



Nippon Chemiphar Co., Ltd.

(TSE 4539)

# **FY2021 Third Quarter Business Summary**

(Year Ending March 31, 2022)



Chemiphar

# 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 ¥24,004 million in its Pharmaceutical Products segment thanks primarily to strong sales of generic drugs launched in both FY2020 and FY2021; contribution from Klaricid, which was introduced in July 2020; response to an increase in demand stemming from quality issues at other companies that manufacture and sell generic drugs; and steady growth in sales generated by the DropScreen™ novel allergy screening device.

In the Others segment, sales amounted to ¥722 million, rising due primarily to an increase in orders acquired through our contract testing business. Consequently, consolidated net sales came to ¥24,727 million, a high progress compared to the initial full-year forecast.

Also of note is our adoption of the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)” effective from the beginning of FY2021. Despite downward impact stemming from the application of these standards, our third-quarter net sales increased by ¥1,114 million year on year. If not for this impact, third-quarter net sales would have grown by ¥3,694 million year on year.

## Profit

Despite a higher cost of sales ratio stemming from NHI drug price revisions and an increase in R&D expenses resulting from efforts aimed at advancing new drug development processes to their next phases and creating new generics, we recorded ¥1,099 million in operating income, exceeding our initial full year forecast.

## Revision of FY2021 Forecasts

Although we acknowledge potential impact associated with upcoming NHI price revisions in April 2022, subsequent waves of COVID-19 infections, or increases in R&D expenses stemming from efforts aimed at advancing new drug development processes to their next phases, we have revised our initial projections based on business performance generated during the first nine months of the fiscal year under review.

# Sales, Income

	(¥mn)									
	FY2020			FY2021					Initial Forecast <sup>3</sup>	
	3Q Amount	Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	YOY (%) <sup>1</sup>	Full Year (Forecast <sup>2</sup> )	Progress Rate (%)	Full Year (Forecast)	Progress Rate (%)
<b>Net sales</b>	<b>23,612</b>	<b>100.0</b>	<b>31,541</b>	<b>24,727</b>	<b>100.0</b>	—	<b>32,000</b>	<b>77.3</b>	<b>31,000</b>	<b>79.8</b>
Pharmaceuticals	22,972	97.3	30,423	24,004	97.1	—	—	—	—	—
Others	640	2.7	1,117	722	2.9	—	—	—	—	—
Cost of sales	14,855	62.9	20,097	17,642	71.3	—	—	—	—	—
SG&A expenses	8,296	35.1	10,879	5,985	24.2	—	—	—	—	—
R&D expenses	1,565	6.6	1,998	1,602	6.5	—	2,400	66.8	2,400	66.8
<b>Operating profit</b>	<b>460</b>	<b>1.9</b>	<b>564</b>	<b>1,099</b>	<b>4.4</b>	—	<b>600</b>	<b>183.3</b>	<b>350</b>	<b>314.2</b>
<b>Profit before income taxes and minority interests</b>	<b>436</b>	<b>1.8</b>	<b>713</b>	<b>1,279</b>	<b>5.2</b>	—	—	—	—	—
<b>Profit attributable to owners of the parent</b>	<b>335</b>	<b>1.4</b>	<b>495</b>	<b>952</b>	<b>3.9</b>	—	<b>400</b>	<b>238.1</b>	<b>80</b>	<b>x11.9</b>

Note:

1. 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 FY2020 before the application of the standards, etc. is not stated.
2. Revised forecast issued on January 31, 2022.
3. Issued on May 14, 2021.

## (Reference) Year-on-Year Comparisons Utilizing Previous Accounting Standards

	(¥mn)			
	FY2020 3Q Amount	FY2021 3Q Amount	YOY* Change %	
<b>Net Sales</b>	<b>23,612</b>	<b>27,307</b>	<b>3,694</b>	<b>15.6</b>
Pharmaceuticals	22,972	26,597	3,625	15.8
Others	640	709	69	10.8

