

# Summary of Financial Statements (Japanese GAAP) (Consolidated)

## Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2013

January 29, 2013

Listed exchanges : Tokyo, Osaka  
Listed company name: Kobayashi Pharmaceutical Co. Ltd.  
Code : 4967  
URL : <http://www.kobayashi.co.jp>  
Representative officer: Yutaka Kobayashi, President & COO  
Contact : Satoshi Yamane,  
Executive Director & Senior General Manager, Group Corporate Business Headquarters  
Tel : +81-6-6222-0142  
Expected date for submitting quarterly securities report : February 7, 2013  
Preparation of supplementary explanation documents for quarterly financial results: None  
Holding of an analyst meeting for quarterly financial results : None

(Any fraction less than 1 million yen is rounded down to the nearest million yen.)

### 1. Consolidated Results for 3rd Quarter of Fiscal Year Ending March 31, 2013 (April 1, 2012 to December 31, 2012)

#### (1) Consolidated Operating Results (accumulation)

(% figures represent changes from same period in previous year.)

	Q3 of FY ending March 31, 2013		Q3 of FY ended March 31, 2012	
Net sales	94,828 millions of yen	-7.7 %	102,736 millions of yen	0.4 %
Operating income	14,615	-12.7	16,743	-0.6
Ordinary income	15,968	-7.1	17,185	1.5
Net income	11,606	22.5	9,473	-5.2
Net income per share	283.44 yen		231.35 yen	
Net income per share after full dilution	—		—	

(Note) Comprehensive income: Q3 of FY ending March 31, 2013: 11,993 million yen (28.7%)  
; Q3 of FY ending ended March 31, 2012: 9,319 million yen (19.0%)

#### (2) Consolidated Financial Position

	Q3 of FY ending March 31, 2013	As of March 31, 2012
Total assets	151,151 millions of yen	147,890 millions of yen
Net assets	110,356	101,879
Shareholders' equity ratio	73.0 %	68.8 %
Net assets per share	2,694.97 yen	2,484.08 Yen

(Reference) Shareholders' equity  
Q3 of FY ending March 31, 2013: 110,355 million yen As of March 31, 2012: 101,719 million yen

## 2. Dividends

	Year ended March 2012	Year ending March 2013	Year ending March 2013 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	35.00 yen	39.00 yen	
Q3 end	—	—	
Year-end	43.00		43.00 Yen
Total	78.00		82.00

(Note) Revision of the latest dividend forecast: Yes

## 3. Forecasts of Consolidated Operational Results for Year Ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(Percentage figures represent changes from previous period.)

	FY ending March 31, 2013	
Net sales	122,000 millions of yen	-7.0 %
Operating income	16,800	-12.9
Ordinary income	18,300	-8.9
Net income	12,300	4.9
Earnings per share	300.38 yen	

(Note) Revision of the latest forecasts of operational results: Yes

### \* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying change of scope of consolidation): None  
 Newly consolidated: — (company name:                   ), Eliminated from the scope of consolidation: — (company name:                   )

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None

(3) Change in accounting policies, changes in accounting estimates and retrospective restatement

① Changes in accounting policies associated with revision of accounting standards: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(4) Issued shares (common shares)

① Number of shares issued at period-end (including treasury stock):

② Number of shares of treasury stock at period-end

③ Average number of shares outstanding during period (consolidated cumulative quarters)

Q3 of FY ending March 31, 2013	42,525,000 shares	FY ended March 31, 2012	42,525,000 shares
Q3 of FY ending March 31, 2013	1,576,437 shares	FY ended March 31, 2012	1,576,287 shares
Q3 of FY ending March 31, 2013	40,948,580 shares	Q3 of FY ended March 31, 2012	40,948,945 shares

\* Information on implementation of quarterly review procedures

This brief report of quarterly financial statements is not subject to audit procedures under the Financial Instruments and Exchange Act. Audit procedures concerning quarterly financial statements have not been completed under the Financial Instruments and Exchange Act at the date of disclosure of this brief report of quarterly financial statements.

\* Explanation on appropriate use of forecasts of business results and other special items

The forward-looking statements in this document concerning forecasts of business results are based on information available to the Company and assumptions considered reasonable by the Company. Please note that actual business results may differ significantly from the forecast due to various factors. Concerning assumptions for forecasting business results and precautionary statements, please refer to “1. Qualitative Information on Quarterly Results, (3) Qualitative information on the forecast of consolidated results” on page 4 of the attachment.

