

Financial Overview for Second Quarter of Fiscal Year Ending December 31, 2023 (January 1, 2023 to June 30, 2023)

August 9, 2023

Yumi Nakagawa

Executive Officer, General Manager, CFO Unit

Kobayashi Pharmaceutical Co., Ltd.

Our efforts in Femtech and Femcare

We will start a business for corporate customers in cooperation with TRULY, Inc. next spring. The purpose for this business is to support female employees who have menopausal disorders and menstrual irregularity.



We have prepared a booklet on vaginal discharge in cooperation with “meiiku,” an organization that offers information on sex education.

We will distribute the “Hajimeteno Orimono Kit” (a kit for adolescent girls who experience vaginal discharge for the first time) to organizations, such as primary school PTAs (Parent-Teacher Associations), child-rearing support organizations, and childcare circles, free of charge. The kit is packed with a booklet on vaginal discharge and Sarasaty (our panty liner product that absorbs vaginal discharge).



Commenced “Sawaday Tsumuka” business

In May 2023, we started offering a new service, “Sawaday Tsumuka,” that delivers a scent that enables our customers to recall the memories of their wedding party.



Opened a Joint Research Course with Hirosaki University

We opened the “Oral Health Science Course.” Using Hirosaki University’s big data on health care, we aim to determine the relationship between the oral environment and one’s health condition.



Domestic Business

(Figures in parentheses are year-on-year changes.)

Net sales increased by 0.3 billion yen (up 0.5%).

- Demand from inbound tourists increased since the number of overseas tourists to Japan grew (+2.8 billion yen).
- Sales of new products, such as *Shoshugen SAVON* and *Meimakku*, contributed to growth in net sales (+1.6 billion yen).
- Sales of existing products, mainly household products, were sluggish (−3.9 billion yen).
- Sales of body warmers were steady due to a fall in temperature in the first quarter (+0.1 billion yen).
- Sales of the Direct Marketing Business were weak (−0.4 billion yen).

International Business

(Figures in parentheses are year-on-year changes. * Foreign currency translation effects are included.)

Net sales increased by 2.0 billion yen (up 15%) 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 (+0.2 billion yen).
- China (Mainland): Although sales of body warmers decreased, sales of *Netsusama Sheet* and pharmaceuticals were strong (+0.5 billion yen).
- Hong Kong region: Net sales increased due to the contribution of inbound demand from mainland China (+0.5 billion yen).
- Southeast Asia: Net sales grew due to steady sales of *Netsusama Sheet* in each country (+0.6 billion yen).

Net sales and operating income increased from the previous year.

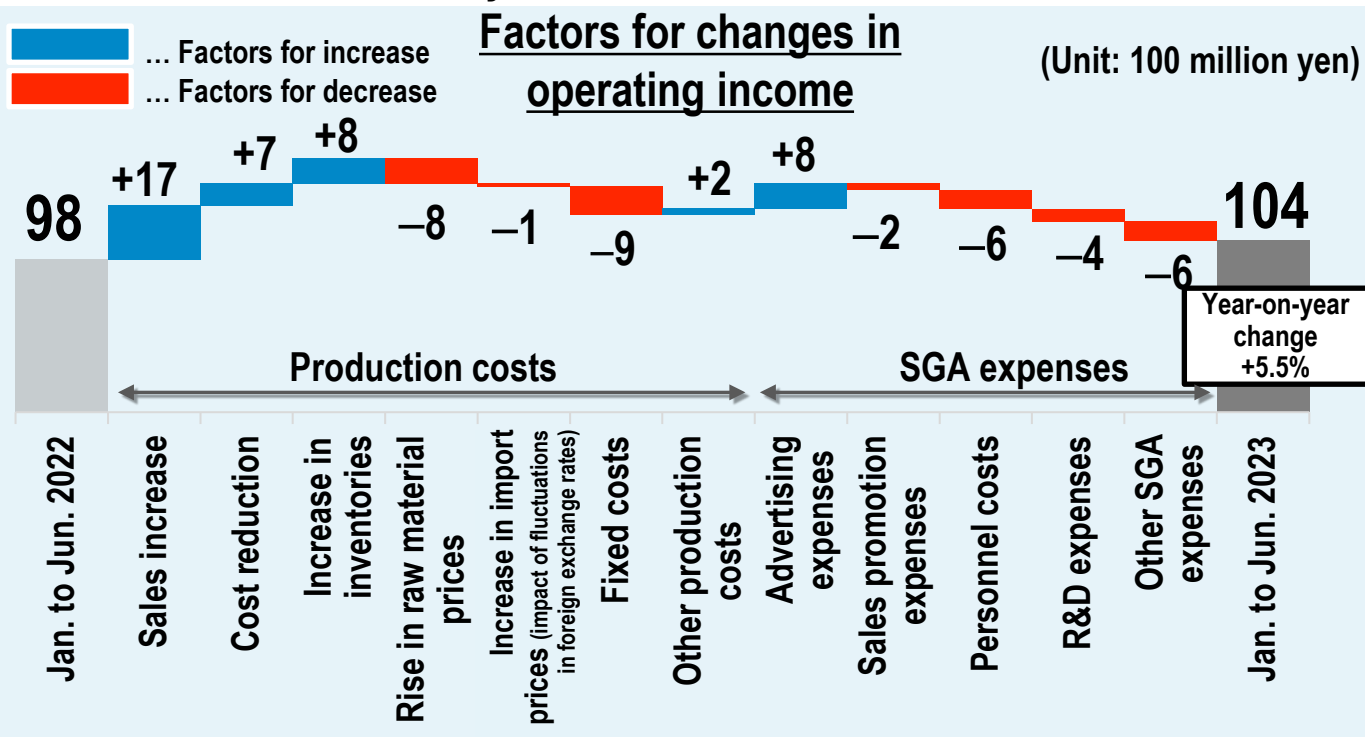
(Unit: 100 million yen)	FY2022		FY2023					
	Apr. to Jun.	Jan. to Jun.	Apr. to Jun.			Jan. to Jun.		
	Amount	Amount	Amount	Year-on-year change	Percentage of net sales	Amount	Year-on-year change	Percentage of net sales
Net sales	386	712	401	+4.0%	-	736	+3.3%	-
Gross profit	222	409	231	+3.9%	57.7%	424	+3.8%	57.7%
Operating income	50	98	53	+6.4%	13.3%	104	+5.5%	14.1%
Ordinary income	58	109	60	+3.5%	15.0%	111	+2.5%	15.2%
Net income	42	77	42	+0.7%	10.6%	78	+2.1%	10.7%
EBITDA*	63	124	67	+6.1%	16.8%	131	+6.0%	17.9%

