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Securities identification code: 4541

June 1, 2016

To our shareholders:

Yuichi Tamura  
President & CEO

**Nichi-Iko Pharmaceutical Co., Ltd.**

1-6-21 Sogawa, Toyama-shi

## NOTICE OF THE 52ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 52nd Ordinary General Meeting of Shareholders of Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”), which will be held as described below.

**If you are unable to attend the meeting in person, you may exercise your voting rights by either of the following methods. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by no later than 5:40 p.m., Thursday, June 16, 2016 (Japan Standard Time).**

### Meeting Details

1. **Date and time:** Friday, June 17, 2016 at 10:00 a.m. (Japan Standard Time)
2. **Venue:** 6 F Multipurpose Hall, Global Development Center (Honeycomb Building),  
Nichi-Iko Pharmaceutical Co., Ltd.  
205-1, Shimo-Umezawa, Namerikawa-shi, Toyama Prefecture
3. **Purposes:**  
**Items to be reported:**
  1. Business Report and Consolidated Financial Statements for the 52nd Term (from April 1, 2015 to March 31, 2016), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
  2. Non-Consolidated Financial Statements for the 52nd Term (from April 1, 2015 to March 31, 2016)**Items to be resolved:**
  - Proposal 1:** Appropriation of Surplus
  - Proposal 2:** Partial Amendments to the Articles of Incorporation
  - Proposal 3:** Election of Nine (9) Board Members
  - Proposal 4:** Determination of details of Incentive Stock Options for Board Members
  - Proposal 5:** Delegation of decisions on Solicitation-related matters of Stock Acquisition Rights issued as Stock Options to the Board of Directors’ Meeting

### 4. Instructions for Exercising Voting Rights

- (1) Exercising voting rights by postal mail  
Please return the enclosed voting form indicating your vote for or against each proposal so that your vote will be received by 5:40 p.m., Thursday, June 16, 2016 (Japan Standard Time).
- (2) Exercising voting rights via the Internet, etc.

If you exercise your voting rights via the Internet, etc., you are kindly requested to examine the “Instructions for Exercising Voting Rights via the Internet, etc.” and enter your vote for or against each proposal by 5:40 p.m., Thursday, June 16, 2016.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Appropriation of Surplus

As a basic policy of distributing profits, the Company is working to improve and strengthen its balance sheet while maintaining a sufficient level of retained earnings and continues to ensure proper return of profits to shareholders. Accordingly, the Company makes effective use of its internal reserves by appropriating a substantial portion of available funds to pharmaceutical development, expansion into new markets, and capital investment aimed at ensuring stable supply, while implementing its policy of distributing profits based on financial performance.

In accordance with this policy, the Company proposes to add a special dividend of 3.40 yen to the ordinary dividend of 13.30 yen, given that the Company achieved the earnings targets announced in the final year of the 6th Medium-Term Business Plan, bringing the total to 16.70 yen per share.

For appropriation of surplus, based on the above policy, the Company proposes as below:

#### 1. Matters related to year-end dividends

##### (1) Type of dividend property

Cash

##### (2) Allocation of dividend property and total amount thereof

16.70 yen per common share of the Company (ordinary dividend of 13.30 yen, special dividend of 3.40 yen)

Total amount of dividends: 998,929,672 yen

Full-year dividends including the interim dividend for this fiscal year will be 30 yen per share.

##### (3) Effective date of distribution of dividends of surplus

June 20, 2016

#### 2. Matters related to appropriation of other surplus

##### (1) Item of surplus to be increased and amount of increase thereof

General reserve: 8,000,000,000 yen

##### (2) Item of surplus to be decreased and amount of decrease thereof

Retained earnings brought forward: 8,000,000,000 yen

## Proposal 2: Partial Amendments to the Articles of Incorporation

### 1. Reason for amendments

With a view to future business expansion by the Company and its subsidiaries, the Company proposes to add a new business objective to Article 2 (Objectives) of the current Articles of Incorporation and to move down item numbers following the addition of the new provision.

