

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended March 31, 2015

April 30, 2015

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
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Scheduled date of general meeting of shareholders: June 26, 2015

Scheduled date of dividend payment commencement: June 8, 2015

Schedule date of financial report filing with the Finance Ministry: June 26, 2015

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, 2015 (April 1, 2014 to March 31, 2015)

(1) Consolidated Operating Results

(% figures represent changes from previous period.)

| | Year ended March 2015 | | Year ended March 2014 | |
|--|-------------------------|-------|-------------------------|-------|
| Net sales | 128,344 millions of yen | 0.8 % | 127,293 millions of yen | 4.7 % |
| Operating income | 17,917 | (1.1) | 18,122 | 7.2 |
| Ordinary income | 18,843 | 0.4 | 18,769 | 0.5 |
| Net income | 12,448 | 1.2 | 12,307 | 1.1 |
| Earnings per share | 305.46 yen | | 300.55 yen | |
| Diluted earnings per share | — | | — | |
| Return on equity | | 9.4 | | 10.2 |
| Return on assets | | 10.5 | | 11.4 |
| Ratio of operating income to net sales | | 14.0 | | 14.2 |

(Note) Comprehensive income

Year ended March 2015: 17,350 million yen (5.9%)

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

(Reference) Equity in earnings of affiliates

Year ended March 2015: -150 million yen

Year ended March 2014: 152 million yen

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Financial Position

| | As of March 31, 2015 | As of March 31, 2014 |
|----------------------------------|--|-------------------------|
| Total assets | 186,331 millions of yen | 170,919 millions of yen |
| Net assets | 139,611 | 126,953 |
| Shareholders' equity ratio | 74.8 % | 74.2 % |
| Net assets per share | 3,423.54 yen | 3,098.32 yen |
| (Reference) Shareholders' equity | As of March 31, 2015: 139,397 million yen As of March 31, 2014: 126,869 million yen | |

(3) Consolidated Cash Flow

| | Year ended March 2015 | Year ended March 2014 |
|---|------------------------|------------------------|
| Net cash provided by (used in) operating activities | 15,445 millions of yen | 13,513 millions of yen |
| Net cash provided by (used in) investing activities | (4,540) | (6,959) |
| Net cash provided by (used in) financing activities | (5,155) | (3,809) |
| Cash and cash equivalents at period-end | 32,399 | 25,898 |

2. Dividends

| | Year ended March 2015 | Year ended March 2014 | Year ending March 2016 (forecasts) |
|---|-----------------------|-----------------------|------------------------------------|
| Dividends per share | | | |
| Q1 end | — | — | — |
| Q2 end | 44.00 yen | 43.00 yen | 46.00 yen |
| Q3 end | — | — | — |
| Year-end | 46.00 | 43.00 | 46.00 |
| Total | 90.00 | 86.00 | 92.00 |
| Total dividends | 3,664 millions of yen | 3,521 millions of yen | — |
| Payout ratio (consolidated) | 29.5 % | 28.6 % | 28.8 % |
| Ratio of dividends to net assets (consolidated) | 2.8 | 2.9 | — |

KOBAYASHI PHARMACEUTICAL CO., LTD.

3. Forecasts of Consolidated Operational Results for Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(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 | 61,000 millions of yen | 4.2 % | 133,000 millions of yen | 3.6 % |
| Operating income | 8,200 | 3.0 | 18,900 | 5.5 |
| Ordinary income | 8,200 | (2.5) | 18,900 | 0.3 |
| Net income attributable to owners of the parent | 5,500 | 0.8 | 13,000 | 4.4 |
| Earnings per share | 135.08 yen | | 319.28 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):

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of March 31, 2015 | 42,525,000 shares | As of March 31, 2014 | 42,525,000 shares |
| As of March 31, 2015 | 1,807,775 shares | As of March 31, 2014 | 1,577,025 shares |
| As of March 31, 2015 | 40,754,683 shares | As of March 31, 2014 | 40,948,249 shares |

2) Number of shares of treasury stock at period-end:

3) Average number of shares outstanding

* 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 Friday, May 8, 2015.

