

KOBAYASHI PHARMACEUTICAL CO. LTD.

Brief Report of Financial Statements for the Year Ended March 31, 2013 [JGAAP] (Consolidated Basis)

Listed exchanges: Tokyo, Osaka

Listed company name: Kobayashi Pharmaceutical Co. Ltd.

Code: 4967

URL: <http://www.kobayashi.co.jp/english/index.shtml>

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Scheduled date of general meeting of shareholders: June 27, 2013

Scheduled date of dividend payment commencement: June 7, 2013

Schedule date of financial report filing with the Finance Ministry: June 27, 2013

Preparation of the attachment of Financial Statements: Yes

Holding of the results presentation: Yes (For analysts and investors)

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

1. Consolidated Operational Results for Year Ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(1) Consolidated Operating Results

(% figures represent changes from previous period.)

	Year ended March 2013		Year ended March 2012	
Net sales	121,532 millions of yen	(7.3) %	131,166 millions of yen	0.3 %
Operating income	16,903	(12.4)	19,298	3.6
Ordinary income	18,677	(7.0)	20,092	5.7
Net income	12,176	3.8	11,726	25.6
Earnings per share	297.37 yen		286.36 yen	
Diluted earnings per share	—		—	
Return on equity		11.2		12.2
Return on assets		12.2		14.2
Ratio of operating income to net sales		13.9		14.7

(Note) Comprehensive income

Year ended March 2013: 16,510 million yen (23.8%)

Year ended March 2012: 13,335 million (41.2%)

(Reference) Equity in earnings of affiliates

Year ended March 2013: 652 million yen

Year ended March 2012: 408 million yen

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(2) Consolidated Financial Position

	As of March 31, 2013	As of March 31, 2012
Total assets	157,106 millions of yen	147,890 millions of yen
Net assets	114,872	101,879
Shareholders' equity ratio	73.1 %	68.8 %
Net assets per share	2,805.27 yen	2,484.08 yen
(Reference) Shareholders' equity	As of March 31, 2013: 114,871 million yen As of March 31, 2012: 101,719 million yen	

(3) Consolidated Cash Flow

	Year ended March 2013	Year ended March 2012
Net cash provided by (used in) operating activities	9,242 millions of yen	17,250 millions of yen
Net cash provided by (used in) investing activities	(26,605)	(2,929)
Net cash provided by (used in) financing activities	(3,729)	(3,292)
Cash and cash equivalents at period-end	22,322	42,835

2. Dividends

	Year ended March 2013	Year ended March 2012	Year ending March 2014 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	39.00 yen	35.00 yen	41.00 yen
Q3 end	—	—	—
Year-end	43.00	43.00	41.00
Total	82.00	78.00	82.00
Total dividends	3,357 millions of yen	3,194 millions of yen	—
Payout ratio (consolidated)	27.6 %	27.2 %	26.6 %
Ratio of dividends to net assets (consolidated)	3.1	3.3	—

KOBAYASHI PHARMACEUTICAL CO. LTD.**3. Forecasts of Consolidated Operational Results for Year Ending March 31, 2014
(April 1, 2013 to March 31, 2014)**

(Percentages represent changes from previous year for full-year results, and changes from same period of previous year for quarterly results.)

	Interim (1st half)		Full year	
Net sales	58,600 millions of yen	0.6 %	127,000 millions of yen	4.5 %
Operating income	8,100	(1.7)	17,700	4.7
Ordinary income	8,700	(1.5)	19,400	3.9
Net income	5,700	(19.9)	12,600	3.5
Earnings per share	139.20 yen		307.70 yen	

*** Notes**

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in consolidation scope): None

Newly included: - (Name) ; Excluded: - (Name)

(2) Change in accounting policies, change in accounting estimation, modification/restatement

1) Changes in accounting policies due to revisions of accounting standards: No change

2) Change in accounting policies for other reasons: No change

3) Change in estimations in accounting: No change

4) Modification/restatement: No change

(3) 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

As of March 31, 2013	42,525,000 shares	As of March 31, 2012	42,525,000 shares
As of March 31, 2013	1,576,537 shares	As of March 31, 2012	1,576,287 shares
As of March 31, 2013	40,948,555 shares	As of March 31, 2012	40,948,901 shares

*** Presentation of situation of audit procedures**

Audit procedures under the Financial Instruments and Exchange Law of Japan have not been completed at the date of submission of this brief report of Financial Statements.

