

# **Financial Overview for First Half of Fiscal 2011 Fiscal Year Ending March 31, 2011**

October 29, 2010

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

# Highlights of Q2 Consolidated Results

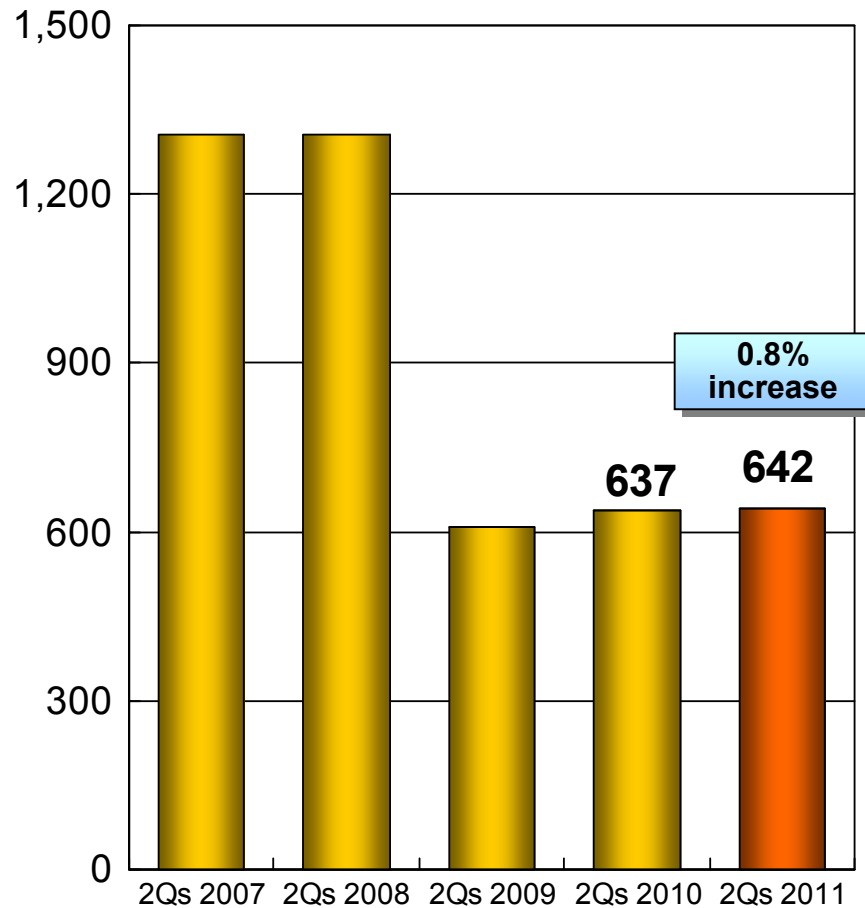
	Q2 2010		Q2 2011		Change	
	Amount	Profit ratio	Amount	Profit ratio	Amount	Percentage
<b>Net sales</b>	millions of yen 63,760	% —	millions of yen 64,249	% —	millions of yen 489	% 0.8
<b>Gross profit</b>	36,391	57.1	37,348	58.1	957	2.6
<b>Operating income</b>	9,877	15.5	10,564	16.4	686	7.0
<b>Ordinary income</b>	9,473	14.9	10,503	16.3	1,029	10.9
<b>Net income</b>	5,362	8.4	6,274	9.8	911	17.0
<b>EPS (Yen)</b>	130.97	—	153.23	—	22.2	17.0

In addition to growth in sales of main brands with high profit margins, cost reductions and efficient use of marketing expenses in the production department contributed to the improvement in profit ratios (0.9 point improvement in operating income).

# Consolidated 2Qs Operational Results

(100 millions  
of yen)

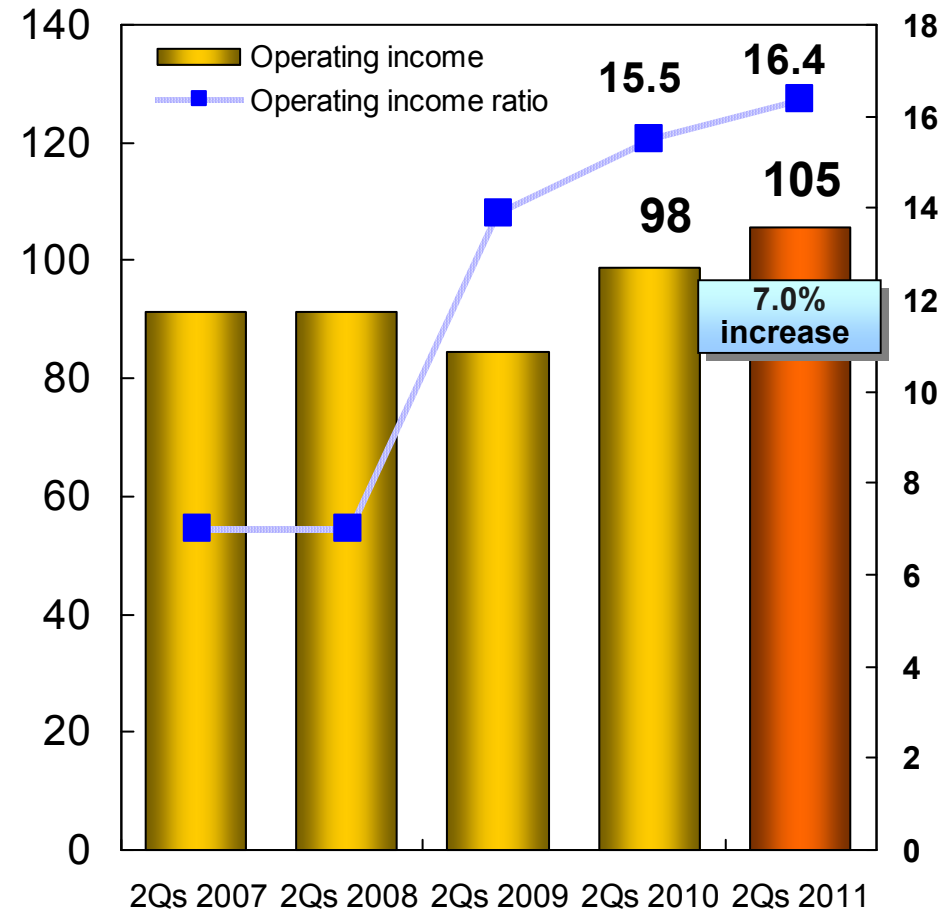
## Consolidated Net Sales



(100 millions  
of yen)

## Consolidated Operating Income

(%)



(Notes) (1) Wholesale business was excluded from consolidation in Q4 2008.

