



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of FY2016 Business Results

(Year ended March 31, 2017)

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I. Summary of FY2016 Results

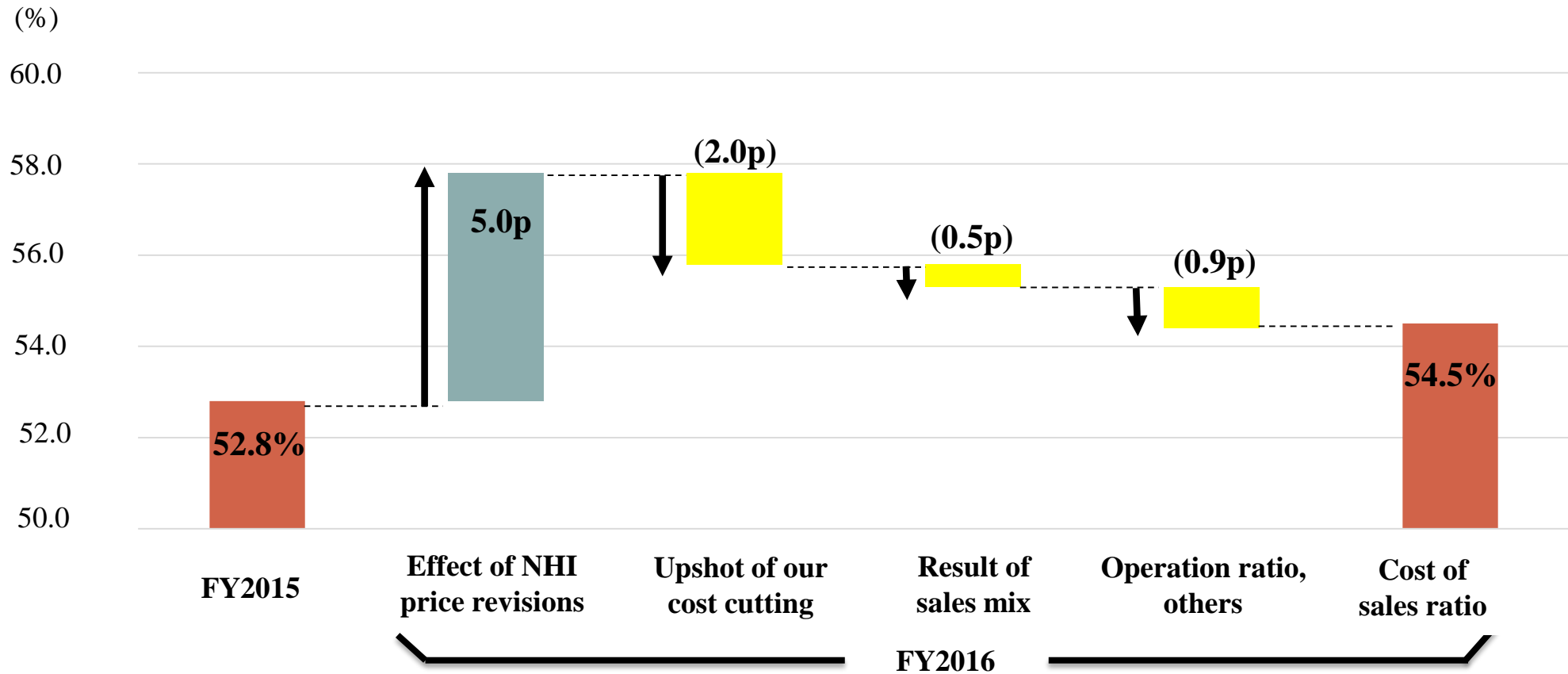
Sales, Income (Consolidated)

(¥mn)

	FY2015		FY2016				FY2016 (Forecast)	
	Amount	% of Sales	Amount	% of Sales	YOY		Amount	Achieved (%)
					Amount	%		
Net Sales	35,602	100.0	35,689	100.0	87	0.2	35,500*	100.5
Cost of sales	18,803	52.8	19,449	54.5	646	3.4		
SG&A expenses	13,653	38.3	13,403	37.6 (0.7p)	(249)	(1.8)		
Operating income	3,145	8.8	2,836	7.9	(309)	(9.8)	2,800	101.3
Income before income taxes and minority interests	2,945	8.3	2,849	8.0	(96)	(3.3)		
Net income attributable to owners of the parent	1,961	5.5	2,054	5.8	92	4.7	1,850	111.0

*Revised on Jan. 31, 2017

Reason for Rising Cost of Sales Ratio



- Up 5.0 percentage points on NHI price revisions.
- Down 2.0 percentage points on our struggle with reducing the cost of APIs and products purchased.
- Down 0.5 percentage points on aggressive promotion of high-profit products.

