

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

November 7, 2023

Yuko Tomiyama

General Manager, Public Relations and Investor Relations CFO Unit

Kobayashi Pharmaceutical Co., Ltd.

Commenced a construction project to expand factory and warehouse buildings in the U.S. foothold in October 2023

We started a building capacity expansion project to optimize production and distribution with our eyes focused on future growth in sales of body warmers in the U.S. The expansion will enable us to secure manufacturing space sufficient to cope with demand until 2040. We also aim to automate the distribution of goods on the premises by directly connecting the production lines with a newly established warehouse.



The 120th anniversary of the launch of Inochi no Haha

Inochi no Haha, which was put on the market in 1903 (Meiji 36), celebrated its 120th anniversary on September 16, 2023. To commemorate the 120th anniversary, we have been conducting a sales campaign since October 2023.



Launched a new product, Keanabon

Keanabon became a much-talked-about product before its nationwide release. The new product gathered great attention via YouTube, with its video being viewed more than 10 million times.

We launched the product on September 28, 2023.



Domestic Business

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

Net sales increased by 1.1 billion yen (up 1.3%).

- Demand from inbound tourists increased since the number of overseas tourists to Japan grew (+4.9 billion yen).
- Sales of new products, such as *Shoshugen SAVON*, *Koecure* and *Keanabon*, contributed to growth in net sales (+2.9 billion yen).
- Sales of existing products, mainly household products, were sluggish (−6.0 billion yen).
- Sales of the Direct Marketing Business were weak (−0.6 billion yen).



International Business

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

Net sales increased by 3.6 billion yen (up 15%) due to positive foreign currency translation effects.

- U.S.: Net sales increased due to the contribution of body warmers and pharmaceuticals (+1.1 billion yen).
- China (Mainland): Although sales of body warmers decreased, sales of *Netsusama Sheet* and pharmaceuticals were strong (+0.6 billion yen).
- Hong Kong region: Net sales increased due to the contribution of inbound demand from mainland China (+0.7 billion yen).
- Southeast Asia: Net sales grew due to steady sales of *Netsusama Sheet* in each country (+0.7 billion yen).

Net sales and operating income increased from the previous year.

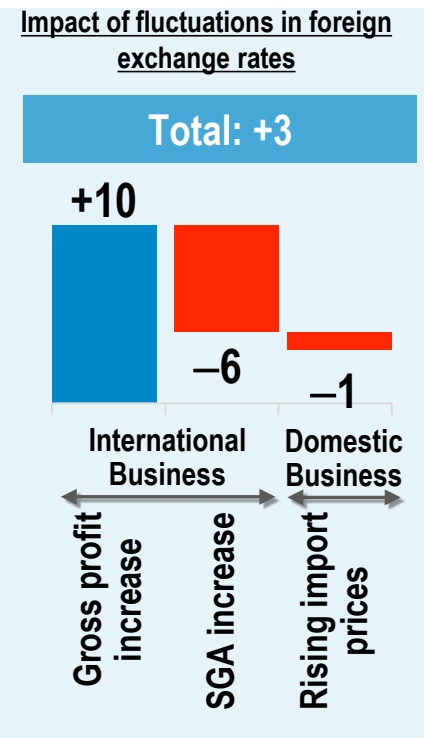
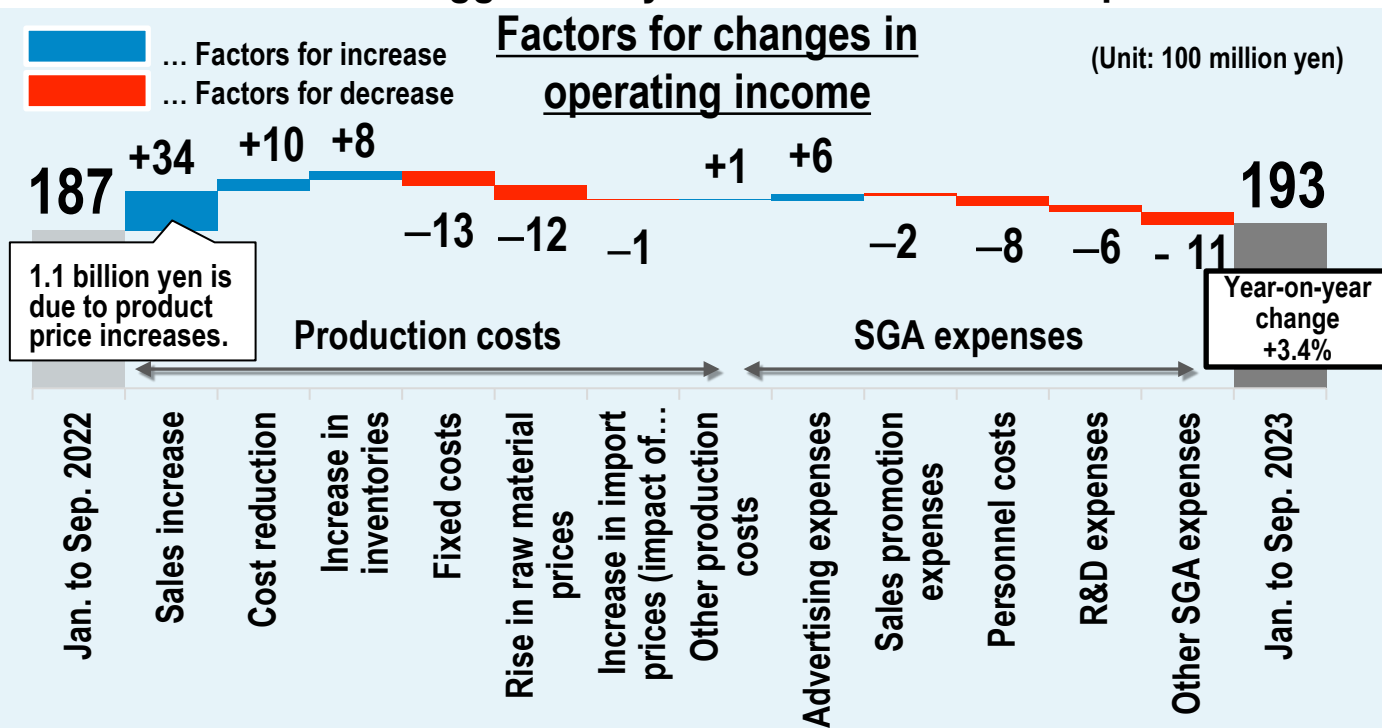
(Unit: 100 million yen)	FY2022		FY2023					
	Jul. to Sep.	Jan. to Sep.	Jul. to Sep.			Jan. to Sep.		
	Amount	Amount	Amount	Year-on-year change	Percentage of net sales	Amount	Year-on-year change	Percentage of net sales
Net sales	430	1,142	454	+5.8%	—	1,191	+4.2%	—
Gross profit	244	653	256	+4.9%	56.3%	681	+4.2%	57.2%
Operating income	88	187	89	+1.1%	19.7%	193	+3.4%	16.3%
Ordinary income	95	204	96	+1.4%	21.2%	208	+2.0%	17.5%
Net income	68	145	76	+12.3%	16.8%	154	+6.9%	13.0%
EBITDA*	102	226	104	+2.1%	23.0%	236	+4.2%	19.9%