### 2. Details of the amendments

The details of the amendments are as follows:

(Amended parts are underlined)

Current Articles of Incorporation	Proposed amendment
(Objectives) Article 2 The Company will engage in the following businesses. 1. through 3. (Omitted) (Newly added)  4. through 5. (Omitted)	(Objectives) Article 2 (Unchanged)  1. through 3.(Unchanged) <u>4. Licensing, lending and transfer of intellectual property rights</u> <u>5.</u> through <u>6.</u> (Unchanged)

### Proposal 3: Election of Nine (9) Board Members

The terms of office of all nine (9) board members of the Company will expire at the conclusion of this meeting, and accordingly, the Company proposes to elect nine (9) board members.

The candidates for board members are as follows:

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
1	Yuichi Tamura (July 2, 1962)	<p>April 1989      Joined the Company</p> <p>February 1990      Board Member, Director, Corporate Strategy and Planning Office of the Company</p> <p>February 1992      Board Member, Responsible for Sales and Marketing Division and Director, Corporate Strategy and Planning Office and Tokyo Management Department of the Company</p> <p>February 1994      Representative Board of Executive Director, Responsible for Sales and Marketing Division and Corporate Strategy and Planning Office of the Company</p> <p>February 2000      President &amp; CEO of the Company (present position)</p>	1,793,100
2	Toshinori Kongouji (November 7, 1951)	<p>May 1971      Joined the Company</p> <p>January 1998      Director, Finance Department of the Company</p> <p>December 2001      Operating Officer, Director, Finance Department of the Company</p> <p>February 2004      Board Member, Responsible for Finance and Director, Finance Department of the Company</p> <p>June 2007      Board Member, Head of Business Management Section of the Company</p> <p>December 2008      Senior Board Member, Responsible for Group Management of the Company</p> <p>October 2009      Senior Board Member, Responsible for Sales and Marketing Division of the Company</p> <p>June 2010      Executive Board Member, Head of the Sales and Marketing Division of the Company</p> <p>February 2011      Board of Executive Director, Head of the Sales and Marketing Division of the Company</p> <p>June 2014      Representative Board of Executive Director, Responsible for Sales and Marketing Division and Head of Sales and Marketing Division of the Company</p> <p>May 2016      Representative Board of Executive Director, Responsible for Sales and Marketing Division of the Company (present position)</p>	31,621

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
3	Shuko Urayama (June 12, 1950)	<p>July 1973      Joined the Company</p> <p>December 1999      Director, Purchasing Department of the Company</p> <p>July 2002      Operating Officer, Head of Namekawa Plant of the Company</p> <p>February 2006      Board Member, Responsible for Production, Head of the Production Section and Director, Production Integrated Planning Office of the Company</p> <p>December 2009      Senior Board Member, Head of the Production Division of the Company</p> <p>June 2010      Executive Board Member, Head of the Production Division of the Company</p> <p>June 2011      Board of Executive Director, Head of the Production Division of the Company</p> <p>February 2013      Board of Executive Director, Responsible for Premium Quality and Production Strategy of the Company</p> <p>January 2014      Board of Executive Director, Head of Quality Assurance and Pharmacovigilance Division and Responsible for Nichi-Iko Fuji Plant Operation Preparatory Office of the Company</p> <p>March 2014      Board of Executive Director, Responsible for Premium Quality and Quality Assurance and Pharmacovigilance Division, Production Division of the Company</p> <p>April 2014      Board of Executive Director, Chief Officer, Stable Supply Management (Responsible for Quality Assurance and Pharmacovigilance Division, Production Division) of the Company</p> <p>June 2014      Representative Board of Executive Director, Chief Officer, Stable Supply Management (Responsible for Quality Assurance and Pharmacovigilance Division, Production Division) of the Company (present position)</p>	20,493

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
4	Kenji Akane (August 5, 1953)	<p>April 1976      Joined The Hokuriku Bank, Ltd.</p> <p>June 2005      General Manager, Finance and Public Funds Department of The Hokuriku Bank Ltd.</p> <p>September 2006      Joined the Company.</p> <p>September 2006      Director, General Affairs Department of the Company</p> <p>December 2006      Operating Officer, Director, General Affairs Department of the Company</p> <p>March 2007      Operating Officer, Director, Finance Department and General Affairs Department of the Company</p> <p>December 2008      Operating Officer, Head of the Administrative Division and Director, Finance Department of the Company</p> <p>February 2009      Board Member, Head of the Administrative Division and Director, Finance Department of the Company</p> <p>December 2009      Board Member, Head of the Administrative Division of the Company</p> <p>February 2011      Board of Senior Director, Head of the Administrative Division of the Company</p> <p>December 2011      Board of Executive Director, Responsible for Overall Management and Internal Audit Group of the Company</p> <p>April 2013      Board of Executive Director, Responsible for President Office and Internal Audit Group of the Company (present position)</p>	23,226

