

Financial Overview for Fiscal 2009

Fiscal Year Ended March 31, 2009

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

May 8, 2009

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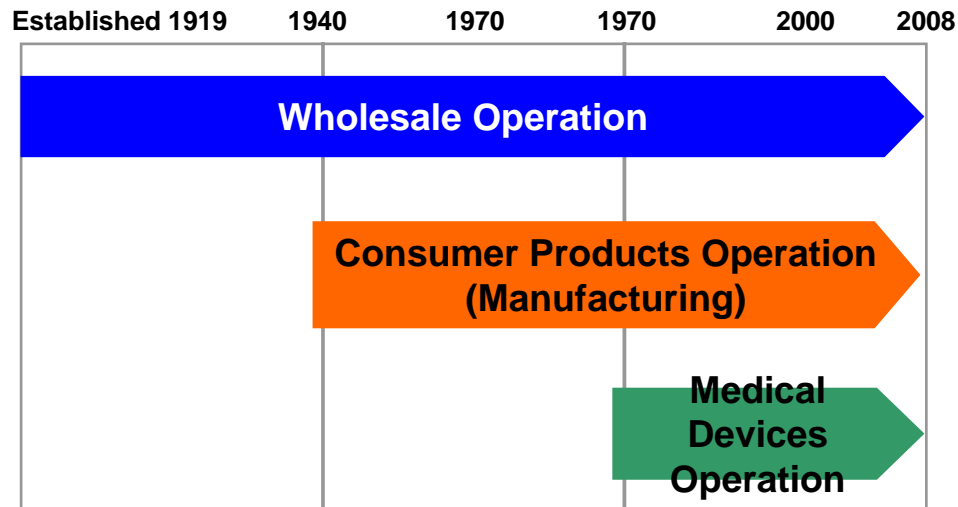


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Transformation of the Business Structure

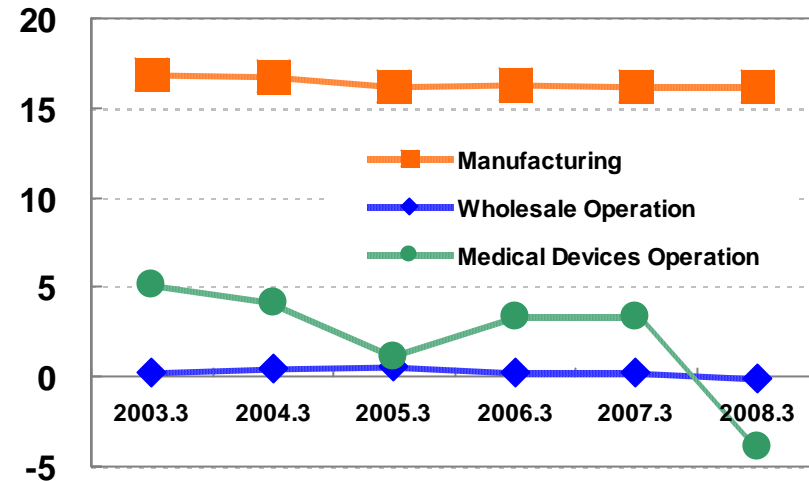
—Deconsolidation of the Wholesale Operation

Wholesale Operation: Legacy business since establishment



Maintained High Profitability as a Manufacturer

[Operating Income to Net Sales Ratio (%) by Business]



Problems Faced by Wholesale Operation

Persistently low profitability

- [Earnings power of the Wholesale Operation] The operating income to net sales ratio for the Wholesale Operation alone was low at less than 1%
- [Size] Net sales were only about ¥160.0 billion. Difficult to survive alone in this business in terms of economies of scale.
- [Enhancement of the supply capability for products to drugstores] The pharmaceutical sales ratio in the drugstore is around 15-25%

Manufacturing is where Kobayashi can leverage its unique strengths

- Bring out potential needs and create new demand in the niche market

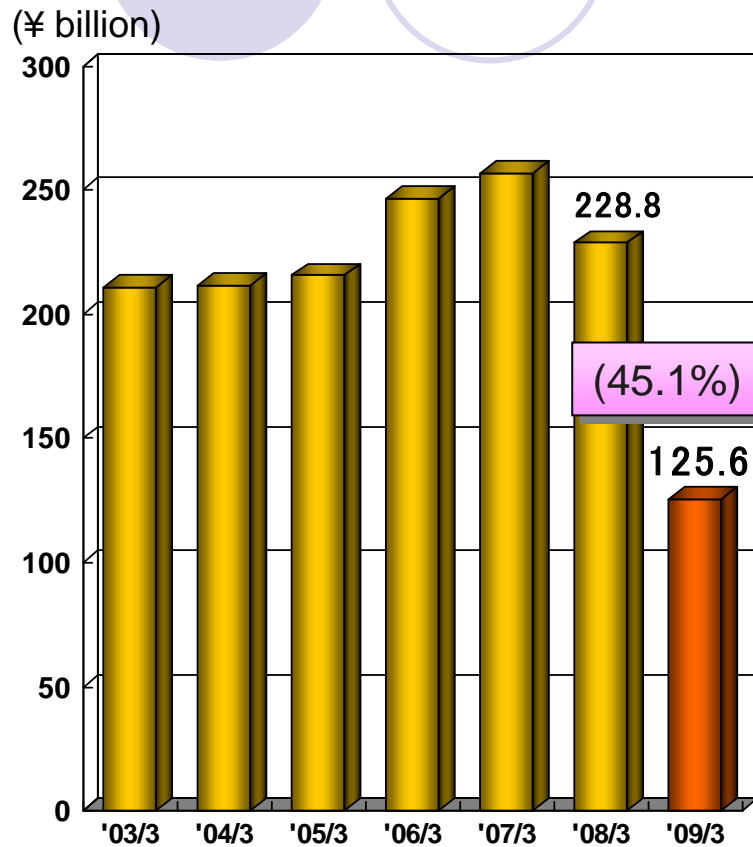
Consolidated Financial Highlights

	FY2008		FY2009		Change	
	Amount	Profit rate	Amount	Profit rate	Amount	Percentage
	Million Yen	%	Million Yen	%	Million Yen	%
Net Sales	228,826	—	125,693	—	(103,133)	(45.1)
Gross Profit	81,187	35.5	68,679	54.6	(12,508)	(15.4)
Operating Income	18,576	8.1	15,818	12.6	(2,758)	(14.8)
Ordinary Income	15,687	6.9	15,333	12.2	(354)	(2.3)
Net Income	8,504	3.7	8,853	7.0	348	4.1
EPS (Yen)	205.62	—	215.89	—	10.2	5.0

Net sales fell due to the exclusion of the Wholesale Operation from the scope of consolidation (fiscal 2008 Wholesale Operation net sales were ¥131.9 billion). However, profitability rose substantially. Beginning with the fiscal year under review, loss on disposal is included in the cost of sales due to a change in the accounting standard. If the same accounting standard was applicable to the previous fiscal year (in which loss on retirement amounted to ¥3.8 billion, exclusive of silver-related loss), operating income would increase by ¥1.1 billion (+7.4%). Net income for the fiscal year under review rose for the 11th consecutive fiscal year since the introduction of consolidated accounting.

