



Financial Overview for the Third Quarter of Fiscal Year Ending December 31, 2022 (January 1, 2022 to September 30, 2022)

November 1, 2022

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

Acquired approval for COVID-19 testing kit

- This is a two-way testing kit that measures the new corona virus antigen using nasal swab fluid or saliva and is the first OTC test drug approved in Japan.
- As the testing kit is a class 1 pharmaceutical product, it is available to clients not only through face-to-face sales by pharmacists at drug stores but by also on-line sales.



Acquired SBT Initiative approval

<Greenhouse gas emission reduction target accredited>

- A **51% Reduction** of CO₂ emissions in Scope 1 and 2 by 2030 (2018 as the base year)
- A **15% Reduction** of CO₂ emissions in Scope 3 by 2030 (2018 as the base year)



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2022

2/17

Although net sales increased, operating income decreased sharply due to the impact of soaring raw material prices.

	2021		2022					
	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	40,606	107,658	43,015	+5.9	-	114,279	+6.1	-
Gross profit	23,788	63,409	24,427	+2.7	56.8	65,357	+3.1	57.2
Operating income	9,186	19,426	8,881	-3.3	20.6	18,749	-3.5	16.4
Ordinary income	9,925	21,016	9,529	-4.0	22.2	20,433	-2.8	17.9
Net income	7,002	14,883	6,800	-2.9	15.8	14,500	-2.6	12.7
EBITDA*	10,355	22,885	10,249	-1.0	23.8	22,682	-0.9	19.8
Net sales of Domestic Business	29,596	81,710	29,894	+1.0	-	83,102	+1.7	-
Net sales of International Business	8,738	18,944	10,955	+25.4	-	24,458	+29.1	-
Net sales of Direct Marketing Business	2,152	6,634	2,037	-5.3	-	6,287	-5.2	-

*EBITDA = Operating income + Depreciation + Amortization of goodwill

Domestic Business

(Figures in parentheses are year-on-year changes in sales for January to September; Unit: billion yen)

- Demand increased from the previous year due to the impact of COVID-19 (+1.1 billion yen).
→ The spread of Omicron resulted in steady sales of *Nodonool Spray* and *Netsusama Sheet*.
- Sales of new products contributed to a growth in net sales (+3.5 billion yen).
- Sales of body warmers were solid (+0.7 billion yen).
- Sales of other existing products were sluggish (−3.8 billion yen).

International Business

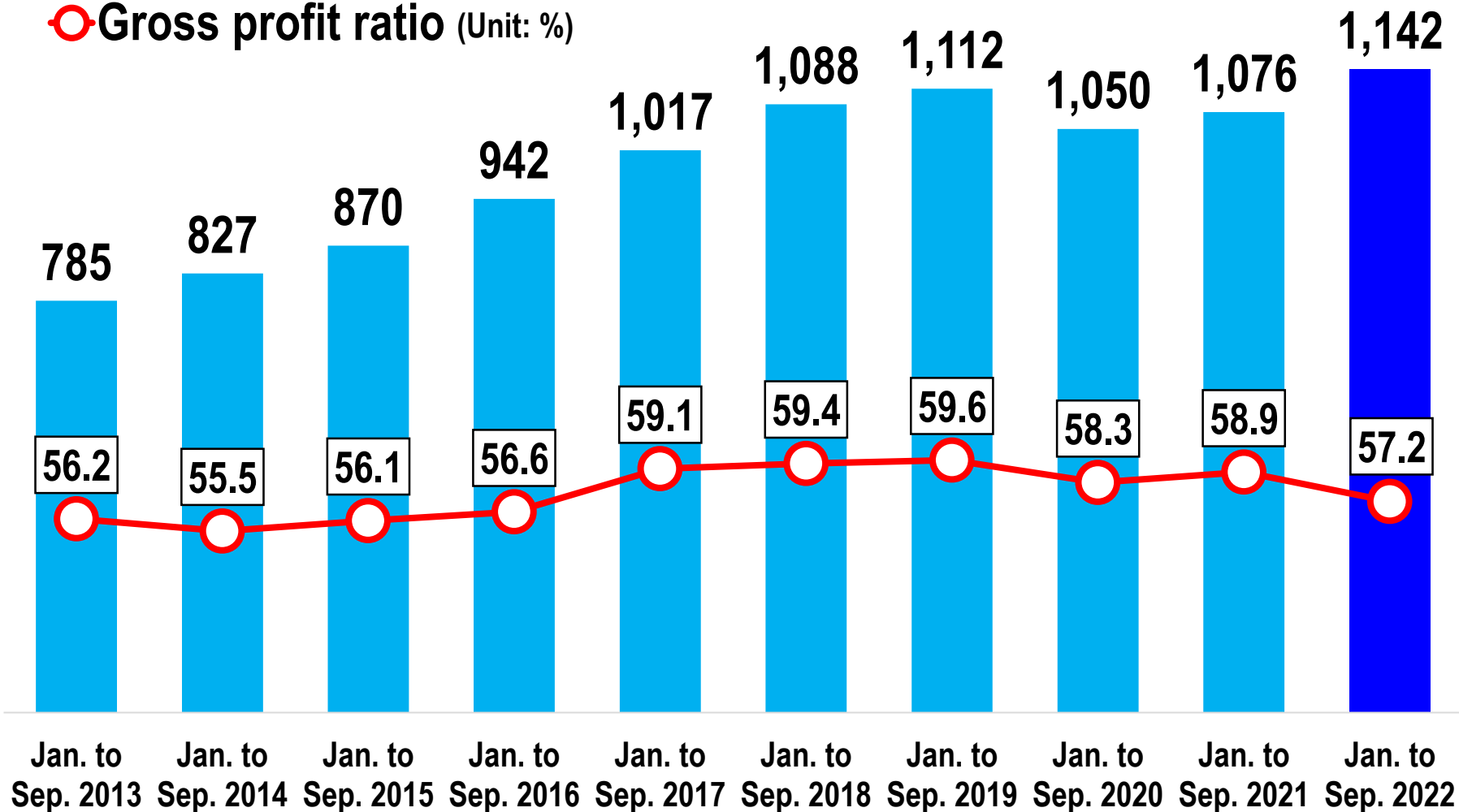
- U.S.: Net sales increased due to strong sales of *Netsusama Sheet* (+1.3 billion yen).
- China (Mainland): Net sales grew due to robust sales of *Netsusama Sheet* despite the impact of city lockdowns (+0.7 billion yen)
- Southeast Asia: Net sales increased due to steady sales of *Netsusama Sheet* and *Ammeltz* in each country (+2.6 billion yen).