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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, 2014) | | Current Year (Year ended March 31, 2015) | | Change | |
|--------------------------|--|--------------|---|--------------|-----------------------------|---------------|
| | Amount (millions of yen) | Ratio (%) | Amount (millions of yen) | Ratio (%) | Amount (millions of yen) | Change (%) |
| | Net sales | 127,293 | 100.0 | 128,344 | 100.0 | 1,051 |
| Operating income | 18,122 | 14.2 | 17,917 | 14.0 | (205) | (1.1) |
| Ordinary income | 18,769 | 14.7 | 18,843 | 14.7 | 74 | 0.4 |
| Net income | 12,307 | 9.7 | 12,448 | 9.7 | 141 | 1.2 |
| Earnings per share (yen) | 300.55 | | 305.46 | | 4.91 | 1.6 |

In the fiscal year ended March 31, 2015, the Japanese economy recovered gradually supported by the government's economic stimulus measures, while personal spending remained weak in reaction to brisk demand for spending ahead of the April 2014 consumption tax hike.

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 128,344 million yen (+0.8% from the previous year), operating income of 17,917 million yen (-1.1%), ordinary income of 18,843 million yen (+0.4%), and net income of 12,448 million yen (+1.2%).

The following is an overview of segment performance.

Consumer Products Business

The Consumer Products Business launched 25 new products (16 in the spring and 9 in the fall) in the fiscal year ended March 31, 2015. In particular, *Dusmock* (a Kampo medicine to clean cigarette-stained bronchial tubes and alleviate persistent coughing and bronchitis), *Men's Keshimin* (a skin care product for men, aimed at preventing blotches) and *Sawaday PINKPINK* (a deodorizer for young women) largely contributed to the Group's sales growth.

Among existing products, sales of *Inochi No Haha* (a women's health medicine) in the category of OTC pharmaceuticals, *Keshimin* (a skin care product, aimed at preventing blotches), *Netsusama Sheet* (a cooling gel sheet for the forehead), and *Nodonu-ru Nure Mask* (a humidifying mask to moisten the throat) in the category of sanitary products, and *Shoshugen Kaoru Stick* (an interior fragrance) in the category of deodorizing air refreshing agents, grew steadily. In addition, sales of *Ammeltz* (an external anti-inflammatory) in the category of OTC pharmaceuticals and *Netsusama Sheet* in the category of sanitary products marketed in Southeast Asia, as well as body warmers sold in the United States, also increased steadily.

Consequently, the Company reported net sales of 119,493 million yen (+2.0% from the previous year), segment income (ordinary income) of 16,671 million yen (+2.7%), and operating income of 16,939 million yen (-0.7%). Meanwhile, in the Consumer Products Business, sales of the International Division amounted to 15,385 million yen (+23.0%).

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Sales Breakdown)

| | Previous Year (Year ended March 31, 2014) | | Current Year (Year ended March 31, 2015) | | Change | |
|----------------------------|--|-------|---|-------|-------------------|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Change |
| | (millions of yen) | (%) | (millions of yen) | (%) | (millions of yen) | (%) |
| Pharmaceutical products | 22,557 | 19.3 | 23,146 | 19.4 | 588 | 2.6 |
| Oral hygiene products | 17,042 | 14.5 | 16,386 | 13.7 | (656) | (3.9) |
| Sanitary products | 19,058 | 16.3 | 20,332 | 17.0 | 1,274 | 6.7 |
| Deodorizing air fresheners | 31,485 | 26.9 | 31,783 | 26.6 | 297 | 0.9 |
| Household sundries | 4,596 | 3.9 | 4,602 | 3.9 | 6 | 0.1 |
| Food products | 7,970 | 6.8 | 7,700 | 6.4 | (270) | (3.4) |
| Body warmers | 14,460 | 12.3 | 15,541 | 13.0 | 1,081 | 7.5 |
| Total | 117,172 | 100.0 | 119,493 | 100.0 | 2,321 | 2.0 |

(Note) 1. Net sales included inter-segment sales or transfers amounting to 3,192 million yen in the fiscal year ended March 31, 2014 and 2,746 million yen in the fiscal year ended March 31, 2015.