*** Notes on proper use of forecasts and other matters**

Forward-looking statements in this document are based on currently available information and assumptions considered reasonable by the Company. Actual results may differ significantly from these statements due to various factors. For forecast details, please refer to "1. Analysis of Operational Results and Financial Position, (1) Analysis of Operational Results" on pages 2 to 4 of the attachment.

(Method to obtain the attachment of Financial Statements)

The Company plans to post the attachment of Financial Statements on its website immediately after the results presentation scheduled for Thursday, May 2, 2013.

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KOBAYASHI PHARMACEUTICAL CO. LTD.

1. Analysis of Operational Results and Financial Position

(1) Analysis of Operational Results

Overview of Consolidated Results

	Previous Year (Year ended March 31, 2012)		Current Year (Year ended March 31, 2013)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
	Net sales	131,166	100.0	121,532	100.0	(9,634)
Operating income	19,298	14.7	16,903	13.9	(2,394)	(12.4)
Ordinary income	20,092	15.3	18,677	15.4	(1,415)	(7.0)
Net income	11,726	8.9	12,176	10.0	450	3.8
Earnings per share (yen)	286.36		297.37		11.01	3.8

In the fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013), the Japanese economic outlook was still unclear, because consumer spending and corporate activities remained very weak, although there were signs that businesses were gradually recovering, supported by 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 investing in businesses with high future growth potential.

Consequently, the Group reported net sales of 121,532 million yen, a decrease of 9,634 million yen (-7.3%) from the previous year, operating income of 16,903 million yen, a decrease of 2,394 million yen (-12.4%), ordinary income of 18,677 million yen, a decrease of 1,415 million yen (-7.0%), and net income of 12,176 million yen, an increase of 450 million yen (+3.8%).

The following is an overview of segment performance.

Consumer Products Business

The Consumer Products Division 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 from 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 1,590 million yen (-1.4%) from the previous year to 110,833 million yen. Segment income (ordinary income) decreased by 1,675 million yen (-9.6%) to 15,870 million yen, while operating income fell by 2,276 million yen (-12.4%) to 16,040 million yen.

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(Sales Breakdown)

	Previous Year (Year ended March 31, 2012)		Current Year (Year ended March 31, 2013)		Change	
	Amount	Ratio	Amount	Ratio	Amount	Change
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Pharmaceutical products	22,929	20.4	22,619	20.4	(310)	(1.4)
Oral hygiene products	16,234	14.5	16,405	14.8	171	1.1
Sanitary products	14,309	12.7	13,421	12.1	(887)	(6.2)
Deodorizing air fresheners	29,720	26.4	29,816	26.9	95	0.3
Household sundries	4,585	4.1	4,195	3.8	(389)	(8.5)
Food products	9,101	8.1	8,255	7.5	(845)	(9.3)
Body warmers	15,543	13.8	16,117	14.5	574	3.7
Total	112,423	100.0	110,833	100.0	(1,590)	(1.4)

(Note) Net sales included inter-segment sales or transfers amounting to 3,220 million yen in fiscal 2011 and 3,050 million yen in fiscal 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* (a skin moisturizing cosmetic) and *Aloe Ikumo Eki* (a 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 200 million yen (-1.9%) from the previous year to 10,180 million yen. Segment income (ordinary income) increased by 31 million yen (+22.8%) to 168 million yen, while operating income grew by 31 million yen (+23.5%) to 163 million yen. Net sales do 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 8,031 million yen (-76.7%) from the previous year to 2,444 million yen. Segment income (ordinary income) increased by 21 million yen (+1.6%) to 1,355 million yen, while operating income fell by 281 million yen (-96.4%) to 10 million yen.

(Sales Breakdown)

	Previous Year (Year ended March 31, 2012)		Current Year (Year ended March 31, 2013)		Change	
	Amount	Ratio	Amount	Ratio	Amount	Change
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Kobayashi Medical	8,965	85.6	1,296	53.1	(7,668)	(85.5)
eVent	427	4.1	—	—	(427)	—
Other	1,083	10.3	1,147	46.9	64	6.0
Total	10,476	100.0	2,444	100.0	(8,031)	(76.7)

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

Other Businesses

Businesses in this segment (transportation business, plastic container manufacture and sale, insurance agency, real estate management, advertisement planning and creation, 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 core businesses of the Group. Accordingly, their delivery prices of materials and services to the three core businesses were reviewed and revised as necessary.