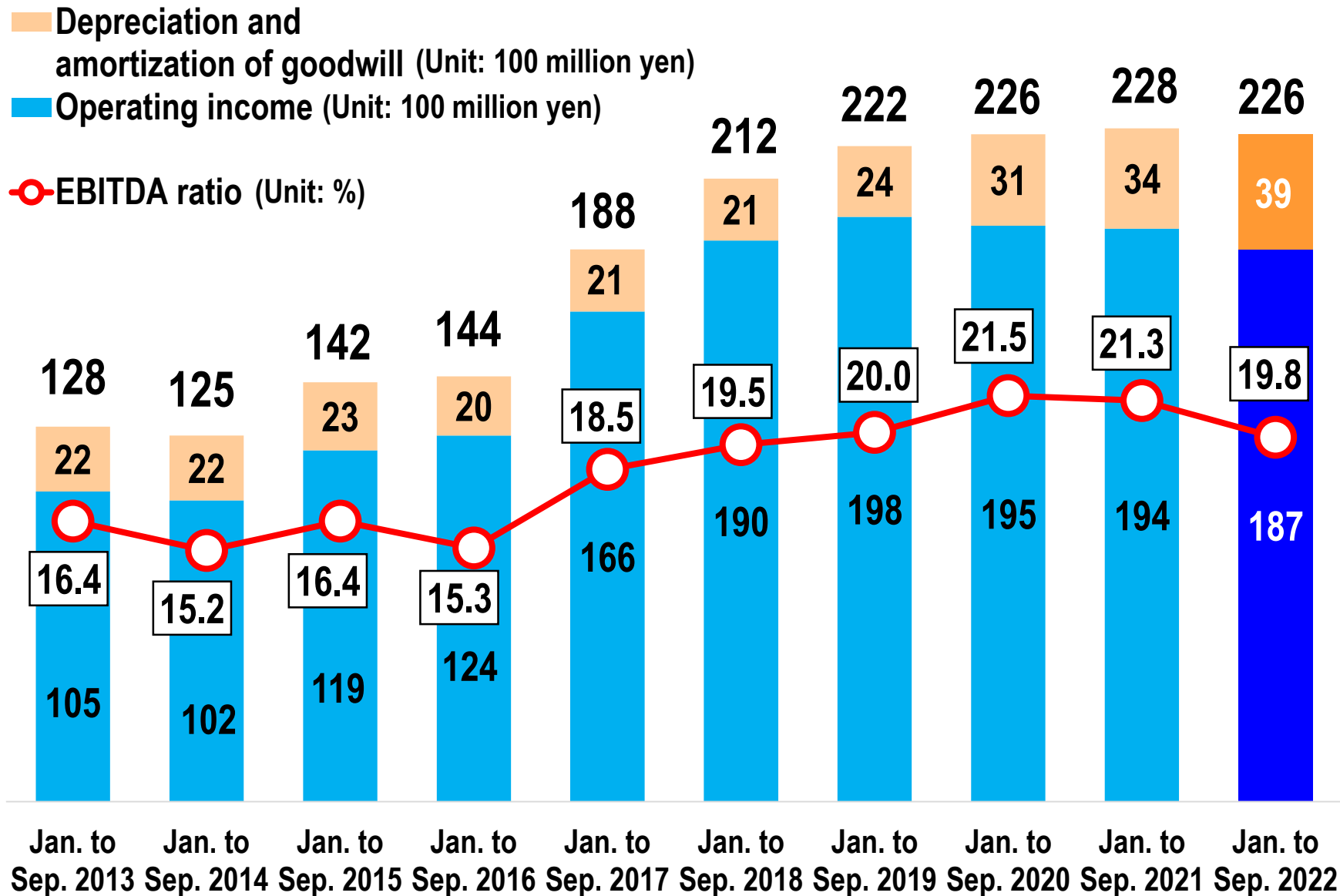
Direct Marketing Business

- Net sales decreased due to poor sales of health food (−0.3 billion yen).

■ Net sales (Unit: 100 million yen)

○ Gross profit ratio (Unit: %)



