



Financial Overview for Fiscal Year Ended December 31, 2020

February 1, 2021

Satoshi Yamane
Senior Executive Director
General Manager, Group Headquarters
Kobayashi Pharmaceutical Co., Ltd.

Launch of new products in Fall 2020



Response to customers' needs amid the pandemic



M&A (OTC in North America)



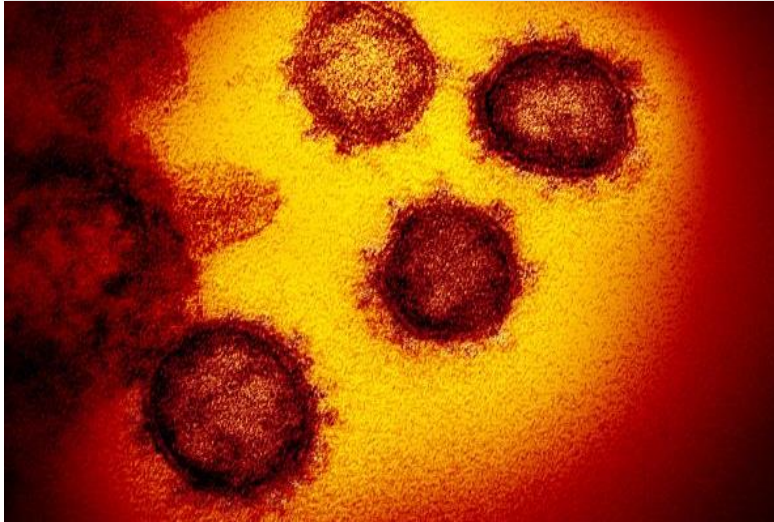
Absorption of Kiribai Chemical



KOBA-GUARD collaborations



Spread of COVID-19



Recession and sluggish consumption



Sharp decline in the number of foreign visitors to Japan



Mild winter around the world



Consolidated financial results

Net sales decreased year-on-year due to the impact of COVID-19 pandemic (−4.9%).

Operating income and net income increased year-on-year.

Impact of COVID-19 pandemic (Domestic Business)

Demand for our products, mainly disinfectant and sanitary products, increased (+4.5 billion yen).

Demand decreased due to self-restraint from going out (−2.2 billion yen).

Demand related to foreign visitors to Japan collapsed (−8.5 billion yen).

Mild winter around the world

Sales of body warmers were sluggish due to warmer weather around the world from January to March 2020 and in the U.S. from October to December 2020.

Impact of COVID-19 pandemic (International Business)

Demand for disinfectant and sanitary products (mainly *Netsusama Sheet* and *Glasses Cleaner*) grew in each country (+0.4 billion yen).

Demand decreased due to self-restraint from going out (−1.8 billion yen).

We struggled to increase sales of *Netsusama Sheet* in China (−0.7 billion yen).

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

4/66

	FY2019 (Jan. to Dec. 2019)	FY2020 (Jan. to Dec. 2020)			Published forecasts (revised and published on July 30, 2020)	
	Amount (million yen)	Amount (million yen)	Margin (%)	Year-on-year change (%)	Amount (million yen)	Difference (%)
Net sales	158,340	150,514	-	-4.9%	154,000	-2.3%
Operating income	25,658	25,943	17.2%	+1.1%	25,900	+0.2%
Ordinary income	27,851	27,726	18.4%	-0.4%	27,600	+0.5%
Net income	19,139	19,205	12.8%	+0.3%	19,200	+0.0%
EBITDA*	29,754	30,032	20.0%	+0.9%		
EPS	244.08 yen	245.71 yen	-	+0.7%		
ROE	11.3%	10.8%	-	-		
ROIC	10.5%	10.1%	-	-		
Net sales of Domestic Business	123,087	119,342	-	-3.0%	121,200	-1.5%
Net sales of International Business	24,423	21,467	-	-12.1%	23,000	-6.7%
Net sales of Direct Marketing Business	9,768	9,066	-	-7.2%	9,000	+0.7%

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

5/66

	Oct. to Dec. 2019 ^{*1}	Oct. to Dec. 2020		
	Amount (million yen)	Amount (million yen)	Year-on-year change (%)	Margin (%)
Net sales	47,138	45,465	-3.5%	-
Gross profit	24,654	24,006	-2.6%	52.8%
Operating income	5,827	6,428	+10.3%	14.1%
Ordinary income	6,404	6,684	+4.4%	14.7%
Net income	3,894	3,947	+1.4%	8.7%
EBITDA ^{*2}	7,523	7,395	+1.7%	16.3%

^{*1}: The Accounting Standard for Revenue Recognition has been applied from FY2020. For comparison purposes, results for FY2019 were prepared based on the new standard.

^{*2}: EBITDA = Operating income + Depreciation + Goodwill amortization

What We Achieved

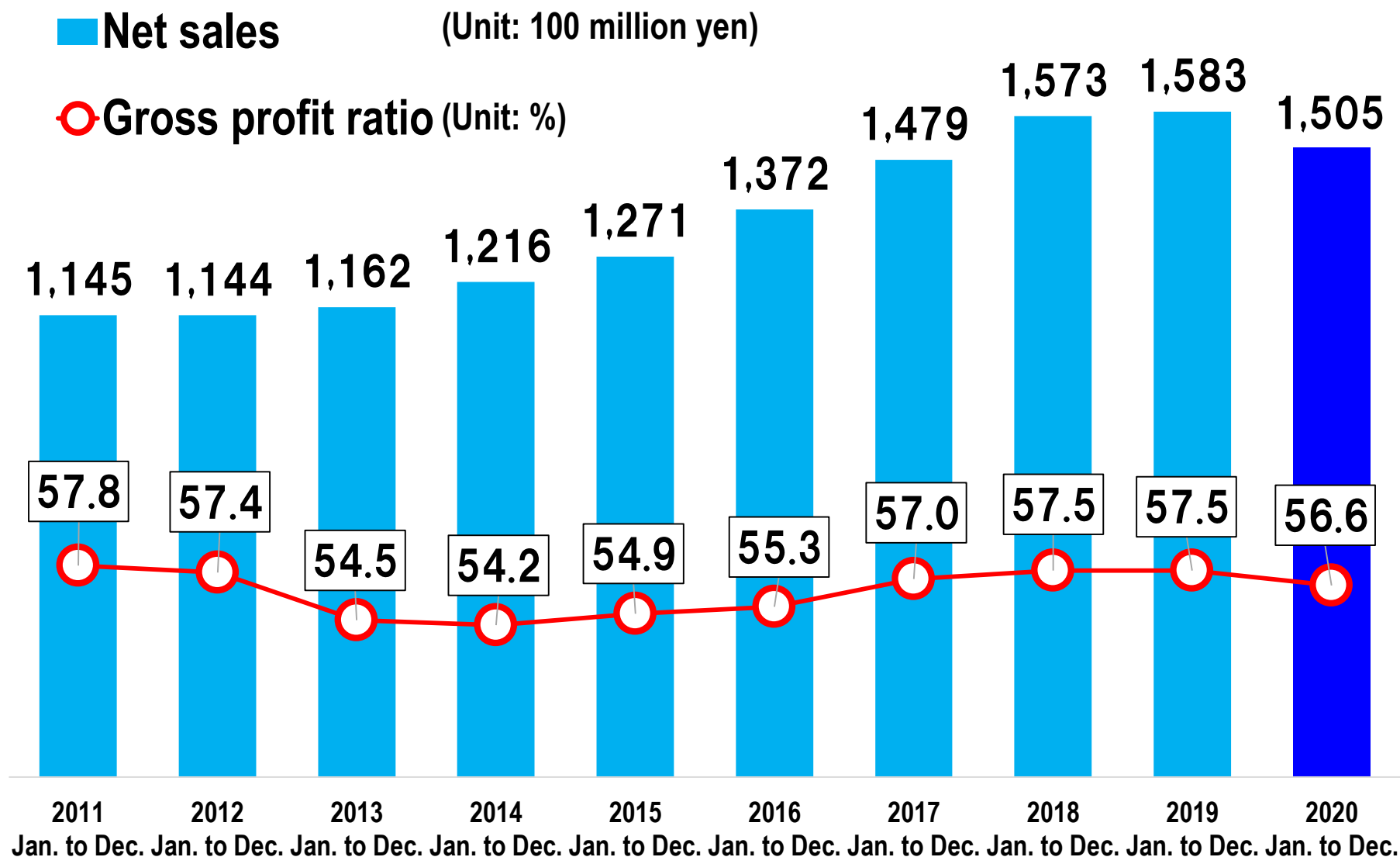
- Increase of net income (23rd consecutive terms)
- Increase of dividend (22nd consecutive terms)
- Large-scale M&A (OTC in US)
- Promotion of environment protection (use of renewable energy, reduction of use of plastics)

What We Failed to Achieve

- Increase of consolidated net sales
- Double-digit growth in the International Business
- Improvement of contribution of new product sales
- Growth of Direct Marketing Business

Changes in Consolidated Net Sales and Gross Profit Ratio

7/66



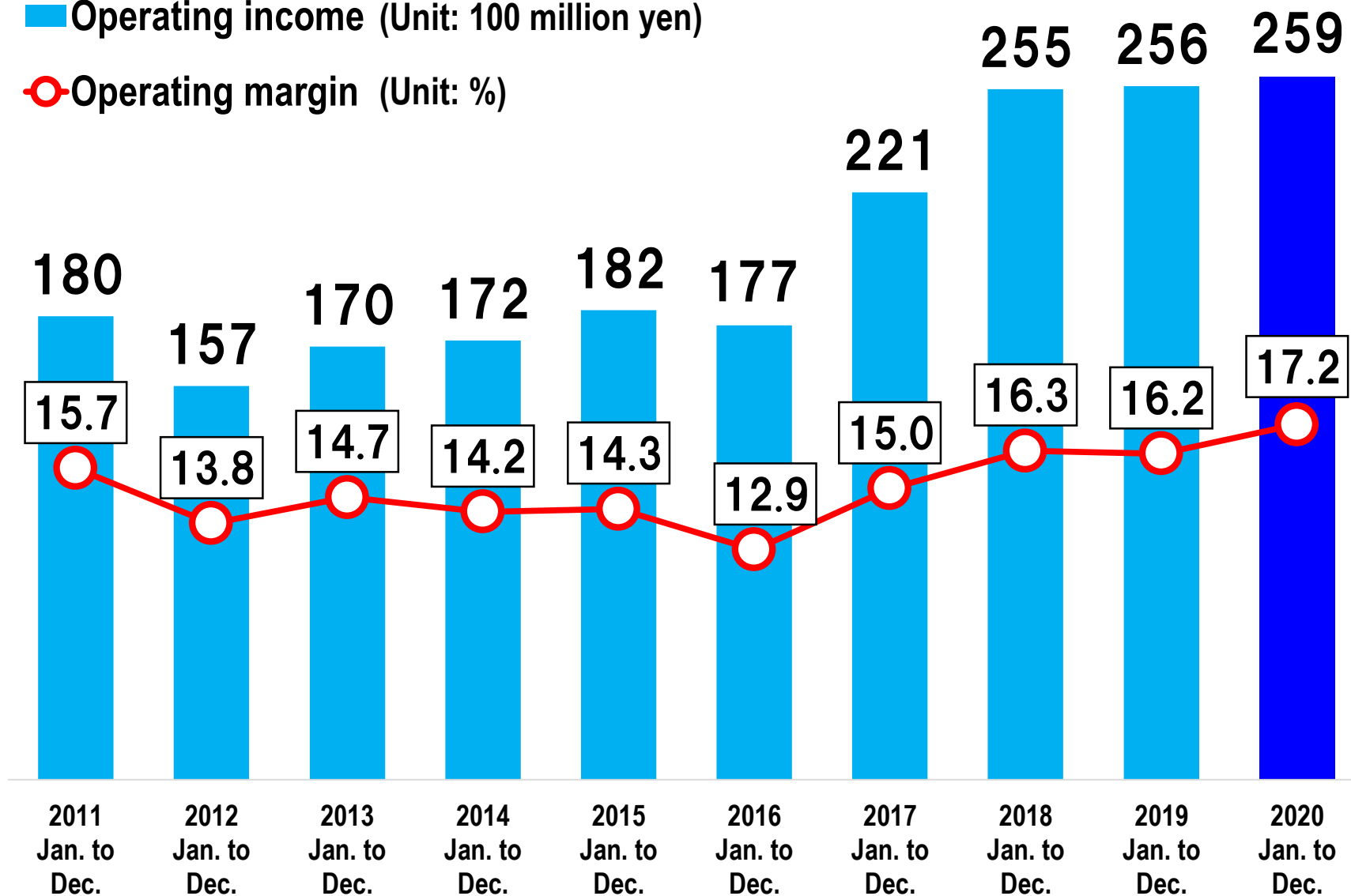
As we changed the fiscal year-end from March to December in 2016, figures before 2017 were retrospectively adjusted for comparison purposes.

Changes in Consolidated Operating Income and Operating Margin

8/66

■ Operating income (Unit: 100 million yen)

○ Operating margin (Unit: %)

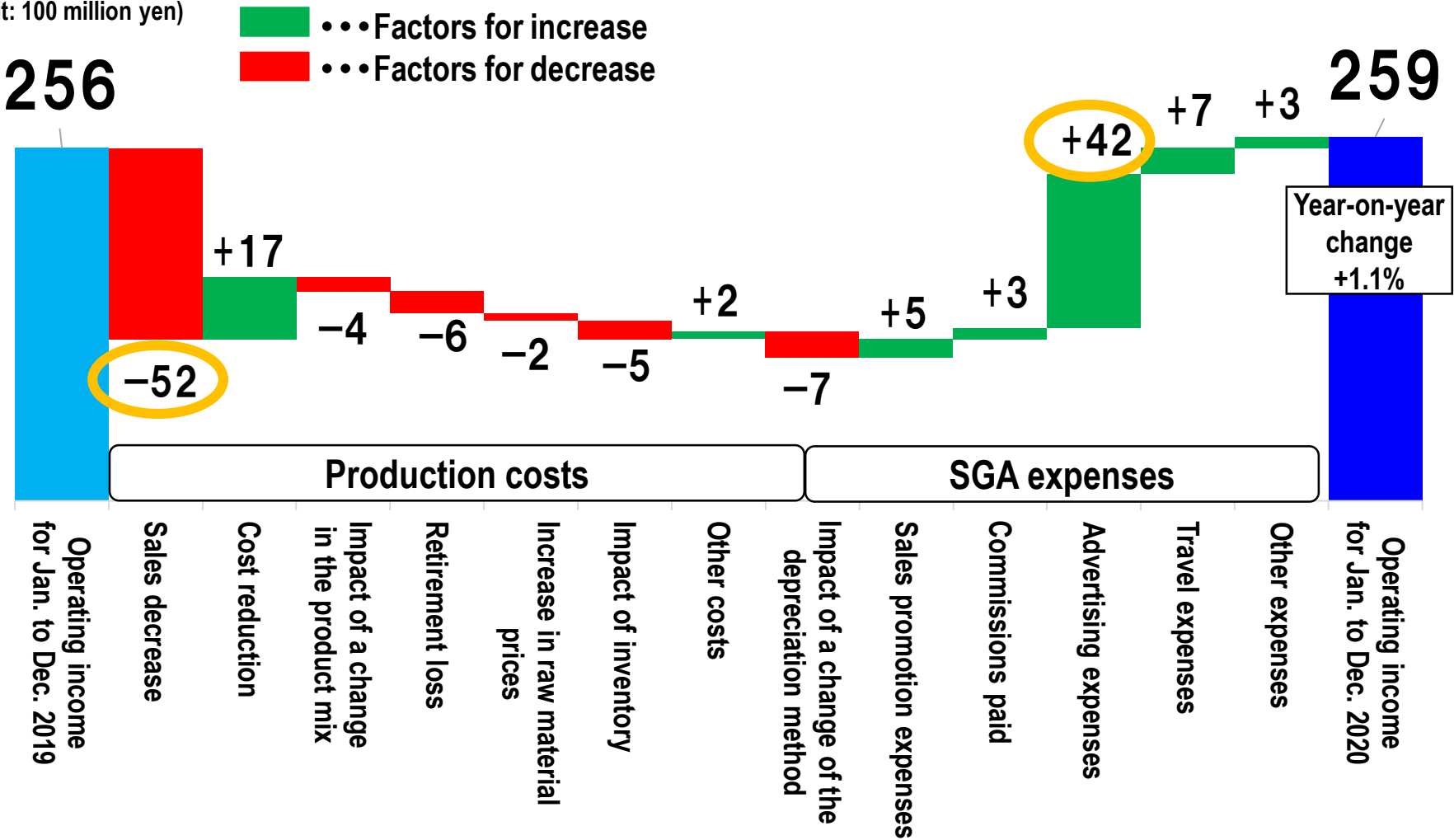


As we changed the fiscal year-end from March to December in 2016, figures before FY2017 were retrospectively adjusted for comparison purposes.

