

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended March 31, 2016

May 9, 2016

Listed exchanges : Tokyo  
 Listed company name : Kobayashi Pharmaceutical Co., Ltd.  
 Code : 4967  
 URL : <http://www.kobayashi.co.jp/english/index.shtml>  
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Scheduled date of general meeting of shareholders: June 29, 2016

Scheduled date of dividend payment commencement: June 6, 2016

Schedule date of financial report filing with the Finance Ministry: June 29, 2016

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, 2016 (April 1, 2015 to March 31, 2016)

#### (1) Consolidated Operating Results

(% figures represent changes from previous period.)

	Year ended March 2016		Year ended March 2015	
Net sales	137,211 millions of yen	6.9 %	128,344 millions of yen	0.8 %
Operating income	18,260	1.9	17,917	(1.1)
Ordinary income	17,949	(4.7)	18,843	0.4
Net income attributable to owners of the parent	13,466	8.2	12,448	1.2
Earnings per share	331.11 yen		305.46 yen	
Earnings per share after full dilution	330.60		—	
Return on equity		9.6		9.4
Return on assets		9.6		10.5
Ratio of operating income to net sales		13.3		14.0

(Note) Comprehensive income

Year ended March 2016: 12,537 million yen (-27.7%)

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

(Reference) Equity in earnings of affiliates

Year ended March 2016: -607 million yen

Year ended March 2015: -150 million yen

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (2) Consolidated Financial Position

	As of March 31, 2016	As of March 31, 2015
Total assets	188,997 millions of yen	186,331 millions of yen
Net assets	142,023	139,611
Shareholders' equity ratio	75.1 %	74.8 %
Net assets per share	3,532.11 yen	3,423.54 yen
(Reference) Shareholders' equity	As of March 31, 2016: 141,873 million yen    As of March 31, 2015: 139,397 million yen	

## (3) Consolidated Cash Flow

	Year ended March 2016	Year ended March 2015
Net cash provided by (used in) operating activities	14,329 millions of yen	15,445 millions of yen
Net cash provided by (used in) investing activities	(10,932)	(4,540)
Net cash provided by (used in) financing activities	(10,199)	(5,155)
Cash and cash equivalents at period-end	25,428	32,399

## 2. Dividends

	Year ended March 2016	Year ended March 2015	Year ending December 2016 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	48.00 yen	44.00 yen	24.00 yen
Q3 end	—	—	—
Year-end	48.00	46.00	24.00
Total	96.00	90.00	48.00
Total dividends	3,893 millions of yen	3,664 millions of yen	—
Payout ratio (consolidated)	29.0 %	29.5 %	28.6 %
Ratio of dividends to net assets (consolidated)	2.8	2.8	—

The Company decided at its board of directors meeting held on May 9, 2016 to execute a stock split at the rate of 2 ordinary shares for 1, effective July 1, 2016. Therefore, the Q2 end and year-end dividends per share and the payout ratio for the year ending December 2016 (forecasts) indicate figures that have taken the stock split into consideration.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

3. Forecasts of Consolidated Operational Results for Year Ending December 31, 2016  
(April 1, 2016 to December 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	72,000	millions of yen	— %	117,300	millions of yen	— %
Operating income	9,800		—	16,900		—
Ordinary income	9,800		—	18,800		—
Net income attributable to owners of the parent	6,500		—	13,500		—
Earnings per share	80.91	yen		168.05	yen	

The Company plans to change its fiscal year-end from March 31 to December 31 starting from the year ending December 2016, subject to approval of the "Partial amendment to the Articles of Incorporation" at the 98th General Meeting of Shareholders to be held on June 29, 2016. Therefore, for subsidiaries whose fiscal year-end is March 31, the nine months from April 1, 2016 to December 31, 2016 are subject to consolidation for the fiscal year ending December 2016, which is the transitional period, based on the assumption that the Company's fiscal year-end will be changed.

For subsidiaries whose fiscal year-end is December 31, the twelve months from January 1, 2016 to December 31, 2016 are subject to consolidation as usual.

