



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2019 Business Results

(Year ending March 31, 2020)

Contents

I. Summary of Results	3
II. FY2019 Forecasts	8
III. Management Strategy.....	11

I. Summary of Results

Sales, Income

(¥mn)

	2Q FY2018		2Q FY2019				2Q FY2019 (Forecast)	
	Amount	% of Sales	Amount	% of Sales	Amount	Change (%)	Amount	Achieved (%)
Net sales	16,637	100.0	16,097	100.0	(539)	(3.2)	17,000	94.7
Pharmaceuticals	16,235	97.6	15,745	97.8	(489)	(3.0)	—	—
Others	401	2.4	351	2.2	(49)	(12.4)	—	—
Cost of sales	9,498	57.1	9,219	57.3	(278)	(2.9)	—	—
SG&A expenses	6,483	39.0	6,257	38.9	(225)	(3.5)	—	—
				0.2p				
				(0.1p)				
Operating income	655	3.9	619	3.9	(35)	(5.4)	250	247.9
Income before income taxes and minority interests	800	4.8	513	3.2	(286)	(35.8)	—	—
Net income attributable to owners of the parent	491	3.0	326	2.0	(164)	(33.5)	100	326.5

Pharmaceutical Sales

(¥mn)

	2Q FY2018		2Q FY2019		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total(① + ②)	14,833	100.0	14,568	100.0	(1.8)
① Generics	14,020	94.5	13,878	95.3	(1.0)
To medical institutions	13,535		13,403		(1.0)
To other makers*	484		474		(2.0)
Amlodipine	1,430		1,445		1.1
Lansoprazole	901		667		(26.0)
Donepezil	606		571		(5.8)
Rabeprazole	695		666		(4.2)
Limaprost Alfadex	641		521		(18.8)
Others	9,744		10,006		2.7
② Proprietary products and new drugs	812	5.5	690	4.7	(15.0)
Uralyt	504		429		(14.9)
Others	307		260		(15.3)
Total(① + ③)	14,558	—	14,422	—	(0.9)
③ Generics (ODM)	537	—	543	—	1.1

