



Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of FY2019 Business Results

(Year ended March 31, 2020)

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I. Summary of Results

Sales, Income

(¥mn)

	FY2018		FY2019				FY2019 (Forecast*)	
	Amount	% of Sales	Amount	% of Sales	Amount	Change (%)	Amount	Achieved (%)
Net Sales	34,182	100.0	31,756	100.0	(2,425)	(7.1)	31,800	99.9
Pharmaceutical products	32,682	95.6	30,632	96.5	(2,049)	(6.3)	—	—
Others	1,500	4.4	1,123	3.5	(376)	(25.1)	—	—
Cost of sales	19,654	57.5	19,200	60.5	(453)	(2.3)	—	—
SG&A expenses	13,063	38.2	12,190	38.4	(872)	(6.7)	—	—
				3.0p				
				0.2p				
Operating income	1,464	4.3	364	1.1	(1,099)	(75.1)	150	243.1
Income before income taxes and minority interests	1,454	4.3	732	2.3	(721)	(49.6)	—	—
Net income attributable to owners of the parent	881	2.6	436	1.4	(444)	(50.5)	200	218.3

* Revised forecast issued on January 31, 2020.

Pharmaceutical Sales

(¥mn)

	FY2018		FY2019			FY2019 Forecast**	
	Amount	% of Sales	Amount	% of Sales	YOY (%)	Amount	Achieved (%)
Total (① + ②)	29,798	100.0	28,029	100.0	(5.9)	27,910	100.4
① Generics	28,238	94.8	26,661	95.1	(5.6)	26,610	100.2
To medical institutions	27,156		25,678		(5.4)	25,760	99.7
To other makers*	1,082		983		(9.2)	850	115.7
Amlodipine	2,890		2,672		(7.5)	2,640	101.2
Lansoprazole	1,629		1,243		(23.7)	1,220	101.9
Donepezil	1,187		1,012		(14.7)	1,030	98.3
Rabeprazole	1,370		1,317		(3.9)	1,270	103.7
Limaprost Alfadex	1,197		957		(20.0)	970	98.7
Others	19,963		19,458		(2.5)	19,480	99.9
② Proprietary products and new drugs	1,560	5.2	1,368	4.9	(12.3)	1,300	105.3
Uralyt	983		848		(13.7)	800	106.1
Others	577		519		(9.9)	500	103.9
Total (① + ③)	29,244	—	27,558	—	(5.8)	27,460	100.4
③ Generics (ODM)	1,005	—	896	—	(10.9)	850	105.5

