



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2019 Third Quarter Business Summary**

(Year Ending March 31, 2020)

# Sales, Income

(¥mm)

	FY2018			FY2019			FY2019 Forecast		
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast) <sup>1</sup>	Previous Forecast <sup>2</sup>	Change (%)
<b>Net sales</b>	<b>25,677</b>	<b>100.0</b>	<b>34,182</b>	<b>24,266</b>	<b>100.0</b>	<b>(5.5)</b>	<b>31,800</b>	<b>33,200</b>	<b>(4.2)</b>
Pharmaceuticals	24,988	97.3	32,682	23,678	97.6	(5.2)	—	—	—
Others	689	2.7	1,500	588	2.4	(14.6)	—	—	—
Cost of sales	14,613	56.9	19,654	14,416	59.4	(1.4)	—	—	—
SG&A expenses	9,779	38.1	13,063	9,222	38.0	(5.7)	—	—	—
R&D expenses	1,462	5.7	2,066	1,625	6.7	11.2	2,350	2,400	(2.1)
<b>Operating income</b>	<b>1,284</b>	<b>5.0</b>	<b>1,464</b>	<b>627</b>	<b>2.6</b>	<b>(51.1)</b>	<b>150</b>	<b>800</b>	<b>(81.3)</b>
<b>Income before income taxes and minority interests</b>	<b>1,351</b>	<b>5.3</b>	<b>1,454</b>	<b>989</b>	<b>4.1</b>	<b>(26.8)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to owners of the parent</b>	<b>831</b>	<b>3.2</b>	<b>881</b>	<b>667</b>	<b>2.8</b>	<b>(19.7)</b>	<b>200</b>	<b>500</b>	<b>(60.0)</b>

Note: 1. Revised forecast issued on January 31, 2020.

2. Revised forecast issued on October 31, 2019.

## Sales

The Nippon Chemiphar Group aims to expand generics sales through various efforts, including informative activities that accompany the promotion of new drugs and sales channel diversification. However, generics sales were down 4.0% YOY because we were unable to compensate for the impact of NHI drug price revisions implemented in October 2019 due to large-scale new product launches that were postponed until the following fiscal year or later, intensified market competition caused by the rise of authorized generics, and other factors. Sales of proprietary products and new drug declined 14.7% year on year 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 14.6% 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 ¥24,266 million (down 5.5% YOY).

## Income

Even though our efforts to optimize our use of recurring expenses, operating income amounted to ¥627 million (down 51.1% YOY) due to sales decline and increasing

cost of sales ratio by NHI drug price revisions. Net income attributable to owners of the parent becomes ¥667 million (down 19.7% YOY) by the gain on sale of investment securities on November 2019.

## Revised Forecast

We have revised our full-year sales forecast by the reason of sales decline, no longer expect to receive some licensing proceeds from our development pipeline in this fiscal year that we had anticipated in our initial forecast, and uncertainty concerning demand in the face of upcoming NHI drug price revisions in April 2020. As a result of these circumstances, we also expect all profit lines to fall below our initial forecast.

# Pharmaceutical Sales

## Generics, Proprietary Products

	(¥mn)								
	3Q Amount	FY2018 Distrib. (%)	Full Year Amount	3Q Amount	FY2019 Distrib. (%)	YOY (%)	FY2019 Forecast		
							Full Year (Forecast <sup>2</sup> )	Previous Forecast <sup>3</sup>	Change (%)
<b>Total</b>	<b>22,712</b>	<b>100.0</b>	<b>29,798</b>	<b>21,664</b>	<b>100.0</b>	<b>(4.6)</b>	<b>27,910</b>	<b>28,550</b>	<b>(2.2)</b>
Generics	21,474	94.5	28,238	20,608	95.1	(4.0)	26,610	27,150	(2.0)
To medical institutions	20,720		27,156	19,917		(3.9)	25,760	26,230	(1.8)
To other makers <sup>1</sup>	753		1,082	690		(8.3)	850	920	(7.6)
Amlodipine	2,202		2,890	2,086		(5.3)	2,640	2,650	(0.4)
Lansoprazole	1,300		1,629	983		(24.3)	1,220	1,220	0.0
Donepezil	920		1,187	818		(11.1)	1,030	1,050	(1.9)
Rabeprazole	1,057		1,370	998		(5.5)	1,270	1,270	0.0
Limaprost Alfadex	947		1,197	759		(19.8)	970	1,010	(4.0)
Others	15,046		19,963	14,961		(0.6)	19,480	19,950	(2.4)
Proprietary products and new drugs	<b>1,238</b>	<b>5.5</b>	<b>1,560</b>	<b>1,056</b>	<b>4.9</b>	<b>(14.7)</b>	<b>1,300</b>	<b>1,400</b>	<b>(7.1)</b>
Uralyt	766		983	657		(14.3)	800	800	0.0
Others	472		577	399		(15.5)	500	600	(16.7)

