



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of FY2018 Business Results

(Year ended March 31, 2019)

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I. Summary of FY 2018 Results

Sales, Income

(¥mn)

	FY2017		FY2018				FY2018 (Forecast*)	
	Amount	% of Sales	Amount	% of Sales	YOY Amount	Change (%)	Amount	Achieved (%)
Net Sales	35,331	100.0	34,182	100.0	(1,148)	(3.3)	34,200	99.9
Pharmaceutical products	34,279	97.0	32,682	95.6	(1,597)	(4.7)	—	—
Others	1,051	3.0	1,500	4.4	448	42.7	—	—
Cost of sales	19,535	55.3	19,654	57.5	119	0.6	—	—
SG&A expenses	13,947	39.5	13,063	38.2	(884)	(6.3)	—	—
				2.2p (1.3p)				
Operating income	1,848	5.2	1,464	4.3	(384)	(20.8)	1,460	100.3
Income before income taxes and minority interests	1,777	5.0	1,454	4.3	(322)	(18.2)	—	—
Net income attributable to owners of the parent	1,160	3.3	881	2.6	(279)	(24.1)	880	100.1

* Revised forecast issued on May 7, 2019.

Pharmaceutical Sales

(¥mn)

	FY2017		FY2018		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total(① + ②)	32,153	100.0	29,798	100.0	(7.3)
① Generics	30,115	93.7	28,238	94.8	(6.2)
To medical institutions	29,174		27,156		(6.9)
To other makers*	941		1,082		15.0
Amlodipine	2,940		2,890		(1.7)
Lansoprazole	2,163		1,629		(24.7)
Donepezil	1,557		1,187		(23.7)
Rabeprazole	1,558		1,370		(12.1)
Limaprost Alfadex	1,427		1,197		(16.2)
Others	20,467		19,963		(2.5)
② Proprietary products and new drugs	2,038	6.3	1,560	5.2	(23.5)
Uralyt	1,225		983		(19.8)
Others	812		577		(29.0)
Total(① + ③)	31,100	—	29,244	—	(6.0)
③ Generics (ODM)	985	—	1,005	—	2.1

