



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2016 Business Results

(Year ending March 31, 2017)

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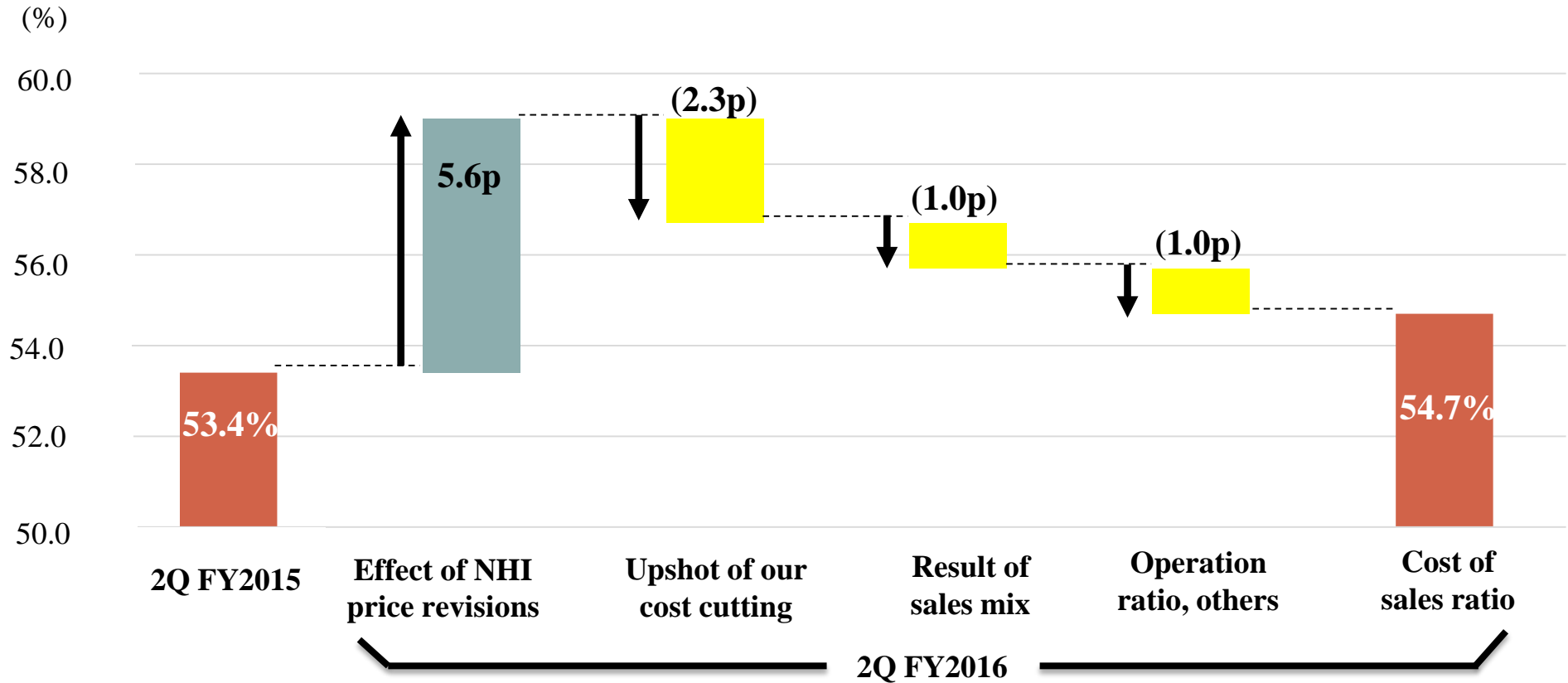
I. Summary of Results

Sales, Income (Consolidated)

(¥mn)

	2Q FY2015		2Q FY2016				2Q FY2016 (Forecast)	
	Amount	% of Sales	Amount	% of Sales	YOY		Amount	Achieved (%)
					Amount	%		
Net Sales	17,428	100.0	17,515	100.0	87	0.5	18,300	95.7
Cost of sales	9,304	53.4	9,586	54.7	281	3.0		
SG&A expenses	6,779	38.9	6,606	37.7 (1.2p)	(173)	(2.6)		
Operating income	1,344	7.7	1,323	7.6	(20)	(1.5)	1,200	110.3
Income before income taxes and minority interests	1,312	7.5	1,147	6.6	(165)	(12.6)		
Net income attributable to owners of the parent	878	5.0	822	4.7	(56)	(6.4)	750	109.7

Reason for Rising Cost of Sales Ratio



- Up 5.6 percentage points on NHI price revisions.
- Down 2.3 percentage points on our struggle with reducing the cost of APIs and products purchased.
- Down 1.0 percentage points on aggressive promotion of high-profit products.
- Cost of sales ratio up only 1.3 percentage points on NHI price revisions in FY2016.

