



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2016 Third Quarter Business Summary**

(Year Ending March 31, 2017)

# Income Statement Overview

(¥mn)

	FY2015			FY2016					Original Forecast**	
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)*	Progress Rate (%)	Full Year	Change
<b>Net Sales</b>	<b>26,914</b>	<b>100.0</b>	<b>35,602</b>	<b>26,886</b>	<b>100.0</b>	<b>(0.1)</b>	<b>35,500</b>	<b>75.7</b>	<b>38,000</b>	<b>(2,500)</b>
Pharmaceuticals	26,241	97.5	34,509	26,270	97.7	0.1	—	—	—	—
Others	673	2.5	1,092	616	2.3	(8.4)	—	—	—	—
Cost of sales	14,189	52.7	18,803	14,595	54.3	2.9	—	—	—	—
SG&A expenses	10,273	38.2	13,653	9,996	37.2	(2.7)	—	—	—	—
R&D expenses	1,357	5.0	1,889	1,417	5.3	4.4	2,200	64.4	2,200	—
<b>Operating Income</b>	<b>2,451</b>	<b>9.1</b>	<b>3,145</b>	<b>2,294</b>	<b>8.5</b>	<b>(6.4)</b>	<b>2,800</b>	<b>81.9</b>	<b>2,800</b>	<b>—</b>
<b>Income before income taxes and minority interests</b>	<b>2,416</b>	<b>9.0</b>	<b>2,945</b>	<b>2,378</b>	<b>8.8</b>	<b>(1.6)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income owners of the parent</b>	<b>1,612</b>	<b>6.0</b>	<b>1,961</b>	<b>1,688</b>	<b>6.3</b>	<b>4.7</b>	<b>1,850</b>	<b>91.3</b>	<b>1,850</b>	<b>—</b>

\* Revised forecast issued on January 31, 2017.

\*\* Issued on May 12, 2016.

## Sales

Generics sales to medical institutions are up 1.7% YOY, although market expansion is weaker than it was for the same period last year. Growth mainly has been the result of new government promotions introduced in April 2016, when medical service fees were revised. The market has shown increasingly severe competition, as NHI drug prices have been reduced and the number of authorized generics has grown.

Meanwhile, generics sales to other makers as a whole declined 5.8% YOY although those of new generics have strengthened since the end of the second quarter. As a result, our generics sales totaled ¥21,995 million (up 1.4% YOY).

Sales of proprietary products declined 23.2% YOY, due to both the NHI drug price reductions and the market's ongoing switch to generics. Consequently overall, pharmaceutical sales totaled ¥26,270 million (up 0.1% YOY). As a result, we recorded consolidated net sales of ¥26,886 million (down 0.1% YOY).

## Operating Income

During this quarter, we have kept the cost of sales ratio within 1.6 percentage points, lower than we had originally forecast despite the price reduction. This was made possible by our efforts to reduce the cost of API and prices of purchased products.

In addition, our SG&A expenses ratio showed

a 1.0 percentage point YOY decrease, due to the efficient apportioning of SG&A expenses and our putting R&D expenses to the best possible use. As a result, our operating income was ¥2,294 million (down 6.4% YOY).

## Annual forecast

In the area of consolidated net sales, we have adjusted our annual forecast to ¥35,500 million (down ¥2,500 million—or 6.6%—YOY). We have not seen any need to adjust our annual income, given that our cost of sales ratio has improved.

# Pharmaceutical Sales Overview

## Generics, Proprietary Products

(¥mn)

	FY2015			FY2016					
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)**	Progress Rate (%)	Original Forecast***
<b>Total</b>	<b>23,998</b>	<b>100.0</b>	<b>31,937</b>	<b>23,763</b>	<b>100.0</b>	<b>(1.0)</b>	<b>31,520</b>	<b>75.4</b>	<b>34,180</b>
Generics	21,697	90.4	29,016	21,995	92.6	1.4	29,230	75.3	31,680
To medical institutions	20,668		27,404	21,026		1.7	27,840	75.5	30,080
To other makers*	1,028		1,612	968		(5.8)	1,390	69.7	1,600
Amlodipine	2,400		3,159	2,171		(9.5)	2,890	75.1	3,060
Lansoprazole	1,642		2,182	1,748		6.4	2,310	75.7	2,460
Donepezil	1,305		1,712	1,280		(1.9)	1,670	76.7	1,940
Rabeprazole	1,318		1,737	1,214		(7.9)	1,610	75.4	1,740
Limaprost Alfadex	1,133		1,487	1,131		(0.2)	1,480	76.5	1,570
Pravastatine	968		1,260	897		(7.3)	1,180	76.1	1,270
Voglibose	770		1,004	738		(4.1)	960	76.9	1,040
Others	12,159		16,471	12,812		5.4	17,130	74.8	18,600
Proprietary products	<b>2,301</b>	<b>9.6</b>	<b>2,920</b>	<b>1,767</b>	<b>7.4</b>	<b>(23.2)</b>	<b>2,290</b>	<b>77.2</b>	<b>2,500</b>
Uralyt	1,357		1,723	1,095		(19.3)	1,390	78.8	1,500
Soleton	745		928	498		(33.1)	670	74.5	740
Calvan	198		268	173		(12.4)	230	75.5	260

