

KOBAYASHI

PHARMACEUTICAL CO., LTD.

Summary Consolidated Financial Results for the Third Quarter Ended December 31, 2009

Note: This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2009

Kobayashi Pharmaceutical, Co., Ltd. (4967)

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Expected date of Quarterly Financial Report submission:	February 10, 2010

1. Consolidated Financial Results (April 1, 2009 – December 31, 2009)

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	Third Quarter ended December 31,			
	2009	%	2008	%
Net Sales	102,321	3.7	98,683	—
Operating Income	16,223	10.6	14,672	—
Ordinary Income	15,953	12.9	14,127	—
Net Income	9,062	3.2	8,782	—
Net Income per Share (yen)	221.30		214.04	
Net Income per Share, diluted (yen)	—		213.96	

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	Third Quarter ended Dec 31,	FY ended March 31,
	2009	2009
Total Assets	132,124	125,210
Net Assets	83,950	76,364
Shareholders' Equity Ratio	63.4%	60.9%
Shareholders' Equity per Share (yen)	2,045.82	1,861.14
Note: Equity:		
Third quarter ended Dec 31, 2009		83,774 million yen
Fiscal year ended March 31, 2009		76,208 million yen

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2. Dividends

	Fiscal year ended March 31,		
	2009	2010	2010 (forecast)
Annual Dividends per Share			
First quarter (yen)	—	—	—
Interim (yen)	29.00	29.00	—
Third quarter (yen)	—	—	—
End of year (yen)	29.00	—	29.00
Annual Dividends (yen)	58.00	—	58.00

* Revisions to dividend forecast in the quarter: None

3. Outlook for the Fiscal Year Ending March 31, 2010 -- (April 1, 2009 – March 31, 2010)

Consolidated	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales.....	130,000	3.4
Operating Income	16,600	4.9
Ordinary Income	16,600	8.3
Net Income	9,300	5.0
Net Income per Share (yen)	227.11	

* Revisions to financial forecast in the quarter: None

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4. Additional notes

(1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation):

	None
New:	No companies
Excluded:	No companies

(2) Application of simplified accounting treatment and unique accounting treatment when creating quarterly consolidated financial statements: Yes (please refer to pages 7-8.)

(3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements (Record under Changes to Significant Matters Forming the Basis for the Preparation of Quarterly Consolidated Financial Statements)

(i) Changes accompanying amendments to accounting standards:	None
(ii) Changes other than those in (i) above:	None

(4) Number of outstanding shares (common shares)

(i) Number of shares issued and outstanding at end of period (including treasury stock)

Third Quarter FY2010:	42,525,000	End Fiscal Year 2009:	42,525,000
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(ii) Number of shares of treasury stock issued and outstanding at end of period

Third Quarter FY2010:	1,575,812	End Fiscal Year 2009:	1,577,568
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(iii) Average number of treasury stock during the period

Third Quarter FY2010:	40,949,189	Third Quarter FY2009:	41,029,641
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Note:

1. The outlook shown above is prepared based on information available as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors. Please refer to "Business Results and Financial Position" in "3. Forecasts for Fiscal Year Ending March 31, 2010" on page 7 for information on the aforementioned forecasts.

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I. Business Results and Financial Position

(1) Business Results

Through the third quarter of the current fiscal year, the Japanese economy continued to struggle even though some indicators revealed that the economy had bottomed out. This was evident in consumers maintaining their defensive spending posture and inclination to economize for various reasons including deterioration in corporate earnings and stagnant growth in employee compensation.

In these circumstances, the Kobayashi Group sought to fully cultivate the spirit of the Group philosophy of "Creativity and Innovation", and the development of customer needs by providing products and services to create new markets while offering new value products and services in existing markets.

As a result, sales figures for the third quarter increased 3,637 million yen (+3.7%) year on year to 102,321 million yen, and operating income increased 1,550 million yen (+10.6%) to 16,223 million yen.

Ordinary income increased 1,825 million yen (+12.9%) year on year to 15,953 million yen, and net income expanded 279 million yen (+3.2%) year on year to 9,062 million yen.