Factors for Changes in Consolidated Operating Income

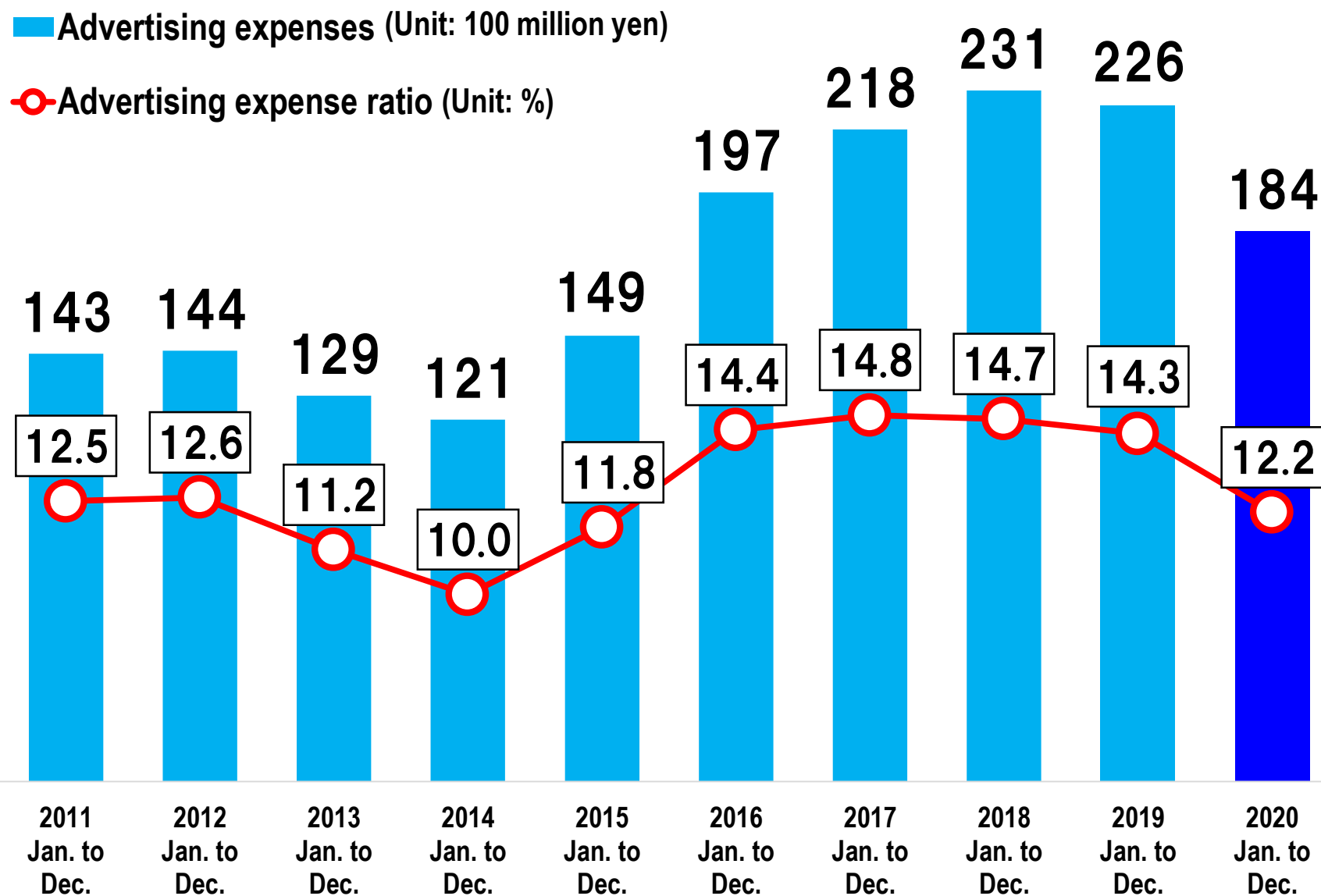
Consolidated operating income increased slightly since we reduced advertising expenses by 4.2 billion yen, despite the negative impact of 5.2 billion yen due to a fall in net sales.

(Unit: 100 million yen)



Changes in Advertising Expenses and Advertising Expense Ratio

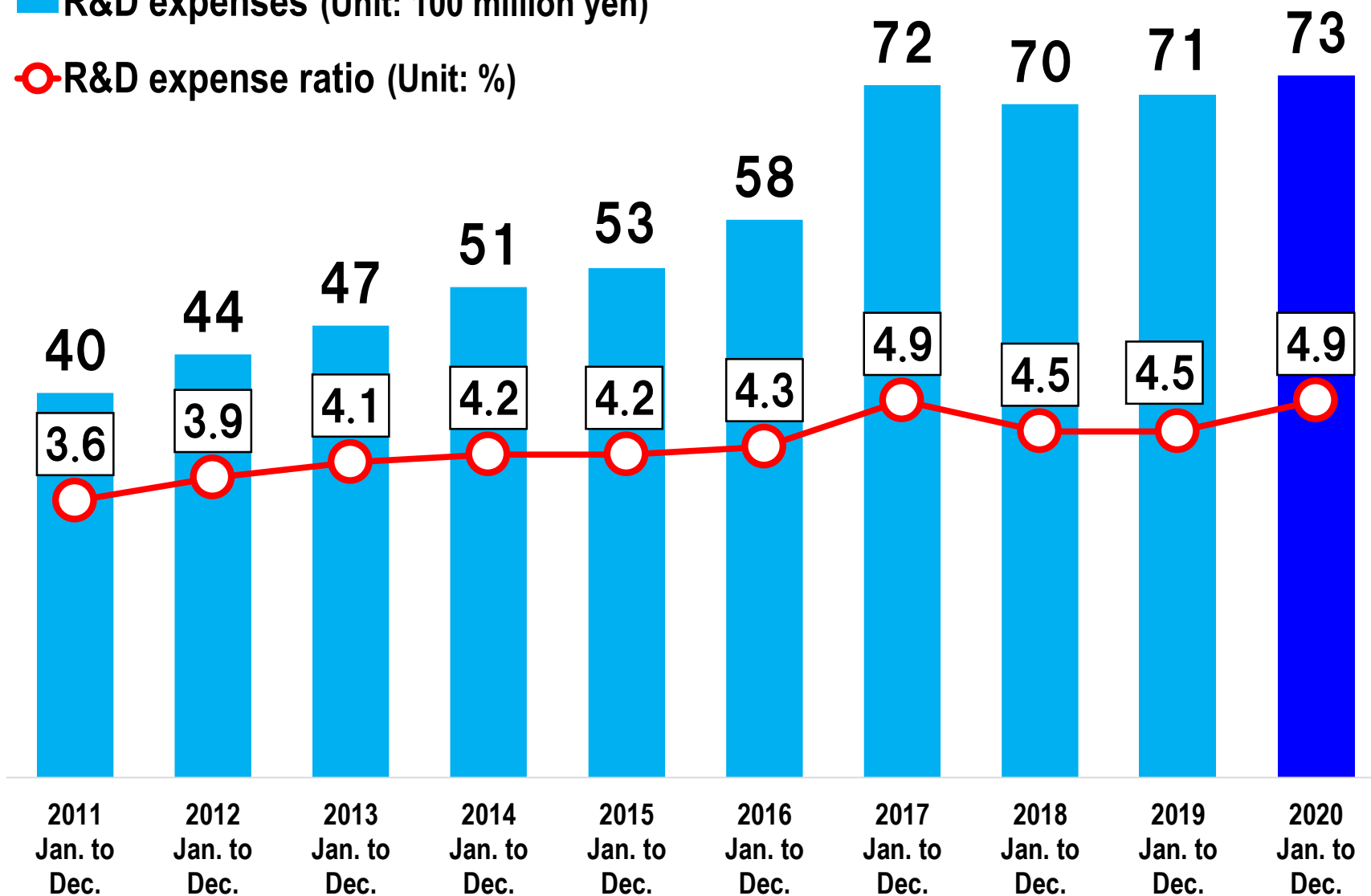
10/66



As we changed the fiscal year-end from March to December in 2016, figures before FY2017 were retrospectively adjusted for comparison purposes.

■ R&D expenses (Unit: 100 million yen)

○ R&D expense ratio (Unit: %)

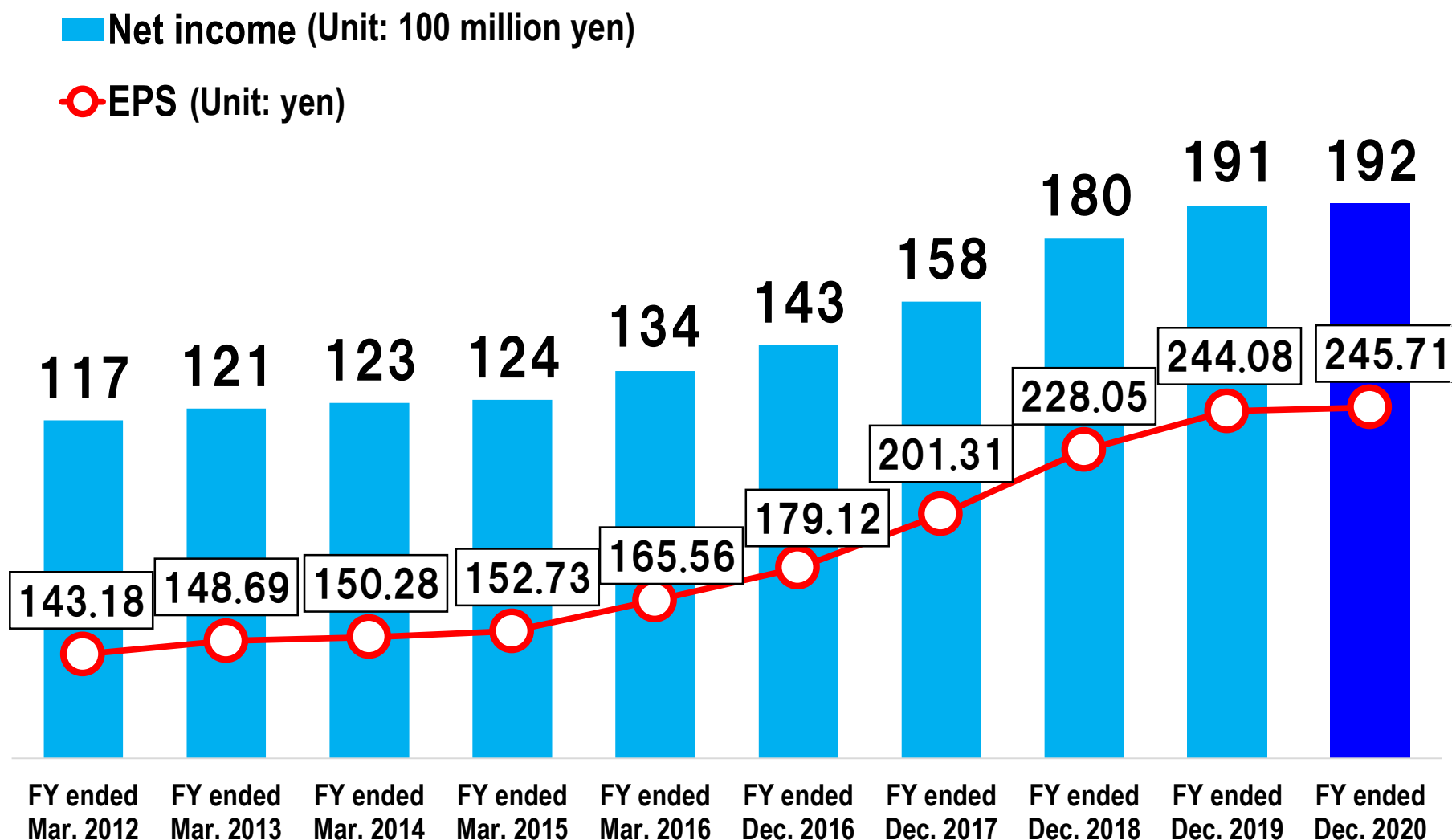


As we changed the fiscal year-end from March to December in 2016, figures before FY2017 were retrospectively adjusted for comparison purposes.

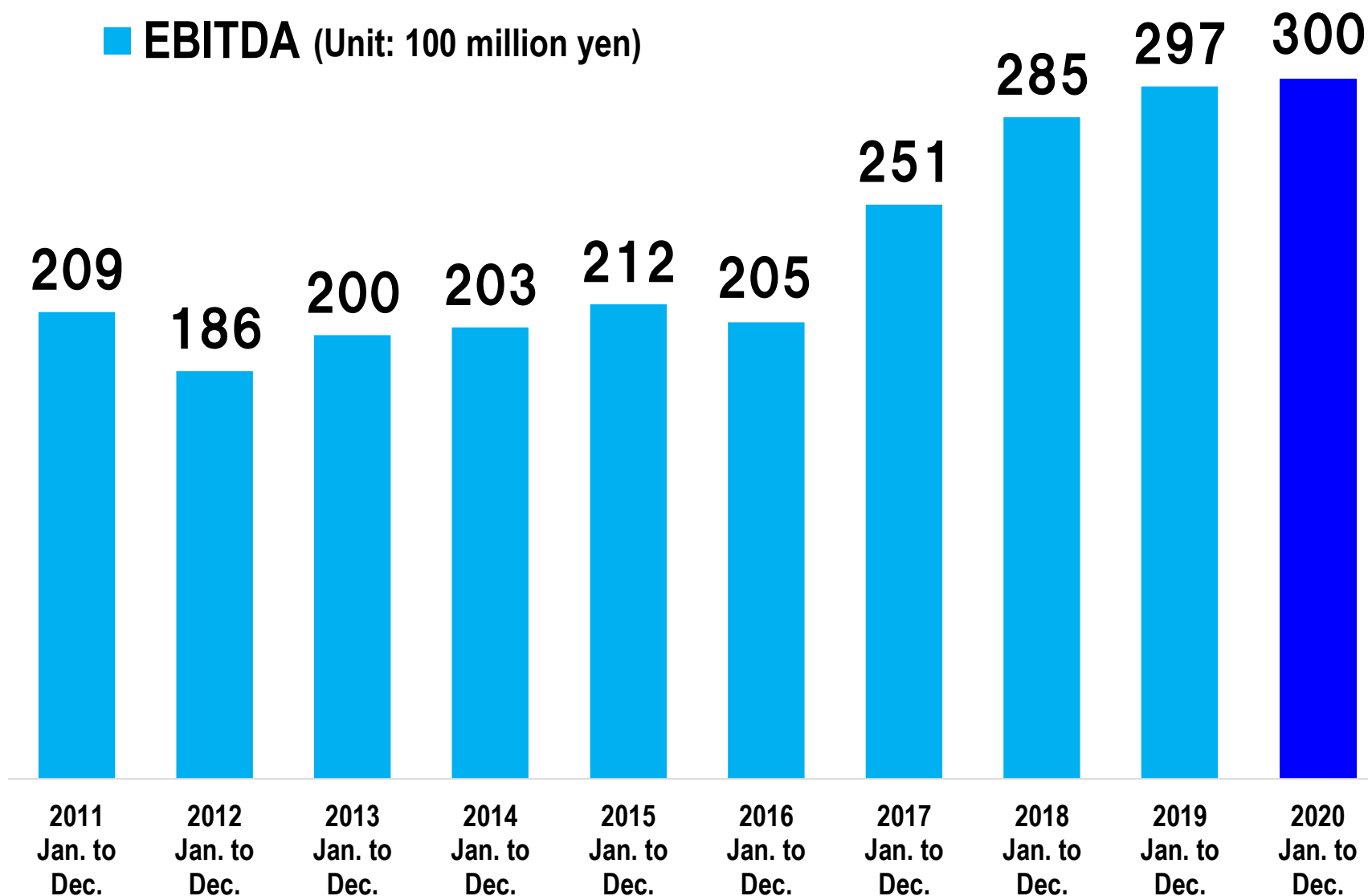
Changes in Net Income and EPS

12/66

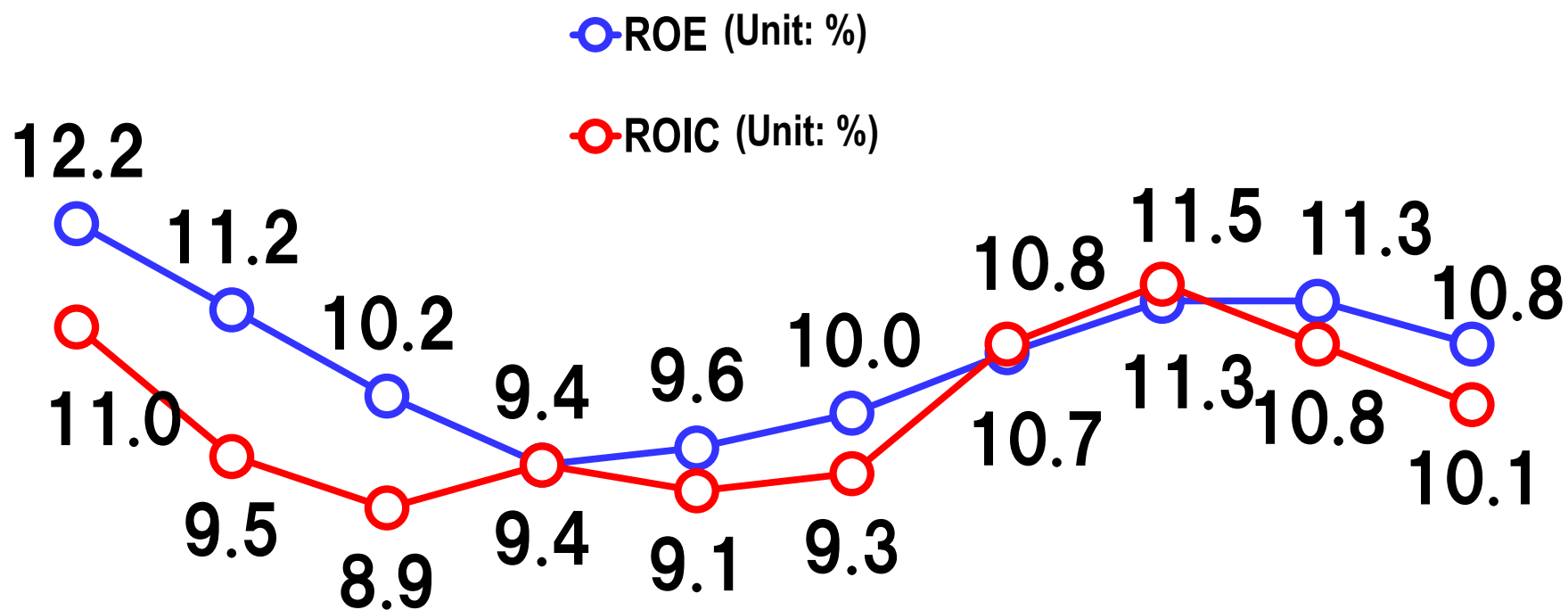
We achieved an increase in net income for the 23rd consecutive terms.



