

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the 2nd Quarter of the Fiscal Year Ending December 31, 2019

July 31, 2019

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 8, 2019
 Expected date for starting payment of dividends: September 5, 2019
 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, 2019 (January 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (accumulation)

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

	Q2 of FY ending December 31, 2019		Q2 of FY ended December 31, 2018	
Net sales	73,630 millions of yen	1.3 %	72,678 millions of yen	8.0 %
Operating income	11,421	(1.6)	11,602	12.0
Ordinary income	11,635	0.9	11,533	12.6
Net income attributable to owners of the parent	8,202	7.5	7,629	8.4
Net income per share	104.26 yen		96.58 yen	
Net income per share after full dilution	—		96.50	

(Notes)

Comprehensive income: Q2 of FY ending December 31, 2019: 7,509 million yen (-3.1%)
 Q2 of FY ended December 31, 2018: 7,753 million yen (-4.4%)

(2) Consolidated Financial Position

	Q2 of FY ending December 31, 2019	As of December 31, 2018
Total assets	219,459 millions of yen	228,787 millions of yen
Net assets	162,992	166,249
Shareholders' equity ratio	74.3 %	72.7 %
Net assets per share	2,085.28 yen	2,102.49 yen

(Reference) Shareholders' equity

Q2 of FY ending December 31, 2019: 162,992 million yen As of December 31, 2018: 166,249 million yen

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the current fiscal year. The change applies retroactively to the results for the previous fiscal year.

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2. Dividends

	FY ended December 2018	FY ending December 2019	FY ending December 2019 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	31.00 yen	33.00 yen	
Q3 end	—		—
Year-end	35.00		35.00
Total	66.00		68.00

(Note) Revision of the latest dividend forecast: None

3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(% figures represent changes from previous year)

	Full year	
Net sales	173,000 millions of yen	3.3 %
Operating income	27,300	3.8
Ordinary income	27,900	1.9
Net income attributable to owners of the parent	19,000	5.4
Earnings per share	240.29 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): None

(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, 2019	82,050,000 shares	FY ended December 31, 2018	82,050,000 shares
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② Number of shares of treasury stock at period-end:

Q2 of FY ending December 31, 2019	3,886,837 shares	FY ended December 31, 2018	2,977,337 shares
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③ Average number of shares outstanding during period (consolidated cumulative quarters):

Q2 of FY ending December 31, 2019	78,674,439 shares	Q2 of FY ended December 31, 2018	78,993,961 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 Company plans to post the Financial Overview for the Second Quarter of the Fiscal Year Ending December 31, 2019 on its website immediately after the results presentation scheduled for Friday, August 2, 2019.

(Change of date indication)

Date indication has been changed to the western calendar format from the Japanese calendar format from the Brief Report of Financial Statements for the First Quarter of the Fiscal Year Ending December 31, 2019.

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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 73,630 million yen (+1.3% year on year), 11,421 million yen (-1.6% year on year) and 11,635 million yen (+0.9% year on year), respectively, and net income attributable to owners of the parent was 8,202 million yen (+7.5% year on year).

Business results by segment were as follows:

Kobayashi Pharmaceuticals of America, Inc., which had been included in *Other Businesses*, was dissolved as of January 1, 2019 by an absorption-type merger under which Kobayashi Healthcare International, Inc., which is a consolidated subsidiary and is classified under the *Overseas Consumer Products Business* segment, remains as the surviving company. Accordingly, the year-earlier figures based on the new segmentation are used for the year-on-year comparison described below.

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 *Shoyo 45° Migaki Brush* (a toothbrush that effectively removes stains and dental plaque in periodontal pockets), *Tabakosumigaki* (a toothpaste containing charcoal grains that remove tar and stains), *Sawaday Kaoru Stick Aroma Candle* (a stick-type fragrance for indoor use containing sweet and heavy scents like aroma candles), and *Keshimin Fukitori Shimitaisakueki* (a water lotion that pares away old keratin to promote the turnover of skin cells and facilitates ingredients effective for removing blotches penetrating into the skin).

Existing healthcare products that recorded robust sales included *Naishitoru* (a therapeutic anti-obesity drug), *Inochi No Haha* (a women's health medicine), *Hemorindo* (a sublingual tablet medicine to cure blind piles), and Chinese medicines such as *Chikunain* (a remedy for empyema). Household products that contributed to the growth in sales were *Bluelet* (a toilet deodorizer and bowl bleach tablet), *Sawaday Kaoru Stick* (a fragrance for indoor use containing elegant scents), and *Sarasaty* (a sheet for absorbing vaginal discharge). Skin care products that sold well included *Eau de Muge* (a medicated lotion for preventing acne and rough dry skin) and *Keshimin* (skin care goods for blotches).

