

KOBAYASHI PHARMACEUTICAL CO. LTD.**Summary of Financial Statements (Japanese GAAP) (Consolidated)
Financial Results for the Fiscal Year Ended March 31, 2014**

April 30, 2014

Listed exchanges : Tokyo

Listed company name : Kobayashi Pharmaceutical Co. Ltd.

Code : 4967

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

Representative officer : Akihiro Kobayashi, President & COO

Contact : Satoshi Yamane,
Executive Director & Senior General Manager,
Corporate Administration Headquarters

Tel : +81-6-7711-0505

Scheduled date of general meeting of shareholders : June 27, 2014

Scheduled date of dividend payment commencement : June 9, 2014

Schedule date of financial report filing with the Finance Ministry : June 27, 2014

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 Results for Fiscal Year Ended March 31, 2014
(April 1, 2013 to March 31, 2014)
(1) Consolidated Operating Results

(% figures represent changes from previous period.)

	Year ended March 2014		Year ended March 2013	
Net sales	127,293 millions of yen	4.7 %	121,532 millions of yen	(7.3) %
Operating income	18,122	7.2	16,903	(12.4)
Ordinary income	18,769	0.5	18,677	(7.0)
Net income	12,307	1.1	12,176	3.8
Earnings per share	300.55 yen		297.37 yen	
Diluted earnings per share	—		—	
Return on equity		10.2		11.2
Return on assets		11.4		12.2
Ratio of operating income to net sales		14.2		13.9

(Note) Comprehensive income

Year ended March 2014: 16,386 million yen (-0.7%)

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

(Reference) Equity in earnings of affiliates

Year ended March 2014: 152 million yen

Year ended March 2013: 652 million yen

KOBAYASHI PHARMACEUTICAL CO. LTD.**(2) Consolidated Financial Position**

	As of March 31, 2014	As of March 31, 2013
Total assets	170,919 millions of yen	157,106 millions of yen
Net assets	126,953	114,872
Shareholders' equity ratio	74.2 %	73.1 %
Net assets per share	3,098.32 yen	2,805.27 yen
(Reference) Shareholders' equity	As of March 31, 2014: 126,869 million yen As of March 31, 2013: 114,871 million yen	

(3) Consolidated Cash Flow

	Year ended March 2014	Year ended March 2013
Net cash provided by (used in) operating activities	13,513 millions of yen	9,242 millions of yen
Net cash provided by (used in) investing activities	(6,959)	(26,605)
Net cash provided by (used in) financing activities	(3,809)	(3,729)
Cash and cash equivalents at period-end	25,898	22,322

2. Dividends

	Year ended March 2014	Year ended March 2013	Year ending March 2015 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	43.00 yen	39.00 yen	43.00 yen
Q3 end	—	—	—
Year-end	43.00	43.00	43.00
Total	86.00	82.00	86.00
Total dividends	3,521 millions of yen	3,357 millions of yen	—
Payout ratio (consolidated)	28.6 %	27.6 %	28.2 %
Ratio of dividends to net assets (consolidated)	2.9	3.1	—

KOBAYASHI PHARMACEUTICAL CO. LTD.**3. Forecasts of Consolidated Operational Results for Year Ending March 31, 2015
(April 1, 2014 to March 31, 2015)**

(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	60,800 millions of yen	4.4 %	132,000 millions of yen	3.7 %
Operating income	8,400	(2.6)	18,400	1.5
Ordinary income	8,700	(1.6)	19,000	1.2
Net income	5,600	(5.9)	12,500	1.6
Earnings per share	136.76 yen		305.27 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: Yes

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, 2014	42,525,000 shares	As of March 31, 2013	42,525,000 shares
As of March 31, 2014	1,577,025 shares	As of March 31, 2013	1,576,537 shares
As of March 31, 2014	40,948,249 shares	As of March 31, 2013	40,948,555 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 Summary 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 1, 2014.

KOBAYASHI PHARMACEUTICAL CO. LTD.