* Includes exports

** Revised forecast issued on January 31, 2020.

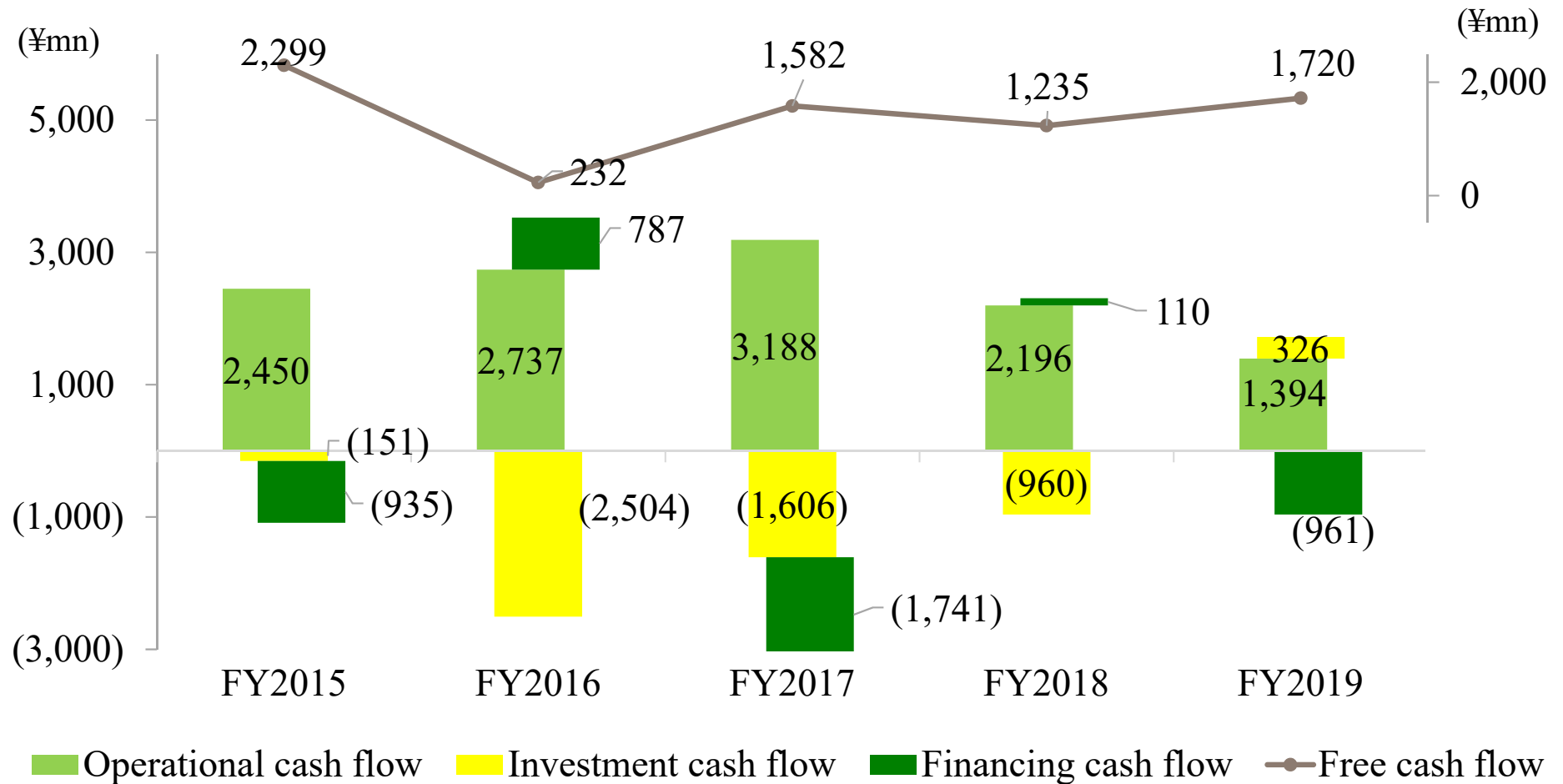
Balance Sheet

(¥mn)

	FY2018	FY2019	Change	Components	
Current assets	28,668	29,314	645	Cash, deposits	745
				Notes, accounts receivable-trade	(1,397)
				Inventories	894
Non-current assets	18,256	16,547	(1,709)	Buildings and structures	(283)
				Investment securities	(1,015)
Total assets	46,926	45,862	(1,063)		
Current liabilities	13,825	13,739	(85)	Notes, accounts payable-trade	207
				Short-term loans payable	133
				Accrued expenses	(397)
Non-current liabilities	15,237	14,730	(507)	Long-term loans payable	(621)
Net assets	17,863	17,392	(470)	Unrealized holding gains or loss on securities	(507)
Liabilities, net assets	46,926	45,862	(1,063)		

	FY2018	FY2019	Change
Current ratio (x)	2.07	2.13	0.06
Capital-to-asset ratio (%)	38.0	37.9	(0.1)

Cash Flow



II. FY2020 Forecasts

Sales, Income

(¥mm)

	FY2019		FY2020 (Forecast)		YOY (%)
	Amount	% of Sales	Amount	% of Sales	
Net Sales	31,756	100.0	33,000	100.0	A 3.9
Pharmaceuticals	28,029		28,700		2.4
Generics	26,661		26,590		(0.3)
Proprietary products and new drugs	1,368		2,110		54.2
Operating income	364	1.1	600	1.8	B 64.5
Income before income taxes and minority interests	732	2.3	—	—	—
Net income attributable to owners of the parent	436	1.4	300	0.9	(31.3)

A. Main factors driving changes in net sales

- (-) NHI drug price reduction in April 2020
- (+) Additional sales of Klaricid®
- (+) Expand sales of newly launched generic drugs

B. Main factors affecting profit

- (+) Increase of net sales
- (-) Decline in gross profit caused by NHI drug price reduction
- (+) Further tightening of expenses

Pharmaceutical Sales Forecast

(¥mn)

