

Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution) (English Translation)

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the “U.S. Holder”), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) reasonably determines that such U.S. Holder is a qualified institutional buyer (a “QIB”) as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

Please note that the following is an unofficial English translation of the original Japanese text of the notice titled “Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution) of the Company”, dated November 27, 2013. The Company is providing this translation for reference and convenience purposes only and without any warranty as to its accuracy, completeness or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.



November 27, 2013

To whom it may concern:

Company name: Nichi-Iko Pharmaceutical Co., Ltd.
(Securities code: 4541 Tokyo Stock Exchange, First Section)
Representative: Yuichi Tamura
President and CEO
Contact: Noboru Inasaka
Managing Executive Officer and General
Manager of Management Division
(Tel: 076-432-2121)

Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution)

Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") hereby announced that it has resolved at the meeting of the Board of Directors held on Wednesday, November 27, 2013, that a commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution) covering all the shareholders other than the Company (the "Allotment"), and the fund procurement method in the Allotment (the "Fund Procurement Method"), be conducted for the purpose of strategic investment, such as strengthening stable supply and in-house production by achieving a production system of 10 billion tablets annually, ensuring development and stable manufacturing in the biosimilar business, and expansion into the Southeast Asia and United States markets.

The commitment-type rights offering is a fund procurement method that gives extra consideration to existing shareholders, according to which stock acquisition rights are allotted without contribution to all the shareholders of the issuing company other than the issuing company in proportion to the number of shares of the common stock of the Company held by each shareholder and then listed and may be traded on the market. In this method, by entering into an underwriting agreement (a commitment agreement) between the issuing company and the underwriting securities company, an amount of fund procurement of the issuing company is committed. (For more details, please refer to "1. Purpose of the Allotment, etc. (2) Reason for having chosen the Fund Procurement Method 1) Scale and certainty of the fund procurement" below.)

Contact details for inquiries concerning rights offering:

Nichi-Iko Pharmaceutical Co., Ltd.

Tel: 0120-701032

(From 9:00 to 20:00 every day (including Saturdays, Sundays and national holidays) for the period from November 27, 2013 to January 31, 2014, except from December 31, 2013 to January 4, 2014.)

1. Purpose of the Allotment, etc.

(1) Purpose of fund procurement

The core business of the Company is the production and distribution of generic pharmaceuticals, and through distribution to pharmaceutical wholesalers, the Company provides ethical drugs to medical institutions such as hospitals, clinics and dispensing pharmacies.

In recent years, coping with health-care expenses has become a urgent challenge for Japan, and since generic pharmaceuticals can contribute greatly to mitigating patients' expenses and to improving the financial condition of the health-care insurance system, it has become Japan's policy to encourage the wide spread use and promotion of generic pharmaceuticals.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

Therefore, after the "Action Program to Promote Safe Use of Generic Pharmaceuticals" (the Ministry of Health, Labor and Welfare) in 2007, in April 2013, the "Roadmap for Promotion of Further Use of Generic Pharmaceuticals" (the Ministry of Health, Labor and Welfare) has been established, which provides a new quantitative goal for the usage of generic pharmaceuticals. The newly defined goal aims to achieve 60% of the pharmaceuticals market (long-listed official drugs plus generic pharmaceuticals) replaceable by generic pharmaceuticals, and the expansion of usage of generic pharmaceuticals is believed to expand further.

Also, in June 2013, the Ministry of Health, Labor and Welfare announced a new vision, the "Vision for the Pharmaceutical Industry 2013". This vision indicates the goals of a generic pharmaceuticals maker, which are 1) to further focus on its existing missions, which include stable supply, quality assurance and provision of information; 2) to participate in new fields such as development of biosimilar pharmaceuticals and development of high value-added pharmaceuticals, as the main original pharmaceuticals that have expiring patents are shifting from low molecular weight pharmaceuticals to bio-pharmaceuticals; and 3) as expansion of business to overseas markets is unavoidable, to provide high-quality products to the overseas markets, and to have a consistent value chain from drug substance to manufacturing method.

The Company believes that, by attempting to meet the new quantitative goal of generic pharmaceuticals, and achieving the production of 10 billion tablets per year, the Company will be able to achieve stable supply, in-house production and strengthen its profitability. As part of such goals, in April 2014, the Company intends to acquire a new subsidiary which has succeeded the Fuji Plant, one of the manufacturing bases of Astellas Pharma Tech Co., Ltd., and the basic agreement of such acquisition has been completed in September 2013.

Also, in October 2013, in order to ensure the stable availability of a manufacturing base for the biosimilar pharmaceutical business, the Company has made equity investments in Binex Co., Ltd., a company which is commissioned to operate a bio-pharmaceutical manufacturing base which the Korean government is investing in. Furthermore, in line with its policy for further commitment to the development of high value-added pharmaceuticals, the Company is actively making efforts, not only in existing pharmaceuticals, but also in new fields from development to manufacture.

In addition, the Company, in its mission to become a model generic pharmaceuticals maker, is actively making efforts such as preparing for the distribution of existing products of the Company and biosimilar pharmaceuticals in Southeast Asia and the United States, and increasing its involvement in the production of drug substances through an affiliate of the Company.

It is crucial for the Company to act on such efforts in a speedy and accurate manner, and the fund procurement is to be conducted to ensure the achievement of these efforts, and the Company believes that such achievement will enable the Company to further improve its corporate value.

(2) Reason for having chosen the Fund Procurement Method

The Company examined various fund procurement means such as a capital increase via a public offering to ensure the coexistence of 1) the scale and certainty of the fund procurement and 2) the protection of the interests of existing shareholders. As a result, the Company chose a commitment-type rights offering that would be thought of as the option that best satisfies each of the aforementioned points for the following reasons.

1) Scale and certainty of the fund procurement

The commitment-type rights offering is characterized by the fact that it can secure the fund procurement in the planned amount at the time of such resolution, in principle, regardless of changes in stock prices of the shares of the common stock of the issuing company after the allotment is resolved as well as exercise conditions of the stock acquisition rights of the existing shareholders or other General Investors, because the issuing company has entered into an underwriting agreement (the "Commitment Agreement") with a securities company (in the Allotment, it is Nomura Securities Co., Ltd.; hereinafter same company in such position is referred to as the "Commitment Company"). In the Allotment, it is agreed that the Stock Acquisition Rights (defined in "2. Details of the Rights Offering (1) Method of the Allotment

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

without Contribution" below) not exercised by General Investors (defined in "2. Details of the Rights Offering (2) Details of the Stock Acquisition Rights 7) Exercise period of the stock acquisition rights" below) shall be acquired by the Company pursuant to the acquisition clause and then, in principle, transferred to the Commitment Company in accordance with the Commitment Agreement and the Commitment Company shall exercise all the remaining Stock Acquisition Rights acquired from the Company.

There exists another fund procurement method for the rights offering called a non-commitment-type rights offering and in a non-commitment-type rights offering, stock acquisition rights that have not been exercised during the exercise period will be forfeited (extinguished). As a result, the issuing company will not be able to ensure the fund procurement in the initially planned amount. The Company, therefore, has selected the commitment-type rights offering, according to which relatively large-scale fund procurement in the initially planned amount can be ensured.