○ Table of contents for the attachment

1. Analysis of Operational Results and Financial Position	2
(1) Analysis of Operational Results	2
(2) Analysis of Financial Position	5
(3) Basic Policy for Profit Distribution and Dividend Payments for Fiscal 2014 and Fiscal 2015	6
2. Consolidated Financial Statements	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement.....	9
(3) Consolidated Statement of Shareholders' Equity	12
(4) Consolidated Statement of Cash Flows	14
3. Information on the Amount of Net Sales, Income or Loss, Assets and Other Items by Reportable Segments	16

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, 2013)		Current Year (Year ended March 31, 2014)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Net sales	121,532	100.0	127,293	100.0	5,761	4.7
Operating income	16,903	13.9	18,122	14.2	1,218	7.2
Ordinary income	18,677	15.4	18,769	14.7	91	0.5
Net income	12,176	10.0	12,307	9.7	130	1.1
Earnings per share (yen)	297.37		300.55		3.18	1.1

In the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014), the Japanese economic outlook was still unclear, since consumer spending remained very weak due to limited improvement in the employment situation and employees' incomes, although there were some signs of an economic recovery, supported by the depreciation of the yen and a stock market rally against the backdrop of higher expectations for government monetary and fiscal policy.

Against this backdrop, the Group launched new products that satisfy customers' needs, strengthened its existing product lineups to accelerate the market, and invested in businesses with high future growth potential, with the brand slogan "You make a wish and we make it happen."

Consequently, the Group reported net sales of 127,293 million yen (+4.7% from the previous year), operating income of 18,122 million yen (+7.2%), ordinary income of 18,769 million yen (+0.5%), and net income of 12,307 million yen (+1.1%).

The following is an overview of segment performance.

Consumer Products Business

The Consumer Products Business launched 39 new products in the fiscal year ended March 31, 2014. In particular, *Bluelet Okudake Jokin EX* (a fragrant toilet bowl cleaner with a disinfectant formulation) and *Shoshugen Inu no Kimochi* (a deodorizing air freshener for dogs) contributed to the Group's sales growth. Among existing products, sales of *Ito Yoji*, the *Yawaraka Shikan Brush* (interdental cleaning tools) and *Shouyou* (a medicated toothpaste that helps prevent gingivitis and periodontitis) in the category of oral hygiene products, *Keshimin* (a skincare product that helps prevent blotches) in the category of sanitary products, the *Shoshugen Kaoru Stick* (an interior fragrance) and *Bluelet* (a toilet bowl cleaner) in the category of deodorizing air fresheners, *Kantan Senjomaru* (a pipe cleaner) in the category of household sundries and *Kobayashi Pharmaceutical's Tochucha* (health tea) in the category of food products, grew solidly. In addition, sales of the *Netsusama Sheet* (a cooling gel sheet for the forehead) in the category of sanitary products marketed in Southeast Asia and the United States and sales of body warmers marketed in the United States increased steadily.

Consequently, the Company reported net sales of 117,172 million yen (+5.7% from the previous year), segment income (ordinary income) of 16,239 million yen (+2.3%), and operating income of 17,067 million yen (+6.4%). Meanwhile, in the Consumer Products Business, sales of the International Division amounted to 12,505 million yen (+32.6%).

KOBAYASHI PHARMACEUTICAL CO. LTD.

(Sales Breakdown)

	Previous Year (Year ended March 31, 2013)		Current Year (Year ended March 31, 2014)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Pharmaceutical products	22,619	20.4	22,557	19.3	(61)	(0.3)
Oral hygiene products	16,405	14.8	17,042	14.5	636	3.9
Sanitary products	15,819	14.2	18,133	15.5	2,313	14.6
Deodorizing air fresheners	29,816	26.9	31,485	26.9	1,668	5.6
Household sundries	4,195	3.8	4,596	3.9	400	9.5
Food products	8,255	7.5	8,895	7.6	640	7.8
Body warmers	13,719	12.4	14,460	12.3	740	5.4
Total	110,833	100.0	117,172	100.0	6,339	5.7

(Note) 1. Net sales included inter-segment sales or transfers amounting to 3,050 million yen in fiscal 2012 and 3,192 million yen in fiscal 2013.

2. The Company reviewed the classification of some products in the current fiscal year ended March 31, 2014. Consequently, sales of sanitary products increased by 2,397 million yen, while sales of body warmers decreased by 2,397 million yen in the Company's sales breakdown for the fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013) presented in the *Summary of Financial Statements for the Fiscal Year Ended March 31, 2013* announced on May 1, 2013.

