



Financial Overview

for the Interim Period

Fiscal Year ending March 31, 2004

KOBAYASHI PHARMACEUTICAL CO., LTD.

President and Representative Director, CEO

Kazumasa Kobayashi

November 18, 2003



KOBAYASHI PHARMACEUTICAL CO., LTD.

Overview

- **Promotion of corporate brand management**
Growth of the nutritional supplement food business
- **Brisk sales of Netsusama Sheet and Bluelet**
- **Lackluster sales of pharmaceutical products for the summer due to the cool weather**
- **Promotion of the international strategy (China)**
- **Strengthened cost competitiveness: ¥0.7 billion reduction in manufacturing costs**
- **Decision to liquidate Chiba Kobayashi Inc., a subsidiary**
- **Provision of allowance for doubtful accounts concerning suppliers of subsidiaries**
- **Promotion of management emphasizing quality**



Financial Highlights

	First half of fiscal year ended March 31, 2003		First half of fiscal year ending March 31, 2004		Increase/decrease	
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Increase/decrease rate
	Million Yen	%	Million Yen	%	Million Yen	%
Net sales	106,895	-	108,386	-	1,491	1.4
Operating income	8,194	7.7	7,838	7.2	(356)	(4.4)
Ordinary income	6,217	5.8	7,011	6.5	793	12.8
Interim net income	3,379	3.2	3,357	3.1	(22)	(0.6)
E P S (yen)	119.2	-	79.5	-	(39.7)	(33.3)

EPS decreased since a 1.5-for-1 stock split was executed.



Consumer Products Operation

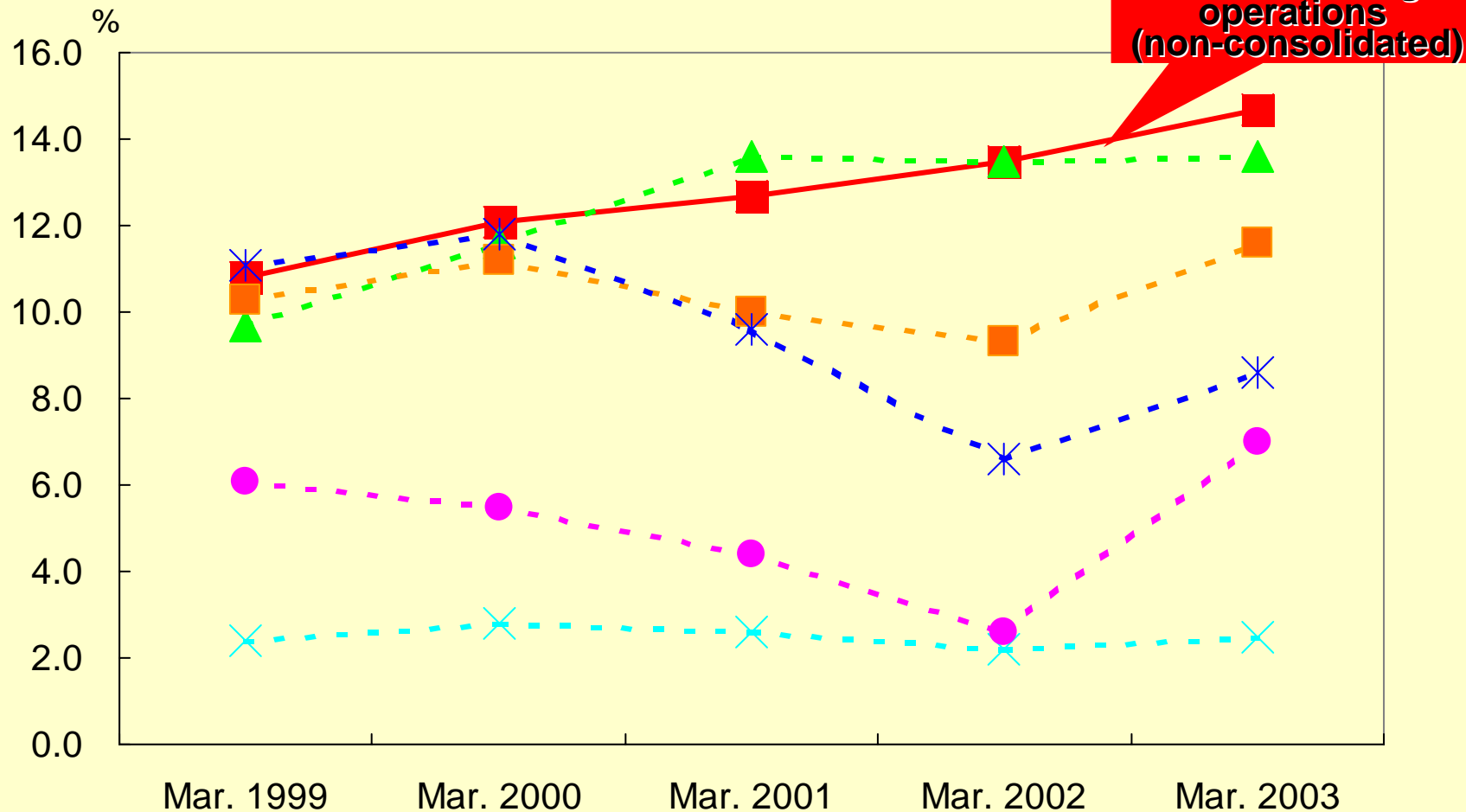
The first half of the fiscal year ending March 31, 2004



Ordinary income to net sales (Comparison with industry peers)

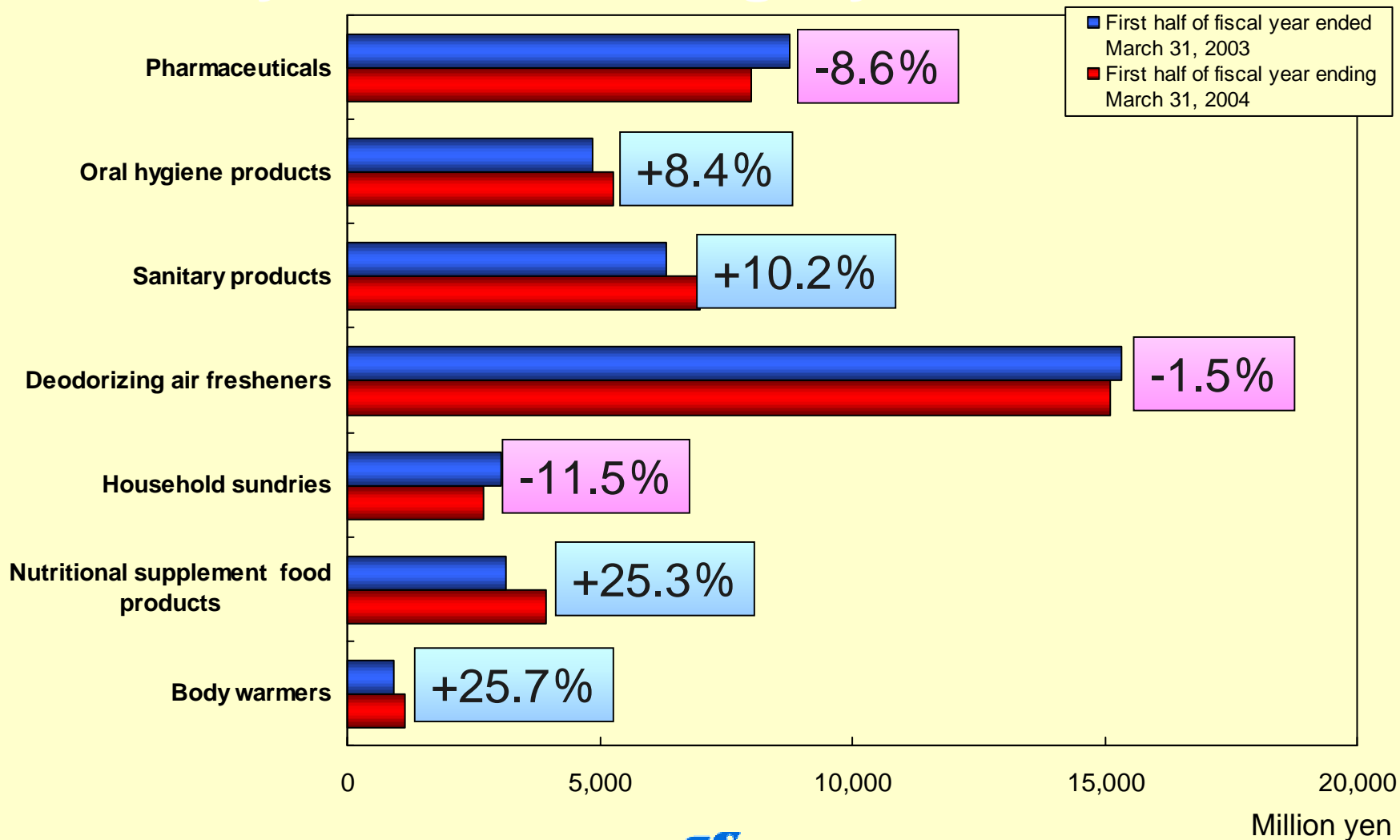
Non-consolidated

Promotion of management emphasizing quality



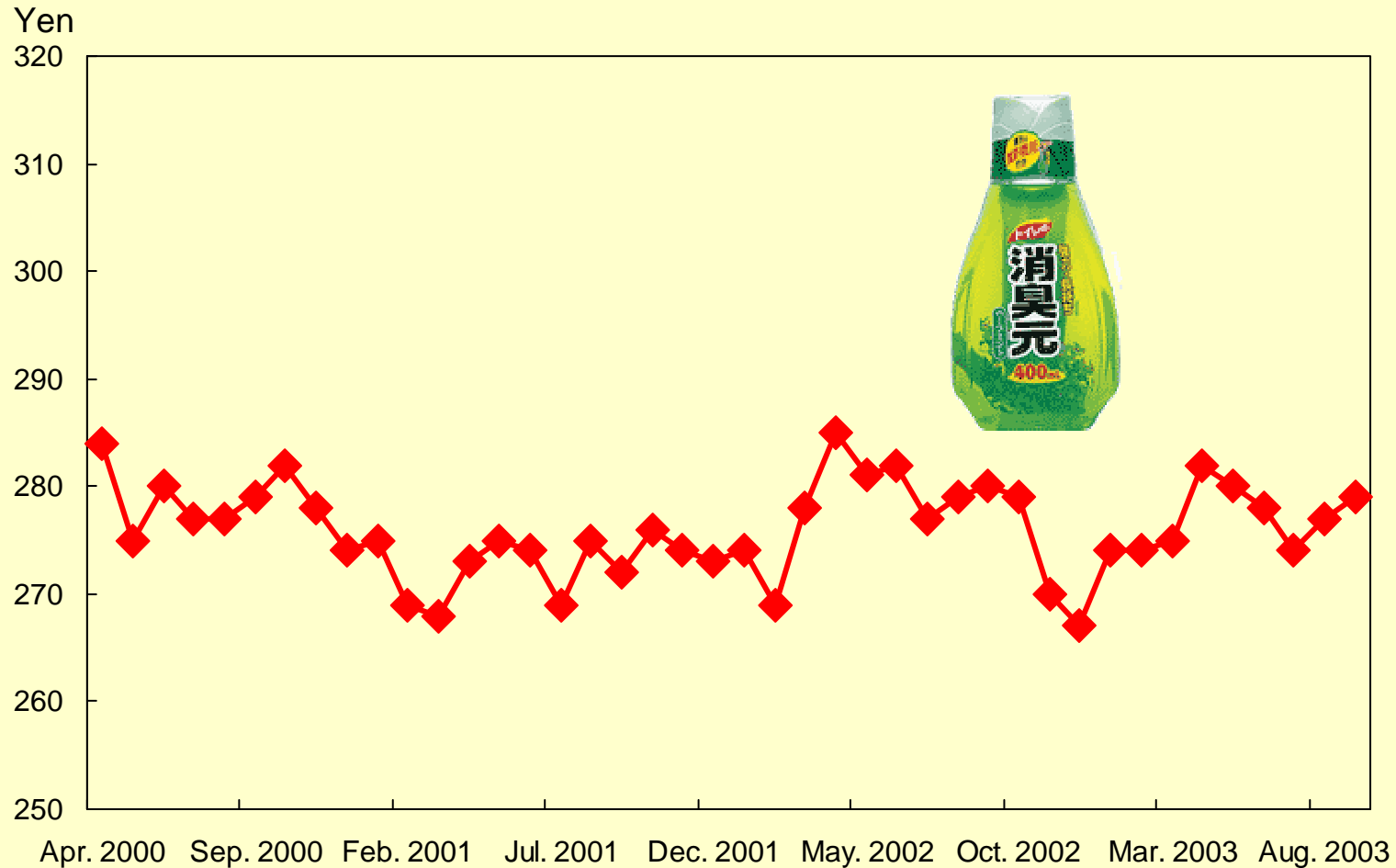
Consumer Products Operations Sales by Product Category

