



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2015 Business Results

(Year ending March 31, 2016)

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I. Summary of Results

Sales, Income (Consolidated)

(¥mn)

	2Q FY2014		2Q FY2015				2Q FY2015 Forecast	
	Amount	% of Sales	Amount	% of Sales	Amount	YOY Change (%)	Amount	Achieved (%)
Net Sales	17,472	100.0	17,428	100.0	(44)	(0.3)	17,500	99.6
Cost of sales	9,118	52.2	9,304	53.4	186	2.0	—	—
				1.2p				
SG&A expenses	6,635	38.0	6,779	38.9	144	2.2	—	—
				0.9p				
Operating income	1,719	9.8	1,344	7.7	(375)	(21.8)	1,200	112.0
Net income	1,045	6.0	878	5.0	(166)	(16.0)	—	—
Net income attributable to owners of the parent	1,045	6.0	878	5.0	(166)	(16.0)	750	117.2

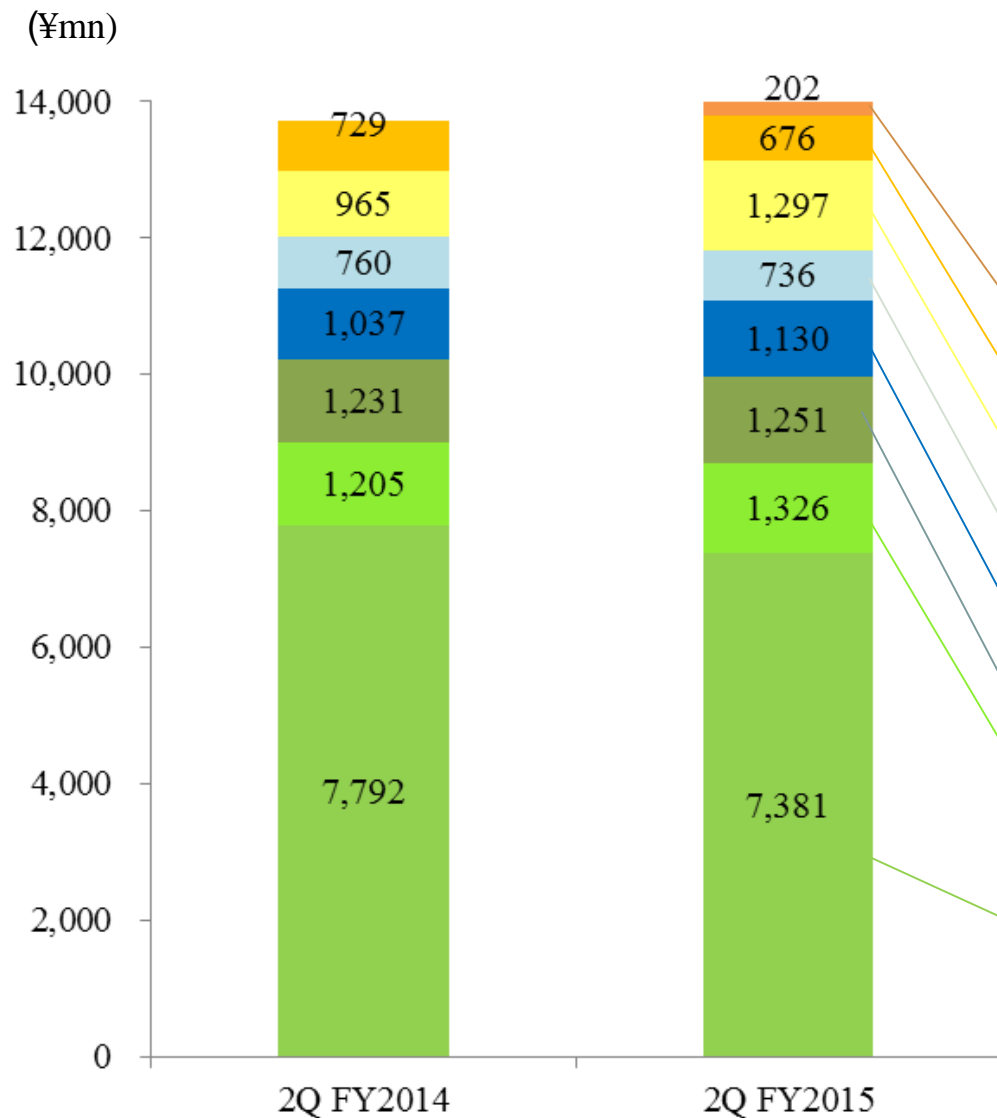
Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2014		FY2015		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
Total (A) + (B)	15,482	100.0	15,528	100.0	0.3
(A) Generics	13,723	88.6	14,002	90.2	2.0
Sales to medical institutions	12,095		13,356		10.4
Sales to other makers	1,627		645		(60.3)
Amlodipine	1,474		1,560		5.9
Lansoprazole	930		1,060		13.9
Limaprost Alfadex	764		743		(2.8)
Rabeprazole	771		851		10.4
Donepezil	803		855		6.5
Pravastatine	637		637		0.1
Voglibose	503		508		0.9
Others	7,838		7,785		(0.7)
(B) Proprietary products	1,759	11.4	1,525	9.8	(13.3)
Uralyt	1,014		906		(10.6)
Soleton	590		483		(18.2)
Calvan	154		135		(12.1)
Total (A) + (C)	14,337	—	14,623	—	2.0
(C) Generics (ODM)*	614	—	620	—	1.1

