



**小林製薬株式会社**



# **Financial Overview for First Quarter of Fiscal Year Ending December 31, 2023 (January 1, 2023 to March 31, 2023)**

**May 10, 2023**

**Yuko Tomiyama, General Manager,  
Public Relations and Investor Relations  
CFO Unit**

## Recognized as one of the 2023 Certified Health & Productivity Management Outstanding Organizations

The Company was recognized as one of the 2023 Certified Health & Productivity Management Outstanding Organizations (under the large enterprise category) for the first time under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program” established by the Ministry of Economy, Trade and Industry.



## Contributed to the “construction of an anti-disaster system” in Miyagi Prefecture

The Company made a donation to Miyagi Prefecture, where it has a production base, with the aim to contribute to the “construction of a wide-area anti-disaster system.” The Company used the enterprise-edition Hometown Tax Donation System.



## Demonstration experiment carried out jointly with ORION BREWERIES, LTD.

The Company requested employees of ORION BREWERIES to participate in the experiment and to take *Salacia*, one of its supplements for controlling the blood sugar level, with the aim to monitor their health condition and changes in consciousness and behavior.



## Propelled the promotion of the SDGs In cooperation with Kansai University

The Company registered with the “Kansai University SDGs Partner Program.” In cooperation with university students, it propelled the promotion of the SDGs through measures, including the adoption of students’ opinions and ideas and dispatch of the Company’s SDGs activities to the university students.



## Domestic Business

A **0.9%** decrease in net sales

(Figures in parentheses are year-on-year changes in sales for January to March 2023; Unit: billion yen)

- Sales of *Eyebon* and *Hananoa* were robust due to an increase in pollen flying in the air (**+0.2 billion yen**).
- Demand from inbound tourists increased (**+1.1 billion yen**).
- Sales of new products contributed to a growth in net sales (**+0.5 billion yen**).
- Sales of existing products, such as *Bluelet* and *Kaoru Stick*, were sluggish (**-1.9 billion yen**).
- Sales of Direct Marketing Business were weak (**-0.2 billion yen**).

## International Business

A **13.6%** increase in net sales

Net sales increased due to positive foreign currency translation effects.

- U.S.: Net sales increased slightly. This was because sales of body warmers were sluggish due to mild winters, although sales of Alva products were steady (**+0.1 billion yen**).
- China (Mainland): Net sales remained flat from the previous year since sales of body warmers decreased, although sales of *Netsusama Sheet* and pharmaceuticals were strong.
- Hong Kong region: Net sales increased due to the contribution of inbound demand from mainland China (**+0.1 billion yen**).
- Southeast Asia: Net sales grew due to steady sales of *Netsusama Sheet* in each country (**+0.4 billion yen**).

