

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the 1st Quarter of the Fiscal Year Ending December 31, 2021

April 27, 2021

Listed exchanges : Tokyo

Listed company name : Kobayashi Pharmaceutical Co., Ltd.

Code : 4967

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

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Expected date for submitting quarterly securities report : May 13, 2021

Expected date for starting payment of dividends : —

Preparation of supplementary documents for quarterly financial results: Yes

Holding of an analyst meeting for quarterly 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 1st Quarter of Fiscal Year Ending December 31, 2021 (January 1, 2021 to March 31, 2021)

#### (1) Consolidated Operating Results (accumulation)

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

	Q1 of FY ending December 31, 2021		Q1 of FY ended December 31, 2020	
Net sales	30,269 millions of yen	(5.1) %	31,911 millions of yen	0.7 %
Operating income	4,689	(3.8)	4,875	(5.3)
Ordinary income	5,192	3.0	5,042	(3.4)
Net income attributable to owners of the parent	3,628	(3.1)	3,742	1.6
Net income per share	46.42 yen		47.89 yen	

(Note) Comprehensive income

Q1 of FY ending December 31, 2021: 6,787 million yen (652.9%)

Q1 of FY ended December 31, 2020: 901 million yen (-81.9%)

#### (2) Consolidated Financial Position

	Q1 of FY ending December 31, 2021	FY ended December 31, 2020
Total assets	233,975 millions of yen	238,366 millions of yen
Net assets	186,010	182,583
Shareholders' equity ratio	79.5 %	76.6 %

(Reference) Shareholders' equity

Q1 of FY ending December 31, 2021: 186,010 million yen

FY ended December 31, 2020: 182,583 million yen

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## 2. Dividends

	FY ended December 31, 2020	FY ending December 31, 2021	FY ending December 31, 2021 (forecasts)
Dividends per share			
Q1 end	—	—	
Q2 end	34.00 yen		35.00 yen
Q3 end	—		—
Year-end	43.00		44.00
Total	77.00		79.00

(Note) Revision to the latest dividend forecast: None

## 3. Forecasts of Consolidated Operational Results for Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% figures represent changes from previous period.)

	Full year		
Net sales	156,000	millions of yen	3.6 %
Operating income	26,000		0.2
Ordinary income	27,800		0.3
Net income attributable to owners of the parent	19,500		1.5
Net income per share	249.48	yen	

(Note) Revision to 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):	Q1 of FY ending December 31, 2021	82,050,000 shares	FY ended December 31, 2020	82,050,000 shares
2) Number of shares of treasury stock at period-end:	Q1 of FY ending December 31, 2021	3,886,911 shares	FY ended December 31, 2020	3,886,911 shares
3) Average number of shares outstanding during period (consolidated cumulative quarters)	Q1 of FY ending December 31, 2021	78,163,089 shares	Q1 of FY ended December 31, 2020	78,163,163 shares

\* 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 matters concerning forecasts for operational results, please refer to "1. Qualitative Information on Quarterly Results (3) Explanation of future forecast information, such as forecast of consolidated results" on Page 3 of the attachment.

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

The Company plans to hold a results presentation for institutional investors and securities analysts on Tuesday, April 27, 2021. It plans to post the supplementary documents for financial results to be distributed in the results presentation on its website on the date of the results presentation.

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## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 1. Qualitative Information on Quarterly Results

## (1) Explanation of operational results

During the first three-month period of the consolidated fiscal year under review, the outlook of the business environment surrounding the Kobayashi Pharmaceutical Group continued to remain uncertain. Due to the COVID-19 pandemic, there were concerns about a slowdown of global economic activities, and sluggish consumption continued in Japan because of self-restraint concerning nonessential outings and the sharp decline in the number of foreign visitors to Japan.

Under these circumstances, the Group launched new products to meet customers' needs, strengthened its existing product lineups, and invested in businesses with high future growth potential, under the brand slogan "You make a wish and we make it happen."

As a result, net sales, operating income and ordinary income were 30,269 million yen (-5.1% year on year), 4,689 million yen (-3.8% year on year) and 5,192 million yen (+3.0% year on year), respectively, and net income attributable to owners of the parent was 3,628 million yen (-3.1% year on year).