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Consequently, net sales increased by 262 million yen (+4.2%) from the previous year to 6,516 million yen. Segment income (ordinary income) grew by 279 million yen (+22.6%) to 1,512 million yen, while operating income rose by 125 million yen (+22.6%) to 680 million yen.

Net sales included inter-segment sales or transfers amounting to 5,147 million yen in fiscal 2011 and 5,392 million yen in fiscal 2012.

Forecast for Year Ending March 31, 2014

	Current Year (Year ended March 31, 2013)		Next Year (Year ending March 2014)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Net sales	121,532	100.0	127,000	100.0	5,467	4.5
Operating income	16,903	13.9	17,700	13.9	796	4.7
Ordinary income	18,677	15.4	19,400	15.3	722	3.9
Net income	12,176	10.0	12,600	9.9	423	3.5
Earnings per share (yen)	297.37		307.70		10.33	3.5

The Japanese economy showed signs of recovery including rising stock prices against the backdrop of yen depreciation due to monetary and fiscal policies implemented by the government and the Bank of Japan. However, we expect that the outlook for the Japanese economy will continue to be uncertain during the year ending March 31, 2014, with consumer spending being likely to remain stagnant because of less chances of improvement in employment environment and employees' income.

Under these circumstances, the Kobayashi Pharmaceutical Group will try to develop and deliver new products with unprecedented added value to its customers, with the brand slogan "You make a wish and we make it happen."

Forecasts for the year ending March 31, 2014 are as follows:

Consolidated net sales are expected to total 127,000 million yen, an increase of 5,467 million yen (+4.5%) from the year ended March 31, 2013. It is expected that operating income will increase by 796 million yen (+4.7%) to 17,700 million yen and ordinary income will increase by 722 million yen (+3.9%) to 19,400 million yen. Consolidated net income is expected to total 12,600 million yen, an increase of 423 million yen (+3.5%).

Forecasts by segment are as follows:

In the Consumer Products Business segment, we marketed 27 new products in this spring with the aim to satisfy latent customers' needs and stimulate new demand. The new products include *Ammeltz Hogutaimu Massage Nyueki* (a milky lotion type shoulder muscle stiffness pain relief), *Deo Inner* (a underwear deodorant spray), *Shoshugen Kinoaruseikatsu* (a deodorizing air freshener that enables consumers to enjoy the aroma of wood) and *Shoshugen Kaoru Flower* (a deodorizing air freshener with a handcrafted artificial flower made from natural materials as an interior goods item). Furthermore, we will strive to strengthen a lineup of healthcare products including Chinese herbal medicines and oral care products to respond to demand driven by aging society and health consciousness and also promote intensive sales activities, based on our marketing plan for each brand. In overseas business, we will implement a sales strategy for expanding sales of mainly body warmers and *Netsusama Sheet* in the U.S., China and the Southeast Asia countries. Through these efforts, we expect that net sales by the Consumer Products Business segment in fiscal 2013 will increase by 5,866 million yen (+5.3%) to 116,700 million yen, and that segment profit (ordinary income) will increase by 629 million yen (+4.0%) to 16,500 million yen. Operating income is expected to total 16,800 million yen, an increase of 759 million yen (+4.7%).

In the Mail Order Business segment, we will continue our sales promotion campaign aggressively, mainly for nutritional supplements and skin care products, to encourage existing customers to reorder and boost sales. In addition, we will actively run advertisements to cultivate new customers for skin care products including *Hifmid* (a skin moisturizing cosmetic) and *Aloe Ikumo Eki* (a hair growth tonic). Through these efforts, we expect that net sales by the Mail Order Business segment in fiscal 2013 will increase by 819 million yen (+8.1%) to 11,000 million yen, and that segment profit (ordinary income) will increase by 131 million yen (+78.0%) to 300 million yen. Operating income is expected to total 300 million yen, an increase of 136 million yen (+83.0%).

In the Medical Devices Business segment, we plan to sell our entire stake in Japan Medicalnext Co., Ltd., an equity method affiliate, to Mitsubishi Corporation on May 20, 2013.

KOBAYASHI PHARMACEUTICAL CO. LTD.

