



# **Financial Overview**

## **for the Interim Period of Fiscal 2008**

### **Fiscal Year Ending March 31, 2008**

Yutaka Kobayashi  
President and Chief Operating Officer  
KOBAYASHI PHARMACEUTICAL CO., LTD

November 15, 2007



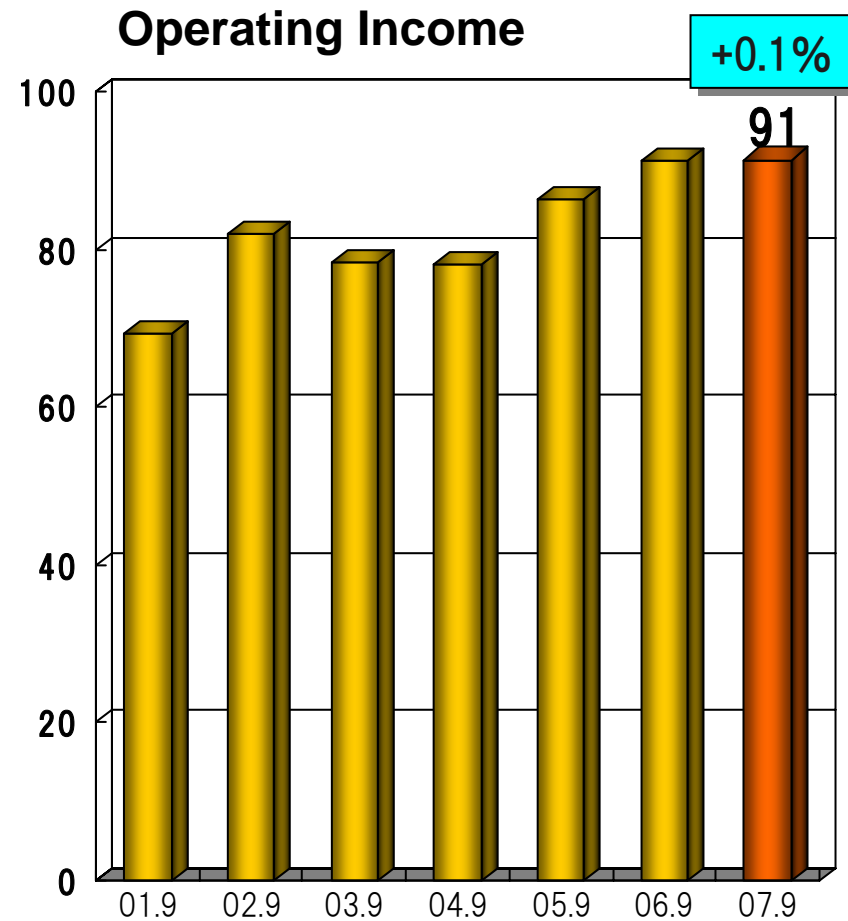
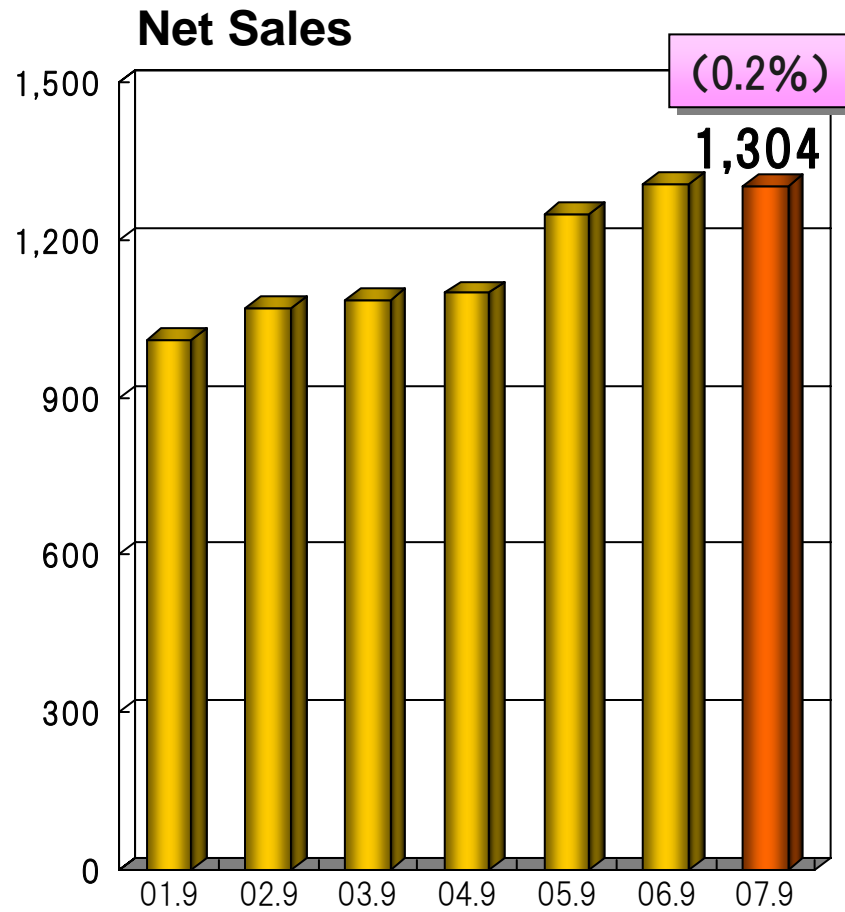
# Consolidated Financial Highlights



|                    | First Half of FY2007          |             | First Half of FY2008          |             | Change                      |                   |
|--------------------|-------------------------------|-------------|-------------------------------|-------------|-----------------------------|-------------------|
|                    | Amount                        | Profit rate | Amount                        | Profit rate | Amount                      | Percentage        |
| Net sales          | Million Yen<br><b>130,721</b> | %<br>—      | Million Yen<br><b>130,470</b> | %<br>—      | Million Yen<br><b>(250)</b> | %<br><b>(0.2)</b> |
| Operating income   | <b>9,133</b>                  | <b>7.0</b>  | <b>9,144</b>                  | <b>7.0</b>  | <b>10</b>                   | <b>0.1</b>        |
| Ordinary income    | <b>8,006</b>                  | <b>6.1</b>  | <b>7,944</b>                  | <b>6.1</b>  | <b>(62)</b>                 | <b>(0.8)</b>      |
| Interim net income | <b>4,881</b>                  | <b>3.7</b>  | <b>4,668</b>                  | <b>3.6</b>  | <b>(212)</b>                | <b>(4.4)</b>      |
| Interim dividend   | —                             | —           | <b>27</b>                     | —           | <b>27</b>                   | —                 |



