

# **FY2019 Business Summary**

(Year Ended March 31, 2020)

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# **I. FY2019 Business Results**

# Sales, Income

(¥mn)

	FY2018		FY2019				
	Amount	% of Sales	Amount	% of Sales	YOY (%)	Forecast*	Achieved (%)
<b>Net Sales</b>	<b>34,182</b>	<b>100.0</b>	<b>31,756</b>	<b>100.0</b>	<b>(7.1)</b>	<b>31,800</b>	<b>99.9</b>
Pharmaceuticals	32,682	95.6	30,632	96.5	(6.3)	—	—
Others	1,500	4.4	1,123	3.5	(25.1)	—	—
Cost of sales	19,654	57.5	19,200	60.5	(2.3)	—	—
SG&A expenses	13,063	38.2	12,190	38.4	(6.7)	—	—
R&D expenses	2,066	6.0	2,173	6.8	5.2	2,350	92.5
<b>Operating Income</b>	<b>1,464</b>	<b>4.3</b>	<b>364</b>	<b>1.1</b>	<b>(75.1)</b>	<b>150</b>	<b>243.1</b>
<b>Income before income taxes and minority interests</b>	<b>1,454</b>	<b>4.3</b>	<b>732</b>	<b>2.3</b>	<b>(49.6)</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>881</b>	<b>2.6</b>	<b>436</b>	<b>1.4</b>	<b>(50.5)</b>	<b>200</b>	<b>218.3</b>

\*Revised forecast issued on January 31, 2020.

## Sales

The Nippon Chemiphar Group aims to expand generics sales through various efforts, including informative activities associated with the promotion of new drugs and sales channel diversification. However, generics sales were down 5.6% YOY due to factors such as the impact of NHI drug price revisions implemented in October 2019, large-scale new product launches that were postponed until the following fiscal year or later, and intensified market competition caused by the rising prominence of authorized generics.

Although the number of medical institutions adopting PICOPREP has steadily increased since February, sales of proprietary products and new drugs declined 12.3% YOY due to the impact of NHI drug price revisions; the substitution of generic drugs for proprietary products such as Uralyt and Soletan; and changes handling method of export products.

In the Others segment, sales decreased 25.1% YOY due to high sales from contracted clinical and preclinical testing recorded during the previous fiscal year. As a result of these conditions, consolidated sales were ¥31,756 million (down 7.1% YOY).

## Income

Despite our efforts to reduce recurring and other expenses, operating income came to ¥364 million (down 75.1% YOY) due to a decline in sales, a higher cost of sales ratio caused by NHI drug price revisions, and a rise in R&D expenses associated with progress in the development stages of new drugs. Net income attributable to owners of the parent fell to ¥436 million (down 50.5% YOY) in reaction to a gain on the sale of investment securities recorded in November 2019.

# Pharmaceutical Sales

## Generics, Proprietary Products

(¥mm)

	FY2018		FY2019				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast**	Achieved (%)
<b>Total</b>	<b>29,798</b>	<b>100.0</b>	<b>28,029</b>	<b>100.0</b>	<b>(5.9)</b>	<b>27,910</b>	<b>100.4</b>
<b>Generics</b>	<b>28,238</b>	<b>94.8</b>	<b>26,661</b>	<b>95.1</b>	<b>(5.6)</b>	<b>26,610</b>	<b>100.2</b>
To medical institutions	27,156		25,678		(5.4)	25,760	99.7
To other manufacturer*	1,082		983		(9.2)	850	115.7
Amlodipine	2,890		2,672		(7.5)	2,640	101.2
Lansoprazole	1,629		1,243		(23.7)	1,220	101.9
Donepezil	1,187		1,012		(14.7)	1,030	98.3
Rabeprazole	1,370		1,317		(3.9)	1,270	103.7
Limaprost Alfadex	1,197		957		(20.0)	970	98.7
Others	19,963		19,458		(2.5)	19,480	99.9
<b>Proprietary products and new drugs</b>	<b>1,560</b>	<b>5.2</b>	<b>1,368</b>	<b>4.9</b>	<b>(12.3)</b>	<b>1,300</b>	<b>105.3</b>
Uralyt	983		848		(13.7)	800	106.1
Others	577		519		(9.9)	500	103.9

