



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2020 Second Quarter Business Summary

(Year Ending March 31, 2021)

Highlights

Net Sales

Generics sales decreased 9.7% year on year despite an added boost from product launches conducted in June due to factors such as NHI price revisions made in October 2019 and April 2020, intensifying competition within the market, and a tendency for patients to refrain from receiving medical examinations in the midst of the COVID-19 pandemic. Meanwhile, sales of proprietary products and new drugs rose 13.1% year on year thanks in part to Klaricid® adopted starting in July.

In the others segment, sales decreased by 25.3% year on year as the COVID-19 pandemic caused delays related to contracted testing. Consequently, consolidated net sales came to ¥14,832 million (down 7.9% YOY).

Income

Despite ongoing efforts to reduce costs of sales and recurring expenses, operating loss amounted to ¥189 million due primarily to a rise in the cost-to-sales ratio caused by NHI drug price revisions and the decrease in sales mentioned above.

Meanwhile, net loss attributable to owners of the parent came to ¥257 million caused by the recording of ¥167 million in extraordinary loss stemming mainly from costs associated with voluntary retirement offers and other structural reforms.

Full-year Forecast Revision

Due to difficulties preventing rational calculations, we did not factor the impact of the spread of the COVID-19 pandemic on our business activities into our full-year forecast for the fiscal year 2020, announced on May 18, 2020.

Although the pharmaceutical market is gradually recovering, current conditions are expected to continue during the second half of the fiscal year, and we have accordingly based our second-half projections on results recorded through September 30, 2020 while reflecting costs associated with groupwide structural reforms announced on July 22, 2020.

Consequently, we have revised our full-year forecast for the fiscal year 2020 and currently project consolidated net sales of ¥31,000 million, operating income of ¥200 million, and net income attributable to owners of the parent of ¥50 million.

Sales, Income

(¥mn)

	FY2019			FY2020					Initial Forecast ²	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Net sales	16,097	100.0	31,756	14,832	100.0	(7.9)	31,000	47.8	33,000	44.9
Pharmaceuticals	15,745	97.8	30,632	14,569	98.2	(7.5)	—	—	—	—
Others	351	2.2	1,123	262	1.8	(25.3)	—	—	—	—
Cost of sales	9,219	57.3	19,200	9,446	63.7	2.5	—	—	—	—
SG&A expenses	6,257	38.9	12,190	5,575	37.6	(10.9)	—	—	—	—
R&D expenses	1,112	6.9	2,173	1,113	7.5	0.1	2,200	50.6	2,200	50.6
Operating income/loss	619	3.9	364	(189)	—	—	200	—	600	—
Income/Loss before income taxes and minority interests	513	3.2	732	(346)	—	—	—	—	—	—
Net income/loss attributable to owners of the parent	326	2.0	436	(257)	—	—	50	—	300	—

Note:

1. Revised forecast issued on October 30, 2020.

2. Issued on May 18, 2020.

Pharmaceutical Sales

Generics, Proprietary Products

(¥mn)

	FY2019			FY2020					Initial Forecast ²	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Total	14,295	100.0	27,792	13,059	100.0	(8.6)	27,040	48.3	28,700	45.5
Generics	13,610	95.2	26,429	12,284	94.1	(9.7)	25,190	48.8	26,590	46.2
To medical institutions	13,135		25,446	11,810		(10.1)	24,200	48.8	25,630	46.1
To other makers ³	474		983	474		(0.2)	990	47.9	960	49.4
Amlodipine	1,415		2,646	1,198		(15.3)	2,370	50.6	2,440	49.1
Lansoprazole	621		1,197	496		(20.1)	990	50.1	990	50.1
Donepezil	555		1,005	416		(25.0)	850	49.0	980	42.5
Rabeprazole	687		1,346	698		1.7	1,360	51.4	1,420	49.2
Limaprost Alfadex	510		947	389		(23.6)	740	52.7	770	50.6
Others	9,820		18,303	9,085		(7.5)	18,880	48.1	19,990	45.4
Proprietary products and new drugs	685	4.8	1,362	775	5.9	13.1	1,850	41.9	2,110	36.7
Uralyt	425		842	377		(11.1)	740	51.1	730	51.8
Others	260		520	397		52.6	1,110	35.8	1,380	28.8

Chemiphar, ODM Generics

(¥mn)

	FY2019			FY2020					Initial Forecast	
	2Q Amount	Distrib. (%)	Full Year Amount	2Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
Total	14,154	100.0	27,322	12,953	100.0	(8.5)	26,290	49.3	27,690	46.8
Generics	13,610	96.2	26,425	12,284	94.8	(9.7)	25,190	48.8	26,590	46.2
Generics (ODM)	543	3.8	896	668	5.2	23.0	1,100	60.8	1,100	60.8

Note:

1. Revised forecast issued on October 30, 2020.
2. Original forecast issued on May 18, 2020.
3. Includes exports

Sales Distribution

By Launch Year (¥mn)

	FY2019		FY2020		YOY (%)
	2Q Amount	Distrib. (%)	2Q Amount	Distrib. (%)	
FY2013 and before	10,626	78.1	8,994	73.2	(15.3)
FY2014	880	6.5	876	7.1	(0.5)
FY2015	578	4.3	511	4.2	(11.7)
FY2016	321	2.4	263	2.1	(18.1)
FY2017	703	5.2	688	5.6	(2.1)
FY2018	463	3.4	432	3.5	(6.8)
FY2019	35	0.3	59	0.5	67.9
FY2020	—	—	458	3.7	—
Total	13,610	100.0	12,284	100.0	(9.7)

By Main Therapeutic Categories (%)

	FY2019 2Q Amount	FY2020 2Q Amount
Cardiovascular and respiratory drugs	33.0	30.4
Digestive organ drugs	16.3	15.8
Agents affecting metabolism	15.3	15.6
Drugs for nervous system, sensory organs	9.3	12.4
Antibiotics and chemotherapeutic drugs	5.3	5.7
Antineoplastic agents	3.4	3.1
Others	17.4	17.0

Balance Sheet, per Share Information

Balance Sheet Data (¥mn)

	March 31, 2020	September 30, 2020	
	Amount	Amount	Change
Total assets	45,862	46,933	1,070
Net assets	17,392	17,087	(305)
Owned capital	17,367	17,069	(297)
Capital-to-asset ratio (%)	37.9	36.4	(1.5)
Current assets	29,314	29,859	545
Current liabilities	13,739	13,982	242
Current ratio (x)	2.13	2.14	0.01

Per Share Information (¥)

	FY2019		FY2020		
	2Q Amount	Full Year Amount	2Q Amount	FY2020 YOY	Full Year (Forecast)
Earnings per share	90.83	121.42	(71.60)	(162.43)	13.91
	Sept. 30, 2019	March 31, 2020	Sept. 30, 2020		Full Year (Forecast)
Book value per share	4,933.72	4,830.92	4,748.21	—	—
Dividend per share	0.00	50.00	0.00	—	50.00
Dividend payout ratio (%)	—	41.2	—	—	359.5

Cash Flow, Expenditure

Cash Flow Statement	(¥mn)	
	FY2019 2Q Amount	FY2020 2Q Amount
Net cash:		
Provided by operating activities	1,161	428
Used in investing activities	(214)	(877)
Used in financing activities	470	1,221
Cash and cash equivalents	10,649	10,750
Free cash flow	947	(449)

Capital Expenditure and Other	(¥mn)					
	FY2019		FY2020			
	2Q Amount	Full Year Amount	2Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	248	660	242	(2.6)	810	29.9
Depreciation and amortization	614	1,272	644	4.8	1,300	49.6

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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.

