



5th Medium-term Management Plan for FY2014-2018

May 13, 2014

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Hisamitsu Pharmaceutical Co., Inc.



Hisamitsu Pharmaceutical's Mission and Philosophy

Corporate Mission: Salonpathy

**Care of People
Around the World with Patch**

Management Philosophy:

**Improving Quality of Life
Around the World**



Hisamitsu Pharmaceutical contributes to the health of people around the world by developing and manufacturing patch treatments that are effective, safe and comfortable.

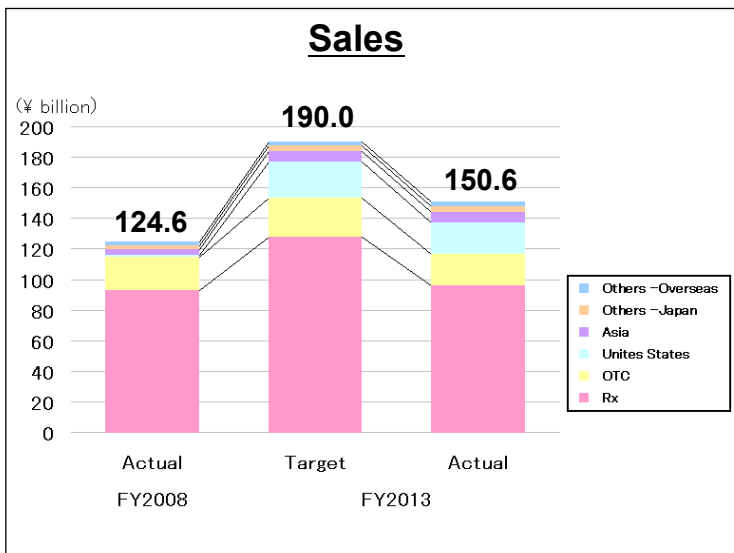


1.Looking Back on the 4th Medium-term Management Plan



1-1. Looking Back -Sales-

FY2013 (final year) Target: ¥190.0 billion → Result: ¥150.6 billion (79.3%)



Major Differences

Rx Business

- Intensification of competition
- Promotion of generic drugs and NHI price revision
- Difficulties in providing information on Fentos tape and Norspan tape

OTC Business

- Expansion into new areas (Allegra FX)
- Shrinking trend of domestic market
- Poor sales of new products following Allegra FX

Overseas Business

- Noven sales targets reached
- Cancellation of development of HKT-500

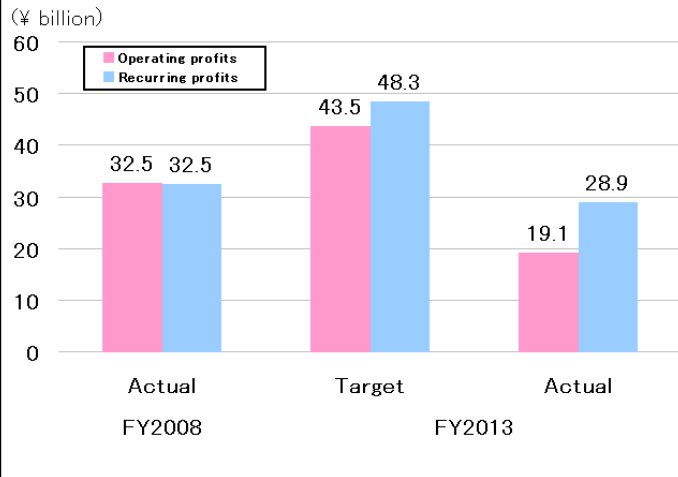


1-2. Looking Back -Operating Profits-



FY2013 (final year) Target: ¥43.5 billion → Result: ¥19.1 billion (44.0%)

Operating Profits and Recurring Profits



Major Differences

- Failure to reach sales targets
- Increased cost ratio associated with NHI price revision
- Forward-looking investment of SG&A associated with expansion of overseas business
- Impact of the Noven business model



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1-3. Looking Back -Domestic Operations-