Consumer Products Operation

Sixteen new products were introduced this spring, including the anti-obesity Chinese herbal medicine Bisuratto Gold a, which reduces excess body fat by improving the body's metabolizing of fats, the pleasant-feeling ear brush Tenshi-no-mimigaki, which provides an appropriate level of stimulation to the ear, Seikai Koro, a liquid fragrant deodorizer that allows users to experience the natural aromas of dream destinations throughout the world, and Chinshite-kongari-sakana-yaki-pakku, a pack that makes it possible to easily cook pieces of fish to a golden brown in the microwave; these products contributed to an increase in sales. In addition to firm sales the toilet tank cleaner Bluelet and the breath refreshener Breath Care, and the sanitary product Sarasaty, all of which are core products, sales of food products, particularly mail order sales, were healthy.

As a result, sales in the third quarter increased 3,216 million yen (+3.6%) year on year to 92,190 million yen. Operating income in the third quarter increased 1,112 million yen (+7.7%) year on year to 15,621 million yen.

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Sales by Category

(Millions of Yen)

	Third Quarter ended Dec 31, 2009		Third Quarter ended Dec 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Pharmaceuticals	16,856	18.3	16,169	18.2	687	4.2
Oral hygiene products	11,368	12.3	10,487	11.8	880	8.4
Sanitary products	13,145	14.3	11,967	13.4	1,177	9.8
Deodorizing air fresheners	25,557	27.7	25,540	28.7	16	0.1
Household sundries	3,922	4.3	3,440	3.9	482	14.0
Food products	10,979	11.9	9,856	11.1	1,122	11.4
Body warmers	10,360	11.2	11,512	12.9	(1,151)	(10.0)
Total	92,190	100.0	88,974	100.0	3,216	3.6

Note: Sales include internal sales or transfers between segments, which amounted to 19 million yen for the previous third quarter consolidated cumulative period and 33 million yen for the current period.

Medical Devices Operation

Within the medical devices operations, efforts were made to raise brand awareness and expand the company's market share in the fields of orthopedic and operating room related products, the domestic market for which is expected to grow.

As a result, sales in the third quarter rose 561 million yen (+6.7%) year on year to 8,913 million yen. The Group also recorded an operating income of 180 million yen in the third quarter, compared to an operating income of 441 million yen a year ago, resulting from sales expansion and cost cuts.

Sales by Category

(Millions of Yen)

	Third Quarter ended Dec 31, 2009		Third Quarter ended Dec 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Kobayashi Medical Company	7,469	83.8	6,961	83.4	508	7.3
eVent Medical Ltd.	683	7.7	518	6.2	164	31.7
Others	760	8.5	872	10.4	(111)	(12.8)
Total	8,913	100.0	8,352	100.0	561	6.7

Note: Sales excludes internal sales or transfers between segments.

Other Operations

Other Operations (transport, advertising plan and creation etc.) are conducted on a financially independent basis by Kobayashi Pharmaceutical's subsidiaries in support of the Company's two principal businesses and to contribute to the profits of those businesses. The Group reviewed the transfer values of the materials and services these operations provide.

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Therefore, sales in the third quarter fell 365 million yen (-6.1%) year on year to 5,591 million yen, but operating income rose 6 million yen (+1.6%) year on year to 437 million yen. However, sales include internal sales or transfers between segments, which totaled 4,580 million yen during the third quarter a year ago and 4,340 million for current quarter.

(2) Consolidated Financial Position

Current assets rose year on year to 85,223 million yen as a result of growth in trade notes and account receivable and securities.

Fixed assets fell year on year to 46,900 million yen since there was a decrease in investment in securities.

Therefore, total assets equaled 132,124 million yen.

Liabilities fell year on year to 48,173 million yen for various reasons including a decline in accrued income taxes.

Net assets grew year on year to 83,950 million yen as a result of an increase in earned surplus and net unrealized holdings on securities.

(3) Forecasts for Fiscal Year Ending March 31, 2009

Although both net sales and income grew more than initially projected during the first half, forecasts for the full fiscal year announced on May 7, 2009, have not been revised since it is expected that business conditions within Japan will remain severe.

(4) Other

(1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of simplified accounting procedures and specific accounting procedures in preparing quarterly consolidated financial statements

Simplified accounting treatment

i) Method for estimating the amount of uncollectable general account receivables

The uncollectable amount is estimated using the actual bad debt ratio calculated at the end of the previous fiscal year since there were no substantial changes in figures for items such as the actual bad debt ratio at the end of the third quarter of the current fiscal year compared to that at the end of the previous fiscal year.

