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Press Release

ASKA Pharmaceutical Holdings Co., Ltd.

Notice Concerning the Opinion of the Board of Directors of the Company on the Shareholder Proposal

TOKYO, May 12, 2025 – ASKA Pharmaceutical Holdings Co., Ltd. (TSE: 4886, Head Office: Minato-ku, Tokyo/ President, Representative Director: Takashi Yamaguchi) received a shareholder proposal dated April 23, 2025 (the "Shareholder Proposal") from one of the Company's shareholders, NIPPON ACTIVE VALUE FUND PLC, as agendas for the 4th Annual General Meeting of Shareholders (the "General Meeting of Shareholders") to be held on June 24, 2025. The Company has deeply examined the contents of the Shareholder Proposal, and as a result, at the meeting of its Board of Directors held today, resolved to oppose the Shareholder Proposal as follows.

1. Proposing Shareholder

   Name of Proposing Shareholder: NIPPON ACTIVE VALUE FUND PLC

2. Agendas proposed in the Shareholder Proposal

   i. Acquisition of Treasury Share

   ii. Amendment to the Articles of Incorporation concerning the Number of Outside Directors

   iii. Approval of Amount of Remuneration for Restricted Share Compensation Plan

3. Summary of Proposal and Reason for Proposal

   As described in the attached "Contents of the Shareholder Proposal."

   The attached "Contents of the Shareholder Proposal" is the original text of the Shareholder Proposal submitted by the Proposing Shareholder (in Japanese).

4. Opinion of the Board of Directors of the Company on the Shareholder Proposal

i. Acquisition of Treasury Share

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company opposes the Shareholder Proposal.

(2) Reasons for Opposition

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" and strengths its efforts by setting the targets of net sales of 70 billion yen, operating profit's ratio of 8% and ROE (return on equity) of 8% in the Medium-Term Management Plan 2025 covering five years from 2021 in order to realize the enhancement of corporate value over the medium to long term.

In the Medium-Term Management Plan (FY2021 to FY2025), the Company has established seven strategies (1. Enhancing Corporate Value by Strengthening Initiatives in the Specialty Areas; 2. Continuous Creation of New Drugs through Advanced Drug Discovery; 3. Overseas Operations; 4. Providing New Value to Realize Total Healthcare; 5. Improve Operational Efficiency, Cut Costs, and Reinforcing Our Financial Base; 6. Foster an Organizational Culture That Emphasizes thorough Compliance and Accountability; and 7. Develop Human Resources to Realize Growth Strategies) and is steadily implementing these measures and carrying out activities to enhance sustainable corporate value.

The Company considers that it is important to allocate funds in a balanced manner for both "investment in growth" and "return to shareholders" in order to improve corporate value over the medium to long term, and in November 2023, it released specific cash allocations for future growth under the title "*ASKA Pharmaceutical Holdings Takes Action to Implement Management That is Conscious of Cost of Capital and Share Price* "

In the mainstay ethical pharmaceutical business, the Company has strengthened its growth strategy more than ever by further enhancing its position as a leading company in the obstetrics and gynecology field, focusing on drug discovery research as an R&D-oriented company. However, the introduction of new drugs temporarily requires a large amount of capital, ranging from several billion yen to over 10 billion yen, depending on the drug.

Moreover, the Company enhances its growth strategy by actively investing the cash acquired from business activities in the ethical pharmaceutical business as well as in the overseas businesses centering on Southeast Asia, the companion animal business, which is expected to grow among the field of veterinary pharmaceuticals, and new businesses for further growth as a total healthcare company. At the same time, the Company has invested in and allocated its funds in human capital and production facilities to strengthen its management base.

In addition, the Company regards the return of profits to shareholders as one of its most important management issues with its basic policy to maintain stable dividends while returning profits in line with its business performance. Regarding profit distribution from the fiscal year ended March 31, 2025, the Company will maintain stable profit distribution by indicating a consolidated dividend payout benchmark ratio of 30% as performance-linked profit distribution, with a minimum annual dividend per share of 30 yen.