Business results by segment were as follows

For your information, from the first three-month period of the consolidated fiscal year under review, the Group has changed one of its key performance management indicators (performance indicators that the Kobayashi Pharmaceutical Group uses to determine the allocation of business resources and examine the evaluation of performance) from ordinary income to operating income. Accordingly, the Group has changed segment income from ordinary income to operating income.

In accordance with the change, the Group has changed segment income or loss for the first quarter of the previous consolidated fiscal year to operating income or loss for comparison purpose.

Domestic Business

In the Domestic Business, the Company launched nine new products in the spring and another 14 in the fall of 2020. The products that contributed to the growth in sales were *Teirakku* (a Chinese herbal medicine for persons who suffer various symptoms caused by barometric pressure changes, such as headache, drowsiness, dizziness and swelling), *Ketsuatsu Help* (a food supplement with function claims to lower higher blood pressure), and *Sawaday Kaoru Stick SAVON* (a stick-type fragrance for indoor use containing gentle and clean scents, such as a soap that spreads gradually in an entire room).

Furthermore, demand for disinfectant and sanitary products—items used to prevent COVID-19 infection—continued to grow from the previous year. Products that recorded robust sales included *Glasses Cleaner Fukifuki* (a sheet that effectively removes finger marks and greasy dirt from lenses by gentle wiping), *Hananoa* (a rinsing agent that easily cleans the nasal cavity without pain), and *Eau de Muge* (a medicated lotion for preventing acne and rough dry skin).

Meanwhile, inbound demand greatly decreased due to a fall in the number of foreign visitors to Japan.

In addition, sales of *BreathCare* (an oral breath freshener capsule that refreshes the breath from the stomach) and *Netsusama Sheet* (a cooling gel sheet for the forehead) declined from the previous year due to self-restraint on going out, a reduction in the number of drinking parties, and a fall in the number of patients suffering from a cold and influenza because of the effects of wearing masks.

Consequently, the Company reported net sales of 23,581 million yen (-9.8% year on year) and segment income of 4,292 million yen (-2.0% year on year).

Net sales include inter-segment sales or transfers, which totaled 1,377 million yen in the first three-month period of the previous consolidated fiscal year and 1,113 million yen in the same period of the current year.

## (Breakdown of sales to external customers)

	Q1 ended March 31, 2020 (January 1, 2020 To March 31, 2020)	Q1 ended March 31, 2021 (January 1, 2021 to March 31, 2021)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
Healthcare products	12,316	11,799	(516)	(4.2)
Household products	10,457	8,436	(2,021)	(19.3)
Skin care	1,540	1,719	178	11.6
Body warmers	459	512	53	11.7
Total	24,774	22,468	(2,305)	(9.3)

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## International Business

In the International Business, the Company markets body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory), mostly in the United States, China and Southeast Asia, and sought to expand sales by aggressively investing principally in advertising and sales promotion.

Furthermore, sales of body warmers increased, primarily in the U.S. and China, due to lower temperatures in each country this year as well as a reaction to the decrease in sales in the previous year caused by a milder winter.

In addition, Alva-Amco Pharmacal Companies, LLC, which became the Company's consolidated subsidiary through an acquisition in October 2020, contributed to growth in net sales.

As a result, net sales and segment income were 5,745 million yen (+13.0% year on year) and 240 million yen (-33.6% year on year), respectively.

Net sales include inter-segment sales or transfers, which totaled 322 million yen in the first three-month period of the previous consolidated fiscal year and 280 million yen in the same period of the current year.

(Breakdown of sales to external customers)

	Q1 ended March 31, 2020 (January 1, 2020 To March 31, 2020)	Q1 period ended March 31, 2021 (January 1, 2021 to March 31, 2021)	Change	
	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Change (%)
United States	1,255	2,235	979	78.0
China	1,797	2,074	276	15.4
Southeast Asia	1,078	600	(477)	(44.3)
Others	631	554	(77)	(12.3)
Total	4,763	5,464	700	14.7

## 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 2,221 million yen (+2.3% year on year) and segment income of 26 million yen (versus a segment loss of 16 million yen in the previous year).

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

## Other

Businesses in this segment include the transportation business, manufacture and sale of plastic containers, 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 were 1,379 million yen (-3.2% year on year) and 147 million yen (+61.1% year on year), respectively.

Net sales include inter-segment sales or transfers, which totaled 1,223 million yen in the first three-month period of the previous consolidated fiscal year and 1,265 million yen in the same period of the current year.

