



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# Highlights of FY2015 Business Results

(Year ended March 31, 2016)

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# **I. Summary of FY2015 Results**

# Sales, Income (Consolidated)

(¥mn)

	FY2014		FY2015				FY2015 (Forecast)*	
	Amount	% of Sales	Amount	% of Sales	YOY		Amount	Achieved (%)
					Amount	%		
<b>Net Sales</b>	35,118	100.0	35,602	100.0	483	1.4	36,600	97.3
Cost of sales	18,352	52.3	18,803	52.8	450	2.5		
SG&A expenses	13,480	38.4	13,653	38.3 (0.1p)	173	1.3		
<b>Operating income</b>	3,285	9.4	3,145	8.8	(140)	(4.3)	2,800	112.3
<b>Net income</b>	1,899	5.4	1,961	5.5	61	3.3	1,700	115.4
<b>Net income attributable to owners of the parent</b>	1,899	5.4	1,961	5.5	61	3.3	1,700	115.4

\*As of May 11, 2015

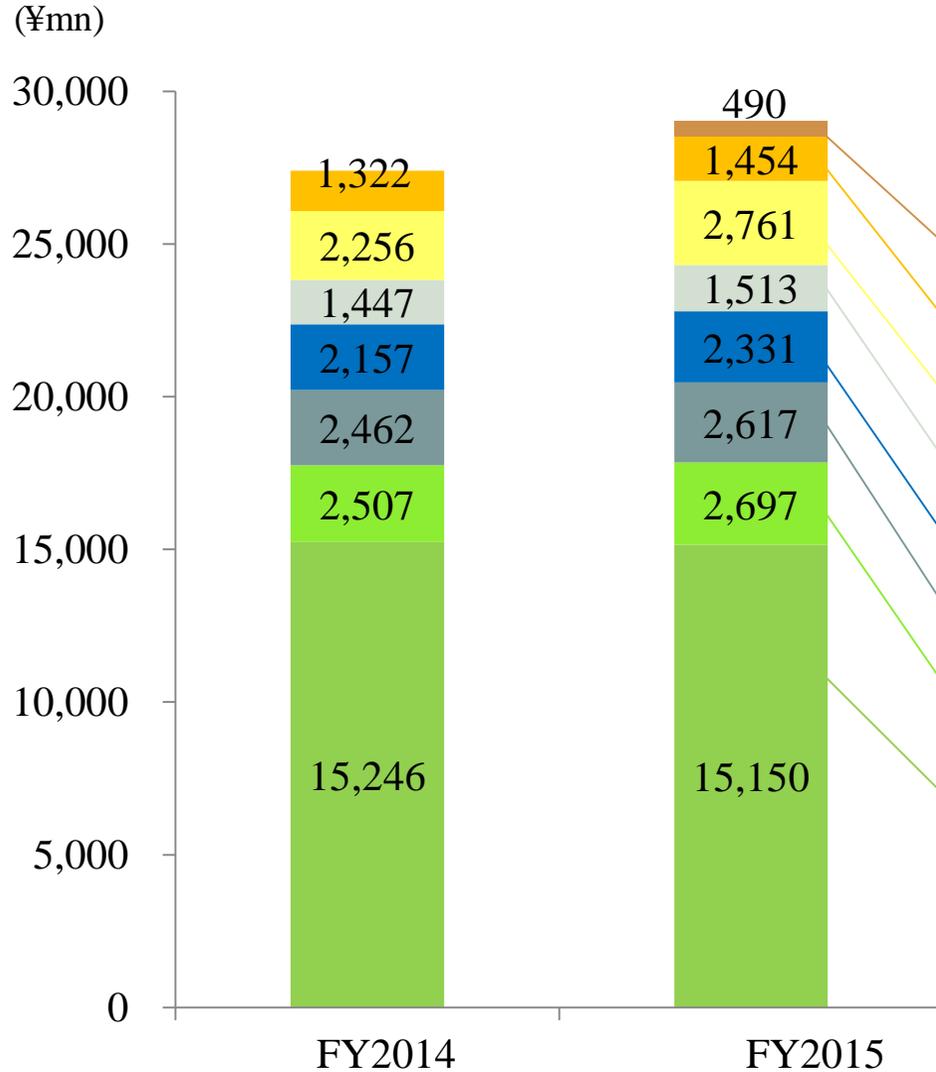
# Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2014		FY2015		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
<b>Total (① + ②)</b>	<b>30,800</b>	<b>100.0</b>	<b>31,937</b>	<b>100.0</b>	<b>3.7</b>
<b>① Generics</b>	<b>27,400</b>	<b>89.0</b>	<b>29,016</b>	<b>90.9</b>	<b>5.9</b>
To medical institutions	25,079		27,404		9.3
To other makers*	2,321		1,612		(30.6)
Amlodipine	3,011		3,159		4.9
Lansoprazole	1,935		2,182		12.8
Limaprost Alfadex	1,509		1,487		(1.4)
Rabeprazole	1,595		1,737		8.9
Donepezil	1,704		1,712		0.5
Pravastatine	1,273		1,260		(1.0)
Voglibose	1,013		1,004		(0.9)
Others	15,357		16,471		7.3
<b>② Proprietary products</b>	<b>3,400</b>	<b>11.0</b>	<b>2,920</b>	<b>9.1</b>	<b>(14.1)</b>
Uralyt	1,975		1,723		(12.8)
Soleton	1,134		928		(18.2)
Calvan	290		268		(7.5)
<b>Total (① + ③)</b>	<b>28,918</b>	<b>—</b>	<b>30,243</b>	<b>—</b>	<b>4.6</b>
<b>③ Generics (ODM)</b>	<b>1,518</b>	<b>—</b>	<b>1,226</b>	<b>—</b>	<b>(19.2)</b>

