



小林製薬株式会社



**Financial Overview for the Third Quarter of
Fiscal Year Ending December 31, 2021
(January 1, 2021 to September 30, 2021)**

October 28, 2021

Hiroya Nakamura

**Public Relations and Investor Relations
General Manager, Corporate Headquarters
Kobayashi Pharmaceutical Co., Ltd.**

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2021

1/17

	2020		2021					
	Jul. to Sep.	Jan. to Sep.	Jul. to Sep.			Jan. to Sep.		
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Year-on-year change (%)	Margin (%)	Amount (million yen)	Year-on-year change (%)	Margin (%)
Net sales	38,869	105,049	40,606	+4.5%	-	107,658	+2.5%	-
Gross profit	22,831	61,259	23,788	+4.2%	58.6%	63,409	+3.5%	58.9%
Operating income	9,295	19,515	9,186	-1.2%	22.6%	19,426	-0.5%	18.0%
Ordinary income	10,013	21,042	9,925	-0.9%	24.4%	21,016	-0.1%	19.5%
Net income	7,040	15,258	7,002	-0.5%	17.2%	14,883	-2.5%	13.8%
EBITDA*	10,135	22,637	10,355	+2.2%	25.5%	22,885	+1.1%	21.3%

*EBITDA = Operating income + Depreciation + Amortization of goodwill

Domestic Business

* Figures in parentheses are year-on-year changes in sales for January to September.

- Inbound demand decreased (−1.1 billion yen).
- Demand for disinfectant and sanitary products decreased compared to the previous year (−1.1 billion yen).
- Demand fell due to self-restraint from going-out (−0.7 billion yen).
- Sales of body warmers were solid (+0.4 billion yen).
- Sales of new products contributed to a growth in net sales (+3.6 billion yen).

International Business

- U.S.: Net sales increased due to robust sales of body warmers and consolidation of Alva-Amco Pharmacal Companies, Inc. (+3.5 billion yen, of which +2.3 billion yen is related to Alva-Amco).
- China (Mainland): Net sales grew due to both a recovery in sales in reaction to poor sales caused by the lockdown in the previous year and solid sales of body warmers (+1.5 billion yen).
- China (Hong Kong): Net sales increased due to strong domestic demand (+0.2 billion yen).
- Southeast Asia: Net sales increased due to strong sales of *Netsusama Sheet* caused by demand related to fever after COVID-19 vaccinations (+0.1 billion yen).

Direct Marketing Business

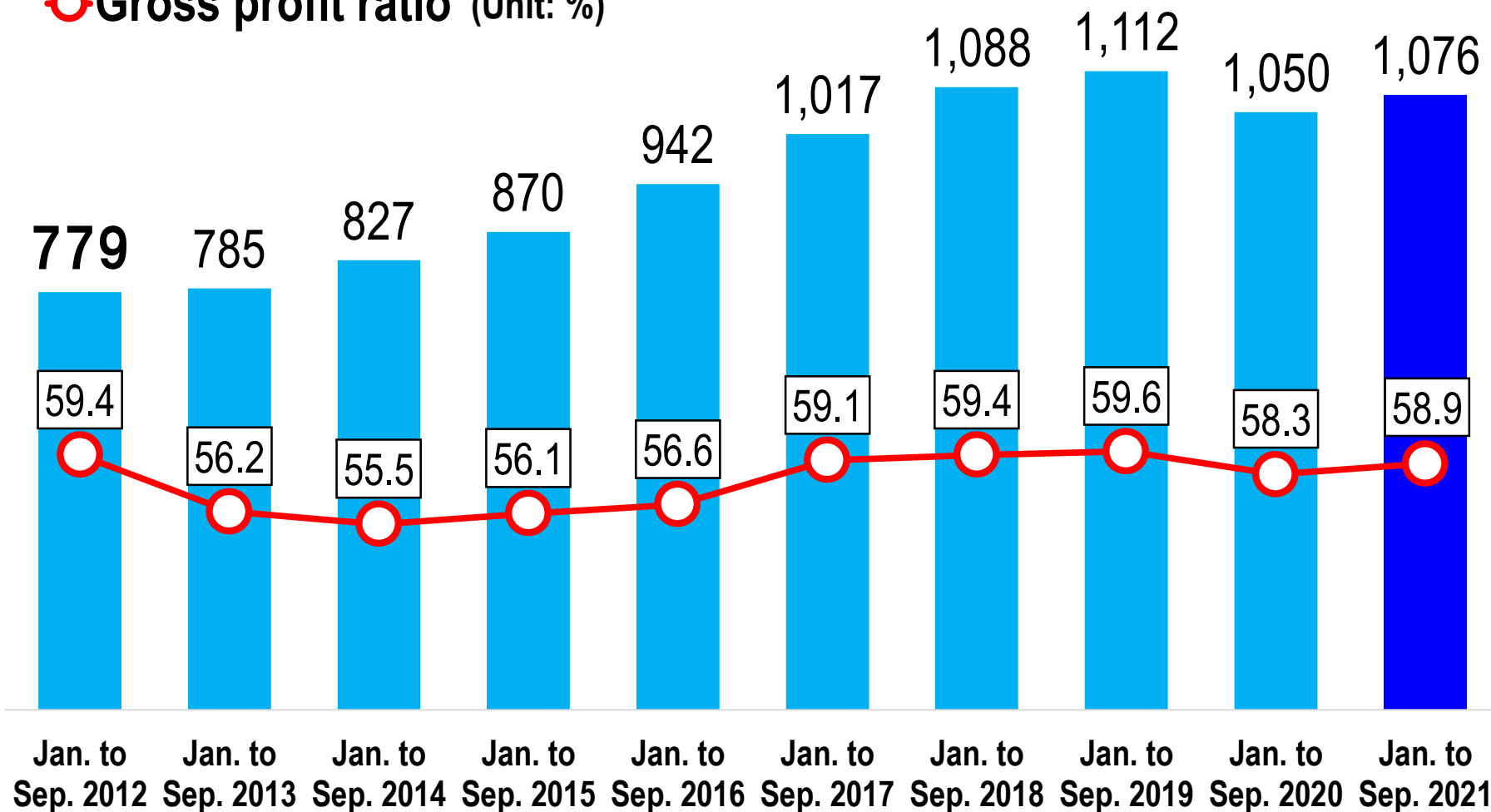
- Net sales decreased due to sluggish sales of skin care products (−0.04 billion yen).

