid out not merely a response to short-term management needs but a clear vision for sustainable growth over the next 50 to 100 years, with overseas expansion at its core. From this long-term, forward-looking perspective as well, I am convinced that his appointment is well justified.

Effectiveness of the Board of Directors and Initiatives for Improvement

Maruo: Currently, four of the nine members of the Board of Directors are outside directors, and discussions are quite robust. In this respect, I believe there are no major issues with the Board's effectiveness. However, as our Group operates primarily in pharmaceuticals—a field with significant public and social implications—it is particularly important that we demonstrate sound and transparent management to a broad range of stakeholders. We must therefore continue strengthening our governance practices.

Enokido: I agree—that is a critical point. From a structural perspective, since I joined the Board, the addition of two female outside directors has significantly enhanced its diversity. Mr. Awabayashi and I come from outside the pharmaceutical industry, and I think the current composition is well balanced, with both of us contributing perspectives on comprehensive corporate management and global business expansion. That said, discussions on pharmaceutical R&D do require specialized knowledge, which was initially challenging to fully grasp. Going forward, I would like to strengthen our ability to provide insights and judgements from a management perspective, while also taking technical areas into account.

Awabayashi: I feel that Management Council meetings provide an open environment for frank discussions. However, there are times when topics thoroughly discussed in Management Council meetings are not



sufficiently addressed at the Board level. For this reason, I make a point of revisiting key matters during Board discussions as well. I believe this approach is essential to ensuring transparency.

Maruo: From the standpoint of further enhancing management transparency, the Group Nomination Committee has begun discussing the Company's optimal governance structure. We currently operate as a company with an Audit & Supervisory Board, but given that auditors do not have voting rights at Board meetings, we are considering transitioning to a company with an Audit & Supervisory Committee to further strengthen oversight functions. Furthermore, some investors have requested that the tenure of directors be reduced from the current two years to one year. Taking these and other perspectives into account, we are evaluating a range of measures to strengthen governance.

Awabayashi: Allowing shareholders to review director appointments annually by shortening their terms would be desirable from a governance standpoint.

Enokido: In parallel with these structural discussions, investor-focused perspectives are increasingly being incorporated into internal dialogue. Over the past year, I have observed growing awareness that such perspectives are a key factor in management decision-making. We are also continuously monitoring the overall soundness of the organization—including the fundamental corporate responsibility of compliance—and discussing these matters internally. I would like us to further deepen discussions that contribute to enhancing overall corporate value.

Maruo: In recent years, we have proactively conducted IR and SR activities. At Board meetings, we share feedback from investors and other stakeholders and actively incorporate particularly valuable suggestions into business strategies and measures.

The Board does not limit its discussions to business strategy and overall management. We also actively engage with current key topics such as ESG, human capital utilization, and the design of ideal HR systems.

Roundtable Discussion on Corporate Governance

Enokido: We intend to integrate these concepts as fundamental elements of the forthcoming medium-term management plan, which is currently under development.

Maruo: Depending on the agenda, division directors, who are corporate officers, attend Board meetings to explain specific topics and participate in Q&A sessions. This allows outside directors to engage in discussions with closer proximity to frontline operations, and I believe this setup supports highly effective governance.

Assessment of the Medium-Term Management Plan and Realizing the Vision of Becoming a Total Healthcare Company

Awabayashi: The Group actively embraces diverse talent not only from within but also from outside the organization, and it is focused on promoting open innovation. For example, it is exploring partnerships with startups and overseas companies. Rather than relying solely on internal development, it positions collaboration with external partners as part of its management strategy—and this type of collaboration is one of the Group's strengths.

Enokido: In addition to this flexible approach, the Group is engaged in socially significant themes such as healthcare that supports women's participation in society and animal health that promotes healthy relationships between people and animals. These areas are expected to grow, and I believe the Group is well positioned in these markets. That said, the domestic market faces the structural challenge of population decline, which limits longer-term growth potential. To achieve sustainable growth, global expansion is essential, and further strengthening of in-house development capabilities remains a management priority.

Maruo: Currently, about 90% of the Group's sales come from the pharmaceutical business in Japan. However, the domestic market faces several limiting factors, including low economic growth, a shrinking population, and drug price revisions. Moreover, pharmaceutical R&D involves rising costs and increasing uncertainty. Against this



Yasuji Enokido
Member of the Board of Directors, Outside Director

backdrop, expanding into overseas markets is crucial to maintaining and enhancing corporate value. In addition to prescription pharmaceuticals, we aim to develop new revenue pillars in adjacent healthcare areas, such as animal health and digital medical devices.

Awabayashi: As the Group expands globally, securing talent with expertise in Southeast Asian markets will be critical. It is important to bring in individuals with both practical experience and specialized knowledge gained on the front lines.