## Chemiphar, ODM Generics

(¥mm)

	FY2018		FY2019				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)	Forecast**	Achieved (%)
<b>Total</b>	<b>29,244</b>	<b>100.0</b>	<b>27,558</b>	<b>100.0</b>	<b>(5.8)</b>	<b>27,460</b>	<b>100.4</b>
Generics	28,238	96.6	26,661	96.7	(5.6)	26,610	100.2
Generics (ODM)	1,005	3.4	896	3.3	(10.9)	850	105.5

\* Includes exports..

\*\*Revised forecast issued on January 31, 2020.

# Sales Distribution

## By Launch Year

(¥mn)

	FY2018		FY2019		YOY (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	
FY2012 and before	19,881	70.4	17,885	67.1	(10.0)
FY2013	3,044	10.8	2,925	11.0	(3.9)
FY2014	1,802	6.4	1,707	6.4	(5.2)
FY2015	1,161	4.1	1,097	4.1	(5.5)
FY2016	595	2.1	615	2.3	3.3
FY2017	1,362	4.8	1,390	5.2	2.1
FY2018	392	1.4	941	3.5	140.1
FY2019	—	—	98	0.4	—
<b>Total</b>	<b>28,238</b>	<b>100.0</b>	<b>26,661</b>	<b>100.0</b>	<b>(5.6)</b>

## By Main Therapeutic Categories

(%)

	FY2018 Distrib.	FY2019 Distrib.
Cardiovascular and respiratory drugs	33.0	32.4
Digestive organ drugs	17.1	16.4
Agents affecting metabolism	16.0	15.1
Drugs for nervous system, sensory organs	8.4	9.2
Antibiotics and chemotherapeutic drugs	5.1	5.2
Antineoplastic agents	3.3	3.3
Others	17.1	18.4

# Balance Sheet, Per Share Information

**Balance Sheet Data** (¥mm)

	March 31,2019	March 31,2020	
	Amount	Amount	Change
<b>Total assets</b>	<b>46,926</b>	<b>45,862</b>	<b>(1,063)</b>
Return on assets (%)	3.2	0.7	(2.5)
<b>Net assets</b>	<b>17,863</b>	<b>17,392</b>	<b>(470)</b>
Owned capital	17,843	17,367	(476)
Capital-to-asset ratio (%)	38.0	37.9	(0.1)
Return on equity (%)	5.0	2.5	(2.5)
<b>Current assets</b>	<b>28,668</b>	<b>29,314</b>	<b>645</b>
<b>Current liabilities</b>	<b>13,825</b>	<b>13,739</b>	<b>(85)</b>
Current ratio (x)	2.07	2.13	0.06

**Per Share Information** (¥)

	FY2018	FY2019		
	Amount	Amount	Change	Forecast
Earnings per share	245.11	121.42	(123.69)	55.63
Book value per share	4,963.24	4,830.92	(132.32)	—
Dividend per share	100.00	50.00	—	40.00
Dividend payout ratio (%)	40.8	41.2	—	71.9

# Cash Flow, Expenditure

## Cash Flow Statement

(¥mn)

	FY2018 Amount	FY2019 Amount
Net cash:		
Provided by operating activities	2,196	1,394
Used in investing activities	(960)	326
Provided by (Used in) financing activities	110	(961)
Cash and cash equivalents	9,254	10,000
Free cash flow	1,235	1,720

## Capital Expenditure and Other

	FY2018	FY2019			Usage Rate (%)
	Amount	Amount	YOY (%)	Forecast	
Capital expenditure	784	660	(15.8)	650	101.7
Depreciation and amortization	1,345	1,272	(5.4)	1,270	100.2