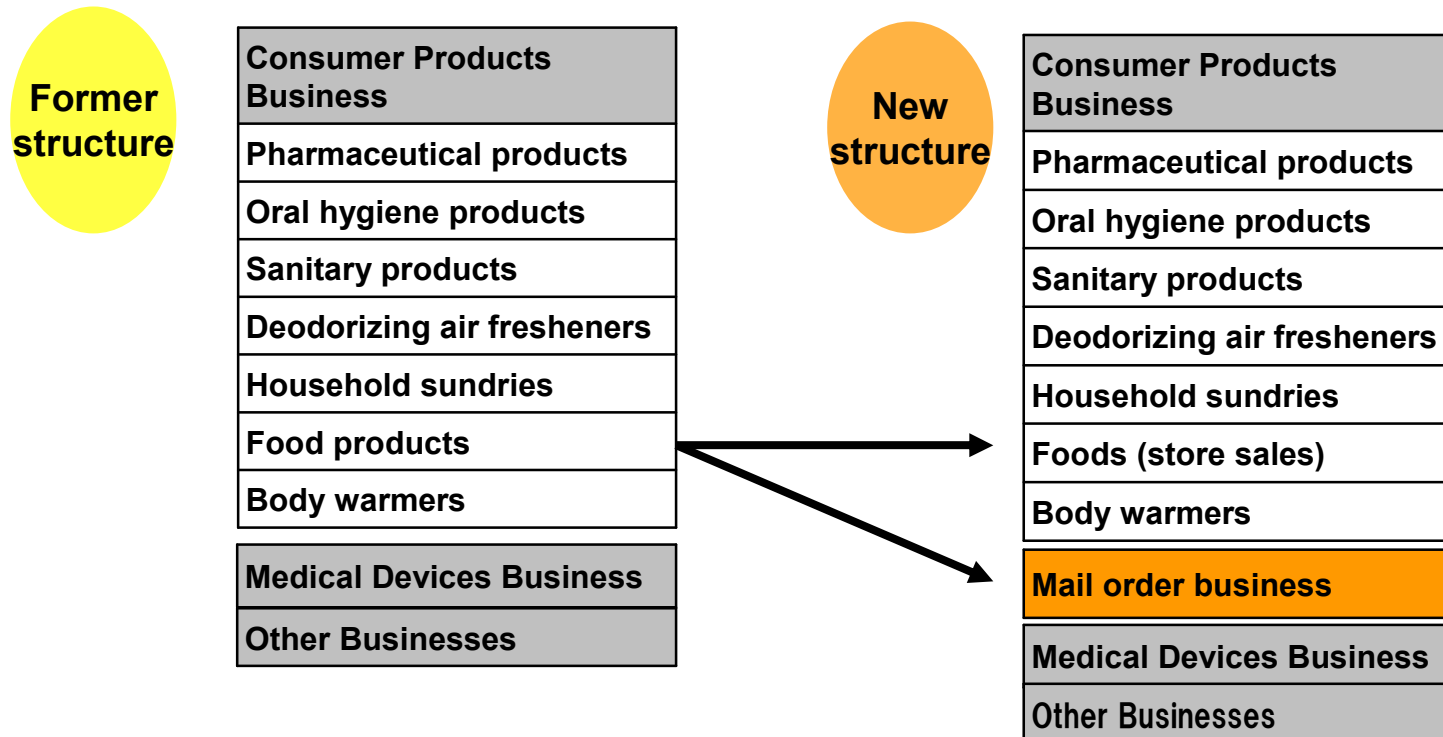
(2) Adoption of new accounting standards (recording loss on inventory evaluation and scrapping as sales cost) in fiscal 2009 affected income.

# Changes in Segment Information

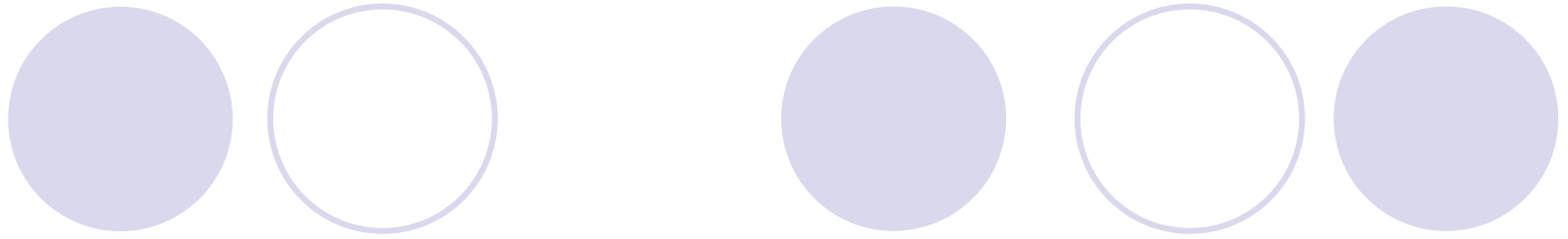
## 1. Addition of new mail-order business

Three businesses  $\Rightarrow$  Four businesses

(Note) Inter-segment sales are included in Consumer Product Businesses



## 2. Ordinary income of each business segment is disclosed, instead of operating income.

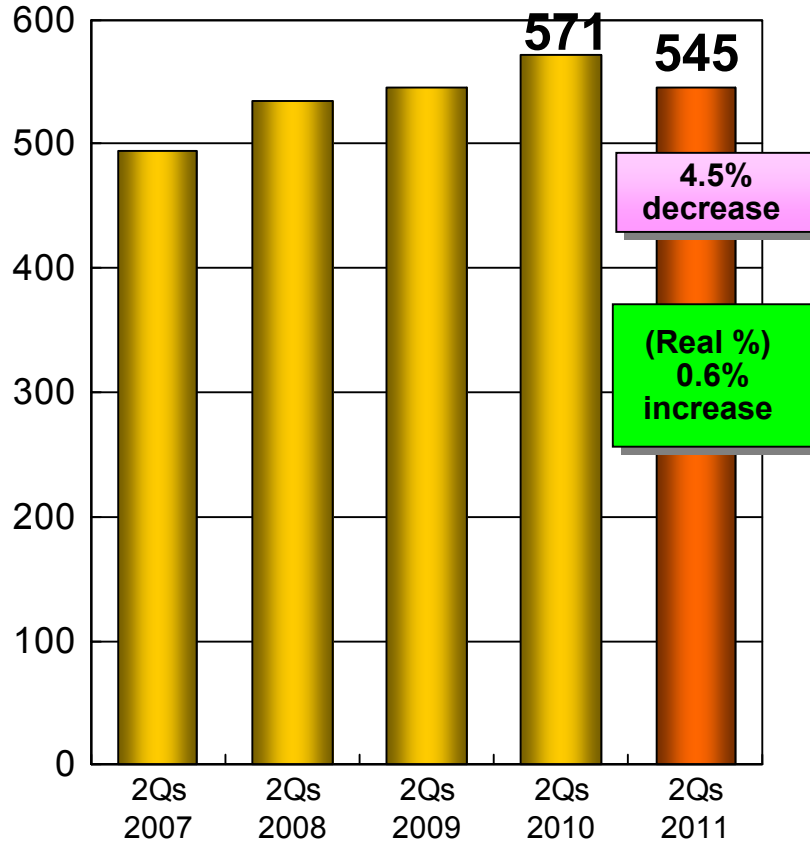


# **Consumer Products Business**

# Net Sales and Operating Income

(100 millions  
of yen)

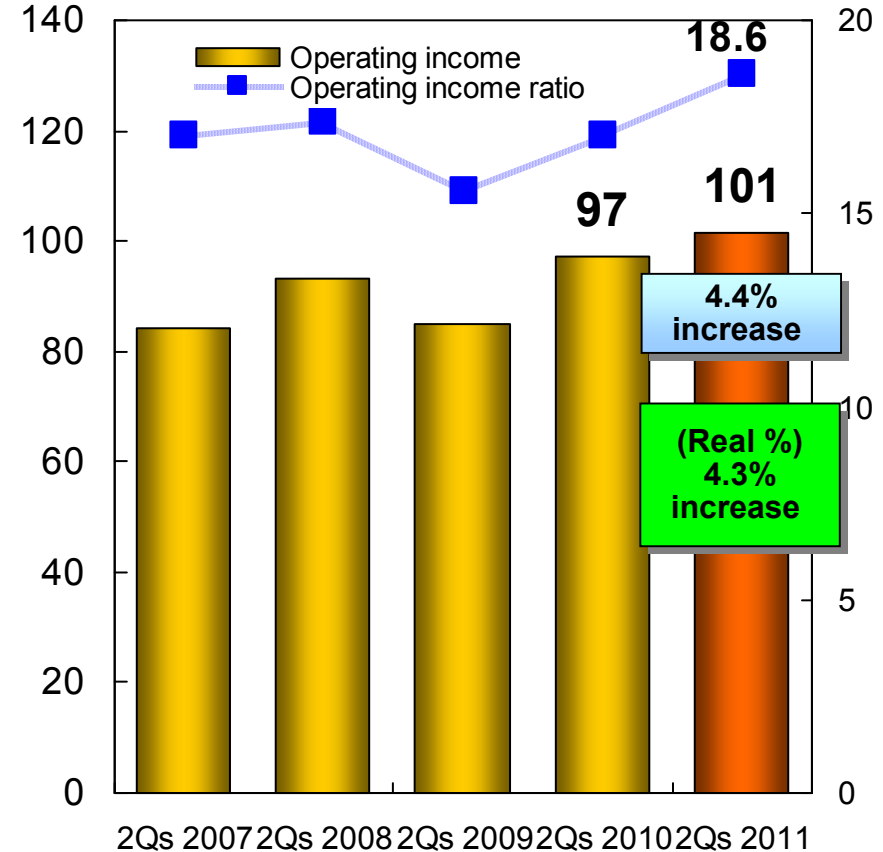
## Net sales



From fiscal 2011, Mail Order Business sales are disclosed separately from Consumer Products Business. 0.6% increase on an actual basis.

