



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2018 Business Results

(Year ending March 31, 2019)

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I. Summary of Results

Sales, Income (Consolidated)

(¥mn)

	2Q FY2017		2Q FY2018				2Q FY2018 (Forecast)	
	Amount	% of Sales	Amount	% of Sales	Amount	Change (%)	Amount	Progress Rate (%)
Net Sales	17,512	100.0	16,637	100.0	(874)	(5.0)	17,600	94.5
Pharmaceuticals	17,097	97.6	16,235	97.6	(861)	(5.0)		
Others	415	2.4	401	2.4	(13)	(3.3)		
Cost of sales	9,562	54.6	9,498	57.1	(63)	(0.7)		
SG&A expenses	6,970	39.8	6,483	39.0 (0.8p)	(486)	(7.0)		
Operating income	979	5.6	655	3.9	(324)	(33.1)	300	218.4
Income before income taxes and minority interests	1,064	6.1	800	4.8	(264)	(24.8)		
Net income attributable to owners of the parent	730	4.2	491	3.0	(239)	(32.8)	100	491.0

Pharmaceutical Sales (Consolidated)

(¥mn)

	2Q FY2017		2Q FY2018		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total (① + ②)	15,667	100.0	14,833	100.0	(5.3)
① Generics	14,623	93.3	14,020	94.5	(4.1)
To medical institutions	14,149		13,535		(4.3)
To other makers*	474		484		2.3
Amlodipine	1,437		1,430		(0.5)
Lansoprazole	1,093		901		(17.6)
Donepezil	785		606		(22.7)
Rabeprazole	783		695		(11.3)
Limaprost Alfadex	727		641		(11.8)
Others	9,795		9,744		(0.5)
② Proprietary products	1,043	6.7	812	5.5	(22.2)
Uralyt	638		504		(20.9)
Soleton	293		211		(27.9)
Calvan	111		95		(14.3)
Total (① + ③)	15,163	—	14,558	—	(4.0)
③ Generics (ODM)	539	—	537	—	(0.3)