Consolidated



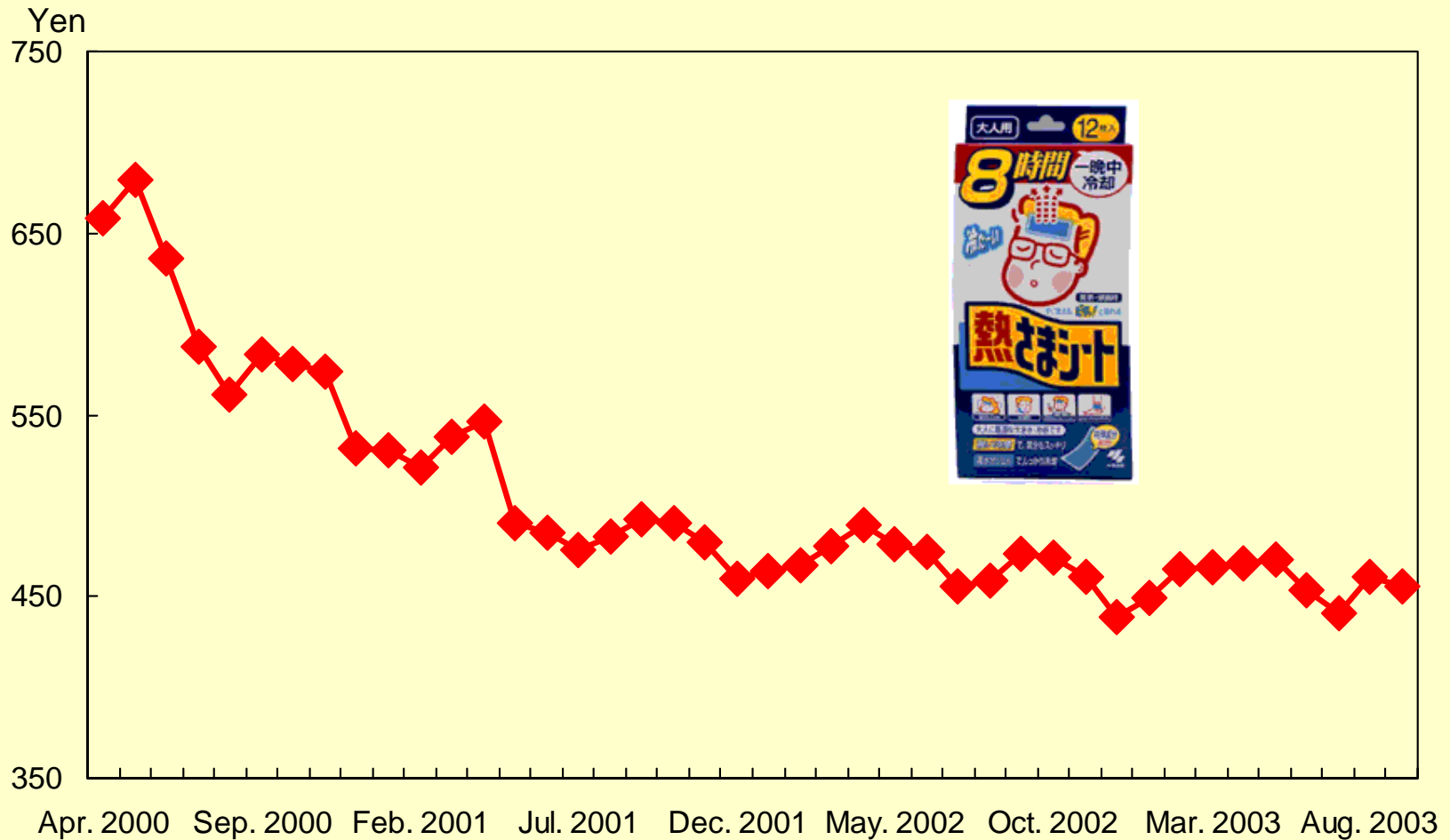
Ceasing of Price Downtrend

In the case of deodorizing air fresheners for toilet



Ceasing of Price Downtrend

In the case of cooling gel sheets



Thorough P/L Control for Each Brand

Non-consolidated

Number of brands

150

120

90

60

30

0

Profit Loss

First half of
FY02/3

First half of
FY03/3

First half of
FY04/3

Top 3 brands with
the highest profits
for the first half of
FY04/3

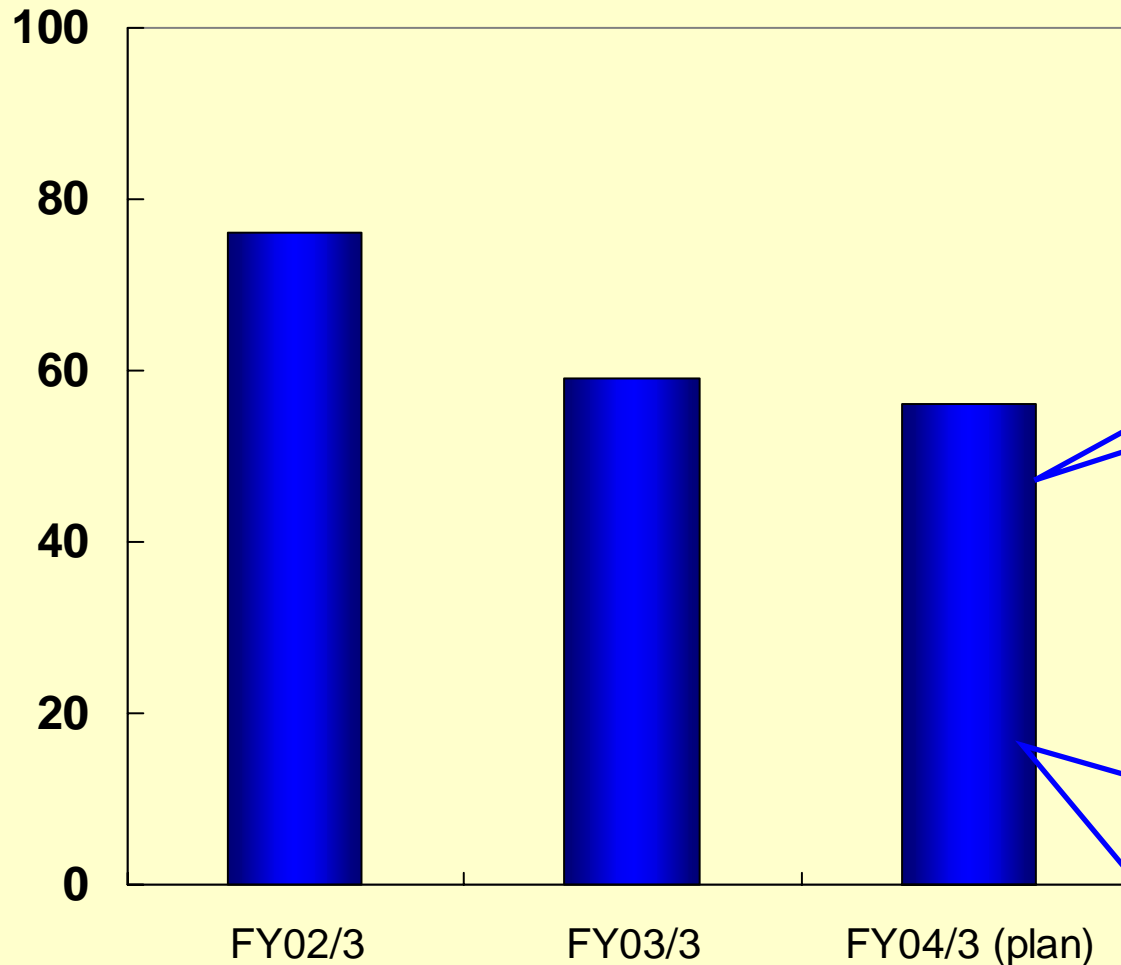
- 1) Bluelet
- 2) Shoshugen
- 3) Ammeltz



Strategic Ad Placement

Non-consolidated

Number of brands advertised



Supporting sales expansion
TV program sponsorship from Oct. to Dec. 2003
38 programs sponsored by Kobayashi Pharmaceutical
1st: P&G
2nd: Kao
3rd: Kobayashi Pharmaceutical

Ranking of TV media expenditures from April to September 2003
Ranked 5th in the industry
1st : Kao
2nd: P&G
3rd: Nippon Lever
4th: Lion
5th: Kobayashi Pharmaceutical

