

**Explanation Concerning the Commitment-type Rights Offering
(Allotment of Listing-type Stock Acquisition Rights without Contribution) (Q&A) (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 document of the Company titled “Explanation Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution) (Q&A)”, 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

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)

**Explanation Concerning the Commitment-type Rights Offering
(Allotment of Listing-type Stock Acquisition Rights without Contribution) (Q&A)**

Please refer to the Q&A that Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”), has prepared concerning the commitment-type rights offering (allotment of listing-type stock acquisition rights without contribution), which was announced by the Company in the “Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution)” dated Wednesday, November 27, 2013.

Contact details for inquiries concerning rights offering:

Nichi-Iko Pharmaceutical Co., Ltd.

Tel: 0120-701032

(From 9:00 to 20:00 everyday (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.)

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.

Contents of the Q&A

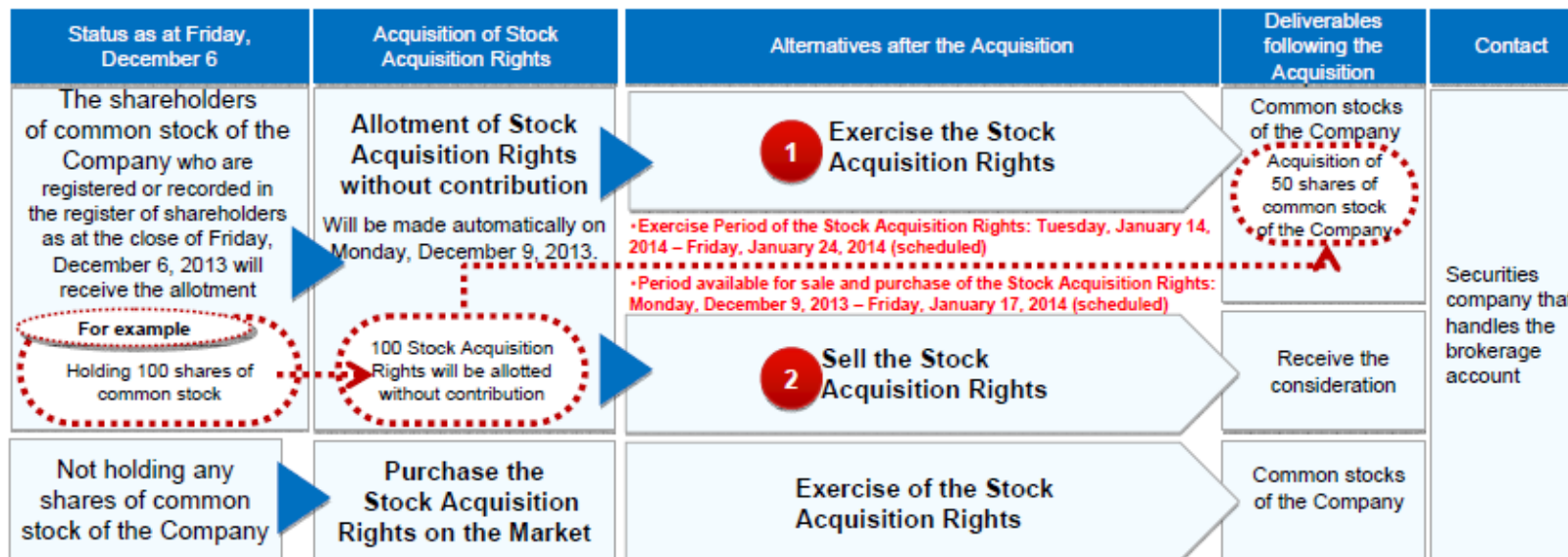
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If (a) a stock acquisition rights holder is located in the United States (other than a stock acquisition rights holder that is acting on a non-discretionary basis for the account or benefit of another person or persons), or (b) a stock acquisition 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.

Summary of the Rights Offering of the Company

Stock Acquisition Rights (the rights to acquire the shares of the Company) will be allotted without contribution to the shareholders of the Company as at the close of Friday, December 6, 2013 at the rate of one Stock Acquisition Right per one share. The shareholders may acquire one share of the Company by exercising two Stock Acquisition Rights with the payment of Exercise Price of 338 yen per Stock Acquisition Right. Thus, it is necessary to exercise two Stock Acquisition Rights and pay Exercise Price of 676 yen in order to acquire one share of the Company.

The shareholders may choose **1** to acquire the shares of the Company by exercising the Stock Acquisition Rights, or **2** to sell the Stock Acquisition Rights and receive the consideration (the Stock Acquisition Rights are expected to be listed on the Tokyo Stock Exchange, and are transferable on the market while they are listed). The *dotted lines* below show the summary of the procedures applied to a holder of 100 shares of the Company as at Friday, December 6, 2013 (Please note that 50 shares acquired by the example *shown on the dotted lines* are less than one unit and, accordingly, are not transferable on the market.).



Note: If the shareholder does not exercise or sell the Stock Acquisition Rights within the respective period, the Company will acquire such Stock Acquisition Rights for certain consideration on Wednesday, January 29, 2014.

Note: In the case of foreign shareholders, certain procedures may be required prior to the exercise. Please see the press release, etc. for details.

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.

1 Procedures for acquiring shares by exercising the Stock Acquisition Rights

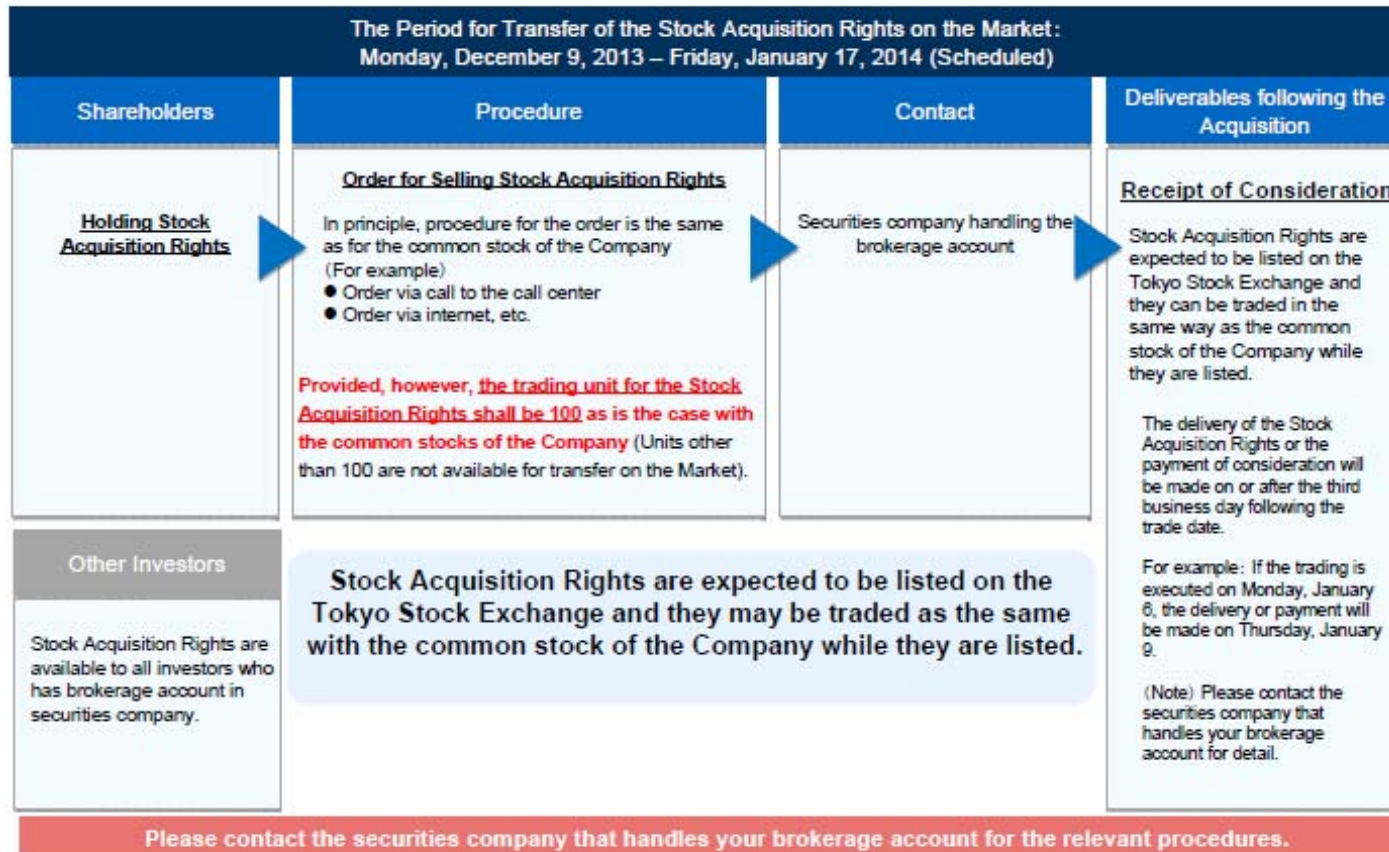
The Period for Exercise Requests: Tuesday, January 14, 2014 – Friday, January 24, 2014

