



December 28, 2022

To whom it may concern,

Company Name: Nichi-Iko Pharmaceutical Co., Ltd.  
(Securities Code: 4541, TSE Prime Market)  
Representative: Yuichi Tamura, President & CEO  
Contact: Susumu Kanda, Executive Vice President,  
President Office Director  
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**Notice Regarding Convening of Creditors' Meeting for Resolution of Proposed Business Turnaround Plan in Business Turnaround ADR, Completion of Business Turnaround ADR, and Financial Support including Debt Forgiveness**

As described in the "Notice of Formal Application and Acceptance of Business Turnaround ADR" released on May 13, 2022, the Company has taken measures for a business turnaround using the specified certified dispute resolution procedure (the "Business Turnaround ADR") under the Act on Strengthening Industrial Competitiveness in order to establish a firm earnings structure and fundamentally improve our financial condition for future re-growth.

Additionally, as described in the "Notice Regarding Issuance of New Shares by Third-Party Allotment, Partial Amendment of Articles of Incorporation, Share Consolidation, Abolition of Provisions on Share Units, Reduction of Capital and Capital Reserve Amounts, Appropriation of Surplus, and Change in Parent Company and Largest Shareholder (Major Shareholder)" released on November 14, 2022, the Company executed a Sponsor Agreement (the "Sponsor Agreement") with Godo Kaisha JSD (the "Expected Allottee"), which is managed and operated by J-Will Partners Co., Ltd. ("JWP"), providing for, among other things, the issuance of common shares of the Company in a total amount of JPY 20 billion to the Expected Allottee by means of third-party allotment (the "Third-Party Allotment Capital Increase").

The Company proceeded to formulate a business turnaround plan through consultation with JWP and the Expected Allottee. At a continued creditor meeting held on November 16, 2022 to discuss the proposed business turnaround plan in the Business Turnaround ADR (Second Creditors' Meeting), the Company provided an explanation to all of the financial institutions with whom it has transactions, who are the creditors subject to the Business Turnaround ADR (the "Covered Creditors"), regarding the proposed business turnaround plan (the "Business Turnaround Plan") prepared through consultation with JWP and the Expected Allottee based on the terms of the Sponsor Agreement.

We hereby give notice that at the creditors' meeting held today for the resolution of the Business Turnaround Plan (Third Creditors' Meeting) in the Business Turnaround ADR, we received the consent of the Covered Creditors to the Business Turnaround Plan, and the Business Turnaround ADR and Business Turnaround Plan have been successfully concluded.

**1. Completion of Business Turnaround ADR**

As described above, the Company has aimed to successfully conclude the Business Turnaround ADR and Business Turnaround Plan with the consent of the Covered Creditors.

In order to establish a firmer earnings structure, fundamentally improve our financial condition, and achieve sustained growth, the Company proceeded to formulate the Business Turnaround Plan through consultation with JWP and the Expected Allottee. At a continued creditor meeting held on November 16, 2022 to discuss

the proposed business turnaround plan in the Business Turnaround ADR (Second Creditors' Meeting), the Company provided an explanation of the Business Turnaround Plan to the Covered Creditors and requested the financial support described in "3. Overview of Financial Support" below.

Thereafter, we received reports on the results of the investigation into the Business Turnaround Plan from the persons conducting the Business Turnaround ADR, who are in a fair and impartial position. At the Third Creditors' Meeting held today, we received the consent of the Covered Creditors to the Business Turnaround Plan, and as of today, the Business Turnaround ADR and Business Turnaround Plan have been successfully concluded.

## 2. Details of Liabilities Subject to Financial Support

### (1) Covered Creditors

The Covered Creditors, being all 15 financial institutions with whom the Company has transactions

### (2) Type of Covered Claims

Loan claims held by the Covered Creditors against the Company (excluding the loan extended by Sumitomo Mitsui Banking Corporation after the application for the Business Turnaround ADR (the "Pre-DIP Financing")) and guarantee performance demand claims held by the Covered Creditors against the Company that secure loan claims against Sagent Pharmaceuticals, Inc. (a Delaware corporation; "Sagent"), a wholly-owned subsidiary of the Company (limited to the portion that is determined to not be repayable by Sagent as the principal debtor; the "Guarantee Claims") (such claims are collectively the "Covered Claims").

### (3) Amount of Covered Claims

JPY 157,434,593,000 (as of March 31, 2022; as the Guarantee Claims were not fixed as of that time, this amount does not include the Guarantee Claims).

### (4) Total Liabilities and Ratio of Covered Claims to Total Liabilities

JPY 235,880,000,000 (as of March 31, 2022), 66.74%

## 3. Overview of Financial Support

### (1) Debt Forgiveness

#### A. Creditors Providing Debt Forgiveness

The Covered Creditors, being all 15 financial institutions with whom the Company has transactions

#### B. Details and Amount of Liabilities Subject to Debt Forgiveness

Covered Claims of JPY 55,784,651,484.

The aforementioned amount is the amount for which the debt forgiveness has been fixed as of today. Going forward, there may be an additional debt forgiveness of up to JPY 42,715,348,516 (up to JPY 98,500,000,000 together with the aforementioned amount).

