



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2023 Third Quarter Business Summary

(Year Ending March 31, 2024)

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Highlights 1

■ Sales

<Net sales: Down 3.9% YOY for Q1–Q3 cumulatively (up 5.9% YOY for Q3 alone), 70.6% progress vs full-year forecasts >

- Q3 sales were up 5.9% YOY for the quarter and down 3.9% YOY cumulatively, marking an improvement over Q2.

① **Pharmaceutical Sales: Down 9.0% YOY for Q1–Q3 cumulatively (up 0.8% for Q3 alone), 71.4% vs full-year forecast**

Factors contributing to growth in sales:

- Growth in products launched in the previous fiscal year and contribution from products launched in the current fiscal year.
- The fact that the impact of shipping adjustments has essentially been resolved.

Factors contributing to decline in sales:

- Impact of mid-year NHI drug price revisions implemented in April 2023.
- Impact of shipping adjustments for some products through Q2.
- Counter-reaction to sales growth driven by demand stemming from quality issues encountered by other companies that manufacture and sell generic drugs during the year-ago Q2.

Highlights 2

- ② Diagnostics: Up 49.2% YOY for Q1–Q3 cumulatively (up 54.4% for 3Q alone), 60.7% progress vs full-year forecasts
- Thanks to further market penetration of the DropScreen allergy screening kit and reagent, cumulative domestic installations as of end-December reached approximately 900 units, on course to top 1,000 by fiscal year-end.

■ Profit

<Operating profit: Loss recorded>

- Thanks to successful expansion of DropScreen sales and recovery in Pharmaceutical Sales, the Company turned a profit for Q3 alone, but this was not enough to make up for performance through Q2, and we consequently recorded an operating loss of ¥36 million.

<Ordinary profit: Down 77.1% YOY, Net profit: Down 84.8% YOY>

- Ordinary profit was ¥125 million and profit attributable to owners of parent was ¥104 million, mainly due to foreign exchange gains of ¥203 million on foreign currency-denominated assets and liabilities held by the Group thanks to the Japanese yen's depreciation.

Sales and Income to Year-on-Year

(¥mn)

	FY2022			FY2023			
	3Q Amount	% of Sales	Full Year Amount	3Q Amount	% of Sales	3Q Change	YOY (%)
Net sales	24,015	100.0	31,559	23,069	100.0	(945)	(3.9)
Pharmaceutical products segment	23,295	97.0	30,543	22,223	96.3	(1,072)	(4.6)
Generics, proprietary products and new drugs	20,286	84.5	26,148	18,458	80.0	(1,828)	(9.0)
Diagnostics	1,831	7.6	2,780	2,732	11.8	900	49.2
Others segment	719	3.0	1,015	846	3.7	127	17.7
Cost of sales	17,665	73.6	23,374	17,224	74.7	(440)	(2.5)
SG&A expenses	6,156	25.6	8,425	5,881	25.5	(275)	(4.5)
R&D expenses	1,631	6.8	2,419	1,482	6.4	(148)	(9.1)
Operating profit/loss	192	0.8	(241)	(36)	—	(228)	—
Ordinary profit	549	2.3	58	125	0.5	(423)	(77.1)
Net profit attributable to owners of parent	684	2.9	339	104	0.5	(580)	(84.8)

Sales and Income to Full Year Forecasts

(¥mn)

	FY2022		FY2023			
	Full Year Amount	% of Sales	3Q Amount	% of Sales	Full Year Forecasts	Progress Rate (%)
Net sales	31,559	100.0	23,069	100.0	32,700	70.6
Pharmaceutical products segment	30,543	96.8	22,223	96.3	—	—
Generics, proprietary products and new drugs	26,148	82.9	18,458	80.0	25,870	71.4
Diagnostics	2,780	8.8	2,732	11.8	4,500	60.7
Others segment	1,015	3.2	846	3.7	—	—
Cost of sales	23,374	74.1	17,224	74.7	—	—
SG&A expenses	8,425	26.7	5,881	25.5	—	—
R&D expenses	2,419	7.7	1,482	6.4	2,820	52.6
Operating profit/loss	(241)	—	(36)	—	200	—
Ordinary profit	58	0.2	125	0.5	100	125.9
Net profit attributable to owners of parent	339	1.1	104	0.5	60	173.8

Pharmaceutical Sales to Year-on-Year

Generics, Proprietary Products and New Drugs

(¥mn)

	FY2022			FY2023			
	3Q Amount	% of Sales	Full Year Amount	3Q Amount	% of Sales	3Q Change	YOY (%)
Total	20,286	100.0	26,148	18,458	100.0	(1,828)	(9.0)
Generics	19,253	94.9	24,803	17,445	94.5	(1,808)	(9.4)
To medical institutions	18,401	—	23,698	16,920	—	(1,480)	(8.0)
To other makers*	852	—	1,105	524	—	(327)	(38.4)
Proprietary products and new drugs	1,033	5.1	1,345	1,013	5.5	(19)	(1.9)
Uralyt	436	—	575	424	—	(11)	(2.7)
Others	596	—	769	588	—	(8)	(1.4)
Chemiphar, ODM Generics							
Total	20,054	—	25,881	18,134	—	(1,919)	(9.6)
Generics (ODM)	800	—	1,078	688	—	(111)	(14.0)

* Includes exports.