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
5	Taizan Kawakami (December 23, 1953)	<p>March 1977      Joined the Company</p> <p>December 2001    Director, Development and Planning Department of the Company</p> <p>December 2003    Operating Officer, Head of the Pharmaceutical Development Section of the Company</p> <p>June 2008        Senior Operating Officer, Director, President Office and Head of the Pharmaceutical Development Section of the Company</p> <p>February 2009    Board Member, Director, President Office and Head of the Pharmaceutical Development Division of the Company</p> <p>May 2009        Board Member, Head of the Pharmaceutical Development Division, and Responsible for President Office and International Planning Department of the Company</p> <p>December 2009    Board Member, Head of the Distribution Stabilization Promotion Division of the Company</p> <p>June 2010        Senior Board Member, Head of the Distribution Stabilization Promotion Division of the Company</p> <p>December 2010    Senior Board Member, Responsible for President Office of the Company</p> <p>February 2011    Board of Senior Director, Responsible for President Office of the Company</p> <p>April 2013        Board of Senior Director, Responsible for Corporate Strategy and Planning Office of the Company</p> <p>March 2014        Board of Senior Director, Head of the Corporate Strategy and Planning Division of the Company</p> <p>April 2015        Board of Senior Director, Responsible for Purchasing Department and Special Assignments of the Company</p> <p>October 2015     Board of Senior Director, Responsible for Procurement Division and Special Assignments of the Company</p> <p>April 2016        Board of Senior Director, Responsible for Special Assignments of the Company (present position)</p>	11,846



No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
6	Takahiro Yoshikawa (March 8, 1952)	<p>April 1975      Joined SUMITOMO CORPORATION</p> <p>April 2005      Senior Officer, General Manager of the Life Science Division of SUMITOMO CORPORATION</p> <p>October 2010    Joined the Company.</p> <p>October 2010    Operating Officer, Vice Head of the Distribution Stabilization Promotion Division of the Company</p> <p>December 2010   Senior Operating Officer, Head of the Planning Division of the Company</p> <p>February 2011   Senior Operating Officer, Head of the Planning Division of the Company</p> <p>December 2011   Senior Operating Officer, Head of the Development and Planning Division of the Company</p> <p>June 2013       Board of Senior Director, Head of the Development and Planning Division of the Company</p> <p>April 2016       Board of Senior Director, Head of the Procurement Division of the Company (present position)</p>	13, 733
7	Noboru Inasaka (December 18, 1955)	<p>March 1978      Joined the Company</p> <p>December 2001   Director, Operation Department of the Company</p> <p>December 2005   Representative Board Member of Oriental Pharmaceutical Co., Ltd. (secondment)</p> <p>January 2008     Operating Officer, Director, Operation Department of the Company</p> <p>December 2008   Operating Officer, Vice Head of the Sales and Marketing Division and Director, Operation Department of the Company</p> <p>May 2009        Senior Operating Officer, Director, Purchasing Department of the Company</p> <p>December 2009   Senior Operating Officer, Director, Finance Department of the Company</p> <p>December 2011   Senior Operating Officer, Head of the Administrative Division of the Company</p> <p>June 2014        Board of Senior Director, Head of the Administrative Division of the Company (present position)</p>	15,254

