

FY2011 Business Summary

(Year ended March 31, 2012)

Nippon Chemiphar Co., Ltd. (4539)

May 11, 2012

Highlights

Generics Push Up Consolidated Sales 4.2% YOY

Chemiphar's FY2011 sales of generics are up 9.6% 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 (2.4 times). As a result, overall sales of generics are up 10.7% YOY.

Meanwhile, fierce competition has depressed sales of our core products, which are down 6.5% YOY, resulting in a 4.2% YOY hike in sales overall.

* Original design, manufacture

Income Rises Sharply Due to Lower Cost of Sales

The cost of sales ratio is 45.1%, down 2.4 points 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 44.6%, down 0.6 points YOY. As a result, operating income is ¥2,923 million (up 46.2% YOY), ordinary income is ¥2,776 million (up 52.7% YOY), and net income is ¥1,439 million (up about 2.5 times).

Rise in Sales and Income Expected

We forecast a rise of more than 20% YOY in sales of our generics, as a result of which we expect total sales to reach ¥32,000 million (up 12.2% YOY). Consequently, operating income is expected to be ¥3,500 million (up 19.7% YOY), ordinary income ¥3,300 million (up 18.9%), and net income ¥1,800 million (up 25.1% YOY).

Sales and Income (Consolidated)

(¥mn)

	FY2010		FY2011			FY2012 (Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	YOY (%)
Total Sales	27,361	100.0	28,513	100.0	4.2	32,000	12.2
Pharmaceuticals	26,205	95.8	27,325	95.8	4.3		
Others	1,155	4.2	1,188	4.2	2.8		
Cost of sales	12,990	47.5	12,871	45.1	(0.9)		
SG&A expenses	12,371	45.2	12,718	44.6	2.8		
Operating income	1,999	7.3	2,923	10.3	46.2	3,500	19.7
Ordinary income	1,818	6.6	2,776	9.7	52.7	3,300	18.9
Net income	573	2.1	1,439	5.0	x 2.5	1,800	25.1

Sales of Pharmaceuticals (Consolidated)

(¥mn)

	FY2010		FY2011			FY2012 (Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	YOY (%)
Total	24,138	100.0	25,467	100.0	5.5	29,275	15.0
Generics	17,990	74.5	19,721	77.4	9.6	24,235	22.9
Amlodipine	2,690		2,864		6.5	3,100	8.2
Pravastatin	1,362		1,347		(1.1)	1,410	4.7
Voglibose	1,148		1,086		(5.4)	1,160	6.8
Lansoprazole	1,367		1,496		9.4	1,830	22.3
Others	11,423		12,928		13.2	16,735	29.4
Core products	6,148	25.5	5,746	22.6	(6.5)	5,040	(12.3)
Uralyt	3,119		3,012		(3.5)	2,870	(4.7)
Soleton	2,512		2,273		(9.5)	1,790	(21.2)
Calvan	517		461		(10.8)	380	(17.6)

Sales of Generics Business (Consolidated)

	FY2010	FY2011		FY2012 (Forecast)	
	Amount	Amount	YOY (%)	Amount	YOY (%)
Generics business	18,142	20,083	10.7	24,430	21.6
Generics	17,990	19,721	9.6	24,235	22.9
Generics (ODM)	152	362	x 2.4	195	(46.1)

Expenditure (Consolidated)

(¥mn)

	FY2010		FY2011			FY2012 (Forecast)	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Amount	Distrib. (%)
R&D expenses	1,878	6.9	1,790	6.3%	(4.7)	2,200	6.9
Depreciation expenses	775	2.8	747	2.6%	(3.6)	830	2.6
Capital expenditure	584	2.1	1,014	3.6%	73.6%	1,100	3.4

Main Financial Figures (Consolidated) Earnings

	FY2010	FY2011	Change	FY2012 (Forecast)	Change
Gross margin to sales (%)	52.5	54.9	+2.4 p		
SG&A to sales (%)	45.2	44.6	(0.6 p)		
Operating income to sales (%)	7.3	10.3	+3.0 p	10.9	+0.6 p
EPS (¥)	13.95	34.62	20.67	43.28	8.66

Balance Sheet Summary

	FY2010	FY2011	Change
Total assets (¥mn)	30,786	33,790	3,004
Net assets (¥mn)	8,964	10,230	1,265
Owned capital (¥mn)	8,959	10,223	1,264
Capital-to-asset ratio (%)	29.1	30.3	+1.2p
Current assets (¥mn)	17,098	20,561	3,462
Current debt (¥mn)	12,035	12,871	835
Current ratio (x)	1.42	1.60	+0.18p
Net assets per share (¥)	212.92	248.92	36.00

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Note about Forward-Looking Statements and Forecasts

Statements made in this summary with respect to current plans estimates strategies and beliefs, and other statements of Chemiphar are forecasts about the future performance of Chemiphar. These forecasts are based on information currently available to management. Consequently, our forecasts are subject to known and unknown risks and uncertainties and may differ significantly from actual results. Items that may influence our forward-looking statements and forecasts include changes in the economy, the business and competitive environment surrounding Chemiphar's business, and revisions to the Pharmaceutical Affairs Law and other related legislation, etc., as well as other items not limited to the above.