Note: Procedures must be completed by the close of the business on Thursday, January 23, 2014 at the latest. Please contact the securities company that handles your brokerage account for inquiry regarding such period.

Status of the Shareholder	Description of Procedures	Contact	Deliverables following the Acquisition
<p><u>Holding Stock Acquisition Rights</u></p> <p>For example 100 Stock Acquisition Rights</p>	<p>Procedure ①: Payment of Exercise Price</p> <p>When acquiring 50 shares 338 yen × 100 Stock Acquisition Rights (= 50 shares) = 33,800 yen (+commission) shall be required</p> <p>Procedure ②: Exercise Request Form</p> <p>Please obtain “Exercise Request Form” from below and complete the form. • Securities company that handles the brokerage account (Some securities company may not accept the Exercise Request Form on our web page (http://www.nichiiko.co.jp/company/press/index.html))</p>	<p>Securities company that handles the brokerage account</p> <p>Procedures through the securities company that handles your brokerage account</p>	<p><u>Acquisition of common stock of the Company</u></p> <p>Acquire 50 new shares (Please note that such 50 shares are less than one unit and, accordingly, are not transferable on the market.)</p> <p>The balance of the common stocks of the Company shall be recorded on or after the third business day (Note) following the request for the exercise through the securities company and the payment of the Subscription Price to the Company is completed.</p> <p>For example: If the payment is completed by Tuesday, January 14, record will be made on Friday, January 17.</p> <p>(Note) Please contact the securities company that handles your brokerage account for detail.</p>

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 Procedure for receiving consideration by selling the Stock Acquisition Rights on the 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.

Notes Regarding the Rights Offering

- ※1. The Stock Acquisition Rights will be allotted without contribution to the shareholders who are registered or recorded in the Company's register of shareholders as at the close of Friday, December 6, 2013. The last trading date for the shares eligible to receive allotment of the Stock Acquisition Rights will be Tuesday, December 3, 2013.
- ※2. The Stock Acquisition Rights will be automatically allotted without contribution on Monday, December 9, 2013 (there will be no need for special procedures). Please confirm with the securities company that handles your brokerage account.
- ※3. The Stock Acquisition Rights are expected to be listed on the Tokyo Stock Exchange and they may be traded as the same with the common stock of the Company while they are listed.
- ※4. Requests for the exercise of the Stock Acquisition Rights will be accepted at a securities company upon submission of an exercise request form and the payment of the Exercise Price. However, as the procedures may vary by securities companies, please make sure to confirm the specific procedures with the securities company that handles your brokerage account.
- ※5. Only a portion of securities companies perform agency services for the purchase (acquisition) of the Stock Acquisition Rights. Please contact the securities company that handles your brokerage account.

There is a special web page regarding the Rights Offering at the Company's website.
For detailed information regarding this Rights Offering, please refer to the URL below.
<http://www.nichiiko.co.jp/company/press/index.html>

**There is a call center for our shareholders and investors.
Shareholders may receive a direct call from the call center.**

Call center for Nichi-Iko Pharmaceutical Co., Ltd. (toll-free) : 0120-701032

(From 9:00 to 20:00 everyday (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)

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.

1. Basic Mechanism of the Commitment-type Rights Offering

Question	Answer
<p>Q1-1</p> <p>Please provide an overview of the rights offering.</p>	<p>A1-1</p> <p>A rights offering is a fund procurement method for stock corporations, according to which stock acquisition rights for the underlying common stock of a company are allotted to shareholders without contribution.</p> <p>In our case, one stock acquisition right (the stock acquisition right(s) allotted by our rights offering is/are hereinafter referred to as the “Stock Acquisition Right(s)”) will be allotted for one share of the common stock of the Company, and upon the exercise of one Stock Acquisition Rights, 0.5 shares of the common stock of the Company will be issued. Accordingly, upon the exercise of two Stock Acquisition Rights, one share of the common stock of the Company will be issued. By setting the business day (Friday, December 6, 2013) immediately preceding the allotment date (Monday, December 9, 2013) as the shareholder determination date (the “Shareholder Determination Date”), the Company shall grant the Stock Acquisition Rights without contribution to the respective shareholders as of said Shareholder Determination Date, in proportion to the number of the common stock of the Company held thereby. If the Exercise Price (the amount to be paid by the holders of the Stock Acquisition Rights (the “Stock Acquisition Rights Holders”) upon exercise of the Stock Acquisition Rights; hereinafter the same) is paid for the granted Stock Acquisition Rights during the exercise period, shares of the common stock of the Company will be issued in proportion to the above rate (provided, however, that fractions less than one share therefrom shall be rounded down).</p> <p>In addition, the Stock Acquisition Rights are scheduled to be listed on the market for stock acquisition rights on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (assuming that the Tokyo Stock Exchange will approve the listing; hereinafter the same), and the Stock Acquisition Rights may be traded on the said market while they are listed.</p>
<p>Q1-2</p> <p>What characteristics do the commitment-type rights offering</p>	<p>A1-2</p> <p>We understand that the commitment-type rights offering has the following characteristics compared with a capital increase via a public offering or third-party allotments, which are common fund-procurement methods.</p>

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.

<p>have?</p>	<p>First, as the Stock Acquisition Rights will be allotted to all existing shareholders in proportion to the number of the common stock of the Company they hold with regard to the commitment-type rights offering, the existing shareholders who want to maintain their ownership after the capital increase may acquire the common stock of the Company through exercising the Stock Acquisition Rights allotted and by paying the Exercise Price. Meanwhile, the issued Stock Acquisition Rights are scheduled to be listed on the Tokyo Stock Exchange, and the Stock Acquisition Rights Holders may sell the Stock Acquisition Rights on the said market, so that existing shareholders who do not wish to exercise the Stock Acquisition Rights may sell those Stock Acquisition Rights to receive the consideration thereof through market transactions.</p> <p>Furthermore, compared with a non-commitment-type rights offering, the secure realization of capital procurement in the initially planned amount is a key characteristic of the commitment-type rights offering because the Company has entered into an underwriting agreement (“Commitment Agreement”) with Nomura Securities Co., Ltd. (the “Commitment Company”). More specifically, general investors (the Stock Acquisition Rights Holders other than the Commitment Company; hereinafter the “General Investors”) may exercise the Stock Acquisition Rights during the exercise period (“General Investors Exercise Period”) from Tuesday, January 14, 2014, to Friday, January 24, 2014. (Please see Q3-6 for the detail of the period where request for exercise is actually possible.) It is agreed that the Stock Acquisition Rights not exercised during said period shall be acquired by the Company pursuant to the acquisition clause, then 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. Accordingly, regardless of the change of share price on and after the date of resolution of allotment, all the Stock Acquisition Rights that have been allotted by the commitment-type rights offering will be exercised, in principle, enabling the capital procurement in the initially planned amount in full.</p>
<p>Q1-3 What are stock acquisition rights?</p>	<p>A1-3 Stock acquisition rights refer to the right that allows the persons holding stock acquisition rights to exercise the rights during the exercise period to receive new shares or shares of treasury stock from the issuing company by the payment of the predetermined amount of money upon exercise (in our case, the Exercise Price) (provision of shares of treasury stock is not planned in our case.).</p>