Changes in Consolidated Net Sales and Gross Profit Ratio

3/17

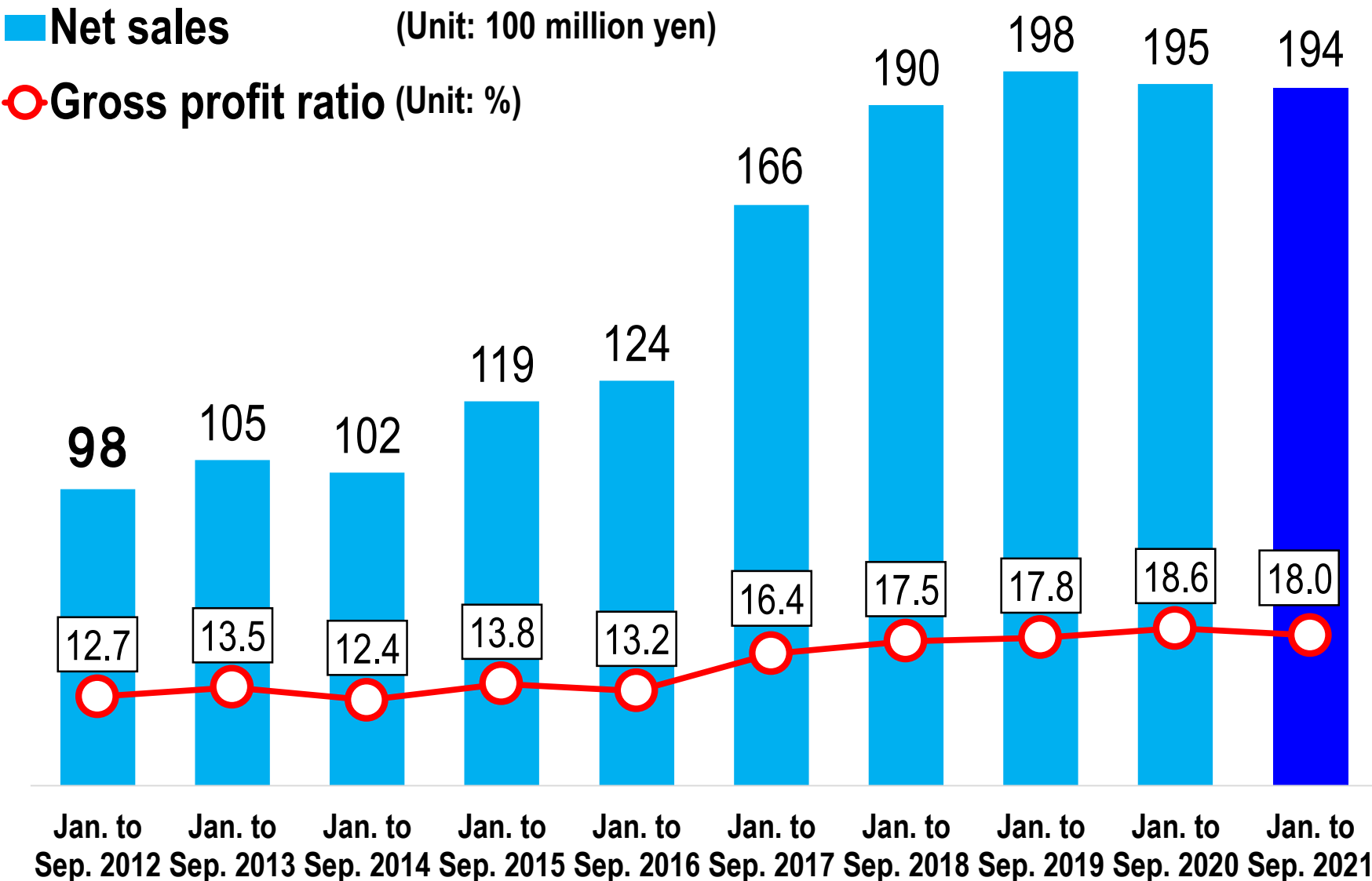
■ Net sales (Unit: 100 million yen)

○ Gross profit ratio (Unit: %)