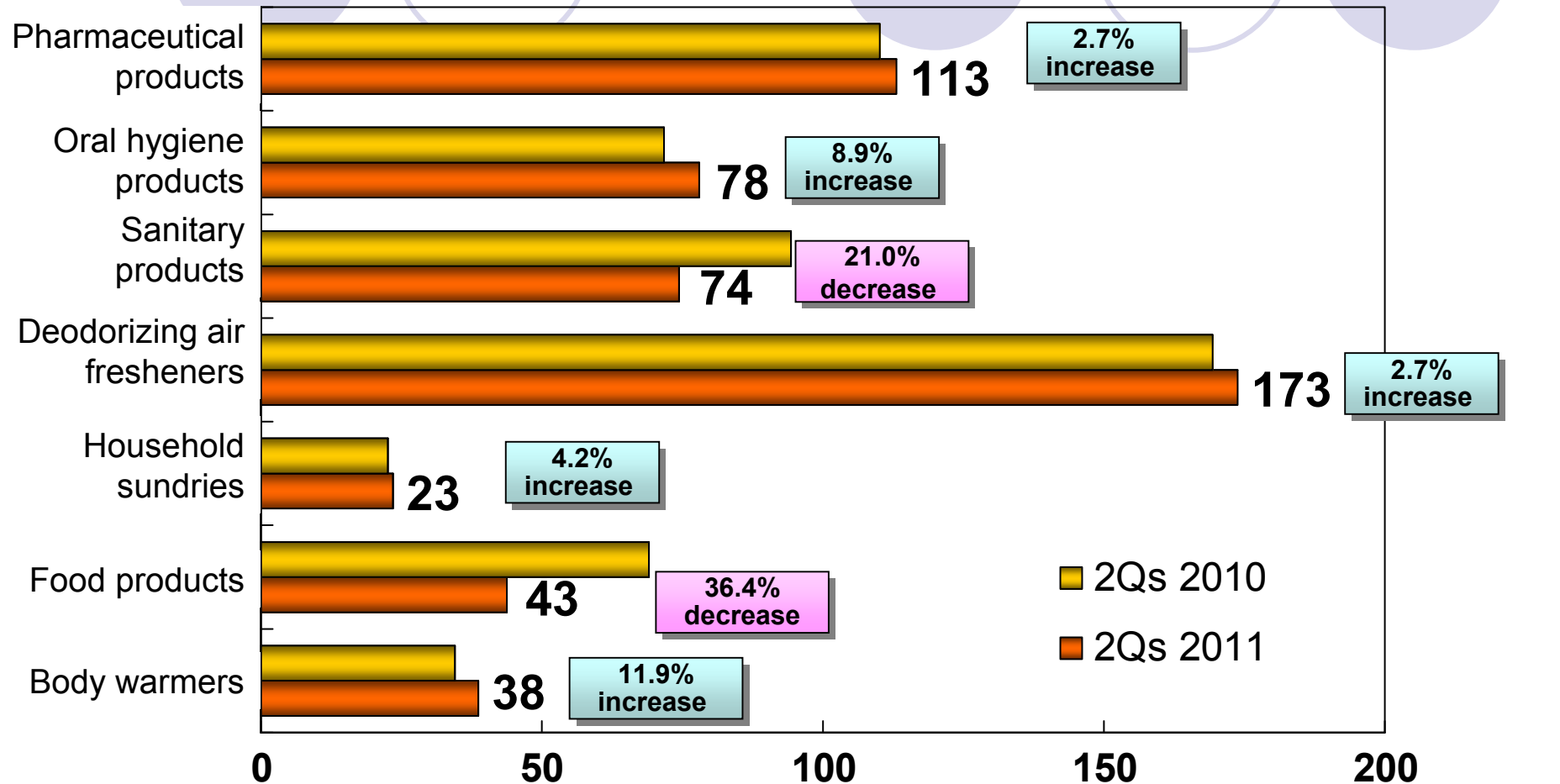
(100 millions  
of yen)

## Operating Income



Operating income increased, supported by growth in sales of high-profit-rate brands and efficient use of advertising expenses.

# Sales by Category

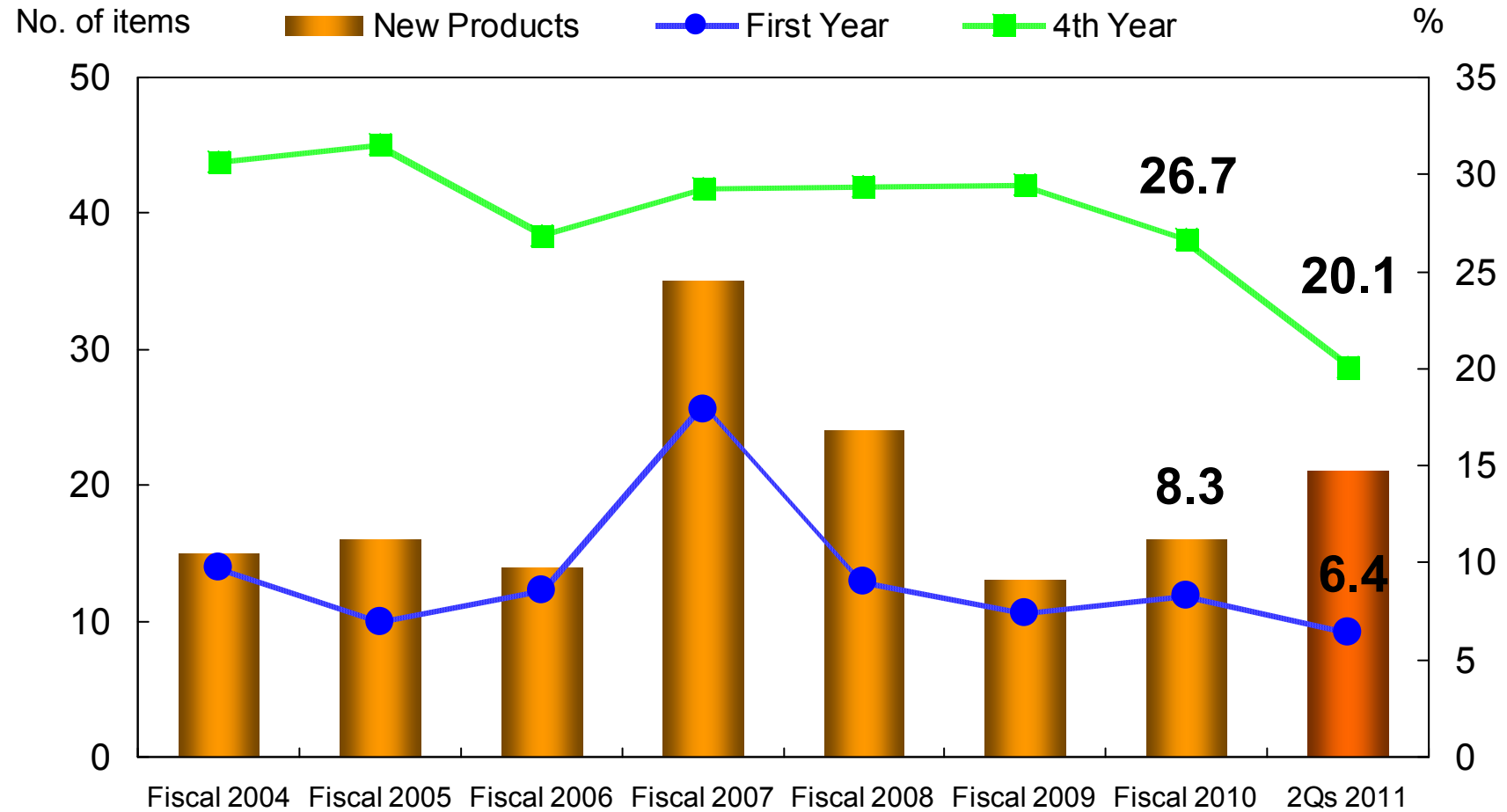


Growth in main categories (Pharmaceutical products, oral hygiene products and deodorizing air fresheners)

Sales decrease in sanitary products was affected by last year's new-type H1N1 flu.  
Some portions of food products were transferred to Mail-Order Business.