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	<p>For details of the Stock Acquisition Rights, please refer to the Company's "Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution)" dated Wednesday November 27, 2013.</p>
<p>Q1-4 Please provide an overview of the listing of the Stock Acquisition Rights.</p>	<p>A1-4 The Stock Acquisition Rights will be allotted without contribution to the shareholders who are registered or recorded in the Company's register of shareholders as at the close of Friday, December 6, 2013, which is the Shareholder Determination Date when the applicable shareholders to whom the Stock Acquisition Rights will be allotted is determined. In addition, the Stock Acquisition Rights are scheduled to be listed on the Tokyo Stock Exchange from Monday, December 9, 2013, the business day immediately following said Shareholder Determination Date, and trading of the Stock Acquisition Rights will be available on the market while they are listed on the market. The Stock Acquisition Rights are scheduled to be delisted on Monday, January 20, 2014, and the specific schedule for delisting will be announced at a later date by the Tokyo Stock Exchange. The last date for trading on the market will be the business day immediately preceding the date of delisting. Please inquire for details on trading brokerage services at the securities company that handles your brokerage account.</p>
<p>Q1-5 What is the relationship between the listed price of the Stock Acquisition Rights and the share price of the common stock of the Company?</p>	<p>A1-5 In exercising the Stock Acquisition Rights, 0.5 shares of the common stock of the Company per one Stock Acquisition Right will be issued upon the payment of 338 yen per Stock Acquisition Right, which is the Exercise Price (among which the amount to be applied to the contribution upon exercise of the Stock Acquisition Rights (the "Subscription Price") is 322 yen). In other words, a total of 676 yen as the Exercise Price needs to be paid by exercising two Stock Acquisition Rights to acquire one share of the common stock of the Company (please note that with regard to the shares of the common stock of the Company to be issued upon the exercise of the Stock Acquisition Rights, fractions less than one share therefrom shall be rounded down and accommodation by cash will not be conducted). Accordingly, the listed price of the Stock Acquisition Rights is theoretically determined depending on the supply-demand relationship among market players and other factors with reference to the basis of "(share price of the common stock of the Company - 676 yen)/2".</p>

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.

<p>Q1-6</p> <p>What are the options for the Stock Acquisition Rights Holders?</p>	<p>A1-6</p> <p>There are mainly three options available for the Stock Acquisition Rights Holders.</p> <ol style="list-style-type: none">1) Exercise the Stock Acquisition Rights;2) Sell the Stock Acquisition Rights; or3) Do neither 1) nor 2). <p>Meanwhile, if the Stock Acquisition Rights Holders choose Option 3), the Company will eventually acquire the Stock Acquisition Rights in accordance with the acquisition clause.</p> <ol style="list-style-type: none">1) Exercise the Stock Acquisition Rights: If a Stock Acquisition Rights Holder chooses to exercise the Stock Acquisition Rights, he/she may acquire the corresponding shares of the common stock of the Company by paying the Exercise Price (338 yen per Stock Acquisition Right) (together with commission fee, etc., if charged by the securities company that handles its brokerage account). (For details, please see “3. Exercise of the Stock Acquisition Rights” below.) Please carefully note that the Stock Acquisition Rights Holders each need to pay a total of 676 yen as the Exercise Price to acquire one share of the common stock of the Company by exercising two Stock Acquisition Rights.2) Sell the Stock Acquisition Rights: If a Stock Acquisition Rights Holder chooses to sell the Stock Acquisition Rights in place of exercising them, he/she will get the sum of the contracted price or sales price of negotiation transaction for the Stock Acquisition Rights after having deducted sales commissions therefrom, but will not be able to acquire shares of the common stock of the Company. (For details, please see “4. Trading of the Stock Acquisition Rights” below.)3) In case neither 1) nor 2) was done:
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The Company will acquire the Stock Acquisition Rights not exercised during the General Investors Exercise Period by the General Investors as of Wednesday, January 29, 2014, in accordance with the acquisition clause and pay the Delivered Property to the applicable Stock Acquisition Rights Holders in the form of dividend certificates as consideration for the acquisition of the Stock Acquisition Rights. The 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 Tokyo Stock Exchange (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding date shall be applied) (a fraction of less than one yen shall be rounded down). Once the Stock Acquisition Rights are thus acquired by the Company, the Stock Acquisition Rights Holders will no longer be able to exercise the Stock Acquisition Rights to acquire shares of the common stock of the Company.

It should be noted that the above describes general options when the Stock Acquisition Rights are allotted and that the Stock Acquisition Rights Holders need to make decisions regarding whether to exercise, sell or do neither exercise nor sell and get the Delivered Property for the acquisition of the Stock Acquisition Rights by the Company pursuant to the acquisition clause based on their own investment judgment. As the Company may not provide any investment advice whatsoever concerning the Stock Acquisition Rights, the Stock Acquisition Rights Holders are requested to refer to the Company’s securities registration statement dated Wednesday, November 27, 2013 (including subsequent revisions thereto), which is made available for public inspection at EDINET (URL: <http://disclosure.edinet-fsa.go.jp/>), and take responsibility for making investment decisions pertaining to the Stock Acquisition Rights. A prospectus on the Stock Acquisition Rights will not be prepared or distributed.

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.

<p>Q1-7</p> <p>What options do the shareholders holding shares less than one unit have?</p>	<p>A1-7</p> <p>In the rights offering, the Stock Acquisition Rights are allotted to the shareholders, including the shareholders who hold less than 100 shares of the common stock of the Company (100 shares being the trading unit for the Company’s shares), at the rate of one Stock Acquisition Right per share of the common stock of the Company.</p> <p>As the trading unit of the Stock Acquisition Rights is 100, the Stock Acquisition Rights in a quantity other than integral multiples of 100 cannot be traded on the market. (However, there is no such restriction on the trading unit when the Stock Acquisition Rights are traded off-market.)</p> <p>Meanwhile, as the Stock Acquisition Rights may be exercised even for one, shares of the common stock of the Company can be acquired for the quantity being the number of exercised Stock Acquisition Rights multiplied by 0.5, through the exercise of the Stock Acquisition Rights (<u>however, if a fraction less than one share is produced, that fraction shall be rounded down and a part of the Exercise Price paid for the exercise will have to be forfeited, in effect.</u>).</p>
<p>Q1-8</p> <p>Please explain the basis for setting the Subscription Price (value of the property to be contributed upon exercise of the Stock Acquisition Rights) per Stock Acquisition Right.</p>	<p>A1-8</p> <p>As was stated in “5. Rationale for the Issuing Conditions” in the “Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution)” announced as of Wednesday, November 27, 2013, the Company has set the Subscription Price per one Stock Acquisition Right at 322 yen. This value was determined by comprehensively taking into account the uses of proceeds, the number of shares of the common stock of the Company planned to be issued through the exercise of the Stock Acquisition Rights and possibility of exercise of the Stock Acquisition Rights, the commission fee paid to the Commitment Company and the like.</p>
<p>Q1-9</p> <p>Please provide an overview of ex-rights for the shares of the common stock of the Company that will result from this allotment of</p>	<p>A1-9</p> <p>With this allotment of stock acquisition rights without contribution, ex-rights will be reflected in the share price of the common stock of the Company on and after Wednesday, December 4, 2013.</p> <p>Please note that in the “Regulations Concerning Bid/Offer Price Limits” of the Tokyo Stock Exchange the basic price is calculated as follows: (Closing price, cum rights + Money to be paid in exercising stock acquisition rights (in our case, the Exercise Price)) ÷</p>

