



Year Ending March 31, 2018
Results of 2nd Quarter
Settlement of Accounts Supplementary Material
(Apr.1 to Sep.30 2017)

November, 2017

Nichi-Iko Pharmaceutical Co., Ltd.

(Code No. 4541 1st section of TSE)



Mission Statement: The 7th Medium-term Business Plan

Our mission is to provide value-added, high quality generic products which meet the needs of patients, doctors, pharmacists, wholesalers and pharmaceutical companies in the global market as one of the most respected, well established generic companies in the world.



Obelisk
2019

THEME

Use our creativity to establish a commanding presence and expand in the global marketplace

Results -YOY-

(¥million)

| | FY2016 H1 | vs Sales (%) | FY2017 H1 | vs Sales (%) | YOY |
|--|--------------|-----------------|--------------|-----------------|--------|
| Sales | 75,151 | - | 94,297 | - | 125.5% |
| COGS | 47,870 | 63.7% | 62,221 | 66.0% | 130.0% |
| Gross Profit | 27,289 | 36.3% | 31,914 | 33.8% | 116.9% |
| SG&A | 23,249 | 30.9% | 26,992 | 28.6% | 116.1% |
| Labor Expense | 3,137 | 4.2% | 5,145 | 5.5% | 164.0% |
| R&D Expense | 3,516 | 4.7% | 3,866 | 4.1% | 110.0% |
| Sales Promotion | 10,008 | 13.3% | 10,639 | 11.3% | 106.3% |
| Others | 6,588 | 8.8% | 7,342 | 7.8% | 111.4% |
| Operating Profit | 4,039 | 5.4% | 4,922 | 5.2% | 121.9% |
| Ordinary Profit | 3,314 | 4.4% | 5,103 | 5.4% | 154.0% |
| Quarterly Net Profit Attributable to Parent | 2,178 | 2.9% | 2,449 | 2.6% | 112.4% |
| Capital Expense | 6,804 | | 5,823 | | 85.6% |
| Depreciation | 2,866 | | 5,412 | | 188.8% |

Results -vs Forecast-

(¥million)

| | FY2017 Forecast | vs Sales (%) | FY2017 H1 Forecast | vs Sales (%) | FY2017 H1 Actual | vs Sales (%) | vs Forecast Full Year | H1 |
|--|--------------------|-----------------|-----------------------|-----------------|---------------------|-----------------|--------------------------|--------|
| Sales | 206,000 | - | 99,000 | - | 94,297 | - | 45.8% | 95.2% |
| COGS | 136,500 | 66.3% | 65,600 | 66.3% | 62,221 | 66.0% | 45.6% | 94.8% |
| Gross Profit | 69,500 | 33.7% | 33,400 | 33.7% | 31,914 | 33.8% | 45.9% | 95.6% |
| SG&A | 60,500 | 29.4% | 29,000 | 29.3% | 26,992 | 28.6% | 44.6% | 93.1% |
| Operating Profit | 9,000 | 4.4% | 4,400 | 4.4% | 4,922 | 5.2% | 54.7% | 111.9% |
| Ordinary Profit | 8,600 | 4.2% | 4,200 | 4.2% | 5,103 | 5.4% | 59.3% | 121.5% |
| Quarterly Net Profit Attributable to Parent | 5,500 | 2.7% | 2,700 | 2.7% | 2,449 | 2.6% | 44.5% | 90.7% |
| Capital Expense | 10,568 | | | | 5,823 | | 55.1% | |
| R&D Expense | 10,626 | | | | 3,866 | | 36.4% | |
| Depreciation | 10,985 | | | | 5,412 | | 49.3% | |

Results -Segment-

(¥ million)

