

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended December 31, 2020

February 1, 2021

Listed exchanges	: Tokyo
Listed company name	: Kobayashi Pharmaceutical Co., Ltd.
Code	: 4967
URL	: https://www.kobayashi.co.jp/english/index.html
Representative officer	: Akihiro Kobayashi, President & COO
Contact	: Satoshi Yamane, Senior Executive Director & Senior General Manager, Corporate Headquarters
Tel	: +81-6-6222-0142
Expected date of general meeting of shareholders:	March 26, 2021
Expected date for starting payment of dividends:	March 5, 2021
Expected date for filing financial report with the Finance Ministry:	March 26, 2021
Preparation of supplementary explanation documents for Financial Statements:	Yes
Holding of an analyst meeting for the financial results:	Yes (For analysts and investors)

(Any fraction less than 1 million yen is rounded down to the nearest million yen.)

1. Consolidated Results for Fiscal Year Ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

(% figures represent changes from previous period.)

	FY ended December 31, 2020		FY ended December 31, 2019	
Net sales	150,514 millions of yen	(4.9) %	158,340 millions of yen	— %
Operating income	25,943	1.1	25,658	—
Ordinary income	27,726	(0.4)	27,851	—
Net income attributable to owners of the parent	19,205	0.3	19,139	—
Net income per share	245.71 yen		244.08 yen	
Return on equity		10.8		11.3
Return on assets		11.7		12.0
Ratio of operating income to net sales		17.2		16.2

(Note) Comprehensive income
FY ended December 31, 2020: 15,710 million yen (-20.5%) FY ended December 31, 2019: 19,754 million yen (16.9%)

(Notes)

- The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and "Implementation Guidance on the Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) have been early applied from the beginning of the fiscal year ended December 31, 2020. In accordance with the basic treatment, the new accounting policy has been retrospectively applied to the results of previous fiscal years. Accordingly, the year-on-year percentage changes for the fiscal year ended December 31, 2019 were retrospectively revised and have been omitted from the table above.
- From the fiscal year ended December 31, 2020, the Company and its consolidated subsidiaries in Japan have changed the depreciation method for all property, plant and equipment to the straight-line method of depreciation. Furthermore, the service life of some property, plant and equipment and intangible assets has been changed in accordance with their actual service life. The amounts calculated based on the previous method (the year-on-year percentage changes for the fiscal year ended December 31, 2020) are provided below.

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Fiscal year ended December 31, 2020 (Unit: millions of yen)

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
150,514 (4.9)%	26,694 4.0%	28,479 2.3%	19,720 3.0%

(2) Consolidated Financial Position

	FY ended December 31, 2020	FY ended December 31, 2019
Total assets	238,366 millions of yen	233,732 millions of yen
Net assets	182,583	172,657
Shareholders' equity ratio	76.6 %	73.9 %
Net assets per share	2,335.93 yen	2,208.94 yen

(Reference) Shareholders' equity
 FY ended December 31, 2020: 182,583 million yen FY ended December 31, 2019: 172,657 million yen

(Note)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on the Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) have been early applied from the beginning of the fiscal year ended December 31, 2020. In accordance with the basic treatment, the new accounting policy has been retrospectively applied to the results of previous fiscal years.

(3) Consolidated Cash Flow

	FY ended December 31, 2020	FY ended December 31, 2019
Net cash provided by (used in) operating activities	23,986 millions of yen	20,089 millions of yen
Net cash provided by (used in) investing activities	(12,656)	(5,072)
Net cash provided by (used in) financing activities	(6,019)	(14,581)
Cash and cash equivalents at period-end	61,157	56,272

2. Dividends

	FY ended December 31, 2019	FY ended December 31, 2020	FY ending December 31, 2021 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	33.00 yen	34.00 yen	35.00 yen
Q3 end	—	—	—
Year-end	40.00	43.00	44.00
Total	73.00	77.00	79.00
Total dividends	5,705 millions of yen	6,018 millions of yen	
Payout ratio (consolidated)	29.9 %	31.3 %	31.7 %
Ratio of dividends to net assets (consolidated)	3.4	3.4	

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3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% figures represent changes from previous period.)

	Full year	
Net sales	156,000 millions of yen	3.6 %
Operating income	26,000	0.2
Ordinary income	27,800	0.3
Net income attributable to owners of the parent	19,500	1.5
Net income per share	249.48 yen	

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes of the scope of consolidation): Yes

Excluded: 1 (Company name) Shanghai Kobayashi Daily Chemicals Co., Ltd.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

① Changes in accounting policies due to revisions of accounting standards: None

② Changes in accounting policies other than ①: Yes

③ Changes in accounting estimates: Yes

④ Retrospective restatement: None

(Note) For details, please refer to "3. Consolidated Financial Statements and Main Notes (5) Notes on consolidated financial statements (Changes in accounting policies, etc.)" on Page 14 of the attachment.