Table of Contents for Attachment

<b>1. Qualitative Information on Quarterly Results</b> .....	<b>2</b>
(1) Qualitative information on consolidated results .....	2
(2) Qualitative information on financial positions .....	4
(3) Qualitative information on the forecast of consolidated results .....	4
<b>2. Items concerning Summary Information (Notes)</b> .....	<b>5</b>
(1) Changes in significant subsidiaries during the period .....	5
(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements .....	5
(3) Change in accounting policies, changes in accounting estimates and retrospective restatement .....	5
<b>3. Quarterly Financial Statements</b> .....	<b>6</b>
(1) Consolidated quarterly balance sheet .....	6
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income .....	8
Consolidated quarterly statements of income For the 3rd Quarter of Fiscal Year Ending March 31, 2013 .....	8
Consolidated quarterly statements of comprehensive income For the 3rd Quarter of Fiscal Year Ending March 31, 2013 .....	9
(3) Notes on assumption of going concern .....	10
(4) Notes on significant changes in shareholders' equity .....	10
(5) Segment Information, etc. ....	10
(6) Significant subsequent events .....	11

## 1. Qualitative Information on Quarterly Results

### (1) Qualitative information on consolidated results

In the third quarter of the fiscal year ending March 31, 2013 (April 1, 2012 to December 31, 2012), the Japanese economic outlook remained unclear, because consumer spending and corporate activities were still weak, although there were signs that businesses were gradually recovering, due to demand for reconstruction in the areas stricken by the Great East Japan Earthquake.

In this situation, with the belief that it was the time to show the spirit of the Group's management policy—"Providing people and society with comfort"—the Group focused on providing new products and services to meet potential customers' needs, expanding existing brands to accelerate market activation and pouring its resources into businesses with high future growth potential.

Consequently, the Group reported net sales of 94,828 million yen, a decrease of 7,908 million yen (-7.7%) from the previous year, operating income of 14,615 million yen, a decrease of 2,127 million yen (-12.7%), ordinary income of 15,968 million yen, a decrease of 1,217 million yen (-7.1%), and net income of 11,606 million yen, an increase of 2,132 million yen (+22.5%).

Here are summaries of the business results by segment.

#### Consumer Products Business

The Consumer Products Business launched 25 new products, comprising items that are expected to create new markets and expand existing markets. In particular, sales of *Sawaday Happy* (a fragrant room deodorizer that enables consumers to easily enjoy new scents) and *Naicitol G* (an obesity alleviating medicine) increased steadily, contributing to the Group's business performance.

Among existing products, sales of *Shouyou* (a medicated toothpaste that helps prevent gingivitis and periodontitis), *Ito Yoji* and *Yawaraka Shikan Brush* (dental tools that remove food debris and dental plaque that cause caries and periodontal disease), *Oheya no Shoshugen* and *Toilet no Shoshugen* (large-capacity deodorizing air fresheners) grew solidly.

In the meantime, sales of sanitary products decreased from a year earlier, as the Group struggled to increase sales of products for easing the heat among its sanitary products, such as *Netsusama Sheet* (a stick-on cooling gel sheet for the forehead) and *Netsusamahinyari Gel Mat* (a gel mat that keeps users cool while sleeping), due to cooler-than-usual weather during the summer.

Consequently, net sales of the Consumer Products Business decreased by 2,077 million yen (-2.3%) from the previous year to 86,550 million yen. Segment income (ordinary income) decreased by 1,559 million yen (-10.0%) to 13,986 million yen, while operating income fell by 1,941 million yen (-12.1%) to 14,133 million yen.

(Sales Breakdown)

	Q3 ended December 31, 2011 (April 1, 2011 to December 31, 2011)		Q3 ended December 31, 2012 (April 1, 2012 to December 31, 2012)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Pharmaceutical products	17,607	19.9	17,336	20.0	-271	-1.5
Oral hygiene products	12,599	14.2	12,856	14.8	256	2.0
Sanitary products	10,980	12.4	10,036	11.6	-944	-8.6
Deodorizing air fresheners	24,531	27.7	24,548	28.4	16	0.1
Household sundries	3,900	4.4	3,600	4.2	-299	-7.7
Food products	7,091	8.0	6,235	7.2	-856	-12.1
Body warmers	11,916	13.4	11,937	13.8	20	0.2
Total	88,627	100.0	86,550	100.0	-2,077	-2.3

(Note) Net sales included inter-segment sales or transfers amounting to 2,413 million yen in the third quarter ended December 31, 2011 and 2,328 million yen in the third quarter ended December 31, 2012.