Pharmaceutical Sales (Consolidated)

(¥mn)

	2Q FY2015		2Q FY2016		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total (① + ②)	15,528	100.0	15,437	100.0	(0.6)
① Generics	14,002	90.2	14,255	92.3	1.8
To medical institutions	13,356		13,740		2.9
To other makers*	645		515		(20.2)
Amlodipine	1,560		1,429		(8.4)
Lansoprazole	1,060		1,158		9.3
Donepezil	855		840		(1.7)
Rabeprazole	851		796		(6.4)
Limaprost alfadex	743		756		1.8
Pravastatine	637		594		(6.7)
Voglibose	508		493		(3.0)
Others	7,785		8,184		5.1
② Proprietary products	1,525	9.8	1,181	7.7	(22.5)
Uralyt	906		734		(19.0)
Soleton	483		343		(29.0)
Calvan	135		104		(23.2)
Total (① + ③)	14,623	—	14,922	—	2.0
③ Generics (ODM)	620	—	667	—	7.5

* Includes export

Composition of Generics Sales by Destination

(Non-consolidated)

	2Q FY2014	2Q FY2015		2Q FY2016	
	Distrib.	Distrib.	YOY (%)	Distrib.	YOY (%)
Hospitals (100 beds or more)	12	14	23.0	14	5.2
Clinics (less than 100 beds)	13	12	3.6	11	(4.7)
Pharmacies	75	74	9.3	75	2.5
Total	100	100	10.3	100	2.0

70% of 58,000 dispensing pharmacies sell Chemiphar generics

Of which, DPC hospitals	—	—	30.6	—	7.0
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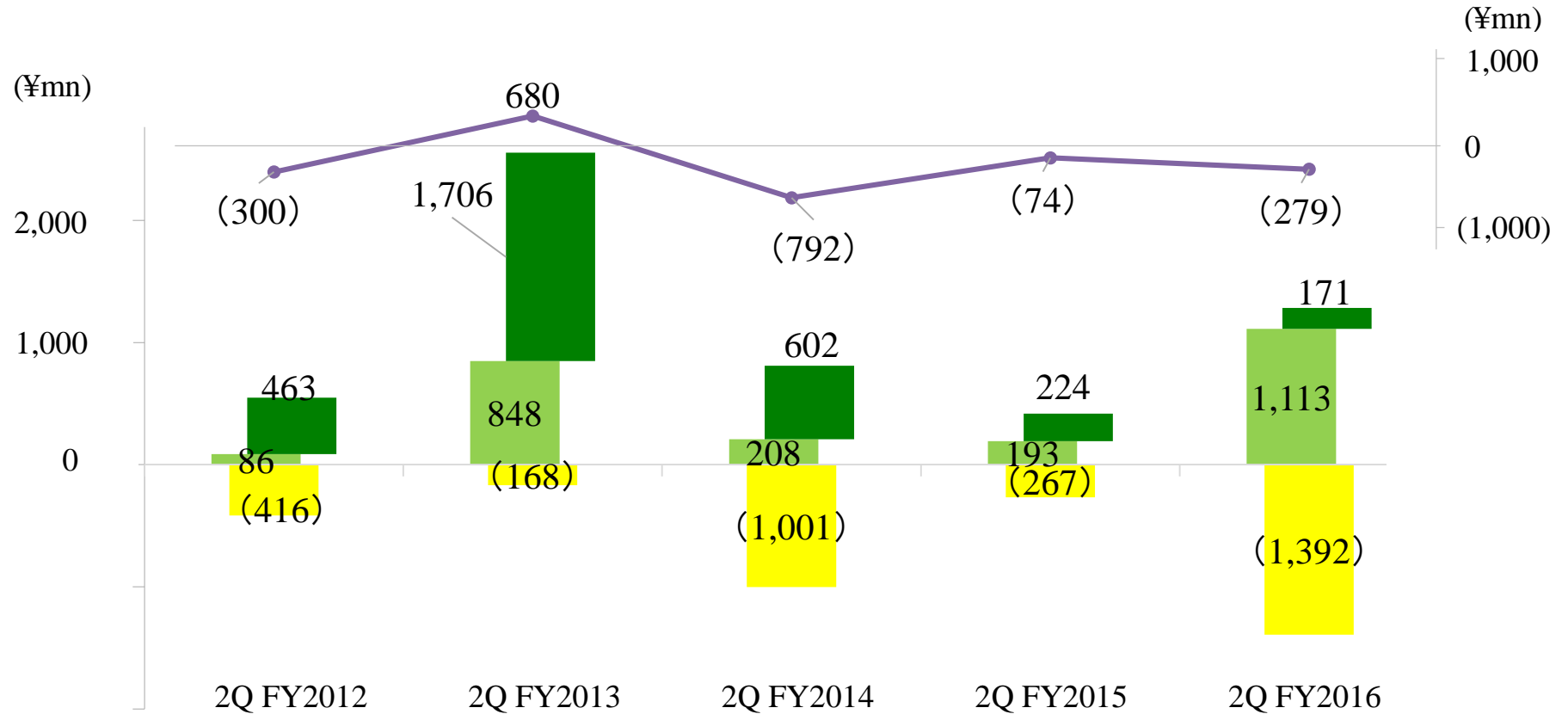
80% of 1,700 DPC hospitals sell Chemiphar generics

