



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2018 Second Quarter Business Summary**

(Year Ending March 31, 2019)

# Sales, Income

	FY2017			FY2018				Original Forecast <sup>2</sup>				
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Achieved (%)	Full Year (Forecast) <sup>1</sup>	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
<b>Net Sales</b>	<b>17,512</b>	<b>100.0</b>	<b>35,331</b>	<b>16,637</b>	<b>100.0</b>	<b>(5.0)</b>	<b>17,600</b>	<b>94.5</b>	<b>34,500</b>	<b>48.2</b>	<b>35,500</b>	<b>46.9</b>
Pharmaceuticals	17,097	97.6	34,279	16,235	97.6	(5.0)	—	—	—	—	—	—
Others	415	2.4	1,051	401	2.4	(3.3)	—	—	—	—	—	—
Cost of sales	9,562	54.6	19,535	9,498	57.1	(0.7)	—	—	—	—	—	—
SG&A expenses	6,970	39.8	13,947	6,483	39.0	(7.0)	—	—	—	—	—	—
R&D expenses	1,148	6.6	2,280	985	5.9	(14.2)	—	—	2,700	36.5	2,700	36.5
<b>Operating Income</b>	<b>979</b>	<b>5.6</b>	<b>1,848</b>	<b>655</b>	<b>3.9</b>	<b>(33.1)</b>	<b>300</b>	<b>218.4</b>	<b>1,100</b>	<b>59.6</b>	<b>1,100</b>	<b>59.6</b>
<b>Income before income taxes and minority interests</b>	<b>1,064</b>	<b>6.1</b>	<b>1,777</b>	<b>800</b>	<b>4.8</b>	<b>(24.8)</b>						
<b>Net income attributable to owners of the parent</b>	<b>730</b>	<b>4.2</b>	<b>1,160</b>	<b>491</b>	<b>3.0</b>	<b>(32.8)</b>	<b>100</b>	<b>491.0</b>	<b>500</b>	<b>98.2</b>	<b>500</b>	<b>98.2</b>

Note: 1. Revised forecast issued on October 31, 2018. 2. Original forecast issued on May 11, 2018.

## Sales

Generics sales were down 4.1% year on year, due to the impact of NHI drug price reductions and slowing growth in the generic drug market as the substitution rate of original drugs for generics has reached a peak. Sales of proprietary products declined 22.2% year on year due to the influence of replacement by generic drugs in addition to the impact of NHI drug price reductions. For these reasons, pharmaceutical sales were ¥14,833 million, and overall pharmaceutical business sales were ¥16,235 million (down 5.0% YOY). In the others segment, sales were essentially unchanged

from the previous year, resulting in consolidated net sales of ¥16,637 million (down 5.0% YOY).

## Income

Regarding sales cost ratio, 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 2.5 percentage points year on year. On the other hand, R&D expenses partly shifted from the first half to the second half of the year, efforts to reduce SG&A expenses and reduced preparation costs for a new factory in Vietnam resulted in an SG&A expense ratio of 39.0%, a decrease of 0.8

percentage points year on year. Consequently, operating income amounted to ¥655 million (down 33.1% YOY).

## Revised Sales Forecast

Consolidated sales advanced more slowly than our full year forecasts anticipated, and this harsh business environment will continue. Thus, we have revised our full-year sales forecasts.

Although each profit item exceeds the earnings forecast, we will not revise the initial forecast because some costs such as R&D expenses partly shifted from the first half to the second half of the year.

# Pharmaceutical Sales

## Generics, Proprietary Products

(¥mn)

	FY2017			FY2018					Original Forecast <sup>3</sup>	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast <sup>2</sup> )	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>15,667</b>	<b>100.0</b>	<b>32,153</b>	<b>14,833</b>	<b>100.0</b>	<b>(5.3)</b>	<b>30,470</b>	<b>48.7</b>	<b>31,800</b>	<b>46.6</b>
Generics	14,623	93.3	30,115	14,020	94.5	(4.1)	28,900	48.5	30,150	46.5
To medical institutions	14,149		29,174	13,535		(4.3)	28,000	48.3	29,250	46.3
To other makers <sup>1</sup>	474		941	484		2.3	900	53.9	900	53.9
Amlodipine	1,437		2,940	1,430		(0.5)	2,850	50.2	2,900	49.3
Lansoprazole	1,093		2,163	901		(17.6)	1,850	48.7	1,900	47.5
Donepezil	785		1,557	606		(22.7)	1,250	48.6	1,350	45.0
Rabeprazole	783		1,558	695		(11.3)	1,350	51.5	1,350	51.5
Limaprost Alfadex	727		1,427	641		(11.8)	1,250	51.3	1,350	47.5
Others	9,795		20,467	9,744		(0.5)	20,350	47.9	21,300	45.7
Proprietary products	<b>1,043</b>	<b>6.7</b>	<b>2,038</b>	<b>812</b>	<b>5.5</b>	<b>(22.2)</b>	<b>1,570</b>	<b>51.8</b>	<b>1,650</b>	<b>49.2</b>
Uralyt	638		1,225	504		(20.9)	990	51.0	1,070	47.2
Soleton	293		598	211		(27.9)	400	53.0	400	53.0
Calvan	111		214	95		(14.3)	180	53.2	180	53.2