## [Reference]

Figures represented in percentages below (adjusted percent change) are the percentage changes when adjusting the performance for the period under review to a nine-month period (from April 1, 2015 to December 31, 2015) for the Company and its consolidated subsidiaries with a fiscal year-end of March 31 and comparing it with the forecasts for the next term.

Net sales		Operating income		Ordinary income		Net income		(million yen)
117,300	4.3%	16,900	-1.9%	18,800	10.0%	13,500	5.8%	

## \* 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, 2016	42,525,000 shares	As of March 31, 2015	42,525,000 shares
	As of March 31, 2016	2,358,313 shares	As of March 31, 2015	1,807,775 shares
	As of March 31, 2016	40,669,882 shares	As of March 31, 2015	40,754,683 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

The forward-looking statements in this document 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 forecasts due to various factors. For matters concerning forecasts for business results, 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 Tuesday, May 10, 2016.

# 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 Year Ended March 31, 2016 and Fiscal Year Ending December 31, 2016 .....	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, 2015)		Current Year (Year ended March 31, 2016)		Change	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Change (%)
	Net sales	128,344	100.0	137,211	100.0	8,866
Operating income	17,917	14.0	18,260	13.3	342	1.9
Ordinary income	18,843	14.7	17,949	13.1	(893)	(4.7)
Net income attributable to owners of the parent	12,448	9.7	13,466	9.8	1,017	8.2
Earnings per share (yen)	305.46		331.11		25.65	8.4

In the fiscal year ended March 31, 2016, while the Japanese economy witnessed a recovery 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.

Against this backdrop, 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 137,211 million yen (+6.9% year on year), operating income of 18,260 million yen (+1.9% year on year), ordinary income of 17,949 million yen (-4.7% year on year), and net income attributable to owners of the parent of 13,466 million yen (+8.2% year on year).

The following is an overview of segment performance.

Please note that the classification of reportable segments has been changed from the fiscal year ended March 31, 2016 under review. The Company has made a year-on-year comparison as shown below, using the segment information for the previous consolidated fiscal year that was prepared based on the classification of reportable segments after the change.

Domestic Consumer Products Business

The Domestic Consumer Products Business launched 14 new products in the spring and another 14 in the fall, totaling 28 new items, in the fiscal year ended March 31, 2016. 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 designed 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* (an external anti-inflammatory), *Sakamukea* (a liquid bandage), and *Ito-Yoji* dental floss and *Yawaraka Shikan Brush* (for interdental cleaning) in healthcare products, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Bluelet* (a toilet deodorizer and bowl bleach tablet) in household products, and the *Keshimin* skin care series for spots and *EAUDE MUGE* (a medicated lotion) in skin care products.

On the other hand, sales of body warmers fell below the previous year's level due to the impact of the warm winter.

Consequently, the Company reported net sales of 112,032 million yen (+5.2% year on year) and segment income (ordinary income) of 16,599 million yen (+3.0% year on year). Meanwhile, operating income was 17,019 million yen (+4.3% year on year).

Net sales include inter-segment sales or transfers, which totaled 5,176 million yen in the fiscal year ended March 31, 2015 and 5,068 million yen in the fiscal year ended March 31, 2016.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (Breakdown of sales to external customers)

	Previous Year	Current Year	Change	
	(Year ended March 31, 2015)	(Year ended March 31, 2016)	Amount	Change
	Amount	Amount	Amount	Change
	(millions of yen)	(millions of yen)	(millions of yen)	(%)
Healthcare products	43,854	48,632	4,777	10.9
Household products	46,077	48,034	1,956	4.2
Skin care	4,320	4,673	353	8.2
Body warmers	7,026	5,623	(1,402)	(20.0)
Total	101,278	106,963	5,685	5.6

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* (an external anti-inflammatory), and sought to expand sales by aggressively investing principally in advertising and sales promotions.

As a result, net sales and segment income (ordinary income) were 20,872 million yen (+20.3% year on year) and 675 million yen (+24.6% year on year), respectively. Operating income was 756 million yen (+40.9% year on year).