* Original design manufacturing

Generics Sales by Launch Year (Consolidated)

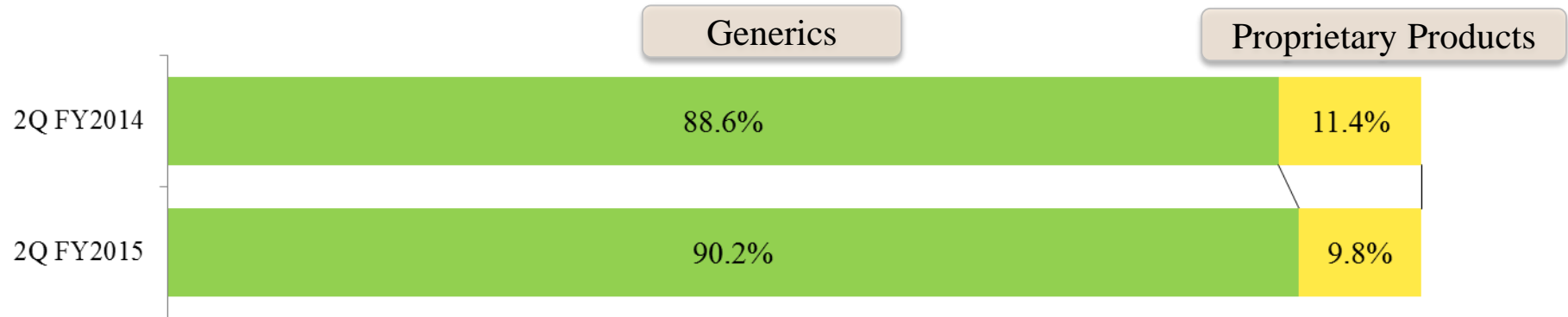


Comparison YOY (%)

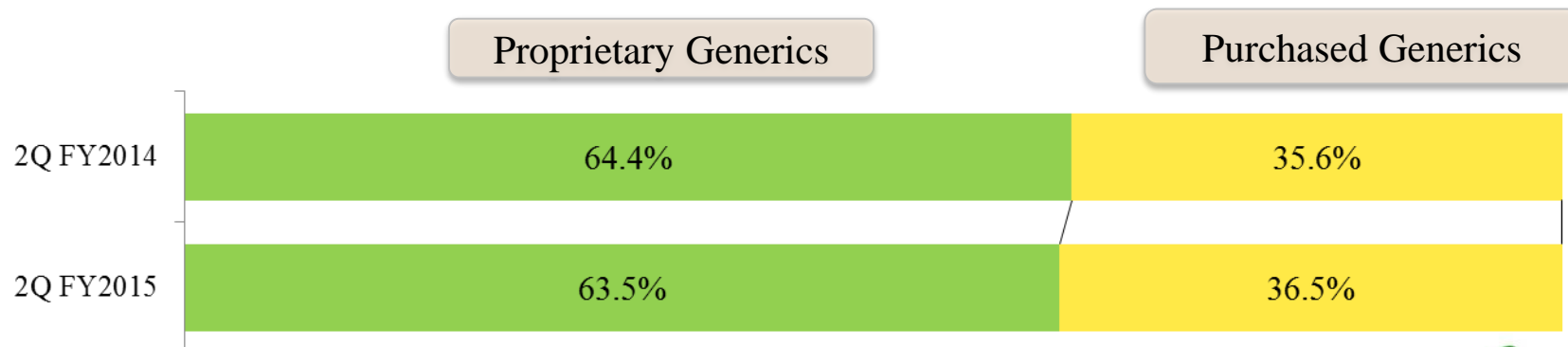
Launch Year	Total	Sales to Medical Institutions
FY2015	—	—
FY2014	(7.3)	229.6
FY2013	34.4	34.3
FY2012	(3.2)	7.2
FY2011	9.0	7.6
FY2010	1.6	11.3
FY2009	10.0	10.0
FY2008 and before	(5.3)	0.3

