



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2022 Business Summary

(Year Ended March 31, 2023)



Chemiphar

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I. FY2022 Business Results

Highlights

Sales

Looking at the Pharmaceutical Products segment, in generic pharmaceuticals, we responded to substitute demand stemming from quality issues at our competitors, while sales of products launched in recent years were also strong. However, in addition to the impact of NHI drug price revisions, we continued to have to make shipment adjustments on some products, particularly from 3Q onward, due to manufacturing capacity issues, including products outsourced to other companies. In addition, shipments of some products were suspended in December last year for the sake of manufacturing processes confirmation, and sales of generic drugs ended up falling 5.6% YOY. Sales of proprietary products and new

drugs also decreased 23.3% YOY due to the impact of NHI drug price revisions. Meanwhile, sales of diagnostics grew 28.5% YOY as growing expansion in domestic use of the allergy screening kit and reagent DropScreen™ gained momentum, driven by new added production capacity as well the start of promotional support from our pharmaceutical sales department since 3Q. As a result, combined sales in the Pharmaceutical Products segment decreased by 3.0% YOY to ¥30,543 million.

In the Others segment, sales came to ¥1,015 million, notching up YOY thanks to steady performance in contract testing.

Consequently, consolidated net sales came to ¥31,559 million (down 2.9% YOY).

Profit

The Company recorded a consolidated operating loss of ¥241 million. Although we made efforts to reduce the cost of sales and recurring expenses, a higher cost of sales ratio due to NHI drug price revisions as well as the scheduled consumption of R&D expenses drove up SG&A costs, in addition to which profit was impacted by the shipment suspensions on certain products in December. Thanks to factors including foreign exchange gains, ordinary profit was down 94.3% YOY to ¥58 million, while profit attributable to owners of parent was down 51.6% YOY to ¥339 million thanks to a gain on the sale of investment securities.

Sales, Income

(¥mn)

	FY2021		FY2022				
	Amount	% of Sales	Amount	% of Sales	YOY (%)	Forecast*	Achieved (%)
Net sales	32,506	100.0	31,559	100.0	(2.9)	32,500	97.1
Pharmaceutical Products segment	31,501	96.9	30,543	96.8	(3.0)	—	—
Generics, proprietary products and new drugs	28,037	86.3	26,148	82.9	(6.7)	27,300	95.8
Diagnostics	2,163	6.7	2,780	8.8	28.5	2,600	106.9
Others segment	1,004	3.1	1,015	3.2	1.2	—	—
Cost of sales	23,432	72.1	23,374	74.1	(0.2)	—	—
SG&A expenses	8,248	25.4	8,425	26.7	2.2	—	—
R&D expenses	2,392	7.4	2,419	7.7	1.1	2,550	94.9
Operating income/loss	825	2.5	(241)	—	—	300	—
Ordinary profit	1,022	3.1	58	0.2	(94.3)	500	11.7
Net profit attributable to owners of parent	700	2.2	339	1.1	(51.6)	550	61.7

Note:

*Revised forecast issued on January 31, 2023.

Pharmaceutical Sales

Generics, Proprietary Products and New Drugs

(¥mn)

	FY2021		FY2022				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast ²	Achieved (%)
Total	28,037	100.0	26,148	100.0	(6.7)	27,300	95.8
Generics	26,283	93.7	24,803	94.9	(5.6)	25,870	95.9
To medical institutions	25,043		23,698		(5.4)	24,870	95.3
To other makers ¹	1,239		1,105		(10.8)	1,000	110.5
Proprietary products and new drugs	1,754	6.3	1,345	5.1	(23.3)	1,430	94.1
Uralyt	623		575		(7.6)	580	99.3
Others	1,131		769		(32.0)	850	90.5

Chemiphar, ODM Generics

(¥mn)

	FY2021		FY2022				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast ²	Achieved (%)
Total	27,139	100.0	25,881	100.0	(4.6)	26,880	96.3
Generics	26,283	96.8	24,803	95.8	(5.6)	25,870	95.9
Generics (ODM)	856	3.2	1,078	4.2	25.9	1,010	106.8

Note:

1. Includes exports.

2. Revised forecast issued on January 31, 2023.

Sales Distribution

By Launch Year		(¥mn)			
	FY2021		FY2022		YOY (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	
FY2015 and before	21,352	81.2	19,570	78.9	(8.3)
FY2016	700	2.7	599	2.4	(14.5)
FY2017	1,572	6.0	1,562	6.3	(0.6)
FY2018	767	2.9	740	3.0	(3.6)
FY2019	140	0.5	135	0.5	(3.7)
FY2020	1,375	5.2	1,278	5.2	(7.1)
FY2021	374	1.4	414	1.7	10.8
FY2022	—	—	502	2.0	—
Total	26,283	100.0	24,803	100.0	(5.6)

