Nippon Chemiphar Co., Ltd.
(TSE 4539)

FY2024 Second Quarter Business Summary

(Year Ending March 31, 2025)

Contents

Overview 1

Sales

Consolidated net sales: Up 5.3 % YOY, 49.6% progress vs full-year sales forecast

・Sales in the pharmaceutical business were up thanks to growth in sales of generics and DropScreen, an allergy screening kit and reagent. Progress vs full-year sales forecast is near on track.

1. Pharmaceuticals: Sales were up 2.5% YOY, 51.3% progress vs full-year sales forecast

Factors contributing to sales growth:

・Steady sales of generics that we are focusing on expansion of sales.

・Repricing of unprofitable drugs and impact of newly launched products.

Factors contributing to decrease in sales:

・Impact of NHI price revisions (around negative 3 %) implemented in April.

・Termination of unprofitable drugs handled by the Group and out-licensed products.

2. Diagnostics: Sales were up 22.5% YOY, 42.4% progress vs full-year sales forecast

・Continuous solid growth of DropScreen, reaching cumulative installation of approx. 1,300 units in Japan as of end September.

・Sales and profit performance is on track for the full-year forecast as it tends to weight heavier in the 2nd half of the FY during hay fever season.

Overview 2

Profit

Operating profit: ¥76 million (returned to profitability)

- Despite of the impact of the NHI price revisions, growth in sales of DropScreen and pharmaceuticals as well as the boost from the decrease in the cost rate thanks to improvement in sales mix made significant contributions.
- Returned to profitability with ¥76 million compared to the operating loss recorded same period of last year, after absorbing the increased SG&A expenses for developing generics and new drugs.

Ordinary loss: ¥ 62 million, Net loss: ¥44 million

- Ordinary loss was ¥ 62 million and loss attributable to owners of parent was ¥ 44 million, mainly because of the foreign currency-denominated assets and liabilities held by the Group recorded a loss of ¥78 million due to the appreciation of the yen.

Recent Topics

New Drug Pipeline

- NC-2800 : Finished phase I and preparing for initiating phase IIa trials.
- DFP-17729: Finished phase I/II and consultations are underway with PMDA for preparing the next phase.
- DFP-14323: Started phase III trials in February 2024 and steadily increasing registration of patients.

Sales and Income to Year-on-Year

(¥mn)

	FY2023		FY2024			
	2Q Amount	% of Sales	2Q Amount	% of Sales	2Q Change	YOY (%)
Net sales	**14,837**	**100.0**	**15,626**	**100.0**	**789**	**5.3**
Pharmaceutical products segment	14,293	96.3	15,055	96.3	762	5.3
Generics, proprietary products and new drugs	11,815	79.6	12,111	77.5	296	2.5
Diagnostics	1,817	12.3	2,227	14.3	409	22.5
Others segment	544	3.7	570	3.7	26	4.9
Cost of sales	**11,204**	**75.5**	**11,510**	**73.7**	**305**	**2.7**
SG&A expenses	**3,931**	**26.5**	**4,039**	**25.9**	**108**	**2.8**
R&D expenses	1,006	6.8	1,160	7.4	153	15.3
Operating profit/loss	**(298)**	**—**	**76**	**0.5**	**375**	**—**
Ordinary profit/loss	**10**	**0.1**	**(62)**	**—**	**(72)**	**—**
Net profit/loss attributable to owners of parent	**31**	**0.2**	**(44)**	**—**	**(75)**	**—**

Sales and Income to Full Year Forecasts

(¥mn)

	FY2023		FY2024			
	Full Year Amount	% of Sales	2Q Amount	% of Sales	Full Year Forecasts	Progress Rate (%)
Net sales	**30,748**	**100.0**	**15,626**	**100.0**	**31,500**	**49.6**
Pharmaceutical products segment	29,611	96.3	15,055	96.3	—	—
Generics, proprietary products and new drugs	24,093	78.4	12,111	77.5	23,620	51.3
Diagnostics	4,101	13.3	2,227	14.3	5,250	42.4
Others segment	1,137	3.7	570	3.7	—	—
Cost of sales	**23,010**	**74.8**	**11,510**	**73.7**	—	—
SG&A expenses	**8,232**	**26.8**	**4,039**	**25.9**	—	—
R&D expenses	2,325	7.6	1,160	7.4	2,700	43.0
Operating profit/loss	**(494)**	**—**	**76**	**0.5**	**200**	**38.2**
Ordinary profit/loss	**(219)**	**—**	**(62)**	**—**	**100**	**—**
Net profit/loss attributable to owners of parent	**(180)**	**—**	**(44)**	**—**	**60**	**—**

