

Hi All,

This is MUST Asset Management.

Following the Company's ("PharmaResearch") announcement on June 13 regarding its "Decision to Spin-Off," we issued our first letter on June 16. In response to the Company's statement posted on its website on June 23, we issued a second letter on June 24. In that second letter, we raised a set of public questions to both the Company and CVC Capital, requesting their responses by July 1.

[Our Comments on the Company's Response]

Since then, **the Company has provided various responses** through several public investor presentations—including one held at the Korea Exchange on July 1—as well as through private media interviews and investor meetings. **Our comments and follow-up questions regarding these responses are as follows.**

First, the Company addressed what we consider our most important question— **"a physical spin-off without dual listing vs. an equity spin-off followed by an in-kind contribution, which results in dual listing"**—by arguing that **"a physical spin-off is actually more damaging to shareholder value, as existing shareholders cannot directly exercise shareholder rights over the subsidiary."** Based on this view, the Company claimed that the latter structure is preferable to the former.

To those unfamiliar with the issue, this may sound like a balanced debate of pros and cons. **That is not true.**

* It is important to note that **the Company's plan is not to conduct a simple equity spin-off, but rather an equity spin-off followed by an in-kind contribution.** The Company continues to highlight the advantages of an equity spin-off alone, which **appears to be an attempt to obscure the problems associated with the in-kind contribution—namely, the resulting dual listing, changes in ownership stakes, and the resulting conflicts of interest among shareholders.** In short, this is **a case of presenting one thing on the surface while concealing something quite different underneath.**

*For simplicity, we will hereinafter refer to the **equity spin-off followed by an in-kind contribution that results in dual listing** as the **"Dual-Listed Spin-Off,"** and the **physical spin-off without dual listing** as the **"Wholly-Owned Subsidiary Spin-Off."**

The Company has strongly asserted the need to transition to a holding company structure, **arguing that its business should be divided and managed as a parent-subsidiary structure rather than a single entity.** However, under both the Dual-Listed Spin-Off and the Wholly-Owned Subsidiary Spin-Off structures, **shareholders are unable to exercise direct shareholder rights over the subsidiary. The best way to address this weakness is to maintain a 100% ownership stake in the subsidiary.** The Wholly-Owned Subsidiary Spin-Off maintains 100% ownership, while the

Company's proposed Dual-Listed Spin-Off would likely result in only 30–50% ownership. Therefore, the Company's claim that **“the Wholly-Owned Subsidiary Spin-Off does not allow shareholders to exercise direct rights”** strikes me as intellectually dishonest. Why, then, might it sound reasonable at first glance? Because it is often confused with a pure equity spin-off. **On the surface, this may appear to be an equity spin-off—but in substance, it is an in-kind contribution resulting in dual listing.**

For reference, **in most advanced capital markets—including the United States—it is widely accepted as standard practice for a holding company to own 100% of its subsidiary, and companies with a wholly owned subsidiary structure are rarely subject to any governance discount.** In fact, many large corporations recognized for exemplary governance adopt this very structure. In other words, **PharmaResearch's criticism of the 100% ownership model feels far-fetched and disconnected from global best practices.**

Let us share **a recent case from Korea.** Meritz Financial Group, now widely regarded as having the best governance among Korean companies, announced on November 21, 2022 (a date many investors are likely to remember) its plan to convert its listed subsidiaries—Meritz Securities and Meritz Fire & Marine Insurance—**into wholly owned subsidiaries with 100% ownership.** This move resolved the chronic problem of dual listings in the Korean capital market. The very next day, **all three companies hit the upper daily price limit of +30% the following day** (a maximum gain allowed under Korean exchange rules) **and were widely praised by the capital markets.**

In contrast, on June 13, 2025, PharmaResearch announced **its plan to transition from a single operating company into a holding company structure with dual listing.** On the same day, **the capital markets responded with sharp criticism over the deterioration in governance, and the stock price plunged by 17%.** This stands in stark contrast to the Meritz example.