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<p>stock acquisition rights without contribution.</p>	<p>(1 + Number of shares to be issued by the exercise of said stock acquisition rights that are allotted to one share).</p>
<p>Q1-10 Will the major shareholders be exercising the Stock Acquisition Rights?</p>	<p>A1-10 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 Wednesday, November 27, 2013 concerning the act of exercising all the Stock Acquisition Rights received by the allotment without contribution. In addition, the Company was informed that TAMURA Co., Ltd., 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, and Taku Co., Ltd. have entered into an agreement with the Commitment Company as of Wednesday, 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 without contribution are planned to be transferred to Taku Co., Ltd., the wholly owned subsidiary of TAMURA Co., Ltd.</p>
<p>Q1-11 If shares of the common stock of the Company are issued all at once through the exercise of the Stock Acquisition Rights, won't the stock value be greatly diluted?</p>	<p>A1-11 As the 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, we believe that principally each shareholder's ownership will not be diluted if such an existing shareholder exercises all the Stock Acquisition Rights allotted thereto. In addition, as explained in Q1-9, through this allotment of stock acquisition rights without contribution, ex-rights will be reflected in the share price of the common stock of the Company from Wednesday, December 4, 2013. As the Stock Acquisition Rights will be listed on the Tokyo Stock Exchange, if an existing shareholder does not want to exercise the Stock Acquisition Rights, he/she</p>

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	may sell the Stock Acquisition Rights on the said market after the listing thereof. The scheme is therefore designed to allow the existing shareholders to mitigate any economic loss that they might incur by the dilution of the stock value to some extent.
Q1-12 Please explain how the shares of the common stock of the Company are treated in margin transactions (e.g., treatment of rights, handling of the prohibited actual receipt of stock purchased).	A1-12 As for various treatment types regarding margin transactions, please inquire for details at the securities company that handles your brokerage account.
Q1-13 How will cumulative stock investments and mini investment in stocks be handled?	A1-13 Shareholders are requested to consult with the respective securities companies that handle their brokerage accounts about the handling of cumulative stock investments and mini investment in stocks.
Q1-14 Are there any restrictions on the allotment, exercise and trading of the Stock Acquisition Rights that apply to non-Japanese shareholders?	A1-14 There are possible restrictions on the allotment, exercise and trading of the Stock Acquisition Rights for non-Japanese shareholders under applicable laws and regulations. Therefore, the respective non-Japanese shareholders should consult with their legal and other advisors with expertise in the applicable laws and regulations that may apply. In particular, (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

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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 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>), which may be printed out and used.

(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 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 (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) an exercise request form which represents that the procedures described in (i) and (ii) above have been completed, together with a QIB confirmation letter.

In case a U.S. Holder exercises the Stock Acquisition Rights, the exercise of the Stock Acquisition Rights will be approved only when the Company reasonably determines that such U.S. Holder is a QIB. Therefore, the Company will take procedures to verify whether such U.S. Holder is a QIB, including through the U.S. Private Placement Coordinator, which will confirm that the name of the U.S. Holder is listed on the commercial database as a QIB and conduct other procedures which the U.S. Private Placement Coordinator considers necessary. Each U.S. Holder needs to consider carefully the effect of the delay of the verification procedures and the determination that the U.S. Holder is not a QIB in determining the exercise or the sales on the Tokyo Stock Exchange of the Stock Acquisition Rights or the date thereof, since it may take time to complete the verification procedures, especially when the name of the U.S. Holder is not listed on the commercial database as a QIB. For example, if the verification procedures are not

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completed before the last day of the exercise period for the Stock Acquisition Rights, or if the U.S. Holder is determined not to be a QIB, such U.S. Holder will not be permitted to exercise the Stock Acquisition Rights. Furthermore, depending on the time of determination, it is possible that the trading market of the Stock Acquisition Rights on the Tokyo Stock Exchange is not available at that time and, as a result, sales of the Stock Acquisition Rights cannot be made. Although the Company and the U.S. Private Placement Coordinator will make an effort to conduct the verification procedures on a timely basis, neither the Company nor the U.S. Private Placement Coordinator shall take responsibility for completing the verification procedures prior to the expiration of the exercise period or the delisting of Stock Acquisition Rights from the Tokyo Stock Exchange, 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.

Also, in case the holder of the Stock Acquisition Rights is not a U.S. Holder, with respect to the exercise of the Stock Acquisition Rights, the submission of the exercise request form representing that (a) and (b) above are both not applicable to the Agency is required.

Furthermore, 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 this 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

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	institutional buyers to exercise the Stock Acquisition Rights.
<p>Q1-15</p> <p>In respect to the procedures to be taken by the U.S. Holders to exercise the Stock Acquisition Rights, when is the due date of the submission of the investor letter?</p>	<p>A1-15</p> <p>As explained in Q1-14, one of the procedures to be taken by the U.S. Holders to exercise the Stock Acquisition Rights is the submission of the investor letter in a prescribed form to the U.S. Private Placement Coordinator and the Company (through the U.S. Private Placement Coordinator). As it is assumed that it will take a certain period of time from the submission of the investor letter by the U.S. Holders to the submission of the QIB confirmation letter by the U.S. Private Placement Coordinator to such U.S. Holder, please submit the investor letter during the period from the date following the date of resolution of issuance (Thursday, November 28, 2013) to Monday, January 20, 2014.</p>
<p>Q1-16</p> <p>What is the difference between the Exercise Price and the Subscription Price?</p>	<p>A1-16</p> <p>The Exercise Price is the amount that should be paid upon the exercise of the Stock Acquisition Rights. With payment of the Exercise Price during the exercise period for the allotted Stock Acquisition Rights, upon the exercise of one Stock Acquisition Right, 0.5 share of the common stock of the Company will be issued. The Exercise Price (338 yen per one Stock Acquisition Right) shall be the aggregate of Subscription Price paid to the Company (322 yen per one Stock Acquisition Right) and the fee paid to the Commitment Company (16 yen per one Stock Acquisition Right) (tax included). The Subscription Price multiplied by the number of the Stock Acquisition Rights exercised is the amount that is paid to the Company.</p>

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2. Allotment of the Stock Acquisition Rights

Question	Answer
<p>Q2-1 How many Stock Acquisition Rights will be allotted for shares held?</p>	<p>A2-1 The number of Stock Acquisition Rights allotted will be the same as the number of shares of the common stock of the Company held by each of the shareholders registered or recorded on the Company’s latest register of shareholders as of the Shareholder Determination Date to whom the Stock Acquisition Rights will be allotted.</p>
<p>Q2-2 What does one need to do to receive the Stock Acquisition Rights through allotment without contribution?</p>	<p>A2-2 The date to determine shareholders to whom the Stock Acquisition Rights will be allotted (Shareholder Determination Date) is Friday, December 6, 2013. If your name has been registered or recorded on the latest shareholders’ registry as of that date, no particular procedures are required for you to receive the Stock Acquisition Rights through allotment without Contribution. Also, the last trading date for the shares of the common stock of the Company to which the Stock Acquisition Rights are attached will be Tuesday, December 3, 2013. Furthermore, since the Stock Acquisition Rights will be allotted without contribution, there is no payment necessary to receive the Stock Acquisition Rights. In exercising the Stock Acquisition Rights, you need to pay the Exercise Price (338 yen per Stock Acquisition Right) multiplied by the number of Stock Acquisition Rights to be exercised (together with commission fee, etc., if charged by the securities company that handles your brokerage account).</p>
<p>Q2-3 Will certificates for the Stock Acquisition Rights be issued for the Stock Acquisition Rights? How can the shareholders confirm the allotment of the Stock Acquisition Rights?</p>	<p>A2-3 Certificates for the stock acquisition rights will not be issued for the Stock Acquisition Rights. It is the Company’s understanding that, typically, on the business day immediately following the day to determine shareholders to whom the Stock Acquisition Rights will be allotted (Shareholder Determination Date) (Friday, December 6, 2013), the balance of the Stock Acquisition Rights will be indicated in the brokerage account of each of the shareholders registered or recorded on the shareholders’ registry as of the close of the Shareholder Determination Date. For details, please contact the securities company that handles your brokerage account.</p>

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.