Consequently, the Company reported net sales of 61,429 million yen (+1.8% year on year) and segment income (ordinary income) of 10,901 million yen (-2.3% year on year). Meanwhile, operating income was 10,733 million yen (-2.3% year on year).

Net sales include inter-segment sales or transfers, which totaled 2,966 million yen in the first six-month period of the previous year and 3,453 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q2 ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Q2 ended June 30, 2019 (January 1, 2019 to June 30, 2019)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
Healthcare products	29,329	29,659	330	1.1
Household products	24,005	24,656	651	2.7
Skin care	2,959	3,526	567	19.2
Body warmers	1,088	133	(955)	(87.8)
Total	57,382	57,975	593	1.0

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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 10,685 million yen (+5.6% year on year) and 149 million yen (+5.9% year on year), respectively. Operating income was 134 million yen (-11.2% year on year).

Net sales include inter-segment sales or transfers, which totaled 470 million yen in the first six-month period of the previous year and 552 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q2 ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Q2 ended June 30, 2019 (January 1, 2019 to June 30, 2019)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
United States	2,443	2,009	(434)	(17.8)
China	3,869	4,283	413	10.7
Southeast Asia	2,010	2,645	635	31.6
Others	1,322	1,194	(127)	(9.7)
Total	9,646	10,132	486	5.0

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 4,952 million yen (-3.1% year on year) and segment income (ordinary income) of 143 million yen (+79.2% year on year). Meanwhile, operating income was 142 million yen (+84.8% year on 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 3,291 million yen (+3.0% year on year) and segment income (ordinary income) of 903 million yen (+52.9% year on year). Operating income was 367 million yen (+36.4% year on year).

Net sales include inter-segment sales or transfers, which totaled 2,655 million yen in the first six-month period of the previous year and 2,723 million yen in the same period of the current year.

(2) Explanation of financial position

Total assets decreased by 9,327 million yen from the balance as of the end of the previous consolidated fiscal year, to 219,459 million yen. This was attributable mainly to a decline of 7,169 million yen in cash and deposits, a fall of 8,872 million yen in notes and accounts receivable-trade, an increase of 2,027 million yen in short-term investment securities, a rise of 4,766 million yen in merchandise and finished goods, an increase of 614 million yen in work in process, a gain of 367 million yen in raw materials and supplies, an increase of 412 million yen in machinery, equipment and vehicles, a rise of 491 million yen in land, a decrease of 749 million yen in goodwill, and a fall of 2,593 million yen in investment securities.

Liabilities declined by 6,070 million yen from the balance as of the end of the previous consolidated fiscal year, to 56,467 million yen. This was attributable mainly to an increase of 659 million yen in notes and accounts payable-trade, a decrease of 512 million yen in electronically recorded obligations-operating, a decline of 479 million yen in short-term loans payable, a fall of 5,215 million yen in accounts payable-other, and a decrease of 615 million yen in accrued consumption taxes.

Net assets decreased by 3,257 million yen from the balance as of the end of the previous consolidated fiscal year, to 162,992 million yen, bringing the shareholders' equity ratio to 74.3%. This was mainly attributable to an increase of 5,434 million yen in retained earnings and a rise of 7,999 million yen in treasury stock, and a

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decline of 669 million yen in foreign currency translation adjustment.

Cash flows from operating activities

Cash flows from operating activities totaled 7,272 million yen (6,418 million yen in the previous year). Major factors were: income before income taxes of 11,585 million yen, depreciation of 1,464 million yen, a decrease in notes and accounts receivable-trade of 8,832 million yen, an increase in inventories of 5,412 million yen, a decrease in accounts payable-other of 4,663 million yen, and income taxes paid of 4,026 million yen.

Cash flows from investing activities

Cash flows from investing activities totaled -3,981 million yen (-7,618 million yen in the previous year). Major factors were: payments into time deposits of 30,745 million yen, proceeds from withdrawal of time deposits of 29,589 million yen, the purchase of property, plant and equipment of 2,331 million yen, and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,054 million yen.

Cash flows from financing activities

Cash flows from financing activities totaled -11,351 million yen (-2,035 million yen in the previous year). Major factors were: cash dividend paid of 2,764 million yen and purchase of treasury stock of 8,014 million yen.

Consequently, cash and cash equivalents as of June 30, 2019 totaled 47,573 million yen, a decrease of 8,342 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, 2019, which the Group announced via the "Summary of Financial Statements for the Fiscal Year ended December 31, 2018" released on January 31, 2019.

