

Summary of Financial Statements (Japanese GAAP) (Consolidated)

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2016

January 25, 2016

Listed exchanges : Tokyo
 Listed company name: Kobayashi Pharmaceutical Co., Ltd.
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 Expected date for submitting quarterly securities report : February 5, 2016
 Preparation of supplementary explanation documents for quarterly financial results: None
 Holding of an analyst meeting for quarterly financial results : None

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

1. Consolidated Results for 3rd Quarter of Fiscal Year Ending March 31, 2016 (April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results (accumulation)

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

	Q3 of FY ending March 31, 2016		Q3 of FY ended March 31, 2015	
Net sales	104,608	millions of yen 7.7 %	97,154	millions of yen 1.5 %
Operating income	16,675	11.5	14,950	-0.8
Ordinary income	16,555	5.1	15,751	1.6
Net income attributable to owners of the parent	12,454	16.7	10,672	4.1
Net income per share	305.24	yen	261.80	yen
Net income per share after full dilution	304.78	yen	—	

(Note) Comprehensive income: Q3 of FY ending March 31, 2016: 14,120 million yen (24.1%)
 Q3 of FY ended March 31, 2015: 11,375 million yen (-8.3%)

(2) Consolidated Financial Position

	Q3 of FY ending March 31, 2016	As of March 31, 2015
Total assets	195,244	millions of yen 186,331
Net assets	147,620	139,611
Shareholders' equity ratio	75.5 %	74.8 %
Net assets per share	3,633.52	yen 3,423.54

(Reference) Shareholders' equity
 Q3 of FY ending March 31, 2016: 147,449 million yen As of March 31, 2015: 139,397 million yen

2. Dividends

	Year ended March 2015	Year ending March 2016	Year ending March 2016 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	44.00 yen	48.00 yen	
Q3 end	—	—	
Year-end	46.00		46.00 yen
Total	90.00		94.00

(Note) Revision of the latest dividend forecast: None

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

(Percentage figures represent changes from previous period.)

	FY ending March 31, 2016	
Net sales	136,500 millions of yen	6.4 %
Operating income	19,200	7.2
Ordinary income	18,900	0.3
Net income attributable to owners of the parent	13,300	6.8
Earnings per share	325.95 yen	

(Note) Revision of the latest forecasts of operational results: None

* Notes

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

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

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

① Changes in accounting policies associated with revision of accounting standards: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

For details, please refer to 2. *Items concerning Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement* on page 4 of the attachment.

(4) Issued shares (common shares)

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

② Number of shares of treasury stock at period-end

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

Q3 of FY ending March 31, 2016	42,525,000 shares	FY ended March 31, 2015	42,525,000 shares
Q3 of FY ending March 31, 2016	1,944,775 shares	FY ended March 31, 2015	1,807,775 shares
Q3 of FY ending March 31, 2016	40,803,759 shares	Q3 of FY ended March 31, 2015	40,766,913 shares

* Information on implementation of quarterly review procedures

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

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

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

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

In the first nine-month period of the fiscal year ending March 31, 2016, while the Japanese economy witnessed an upward trend supported by the government's continued economic stimulus measures, personal spending remained weak in reaction to the April 2014 consumption tax hike and price increases due to the depreciation of the yen.

Under these circumstances, the Group launched new products that satisfy customers' needs, strengthened its existing product lineups, 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 104,608 million yen (+7.7% year on year), operating income of 16,675 million yen (+11.5% year on year), ordinary income of 16,555 million yen (+5.1% year on year), and net income attributable to owners of the parent of 12,454 million yen (+16.7% year on year).

Here are summaries of the business results by segment.

Please note that the classification of reportable segments has been changed from the first quarter of the consolidated fiscal year under review. The Company has made a year-on-year comparison as shown below, using the segment information for the second quarter of the previous consolidated fiscal year that was prepared based on the classification of reportable segments after the change. For details, please see "II. 3. Matters concerning changes in reportable segments" under "(3) Notes on quarterly consolidated financial statements (Segment information, etc.)" under "3. Quarterly Financial Statements."

Domestic Consumer Products Business

The Consumer Products Business in Japan launched 14 new products in the spring and another 14 in the fall, totaling 28 new items. In particular, among those products that contributed to the Group's sales growth were *Naicitol Z* (an obesity remedy with an active ingredient of 5,000 mg), *Saiki* (a remedy for dry skin), *Shouyou EX* (a medicated toothpaste to prevent pyorrhea), *Nattokinase EX* (a nutrition supplementary food), *Sawaday PINKPINK for CAR* (a deodorizer for cars targeting young women), *Sawaday Kaoru Stick Parfum* (a quality fragrance for indoor use containing select scented oils), and *Sawaday PINKPINK for TOILET* (a fragrance with a glamorous scent and design for toilet use).