(2) Analysis of Financial Position

Overview of Consolidated Results (Consolidated Financial Position)

	Previous Year	Current Year	Change
	(Year ended March 31, 2012)	(Year ended March 31, 2013)	
	Amount	Amount	Amount
	(millions of yen)	(millions of yen)	(millions of yen)
Total assets	147,890	157,106	9,216
Net assets	101,879	114,872	12,993
Shareholders' equity ratio	68.8%	73.1%	4.3%
Net assets per share	2,484.08 yen	2,805.27 yen	321.19 yen

(Consolidated Cash Flow)

	Previous Year	Current Year	Change
	(Year ended March 31, 2012)	(Year ended March 31, 2013)	
	Amount	Amount	Amount
	(millions of yen)	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	17,250	9,242	(8,007)
Net cash provided by (used in) investing activities	(2,929)	(26,605)	(23,675)
Free cash flow	14,320	(17,362)	(31,683)
Net cash provided by (used in) financing activities	(3,292)	(3,729)	(437)
Cash and cash equivalents at period-end	42,835	22,322	(20,513)

The Company's financial position on a consolidated basis is as follows:

Total assets on a consolidated basis increased by 9,216 million yen, compared with the balance as of the end of the previous fiscal year.

In the current assets category, cash and deposits increased by 3,026 million yen, while notes accounts receivable-trade, short-term investment securities and merchandise and finished goods decreased by 1,295 million, by 9,498 million yen and by 1,005 million yen, respectively. In the non-current assets category, investment securities increased by 18,760 million yen, while deferred tax assets decreased by 978 million yen. In the current liabilities category, notes and accounts payable-trade and accounts payable-other decreased by 1,245 million yen and by 2,309 million yen, respectively, and there was a provision for loss on business liquidation of 1,047 million yen. In the net assets category, retained earnings, valuation difference on available-for-sale securities and foreign currency translation adjustment increased by 8,818 million yen, by 2,359 million yen and by 1,146 million yen, respectively.

Cash flows from operating activities

Net cash provided by operating activities totaled 9,242 million yen. Major factors affecting this cash flow were: net income before taxes (18,853 million yen), depreciation expenses (2,622 million yen), gain on sales of subsidiaries and affiliates' stocks (2,285 million yen), increase in inventories (596 million yen), decrease in accounts payable-other (2,355 million yen), receipt of interest and dividends (632 million yen) and income tax paid (7,872 million yen).

Cash flows from investing activities

Net cash used in investing activities totaled 26,605 million yen. Major factors affecting this cash flow were: payments into time deposits (42,540 million yen), purchase of investment securities (16,495 million yen), proceeds from sales and redemption of securities (27,500 million yen), purchase of property, plant and equipment (2,512 million yen) and purchase of investment securities (14,696 million yen).

Cash flows from financing activities

Net cash used in financing activities totaled 3,729 million yen. Major factors affecting this cash flow were: dividend payment (3,357 million yen) and repayment of lease obligations (371 million yen).

Consequently, cash and cash equivalents as of March 31, 2013 totaled 22,322 million yen, a decrease of 20,513 million yen from the end of the previous fiscal year.

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Forecast for Year Ending March 31, 2014

Although the business environment will remain severe, we will make further efforts to improve the operating cash flow, including inventory reduction, in accordance with the policy to improve the efficiency of investment capital.

As for facility investments constantly needed for product development, we plan to make the same level of investment as in fiscal 2012. As for other investment than facility investments, we plan to make the same level of investment as in fiscal 2011 since we currently do not have major investment plans.

Trend of Cash Flow Indicators

	As of March 31, 2009	As of March 31, 2010	As of March 31, 2011	As of March 31, 2012	As of March 31, 2013
Shareholders' equity ratio (%)	60.9	64.0	67.9	68.8	73.1
Shareholders' equity ratio on a market price basis (%)	106.3	119.5	117.5	114.6	118.5
Ratio of net cash to interest-bearing liabilities (year)	0.1	0.1	0.2	0.0	0.0
Interest coverage ratio (times)	75.9	184.0	277.7	613.7	503.4

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market price basis: Total market value of shares/Total assets

Ratio of net cash to interest-bearing liabilities: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

* These indicators are calculated based on consolidated financial results.

* Total market value of stock is calculated by the following formula: closing price at period-end x outstanding shares at period-end (excluding treasury shares).

* Operating cash flow is based on net cash provided by operating activities reported on the consolidated statement of cash flow. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the consolidated statement of cash flow.

