

Please note that the following is an unofficial English translation of the original Japanese text of the press release of Nichi-Iko Pharmaceutical Co., Ltd. Nichi-Iko Pharmaceutical Co., Ltd. provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.



May 14, 2013

To whom it may concern:

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

Notice Concerning Stock Options (Stock Acquisition Rights)

Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) hereby announces that the Board of Directors, at its meeting held today, determined that it will propose in the 49th Annual General Meeting of Shareholders scheduled to be held on June 21, 2013, to delegate to the Board of Directors the determination of the terms and conditions of the stock acquisition rights issued as stock options to Executive Officers and employees of the Company and Directors and employees of the Company's subsidiaries in accordance with Articles 236, 238 and 239 of the Companies Act, the details of which are as follows.

Particulars

1. Reasons for Issuing the Stock Acquisition Rights with Particularly Favorable Condition

The stock acquisition rights will be issued to Executive Officers and employees of the Company and Directors and employees of the Company's subsidiaries with the objective of rewarding their contribution to the business performance of our group and further strengthening the motivation and morale to improve the business performance.

2. Amount to be Paid for the Stock Acquisition Rights

No money shall be required to be paid.

3. Allotment Date of the Stock Acquisition Rights

Determination shall be delegated to the Board of Directors of the Company.

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4. Terms of the Stock Acquisition Rights

(1) Class and Number of Shares Underlying the Stock Acquisition Rights

The maximum amount shall be 50,000 shares of common stock of the Company.

In the event that the Company undertakes a stock split or a reverse stock split, the number of shares underlying the stock acquisition rights shall be adjusted in accordance with the following formula; provided, however, that such adjustment shall be applied only to the shares underlying the stock acquisition rights then exercised, and any fractions less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares after adjustment} = \frac{\text{Number of shares before adjustment}}{\text{adjustment}} \times \text{Split (or reverse split) ratio}$$

Also, in the event of a merger, a corporate split of the Company, a stock-for-stock exchange or a stock-for-stock transfer of the Company (collectively, the “Merger, etc.”), allotment of shares without contribution or other similar events requiring an adjustment of the number of shares, the number of shares shall be adjusted as appropriate within reasonable range, taking into account the terms of Merger, etc. and allotment of shares without contribution and other factors.

(2) Total Number of the Stock Acquisition Rights

The maximum amount shall be 500. Number of shares subject to the stock acquisition rights shall be 100 per one stock acquisition right; provided, however, that in the event of adjustment of the number of shares as set forth in (1) above, the same adjustment shall be made.

(3) Value of the Property to be Contributed upon Exercise of the Stock Acquisition Rights

Contribution upon exercise of the stock acquisition rights shall be made in cash, and such amount shall be the amount obtained by multiplying the amount to be paid per share upon exercise of the stock acquisition rights (the “Exercise Price”) by the number of shares subject to each stock acquisition right. The Exercise Price shall be the closing price of the common stock of the Company on the Tokyo Stock Exchange (regular way) on the day on which the stock acquisition rights are allotted (the “Allotment Date”) (if there is no closing price on such day, then the closing price on the nearest preceding day).

In the event that the Company undertakes a stock split or a reverse stock split of its shares of common stock, the Exercise Price shall be adjusted in accordance with the following formula, taking into account the stock split or reverse stock split ratio, and any amounts less than one yen resulting from such adjustment shall be rounded upward.

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$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split (or reverse split) ratio}}$$

In the event that the Company issues new shares of the common stock of the Company or disposes treasury common stocks of the Company for the amount less than the current market price per share (excluding the sale of treasury stocks in accordance with the provisions of Article 194 of the Companies Act (demand for the sale of shares less than one unit by a holder of shares less than one unit), or conversion or exercise of the securities that will or can be converted into the common stock of the Company or the stock acquisition rights under which delivery of the common stock of the Company can be requested), the Exercise Price shall be adjusted in accordance with the following formula and any amounts less than one yen resulting from such adjustment will be rounded upward.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of newly-issued shares} \times \text{Amount paid per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of newly-issued shares}}$$

In the above formula, the “Number of issued shares” means the total number of shares of common stock of the Company already issued excluding those held by the Company and, in case of disposal of treasury stocks, “Number of newly-issued shares” shall be read as “Number of treasury stocks disposed”.