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Factors for Changes in Consolidated Operating Income

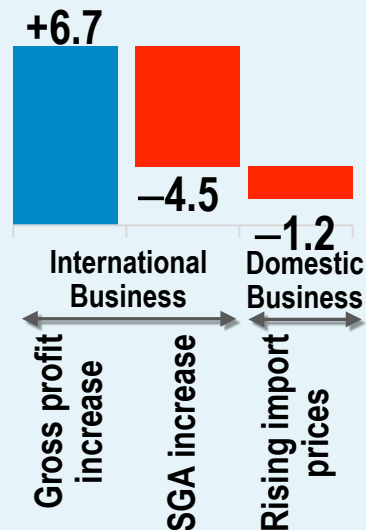
5/23

Operating income increased due to a rise in net sales, cost reduction efforts, and a decrease in advertising expenses. We plan to aggressively increase advertising expenses in the second half of the current fiscal year.



Impact of fluctuations in foreign exchange rates

Total: +1.0



Domestic Business (Sales Breakdown by Product Category)

6/23

Although sales of healthcare products and body warmers grew steadily, sales of household products and the direct marketing business were weak.

(Unit: 100 million yen)		FY2022		FY2023			
		Apr. to Jun.	Jan. to Jun.	Apr. to Jun.		Jan. to Jun.	
		Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	Healthcare products	158	294	168	+6.6%	309	+4.8%
	Household products	133	220	130	-2.3%	212	-3.8%
	Body warmers	9	16	9	-0.8%	17	+7.8%
	Direct marketing business	21	42	19	-10.1%	38	-9.7%
	Total	323	574	328	+1.6%	577	+0.5%
Total operating income		54	94	57	+4.7%	93	-1.6%
(Margin)		16.9%	16.5%	17.4%	-	16.1%	-

* We voluntarily recalled *Keshimin Cream EXab* on March 24, 2023. The recall led to a decrease in operating income by around 100 million yen.

Domestic Business (Inbound Demand)

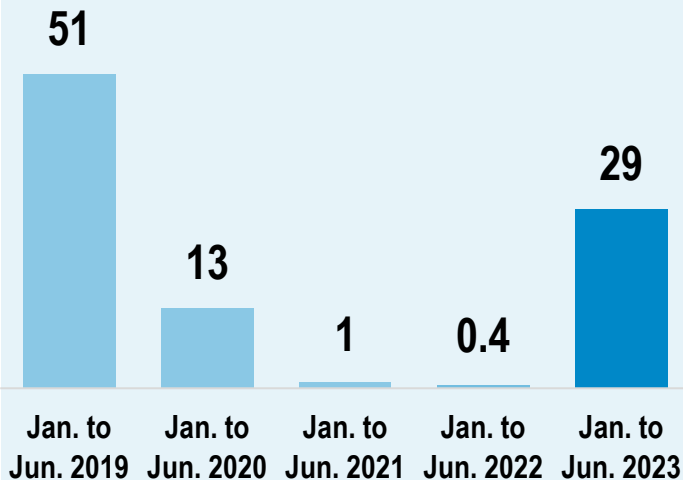
7/23

Along with the increase of visitors to Japan, sales recovered to a little more than 50% of pre-COVID-19 levels. Sales of some of the new products, which we launched amid the COVID-19 pandemic, showed signs of a pickup, supported by inbound tourist demand.

We beefed up store-front sales activities, including the installation of point-of-purchase displays in multi-languages.

Changes in inbound-related sales

(Unit: 100 million yen)



New products that showed signs of a pickup



Preparation of point-of-purchase displays in foreign languages



Inbound-related sales ranking by brand

Place	Jan. to Jun. 2019	Jan. to Jun. 2023
1	Inochi no Haha	Naishitol
2	SakamuCare	Inochi no Haha
3	BreathCare	Nodonoool
4	Ammeltz	SakamuCare
5	Nodonoool	Dietary supplement products

International Business (Sales Breakdown by Region)

8/23

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 900 million yen and by 200 million yen, respectively.)

(Unit: 100 million yen)		FY2022		FY2023					
		Apr. to Jun.	Jan. to Jun.	Apr. to Jun.			Jan. to Jun.		
		Amount	Amount	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
Net sales	U.S.	19	44	19	+3.1%	−1.4%	46	+5.2%	−4.2%
	Mainland China	14	35	19	+33.0%	+32.9%	40	+15.2%	+12.4%
	Hong Kong region	4	9	8	+65.9%	+55.3%	14	+55.0%	+41.5%
	Southeast Asia	14	32	15	+8.0%	+4.1%	38	+18.8%	+11.4%
	Other	7	13	8	+6.5%	+3.4%	15	+11.0%	+7.2%
	Total International Business	61	135	71	+16.9%	+13.3%	155	+15.1%	+8.2%
Total operating income		−5	1	−4	-	-	8	+499%	+351%
(Margin)		-	1.1%	-	-	-	5.6%	-	-

Sales in U.S. (by Product)

9/23

Sales of body warmers decreased due to mild winters.

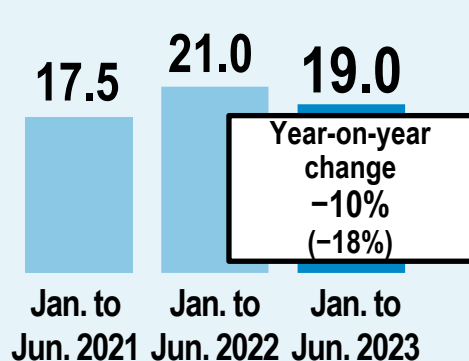
Sales of pharmaceuticals increased in reaction to the fall in sales due to a problem with the supply of ingredients for some Alva products in FY2022.

