

INTERIM BUSINESS SUMMARY

(Year ending March 31, 2009)

Nippon Chemiphar Co., Ltd. (4539)

October 30 2008

1. Highlights

1. Sales of core products (Uralyt, Soleton, Calvin) slipped 9.1% YOY due to the latest NHI price revision. However, consolidated sales rose 5.8% YOY, reflecting the 18.8% increase in generic sales owing to brisk sales at DPC hospitals and pharmacy chains.
2. Operating income slid 85.2% YOY due to a 5.1 point hike in cost of sales, resulting from:
 - (a) The impact of the NHI's price revision in April;
 - (b) A decline in sales of core products, which have a higher gross margin than generics;
 - (c) A 5.1 point jump in cost of sales, due to the higher ratio of generics sales to total sales.
3. Chemiphar forecasts full-year sales of ¥22,580 million (up 7.9% YOY), as it expects sales of new products launched in July and November to grow, and plans to further boost the promotion of its three core products.
4. Chemiphar plans to cut SG&A expenses. However, it predicts little change in cost of sales, given that the expected greater sales of generics to DPC hospitals will trim the operating income to ¥530 million (down 54.7% YOY).

2. Consolidated Sales and Income

¥mn

	Interim 2007		Interim 2008			Forecast FY2008	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	YOY (%)
Sales	10,350	100.0	10,951	100.0	5.8	22,580	7.9
Cost of sales	4,228	40.9	5,038	46.0	19.2		
				+5.1 points			
SG&A expenses	5,493	53.1	5,819	53.1	5.9		
Operating income	629	6.1	93	0.8	(85.2)	530	(54.7)
Ordinary income	548	5.3	42	0.4	(92.2)	270	(73.2)
Net income	202	2.0	(59)	—	—	160	(59.0)

2. Sales of Pharmaceuticals

¥mn

	Interim 2007		Interim 2008			Forecast FY2008	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	YOY (%)
Pharmaceuticals	8,937	100.0	9,431	100.0	5.5	19,640	10.1
Core products	4,258	47.6	3,871	41.0	(9.1)	7,630	(6.4)
Uralyt	1,744		1,722		(1.3)	3,440	(1.0)
Soleton	2,143		1,809		(15.6)	3,540	(10.5)
Calvan	371		340		(8.4)	650	(10.2)
Generics	4,679	52.4	5,560	59.0	18.8	12,010	24.1
Pravastatin	606		596		(1.7)	1,230	0.5
Voglibose	242		399		64.9	820	46.7
Lansoprasole	35		252		7.2 times	530	4.2 times
Others	3,796		4,313		13.6	9,430	21.4