

THIRD QUARTER BUSINESS SUMMARY FY2013

(Year ending March 31, 2014)

January 31, 2014
Nippon Chemiphar Co., Ltd.
(TSE: 4539)

Highlights

Sales

Chemiphar's sales of generics are down 1.4% YOY*, for two main reasons. First, sales to other pharmaceutical makers were less than anticipation. Second, sales of generics that we launched last fiscal year have expanded very slowly.

Improved sales in the second and third quarters reflect the contribution of new products launched last June and December.

Meanwhile, sales of our core products are down 10.8% YOY, the result of fierce competition and the tendency to switch to generics.

Consequently, consolidated sales are ¥24,297 million, down 2.4% YOY.

Income

The cost of sales ratio was the same year on year, an improved sales mix having lessened the depreciation burden of our capital investments.

Reflecting expanded investments in our sales structure, the SG&A expenses to sales ratio rose 1.9 percentage points YOY. This caused a 16.0% YOY decline in operating income to ¥2,874 million.

Forecast

Despite the fact that sales of our generics have been recovering since the second quarter and profits have been rising steadily, we are maintaining our full year forecast due to the April NHI price revision and the consumption tax hike on April 1.

Sales and Income	FY2012 3rd Quarter	FY2013			
		3rd Quarter	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	24,899	24,297	(2.4)	32,000	75.9
Pharmaceuticals	24,177	23,599	(2.4)	—	—
Others	722	698	(3.2)	—	—
Cost of sales	11,583	11,312	(2.3)	—	—
SG&A expenses	9,892	10,110	2.2	—	—
Operating income	3,423	2,874	(16.0)	3,000	95.8
Ordinary income	3,315	2,782	(16.1)	2,800	99.4
Income before income taxes and minority interests	3,298	2,779	(15.7)	—	—
Net income	1,965	1,738	(11.6)	1,700	102.3

* Comparison with the same period in the previous year.

(%)

Ratio to Net Sales	FY2012 3rd Quarter	FY2013		Full Year (Forecast)
		3rd Quarter	Change	
Cost of sales	46.5	46.6	0.1	—
SG&A expenses	39.7	41.6	1.9	—
Operating income	13.7	11.8	(1.9)	9.4
Ordinary income	13.3	11.5	(1.8)	8.8
Net income	7.9	7.2	(0.7)	5.3

(¥mn)

Balance Sheet Data	As of	As of	Change
	Mar. 31, 2013	Dec. 31, 2013	
Total assets	35,488	41,023	5,534
Net assets	12,408	13,953	1,544
Owned capital	12,399	13,942	1,542
Capital-to-asset ratio (%)	34.9	34.0	(0.9P)
Current assets	21,655	25,655	4,000
Current liabilities	12,785	14,996	2,211
Current ratio (x)	1.69	1.71	0.02P

(¥)

Amounts per Share	FY2012 3rd Quarter	FY2013		Full Year (Forecast)
		3rd Quarter	Change	
Earnings per share	47.87	42.39	(5.48)	41.44
	As of	As of	Change	FY2013
	Mar. 31, 2013	Dec. 31, 2013		(Forecast)
Book value per share	302.28	340.00	37.72	—
Dividends per share	10.00	—	—	10.00

(¥mn)

Consolidated Pharmaceutical Sales	FY2012		FY2013				
	3rd Quarter	Distrib. (%)	3rd Quarter	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	22,193	100.0	21,538	100.0	(3.0)	28,850	74.7
Generics	18,429	83.0	18,179	84.4	(1.4)	24,520	74.1
Sales to medical institutions	16,745		17,758		6.1	23,850	74.5
Sales to other makers*	1,683		420		(75.0)	670	62.8
Amlodipine	2,370		2,524		6.5	3,370	74.9
Lansoprazole	1,362		1,508		10.7	1,990	75.8
Pravastatine	1,015		1,008		(0.7)	1,320	76.4
Rabeprazole	988		1,142		15.5	1,500	76.1
Limaprost Alfadex	972		1,070		10.0	1,410	75.9
Voglibose	827		831		0.4	1,090	76.2
Donepezil	927		966		4.3	1,300	74.4
Others	9,963		9,126		(8.4)	12,540	72.8
Core products	3,764	17.0	3,358	15.6	(10.8)	4,330	77.6
Uralyt	2,077		1,891		(9.0)	2,450	77.2
Soleton	1,383		1,192		(13.8)	1,530	78.0
Calvan	303		274		(9.5)	350	78.5

* Includes export sales.

(¥mn)

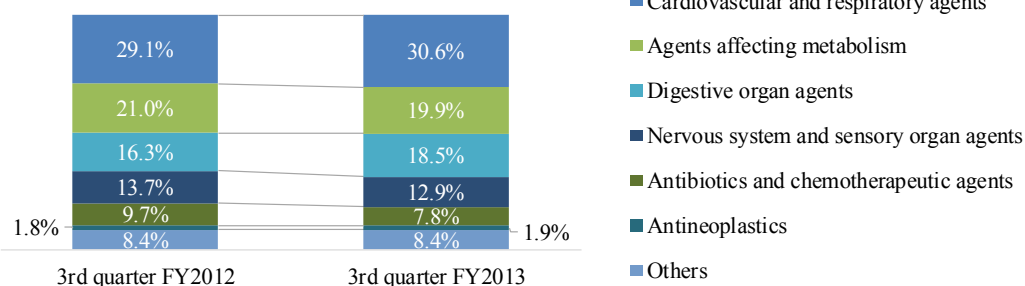
Sales of Generics Business	FY2012		FY2013				
	3rd Quarter	Distrib. (%)	3rd Quarter	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	18,798	100.0	18,649	100.0	(0.8)	25,070	74.4
Generics	18,429	98.0	18,179	97.5	(1.4)	24,520	74.1
Generics (ODM*)	369	2.0	469	2.5	27.1	550	85.4

* Original Design Manufacturing

(¥mn)

Generics Sales by Launch Year	FY2012		FY2013		
	3rd Quarter	Distrib. (%)	3rd Quarter	Distrib. (%)	YOY (%)
FY2006 and before	8,114	44.0	7,431	40.9	(8.4)
FY2007	2,064	11.2	2,227	12.3	7.9
FY2008	2,420	13.1	2,302	12.7	(4.9)
FY2009	1,864	10.1	1,916	10.5	2.7
FY2010	1,847	10.0	1,688	9.3	(8.6)
FY2011	1,345	7.3	1,415	7.8	5.2
FY2012	771	4.2	733	4.0	(4.9)
FY2013	—	—	463	2.5	—
Total	18,429	100.0	18,179	100.0	(1.4)

Sales by Main Therapeutic Categories



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.