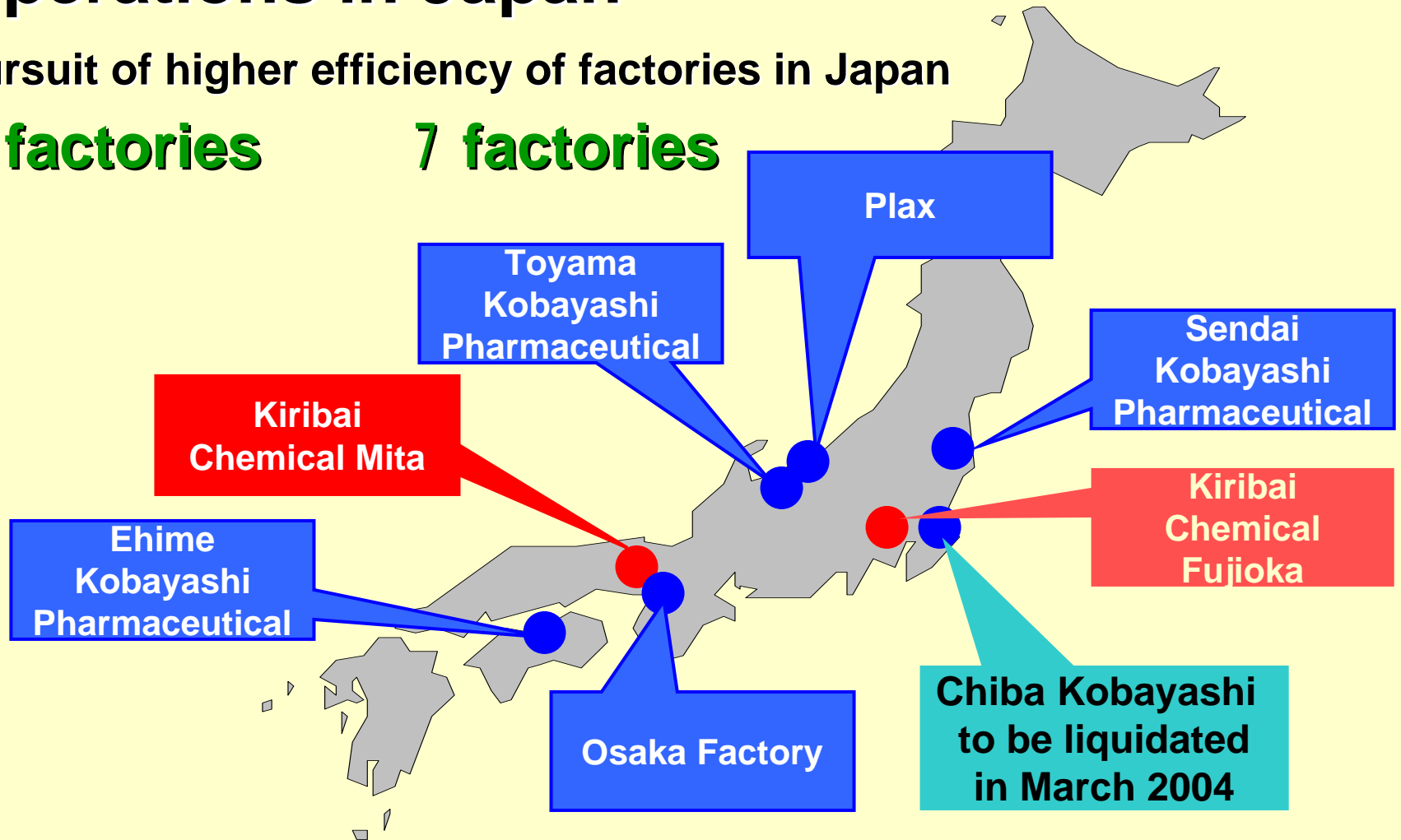


Consolidation of Manufacturing Operations in Japan

Pursuit of higher efficiency of factories in Japan

8 factories

7 factories



Enrichment of the Production System in China

Strengthen cost competitiveness

o Japan



Enrichment of the Production System in China

Production plan from now on

Netsusama Sheet

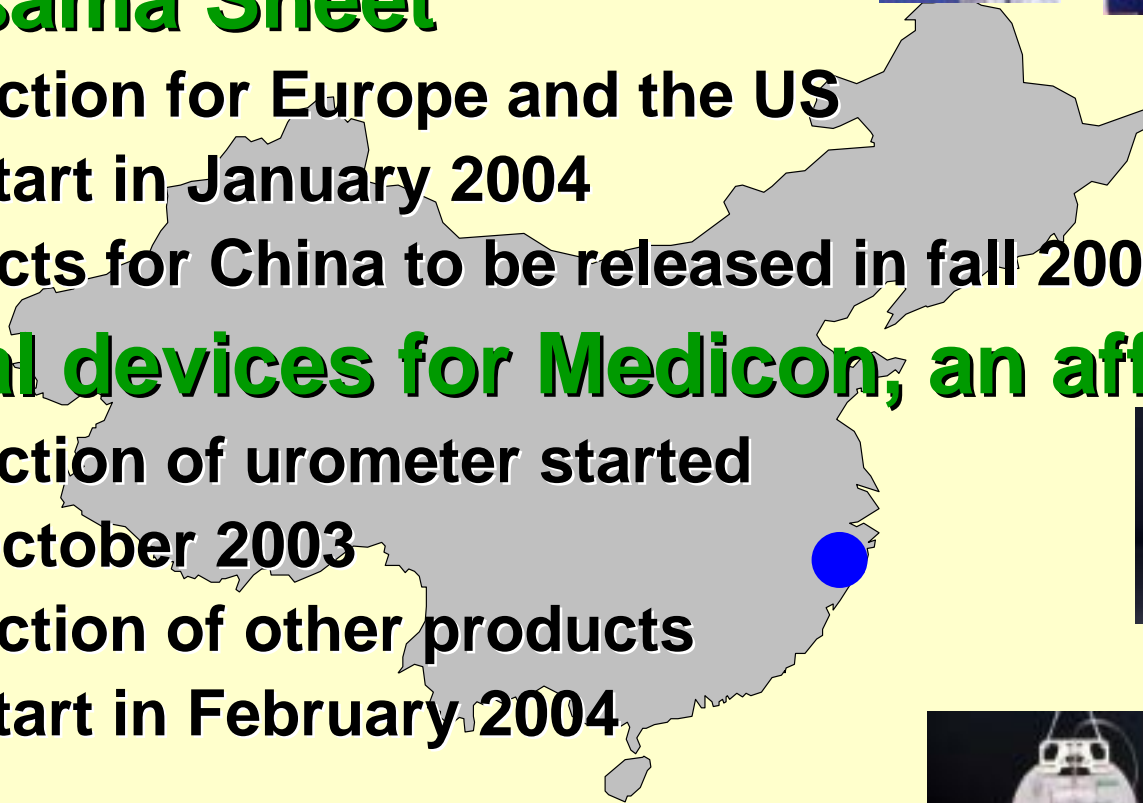
Production for Europe and the US
to start in January 2004

Products for China to be released in fall 2004

Medical devices for Medicon, an affiliate

Production of urometer started
in October 2003

Production of other products
to start in February 2004



Urometer bag



Urine meter bag



Wholesale Operation

The first half of the fiscal year ending March 31, 2004

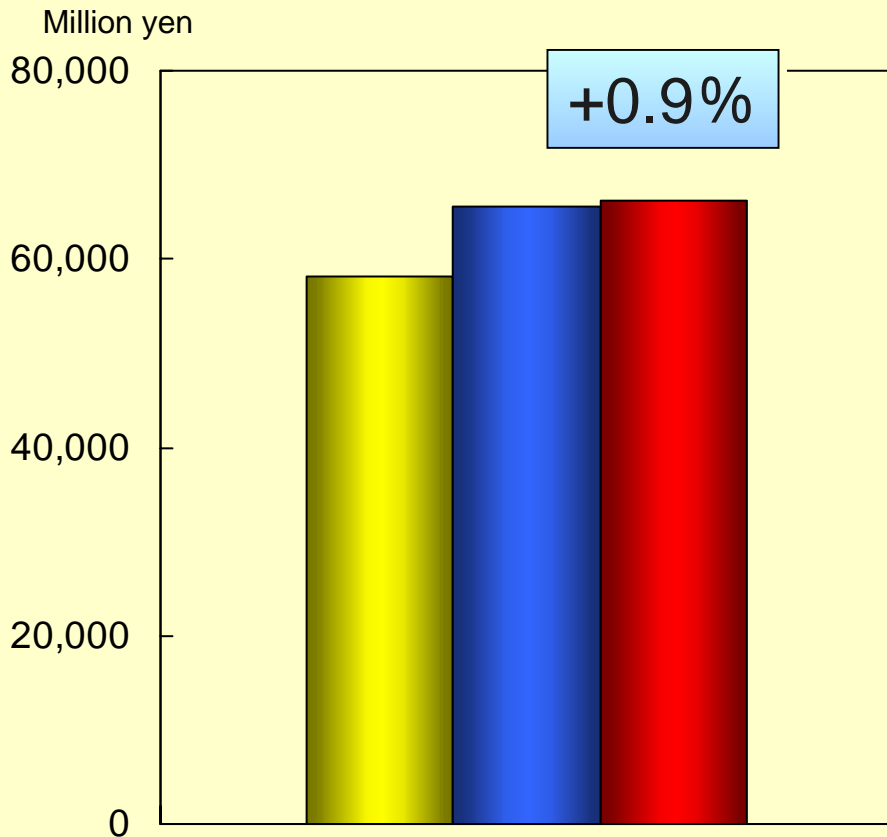


Wholesale Operation

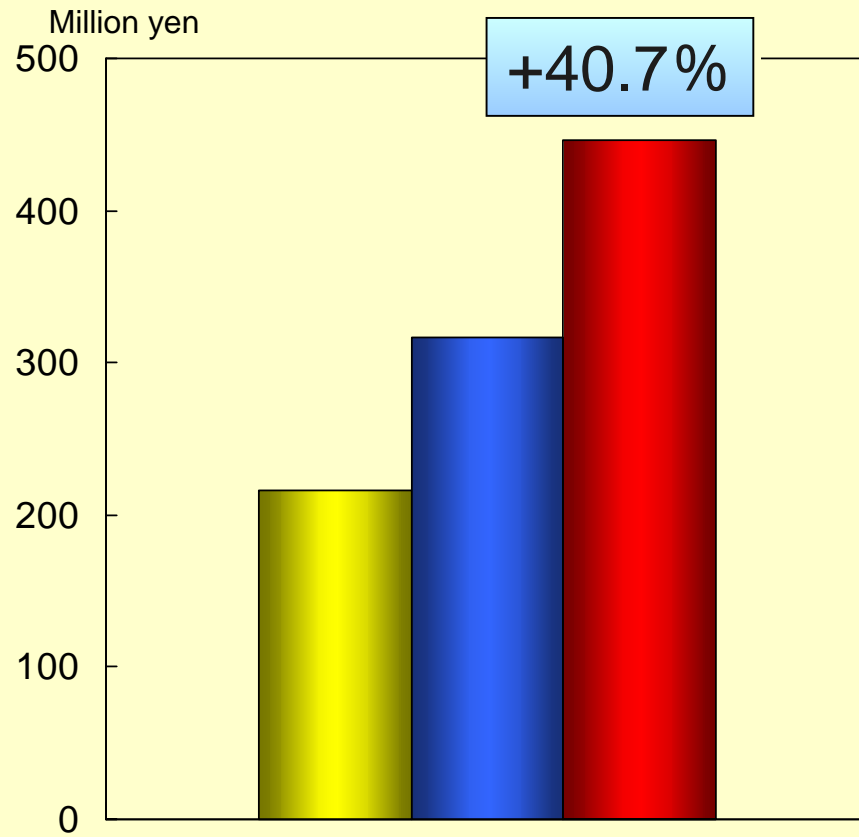
Net Sales and Ordinary Income

Consolidated

■ First half of fiscal year ended March 31, 2002 ■ First half of fiscal year ended March 31, 2003 ■ First half of fiscal year ending March 31, 2004