Net sales include inter-segment sales or transfers, which totaled 1,876 million yen in the fiscal year ended March 31, 2015 and 1,875 million yen in the fiscal year ended March 31, 2016.

## (Breakdown of sales to external customers)

	Previous Year	Current Year	Change	
	(Year ended March 31, 2015)	(Year ended March 31, 2016)	Amount	Change
	Amount	Amount	Amount	Change
	(millions of yen)	(millions of yen)	(millions of yen)	(%)
United States	6,924	8,574	1,649	23.8
China	3,610	5,072	1,461	40.5
Southeast Asia	2,928	3,513	584	20.0
Others	2,004	1,837	(166)	(8.3)
Total	15,468	18,997	3,529	22.8

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove to attract new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, such as advertising and direct mail.

Consequently, the Company reported net sales of 8,538 million yen (-4.9% year on year) and segment income (ordinary income) of 39 million yen (-91.9% year on year). Meanwhile, operating income was 35 million yen (-92.7% year on year).

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

Other Businesses

Businesses in this segment include the 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 7,335 million yen (+6.6% year on year), segment income (ordinary income) of 908 million yen (-49.5% year on year), and operating income of 497 million yen (+18.3% year on year).

Net sales include inter-segment sales or transfers, amounting to 4,262 million yen in the fiscal year ended March 31, 2015 and 4,624 million yen in the fiscal year ended March 31, 2016.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Forecast for Year Ending December 31, 2016

Since the fiscal year-end is planned to be changed, the forecast figures of consolidated results for the year ending December 31, 2016 are for the nine months from April 1, 2016 to December 31, 2016 for the Company and its subsidiaries whose fiscal year-end is March 31, and the twelve months from January 1, 2016 to December 31, 2016 for subsidiaries with a fiscal year-end on December 31.

The Company decided at its board of directors meeting held on May 9, 2016 to execute a stock split at the rate of 2 ordinary shares for 1, effective July 1, 2016. Therefore, the earnings per share for the year ending December 2016 (forecasts) indicate figures that have taken the stock split into consideration.

	Current Year (Year ended March 31, 2016)		Next Year (Year ending December 2016)		Adjusted percentage change (%)
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	
Net sales	137,211	100.0	117,300	100.0	4.3
Operating income	18,260	13.3	16,900	14.4	(1.9)
Ordinary income	17,949	13.1	18,800	16.0	10.0
Net income attributable to owners of the parent	13,466	8.2	13,500	11.5	5.8
Earnings per share (yen)	331.11		168.05		

\* Please refer to 3. *Forecasts of Consolidated Operational Results for Year Ending December 31, 2016 [Reference]* on the cover for the adjusted percentage change.

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 Domestic Consumer Products Business segment, the Company will launch 15 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 *Ammeltz NEO* (an external anti-inflammatory with an ingredient to improve blood circulation), *Senacure* (a remedy for rashes on the back), and *Oheya no Shoshugen Parfum* (a stylish deodorizer). Furthermore, the Company will focus on the skincare business and try to increase sales, mainly of *Keshimin* skin care series for spots and *EAUDE MUGE* (a medicated lotion).

Overseas, especially in the United States, China and Southeast Asia, 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 117,300 million yen (+4.3% after the adjusted percent change), operating income of 16,900 million yen (-1.9%), ordinary income of 18,800 million yen (+10.0%) and net income attributable to owners of the parent of 13,500 million yen (+5.8%) in the fiscal year ending December 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, 2015)	(Year ended March 31, 2016)	
	Amount	Amount	Amount
	(millions of yen)	(millions of yen)	(millions of yen)
Total assets	186,331	188,997	2,666
Net assets	139,611	142,023	2,412
Shareholders' equity ratio	74.8%	75.1%	0.3%
Net assets per share (yen)	3,423.54 yen	3,532.11 yen	108.57 yen