\* Includes export

# Generics Sales by Launch Year (Consolidated)

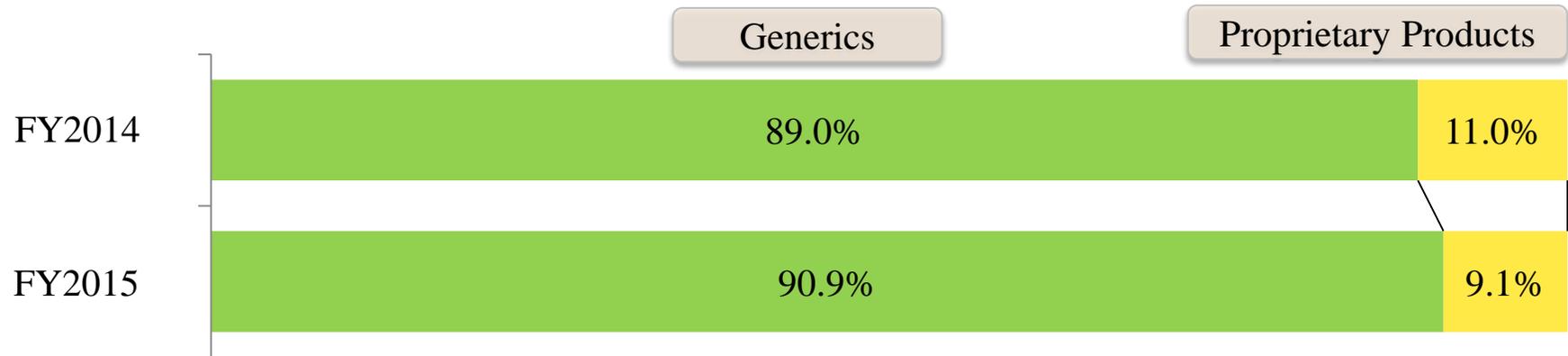


Comparison YOY (%)