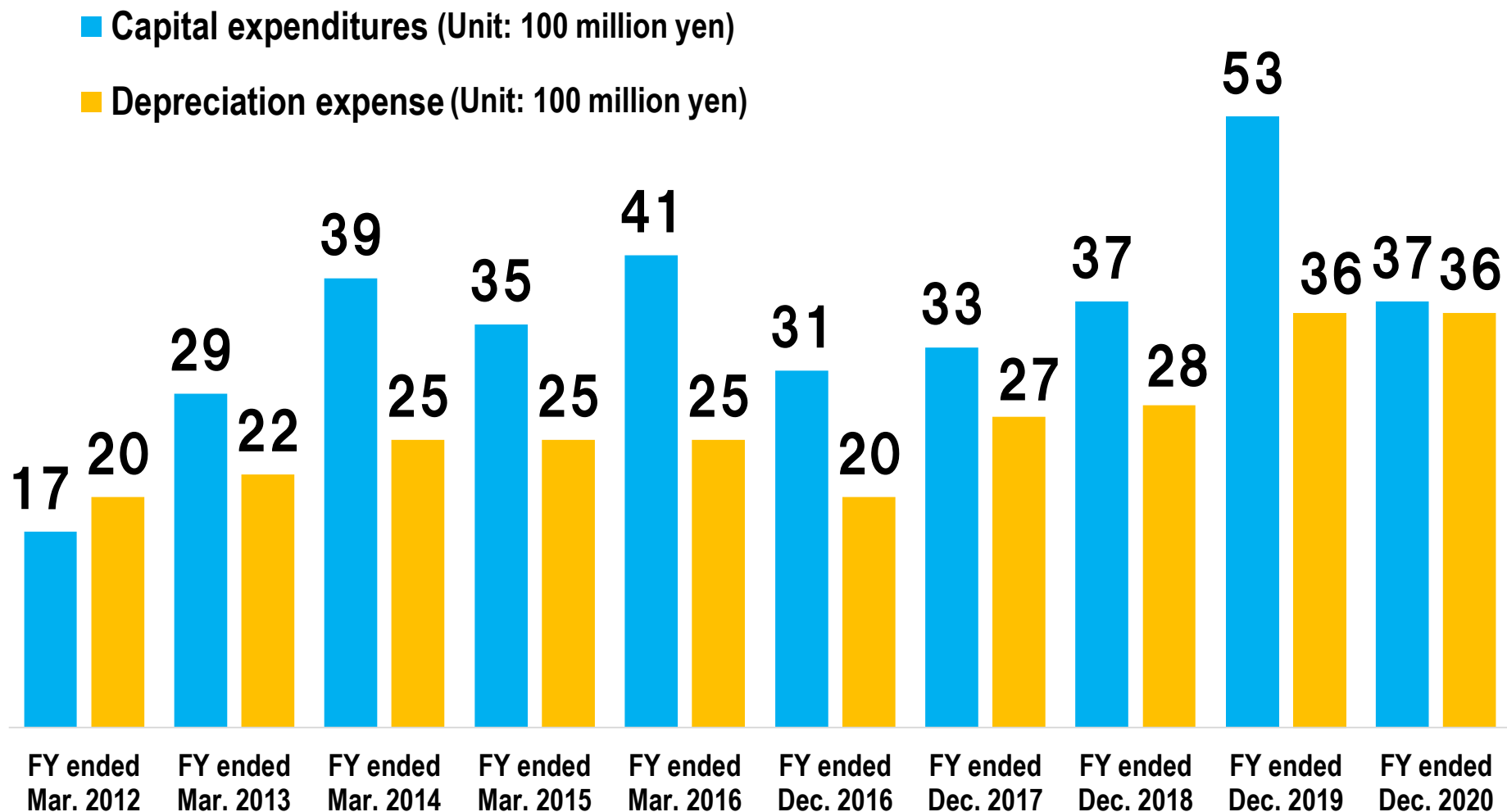
■ EBITDA (Unit: 100 million yen)



As we changed the fiscal year-end from March to December in 2016, figures before FY2017 were retrospectively adjusted for comparison purposes.



FY ended Mar. 2012	FY ended Mar. 2013	FY ended Mar. 2014	FY ended Mar. 2015	FY ended Mar. 2016	FY ended Dec. 2016	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
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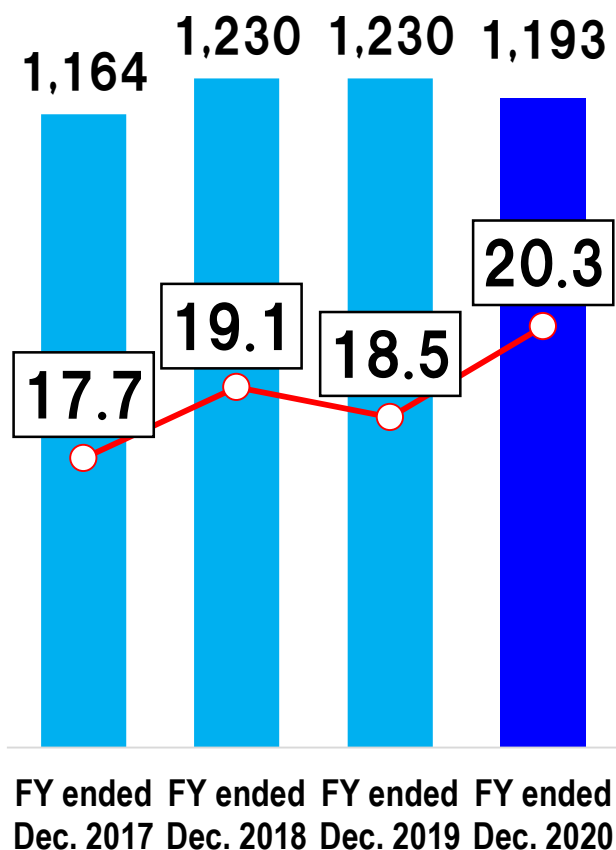
Net Sales by Segment

16/66

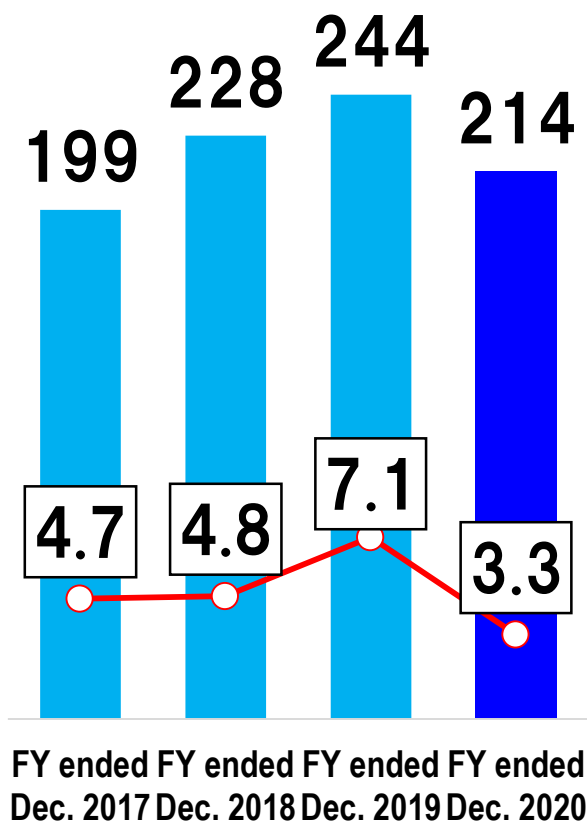
(Net sales: 100 million yen)

(Operating margin: %)

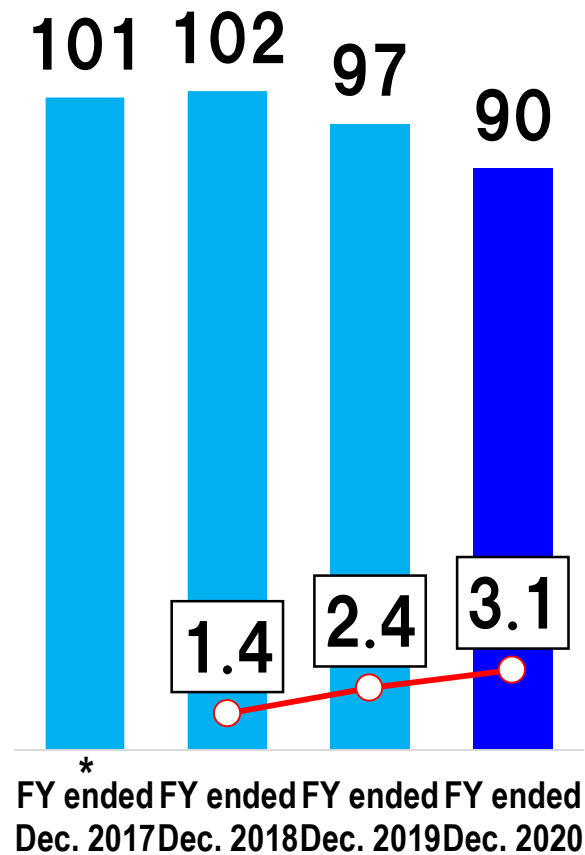
Domestic Business



International Business



Direct Marketing Business



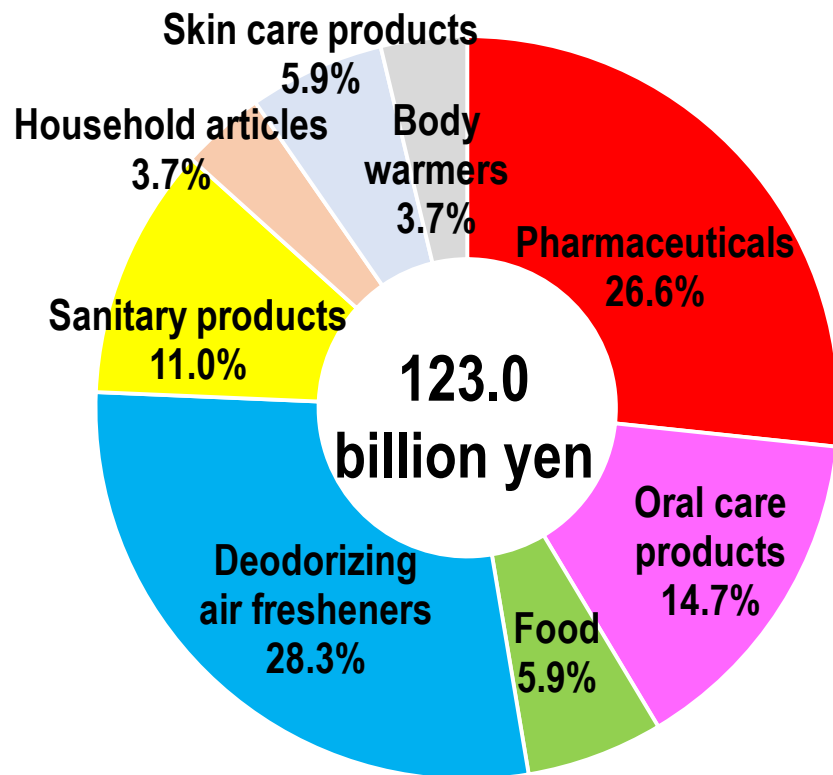
Net sales Operating margin

Net sales Operating margin

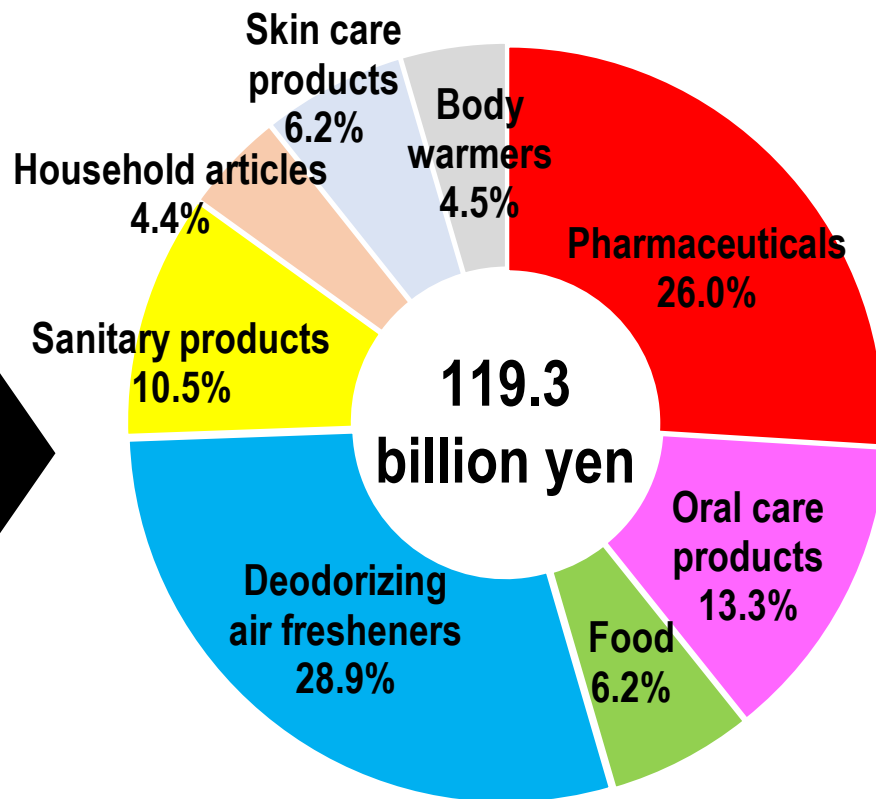
Net sales Operating margin

* The operating margin of the Direct Marketing Business for FY2017 is omitted since the business posted an operating loss of 0.07 billion yen.

Jan. to Dec. 2019



Jan. to Dec. 2020



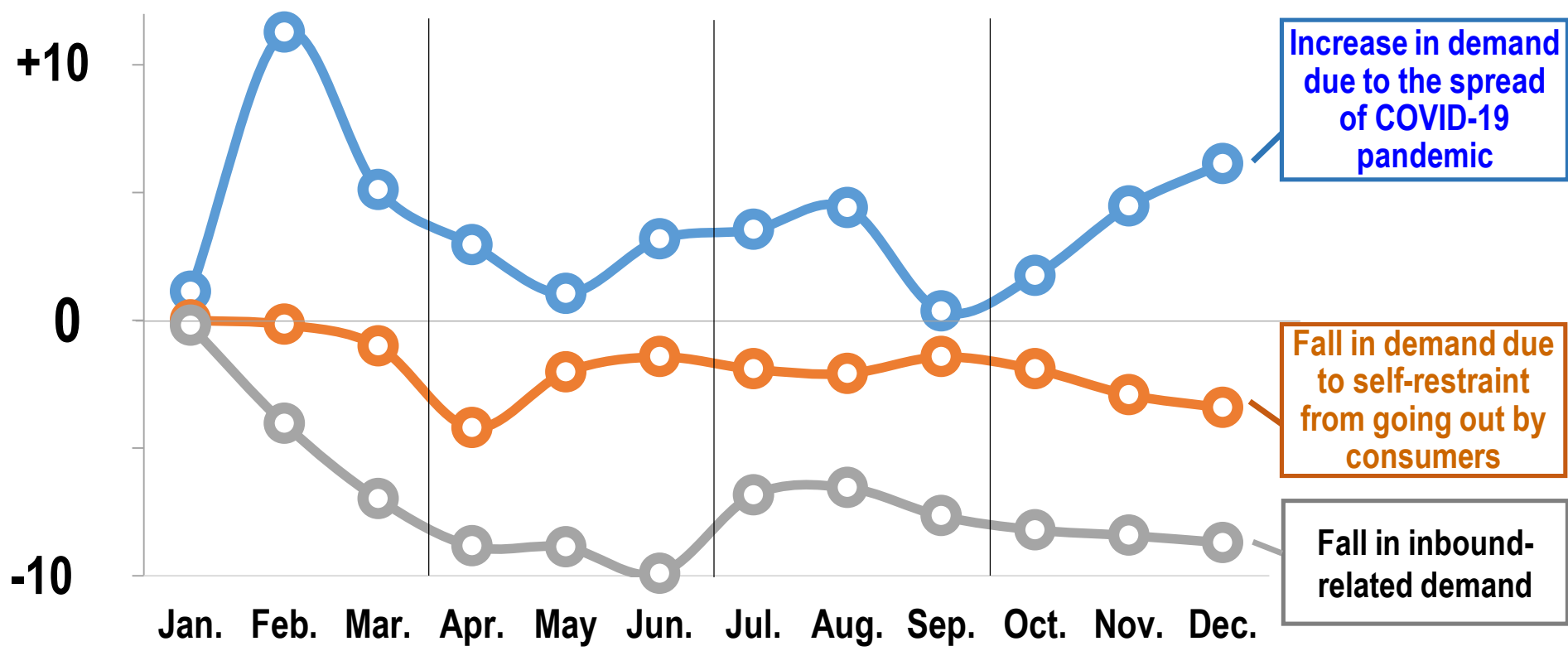
Main factors for changes

- Pharmaceuticals -1.7 billion yen
- Oral care products -2.2 billion yen
- Sanitary products -1.1 billion yen
- Body warmers +0.8 billion yen

Sales increased year-on-year in the period of January to March 2020, largely due to a rise in demand triggered by the spread of the COVID-19 pandemic. However, after April 2020, such demand peaked. Furthermore, we saw the negative impact of a the fall in demand caused by the decline in the number of foreign visitors to Japan become serious.

Factors for changes in sales (monthly changes)

(Unit: 100 million yen)



Domestic Business (Increase in Demand Due to the Spread of COVID-19 Pandemic)

19/66

Demand for our products, mainly disinfectant and sanitary products, increased. Sales grew by 4.5 billion yen (Q1: 1.7 billion yen, Q2: 0.7 billion yen, Q3: 0.8 billion yen, Q4: 1.2 billion yen).

Jan. to Dec. 2020

	Item	Year-on-year change*
1	<i>Ekitai Bluelet Jokin</i>	+23%
2	<i>Eau de Muge</i>	+23%
3	<i>Glasses Cleaner</i>	+47%
4	<i>Nodonool Spray</i>	+27%
5	<i>Nodonool Nure Mask</i>	+40%
6	<i>Eyebon</i>	+11%
7	<i>Hananoa</i>	+47%
8	<i>Dusmock</i>	+29%
9	<i>Kantan Senjomaru</i>	+18%
10	<i>Toilet Seat Disinfectant Cleaner</i>	+52%
11	<i>Easy Fiber</i>	+16%
12	<i>Sabotta Ring</i>	+15%
13	<i>Toilet Paper de Choifuki</i>	+116%



* The effectiveness of these disinfectant and sanitary products against COVID-19 has not yet been proven.

* Excluding the impact of inbound-related demand

Sales decreased by 2.2 billion yen due to a fall in demand caused by self-restraint from going out, a decline in the number of drinking parties, and the wearing of masks.



