

Extraordinary General Meeting of Shareholders Notice of Convocation

Date and time February 17, 2023 (Friday) at 10:00 a.m.
Location Tamura Building 1F, 1-5-24 Sogawa, Toyama City, Toyama Prefecture

Deadline for Exercise of Voting Rights

February 16, 2023 (Thu) at 5:40 p.m.

In order to prevent the spread of COVID-19, we ask that you kindly consider refraining from attending the meeting and exercising your voting rights in advance, in writing or online, etc.

Please note that gifts will not be provided to shareholders attending the General Meeting of Shareholders.



Nichi-Iko Pharmaceutical Co., Ltd.

Securities Code: 4541

Important Notice

Regarding Measures to Prevent the Spread of COVID-19
at the Extraordinary General Meeting of Shareholders

We would like to inform you of the following regarding measures we will take at the General Meeting of Shareholders to prevent the spread of COVID-19, and ask for the understanding and cooperation of our shareholders.

(1) Request to our shareholders

- In consideration of the health and safety of all of our shareholders, we would like to ask you to refrain from attending the General Meeting of Shareholders on this occasion, regardless of your health condition.
- In particular, we recommend that elderly people, those with underlying conditions, and those who are pregnant refrain from attending.
- Voting rights may be exercised in writing or online, so please consider exercising your voting rights in this manner.
 - * Please refer to “Guidance on Exercise of Voting Rights” on page 2 regarding how to exercise your voting rights.

(2) Request to those shareholders attending the meeting

- At the entrance of the venue, attendees’ body temperature will be checked by thermography. Please note that those who appear to be unwell may be asked to refrain from entering the venue.
- Shareholders in attendance are kindly requested to cooperate with measures to prevent infection, such as wearing masks and using hand sanitizer.
- There is no parking available at the venue, so please refrain from coming by car.

(3) Measures taken by the Company

- The Company’s officers and meeting staff will in principle be wearing masks.
- Hand sanitizer will be provided at reception and various places in the venue.
- The proceedings of the General Meeting of Shareholders will be shortened as a measure against the spread of COVID-19.
- Seating in the venue will be spaced out to avoid crowding, so there are fewer seats available. Please note that admission may be restricted as a result.
- In consideration of preventing infection and being fair to all shareholders, gifts will not be distributed to shareholders who attend the meeting.

Please note that in the event of change in the operation method of the General Meeting of Shareholders due to future circumstances, guidance will be provided on our website (<https://www.nichiiko.co.jp/>).

Securities code 4541
February 2, 2023

To our shareholders:

1-6-21 Sogawa, Toyama City, Toyama Prefecture
Nichi-Iko Pharmaceutical Co., Ltd.
Yuichi Tamura, President & CEO

Notice of Extraordinary General Meeting of Shareholders

Please accept our sincere gratitude for your continued support.

We would like to inform you that an Extraordinary General Meeting of Shareholders of the Company will be held as follows.

Please note that in lieu of attending the meeting, you may exercise your voting rights by either of the methods described in “4. Guidance on Exercise of Voting Rights.” We therefore kindly ask you to exercise your voting rights by 5:40 p.m. on Thursday, February 16, 2023, after reviewing the attached Reference Documents for the General Meeting of Shareholders.

1. Date and Time February 17, 2023 (Fri), 10:00 a.m.
2. Location Tamura Building 1F, 1-5-24 Sogawa, Toyama City, Toyama Prefecture
3. Agenda Proposals
 - Items for resolution
 - Agenda Item 1 Issuance of Offered Shares Through Third-Party Allotment (1)
 - Agenda Item 2 Partial Amendments to the Articles of Incorporation in Order to Increase the Total Number of Authorized Shares to be Issued
 - Agenda Item 3 Issuance of Offered Shares Through Third-Party Allotment (2)
 - Agenda Item 4 Reduction of Amount of Capital
 - Agenda Item 5 Reduction of Amount of Capital Reserves
 - Agenda Item 6 Appropriation of Surplus
 - Agenda Item 7 Election of Five Persons as Directors (Excluding Directors Who Are Audit Committee Members)
 - Agenda Item 8 Election of Three Persons as Directors Who Are Audit Committee members
 - Agenda Item 9 Share Consolidation
 - Agenda Item 10 Partial Amendments to the Articles of Incorporation relating to the Abolition of Share Units Provisions, etc.
4. Guidance on Exercise of Voting Rights

- (1) If exercising voting right in writing
Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and return it so that it arrives before 5:40 p.m. on Thursday, February 16, 2023.
- (2) If exercising voting rights online, etc.
If you wish to exercise your voting rights online, etc., please refer to “Instructions for Exercise of Voting Rights Online, etc.” from pages 32 to 33 and then enter your approval or disapproval of the proposal before 5:40 p.m., Thursday, February 16, 2023.

- If attending the meeting, please present the enclosed Voting Rights Exercise Form at the reception desk.
- If there are any revisions to the Reference Documents for the General Meeting of Shareholders, they will be posted online on our website.

Company website: <https://www.nichiiko.co.jp/>

Reference Documents for the General Meeting of Shareholders

Background of the Proposal of Agenda Item 1 to Agenda Item 10

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 issued 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, shipment 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 manufacture. As a result, our sales have been reduced due to the quality issues at Toyama Plant 1 and Kobayashi Kako. Annually implemented 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, we resolved at our Board of Directors meeting on May 13, 2022 to apply to use the specified certified dispute resolution procedure (“the Business Turnaround ADR”) under the Act on Strengthening Industrial Competitiveness, and made a formal application to the Japanese Association of Turnaround Professionals (an association that has been certified by the Minister of Justice and has been accredited as a specified certified dispute business operator by the Minister of Economy, Trade and Industry) to use the Business Turnaround ADR, which was accepted on the same day.

Thereafter, we held a creditors meeting with the creditors subject to the Business Turnaround ADR (the “Covered Creditors”) on May 26, 2022 (first creditors meeting) to explain the business turnaround plan proposal pursuant to the Business Turnaround ADR, and subsequently formulated a draft business turnaround plan (the “Business Turnaround Plan Proposal”) including an agreement on debt relief and so forth by the Covered Creditors. At the creditors meeting on November 16, 2022 (second creditors meeting) to discuss the proposed business turnaround plan, we explained the specifics of the Business Turnaround Plan Proposal to the Covered Creditors, and at the creditors meeting (third creditors meeting) held on December 28, 2022 for the resolution of the proposed business turnaround plan, the Business Turnaround Plan Proposal was established with the consent of the Covered Creditors.

The formulation of the Business Turnaround Plan Proposal required us to realize a fundamental improvement to our financial condition in the form of a capital strengthening for the purposes of escaping from a challenging business environment, establishing a stronger earnings structure, drastically improving our financial strength, and continuing our growth. After appointing Mori Hamada & Matsumoto as legal advisor and Deloitte Tohmatsu Financial Advisory LLC (“Deloitte Tohmatsu Financial Advisory”) as financial advisor, Thereafter, we made requests to around 40 sponsor candidates, including business corporations and financial investors, to consider investing as sponsor candidates, seeking out the possibilities for financing on terms and conditions beneficial to the Company.

As a result of this sponsor search, we came to receive final expressions of intent from several sponsor candidates, including Godo Kaisha JSD (the “Allottee”), which is managed and operated by J-Will Partners Co., Ltd (“JWP”). Thereafter, we determined that the Allottee was the optimal sponsor candidate after a general analysis from the standpoint of the terms of financial support to be requested from the Covered Creditors, amount of capital financing that could be provided to the Company, provision of capital financing at the time desired by the Company and probability of realization of the same, approach to our management and business after participating as a sponsor in order to turn around the Company, content and viability of policies for medium and long-term

business continuation and improvement of future company growth through business structural reforms, and the like. We have been told that JWP considers it important for our restructuring to resolve our issues and realize our intrinsic value through formulation of steady business strategies, strengthening of management systems, support of financial reorganization, etc. based upon the broad network and rich track record of JWP.

In making its proposal to provide sponsor support to the Company, the Allottee has told us that it has come to believe in the importance of (i) strengthening quality assurance and quality management systems and (ii) realizing improvements to sales and productivity through strengthened relations with specific wholesalers by proactively involving knowledge, networks, etc. from other industries, not just relying upon what is within the generic drug industry, to produce a rehabilitation of the Company. Specifically, (i) in relation to strengthening quality assurance and quality management systems, the Allottee believes it is important to swiftly recommence manufacturing of all products that we plan to manufacture and build systems for the stable supply of assured-quality drugs through third-party personnel exchange in the production and quality assurance areas and other proactive utilization of third-party knowledge, in addition to strengthening the Company itself through improvements to recruitment and management processes, etc. Furthermore, (ii) in relation to realizing improvements to sales and productivity through strengthened relations with specific wholesalers, through the alliance with Medipal Holdings Corporation (“Medipal”) with whom we executed a capital and business alliance agreement in August 2021, the Allottee has come to believe that it is important to realize improvements to sales and productivity by specifying the alliance model of “Plan Orders, Plan Production” and building production systems based upon demand. In addition, the Allottee believes that working capital and capital investment funding are necessary in realizing these fundamental structural reforms, and that a capital infusion of around JPY 20 billion is necessary for the same.

Moreover, Allottee has told us that an assumption considered by them in making such a large-scale capital injection in comparison to the market capitalization of the Company is that in light of the severe business environment and lack of certainty surrounding the Company, it is necessary to build a system to execute swift and fundamental rehabilitation measures by taking the Company private.

