FY2023 Business Summary

(Year Ended March 31, 2024)

Nippon Chemiphar Co., Ltd.

(TSE 4539)

I. FY2023 Business Results

Overview 1

Result of FY2023

Consolidated sales: ¥30,748 million, down 2.6% YOY

- Diagnostics saw a significant increase in sales of 47.5% YOY.
- In the sales of pharmaceutical products to medical institutions, the impact of NHI price revisions and discontinued products, as well as the impact of shipment adjustments at the end of the previous fiscal year, lingered longer than expected through the second quarter, but that have been on a recovery trend since the third quarter.
- In the fourth quarter, sales of allergy-related products fell short of expectations due to lower than estimated pollen levels, and the fact that new drug out-licensing that was expected to be contracted in the second half of the year did not go through.

Profits: Loss recorded

- Despite efforts to reduce ordinary expenses and other factors, the main impact was lower sales, as well as a higher cost of sales ratio due to the NHI price revision and R&D expenses for future growth.

Forecast for FY2024

Consolidated sales: ¥31,500 million, up 2.4% YOY

- In FY2024 as well, the Company plans to grow DropScreen installations, and expects a 28.0% YOY increase in sales for diagnostics.
- Thanks to Japan's unprofitable drug repricing, the impact of NHI price revisions for generic drugs is likely to be mitigated compared with the previous term (approx. -8% → approx. -4%), and sales to medical institutions are expected to stay basically flat YOY.

Overview 2

Operating profit: ¥200 million (vs. an operating loss of ¥494 million in the previous year)

- Profit is expected to improve due to a better sales mix, including increased revenue from diagnostics.
- We expect to return to profitability despite increasing R&D expenses for new drugs, generic drugs, and diagnostics by ¥374 million.

Shareholder Returns

- We plan to maintain dividend payments of ¥50.0 per share, based not only on our shareholder return policy that emphasizes stable shareholder returns, but also to promote understanding that continued strategic investment in new drugs and other areas is essential for the Group's sustainable growth.

Recent Topics

- The number of DropScreens installed in Japan exceeded 1,000 in FY2023 (vs. 500 at previous fiscal year-end), with the goal of reaching 2,000 by FY2025.
- NC-2800 has completed Phase 1 in FY2023 and preparations are currently underway to begin Phase 2a.
- DFP-14323 commenced Phase 3 in February 2024, and DFP-17729 has completed Phase 2, with preparations for the next phase underway.

Sales and Income to Year-on-Year

(¥mn)

	FY2022		FY2023			
	Amount	% of Sales	Amount	% of Sales	Change	YOY (%)
Net sales	**31,559**	**100.0**	**30,748**	**100.0**	**(810)**	**(2.6)**
Pharmaceutical products segment	30,543	96.8	29,611	96.3	(931)	(3.1)
Generics, proprietary products and new drugs	26,148	82.9	24,093	78.4	(2,055)	(7.9)
Diagnostics	2,780	8.8	4,101	13.3	1,321	47.5
Others segment	1,015	3.2	1,137	3.7	121	12.0
Cost of sales	**23,374**	**74.1**	**23,010**	**74.8**	**(363)**	**(1.6)**
SG&A expenses	**8,425**	**26.7**	**8,232**	**26.8**	**(193)**	**(2.3)**
R&D expenses	2,419	7.7	2,325	7.6	(93)	(3.9)
Operating profit/loss	**(241)**	**—**	**(494)**	**—**	**—**	**—**
Ordinary profit/1oss	**58**	**0.2**	**(219)**	**—**	**(277)**	**—**
Net profit attributable to owners of parent/loss	**339**	**1.1**	**(180)**	**—**	**(520)**	**—**

Sales and Income to Full Year Forecasts

(¥mn)

	FY2022		FY2023					
	Amount	% of Sales	Amount	% of Sales	Revised[1] Forecasts	Achived (%)	Initial[2] Forecasts	Achived (%)
Net sales	**31,559**	**100.0**	**30,748**	**100.0**	**30,748**	**100.0**	**32,700**	**94.0**
Pharmaceutical products segment	30,543	96.8	29,611	96.3	—	—	—	—
Generics, proprietary products and new drugs	26,148	82.9	24,093	78.4	—	—	25,870	93.1
Diagnostics	2,780	8.8	4,101	13.3	—	—	4,500	91.1
Others segment	1,015	3.2	1,137	3.7	—	—	—	—
Cost of sales	**23,374**	**74.1**	**23,010**	**74.8**	—	—	—	—
SG&A expenses	**8,425**	**26.7**	**8,232**	**26.8**	—	—	—	—
R&D expenses	2,419	7.7	2,325	7.6	—	—	2,820	82.5
Operating profit/loss	**(241)**	**—**	**(494)**	—	**(494)**	**100.0**	**200**	—
Ordinary profit/loss	**58**	**0.2**	**(219)**	—	**(219)**	**100.0**	**100**	—
Net profit attributable to owners of parent/loss	**339**	**1.1**	**(180)**	—	**(180)**	**100.0**	**60**	—