(Unit: 100 million yen)

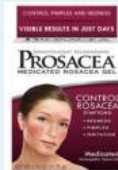
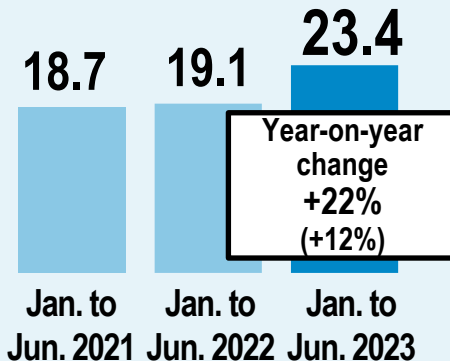
Net sales

* Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

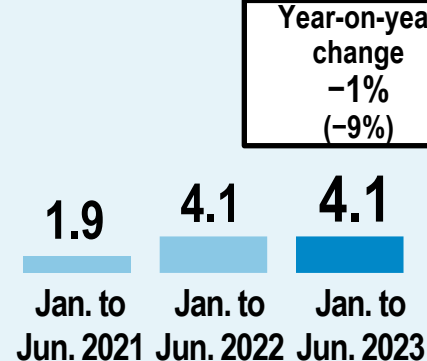
Body warmers



Pharmaceuticals



Other



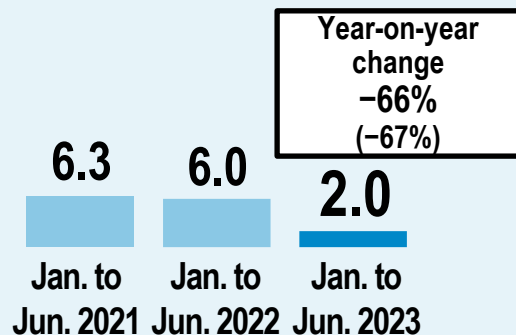
Sales in Mainland China (by Product)

10/23

Business recovered steadily from April in reaction to the impact of city lockdowns in the previous year. Sales of body warmers decreased sharply due to mild winters. Sales of *Netsusama Sheet* grew due to the spread of COVID-19 infections and influenza. Sales of other products increased slightly since household products sold poorly despite steady sales of *Ammeltz*.

(Unit: 100 million yen)

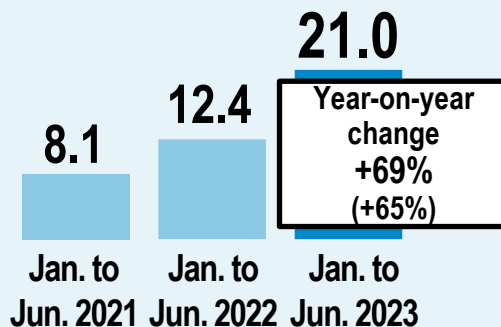
Body warmers



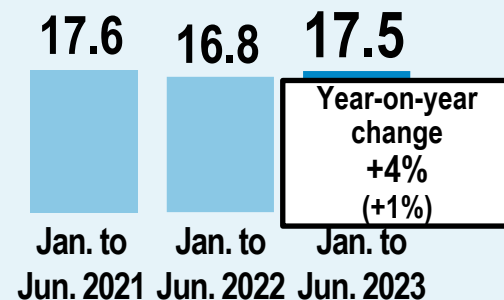
Net sales

* Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

Netsusama Sheet



Other



Sales in Southeast Asia (by Product)

11/23

Among pharmaceuticals, *Ammeltz* sold well.

Sales of *Netsusama Sheet* grew due to increased demand due to the spread of various infectious diseases.

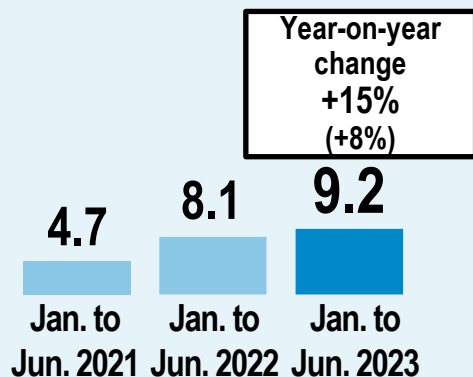
Sales of other products grew slightly since body warmers sold poorly owing to mild winters.

(Unit: 100 million yen)

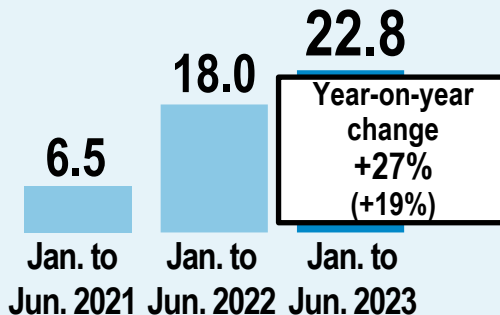
Net sales

* Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

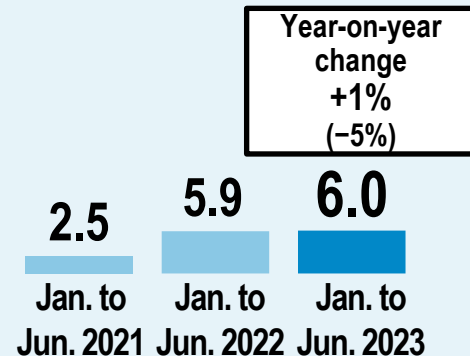
Pharmaceuticals



Netsusama Sheet



Other



Forecast of Consolidated Results for Fiscal Year Ending December 2023

12/23

We aim to achieve the announced target by making up for a decrease in sales caused by sluggish domestic consumption with sales to inbound tourists (estimated to be 5.7 billion yen annually).

(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	1,259	1,294	+2.7%	-
Net sales of International Business ^{*2}	396	420	+5.9%	-