- Strengthening of differentiation of products and sales

FY2013 (final year) Targets

Mohrus products
Sales: ¥97 billion
Share: 54%

FY2013 (final year) Results

Sales: ¥82.4 billion
Share: 47.8%

Causes / Details

Impact of competitors and promotion of generic drugs

Fentos tape/Norspan tape
Sales: ¥20 billion or more

Sales: ¥5.7 billion
Fentos tape: ¥3.9 billion
Norspan tape: ¥1.8 billion

Sales methods not established
Restriction of sales activities

OTC pharmaceuticals
Share of pain relieving anti-inflammatory patches: 40%
Share of antifungals: 30%

Share of pain relieving anti-inflammatory patches: 34.2%
Share of antifungal drugs: 21.6%

Lack of differentiation



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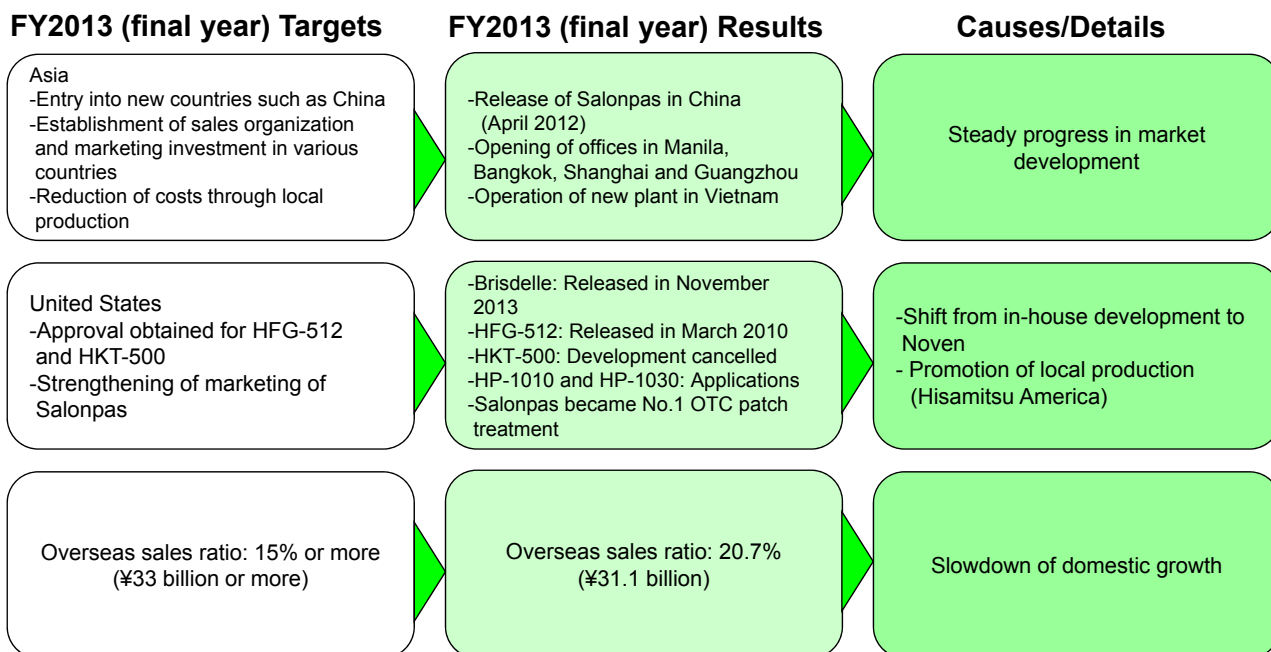
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1-4. Looking Back -Overseas Operations-



- Becoming internationally competitive



1-5. Looking Back -R&D-



- Strengthening development of TDDS R&D (Pipeline)

Area	Theme	Product	Progress	Condition Treated
JP	HFT-290	Fentos tape	Jun 2010 released	Cancer pain
	BTDS	Norspan tape	Aug 2011 released	Non-cancer pain
	HOB-294	Neoxy tape	Jun 2013 released	Overactive bladder
	HP-3060	Pill being prepared		Allergic rhinitis
	HP-3000	Pill being prepared		Parkinson's disease
	HP-3000	Pill		Idiopathic restless legs syndrome
	HTU-520	Development cancelled		Onychomycosis (Nail Fungus)
US	HFG-512 (generic)	Fentanyl GE	Mar 2010 released	Cancer pain
	Mesafem	Brisdelle	Nov 2013 released	Vasomotor Symptoms (Hot flashes)
	Amphetamine	Pill being prepared		ADHD
	HP-1010 (generic)	No disclosure		Relief of pain associated with post-herpetic neuralgia
	HP-1030 (generic)	No disclosure		Alzheimer's disease
	HP-3070	PI		Schizophrenia
	HKT-500	Development cancelled		Joint/back/muscle pain
	Testosterone	Development cancelled		Hypoactive sexual desire disorder (HSDD)