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.

Consequently, the Company reported net sales of 10,747 million yen (+5.6% from the previous year), segment income (ordinary income) of 375 million yen (+123.0%) and operating income of 368 million yen (+125.0%).

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

Medical Devices Business

Since 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. was changed from a consolidated subsidiary to an equity method affiliate. Kobayashi Medical Co., Ltd. changed its name to Japan Medicalnext Co., Ltd. on November 1, 2012. In addition, Kobayashi Pharmaceutical Co., Ltd. transferred all of its remaining outstanding shares in Japan Medicalnext Co., Ltd. to Mitsubishi Corporation on May 20, 2013.

Consequently, the Company reported net sales of 1,428 million yen (−41.6% from the previous year), segment income (ordinary income) of 1,216 million yen (−10.2%) and operating income of 282 million yen (+2,577.1%).

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.

Consequently, the Company reported net sales of 5,351 million yen (−17.9% from the previous year), segment income (ordinary income) of 1,177 million yen (−22.1%) and operating income of 298 million yen (−56.1%).

Net sales included inter-segment sales or transfers amounting to 5,392 million yen in fiscal 2012 and 4,214 million yen in fiscal 2013.

KOBAYASHI PHARMACEUTICAL CO. LTD.

Forecast for Year Ending March 31, 2015

	Current Year (Year ended March 31, 2014)		Next Year (Year ending March 2015)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
Net sales	127,293	100.0	132,000	100.0	4,706	3.7
Operating income	18,122	14.2	18,400	13.9	277	1.5
Ordinary income	18,769	14.7	19,000	14.4	230	1.2
Net income	12,307	9.7	12,500	9.5	192	1.6
Earnings per share (yen)	300.55		305.27		4.72	1.6

The Japanese economy is forecast to continue recovering, bolstered by monetary and fiscal policies implemented by the government and the Bank of Japan, which resulted in the depreciation of the yen and a stock market rally. However, as the consumption tax rate was hiked in April 2014, we expect that consumer spending will remain uncertain in the future.

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."

In the Consumer Products Business segment, the Company will launch 16 new products this spring with the aim of stimulating new demand and also strengthening its existing product lineups to accelerate the market. The new products include *Shijirakku*, a Chinese herbal medicine product designed to cure stiff and painful shoulders for forty-to-fifty-year-olds, *Juju Balancina*, a skincare series for treating combination skin, and *Sawaday PINKPINK*, a deodorizing air freshener for young women. Furthermore, the Company will establish an organization that specializes in the skincare business in April 2014. The new organization will focus on the development of new products, marketing, and sales activities. The International Division will try to further expand sales in the United States, China and Southeast Asian countries in line with a sales strategy of expanding sales mainly of body warmers and *Netsusama Sheets* (a cooling gel sheet for the forehead).

In the Mail Order Business segment, the Company will carry out a sales promotion campaign using advertisements and direct-mail, mainly for nutritional supplements and skin care products, to cultivate new customers and encourage existing customers to reorder and boost sales.

Through these efforts, the Company is forecast to achieve consolidated net sales of 132,000 million yen (+3.7% from the fiscal year ended March 31, 2014), operating income of 18,400 million yen (+1.5%), ordinary income of 19,000 million yen (+1.2%) and net income of 12,500 million yen (+1.6%) in the fiscal year ending March 31, 2015.

KOBAYASHI PHARMACEUTICAL CO. LTD.**(2) Analysis of Financial Position**Overview of Consolidated Results
(Consolidated Financial Position)

	Previous Year (Year ended March 31, 2013)	Current Year (Year ended March 31, 2014)	Change
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)
Total assets	157,106	170,919	13,812
Net assets	114,872	126,953	12,081
Shareholders' equity ratio	73.1%	74.2%	1.1%
Net assets per share	2,805.27 yen	3,098.32 yen	293.05 yen

(Consolidated Cash Flow)

	Previous Year (Year ended March 31, 2013)	Current Year (Year ended March 31, 2014)	Change
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)
Net cash provided by (used in) operating activities	9,242	13,513	4,270
Net cash provided by (used in) investing activities	(26,605)	(6,959)	19,645
Free cash flow	(17,362)	6,553	23,916
Net cash provided by (used in) financing activities	(3,729)	(3,809)	(79)
Cash and cash equivalents at period-end	22,322	25,898	3,576

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

Total assets on a consolidated basis increased by 13,812 million yen, compared with the balance as of the end of the previous fiscal year.