## (Consolidated Cash Flow)

	Previous Year	Current Year	Change
	(Year ended March 31, 2015)	(Year ended March 31, 2016)	
	Amount	Amount	Amount
	(millions of yen)	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	15,445	14,329	(1,115)
Net cash provided by (used in) investing activities	(4,540)	(10,932)	(6,392)
Free cash flow	10,904	3,396	(7,508)
Net cash provided by (used in) financing activities	(5,155)	(10,199)	(5,044)
Cash and cash equivalents at period-end	32,399	25,428	(6,971)

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

Total assets on a consolidated basis increased by 2,666 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 2,978 million yen, notes and accounts receivable-trade grew by 119 million yen, and merchandise and finished goods increased by 1,382 million yen. In the non-current assets category, construction in progress increased by 1,014 million yen and investment securities decreased by 1,924 million yen. In the current liabilities category, notes and accounts payable-trade (notes and accounts payable-trade and electronically recorded obligations-operating) increased by 138 million yen, accounts payable-other grew by 1,694 million yen, and income taxes payable decreased by 1,402 million yen. In the non-current liabilities category, net defined benefit liability decreased by 1,018 million yen.

In the net assets category, retained earnings increased by 9,627 million yen, treasury stock grew by 6,972 million yen, valuation difference on available-for-sale securities rose by 1,307 million yen, and deferred gains or losses on hedges decreased by 1,398 million yen.

## Cash flows from operating activities

Net cash provided by operating activities totaled 14,329 million yen. Major factors affecting this cash flow were: income before income taxes (18,755 million yen), depreciation (2,587 million yen), increase in net defined benefit liability (1,808 million yen), increase in notes and accounts receivable-trade (282 million yen), increase in inventories (1,534 million yen), increase in notes and accounts payable-trade (164 million yen), increase in accounts payable-other (1,882 million yen), interest and dividend income received (705 million yen), and income taxes paid (6,416 million yen).

## Cash flows from investing activities

Net cash used in investing activities totaled 10,932 million yen. Major factors affecting this cash flow were: payments into time deposits (83,000 million yen), proceeds from withdrawal of time deposits (73,000 million yen), purchase of property, plant and equipment (3,381 million yen), and proceeds from sales of stocks of subsidiaries and affiliates (2,961 million yen).

## Cash flows from financing activities

Net cash used in financing activities totaled 10,199 million yen. Major factors affecting this cash flow were: purchase of treasury stock (8,109 million yen), proceeds from disposal of treasury stock (1,624 million yen), and cash dividends paid (3,837 million yen).

Consequently, cash and cash equivalents as of March 31, 2016 totaled 25,428 million yen, a decrease of 6,971 million yen from the end of the previous fiscal year.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Forecast for Year Ending December 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, 2016. As for investments other than facility investments, we plan to make the same level of investment as in the fiscal year ended March 31, 2016 since we currently do not have major investment plans.

## Trend of Cash Flow Indicators

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015	As of March 31, 2016
Shareholders' equity ratio (%)	68.8	73.1	74.2	74.8	75.1
Shareholders' equity ratio on a market price basis (%)	114.6	118.5	142.5	187.9	210.0
Ratio of net cash to interest-bearing liabilities (year)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	613.7	503.4	1,492.3	929.4	740.5

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 Year Ended March 31, 2016 and Fiscal Year Ending December 31, 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 96 yen, up 4 yen from the previous forecast (including an interim dividend of 48 yen per share already paid and a year-end dividend of 48 yen per share) for the year ended March 31, 2016. For the year ending December 31, 2016, the Company plans to pay a regular dividend of 48 yen per share (including an interim dividend of 24 yen per share and a year-end dividend of 24 yen per share).

