

BUSINESS SUMMARY FY2013

(Year ended March 31, 2014)

May 9, 2014
Nippon Chemiphar Co., Ltd.
(TSE: 4539)

Highlights

Sales

In spite of the first-quarter trough, sales of generics to medical institutions are up 7.7% YOY, mainly due to the steady increase in new products. Moreover, sales of proprietary generics to other makers achieved the expectation by the contribution of new transactions and a recovery in repeat orders. As a result, sales of generics reached ¥24,405 million (up 3.3% YOY).

Meanwhile, sales of our core products are down 10.1% YOY, the result of fierce competition and the tendency to switch to generics, as a result, sales of pharmaceuticals totaled ¥28,718 million (up 1.0% YOY).

Consequently, consolidated sales amounted to ¥31,893 million (down 0.2% YOY).

Income

Measures required by the April 2014 NHI price revision, together with our expanded investments—for a new plant, an oncology unit and contract MRs—caused the cost of sales ratio to rise 0.7 percentage points YOY, and the SG&A expenses ratio to up 0.9 percentage points YOY. This depressed operating income to ¥3,327 million (down 14.1% YOY).

Forecast

Despite the NHI price revision, we expect consolidated sales to come to ¥35,300 million (up 10.7% YOY), on the back of expanding generics sales.

Income overall is forecast to decline over the next fiscal year, due to such factors as new plant-related depreciation and R&D expenses.

(¥mn)

Sales and Income	FY2012 Amount	FY2013			FY2014		
		Amount	YOY (%)	Full Year (Forecast)	Achieved (%)	Full Year (Forecast)	YOY (%)
Net Sales	31,944	31,893	(0.2)	32,000	99.7	35,300	10.7
Pharmaceuticals	30,864	30,773	(0.3)	—	—	—	—
Others	1,079	1,119	3.7	—	—	—	—
Cost of sales	14,922	15,128	1.4	—	—	—	—
SG&A expenses	13,147	13,437	2.2	—	—	—	—
R&D expenses	1,936	1,668	(13.9)	2,000	83.4	2,250	34.9
Operating income	3,873	3,327	(14.1)	3,000	110.9	2,600	(21.9)
Ordinary income	3,714	3,206	(13.7)	2,800	114.5	2,450	(23.6)
Income before income taxes and minority interests	3,602	3,055	(15.2)	—	—	—	—
Net income	2,125	1,887	(11.2)	1,700	111.0	1,500	(20.5)

(%)

Ratio to Net Sales	FY2012	FY2013		Full Year (Forecast)	FY2014 Full Year (Forecast)
		Change			
Cost of sales	46.7	47.4	0.7	—	—
SG&A expenses	41.2	42.1	0.9	—	—
Operating income	12.1	10.4	(1.7)	9.4	7.4
Ordinary income	11.6	10.1	(1.5)	8.8	6.9
Net income	6.7	5.9	(0.8)	5.3	4.2

									(¥mn)
Consolidated Pharmaceutical Sales	FY2012		FY2013				FY2014		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Achieved (%)	Full Year (Forecast)	YOY (%)
Total	28,425	100.0	28,718	100.0	1.0	28,850	99.5	30,550	6.4
Generics	23,630	83.1	24,405	85.0	3.3	24,520	99.5	26,930	10.3
Sales to medical institutions	21,888		23,579		7.7	23,850	98.9	25,700	9.0
Sales to other makers*	1,742		826		(52.6)	670	123.3	1,230	48.9
Amlodipine	3,128		3,333		6.5	3,370	98.9	3,090	(7.3)
Lansoprazole	1,791		1,988		11.0	1,990	99.9	1,890	(5.0)
Pravastatine	1,319		1,317		(0.2)	1,320	99.8	1,320	0.2
Rabeprazole	1,313		1,533		16.7	1,500	102.2	1,600	4.4
Limaprost Alfadex	1,274		1,417		11.2	1,410	100.5	1,570	10.8
Voglibose	1,079		1,083		0.4	1,090	99.4	1,030	(4.9)
Donepezil	1,167		1,301		11.4	1,300	100.1	1,460	12.2
Others	12,555		12,432		(1.0)	12,540	99.1	14,970	20.4
Core products	4,795	16.9	4,312	15.0	(10.1)	4,330	99.6	3,620	(16.1)
Uralyt	2,661		2,414		(9.3)	2,450	98.5	2,070	(14.3)
Soleton	1,745		1,547		(11.3)	1,530	101.1	1,250	(19.2)
Calvan	389		351		(9.9)	350	100.3	300	(14.5)

