



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2014 Business Results

(Year ending March 31, 2015)

Summary of Results

Sales, Income (Consolidated)

(¥mn)

	2nd Quarter FY2013		2nd Quarter FY2014				FY2014 Forecast	
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY*		Amount	Achieved (%)
					Amount	%		
Net Sales	15,445	100.0	17,472	100.0	2,027	13.1	35,300	49.5
Cost of sales	7,242	46.9	9,118	52.2	1,875	25.9		
SG&A expenses	6,542	42.4	6,635	38.0	92	1.4		
				5.3P (4.4P)				
Operating income	1,659	10.7	1,719	9.8	59	3.6	2,600	66.1
Ordinary income	1,602	10.4	1,680	9.6	78	4.9	2,450	68.6
Net income	1,034	6.7	1,045	6.0	10	1.0	1,500	69.7

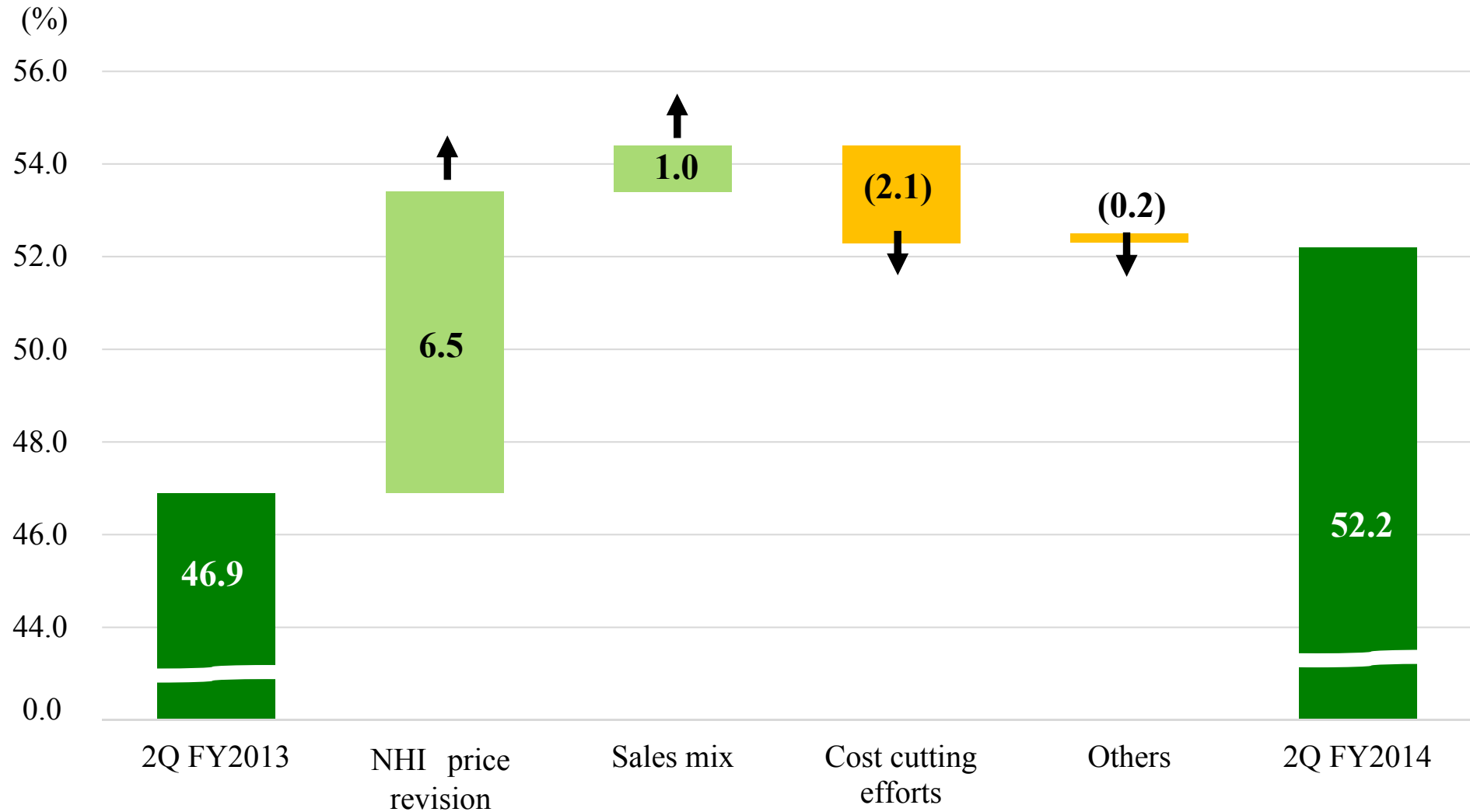
*Comparison with the previous half.