^{*1} EBITDA = Operating income + Depreciation + Amortization of goodwill

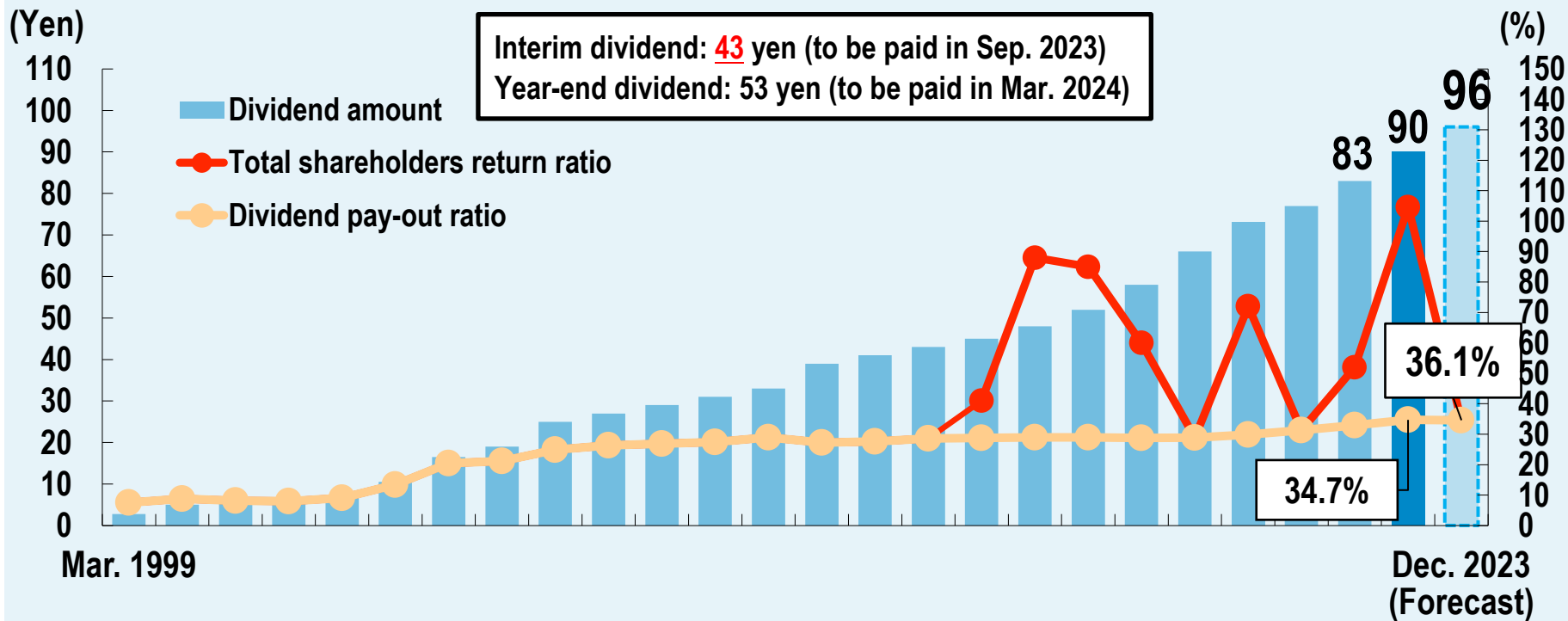
^{*2} Foreign exchange rates: US\$1 = 125 yen, Chinese yuan 1 = 19 yen

Changes in Dividend Payment

13/23

We increased the interim dividend from 39 yen/share, initially announced, to 43 yen/share.

We plan to pay an annual dividend of 96 yen/share, aiming to achieve an increase in dividend payment for the 25th consecutive term.



Business Outlook and Towards Medium- to Long-Term Growth

August 9, 2023

Akihiro Kobayashi

President & Chief Operating Officer

Kobayashi Pharmaceutical Co., Ltd.

Solve problems that tend to be overlooked and assist in the possibilities of people.

We support the realization of a healthy and comfortable life and being active in society by discovering “problems” that tend to be overlooked in people’s daily lives and solving them with innovative “ideas and technologies.”

We will assist in people’s possibilities by considering a comfortable life and active participation in society, which are hampered by these “problems,” as “social issues left behind” and contributing to solving them.

Theme: “I make a wish and I make it happen”

Fostering a corporate culture that encourages taking on challenges beyond boundaries

Strategy (1):

New challenges in developing and nurturing new products

Strategy (2):

Strengthening of the capability to provide products through the new overseas support system

Strategy (3):

Strengthening competitiveness of existing products

Strategy (4):

Proactive creation of new businesses

Strategy (5):

Creation of the foundation for tomorrow's Kobayashi Pharmaceutical

ESG and DX

Target for Business Performance (FY2025)

17/23

	FY2022 (results)	FY2025 (target)	CAGR
Net sales	166.2 billion yen	191.0 billion yen or more	+4.7% or more
Operating income	26.6 billion yen	26.8 billion yen or more	+0.1% or more
(Margin)	16.0%	14% or more	-
Net income	25th consecutive increase	28th consecutive increase	-
EBITDA*	31.9 billion yen	35.2 billion yen or more	+3.2% or more
ROE	10.2%	9% or more	-
Dividend	24th consecutive increase	27th consecutive increase	-
Net sales of Domestic Business	125.9 billion yen	137.6 billion yen or more	+2.9% or more
Net sales of International Business	39.6 billion yen	53.3 billion yen or more	+10.3% or more
(Percentage of net sales)	23.9%	27% or more	-



**FY2030
(target)**

Consolidated
net sales
280.0
billion yen

Of which
Net sales of
International
Business
90.0
billion yen

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Forecast of Consolidated Results for FY2023 (Second Half)

18/23

We forecast net sales will increase but operating income will decrease since we plan to aggressively increase advertising expenses in the second half of FY2023.

Unit: 100 million yen	Results for Jul. to Dec. 2022	Forecast for Jul. to Dec. 2023*		Announced target for FY2023	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	949	983	+3.6%	1,720	+3.5%
Advertising expenses	95	113	+18.7%	200	+5.4%
Operating income	168	150	-10.2%	255	-4.4%
Net income	123	123	+0.1%	202	+0.9%
Net sales of Domestic Business	685	716	+4.5%	1,294	+2.7%
Sales to domestic consumers	678	687	+1.3%	1,237	-1.3%
Sales to inbound tourists	6	29	+358%	57	+714%
Net sales of International Business	261	264	+1.1%	420	+5.9%