2) Protection of the interests of existing shareholders

In the Allotment, as Stock Acquisition Rights are allotted in proportion to the number of shares of the common stock of the Company that the respective existing shareholders hold, the existing shareholders who wish to maintain their equity ratio after the capital increase may acquire the common stock of the Company by exercising the Stock Acquisition Rights allotted and paying the exercise price necessary for the exercise. Meanwhile, as the Stock Acquisition Rights issued are planned to be listed on the Tokyo Stock Exchange, Inc. (the "TSE"), the existing shareholders who do not wish to exercise the Stock Acquisition Rights may sell those Stock Acquisition Rights through market transactions, etc. and to expect to capture the opportunity to compensate for, either wholly or in part, any economic loss that they might incur by the dilution of economic value per share.

As the ownership ratio of non-Japanese shareholders has recently been shifting to levels above 20%, of which it is reasonably estimated that the ownership ratio of U.S. shareholders is more than 10%, the Company has considered ways to provide equal opportunities for non-Japanese shareholders including U.S. shareholders to participate in the process of capital reinforcement in this fund procurement. Specifically, with respect to the previous rights offering conducted in the Japanese domestic market, there were cases where U.S. shareholders were also permitted to exercise their Stock Acquisition Rights, only if the applicable requirements were satisfied in accordance with the exemption from registration provided under Rule 801 of the U.S. Securities Act of 1933. However, if the ownership ratio of non-Japanese shareholders is more than 20%, as is the case with the Company, and where it is possible that the applicable requirements of Rule 801, such as the requirement that the ratio of U.S. shareholders is 10% or less of the total shareholders, may not be satisfied, there have been some cases where U.S. shareholders have been restricted from exercising their Stock Acquisition Rights as a matter of practice. For avoidance of such circumstances in the Allotment, the Company will not rely on Rule 801, and the application of the scheme in accordance with Section 4(a)(2) of the U.S. Securities Act of 1933 or Regulation S under the U.S. Securities Act of 1933 will enable shareholders (Stock Acquisition Rights Holders) who are U.S. qualified institutional buyers to exercise the Stock Acquisition Rights.

With respect to the year end dividend for the financial year ending March 2014, the dividend forecast is amended from 16 yen per share to 12.30 yen per share. As a result, it is estimated that the aggregate amount of dividend for the financial year ending March 2014 will increase to 1.37 billion yen from 1.27 billion yen for the financial year ended March 2013 and that the consolidated dividend ratio for the announced forecast amount of the consolidated net income for the financial year ending March 2014 will increase to 26.4% from 24.5%.

2. Details of the Rights Offering

(1) Method of the Allotment without Contribution

Pursuant to the allotment of stock acquisition rights without contribution provided in Article 277

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

of the Companies Act, Nichi-Iko Pharmaceutical Co., Ltd. Stock Acquisition Rights No. 5 (the "Stock Acquisition Rights") will be allotted to the shareholders other than the Company who are registered or recorded on the Company's register of shareholders as at the close of Friday, December 6, 2013, which is set as the shareholders determination date for allocation. The shareholders will be allotted at the rate of one Stock Acquisition Right per one share of the common stock of the Company.

(2) Details of the Stock Acquisition Rights

- | | |
|--|---|
| 1) Name of the stock acquisition rights | Nichi-Iko Pharmaceutical Co., Ltd. Stock Acquisition Rights No. 5 |
| 2) Class and number of the shares underlying the stock acquisition rights | 0.5 shares of the common stock of the Company per one Stock Acquisition Right |
| 3) Total number of the stock acquisition rights | 39,866,472
Note: The above number is calculated by the total number of shares issued of the Company less the number of the Company's treasury stock of common stock on the fixed date for allocation. The above number is an estimated number calculated based on the total number of issued shares of the Company (excluding the number of the Company's treasury stock of common stock) as of Wednesday, November 27, 2013. |
| 4) Exercise Price for the stock acquisition rights | The amount to be paid by a holder of the Stock Acquisition Rights (the "Stock Acquisition Holder") upon exercise (the "Exercise Price") shall be 338 yen per one Stock Acquisition Right (See 11) (a) below for your reference.).
Note: As the number of shares to be acquired by the exercise of one Stock Acquisition Right shall be 0.5, it is required to exercise two Stock Acquisition Rights in order to acquire one share of the common stock of the Company, and to pay Exercise Price of 676 yen in total. |
| 5) Value of the property to be contributed upon exercise of the stock acquisition rights | Value of the property to be contributed upon exercise of the Stock Acquisition Rights (the "Subscription Price") shall be 322 yen per one Stock Acquisition Right
Note: The Subscription Price shall be 644 yen per one share of the common stock of the Company. |
| 6) Amount to be incorporated into capital in the event of issuance of shares upon exercise of the stock acquisition rights | Amount of capital and capital reserves that will be increased in the event of issuance of shares upon exercise of the Stock Acquisition Rights
(a) The amount of increase in capital in the event of issuance of shares upon exercise of the Stock Acquisition Rights shall be one-half of the maximum amount of increase in capital as calculated in accordance with Article 17, paragraph 1 of the Company Accounting Ordinance, with any fraction less than one (1) yen being rounded up to the nearest yen.
(b) The amount of increase in capital reserve in the event of issuance of shares upon exercise of the |

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

7) Exercise Period of the stock acquisition rights

Stock Acquisition Rights shall be the amount obtained by deducting the amount of increase in capital set forth in (a) above from the maximum amount of increase in capital as described in (a) above.

(a) Period during which the Stock Acquisition Rights Holders other than the Commitment Company (the "General Investors") may exercise their Stock Acquisition Rights (the "General Investors Exercise Period"):

From Tuesday, January 14, 2014 to Friday, January 24, 2014

(b) Exercise period of the Stock Acquisition Rights specified as the contents of stock acquisition rights pursuant to the Companies Act:

From Tuesday, January 14, 2014 to Friday, January 24, 2014, and on Thursday, January 30, 2014

As the Allotment is a commitment-type rights offering, the Company will acquire all the remaining Stock Acquisition Rights on Wednesday, January 29, 2014, as described in 10) below. Therefore, in cases where General Investors exercise their Stock Acquisition Rights, they are required to exercise the Stock Acquisition Rights during the period from Tuesday, January 14, 2014 to Friday, January 24, 2014. In addition, as the request for the exercise of the Stock Acquisition Rights becomes effective on the day when the notice of the matters required for such request for the exercise reaches the exercise agent and the total amount of the Subscription Price for such Stock Acquisition Rights is credited to the account specified by the Company of the payment handling bank, the notice of the matters required for such request for handling of the exercise of the Stock Acquisition Rights shall have been received at the exercise agent and the payment of the Subscription Price shall have been confirmed to enable the exercise of the Stock Acquisition Rights by the General Investors. According to the typical processing schedule published by Japan Securities Depository Center, Incorporated (the "Book-Entry Transfer Institution"), if a request for the exercise of the Stock Acquisition Rights is proposed and the payment of the Exercise Price is made on the expiration date of the General Investors Exercise Period, the notice of the matters required for such request for handling of the exercise of the Stock Acquisition Rights may not reach the exercise agent by the end of the General Investors Exercise Period, thereby making said request invalid. Accordingly, it will be necessary for the respective General Investors to have completed the procedures

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

concerning the proposal of the request for exercise of the Stock Acquisition Rights and the payment of the Exercise Price to the account management institution (a JASDEC member), at the latest, within the institution's business hours on Thursday, January 23, 2014, to enable the exercise of the Stock Acquisition Rights within the General Investors Exercise Period.