<p>Q2-4</p> <p>Following the allotment of stock acquisition rights without contribution of the Stock Acquisition Rights, what documents will be sent, where and when?</p>	<p>A2-4</p> <p>Approximately three weeks after the Shareholder Determination Date, the date to determine to whom the Stock Acquisition Rights will be allotted, allotment notice to shareholders, etc. pertaining to the Stock Acquisition Rights, will be sent to the address of each shareholder registered or recorded on the latest shareholders’ registry as of the Shareholder Determination Date.</p> <p>The Stock Acquisition Rights can be traded from Monday, December 9, 2013 (the date scheduled for listing of the Stock Acquisition Rights), before you receive an allotment notice to shareholders pertaining to the Stock Acquisition Rights, etc. These Stock Acquisition Rights can be exercised from Tuesday, January 14, 2014. To exercise or trade the Stock Acquisition Rights, please consult the securities company that handles your brokerage account.</p>
<p>Q2-5</p> <p>Can the Stock Acquisition Rights be allotted for treasury stocks?</p>	<p>A2-5</p> <p>The Stock Acquisition Rights cannot be allotted for shares of the Company’s treasury stocks in accordance with Article 278, paragraph 2 of the Companies Act.</p>

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3. Exercise of the Stock Acquisition Rights

Question	Answer
<p>Q3-1</p> <p>How many shares may be acquired by exercising the Stock Acquisition Rights?</p>	<p>A3-1</p> <p>Upon payment of the Exercise Price (338 yen per Stock Acquisition Right) multiplied by the number of the Stock Acquisition Rights to be exercised (together with commission fee, etc., if charged by the securities company that handles your brokerage account), through the securities company at which your balance of the Stock Acquisition Rights is recorded and by submitting the prescribed exercise request form, you will acquire shares of the common stock of the Company for the quantity being the number of exercised Stock Acquisition Rights multiplied by 0.5 (however, if a fraction less than one share occurs, that fraction shall be rounded down), through the exercise of the Stock Acquisition Rights. A total of 676 yen as the Exercise Price needs be paid by exercising two Stock Acquisition Rights to acquire one share of the common stock of the Company.</p>
<p>Q3-2</p> <p>Is there anything we need to heed in exercising the Stock Acquisition Rights?</p>	<p>A3-2</p> <p>Through the exercise of the Stock Acquisition Rights, you can acquire the quantity of common stock of the Company being the number of exercised Stock Acquisition Rights multiplied by 0.5 (however, if a fraction less than one share has occurred, that fraction shall be rounded down.). Therefore, in order to acquire the common stock of the Company through the exercise of the Stock Acquisition Rights without forfeiting the Exercise Price, it is necessary to exercise an even number of Stock Acquisition Rights.</p>
<p>Q3-3</p> <p>What does one need to do to receive the delivery of the shares in trading unit?</p>	<p>A3-3</p> <p>Through exercising 200 Stock Acquisition Rights, you can receive 100 shares which is the trading unit for the Company's shares. <u>Please note that through exercising Stock Acquisition Rights less than 200, only shares less than one unit can be acquired.</u> Also, if you want to cash shares less than one unit acquired through the exercise of the Stock Acquisition Rights, you need to conduct purchase demand of shares less than one unit separately. Further, according to our articles of incorporation, the shareholders holding shares less than one unit, as set out in the rules for handling shares, may request to purchase additional shares such that the total number of shares hold consist one unit together with the shares hold beforehand.</p>

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.

<p>Q3-4</p> <p>Can we exercise part of the multiple Stock Acquisition Rights we hold (e.g., 1,000 Stock Acquisition Rights out of 2,000)?</p>	<p>A3-4</p> <p>Given that the number of Stock Acquisition Rights that can be exercised begins with one, each Stock Acquisition Rights Holder of multiple Stock Acquisition Rights is allowed to exercise part of the Stock Acquisition Rights held by one Stock Acquisition Right. Therefore, for instance, a Stock Acquisition Rights Holder of 2,000 Stock Acquisition Rights can exercise 1,000 Stock Acquisition Rights and sell the remaining 1,000 in the market.</p> <p>Although the Terms and Conditions of Allotment provides that “None of the Stock Acquisition Rights shall be partially exercised,” such provision refers to prohibition of part of one Stock Acquisition Right (e.g., 0.5 Stock Acquisition Rights) being exercised and does not prohibit any Stock Acquisition Rights Holders of multiple Stock Acquisition Rights from exercising some of those rights by unit.</p> <p>However, given that the trading unit of the Company's shares in the market is 100 shares, if the number of shares of the common stock of the Company issued goes under 100 after exercising the Stock Acquisition Rights, a Stock Acquisition Rights Holder cannot trade the issued shares of the common stock of the Company by the Company in the market. Furthermore, as indicated in Q3-2, it should be noted that if a Stock Acquisition Rights Holder exercises an odd number of Stock Acquisition Rights, a fraction of less than one share is generated in the number of shares allotted to it and such fractions are rounded down, thereby obliging such holder to forfeit part of the Exercise Price, in effect.</p>
<p>Q3-5</p> <p>Is it possible to exercise part of one Stock Acquisition Right (e.g., 0.5 Stock Acquisition Rights)?</p>	<p>A3-5</p> <p>As stipulated in the Terms and Conditions of Allotment, “None of the Stock Acquisition Rights shall be partially exercised,” it is not allowed to exercise part of one Stock Acquisition Right (e.g., 0.5 Stock Acquisition Rights). However, as explained in Q3-4, this stipulation does not prohibit a person holding multiple Stock Acquisition Rights from exercising some of those rights in units (e.g., 1,000 of 2,000 Stock Acquisition Rights).</p>
<p>Q3-6</p> <p>Until when will it be possible to exercise the Stock Acquisition</p>	<p>A3-6</p> <p>The period for General Investors to request exercise of the Stock Acquisition Rights at the securities company where their respective balances of the Stock Acquisition Rights are recorded will be from Tuesday, January 14, 2014, through Thursday,</p>

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.

Rights?	January 23, 2014 (approximately 1.5 weeks). (Although Friday, January 24, 2014 is included in the exercise period under the Companies Act set out in the Terms and Conditions of Allotment, in practice, the exercise request period would be only until within the business hours of Thursday, January 23, 2014, on the basis of days available at securities companies for the brokerage services for the exercise of Stock Acquisition Rights.) However, as the period for accepting requests for exercising the Stock Acquisition Rights may be different from the above description depending on the securities company; please make sure to consult with the securities company that handles its brokerage account.
Q3-7 What procedures do we need to take to exercise the Stock Acquisition Rights?	A3-7 To exercise the Stock Acquisition Rights, the Stock Acquisition Rights Holder needs to fill out the required items on the prescribed exercise request form, stamp your seal and submit it to the securities company where your balance of the Stock Acquisition Rights is recorded. At the same time, the Exercise Price (338 yen per Stock Acquisition Right) should be paid (together with commission fee, etc., if charged by the securities company that handles your brokerage account). However, as procedures may vary by securities company, please make sure to consult with the securities company that handles your brokerage account about the specific procedures. Please note that the exercise agent of the Stock Acquisition Rights (the Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited) indicated in the Terms and Conditions of Allotment of the Stock Acquisition Rights does not accept exercise requests directly from the Stock Acquisition Rights Holders.
Q3-8 Where can we obtain the exercise request forms to exercise the Stock Acquisition Rights?	A3-8 The exercise request forms can be obtained at the securities company that handles your brokerage account. Furthermore, the Company will make the template of the exercise request form available on its website (http://www.nichiiko.co.jp/company/press/index.html) and you will be able to print out such template for your use. However, although each securities company is requested to use exercise request forms with the same content, please make sure to consult with the securities company that handles your brokerage account regarding whether an exercise request form of the above template may be accepted.