Changes in Consolidated Operating Income and Operating Margin

4/17

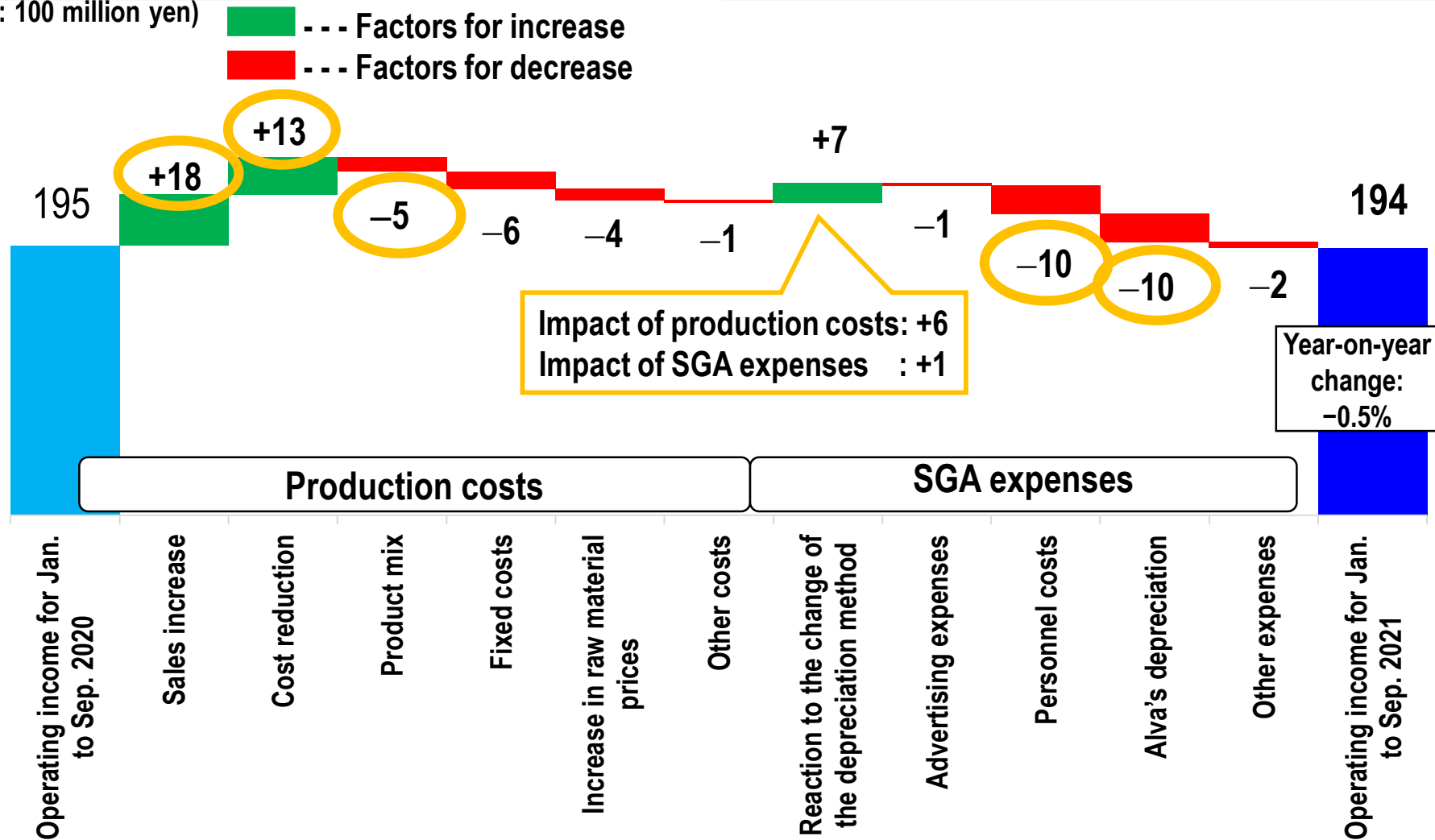


Factors in Changes in Consolidated Operating Income

5/17

Consolidated operating income decreased slightly due to rises in personnel costs and Alva's depreciation, despite positive factors, such as the impact of sales increase and cost reduction.

(Unit: 100 million yen)



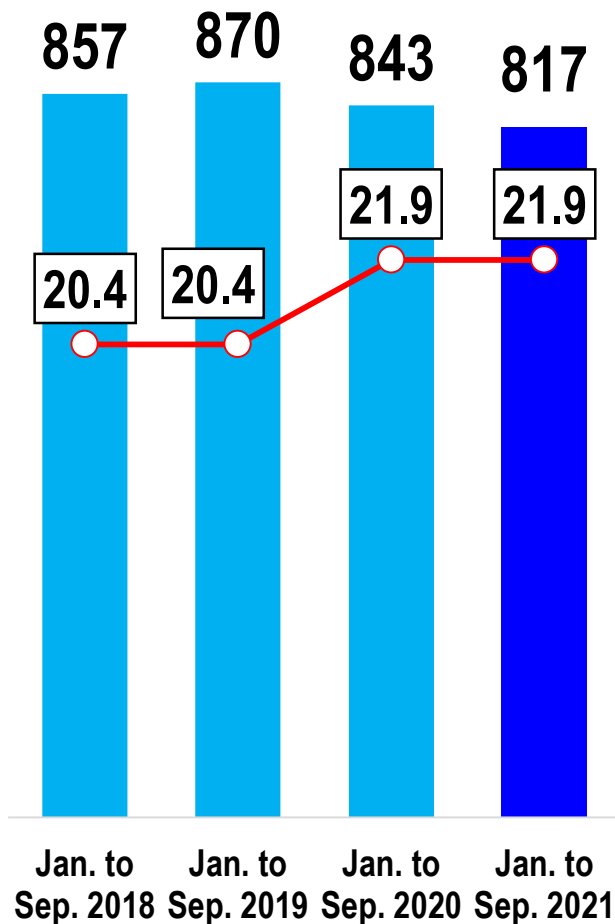
Net Sales by Segment

6/17

(Net sales: 100 million yen)

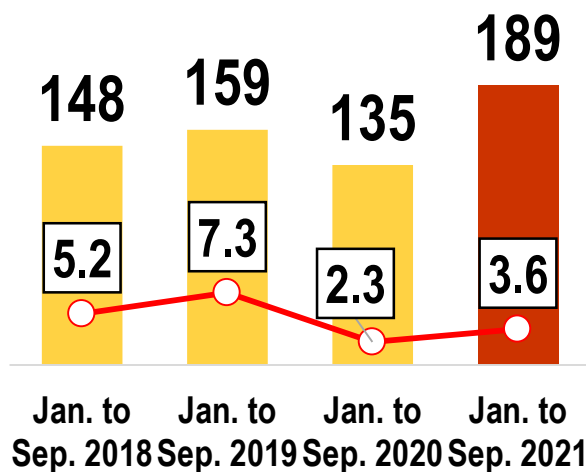
(Operating margin: %)

Domestic Business



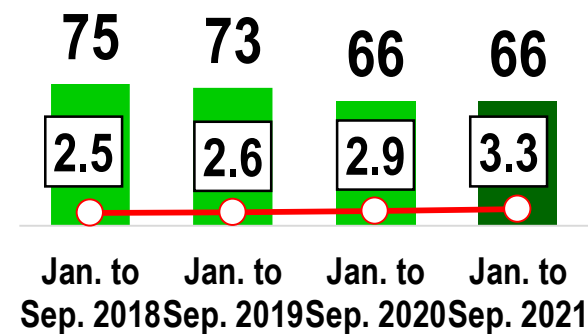
Net sales Operating margin

International Business



Net sales Operating margin

Direct Marketing Business



Net sales Operating margin

Sales of household products decreased due to a fall in sales of disinfectant and sanitary products from the previous year. Sales of body warmers grew owing to both the reduction of returns through shipment control and a colder winter at the beginning of the current fiscal year.