Sales Breakdown: Pharmaceuticals (Consolidated)

(¥mn)

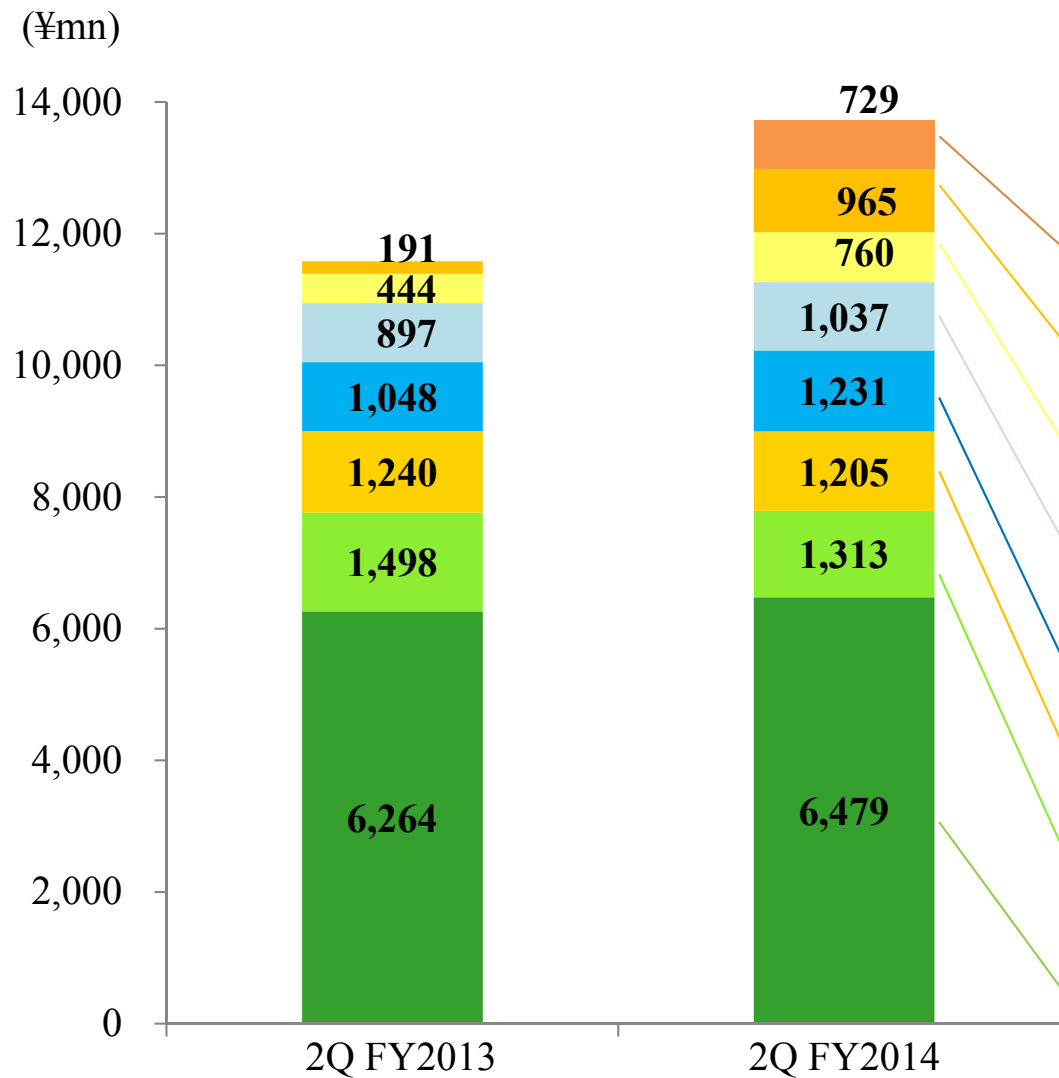
	2nd Quarter FY2013		2nd Quarter FY2014		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)
Total (① + ②)	13,827	100.0	15,482	100.0	12.0
① Generics	11,586	83.8	13,723	88.6	18.4
Sales to medical institutions	11,387		12,095		6.2
Sales to other makers	198		1,627		x8.2
Amlodipine	1,640		1,474		(10.1)
Lansoprazole	966		930		(3.7)
Limaprost Alfadex	691		764		10.6
Rabeprazole	728		771		5.9
Donepezil	606		803		32.4
Pravastatine	658		637		(3.3)
Voglibose	545		503		(7.6)
Others	5,748		7,838		36.3
② Core products	2,241	16.2	1,759	11.4	(21.5)
Uralyt	1,255		1,014		(19.2)
Soleton	804		590		(26.6)
Calvan	181		154		(14.9)
Generics Business (① + ③)	11,851	—	14,337	—	21.0
③ Generics (ODM)	264	—	614	—	132.0