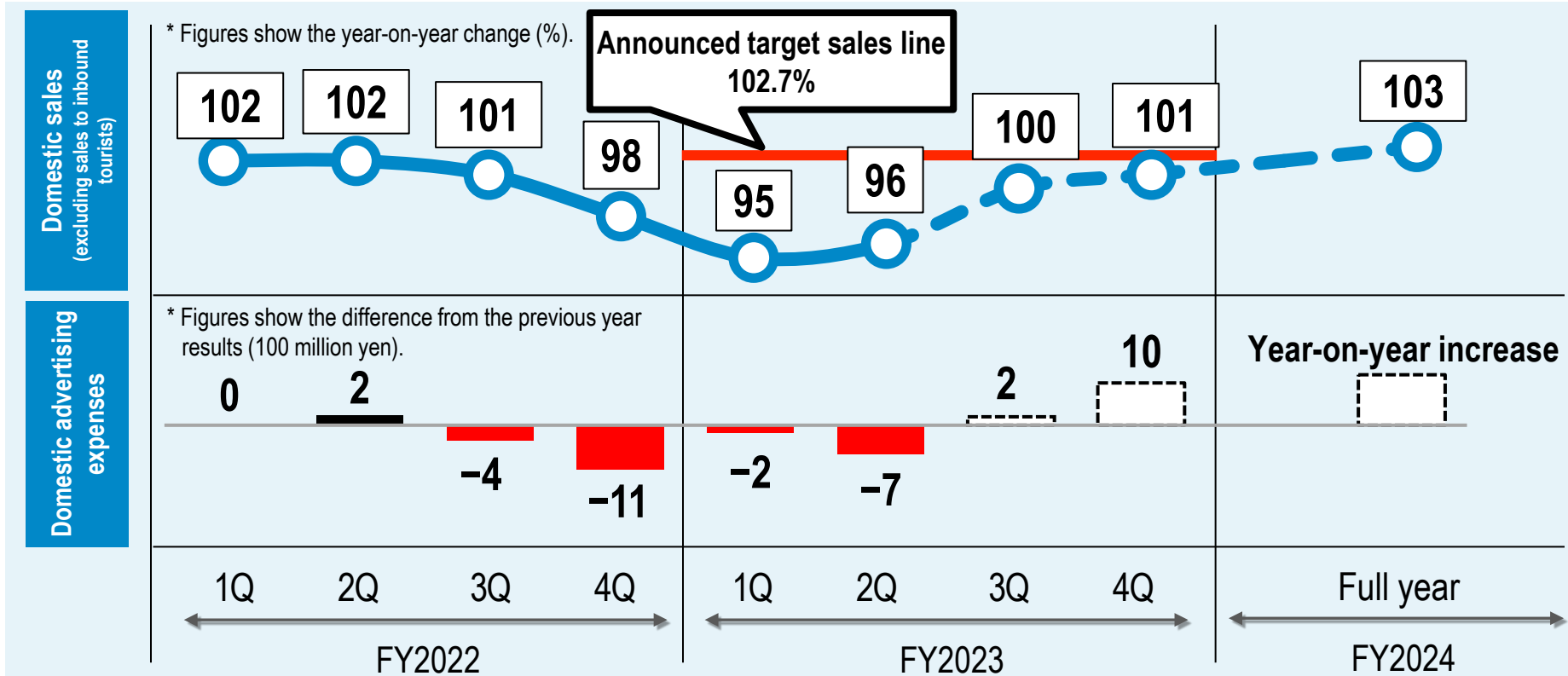
* Difference between the announced target
and results for the first half of FY2023

Forecast of the Domestic Business

19/23

As we reduced advertising expenses from the previous year, sales growth slowed down.

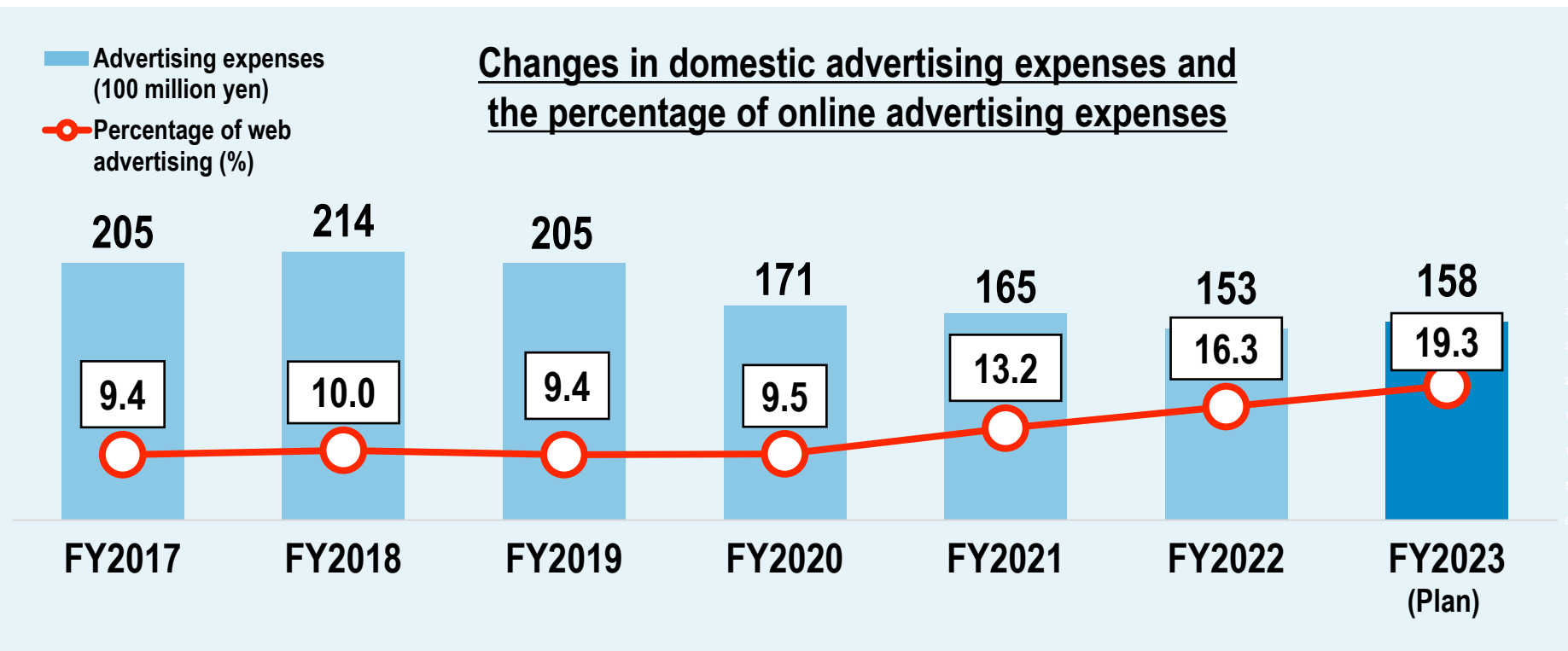
We will increase advertising expenses to turn around the trend and aim to achieve 3% sales growth next year.



Shifting Focus to Digital Advertisements

20/23

As the efficiency of TV commercials has been declining, we have been shifting our focus to web advertising. We will raise the efficiency of web advertising and actively increase advertising expenses.



Product Price Hikes and Business Outlook

21/23

Effects on retail prices and sales volume from price hikes of our products in the first half of FY2023 were within our estimation.

In the second half of FY2023, we are scheduled to raise the prices of our products (111SKU).

As we expect raw material prices to continue to soar in the future, we plan to increase prices of our products further next year.