| | FY2017 H1 | | | | | | | | | |
|------------------|-----------|-----------|---------|-----------|-----------|-----|------------|--------------|-----------|---------|
| | Japan | | | Oversea | | | Adjustment | Consolidated | | |
| | FY2016 H1 | FY2017 H1 | YOY | FY2016 H1 | FY2017 H1 | YOY | FY2017 H1 | FY2016 H1 | FY2017 H1 | YOY |
| Sales | 75,151 | 75,424 | 100.4% | - | 18,873 | - | - | 75,151 | 94,297 | 125.5% |
| COGS | 47,870 | 48,922 | 102.2% | - | 13,298 | - | - | 47,870 | 62,221 | 130.0% |
| vs Sales | 63.7% | 64.9% | | | 70.5% | | | 63.7% | 66.0% | |
| Gross Profit | 27,289 | 26,340 | 96.5% | - | 5,574 | - | - | 27,289 | 31,914 | 116.9% |
| vs Sales | 36.3% | 34.9% | | | 29.5% | | Δ | 36.3% | 33.8% | |
| SG&A | 23,249 | 22,905 | 98.5% | - | 4,092 | - | 6 | 23,249 | 26,992 | 116.1% |
| vs Sales | 30.9% | 30.4% | | | 21.7% | | | 30.9% | 28.6% | |
| R&D Expense | 3,516 | 3,008 | 85.6% | - | 858 | - | - | 3,516 | 3,866 | 110.0% |
| Sales Promotion | 10,008 | 10,460 | 104.5% | - | 179 | - | - | 10,008 | 10,639 | 106.3% |
| Labor Expense | 3,137 | 3,235 | 103.1% | - | 1,910 | - | - | 3,137 | 5,145 | 164.0% |
| Depreciation | 486 | 579 | 119.1% | - | 207 | - | - | 486 | 786 | 161.7% |
| Amortization | 86 | 1,076 | 1251.2% | - | 0 | - | Δ - | 86 | 1,076 | 1251.2% |
| Others | 6,016 | 4,547 | 75.6% | - | 938 | - | 6 | 6,016 | 5,480 | 91.1% |
| Operating Profit | 4,039 | 3,434 | 85.0% | - | 1,481 | - | 6 | 4,039 | 4,922 | 121.9% |
| vs Sales | 5.4% | 4.6% | | | 7.8% | | | 5.4% | 5.2% | |

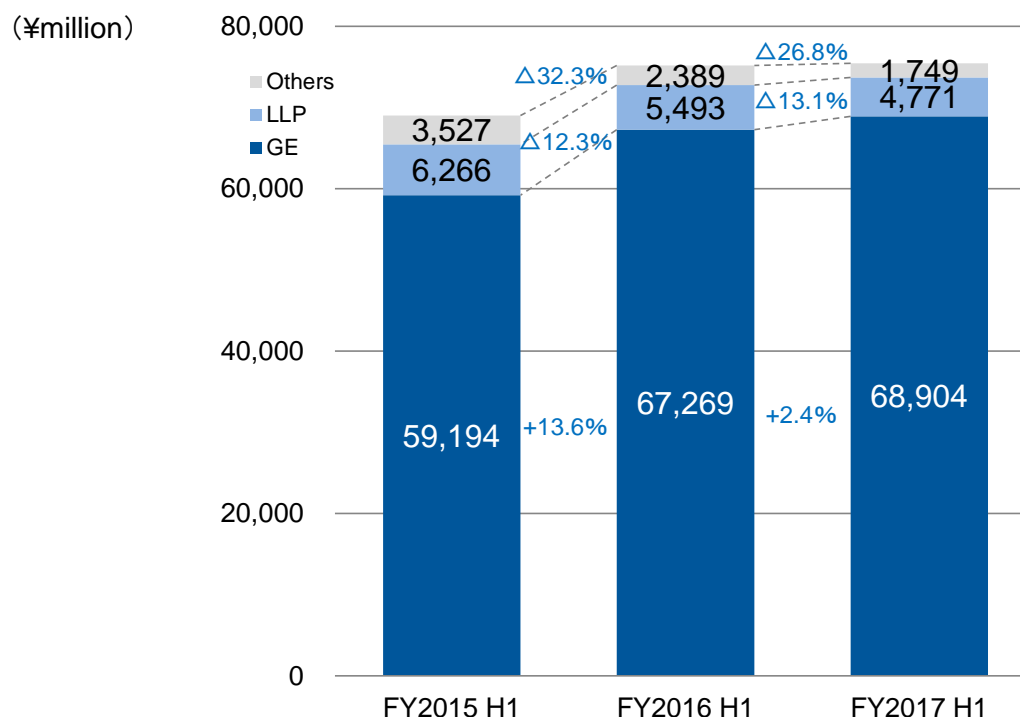
Sales Performance by Category of Products