Reasons for Rising Cost of Sales Ratio



Sales mix: Increase of Sales to other makers, decrease of core products sales.

Generics Sales by Launch Year (Consolidated)

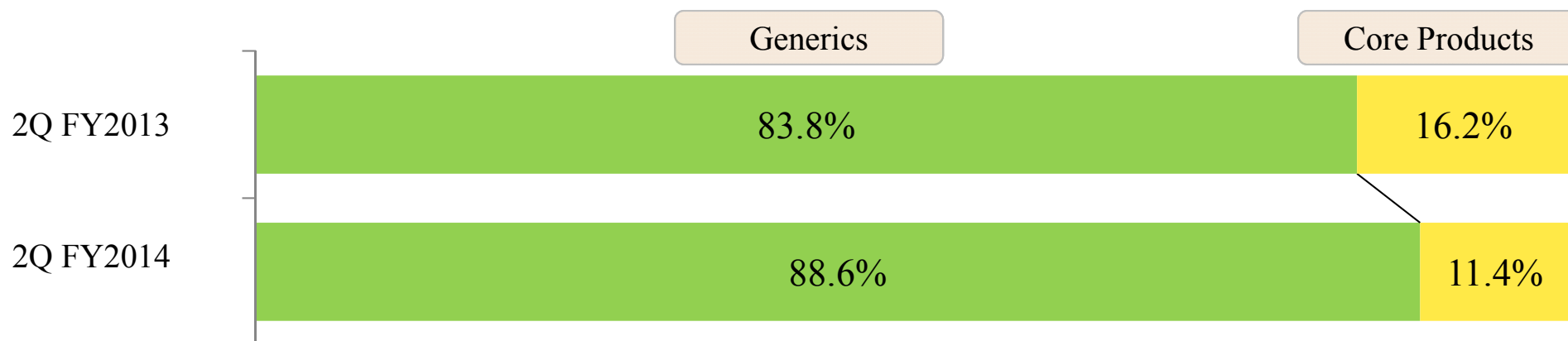


Comparison YOY (%)