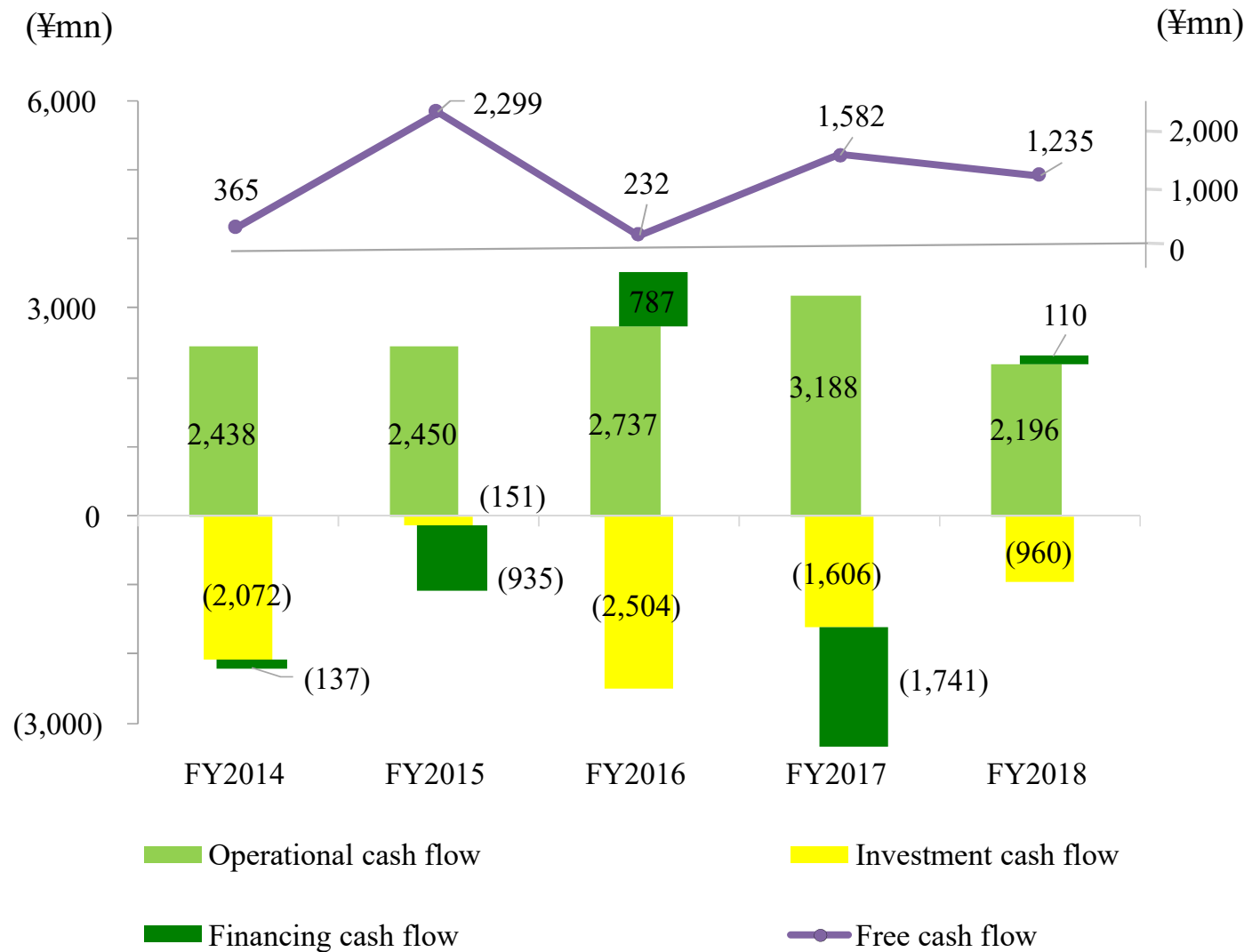
* Includes exports

Balance Sheet

(¥mn)

	FY2017	FY2018	Change	Components	
Current assets	27,771	28,668	897	Cash, deposits	1,364
				Notes, accounts receivable-trade	(781)
				Inventories	224
Non-current assets	18,925	18,256	(669)	Buildings and structures	(436)
				Machinery, equipment and vehicles	(240)
				Construction in progress	(87)
Total assets	46,698	46,926	227		
Liabilities	29,210	29,063	(147)	Notes, accounts payable-trade	(499)
				Loans payable	607
Net assets	17,487	17,863	375	Retained earnings	517
Equity ratio (%)	37.4	38.0		Treasury stock	(1)
Liabilities, net assets	46,698	46,926	227		

Cash Flow



II. FY2019 Forecasts

Sales, Income

(¥mn)

	FY2018		FY2019 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Net Sales	34,182	100.0	34,200	100.0	A 0.1
Pharmaceuticals	29,798		29,550		(0.8)
Generics	28,238		28,050		(0.7)
Proprietary products	1,560		1,500		(3.9)
Operating income	1,464	4.3	800	2.3	B (45.4)
Income before income taxes and minority interests	1,454	4.4	—	—	—
Net income attributable to owners of the parent	881	2.6	500	1.5	(43.3)

A. Main factors driving changes in net sales

- (-) NHI drug price reduction in October 2019
- (+) Expand sales of newly launched generic drugs
- (+) Diversification of sales channels
- (+) Expand sales of PICOPREP[®]

B. Main factors affecting profit

- Decline in gross profit caused by NHI drug price reduction
- Increase strategic expenditures
(R&D expenses and promotion of new drugs)

Pharmaceutical Sales

(¥mn)

