



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2020 Third Quarter Business Summary

(Year Ending March 31, 2021)

Highlights

Net Sales

The business environment within the pharmaceutical market remains tough due to NHI price revisions made in October 2019 and April 2020, as well as to impact from the COVID-19 pandemic. Under these circumstances, we successfully reduced the rate of year-on-year decline in the sales of pharmaceutical segment from minus 7.5% in the second quarter to minus 3.0%, thereby curbing the downward trend associated with these sales. We achieved this result thanks in part to generic drugs launched during the period under review that performed strongly due mainly to their advantageous formulations. Meanwhile, sales of Klaricid®, which we added to our lineup in July 2020, also contributed to third-quarter pharmaceuticals sales, as did integrated management of the Group's sales activities that was achieved through structural reforms.

Sales in the others segment rose 8.8% year on year, offsetting performance in the second quarter that was slower than expected due to the COVID-19 pandemic. This result was primarily due to a strong volume of clinical testing orders received mainly by subsidiaries that conduct both clinical and nonclinical testing for external clients.

Consequently, consolidated net sales came to ¥23,612 million. Although cumulative net sales were down 2.7% year on year, non-cumulative third-quarter sales rose compared to the same period of the previous year.

Income

The Group moved into the black with operating income of ¥460 million. This result was due in part to sales contributions from Klaricid® and generic drugs launched during the period under review. Personnel system optimization achieved through

Groupwide structural reforms and cost reductions attained through stricter standards regarding the purposes of expenditures also played a role in generating operating income.

At the end of the third quarter, cumulative income had achieved a high percentage of the corresponding full-year target. However, the Group has made no changes to its full-year forecast, partly out of consideration for the Japanese government's declaration of an additional state of emergency affecting primarily the Tokyo Metropolitan Area in response to the COVID-19 pandemic and partly due to caution in the face of uncertain market trends associated with upcoming NHI price revisions in April 2021.

Sales, Income

(¥mn)

	FY2019			FY2020				
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	Progress Rate (%)
Net sales	24,266	100.0	31,756	23,612	100.0	(2.7)	31,000	76.2
Pharmaceuticals	23,678	97.6	30,632	22,972	97.3	(3.0)	—	—
Others	588	2.4	1,123	640	2.7	8.8	—	—
Cost of sales	14,416	59.4	19,200	14,855	62.9	3.0	—	—
SG&A expenses	9,222	38.0	12,190	8,296	35.1	(10.0)	—	—
R&D expenses	1,625	6.7	2,173	1,565	6.6	(3.7)	2,200	71.2
Operating income	627	2.6	364	460	1.9	(26.7)	200	230.0
Income before income taxes and minority interests	989	4.1	732	436	1.8	(55.8)	—	—
Net income attributable to owners of the parent	667	2.8	436	335	1.4	(49.8)	50	670.8

Note:

1. Issued on October 30, 2020.

Pharmaceutical Sales

Generics, Proprietary Products and New Drugs (¥mn)

	FY2019			FY2020				Progress Rate (%)
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	
Total	21,562	100.0	27,792	20,733	100.0	(3.8)	27,040	76.7
Generics	20,502	95.1	26,429	19,379	93.5	(5.5)	25,190	76.9
To medical institutions	19,811		25,446	18,636		(5.9)	24,200	77.0
To other makers ²	690		983	743		7.6	990	75.1
Amlodipine	2,073		2,646	1,884		(9.1)	2,370	79.5
Lansoprazole	983		1,197	754		(23.3)	990	76.2
Donepezil	810		1,005	649		(19.8)	850	76.4
Rabeprazole	995		1,346	1,087		9.2	1,360	79.9
Limaprost Alfadex	752		947	587		(22.0)	740	79.4
Others	14,886		18,303	14,416		(3.2)	18,880	76.4
Proprietary products and new drugs	1,060	4.9	1,362	1,354	6.5	27.7	1,850	73.2
Uralyt	657		842	573		(12.8)	740	77.5
Others	402		520	780		93.9	1,110	70.3

Chemiphar, ODM Generics (¥mn)

	FY2019			FY2020				Progress Rate (%)
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast ¹)	
Total	21,203	100.0	27,322	20,273	100.0	(4.4)	26,290	77.1
Generics	20,502	96.7	26,425	19,379	95.6	(5.5)	25,190	76.9
Generics (ODM)	701	3.3	896	894	4.4	27.5	1,100	81.3

Note:

1. Issued on October 30, 2020.

2. Includes exports

Sales Distribution

By Launch Year (¥mn)

	FY2019		FY2020		YOY (%)
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2013 and before	16,018	78.1	14,008	72.3	(12.5)
FY2014	1,304	6.4	1,351	7.0	3.6
FY2015	854	4.2	802	4.1	(6.1)
FY2016	458	2.2	396	2.0	(13.4)
FY2017	1,065	5.2	1,094	5.6	2.7
FY2018	727	3.5	672	3.5	(7.6)
FY2019	73	0.4	94	0.5	27.8
FY2020	—	—	958	4.9	—
Total	20,502	100.0	19,379	100.0	(5.5)

By Main Therapeutic Categories (%)

	FY2019 3Q Distrib.	FY2020 3Q Distrib.
Cardiovascular and respiratory drugs	32.6	30.2
Digestive organ drugs	16.3	15.6
Agents affecting metabolism	15.3	15.6
Drugs for nervous system, sensory organs	9.3	11.9
Antibiotics and chemotherapeutic drugs	5.4	6.5
Antineoplastic agents	3.4	3.0
Others	17.7	17.2

Balance Sheet, per Share Information

Balance Sheet Data	(¥mn)		
	March 31,2020 Amount	December 31, 2020. Amount	Change
Total assets	45,862	48,059	2,196
Net assets	17,392	17,488	95
Owned capital	17,367	17,471	103
Capital-to-asset ratio (%)	37.9	36.4	(1.5)
Current assets	29,314	31,611	2,297
Current liabilities	13,739	14,954	1,214
Current ratio (x)	2.13	2.11	(0.02)

Per Share Information	(¥)				
	FY2019		FY2020		
	3Q Amount	Full Year Amount	3Q Amount	FY2020 YOY	Full Year (Forecast)
Earnings per share	185.68	121.42	93.30	(92.38)	13.91
	Dec. 31, 2019	March 31, 2020	Dec. 31, 2020		Full Year (Forecast)
Book value per share	4,956.55	4,830.92	4,859.91	—	—
Dividend per share	—	50.00	—	—	50.00
Dividend payout ratio (%)	—	41.2	—	—	359.5

Expenditure

Capital Expenditure and Other	FY2019		FY2020			
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	446	660	283	(36.5)	810	35.0
Depreciation and amortization	959	1,272	903	(5.8)	1,300	69.5

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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.