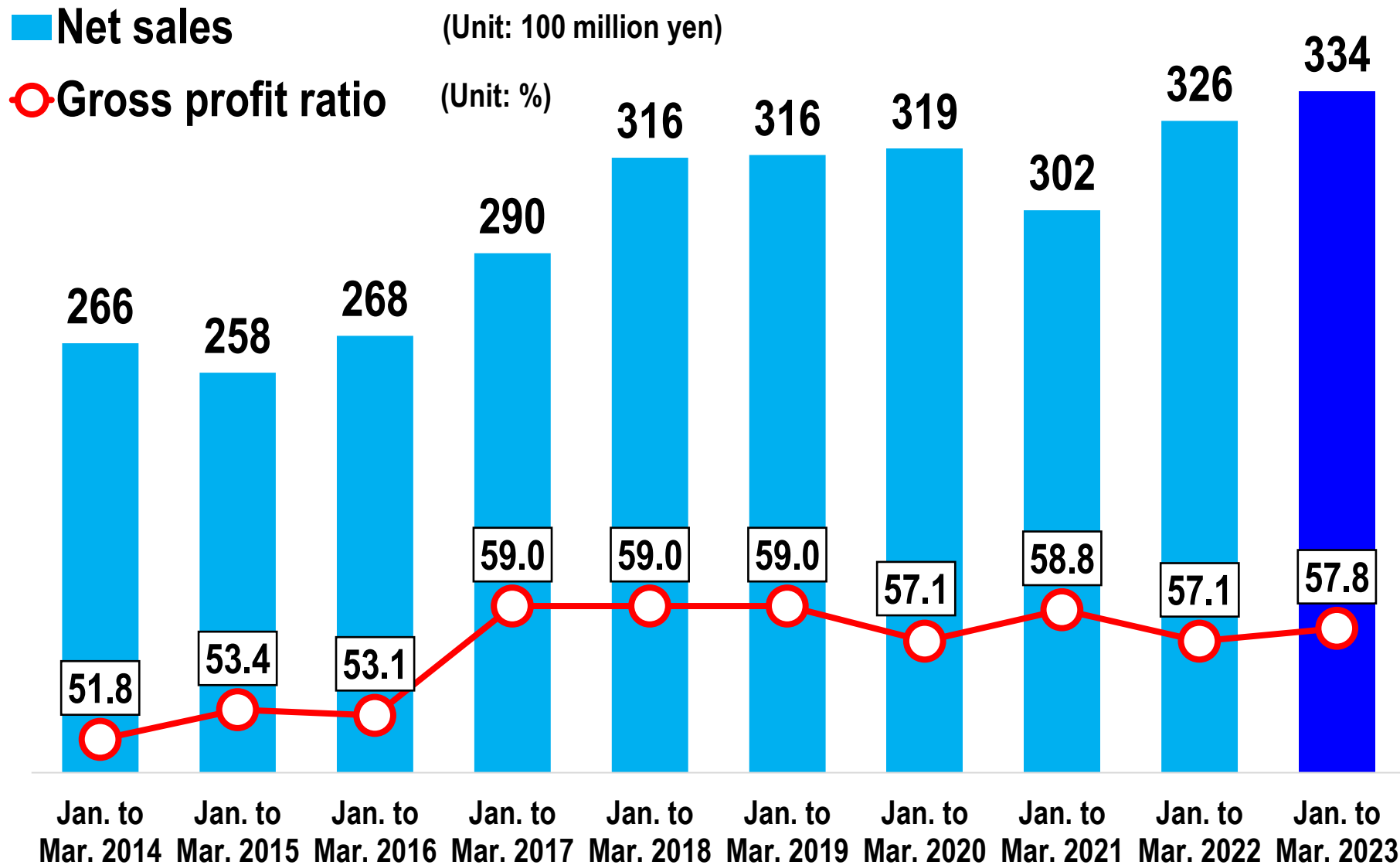
**Net sales and operating income increased from the previous year.**

	<b>Jan. to Mar. 2022</b>	<b>Jan. to Mar. 2023</b>		
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Percentage of net sales (%)
<b>Net sales</b>	<b>326</b>	<b>334</b>	<b>+2.5%</b>	<b>-</b>
<b>Gross profit</b>	<b>186</b>	<b>193</b>	<b>+3.7%</b>	<b>57.8%</b>
<b>Operating income</b>	<b>48</b>	<b>50</b>	<b>+4.5%</b>	<b>15.1%</b>
<b>Ordinary income</b>	<b>51</b>	<b>51</b>	<b>+1.3%</b>	<b>15.4%</b>
<b>Net income</b>	<b>34</b>	<b>36</b>	<b>+3.9%</b>	<b>10.8%</b>
<b>EBITDA*</b>	<b>60</b>	<b>64</b>	<b>+5.9%</b>	<b>19.2%</b>
<b>Net sales of Domestic Business (including Direct Marketing Business)</b>	<b>251</b>	<b>249</b>	<b>-0.9%</b>	<b>-</b>
<b>Net sales of International Business</b>	<b>73</b>	<b>83</b>	<b>+13.6%</b>	<b>-</b>