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ii) Inventory valuation method

Inventory at the end of the third quarter of the current fiscal year was calculated using a reasonable method based on the actual inventory at the end of previous third quarter, without actually taking inventory. Concerning the write-down of the book value of inventories, only for those items whose drop in profitability was apparent, an estimate of net sale value was made and book values were written down.

iii) Method for calculating items such as income tax

The amount of payable income tax was calculated only taking into account material changes in items and deductions. The probability of recovering deferred tax assets was determined using tax planning and forecasts employed for the previous fiscal year since there were no notable temporary deviations or changes in factors such as business conditions since the end of the previous fiscal year.

Unique accounting treatment when creating quarterly consolidated financial statements

None

(3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements: None

(4) Supplementary Data

As a result of changes in the purpose for holding some pieces of real estate that had been included in "buildings and structures" and "land" under "tangible fixed assets", in the current third quarter, 3,121 million yen was moved to "other" under "investments and other assets". Real estate rental fees and cost of real estate rentals were recorded under "non-operating income" and "non-operating expenses" respectively.

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II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen	
	As of December 31,	As of March 31,
	2009	2009
Assets		
Current assets:		
Cash and time deposits	23,068	22,814
Trade notes and accounts receivable	35,428	27,439
Securities	10,001	6,000
Finished goods and products	10,112	10,502
Work in progress	382	572
Raw material and supply	2,054	1,744
Deferred income taxes	3,097	3,115
Other current assets	1,156	1,081
Allowance for doubtful accounts	(78)	(97)
Total Current Assets	85,223	73,172
Fixed Assets:		
Tangible Fixed Assets:		
Buildings and structures (Net)	6,353	7,076
Machinery and equipment (Net)	2,105	1,661
Land	3,471	5,471
Other (Net)	2,902	3,408
Total Tangible Assets	14,832	17,617
Intangible Assets:		
Goodwill	6,517	7,682
Other	2,175	2,361
Total Intangible Assets	8,692	10,043
Investments and Other Assets:		
Investments in securities	14,886	18,326
Deferred income taxes	2,742	3,249
Other	5,947	2,859
Allowance for investment liability loss	(64)	—
Allowance for doubtful accounts	(136)	(59)
Total Investments and Other Assets	23,375	24,376
Total Fixed Assets	46,900	52,037
Total Assets	132,124	125,210

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	Millions of Yen	
	As of December 31,	As of March 31,
	2009	2009
Liabilities		
Current Liabilities:		
Trade notes and accounts payable	17,768	15,533
Short-term loans payable	298	462
Long-term debt due within one year	180	—
Accrued expenses	12,693	13,551
Accrued income taxes	2,692	4,455
Reserve for returned goods unsold	1,311	1,277
Allowance for bonus payable	1,034	1,855
Other current liabilities	3,801	2,699
Total Current Liabilities	39,780	39,834
Fixed Liabilities:		
Long term loans payable	—	182
Allowance for retirement benefits	4,786	4,678
Provision for allowances for directors and corporate auditors	33	1,576
Other fixed liabilities	3,574	2,574
Total Fixed Liabilities	8,393	9,011
Total Liabilities	48,173	48,845
Net Assets		
Shareholders' Equity		
Common stock	3,450	3,450
Capital surplus	4,219	4,219
Earned surplus	85,365	78,678
Cost of treasury stock	(4,700)	(4,706)
Total Shareholders' Equity	88,334	81,641
Appraisal and Translation Differences		
Net unrealized holdings on securities	(956)	(1,725)
Gain (loss) on deferred hedge	(599)	(728)
Foreign currency translation adjustment	(3,003)	(2,978)
Total Appraisal and Translation Differences	(4,559)	(5,432)
Stock Acquisition Rights	163	142
Minority Interests	12	12
Net Assets	83,950	76,364
Total Liabilities and Net Assets	132,124	125,210

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2. Consolidated Statements of Income