With regard to the buyback and cancellation of treasury shares, the Company flexibly and at the appropriate time acquires and cancels treasury shares, comprehensively taking into consideration growth investments, dividend levels, cash on hand, and the share price level, etc. In FY2021, the Company acquired 300,000 treasury shares at a total acquisition price of 316,476,300 yen. In FY2024, the Company cancelled 1,800,000 treasury shares (equivalent to 5.89% of the total number of issued shares before the cancellation) to further improve capital efficiency and share value.

Based on such policy, the Company has allocated its funds in a balanced manner to both investments for growth and shareholder returns, while keeping a good balance, thereby aiming to achieve the targets set forth in the Medium-Term Management Plan. However, the Shareholder Proposal calls for the acquisition of a total of 2,876,000 treasury shares within one year at a total acquisition price of approximately 6.9 billion yen. Given that the Company’s profit attributable to owners of parent for FY2024 was 5.1 billion yen, the total acquisition price of treasury shares will significantly exceed the Company’s annual cash flow level. The Company recognized that, if the contents of the Shareholder Proposal were implemented, it would not only deteriorate the financial resources for investment for growth and slow down the Company’s medium- to long-term growth and the improvement of its corporate value, but it would also decrease financial stability and consequently undermine the medium- to long-term interests of shareholders. Therefore, the Company considers it inappropriate for it to conduct the acquisition of treasury shares on the scale of the Shareholder Proposal within one year, as it would not facilitate smooth execution of growth investments.

For the reasons above, the Board of Directors of the Company opposes the Shareholder Proposal.

(Reference) Shareholder returns

Classification	FY2021	FY2022	FY2023	FY2024 (Forecast)	FY2025 (Planned)
Dividend per share	15 yen	16 yen	40 yen	55 yen (Forecast)	55 yen (Planned)
Dividend payout ratio	5.3%*	10.7%	15.0%	30.6% (Forecast)	30.0% (Planned)
Total return ratio	12.6%	10.7%	15.0%	30.6% (Forecast)	30.0% (Planned)

*Of a dividend of 15 yen for FY2021, an interim dividend of 7 yen was paid out of other capital surplus and was excluded from dividend payout ratio.

ii. Amendment to the Articles of Incorporation concerning the Number of Outside Directors

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company opposes the Shareholder Proposal.

(2) Reasons for Opposition

The Company has established the Group Nomination Committee as an advisory body to the Board of Directors in order to enhance the fairness and objectivity of the deliberation process in nominating Board members. The Group Nomination Committee is chaired by an outside director and the majority of its members are Outside Directors, ensuring its independence. Based on the skill matrix disclosed in the Corporate Governance Report, the Group Nomination Committee proposes the Board of Directors to nominate those who contribute to enhancing corporate value as director candidates in light of the Company's management strategy.

The Company believes that it is important for the Board of Directors to be comprised of members with sufficient knowledge, experience and competence, etc., in a balanced manner, and selects candidates after taking into consideration the balance of skills and securing diversity. With regard to Outside Directors, the Company nominates candidates who are capable of contributing to the sustainable growth and medium- to long-term enhancement of corporate value of the Company, based on their knowledge and experience in corporate management, as well as their expertise in medicine and pharmacy.

The Board of Directors of the Company conducts an evaluation of the effectiveness of the Board of Directors every year. Based on opinions, etc. from inside and Outside Directors, and by receiving the results of the external evaluation, the Board of Directors accurately grasps issues relating to the structure, the quality of discussions, decision making processes, etc. The Board of Directors conducts discussions based on an awareness of issues and continuously works for improvement. The Company has recognized the effectiveness of the Board of Directors is ensured.

Upon approval of the proposal for election of Directors to be proposed by the Company at this General Meeting of Shareholders, four of the nine members of the Board of Directors will be independent Outside Directors. Each of the four candidates for Outside Directors is a corporate executive (including those with experience), a physician, and a medical professional, and has experience and expertise in corporate management, research and development, intellectual property, sales and marketing, medical science and pharmacy, global business, finance and accounting, legal affairs and risk management, and sustainability and ESG. In addition, three out of nine Directors are female Directors, and the ratio of female Directors is 33.3%. The Company believes that the composition of Directors is appropriate to ensure a balance of skills and diversity, and to conduct active discussions.

The Board of Directors, composed of the candidates for Directors to be proposed by the Company, is sufficiently independent and is expected to achieve the Medium-Term Management Plan 2025 of the Company, which the Company believes will lead to the sustainable enhancement of the Company’s corporate value, in other words, the interests of its shareholders.