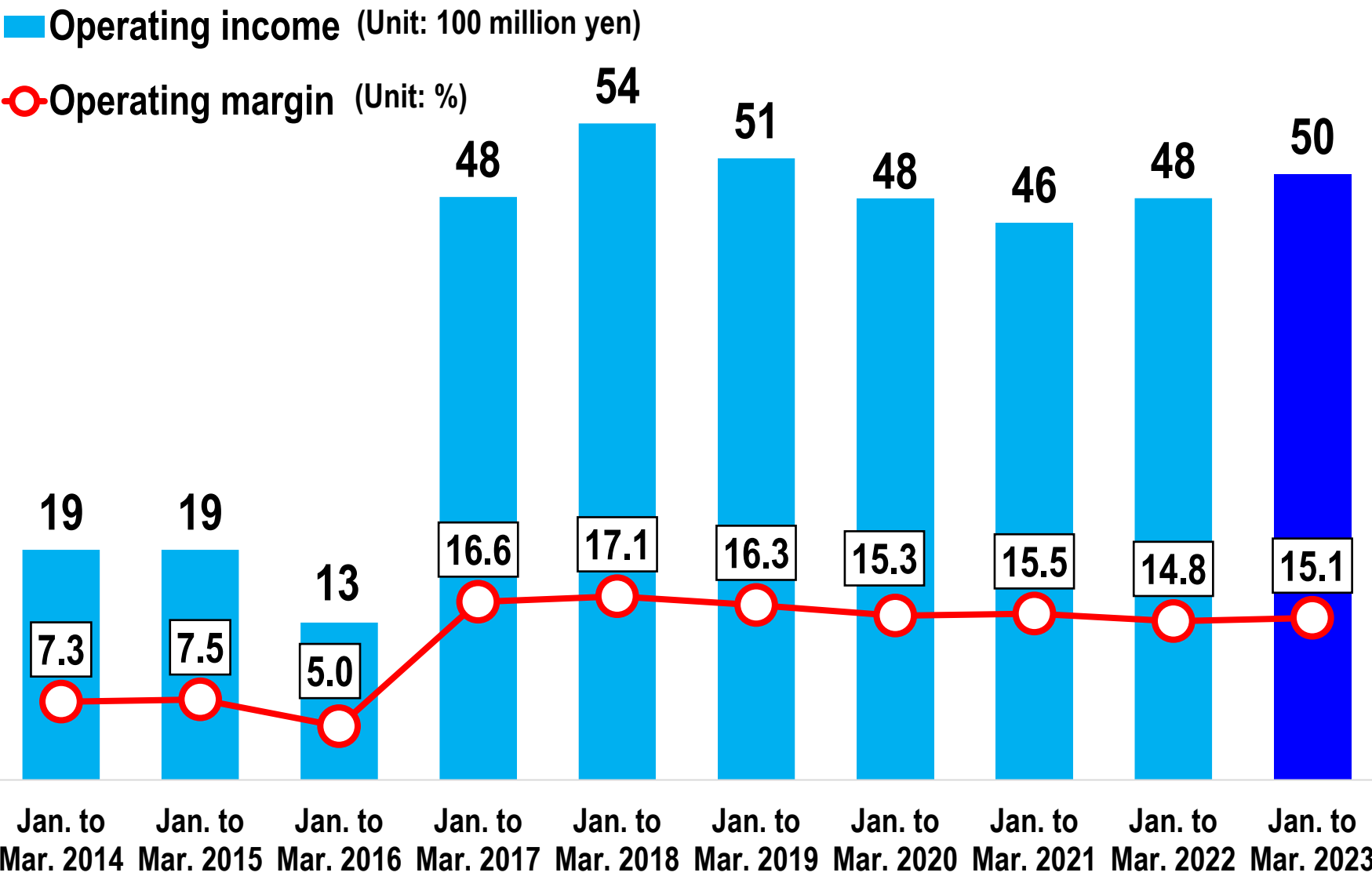
**\* EBITDA = Operating income + Depreciation + Amortization of goodwill**

# Changes in Consolidated Net Sales and Gross Profit Ratio

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# Changes in Consolidated Operating Income and Operating Margin

