Nippon Chemiphar Co., Ltd.

(TSE 4539)

Highlights of Second Quarter FY2017 Business Results

(Year ending March 31, 2018)

Chemiphar

Contents

Chemiphar

I. Summary of Results

Chemiphar

Sales, Income (Consolidated)

(¥mn)

	2Q FY2016		2Q FY2017		YOY		2Q FY2017 (Forecast)	
	Amount	% of Sales	Amount	% of Sales	Amount	Change (%)	Amount	Progress rate (%)
Net Sales	**17,515**	**100.0**	**17,512**	**100.0**	**(3)**	**(0.0)**	**18,700**	**93.6**
Pharmaceuticals	17,022	97.2	17,097	97.6	74	0.4	—	—
Others	493	2.8	415	2.4	(77)	(15.8)	—	—
Cost of sales	9,586	54.7	9,562	54.6 (0.1p)	(24)	(0.3)	—	—
SG&A expenses	6,606	37.7	6,970	39.8 2.1p	364	5.5	—	—
Operating income	**1,323**	**7.6**	**979**	**5.6**	**(343)**	**(26.0)**	**1,300**	**75.4**
Income before income taxes and minority interests	**1,147**	**6.6**	**1,064**	**6.1**	**(82)**	**(7.2)**	**—**	**—**
Net income attributable to owners of the parent	**822**	**4.7**	**730**	**4.2**	**(92)**	**(11.2)**	**800**	**91.3**

Chemiphar

Pharmaceutical Sales (Consolidated)

(¥mn)

	2Q FY2016		2Q FY2017		
	Amount	% of Sales	Amount	% of Sales	YOY (%)
Total (① + ②)	**15,437**	**100.0**	**15,667**	**100.0**	**1.5**
① Generics	**14,255**	**92.3**	**14,623**	**93.3**	**2.6**
To medical institutions	13,740		14,149		3.0
To other makers*	515		474		(8.0)
Amlodipine	1,429		1,437		0.5
Lansoprazole	1,158		1,093		(5.6)
Donepezil	840		785		(6.6)
Rabeprazole	796		783		(1.7)
Limaprost Alfadex	756		727		(3.8)
Pravastatine	594		572		(3.7)
Voglibose	493		450		(8.7)
Others	8,184		8,772		7.2
② Proprietary products	**1,181**	**7.7**	**1,043**	**6.7**	**(11.7)**
Uralyt	734		638		(13.1)
Soleton	343		293		(14.4)
Calvan	104		111		7.1
Total (① + ③)	**14,922**	**—**	**15,163**	**—**	**1.6**
③ Generics (ODM)	**667**	**—**	**539**	**—**	**(19.2)**

* Includes exports

Chemiphar

Composition of Generics Sales by Destination

(Non-consolidated)

	2Q FY2015	2Q FY2016		2Q FY2017	
	Distrib.	Distrib.	(%)	Distrib.	YOY (%)
Hospitals (100 beds or more)	14	14	5.2	**15**	**2.5**
Clinics (less than 100 beds)	12	11	(4.7)	**11**	**(2.3)**
Pharmacies	74	75	2.5	**74**	**(0.4)**
Total	100	100	2.0	**100**	**0.0**