# Consolidated Financial Results



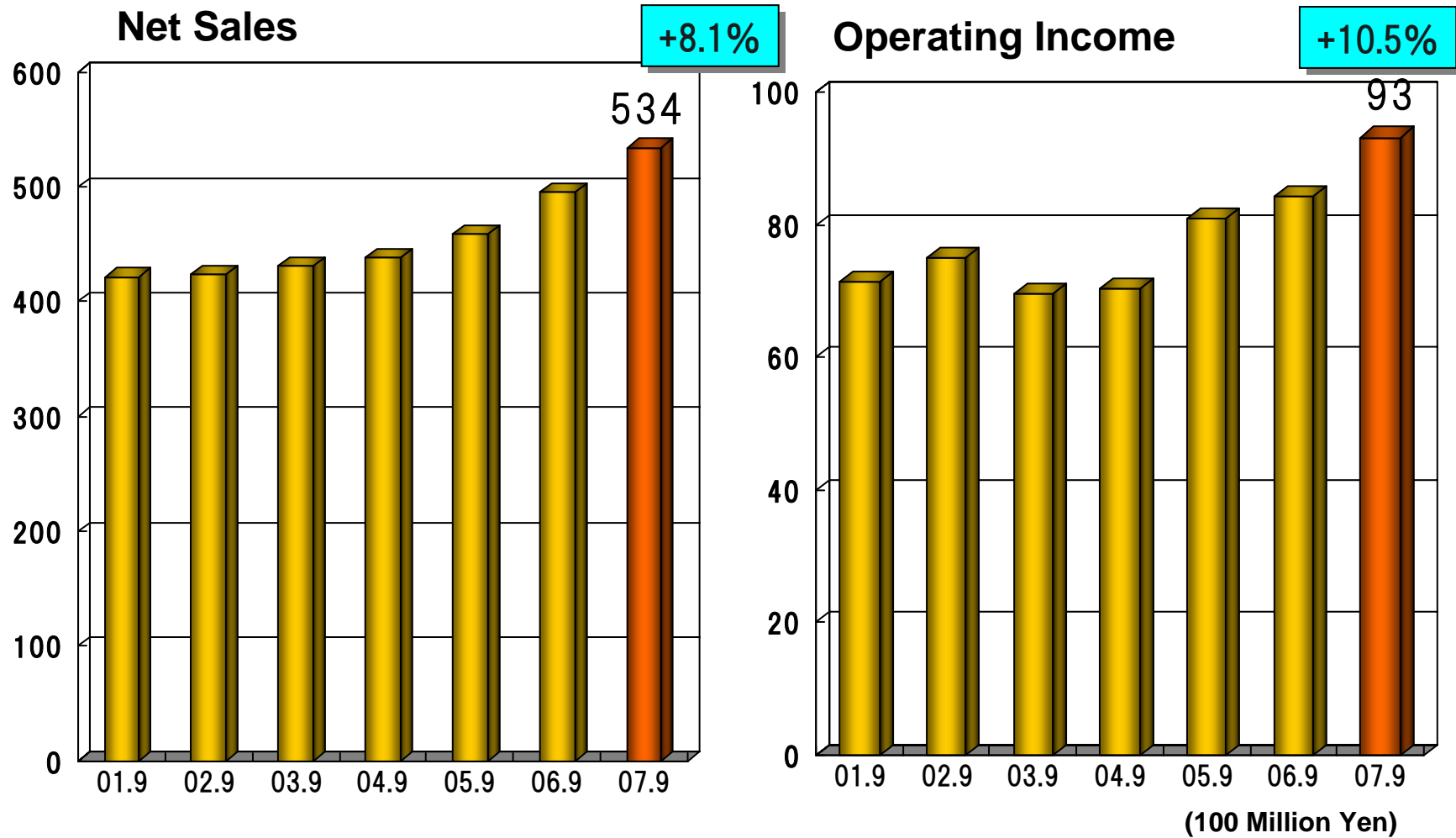
(100 Million Yen)



