



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2020 Business Summary

(Year Ended March 31, 2021)

Contents

I. FY2020 Business Results	Slide
Highlights	3
Sales, Income	4
Pharmaceutical Sales	5
Sales Distribution	6
Balance Sheet, Per Share Information	7
Cash Flow, Expenditure	8
II. FY2021 Forecasts	
Sales, Income	10
Pharmaceutical Sales	11
Per Share Information, Expenditure	12

I. FY2020 Business Results

Highlights

Net Sales

The pharmaceutical drugs market remains in a difficult business environment exacerbated by NHI drug price revisions conducted in October 2019 and April 2020 and the COVID-19 pandemic. Within this business environment, the Company achieved sales of ¥30,423 million in the Pharmaceuticals Products segment, which, having fallen only 0.7%, were nearly level year on year. The Company achieved this result thanks in part to strong sales of generic drugs launched in FY2020 that were mainly attributable to the strengths of these drugs' formulations. Also contributing were full-scale sales from Klaricid introduced

in July 2020.

In the Others segment, sales amounted to ¥1,117 million, also nearly level year on year, having fallen by only 0.5%. Consequently, consolidated net sales in FY2020 came to ¥31,541 million, down 0.7% year on year.

Profit

In first half, the Company reported operating loss due to tough conditions such as impact from NHI drug price revisions and the COVID-19 pandemic. Despite these conditions, the Company achieved full-year operating profit of ¥564 million (up 54.8% YOY) and profit attributable to owners of parent of

¥495 million (up 13.4% YOY). These results were partly due to steady earnings contributions from generic drugs launched in June and December 2020 and Klaricid.

Operating profit and net profit were also boosted by cost-related improvements achieved through Group structural reforms including branch office consolidation and personnel optimization; efforts to implement tighter controls on spending; and delays affecting some R&D expenses, which were pushed back until FY2021.

Sales, Income

(¥mn)

	FY2019		Amount	% of Sales	FY2020		
	Amount	% of Sales			YOY (%)	Forecast*	Achieved (%)
Net Sales	31,756	100.0	31,541	100.0	(0.7)	31,000	101.7
Pharmaceuticals	30,632	96.5	30,423	96.5	(0.7)	—	—
Others	1,123	3.5	1,117	3.5	(0.5)	—	—
Cost of sales	19,200	60.5	20,097	63.7	4.7	—	—
SG&A expenses	12,190	38.4	10,879	34.5	(10.8)	—	—
R&D expenses	2,173	6.8	1,998	6.3	(8.1)	2,200	90.8
Operating profit	364	1.1	564	1.8	54.8	200	282.3
Profit before income taxes	732	2.3	713	2.3	(2.6)	—	—
Profit attributable to owners of the parent	436	1.4	495	1.6	13.4	50	x10

*Revised forecast issued on October 30, 2020.

Pharmaceutical Sales

Generics, Proprietary Products and New Drugs (¥mn)

	FY2019		FY2020		YOY (%)	Forecast *	Achieved (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)			
Total	27,788	100.0	27,322	100.0	(1.7)	27,040	101.0
Generics	26,425	95.1	25,532	93.4	(3.4)	25,190	101.4
To medical institutions	25,442		24,531		(3.6)	24,200	101.4
To other makers**	983		1,000		1.8	990	101.1
Amlodipine	2,646		2,482		(6.2)	2,370	104.7
Lansoprazole	1,229		949		(22.8)	990	95.9
Donepezil	1,005		824		(18.0)	850	97.0
Rabeprazole	1,311		1,416		8.1	1,360	104.2
Limaprost Alfadex	943		728		(22.8)	740	98.4
Others	19,290		19,131		(0.8)	18,880	101.3
Proprietary products and new drugs	1,362	4.9	1,790	6.6	31.4	1,850	96.8
Uralyt	842		730		(13.3)	740	98.8
Others	520		1,059		103.7	1,110	95.5

Note:

*Issued on October 30, 2020.

**Includes exports

Chemiphar, ODM Generics (¥mn)

	FY2019		FY2020		YOY (%)	Forecast ¹	Achieved (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)			
Total	27,322	100.0	26,696	100.0	(2.3)	26,290	101.5
Generics	26,425	96.7	25,532	95.6	(3.4)	25,190	101.4
Generics (ODM)	896	3.3	1,164	4.4	29.9	1,100	105.8

Sales Distribution

By Launch Year (¥mn)

	FY2019		FY2020		YOY (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	
FY2013 and before	20,604	78.0	18,428	72.2	(10.6)
FY2014	1,688	6.4	1,744	6.8	3.3
FY2015	1,088	4.1	1,042	4.1	(4.2)
FY2016	613	2.3	566	2.2	(7.6)
FY2017	1,388	5.3	1,423	5.6	2.5
FY2018	938	3.6	871	3.4	(7.1)
FY2019	103	0.4	128	0.5	23.3
FY2020	—	—	1,326	5.2	—
Total	26,425	100.0	25,532	100.0	(3.4)

By Main Therapeutic Categories (%)

	FY2019 Distrib.	FY2020 Distrib.
Cardiovascular and respiratory drugs	32.4	30.1
Digestive organ drugs	16.4	15.4
Agents affecting metabolism	15.1	15.1
Drugs for nervous system, sensory organs	9.2	12.0
Antibiotics and chemotherapeutic drugs	5.2	6.5
Antineoplastic agents	3.3	2.9
Others	18.4	17.8