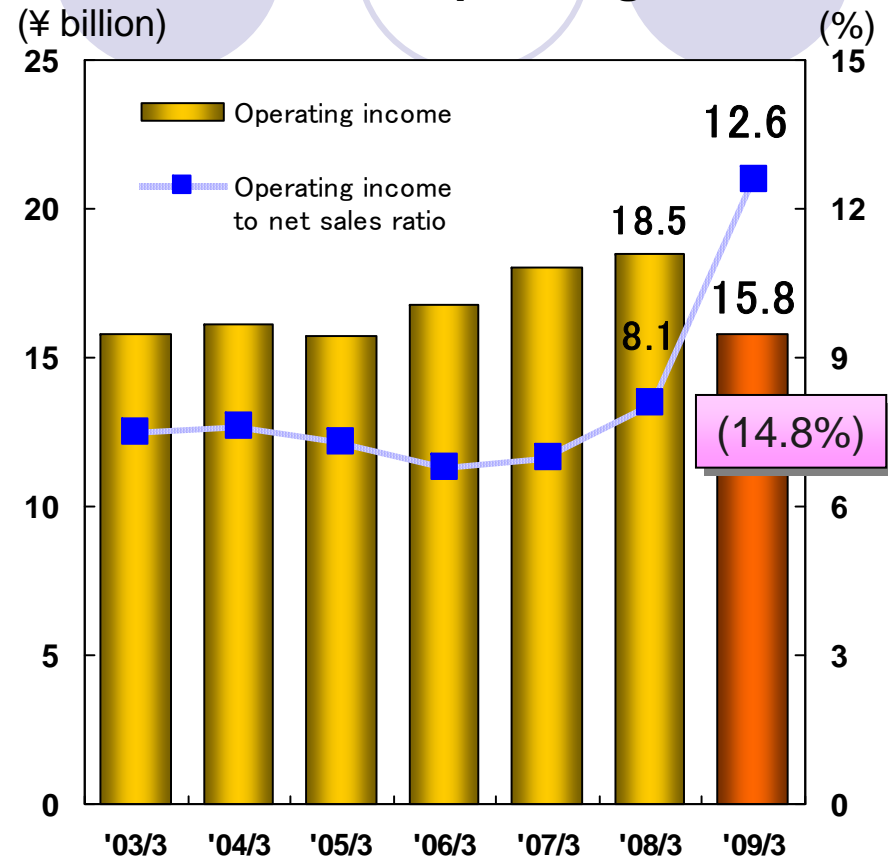
Consolidated Financial Results

Consolidated Net Sales

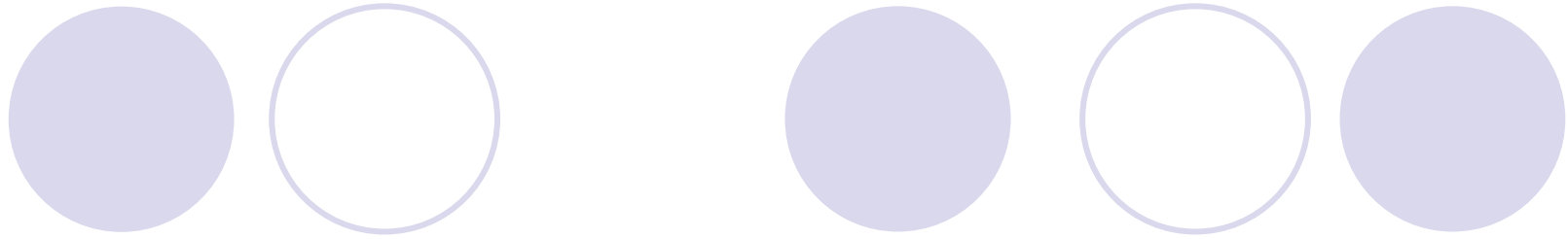


Net sales declined as the Wholesale Operation was excluded from the scope of consolidation starting in the fourth quarter of the fiscal year ended March 2008. Net sales of the Wholesale Operation amounted to ¥131.9 billion in the fiscal year ended March 2008.

Consolidated Operating Income



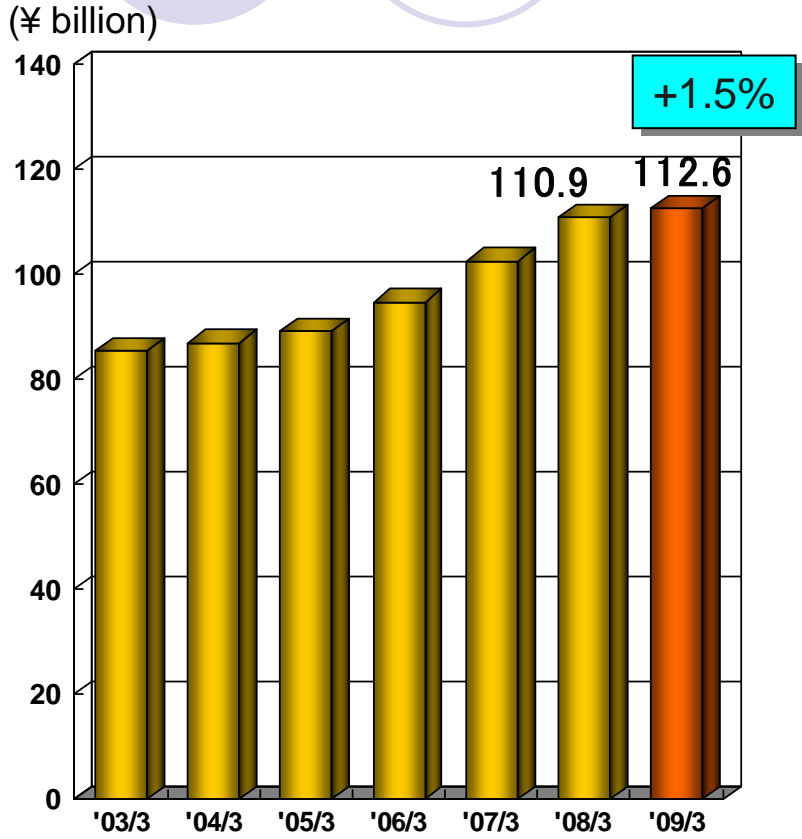
Operating income declined as losses on valuation and disposal of inventories is included in the cost of sales beginning with the fiscal year ended March 2009. If the same accounting standard was applicable to the previous fiscal year (in which loss on disposal amounted to ¥3.8 billion, exclusive of silver-related loss), operating income would increase by ¥1.1 billion (+7.4%).