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Factors for Changes in Consolidated Operating Income

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In addition to the impact of Sales increase, Cost reduction, and higher inventories, the Operating Income increased due to a decrease in advertising expenses. Advertising expenses are scheduled to be aggressively invested in the fourth quarter.



Domestic Business (Sales Breakdown by Product Category)

6/14

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			
		Jul. to Sep.	Jan. to Sep.	Jul. to Sep.		Jan. to Sep.	
		Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	Healthcare products	155	450	165	+6.6%	474	+5.4%
	Household products	135	355	136	+0.9%	348	−2.0%
	Body warmers	8	24	7	−6.6%	25	+2.9%
	Direct marketing business	20	62	18	−10.0%	56	−9.8%
	Total	319	893	328	+2.8%	905	+1.3%
Total operating income		71	165	66	−5.8%	160	−3.4%
(Margin)		22.3%	18.5%	20.4%	—	17.7%	—

Domestic Business (Inbound Demand)

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Along with the increase of visitors to Japan, sales recovered to a little less than 70% 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)

74

14

3

1

49

Jan. to Sep. 2019
Jan. to Sep. 2020
Jan. to Sep. 2021
Jan. to Sep. 2022
Jan. to Sep. 2023

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 Sep. 2019	Jan. to Sep. 2023
1	Inochi no Haha	Naishitol
2	SakamuCare	Inochi no Haha
3	Ammeltz	Dietary supplement products
4	BreathCare	Nodonool
5	Eye Bon	SakamuCare

International Business (Sales Breakdown by Region)

8/14

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 1.4 billion yen and by 0.4 billion yen, respectively.)

(Unit: 100 million yen)		FY2022		FY2023					
		Jul. to Sep.	Jan. to Sep.	Jul. to Sep.			Jan. to Sep.		
		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.	47	91	57	+20.1%	+12.9%	103	+12.9%	+4.7%
	Mainland China	28	63	29	+3.5%	+3.9%	69	+10.0%	+8.7%
	Hong Kong region	5	15	8	+43.6%	+36.6%	22	+50.7%	+39.7%
	Southeast Asia	19	52	21	+8.4%	+3.5%	59	+14.8%	+8.4%
	Other	8	22	9	+14.0%	+6.6%	24	+12.1%	+6.9%
	Total International Business	109	244	125	+14.5%	+9.7%	280	+14.8%	+8.9%
Total operating income		15	17	20	+32.0%	+ 16.7%	29	+71.2%	+ 44.7%
(Margin)		14.5%	7.1%	-	16.7%	—	-	10.6%	—

Sales in U.S. (by Product)

9/14

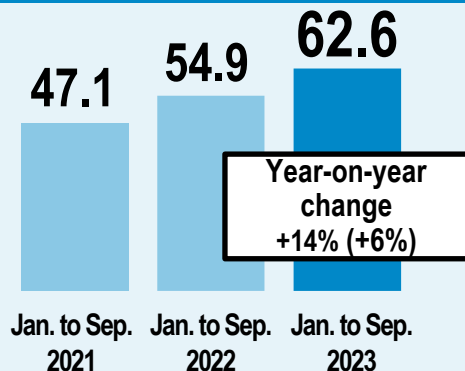
Sales of body warmers increased in the third quarter due to strong shipments, although hit by mild winters in the first quarter. Sales of pharmaceuticals increased in reaction to the fall in sales due to a problem with the supply of ingredients for some Alva products in FY2022.

