

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended December 31, 2019

January 31, 2020

Listed exchanges : Tokyo

Listed company name : Kobayashi Pharmaceutical Co., Ltd.

Code : 4967

URL : <http://www.kobayashi.co.jp/english/index.html>

Representative officer : Akihiro Kobayashi, President & COO

Contact : Satoshi Yamane,  
Senior Executive Director & Senior General Manager, Corporate Headquarters

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Expected date of general meeting of shareholders: March 27, 2020

Expected date for starting payment of dividends: March 6, 2020

Expected date for filing financial report with the Finance Ministry: March 27, 2020

Preparation of supplementary explanation documents for Financial Statements: Yes

Holding of an analyst meeting for the financial results: 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 December 31, 2019 (January 1, 2019 to December 31, 2019)

#### (1) Consolidated Operating Results

(% figures represent changes from previous period.)

	FY ended December 31, 2019		FY ended December 31, 2018	
Net sales	168,052	0.3 %	167,479	6.8 %
	millions of yen		millions of yen	
Operating income	26,355	0.3	26,289	14.7
Ordinary income	27,851	1.7	27,374	13.2
Net income attributable to owners of the parent	19,139	6.2	18,023	13.6
Net income per share	244.08 yen		228.05 yen	
Net income per share after full dilution	—		227.95	
Return on equity		11.3		11.3
Return on assets		12.1		12.2
Ratio of operating income to net sales		15.7		15.7

(Note) Comprehensive income

FY ended December 31, 2019: 19,754 million yen (16.9%)

FY ended December 31, 2018: 16,901 million yen (-13.2%)

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (2) Consolidated Financial Position

	FY ended December 31, 2019	FY ended December 31, 2018
Total assets	233,398 millions of yen	228,787 millions of yen
Net assets	172,657	166,249
Shareholders' equity ratio	74.0 %	72.7 %
Net assets per share	2,208.94 yen	2,102.49 yen

(Reference) Shareholders' equity

FY ended December 31, 2019: 172,657 million yen      FY ended December 31, 2018: 166,249 million yen

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

## (3) Consolidated Cash Flow

	FY ended December 31, 2019	FY ended December 31, 2018
Net cash provided by (used in) operating activities	20,089 millions of yen	20,007 millions of yen
Net cash provided by (used in) investing activities	(5,072)	(8,062)
Net cash provided by (used in) financing activities	(14,581)	(4,285)
Cash and cash equivalents at period-end	56,272	55,916

## 2. Dividends

	FY ended December 31, 2018	FY ended December 31, 2019	FY ending December 31, 2020 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	31.00 yen	33.00 yen	34.00 yen
Q3 end	—	—	—
Year-end	35.00	40.00	41.00
Total	66.00	73.00	75.00
Total dividends	5,218 millions of yen	5,705 millions of yen	
Payout ratio (consolidated)	28.9 %	29.9 %	29.3 %
Ratio of dividends to net assets (consolidated)	3.3	3.4	

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% figures represent changes from previous period.)

	Full year		
Net sales	165,000	millions of yen	— %
Operating income	26,400		—
Ordinary income	28,000		—
Net income	20,000		—
Net income per share	255.88	yen	

As the "Accounting Standard for Revenue Recognition," etc. will be applied from the beginning of the year ending December 31, 2020, the forecast of consolidated operational results for the year ending December 31, 2020 is prepared based on such accounting standard, etc. Therefore, the year-on-year percentage changes from the results for the year ended December 31, 2019 have been omitted from the table above.

[Reference] The below percentage changes (changes after adjustment) show the year-on-year percentage changes between the results of the Company and its consolidated subsidiaries for the year ended December 31, 2019 adjusted by applying the "Accounting Standard for Revenue Recognition," etc. and the forecast of consolidated operational results for the year ending December 31, 2020.