Consumer Products Operation Results

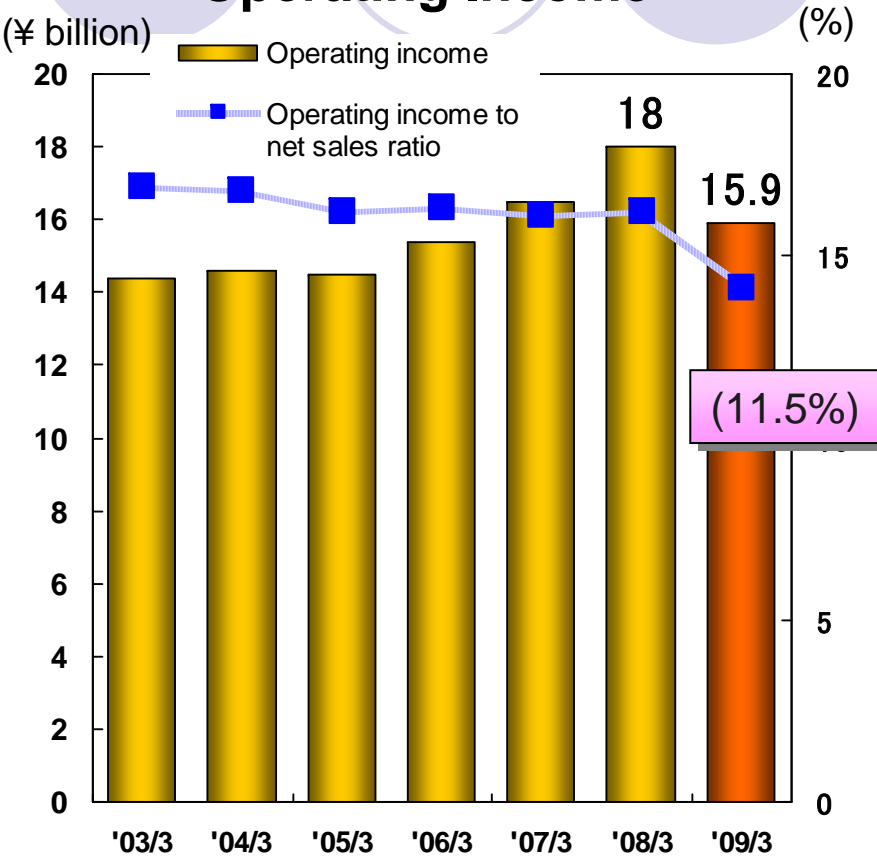
Net Sales and Operating Income

Net Sales



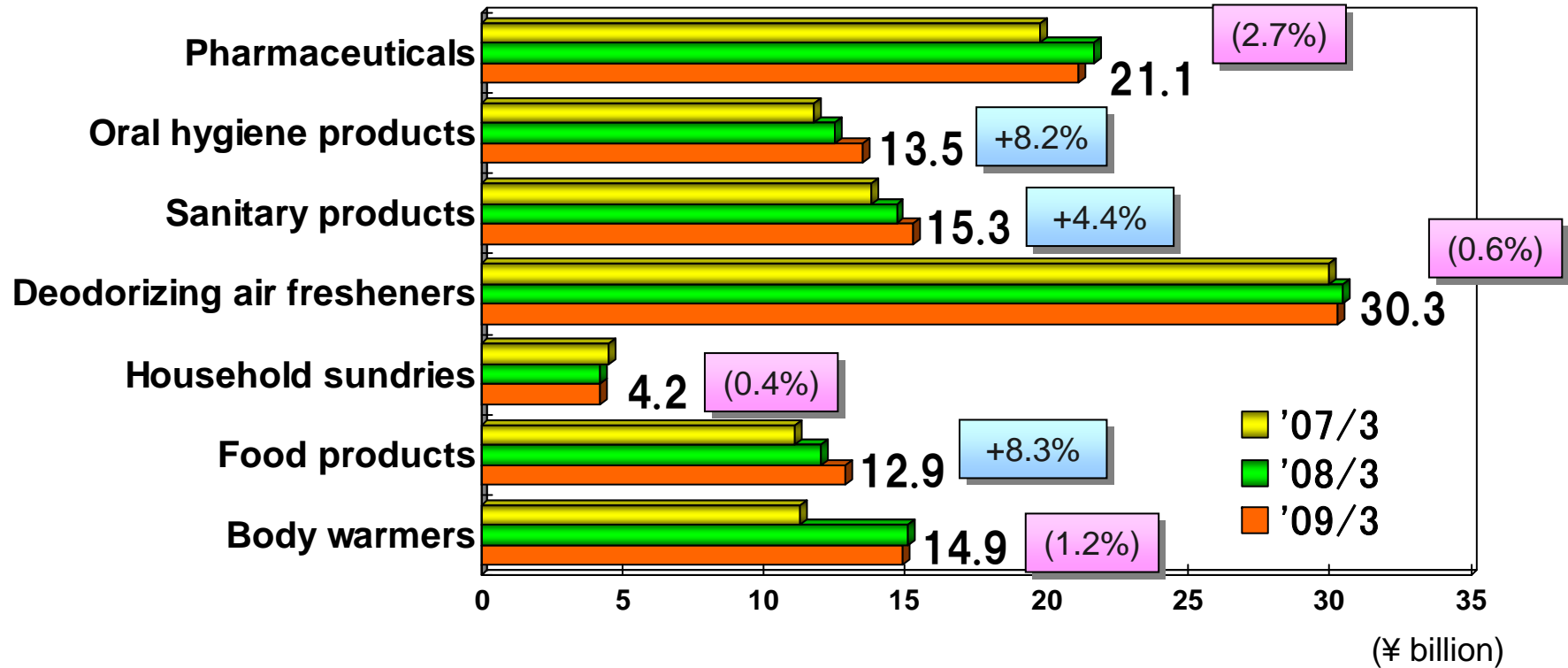
Higher sales of mainstay existing brands as well as the placement of new products on the market helped to increase net sales.

Operating Income

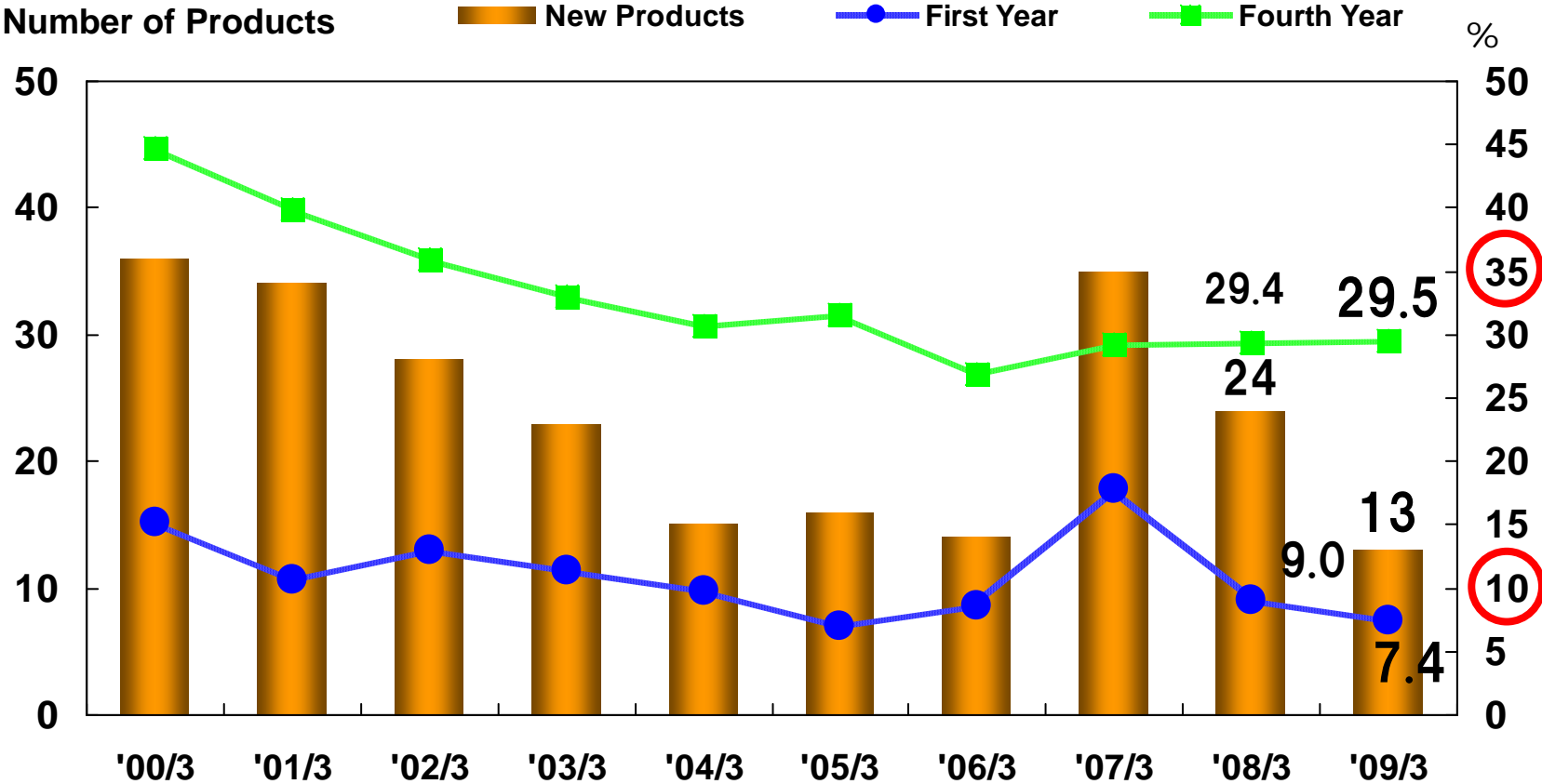


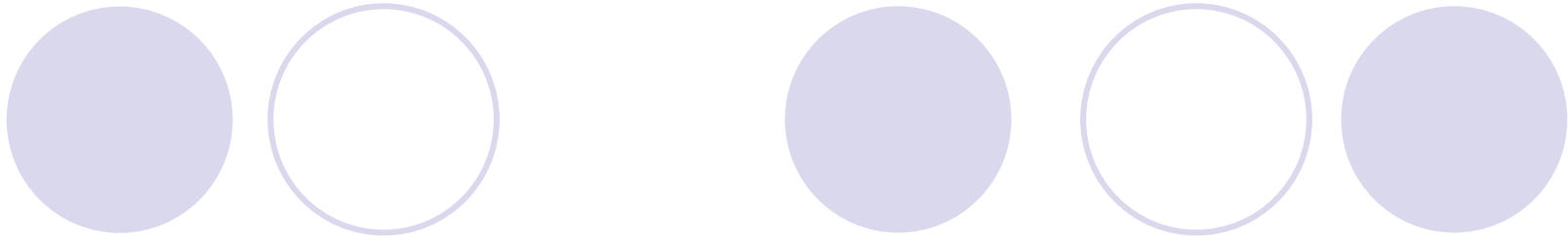
Operating income declined as losses on valuation and disposal of inventories is included in the cost of sales beginning with the fiscal year ended March 2009. If the same accounting standard was applicable to the previous fiscal year (in which loss on disposal amounted to ¥3.5 billion, exclusive of silver-related loss), operating income would increase by ¥1.4 billion (+9.8%).