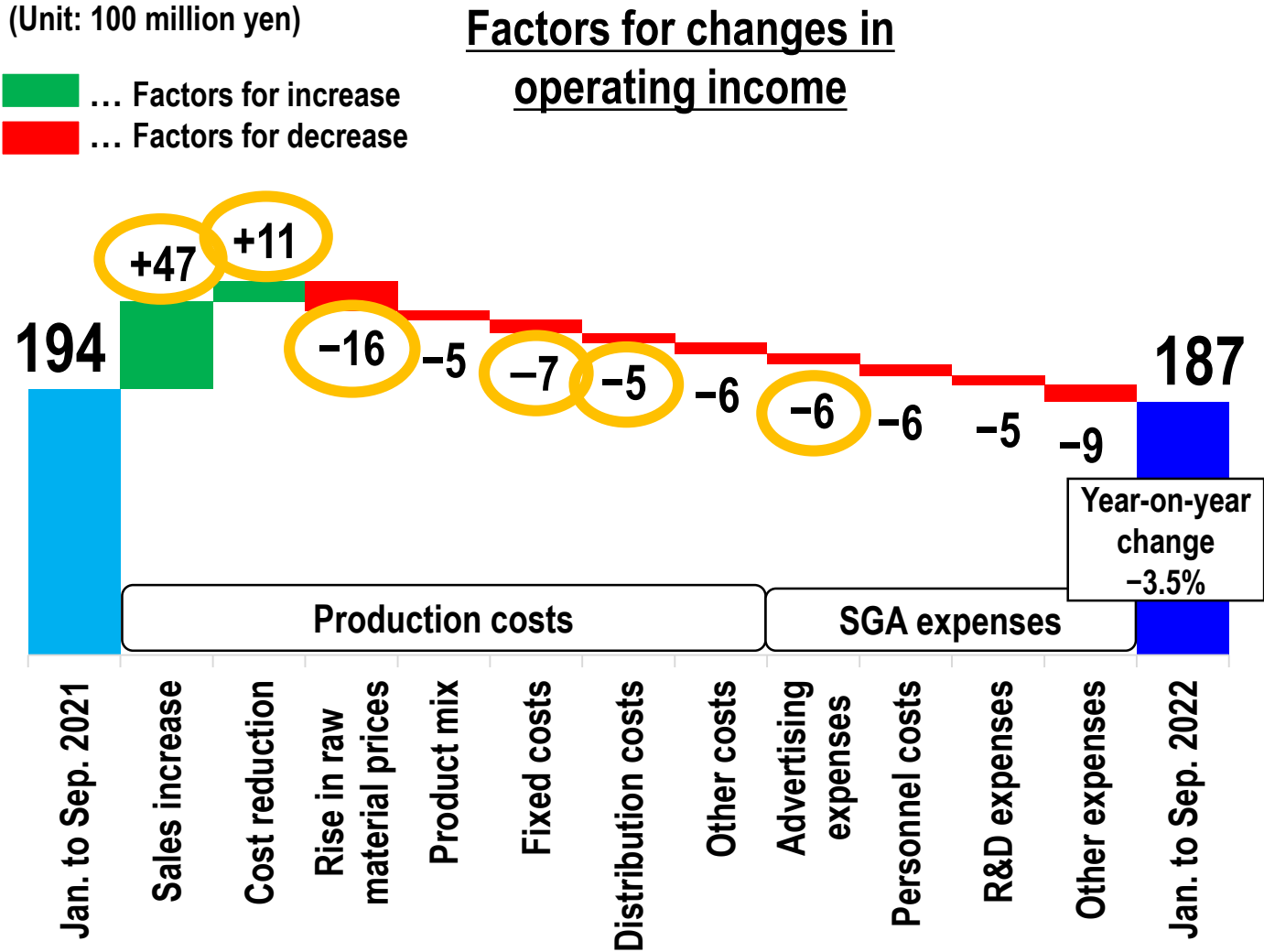


Factors for Changes in Consolidated Operating Income

6/17

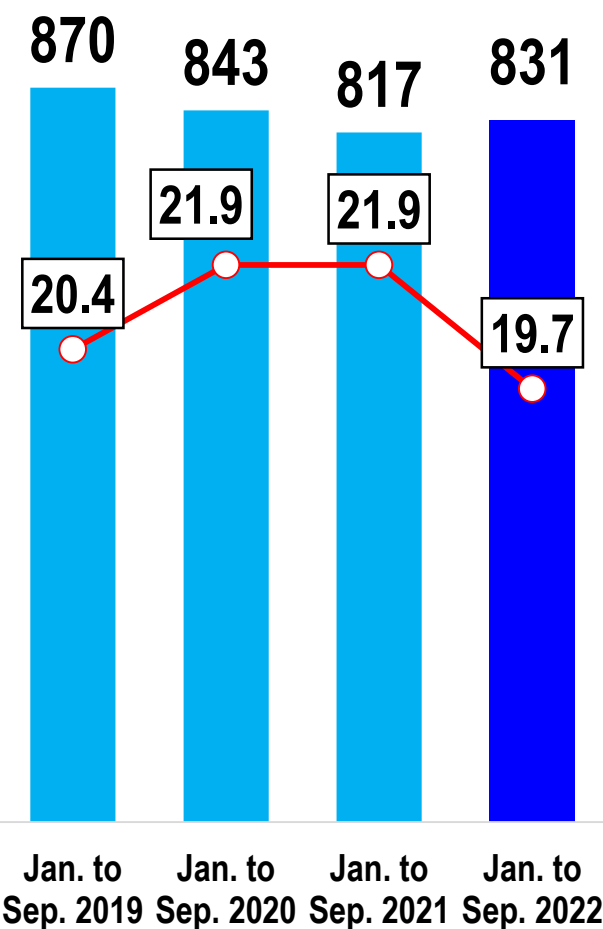
Operating income decreased due to rising raw material prices and an increase in advertising expenses despite the positive impact of a sales increase. Operating income decreased by 0.1 billion yen in total due to the impact of fluctuations in foreign exchange rates.

