



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2019 Second Quarter Business Summary

(Year Ending March 31, 2020)

Sales, Income

	FY2018			FY2019					Initial Forecast ²			
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	2Q (Forecast)	Achieved (%)	Full Year (Forecast) ¹	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net Sales	16,637	100.0	34,182	16,097	100.0	(3.2)	17,000	94.7	33,200	48.5	34,200	47.1
Pharmaceuticals	16,235	97.6	32,682	15,745	97.8	(3.0)	—	—	—	—	—	—
Others	401	2.4	1,500	351	2.2	(12.4)	—	—	—	—	—	—
Cost of sales	9,498	57.1	19,654	9,219	57.3	(2.9)	—	—	—	—	—	—
SG&A expenses	6,483	39.0	13,063	6,257	38.9	(3.5)	—	—	—	—	—	—
R&D expenses	985	5.9	2,066	1,112	6.9	12.9	—	—	2,400	46.4	2,400	46.4
Operating Income	655	3.9	1,464	619	3.9	(5.4)	250	247.9	800	77.5	800	77.5
Income before income taxes and minority interests	800	4.8	1,454	513	3.2	(35.8)	—	—	—	—	—	—
Net income attributable to owners of the parent	491	3.0	881	326	2.0	(33.5)	100	326.5	500	65.3	500	65.3

Note: 1. Revised forecast issued on October 31, 2019. 2. Initial forecast issued on May 13, 2019.

Sales

Despite the Group's goal of increasing sales by conducting sales promotions combined with informative activities on newly launched PICOPREP, as well as diversifying sales channels, generics sales were down 1.0% year on year due to a low number of new product launches during the year and increasingly fierce competition resulting from the rise of authorized generics.

Sales of proprietary products, including PICOPREP, declined 15.0% year on year. This decrease occurred due to the substitution of generic drugs for key products such as Uralyt and Soleton, even though the number of medical institutions adopting PICOPREP has increased steadily since February.

In the Others segment, sales decreased 12.4% year on year as a reaction to high sales from contracted clinical and preclinical testing recorded during the previous year. As a result of these conditions, consolidated sales were ¥16,097 million (down 3.2% YOY).

Operating Income

Even though sales fell slightly this quarter, operating income amounted to ¥619 million, the same level as the previous fiscal year. This result was due to our efforts to optimize our use of recurring expenses and the delay of incurring a portion of our R&D expenses to the second half of the year.

Revised Sales Forecast

We have revised our full-year sales forecast because consolidated sales progressed more slowly than projected in our first half forecast. Although results have been high on all profit lines, we will not revise the initial profit forecast due to the need to carefully monitor the impact of NHI price revisions and because a portion of R&D expenses that we expected to incur during the first half of the year will be incurred during the second half.



Pharmaceutical Sales

Generics, Proprietary Products

	FY2018			FY2019					Initial Forecast ³	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ²)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Total	14,833	100.0	29,798	14,568	100.0	(1.8)	28,550	51.0	29,550	49.3
Generics	14,020	94.5	28,238	13,878	95.3	(1.0)	27,150	51.1	28,050	49.5
To medical institutions	13,535		27,156	13,403		(1.0)	26,230	51.1	27,130	49.4
To other makers ¹	484		1,082	474		(2.0)	920	51.6	920	51.6
Amlodipine	1,430		2,890	1,445		1.1	2,650	54.5	2,770	52.2
Lansoprazole	901		1,629	667		(26.0)	1,220	54.7	1,220	54.7
Donepezil	606		1,187	571		(5.8)	1,050	54.5	1,140	50.2
Rabeprazole	695		1,370	666		(4.2)	1,270	52.5	1,400	47.6
Limaprost Alfadex	641		1,197	521		(18.8)	1,010	51.6	1,170	44.6
Others	9,744		19,963	10,006		2.7	19,950	50.2	20,350	49.2
Proprietary products and new drugs	812	5.5	1,560	690	4.7	(15.0)	1,400	49.3	1,500	46.0
Uralyt	504		983	429		(14.9)	800	53.7	850	50.6
Others	307		577	260		(15.3)	600	43.4	650	40.1

Chemiphar, ODM Generics

	FY2018			FY2019					Initial Forecast ³	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ²)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Total	14,558	100.0	29,244	14,422	100.0	(0.9)	28,000	51.5	28,900	49.9
Generics	14,020	96.3	28,238	13,878	96.2	(1.0)	27,150	51.1	28,050	49.5
Generics (ODM)	537	3.7	1,005	543	3.8	1.1	850	64.0	850	64.0

Note:

1. Includes exports

2. Revised forecast issued on October 31, 2019.

3. Initial forecast issued on May 13, 2019.

Sales Distribution

By Launch Year

(¥mn)

	FY2018		FY2019		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
FY2012 and before	10,048	71.7	9,399	67.7	(6.4)
FY2013	1,468	10.5	1,499	10.8	2.1
FY2014	893	6.4	880	6.3	(1.5)
FY2015	589	4.2	578	4.2	(1.7)
FY2016	274	2.0	321	2.3	17.3
FY2017	665	4.7	703	5.1	5.7
FY2018	82	0.6	463	3.3	463.5
FY2019	—	—	30	0.2	—
Total	14,020	100.0	13,878	100.0	(1.0)

By Main Therapeutic Categories

(%)

	FY2018 2Q Amount	FY2019 2Q Amount
Cardiovascular and respiratory drugs	33.6	33.0
Digestive organ drugs	17.9	16.3
Agents affecting metabolism	16.6	15.3
Drugs for nervous system, sensory organs	7.9	9.3
Antibiotics and chemotherapeutic drugs	5.1	5.3
Antineoplastic agents	3.2	3.4
Others	15.7	17.4

Balance Sheet, per Share Information

Balance Sheet Data (¥mn)

	March 31, 2019	September 30, 2019	
	Amount	Amount	Change
Total assets	46,926	47,322	395
Net assets	17,863	17,759	(103)
Owned capital	17,843	17,737	(106)
Capital-to-asset ratio (%)	38.0%	37.5%	(0.5)
Current assets	28,668	29,693	1,025
Current liabilities	13,825	13,651	(173)
Current ratio (x)	2.07	2.18	0.11

Per Share Information (¥)

	FY2018		FY2019		
	2Q Amount	Full Year Amount	2Q Amount	FY2019 YOY	Full Year (Forecast)
Earnings per share	136.57	245.11	90.83	(45.74)	139.07
	Sept. 30, 2018	March 31, 2019	Sept. 30, 2019		Full Year (Forecast)
Book value per share	4,887.93	4,963.24	4,933.72	—	—
Dividend per share	0.00	100.00	0.00	—	75.00
Dividend payout ratio (%)	—	40.8	—	—	53.9

Cash Flow, Expenditure

Cash Flow Statement

	(¥mn)	
	FY2018 2Q Amount	FY2019 2Q Amount
Net cash:		
Provided by operating activities	926	1,161
Used in investing activities	(590)	(214)
Used in financing activities	737	470
Cash and cash equivalents	8,987	10,649
Free cash flow	335	947

Capital Expenditure and Other

	(¥mn)					
	FY2018		FY2019			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	432	784	248	(42.5)	950	26.2
Depreciation and amortization	621	1,345	614	(1.1)	1,400	43.9

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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.