Note: The period for acceptance of the exercise requests from General Investors may vary for each account management institution. Therefore, it is necessary for each General Investor to directly check with its account management institution by itself.

8) Conditions for exercise of the stock acquisition rights

One Stock Acquisition Right may not be exercised in part.

9) Treatment of fractions less than one share produced upon exercise of the stock acquisition rights

If a fraction less than one share is produced in the number of shares to be delivered to a Stock Acquisition Rights Holder who has exercised the Stock Acquisition Rights, such fraction shall be rounded down.

10) Acquisition clause to the stock acquisition rights

On Wednesday, January 29, 2014, the Company shall acquire all (but not in part) of the Stock Acquisition Rights outstanding on that day in exchange for the Delivered Property (as defined below).

"Delivered Property" shall be, for one Stock Acquisition Right, equivalent to 70% of the amount (which shall be zero (0) yen if it is a negative value) obtained by subtracting the Exercise Price of 338 yen from the amount obtained by multiplying 0.5 to the volume weighted average price (the "VWAP Price") of regular transaction of common stock of the Company on Tuesday, January 28, 2014, quoted by the TSE (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding day shall be applied) (a fraction of less than one (1) yen shall be rounded down).

11) Procedures concerning exercise request of the stock acquisition rights and payment

(a) The Stock Acquisition Rights Holder who intends to exercise the Stock Acquisition Rights shall give notice of such intent and make payments of the Exercise Price to its Agent (i.e., the book-entry transfer institution or the account management institution with which such holder opened an account for the book-entry transfer of the Stock Acquisition Rights; hereinafter the same). The Exercise Price shall be the aggregate of Subscription Price (322 yen per one Stock Acquisition Right) and the fee paid to the Commitment Company (16 yen per one Stock Acquisition Right) (338 yen per one Stock Acquisition Right), of which the Subscription Price shall be applied to the contribution upon

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

- exercise of the Stock Acquisition Rights.
- (b) Those who gave a notice of their intent to exercise the Stock Acquisition Rights to the Agent may not withdraw such notification thereafter.
 - (c) An exercise request for the Stock Acquisition Rights shall become effective on the day on which the notice of matters necessary for such exercise request has reached the exercise agent, and the total amount of the Subscription Price for such Stock Acquisition Rights has been credited in an account specified by the Company of the payment handling bank.
 - (d) (A) In the case where a Stock Acquisition Rights Holder is located in the United States (other than a Stock Acquisition Rights Holder that is acting on a non-discretionary basis for the account or benefit of another person or persons) and (B) in the case where a Stock Acquisition Rights Holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the Stock Acquisition Rights Holder, in the case of (A), or any person for whose account or benefit the Stock Acquisition Rights Holder is acting, in the case of (B), shall be referred to as the "U.S. Holder"), it is required that such U.S. Holder follow the procedures described in (i) through (iii) below, and that the Company reasonably determine that such U.S. Holder is a qualified institutional buyer ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933.
 - (i) The U.S. Holder shall submit an investor letter to Nomura Investor Relations Co., Ltd., acting as the coordinator of private placements in the United States (the "U.S. Private Placement Coordinator") and, via the U.S. Private Placement Coordinator, to the Company. Such investor letter shall include a statement that such U.S. Holder has represented that it is a QIB, and it has agreed to the transfer restrictions concerning the stock that will be delivered in relation to the exercise of the Stock Acquisition Rights. A template of such investor letter shall be available on the website of the Company (URL: <http://www.nichiiko.co.jp/english/index.html>).
 - (ii) The U.S. Private Placement Coordinator shall submit a QIB confirmation letter to the U.S. Holder and the Company, determining that such U.S. Holder is a QIB. If a Stock Acquisition Rights Holder cannot exercise the Stock Acquisition Rights because the procedure

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

described in this subsection (ii) could not be taken for any reason, the U.S. Private Placement Coordinator shall have no liability whatsoever, including any accountability or duty to provide an explanation.

(iii) Stock Acquisition Rights Holders shall submit to the Agent an exercise request form which represents that the procedures described in (i) and (ii) above have been completed, together with a QIB confirmation letter. Neither the Company nor the U.S. Private Placement Coordinator shall take responsibility for completing the verification of a U.S. Holder's QIB status prior to the expiration of the exercise period or the delisting of Stock Acquisition Rights from the TSE, and the Company and the U.S. Private Placement Coordinator disclaim any liability associated therewith. In addition, the Company has absolute discretion in determining that a U.S. Holder seeking to exercise the Stock Acquisition Rights is not a QIB and its determination is conclusive and determinative, and the Company and the U.S. Private Placement Coordinator disclaim all liability arising out of or based upon any such determination, including any accountability or duty to provide an explanation.

(e) For cases other than as described in (d) above, a Stock Acquisition Rights Holder attempting to exercise the Stock Acquisition Rights shall submit an exercise request form to the Agent, which shall represent that neither (A) or (B) of (d) above is applicable to such holder.

12) Other important or necessary matters for investment judgment

(a) If the Stock Acquisition Rights are exercised, the Company issues and delivers the underlying new shares of the common stock of the Company. (Treasury stock is not planned to be delivered.)

(b) Shareholders and investors are requested to read carefully the securities registration statement (URL: <http://disclosure.edinet-fsa.go.jp/>) filed with the Director-General of the Kanto Local Finance Bureau, dated Wednesday, November 27, 2013, and to take responsibility for making their investment decisions concerning the Stock Acquisition Rights.

Note: For details regarding the procedures in the Allotment, every shareholder and other General Investor is requested to refer to the "Explanation Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution) (Q&A)" announced on Wednesday, November 27, 2013 (URL: <http://www.nichiiko.co.jp/company/press/index.html>).

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

3. Schedule of the Rights Offering

Wednesday, November 27, 2013

Resolution by the Board of Directors
Filing of the securities registration statement
Execution of Commitment Agreement

Thursday, December 5, 2013

Effective date of the registration (planned)

Friday, December 6, 2013

Shareholder determination date (planned)

Note: Date on which the applicable shareholders, to whom the Stock Acquisition Rights will be allotted, are determined.

Monday, December 9, 2013

Effective date of the Allotment of Stock Acquisition Rights without Contribution (planned)

Listing date of the Stock Acquisition Rights (planned / to be announced by the TSE later)

Wednesday, December 25, 2013

Date of dispatching the allotment notice to shareholders for the Stock Acquisition Rights (planned)

From Tuesday, January 14, 2014, to

Exercise period for General Investors on the exercise of the Stock Acquisition Rights (General Investors Exercise Period) (planned)

Friday, January 24, 2014

Note: It will be necessary for the respective General Investors to have completed the procedures concerning the proposal of the request for exercise of the Stock Acquisition Rights and the payment of the Exercise Price to the account management institution (a JASDEC member), at the latest, within the institution's business hours on Thursday, January 23, 2014, to ensure the exercise of the Stock Acquisition Rights within the General Investors Exercise Period. Provided, however, that the period for acceptance of the exercise requests from General Investors may vary for each account management institution. Therefore, it is necessary for each General Investor to directly check with its account management institution by itself.

