

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2018

July 31, 2018

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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 Expected date for submitting quarterly securities report: August 7, 2018
 Expected date for starting payment of dividends: September 6, 2018
 Preparation of supplementary explanation documents for quarterly financial results: Yes
 Holding of an analyst meeting for quarterly financial results: Yes (For institutional investors and analysts)

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

1. Consolidated Results for 2nd Quarter of Fiscal Year Ending December 31, 2018 (January 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results (accumulation)

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

	Q2 of FY ending December 31, 2018		Q2 of FY ended December 31, 2017	
Net sales	72,678	millions of yen 8.0 %	67,307	millions of yen — %
Operating income	11,602	12.0	10,363	—
Ordinary income	11,533	12.6	10,244	—
Net income attributable to owners of the parent	7,629	8.4	7,037	—
Net income per share	96.58	yen	89.44	yen
Net income per share after full dilution	96.50		89.31	

(Notes)

Comprehensive income: Q2 of FY ending December 31, 2018: 7,753 million yen (-4.4%)
 Q2 of FY ending December 31, 2017: 8,106 million yen (—%)

Following approval of the proposal "Partial Amendment to the Articles of Incorporation" at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the second quarter of FY 2017 was the six-month period from January 1, 2017 to June 30, 2017, while the second quarter of FY 2016 was the six-month period from April 1, 2016 to September 30, 2016. Therefore, the year-on-year percentage changes from results for the year ended June 30, 2016 have been omitted in the tables above.

(2) Consolidated Financial Position

	Q2 of FY ending December 31, 2018	As of December 31, 2017
Total assets	217,101	218,831
Net assets	159,552	153,811
Shareholders' equity ratio	73.5 %	70.3 %
Net assets per share	2,017.79	1,947.82

(Reference) Shareholders' equity

Q2 of FY ending December 31, 2018: 159,552 million yen As of December 31, 2017: 153,774 million yen

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2. Dividends

	FY ended December 2017	FY ending December 2018	FY ending December 2018 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	28.00 yen	31.00 yen	
Q3 end	—		—
Year-end	30.00		30.00
Total	58.00		61.00

(Note) Revision of the latest dividend forecast: Yes

Concerning the revision to the latest dividend forecast, please refer to “Notice Concerning Dividend of Surplus (Interim Dividend)” announced today (July 31, 2018).

3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

	(% figures represent changes from previous year)	
	Full year	
Net sales	163,000 millions of yen	4.0 %
Operating income	23,700	3.4
Ordinary income	24,800	2.5
Net income attributable to owners of the parent	17,000	7.2
Earnings per share	215.33 yen	

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

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* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying changes of the scope of consolidation): Yes
 Newly included: 2 companies (company name) Kobayashi (China) Co., Ltd., Jiangsu Kobayashi Pharmaceutical Co., Ltd. (the company name was changed from Jiangsu Zhongdan Pharmaceutical Co., Ltd.)

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

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

① Changes in accounting policies due to revisions of accounting standards: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(4) Issued shares (common shares)

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

Q2 of FY ending December 31, 2018	82,050,000 shares	FY ended December 31, 2017	82,050,000 shares
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② Number of shares of treasury stock at period-end:

Q2 of FY ending December 31, 2018	2,977,337 shares	FY ended December 31, 2017	3,102,937 shares
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③ Average number of shares outstanding during period (consolidated cumulative quarters):

Q2 of FY ending December 31, 2018	78,993,961 shares	Q2 of FY ended December 31, 2017	78,680,730 shares
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* This brief report of quarterly financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* Notes on proper use of forecasts and other matters

The forward-looking statements in this document concerning forecasting of operational results, etc. are based on currently available information and assumptions considered reasonable by the Company. Actual operational results may be significantly different from these statements due to various factors. For the assumptions used as the basis for forecasts of operational results and important matters to be noted when using the forecast of performance, please refer to "1. Qualitative Information on Quarterly Results, (3) Explanation of future forecast information, such as forecast of consolidated results" on page 4 of the attachment.

(Method to obtain supplementary explanation documents for quarterly financial results)

The supplementary explanation documents for quarterly financial results will be made available on the Company's website after the analyst meeting for quarterly financial results scheduled on Friday, August 3, 2018.