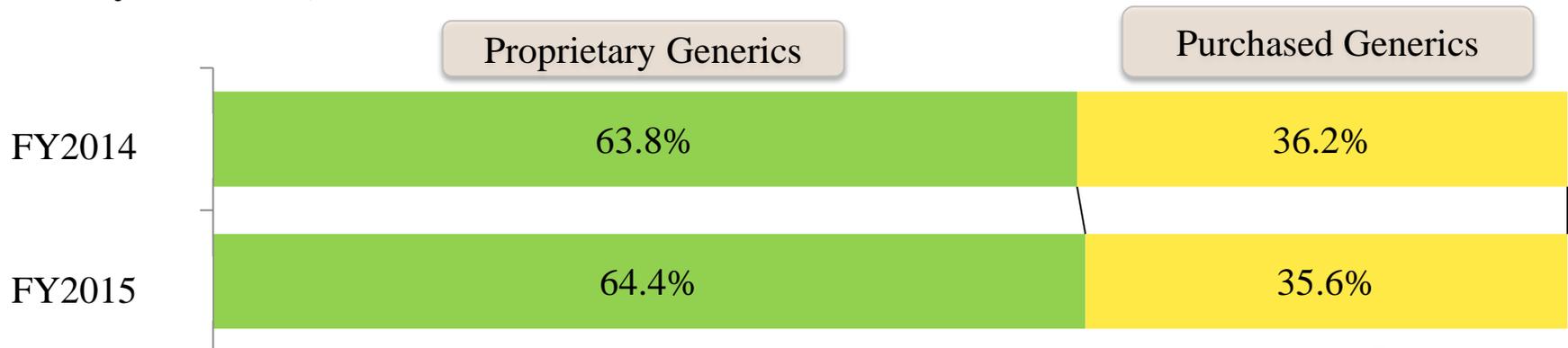
Fiscal Year	Total	Sales to Medical Institutions
2015	—	—
2014	10.0	101.8
2013	22.4	27.1
2012	4.6	5.9
2011	8.1	6.8
2010	6.3	9.9
2009	7.6	7.6
2008 and before	(0.6)	0.3

# 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)

	FY2013	FY2014		FY2015	
	Distrib.	Distrib.	YOY (%)	Distrib.	YOY (%)
Hospitals (100 beds or more)	13	13	4.9	14	19.5
Clinics (less than 100 beds)	15	12	(10.1)	12	2.5
Pharmacies	71	74	9.6	73	8.8
Other	1	1	(19.5)	1	(11.0)
Total	100	100	5.7	100	9.2

Of which, DPC hospitals	—	—	14.5	—	24.9
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**70% of 57,000 dispensing pharmacies sell Chemiphar generics**

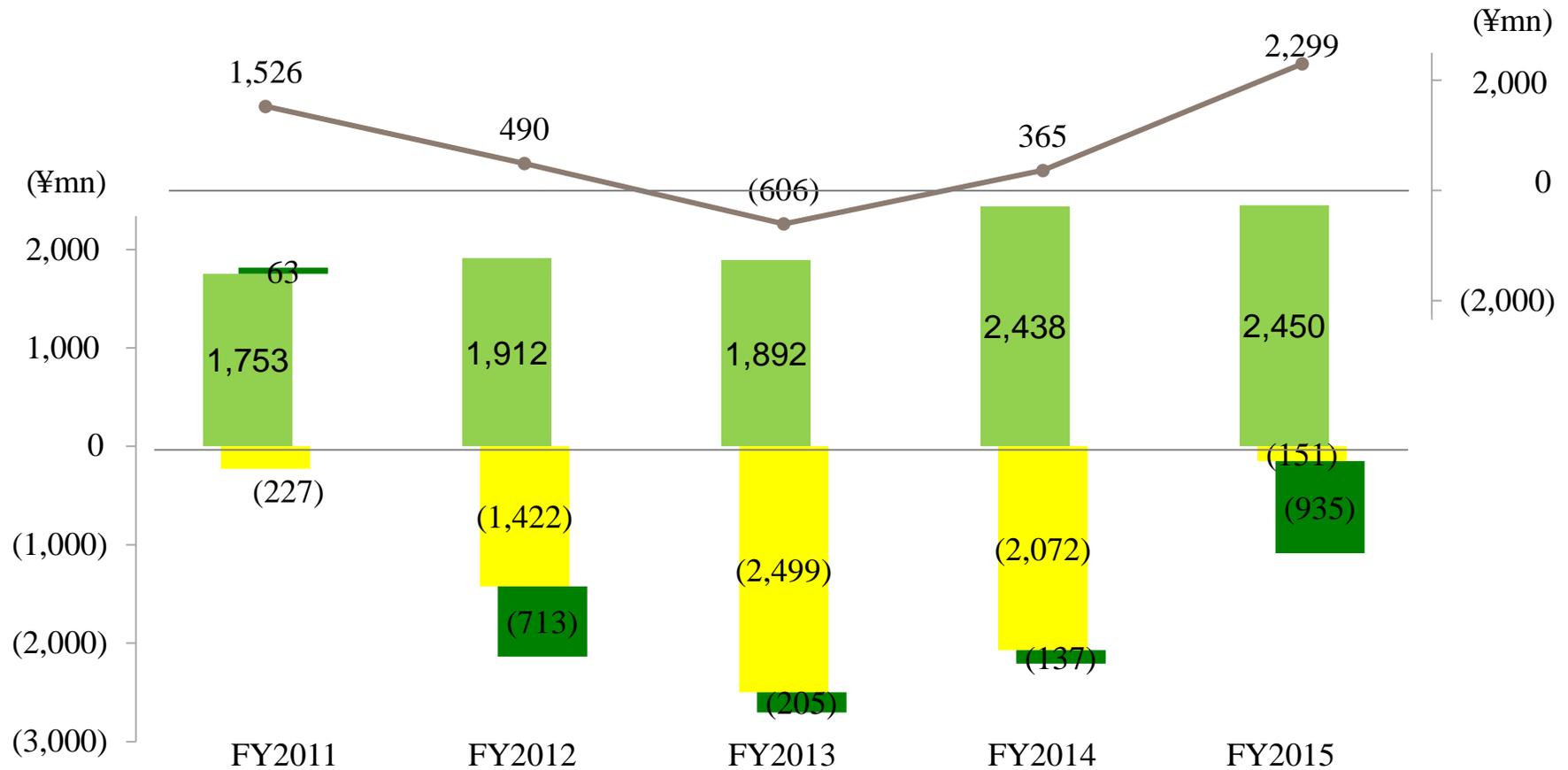
# Balance Sheet (Consolidated)

