

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 Issuance of Short-term and Mid-term Stock Options for Stock-based Compensation

Nichi-Iko Pharmaceutical Co., Ltd. (the “Company”) hereby announces that the Board of Directors, at its meeting held today, determined the terms and conditions of the stock acquisition rights to be allocated as short-term and mid-term stock options for stock-based compensation to its Directors (excluding external director), Entrusted Executive Officers and Entrusted Administration Officers in accordance with the resolution of “Determination of Terms of Issuance of Stock Options for Stock-based Compensation to Directors” as adopted at the 47th Annual General Meeting of Shareholders and Articles 236, 238 and 240 of the Companies Act, and resolved to offer such stock acquisition rights, the details of which are as follows.

Particulars

1. Objective

The short-term and mid-term stock options for stock-based compensation will be issued to Directors (excluding external director), Entrusted Executive Officers and Entrusted Administration Officers with the objective of restructuring executive compensation schemes as a part of management reforms, and reinforcing incentive to improve the Company's business performance as well as enhancing shareholder-oriented management awareness of Directors (excluding external director), Entrusted Executive Officers and Entrusted Administration Officers.

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2. Terms and Conditions of the Issuance of Short-term Stock Acquisition Rights for Stock-based Compensation

(1) Name of the Stock Acquisition Rights

Nichi-Iko Pharmaceutical Co., Ltd. Short-term Stock Acquisition Rights No. 1

(2) Category and Number of Persons Eligible to Receive Allocation

Directors of the Company (excluding external director): 6

Entrusted Executive Officers and Entrusted Administration Officers of the Company: 8

(3) Total Number of the Stock Acquisition Rights: 971

The total number set forth above is the number of the stock acquisition rights expected to be issued. In the event that the total number of stock acquisition rights to be allocated is reduced, including the event where applications for subscription fall short, then the total number of stock acquisition rights to be allocated shall be the total number of stock acquisition rights to be issued.

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

The class of shares underlying the stock acquisition rights shall be the Company's common stock, and the number of shares to be delivered upon exercise of one stock acquisition right (the "Number of Underlying Shares") shall be 10 shares.

In the event that the Company undertakes a stock split or a reverse stock split of its shares of common stock, the Number of Underlying Shares shall be adjusted in accordance with the following formula and any fractions less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of Underlying Shares after adjustment} = \frac{\text{Number of Underlying Shares before adjustment}}{\text{Stock split (or reverse stock split) ratio}}$$

Also, in the event of a merger or a corporate split of the Company (undertaken after the allotment date) or allotment of shares without contribution or other similar events requiring an adjustment of the Number of Underlying Shares, the Number of Underlying Shares shall be adjusted as appropriate and within reasonable range.

(5) Amount to be Paid for the Stock Acquisition Rights

The amount to be paid for the stock acquisition rights shall be based on the fair value calculated by Black-Scholes model on the allotment date. The holder of the stock acquisition rights (the "Stock Acquisition Rights Holder") shall offset the payment of such amount against remuneration receivables to the Company.

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(6) Allotment Date of the Stock Acquisition Rights

May 31, 2013

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

The amount shall be obtained by multiplying the Number of Underlying Shares by 1 yen, which is the amount paid per share upon exercise of the stock acquisition rights.

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

From June 1, 2013 to August 31, 2013

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.

(9) Conditions for Exercise of the Stock Acquisition Rights

- (a) In the event of death of a Stock Acquisition Rights Holder, the stock acquisition rights may be exercised only when all the stock acquisition rights are succeeded by one person who is the Stock Acquisition Rights Holder's spouse or the first-degree family members and is also the legal heir (the "Successor").
- (b) 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.

(10) Matters Concerning Acquisition of the Stock Acquisition Rights

- (a) In the event that the Stock Acquisition Rights become unexercisable pursuant to (9) above or the Allotment Agreement of Stock Acquisition Rights before exercised by the Stock Acquisition Rights Holder, the Company shall be entitled to acquire such stock acquisition rights without consideration on the date separately determined by the Board of Directors of the Company.
- (b) In the event that proposal for a merger agreement under which the Company is the merged company, an absorption-type corporate split agreement or an incorporation-type corporate split plan under which the Company is the split company, or a stock-for-stock exchange agreement or a stock-for-stock transfer plan under which the Company becomes a wholly-owned subsidiary of another company is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company when the General Meeting of Shareholders is not required), the Company shall be entitled to acquire the stock acquisition rights outstanding as of the date separately determined by the Board of Directors of the Company without consideration.

(11) Transfer Restriction of the Stock Acquisition Rights

Any acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.

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(12) 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.
- (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.

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

In the event of a merger (limited to the case where the Company is merged), an absorption-type corporate split, an incorporation-type corporate split, a stock-for-stock exchange or a stock-for-stock transfer undertaken by the Company (collectively the “Reorganization Event”), the Company shall be able to deliver stock acquisition rights of the companies listed in Article 236, Paragraph 1, Item 8, (i) to (v) of the Companies Act (the “Reorganizing Companies”) to the Stock Acquisition Rights Holders on the effective date of the Reorganization Event, except as otherwise provided in merger agreement, consolidation agreement, agreement of absorption-type corporate split, plan for incorporation-type corporate split, stock-for-stock exchange agreement or stock-for-stock transfer plan.