Monday, January 20, 2014

Date of delisting of the Stock Acquisition Rights (planned / to be announced by the TSE later)

Wednesday, January 29, 2014

Date of acquiring all the remaining Stock Acquisition Rights by the Company (planned)

Thursday, January 30, 2014

Date of transferring the Stock Acquisition Rights obtained by the Company to the Commitment Company (planned)

Exercise date for the Commitment Company to exercise the Stock Acquisition Rights (planned)

4. Amount of Funds to be Procured, Uses of Proceeds, etc.

(1) Amount of funds to be procured (estimated total net proceeds)

Total amount to be paid (yen)	Estimated total amount of expenses related to issuance (yen)	Estimated total net proceeds (yen)
12,837,003,984	260,000,000	12,577,003,984

Notes:

- The total amount to be paid above represents the total amount of the Subscription Price for the Stock Acquisition Rights based on the number of shares issued and outstanding of the Company as of Wednesday, November 27, 2013 (excluding the number of the Company's

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

treasury stock of common stock), assuming that all the Stock Acquisition Rights allotted by the allotment of Stock Acquisition Rights without contribution have been exercised.

2. Breakdown of the expenses related to issuance

The fees pertaining to affairs to be paid to the respective account management institution:

130,000,000 yen

Legal fees and stock transfer agency fees, etc.: 130,000,000 yen

Such fees are not included in the expenses related to issuance, as the Company will not pay any fees to the Commitment Company.

3. The estimated total amount of expenses related to issuance does not include consumption taxes.

(2) Uses of Proceeds

2,377,003,984 yen out of the estimated total net proceeds of 12,577,003,984 yen is planned to be applied by April 2014 to March 2017 to financing of the succeeding new subsidiary of the Fuji Plant (Fuji City, Shizuoka), one of the manufacturing bases in Japan of Astellas Pharma Tech, Co., Ltd. (Head office: Chuo-ku, Tokyo; President: Takashi Shimizu) and scheduled to be succeeded by the Company in April 2014. The succeeding new subsidiary plans to apply such fund to renewal of equipment such as control devices for manufacturing facilities scheduled after the succession, and capital investment to enable in-house manufacture of products which the Company currently outsources.

In anticipation of increasing competition in product development, the Company, expecting future international distribution and further commitment to the development of high value-added pharmaceuticals in new dosage forms, plans to construct a Pharmaceutical Technology Development Center in the plant premise of the succeeding new subsidiary and will apply 3,000 million yen from October 2014 to December 2015 to the construction thereof and testing facility, etc.

Development of high value-added pharmaceuticals by modifying and improving existing pharmaceuticals at the Pharmaceutical Technology Development Center will bring the products of the Company to become an important option in choosing generic pharmaceuticals, and thereby, the Company intends to increase competitiveness of its products through differentiation from other companies and strengthen its profitability. The acquisition has not been completed, and therefore, in the event such agreement is abrogated for any reasons in the future, the Company will apply such fund to repayment of loans payable borrowing as working capital.

In addition, the Company also has capital investment plan with respect to the Yamagata Plant (Tendo City, Yamagata) in an aim to promote in-house manufacture of products which are currently manufactured by outsourcing. 2,500 million yen is planned to be applied by May 2014 to March 2017 to construction of a new manufacturing plant and creation of new production lines.

The Company's Group intends to increase strategic investment in the field of biosimilar (Note), as the main original pharmaceuticals that have expiring patents are shifting from low molecular weight pharmaceuticals to bio-pharmaceuticals.

For the purpose of international distribution of Infliximab (Remicade), a long promoted biosimilar pharmaceutical, 1,000 million yen is planned to be applied by March 2016 to acquisition of development data on Infliximab (Remicade) owned by Arogen Inc., an affiliate of the Company in Korea and a developer of the pharmaceutical.

In addition, 1,700 million yen is planned to be applied by April 2014 to March 2017 to development of Darbepoetin alfa (NESP), the biosimilar following Infliximab (Remicade) and Trastuzumab (Herceptin), which are currently under development.

Furthermore, in the course of preparation for distribution of the aforesaid Infliximab (Remicade) and the Company's existing products in U.S. market, 2,000 million yen is planned to be applied by April 2014 to March 2017 to the cost of clinical trial, etc. for obtaining a manufacturing and distribution license.

Note: "Biosimilar" are pharmaceuticals which, in quality, safety and effectiveness, are equivalent to or have the same nature with biotechnology-derived pharmaceuticals approved as drugs with new active ingredients in Japan and which are developed by different manufacturers and

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

distributors. Infliximab is mainly used for the treatment of rheumatoid arthritis, Trastuzumab is used for the treatment of breast cancer and Darbepoetin alfa is used for the treatment of renal anemia.

As of November 27, 2013 (and as of October 31, 2013 with respect to the amount already paid), the main capital expenditure plan of the Company's Group is as follows:

Newly created facilities:

Name of company and business facility	Location	Details of facility	Scheduled investment amount		Fund procurement method	Scheduled time of commencement and completion		Increase in capacity after completion
			Total amount (thousands of yen)	Amount already paid (thousands of yen)		Commencement	Completion	
The Company: Management Division	Toyoma City, Toyama	software	2,102,037	137,232	self-finance and lease	January, 2011	March, 2017	Note 2
The Company: Yamagata Plant	Tendo City, Yamagata	manufacturing facility, etc.	2,500,000	-	capital increase	May, 2014	March, 2017	Note 3
The Company: Pharmaceutical Technology Development Center	Fuji City, Shizuoka	developing facility, etc.	3,000,000	-	capital increase	October, 2014	December, 2015	Note 4
Succeeding new subsidiary: Fuji Plant	Fuji City, Shizuoka	manufacturing facility, etc.	2,800,000	-	finance by the Company and self-finance	April, 2014	March, 2017	Note 3

Notes:

1. The Company's Group's business has a single segment related to pharmaceutical business, and therefore the statement is omitted.
2. The investment is made for the purpose of reducing lead time and managing costs, etc., and therefore the statement regarding increase in capacity after completion is not shown.
3. The investment is made for the purpose of ensuring sufficient capacity for plant expansion and promoting rationalization, etc. of the Company's Group as a whole, and therefore the statement regarding increase in capacity after completion is not shown separately.
4. The investment is made for the purpose of streamlining and speeding up development as well as enhancing structure for development and quality assurance, the statement regarding increase in capacity after completion is not shown due to difficulty of numerical calculation.

5. Rationale for the Issuing Conditions

(1) Amount of payment upon exercise and the basis for its calculation

The Exercise Price to acquire one share of the common stock of the Company is set at 676 yen (338 yen per one Stock Acquisition Right), and the Subscription Price per share of the common stock of the Company is set at 644 yen (322 yen per one Stock Acquisition Right) (the difference of 32 yen (16 yen per one Stock Acquisition Right) between the Exercise Price and the Subscription Price shall be the fees to be paid to the Commitment Company). This value was determined after comprehensively taking into account factors such as future use of proceeds, which were described in "4. Amount of Funds to be Procured, Uses of Proceeds, etc. (2) Uses of proceeds", the number of shares planned to be issued through the exercise of the Stock Acquisition Rights, the possibility of exercising the Stock Acquisition Rights (the Exercise Price is set at a level lower than the fair market

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

price to facilitate the exercise of the Stock Acquisition Rights) and the fees to be paid to the Commitment Company. Furthermore, it is agreed in the Commitment Agreement by and between the Commitment Company and the Company that the Stock Acquisition Rights not exercised by shareholders shall be acquired by the Company pursuant to the acquisition clause and then wholly transferred to the Commitment Company, in principle, and the Commitment Company shall exercise all the remaining Stock Acquisition Rights. Thus, by the Stock Acquisition Rights being exercised by the Commitment Company, the scheme completely ensures the necessary funds for the Company. Moreover, the Commitment Company will also pay 676 yen (338 yen per one Stock Acquisition Right) which includes the fees.