1. Issued on May 7, 2024.
2. Issued on May 12, 2023.

Pharmaceutical Sales to Year-on-Year

Generics, Proprietary Products and New Drugs (¥mn)

	FY2022		FY2023			
	Amount	% of Sales	Amount	% of Sales	Change	YOY (%)
Total	**26,148**	**100.0**	**24,093**	**100.0**	**(2,055)**	**(7.9)**
Generics	24,803	94.9	22,766	94.5	(2,037)	(8.2)
To medical institutions	23,698	—	22,148	—	(1,550)	(6.5)
To other makers*	1,105	—	618	—	(486)	(44.0)
Proprietary products and new drugs	1,345	5.1	1,326	5.5	(18)	(1.4)
Uralyt	575	—	563	—	(11)	(2.0)
Others	769	—	762	—	(6)	(0.9)

Chemiphar, ODM Generics

Total	**25,881**	—	**23,775**	—	**(2,106)**	**(8.1)**
Generics (ODM)	1,078	—	1,008	—	(69)	(6.4)

* Includes exports.

Pharmaceutical Sales to Full Year Forecasts

Generics, Proprietary Products and New Drugs (¥mn)

	FY2022		FY2023			
	Amount	% of Sales	Amount	% of Sales	Initial Forecasts	Achived (%)
Total	**26,148**	**100.0**	**24,093**	**100.0**	**25,870**	**93.1**
Generics	24,803	94.9	22,766	94.5	24,640	92.4
To medical institutions	23,698	—	22,148	—	23,830	92.9
To other makers*	1,105	—	618	—	810	76.4
Proprietary products and new drugs	1,345	5.1	1,326	5.5	1,230	107.8
Uralyt	575	—	563	—	530	106.4
Others	769	—	762	—	700	108.9

Chemiphar, ODM Generics

Total	**25,881**	—	**23,775**	—	**25,670**	**92.6**
Generics (ODM)	1,078	—	1,008	—	1,030	97.9

* Includes exports.

Sales Distribution by Launch Year

(¥mn)

	FY2022		FY2023			Product Lineup
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	
FY2019 and before	22,607	91.1	20,172	88.6	(10.8)	
FY2020	1,278	5.2	1,114	4.9	(12.8)	・Memantine ・Celecoxib
FY2021	414	1.7	372	1.6	(10.2)	・Eszopiclone ・Duloxetine
FY2022	502	2.0	930	4.1	85.1	・Febuxostat ・Esomeprazole
FY2023	—	—	177	0.8	—	・Azilsartan
Total	**24,803**	**100.0**	**22,766**	**100.0**	**(8.2)**	