# Contribution by New Products

Non-Consolidated





# New Pharmaceutical Products 2010 Autumn

Kobayashi's first Class-1 pharmaceutical product

## Feminina Vaginal Candida Tablet

(Class 1 Pharmaceutical Product)

### (1) Various promotional tools

(such as Self Check Sheet, QR code, explanation materials for pharmacists)

### (2) Proposals for feminine delicate zone care

### (3) Promotional card-hanging at female sanitary product shelves



# New Deodorizing Air Fresheners 2010 Autumn

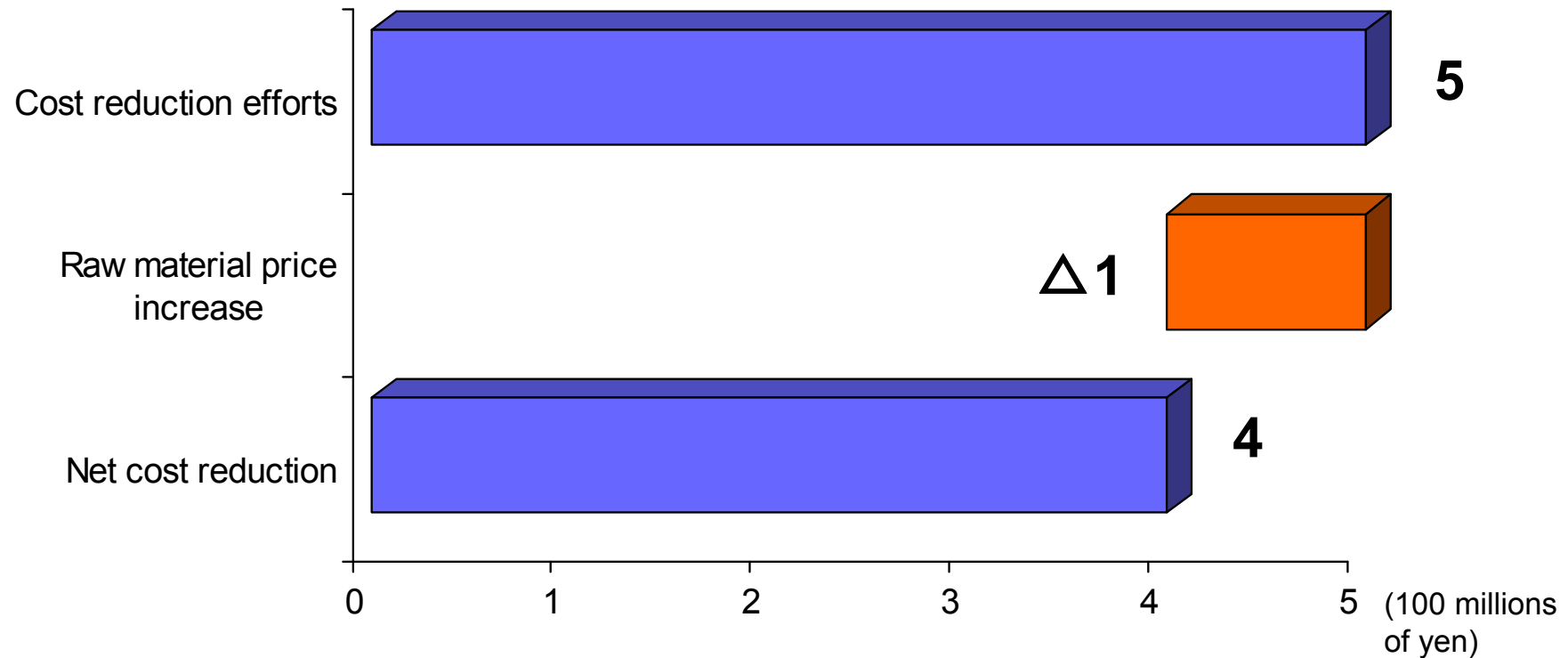
## Shoshugen Aroma & Stick Fran

Entry of large manufacturers led to market expansion

Year-end sales promotion by marketing power, advertising and consumer-oriented campaign



# Production Cost Reduction Efforts



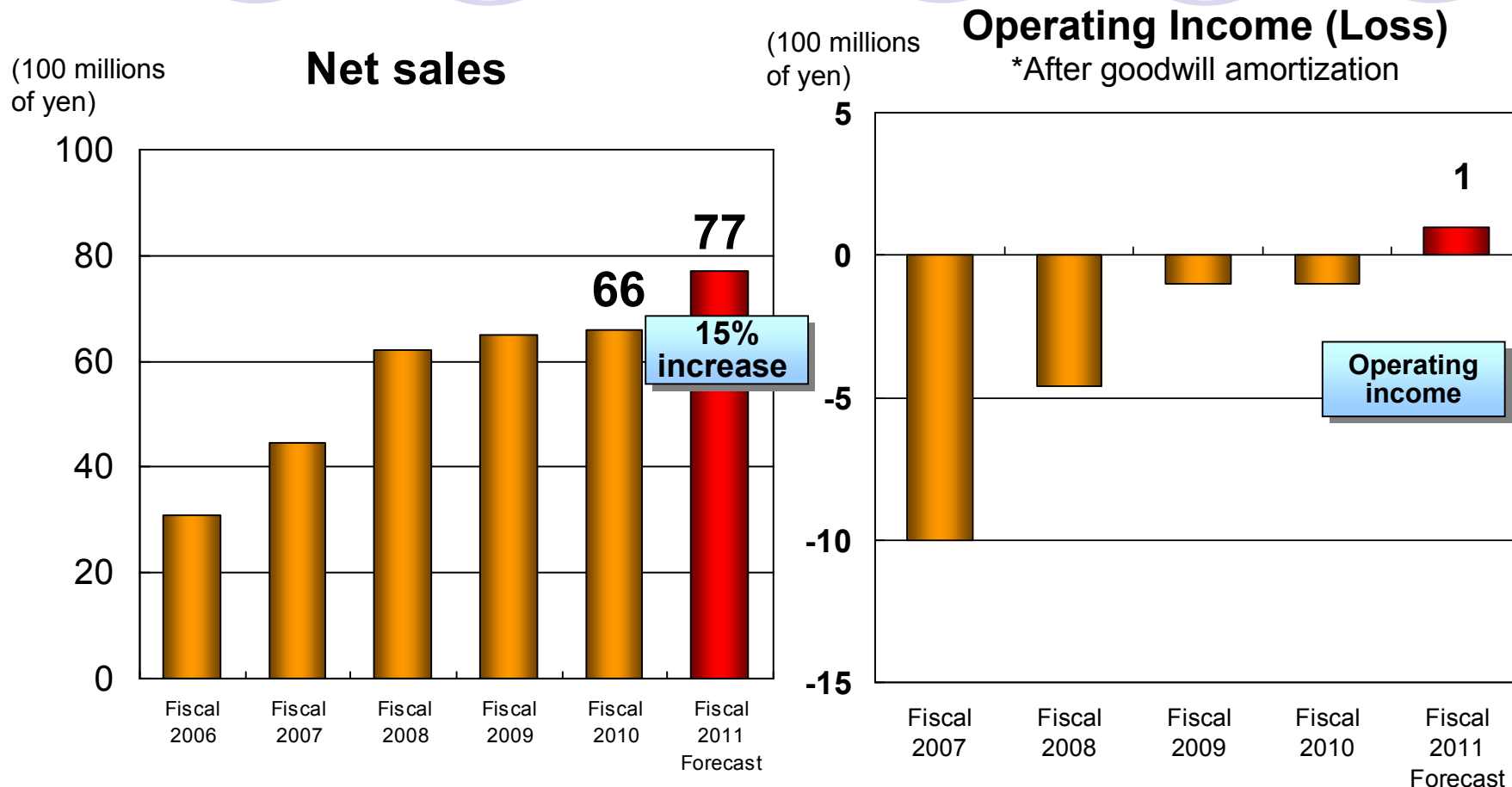
Full year forecast for fiscal 2011

Cost reduction efforts (¥1.3 billion) – Raw material price increase (¥0.5 billion)