## **(2) Explanation of financial position**

Total assets decreased by 4,391 million yen from the balance as of the end of the previous consolidated fiscal year to 233,975 million yen. This was attributable mainly to an increase of 4,101 million yen in cash and deposits, a decline of 13,363 million yen in notes and accounts receivable-trade, a rise of 3,405 million yen in short-term investment securities, a growth of 2,693 million yen in merchandise and finished goods, and a fall of 1,819 million yen in investment securities.

Liabilities declined by 7,818 million yen from the balance as of the end of the previous consolidated fiscal year to 47,965 million yen. This was attributable mainly to a fall of 1,063 million yen in electronically recorded obligations-operating, a decrease of 4,978 million yen in accounts payable-other, a decline of 2,554 million yen in income taxes payable, and an increase of 686 million yen in provision for bonuses.

Net assets grew by 3,426 million yen from the balance as of the end of the previous consolidated fiscal year to 186,010 million yen, bringing the shareholders' equity ratio to 79.5%. This was attributable mainly to a rise of 1,515 million yen in valuation difference on available-for-sale securities and a growth of 1,575 million yen in foreign currency translation adjustment.

## **(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, 2021, which the Group announced via the Summary of Financial Statements for the Fiscal Year ended December 31, 2020 released on February 1, 2021.

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## 2. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly consolidated balance sheet

(millions of yen)

	Previous consolidated fiscal year (December 31, 2020)	Q1 of current consolidated fiscal year (March 31, 2021)
<b>ASSETS</b>		
Current assets		
Cash and deposits	78,253	82,354
Notes and accounts receivable-trade	52,850	39,486
Short-term investment securities	16,085	19,491
Merchandise and finished goods	8,960	11,653
Work in process	1,548	1,549
Raw materials and supplies	3,631	4,112
Other	2,917	2,492
Allowance for doubtful accounts	(21)	(14)
Total current assets	164,225	161,127
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,961	8,000
Machinery, equipment and vehicles, net	4,729	4,850
Tools, furniture and fixtures, net	1,397	1,418
Land	4,739	4,743
Leased assets, net	656	561
Construction in progress	1,337	1,329
Total property, plant and equipment	20,821	20,903
Intangible assets		
Goodwill	7,284	7,571
Trademark rights	4,030	4,129
Software	1,286	1,330
Other	192	199
Total intangible assets	12,794	13,230
Investment and other assets		
Investment securities	34,474	32,654
Long-term loans receivable	700	724
Deferred tax assets	1,443	1,501
Real estate for investment, net	2,765	2,754
Other	1,908	1,884
Allowance for doubtful accounts	(766)	(804)
Total investments and other assets	40,525	38,714
Total non-current assets	74,141	72,848
Total assets	238,366	233,975

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(millions of yen)

	Previous consolidated fiscal year (December 31, 2020)	Q1 of current consolidated fiscal year (March 31, 2021)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	7,558	7,738
Electronically recorded obligations—operating	8,368	7,305
Short-term loans payable	13	—
Accounts payable-other	20,968	15,989
Lease obligations	170	138
Income taxes payable	4,371	1,817
Accrued consumption taxes	1,417	735
Provision for bonuses	2,797	3,484
Other	4,441	4,765
Total current liabilities	50,107	41,973
Non-current liabilities		
Lease obligations	505	446
Deferred tax liabilities	1,357	1,717
Net defined benefit liability	1,920	1,935
Provision for directors' retirement benefits	40	40
Other	1,852	1,851
Total non-current liabilities	5,675	5,991
Total liabilities	55,783	47,965
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	4,183
Retained earnings	187,071	187,338
Treasury stock	(19,763)	(19,763)
Total shareholders' equity	174,941	175,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,449	11,965
Foreign currency translation adjustment	(1,517)	57
Re-measurements of retirement benefit plans	(1,290)	(1,221)
Total accumulated other comprehensive income	7,641	10,801
Total net assets	182,583	186,010
Total liabilities and net assets	238,366	233,975

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(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income  
(Quarterly consolidated statements of income)  
(Three-month period ended March 31, 2021)

(millions of yen)