(3) Basic Policy for Profit Distribution and Dividend Payments for Fiscal 2012 and 2013

The Company regards returns to shareholders as one of its most important management programs. The Company will set aside a certain level of retained earnings within the Company to maintain sources necessary for expanding rapidly growing businesses and maintaining a healthy management structure, and further strengthen our policy to enhance our returns to shareholders.

While the Company has set a basic policy to continue stable payment of dividends, reasonable dividends will be paid to shareholders based on the consolidated operational results of the company. Retained earnings held within the Company will be used as financial sources for M&As and active investments for international business expansion aimed at expanding the operations of the Consumer Product Business. It is also our policy to make profit distribution twice a year as interim dividends and year-end dividends, in principle.

In accordance with the above-mentioned policies, we will propose at the general meeting of shareholders for the year ended March 31, 2013 to pay a regular dividend to shareholders of 82 yen (including interim dividend of 39 yen per share already paid and year-end dividend of 43 yen per share). For the year ending March 31, 2014, we plan to pay a regular dividend of 82 yen per share (including interim dividend of 41 yen per share and year-end dividend of 41 yen per share).

KOBAYASHI PHARMACEUTICAL CO. LTD.**2. Consolidated Financial Statements**
(1) Consolidated Balance Sheet

(millions of yen)

	Previous year-end (March 31, 2012)	Current year-end (March 31, 2013)
ASSETS		
Current assets		
Cash and cash deposits	42,835	45,862
Notes and accounts receivable-trade	32,113	30,818
Short-term investment securities	11,004	1,506
Merchandise and finished goods	9,505	8,500
Work in process	457	584
Raw materials and supplies	2,049	2,113
Deferred tax assets	3,287	3,885
Other	1,353	1,141
Allowance for doubtful accounts	(69)	(58)
Total current assets	102,538	94,353
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,064	6,259
Machinery, equipment and vehicles, net	2,159	2,410
Tools, furniture and fixtures, net	1,049	1,111
Land	3,468	3,425
Lease assets, net	788	385
Construction in progress	98	137
Total property, plant and equipment	13,628	13,730
Intangible assets		
Goodwill	3,592	3,637
Right of trademark	513	350
Software	884	896
Lease assets	46	14
Other	249	193
Total intangible assets	5,287	5,092
Investments and other assets		
Investment securities	19,131	37,891
Long-term loans receivable	600	416
Deferred tax assets	1,302	324
Real estate for investment, net	3,103	3,067
Other	2,455	2,366
Allowance for doubtful accounts	(154)	(135)
Total investments and other assets	26,437	43,930
Total non-current assets	45,352	62,753
Total assets	147,890	157,106

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous year-end (March 31, 2012)	Current year-end (March 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	12,823	11,577
Short-term loans payable	5	4
Accounts payable-other	14,669	12,360
Lease obligations	391	262
Income taxes payable	4,497	4,091
Accrued consumption taxes	382	542
Provision for sales returns	1,038	1,109
Provision for bonuses	2,095	1,881
Provision for loss on business liquidation	—	1,047
Asset retirement obligations	13	10
Other	1,873	1,588
Total current liabilities	37,791	34,477
Non-current liabilities		
Lease obligations	483	163
Provision for retirement benefits	5,312	4,883
Provision for directors' retirement benefits	17	20
Asset retirement obligations	87	72
Other	2,318	2,616
Total non-current liabilities	8,220	7,757
Total liabilities	46,011	42,234
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,219	4,219
Retained earnings	101,127	109,946
Treasury stock	(4,702)	(4,703)
Total shareholders' equity	104,094	112,912
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,998	4,357
Deferred gains or losses on hedges	(323)	504
Foreign currency translation adjustment	(4,050)	(2,904)
Accumulated other comprehensive income total	(2,374)	1,958
Subscription rights to shares	159	—
Minority interests	—	0
Total net assets	101,879	114,872
Total liabilities and net assets	147,890	157,106

KOBAYASHI PHARMACEUTICAL CO. LTD.**(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
(Consolidated Income Statement)**

