

Notice Concerning the Establishment of the 5th Medium-term Management Plan

Hisamitsu Pharmaceutical Co., Inc. (Head Office: Tosu city, Saga prefecture, Japan; President and CEO: Hirotaka Nakatomi, hereinafter referred to as “Hisamitsu”) hereby announces that it has established its "5th Medium-term Management Plan" spanning five years from the year ending February 2015 (FY2014) as follows.

1. Background of the 5th Medium-term Management Plan

Hisamitsu has formulated the 1st through 4th Medium-term Management Plans to achieve sustained growth in the future.

The basic policies under the 4th Medium-term Management Plan (FY2009-FY2013) were strengthening differentiation of products and sales, becoming internationally competitive, and strengthening development of TDDS R&D. The results were as follows.

- (1) Strengthening differentiation of products and sales: Efforts were focused on the provision of information and promotional activities through the release and development of new products in both the Rx products business and the OTC products business.
- (2) Becoming internationally competitive: Increased sales of Noven, which was acquired in July 2009, and other overseas subsidiaries led to significant growth in the overseas business.
- (3) Strengthening development of TDDS R&D: 5 R&D pipeline products were approved and released.

Meanwhile, due to the unexpectedly large negative impact of changes in the external environment, intensification of the competitive environment, and cancellation of pipeline development, the results fell short of the targets and indicators initially established.

In the 5th Medium-term Management Plan, the following basic policies will be implemented to ensure the achievement of targets and indicators in the final fiscal year of the five-year period (FY2018) with the aim of overcoming issues and achieving future growth.

2. Basic Policies under the 5th Medium-term Management Plan

(1) Further expansion of presence in the domestic market

1. Rx Business

- Maintain sales of pain relieving anti-inflammatory patches
- Increase sales of new products
- Expansion of lineup of items sold in the orthopedic and pain areas

2. OTC Business

- Active expansion into new categories

- Modification of products to make them easier to use

(2) Becoming more competitive overseas

1. Asia

- Localization of operations (sales and production)

2. United States

- Unification of R&D in the United States, and expansion into Europe and South America
- Utilization of Noven's production facilities
- Strengthening sales of new products

(3) Creation and development of new products and new technologies

Research and development

- Thorough differentiation of products
- Development of new fundamental technologies
- Exhaustive searches for new drug candidates and active alliances

3. Management Targets under the 5th Medium-term Management Plan

Hisamitsu's management targets in the final year of the five-year period (FY2018) are as follows.

	FY2013 actual	FY2014 forecast ^{*1}	FY2018 target	5-year average growth rate
Sales	¥150.6 billion	¥161.9 billion	¥190.0 billion	4.8%
CoGS	36.8%	36.8%	35.0%	—
SG&A expenses	50.5%	50.6%	45.0%	—
Operating profits	¥19.1 billion	¥20.4 billion	¥38.0 billion	14.7%
Net profits	¥21.3 billion	¥18.0 billion	¥25.4 billion	3.6%

^{*1} FY2014 forecast: Announced on April 10, 2014

4. Shareholder Return and Capital Policy under the 5th Medium-term Management Plan

Hisamitsu will provide long-term stable dividends while giving consideration to strategic investment in the future. The specific targets in the final year of the five-year period (FY2018) are as follows.

		FY2013 actual	FY2018 target
Shareholder return policy	Payout ratio	30.1%	40.0% or more
	DOE^{*2}	3.5%	4.5% or more
Capital policy	ROE^{*3}	11.8%	11.0% or more

^{*2} DOE: Dividend on Equity

^{*3} ROE: Return on Equity