Sales Breakdown: Pharmaceuticals (Consolidated)

Proprietary Products, Generics as Ratio of Pharmaceutical Sales



Proprietary Generics, Purchased Generics as Ratio of Generics Sales



Composition of Generics Sales by Destination

(Non-consolidated)

	2Q FY2013	2Q FY2014		2Q FY2015	
	Distrib.	Distrib.	(%)	Distrib.	YOY (%)
Hospitals (100 beds or more)	14	12	(0.9)	14	23.0
Clinics (less than 100 beds)	15	13	(11.2)	12	3.6
Pharmacies	70	74	10.8	73	9.3
Other	1	1	(21.2)	1	4.7
Total	100	100	5.6	100	10.3
Of which, DPC hospitals	—	—	6.2	—	30.6

70% of 57,000 dispensing pharmacies sell Chemiphar generics

Balance Sheet (Consolidated)

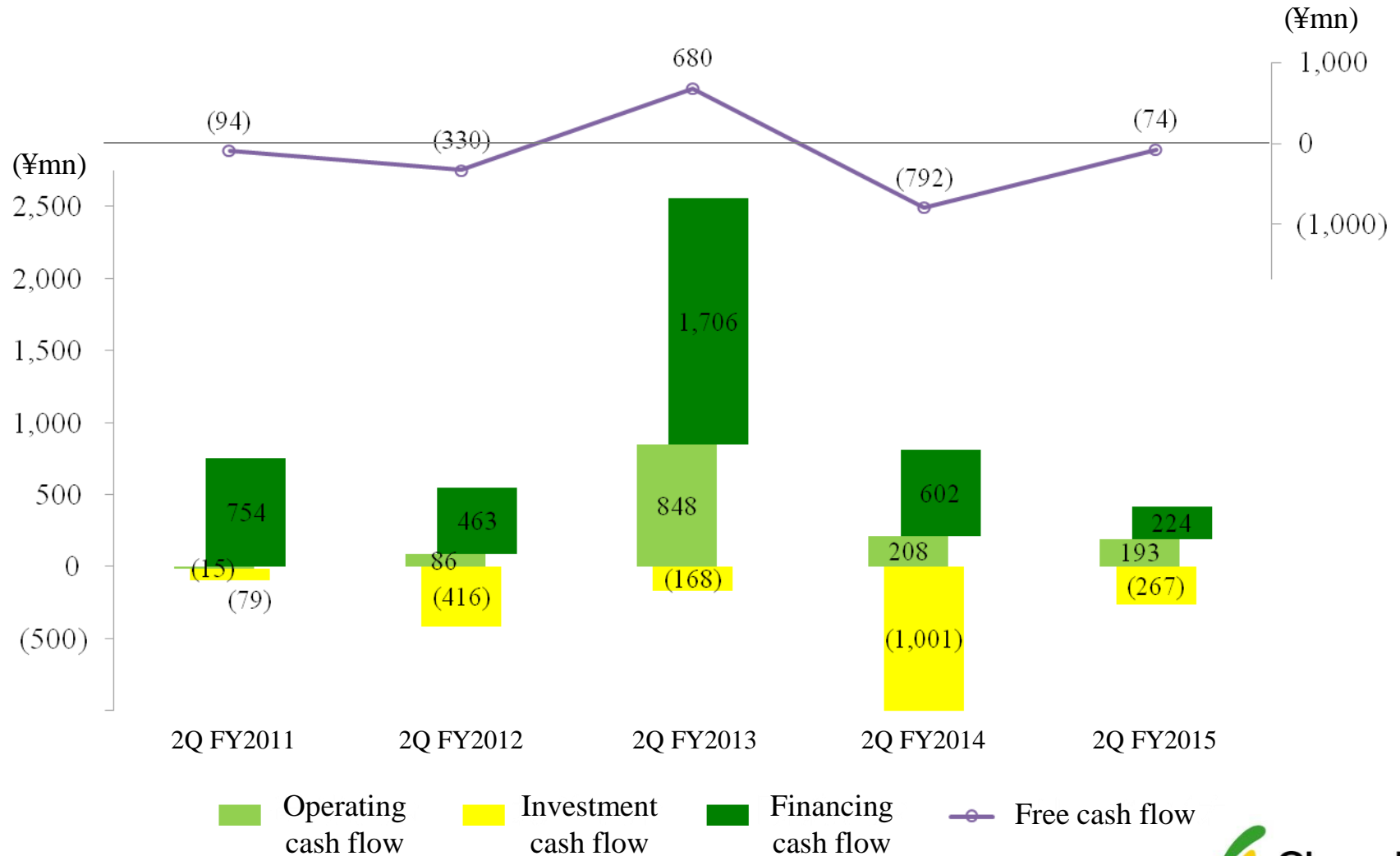
					(¥mn)
	FY2014	2Q FY2015	Change	Components	
Current assets	24,844	26,083	1,238	Cash, deposits	815
				Notes, accounts receivable—trade	944
				Inventories	(541)
Net property, plant and equipment	16,583	15,842	(740)	Buildings	(104)
				Machinery, equipment, vehicles	(181)
				Investments	(81)
Total assets	41,428	41,925	497		
Liabilities	25,801	26,166	364	Notes, accounts payable—trade	(146)
				Loans payable	1,392
Net assets	15,626	15,758	132	Retained earnings	474
Equity ratio (%)	37.7	36.8		Treasury stock	(592)
Liabilities, net assets	41,428	41,925	497		

