



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2021 Business Summary

(Year Ended March 31, 2022)

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I. FY2021 Business Results

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 ¥31,501 million in its Pharmaceutical Products segment through continuous response to demand stemming from quality issues at other generic companies; strong sales of generic drugs launched in both FY2020 and FY2021; contribution from Klaricid, which was introduced in July 2020; and steady growth in sales generated by the DropScreen™ novel allergy screening device.

In the Others segment, sales rose due primarily to contribution from agrochemicals and other chemical substances and an increase in orders for testing related to pharmaceutical drugs and regenerative medicine. Consequently, consolidated net sales came to ¥32,506 million, exceeding projections in our full-year forecast.

Nippon Chemiphar began applying the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)” effective from the beginning of FY2021. If not for downward impact stemming from the application of this standards, net sales would have amounted to ¥36,081 million, up ¥4,539 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 our efforts to move new drug development processes forward to their next phases and create new generics, we recorded ¥825 million in operating profit (up ¥261 million year on year) thanks to an increase in sales, exceeding the revised full year forecast we released on January 31, 2022.

Sales, Income

(¥mn)

	FY2020		FY2021				
	Amount	% of Sales	Amount	% of Sales	YOY (%) ¹	Forecast ²	Achieved (%)
Net Sales	31,541	100.0	32,506	100.0	—	32,000	101.6
Pharmaceuticals	30,423	96.5	31,501	96.9	—	—	—
Others	1,117	3.5	1,004	3.1	—	—	—
Cost of sales	20,097	63.7	23,432	72.1	—	—	—
SG&A expenses	10,879	34.5	8,248	25.4	—	—	—
R&D expenses	1,998	6.3	2,392	7.4	—	2,400	99.7
Operating profit	564	1.8	825	2.5	—	600	137.6
Profit before income taxes	713	2.3	976	3.0	—	—	—
Profit attributable to owners of the parent	495	1.6	700	2.2	—	400	175.2

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

(¥mn)

	FY2020	FY2021	YOY*	
	Amount	Amount	Change	%
Net Sales	31,541	36,081	4,539	14.4
Pharmaceuticals	30,423	34,834	4,410	14.5
Others	1,117	1,246	128	11.5

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.

Pharmaceutical Sales

Generics, Proprietary Products and New Drugs (¥mn)

	FY2020		FY2021				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%) ¹	Forecast ²	Achieved (%)
Total	27,322	100.0	28,037	100.0	—	27,400	102.3
Generics	25,532	93.4	26,283	93.7	—	25,550	102.9
To medical institutions	24,531		25,043		—	24,370	102.8
To other makers ³	1,000		1,239		—	1,180	105.1
Proprietary products and new drugs	1,790	6.6	1,754	6.3	—	1,850	94.8
Uralyt	730		623		—	580	107.4
Others	1,059		1,131		—	1,270	89.1

Chemiphar, ODM Generics (¥mn)

	FY2020		FY2021				
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%) ¹	Forecast ²	Achieved (%)
Total	26,696	100.0	27,139	100.0	—	26,400	102.8
Generics	25,532	95.6	26,283	96.8	—	25,550	102.9
Generics (ODM)	1,164	4.4	856	3.2	—	850	100.8

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. Includes exports.

Sales Distribution

By Launch Year (¥mn)

	FY2020		FY2021		YOY (%)
	Amount	Distrib. (%)	Amount	Distrib. (%)	
FY2014 and before	20,173	79.0	20,150	76.7	—
FY2015	1,042	4.1	1,202	4.6	—
FY2016	566	2.2	700	2.7	—
FY2017	1,423	5.6	1,572	6.0	—
FY2018	871	3.4	767	2.9	—
FY2019	128	0.5	140	0.5	—
FY2020	1,326	5.2	1,375	5.2	—
FY2021	—	—	374	1.4	—
Total	25,532	100.0	26,283	100.0	—

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 Distrib.	FY2021 Distrib.
Cardiovascular and respiratory drugs	30.1	27.7
Digestive organ drugs	15.4	15.8
Agents affecting metabolism	15.1	14.9
Drugs for nervous system, sensory organs	12.0	13.0
Antibiotics and chemotherapeutic drugs	6.5	6.2
Antineoplastic agents	2.9	2.3
Others	17.8	20.1

Balance Sheet, Per Share Information

Balance Sheet Data (¥mn)