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Net sales	131,166	121,532
Cost of sales	54,635	51,732
Gross profit	76,531	69,799
Selling, general and administrative expenses		
Promotion expenses	7,201	7,006
Freight and warehousing expenses	5,086	4,834
Advertising expenses	14,999	13,810
Provision of allowance for doubtful accounts	—	14
Salaries, allowances and bonuses	9,890	8,835
Retirement benefit expenses	804	649
Provision for directors' retirement benefits	4	7
Taxes and dues	261	304
Depreciation	740	644
Amortization of goodwill	504	347
Rent	1,738	1,410
Commission fees	4,727	4,813
Research and development expenses	4,385	4,544
Other	6,888	5,672
Total selling, general and administrative expenses	57,233	52,895
Operating income	19,298	16,903
Non-operating income		
Interest income	127	197
Dividends income	254	275
Royalty income	662	755
Real estate rent	275	275
Equity in earnings of affiliates	408	652
Foreign exchange gains	51	257
Other	368	261
Total non-operating income	2,147	2,676
Non-operating expenses		
Interest expenses	43	24
Sales discounts	1,149	727
Rent cost of real estate	77	74
Other	83	75
Total non-operating expenses	1,352	902
Ordinary income	20,092	18,677

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	222	192
Gain on sales of subsidiaries and affiliates' stocks	—	2,285
Compensation income	176	—
Other	152	183
Total extraordinary income	552	2,661
Extraordinary loss		
Loss on disposal of non-current assets	86	53
Loss on valuation of investment securities	—	408
Loss on valuation of stocks of subsidiaries and affiliates	2	—
Loss on sales of stocks of subsidiaries and affiliates	640	—
Impairment loss	31	301
Loss on disaster	38	—
Loss on defective products	—	303
Provision for loss on business liquidation	—	1,047
Other	23	370
Total extraordinary loss	823	2,485
Income before income taxes	19,822	18,853
Income taxes - current	6,936	7,422
Income taxes - deferred	1,160	(745)
Total income taxes	8,096	6,676
Income before minority interests	11,725	12,176
Minority interest in loss (-)	(0)	(0)
Net income	11,726	12,176

KOBAYASHI PHARMACEUTICAL CO. LTD.

(Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Income before minority interests	11,725	12,176
Other comprehensive income		
Other valuation difference on available-for-sale securities	1,508	2,358
Deferred gains or losses on hedges	127	115
Foreign currency translation adjustment	(175)	1,146
Share of other comprehensive income of associates accounted for using equity method	149	712
Other comprehensive income total	1,609	4,333
Comprehensive income	13,335	16,510
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	13,335	16,510
Comprehensive income attributable to minority interests	(0)	(0)

KOBAYASHI PHARMACEUTICAL CO. LTD.**(3) Consolidated Statement of Shareholders' Equity**

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at period start	3,450	3,450
Change during current period		
Total change during current period	—	—
Balance at current period-end	3,450	3,450
Capital surplus		
Balance at period start	4,219	4,219
Change during period		
Disposal of treasury stock	0	0
Total change during current period	0	0
Balance at current period-end	4,219	4,219
Retained earnings		
Balance at period start	92,185	101,127
Change during current period		
Dividends from surplus	(2,784)	(3,357)
Net income	11,726	12,176
Total change during current period	8,941	8,818
Balance at current period-end	101,127	109,946
Treasury stock		
Balance at period start	(4,701)	(4,702)
Change during current period		
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	0
Total change during current period	(1)	(1)
Balance at current period-end	(4,702)	(4,703)
Total shareholders' equity		
Balance at period start	95,154	104,094
Change during current period		
Dividends from surplus	(2,784)	(3,357)
Net income	11,726	12,176
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	0
Total change during current period	8,940	8,817
Balance at current period-end	104,094	112,912

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at period start	489	1,998
Change during current period		
Net changes of items other than shareholders' equity	1,508	2,359
Total change during current period	1,508	2,359
Balance at current period-end	1,998	4,357
Deferred gains or losses on hedges		
Balance at period start	(599)	(323)
Change during current period		
Net changes of items other than shareholders' equity	276	827
Total change during current period	276	827
Balance at current period-end	(323)	504
Foreign currency translation adjustment		
Balance at period start	(3,874)	(4,050)
Change during current period		
Net changes of items other than shareholders' equity	(175)	1,146
Total change during current period	(175)	1,146
Balance at current period-end	(4,050)	(2,904)
Accumulated other comprehensive income total		
Balance at period start	(3,984)	(2,374)
Change during current period		
Net changes of items other than shareholders' equity	1,609	4,333
Total change during current period	1,609	4,333
Balance at current period-end	(2,374)	1,958
Subscription rights to shares		
Balance at period start	160	159
Change during current period		
Net changes of items other than shareholders' equity	(1)	(159)
Total change during current period	(1)	(159)
Balance at current period-end	159	—
Minority interests		
Balance at period start	12	—
Change during current period		
Net changes of items other than shareholders' equity	(12)	0
Total change during current period	(12)	0
Balance at current period-end	—	0
Total net assets		
Balance at period start	91,342	101,879
Change during current period		
Dividends from surplus	(2,784)	(3,357)
Net income	11,726	12,176
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	1,595	4,175
Total change during current period	10,536	12,993
Balance at current period-end	101,879	114,872

KOBAYASHI PHARMACEUTICAL CO. LTD.