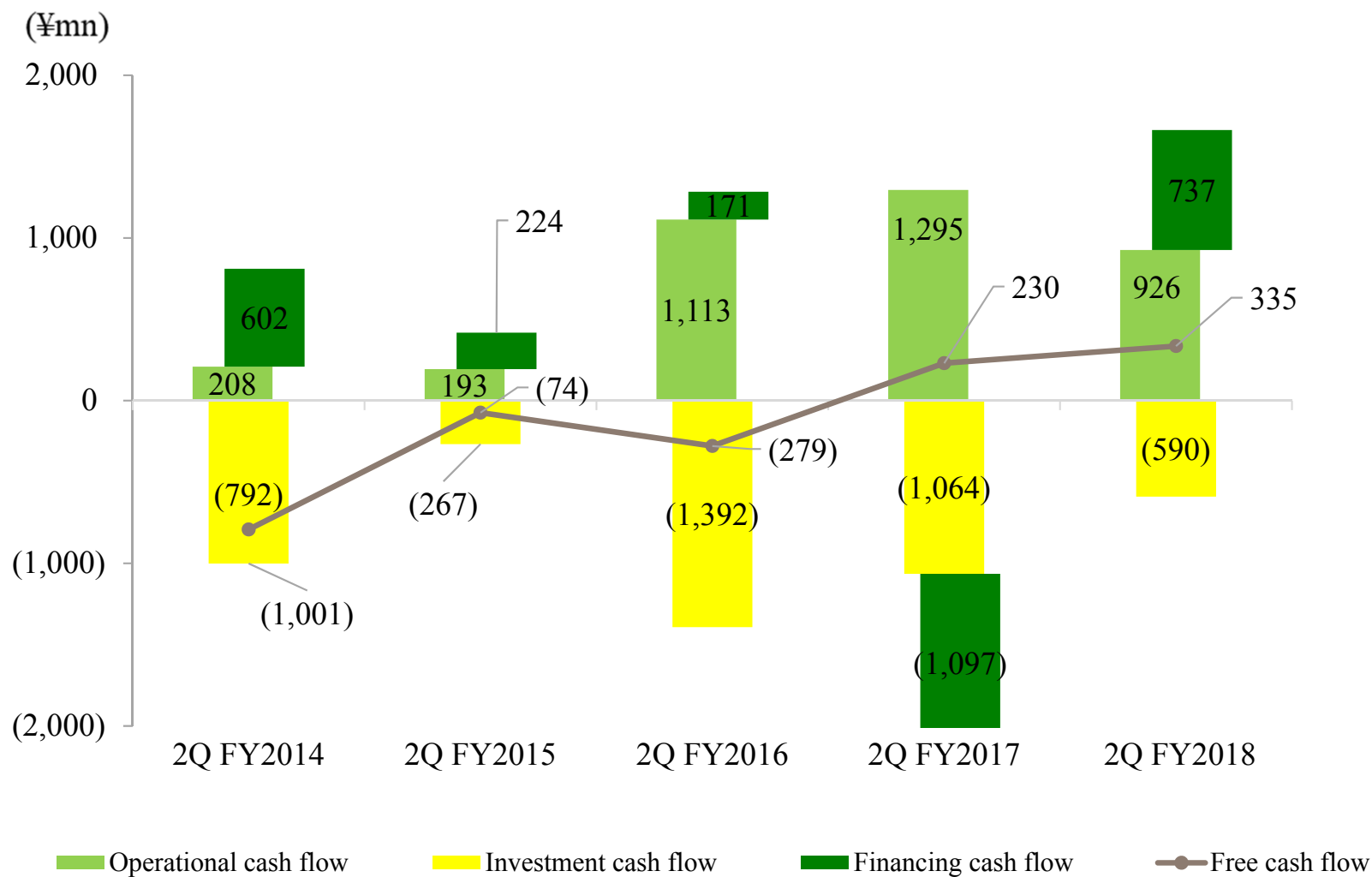
* Includes exports

Balance Sheet (Consolidated)

(¥mn)

	FY2017	FY2018	Change	Components	
Current assets	27,771	28,423	651	Cash, deposits	1,121
				Notes, accounts receivable-trade	(757)
				Inventories	129
Non-current assets	18,925	18,723	(201)	Buildings and structures	(226)
				Tools, furniture and fixtures, net	27
				Construction in progress	(52)
				Investments in securities	160
Total assets	46,698	47,148	449		
Liabilities	29,210	29,557	347	Notes, accounts payable-trade	(751)
				Loans payable	1,166
				Accrued expenses	(343)
Net assets	17,487	17,590	102	Retained earnings	127
Equity ratio (%)	37.4	37.3	(0.1p)		
Liabilities, net assets	46,698	47,148	449		

Cash Flow



II. FY2018 Forecasts

Revised Forecast (Consolidated)

(¥mn)

	FY2017	FY2018			Progress Rate (%)
	Amount	2Q Amount	Original Forecast*	Revised Forecast**	
Net Sales	35,331	16,637	35,500	34,500	48.2
Pharmaceuticals	32,153	14,833	31,800	30,470	48.7
Generics	30,115	14,020	30,150	28,900	48.5
Proprietary products	2,038	812	1,650	1,570	51.8
Operating income	1,848	655	1,100	1,100	59.6
Income before income taxes and minority interests	1,777	800	—	—	—
Net income attributable to owners of the parent	1,160	491	500	500	98.2

* Issued on March 11, 2018

**Issued on October 31, 2018

New Generics in FY2018

Set for launch in December, 2018

Product	Item
Mirtazapine	2
Toaraset	1

Launched in June and September, 2018

Product	Item
Iluamix	2
Minodronic Acid	1
Nalfurafine	1
Lanthanum Carbonate Granules	2

Pharmaceutical Sales (Consolidated)

(¥mn)

	FY2018		
	2Q Amount	Revised forecast **	Progress rate (%)
Total (① + ②)	14,833	30,470	48.7
① Generics	14,020	28,900	48.5
To medical institutions	13,535	28,000	48.3
To other makers*	484	900	53.9
Amlodipine	1,430	2,850	50.2
Lansoprazole	901	1,850	48.7
Donepezil	606	1,250	48.6
Rabeprazole	695	1,350	51.5
Limaprost Alfadex	641	1,250	51.3
Others	9,744	20,350	47.9
② Proprietary products	812	1,570	51.8
Uralyt	504	990	51.0
Soleton	211	400	53.0
Calvan	95	180	53.2
Total (① + ③)	14,558	30,100	48.4
③ Generics (ODM)	537	1,200	44.8