(3) Issued shares (common shares)

① Number of shares issued at period-end (including treasury stock):

FY ended December 31, 2020	82,050,000 shares	FY ended December 31, 2019	82,050,000 shares
FY ended December 31, 2020	3,886,911 shares	FY ended December 31, 2019	3,886,837 shares
FY ended December 31, 2020	78,163,158 shares	FY ended December 31, 2019	78,416,700 shares

② Number of shares of treasury stock at period-end:

③ Average number of shares outstanding during period:

* This brief report of financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* Notes on proper use of forecasts and other matters

The forward-looking statements in this document concerning forecasting of operational results, etc., are based on currently available information and assumptions considered reasonable by the Company. Actual operational results may be significantly different from these statements due to various factors. For matters concerning forecasts for operational results, please refer to "1. Overview of Operational Results, etc., (4) Forecast for Year Ending December 31, 2021" on page 6 of the attachment.

(Method to obtain the supplementary explanation documents for Financial Statements)

The Company plans to hold a results presentation for institutional investors and securities analysts on Monday, February 1, 2021. It plans to post the supplementary documents for financial results to be distributed in the results presentation on its website on the date of the results presentation.

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KOBAYASHI PHARMACEUTICAL CO., LTD.

1. Overview of Operational Results, etc.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Implementation Guidance on the Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) have been applied from the beginning of the fiscal year ended December 31, 2020. In addition, regarding the application of the Accounting Standard for Revenue Recognition, etc., the new accounting policy has been retrospectively applied to previous fiscal years in accordance with the basic treatment stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition.

Therefore, the figures of consolidated financial statements for previous fiscal years below are those retrospectively prepared according to the new accounting policy.

(1) Overview of Operational Results for FY Ended December 31, 2020

Overview of Consolidated Results						(Unit: millions of yen)
	Previous Year (FY ended December 31, 2019)		Current Year (FY ended December 31, 2020)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Change (%)
Net sales	158,340	100.0	150,514	100.0	(7,825)	(4.9)
Operating income	25,658	16.2	25,943	17.2	285	1.1
Ordinary income	27,851	17.6	27,726	18.4	(125)	(0.4)
Net income attributable to owners of the parent	19,139	12.1	19,205	12.8	65	0.3
Net income per share (yen)	244.08		245.71		1.63	0.7

During the consolidated fiscal year under review, the outlook of the business environment surrounding the Kobayashi Pharmaceutical Group continued to remain uncertain. This was because due to the COVID-19 pandemic, there were concerns about a slowdown of global economic activities, and sluggish consumption continued in Japan because of self-restraint concerning nonessential outings and the sharp decline in the number of foreign visitors to Japan.

Under these circumstances, the Group launched new products to meet customers’ needs, strengthened its existing product lineups, and invested in businesses with high future growth potential, under the brand slogan “You make a wish and we make it happen.”

As a result, net sales, operating income, ordinary income, and net income attributable to owners of the parent were 150,514 million yen (−4.9% year on year), 25,943 million yen (+1.1% year on year), 27,726 million yen (−0.4% year on year), and 19,205 million yen (+0.3% year on year), respectively.

Business results by segment were as follows:

Domestic Business

In the Domestic Business, the Company launched nine new products in the spring and another 14 in the fall. The products that contributed to the growth in sales were *Teirakku* (a Chinese herbal medicine for persons who suffer various symptoms caused by barometric pressure changes, such as headache, drowsiness, dizziness and swelling), *Sawaday Kaoru Stick Hokuou* (a stick-type fragrance for indoor use containing natural scents in a simple design that matches Scandinavian-style interiors), and *Mi-mi Aid* (a medicine for treating repeated skin irritation around the ears).

Furthermore, people’s lifestyles have changed in many ways due to the spread of new coronavirus infections. We worked on the development of new products to solve new problems that people were newly facing during the pandemic. This effort resulted in the launching of nine products, *Nodonool Mask Murekan Taisaku* (a spray that relieves the stuffiness experienced when wearing a mask) and *Ururu Tekuto Shodokudekiru Hand Milk* (a hand cream that simultaneously disinfects and retains moisture of the hands), which helped increase sales.

