



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2021 Second Quarter Business Summary

(Year Ending March 31, 2022)

Highlights

Net Sales

The business environment surrounding the pharmaceutical drugs market remains challenging due to exacerbating factors such as NHI drug price revisions conducted in April 2021 and the COVID-19 pandemic. Within this environment, the Company achieved sales of ¥15,115 million in its Pharmaceutical Products segment thanks in part to strong sales of generic drugs launched in FY2020 and June 2021; contribution from Klaricid, which was introduced in July 2020; response to an increase in demand stemming from quality issues at other companies that manufacture and sell generic drugs; and steady growth in sales generated by the novel allergy screening device, DropScreen™.

In the Others segment, sales amounted to ¥460 million, primarily due to an increase in orders received through our contract testing business. Consequently, consolidated net sales came to ¥15,575 million.

Also important to note is our adoption of the “Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” effective from the beginning of FY2021. If not for impact resulting from our adoption of these standards, second-quarter net sales would have grown by ¥2,277 million year on year.

Income

Despite a higher cost of sales ratio stemming from NHI drug price revisions and an increase in R&D expenses associated with efforts to advance new drug development processes to their next phases and create new generics, we recorded ¥206 million in operating income and moved into the black thanks to a year-on-year increase in sales.

Due to foreign exchange gains, net income attributable to owners of the parent achieved high rates of progress toward their respective full-year projections. However, we have made no changes to our full-year forecast, partly out of consideration for uncertainty surrounding future trends related to generic drug demand stemming from quality issues at other companies and potential impact related to upcoming NHI price revisions in April 2022 .

Sales, Income

(¥mn)

	FY2020			FY2021				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Net sales	14,832	100.0	31,541	15,575	100.0	—	31,000	50.2
Pharmaceuticals	14,569	98.2	30,423	15,115	97.0	—	—	—
Others	262	1.8	1,117	460	3.0	—	—	—
Cost of sales	9,446	63.7	20,097	11,265	72.3	—	—	—
SG&A expenses	5,575	37.6	10,879	4,103	26.3	—	—	—
R&D expenses	1,113	7.5	1,998	1,188	7.6	—	2,400	49.5
Operating profit/loss	(189)	—	564	206	1.3	—	350	58.9
Profit/loss before income taxes and minority interests	(346)	—	713	258	1.7	—	—	—
Profit/loss attributable to owners of the parent	(257)	—	495	228	1.5	—	80	286.2

Note:

We applied “the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” from the FY2021.

Therefore, year-on-year rate from the actual results for the FY2020 before the application of the standards, etc. is not stated.

(Reference) Year-on-Year Comparisons Utilizing Previous Accounting Standards

(¥mn)

	FY2020	FY2021	YOY*	
	2Q Amount	2Q Amount*	Change	%
Net Sales	14,832	17,110	2,277	15.4
Pharmaceuticals	14,569	16,675	2,105	14.5
Others	262	434	172	65.6



Pharmaceutical Sales

Generics, Proprietary Products and New Drugs (¥mn)

	FY2020			FY2021				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	13,059	100.0	27,322	13,468	100.0	—	26,550	50.7
Generics	12,284	94.1	25,532	12,581	93.4	—	24,700	50.9
To medical institutions	11,810		24,531	12,010		—	23,600	50.9
To other makers*	474		1,000	571		—	1,100	52.0
Proprietary products and new drugs	775	5.9	1,790	887	6.6	—	1,850	48.0
Uralyt	377		730	317		—	580	54.7
Others	397		1,059	569		—	1,270	44.9

Chemiphar, ODM Generics (¥mn)

	FY2020			FY2021				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	12,953	100.0	26,696	12,984	100.0	—	25,410	51.1
Generics	12,284	94.8	25,532	12,581	96.9	—	24,700	50.9
Generics (ODM)	668	5.2	1,164	402	3.1	—	710	56.7

* Includes exports.

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Sales Distribution

By Launch Year

(¥mn)

	FY2020		FY2021		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
FY2014 and before	9,883	80.5	9,663	76.8	—
FY2015	509	4.1	545	4.3	—
FY2016	255	2.1	285	2.3	—
FY2017	684	5.6	767	6.1	—
FY2018	432	3.5	388	3.1	—
FY2019	59	0.5	66	0.5	—
FY2020	459	3.7	678	5.4	—
FY2021	—	—	187	1.5	—
Total	12,284	100.0	12,581	100.0	—

Note:

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By Main Therapeutic Categories

(%)

	FY2020 2Q Distrib.	FY2021 2Q Distrib.
Cardiovascular and respiratory drugs	30.4	28.2
Digestive organ drugs	15.8	15.9
Agents affecting metabolism	15.6	15.0
Drugs for nervous system, sensory organs	12.4	13.3
Antibiotics and chemotherapeutic drugs	5.7	6.3
Antineoplastic agents	3.1	2.4
Others	17.0	18.9

Balance Sheet, per Share Information

Balance Sheet Data	(¥mn)		
	March 31, 2021 Amount	September 30, 2021 Amount	Change
Total assets	47,124	48,530	1,406
Net assets	18,014	18,203	188
Owned capital	17,997	18,186	188
Capital-to-asset ratio (%)	38.2	37.5	(0.7)
Current assets	30,446	31,850	1,403
Current liabilities	14,102	14,575	472
Current ratio (x)	2.16	2.19	0.03

Per Share Information	FY2020		FY2021		
	2Q Amount	Full Year Amount	2Q Amount	YOY	Full Year (Forecast)
Earnings per share	(71.60)	137.75	63.56	—	22.25
	Sept. 30, 2020	March 31, 2021	Sept. 30, 2021		Full Year (Forecast)
Book value per share	4,748.21	5,006.49	5,037.24	289.03	—
Dividend per share	0.00	50.00	0.00	0.00	50.00
Dividend payout ratio (%)	—	36.3	—	—	224.7

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Cash Flow, Expenditure

Cash Flow Statement	(¥mn)	
	FY2020 2Q Amount	FY2021 2Q Amount
Net cash:		
Provided by operating activities	428	1,473
Used in investing activities	(877)	(576)
Used in financing activities	1,221	340
Cash and cash equivalents	10,750	11,905
Free cash flow	(449)	897

Capital Expenditure and Other	(¥mn)					
	FY2020		FY2021			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	1,308	1,812	408	(68.8)	1,000	40.8
Depreciation and amortization	689	1,393	740	7.3	1,575	47.0

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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.