Net sales	Operating income	Ordinary income	Net income	(Unit: millions of yen)			
165,000	4.2%	26,400	2.9%	28,000	0.5%	20,000	4.5%

## \* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes of the scope of consolidation): None
- (2) 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

## (3) Issued shares (common shares)

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

FY ended December 31, 2019	82,050,000 shares	FY ended December 31, 2018	82,050,000 shares
FY ended December 31, 2019	3,886,837 shares	FY ended December 31, 2018	2,977,337 shares
FY ended December 31, 2019	78,416,700 shares	FY ended December 31, 2018	79,033,636 shares

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

③ Average number of shares outstanding during period:

\* This brief report of 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 matters concerning forecasts for operational results, please refer to "1. Overview of Operational Results, etc., (4) Forecast for Year Ending December 31, 2020" on page 6 of the attachment.

(Method to obtain the attachment of Financial Statements)

The Company plans to post the attachment of Financial Statements on its website immediately after the results presentation scheduled for Friday, January 31, 2020.

(Change of date indication)

Date indication has been changed from the Japanese calendar format to the Western 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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## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 1. Overview of Operational Results, etc.

## (1) Overview of Operational Results for FY Ended December 31, 2019

	(Unit: millions of yen)					
	Previous Year (FY ended December 31, 2018)		Current Year (FY ended December 31, 2019)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Change (%)
Net sales	167,479	100.0	168,052	100.0	573	0.3
Operating income	26,289	15.7	26,355	15.7	66	0.3
Ordinary income	27,374	16.3	27,851	16.6	476	1.7
Net income attributable to owners of the parent	18,023	10.8	19,139	11.4	1,116	6.2
Net income per share (yen)	228.05		244.08		16.03	7.0

During the current consolidated fiscal year under review, the business environment surrounding the Kobayashi Pharmaceutical Group continued to be unstable due to uncertainty over the future of the global economy caused by incidents such as the trade frictions between the U.S. and China and intensification of protests in Hong Kong. Meanwhile, the Japanese economy witnessed a gradual recovery trend as shown in the improvement of corporate earnings and employment helped by the continued economic stimulus measures implemented by the government despite the impact of successive natural disasters and the consumption tax rate hike.

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." Then, the current consolidated fiscal year was the final year for the Group's medium-term management plan from FY2017 to FY2019. The Group succeeded in achieving all of its consolidated performance targets set in the plan.

As a result, net sales, operating income and ordinary income were 168,052 million yen (+0.3% year on year), 26,355 million yen (+0.3% year on year) and 27,851 million yen (+1.7% year on year), respectively, and net income attributable to owners of the parent was 19,139 million yen (+6.2% year on year).

Business results by segment were as follows:

From the current consolidated fiscal year under review, the Group has changed its business segment names as follows: "Domestic Consumer Products Business" is renamed as "Domestic Business"; "Overseas Consumer Products Business" is renamed as "International Business".

Furthermore, 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 "International 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 Business

In the Domestic Business, the Company launched 10 new products in the spring and another 19 in the fall. The products that contributed to the growth in sales were *Kampo Hiroresu* (a Chinese herbal medicine series that enables persons suffering from accumulated fatigue to choose prescriptions according to their symptoms), *Bisrat Aquclear EX* (a Chinese herbal medicine that is effective to remove swelling and fat in the menopausal period by raising metabolism), *Shittori Bihada Mask* (a night-use mask made with a component of serum that keeps moist skin by only wearing it while sleeping), *Shoshugen PARFUM Compact* (a deodorizing air freshener for toilets in a new compact and simple package turning a toilet into a fashionable space), 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 health care 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 herbal 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). However, sales of body warmers decreased due to the impact of unseasonably warm winter weather and the planned reduction of shipments.

Consequently, the Company reported net sales of 137,083 million yen (-0.1% year on year) and segment income (ordinary income) of 23,509 million yen (-2.1% year on year). Meanwhile, operating income was 23,497 million yen (-3.1% year on year).

