

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

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

1. Name of the Stock Acquisition Rights

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

2. Allotment method of the Stock Acquisition Rights

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

3. Total number of the Stock Acquisition Rights

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

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

December 9, 2013

5. Description of the Stock Acquisition Rights

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

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

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

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

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

(3) Exercise period of the Stock Acquisition Rights

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

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

(i) The amount of increase in capital in the event of issuance of shares upon exercise of the Stock Acquisition Rights shall be one-half of the maximum

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amount of increase in capital as calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Ordinance, with any fraction less than one yen being rounded up to the nearest yen.

- (ii) The amount of increase in capital reserve in the event of issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by deducting the amount of increase in capital set forth in (i) above from the maximum amount of increase in capital as described in (i) above.

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

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

(6) Conditions for exercise of the Stock Acquisition Rights

One Stock Acquisition Right may not be exercised in part.

(7) Acquisition clause to the Stock Acquisition Rights

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

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

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

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

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

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

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7. Exercise Agent of the Stock Acquisition Rights

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

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

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

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

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

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

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

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

10. Method of delivery of shares

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

11. Book-Entry Transfer Institution

Japan Securities Depository Center, Incorporated

12. Others

- (1) Upon exercise of the Stock Acquisition Rights, common stock of the Company shall be newly issued, and treasury stock shall not be used.
- (2) Each of the above items shall be subject to the effectiveness of the registration concerning the Allotment of Stock Acquisition Rights without Contribution required by the Financial Instruments and Exchange Act.
- (3) In addition to the foregoing items, the President and CEO of the Company is authorized to determine all matters and to take any other action necessary in connection with the issue of the Stock Acquisition Rights.

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