Balance Sheet, Per Share Information

Balance Sheet Data		(¥mn)	
	March 31,2020	March 31,2021	
	Amount	Amount	Change
Total assets	45,862	47,124	1,261
Return on assets (%)	0.7	1.3	0.6
Net assets	17,392	18,014	622
Owned capital	17,367	17,997	630
Capital-to-asset ratio (%)	37.9	38.2	0.3
Return on equity (%)	2.5	2.8	0.3
Current assets	29,314	30,446	1,132
Current liabilities	13,739	14,102	363
Current ratio (x)	2.13	2.16	0.03

Per Share Information		(¥)		
	FY2019	FY2020		
	Amount	Amount	Change	Forecast
Earnings per share	121.42	137.75	16.33	13.91
Book value per share	4,830.92	5,006.49	175.57	—
Dividend per share	50.00	50.00	—	50.00
Dividend payout ratio (%)	41.2	36.3	—	359.5

Cash Flow, Expenditure

Cash Flow Statement (¥mn)

	FY2019 Amount	FY2020 Amount
Net cash:		
Provided by operating activities	1,394	1,503
Used in investing activities	326	(1,024)
Provided by (Used in) financing activities	(961)	29
Cash and cash equivalents	10,000	10,505
Free cash flow	1,720	479

Capital Expenditure and Other (¥mn)

	FY2019 Amount	FY2020			Usage Rate (%)
		Amount	YOY (%)	Forecast	
Capital expenditure	660	676	2.3	810	83.5
Depreciation and amortization	1,272	1,192	(6.3)	1,300	91.7

II. FY2021 Forecasts

Sales, Income

	(¥mn)				
	FY2020		FY2021 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY* (%)
Net Sales	31,541	100.0	31,000	100.0	—
Pharmaceuticals	30,423	96.5	—	—	—
Others	1,117	3.5	—	—	—
Cost of sales	20,097	63.7	—	—	—
SG&A expenses	10,879	34.5	—	—	—
R&D expenses	1,998	6.3	2,400	7.7	—
Operating profit	564	1.8	350	1.1	—
Profit before income taxes	713	2.3	—	—	—
Profit attributable to owners of the parent	495	1.6	80	0.3	—

Annual Forecasts

In FY2021 (ending March 31, 2022), the Company projects consolidated net sales of ¥31,000 million. The Company expects upward impact from factors such as expanded sales of generic drugs achieved through sales channel diversification efforts that began several years ago and full-year contributions from Klaricid, which was introduced in FY2020.

However, it projects that this impact will be offset by downward NHI drug price revisions conducted in April 2021 and ongoing decline in medical consultations caused by the COVID-19 pandemic.

The Company has factored demand for its products that resulted from recalls of other companies' products conducted at the end of 2020 into its projections for FY2021. However, this impact has only been incorporated on a limited basis due to future uncertainties.

Meanwhile, the Company also projects ¥350 million in operating profit and ¥80 million in profit attributable to owners of parent. The Company forecasts upward impact from the full-year contribution of structural reforms implemented in FY2020. However, it also projects that operating profit and profit attributable to owners of parent will decline year on year due primarily to a higher cost of sales ratio resulting from NHI drug price revisions and the recording of R&D expenses related to phase 1 clinical trials concerning NC-2800, which will be launched with support from public funding.

*We are planned to apply "the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)" from the FY2021, and the consolidated financial forecast for the FY2021 incorporates these changes. Therefore, year-on year rate from the actual results for the FY2021 before the application of the standards, etc. is not stated.

Pharmaceutical Sales

Generics, Proprietary Products		(¥mn)	
	FY2020	FY2021 (Forecast)	
	Amount	Amount	YOY¹
			(%)
Total	27,322	26,550	-
Generics	25,532	24,700	-
To medical institutions	24,531	23,600	-
To other makers ²	1,000	1,100	-
Proprietary products and new drugs	1,790	1,850	-
Uralyt	730	580	-
Others	1,059	1,270	-

Chemiphar, ODM Generics		(¥mn)	
	FY2020	FY2021 (Forecast)	
	Amount	Amount	YOY¹
			(%)
Total	26,696	25,410	-
Generics	25,532	24,700	-
Generics (ODM)	1,164	710	-

1. We are planned to apply “the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” from the FY2021, and the consolidated financial forecast for the FY2021 incorporates these changes. Therefore, year-on year rate from the actual results for the FY2021 before the application of the standards, etc. is not stated.
2. Includes exports

Per Share Information, Expenditure

Per Share Information	(¥)		
	FY2020 Amount	FY2021 (Forecast) Amount	YOY (%)
Earnings per share	137.35	22.25	(83.8)
Book value per share	5,006.49	—	—
Dividends per share	50.00	50.00	—
Dividend payout ratio (%)	36.3	224.7	—

Capital Expenditure and Other	(¥mn)		
	FY2020 Amount	FY2021 (Forecast) Amount	Change
Capital expenditure	676	1,000	323
Depreciation and amortization	1,192	1,300	107

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.

Dividends Forecasts

As mentioned above, we project a decline in net income attributable to owners of the parent. However, in accordance with our aim to provide shareholder return, we forecast a dividend per share of 50.0 yen (with a payout ratio of 224.7%).

For further information contact:

Public Relations Department, Nippon Chemiphar Co., Ltd.
E-mail: ir@chemiphar.co.jp