Specifically, the Allottee believes that a large-scale capital injection while the Company remains listed would only dramatically dilute the holdings of the minority shareholders of the Company, and while the subsequent business structural reforms would contribute to improvements to our business in the medium to long term, it is inappropriate to carry out the business structural reforms while the Company remains listed and expose the minority shareholders of the Company to further risks because profitability in the short term would be reduced and there would be risks if the business structural reforms were unsuccessful; therefore, the Allottee believes that taking the

Company private after paying reasonable compensation to the minority shareholders of the Company would contribute to the interests of the minority shareholders of the Company. In particular, Allottee believes that the payment of an amount to minority shareholders that includes a premium over the amount paid in for third-party allotment to the Allottee would be a relief measure for the minority shareholders of the Company at this stage due to the circumstances, namely that we would otherwise be forced to request a considerable amount of debt relief, etc. from Covered Creditors in the Business Turnaround ADR considering the large amount of future losses, etc., our actual stock value being significantly lower than the market price, and the extreme difficulty of financing cash flow from operations if a large-scale capital injection is not implemented soon, taking into consideration our future cash flows, and our current situation in which, 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 end of March 2021 to 5.1% at the end of March 2022, and 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.

We gave careful consideration to the sponsorship proposal by the Allottee dated September 26, 2022, as it not only entailed a major dilution of our current shareholders, but also included a delisting of the Company and would have a material effect on all of the minority shareholders of the Company.

First, we contacted multiple sponsor candidates prior to the proposal from the Allottee, discussed support for the Company, and determined in the sponsor selection that the Allottee was the optimal sponsor candidate after a general analysis from the perspective of the situation surrounding the Company as described above, including the terms of financial support to be requested from the Covered Creditors, amount of capital financing that could be provided to the Company, provision of capital financing at the time desired by the Company and probability of realization of the same, approach to our management and business after participating as a sponsor in order to turn around the Company, content and viability of policies for medium and long-term business continuation

and improvement of future company growth through business structural reforms, and the like.

Furthermore, in the process of advancing consideration of rehabilitation policies with the Allottee since mid-October 2022, we came to believe that strengthening quality assurance and quality management systems, realizing improvements to sales and productivity through strengthened relations with specific wholesalers, and other swift and fundamental business reforms are essential for the rehabilitation of the Company, and we determined that the terms of the proposal by the Allottee conformed to our views as providing for practical and specific terms for the realization of our growth in the medium to long term. As a large-scale capital injection is essential to fundamentally improve our financial condition, and the failure to quickly achieve a large-scale capital injection would risk difficulty in continuing our business due to the extreme difficulty in financing cash flow from operations, leading to further risks to the minority shareholders of the Company from reduced share prices and the like, we held sincere discussions with multiple sponsor candidates, and based on multiple rounds of negotiations with Allottee, which indicated the conditions that we believe to be most optimal from the standpoint of the terms of financial support to be requested from the Covered Creditors, amount of capital financing that could be provided to the Company, provision of capital financing at the time desired by the Company and probability of realization of the same, approach to our management and business after participating as a sponsor in order to turn around the Company, content and viability of policies for medium and long-term business continuation and improvement of future company growth through business structural reforms, and the like, we ultimately reached an agreement, and have determined that the conditions are the best that the Company can offer to the minority shareholders of the Company. Moreover, we came to decide that promoting the integration of the Company with the Allottee through the Allottee making the Company a wholly-owned subsidiary and de-listing and a flexible and agile management strategy ((i) strengthening quality assurance and quality management systems and (ii) realizing improvements to sales and productivity through strengthened relations with specific wholesalers as described above) was the best option, as it was believed to contribute the most to the continuation of our group's business and its medium and long-term growth and avoid causing further risks for the minority shareholders of the Company. We have also received an expression of strong intent from the Allottee to be involved in the aforementioned (i) strengthening quality assurance and quality management systems and (ii) realizing improvements to sales and productivity through strengthened relations with specific wholesalers in cooperation with the Company group and JWP aiming for the realization of our growth from a medium and long-term standpoint after the Company becoming a wholly-owned subsidiary, and have determined that the Allottee is the optimal sponsor candidate.

From the standpoint described above, and from the standpoint of supporting both the financing and the business of the Company, we believe that the proposal from the Allottee to provide sponsor

support is the best option to improve the enterprise value of the Company, and is also the best option for the minority shareholders of the Company considering the current state of the Company.

On November 14, 2022, we executed a Sponsor Agreement with the Allottee, and based on this, we will carry out an issuance of common shares of the Company (the “New Shares”) through a third-party allotment to the Allottee with a total paid-in amount of JPY 20 billion (the “Third-Party Allotment;” such Third-Party Allotment will be carried out through the Third-Party Allotment 1 and Third-Party Allotment 2 as described in Agenda Item 1). In addition, we will implement share consolidation through which 70,384,700 common shares of the Company will be consolidated into one share and cash totaling approximately JPY 2.5 billion (JPY 36 per share) will be paid to minority shareholders other than the Allottee (the “Share Consolidation”) after the implementation of the Third-Party Allotment, so that the Allottee will become the sole shareholder of the Company.

It is our understanding that the Allottee intends to make the Company a wholly-owned subsidiary of the Allottee as a result of the Third-Party Allotment and the subsequent Share Consolidation (the “Transaction”), and that the common shares will be de-listed.

At this Extraordinary General Meeting of Shareholders, we are submitting proposals regarding the Third-Party Allotment (Agenda Items 1 and 3), a partial amendment of the Articles of Incorporation to increase the total number of authorized shares as necessary to carry out the Third-Party Allotment (Agenda Item 2), the reduction of the amounts of capital and capital reserves (the “Capital Reduction”) and the application of the other capital reserves that would increase as a result of the Capital Reduction against the negative retained earnings carried forward (the “Appropriation of Surplus”) subject to the payment for the New Shares (Agenda Items 4 through 6), and the election of directors nominated by the Allottee subject to the payment for the New Shares (the “Third-Party Allotment Related Proposals”) (Agenda Items 7 and 8), as well as proposals regarding the Share Consolidation (Agenda Item 9) and a partial amendment of the Articles of Incorporation relating to the abolition of share units (Agenda Item 10) (together with the Third-Party Allotment Related Proposals, the “Proposals”). The implementation of the Third-Party Allotment is subject to the approval of the Proposals at the Extraordinary General Meeting of Shareholders, among other conditions, and the effectiveness of the Share Consolidation is subject to the completion of the Third-Party Allotment.

We would like to ask our shareholders to carefully read the content of each proposal on the following pages, understand the purpose of each, and approve all proposals.

Agenda Item 1 Issuance of Offered Shares Through Third-Party Allotment (1)

Pursuant to Article 199 of the Companies Act, we are requesting approval for the issuance of offered shares through a third-party allotment as outlined in 2. below (“Third-Party Allotment 1”; the new shares issued by the Third-Party Allotment 1 hereinafter referred to as “New Shares 1”), for the reasons described in 1. below.

In addition, the 633,462,300 New Shares (6,334,623 voting rights) issued in the Third-Party Allotment 1 and the Third-Party Allotment 2 described in Agenda Item 3 (collectively, the “Third-Party Allotment”) are equal to 887.42% of the 71,382,652 shares issued and outstanding as of September 30, 2022 (900.00% of the 703,847 total voting rights as of September 30, 2022). Therefore, the dilution ratio from the Third-Party Allotment will be greater than 25%, and there will be a change in the controlling shareholder, and therefore, pursuant to Rule 432 of the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) Securities Listing Regulations, we would also like to ask shareholders to confirm their intentions regarding this proposal and the proposal in Agenda Item 3 at the Extraordinary General Meeting of Shareholders. Moreover, the Third-Party Allotment will not only involve a large-scale dilution and change in controlling shareholder, but it is also expected that the Company will become a wholly-owned subsidiary of the Allottee and the Company common shares will be delisted thereafter. Therefore, considering the size of the impact on the minority shareholders of the Company, to ensure the fairness, transparency, and objectivity of our decision-making process, we created a special committee (“Special Committee”) consisting of three members with a certain degree of independence from the Allottee and the management of the Company: Mr. Hajime Imamura (Attorney at Law), an outside director of the Company registered as an independent officer with the Tokyo Stock Exchange; Mr. Hitoshi Hori (Certified Public Accountant), an outside director and audit committee member; and Mr. Tetsutaro Wakatsuki (Attorney at Law, Murata & Wakatsuki Law Offices) as an external expert with extensive experience in being involved as a special committee member in structural conflict of interest transactions similar to this one. We requested their opinions as to the necessity and suitability of the Third-Party Allotment and whether the Third-Party Allotment and Transaction would be detrimental to the minority shareholders of the Company (the “Consultation Items”), and obtained a report of their findings dated November 14, 2022, stating that the Third-Party Allotment is deemed necessary and suitable, and that the Third-Party Allotment and Transaction are not deemed to be detrimental to the minority shareholders of the Company..

1. Reason for Issuing Offered Shares at a Particularly Favorable Payment Amount

(1) Purpose and Reason for Issuance of New Shares by Third-Party Allotment

(i) Background of Third-Party Allotment

Please refer to “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above.

(ii) Reasons for Selecting Third-Party Allotment

Before deciding to carry out the Third-Party Allotment, we compared and considered various financing methods. At the time, considering that a large-scale capital injection is essential to fundamentally improve our financial condition, and the failure to quickly achieve a large-scale capital injection would cause extreme difficulty in financing cash flow from operations, as described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, we believed that the most important factor was having an assured expectation of raising the necessary funds on our desired timeline.

