



Nippon Chemiphar Co., Ltd.

(TSE 4539)

FY2022 Third Quarter Business Summary

(Year Ending March 31, 2023)



Chemiphar

Highlights

Sales

In spite of an added boost from recently launched products, sales of generic drugs decreased 4.1% YOY. This is attributable to NHI drug price revisions implemented in April 2022 as well as ongoing cutbacks to product shipments during the second and third quarters as we struggled to cover all of the additional demand for our products resulting from quality issues at our competitors. Sales of proprietary products and new drugs also declined 25.5% YOY, mainly as a result of the NHI drug price revisions.

Meanwhile, sales of diagnostics grew 18.1% YOY thanks to ongoing expansion in domestic use of the allergy screening kit and reagent DropScreen™, which coincided with new added production capacity. As a

result of these factors, sales in the Pharmaceutical Products segment amounted to ¥23,295 million (down 3.0% YOY).

In the Others segment, sales came to ¥719 million, on a par with the year-ago period, thanks to steady performance in contract testing.

Consequently, consolidated net sales came to ¥24,015 million (down 2.9% YOY).

Profit

Consolidated operating profit declined 82.5% YOY to ¥192 million, due in part to lower sales as well as a higher cost of sales ratio stemming from NHI drug price revisions. Ordinary profit was down 52.3% YOY to ¥549 million, owing mainly to foreign exchange gains, despite the impact of

net sales decline, while profit attributable to owners of parent was down 28.1% YOY to ¥684 million thanks to a gain on the sale of investment securities.

Full-year forecast revisions

In spite of efforts to address the supply shortages in the generic drugs market, such as recruitment of additional staff to boost production, we currently do not foresee achieving the level of production volume (including outsourced products) anticipated at the beginning of the fiscal year. We therefore revise our full-year consolidated sales forecast to ¥32,500 million.

Sales, Income

									(¥mn)	
	3Q Amount	FY2021 Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	FY2022 YOY (%)	Full Year (Forecast ¹)	Progress Rate (%)	Initial Forecast ² Full Year (Forecast)	Progress Rate (%)
Net sales	24,727	100.0	32,506	24,015	100.0	(2.9)	32,500	73.9	35,000	68.6
Pharmaceutical Products segment	24,004	97.1	31,501	23,295	97.0	(3.0)	—	—	—	—
Generics, proprietary products and new drugs	21,460	86.8	28,037	20,286	84.5	(5.5)	27,300	74.3	29,000	70.0
Diagnostics	1,550	6.3	2,163	1,831	7.6	18.1	2,600	70.4	3,120	58.7
Others segment	722	2.9	1,004	719	3.0	(0.5)	—	—	—	—
Cost of sales	17,642	71.3	23,432	17,665	73.6	0.1	—	—	—	—
SG&A expenses	5,985	24.2	8,248	6,156	25.6	2.9	—	—	—	—
R&D expenses	1,602	6.5	2,392	1,631	6.8	1.8	2,550	64.0	3,000	54.4
Operating profit	1,099	4.4	825	192	0.8	(82.5)	300	64.2	300	64.2
Ordinary profit	1,152	4.7	1,022	549	2.3	(52.3)	500	109.8	500	109.8
Net profit attributable to owners of parent	952	3.9	700	684	2.9	(28.1)	550	124.4	550	124.4

Note:

1. Revised forecast issued on January 31, 2023.

2. Issued on May 13, 2022.

Pharmaceutical Sales

Generics, Proprietary Products and New Drugs

									(¥mn)	
	3Q Amount	FY2021 Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	FY2022 YOY (%)	Full Year (Forecast ²)	Progress Rate (%)	Initial Full Year (Forecast)	Forecast ³ Progress Rate (%)
Total	21,460	100.0	28,037	20,286	100.0	(5.5)	27,300	74.3	29,000	70.0
Generics	20,075	93.5	26,283	19,253	94.9	(4.1)	25,870	74.4	27,440	70.2
To medical institutions	19,148		25,043	18,401		(3.9)	24,870	74.0	26,600	69.2
To other makers ¹	926		1,239	852		(8.0)	1,000	85.3	840	101.5
Proprietary products	1,385	6.5	1,754	1,033	5.1	(25.5)	1,430	72.2	1,560	66.2
Uralyt	484		623	436		(9.9)	580	75.2	580	75.2
Others	901		1,131	596		(33.8)	850	70.2	980	60.9