In addition, demand for disinfectant and sanitary products—items used to prevent infection, such as masks—increased sharply from around the middle of January 2020. Existing products that recorded robust sales included *Nodonool Spray* (a medicine that disinfects viruses and germs in the affected area of the throat), *Glasses Cleaner Fukifuki* (a sheet that effectively removes finger marks and greasy dirt from lenses by gentle wiping), *Hananoa* (a rinsing agent that easily cleans the nasal cavity without pain), and *Eau de Muge* (a medicated lotion for preventing acne and rough dry skin).

Meanwhile, inbound-related demand greatly decreased due to a fall in the number of foreign visitors to Japan.

Furthermore, sales of *BreathCare* (an oral breath freshener capsule that refreshes the breath from the stomach) and *Asewaki Pad* (a sweat absorbing sheet that is attached to the armholes of clothes to prevent sweat stains and yellow staining) declined from the previous year due to self-restraint on going out and a reduction in the number of drinking parties.

Consequently, the Company reported net sales of 125,161 million yen (−3.4% year on year) and segment income (ordinary income) of 24,752 million yen (+5.3% year on year). Meanwhile, operating income was 24,177 million yen (+6.0% year on year).

Net sales include inter-segment sales or transfers, which totaled 6,497 million yen in the previous consolidated fiscal year and 5,819 million yen in the consolidated fiscal year under review.

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(Breakdown of sales to external customers)

	Previous Year (FY ended December 31, 2019)	Current Year (FY ended December 31, 2020)	(Unit: millions of yen)	
			Change	
			Amount	Change (%)
Healthcare products	58,232	54,275	(3,956)	(6.8)
Household products	52,981	52,285	(696)	(1.3)
Skin care	7,268	7,366	97	1.3
Body warmers	4,605	5,414	809	17.6
Total	123,087	119,342	(3,745)	(3.0)

International Business

In the International Business, the Company markets body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory), mostly in the United States, China and Southeast Asia, and sought to expand sales by aggressively investing principally in advertising and sales promotion.

Demand for disinfectant and sanitary products, such as *Netsusama Sheet* and *Glasses Cleaner*, increased in each country due to the spread of new coronavirus infections.

On the other hand, sales were sluggish in many countries due to the impact of lockdowns and self-restraint concerning nonessential outings. Furthermore, sales of body warmers decreased in the U.S., China, and the U.K. due to the mild winter worldwide.

As a result, net sales and segment income (ordinary income) were 22,712 million yen (-10.4% year on year) and 813 million yen (-57.3% year on year), respectively. Operating income was 700 million yen (-59.4% year on year).

Net sales include inter-segment sales or transfers, which totaled 938 million yen in the previous consolidated fiscal year and 1,245 million yen in the consolidated fiscal year under review.

(Breakdown of sales to external customers)

	Previous Year (FY ended December 31, 2019)	Current Year (FY ended December 31, 2020)	(Unit: millions of yen)	
			Change	
			Amount	Change (%)
United States	9,381	8,138	(1,243)	(13.3)
China	8,453	7,648	(805)	(9.5)
Southeast Asia	4,057	3,169	(887)	(21.9)
Others	2,530	2,510	(19)	(0.8)
Total	24,423	21,467	(2,956)	(12.1)

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove to gain new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, including advertising and direct mail. However, the Company had difficulty expanding sales since it failed to launch attractive new products that could significantly contribute to sales growth.

Consequently, the Company reported net sales of 9,066 million yen (-7.2% year on year) and segment income (ordinary income) of 285 million yen (+19.0% year on year). Meanwhile, operating income was 283 million yen (+19.7% year on year).

Net sales do not include inter-segment sales or transfers.

Other Businesses

Businesses in this segment include the transportation business, the manufacture and sale of plastic containers, real estate management, and advertising planning and production. The companies in this business segment operate individually on a financially independent basis, and their delivery prices of materials and services were reviewed and revised as necessary.

As a result, net sales and segment income (ordinary income) were 6,384 million yen (-4.7% year on year) and 2,349 million yen (-10.6% year on year), respectively. Operating income was 732 million yen (+2.2% year on year).

Net sales include inter-segment sales or transfers, which totaled 5,635 million yen in the previous consolidated fiscal year and 5,746 million yen in the consolidated fiscal year under review.