At the top of Meritz Financial Group's official website is the following statement: **“One share held by the majority shareholder is worth the same as one share held by a minority shareholder.”**

To PharmaResearch, we ask: **“After June 13, can you still say that one share held by the majority shareholder is worth the same as one share held by a minority shareholder?”**

And at the investor briefing held yesterday, July 1, the Company stated that **“a 100% wholly owned subsidiary structure through a physical spin-off was not feasible, as it would not meet the requirements for becoming a holding company—thus, the only available option was an equity spin-off followed by an in-kind contribution.”**

Was the Company not simply working backward from a predetermined answer—**choosing a dual-listed spin-off structure first**, then identifying the conditions and timing under which a wholly owned subsidiary spin-off would not be possible, and, if that wasn't enough, shaping those conditions and circumstances to make it unfeasible? At a recent investor briefing, the Company stated that it had been reviewing the transition to a holding company structure since 2023. But

what if the RCPS issuance to CVC had not occurred? Or what if it had taken place at a different time? Or what if, even now, the Company slightly adjusted the allocation of assets such as cash in a physical spin-off? Or what if the spin-off were carried out only after a new business—one other than the current operating business that accounts for over 90% of the Company’s enterprise value—had taken minimal shape? Would the requirements for a holding company still be so difficult to meet? We believe that if the Company applied even one-tenth of the effort it put into structuring this dual-listed spin-off, it could have achieved a wholly owned subsidiary structure. **This is not a difficult problem—so long as the premise that the largest shareholder’s ownership must increase is removed.**

Next, the Company has repeatedly mentioned “**CVC Capital’s support**” during various events—including investor conference calls held on June 20 and 25, and the investor briefing on July 1. According to the Company, the topic of transitioning to a holding company structure was discussed when CVC Capital made its investment in 2024, and **since then, CVC has closely monitored every step of the process.** The Company further stated that **CVC Capital agreed to the current spin-off plan based on its judgment that it would not harm shareholder value.**

As stated in our previous letter, **CVC Capital’s rights are clearly different from those of general shareholders.** While it holds voting rights, it is a preferred shareholder with redemption and conversion rights, and it is also a party to a separate shareholder agreement with the largest shareholder—**granting it many protections and rights not afforded to general shareholders,** such as the right to sell its shares alongside the largest shareholder. It is thus a shareholder who **co-owns managerial control of the Company together with the largest shareholder.** Most importantly, the Company itself has indicated that, following the spin-off, the stock price of one company is expected to surge while the other is expected to fall. In this pre-announced post-spin-off environment, CVC holds the right to convert and realize gains in the rising company, and to redeem and recover its principal and interest without loss in the declining company. One might argue that these are typical rights of RCPS holders. **However, if the holder of such rights was involved in the planning, discussion, support, and agreement of the dual-listed spin-off from the beginning, that is an entirely different matter.** It raises concerns that the Company and CVC had planned, discussed, supported, and agreed on the dual-listed spin-off in advance—starting with the very decision to issue RCPS.

At PharmaResearch, which is preparing for a dual-listed spin-off, **there are now three types of shareholders whose interests have diverged. Whether shareholder value has been impaired must be assessed independently for each group. These groups are:**

- **Shareholder 1 – the largest shareholder,**
- **Shareholder 2 – CVC Capital,**
- **Shareholder 3 – general minority shareholders.**

A clear example of the difference in interests is the proposed split ratio: the new holding company, PharmaResearch Holdings (tentative name), accounts for less than 10% of the total value, yet will

receive 74% of the shares in the spin-off. If the market behaves rationally, its share price will likely fall to less than one-seventh of its current value. Shareholder 3—the general minority shareholders—will bear this drop as a direct loss. In contrast, Shareholder 1—the largest shareholder—will likely benefit from an increase in control and the opportunity to transfer shares at a low valuation, as many media outlets have pointed out. Meanwhile, Shareholder 2—CVC Capital—holds redemption rights, meaning it can recover its principal and a 4% annual return even if the stock price collapses.

We respectfully request that the question of **value destruction for general shareholders** not be evaluated from CVC Capital's standpoint or bundled together with its interests. **It must be reviewed independently, from the perspective of the general minority shareholders.**

[CVC Capital]

In our second letter, we presented a series of detailed public questions to CVC Capital and requested a public response by July 1. Unlike the Company, which provided indirect responses through investor briefings, **CVC Capital has not responded to a single one of the key questions, has provided no indirect explanation, and has made no attempt to communicate in any form.**

As has been mentioned multiple times, **CVC Capital is a major shareholder holding over 10% of the voting rights, a member of the board, and a central party jointly exercising voting and management control alongside the largest shareholder.** It also **holds preferred shares, giving it fundamentally different interests from general minority shareholders, and is a party to the decision-making process for this equity spin-off and in-kind contribution.** And yet, it has remained entirely silent.