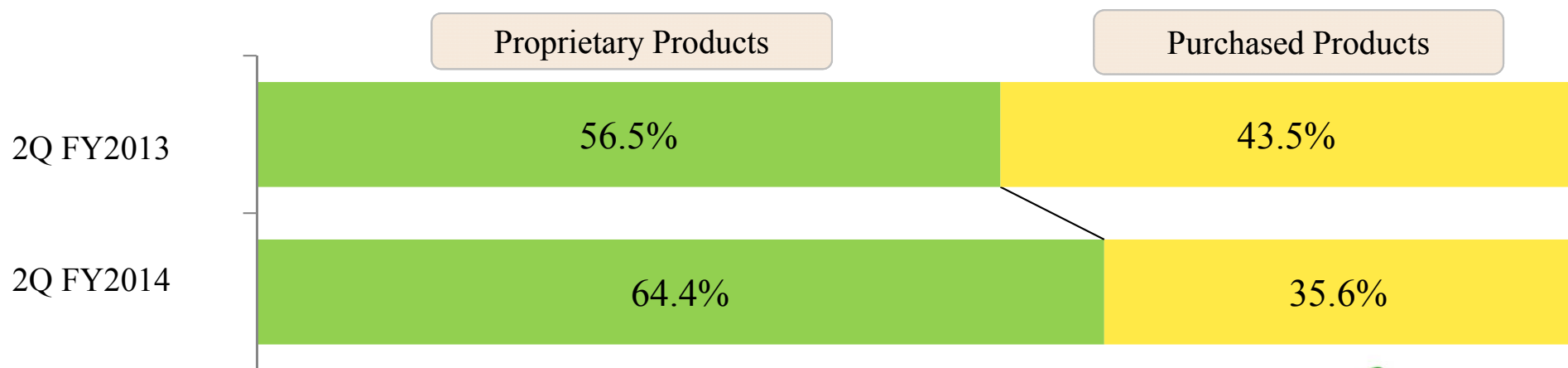
Launch Year	Total	Sales to Medical Institutions
FY2014	—	—
FY2013	404.5	471.3
FY2012	71.1	46.7
FY2011	15.5	4.0
FY2010	17.5	6.2
FY2009	(2.8)	(2.8)
FY2008	(12.4)	(14.9)
FY2007 and before	3.4	(4.8)

Sales Breakdown: Pharmaceuticals (Consolidated)