Jan. to Dec. 2020

	Item	Year-on-year change*
1	BreathCare	-37%
2	Netsusama Sheet	-28%
3	Asewaki Pad	-30%
4	Arupitan	-23%

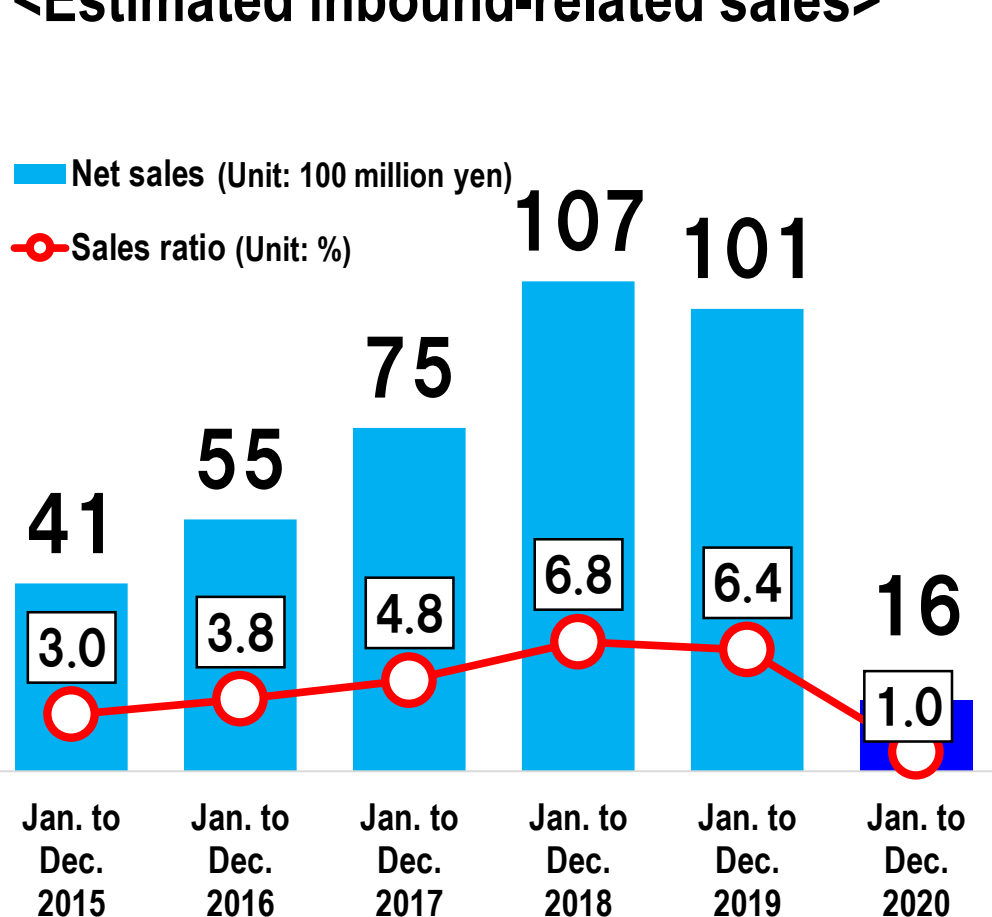
* Excluding the impact of inbound-related demand



Inbound-related sales fell to 1.6 billion yen due to a the drastic decline in the number of foreign visitors to Japan.

(Q1: 1.1 billion yen, Q2: 0.1 billion yen, Q3: 0.1 billion yen, Q4: 0.1 billion yen)

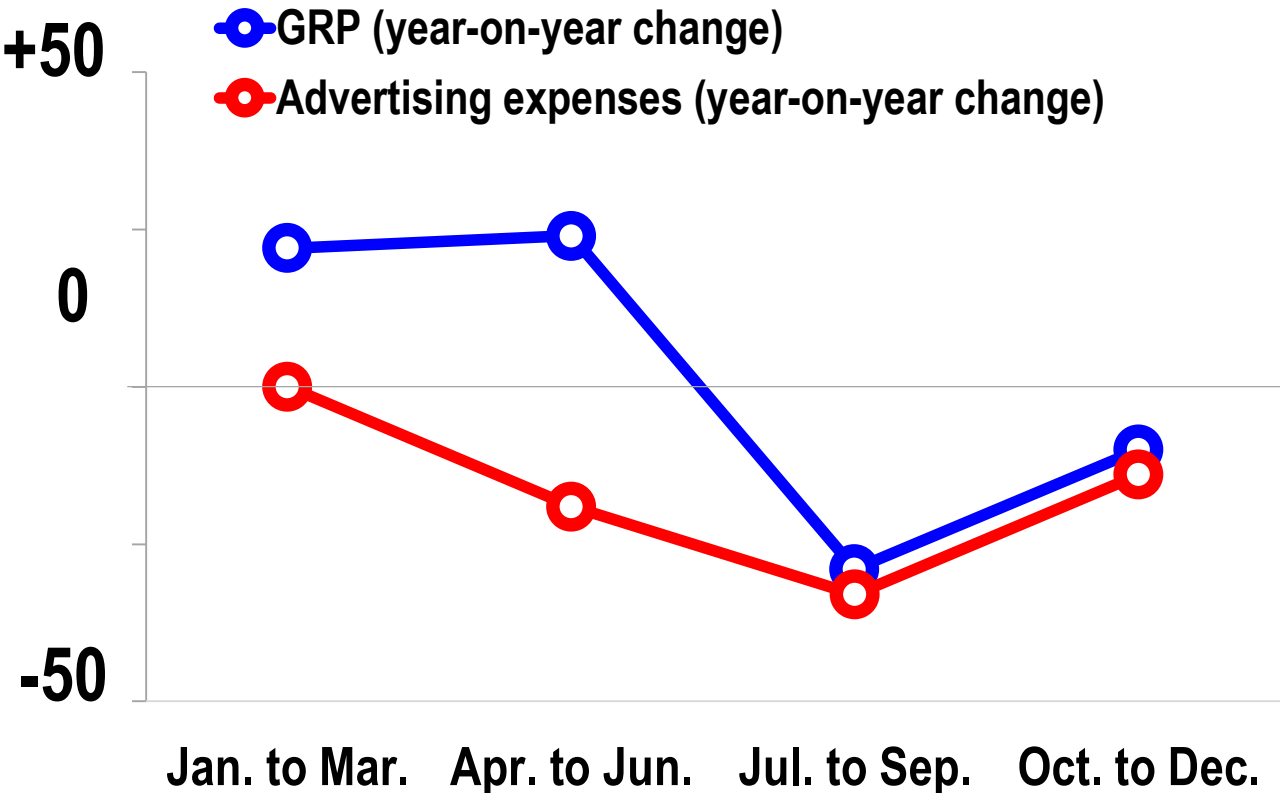
<Estimated inbound-related sales>



	Item	Year-on-year change
1	<i>Inochi no Haha</i>	-71%
2	<i>Eyebon</i>	-70%
3	<i>Ammeltz</i>	-80%
4	<i>Nodonool Spray</i>	-80%
5	<i>SakamuCare</i>	-91%
6	<i>Nodonool Nure Mask</i>	-56%
7	<i>Nattokinase</i>	-87%
8	<i>Glasses Cleaner</i>	-83%
9	<i>BreathCare</i>	-93%
10	<i>Harenurse</i>	-87%

In the first half, the efficiency of advertisements was good since the ratings increased due to a fall in the unit cost of advertising on TV and a rise in self-restraint from going out and telecommuting. However, in the second half, GRP (gross rating points of our advertising on TV) declined since we cutback advertising expenses.

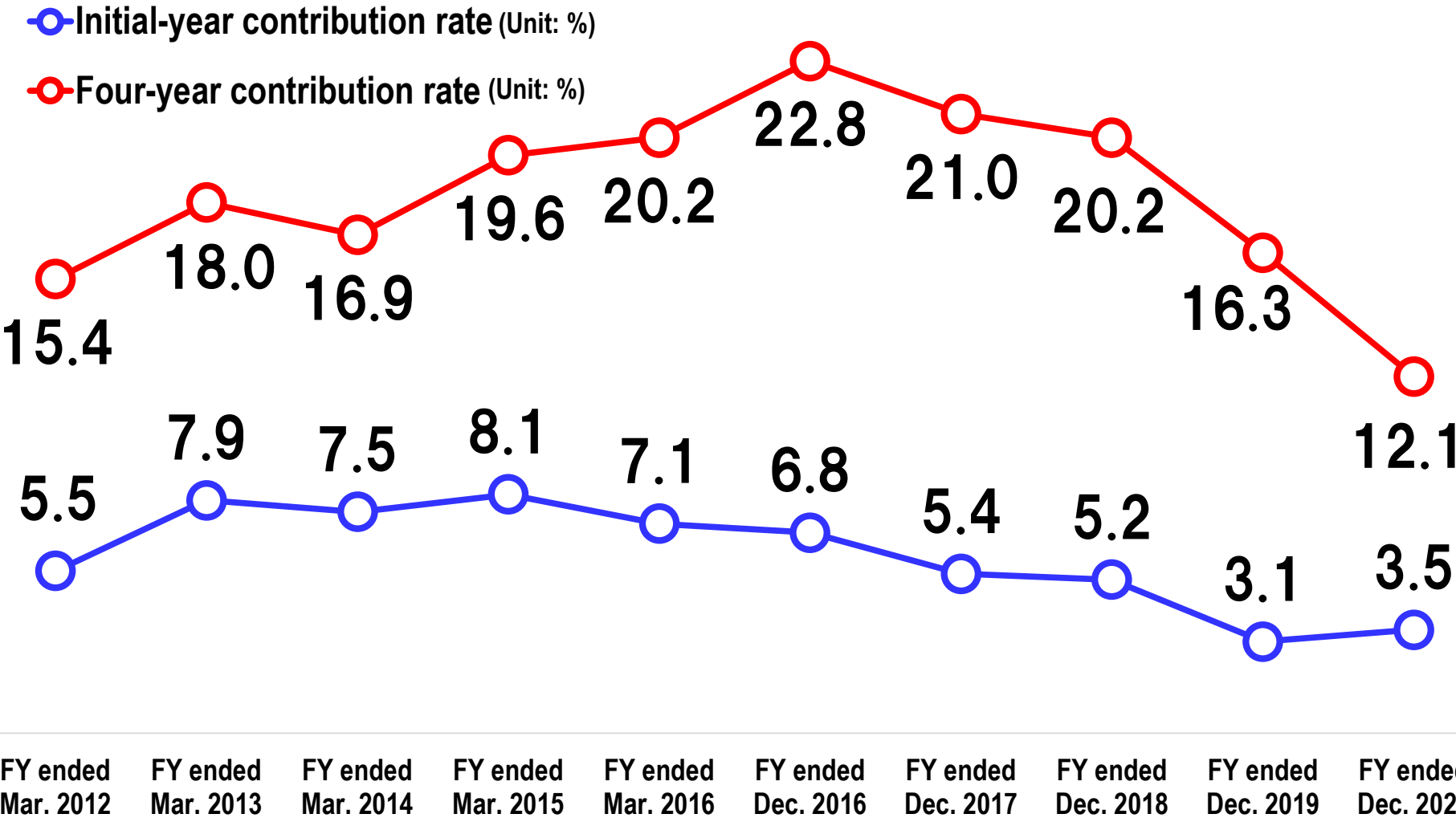
(Unit: %)



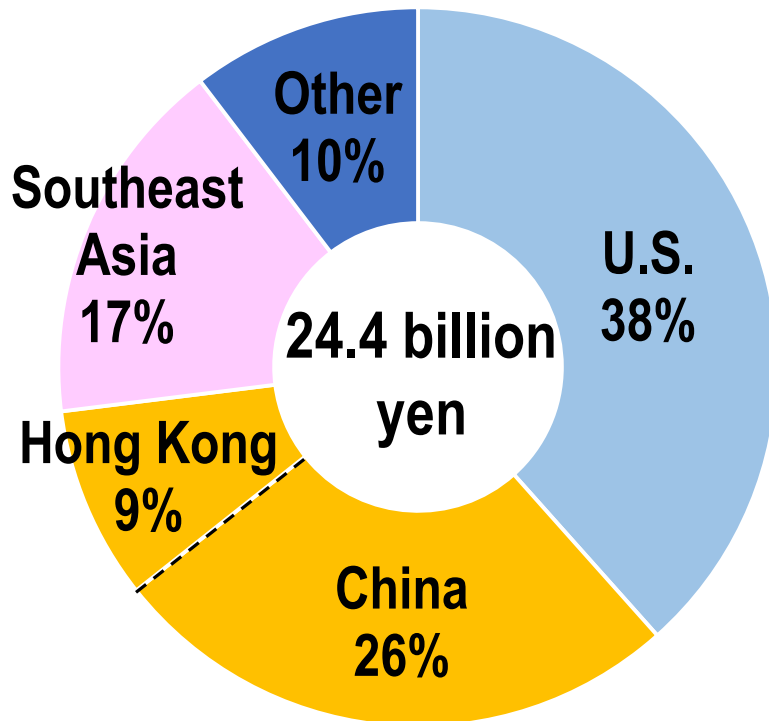
GRP
-2%
(Cumulative figure from Jan. to Dec. 2020)

Advertising expenses
-18%
(Cumulative figure from Jan. to Dec. 2020)

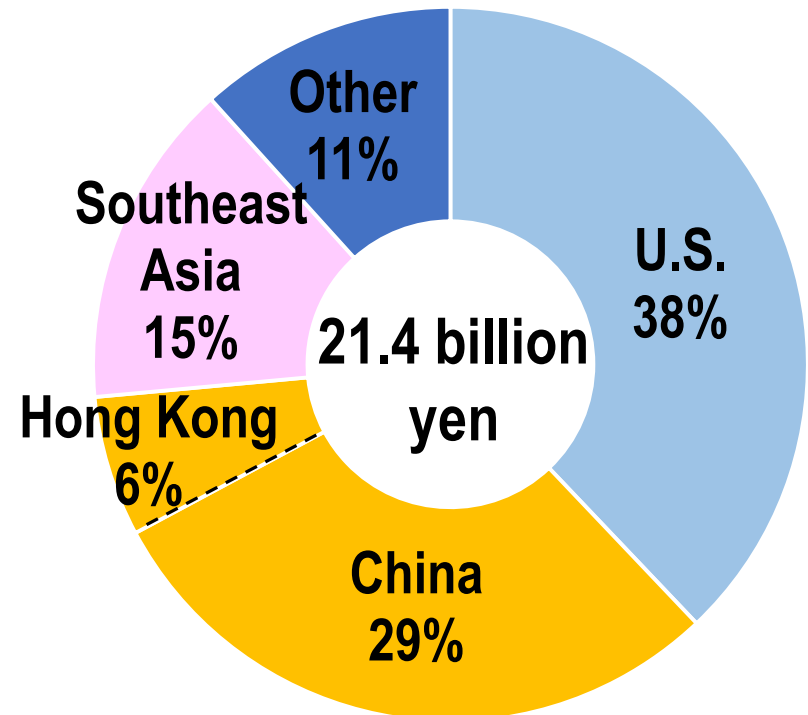
* As the GRP in December 2020 were not fixed, we used an estimated figure.



Jan. to Dec. 2019



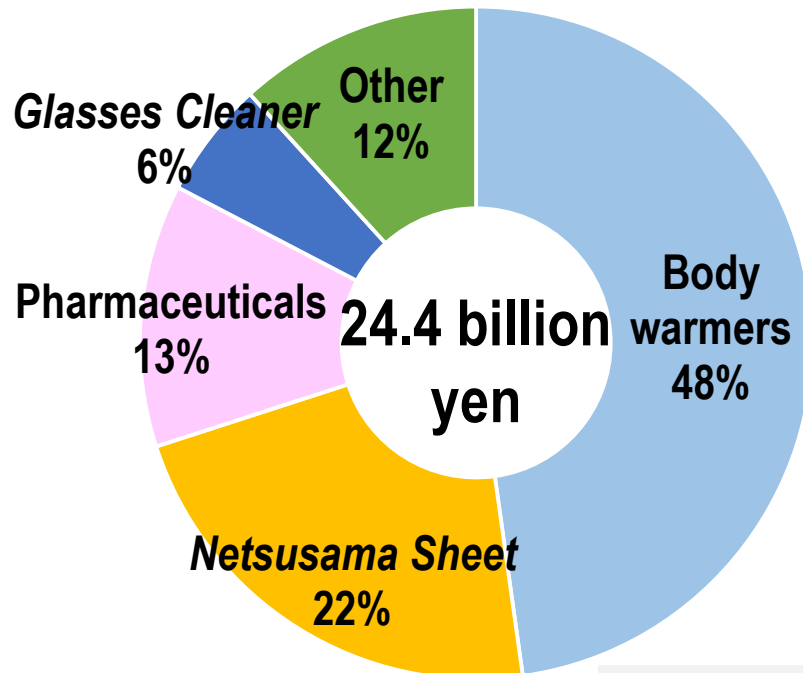
Jan. to Dec. 2020



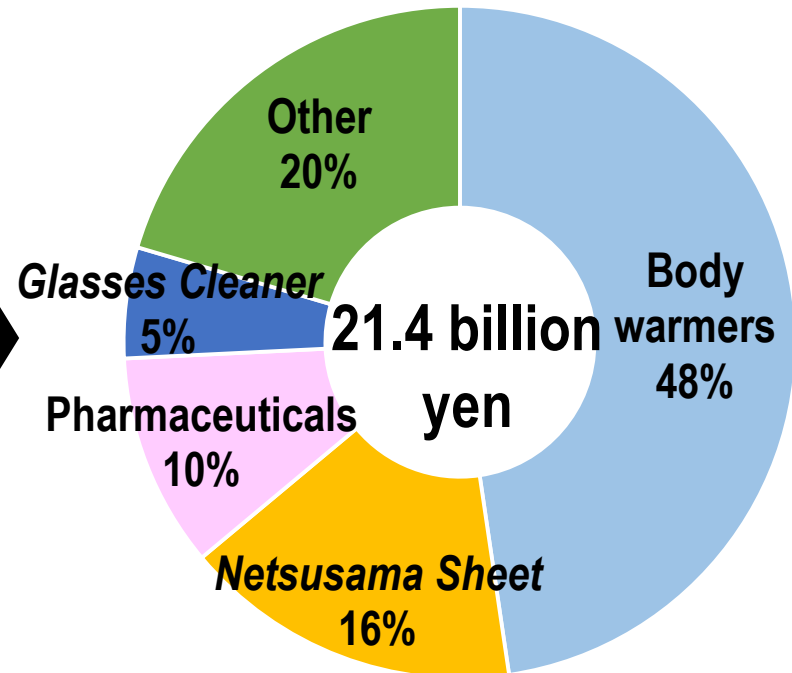
Major changes in sales by region

- U.S. -1.2 billion yen
- China (Hong Kong) -0.7 billion yen
- Southeast Asia -0.8 billion yen

Jan. to Dec. 2019



Jan. to Dec. 2020



Changes in sales by product

- Body warmers -1.4 billion yen
- *Netsusama Sheet* -1.9 billion yen
- Pharmaceuticals -0.8 billion yen
- Other +1.3 billion yen

We struggled to increase sales via stores (especially the pharmacy channel) due to a decline in outings caused by the spread of COVID-19 pandemic. We saw sales via EC grow sharply.