# Segment Information

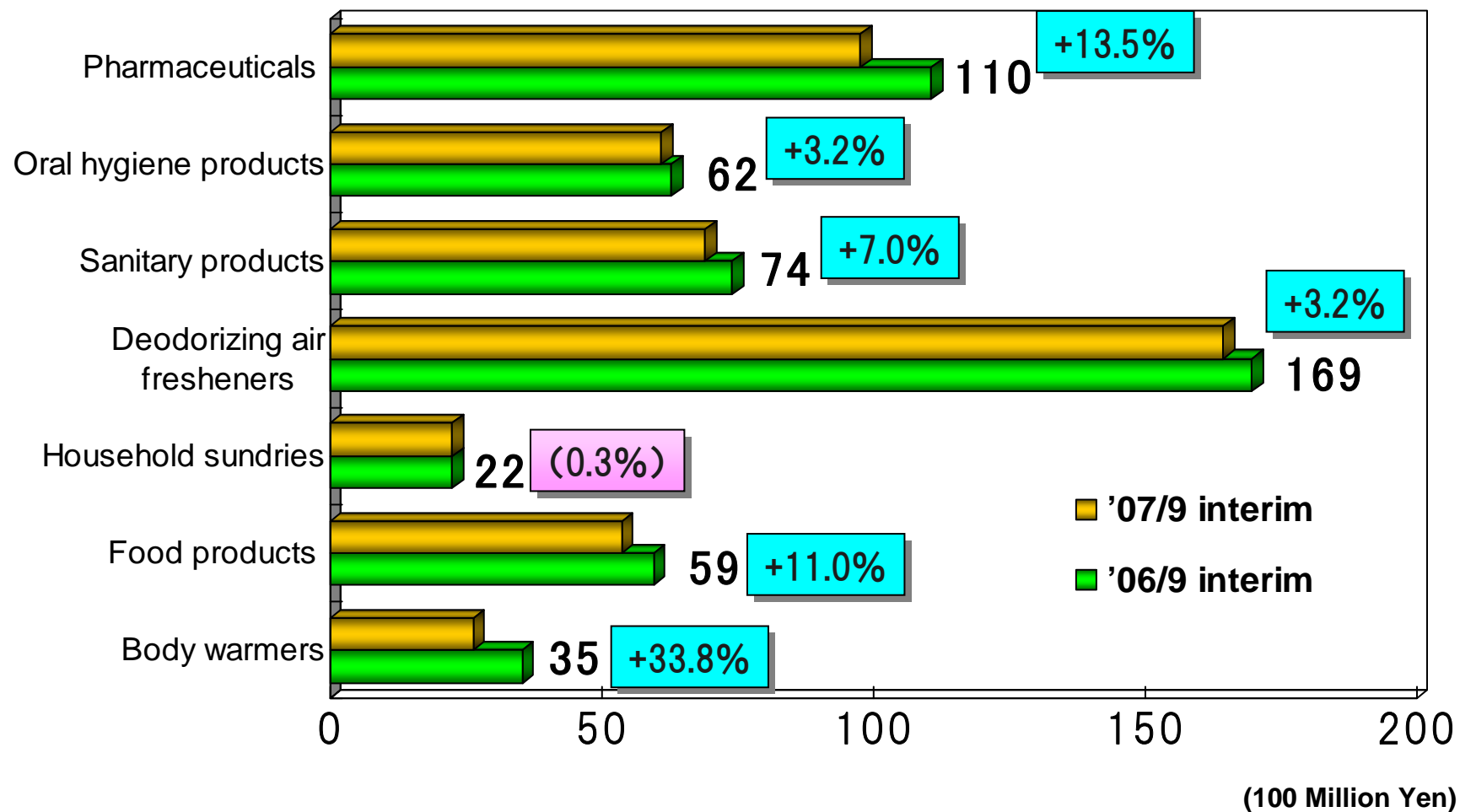


# Consumer Products Operation



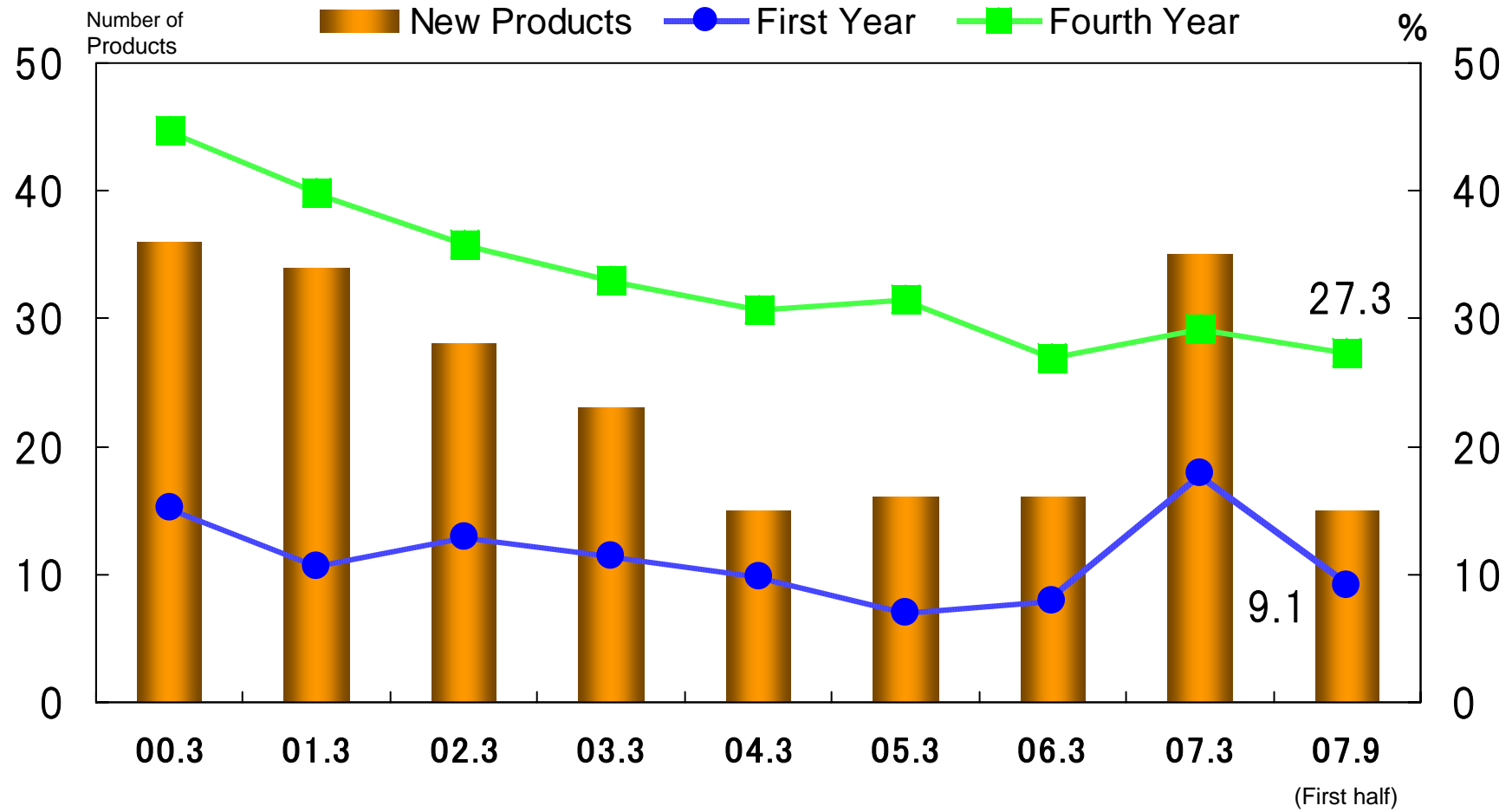


# Sales by Consumer Products Category



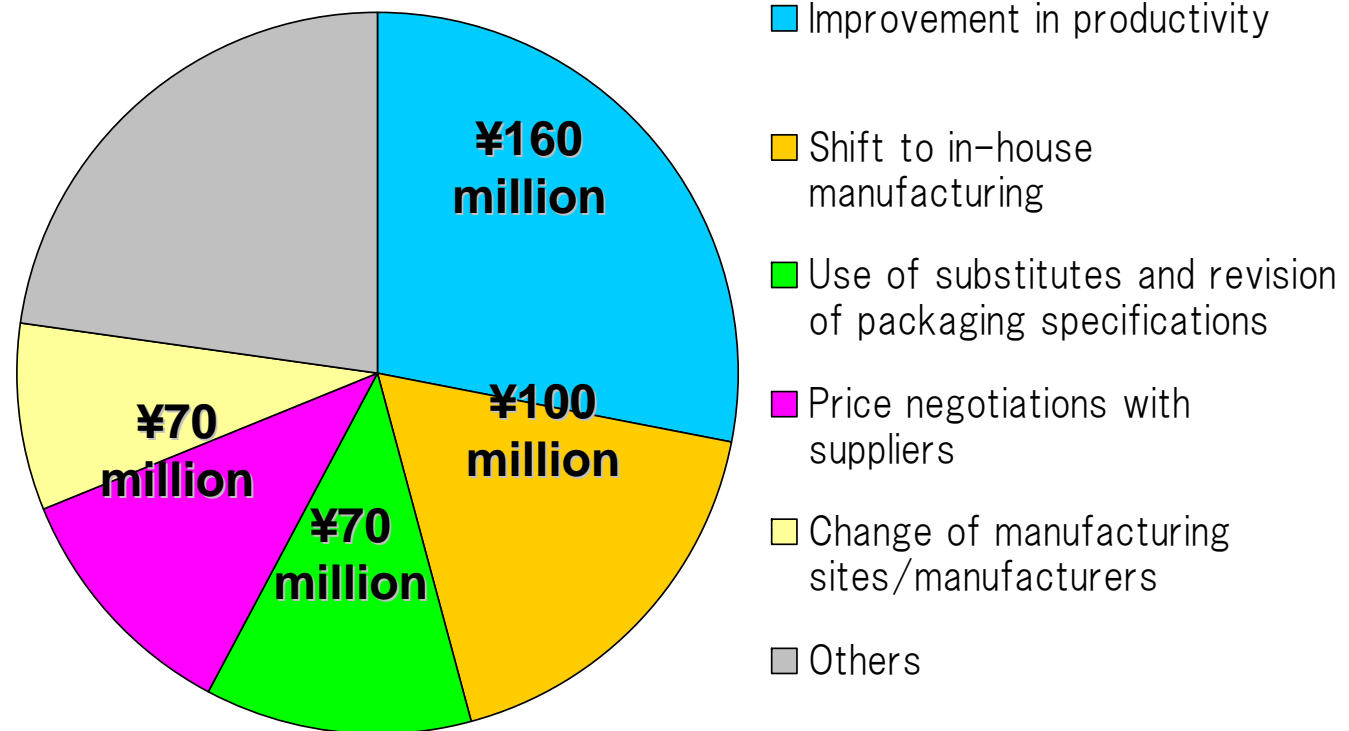