In the past, the fees concerning the commitments of a rights offering have been paid by the method of the issuing company making payments to the underwriter. In this case, the underwriting fees were recognized as expenses of the issuing company, having an impact on the management indicators of the issuing company such as the ordinary income and the net income per share.

Meanwhile, in the case of capital increase via a public offering, generally securities companies make an offering at the issuing price which is the purchase price of general investors, and the amount which is obtained by subtracting the amount equivalent to the fees from the issuing price will be paid to the issuing company. In this case, the issuing company does not recognize the underwriting fees as an expense.

Thus, although both a rights offering and a capital increase via a public offering have the same economic results of fund procurement by issuance of the company's shares, the accounting procedures concerning the fees of the issuing company are different. The investors, therefore, may find difficulty in comparing financial indicators, etc.

In this case of the method adopted by the Company, the "Exercise Price" paid by the investors shall be the aggregate of the "Subscription Price" and the "underwriting fees", and the underwriting fees will not be recorded as the expense of the issuing company, enabling the avoidance of the difference in the accounting procedures mentioned above.

(2) Acquisition clause and consideration for the acquisition, etc.

1) As described in "2. Details of the Rights Offering (2) Details of the Stock Acquisition Rights, 10) Acquisition clause to the stock acquisition rights" the acquisition clause is stipulated to the Stock Acquisition Rights. The Company will acquire all the remaining Stock Acquisition Rights (partial acquisition is not allowed) on Wednesday, January 29, 2014, in exchange of the Delivered Property. The Delivered Property means the amount to be paid for one Stock Acquisition Right, equivalent to 70% of the amount (which shall be zero (0) yen if it is a negative value) obtained by subtracting the Exercise Price of 338 yen from the amount obtained by multiplying 0.5 to the VWAP Price on Tuesday, January 28, 2014 (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding day shall be applied) (a fraction of less than one (1) yen shall be rounded down).

In a non-commitment-type rights offering, stock acquisition rights that have not been exercised during the exercise period will be forfeited (extinguished) at the expiration of that period. As individual shareholders represent a certain percentage of the Company's shareholders, the Company plans to pay certain consideration as Delivered Property (provided, however, that the amount of the Delivered Property may become zero (0) yen depending on the VWAP Price on Tuesday, January 28, 2014) that would compensate for, in part, any economic disadvantage incurred by the dilution of economic value per share even if existing shareholders have failed to exercise or sell the Stock Acquisition Rights. From this perspective, if an amount of the Delivered Property is set too low, it may not function as consideration to such shareholders who failed to exercise or sell the Stock Acquisition Rights.

At the same time, in calculating the Delivered Property, careful attention is paid so that the advantages of the commitment-type rights offering will not be prohibited.

More specifically, the existing shareholders to whom the stock acquisition rights have been allotted may sell the allotted rights through market transactions, etc. if they do not wish to exercise the rights, which allows investors other than the existing shareholders to have the opportunity of

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

acquiring and exercising stock acquisition rights. However, if the divergence of the value of the Delivered Property from the market price of stock acquisition rights is small, the holders of the stock acquisition rights might reduce their motivation for exercising or selling the stock acquisition rights, thereby depriving investors other than the existing shareholders of the opportunity of acquiring and exercising stock acquisition rights. At the previous non-commitment-type right offerings, the market price of stock acquisition rights turned out to be cheaper to a certain level, compared to a theoretical price of a stock acquisition right. Given such case, in cases where a price having a small discount rate from the theoretical price is set as the Delivered Property, it may lead to an increase of existing shareholders who will not sell their stock acquisition rights at the market and will choose a delivery of the Delivered Property pursuant to the acquisition clause. In addition, the rising potential of a possible increase in the number of stock acquisition rights not exercised could lead to increasing the risk of the Commitment Company that would acquire and exercise said non-exercised stock acquisition rights. Such a situation is feared to result in the setting of issuing conditions disadvantageous to the Company. To avoid such a negative impact in the Allotment, it will be necessary for the Company to set a considerable difference between the amount of the property to be delivered when the Company acquires the Stock Acquisition Rights and the theoretical value of the Stock Acquisition Rights.

By comprehensively taking into account the above circumstances, the Delivered Property is set to be the sum that equals 70% of the theoretical value (obtained by subtracting 338 yen (equivalent to the Exercise Price) from the amount obtained by multiplying 0.5 to the VWAP Price (which shall be zero (0) yen if it is a negative value)) (a fraction of less than one (1) yen shall be rounded down). Meanwhile, the Company believes that the payment of the Delivered Property will not damage the corporate value of the Company because the Company presumes that the acquired Stock Acquisition Rights will be transferred to the securities company at a price higher than the Delivered Property, as described in 2) below.

2) As the Allotment is a commitment-type rights offering, the non-exercised Stock Acquisition Rights, which are acquired by the Company pursuant to the acquisition clause, will be wholly transferred to the Commitment Company, in principle, and the Commitment Company plans to exercise all the remaining Stock Acquisition Rights, which will be acquired from the Company, on Thursday, January 30, 2014. The transfer price of one Stock Acquisition Right to the Commitment Company (the "Transfer Price") will be the sum that equals 90% of the amount obtained by subtracting 338 yen (equivalent to the Exercise Price) from the amount obtained by multiplying 0.5 to the VWAP Price on Tuesday, January 28, 2014 (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding day shall be applied) (which shall be zero (0) yen if it is a negative value, and a fraction of less than one (1) yen shall be rounded down); provided, however, that, if the result of the above calculation is less than the Delivered Property, the Transfer Price will be equal to the Delivered Property. Meanwhile, if the Delivered Property is zero (0) yen, the Commitment Company will acquire all of the Company-acquired non-exercised Stock Acquisition Rights for one (1) yen in total. The Transfer Price is determined by the Company by taking into account in a comprehensive manner factors such as that the Company is required to make the payment of the Delivered Property for the acquisition of the non-exercised Stock Acquisition Rights and it is necessary to set a price level that would not cause a transference at a significantly low price from the viewpoint of the theoretical value of said Stock Acquisition Rights.

3) The difference between the Delivered Property for one Stock Acquisition Right acquired by the Company pursuant to the acquisition clause and the Transfer Price to the Commitment Company for one Stock Acquisition Right will be recognized as a profit of the Company. The Company's profit for one Stock Acquisition Right to be acquired will increase, when the amount obtained by multiplying 0.5 by the stock price of the Company considerably exceeds the Exercise Price (if the value of Stock Acquisition Right is higher). However, under such circumstances, as

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

economic profits obtained by exercising the Stock Acquisition Rights will considerably exceed the Delivered Property as consideration for the acquisition by the Company, it is unlikely that the majority of the Stock Acquisition Right will stay unexercised and the possibility that the number of the Stock Acquisition Rights being subject to an acquisition by the Company becoming large is actually low; therefore, recognition of significant profit is unexpected. Meanwhile, if the amount obtained by multiplying 0.5 by the stock price of the Company falls below the Exercise Price, the majority of the Stock Acquisition Rights will become unexercised and the number of the Stock Acquisition Rights to be subject to acquisition by the Company may become large. However, in such cases, the total amount of Delivered Property shall be zero (0) yen and the total amount of Transfer Price shall be one (1) yen, and their difference is one (1) yen. Therefore, in such cases, recognition of significant profit is unexpected.