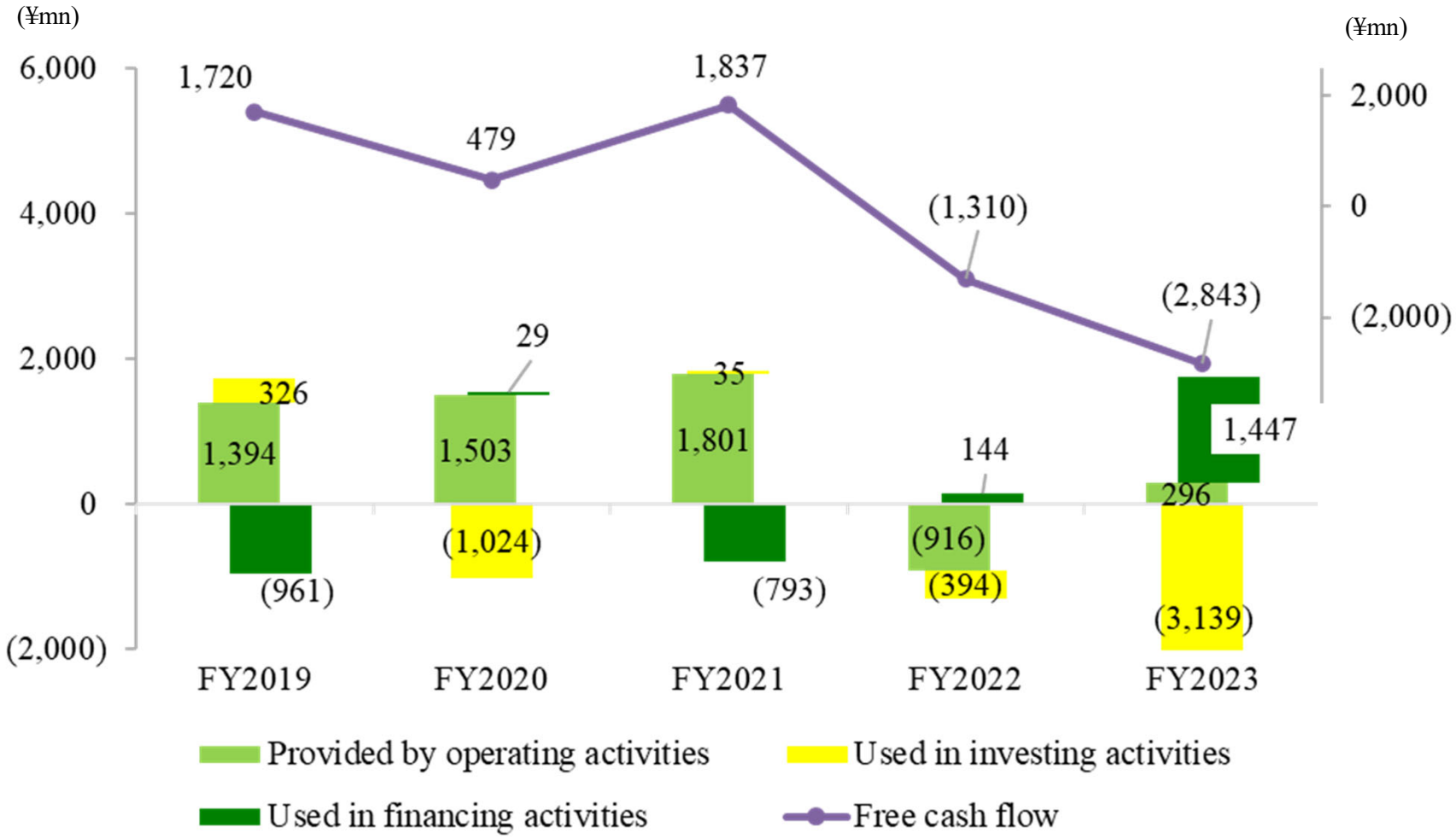
Balance Sheet

(¥mn)

	FY2022	FY2023			
	March 31,2023	March 31,2024	Change	Reason for changes		
				Cash and deposits	(1,329)	Acquisition of shares and payment for construction.
				Notes and accounts receivable—trade, and contract assets	272	
Current assets	33,436	31,836	(1,600)	Inventories	(32)	
				Construction in progress	2,242	*
Non-current assets	15,134	17,712	2,577	Investment securities	681	Third-party share allocation by Delta-Fly Pharma, Inc.
Total assets	48,571	49,548	977			
				Purchase payables	(1,965)	YOY decrease in purchases.
				Current portion of long-term borrowings	150	
Current liabilities	14,766	13,786	(980)			
Non-current liabilities	15,270	17,301	2,030	Long-term borrowings	1,393	*
Total net assets	18,534	18,460	(73)			
Total liabilities and net assets	48,571	49,548	977			

* Additional installation at Building No. 3 of our Tsukuba Factory.

Cash Flow


(¥mn)
6,000
4,000
2,000
0
(2,000)
(¥mn)
2,000
0
(2,000)
1,720
479
1,837
(1,310)
(2,843)
326
1,394
(961)
29
1,503
(1,024)
35
1,801
(793)
144
(916)
(394)
296
1,447
(3,139)
FY2019
FY2020
FY2021
FY2022
FY2023
Provided by operating activities
Used in investing activities
Used in financing activities
Free cash flow

Expenditure and Per Share Information

Expenditure (¥mn)

	FY2022	FY2023			
	Amount	Amount	YOY (%)	Forecast	Usage Rate (%)
Capital expenditure	573	2,747	378.9	3,700	74.3
Depreciation and amortization	1,500	1,459	(2.7)	1,450	100.7

Note to increase in capital expenditure:
We expended for additional installation at Building No. 3 of our Tsukuba Factory to meet the need for increased production.

Per Share Information (¥)

	FY2022	FY2023		
	Amount	Amount	Change	Forecast
Earnings per share	94.07	(50.14)	(144.21)	16.62
Book value per share	5,130.65	5,116.02	(14.63)	—
Dividends per share	50.00	50.00	—	50.00
Dividend payout ratio (%)	53.2	—	—	300.8