= Net cost reduction of ¥0.8 billion

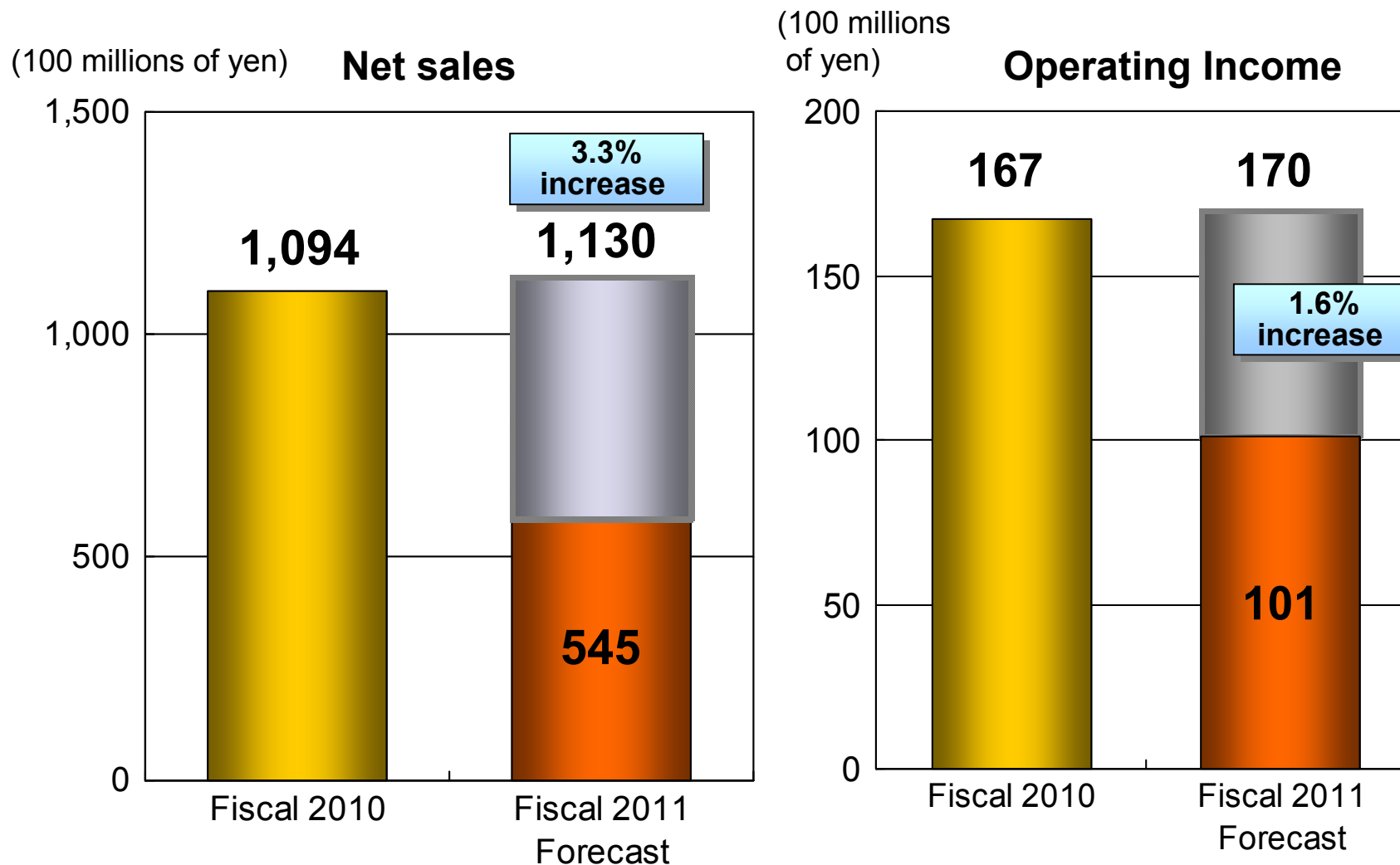
Raw material price increases had negative impact on Production Dept. (such as production cost of plastic containers). However, cost reduction of ¥0.4 billion will be achieved through cost reduction efforts in the areas of productivity improvement, specification modification and in-house production etc.

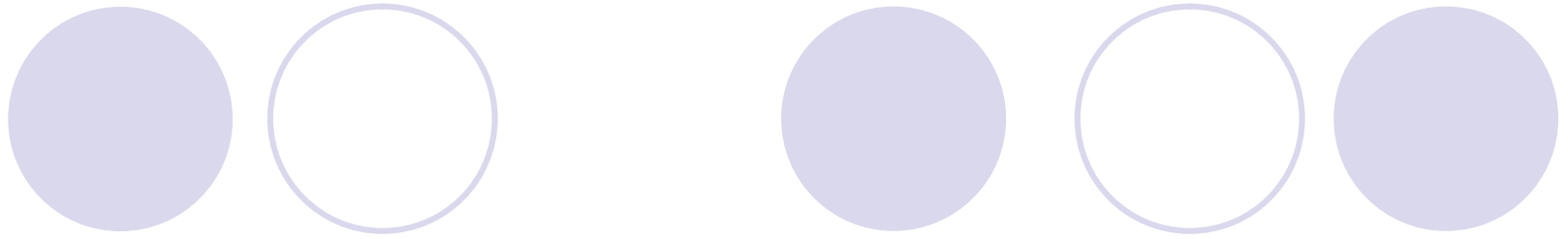
# Achieving Profits in Product Business Overseas



Body warmer sales were strong in the U.S. and China. Operating income is expected to be achieved after goodwill amortization.