(4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Cash flow from operating activities		
Income before income taxes	19,822	18,853
Depreciation	2,727	2,622
Loss on valuation of stocks of subsidiaries and affiliates	2	—
Impairment loss	31	301
Amortization of goodwill	504	347
Increase (decrease) in allowance for doubtful accounts	(326)	(32)
Increase (decrease) in provision for retirement benefits	150	52
Interest and dividends income	(381)	(473)
Interest expenses	43	24
Equity in (earnings) losses of affiliates	(408)	(652)
Loss (gain) on sales of stocks of subsidiaries and affiliates	640	(2,285)
Loss (gain) on sales of investment securities	(222)	(192)
Loss (gain) on valuation of investment securities	—	408
Loss (gain) on sales and retirement of non-current assets	85	52
Decrease (increase) in notes and accounts receivable-trade	(2,060)	213
Decrease (increase) in inventories	(1,018)	(596)
Increase (decrease) in notes and accounts payable-trade	(6)	(720)
Increase (decrease) in accounts payable-other	1,932	(2,355)
Increase (decrease) in accrued consumption taxes	(164)	180
Increase (decrease) in provision for loss on business liquidation	—	1,047
Other	(348)	(293)
Total	21,003	16,501
Interest and dividend income received	1,036	632
Interest expenses paid	(28)	(18)
Income taxes paid	(4,761)	(7,872)
Net cash provided by (used in) operating activities	17,250	9,242
Cash flow from investing activities		
Payments into time deposits	—	(42,540)
Proceeds from withdrawal of time deposits	—	18,500
Purchase of short-term investment securities	(39,989)	(16,495)
Proceeds from sales and redemption of securities	41,000	27,500
Purchase of property, plant and equipment	(1,747)	(2,512)
Proceeds from sales of property, plant and equipment	15	63
Purchase of intangible assets	(345)	(363)
Purchase of investment securities	(1,248)	(14,696)
Proceeds from sales of investment securities	711	192
Purchase of investment assets and other assets	(219)	(226)
Proceeds from sales of investment assets and other assets	45	57
Payments of long-term loans receivable	(176)	(11)
Collection of long-term loans receivable	80	200
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(979)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	4,024
Other	(74)	(296)
Net cash provided by (used in) investing activities	(2,929)	(26,605)

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous year (April 1, 2011 to March 31, 2012)	Current year (April 1, 2012 to March 31, 2013)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(30)	0
Purchase of treasury stock	(1)	(1)
Proceeds from disposal of treasury stock	—	0
Cash dividends paid	(2,785)	(3,357)
Repayments of lease obligations	(462)	(371)
Dividends paid to minority shareholders upon liquidation	(12)	—
Other	—	1
Net cash provided by (used in) financing activities	(3,292)	(3,729)
Effect of exchange rate change on cash and cash equivalents	(154)	578
Net increase (decrease) in cash and cash equivalents	10,874	(20,513)
Cash and cash equivalents at beginning of period	31,963	42,835
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1)	—
Cash and cash equivalents at end of period	42,835	22,322

KOBAYASHI PHARMACEUTICAL CO. LTD.