In addition to the above, in the event that the Company undertakes Merger, etc., allotment of shares without contribution or other similar events requiring an adjustment of the Exercise Price, the Exercise Price shall be adjusted as appropriate within reasonable range, taking into account the terms of Merger, etc. and allotment of shares without contribution and other factors.

(4) Period during which the Stock Acquisition Rights can be Exercised

From the day after 2 years from the next day of the resolution of allotment to September 30, 2018; provided, however, in the event that the last day of the exercise period falls upon non-business day of the Company, the business day immediately preceding such day shall be the last day.

(5) 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

- (a) The amount of increase in capital in the event of issuance of shares upon exercise of the stock acquisition rights shall be one-half of the maximum amount of increase in capital as calculated pursuant to Article 17, Paragraph 1 of the Company Accounting Ordinance, with any fraction less than one yen being rounded up to the nearest yen.

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- (b) 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 (a) above from the maximum amount of increase in capital set forth in (a) above.

(6) Conditions for Exercise of the Stock Acquisition Rights

- (a) The holders of the stock acquisition rights are required to be Directors, statutory auditors or employees of the Company or the Company's subsidiaries at the time of exercise of the stock acquisition rights. Provided, however it shall not apply to Directors who retired by termination of their terms or employees who resigned by age-limit retirement, or to the circumstances when the Board of Directors approved a valid reason.
- (b) Inheritance of the stock acquisition rights shall not be permitted.
- (c) The stock acquisition rights holder may not exercise the stock acquisition rights in the event that the Company determines that such holder violated of the disciplinary provisions of the Company or committed acts which the Company determines as equivalent to such violation, and the Company reasonably determined it is not suitable to let the holder to exercise the stock acquisition rights.
- (d) The stock acquisition rights holder may not exercise the stock acquisition rights when they were sentenced to the punishment more serious than imprisonment.
- (e) Other conditions of exercise shall be set forth in the "Allotment Agreement of the Stock Acquisition Rights" entered into between the Company and the stock acquisition rights holder, based on the resolutions of the 49th Annual General Meeting of Shareholders and the Board of Directors' Meeting scheduled to be held on June 21, 2013.

(7) Conditions for Acquisition of the Stock Acquisition Rights

- (a) In the event that the stock acquisition rights holder is disqualified for conditions for exercise of its stock acquisition rights as set forth in (6) above, the Company shall be entitled to acquire such stock acquisition rights without consideration.
- (b) In the event that proposal for a merger agreement under which the Company is the merged company, or an agreement or plan of a stock-for-stock exchange or a stock-for-stock transfer under which the Company becomes a wholly-owned subsidiary of another company is approved at the General Meeting of Shareholders of the Company, the Company shall be entitled to acquire the stock acquisition rights without consideration.

(8) Transfer Restriction of the Stock Acquisition Rights

Acquisition of the stock acquisition rights by transfer shall not be permitted.

(9) Handling of the Stock Acquisition Rights in the Event of Reorganization

In the event that the agreement or plans, etc. regarding reorganization provides that the stock acquisition rights of the following companies are delivered, the stock acquisition rights of the

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following companies shall be delivered according to the ratio of the reorganization.

- (a) Merger (limited to the case where the Company is merged)

The merging company or newly-established company by merger.

- (b) Absorption-type Corporate Split

The company which succeeds all or a part of rights and obligations for the business of the company undertaking the absorption-type corporate split.

- (c) Incorporation-type Corporate Split

The company to be established by incorporation-type corporate split.

- (d) Stock-for-stock Exchange

The company which acquires all issued shares of the company undertaking stock-for-stock exchange.

- (e) Stock-for-stock Transfer

The company to be established by stock-for-stock transfer.

- (10) Treatment of Fractions of Less than One Share

Any fractions of less than one share shall be disregarded when calculating the number of shares to be delivered to the Stock Acquisition Rights Holder upon exercise of the stock acquisition rights.

- (11) Other Matters Regarding the Stock Acquisition Rights

With other terms and conditions, other matters regarding the stock acquisition rights shall be determined at the Board of Directors to be held in relation to the issuance of the stock acquisition rights.

- (12) Non-issuance of Certificate of the Stock Acquisition Rights

The Company shall not issue certificates for the stock acquisition rights.

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