

FY2018 First Quarter Business Summary

(Year Ending March 31, 2019)

Sales, Income

(¥mn)

	FY2017			FY2018			FY2018			
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	8,741	100.0	35,331	8,546	100.0	(2.2)	17,600	48.6	35,500	24.1
Pharmaceuticals	8,661	99.1	34,279	8,400	98.3	(3.0)	—	—	—	—
Others	80	0.9	1,051	146	1.7	82.4	—	—	—	—
Cost of sales	4,744	54.3	19,535	4,904	57.4	3.4	—	—	—	—
SG&A expenses	3,407	39.0	13,947	3,208	37.5	(5.8)	—	—	—	—
R&D expenses	459	5.3	2,280	445	5.2	(2.9)	—	—	2,700	16.5
Operating Income	589	6.7	1,848	434	5.1	(26.3)	300	144.8	1,100	39.5
Income before income taxes and minority interests	590	6.8	1,777	472	5.5	(19.9)	—	—	—	—
Net income attributable to owners of the parent	408	4.7	1,160	285	3.3	(30.1)	100	285.4	500	57.1

Sales

Generics sales were down 2.8% year on year, which was mostly in line with expectations. In addition to the impact of NHI drug price reductions, this was mainly because growth in the generic drug market has slowed as the substitution rate of original drugs for generics has reached a peak.

Sales of proprietary products declined 18.6% year on year, which was also as expected, due to the influence of replacement to generic drugs in addition to the impact of NHI drug price reductions.

For these reasons, sales of ethical drugs were ¥7,690 million, and overall pharmaceutical business sales were ¥8,400 million (down 3.0% YOY).

In the Others segment, sales increased 82.4% year on year, due to higher sales of contracted testing. As a result, consolidated net sales were ¥8,546 million (down 2.2% YOY), comparable to the same period of the previous fiscal year.

Income

Regarding cost of sales, the impact of a decline in unit prices due to NHI drug price reductions and lower sales of proprietary products led to an increase of 3.1 percentage points year on year. On the other hand, we made efforts to reduce SG&A expenses resulting in an SG&A expense ratio of 37.5%, a decrease of 1.5 percentage points year on year.

Consequently, operating income amounted to ¥434 million (down 26.3% YOY). Although each profit item exceeds the first half earnings forecast, we will not revise the initial forecast in light of the fact that research and development expenses with low expenditure rates as of the first quarter are expected to occur after the second quarter onwards as originally planned

Pharmaceutical Sales

Generics, Proprietary Products

(¥mn)

	FY2017			FY2018				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	8,000	100.0	32,153	7,690	100.0	(3.9)	31,800	24.2
Generics	7,465	93.3	30,115	7,254	94.3	(2.8)	30,150	24.1
To medical institutions	7,165		29,174	6,994		(2.4)	29,250	23.9
To other makers*	300		941	260		(13.3)	900	29.0
Amlodipine	727		2,940	731		0.5	2,900	25.2
Lansoprazole	560		2,163	475		(15.1)	1,900	25.0
Donepezil	394		1,557	315		(19.9)	1,350	23.4
Rabeprazole	394		1,558	357		(9.3)	1,350	26.5
Limaprost Alfadex	364		1,427	337		(7.3)	1,350	25.0
Pravastatine	289		1,147	288		(0.5)	1,100	26.2
Voglibose	231		870	192		(16.7)	750	25.7
Others	4,503		18,449	4,556		1.2	19,450	23.4
Proprietary products	534	6.7	2,038	435	5.7	(18.6)	1,650	26.4
Uralyt	317		1,225	264		(16.5)	1,070	24.8
Soleton	151		598	127		(16.1)	400	31.8
Calvan	65		214	42		(34.6)	180	23.9

Chemiphar, ODM Generics

(¥mn)

	FY2017			FY2018				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	7,756	100.0	31,100	7,577	100.0	(2.3)	31,350	24.2
Generics	7,465	96.3	30,115	7,254	95.7	(2.8)	30,150	24.1
Generics (ODM)	290	3.7	985	322	4.3	10.9	1,200	26.9

* Includes exports.

Sales Distribution

By Launch Year (¥mn)

Year	FY2017		FY2018		YOY (%)
	1Q Amount	Distrib. (%)	1Q Amount	Distrib. (%)	
FY2011 and before	5,408	72.4	4,906	67.6	(9.3)
FY2012	353	4.7	322	4.5	(8.8)
FY2013	766	10.3	744	10.3	(2.9)
FY2014	491	6.6	459	6.3	(6.6)
FY2015	291	3.9	329	4.5	13.0
FY2016	95	1.3	136	1.9	43.0
FY2017	58	0.8	336	4.6	×6
FY2018	—	—	18	0.3	—
Total	7,465	100.0	7,254	100.0	(2.8)

By Main Therapeutic Categories (%)

	FY2017 1Q	FY2018 1Q
Cardiovascular and respiratory drugs	31.8	32.9
Digestive organ drugs	18.9	17.8
Agents affecting metabolism	16.7	17.4
Drugs for nervous system, sensory organs	9.1	8.2
Antibiotics and chemotherapeutic drugs	6.0	5.0
Antineoplastic agents	3.5	3.2
Others	14.0	15.5

Balance Sheet, per Share Information

Balance Sheet Data	(¥mn)		
	March 31, 2018 Amount*	June 30, 2018 Amount Change	
Total assets	46,698	47,606	907
Net assets	17,487	17,229	(258)
Owned capital	17,474	17,214	(259)
Capital-to-asset ratio (%)	37.4	36.2	(1.2)
Current assets	27,771	28,918	1,147
Current liabilities	14,914	15,100	185
Current ratio (x)	1.86	1.92	0.06

* We have applied “ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting” (issued on February 16, 2018), from the beginning of the first quarter of the current consolidated fiscal year (FY2018). Accordingly, figures from the previous consolidated fiscal year (FY2017) shown here reflect the retroactive application of the accounting standard.

Per Share Information	FY2017		FY2018		
	1Q Amount	Full Year Amount	1Q Amount	YOY	Full Year (Forecast)
Earnings per share	107.09	315.28	79.37	(27.72)	135.84
	June 30, 2017	March 31, 2018	June 30, 2018		Full Year (Forecast)
Book value per share	4,604.58	4,859.86	4,787.68	—	—
Dividends per share	—	100.00	—	—	75.00
Dividend payout ratio (%)	—	31.7	—	—	55.2

Expenditure

Capital Expenditure and Other

(¥mn)

	FY2017		FY2018			
	1Q Amount	Full Year Amount	1Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	772	1,645	233	(69.7)	950	24.6
Depreciation and amortization	263	1,192	306	16.1	1,350	22.7

For further information contact:

Public Relations Department, Nippon Chemiphar Co., Ltd.
E-mail: ir@chemiphar.co.jp

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.