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(2) Overview of Financial Position for FY Ended December 31, 2020

(Consolidated Financial Position)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2019)	Current Year (FY ended December 31, 2020)	Change
Total assets	233,732	238,366	4,634
Net assets	172,657	182,583	9,925
Shareholders' equity ratio	73.9%	76.6%	2.7%
Net assets per share (yen)	2,208.94 yen	2,335.93 yen	126.99 yen

The Company's financial position in the consolidated fiscal year under review is as follows:

Total assets increased by 4,634 million yen from the balance as of the end of the previous consolidated fiscal year to 238,366 million yen. This was attributable mainly to an increase of 2,673 million yen in cash and deposits, a decline of 1,300 million yen in notes and accounts receivable-trade, a rise of 1,107 million yen in short-term investment securities, a fall of 1,136 million yen in merchandise and finished goods, a growth of 5,701 million yen in goodwill, an increase of 3,937 million yen in trademark rights, a decrease of 5,059 million yen in investment securities.

Liabilities declined by 5,291 million yen from the balance as of the end of the previous consolidated fiscal year to 55,783 million yen. This was attributable mainly to a fall of 3,192 million yen in accounts payable-other and a decrease of 1,422 million yen in deferred tax liabilities.

Net assets increased by 9,925 million yen from the balance as of the end of the previous consolidated fiscal year to 182,583 million yen, bringing the shareholders' equity ratio to 76.6%. This was attributable mainly to the increase of 13,421 million yen in retained earnings.

(3) Overview of Cash Flows for FY Ended December 31, 2020

(Consolidated Cash Flow)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2019)	Current Year (FY ended December 31, 2020)	Change
Net cash provided by (used in) operating activities	20,089	23,986	3,896
Net cash provided by (used in) investing activities	(5,072)	(12,656)	(7,584)
Free cash flow	15,017	11,329	(3,687)
Net cash provided by (used in) financing activities	(14,581)	(6,019)	8,561
Cash and cash equivalents at period-end	56,272	61,157	4,884

Cash flows from operating activities

Net cash provided by operating activities totaled 23,986 million yen. The major factors affecting this cash flow were: income before income taxes of 26,635 million yen, depreciation of 3,837 million yen, a decrease in notes and accounts receivable-trade of 1,588 million yen, a decrease in inventories of 1,309 million yen, a decrease in notes and accounts payable-trade of 984 million yen, a decrease in accounts payable-other of 3,194 million yen, interest and dividend income received of 813 million yen, and income taxes paid of 7,972 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 12,656 million yen. The major factors affecting this cash flow were: payments into time deposits of 51,271 million yen, proceeds from withdrawal of time deposits of 53,401 million yen, proceeds from sales and redemption of securities of 6,623 million yen, purchase of property, plant and equipment of 3,795 million yen, purchase of investment securities of 6,620 million yen, and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 11,355 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 6,019 million yen. The major factor affecting this cash flow was: cash dividends paid of 5,784 million yen.

Consequently, cash and cash equivalents as of December 31, 2020 totaled 61,157 million yen, an increase of 4,884 million yen from the end of the previous fiscal year.

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Trend of Cash Flow Indicators

	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019	As of December 31, 2020
Shareholders' equity ratio (%)	71.2	70.3	72.7	73.9	76.6
Shareholders' equity ratio on a market price basis (%)	195.8	264.1	255.7	310.0	413.5
Ratio of net cash to interest-bearing liabilities (year)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	738.6	801.7	753.8	1,631.3	1,593.8

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market price basis: Total market value of shares/Total assets

Ratio of net cash to interest-bearing liabilities: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

* These indicators are calculated based on consolidated financial results.

* Total market value of stock is calculated by the following formula: closing price at period-end x outstanding shares at period-end (excluding treasury stock).

* Operating cash flow is based on net cash provided by operating activities reported on the consolidated statement of cash flow. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the consolidated statement of cash flow.

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(4) Forecast for Year Ending December 31, 2021

(Unit: millions of yen)

	Current Year (FY ended December 31, 2020)		Next Year (FY ending December 31, 2021)		Percentage change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Net sales	150,514	100.0	156,000	100.0	3.6
Operating income	25,943	17.2	26,000	16.7	0.2
Ordinary income	27,726	18.4	27,800	17.8	0.3
Net income attributable to owners of the parent	19,205	12.8	19,500	12.5	1.5
Net income per share (yen)	245.71		249.48		1.5

The outlook for the Japanese economy is expected to remain uncertain since there are still concerns about a slowdown of global economic activities due to the expansion of the COVID-19 pandemic; and consumption is likely to continue to be sluggish in Japan because of self-restraint on going out and the sharp decline in the number of foreign visitors to Japan.