Core Products, Generics as Ratio of Pharmaceutical Sales

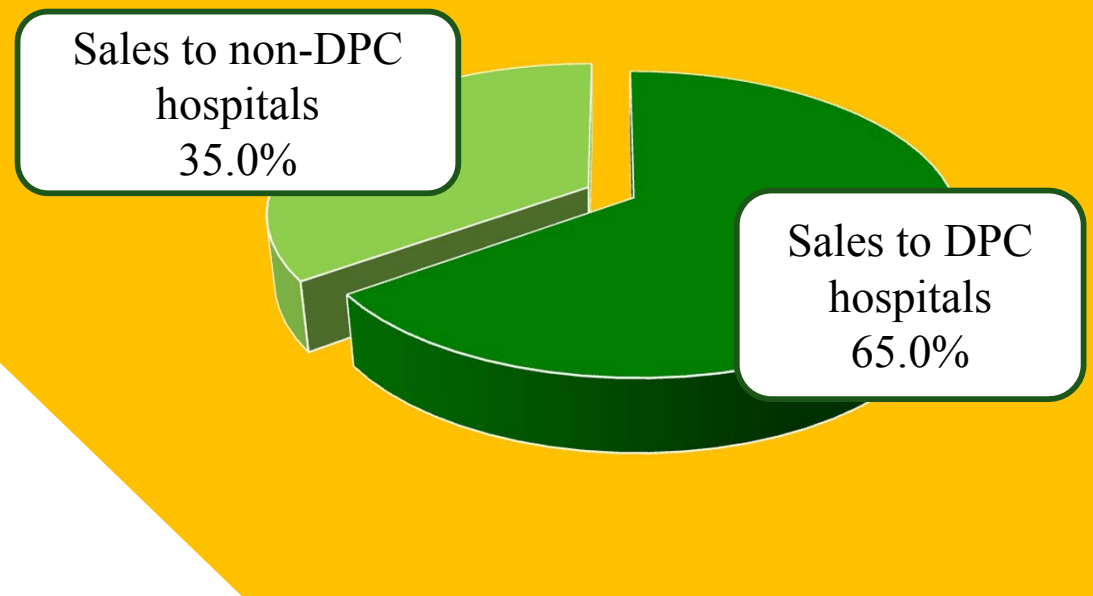


Proprietary Products, Purchased Products as Ratio of Generics Sales

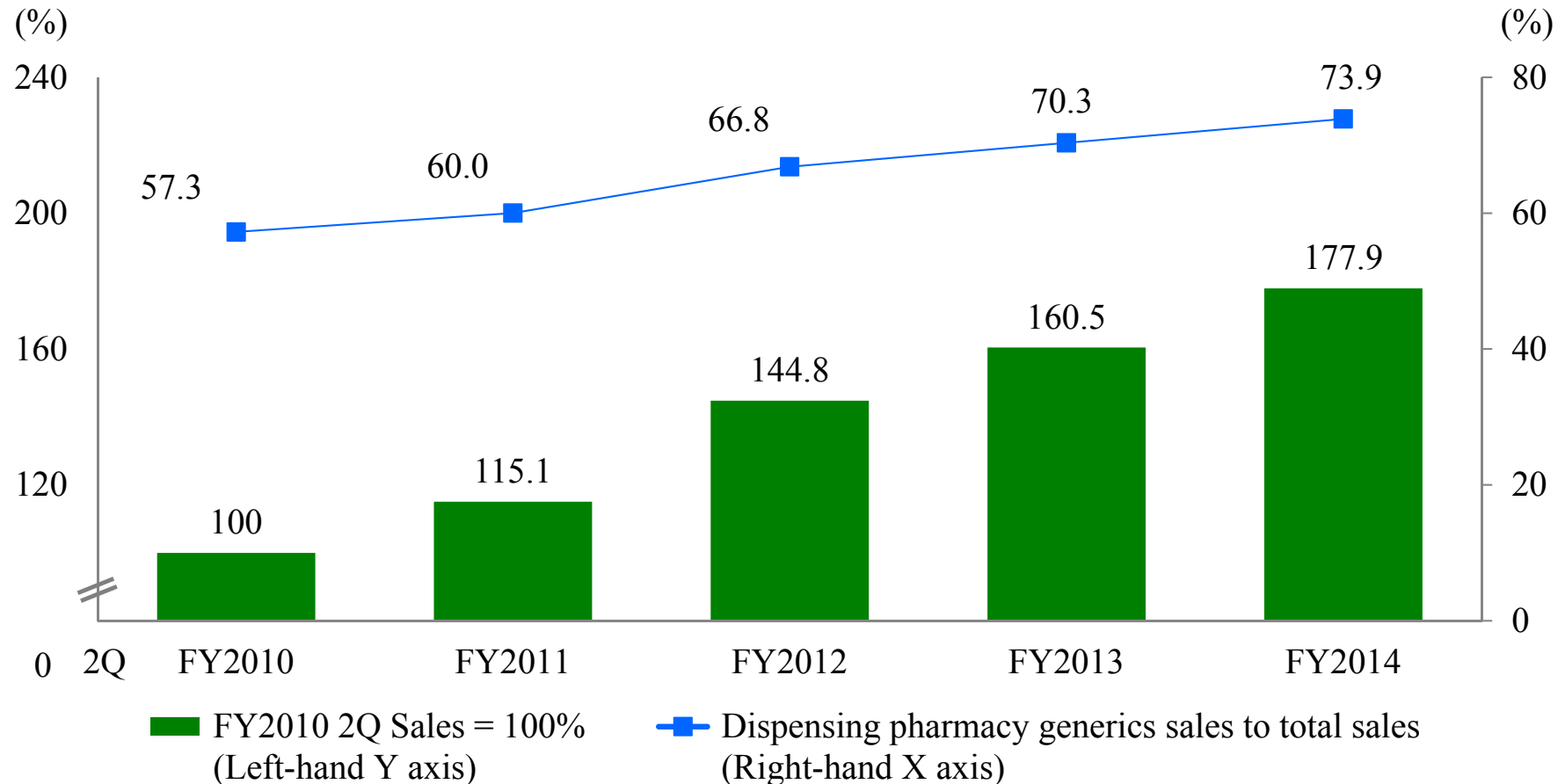


Generics Sales to Hospitals, Clinics (Non-consolidated)

