

October 21, 2021

Company name	Nihon Chouzai Co., Ltd.
Company representative	Yosuke Mitsuhara, President and CEO
Securities code	3342; Tokyo Stock Exchange 1st Section
Contact	Kazunori Ogi, Director, General Manager of Finance Department (Phone: +81-3-6810-0800)

### Notice of Change in Subsidiary (Conversion of Consolidated Subsidiary into Sub-subsidiary)

Nihon Chouzai Co., Ltd. (hereinafter “the Company”) announces that it passed a resolution at its Board of Directors’ meeting held on October 21, 2021 to transfer all of its shares in consolidated subsidiary Choseido Pharmaceutical Co., Ltd. (hereinafter “Choseido Pharmaceutical”) to consolidated subsidiary Nihon Generic Co., Ltd. (hereinafter “Nihon Generic”).

#### 1. Purpose of the conversion to a sub-subsidiary

Under the corporate philosophy of "achieving true separation of drug prescribing and dispensing services," the Company provides high-quality medical services on a nationwide scale through its Dispensing Pharmacy, Pharmaceutical Manufacturing and Sales, and Medical Professional Staffing and Placement Businesses.

Choseido Pharmaceutical became a consolidated subsidiary of the Company in April 2013, and is engaged in the manufacture and sales of generic drugs as part of the Nihon Chouzai Group.

Since its establishment in 2005, Nihon Generic has also provided high-quality pharmaceutical products nationwide through its generic drug manufacturing and sales operations.

In response to the administrative disciplinary action imposed on Choseido Pharmaceutical as disclosed in the “Notice of Administrative Disciplinary Action against a Subsidiary of the Company (Choseido Pharmaceutical Co., Ltd.)” released on October 11, 2021, the Company has decided to make Choseido Pharmaceutical a wholly-owned subsidiary of Nihon Generic. By doing so, we aim to integrate the Group's pharmaceutical manufacturing and sales business and efficiently improve the production and quality control system for generic drugs. This will enhance the effectiveness of the business improvement plan that will be formulated in the near future, and the Group will work together to execute the plan and ensure compliance with laws and regulations.

There will be no change in the scope of consolidation of the Company as a result of this share transfer.

## 2. Summary of the share transfer

### (1) Outline of the company to be converted from a subsidiary to a sub-subsidiary

(1) Company name	Choseido Pharmaceutical Co., Ltd.		
(2) Location	92, Kokufuchokou, Tokushima, Tokushima		
(3) Name of title of representative	Hideaki Harada, Representative Director and President		
(4) Scope of business	Manufacture and sales of generic drugs		
(5) Capital	340.2 million yen		
(6) Date of incorporation	December 1947		
(7) Principal shareholders and their percentage of holdings	Nihon Chouzai Co., Ltd. 100.0%		
(8) Relationship with the Company	Capital relationships	Choseido Pharmaceutical. is a subsidiary of the Company.	
	Personnel relationships	Yosuke Mitsuhara, President and CEO of the Company, concurrently serves as Chairman of Choseido Pharmaceutical. Nobuyuki Hatakeyama, Director and Audit and Supervisory Committee member of the Company, concurrently serves as an auditor of Choseido Pharmaceutical.	
	Transactional relationships	The Company lends funds to Choseido Pharmaceutical.	
(9) Operating results and financial conditions for the preceding three fiscal years			
Fiscal year	Fiscal year ending March 31, 2019	Fiscal year ending March 31, 2020	Fiscal year ending March 31, 2021
Net assets	8,545 million yen	9,204 million yen	9,558 million yen
Total assets	21,240 million yen	21,012 million yen	20,140 million yen
Net assets per share	5,178.91 yen	5,578.24yen	5,793.25 yen
Net sales	14,812 million yen	14,677 million yen	14,473 million yen
Operating profit (loss)	1,145 million yen	963 million yen	686 million yen
Ordinary profit (loss)	1,129 million yen	1,083 million yen	713 million yen
Profit (loss) attributable to owners of parent	770 million yen	823 million yen	519 million yen
Net income (loss) per share	466.67 yen	499.33 yen	315.01 yen

(2) Outline of the company to which the shares will be transferred

(1) Company name	Nihon Generic Co., Ltd.	
(2) Location	1-9-1, Marunouchi, Chiyoda-ku, Tokyo	
(3) Name of title of representative	Yosuke Mitsuhara, President and CEO	
(4) Scope of business	Manufacture and sales of generic drugs	
(5) Capital	1,255 million yen	
(6) Date of incorporation	January 2005	
(7) Net assets	5,052 million yen	
(8) Total assets	56,513 million yen	
(9) Principal shareholders and their percentage of holdings	Nihon Chouzai Co., Ltd. 100.0%	
(10) Relationship with the Company	Capital relationships	Nihon Generic is a consolidated subsidiary of the Company.
	Personnel relationships	Yosuke Mitsuhara, President and CEO of the Company, concurrently serves as Chairman of Nihon Generic. Nobuyuki Hatakeyama, Director and Audit and Supervisory Committee member of the Company, concurrently serves as an auditor of Nihon Generic.
	Transactional relationships	The Company loans equipment to, undertakes administrative work from, and lends funds to Nihon Generic.

(3) Number of shares to be transferred, transfer price, and status of shares held before and after transfer

(1) Number of shares held before transfer	1,650,000 (Percentage of voting rights: 100.0%)
(2) Number of shares to be transferred	1,650,000 (Percentage of voting rights: 100.0%)
(3) Transfer price	5,775 million yen
(4) Number of shares to be held after transfer	0 (Percentage of voting rights: 0.0%)

(4) Schedule

(1) Date of resolution by the Board of Directors	October 21, 2021
(2) Date of contract conclusion	October 22, 2021
(3) Execution date of share transfer	November 30, 2021 (planned)

### 3. Outlook

As a result of this share transfer, Choseido Pharmaceutical will become a subsidiary of Nihon Generic and a consolidated sub-subsidiary of the Company, and will continue to be included in the scope of consolidation of the Company. The share transfer is not expected to have any material impact on consolidated financial results for the fiscal year ending March 31, 2022, but the Company will promptly make an announcement should matters requiring disclosure arise.