<Sales via stores>

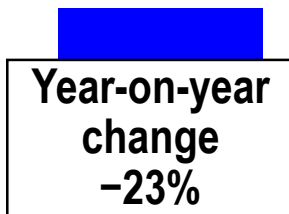
(Unit: 100 million yen)

35.0



Jan. to Dec.
2019

26.7



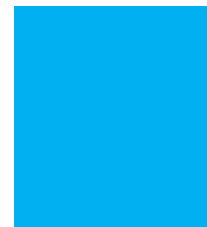
Jan. to Dec.
2020



<Sales by EC (mainland and cross-border)>

(Unit: 100 million yen)

28.2



Jan. to Dec.
2019

36.0



Jan. to Dec.
2020

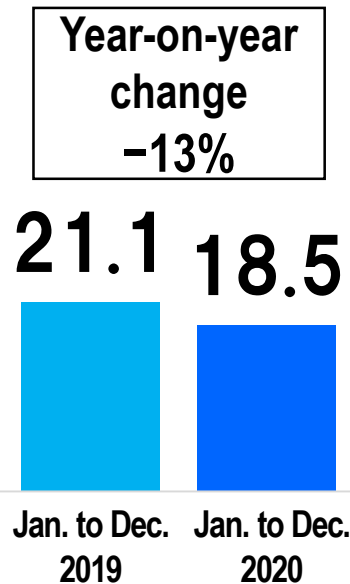


Mainland China (by Product)

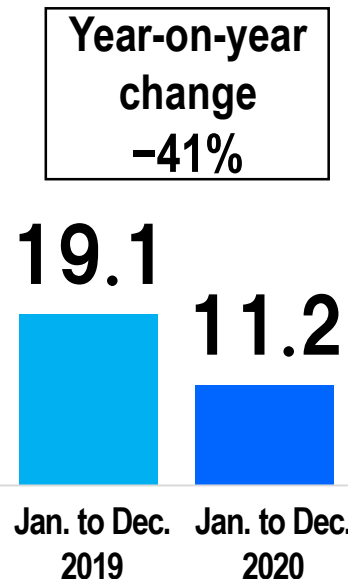
27/66

We struggled to increase sales of body warmers and *Netsusama Sheet*, but saw sales of other products grow sharply.

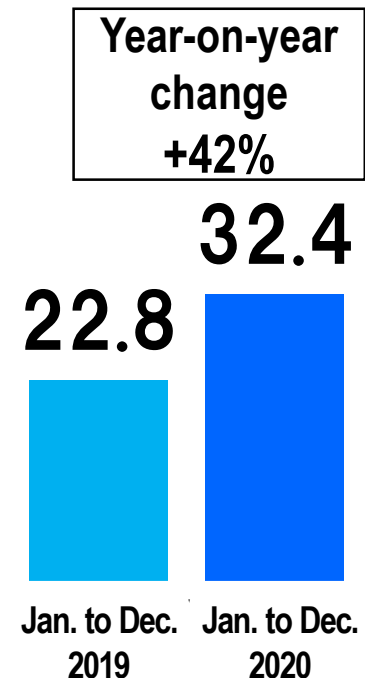
<Net sales (Unit: 100 million yen)>



Body warmers



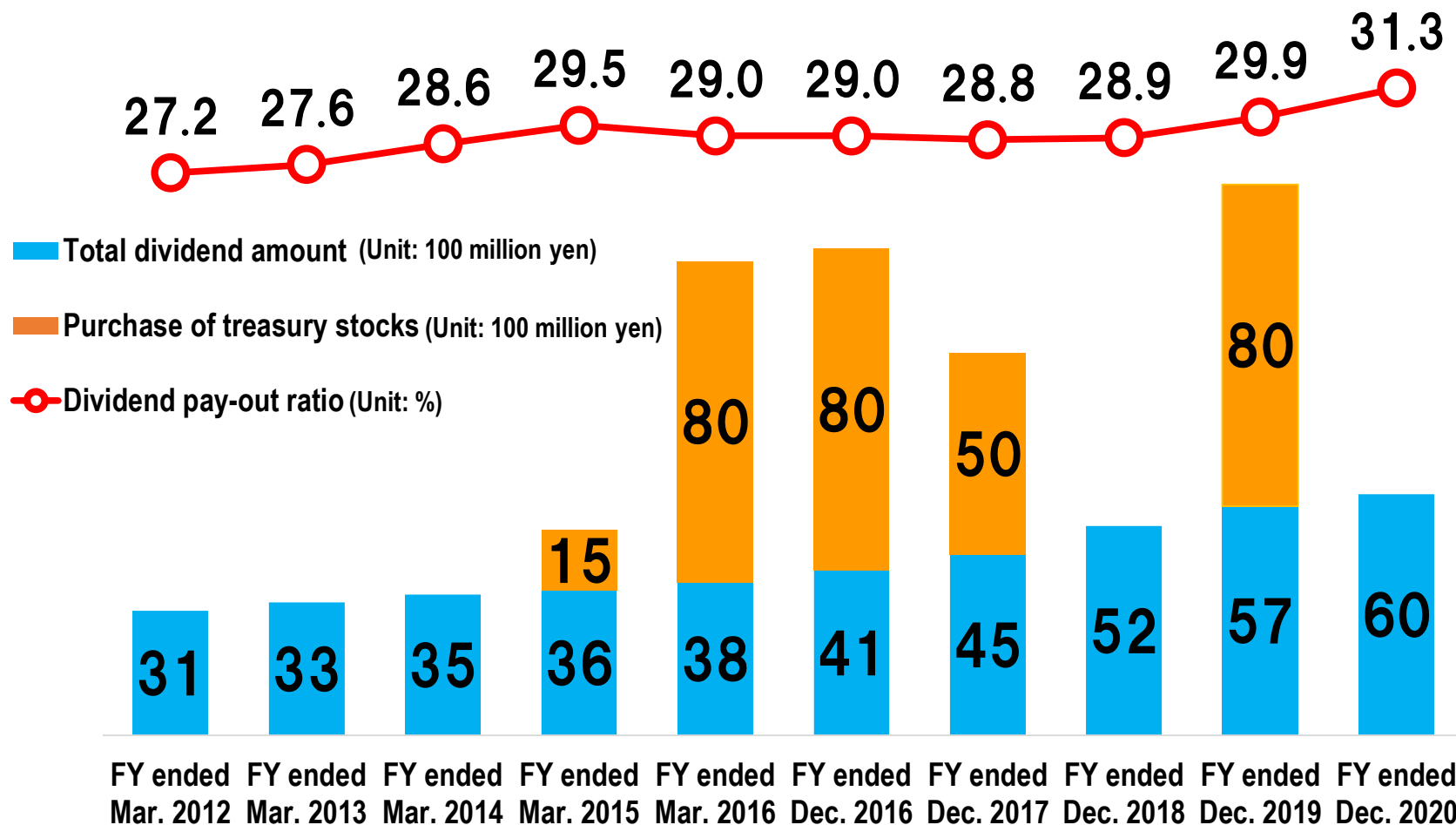
Netsusama Sheet



Other



We achieved an increase in dividend payment for the 22nd consecutive term.



* Comparison with figures at the end of December 2019

Main factors for changes

- + Cash (+2.6 billion yen)
(+ Net income)
(– Dividend)
- Decrease in inventory
(–3.6 billion yen)
- + Transfer of trade receivables
(+1.3 billion yen)

Main factors for changes

- Transfer of trade receivables and valuation of securities at market value (–5.0 billion yen)
- + Increase in intangible assets (+9.6 billion yen)

Current assets

164.2 billion yen
+1.1 billion yen

Non-current assets

74.1 billion yen
+3.4 billion yen

Liabilities

55.7 billion yen
–5.2 billion yen

Net assets

182.5 billion yen
+9.9 billion yen

Main factors for changes

- + Increase in retained earnings
(+13.4 billion yen)

■ Introduction of green power

At our Sendai plant, we completely switch to renewable energy.

→ We plan to switch to renewable energy at all major plants in Japan.



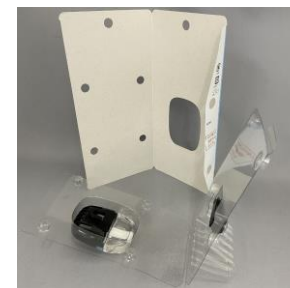
■ Development of eco-friendly products (details in 65/66)

We set and implement our original eco-standards to put Eco Label on the packages of products that contribute to the reduction of environmental burden in 2021.



■ Reduction of plastic use (details in 65/66)

We review designs and specifications of products to reduce the use of plastics and prepare for a switch to eco-friendly resins in 2021.



Original product



Improved product

Forecast of Consolidated Results for the Year Ending December 2021

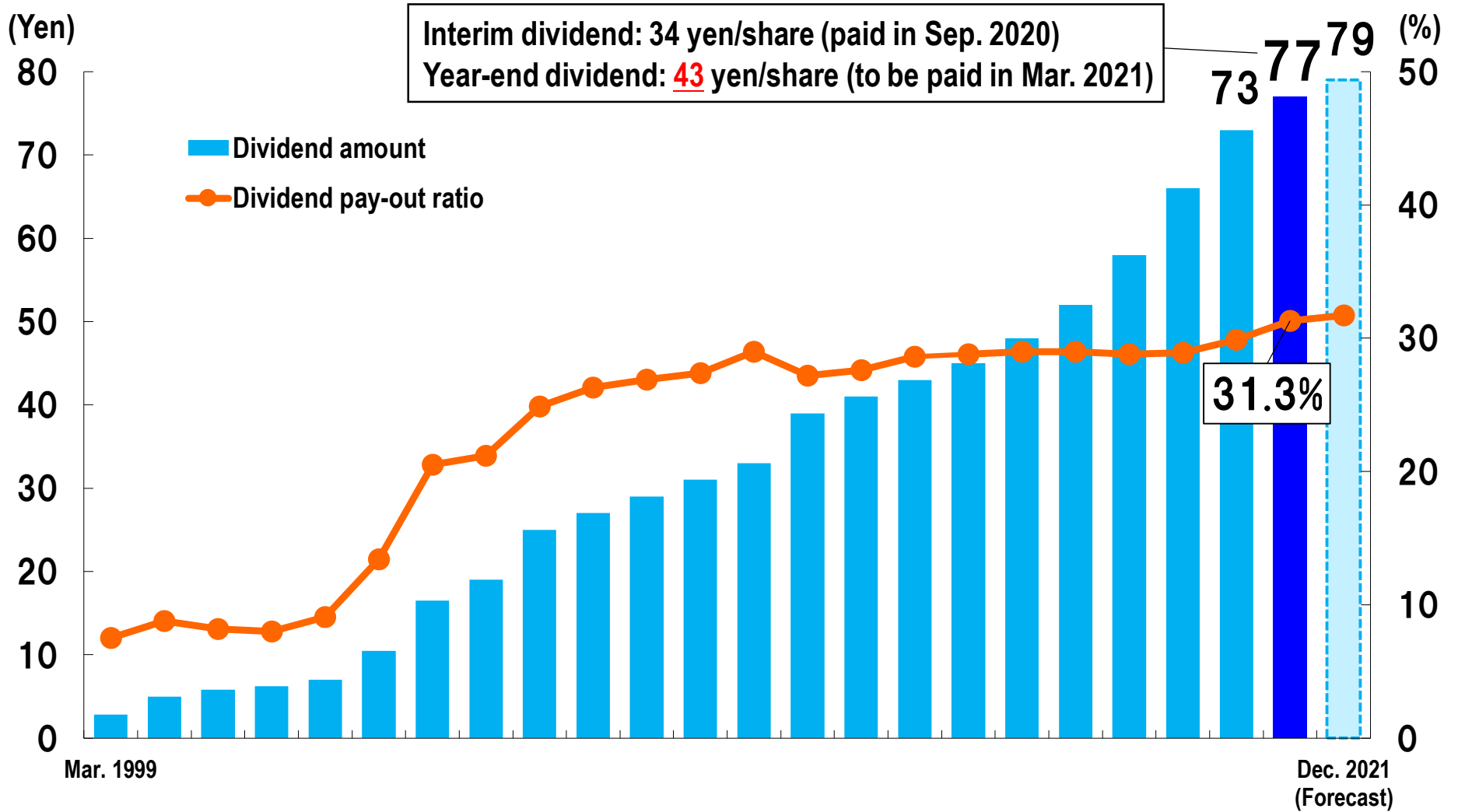
31/66

	FY2020 results (Jan. to Dec. 2020)	FY2021 forecast (Jan. to Dec. 2021)		
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Margin (%)
Net sales	1,505	1,560	+3.6%	-
Operating income	259	260	+0.2%	16.7%
Ordinary income	277	278	+0.3%	17.8%
Net income	192	195	+1.5%	12.5%
EBITDA*	300	310	+3.2%	19.9%
EPS	245.71 yen	249.48 yen	-	-
ROE	10.8%	10.3%	-	-
ROIC	10.1%	9.5%	-	-
Net sales of Domestic Business	1,193	1,195	+0.1%	-
Net sales of International Business	214	266	+23.9%	-
Net sales of Direct Marketing Business	90	93	+2.6%	-

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Changes in Dividend Payment

In FY2020, we have increased the year-end dividend by 2 yen/share to 43 yen/share, paying an annual dividend of 77 yen/share. In FY2021, we plan to increase the annual dividend by 2 yen/share, aiming to achieve an increase in dividend payment for the 23rd consecutive term.





Medium-Term Management Plan and Business Outlook

February 1, 2021

Akihiro Kobayashi
President & Chief Operating Officer
Kobayashi Pharmaceutical Co., Ltd.

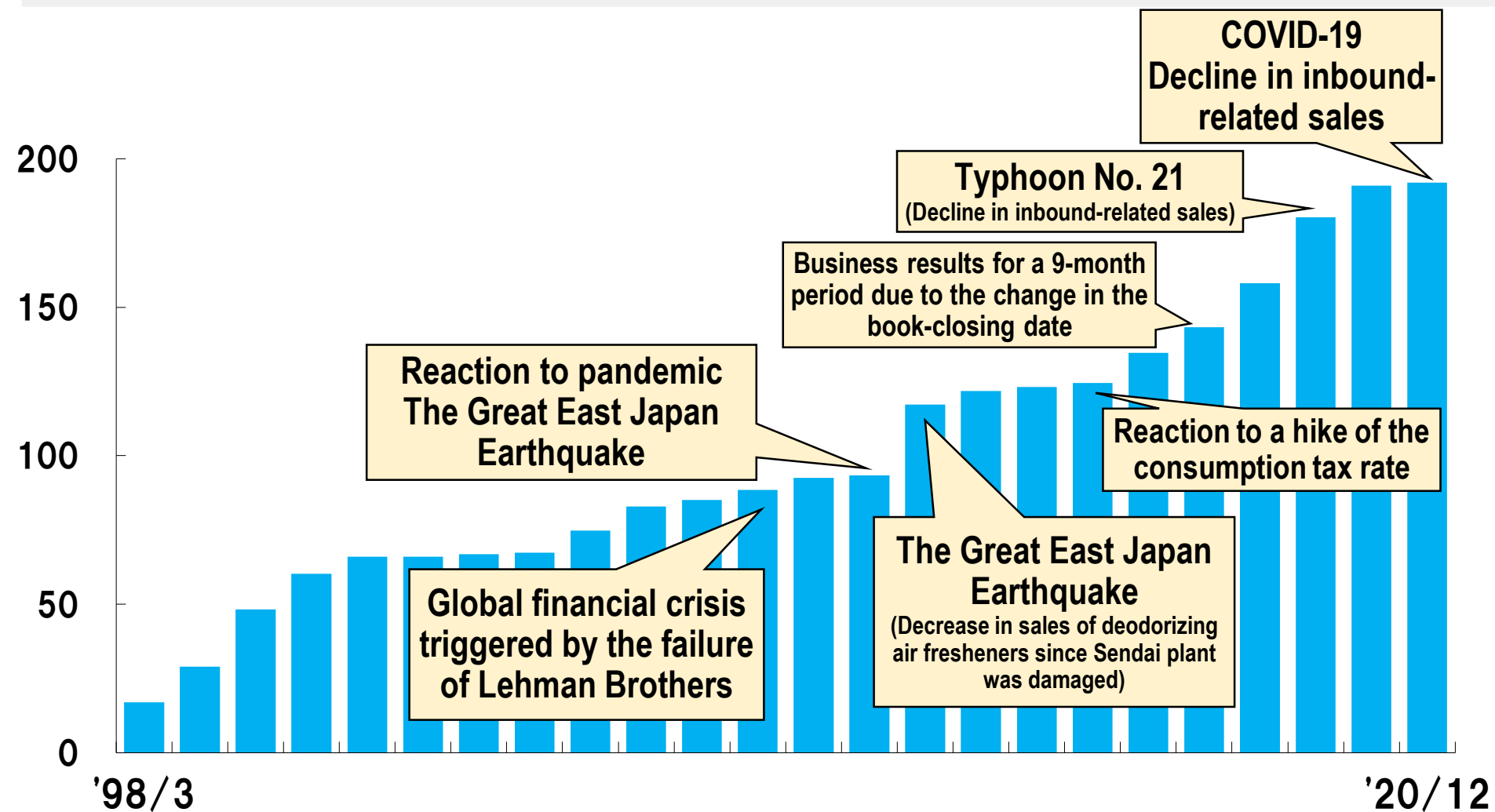
	FY2019 results	FY2020 results		
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Difference from the previous term (100 million yen)
Net sales	1,583	1,505	-4.9%	-78
Operating income	256	259	+1.1%	+3
(Margin)	16.2%	17.2%	—	—
Net income	191	192	+0.3%	+1
Advertising expenses	226	184	-18.6%	-42
(Percentage)	14.3%	12.1%	—	—
Net sales via stores in Japan	1,230	1,193	-3.0%	-37
excluding inbound-related sales	1,130	1,177	+4.2%	+47
Inbound-related sales only	101	16	-84.6%	-85
Net sales of International Business	244	214	-12.1%	-30

<Ranking in sales changes (excluding inbound-related sales)>

	Sales decrease		Sales increase	
	Brand	Decrease amount	Brand	Increase amount
1	<i>BreathCare</i> ★	-1.3 billion yen	<i>Inochi no Haha</i>	+0.6 billion yen
2	<i>Netsusama Sheet</i> ★	-0.5 billion yen	<i>Kaoru Stick</i>	+0.6 billion yen
3	<i>Hiroless</i>	-0.3 billion yen	<i>Eaude Muge</i> ★	+0.5 billion yen
4	<i>PB body warmer</i>	-0.2 billion yen	<i>Hananoa</i> ★	+0.4 billion yen
5	<i>SakamuCare</i>	-0.1 billion yen	<i>Glasses Cleaner</i> ★	+0.4 billion yen
6	<i>Asewaki Pad</i> ★	-0.1 billion yen	<i>Eyebon</i> ★	+0.3 billion yen
7	<i>Shoshugen for Toilet</i>	-0.1 billion yen	<i>Bluelet</i>	+0.3 billion yen
8	<i>Chikunain</i> ★	-0.1 billion yen	<i>Kiribai Haru Body Warmer</i>	+0.3 billion yen
9	<i>Toughdent</i> ★	-0.1 billion yen	<i>Nodonool Spray</i> ★	+0.3 billion yen
10	<i>Shoshugen for Rooms</i>	-0.1 billion yen	<i>Dusmock</i> ★	+0.2 billion yen

The ★ mark indicates suffering from the impact of the spread of COVID-19 pandemic.