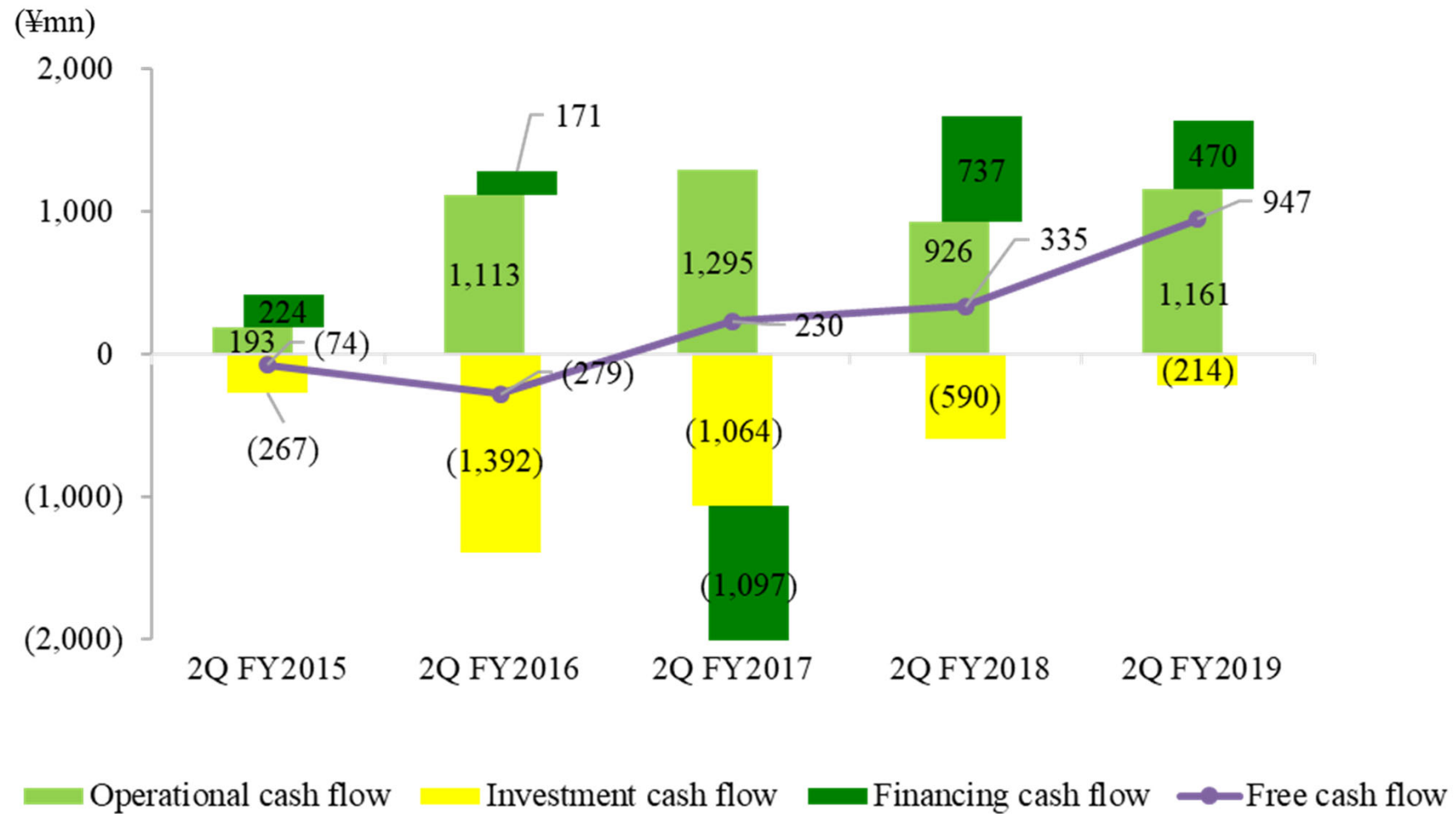
* Includes exports

Balance Sheet

(¥mn)

	March 31, 2019	September 30, 2019	Change	Components	
Current assets	28,668	29,693	1,025	Cash, deposits	1,418
				Notes, accounts receivable-trade	(1,085)
				Inventories	593
Non-current assets	18,256	17,627	(629)	Buildings and structures	(148)
				Investments in securities	(101)
Total assets	46,926	47,322	395		
Liabilities	29,063	29,562	499	Notes, accounts payable-trade	(242)
				Loans payable	883
				Accrued expenses	(108)
Net assets	17,863	17,759	(103)		
Equity ratio (%)	38.0	37.5	(0.5p)		
Liabilities, net assets	46,926	47,322	395		

Cash Flow



II. FY2019 Forecasts

Revised Forecast

(¥mn)

	FY2018 Amount	2Q Amount	FY2019		Progress Rate (%)
			Initial Forecast*	Revised Forecast**	
Net sales	34,182	16,097	34,200	33,200	48.5
Pharmaceuticals	29,798	14,568	29,550	28,550	51.0
Generics	28,238	13,878	28,050	27,150	51.1
Proprietary products and new drugs	1,560	690	1,500	1,400	49.3
Operating income	1,464	619	800	800	77.5
Income before income taxes and minority interests	1,454	513	—	—	—
Net income attributable to owners of the parent	881	326	500	500	65.3

* Issued on May 11, 2019

**Issued on October 31, 2019

Revised Pharmaceutical Sales Forecast

(¥mn)

	FY2019		
	2Q Amount	Revised Forecast**	Progress Rate (%)
Total (① + ②)	14,568	28,550	51.0
① Generics	13,878	27,150	51.1
To medical institutions	13,403	26,230	51.1
To other makers*	474	920	51.6
Amlodipine	1,445	2,650	54.5
Lansoprazole	667	1,220	54.7
Donepezil	571	1,050	54.5
Rabeprazole	666	1,270	52.5
Limaprost Alfadex	521	1,010	51.6
Others	10,006	19,950	50.2
② Proprietary products and new drugs	690	1,400	49.3
Uralyt	429	800	53.7
Others	260	600	43.4
Total (① + ③)	14,422	28,000	51.5
③ Generics (ODM)	543	850	64.0

* Includes exports

**Issued on October 31, 2019

III. Management Strategy

Three Plus 1 Principal Goals

- ✓ We will establish an original business model by fulfilling our three plus 1 principal goals.
- ✓ We will also pursue growth and profitability by creating innovation through the achievement of each of these goals.

Goal 1 Generics

- ◆ **Implemented reforms aimed at further enhancement of our supply chain.**
 - Diversified sales channels.
 - Expanded production at the Vietnam factory.
- ◆ **Began internationalizing our development framework.**

Goal 2 Hyperuricemia

- ◆ **Results of clinical research at Tohoku University (CKOALA Study).**
 - Pursued multiple possibilities for Uralyt.