Net Sales



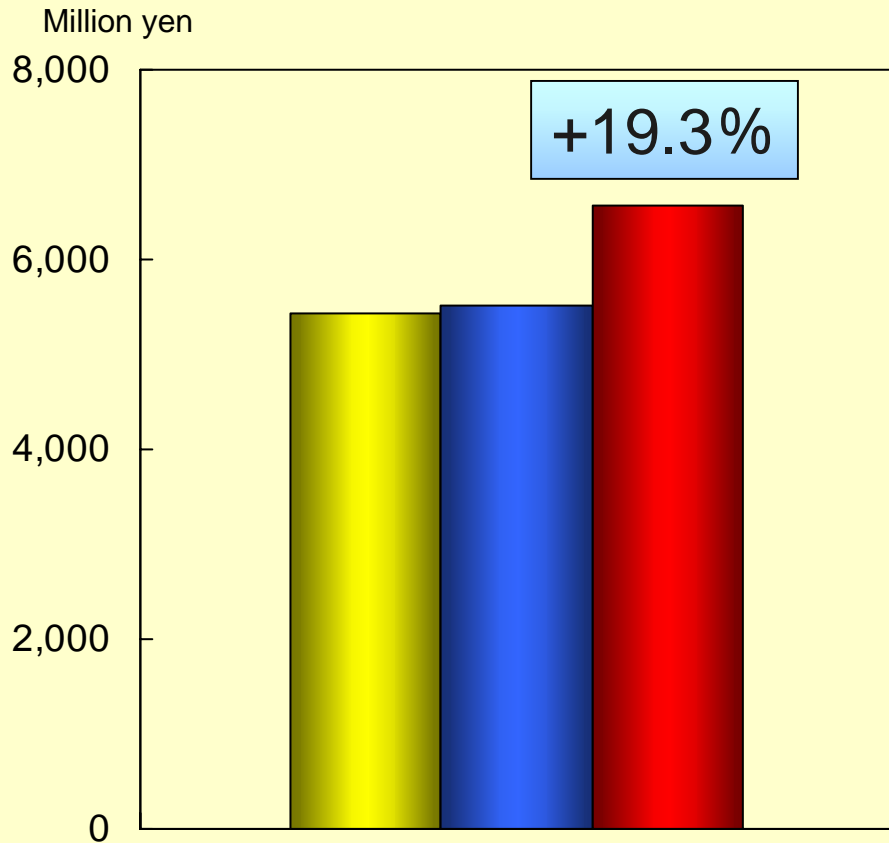
Ordinary Income



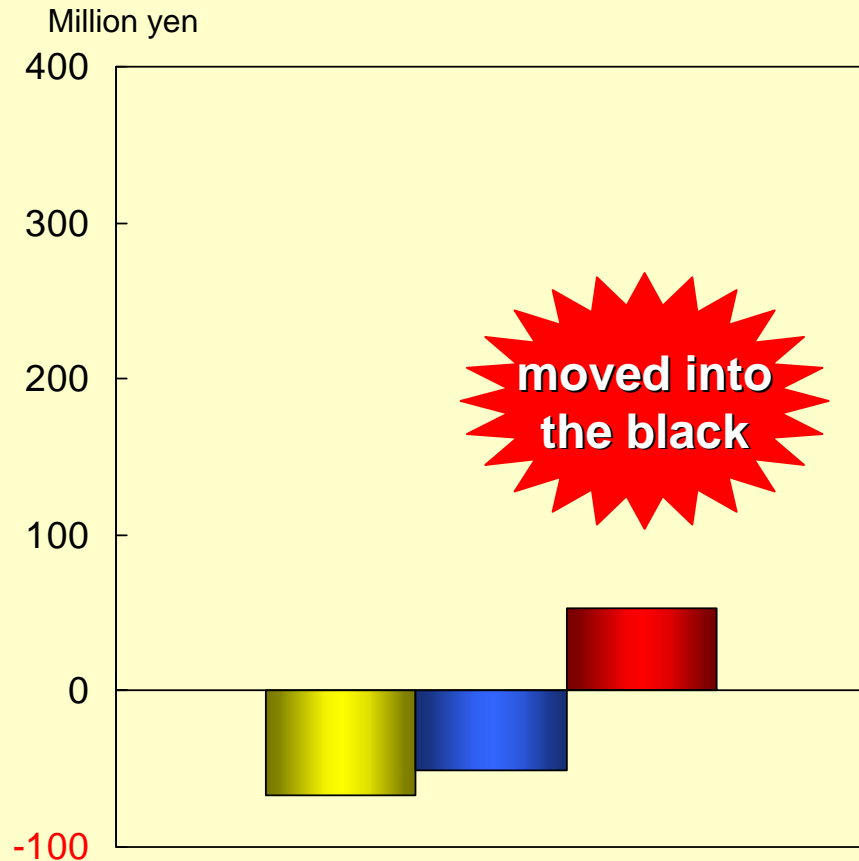
Kensho

Net Sales and Ordinary Income

■ First half of fiscal year ended March 31, 2002 ■ First half of fiscal year ended March 31, 2003 ■ First half of fiscal year ending March 31, 2004



Net Sales



Ordinary Income



Medical Devices Operation

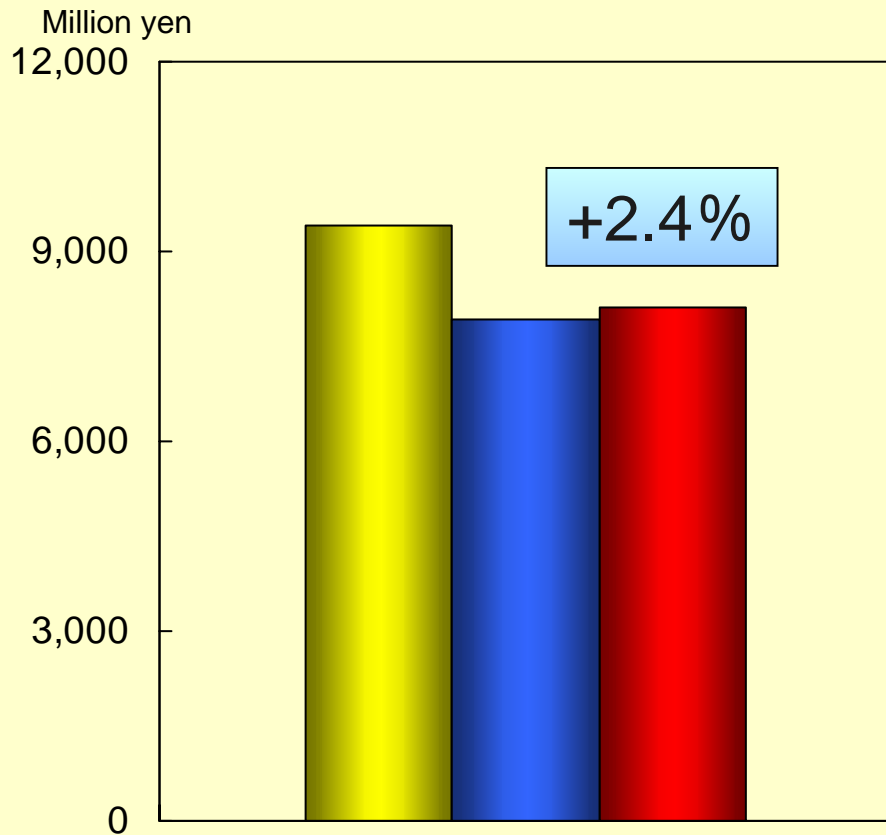
The first half of the fiscal year ending March 31, 2004



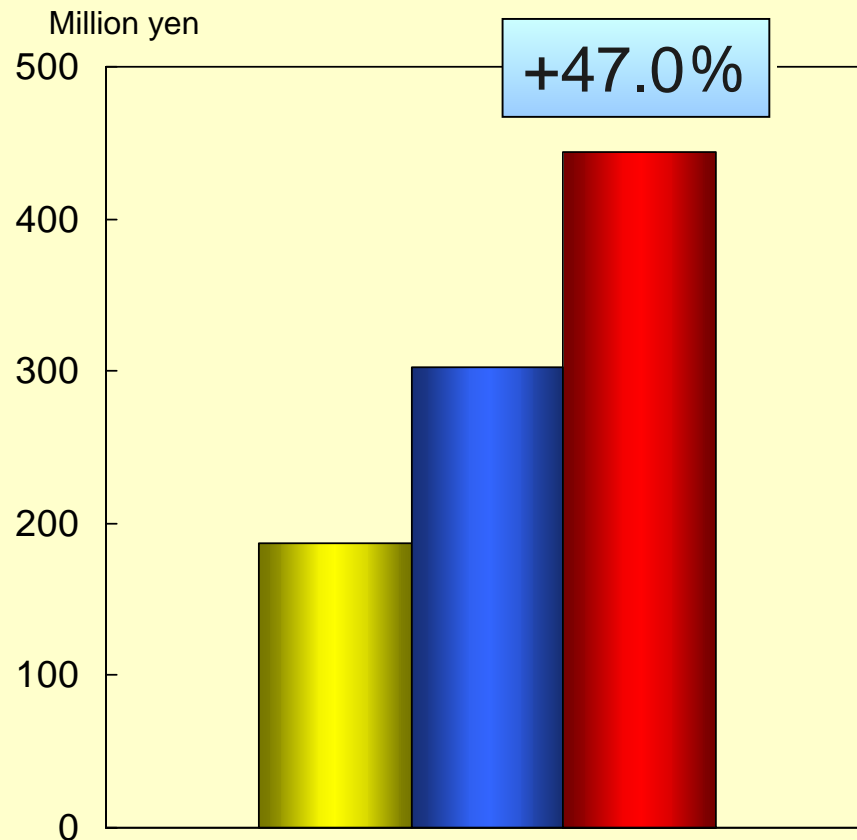
Medical Devices Operation Net Sales and Operating Income

Consolidated

■ First half of fiscal year ended March 31, 2002 ■ First half of fiscal year ended March 31, 2003 ■ First half of fiscal year ending March 31, 2004