(Unit: 100 million yen)

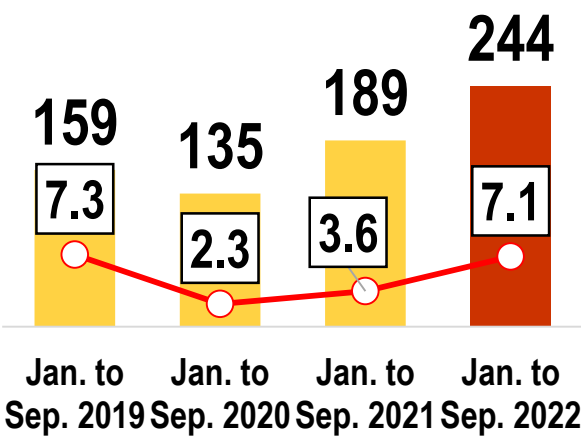


(Net sales: 100 million yen)
(Operating margin: %)

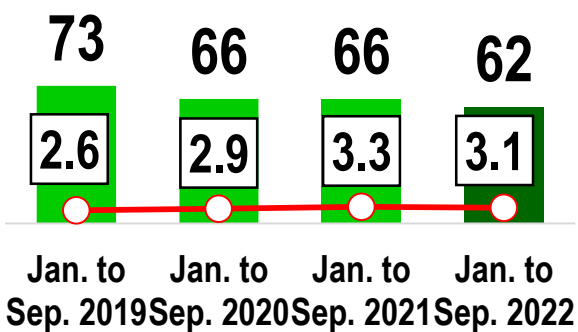
Domestic Business



International Business



Direct Marketing Business



Net sales Operating margin Net sales Operating margin Net sales Operating margin

Domestic Business

(Sales Breakdown by Product Category)

8/17

Net sales increased due to both steady sales of healthcare products and solid sales of body warmers supported by a severe winter in the beginning of this fiscal year despite poor sales of household and skin care products.

	2021		2022			
	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	13,221	38,984	13,884	+5.0	40,092	+2.8
Household products	13,837	35,730	13,573	-1.9	35,666	-0.2
Skin care products	1,749	5,301	1,647	-5.8	4,929	-7.0
Body warmers	789	1,693	789	+0.0	2,414	+42.6
Total	29,596	81,710	29,894	+1.0	83,102	+1.7

Domestic Business (Brands Enjoying Steady Sales)

9/17

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

Nodonool Spray (+0.6 billion yen)

Demand increased due to the spread of Omicron.



Netsusama Sheet (+0.4 billion yen)

Demand increased due to the spread of Omicron.
Sales also increased partly because of demand related to fevers after COVID-19 vaccinations.



Hananoa (+0.2 billion yen)

Sales increased since the product was featured by a TV program, etc.



Body warmers (+0.7 billion yen)

Shipments grew due to the severe winter in the beginning of this fiscal year.



International Business

(Sales Breakdown by Region)

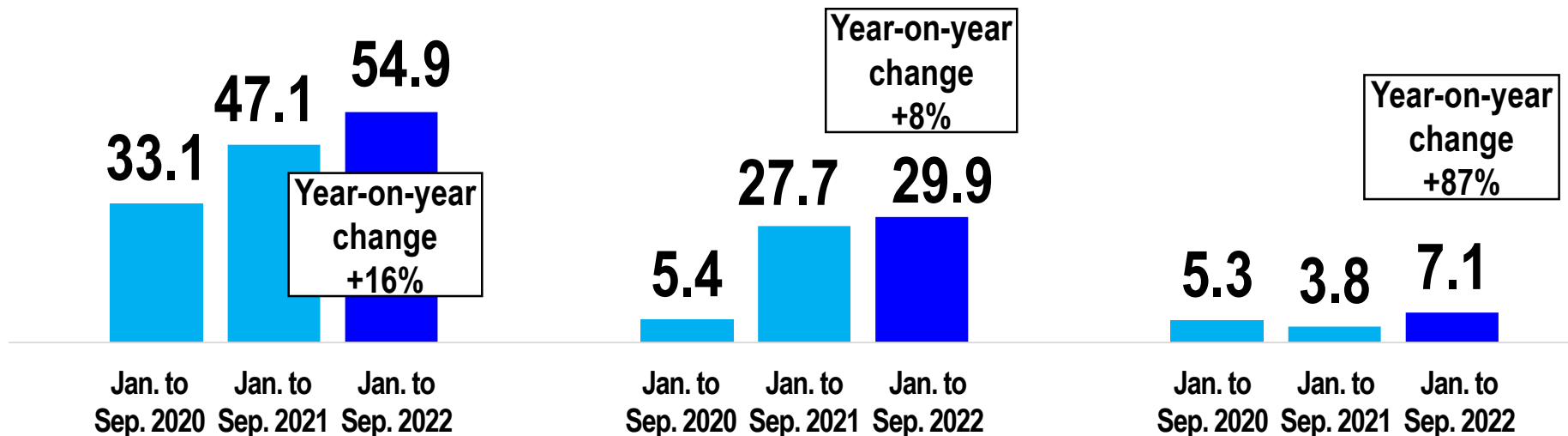
10/17

Sales increased in each country, leading to a sharp rise in operating income. Due to fluctuations in foreign exchange rates, net sales and operating income grew by 3.1 billion yen and 0.3 billion yen, respectively. We marked a growth in sales and operating income excluding the above impact.

		2021		2022			
		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 (%)
Net sales	U.S.	4,051	7,875	4,758	+17.5	9,193	+16.7
	China (Mainland)	2,383	5,592	2,805	+17.7	6,335	+13.3
	(Hong Kong)	465	1,180	573	+23.2	1,507	+27.7
	Southeast Asia	1,207	2,582	1,995	+65.3	5,201	+101.4
	Other	631	1,713	824	+30.6	2,220	+29.6
	Total International Business	8,738	18,944	10,955	+25.4	24,458	+29.1
Excluded the impact of fluctuations in foreign exchange rates				9,248	+5.8	21,348	+12.7
Total operating income		1,210	686	1,586	+31.1	1,731	+152.3
Excluded the impact of fluctuations in foreign exchange rates				1,295	+7.0	1,350	+96.8

Sales of body warmers grew due to the severe winter. Sales of pharmaceuticals also rose since the problem with the supply of ingredients for some Alva products in the first quarter of FY2022 was gradually eliminated. Sales of *Netsusama Sheet* increased owing to an increase in the number of patients suffering from influenza.