In this regard, we determined that if, for example, we issued common stock through a public offering, it would be difficult to carry out a public offering underwritten by a securities company due to the fact that our consolidated financial statements for the second quarter of the fiscal year ending March 2023 contained a “Note Regarding Going Concern Assumptions” and the Company had negative equity of JPY 35,626 million, as announced in the “Report for the First Half of the 59th Fiscal Year” dated November 14, 2022. Furthermore, we determined that a rights offering or allocation to shareholders would not be an appropriate option at this time when the Company needs to raise the necessary amount with a degree of certainty, as all of the share options may not be exercised by the shareholders after considering the share price trends and the like, and it may be that not all of the shareholders accept their allotments, so the final amount of funds raised would be undetermined.

In contrast, we believed that a third-party allotment provided for the highest level of assurance that the necessary amount would be raised, and if an appropriate sponsor could be selected, it would be an appropriate option for the Company, and continued to analyze the possibility of support including provision of funds through investment, etc. with multiple other sponsor candidates, seeking out the possibilities for financing on terms and conditions beneficial to the Company. As a result, we commenced discussions regarding the Third-Party Allotment with the Allottee, the sponsor candidate that indicated the most desirable terms and conditions for the Company. Thereafter, while considering the terms proposed by the Allottee, we continued to discuss and negotiate with the Allottee regarding the optimal scale and form of an investment, and came to determine that receiving a total investment of JPY 20 billion by a third-party allotment through an issuance of New Shares to Allottee would be the best option for the Company at this time.

If the New Shares were allocated to the Allottee through the Third-Party Allotment, the Allottee would come to hold 6,334,623 voting rights, which would be 90.00% of the total voting rights of the Company (7,038,470 votes; representing the total of such voting rights and the total number of voting rights of the Company as of September 30, 2022 (703,847 votes)), and Allottee would be a special subscriber as provided in Article 206-2(1) of the Companies Act. In this regard, at the Board of Directors meeting held on November 14, 2022, three directors who are members of the Audit

Committee (including two outside directors who are members of the Audit Committee) expressed an opinion that considering the current financial conditions of the Company and its future outlook including with regard to cash flows, raising funds from the Allottee through a Third-Party Allotment and receiving sponsor support through the Transaction is believed to presently be transaction of existential importance for the Company, and the amounts paid in through the Third-Party Allotment and paid to the minority shareholders of the Company through the disposition of fractional shares following the Share Consolidation have been determined by the Board of Directors of the Company and deemed appropriate in light of the need to obtain the agreement of Covered Creditors to a considerable amount of debt relief, etc. in order to obtain sponsor support through the Transaction and considering the valuation of the common shares in the Company as described in the “Share Valuation Report” dated November 14, 2022 (“Share Valuation Report”) and the opinions described in the Opinion dated November 14 that the amounts expected to be paid for new shares and delivered to minority shareholders in the company through the handling of fractional shares in the share combination are appropriate from a financial viewpoint for all shareholders of the company other than the Allottee (Fairness Opinion) (“Fairness Opinion”), 2022 received from Akasaka International Accounting Co., Ltd. (“Akasaka International Accounting”) through the Special Committee, from the standpoint of which the sponsor support through the Transaction is deemed to be a necessary and reasonable transaction for the Company, and it is reasonable to conduct the Third-Party Allotment with the Allottee which constitutes a special subscriber as provided in Article 206-2(1) of the Companies Act. No outside director has expressed an opinion contrary to the decision by the Board of Directors.

- (2) Reasonableness of Issuance Terms, Etc.
- (i) Calculation Basis and Specific Terms of Payment Amount
 - (a) Specific Terms of Payment Amount

In relation to the method and terms of investment, as described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, we conducted sincere discussions with each sponsor candidate considering the business environment, financial condition, demand for financing, share price, and the like of the Company. As a result, we decided that the amount paid for the New Shares will be approximately JPY 31.57 as proposed by the Allottee as a sponsor candidate, the most desirable terms for the Company from the standpoint of the terms of financial support to be requested from the Covered Creditors, amount of capital financing that could be provided to the Company, provision of capital financing at the time desired by the Company and probability of realization of the same, approach to our management and business after participating as a sponsor in order to turn around the Company, content and viability of policies for medium and long-term business continuation and improvement of future company growth through business structural reforms, and the like, aiming to raise funds on the terms most beneficial to the Company.

The amount paid for the New Shares represents a discount of 91.28% (rounded to the nearest hundredth; the same applies to discounts to share prices provided below) to the closing price (“Closing Price”) of the Company’s common stock on the Tokyo Stock Exchange of JPY 362 as of November 11, 2022, the business day before the date of the resolution of the Board of Directors concerning the Third-Party Allotment (“Board Resolution Date”), a discount of 92.84% (rounded to the nearest whole number; the same applies to discounts to simple average Closing Prices provided below) to the simple average Closing Price of JPY 441 during the one-month period immediately preceding the Board Resolution Date (October 12 through November 11, 2022), a discount of 92.39% to the simple average Closing Price of JPY 415 during the three-month period immediately preceding the same (August 12 through November 11, 2022), and a discount of 91.88% to the simple average Closing Price of JPY 389 during the six-month period immediately preceding the same (May 12 through November 11, 2022).

As stated above, considering that the amount paid for the New Shares was ultimately decided as the result of sincere discussions and negotiations with the Allottee, the sponsor candidate that indicated the terms and conditions that we believed to be most desirable for us after sincere discussions with multiple sponsor candidates, the conditions require us to request a considerable amount of debt relief, etc. from Covered Creditors in the Business Turnaround ADR, including a large amount of future losses, etc., and the circumstances in which the capital financing on the scale of JPY 20 billion is essential, we have determined that these are currently the best terms and conditions for the Company.

(b) Acquisition of Share Valuation Report and Fairness Opinion from Third-Party Appraiser

As the amount to be paid differs from the market price, for the analysis of the Consultation Items, the Special Committee requested that a third-party appraiser, Akasaka International Accounting, express an opinion as to the fairness to the minority shareholders of the Company from a financial perspective of the calculation of the valuation of the common shares in the Company and the money expected to be delivered to the shareholders through the payment for the New Shares and the handling of fractional shares in the Share Consolidation (the “Expected Share Consolidation Payment Amount”). The third-party appraiser, Akasaka International Accounting, is not a related party of the Company or the Allottee and has no notable material conflict of interest in relation to the Third-Party Allotment. The compensation of Akasaka International Accounting is a fixed amount that is paid regardless of the success or failure of the Third-Party Allotment and Transaction, and does not include any contingent compensation that is conditional upon the completion of the Third-Party Allotment and Transaction.

Having analyzed the valuation methods for the common shares of the Company, from among the (i) average market price method, (ii) comparable company method, and (iii) discounted cash flow method (“DCF Method”), Akasaka International Accounting used the DCF Method to value the common shares of the Company, and the Special Committee has obtained a Share Valuation Report from Akasaka International Accounting dated November 14, 2022.

The Special Committee has also obtained the Fairness Opinion from Akasaka International Accounting.

According to the Share Valuation Report, the valuation range for each common share of the Company calculated based on each method is as follows:

DCF Method: JPY 0 to 41

Akasaka International Accounting used the (iii) DCF Method in the valuation of the common shares of the Company for the following reasons.

First, regarding the (i) average market price method, it was explained that this method was not used since the forecast earnings of the Company and the like were not announced as of the preparation of the Share Valuation Report, and speculative trading based on optimistic scenarios relating to the announced Business Turnaround ADR may have had a certain effect on price formation, and therefore it was believed to be likely that the material effects on the continued business of the Company that could be expected if the Business Turnaround ADR failed or the Third-Party Allotment and Transaction did not occur were not adequately reflected in the share price, and the effect on the share price due to the lack of appropriate information disclosure, a

precondition to using the average market price method, could not be ignored.

Furthermore, regarding the (ii) comparable company method, it was explained that this method was not used because the standard financial indicators generally used in this calculation method such as income, net assets, and EBITDA were each negative in the Company's most recent financial statements, making this method impossible to use appropriately.

On the other hand, the (iii) DCF Method used in calculating the value of the Company common shares is a calculation method based upon future cash flow (profitability) from the business and is thought to be one appropriate method of valuation assuming the continuation of the business. The Share Valuation Report explains that the business plan we provided to Akasaka International Accounting has been considered, and a valuation of the shares has been calculated through the DCF Method based upon the future cash flows under the business plan as of the calculation reference date.

The DCF Method evaluates enterprise value based upon the cash flow forecast to be generated in and after the second quarter of the fiscal year ending March 2023, considering the revenue forecast, investment plan, etc. under the business plan we prepared for the period from the fiscal year ending March 2023 until the fiscal year ending March 2027 and other assumptions thought to be reasonable, discounted to present value at a fixed discount rate based upon business risk. The weighted average cost of capital (WACC) of 9.3% to 11.5% has been used as the discount rate, the perpetual growth rate method has been used for the going concern value calculation, and the perpetual growth rate has been calculated as -1.0% to 1.0%, resulting in a valuation range per common share of JPY 0 to 41.

The specific financial forecasts of the Company that were used by Akasaka International Accounting as assumptions in the DCF Method calculation are as follows.

These financial forecasts do not assume that the debt relief that we will request from the Covered Creditors will be granted or that the Transaction including the Third-Party Allotment will be executed.

The financial forecasts of the Company that were used by Akasaka International Accounting as assumptions in the DCF Method calculation include fiscal years in which large-scale changes in income are expected. Specifically, in the fiscal year ending March 2023, we expect to have a large-scale increase in income due to the implementation of resumed production at Toyama Plant 1, advancement of “Plan Orders, Plan Production” (Note) with Medipal, other production and sales improvements, as well as fixed cost reductions, expense reductions, product mix improvements, and other cost reduction measures. In the fiscal years ending March 2024 through March 2027, we expect to have further large-scale year-on-year increases in income due to the advancement of “Plan Orders, Plan Production” with Medipal, other sales and production improvements, fixed cost reductions, expense reductions, product mix improvements, and other cost reduction measures.

