Obelisk 2019

FY2019/3 H1 Presentation

November, 2018

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President & CEO
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Nichi-Iko Pharmaceutical Co., Ltd.

FY2019/3 H1 Overview（IFRS）

■Operating profit and Net profit were revised upward despite NHI drug price revision offset by volume growth of domestic GE, cost reduction by Profit Management Plan, and unused SG&A.

Sales	（FY2018/3 H1 83.0B JPY） **82.3B JPY**	(+) GE volume growth (-) NHI drug price revision
Operating Profit	（FY2018/3 H1 2.6B JPY） **4.7B JPY**	(+) Profit Management Plan (+) Unused SG&A and R&D
Net Profit	（FY2018/3 H1 2.4B JPY） **4.6B JPY**	

FY2019/3 H1 Financial Highlights by Segment (YOY)

(Million JPY)	Japan＋Others			Sagent			**Consolidated**		
	FY2018/3 H1	**FY2019/3 H1**	YOY	FY2018/3 H1	**FY2019/3 H1**	YOY	FY2018/3 H1	**FY2019/3 H1**	YOY
Sales	64,184	**63,853**	99.5%	18,875	**18,493**	98.0%	83,060	**82,346**	99.1%
COGS	48,088	**50,009**	104.0%	16,113	**14,157**	87.9%	64,202	**64,166**	99.9%
Gross Profit	16,095	**13,843**	86.0%	2,762	**4,335**	157.0%	18,858	**18,179**	96.4%
SG&A	8,601	**8,474**	98.5%	3,212	**3,140**	97.8%	11,813	**11,615**	98.3%
R&D expense	1,278	**1,203**	94.1%	698	**711**	101.9%	1,977	**1,915**	96.9%
Other Income	671	**273**	40.7%	-14	**0**	-	657	**273**	41.6%
Other Expense	54	**90**	167.7%	2,975	**111**	3.7%	3,029	**202**	6.7%
Operating Profit	6,834	**4,348**	63.6%	-4,138	**372**	-	2,695	**4,720**	175.1%