Sales by Consumer Products Category



Contribution Rate of New Products

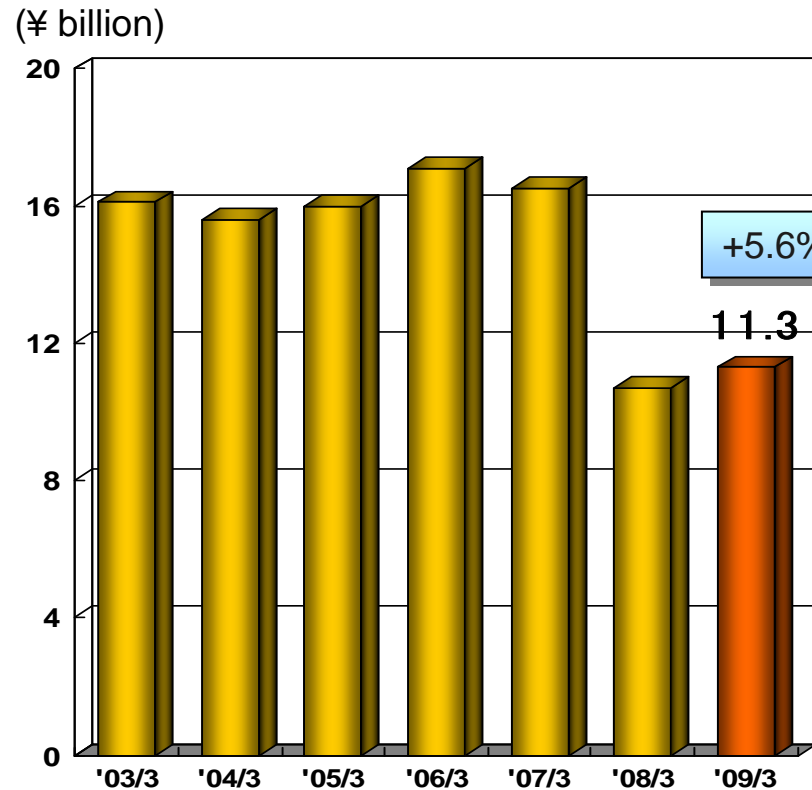




Medical Devices Operation Results

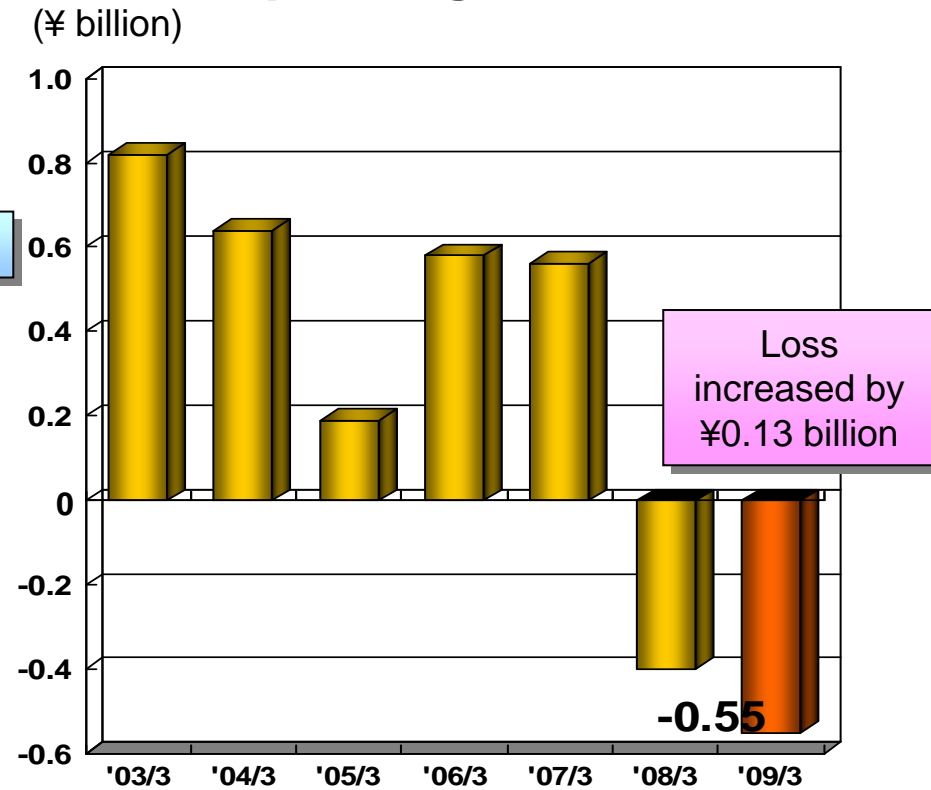
Net Sales and Operating Income

Net Sales



Kobayashi Medical increased net sales by the focus strategy targeted at key domains. eVent was behind schedule in its business development in the United States. We sold Shield Healthcare in November 2007.

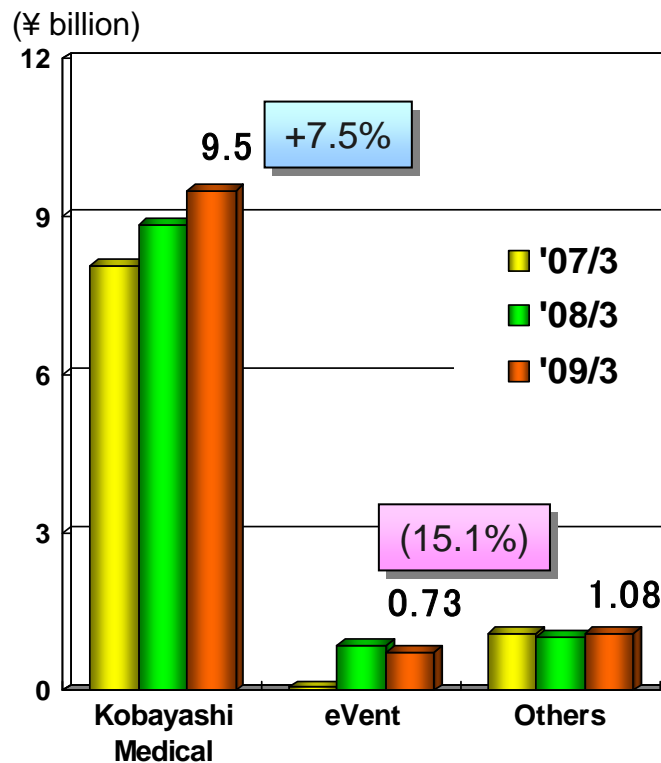
Operating Income



While Kobayashi Medical sought to achieve efficiency through the focus strategy, the new product development and the building of sales channels at eVent required increased investment.

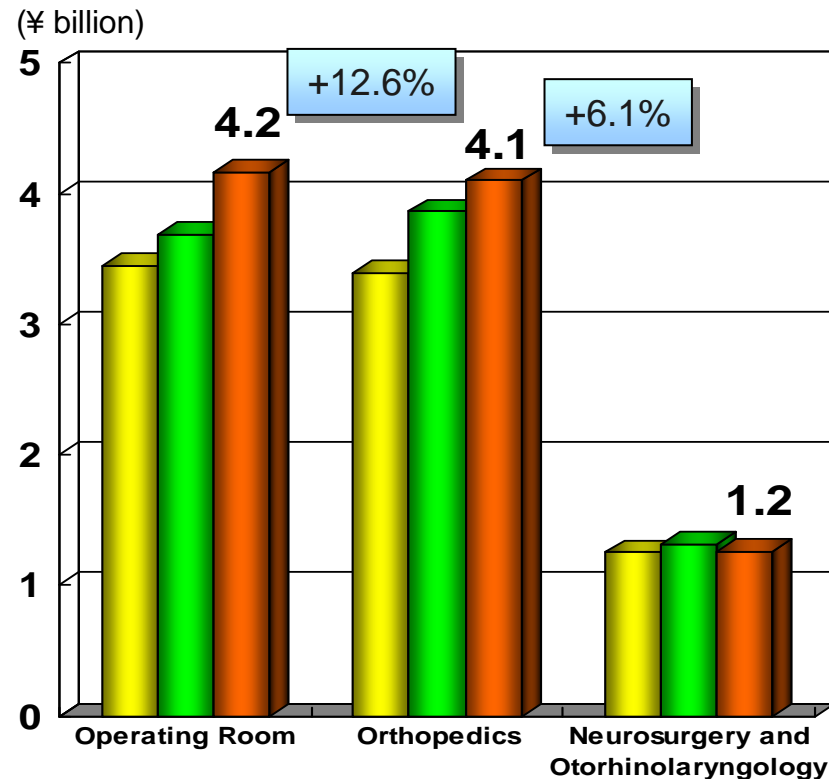
Sales Breakdown by Division/ KMD Sales Breakdown by Domain