Indexes

	FY2019	FY2020	FY2021	FY2022	FY2023
Cost of sales ratio (%)	60.5	63.7	72.1	74.1	74.8
SG&A Expense to sales ratio (%)	38.4	34.5	25.4	26.7	26.8
Operating profit to sales ratio (%)	1.1	1.8	2.5	—	—
R&D expenses to sales ratio (%)	6.8	6.3	7.4	7.7	7.6
EBITDA (millions of yen)	1,704	2,099	2,727	1,682	1,391
Current ratio (x)	2.13x	2.16x	2.00x	2.26x	2.31x
Debt-to-equity ratio (%)	85.2	84.0	78.9	81.0	90.5
Equity ratio (%)	37.9	38.2	37.4	38.1	37.3
Return on equity (%)	2.5	2.8	3.8	1.8	—
Net income ratio (%)	1.4	1.6	2.2	1.1	—
Total asset turnover (%)	68.4	67.8	67.3	64.4	62.7
Financial leverage (%)	267.1	258.3	261.2	264.7	265.8
Dividend payout ratio (%)	41.2	36.3	25.7	53.2	—

II. FY2024 Forecasts

Highlights

Sales

Consolidated sales: ¥31,500 million, up 2.4% YOY

- Following on from the previous term, we are targeting 500 DropScreen installations, and we expect diagnostics sales to increase 28.0% YOY to ¥5,250 million.
- We expect sales of generics to medical institutions remain basically flat YOY due to NHI price revisions, although volume-based sales of generic drugs should continue to enjoy the recovery from the previous year.

Profit

Operating profit: ¥200 million (vs. an operating loss of ¥494 million in the previous year)

- Profit is expected to improve due to higher sales of diagnostics and a better sales mix achieved by stronger sales efforts on profitable products in generics.
- Operating profit is expected to improve by ¥694 million, even after factoring in increased R&D budgets for new drugs, generic drugs and diagnostics as well.

Sales and Income

(¥mn)

	FY2023		FY2024 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Net sales	**30,748**	**100.0**	**31,500**	**100.0**	**2.4**
Pharmaceutical products segment	29,611	96.3	—	—	—
Generics, proprietary products and new drugs	24,093	78.4	23,620	75.0	(2.0)
Diagnostics	4,101	13.3	5,250	16.7	28.0
Others segment	1,137	3.7	—	—	—
Cost of sales	**23,010**	**74.8**	—	—	—
SG&A expenses	**8,232**	**26.8**	—	—	—
R&D expenses	2,325	7.6	2,700	8.6	16.1
Operating profit/loss	**(494)**	**—**	**200**	**0.6**	—
Ordinary profit/loss	**(219)**	**—**	**100**	**0.3**	—
Net profit attributable to owners of parent/loss	**(180)**	**—**	**60**	**0.2**	—

Pharmaceutical Sales

Generics, Proprietary Products

	FY2023		FY2024 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total	**24,093**	**100.0**	**23,620**	**100.0**	**(2.0)**
Generics	22,766	94.5	22,470	95.1	(1.3)
To medical institutions	22,148	—	22,030	—	(0.5)
To other makers*	618	—	440	—	(28.9)
Proprietary products and new drugs	1,326	5.5	1,150	4.9	(13.3)
Uralyt	563	—	480	—	(14.9)
Others	762	—	670	—	(12.1)

Chemiphar, ODM Generics

Total	**23,775**	—	**23,490**	**100.0**	**(1.2)**
Generics (ODM)	1,008	—	1,020	4.3	1.1

* Includes exports.

Expenditure and Per Share Information

Expenditure (¥mn)

	FY2023	FY2024 (Forecast)	
	Amount	Amount	Change
Capital expenditure	2,747	3,410	24.1
Depreciation and amortization	1,459	1,490	2.1

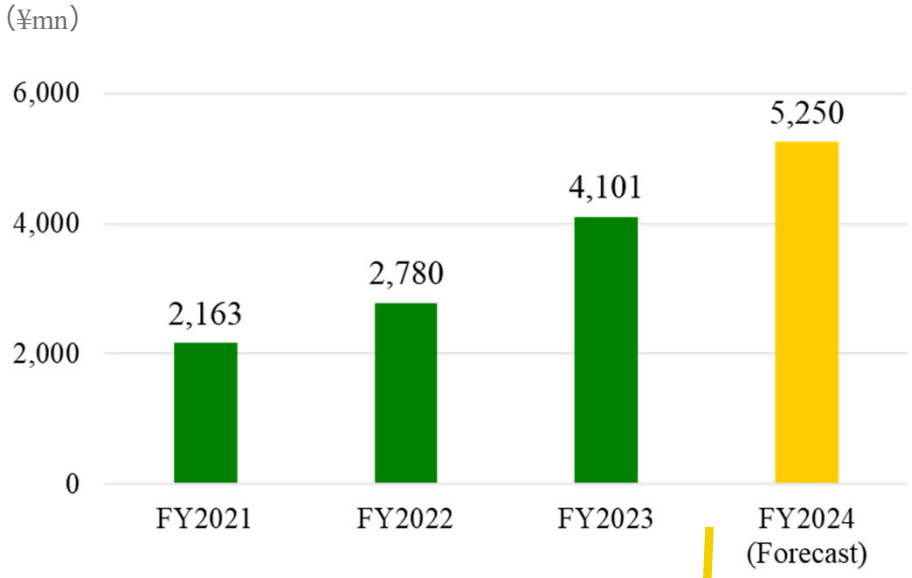
Note to increase in capital expenditure:
We envision additional installation at our domestic factories for maintaining our quality assurance.