Interim Dividend (planned) 15.0 JPY

Capital investment 2.2B JPY
（FY2018/3 H1 5.8B JPY）

R&D investment 5.1B JPY
（FY2018/3 H1 3.9B JPY）

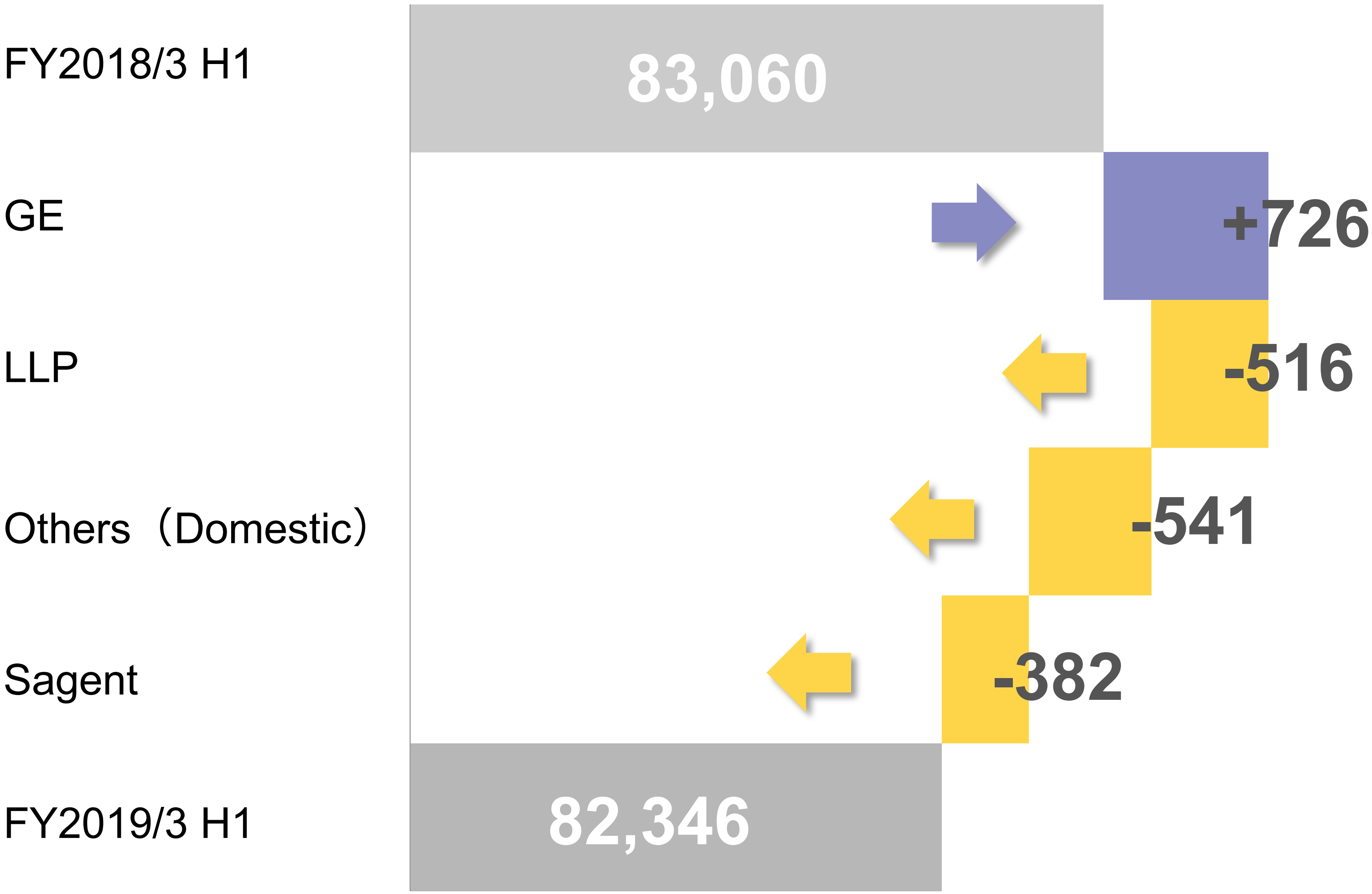
Depreciation 4.6B JPY
（FY2018/3 H1 4.1B JPY）

FY2019/3 H1 Financial Highlights by Segment (vs Plan)

(Million JPY)	Japan＋Others			Sagent			**Consolidated**		
	Plan	**Actual**	%	Plan	**Actual**	%	Plan	**Actual**	%
Sales	65,000	**63,853**	98.2%	17,000	**18,493**	108.8%	82,000	**82,346**	100.4%
COGS	52,000	**50,009**	96.2%	13,000	**14,157**	108.9%	65,000	**64,166**	98.7%
Gross Profit	13,000	**13,843**	106.5%	4,000	**4,335**	108.4%	17,000	**18,179**	106.9%
Operating Profit	2,900	**4,348**	150.0%	100	**372**	372.0%	3,000	**4,720**	157.3%