	2020		2021			
	Jul. to Sep.	Jan. to Sep.	Jul. to Sep.		Jan. to Sep.	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Healthcare products	14,312	39,686	13,221	−7.6%	38,984	−1.8%
Household products	13,803	38,156	13,837	+0.2%	35,730	−6.4%
Skin care products	1,835	5,260	1,749	−4.7%	5,301	+0.8%
Body warmers	645	1,199	789	+22.3%	1,693	+41.2%
Total	30,595	84,302	29,596	−3.3%	81,710	−3.1%

* Figures in parentheses are year-on-year changes in sales for January to September.

Inochi no Haha (+0.3 billion yen)

The Company's marketing measures on the website worked well. The product became a topic also on SNS.



Dietary supplement products (+0.4 billion yen)

Functional foods served as an engine of sales growth.



Kaoru Stick (+0.3 billion yen)

New products contributed to sales growth. Needs for the product increased due to a rise in the number of consumers staying at home.



Hananoa (+0.1 billion yen)

The product was featured by a TV program and attracted consumers.

Due to COVID-19 pandemic, consumers got into the habit of rinsing their nasal cavity.

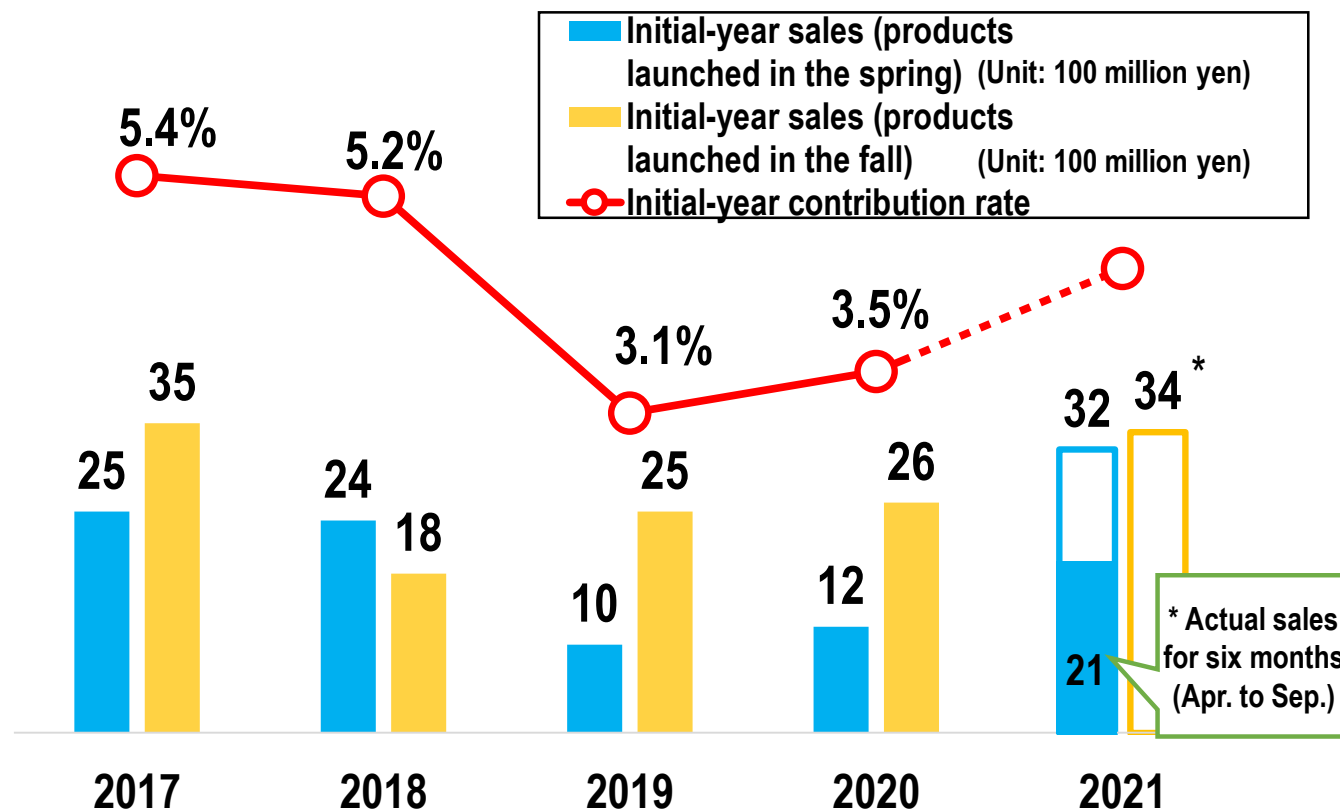


Domestic Business (Sales Situation of New Products)

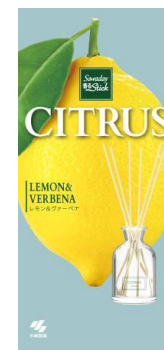
9/17

The Company launched many new products in the spring and fall.
The contribution rate of new products has been recovering.