Per Share Information (¥)

	FY2023	FY2024 (Forecast)	
	Amount	Amount	YOY (%)
Earnings per share	(50.14)	16.63	33.51
Book value per share	5,116.02	—	—
Dividends per share	50.00	50.00	0.00
Dividend payout ratio (%)	—	300.7	—

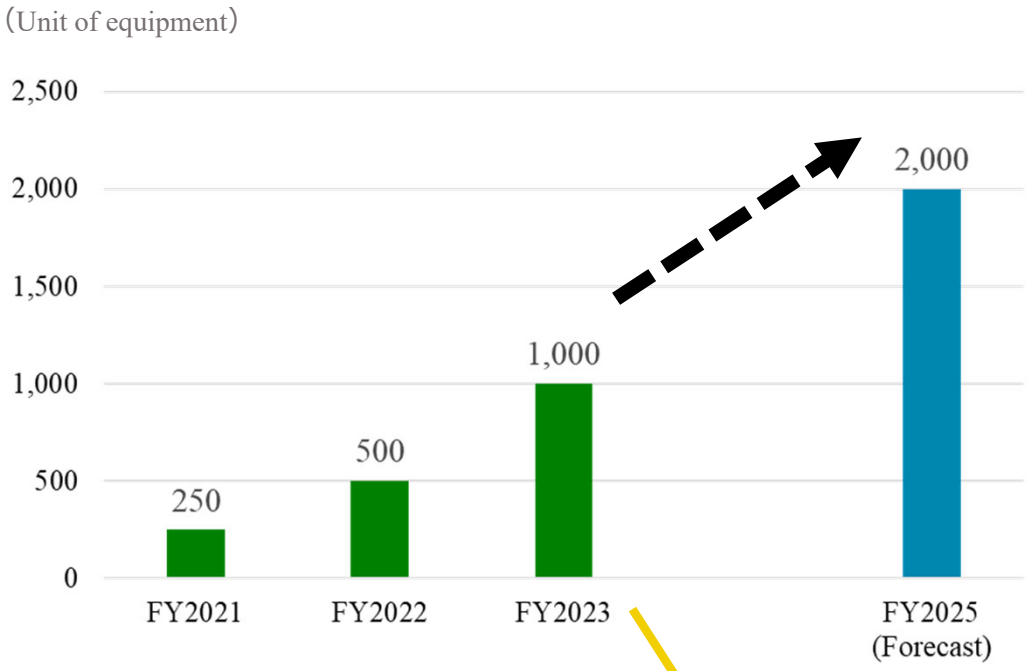
Sales of Diagnostics

■Sales of Diagnostics



Up 47.5% YOY in FY2023.
We forecasts 28.0% YOY increase in FY2024.

■Domestic target of DropScreen



Installed over 1,000 unit at the end of FY2023.

III. Management Strategy

Management Strategy: Three Main Areas of Business

Since 2000, the Nippon Chemiphar Group has been working to attain three principal goals. In order to advance the themes of those goals, the Group has created three main areas of business: generics, diagnostics, and new drugs, with new drugs including alkalizing agents.

