



July 30, 2020

To Whom It May Concern

Company Name Nichi-Iko Pharmaceutical Co., Ltd.
(Securities code: 4541, Tokyo Stock Exchange, First Section)
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Notice on Acquisition of A Company to be Established to Take Over Generic Pharmaceutical Business from Teva Takeda Pharma Ltd.

Nichi-Iko Pharmaceutical Co., Ltd. (Headquarters: Toyama, President and CEO: Yuichi Tamura, “Nichi-Iko”) hereby announces that the board of directors of Nichi-Iko decided on July 30, 2020 to acquire and turn it into a subsidiary, all the shares of the company (the “Target Company”) to be newly established for the purpose of taking over the generics and Takayama Plant-related businesses that Teva Takeda Pharma Ltd. (Headquarters: Aichi, President and CEO: Gianfranco Nazzi, “Teva Takeda”) owns (the “Business”), and have reached an agreement between Teva Pharmaceutical Industries Ltd. (Headquarters: Israel), Takeda Pharmaceutical Company Ltd. (Headquarters: Tokyo), and Teva Takeda.

1. Rationale for the Acquisition

(1) Optimizing the Production System of Nichi-Iko Group by Shifting to Internalization of Manufacturing, etc.

Teva Takeda’s Takayama Plant has a capacity of manufacturing four billion tablets of general solid drugs a year. The plant has a full automation system, including the automated guided vehicle (“AGV”), and is equipped with production facilities for specialized drugs, such as oncologic, antibiotic, bag, and syringe drugs. Using all these production capacities and facilities to be acquired, Nichi-Iko will be able to optimize the production system of the entire group by internalizing the manufacturing of products Nichi-Iko has outsourced. With regard to such products that are overlapping within our group, we will unify their drug APIs, further consolidate their production sites, and in the future, pursue all-out operational optimization by reviewing them in order to maximize synergies.

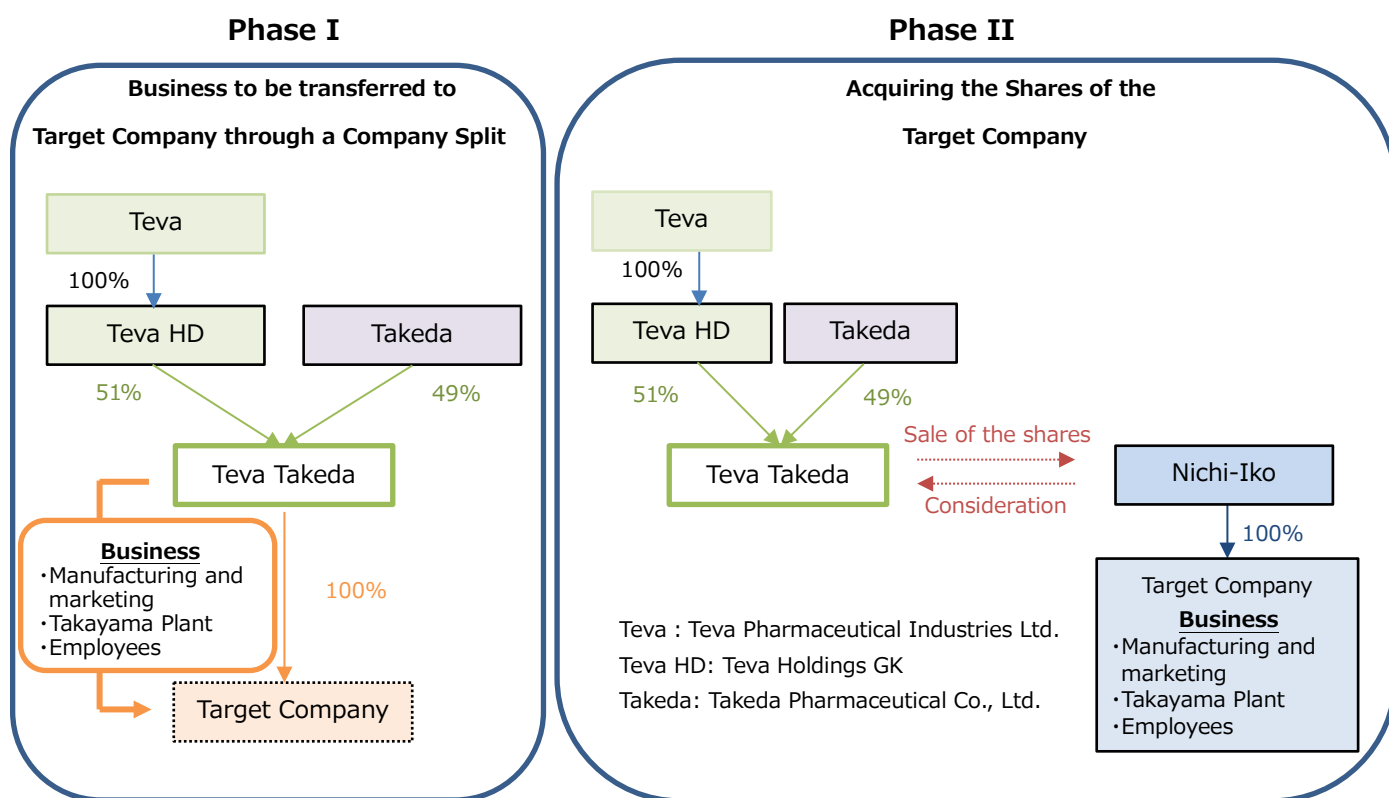
The site area and the building area of Takayama Plant (located at 1040-22, Matsunokimachi, Takayama, Gifu) are 118,599m² and 119,282m², respectively. The plant is comprised of buildings for production (five for solid drugs and three for injectable drugs) and quality control, a raw material warehouse, and a distribution center, with 744 employees (as of the end of June 2020).