Net sales include inter-segment sales or transfers, which totaled 6,777 million yen in the previous consolidated fiscal year and 6,497 million yen in the consolidated fiscal year under review.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(Breakdown of sales to external customers)

	Previous Year (FY ended December 31, 2018)	Current Year (FY ended December 31, 2019)	(Unit: millions of yen)	
			Change	
			Amount	Change (%)
Healthcare products	61,546	62,378	832	1.4
Household products	55,250	55,806	556	1.0
Skin care	6,590	7,623	1,032	15.7
Body warmers	6,989	4,777	(2,212)	(31.7)
Total	130,379	130,585	206	0.2

International Business

In the International 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 27,575 million yen (+3.5% year on year) and 1,906 million yen (+64.3% year on year), respectively. Operating income was 1,727 million yen (+56.9% year on year).

Net sales include inter-segment sales or transfers, which totaled 994 million yen in the previous consolidated fiscal year and 938 million yen in the consolidated fiscal year under review.

(Breakdown of sales to external customers)

	Previous Year (FY ended December 31, 2018)	Current Year (FY ended December 31, 2019)	(Unit: millions of yen)	
			Change	
			Amount	Change (%)
United States	9,824	9,381	(442)	(4.5)
China	8,994	10,048	1,053	11.7
Southeast Asia	4,018	4,582	564	14.1
Others	2,809	2,624	(184)	(6.6)
Total	25,646	26,637	991	3.9

Direct Marketing Business

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

Consequently, the Company reported net sales of 9,768 million yen (-4.7% year on year) and segment income (ordinary income) of 240 million yen (+61.4% year on year). Meanwhile, operating income was 236 million yen (+65.2% 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, and advertisement planning and production. 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, net sales and segment income (ordinary income) were 6,697 million yen (+0.4% year on year) and 2,628 million yen (+4.3% year on year), respectively. Operating income was 716 million yen (+10.9% year on year).

Net sales include inter-segment sales or transfers, which totaled 5,461 million yen in the previous consolidated fiscal year and 5,635 million yen in the consolidated fiscal year under review.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

**(2) Overview of Financial Position for FY Ended December 31, 2019**

(Consolidated Financial Position)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2018)	Current Year (FY ended December 31, 2019)	Change
Total assets	228,787	233,398	4,611
Net assets	166,249	172,657	6,408
Shareholders' equity ratio	72.7%	74.0%	1.3%
Net assets per share (yen)	2,102.49 yen	2,208.94 yen	106.46 yen

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

Total assets increased by 4,611 million yen from the balance as of the end of the previous consolidated fiscal year, to 233,398 million yen. This was attributable mainly to increases of 1,123 million yen in cash and deposits, 1,432 million yen in notes and accounts receivable-trade, 773 million yen in merchandise and finished goods, 614 million yen in work in process, 623 million yen in land, and 1,006 million yen in construction in progress and a decrease of 1,658 million yen in goodwill.

Liabilities declined by 1,797 million yen from the balance as of the end of the previous consolidated fiscal year, to 60,740 million yen. This was attributable mainly to a fall of 1,312 million yen in accounts payable-other.

Net assets rose by 6,408 million yen from the balance as of the end of the previous consolidated fiscal year, to 172,657 million yen, bringing the shareholders' equity ratio to 74.0%. This was mainly attributable to increases of 13,792 million yen in retained earnings and 7,999 million yen in treasury stock.

**(3) Overview of Cash Flows for FY Ended December 31, 2019**

(Consolidated Cash Flow)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2018)	Current Year (FY ended December 31, 2019)	Change
Net cash provided by (used in) operating activities	20,007	20,089	82
Net cash provided by (used in) investing activities	(8,062)	(5,072)	2,989
Free cash flow	11,944	15,017	3,072
Net cash provided by (used in) financing activities	(4,285)	(14,581)	(10,295)
Cash and cash equivalents at period-end	55,916	56,272	356

**Cash flows from operating activities**

Net cash provided by operating activities totaled 20,089 million yen. Major factors affecting this cash flow were: income before income taxes of 26,804 million yen, depreciation of 3,731 million yen, an increase in notes and accounts receivable-trade of 1,426 million yen, an increase in inventories of 1,020 million yen, a decrease in notes and accounts payable-trade of 993 million yen, a decrease in accounts payable-other of 785 million yen, interest and dividend income received of 1,019 million yen, and income taxes paid of 7,829 million yen.