Goal 3 Drug discovery

- ◆ **Out-licensed internally developed compounds.**
- ◆ **Joined forces with an AI drug discovery venture and changed our drug discovery process.**

+

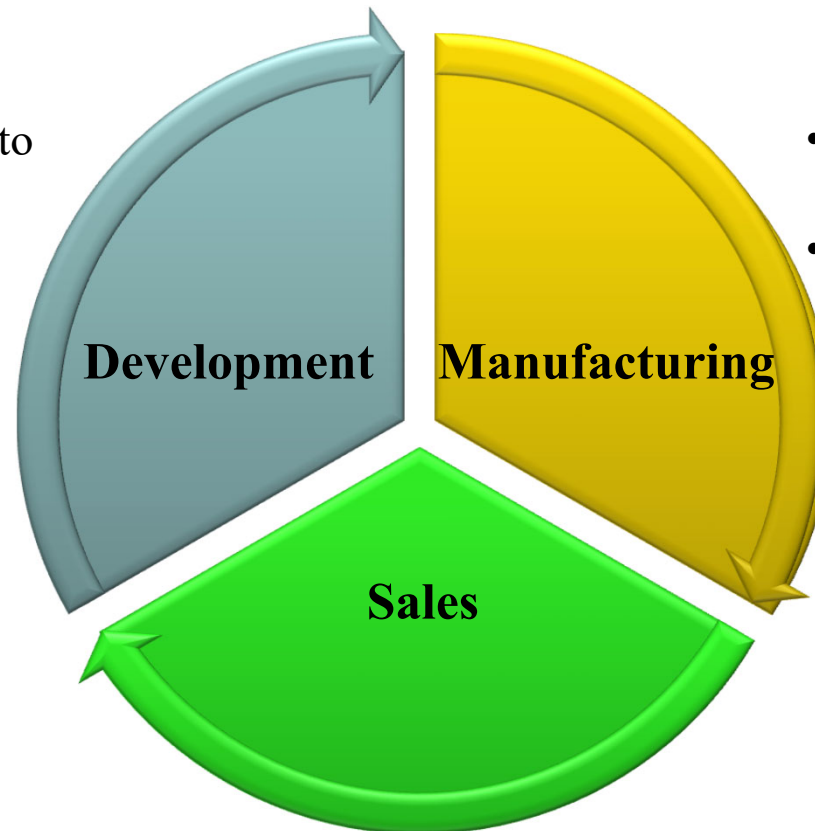
Plus 1 : Overseas business

- ◆ **Received approval for five products in three countries.**
- ◆ **Prepared for drug development at the Vietnam factory.**
- ◆ **Expanded diagnostics business in China and rolled out Drop Screen abroad.**

Generic Drugs

Strengthening the generic drugs supply chain

- Convert development strategy to emphasize profitability.
- Continued to switch to high-quality and inexpensive APIs, discount purchase prices.
- Strived to conduct timely development abroad.



- Expanded production at the Vietnam factory.
- Strengthened our contract business, which utilizes the facilities and functions of our factories in Japan and overseas.

- Make a sales structure have flexibility to adopt to market changes.
- Strengthened relationships with prescribing institutions by providing information regarding new drugs.
- Spread joint transportation agreement with Otsuka Warehouse Co., Ltd. to the whole of Japan to strengthen logistics system.

Hyperuricemia and PICOPREP


Activities for hyperuricemia (Urine alkalization)


- Provided information concerning the importance of urine alkalization and urinary tract control, based on the third edition of the *Guideline for the Management of Hyperuricemia and Gout*.
- Clinical research at Tohoku University is nearly ready for presentation at conferences and for submission as a dissertation.
- Applied multifaceted approach to Uralyt.

Enhancement of PICOPREP











- The number of medical institutions adopting PICOPREP has increased steadily since February.
- Worked to raise product awareness and expand sales by providing details via the Internet and timely, appropriate web-linked information provision achieved through MR.
- Strived to achieve positive synergy with gastrointestinal and oncological generic drugs.