<Net sales (Unit: 100 million yen)>



Body warmers



Pharmaceuticals

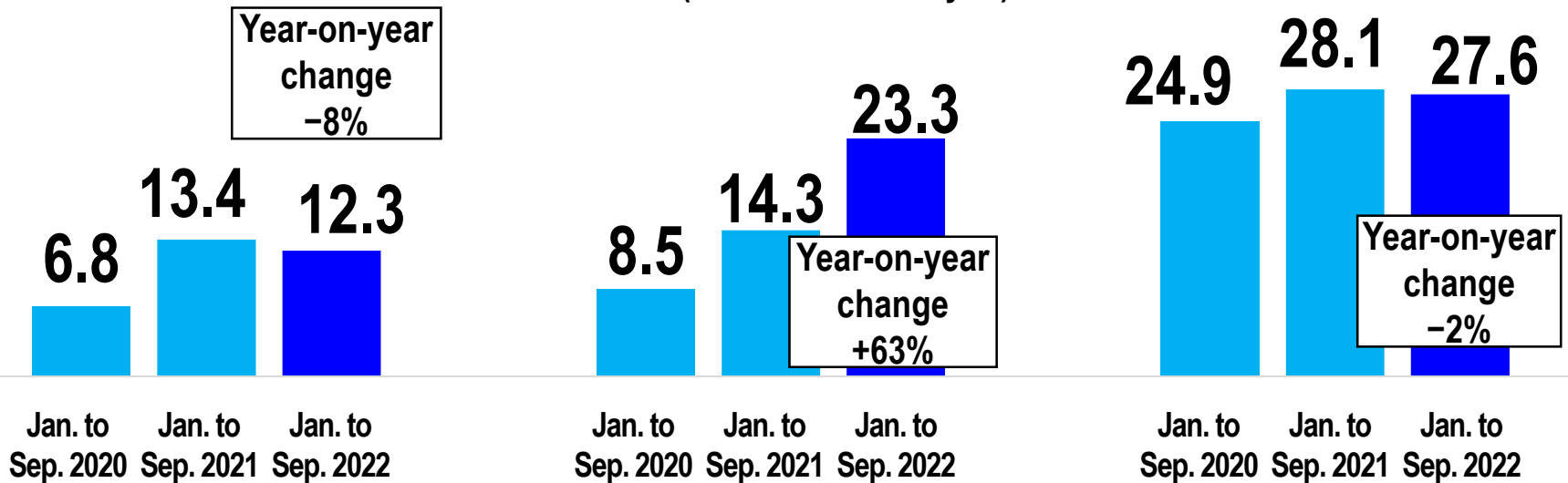


Other



Sales of *Netsusama Sheet* increased steadily, supported by measures such as O2O (Online to Offline). However, sales of other products, which decreased from April 2022 due to the impact of the COVID-19 lockdown, recovered from September 2022. *Ammeltz* also sold well.

<Net sales (Unit: 100 million yen)>



Body warmers



Netsusama Sheet



Other

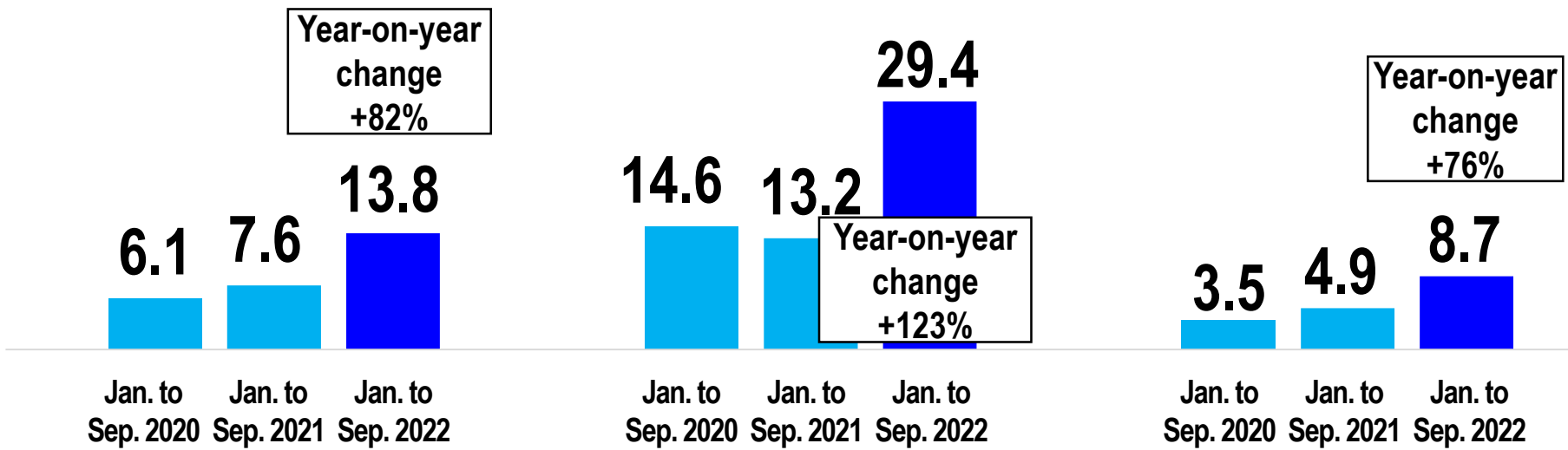


The launch of a new product in the *Ammeltz* line and the posting of advertisements contributed to a growth in net sales of pharmaceuticals.

Sales of *Netsusama Sheet* grew significantly due to demand related to the spread of various infectious diseases, although demand related to fevers after COVID-19 vaccinations leveled off.

Among other products, body warmers sold robustly.

<Net sales (Unit: 100 million yen)>



Pharmaceuticals



Netsusama Sheet



Other



To cope with rises in raw material prices and increases in distribution and fixed costs, the Company raised sales prices both in Japan and overseas in addition to increasing the number of products in higher price ranges. As the price increases have been well accepted so far, it plans to raise prices of many additional items in the next year.