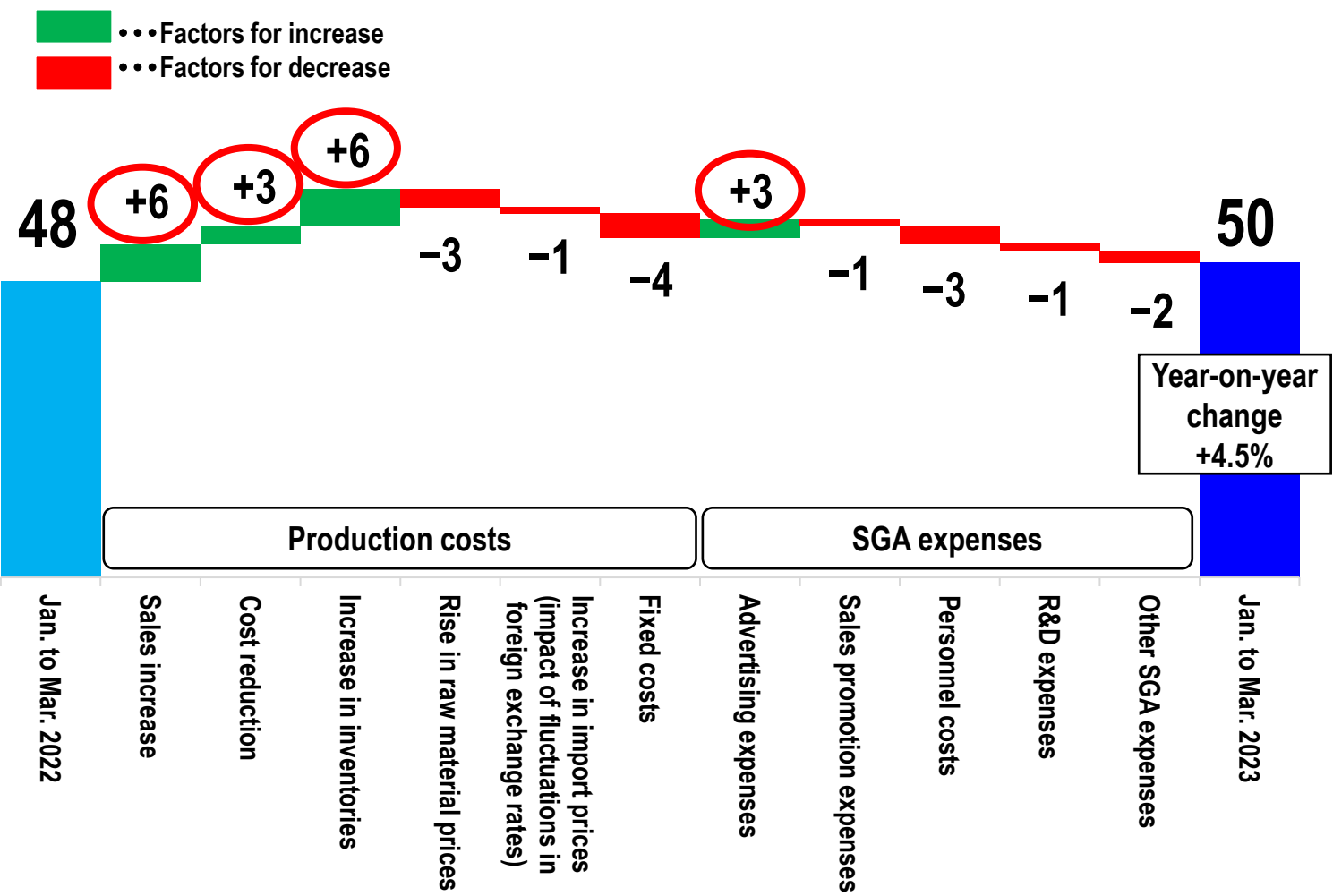


# Factors for Changes in Consolidated Operating Income

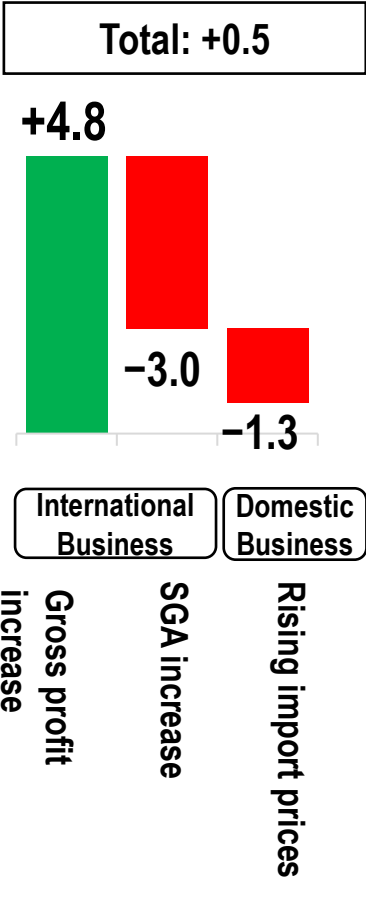
Operating income increased due to a rise in net sales, cost reduction efforts, and the impact of a temporary increase in inventories (owing to moves to secure inventories in preparation for a recovery of demand from inbound tourists and product price hikes as well as sluggish sales of body warmers overseas).

(Unit: 100 million yen)

Factors for changes in operating income



Impact of fluctuations in foreign exchange rates



# Domestic Business

## (Sales Breakdown by Product Category)

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Although sales of healthcare products and body warmers grew steadily, sales of household products and the Direct Marketing Business were weak.