The Company received a proposal to establish a majority of Outside Directors in the Articles of Incorporation. However, as described above, the Company recognizes that the composition of the Board of Directors should be reviewed flexibly in accordance with the business environment and business strategy. The Company believes that the establishment of such a provision in the Articles of Incorporation may limit the scope of selection of candidates for Directors, and may hinder the consideration and formation of the most suitable Board of Directors at the time.

In addition, with regard to the “appointment of personnel with analyst skills” as indicated, the Company fully recognizes the importance of sound risk-taking. Furthermore, as stated in the skill matrix, the Company strives to both secure a stable financial base and improve capital efficiency. In the actual meetings of the Board of Directors, appropriate deliberations and decision making are conducted while receiving advice from consultants and external experts as necessary.

As disclosed in the Integrated Report, etc., the Company engages in continuous and careful dialogue with shareholders. Through this process, the Company recognizes that the viewpoints of external investors and shareholders are reflected in the Board of Directors.

Accordingly, the Company Board of Directors has determined that it is not appropriate to establish a majority of Outside Directors in the Articles of Incorporation, and opposes the Shareholder Proposal

iii. Approval of Amount of Remuneration for Restricted Share Compensation Plan

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company opposes the Shareholder Proposal.

(2) Reasons for Opposition

Remuneration for Directors of the Company is determined by the Board of Directors after deliberations by the Group Remuneration Committee, an advisory committee chaired by an Outside Director and a majority of whose members are Outside Directors, in accordance with ensuring transparency, fairness and objectivity.

The remuneration for Directors (excluding Outside Directors) is designed to contribute to the sustainable improvement of corporate value. Specifically, in addition to fixed remuneration, it consists of a performance based bonus (based on performance indicators such as ROE and non-financial indicators such as CO_2 emissions reduction) and a share-based remuneration plan as a medium- to long-term incentive. The approximate ratio is as follows.

Base Salary: Performance-Based Bonus: Restricted Share Compensation＝55 - 70％：15 - 30％：10 - 15％

Remuneration for Outside Directors consists solely of fixed remuneration, without short-term or medium- to long-term incentives, in order to ensure the full functioning of the supervisory function of management.

The Board of Directors of the Company approved at the Extraordinary General Meeting of Shareholders held in June 2021 that the maximum amount of remuneration for Directors shall be 500 million yen per year, of which 70 million yen shall be for Outside Directors. Apart from this, the maximum amount of remuneration for restricted share compensation shall be 100 million yen per year.

The specific amount of remuneration for each Director is determined at a certain time each year within the maximum amount and maximum number of shares approved at the General Meeting of Shareholders, taking into consideration the position (job position), duties, and tenure, etc., based on the report of the Group Remuneration Committee, an advisory committee in which the chairperson is an Outside Director and a majority of the members are Outside Directors.

As for share compensation, the Company introduced a restricted share compensation plan at the General Meeting of Shareholders held in June 2018 during the era of ASKA Pharmaceutical Co., Ltd. In addition, at the Extraordinary General Meeting of Shareholders held in June 2021, following the transition to the Holdings structure, the Company received approval to newly introduce the remuneration for restricted share compensation in order to provide an incentive for Directors (excluding Outside Directors) to achieve the sustainable enhancement of the Company’s corporate value and to further share that value with shareholders. The remuneration to be paid to eligible Directors for the grant of shares with restriction on transfer is a monetary claim, and the total amount is deemed to be reasonable based on the above purpose, and is currently managed at an annual amount of up to 100 million yen.

In FY2024, the Company expanded the scope of the remuneration for restricted share compensation to include all corporate officers and, like Directors, provided an incentive to continuously enhance corporate value with the aim of further sharing value with shareholders.

In this way, the current remuneration system of the Company is appropriate in that it provides an incentive to continuously enhance corporate value and sufficiently realize value sharing with shareholders, and its level is also appropriate.