6. Trends of Existing Shareholders, etc.

The Company was informed from Yuichi Tamura, the President and CEO of the Company and also the major shareholder of the Company, who owns 1,188 thousand shares of common stocks of the Company (equivalent to 2.92% of the total number of issued shares of the Company) as of Wednesday, November 27, 2013, that Yuichi Tamura has entered into an agreement with the Commitment Company as of November 27, 2013 concerning the act of exercising all the Stock Acquisition Rights received by the Allotment.

In addition, the Company was informed that TAMURA Co., Ltd. and Taku Co., Ltd. have entered into an agreement with Commitment Company as of November 27, 2013 concerning, in respect of all the Stock Acquisition Rights allotted to TAMURA Co., Ltd., the act of exercising the Stock Acquisition Rights held by TAMURA Co., Ltd. as at the execution by TAMURA Co., Ltd., and the Stock Acquisition Rights held by Taku Co., Ltd. as at the execution by Taku Co., Ltd., respectively, although all or a part of the Stock Acquisition Rights allotted to TAMURA Co., Ltd. by the Allotment, the largest shareholder of the Company, that owns 4,284 thousand shares of common stocks of the Company (equivalent to 10.52% of the total number of issued shares of the Company) as of Wednesday, November 27, 2013 plans to transfer thereof to Taku Co., Ltd., the wholly owned subsidiary of TAMURA Co., Ltd.

Since TAMURA Co., Ltd. intends to transfer the Stock Acquisition Rights to Taku Co., Ltd., the "transfer of major shareholders", where TAMURA Co., Ltd. will no longer be a major shareholder, may occur when the shareholders (Stock Acquisition Rights Holders) other than TAMURA Co., Ltd. exercise the Stock Acquisition Rights. The Company will announce details immediately after they are revealed in confirming the total number of issued shares of the Company as described in "7. Announcement Method regarding the Exercise Conditions of the Stock Acquisition Right" below.

Further, TAMURA Co., Ltd., Taku Co., Ltd. and Yuichi Tamura have agreed with the Commitment Company respectively that they will not sell the Company's shares or the like, in principle, during the Lock-Up Period, as provided in "9. Other Matters Necessary for Investors to Understand and Judge Appropriately the Corporate Information of the Company, (3) Lock-up" below, to avoid substantial impact to General Investors to exercise their Stock Acquisition Rights.

7. Announcement Method regarding the Exercise Conditions of the Stock Acquisition Rights

The exercise conditions for General Investors during the exercise period of the Stock Acquisition Rights, as well as the total number of the Company's shares issued and outstanding as of the date during said period, are planned to be announced on: (i) Thursday, January 16, 2014, for those up to and as of Tuesday, January 14, 2014; (ii) Monday, January 20, 2014, for those up to and as of Thursday, January 16, 2014; (iii) Wednesday, January 22, 2014, for those up to and as of Monday, January 20, 2014, (iv) Friday, January 24, 2014, for those up to and as of Wednesday, January 22, 2014; and (v) Tuesday, January 28, 2014, for those up to and as of Friday, January 24, 2014, respectively. The exercise conditions during the exercise period may be announced at other times, as necessary.

Aside from this, the details will be announced promptly when the Company transfers the acquired Stock Acquisition Rights to the Commitment Company (the date of transferring is

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

scheduled on Thursday, January 30, 2014).

8. Future Prospects

The Company is confident that it will ensure the reinforcement of its financial ground and expansion of its investment capabilities, and thus will contribute to the further reinforcement of its profit base and the enhancement of corporate value, by applying the funds procured through the fund procurement to the uses of proceeds described in "4. Amount of Funds to be Procured, Uses of Proceeds, etc., (2) Uses of Proceeds" above. However, concrete effects have not yet been decided.

9. Other Matters Necessary for Investors to Understand and Judge Appropriately the Corporate Information of the Company

(1) Outline of the Commitment Agreement executed with the Commitment Company

The Company entered into the Commitment Agreement with the Commitment Company as of Wednesday, November 27, 2013. Pursuant to the Commitment Agreement, the non-exercised Stock Acquisition Rights, which are acquired by the Company pursuant to the acquisition clause, will be wholly transferred to the Commitment Company on Thursday, January 30, 2014, in principle, and then the Commitment Company will exercise all the remaining Stock Acquisition Rights, which will be acquired from the Company, on the same day. The Transfer Price of one Stock Acquisition Right to the Commitment Company is as stated in "5. Rationale for the Issuing Conditions, (2) Acquisition clause and consideration for the acquisition, etc. 2)" above. Provided, however, that if any significant infringement by the Company with regard to any obligations set forth in the Commitment Agreement or if any significant situation that might have an adverse impact on the Company's operating performance has occurred, the transfer of the Stock Acquisition Rights to the Commitment Company or the exercise thereof by the Commitment Company may not be conducted, or there may be a possible cancellation of the Commitment Agreement. The Commitment Company may continue to receive its fees even when the Commitment Agreement is cancelled, and shall have no obligation to return its fees once received.

(2) Exercise of Stock Acquisition Rights by non-Japanese shareholders

As Stock Acquisition Rights may be exercised by U.S. Holders only if such U.S. Holders are reasonably believed by the Company to be QIBs, the Company will seek to take steps to verify the QIB status of U.S. Holders including through the U.S. Private Placement Coordinator, which will confirm that the names of such U.S. Holders are listed on a commercial database as QIBs and take certain other steps as the U.S. Private Placement Coordinator deems necessary. It may take time for such verification process to be completed, particularly where a U.S. Holder's name is not listed on such commercial database as a QIB, and U.S. Holders need to carefully consider the impact of potential delay in the verification process, as well as the impact of a determination that any such U.S. Holder is not a QIB, in deciding whether and/or when to exercise their Stock Acquisition Rights or, alternatively, sell their Stock Acquisition Rights on the TSE. For example, the verification process may not be completed by the end of the designated exercise period or it may be determined that a U.S. Holder is not reasonably believed to be a QIB, which in either cases would result in such Holder not being able to exercise its Stock Acquisition Rights and, depending on the timing of the determination, could further result in such U.S. Holder not being able to sell its Stock Acquisition Rights because the trading market for Stock Acquisition Rights on the TSE may no longer be available at that time. Although the Company and the U.S. Private Placement Coordinator seek to conduct the verification of QIB status in a timely manner, neither the Company nor the U.S. Private Placement Coordinator shall take responsibility for completing such verification prior to the expiration of the exercise period or the delisting of Stock Acquisition Rights from the TSE, and the Company and the U.S. Private Placement Coordinator disclaim any liability associated therewith. In addition, the Company has absolute discretion in determining that a U.S. Holder seeking to exercise the Stock Acquisition Rights is not a QIB and its determination is conclusive and determinative, and the Company and the U.S. Private Placement Coordinator disclaim all liability arising out of or based upon any such determination, including any accountability or duty to provide an explanation.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

The Company had carefully reviewed the restrictions on U.S. Holders described above, including the possibility of violating the principles of equality among shareholders, and believes that such restrictions do not violate such principles, in light of the fact that (i) the cost relating to the procedures for registration with the U.S. regulatory authorities and other procedures which may be required to be taken if the exercise of Stock Acquisition Rights by all the U.S. Holders were permitted will be a very significant burden, whereas (ii) in the Allotment, exercise of the Stock Acquisition Rights by U.S. Holders that are reasonably determined to be QIBs by the Company is permitted, and even if the exercise of the Stock Acquisition Rights by some U.S. Holders is restricted, such U.S. Holders may also attempt to recover a certain level of economic value through market transactions because liquidity will be provided through the listing of the Stock Acquisition Rights, and for those U.S. Holders that seek to maintain their current shareholding ratio, they can do so by purchasing the common stock of the Company on the market.