	FY2018		FY2019 (Forecast)		YOY (%)
	Amount	% of Sales	Amount	% of Sales	
Total(① + ②)	29,798	100.0	29,550	100.0	(0.8)
① Generics	28,238	94.8	28,050	94.9	(0.7)
To medical institutions	27,156		27,130		(0.1)
To other makers*	1,082		920		(15.0)
Amlodipine	2,890		2,770		(4.2)
Lansoprazole	1,629		1,220		(25.1)
Donepezil	1,187		1,140		(4.0)
Rabeprazole	1,370		1,400		2.1
Limaprost Alfadex	1,197		1,170		(2.3)
Others	19,963		20,350		1.9
② Proprietary products and new drugs	1,560	5.2	1,500	5.1	(3.9)
Uralyt	983		850		(13.5)
Others	577		650		12.6
Total(① + ③)	29,244	—	28,900	—	(1.2)
③ Generics (ODM)	1,005	—	850	—	(15.5)

* Includes exports

III. Management Strategy

Three Plus 1 Principal Goals

- ✓ We will establish a proprietary business model by fulfilling our three principal goals.
- ✓ To secure further growth in the future, we will apply the successes of these goals overseas.

Goal 1 Generics

- ◆ Implemented reforms aimed at further enhancement of our supply chain.
 - Diversification of sales channels had a large effect.
 - Began commercial production in Vietnam factory.

Goal 2 Hyperuricemia

- ◆ Progress of clinical research at Tohoku University (CKOALA Study).
 - Pursued new possibilities for Uralyt.

Goal 3 Drug discovery

- ◆ We have progressed toward conducting development on five new drug pipelines and two existing proprietary drugs.
- ◆ Joining forces with an AI drug discovery venture, we have begun working to innovate the drug discovery process.

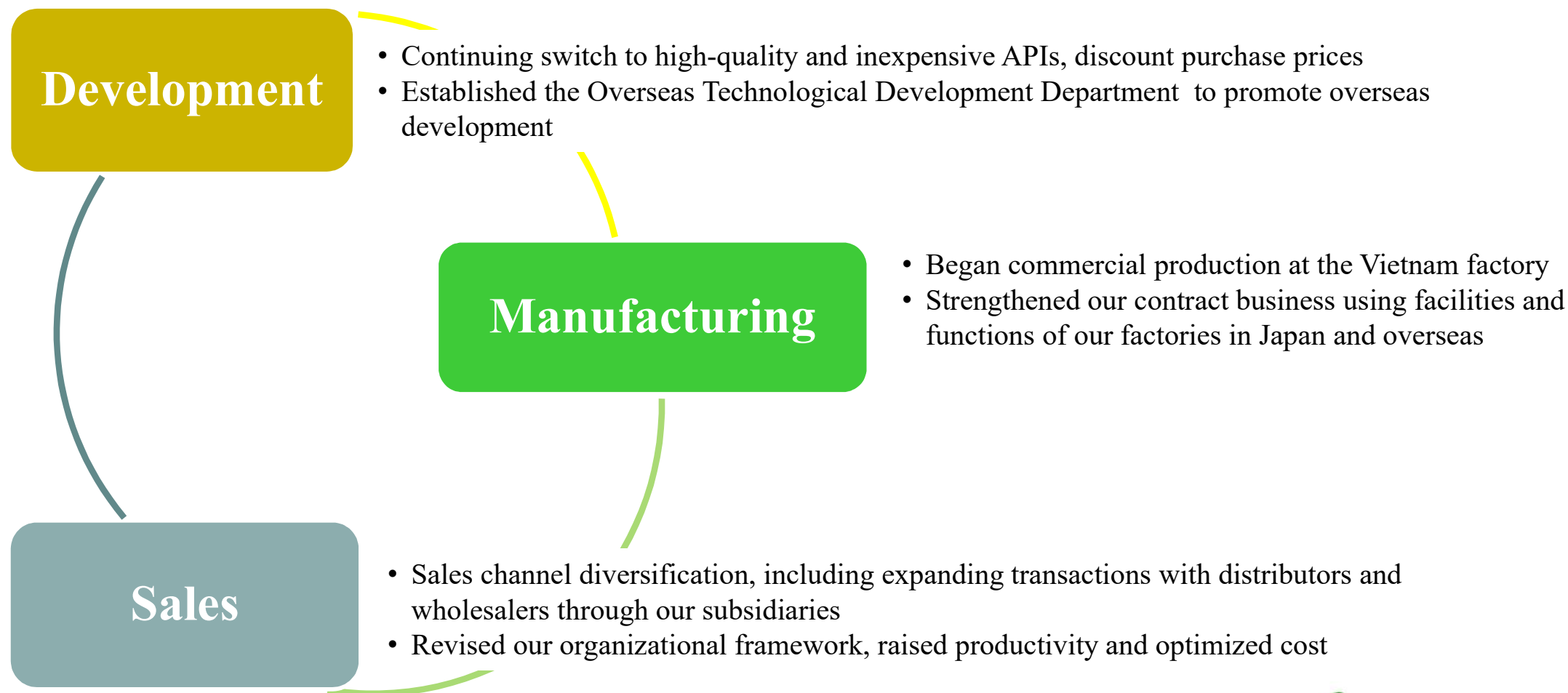
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Plus 1 : Overseas business