(Unit: 100 million yen)

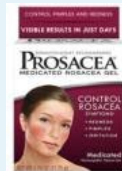
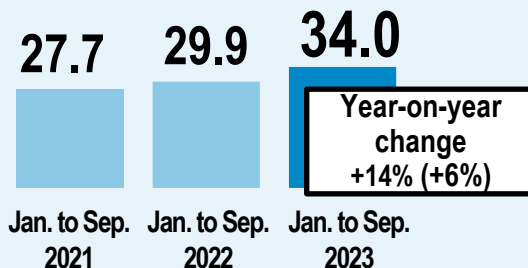
Net sales

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

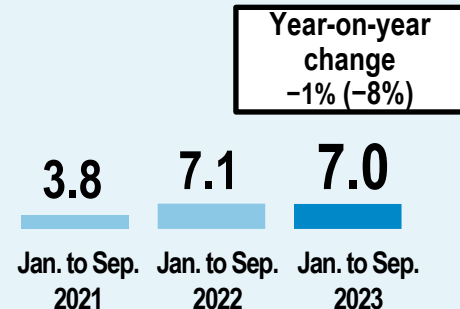
Body warmers



Pharmaceuticals



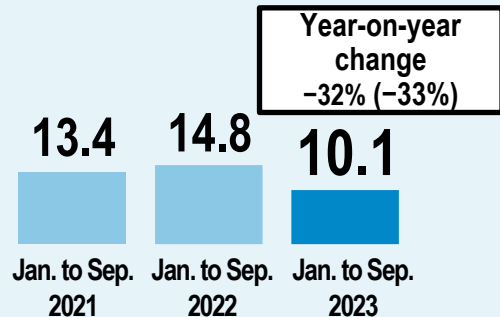
Other



Sales of body warmers decreased due to mild winters. Sales of *Netsusama Sheet* grew due to the spread of COVID-19 infections and influenza. Sales of other products increased due to steady sales of *Ammeltz*.

(Unit: 100 million yen)

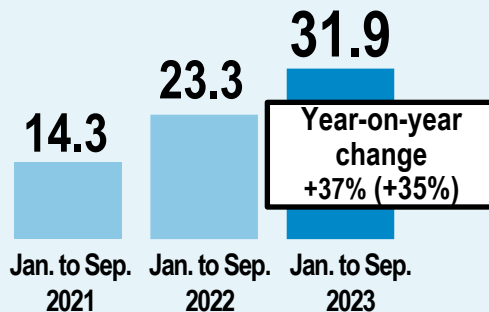
Body warmers



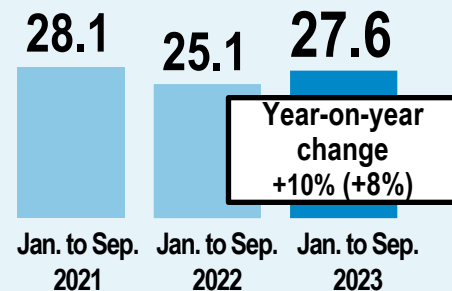
Net sales

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

Netsusama Sheet



Other



Sales in Southeast Asia (by Product)

11/14

Among pharmaceuticals, *Ammeltz* sold well.

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

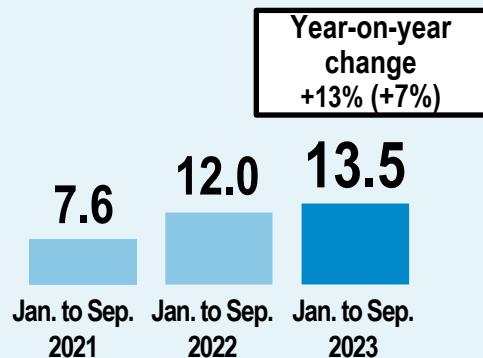
Sales of other products grew slightly since body warmers sold poorly owing to mild winters.

(Unit: 100 million yen)

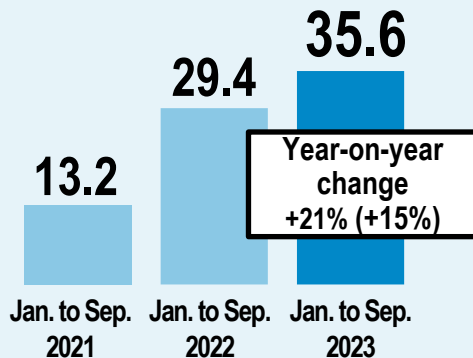
Net sales

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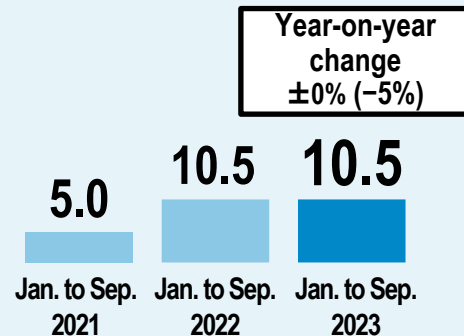
Pharmaceuticals



Netsusama Sheet



Other



Forecast of Consolidated Results for Fiscal Year Ending December 2023

12/14

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.