**Cash flows from investing activities**

Net cash used in investing activities totaled 5,072 million yen. Major factors affecting this cash flow were: payments into time deposits of 52,836 million yen, proceeds from withdrawal of time deposits of 52,154 million yen, the purchase of property, plant and equipment of 4,379 million yen, the purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,054 million yen, and proceeds from sale of businesses of 600 million yen.

**Cash flows from financing activities**

Net cash used in financing activities totaled 14,581 million yen. Major factors affecting this cash flow were: purchase of treasury stock of 8,014 million yen and cash dividends paid of 5,333 million yen.

Consequently, cash and cash equivalents as of December 31, 2019 totaled 56,272 million yen, an increase of 356 million yen from the end of the previous fiscal year.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Forecast for Year Ending December 31, 2020

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 December 31, 2019. As for investments other than facility investments, we plan to make the same level of investment as in the fiscal year ended December 31, 2019 since we currently do not have major investment plans.

## Trend of Cash Flow Indicators

	As of March 31, 2016	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019
Shareholders' equity ratio (%)	75.1	71.2	70.3	72.7	74.0
Shareholders' equity ratio on a market price basis (%)	210.0	195.8	264.1	255.7	310.4
Ratio of net cash to interest-bearing liabilities (year)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	740.5	738.6	801.7	753.8	1,631.3

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 stock).

\* 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.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Forecast for Year Ending December 31, 2020

(Unit: millions of yen)

	Current Year (FY ended December 31, 2019)		Next Year (FY ending December 31, 2020)		Percentage change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Net sales	168,052	100.0	165,000	100.0	4.2
Operating income	26,355	15.7	26,400	16.0	2.9
Ordinary income	27,851	16.6	28,000	17.0	0.5
Net income attributable to owners of the parent	19,139	11.4	20,000	12.1	4.5
Net income per share (yen)	244.08		255.88		4.8

\* The percentage changes after adjustment show the year-on-year percentage changes between the results of the Company and its consolidated subsidiaries for the year ended December 31, 2019 adjusted by applying "Accounting Standard for Revenue Recognition," etc. and the forecast of consolidated operational results for the year ending December 31, 2020.

The Japanese economy is forecast to continue recovering, supported by continuation of the government's economic recovery program, which is expected to lead to the improvement of corporate earnings and employment. However, we expect the business environment to remain severe due to the unstable global situation.

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." Furthermore, a new medium-term management plan (the final year is FY2022) will start in FY2020. Under the theme "International Business First," the Group will put its full energies into developing the International Business and strive to achieve sustainable growth by steadily implementing each strategy formulated in the management plan.

In the Domestic Business, the Company will launch nine new products this spring with the aim of stimulating new demand and also strengthen its existing product lineup to accelerate sales. The new products include *Teirakku* (a Chinese herbal medicine for persons who have various complaints caused by barometric pressure changes, such as headache, drowsiness, dizziness, and swelling), *BreathCare Sparkling Tablet* (a new oral breath freshener tablet that dissolves and fizzes in the mouth instantly after biting it and gives refreshing feeling in the entire mouth), *Kennou Help* (a supplement that contains curcumin as functional substance for maintaining cognitive function), and *Sawaday Kaoru Stick Hokuou* (a stick-type fragrance for indoor use containing natural scents in a simple design that matches Scandinavian style interiors).

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

In the Direct Marketing Business, the Company will launch unique new products with characteristic of Kobayashi Pharmaceutical and 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 165,000 million yen, operating income of 26,400 million yen, ordinary income of 28,000 million yen and net income attributable to owners of the parent of 20,000 million yen in the fiscal year ending December 31, 2020.

## (5) Basic Policy for Profit Distribution and Dividend Payments for Fiscal Year Ended December 31, 2019 and Fiscal Year Ending December 31, 2020

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 Company's consolidated operational results.