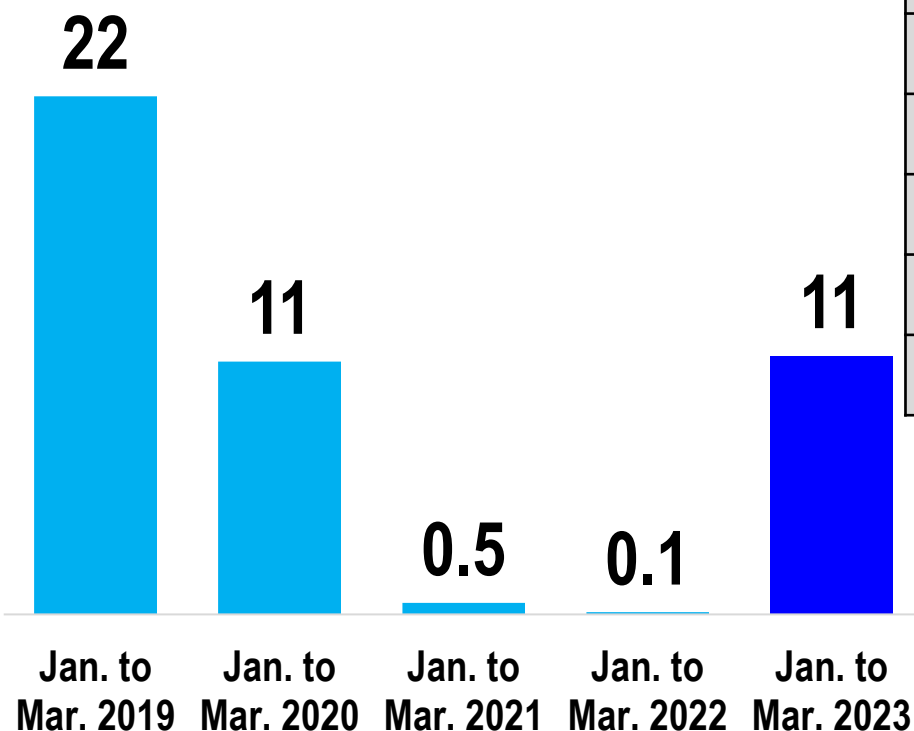
		Jan. to Mar. 2022	Jan. to Mar. 2023	
		Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)
Net sales	Healthcare products	136	140	+2.8%
	Household products	86	81	-6.1%
	Body warmers	6	8	+19.8%
	Direct Marketing Business	21	19	-9.4%
	Total	251	249	-0.9%
Total operating income		40	36	-10.2%
(Margin)		16.0%	14.5%	-

\* On March 24, 2023, we voluntarily recalled *Keshimin Cream E Xab* since there is a possibility that one of the active ingredients for the product may fail to meet the approved specification. The recall led to a decrease in operating income by around 100 million yen.



Along with the increase of visitors to Japan, sales were on an upward trend. Pharmaceuticals accounted for around 60% of sales. Although sales volume was small, sales of some of the new products, which we launched amid the COVID-19 pandemic, showed signs of a pickup, supported by Inbound tourists' demand.

## Changes in inbound-related sales



## <Inbound-related sales ranking by brand>

Place	Jan. to Mar. 2019	Jan. to Mar. 2023
1	<i>Inochi no Haha</i>	<i>Inochi no Haha</i>
2	<i>SakamuCare</i>	<i>Naishitol</i>
3	<i>BreathCare</i>	Lens cleaner
4	<i>Nodonool Spray</i>	<i>Nodonool Spray</i>
5	<i>Ammeltz</i>	<i>Ammeltz</i>

## New products whose sales showed signs of a pickup



# International Business

## (Sales Breakdown by Region)

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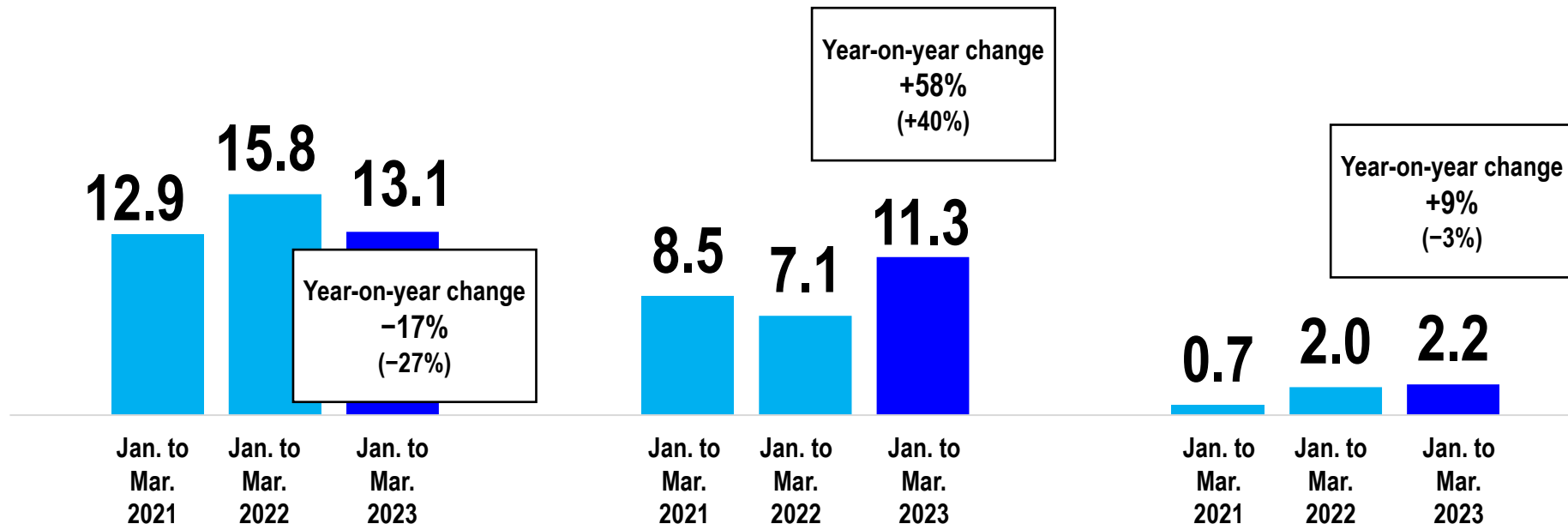
Sales and operating income also increased on a local currency basis due to positive foreign currency translation effects. (The effect of foreign currency translation: net sales and operating income increased by 700 million yen and by 100 million yen, respectively.)

