

NPI BECOMES CHEMIPHAR WHOLLY OWNED SUBSIDIARY; CHEMIPHAR SPIN OFF ITS IBARAKI FACTORY TO NPI

Nippon Chemiphar Co., Ltd. (4539)
May 11, 2010

Nippon Chemiphar Co., Ltd. (hereinafter “Chemiphar”) announced today that the boards of directors of Chemiphar and Nihon Pharmaceutical Industry Co., Ltd. (hereinafter “NPI”) at meetings held earlier in the day have approved the conversion of NPI into a wholly owned subsidiary of Chemiphar through a share exchange (hereinafter “Share Exchange”). The boards also approved the transfer of Chemiphar’s Ibaraki factory to NPI ownership.

Share Exchange will become effective on July 1, 2010, while Chemiphar’s Ibaraki factory will become part of NPI on October 1, 2010.

The information that Chemiphar is required to disclose according to the Tokyo Stock Exchange’s Timely Disclosure Rules follows.

I. BACKGROUND

After termination of a comprehensive capital and business alliance with Indian pharma maker Ranbaxy Laboratories Limited on December 8, 2009, NPI once more became a Chemiphar subsidiary.

Chemiphar has decided to make NPI a wholly owned company and split off Chemiphar’s Ibaraki factory to NPI ownership. The move is also designed to enhance decision-making, and NPI’s control of Chemiphar’s Ibaraki factory will facilitate production procedures, which should make Chemiphar more competitive. In the future, it will be possible to consolidate both factories into one.

To avoid any conflict of interests, the two directors on NPI’s board who also serve on the Chemiphar board did not attend the both companies’ board meeting or take part in decisions concerning the exchange of shares.

II. ABOUT SHARE EXCHANGE

1. Outline

(i) Schedule

May 11, 2010	Approved by Chemiphar and NPI boards of directors
May 11, 2010	Conclusion of the agreement (by Chemiphar and NPI)
July 1, 2010 (tentative)	Exchange of shares(effective date)

Note: According to article 796, paragraph 3 of the Japanese Companies Act, Chemiphar is not required to consult its shareholders.

(ii) Method

Simplified share exchange.

(iii) Share Exchange Ratio

	Share Exchange Ratio
Chemiphar (parent company)	1
NPI (wholly owned subsidiary)	38.4

Notes. 1. Share Exchange Ratio: Under the contract, 38.4 Chemiphar shares will be allotted for each share of NPI common stock. There will be no share exchange associated with the 213,440 NPI shares that Chemiphar owns.

2. New shares issued for Share Exchange: Chemiphar will issue 4,091,904 new shares. It does not plan to use treasury stock.

(iv) Subscription warrants and bonds

NPI does not plan to issue subscription warrants or bonds.

2. Calculation Basis of Share Exchange Ratio

To ensure the fairness of the Share Exchange ratio, Chemiphar retained an independent third party, Daiwa Securities Capital Markets Co., Ltd. (hereinafter “Daiwa Securities”). Daiwa Securities assessed the value of Chemiphar (listed company) shares based on market share price analysis, and the value of NPI (unlisted company) shares based on discounted cash flow (DCF) analysis and comparable companies analysis.

Chemiphar and NPI carefully reviewed the results and, given the price at which it had bought back shares from Ranbaxy, they decided on a Share Exchange Ratio of 1:38.4.

However, should there be significant changes in the underlying calculation, the share ratio would be subject to change following agreement by Chemiphar and NPI.

3. Companies Involved in Share Exchange

	Parent Company	Wholly Owned Subsidiary
Company name	Nippon Chemiphar Co., Ltd.	Nihon Pharmaceutical Industry Co., Ltd.
Address	2-3, Iwamoto-cho 2-chome, Chiyoda-ku, Tokyo	2-3, Iwamoto-cho 2-chome, Chiyoda-ku, Tokyo
Representative	Kazushiro Yamaguchi, President & CEO	Takashi Shimada, President & CEO
Business	Research, manufacture, sale, related to ethical drugs.	Production, marketing of generic drugs; production of health foods on commission
Paid in capital	¥4,304 million	¥160 million
Established	June 16, 1950	August 4, 1960
Shares issued	38,522,301	320,000
Fiscal year-end	March 31	March 31

