



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2017 First Quarter Business Summary

(Year Ending March 31, 2018)

Income Statement Overview

Income Statement Overview

(¥mn)

	FY2016			FY2017						
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	8,805	100.0	35,689	8,741	100.0	(0.7)	18,700	46.7	38,000	23.0
Pharmaceuticals	8,678	98.6	34,551	8,661	99.1	(0.2)	—	—	—	—
Others	126	1.4	1,137	80	0.9	(36.9)	—	—	—	—
Cost of sales	4,793	54.4	19,449	4,744	54.3	(1.0)	—	—	—	—
SG&A expenses	3,224	36.6	13,403	3,407	39.0	5.7	—	—	—	—
R&D expenses	416	4.7	1,984	459	5.3	10.2	—	—	2,350	18.4
Operating Income	787	8.9	2,836	589	6.7	(25.1)	1,300	45.4	2,500	23.6
Income before income taxes and minority interests	651	7.4	2,849	590	6.8	(9.3)	—	—	—	—
Net income attributable to owners of the parent	462	5.3	2,054	408	4.7	(11.8)	800	51.0	1,550	26.3

Net sales

Generics sales were up 3.7% YOY, which is slightly lower than our original forecast. One reason for the result being below our expectations was that market competition has become more severe due to the rise of authorized generic drugs. Also, growth in the generic drug market appears to have decelerated.

Sales of proprietary products declined 11.1% YOY, reflecting factors such as consumers switching to generic drugs, as we had originally anticipated.

Therefore, pharmaceutical sales totaled ¥8,000 million, and total sales in the pharmaceutical

product segment were ¥8,661 million (down 0.2% YOY).

As a result of the above, consolidated net sales, including the other product segment, were ¥8,741 million (down 0.7% YOY), almost equal to the previous fiscal year.

Operating Income

In terms of cost of sales, due to our efforts to switch to high-quality and competitively priced APIs, our cost of sales ratio was 54.3%, down 0.1 percentage point YOY.

On the other hand, the SG&A expense ratio

was 39.0%, up 2.4 percentage points YOY. This result was mainly due to planned operating expenses involving examination leading up to the start of commercial production at a factory in Vietnam of Nippon Chemiphar Vietnam Co., Ltd., scheduled for FY2018. Also, research and development expenses for new and generic drugs increased.

Based on the above results, operating income came to ¥589 million (down 25.1% YOY), nearly equal to our original forecast.



Pharmaceutical Sales Overview

Generics, Proprietary Products

(¥mn)

	FY2016			FY2017				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	7,804	100.0	31,513	8,000	100.0	2.5	34,700	23.1
Generics	7,202	92.3	29,204	7,465	93.3	3.7	32,600	22.9
To medical institutions	6,983		27,808	7,165		2.6	31,300	22.9
To other makers*	219		1,395	300		37.3	1,300	23.1
Amlodipine	730		2,865	727		(0.3)	3,100	23.5
Lansoprazole	593		2,279	560		(5.6)	2,300	24.4
Donepezil	444		1,642	394		(11.2)	1,700	23.2
Rabeprazole	406		1,586	394		(2.7)	1,700	23.2
Limaprost Alfadex	383		1,469	364		(5.1)	1,500	24.3
Pravastatine	302		1,173	289		(4.4)	1,200	24.1
Voglibose	252		957	231		(8.7)	950	24.3
Others	4,089		17,229	4,503		10.1	20,150	22.4
Proprietary products	601	7.7	2,308	534	6.7	(11.1)	2,100	25.5
Uralyt	380		1,409	317		(16.6)	1,220	26.0
Soleton	165		679	151		(8.3)	670	22.6
Calvan	55		219	65		17.6	210	31.3

Chemiphar, ODM Generics

(¥mn)

	FY2016			FY2017				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	7,543	100.0	30,445	7,756	100.0	2.8	34,000	22.8
Generics	7,202	95.5	29,204	7,465	96.3	3.7	32,600	22.9
Generics (ODM)	340	4.5	1,240	290	3.7	(14.7)	1,400	20.8

* Includes exports.

Pharmaceutical Sales Overview

By Launch Year (¥mn)

Year	FY2016		FY2017		YOY (%)
	1Q Amount	Distrib. (%)	1Q Amount	Distrib. (%)	
FY2010 and before	4,928	68.4	4,845	64.9	(1.7)
FY2011	610	8.5	562	7.5	(7.8)
FY2012	363	5.0	353	4.7	(2.6)
FY2013	669	9.3	766	10.3	14.5
FY2014	396	5.5	491	6.6	23.9
FY2015	225	3.1	291	3.9	29.2
FY2016	8	0.1	95	1.3	×11
FY2017	—	—	58	0.8	—
Total	7,202	100.0	7,465	100.0	3.7

By Main Therapeutic Categories (%)

	FY2016 1Q	FY2017 1Q
Cardiovascular and respiratory drugs	31.6	31.8
Digestive organ drugs	20.2	18.9
Agents affecting metabolism	16.3	16.7
Drugs for nervous system, sensory organs	10.5	9.1
Antibiotics and chemotherapeutic drugs	6.3	6.0
Antineoplastic agents	3.1	3.5
Others	12.0	14.0

Balance Sheet, Per Share Information

Balance Sheet Data

(¥mn)

	March 31, 2017	June 30, 2017	
	Amount	Amount	Change
Total assets	47,002	48,594	1,592
Net assets	17,355	17,569	213
Owned capital	17,346	17,559	212
Capital-to-asset ratio (%)	36.9	36.1	(0.8)
Current assets	29,009	29,929	920
Current liabilities	14,939	16,684	1,744
Current ratio (x)	1.94	1.79	(0.15)

Per Share Information

(¥)

	FY2016		FY2017		
	1Q Amount	Full Year Amount	1Q Amount	YOY	Full Year (Forecast)
Earnings per share	118.37	530.02	107.09	(11.28)	399.89
	June 30, 2016	March 31, 2017	June 30, 2017		Full Year (Forecast)
Book value per share	4,106.51	4,548.80	4,604.58		—
Dividends per share	—	100.00	—		100.00
Dividend payout ratio (%)	—	18.9	—		25.0

Capital Expenditure and Other

Capital Expenditure and Other

(¥mn)

	FY2016		FY2017			
	1Q Amount	Full Year Amount	1Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	370	2,928	772	108.4	1,550	49.8
Depreciation and amortization	253	1,112	263	4.3	1,350	19.5

Capital Expenditure

Capital expenditure was high in the first quarter, due to the introduction and installation of equipment at the Vietnam factory of Nippon Chemiphar Vietnam, which is scheduled to start operation in FY2018. However, we expect capital expenditure for the full year to remain within our initial forecast.

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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.