Synergy effects that are anticipated through the execution of this transaction were not considered in those financial forecasts as the effects on the Company's income are currently difficult to estimate.

(Unit: JPY 100 MM)

	FY March 2023 (9 months)	FY March 2024	FY March 2025	FY March 2026	FY March 2027
Sales	141,878	135,379	118,998	119,140	119,431
Operating Profit	(7,481)	(947)	6,877	10,384	12,971
EBITDA	(3,224)	3,451	11,496	15,431	18,214
Free Cash Flow	(6,623)	37,276	9,595	5,644	7,931

(Note) "Plan Orders, Plan Production" refers to a policy under which the medical drug wholesaling companies in the Medipal group send planned orders to the Company, leading to rationalized production schedules and efficient inventory management at the Company.

In relation to the DCF Method used in the Share Valuation Report, the Share Valuation Report calculates the value of the shares assuming that the Company's business will continue following the end of the plan period and does not expect that it will be difficult to continue business during or after the plan period due to causes such as being unable to obtain backup lines from financial institutions. In this regard, the Share Valuation Report notes a view that if such difficulty in continuing business were expected, there may be a lower share valuation than that which was calculated through the DCF Method in the Share Valuation Report.

(c) Determination of Payment Amount by the Board of Directors Based on the Share Valuation Report

As stated above, we have determined that the amount to be paid in the Third-Party Allotment (approximately JPY 31.57) is reasonable even in light of the Share Valuation Report and Fairness Opinion obtained from a third-party appraiser through the Special Committee. As this amount represents a major discount from the most recent market price of the shares of the Company, and is a particularly beneficial amount for the Allottee, we have made the issuance of the common shares in the Third-Party Allotment conditional upon the approval of a special resolution at the Extraordinary General Meeting of Shareholders.

(ii) Basis for Determining that Issued Quantity and Scale of Share Dilution are Reasonable

633,462,300 New Shares (with 6,334,623 voting rights) will be issued in the Third-Party Allotment, representing 887.42% of the 71,382,652 total shares in the Company issued and outstanding as of September 30, 2022 and 900.00% of the 703,847 total voting rights in the Company as of September 30, 2022.

Therefore, the Third-Party Allotment is expected to cause an extremely large-scale dilution. On the other hand, we believe that the execution of the Third-Party Allotment can be deemed reasonable even considering the large-scale dilution occurring from the Third-Party Allotment considering the conditions, as stated above, that (i) there is a recognized need for the Company to raise a large amount of funds, and while the scale of the issuance in the Third-Party Allotment is large, the scale has been set as necessary to obtain financing on the scale thought to be essential for the Company, (ii) the Third-Party Allotment with the Allottee is the most appropriate method of financing when compared to other financing methods, and (iii) the amount paid for the New Shares also represents the best terms and conditions available to the Company in light of our severe financial condition, and the results of our discussions with multiple sponsor candidates regarding the possibility of support and our discussions and negotiations with the Allottee, and can be determined to be fair and reasonable in light of the common share valuation calculations shown in the Share Valuation Report.

Furthermore, as the Company has entered a state of negative equity, we believe that we have provided the best conditions possible to the minority shareholders of the Company with regard to the proposals relating to the Third-Party Allotment, the partial amendments of the Articles of Incorporation to increase the number of authorized shares, and the Share Consolidation, because we will carry out lawful procedures with the approval of the shareholders of the Company by proposing them at the Extraordinary General Meeting of Shareholders, and moreover, the Share Consolidation will ultimately result in the payment of cash to the minority shareholders of the Company in an amount (JPY 36) that includes a 14.02% (rounded to the nearest hundredth; the same applies to premium percentages below) premium in addition to the amount paid for the New Shares in the Third-Party Allotment (approximately JPY 31.57), which amount was, as described above, ultimately agreed after multiple rounds of negotiations with the Allottee, the sponsor candidate that indicated the terms and conditions thought to be most desirable by the Company after sincere discussions with multiple sponsor candidates amid requests to Covered Creditors for a considerable amount of debt relief under conditions where the failure to realize a large-scale capital infusion would worsen our financial performance and financial condition and make it difficult to continue our business, causing further risks to the minority shareholders of the Company through share price decreases and the like.

2. Overview of Issuance of New Shares (1)
 - (1) Type and Number of Offered Shares
126,692,460 shares of common stock
 - (2) Amount to be paid in
JPY 20,000,000,000 / 633,462,300 (approximately JPY 31.57) per share
 - (3) Aggregate amount to be paid in
JPY 4,000,000,000
 - (4) Amount of capital to be increased and capital reserves to be increased
Capital increase 2,000,000,000
Capital reserves 2,000,000,000
 - (5) Payment period
Thursday, March 1, 2023 to Friday, March 31, 2023
 - (6) Method of offering
Allocation of all shares (126,692,460 shares) to Godo Kaisha JSD by means of third-party allotment.
 - (7) Each of the foregoing items is subject to the effectiveness of the securities registration under the Financial Instruments and Exchange Act of Japan and the approval of Agenda Items 1 through 10 at the Extraordinary General Meeting of Shareholders.

Agenda Item 2 Partial Amendments to the Articles of Incorporation in order to Increase the Total Number of Authorized Shares to be Issued

1. Reason for Proposal

In order to enable the issuance of the New Shares through the Third-Party Allotment, with respect to Article 7 (Total Number of Authorized Shares) of the current Articles of Incorporation to change the total number of authorized shares to be issued shall be amended from the current 93,500,000 shares to 750,000,000 shares.

2. Details of Amendments

The content of the amendments is as follows.

Under Article 113(3) of the Companies Act, if a public company such as the Company amends its articles of incorporation to increase the total number of authorized shares, the total number of authorized shares after such amendment may not exceed four times the total number of issued shares as of the time the amendment became effective. Based upon the total number of shares issued by the Company as of September 30, 2022 (71,382,652 shares), it would be impossible to conduct a single amendment of the Articles of Incorporation increasing the total number of authorized shares so that all of the New Shares from the Third-Party Allotment could be issued. Therefore, as described below, the amendments to the Articles of Incorporation to increase the total number of authorized shares will be carried out in two stages. Specifically, we will first conduct Articles of Incorporation Amendment 1 to authorize the issuance of no more than four times the total number of shares issued by the Company as of September 30, 2022 (71,382,652 shares), and then, conditional upon the issuance of 126,692,460 New Shares for Third-Party Allotment 1, we will conduct Articles of Incorporation Amendment 2 to authorize the issuance of 750,000,000 shares. The issuance of 506,769,840 New Shares for Third-Party Allotment 2 will be conditional upon the effectiveness of Articles of Incorporation Amendment 2. The issuance of 126,692,460 New Shares for Third-Party Allotment 1, the effectiveness of Articles of Incorporation Amendment 2, and the issuance of 506,769,840 New Shares for Third-Party Allotment 2 will all take place on the same day.

(1) Details of Articles of Incorporation Amendment 1

(Underlines indicate amended portions.)

Current Articles of Incorporation	Amendment Proposal
(Total Number of Authorized Shares to be Issued) Article 7. The total number of authorized shares by the Company shall be <u>93,500,000</u> shares.	(Total Number of Authorized Shares to be Issued) Article 7. The total number of authorized shares by the Company shall be <u>200,000,000</u> shares.

(2) Details of Articles of Incorporation Amendment 2

(Underlines indicate amended portions.)

Articles of Incorporation as amended by Articles of Incorporation Amendment 1	Additional Amendment Proposal
(Total Number of Authorized Shares to be Issued) Article 7. The total number of authorized shares by the Company shall be <u>200,000,000 shares</u> .	(Total Number of Authorized Shares to be Issued) Article 7. The total number of authorized shares by the Company shall be <u>750,000,000 shares</u> .

Agenda Item 3 Issuance of Offered Shares Through Third-Party Allotment 2

Pursuant to Article 199 of the Companies Act, we are requesting approval for the issuance of offered shares through a third-party allotment as outlined in 2. below (“Third-Party Allotment 2”; the new shares issued by the Third-Party Allotment 2 hereinafter referred to as “New Shares 2”), for the reasons described in 1. below. In addition, due to the reasons described in Agenda Item 1, pursuant to Rule 432 of the Tokyo Stock Exchange Securities Listing Regulations, we would also like to ask shareholders to confirm their intentions regarding the proposal in Agenda Item 1 and this proposal at the Extraordinary General Meeting of Shareholders.

1. Reason for Issuing Offered Shares at a Particularly Favorable Payment Amount

As described in “(1) Purpose and Reason for Issuance of New Shares by Third-Party Allotment” and “(2) Reasonableness of Issuance Terms, Etc.” under “1. Reason for Issuing Offered Shares at a Particularly Favorable Payment Amount” in “Agenda Item 1 Issuance of Offered Shares Through Third-Party Allotment.”

2. Overview of Issuance of New Shares (2)

- (1) Type and Number of Offered Shares
506,769,840 shares of common stock
- (2) Amount to be paid in
JPY 20,000,000,000 / 633,462,300 (approximately JPY 31.57) per share
- (3) Aggregate amount to be paid in
JPY 16,000,000,000
- (4) Amount of capital to be increased and capital reserves to be increased
Capital increase 8,000,000,000
Capital reserves 8,000,000,000
- (5) Payment period
Wednesday, March 1, 2023 to Friday, March 31, 2023
- (6) Method of offering
Allocation of all shares (506,769,840 shares) to Godo Kaisha JSD by the method of third-party allotment.
- (7) Each of the foregoing items is subject to the effectiveness of the securities registration under the Financial Instruments and Exchange Act of Japan and the approval of Agenda Items 1 through 10 at the Extraordinary General Meeting of Shareholders.