Pharmaceutical Sales to Year-on-Year

Generics, Proprietary Products and New Drugs (¥mn)

	FY2023		FY2024			
	2Q Amount	% of Sales	2Q Amount	% of Sales	2Q Change	YOY (%)
Total	**11,815**	**100.0**	**12,111**	**100.0**	**296**	**2.5**
Generics	11,146	94.3	11,569	95.5	423	3.8
To medical institutions	10,736	—	11,365	—	628	5.9
To other makers*	409	—	204	—	(205)	(50.1)
Proprietary products and new drugs	668	5.7	542	4.5	(126)	(18.9)
Uralyt	282	—	197	—	(85)	(30.1)
Others	385	—	344	—	(41)	(10.7)

Chemiphar, ODM Generics

Total	**11,559**	**—**	**12,063**	**—**	**504**	**4.4**
Generics (ODM)	412	—	493	—	81	19.7

* Includes exports.

Pharmaceutical Sales to Full Year Forecasts

Generics, Proprietary Products and New Drugs (¥mn)

	FY2023		FY2024			
	Full Year Amount	% of Sales	2Q Amount	% of Sales	Full Year Forecasts	Progress Rate (%)
Total	**24,093**	**100.0**	**12,111**	**100.0**	**23,620**	**51.3**
Generics	22,766	94.5	11,569	95.5	22,470	51.5
To medical institutions	22,148	—	11,365	—	22,030	51.6
To other makers*	618	—	204	—	440	46.4
Proprietary products and new drugs	1,326	5.5	542	4.5	1,150	47.1
Uralyt	563	—	197	—	480	41.2
Others	762	—	344	—	670	51.4

Chemiphar, ODM Generics

Total	**23,775**	**—**	**12,063**	**—**	**23,490**	**51.4**
Generics (ODM)	1,008	—	493	—	1,020	48.4

* Includes exports.

Sales Distribution by Launch Year

(¥mn)

	FY2023		FY2024			
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	YOY (%)	Product Lineup
FY2020 and before	10,375	93.1	10,778	93.2	3.9	
FY2021	201	1.8	187	1.6	(7.0)	・Eszopiclone ・Duloxetine
FY2022	500	4.5	483	4.2	(3.4)	・Febuxostat ・Esomeprazole
FY2023	68	0.6	102	0.9	48.4	・Azilsartan
FY2024	-	-	17	0.2	-	・Zonisamide
Total	**11,146**	**100.0**	**11,569**	**100.0**	**3.8**	