Under these circumstances, the Kobayashi Pharmaceutical Group will try to develop and deliver new products with unprecedented added value to its customers, under the brand slogan "You make a wish and we make it happen." Furthermore, the Group worked out a new medium-term management plan that ends in FY2022 on January 31, 2020. Under the theme "International Business First," the Kobayashi Pharmaceutical Group will put its full energies into developing the International Business and strive to achieve sustainable growth by steadily implementing each strategy formulated in the management plan.

In the Domestic Business, the Company will launch 14 new products this spring. The new products include *MasCure* (a medicine for curing itching, rash, and bumps caused by prolonged mask-wearing), *Zero-ora* (a germ-killing, total care toothpaste that provides protection for your teeth and gums by sterilizing various germs inside the mouth at once), *Benikoji CholesteHelp* (a functional food containing ang-khak as a functional component to lower low-density lipoprotein), and *Eau de Muge Barrier Gel* (a medical lotion to help replenish the skin's barrier while preventing acne and rough dry skin). Furthermore, Kobayashi Pharmaceutical will further encourage employees to generate ideas for new product development so that it can commercialize new products by promptly identifying niche problems that are likely to arise in the future along with a change in lifestyle due to the spread of COVID-19 pandemic (including wearing a mask throughout a year, a rise in health awareness, an increase in telecommuting, a shift to OTC due to a decrease in visits to a hospital). While stimulating new demand in the way as mentioned above, the Company will also strengthen its existing product lineup to accelerate sales.

In the International Business, especially in the United States, China and Southeast Asia, the Company will follow a marketing strategy of expanding sales mainly in body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead), and *Ammeltz* (an external anti-inflammatory). Particularly in mainland China, it will run trial advertisements on products sold in Japan targeted for EC in China and increase advertisements for products that sell well. To that end, Kobayashi Pharmaceutical will strengthen web marketing, mainly live commerce and commercial videos, and increase their accuracy to capture consumers who make trial purchases via e-commerce. In addition, the Company will strive to expand the OTC business in North America by focusing on developing and fostering new products at Alva-Amco Pharmaco Companies, Inc. that it acquired in 2020.

In the Direct Marketing Business, the Company will launch unique new products characteristic of Kobayashi Pharmaceutical, especially focusing on the development of functional food whose concept is easy to explain to customers. Then, it will aggressively carry out a sales promotion campaign using advertisements and direct mail, mainly for nutritional supplements and skin care products, to cultivate new customers and encourage existing customers to reorder and boost sales.

Through these efforts, the Company is forecast to achieve consolidated net sales of 156,000 million yen, operating income of 26,000 million yen, ordinary income of 27,800 million yen and net income attributable to owners of the parent of 19,500 million yen in the fiscal year ending December 31, 2021.

(5) Basic Policy for Profit Distribution and Dividend Payments for Fiscal Year Ended December 31, 2020 and Fiscal Year Ending December 31, 2021

The Company regards returns to shareholders as one of its most important management tasks, and has been striving to enhance corporate value by generating higher cash flow. To that end, it will maintain healthy management and actively invest in businesses with high growth potential. While setting the stable payment of dividends as its basic policy, the Company aims to enhance returns to shareholders by paying reasonable dividends based on the Company's consolidated operational results.

According to the above policy, the Company pays dividends twice a year (an interim dividend and a year-end dividend) and proposes to pay a regular dividend to shareholders of 77 yen, up 2 yen from the previous forecast (including the interim dividend of 34 yen per share already paid and a year-end dividend of 43 yen per share) for the year ended December 31, 2020. For the year ending December 31, 2021, the Company plans to pay a regular dividend of 79 yen per share (including an interim dividend of 35 yen per share and a year-end dividend of 44 yen per share).

2. Basic Policy for the Selection of Accounting Standards

Considering situations in Japan and overseas, the Company will appropriately deal with the application of Internal Financial Reporting Standards (IFRS).