(2) Enhancing the Quality Control System

Teva Group, which operates business globally, has developed the quality control system complying with the global standard requirements and has excellent talents and operating know-hows. Acquiring the Business with such talents and know-hows will allow us to further enhance the quality control system and secure the competitiveness of our group. The employees of the quality control department in our group will be 600 after acquiring the Business. Under the new Quality Policy of Nichi-Iko Group – Commitment to Security and Trust - set out on July 15, we will pursue further increase our value as Nichi-Iko Group by establishing a supply chain system based on the excellent quality and production control systems, which meet the global standards.

2. Method of Acquisition

The Target Company will be newly established as a wholly owned subsidiary of Teva Takeda. We plan to acquire the shares of the Target Company on the condition that it takes over the Business from Teva Takeda through an absorption-type company split.



3. Business to be Acquired

The Business to be transferred to Target Company by a company split includes the manufacturing and marketing for 486 generic drugs (excluding 24 molecules) that Teva Takeda manufactures and distributes, as well as Takayama Plant with relevant contract manufacturing agreements in relation to such products that are manufactured at Takayama Plant.

After the acquisition, Nichi-Iko Group will have eight domestic production sites and will manufacture and distribute 1,725 products with patent expired, in a variety of dosage forms such as oral medicines, injections, and topical medications.

Nichi-Iko Group, based on our mission statement, aims at becoming a global comprehensive generic manufacturer by moving forward with the business strategies focusing on patients and their families around the world and intends to contribute to global healthcare by establishing a new supply chain in accordance with the global standards.

4. Overview of Target Company

(1)	Name	TBD
(2)	Address	TBD
(3)	Title and name of the representative person	TBD
(4)	Business description	Development, manufacturing and sales of pharmaceutical drugs
(5)	Capital amount	100 thousand yen
(6)	Date of foundation / incorporation	August 31, 2020 (planned)
(7)	Major shareholders and their shareholding percentage	Teva Takeda Pharma Ltd. 100.0%
(8)	Relationship between the listed company and this company	
	Capital relationship	No particular capital relationship to mention
	Personal relationship	No particular personnel relationship to mention
	Business relationship	No particular business relationship to mention
(9)	Result of operations and financial conditions for the past three fiscal years	There is no confirmed final business year as the Target Company will be established on the purpose of taking over the Business ¹ .