Japan



(¥ million)

| | FY2015 H1 | | FY2016 H1 | | FY2017 H1 | |
|--------------|---------------|--|---------------|---------------|---------------|---------------|
| | Actual | | Actual | YOY | Actual | YOY |
| GE | 59,194 | | 67,269 | 113.6% | 68,904 | 102.4% |
| LLP | 6,266 | | 5,493 | 87.7% | 4,771 | 86.9% |
| Others | 3,527 | | 2,389 | 67.7% | 1,749 | 73.2% |
| Total | 68,987 | | 75,151 | 108.9% | 75,424 | 100.4% |



Sales Performance by Distribution Channel

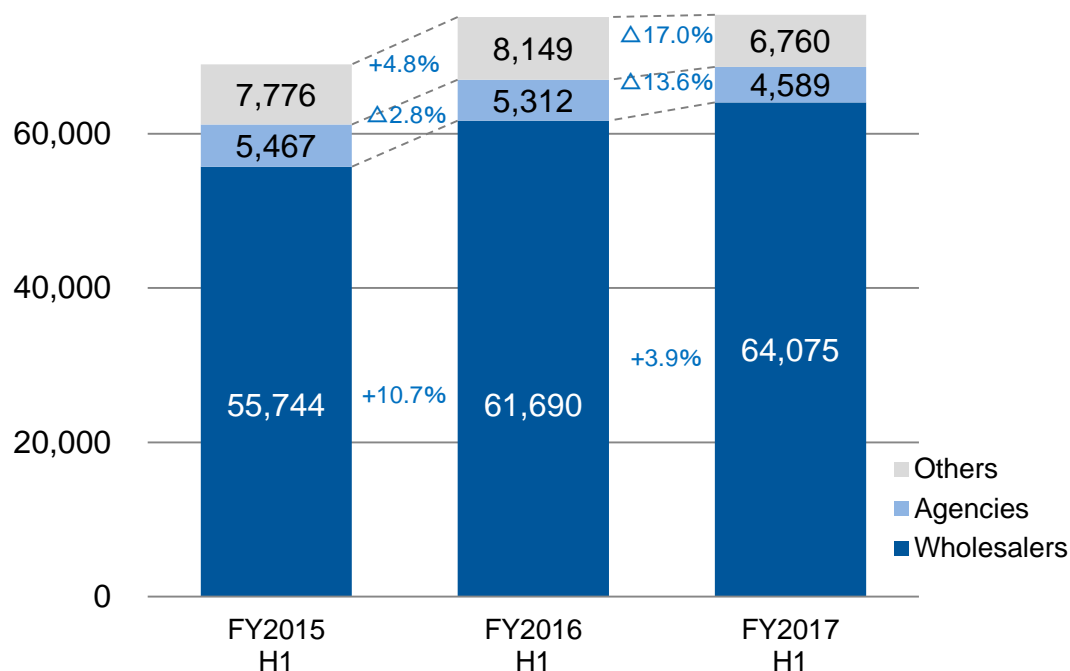
Japan



(¥million)

| Distribution Channel | FY2015 H1 | | FY2016 H1 | | | | FY2017 H1 | | | |
|----------------------|-----------|--------|-----------|--------|----------|--------|-----------|--------|----------|--------|
| | Actual | | Actual | | YOY | | Actual | | YOY | |
| | Sales | % | Sales | % | Variance | % | Sales | % | Variance | % |
| Wholesalers | 55,744 | 80.8% | 61,690 | 82.1% | 5,946 | 110.7% | 64,075 | 85.0% | 2,385 | 103.9% |
| Agencies | 5,467 | 7.9% | 5,312 | 7.1% | -155 | 97.2% | 4,589 | 6.1% | -723 | 86.4% |
| Others | 7,776 | 11.3% | 8,149 | 10.8% | 373 | 104.8% | 6,760 | 9.0% | -1,389 | 83.0% |
| Total | 68,987 | 100.0% | 75,151 | 100.0% | 6,164 | 108.9% | 75,424 | 100.0% | 273 | 100.4% |