	YOY (%)	Distrib. (%)
All hospitals	1.4	31.7
Clinics	7.6	68.3
Total	5.6	100.0



Generics Sales to Pharmacies (Non-consolidated)



70% of 55,800 dispensing pharmacies sell Chemiphar generics



Balance Sheet (Consolidated)

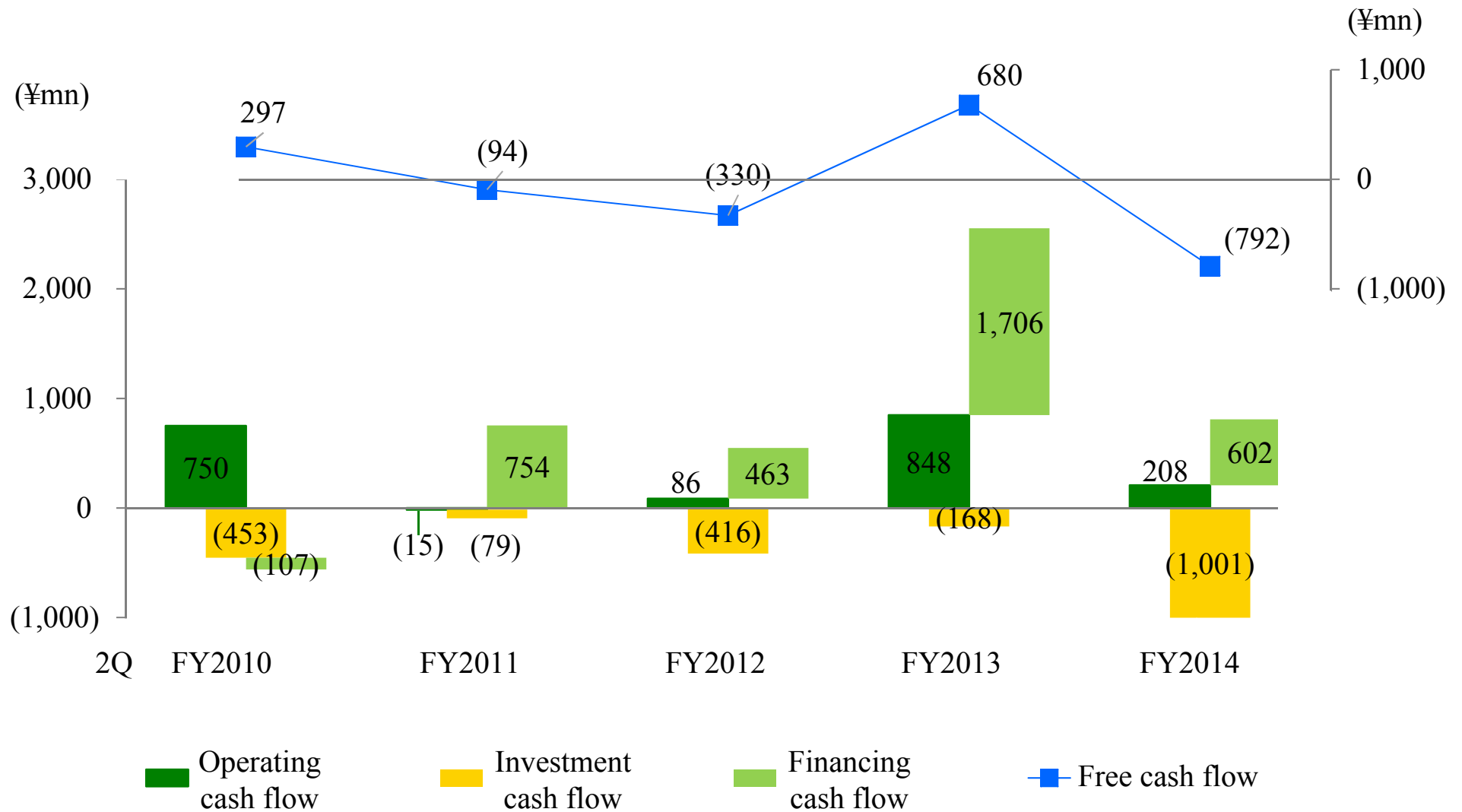
				(¥mn)
	FY2013	2Q FY2014	Change	Components
				Cash, deposits (238)
				Notes, accounts receivable—trade 807
Current assets	23,800	24,745	944	Inventories 392
				Buildings (111)
				Machinery, equipment, vehicles 820
Fixed assets	16,302	16,844	542	Investments 247
Total assets	40,106	41,591	1,485	
				Notes, accounts payable—trade (502)
Liabilities	26,604	27,333	728	Loans payable 1,216
Net assets	13,501	14,258	756	Retained earnings 615
Equity ratio (%)	33.6	34.3	0.7P	
Liabilities, net assets	40,106	41,591	1,485	