<Changes in the initial-year sales and contribution rate of new products>



Strong-selling products that were launched in the spring of 2021



* The figures for 2021 are the Company's target

* Impact is calculated by comparing results in 2019 (excluding inbound demand) with those in the current year.

<Products whose demand increased>

Impact (Jan. to Sep.)*

+3.3 billion yen in the previous year
→ +2.2 billion yen in the current year



<Products whose demand decreased>

Impact (Jan. to Sep.)*

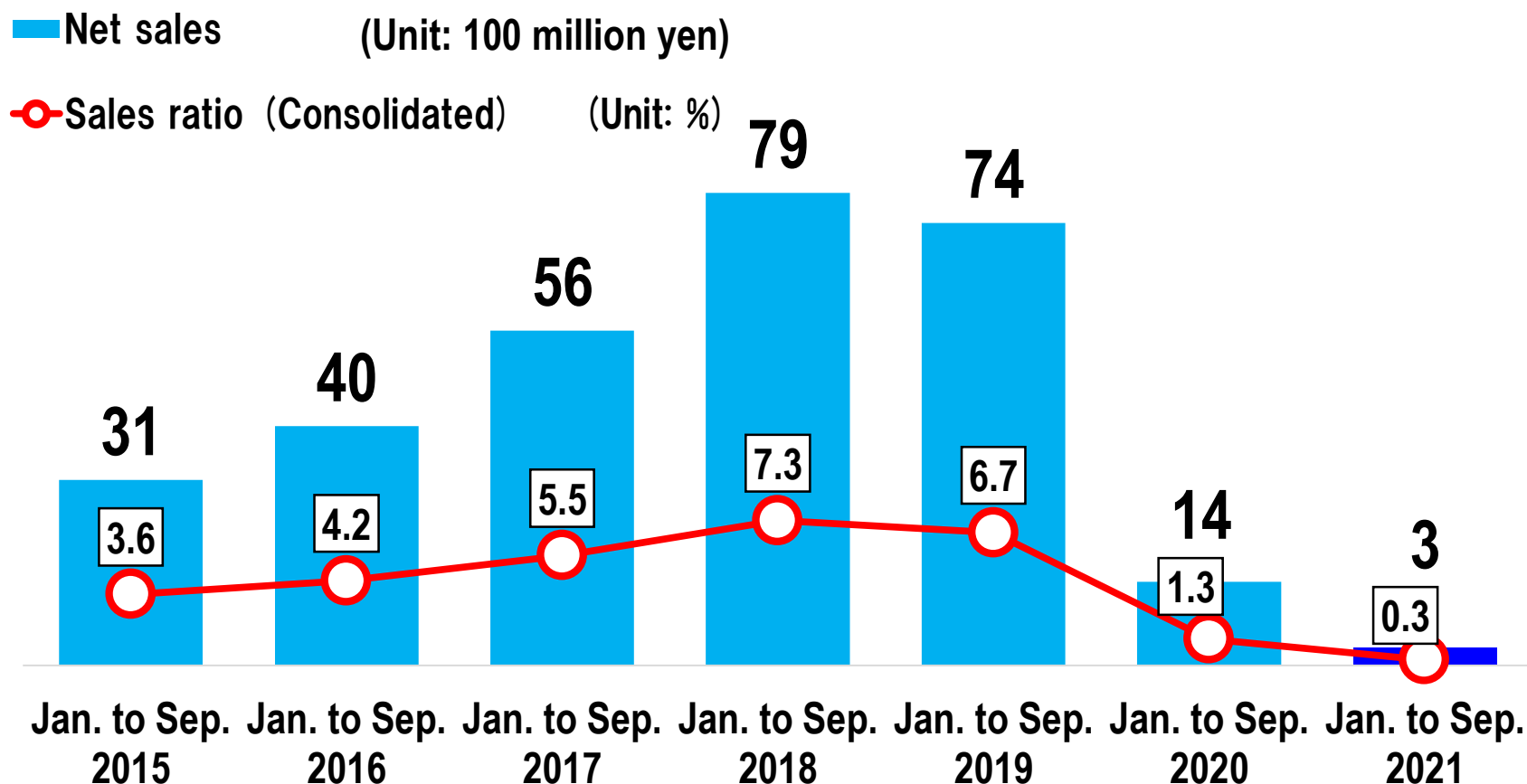
-1.4 billion yen in the previous year
→ -2.1 billion yen in the current year



Although demand increased in the period of Jul. to Sep. along with a rise in the number of people who received vaccinations, the impact was limited.

Inbound demand decreased by 1.1 billion yen due to the fall in the number of foreign visitors to Japan