Balance Sheet (Consolidated)

(¥mm)

	2Q FY2015	2Q FY2016	Change	Components	
Current assets	27,378	26,739	(638)	Cash, deposits Notes, accounts receivable—trade Inventories	(212) (539) (3)
Non-current assets	16,263	16,789	525	Buildings Machinery, equipment, vehicles Investments	593 340 19
Total assets	43,644	43,530	(113)		
Liabilities	27,602	27,122	(479)	Notes, accounts payable—trade Loans payable	(814) 643
Net assets	16,041	16,407	366	Retained earnings	427
Equity ratio (%)	36.7	37.7			
Liabilities, net assets	43,644	43,530	(113)		

Cash Flow



■ Operating cash flow
 ■ Investment cash flow
 ■ Financing cash flow
 —●— Free cash flow

II. FY2016 Forecasts

Sales, Income (Consolidated)

(¥mn)

	FY2016		FY2016 (Forecast)		
	2Q Amount	% of Sales	Full Year Amount	% of Sales	Progress Rate (%)
Net Sales	17,515	100.0	38,000	100.0	46.1
Pharmaceuticals	15,437		34,180		45.2
Generics	14,255		31,680		45.0
Proprietary products	1,181		2,500		47.3
Operating income	1,323	7.6	2,800	7.4	47.3
Income before income taxes and minority interests	1,147	6.6	—	—	—
Net income attributable to owners of the parents	822	4.7	1,850	4.9	44.5

Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2016		Progress Rate (%)
	2Q Amount	Full Year (Forecast)	
Total (① + ②)	15,437	34,180	45.2
① Generics	14,255	31,680	45.0
To medical institutions	13,740	30,080	45.7
To other makers*	515	1,600	32.2
Amlodipine	1,429	3,060	46.7
Lansoprazole	1,158	2,460	47.1
Donepezil	840	1,940	43.3
Rabeprazole	796	1,740	45.8
Limaprost alfadex	756	1,570	48.2
Pravastatine	594	1,270	46.8
Voglibose	493	1,040	47.4
Others	8,184	18,600	44.0
② Proprietary products	1,181	2,500	47.3
Uralyt	734	1,500	49.0
Soleton	343	740	46.4
Calvan	104	260	40.1
Total (① + ③)	14,922	33,040	45.2
③ Generics (ODM)	667	1,360	49.1

* Includes export

New Generics

Set for launch in December, 2016

	Product	Item
December	Montelukast	2

Launched in June, 2016

	Product	Item
June	Bicalutamide	1
	Losarhyd Combination Tablets HD	1
	Sertraline	1