Cash Flow Statements

(¥mn)

	2Q FY2013	2Q FY2014	Change	Main Reasons
Net income before taxes	1,599	1,685	86	
Depreciation and amortization	388	536	147	
Notes, accounts receivable—trade	(758)	(807)	(48)	
Notes, accounts payable—trade	599	(502)	(1,102)	NHI price revision, new products
Others	(980)	(703)	277	
Cash flow from operating activities	848	208	(639)	
Purchases of property, plant and equipment	(201)	(1,036)	(835)	NPI Tsukuba Factory new plant
Others	33	35	1	
Cash flow from investing activities	(168)	(1,001)	(833)	
Net decrease in short-term loans payable	180	140	(40)	
Net decrease in long-term loans payable	2,201	1,076	(1,125)	Equipments at new plant: (1,700)
Cash dividends paid	(411)	(402)	8	
Others	(263)	(210)	52	
Cash flow from financing activities	1,706	602	(1,103)	
Cash and cash equivalents, 2Q end	8,761	5,373	(3,388)	

Trend of Cash Flow



FY2014 Forecasts, Growth Plans

Pharmaceuticals Sales, Forecasts (Consolidated)

Revised FY2014 Pharmaceutical Sales Forecasts

	FY2014 Full Year Forecasts		
	Original ¹	Revision ²	Change
Total (① + ②)	30,550	30,950	400
① Generics	26,930	27,430	500
Sales to medical institutions	25,700	25,100	(600)
Sales to other makers	1,230	2,330	1,100
② Core products	3,620	3,520	(100)

Revised ODM Generics Forecasts

	FY2014 Full Year Forecasts		
	Original	Revision	Change
Generics (ODM)	1,810	1,410	(400)

Net ±0

For FY2014:

- Pharmaceutical sales forecasts raised by ¥400mn
- ODM generics sales forecasts cut by ¥400mn
- Full-year consolidated sales forecasts remain the same

1: Original forecast issued on May 9, 2014

2: Revised forecast issued on October 31, 2014

(¥mn)

2nd Quarter FY2014	
Results	% of Revised Forecast
15,482	50.0
13,723	50.0
12,095	48.2
1,627	69.8
1,759	50.0

(¥mn)

2nd Quarter FY2014	
Results	% of Revised Forecast
614	43.6

FY 2014 New Generics

Set for launch in December

Product	No. of Items
Candesartan	4
Imatinib	1
Oxaliplatin	2
Levofloxacin	2



Candesartan Chemiphar

(i) Pill imprint

All pills have the name of the drug and maker printed on each side—respectively on the top and bottom half, and the bottom and top half. The pills are scored on both sides.



(ii) Small quantity packaging

This will ensure that pharmacies with limited storage space are not overwhelmed.