1-6. Looking Back -Dividend and Capital Policy-



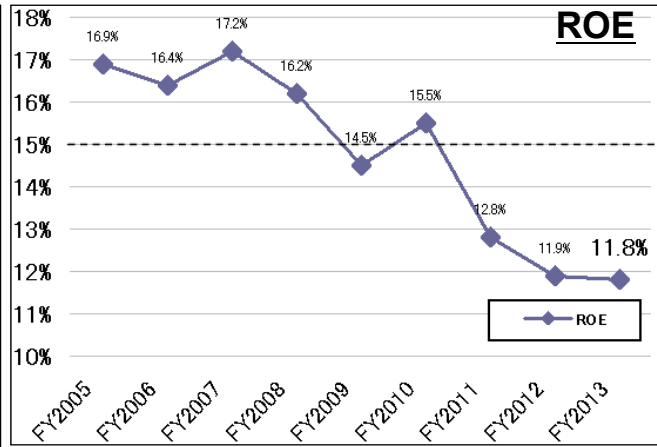
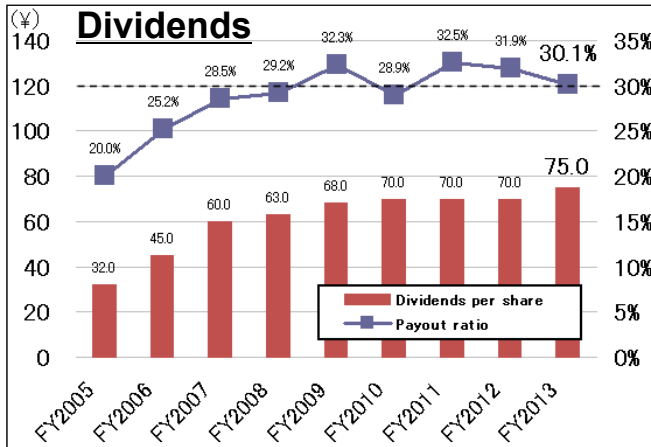
- Dividends and ROE (Return on Equity)

Targets

Consolidated payout ratio: Maintain 30% or more
[FY2013 (final year): ¥100/share]
Consolidated ROE: Maintain 15% or more

FY2013 (final year) Results

Consolidated payout ratio: 30.1%
[¥75/ share]
Consolidated ROE: 11.8%



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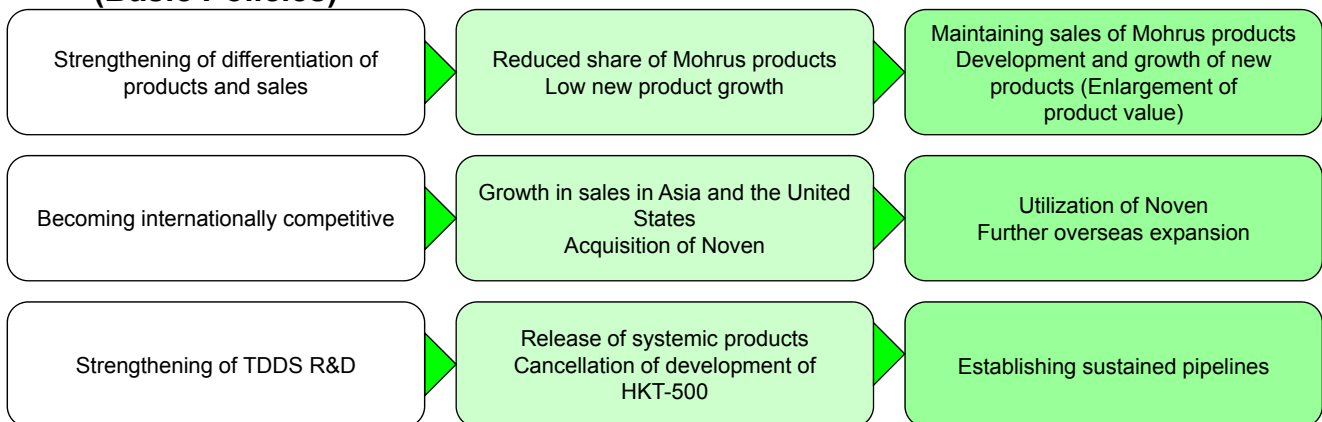
1-7. Looking Back -Summary-