# Full Year Forecasts for Net Sales and Operating Income (on actual basis)





# **Mail-Order Business**

# Mail-Order Business's Marketing Efforts

Key to Growth

Increasing customer numbers  
and Web-based marketing

<Main products>

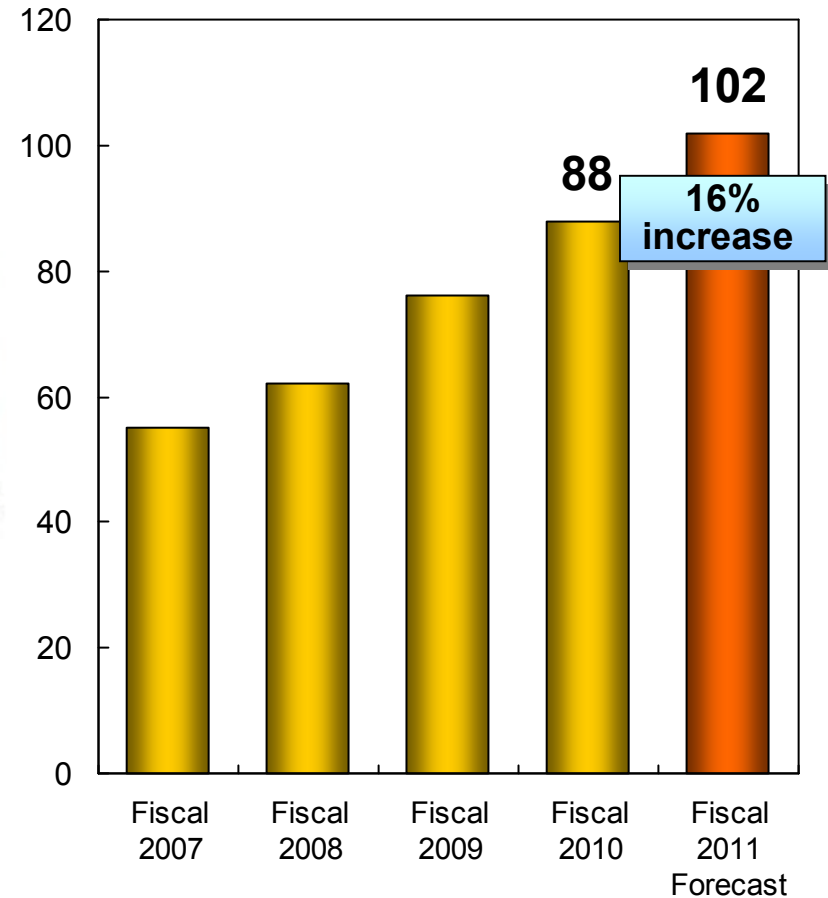


<Newspaper advertising, member news magazine  
and Web-based marketing>

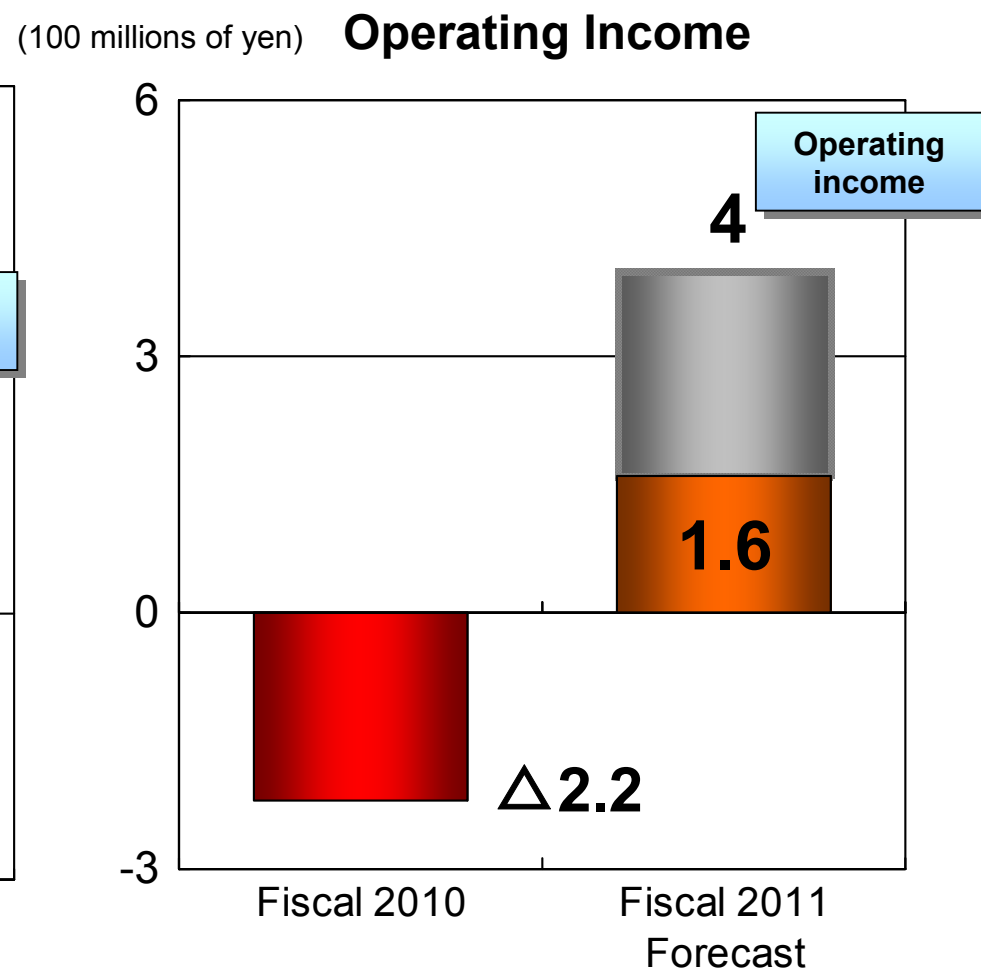
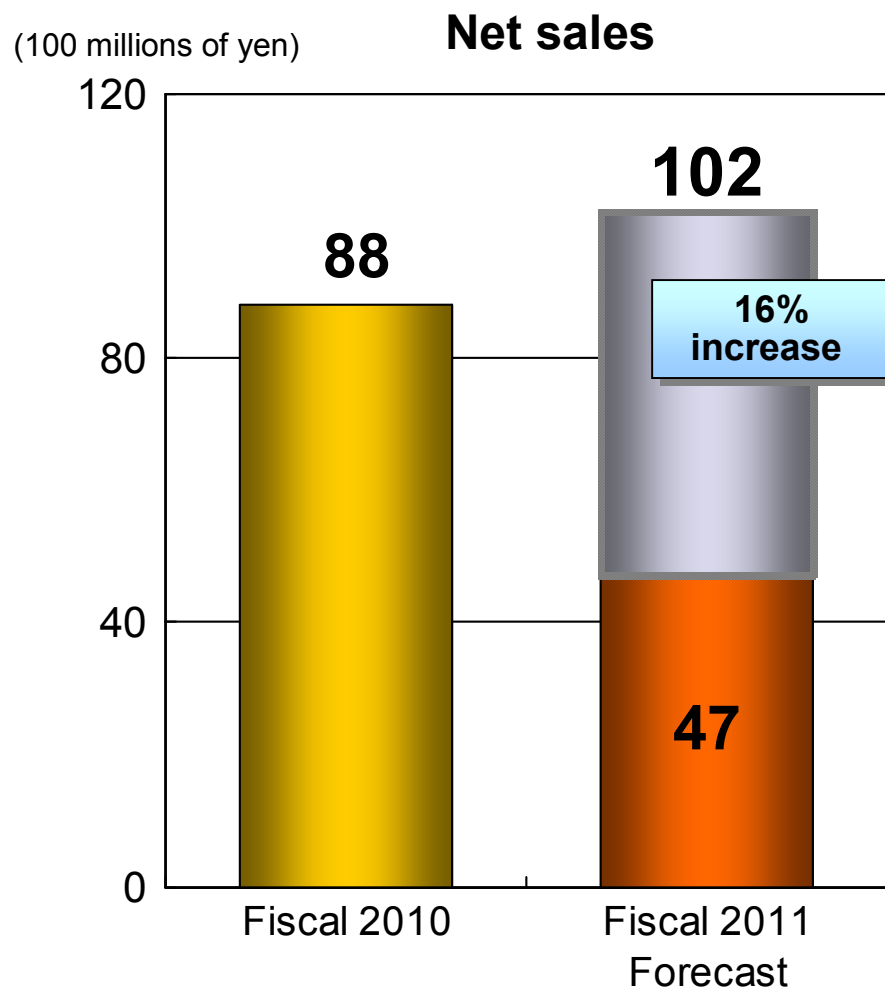


(100 millions  
of yen)