- ◆ We have received approval for six products in three countries.
- ◆ Strengthen our overseas expansion based on the Vietnam factory.
- ◆ Expanding diagnostics products business in China.

The Generic Drugs

Strengthening the generic drugs supply chain



Oral Intestinal Cleansing Agent PICOPREP®

Acquired manufacturing and sales rights from Ferring Pharmaceuticals Co., Ltd. on February 12, 2019.



Drug price	1,010.30yen per packet
Domestic launch (Japan)	August, 2016
Indications	To clean the bowel prior to endoscopy, to clean the bowel prior to surgery when judged clinically necessary.
Characteristics	An intestinal tract cleaning agent designed to be easy for patients to drink by balancing an orange flavor with a low drug solution volume.
Reasons for adoption	<ol style="list-style-type: none">1. Aiming to produce synergy with various products, including gastrointestinal and oncological products, and to increase sales by adopting a new drug with distinct advantages.2. Strengthening relationships with prescribing institutions through the provision of information regarding the new drug.

Current circumstances and issues



The drug has distinct advantages, but it needs to be improved due to low product recognition* in the market.

Company initiatives











We will work to raise product awareness by providing details via the Internet and timely, appropriate web-linked information provision achieved through MR.

* Study conducted by M3, Inc. (January 2019)

Drug discovery 1: Pipeline

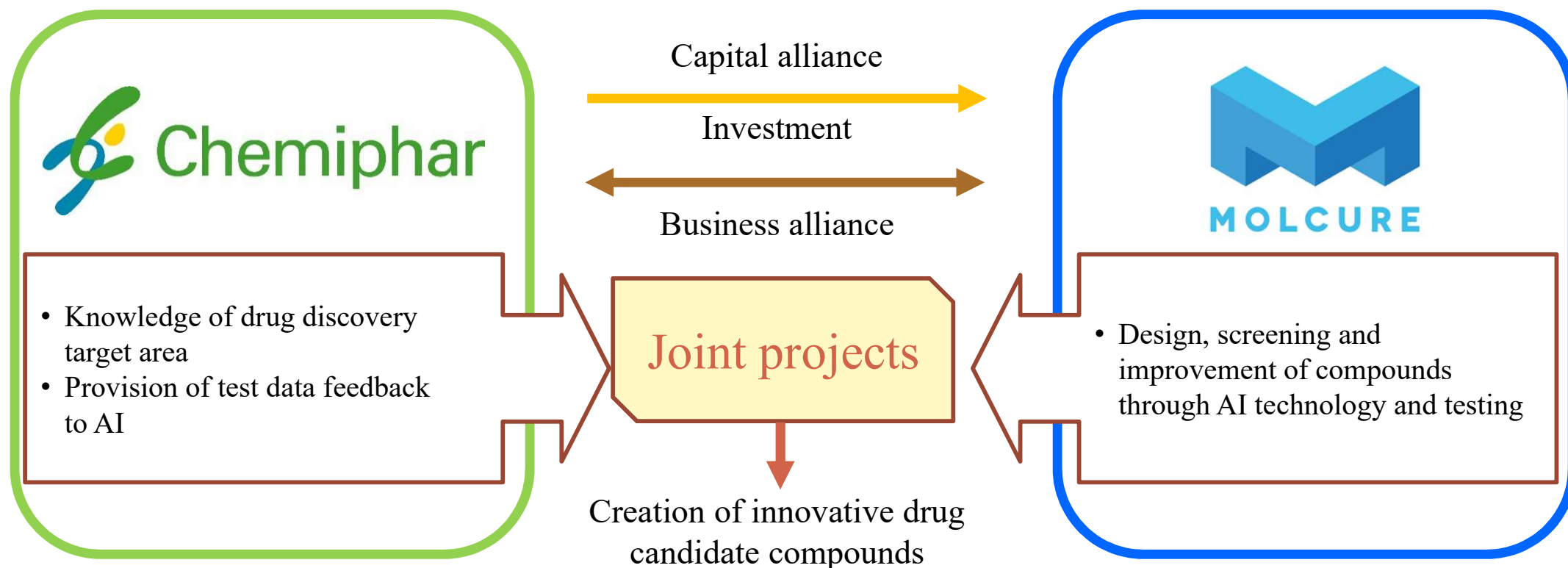
 In-house drug development  Other companies or physician-initiated development