Cost of sales ratio up only 1.7 percentage points on NHI price revisions in FY2016.

Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2015		FY2016		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total (① + ②)	31,937	100.0	31,513	100.0	(1.3)
① Generics	29,016	90.9	29,204	92.7	0.6
To medical institutions	27,404		27,808		1.5
To other makers*	1,612		1,395		(13.4)
Amlodipine	3,159		2,865		(9.3)
Lansoprazole	2,182		2,279		4.4
Donepezil	1,712		1,642		(4.1)
Rabeprazole	1,737		1,586		(8.7)
Limaprost Alfadex	1,487		1,469		(1.2)
Pravastatine	1,260		1,173		(6.9)
Voglibose	1,004		957		(4.6)
Others	16,471		17,229		4.6
② Proprietary products	2,920	9.1	2,308	7.3	(20.9)
Uralyt	1,723		1,409		(18.2)
Soleton	928		679		(26.8)
Calvan	268		219		(18.3)
Total (① + ③)	30,243	—	30,445	—	0.7
③ Generics (ODM)	1,226	—	1,240	—	1.2

* Includes exports

Composition of Generics Sales by Destination

(Non-consolidated)

	FY2014	FY2015		FY2016	
	Distrib.	Distrib.	YOY (%)	Distrib.	YOY (%)
Hospitals (100 beds or more)	13	14	19.5	15	3.2
Clinics (less than 100 beds)	12	12	2.5	12	(5.2)
Pharmacies	75	74	8.5	73	(0.6)
Total	100	100	9.2	100	(0.6)

70% of 58,000 dispensing pharmacies sell Chemiphar generics

Of which, DPC hospitals	—	—	24.9	—	5.3
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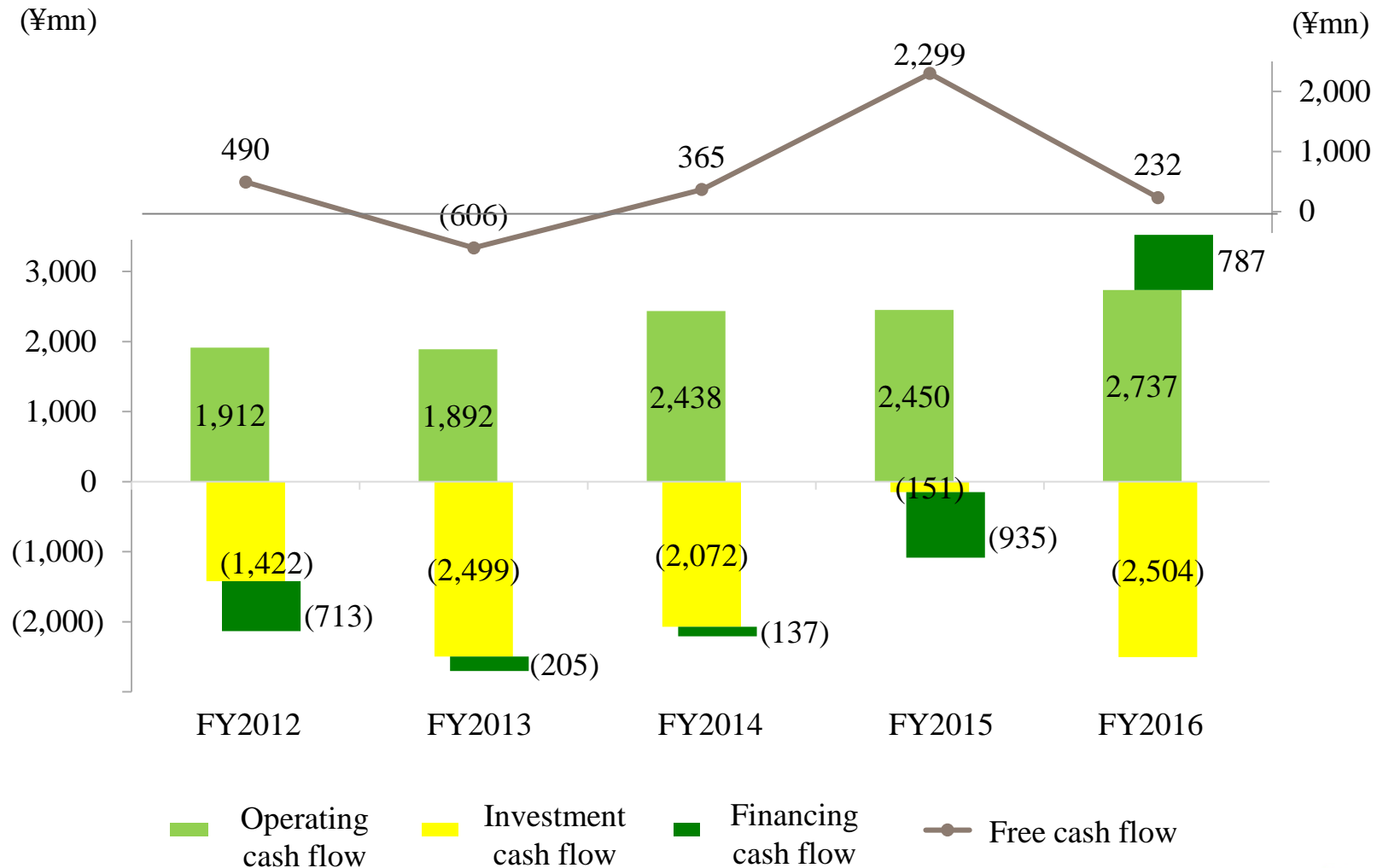
80% of 1,700 DPC hospitals adopt Chemiphar generics