Cash Flow Statements

(¥mn)

	2Q FY2014	2Q FY2015	Change
Net income before taxes	1,685	1,312	(373)
Depreciation and amortization	536	573	37
Notes, accounts receivable—trade	(807)	(944)	(137)
Notes, accounts payable—trade	(502)	(146)	356
Income taxes paid	(652)	(771)	(119)
Others	(50)	169	220
Cash flow from operating activities	208	193	(14)
Purchases of property, plant and equipment	(1,036)	(286)	750
Others	35	18	(16)
Cash flow from investing activities	(1,001)	(267)	733
Net decrease in short-term loans payable	140	204	64
Net decrease in long-term loans payable	1,076	1,188	112
Cash dividends paid	(402)	(403)	0
Others	(210)	(764)	(553)
Cash flow from financing activities	602	224	(377)

Trend of Cash Flow



II. FY2015 Forecasts

Sales, Income (Consolidated)

(¥mn)

	FY2015		FY2015 (Forecasts)		
	2Q Amount	% of Sales	Full Year Amount	% of Sales	Progress Rate (%)
Net Sales	17,428	100.0	36,600	100.0	47.6
Pharmaceuticals	15,528		32,510		47.8
Generics	14,002		29,730		47.1
Proprietary products	1,525		2,780		54.9
Operating income	1,344	7.7	2,800	7.7	48.0
Net income	878	5.0	—	—	—
Net income attributable to owners of the parent	878	5.0	1,700	4.6	51.7

Pharmaceuticals Sales (Consolidated)

(¥mn)

	FY2015		
	2Q Amount	Full Year (Forecast)	Progress Rate (%)
Total (A) + (B)	15,528	32,510	47.8
(A) Generics	14,002	29,730	47.1
Sales to medical institutions	13,356	28,250	47.3
Sales to other makers	645	1,480	43.6
Amlodipine	1,560	3,210	48.6
Lansoprazole	1,060	2,230	47.6
Limaprost Alfadex	743	1,500	49.5
Rabeprazole	851	1,850	46.0
Donepezil	855	1,720	49.7
Pravastatine	637	1,230	51.8
Voglibose	508	1,030	49.4
Others	7,785	16,960	45.9
(B) Proprietary products	1,525	2,780	54.9
Uralyt	906	1,660	54.6
Soleton	483	870	55.5
Calvan	135	250	54.4
Total (A) + (C)	14,623	31,660	46.2
(C) Generics (ODM)*	620	1,930	32.2