2. The Company reviewed the classification of some products in the fiscal year ended March 31, 2015. Consequently, sales of sanitary products increased by 925 million yen, while sales of food products decreased by 925 million yen in the Company's sales breakdown for the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014) presented in the *Summary of Financial Statements for the Fiscal Year Ended March 31, 2014* announced on April 30, 2014.

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strived to exploit new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, such as advertisements and direct mails. However, sales of skin care products were sluggish as consumers shunned active buying after placing brisk orders before the April 2014 consumption tax hike.

Consequently, the Company reported net sales of 8,977 million yen (-16.5% from the previous year), segment income (ordinary income) of 491 million yen (+30.6%) and operating income of 486 million yen (+32.0%).

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

Medical Devices Business

The Company posted net sales of 1,539 million yen (+7.7% from the previous year), segment income (ordinary income) of 764 million yen (-37.2%) and operating income of 182 million yen (-35.3%).

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 5,343 million yen (-0.2% from the previous year), segment income (ordinary income) of 1,036 million yen (-12.0%) and operating income of 238 million yen (-20.3%).

Net sales included inter-segment sales or transfers amounting to 4,214 million yen in the fiscal year ended March 31, 2014 and 4,262 million yen in the fiscal year ended March 31, 2015.

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Forecast for Year Ending March 31, 2016

| | Current Year (Year ended March 31, 2015) | | Next Year (Year ending March 2016) | | Change | |
|--|---|--------------|---------------------------------------|--------------|-----------------------------|---------------|
| | Amount (millions of yen) | Ratio (%) | Amount (millions of yen) | Ratio (%) | Amount (millions of yen) | Change (%) |
| Net sales | 128,344 | 100.0 | 133,000 | 100.0 | 4,655 | 3.6 |
| Operating income | 17,917 | 14.0 | 18,900 | 14.2 | 982 | 5.5 |
| Ordinary income | 18,843 | 14.7 | 18,900 | 14.2 | 56 | 0.3 |
| Net income or net income attributable to owners of the parent | 12,448 | 9.7 | 13,000 | 9.8 | 551 | 4.4 |
| Earnings per share (yen) | 305.46 | | 319.28 | | 13.81 | 4.5 |

The Japanese economy is forecast to continue recovering, supported by a continued government economic recovery program, which is expected to lead to the improvement of corporate earnings and employment. However, we expect that consumer spending will remain weak due to concerns over the rising cost of living.

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 14 new products this spring in Japan with the aim of stimulating new demand and also strengthening its existing product lineups to accelerate the market. The new products include *Ganyaku Hitifuku* (a Japanese and Chinese medicine designed to cure constipation), *Sawaday PINKPINK for Car* (a car deodorizing air freshener for young women), and *Sawaday Botanical* (a home fragrance product using natural dried flowers). Furthermore, the Company will focus on the skincare business and try to increase sales, mainly *Keshimin* (a product aimed at preventing blotches), *Eaude Muge* (a product aimed at preventing skin disorders and spots), and *Aquamoist* (a skincare product with high moisture retaining ability, formulated with fermented hyaluronic acid).

Overseas, especially in the United States, China and Southeast Asian countries, the Company will follow a marketing strategy of expanding sales mainly of body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory).

In the Direct Marketing Business segment, the Company will aggressively 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 133,000 million yen (+3.6% from the fiscal year ended March 31, 2015), operating income of 18,900 million yen (+5.5%), ordinary income of 18,900 million yen (+0.3%) and net income attributable to owners of the parent of 13,000 million yen (+4.4%) in the fiscal year ending March 31, 2016.