(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

Acquired Focus Consumer Healthcare, LLC to expand healthcare in the U.S. (announced October 6, 2023). With the establishment of the supplement business in North America and further expansion of OTC pharmaceuticals, we aims to achieve total U.S. sales of 34 billion yen in 2030, including 16 billion yen in healthcare.

< Supplements >



GARLIQUE
(garlic supplements)

<OTC drugs >



PAMPRIN
(menstrual pain relief medicines)



HERPECIN L
(anti-cold sore medicines)

Resolution to acquire and retire treasury stock

(Announced on November 7, 2023)

Acquisition of treasury stock

- Total number of shares acquired: 1,924,600 shares
(2.53% of the outstanding shares excluding treasury stock)
- Total amount of shares acquired: 12, 000 million yen
- Acquisition method: **Fully Committed Share Repurchase***
- Acquisition period: **Accelerated share repurchase on November 8, 2023**

* 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 7, 2023.



<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.

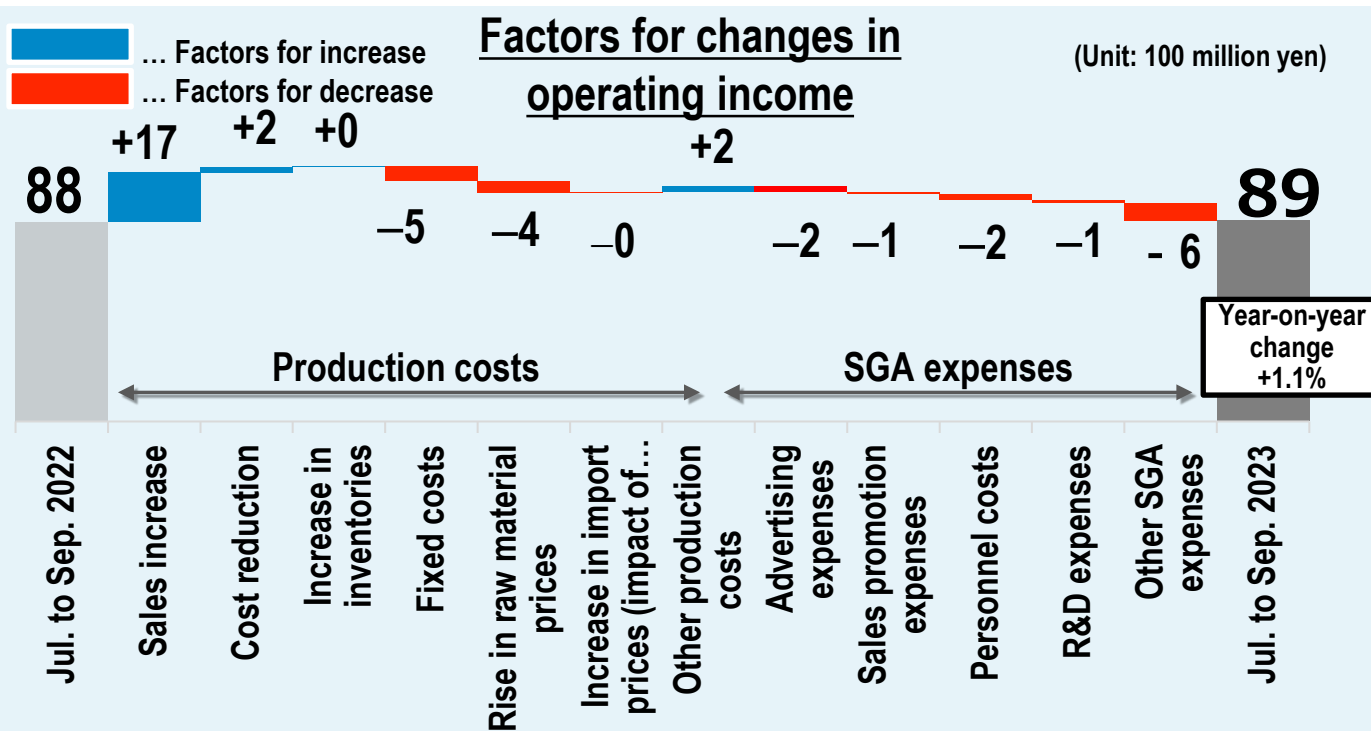
Therefore, please note that actual performance may differ significantly from the future outlook described in this material due to changes in various factors.

Reference

Factors for Changes in Consolidated Operating Income

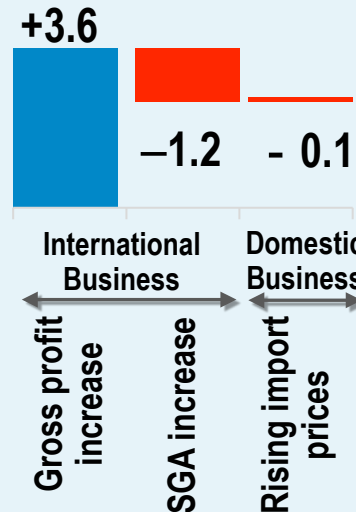
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Results for the Third quarter of FY2023 (July 1, 2023 to September 30, 2023)



