

Announcement Regarding Disposition and Acquisition of Treasury Share through Third-Party Allotment

The Company hereby announces that at its meeting of the Board of Directors to be held on April 8, 2016, the company will adopt a resolution to dispose of the treasury shares and acquire the treasury shares under Article 156 of the Company Act, as applied pursuant to paragraph 3, Article 163 of the same act by which the Company supports social contributions of the Nakatomi Memorial Foundation, a public interest incorporated foundation (hereafter “Nakatomi Memorial Foundation”).

The disposition of the treasury shares is conditional on the approval of the Company’s annual meeting of shareholders that will held in May 2016, and the acquisition of the treasury shares is also conditional on the approval at the same meeting in which the disposition of the treasury shares will be resolved.

1. About Nakatomi Memorial Foundation

(1) Aim of the Foundation

Nakatomi Memorial Foundation was established with personal assets donated by Mr. Masayoshi Nakatomi, a former Chairman of the Company, and funds donated by the Company. The aim of the Foundation is to collect and exhibit materials relating to medicine, cultural assets, and other historical materials and to provide knowledge of medicine and health as well as enlightenment of the history of the culture of medicine, including Tashiro Baiyaku (Tashiro-style medicine selling), through the operation of the Nakatomi Medicine Memorial Museum in Tosu-city, Saga. The Foundation also aids young people to develop into useful personnel.

(2) Summary of the Foundation

1	Name	Nakatomi Memorial Foundation (Public interest incorporated foundation)
2	Location	408, Tashiro Daikan-machi, Tosu, Saga
3	Chairman	Hiroataka Nakatomi
4	Activity	Operation of the Nakatomi Medicine Memorial Museum and management of scholarship programs
5	Resource for business	Profits gained by managing about 1.2 billion yen of the fundamental property and donations
6	Date of establishment	August 24, 1990
7	Relationship with the Company	
	Capital relationship	The Company is the donor of the fundamental property of Nakatomi Memorial Foundation
	Personnel relationship	CEO of the Company is the chairman of Nakatomi Memorial Foundation, and the adviser of the Company is a councilor of the Foundation. And some of the Company’s employees temporarily work at the Foundation.
	Business relationship	The company has offered donations to Nakatomi Memorial Foundation. The donation to the Foundation in fiscal 2015 was 50 million yen.
	Relationship with related parties	No applicable relationship exists

2. About disposition of treasury shares

Overview of Disposition

1	Disposal quantity	Ordinary stock: 1,000,000 stocks
2	Disposal value	1 yen per share
3	Amount of funds raised	1,000,000 yen
4	Subscription or disposal method	By third-party allotment
5	Allottee (planned)	The Master Trust Bank of Japan, Ltd.
6	Disposal date	Note yet determined
7	Others	The disposition of the treasury shares is conditional on the special resolution regarding advantageous placement at the Company's annual meeting of shareholders that will be held in May 2016. The disposal date or other matters will be decided at the meeting of the Board of Directors after the annual meeting.

3. Purpose and reason for disposition

With the Company mission *Convey the Benefits of Patch Treatment* and the management philosophy *Improve the Quality of Life (QOL) of People throughout the World*, we have conducted business activities to bring patch culture to the world as well as engaged in social contributions.

The Nakatomi Medicine Memorial Museum run by Nakatomi Memorial Foundation hands down medicine-related industrial culture to posterity and provides an environment for lifelong learning on medicine and health through cultural heritage of medicine.

The Company sees that opportunities for passing medicine culture to young people are decreasing with the constant increase in single-person households. The Company believes the Foundation's activities, such as dissemination of knowledge of medicine and health, conform with the Company's business activities and contribute to the Company's benefit in terms of the mid- to long-term perspective as well as the CSR perspective, thus the Company continuously supports the Foundation through donations.

To support the social contributions of the Nakatomi Memorial Foundation and provide the Foundation with more stable support, the Company is going to establish a third-party benefit trust (hereafter "the Trust") in which we appoint Mitsubishi UFJ Trust and Banking Corporation as a trustee, the Master Trust Bank of Japan, Ltd., as a co-trustee, and Nakatomi Memorial Foundation as a beneficiary. The Trust is going to acquire the Company's shares and deliver the trust proceeds, such as dividends paid by the Company's shares to the Nakatomi Memorial Foundation. The Nakatomi Memorial Foundation is going to add the trust proceeds to its financial resources and continues to conduct its activities. The disposition of the treasury shares will be carried out toward the Trust which will be established to donate funds for social contributions of Nakatomi Memorial Foundation.