The Shareholder Proposal is designed to grant monetary remuneration receivables for granting restricted shares up to 200,000 shares in an aggregate amount of up to 500 million yen per year as the amount of remuneration for Directors including Outside Directors, separately from the annual amount of remuneration to date. If the performance criteria are met, restricted shares equivalent to three times the fixed remuneration will be granted in the aggregate over the next three years. It is also far from the current level of performance, and it lacks the balance between the fixed remuneration and the performance-linked remuneration, and is considered to be an excessive amount of remuneration considering the size, etc. of the Company.

The Shareholder Proposal proposes to introduce a restricted share compensation plan for Outside Directors as a performance-linked incentive system. However, the Company has introduced a performance based bonus system for internal Directors, consisting of performance based bonuses (based on financial indicators such as ROE and non-financial indicators such as CO_2 emissions reduction), and already has a performance based bonus system in place. Moreover, Outside Directors are responsible for monitoring and supervising management from an independent standpoint. Therefore, the Company does not grant restricted shares for Outside Directors.

Based on the above, the Board of Directors of the Company opposes this proposal.

The Company will consider the intent of this Shareholder Proposal, and intends to continue to have the Group Remuneration Committee and the Board of Directors which received its recommendation consider ideal remuneration systems for improving corporate value, including not only the balance and level of remuneration structure but also Directors’ views on the number of shares held by the Company.

(Reference)

Classification	2021	2022	2023	2024*
Total amount of Remuneration for Restricted Share Compensation	48,900,500 yen	44,962,400 yen	45,627,400 yen	46,483,200 yen

*The scope of remuneration has been expanded to include all Corporate Officers since 2024, and the total amount of share remuneration for all eligible persons is 84,008,700 yen.

End

Attachment “Contents of the Shareholder Proposal”

*The relevant statements in the Shareholder Proposal submitted by the Proposing Shareholder are posted in the original text (in Japanese).

1. Proposing Agenda

i. Acquisition of Treasury Share

ii. Amendment to the Articles of Incorporation concerning the Number of Outside Directors

iii. Approval of Amount of Remuneration for Restricted Share Compensation Plan

2. Summary of Proposal and Reason for Proposal

i. Acquisition of Treasury Share

(1) Summary of Proposal

Pursuant to the provision of Article 156, paragraph 1 of the Companies Act, within one year from the conclusion of the General Meeting of Shareholders, the Company shall acquire its own common shares, limited to a total of 2,876,000 shares with a total acquisition price of 6,902,000,000 yen, by payment of cash.

(2) Reasons for Proposal

The Company share price has been sluggish since last year, and the market seems to think that its measures are still not enough. Therefore, in order to further enhance shareholder returns and improve capital efficiency of the Company, we believe that the Company should acquire about 10% of its issued shares and adopt a policy to cancel such shares in accordance with Article 178 of the Companies Act.

ii. Amendment to the Articles of Incorporation concerning the Number of Outside Directors

(1) Summary of Proposal

Article 22* of the Company's Articles of Incorporation shall be amended as follows in order to increase the number of Outside Directors of the Company to a majority:

Before change	After change
Article 22 Number of Directors 1. The number of Directors of the Company shall be up to 10. <u>2. (Newly established)</u>	Article 22 Number of Directors 1. The number of Directors of the Company shall be up to 10. <u>2. The majority of the Directors of the Company shall be Outside Directors stipulated in Article 2, paragraph 1, Item 15 of the Companies Act.</u>

*Note from the Company: The number of Directors is specified in Article 19 of the Company's Articles of Incorporation.

(2) Reasons for Proposal

Corporate Governance Code Principle 4-8 states that "*Independent Outside Directors should fulfill their roles and responsibilities in a manner that contributes to the sustainable growth of the Company and enhancement of the Company's medium- to long-term corporate value. Prime market-listed companies should appoint independent Outside Directors who possess such qualities in sufficient numbers, with at least one-third of the Directors being independent Outside Directors. Furthermore, notwithstanding the above, Prime market-listed companies that consider it necessary to appoint a majority of independent Outside Directors in comprehensively considering factors such as industry, scale, business characteristics, organizational structure, and the environment surrounding the Company should appoint an adequate number of independent Outside Directors.*" In addition, the Corporate Governance Code Principle 4-7 lists one of the roles and responsibilities of independent Outside Directors as "*appropriately reflecting the opinions of minority shareholders and other stakeholders to the Board of Directors from a position independent of management and controlling shareholders.*"

The Company has four Outside Directors out of nine Directors, meeting the requirement of more than one-third. However, we believe that by actively increasing the number of Outside Directors to a majority, the Company can improve capital efficiency, enhance shareholder returns, and establish a governance structure that contributes to the sustainable growth and enhancement of corporate value over the medium to long term.