Mail Order Business

The Mail Order Business markets nutritional supplements and skin care products and the like. The Business strived to cultivate new customers and encourage existing customers to reorder through sales promotions, primarily advertisements and direct mail campaigns. Although sales of *Hifmid* (skin moisturizing cosmetic) and *Aloe Ikumo Eki* (hair growth tonic) grew steadily, the Group struggled to increase sales of nutritional supplements, which account for most of the mail order business sales. Consequently, net sales of the Mail Order Business decreased by 189 million yen (-2.4%) from the previous year to 7,587 million yen. Segment loss (ordinary loss) amounted to 52 million yen, a decrease of 35 million yen from the previous year, while operating loss stood at 56 million yen, a decrease of 34 million yen from the previous year.

Net sales did not include inter-segment sales or transfers.

Medical Devices Business

In the Medical Devices Business, Kobayashi Medical Co., Ltd., a consolidated subsidiary, pursued selection and concentration to specialize in the areas of orthopedics and operating theater devices; both of these markets are expected to grow in Japan. In addition, Kobayashi Medical Co., Ltd. was changed from a consolidated subsidiary to an equity method affiliate, because Kobayashi Pharmaceutical Co., Ltd. transferred 80% of its outstanding shares in Kobayashi Medical Co., Ltd. to Mitsubishi Corporation on May 31, 2012. Kobayashi Medical Co., Ltd. changed its name to Japan Medicalnext Co., Ltd. on November 1, 2012.

In addition, the Group sold its entire stake in eVent Medical, Inc. through an MBO as of July 31, 2011. Consequently, net sales of the Medical Devices Business decreased by 5,763 million yen (-72.9%) from the previous year to 2,144 million yen. Segment income (ordinary income) increased by 243 million yen (+30.6%) to 1,038 million yen, while operating income stood at 15 million yen, a decrease of 189 million yen (-92.5%) from the previous year.

(Sales Breakdown)

	Q3 ended December 31, 2011 (April 1, 2011 to December 31, 2011)		Q3 ended December 31, 2012 (April 1, 2012 to December 31, 2012)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Kobayashi Medical	6,687	84.6	1,296	60.5	-5,390	-80.6
eVent	427	5.4	—	—	-427	—
Other	792	10.0	847	39.5	54	6.9
Total	7,908	100.0	2,144	100.0	-5,763	-72.9

(Note) Net sales do not include inter-segment sales or transfers.

### Other Businesses

Businesses in this segment (transportation, manufacture and sales of synthetic resin containers, insurance agents, property management, advertising design and production, etc.) support the above-mentioned three core businesses. Although companies in this business segment operate individually on a financially independent basis, their business purposes also include contributing to the profits of the three businesses of the Group. Accordingly, their delivery prices of materials and services to the three businesses were reviewed and revised as necessary.

Consequently, net sales increased by 302 million yen (+6.1%) from the previous year to 5,238 million yen. Segment income (ordinary income) increased by 137 million yen (+12.6%) to 1,228 million yen, while operating income decreased by 34 million yen (-6.2%) to 521 million yen.

Net sales included inter-segment sales or transfers amounting to 4,098 million yen in the third quarter ended December 31, 2011 and 4,363 million yen in the third quarter ended December 31, 2012.

### (2) Qualitative information on financial positions

Total assets increased by 3,260 million yen from the end of the previous year to 151,151 million yen. This was mainly due to a decrease in cash and cash equivalents (5,485 million yen) and an increase in notes and accounts receivable-trade (5,116 million yen) and short-term investment securities (9,999 million yen) and investment securities (14,813 million yen).

Liabilities decreased by 5,216 million yen from the end of the previous year to 40,795 million yen. Major factors were a decrease in accounts payable-other (1,807 million yen), income taxes payable (1,369 million yen), provision for bonuses (1,100 million yen) and provision for retirement benefits (457 million yen).

Net assets increased by 8,476 million yen from the end of the previous year to 110,356 million yen, with a capital adequacy ratio of 73.0%. This was mainly due to an increase in retained earnings (8,248 million yen).