<Estimated inbound-related sales>



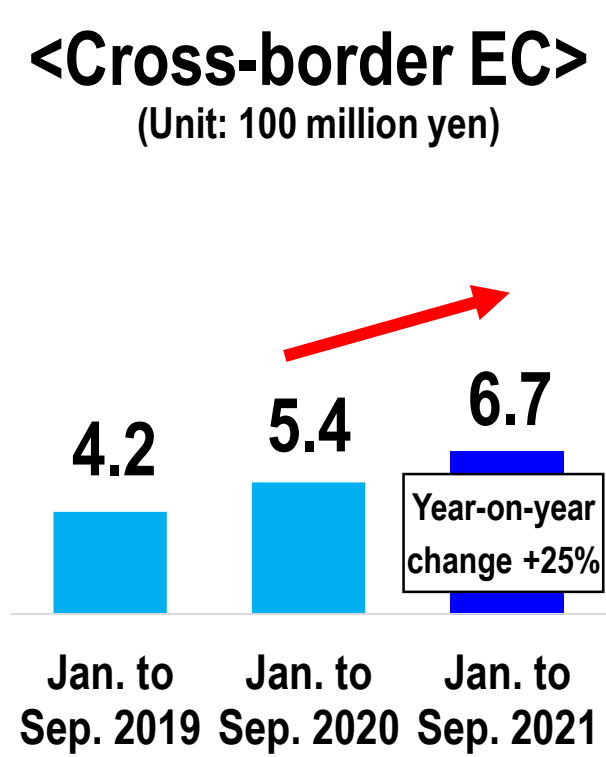
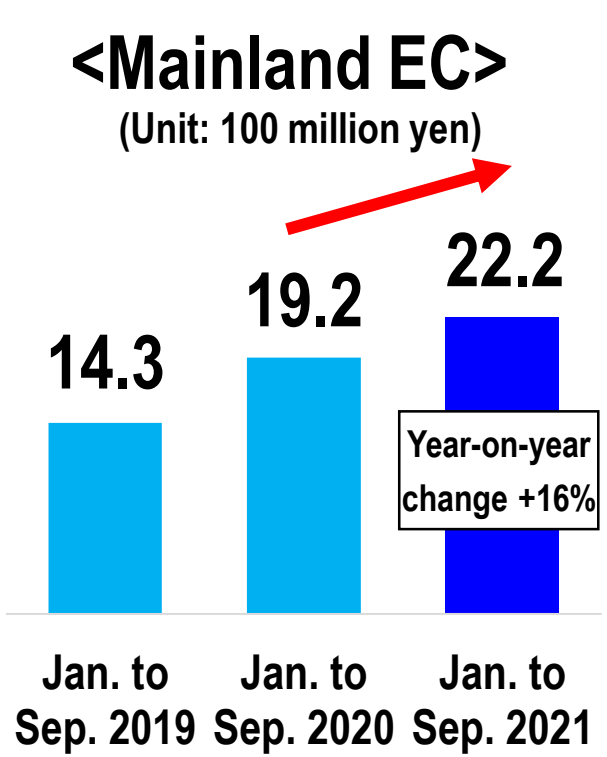
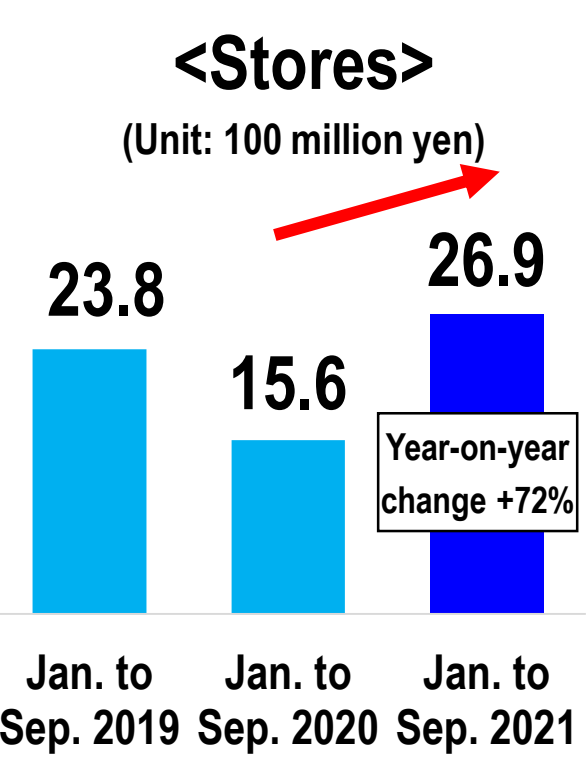
International Business (Sales Breakdown by Region)

12/17

Operating income of Alva (including the amortization of goodwill) was -0.62 billion yen.
The amortization of goodwill was 1.04 billion yen.

			2020		2021			
			Jul. to Sep.	Jan. to Sep.	Jul. to Sep.		Jan. to Sep.	
			Amount (million yen)	Amount (million yen)	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Including Alva	Net sales	U.S.	2,653	4,374	4,051	+52.7%	7,875	+80.0%
		China (mainland)	1,604	4,027	2,383	+48.5%	5,592	+38.9%
		(Hong Kong)	336	947	465	+38.6%	1,180	+24.6%
		Southeast Asia	606	2,436	1,207	+99.2%	2,582	+6.0%
		Other	703	1,813	631	-10.3%	1,713	-5.5%
		Total International Business	5,901	13,598	8,738	+48.1%	18,944	+39.3%
	Total operating income		700	319	1,210	+72.9%	686	+114.6%
Excluding Alva	Net sales	U.S.	2,653	4,374	3,309	+24.7%	5,536	+26.6%
		Total International Business	5,901	13,598	7,996	+35.5%	16,605	+22.1%
	Total operating income		700	319	1,484	+112.0%	1,306	+309.4%

Sales via stores, where the composition ratio of body warmers is high, increased sharply. Sales via mainland EC, mainly Japanese goods, also remained robust.

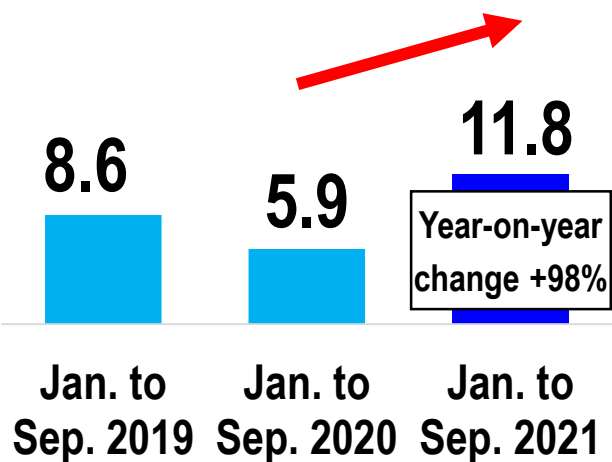


Sales in Mainland China (by Product)