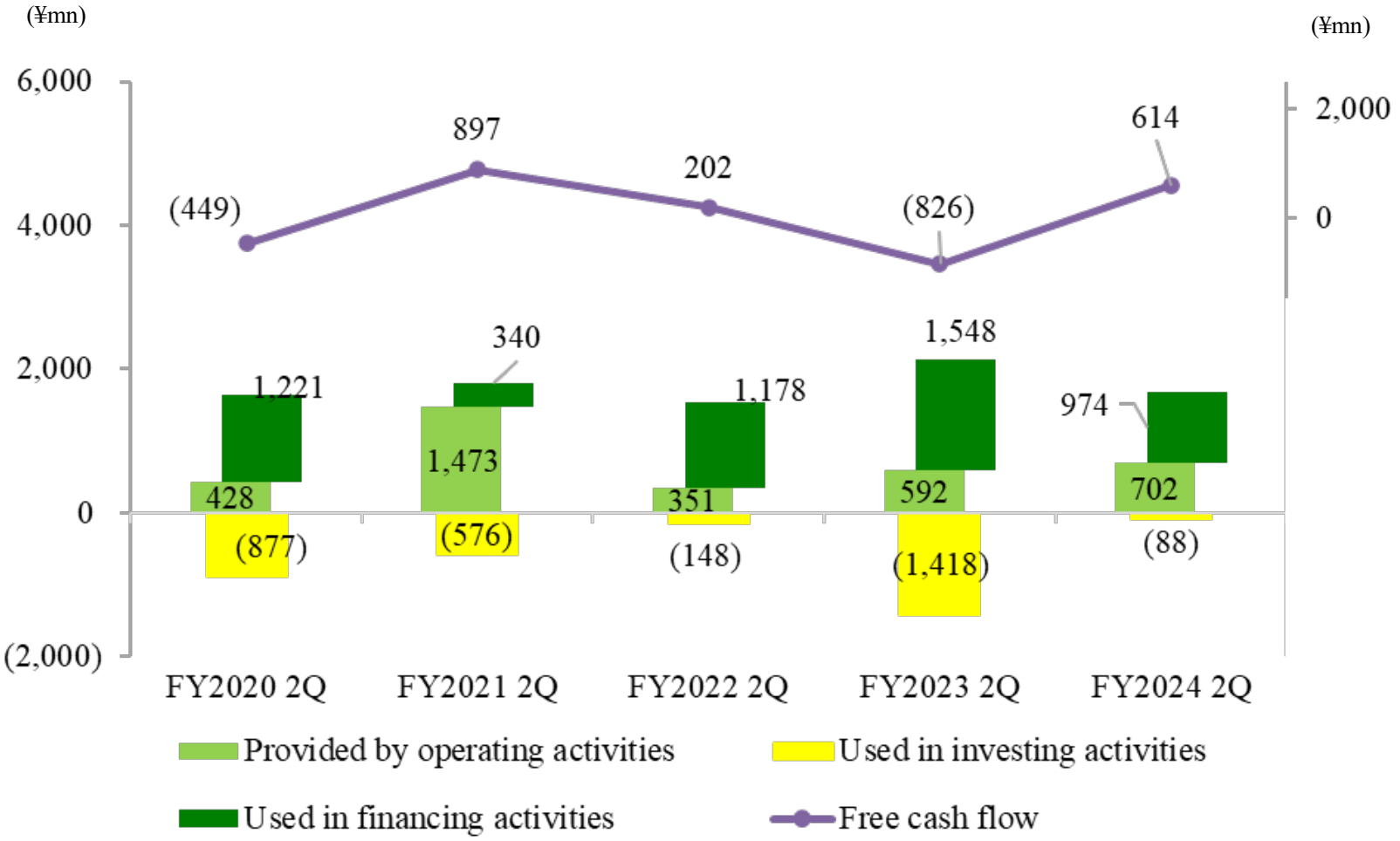
Balance Sheet

(¥mn)

	FY2023	FY2024				
	March 31,2024	Sept. 30, 2024	Change	Reason for changes		
Current assets	31,836	32,933	1,096	Cash and deposits	1,604	**
				Notes and accounts receivable—trade, and contract assets	(973)	Sales with shorter receivables collection periods have increased.
Non-current assets	17,712	19,091	1,379	Buildings and structures	3,175	*
				Leased assets	601	*
Total assets	49,548	52,024	2,476			
Current liabilities	13,786	14,479	692	Accounts payable - other	1,091	**
				Long-term borrowings	1,076	**
Non-current liabilities	17,301	18,993	1,691	Lease obligations	600	*
Total net assets	18,460	18,552	91			
Total liabilities and net assets	49,548	52,024	2,476			

* Due to additional installation at Building No. 3 of Tsukuba Factory.
** Increase by payment for up above.