## Chemiphar, ODM Generics

(¥mn)

	FY2017			FY2018					Original Forecast <sup>3</sup>	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast <sup>**</sup> )	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>15,163</b>	<b>100.0</b>	<b>31,100</b>	<b>14,558</b>	<b>100.0</b>	<b>(4.0)</b>	<b>30,100</b>	<b>48.4</b>	<b>31,350</b>	<b>46.4</b>
Generics	14,623	96.4	30,115	14,020	96.3	(4.1)	28,900	48.5	30,150	46.5
Generics (ODM)	539	3.6	985	537	3.7	(0.3)	1,200	44.8	1,200	44.8

Note: 1. Includes exports. 2. Revised forecast issued on October 31, 2018. 3. Original forecast issued on May 11, 2018.

# Sales distribution

## By Launch Year

(¥mn)

	FY2017		FY2018		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
FY2011 and before	10,589	72.4	9,425	67.2	(11.0)
FY2012	672	4.6	622	4.4	(7.4)
FY2013	1,482	10.1	1,468	10.5	(1.0)
FY2014	949	6.5	893	6.4	(5.9)
FY2015	598	4.1	589	4.2	(1.5)
FY2016	192	1.3	274	2.0	42.3
FY2017	140	1.0	665	4.7	x4.8
FY2018	—	—	82	0.6	—
<b>Total</b>	<b>14,623</b>	<b>100.0</b>	<b>14,020</b>	<b>100.0</b>	<b>(4.1)</b>

## By Main Therapeutic Categories

(%)

	FY2017 2Q Amount	FY2018 2Q Amount
Cardiovascular and respiratory drugs	32.0	33.6
Digestive organ drugs	18.7	17.9
Agents affecting metabolism	17.0	16.6
Drugs for nervous system, sensory organs	9.2	7.9
Antibiotics and chemotherapeutic drugs	6.1	5.1
Antineoplastic agents	3.6	3.2
Others	13.4	15.7

# Balance Sheet, Per Share Information

Balance Sheet Data	(¥mm)		
	March 31, 2018 Amount*	September 30, 2018	
		Amount	Change
<b>Total assets</b>	<b>46,698</b>	<b>47,148</b>	<b>449</b>
<b>Net assets</b>	<b>17,487</b>	<b>17,590</b>	<b>102</b>
Owned capital	17,474	17,573	99
Capital-to-asset ratio (%)	37.4	37.3	(0.1)
<b>Current assets</b>	<b>27,771</b>	<b>28,423</b>	<b>651</b>
<b>Current liabilities</b>	<b>14,914</b>	<b>13,782</b>	<b>(1,131)</b>
Current ratio (x)	1.86	2.06	0.20

\*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		
	2Q Amount	Full Year Amount	2Q Amount	YOY	Full Year (Forecast)
Earnings per share	194.80	315.28	136.57	(58.23)	139.06
	Sept. 30, 2017	March 31, 2018	Sept. 30, 2018		Full Year (Forecast)
Book value per share	4,683.32	4,859.86	4,887.93	—	—
Dividend per share	0.00	100.00	0.00	—	75.00
Dividend payout ratio (%)	—	31.7	—	—	53.9

# Cash Flow, Expenditure

<b>Cash Flow Statement</b>		(¥mn)	
	FY2017 2Q Amount	FY2018 2Q Amount	
Net cash:			
Provided by operating activities	1,295	926	
Used in investing activities	(1,064)	(590)	
Used in financing activities	(1,097)	737	
Cash and cash equivalents	7,213	8,987	
Free cash flow	230	335	

<b>Capital Expenditure and Other</b>		(¥mn)				
	FY2017		FY2018			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	1,196	1,645	432	(63.9)	950	45.5
Depreciation and amortization	554	1,192	621	12.1	1,350	46.1

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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.