

SECOND QUARTER BUSINESS SUMMARY FY2014

(Year ending March 31, 2015)

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

Highlights

Sales

Despite the NHI price revision, sales of generics to medical institutions were up 6.2% YOY*, thanks to the government's continued promotion that received an additional boost at the start of the fiscal year. In addition, sales of generics to other makers were better than we had expected. As a result, sales of generics business reached ¥14,337 million (up 21.0% YOY).

Meanwhile, sales of our core products are down 21.5% YOY, reflecting the NHI price revision and the increasing switch to generics. Sales of pharmaceuticals totaled ¥15,482 million (up 12.0% YOY).

Consequently, consolidated sales amounted to ¥17,472 million (up 13.1% YOY).

Income

The NHI price revision pushed the cost of sales ratio to 52.2% (up 5.3 percentage points YOY). However our operating income was ¥1,719 million (up 3.6% YOY), as a result of our cost cutting efforts.

Forecasts

We reduced our forecasts for sales to medical institutions due to the higher competition and the influence of authorized generics. In addition, we increased our forecast for sales to other makers, reflecting the second quarter results. Consequently, we are not revising our full-year consolidated sales and income forecasts.

Sales and Income	FY2013	FY2014			
	2Q Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	15,445	17,472	13.1	35,300	49.5
Pharmaceuticals	14,908	17,079	14.6	—	—
Others	536	393	(26.7)	—	—
Cost of sales	7,242	9,118	25.9	—	—
SG&A expenses	6,542	6,635	1.4	—	—
R&D expenses	789	839	6.4	2,250	37.3
Operating income	1,659	1,719	3.6	2,600	66.1
Ordinary income	1,602	1,680	4.9	2,450	68.6
Income before income taxes and minority interests	1,599	1,685	5.4	—	—
Net income	1,034	1,045	1.0	1,500	69.7

(¥mn)

* Comparison with the same period in the previous year.

(%)

Ratio to Net Sales	FY2013 2Q	FY2014		Full Year (Forecast)
		2Q	Change	
Cost of sales	46.9	52.2	5.3	—
SG&A expenses	42.4	38.0	(4.4)	—
Operating income	10.7	9.8	(0.9)	7.4
Ordinary income	10.4	9.6	(0.8)	6.9
Net income	6.7	6.0	(0.7)	4.2

(¥mm)

Consolidated Pharmaceutical Sales	FY2013		FY2014				Original Forecast ²		
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	Progress Rate (%)	Full Year (Forecast)	Change
Total	13,827	100.0	15,482	100.0	12.0	30,950	50.0	30,550	400
Generics	11,586	83.8	13,723	88.6	18.4	27,430	50.0	26,930	500
Sales to medical institutions	11,387		12,095		6.2	25,100	48.2	25,700	(600)
Sales to other makers ³	198		1,627		x8.2	2,330	69.8	1,230	1,100
Amlodipine	1,640		1,474		(10.1)	3,040	48.5	3,090	(50)
Lansoprazole	966		930		(3.7)	1,890	49.3	1,890	—
Limaprost Alfadex	691		764		10.6	1,570	48.7	1,570	—
Rabeprazole	728		771		5.9	1,570	49.1	1,600	(30)
Donepezil	606		803		32.4	1,660	48.4	1,460	200
Pravastatine	658		637		(3.3)	1,300	49.0	1,320	(20)
Voglibose	545		503		(7.6)	1,030	48.9	1,030	—
Others	5,748		7,838		36.3	15,370	51.0	14,970	400
Core products	2,241	16.2	1,759	11.4	(21.5)	3,520	50.0	3,620	(100)
Uralyt	1,255		1,014		(19.2)	1,970	51.5	2,070	(100)
Soleton	804		590		(26.6)	1,250	47.2	1,250	—
Calvan	181		154		(14.9)	300	51.5	300	—

1. Revised forecast issued on October 31, 2014

2. Original forecast issued on May 9, 2014

3. Includes export sales.

(¥mm)

Sales of Generics Business	FY2013		FY2014				Original Forecast		
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)	Full Year (Forecast)	Change
Total	11,851	100.0	14,337	100.0	21.0	28,840	49.7	28,740	100
Generics	11,586	97.8	13,723	95.7	18.4	27,430	50.0	26,930	500
Generics (ODM*)	264	2.2	614	4.3	132.0	1,410	43.6	1,810	(400)

* Original design manufacturing

(¥mm)

Generics Sales by Launch Year	FY2013		FY2014		
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	YOY (%)
FY2007 and before	6,264	54.1	6,479	47.2	3.4
FY2008	1,498	12.9	1,313	9.6	(12.4)
FY2009	1,240	10.7	1,205	8.8	(2.8)
FY2010	1,048	9.0	1,231	9.0	17.5
FY2011	897	7.7	1,037	7.6	15.5
FY2012	444	3.8	760	5.5	71.1
FY2013	191	1.7	965	7.0	x5.0
FY2014	—	—	729	5.3	—
Total	11,586	100.0	13,723	100.0	18.4

(%)

Sales Distribution by Main Therapeutic Categories	FY2013	FY2014
	2Q	2Q
Cardiovascular and respiratory agents	30.5	31.5
Agents affecting metabolism	20.4	18.2
Digestive organ agents	18.5	17.4
Agents for nervous system, sensory organs	13.0	11.7
Antibiotics and chemotherapeutic agents	7.6	6.9
Antineoplastics	2.0	1.8
Others	8.0	12.5

(¥mn)

Balance Sheet Data	March 31,	Sept. 30,	Change
	2014	2014	
	Amount	Amount	
Total assets	40,106	41,591	1,485
Net assets	13,501	14,258	756
Owned capital	13,490	14,251	760
Capital-to-asset ratio (%)	33.6	34.3	0.7
Current assets	23,800	24,745	944
Current liabilities	15,008	14,629	(378)
Current ratio (x)	1.59	1.69	0.10

(¥mn)

Cash Flow Statements	FY2013	FY2014
	2Q	2Q
Cash flow from:		
Operating activities	848	208
Investing activities	(168)	(1,001)
Financing activities	1,706	602
Cash and cash equivalents	8,761	5,373
Free cash flow	680	(792)

(¥mn)

Expenditure	FY2013	2Q	YOY (%)	FY2014	
	2Q			Full Year	Usage
	Amount	Amount		(Forecast)	Rate (%)
Capital expenditure	1,004	1,014	1.0	1,900	53.4
Depreciation expenses	388	536	38.0	1,300	41.3

(¥)

Amounts per Share	FY2013	FY2014		Full Year (Forecast)
	2Q	2Q	Change	
	Amount	Amount		
Earnings per share	25.23	26.12	0.89	36.72
	March 31, 2014	Sept. 30, 2014	Change	March 31, 2015
	Amount	Amount		Amount (Forecast)
Book value per share	336.97	356.01	19.04	—
Dividends per share	10.00	—	—	10.00