Impact of fluctuations in foreign exchange rates

Total: +2.3



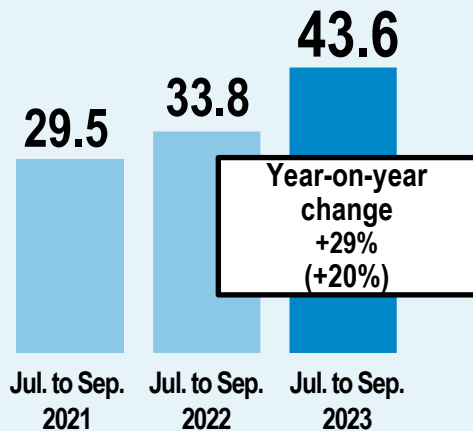
Results for the Third quarter (Jul. to Sep. 2023)

(Unit: 100 million yen)

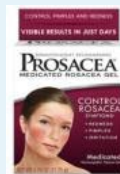
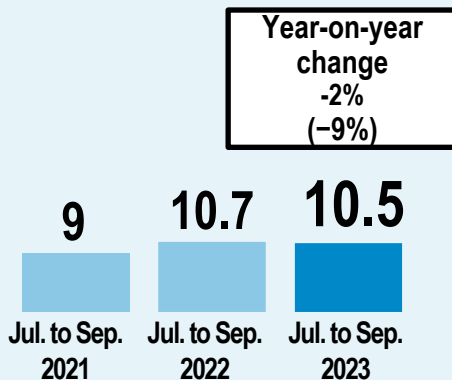
Net sales

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

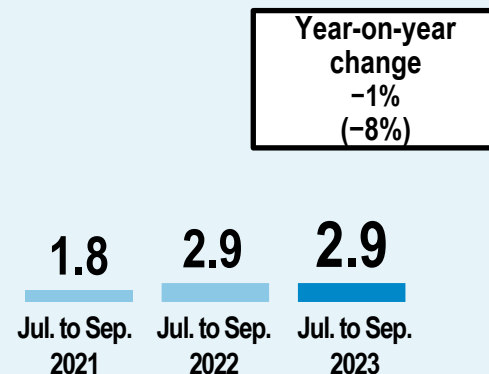
Body warmers



Pharmaceuticals



Other



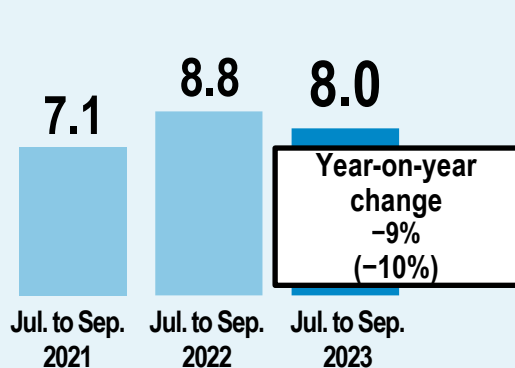
Results for the Third quarter (Jul. to Sep. 2023)

(Unit: 100 million yen)

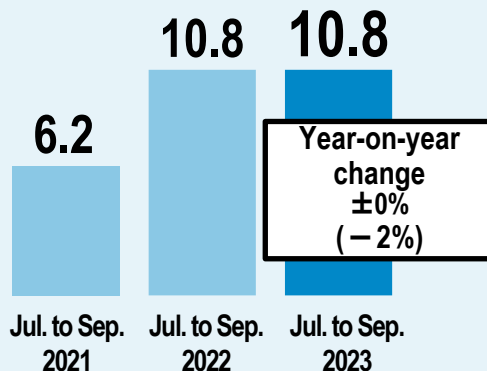
Net sales

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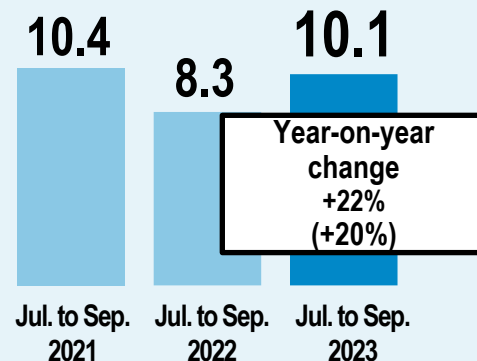
Body warmers



Netsusama Sheet



Other



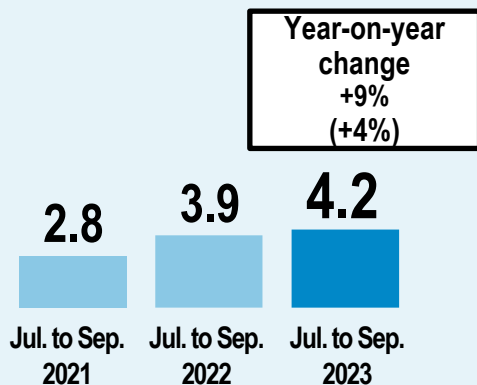
Results for the Third quarter (Jul. to Sep. 2023)

(Unit: 100 million yen)

