

May 13, 2022

To whom it may concern:

Company name: Nichi-Iko Pharmaceutical Co., Ltd.
Representative name: Yuichi Tamura, President & CEO
(Securities Code: 4541, Tokyo Stock Exchange)
Contact: Susumu Kanda, Executive Vice President,
President Office Director
(TEL. 076-432-2121)

Notice of Formal Application and Acceptance of Business Turnaround ADR

We have been conducting rigorous quality evaluations of all manufactured products at Toyama Plant 1 that became subject to a disposition for suspension of business operations in March 2021, and although production and shipments have gradually recommenced at the plant, shipments have not yet recommenced for certain products scheduled for manufacturing. We have also suspended sales of products that our consolidated subsidiary Elmed Co., Ltd. was subcontracting manufacturing of to Kobayashi Kako Co., Ltd. due to its suspension of production and shipment. In addition to a decline in sales resulting from these quality issues, as a result of annual pharmaceutical price reductions, there has been a deterioration in our profit structure.

Additionally, we recorded an impairment loss for the fiscal year ending March 2022, primarily on goodwill and intangible assets, due to a reevaluation of the overall development plans for biosimilars (follow-up products to biopharmaceuticals) and orphan drugs (drugs for rare diseases), in which we have been making ongoing investments for the North American business. Please see the Notice of Recording of Inventory Assets Appraisal Loss and Impairment Loss, Difference between Forecast of Full-Year Consolidated Results and Actual Results and Difference of Individual Financial Results Compared to Actual Results for the Previous Fiscal Year announced by us today for further details of the impairment loss.

Given these difficult business and financial circumstances, we has decided to use the specified certified dispute resolution procedure (the “Business Turnaround ADR”) under the Act on Strengthening Industrial Competitiveness with the consent of financial institutions as related parties, and to aim to establish a solid profit structure and drastically improve our financial position to reestablish growth going forward.

We have passed a resolution at today’s Board of Directors meeting held today to apply for the Business Turnaround ADR, and have made a formal application for the Business Turnaround ADR to the Japanese Association of Turnaround Professionals (an association that has been certified as a certified dispute resolution business operator by the Minister of Justice and has been accredited as a specified certified dispute resolution business operator by the Minister of Economy, Trade and Industry). The application was accepted today, and a temporary suspension notice was sent out today in the joint names of us and the Japanese Association of Turnaround Professionals to all financial institutions. The Business Turnaround ADR application was made after consultation with major financial institutions.

We have swiftly secured a sufficient credit line from our main bank, Sumitomo Mitsui Banking Corporation, to secure financing during the above temporary suspension term, and continue to receive full understanding and support for our business.

The Business Turnaround ADR **is a procedure involving financial institutions, and so does not affect our business partners (customers, suppliers, etc.) currently transacting with us.**

Our subsidiaries are not subject to the Business Turnaround ADR application, so there is no impact on business partners,

including transacting financial institutions of our subsidiaries.

We plan to explain the outline of a draft business rehabilitation plan and ask for approval (additional confirmation) for the above temporary suspension notice at the First Bondholder Meeting, which is scheduled for May 26, 2022. Going forward, while advancing discussion with all financial institutions during the Business Turnaround ADR, we will ask the Japanese Association of Turnaround Professionals for investigation, guidance and advice from a neutral standpoint, and formulate a draft business rehabilitation plan. We will attempt to have the draft plan approved by all financial institutions according to the schedule set at the First Bondholder Meeting.

During the Business Turnaround ADR, we intend to discuss on business improvement measures, ongoing support in terms of financing from financial institutions, the plan implementation schedule, and other matters of the content of the draft business plan with all financial institutions. With respect to business improvement measures, in addition to our own improvement measures, we have executed a basic agreement on investment with Japan Industrial Solutions III Investment Limited Partnership as of today to dramatically improve our financial position through recapitalization with the aim of establishing a solid profit structure, drastically improving our financial position, and achieving sustained growth. For details, see the Notice Regarding Execution of a Basic Agreement on Investment with Japan Industrial Solutions III Investment Limited Partnership. We will announce the details of the business rehabilitation plan as soon as the draft is established.

We sincerely apologize for any inconvenience to our shareholders and related parties such as financial institutions, and for any anxiety caused to our business partners.

Our executives and employees will strive as one to unflinchingly carry out the business turnaround, and we humbly ask for your continued support and cooperation.

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