Balance Sheet (Consolidated)

(¥mn)

	FY2015	FY2016	Change	Components	
				Cash, deposits	946
Current assets	27,378	29,009	1,630	Inventories	525
				Buildings	452
Non-current assets	16,263	17,991	1,727	Machinery, equipment, vehicles	274
				Construction in progress	1,085
Total assets	43,644	47,002	3,358		
Liabilities	27,602	29,646	2,044	Notes, accounts payable—trade	99
				Loans payable	1,805
Net assets	16,041	17,355	1,313	Retained earnings	1,659
Equity ratio (%)	36.7	36.9		Treasury stock	(486)
Liabilities, net assets	43,644	47,002	3,358		

Cash Flow



II. FY2017 Forecasts

Sales, Income (Consolidated)

(¥mn)

	FY2016		FY2017 (Forecast)		YOY (%)
	Amount	% of Sales	Amount	% of Sales	
Net Sales	35,689	100.0	38,000	100.0	6.5
Pharmaceuticals	31,513		34,700		10.1
Generics	29,204		32,600		11.6
Proprietary	2,308		2,100		(9.0)
Operating income	2,836	7.9	2,500	6.6	(11.9)
Net income attributable to owners of the parent	2,054	5.8	1,550	4.1	(24.6)

Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2016		FY2017 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total (① + ②)	31,513	100.0	34,700	100.0	10.1
① Generics	29,204	92.7	32,600	93.9	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
② Proprietary products	2,308	7.3	2,100	6.1	(9.0)
Uralyt	1,409		1,220		(13.4)
Soleton	679		670		(1.5)
Calvan	219		210		(4.3)
Total (① + ③)	30,445	100.0	34,000	100.0	11.7
③ Generics (ODM)	1,240	4.1	1,400	4.1	12.9