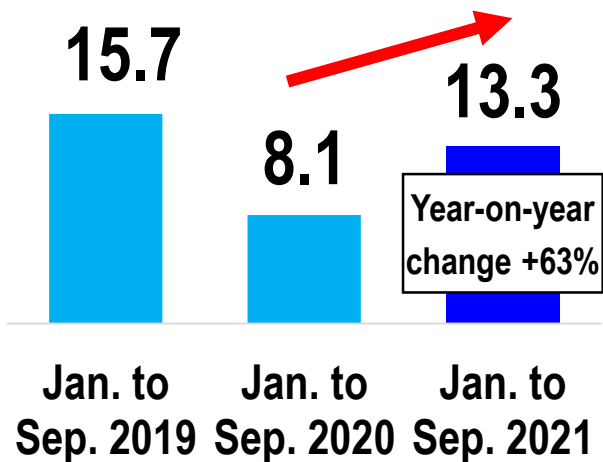
14/17

Sales of body warmers grew due to a reaction to the decrease in sales in the previous year caused by a milder winter and a colder winter at the beginning of the current year. Sales of *Netsusama Sheet* increased due to a reaction to the decline in sales in the previous year caused by the government's sales restrictions and the Company's successful marketing measures on the website. Sales of other products continued to grow.

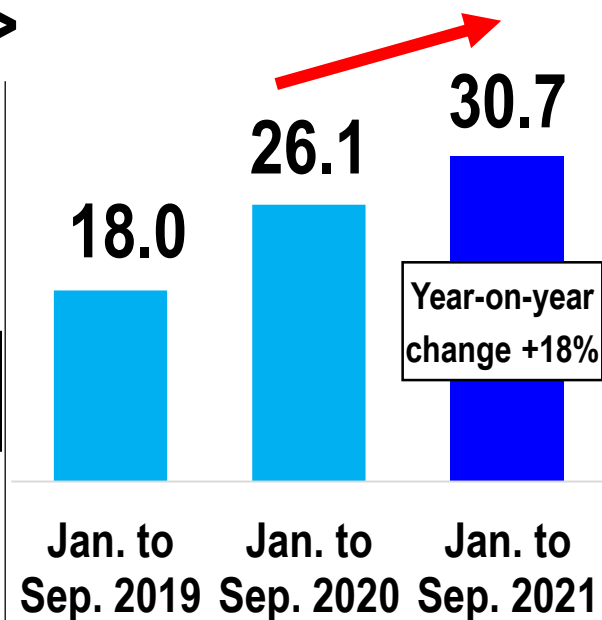
<Net sales (100 million yen)>



Body warmers



Netsusama Sheet



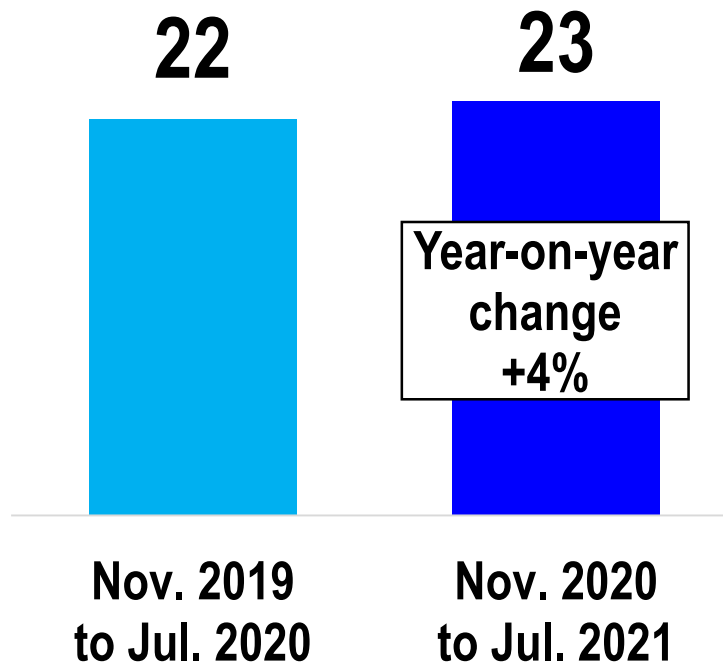
Other



Net sales and operating income of Alva for the nine-month period (November 2020 to July 2021) were consolidated for the third quarter of FY2021. Alva's sales grew steadily to 2.3 billion yen (+4.0% from the previous year). Alva has been expanding sales mainly products developed under a unique concept.

<Alva's net sales>

(Unit: 100 million yen)



Brand sold well



Medicine for athlete's foot

Forecast of Consolidated Financial Results for the Year Ending December 31, 2021

16/17

	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%	-	-

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Resolution to acquire shares of treasury stock (announced on October 28, 2021)

- Total number of shares to be acquired: 1,000,000 shares (maximum)
(1.28% of total outstanding shares (excluding treasury stock))
- Total amount of shares to be acquired: 8,000,000,000 yen (maximum)
- Acquisition period: November 1, 2021 to June 23, 2022
- Reasons for acquisition: The Company aims to further increase returns to shareholders and flexibly execute its capital policy in accordance with the operating environment.

あったら
いいな
をカタチにする



<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)

1

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Net sales	302	367	406	+4.5%	1,076	+2.5%
Gross profit	177	218	237	+4.2%	634	+3.5%
Margin	58.8%	59.3%	58.6%	-	58.9%	-
Operating income	46	55	91	-1.2%	194	-0.5%
Margin	15.5%	15.1%	22.6%	-	18.0%	-
Ordinary income	51	58	99	-0.9%	210	-0.1%
Margin	17.2%	16.0%	24.4%	-	19.5%	-
Net income	36	42	70	-0.5%	148	-2.5%
Margin	12.0%	11.6%	17.2%	-	13.8%	-

Consolidated Income Statement (2)

2

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Advertising expenses	33	53	41	+5.9%	128	+1.4%
Percentage	11.1%	14.5%	10.3%	-	12.0%	-
Sales promotion expenses	6	7	7	+9.2%	22	+5.1%
Percentage	2.2%	2.2%	1.9%	-	2.1%	-

Consolidated Balance Sheet (1)