Agenda Item 4 Reduction of Amount of Capital

With the aim of improving the flexibility and agility of capital policy moving forward and ensuring financial soundness, pursuant to the provisions of Article 447(1) of the Companies Act, we will reduce the amount of capital and make a transfer to other capital surplus.

Reduction in the amount of capital under this proposal will be subject to the payment for the New Shares.

- (1) Amount of capital reduction
The amount of capital of JPY 35,975,865,942 yen will be reduced by JPY 35,875,865,942 yen to become JPY 100,000,000 yen, and the reduced amount of capital of JPY 35,875,865,942 will be transferred to other capital surplus.
- (2) Effective date of capital reduction
March 31, 2023 (planned)

Agenda Item 5 Reduction of Amount of Capital Reserves

With the aim of improving the flexibility and agility of capital policy moving forward and ensuring financial soundness, pursuant to the provisions of Article 448(1) of the Companies Act, we will reduce the amount of capital reserves and make a transfer to other capital surplus. The reduction in the amount of capital reserves under this proposal is subject to payment for the New Shares.

- (1) Amount of capital reserves reduction
The amount of capital reserves of JPY 34,511,608,492 yen will be reduced by JPY 34,411,608,492 yen to become JPY 100,000,000 yen, and the reduced amount of capital reserves of JPY 34,411,608,492 will be transferred to other capital surplus.
- (2) Effective date of capital reserves reduction
March 31, 2023 (planned)

Agenda Item 6 Appropriation of Surplus

If the proposals in Agenda Item 4 and Agenda 5 are approved, other capital surplus will be increased by JPY 70,287,474,434, but for the purpose of compensating for losses carried forward and correcting the capital structure, in accordance with the provisions of Article 452 of the Companies Act, we are requesting approval to apply JPY 40,844,719,767 of the other capital surplus after the increase against retained earnings carried forward to compensate for the deficit. This proposal coming into effect is subject to the approval of Agenda Item 4 and Agenda Item 5.

- (1) Surplus item to be increased and amount thereof
Retained earnings carried forward; JPY 40,844,719,767
- (2) Surplus item to be decreased and amount thereof
Other capital surplus; JPY 40,844,719,767

Agenda Item 7 Election of Five Persons as Directors (Excluding Directors Who Are Audit Committee Members)

We are requesting approval for the appointment of five directors (excluding directors who are Audit Committee members; the same hereinafter in this Agenda Item 7), subject to the payment for the New Shares.

The Audit Committee has determined that all candidates for director are qualified for this proposal. The candidates for director are as follows.

Candidate No.	Name (Date of Birth)	Biography, Position in the Company (Significant Concurrent Positions)	No. of Company Shares Owned
1	Shingo Iwamoto (Born Jul. 20, 1960)) New appointment	Apr. 1983 Joined Yamanouchi Pharmaceutical (now Astellas Pharma) Oct. 2004 President and Representative Director, Astellas Pharma Philippines Oct. 2011 Group leader of Sales Strategy Dept, Astellas Pharma Apr. 2012 Group leader of Medical Affairs Dept, Astellas Pharma Apr. 2014 Head of Sales and Marketing Department, Teva Seiyaku May 2016 President and Representative Director, Aspen Japan Apr. 2020 President and Representative Director, Sandoz Japan	— shares
(Reasons, etc. for nomination as candidate for Board Member) Mr. Iwamoto has held important positions in the pharmaceutical industry over the course of many years since joining Yamanouchi Pharmaceutical in 1983, and has gained a wide range of industry knowledge and an extensive network as well as long experience as president of a pharmaceutical company. His extensive management experience, high level of insight, and strong leadership have been judged to be necessary for the future management of the Company in order for the Company's results of operations to recover. Therefore, the Company has nominated him as a candidate for Board Member.			
2	Yasuhiro Chofuku (Born Dec. 8, 1954) New appointment Outside	Apr. 1977 Joined Sanseido (now MEDIPAL HOLDINGS) Jul. 2004 Executive Officer, KURAYA SANSEIDO (now MEDIPAL HOLDINGS) Jun. 2007 Director, Medicio Paltac Holdings (now MEDIPAL HOLDINGS) Oct. 2009 Director, MEDICEO Jun. 2010 Managing Director, MEDICEO Apr. 2012 Representative Director, President and CEO, MEDICEO Jun. 2012 Head of Pharmaceutical Business, MEDIPAL HOLDINGS (current post) Jun. 2016 Senior Managing Director, MEDIPAL HOLDINGS Jun. 2019 Director, Vice President, MEDIPAL HOLDINGS (current post) Apr. 2022 Representative Director, Chairperson, MEDICEO (Significant concurrent positions) Executive Vice President, Medipal Holdings Corporation (current post) Chairperson and Representative Director, Mediceo Corporation (current post)	— shares

(Reasons, etc. for nomination as candidate for Outside Board Member and expected role)

Mr. Chofuku possesses deep knowledge of the pharmaceutical business, which is the core business of Medipal Holdings Corporation, and is involved in business execution as the industry's top pharmaceutical business manager, working to improve the performance of the Medipal Group. He has also taken the lead in managing compliance within the Medipal Group, and has a high level of expertise and deep insight into management. The Company has nominated him as a candidate for Outside Board Member, expecting that he will provide guidance and supervision for management of the Company based on this perspective in order to build a solid structure for our Group to become a company that is trusted by society.

Candidate No.	Name (Date of Birth)	Biography, Position in the Company (Significant Concurrent Positions)	No. of Company Shares Owned
3	Takashi Shinmei (Born Feb. 27 1965) <div style="display: flex; justify-content: space-around; width: 100px;"> <div style="border: 1px solid black; padding: 2px;">New appoint ment</div> <div style="border: 1px solid black; padding: 2px;">Outside</div> <div style="border: 1px solid black; padding: 2px;">Indepen dent</div> </div>	Apr. 1990 Joined the Industrial Bank of Japan Feb. 2000 Joined Goldman Sachs Japan May 2003 Joined J Will Partners Nov. 2006 Executive Director, Shinwa Bank Jul. 2012 Director, J Will Partners Feb. 2014 Director, J Will Corporation (current post) Nov. 2020 Senior Advisor, J Will Asset Management (current post) Oct. 2022 President and Representative Director, J X Wind (current post)	— shares
		(Significant concurrent positions) Director, J-Will Corporation President and Representative Director, K.K. J X Wind	
(Reasons, etc. for nomination as candidate for Outside Board Member and expected role) As director of J-Will Group companies, Mr. Shinmei has demonstrated outstanding management skills and has achieved group growth. In addition, he has accomplished a number of business revitalizations and corporate value enhancements as an officer of investee companies, and has a wealth of experience and insight. The Company has nominated him as a candidate for Outside Board Member expecting that he will provide supervision and guidance for the management of the Company based on this perspective.			
4	Eiji Hasegawa (Born Jun. 11, 1974) <div style="display: flex; justify-content: space-around; width: 100px;"> <div style="border: 1px solid black; padding: 2px;">New appoint ment</div> <div style="border: 1px solid black; padding: 2px;">Outside</div> <div style="border: 1px solid black; padding: 2px;">Indepen dent</div> </div>	Apr. 1997 Joined Chuo Audit Corporation (ChuoAoyama Audit Corporation) Apr. 1999 Registered as certified public accountant Mar. 2004 Joined J Will Partners Apr. 2011 Partner, J Will Partners Oct. 2022 Director, J Will Partners (current post)	— shares
		(Significant concurrent positions) Director, K.K. J-Will Partners	
(Reasons, etc. for nomination as candidate for Outside Board Member and expected role) Through his expertise in finance and management as a certified public accountant, Mr. Hasegawa has gained a wide range of experience and insight regarding business restructuring and corporate revitalization structures. In addition, he has achieved corporate revitalization and increased corporate value at many investee companies in the healthcare field. The Company has nominated him as a candidate for Outside Board Member expecting that he will provide supervision and guidance for the management of the Company based on this perspective.			

Candidate No.	Name (Date of Birth)	Biography, Position in the Company (Significant Concurrent Positions)	No. of Company Shares Owned
5	Shigetoshi Ebihara (Born Nov. 21, 1979)	Apr. 2002 Joined Keyence Nov. 2013 Joined Frontier Management Jan. 2021 J Will Asset Management (current post) Jun. 2021 Outside Director, ND Software (current post) (Significant concurrent positions) Director, K.K. J-Will Asset Management Outside Director, ND Software Co., Ltd.	— shares
(Reasons, etc. for nomination as candidate for Outside Board Member and expected role) Mr. Ebihara has a wide range of experience and insight regarding business revitalization support and marketing strategy building for listed companies, as well as a track record of business revitalization and corporate value improvement at investee companies in the healthcare field. The Company has nominated him as a candidate for Outside Board Member expecting that he will provide supervision and guidance for the management of the Company based on this perspective.			