(3) Lock-up

In relation to the underwriting of the Stock Acquisition Rights by the Commitment Company, TAMURA Co., Ltd. and Yuichi Tamura, which are shareholders of the Company, and Taku Co., Ltd., to which TAMURA Co., Ltd. will transfer all or part of the Stock Acquisition Rights, which will be allotted by the Allotment, have agreed, respectively, with the Commitment Company that they will not sell the Company's shares or the like (provided, however, that sale or transfer, etc. of the Stock Acquisition Rights from TAMURA Co., Ltd. to Taku Co., Ltd. to be conducted by January 10, 2014 are excluded) during the period starting on November 27, 2013 (including the same day) to May 25, 2014 (including the same day) (the "Lock-Up Period"), without prior consent of the Commitment Company in writing.

Also, in relation to the underwriting of the Stock Acquisition Rights by the Commitment Company, the Company has agreed with the Commitment Company that it will not issue the shares of the Company, not issue any securities that may be converted into or exchanged with the stock of the Company and not issue any securities that represent any rights for acquiring or receiving the stock of the Company or the like (provided, however, that issuance of the common stock of the Company through the exercise of the Stock Acquisition Rights, the issuance (allotment) of the stock acquisition rights based on the Takeover Defense Measures which were approved at the Annual General Meeting of Shareholders of the Company held on June 21, 2013 and the issuance or delivery of stock of the Company through the exercise of such stock acquisition rights are excluded) during the Lock-Up Period, without prior consent of the Commitment Company in writing.

(4) Takeover Defense Measures

The Company has approved the "Policy of Countermeasures against Large-Scale Acquisitions of Share Certificates, etc. of Nichi-Iko Pharmaceutical Co., Ltd. (Takeover Defense Measures)" (the "Takeover Defense Measures") at the Annual General Meeting of Shareholders held in June 2013. In the Allotment, as it is agreed that the Stock Acquisition Rights not exercised by General Investors shall be acquired by the Company pursuant to the acquisition clause and then, in principle, transferred to the Commitment Company in accordance with the Commitment Agreement and the Commitment Company shall exercise all the remaining Stock Acquisition Rights acquired from the Company, depending on the status of exercise by the General Investors, the actions of such Commitment Company may correspond to the Acquisition where the total Holding Ratio of Share Certificates, etc. becomes 20% or more, to which the implementation of the countermeasures under (i) of "III. Details of the New Plan - 2. Details of the New Plan - (1) Establishment of the Large-Scale Acquisition Rules - (a) Acquisitions of the shares of the Company subject to the New Plan" of the Takeover Defense Measures is applicable. In its meeting of the Board of Directors held on Wednesday, November 27, 2013, the Company has resolved that if the Commitment Company exercises the Stock Acquisition Rights transferred from the Company and such Holding Ratio of Share Certificates, etc. becomes 20% or more, Takeover Defense Measures will not be implemented pursuant to the proviso of "(a) Acquisitions of the shares of the Company subject to the New Plan". Furthermore, as the Company has determined the appropriate issuing conditions after a

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

thorough investigation with the Commitment Company, the Company believes that it is unlikely that a large amount of the Stock Acquisition Rights will be forfeited.

Notice:

This document (including references) is a statement to be announced publicly with regard to the issuance of the Stock Acquisition Rights No. 5 of the Company and has not been prepared for the purpose of soliciting investments. Please note that shareholders or investors should carefully read the securities registration statement (<http://disclosure.edinet-fsa.go.jp/>) filed on November 27, 2013, and to take responsibility for the exercise or trading of, or making other investment decisions with respect to, the Stock Acquisition Rights. This document contains forward-looking statements including the projections, forecasts, plans and/or goals regarding the Company's financial position or operating performance. While the contents of this document are based on the Company's judgments and understanding made in light of the information available at the time of preparing this document, please note that, depending on various factors, the actual financial results in the future might differ materially from the forward-looking statements and other information in this document.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

(Reference)

Terms and Conditions of Allotment of the Stock Acquisition Rights No. 5

1. Name of the Stock Acquisition Rights

Nichi-Iko Pharmaceutical Co., Ltd. Stock Acquisition Rights No. 5 (the "Stock Acquisition Rights")

2. Allotment method of the Stock Acquisition Rights

The Stock Acquisition Rights shall be allotted by the method of allotment without contribution (the "Allotment of Stock Acquisition Rights without Contribution") pursuant to Article 277 of the Companies Act, whereby one Stock Acquisition Right is being allotted per one share of common stock of the Company held by respective shareholder (other than the Company) who is registered or recorded in the Company's register of shareholders as at the close of December 6, 2013 (the "Shareholder Determination Date").

3. Total number of the Stock Acquisition Rights

The total number of the Stock Acquisition Rights shall be the total number of issued shares of common stock of the Company less the number of shares of common stock held by the Company as of the Shareholder Determination Date.

4. Effective date of the Allotment of Stock Acquisition Rights without Contribution

December 9, 2013

5. Description of the Stock Acquisition Rights

(1) Class and number of the shares underlying the Stock Acquisition Rights

0.5 shares of the Company's common stock shall be issued for each Stock Acquisition Right.

(2) Value of the property to be contributed upon exercise of the Stock Acquisition Rights

(i) Value of the property to be contributed upon exercise of each Stock Acquisition Right (the "Subscription Price") shall be 322 yen per one Stock Acquisition Right.

(ii) The Subscription Price shall be 644 yen per one share of common stock of the Company.

(3) Exercise period of the Stock Acquisition Rights

The exercise period shall be from January 14, 2014 to January 24, 2014, and on January 30, 2014.

(4) Matters regarding the capital and capital reserve that will be increased in the event of issuance of shares upon exercise of the Stock Acquisition Rights

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the “U.S. Holder”), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) reasonably determines that such U.S. Holder is a qualified institutional buyer (a “QIB”) as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

- (i) The amount of increase in capital in the event of issuance of shares upon exercise of the Stock Acquisition Rights shall be one-half of the maximum amount of increase in capital as calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Ordinance, with any fraction less than one yen being rounded up to the nearest yen.
- (ii) The amount of increase in capital reserve in the event of issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by deducting the amount of increase in capital set forth in (i) above from the maximum amount of increase in capital as described in (i) above.

(5) Restriction on the transfer of the Stock Acquisition Rights

Approval of the Board of Directors of the Company is not required for acquisition of the Stock Acquisition Rights by transfer.

(6) Conditions for exercise of the Stock Acquisition Rights

One Stock Acquisition Right may not be exercised in part.

(7) Acquisition clause to the Stock Acquisition Rights

On January 29, 2014, the Company shall acquire all (but not in part) of the Stock Acquisition Rights outstanding on that day in exchange for the Delivered Property (as defined below).