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions)	Number of the Company's shares owned
8	Shigeo Takagi (April 2, 1948)	<p>April 1971      Joined The Hokuriku Bank, Ltd.</p> <p>June 1998      Board Member of The Hokuriku Bank, Ltd.</p> <p>June 2002      Representative Executive and President of The Hokuriku Bank, Ltd.</p> <p>September 2003 Representative Executive and President of Hokugin Financial Group, Inc. (present Hokuhoku Financial Group, Inc.)</p> <p>February 2011   Outside Board Member of the Company (present position)</p> <p>June 2013      Special Advisor of The Hokuriku Bank, Ltd. (present position)</p> <p>November 2013 President of the Toyama Chamber of Commerce and Industry (present position)</p> <p>[Significant concurrent positions]  President, Toyama Chamber of Commerce and Industry  Special Advisor, The Hokuriku Bank, Ltd.  Outside Director, Hokuriku Electric Power Company  Outside Auditor, Seiren Co., Ltd.  Outside Auditor, Kawada Technologies, Inc.</p>	9,239
9	Hideki Sakai (September 19, 1962)	<p>April 1992      Research Fellowship for young scientists of Japan Society for the Promotion of Science</p> <p>August 1992    Assistant of Toyama Medical and Pharmaceutical University</p> <p>September 1996 Long-term Staff Researcher of Ministry of Education</p> <p>May 1998      Assistant Professor of Toyama Medical and Pharmaceutical University</p> <p>February 2005   Professor, Pharmaceutical Department of Toyama Medical and Pharmaceutical University</p> <p>April 2006      Professor, Graduate School of Medicine and Pharmaceutical Sciences of University of Toyama (present position)</p> <p>October 2013   Deputy Dean, Faculty of Pharmacy and Pharmaceutical Sciences of University of Toyama (present position)</p> <p>June 2014      Outside Board Member of the Company (present position)</p> <p>[Significant concurrent positions]  Professor, Graduate School of Medicine and Pharmaceutical Sciences, University of Toyama</p>	—

Notes:

1. Shigeo Takagi and Hideki Sakai are candidates for Outside Board Member.
2. Shigeo Takagi has abundant experience and knowledge cultivated in financial institutions for many years, and the Company requests his election as Outside Board Member to reflect his experience and knowledge in the corporate governance of the Company.
3. Hideki Sakai has expertise knowledge and insights, cultivated as a university professor, and the Company requests his election as Outside Board Member so that he can provide useful opinions based on his knowledge and insight. Mr. Sakai does not have experience of being involved in corporate management directly. However, the Company judges him capable of executing the duties of Outside Board Member based on the above.

4. Shigeo Takagi resigned as Representative Executive and President and assumed the office of Special Advisor of The Hokuriku Bank, Ltd., which is the main bank of the Company (business entity in a special relationship with the Company) in June 2013. The Company has borrowed funds from the Bank and the Bank is also a major shareholder of the Company. However, Mr. Takagi individually has no special interests directly with the Company.  
There are no special interests between the Company and other candidates for board members.
5. Shigeo Takagi is a special advisor to The Hokuriku Bank, Ltd., at present. The Hokuriku Bank, where Mr. Takagi served as Representative Executive and President until June 21, 2013, received an Order for Business Improvement under Article 26, Paragraph 1 of the Banking Act by the Hokuriku Local Finance Bureau on December 7, 2012. Specifics of the Order were enhancement and reinforcement of the business management environment, internal management environment and compliance environment in order to ensure appropriateness of business operations relating to sales of financial instruments such as derivatives, etc. Although Mr. Takagi had positioned compliance as one of the most important issues of the management as Representative Executive and President of the Bank on a daily basis and instructed so that measures for prevention of wrongful acts could be thoroughly implemented by officers and employees, however not all employees were thoroughly familiarized with these instructions. After the occurrence of the relevant incident, he has fulfilled his job duties by taking recurrence prevention measures including improvement of bank-wide compliance awareness and reinforcement and enhancement of check and balance functions, giving instructions on reinforcement of the internal audit environment and enhancement of education of officers and employees.
6. Shigeo Takagi and Hideki Sakai are current Outside Board Members of the Company, and their terms of office as Outside Board Members are, 5 years and 4 months for Mr. Takagi and 2 years for Mr. Sakai, as of the conclusion of this Meeting. The Company has executed an agreement to limit liability under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, and the cap on liability under the relevant agreement is the amount stipulated under the laws and regulations.
7. When Shigeo Takagi and Hideki Sakai assume the office of the Outside Board Member, the Company is planning to continuously execute an agreement with them to limit liability under Article 423, Paragraph 1, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The amount of liability under the relevant agreement is planned to be the amount stipulated under the laws and regulations.
8. The number of shares of the Company in the possession of the candidates for the board members includes their own shares in the shareholding association of the Company.
9. The Company registered with the Tokyo Stock Exchange Mr. Takagi and Mr. Sakai as independent executives stipulated by the Tokyo Stock Exchange.