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 73 yen, up 5 yen from the previous forecast (including an interim dividend of 33 yen per share already paid and a year-end dividend of 40 yen per share) for the year ended December 31, 2019. For the year ending December 31, 2020, the Company plans to pay a regular dividend of 75 yen per share (including an interim dividend of 34 yen per share and a year-end dividend of 41 yen per share).

## 2. Basic Policy for the Selection of Accounting Standards

Considering situations in Japan and overseas, the Company will appropriately deal with the application of Internal Financial Reporting Standards (IFRS).

## KOBAYASHI PHARMACEUTICAL CO., LTD.

3. Consolidated Financial Statements and Main Notes  
(1) Consolidated Balance Sheet

	(millions of yen)	
	Previous consolidated fiscal year (December 31, 2018)	Current consolidated fiscal year (December 31, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	74,456	75,580
Notes and accounts receivable-trade	53,386	54,818
Short-term investment securities	8,300	14,977
Merchandise and finished goods	9,430	10,203
Work in process	934	1,548
Raw materials and supplies	3,279	3,335
Other	2,167	2,293
Allowance for doubtful accounts	(131)	(45)
<b>Total current assets</b>	<b>151,824</b>	<b>162,712</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,447	8,520
Machinery, equipment and vehicles, net	4,466	4,751
Tools, furniture and fixtures, net	1,457	1,284
Land	3,625	4,248
Leased assets, net	515	856
Construction in progress	512	1,519
<b>Total property, plant and equipment</b>	<b>19,024</b>	<b>21,180</b>
Intangible assets		
Goodwill	3,241	1,582
Trademark rights	108	92
Software	905	1,071
Other	567	365
<b>Total intangible assets</b>	<b>4,823</b>	<b>3,112</b>
Investments and other assets		
Investment securities	45,916	39,533
Long-term loans receivable	386	572
Deferred tax assets	1,627	2,028
Real estate for investment, net	2,956	2,727
Other	2,697	2,150
Allowance for doubtful accounts	(469)	(619)
<b>Total investments and other assets</b>	<b>53,115</b>	<b>46,392</b>
<b>Total non-current assets</b>	<b>76,963</b>	<b>70,685</b>
<b>Total assets</b>	<b>228,787</b>	<b>233,398</b>

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (December 31, 2018)	Current consolidated fiscal year (December 31, 2019)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	8,706	8,276
Electronically recorded obligations—operating	9,070	8,836
Short-term loans payable	506	19
Accounts payable-other	25,126	23,814
Lease obligations	53	190
Income taxes payable	4,423	4,962
Accrued consumption taxes	1,187	1,224
Provision for sales returns	1,638	1,607
Provision for bonuses	2,355	2,368
Asset retirement obligations	42	42
Other	1,940	2,089
Total current liabilities	55,053	53,433
Non-current liabilities		
Lease obligations	472	682
Deferred tax liabilities	2,812	2,779
Net defined benefit liability	2,057	2,024
Provision for directors' retirement benefits	38	39
Asset retirement obligations	77	78
Other	2,027	1,703
Total non-current liabilities	7,485	7,307
Total liabilities	62,538	60,740
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	4,183
Retained earnings	159,857	173,650
Treasury stock	(11,763)	(19,762)
Total shareholders' equity	155,728	161,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,636	13,212
Deferred gains or losses on hedges	2	—
Foreign currency translation adjustment	(318)	(586)
Re-measurements of retirement benefit plans	(1,798)	(1,489)
Total accumulated other comprehensive income	10,520	11,136
Total net assets	166,249	172,657
Total liabilities and net assets	228,787	233,398

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement  
(Consolidated Income Statement)