Cash Flow


(¥mn)
(¥mn)
6,000
4,000
2,000
0
(2,000)
2,000
0
897
202
614
(449)
(826)
340
1,548
1,221
1,178
974
1,473
428
351
592
702
(877)
(576)
(148)
(1,418)
(88)
FY2020 2Q
FY2021 2Q
FY2022 2Q
FY2023 2Q
FY2024 2Q
Provided by operating activities
Used in investing activities
Used in financing activities
Free cash flow

Expenditure and Per Share Information

Capital Expenditure and Other (¥mn)

	FY2023		FY2024			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	1,301	2,747	1,753	34.7	3,410	51.4
Depreciation and amortization	715	1,459	640	(10.5)	1,490	43.0

Per Share Information (¥)

	FY2023		FY2024		
	2Q Amount	Full Year Amount	2Q Amount	Change	Full Year (Forecast)
Earnings per share	8.72	(50.14)	(12.26)	(20.98)	16.63
	Sept. 30, 2023	March 31, 2024	Sept. 30, 2024	Change	Full Year (Forecast)
Book value per share	5139.65	5116.02	5141.81	2.16	–
Dividends per share	–	50.00	–	–	50.00
Dividend payout ratio (%)	–	–	–	–	300.7

Indexes

	FY2021	FY2022	FY2023	2Q FY2024
Cost of sales ratio (%)	72.1	74.1	74.8	73.7
SG&A Expense to sales ratio (%)	25.4	26.7	26.8	25.9
Operating profit to sales ratio (%)	2.5	-	-	0.5
R&D expenses to sales ratio (%)	7.4	7.7	7.6	7.4
EBITDA (millions of yen)	2,727	1,682	1,391	668
Current ratio (x)	2.00x	2.26x	2.31x	2.27x
Debt-to-equity ratio (%)	78.9	81.0	90.5	96.6
Equity ratio (%)	37.4	38.1	37.3	35.7
Return on equity (%)	3.8	1.8	-	-
Net income ratio (%)	2.2	1.1	-	-
Total asset turnover (%)	67.3	64.4	62.7	-
Financial leverage (%)	261.2	264.7	265.8	273.7
Dividend payout ratio (%)	25.7	53.2	-	-

Management Strategy: Three Main Areas of Business

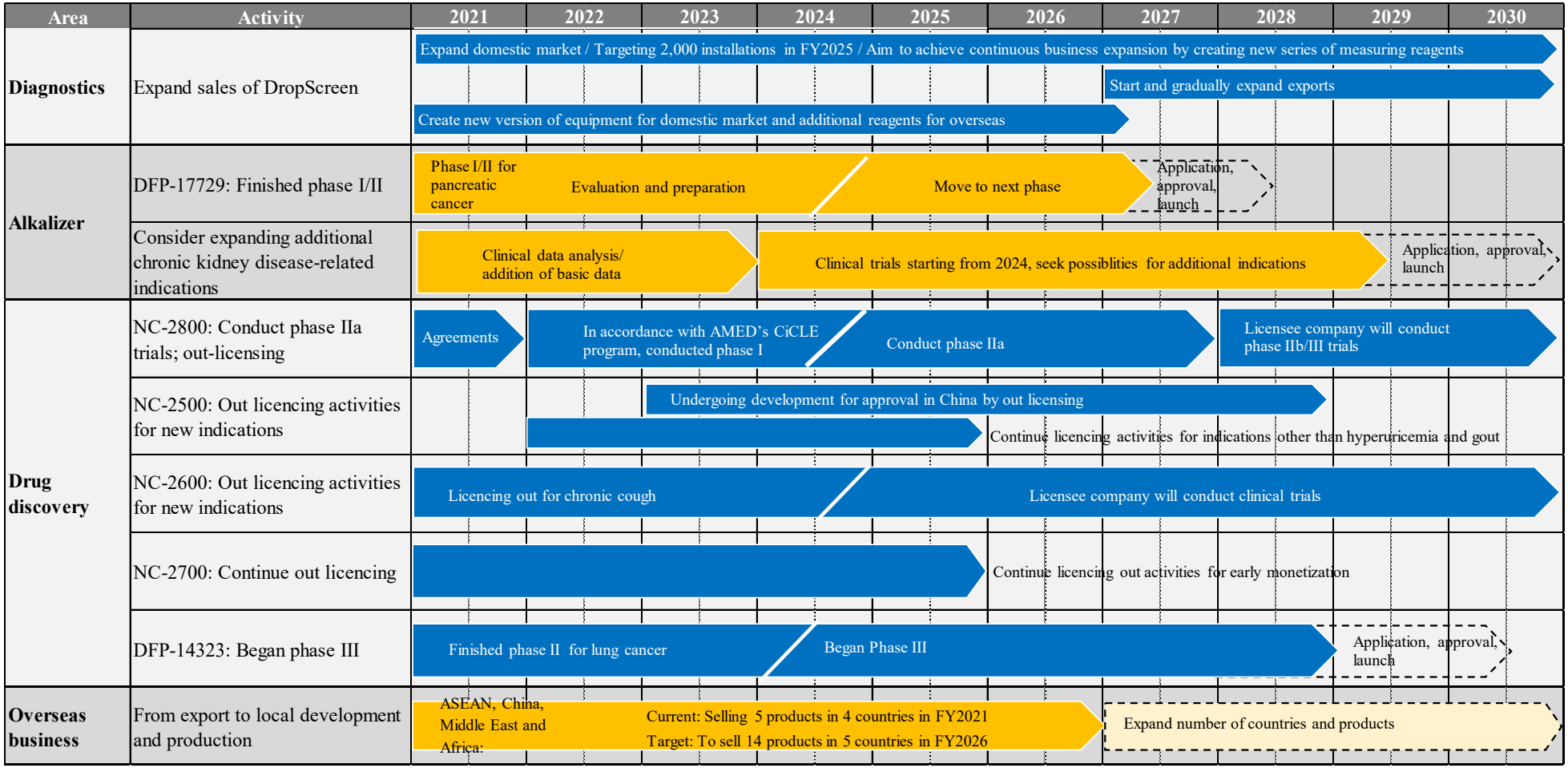
Since 2000, the Nippon Chemiphar Group has been working to attain three principal goals. In order to advance the themes of those goals, the Group has determined three main areas of business: generics, diagnostics, and new drugs including alkalizing agents. By expanding these business areas overseas, the Group will maximize its corporate value and achieve sustainable growth.