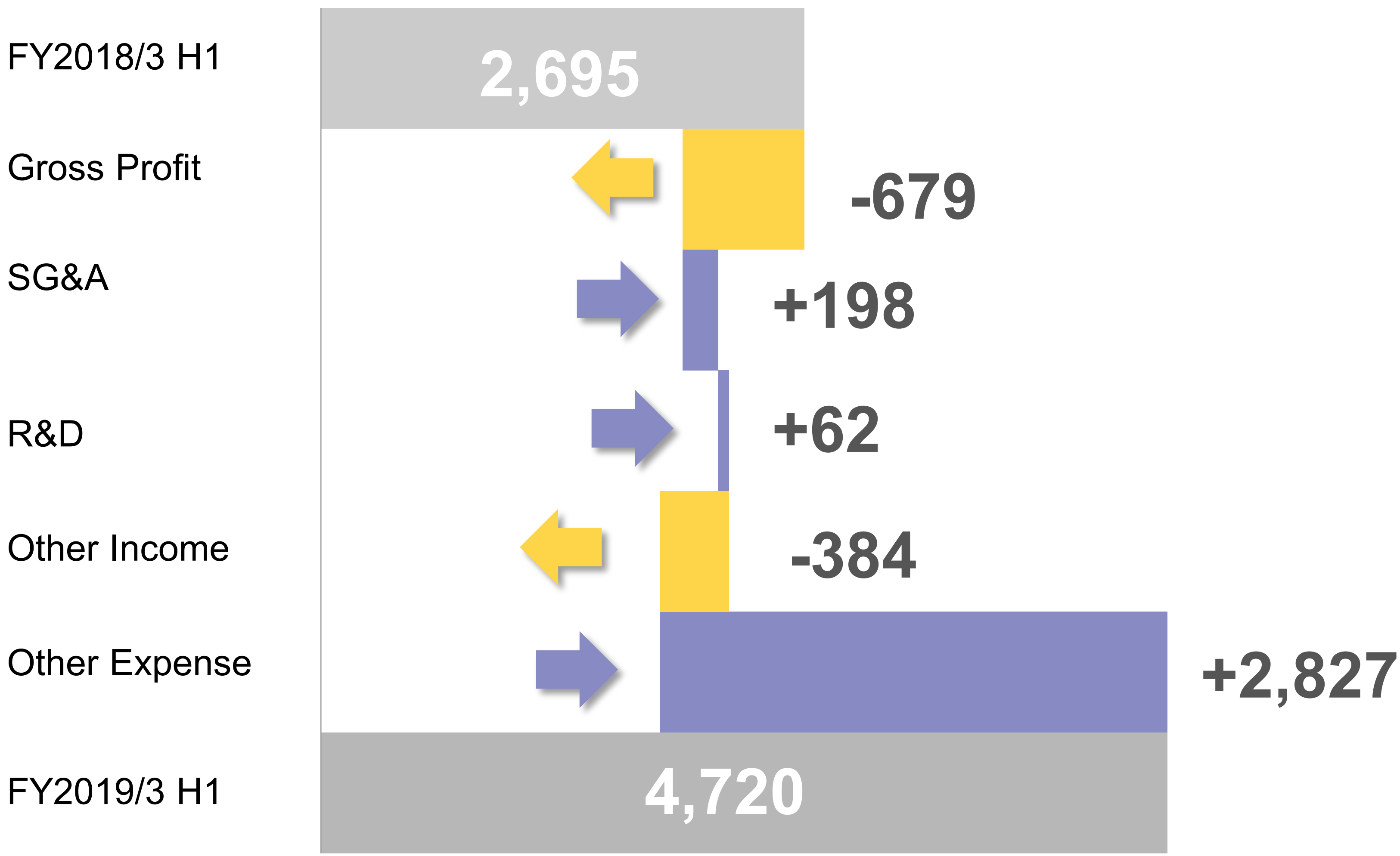
Sales Increase/Decrease & Factor Analysis（IFRS）

(Million JPY)



Operating Profit Increase/Decrease & Factor Analysis (IFRS)

(Million JPY)



Operating Profit Variance to Forecast

Variance to the forecast was 1.7 B JPY; OP actual of 4.7B JPY to OP forecast of 3.0 B JPY.

（Billion JPY）

Factors	Amount
・Reduced Variable cost by PMP etc. ・Product mix ・Improved supplying price	1.4
・Re-examined R&D expense due to PMI with Elmed and unsed R&D expense	0.8
・Improved gross profit at Sagent	0.3
・Increased other expenses etc.	Δ0.8
Variance	1.7

Progress of Profit Management Plan

Realized 5.0B JPY cost reduction from Apr. 2017 to Sep. 2018 while planning 6.0B JPY cost reduction until Mar. 2019

Yield Rates improvement	＋ ＋
Disposal Reduction of unfinished goods	＋
Disposal Reduction of finished goods	－ －
Cost Reduction of API	＋ ＋ ＋
Cost Reduction of packaging materials	＋