* Includes exports

**Issued on October 31, 2018

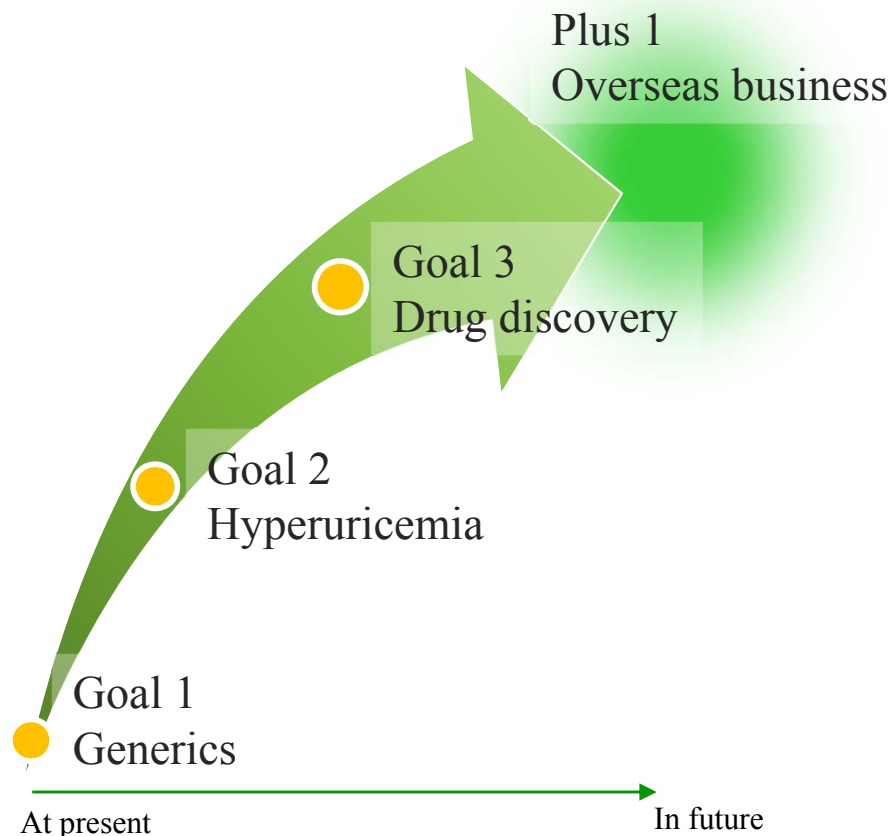
III. Management Strategy

Three Plus 1 Principal Goals

Overview

Business strategy by Three Principal Goals

- By fulfilling our three principal goals, we will establish a proprietary business model.
- To make that growth sustainable, we are expanding our business internationally.



Goal 1: Secure our presence in the generics business

Develop unique business by differentiating our products and enhance cost competitiveness.

Goal 2: Achieve a stronger position in the hyperuricemia market, focused on Uralyt

Enhance group research initiatives, promote R&D in antihyperuricemic agents, and out-licensing new drugs earlier.

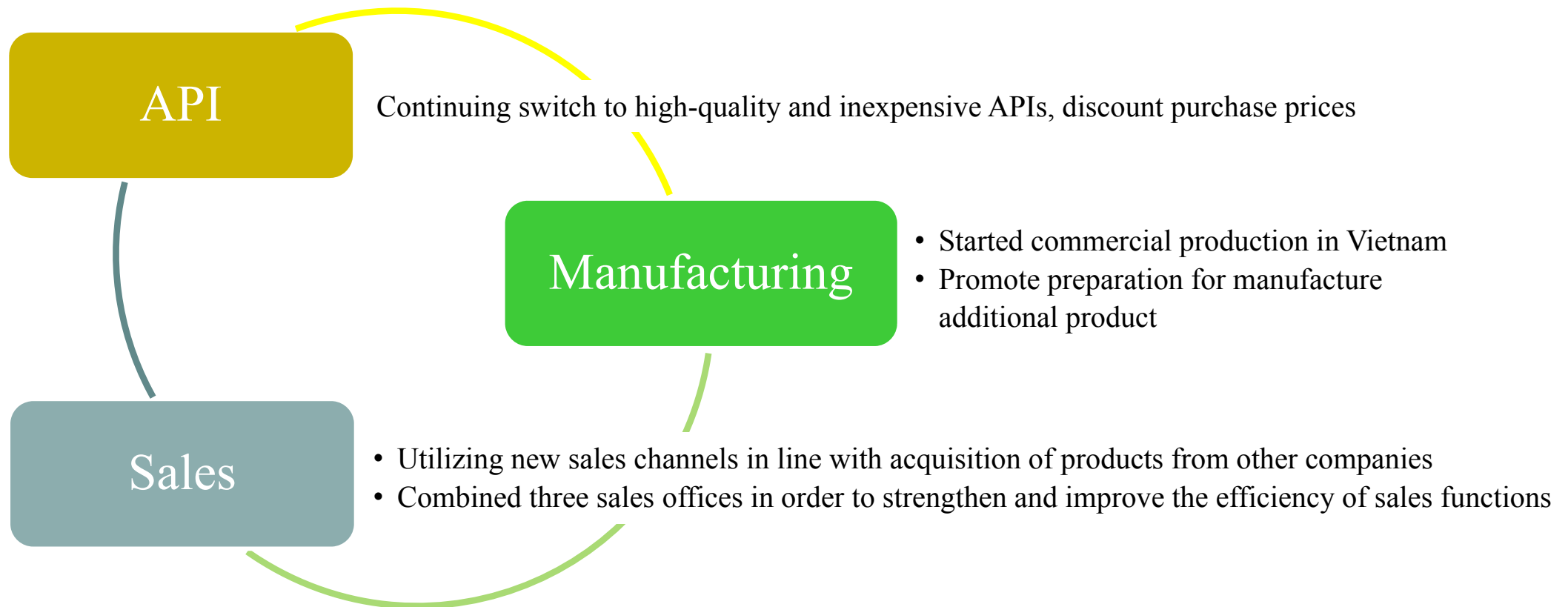
Goal 3: Contribute to society through drug discovery toward innovative medicine