Pharmaceutical Sales to Full Year Forecasts

Generics, Proprietary Products and New Drugs

(¥mn)

	FY2022		FY2023			
	Full Year Amount	% of Sales	3Q Amount	% of Sales	Full Year Forecasts	Progress Rate (%)
Total	26,148	100.0	18,458	100.0	25,870	71.4
Generics	24,803	94.9	17,445	94.5	24,640	70.8
To medical institutions	23,698	—	16,920	—	23,830	71.0
To other makers*	1,105	—	524	—	810	64.8
Proprietary products and new drugs	1,345	5.1	1,013	5.5	1,230	82.4
Uralyt	575	—	424	—	530	80.1
Others	769	—	588	—	700	84.1
Chemiphar, ODM Generics						
Total	25,881	—	18,134	—	25,670	70.6
Generics (ODM)	1,078	—	688	—	1,030	66.8

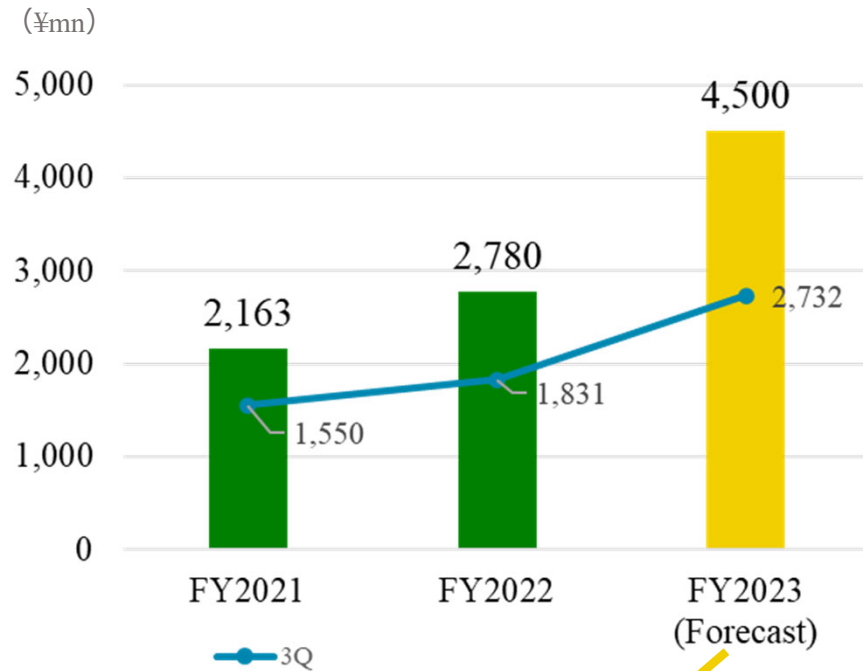
* Includes exports.

Sales Distribution by Launch Year

(¥mn)

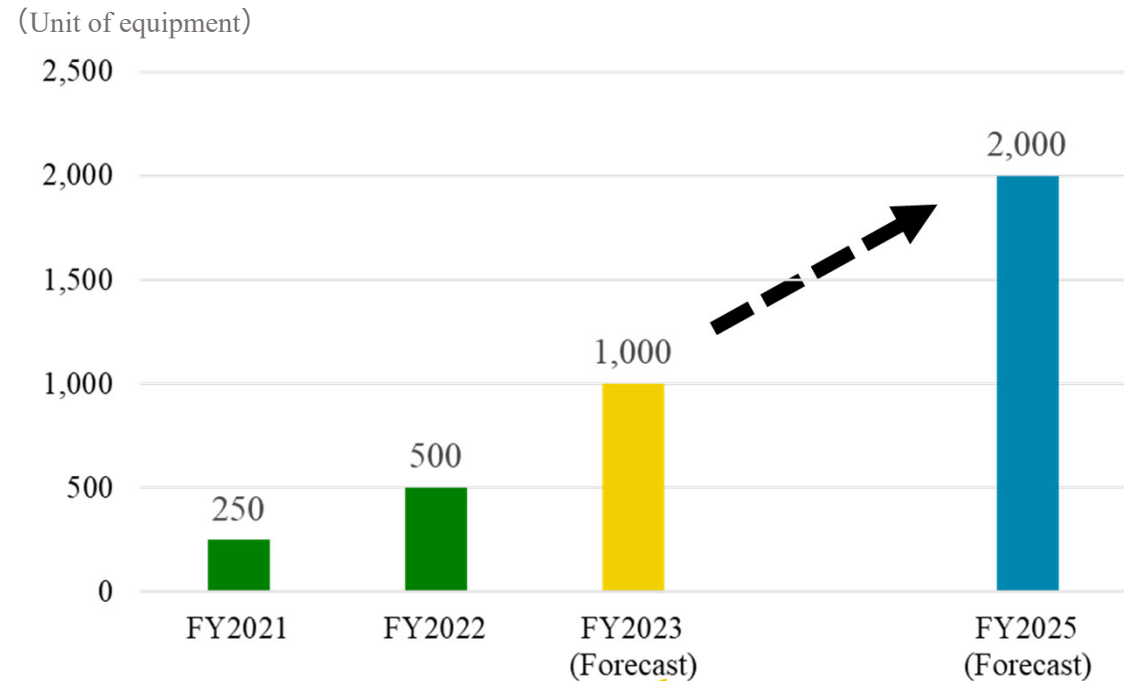
	FY2022		FY2023			Product Lineup
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	YOY (%)	
FY2019 and before	17,634	91.6	15,393	88.2	(12.7)	
FY2020	1,008	5.2	863	4.9	(14.5)	<ul style="list-style-type: none"> • Memantine • Celecoxib
FY2021	335	1.7	304	1.7	(9.2)	<ul style="list-style-type: none"> • Eszopiclone • Duloxetine
FY2022	275	1.4	754	4.3	174.4	<ul style="list-style-type: none"> • Febuxostat • Esomeprazole
FY2023	—	—	129	0.7	—	<ul style="list-style-type: none"> • Azilsartan
Total	19,253	100.0	17,445	100.0	(9.4)	