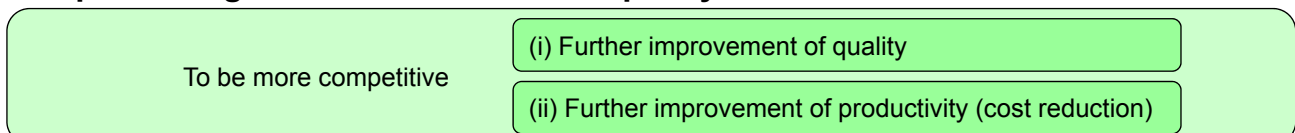
4th Medium-term Management Plan (Basic Policies)

Results

New Issues



Response to government's healthcare policy



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2. 5th Medium-term Management Plan

FY2014-2018



2-1. Hisamitsu's Vision

Key Player in TDDS*

* TDDS: Transdermal Drug Delivery System

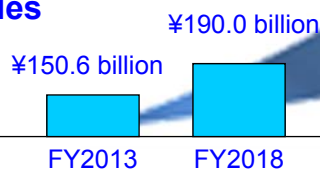
• 1% of global pharmaceutical market
• 50% of TDDS market

Create highly valuable patches ahead of other companies

Have low-cost and overwhelming production capacity

Deliver Hisamitsu products to people around the world

Sales





2-2. Management Targets under the 5th Medium-term Management Policy

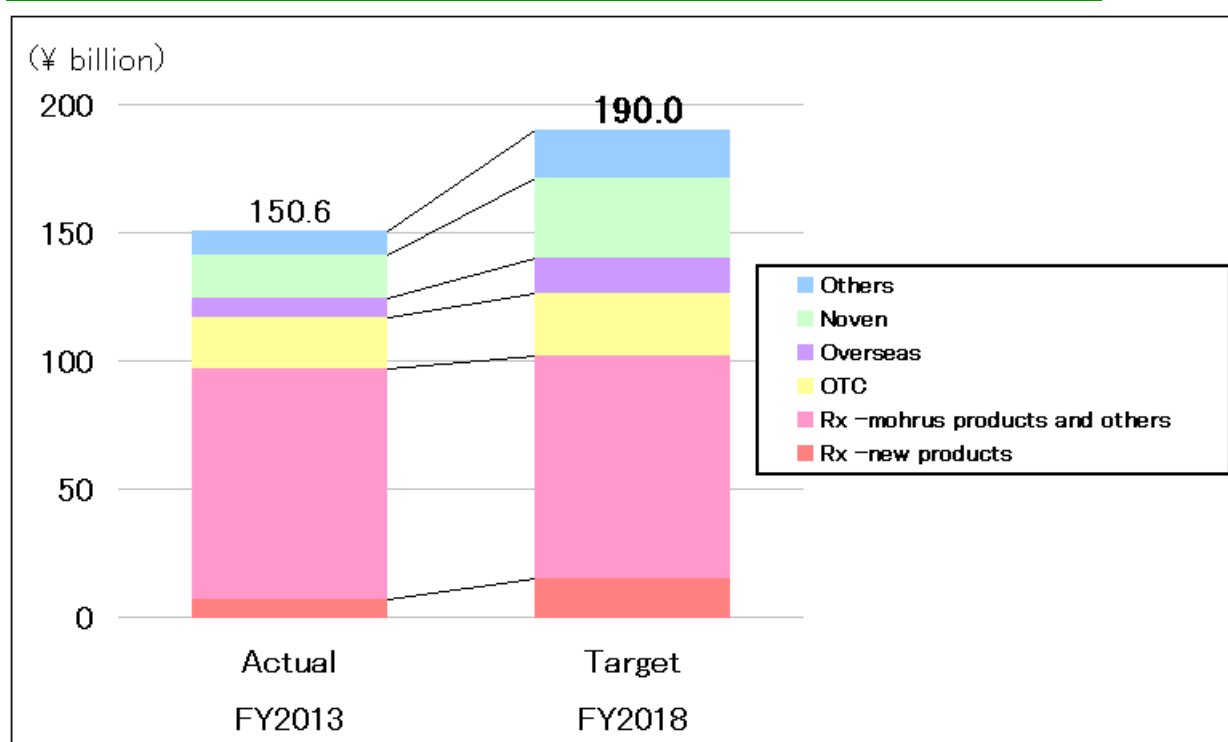


	FY2013 actual	FY2014 forecast*	FY2018 target	5-year average growth rate
Sales	¥150.6B	¥161.9B	¥190.0B	4.8%
CoGS	36.8%	36.8%	35.0%	—
SG&A	50.5%	50.6%	45.0%	—
Operating profits	¥19.1B	¥20.4B	¥38.0B	14.7%
Net profits	¥21.3B	¥18.00	¥25.4B	3.6%