Under our corporate brand slogan, “You make a wish and we make it happen,” we have developed and launched various niche products over many years. Our efforts have supported sales even in difficult times, enabling us to achieve a 23rd consecutive term of growth in net income.



Announcement of the medium-term management plan (January 31, 2020)



Changes in business environment inside and outside of the Company

**Negative impacts
on business results**

COVID-19
pandemic

**Disappearance
of inbound-related demand**

COVID-19
pandemic

**Fall in consumer spending due to
the government's request
for self-restraint from going out
and deterioration of economy**

COVID-19
pandemic

**Decrease in the number of
persons who suffer from
infectious diseases (colds, etc.)**

**Positive impacts
on business results**

COVID-19
pandemic

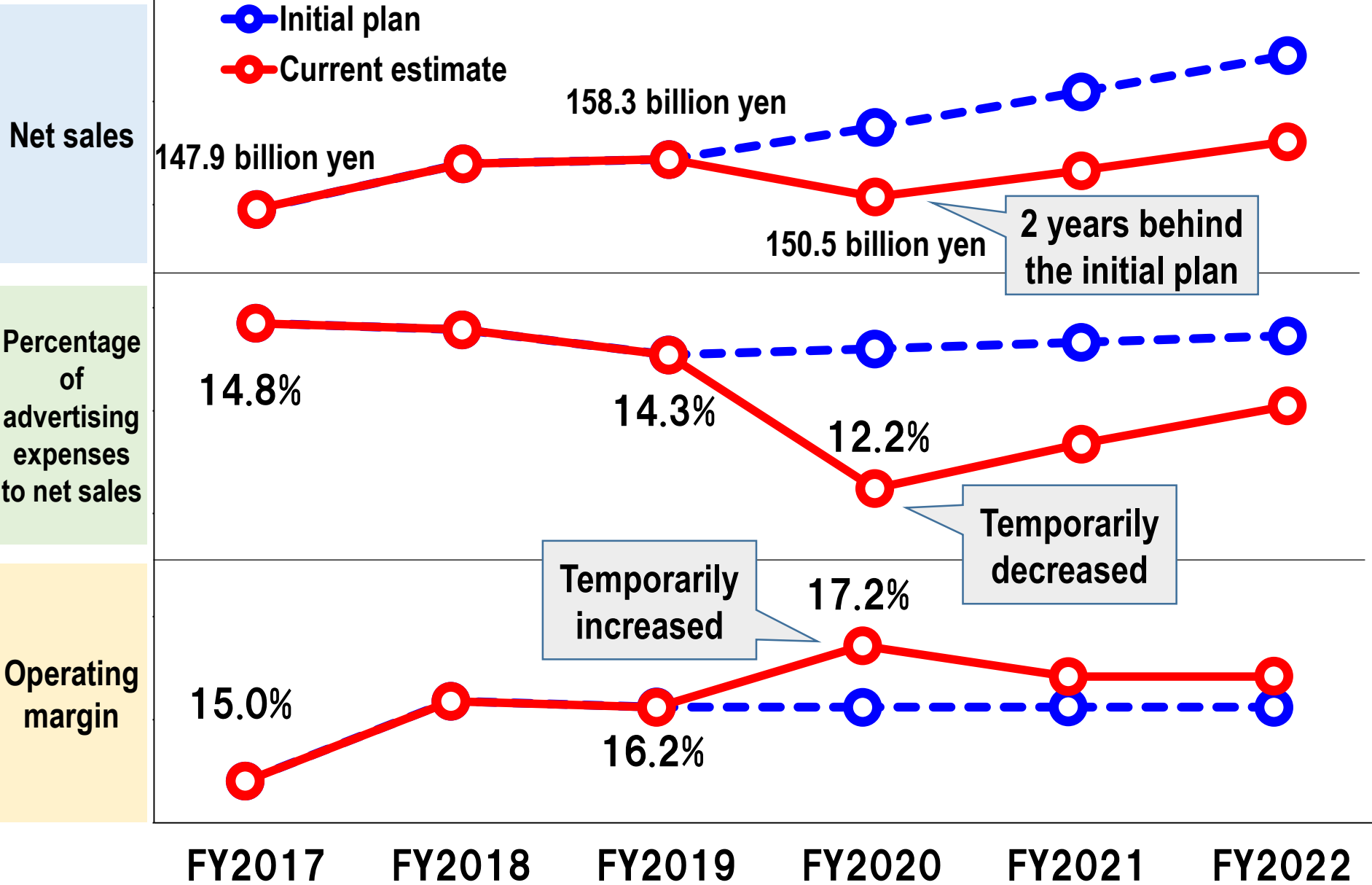
Change in life-style

COVID-19
pandemic

**Acceleration in the
expansion of needs for
healthcare and disease prevention**

M&A (OTC in North America)

Our Policy on Relationship between Advertising Expenses and Operating Margin under the Medium-Term Management Plan



Performance Target in FY2022 (Revised)

39/66

	FY2020 results	FY2022 target (initial)	FY2022 target (revised)	Average annual growth rate in the coming two years	Average annual growth rate (initial)
Net sales	150.5 billion yen	180.0 billion yen or more	162.0 billion yen or more	3.7% or more	4.4% or more
Operating income	25.9 billion yen	29.0 billion yen or more	27.0 billion yen or more	2.0% or more	4.4% or more
(Margin)	17.2%	16.0% or more	No revision	—	—
Net income	23rd consecutive increase	25th consecutive increase		—	—
ROE	10.8%	11.0% or more	10.0% or more	—	—
ROIC	10.1%	10.0% or more	9.0% or more	—	—
Net sales of Domestic Business	119.3 billion yen	135.4 billion yen or more	122.3 billion yen or more	1.0% or more	3.0% or more
Sales of International Business	21.4 billion yen	33.0 billion yen or more	29.5 billion yen or more	17.0% or more	10.0% or more
(Percentage)	14.3%	18.0% or more	No revision	—	—
Sales of Direct Marketing Business	9.0 billion yen	10.4 billion yen or more	9.6 billion yen or more	2.0% or more	2.0% or more

Performance Target in FY2022 (Revised)

*Excluding Alva

40/66

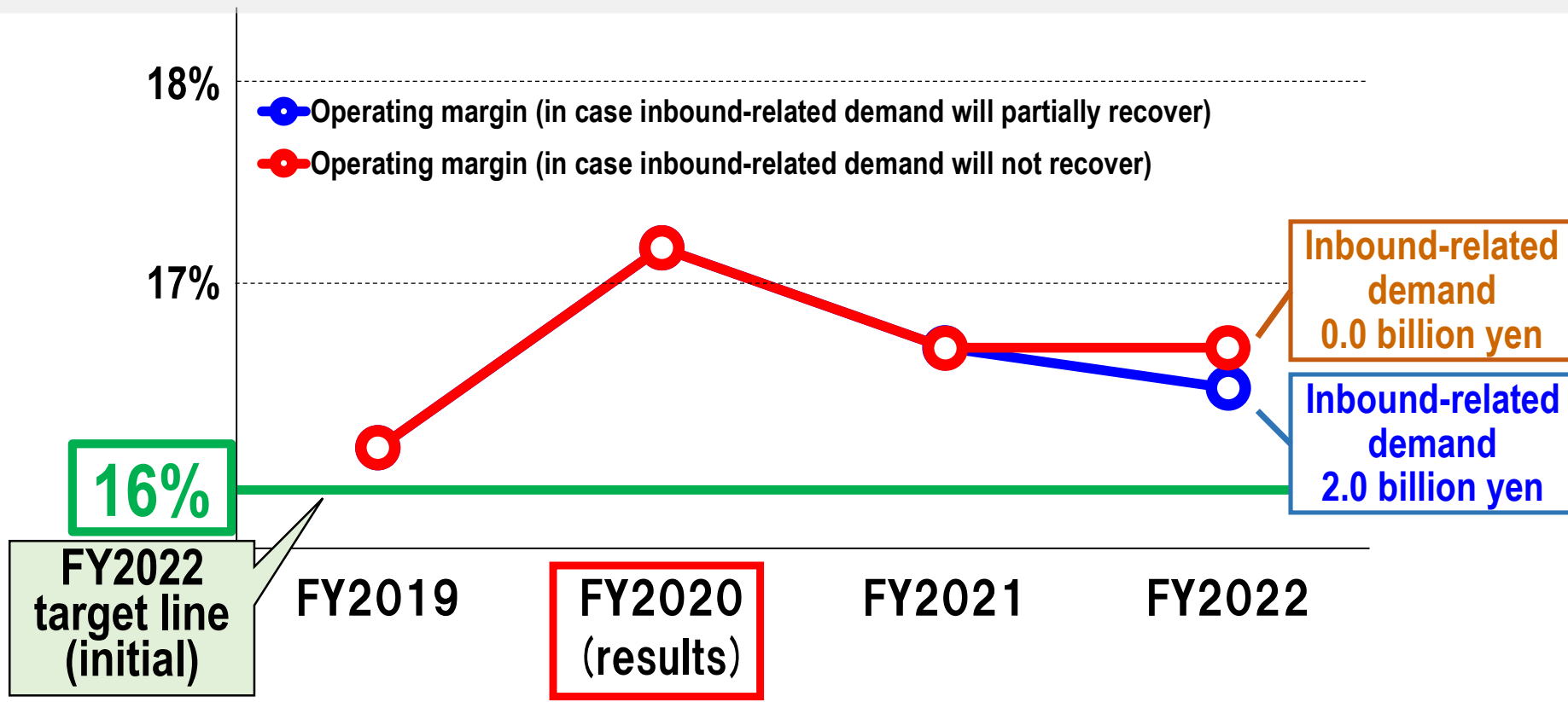
	FY2020 results	FY2022 target (initial)	FY2022 target (revised)	Average annual growth rate in the coming two years	Average annual growth rate (initial)
Net sales	150.5 billion yen	180.0 billion yen or more	158.9 billion yen or more	2.8% or more	4.4% or more
Operating income	25.9 billion yen	29.0 billion yen or more	27.9 billion yen or more	3.7% or more	4.4% or more
(Margin)	17.2%	16.0% or more	No revision	—	—
Net income	23rd consecutive increase	25th consecutive increase		—	—
ROE	10.8%	11.0% or more	10.0% or more	—	—
ROIC	10.1%	10.0% or more	9.0% or more	—	—
Net sales of Domestic Business	119.3 billion yen	135.4 billion yen or more	122.3 billion yen or more	1.0% or more	3.0% or more
Sales of International Business	21.4 billion yen	33.0 billion yen or more	26.4 billion yen or more	11.0% or more	10.0% or more
(Percentage)	14.3%	18.0% or more	16.6% or more	—	—
Sales of Direct Marketing Business	9.0 billion yen	10.4 billion yen or more	9.6 billion yen or more	2.0% or more	2.0% or more

* Excluding the impact of Alva (net sales, net income, amortization of goodwill, etc.)

Impact of Inbound-Related Sales on Operating Margin

41/66

In FY2020, operating margin rose since operating income slightly grew despite a decline in net sales. Even if inbound-related demand partially recovers in the future, operating income in FY2022 is not projected to largely exceed 27.0 billion yen, since we plan to increase advertisement investments. However, we plan to maintain operating margin above 16.0%, our initial target.



Announced on January 31, 2020

Theme: “International Business First”

<Outline of strategies>

Adjust considering
the impact of
COVID-19 pandemic

- 1. Put full energy into developing the International Business**
- 2. Further expand the existing businesses**
- 3. Enhance management abilities from the viewpoint of ESG**
- 4. Establish a foundation to create innovation and new businesses**

1. Put full energy into developing the International Business

Progress

- Development of new products for the domestic market with sales in the Chinese market in mind (*Decoral Peach* in September)
- Launching of OTC pharmaceuticals in China (*Bifunight* in October)
- Enhancing of a foundation of the OTC Pharmaceutical Business in North America (acquisition of Alva-Amco Pharmacal Companies, Inc. in October)

Tasks

- Establishment of effective marketing and sales promotion methods in China EC
- Development of new OTC pharmaceuticals in North America

Simultaneous launch of a new product in Japan and China (September)



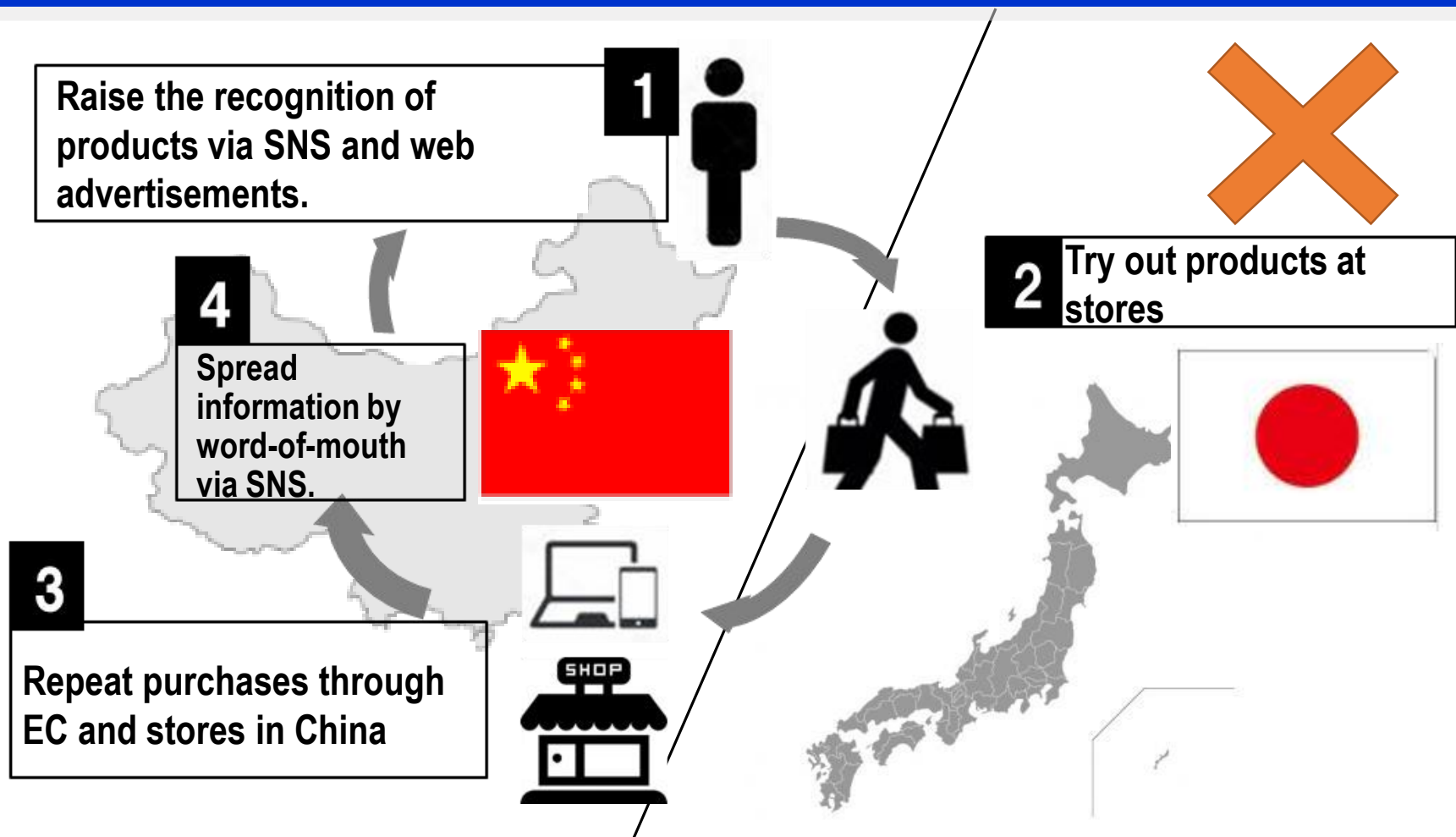
Launching of *Bifunight* in China (October)



Acquisition of OTC pharmaceutical company in North America (October)



As the number of foreign visitors to Japan has declined to almost zero due to the impact of the COVID-19 pandemic, we found that our initial strategy in mainland China was not effective anymore. We implement a new strategy under which we run trial advertisements targeted for EC in China and increase advertisements for products that sell well.



We will strengthen web marketing, mainly live commerce and commercial videos, and increase the accuracy to capture consumers who make trial purchases via e-commerce.