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3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(millions of yen)

	Previous consolidated fiscal year (December 31, 2019)	Current consolidated fiscal year (December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	75,580	78,253
Notes and accounts receivable-trade	54,150	52,850
Short-term investment securities	14,977	16,085
Merchandise and finished goods	10,096	8,960
Work in process	1,679	1,548
Raw materials and supplies	3,550	3,631
Other	3,056	2,917
Allowance for doubtful accounts	(45)	(21)
Total current assets	163,046	164,225
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,520	7,961
Machinery, equipment and vehicles, net	4,751	4,729
Tools, furniture and fixtures, net	1,284	1,397
Land	4,248	4,739
Leased assets, net	856	656
Construction in progress	1,519	1,337
Total property, plant and equipment	21,180	20,821
Intangible assets		
Goodwill	1,582	7,284
Trademark rights	92	4,030
Software	1,071	1,286
Other	365	192
Total intangible assets	3,112	12,794
Investments and other assets		
Investment securities	39,533	34,474
Long-term loans receivable	572	700
Deferred tax assets	2,028	1,443
Real estate for investment, net	2,727	2,765
Other	2,150	1,908
Allowance for doubtful accounts	(619)	(766)
Total investments and other assets	46,392	40,525
Total non-current assets	70,685	74,141
Total assets	233,732	238,366

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(millions of yen)

	Previous consolidated fiscal year (December 31, 2019)	Current consolidated fiscal year (December 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,979	7,558
Electronically recorded obligations-operating	8,836	8,368
Short-term loans payable	19	13
Accounts payable-other	24,160	20,968
Lease obligations	190	170
Income taxes payable	4,962	4,371
Accrued consumption taxes	1,224	1,417
Provision for bonuses	2,368	2,797
Other	4,024	4,441
Total current liabilities	53,767	50,107
Non-current liabilities		
Lease obligations	682	505
Deferred tax liabilities	2,779	1,357
Net defined benefit liability	2,024	1,920
Provision for directors' retirement benefits	39	40
Other	1,781	1,852
Total non-current liabilities	7,307	5,675
Total liabilities	61,074	55,783
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	4,183
Retained earnings	173,650	187,071
Treasury stock	(19,762)	(19,763)
Total shareholders' equity	161,521	174,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,212	10,449
Foreign currency translation adjustment	(586)	(1,517)
Re-measurements of retirement benefit plans	(1,489)	(1,290)
Total accumulated other comprehensive income	11,136	7,641
Total net assets	172,657	182,583
Total liabilities and net assets	233,732	238,366

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
(Consolidated Income Statement)

	(millions of yen)	
	Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (January 1, 2020 to December 31, 2020)
Net sales	158,340	150,514
Cost of sales	67,364	65,248
Gross profit	90,975	85,265
Selling, general and administrative expenses		
Promotion expenses	3,780	3,204
Freight and warehousing expenses	4,198	4,401
Advertising expenses	22,618	18,404
Salaries, allowances and bonuses	11,251	11,888
Retirement benefit expenses	807	812
Provision for directors' retirement benefits	1	1
Taxes and dues	744	729
Depreciation	891	872
Amortization of goodwill	396	269
Rent	1,480	1,321
Commission fees	5,492	5,141
Research and development expenses	7,110	7,338
Other	6,542	4,936
Total selling, general and administrative expenses	65,317	59,322
Operating income	25,658	25,943
Non-operating income		
Interest income	338	279
Dividend income	646	468
Real estate rent	293	302
Compensation income	1,000	600
Insurance claim income	45	321
Other	412	374
Total non-operating income	2,736	2,346
Non-operating expenses		
Interest expenses	20	21
Rent cost of real estate	101	96
Foreign exchange losses	150	216
Provision of allowance for doubtful accounts	147	135
Other	122	94
Total non-operating expenses	542	563
Ordinary income	27,851	27,726

KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (January 1, 2020 to December 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	7	4
Gain on sales of investment securities	365	261
Gain on sale of businesses	600	—
Other	10	—
Total extraordinary income	982	265
Extraordinary loss		
Loss on disposal of non-current assets	147	68
Impairment loss	1,663	1,122
Other	218	165
Total extraordinary loss	2,029	1,356
Income before income taxes	26,804	26,635
Income taxes - current	8,378	7,818
Income taxes - deferred	(713)	(388)
Total income taxes	7,665	7,430
Net income	19,139	19,205
Net income attributable to owners of the parent	19,139	19,205

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (January 1, 2020 to December 31, 2020)
Net income	19,139	19,205
Other comprehensive income		
Valuation difference on available-for-sale securities	575	(2,762)
Deferred gains or losses on hedges	(2)	—
Foreign currency translation adjustment	(267)	(930)
Adjustment for retirement benefits	309	199
Total other comprehensive income	615	(3,494)
Comprehensive income	19,754	15,710
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	19,754	15,710
Comprehensive income attributable to non-controlling interests	—	—

KOBAYASHI PHARMACEUTICAL CO., LTD.