- (Notes)1. Mr. Yasuhiro Chofuku concurrently serves as representative director of Mediceo Corporation, with whom the Company has a business relationship that includes sales of pharmaceuticals.
- There is no other special interest between any of the candidates and the Company.
 - Mr. Yasuhiro Chofuku, Mr. Takashi Shinmei, Mr. Eiji Hasegawa, and Mr. Shigetoshi Ebihara are candidates for Outside Board Member.
 - Pursuant to the provisions of Article 427(1) of the Companies Act, the Company plans to enter into agreements with the candidates for Outside Board Member to limit liability for damages under Article 423(1) of the Companies Act, and the cap on maximum amount of liability for damages under the relevant agreement is the amount stipulated under laws and regulations.
 - As provided for in Article 430-3(1) of the Companies Act, the Company has entered into an officer indemnification insurance policy, including Board Members of the Company, which covers damage that may arise from the insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability.
Each candidate who is elected and assumes office as a Board Member will be insured under the insurance policy. In addition, the insurance policy is scheduled to be renewed with the same contents at the next renewal.
 - Mr. Yasuhiro Chofuku serves as representative director of Mediceo Corporation, which was subjected to an on-site inspection by the Japan Fair Trade Commission and a search by the Tokyo District Public Prosecutors Office for suspicion of violating the provisions of Article 3 of the Antimonopoly Act (prohibition of unreasonable restraint of trade) in the tender process for pharmaceuticals conducted by Japan Community Healthcare Organization (JCHO) in 2016 and 2018, but the company applied to the Japan Fair Trade Commission for exemption from surcharges, voluntarily reported its past violations, fully cooperated with the Commission's investigation, and took the elimination measures, and was subject to neither a cease and desist order nor a surcharge payment.
 - The Company intends to submit notification to the Tokyo Stock Exchange that Mr. Takashi Shinmei, Mr. Eiji Hasegawa, and Mr. Shigetoshi Ebihara have been designated as independent officers as provided for by the aforementioned exchange.

Agenda Item 8 Election of Three Persons as Directors Who Are Audit Committee members

We are requesting approval for the appointment of five directors who are Audit Committee members, subject to the payment for the New Shares.

The candidates for directors who are Audit Committee members are as follows.

Candidate No.	Name (Date of Birth)	Biography, Position in the Company (Significant Concurrent Positions)	No. of Company Shares Owned
1	<p>Makoto Shiragami (Born Oct. 16, 1951)</p> <p>New appoint ment</p> <p>Outside</p> <p>Indepen dent</p>	<p>Apr. 1977 Joined the Ministry of Health and Welfare</p> <p>Apr. 1984 Seconded to World Health Organization (WHO) Western Pacific Region Office (Manilla, Philippines)</p> <p>Apr. 1985 Seconded to WHO Headquarters (Geneva, Switzerland)</p> <p>Jul. 1999 Head of Reliability Studies Dept., Organization for Adverse Drug Reaction Relief and R&D Promotion</p> <p>Mar. 2001 Resigned from the Ministry of Health, Labour and Welfare</p> <p>Apr. 2001 Professor, School of Pharmacy, Nihon University</p> <p>Apr. 2017 Professor, Faculty of Pharmaceutical Science, Teikyo Heisei University</p> <p>Apr. 2020 Joined Nobelpharma</p> <p>Jul. 2021 Executive Officer, Head of Compliance Division, Nobelpharma (current post)</p> <p>Nov. 2022 Professor Emeritus, Nihon University (current post)</p> <p>(Significant concurrent positions)</p> <p>Executive Officer, Head of Compliance Division, Nobelpharma Co., Ltd.</p> <p>Professor Emeritus, Nihon University</p> <p>Representative for Support Members, Japan Pharmacoeconomics Association</p> <p>Trustee, The Health Care Science Institute</p> <p>Manager Training Committee Chair, The Japan Home-Health Apparatus Industrial Association</p> <p>Councilor, OTC Self-Medication Promotion Foundation</p>	— shares
<p>(Reasons, etc. for nomination as candidate for Board Member who is an Audit and Supervisory Committee Member and expected role)</p> <p>Over the course of many years since joining the Ministry of Health and Welfare, Mr. Shiragami has held important posts such as secondment to the World Health Organization and serving as pharmacist examiner for the Ministry of Health, Labor and Welfare, specialist on the Medical Ethics Council of the Ministry of Health, Labor and Welfare, member of the Tokyo Pharmaceutical Affairs Council, chairperson of the Chiba Prefecture Council for the Promotion of Generic Drug Use, a member of the Japan Society of Social Pharmacy, and chairperson of the Pharmaceutical Society of Japan Division of Regulatory Sciences, and possessed highly specialized knowledge and insight in the industry. The Company has nominated him as a candidate for Outside Board Member who is an Audit Committee Member expecting that he will provide guidance and supervision for the management of the Company based on this perspective.</p>			

Candidate No.	Name (Date of Birth)	Biography, Position in the Company (Significant Concurrent Positions)	No. of Company Shares Owned
2	Yoshihito Ofuji (Born Aug. 28, 1967)  	Apr. 1990 Joined Takeda Pharmaceutical Company Dec. 2019 Joined Nihon Pharmaceutical Apr. 2021 Director and Head of Accounting Dept., Nihon Pharmaceutical Oct. 2022 Joined MEDIPAL HOLDINGS Oct. 2022 Deputy Head of Finance and Accounting Dept. MEDIPAL HOLDINGS (current post)	— shares
	(Reasons, etc. for nomination as candidate for Board Member who is an Audit and Supervisory Committee Member and expected role) Mr. Ofuji has considerable knowledge of finance and accounting, having worked for many years in the finance and accounting departments at Takeda Pharmaceutical Co., Ltd. and its subsidiary Nihon Pharmaceutical Co., Ltd. and engaged in accounting procedures, preparation of financial statements, and performance management and budget management of the entire Takeda Pharmaceutical Group and the research and development department and domestic sales department, as well as serving as Director and Head of Accounting at Nihon Pharmaceutical Co., Ltd. The Company has nominated him as a candidate for Outside Board Member who is an Audit Committee Member expecting that he will utilize such extensive knowledge in audits of the Company.		
3	Keisuke Enomoto (Born December 16, 1987)   	Apr. 2011 Joined KPMG Azsa LLC Sep. 2015 Registered as certified public accountant Oct. 2015 Joined J Will Partners Nov. 2022 Representative, Enomoto Certified Public Accountants (current post) Nov. 2022 Representative Director, suct Advisory (current post) (Significant concurrent positions) Representative, Enomoto Certified Public Accountants Representative Director, SACT Advisory	— shares
	(Reasons, etc. for nomination as candidate for Board Member who is an Audit and Supervisory Committee Member and expected role) As a certified public accountant, Mr. Enomoto has a wealth of experience in corporate accounting audits, and possesses high-level knowledge and broad insight into finance and accounting. The Company has nominated him as a candidate for Outside Board Member who is an Audit Committee Member expecting that as expert in corporate accounting, he will contribute to maintaining and improving the transparency and soundness of management through audits and guidance on the legality and appropriateness of overall management.		

(Notes) 1. There is no special interest between any of the candidates and the Company.

2. Mr. Makoto Shiragami, Mr. Yoshihito Ofuji, and Mr. Keisuke Enomoto are candidates for Outside Board Member.
3. Pursuant to the provisions of Article 427, (1) of the Companies Act, the Company plans to enter into agreements with candidates for Outside Board Member to limit liability for damages under Article 423(1) of the Companies Act, and the cap on maximum amount of liability for damages under the relevant agreement is the amount stipulated under laws and regulations.
4. As provided for in Article 430-3(1) of the Companies Act, the Company has entered into an officer indemnification insurance policy with an insurance company for officers, etc., including Board Members of the Company, which covers damage that may arise from the insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. Each candidate who is elected and assumes office as a Board Member will be insured under the insurance policy. In addition, the insurance policy is scheduled to be renewed with the same contents at the next renewal.

5. The Company intends to submit notification to the Tokyo Stock Exchange that Mr. Makoto Shiragami and Mr. Keisuke Enomoto have been designated as independent officers as provided for by the aforementioned exchange.

Agenda Item 9 Share Consolidation

We are requesting approval to combine 70,384,700 shares of the Company into one share (the Share Consolidation) so that the Allottee becomes the sole shareholder of the Company, conditional upon the issuance of all of the New Shares in the Third-Party Allotment.

Furthermore, this proposal is subject to conditions that depend upon the timing of the issuance of all New Shares for the Third-Party Allotment, and depending upon the timing of the issuance of all New Shares for the Third-Party Allotment, the Share Consolidation will actually take effect on the effective date (the “Share Consolidation Effective Date”) that immediately follows that date of issuance.

1. Reasons for Share Consolidation

As described in “(1) Purpose and Reason for Issuance of New Shares by Third-Party Allotment” under “1. Reason for Issuing Offered Shares at a Particularly Favorable Payment Amount” in “Agenda Item 1 Issuance of Offered Shares Through Third-Party Allotment 1” above, we have come to the conclusion that, from the standpoint of both financial and business support for the Company, conducting the Third-Party Allotment and carrying out the Transaction are the best measures for our shareholders as well.

Therefore, we have decided to carry out the Third-Party Allotment and the Share Consolidation to make the Allottee the sole shareholder of the Company, conditional upon the issuance of all of the New Shares in the Third-Party Allotment and assuming the approval of all of the shareholders of the Company is obtained at the Extraordinary General Meeting of Shareholders.

2. Matters Listed in Each Item of Article 180(2) of the Companies Act

(1) Consolidation Ratio

Consolidation of 70,384,700 shares of the Company into one share

(2) Effective Date of Share Consolidation

Depending on the timing of the issuance of all New Shares for the Third-Party Allotment, the Share Consolidation Effective Date shall be as follows.

- (i) Conditional upon all New Shares for the Third-Party Allotment being issued no later than March 9, 2023, the Share Consolidation Effective Date shall be March 31, 2023.
- (ii) Conditional upon all New Shares for the Third-Party Allotment being issued on or after March 10, 2023 and no later than March 31, 2023, the Share Consolidation Effective Date shall be April 22, 2023.

(3) Type of Shares to be Combined

Common shares

- (4) Total Number of Authorized Shares on the Effective Date
10 shares

3. Matters Related to the Appropriateness of the Provisions Concerning the Matters Listed in Article 180(2)(i) of the Companies Act

Matters related to the appropriateness of the provisions concerning the matters listed in Article 180(2)(i) of the Companies Act as of the date of the decision to convene the Extraordinary General Meeting of Shareholders pursuant to Article 298(1) of the Companies Act are as follows.