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	<p>In addition, as explained in Q1-14 above, in case a U.S. Holder exercises the Stock Acquisition Right, it is required to submit an investor letter to the U.S. Private Placement Coordinator and acquire a letter of confirmation determining that such holder is a QIB. A template of such investor letter that may be printed out and used is also available on the Company’s website (http://www.nichiiko.co.jp/english/index.html).</p>
<p>Q3-9 By exercising the Stock Acquisition Rights, when will the shares be available?</p>	<p>A3-9 After the securities company that handles the Stock Acquisition Rights Holder's brokerage account and records the balance of the Stock Acquisition Rights accepts submission of the exercise request form and payment of the Exercise Price from the Stock Acquisition Rights Holder, on the third business day after a request for exercise of the Stock Acquisition Rights is made to the Company from the said securities company and the Subscription Price is paid to the Company from the said securities company through the Commitment Company, the balance of shares of the common stock of the Company to be issued by exercising the Stock Acquisition Rights will be indicated on its brokerage account at the securities company of the Stock Acquisition Rights Holder. From said day, generally, the Stock Acquisition Rights Holder may start trading such shares on the Tokyo Stock Exchange. However, the days required for the procedure may vary by securities company, please make sure to consult with the securities company that handles its brokerage account about the specific procedures.</p>
<p>Q3-10 How much are the expenses to exercise the Stock Acquisition Rights?</p>	<p>A3-10 The expenses for exercising the Stock Acquisition Rights may vary by securities company; please make sure to consult with the securities company that handles your brokerage account.</p>
<p>Q3-11 Is the fee paid to the Commitment Company covered by the investors?</p>	<p>A3-11 The fee paid to the Commitment Company will be covered by the investors in compensation for the total arrangement of this rights offering case. However, we understand that it will not be adverse to the investors since both of the amounts paid by the investors and the amounts raised by the Company after the payment of such fees would not be substantially different, even compared to the case that the</p>

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	<p>payment of all amounts by the investors to the Company is completed and the Company bears the fees paid to the Commitment Company, same as other commitment-type rights offering cases.</p>
<p>Q3-12 Why did the Company adopt this method of payment of the fee?</p>	<p>A3-12 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 issuing company is paid an amount which is obtained by subtracting the amount equivalent to the fees from the amount paid as the issuing price. 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. Taking into account of such effect to the Company's operating performance and furthermore to the share value, we have adopted the method with which the balance amount between the Exercise Price and Subscription Price will be paid to the Commitment Company as the fee.</p>

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.

4. Trading of the Stock Acquisition Rights

Question	Answer
<p>Q4-1 What procedures should be taken to trade the Stock Acquisition Rights in the market?</p>	<p>A4-1 It is the Company’s understanding that trading of the Stock Acquisition Rights in the market may be made through the securities company that handles your brokerage account. However, please make sure to consult with the securities company that handles brokerage account for such Stock Acquisition Rights for details such as the necessary procedures for such trading and the final date for accepting the request for trading brokerage services.</p>
<p>Q4-2 What will the market trading unit be for the Stock Acquisition Rights?</p>	<p>A4-2 The trading unit for the Stock Acquisition Rights will be 100, which is the same as the trading unit for the Company’s listed common stock. The Stock Acquisition Rights in a quantity other than integral multiples of 100 cannot be traded on the market. (However, there is no such restriction on the trading unit when the Stock Acquisition Rights are traded off-market.)</p>
<p>Q4-3 Can we trade shares resulting from exercising the Stock Acquisition Rights allotted for shares less than one unit?</p>	<p>A4-3 Given that the trading unit of the common stock of the Company is 100 shares, you cannot trade shares of the common stock of the Company in a number other than the unit of 100 shares in the market. (However, there is no such restriction on the trading unit when the shares of the common stock of the Company are traded off-market.)</p>
<p>Q4-4 How much money can be made by selling the Stock Acquisition Rights in the market?</p>	<p>A4-4 The amount obtained by subtracting sales commissions and other fees from the contracted price for Stock Acquisition Rights set by the market.</p>

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.

<p>Q4-5 When can I receive money after selling the Stock Acquisition Rights in the market?</p>	<p>A4-5 Three business days after the date when the Stock Acquisition Rights sales contract was executed, payments will be deposited in your brokerage account at your securities company. However, as the procedures for the sale of the Stock Acquisition Rights may vary by securities company, please make sure to consult with the securities company that handles your brokerage account for the specific procedures.</p>
<p>Q4-6 How much is the cost for trading the Stock Acquisition Rights in the market?</p>	<p>A4-6 To trade the Stock Acquisition Rights in the market, you need to pay a sales commission to the securities company which handles your trading. Please make sure to contact your securities company for the specific amount of commission.</p>
<p>Q4-7 In case the Stock Acquisition Rights are acquired through market transactions, what procedures should we take to exercise such rights?</p>	<p>A4-7 The Stock Acquisition Rights acquired in the market will be transferred three business days after the Stock Acquisition Rights sales contract was executed. The procedure for exercising such Stock Acquisition Rights will be the same as for the Stock Acquisition Rights that were initially allotted; please see Q3-7. (Such Stock Acquisition Rights may not be exercised before they are transferred.) However, as the procedures may vary by securities company, please make sure to consult with the securities company that handles brokerage account for such Stock Acquisition Rights about the specific procedures.</p>
<p>Q4-8 When can we trade the Stock Acquisition Rights?</p>	<p>A4-8 The Stock Acquisition Rights are scheduled to be listed on the Tokyo Stock Exchange from Monday, December 9, 2013, the business day immediately following the Shareholder Determination Date. During the period when the Stock Acquisition Rights are listed on the market, the trading of those Stock Acquisition Rights is possible on the market. The Stock Acquisition Rights are scheduled to be delisted on Monday, January 20, 2014, and the specific schedule for delisting will be announced at a later date by the Tokyo Stock Exchange. The last date for trading on the market will be the business day preceding the date of delisting. Please make sure to inquire for details on trading brokerage services at the securities company that handles your brokerage account.</p>

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.

<p>Q4-9 Please provide the explanation of tender offer regulations upon acquisition of the Stock Acquisition Rights.</p>	<p>A4-9 We understand that the Stock Acquisition Rights can be acquired from negotiation transaction without going through the market of the Tokyo Stock Exchange, or off-floor trading of such market. However, in case you acquire the Stock Acquisition Rights by such means, please note that you may have to take procedure of tender offer if the acquisition applies to any of the items of Article 27-2, paragraph 1, depending on the acquisition period, the number of people in counterparty of acquisition, and the number of acquired Stock Acquisition Rights. Please consult with attorneys, etc. for details</p>
<p>Q4-10 Can Stock Acquisition Rights be substitute collateral for margin transactions?</p>	<p>A4-10 The Stock Acquisition Rights are not eligible for substitute securities for margin transactions.</p>

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.