### (2) Amendment of Repayment Terms

#### A. Creditors Providing Amendment of Repayment Terms

The Covered Creditors, being all 15 financial institutions with whom the Company has transactions

#### B. Overview of Amendment of Repayment Terms

The Company will repay the Covered Claims following the debt forgiveness described in (1) above through equal repayments of JPY 30 million each to the Covered Creditors on the day two weeks after the effective date of the Third-Party Allotment Capital Increase or on March 31, 2023, whichever is later.

The Company will also make a repayment in an amount equal to 50% of its free cash flow as of June 30 in each year from 2024 through 2028, conditional upon having positive consolidated operating income on the basis of applicable accounting standards in each consolidated fiscal year from the fiscal year ending March 2024 through the fiscal year ending March 2028, and the entire amount of the Pre-DIP Financing being repaid.

The Company will make a total of 20 further repayments every June, September, December, and March of the following year during the period from the fiscal year ending March 2029 through the fiscal year ending March 2033 in an amount equal to the balance remaining after the aforementioned repayment divided by 40, followed by a lump-sum repayment on March 31, 2033 of the balance remaining as of that date.

In addition to the foregoing, the Company may make repayments to the Covered Creditors upon recovery of certain claims.

#### 4. Overview of Business Turnaround Plan

The overview of the Business Turnaround Plan is as follows.

As described above, the consent of the Covered Creditors, being all financial institutions with whom the Company has transactions, has been obtained with regard to the Business Turnaround Plan.

##### (1) Causes of Management Difficulties

The Company was the subject of a disposition for suspension of business operations pursuant to the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices handed down by Toyama Prefecture in March 2021. Although production and shipment of the products have gradually recommenced at Toyama Plant 1 that was subject of a disposition for suspension of business operations, under strict quality evaluation, shipments have not yet recommenced for certain products scheduled for manufacturing. Furthermore, due to the suspension of production and shipment by Kobayashi Kako Co., Ltd. (“Kobayashi Kako”) in December 2020, our consolidated subsidiary Elmed Co., Ltd. (“Elmed”) suspended the sale of products that it had subcontracted to Kobayashi Kako to manufacture. As a result, our sales have been reduced due to the quality issues at Toyama Plant 1 and Kobayashi Kako and the annual drug price reductions have also adversely impacted the structure of our revenue.

Moreover, due to an overall revision in the fiscal year ending March 2022 of the development plans for biosimilars (follow-up products to biopharmaceuticals) and orphan drugs (drugs for rare diseases), in which we have been making ongoing investments in our North American business, we accrued impairment losses of JPY 84.13 billion in the fiscal year ending March 2022, mainly in relation to goodwill accrued from investments in our North American business and intangible assets concerning the development of biosimilars and orphan drugs. Due to the accrual of losses of JPY 104.984 million attributable to owners of parent in the fiscal year ending March 2022, the ratio of owners’ equity to gross assets was reduced from 30.6% at the fiscal year ending March 2021 to 5.1% at the fiscal year ending March 2022. Therefore, our consolidated and non-consolidated financial statements for the fiscal year ending March 2022 contained a “Note Regarding Going Concern Assumptions” on the basis that there were events or conditions that raised material doubt as to the assumption that we would be a going concern. Furthermore, as announced in our “Notice Regarding Accrual of Impairment Losses” dated November 8, 2022, our “Notice Regarding Accrual of Impairment Losses (Progress of Disclosed Matters)” dated November 14, 2022, and our “Report for the First Half of the 59th Fiscal Year” dated November 14, 2022, in light of Sagent Group having accrued operating losses in the fiscal year ending March 2022 and the first quarter of the fiscal year ending March 2023 (operating losses of JPY 38.998 billion in the fiscal year ending March 2022 and JPY 1.805 billion in the first quarter of the fiscal year ending March 2023) and the development of the business in the U.S. market, we conducted impairment testing under International Financial Reporting Standards (IFRS) and accrued impairment losses in the second quarter of the fiscal year ending March 2023 on the fixed assets of Sagent Group, including goodwill, and had negative equity of JPY 35,626 million as a result of losses of JPY 54,817 million attributable to owners of parent.

Considering the challenging business climate and financial condition, and aiming to drastically improve our

financial condition and establish a firm earnings structure for future re-growth, the Company came to apply for the Business Turnaround ADR.

## (2) Specific Terms of Business Turnaround Plan

### A. Measures for Rebuilding of Business (Framework)

The Business Turnaround Plan provides for business measures including (i) productivity improvements at the Toyama Plant, (ii) profit structure reform through withdrawal of unprofitable products and cost reductions, (iii) strengthening the financial foundation through sale of idle assets and the like, and (iv) quality assurance and quality control system strengthening support and pharmaceutical sales system rebuilding support by the sponsor consortium.