	Millions of Yen	
	April 1 to December 31, 2009	April 1 to December 31, 2008
Net Sales	102,321	98,683
Cost of sales.....	44,513	44,547
Gross income.....	57,807	54,136
Selling, general, and administrative expenses.....	41,584	39,463
Operating Income	16,223	14,672
Non-Operating Income:		
Interest income.....	54	116
Dividend income.....	212	236
Royalty income.....	417	413
Real estate rental fees.....	198	—
Other.....	195	169
Non-Operating Income	1,077	935
Non-Operating Expenses:		
Interest paid.....	68	114
Sales discount.....	938	952
Investment loss on equity.....	54	60
Cost of real estate.....	57	—
Loss on translation.....	162	235
Other.....	66	117
Non-Operating Expenses	1,347	1,481
Ordinary Income	15,953	14,127
Extraordinary Gain and Loss:		
Goodwill transfer benefit.....	—	1,102
Gain on sales of fixed assets.....	46	—
Gain on sales of investment securities.....	0	382
Compensation income.....	132	—
Other.....	14	76
Extraordinary Gains	192	1,560
Non-recurring expenses accompanying collection of.....	—	76
Loss on sales and disposal of fixed assets.....	175	67
Provision for allowance for investment loss.....	64	109
Loss on sales of affiliated company shares.....	1,456	—
Impairment loss.....	218	—
Loss on sales of investment securities.....	0	—
Other.....	121	28
Extraordinary Losses	2,036	282
Income Before Provision for Income Taxes	14,109	15,405
Corporate Income, Local and Business Taxes.....	4,974	6,644
Adjustments to Income Taxes.....	72	(19)
Total Income Taxes, etc.	5,047	6,625
Minority Gain (Loss) in Net Income of Consolidated.....	0	(1)
Net Income	9,062	8,782

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	Millions of Yen	
	Oct 1 to Dec 31, 2009	Oct 1 to Dec 31, 2008
Net Sales	38,560	37,899
Cost of sales	17,144	17,760
Gross income	21,416	20,139
Selling, general, and administrative expenses	15,070	13,908
Operating Income	6,345	6,230
Non-Operating Income:		
Interest income	16	46
Dividend income	118	112
Investment gain on equity method	93	41
Royalty income	196	196
Real estate rental fees	79	—
Loss on translation	4	—
Other	51	46
Non-Operating Income	560	444
Non-Operating Expenses:		
Interest paid	20	52
Sales discount	371	377
Loss on translation	—	194
Cost of real estate rentals	18	—
Other	15	19
Non-Operating Expenses	426	643
Ordinary Income	6,479	6,030
Extraordinary Gain and Loss:		
Gain on sales of fixed assets	0	—
Gain on sales of investment securities	—	380
Compensation income	132	—
Other	8	41
Extraordinary Gains	141	421
Loss on sales and disposal of fixed assets	21	11
Provision for allowance for investment loss	4	25
Impairment loss	202	—
Other	18	5
Extraordinary Losses	246	42
Income Before Provision for Income Taxes	6,374	6,409
Corporate Income, Local and Business Taxes	2,424	2,648
Adjustments to Income Taxes	250	(50)
Total Income Taxes, etc.	2,675	2,597
Minor Minority Gain (Loss) in Net Income of Consolidated	0	(0)
Net Income	3,699	3,812

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3. Consolidated Statements of Cash Flows

	Millions of Yen	
	Oct 1 to Dec 31, 2009	Oct 1 to Dec 31, 2008
I. Cash flows from operating activities		
Income before provision for income taxes.....	14,109	15,405
Depreciation or amortization.....	2,201	2,091
Amortization of goodwill.....	948	1,013
Increase (decrease) in allowance of doubtful accounts.....	57	62
Increase (decrease) in allowance for retirement benefits.....	108	103
Interest and dividend income.....	(266)	(352)
Interest expenses.....	68	114
Gain (loss) on translation.....	—	184
Investment loss on equity method.....	54	60
Loss (gain) on sales of affiliated company shares.....	1,456	—
Goodwill transfer benefit.....	—	(1,102)
Loss (gain) on sales of investment securities.....	0	(382)
Loss (gain) on sales and disposal of fixed assets.....	129	49
Provision for allowance for investment loss.....	64	109
Decrease (increase) in trade notes and accounts receivable.....	(7,983)	(9,209)
Decrease (increase) in inventories.....	241	(1,461)
Increase (decrease) in trade notes and accounts payable.....	2,298	2,228
Increase (decrease) in accrued expenses.....	(693)	370
Increase (decrease) in consumption taxes payable.....	287	355
Other.....	(308)	348
Sub Total	12,772	9,990
Interest and dividends received.....	249	462
Interest paid.....	(65)	(111)
Income taxes paid.....	(6,716)	(6,819)
Net cash used in operating activities	6,239	3,522