The consolidation ratio for the Share Consolidation is to combine 70,384,700 shares of the Company into one share. Based on the fact that the Share Consolidation is carried out for the purpose of having the Allottee become the only shareholder of the company, the fact of being subject to all the New Shares for the Third-Party Allotment being issued, and the following items, we have determined that the consolidation ratio of the Share Consolidation is appropriate.

Other matters related to the appropriateness of the provisions regarding the consolidation ratio are as follows.

- (1) Matters Taken into Consideration So as not to Harm the Interests of the Company's Shareholders (Excluding the Parent Company, etc.)

In the Transaction, the Allottee is not a parent company, etc. of the Company prior to the payment for the Third-Party Allotment. However, considering that the Allottee intends to become the sole shareholder of the Company through the Transaction, which includes the Third-Party Allotment, and the effects on the minority shareholders of the Company, we implemented the measures below to ensure the fairness of the Transaction from the standpoint of ensuring fairness in the Transaction and eliminating arbitrariness and avoiding conflicts of interest in the decision making process leading to the decision to carry out the Transaction.

- (i) Special Committee Acquisition of Valuation and Fairness Opinion from Independent Third-Party Appraiser

As described in “(1) Purpose and Reason for Issuance of New Shares by Third-Party Allotment” and “(i) Calculation Basis and Specific Terms of Payment Amount” under “(2) Reasonableness of Issuance Terms, Etc.” under “1. Reason for Issuing Offered Shares at a Particularly Favorable Payment Amount” in “Agenda Item 1 Issuance of Offered Shares Through Third-Party Allotment (1)” above, in considering the Consultation Items, the Special Committee requested that Akasaka International Accounting, a third-party appraiser, provide an opinion as to the fairness to the minority shareholders of the Company from a financial perspective of the calculation of the valuation of the common shares in the Company, the amount paid for the New Shares, and the Expected Share Consolidation Payment Amount, and obtained the Share Valuation Report from Akasaka International Accounting. For an overview of the calculation, please see “(1) Purpose

and Reason for Issuance of New Shares by Third-Party Allotment” and “(i) Calculation Basis and Specific Terms of Payment Amount” under “(2) Reasonableness of Issuance Terms, Etc.” above.

The Special Committee also obtained the Fairness Opinion from Akasaka International Accounting

(ii) Obtaining Opinion from Persons with Certain Degree of Independence from Our Management

We created a Special Committee consisting of three members with a certain degree of independence from the Allottee and the management of the Company, namely Mr. Hajime Imamura (Attorney at Law), an outside director of the Company registered as an independent officer with the Tokyo Stock Exchange, Mr. Hitoshi Hori (Certified Public Accountant), an outside director and audit committee member, and Mr. Tetsutaro Wakatsuki (Attorney at Law, Murata & Wakatsuki Law Offices), an external expert with extensive experience in being involved as a special committee member in structural conflict of interest transactions similar to this one, requested their opinions as to the necessity and suitability of the Third-Party Allotment and whether the Third-Party Allotment and the Transaction would be detrimental to the minority shareholders of the Company, and obtained a report of their findings stating that the Third-Party Allotment is deemed necessary and suitable, and that the Third-Party Allotment and the Transaction are not deemed to be detrimental to the minority shareholders of the Company.

(iii) Advice from Independent Law Firm to Our Company

We have selected Mori Hamada & Matsumoto as a legal advisor and are receiving legal advice from this firm regarding the method, schedule, etc. of the Board of Directors decision making, including the procedures for the Third-Party Allotment and Transaction. Mori Hamada & Matsumoto is independent from the Company and the Allottee and has no material conflict of interest with the Company or the Allottee.

(iv) Approval by Directors who have No Conflict of Interest with the Company (Including Directors who are Audit Committee Members)

At the Board of Directors meeting held on November 14, 2022, 9 directors were present who have no special conflict of interest, and they passed the foregoing resolution unanimously. Yuichi Tamura, the Representative Director and President of the Company, currently holds a total of 8,504,448 shares in the Company (with 85,044 voting rights, representing 12.08% of all voting rights) either directly or through K.K. TAMURA, in which he serves as representative director, or its wholly-owned subsidiary K.K. Taku, and was absent from this meeting of the Board of

Directors due to the risk of constituting a director with a special conflict of interest.

(2) Matters Concerning Cases Where Fractional Amounts of Less Than One Share Are Expected to Be Handled Pursuant to the Provisions of Article 235 of the Companies Act

(i) Method of Handling Fractional Amounts

(a) Whether Handling Will Follow Any Provisions of Article 234(2) of the Companies Act, applying Article 235(1) or Article 235(2) of the Act *mutatis mutandis*, and Reasons Therefor

Due to the Share Consolidation, it is expected that the number of the Company common shares held by minority shareholders other than the Allottee will be a fraction of less than one share.

To handle fractional amounts of less than one share arising due to the Share Consolidation, we will sell a number of shares equal to the total thereof (under Article 235(1) of the Companies Act, any fractional amount of less than one share in the total will be rounded down) in accordance with the provisions of Article 235 of the Act and other related laws and regulations, and deliver the proceeds of that sale to the shareholders of the Company proportionally to their fractions. We expect that for this sale, we will acquire a number of the Company common shares corresponding to the total of the fractional amounts with the permission of a court pursuant to the provisions of Article 234(2) and Article 234(4) of the Companies Act, applying Article 235(2) of the Act *mutatis mutandis*.

If the permission of the court is obtained as stated above, the sale price in this case will be set so that the amount will be equal to the number of common shares held by the shareholders of the Company multiplied by JPY 36.

(b) In the Case of Planned Handling Pursuant to the Provisions of Article 234(2) of the Companies Act as Applied *Mutatis Mutandis* to Article 235(2) of the Act (Excluding Sale in the Market), the Names of Persons Expected to Purchase the Shares in the Sale, the Method of Ensuring Funds for Such Persons to Pay the Price of the Sale and the Adequacy of Such Method, and the Expected Time of Sale and Time of Delivery of Sale Proceeds to Shareholders

a. Names of Persons Expected to Purchase Shares in the Sale
Nichi-Iko Pharmaceutical Co., Ltd.

b. Method of Ensuring Funds for Nichi-Iko Pharmaceutical Co., Ltd. to Pay the Price for Sale and Adequacy of Such Method

As of January 17, 2023, we currently have cash and deposits in an amount adequate to pay the sale price for a number of the Company common shares equal to the total of all fractional amounts arising due to the Share Consolidation. No event has occurred that would have an effect on the payment of the sale price for the Company common

shares in an amount equal to the total of all fractional amounts arising due to the Share Consolidation, and we are not aware of a possibility of such an occurrence in the future.

Therefore, we have determined that the method for ensuring funds for the payment of the sale price for the Company common shares in an amount equal to the total of all fractional amounts arising due to the Share Consolidation by Allottee is adequate.

c. Expected Time of Sale and Time of Delivery of Sale Proceeds to Shareholders

Between around April 2023 and May 2023, we expect to make a petition to a court for permission to sell the Company common shares in an amount equal to the total of the fractional amounts of less than one share arising due to the Share Consolidation, pursuant to the provisions of Article 234(2) of the Companies Act, applying Article 235(2) of the Act *mutatis mutandis*. The timing of obtaining this permission will vary depending upon the circumstances of the court and the like, but we expect to obtain the permission of the court and sell the common shares between April 2023 and May 2023, and thereafter make the necessary preparations to deliver the proceeds of the sale to the shareholders of the Company, and deliver the proceeds of the sale to the shareholders of the Company between around May 2023 and June 2023.

Considering that time may be required for certain procedures between the effective date of the Share Consolidation and the sale, we have determined that the sale of the Company common shares corresponding to the total of the fractional amounts of less than one share arising as a result of the Share Consolidation and the delivery of the sale proceeds to the shareholders will take place at the times respectively stated above.

The proceeds of the sale are expected to be delivered to all shareholders of the Company who are entered or recorded in the final shareholder register as of the business day prior to the effective date of the Share Consolidation, in the same manner as for deliveries of assets as in-kind distributions.

(ii) Amount of Money Expected to be Delivered to Shareholders in Handling of Fractional Amounts and Adequacy of Such Amount

The Expected Share Consolidation Payment Amount is expected to be to an amount equal to the number of common shares held by all of the shareholders of the Company multiplied by JPY 36, which is an amount equal to the paid-in amount for the New Shares in the Third-Party Allotment (approximately JPY 31.57) plus a premium of 14.02%. This amount represents a discount of 90.06% to the closing price of JPY 362 as of November 11, 2022, the business day prior to the Board Resolution Date. However, considering that, as described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, the Expected

Share Consolidation Payment Amount was ultimately agreed after multiple rounds of negotiations with the Allottee, the sponsor candidate that indicated the terms and conditions thought to be most desirable by the Company after sincere discussions with multiple sponsor candidates, under conditions where the failure to realize a large-scale capital infusion would worsen our financial performance and financial condition and make it difficult to continue our business, causing further risks to the minority shareholders of the Company through share price decreases and the like, and the circumstances have required us to make requests to Covered Creditors for a considerable amount of debt relief considering the large amount of future losses, etc. in the Business Turnaround ADR, and we are in a position where it is essential to raise funds on a scale of JPY 20 billion, we have determined that these are the best conditions that we can provide to all of the minority shareholders of the Company, and that we are providing a reasonable sale opportunity to all of the minority shareholders of the Company.

Therefore, we have determined that the Expected Share Consolidation Payment Amount (JPY 36) is adequate.