	FY2019		FY2020 (Forecast)		YOY (%)
	Amount	% of Sales	Amount	% of Sales	
Total (① + ②)	28,029	100.0	28,700	100.0	2.4
① Generics	26,661	95.1	26,590	92.6	(0.3)
To medical institutions	25,678		25,630		(0.2)
To other makers*	983		960		(2.4)
Amlodipine	2,672		2,440		(8.7)
Lansoprazole	1,243		990		(20.4)
Donepezil	1,012		980		(3.2)
Rabeprazole	1,317		1,420		7.8
Limaprost Alfadex	957		770		(19.6)
Others	19,458		19,990		2.7
② Proprietary products and new drugs	1,368	4.9	2,110	7.4	54.2
Uralyt	848		730		(14.0)
Others	519		1,380		165.5
Total (① + ③)	27,558	—	27,690	—	0.5
③ Generics (ODM)	896	—	1,100	—	22.7

* Includes exports

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

- ◆ Pursue drastic reform in response to a changing business environment.
 - Further enhance of our supply chain.

Goal 2 Hyperuricemia Alkalization therapy

- ◆ Results of clinical research at Tohoku University (CKOALA Study).
 - Finished data analysis and began to conduct additional analysis.
 - We will send these results to clinical sites as soon as possible.

Goal 3 Drug discovery

- ◆ Out-licensed internally developed compounds.
- ◆ Enhance repositioning of existing drugs.
- ◆ Begin joint research with AI drug discovery venture MOLCURE.

- ◆ Concluded license agreement concerning an anticancer drug.

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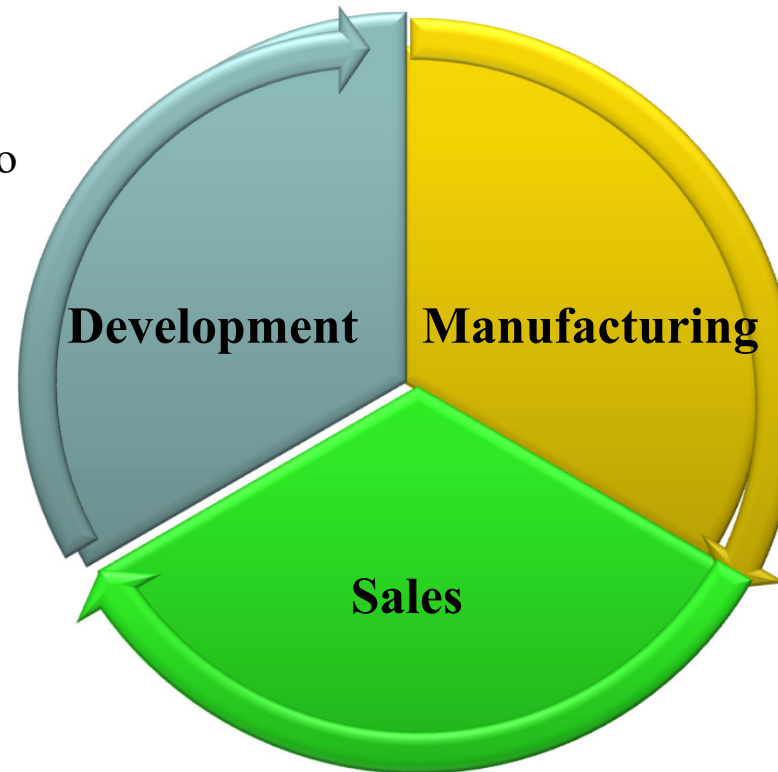
Plus 1 : Overseas business

- ◆ Exports 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 manufacturing business, which utilizes the facilities and functions of our factories in Japan and overseas.
- Secured stable supply by strengthening business continuity measures, including those aimed at responding to novel coronavirus pandemic.

- Diversified sales channels to achieve flexibility that enables response to market changes.
- Strengthened relationships with prescribing institutions by providing information regarding new and long-term listed drugs for which we acquired sales rights.
- Spread joint transportation agreement with Otsuka Warehouse Co., Ltd. to the whole of Japan to strengthen logistics system.
- Utilized information technology to improve the efficiency of marketing and sales conducted by MRs.