5. Acquisition of the Stock Acquisition Rights

Question	Answer
<p>Q5-1 How will the Stock Acquisition Rights be treated if they are not exercised?</p>	<p>A5-1 All Stock Acquisition Rights not exercised by the Stock Acquisition Rights Holders during the General Investors Exercise Period (from Tuesday, January 14, 2014, to Friday, January 24, 2014 (Please refer to Q 3-6 for the details of the exercise request period in practice)) will be acquired by the Company on Wednesday, January 29, 2014, and the Stock Acquisition Rights Holders pertaining to non-exercised Stock Acquisition Rights will be paid with Delivered Property in the form of dividend certificates as consideration for the acquisition. (The Delivered Property could be 0 yen, depending on the VWAP Price on Tuesday, January 28, 2014 (please see Q 5-2)). If the Stock Acquisition Rights are thus acquired by the Company, General Investors cannot exercise the Stock Acquisition Rights to acquire the common stock of the Company after such acquisition.</p>
<p>Q5-2 How will the Delivered Property for the Stock Acquisition Rights be determined?</p>	<p>A5-2 The Delivered Property per Stock Acquisition Right will be 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 the regular transaction of the common stock of the Company on Tuesday, January 28, 2014, quoted by Tokyo Stock Exchange (if the VWAP Price is not quoted on such date, the VWAP Price on the immediately preceding date shall be applied) (a fraction of less than one yen shall be rounded down).</p>
<p>Q5-3 How will the Delivered Property for the Stock Acquisition Rights be paid?</p>	<p>A5-3 The Delivered Property will be paid in the form of dividend certificates to the Stock Acquisition Rights Holders of non-exercised Stock Acquisition Rights, although the actual date of payment has not yet been determined. (It is possible that such date will be in or after March 2014.)</p>
<p>Q5-4 What will happen to the acquired Stock Acquisition Rights?</p>	<p>A5-4 All of the non-exercised Stock Acquisition Rights acquired by the Company as per the acquisition clause are planned to be transferred to the Commitment Company on Thursday, January 30, 2014, pursuant to the Commitment Agreement. The</p>

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.

	Commitment Company is expected to exercise all of such Stock Acquisition Rights.
<p>Q5-5</p> <p>How will the transfer price of the Stock Acquisition Rights to the Commitment Company be determined?</p>	<p>A5-5</p> <p>The transfer price of one Stock Acquisition Right to the Commitment Company will be equivalent to the amount obtained by subtracting 338 yen, the Exercise Price, from 90% of the amount obtained by multiplying 0.5 to the VWAP Price of the regular transaction of the common stock of the Company on Tuesday, January 28, 2014, quoted by the Tokyo Stock Exchange (if there is no VWAP Price quoted on said day, the VWAP Price quoted on the immediately preceding date) (to be zero (0) yen if it is negative; fractions of less than one yen, if any, shall be rounded down); provided, however, that, if the result of the calculation does not exceed the Delivered Property, the transfer price will be equivalent to the Delivered Property but if the Delivered Property is zero (0) yen, the Commitment Company will take over all of the Company-acquired Stock Acquisition Rights for one (1) yen in total.</p>
<p>Q5-6</p> <p>Is it certain that the Commitment Company will exercise the Stock Acquisition Rights acquired from the Company?</p>	<p>A5-6</p> <p>Pursuant to the Commitment Agreement, the Commitment Company will exercise all of the Stock Acquisition Rights acquired from the Company on Thursday, January 30, 2014, in principle. However, the Stock Acquisition Rights may neither be transferred to nor exercised by the Commitment Company or the Commitment Agreement could be cancelled in the event of material violation of obligations specified in said Agreement or elsewhere by the Company or serious circumstances that could adversely affect the Company’s business performance even after the Company had entered into the Commitment Agreement.</p>

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.

6. Taxes

This section describes the understanding of the Company on the tax matters relating to the Stock Acquisition Rights that concern individual shareholders and the Stock Acquisition Rights Holders.

Notwithstanding such understanding, it is advised that the Company’s shareholders and the Stock Acquisition Rights Holders, either individual or institutional, confer with their certified tax accountants or other applicable specialists or the securities companies that handle their brokerage accounts about the tax matters and securities accounts concerning the Stock Acquisition Rights.

The tax matters concerning the Stock Acquisition Rights for the Stock Acquisition Rights Holders residing overseas may differ from those applicable in Japan due to differences in the applicable laws and regulations. Therefore, Stock Acquisition Rights Holders residing overseas are encouraged to consult with attorneys, certified tax accountants or other experts who are familiar with the applicable laws and regulations in their respective countries.

Question	Answer
<p>Q6-1 Will the Stock Acquisition Rights go into a special account or a general account?</p>	<p>A6-1 Irrespective of which account—special or general—is used to manage the shares of the common stock of the Company held by shareholders, the Stock Acquisition Rights acquired through the allotment of stock acquisition rights without contribution from the Company may be deposited in a special account. If the Stock Acquisition Rights are acquired through market trading, they may be deposited in a special account. In addition, the shares of the common stock of the Company to be issued through the exercise of the Stock Acquisition Rights managed through a special account may be deposited in a special account. As there might be differences from company to company in how to deal with the above matters, please consult your securities company for details.</p>
<p>Q6-2 What about the taxes pertaining to the transfer of the Stock Acquisition Rights?</p>	<p>A6-2 The acquisition cost for the Stock Acquisition Rights acquired through the allotment of stock acquisition rights without contribution will be 0 yen as a rule. The acquisition cost for the Stock Acquisition Rights acquired through market trading will equal the cost of the acquisition (which includes sales commissions).</p>

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	<p>If the Stock Acquisition Rights are transferred by consigning sales thereof to a securities company, a gain from that transfer, which equals the transfer price less the acquisition cost and the cost of the transfer, inclusive of applicable consumption taxes, will be taxable.</p> <p>Note 1: The rate of tax on a transfer gain for 2013 will be 10% (7% income tax, 3% residence tax). In addition, a special income tax for reconstruction equaling 2.1% of the income tax will be imposed.</p> <p>Note 2: The rate of tax on a transfer gain for 2014 and thereafter will be 20% (15% income tax, 5% residence tax). In addition, a special income tax for reconstruction equaling 2.1% of the income tax will be imposed annually for the period until December 31, 2037.</p>
<p>Q6-3 If the Stock Acquisition Rights managed through a general account are transferred by consigning sales thereof to a securities company, will any gains from the transfer need to be declared on a tax return?</p>	<p>A6-3 We understand that there are cases that require such declaration.</p>
<p>Q6-4 How much will the acquisition cost be for shares of the common stock of the Company to be newly acquired by exercising the Stock Acquisition Rights?</p>	<p>A6-4 Such acquisition cost will be as follows according to how the Stock Acquisition Rights are acquired.</p> <ol style="list-style-type: none"> 1) If the Stock Acquisition Rights are acquired through the allotment of stock acquisition rights without contribution The acquisition cost will be “the Exercise Price per Stock Acquisition Right” × “the number of exercised Stock Acquisition Rights.” 2) If the Stock Acquisition Rights are acquired through market trading The acquisition cost will be calculated by multiplying the acquisition cost per share being the sum of “the Exercise Price per Stock Acquisition Right” and (“the acquisition cost immediately before the exercise of Stock Acquisition Rights, including the

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	<p>sales commissions for the acquisition” ÷ “the number of Stock Acquisition Rights held immediately before the exercise thereof) by “the number of exercised Stock Acquisition Rights.”</p> <p>We understand, as explained in Q1-9, that ex-rights will be reflected in the share price of the common stock of the Company from Wednesday, December 4, 2013, as a result of the allotment of stock acquisition rights without contribution, but will not be reflected in the acquisition cost in relation to taxation for shares of common stock of the Company that were held by shareholders before the allotment of stock acquisition rights without contribution.</p>
<p>Q6-5</p> <p>In the event of delisting, any non-exercised Stock Acquisition Rights will be acquired by the issuing company as per the acquisition clause. In that case, how will it be taxed?</p>	<p>A6-5</p> <p>Pursuant to the acquisition clause, any non-exercised Stock Acquisition Rights will be acquired by the Company. In that case, the amount obtained by deducting the acquisition cost for the Stock Acquisition Rights Holders acquiring the Stock Acquisition Rights from the acquisition cost for the Company’s acquisition of the Stock Acquisition Rights will be taxable as a gain (or a loss if such amount is below zero (0) yen) from the transfer of the Stock Acquisition Rights.</p> <p>The non-exercised Stock Acquisition Rights acquired by the Company will be withdrawn from the special account at the time of delisting and therefore will not be included in the calculation of the special account.</p> <p>Note: The rate of tax on a gain from the transfer of unlisted Stock Acquisition Rights is 20% (15% income tax, 5% residence tax). In addition, a special income tax for reconstruction equaling 2.1% of the income tax will be imposed annually for the period until December 31, 2037.</p>