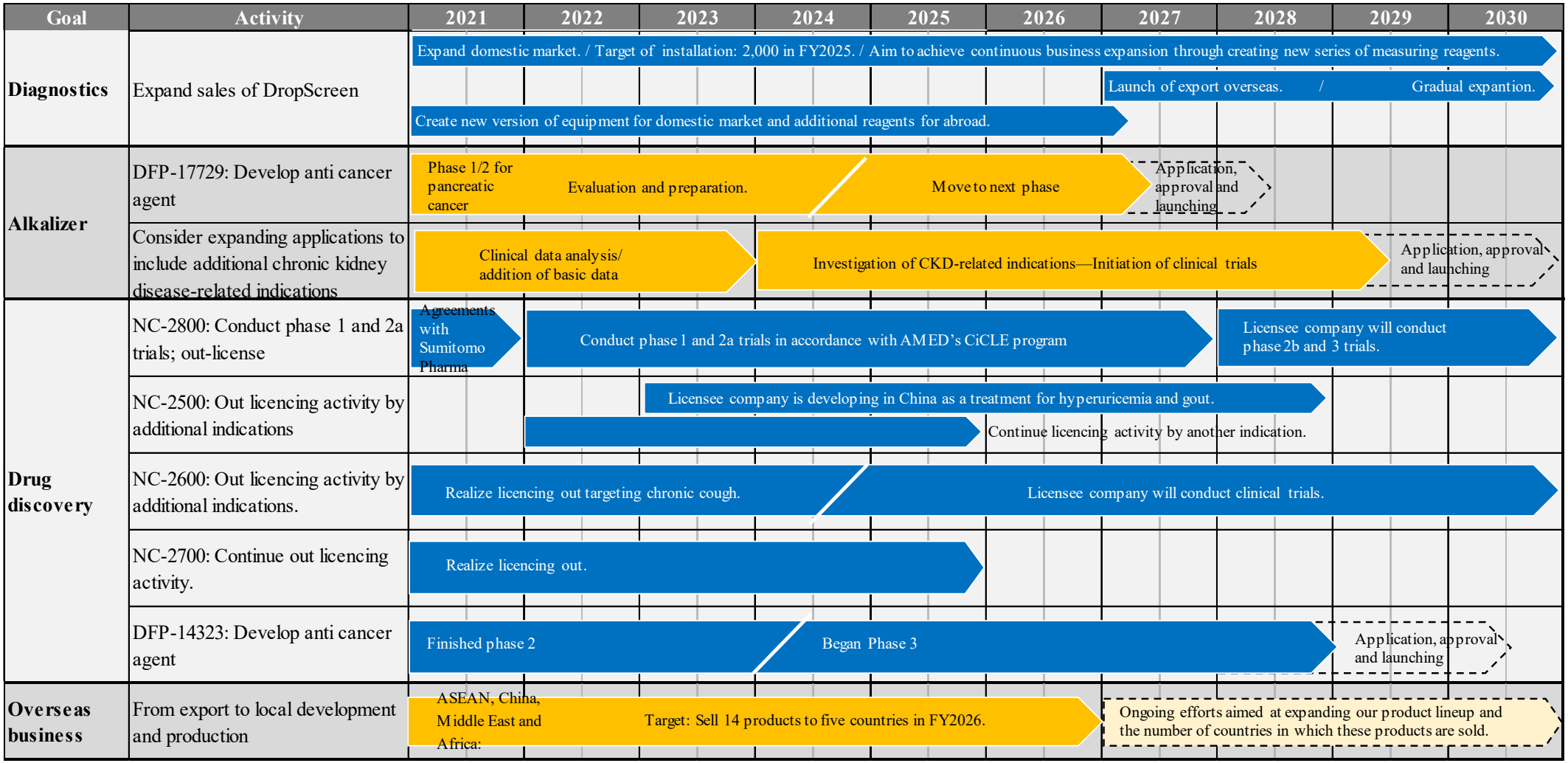
By applying the use of its areas overseas, the Group will lay the groundwork for sustained growth and maximum corporate value.

Overseas business development

Realize a global presence by aggressively developing our three areas of business abroad

Roadmap

Many parallel activities leads to achieve each goal for three main areas of our business.
We show timeline of new methods from FY2021—2030.



Generic Drugs: Quality Assurance

To supply high-quality pharmaceuticals, it is essential to foster a culture that prioritizes quality. As a manufacturer, we will continue to make continuous efforts to strengthen our quality assurance system, as this is our fundamental responsibility.

> Strengthening of groupwide quality assurance

- We fulfill our fundamental responsibility as a pharmaceutical maker by maintaining our ceaseless efforts targeting a stronger quality assurance system.
- To ensure quality control and production management of the highest standards, our quality assurance efforts comply with good quality and good manufacturing practices.
- We conduct regular audits in accordance with ministerial ordinances and confirm that production management and quality control are being performed in keeping with the three principles of good manufacturing practice.

> Cultivating a quality culture

- At the Nippon Pharmaceutical Industries Tsukuba Factory, our main factory, we regularly conduct surveys on employee awareness and implement a mentoring system.
- The survey on quality culture, which we previously conducted in our quality and manufacturing departments, will be expanded to include all employees from FY2023.

Generic Drugs: Supply Chain

With strengthening our quality assurance system and production volume, we are promoting efficiency throughout our supply chain.

> Strengthen Supply Chain of Generic Drug

Development

Quality First, Ensuring Stable Supply
- From the development stage, we work with the manufacturing division to ensure stable future supply.

Improve likelihood of successful development
- Take on the challenge of developing and manufacturing generic drugs with difficult-to-replicate effects through collaboration with academia, etc.

Procurement

Cutting costs
- Shift to high-quality and affordable APIs.

Securing stable supply
- Having multiple APIs suppliers.

Manufacture

Cutting costs
- Expanding production at the Vietnam factory.

Secure production volume
- By introducing new machines and recruiting additional staff.

Seamless transition from development to actual production

Sales

Supports a diverse range of sales channels
- Utilize diverse range of sales channels within both the Company and its subsidiary NPI.

For effective promotion
- Pursuing faster PDCA cycle by sales force automation system and apply AI technology.