Overseas business development

Realize a global presence by aggressively developing our three areas of business abroad

Roadmap for Innovation

Many projects are underway simultaneously for developing innovative drugs and products. Our roadmap will guide the way for a solid growth and bright future for Nippon Chemiphar Group.



Generic Drugs

A new production facility at Tsukuba Factory was completed for ensuring stable supply of high-quality pharmaceuticals. To fulfill the fundamental responsibility as a manufacturer, ceaseless efforts are made to strengthen our quality assurance system.

> Completion of new facility in Building No.3 of Nihon Pharmaceutical Industry's Tsukuba Factory

- Implementation of the new facility on the 2nd floor of Building No.3. was completed in August 2024 to prepare for manufacturing future generic products, as well as transferring the current production at Building No.1.
- First shipment is scheduled during FY2025 after validation and making prototypes.

Building No.3, Tsukuba Factory

> Strengthening quality assurance systems

- Nippon Chemiphar Group Quality Assurance Management Department will act as a hub for the whole Group to maintain ceaseless efforts for a stronger quality assurance system.
- To ensure quality control and production management of the highest standards, we are constantly reviewing our procedures in accordance with both GQP and GMP.
- Regular audits are conducted for Group manufacturing sites as well as external contractors and raw material manufacturers to confirm that production management and quality control are being performed in keeping with the principles of GMP.

Diagnostics

Cumulative number of DropScreen installed in Japan reached approx.1,300 units. While aiming for 2,000 units by FY2025, we are proceeding development of the next generation model as well as expansion to the overseas market.