¹Latest business results and financial situation of the Business

Total revenue: 31,954 million yen (January – December, 2019)

Total assets: 33,308 million yen (the end of September, 2019)

Please note, however, as Nichi-Iko group will take over and operate the Business, it is expected that the revenue and profit structure of the Business changes going forward. Therefore, the latest business result and future performance may not be corresponding.

As mentioned on “8. Business plan and outlook” the impact from the acquisition of equity shares on the financial results of Nichi-Iko is currently under evaluation, and any matters that require disclosure will be promptly disclosed going forward.

5. Outline of Teva Takeda

(As of December 31, 2019)

(1)	Name	Teva Takeda Pharma Ltd.		
(2)	Address	1- 24 11 Taiko, Nakamura-ku, Nagoya-shi, Aichi, Japan		
(3)	Title and name of the representative person	President and CEO: Gianfranco Nazzi		
(4)	Business description	Development, manufacturing and sales of pharmaceutical drugs		
(5)	Capital amount	100.0 million yen		
(6)	Date of foundation / incorporation	1982		
(7)	Major shareholders and their shareholding percentage	Teva Holding LLC	51.0%	
		Takeda Pharmaceutical Company Ltd	49.0%	
(8)	Relationship between the listed company and this company			
	Capital relationship	No particular capital relationship to mention		
	Personal relationship	No particular personnel relationship to mention		
	Business relationship	No particular business relationship to mention		
	Related parties or not	The company is not deemed a related party		
(9)	Result of operations and financial conditions for the past three fiscal years (in million yen)			
	Settlement of accounts	December 2017	December 2018	December 2019
	Total assets	315,056	223,312	240,760
	Total revenue	48,094	45,596	44,364

6. Number of shares to Acquire and Shareholding before and after the Acquisition

(1)	Number of shares held before the transfer	- shares (Number of voting rights: -) (Voting rights ratio: -%)
(2)	Number of shares transferred	100 shares (Number of voting rights: 100)
(3)	Number of shares after the transfer	100 shares (Number of voting rights: 100) (Voting rights ratio: 100.0%)

The purchase price cannot be disclosed due to confidentiality obligations between parties, but in order to ensure a fair and appropriate price, Nichi-Iko has consulted a third party for an estimate before the decision was made.

7. Schedule

(1)	Date of resolution of the Boards of Directors' meeting (approving the final agreement)	July 30, 2020
(2)	Execution date of the final agreement	July 30, 2020
(3)	Date of transferring shares	February 1, 2021 (planned)

8. Business Plans and Outlook

The impact from the acquisition of equity shares on the financial results of Nichi-Iko for the fiscal year ending in March 31, 2021 is currently under evaluation. We expect this transaction to contribute to improvement of our enterprise Value in medium and long-term. Going forward, any matters that require disclosure will be promptly disclosed.

End

(Reference) Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (disclosed on 18 May, 2020) and Result of Operations for the Fiscal Year Ending March 31, 2020

(in million yen)	Revenue	Core operating profit ²	Operating profit	Profit attributable to owners of parent
Fiscal year ended March 31, 2021	199,000	7,500	7,500	5,200
Fiscal year ended March 31, 2020	190,076	8,020	2,873	5,133

² Nichi-Iko Group has adopted "core operating profit" as an indicator representing ordinary profitability. "Core operating profit" is calculated by deducting gains and losses caused by extraordinary factors from operating profit.

(Reference) Mission Statement of Nichi-Iko Group

We shall excel as the outstanding generic pharmaceutical company, making every effort to continue to serve and deliver our products needed by our patients and their families, pharmacists, doctors, distributors and other pharma companies around the world.