In the current assets category, cash and deposits, notes accounts receivable-trade, and short-term investment securities increased by 5,886 million yen, 3,610 million yen, and 2,197 million yen, respectively, while merchandise and finished goods decreased by 985 million. In the non-current assets category, investment securities and construction in progress increased by 986 million yen and 764 million yen, respectively. In the non-current liabilities category, there was a net defined benefit liability of 5,861 million yen, and provision for retirement benefits decreased by 4,883 million yen. In the net assets category, retained earnings and foreign currency translation adjustment increased by 8,785 million yen and 2,530 million yen, respectively.

Cash flows from operating activities

Net cash provided by operating activities totaled 13,513 million yen. Major factors affecting this cash flow were: net income before taxes (19,666 million yen), depreciation expenses (2,677 million yen), increase in notes and accounts receivable-trade (2,322 million yen), decrease in inventories (1,572 million yen), increase in accounts payable-other (405 million yen), receipt of interest and dividends (766 million yen), and income tax paid (7,225 million yen).

Cash flows from investing activities

Net cash used in investing activities totaled 6,959 million yen. Major factors affecting this cash flow were: payments into time deposits (64,010 million yen), proceeds from withdrawal of time deposits (59,500 million yen), proceeds from sales and redemption of securities (1,000 million yen), purchase of property, plant and equipment (2,885 million yen), and proceeds from sales of stocks of subsidiaries and affiliates (1,000 million yen).

Cash flows from financing activities

Net cash used in financing activities totaled 3,809 million yen. Major factors affecting this cash flow were: dividend payment (3,521 million yen) and repayment of lease obligations (286 million yen).

Consequently, cash and cash equivalents as of March 31, 2014 totaled 25,898 million yen, an increase of 3,576 million yen from the end of the previous fiscal year.

KOBAYASHI PHARMACEUTICAL CO. LTD.

Forecast for Year Ending March 31, 2015

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 the facility investments constantly needed for product development, we plan to make the same level of investment as in fiscal 2013. As for investments other than facility investments, we plan to make the same level of investment as in fiscal 2013, since we currently do not have major investment plans.

Trend of Cash Flow Indicators

	As of March 31, 2010	As of March 31, 2011	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Shareholders' equity ratio (%)	64.0	67.9	68.8	73.1	74.2
Shareholders' equity ratio on a market price basis (%)	119.5	117.5	114.6	118.5	142.5
Ratio of net cash to interest-bearing liabilities (year)	0.1	0.2	0.0	0.0	0.0
Interest coverage ratio (times)	184.0	277.7	613.7	503.4	1,492.3

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 2014 and 2015

The Company regards returns to shareholders as one of its most important management programs, and has been striving to enhance corporate value by generating higher cash flow. To that end, it will maintain healthy management and actively invest in businesses with high growth potential. While setting the stable payment of dividends as its basic policy, the Company aims to enhance returns to shareholders by paying reasonable dividends based on the consolidated operational results of the company.

According to the above policy, the Company pays dividends twice a year (interim dividends and year-end dividends), and the company will pay a regular dividend to shareholders of 86 yen, up 2 yen from the previous forecast (including an interim dividend of 43 yen per share already paid and a year-end dividend of 43 yen per share). For the year ending March 31, 2015, the Company plans to pay a regular dividend of 86 yen per share (including an interim dividend of 43 yen per share and a year-end dividend of 43 yen per share). In addition, the Company plans to acquire 270,000 shares or 1,500 million yen worth of its treasury stock (at maximum) from May 1, 2014 to June 20, 2014.