	(millions of yen)	
	Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)	Current consolidated fiscal year (January 1, 2019 to December 31, 2019)
Net sales	167,479	168,052
Cost of sales	64,359	64,705
Gross profit	103,119	103,346
Selling, general and administrative expenses		
Promotion expenses	11,993	12,516
Freight and warehousing expenses	6,343	6,857
Advertising expenses	23,689	22,898
Provision of allowance for doubtful accounts	117	—
Salaries, allowances and bonuses	11,067	11,251
Retirement benefit expenses	826	807
Provision for directors' retirement benefits	0	1
Taxes and dues	622	744
Depreciation	718	891
Amortization of goodwill	439	396
Rent	1,500	1,480
Commission fees	5,706	5,492
Research and development expenses	7,031	7,110
Other	6,772	6,542
Total selling, general and administrative expenses	76,830	76,991
Operating income	26,289	26,355
Non-operating income		
Interest income	289	338
Dividend income	426	646
Real estate rent	293	293
Compensation income	1,200	1,000
Other	319	457
Total non-operating income	2,528	2,736
Non-operating expenses		
Interest expenses	35	20
Sales discounts	745	700
Rent cost of real estate	75	101
Foreign exchange losses	328	150
Provision of allowance for doubtful accounts	99	147
Other	158	118
Total non-operating expenses	1,443	1,239
Ordinary income	27,374	27,851

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)	Current consolidated fiscal year (January 1, 2019 to December 31, 2019)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	1	7
Gain on sales of investment securities	0	365
Gain on reversal of share acquisition rights	5	—
Gain on sale of businesses	—	600
Other	—	10
<b>Total extraordinary income</b>	<b>7</b>	<b>982</b>
<b>Extraordinary loss</b>		
Loss on disposal of non-current assets	106	147
Impairment loss	1,956	1,663
Loss on valuation of shares of subsidiaries and associates	—	50
Business restructuring expenses	—	165
Other	15	2
<b>Total extraordinary loss</b>	<b>2,078</b>	<b>2,029</b>
<b>Income before income taxes</b>	<b>25,304</b>	<b>26,804</b>
Income taxes - current	7,676	8,378
Income taxes - deferred	(396)	(713)
<b>Total income taxes</b>	<b>7,280</b>	<b>7,665</b>
<b>Net income</b>	<b>18,023</b>	<b>19,139</b>
Net income attributable to owners of the parent	18,023	19,139

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)	Current consolidated fiscal year (January 1, 2019 to December 31, 2019)
Net income	18,023	19,139
Other comprehensive income		
Valuation difference on available-for-sale securities	(631)	575
Deferred gains or losses on hedges	(7)	(2)
Foreign currency translation adjustment	(722)	(267)
Adjustment for retirement benefits	239	309
Total other comprehensive income	(1,121)	615
Comprehensive income	16,901	19,754
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	16,901	19,754
Comprehensive income attributable to noncontrolling interests	—	—

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Consolidated Statement of Shareholders' Equity Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	146,758	(12,259)	142,132
Change during current period					
Dividends from surplus			(4,819)		(4,819)
Net income attributable to owners of the parent			18,023		18,023
Purchase of treasury stock					—
Disposal of treasury stock		(104)		496	392
Transfer to capital surplus from retained earnings		104	(104)		—
Net changes of items other than shareholders' equity					
Total change during current period	—	—	13,099	496	13,595
Balance at current period-end	3,450	4,183	159,857	(11,763)	155,728

	Accumulated other comprehensive income					Subscription rights to shares	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	13,267	9	403	(2,038)	11,642	36	153,811
Change during current period							
Dividends from surplus							(4,819)
Net income attributable to owners of the parent							18,023
Purchase of treasury stock							—
Disposal of treasury stock							392
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	(631)	(7)	(722)	239	(1,121)	(36)	(1,158)
Total change during current period	(631)	(7)	(722)	239	(1,121)	(36)	12,437
Balance at current period-end	12,636	2	(318)	(1,798)	10,520	—	166,249

# KOBAYASHI PHARMACEUTICAL CO., LTD.

Current consolidated fiscal year (January 1, 2019 to December 31, 2019)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	159,857	(11,763)	155,728
Change during current period					
Dividends from surplus			(5,346)		(5,346)
Net income attributable to owners of the parent			19,139		19,139
Purchase of treasury stock				(7,999)	(7,999)
Disposal of treasury stock					—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity					
Total change during current period	—	—	13,792	(7,999)	5,793
Balance at current period-end	3,450	4,183	173,650	(19,762)	161,521