Breakdown by Division

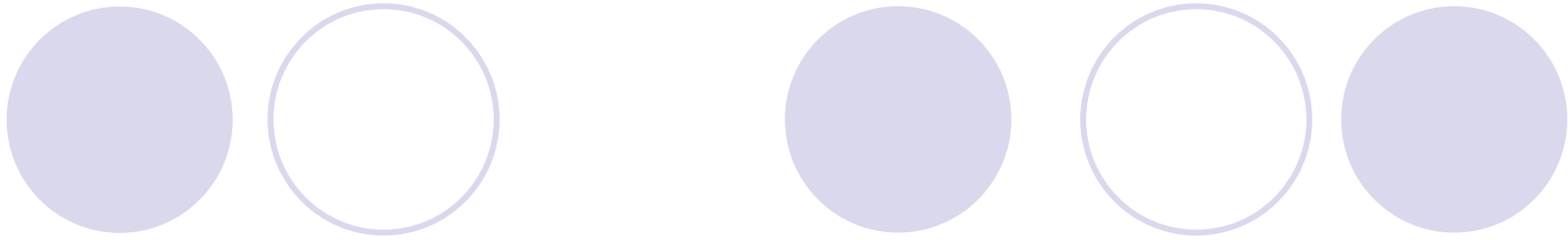


While Kobayashi Medical was affected by the lowering National Health Insurance (NHI), net sales increased solidly thanks to the focus strategy.

Breakdown of KMD Sales by Domain



The strategy to focus on electrosurgical generator and oxygen masks for use in surgery and upper arm implants in orthopedics proved successful.



Financial Forecast Fiscal 2010



Group Management Strategy

Aim for a “Strong Kobayashi Pharmaceutical Group”

1. Strengthening of Total Optimization

Promote total optimization revolving around the introduction of the profit-centered approach, and continue to produce profits

2. Strengthening of Efficient Management

Actively make investments required for growth and make all-out efforts to reduce costs, disposal, inventories and expenses

3. Strengthening of Global Strategy

Globalization is a part of the growth strategy

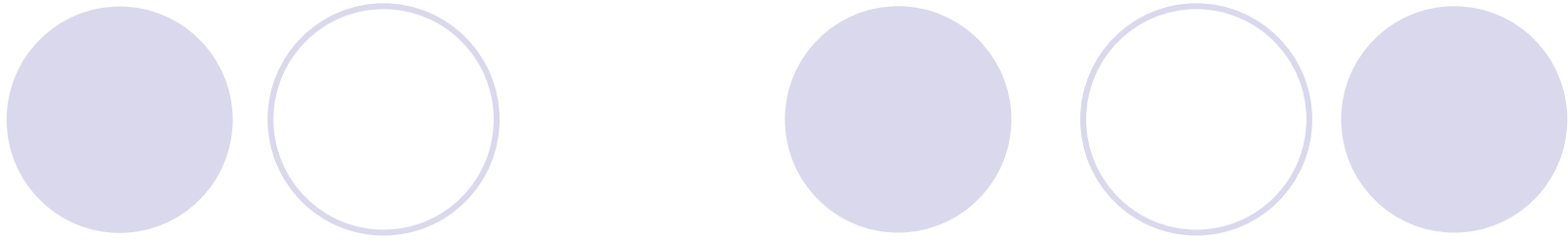
4. Strengthening of Corporate Brand Management

The core of growth lies in the enhancement of the corporate brand

Consolidated Financial Forecasts

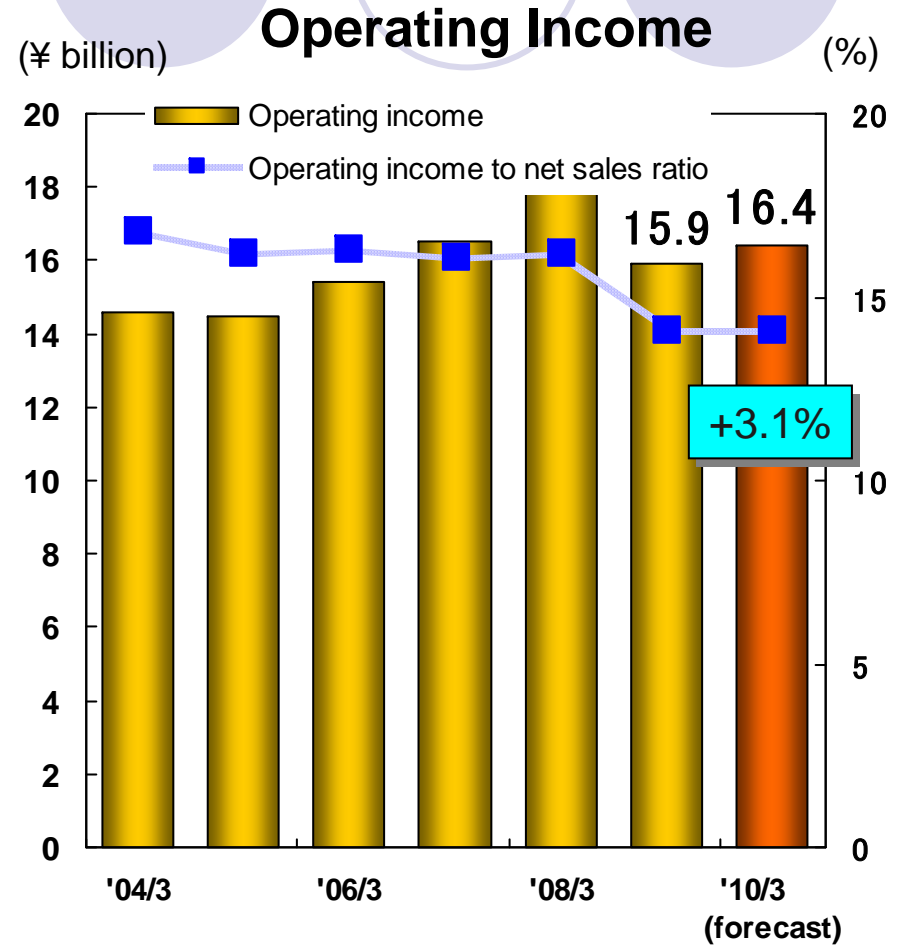
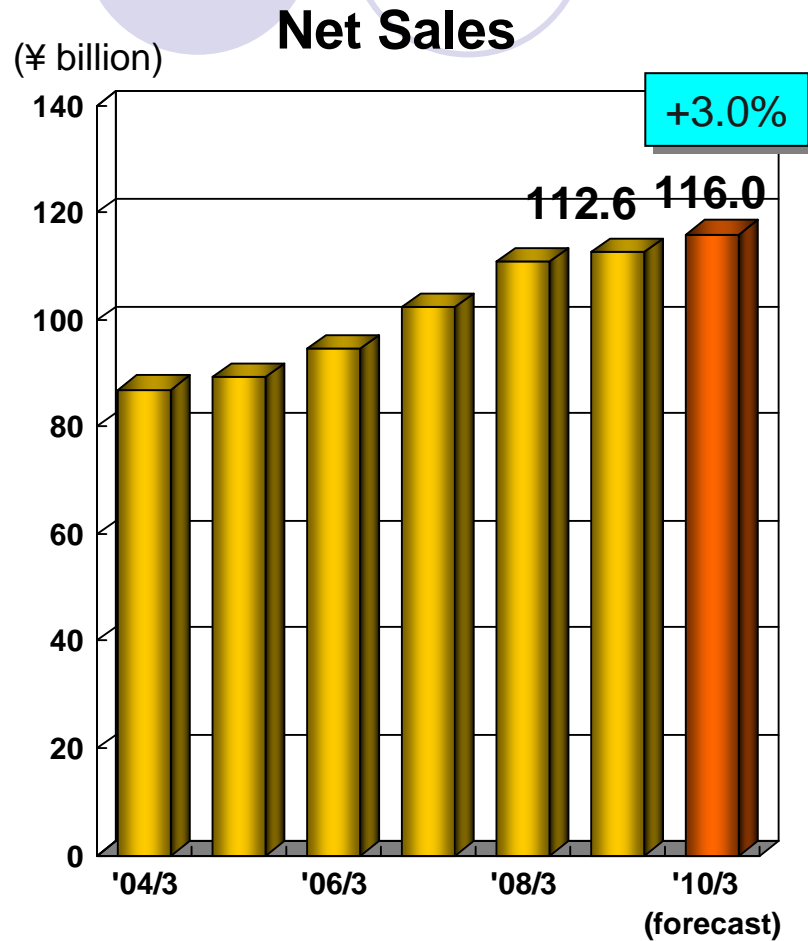
	FY2009		FY2010		Change	
	Amount	Profit rate	Amount	Profit rate	Amount	Percentage
	Million Yen	%	Million Yen	%	Million Yen	%
Net Sales	125,693	—	130,000	—	4,246	3.4
Gross Profit	68,679	54.6	72,000	55.4	3,321	4.8
Operating Income	15,818	12.6	16,600	12.8	782	4.9
Ordinary Income	15,333	12.2	16,600	12.8	1,267	8.3
Net Income	8,853	7.0	9,300	7.2	447	5.0
EPS (Yen)	215.89	—	227.12	—	11.2	5.2