* Original design manufacturing

New Generics

Set for launch in December

	Product	Item
December	Valsartan- Amlodipine	1
	Sertraline	2
	Amlodipine- Atorvastatin	4

Launched in June

	Product	Item
June	Clopidogrel	2
	Naftopidil OD	3
	Letrozole	1
	Pitavastatin calcium	1
	Oxaliplatin	1

III. Growth Plans

Response to Generics Market Changes (1)

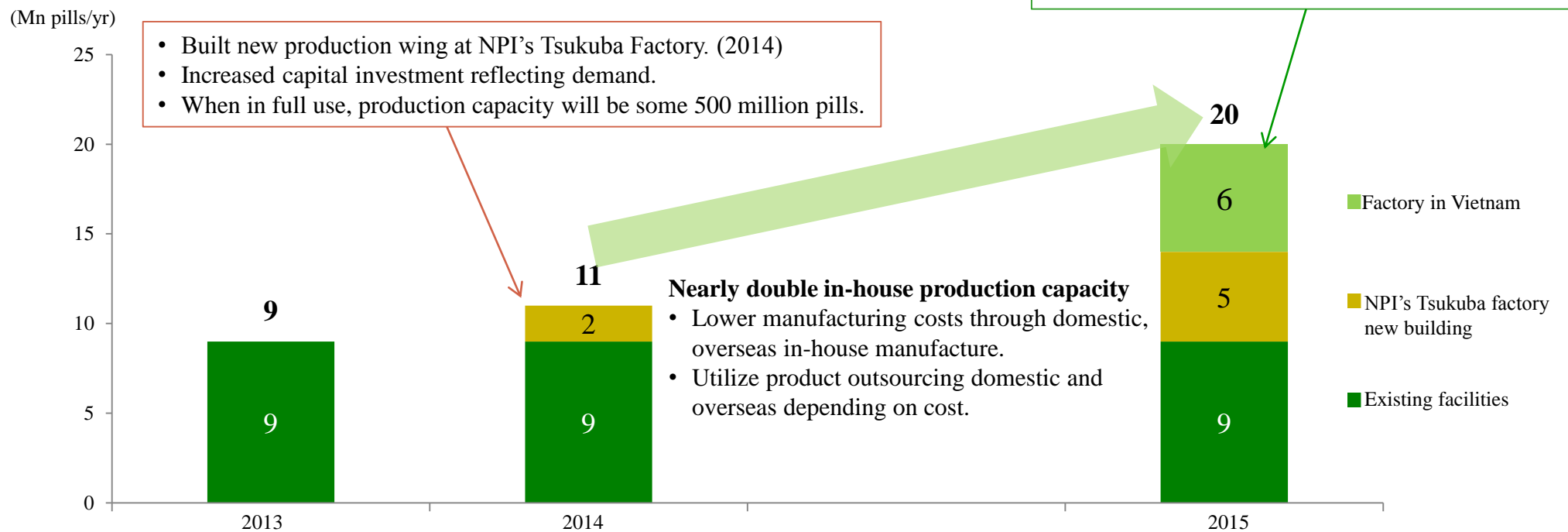
Promotion of Generic Drug Utilization by Government	Chemiphar Responses
<p>Volume-based targets</p> <ul style="list-style-type: none"> • 70% of off-patent pharmaceuticals dispensed by mid-2017 • 80% of off-patent pharmaceuticals dispensed by between early FY2018 and 2020 	<ul style="list-style-type: none"> • Built new wing at NPI's Tsukuba factory to meet growing demand • Plan to construct a factory in Vietnam
<p>April 2016 NHI price revision</p> <p>(1) Drug price calculation rules to be revised (For new launched generics and long-term listed items)</p> <p>(2) Generics use to be expanded, reflecting: [Current] Growing use at DPC hospitals and NHI-registered pharmacies ⇒Back ground: The revised (April 2014) DPC function evaluation coefficients and generic drug dispensing incentives [Future] Growth of the clinic and independent pharmacy market</p>	<ul style="list-style-type: none"> • Reduce domestic, overseas manufacturing costs • Shift to high-quality, inexpensive APIs • Provide DPC hospitals, chain pharmacies with information by tapping the DPC Management Forum, using information tools • Provide added value by strengthen oncology area • Reinforce response to clinics and independent pharmacies through tie-ups with, for example, wholesalers

