

# **FY2017 Third Quarter Business Summary**

(Year Ending March 31, 2018)

# Income Statement Overview

Income Statement Overview <span style="float: right;">(¥mn)</span>								
	FY2016			FY2017				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Net Sales</b>	<b>26,866</b>	<b>100.0</b>	<b>35,689</b>	<b>27,232</b>	<b>100.0</b>	<b>1.3</b>	<b>35,500</b>	<b>76.7</b>
Pharmaceuticals	26,270	97.7	34,551	26,564	97.5	1.1	—	—
Others	616	2.3	1,137	668	2.5	8.3	—	—
Cost of sales	14,595	54.3	19,449	14,890	54.7	2.0	—	—
SG&A expenses	9,996	37.2	13,403	10,518	38.6	5.2	—	—
R&D expenses	1,417	5.3	1,984	1,609	5.9	13.6	2,200	73.2
<b>Operating Income</b>	<b>2,294</b>	<b>8.5</b>	<b>2,836</b>	<b>1,823</b>	<b>6.7</b>	<b>(20.5)</b>	<b>1,800</b>	<b>101.3</b>
<b>Income before income taxes and minority interests</b>	<b>2,378</b>	<b>8.8</b>	<b>2,849</b>	<b>1,904</b>	<b>7.0</b>	<b>(19.9)</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>1,688</b>	<b>6.3</b>	<b>2,054</b>	<b>1,284</b>	<b>4.7</b>	<b>(23.9)</b>	<b>1,150</b>	<b>111.7</b>

## Sales

For generic drugs, the overall speed of replacement has slowed as substitution rates of generics drugs neared government targets, especially for products with large markets. In addition, due to the rise of authorized generics and increasingly fierce price competition, profits in this market are being squeezed. Under such circumstances, our generic sales increased 3.2% YOY.

Although sales of proprietary products declined 11.3%, the results were in line with our forecasts, which included factors such as the impact of substitution for generic drugs.

Therefore, our sales of ethical pharmaceuticals were ¥24,273 million (up 2.1% YOY), and total sales of pharmaceutical products were ¥26,564 million (up 1.1% YOY). As a result, consolidated sales including other

segments were ¥27,232 million (up 1.3% YOY).

## Operating income

During the third quarter, the cost of sales ratio remained unchanged from the same period of the previous fiscal year due to our efforts to reduce raw material costs. On the other hand, the SG&A expense ratio rose 1.4 percentage point YOY. This rise was due mainly to the increase in upfront investment expenses, such as trial costs leading up to the start of commercial production (scheduled for FY 2018) at the local factory of Nippon Chemiphar Vietnam Co., Ltd., and increased research and development expenses for new and generic drugs.

As a result, operating income was ¥1,823 million (down 20.5% YOY).

## Annual Forecast

As for income items following operating income, we have already progressed beyond our forecasts. Currently, however, we are uncertain about the impact on sales and profits in the fourth quarter as a result of the NHI drug price revision this April. In terms of costs, we plan to continue making upfront investments, and some expenses will be carried out to the fourth quarter.

Considering these factors, we have not revised our original forecast.



# Pharmaceutical Sales Overview

## Generics, Proprietary Products

(¥mn)