# Contribution Rate of New Products





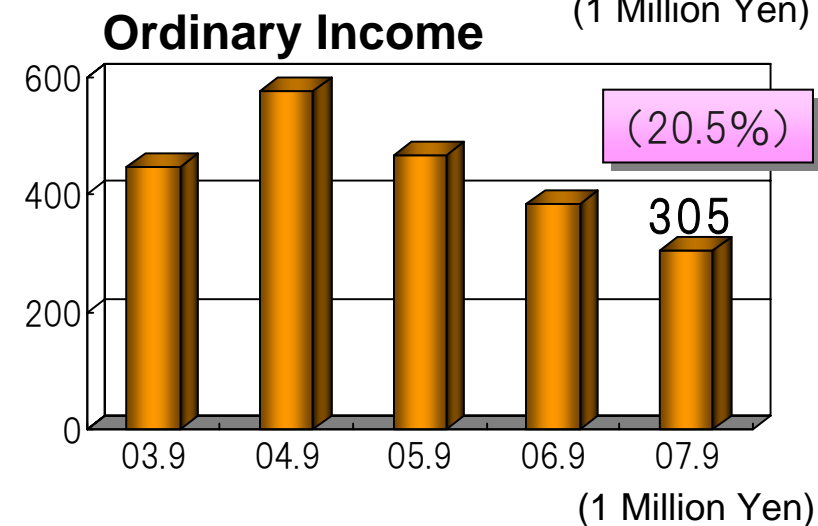
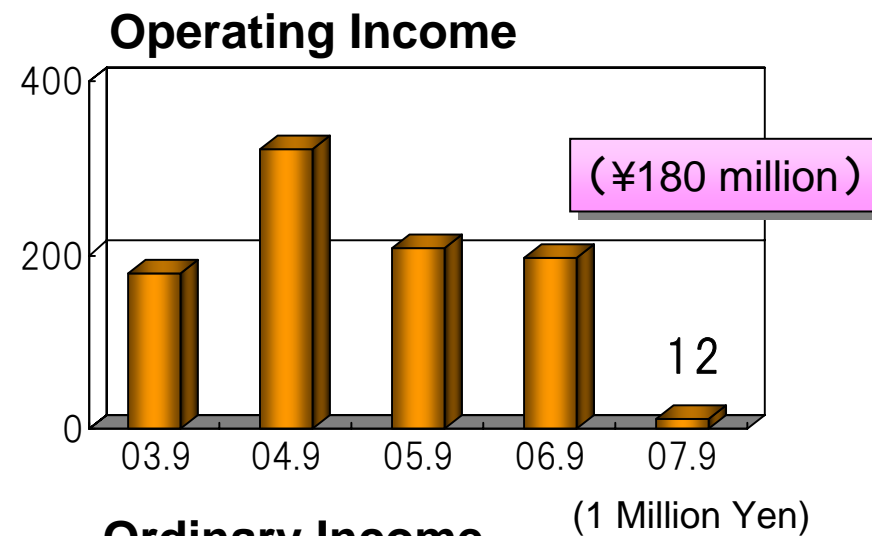
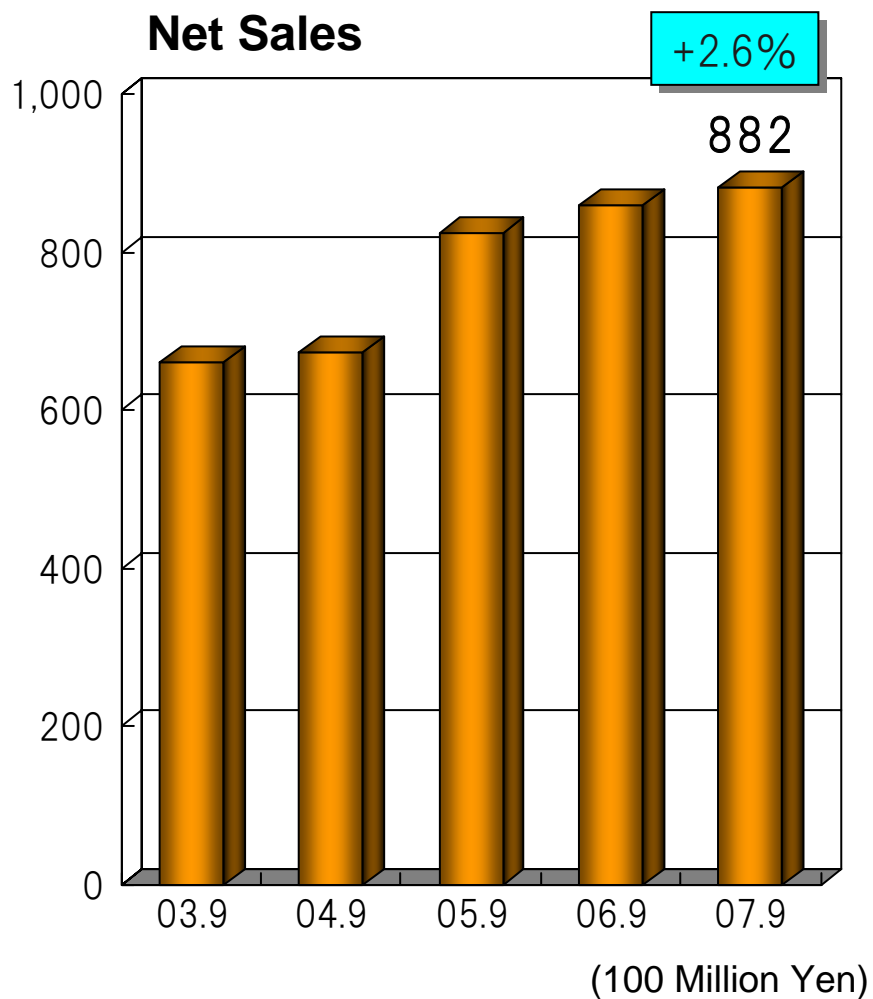
# Cost Reduction in Manufacturing Divisions