Price revision in the first half of FY2023 (93SKU)



Price revision in the second half of FY2023 (111SKU)



FY2024 and later

We plan to raise prices of other products successively.

We aim to develop capability that enables us to put more than 30 new items per year in the market in a timely and continuous manner.

Number of new products to be launched annually: 30 products

30 items in total

Fall 2023 (17 items)

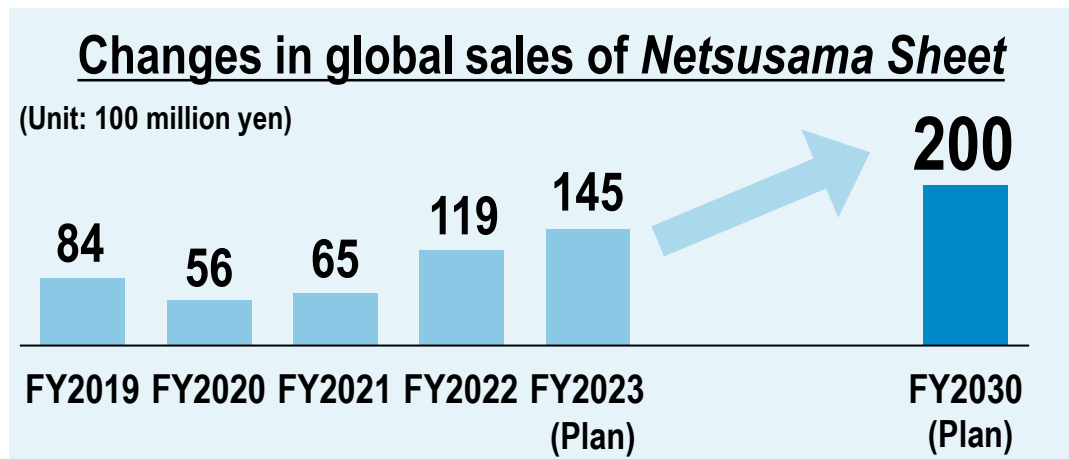


Large-scale Capital Expenditure

23/23

Large-scale capital expenditure has progressed as scheduled.

After the COVID-19 pandemic, using *Netsusama Sheet* has become a habit overseas. We will examine the possibility of making additional investment since demand for *Netsusama Sheet* is expected to expand in the future.



We will examine the possibility of making additional investment to expand capacity in Japan or Southeast Asia.



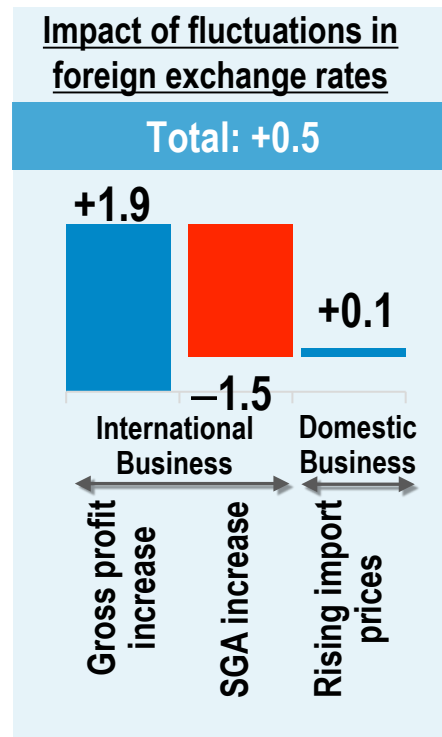
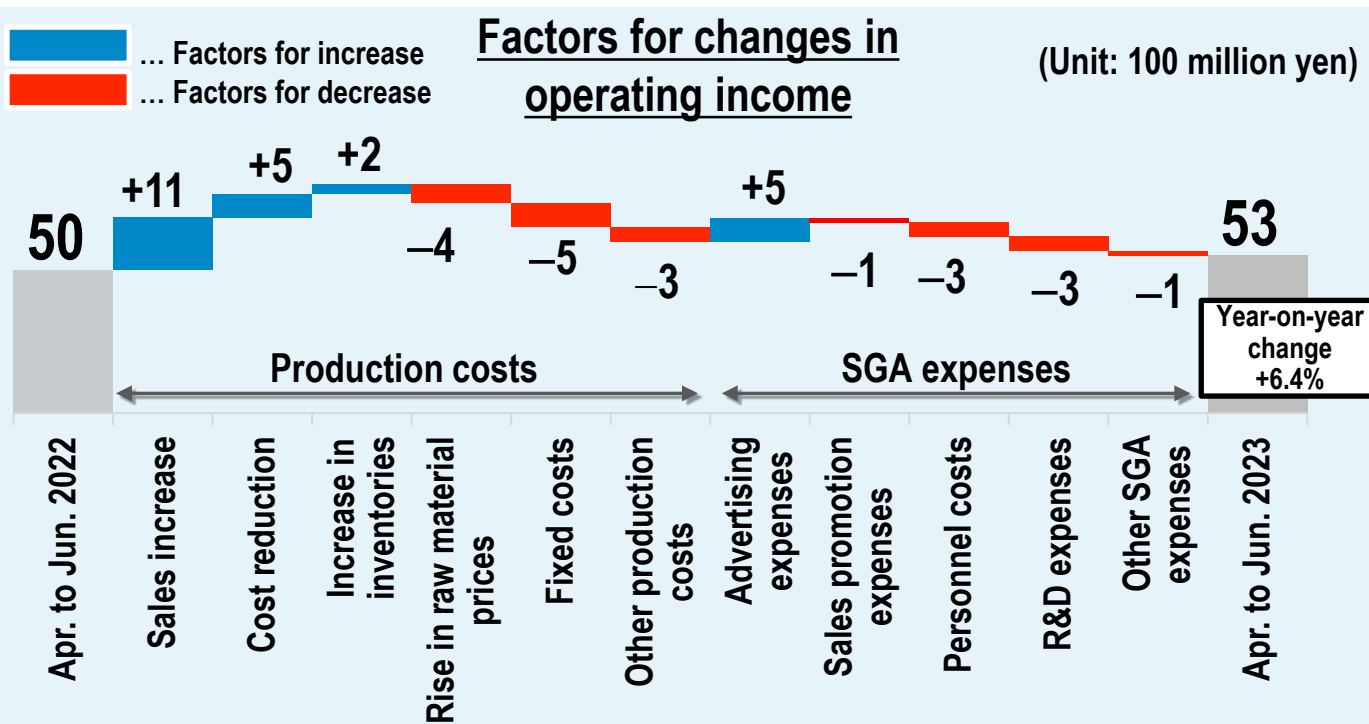
<Note>