Live commerce



WEB advertisements


Shoshugen



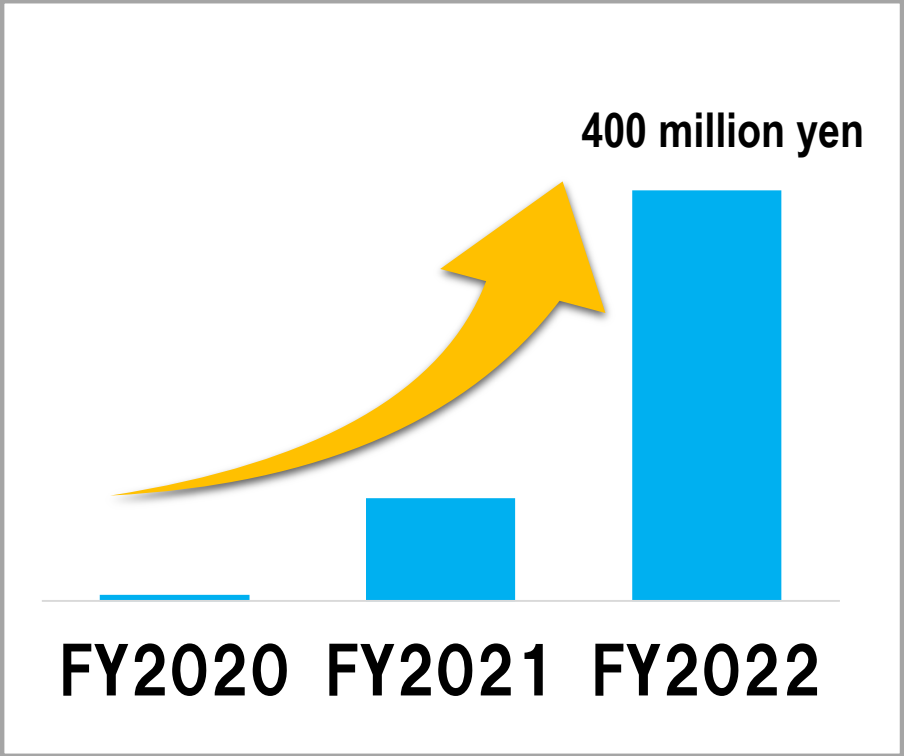
Decoral



We plan to launch two items, including *Ammeltz*, in 2021. We will use our sales channel for *Netsusama Sheet* (around 80,000 pharmacies) to expand shipments. We aim to generate sales of around 400 million yen in the OTC pharmaceutical segment in 2022.

FY2020	
FY2021	<div>Medicine for external use</div> <div><i>Ammeltz</i></div>

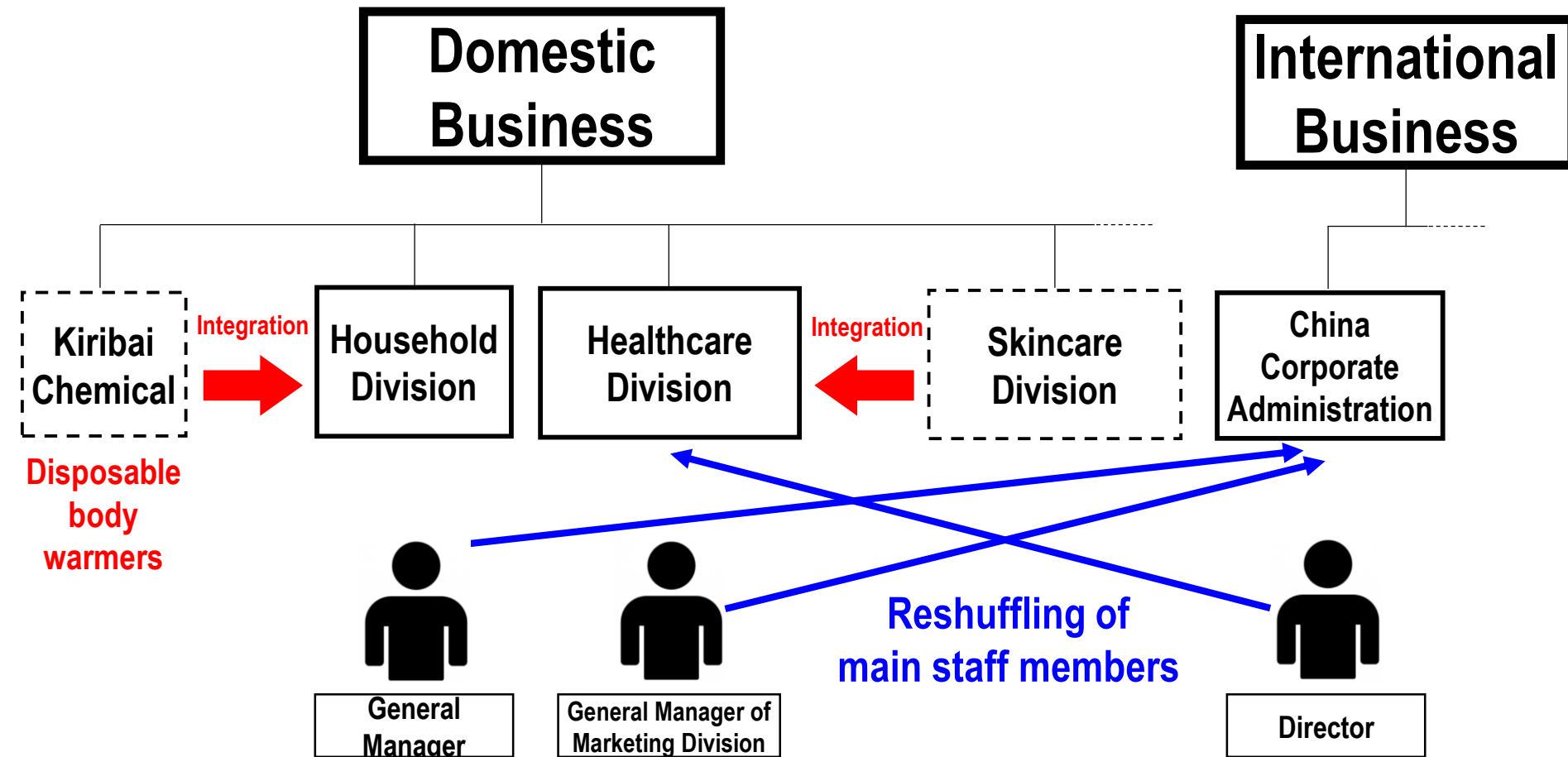
Sales plan of OTC pharmaceuticals



Change of “International Business First” Structure (1)

47/66

With world-wide growth in mind, we have simplified our organizations. We have reshuffled main staff members to strengthen cooperation among divisions in Japan and abroad.



We have created the “global toilet bowl cleaner category” in the Household Division in Japan to accelerate the global deployment of *Bluelet*.



<Missions>

- (1) Expand business in Japan
- (2) Establish a foothold for *Bluelet* in each Asian country
- (3) Formulate a medium- and long-term strategy in each Asian country

We have acquired complete control of Alva-Amco Pharmacal Companies. Inc. to expand the OTC Pharmaceutical Business in North America (announced on October 16, 2020).

<Main products of Alva-Amco Pharmacal Companies>



Medicine for athlete's foot



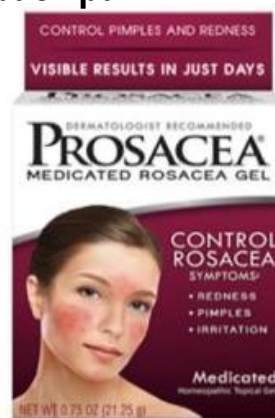
Internal anti-inflammatory agent for lower-back pain



Anti-nausea drug

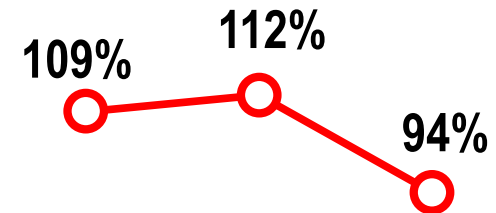


Diuretic drug



Medicine for rosacea

Changes in the recent sales (year-on-year change)



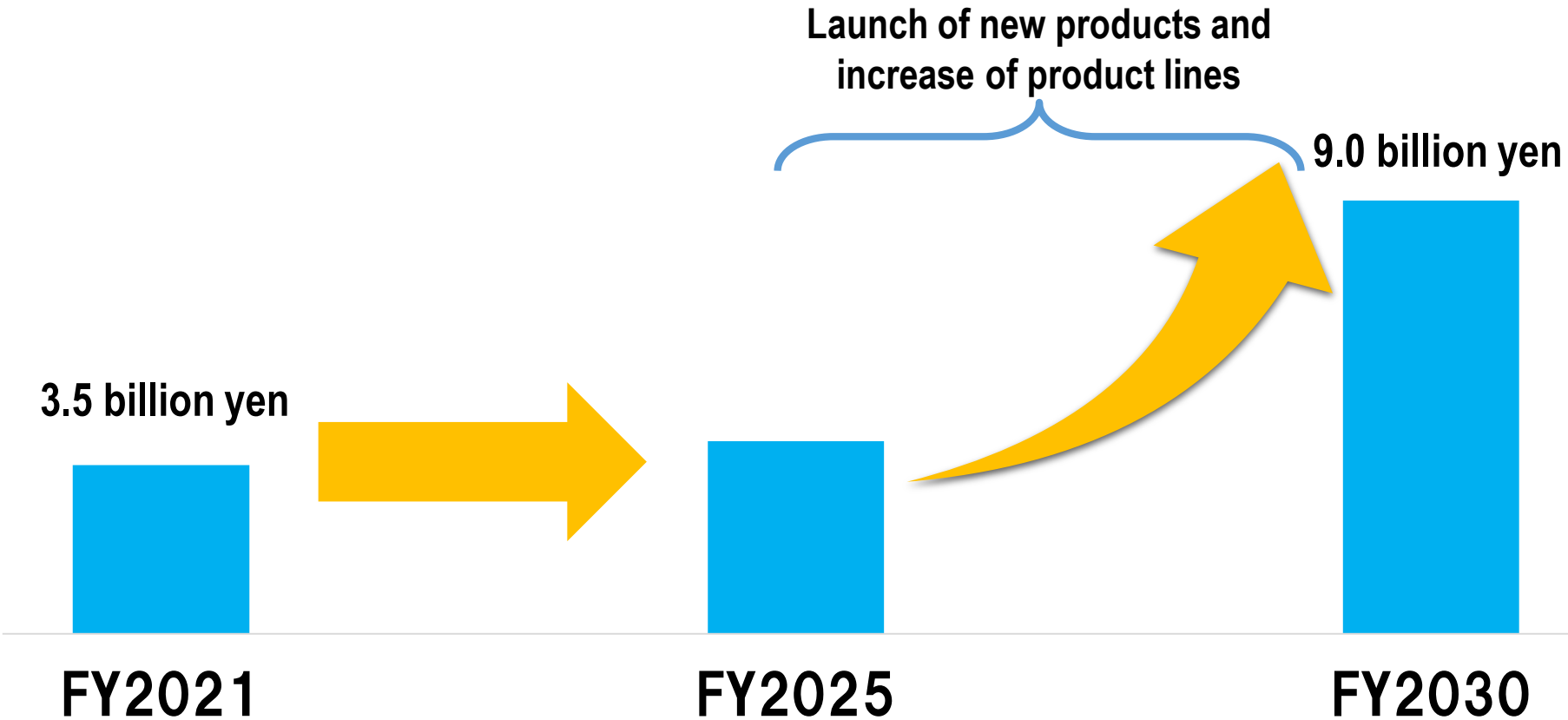
October November December

<Tasks>

- Expansion of new product themes
- Know-how for fostering products

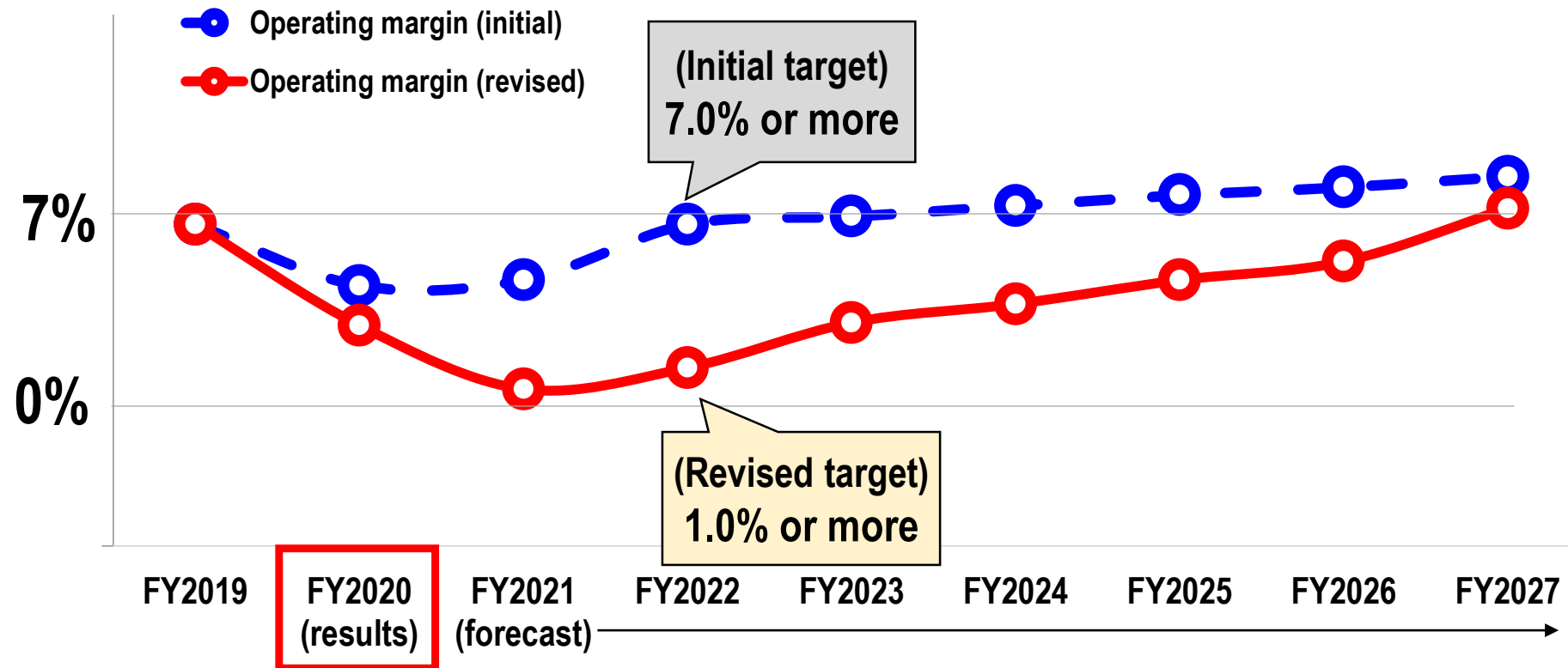
In the OTC Pharmaceutical Business in North America, we will launch new products in four to five years to expand sales, aiming to generate sales of 9.0 billion yen in FY2030. This will lower the percentage of less lucrative body warmers to total sales, being expected to improve the operating margin of the North America Business over the long term.

<Image of sales growth of OTC pharmaceuticals in North America>



With regard to the acquisition of Alva-Amco Pharmacal Companies. Inc., we will amortize goodwill of around 10.8 billion yen over 10 years. We have reviewed our operating margin target of the International Business since we will amortize around 1.3 billion yen of goodwill each year for the first six years.

<Image of changes in operating margin of the International Business>



2. Further expand the existing businesses

Progress

- **Launch of 9 new products to cope with a change in lifestyle under the spread of COVID-19 pandemic**
- **Enhancement of sales capabilities in the body warmer category following the consolidation of Kiribai Chemical**
- **Establishment of a trial marketing method for new products using EC**

Tasks

- **Recovery of new products' contribution rate**
- **Restoring of the Direct Marketing Business**
- **Enhancing use of web media to make up a decline in the efficiency of TV media**

Nine new products



Strengthening of sales of body warmers via stores

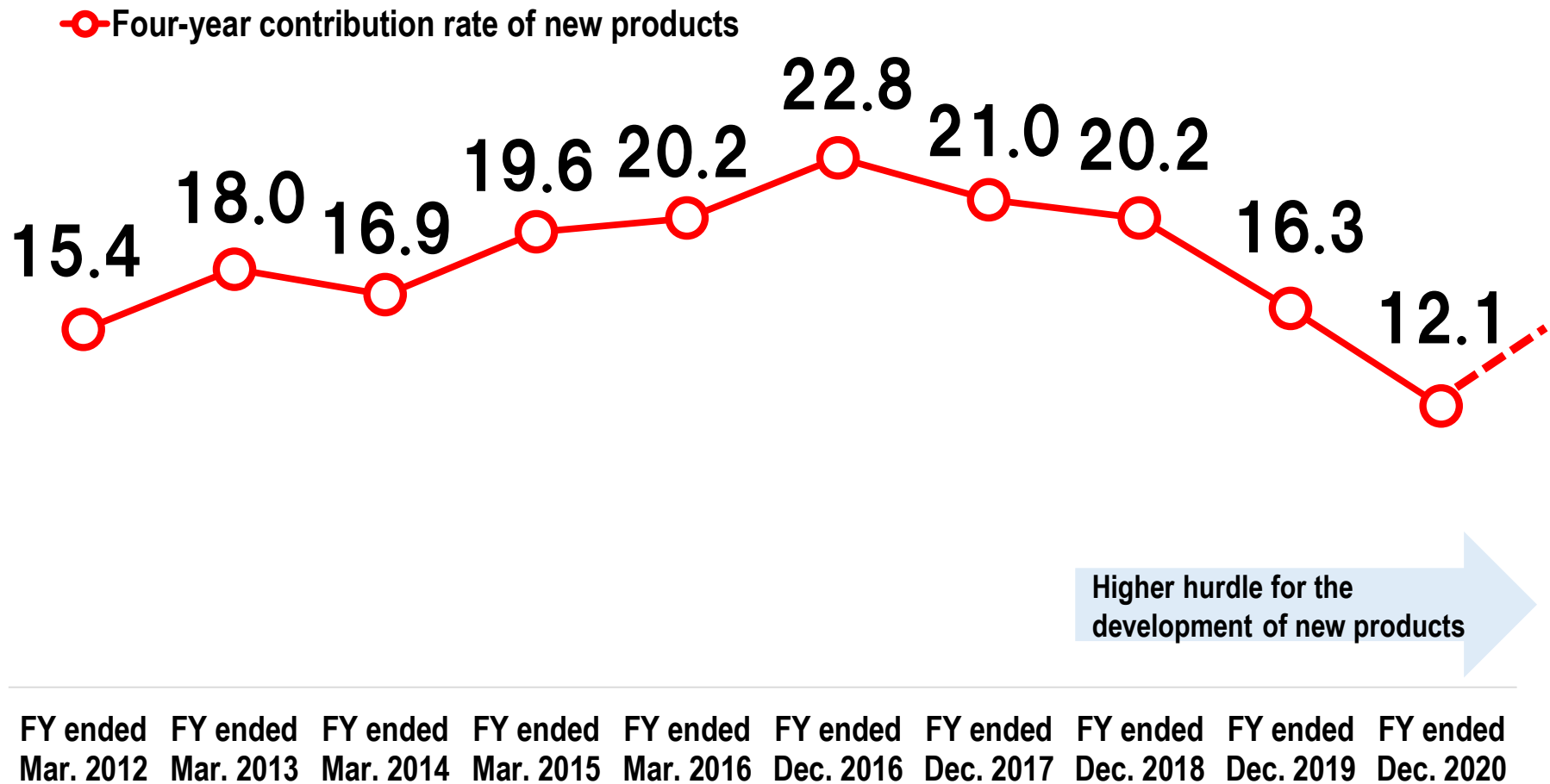


Number of retailers
that stock a heap of
Magma on the
counter

FY2019: 400 stores



FY2020: 3,843 stores



New products that are expected to establish a foothold in the future (target: four products per year)

Launched in FY2019

Launched in FY2020



Under our idea proposal system, our employees have contributed more than 10,000 ideas for new products that meet the needs of the new lifestyle under the spread of the COVID-19 pandemic. We will speedily develop new products by capturing changes in the future.