4. Amount, use, and anticipated time of spending, of funds raised

(1) Amount of funds raised

1	Total paid amount	1,000,000 yen
2	Estimated cost of issuance	0 yen
3	Estimated net proceeds	1,000,000 yen

(2) Specific use of funds raised

The estimated net proceeds above will be appropriated for expenses, such as attorney's fees, which are necessary for building the plan.

5. Perspective on reasonableness of use of funds

The funds raised will be appropriated for expenses, such as attorney's fees, which are necessary for the consideration of building the plan. These expenses are indispensable for building the plan, thus such use of the funds is considered reasonable.

6. Reasonableness of disposal terms

(1) Basis of calculation of paid amount and its specific details

The Nakatomi Memorial Foundation runs the Nakatomi Medicine Memorial Museum to provide knowledge of medicine and health, as well as enlightenment of the history of the culture of medicine, including Tashiro Baiyaku. The Nakatomi Medicine Memorial Museum hands down medicine-related industrial culture to posterity and provides an environment for lifelong learning of medicine and health through the cultural heritage of medicine. The Foundation also aids young people to develop as useful personnel.

Support for such social contributions of the Foundation contributes to the Company's benefits in terms of the mid- to long-term perspective, as well as the CSR perspective. The disposition of the treasury shares aims to support the social contributions of the Nakatomi Memorial Foundation, and the raised funds will be allotted to build the plan as described in 4 (2) above. Thus, the disposal value, 1 yen per share, is considered reasonable. Since the disposition of the treasury shares, however, falls under advantageous placement for the Nakatomi Memorial Foundation, it is conditional on the special resolution at the Company's annual meeting of shareholders that will be held in May 2016.

(2) Basis for determining that number of shares to be issued and scale of dilution of shares are reasonable

The Nakatomi Medicine Memorial Museum run by the Nakatomi Memorial Foundation hands down medicine-related industrial culture to posterity and provides an environment for lifelong learning of medicine and health through the cultural heritage of medicine. It also aids young people to develop as useful personnel. To conduct continuous stable activities, the scale of the disposition, which will be allotted as the resource for the activities, is considered reasonable. In addition, under the Trust plan, the outflow of the shares into the stock market through the disposition is unlikely to occur, and the influence of the disposition of the treasury shares on the secondary market is minor, thus the scale of the disposition is considered reasonable.

The scale of the dilution by the disposition of the treasury shares is very small, such as 1.05% of the total of 95,164,895 shares issued (rounded to the second decimal places, 1.18% to 845,818 voting rights of total shareholders as of February 29, 2016), and as the following 12 "About the Purchase of Treasury Shares," the Company will acquire the treasury shares, the quantity of which is greater than that of the disposition of the treasury shares, provided that the disposition of the treasury shares will be approved at the annual meeting of shareholders in May 2016. Since the Company is going to take measures to avoid the dilution of the shares, the scale of the dilution is also judged to be reasonable.

7. Reasons of selecting an allottee, etc.

(1) Summary of the planned allottee

1) Name: The Master Trust Bank of Japan, Ltd.

2) Outline of trust agreement

Type of trust	Money trust fund other than specified, individually operated money trust (Third-party benefit trust)
Objective of trust	To allow the beneficiary to conduct social contributions by providing the beneficiary with trust proceeds, the dividends paid by the ordinary shares issued by the trustor.
Trustor	Hisamitsu Pharmaceutical Co., Inc.
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiary	Nakatomi Memorial Foundation (Public interest incorporated foundation)
Beneficiary's agent	Third-party which has no interest in the Company
Date of trust agreement	Not yet determined
Trust period	Not yet determined

Note: When the Master Trust Bank of Japan, Ltd., exercises its voting rights, it shall follow instructions from the beneficiary's agent (third-party institution), which puts an emphasis on enhancement of the long-term cooperate value based on the perspective of maintaining stable dividends for resources of the foundation (beneficiary). The trust agreement with Mitsubishi UFJ Trust and Banking Corporation (trustee) will be finalized in details hereafter.