* FY2014 forecast: Announced on April 10, 2014

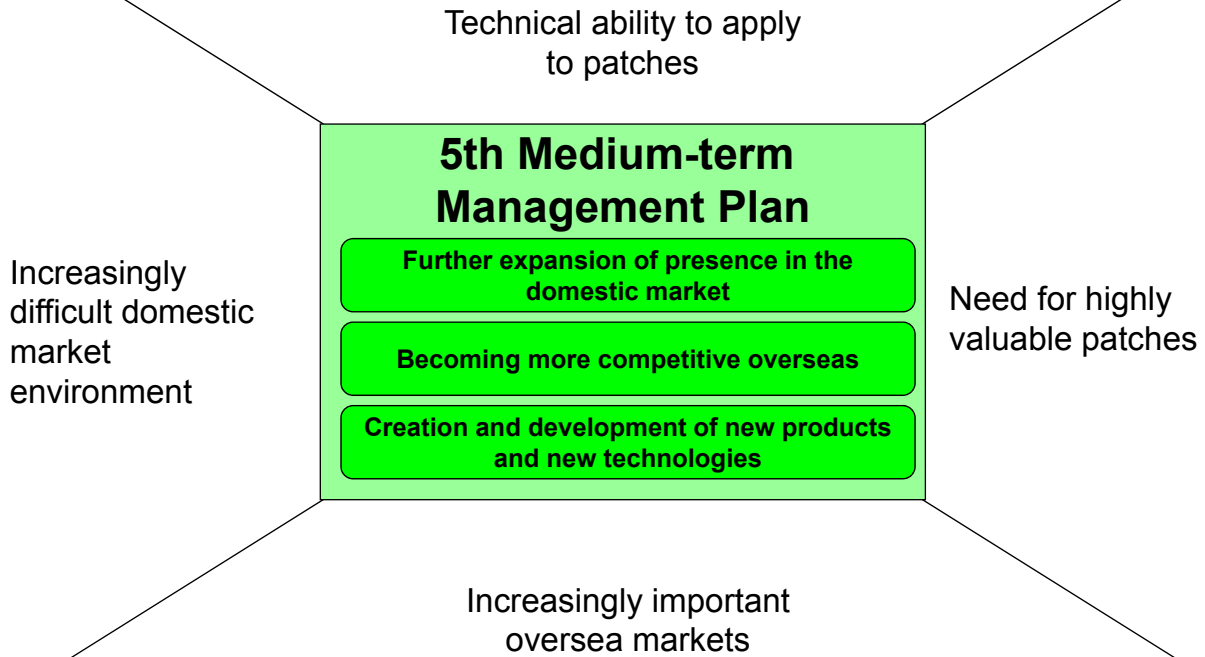


2-3. Composition of Sales





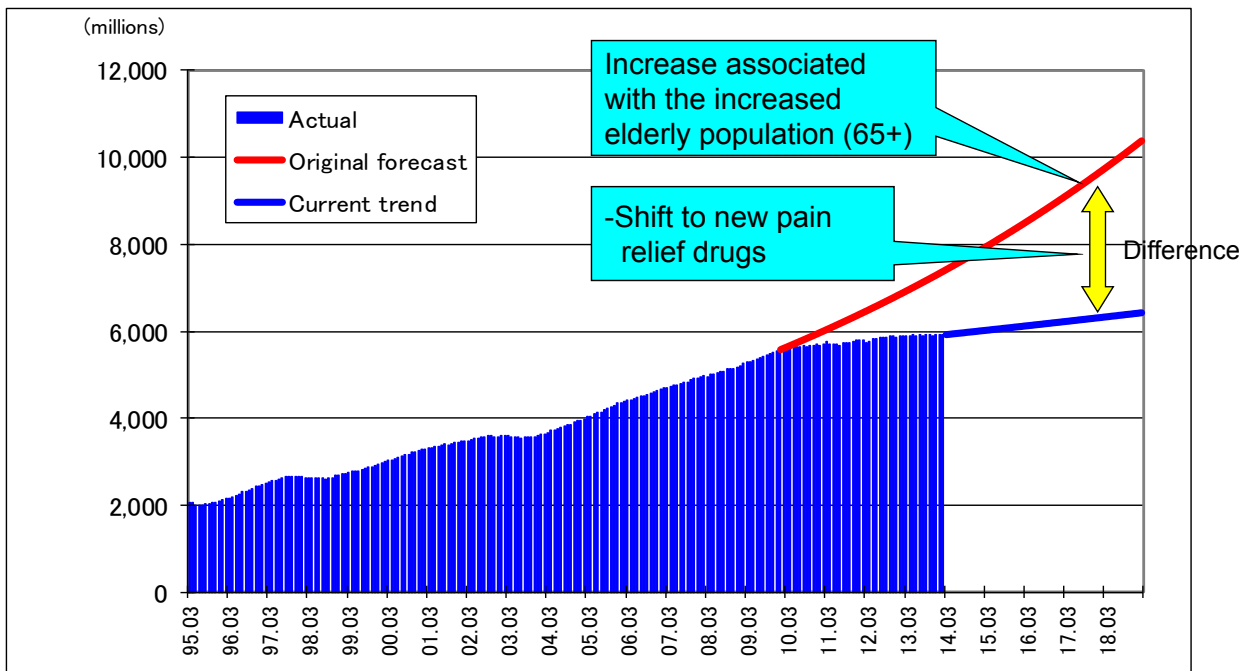
2-4. 5th Medium-term Management Plan



2-5. Rx Business



- Trends of second-generation non-steroidal anti-inflammatory patch market (volume basis, moving annual total)





2-6. Further Expansion of Presence in the Domestic Market (Rx Business)



Maintain sales of pain relieving anti-inflammatory patches

Strengthening of sales force to Mohrus products

Increase sales of new products

Fentos tape, Norspan tape, Neoxy tape, etc.

Expansion of lineup of items sold in the orthopedic and pain areas

Utilization of sales force



2-7. Further Expansion of Presence in the Domestic Market (OTC Business)



Active expansion into new categories

Active entry into new categories following the antifungal market and the allergic rhinitis market

Modification of products to make them easier to use

Modification of products from the customer's perspective



2-8. Becoming More Competitive Overseas (Asia)



Localization of operations (sales and production)