**Achieved cost reduction of ¥580 million**



# Wholesale Operation

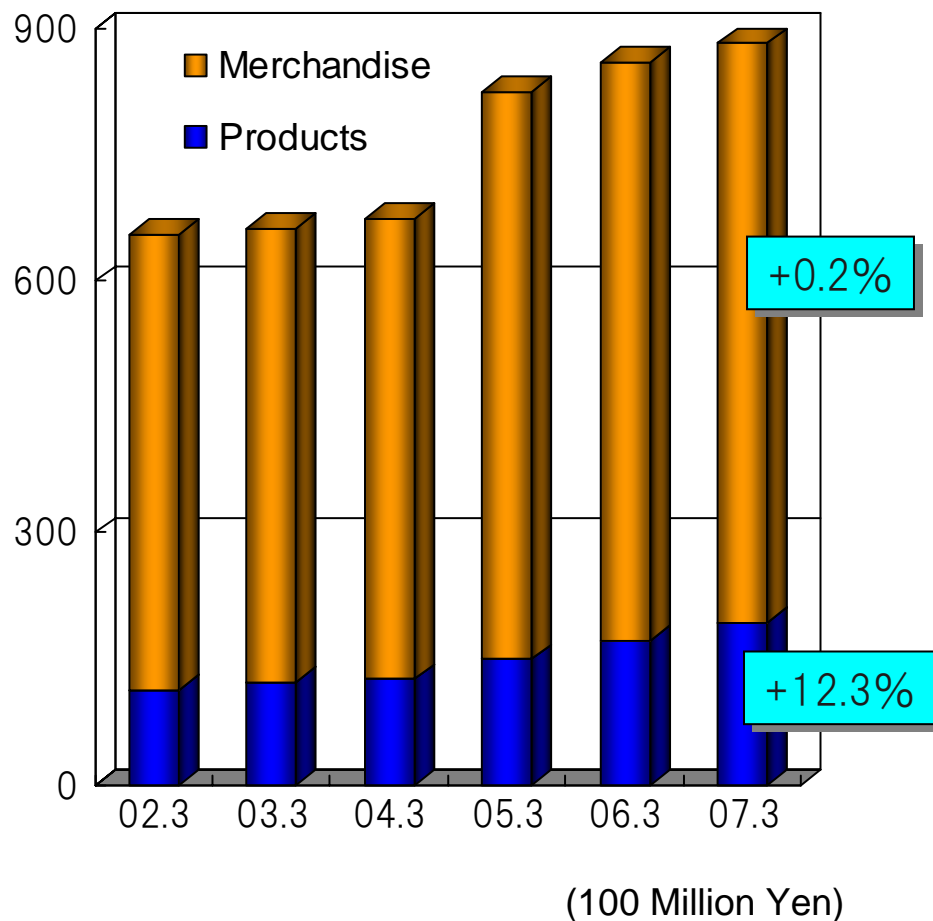




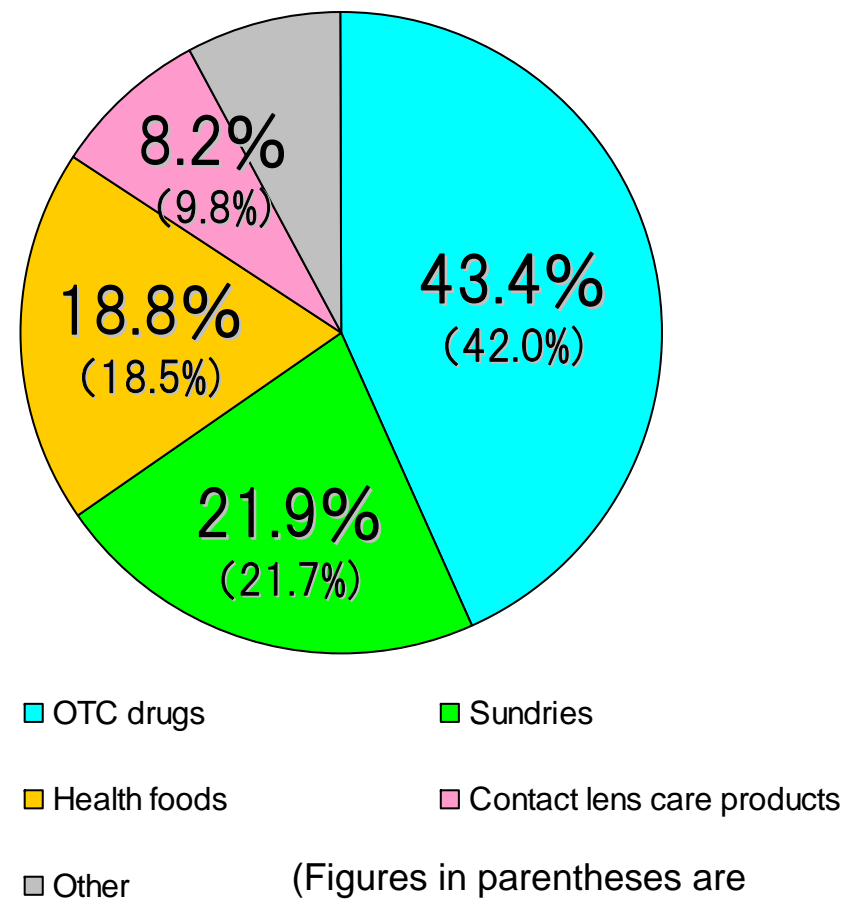
# Sales by Wholesale Operation Category



### Products and merchandise



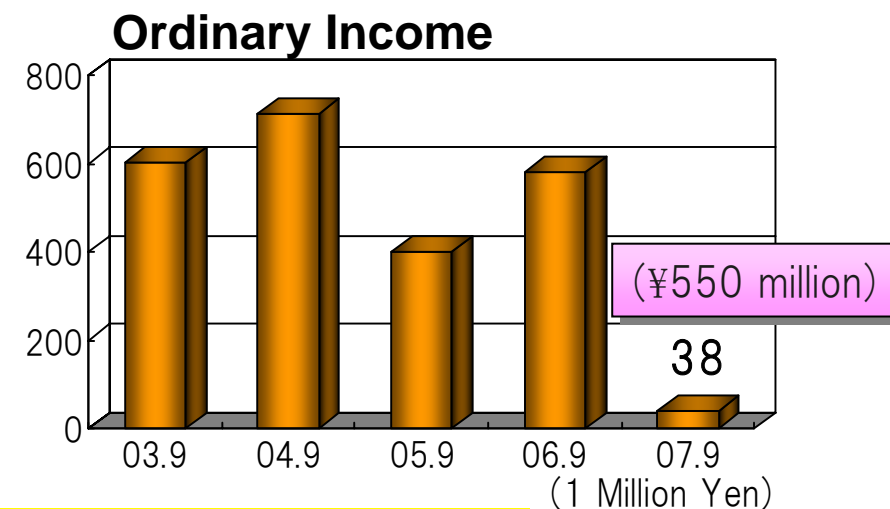
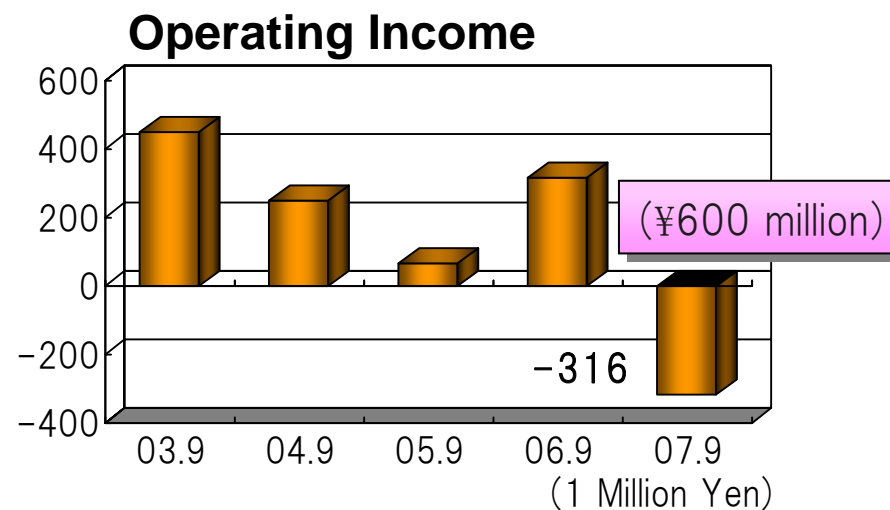
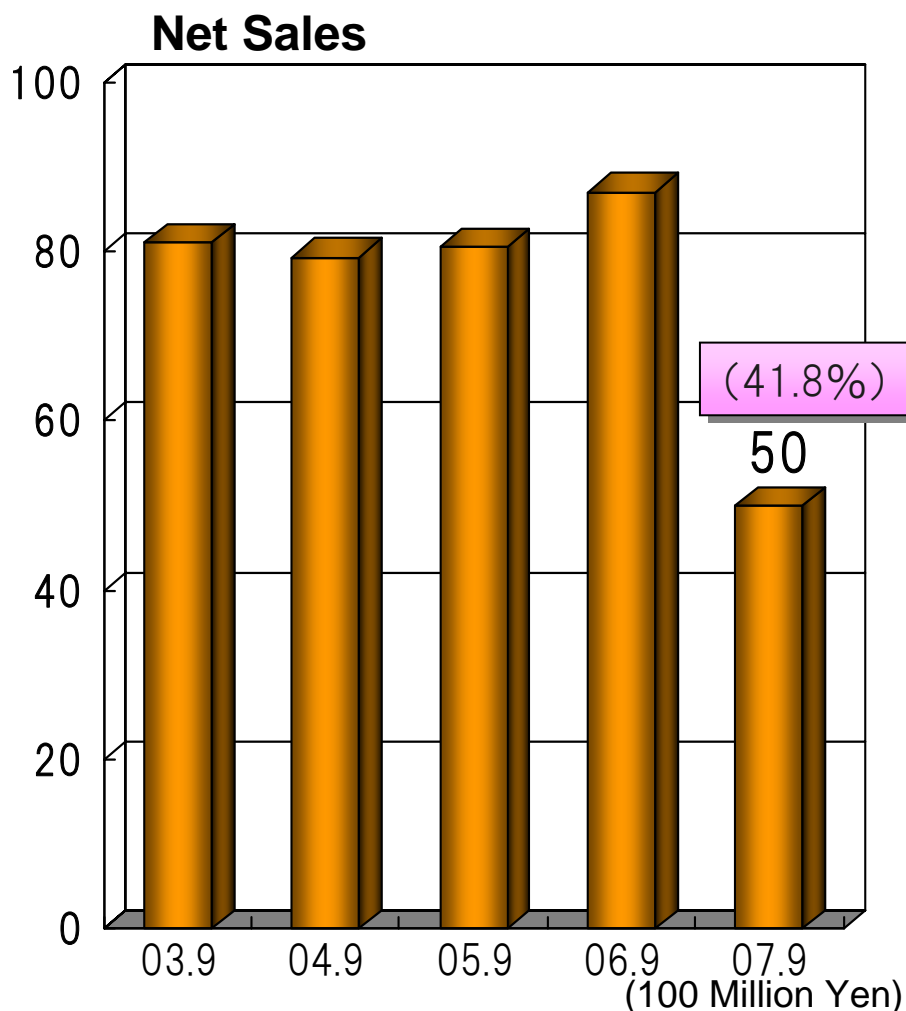
### Breakdown by Kobashou Inc. product categories