Focus on discovery in our particular areas of strength.

Plus 1: Apply our three goals to overseas markets centered on Asia

Management Strategy 1

Strengthen the Generic Drug Supply Chain



Management Strategy 2

Multifaceted Approach to Hyperuricemia (Urine Alkalization)

■ Uralyt marks 30th Anniversary

- The third edition of the guideline for the management of hyperuricemia and gout will be published in December 2018.
- The head of the guideline committee will lecture on our internet distribute system.
- We aim to enhance recognition of Uralyt by promoting the guideline.

■ Progress of clinical research at Tohoku University

- Basic Policy on Economic and Fiscal Management and Reform 2018 mentioned preventing chronic kidney disease for the first time.

■ Continuing out-licensing activities for NC-2500 and NC-2700

■ Chemiphar subsidiary Nihon Pharmaceutical Industry Co., Ltd. started the manufacture and sales of a Uralyt generic.

Management Strategy 3

Development Pipeline

(as of October 2018)

Letters in **red** are the revised parts from highlights of FY2018 business results.

No.	Function (Target)	Preclinical	Phase 1	Phase 2	Notes
NC-2400	PPAR-delta agonist (Lipid metabolism)				<ul style="list-style-type: none"> Finished Phase 1. Licensed to Cerenis Therapeutics (France).
NC-2500	XOR inhibitor (Hyperuricemia)				<ul style="list-style-type: none"> Phase 1 was finished in September 2017. Conducting licensing out activities and seeking tie-up partner
NC-2600*	P2X4 receptor antagonist (Neuropathic pain)				<ul style="list-style-type: none"> Joint research with Kyusyu University. Phase 1 was finished in September 2017, and we are conducting licensing out activities.
NC-2700	URAT1 inhibitor (Hyperuriceia)				<ul style="list-style-type: none"> Finished preclinical trial; conducting out-licensing activities and seeking tie-up partner
NC-2800*	Delta opioid receptor agonist (Depression / Anxiety)				<ul style="list-style-type: none"> Selected by AMED for its funding program on January 2018 Conducting licensing out activities in parallel with phase 1 preparation
Soleton	NSAID (Diffuse-type tenosynovial giant cell tumor and others)				<ul style="list-style-type: none"> Physician-initiated clinical trial was started.
Calvan	A1β1 blocker (Huntington's disease)				<ul style="list-style-type: none"> Phase 2 was started in August 2018 by SOM Biotech SL (Spain).

* Supported by the Japanese Agency for Research and Development (AMED).

Management Strategy 4

Overseas Business

■ Started commercial production in Vietnam factory

- Began manufacturing Uraryt® and Soleton® in November 2018
- Start export to Japan in December 2018
- Preparations for manufacture additional products are under-way.



■ Business alliance with Chinese pharmaceutical company

- Concluded business partnership contract in October 2018
- Promote new activities through the Company
- Planning additional products collaborate with the Company.

■ Others

- Six products in three countries have been approved.
- Approval applications are pending on two products.
- On diagnostics products, conducting Chinese business with a Japanese trading company

Management Strategy 5

Other Topics

■ Started new drug OEM

- Began manufacturing a new drug from another company in November 2018
- This marks the first time the Chemiphar Group has performed new drug OEM.
- Seek opportunities for additional OEM products

■ Co-promotion with Kracie Pharmaceutical, Ltd.

- Kracie Pharmaceutical, Ltd. is well known for medical-use herbs
- From July 2018, Chemiphar MRs joined in the promotion of Yokukansankachimpihange, which is used for dementia treatment.
- This background also points to a good opportunity to heighten our presence in the area of dementia.

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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.