＞DropScreen business

Features

- Highly valued by medical professionals and patients due to its capability to measure 41 items from a single drop of blood without the need for a syringe.
- Creating a new market of POCT(Point of care testing *)

Cumulative number of units installed

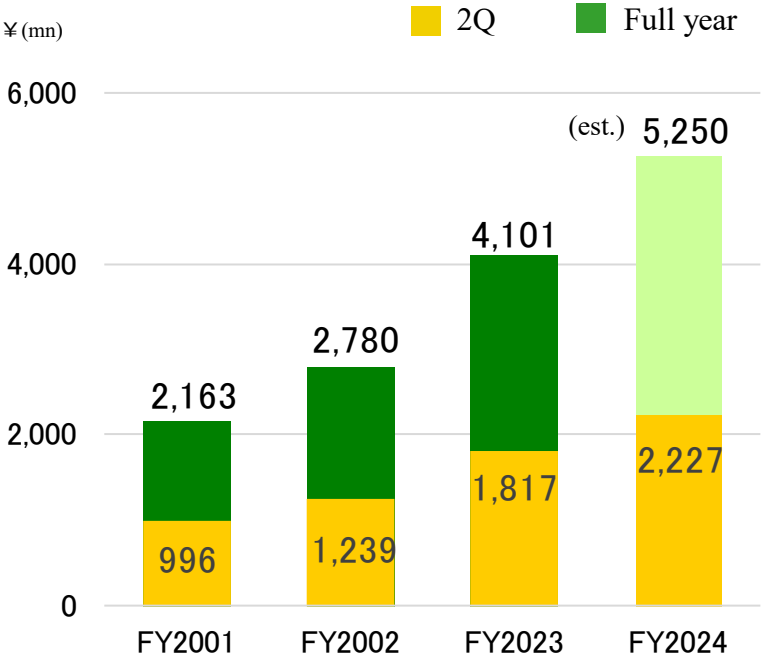
- End of September 2024：approx. 1,300 units
  → Aim for 2,000 units by FY2025

Next steps

- Development of the kit and reagent of the next generation model
- Launch in overseas market

DropScreen
A-1

＞Sales of Diagnostics business



*POCT: Point-of-care tests are medical tests that can be performed at medical institutions instead of being outsourced

New Drug Development: Pipeline

NC-2800 was approved by AMED for continuing clinical trials as it achieved the set milestones including the phase I results. Currently preparing for initiating phase IIa.
DFP-14323 started phase III trial in February 2024.

In-house drug development　Development through alliances　Development by licensees

> As of October 2024

Item	Mechanism of Action (Target)	Pre-clinical	Phase I	Phase II	Phase III
NC-2500	XOR inhibitor (Hyperuricemia, gout)				
NC-2600	P2X4 receptor antagonist (Neuropathic pain, chronic cough)				
NC-2700	URAT1 inhibitor (Hyperuricemia, gout)				
NC-2800	δ opioid receptor agonist (Depression/Anxiety)				
DFP-17729	Cancer microenvironment improving agent(Pancreatic cancer)				
DFP-14323	Anti cancer agent (Non-small cell lung cancer)				
Calvan	α1β1 blocker (Huntington's disease)				

Chemiphar

Pipeline — In-house Development Pipeline①

NC-2500 (XOR inhibitor)

Stage	Target	Originator	Licensee
Finished phase I	Hyperuricemia, gout	Nippon Chemiphar	Nanjing Neiwa Faith Pharmaceutical Co., Ltd.

Feature	Note
・Suppresses uric acid production by inhibiting XOR. ・Phase I results showed its unique property to lower blood uric acid levels gradually, suggesting it may rectify acute attack of gout during the treatment	・We signed a licensing agreement with Nanjing Neiwa Faith for gout and hyperuricemia in 2023, and preparations are underway to conduct clinical trials in China. ・Preliminary data indicates that NC-2500 is effective against neurodegenerative disorders. We are exploring the possibility of expanding the indication of NC-2500 to include such disorders.

NC-2600 (P2X4 receptor antagonist)

Stage	Target	Originator	Joint developer
Finished phase I	Neuropathic pain and chronic cough	Joint research including Chemiphar	N.A.

Feature	Note
・Has a unique mechanism of action that inhibits P2X4 receptors.	・In vivo tests have confirmed its effectiveness against chronic cough, and we are exploring the drug's potential as a therapeutic agent with a new mechanism without side effects such as loss of taste. ・Conducting proactive out-licensing activities.