* Includes exports

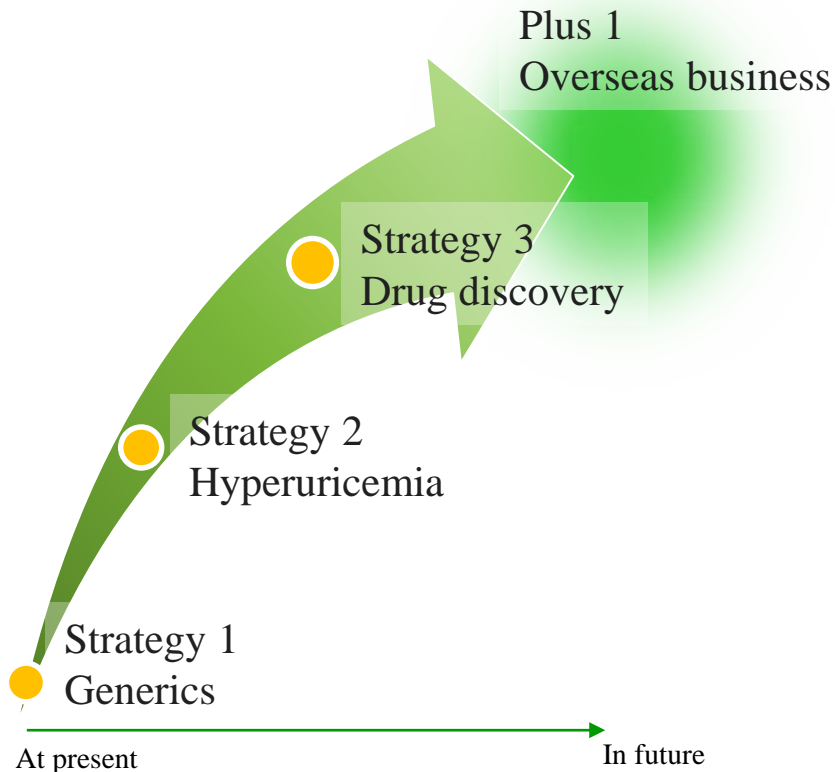
III. Management Strategy

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 Strategy 1

Generic drugs

■ From quantity to the pursuit of quality

▪ Develop distinctive products

Improve visibility and safety, including tablet imprints and special packaging for oncology drugs, such as packaging designed to reduce exposure.



Device of a tablet

Tablet imprint

All tablets have the name of the drug and the maker printed on each side, on the top and bottom half, respectively, on one side, and the bottom and top half on the other side. Tablets are scored on both sides.

▪ Strengthen efforts in oncology generics

By enhancing the Oncology Promotion Organization, we are strengthening the ability to provide information to medical institutions.

▪ Reduction in manufacturing costs

Switch to high-quality, cost-competitive APIs
Promote manufacturing globally

■ Stable supply

▪ Duplicate sources of APIs

Develop multiple sources of APIs to reduce costs and ensure stable supply

▪ Enhance manufacturing capacity

Ensure that supply is stable and sufficient by investing in plants in Japan and overseas

Now	When domestic factories in full operation	When operations start at Vietnam factory
1.2 billion tablets	1.4 billion tablets	2.0 billion tablets

▪ Progress steadily with construction of our Vietnam factory

-Construction progress and future plans

Handover of manufacturing plant in March 2017

Completion ceremony scheduled for September 2017

Full-fledged operation to commence in 2018

Management Strategy 2

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. Slated for completion by end of FY2017.
NC-2600*	P2X4 antagonist (Neuropathic pain)	Joint research with Kyushu University. Started phase 1 in June 2016 (in Japan). Single dose completed; repeat dose commenced in May 2017. Scheduled for completion by end of FY2017.
NC-2700	URAT1inhibition (Hyperuricemia)	Pre-clinical study (in Japan)
NC-2800*	Delta opioid receptor agonist (Depression /Anxiety)	Joint research with the Universities of Tsukuba and Kitasato, and the National Center of Neurology and Psychiatry. Pre-clinical study (in Japan).

* Supported by the Japan Agency for Research and Development.

Management Strategy 3

Overseas Business

■ Pharmaceuticals

Area	Have been approved	Approval applications
 China	Calvan	3 products in 2 countries in ASEAN mainly
 Hong Kong	Pioglitazone, Cilostazol	
 Korea	Soleton, Calvan	
 Thailand	Uralyt	



DiaPack3000

■ Diagnostics

We are conducting marketing in Asia mainly, centering on the world's fastest Allergy testing equipment (DiaPack3000) and Allergy testing reagents (Oriton IgE).



Oriton IgE

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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.