Major Shareholders (Shareholding Ratio¹)

Parent Company ²	Wholly Owned Subsidiary ³
Japan Sopharchim Co., Ltd. (10.59%)	Nippon Chemiphar (66.70%)
Nihon Chouzai Co., Ltd. (4.99%)	Japan Sopharchim Co., Ltd. (19.96%)
Nihon Life Insurance Company (4.85%)	Kazushiro Yamaguchi (12.08%)
JP Morgan Chase Bank, 385093 (3.05%)	Toshima Yakuhin Co., Ltd. (0.62%)
Kazushiro Yamaguchi (2.68%)	Mamiko Yamaguchi (0.62%)

Notes:

1. The ratio represents the post-May 11 figure. For more than five years prior to this date, Chemiphar had borrowed some shares for use by its then-joint venture partner Ranbaxy. The contract was terminated on May 11, 2010.

2. As of March 31, 2010.

3. As of May 11, 2010.

FY2009 Results		(¥mn)
	Chemiphar (Consolidated)	NPI (Non-consolidated)
Net assets	7,865	2,513
Total assets	29,600	4,478
Net assets per share	¥185	¥7,855
Sales	23,982	3,478
Operating income	767	642
Ordinary income	587	625
Net income	270	359
Earnings per share	¥7.10	¥1,122
Dividends per share	¥3.00	-

4. After Share Exchange

Company name, address, representative, business, paid in capital and fiscal year-end will not change following the Share Exchange.

5. Effect on consolidated accounts

Since NPI is a subsidiary of Chemiphar, the consolidated accounts will be hardly affected by the Share Exchange.

III. ABOUT THE TRANSFER

1. Outline

(i) Schedule

May 11, 2010	Approved by Chemiphar and NPI boards of directors
May 11, 2010	Conclusion of the agreement (by Chemiphar and NPI)
October 1, 2010 (tentative)	Split date (effective date)

(ii) Method

Simplified absorption-type split.

(iii) Allocation of new shares

Under the contract, all new shares (145,160) issued by NPI will be allotted to Chemiphar. (NPI became a wholly owned subsidiary before the transfer.)

(iv) Subscription warrants and bonds

There is no change in Chemiphar's either subscription warrants or bonds.

(v) Stated capital

The stated capital will not change.

(vi) Succession to rights and obligations

NPI will inherit all rights and obligations related to the assets, liabilities and contracts of the Ibaraki factory.

(vii) Obligation performance

NPI is able to fulfill its transfer obligations.

2. Companies involved

Chemiphar (divesting company, see II-3 above).

NPI (acquiring company, see II-3 above).

3. Outline of transferred business (Ibaraki factory)

(i) Function

Manufacture of pharmaceuticals, diagnostic agents and healthcare products.

(ii) Product output*

¥7,854 million (FY2009)

* Based on product sales price, not including consumption tax.

(iii) Amount of transferred assets and debt (as of March 31, 2010)

(¥mn)

Assets		Liabilities	
Liquid assets	62	Current liabilities	56
Fixed assets	1,480	Long-term liabilities	35
Total	1,542	Total	91

Note: These figures will be adjusted on October 1, 2010.

4. Situation following transfer

Company name, address, representative, business, paid in capital and fiscal year-end will not change after the swap.

5. Effect on consolidated account

Since NPI is a subsidiary of Chemiphar, the consolidated account will be slightly affected by the transfer.

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Consolidated Forecast, Results (May 11, 2010) (¥mn)

	Sales	Operating Income	Ordinary Income	Net Income
FY2010 (forecast)	28,800	1,600	1,400	600
FY2009	23,982	767	587	270

Chemiphar, founded in 1950 (President and CEO, Kazuhiro Yamaguchi; consolidated net sales, ¥22,307 million as of March 2009) is a medium-sized Japanese pharmaceutical company headquartered in Tokyo.

Since setting generics-related business as one of its pillars in 2000, Chemiphar has been developing, manufacturing and selling generics, in addition to proprietary products. Today, Chemiphar's generics lineup and sales compare most favorably with those of companies that sell both proprietary products and generics.

Chemiphar is one of the few proprietary pharmaceutical makers developing in-house generics. Its goal is to develop more than 15 new generics per year.

For further information contact
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