	(¥mn)				
	FY2014	FY2015	Change	Components	
<b>Current assets</b>	24,844	27,378	2,533	Cash, deposits	1,342
				Notes, accounts receivable—trade	1,442
				Inventories	(147)
<b>Non-current assets</b>	16,583	16,263	(319)	Buildings	(268)
				Machinery, equipment, vehicles	(424)
				Construction in progress	687
<b>Total assets</b>	41,428	43,644	2,215		
<b>Liabilities</b>	25,801	27,602	1,800	Notes, accounts payable—trade	1,198
				Loans payable	388
<b>Net assets</b>	15,626	16,041	415	Retained earnings	1,516
<b>Equity ratio (%)</b>	37.7	36.7		Treasury stock	(594)
<b>Liabilities, net assets</b>	41,428	43,644	2,215		

# Cash Flow

	(¥mn)		
	FY2014	FY2015	Change
Net income before taxes	3,093	2,945	(147)
Depreciation and amortization	1,200	1,178	(22)
Notes, accounts receivable—trade	(1,075)	(1,442)	(367)
Notes, accounts payable—trade	(822)	1,198	2,020
Income taxes paid	(1,010)	(1,252)	(241)
Others	1,052	(177)	(1,229)
<b>Net cash provided by operating activities</b>	<b>2,438</b>	<b>2,450</b>	<b>12</b>
Purchases of property, plant and equipment	(2,065)	(857)	1,207
Others	(6)	706	713
<b>Net cash used in investing activities</b>	<b>(2,072)</b>	<b>(151)</b>	<b>1,921</b>
Net decrease in short-term loans payable	(104)	24	128
Net decrease in long-term loans payable	782	364	(417)
Cash dividends paid	(403)	(403)	0
Others	(412)	(921)	(508)
<b>Net cash used in financing activities</b>	<b>(137)</b>	<b>(935)</b>	<b>(797)</b>

# Cash Flow



Operating cash flow

Investment cash flow

Financing cash flow

Free cash flow

## **II. FY2016 Forecasts**

# Sales, Income (Consolidated)

(¥mn)