70% of 58,000 dispensing pharmacies sell Chemiphar generics

Of which, DPC hospitals	—	—	7.0	—	**2.8**

80% of 1,700 DPC hospitals sell Chemiphar generics

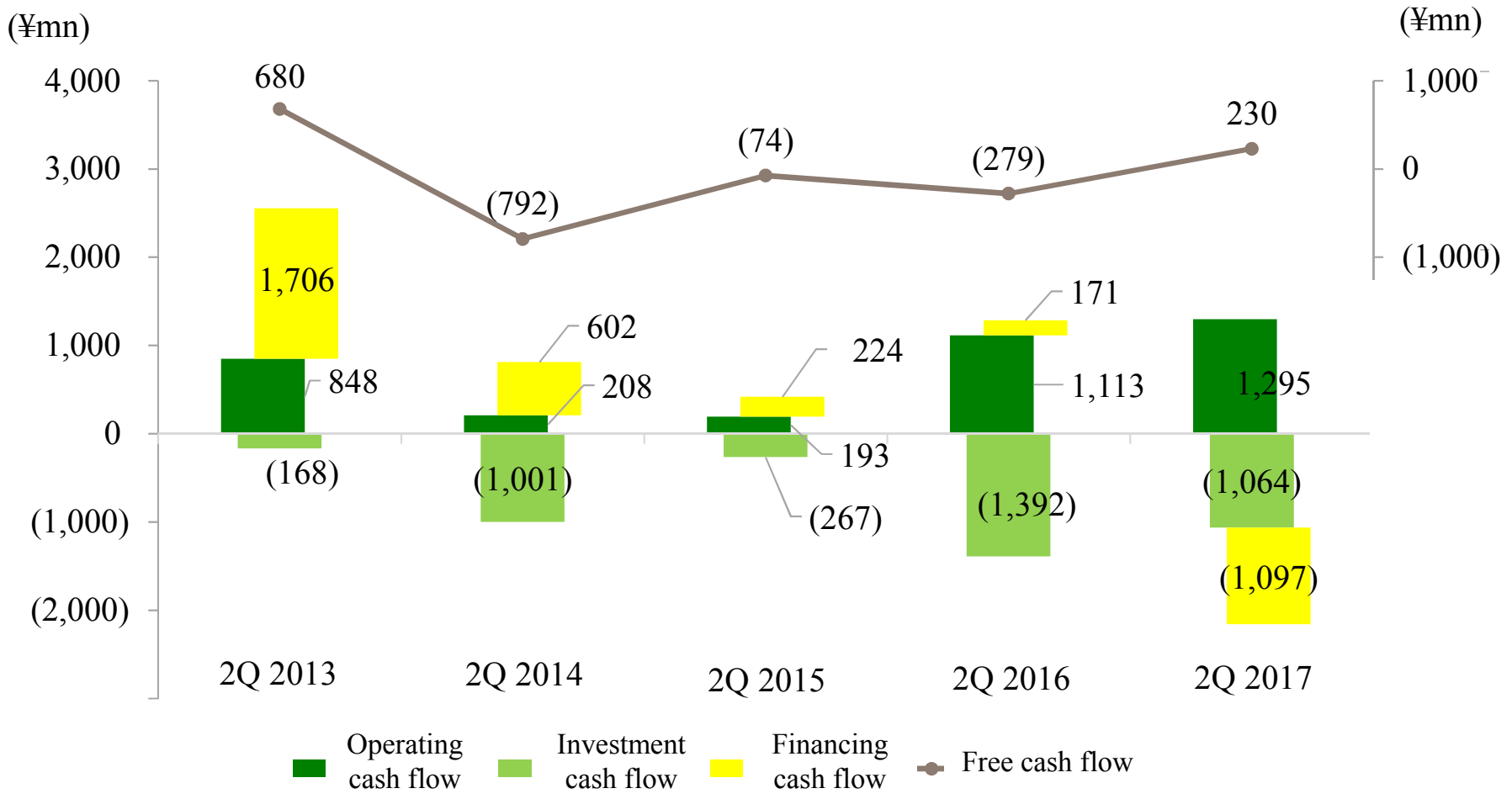
Chemiphar

Balance Sheet (Consolidated)

(¥mn)

	FY2016	2Q FY2017	Change	Components	
Current assets	29,009	27,602	(1,406)	Cash, deposits Notes, accounts receivable-trade Inventories	(853) (236) (131)
Non-current assets	17,991	18,556	565	Buildings and structures Machinery equipment, tool fixture Land Construction in progress Investments in securities	1,344 184 (384) (1,048) 426
Total assets	**47,002**	**46,160**	**(841)**		
Liabilities	29,646	29,192	(453)	Notes, accounts payable-trade Loans payable Accounts payable Accured expenses Accured consumption tax etc.	(804) 337 (502) 269 145
Net assets	17,355	16,968	(387)	Retained earnings	464
Equity ratio (%)	36.9	36.7	(0.2p)	Valuation differences on available-for-sales securities	291
				Treasury stock	(1,000)
Liabilities, net assets	**47,002**	**46,160**	**(841)**		

Cash Flow



Free Cash Flow （as the end of FY)

(¥mn)