(Figures in parentheses are for same period last year)



# Medical Devices Operation



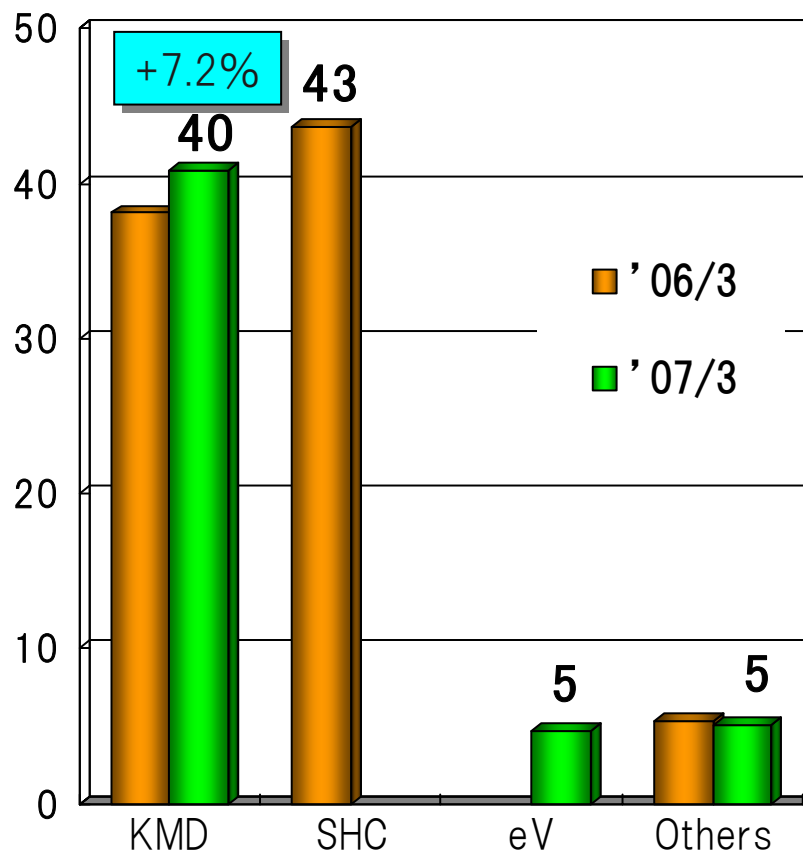
- Net sales decreased because we sold our shareholdings in the Shield Healthcare Centers in November 2006.
- Income decreased because of sale of Shield Healthcare Centers shareholdings and purchase of eVent Medical Limited shares.



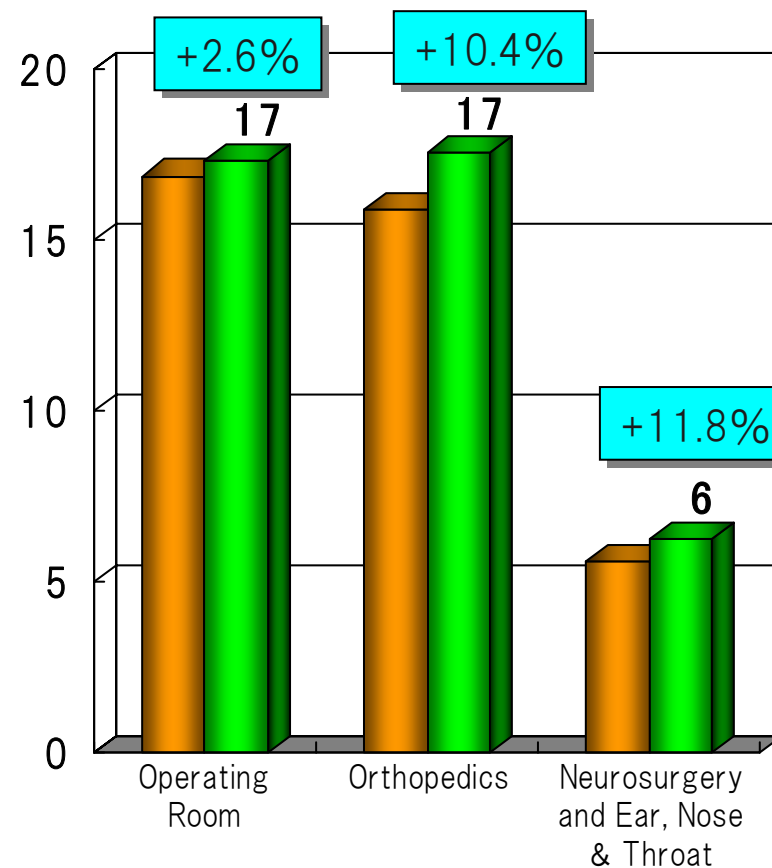
# Medical Devices Operation



### Sales by Category



### KMD Sales



Sale of Shield Healthcare Centers shareholdings in November 2006

(100 Million Yen)