“Delivered Property” shall be, for one Stock Acquisition Right, equivalent to 70% of the amount (which shall be zero yen if it is a negative value) obtained by subtracting the Exercise Price (as defined in paragraph 9 (1) below) of 338 yen from the amount obtained by multiplying 0.5 to the volume weighted average price (the “VWAP Price”) of regular transaction of common stock of the Company on January 28, 2014, quoted by Tokyo Stock Exchange, Inc. (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding day shall be applied) (a fraction of less than one yen shall be rounded down).

(8) Treatment of fractions of less than one share produced upon exercise of the Stock Acquisition Rights

If a fraction of less than one share is produced in the number of shares to be delivered to a holder of the Stock Acquisition Rights (the “Stock Acquisition Rights Holder”) who has exercised the Stock Acquisition Rights, such fraction shall be rounded down.

6. Application of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.

In accordance with Article 163 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (the “Book Entry Act”), each and all of the Stock Acquisition Rights are subject to the regulations set forth under the Book Entry Act, and certificates of Stock Acquisition Rights may not be issued, except for such cases provided in Article 164, Paragraph 2 of the Book Entry Act. Handling of the Stock Acquisition Rights and the shares to be delivered upon exercise of the Stock Acquisition Rights shall follow the Business Regulations Concerning Book-Entry Transfer of Stocks, etc. and other rules specified by the book-entry

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the “U.S. Holder”), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) reasonably determines that such U.S. Holder is a qualified institutional buyer (a “QIB”) as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

transfer institution.

7. Exercise Agent of the Stock Acquisition Rights

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Business Planning Department

8. Payment Handling Bank for exercise of the Stock Acquisition Rights

The Nomura Trust and Banking Co., Ltd.
Marketing and Solution Department, Head Office

9. Procedures concerning exercise request of the Stock Acquisition Rights and payment

- (1) The amount to be paid by a Stock Acquisition Rights Holder upon exercise of the Stock Acquisition Rights shall be 338 yen per one Stock Acquisition Right (the “Exercise Price”). The Stock Acquisition Rights Holder who intends to exercise the Stock Acquisition Rights shall give notice of such intent and make payments of the Exercise Price to its Agent (i.e., the book-entry transfer institution or the account management institution with which such holder opened an account for the book-entry transfer of the Stock Acquisition Rights; hereinafter the same). The Exercise Price shall be the aggregate of Subscription Price (322 yen per one Stock Acquisition Right) and the fee paid to the commitment company, Nomura Securities Co., Ltd. (16 yen per one Stock Acquisition Right), of which the Subscription Price shall be applied to the contribution upon exercise of the Stock Acquisition Rights.
- (2) Those who gave a notice of their intent to exercise the Stock Acquisition Rights to the Agent may not withdraw such notification thereafter.
- (3) An exercise request for the Stock Acquisition Rights shall become effective on the day on which the notice of matters necessary for such exercise request has reached the exercise agent specified in paragraph 7 above, and the total amount of the Subscription Price for such Stock Acquisition Rights has been credited in an account specified by the Company of the payment handling bank set forth in the previous paragraph.
- (4) (a) In the case where a Stock Acquisition Rights Holder is located in the United States (other than a Stock Acquisition Rights Holder that is acting on a non-discretionary basis for the account or benefit of another person or persons) and (b) in the case where a Stock Acquisition Rights Holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the Stock Acquisition Rights Holder, in the case of (a), or any person for whose account or benefit the Stock Acquisition Rights Holder is acting, in the case of (b), shall be referred to as the “U.S. Holder”), it is required that such U.S. Holder follow the procedures described in (i) through (iii) below, and that the Company reasonably determine that such U.S. Holder is a qualified institutional buyer (“QIB”) as defined in Rule 144A under the U.S. Securities Act of 1933.
 - (i) The U.S. Holder shall submit an investor letter to Nomura Investor Relations Co., Ltd., acting as the coordinator of private placements in the United States (the “U.S. Private Placement Coordinator”) and, via the U.S.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the "U.S. Holder"), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the "Company") reasonably determines that such U.S. Holder is a qualified institutional buyer (a "QIB") as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

Private Placement Coordinator, to the Company. Such investor letter shall include a statement that such U.S. Holder has represented that it is a QIB, and it has agreed to the transfer restrictions concerning the shares that will be delivered in relation to the exercise of the Stock Acquisition Rights. A template of such investor letter shall be available on the website of the Company (<http://www.nichiiko.co.jp/english/index.html>).

- (ii) The U.S. Private Placement Coordinator shall submit a QIB confirmation letter to the U.S. Holder and the Company, confirming that such U.S. Holder is a QIB. If a Stock Acquisition Rights Holder cannot exercise the Stock Acquisition Rights because the procedure described in this subsection (ii) could not be taken for any reason, the U.S. Private Placement Coordinator shall have no liability whatsoever, including any accountability or duty to provide an explanation.
- (iii) Stock Acquisition Rights Holders shall submit to the Agent an exercise request form which represents that the procedures described in (i) and (ii) above have been completed, together with a QIB confirmation letter.

Neither the Company nor the U.S. Private Placement Coordinator shall take responsibility for completing the verification of a U.S. Holder's QIB status prior to the expiration of the exercise period or the delisting of Stock Acquisition Rights from the Tokyo Stock Exchange Inc., and the Company and the U.S. Private Placement Coordinator disclaim any liability associated therewith. In addition, the Company has absolute discretion in determining that a U.S. Holder seeking to exercise the Stock Acquisition Rights is not a QIB and its determination is conclusive and determinative, and the Company and the U.S. Private Placement Coordinator disclaim all liability arising out of or based upon any such determination, including any accountability or duty to provide an explanation.

- (5) For cases other than as described in (4) above, a Stock Acquisition Rights Holder attempting to exercise the Stock Acquisition Rights shall submit an exercise request form to the Agent, which shall represent that neither (a) or (b) of (4) above is applicable to such holder.

10. Method of delivery of shares

After an exercise request has become effective, the Company shall deliver shares to the relevant Stock Acquisition Rights Holders who have submitted such exercise request by recording an increase to the number of shares in a column for shares held by such holder in the transfer account book at the Agent designated by such holder.

11. Book-Entry Transfer Institution

Japan Securities Depository Center, Incorporated

12. Others

- (1) Upon exercise of the Stock Acquisition Rights, common stock of the Company shall be newly issued, and treasury stock shall not be used.

If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition rights holder is acting on a non-discretionary basis for the account or benefit of another person or persons located in the United States (the stock acquisition rights holder, in the case of (a), or any person for whose account or benefit the stock acquisition rights holder is acting, in the case of (b), shall be referred to as the “U.S. Holder”), such U.S. Holder is eligible to exercise the stock acquisition rights only when Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) reasonably determines that such U.S. Holder is a qualified institutional buyer (a “QIB”) as defined in Rule 144A under the U.S. Securities Act of 1933. A U.S. Holder cannot exercise the stock acquisition rights if the Company determines in its absolute discretion that such U.S. Holder is not a QIB. However, any such U.S. Holder that is determined not to be a QIB is able to seek to recover the economic value of the stock acquisition rights by selling the granted stock acquisition rights on the Tokyo Stock Exchange during the specified trading period.

- (2) Each of the above items shall be subject to the effectiveness of the registration concerning the Allotment of Stock Acquisition Rights without Contribution required by the Financial Instruments and Exchange Act.
- (3) In addition to the foregoing items, the President and CEO of the Company is authorized to determine all matters and to take any other action necessary in connection with the issue of the Stock Acquisition Rights.

END