(3) Consolidated Statement of Shareholders' Equity Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	159,857	(11,763)	155,728
Change during current period					
Dividends from surplus			(5,346)		(5,346)
Net income attributable to owners of the parent			19,139		19,139
Purchase of treasury stock				(7,999)	(7,999)
Net changes of items other than shareholders' equity					
Total change during current period	—	—	13,792	(7,999)	5,793
Balance at current period-end	3,450	4,183	173,650	(19,762)	161,521

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of retirement benefit plans	Accumulated other comprehensive income total	
Balance at period start	12,636	2	(318)	(1,798)	10,520	166,249
Change during current period						
Dividends from surplus						(5,346)
Net income attributable to owners of the parent						19,139
Purchase of treasury stock						(7,999)
Net changes of items other than shareholders' equity	575	(2)	(267)	309	615	615
Total change during current period	575	(2)	(267)	309	615	6,408
Balance at current period-end	13,212	—	(586)	(1,489)	11,136	172,657

KOBAYASHI PHARMACEUTICAL CO., LTD.

Current consolidated fiscal year (January 1, 2020 to December 31, 2020)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	173,650	(19,762)	161,521
Change during current period					
Dividends from surplus			(5,784)		(5,784)
Net income attributable to owners of the parent			19,205		19,205
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total change during current period	—	—	13,421	(0)	13,420
Balance at current period-end	3,450	4,183	187,071	(19,763)	174,941

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of retirement benefit plans	Accumulated other comprehensive income total	
Balance at period start	13,212	—	(586)	(1,489)	11,136	172,657
Change during current period						
Dividends from surplus						(5,784)
Net income attributable to owners of the parent						19,205
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(2,762)	—	(930)	199	(3,494)	(3,494)
Total change during current period	(2,762)	—	(930)	199	(3,494)	9,925
Balance at current period-end	10,449	—	(1,517)	(1,290)	7,641	182,583

KOBAYASHI PHARMACEUTICAL CO., LTD.

(4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (January 1, 2020 to December 31, 2020)
Cash flow from operating activities		
Income before income taxes	26,804	26,635
Depreciation	3,731	3,837
Impairment loss	1,663	1,122
Amortization of goodwill	396	269
Interest and dividends income	(985)	(747)
Interest expenses	20	21
Loss (gain) on sales of investment securities	(365)	(261)
Loss (gain) on sales and retirement of non-current assets	140	64
Loss (gain) on sale of businesses	(600)	—
Decrease (increase) in notes and accounts receivable-trade	(1,426)	1,588
Decrease (increase) in inventories	(1,024)	1,309
Increase (decrease) in notes and accounts payable-trade	(993)	(984)
Increase (decrease) in accounts payable-other	(785)	(3,194)
Other	334	1,501
Total	26,912	31,160
Interest and dividend income received	1,019	813
Interest expenses paid	(12)	(15)
Income taxes paid	(7,829)	(7,972)
Net cash provided by operating activities	20,089	23,986
Cash flow from investing activities		
Payments into time deposits	(52,836)	(51,271)
Proceeds from withdrawal of time deposits	52,154	53,401
Proceeds from sales and redemption of securities	—	6,623
Purchase of property, plant and equipment	(4,379)	(3,795)
Proceeds from sales of property, plant and equipment	47	15
Purchase of intangible assets	(425)	(354)
Purchase of investment securities	(23)	(6,620)
Proceeds from sales of investment securities	1,084	705
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,054)	(11,355)
Proceeds from liquidation of subsidiaries	293	—
Proceeds from sale of businesses	600	—
Other	(532)	(5)
Net cash provided by (used in) investing activities	(5,072)	(12,656)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(495)	(5)
Purchase of treasury stock	(8,014)	(0)
Cash dividends paid	(5,333)	(5,784)
Other	(738)	(227)
Net cash provided by (used in) financing activities	(14,581)	(6,019)
Effect of exchange rate change on cash and cash equivalents	(79)	(425)
Net increase (decrease) in cash and cash equivalents	356	4,884
Cash and cash equivalents at beginning of period	55,916	56,272
Cash and cash equivalents at end of period	56,272	61,157

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Information on the Amount of Net Sales, Income or Loss, Assets and Other Items by Reportable Segments)
Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Business	International Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	123,087	24,423	9,768	157,279	1,061	158,340	—	158,340
Inter-segment sales and transfers	6,497	938	—	7,435	5,635	13,071	(13,071)	—
Total	129,584	25,361	9,768	164,714	6,697	171,411	(13,071)	158,340
Segment income	23,509	1,906	240	25,655	2,628	28,284	(433)	27,851
Segment assets	84,818	30,993	1,581	117,393	5,680	123,074	110,658	233,732
Other items (Note) 4								
Depreciation	2,470	624	39	3,134	251	3,386	344	3,731
Goodwill depreciation	78	317	—	396	—	396	—	396
Interest income	32	191	0	224	194	419	(80)	338
Interest expenses	44	55	—	100	—	100	(80)	20
Increase in property, plant, and equipment and intangible assets	4,011	1,144	111	5,267	216	5,484	589	6,073