<Situation of sales prices increase>

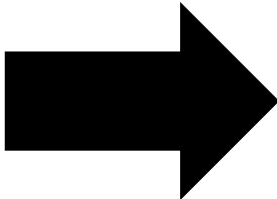
Main items whose prices increased this year

Next year

Japan



Overseas



The Company will increase prices of many items, aiming to generate operating income of around 1.0 billion yen in Japan and overseas combined.

The Company has not changed the forecast despite various risks, such as rising material prices and fluctuations in foreign exchange rates.

	FY2021 results (Jan. to Dec. 2021)	FY2022 forecast (Jan. to Dec. 2022)		
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Percentage of net sales (%)
Net sales	1,552	1,620	+4.3	-
Operating income	260	270	+3.6	16.7
Ordinary income	280	282	+0.7	17.4
Net income	197	202	+2.5	12.5
EBITDA*	308	321	+4.0	19.8
EPS	252.36 yen	259.85 yen	-	-
ROE	10.4%	10.1%	-	-
ROIC	9.6%	9.4%	-	-
Net sales of Domestic Business	1,159	1,194	+3.0	-
Net sales of International Business	297	328	+10.3	-
Net sales of Direct Marketing Business	89	92	+2.3	-

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Resolution to acquire and retire treasury stock

(Announced on November 1, 2022)

Acquisition of treasury stock

- Total number of shares acquired: 1,265,800 shares
(1.64% of the outstanding shares excluding treasury stock)
- Total amount of shares acquired: 10, 000 million yen
- Acquisition method: **Fully Committed Share Repurchase***
- Acquisition period: **Accelerated share repurchase on November 2, 2022**

* For details, please refer to the Company's release, "Notice Concerning the Acquisition of Treasury Stock and Repurchase of Treasury Stock by Off-Auction Own Share Repurchase Trading (ToSTNeT-3)" on November 2, 2022.

Retirement of the Company's own stocks

- Total amount of shares acquired: 4,000,000 shares
(4.88% of total outstanding shares before retirement)
- Scheduled retirement date: November 15, 2022

Changes in the number of the Company's own stocks before and after the acquisition and retirement of the Company's own stocks

Before	Number of treasury stocks	4,770,286 shares
	Ratio of treasury stock	5.81%
	Number of outstanding shares	82,050,000 shares



After	Number of treasury stocks	2,036,086 shares
	Ratio of treasury stock	2.61%
	Number of outstanding shares	78,050,000 shares

* The number and ratio of treasury stock may change at a later date due to the adjustment of the number of shares acquired.