#### **Proposal 4: Determination of details of Incentive Stock Options for Board Members**

The Company obtained the approval of the shareholders at the 47th Ordinary General Meeting of Shareholders held on February 28, 2012 with respect to stock option scheme as stock-based compensation (stock acquisition rights with exercise price of 1 yen) for board members (except for Outside Board Members) and subsequently introduced same in order to increase linkage between the stock price reflected corporate value of the Company and the compensation of the board members.

With the aim of promoting the achievement of the new Medium-Term Business Plan and further strengthening the board members' commitment to raising the Group's performance and increasing the Company's corporate value, the Company proposes to review details of the incentive scheme and revise the amount of compensation of the board members.

Review of details of the incentive scheme and revision of the amount of compensation of the board members are as shown below.

##### 1. Review of details of the Company's stock compensation scheme

Exercise of short-term stock option as stock-based compensation is subject to the achievement of performance targets for single fiscal years and their allocation is subject to the upper limit of compensation based on the net income in the relevant year.

For medium-term stock option as stock-based compensation, which have been introduced to date we will integrate these into short-term incentive, since we have not announced numeric goals for medium-term sales amounts and profits in the 7th Medium-term Business Plan publicized on May 10, 2016.

The total number of stock acquisition rights issued as short-term incentive stock options and the total number of shares underlying stock acquisition rights equal the combined total of short- and medium-term stock option as stock-based compensation to date. There are no changes to the method of calculating payment amounts, the term of exercise of stock acquisition rights, and other details.

Furthermore, there are no changes with respect to details concerning long-term stock option as stock-based compensation.

The new board members incentive system is as follows

Name of plan	New system	Remarks
Short-term incentive (single year performance)	Stock options with exercise price of 1 yen	Achievement of performance targets for single year will be the condition for exercise.
Long-term incentive	Stock options with exercise price of 1 yen	Exercisable within 10 days from the following date of leaving any of the posts of board members, delegated type operating officers, delegated type senior officers.

Amount of compensation as stock option will be the fair value of the stock acquisition rights per unit calculated on the allotment date of the stock acquisition right multiplied by the number of stock acquisition rights allotted.

For period of payment and distribution to each board member, the Company requests that this be delegated to the Board of Directors' Meeting.

Content of stock acquisition rights issued as short-term incentives (stock option)

Will be granted when single-year targets are achieved.

##### (1) Total number of stock acquisition rights, and type and total number of shares underlying stock acquisition rights

Number of stock acquisition rights shall be up to 12,000 per year. Type and number of shares underlying stock acquisition right shall be up to 120,000 shares of common stock of the Company per year as maximum. The number of shares underlying each stock acquisition right (the "number of granted shares") shall be 10. When the Company judges it appropriate to change the number of granted shares due to merger, corporate split, allotment of shares without

contribution, stock split, stock consolidation, etc., the Company may perform the adjustment, etc., to the extent considered necessary.

- (2) Amount to be paid for stock acquisition rights  
Value based on fair value calculated by the Black-Scholes model at the allotment date of the stock acquisition rights shall be the amount to be paid. An allottee of the stock acquisition rights shall set off against the compensation receivables from the Company in place of payment of the relevant amount to be paid.
- (3) Amount of property to be contributed upon the exercise of stock acquisition rights  
The amount of property to be contributed upon the exercise of stock acquisition rights shall be the amount to be paid per share that can be received by exercising the relevant individual stock acquisition right at 1 yen, multiplied by the total number of shares granted.
- (4) Exercise period of stock acquisition rights  
Exercise period shall be the period determined by the Board of Directors' Meeting of the Company, which will be within 3 months from the day following the allotment date. However, if the last day of the exercise period falls on a holiday of the Company, the preceding business day shall be the last day of the exercise period.
- (5) Restriction of acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer is not accepted in principle, except for the cases of inheritance.
- (6) Other specifics of stock acquisition rights  
Details of the above and other specifics of the stock acquisition rights shall be determined by the Company's Board of Directors' Meeting where the subscription of stock acquisition rights shall be resolved.

## 2. Revision of amount of compensation to board members

The Company has already obtained approval at the 47<sup>th</sup> Ordinary General Meeting of Shareholders held on February 28, 2012, for allotment of stock options for board members except for Outside Board Members in an amount up to 165 million yen per year as short- and medium-term stock option as stock-based compensation, separately from the limit of the existing compensation amount for board members.

