

# **FY2016 First Quarter Business Summary**

(Year Ending March 31, 2017)

# Sales, Income (Consolidated)

(¥mn)

	FY2015			FY2016						
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
<b>Net Sales</b>	<b>8,629</b>	<b>100.0</b>	<b>35,602</b>	<b>8,805</b>	<b>100.0</b>	<b>2.0</b>	<b>18,300</b>	<b>48.1</b>	<b>38,000</b>	<b>23.2</b>
Pharmaceuticals	8,469	98.1	34,509	8,678	98.6	2.5	—	—	—	—
Others	160	1.9	1,092	126	1.4	(20.8)	—	—	—	—
Cost of sales	4,635	53.7	18,803	4,793	54.4	3.4	—	—	—	—
SG&A expenses	3,405	39.5	13,653	3,224	36.6	(5.3)	—	—	—	—
R&D expenses	392	4.5	1,889	416	4.7	6.2	—	—	2,200	18.9
<b>Operating Income</b>	<b>588</b>	<b>6.8</b>	<b>3,145</b>	<b>787</b>	<b>8.9</b>	<b>33.7</b>	<b>1,200</b>	<b>65.6</b>	<b>2,800</b>	<b>28.1</b>
<b>Income before income taxes and minority interests</b>	<b>596</b>	<b>6.9</b>	<b>2,945</b>	<b>651</b>	<b>7.4</b>	<b>9.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>415</b>	<b>4.8</b>	<b>1,961</b>	<b>462</b>	<b>5.3</b>	<b>11.3</b>	<b>750</b>	<b>61.7</b>	<b>1,850</b>	<b>25.0</b>

## Sales

Although new government's measures to promote use of generics have provided a weaker sales incentive than we had expected and NHI drug price reduction reduced our unit price, generics sales to medical institutions are up 5.0% YOY. On the other hand, increased market competition caused generics sales to other makers to drop 31.2% YOY. As a result, our generics sales for the quarter totaled ¥7,202 million (up 3.3% YOY).

Meanwhile, the NHI drug price reduction and the market's continuing switch to generics caused

a decline of 23.3% YOY in proprietary product sales. Consequently, we recorded consolidated net sales of ¥8,805 million (up 2.0 % YOY).

## Income

In the first quarter, the NHI drug price reduction and the changed sales mix resulting from lower sales of proprietary products led to a 0.7 percentage point rise in the cost of sales ratio.

However, reflecting our efforts during the quarter to curb ordinary expenses, the SG&A

expense ratio decreased 2.9 percentage points. Operating income therefore rose 33.7% YOY, to ¥787 million.

# Pharmaceutical Sales (Consolidated)

## Generics, Proprietary Products

(¥mn)

	FY2015			FY2016				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>7,753</b>	<b>100.0</b>	<b>31,937</b>	<b>7,804</b>	<b>100.0</b>	<b>0.7</b>	<b>34,180</b>	<b>22.8</b>
<b>Generics</b>	<b>6,969</b>	<b>89.9</b>	<b>29,016</b>	<b>7,202</b>	<b>92.3</b>	<b>3.3</b>	<b>31,680</b>	<b>22.7</b>
To medical institutions	6,650		27,404	6,983		5.0	30,080	23.2
To other makers*	318		1,612	219		(31.2)	1,600	13.7
Amlodipine	784		3,159	730		(6.9)	3,060	23.9
Lansoprazole	526		2,182	593		12.6	2,460	24.1
Donepezil	402		1,712	444		10.4	1,940	22.9
Rabeprazole	420		1,737	406		(3.3)	1,740	23.3
Limaprost Alfadex	368		1,487	383		4.2	1,570	24.5
Pravastatine	317		1,260	302		(4.7)	1,270	23.8
Voglibose	256		1,004	252		(1.4)	1,040	24.3
Others	3,892		16,471	4,089		5.0	18,600	22.0
<b>Proprietary products</b>	<b>784</b>	<b>10.1</b>	<b>2,920</b>	<b>601</b>	<b>7.7</b>	<b>(23.3)</b>	<b>2,500</b>	<b>24.1</b>
Uralyt	455		1,723	380		(16.4)	1,500	25.4
Soleton	251		928	165		(34.4)	740	22.3
Calvan	77		268	55		(27.8)	260	21.5

## Chemiphar, ODM Generics

(¥mn)

	FY2015			FY2016				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>7,317</b>	<b>100.0</b>	<b>30,243</b>	<b>7,543</b>	<b>100.0</b>	<b>3.1</b>	<b>33,040</b>	<b>22.8</b>
Generics	6,969	95.2	29,016	7,202	95.5	3.3	31,680	22.7
Generics (ODM)	348	4.8	1,226	340	4.5	(2.3)	1,360	25.1

\* Includes exports.

# Sales Distribution

## By Launch Year

(¥mn)

Year	FY2015		FY2016		YOY (%)
	1Q Amount	Distrib. (%)	1Q Amount	Distrib. (%)	
FY2009 and before	4,357	62.5	4,307	59.8	(1.2)
FY2010	611	8.8	621	8.6	1.6
FY2011	546	7.8	610	8.5	11.7
FY2012	360	5.2	363	5.0	0.7
FY2013	641	9.2	669	9.3	4.4
FY2014	407	5.9	396	5.5	(2.8)
FY2015	43	0.6	225	3.1	416.8
FY2016	—	—	8	0.1	—
<b>Total</b>	<b>6,969</b>	<b>100.0</b>	<b>7,202</b>	<b>100.0</b>	<b>3.3</b>

## By Main Therapeutic Categories

(%)

	FY2015 1Q	FY2016 1Q
Cardiovascular and respiratory drugs	32.0	31.6
Digestive organ drugs	19.0	20.2
Agents affecting metabolism	17.8	16.3
Drugs for nervous system, sensory organs	10.9	10.5
Antibiotics and chemotherapeutic drugs	6.8	6.3
Antineoplastic agents	2.3	3.1
Others	11.2	12.0

# Balance Sheet, per Share Information

## Balance Sheet Data (¥mn)

	March 31, 2016	June 30, 2016	
	Amount	Amount	Change
<b>Total assets</b>	<b>43,644</b>	<b>44,315</b>	<b>671</b>
<b>Net assets</b>	<b>16,041</b>	<b>16,069</b>	<b>27</b>
Owned capital	16,033	16,060	26
Capital-to-asset ratio (%)	36.7	36.2	(0.5)
<b>Current assets</b>	<b>27,378</b>	<b>28,084</b>	<b>706</b>
<b>Current liabilities</b>	<b>15,655</b>	<b>16,676</b>	<b>1,021</b>
Current ratio (x)	1.75	1.68	(0.07)

## Per Share Information (¥)

	FY2015		FY2016		
	1Q Amount	Full Year Amount	1Q Amount	YOY	Full Year (Forecast*)
Earnings per share	10.44	49.91	11.84	1.40	470.77
	June 30, 2015	March 31, 2016	June 30, 2016		Full Year (Forecast*)
Book value per share	388.42	409.97	410.65		—
Dividends per share	—	10.00	—		100.00
Dividend payout ratio (%)	—	20.0	—		21.2

\*Chemiphar will consolidate every ten shares into one share on October 1, 2016.  
Thus FY2016 forecasts are considering impact of the consolidation..

# Expenditure

## Capital Expenditure and Other

(¥mn)

	FY2015		FY2016			
	1Q Amount	Full Year Amount	1Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	113	1,172	370	227.3	2,900	12.8
Depreciation and amortization	282	1,178	253	(10.6)	1,250	20.2

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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.