	FY2016			FY2017				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>23,763</b>	<b>100.0</b>	<b>31,513</b>	<b>24,273</b>	<b>100.0</b>	<b>2.1</b>	<b>32,000</b>	<b>75.9</b>
Generics	21,995	92.6	29,204	22,705	93.5	3.2	30,000	75.7
To medical institutions	21,026		27,808	21,952		4.4	29,100	75.4
To other makers*	968		1,395	752		(22.3)	900	83.7
Amlodipine	2,171		2,865	2,212		1.9	2,900	76.3
Lansoprazole	1,748		2,279	1,663		(4.9)	2,100	79.2
Donepezil	1,280		1,642	1,204		(5.9)	1,600	75.3
Rabeprazole	1,214		1,586	1,191		(1.8)	1,600	74.5
Limaprost Alfadex	1,131		1,469	1,103		(2.5)	1,400	78.8
Pravastatine	897		1,173	875		(2.5)	1,100	79.6
Voglibose	738		957	677		(8.3)	900	75.2
Others	12,812		17,229	13,778		7.5	18,400	74.9
Proprietary products	<b>1,767</b>	<b>7.4</b>	<b>2,308</b>	<b>1,567</b>	<b>6.5</b>	<b>(11.3)</b>	<b>2,000</b>	<b>78.4</b>
Uralyt	1,095		1,409	953		(12.9)	1,200	79.5
Soleton	498		679	454		(8.9)	600	75.8
Calvan	173		219	159		(8.1)	200	79.8

## Chemiphar, ODM Generics

	FY2016			FY2017				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>22,928</b>	<b>100.0</b>	<b>30,445</b>	<b>23,451</b>	<b>100.0</b>	<b>2.3</b>	<b>31,400</b>	<b>74.7</b>
Generics	21,995	95.9	29,204	22,705	96.8	3.2	30,000	75.7
Generics (ODM)	932	4.1	1,240	745	3.2	(20.0)	1,400	53.3

\* Includes exports.

# Pharmaceutical Sales Overview

## By Launch Year

(¥mn)

Year	FY2016		FY2017		YOY (%)
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2010 and before	14,805	67.3	14,634	64.5	(1.2)
FY2011	1,782	8.1	1,677	7.4	(5.9)
FY2012	1,100	5.0	1,046	4.6	(4.9)
FY2013	2,125	9.7	2,303	10.1	8.4
FY2014	1,321	6.0	1,497	6.6	13.3
FY2015	745	3.4	937	4.1	25.8
FY2016	115	0.5	320	1.4	177.4
FY2017	—	—	288	1.3	—
<b>Total</b>	<b>21,995</b>	<b>100.0</b>	<b>22,705</b>	<b>100.0</b>	<b>3.2</b>

## By Main Therapeutic Categories

(%)

	FY2016 3Q	FY2017 3Q
Cardiovascular and respiratory drugs	31.2	32.1
Digestive organ drugs	19.6	18.5
Agents affecting metabolism	16.4	16.8
Drugs for nervous system, sensory organs	9.9	9.1
Antibiotics and chemotherapeutic drugs	6.7	6.3
Antineoplastic agents	3.1	3.5
Others	13.1	13.7

# Balance Sheet, Per Share Information

## Balance Sheet Data

(¥mn)

	March 31, 2017	December 31, 2017	
	Amount	Amount	Change
<b>Total assets</b>	<b>47,002</b>	<b>47,636</b>	<b>634</b>
<b>Net assets</b>	<b>17,355</b>	<b>17,675</b>	<b>319</b>
Owned capital	17,346	17,662	316
Capital-to-asset ratio (%)	36.9	37.1	+0.2
<b>Current assets</b>	<b>29,009</b>	<b>29,094</b>	<b>85</b>
<b>Current liabilities</b>	<b>14,939</b>	<b>15,587</b>	<b>647</b>
Current ratio (x)	1.94	1.87	(0.07)

## Per Share Information

(¥)

	FY2016		FY2017	
	3Q Amount	Full Year Amount	3Q Amount	Full Year (Forecast)
Earnings per share	433.41	530.02	346.70	306.73
	December 31, 2016	March 31, 2017	December 31, 2017	Full Year (Forecast)
Book value per share	4,461.44	4,548.80	4,878.48	—
Dividends per share	—	100.00	—	100.00
Dividend Payout Ratio (%)	—	18.9	—	32.6



# Capital Expenditure and Other

## Capital Expenditure and Other

(¥mn)

	FY2016		FY2017			
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate(%)
Capital expenditure	2,269	2,928	1,280	(43.6)	1,650	77.6
Depreciation and amortization	809	1,112	869	7.4	1,250	69.5

**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.