In response to changes in the management environment surrounding the Company, and considering the ever increasing responsibilities of board members aiming at improvement of corporate results of the Company Group as well as corporate value, the present method of applying the table of compensation limits provided based on current net income levels will be revised to a variable compensation system in which performance-linked incentive compensation is limited to within 1.5% of consolidated net income (amounts will be rounded down to the nearest million).

Currently, there are 7 board members (excluding Outside Board Members), and if Proposal 3 is approved as proposed, the number of board members that this revision applies to will be 7 (excluding Outside Board Members) as of the conclusion of this Meeting.

**Proposal 5: Delegation of decisions on Solicitation-related matters of Stock Acquisition Rights issued as Stock Options to the Board of Directors' Meeting**

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the Company requests that determination of the Subscription Requirements for stock acquisition rights issued as stock option to the Operating Officers, employees of the Company and Directors and employees of subsidiaries of the Company be delegated to the Board of Directors' Meeting.

1. Reasons for issuing stock acquisition rights with particularly favorable conditions

The Company will issue stock acquisition rights to the Operating Officers, employees of the Company and Directors and employees of the subsidiaries of the Company aiming at rewarding the contributions thereby to the performance results of the Company Group, and at enhancing motivations and morale towards improved performance.

2. Payment for stock acquisition rights

No payment shall be required for stock acquisition rights.

3. Allotment date of stock acquisition rights

Delegated to the Board of Directors' Meeting of the Company

4. Details of stock acquisition rights

(1) Type and number of shares subject to stock acquisition rights

Up to 100,000 shares of common stock of the Company.

If the Company performs share split or share consolidation, the number of shares subject to stock acquisition rights shall be adjusted in accordance with the following formula. However, such adjustment shall be made to the number of shares subject to stock acquisition rights that remain non-exercised as of the relevant time out of stock acquisition rights, and any fractions arising from adjustment shall be rounded down.

Number of adjusted shares =

Number of shares before adjustment x share split or consolidation ratio

In addition, if the Company carries out a merger, company split, share exchange or share transfer (collectively, "merger, etc."), or when the Company allots shares for no value, or in any other case where adjustment of the number of shares is required, taking into account the conditions of the merger, etc. or allotment of shares for no value, etc., the number of shares may be adjusted within a reasonable scope.

(2) Total number of stock acquisition rights

Total number of stock acquisition rights shall be up to 1,000. Number of shares subject to each stock acquisition rights shall be 100 shares. However, when the number of shares is adjusted as provided in (1) above, the same adjustment shall be carried out.

(3) Amount of property to be contributed upon the exercise of stock acquisition rights

Objective of contribution to be made upon the exercise of stock acquisition rights shall be money, and the value thereof shall be in the amount to be paid upon exercise of stock acquisition rights per share (the "exercise price") multiplied by the number of shares subject to each stock acquisition right, and the exercise price shall be the closing price of common stock of the Company on the Tokyo Stock Exchange in ordinary transactions on the day

when stock acquisition rights are allotted (the “allotment date”) (if there is no closing price on the day, the most recent closing price preceding that).

If the Company performs a share split or share consolidation of common stock of the Company, the above exercise price shall be adjusted in accordance with the following formula based on the ratio of the share split or share consolidation, and any fractions arising from adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

In addition, concerning common stock of the Company, in the event the Company issues new shares or disposes treasury shares at value less than market value (except for sale of treasury shares pursuant to Article 194 of the Companies Act (Request for Sale of less-than-round-lot shares by shareholders which are less than one unit), or in case of conversion of securities to be converted or that can be converted to common stock of the Company, or exercise of stock acquisition rights which can claim issuance of common stock of the Company (including those attached to bonds with common stock acquisition rights), the above exercise price shall be adjusted in accordance with the following formula, and any fractions less than 1 yen arising from adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares to be issued newly} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of shares already issued} + \text{Number of shares to be issued newly}}$$

In the above formula, “number of shares already issued” shall be the number of total issued common shares of the Company, excluding the number of treasury shares pertaining to common stock in possession of the Company, and in the case of disposition of treasury shares, “number of shares to be issued newly” shall be re-read as “number of shares to be disposed”.