■ Sales of Diagnostics



Sales of 3Q FY2023: ¥2,732 million
(+49.2% YOY, 60.7% to full-year forecast)

■ Domestic target of DropScreen



At the end of December 2023 :
over 900 units

Balance Sheet

(¥mn)

	FY2022	FY2023				
	March 31, 2023	December 31, 2023	Change	Reason for changes		
				Cash and deposits	64	*
				Notes and accounts receivable—trade, and contract assets	295	
Current assets	33,436	34,421	984	Inventories	875	For increased production
				Construction in progress	1,158	*
Non-current assets	15,134	16,521	1,386	Investment securities	668	Third-party share allocation by Delta-Fly Pharma, Inc.
Total assets	48,571	50,943	2,371			
				Purchase payables	(843)	
Current liabilities	14,766	14,174	(592)	Current portion of long-term borrowings	136	
Non-current liabilities	15,270	18,024	2,753	Long-term borrowings	2,129	*
Total net assets	18,534	18,744	210			
Total liabilities and net assets	48,571	50,943	2,371			

* Additional installation at Building No. 3 of our Tsukuba Factory.

Expenditure and Per Share Information

Capital Expenditure and Other

(¥mn)

	FY2022		FY2023			Usage Rate (%)
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	
Capital expenditure	440	573	1,452	229.7	3,700	39.3
Depreciation and amortization	1,128	1,500	1,065	(5.6)	1,450	73.5

Note to expenditure: We are budgeting for total capital expenditure of ¥3,700 million as we envision additional installation at Building No. 3 of our Tsukuba Factory to meet the need for increased production.

Per Share Information

(¥)

	FY2022		FY2023		
	3Q Amount	Full Year Amount	3Q Amount	Change	Full Year (Forecast)
Earnings per share	189.62	94.07	28.89	(160.73)	16.62
	Dec.31, 2022	March 31, 2023	Dec.31, 2023	Change	Full Year (Forecast)
Book value per share	5,307.03	5,130.65	5,194.33	(112.70)	—
Dividends per share	—	50.00	—	—	50.00
Dividend payout ratio (%)	—	53.2	—	—	300.8

Indexes

	FY2019	FY2020	FY2021	FY2022	3Q FY2023
Cost of sales ratio (%)	60.5	63.7	72.1	74.1	74.7
SG&A Expense to sales ratio (%)	38.4	34.5	25.4	26.7	25.5
Operating profit to sales ratio (%)	1.1	1.8	2.5	—	—
R&D expenses to sales ratio (%)	6.8	6.3	7.4	7.7	6.4
EBITDA (millions of yen)	1,704	2,099	2,727	1,682	1,297
Current ratio (x)	2.13x	2.16x	2.00x	2.26x	2.43x
Debt-to-equity ratio (%)	85.2	84.0	78.9	81.0	93.0
Equity ratio (%)	37.9	38.2	37.4	38.1	36.8
Return on equity (%)	2.5	2.8	3.8	1.8	0.6
Net income ratio (%)	1.4	1.6	2.2	1.1	0.5
Total asset turnover (%)	68.4	67.8	67.3	64.4	46.4
Financial leverage (%)	267.1	258.3	261.2	264.7	265.4
Dividend payout ratio (%)	41.2	36.3	25.7	53.2	—

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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.