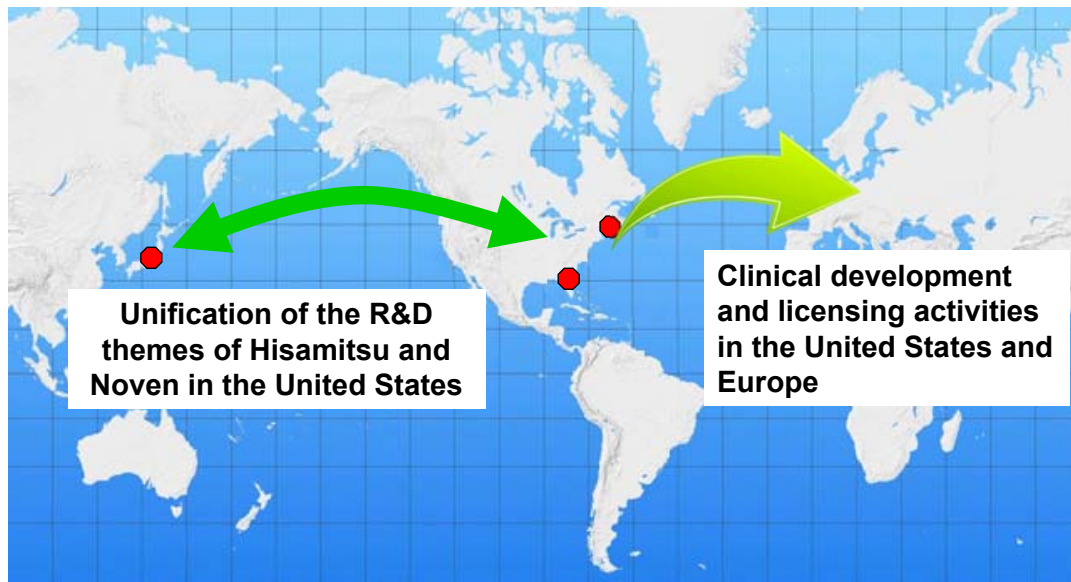
Establishment of Asian management company
(Hisamitsu Asia : TBD)



2-9. Becoming More Competitive Overseas (Noven)



Unification of R&D theme in the United States,
and expansion into Europe





2-9. Becoming More Competitive Overseas (Noven)

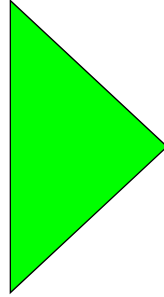


Utilization of Noven's production facilities

Current

Restructuring of production organization

Noven only produces products which it sells



Products sold by Noven (Minivelle, etc.)

Products sold by Hisamitsu America (Salonpas, etc.)

Products sold by Hisamitsu in Europe



2-9. Becoming More Competitive Overseas (Noven)



Strengthening of sales of new products

Brisdelle

Co-promotion with Shionogi Inc.
Increased sales forces through internal personnel transfers
Start of DTC* (scheduled for July this year)

*DTC: Direct to Consumer

ATS

Currently preparing for Phase III. Schedule for release in FY2017
Consideration of sales organization for maximizing sales and profits



2-10. Creation and Development of New Products and New Technologies (R&D)



Thorough differentiation of products

Development of products fully utilizing the advantages of patch treatments

Development of new fundamental technologies

Commercialization of micro-needle products

Exhaustive searches for new drug candidates and active alliances

Promotion of development focused on patches



2-11. Pipeline



• Approval Prospects

Region/FY	FY2014	FY2015	FY2016	FY2017	FY2018
Japan	HFT-290 Fentanyl citrate Non-cancer pain [Additional indication of Fentos tape]	/	/	HP-3060 (Active pharmaceutical ingredient not shown) Allergic rhinitis	HP-3000 Ropinirole hydrochloride Parkinson's disease
					HP-3000 Ropinirole hydrochloride Idiopathic restless legs syndrome
US	/	HP-1010 Lidocaine Postherpetic neuralgia [Generic]	HP-1030 Rivastigmine Alzheimer's disease [Generic]	ATS Amphetamine ADHD	/

* Type of the above products under development: transdermal absorption



2-12. Production Policy



Support PIC/S GMP

Complete support in all locations by the end of 2018

Reduce costs

Lower costs by going back to formulation
Create a worldwide procurement network
Improve energy efficiency



2-13. Organization for Implementation



Mission

- Spread awareness of "Care of People Around the World with Patch"

Establishment of infrastructure

- Cross-functional group management organization
- Information system for quickly understanding management conditions and executing decisions

Human resource development

- Development of human resources able to implement global management
- Recruitment and promotion of women and local staff



2-14. Shareholder Return Policy and Capital Policy



- Shareholder return policy

	FY2013 Actual		FY2018 Target
Payout ratio	30.1%	▶	40.0% or more
DOE (Dividend on equity)	3.5%	▶	4.5% or more

- Capital policy

	FY2013 Actual		FY2018 Target
ROE (Return on equity)	11.8%	▶	11.0% or more



Forward-Looking Statements



This presentation material contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in material circumstances.