Undertakings at Group factories
- Domestic factories are increasing the number of workers and implementing double and triple shifts on a process-by-process basis.
- Vietnam Factory: Introduced two-shift operations in FY2022. In FY2023, plan to shift currently outsourced products to in-house production at our Vietnam Factory.

Details of DropScreen

DropScreen, our flagship clinical diagnostic product, has been won rave reviews from medical professionals and patients alike since its launch in February 2020 for its ability to measure 41 items from a single drop of blood without the need for a syringe.

＞Product Characteristics

Small-volume blood sampling	Measuring time	Compactness	Ease of operation
• Sample volume 20 μL • Comfortable for small children by small samples extracted from patients' fingertips	• Measured allergens 41 • Measurement time 30 minutes	• Compact design that is the size of an A3 sheet of paper • Water supply and drainage equipment unnecessary	• Simple-to-use touch panel • All-in-one reagent cartridge

Reagent (right) and measuring instrument (left) of Drop Screen.

Enhancing DropScreen

With DropScreen, we are cultivating a new market for in-house allergy testing.
We set the goal of the number of installed in Japan reaching 2,000 by FY2025.

＞Target

- Installed in Japan exceeded 1,000 in FY2023
  →Set the goal of reaching 2,000 by FY2025.

＞Overseas Market

- We are developing it to overseas market and selecting candidate partner companies.

＞Allergy diagnostics market *By in-house research

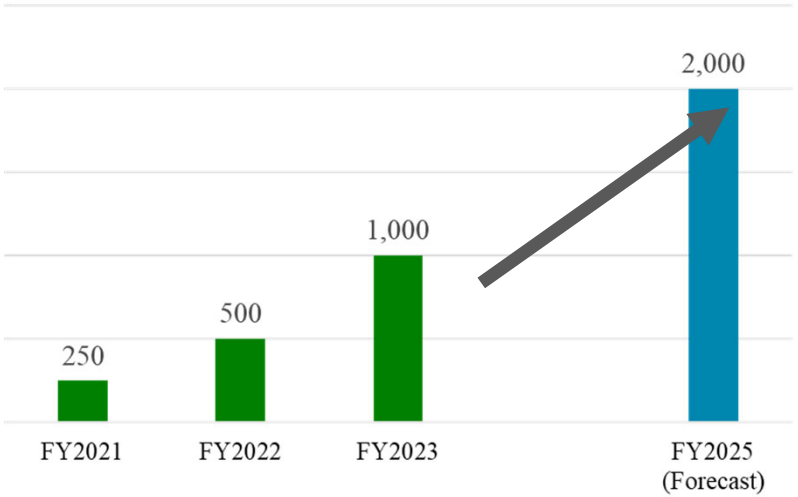
- In Japan: ¥12 billion
- Global: ¥280 billion

(North America is the largest.)

In these markets, most testing is outsourced to testing centers. With DropScreen, we are creating a new market with Point of Care Testing .

Domestic target of DropScreen

(Unit of equipment)



New drug development: Pipelines

> **As of March 2024.**

Item	Function (Target)	Pre-clinical	Phase 1	Phase 2	Phase 3
NC-2500	XOR inhibitor (Hyperuricemia, gout)				
NC-2600	P2X4 receptor antagonist (Neuropathic pain, chronic cough)				
NC-2700	URAT1 inhibitor (Hyperuriceia, gout)				
NC-2800	δ opioid receptor agonist (Depression/Anxiety)				
DFP-17729	Cancer microenvironment improving agent (Pancreatic				
DFP-14323	Anti cancer agent (Non-small cell lung cancer)				
Calvan	α1β1 blocker (Huntington's disease)				

Pipelines — In-house Development Pipelines①

NC-2500 (XOR inhibitor)

Stage	Target	Originator	Licensee
Finished phase 1	Hyperuricemia, gout	Nippon Chemiphar	Nanjing Neiwa Faith Pharmaceutical Co., Ltd.

Feature	Note
・Suppresses uric acid production by inhibiting XOR. ・We confirmed its unique property to lowers blood uric acid levels gradually in phase 1 trials, suggesting it may rectify acute attack of gout.	・We signed a licensing agreement with Nanjing Neiwa Faith for gout and hyperuricemia in 2023, and preparations are underway to conduct clinical trials in China. ・Preliminary data indicates that NC-2500 is effective against neurodegenerative disorders. We are exploring the possibility of expanding the application of NC-2500 to include such disorders.

NC-2600 (P2X4 receptor antagonist)

Stage	Target	Originator	Joint developper
Finished phase 1	Neuropathic pain and chronic cough	Joint research including Chemiphar	N.A.