In addition to the number of Outside Directors, it is necessary to have Outside Directors with the qualities that will contribute to the sustainable growth and medium- to long-term enhancement of corporate value. In this regard, we believe that the appointment of analysts with advanced experience and skills should be considered.

We believe that appointment of personnel with high levels of experience and skills as analysts is an effective way to bring the perspective of external investors and shareholders to the Board of Directors, while also enhancing corporate value through sound risk-taking. Essentially, the Board of Directors of listed companies and investors/shareholders share the same goal of long-term improvement of corporate value. Unfortunately, however, in Japan, the two sides are often viewed as being in opposition to each other. We believe that the participation of Directors with the above experience and skills in the discussions and decision-making of the Board of Directors will contribute to sound risk-taking and capital allocation, as well as better communication with the market, thereby restoring the relationship between the Board of Directors and the share market to its proper constructive state. It is often explained that former bankers and accountants are responsible for the finance portion of the Directors' skill matrix. However, from the perspective of promoting "sound risk-taking," we believe that expertise in accounting and debt markets is not sufficient, and that it is significant to appoint experts in equity markets to compensate for this deficiency.

iii. Approval of Amount of Remuneration for Restricted Share Compensation Plan

(1) Summary of Proposal

The maximum amounts of remuneration for the Company Directors were approved at the shareholders' meeting held on June 24, 2021, as follows: annual remuneration of up to 500 million yen for Directors, with up to 70 million yen for Outside Directors, and separately, restricted share compensation of up to 100 million yen per year. However, in light of recent circumstances, the Company shall grant, in addition to the aforementioned annual compensation amounts, monetary compensation claims for the grant of restricted shares with a maximum annual amount of 500 million yen and a maximum number up to 200,000 shares to all Directors, including Outside Directors.

The specific payment timing and allocation shall be determined by the Board of Directors. The plan shall be designed as a performance based bonus plan that includes ROE and TSR (total shareholder return), and if the performance criteria are met, restricted shares equivalent to a cumulative amount of three times fixed remuneration shall be granted over the next three years.

(2) Reasons for Proposal

We believe that the most considerable weak points of boards of directors in Japan are that directors have few shareholdings and lack a shareholder's perspective as a result. At the Company as well, the shareholdings of the Directors are limited, with the majority of their economic gains coming from their basic compensation in the form of fixed remuneration. While some remuneration is linked to the achievement of performance, we believe that the sharing of value with shareholders, which is the purpose of restricted share compensation, is insufficient. It is necessary for the Directors to be given an economic incentive to endeavor to sustainably improve the corporate value of the Company and for Director interests to be unified with those of shareholders so that the positive outcomes of improved corporate value are enjoyed alongside shareholders.

The ideal amount of effective share-based compensation for facilitating value-sharing between Directors and shareholders is established as an amount equivalent to three times fixed remuneration. Although the Company has introduced a restricted share compensation plan, the actual payment performance of remuneration to its Directors, including monetary remuneration, in the 3rd Fiscal Year (from April 1, 2023 to March 31, 2024) has not been disclosed and it is impossible to determine whether effective compensation is actually paid. However, even looking at the share compensation framework, it is easy to infer that the actual amount of share compensation paid is extremely small compared to fixed compensation. share compensation is meaningless unless it is granted during the term of office of directors, so it is necessary to grant a certain amount within a relatively short period of time.

Moreover, at nearly all major listed companies in Europe and the United States, shareholding guidelines that set forth continuous shareholding conditions over a fixed period of time have been adopted for a certain number of shares believed to be necessary in sharing value with shareholders. In most cases, following a grace period of several years, share-based compensation is established as three to five times basic compensation for top management and one time compensation even for Outside Directors. We hereby propose that the Directors of the Company and other members of its management team strive for a level of ownership that does not lag behind world standards rather than remain trapped by past conventional wisdom and show their commitment through adequate disclosure, and believe that shareholding guidelines should be established.

End

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