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## Notice Regarding the Board of Directors' Opinion on a Shareholder Proposal

Pharma Foods International Co., Ltd. (the "Company") hereby announces that a shareholder has submitted a written proposal for consideration at the 28th Annual General Meeting of Shareholders, scheduled to be held on October 24, 2025. At a meeting of the Company's Board of Directors held on September 19, 2025, the Board resolved to oppose the proposal. The details of the proposal and the Board's opinion thereon are provided below.

### 1. Shareholder Submitting the Proposal

Name: Not disclosed, as the shareholder is an individual.

Number of Voting Rights Possessed: 702 (0.24% of total voting rights)

### 2. Content of the Proposal and the Board of Directors' Opinion

The contents of the Proposal and the reasons for the Proposal, as submitted by the shareholder, are described below in the original form.

#### (1) Partial Amendment to the Articles of Incorporation (Holding the Annual General Meeting of Shareholders in a Hybrid Format: Physical Attendance and Online Participation)

##### ① Content of Proposal

To amend the Articles of Incorporation to stipulate that the Company's general meeting of shareholders will, in principle, be held at a physical venue while also allowing simultaneous online participation (hybrid format).

##### ② Reasons for Proposal

To ensure direct participation of shareholders and opportunities for them to speak, as well as to promote active discussion and secure transparency, holding the meeting solely online is insufficient, and the establishment of a physical venue is indispensable.

### **Opinion of the Board of Directors: Opposed**

#### **[Reasons for Opposition] It interferes with the flexible determination of the meeting format.**

The Company's Articles of Incorporation stipulate that "the Company's general meeting of shareholders may be a general meeting of shareholders without a designated location for the meeting." This is based on the view that expanding the options of formats for general meetings of shareholders, whether hybrid format or virtual-only format, under the reasonable judgment of management, will contribute to the

interests of shareholders while taking into consideration factors such as the occurrence of large-scale disasters and the advancement of digitalization of society.

While the method for holding general meetings of shareholders can be decided by the reasonable judgement of management, since 2023, the Company has adopted as its meeting format the entirely virtual general meeting of shareholders (virtual-only general meeting of shareholders). This is because we determined that it is the best format, as it facilitates attendance by many shareholders, including those in remote locations, and thereby makes the general meeting of shareholders more active, efficient, and smooth. In addition, under this format, opportunities to speak and transparency are sufficiently and fairly ensured, and active Q&A sessions are conducted.

The format of future meetings will be decided flexibly based on the opinions of shareholders and other stakeholders, as well as the environment surrounding the Company.

This shareholder proposal limits the method for holding general meetings of shareholders to a hybrid format, which is more restrictive compared to the current Articles of Incorporation. The hybrid format includes two types: the “participation-type,” where shareholders can observe discussions, etc. via the Internet or other means, and the “attendance-type,” which allows them to exercise voting rights and submit motions. However, both options result in more complex operations and higher costs associated with general shareholder meetings than the virtual-only format. After considering these factors, the Company has determined that the virtual-only format is the optimal method for holding shareholder meetings.

For these reasons, the Board of Directors has determined that this shareholder proposal hinders the flexible determination of the format of general meetings of shareholders and does not contribute to the interests of shareholders.

## (2) Partial Amendment to the Articles of Incorporation (Revision of Dividend Policy)

### ① Content of Proposal

To amend the Articles of Incorporation to stipulate a basic policy of returning 40% or more of consolidated net income to shareholders as cash dividends.

### ② Reasons for Proposal

The Company’s stock price has fallen significantly from its all-time high of ¥3,820 since listing to the current ¥1,000 level. As the effect of the acquisition of treasury shares on supporting the stock price has been limited, the Articles of Incorporation should stipulate a policy that emphasizes cash dividends in order to realize more substantial shareholder returns.

### **Opinion of the Board of Directors: Opposed**

**[Reasons for Opposition] It hinders the agility and flexibility of medium- and long-term business operations and shareholder returns.**

In line with the business policy, which is to balance corporate growth and profitability, the Company maintains the basic policy of improving dividends proactively as returns to our shareholders while expanding proactive investment in research and development, advertising, M&A, etc.

Under this policy, while considering the balance among promoting growth investment, ensuring financial soundness, and enhancing shareholder returns, the Company sets a total payout ratio of 20%,

including the acquisition of treasury shares, as a benchmark for shareholder return measures.

Aiming to become “a leading company in healthcare,” the Company intends to continue proactive investment such as constructing new plants and engaging in M&A, while maintaining stable dividends at a certain level without being unduly affected by short-term business performance, thereby meeting the expectations of our shareholders.

In contrast, stipulating the Articles of Incorporation in accordance with this shareholder proposal requires dividends to be determined under a uniform policy, which hinders the flexibility and agility of the Company’s future business operations and shareholder returns, including dividends.

Enacting the allotment of surplus in the shareholder proposal can only be seen as a short-term initiative and the Company has determined that it does not lead to increasing corporate value in the medium and long term.

### (3) Introduction of Performance-Linked Remuneration System for Directors

#### ① Content of Proposal

To introduce a system under which 10% of the basic remuneration of Directors (excluding outside Directors) will be automatically reduced if the consolidated net income for the relevant fiscal year does not increase compared with the previous fiscal year, or if the stock price (closing price) at the end of the fiscal year is less than ¥1,300.

#### ② Reasons for Proposal

Although executive remuneration had been reduced in the past, no such measures have been implemented in recent years. To establish a management stance that truly emphasizes shareholder value, a performance-linked remuneration system is necessary.

#### **Opinion of the Board of Directors: Opposed**

#### **[Reasons for Opposition] It weakens the motivation of Directors to contribute to share price appreciation and enhancement of corporate value.**

The Company introduced a share-based remuneration system with restricted transfer shares in 2021 for its Directors (excluding outside Directors) with the aim of ensuring that they share both the merits and risks of share price fluctuations with shareholders and further enhancing their motivation to contribute to share price appreciation and corporate value enhancement.

As a result, the remuneration of Directors engaged in business execution consists of basic monetary remuneration and performance-linked share-based remuneration.

The specific allocation method of Directors’ remuneration is determined by a resolution of the Board of Directors, based on the deliberations and recommendations of the Nomination and Remuneration Committee, a majority of whose members are independent outside Directors.

In recent years, there have been cases where basic remuneration was reduced based on the recommendations of the Nomination and Remuneration Committee, and depending on the achievement of performance targets under the medium-term management plan, the Company has, in some cases, acquired restricted transfer shares previously granted to Directors without compensation. Thus, a performance-linked remuneration system for Directors has been established.

On the other hand, this shareholder proposal requires reductions of basic remuneration based solely on

single-year business performance or share price, which inevitably weakens the motivation of Directors to contribute to share price appreciation and enhancement of corporate value, and the Board has determined that it does not lead to medium- and long-term corporate value enhancement.