	Accumulated other comprehensive income					Subscription rights to shares	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	12,636	2	(318)	(1,798)	10,520	—	166,249
Change during current period							
Dividends from surplus							(5,346)
Net income attributable to owners of the parent							19,139
Purchase of treasury stock							(7,999)
Disposal of treasury stock							—
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	575	(2)	(267)	309	615	—	615
Total change during current period	575	(2)	(267)	309	615	—	6,408
Balance at current period-end	13,212	—	(586)	(1,489)	11,136	—	172,657



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)	Current consolidated fiscal year (January 1, 2019 to December 31, 2019)
<b>Cash flow from operating activities</b>		
Income before income taxes	25,304	26,804
Depreciation	2,964	3,731
Loss on valuation of shares of subsidiaries and associates	—	50
Business restructuring expenses	—	165
Impairment loss	1,956	1,663
Amortization of goodwill	439	396
Increase (decrease) in allowance for doubtful accounts	202	65
Increase (decrease) in net defined benefit liability	(797)	(77)
Interest and dividends income	(715)	(985)
Interest expenses	35	20
Loss (gain) on sales of investment securities	(0)	(365)
Loss (gain) on sales and retirement of non-current assets	104	140
Loss (gain) on sale of businesses	—	(600)
Decrease (increase) in notes and accounts receivable-trade	(3,367)	(1,426)
Decrease (increase) in inventories	(493)	(1,020)
Increase (decrease) in notes and accounts payable-trade	481	(993)
Increase (decrease) in accounts payable-other	320	(785)
Increase (decrease) in accrued consumption taxes	(43)	(41)
Other	849	169
<b>Total</b>	<b>27,241</b>	<b>26,912</b>
Interest and dividend income received	745	1,019
Interest expenses paid	(26)	(12)
Income taxes paid	(7,953)	(7,829)
<b>Net cash provided by operating activities</b>	<b>20,007</b>	<b>20,089</b>
<b>Cash flow from investing activities</b>		
Payments into time deposits	(55,084)	(52,836)
Proceeds from withdrawal of time deposits	52,832	52,154
Purchase of property, plant and equipment	(3,419)	(4,379)
Proceeds from sales of property, plant and equipment	2	47
Purchase of intangible assets	(282)	(425)
Purchase of investment securities	(27)	(23)
Proceeds from sales of investment securities	641	1,084
Purchase of investment assets and other assets	(202)	(201)
Proceeds from sales of investment assets and other assets	72	63
Decrease (increase) in short-term loans receivable	(10)	0
Payments of long-term loans receivable	(123)	(170)
Collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,461)	(1,054)
Proceeds from liquidation of subsidiaries	—	293
Proceeds from sale of businesses	—	600
Other	—	(225)
<b>Net cash provided by (used in) investing activities</b>	<b>(8,062)</b>	<b>(5,072)</b>
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term loans payable	228	(495)
Repayments of long-term loans payable	(1)	(570)
Purchase of treasury stock	—	(8,014)
Proceeds from disposal of treasury stock	361	—
Cash dividends paid	(4,818)	(5,333)
Repayments of lease obligations	(54)	(167)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,285)</b>	<b>(14,581)</b>
Effect of exchange rate change on cash and cash equivalents	(431)	(79)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,228</b>	<b>356</b>
Cash and cash equivalents at beginning of period	48,688	55,916
<b>Cash and cash equivalents at end of period</b>	<b>55,916</b>	<b>56,272</b>