## Chemiphar, ODM Generics

	(¥mn)								
	3Q Amount	FY2018 Distrib. (%)	Full Year Amount	3Q Amount	FY2019 Distrib. (%)	YOY (%)	FY2019 Forecast		
							Full Year (Forecast <sup>2</sup> )	Previous Forecast <sup>3</sup>	Change (%)
<b>Total</b>	<b>22,252</b>	<b>100.0</b>	<b>29,244</b>	<b>21,309</b>	<b>100.0</b>	<b>(4.2)</b>	<b>27,460</b>	<b>28,000</b>	<b>(1.9)</b>
Generics	21,474	96.5	28,238	20,608	96.7	(4.0)	26,610	27,150	(2.0)
Generics (ODM)	778	3.5	1,005	701	3.3	(9.9)	850	850	0.0

Note:

1. Includes exports.

2. Revised forecast issued on January 31, 2020.

3. Revised forecast issued on October 31, 2019.



# Sales Distribution

## By Launch Year

(¥mn)

	FY2018		FY2019		YOY (%)
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2012 and before	15,281	71.2	13,895	67.4	(9.1)
FY2013	2,241	10.4	2,225	10.8	(0.7)
FY2014	1,379	6.4	1,315	6.4	(4.6)
FY2015	903	4.2	857	4.2	(5.1)
FY2016	428	2.0	462	2.2	7.8
FY2017	1,034	4.8	1,065	5.2	3.0
FY2018	204	1.0	719	3.5	x3.5
FY2019	—	—	67	0.3	—
<b>Total</b>	<b>21,474</b>	<b>100.0</b>	<b>20,608</b>	<b>100.0</b>	<b>(4.0)</b>

## By Main Therapeutic Categories

	FY2018 3Q Amount	FY2019 3Q Amount
Cardiovascular and respiratory drugs	33.4	32.6
Digestive organ drugs	17.6	16.3
Agents affecting metabolism	16.4	15.3
Drugs for nervous system, sensory organs	8.2	9.3
Antibiotics and chemotherapeutic drugs	5.3	5.4
Antineoplastic agents	3.2	3.4
Others	15.9	17.7

# Balance Sheet, per Share Information

**Balance Sheet Data** (¥mn)

	March 31, 2019	December 31, 2019	
	Amount	Amount	Change
<b>Total assets</b>	<b>46,926</b>	<b>47,545</b>	<b>619</b>
<b>Net assets</b>	<b>17,863</b>	<b>17,843</b>	<b>(20)</b>
Owned capital	17,843	17,819	(24)
Capital-to-asset ratio (%)	38.0	37.5	(0.5)
<b>Current assets</b>	<b>28,668</b>	<b>30,672</b>	<b>2,003</b>
<b>Current liabilities</b>	<b>13,825</b>	<b>14,284</b>	<b>458</b>
Current ratio (x)	2.07	2.15	0.08

**Per Share Information** (¥)

	FY2018		FY2019		
	3Q Amount	Full Year Amount	3Q Amount	YOY	Full Year (Forecast)
Earnings per share	231.20	245.11	185.68	△ 45.52	55.63
	Dec. 31, 2018	March 31, 2019	Dec. 31, 2019		Full Year (Forecast)
Book value per share	4,946.15	4,963.24	4,956.55	—	—
Dividend per share	—	100.00	—	—	40.00
Dividend payout ratio (%)	—	40.8	—	—	71.9

**Revised dividend forecast**  
Unfortunately, in response to the changes in our earnings forecast, we have revised our year-end dividend forecast to ¥40 per share, down from our initial projection of ¥75 per share.

# Expenditure

## Capital Expenditure and Other

(¥mn)

	FY2018		FY2019			
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	548	784	446	(18.7)	650	68.6
Depreciation and amortization	961	1,345	959	(0.2)	1,270	75.5

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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.