(Unit: 100 million yen)		Jan. to Mar. 2021	Jan. to Mar. 2022		
		Amount	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
Net sales	U.S.	25	26	+6.7%	-6.3%
	Mainland China	20	21	+2.6%	-2.0%
	Hong Kong region	4	6	+42.5%	+25.7%
	Southeast Asia	17	22	+27.9%	+17.5%
	Other	6	7	+16.7%	+12.1%
	Total International Business	73	83	+13.6%	+4.0%
Total operating income		7	13	+82.7%	+58.5%
(Margin)		10.0%	16.1%	-	-

Sales of body warmers decreased due to mild winters. Sales of pharmaceuticals increased in a reaction to the fall in sales due to a problem with the supply of ingredients for some Alva products in FY2022.

## <Net sales (Unit: 100 million yen)>

\* Percentages in parentheses excluding the effect of fluctuations in foreign exchange rates



## Body warmers



## Pharmaceuticals



## Other

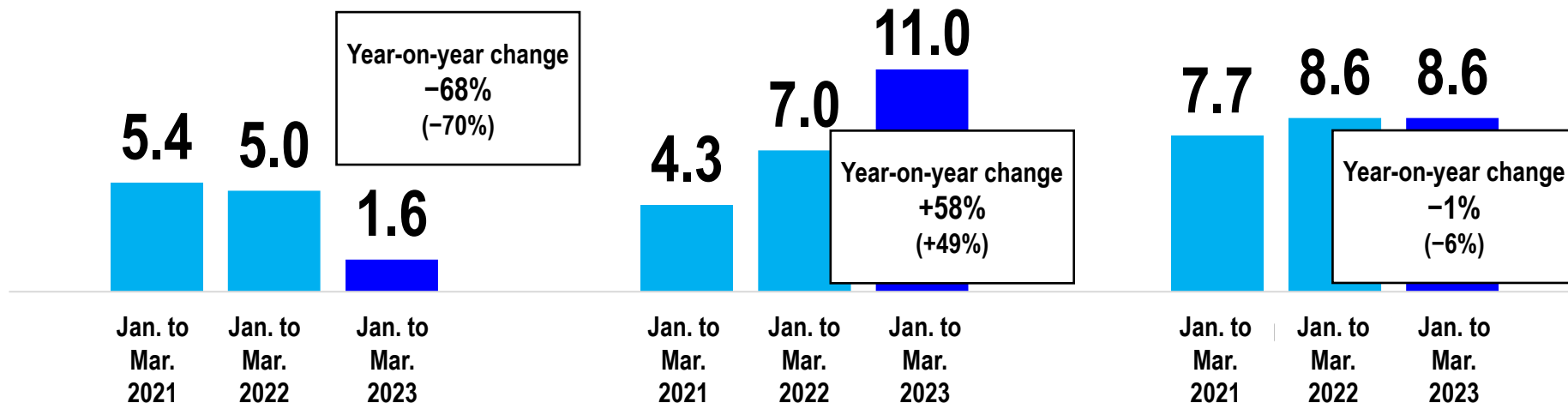


Sales of body warmers decreased greatly due to the reduction of shipments before switching to a non-returnable contract (with sales agents) as well as mild winters. In the second quarter, sales are projected to increase due to a reduction of returned goods.

Sales of *Netsusama Sheet* grew due to the spread of COVID-19 infections and influenza. Sales of other products decreased slightly since household products sold poorly despite steady sales of *Ammeltz*.