Achieved

5.0B JPY

cost reduction

Target

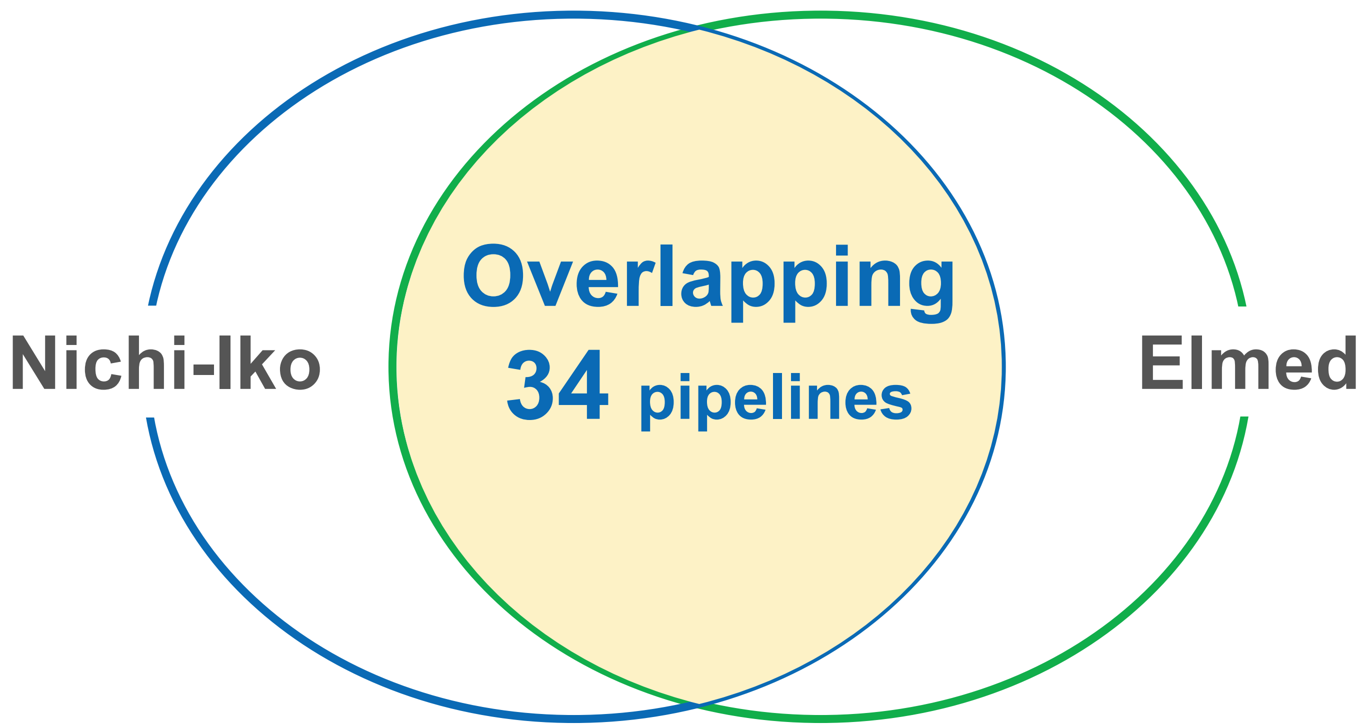
6.0B JPY

PMI Progress

PMI①__Cost Synergy（R&D）

Product integration by COGS and formulation for **34 duplicated pipelines**.

- ✓ Cost Synergy in R&D expense
- ✓ In-house production of Elmed pipeline products by Nichi-Iko
- ✓ Increased efficiency to strengthen the development and IP team function



PMI② _Co-promotion

Oct. 1st, 2018

Started Co-promotion of Elmed's value added products by Nichi-Iko

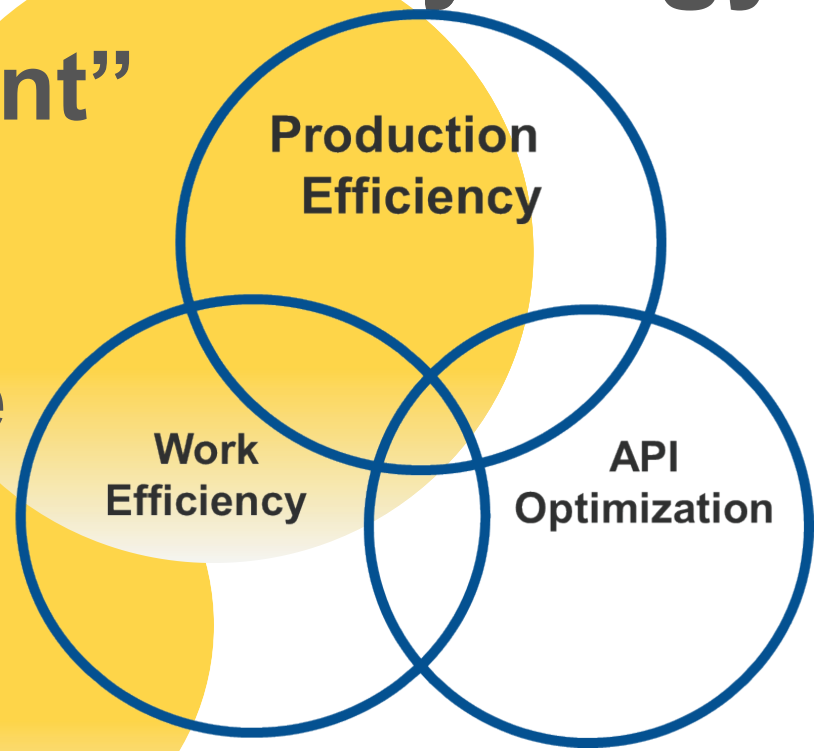
No.	Product	Feature
1	Famotidine D tab.	Molded tablet
2	Enalapril M tab.	Molded tablet
3	Menilet 70% Jelly	Unique dosage form
4	Isosorbide Dinitrate tape	Superior usability
5	Docetaxel I.V. infusion	Alcohol-free fomula