By Main Therapeutic Categories	(%)	
	FY2021 Distrib.	FY2022 Distrib.
Cardiovascular and respiratory drugs	27.7	26.5
Agents affecting metabolism	14.9	17.2
Digestive organ drugs	15.8	15.6
Drugs for nervous system, sensory organs	13.0	13.5
Antibiotics and chemotherapeutic drugs	6.2	4.0
Antineoplastic agents	2.3	1.9
Others	20.1	21.3

Balance Sheet, Per Share Information

Balance Sheet Data		(¥mn)	
	March 31,2022	March 31,2023	
	Amount	Amount	Change
Total assets	49,453	48,571	(882)
Return on assets (%)	2.1	0.1	(2.0)
Net assets	18,501	18,534	32
Owned capital	18,484	18,517	32
Equity ratio (%)	37.4	38.1	0.7
Return on equity (%)	3.8	1.8	(2.0)
Current assets	33,495	33,436	(58)
Current liabilities	16,750	14,766	(1,983)
Current ratio (x)	2.00	2.26	0.26

Per Share Information		(¥)		
	FY2021	FY2022		
	Amount	Amount	Change	Forecast
Earnings per share	194.33	94.07	(100.26)	152.38
Book value per share	5,119.99	5,130.65	10.66	—
Dividend per share	50.00	50.00	—	50.00
Dividend payout ratio (%)	25.7	53.2	—	32.8

Cash Flow, Expenditure

Cash Flow Statement		(¥mn)
	FY2021 Amount	FY2022 Amount
Net cash:		
Provided by (Used in) operating activities	1,801	(916)
Provided by (Used in) investing activities	35	(394)
Provided by (Used in) financing activities	(793)	144
Cash and cash equivalents	11,645	10,529
Free cash flow	1,837	(1,310)

Capital Expenditure and Other		(¥mn)			
	FY2021	FY2022			
	Amount	Amount	YOY (%)	Forecast	Usage Rate (%)
Capital expenditure	1,131	573	(49.3)	800	71.7
Depreciation and amortization	1,586	1,500	(5.4)	1,500	100.0

II. FY2023 Forecasts

Sales, Income

	FY2022		FY2023 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Net Sales	31,559	100.0	32,700	100.0	3.6
Pharmaceuticals	30,543	96.8	—	—	—
Generics, proprietary products and new drugs	26,148	82.9	25,870	79.1	(1.1)
Diagnostics	2,780	8.8	4,500	13.8	61.8
Others	1,015	3.2	—	—	—
Cost of sales	23,374	74.1	—	—	—
SG&A expenses	8,425	26.7	—	—	—
R&D expenses	2,419	7.7	2,820	8.6	16.6
Operating income/loss	(241)	—	200	0.6	—
Ordinary profit	58	0.2	100	0.3	70.4
Profit attributable to owners of the parent	339	1.1	60	0.2	(82.3)

For FY2023 (ending March 31, 2024), we anticipate a decline in sales of the Pharmaceutical Products segment due to the impact of the NHI drug price revisions implemented in April this year, but we also project ongoing growth in domestic market penetration for DropScreen as well as sales growth in contract testing, and we therefore forecast consolidated net sales of ¥32,700 million, up 3.6% YOY.

At the profit level, in addition to a rise in the cost of sales ratio due to NHI drug price revisions, we expect an increase in purchase prices due to rising raw material and energy costs. We therefore forecast operating profit of ¥200 million and profit attributable to owners of parent of ¥60 million.

Pharmaceutical Sales

Generics, Proprietary Products		(¥mn)	
	FY2022	FY2023 (Forecast)	
	Amount	Amount	YOY (%)
Total	26,148	25,870	(1.1)
Generics	24,803	24,640	(0.7)
To medical institutions	23,698	23,830	0.6
To other makers*	1,105	810	(26.7)
Proprietary products and new drugs	1,345	1,230	(8.6)
Uralyt	575	530	(7.9)
Others	769	700	(9.0)

Chemiphar, ODM Generics		(¥mn)	
	FY2022	FY2023 (Forecast)	
	Amount	Amount	YOY (%)
Total	25,881	25,670	(0.8)
Generics	24,803	24,640	(0.7)
Generics (ODM)	1,078	1,030	(4.5)

*Includes exports

Per Share Information, Expenditure

Per Share Information		(¥)	
	FY2022 Amount	FY2023 (Forecast) Amount	YOY (%)
Earnings per share	94.07	16.62	(77.45)
Book value per share	5,130.65	—	—
Dividends per share	50.00	50.00	—
Dividend payout ratio (%)	53.2	300.8	247.6

About Dividend Forecast

Although we forecast a drop in profit attributable to owners of parent, in the interest of maintaining stable shareholder returns, we plan to pay dividends of ¥50.0 per share (for a payout ratio of 300.8%).

About Capital Expenditure

We are budgeting for total capital expenditure of ¥3,700 million as we envision additional installation at Building No. 3 of our Tsukuba Factory to meet the need for increased production.

Capital Expenditure and Other		(¥mn)	
	FY2022 Amount	FY2023 (Forecast) Amount	Change
Capital expenditure	573	3,700	3,126
Depreciation and amortization	1,500	1,450	(50)

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.

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