

FY2014 THIRD QUARTER BUSINESS SUMMARY

(Year ending March 31, 2015)

Nippon Chemiphar Co., Ltd.
(TSE: 4539)
January 30, 2015

Highlights

Sales

Despite the NHI price revision, sales of generics to medical institutions are up 6.1% YOY*, thanks to the continued government promotion. Sales of generics to other makers increased 4.9 fold YOY, as a result of repeat orders and an expanded field of new clients. Generics sales thus totaled ¥22,169 million (up 18.9% YOY).

Meanwhile, sales of our core products are down 21.7% YOY, reflecting the NHI price revision and the growing switch to generics. Sales of pharmaceuticals totaled ¥23,534 million (up 9.3% YOY).

Consolidated sales, consequently, are ¥27,125 million (up 11.6% YOY).

Income

The NHI price revision pushed the cost of sales ratio to 51.9% (up 5.3 percentage points). However, our operating income remains unchanged (at ¥2,880 million, up 0.2% YOY) from that for the same period last year, due to our cost cutting efforts.

Forecasts

At the end of the third quarter, our consolidated operating, ordinary and net incomes exceeded our full-year forecasts. However, since some outlays—such as for R&D—have already planned, we have not changed our full-year forecasts.

Sales and Income		(¥mn)			
	FY2013	FY2014			Progress Rate (%)
	3Q Amount	3Q Amount	YOY (%)	Full Year (Forecast)	
Net Sales	24,297	27,125	11.6	35,300	76.8
Pharmaceuticals	23,599	26,465	12.1	—	—
Others	698	660	(5.5)	—	—
Cost of sales	11,312	14,065	24.3	—	—
SG&A expenses	10,110	10,178	0.7	—	—
R&D expenses	1,183	1,272	7.5	2,250	56.5
Operating income	2,874	2,880	0.2	2,600	110.8
Ordinary income	2,782	2,823	1.5	2,450	115.2
Income before income taxes and minority interests	2,779	2,828	1.8	—	—
Net income	1,738	1,791	3.0	1,500	119.4

* Comparison with the same period in the previous year

Ratio to Net Sales

	FY2013 3Q	FY2014 (%)		
		3Q	Change (bps)	Full Year (Forecast)
Cost of sales	46.6	51.9	5.3	—
SG&A expenses	41.6	37.5	(4.1)	—
Operating income	11.8	10.6	(1.2)	7.4
Ordinary income	11.5	10.4	(1.0)	6.9
Net income	7.2	6.6	(0.6)	4.2

Consolidated Pharmaceutical Sales

Products	FY2013		FY2014				
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	21,538	100.0	23,534	100.0	9.3	30,950	76.0
Generics	18,179	84.4	20,903	88.8	15.0	27,430	76.2
Sales to medical institutions	17,758		18,840		6.1	25,100	75.1
Sales to other makers	420		2,062		x4.9	2,330	88.5
Amlodipine	2,524		2,273		(10.0)	3,040	74.8
Lansoprazole	1,508		1,452		(3.7)	1,890	76.9
Limaprost Alfadex	1,070		1,158		8.2	1,570	73.8
Rabeprazole	1,142		1,199		5.0	1,570	76.4
Donepezil	966		1,322		36.9	1,660	79.7
Pravastatine	1,008		973		(3.5)	1,300	74.9
Voglibose	831		770		(7.2)	1,030	74.9
Others	9,126		11,752		28.8	15,370	76.5
Core products	3,358	15.6	2,631	11.2	(21.7)	3,520	74.8
Uralyt	1,891		1,526		(19.3)	1,970	77.5
Soleton	1,192		876		(26.6)	1,250	70.1
Calvan	274		228		(16.7)	300	76.2

* Includes export sales.

Sales of Generics Business

	FY2013		FY2014				
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	18,649	100.0	22,169	100.0	18.9	28,840	76.9
Generics	18,179	97.5	20,903	94.3	15.0	27,430	76.2
Generics (ODM*)	469	2.5	1,266	5.7	169.5	1,410	89.8

* Original design manufacturing

Sales Distribution

1. By Launch Year

Year	FY2013		FY2014		
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	YOY (%)
FY2007 and before	9,659	53.1	9,814	47.0	1.6
FY2008	2,302	12.7	2,042	9.8	(11.3)
FY2009	1,916	10.5	1,887	9.0	(1.5)
FY2010	1,688	9.3	1,784	8.5	5.7
FY2011	1,415	7.8	1,651	7.9	16.6
FY2012	733	4.0	1,096	5.2	49.4
FY2013	463	2.5	1,589	7.6	x3.4
FY2014	—	—	1,038	5.0	—
Total	18,179	100.0	20,903	100.0	15.0

2. By Main Therapeutic Categories

(%)

	FY2013 3Q	FY2014 3Q
Cardiovascular and respiratory agents	30.6	31.7
Agents affecting metabolism	19.9	17.6
Digestive organ agents	18.5	17.7
Agents for nervous system, sensory organs	12.9	11.9
Antibiotics and chemotherapeutic agents	7.8	7.4
Antineoplastics	1.9	1.8
Others	8.4	11.9

Balance Sheet Data

(¥mn)

Items	March 31, 2014 Amount	Dec. 31, 2014 Amount	Change
Total assets	40,106	42,273	2,167
Net assets	13,501	15,002	1,501
Owned capital	13,490	14,995	1,504
Capital-to-asset ratio (%)	33.6	35.5	1.9
Current assets	23,800	25,473	1,672
Current liabilities	15,008	14,575	(433)
Current ratio (x)	1.59	1.75	0.16

Expenditure

(¥mn)

Items	FY2013	FY2014			
	3Q Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	2,035	1,347	(33.8)	1,900	70.9
Depreciation expenses	613	862	40.5	1,300	66.3

Per-share Information

(¥)

	FY2013	FY2014		
	3Q Amount	3Q Amount	Change	Full Year (Forecast)
Earnings per share	42.39	44.74	2.35	36.72
	March 31, 2014 Amount	Dec. 31, 2014 Amount	Change	March 31, 2015 Amount (Forecast)
Book value per share	336.97	374.61	37.64	—
Dividends per share	10.00	—	—	10.00