In terms of co-promotion of Nichi-Iko products by Eisai, product selection has finished and planned to be commenced sequentially.

PMI③__Effect of Generic business integration

Cost Synergy

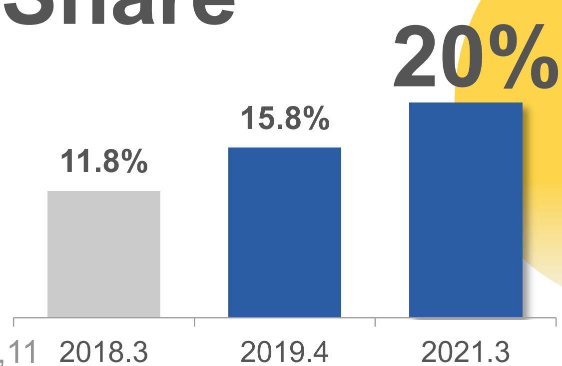
Maximize profit “Amount” by using “Volume”



Volume growth

Cost Synergy 2.0B JPY/year

Gain Market Share



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PMI④＿API (Business with Eisai's India Plant)

✓ Procurement of superior price competitive API from Eisai

✓ Utilization of Eisai's API development capability and manufacturing techniques for new products

✓ Contract manufacturing at Vizag Plant in India with low costs and advanced technology
→ **Evaluating candidate products**

Marketed products	scheduled to be approved from **FY2020/3 H1**
Pipeline products	evaluated in time with approval timing
CMO production	considering candidates ingredients