(Reference)

(1) Company name	The Master Trust Bank of Japan, Ltd.		
(2) Address	2-11-3 Hamamatsu Cho, Minato-ku, Tokyo		
(3) Job title and name of representative	Representative Director, President: Kaoru, Wachi		
(4) Business description	Management of securities, management and settlement of assets.		
(5) Capital	10,000 million yen		
(6) Date established	May 9, 2000		
(7) Number of shares issued	120,000 ordinary shares		
(8) Settlement term	March 31		
(9) Employees	724 (as of March 31, 2015)		
(10) Main customers	Business corporations, financial institutions		
(11) Main banks	-		
(12) Major shareholders and their Shareholding ratios	Mitsubishi UFJ Trust & Banking Corporation: 46.5% Nippon Life Insurance Company: 33.5% Meiji Yasuda Life Insurance Company: 10.0% The Norinchukin Trust & Banking Co., Ltd.: 10.0%		
(13) Relationship with related parties			
Capital relationship	No applicable relationship exists		
Personnel relationship	No applicable relationship exists		
Business relationship	No applicable relationship exists. there are, however, banking transactions with the Mitsubishi UFJ Trust and Banking Corporation, the main investor of the said company.		
Relationship with related parties	No applicable relationship exists.		
(14) Performance and financial status for the past three years			
(Unit: One million)			
Fiscal Year	Fiscal March 2014	Fiscal March 2015	Fiscal March 2016
Net assets	20,339	20,829	21,233
Total assets	471,798	602,241	1,450,058
Net assets per share (yen)	169,493.96	173,581.48	176,948.03
Ordinary income	23,897	23,258	21,913
Ordinary profit	1,044	1,044	863
Current net profit	631	626	522
Net income per share (yen)	5,260.98	5,221.55	4355.17
Dividend per share (yen) (ordinary share)	1,315.00	1,305.00	1,088.00

*The Company has confirmed by investigations based on websites and public information on financial statements that the allottee and its officers and major shareholders (major investors) have no relationship with antisocial forces and submitted to the Tokyo Stock Exchange a confirmation to that effect.

(2) Reason for selecting the allottee

In order to achieve the purposes described under 3 “Purpose and reason for disposition” above, the Company determined that Mitsubishi UFJ Trust & Banking Corporation was most suitable due to its abundant track record and experience in trust business, and selected it as the trustee. Since the Master Trust Bank of Japan, Ltd., as the co-trustee, will conduct trust affairs, as well as holding and settlement of the assets of the Trust, based on the agreement of the Trust to be closed between Mitsubishi UFJ Trust and Banking Corporation and the Company, the Company plans to select the Master Trust Bank of Japan, Ltd. as the allottee.

(3) Allotee’s policy on holding shares

The Master Trust Bank of Japan, Ltd., the allottee, delivers trust proceeds arising from the dividends paid by the Company’s shares to the Nakatomi Memorial Foundation in accordance with the agreement of the Trust. Based on the trust agreement to be closed, the Trust will hold the disposed treasury shares other than in case that achieving the purpose of the Trust proves to be difficult. When the Trust is terminated, the assets of the Trust shall be delivered as it is to the beneficiary.

Furthermore, with respect to the voting rights of the shares to be held by the Trust (third-party benefit trust) following the disposition of the treasury shares, the Master Trust Bank of Japan, Ltd., the co-trustee of Mitsubishi UFJ Trust and Banking Corporation, shall exercise the voting rights of the shares toward the Company. The company will receive confirmation of the agreement from the Master Trust Bank of Japan, Ltd., (allottee) in which they agree that in the case of transferring all or part of the treasury shares to be disposed of in a two-year period from the payment date, they shall immediately report to the Company in writing the purchaser’s name, address, the number of the shares transferred, the transfer date, price, reason, methods, and so forth; the Company shall report to the Tokyo Stock Exchange Group Inc.; the contents of the report shall be made available for public inspection.

(4) Confirmed facts regarding existence of assets necessary for payment by the allottee

The Master Trust Bank of Japan, Ltd., the allottee, will make a cash payment with the assets of the Trust that is going to be established by the Company.