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first six-month period of the consolidated fiscal year under review, the Japanese economy witnessed a recovery trend as shown in the improvement of corporate earnings and employment helped by the continued economic stimulus measures implemented by the government. In addition, consumer spending also showed signs of gradual recovery.

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."

As a result, net sales, operating income and ordinary income were 72,678 million yen (+8.0% year on year), 11,602 million yen (+12.0% year on year) and 11,533 million yen (+12.6% year on year), respectively, and net income attributable to owners of the parent was 7,629 million yen (+8.4% year on year).

Business results by segment were as follows:

Domestic Consumer Products Business

In the Domestic Consumer Products Business, the Company launched 10 new products. The products that contributed to the growth in sales were *Kurocure EX* (a remedy for darkened elbows and chapped knees prepared with EX formula giving satisfying feeling), *Keanocure* (a remedy for spotted skin with darkened pores due to removal of unwanted hair), *Aton Aocure* (a remedy for black and blue skin color caused by internal bleeding), *Sawaday PINKPINK STICK* (a fragrance for indoor use containing elegant and feminine scents in a stylish package), and *Bluelet Premium PERFUME* (a toilet deodorizer and bowl bleach tablet with scent of a finest quality perfume in a glittering crystal bottle).

Existing healthcare products that recorded robust sales included kampo medicines, such as *Inochi No Haha* (a women's health medicine), *Naishitoru* and *Bisrat Gold* (obesity therapeutic drugs), and *Chikunain* (a remedy for empyema), *Ito Yoji* and *Yawaraka Shikan Brush* (dental tools that remove food debris and dental plaque), and *Breath Care* (oral breath freshener). Household products that contributed to the growth in sales were *Netsusama Sheet* (a cooling gel sheet for the forehead), *Sarasaty* (a sheet for absorbing vaginal discharge), *Nightmin Nasal Breathing Tape* (a strip that is attached to the lips during sleep to facilitate breathing through the nose), *Nodonool Nure Mask* (a humidifying mask with filter to moisten the throat), and *Bluelet* (a toilet deodorizer and bowl bleach tablet).

Consequently, the Company reported net sales of 60,348 million yen (+6.5% year on year) and segment income (ordinary income) of 11,159 million yen (+12.7% year on year). Meanwhile, operating income was 10,985 million yen (+10.3% year on year).

Net sales include inter-segment sales or transfers, which totaled 2,731 million yen in the first six-month period of the previous year and 2,966 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q2 ended June 30, 2017 (January 1, 2017 to June 30, 2017)	Q2 ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
Healthcare products	27,483	29,329	1,845	6.7
Household products	22,680	24,005	1,324	5.8
Skin care	2,983	2,959	(24)	(0.8)
Body warmers	768	1,088	319	41.7
Total	53,915	57,382	3,466	6.4

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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 investing aggressively, principally in advertising and sales promotions.

As a result, net sales and segment income (ordinary income) were 10,116 million yen (+21.0% year on year) and 81 million yen (segment loss (ordinary loss) of 19 million yen in the previous year), respectively. Operating income was 154 million yen (+171.1% year on year).

Net sales include inter-segment sales or transfers, which totaled 450 million yen in the first six-month period of the previous year and 470 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q2 ended June 30, 2017 (January 1, 2017 to June 30, 2017)	Q2 ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
United States	2,331	2,443	112	4.8
China	2,287	3,869	1,582	69.2
Southeast Asia	2,176	2,010	(166)	(7.7)
Others	1,114	1,322	208	18.7
Total	7,909	9,646	1,736	22.0

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 5,109 million yen (+3.4% year on year) and segment income (ordinary income) of 80 million yen (segment loss (ordinary loss) of 67 million yen in the previous year). Meanwhile, operating income was 76 million yen (operating loss of 67 million yen in the previous year).

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

Other Businesses

Businesses in this segment include the 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 3,197 million yen (+7.6% year-on-year) and segment income (ordinary income) of 650 million yen (-15.1% year-on-year). Operating income was 267 million yen (-32.7% year-on-year).

Net sales include inter-segment sales or transfers, which totaled 2,432 million yen in the first six-month period of the previous year and 2,655 million yen in the same period of the current year.

(2) Explanation of financial position

Total assets decreased by 1,729 million yen from the balance as of the end of the previous consolidated fiscal year, to 217,101 million yen. This was attributable mainly to a decline of 7,316 million yen in notes and accounts receivable-trade, an increase of 2,914 million yen in merchandise and finished goods, a rise of 455 million yen in work in progress, a growth of 404 million yen in machinery, equipment and vehicles, an increase of 705 million yen in goodwill, and an increase of 960 million yen in investment securities.

