



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2021 First Quarter Business Summary**

(Year Ending March 31, 2022)

# Highlights

## Net Sales

The business environment surrounding the pharmaceutical drugs market remains challenging due to exacerbating factors such as NHI drug price revisions conducted in April 2021 and the COVID-19 pandemic. Within this environment, the Company achieved sales of ¥7,377 million in the Pharmaceutical Products segment thanks in part to strong sales of generic drugs launched in FY2020 and contribution from Klaricid, which was introduced in July 2020.

In the Others segment, sales amounted to ¥197 million, primarily due to an increase in orders received through our contract testing business. Consequently, consolidated net sales came to ¥7,575 million.

Also important to note is our adoption of the “Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” effective from FY2021. The application of these standards had a downward impact of ¥651 million on first-quarter net sales. Despite this change, we kept year on year growth in the consolidated net sales.

## Income

Despite a year-on-year increase in sales, we recorded a ¥26 million operating loss due to a higher cost of sales ratio stemming from NHI drug price revisions and a rise in R&D expenses associated with efforts to move new drug development processes to their next phases and create new generics.

Although we plan to continue strategically investing in new drug discovery and generics in the second quarter and more distant future, we still project achievement of our full-year forecasts thanks to contributions from our novel allergy screening device, DropScreen™; generics launched in FY2020 and June of this year.

# Sales, Income

(¥mn)

	FY2020			FY2021				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Net sales</b>	<b>7,196</b>	<b>100.0</b>	<b>31,541</b>	<b>7,575</b>	<b>100.0</b>	—	<b>31,000</b>	<b>24.4</b>
Pharmaceuticals	7,146	99.3	30,423	7,377	97.4	—	—	—
Others	49	0.7	1,117	197	2.6	—	—	—
Cost of sales	4,640	64.5	20,097	5,529	73.0	—	—	—
SG&A expenses	2,589	36.0	10,879	2,071	27.3	—	—	—
R&D expenses	477	6.6	1,998	620	8.2	—	2,400	25.9
<b>Operating income/loss</b>	<b>(32)</b>	—	<b>564</b>	<b>(26)</b>	—	—	<b>350</b>	—
<b>Income/Loss before income taxes and minority interests</b>	<b>(12)</b>	—	<b>713</b>	<b>15</b>	<b>0.2</b>	—	—	—
<b>Net income/loss attributable to owners of the parent</b>	<b>19</b>	<b>0.3</b>	<b>495</b>	<b>(13)</b>	—	—	<b>80</b>	—

Note:

We applied “the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” from the FY2021.

Therefore, year-on-year rate from the actual results for the FY2021 before the application of the standards, etc. is not stated.

# Pharmaceutical Sales

## Generics, Proprietary Products and New Drugs

(¥mn)

	FY2020			FY2021				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>6,388</b>	<b>100.0</b>	<b>27,322</b>	<b>6,569</b>	<b>100.0</b>	—	<b>26,550</b>	<b>24.7</b>
<b>Generics</b>	<b>6,109</b>	<b>95.6</b>	<b>25,532</b>	<b>6,111</b>	<b>93.0</b>	—	<b>24,700</b>	<b>24.7</b>
To medical institutions	5,860		24,531	5,817		—	23,600	24.6
To other makers*	248		1,000	294		—	1,100	26.8
<b>Proprietary products</b>	<b>279</b>	<b>4.4</b>	<b>1,790</b>	<b>457</b>	<b>7.0</b>	—	<b>1,850</b>	<b>24.7</b>
Uralyt	184		730	156		—	580	26.9
Others	94		1,059	301		—	1,270	23.8

## Chemiphar, ODM Generics

(¥mn)

	FY2020			FY2021				
	1Q Amount	Distrib. (%)	Full Year Amount	1Q Amount	Distrib. (%)	YOY (%)	Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>6,506</b>	<b>100.0</b>	<b>26,696</b>	<b>6,337</b>	<b>100.0</b>	—	<b>25,410</b>	<b>24.9</b>
Generics	6,109	93.9	25,532	6,111	96.4	—	24,700	24.7
Generics (ODM)	397	6.1	1,164	226	3.6	—	710	31.8

\* Includes exports.

Note:

We applied “the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” from the FY2021.

Therefore, year-on-year rate from the actual results for the FY2021 before the application of the standards, etc. is not stated.

# Sales Distribution

## By Launch Year

(¥mn)

	FY2020		FY2021		YOY (%)
	1Q Amount	Distrib. (%)	1Q Amount	Distrib. (%)	
FY2014 and before	4,993	81.7	4,715	77.2	—
FY2015	251	4.1	272	4.5	—
FY2016	137	2.3	137	2.2	—
FY2017	336	5.5	368	6.0	—
FY2018	216	3.5	189	3.1	—
FY2019	29	0.5	32	0.5	—
FY2020	143	2.3	337	5.5	—
FY2021	—	—	59	1.0	—
<b>Total</b>	<b>6,109</b>	<b>100.0</b>	<b>6,111</b>	<b>100.0</b>	—

Note:

We applied “the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29)” from the FY2021. Therefore, year-on-year rate from the actual results for the FY2021 before the application of the standards, etc. is not stated.

## By Main Therapeutic Categories

(%)

	FY2020 1Q	FY2021 1Q
Cardiovascular and respiratory drugs	33.1	28.3
Digestive organ drugs	16.1	15.6
Agents affecting metabolism	16.0	15.4
Drugs for nervous system, sensory organs	11.8	13.0
Antibiotics and chemotherapeutic drugs	4.3	6.5
Antineoplastic agents	3.3	2.5
Others	17.4	18.7

# Balance Sheet, per Share Information

## Balance Sheet Data (¥mn)

	March 31, 2021	June 30, 2021	
	Amount	Amount	Change
<b>Total assets</b>	<b>47,124</b>	<b>48,127</b>	<b>1,002</b>
<b>Net assets</b>	<b>18,014</b>	<b>17,907</b>	<b>(107)</b>
Owned capital	17,997	17,890	(107)
Capital-to-asset ratio (%)	38.2	37.2	(1.0)
<b>Current assets</b>	<b>30,446</b>	<b>31,605</b>	<b>1,159</b>
<b>Current liabilities</b>	<b>14,102</b>	<b>14,386</b>	<b>283</b>
Current ratio (x)	2.16	2.20	0.04

## Per Share Information (¥)

	FY2020		FY2021		
	1Q Amount	Full Year Amount	1Q Amount	FY2021 YOY	Full Year (Forecast)
Earnings per share	5.45	137.75	(3.66)	—	22.25
	June 30, 2020	March 31, 2021	June 30, 2021		Full Year (Forecast)
Book value per share	4,811.70	5,006.49	4,976.70	165.00	—
Dividends per share	—	50.00	—	—	50.00
Dividend payout ratio (%)	—	36.3	—	—	224.7

Note:

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# Expenditure

Capital Expenditure and Other (¥mn)						
	FY2020		FY2021			
	1Q Amount	Full Year Amount	1Q Amount	YOY (%)	Full Year (Forecast)	Usage Rate (%)
Capital expenditure	1,120	1,812	88	(92.1)	1,000	8.8
Depreciation and amortization	327	1,393	374	14.5	1,575	23.8

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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.