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	Millions of Yen	
	April 1 to September 30, 2009	April 1 to September 30, 2008
II. Cash flows from investing activities		
Payment for purchase of time deposits	—	(105)
Purchases of securities	(17,991)	(12,484)
Proceeds from sales and redemption of securities	15,500	17,801
Purchases of property, plants and equipment	(2,099)	(1,297)
Proceeds from sales of property, plants and equipment	140	23
Purchases of intangible assets	(238)	(512)
Purchases of investment securities	(559)	(1,027)
Proceeds from sales of investment securities	1	383
Purchases of investments and other assets	(223)	(174)
Proceeds from sales of investments and other assets	146	69
Disbursement for long-term loans payable	(122)	(155)
Proceeds from collection of long term loan.....	5	49
Proceeds from sales of affiliated company shares	3,500	—
Proceeds from sale of goodwill	—	1,102
Other	(9)	(4)
Net cash provided by investing activities	(1,951)	3,667
III. Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(168)	(144)
Proceeds from long-term debt	—	211
Purchase of treasury stock	(1)	(1,674)
Proceeds from disposal of treasury stock.....	—	204
Dividends paid.....	(2,347)	(2,291)
Repayment of finance lease obligations	(510)	(528)
Net cash used in financing activities	(3,027)	(4,223)
IV Effect of exchange rate changes on cash and cash equivalents	(5)	(191)
V. Net increase (decrease) in cash and cash equivalents	1,254	2,774
VI. Cash and cash equivalents at beginning of year	23,813	17,164
VII. Cash and cash equivalents at end of year	25,068	19,939

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4. Notes regarding Going Concern

None

5. Segment Information

Segment Information by Business Category

Current Consolidated Third Quarter - (October 1, 2009 - December 31, 2009)

(Millions of Yen)

	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
(1) Sales from external clients	34,987	3,104	469	38,560	–	38,560
(2) Internal sales or transfers between segments	11	–	1,503	1,515	(1,515)	–
Total	34,999	3,104	1,972	40,076	(1,515)	38,560
Operating income / losses	5,897	150	295	6,342	2	6,345

Previous Consolidated Third Quarter - (October 1, 2008 - December 31, 2008)

(Millions of Yen)

	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
(1) Sales from external clients	34,433	2,958	507	37,899	–	37,899
(2) Internal sales or transfers between segments	9	–	1,604	1,614	(1,614)	–
Total	34,442	2,958	2,112	39,513	(1,614)	37,899
Operating income / losses	6,008	(10)	207	6,205	25	6,230

Current Consolidated Quarterly Quarter - (April 1, 2009 - December 31, 2009)

(Millions of Yen)

	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
(1) Sales from external clients	92,156	8,913	1,251	102,321	–	102,321
(2) Internal sales or transfers between segments	33	–	4,340	4,374	(4,374)	–
Total	92,190	8,913	5,591	106,695	(4,374)	102,321
Operating income / losses	15,621	180	437	16,240	(16)	16,223

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Previous Consolidated Quarterly Quarter - (April 1, 2008 - December 31, 2008)

(Millions of Yen)

	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
(1) Sales from external clients	88,954	8,352	1,376	98,683	—	98,683
(2) Internal sales or transfers between segments	19	—	4,580	4,599	(4,599)	—
Total	88,974	8,352	5,957	103,283	(4,599)	98,683
Operating income / losses	14,509	(260)	430	14,679	(6)	14,672

(1) Classification of Business

Businesses segments are classified following the product line, and the markets in which the products are distributed.

(2) Main Products by Business Segment

Segment	Main Products
Consumer products operation	Pharmaceuticals, oral hygiene products, sanitary products, deodorizing air fresheners, household sundries, food products, and body warmers
Medical devices operation	Medical devices
Others	Transport, synthetic resin products manufacturing, insurance agency business, advertising plan and creation

(3) Changes in Accounting Principles

Previous Consolidated Quarterly Quarter

(Accounting for Inventory Valuation accounting standard)

The Accounting for Inventory Valuation accounting standard (ASBJ Statement No.9; July 5, 2006) was applied starting in the consolidated first quarter. This resulted in operating income for the consumer products operation declining 1,381 million yen, operating income for others declining 13 million yen, and operating income for the medical device operation declining 2 million yen.

Current Consolidated Quarterly Quarter

None

Segment Information by Area

Since sales in Japan account for more than 90% of total sales for all segments, segment information by region has been omitted.

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Overseas Sales

Overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.

6. Significant Change in Shareholders' Equity

None