Launched in June

Product	No. of Items
Valsartan	4
Losartan potassium-hydrochlorothiazide	1
Cilostazol	2

Recent Topics

Sales Channels Expanding

Other pharmaceutical makers

- New contracts and repeat orders have caused this sector of our sales to triple year on year

Asian market

- Obtain marketing approval by Hong Kong's Department of Health
- Five products are waiting for marketing approval in Asia

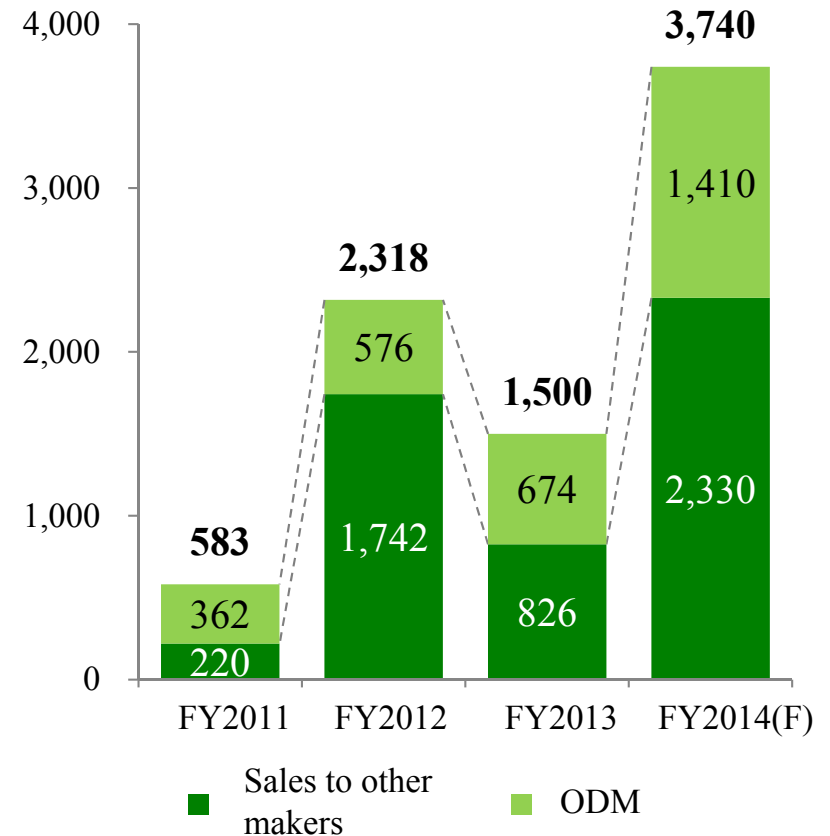
Overseas manufacturing

Outsourced

- Promote outsourced manufacturing of a Chemiphar medication to a Vietnamese affiliate of a European company

Proprietary factory

- By the end of this fiscal year, we will bring to a close our long and extensive discussions of setting up our own factory in Vietnam.



Future Growth Drivers

Urine Alcalization Therapy

- Helping to control CKD: Tohoku University plans to collect CKD-related clinical data within FY2014, and present its findings during the following year

New Drug Discovery —Self-funded

NC-2500 (antihyperuricemic agent)

- Repeat phase 1 of clinical trials using improved pharmaceutical preparation

—JST Funded

P2X4 antagonist (for neuropathic pain)

- Japan Science and Technology Agency R&D funding for five years (October 2012–17) for up to ¥1bn
- We started preclinical tests (October 2014), will finish them within one year, and then will conduct phase 2a trials.

Opioid δ receptor agonist (antidepressant)

- JST R&D funding for two years (December 2013–15)
- Research is ongoing at the universities of Kitasato and Tsukuba, and the National Center of Neurology and Psychiatry (NCNP)

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Note about Forward-looking Statements and Forecasts

Statements made in this Highlights of Business Results with respect to current plans, estimates, strategies and beliefs, and other statements of Nippon Chemiphar that are not historical facts are forward-looking statements about the future performance of Nippon Chemiphar.

These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. Consequently, undue reliance should not be placed on these statements.

Nippon Chemiphar cautions the reader that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.