<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

Forecast of Consolidated Results for the Year Ending December 2022

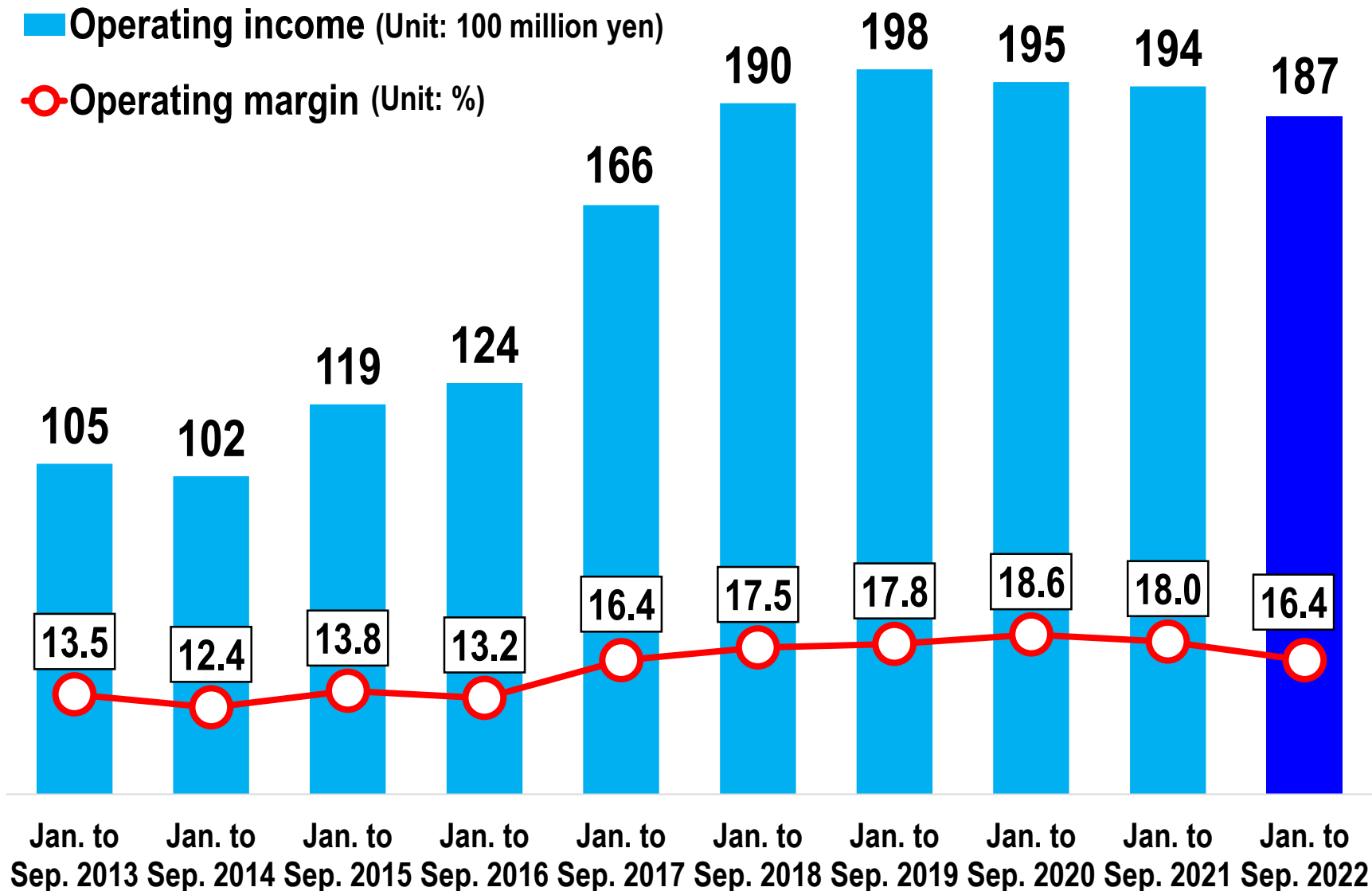
1

	FY2021 results (Jan. to Dec. 2021)	FY2022 forecast (Jan. to Dec. 2022)			(Reference) FY2022 target of the medium-term management plan
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Percentage of net sales (%)	Amount (100 million yen)
Net sales	1,552	1,620	+4.3	-	1,620
Operating income	260	270	+3.6	16.7	270
Ordinary income	280	282	+0.7	17.4	-
Net income	197	202	+2.5	12.5	25th consecutive increase
EBITDA*	308	321	+4.0	19.8	-
EPS	252.36 yen	259.85 yen	-	-	-
ROE	10.4%	10.1%	-	-	10% or more
ROIC	9.6%	9.4%	-	-	9% or more
Net sales of Domestic Business	1,159	1,194	+3.0	-	1,223
Net sales of International Business	297	328	+10.3	-	295
Net sales of Direct Marketing Business	89	92	+2.3	-	96

* EBITDA = Operating income + Depreciation + Amortization of goodwill

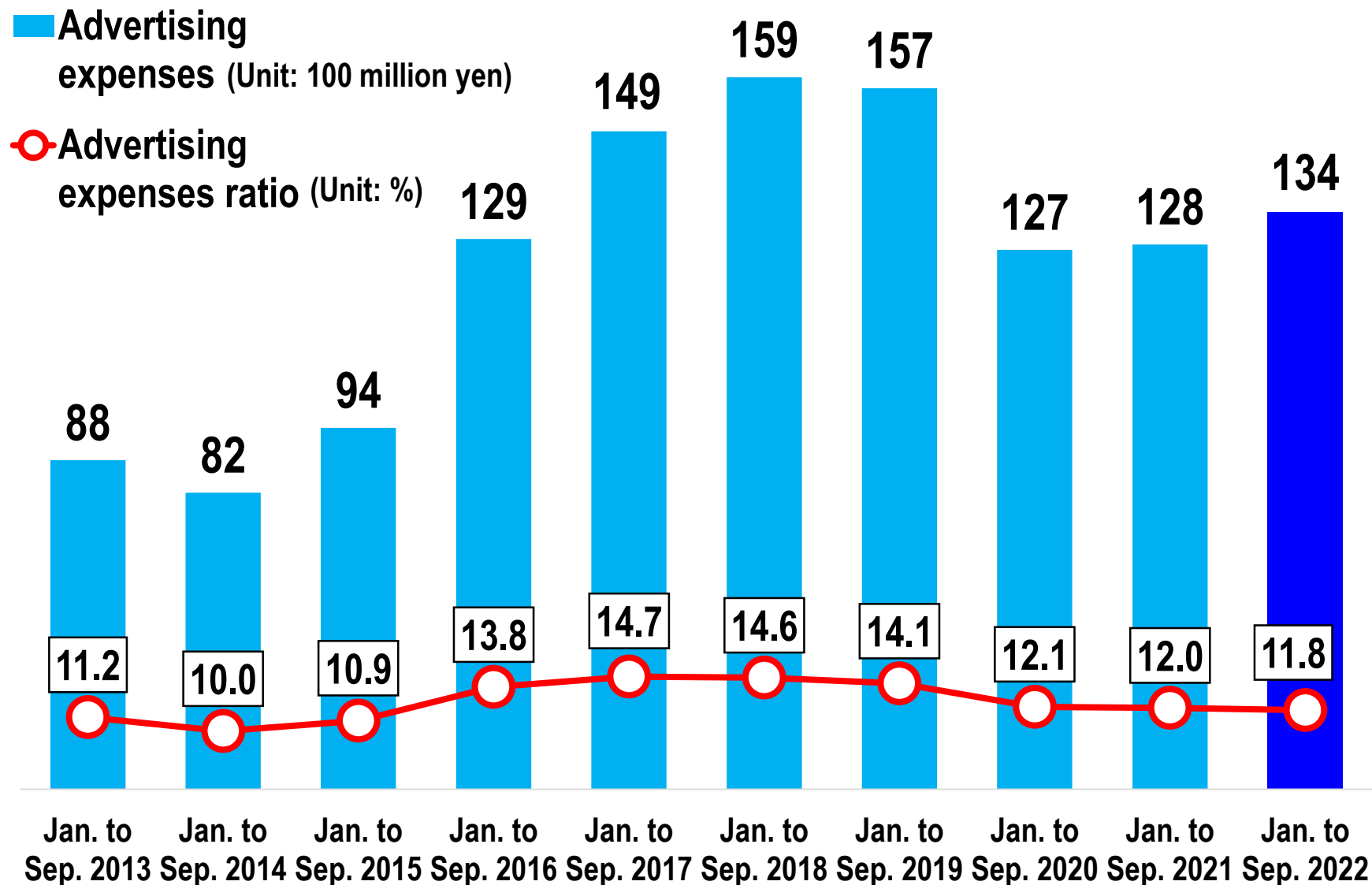
Changes in Consolidated Operating Income and Operating Margin

2



Changes in Advertising Expenses and Advertising Expenses Ratio

3



Consolidated Balance Sheet (1)