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

(millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Current consolidated fiscal year (March 31, 2014)
ASSETS		
Current assets		
Cash and cash equivalents	45,862	51,748
Notes and accounts receivable-trade	30,818	34,428
Short-term investment securities	1,506	3,703
Merchandise and finished goods	8,500	7,515
Work in process	584	559
Raw materials and supplies	2,113	2,457
Deferred tax assets	3,885	3,240
Other	1,141	2,016
Allowance for doubtful accounts	(58)	(56)
Total current assets	94,353	105,614
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,259	6,254
Machinery, equipment and vehicles, net	2,410	2,667
Tools, furniture and fixtures, net	1,111	1,016
Land	3,425	3,374
Leased assets, net	385	730
Construction in progress	137	901
Total property, plant and equipment	13,730	14,945
Intangible assets		
Goodwill	3,637	3,970
Trademark rights	350	187
Software	896	924
Leased assets	14	16
Other	193	327
Total intangible assets	5,092	5,426
Investments and other assets		
Investment securities	37,891	38,877
Long-term loans receivable	416	614
Deferred tax assets	324	838
Real estate for investment, net	3,067	3,059
Other	2,366	1,677
Allowance for doubtful accounts	(135)	(135)
Total investments and other assets	43,930	44,932
Total non-current assets	62,753	65,304
Total assets	157,106	170,919

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Current consolidated fiscal year (March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	11,577	11,368
Short-term loans payable	4	6
Accounts payable-other	12,360	13,053
Lease obligations	262	158
Income taxes payable	4,091	3,639
Accrued consumption taxes	542	633
Provision for sales returns	1,109	1,501
Provision for bonuses	1,881	1,958
Provision for loss on business liquidation	1,047	355
Asset retirement obligations	10	29
Other	1,588	1,513
Total current liabilities	34,477	34,216
Non-current liabilities		
Lease obligations	163	609
Net defined benefit liability	—	5,861
Provision for retirement benefits	4,883	—
Provision for directors' retirement benefits	20	24
Asset retirement obligations	72	91
Other	2,616	3,162
Total non-current liabilities	7,757	9,749
Total liabilities	42,234	43,965
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,219	4,219
Retained earnings	109,946	118,731
Treasury stock	(4,703)	(4,706)
Total shareholders' equity	112,912	121,695
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,357	5,369
Deferred gains or losses on hedges	504	1,043
Foreign currency translation adjustment	(2,904)	(373)
Re-measurements of defined benefit plans	—	(864)
Total accumulated other comprehensive income	1,958	5,174
Subscription rights to shares	—	83
Minority interests	0	0
Total net assets	114,872	126,953
Total liabilities and net assets	157,106	170,919

KOBAYASHI PHARMACEUTICAL CO. LTD.

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
(Consolidated Income Statement)

	(millions of yen)	
	Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (April 1, 2013 to March 31, 2014)
Net sales	121,532	127,293
Cost of sales	51,732	54,193
Gross profit	69,799	73,099
Selling, general and administrative expenses		
Promotion expenses	7,006	7,801
Freight and warehousing expenses	4,834	5,301
Advertising expenses	13,810	13,419
Provision of allowance for doubtful accounts	14	21
Salaries, allowances and bonuses	8,835	8,873
Retirement benefit expenses	649	759
Provision for directors' retirement benefits	7	4
Taxes and dues	304	299
Depreciation	644	667
Amortization of goodwill	347	419
Rent	1,410	1,341
Commission fees	4,813	4,728
Research and development expenses	4,544	4,930
Other	5,672	6,409
Total selling, general and administrative expenses	52,895	54,977
Operating income	16,903	18,122
Non-operating income		
Interest income	197	225
Dividend income	275	341
Royalty income	755	726
Real estate rent	275	274
Equity in earnings of affiliates	652	152
Foreign exchange gains	257	—
Other	261	346
Total non-operating income	2,676	2,067
Non-operating expenses		
Interest expenses	24	18
Sales discounts	727	721
Rent cost of real estate	74	72
Foreign exchange losses	—	570
Other	75	38
Total non-operating expenses	902	1,421
Ordinary income	18,677	18,769

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (April 1, 2013 to March 31, 2014)
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	192	205
Gain on sales of subsidiaries and affiliates' stocks	2,285	514
Reversal of provision for loss on business liquidation	—	462
Other	183	46
Total extraordinary income	2,661	1,230
Extraordinary loss		
Loss on disposal of non-current assets	53	64
Loss on valuation of investment securities	408	—
Impairment loss	301	211
Loss on defective products	303	21
Provision for loss on business liquidation	1,047	—
Other	370	35
Total extraordinary loss	2,485	333
Income before income taxes	18,853	19,666
Income taxes - current	7,422	6,743
Income taxes - deferred	(745)	616
Total income taxes	6,676	7,360
Income before minority interests in income	12,176	12,306
Minority interests in income (loss)	(0)	(0)
Net income	12,176	12,307

KOBAYASHI PHARMACEUTICAL CO. LTD.

(Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (April 1, 2013 to March 31, 2014)
Income before minority interests	12,176	12,306
Other comprehensive income		
Valuation difference on available-for-sale securities	2,358	1,012
Deferred gains or losses on hedges	115	(18)
Foreign currency translation adjustment	1,146	2,530
Share of other comprehensive income of associates accounted for using equity method	712	556
Total other comprehensive income	4,333	4,080
Comprehensive income	16,510	16,386
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	16,510	16,387
Comprehensive income attributable to minority interests	(0)	(0)

KOBAYASHI PHARMACEUTICAL CO. LTD.**(3) Consolidated Statement of Shareholders' Equity**
Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,219	101,127	(4,702)	104,094
Change during current period					
Dividends from surplus			(3,357)		(3,357)
Net income			12,176		12,176
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					—
Total change during current period	—	0	8,818	(1)	8,817
Balance at current period-end	3,450	4,219	109,946	(4,703)	112,912

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated other comprehensive income total			
Balance at period start	1,998	(323)	(4,050)	(2,374)	159	—	101,879
Change during current period							
Dividends from surplus							(3,357)
Net income							12,176
Purchase of treasury stock							(1)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	2,359	827	1,146	4,333	(159)	0	4,175
Total change during current period	2,359	827	1,146	4,333	(159)	0	12,993
Balance at current period-end	4,357	504	(2,904)	1,958	—	0	114,872

KOBAYASHI PHARMACEUTICAL CO. LTD.

Current consolidated fiscal year (April 1, 2013 to March 31, 2014)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,219	109,946	(4,703)	112,912
Change during current period					
Dividends from surplus			(3,521)		(3,521)
Net income			12,307		12,307
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					—
Total change during current period	—	—	8,785	(2)	8,782
Balance at current period-end	3,450	4,219	118,731	(4,706)	121,695

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Accumulated other comprehensive income total			
Balance at period start	4,357	504	(2,904)	—	1,958	—	0	114,872
Change during current period								
Dividends from surplus								(3,521)
Net income								12,307
Purchase of treasury stock								(2)
Net changes of items other than shareholders' equity	1,011	538	2,530	(864)	3,215	83	(0)	3,298
Total change during current period	1,011	538	2,530	(864)	3,215	83	(0)	12,081
Balance at current period-end	5,369	1,043	(373)	(864)	5,174	83	0	126,953

KOBAYASHI PHARMACEUTICAL CO. LTD.

(4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (April 1, 2013 to March 31, 2014)
Cash flow from operating activities		
Income before income taxes	18,853	19,666
Depreciation	2,622	2,677
Impairment loss	301	211
Amortization of goodwill	347	419
Increase (decrease) in allowance for doubtful accounts	(32)	(13)
Increase (decrease) in net defined benefit liability	—	5,006
Increase (decrease) in provision for retirement benefits	52	(4,888)
Interest and dividends income	(473)	(567)
Interest expenses	24	18
Equity in (earnings) losses of affiliates	(652)	(152)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(2,285)	(514)
Loss (gain) on sales of investment securities	(192)	(205)
Loss (gain) on valuation of investment securities	408	—
Loss (gain) on sales and retirement of non-current assets	52	63
Decrease (increase) in notes and accounts receivable-trade	213	(2,322)
Decrease (increase) in inventories	(596)	1,572
Increase (decrease) in notes and accounts payable-trade	(720)	(835)
Increase (decrease) in accounts payable-other	(2,355)	405
Increase (decrease) in accrued consumption taxes	180	116
Increase (decrease) in provision for loss on business liquidation	1,047	(462)
Other	(293)	(213)
Total	16,501	19,981
Interest and dividend income received	632	766
Interest expenses paid	(18)	(9)
Income taxes paid	(7,872)	(7,225)
Net cash provided by (used in) operating activities	9,242	13,513
Cash flow from investing activities		
Payments into time deposits	(42,540)	(64,010)
Proceeds from withdrawal of time deposits	18,500	59,500
Purchase of short-term investment securities	(16,495)	—
Proceeds from sales and redemption of securities	27,500	1,000
Purchase of property, plant and equipment	(2,512)	(2,885)
Proceeds from sales of property, plant and equipment	63	67
Purchase of intangible assets	(363)	(459)
Purchase of investment securities	(14,696)	(338)
Proceeds from sales of investment securities	192	10
Purchase of investment assets and other assets	(226)	(227)
Proceeds from sales of investment assets and other assets	57	121
Payments of short-term loans receivable	—	(242)
Payments of long-term loans receivable	(11)	(210)
Collection of long-term loans receivable	200	20
Proceeds from sales of stocks of subsidiaries and affiliates	—	1,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(300)