Chemiphar, ODM Generics

									(¥mn)	
	3Q Amount	FY2021 Distrib. (%)	Full Year Amount	3Q Amount	Distrib. (%)	FY2022 YOY (%)	Full Year (Forecast ²)	Progress Rate (%)	Initial Full Year (Forecast)	Forecast ³ Progress Rate (%)
Total	20,682	100.0	27,139	20,054	100.0	(3.0)	26,880	74.6	28,450	70.5
Generics	20,075	97.1	26,283	19,253	96.0	(4.1)	25,870	74.4	27,440	70.2
Generics (ODM)	607	2.9	856	800	4.0	31.8	1,010	79.2	1,010	79.2

Note:

1. Includes exports.

2. Revised forecast issued on January 31, 2023.

3. Issued on May 13, 2022.

Sales Distribution

By Launch Year		(¥mn)			
	FY2021		FY2022		YOY
	3Q Amount	Distrib. (%)	3Q Amount	Distrib. (%)	
FY2015 and before	16,324	81.3	15,310	79.5	(6.2)
FY2016	503	2.5	455	2.4	(9.5)
FY2017	1,201	6.0	1,195	6.2	(0.5)
FY2018	601	3.0	570	3.0	(5.1)
FY2019	106	0.5	101	0.5	(4.0)
FY2020	1,053	5.2	1,008	5.2	(4.2)
FY2021	285	1.4	335	1.7	17.6
FY2022	—	—	275	1.4	—
Total	20,075	100.0	19,253	100.0	(4.1)

By Main Therapeutic Categories		(%)	
	FY2021		FY2022
	3Q Distrib.	3Q Distrib.	
Cardiovascular and respiratory drugs	28.0	27.0	
Agents affecting metabolism	14.8	17.2	
Digestive organ drugs	15.8	15.4	
Drugs for nervous system, sensory organs	13.2	13.5	
Antibiotics and chemotherapeutic drugs	6.4	4.4	
Antineoplastic agents	2.3	1.9	
Others	19.5	20.6	

Balance Sheet, per Share Information

Balance Sheet Data (¥mn)

	March 31, 2022	December 31, 2022	
	Amount	Amount	Change
Total assets	49,453	50,035	582
Net assets	18,501	19,171	669
Owned capital	18,484	19,154	669
Capital-to-asset ratio (%)	37.4	38.3	0.9
Current assets	33,495	34,621	1,125
Current liabilities	16,750	15,381	(1,368)
Current ratio (x)	2.00	2.25	0.25

Per Share Information (¥)

	FY2021		FY2022		
	3Q Amount	Full Year Amount	3Q Amount	YOY	Full Year (Forecast)
Earnings per share	264.15	194.33	189.62	(74.53)	152.38
	Dec. 31, 2021	March 31, 2022	Dec. 31, 2022		Full Year (Forecast)
Book value per share	5209.15	5119.99	5307.03	97.88	—
Dividend per share	—	50.00	—	—	50.00
Dividend payout ratio (%)	—	25.7	—	—	32.8

Expenditure

Capital Expenditure and Other

(¥mn)

	FY2021		3Q Amount	FY2022			Initial Forecast ²	
	3Q Amount	Full Year Amount		YOY (%)	Full Year (Forecast ¹)	Usage Rate (%)	Full Year (Forecast)	Progress Rate (%)
Capital expenditure	843	1,131	440	(47.8)	800	55.1	1,150	38.3
Depreciation and amortization	1,128	1,586	1,128	(0.0)	1,500	75.2	1,600	70.5

Note:

1. Revised forecast issued on January 31, 2023.

2. Issued on May 13, 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.