- Dissolution of capital and business tie-up with Itoh Kanpo Pharmaceutical Co. Ltd.
- Gain on sale of goodwill through sale of equity shares in the joint venture, KSD, were reported until the previous fiscal year.



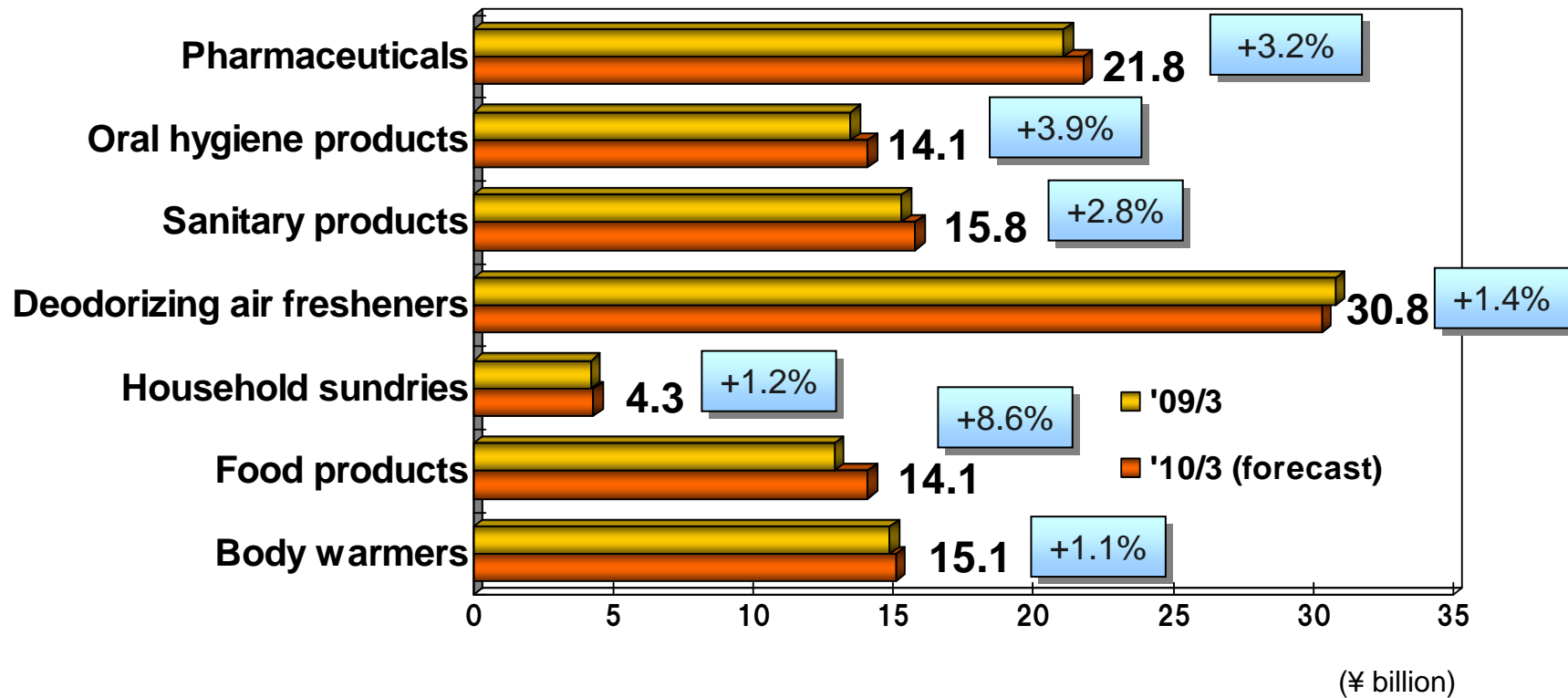
Approach in the Consumer Products Operation

Net Sales and Operating Income Forecasts



We will actively launch new products that clear new marketing criteria. Regarding mainstay existing brands, we will undertake active and efficient marketing investment (advertising and sales promotion expenses).

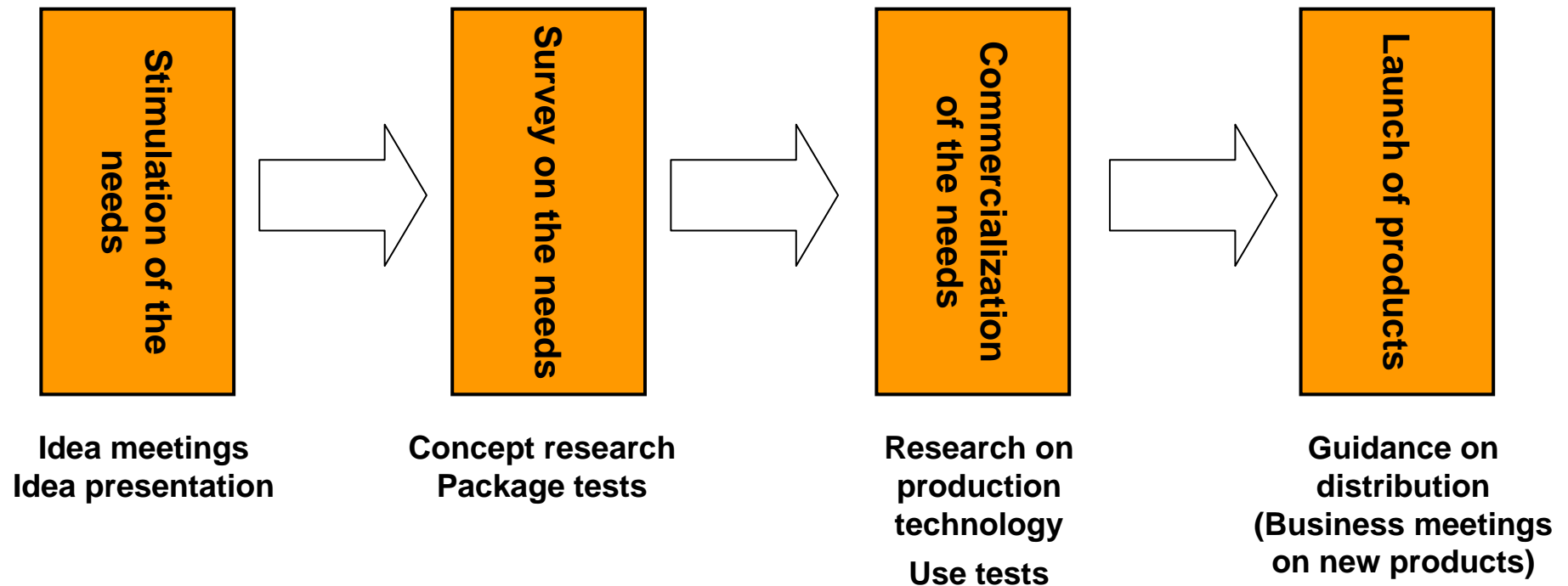
Breakdown of Net Sales Forecasts by Category



Our Basic Development Philosophy

Everything begins with the consumer needs.