Drug discovery 1: Pipeline

 In-house drug development

 Other companies or physician-initiated development

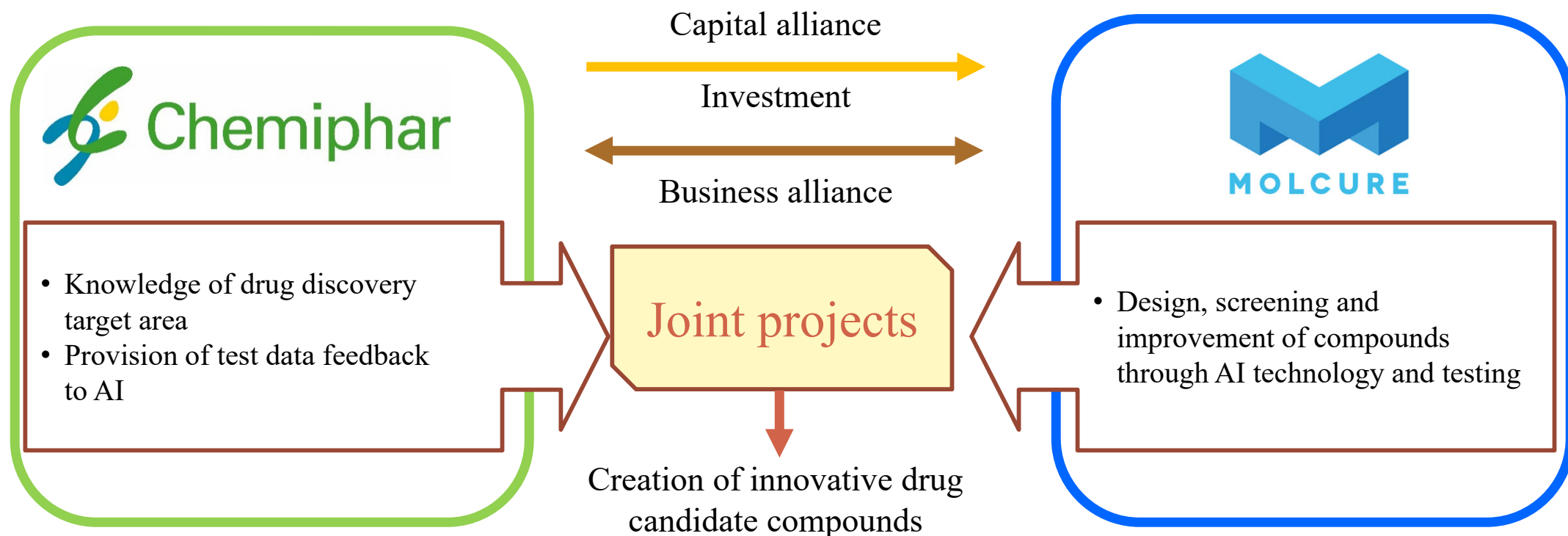
As of September 2019

No.	Function (Target)	Preclinical	Phase 1	Phase 2	Notes
NC-2400	PPAR- δ agonist (Lipid metabolism abnormalities)				<ul style="list-style-type: none"> Finished Phase 1. Licensed to Abionyx Pharma SA (France).
NC-2500	XOR inhibitor (Hyperuricemia, gout)				<ul style="list-style-type: none"> Phase 1 was finished in September 2017. Conducting licensing out activities and seeking tie-up partner.
NC-2600	P2X4 receptor antagonist (Neuropathic pain)				<ul style="list-style-type: none"> Joint research with Kyusyu University. Phase 1 was finished in September 2017, and we are conducting licensing out activities.
NC-2700	URAT1 inhibitor (Hyperuricemia, gout)				<ul style="list-style-type: none"> Finished preclinical trial in September 2017. Conducting licensing out activities and seeking tie-up partner.
NC-2800	δ opioid receptor agonist (Depression/Anxiety)				<ul style="list-style-type: none"> Selected by AMED for its funding program on January 2018. Conducting licensing out activities in parallel with phase 1 preparation.
Soleton	COX inhibitor (Diffuse-type tenosynovial giant cell tumor and others)				<ul style="list-style-type: none"> Physician-initiated clinical trial was started.
Calvan	A β 1 blocker (Huntington's disease)				<ul style="list-style-type: none"> Licensed to SOM Biotech SL (Spain). Final data was collected in September 2019. (Announced by SOM)

Drug Discovery 2: Access to New Technologies

Create candidate compounds using AI (Artificial Intelligence)

- In November 2018, we accepted a third-party allocation of shares from MOLCURE and signed a memorandum with MOLCURE agreeing to commence negotiations toward a business alliance between both companies.
- We promoted the launch of a joint research project concurrently with negotiations.



Diagnosics 1: New Product

Drop Screen specific IgE measuring kit ST-1, an allergy screening kit, has been approved for manufacture and sale.

Small-volume blood sampling

- Sample volume 20 μ L
- Comfortable for small children by small samples extracted from patients' fingertips.

Measuring time

- Measured allergens 41
- Measurement time 30 minutes

Compactness

- Compact design that is the size of an A3 sheet of paper
- Water supply and drainage equipment unnecessary

Ease of operation

- Simple-to-use touch panel
- All-in-one reagent cartridge



Reagent (above) and measuring instrument (left) of Drop Screen.

Diagnosics 2: New Product, Oversea Business

Screenings for 41 allergens through fingertip blood samples.

Inhaled and other allergens

- Added 19 allergens such as mites, animals, insects, pollen dust and fungi based on testing order numbers and positivity rates.
- Capable of wide-ranging screening, even when identifying underlying allergens is difficult.

Food allergen

- Added 7 specific raw materials that are required to be displayed on nutrition labels in Japan.
- Added 11 quasi-specific raw materials which are encouraged to be displayed on nutrition labels in Japan.
- Added 5 vegetables and fruits associated with pollen-food allergy syndrome.

Constructing mass production system to produce reagents and measuring instruments.

Rollout of IgE NC in China

- Some reagents of IgE NC, which is Chemiphar's main diagnostic product, have been approved in China.
- We plan to approve additional reagents and market them in China.



IgE NC

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.