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

Results for the second quarter of FY2023 (April 1, 2023 to June 30, 2023)



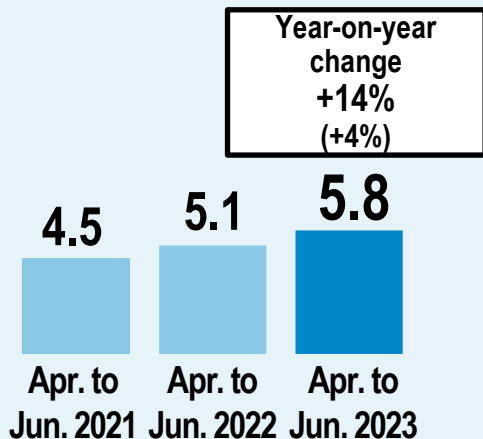
Results for the second quarter (Apr. to Jun. 2023)

(Unit: 100 million yen)

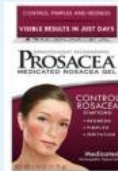
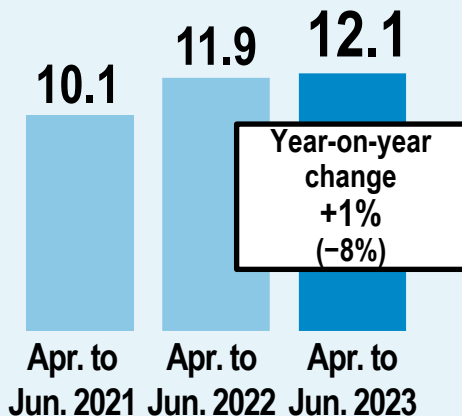
Net sales

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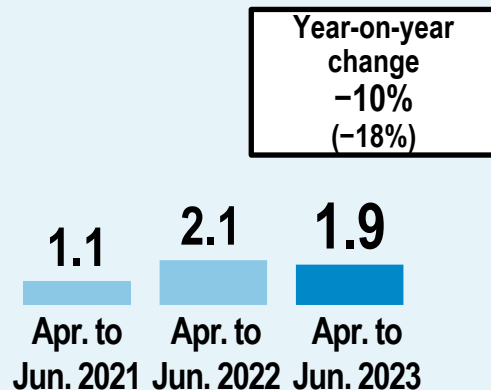
Body warmers



Pharmaceuticals



Other



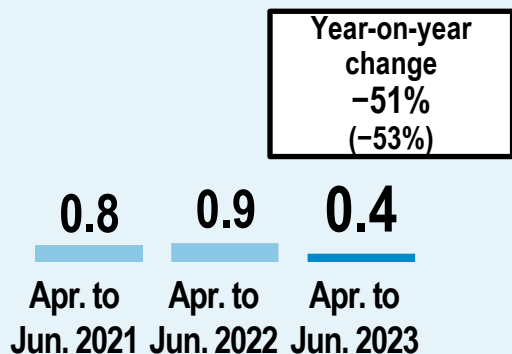
Results for the second quarter (Apr. to Jun. 2023)

(Unit: 100 million yen)

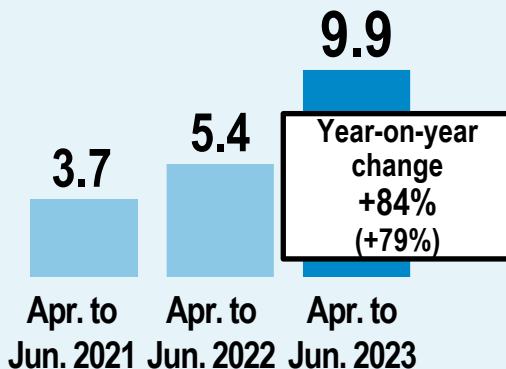
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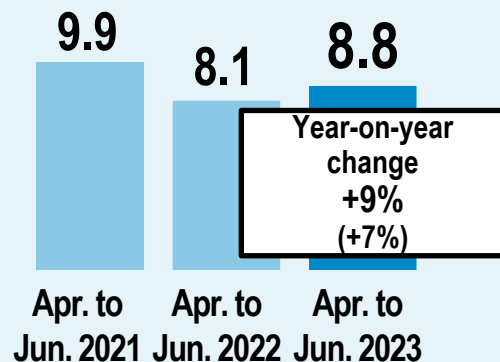
Body warmers



Netsusama Sheet



Other



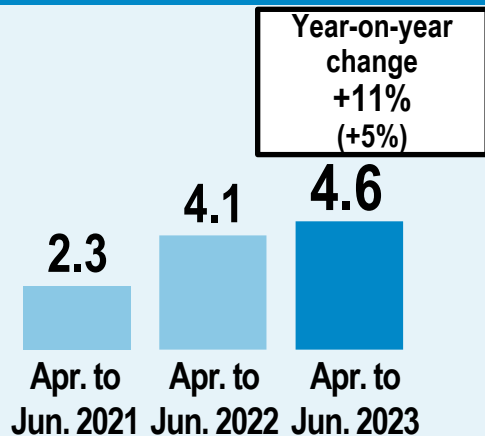
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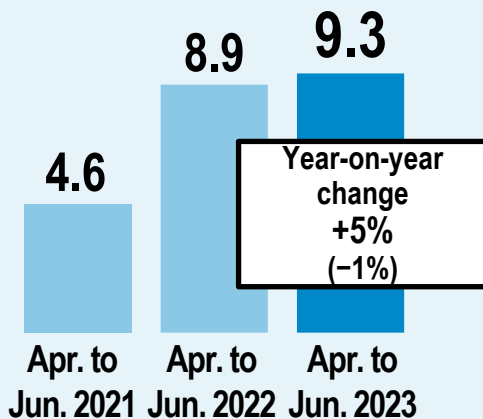
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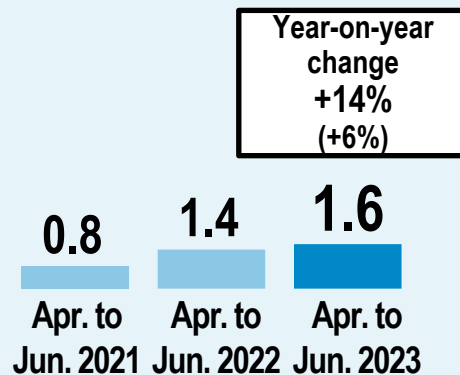
Pharmaceuticals