The Company decided at its board of directors meeting held on May 9, 2016 to execute a stock split at the rate of 2 ordinary shares for 1, effective July 1, 2016. Therefore, the dividends per share (forecasts) for the year ending December 2016 indicate figures that have taken the stock split into consideration.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Consolidated Financial Statements  
(1) Consolidated Balance Sheet

(millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Current consolidated fiscal year (March 31, 2016)
<b>ASSETS</b>		
Current assets		
Cash and deposits	58,449	61,428
Notes and accounts receivable-trade	35,969	36,088
Short-term investment securities	4,500	4,500
Merchandise and finished goods	8,996	10,378
Work in process	773	777
Raw materials and supplies	2,715	2,796
Deferred tax assets	2,724	2,772
Other	1,909	1,681
Allowance for doubtful accounts	(46)	(75)
Total current assets	115,990	120,347
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,340	7,082
Machinery, equipment and vehicles, net	2,851	3,131
Tools, furniture and fixtures, net	1,318	1,351
Land	3,380	3,380
Leased assets, net	582	675
Construction in progress	549	1,564
Total property, plant and equipment	16,023	17,187
Intangible assets		
Goodwill	4,023	3,542
Trademark rights	83	29
Software	971	1,078
Leased assets	—	—
Other	503	684
Total intangible assets	5,582	5,334
Investments and other assets		
Investment securities	41,580	39,656
Long-term loans receivable	668	643
Deferred tax assets	318	321
Real estate for investment, net	3,025	2,992
Net defined benefit asset	286	—
Other	2,988	2,653
Allowance for doubtful accounts	(133)	(139)
Total investments and other assets	48,735	46,128
Total non-current assets	70,340	68,650
Total assets	186,331	188,997

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Current consolidated fiscal year (March 31, 2016)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	10,239	7,141
Electronically recorded obligations—operating	3,282	6,519
Short-term loans payable	40	181
Accounts payable-other	12,723	14,417
Lease obligations	82	66
Income taxes payable	3,191	1,788
Accrued consumption taxes	1,476	751
Provision for sales returns	1,272	1,478
Provision for bonuses	1,915	1,996
Provision for loss on business liquidation	—	—
Asset retirement obligations	19	24
Other	1,646	2,114
<b>Total current liabilities</b>	<b>35,890</b>	<b>36,481</b>
Non-current liabilities		
Lease obligations	513	618
Deferred tax liabilities	2,683	3,184
Net defined benefit liability	5,496	4,477
Provision for directors' retirement benefits	27	31
Asset retirement obligations	90	86
Other	2,018	2,093
<b>Total non-current liabilities</b>	<b>10,829</b>	<b>10,492</b>
<b>Total liabilities</b>	<b>46,720</b>	<b>46,974</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,219	4,953
Retained earnings	127,858	137,486
Treasury stock	(6,207)	(13,179)
<b>Total shareholders' equity</b>	<b>129,320</b>	<b>132,710</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,553	8,860
Deferred gains or losses on hedges	1,359	(38)
Foreign currency translation adjustment	1,874	1,668
Re-measurements of retirement benefit plans	(710)	(1,327)
<b>Total accumulated other comprehensive income</b>	<b>10,076</b>	<b>9,163</b>
Subscription rights to shares	191	75
Noncontrolling interests	22	75
<b>Total net assets</b>	<b>139,611</b>	<b>142,023</b>
<b>Total liabilities and net assets</b>	<b>186,331</b>	<b>188,997</b>

## 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, 2014 to March 31, 2015)	Current consolidated fiscal year (April 1, 2015 to March 31, 2016)
Net sales	128,344	137,211
Cost of sales	54,718	57,518
Gross profit	73,626	79,693
Selling, general and administrative expenses		
Promotion expenses	8,557	9,653
Freight and warehousing expenses	5,508	5,629
Advertising expenses	12,657	15,994
Provision of allowance for doubtful accounts	20	18
Salaries, allowances and bonuses	9,380	9,778
Retirement benefit expenses	635	620
Provision for directors' retirement benefits	3	4
Taxes and dues	292	404
Depreciation	710	635
Amortization of goodwill	454	484
Rent	1,404	1,454
Commission fees	4,696	4,800
Research and development expenses	5,289	5,788
Other	6,098	6,166
Total selling, general and administrative expenses	55,708	61,432
Operating income	17,917	18,260
Non-operating income		
Interest income	229	267
Dividend income	322	371
Royalty income	719	327
Real estate rent	285	290
Foreign exchange gains	142	—
Other	265	281
Total non-operating income	1,965	1,537
Non-operating expenses		
Interest expenses	22	33
Sales discounts	690	688
Rent cost of real estate	76	70
Share of loss of entities accounted for using equity method	150	607
Foreign exchange losses	—	222
Other	99	226
Total non-operating expenses	1,039	1,847
Ordinary income	18,843	17,949

