

FIRST QUARTER BUSINESS SUMMARY FY2014

(Year ending March 31, 2015)

Nippon Chemiphar Co., Ltd.
(TSE: 4539)
August 1, 2014

Highlights

Sales

Despite the NHI price revision, sales of generics to medical institutions were up 6.3% YOY*, thanks to the government's increased promotion of generics sales that started in April 2014.

In addition, sales of proprietary generics to other makers were better than we expected, as a result, sales of generics reached ¥6,929 million (up 20.4% YOY).

Meanwhile, sales of our core products are down 24.2% YOY, a result of the NHI price revision and switching to generics. Sales of pharmaceuticals totaled ¥7,805 million (up 12.9% YOY).

Consequently, consolidated sales amounted to ¥8,810 million (up 14.5% YOY).

Income

Although the cost of sales ratio was up 4.8 percentage points YOY, in the wake of the NHI price revision, our operating income was up 18.1% YOY to ¥1,016 million, as a result of the increasing sales of proprietary generics to other makers and our efforts to cut costs.

Forecast

Given the above, we have revised second-quarter sales and income forecasts. However, we are maintaining our full-year forecasts, in consideration of market uncertainties.

(¥mm)

Sales and Income	FY2013	FY2014 1Q			
	1Q Amount	Amount	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	7,695	8,810	14.5	35,300	25.0
Pharmaceuticals	7,513	8,745	16.4	—	—
Others	182	65	(64.2)	—	—
Cost of sales	3,535	4,463	26.2	—	—
SG&A expenses	3,298	3,329	0.9	—	—
R&D expenses	361	359	(0.4)	2,250	18.0
Operating income	860	1,016	18.1	2,600	39.1
Ordinary income	843	1,013	20.1	2,450	41.4
Income before income taxes and minority interests	840	1,013	20.6	—	—
Net income	562	627	11.7	1,500	41.9

* Comparison with the same period in the previous year.

(%)

Ratio to Net Sales	FY2013 1Q	FY2014 1Q		
		Change	Full Year (Forecast)	
Cost of sales	45.9	50.7	4.8	—
SG&A expenses	42.9	37.8	(5.1)	—
Operating income	11.2	11.5	0.3	7.4
Ordinary income	11.0	11.5	0.5	6.9
Net income	7.3	7.1	(0.2)	4.2

(¥mn)

Consolidated Pharmaceutical Sales	FY2013 1Q		FY2014 1Q			Full Year (Forecast)	Progress Rate (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)		
Total	6,910	100.0	7,805	100.0	12.9	30,550	25.6
Generics	5,756	83.3	6,929	88.8	20.4	26,930	25.7
Sales to medical institutions	5,644		6,001		6.3	25,700	23.4
Sales to other makers*	111		928		x 8.3	1,230	75.5
Amlodipine	821		736		(10.4)	3,090	23.8
Lansoprazole	477		462		(3.2)	1,890	24.5
Limaprost Alfadex	340		379		11.3	1,570	24.2
Rabeprazole	356		375		5.5	1,600	23.5
Donepezil	293		362		23.5	1,460	24.8
Pravastatine	328		321		(2.4)	1,320	24.3
Voglibose	273		252		(7.8)	1,030	24.5
Others	2,864		4,039		41.1	14,970	27.0
Core products	1,154	16.7	875	11.2	(24.2)	3,620	24.2
Uralyt	632		518		(18.0)	2,070	25.1
Soleton	418		279		(33.2)	1,250	22.4
Calvan	102		76		(25.4)	300	25.6

* Includes export sales.

(¥mn)

Sales of Generics Business	FY2013 1Q		FY2014 1Q			Full Year (Forecast)	Progress Rate (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)		
Total	5,888	100.0	7,276	100.0	23.6	28,740	25.3
Generics	5,756	97.8	6,929	95.2	20.4	26,930	25.7
Generics (ODM*)	132	2.2	346	4.8	162.0	1,810	19.1

* Original design manufacturing

(¥mn)

Generics Sales by Launch Year	FY2013		FY2014		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)
FY2007 and before	3,152	54.8	3,367	48.6	6.8
FY2008	757	13.2	662	9.6	(12.5)
FY2009	623	10.8	594	8.6	(4.6)
FY2010	512	8.9	577	8.3	12.6
FY2011	434	7.6	482	7.0	11.0
FY2012	219	3.8	368	5.3	67.9
FY2013	56	1.0	441	6.4	x 7.8
FY2014	—	—	434	6.3	—
Total	5,756	100.0	6,929	100.0	20.4

(%)

Sales Distribution by Main Therapeutic Categories	FY2013 1Q	FY2014 1Q
Cardiovascular and respiratory agents	30.8	31.9
Agents affecting metabolism	20.6	18.8
Digestive organ agents	18.2	17.0
Nervous system and sensory organ agents	13.1	10.5
Antibiotics and chemotherapeutic agents	7.6	6.6
Antineoplastics	2.0	1.7
Others	7.7	13.5

(¥mn)

Balance Sheet Data	As of	As of	Change
	June 31, 2013	June 31, 2014	
	Amount	Amount	
Total assets	40,106	43,365	3,259
Return on assets (%)	8.5	2.4	(6.1)
Net assets	13,501	13,830	329
Owned capital	13,490	13,819	328
Capital-to-asset ratio (%)	33.6	31.9	(1.7)
Return on equity (%)	14.6	4.6	(10.0)
Current assets	23,800	26,649	2,848
Current liabilities	15,008	17,363	2,354
Current ratio (x)	1.59	1.53	(0.06)

(¥mn)

Expenditure	FY2013	FY2014 1Q		Usage Rate (%)
	1Q Amount	Amount	YOY (%)	
Capital expenditure	118	534	x 4.5	28.1
Depreciation expenses	188	236	25.4	18.2

Amounts per Share	FY2013	FY2014 1Q	
	1Q Amount	Amount	Change
Earnings per share	13.71	15.68	1.97
	As of	As of	Change
	June 31, 2013	June 31, 2014	
Book value per share	336.97	345.19	8.22
Dividends per share	10.00	—	—