Moreover, when the Company carries out merger, etc., or when the Company allots shares for no value, or in any other cases where adjustment to the above exercise price is required, taking into an account the conditions of mergers or allotment of shares for no value, etc., the exercise price may be adjusted to a reasonable extent.

(4) Exercise period of stock acquisition rights

Exercise period shall be from the day after 2 years passed from the day following the day of adopting resolution for allotment of stock acquisition rights to September 30, 2021. However, if the last day of the exercise period falls on a holiday of the Company, the preceding business day shall be the last day of the exercise period.

(5) Matters relating to increments of capital stock and capital reserve in the event of new share issuance by exercising stock acquisition rights.

- 1) When issuing shares by exercising stock acquisition rights, the amount to be contributed to capital stock shall be half the upper limit amount of an increase in capital stock and capital reserve calculated in accordance with the Corporate Accounting Rule Article 17, Paragraph 1, with any fractions less than one yen resulting from such calculation rounded up.

- 2) When issuing shares by exercising stock acquisition rights, the amount of capital reserve increase shall be the amount obtained by deducting the increase in capital stock set forth in 1) from the limit of the capital increase stated in 1) above.
- (6) Exercise conditions of stock acquisition rights
- 1) Optionees are required to be Board Members, Auditors or employees of the Company or affiliated companies of the Company at the time of exercising options. However, this shall not apply to the case where Board Members resign due to expiration of the term, or where employees retire due to mandatory age-limit. Alternatively, this shall not apply to the case where the Board of Directors' Meeting of the Company recognizes that there was a justifiable reason.
  - 2) Inheritance of stock acquisition rights is not allowed.
  - 3) When an Optionee falls under the disciplinary regulations of the Company, and where the Company judges that the Optionee has committed an act equivalent thereto, if it is recognized as inappropriate for the Optionee to exercise stock acquisition rights due to reasonable grounds, the Optionee may not exercise stock acquisition right.
  - 4) When an Optionee is sentenced to a penalty of imprisonment or more serious charge, the Optionee cannot exercise stock acquisition rights.
  - 5) Other conditions for exercise of rights shall be in accordance with the provisions of Stock Acquisition Rights Allotment Agreement that will be executed between the Company and Optionees based on resolutions of the 52nd Ordinary General Meeting of Shareholders held on June 17, 2016 and the Board of Directors' Meeting.
- (7) Conditions for acquisition of stock acquisition rights
- 1) The Company may acquire stock acquisition rights for no value when the Optionee comes not to fall under the qualification of exercising stock acquisition rights under (6) above.
  - 2) When a proposals for approval of merger agreement in which the Company will be discontinued is accepted by the General Meeting of Shareholders of the Company, or when a proposal for approval of a share exchange agreement or a proposal for approval of a share transfer plan in which the Company will be wholly-owned subsidiary is accepted by the General Meeting of Shareholders of the Company, the Company may acquire stock acquisition rights for no value.
- (8) Restrictions on transfer of stock acquisition rights
- Acquisition of stock acquisition rights by transfer will not be approved.
- (9) Handling of stock acquisition rights upon reorganizational restructuring
- Where issuing stock acquisition rights of corporation as follows is provided in the agreement or written plan, etc., which will be prepared in carrying out reorganization, depending on the ratio of the relevant reorganization, stock acquisition right of the corporation as follows shall be issued.
- 1) Merger (only when the Company will be extinguished)  
Surviving company in the merger, or company established by merger
  - 2) Absorption-type company split  
Company that will succeed to all or part of rights and obligations held by the company that conducts absorption type company split in relation to its business
  - 3) Incorporation-type company split  
Company that will be incorporated due to incorporation-type split



4) Share exchange

Company that acquires all of the issued shares of the company that conducts share exchange

5) Share transfer

Company that will be incorporated due to share transfer

(10) Handling of fractions less than one share

When an Optionee exercises stock acquisition rights, if any fraction less than one share exists in the number of shares issued to the Optionee, the fraction shall be rounded down.

(11) Other details of stock acquisition rights

Other details on stock acquisition rights shall be determined at the meetings of the Board of Directors' Meeting of the Company which will be held in the future to discuss issuing stock acquisition rights, together with other subscription requirements.

(12) Non-issuance of stock acquisition right certificate

The Company will not issue the certificate pertaining to stock acquisition right.