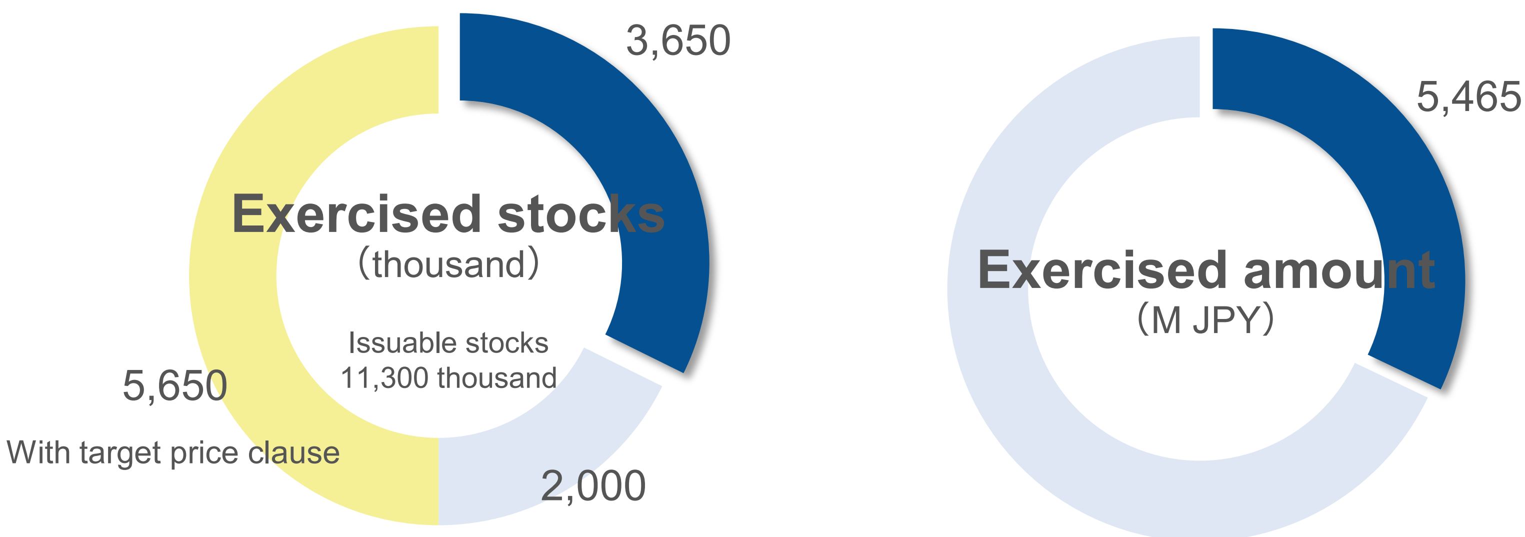
Planned to expand the candidates

Current status of equity financing

Financing correspond to phased acquisition of Elmed Eisai stocks

Acquired 33.4% stocks as of Oct. 1st, 2018 with 5.6B JPY

	Exercised stocks (thousand)	Exercised amount (M JPY)
Aug. 2018	1,650	2,414
Sep. 2018	1,000	1,515
Oct. 2018	1,000	1,536
total	**3,650**	**5,465**



- US Market Conditions
- Biosimilars
- ASEAN Market conditions

US Market Conditions & Pipeline Progress

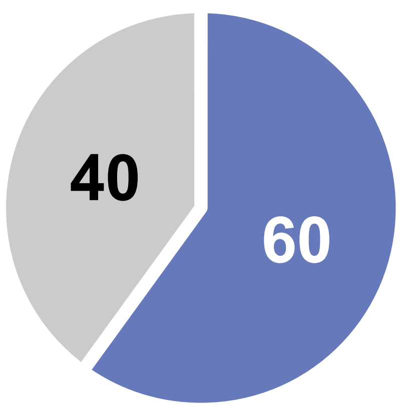
Current

ANDA approval process acceleration caused an increase in number of market players and price competition
Continued strong price pressure from GPO

Action

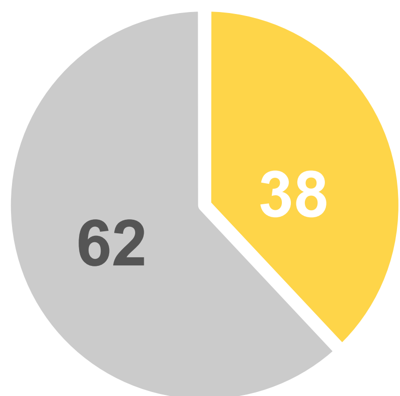
Launched 8 products during first half

Sagent Top10 products sales



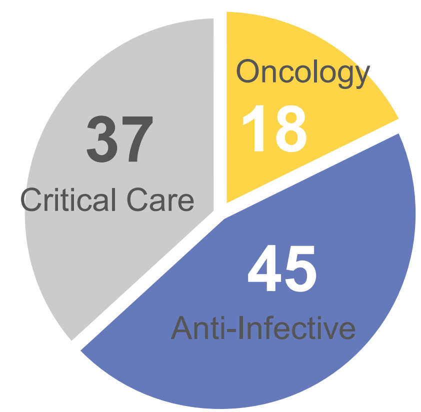
(%)

Sagent Newly marketed products sales※



※Sales of products launched in FY2018/3 and FY2019/3H1.

Sagent Sales by areas



	FY2018/3	FY2019/3	FY2020/3	Total
Number of launched and/or planned to launch products	13	8／12-17 Launched/planned total launch number in the FY	8-12	33-42

Development status of Biosimilar pipelines

- **Infliximab** Final stage of "Interchangeability" PhaseⅢ study in the US
- **Etanercept** Planning to sell "Kyowa" product and be transferred to Nichi-Iko after one year from the launch
- **Trastuzumab** PhaseⅠ study has started in the US

	Pre-clinical	PhaseⅠ	PhaseⅢ	Filing/ Approval
Infliximab（Japan）	Launched（Approved in Sep. 2017）			
Infliximab（US）	Final stage of PhaseⅢ（To be filed in 2019）			
Etanercept（Japan）	Filed in Mar. 2018			
Trastuzumab (Japan,US,EU)	Started PhaseⅠ in the US			

ASEAN Market conditions

Expanded to ASEAN 5 countries. Enhancing product portfolio and marketing and distribution foundation.