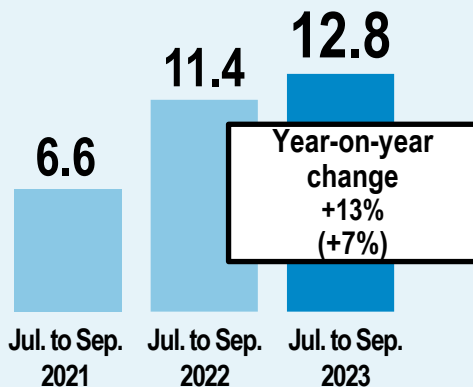
Net sales

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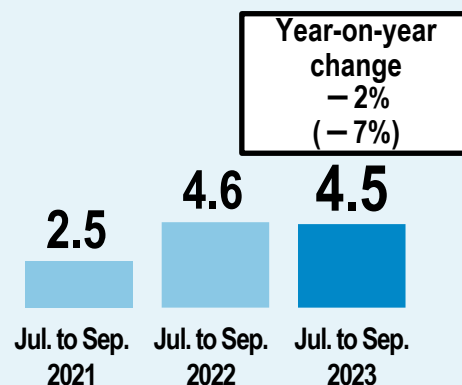
Pharmaceuticals



Netsusama Sheet

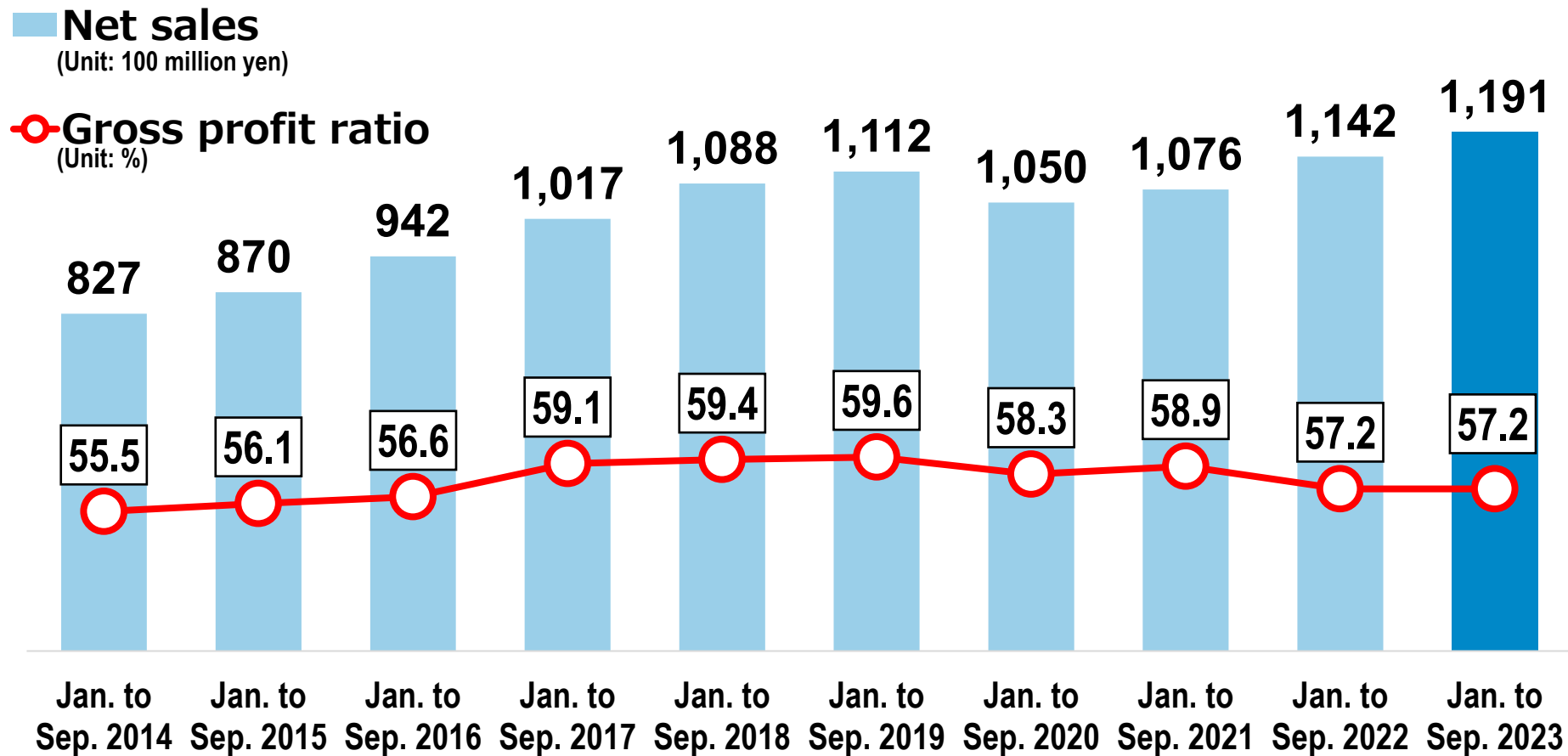


Other

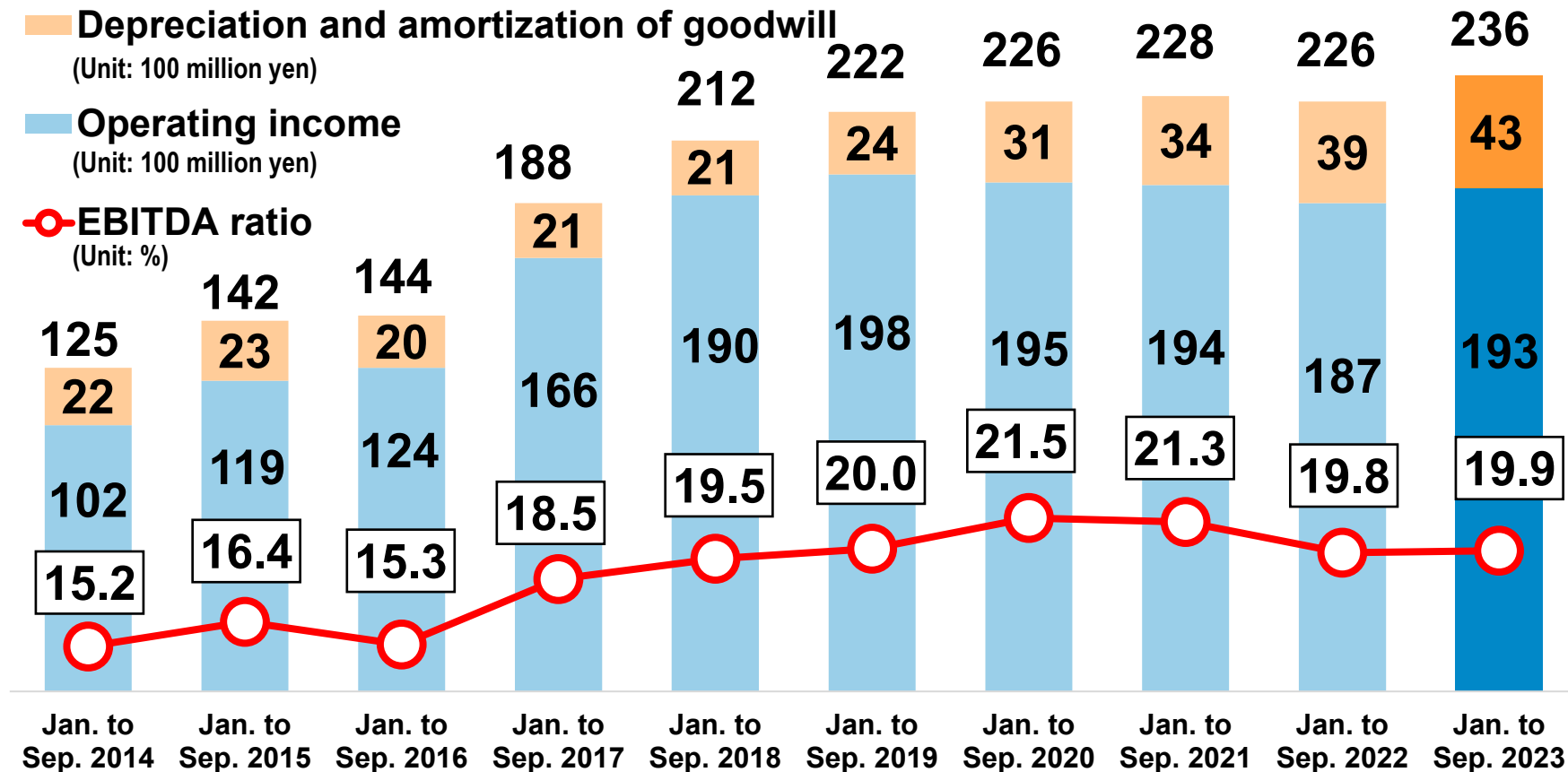


Changes in Consolidated Net Sales and Gross Profit Ratio

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Changes in EBITDA



Consolidated Income Statement (1)

(Unit: 100 million yen)	FY2023					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	334	401	454	+ 5.8%	1,191	+ 4.2%
Gross profit	193	231	256	+ 4.9%	681	+ 4.2%
Margin	57.8%	57.7%	56.3%	-	57.2%	-
Operating income	50	53	89	+ 1.1%	193	+ 3.4%
Margin	15.1%	13.3%	19.7%	-	16.3%	-
Ordinary income	51	60	96	+ 1.4%	208	+ 2.0%
Margin	15.4%	15.0%	21.2%	-	17.5%	-
Net income	36	42	76	+ 12.3%	154	+ 6.9%
Margin	10.8%	10.6%	16.8%	-	13.0%	-

Consolidated Income Statement (2)

(Unit: 100 million yen)	FY2023					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Advertising expenses	32	54	41	+ 3.9%	128	-4.5%
Percentage of net sales	9.6%	13.5%	9.2%	—	10.8%	—
Sales promotion expenses	7	8	8	+ 7.9%	24	+ 11.0%
Percentage of net sales	2.2%	2.2%	1.9%	—	2.1%	—

Consolidated Balance Sheet (1)

(Unit: 100 million yen)	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023	End of Jun. 2023	End of Sep. 2023
Current assets	1,733	1,728	1,616	1,686	1,713
Cash and deposits	969	962	929	911	871
Notes and accounts receivable-trade	424	478	344	379	445
Short-term investment securities	83	83	83	83	83
Inventories	232	176	231	278	284
Non-current assets	822	829	912	979	996
Property, plant and equipment	329	347	410	431	451
Intangible assets	145	133	131	134	133
Investment and other assets	347	348	370	413	410
Total assets	2,555	2,558	2,529	2,665	2,709

Consolidated Balance Sheet (2)