(¥million) 80,000

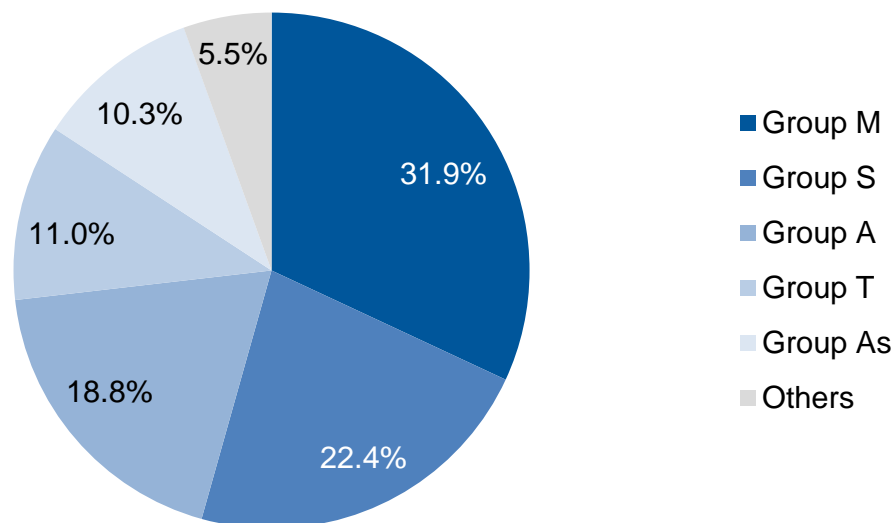


Comparison of Performance by Wholesalers

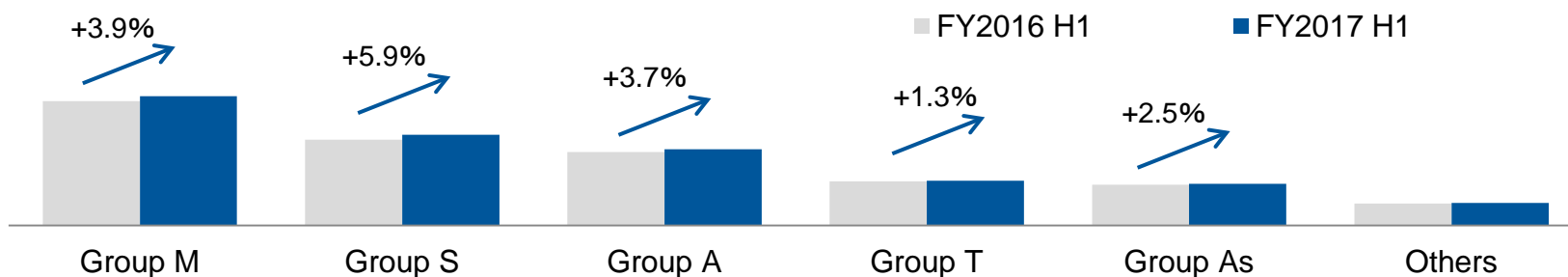
Japan



Share of FY2017 H1

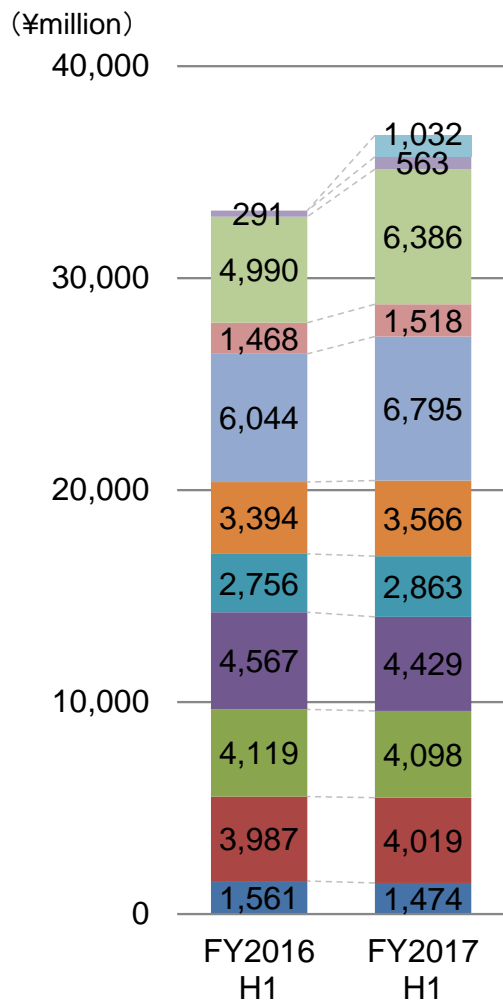


YOY



Sales Performance of Generic Products by NHI Listed Year

Japan



(¥ million)