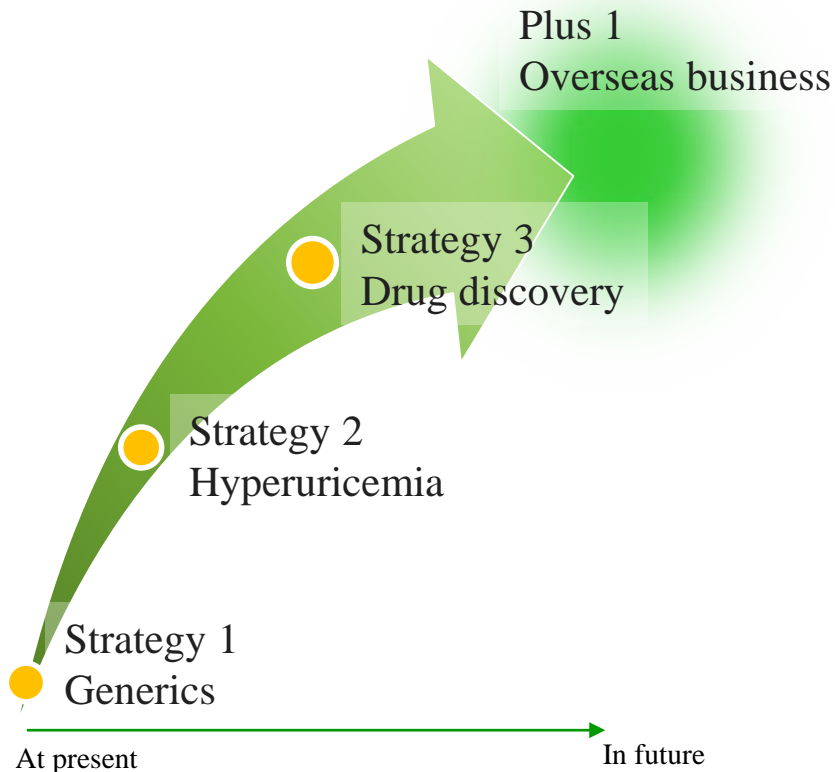
III. Management Plan

Three Plus 1 Principal Strategies

Overview

Three principal strategies bolster our business

- By fulfilling our three principal strategies, we will establish a proprietary business model.
- Expanding business abroad will make business growth sustainable.



Strategy 1: Secure our presence in the generics business

Develop unique business by differentiating our products and enhance cost competitiveness.

Strategy 2: Achieve a stronger position in the hyperuricemia market, centered on Uralyt

Enhance group research initiatives, promote R&D in antihyperuricemic agents, and achieve out-licensing new drugs earlier.

Strategy 3: Contribute to society through drug discovery

Focus on discovery in our particular areas of strength.

Plus 1: Apply our goals to enter emerging markets

Develop our business in foreign markets centering on Asia.

Management Plan 1

For hyperuricemia

- **Enhancing group-based research initiatives of urine alkalizer**

Conducting clinical studies at Tohoku University to establish strategies for the control of chronic kidney disease.

- **Drug Discovery (NC-2500 and NC-2700)**

Drug discovery

No.	Function (Target)	Stage
NC-2400	PPAR-delta agonist (Lipid metabolism)	Licensed to Cerenis Therapeutics (France). Finished Phase 1.
NC-2500	XOR inhibition (Hyperuricemia)	Repeated phase 1 testing (by June 2016 end, in Japan) using improved formulation.
NC-2600*	P2X4 antagonist (Neuropathic pain)	Joint research with Kyushu University. Started phase 1 in June 2016 (in Japan).
NC-2700	URAT1 inhibition (Hyperuricemia)	Pre-clinical trials (in Japan)
NC-2800*	Delta opioid receptor agonist (Dipression /Anxiety)	Joint research with the Universities of Tsukuba and Kitasato, and the National Center of Neurology and Psychiatry. Pre-clinical trials (in Japan).

* Supported by the Japan Agency for Research and Development.

Management Plan 2

Overseas business

- **By accelerating application for products, we aim to expand our business in ASEAN member states, China, and other parts of Asia.**

■ Status of Other Initiatives

<On Sale>

Place	Product
<u>China</u>	Calvan, through a local partner.
<u>South Korea</u>	Soleton and Calvan, through a local partner.
<u>Hong Kong</u>	Pioglitazone and Cilostazol have been approved.
<u>Thailand</u>	Uralyt, through a local partner

<Approval applications>

Applied for five products in four countries.

■ Establishment of production base in Vietnam

<Progress of construction>

A ceremony marking the completion of framework was hold in September 2016. (The factory is scheduled to start operating in 2018)

<Personnel training>

In September 2016, started training to 13 Vietnamese on the manufacturing lines of two factories of Nihon Pharmaceutical Industry Co., Ltd.

Reinforce manufacturing

- **Securement of increased production system in domestic factory**

Finished to add equipment to the 1st floor of third manufacturing building at the Nihon Pharmaceutical Industry Tsukuba Factory. Considerate to add equipment in stages.

NPI production capacity

(tablets/year)

Without third building	Using 1 st floor	Using 1 st and 2 nd floor	Using Vietnam factory
0.9bn	1.2bn	1.4bn	2.0bn

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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.