



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2016 Second Quarter Business Summary

(Year Ending March 31, 2017)

Sales, Income

(¥mn)

	FY2015			FY2016						
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	17,428	100.0	35,602	17,515	100.0	0.5	18,300	95.7	38,000	46.1
Pharmaceuticals	16,901	97.0	34,509	17,022	97.2	0.7	—	—	—	—
Others	527	3.0	1,092	493	2.8	(6.5)	—	—	—	—
Cost of sales	9,304	53.4	18,803	9,586	54.7	3.0	—	—	—	—
SG&A expenses	6,779	38.9	13,653	6,606	37.7	(2.6)	—	—	—	—
R&D expenses	918	5.3	1,889	942	5.4	2.7	—	—	2,200	42.9
Operating Income	1,344	7.7	3,145	1,323	7.6	(1.5)	1,200	110.3	2,800	47.3
Income before income taxes and minority interests	1,312	7.5	2,945	1,147	6.6	(12.6)	—	—	—	—
Net income attributable to owners of the parent	878	5.0	1,961	822	4.7	(6.4)	750	109.7	1,850	44.5

Sales

Generics sales to medical institutions are up 2.9% YOY, owing to the market growth that resulted from government promotions, even as unit prices have declined as a result of NHI drug price cuts.

Meanwhile, increased competition has caused a 20.2% YOY decline in generics sales to other makers. As a result, our generics sales for the first half totaled ¥14,255 million (up 1.8% YOY).

Further, the NHI drug price reductions, together with the market's ongoing switch to generics, have caused a 22.5% YOY decline in sales of proprietary products. We thus recorded consolidated net sales of ¥17,515 million (up 0.5 % YOY).

Income

Despite the impact of NHI drug price reductions, our cost of sales ratio rose only 1.3 percentage points, reflecting our efforts to

reduce the cost of both APIs and purchased product. The SG&A expense ratio decreased 1.2 percentage points, reflecting our efforts to curb SG&A expenses and R&D expenses partly shifted from first half to the latter half of the year. Therefore, operating income was ¥1,323 million, little changed from the previous year.

Pharmaceutical Sales

Generics, Proprietary Products

(¥mn)

	FY2015			FY2016				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	15,528	100.0	31,937	15,437	100.0	(0.6)	34,180	45.2
Generics	14,002	90.2	29,016	14,255	92.3	1.8	31,680	45.0
To medical institutions	13,356		27,404	13,740		2.9	30,080	45.7
To other makers*	645		1,612	515		(20.2)	1,600	32.2
Amlodipine	1,560		3,159	1,429		(8.4)	3,060	46.7
Lansoprazole	1,060		2,182	1,158		9.3	2,460	47.1
Donepezil	855		1,712	840		(1.7)	1,940	43.3
Rabeprazole	851		1,737	796		(6.4)	1,740	45.8
Limaprost Alfadex	743		1,487	756		1.8	1,570	48.2
Pravastatine	637		1,260	594		(6.7)	1,270	46.8
Voglibose	508		1,004	493		(3.0)	1,040	47.4
Others	7,785		16,471	8,184		5.1	18,600	44.0
Proprietary products	1,525	9.8	2,920	1,181	7.7	(22.5)	2,500	47.3
Uralyt	906		1,723	734		(19.0)	1,500	49.0
Soleton	483		928	343		(29.0)	740	46.4
Calvan	135		268	104		(23.2)	260	40.1

Chemiphar, ODM Generics

(¥mn)

	FY2015			FY2016				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	14,623	100.0	30,243	14,922	100.0	2.0	33,040	45.2
Generics	14,002	95.8	29,016	14,255	95.5	1.8	31,680	45.0
Generics (ODM)	620	4.2	1,226	667	4.5	7.5	1,360	49.1

* Includes exports.

Sales Distribution

By Launch Year

(¥mn)

Year	FY2015		FY2016		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
FY2009 and before	8,707	62.2	8,453	59.3	(2.9)
FY2010	1,251	8.9	1,214	8.5	(3.0)
FY2011	1,130	8.1	1,181	8.3	4.5
FY2012	736	5.3	725	5.1	(1.5)
FY2013	1,297	9.3	1,354	9.5	4.4
FY2014	676	4.8	830	5.8	22.8
FY2015	202	1.4	458	3.2	126.4
FY2016	—	—	37	0.3	—
Total	14,002	100.0	14,255	100.0	1.8

By Main Therapeutic Categories

(%)

	FY2015 2Q	FY2016 2Q
Cardiovascular and respiratory drugs	31.1	31.4
Digestive organ drugs	21.5	20.3
Agents affecting metabolism	16.6	16.4
Drugs for nervous system, sensory organs	11.1	10.2
Antibiotics and chemotherapeutic drugs	6.6	6.6
Antineoplastic agents	2.3	3.1
Others	10.8	12.0

Balance Sheet, per Share Information

Balance Sheet Data	(¥mn)		
	March 31, 2016	September 30, 2016	
	Amount	Amount	Change
Total assets	43,644	43,530	(113)
Net assets	16,041	16,407	366
Owned capital	16,033	16,398	364
Capital-to-asset ratio (%)	36.7	37.7	+1.0
Current assets	27,378	26,739	(638)
Current liabilities	15,655	13,837	(1,818)
Current ratio (x)	1.75	1.93	+0.18

Per Share Information	FY2015		FY2016	
	2Q Amount	Full Year Amount	2Q Amount	Full Year (Forecast)
Earnings per share	227.57	499.12	210.37	470.77
	Sept. 30, 2015	March 31, 2016	Sept. 30, 2016	Full Year (Forecast)
Book value per share	3,949.52	4,099.74	4,193.10	—
Dividends per share	0.00	10.00	0.00	100.00
Dividend Payout Ratio (%)	—	20.0	—	21.2

* Chemiphar conducted a 10-to-1 reverse stock split on October 1, 2016. For ease of comparison, calculations assume the share consolidation occurred at the beginning of the previous fiscal year (except for the FY2015 dividends per share).

Cash Flow, Expenditure

Cash Flow Statements

(¥mn)

	FY2015 2Q Amount	FY2016 2Q Amount
Cash flow from:		
Operating activities	193	1,113
Investing activities	(267)	(1,392)
Financing activities	224	171
Cash and cash equivalents	5,942	6,956
Free cash flow	(74)	(279)

Capital expenditure

During the quarter, we added equipment to the third manufacturing building at the Nihon Pharmaceutical Industry Tsukuba Factory in accordance with formulated plans. This is in response to the growth in demand for generics over recent years.

Capital Expenditure and Other

(¥mn)

	FY2015		FY2016			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate(%)
Capital expenditure	286	1,172	1,184	313.1	2,900	40.8
Depreciation and amortization	573	1,178	521	(9.1)	1,250	41.7

For further information contact:

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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.