| | FY2016 H1 | FY2017 H1 | Variance | YOY |
|----------------|---------------|---------------|--------------|---------------|
| Listed in 2017 | - | 1,032 | 1,032 | - |
| Listed in 2016 | 291 | 563 | 272 | 193.5% |
| Listed in 2015 | 4,990 | 6,386 | 1,396 | 128.0% |
| Listed in 2014 | 1,468 | 1,518 | 50 | 103.4% |
| Listed in 2013 | 6,044 | 6,795 | 751 | 112.4% |
| Listed in 2012 | 3,394 | 3,566 | 172 | 105.1% |
| Listed in 2011 | 2,756 | 2,863 | 107 | 103.9% |
| Listed in 2010 | 4,567 | 4,429 | -138 | 97.0% |
| Listed in 2009 | 4,119 | 4,098 | -21 | 99.5% |
| Listed in 2008 | 3,987 | 4,019 | 32 | 100.8% |
| Listed in 2007 | 1,561 | 1,474 | -87 | 94.4% |
| Total | 33,177 | 36,743 | 3,566 | 110.7% |

Sales Performance by Medical Institutions

Japan



| GE | FY2016 H1 | | | FY2017 H1 | | | | | |
|--------------|------------------------------------|-------------------|--------------------|----------------|-------------------|--------------------|---------------|--------|----------------|
| | No. of Clients | YOY Sales | YOY No. of Clients | No. of Clients | YOY Sales | YOY No. of Clients | | | |
| All | 106,188 | 110.0% | 101.2% | 107,344 | 108.0% | 101.1% | | | |
| DPC Hospital | 1,652 | 106.1% | 100.7% | 1,652 | 108.9% | 100.0% | | | |
| Pharmacy | 55,607 | 113.5% | 102.0% | 56,482 | 109.1% | 101.6% | | | |
| All Products | Total No. of Institutions in Japan | FY2016 H1 | | | FY2017 H1 | | | YOY | |
| | | Sales Composition | No. of Clients | | Sales Composition | No. of Clients | Covered Ratio | Sales | No. of Clients |
| All | - | 100.0% | 124,918 | 100.0% | 125,645 | - | 106.6% | 100.6% | |
| Hospital | 8,491 | 17.4% | 8,315 | 17.4% | 8,309 | 97.9% | 106.8% | 99.9% | |
| DPC Hospital | 1,674 | 11.0% | 1,652 | 11.2% | 1,654 | 98.8% | 109.2% | 100.1% | |
| Clinic | 103,594 | 10.9% | 60,459 | 10.3% | 60,382 | 58.3% | 101.2% | 99.9% | |
| Pharmacy | 59,348 | 64.3% | 56,144 | 64.8% | 56,954 | 96.0% | 107.5% | 101.4% | |
| Others | - | 7.5% | - | 7.5% | - | - | 106.4% | - | |

New Products

Japan



| | 2017 | 2018 | 2019 |
|--|---|--|---|
| Number of products | 12 ingredients 35 product listing | 12 ingredients 24 product listing | 9 ingredients 20 product listing |
| Original products | Crestor® Olmetec® Micardis® | Remeron®/Refrex® Recalbon®/Bonoteo® Aimix® | Urief® Lonasen® Teribone® |
| Original products Market size (¥ billion) | 405 | 220 | 303 |

Available in December, 2017 5ingredients 16 product listing

- Olmesartan Tablet 5mg/10mg/20mg/40mg (Olmetec®)
- Olmesartan OD Tablet 10mg/20mg/40mg (Olmetec®)
- Rosuvastatin Tablet 2.5mg/5mg (Crestor®)
- Rosuvastatin OD Tablet 2.5mg/5mg (Crestor®)
- Irbesartan Tablet 50mg/100mg/200mg (Avapro®/Irbetan®)
- Famciclovir Tablet 250mg (Famvir®)
- Olanzapine OD Tablet 2.5mg (Zyprexa®)

Forward-Looking Statements



The information contained in this document is not intended as solicitation material for buying or selling the company's shares.

Earnings forecasts and other future forecasts contained herein have been made by the company based on information available at the time the material was compiled and encompass potential risks and uncertainties.

Accordingly, actual results may differ from forecasts for a variety of reasons.

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