

## EQUITIES

# Dalton blasts Japan's Aska Pharma, Bunka Shutter for takeover defenses

Activist US fund criticizes companies for resisting management buyouts



Dalton Investments founding partner and Chief Investment Officer James B. Rosenwald. The firm is criticizing new company policies, claiming they prevent the U.S. fund from "freely trading in the open market." (Nikkei montage/Source photos by Nikkei)

**MOMOE BAN**

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NEW YORK -- Dalton Investments, a U.S.-based activist investor known for its outspoken positions, plans to release a letter criticizing the steps taken by Japan's Aska Pharmaceutical and Bunka Shutter to fend off would-be takeovers.

Dalton currently holds stakes of about 21% in Aska Pharmaceutical and 19% in shutter maker Bunka Shutter. Both companies have indicated they would take measures to fight off potential takeover bids.

The letter, to be published soon, is jointly addressed to both companies. Dalton explained that it would issue a joint letter because the takeover defense policies adopted by each company were similar and targeted toward Dalton and its group affiliates.

Dalton has proposed taking the companies private through management buyouts (MBO). Both companies opposed the idea and announced measures to prevent the investor from further increasing its stakes.

In its letter, Dalton will lay out its investment objectives and its view of the attempts to fend off the takeovers. It claims its proposals are "aimed at enhancing the corporate value and common interests of shareholders," and not to "force or steer them toward any specific option." Dalton stresses that the "terms of going private are determined by the Board of Directors," noting that "we do not participate in setting these terms and do not create conflicts of interest among shareholders."

Dalton also strongly criticizes the takeover defense measures, saying: "The free trading of shares in the market is a fundamental principle of an open capital market. " It adds that the moves undermine "the efforts and achievements in capital market reform built up by the Tokyo Stock Exchange and the government."

The measures announced by each company would only come into effect if an actual takeover bid materialized. They differ from "advance warning" rules, which establish procedures -- such as the issuance of share warrants to dilute existing shares -- ahead of time in an effort to ward off takeover bids. Bunka Shutter noted that it had already scrapped its advance warning rules.

Both Aska Pharmaceutical and Bunka Shutter have said that Dalton's large stakes could make agile investment difficult. They have signaled that they may convene extraordinary general shareholder meetings to confirm whether other shareholders support the free allocation of share warrants as a countermeasure.

Dalton said that "the actions of the management of both companies -- disclosing unfounded and inaccurate facts, manipulating information to mislead other shareholders, and depriving shareholders holding around 20% of their freedom to trade shares in the open market -- are nothing other than self-preservation."