Hyperuricemia and Alkalization Therapy


Clinical research at Tohoku University (CKOALA Study)


- Finished analysis of data obtained through research concerning the capacity of oral alkalizers to protect the kidneys of patients suffering from chronic kidney disease (CKD). Moving forward, we plan to carry out additional analyses.
- We intend to present the results of these analyses at conferences within FY2020, if possible.
- Send these results to clinical sites as soon as possible through tie-ups with other companies or the application of real-world data.

Next strategy












- Promote multifaceted approach that includes developing citrate-based health food according to research data.

Drug discovery 1: Pipeline

 In-house drug development

 Other companies or physician-initiated development

As of March 2020

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 and we are conducting licensing out activities.
NC-2600	P2X4 receptor antagonist (Neuropathic pain)				<ul style="list-style-type: none"> Phase 1 was finished and we are conducting licensing out activities. Explore possibility for indications as a treatment for condition other than neuropathic pain.
NC-2700	URAT1 inhibitor (Hyperuricemia, gout)				<ul style="list-style-type: none"> Finished preclinical trial and we are conducting licensing out activities.
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 which we plan to start in FY2021.
DFP-17729	Cancer microenvironment improving agent (Pancreatic cancer)				<ul style="list-style-type: none"> Developed by Delta-Fly Pharma, Inc.
Soleton	COX inhibitor (Diffuse-type tenosynovial giant cell tumor and others)				<ul style="list-style-type: none"> Physician-initiated clinical trial was started.
Calvan	A1 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)

Diagnostics

Launched allergy screening kit Drop Screen™ in Japan



DropScreen™ specific IgE measuring kit ST-1

- Breakthrough measuring equipment that is capable of screening blood samples taken from fingertips for 41 allergens within 30 minutes.
- From February 2020, we began joint marketing in Japan with FUJIFILM Wako Pure Chemical Corporation.

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.

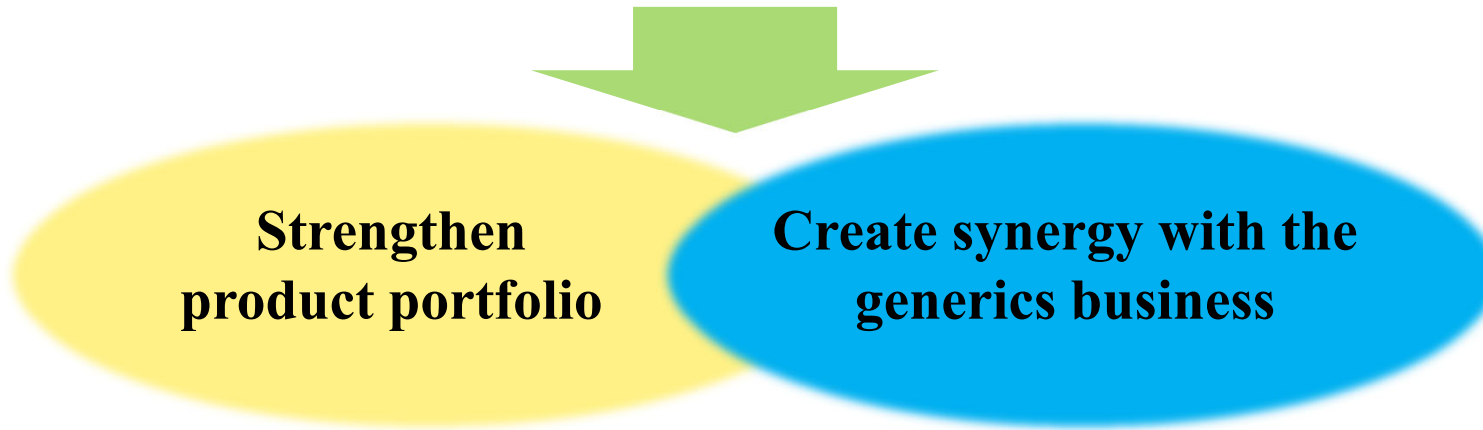


IgE NC

Enhance profitability and relationships

Acquire sales rights of Klaricid®

- Macrolide-based antibiotic agent manufactured and sold by Mylan N.V. in Japan.
- In May 12, 2020, we concluded a general agreement that Mylan N.V. will transfer us the marketing approval of Klaricid® in Japan and license us the related trademarks.
- We will acquire sales rights in July 2020.



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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.