Among existing products that contributed to sales growth were *Eyebon* (an eye wash solution), *Inochi No Haha* (a women's health medicine), *Ammeltz* (a shoulder and muscular stiffness reliever), *Sakamukea* (a liquid bandage), and *Ito-Yoji* dental floss (for interdental cleaning) in healthcare products, and *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Bluelet* (a toilet deodorizer and bowl bleach tablet) in household products, and *Keshimin* skin care series for spots, and *EAUDE MUGE* (a medicated lotion) in skin care products.

Consequently, the Company reported net sales of 88,702 million yen (+5.4% year on year) and segment income (ordinary income) of 15,384 million yen (+5.7% year on year). Meanwhile, operating income was 15,607 million yen (+6.4% year on year).

Net sales include inter-segment sales or transfers, which totaled 4,279 million yen in the first nine-month period of the previous year and 3,946 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q3 ended December 31, 2014	Q3 ended December 31, 2015	Change	
	(April 1, 2014 to December 31, 2014)	(April 1, 2015 to December 31, 2015)	Amount (millions of yen)	Change (%)
Healthcare products	33,252	37,415	4,162	12.5
Household products	37,323	39,264	1,940	5.2
Skin care	3,081	3,430	348	11.3
Body warmers	6,240	4,646	(1,594)	(25.5)
Total	79,898	84,756	4,857	6.1

Overseas Consumer Products Business

In the Overseas Consumer Products Business, the Company markets mostly in the United States, China and Southeast Asia the body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (a shoulder and muscular stiffness reliever), and sought to expand sales by aggressively investing principally in advertisement and sales promotion.

As a result, net sales and segment income (ordinary income) were 13,003 million yen (+29.5% year on year) and 552 million yen (compared with segment loss (ordinary loss) of 263 million yen in the same period last year), respectively. Operating income was 616 million yen (compared with operating loss of 252 million yen in the same period last year).

Net sales include inter-segment sales or transfers, which totaled 1,460 million yen in the first nine-month period of the previous year and 1,477 million yen in the same period of the current year.

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove 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 mail.

Consequently, the Company reported net sales of 6,177 million yen (-6.9% year on year) and segment income (ordinary income) of 37 million yen (-74.6% year on year). Meanwhile, operating income was 34 million yen (-76.5% year on year).

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

Other Businesses

Businesses in this segment include medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production, etc. The companies in this business segment operate individually on a financially independent basis, and their delivery prices of materials and services were reviewed and revised as necessary.

As a result, the Company posted net sales of 5,638 million yen (+9.4% year on year), segment income (ordinary income) of 827 million yen (-43.9% year on year), and operating income of 466 million yen (+35.8% year on year).

Net sales include inter-segment sales or transfers, amounting to 3,116 million yen in the first nine-month period ended December 31, 2015 and 3,490 million yen in the first nine-month period ended December 31, 2015.

(2) Explanation of financial position

Total assets increased by 8,913 million yen from the end of the previous consolidated fiscal year to 195,244 million yen. This was mainly attributable to an increase in notes and accounts receivable-trade (7,502 million yen), an increase in merchandise and finished goods (2,173 million yen) and an increase in construction in progress (709 million yen).

Liabilities increased by 904 million yen from the end of the previous consolidated fiscal year to 47,624 million yen. This was mainly due to an increase in electronically recorded obligations-operating (4,342 million yen), an increase in deferred tax liabilities (1,999 million yen), and an increase in accounts payable-other (771 million yen).

Net assets grew 8,009 million yen from the end of the previous consolidated fiscal year, to 147,620 million yen, with a capital adequacy ratio of 75.5%. This was mainly due to an increase in retained earnings (8,616 million yen) and a rise in valuation difference on available-for-sale securities (2,786 million yen).

(3) Explanation of future forecast information, such as forecast of consolidated results

No modifications were made to the full-year financial result forecasts for the year ending March 31, 2016 published in the Summary of Financial Statements for the 2nd Quarter of the Fiscal Year Ending March 31, 2016 announced on October 29, 2015.

