

THIRD QUARTER BUSINESS SUMMARY

(Year ending March 31, 2012)

Nippon Chemiphar Co., Ltd. (4539)

January 31, 2012

Highlights

Generics Push Up Consolidated Sales 6.6% YOY*

Chemiphar's third-quarter sales of generics are up 10.0% YOY, mainly thanks to growing sales of products launched since last fiscal year. 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 generics business are up 11.5% YOY.

Meanwhile, fierce competition has depressed sales of our core products, which are down 4.9% YOY, resulting in a 6.6% YOY hike in sales overall.

* YOY represents change from the same period of the prious year.

* * Original design, manufacture

Income Rises Sharply Due to Lower Cost of Sales

The cost of sales ratio is 44.6%, down 2.8% YOY, mainly the result of an 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 43.8%, down 1.3% YOY. As a result, operating income is ¥2,550 million (up 66.2% YOY), ordinary income is ¥2,432 million (up 72.9% YOY), and net income is ¥1,330 million (up about 3.3 times).

Income Forecast to Rise

We have not changed our sales forecast, issued in May. This is because we are not sure what effect the planned April change in medical fees will have on sales. However, incomes have been revised up, since we expect cost of sales to be lower.

Sales and Income (Consolidated)

(¥mn)

	3rd Quarter FY2010		3rd Quarter FY2011			FY2011(Forecast) Newly revised Jan. 31	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Achievement Ratio (%)
Total Sales	20,615	100.0	21,979	100.0	6.6	29,100	75.5
Pharmaceuticals	19,873	96.4	21,133	96.2	6.3		
Others	741	3.6	846	3.8	14.0		
Cost of sales	9,776	47.4	9,794	44.6 (2.8P)	0.2		
SG&A expenses	9,303	45.1	9,634	43.8 (1.3P)	3.6		
Operating income	1,534	7.4	2,550	11.6	66.2	2,700	94.4%
Ordinary income	1,406	6.8	2,432	11.1	72.9	2,500	97.3%
Net income	405	2.0	1,330	6.1	x3.3	1,300	102.3%

Sales of Pharmaceuticals (Consolidated)

(¥mn)

	3rd Quarter FY2010		3rd Quarter FY2011			FY2011(Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Achievement Ratio (%)
Total	18,283	100.0%	19,401	100.0%	6.1%	26,340	73.7%
Generics	13,536	74.0%	14,888	76.7%	10.0%	20,660	72.1%
Amlodipine	2,021		2,176		7.7%	3,020	72.1%
Pravastatin	1,041		1,040		(0.1%)	1,390	74.8%
Voglibose	880		838		(4.8%)	1,200	69.8%
Lansoprazole	1,045		1,121		7.3%	1,460	76.8%
Others	8,549		9,713		13.6%	13,590	71.5%
Core products	4,747	26.0%	4,513	23.3%	(4.9%)	5,680	79.5%
Uralyt	2,403		2,351		(2.2%)	3,120	75.4%
Soleton	1,948		1,813		(6.9%)	2,080	87.2%
Calvan	396		349		(11.9%)	480	72.7%

Sales of Generic Business (Consolidated)

(¥mn)

	3rd Quarter FY2010	3rd Quarter FY2011		FY2011(Forecast)	
	Amount	Amount	YOY (%)	Amount	Achievement Ratio (%)
Generic business	13,632	15,197	11.5	20,960	72.5
Generics	13,536	14,888	10.0	20,660	72.1
Generics (ODM)*	96	309	x3.2	300	103.0

*Original Design, Manufacture

■ Main Financial Figures (Consolidated)
Earnings

	3rd Quarter FY2010	3rd Quarter FY2011	Change
Gross margin to sales (%)	52.6	55.4	+2.8p
SG&A to sales (%)	45.1	43.8	(1.3p)
Operating income to sales (%)	7.4	11.6	+4.2p
EPS (¥)	9.96	31.86	21.9

Balance Sheet Summary

	FY2010	2nd Quarter FY2011	Change
Total assets (¥mn)	30,786	33,760	2,973
Net assets (¥mn)	8,964	10,056	1,091
Owned capital (¥mn)	8,959	10,049	1,090
Capital-to-asset ratio (%)	29.1	29.8	+0.7p
Current assets (¥mn)	17,098	20,548	3,450
Current debt (¥mn)	12,035	13,320	1,285
Current ratio (x)	1.42	1.54	0.12
Net assets per share (¥)	212.92	244.67	31.75

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