4

(Unit: 100 million yen)	End of Sep. 2021	End of Dec. 2021	End of Mar. 2022	End of Jun. 2022	End of Sep. 2022
Current assets	1,717	1,818	1,701	1,770	1,733
Cash and deposits	848	950	975	1,077	969
Notes and accounts receivable-trade	473	551	417	368	424
Short-term investment securities	172	140	101	84	83
Inventories	196	151	185	215	232
Non-current assets	706	706	722	737	822
Property, plant and equipment	215	225	251	257	329
Intangible assets	126	126	127	137	145
Investment and other assets	365	354	343	342	347
Total assets	2,423	2,525	2,424	2,508	2,555

Consolidated Balance Sheet (2)

5

(Unit: 100 million yen)	End of Sep. 2021	End of Dec. 2021	End of Mar. 2022	End of Jun. 2022	End of Sep. 2022
Current liabilities	414	507	447	451	443
Notes and accounts payable-trade	89	92	86	92	99
Short-term loans payable	0	0	0	0	0
Accounts payable-other	169	211	165	186	176
Non-current liabilities	66	62	53	62	62
Total net assets	1,943	1,956	1,923	1,994	2,049
Capital surplus	41	41	41	41	41
Retained earnings	1,957	2,005	2,002	2,045	2,083
Treasury stock	-197	-237	-277	-277	-277
Total liabilities and net assets	2,423	2,525	2,424	2,508	2,555

(Unit: yen)	Jan. to Dec. 2021	Jan. to Mar. 2022	Jan. to Jun. 2022	Jan. to Sep. 2022	Jan. to Dec. 2022 forecast
US dollar	109.8	116.2	122.9	128.1	130.0
Chinese yuan	17.0	18.3	18.9	19.4	19.5

Results by Segment (Domestic Business)

(Unit: 100 million yen)	Quarterly basis				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	230	301	298	+1.0	831	+1.7
Gross profit	131	173	171	-3.0	476	-1.8
Margin	57.1%	57.5%	57.3%	-	57.4%	-
Operating income	39	53	70	-8.3	163	-8.6
Margin	17.2%	17.8%	23.6%	-	19.7%	-
Advertising expenses	24	45	28	-10.8	98	-1.2
Percentage	10.7%	15.1%	9.5%	-	11.9%	-
Sales promotion expenses	2.3	3.7	2.6	+1.2	8.6	-8.0
Percentage	1.0%	1.2%	0.9%	-	1.0%	-

(Unit: 100 million yen)	Quarterly basis				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	121	140	138	+5.0	400	+2.8
Pharmaceuticals	71	76	79	+4.6	227	+1.4
Food	17	22	20	+2.7	59	+5.0
Oral care products	32	41	38	+7.1	113	+4.6
Household products	87	133	135	-1.9	356	-0.2
Sanitary products	24	29	31	+14.5	85	+16.2
Deodorizing air fresheners	53	91	92	-5.5	237	-4.3
Household articles	9	12	12	-8.7	34	-4.8
Skin care products	15	17	16	-5.8	49	-7.0
Body warmers	6	9	7	+0.0	24	+42.6

Results by Segment (International Business)

9

(Unit: 100 million yen)	Quarterly basis				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	73	61	109	+25.4	244	+29.1
Gross profit	38	32	56	+29.0	127	+34.1
Margin	52.0%	52.7%	51.6%	-	52.0%	-
Operating income	7.3	-5.9	15.8	+31.1	17.3	+152.3
Margin	10.0%	-	14.5%	-	7.1%	-

Advertising expenses	4.6	8.1	6.7	+48.0	19.5	+61.9
Percentage	6.3%	6.1%	2.7%	-	8.0%	-
Sales promotion expenses	2.9	2.9	4.5	+3.9	10.3	+5.3
Percentage	4.0%	4.8%	4.1%	-	4.2%	-

Results by Segment (International Business)

10

(Unit: 100 million yen)	Quarterly basis				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.	25.1	19.2	47.5	+17.5	91.9	+16.7
China	25.1	19.4	33.7	+18.6	78.4	+15.8
Mainland China	20.7	14.5	28.0	+17.7	63.3	+13.3
(Stores)	11.4	7.2	14.3	+10.6	33.0	+22.7
(Mainland EC)	6.9	6.1	12.4	+53.1	25.5	+14.7
(Cross-border EC)	2.3	1.1	1.2	-52.9	4.7	-29.1
(EC percentage)	44.8%	50.1%	48.9%	-	47.8%	-
Hong Kong	4.4	4.9	5.7	+23.3	15.0	+27.7
Southeast Asia	17.5	14.5	19.9	+65.3	52.0	+101.4
Singapore	0.5	1.3	0.6	-27.0	2.5	+36.1
Malaysia	4.8	5.4	5.9	+122.0	16.2	+169.4
Thailand	2.5	3.0	4.8	+104.5	10.5	+118.2
Indonesia	2.2	2.7	1.2	-26.0	6.2	+67.0
Philippines	2.7	0.6	2.4	+14.2	5.7	+33.7
Taiwan region	4.6	1.2	4.8	+106.6	10.7	+111.8
Other	6.0	7.8	8.2	+30.6	22.2	+29.6

(Unit: 100 million yen)	Quarterly basis				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	21	21	20	-5.3	62	-5.2
Gross profit	15	15	14	-5.5	44	-4.4
Margin	71.5%	71.2%	70.7%	-	71.2%	-
Operating income	0.4	0.8	0.6	-44.9	1.9	-11.6
Margin	2.3%	3.8%	3.2%	-	3.1%	-
Advertising expenses	5.8	5.2	5.3	-3.4	16.5	-2.5
Percentage	27.7%	24.6%	26.5%	-	26.3%	-
Sales promotion expenses	1.5	1.6	1.2	+0.8	4.4	+1.4
Percentage	7.2%	7.8%	6.2%	-	7.1%	-