## **II. FY2020 Forecasts**

# Sales, Income

(¥mn)

	FY2019		FY2020 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
<b>Net Sales</b>	<b>31,756</b>	<b>100.0</b>	<b>33,000</b>	<b>100.0</b>	<b>3.9</b>
Pharmaceuticals	30,632	96.5	—	—	—
Others	1,123	3.5	—	—	—
Cost of sales	19,200	60.5	—	—	—
SG&A expenses	12,190	38.4	—	—	—
R&D expenses	2,173	6.8	2,200	6.7	1.2
<b>Operating income</b>	<b>364</b>	<b>1.1</b>	<b>600</b>	<b>1.8</b>	<b>64.5</b>
<b>Income before income taxes and minority interests</b>	<b>732</b>	<b>2.3</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>436</b>	<b>1.4</b>	<b>300</b>	<b>0.9</b>	<b>(31.3)</b>

## Annual Forecasts

We expect ¥33,000 million (up 3.9% YOY) in consolidated net sales in FY2020, thanks to expanded sales of newly launched generic drugs and additional sales of Klaricid®, for which we plan to acquire sales rights in July 2020.

Regarding profits, operating income is forecast at ¥600 million (up 64.5% YOY). However, we project ¥300 million in net income attributable to owners of parent (down 31.3% YOY), with the YOY decline due to gain on the sale of investment securities recorded during the previous fiscal year.

These projections do not account for potential impact from the novel coronavirus pandemic (COVID-19). We will monitor future trends and promptly announce any revisions to this forecast, should they be necessary.

# Pharmaceutical Sales

Generics, Proprietary Products		(¥mn)	
	FY2019 Amount	FY2020 (Forecast) Amount	YOY (%)
<b>Total</b>	<b>28,029</b>	<b>28,700</b>	<b>2.4</b>
<b>Generics</b>	<b>26,661</b>	<b>26,590</b>	<b>(0.3)</b>
To medical institutions	25,678	25,630	(0.2)
To other makers	983	960	(2.4)
Amlodipine	2,672	2,440	(8.7)
Lansoprazole	1,243	990	(20.4)
Donepezil	1,012	980	(3.2)
Rabeprazole	1,317	1,420	7.8
Limaprost Alfadex	957	770	(19.6)
Others	19,458	19,990	2.7
<b>Proprietary products and new drugs</b>	<b>1,368</b>	<b>2,110</b>	<b>54.2</b>
Uralyt	848	730	(14.0)
Others	519	1,380	165.5

Chemiphar, ODM Generics		(¥mn)	
	FY2019 Amount	FY2020 (Forecast) Amount	YOY (%)
<b>Total</b>	<b>27,558</b>	<b>27,690</b>	<b>0.5</b>
Generics	26,661	26,590	(0.3)
Generics (ODM)	896	1,100	22.7

# Per Share Information, Expenditure

## Per Share Information (¥)

	FY2019	FY2020 (Forecast)	
	Amount	Amount	YOY (%)
Earnings per share	121.42	83.45	(31.3)
Book value per share	4,830.92	—	—
Dividends per share	50.00	50.00	—
Dividend payout ratio (%)	41.2	59.9	—

## Capital Expenditure and Other (¥mn)

	FY2019	FY2020 (Forecast)	
	Amount	Amount	Change
Capital expenditure	660	810	149
Depreciation and amortization	1,272	1,300	27

## Dividends Forecasts

As mentioned above, we project a decline in net income attributable to owners of the parent. However, we are forecasting an increase in operating income and income before income taxes and minority interests in FY2020 due to expanded sales of newly launched generic drugs and additional sales of an acquired products, as well as lower expenses. In accordance with our aim to provide shareholder return under these circumstances, we forecast a dividend per share of 50.0 yen (with a payout ratio of 59.9%).

## 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.

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