	FY2015		FY2016 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Net Sales	35,602	100.0	38,000	100.0	6.7
Pharmaceuticals	31,937		34,180		7.0
Generics	29,016		31,680		9.2
Proprietary products	2,920		2,500		(14.4)
Operating income	3,145	8.8	2,800	7.4	(11.0)
Net income	1,961	5.5	1,850	4.9	(5.7)
Net income attributable to owners of the parent	1,961	5.5	1,850	4.9	(5.7)

# Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2015		FY2016 (Forecast)		
	Amount	Distrib.(%)	Amount	Distrib.(%)	YOY (%)
<b>Total (①+②)</b>	31,937	100.0	34,180	100.0	7.0
<b>① Generics</b>	29,016	90.9	31,680	92.7	9.2
To medical institutions	27,404		30,080		9.8
To other markers*	1,612		1,600		(0.8)
Amlodipine	3,159		3,060		(3.2)
Lansoprazole	2,182		2,460		12.7
Limaprost Alfadex	1,487		1,570		5.5
Rabeprazole	1,737		1,740		0.1
Donepezil	1,712		1,940		13.3
Pravastatine	1,260		1,270		0.8
Voglibose	1,004		1,040		3.6
Others	16,471		18,600		12.9
<b>② Proprietary products</b>	2,920	9.1	2,500	7.3	(14.4)
Uralyt	1,723		1,500		(13.0)
Soleton	928		740		(20.3)
Calvan	268		260		(3.2)
<b>Total (①+③)</b>	30,243	100.0	33,040	100.0	9.2
<b>③ Generics (ODM)</b>	1,226	4.1	1,360	4.1	10.9

\* Includes export

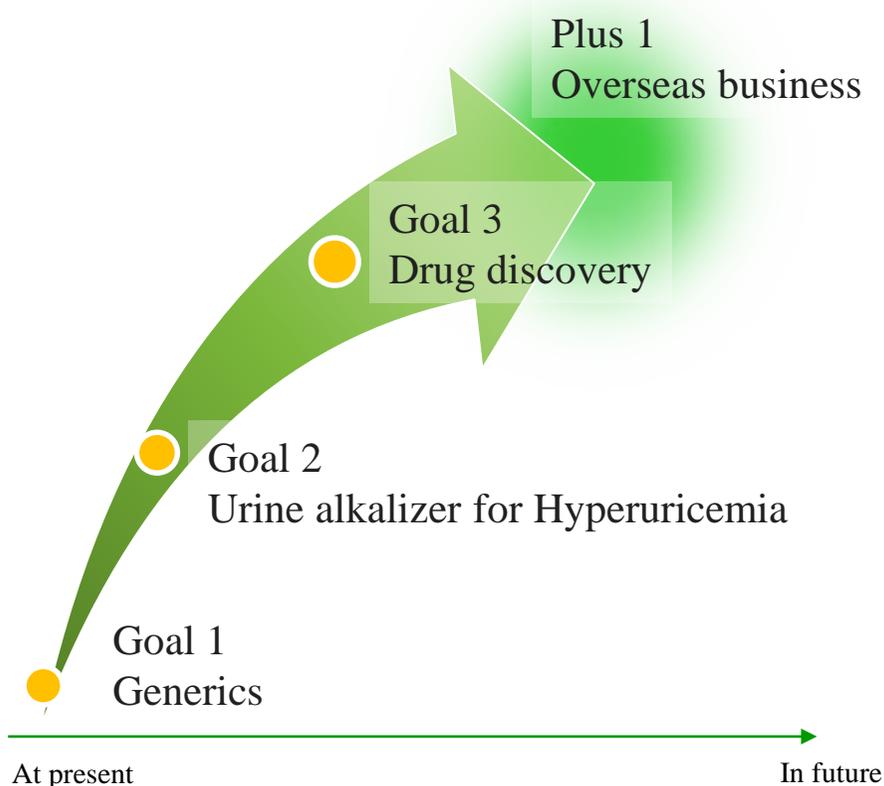
# III. Management Plan

# Three Plus 1 Principal Goals

## Overview

### ■ Business strategy by Three Principal Goals

- ✓ By fulfilling our three principal goals, we will establish a proprietary business model.
- ✓ To make that growth sustainable, we are expanding our business internationally.