Pipeline — In-house Development Pipeline②

NC-2700 (URAT 1 inhibitor)

Stage	Target	Originator	Joint developer
Finished pre-clinical	Hyperuricemia, gout	Three way joint research including Chemiphar	—

Feature	Note
・Promotes the excretion of uric acid from the body by inhibiting the transporter URAT 1.	In-vivo test have shown that it facilitates the amelioration of aciduria, thereby helping to prevent kidney damage and kidney stones, which are concerns in existing drugs.

NC-2800 (Delta opioid receptor agonist)

updates in red

Stage	Target	Originator	Joint developer
Finished phase I	Anxiety and depression	Four way joint research including Chemiphar	Sumitomo Pharma Co., Ltd.

Feature	Note
・The drug targets δ opioid receptors, and data suggest it has fewer side effects such as dependence, tolerance, constipation, and respiratory depression than opioid μ receptor agonists like morphine, and strikes an excellent balance between safety and efficacy.	・AMED's CiCLE project selected it for public funding and support of the development. ・Finished phase I trial in FY2023 and was approved by AMED in October 2024 for continuing the project by achieving the set milestones including its results. ・Preparing for intiating phase IIa trial.

Pipeline — In-licensing Pipeline

DFP-17729 (Cancer microenvironment improving agent)

Stage	Target	Originator	Developer
Finished phase I/II	Pancreatic cancer	Delta-Fly Pharma, Inc. (DFP)	DFP

Feature	Note
・By alkalizing tumor microenvironments, DFP-17729 has been shown to suppress cancer cell activities and facilitate the efficacy of anticancer agents.	・In 2020 we concluded a license agreement with DFP and acquired exclusive rights to market in Japan. ・Phase I/II has now been completed and data analysis is underway for the next phase, and we expect to able to submit for approval as a pancreatic cancer treatment around 2027. In the future, we will examine expanding its indication also to other types of cancer.

DFP-14323 (Anti-cancer agent)

Stage	Target	Originator	Developer
Started phase III	Non-small cell lung cancer	Delta-Fly Pharma, Inc. (DFP)	DFP

Feature	Note
・Strengthens the immune response of cancer patients by binding to aminopeptidase N. In this way, the compound reduces the dose required of standard anticancer drugs, and enhances their efficacy without increasing the side effects.	・ In 2022, we concluded a license agreement with DFP and acquired exclusive rights to market in Japan. ・ Results of phase II trial was announced at the ASCO* in June, 2022 ・ Phase III trial began in February 2024. We expect to submit an application for approval by around 2029.

*American Society of Clinical Oncology

Multifaceted Development of Alkalizer

We are conducting multifaceted development using alkalinization-related technologies and expertise that we cultivated over many years through activities associated with our urine alkalizer, Uralyt.

> Application of alkalization technologies

To expand the usage of our alkalinization-related technologies and expertise

Anti-cancer agent
DFP-17729 (targeted for pancreatic cancer.)

Inhibition of the progress of chronic kidney disease
(Initiation of physician-led clinical research at Nagoya University started July 2024, taking simultaneous approach to companies for possibilities of overseas development.)

Supplement
(“Sagaruno”, a drink categorized as Food with Function Claims was co-developed by UHA Mikakuto and Nippon Chemiphar and sold by UHA Mikakuto.)

Overseas Business for Pharmaceutical Products

Expanded sales in overseas by launching a product in Vietnam and China. On top of Asia, expanding sales to the Middle East/Africa aiming for total 14 products in 5 countries by FY2026.

> Rebamipide Tablet for the Vietnamese market

- Local supply of Rebamipide Tablets 100mg, a treatment for gastritis and stomach ulcer manufactured by Nippon Chemiphar Vietnam Co.,Ltd, started in August, including a national medical university hospital representing Vietnam.
- It is the first product for the Group to be approved in Vietnam and has been granted 'Group 1,' which allows for sales at the highest drug price in the country.

> Epinastine Tablets for the Chinese market

- Epinastine, a treatment for allergic diseases was the first generic manufactured in Japan that was approved for the Chinese market. In July, the first shipment of Epinastine Hydrochloride Tablets 20mg was sent to China.
- Aiming for expansion of sales volume in partnership with local companies.

> Celebrating the first shipment of Rebamipide in Vietnam

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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.