Net Sales



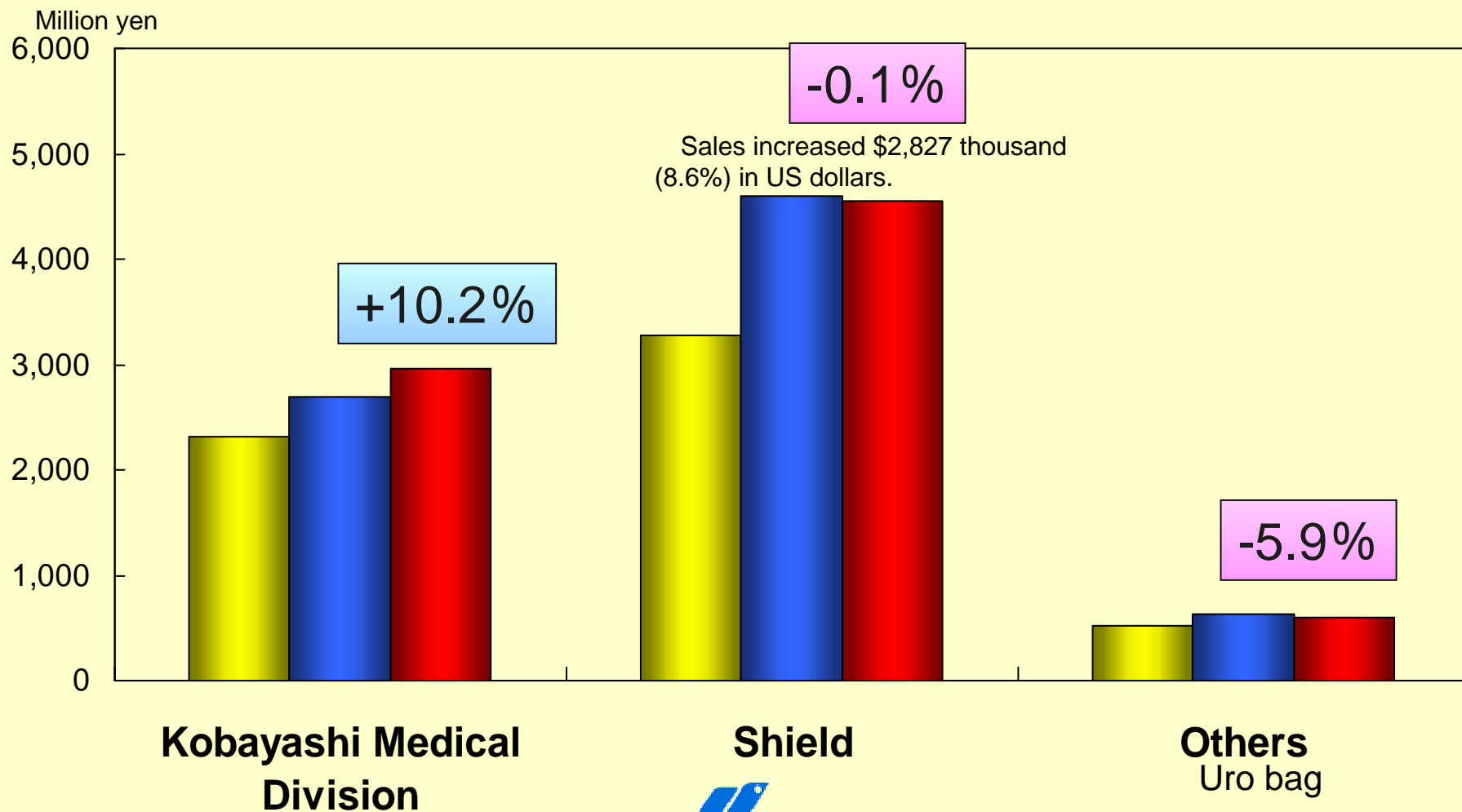
Operating Income



Medical Devices Operation Breakdown of Net Sales

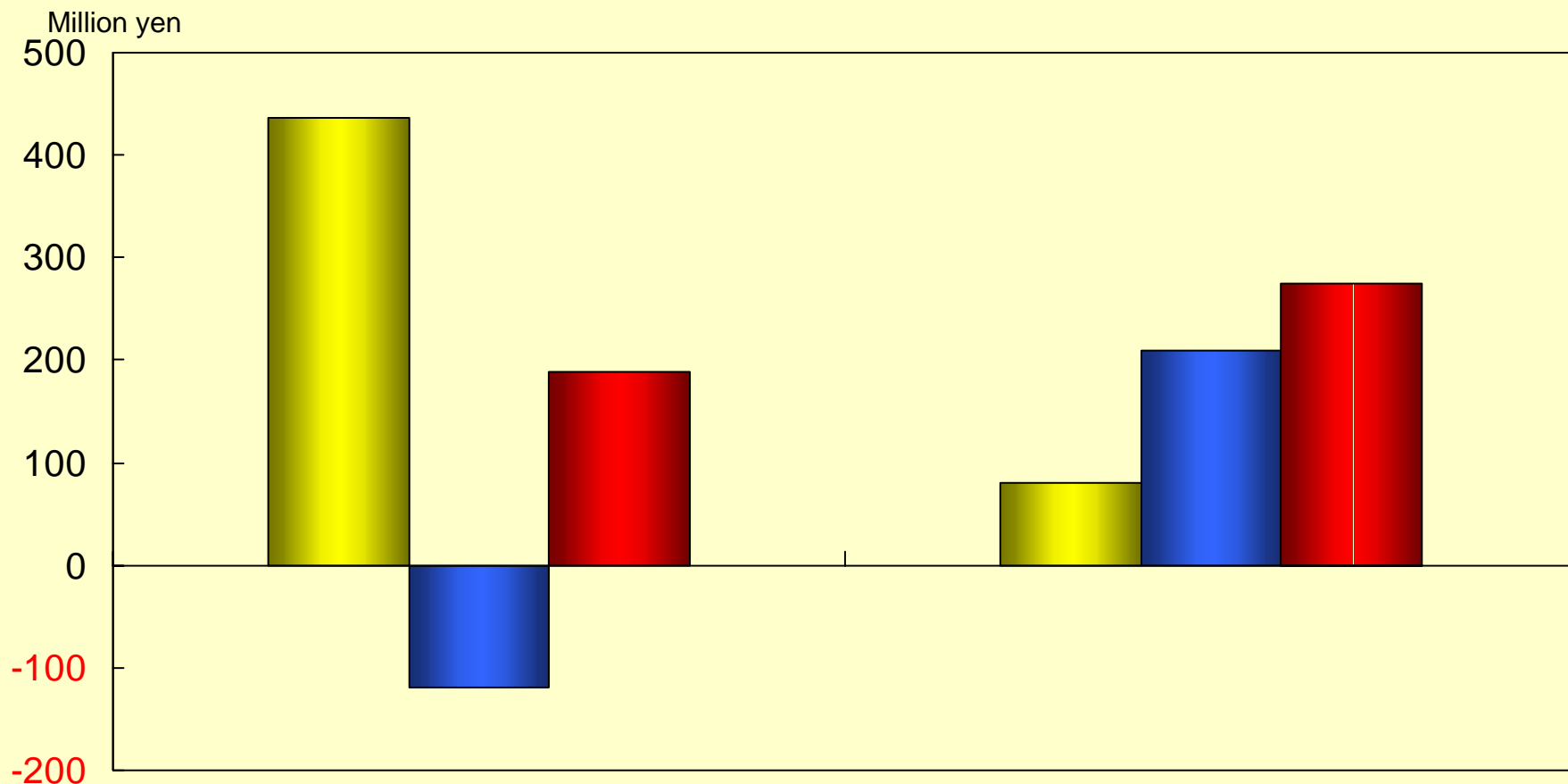
Consolidated

■ First half of fiscal year ended March 31, 2002 ■ First half of fiscal year ended March 31, 2003 ■ First half of fiscal year ending March 31, 2004



Medical Devices Operation Breakdown of Ordinary Income

■ First half of fiscal year ended March 31, 2002
 ■ First half of fiscal year ended March 31, 2003
 ■ First half of fiscal year ending March 31, 2004



Kobayashi Medical Division

including BBD and Headquarter's
Operation expenses

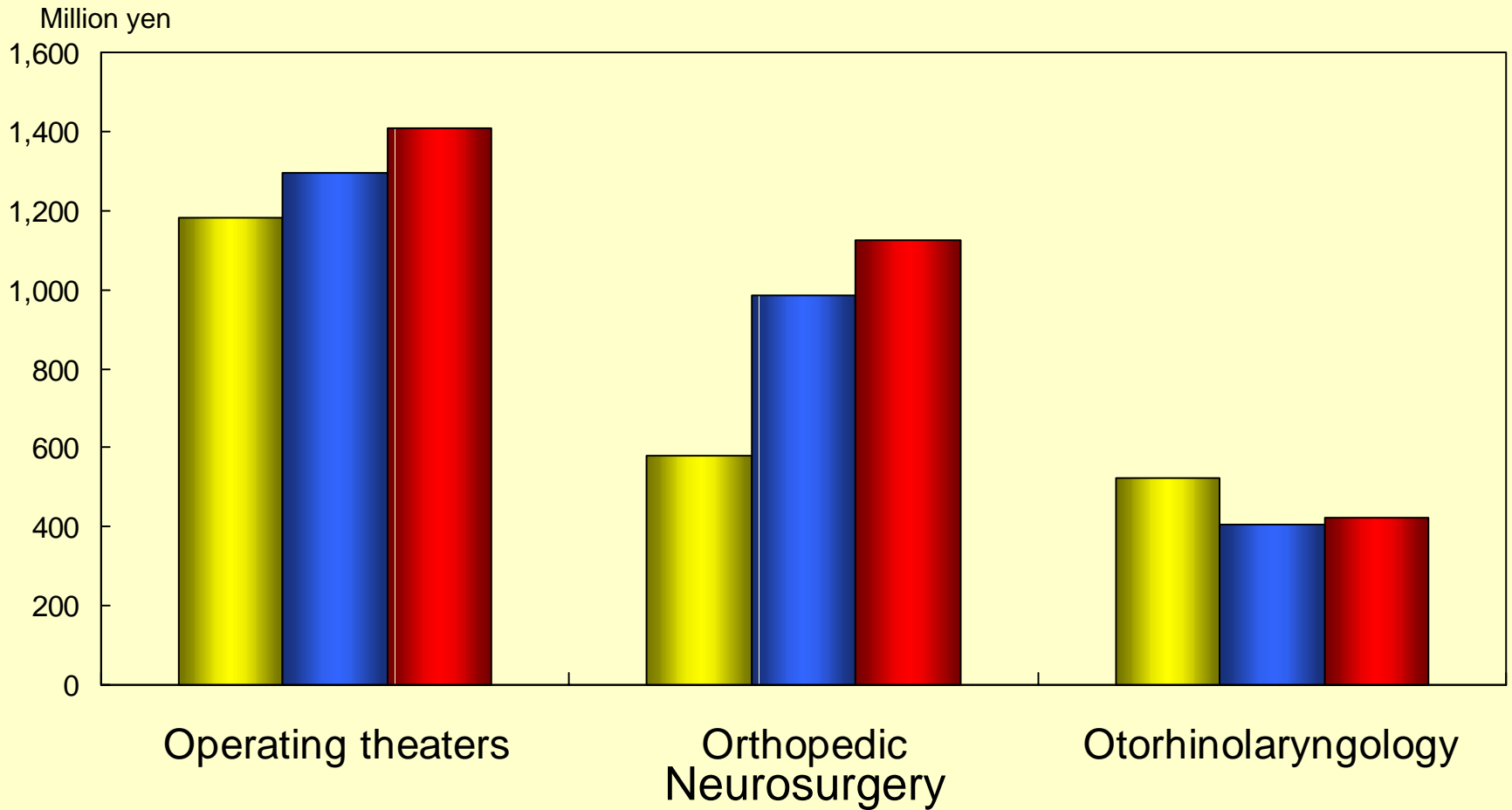


KOBAYASHI PHARMACEUTICAL CO., LTD.

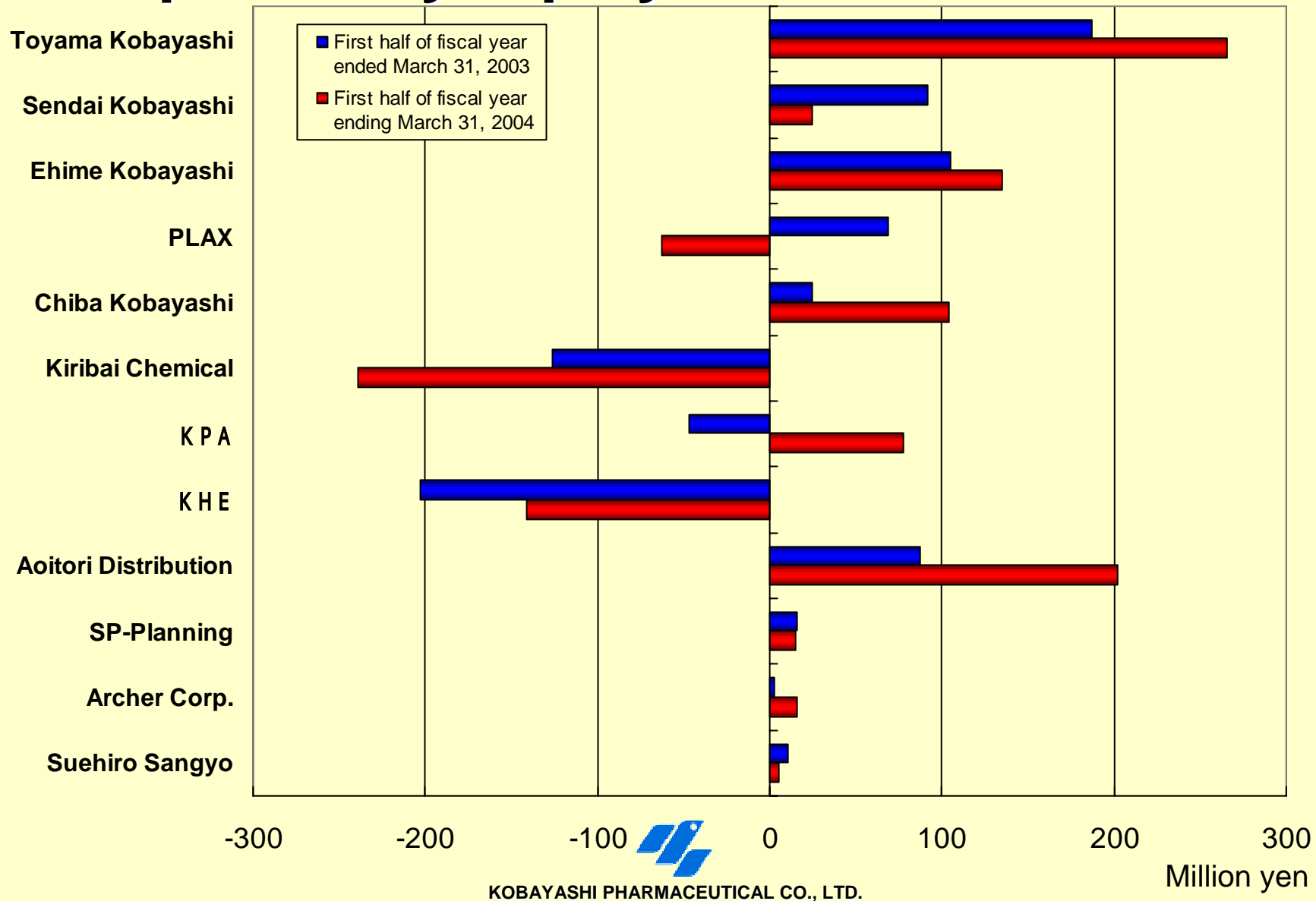
Sheild

Sales of Kobayashi Medical Division

■ First half of fiscal year ended March 31, 2002 ■ First half of fiscal year ended March 31, 2003 ■ First half of fiscal year ending March 31, 2004



Operating Profit and Loss of Affiliated Companies by Equity Methods



**Estimated business results
for the entire fiscal year ending
March 31, 2004**



Highlights of entire fiscal year

	Fiscal year ended March 31, 2003		Fiscal year ending March 31, 2004 (forecast)		Increase/decrease	
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Increase/ decrease rate
	Million Yen	%	Million Yen	%	Million Yen	%
Net sales	210,922	-	221,000	-	10,078	4.8
Operating income	15,852	7.5	16,200	7.3	348	2.2
Ordinary income	12,951	6.1	13,500	6.1	549	4.2
Net income	6,605	3.1	6,650	3.0	45	0.7
E P S (yen)	231.9	-	156.6	-	(75.3)	(32.5)

EPS decreased since a 1.5-for-1 stock split was executed.



