

Japan Catalyst, Inc.

Our View on the TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. (4581) MBO

TOKYO, December 1, 2023 – Japan Catalyst, Inc. (hereinafter referred to as "JCI") implements an engagement investment strategy with regards to Japanese companies through the Monex Activist Mother Fund ("MAMF", a Japan-registered mutual fund) and the Japan Catalyst Fund ("JCF", a Cayman-registered corporate-type investment fund), to which JCI provides investment advice.

We have been engaged with TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. ("TAISHO PHARMACEUTICAL"), a key investment for MAMF and JCF, from a long-term perspective. On November 24, 2023, TAISHO PHARMACEUTICAL announced a management buyout (MBO) led by its management team. Regarding this MBO, we hereby express our opinion as follows:

TAISHO PHARMACEUTICAL has been advancing its globalization strategy by acquiring overseas OTC pharmaceutical* companies such as Duoc Hau Giang Pharmaceutical and UPSA, leveraging the robust cash flow generation of its domestic OTC pharmaceutical business. As a result, it has grown to become the 7th largest OTC pharmaceutical company globally. It is a rare achievement for a Japanese company to consistently grow through the repeated acquisition of foreign companies, and we have recognized that TAISHO PHARMACEUTICAL has demonstrated exceptional business management in this regard.

The OTC pharmaceutical industry is currently amidst a wave of global restructuring, as seen with major pharmaceutical companies spinning out their OTC businesses, such as Takeda Pharmaceutical's carve-out of Alinamin Pharmaceuticals, GSK and Pfizer's carve-out of Haleon, and Johnson & Johnson's carve-out of Kenvue. In this external environment, we consider that the MBO is a rational management decision to exercise stronger leadership and engage in more dynamic business activities.

However, in light of the Tokyo Stock Exchange's call for improvement in companies with Price-to-book Ratios (PBR) below 1, and the forming of a societal consensus that a PBR of 1x is a minimum standard, we believe that exiting the market at an MBO price of PBR 0.85x, below this threshold, is a decision that disregards the rights of minority shareholders. We hereby express our concern that the Special Committee, which is intended to be the last bastion for the protection of minority shareholders, may not have functioned appropriately in this MBO.

We remain committed to engaging in dialogues with various stakeholders to promote genuine corporate governance reform. Our goal is to advance Japan's capital market, enhance corporate and shareholder value, and ultimately contribute to improving the productivity of Japanese companies.

**OTC pharmaceuticals refer to over-the-counter drugs that can be purchased at pharmacies or drugstores without a doctor's prescription, as opposed to prescription drugs.*

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