KOBAYASHI PHARMACEUTICAL CO. LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (April 1, 2013 to March 31, 2014)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	4,024	—
Other	(296)	(4)
Net cash provided by (used in) investing activities	(26,605)	(6,959)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(0)	1
Purchase of treasury stock	(1)	(2)
Proceeds from disposal of treasury stock	0	—
Cash dividends paid	(3,357)	(3,521)
Repayments of lease obligations	(371)	(286)
Other	1	0
Net cash provided by (used in) financing activities	(3,729)	(3,809)
Effect of exchange rate change on cash and cash equivalents	578	831
Net increase (decrease) in cash and cash equivalents	(20,513)	3,576
Cash and cash equivalents at beginning of period	42,835	22,322
Cash and cash equivalents at end of period	22,322	25,898

KOBAYASHI PHARMACEUTICAL CO. LTD.

3. Information on the Amount of Net Sales, Income or Loss, Assets and Other Items by Reportable Segments

Previous consolidated fiscal 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)
1. 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.
 2. Adjustment details are as follows:
 - (1) 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.
 - (2) 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.
 - (3) Equity in earnings of affiliates of -1 million yen posted in Adjustment is the adjustment of inventory.
 3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
 4. 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 consolidated fiscal year (April 1, 2013 to March 31, 2014)

(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	113,980	10,747	1,428	126,155	1,137	127,293	—	127,293
Inter-segment sales and transfers	3,192	—	—	3,192	4,214	7,406	(7,406)	—
Total	117,172	10,747	1,428	129,347	5,351	134,699	(7,406)	127,293
Segment income	16,239	375	1,216	17,832	1,177	19,009	(240)	18,769
Segment assets	73,692	1,797	7,104	82,595	4,107	86,703	84,216	170,919
Other items								
Depreciation	2,124	35	0	2,160	142	2,302	374	2,677
Goodwill depreciation	419	—	—	419	—	419	—	419
Interest income	23	1	23	48	199	247	(22)	225
Interest expenses	1	—	—	1	39	41	(22)	18
Equity in earnings of affiliates	—	—	149	149	—	149	3	152
Investment in equity method affiliate	—	—	3,426	3,426	—	3,426	—	3,426
Increase in property, plant, and equipment and intangible assets	3,452	31	—	3,484	124	3,608	394	4,003

- (Notes)
1. 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.
 2. Adjustment details are as follows:
 - (1) Segment income of -240 million yen, Interest income of -22 million yen, and Interest expenses of -22 million yen posted in Adjustment reflect the elimination of transactions between segments.
 - (2) Assets of group companies included in Adjustment totaled 87,990 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.
 - (3) Equity in earnings of affiliates of 3 million yen posted in Adjustment is the adjustment of inventory.
 3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
 4. 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)

The Company resolved at the Board of Directors held on April 30, 2014 to acquire its treasury stock under the provisions of Article 156 of the Companies Act as applied by replacing terms pursuant to Article 165 Paragraph 3 of the Companies Act. The details of the resolution are as follows:

- (i) Reasons for acquiring the treasury stock: The Company will acquire its treasury stock with the aim of enhancing returns to shareholders, and take flexible capital policies in response to changes in business environment.
- (ii) Class of shares to be acquired : Ordinary shares of the Company
- (iii) Number of shares to be acquired : 270,000 shares (at maximum)
- (iv) Total amount of shares to be acquired : 1,500 million yen (at maximum)
- (v) Acquisition period : May 1, 2014 to June 20, 2014