Growth Strategy of the Consumer Products Operation

- **System for development of new products that sell well**
- **Selection of priority categories and policies**
- **Strengthening of in-store sales promotions**
- **Overseas development**



Introduction of New Products in Fall 2003

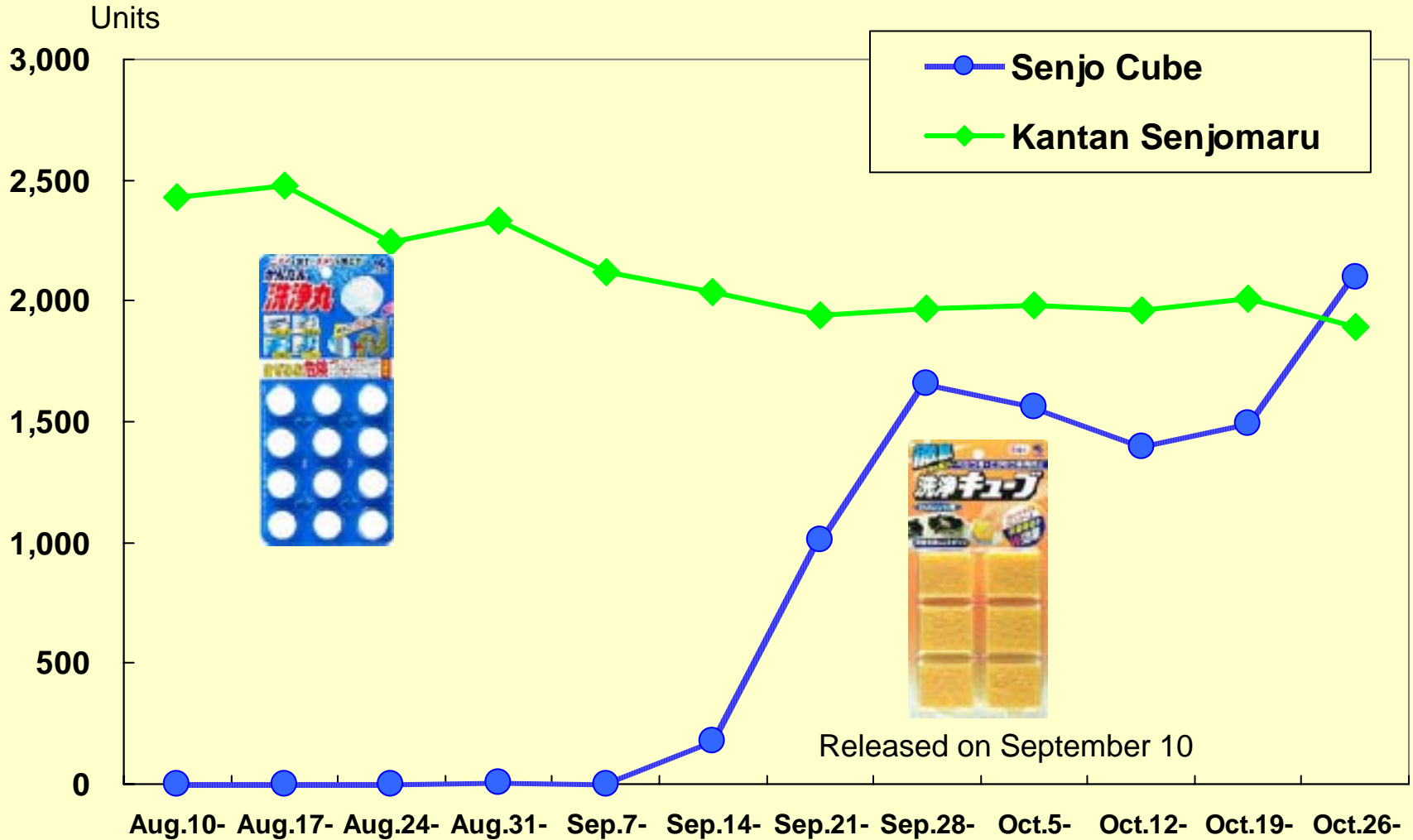
Initial year sales target, ¥4.4 billion by 8 items

(Sales of new products in fall 2002 recorded ¥4 billion.)

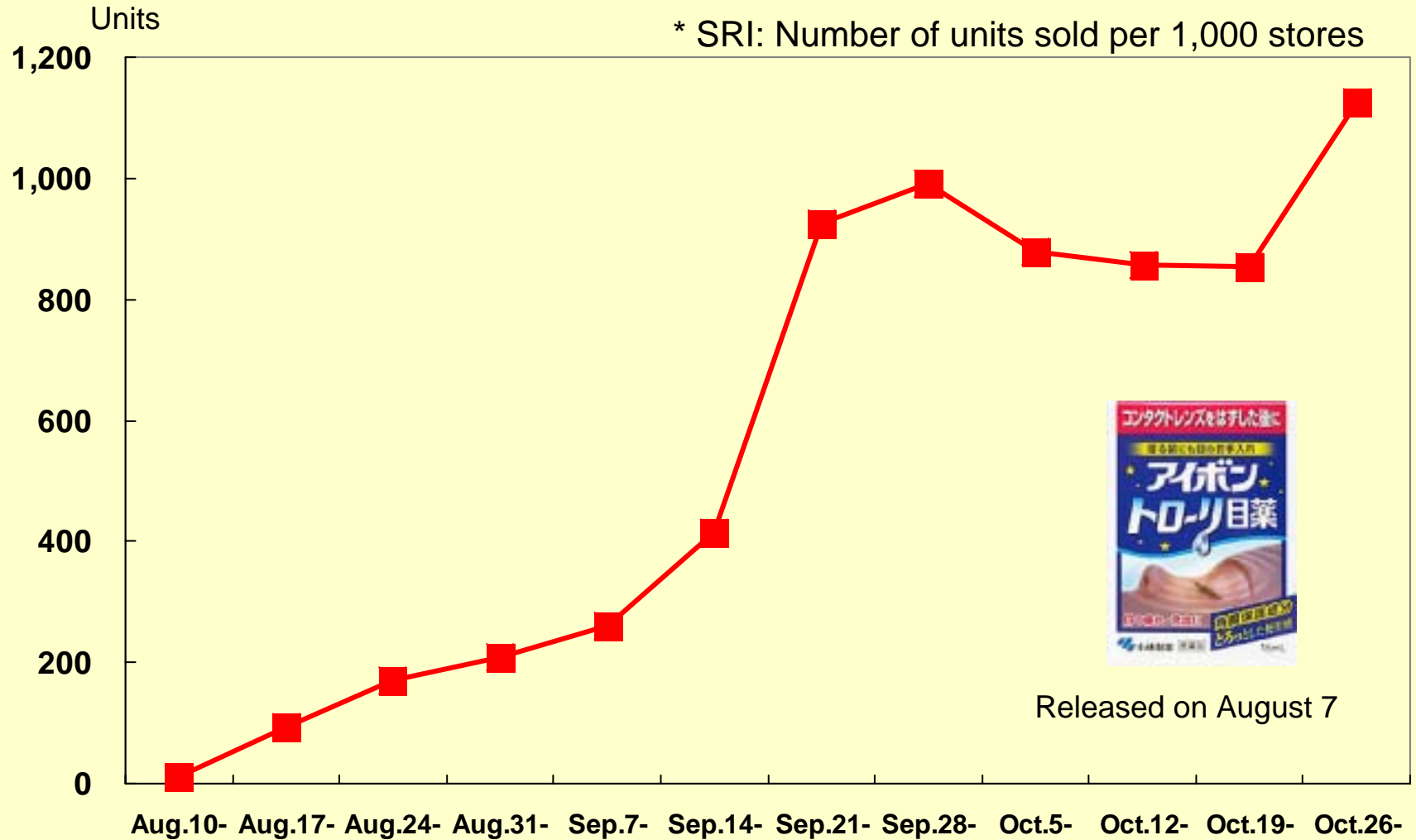


New products in fall 2003: Senjo Cube

* SRI: Number of units sold per 1,000 stores



New products in fall 2003: Eyebon Torori Megusuri (eye drops)



Development of New Products Based on a New Organizational Structure

Distinction between “new products” and “existing products”

New classification	Meaning	Development objective	Example products	Conventional classification
New products	Completely new products	Demand creation	Netsusama Sheet Eyebon Breathcare	New products
		Demand expansion	Urinaaru Mizumuzu Sakamucare	
Products aimed at competitors' existing products	New products aimed at competitors' products	Market entry	Torori Megusuri (eye drop) Shoyo (toothpaste) Bran Cologne (deodorizing air freshener)	
		Counter products	Shoshugen Spray Natureez Bluelet Ekitai Toilet Senjochu	
		New products to strengthen/extend a brand	Kamu Breathcare Netsusama Tomei Jerry Toki no Sawaday	
Existing products	Existing products	Remodeling		



Development of New Products Based on a New Organizational Structure

Completely new products “Something New”

Demand creation

Market that does not exist now

We pioneer

Demand expansion

Immature market

We expand

Development concept of completely new products

Personnel in charge of development = Consumers

Think what I want.

Proposal-oriented development policy

Verify hypotheses

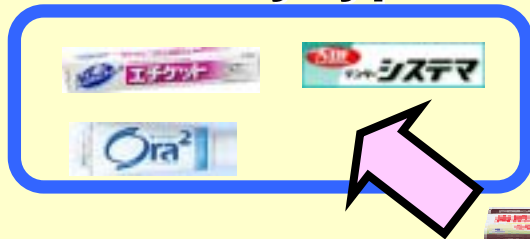


Development of New Products Based on a New Organizational Structure

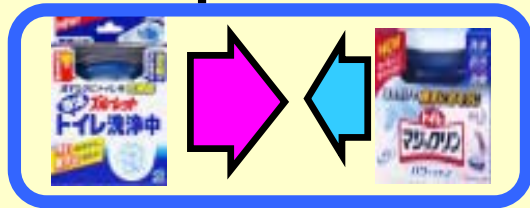
New products aimed at competitors' products

“Something Different”

Market entry type



Counter products



Strengthening/
extension of brand



Development concept of new products aimed at competitors' products

Strengths of competitors?

Marketing strategies of competitors?

Strategies
to beat competitors

Achieve differentiation from competitors and provide advantages



New Product Development Fields

- 1. Pharmaceutical products**
- 2. Deodorizing air fresheners
emphasizing functionality**
- 3. Health foods and other food products**
- 4. Oral hygiene products**

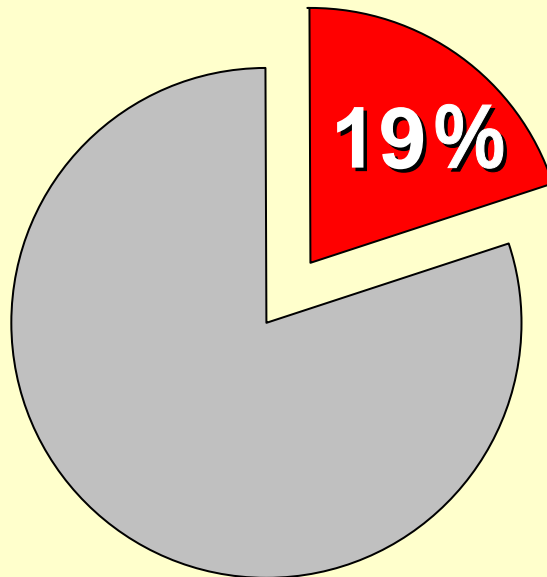


Focus on Pharmaceutical Products

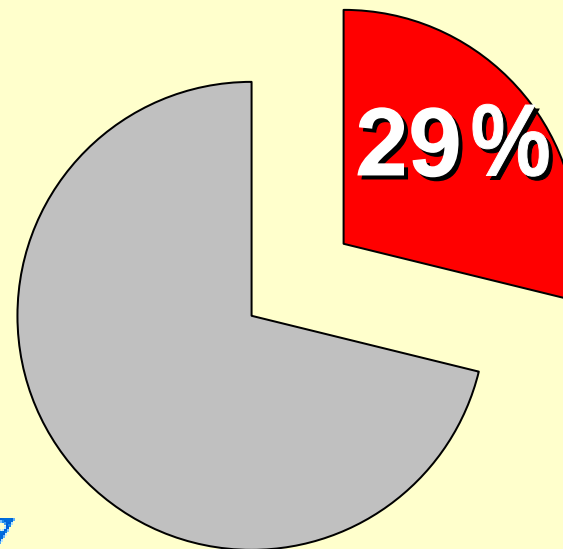
Expand the ratio of pharmaceutical products
whose profit margins and entry barriers are high