4. Disposition of Material Assets, Incurrence of Material Liabilities, and Other Events Having Material Effect on the Property of the Company After the End of the Prior Fiscal Year

(i) Going-Concern Assumption

As described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, due to an overall revision in the fiscal year ending March 2022 of the development plans for biosimilars (successors to original drugs) and orphan drug formulations (drugs for rare medical conditions) in which we had continually invested 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 drug formulations. 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 end of March 2021 to 5.1% at the end of March 2022. Furthermore, we continued to accrue impairment losses and quarterly losses attributable to owners of parent during the fiscal year ending March 2023. Therefore, there are events or conditions that raise material doubt as to the assumption that we will be a going concern.

(ii) Formal Application for Business Turnaround ADR and Acceptance, and Formulation of Business Turnaround Plan

As described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, considering the harsh management conditions and financial condition, and aiming to drastically improve our financial condition and establish a firm earnings structure for future re-growth, we resolved at our Board of Directors meeting on May 13, 2022 to apply for the Business Turnaround ADR, and made a formal application to the Japanese Association of Turnaround Professionals (an organization certified by the Minister of Justice as a certified dispute resolution provider and approved by the Minister of Economy, Trade and Industry as a specified certified dispute resolution provider) for the Business Turnaround ADR.

Thereafter, we held a creditors meeting with the Covered Creditors on May 26, 2022 (first creditors meeting) to explain the business turnaround plan proposal pursuant to the Business Turnaround ADR, and subsequently formulated the Business Turnaround Plan Proposal. At the creditors meeting on November 16, 2022 (second creditors meeting) to discuss the proposed business turnaround plan, we explained the specifics of the Business Turnaround Plan Proposal to the Covered Creditors, and at the creditors meeting (third creditors meeting) held on December 28, 2022 for the resolution of the proposed business turnaround plan, the Business Turnaround Plan Proposal was established with the consent of the Covered Creditors.

The content of the Business Turnaround Plan includes receipt of debt relief of JPY 55,784,651,484 yen from all 15 financial institutions that are the Covered Creditors on the date of payment for the New Shares. Furthermore, this amount is the amount for which debt relief has been finalized as of December 28, 2022, and in addition to the above amount, debt relief up to a maximum amount of JPY 42,715,348,516 (up to a maximum amount of JPY 98,500,000,000 yen in total with the above amount) may be received.

(iii) Third-Party Allotment

At the Board of Directors meeting held on November 14, 2022, we resolved to carry out an issuance of the New Shares through a third-party allotment to the Allottee, with a total paid-in amount of JPY 20 billion.

We also resolved, at the Board of Directors meeting held on the same day, to combine every 70,384,700 of the Company common shares into one share and to deliver a total of JPY 2.5 billion (JPY 36 per share) in cash to the minority shareholders of the Company other than the Allottee (the Share Consolidation) after the execution of the Third-Party Allotment, so that the Allottee becomes the sole shareholder of the Company.

The above resolutions of the Board of Directors were passed on the assumption that the Allottee plans to make the Company a wholly-owned subsidiary through the Third-Party

Allotment and Share Consolidation, and that the Company common shares are expected to be delisted.

(iv) Accrual of Impairment Losses Concerning North America Business

As described in “Background of the Proposal of Agenda Item 1 to Agenda Item 10” above, 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 of JPY 47,417 million in the second quarter of the fiscal year ending March 2023 on fixed assets including goodwill concerning Sagent group.

Agenda Item 10 Partial Amendments to the Articles of Incorporation relating to the Abolition of Share Units Provisions, etc.

1. Reason for the Proposal

If Agenda Item 9 “Share Consolidation” is approved as proposed and the Share Consolidation takes effect, the total number of common shares issued and outstanding of the Company will be reduced to 10 shares in accordance with the provisions of Article 182(2) of the Companies Act. To clarify this point, we will amend Article 7 (Total Number of Authorized Shares) of the Articles of Incorporation, conditional upon the effectiveness of the Share Consolidation.

When the Share Consolidation takes effect, the total number of shares issued and outstanding will become 10 shares, there will no longer be a need to provide for share units, and there will be less need to set the record date for ordinary general meetings of shareholders. Therefore, conditional upon the effectiveness of the Share Consolidation, we will delete the entirety of Article 9 (Unit of Shares) of the Articles of Incorporation in order to abolish the provisions regarding common share units, which currently provide for 100 shares per unit, as well as Article 11 (Rights to Shares of Less Than One Unit), Article 12 (Right to Demand Purchase of Shares of Less Than One Unit), and Article 15 (Record Date for the Ordinary General Meeting of Shareholders), and re-number the other articles accordingly.

2. Content of Amendment

The content of the amendment is as follows. The amendment to the Articles of Incorporation under this proposal will become effective on the Share Consolidation Effective Date, conditional upon the amendment to the Articles of Incorporation under Agenda Item 2 having become effective, the proposal for the Share Consolidation under Agenda Item 9 having been approved as proposed, and the Share Consolidation having become effective.

(Underlines indicate amended portions.)

Articles of Incorporation as amended by Articles of Incorporation Amendment 2	Additional Amendment Proposal
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<p>(Total Number of Authorized Shares) Article 7. The total number of authorized shares by the Company shall be <u>750,000,000 shares</u>.</p> <p><u>(Unit of Shares)</u> Article 9. A unit of shares in the Company shall consist of <u>100 shares</u>.</p> <p>Article <u>10</u> (Text omitted)</p> <p><u>(Rights to Shares of Less Than One Unit)</u> Article 11. A shareholder of the Company may not exercise rights with regard to shares of less than one unit that he or she holds, other than the following:</p> <ol style="list-style-type: none"> (1) <u>Rights listed in Article 189(2) of the Companies Act</u> (2) <u>Rights to make demands under the provisions of Article 166(1) of the Companies Act</u> (3) <u>Rights to receive allotments of offered shares and offered share options proportionally to the number of shares held by the shareholder</u> (4) <u>Rights to make demands as provided in the following Article</u> <p><u>(Right to Demand Purchase of Shares of Less Than One Unit)</u> Article 12. A shareholder of the Company may demand the purchase of shares of less than one unit that he or she holds, as provided in the <u>Share Handling Regulations</u>.</p> <p>Articles <u>13</u> to <u>14</u> (Text omitted)</p>	<p>(Total Number of Authorized Shares) Article 7. The total number of authorized shares by the Company shall be <u>10 shares</u>.</p> <p>(Deleted)</p> <p>Article <u>9</u> (No change)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>Articles <u>10</u> to <u>11</u> (No change)</p>
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<p><u>(Record Date for Ordinary General Meeting of Shareholders)</u> <u>Article 15. The record date for voting rights at the ordinary general meeting of shareholders of the Company shall be March 31 of each year.</u></p> <p>Articles <u>16</u> to <u>36</u> (Text omitted)</p>	<p>(Deleted)</p> <p>Articles <u>12</u> to <u>32</u> (No change)</p>
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End of document

Instructions for Exercise of Voting Rights Online, etc.

When exercising your voting rights online, etc., please be aware of the following matters in advance.

1. Website for exercise of voting rights

Voting rights may be exercised online only by using the following website for exercising voting rights designated by the Company.

Website for exercise of voting rights: <https://www.web54.net>

2. Handling of voting rights

(1) When exercising your voting rights by computer or mobile phone, please use the voting rights exercise code and password stated in the enclosed Voting Rights Exercise Form, and follow the instructions on the screen to enter your approval or disapproval.

(2) When exercising your voting rights using a smartphone, voting rights may be exercised through the smartphone website for exercising voting rights without having to enter the voting rights exercise code and password by scanning the “login QR code for the smartphone website for exercising voting rights” shown in the enclosed Voting Rights Exercise Form.

Please note that if you wish to change the content of your vote after exercising your voting rights, you will need to scan the QR code again and enter the voting right exercise code and password stated in the Voting Rights Exercise Form.

(3) The deadline for exercising your voting rights is 5:40 p.m. on Thursday, February 16, 2023, so please exercise your voting rights as soon as possible.

(4) If you exercise your voting rights both in writing and online, etc., we will treat the exercise of your voting rights online, etc. as valid. In addition, if you exercise your voting rights multiple times online, etc. or carry out duplicate voting using a computer, smartphone, or mobile phone, the last vote will be treated as the valid exercise of your voting rights.

(5) Fees charged by providers and telecommunications carriers (such as connection fees, etc.) incurred when using the website for exercising voting rights shall be borne by shareholders.

3. Handling of passwords and voting rights codes

(1) The password is important information for confirming that the person voting is the actual shareholder. Please handle it with the same care as you would for a personal seal or PIN.

(2) Entering an incorrect password more than a certain number of times will result in being unable to use the website for voting. If you wish to have your password reissued, please follow the instructions on the screen.

(3) The voting rights exercise code stated in the Voting Rights Exercise Form is valid only for this general meeting.

4. Inquiries about how to operate a computer, etc.
 - (1) If you are unclear on how to operate your computer, mobile phone, etc. for exercising your voting rights on the site, please contact us at the number below:
Sumitomo Mitsui Trust Bank, Limited Transfer Agent Web Support Dedicated line
[Phone] 0120 (652) 031 (available 9:00 a.m. to 9:00 p.m.)
 - (2) For other inquiries, please contact us at the following:
 - a. Shareholders with an account at a securities company
For shareholders with an account at a securities company, please contact your securities company.
 - b. Shareholders who do not have an account at a securities company (shareholders with a special account)
Sumitomo Mitsui Trust Bank, Limited Transfer Agent Business Center
[Phone] 0120 (782) 031 (available 9:00 a.m. to 5:00 p.m., except weekends and holidays)
5. Using the Electronic Voting Platform (for institutional investors)
For institutional investors, voting rights may be exercised electronically through the Electronic Voting Platform operated by ICJ, Inc.