Enokido: Going forward, we expect to see growth not only in pharmaceuticals, but also in emerging areas such as digital therapeutics. Rapid technological advances, including generative AI, are likely to have a major impact on the efficiency of internal operations, R&D speed, and the expansion of business domains. How we integrate these technologies into the Group's core business will be a critical factor in driving future growth.

Maruo: For a mid-size company like ours, partnerships with external players that have strengths in advanced technology fields—such as digital health, DX, and AI—are extremely important. At the same time, our strengths lie in areas of high social value, namely women's health and animal health. I am confident that by combining these capabilities with those of our partners in other fields, we can generate significant synergies. Through such collaboration, we aim to achieve medium- to long-term growth.

Enokido: In today's fast-changing environment, employees risk losing a sense of urgency if they remain too inward-looking. Actively engaging with external stakeholders and experiencing the pace of development in other companies and industries help broaden perspectives of each employee and invigorate the organization. It will become increasingly critical to advance our research and technological capabilities while broadening engagement with external stakeholders.

Maruo: From that perspective, I hope both of you will continue contributing your insights through various meetings.

Enokido: In developing the next medium-term management plan, instead of simply extending the current growth trajectory, we're using a backcasting approach—starting with a long-term vision of where the Group wants to be in 10 years and working backward to determine the actions needed today. Our focus is not only on business initiatives such as new drug development and overseas expansion, but also on organizational and cultural aspects such as enhancing HR systems and fostering a corporate culture that embraces challenges.

Awabayashi: I feel the next medium-term plan places strong emphasis on shareholder returns and corporate transparency. However, as a pharmaceutical company, the Company must also keep in mind its diverse stakeholders—not only shareholders, but also healthcare professionals and patients. Initiatives and communications must strike the right balance across these groups.

Maruo: The upcoming medium-term management plan will include targets such as becoming the leading company supporting women's healthcare and raising the overseas sales ratio to 30%. To achieve these goals, we have established working groups by themes—sales and marketing, R&D, overseas expansion, and HR systems—and are engaged in concrete discussions. We plan to compile a summary by fall and formally announce the plan in FY2026.

Awabayashi: At present, I feel the market's evaluation of the Company is somewhat below its true capabilities and potential. One challenge is to address the Company's relatively low name recognition among individual investors through strategic initiatives.

Enokido: For mid-sized companies in Japan, gaining strong market recognition can take time. Historically, there was less focus on enhancing shareholder value, but due in part to recent government policy support, the conversation around corporate value enhancement is becoming more widespread and established. Through improved communication and outreach to external stakeholders, we can gradually convey the Group's strengths and appeal more broadly.

Maruo: Recently, we have received increasing requests from investors to speak directly with outside directors. By further expanding such opportunities for dialogue, we aim to realize highly transparent management and build strong, trust-based relationships.

Message to Stakeholders

Awabayashi: The Company has a clear vision of becoming a company that contributes to women's health and happiness. It is committed to global expansion and has been steadily securing talent needed to realize this goal. Through these initiatives, I am confident that these efforts will provide investors with strong reasons to expect future growth.

Enokido: The Board of Directors commonly recognizes the significance of commitment to further enhancing corporate value. Board members are strongly aware of the need to improve market valuation, and this mindset will be clearly reflected in the next medium-term management plan. Initiatives will consider a wide range of stakeholders—including business partners, prospective collaborators, and employees—and will be promoted with a view to enhancing corporate value in the broadest sense.

Maruo: Exactly. The areas we focus on—women's health and animal health—are not only responses to pressing social issues but also key drivers of future growth. By working diligently in these fields, we can build stakeholder trust, which in turn will contribute to enhancing corporate value. We also intend to further strengthen our overseas expansion efforts. An increase in both corporate and equity value will open more opportunities for forming partnerships and utilizing equity financing to accelerate



Atsushi Maruo
Senior Managing Member of the Board of Directors, Representative Director

growth. In this sense, strengthening external communication, including IR activities, will be even more critical going forward. The Group's core operations center on the pharmaceutical business, and our business model is fundamentally B2B rather than B2C. Accordingly, raising brand recognition requires a more strategic approach than for companies in other industries. Ideally, a new drug developed by the Group will gain high social recognition for its contributions to patients and other stakeholders and bring greater attention to the Group.

Awabayashi: Even my own family did not initially know about ASKA Pharmaceutical, but when I explained that it is a company supporting women's health and happiness through initiatives in obstetrics and gynecology, they understood the purpose and significance of its business.

Enokido: I tell my family that it is the No.1 company in the obstetrics and gynecology field in Japan. I am confident that the Company's track record and market position fully support that claim.

Maruo: In addition to our current strengths in women's health, we need to build globally competitive capabilities in areas such as drug discovery and manufacturing. As we are still in a growth phase, we do not need to pursue a department store model, offering all kinds of services and products. Rather, I believe our most suitable growth model is that of a boutique—specialized and strong in select fields.