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, 2014) | (Year ended March 31, 2015) | |
| | Amount | Amount | Amount |
| | (millions of yen) | (millions of yen) | (millions of yen) |
| Total assets | 170,919 | 186,331 | 15,411 |
| Net assets | 126,953 | 139,611 | 12,657 |
| Shareholders' equity ratio | 74.2% | 74.8% | 0.6% |
| Net assets per share (yen) | 3,098.32 yen | 3,423.54 yen | 325.22 yen |

(Consolidated Cash Flow)

| | Previous Year | Current Year | Change |
|---|-----------------------------|-----------------------------|-------------------|
| | (Year ended March 31, 2014) | (Year ended March 31, 2015) | |
| | Amount | Amount | Amount |
| | (millions of yen) | (millions of yen) | (millions of yen) |
| Net cash provided by (used in) operating activities | 13,513 | 15,445 | 1,932 |
| Net cash provided by (used in) investing activities | (6,959) | (4,540) | 2,418 |
| Free cash flow | 6,553 | 10,904 | 4,351 |
| Net cash provided by (used in) financing activities | (3,809) | (5,155) | (1,346) |
| Cash and cash equivalents at period-end | 25,898 | 32,399 | 6,500 |

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

Total assets on a consolidated basis increased by 15,411 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 6,700 million yen, notes and accounts receivable-trade grew by 1,540 million yen, and short-term investment securities rose by 796 million yen, and merchandise and finished goods increased by 1,480 million. In the non-current assets category, buildings and structures increased by 1,085 million yen and investment securities grew by 2,703 million yen. In the current liabilities category, notes and accounts payable-trade (notes and accounts payable-trade and electronically recorded obligations-operating) increased by 2,153 million yen.

In the net assets category, retained earnings increased by 9,126 million yen, treasury stock grew by 1,501 million yen, valuation difference on available-for-sale securities rose by 2,183 million yen, and foreign currency translation adjustment increased by 2,248 million yen.

Cash flows from operating activities

Net cash provided by operating activities totaled 15,445 million yen. Major factors affecting this cash flow were: net income before taxes (20,056 million yen), depreciation expenses (2,641 million yen), gain on sales of investment securities (1,013 million yen), increase in notes and accounts receivable-trade (907 million yen), increase in inventories (1,651 million yen), increase in accounts payable-trade (1,930 million yen), decrease in accounts payable-other (701 million yen), interest and dividend income received (589 million yen), and income taxes paid (6,380 million yen).

Cash flows from investing activities

Net cash used in investing activities totaled 4,540 million yen. Major factors affecting this cash flow were: payments into time deposits (67,500 million yen), proceeds from withdrawal of time deposits (65,500 million yen), proceeds from sales and redemption of securities (1,000 million yen), and purchase of property, plant and equipment (3,100 million yen).

Cash flows from financing activities

Net cash used in financing activities totaled 5,155 million yen. Major factors affecting this cash flow were: purchase of treasury shares (1,501 million yen), cash dividends paid (3,552 million yen) and repayments of lease obligations (149 million yen).

Consequently, cash and cash equivalents as of March 31, 2015 totaled 32,399 million yen, an increase of 6,500 million yen from the end of the previous fiscal year.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Forecast for Year Ending March 31, 2016

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 the fiscal year ended March 31, 2015. As for investments other than facility investments, we plan to make the same level of investment as in the fiscal year ended March 31, 2015 since we currently do not have major investment plans.

Trend of Cash Flow Indicators

| | As of March 31, 2011 | As of March 31, 2012 | As of March 31, 2013 | As of March 31, 2014 | As of March 31, 2015 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Shareholders' equity ratio (%) | 67.9 | 68.8 | 73.1 | 74.2 | 74.8 |
| Shareholders' equity ratio on a market price basis (%) | 117.5 | 114.6 | 118.5 | 142.5 | 187.9 |
| Ratio of net cash to interest-bearing liabilities (year) | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage ratio (times) | 277.7 | 613.7 | 503.4 | 1,492.3 | 929.4 |

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 2015 and 2016

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 (an interim dividend and a year-end dividend) and proposes to pay a regular dividend to shareholders of 90 yen, up 4 yen from the previous forecast (including an interim dividend of 44 yen per share already paid and a year-end dividend of 46 yen per share) for the year ended March 31, 2015. For the year ending March 31, 2016, the Company plans to pay a regular dividend of 92 yen per share (including an interim dividend of 46 yen per share and a year-end dividend of 46 yen per share).

KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(millions of yen)

| | Previous consolidated fiscal year (March 31, 2014) | Current consolidated fiscal year (March 31, 2015) |
|--|--|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 51,748 | 58,449 |
| Notes and accounts receivable-trade | 34,428 | 35,969 |
| Short-term investment securities | 3,703 | 4,500 |
| Merchandise and finished goods | 7,515 | 8,996 |
| Work in process | 559 | 773 |
| Raw materials and supplies | 2,457 | 2,715 |
| Deferred tax assets | 3,240 | 2,724 |
| Other | 2,016 | 1,909 |
| Allowance for doubtful accounts | (56) | (46) |
| Total current assets | 105,614 | 115,990 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,254 | 7,340 |
| Machinery, equipment and vehicles, net | 2,667 | 2,851 |
| Tools, furniture and fixtures, net | 1,016 | 1,318 |
| Land | 3,374 | 3,380 |
| Leased assets, net | 730 | 582 |
| Construction in progress | 901 | 549 |
| Total property, plant and equipment | 14,945 | 16,023 |
| Intangible assets | | |
| Goodwill | 3,970 | 4,023 |
| Trademark rights | 187 | 83 |
| Software | 924 | 971 |
| Leased assets | 16 | — |
| Other | 327 | 503 |
| Total intangible assets | 5,426 | 5,582 |
| Investments and other assets | | |
| Investment securities | 38,877 | 41,580 |
| Long-term loans receivable | 614 | 668 |
| Deferred tax assets | 838 | 318 |
| Real estate for investment, net | 3,059 | 3,025 |
| Net defined benefit asset | — | 286 |
| Other | 1,677 | 2,988 |
| Allowance for doubtful accounts | (135) | (133) |
| Total investments and other assets | 44,932 | 48,735 |
| Total non-current assets | 65,304 | 70,340 |
| Total assets | 170,919 | 186,331 |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

| | Previous consolidated fiscal year (March 31, 2014) | Current consolidated fiscal year (March 31, 2015) |
|---|--|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 11,368 | 10,239 |
| Electronically recorded obligations—operating | — | 3,282 |
| Short-term loans payable | 6 | 40 |
| Accounts payable-other | 13,053 | 12,723 |
| Lease obligations | 158 | 82 |
| Income taxes payable | 3,639 | 3,191 |
| Accrued consumption taxes | 633 | 1,476 |
| Provision for sales returns | 1,501 | 1,272 |
| Provision for bonuses | 1,958 | 1,915 |
| Provision for loss on business liquidation | 355 | — |
| Asset retirement obligations | 29 | 19 |
| Other | 1,513 | 1,646 |
| Total current liabilities | 34,216 | 35,890 |
| Non-current liabilities | | |
| Lease obligations | 609 | 513 |
| Net defined benefit liability | 5,861 | 5,496 |
| Provision for directors' retirement benefits | 24 | 27 |
| Asset retirement obligations | 91 | 90 |
| Other | 3,162 | 4,702 |
| Total non-current liabilities | 9,749 | 10,829 |
| Total liabilities | 43,965 | 46,720 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 3,450 | 3,450 |
| Capital surplus | 4,219 | 4,219 |
| Retained earnings | 118,731 | 127,858 |
| Treasury stock | (4,706) | (6,207) |
| Total shareholders' equity | 121,695 | 129,320 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,369 | 7,553 |
| Deferred gains or losses on hedges | 1,043 | 1,359 |
| Foreign currency translation adjustment | (373) | 1,874 |
| Re-measurements of retirement benefit plans | (864) | (710) |
| Total accumulated other comprehensive income | 5,174 | 10,076 |
| Subscription rights to shares | 83 | 191 |
| Minority interests | 0 | 22 |
| Total net assets | 126,953 | 139,611 |
| Total liabilities and net assets | 170,919 | 186,331 |