FY 2013	FY 2014	FY 2015	FY 2016
(606)	365	2,299	232

Chemiphar

Ⅱ. FY2017　Forecasts

Revised Forecast (Consolidated)

(¥mn)

	FY 2016	FY 2017			
	Amount	2Q Amount	Original forecast*	Revised forecast**	Progress rate(%)
Net Sales	**35,689**	**17,512**	**38,000**	**35,500**	**49.3**
Pharmaceuticals	31,513	15,667	34,700	32,000	49.0
Generics	29,204	14,623	32,600	30,000	48.7
Proprietary products	1,395	1,043	2,100	2,000	52.2
Operating income	**2,836**	**979**	**2,500**	**1,800**	**54.4**
Net income attributable to owners of the parent	**2,054**	**730**	**1,550**	**1,150**	**63.5**

* issued on March 11, 2017

**issued on October 31, 2017

Chemiphar

New Generics in FY 2017

Set for launch in December, 2017

Product	Item
Irbesartan	3
Olmesartan	4
Rosuvastatin	2
Rosuvastatin OD	2

Launched in June, 2017

Product	Item
Telmisartan	3
Montelukast Fine Granules	1
Montelukast Chewable	1

Chemiphar

III. Management Strategy

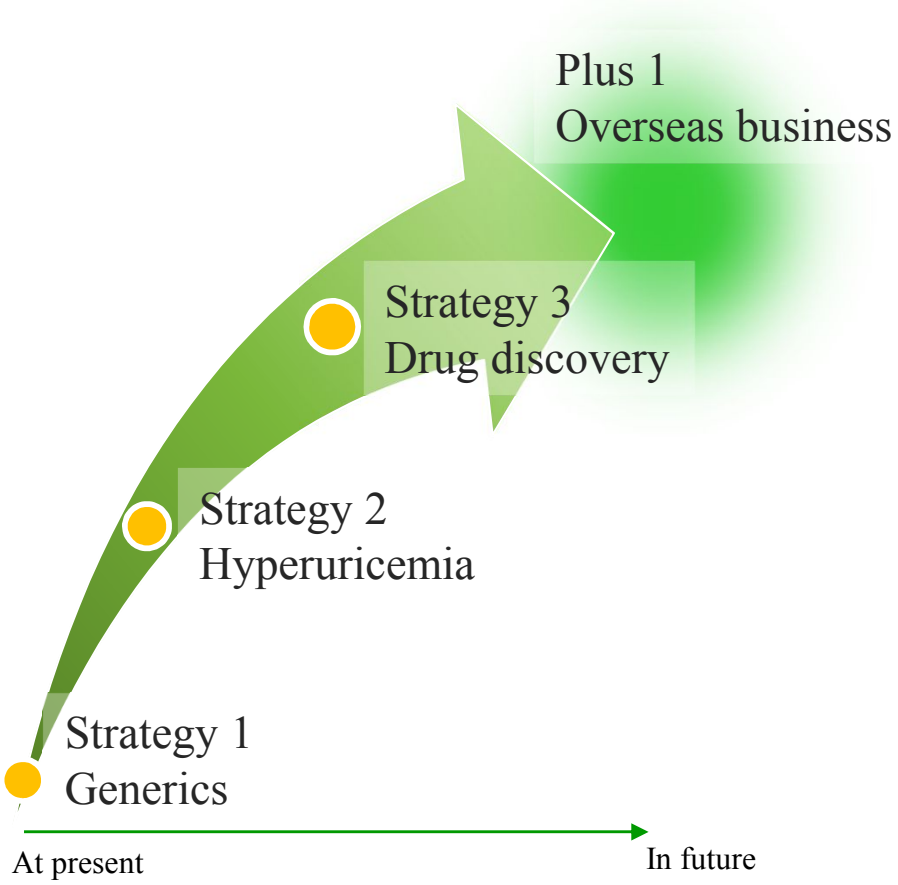
Chemiphar

Three Plus 1 Principal Strategies

Overview

Three principal strategies bolster our business

- **By fulfilling our three principal strategies, we will establish a proprietary business model.**
- **Expanding business abroad will make business growth sustainable.**



Strategy 1: Secure our presence in the generics business

Develop unique business by differentiating our products and enhance cost competitiveness.