Other Trends in Generics Initiatives	Chemiphar Responses
Promotion and uptake of authorized generics	<ul style="list-style-type: none"> • Enhance in-house development capabilities • Distinctive products- and features-based differentiation
Discussions related to joint development	

Response to Generics Market Changes (2)

Boost production capacity, lower manufacturing costs to meet growing demand

Chemiphar Group Production Capacity Plan



Response to Generics Market Changes (3)

Initiatives targeting DPC hospitals and pharmacies, response in other growth domains

Strengthen provision of information to DPC hospitals and pharmacies

- Demand for generics will keep growing.
- Provide information on an ongoing basis via the DPC Management Forum, and informational relevant magazine print media.

Strengthen oncology-, dementia-related initiatives

- Focus on academic associations.
- Enhance specialist oncology organizations.

Respond to growing generics market following DPC hospitals, NHI-registered pharmacies

- Clinics, independent pharmacies.



Several Japanese-language publications target physicians and pharmacists.



The 20th DPC Management Forum scientific congress at Meiji University.



The Japanese Research Group on Senile Dementia at their annual meeting in Tokyo in July 2015.



A typical leaflet produced for healthcare professionals who attend quarterly oncology-related luncheon seminars at Fukuyama University.

Response to Generics Market Changes (4)

Strengthening Development capabilities

- Tapping market-pull impetus to improve our generics development processes.
- Using inventiveness to boost generics' safety, user-friendliness, competitiveness.

Improving Visibility and Convenience

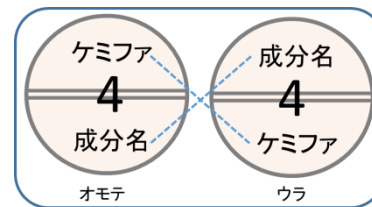
Visibility

1. Matte PTP backing

Reduced shine makes it easier to read the information and instructions written on the aluminum backing of medication packaging.

2. Universal design font

For sheets of PTP and outer packaging, we use a font that is highly legible, to prevent misreading.



Convenience

3. Tablet imprint

These tablets have the name of the drug and the maker printed on each side, on the top and bottom half, respectively, on one side, and the bottom and top half on the other side. Tablets are scored on both sides.

Enhancing Safety—Special Packing for Anticancer Drugs

Designed to reduce exposure

After filling a vial with medication, any remaining anti-cancer agent is cleaned away from the outer surface of the vial and wrapped in film.



Prevents bottles breaking, contents scattering

Cushioning material is placed at the bottom of the vial before it is covered in shrink-wrap film.

Growth Drivers Following on Generics

Compounds Being Developed

NC-2600 / P2X4 antagonist (for neuropathic pain)

- Receiving public funding from Japan Agency for Medical Research and Development (AMED).
- Conducting preclinical tests.
- Expect to begin phase 1 testing in FY2016.

Delta opioid receptor agonist

- Support ends for research on antidepressant and anti-anxiety applications under AMED's A-STEP program.
- Selected for participation in AMED's industry-academia collaboration program from October 2015 through March 2018.
- Aim to complete preclinical tests within above period.

Hyperuricemia-related, Urine Alkalizer

Enhance group-based research initiatives

- Clinical study to control chronic kidney disease (Tohoku University).
- Clinical study on link between acidic urine and metabolic syndrome.
- Strengthen awareness of urinary tract problems.

New therapeutic agent NC-2500

- Planning to repeat phase I of clinical trials using improved pharmaceutical preparation.

Overseas developments

Seek opportunities in Asia

- Tap markets through local partners.
- Advance applications for approval (for six products lodged).

Status of initiatives in Vietnam

- Local pharmaceutical company to start full-scale production in current fiscal.
 - Shifting from joint venture to full ownership.
 - Will start building own factory in early 2016.
 - Operation to start in 2018.
 - This operation is a beachhead for expansion in Asia.



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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.