**Promote in-house development of OTC
drugs and M&A of OTC drug manufacturers**

FY02/3 (full year)



FY05/3 (full year)

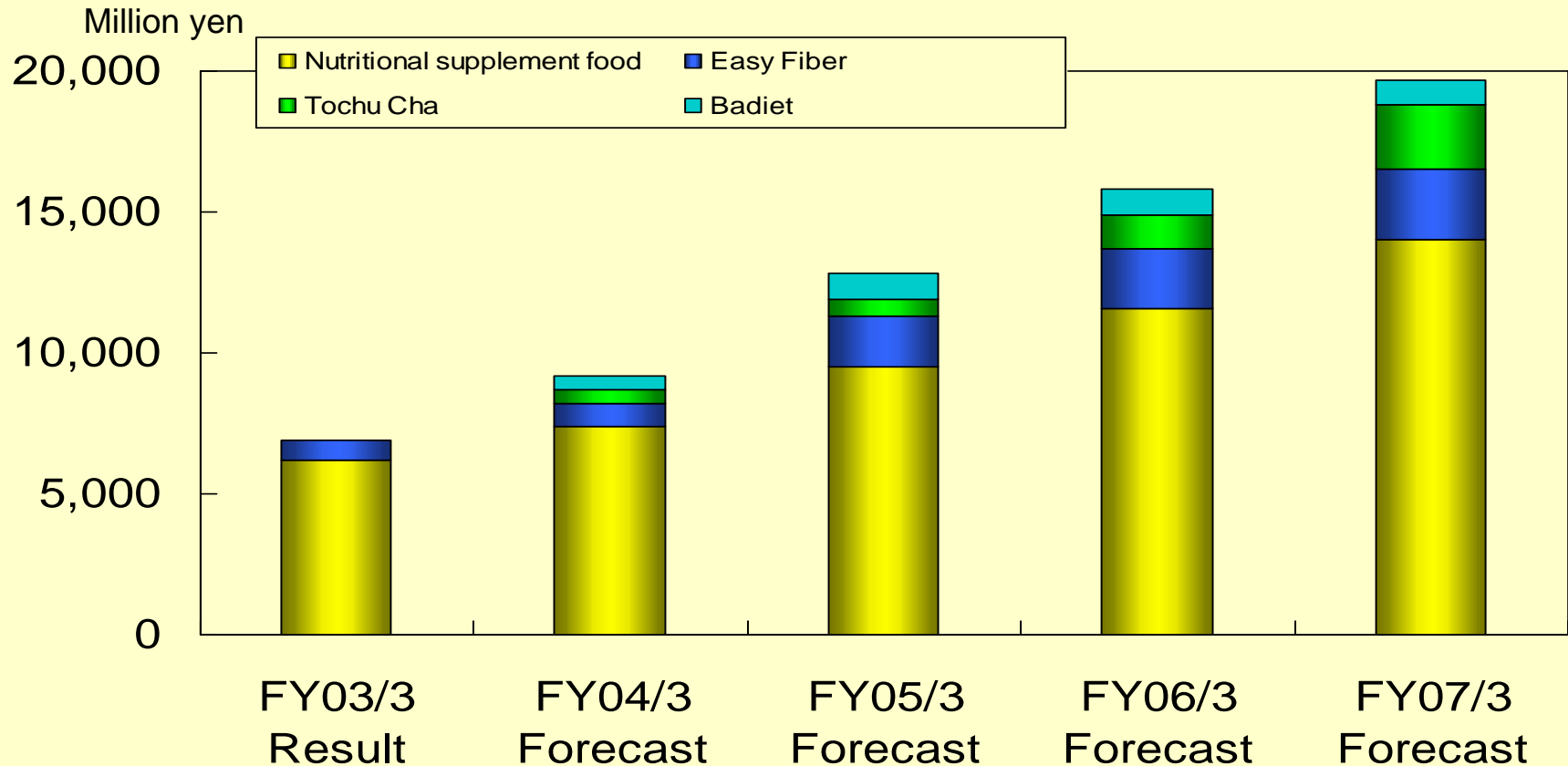


Focus on the Food Business

Capitalize on strengths as a drug manufacturer

High quality

Trust

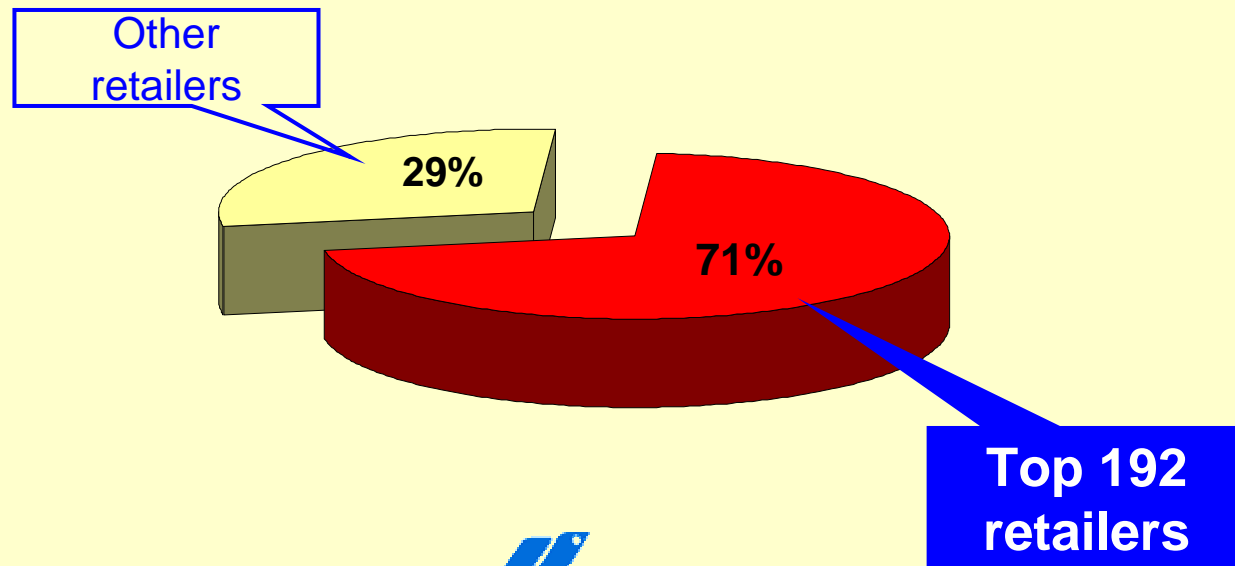


Introducing Business Opportunities to Stores

**“192 retailers with the largest sales” and
“8,300 priority outlets”**

Classification of 192 retailers accounting for 70% of the Consumer Products Operation’s sales

Sales persons (46) of Kobayashi Pharmaceutical Sales Promotion visit individual outlets



Sales Promotion Activities

Holding of events at stores

--Provision of exciting experiences--

Holding of events (the first of its kind in Japan) that strongly attract consumers

<Example: Large-scale sales promotion events featuring comedians of Yoshimoto Kogyo>



Sales Promotion Activities

Private shows targeting retailers

Dynamic presentations that powerfully communicate to customers with the experience of using our products

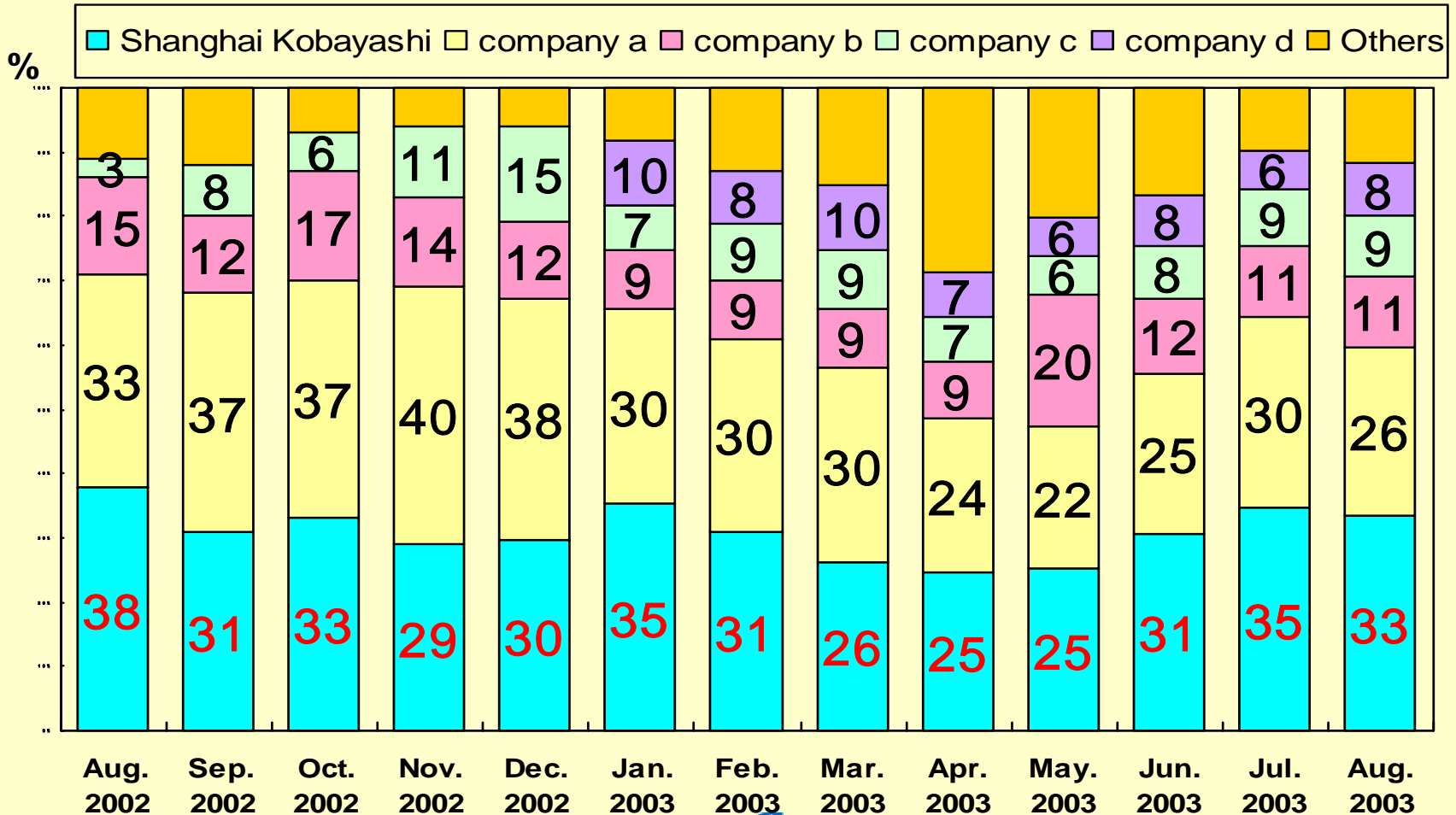
<Example: Ofloat Booth was the most popular at the Tokyo show this fall>