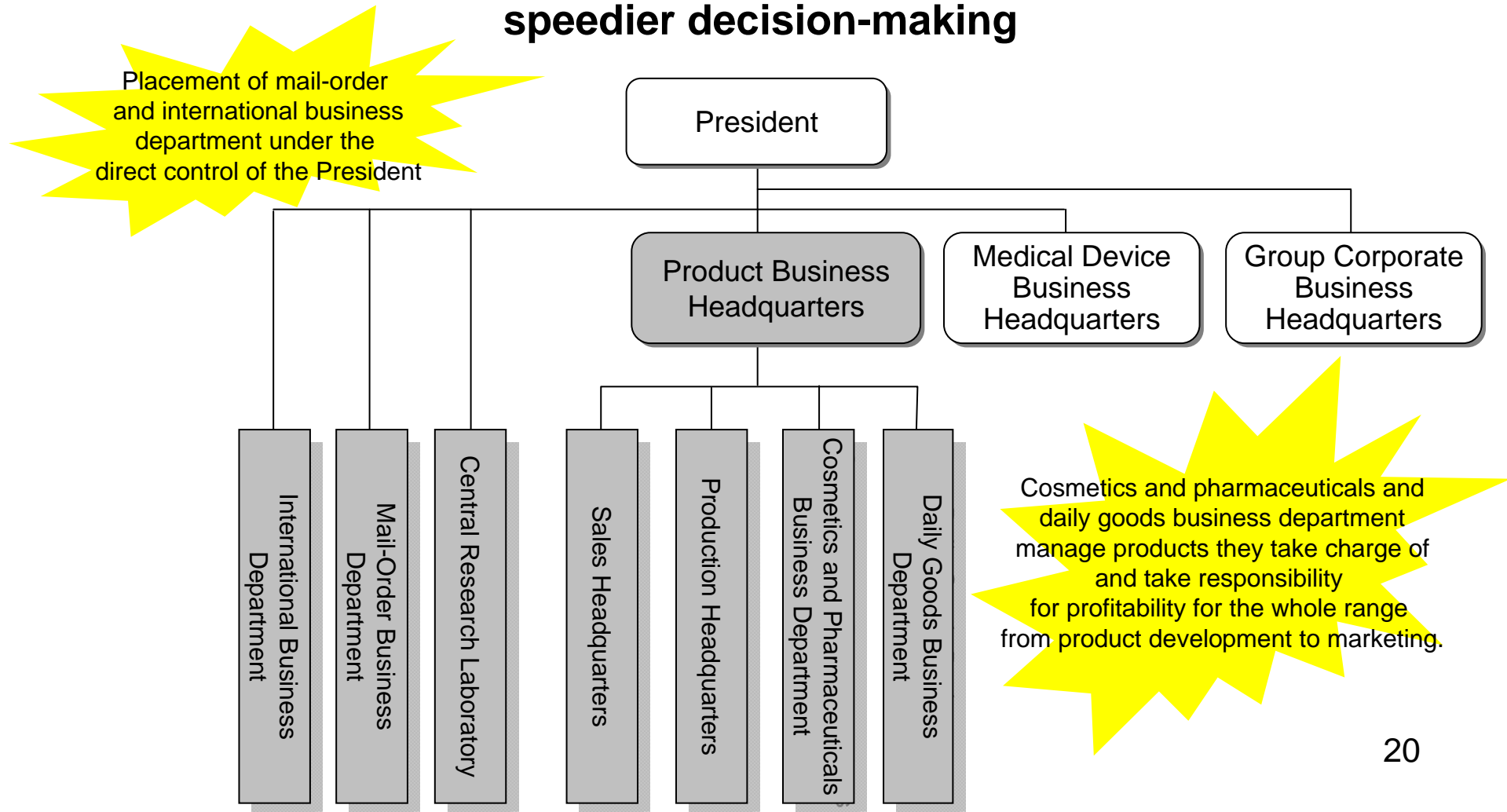
Needs > Seeds (equipment, technology, materials, etc.)



Pursue potential needs and create niche markets

Introduction of the Profit Center Approach

Organizational reform within product businesses
aimed at clarification of business responsibility and
speedier decision-making



The 40th Anniversary of the Launching of Bluelet



Activities to Enhance the Value of the Bluelet Brand

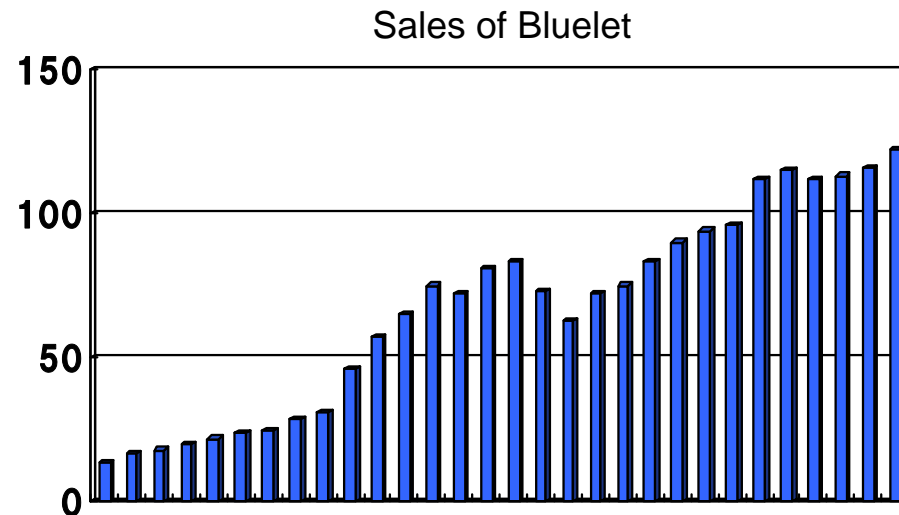
The campaign for the 40th anniversary of the Bluelet launching (beginning in June)

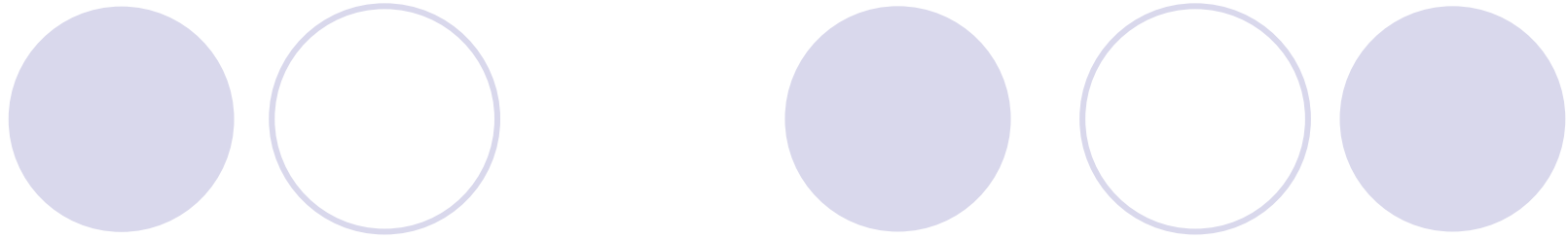
Sales of specially designed products, consumer campaigns

