

FY2016 Business Summary

(Year Ended March 31, 2017)

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I. FY2016 Business Results

Income Statement Overview

(¥mn)

	FY2015		FY2016					
	Amount	% of Sales	Amount	% of Sales	YOY (%)	Forecast*	% of Sales	Achieved (%)
Net Sales	35,602	100.0	35,689	100.0	0.2	35,500	100.0	100.5
Pharmaceuticals	34,509	96.9	34,551	96.8	0.1	—	—	—
Others	1,092	3.1	1,137	3.2	4.2	—	—	—
Cost of sales	18,803	52.8	19,449	54.5	3.4	—	—	—
SG&A expenses	13,653	38.3	13,403	37.6	(1.8)	—	—	—
R&D expenses	1,889	5.3	1,984	5.6	5.0	2,200	6.2	90.2
Operating income	3,145	8.8	2,836	7.9	(9.8)	2,800	7.9	101.3
Net income	2,945	8.3	2,849	8.0	(3.3)	—	—	—
Net income owners of the parent	1,961	5.5	2,054	5.8	4.7	1,850	5.2	111.0

*Revised forecast issued on January 31, 2017.

Sales

Generics sales to medical institutions were up 1.5% YOY, because of NHI drug price revision, increased competition, and slower growth of generics market in spite of additional governmental promotions in April 2016. Our total sales to other makers fell 13.4% because of the negative impact of the NHI drug price revision and because some makers purchased fewer products, reflecting severe market conditions. Therefore, our generic drug sales were ¥29,204 million (up 0.6% YOY).

Sales of proprietary products declined 20.9% YOY, due to both the NHI drug price revision and the market's ongoing switch to generics. Consequently, pharmaceutical sales totaled ¥31,513 million (down 1.3% YOY).

As a result, we recorded consolidated net sales of ¥35,689 million (up 0.2% YOY), almost equal to the previous fiscal year.

Operating Income

The market growth rate of generic drugs fell below the same period of the previous year due to the impact of the NHI drug price revision. Although our sales volume of generic drugs increased, the actual sales amount remained almost the same as in the same period last year. In terms of expenses, in addition to reducing the cost of APIs and the price of purchased products, we have kept the increasing region of cost of sales ratio within 1.7 percentage points. The SG & A expense ratio fell 0.7

percentage points due to the efficient apportioning of SG&A expenses. As a result, operating income came to ¥2,836 million (down 9.8% YOY).



Pharmaceutical Sales Overview

Generics, Proprietary Products (¥mn)

	FY2015		FY2016				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast**	Achieved (%)
Total	31,937	100.0	31,513	100.0	(1.3)	31,520	100.0
Generics	29,016	90.9	29,204	92.7	0.6	29,230	99.9
To medical institutions	27,404		27,808		1.5	27,840	99.9
To other makers*	1,612		1,395		(13.4)	1,390	100.4
Amlodipine	3,159		2,865		(9.3)	2,890	99.2
Lansoprazole	2,182		2,279		4.4	2,310	98.7
Donepezil	1,712		1,642		(4.1)	1,670	98.3
Rabeprazole	1,737		1,586		(8.7)	1,610	98.6
Limaprost Alfadex	1,487		1,469		(1.2)	1,480	99.3
Pravastatine	1,260		1,173		(6.9)	1,180	99.4
Voglibose	1,004		957		(4.6)	960	99.8
Others	16,471		17,229		4.6	17,130	100.6
Proprietary products	2,920	9.1	2,308	7.3	(20.9)	2,290	100.8
Uralyt	1,723		1,409		(18.2)	1,390	101.4
Soleton	928		679		(26.8)	670	101.5
Calvan	268		219		(18.3)	230	95.4

Chemiphar, ODM Generics (¥mn)

	FY2015		FY2016				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast	Achieved (%)
Total	30,243	100.0	30,445	100.0	0.7	30,510	99.8
Generics	29,016	95.9	29,204	95.9	0.6	29,230	99.9
Generics (ODM)	1,226	4.1	1,240	4.1	1.2	1,280	96.9

* Includes exports.

**Revised forecast issued on January 31, 2017.



Pharmaceutical Sales Overview

By Launch Year (¥mn)

Fiscal Year	FY2015		FY2016		YOY (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	
2009 and before	17,848	61.5	17,054	58.4	(4.4)
2010	2,617	9.0	2,432	8.3	(7.1)
2011	2,331	8.0	2,348	8.0	0.7
2012	1,513	5.2	1,484	5.1	(1.9)
2013	2,761	9.5	2,917	10.0	5.6
2014	1,454	5.0	1,746	6.0	20.1
2015	490	1.7	1,001	3.4	104.2
2016	—	—	219	0.8	—
Total	29,016	100.0	29,204	100.0	0.6

By Main Therapeutic Categories (%)

	FY2015	FY2016
Cardiovascular and respiratory drugs	31.5	30.9
Digestive organ drugs	19.4	19.6
Agents affecting metabolism	16.1	16.4
Drugs for nervous system, sensory organs	10.8	9.9
Antibiotics and chemotherapeutic drugs	7.0	6.5
Antineoplastic agents	2.4	3.2
Others	12.8	13.5