(14) 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.

(15) Non-issuance of Certificate of Stock Acquisition Rights

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

(16) Payment Handling Bank for Value of the Property to be Contributed upon Exercise of Stock Acquisition Rights

1-2-26 Tsutsumicho-dori, Toyama City, Toyama
Hokuriku Bank, Ltd., Head Office

3. Terms and Conditions of the Issuance of Mid-term Stock Acquisition Rights for Stock-based Compensation

(1) Name of the Stock Acquisition Rights

Nichi-Iko Pharmaceutical Co., Ltd. Mid-term Stock Acquisition Rights No. 1

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(2) Category and Number of Persons Eligible to Receive Allocation

Directors of the Company (excluding external director): 6
Entrusted Executive Officers and Entrusted Administration Officers of the Company: 8

(3) Total Number of the Stock Acquisition Rights: 2,033

The total number set forth above is the number of the stock acquisition rights expected to be issued. In the event that the total number of stock acquisition rights to be allocated is reduced, including the event where applications for subscription fall short, then the total number of stock acquisition rights to be allocated shall be the total number of stock acquisition rights to be issued.

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

The class of shares underlying the stock acquisition rights shall be the Company's common stock, and the number of shares to be delivered upon exercise of one stock acquisition right (the "Number of Underlying Shares") shall be 10 shares.

In the event that the Company undertakes a stock split or a reverse stock split of its shares of common stock, the Number of Underlying Shares shall be adjusted in accordance with the following formula and any fractions less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of Underlying Shares after adjustment} = \text{Number of Underlying Shares before adjustment} \times \text{Stock split (or reverse stock split) ratio}$$

Also, in the event of a merger or a corporate split of the Company (undertaken after the allotment date) or allotment of shares without contribution or other similar events requiring an adjustment of the Number of Underlying Shares, the Number of Underlying Shares shall be adjusted as appropriate and within reasonable range.

(5) Amount to be Paid for the Stock Acquisition Rights

The amount to be paid for the stock acquisition rights shall be based on the fair value calculated by Black-Scholes model on the allotment date. The holder of the stock acquisition rights (the "Stock Acquisition Rights Holder") shall offset the payment of such amount against remuneration receivables to the Company.

(6) Allotment Date of the Stock Acquisition Rights

May 31, 2013

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

The amount shall be obtained by multiplying the Number of Underlying Shares by 1 yen, which is the amount paid per share upon exercise of the stock acquisition rights.

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

From July 1, 2016 to September 30, 2016; 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.

(9) Conditions for Exercise of the Stock Acquisition Rights

- (a) In the event that 2 or more items of 4 items, which are sales, operating income, ordinary income and net income for the year, exceed the published value (either planned value or revised value) for the fiscal year ended March, 2016, the final year of the 6th mid-term business plan, the stock acquisition rights may be exercised during the exercise period as set forth in (8) above.
- (b) In the event of death of a Stock Acquisition Rights Holder, the stock acquisition rights may be exercised only when all the stock acquisition rights are succeeded by one person who is the Stock Acquisition Rights Holder's spouse or the first-degree family members and is also the legal heir (the "Successor").
- (c) 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.

(10) Matters Concerning Acquisition of the Stock Acquisition Rights

- (a) In the event that the Stock Acquisition Rights become unexercisable pursuant to (9) above or the Allotment Agreement of Stock Acquisition Rights before exercised by the Stock Acquisition Rights Holder, the Company shall be entitled to acquire such stock acquisition rights without consideration on the date separately determined by the Board of Directors of the Company.
- (b) In the event that proposal for a merger agreement under which the Company is the merged company, an absorption-type corporate split agreement or an incorporation-type corporate split plan under which the Company is the split company, or a stock-for-stock exchange agreement or a stock-for-stock transfer plan under which the Company becomes a wholly-owned subsidiary of another company is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company when the General Meeting of Shareholders is not required), the Company shall be entitled to acquire the stock acquisition rights outstanding as of the date separately determined by the Board of Directors of the Company without consideration.

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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.

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

In the event of a merger (limited to the case where the Company is merged), an absorption-type corporate split, an incorporation-type corporate split, a stock-for-stock exchange or a stock-for-stock transfer undertaken by the Company (collectively the “Reorganization Event”), the Company shall be able to deliver stock acquisition rights of the companies listed in Article 236, Paragraph 1, Item 8, (i) to (v) of the Companies Act (the “Reorganizing Companies”) to the Stock Acquisition Rights Holders on the effective date of the Reorganization Event, except as otherwise provided in merger agreement, consolidation agreement, agreement of absorption-type corporate split, plan for incorporation-type corporate split, stock-for-stock exchange agreement or stock-for-stock transfer plan.

(14) Treatment of Fractions of Less than One Share

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(15) Non-issuance of Certificate of Stock Acquisition Rights

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