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(Information on the Amount of Net Sales, Income or Loss, Assets and Other Items by Reportable Segments)  
Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Business	International Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	130,379	25,646	10,245	166,271	1,207	167,479	—	167,479
Inter-segment sales and transfers	6,777	994	—	7,771	5,461	13,233	(13,233)	—
Total	137,156	26,641	10,245	174,043	6,669	180,712	(13,233)	167,479
Segment income	24,006	1,160	148	25,316	2,520	27,836	(462)	27,374
Segment assets	80,147	29,628	1,797	111,572	5,651	117,224	111,563	228,787
Other items (Note) 4								
Depreciation	1,941	443	31	2,416	187	2,603	360	2,964
Goodwill depreciation	68	371	—	439	—	439	—	439
Interest income	33	134	0	167	174	342	(53)	289
Interest expenses	55	34	—	89	—	89	(53)	35
Increase in property, plant, and equipment and intangible assets	2,882	2,468	39	5,390	687	6,078	336	6,415

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the transportation business, manufacture and sale of plastic containers, insurance agencies, real estate management, and advertisement planning and production.
  2. Adjustment details are as follows:
    - (1) Adjustments of -462 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (2) Assets of group companies included in Adjustment totaled 111,563 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 360 million yen posted in Adjustment is depreciation related to the assets of group companies.
    - (4) Interest income of -53 million yen and interest expenses of -53 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (5) Increase in property, plant, and equipment and intangible assets of 336 million yen posted in Adjustment is an increase in the 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 (January 1, 2019 to December 31, 2019)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Business	Internatio nal Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	130,585	26,637	9,768	166,991	1,061	168,052	—	168,052
Inter-segment sales and transfers	6,497	938	—	7,435	5,635	13,071	(13,071)	—
Total	137,083	27,575	9,768	174,427	6,697	181,124	(13,071)	168,052
Segment income	23,509	1,906	240	25,655	2,628	28,284	(433)	27,851
Segment assets	84,484	30,993	1,581	117,059	5,680	122,740	110,658	233,398
Other items (Note) 4								
Depreciation	2,470	624	39	3,134	251	3,386	344	3,731
Goodwill depreciation	78	317	—	396	—	396	—	396
Interest income	32	191	0	224	194	419	(80)	338
Interest expenses	44	55	—	100	—	100	(80)	20
Increase in property, plant, and equipment and intangible assets	4,011	1,144	111	5,267	216	5,484	589	6,073

(Notes) 1. *Other* represents businesses that are not included in reportable segments, such as the transportation business, manufacture and sale of plastic containers, insurance agencies, real estate management, and advertisement planning and production.

2. Adjustment details are as follows:

- (1) Adjustments of -433 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
- (2) Assets of group companies included in Adjustment totaled 110,658 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 344 million yen posted in Adjustment is depreciation related to the assets of group companies.
- (4) Interest income of -80 million yen and interest expenses of -80 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
- (5) Increase in property, plant, and equipment and intangible assets of 589 million yen posted in Adjustment is an increase in the 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.

(Per share information)

Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)		Current consolidated fiscal year (January 1, 2019 to December 31, 2019)	
Net assets per share	2,102.49 yen	Net assets per share	2,208.94 yen
Net income per share	228.05 yen	Net income per share	244.08 yen
Net income per share after full dilution	227.95 yen	Net income per share after full dilution	—

- (Notes)
1. Net income per share after full dilution for the current consolidated fiscal year is omitted since there is no potential ordinary share.
  2. Net income per share and net income per share after full dilution were calculated based on the figures below.

	Previous consolidated fiscal year (January 1, 2018 to December 31, 2018)	Current consolidated fiscal year (January 1, 2019 to December 31, 2019)
Net income per share		
Net income attributable to owners of the parent (Millions of yen)	18,023	19,139
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	18,023	19,139
Average number of shares of common stock during the period (1,000 shares)	79,033	78,416
Net income per share after full dilution		
Adjustments to net income attributable to owners of the parent (Millions of yen)	—	—
Increase in the number of shares of common stock (1,000 shares)	32	—
(Of which share acquisition rights [1,000 shares])	(32)	(—)
Outline of dilutive shares not included in calculation of net income per share after full dilution due to the absence of dilutive effects	—	—

(Important subsequent events)

Not applicable