# Consolidated Financial Forecast

## FY2008



# Consolidated Financial Forecasts



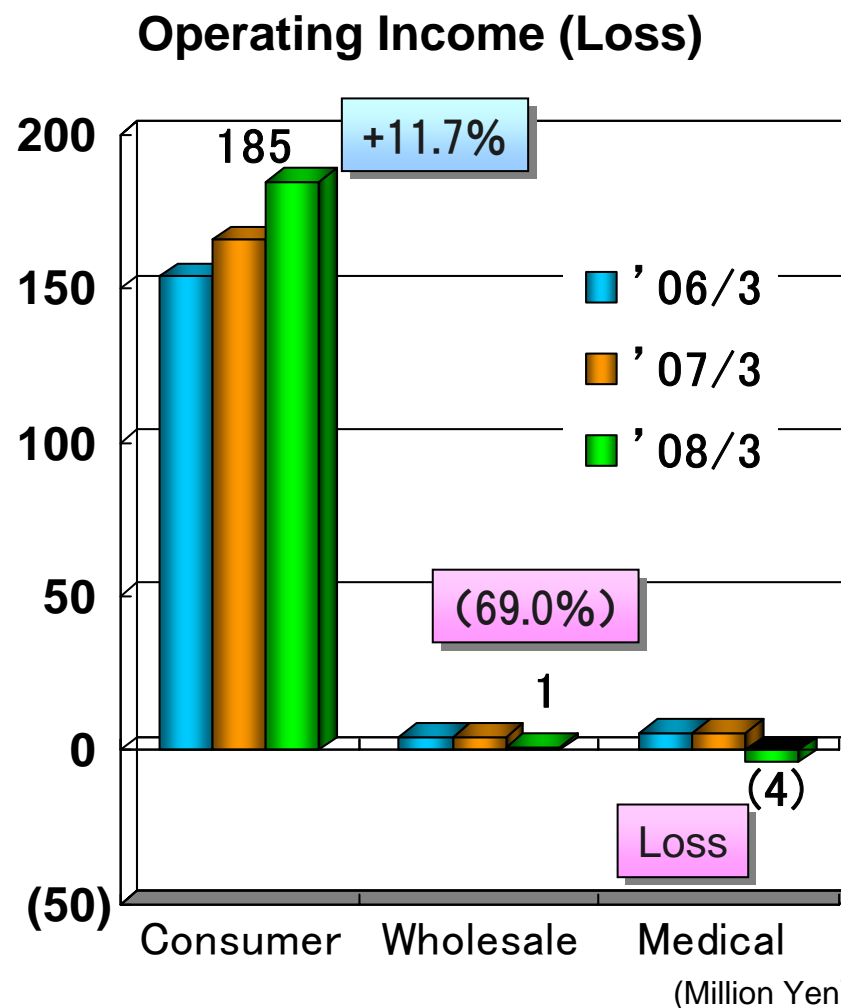
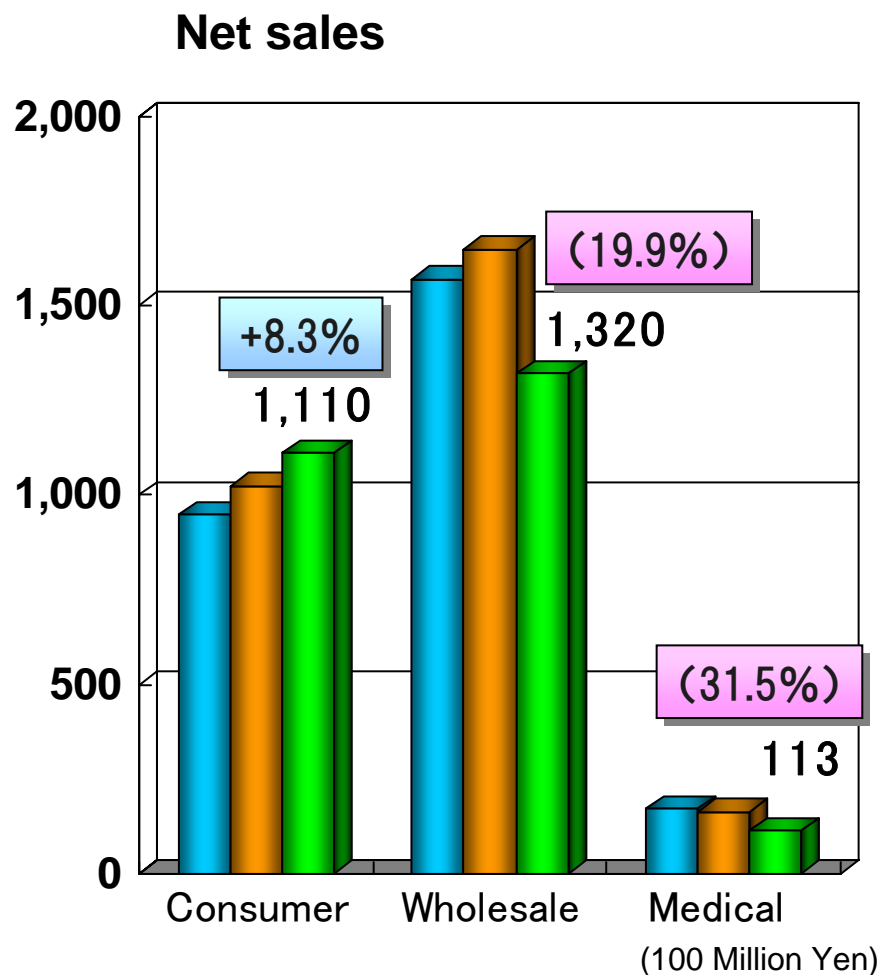
|                  | FY2007                        |             | FY2008 (Forecast)             |             | Change                         |                    |
|------------------|-------------------------------|-------------|-------------------------------|-------------|--------------------------------|--------------------|
|                  | Amount                        | Profit rate | Amount                        | Profit rate | Amount                         | Percentage         |
| Net sales        | Million Yen<br><b>257,022</b> | %<br>—      | Million Yen<br><b>229,000</b> | %<br>—      | Million Yen<br><b>(28,022)</b> | %<br><b>(10.9)</b> |
| Operating income | <b>18,029</b>                 | <b>6.8</b>  | <b>18,500</b>                 | <b>8.0</b>  | <b>471</b>                     | <b>2.6</b>         |
| Ordinary income  | <b>15,012</b>                 | <b>6.1</b>  | <b>16,000</b>                 | <b>7.0</b>  | <b>988</b>                     | <b>6.6</b>         |
| Net Income       | <b>8,297</b>                  | <b>3.0</b>  | <b>8,750</b>                  | <b>3.8</b>  | <b>453</b>                     | <b>5.5</b>         |
| EPS (Yen)        | <b>200.77</b>                 | —           | <b>211.57</b>                 | —           | <b>10.8</b>                    | <b>5.4</b>         |

Earnings forecast down because wholesale business to be excluded from scope of consolidation from fourth quarter

(FY2007 fourth quarter net sales: ¥36,900 million; operating income: ¥160 million)



# Net Sales and Operating Income



**Wholesale business to be excluded from scope of consolidation from FY2008 fourth quarter**



# Management Integration of Kobashou and Paltac



## Operating environment of the industry

*Self-medication trend spurred  
by reforms to the medical system*

*Expansion of sales channels and  
emergence of new markets accompanying  
implementation of Revised Pharmaceutical  
Affairs Law*

**But, however much our operating  
environment changes...**

**Kobayashi's mission as a wholesaler is to efficiently provide our  
customers in a variety of business sectors with useful products  
and information concerning healthcare, health and beauty**

**We are committed to creating a cross-sector  
wholesale distributor to achieve this mission**



## **Kobashou, Inc.**

Japan's leading wholesaler of OTC drugs and healthcare-related products

**January 1, 2008**  
**Exchange of shares**

## **The Mediceo Paltac Group**

a specialist corporate group that supports distribution related to healthcare, health and beauty