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the transportation business, manufacture and sale of plastic containers, insurance agencies, real estate management, and advertisement planning and production.
 2. Adjustment details are as follows:
 - (1) Adjustments of -433 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
 - (2) Assets of group companies included in Adjustment totaled 110,658 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
 - (3) Depreciation of 344 million yen posted in Adjustment is depreciation related to the assets of group companies.
 - (4) Interest income of -80 million yen and interest expenses of -80 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
 - (5) Increase in property, plant, and equipment and intangible assets of 589 million yen posted in Adjustment is an increase in the assets of group companies.
 3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
 4. Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Current consolidated fiscal year (January 1, 2020 to December 31, 2020)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Business	International Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	119,342	21,467	9,066	149,876	638	150,514	—	150,514
Inter-segment sales and transfers	5,819	1,245	—	7,065	5,746	12,811	(12,811)	—
Total	125,161	22,712	9,066	156,941	6,384	163,325	(12,811)	150,514
Segment income	24,752	813	285	25,851	2,349	28,201	(474)	27,726
Segment assets	80,611	34,085	1,617	116,314	5,836	122,150	116,216	238,366
Other items								
(Note) 4								
Depreciation	2,551	717	32	3,301	284	3,585	252	3,837
Goodwill depreciation	20	248	—	269	—	269	—	269
Interest income	29	152	0	182	176	359	(80)	279
Interest expenses	40	61	—	102	—	102	(80)	21
Increase in property, plant, and equipment and intangible assets	3,064	11,350	44	14,459	366	14,826	290	15,116

- (Notes) 1. *Other* represents businesses that are not included in reportable segments, such as the transportation business, manufacture and sale of plastic containers, insurance agencies, real estate management, and advertisement planning and production.
2. Adjustment details are as follows:
- (1) Adjustments of -474 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
 - (2) Assets of group companies included in Adjustment totaled 116,216 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
 - (3) Depreciation of 252 million yen posted in Adjustment is depreciation related to the assets of group companies.
 - (4) Interest income of -80 million yen and interest expenses of -80 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
 - (5) Increase in property, plant, and equipment and intangible assets of 290 million yen posted in Adjustment is an increase in the assets of group companies.
3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
4. Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

(Matters regarding change in reportable segment, etc.)

(Early application of Accounting Standard for Revenue Recognition, etc.)

As described in "(Changes in accounting policies, etc.)", the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the consolidated fiscal year ended December 31, 2020 and changed its accounting method for revenue recognition; it has also changed its method of measuring the business segment income or loss in the same manner as the accounting standard, etc.

Accordingly, "Net sales to outside customers" decreased by 7,498 million yen in the *Domestic Business* and 2,213 million yen in the *International Business* in the consolidated fiscal year ended December 31, 2019 compared to those calculated based on the previous method.

(Change of depreciation method for property, plant and equipment and change in service life)

As described in "(Changes in accounting policies, etc.)", the Company and its consolidated subsidiaries in Japan have changed the depreciation method for all property, plant and equipment to the straight-line method of depreciation from the consolidated fiscal year ended December 31, 2020, and have also changed the service life of some property, plant and equipment and intangible assets.

Accordingly, segment income declined by 690 million yen in the *Domestic Business*, 52 million yen in the *International Business*, 0 million yen in the *Direct Marketing Business*, and 9 million yen in *Other* in the consolidated fiscal year ended December 31, 2020, compared to those calculated based on the previous method.

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Per share information)

Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)		Current consolidated fiscal year (January 1, 2020 to December 31, 2020)	
Net assets per share	2,208.94 yen	Net assets per share	2,335.93 yen
Net income per share	244.08 yen	Net income per share	245.71 yen

(Notes) 1. Net income per share after full dilution is omitted since there are no potentially dilutive shares.
2. Net income per share was calculated based on the figures below.

	Previous consolidated fiscal year (January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (January 1, 2020 to December 31, 2020)
Net income per share		
Net income attributable to owners of the parent (Millions of yen)	19,139	19,205
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	19,139	19,205
Average number of shares of common stock during the period (1,000 shares)	78,416	78,163

(Important subsequent events)

Not applicable