8. Major shareholders and their shareholding ratios after disposition

Before the disposition (as of February 29, 2016)		After the disposition
Japan Trustee Services Bank, Ltd. (Trust Account)	6.53%	Same as on the left
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.92%	
The Nomura Trust and Banking Co., Ltd. (The Bank of Tokyo-Mitsubishi UFJ Ltd., pension trust account.)	4.61%	
Japan Trustee Services Bank, Ltd. (Resona Bank, Ltd., re-trust account, The Nishi-Nippon City Bank, Ltd., pension trust account)	4.59%	
Nippon Life Insurance Company	4.11%	
The Bank of Fukuoka, Ltd.	4.07%	
The bank of Saga, Ltd.	3.11%	
Hisamatsu Business Partner’s Shareholding Association	2.18%	
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank Ltd., re-trust account, Sumitomo Mitsui Banking Corporation pension trust account)	2.17%	
TKY	1.93 %	

*The above-mentioned shows ratios of shares held by major shareholders to the total shares issued (%).

9. Future prospects

The Company believes that this event will have no significant impact on the Company performance, however, if any matter to be disclosed arises, such information will be immediately announced.

10. Procedure in accordance with company codes of conduct

Since the dilution rate is less than 25% and there is no change in controlling shareholders, it is not necessary to obtain an opinion of an independent third-party or consents of shareholders as specified in Rule 432 of the Tokyo Stock Exchange Securities Listing Regulations.

11. Businesses performance and equity finance status for past three years

(1) Business performance for the past three years (consolidated)

	Fiscal February 2014	Fiscal February 2015	Fiscal February 2016
Consolidated sales	150,635 million yen	156,743 million yen	161,852 million yen
Consolidated operating profit	19,123 million yen	20,527 million yen	27,730million yen
Consolidated ordinary profit	28,910 million yen	28,489 million yen	28,008million yen
Consolidated current net profit	21,357 million yen	18,784 million yen	17,784million yen
Consolidated net income per share	249.30 yen	219.28 yen	208.81 yen
Dividend per share	75 yen	80 yen	81yen
Consolidated net assets per share	2,281.40 yen	2,580.02 yen	2,657.41 yen

(2) Status of number of issued shares and number of potential shares (as of February 29, 2016)

	Number of shares	Ratio to shares issued
Number of shares issued	95,164,895 shares	100%
Number of potential shares at the current conversion price (exercise price)	—shares	—%
Number of potential shares at the minimum conversion price (exercise price)	—shares	—%
Number of potential shares at the maximum conversion price (exercise price)	—shares	—%

*The number of potential shares does not include a stock options

(3) Status about recent share prices

1) Status for the past three years

	Fiscal February 2014	Fiscal February 2015	Fiscal February 2016
Opening price	5,310 yen	4,700 yen	4,455 yen
High price	5,970 yen	4,805 yen	5,720 yen
Low price	4,200 yen	3,335 yen	3,815 yen
Closing price	4,760 yen	4,465 yen	4,925 yen

2) Status for the past six months

	2015 October	November	December	2016 January	February	March
Opening price	4,030 yen	4,595 yen	5,200 yen	5,020 yen	5,430 yen	4,925 yen
High price	4,755 yen	5,320 yen	5,390 yen	5,390 yen	5,720 yen	5,200 yen
Low price	3,890 yen	4,545 yen	4,850 yen	4,770 yen	4,455 yen	4,775 yen
Closing price	4,710 yen	5,250 yen	5,100 yen	5,370 yen	4,925 yen	5,010 yen

3) Share price on the business day prior to the date of resolution regarding the disposition

	April 7, 2016
Opening price	4,845 yen
High price	4,980 yen
Low price	4,815 yen
Closing price	4,940 yen

(4) Status of equity finance for the last three years

Not applicable

12. About Purchase of Treasury Shares

(1) Purpose for acquisition of treasury shares

To avoid the dilution of the shares caused by the disposition of the treasury shares as stated in paragraph 2 and to implement a flexible capital policy for increasing capital efficiency and responding to a business environment.

(2) Details of acquisition

1. Type of shares to be acquired: Ordinal shares
2. Total number of shares to be acquired: Up to 2,000,000 shares
(2.36% to the total number of issued shares except treasury shares)
3. Total price of acquisition of shares: Up to 12,000,000,000 yen
4. Period of acquisition: From the end of the Company's annual meeting of shareholders in May to December 31, 2016
5. Other: The acquisition is conditional on the resolution regarding the disposition of the treasury shares at the annual meeting mentioned above paragraph 2.

(Reference) Status of the treasury shares held as of February 29, 2016

Number of shares issued: 95,164,895

Number of treasury shares: 10,471,308