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (April 1, 2015 to March 31, 2016)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	8
Gain on sales of investment securities	1,013	7
Gain on sales of subsidiaries and affiliates' stocks	—	1,378
Reversal of provision for loss on business liquidation	179	—
Compensation income	155	—
Other	—	0
Total extraordinary income	1,349	1,395
<b>Extraordinary loss</b>		
Loss on disposal of non-current assets	82	85
Impairment loss	20	126
Loss on business liquidation	—	110
Loss on valuation of subsidiaries and affiliates' stocks	—	50
Loss on defective products	23	195
Other	9	22
Total extraordinary loss	136	589
Income before income taxes	20,056	18,755
Income taxes - current	5,911	4,915
Income taxes - deferred	1,696	384
Total income taxes	7,608	5,300
Net income	12,448	13,455
Net income (loss) attributable to noncontrolling interests	(0)	(10)
Net income attributable to owners of the parent	12,448	13,466

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (April 1, 2015 to March 31, 2016)
Net income	12,448	13,455
Other comprehensive income		
Valuation difference on available-for-sale securities	2,183	1,308
Deferred gains or losses on hedges	127	(187)
Foreign currency translation adjustment	2,248	(210)
Adjustment for retirement benefits	74	(474)
Share of other comprehensive income of associates accounted for using equity method	268	(1,354)
Total other comprehensive income	4,902	(917)
Comprehensive income	17,350	12,537
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	17,351	12,552
Comprehensive income attributable to noncontrolling interests	(0)	(15)

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(3) Consolidated Statement of Shareholders' Equity  
Previous 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 attributable to owners of the parent			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	Noncontrolling 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	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 attributable to owners of the parent								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.

Current consolidated fiscal year (April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,219	127,858	(6,207)	129,320
Change during current period					
Dividends from surplus			(3,838)		(3,838)
Net income attributable to owners of the parent			13,466		13,466
Purchase of treasury stock				(8,002)	(8,002)
Disposal of treasury stock		733		1,029	1,763
Net changes of items other than shareholders' equity					
Total change during current period	—	733	9,627	(6,972)	3,389
Balance at current period-end	3,450	4,953	137,486	(13,179)	132,710

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling 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	7,553	1,359	1,874	(710)	10,076	191	22	139,611
Change during current period								
Dividends from surplus								(3,838)
Net income attributable to owners of the parent								13,466
Purchase of treasury stock								(8,002)
Disposal of treasury stock								1,763
Net changes of items other than shareholders' equity	1,307	(1,398)	(205)	(616)	(913)	(116)	52	(977)
Total change during current period	1,307	(1,398)	(205)	(616)	(913)	(116)	52	2,412
Balance at current period-end	8,860	(38)	1,668	(1,327)	9,163	75	75	142,023