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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, 2018)	End of 1st six-month period of FY ending December 2019 (June 30, 2019)
ASSETS		
Current assets		
Cash and deposits	74,456	67,287
Notes and accounts receivable-trade	53,386	44,513
Short-term investment securities	8,300	10,327
Merchandise and finished goods	9,430	14,196
Work in process	934	1,548
Raw materials and supplies	3,279	3,646
Other	2,167	2,242
Allowance for doubtful accounts	(131)	(75)
Total current assets	151,824	143,687
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,447	8,711
Machinery, equipment and vehicles, net	4,466	4,878
Tools, furniture and fixtures, net	1,457	1,445
Land	3,625	4,117
Leased assets, net	515	799
Construction in progress	512	810
Total property, plant and equipment	19,024	20,763
Intangible assets		
Goodwill	3,241	2,491
Trademark rights	108	98
Software	905	958
Other	567	545
Total intangible assets	4,823	4,094
Investments and other assets		
Investment securities	45,916	43,323
Long-term loans receivable	386	497
Deferred tax assets	1,627	1,931
Real estate for investment, net	2,956	2,942
Other	2,697	2,768
Allowance for doubtful accounts	(469)	(548)
Total investments and other assets	53,115	50,914
Total non-current assets	76,963	75,772
Total assets	228,787	219,459

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(millions of yen)

	Previous consolidated fiscal year (December 31, 2018)	End of 1st six-month period of FY ending December 2019 (June 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,706	9,366
Electronically recorded obligations-operating	9,070	8,557
Short-term loans payable	506	26
Accounts payable-other	25,126	19,911
Lease obligations	53	159
Income taxes payable	4,423	4,002
Accrued consumption taxes	1,187	571
Provision for sales returns	1,638	1,255
Provision for bonuses	2,355	2,262
Asset retirement obligations	42	42
Other	1,940	2,041
Total current liabilities	55,053	48,200
Non-current liabilities		
Lease obligations	472	648
Deferred tax liabilities	2,812	2,859
Net defined benefit liability	2,057	2,038
Provision for directors' retirement benefits	38	38
Asset retirement obligations	77	78
Other	2,027	2,604
Total non-current liabilities	7,485	8,267
Total liabilities	62,538	56,467
NET ASSETS		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	4,183
Retained earnings	159,857	165,292
Treasury stock	(11,763)	(19,762)
Total shareholders' equity	155,728	153,163
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,636	12,478
Deferred gains or losses on hedges	2	0
Foreign currency translation adjustment	(318)	(988)
Re-measurements of retirement benefit plans	(1,798)	(1,662)
Total accumulated other comprehensive income	10,520	9,828
Total net assets	166,249	162,992
Total liabilities and net assets	228,787	219,459

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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, 2019)

(millions of yen)

	Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Six-month period ended June 30, 2019 (January 1, 2019 to June 30, 2019)
Net sales	72,678	73,630
Cost of sales	26,337	26,639
Gross profit	46,341	46,990
Selling, general and administrative expenses	34,738	35,569
Operating income	11,602	11,421
Non-operating income		
Interest income	119	166
Dividend income	215	414
Real estate rent	146	145
Other	145	138
Total non-operating income	627	865
Non-operating expenses		
Interest expenses	3	8
Sales discounts	302	291
Rent cost of real estate	35	41
Foreign exchange losses	174	155
Other	180	155
Total non-operating expenses	696	652
Ordinary income	11,533	11,635
Extraordinary income		
Gain on reversal of share acquisition rights	5	—
Gain on sales of non-current assets	—	2
Gain on sales of investment securities	—	2
Gain on transfer of business	—	600
Other	0	0
Total extraordinary income	6	605
Extraordinary loss		
Loss on sales and retirement of non-current assets	55	52
Impairment loss	755	552
Loss on valuation of shares of subsidiaries and associates	—	50
Other	1	0
Total extraordinary loss	812	655
Income before income taxes	10,727	11,585
Income taxes - current	3,392	3,628
Income taxes - deferred	(294)	(245)
Total income taxes	3,097	3,383
Net income	7,629	8,202
Net income attributable to owners of the parent	7,629	8,202

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(Consolidated quarterly statements of comprehensive income)
 (For the first six-month period of the fiscal year ending December 31, 2019)

(millions of yen)