As of March 2019

No.	Function (Target)	Preclinical	Phase 1	Phase 2	Notes
NC-2400	PPAR-delta agonist (Lipid metabolism)				<ul style="list-style-type: none"> Finished Phase 1. Licensed to Cerenis Therapeutics (France).
NC-2500	XOR inhibitor (Hyperuricemia)				<ul style="list-style-type: none"> Phase 1 was finished in September 2017. Conducting licensing out activities and seeking tie-up partner.
NC-2600	P2X4 receptor antagonist (Neuropathic pain)				<ul style="list-style-type: none"> Joint research with Kyusyu University. Phase 1 was finished in September 2017, and we are conducting licensing out activities.
NC-2700	URAT1 inhibitor (Hyperuricemia)				<ul style="list-style-type: none"> Finished preclinical trial in September 2017. Conducting out-licensing activities and seeking tie-up partner.
NC-2800	Delta opioid receptor agonist (Depression / Anxiety)				<ul style="list-style-type: none"> Selected by AMED for its funding program on January 2018. Conducting licensing out activities in parallel with phase 1 preparation.
Soleton	NSAID (Diffuse-type tenosynovial giant cell tumor and others)				<ul style="list-style-type: none"> Physician-initiated clinical trial was started.
Calvan	Alβ1 blocker (Huntington's disease)				<ul style="list-style-type: none"> Licensed to SOM Biotech SL (Spain). Phase 2 was started in August 2018 by this company.

Drug Discovery 2: Access to New Technologies

Create candidate compounds using AI (Artificial Intelligence)



【MOLCURE Inc.】

CEO: Ryu Ogawa; Established May 1, 2013

Characteristics: MOLCURE Inc. possesses the extremely unique capacity to acquire test data on a large scale through the combination of cutting-edge molecular design technology based on the company's original AI algorithm; original experimental techniques using biotechnology and next-generation sequencers; and test automation achieved using robots developed in-house. This combination of advantages establishes MOLCURE Inc.'s status as an AI drug discovery venture with a logical next-generation drug discovery platform.

Overseas Business

Overseas expansion using Nippon Chemiphar Vietnam as a foothold

- We aim to reach an internal manufacturing rate of 30% (600 million tablets) at an early stage, by promoting smooth transfer from domestic factories.
- Preparations have begun on an application for drug sales in Vietnam.
- We have begun internationalizing our development, manufacturing and sales frameworks with the goal of expanding into ASEAN member states and the Chinese market.



Truck leaving Vietnam factory in December 2018

Advance of diagnostic products into Asia

- We are expanding our marketing activities, which are centered on DiaPack 3000, the fastest-acting diagnostic device for allergies in the world, and Oriton IgE, an allergy testing reagent, primarily in Asia.
- We project that we will start business in China during the current fiscal year through collaboration with a general Japanese trading company.

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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.