3. Information on the amount of net sales, income or loss, assets and other items by reportable segments

Previous year (April 1, 2011 to March 31, 2012)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Consumer Products Business	Mail Order Business	Medical Devices Business	Total				
Net sales								
Net sales to outside customers	109,203	10,380	10,476	130,060	1,106	131,166	—	131,166
Inter-segment sales and transfers	3,220	—	—	3,220	5,147	8,368	(8,368)	
Total	112,423	10,380	10,476	133,281	6,254	139,535	(8,368)	131,166
Segment income	17,546	137	1,334	19,017	1,233	20,251	(158)	20,092
Segment assets	64,334	1,500	8,182	74,017	4,551	78,568	69,322	147,890
Other items								
Depreciation	2,277	33	143	2,454	123	2,578	148	2,727
Goodwill depreciation	496	—	7	504	—	504	—	504
Interest income	40	3	7	50	95	145	(18)	127
Interest expenses	—	—	19	19	42	62	(18)	43
Equity in earnings of affiliates	—	—	407	407	—	407	1	408
Investment in equity method affiliate	—	—	1,683	1,683	—	1,683	—	1,683
Increase in property, plant, and equipment and intangible assets	1,675	56	109	1,841	171	2,013	198	2,212

- (Notes)
- Other businesses consist of business segments that are not included in reportable segments, such as transportation business, plastic container manufacture and sale, insurance agency, real estate management, and advertisement planning and creation.
 - Adjustment details are as follows:
 - Segment income of -158 million yen, Interest income of -18 million yen, and Interest expenses of -18 million yen posted in Adjustment reflect the elimination of transactions between segments.
 - Assets of group companies included in Adjustment totaled 73,253 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
 - Equity in earnings of affiliates of 1 million yen posted in Adjustment is the adjustment of inventory.
 - Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
 - Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

KOBAYASHI PHARMACEUTICAL CO. LTD.

Current year (April 1, 2012 to March 31, 2013)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Consumer Products Business	Mail Order Business	Medical Devices Business	Total				
Net sales								
Net sales to outside customers	107,782	10,180	2,444	120,407	1,124	121,532	—	121,532
Inter-segment sales and transfers	3,050	—	—	3,050	5,392	8,442	(8,442)	
Total	110,833	10,180	2,444	123,458	6,516	129,974	(8,442)	121,532
Segment income	15,870	168	1,355	17,394	1,512	18,906	(229)	18,677
Segment assets	66,613	1,623	6,356	74,593	4,656	79,250	77,856	157,106
Other items								
Depreciation	2,295	36	18	2,350	132	2,483	138	2,622
Goodwill depreciation	346	—	1	347	—	347	—	347
Interest income	29	1	23	55	167	223	(25)	197
Interest expenses	15	—	—	15	34	50	(25)	24
Equity in earnings of affiliates	—	—	654	654	—	654	(1)	652
Investment in equity method affiliate	—	—	3,289	3,289	—	3,289	—	3,289
Increase in property, plant, and equipment and intangible assets	2,729	48	10	2,789	201	2,991	182	3,173

- (Notes)
- Other businesses consist of business segments that are not included in reportable segments, such as transportation business, plastic container manufacture and sale, insurance agency, real estate management, and advertisement planning and creation.
 - Adjustment details are as follows:
 - Segment income of -229 million yen, Interest income of -25 million yen, and Interest expenses of -25 million yen posted in Adjustment reflect the elimination of transactions between segments.
 - Assets of group companies included in Adjustment totaled 81,790 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
 - Equity in earnings of affiliates of -1 million yen posted in Adjustment is the adjustment of inventory.
 - Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
 - Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

KOBAYASHI PHARMACEUTICAL CO. LTD.

(Important subsequent events)

(Sales of affiliate equity)

As announced by the “Notice Concerning Change in Consolidated Subsidiary (Share Transfer)” dated April 24, 2012, Kobayashi Pharmaceutical Co., Ltd. transferred 80% of the outstanding shares in Japan Medicalnext Co., Ltd. (former Kobayashi Medical Co., Ltd.), to Mitsubishi Corporation for further growth of Japan Medicalnext Co., Ltd. in the medical device market. The Company decided to sell its remaining stake in Japan Medicalnext Co., Ltd. to Mitsubishi Corporation, because to date, it had been able to smoothly transfer the businesses of Japan Medicalnext to Mitsubishi Corporation.

1. Outline of Assignment

(1) Names and Businesses of Affiliate and Assignee

① Affiliate

Japan Medicalnext Co., Ltd. (Business: Import, manufacture and sale of medical equipment and devices)

② Assignee

Mitsubishi Corporation (Business: General trading company)

(2) Main reason for assignment

See explanation above.

(3) Scheduled share assignment date

May 20, 2013 (scheduled)

(4) Legal form of assignment and other outlines

① Legal form

Share assignment

② Number of shares to be assigned

20,000 shares

③ Shareholding ratio after assignment

None

2. Title of category in segment information disclosure containing information relating to subsidiary Medical Devices Business