### (3) Qualitative information on the forecast of consolidated results

The group strived to the marketing investment to provide new products to meet potential customers' needs and expand existing brands to accelerate market activation in the Consumer Products Business, the core business of the Group. In the meantime, the sales of products for easing the heat, such as the cooling sheet for the forehead and a gel mat that keeps users cool, decreased from the sales expected at the start of the fiscal year ending March 31, 2013, due to cooler-than-usual weather during the summer, in addition to the struggle to increase sales of the core brands because of the weakness of consumer spending.

Consequently, the Group revised its full-year forecasts of consolidated operational results for the year ending March 31, 2013 (April 1, 2012 to March 31, 2013) announced via its "Brief Report of Financial Statement for the Year Ended March 31, 2012" dated May 1, 2012.

## 2. Items concerning Summary Information (Notes)

- (1) Changes in significant subsidiaries during the period  
Not applicable
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements  
Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement  
Not applicable



### 3. Quarterly Financial Statements

#### (1) Consolidated quarterly balance sheet

(millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q3 ended December 31, 2012 (December 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	42,835	37,350
Notes and accounts receivable-trade	32,113	37,230
Short-term investment securities	11,004	1,004
Merchandise and finished goods	9,505	8,686
Work in process	457	448
Raw materials and supplies	2,049	2,293
Deferred tax assets	3,287	3,266
Other	1,353	1,316
Allowance for doubtful accounts	(69)	(60)
Total current assets	102,538	91,536
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,064	6,286
Machinery, equipment and vehicles, net	2,159	2,219
Tools, furniture and fixtures, net	1,049	962
Land	3,468	3,500
Leased assets, net	788	455
Construction in progress	98	129
Total property, plant and equipment	13,628	13,552
Intangible assets		
Goodwill	3,592	3,371
Trademark rights	513	391
Software	884	846
Leased assets	46	19
Other	249	245
Total intangible assets	5,287	4,874
Investments and other assets		
Investment securities	19,131	33,944
Long-term loans receivable	600	874
Deferred tax assets	1,302	1,078
Real estate for investment, net	3,103	3,076
Other	2,455	2,347
Allowance for doubtful accounts	(154)	(134)
Total investments and other assets	26,437	41,187
Total non-current assets	45,352	59,614
Total assets	147,890	151,151

(millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q3 ended December 31, 2012 (December 31, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	12,823	12,549
Short-term loans payable	5	1
Accounts payable-other	14,669	12,862
Lease obligations	391	304
Income taxes payable	4,497	3,128
Accrued consumption taxes	382	632
Provision for sales returns	1,038	1,093
Provision for bonuses	2,095	994
Asset retirement obligations	13	10
Other	1,873	1,996
Total current liabilities	37,791	33,574
Non-current liabilities		
Lease obligations	483	202
Provision for retirement benefits	5,312	4,854
Provision for directors' retirement benefits	17	17
Asset retirement obligations	87	72
Other	2,318	2,073
Total non-current liabilities	8,220	7,221
Total liabilities	46,011	40,795
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,219	4,219
Retained earnings	101,127	109,376
Treasury stock	(4,702)	(4,703)
Total shareholders' equity	104,094	112,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,998	2,136
Deferred gains or losses on hedges	(323)	(75)
Foreign currency translation adjustment	(4,050)	(4,048)
Total accumulated other comprehensive income	(2,374)	(1,987)
Subscription rights to shares	159	-
Minority interests	-	0
Total net assets	101,879	110,356
Total liabilities and net assets	147,890	151,151

- (2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income  
 (Consolidated quarterly statements of income)  
 (For the first nine-month period of the fiscal year ending March 31, 2013)

(millions of yen)

	Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)
Net sales	102,736	94,828
Cost of sales	42,814	39,718
Gross profit	59,922	55,110
Selling, general and administrative expenses	43,179	40,494
Operating income	16,743	14,615
Non-operating income		
Interest income	101	139
Dividend income	216	238
Royalty income	432	533
Real estate rent	206	206
Equity in earnings of affiliates	215	522
Foreign exchange gains	-	114
Other	357	295
Total non-operating income	1,530	2,050
Non-operating expenses		
Interest expenses	38	20
Sales discounts	884	593
Rent cost of real estate	57	56
Foreign exchange losses	64	-
Other	43	26
Total non-operating expenses	1,087	697
Ordinary income	17,185	15,968
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	-	186
Gain on sales of subsidiaries' stocks	-	2,285
Insurance income	25	-
Other	0	180
Total extraordinary income	27	2,653
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	51	21
Loss on valuation of investment securities	264	540
Provision of allowance for investment loss	8	-
Loss on sales of subsidiaries' stocks	625	-
Loss from subsidiary liquidation	0	-
Impairment loss	1	14
Loss on disaster	35	-
Loss on defective products	-	264
Loss on liquidation of business	-	150
Other	18	66
Total extraordinary loss	1,005	1,058
Income before income taxes	16,207	17,563
Income taxes—current	5,796	6,243
Income taxes—deferred	937	(286)
Total income taxes	6,734	5,957
Income before minority interest in income	9,473	11,606
Minority interests in income (loss)	(0)	(0)
Net income	9,473	11,606