The proposed dual listing spin-off must go through three critical stages before it can be executed: (1) **a review of the spin-off registration statement by the Financial Supervisory Service,** (2) **a re-listing examination and approval of the new spin-off entity by the Korea Exchange,** and (3) **a special resolution passed by all shareholders at a general meeting.** In addition, the process may involve litigation regarding the directors' duty of loyalty—namely, **whether the board's decision fairly protects the interests of all shareholders rather than favoring a specific party.**

Despite the fact that these review and verification processes are either underway or forthcoming, CVC Capital has failed to respond to any of the publicly raised questions—questions that have drawn considerable attention from the market.

As a global private equity firm managing over 100 trillion KRW in assets, **“does CVC Capital truly respect the integrity of Korea's financial authorities and capital market investors?”**

Please respond by July 9. If we do not receive a full and proper response by then, we will begin escalating this matter, including assessing how CVC's actions conflict with its own corporate

governance code (<https://www.cvc.com/about/corporate-governance>), and how its involvement in the Dual Listing structure may contravene Korea's legal and regulatory standards.

[Pixelity]

This section would not have been written had the Company's response by July 1 been made in good faith or had the Dual Listing Spin-Off been withdrawn.

Pixelity has been **a subject of governance concern** even before the proposed dual-listing spin-off structure, and we believe that **this concern could become even more serious if the Company transitions to a holding company structure.**

Pixelity is a VR and XR game development company founded by Mr. Rae-seung Jung, who was newly appointed as a registered executive in early 2025. As PharmaResearch does not hold any direct equity interest in the company, **Pixelity is classified** not as a subsidiary or an affiliate, but as an **"Other" entity—making it the only such entity disclosed in the footnotes of PharmaResearch's annual report.** Since Mr. Jung—widely cited in the media as a potential successor—was appointed as a board member earlier this year, Pixelity has attracted increasing attention in the capital markets.

First, Pixelity recorded net losses exceeding KRW 1 billion in 2022, 2023, and 2024, with the **loss widening to approximately KRW 2 billion in 2024.** **As of the end of 2024, the company's net assets stood at negative KRW 3.4 billion.** **Despite having almost no revenue from game sales, the company appears to be maintaining its organizational scale, as evidenced by hiring announcements and financial disclosures.** From the perspective of PharmaResearch shareholders, we would like to raise several questions in this regard.

Q1. Who is the majority owner of Pixelity? Based on corporate records, Director Jung is the CEO. Does he still hold over 50% of the shares?

Q2. Pixelity appears to have generated little to no revenue from game-related sales. However, **it is our understanding that Pixelity has been given opportunities to generate income through service contracts with PharmaResearch or its subsidiaries such as Turing Bio.** We respectfully **request a full explanation of all such contracts, including their size and the background or rationale behind each agreement.**

Q3. One of the service contracts we have identified involves **the development of a rehabilitation medical device based on VR technology.** While we welcome your response to this specific contract in your reply to Q2, we note that the subject matter—medical devices—raises concerns that **this contract may serve as a pretext for PharmaResearch Holdings (tentative name) to acquire or invest in Pixelity in the future.** We would appreciate clarification regarding any such plans the Company may have.

- This concern is further compounded by the fact that, despite the contract constituting a significant portion of Pixelity's total revenue, there is no mention of it on Pixelity's official

website.

- Once the dual-listing spin-off is completed, the largest shareholder's ownership is expected to increase from the current 30% to over 60%. (If the Company projects a different ownership ratio, we welcome your clarification.) As minority shareholders, our ability to exercise oversight will be reduced to less than half its current level, and we therefore ask for your understanding that we are compelled to raise concerns in advance about the post-holding company structure.

Q4. Based on Pixelity's corporate registry and job postings, **it appears the company is currently leasing office space within the PharmaResearch building.** Comparing the figures disclosed under related-party transactions with the likely size of the office required for Pixelity's headcount, the estimated rent per square meter appears to be less than half of the prevailing market rate in the area. **Please disclose the total floor area leased to Pixelity and the terms of the lease agreement.**

We currently hold approximately 1.22% of PharmaResearch's outstanding shares. We sincerely seek continued support, scrutiny, and guidance from fellow participants and stakeholders in the Korean capital market. Above all, we hope that PharmaResearch will proactively and independently embrace the principles of sound corporate governance.

Thank you.

Sincerely,
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