Strategy 2: Achieve a stronger position in the hyperuricemia market, centered on Uralyt

Enhance group research initiatives, promote R&D in antihyperuricemic agents, and achieve out-licensing new drugs earlier.

Strategy 3: Contribute to society through drug discovery

Focus on discovery in our particular areas of strength.

Plus 1: Apply our goals to enter emerging markets

Develop our business in foreign markets centering on Asia.

Chemiphar

Management Strategy 1

Strengthen Supply Chain for Generic Drugs

Development

- Reducing the cost of APIs and products purchased

Manufacturing

- Starting commercial production in the Vietnam factory (Q3–4 FY 2018)
- Facility enhancement at the Tsukuba factory

Group capacity to produce 2 billion pills

Sales

- Increasing sales profitability through efficient sales activities
- New sales channels at Nihon Pharmaceutical Industry (NPI)

Diversification of sales channels

Distribution

- Additional distribution center in western Japan

Chemiphar

Management Strategy 2

Multifaceted Approach to Hyperuricemia (Urine Alkalization)

NPI took over Urinmet (Uralyt GE) from Sawai in August 2016	• NC Group almost entirely controls the citrate formulation market
Progress of clinical research at Tohoku University	• Possibility of citrate formulation market expansion
New drug discovery (NC-2500 and NC-2700)	• Development of drugs with different mechanism of action

Management Strategy 2

New Drug Discovery

Pipeline (as of October 2017)

No.	Function (Target)	Preclinical	Phase 1	Phase 2	Notes
NC-2400	PPAR-delta agonist (Lipid metabolism)			Finished Phase 1. Licensed.	• Licensed to Cerenis Therapeutics (France).
NC-2500	XOR inhibition (Hyperuricemia)			Finished Phase 1. Will be licensed next year.	• **Phase1 was finished in September as originally planned. Currently, data is under analysis.** • **Conducting premarketing. Aiming for speedy licensing.**
NC-2600*	P2X4 antagonist (Neuropathic pain)			Finished Phase 1. Will be licensed next year.	• Joint research with Kyusyu University. • **Phase 1 was finished in September as originally planned. Currently, data is under analysis.** • **Will be licensed after finishing Phase 1 (March 2018).**
NC-2700	URAT1 inhibition (Hyperuriceia)		Finished preclinical trial. Data in under analysis.		• **Finished preclinical trial. Data is under analysis.**
NC-2800*	Delta opioid receptor agonist (Depression / Anxiety)		Under preclinical trial until March 2018.		• Joint research with the University of Tsukuba, Kitasato University, and the National Center of Neurology and Psychiatry. • **Study development policy while conducting licensing activities.**
Soleton	NSAID (Diffuse-type tenosynovial giant cell tumor and others)				• **Physician-initiated clinical trial started.**
Calvan	A1β1 blocker (Huntington's disease)				• **Phase 2 is scheduled for new application by an overseas venture.**

* Supproted by the Japanese Agency for Research and Development (AMED).

Management Strategy 3

Drug Repositioning for Proprietary Drugs

Uralyt

- Cooperating in clinical research at Tohoku University

Soleton

- Started physician-initiated clinical trial, supported by the Center for Clinical Trials, Japan Medical Association

Calvan

- Development of Phase II clinical trial for orphan adaptation by SOM (Spain)

Management Strategy 4

Overseas Business

Vietnam factory

We took delivery of the building on September 14, 2017, and will start commercial production in fall 2018. In the future, it will serve as a foothold for future sales in the ASEAN region.

Pharmaceuticals

Area	Have been approved	Approval applications
China	Calvan	2 products centerd in ASEAN
Hong Kong	Pioglitazone, Cilostazol	
Korea	Soleton, Calvan	
Thailand	Uralyt	

Sales of Cilostazol in Hong Kong began in October 2017.

Dignostics

We are conducting marketing, mainly in Asia, centering on the world's fastest allergy testing equipment (DiaPack3000) and allergy testing reagent (Oriton IgE).

DiaPack3000

Chemiphar

For further information contact:
Public Relations Department, Nippon Chemiphar Co., Ltd.
E-mail: ir@chemiphar.co.jp

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.