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Press Release
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Terton Capital Calls on Dong-A Pharmaceutical to Adopt Five Governance and Capital Allocation Reforms

- A highly profitable consumer health business led by Bacchus and a 29.2% stake in ST Pharm, yet the shares trade at half of book value per share

- Terton: "The company has excellent assets, but it is run for the benefit of one shareholder who exercises de facto control over the group without sitting on the Board"

- Terton estimates fair value at about three times the November 6 closing price; all 27 capital allocation resolutions passed without a dissenting vote

- Terton asks the Board for a written response by December 4 and calls for the five reforms to be adopted by the March 2027 annual general meeting

- At Terton's fair value estimate, the holdings of the National Pension Service and the employee stock ownership association would gain about 212 billion KRW

Seoul, South Korea – Terton Capital, a U.S. investment firm that seeks to increase corporate value through constructive shareholder engagement, has called on the board of Dong-A Pharmaceutical (formerly Dong-A Socio Holdings) to take five steps to improve governance and capital allocation by its annual general meeting (AGM) in March next year.

Terton Capital said it sent private letters to the Board on October 12 and October 26, but that Dong-A Pharmaceutical's reply of November 6 contained no specific commitment to act on its proposals. Terton is therefore making its proposals and the reasons for them public to all shareholders, and has asked the Board to respond in writing to the following five proposals by December 4.

First, put Chairman Kang Jung-seok's election as a director to a shareholder vote.
Terton proposes that the Board nominate Chairman Kang, who leads the group, as a candidate for registered director so that shareholders can decide on his election, or, if he remains an unregistered executive, include his pay within the director pay limit approved by the shareholders' meeting. In either case, Terton's position is that Chairman Kang's pay should be linked to performance and total shareholder return.

Second, appoint an independent director with experience of building consumer brands overseas.
The terms of two directors expire at the March 2027 AGM. Terton asks that one of them be succeeded by a person who has managed a consumer business overseas and has experience and expertise in large-scale capital allocation.

Third, test new investments, debt guarantees and capital increases against Dong-A Pharmaceutical's cost of

capital.

Terton proposes that the independent directors review whether the expected return on each proposal exceeds the cost of capital. For BTGEN, Terton asks that no further funding or debt guarantees be provided until an independent review has been completed.

Fourth, if there are no investments that earn more than the cost of capital, return at least 50 billion KRW a year to shareholders.

50 billion KRW a year is equivalent to about 7,400 KRW per share. Terton proposes buying back and canceling shares when the share price is below book value per share, and paying dividends when it is above.

Fifth, link directors' and executives' pay to shareholders' investment returns.

Terton proposes granting restricted stock that vests on returns above the cost of capital and on total shareholder return, and introducing clawback provisions and share ownership requirements. The aim is to link the pay of directors and executives to the investment returns of employees, National Pension Service members and all shareholders.

Terton Capital believes that Dong-A Pharmaceutical owns some of the best assets in the Korean healthcare industry. According to Terton, the consumer health business led by Bacchus has earned an operating margin of about 12% and a return on equity (ROE) of more than 30% in every one of the past twelve years. Its operating margin was 2.1 times the median of seven Korean over-the-counter drug peers. ST Pharm, in which Dong-A Pharmaceutical holds a 29.2% stake, is one of the few companies in the world qualified to manufacture oligonucleotide medicines, and its order backlog has grown to eight times its 2019 level.

Terton believes the value of these assets is not adequately reflected in the share price. At the November 6 closing price of 86,200 KRW, Dong-A Pharmaceutical's stakes in ST Pharm and Dong-A ST are worth 91% of its market capitalization. Subtracting the two stakes from the market capitalization leaves 53 billion KRW. That, Terton explains, is the value the market places on everything else, including a consumer health business that earns 71 billion KRW a year, about 290 billion KRW of property and a 50% stake in Dong-A Otsuka. Terton estimates fair value at about 261,200 KRW per share, about three times the share price at that time.

Terton pointed out that the cost of the undervaluation is also borne by National Pension Service members and Dong-A Pharmaceutical's employees. According to Bloomberg, cumulative total return from April 8, 2013 to November 6, 2026, assuming dividends reinvested before tax, was 1.9% for Dong-A Pharmaceutical and 238.5% for the KOSPI.

The National Pension Service and the Dong-A Pharmaceutical employee stock ownership association hold 9.45% (636,362 shares) and 8.53% (574,056 shares) of Dong-A Pharmaceutical, respectively. At the November 6 closing price, these holdings were worth about 54.9 billion KRW and 49.5 billion KRW. Terton estimates that if the share

price reached 261,200 KRW, the National Pension Service's holding would be worth about 166.2 billion KRW and the employee association's about 149.9 billion KRW. The increases would be about 111.4 billion KRW and 100.5 billion KRW, respectively, a combined total of about 212 billion KRW.