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7. Obligation to file the large shareholding report

Question	Answer
<p>Q7-1</p> <p>Please provide the explanation of the obligation of filing of a large shareholding report or a change report upon transaction of the Stock Acquisition Rights.</p>	<p>A7-1</p> <p>We understand that, according to the current legal system, if the shareholding ratio of a shareholder exceeds 5%, he/she is obliged to file a large shareholding report (Article 27-23 of the Financial Instruments and Exchange Act), and if the shareholding ratio of the shareholder who filed the large shareholding report increases or decreases 1% or more, he/she may be obliged to file a change report (Article 27-25 of the Financial Instruments and Exchange Act). The shareholding ratio is calculated as follows:</p> <p>Shareholding ratio = A/B</p> <p>A = number of shares held (shareholder + joint holder) + number of dilutive shares (shareholder + joint holder)</p> <p>B = total number of shares issued + number of dilutive shares (shareholder + joint holder)</p> <p>"Number of dilutive shares (shareholder + joint holder)" is the number of the common stock of the Company eligible for the Stock Acquisition Rights held by a filer and its joint holder at the time that the obligation of filing of a large shareholding report or a change report (the "large shareholding reports, etc.") occur. However, with respect to the Stock Acquisition Rights allotted without contribution, the number of dilutive shares is zero (0) since the period from the allotment date of the Stock Acquisition Rights to the last date of the exercise period is less than two months and the Company has entered into the Commitment Agreement with the Commitment Company.</p> <p>* "Total number of shares issued" is 40,729,417 as of November 27, 2013.</p> <p>As to the state of exercise of the Stock Acquisition Rights and the total number of shares issued, as stated in "7. Way of Announcement of the Status of Exercise" in the Company's "Notice Concerning the Commitment-type Rights Offering (Allotment of Listing-type Stock Acquisition Rights without Contribution)" as of Wednesday, November 27, 2013, (1) the status of exercise as of Tuesday, January 14, 2014 and the total number of shares issued as of Tuesday, January 14, 2014 will be announced on Thursday,</p>

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.

	<p>January 16, 2014, (2) the status of exercise until Thursday, January 16, 2014 and the total number of shares issued as of Thursday, January 16, 2014 will be announced on Monday, January 20, 2014, (3) the status of exercise until Monday, January 20, 2014 and the total number of shares issued as of Monday, January 20, 2014 will be announced on Wednesday, January 22, 2014, (4) the status of exercise until Wednesday, January 22, 2014 and the total number of shares issued as of Wednesday, January 22, 2014 will be announced on Friday, January 24, 2014, and (5) the status of exercise until Friday, January 24, 2014 and the total number of shares issued as of Friday, January 24, 2014 will be announced on Tuesday, January 28, 2014.</p> <p>The calculating formula above represents a brief account of calculation of shareholding ratio and it is possible that you need to adopt another calculating formula depending on individual situations. Please calculate the shareholding ratio and make decisions on whether the obligation of submission of a large shareholding report, etc. occurs or not, on your own responsibility.</p>
<p>Q7-2 Please provide the explanation of the obligation of filing of a large shareholding report, etc. upon allotment of the Stock Acquisition Rights.</p>	<p>A7-2 We understand that, with respect to the Stock Acquisition Rights allotted without contribution by this Rights Offering, number of dilutive shares thereof is zero (0) since the period from the allotment date of the Stock Acquisition Rights to the last date of the exercise period is less than two months and the Company has entered into the Commitment Agreement with the Commitment Company.</p> <p>Therefore, we understand that the obligation of submission of a large shareholding report, etc. does not occur at the time of allotment of the Stock Acquisition Rights. Please make decisions, on each shareholder's responsibility, on whether the obligation of submission of a large shareholding report, etc. occurs or not, upon consultation with attorneys.</p>
<p>Q7-3 Please provide the explanation of the obligation of filing of a change report during the exercise period of the Stock Acquisition Rights.</p>	<p>A7-3 During the exercise period, as the Company's total number of shares issued gradually increases due to the exercise of the Stock Acquisition Rights by other Stock Acquisition Rights Holders, the shareholding ratio of the shareholder who does not exercise the Stock Acquisition Rights and the Stock Acquisition Rights Holder gradually decreases. However, we understand that, according to the current legal system, unless the shareholder or the Stock Acquisition Rights Holder exercise the Stock Acquisition Rights or trade the Stock Acquisition Rights or the common stock of the Company by themselves, he/she does not need to file a change</p>

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	report.
<p>Q7-4</p> <p>Please provide the explanation of the obligation of filing of a large shareholding report, etc. upon exercise of the Stock Acquisition Rights.</p>	<p>A7-4</p> <p>We understand that when the change in the breakdown of shares held by a Stock Acquisition Rights Holder due to the exercise of the Stock Acquisition Rights is 1% or more in the total number of shares issued, such Stock Acquisition Rights Holder needs to file a change report of a large shareholding report.</p> <p>Also, since the number of dilutive shares of the Stock Acquisition Rights allotted without contribution is zero (0) as explained in Q7-2, the total number of shares held and dilutive shares increases upon exercise, and in response to such increase, if the shareholding ratio exceeds 5% or the shareholding ratio of a filer of a large shareholding report increases by 1% or more, the obligation of filing a large shareholding report and a change report respectively may occur.</p> <p>Upon filing a change report, it is expected that other information also needs to be stated based on the status as of the accrual date of filing obligation, such as a change in the shareholding ratio of the file as a result of the gradual increase of the Company's total number of shares issued due to the exercise of the Stock Acquisition Rights by other Stock Acquisition Rights Holders as explained in Q7-3. During the exercise period of the Stock Acquisition Rights, the Company will announce from time to time the state of exercise of the Stock Acquisition Rights and the total number of shares issued at that time. We understand that the shareholding ratio calculated based on the latest total number of shares issued announced by the Company should be stated in the change report.</p>
<p>Q7-5</p> <p>Please provide the explanation of the obligation of filing of a large shareholding report, etc. at the time of expiration of the exercise period of the Stock Acquisition Rights.</p>	<p>A7-5</p> <p>The Stock Acquisition Rights not exercised by the Stock Acquisition Rights Holders will be acquired by the Company on Wednesday, January 29, 2014. We understand that since the number of dilutive shares of the Stock Acquisition Rights allotted without contribution is zero (0) as explained in Q7-2 above, the Company's acquisition of the Stock Acquisition Rights at the expiration of the exercise period does not lead to change in the shareholding ratio of the Stock Acquisition Rights Holders. However, we understand that with regard to the Stock Acquisition Rights not acquired through the allotment of stock acquisition rights without contribution such as those acquired through market trading may decrease the shareholding ratio upon the Company's acquisition and the submission of a change report by the relevant Stock Acquisition Rights Holders may be required.</p>

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《Schedule for the Rights Offering》

	December																														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue
Period during which the Stock Acquisition Rights may be trade																															
Period during which the Stock Acquisition Rights are exercisable																															

	January																														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri
Period during which the Stock Acquisition Rights may be trade																															
Period during which the Stock Acquisition Rights are exercisable																															

Note: The procedures for and the period for accepting the sale and purchase of the Stock Acquisition Rights, and the period and method for accepting a request for the exercise of the Stock Acquisition Rights may vary by securities companies. Therefore, each Stock Acquisition Rights Holder is requested to consult with the securities companies that handle its brokerage account.

For any inquiries other than above and contact information:

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

(excluding December 31, 2013 to January 4, 2014)