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(Unit: 100 million yen)	End of Sep. 2022	End of Dec. 2022	End of Mar. 2023	End of Jun. 2023	End of Sep. 2023
Current liabilities	443	518	481	489	475
Notes and accounts payable-trade	99	90	104	105	102
Short-term loans payable	0	0	0	0	0
Accounts payable-other	176	204	168	184	184
Non-current liabilities	62	61	59	90	88
Total net assets	2,049	1,979	1,988	2,085	2,146
Capital surplus	41	5	5	5	5
Retained earnings	2,083	1,942	1,931	1,973	2,017
Treasury stock	— 277	— 144	— 136	— 136	— 136
Total liabilities and net assets	2,555	2,558	2,529	2,665	2,709

(Unit: yen)	Jan. to Dec. 2022	Jan. to Mar. 2023	Jan. to Jun. 2023	Jan. to Sep. 2023	Jan. to Dec. 2023 forecast
US dollar	131.4	132.3	134.8	138.1	125.0
Chinese yuan	19.5	19.3	19.4	19.6	19.0

Results by Segment (Domestic Business) (1)

12

(Unit: 100 million yen)	FY2023					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	249	328	328	+ 2.8%	905	+ 1.3%
Gross profit	143	190	188	+ 1.5%	522	+ 0.3%
Margin	57.7%	58.0%	57.5%	—	57.7%	—
Operating income	36	57	66	— 5.8%	160	— 3.4%
Margin	14.5%	17.4%	20.4%	—	17.7%	—

Advertising expenses	28	44	34	+ 2.6%	107	— 6.8%
Percentage of net sales	11.5%	13.4%	10.6%	—	11.9%	—
Sales promotion expenses	3	5	3	— 1.8%	12	— 1.2%
Percentage of net sales	1.6%	1.6%	1.2%	—	1.4%	—

Results by Segment (Domestic Business) (2)

13

(Unit: 100 million yen)	FY2023					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Healthcare products	140	168	165	+ 6.6%	474	+ 5.4%
Pharmaceuticals	74	84	84	+ 5.6%	242	+ 6.6%
Food	18	23	21	+ 6.6%	63	+ 6.0%
Oral care products	33	43	41	+ 6.6%	118	+ 4.8%
Skin care products	13	17	18	+ 11.3%	49	+ 0.5%
Household products	81	130	136	+ 0.9%	348	− 2.0%
Sanitary products	22	29	30	+ 0.9%	83	− 1.0%
Deodorizing air fresheners	49	89	93	+ 0.9%	232	− 2.3%
Household articles	9	11	12	+ 1.2%	33	− 2.1%
Body warmers	8	9	7	− 6.6%	25	+ 2.9%
Direct marketing business	19	19	18	− 10.0%	56	− 9.8%

Results by Segment (International Business) (1)

14

(Unit: 100 million yen)	FY2023					
	Jan. to Mar.	Apr. to Jun	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	83	71	125	+ 14.5%	280	+ 14.8%
Gross profit	48	39	65	+ 15.4%	152	+ 20.0%
Margin	57.3%	55.0%	52.0%	—	54.4%	—
Operating income	13	— 4	20	+ 32.0%	29	+ 71.2%
Margin	16.1%	—	16.7%	—	10.6%	—

Advertising expenses	3	10	7	+ 8.5%	21	+ 7.6%
Percentage of net sales	4.3%	6.5%	2.6%	—	7.5%	—
Sales promotion expenses	3	3	4	+ 3.1%	11	+ 12.2%
Percentage of net sales	4.1%	5.0%	3.7%	—	4.1%	—

Results by Segment (International Business) (2)

15

(Unit: 100 million yen)	FY2023							
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.			Jan. to Sep.		
	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)
U.S.	26.7	19.8	57.1	+ 20.1%	+12.9%	103.7	+ 12.9%	+4.7%
China	27.6	27.5	37.2	+ 10.3%	+9.5%	92.3	+ 17.8%	+14.6%
Mainland China	21.2	19.3	29.0	+ 3.5%	+3.9%	69.6	+ 10.0%	+8.7%
(Stores)	13.7	9.4	14.9	+ 4.4%	-	38.2	+ 15.7%	-
(Mainland EC)	3.7	9.9	11.6	- 6.4%	-	25.3	- 0.7%	-
(Cross-border EC)	3.7	0	2.4	+ 88.4%	-	6.1	+ 27.9%	-
(EC percentage)	35.2%	51.1%	48.4%	-	-	45.1%	-	-
Hong Kong region	6.3	8.1	8.2	+ 43.6%	+36.6%	22.7	+ 50.7%	+39.7%
Southeast Asia	22.4	15.6	21.6	+ 8.4%	+3.5%	59.7	+ 14.8%	+8.4%
Singapore	1.4	0.9	1.5	+ 142.2%	+123.3%	3.9	+ 57.4%	+42.3%
Malaysia	6.2	6.3	5.6	- 4.9%	- 5.7%	18.2	+ 12.4%	+8.2%
Thailand	5.5	3.6	4.3	- 10.9%	- 17.9%	13.5	+ 28.9%	+18.9%
Indonesia	3.5	1.6	3.5	+ 187.4%	+175.4%	8.7	+ 39.8%	+33.7%
Philippines	1.4	2.2	3.1	+ 29.8%	+24.9%	6.8	+ 18.5%	+14.2%
Taiwan region	4.1	0.8	3.3	- 30.2%	- 30.8%	8.3	- 21.9%	- 23.6%
Other	7.0	8.4	9.3	+ 14.0%	+6.6%	24.8	+ 12.1%	+6.9%