Balance Sheet, Per Share Information

Balance Sheet Data

(¥mn)

	March 31, 2016	March 31, 2017	
	Amount	Amount	Change
Total assets	43,644	47,002	3,358
Return on assets (%)	6.9	6.3	(0.6)
Net assets	16,041	17,355	1,313
Owned capital	16,033	17,346	1,312
Capital-to-asset ratio (%)	36.7	36.9	+0.2
Return on equity (%)	12.4	12.3	(0.1)
Current assets	27,378	29,009	1,630
Current liabilities	15,655	14,939	(716)
Current ratio (x)	1.75	1.94	+0.19

Per Share Information

(¥)

	FY2015	FY2016		
	Amount*	Amount	Change	Forecast
Earnings per share	499.12	530.02	30.90	470.77
Book value per share	4,099.74	4,548.80	449.06	—
Dividend per share	100.00	100.00	—	100.00
Dividend payout ratio (%)	20.0	18.9	—	21.2

* Per Share Information of FY2015 Amount

As we conducted a 10:1 reverse stock split on October 1, 2016, data in this table have been adjusted as if the reverse stock split had been conducted at the beginning of the fiscal year ending March 31, 2016.



Cash Flow, Expenditure

Cash Flow Statements

(¥mn)

	FY2015 Amount	FY2016 Amount
Net cash:		
Provided by operating activities	2,450	2,737
Used in investing activities	(151)	(2,504)
Used in financing activities	(935)	787
Cash and cash equivalents	7,135	8,084
Free cash flow	2,299	232

Capital Expenditure and Other

(¥mn)

Items	FY2015 Amount	FY2016			Usage Rate (%)
		Amount	YOY (%)	Forecast	
Capital expenditure	1,172	2,928	149.8	2,900	101.0
Depreciation and amortization	1,178	1,112	(5.6)	1,250	89.0

Capital Expenditure

In response to the recent growing demand for generics, we have invested about ¥1 billion for additional equipment at the third building at the Nihon Pharmaceutical Industry Tsukuba Factory, and about ¥1.6 billion for construction of factories in

Nippon Chemiphar Vietnam, Co., Ltd. As a result, total capital investment was approximately ¥2,928 million, 2.5 times the previous year's level.

II. FY2017 Forecasts

Income Statement Overview

(¥mn)

	FY2016		FY2017 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Net Sales	35,689	100.0	38,000	100.0	6.5
Pharmaceuticals	34,551	96.8	—	—	—
Others	1,137	3.2	—	—	—
Cost of sales	19,449	54.5	—	—	—
SG&A expenses	13,403	37.6	—	—	—
R&D expenses	1,984	5.6	2,350	6.2	18.4
Operating income	2,836	7.9	2,500	6.6	(11.9)
Net income	2,849	8.0	—	—	—
Net income owners of the parent	2,054	5.8	1,550	4.1	(24.6)

Annual forecast

Although the generic drug market grew at a slower pace than in the previous fiscal year, governmental promotions started in April 2016 are gradually showing effect, and we believe that generic drugs will remain in demand. Therefore, we expect that consolidated net sales for the fiscal year ending March 31, 2018 will be ¥ 38,000 million (up 6.5% YOY). On the other hand,

in terms of income, in addition to increasing development costs for generic drugs and in-house drug discovery, we will incur testing expenses for the start of commercial production of Nippon Chemiphar Vietnam Co., Lt. and its depreciation and amortization expenses for the full fiscal year. Therefore, we expect operating income to be ¥ 2,500 million (down 11.9% YOY).

Pharmaceutical Sales Overview

Generics, Proprietary Products		(¥mn)	
	FY2016 Amount	FY2017 (Forecast) Amount	YOY
Total	31,513	34,700	10.1
Generics	29,204	32,600	11.6
To medical institutions	27,808	31,300	12.6
To other makers	1,395	1,300	(6.8)
Amlodipine	2,865	3,100	8.2
Lansoprazole	2,279	2,300	0.9
Donepezil	1,642	1,700	3.5
Rabeprazole	1,586	1,700	7.1
Limaprost Alfadex	1,469	1,500	2.1
Pravastatine	1,173	1,200	2.3
Voglibose	957	950	(0.8)
Others	17,229	20,150	16.9
Proprietary products	2,308	2,100	(9.0)
Uralyt	1,409	1,220	(13.4)
Soleton	679	670	(1.5)
Calvan	219	210	(4.3)

Chemiphar, ODM Generics		(¥mn)	
	FY2016 Amount	FY2017 (Forecast) Amount	YOY
Total	30,445	34,000	11.7
Generics	29,204	32,600	11.6
Generics (ODM)	1,240	1,400	12.9

Per Share Information, Expenditure

Per Share Information		(¥)	
	FY2016 Amount	FY2017 (Forecast) Amount	YOY (%)
Earnings per share	530.02	399.89	(24.6)
Book value per share	4,548.80	—	—
Dividends per share	100.00	100.00	—
Dividend payout ratio(%)	18.9	25.0	—

Capital Expenditure and Other		(¥mn)	
	FY2016 Amount	FY2017 (Forecast) Amount	Change
Capital expenditure	2,928	1,550	(1,378)
Depreciation and amortization	1,112	1,350	237

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.