Liabilities declined by 7,470 million yen from the balance as of the end of the previous consolidated fiscal year, to 57,549 million yen. This was attributable mainly to a decrease of 1,093 million yen in electronically recorded obligations-operating, a fall of 5,003 million yen in accounts payable-other, a decline of 626 million yen in income taxes payable, and a decrease of 623 million yen in provision for sales returns.

Net assets rose by 5,740 million yen from the balance as of the end of the previous consolidated fiscal year, to 159,552 million yen, bringing the Shareholders' equity ratio to 73.5%. This was mainly attributable to an increase of 5,157 million yen in retained earnings, a decrease of 496 million yen in treasury stock, a rise of 655 million yen in valuation difference on available-for-sale securities and a fall of 664 million yen in foreign currency translation adjustment.

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Cash flows from operating activities

Cash flows from operating activities totaled 6,418 million yen (9,191 million yen in the previous year). Major factors for increase were: income before income taxes of 10,727 million yen, depreciation of 1,394 million yen, and a decrease in notes and accounts receivable-trade of 7,201 million yen. Major factors for decrease were: a rise in inventories of 3,637 million yen, a decline in notes and accounts payable-trade of 492 million yen, a fall in accounts payable-other of 5,019 million yen, and income taxes paid of 4,037 million yen.

Cash flows from investing activities

Cash flows from investing activities totaled -7,618 million yen (4,813 million yen in the previous year). Major factors were: payment into time deposits of 32,992 million yen, proceeds from withdrawal of time deposits of 29,344 million yen, purchase of property, plant and equipment of 1,884 million yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,834 million yen.

Cash flows from financing activities

Cash flows from financing activities totaled -2,035 million yen (-7,025 million yen in the previous year). Major factor was: cash dividends paid of 2,368 million yen.

Consequently, cash and cash equivalents as of June 30, 2018 totaled 45,054 million yen, a decrease of 3,633 million yen from the end of the previous fiscal year.

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

The Group did not revise its forecast of consolidated results for the fiscal year ending December 31, 2018, which the Group announced via the "Summary of Financial Statements for the Fiscal Year ended December 31, 2017" released on February 2, 2018.

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2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated quarterly balance sheet

(millions of yen)

	Previous consolidated fiscal year (December 31, 2017)	End of 1st six-month period of FY ending December 2018 (June 30, 2018)
ASSETS		
Current assets		
Cash and deposits	64,990	64,997
Notes and accounts receivable-trade	50,032	42,715
Short-term investment securities	8,300	8,300
Merchandise and finished goods	9,789	12,704
Work in process	693	1,148
Raw materials and supplies	2,807	3,099
Deferred tax assets	3,221	3,263
Other	2,547	2,342
Allowance for doubtful accounts	(34)	(28)
Total current assets	142,346	138,543
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,212	8,068
Machinery, equipment and vehicles, net	3,985	4,389
Tools, furniture and fixtures, net	1,337	1,393
Land	3,576	3,575
Leased assets, net	573	543
Construction in progress	562	719
Total property, plant and equipment	18,247	18,689
Intangible assets		
Goodwill	2,626	3,332
Trademark rights	410	442
Software	906	865
Other	855	839
Total intangible assets	4,798	5,479
Investments and other assets		
Investment securities	46,797	47,757
Long-term loans receivable	261	306
Deferred tax assets	539	533
Real estate for investment, net	2,981	2,970
Other	3,243	3,238
Allowance for doubtful accounts	(384)	(418)
Total investments and other assets	53,438	54,388
Total non-current assets	76,484	78,557
Total assets	218,831	217,101

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(millions of yen)

