



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2019 First Quarter Business Summary

(Year Ending March 31, 2020)

Sales, Income

(¥mn)

	FY2018			FY2019						
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	8,546	100.0	34,182	8,304	100.0	(2.8)	17,000	48.8	34,200	24.3
Pharmaceuticals	8,400	98.3	32,682	8,214	98.9	(2.2)	—	—	—	—
Others	146	1.7	1,500	89	1.1	(38.9)	—	—	—	—
Cost of sales	4,904	57.4	19,654	4,597	55.4	(6.2)	—	—	—	—
SG&A expenses	3,208	37.5	13,063	3,039	36.6	(5.3)	—	—	—	—
R&D expenses	445	5.2	2,066	408	4.9	(8.4)	—	—	2,400	17.0
Operating Income	434	5.1	1,464	666	8.0	53.4	250	266.6	800	83.3
Income before income taxes and minority interests	472	5.5	1,512	596	7.2	26.2	200	298.3	700	85.2
Net income attributable to owners of the parent	285	3.3	881	420	5.1	47.3	100	420.2	500	84.0

Sales

Despite the sales promotion for newly launched PICOPREP and the Group's goal of increasing sales by promoting the diversification of sales channels, generics sales were down 1.8% year on year due to slowing growth in the wake of a rising rate of generic substitution. Sales of proprietary products, including PICOPREP, the new drug that we acquired in February 2019, declined 17.4% year on year. This decrease occurred due to progress of replacement to generics and because the acquisition of PICOPREP new transactions is requiring slightly more time than anticipated.

For these reasons, sales of ethical pharmaceuticals were ¥7,483 million and total sales of pharmaceutical products were ¥8,214 million (down 2.2% YOY).

In the Others segment, sales decreased 38.9% year on year as a reaction to high sales in contracted testing recorded during the previous year. As a result, consolidated sales were ¥8,304 million (down 2.8% YOY).

Operating Income

Operating income amounted to ¥666 million (up 53.4% YOY). This increase was thanks to a 2.0 Percentage-point decrease in the cost of sales ratio year on year and

a 0.9 percentage-point decline in the SG&A expense ratio year on year. This decline in SG&A expense ratio was thanks to reduction efforts and a portion of R&D expenses that shifted to the second quarter and after, despite having been projected for the first.

Although operating income exceeds the forecast for the first half of the year, we will not revise our initial forecast because R&D expenses are projected to occur in the second quarter and NHI drug prices are expected to be revised when the government increases the consumption tax rate in October.

Pharmaceutical Sales

Generics, Proprietary Products

(¥mn)

	FY2018			FY2019				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	7,690	100.0	29,798	7,483	100.0	(2.7)	29,550	25.3
Generics	7,254	94.3	28,238	7,123	95.196	(1.8)	28,050	25.4
To medical institutions	6,994		27,156	6,881		(1.6)	27,130	25.4
To other makers*	260		1,082	241		(7.2)	920	26.3
Amlodipine	731		2,890	740		1.3	2,770	26.7
Lansoprazole	475		1,629	348		(26.7)	1,220	28.5
Donepezil	315		1,187	298		(5.6)	1,140	26.2
Rabeprazole	357		1,370	340		(4.8)	1,400	24.4
Limaprost Alfadex	337		1,197	266		(21.0)	1,170	22.8
Others	5,036		19,963	5,128		1.8	20,350	25.2
Proprietary products	435	5.7	1,560	359	4.804	(17.4)	1,500	24.0
Uralyt	264		983	221		(16.3)	850	26.1
Others	170		577	137		(19.0)	650	21.2

Chemiphar, ODM Generics

(¥mn)

	FY2018			FY2019				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
Total	7,577	100.0	29,244	7,419	100.0	(2.1)	28,900	25.7
Generics	7,254	95.7	28,238	7,123	96.0	(1.8)	28,050	25.4
Generics (ODM)	322	4.3	1,005	295	4.0	(8.4)	850	34.8

* Includes exports.

Sales Distribution

By Launch Year (¥mn)

Year	FY2018		FY2019		YOY (%)
	1Q Amount	Distrib. (%)	1Q Amount	Distrib. (%)	
FY2012 and before	5,230	72.1	4,856	68.2	(7.1)
FY2013	744	10.3	730	10.3	(1.8)
FY2014	459	6.3	468	6.6	2.0
FY2015	329	4.5	248	3.5	(24.7)
FY2016	136	1.9	219	3.1	61.0
FY2017	336	4.6	354	5.0	5.2
FY2018	18	0.3	241	3.4	x13
FY2019	—	—	4	0.1	—
Total	7,254	100.0	7,123	100.0	(1.8)

By Main Therapeutic Categories (%)

	FY2018 1Q	FY2019 1Q
Cardiovascular and respiratory drugs	32.9	32.6
Digestive organ drugs	17.8	16.3
Agents affecting metabolism	17.4	15.4
Drugs for nervous system, sensory organs	8.2	9.7
Antibiotics and chemotherapeutic drugs	5.0	5.4
Antineoplastic agents	3.2	3.6
Others	15.5	17.0

Balance Sheet, per Share Information

Balance Sheet Data (¥mn)

	March 31, 2019	June 30, 2019	
	Amount*	Amount	Change
Total assets	46,926	48,588	1,662
Net assets	17,863	18,003	140
Owned capital	17,843	17,982	138
Capital-to-asset ratio (%)	38.0	37.0	(1.0)
Current assets	28,668	30,501	1,832
Current liabilities	13,825	15,247	1,422
Current ratio (x)	2.07	2.00	(0.07)

Per Share Information (¥)

	FY2018		FY2019		
	1Q Amount	Full Year Amount	1Q Amount	YOY	Full Year (Forecast)
Earnings per share	79.37	245.11	116.89	37.52	139.07
	June 30, 2017	March 31, 2018	June 30, 2018		Full Year (Forecast)
Book value per share	4,787.68	4,963.24	5,001.75	—	—
Dividends per share	—	100.00	—	—	75.00
Dividend payout ratio (%)	—	40.8	—	—	53.9

Expenditure

Capital Expenditure and Other

(¥mn)

	FY2018		FY2019			
	1Q Amount	Full Year Amount	1Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	233	784	107	(54.2)	950	11.3
Depreciation and amortization	306	1,345	314	2.6	1,400	22.5

For further information contact:

Public Relations Department, Nippon Chemiphar Co., Ltd.

E-mail: ir@chemiphar.co.jp

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.