This letter is from MUST Asset Management.

As a long-term and deeply committed participant in Korea's capital markets, we would like to publicly share our views with the company regarding PharmaResearch's "Decision to Spin Off," as disclosed on June 13.

PharmaResearch, widely known for its aesthetic treatment product *Rejuran*, is **a rare example of a high-quality Korean-listed company with strong and accelerating fundamentals**. After years of steady upward movement in its share price, the stock fell by 17.11% on the very day of the announcement, bringing its market capitalization down to approximately KRW 4.56 trillion. **Despite no change in the company's fundamentals, what could explain a one-day plunge of 17.11%—equivalent to nearly KRW 1 trillion—in market value?** The only available explanation lies in the spin-off announcement itself.

[Equity Spin-Off vs Asset Spin-Off]

The company asserts that its decision to pursue an *equity spin-off*, where existing shareholders receive shares in both entities, distinguishes it from the *asset spin-offs* that have drawn criticism in Korea's capital markets. We respectfully disagree.

To be clear, we do not believe that all equity spin-offs are good, nor that all asset spin-offs are bad. Each case should be assessed individually, based on its particular context and rationale.

In its disclosure, the company stated that, **after completing the equity spin-off, it plans to contribute its shares in the operating company to the holding company through an in-kind contribution, thereby establishing a governance structure in which both entities remain separately listed.**

This so-called "dual listing" structure, where both the parent and subsidiary are publicly traded, is one of the most significant factors contributing to the valuation discount in Korea's capital markets. It is an issue that both the government—through policy and regulatory measures—and the capital markets—through self-regulatory efforts—have been striving to address.

Whilst there are technical differences in subscription rights between a structure in which a subsidiary is listed following an asset spin-off and one in which a subsidiary is contributed in-kind following an equity spin-off, **the end result is functionally the same: a dual-listed structure** involving both the holding and operating companies. And companies with such structures are **typically traded in the market at a discount to their intrinsic value**.

[Holding Company Structure]

If, as stated in its disclosure, the company truly believes that operating under a holding company structure is necessary, it could simply pursue an asset spin-off that creates a 100%-owned subsidiary, accompanied by a clear commitment not to list the subsidiary and appropriate governance safeguards. Why, then, is the company choosing to go through a more complex, two-step process involving an equity spin-off followed by an in-kind contribution? Why would a company with pressing daily priorities for growth choose to undertake two complicated steps that may take nearly one year to complete? And most of all, why would it go so far as to deliberately create a dual-listed holding–operating company structure, something the capital market consistently views with concern and skepticism?

In geometry, "**in any triangle, the sum of the lengths of any two sides must be greater than the length of the remaining side.**" Doesn't that mean the straight line—taking just one side—is always the fastest and most efficient path?

[Governance vs. Control]

By taking the longer, two-step route instead of the straight line, **the largest shareholder's stake in the holding company is expected to increase significantly from its current level of around 30% before the spin-off**.

This raises a clear trade-off between

(1) **improved control efficiency from the perspective of the largest shareholder**, and

(2) weakened governance for all shareholders.

We believe that PharmaResearch's shareholders, management, and board should not accept, tolerate, or rationalize a decision that prioritizes (1) while disregarding the negative implications of (2). A publicly listed company should not be governed by the logic of who controls whom, but by a balanced system that aligns the interests of all shareholders.

[Conflict of Interest]

When the in-kind contribution takes place after the spin-off, **the exchange ratio between the two companies will have a significant impact on the interests of the largest shareholder and minority shareholders**. The exchange ratio—determined by the relative stock prices, the fair values of the two listed entities, and the timing of the exchange execution—**will inevitably lead to conflicting interests not only between the largest shareholder and minority shareholders within a single company, but also between minority shareholders of the two companies involved**.

This process is inherently contentious and value-destructive, and when compared to the unified interests of all shareholders under the current structure of PharmaResearch, it represents a clear deterioration.

Accordingly, **we question whether this spin-off decision truly serves the interests of all shareholders, or whether it primarily benefits the largest shareholder. We make clear that we reserve the right to raise this matter under the upcoming amendments to the Commercial Act and ask whether the company's decision meets the standard of fiduciary duty to all shareholders.**

MUST Asset Management currently holds approximately 1% of PharmaResearch's outstanding shares. We respectfully seek the support and insight of fellow participants and stakeholders in Korea's capital markets. Above all, we hope that PharmaResearch will take this opportunity to proactively and independently evolve into a company guided by sound governance principles.

Thank you.

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