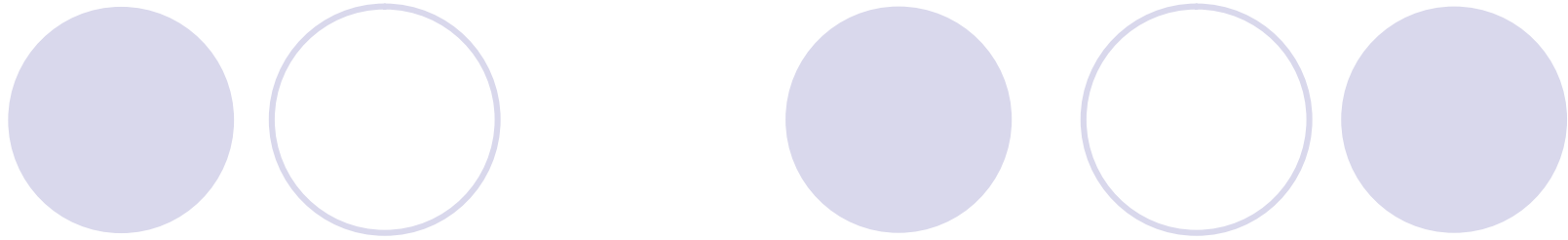
Net sales



# Full Year Forecasts for Net Sales and Operating Income (on actual basis)





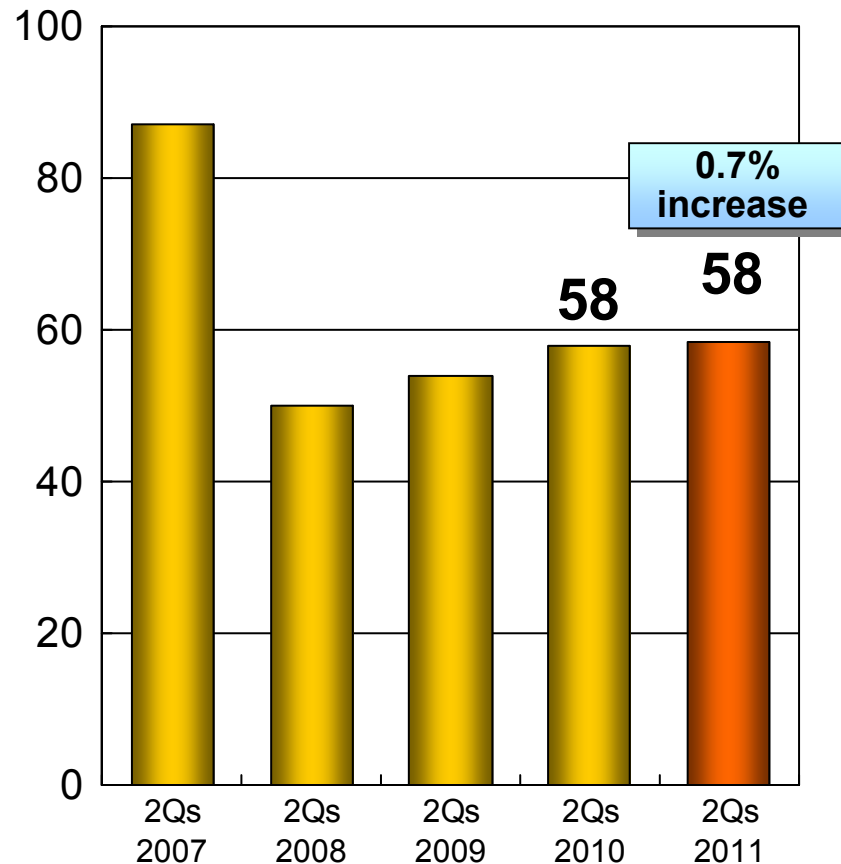


# **Medical Devices Business**

# Net Sales and Operating Income

(100 millions of yen)

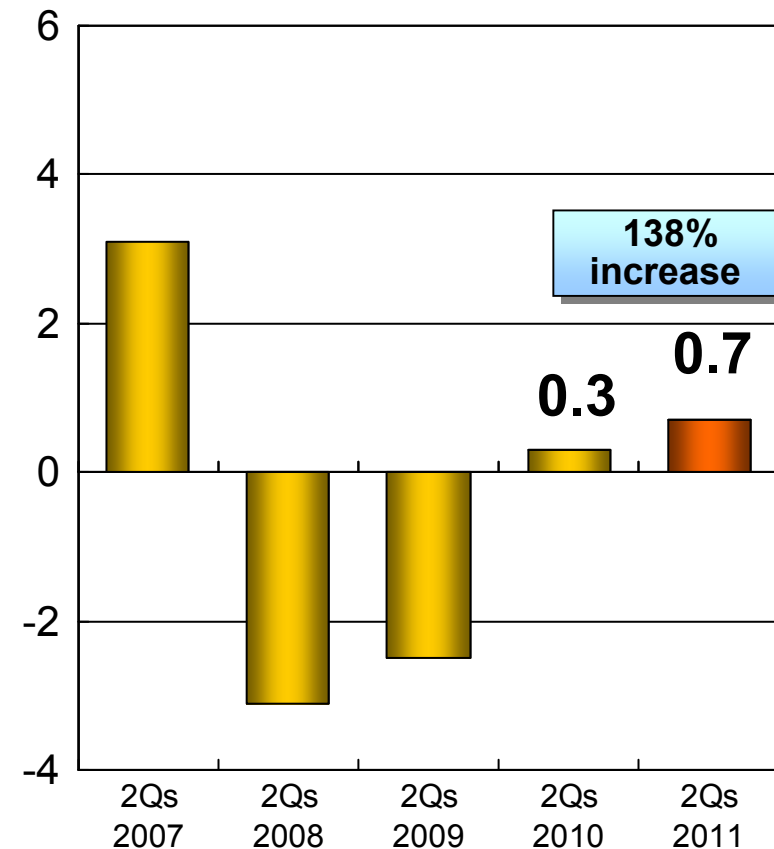
## Net sales



Kobayashi Medical has continued concentration strategy in core business areas and sold Shield Healthcare in fiscal 2008, during which its sales expanded.

(100 millions of yen)

## Operating Income

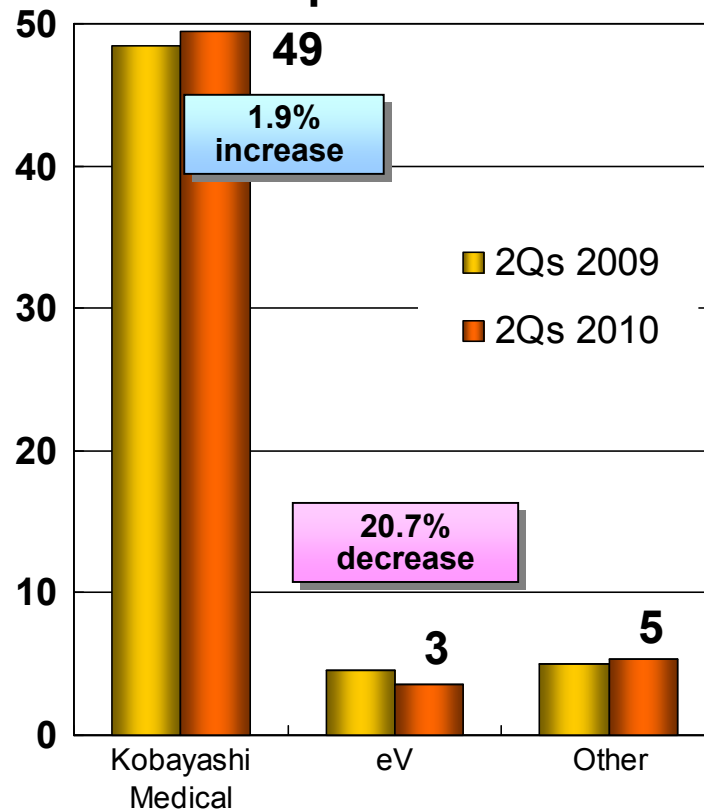


Operating income will increase supported by sales growth in Japan and strict cost management.