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (April 1, 2015 to March 31, 2016)
<b>Cash flow from operating activities</b>		
Income before income taxes	20,056	18,755
Depreciation	2,641	2,587
Loss on valuation of subsidiaries and affiliates' stocks	—	50
Impairment loss	20	126
Amortization of goodwill	454	484
Increase (decrease) in allowance for doubtful accounts	(15)	38
Increase (decrease) in net defined benefit liability	(215)	(1,808)
Decrease (increase) in net defined benefit assets	(84)	286
Interest and dividends income	(552)	(638)
Interest expenses	22	33
Equity in (earnings) losses of affiliates	150	607
Loss (gain) on sales of shares of a subsidiary and an affiliate	—	(1,378)
Loss (gain) on sales of investment securities	(1,013)	(7)
Loss (gain) on sales and retirement of non-current assets	81	81
Compensation income	(155)	—
Decrease (increase) in notes and accounts receivable-trade	(907)	(282)
Decrease (increase) in inventories	(1,651)	(1,534)
Increase (decrease) in notes and accounts payable-trade	1,930	164
Increase (decrease) in accounts payable-other	(701)	1,882
Increase (decrease) in accrued consumption taxes	829	(705)
Increase (decrease) in provision for loss on business liquidation	(179)	—
Other	388	1,318
<b>Total</b>	<b>21,098</b>	<b>20,059</b>
Interest and dividend income received	589	705
Interest expenses paid	(16)	(19)
Proceeds from compensation	155	—
Income taxes paid	(6,380)	(6,416)
<b>Net cash provided by (used in) operating activities</b>	<b>15,445</b>	<b>14,329</b>
<b>Cash flow from investing activities</b>		
Payments into time deposits	(67,500)	(83,000)
Proceeds from withdrawal of time deposits	65,500	73,000
Proceeds from sales and redemption of securities	1,000	—
Purchase of property, plant and equipment	(3,100)	(3,381)
Proceeds from sales of property, plant and equipment	23	20
Purchase of intangible assets	(578)	(666)
Purchase of investment securities	(21)	(23)
Proceeds from sales of investment securities	56	338
Purchase of investment assets and other assets	(42)	(106)
Proceeds from sales of investment assets and other assets	112	42
Decrease (increase) in short-term loans receivable	244	(97)
Payments of long-term loans receivable	(71)	—
Collection of long-term loans receivable	6	28
Proceeds from sales of stocks of subsidiaries and affiliates	—	2,961
Other	(170)	(49)
<b>Net cash provided by (used in) investing activities</b>	<b>(4,540)</b>	<b>(10,932)</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (April 1, 2015 to March 31, 2016)
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term loans payable	34	140
Purchase of treasury stock	(1,501)	(8,109)
Proceeds from disposal of treasury stock	—	1,624
Cash dividends paid	(3,552)	(3,837)
Repayments of lease obligations	(149)	(94)
Proceeds from share issuance to noncontrolling interests	13	76
Net cash provided by (used in) financing activities	(5,155)	(10,199)
Effect of exchange rate change on cash and cash equivalents	751	(167)
Net increase (decrease) in cash and cash equivalents	6,500	(6,971)
Cash and cash equivalents at beginning of period	25,898	32,399
Cash and cash equivalents at end of period	32,399	25,428

## 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, 2014 to March 31, 2015)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	101,278	15,468	8,977	125,724	2,619	128,344	—	128,344
Inter-segment sales and transfers	5,176	1,876	—	7,053	4,262	11,316	(11,316)	—
Total	106,454	17,345	8,977	132,778	6,882	139,660	(11,316)	128,344
Segment income	16,111	541	491	17,143	1,800	18,944	(101)	18,843
Segment assets	61,505	1,550	20,401	83,457	13,214	96,671	89,659	186,331
Other items								
Depreciation	1,900	159	34	2,095	137	2,232	408	2,641
Goodwill depreciation	10	444	—	454	—	454	—	454
Interest income	38	6	1	46	213	259	(29)	229
Interest expenses	—	23	—	23	28	52	(29)	22
Equity in losses of affiliates	—	—	—	—	(153)	(153)	2	(150)
Investment in equity method affiliate	—	—	—	—	3,545	3,545	(0)	3,544
Increase in property, plant, and equipment and intangible assets	2,095	818	31	2,944	177	3,122	442	3,655