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, 2013 to March 31, 2014) | Current consolidated fiscal year (April 1, 2014 to March 31, 2015) |
|---|--|---|
| Net sales | 127,293 | 128,344 |
| Cost of sales | 54,193 | 54,718 |
| Gross profit | 73,099 | 73,626 |
| Selling, general and administrative expenses | | |
| Promotion expenses | 7,801 | 8,557 |
| Freight and warehousing expenses | 5,301 | 5,508 |
| Advertising expenses | 13,419 | 12,657 |
| Provision of allowance for doubtful accounts | 21 | 20 |
| Salaries, allowances and bonuses | 8,873 | 9,380 |
| Retirement benefit expenses | 759 | 635 |
| Provision for directors' retirement benefits | 4 | 3 |
| Taxes and dues | 299 | 292 |
| Depreciation | 667 | 710 |
| Amortization of goodwill | 419 | 454 |
| Rent | 1,341 | 1,404 |
| Commission fees | 4,728 | 4,696 |
| Research and development expenses | 4,930 | 5,289 |
| Other | 6,409 | 6,098 |
| Total selling, general and administrative expenses | 54,977 | 55,708 |
| Operating income | 18,122 | 17,917 |
| Non-operating income | | |
| Interest income | 225 | 229 |
| Dividend income | 341 | 322 |
| Royalty income | 726 | 719 |
| Real estate rent | 274 | 285 |
| Equity in earnings of affiliates | 152 | — |
| Foreign exchange gains | — | 142 |
| Other | 346 | 265 |
| Total non-operating income | 2,067 | 1,965 |
| Non-operating expenses | | |
| Interest expenses | 18 | 22 |
| Sales discounts | 721 | 690 |
| Rent cost of real estate | 72 | 76 |
| Share of loss of entities accounted for using equity method | — | 150 |
| Foreign exchange losses | 570 | — |
| Other | 38 | 99 |
| Total non-operating expenses | 1,421 | 1,039 |
| Ordinary income | 18,769 | 18,843 |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

| | Previous consolidated fiscal year (April 1, 2013 to March 31, 2014) | Current consolidated fiscal year (April 1, 2014 to March 31, 2015) |
|--|--|---|
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | 0 |
| Gain on sales of investment securities | 205 | 1,013 |
| Gain on sales of subsidiaries and affiliates' stocks | 514 | — |
| Reversal of provision for loss on business liquidation | 462 | 179 |
| Compensation income | — | 155 |
| Other | 46 | — |
| Total extraordinary income | 1,230 | 1,349 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 64 | 82 |
| Impairment loss | 211 | 20 |
| Loss on defective products | 21 | 23 |
| Other | 35 | 9 |
| Total extraordinary loss | 333 | 136 |
| Income before income taxes | 19,666 | 20,056 |
| Income taxes - current | 6,743 | 5,911 |
| Income taxes - deferred | 616 | 1,696 |
| Total income taxes | 7,360 | 7,608 |
| Income before minority interests in income | 12,306 | 12,448 |
| Minority interests in income (loss) | (0) | (0) |
| Net income | 12,307 | 12,448 |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Consolidated Comprehensive Income Statement)

(millions of yen)

| | Previous consolidated fiscal year (April 1, 2013 to March 31, 2014) | Current consolidated fiscal year (April 1, 2014 to March 31, 2015) |
|--|--|---|
| Income before minority interests | 12,306 | 12,448 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,012 | 2,183 |
| Deferred gains or losses on hedges | (18) | 127 |
| Foreign currency translation adjustment | 2,530 | 2,248 |
| Adjustment for retirement benefits | — | 74 |
| Share of other comprehensive income of associates accounted for using equity method | 556 | 268 |
| Total other comprehensive income | 4,080 | 4,902 |
| Comprehensive income | 16,386 | 17,350 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | 16,387 | 17,351 |
| Comprehensive income attributable to minority interests | (0) | (0) |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(3) Consolidated Statement of Shareholders' Equity Previous 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 retirement 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.