<New products to be launched in the Spring of 2021>



<Fall of 2021>

Seven products are planned to be launched.

We have strengthened the development of new products in the functional foods category. We will launch them through both store and direct marketing routes and maximize sales by running advertisements and sales promotions through both routes.

Direct marketing

(To be marketed in February 2021)



Stores

(To be marketed in April 2021)



Marketed in FY2016

We temporarily suspended our investment in response to the spread of the COVID-19 pandemic, but resumed some projects whose prospects have become clear.



We aim to double production per worker on the production line (improvement of productivity by 200%) in 10 years by introducing labor-saving processes and automation at each plant.

Capital expenditures
in the past

Slow-growth economy

- Small-size facilities
- 24-hour production on a three-shift system

Changes of
business
environment

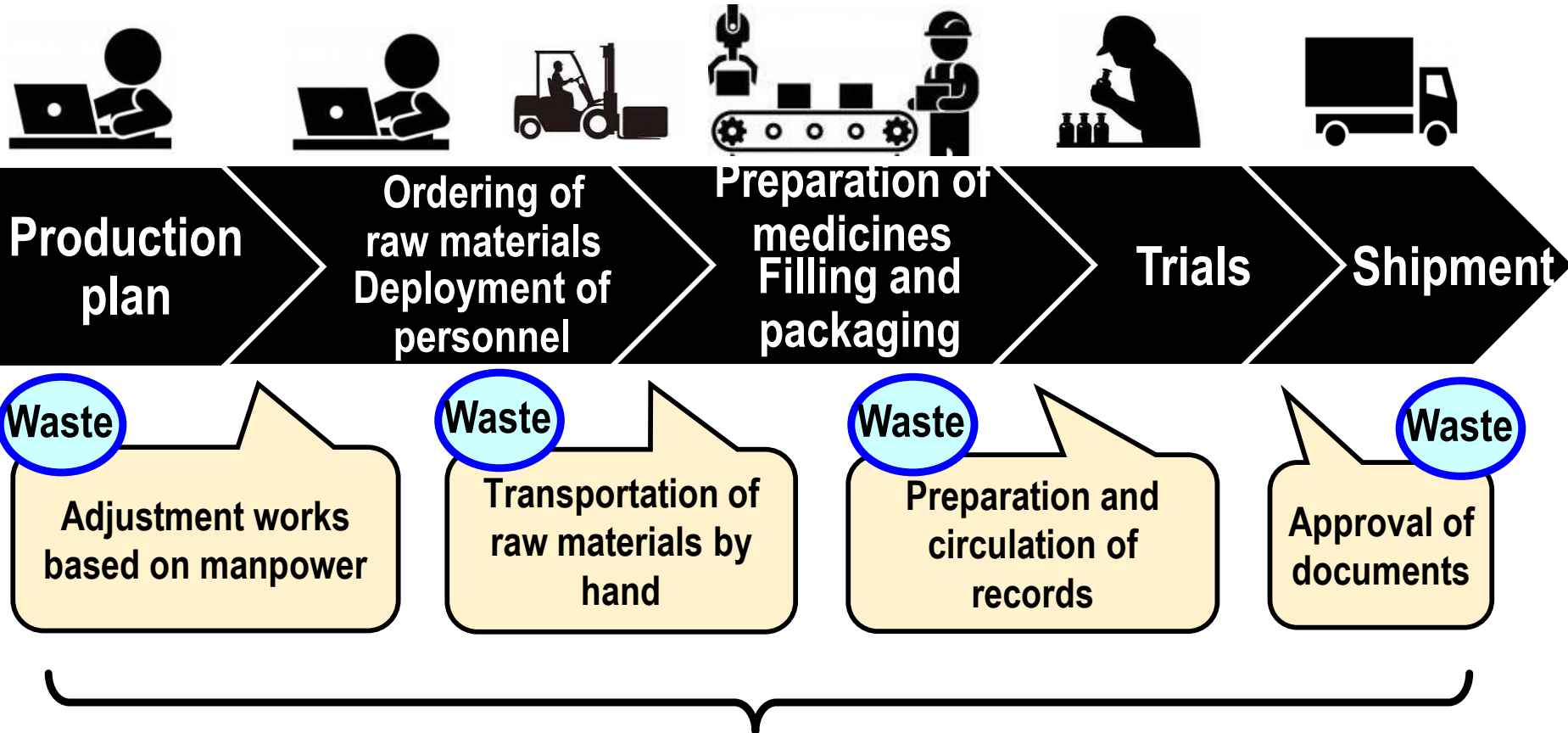
Capital expenditures
in the future

Shortage of labor

- Large-size facilities to manufacture at regular times
- 24-hour production at a fully-automated plant

We aim to improve productivity by 200%.

We will implement investment to completely eliminate waste by smoothly connecting each process at our plants.



We will streamline the connection of each process.

We will preferentially invest in core parts of our value chain to promote digitalization by using AI and IoT.

**Product
development**



Manufacturing



Sales

**Development of
technology to create
ideas on new products
using AI.**

**Use of advanced
technology optimized
for small-lot
production**

**Development of
purchasing behavior
analysis using AI and
know-how to improve
the space efficiency**

← Overall business processes →

Improvement of efficiency using RPA

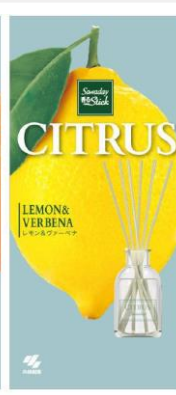
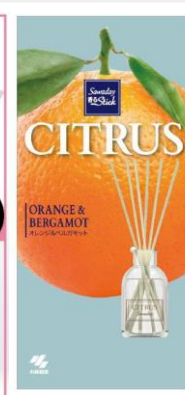
Progress of Main KPIs

61/66

Item	FY2019 results	FY2020		FY2022 target
		Results	Progress	
Four-year contribution rate of new products	16.3%	12.1%	●	20% or more (in Japan)
Cultivating new products released in Japan in China	—	1 products	●	5 products in 3 years
Establishment of new products	—	4 products per year	●	2 products every 6 months (in Japan)
Number of CSV brands; CSV brand share of total sales	—	1 brand	●	1 or more in each category; 10%
Employees' job satisfaction	Kobayashi Pharmaceutical :71%	Kobayashi Pharmaceutical :72% Group in Japan :68%	● —	Group in Japan :85% or more
Reduction of CO ₂ emissions	—	Scope 3 Preparing target	●	Scope 1, 2: Progress towards FY2030 target Scope 3: Setting of target
Reduction of environmental load in product development	—	Decided to introduce eco-standards for product development in 2021	●	Plastic: Switching to highly sustainable materials Paper: Maintaining 100% use of FSC-certified paper
Percentage of management positions held by women	8.6%	11.5%	●	16%
Percentage of employees who report feeling growth through their jobs (employee attitude survey)	Kobayashi Pharmaceutical :69%	Kobayashi Pharmaceutical :75% Group in Japan :70%	● —	Group in Japan :75%
Percentage of employees getting regular medical checkups; getting follow-up examinations	100%・73%	100%・64%	●	100%・80%
Percentage of employees who report feeling able to work in mentally and physically good condition (employee attitude survey)	Kobayashi Pharmaceutical :61%	Kobayashi Pharmaceutical :67% Group in Japan :61%	● —	Group in Japan :75%

● Sufficiently achieved ● Partially achieved ● Insufficiently achieved

We aim to generate annual sales of 3.8 billion yen with 14 items.



Efforts to Promote ESG

FY2017

Set the materiality of ESG

FY2018

Upgraded the structure of the Group Environmental Committee

Committed to the SBT initiative

FY2019

Announced the Kobayashi Pharmaceutical Group Environmental Statement 2030

Endorsed the TCFD recommendations

Responded to the climate change questionnaire sent out by CDP for the first time (received a “C” score for climate change questionnaire; received a “B” score for water security questionnaire)

Set the target for reduction of CO₂ emissions in 2030

FY2020

Under the medium-term management plan, we have strengthened our efforts to wrestle with important tasks related to E (environment) conservation.



In 2021, we have introduced the “Kobayashi Pharmaceutical Eco-Standards for Product Development,” the Company’s original standards for product designing with aim to contribute to the reduction of environmental load. We will put the Eco Label on the packages of products that satisfy any one of the criteria.

Item		Evaluation criteria for granting the ECO Label
Raw material procurement	(1)	Plant-based raw materials account for 50% or more of the ingredients (organic constituents).
	(2)	Recycled raw materials account for 10% or more of the ingredients.
Material procurement and product design	(3)	Recycled raw materials account for 10% or more of a container and packaging.
	(4)	Plant-based raw materials account for 20% or more of a container and packaging.
	(5)	The weight of a container and packaging is reduced by 10% or more compared to the reference products*.
	(6)	Waste amounts are reduced by 10% or more compared to the reference products*.
	(7)	The weight of a refill or a replacement good is reduced by 50% or more per unit volume compared to the container and packaging of the product.
	(8)	The weight of raw materials for ingredients is reduced by 10% or more compared to the reference products*.
Total life-cycle	(9)	The emission of CO ₂ is reduced by 10% or more at any stage of the product total life-cycle (procurement and disposal of ingredients, procurement and disposal of packaging containers, production, distribution, and use) compared to the reference products*.

ECO Label



* The reference products are existing products at the end of FY2018. For products launched in FY2019 or later, those initially launched products are used as the reference products.

Shoshugen has cleared the evaluation criteria for granting the ECO Label by switching to eco-friendly resins. We will grant the ECO Label to 88 items including *Bluelet* to successively put them on the market in March 2021. We plan to increase the number of products with the ECO Label in the future.

Products with ECO Label



Switching to eco-friendly resins



Outer cap
Recycled resins
account for 30%
of the cap.

[Bottle]
Recycled resins
account for 100%
of the bottle material.

* Designs are provisional ones.

We will put 88 items with the ECO Label on the market in the Spring 2021.

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<Note>

Of the Company's current business performance, plans and strategies included in this material, items that are not historical facts are outlooks on future performance, which are based on the judgment of the Company's management according to currently available information. Therefore, please note that actual performance may differ significantly from the future outlook described in this material due to changes in various factors.

Reference

Consolidated Income Statement

1

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
Net sales	319	342	388	454	96.5%	1,505	95.1%
Gross profit	182	202	228	240	97.4%	852	93.7%
Margin	57.1%	59.0%	58.7%	52.8%	-	56.6%	-
Operating income	48	53	92	64	110.3%	259	101.1%
Margin	15.3%	15.6%	23.9%	14.1%	-	17.2%	-
Advertising expenses	38	48	39	57	82.7%	184	81.4%
Sales promotion expenses	6	7	7	10	91.6%	32	84.8%
Ordinary income	50	59	100	66	104.4%	277	99.6%
Margin	15.8%	17.5%	25.8%	14.7%	-	18.4%	-
Net income	37	44	70	39	101.4%	192	100.3%
Margin	11.7%	13.1%	18.1%	8.7%	-	12.8%	-

Consolidated Balance Sheet (1)

2

(Unit: 100 million yen)	End of Dec. 2019	End of Mar. 2020	End of Jun. 2020	End of Sep. 2020	End of Dec. 2020
Current assets	1,630	1,563	1,598	1,646	1,642
Cash and deposits	755	793	835	826	782
Notes and accounts receivable-trade	541	411	393	451	528
Short-term investment securities	149	154	150	148	160
Inventories	153	177	191	193	141
Non-current assets	706	655	651	626	741
Property, plant and equipment	211	200	203	206	208
Intangible assets	31	30	30	30	127
Investment and other assets	463	424	416	388	405
Total assets	2,337	2,218	2,249	2,272	2,383

Consolidated Balance Sheet (2)

3

(Unit: 100 million yen)	End of Dec. 2019	End of Mar. 2020	End of Jun. 2020	End of Sep. 2020	End of Dec. 2020
Current liabilities	537	458	437	411	500
Notes and accounts payable-trade	79	81	79	80	75
Short-term loans payable	0	0	0	0	0
Accounts payable-other	241	182	176	163	209
Non-current liabilities	73	55	60	62	57
Total net assets	1,726	1,704	1,751	1,798	1,825
Capital surplus	41	41	41	41	41
Retained earnings	1,736	1,742	1,787	1831	1,870
Treasury stock	-197	-197	-197	-197	-197
Total liabilities and net assets	2,337	2,218	2,249	2,272	2,383

Consolidated Cash Flow

4

(Unit: 100 million yen)	Jan. to Dec. 2019	Jan. to Dec. 2020	Changes
Cash flow from operating activities	200	239	38
Cash flow from investing activities	-50	-126	-75
Cash flow from financing activities	-145	-60	85
Free cash flow	150	113	-36

(Unit: 100 million yen)	Jan. to Dec. 2019	Jan. to Dec. 2020	Jan. to Dec. 2021 forecast	Changes
Capital expenditures (including goodwill)	60	151	52	-99
Depreciation (including amortization of goodwill)	40	40	50	10

(Unit: yen)	Jan. to Dec. 2019	Jan. to Mar. 2020	Jan. to Jun. 2020	Jan. to Sep. 2020	Jan. to Dec. 2020	Jan. to Dec. 2021 forecast
US dollar	109.1	108.9	108.3	107.6	106.8	106
Chinese yuan	15.8	15.6	15.4	15.4	15.4	15.2

Results by Segment (Domestic Business)

6

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
Net sales	247	289	305	350	97.2%	1,193	97.0%
Gross profit	140	170	183	184	98.0%	677	95.3%
Margin	56.7%	58.8%	59.9%	52.5%	-	56.8%	-
Operating income	43	57	83	57	113.4%	241	106.0%
Margin	17.7%	20.0%	27.2%	16.3%	-	20.3%	-
Advertising expenses	29	41	32	46	86.0%	149	81.8%
Percentage	11.9%	14.2%	10.6%	13.2%	-	12.5%	-
Sales promotion expenses	3	3	2	3	76.7%	12	92.6%
Percentage	1.3%	1.2%	0.9%	1.0%	-	1.1%	-

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
Healthcare products	123	130	143	145	93.5%	542	93.2%
Pharmaceuticals	71	75	85	77	88.8%	310	94.5%
Food	15	16	19	23	117.9%	74	101.4%
Oral care products	37	38	38	45	92.3%	158	87.5%
Household products	104	138	138	141	96.2%	522	98.7%
Sanitary products	35	29	27	32	78.5%	125	91.9%
Deodorizing air fresheners	57	95	97	94	102.1%	345	99.2%
Household articles	10	12	13	14	109.7%	51	115.3%
Skin care products	15	18	18	21	108.2%	73	101.3%
Body warmers	4	0	6	42	111.0%	54	117.6%

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
Net sales	47	29	59	78	93.3%	214	87.9%
Gross profit	24	13	27	36	94.0%	101	85.5%
Margin	50.4%	45.6%	46.7%	46.5%	-	47.3%	-
Operating income	3	-7	7	3	68.9%	7	40.6%
Margin	7.6%	-	11.9%	4.8%	-	3.3%	-

Advertising expenses	2	2	1	5	57.8%	12	59.8%
Percentage	5.1%	3.5%	1.4%	2.6%	-	5.9%	-
Sales promotion expenses	2	3	3	5	105.4%	14	85.6%
Percentage	4.5%	10.5%	5.4%	7.5%	-	6.7%	-

Results by Segment (International Business)

9

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
U.S.	12.5	4.6	26.5	37.6	81.7%	81.3	86.7%
China and Hong Kong	17.9	12.3	19.4	26.7	104.6%	76.4	90.5%
China	13.9	10.2	16.0	22.5	108.1%	62.8	99.3%
(Stores)	6.2	2.3	6.6	11.1	99.8%	26.7	76.5%
(Mainland EC)	5.9	6.0	7.4	11.3	121.1%	30.5	128.8%
(Cross-border EC)	1.8	1.9	1.9	0.0	23.5%	5.4	120.4%
(EC percentage)	55.5%	77.8%	58.1%	50.6%	-	57.4%	-
Hong Kong	4.0	2.1	3.3	4.1	89.0%	13.6	64.3%
Southeast Asia	10.7	7.5	6.0	7.3	117.6%	31.6	78.1%
Singapore	0.5	0.9	0.8	0.3	57.9%	2.6	91.7%
Malaysia	3.7	1.9	1.5	1.3	6,532%	8.5	82.5%
Thailand	2.5	0.6	1.6	0.8	68.6%	5.6	59.5%
Indonesia	0.8	1.0	0.4	0.3	57.8%	2.8	74.1%
Philippines	1.4	2.4	0.9	-0.0	-	4.7	76.7%
Taiwan	1.7	0.3	0.6	4.5	136.6%	7.2	92.9%
Other	6.3	4.7	7.0	6.9	108.2%	25.1	99.2%

FY2020	Quarter base					Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.		Jan. to Dec.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Percentage (%)	Amount (100 million yen)	Percentage (%)
Net sales	21	22	22	23	98.6%	90	92.8%
Gross profit	15	16	15	16	98.2%	63	94.0%
Margin	70.7%	69.9%	70.0%	70.1%	-	70.2%	-
Operating income	-0.1	1.2	0.8	0.8	185.1%	2.8	119.7%
Margin	-	5.4%	4.0%	3.6%	-	3.1%	-

Advertising expenses	6	5	5	5	105.6%	22	100.2%
Percentage	31.0%	22.0%	24.3%	22.3%	-	24.8%	-
Sales promotion expenses	1	1	1	1	87.6%	6	71.2%
Percentage	6.2%	6.4%	6.8%	7.4%	-	6.7%	-