2. Items concerning Summary Information (Notes)

- (1) Changes in significant subsidiaries during the period
Not applicable
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements
Not applicable

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

(Application of the Accounting Standard for Business Combinations)

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) have been applied from the beginning of the first quarter of the consolidated fiscal year under review. Under these accounting standards, the Company recorded the differences caused by changes in the Company's equity shares in subsidiaries that the Company continues to control as capital surplus. In addition, the Company recorded acquisition-related costs as expenses in the fiscal years in which the costs were incurred. Regarding business combinations that take place during the period from the beginning of the first quarter of the consolidated fiscal year under review, the Company changed the method to reflect changes in the allocation of acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements of the quarter, which include the acquisition date.

Furthermore, the Company changed the presentation of net income for the relevant quarter, etc., as well as changing the presentation from minority interests to non-controlling interests. For the purpose of reflecting the relevant changes in presentation, the financial statements for the third quarter period and the full-year period of the previous consolidated fiscal year were restated.

The Company has adopted the Accounting Standards for Business Combinations, etc. from the beginning of the first quarter of the consolidated fiscal year under review, following transitional treatment as stipulated in Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures."

Adoption of these accounting standards does not affect the Company's profit or loss.

3. Quarterly Financial Statements

(1) Consolidated quarterly balance sheet

(millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	End of 1st nine-month period of FY ending March 2016 (December 31, 2015)
ASSETS		
Current assets		
Cash and deposits	58,449	56,496
Notes and accounts receivable-trade	35,969	43,471
Short-term investment securities	4,500	4,500
Merchandise and finished goods	8,996	11,169
Work in process	773	858
Raw materials and supplies	2,715	2,976
Deferred tax assets	2,724	2,914
Other	1,909	1,906
Allowance for doubtful accounts	(46)	(8)
Total current assets	115,990	124,285
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,340	7,103
Machinery, equipment and vehicles, net	2,851	2,783
Tools, furniture and fixtures, net	1,318	1,205
Land	3,380	3,380
Leased assets, net	582	690
Construction in progress	549	1,259
Total property, plant and equipment	16,023	16,421
Intangible assets		
Goodwill	4,023	3,643
Trademark rights	83	72
Software	971	1,061
Other	503	763
Total intangible assets	5,582	5,540
Investments and other assets		
Investment securities	41,580	42,146
Long-term loans receivable	668	649
Deferred tax assets	318	343
Real estate for investment, net	3,025	3,000
Assets for retirement benefits	286	—
Other	2,988	3,035
Allowance for doubtful accounts	(133)	(179)
Total investments and other assets	48,735	48,997
Total non-current assets	70,340	70,959
Total assets	186,331	195,244

(millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	End of 1st nine-month period of FY ending March 2016 (December 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	10,239	7,775
Electronically recorded obligations—operating	3,282	7,624
Short-term loans payable	40	160
Accounts payable-other	12,723	13,495
Lease obligations	82	73
Income taxes payable	3,191	1,996
Accrued consumption taxes	1,476	1,160
Provision for sales returns	1,272	1,372
Provision for bonuses	1,915	1,044
Asset retirement obligations	19	24
Other	1,646	2,327
Total current liabilities	35,890	37,054
Non-current liabilities		
Lease obligations	513	627
Deferred tax liabilities	2,683	4,683
Net defined benefit liability	5,496	3,003
Provision for directors' retirement benefits	27	27
Asset retirement obligations	90	89
Other	2,018	2,137
Total non-current liabilities	10,829	10,569
Total liabilities	46,720	47,624
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,219	4,937
Retained earnings	127,858	136,474
Treasury stock	(6,207)	(9,160)
Total shareholders' equity	129,320	135,702
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,553	10,339
Deferred gains or losses on hedges	1,359	57
Foreign currency translation adjustment	1,874	1,597
Re-measurements of retirement benefit plans	(710)	(248)
Total accumulated other comprehensive income	10,076	11,746
Subscription rights to shares	191	85
Noncontrolling interests	22	85
Total net assets	139,611	147,620
Total liabilities and net assets	186,331	195,244

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (For the first nine-month period of the fiscal year ending March 31, 2016)

(millions of yen)