3

(Unit: 100 million yen)	End of Sep. 2020	End of Dec. 2020	End of Mar. 2021	End of Jun. 2021	End of Sep. 2021
Current assets	1,646	1,642	1,611	1,678	1,717
Cash and deposits	826	782	823	852	848
Notes and accounts receivable-trade	451	528	394	418	473
Short-term investment securities	148	160	194	195	172
Inventories	193	141	173	186	196
Non-current assets	626	741	728	714	706
Property, plant and equipment	206	208	209	212	215
Intangible assets	30	127	132	128	126
Investment and other assets	388	405	387	373	365
Total assets	2,272	2,383	2,339	2,393	2,423

Consolidated Balance Sheet (2)

4

(Unit: 100 million yen)	End of Sep. 2020	End of Dec. 2020	End of Mar. 2021	End of Jun. 2021	End of Sep. 2021
Current liabilities	411	501	419	419	414
Notes and accounts payable-trade	80	75	77	80	89
Short-term loans payable	0	0	0	0	0
Accounts payable-other	163	209	159	173	169
Non-current liabilities	62	56	59	68	66
Total net assets	1,798	1,825	1,860	1,905	1,943
Capital surplus	41	41	41	41	41
Retained earnings	1,831	1,870	1,873	1,915	1,957
Treasury stock	−197	−197	−197	−197	−197
Total liabilities and net assets	2,272	2,383	2,339	2,393	2,423

(Unit: yen)	Jan. to Dec. 2020	Jan. to Mar. 2021	Jan. to Jun. 2021	Jan. to Sep. 2021	Jan. to Dec. 2021 forecast
US dollar	106.8	105.9	107.6	108.5	108.0
Chinese yuan	15.4	16.3	16.6	16.7	16.8

Results by Segment (Domestic Business)

6

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Net sales	224	296	295	−3.3%	817	−3.1%
Gross profit	132	176	176	−3.5%	485	−1.7%
Margin	58.9%	59.5%	59.7%	-	59.4%	-
Operating income	42	59	76	−7.6%	179	−3.0%
Margin	19.1%	20.1%	25.9%	-	21.9%	-
Advertising expenses	24	43	31	−1.8%	100	−2.9%
Percentage	11.1%	14.6%	10.8%	-	12.2%	-
Sales promotion expenses	3	3	2	−3.4%	9	−0.4%
Percentage	1.3%	1.3%	0.9%	-	1.1%	-

Results by Segment (Domestic Business)

7

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Healthcare products	117	139	132	−7.6%	389	−1.8%
Pharmaceuticals	70	77	76	−10.7%	224	−3.4%
Food	15	21	19	−0.2%	57	+11.5%
Oral care products	31	40	36	−4.5%	108	−4.5%
Household products	84	134	138	+0.2%	357	−6.4%
Sanitary products	17	28	27	+0.4%	73	−21.3%
Deodorizing air fresheners	56	94	97	+0.4%	248	−1.0%
Household articles	10	11	13	−1.3%	35	−5.0%
Skin care products	17	18	17	−4.7%	53	+0.8%
Bodywarmers	5	3	7	+22.3%	16	+41.2%

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Net sales	54	47	87	+48.1%	189	+39.3%
Gross profit	28	23	43	+59.1%	94	+46.0%
Margin	51.3%	48.6%	50.1%	-	50.1%	-
Operating income	2	-7	12	+72.9%	6	+114.6%
Margin	4.4%	-	13.8%	-	3.6%	-

Advertising expenses	2	4	4	+131.6%	12	+71.1%
Percentage	4.9%	4.8%	2.4%	-	6.4%	-
Sales promotion expenses	2	3	4	+35.9%	9	+16.9%
Percentage	4.4%	6.6%	5.0%	-	5.2%	-

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
U.S.	22.3	15.8	40.5	+52.7%	78.7	+80.0%
China and Hong Kong	20.7	18.5	28.4	+46.8%	67.7	+36.2%
China	17.4	14.6	23.8	+48.5%	55.9	+38.9%
(Stores)	8.3	5.6	12.9	+82.2%	26.9	+72.2%
(Mainland EC)	7.5	6.6	8.1	+11.5%	22.2	+15.7%
(Cross-border EC)	1.6	2.3	2.7	+69.2%	6.7	+24.5%
(EC percentage)	52.4%	61.4%	45.6%	-	51.8%	-
Hong Kong	3.2	3.8	4.6	+38.6%	11.8	+24.6%
Southeast Asia	6.0	7.7	12.0	+99.2%	25.8	+6.0%
Singapore	0.3	0.6	0.8	+10.9%	1.8	−20.6%
Malaysia	1.8	1.5	2.6	+69.8%	6.0	−16.8%
Thailand	1.0	1.4	2.3	+44.5%	4.8	0.0%
Indonesia	0.7	1.4	1.6	+246.6%	3.7	+56.1%
Philippines	0.2	1.9	2.1	+133.6%	4.3	−9.5%
Taiwan	1.9	0.7	2.3	+262.9%	5.0	+80.7%
Other	5.5	5.2	6.3	−10.3%	17.1	−5.5%

Results by Segment (Direct Marketing Business)

10

(Unit: 100 million yen)	Quarter base				Total	
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount (100 million yen)	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Net sales	22	22	21	−2.8%	66	−0.7%
Gross profit	15	15	15	−1.6%	46	−0.2%
Margin	70.4%	70.5%	70.8%	-	70.6%	-
Operating income	0.2	0.7	1.1	+34.1%	2.2	+12.6%
Margin	1.2%	3.4%	5.5%	-	3.3%	-

Advertising expenses	6.0	5.2	5.5	+3.7%	16.9	−1.3%
Percentage	27.3%	23.4%	25.9%	-	25.5	-
Sales promotion expenses	1.6	1.4	1.2	−16.0%	4.3	+1.9%
Percentage	7.4%	6.6%	5.9%	-	6.6%	-