### B. Financial Condition and Capital Strengthening Measures

#### (i) Financial Condition

Financial due diligence was conducted in the Business Turnaround ADR, and after making adjustments for revaluations based upon the Business Turnaround ADR asset valuation standards and the like, the adjusted net assets of the Company as of March 31, 2022 were calculated to be at a negative balance of approximately JPY 72.8 billion. Please be aware that the applicable asset valuation standards provided in the Business Turnaround ADR differ from ordinary corporate accounting standards.

#### (ii) Financial Support by Covered Creditors

The Covered Creditors will provide a debt forgiveness substantially as described in “(1) Debt Forgiveness” under “3. Overview of Financial Support” above, and the Company will make repayments of the Covered Claims following the debt forgiveness substantially as described in “(2) Amendment of Repayment Terms” under “3. Overview of Financial Support” above.

#### (iii) Capital Strengthening Measures

The Company will carry out the Third-Party Allotment Capital Increase based upon the Sponsor Agreement. For details of the Third-Party Allotment Capital Increase, please see the “Notice Regarding Issuance of New Shares by Third-Party Allotment, Partial Amendment of Articles of Incorporation, Share Consolidation, Abolition of Provisions on Share Units, Reduction of Capital and Capital Reserve Amounts, Appropriation of Surplus, and Change in Parent Company and Largest Shareholder (Major Shareholder)” dated November 14, 2022.

#### (iv) Elimination of Excessive Liabilities

The Company expects that its excessive liabilities under the asset valuation standards provided in the Business Turnaround ADR will be eliminated in the fiscal year ending March 2026 as a result of the completion of the Business Turnaround ADR, the financial support from the Covered Creditors described in (ii) above, and the capital strengthening measures described in (iii) above, if such measures have been carried out. Please be aware that the asset valuation standards provided in the Business Turnaround ADR differ from ordinary corporate accounting standards.

#### (v) Becoming a Wholly-Owned Subsidiary of the Expected Allottee

After carrying out the Third-Party Allotment Capital Increase, the Company expects to consolidate 70,384,700 shares of the Company into one share so as to make the Expected Allottee the only shareholder of the Company, and to deliver cash to each of the shareholders of the Company other than the Expected Allottee in an amount equal to JPY 36 per share held by each shareholder of the Company (the “Transaction”).

The Company thereby aims for its future business turnaround and continuation and to fundamentally improve its financial condition as a wholly-owned subsidiary of the Expected Allottee.

## 5. Management Figures in Business Turnaround Plan

The planned management figures in the Business Turnaround Plan for the three years are as follows.

### (1) Stand-Alone Income Statement (JGAAP)

Unit: JPY 100 MM	FYE March 2023 (Expected)	FYE March 2024 (Plan Year 1)	FYE March 2025 (Plan Year 2)	FYE March 2026 (Plan Year 3)
Sales	1,461	1,364	1,190	1,179
Operating Income (Loss)	(171)	(67)	(13)	20
Ordinary Income (Loss)	(191)	(85)	(13)	20
Net Income (Loss)	(34)	(67)	(11)	19

### (2) Stand-Alone Balance Sheet (JGAAP)

Unit: JPY 100 MM	FYE March 2023 (Expected)	FYE March 2024 (Plan Year 1)	FYE March 2025 (Plan Year 2)	FYE March 2026 (Plan Year 3)
Total Assets	2,392	1,613	1,541	1,506
Total Liabilities	2,146	1,459	1,398	1,344
Total Net Assets	246	154	143	162

## 6. Future Outlook

Going forward, we expect to record extraordinary profit regarding the amount of the debt forgiveness provided by the Covered Creditors, the details of which will be provided promptly once the debt forgiveness has become effective.

We would like to express our sincere apologies for causing great burdens and trouble to all of our shareholders, financial institutions, and other related parties. Going forward, after the Transaction, the Company as a whole is committed to a fundamental business turnaround with unflagging determination, aiming to reliably execute the Business Turnaround Plan, turn around the business of the Company, and achieve sustained growth of the Company, as a wholly-owned subsidiary of the Expected Allottee, and with the support of JWP, the Expected Allottee, and our financial institutions. We kindly request your continued support and cooperation.

The future schedule regarding the Transaction is as follows (please be aware that this schedule is subject to change or continuance depending on the state of progress of the procedures and the like). For details regarding the Transaction, please see the “Notice Regarding Issuance of New Shares by Third-Party Allotment, Partial Amendment of Articles of Incorporation, Share Consolidation, Abolition of Provisions on Share Units, Reduction of Capital and Capital Reserve Amounts, Appropriation of Surplus, and Change in Parent Company and Largest Shareholder (Major Shareholder)” dated November 14, 2022.

Date of extraordinary general meeting of shareholders	February 2023 (planned)
Date of issuance of new shares for Third-Party Allotment Capital Increase	Around March 2023 (planned)
Date of designation of Company common shares as securities to be delisted on the Tokyo Stock Exchange	Around March 2023 (planned)
Date of last trading of Company common shares on the Tokyo Stock Exchange	Around March to April 2023 (planned)
Date of de-listing of Company common shares from the Tokyo Stock Exchange	Around March to April 2023 (planned)

Effective date of Share Consolidation	Around late March to April 2023 (planned)
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