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, and advertisement planning and production.
  2. Adjustment details are as follows:
    - (1) Segment income of -101 million yen, Interest income of -29 million yen, and Interest expenses of -29 million yen posted in Adjustment reflect the elimination of transactions between segments.
    - (2) 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.
    - (3) Depreciation of 408 million yen posted in Adjustment is depreciation related to the assets of group companies.
    - (4) Equity in losses of affiliates of 2 million yen posted in Adjustment is the adjustment of inventory.
    - (5) Investment in equity method affiliate of -0 million yen posted in Adjustment is the elimination of unrealized income.
    - (6) Increase in property, plant, and equipment and intangible assets of 442 million yen posted in Adjustment is an increase in assets of group companies.
  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, 2015 to March 31, 2016)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	106,963	18,997	8,538	134,500	2,711	137,211	—	137,211
Inter-segment sales and transfers	5,068	1,875	—	6,943	4,624	11,568	(11,568)	—
Total	112,032	20,872	8,538	141,443	7,335	148,779	(11,568)	137,211
Segment income	16,599	675	39	17,314	908	18,233	(273)	17,949
Segment assets	64,713	21,361	1,407	87,481	9,670	97,152	91,845	188,997
Other items								
Depreciation	1,740	250	44	2,035	152	2,188	398	2,587
Goodwill depreciation	4	480	—	484	—	484	—	484
Interest income	35	15	1	52	250	302	(35)	267
Interest expenses	—	36	—	36	32	68	(35)	33
Equity in losses of affiliates	—	—	—	—	(607)	(607)	0	(607)
Investment in equity method affiliate	—	—	—	—	—	—	—	—
Increase in property, plant, and equipment and intangible assets	3,190	334	46	3,571	318	3,889	428	4,317

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, and advertisement planning and production.
  2. Adjustment details are as follows:
    - (1) Segment income of -273 million yen posted in Adjustment reflect the elimination of transactions between segments.
    - (2) Assets of group companies included in Adjustment totaled 97,314 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) Depreciation of 398 million yen posted in Adjustment is depreciation related to the assets of group companies.
    - (4) Interest income of -35 million yen and Interest expenses of -35 million yen posted in Adjustment reflect the elimination of transactions between segments.
    - (5) Equity in losses of affiliates of 0 million yen posted in Adjustment is the adjustment of inventory.
    - (6) Increase in property, plant, and equipment and intangible assets of 428 million yen posted in Adjustment is an increase in assets of group companies.
  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.
  5. 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 previous consolidated fiscal year was prepared based on this re-classification of reportable segments.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(Important subsequent events)

In the Board of Directors meeting held on May 9, 2016, it was resolved that a stock split be conducted as follows, and will take the stock split on July 1, 2016.

## 1. Purpose

This stock split is intended to lower the amount needed per investment unit and thus improve the liquidity of the Company's shares and expand the shareholder base.

## 2. Outline

### (1) Method

Two ordinary shares shall be issued for each existing ordinary share to shareholders registered or recorded on the shareholders' register on the record date of Thursday, June 30, 2016.

### (2) Increased number of shares resulting from the stock split

i. Issued shares before stock split:	42,525,000 shares
ii. Additional shares resulting from stock split:	42,525,000 shares
iii. Issued shares after stock split:	85,050,000 shares
iv. Shares authorized for issuance after stock split:	340,200,000 shares

### (3) Schedule

- i. Public notice of record date: Friday, June 10, 2016
- ii. Record date: Thursday, June 30, 2016
- iii. Effective: Friday, July 1, 2016

### (4) Effect on amounts per share

The effects on amounts per share are as follow, assuming that this stock split be conducted on the beginning of the fiscal year ended March 31, 2015.

	Previous Year (Year ended March 31, 2015)	Current Year (Year ended March 31, 2016)
Net assets per share	¥1,711.77	¥1,766.06
Earnings per share	¥152.73	¥165.56
Earnings per share after full dilution	-	¥165.30

## <Reference>

1. There will be no increase in the amount of the Company's capital in connection with the proposed stock split.
2. The forecast for year-end dividends for the fiscal year ended March 31, 2016 is ¥48 per share, as announced today. The proposed stock split will not change this amount.
3. As a result of this stock split, from July 1, 2016 (effective date), the exercise price per share of stock options issued to the Company's directors, executive officers and employees, as well as directors and employees of the Company's subsidiaries, will be adjusted as follows.

	Exercise price before adjustment	Exercise price after adjustment
Third stock options (Resolved at the Board of Directors meeting held on June 27, 2013)	¥5,751	¥2,876