



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2018 Third Quarter**

# **Business Summary**

(Year Ending March 31, 2019)



Chemiphar

# Sales, Income

(¥mn)

	FY2017			FY2018				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast) <sup>1</sup>	Progress Rate (%)
<b>Net Sales</b>	<b>27,232</b>	<b>100.0</b>	<b>35,331</b>	<b>25,677</b>	<b>100.0</b>	<b>(5.7)</b>	<b>34,500</b>	<b>74.4</b>
Pharmaceuticals	26,564	97.5	34,279	24,988	97.3	(5.9)	—	—
Others	668	2.5	1,051	689	2.7	3.1	—	—
Cost of sales	14,890	54.7	19,535	14,613	56.9	(1.9)	—	—
SG&A expenses	10,518	38.6	13,947	9,779	38.1	(7.0)	—	—
R&D expenses	1,609	5.9	2,280	1,462	5.7	(9.2)	2,700	54.2
<b>Operating Income</b>	<b>1,823</b>	<b>6.7</b>	<b>1,848</b>	<b>1,284</b>	<b>5.0</b>	<b>(29.6)</b>	<b>1,100</b>	<b>116.8</b>
<b>Income before income taxes and minority interests</b>	<b>1,904</b>	<b>7.0</b>	<b>1,777</b>	<b>1,351</b>	<b>5.3</b>	<b>(29.0)</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>1,284</b>	<b>4.7</b>	<b>1,160</b>	<b>831</b>	<b>3.2</b>	<b>(35.3)</b>	<b>500</b>	<b>166.2</b>

Note: 1. Revised forecast issued on October 31, 2018

## Sales

Although Nippon Chemiphar groups attempt to increase sales by promoting the diversification of sales channels, generics sales were down 5.4% 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 nearly reached a peak. Sales of proprietary products declined 21.0% 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 ¥24,988 million (down 5.9% YOY). In the

others segment, sales were essentially unchanged from the previous year, resulting in consolidated net sales of ¥25,677 million (down 5.7% YOY).

## Income

Regarding sales cost ratio, the impact of NHI drug price reductions and lower sales of proprietary products led to an increase of 2.2 percentage points year on year. On the other hand, R&D expenses were partly shifted to the fourth quarter and efforts to reduce SG&A expenses resulted in an SG&A expense ratio of 38.1%, a decrease of 0.5 percentage points year on year. Consequently,

operating income amounted to ¥1,284 million (down 29.6% YOY).

## Annual Forecast

As for income items following operating income, we have already advanced beyond our forecasts. However, we will not revise the initial forecast due to some costs, such as R&D expenses and promotion expenses for new drugs, which we will acquire marketing authorization from February 2019.

# Pharmaceutical Sales

## Generics, Proprietary Products

(¥mn)

	FY2017			FY2018				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast <sup>2</sup> )	Progress Rate (%)
<b>Total</b>	<b>24,273</b>	<b>100.0</b>	<b>32,153</b>	<b>22,712</b>	<b>100.0</b>	<b>(6.4)</b>	<b>30,470</b>	<b>74.5</b>
Generics	22,705	93.5	30,115	21,474	94.5	(5.4)	28,900	74.3
To medical institutions	21,952		29,174	20,720		(5.6)	28,000	74.0
To other makers <sup>1</sup>	752		941	753		0.1	900	83.7
Amlodipine	2,212		2,940	2,202		(0.4)	2,850	77.3
Lansoprazole	1,663		2,163	1,300		(21.8)	1,850	70.3
Donepezil	1,204		1,557	920		(23.6)	1,250	73.6
Rabeprazole	1,191		1,558	1,057		(11.3)	1,350	78.3
Limaprost Alfadex	1,103		1,427	947		(14.1)	1,250	75.8
Others	15,330		20,467	15,046		(1.9)	20,350	73.9
Proprietary products	1,567	6.5	2,038	1,238	5.5	(21.0)	1,570	78.9
Uralyt	953		1,225	766		(19.6)	990	77.4
Soleton	454		598	333		(26.6)	400	83.5
Calvan	159		214	138		(13.3)	180	76.9

## Chemiphar, ODM Generics

(¥mn)

	FY2017			FY2018				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast <sup>2</sup> )	Progress Rate (%)
<b>Total</b>	<b>23,451</b>	<b>100.0</b>	<b>31,100</b>	<b>22,252</b>	<b>100.0</b>	<b>(5.1)</b>	<b>30,100</b>	<b>73.9</b>
Generics	22,705	96.8	30,115	21,474	96.5	(5.4)	28,900	74.3
Generics (ODM)	745	3.2	985	778	3.5	4.4	1,200	64.9

Note: 1. Includes exports. 2. Revised forecast issued on October 31, 2018.

# Sales distribution

## By Launch Year

(¥mn)

	FY2017		FY2018		YOY (%)
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2011 and before	16,312	71.8	14,329	66.7	(12.2)
FY2012	1,046	4.6	951	4.4	(9.0)
FY2013	2,303	10.1	2,241	10.4	(2.7)
FY2014	1,497	6.6	1,379	6.4	(7.9)
FY2015	937	4.1	903	4.2	(3.6)
FY2016	320	1.4	428	2.0	33.9
FY2017	288	1.3	1,034	4.8	258.2
FY2018	—	—	204	1.0	—
<b>Total</b>	<b>22,705</b>	<b>100.0</b>	<b>21,474</b>	<b>100.0</b>	<b>(5.4)</b>

## By Main Therapeutic Categories

	FY2017 3Q Amount	FY2018 3Q Amount
Cardiovascular and respiratory drugs	32.1	33.4
Digestive organ drugs	18.5	17.6
Agents affecting metabolism	16.8	16.4
Drugs for nervous system, sensory organs	9.1	8.2
Antibiotics and chemotherapeutic drugs	6.3	5.3
Antineoplastic agents	3.5	3.2
Others	13.7	15.9

# Balance Sheet, Per Share Information

## Balance Sheet Data

(¥mm)

	March 31, 2018	December 31, 2018	
	Amount*	Amount	Change
<b>Total assets</b>	<b>46,698</b>	<b>47,663</b>	<b>964</b>
<b>Net assets</b>	<b>17,487</b>	<b>17,800</b>	<b>312</b>
Owned capital	17,474	17,782	308
Capital-to-asset ratio (%)	37.4	37.3	(0.1)
<b>Current assets</b>	<b>27,771</b>	<b>29,428</b>	<b>1,657</b>
<b>Current liabilities</b>	<b>14,914</b>	<b>14,494</b>	<b>(419)</b>
Current ratio (x)	1.86	2.03	0.17

\*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		
	3Q Amount	Full Year Amount	3Q Amount	YOY	Full Year (Forecast)
Earnings per share	346.70	315.28	231.20	(115.50)	139.06
	Dec. 31, 2017	March 31, 2018	Dec. 31, 2018		Full Year (Forecast)
Book value per share	4,878.48	4,859.86	4,946.15	—	—
Dividend per share	—	100.00	—	—	75.00
Dividend payout ratio (%)	—	31.7	—	—	53.9

# Expenditure

## Capital Expenditure and Other

(¥mn)

	FY2017		FY2018			
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Capital expenditure	1,280	1,645	548	(57.1)	950	57.8
Depreciation and amortization	869	1,192	961	10.6	1,350	71.2

### 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.