(Consolidated quarterly statements of comprehensive income)  
 (For the first nine-month period of the fiscal year ending March 31, 2013)

(millions of yen)

	Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)
Quarterly income before minority interests	9,473	11,606
Other comprehensive income		
Valuation difference on available-for-sale securities	388	138
Deferred gains or losses on hedges	(271)	106
Foreign currency translation adjustment	(305)	1
Share of other comprehensive income of associates accounted for using equity method	34	140
Total other comprehensive income	(153)	387
Quarterly comprehensive income	9,319	11,993
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	9,320	11,993
Comprehensive income attributable to minority interests	(0)	(0)

- (3) Notes on assumption of going concern  
 Not applicable
- (4) Notes on significant changes in shareholders' equity  
 Not applicable

(5) Segment information, etc.

I. 1st nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)

1. Information on net sales and income or loss by reportable segment

(millions of yen)

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Consumer Products Business	Mail Order Business	Medical Devices Business	Total				
Net sales								
Net sales to outside customers	86,214	7,777	7,908	101,899	837	102,736	-	102,736
Inter-segment sales or transfers	2,413	-	-	2,413	4,098	6,511	(6,511)	-
Total	88,627	7,777	7,908	104,313	4,935	109,248	(6,511)	102,736
Segment income (loss)	15,545	(88)	794	16,252	1,091	17,344	(158)	17,185

(Notes)

1. *Other* represents businesses that are not included in reportable segments, such as transportation, manufacturing and sales of synthetic resin containers, insurance agents, property management, and advertising design and production.
2. Adjustments of 158 million yen in segment income (loss) are eliminations among segments.
3. Segment income (loss) is adjusted with ordinary income in the quarterly consolidated statements of income.

2. Information on assets by reportable segment

Assets of reportable segments as of December 31, 2012 decreased by 1,471 million yen from the end of the previous year, because the Group withdrew from some business areas in the Medical Devices Business.

3. Information concerning impairment loss on noncurrent assets or goodwill by reportable segments

The Group does not provide information concerning impairment loss on noncurrent assets or goodwill because it does not recognize significant impairment loss on noncurrent assets and there is no significant change in the value of goodwill.

II. 1st nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)  
 1. Information on net sales and income or loss by reportable segment

(millions of yen)

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Consumer Products Business	Mail Order Business	Medical Devices Business	Total				
Net sales								
Net sales to outside customers	84,221	7,587	2,144	93,953	874	94,828	-	94,828
Inter-segment sales or transfers	2,328	-	-	2,328	4,363	6,691	(6,691)	-
Total	86,550	7,587	2,144	96,282	5,238	101,520	(6,691)	94,828
Segment income (loss)	13,986	(52)	1,038	14,972	1,228	16,200	(232)	15,968

(Notes)

1. *Other* represents businesses that are not included in reportable segments, such as transportation, manufacturing and sales of synthetic resin containers, insurance agents, property management, and advertising design and production.
2. Adjustments of 232 million yen in segment income (loss) are eliminations among segments.
3. Segment income or loss is adjusted with ordinary income in consolidated statements of income.

2. Information on assets by reportable segment

Medical Devices Business' segment assets for the third quarter of the fiscal year ending March 31, 2013 decreased by 3,226 million yen from the end of the previous consolidated fiscal year, because Kobayashi Pharmaceutical Co., Ltd. transferred 80% of its outstanding shares in Kobayashi Medical Co., Ltd. in the Medical Devices Business.

Kobayashi Medical Co., Ltd. changed its name to Japan Medicalnext Co., Ltd. on November 1, 2012.

3. Information concerning impairment loss on noncurrent assets or goodwill by reportable segments

The Group does not provide information concerning impairment loss on noncurrent assets or goodwill because it does not recognize significant impairment loss on noncurrent assets and there is no significant change in the value of goodwill.

(6) Significant subsequent events

Not applicable