## Chemiphar, ODM Generics

(¥mn)

	FY2015			FY2016					
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)**	Progress Rate (%)	Original Forecast***
<b>Total</b>	<b>22,553</b>	<b>100.0</b>	<b>30,243</b>	<b>22,928</b>	<b>100.0</b>	<b>1.7</b>	<b>30,510</b>	<b>75.2</b>	<b>33,040</b>
Generics	21,697	96.2	29,016	21,995	95.9	1.4	29,230	75.3	31,680
Generics (ODM)	856	3.8	1,226	932	4.1	8.9	1,280	72.9	1,360

\* Includes exports.

\*\* Revised forecast issued on January 31, 2017.

\*\*\* Issued on May 12, 2016.

# Pharmaceutical Sales Overview

## By Launch Year

(¥mn)

Year	FY2015		FY2016		YOY (%)
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2009 and before	13,440	61.9	12,956	58.9	(3.6)
FY2010	1,960	9.0	1,848	8.4	(5.7)
FY2011	1,744	8.0	1,782	8.1	2.2
FY2012	1,121	5.2	1,100	5.0	(1.9)
FY2013	2,015	9.3	2,125	9.7	5.5
FY2014	1,080	5.0	1,321	6.0	22.3
FY2015	333	1.5	745	3.4	123.7
FY2016	—	—	115	0.5	—
<b>Total</b>	<b>21,697</b>	<b>100.0</b>	<b>21,995</b>	<b>100.0</b>	<b>1.4</b>

## By Main Therapeutic Categories

(%)

	FY2015 3Q	FY2016 3Q
Cardiovascular and respiratory drugs	31.9	31.2
Digestive organ drugs	19.4	19.6
Agents affecting metabolism	16.6	16.4
Drugs for nervous system, sensory organs	11.1	9.9
Antibiotics and chemotherapeutic drugs	7.1	6.7
Antineoplastic agents	2.4	3.1
Others	11.5	13.1

# Financial Overview

## Balance Sheet Data

(¥mn)

	March 31, 2016		December 31, 2016	
	Amount	Amount	Amount	Change
<b>Total assets</b>	<b>43,644</b>	<b>45,545</b>	<b>45,545</b>	<b>1,901</b>
<b>Net assets</b>	<b>16,041</b>	<b>17,045</b>	<b>17,045</b>	<b>1,003</b>
Owned capital	16,033	17,034	17,034	1,000
Capital-to-asset ratio (%)	36.7	37.4	37.4	+0.7
<b>Current assets</b>	<b>27,378</b>	<b>27,755</b>	<b>27,755</b>	<b>377</b>
<b>Current liabilities</b>	<b>15,655</b>	<b>15,146</b>	<b>15,146</b>	<b>(509)</b>
Current ratio (x)	1.75	1.83	1.83	+0.08

## Per Share Information\*

(¥)

	FY2015		FY2016	
	3Q Amount	Full Year Amount	3Q Amount	Full Year (Forecast) *
Earnings per share	409.66	499.12	433.41	474.79
	December 31, 2015	March 31, 2016	December 31, 2016	Full Year (Forecast) *
Book value per share	4,194.25	4,099.74	4,461.44	—
Dividends per share	—	100.00	—	100.00
Dividend Payout Ratio (%)	—	20.0	—	21.1

\* Chemiphar conducted a 10:1 reverse stock split on October 1, 2016. Our earnings per share and dividends per share have been adjusted to reflect this reverse stock split.

# Capital Expenditure

## Capital Expenditure and Other Items

(¥mn)

	FY2015		FY2016			
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate(%)
Capital expenditure	536	1,172	2,269	323.3	2,900	78.3
Depreciation and amortization	873	1,178	809	(7.3)	1,250	64.7

### Capital expenditure

During the second quarter, we added equipment to the third building at the Nihon Pharmaceutical Industry Tsukuba Factory as originally planned. This is in response to the generics demand that has been building over recent years.

Construction of our new local manufacturing plant—Nippon Chemiphar Vietnam Co., Ltd.—is on schedule for completion in March 2017.

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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.