	Three-month period ended March 31, 2020 (January 1, 2020 to March 31, 2020)	Three-month period ended March 31, 2021 (January 1, 2021 to March 31, 2021)
Net sales	31,911	30,269
Cost of sales	13,689	12,477
Gross profit	18,222	17,791
Selling, general and administrative expenses	13,347	13,102
Operating income	4,875	4,689
Non-operating income		
Interest income	95	37
Dividend income	5	2
Real estate rent	76	74
Foreign exchange gains	—	382
Other	147	85
Total non-operating income	324	582
Non-operating expenses		
Interest expenses	9	2
Rent cost of real estate	33	23
Foreign exchange losses	61	—
Provision of allowance for doubtful accounts	36	38
Other	17	15
Total non-operating expenses	157	80
Ordinary income	5,042	5,192
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on sales and retirement of non-current assets	3	9
Other	93	6
Total extraordinary loss	97	15
Income before income taxes	4,946	5,176
Income taxes - current	2,179	1,852
Income taxes - deferred	(975)	(303)
Total income taxes	1,204	1,548
Net income	3,742	3,628
Net income attributable to owners of the parent	3,742	3,628

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(Quarterly consolidated statements of comprehensive income)  
(Three-month period ended March 31, 2021)

(millions of yen)

	Three-month period ended March 31, 2020 (January 1, 2020 to March 31, 2020)	Three-month period ended March 31, 2021 (January 1, 2021 to March 31, 2021)
Net income	3,742	3,628
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,527)	1,515
Foreign currency translation adjustment	(381)	1,575
Adjustment for retirement benefits	67	68
Total other comprehensive income	(2,841)	3,159
Quarterly comprehensive income	901	6,787
(Quarterly comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	901	6,787
Quarterly comprehensive income attributable to non-controlling interests	—	—

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**(3) Notes on quarterly consolidated financial statements  
(Notes on assumption of going concern)**

Not applicable

**(Notes on a significant change in shareholders' equity)**

Not applicable

**(Segment information, etc.)**

[Segment information]

I. Q1 of previous consolidated fiscal year (January 1, 2020 to March 31, 2020)

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

(Unit: millions of yen)

	Reportable segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Figures in quarterly consolidated statements of income (Note 3)
	Domestic Business	International Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	24,774	4,763	2,170	31,708	202	31,911	—	31,911
Inter-segment sales and transfers	1,377	322	—	1,700	1,223	2,923	(2,923)	—
Total	26,151	5,085	2,170	33,408	1,425	34,834	(2,923)	31,911
Segment income (loss)	4,381	362	(16)	4,726	91	4,817	57	4,875

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

2. Adjustments of 57 million yen in segment income or segment loss are eliminations among segments.

3. Segment income or segment loss is adjusted with operating income in the quarterly consolidated statements of income.

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

The Group does not provide information concerning impairment loss on non-current assets or goodwill because it does not recognize significant impairment loss on non-current assets and there has been no significant change in the value of goodwill.

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## II. Q1 of current consolidated fiscal year (January 1, 2021 to March 31, 2021)

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

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Figures in quarterly consolidated statements of income (Note 3)
	Domestic Business	International Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	22,468	5,464	2,221	30,154	114	30,269	—	30,269
Inter-segment sales and transfers	1,113	280	—	1,393	1,265	2,659	(2,659)	—
Total	23,581	5,745	2,221	31,548	1,379	32,928	(2,659)	30,269
Segment income	4,292	240	26	4,559	147	4,706	(17)	4,689

- (Notes) 1. *Other* represents businesses that are not included in reportable segments, such as the transportation business, manufacture and sale of plastic containers, real estate management, and advertisement planning and production.
2. Adjustments of -17 million yen in segment income are eliminations among segments.
3. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

## 2. Matters regarding change in reportable segment, etc.

From the first three-month period of the consolidated fiscal year under review, the Group has changed one of its key performance management indicators (performance indicators that the Kobayashi Pharmaceutical Group uses to determine the allocation of business resources and examine the evaluation of performance) from ordinary income to operating income. Accordingly, the Group has changed segment income from ordinary income to operating income.

In accordance with the change, the Group has changed segment income or loss for the first quarter of the previous consolidated fiscal year to operating income or loss for comparison purpose.

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

The Group does not provide information concerning impairment loss on non-current assets or goodwill because it does not recognize significant impairment loss on non-current assets and there has been no significant change in the value of goodwill.

**(Important subsequent events)**

Not applicable