Feature	Note
・Has a unique mechanism of action that inhibits P2X4 receptors.	・In vivo tests have confirmed its effectiveness against chronic cough, and we are exploring the drug's potential as a therapeutic agent with a new mechanism without side effects such as loss of taste. ・Conducting out-licensing activities.

Pipelines — In-house Development Pipelines②

NC-2700 (URAT 1 inhibitor)

Stage	Target	Originator	Joint developper
Finished preclinical	Hyperuricemia, gout	Joint research including Chemiphar	—
Feature		**Note**	
・Promotes the excretion of uric acid from the body by inhibiting the transporter URAT 1.		・Non-clinical studies have shown that it's facilitates the excretion of uric acid but ameliorates aciduria, thereby helping to prevent kidney damage and kidney stones, which are concerns when uric acid is excreted.	

NC-2800 (Delta opioid receptor agonist)

Stage	Target	Originator	Joint developper
Finished Phase 1	anxiety and depression	Joint research including Chemiphar	Sumitomo Pharma Co., Ltd.
Feature		**Note**	
・The drug targets δ opioid receptors, and data suggest it has fewer side effects such as dependence, tolerance, constipation, and respiratory depression than opioid μ receptor agonists like morphine, and strikes an excellent balance between safety and efficacy.		・AMED's CiCLE project selected it for public funding and support the development. ・Finished Phase 1 in FY2023 and prepareing for beginning Phase 2a trials.	

Pipelines — In-licensing Pipelines

DFP-17729 (Cancer microenvironment improving agent)

Stage	Target	Originator	Developper
Finished phase 2	Pancreatic cancer	Delta-Fly Pharma, Inc. (DFP)	DFP

Feature	Note
・By alkalizing tumor microenvironments, DFP-17729 has been shown to suppress cancer cell activities and facilitate the efficacy of anticancer agents.	・In 2020 we concluded a license agreement with DFP and acquired exclusive rights to market in Japan. ・Phase 2 has now been completed and data analysis is underway for the next phase, and we expect to able to apply for approval as a pancreatic cancer treatment around 2027. In the future, we will also consider drug's application to other types of cancer.

DFP-14323 (Anti-cancer agent)

Stage	Target	Originator	Developper
Phase 3	Non-small cell lung cancer	Delta-Fly Pharma, Inc. (DFP)	DFP

Feature	Note
・Strengthens the immune response of cancer patients by binding to aminopeptidase N. In this way, the substance reduces the dose required of standard anticancer drugs, and enhances their efficacy without increasing the side effects.	・In 2022 we concluded a license agreement with DFP and acquired exclusive rights to market in Japan. ・Phase 3 trials began in February 2024. We expect to submit an application for approval by around 2029.

Multifaceted Development of Alkalizer

We are conducting multi-faceted development using alkalinization-related technologies and expertise that we cultivated over many years through activities associated with our urine alkalizer, Uralyt.

> Application of alkalization technologies

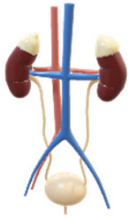
Uralyt

- Gout
- Hyperuricemia
- Acidosis

Anti-cancer agent
DFP-17729 (for pancreatic cancer)

Conduct a wide range of activities utilizing our alkalinization-related technologies and expertise

Supplement
We are currently considering future product development utilizing the data obtained. We also plan to deploy branding.



For preventing progress of chronic kidney disease
We are seeking possibility to take additional indication utilizing the results of CKOALA study.

Oversea Business

We currently have approval for eight products in four countries: South Korea, China (including Hong Kong), Thailand and Vietnam. We plan to expand to sell fourteen products in five countries until FY2026.

> Initiatives for the launch of approved products

Rebamipide tablet in Vietnam
Obtained approval and received Group 1 status in September 2023, which allows the drug to be sold at the highest drug price under the country's bidding system. Leveraging this advantage, we are expanding our marketing to hospital and pharmacy chains through local wholesalers.
Febuxostat tablet 80mg in Vietnam
Approval is expected to be obtained in March 2024, and shipments are expected within this fiscal year. Although this dosage has not yet been released in Japan, we have had high-volume sales overseas and we are considering expansion to neighboring countries.
Epinastine Hydrochloride Tablets in China
Plan to start selling in FY2024.

> Business development in the Middle East and Africa

- We conducted market research in the Middle East and Africa, aimed at achieving local sales of generic drugs, with advice from the World Bank Group's International Finance Corporation (IFC) and its network.
- We are currently narrowing down target countries and partners and are in negotiations regarding several specific items to be sold locally.

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Note about Forward-looking Statements and Forecasts

Statements made in this *Highlights of Business Results*, with respect to current plans, estimates, strategies and beliefs, and other statements of Nippon Chemiphar that are not historical facts are forward-looking statements about the future performance of Nippon Chemiphar.

These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. Consequently, undue reliance should not be placed on these statements.

Nippon Chemiphar cautions the reader that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.