

## SECOND QUARTER BUSINESS SUMMARY

(Year ending March 31, 2012)

Nippon Chemiphar Co., Ltd. (4539)

October 31, 2011

### Highlights

#### Generics Push Up Consolidated Sales 4.9% YOY

Chemiphar's second-quarter sales of generics are up 9.8% YOY, mainly thanks to growing sales of products launched last fiscal year. This is despite the fading effects of measures, introduced in last April, to promote generics, and the slowing growth of the generics market. In addition, there has been a rise in sales of ODM\* generics, that we have worked to develop over the past few years. As a result, overall sales of generic business are up 11.6% YOY.

Meanwhile, fierce competition has depressed sales of core products, which are down 6.2% YOY, resulting in a 4.9% YOY hike in overall sales.

\* Original Design, Manufacture

### Income Rises

The cost of sales ratio is 45.3%, down 2.5% YOY, mainly due to the increase in the ratio of proprietary generics sales, which have a better profit margin than do sales of purchased generics. In addition, the SG&A ratio is down 0.2% YOY. As a result, operating income is ¥1,325 million (up 47.6% YOY), ordinary income is ¥1,228 million (up 49.6% YOY), and net income is ¥667 million (up about 7.6 times).

### Forecast Unchanged

As we forecast in May, sales and income are expected to continue rising steadily.

### Sales and Income (Consolidated)

(¥mn)

	2nd Quarter FY2010		2nd Quarter FY2011			FY2011(Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Achievement Ratio (%)
<b>Total Sales</b>	13,264	100.0	13,914	100.0	4.9	29,100	47.8
Pharmaceuticals	12,678	95.6	13,391	96.2	5.6		
Others	586	4.4	523	3.8	(10.8)		
Cost of sales	6,338	47.8	6,297	45.3 (2.5P)	(0.6)		
SG&A expenses	6,027	45.4	6,290	45.2 (0.2P)	4.4		
Operating income	898	6.8	1,325	9.5	47.6	2,500	53.0
Ordinary income	821	6.2	1,228	8.8	49.6	2,300	53.4
Net income	87	0.7	667	4.8	x7.6	1,100	60.6

**Sales of Pharmaceuticals (Consolidated)**

(¥mn)

	2nd Quarter FY2010		2nd Quarter FY2011			FY2011(Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Achievement Ratio (%)
<b>Total</b>	11,873	100.0	12,529	100.0	5.5	26,340	47.6
Generics	8,695	73.2	9,546	76.2	9.8	20,660	46.2
Amlodipine	1,311		1,409		7.5	3,020	46.7
Pravastatin	687		679		(1.2)	1,390	48.8
Voglibose	576		552		(4.2)	1,200	46.0
Lansoprazole	678		713		5.2	1,460	48.8
Others	5,443		6,193		13.8	13,590	45.6
Core products	3,178	26.8	2,982	23.8	(6.2)	5,680	52.5
Uralyt	1,584		1,544		(2.5)	3,120	49.5
Soleton	1,322		1,200		(9.2)	2,080	57.7
Calvan	271		239		(11.8)	480	49.8

**Sales of Generic Business (Consolidated)**

	2nd Quarter FY2010	2nd Quarter FY2011		FY2011(Forecast)	
	Amount	Amount	YOY (%)	Amount	Achievement Ratio (%)
<b>Generic business</b>	8,730	9,740	11.6	20,960	46.5
Generics	8,695	9,546	9.8	20,660	46.2
Generics (ODM)*	35	194	x5.5	300	64.7

\*Original Design, Manufacture

**Expenditure (Consolidated)**

	2nd Quarter FY2010		2nd Quarter FY2011			FY2011 (Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Achievement Ratio (%)
R&D expenses	909	6.9	916	6.6	0.8	1,970	46.5
Depreciation expenses	376	2.8	347	2.5	(7.7)	800	43.4
Capital expenditure	260	2.0	445	3.2	71.2	980	45.4

## ■ Main Financial Figures (Consolidated)

### Earnings

	2nd Quarter FY2010	2nd Quarter FY2011	Change (YOY)
Gross margin to sales (%)	52.2	54.7	+2.5p
SG&A to sales (%)	45.4	45.2	(0.2p)
Operating income to sales (%)	6.8	9.5	+2.7p
Net income per share (¥)	2.18	15.89	13.71

### Balance Sheet Summary

	FY2010	2nd Quarter FY2011	Change (YOY)
Total assets (¥mn)	30,786	33,189	2,402
Net assets (¥mn)	8,964	9,436	471
Owned capital (¥mn)	8959	9,430	471
Capital-to-asset ratio (%)	29.1	28.4	(0.7p)
Current assets (¥mn)	17,098	19,733	2,634
Current debt (¥mn)	12,035	13,058	1,023
Current ratio (x)	1.42	1.51	+0.09p
Net assets per share (¥)	212.92	225.73	12.81

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