	Previous consolidated fiscal year (December 31, 2017)	End of 1st six-month period of FY ending December 2018 (June 30, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,279	8,716
Electronically recorded obligations-operating	9,221	8,128
Short-term loans payable	194	274
Accounts payable-other	24,446	19,443
Lease obligations	55	54
Income taxes payable	4,654	4,027
Accrued consumption taxes	1,245	629
Provision for sales returns	1,793	1,170
Provision for bonuses	2,250	2,191
Asset retirement obligations	38	38
Other	2,095	2,115
Total current liabilities	54,274	46,789
Non-current liabilities		
Lease obligations	527	499
Deferred tax liabilities	5,224	5,335
Net defined benefit liability	2,805	2,759
Provision for directors' retirement benefits	37	37
Asset retirement obligations	81	81
Other	2,068	2,046
Total non-current liabilities	10,744	10,760
Total liabilities	65,019	57,549
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	4,183
Retained earnings	146,758	151,915
Treasury stock	(12,259)	(11,763)
Total shareholders' equity	142,132	147,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,267	13,922
Deferred gains or losses on hedges	9	2
Foreign currency translation adjustment	403	(260)
Re-measurements of retirement benefit plans	(2,038)	(1,898)
Total accumulated other comprehensive income	11,642	11,766
Subscription rights to shares	36	—
Total net assets	153,811	159,552
Total liabilities and net assets	218,831	217,101

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(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income

(Consolidated quarterly statements of income)

(For the first six-month period of the fiscal year ending December 31, 2018)

(millions of yen)

	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)	Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)
Net sales	67,307	72,678
Cost of sales	24,736	26,337
Gross profit	42,571	46,341
Selling, general and administrative expenses	32,208	34,738
Operating income	10,363	11,602
Non-operating income		
Interest income	124	119
Dividend income	192	215
Real estate rent	148	146
Other	161	145
Total non-operating income	626	627
Non-operating expenses		
Interest expenses	9	3
Sales discounts	298	302
Rent cost of real estate	42	35
Foreign exchange losses	178	174
Other	216	180
Total non-operating expenses	745	696
Ordinary income	10,244	11,533
Extraordinary income		
Gain on reversal of share acquisition rights	—	5
Other	0	0
Total extraordinary income	0	6
Extraordinary loss		
Loss on sales and retirement of non-current assets	50	55
Impairment loss	331	755
Other	97	1
Total extraordinary loss	478	812
Income before income taxes	9,765	10,727
Income taxes - current	3,781	3,392
Income taxes - deferred	(1,052)	(294)
Total income taxes	2,728	3,097
Net income	7,037	7,629
Net income attributable to owners of the parent	7,037	7,629

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(Consolidated quarterly statements of comprehensive income)
 (For the first six-month period of the fiscal year ending December 31, 2018)

(millions of yen)

	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)	Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)
Net income	7,037	7,629
Other comprehensive income		
Valuation difference on available-for-sale securities	1,641	655
Deferred gains or losses on hedges	(24)	(6)
Foreign currency translation adjustment	(689)	(664)
Adjustment for retirement benefits	141	140
Total other comprehensive income	1,069	124
Quarterly comprehensive income	8,106	7,753
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	8,106	7,753
Comprehensive income attributable to non-controlling interests	—	—

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(3) Consolidated statement of cash flows

(millions of yen)

	Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)	Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Income before income taxes	9,765	10,727
Depreciation	1,420	1,394
Impairment loss	331	755
Amortization of goodwill	303	217
Increase (decrease) in allowance for doubtful accounts	40	45
Increase (decrease) in net defined benefit liability	(53)	(45)
Interest and dividend income	(317)	(334)
Interest expenses	9	3
Loss (gain) on sales of investment securities	0	(0)
Loss (gain) on sales and retirement of non-current assets	50	55
Decrease (increase) in notes and accounts receivable-trade	6,887	7,201
Decrease (increase) in inventories	(3,484)	(3,637)
Increase (decrease) in notes and accounts payable-trade	590	(492)
Increase (decrease) in accounts payable-other	(2,558)	(5,019)
Increase (decrease) in accrued consumption taxes	(471)	(619)
Increase (decrease) in provision for loss on business liquidation	18	—
Other	(411)	(144)
Subtotal	12,120	10,108
Interest and dividend income received	310	349
Interest expenses paid	(7)	(1)
Income taxes paid	(3,232)	(4,037)
Net cash provided by (used in) operating activities	9,191	6,418
Cash flows from investing activities		
Payments into time deposits	(31,676)	(32,992)
Proceeds from withdrawal of time deposits	39,349	29,344
Purchase of property, plant and equipment	(1,528)	(1,884)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	(173)	(157)
Purchase of investment securities	(1,048)	(11)
Proceeds from sales of investment securities	5	2
Purchase of investment assets and other assets	(72)	(75)
Proceeds from sales of investment assets and other assets	43	33
Decrease (increase) in short-term loans receivable	(0)	0
Payments of long-term loans receivable	(37)	(44)
Collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,834)
Other	(50)	—
Net cash provided by (used in) investing activities	4,813	(7,618)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	0	(1)
Purchase of treasury stock	(5,068)	—
Proceeds from disposal of treasury stock	205	361
Cash dividends paid	(2,134)	(2,368)
Repayment of lease obligations	(29)	(27)
Net cash provided by (used in) financing activities	(7,025)	(2,035)
Effect of exchange rate change on cash and cash equivalents	(231)	(398)
Net increase (decrease) in cash and cash equivalents	6,746	(3,633)
Cash and cash equivalents at beginning of period	28,322	48,688
Cash and cash equivalents at end of period	35,069	45,054