	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net sales	97,154	104,608
Cost of sales	40,542	43,352
Gross profit	56,611	61,255
Selling, general and administrative expenses	41,661	44,580
Operating income	14,950	16,675
Non-operating income		
Interest income	173	197
Dividend income	300	318
Royalty income	492	326
Real estate rent	214	217
Equity in earnings of affiliates	14	—
Foreign exchange gains	113	—
Other	167	168
Total non-operating income	1,476	1,228
Non-operating expenses		
Interest expenses	19	18
Sales discounts	566	550
Rent cost of real estate	56	52
Equity in earnings of affiliates	—	607
Foreign exchange losses	—	33
Other	32	87
Total non-operating expenses	675	1,349
Ordinary income	15,751	16,555
Extraordinary income		
Gain on sales of non-current assets	0	7
Gain on sales of investment securities	—	0
Gain on sales of subsidiaries and affiliates' stocks	—	1,378
Compensation income	155	—
Reversal of provision for loss on business liquidation	158	—
Other	—	0
Total extraordinary income	313	1,387
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	29	35
Impairment loss	13	21
Loss on defective products	—	193
Other	1	12
Total extraordinary loss	44	262
Income before income taxes	16,020	17,679
Income taxes - current	5,474	4,974
Income taxes - deferred	(127)	254
Total income taxes	5,347	5,228
Net income	10,672	12,450
Net income (loss) attributable to noncontrolling interests	(0)	(4)
Net income attributable to owners of the parent	10,672	12,454

(Consolidated quarterly statements of comprehensive income)
 (For the first nine-month period of the fiscal year ending March 31, 2016)

(millions of yen)

	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net income	10,672	12,450
Other comprehensive income		
Valuation difference on available-for-sale securities	208	2,787
Deferred gains or losses on hedges	170	(91)
Foreign currency translation adjustment	505	(276)
Adjustment for retirement benefits	81	604
Share of other comprehensive income of associates accounted for using equity method	(263)	(1,354)
Total other comprehensive income	703	1,669
Quarterly comprehensive income	11,375	14,120
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	11,376	14,125
Comprehensive income attributable to noncontrolling interests	(0)	(4)

- (3) Notes on quarterly consolidated financial statements
 (Notes on assumption of going concern)
 Not applicable

(Notes on significant changes in shareholders' equity)

During the first nine-month period ended on December 31, 2015, as a result of shareholders' exercise of share subscription rights, the Company's treasury stock decreased by 915 million yen and capital surplus increased by 718 million yen. The Company bought back its shares in accordance with the resolution of the Board of Directors made in the Board meeting on October 29, 2015. As a result of this share buy-back and other factors, the treasury stock of the Company increased by 3,868 million yen. Consequently, at the end of the third quarter of the consolidated fiscal year under review, treasury stock and capital surplus stood at 9,160 million yen and 4,937 million yen, respectively.

(Segment information, etc.)

[Segment information]

I. 1st nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)

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

(millions of yen)

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	79,898	8,582	6,634	95,115	2,038	97,154	—	97,154
Inter-segment sales or transfers	4,279	1,460	—	5,740	3,116	8,856	(8,856)	—
Total	84,178	10,043	6,634	100,855	5,154	106,010	(8,856)	97,154
Segment income (loss)	14,549	(263)	149	14,435	1,475	15,911	(160)	15,751

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of 160 million yen in segment income (loss) are eliminations among segments.
3. Segment income (loss) is adjusted with ordinary income in the consolidated quarterly statements of income.

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

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

II. 1st nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)

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

(millions of yen)

	Reportable segment				Other (Note 1)	Grand total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	84,756	11,526	6,177	102,460	2,147	104,608	—	104,608
Inter-segment sales or transfers	3,946	1,477	—	5,423	3,490	8,914	(8,914)	—
Total	88,702	13,003	6,177	107,884	5,638	113,522	(8,914)	104,608
Segment income	15,384	552	37	15,974	827	16,802	(247)	16,555

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of 247 million yen in segment income are eliminations among segments.
3. Segment income is adjusted with ordinary income in quarterly consolidated statements of income.

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

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

3. Matters concerning changes in reportable segments

Starting from the first quarter of the consolidated fiscal year under review, the Company changed its reportable segments of the conventional "Consumer Products Business," "Mail Order Business" and "Medical Devices Business" to "Domestic Consumer Products Business," "Overseas Consumer Products Business" and "Direct Marketing Business." These changes were made following the revisions to the internal management classifications of business performance, by dividing the "Consumer Products Business" segment into the "Domestic Consumer Products Business" and the "Overseas Consumer Products Business" segments, and changing the name of the "Mail Order" segment to the "Direct Marketing Business" segment, and transferring the "Medical Devices Business" segment to "Other."

The segment information for the third quarter of the previous consolidated fiscal year was prepared based on this re-classification of reportable segments.

(Significant subsequent events)

Not applicable