# Pharmaceutical Sales

Generics, Proprietary Products and New Drugs									(¥mn)	
	3Q Amount	FY2020		3Q Amount	Distrib. (%)	FY2021		Progress Rate (%)	Initial Forecast <sup>3</sup>	
		Distrib. (%)	Full Year Amount			YOY (%) <sup>1</sup>	Full Year (Forecast <sup>2</sup> )		Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>20,733</b>	<b>100.0</b>	<b>27,322</b>	<b>21,460</b>	<b>100.0</b>	—	<b>27,400</b>	<b>78.3</b>	<b>26,550</b>	<b>80.8</b>
<b>Generics</b>	<b>19,379</b>	<b>93.5</b>	<b>25,532</b>	<b>20,075</b>	<b>93.5</b>	—	<b>25,550</b>	<b>78.6</b>	<b>24,700</b>	<b>81.3</b>
To medical institutions	18,636		24,531	19,148		—	24,370	78.6	23,600	81.1
To other makers <sup>4</sup>	743		1,000	926		—	1,180	78.5	1,100	84.2
<b>Proprietary products and new drugs</b>	<b>1,354</b>	<b>6.5</b>	<b>1,790</b>	<b>1,385</b>	<b>6.5</b>	—	<b>1,850</b>	<b>74.9</b>	<b>1,850</b>	<b>74.9</b>
Uralyt	573		730	484		—	580	83.5	580	83.5
Others	780		1,059	901		—	1,270	71.0	1,270	71.0
Chemiphar, ODM Generics									(¥mn)	
	3Q Amount	FY2020		3Q Amount	Distrib. (%)	FY2021		Progress Rate (%)	Initial Forecast	
		Distrib. (%)	Full Year Amount			YOY (%) <sup>1</sup>	Full Year (Forecast <sup>2</sup> )		Full Year (Forecast)	Progress Rate (%)
<b>Total</b>	<b>20,273</b>	<b>100.0</b>	<b>26,696</b>	<b>20,682</b>	<b>100.0</b>	—	<b>26,400</b>	<b>78.3</b>	<b>25,410</b>	<b>81.4</b>
Generics	19,379	95.6	25,532	20,075	97.1	—	25,550	78.6	24,700	81.3
Generics (ODM)	894	4.4	1,164	607	2.9	—	850	71.4	710	85.5

Note:

1. 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 FY2020 before the application of the standards, etc. is not stated.

2. Revised forecast issued on January 31, 2022.

3. Issued on May 14, 2021.

4. Includes exports.

# Sales Distribution

By Launch Year		(¥mn)			
	FY2020		FY2021		YOY
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2014 and before	15,360	79.3	15,425	76.8	—
FY2015	802	4.1	898	4.5	—
FY2016	396	2.0	503	2.5	—
FY2017	1,094	5.6	1,201	6.0	—
FY2018	672	3.5	601	3.0	—
FY2019	94	0.5	106	0.5	—
FY2020	958	4.9	1,053	5.2	—
FY2021	—	—	285	1.4	—
<b>Total</b>	<b>19,379</b>	<b>100.0</b>	<b>20,075</b>	<b>100.0</b>	<b>—</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 FY2020 before the application of the standards, etc. is not stated.

By Main Therapeutic Categories	FY2020		FY2021		(%)
	3Q	Distrib.	3Q	Distrib.	
Cardiovascular and respiratory drugs		30.2		28.0	
Digestive organ drugs		15.6		15.8	
Agents affecting metabolism		15.6		14.8	
Drugs for nervous system, sensory organs		11.9		13.2	
Antibiotics and chemotherapeutic drugs		6.5		6.4	
Antineoplastic agents		3.0		2.3	
Others		17.2		19.5	

# Balance Sheet, per Share Information

Balance Sheet Data		(¥mn)	
	March 31, 2021	December 31, 2021	
	Amount	Amount	Change
<b>Total assets</b>	<b>47,124</b>	<b>50,630</b>	<b>3,506</b>
<b>Net assets</b>	<b>18,014</b>	<b>18,823</b>	<b>808</b>
Owned capital	17,997	18,806	808
Capital-to-asset ratio (%)	38.2	37.1	(1.1)
<b>Current assets</b>	<b>30,446</b>	<b>34,562</b>	<b>4,115</b>
<b>Current liabilities</b>	<b>14,102</b>	<b>16,602</b>	<b>2,499</b>
Current ratio (x)	2.16	2.08	(0.08)

Per Share Information		(¥)			
	FY2020		FY2021		
	3Q Amount	Full Year Amount	3Q Amount	YOY	Full Year (Forecast)
Earnings per share	93.30	137.75	264.15	170.85	110.95
	Dec. 31, 2020	March 31, 2021	Dec. 31, 2021		Full Year (Forecast)
Book value per share	4,859.91	5,006.49	5,209.15	349.24	—
Dividend per share	—	50.00	—	—	50.00
Dividend payout ratio (%)	—	36.3	—	—	45.1

# Expenditure

Capital Expenditure and Other (¥mn)					
	FY2020		FY2021		
	3Q Amount	Full Year Amount	3Q Amount	YOY (%)	Full Year (Forecast*) Usage Rate (%)
Capital expenditure	1,419	1,812	843	(40.6)	1,200 70.3
Depreciation and amortization	1,036	1,393	1,128	8.8	1,560 72.3

\*Revised forecast issued on January 31, 2022.

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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.