Current consolidated fiscal year (April 1, 2014 to March 31, 2015)

(millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at period start | 3,450 | 4,219 | 118,731 | (4,706) | 121,695 |
| Cumulative effects of changes in accounting policies | | | 229 | | 229 |
| Balance at start of period reflected changes in accounting policies | 3,450 | 4,219 | 118,961 | (4,706) | 121,925 |
| Change during current period | | | | | |
| Dividends from surplus | | | (3,552) | | (3,552) |
| Net income | | | 12,448 | | 12,448 |
| Purchase of treasury stock | | | | (1,501) | (1,501) |
| Net changes of items other than shareholders' equity | | | | | |
| Total change during current period | — | — | 8,896 | (1,501) | 7,395 |
| Balance at current period-end | 3,450 | 4,219 | 127,858 | (6,207) | 129,320 |

| | 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 | 5,369 | 1,043 | (373) | (864) | 5,174 | 83 | 0 | 126,953 |
| Cumulative effects of changes in accounting policies | | | | | | | | 229 |
| Balance at start of period reflected changes in accounting policies | 5,369 | 1,043 | (373) | (864) | 5,174 | 83 | 0 | 127,183 |
| Change during current period | | | | | | | | |
| Dividends from surplus | | | | | | | | (3,552) |
| Net income | | | | | | | | 12,448 |
| Purchase of treasury stock | | | | | | | | (1,501) |
| Net changes of items other than shareholders' equity | 2,183 | 316 | 2,248 | 153 | 4,902 | 108 | 22 | 5,032 |
| Total change during current period | 2,183 | 316 | 2,248 | 153 | 4,902 | 108 | 22 | 12,427 |
| Balance at current period-end | 7,553 | 1,359 | 1,874 | (710) | 10,076 | 191 | 22 | 139,611 |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(4) Consolidated Statement of Cash Flows

(millions of yen)

| | Previous consolidated fiscal year (April 1, 2013 to March 31, 2014) | Current consolidated fiscal year (April 1, 2014 to March 31, 2015) |
|---|--|---|
| Cash flow from operating activities | | |
| Income before income taxes | 19,666 | 20,056 |
| Depreciation | 2,677 | 2,641 |
| Impairment loss | 211 | 20 |
| Amortization of goodwill | 419 | 454 |
| Increase (decrease) in allowance for doubtful accounts | (13) | (15) |
| Increase (decrease) in net defined benefit liability | 5,006 | (215) |
| Increase (decrease) in provision for retirement benefits | (4,888) | — |
| Decrease (increase) in net defined benefit assets | — | (84) |
| Interest and dividends income | (567) | (552) |
| Interest expenses | 18 | 22 |
| Equity in (earnings) losses of affiliates | (152) | 150 |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | (514) | — |
| Loss (gain) on sales of investment securities | (205) | (1,013) |
| Loss (gain) on sales and retirement of non-current assets | 63 | 81 |
| Compensation income | — | (155) |
| Decrease (increase) in notes and accounts receivable-trade | (2,322) | (907) |
| Decrease (increase) in inventories | 1,572 | (1,651) |
| Increase (decrease) in notes and accounts payable-trade | (835) | 1,930 |
| Increase (decrease) in accounts payable-other | 405 | (701) |
| Increase (decrease) in accrued consumption taxes | 116 | 829 |
| Increase (decrease) in provision for loss on business liquidation | (462) | (179) |
| Other | (213) | 388 |
| Total | 19,981 | 21,098 |
| Interest and dividend income received | 766 | 589 |
| Interest expenses paid | (9) | (16) |
| Proceeds from compensation | — | 155 |
| Income taxes paid | (7,225) | (6,380) |
| Net cash provided by (used in) operating activities | 13,513 | 15,445 |
| Cash flow from investing activities | | |
| Payments into time deposits | (64,010) | (67,500) |
| Proceeds from withdrawal of time deposits | 59,500 | 65,500 |
| Proceeds from sales and redemption of securities | 1,000 | 1,000 |
| Purchase of property, plant and equipment | (2,885) | (3,100) |
| Proceeds from sales of property, plant and equipment | 67 | 23 |
| Purchase of intangible assets | (459) | (578) |
| Purchase of investment securities | (338) | (21) |
| Proceeds from sales of investment securities | 10 | 56 |
| Purchase of investment assets and other assets | (227) | (42) |
| Proceeds from sales of investment assets and other assets | 121 | 112 |
| Decrease (increase) in short-term loans receivable | (242) | 244 |
| Payments of long-term loans receivable | (210) | (71) |
| Collection of long-term loans receivable | 20 | 6 |
| Proceeds from sales of stocks of subsidiaries and affiliates | 1,000 | — |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (300) | — |
| Other | (4) | (170) |
| Net cash provided by (used in) investing activities | (6,959) | (4,540) |

KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

| | Previous consolidated fiscal year (April 1, 2013 to March 31, 2014) | Current consolidated fiscal year (April 1, 2014 to March 31, 2015) |
|---|--|---|
| Cash flow from financing activities | | |
| Net increase (decrease) in short-term loans payable | 1 | 34 |
| Purchase of treasury stock | (2) | (1,501) |
| Cash dividends paid | (3,521) | (3,552) |
| Repayments of lease obligations | (286) | (149) |
| Proceeds from share issuance to minority shareholders | — | 13 |
| Other | 0 | — |
| Net cash provided by (used in) financing activities | (3,809) | (5,155) |
| Effect of exchange rate change on cash and cash equivalents | 831 | 751 |
| Net increase (decrease) in cash and cash equivalents | 3,576 | 6,500 |
| Cash and cash equivalents at beginning of period | 22,322 | 25,898 |
| Cash and cash equivalents at end of period | 25,898 | 32,399 |

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, 2013 to March 31, 2014)

(millions of yen)

| | Reportable Segments | | | | Other (Note 1) | Grand Total | Adjustment (Note 2) | Consolidated (Note 3) |
|--|----------------------------------|---------------------------------|--------------------------------|---------|-------------------|-------------|------------------------|--------------------------|
| | Consumer Products Business | Direct Marketing 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)
- 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 -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.
 - 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.
 - Equity in earnings of affiliates of 3 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 consolidated fiscal year (April 1, 2014 to March 31, 2015)

(millions of yen)

| | Reportable Segments | | | | Other (Note 1) | Grand Total | Adjustment (Note 2) | Consolidated (Note 3) |
|--|----------------------------------|---------------------------------|--------------------------------|---------|-------------------|-------------|------------------------|--------------------------|
| | Consumer Products Business | Direct Marketing Business | Medical Devices Business | Total | | | | |
| Net sales | | | | | | | | |
| Net sales to outside customers | 116,747 | 8,977 | 1,539 | 127,264 | 1,080 | 128,344 | — | 128,344 |
| Inter-segment sales and transfers | 2,746 | — | — | 2,746 | 4,262 | 7,009 | (7,009) | — |
| Total | 119,493 | 8,977 | 1,539 | 130,010 | 5,343 | 135,353 | (7,009) | 128,344 |
| Segment income | 16,671 | 491 | 764 | 17,926 | 1,036 | 18,963 | (119) | 18,843 |
| Segment assets | 80,310 | 1,550 | 8,901 | 90,762 | 4,312 | 95,075 | 91,255 | 186,331 |
| Other items | | | | | | | | |
| Depreciation | 2,060 | 34 | 0 | 2,095 | 137 | 2,232 | 408 | 2,641 |
| Goodwill depreciation | 454 | — | — | 454 | — | 454 | — | 454 |
| Interest income | 25 | 1 | 19 | 46 | 195 | 241 | (11) | 229 |
| Interest expenses | 3 | — | — | 3 | 30 | 34 | (11) | 22 |
| Equity in earnings of affiliates | — | — | (153) | (153) | — | (153) | 2 | (150) |
| Investment in equity method affiliate | — | — | 3,545 | 3,545 | — | 3,545 | (0) | 3,544 |
| Increase in property, plant, and equipment and intangible assets | 3,003 | 31 | — | 3,034 | 177 | 3,212 | 442 | 3,655 |

- (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 -119 million yen, Interest income of -11 million yen, and Interest expenses of -11 million yen posted in Adjustment reflect the elimination of transactions between segments.
 - Assets of group companies included in Adjustment totaled 94,586 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.
 - Depreciation of 408 million yen posted in Adjustment is depreciation related to the assets of group companies.
 - Equity in earnings of affiliates of 2 million yen posted in Adjustment is the adjustment of inventory.
 - Increase in property, plant, and equipment and intangible assets of 442 million yen posted in Adjustment is an increase in assets of group companies.
 - 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)

Not applicable