	Six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018)	Six-month period ended June 30, 2019 (January 1, 2019 to June 30, 2019)
Net income	7,629	8,202
Other comprehensive income		
Valuation difference on available-for-sale securities	655	(158)
Deferred gains or losses on hedges	(6)	(1)
Foreign currency translation adjustment	(664)	(669)
Adjustment for retirement benefits	140	136
Total other comprehensive income	124	(692)
Quarterly comprehensive income	7,753	7,509
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	7,753	7,509
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, 2018 (January 1, 2018 to June 30, 2018)	Six-month period ended June 30, 2019 (January 1, 2019 to June 30, 2019)
Cash flows from operating activities		
Income before income taxes	10,727	11,585
Depreciation	1,394	1,464
Loss on valuation of shares of subsidiaries and associates	—	50
Impairment loss	755	552
Amortization of goodwill	217	230
Increase (decrease) in allowance for doubtful accounts	45	25
Increase (decrease) in net defined benefit liability	(45)	(27)
Interest and dividend income	(334)	(581)
Interest expenses	3	8
Loss (gain) on sales of investment securities	(0)	(2)
Loss (gain) on sales and retirement of non-current assets	55	49
Loss (gain) on transfer of business	—	(600)
Decrease (increase) in notes and accounts receivable-trade	7,201	8,832
Decrease (increase) in inventories	(3,637)	(5,412)
Increase (decrease) in notes and accounts payable-trade	(492)	(32)
Increase (decrease) in accounts payable-other	(5,019)	(4,663)
Increase (decrease) in accrued consumption taxes	(619)	(621)
Other	(144)	(189)
Subtotal	10,108	10,667
Interest and dividend income received	349	633
Interest expenses paid	(1)	(1)
Income taxes paid	(4,037)	(4,026)
Net cash provided by (used in) operating activities	6,418	7,272
Cash flows from investing activities		
Payments into time deposits	(32,992)	(30,745)
Proceeds from withdrawal of time deposits	29,344	29,589
Purchase of property, plant and equipment	(1,884)	(2,331)
Proceeds from sales of property, plant and equipment	0	13
Purchase of intangible assets	(157)	(135)
Purchase of investment securities	(11)	(9)
Proceeds from sales of investment securities	2	3
Purchase of investment assets and other assets	(75)	(135)
Proceeds from sales of investment assets and other assets	33	26
Decrease (increase) in short-term loans receivable	0	1
Payments of long-term loans receivable	(44)	(97)
Collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,834)	(1,054)
Proceeds from liquidation of subsidiaries	—	293
Proceeds from transfer of business	—	600
Net cash provided by (used in) investing activities	(7,618)	(3,981)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1)	(488)
Purchase of treasury stock	—	(8,014)
Proceeds from disposal of treasury stock	361	—
Cash dividends paid	(2,368)	(2,764)
Repayment of lease obligations	(27)	(83)
Net cash provided by (used in) financing activities	(2,035)	(11,351)
Effect of exchange rate change on cash and cash equivalents	(398)	(282)
Net increase (decrease) in cash and cash equivalents	(3,633)	(8,342)
Cash and cash equivalents at beginning of period	48,688	55,916
Cash and cash equivalents at end of period	45,054	47,573

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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)

In accordance with the resolution approved at the Board of Directors' meeting held on January 31, 2019, the Company repurchased 909,500 shares of its shares. Consequently, treasury stocks increased by 7,999 million yen during the first six-month period of the current year, amounting to 19,762 million yen at the end of the first six-month period of the current year.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied from the beginning of the first three-month period of the current year. Accordingly, deferred tax assets have been classified as investments and other assets, and deferred tax liabilities have been classified as non-current liabilities.

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(Segment information, etc.)

[Segment information, etc.]

I. 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	140	80	11,380	591	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 are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
3. Segment income is adjusted with ordinary income in the quarterly consolidated 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 has found 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 ended December 31, 2018.

(Significant change in the value of goodwill)

As stated 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 ended 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 1,534 million yen in the first six-month period of the consolidated fiscal year ended December 31, 2018. Readers are advised that the value of goodwill is the amount reflected in the review following the settlement of the provisional accounting treatment.

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II. Six-month period ended June 30, 2019 (January 1, 2019 to June 30, 2019)

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	57,975	10,132	4,952	73,061	568	73,630	—	73,630
Inter-segment sales or transfers	3,453	552	—	4,005	2,723	6,729	(6,729)	—
Total	61,429	10,685	4,952	77,067	3,291	80,359	(6,729)	73,630
Segment income	10,901	149	143	11,194	903	12,098	(463)	11,635

(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 -463 million yen in segment income 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 the change of the reporting segment

In the first three-month period of the consolidated fiscal year ending December 31, 2019, Kobayashi Pharmaceuticals of America, Inc., which had been included in *Other Businesses* in the previous year, was dissolved as of January 1, 2019 by an absorption-type merger under which Kobayashi Healthcare International, Inc., which is a consolidated subsidiary and is classified under *Overseas Consumer Products Business* segment, remains as the surviving company.

The Group has disclosed the segment information for the six-month period ended June 30, 2018 that is prepared based on the new segmentation.

3. 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, the Group has recorded impairment loss for goodwill that the Group has found it difficult to recoup its investment in.

The resulting impairment loss amounted to 549 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2019.

(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 549 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2019.

Furthermore, the Group has recorded goodwill in this segment, since it acquired stake in Meitan Hongo KK in May 14, 2019.

The resulting increase in the value of goodwill amounted to 102 million yen in the first six-month period of the consolidated fiscal year ending December 31, 2019.

(Significant subsequent events)

Not applicable.