Overseas Development China

Shanghai Kobayashi

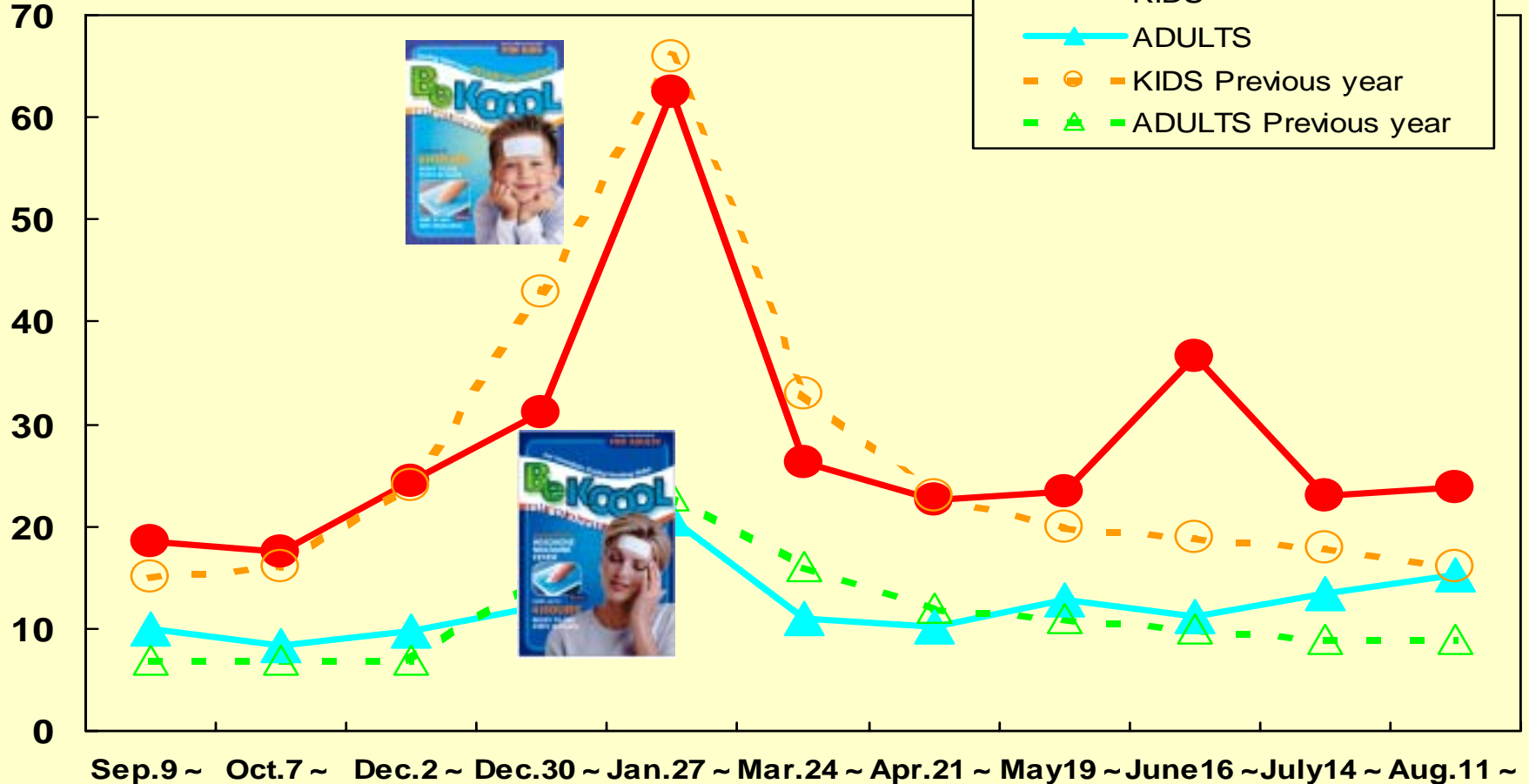
Market share by deodorizing air freshener manufacturer



Overseas Development United States

BE KOOL Number of units sold

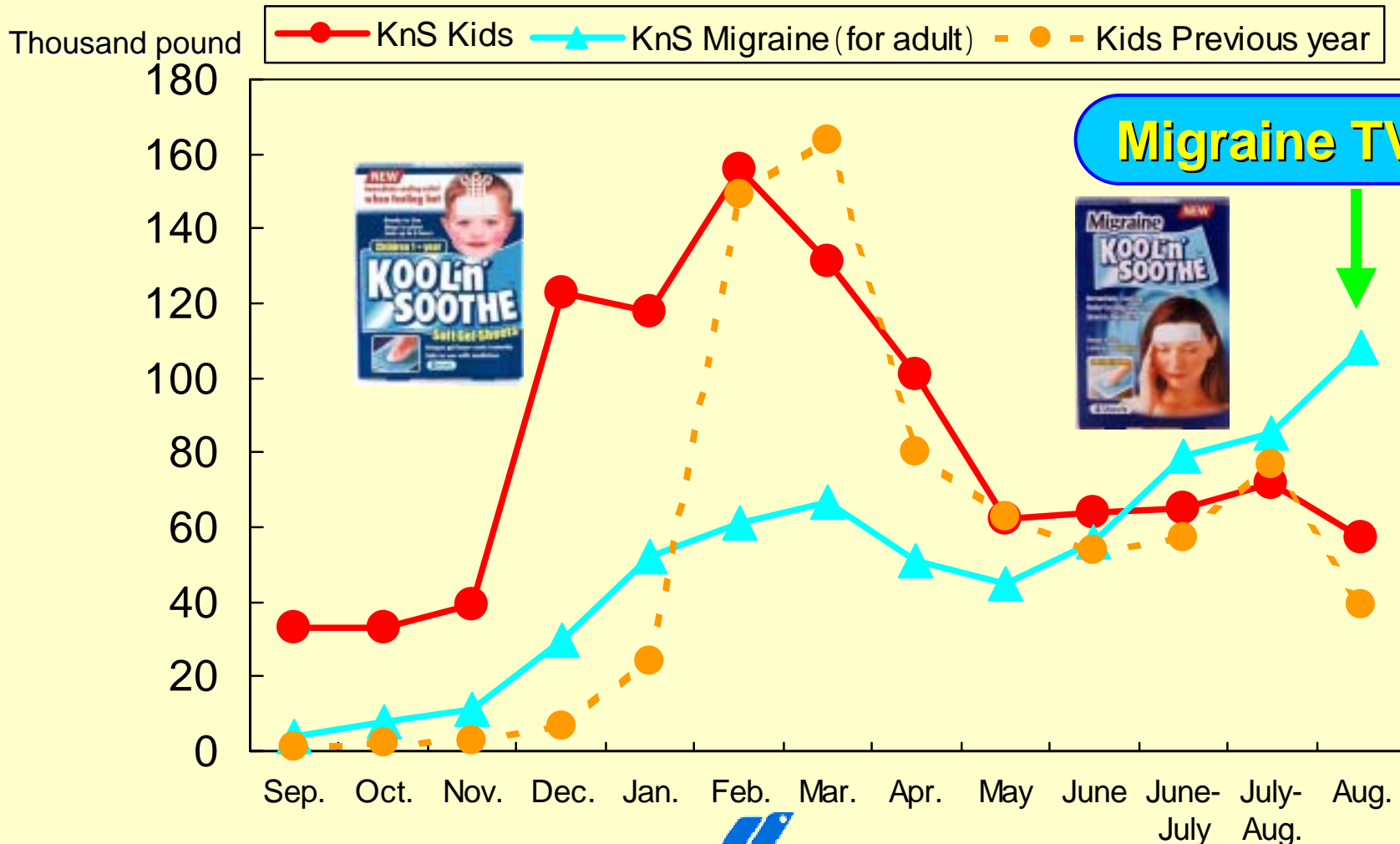
Thousand units



Overseas Development United Kingdom

KHE

KOOL 'n' SOOTHE Number of units sold



Prospects for Becoming an Enterprise with a Cluster of Medical Devices Business

Measures to become a medical devices manufacturer

- In-house product development and M&A in the orthopedics field

Measures to strengthen product sourcing functions

Utilize Bluebird, a subsidiary based in California, to

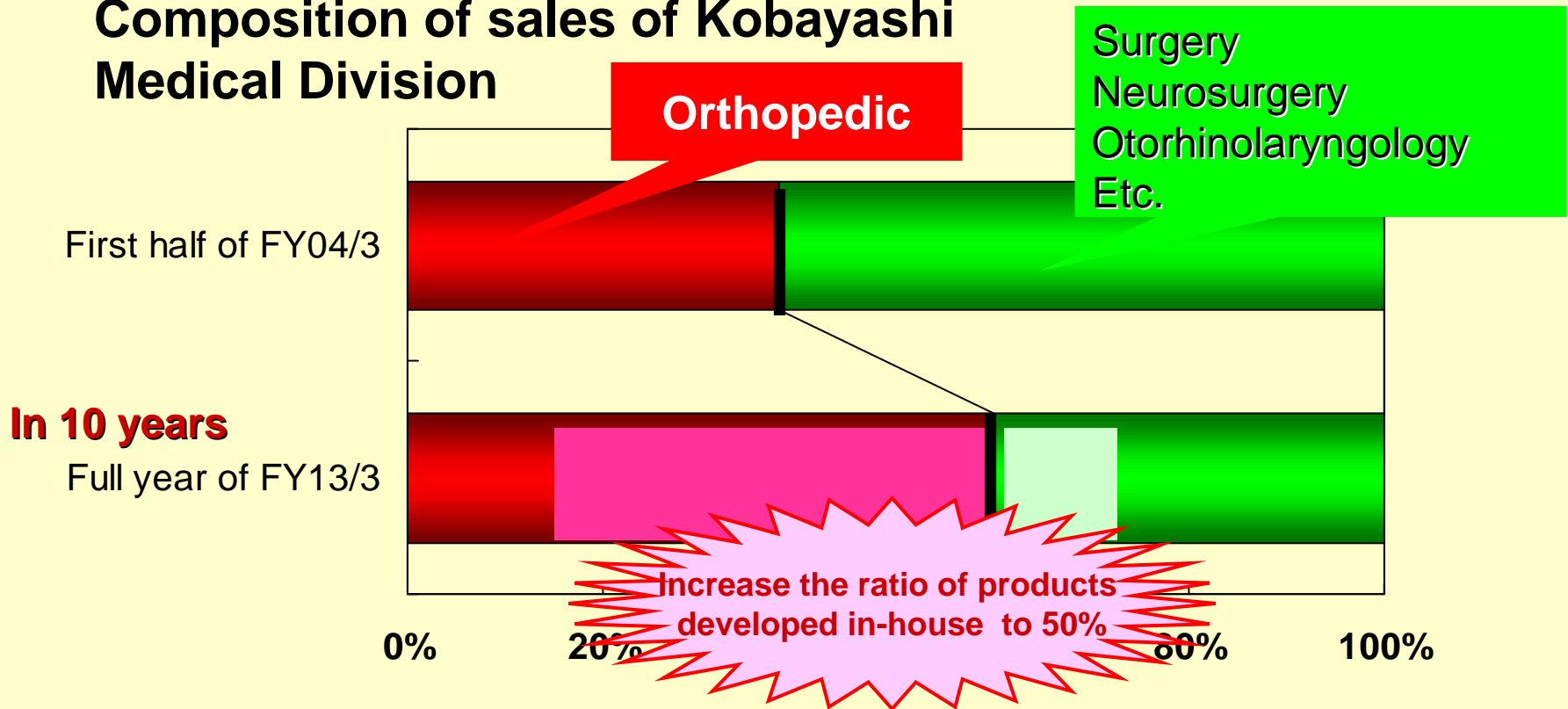
- Find manufacturers overseas with unique products
- Find venture companies with potential growth



Prospects for Becoming an Enterprise with a Cluster of Medical Devices Business

Focus on in-house product development in the orthopedic field

Composition of sales of Kobayashi Medical Division





これが私たちのブランドスローガンです

OTC sales development for new products in fall 2003



KOBAYASHI PHARMACEUTICAL CO., LTD.

Market Entry of Kao's Tank Cleaner



Kao

Toilet Magiclin Power Liquid

Average price at the store 398 yen



Kobayashi Pharmaceutical

Bluelet Ekitai Toilet Senjochu

Average price at the store 298yen



Sales Development Examples of New Products in Fall 2003

Bluelet Ekitai Toilet Senjochu



Sales Development Examples of New Products in Fall 2003

Eyebon Torori Megusuri (eye drops)



Sales Development Examples of New Products in Fall 2003

Shoshu Ranger



Sales Development Examples of New Products in Fall 2003

Senjo Cubu