## <Net sales (Unit: 100 million yen) >

\* Percentages in parentheses excluding the effect of fluctuations in foreign exchange rates



### Body warmers

### Netsusama Sheet

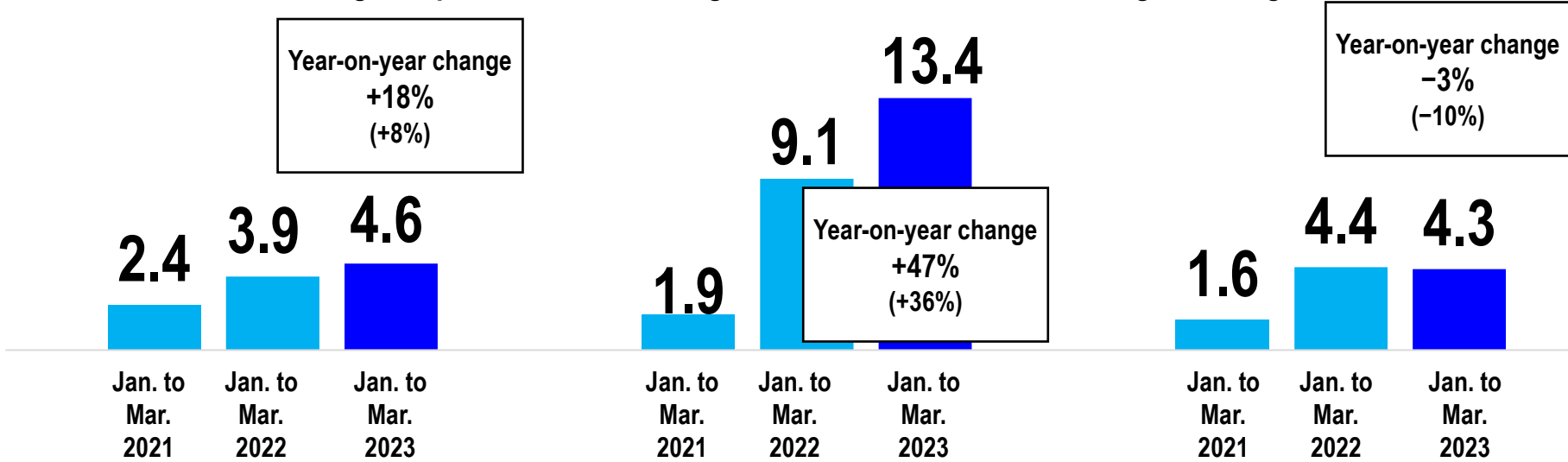
### Other



Among pharmaceuticals, *Ammeltz* sold well. Sales of *Netsusama Sheet* grew due to increased demand due to the spread of various infectious diseases, such as dengue fever and influenza. Sales of other products decreased since body warmers sold poorly owing to mild winters.

<Net sales (Unit: 100 million yen) >

\* Percentages in parentheses excluding the effect of fluctuations in foreign exchange rates



Pharmaceuticals

Netsusama Sheet

Other



# Forecast of Consolidated Results for Fiscal Year Ending December 2023

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(Unit: 100 million yen)	FY2022 results (Jan. to Dec. 2022)	FY2023 forecast (Jan. to Dec. 2023)		
	Amount	Amount	Year-on- year change	Percentage of net sales
Net sales	1,662	1,720	+3.5%	-
Operating income	266	255	-4.4%	14.8%
Ordinary income	282	265	-6.3%	15.4%
Net income	200	202	+0.9%	11.7%
EBITDA *1	319	312	-2.5%	18.1%
EPS	259.63 yen	265.74 yen	+2.4%	-
ROE	10.2%	10.0%	-	-
Net sales of Domestic Business (including Direct Marketing Business)	1,259	1,294	+2.7%	-
Net sales of International Business *2	396	420	+5.9%	-

\*1 EBITDA = Operating income + Depreciation + Amortization of goodwill

\*2 Foreign exchange rates: 125.0 yen per U.S. dollar, 19.0 yen per Chinese yuan

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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)

1

(Unit: 100 million yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Year-on-year change
Net sales	326	334	+2.5%
Gross profit	186	193	+3.7%
Margin	57.1%	57.8%	-
Operating income	48	50	+4.5%
Margin	14.8%	15.1%	-
Ordinary income	51	51	+1.3%
Margin	15.6%	15.4%	-
Net income	34	36	+3.9%
Margin	10.6%	10.8%	-

# Consolidated Income Statement (2)

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<b>(Unit: 100 million yen)</b>	<b>Jan. to Mar. 2022</b>	<b>Jan. to Mar. 2023</b>	<b>Year-on-year change</b>
<b>Advertising expenses</b>	<b>35</b>	<b>32</b>	<b>-8.1%</b>
<b>Percentage of net sales</b>	<b>10.8%</b>	<b>9.6%</b>	<b>-</b>
<b>Sales promotion expenses</b>	<b>6</b>	<b>7</b>	<b>+15.0%</b>
<b>Percentage of net sales</b>	<b>2.0%</b>	<b>2.2%</b>	<b>-</b>

