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ASKA Pharmaceutical Holdings Co., Ltd.

The Company's View on the Proxy Voting Recommendation by Institutional Shareholder Services Inc.

TOKYO, June 5, 2025 – ASKA Pharmaceutical Holdings Co., Ltd. (TSE: 4886, Head Office: Minato-ku, Tokyo/ President, Representative Director: Takashi Yamaguchi) has received a shareholder proposal (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 to be held on June 24, 2025. As announced in the Company's press release dated May 12, 2025, titled "Notice Concerning the Opinion of the Board of Directors of the Company on the Shareholder Proposal" (the "May 12 Press Release"), the Board of Directors has resolved to oppose the Shareholder Proposal.

Under these circumstances, the Company has confirmed the publication of a report (the "ISS Report") issued by Institutional Shareholder Services Inc. ("ISS"), a proxy advisory firm. According to the ISS Report, ISS recommends voting against Proposal No. 4 (Acquisition of Treasury Share) and Proposal No. 5 (Amendment to the Articles of Incorporation Concerning the Number of Outside Directors), while recommending a vote for Proposal No. 6 (Approval of Amount of Remuneration for Restricted Share Compensation Plan), all of which are proposals of the Shareholder Proposal. The Company would like to provide its views on Proposal No. 6, for which ISS has issued a vote for recommendation, as set forth below.

1. <u>ISS's Rationale for its "For" Recommendation on Proposal No. 6: Approval of Amount of Remuneration for Restricted Share Compensation Plan</u>

ISS has recommended a vote for Proposal No. 6 solely on the basis that it meets ISS's formal criteria, summarized as follows:

- ISS usually would not oppose equity compensation for outside directors.
- Potential dilution of no more than 5 percent for a mature company (or 10 percent for a growth company).
- With respect to performance conditions, details regarding performance targets are, in principle, expected to be disclosed. However, even in the absence of such disclosure, ISS considers the criteria to be met if certain management metrics used to evaluate performance are disclosed. Alternatively, ISS may also consider the criteria to be met if the restricted share has a vesting period of at least three years, or if the shares become disposable after retirement in cases where the recipient retires within three years.

2. The Company's View

As stated in the May 12 Press Release, a restricted share compensation plan was first introduced at the Annual General Meeting of Shareholders of ASKA Pharmaceutical Holdings Co., Ltd. held on June 28, 2018. Subsequently, at the Extraordinary General Meeting of Shareholders held on June 24, 2021, following the transition to a holding company structure, shareholders approved the implementation of a new restricted share compensation plan for the Company's directors (excluding outside directors). The purpose of the plan is to provide incentives aimed at promoting the sustainable enhancement of the Company's medium- to long-term corporate value and to further align the interests of the directors with those of shareholders.

The compensation granted in the form of restricted share is provided as monetary claims, with a maximum annual amount of up to ¥100 million, which is considered reasonable in light of the plan's objectives.

In fiscal 2024, the scope of eligible recipients was expanded to include all corporate officers. As with directors, the plan is designed to provide them with incentives to enhance corporate value on a sustainable basis and to further promote value-sharing with shareholders.

The specific amount of the monetary claims provided for restricted share compensation is determined through careful deliberation, based on a recommendation from the Group Remuneration Committee, an advisory body chaired by an outside director and composed of a majority of outside directors. In determining the amount, the Company considers factors such as the purpose of the plan, the balance with fixed base compensation, the recipient's role, responsibilities, and tenure.

The Shareholder Proposal seeks to provide monetary compensation claims for the purpose of granting restricted share—up to ¥500 million per year and 200,000 shares—to directors including outside directors, in addition to the existing compensation framework. Furthermore, if performance targets are met, the plan is designed to grant shares equivalent to up to three times the amount of fixed compensation over the next three years. We consider this proposal to be excessive in light of the Company's current performance level, unbalanced in relation to both fixed and existing performance-linked compensation, and disproportionate given the Company's size and circumstances.

In addition to the restricted share compensation plan, the Company has adopted a performance-linked bonus program for internal directors, based on both financial indicators such as ROE and non-financial indicators such as reductions in CO_2 emissions. Given the role of outside directors in providing independent oversight, performance-linked compensation does not apply to them.

For these reasons, the Company believes that its current compensation system is reasonable in both design and scale, and appropriately aligned with the goal of sustainably enhancing corporate value.

While ISS has issued a “For” recommendation on Proposal No. 6 we note that this appears to be based solely on formalistic criteria, without sufficient consideration of the Company’s rationale or an in-depth analysis of what kind of compensation structure would best support long-term value creation. We respectfully encourage shareholders to carefully review the Convocation Notice and this explanation, and to take our position into account when considering this proposal.

End

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