### 1. Generics

Develop unique business by differentiating our products.

### 2. Urine alkalizer for hyperuricemia

Enhance group research initiatives, promote R&D in antihyperuricemic agents.

### 3. Drug discovery

Focus on discovery in our strong field.

### Plus 1: Overseas business

Apply our three goals to overseas markets centered on Asia.

# Management Plan 1

## Generics

### R&D

- **Seek safer and more user-friendly products**

We will reinforce our development of generics to meet medical needs.

- **Shift to high-quality, inexpensive APIs**

We have been cutting drug production costs for several years by using high-quality and low-priced APIs.

### Manufacturing

- **New building at NPI plant**

The 1st floor of the third building at NPI's Tsukuba Factory—the first pharmaceutical plant in Japan to have a fully seismically isolated structure—will become fully operational during FY2016's Q2. Additional investment in the 2nd floor will depend on demand.

- **Construction of factory in Vietnam**

The groundbreaking ceremony for our plant in Vietnam was held in February 2016. Pilot production is set to start in FY2017, and start operation in the next year.

### Sales

- **Response to new generics market**

Since the April 2016 NHI price revision is seen hiking demand for in-house prescription dispensing, we will continue to focus on clinics.

- **Strengthening oncology-related efforts to provide added value**

- **Responding to the integrated community care system**

# Management Plan 2

## Urine alkalizer for hyperuricemia

### Provide Information

- **Enhancing group-based research initiatives**  
Supporting clinical study to control chronic kidney disease (to Tohoku University).  
Conducting clinical studies on link between acidic urine and metabolic syndrome.  
Strengthening public awareness regarding urinary tract problems.

### Drug Discovery

- **NC-2500 / XOR inhibitor (hyperuricemia treatment)**  
To improve the drug's overall efficacy, we are in the process of conducting phase 1 trials again, using an improved pharmaceutical preparation.
- **NC-2700 (hyperuricemia treatment)**  
We gave our development number in March 2016.  
Pre-clinical trials will start in FY2016.

# Management Plan 3

## Drug discovery

Purpose	No.	Function	Phase	Summary
Improve lipid metabolism	NC-2400	PPAR delta agonist	Phase 1 finished (in US)	Licensed to the multinational France-based biotech company Cerenis Therapeutics.
Treat hyperuricemia	NC-2500	XOR inhibition	Phase 1 (in Japan)	Start phase 1 trials again with improved formulation by September 2016.
	<b>NC-2700</b>	—	<b>Pre-clinical trials (in Japan)</b>	<b>Will start preclinical tests in FY2016.</b>
Treat neuropathic pain	NC-2600	P2X4 antagonist	<b>Finished pre-clinical trials (in Japan)</b>	Applied AMED* support plan. <b>Finished pre-clinical test.</b> <b>Planning to start phase 1 trial in Q2 FY2016.</b>
To serve as antidepressant, anti-anxiety drug	<b>NC-2800</b>	Delta opioid receptor agonist	<b>Pre-clinical trials (in Japan)</b>	Applied AMED* support plan. <b>We gave development number in March 2016.</b> Will conduct preclinical tests, to end during support period (through March 2018).

\* Japan Agency for Medical Research and Development

# Management Plan 4

## Overseas business

### Pharmaceuticals

**We plan to accelerate our activities in ASEAN member states, China, and other parts of Asia, to increase the approved products and applications we offer.**

#### ■ Status of Other Initiatives

##### On sale

- China Calvin, through a local partner.
- South Korea Soleton and Calvin, through a local partner.
- Hong Kong Pioglitazone and Cilostazol have been approved.
- Thailand Uralyt, through a local partner.

##### Approval applications

Lodged for five products in four countries.

#### ■ Status of Activities in Vietnam

The groundbreaking ceremony for Nippon Chemiphar Vietnam Co., Ltd.'s factory was in February 2016 . It is set to start operation in 2018.



Artist's rendition of the new factory in Vietnam.

### Diagnostics

**With a partner, we are working on overseas marketing, leveraging our allergy diagnostic device (DiaPack3000), which has the fastest reaction time of any currently in use.**

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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.