* Includes export sales.

Includes export sales.							(¥mn)		
Sales of Generics Business	FY2012		FY2013				FY2014		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Achieved (%)	Full Year (Forecast)	YOY (%)
Total	24,206	100.0	25,079	100.0	3.6	25,070	100.0	28,740	14.6
Generics	23,630	97.6	24,405	97.3	3.3	24,520	99.5	26,930	10.3
Generics (ODM*)	576	2.4	674	2.7	17.0	550	122.6	1,810	168.4

* Original Design Manufacturing

(¥mn)

Generics Sales by Launch Year	FY2012		FY2013		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)
FY2006 and before	10,317	43.7	9,720	39.8	(5.8)
FY2007	2,722	11.5	2,931	12.0	7.7
FY2008	3,143	13.3	3,061	12.5	(2.6)
FY2009	2,437	10.3	2,518	10.3	3.3
FY2010	2,320	9.8	2,344	9.6	1.0
FY2011	1,741	7.4	1,903	7.8	9.3
FY2012	947	4.0	1,092	4.5	15.3
FY2013	—	—	832	3.4	—
Total	23,630	100.0	24,405	100.0	3.3

(%)

Sales Distribution by Main Therapeutic Categories	FY2012	FY2013
Cardiovascular and respiratory agents	29.2	30.4
Agents affecting metabolism	21.0	19.3
Digestive organ agents	16.7	18.5
Nervous system and sensory organ agents	13.5	12.9
Antibiotics and chemotherapeutic agents	9.3	7.6
Antineoplastics	1.9	2.0
Others	8.4	9.3

(¥mn)

Balance Sheet Data	As of Mar. 31, 2013 Amount	As of Mar. 31, 2014 Amount	Change
Total assets	35,488	40,106	4,617
Return on assets (%)	10.7	8.5	(2.2P)
Net assets	12,408	13,501	1,092
Owned capital	12,399	13,490	1,091
Capital-to-asset ratio (%)	34.9	33.6	(1.3P)
Return on equity (%)	18.8	14.6	(4.2P)
Current assets	21,655	23,800	2,145
Current liabilities	12,785	15,008	2,223
Current ratio (x)	1.69	1.59	(0.10P)

(¥mn)

Cash Flow Statements	FY2012 Amount	FY2013 Amount
Cash flow from:		
Operating activities	1,912	1,892
Investing activities	(1,422)	(2,499)
Financing activities	(713)	(205)
Cash and cash equivalents	6,375	5,563
Free cash flow	490	(606)

(¥mn)

Expenditure	FY2012 Amount	FY2013			FY2014	
		Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)	Amount YOY (%)
Capital expenditure	1,153	3,366	191.8	3,400	99.0	1,900 (43.6)
Depreciation expenses	840	862	2.6	900	95.8	1,300 50.8

(¥)

Amounts per Share	FY2012 Amount	FY2013			FY2014	
		Amount	Change	Full Year (Forecast)	Forecast	YOY (%)
Earnings per share	51.77	46.20	(5.57)	41.44	36.72	(20.5)
	As of Mar. 31, 2013	As of Mar. 31, 2014	Change	As of Mar. 31, 2014 (Forecast)	Forecast	Change
Book value per share	302.28	336.97	34.69	—	—	—
Dividends per share	10.00	10.00	—	10.00	10.00	—

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.