# Consolidated Balance Sheet (1)

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(Unit: 100 million yen)	End of Mar. 2022	End of Jun. 2022	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023
Current assets	1,701	1,770	1,733	1,728	1,616
Cash and deposits	975	1,077	969	962	929
Notes and accounts receivable-trade	417	368	424	478	344
Short-term investment securities	101	84	83	83	83
Inventories	185	215	232	176	231
Non-current assets	722	737	822	829	912
Property, plant and equipment	251	257	329	347	410
Intangible assets	127	137	145	133	131
Investment and other assets	343	342	347	348	370
Total assets	2,424	2,508	2,555	2,558	2,529

# Consolidated Balance Sheet (2)

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(Unit: 100 million yen)	End of Mar. 2022	End of Jun. 2022	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023
<b>Current liabilities</b>	<b>447</b>	<b>451</b>	<b>443</b>	<b>518</b>	<b>481</b>
Notes and accounts payable-trade	86	92	99	90	104
Short-term loans payable	0	0	0	0	0
Accounts payable-other	165	186	176	204	168
<b>Non-current liabilities</b>	<b>53</b>	<b>62</b>	<b>62</b>	<b>61</b>	<b>59</b>
<b>Total net assets</b>	<b>1,923</b>	<b>1,994</b>	<b>2,049</b>	<b>1,979</b>	<b>1,988</b>
Capital surplus	41	41	41	5	5
Retained earnings	2,002	2,045	2,083	1,942	1,931
Treasury stock	-277	-277	-277	-144	-136
<b>Total liabilities and net assets</b>	<b>2,424</b>	<b>2,508</b>	<b>2,555</b>	<b>2,558</b>	<b>2,529</b>

Foreign Exchange			5
(Unit: yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Jan. to Dec. 2023 forecast
US dollar	116.2	132.3	125.0
Chinese yuan	18.3	19.3	19.0

# Results by Segment (Domestic Business)

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(Unit: 100 million yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Year-on-year change
Net sales	251	249	-0.9%
Gross profit	146	143	-2.0%
Margin	58.3%	57.7%	-
Operating income	40	36	-10.2%
Margin	16.0%	14.5%	-
Advertising expenses	30	28	-6.0%
Margin	12.2%	11.5%	-
Sales promotion expenses	3	3	+1.6%
Margin	1.5%	1.6%	-

Net sales (Unit: 100 million yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Year-on-year change
Healthcare products	136	140	+2.8%
Pharmaceuticals	71	74	+4.0%
Food	17	18	+10.6%
Oral care products	32	33	+2.5%
Skin care products	15	13	-11.5%
Household products	86	81	-6.1%
Sanitary products	24	22	-4.6%
Deodorizing air fresheners	53	49	-7.0%
Household articles	9	9	-4.7%
Body warmers	6	8	+19.8%
Direct Marketing Business	21	19	-9.4%

(Unit: 100 million yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Year-on-year change
Net sales	73	83	+13.6%
Gross profit	38	48	+25.1%
Margin	52.0%	57.3%	-
Operating income	7	13	+82.7%
Margin	10.0%	16.1%	-

Advertising expenses	4	3	-21.2%
Margin	6.3%	4.3%	-
Sales promotion expenses	2	3	+16.8%
Margin	4.0%	4.1%	-



# Results by Segment (International Business)

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Net sales (Unit: 100 million yen)	Jan. to Mar. 2022	Jan. to Mar. 2023	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
U.S.	25.1	26.7	+6.7%	-6.3%
China	25.1	27.6	+9.7%	+2.9%
Mainland China	20.7	21.2	+2.6%	-2.0%
(Stores)	11.4	13.7	+20.5%	-
(Mainland EC)	6.9	3.7	-46.0%	-
(Cross-border EC)	2.3	3.7	+59.9%	-
(EC percentage)	44.8%	35.2%	-	-
Hong Kong region	4.4	6.3	+42.5%	+25.7%
Southeast Asia	17.5	22.4	+27.9%	+17.5%
Singapore	0.5	1.4	+175.8%	+138.5%
Malaysia	4.8	6.2	+29.1%	+18.5%
Thailand	2.5	5.5	+114.6%	+93.2%
Indonesia	2.2	3.5	+57.2%	+49.8%
Philippines	2.7	1.4	-46.3%	-49.8%
Taiwan region	4.6	4.1	-9.8%	-14.1%
Other	6.0	7.0	+16.7%	+12.1%