Netsusama Sheet



Other



Consolidated Income Statement (1)

5

(Unit: 100 million yen)	FY2023				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	334	401	+4.0%	736	+3.3%
Gross profit	193	231	+3.9%	424	+3.8%
Margin	57.8%	57.7%	-	57.7%	-
Operating income	50	53	+6.4%	104	+5.5%
Margin	15.1%	13.3%	-	14.1%	-
Ordinary income	51	60	+3.5%	111	+2.5%
Margin	15.4%	15.0%	-	15.2%	-
Net income	36	42	+0.7%	78	+2.1%
Margin	10.8%	10.6%	-	10.7%	-

Consolidated Income Statement (2)

6

(Unit: 100 million yen)	FY2023				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Advertising expenses	32	54	−8.2%	86	−8.2%
Percentage of net sales	9.6%	13.5%	-	11.7%	-
Sales promotion expenses	7	8	+10.9%	16	+12.7%
Percentage of net sales	2.2%	2.2%	-	2.2%	-

Consolidated Balance Sheet (1)

(Unit: 100 million yen)	End of Jun. 2022	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023	End of Jun. 2023
Current assets	1,770	1,733	1,728	1,616	1,686
Cash and deposits	1,077	969	962	929	911
Notes and accounts receivable-trade	368	424	478	344	379
Short-term investment securities	84	83	83	83	83
Inventories	215	232	176	231	278
Non-current assets	737	822	829	912	979
Property, plant and equipment	257	329	347	410	431
Intangible assets	137	145	133	131	134
Investment and other assets	342	347	348	370	413
Total assets	2,508	2,555	2,558	2,529	2,665

Consolidated Balance Sheet (2)

(Unit: 100 million yen)	End of Jun. 2022	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023	End of Jun. 2023
Current liabilities	451	443	518	481	489
Notes and accounts payable-trade	92	99	90	104	105
Short-term loans payable	0	0	0	0	0
Accounts payable-other	186	176	204	168	184
Non-current liabilities	62	62	61	59	90
Total net assets	1,994	2,049	1,979	1,988	2,085
Capital surplus	41	41	5	5	5
Retained earnings	2,045	2,083	1,942	1,931	1,973
Treasury stock	-277	-277	-144	-136	-136
Total liabilities and net assets	2,508	2,555	2,558	2,529	2,665

(Unit: yen)	Jan. to Dec. 2022	Jan. to Mar. 2023	Jan. to Jun. 2023	Jan. to Dec. 2023 forecast
US dollar	131.4	132.3	134.8	125.0
Chinese yuan	19.5	19.3	19.4	19.0

Results by Segment (Domestic Business) (1)

10

(Unit: 100 million yen)	FY2023				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	249	328	+1.6%	577	+0.5%
Gross profit	143	190	+0.8%	334	−0.4%
Margin	57.7%	58.0%	-	57.9%	-
Operating income	36	57	+4.7%	93	−1.6%
Margin	14.5%	17.4%	-	16.1%	-

Advertising expenses	28	44	−13.6%	72	−10.7%
Percentage of net sales	11.5%	13.4%	-	12.6%	-
Sales promotion expenses	3	5	−2.8%	9	−1.0%
Percentage of net sales	1.6%	1.6%	-	1.6%	-

Results by Segment (Domestic Business) (2)

11

(Unit: 100 million yen)	FY2023				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Healthcare products	140	168	+6.6%	309	+4.8%
Pharmaceuticals	74	84	+10.2%	158	+7.2%
Food	18	23	+2.1%	42	+5.8%
Oral care products	33	43	+5.0%	77	+3.9%
Skin care products	13	17	+0.8%	31	−4.9%
Household products	81	130	−2.3%	212	−3.8%
Sanitary products	22	29	−0.1%	52	−2.1%
Deodorizing air fresheners	49	89	−2.8%	138	−4.4%
Household articles	9	11	−3.4%	20	−4.0%
Body warmers	8	9	−0.8%	17	+7.8%
Direct marketing business	19	19	−10.1%	38	−9.7%

Results by Segment (International Business) (1)

12

(Unit: 100 million yen)	FY2023				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	83	71	+16.9%	155	+15.1%
Gross profit	48	39	+22.0%	87	+23.7%
Margin	57.3%	55.0%	-	56.3%	-
Operating income	13	-4	-	8	+499%
Margin	16.1%	-	-	5.6%	-
Advertising expenses	3	10	+23.2%	13	+7.2%
Percentage of net sales	4.3%	6.5%	-	8.8%	-
Sales promotion expenses	3	3	+21.6%	6	+19.2%
Percentage of net sales	4.1%	5.0%	-	4.5%	-

Results by Segment (International Business) (2)

13

(Unit: 100 million yen)	FY2023						
	Jan. to Mar.	Apr. to Jun.			Jan. to Jun.		
	Amount	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
U.S.	26.7	19.8	+3.1%	−1.4%	46.6	+5.2%	−4.2%
China	27.6	27.5	+41.3%	+38.6%	55.1	+23.5%	+18.5%
Mainland China	21.2	19.3	+33.0%	+32.9%	40.6	+15.2%	+12.4%
(Stores)	13.7	9.4	+30.4%	-	23.2	+24.3%	-
(Mainland EC)	3.7	9.9	+62.0%	-	13.7	+4.6%	-
(Cross-border EC)	3.7	0	-	-	3.6	+5.5%	-
(EC percentage)	35.2%	51.1%	-	-	42.8%	-	-
Hong Kong region	6.3	8.1	+65.9%	+55.3%	14.4	+55.0%	+41.5%
Southeast Asia	22.4	15.6	+8.0%	+4.1%	38.1	+18.8%	+11.4%
Singapore	1.4	0.9	−30.7%	−38.1%	2.3	+27.6%	+13.7%
Malaysia	6.2	6.3	+16.3%	+14.1%	12.5	+22.3%	+16.2%
Thailand	5.5	3.6	+19.6%	+14.7%	9.2	+62.9%	+50.5%
Indonesia	3.5	1.6	−39.5%	−42.1%	5.2	+4.0%	−0.6%
Philippines	1.4	2.2	+258.7%	+235.4%	3.7	+10.3%	+6.4%
Taiwan region	4.1	0.8	−33.3%	−30.2%	4.9	−14.9%	−17.6%
Other	7.0	8.4	+6.5%	+3.4%	15.5	+11.0%	+7.2%