# Net Sales of Medical Devices Business

**Sales by department**

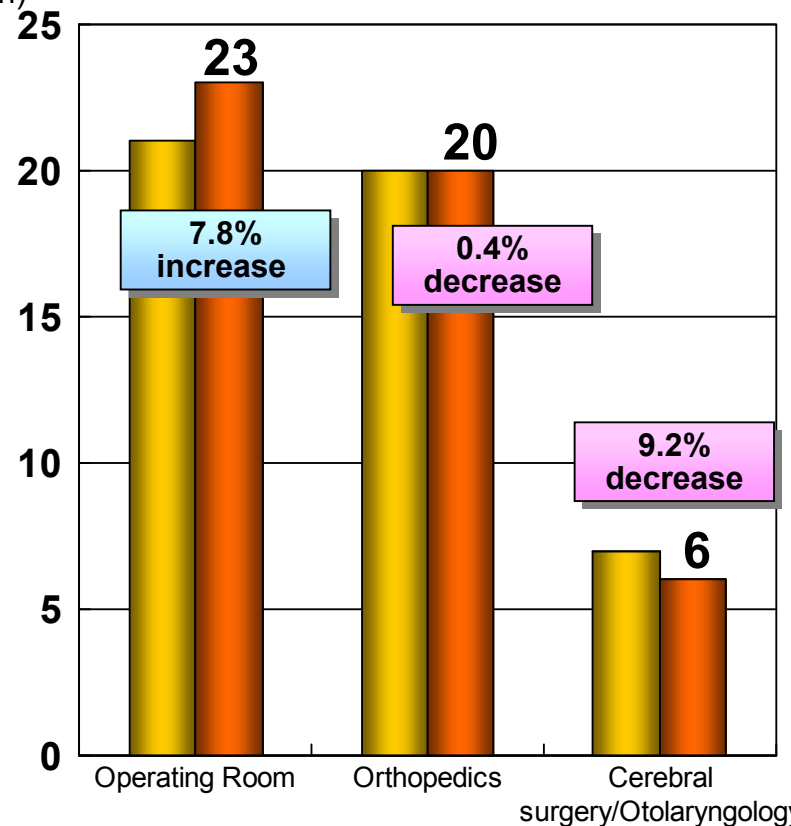
(100 millions of yen)



Sales by Kobayashi Medical (Japan) were strong, while sales of new products by eV were weak.

**Sales of Kobayashi Medical by business domain**

(100 millions of yen)

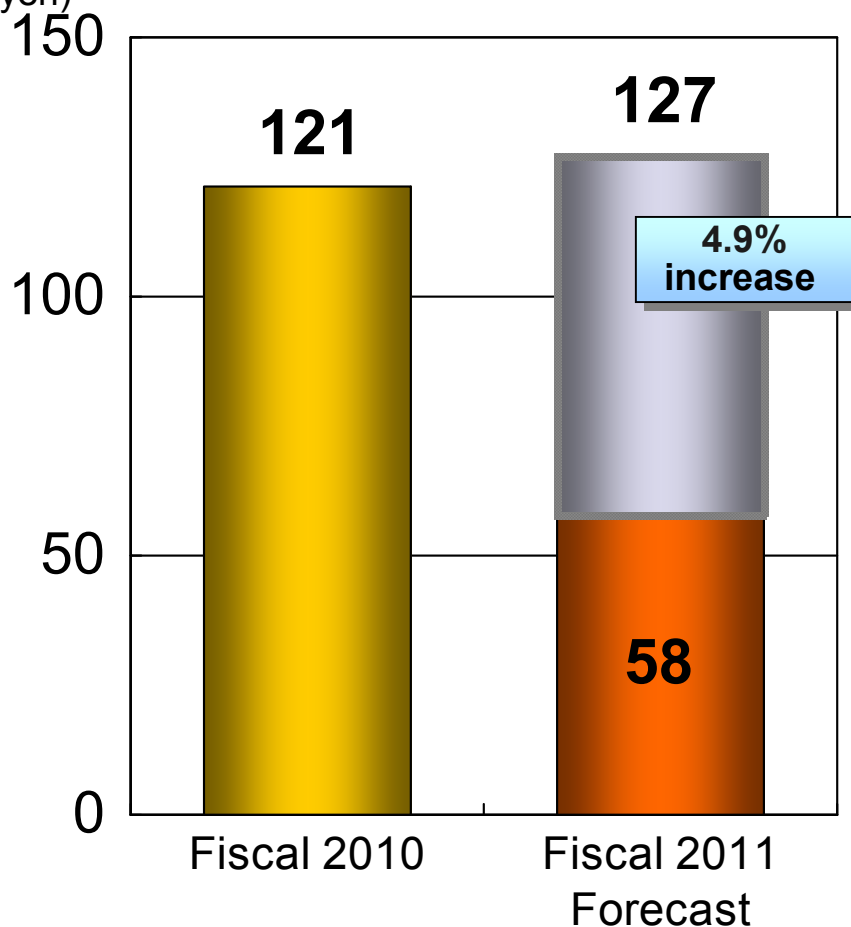


Selection and concentration were implemented in core business domains (operating room and orthopedics). Sales growth was achieved only in operating room domain.

# Full Year Forecasts for Net Sales and Operating Income

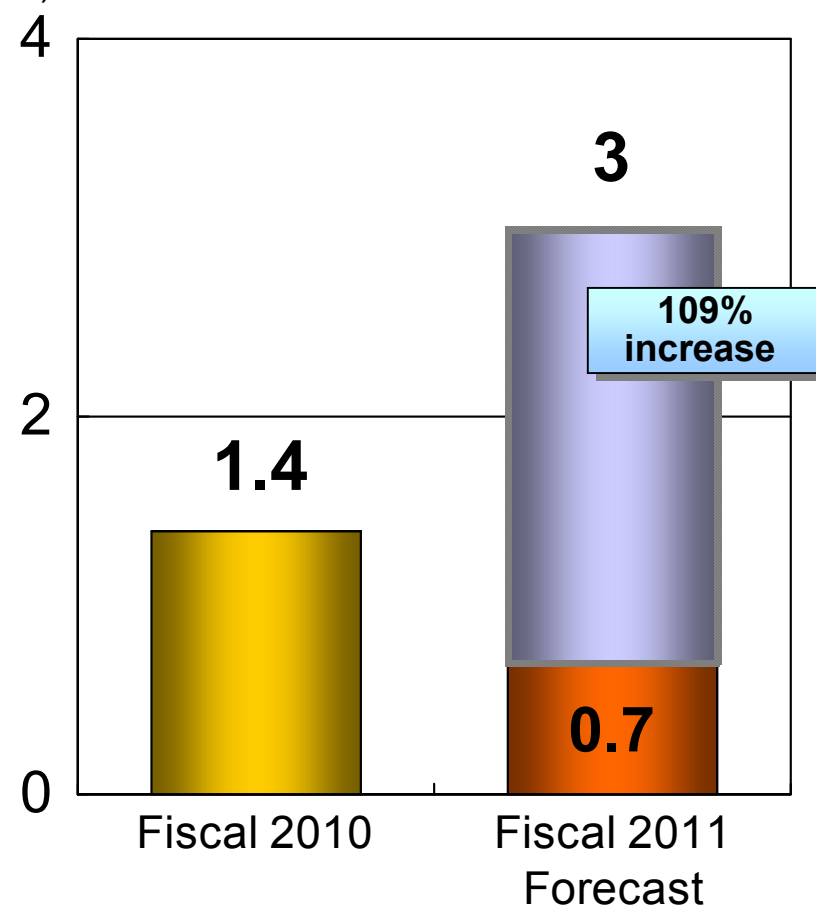
(100 millions  
of yen)

## Net sales



(100 millions  
of yen)

## Operating Income



# **Forecasts for Fiscal 2011 and Future Management Strategy**

# Consolidated Result Forecasts

	Fiscal 2010		Fiscal 2011		Change	
	Amount	Profit ratio	Amount	Profit ratio	Amount	Percentage
<b>Net sales</b>	millions of yen 129,184	% —	millions of yen 134,000	% —	millions of yen 4,816	% 3.7
<b>Gross profit</b>	71,888	55.6	75,100	56.0	3,212	4.5
<b>Operating income</b>	17,041	13.2	18,000	13.4	959	5.6
<b>Ordinary income</b>	17,071	13.2	18,300	13.7	1,229	7.2
<b>Net income</b>	9,249	7.2	10,000	7.5	751	8.1
<b>EPS (Yen)</b>	225.88	—	244.21	—	18.33	8.1

During the six months ended September 30, 2010, we have achieved higher profits than originally forecast. However, since uncertainties remain in business conditions, such as consumers' money-saving and conservative spending lifestyle, we have made no modifications in the full-year operational result forecasts.



# Future Management Strategy

## 1. Strengthen the Healthcare Business

Investment in development of **Chinese medicines and Switch-OTC drugs**

## 2. Expand overseas businesses

Expansion of sales channels and new product introduction in **China and Southeast Asia**

## 3. Expand mail-order business

Investment in advertising and **use of Web-based marketing** to **increase customer numbers**

## 4. Application of internal reserves

**M&As** and **returns to shareholders**

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