Singapore・Malaysia

<6 pipelines>

Vietnam

Nov. 2013, alliance with
Hanoi Pharmaceutical
<21 pipelines>

Jul. 2018, alliance with
Sunward Pharmaceutical
<5 pipelines>

Thailand

Jul. 2010, alliance with
DKSH Thailand

Apr. 2013, opened
Bangkok representative office

Sep. 2013, alliance with
Biolab

Jan. 2014, established
Nichi-Iko (Thailand)

Jul. 2015, alliance with
Bangkok Lab **launched 17 products** <14 pipelines>

Philippine

Jan. 2018, alliance with
InnoGen Pharmaceuticals
Lloyd Laboratories
<9 pipelines>

2019/3 Revised full year outlook（IFRS）

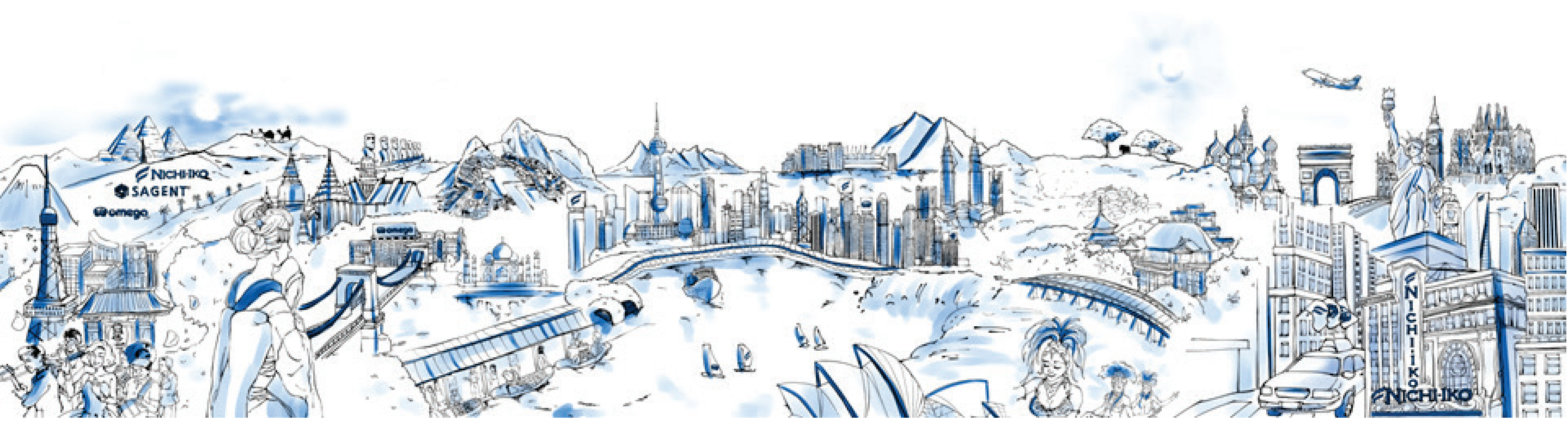
Revised financial outlook based on the favorable H1 result.

(Million JPY)	Previous Forecast		Revised Forecast		Variance (Consolidated)
	Consolidated	Sagent	Consolidated	Sagent	△
Net Sales	172,000	35,000	**170,000**	**36,000**	△2,000
COGS	136,000	26,500	**132,500**	**27,500**	3,500
Gross Profit	36,000	8,500	**37,500**	**8,500**	+1,500
Operating Profit	8,000	200	**9,500**	**500**	+1,500
Net Profit	5,000	150	**7,000**	**350**	+2,000

Annual Dividend	Capital Investment	R&D Investment	Depreciation Expenses
30 JPY / Share (Planned)	8B JPY (FY2018/3 12.7B JPY)	11.5B JPY (FY2018/3 9B JPY)	9.5B JPY (FY2018/3 8.9B JPY)

Mission Statement

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



Forward-Looking Statements

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