National parks cleaning activities, including the installation of bio-toilet



The look of Bluelet in 1969

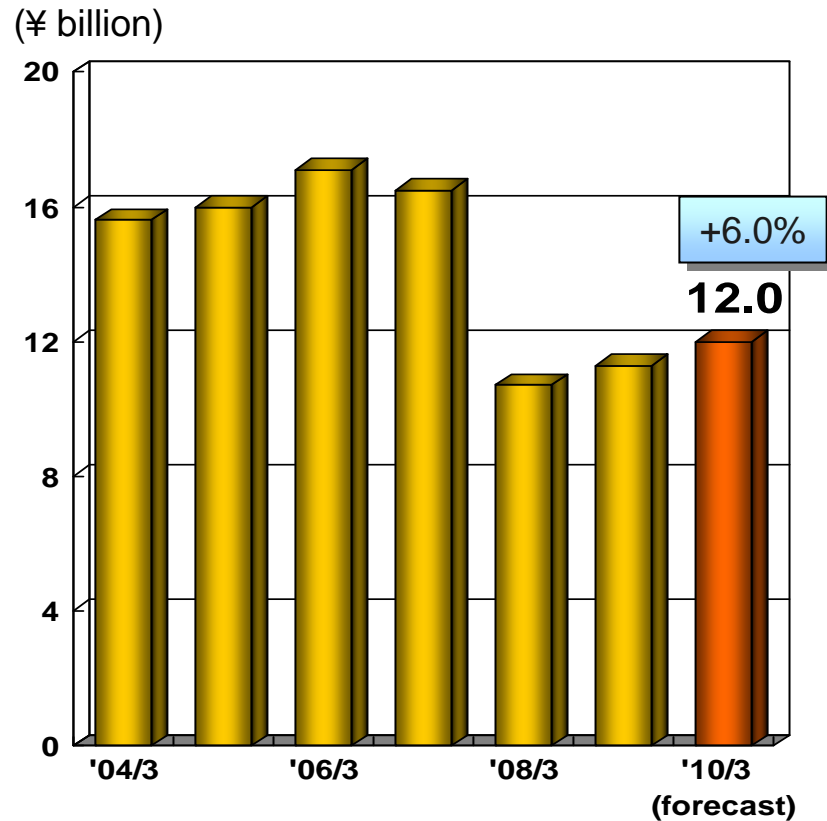




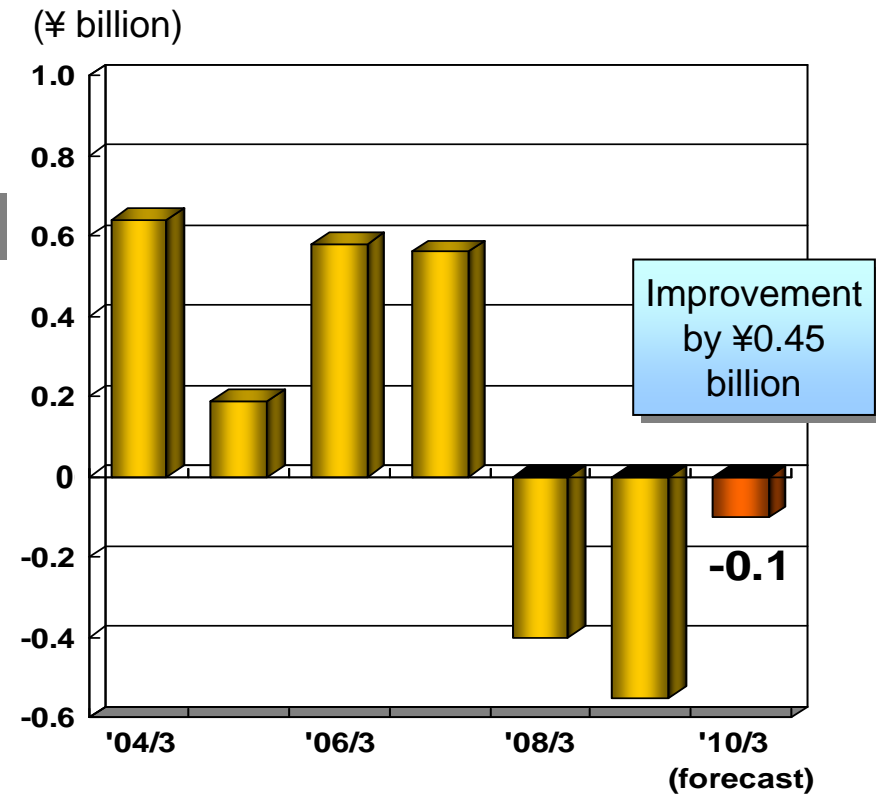
Approach to the Medical Devices Operation

Net Sales and Operating Income Forecasts

Net Sales



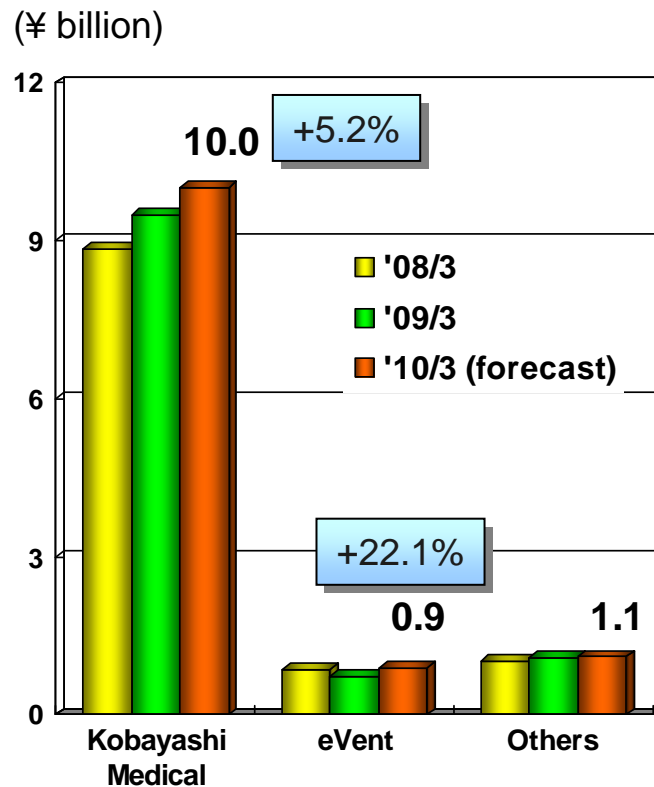
Operating Income



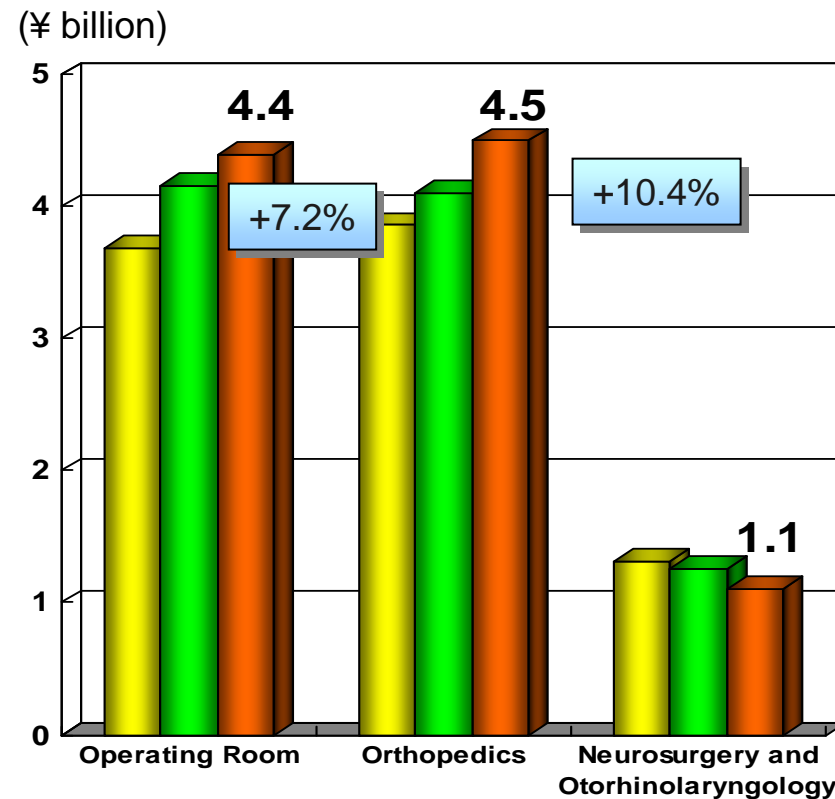
Kobayashi Medical will continue to adopt the strategy of focusing on selected areas. eVent in the United States will redouble efforts to sell its products to hospitals, its main target market.

Sales Breakdown by Division/ KMD Sales Breakdown by Category

Breakdown by Division



Breakdown of KMD Sales by Domain



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