In its November 6 reply, Dong-A Pharmaceutical said that following the October merger, now is the time to focus on strengthening business competitiveness and stabilizing its management systems, and that it would introduce and develop governance practices step by step. Terton pointed out that shareholders have already waited 13 years for a cumulative return of only 1.9%. It added that the merger counterparty was a wholly owned subsidiary, so no new shares were issued, and that neither the business, the customers nor the composition of the Board changed.

"There is no need to wait any longer because of the merger," said Ryan Albert, Managing Member of Terton Capital. "If anything, returning cash to shareholders has become easier, because the profits of the consumer health business can now be returned to shareholders without passing through a subsidiary dividend. Every action we have proposed can be decided by the Board at or before next March's AGM." He added, "The Korean government is working to resolve the undervaluation of Korean companies, by promoting the Corporate Value-up Program and by amending the Commercial Act so that directors perform their duties for the company and all of its shareholders. Dong-A Pharmaceutical's undervaluation can be resolved without a restructuring."

Terton identified the governance structure centered on Chairman Kang as one cause of the undervaluation. According to disclosures, Chairman Kang personally owns 29.3% of the shares. Together with related parties and the shares covered by joint voting agreements with GSK and Otsuka, the total reaches 42.3% of issued shares. Because Chairman Kang is an unregistered executive, he is not subject to an election vote at the shareholders' meeting, and the director pay limit approved by shareholders does not apply to him. In 2025 Chairman Kang was paid 2.3 billion KRW, more than both the combined pay of the six registered directors (1.304 billion KRW) and the overall director pay limit (2 billion KRW). Fixed pay accounted for 82% of the total.

Terton assessed that the four current independent directors have expertise in accounting, law and pharmacy, but none has direct, hands-on experience of running a business or allocating capital. With the terms of two directors expiring at the March 2027 AGM, Terton said this is an opportunity to bring in someone with experience of building consumer brands overseas.

Terton's proposal for investment criteria stems from how the pre-merger holding company used its funds. From 2017 to 2025, the consumer health business funded its own investment and paid 339 billion KRW in dividends to the holding company. Over the same period, the holding company paid 78.2 billion KRW in dividends to shareholders, while putting 68.5 billion KRW into BTGEN, 64.1 billion KRW into developing the DMB-3115 biosimilar and 41.4 billion KRW into bottled water and bottle manufacturing. Terton asked the Board to explain whether it expected these investments to earn returns comparable to the consumer health business, and on

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what basis it judged whether investing or increasing shareholder returns was more appropriate.

According to a disclosure on August 13, 2026, 243 billion KRW of the 434.5 billion KRW of payment guarantees for affiliates' debt were guarantees for BTGEN. BTGEN recorded cumulative net losses of 133 billion KRW from 2015 to 2025. According to press reports, Chairman Kang personally holds 19.6% of BTGEN. Separately, in the Seo-Icheon logistics center project, Dong-A Pharmaceutical agreed to assume up to 150 billion KRW of project loan obligations if Aven E&C fails to complete construction within the agreed deadline. This is about 6.8 times Aven E&C's equity.

According to Terton, all 27 capital allocation resolutions considered by the Board from January 1, 2023 to August 26, 2026 were passed without a dissenting vote. Terton questioned, in light of this voting record, how independently the Board had reviewed each resolution. It also asked that no further funding or debt guarantees be provided to BTGEN until an independent review has been completed.

"Those who will benefit most are National Pension Service members and Dong-A Pharmaceutical's employees," said Albert. "None of the actions we have proposed is complicated. If the Board hesitates to adopt them, shareholders will have no choice but to conclude that the Board is putting the preservation of de facto control ahead of pensioners' retirement savings and employees' wealth."

"As a long-term shareholder, Terton Capital wants Dong-A Pharmaceutical to succeed," he continued. "Dong-A Pharmaceutical has a competitive core business, brands that Korean consumers have trusted for generations, and ample room to grow. We believe good governance makes good companies. These proposals would lay the foundation for Dong-A Pharmaceutical to realize its potential, and would benefit its employees, National Pension Service members and all shareholders. We would rather work with the Board than against it, and we look forward to the Board's response."

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About Terton Capital

Terton Capital is a U.S. investment firm launched in May 2026 that seeks to increase corporate value through constructive shareholder engagement. It manages Terton Capital Fund, LP, which invests in publicly listed equities in the Asia-Pacific region with a long-term perspective. Through in-depth company research and constructive dialogue with boards and management, Terton supports companies in improving their governance and realizing their potential value.

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