	March 31,2021	March 31,2022	
	Amount	Amount	Change
Total assets	47,124	49,453	2,329
Return on assets (%)	1.3	2.1	0.8
Net assets	18,014	18,501	486
Owned capital	17,997	18,484	486
Equity ratio (%)	38.2	37.4	(0.8)
Return on equity (%)	2.8	3.8	1.0
Current assets	30,446	33,495	3,048
Current liabilities	14,102	16,750	2,647
Current ratio (x)	2.16	2.00	(0.16)

Per Share Information (¥)

	FY2020	FY2021		
	Amount	Amount	Change	Forecast
Earnings per share	137.75	194.33	56.58	110.95
Book value per share	5,006.49	5,119.99	113.50	—
Dividend per share	50.00	50.00	—	50.00
Dividend payout ratio (%)	36.3	25.7	—	45.1

Cash Flow, Expenditure

Cash Flow Statement		(¥mn)	
	FY2020	FY2021	
	Amount	Amount	
Net cash:			
Provided by operating activities	1,503	1,801	
Provided by (Used in) investing activities	(1,024)	35	
Provided by (Used in) financing activities	29	(793)	
Cash and cash equivalents	10,505	11,645	
Free cash flow	479	1,837	

Capital Expenditure and Other		(¥mn)			
	FY2020	FY2021			Usage Rate (%)
	Amount	Amount	YOY (%)	Forecast	
Capital expenditure	1,812	1,131	(37.6)	1,200	94.3
Depreciation and amortization	1,393	1,586	13.9	1,560	101.7

II. FY2022 Forecasts

Sales, Income

	FY2021		FY2022 (Forecast)		
	Amount	% of Sales	Amount	% of Sales	YOY* (%)
Net Sales	32,506	100.0	35,000	100.0	7.7
Pharmaceuticals	31,501	96.9	—	—	—
Generics, proprietary products and new drugs	28,307	86.3	29,000	82.9	3.4
Diagnostics	2,163	6.7	3,120	8.9	44.2
Others	1,004	3.1	—	—	—
Cost of sales	23,432	72.1	—	—	—
SG&A expenses	8,248	25.4	—	—	—
R&D expenses	2,392	7.4	3,000	8.6	25.4
Operating profit	825	2.5	300	0.9	(63.7)
Profit before income taxes	976	3.0	—	—	—
Profit attributable to owners of the parent	700	2.2	300	0.9	(57.2)

In FY2022, the Company projects that consolidated net sales will rise to ¥35,000 million (up 7.7% year on year) despite anticipated downward impact from NHI drug price revisions conducted in April 2022. We forecast that this increase will stem primarily from factors such as growing sales from generics we launched in recent years, our response to demand generated by quality issues at other companies, and steady growth in performance from DropScreen™.

Meanwhile, the Company also projects operating profit of ¥300 million (down 63.7% year on year) and profit attributable to owners of the parent of ¥300 million (down 57.2% year on year). We project that these declines will occur due mainly to a higher cost of sales ratio caused by NHI drug price revisions, increases in raw material and transportation costs reflecting current global circumstances and growth in expenses associated with R&D for new drugs.

Pharmaceutical Sales

Generics, Proprietary Products		(¥mn)	
	FY2021	FY2022 (Forecast)	
	Amount	Amount	YOY (%)
Total	28,037	29,000	3.4
Generics	26,283	27,440	4.4
To medical institutions	25,043	26,600	3.3
To other makers*	1,239	840	(32.2)
Proprietary products and new drugs	1,754	1,560	(11.1)
Uralyt	623	580	(6.9)
Others	1,131	980	(13.4)

Chemiphar, ODM Generics		(¥mn)	
	FY2021	FY2022 (Forecast)	
	Amount	Amount	YOY (%)
Total	27,139	28,450	4.8
Generics	26,283	27,440	4.4
Generics (ODM)	856	1,010	17.9

*Includes exports

Per Share Information, Expenditure

Per Share Information	(¥)		
	FY2021 Amount	FY2022(Forecast)	
		Amount	YOY (%)
Earnings per share	194.33	83.18	(57.2)
Book value per share	5,119.99	—	—
Dividends per share	50.00	50.00	—
Dividend payout ratio (%)	25.7	60.1	34.4

Capital Expenditure and Other	(¥mn)		
	FY2021 Amount	FY2022(Forecast)	
		Amount	Change
Capital expenditure	1,131	1,150	18
Depreciation and amortization	1,586	1,600	13

Dividends Forecasts

As mentioned above, we project a decline in profit attributable to owners of the parent. However, in accordance with our aim to provide shareholder return, we forecast a dividend per share of 50.0 yen (with a payout ratio of 60.1%).

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.

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