**The wholesale business will be excluded from Kobayashi's scope of consolidation**

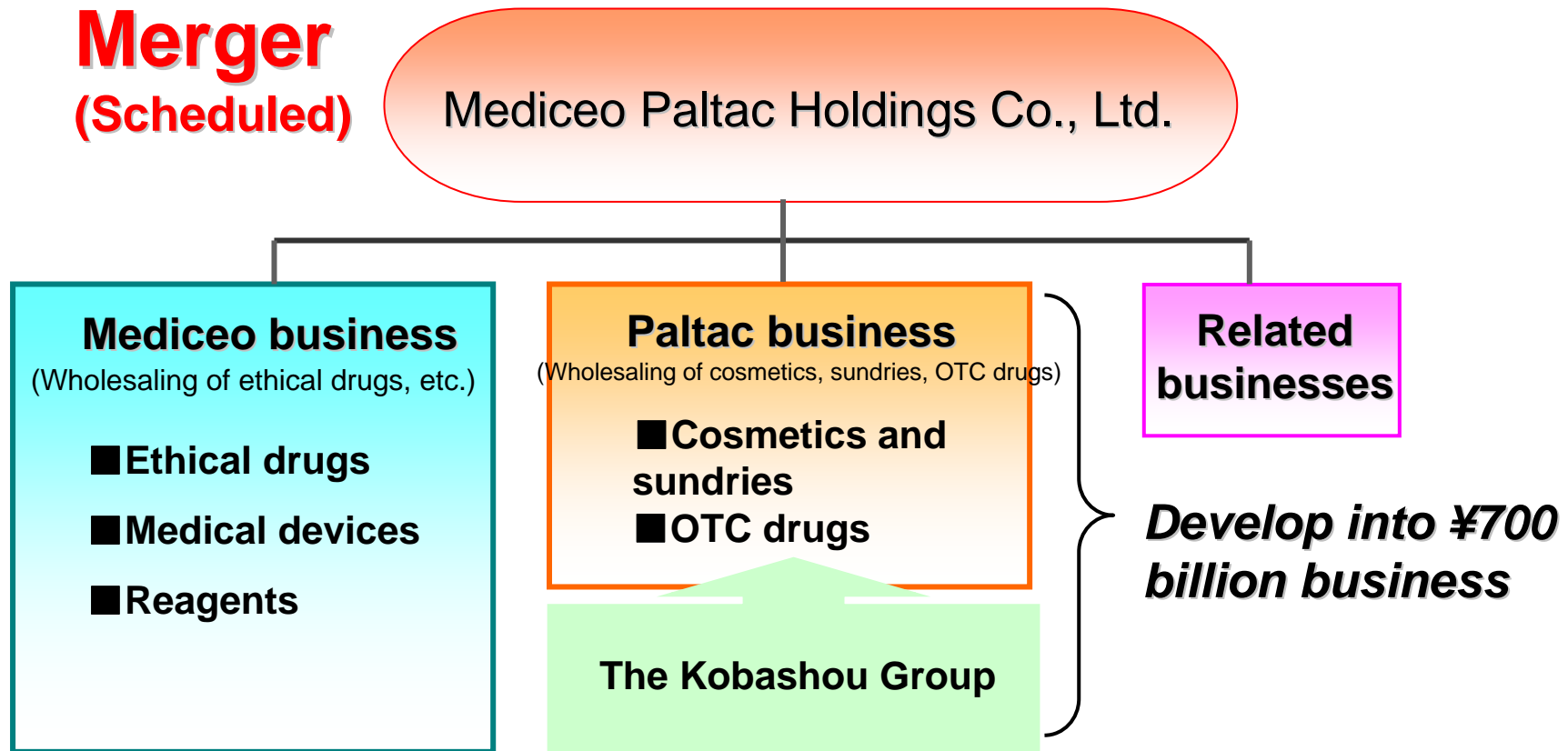


# Management Integration Step 2: Merger



April 1, 2008

**Merger**  
**(Scheduled)**



**Create the largest wholesale partner for Kobayashi's manufacturing business**

(Sales share: Over 40%)



# Current Business Structure of Kobayashi Group



## Consumer Products Operation

Pharmaceuticals  
Oral hygiene products  
Sanitary products  
Deodorizing air fresheners  
Household sundries  
Food products  
Body warmers

## Medical Devices Operation

Orthopedics  
Operating room  
Respiratory diseases  
Ear, nose & throat

## Wholesale Operation

Pharmaceuticals  
Sundries  
Food products  
Contact lens care products



# Business Structure From January 2008



We will focus management resources on 2 operations

## Consumer Products Operation

Pharmaceuticals  
Oral hygiene products  
Sanitary products  
Deodorizing air fresheners  
Household sundries  
Food products  
Body warmers

## Medical Devices Operation

Orthopedics  
Operating room  
Respiratory diseases  
Ear, nose & throat

## Wholesale Operation

Pharmaceuticals  
Sundries  
Food products  
Contact lens care products

To be excluded from scope of consolidation



**Drive powerful sales growth**

**Expand sales**

**Invest significantly in growth areas**



**<Specific initiatives>**

**Consumer Products Operation: Expand healthcare domain and overseas operations**

**Medical Devices Operation: Strengthen manufacturing functions; eVent Medical Limited**



**Expand sales**

**Invest significantly in growth areas**

## **Focus on healthcare domain**

Growth is projected for the OTC market

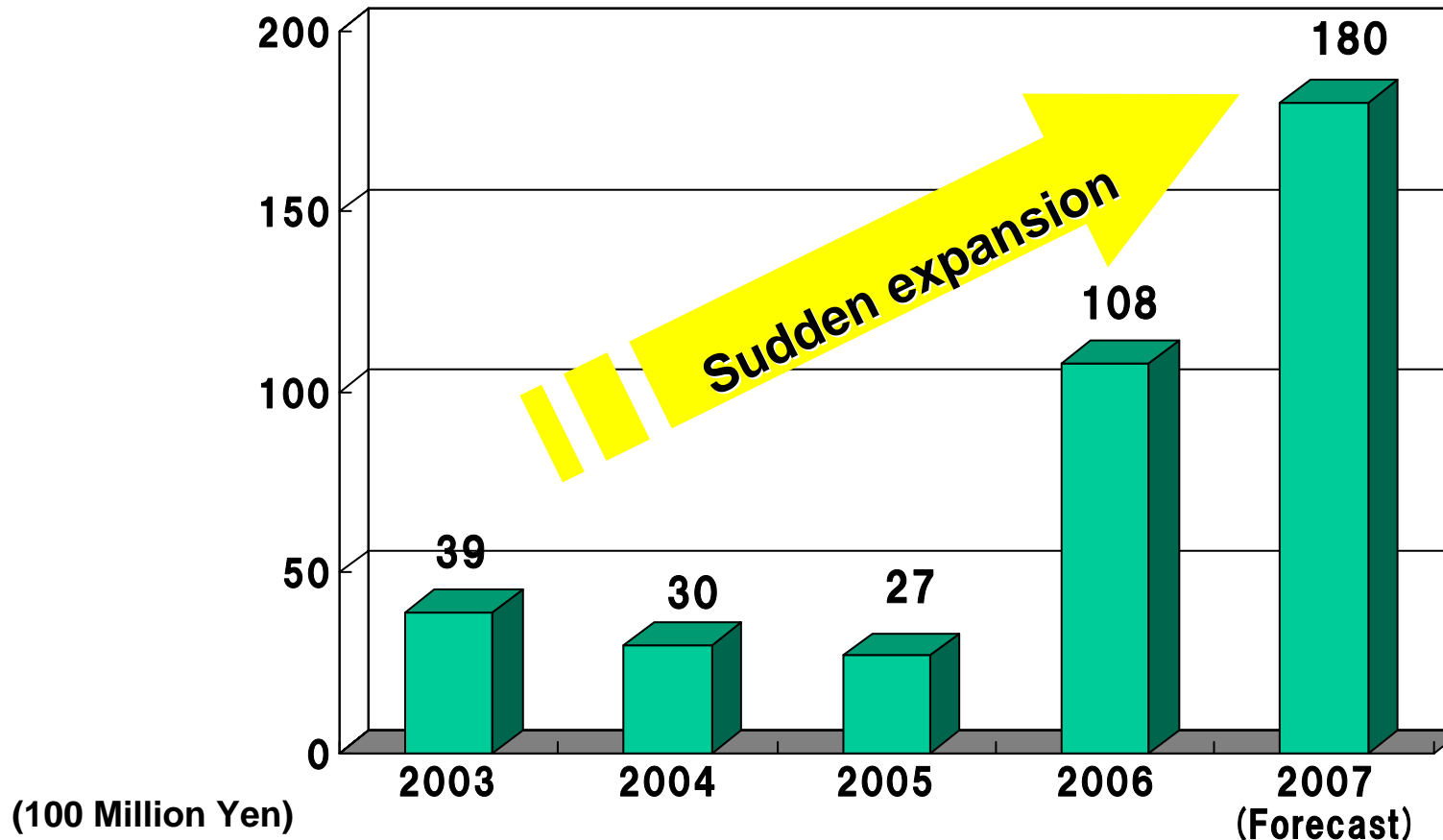
(Lifestyle diseases, pre-symptomatic medicine trend,  
aging population)

## **Strategy for overseas operations**

Domestic market impacted by low birthrate and aging population



## Anti-obesity market



**Growth product categories exist also in OTC market**



## Global expansion of body warmer business

# HeatMax

### ① U.S.: purchased HeatMax, Inc

Cold-weather body warmers, therapeutic body warmers

### ② China: Invigoration of body-warmer sales areas

Active launch of new products



**Expand sales**

**Invest significantly in growth areas**

**Achieve growth in both sales and profit**

- Increase manufacturing capabilities
- Strengthen in-house product development
- Achieve an **operating income ratio of 5%**



## Promote increased manufacturing capabilities

### ① U.S.: Purchased eVent Medical Limited

Promote product development and improvement

Enhance U.S. sales

Make a single-year profit for fiscal 2009

### ② Strengthen in-house product development: Kobamed

***Kobamed***

Aim to increase percentage of proprietary brand products from 15% to 25%