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(4) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable.

(Notes on a significant change in shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the period)

In the first six-month period of the consolidated fiscal year ending December 31, 2018, the Company established Kobayashi (China) Co., Ltd. and acquired all interests in Jiangsu Kobayashi Pharmaceutical Co., Ltd. Accordingly, it included these two companies in the scope of consolidation.

Readers are advised that Kobayashi (China) Co., Ltd. and Jiangsu Kobayashi Pharmaceutical Co., Ltd. are the Company's specified subsidiaries.

(Segment information, etc.)

I. Six-month period ended June 30, 2017 (January 1, 2017 to June 30, 2017)

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

	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	53,915	7,909	4,943	66,768	539	67,307	—	67,307
Inter-segment sales or transfers	2,731	450	—	3,182	2,432	5,615	(5,615)	—
Total	56,647	8,360	4,943	69,950	2,972	72,922	(5,615)	67,307
Segment income	9,900	(19)	(67)	9,814	766	10,580	(336)	10,244

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of -336 million yen in segment income (loss) are eliminations among segments, and profits and expenses not distributed to each relevant business segment.
3. Segment income (loss) is adjusted with ordinary income in the consolidated quarterly statements of income.

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

(Significant impairment loss on non-current assets)

In the Domestic Consumer Products Business segment, regarding business assets that the Group finds it difficult to recoup its investment in, the Group has reduced their book value to their recoverable value and has posted the reduced amount as impairment loss. The resulting impairment loss amounted to 331 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2018.

(Significant change in the value of goodwill)

In the Domestic Consumer Products Business segment, the Group has recorded impairment loss for goodwill that the Group finds it difficult to recoup its investment in. The resulting decrease in the value of goodwill amounted to 227 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2018. The impairment loss on goodwill is included in the above-mentioned significant impairment loss on non-current assets.

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II. Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)

1. Information on net sales, 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	57,382	9,646	5,109	72,137	541	72,678	—	72,678
Inter-segment sales or transfers	2,966	470	—	3,436	2,655	6,092	(6,092)	—
Total	60,348	10,116	5,109	75,574	3,197	78,771	(6,092)	72,678
Segment income	11,159	81	80	11,321	650	11,971	(438)	11,533

(Notes)

1. *Other* represents businesses that are not included in the reportable segments, such as transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production.
2. Adjustments of -438 million yen in segment income (loss) are eliminations among segments, and profits and expenses not distributed to each relevant business segment.
3. Segment income (loss) is adjusted with ordinary income in the consolidated quarterly statements of income.

2. Information concerning impairment loss on non-current assets or goodwill by reportable segments

(Significant impairment loss on non-current assets)

In the Overseas Consumer Products Business segment, the Group has recorded impairment loss for goodwill that the Group finds it difficult to recoup its investment in. The resulting impairment loss amounted to 753 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2018.

(Significant change in the value of goodwill)

As stated in the above (Significant impairment loss on non-current assets), the Group has recorded impairment loss for goodwill in the Overseas Consumer Products Business segment.

The resulting decrease in the value of goodwill amounted to 753 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2018.

Furthermore, the Group has recorded goodwill in this segment, since Kobayashi (China) Co., Ltd. acquired all interests in Jiangsu Kobayashi Pharmaceutical Co., Ltd.

The resulting increase in the value of goodwill amounted to 1,751 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2018. Readers are advised that the value of goodwill is provisional, since the allocation of the acquisition cost has not completed yet.

(Significant subsequent events)

Not applicable.