

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended December 31, 2022

February 14, 2023

Listed exchanges : Tokyo

Listed company name : Kobayashi Pharmaceutical Co., Ltd.

Code : 4967

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

Representative officer : Akihiro Kobayashi, President & COO

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Senior Executive Director & Senior General Manager, Corporate Headquarters

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Expected date of general meeting of shareholders: March 30, 2023

Expected date for starting payment of dividends: March 9, 2023

Expected date for filing financial report with the Finance Ministry: March 30, 2023

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, 2022 (January 1, 2022 to December 31, 2022)

#### (1) Consolidated Operating Results

(% figures represent changes from previous period.)

	FY ended December 31, 2022		FY ended December 31, 2021	
Net sales	166,258 millions of yen	7.1 %	155,252 millions of yen	3.1 %
Operating income	26,669	2.3	26,065	0.5
Ordinary income	28,281	1.0	28,015	1.0
Net income attributable to owners of the parent	20,022	1.6	19,715	2.7
Net income per share	259.63 yen		252.36 yen	
Diluted net income per share	259.59 yen		—	
Return on equity		10.2		10.4
Return on assets		11.1		11.4
Ratio of operating income to net sales		16.0		16.8

(Note) Comprehensive income

FY ended December 31, 2022: 22,801 million yen (−1.5%) FY ended December 31, 2021: 23,160 million yen (47.4%)

(Note) Diluted net income per share for fiscal year ended December 31, 2021 is omitted since there were no potential ordinary shares with dilutive effect.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (2) Consolidated Financial Position

	FY ended December 31, 2022	FY ended December 31, 2021
Total assets	255,827 millions of yen	252,554 millions of yen
Net assets	197,900	195,600
Shareholders' equity ratio	77.3 %	77.4 %
Net assets per share	2,600.04 yen	2,515.53 yen
(Reference) Shareholders' equity	FY ended December 31, 2022: 197,639 million yen    FY ended December 31, 2021: 195,547 million yen	

## (3) Consolidated Cash Flow

	FY ended December 31, 2022	FY ended December 31, 2021
Net cash provided by (used in) operating activities	31,914 millions of yen	22,419 millions of yen
Net cash provided by (used in) investing activities	(14,312)	7,991
Net cash provided by (used in) financing activities	(20,759)	(10,377)
Cash and cash equivalents at period-end	79,480	81,987

## 2. Dividends

	FY ended December 31, 2021	FY ended December 31, 2022	FY ending December 31, 2023 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	37.00 yen	38.00 yen	39.00 yen
Q3 end	—	—	—
Year-end	46.00	52.00	53.00
Total	83.00	90.00	92.00
Total dividends	6,467 millions of yen	6,889 millions of yen	
Payout ratio (consolidated)	32.9 %	34.7 %	34.6 %
Ratio of dividends to net assets (consolidated)	3.4	3.5	

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 3. Forecasts of Consolidated Operational Results for Fiscal Year Ending December 31, 2023

(January 1, 2023 to December 31, 2023)

(% figures represent changes from previous period.)

	Full year	
Net sales	172,000 millions of yen	3.5 %
Operating income	25,500	(4.4)
Ordinary income	26,500	(6.3)
Net income attributable to owners of the parent	20,200	0.9
Net income per share	265.74 yen	

## \* 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: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(Note) For details, please refer to "3. Consolidated Financial Statements.

(3) Issued shares (common shares)

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

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

③ Average number of shares outstanding during period:

FY ended December 31, 2022	78,050,000 shares	FY ended December 31, 2021	82,050,000 shares
FY ended December 31, 2022	2,036,086 shares	FY ended December 31, 2021	4,314,084 shares
FY ended December 31, 2022	77,122,014 shares	FY ended December 31, 2021	78,125,521 shares

\* 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, 2023" on page 5 of the attachment.

(Method to obtain the supplementary explanation documents for Financial Statements)

The Company plans to hold a results presentation for institutional investors and securities analysts on Wednesday, February 15, 2023. 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.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## ○ Table of contents for the attachment

1. Overview of Operational Results, etc. ....	2
(1) Overview of Operational Results for FY Ended December 31, 2022 .....	2
(2) Overview of Financial Position for FY Ended December 31, 2022 .....	4
(3) Overview of Cash Flows for FY Ended December 31, 2022 .....	4
(4) Forecast for Year Ending December 31, 2023 .....	5
(5) Basic Policy for Profit Distribution and Dividend Payments for Fiscal Year Ended December 31, 2022 and Fiscal Year Ending December 31, 2023 .....	6
2. Basic Policy for the Selection of Accounting Standards .....	6
3. Consolidated Financial Statements and Main Notes .....	7
(1) Consolidated Balance Sheet .....	7
(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement .....	9
(3) Consolidated Statement of Shareholders' Equity .....	12
(4) Consolidated Statement of Cash Flows .....	14
(Per share information) .....	17
(Important subsequent event) .....	17

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 1. Overview of Operational Results, etc.

## (1) Overview of Operational Results for FY Ended December 31, 2022

## Overview of Consolidated Results

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2021)		Current Year (FY ended December 31, 2022)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Change (%)
Net sales	155,252	100.0	166,258	100.0	11,006	7.1
Operating income	26,065	16.8	26,669	16.0	603	2.3
Ordinary income	28,015	18.0	28,281	17.0	266	1.0
Net income attributable to owners of the parent	19,715	12.7	20,022	12.0	307	1.6
Net income per share (yen)	252.36		259.63		7.27	2.9

During the consolidated fiscal year under review (January 1, 2022 to December 31, 2022), the outlook for the business environment surrounding the Kobayashi Pharmaceutical Group continued to remain uncertain. Due to the spread of new coronavirus infections caused by the omicron variant in some countries and regions as well as soaring raw material prices and rising geopolitical risks, there were concerns about a slowdown in global economic activities, despite economic activities resuming in many countries owing to the diffusion of vaccines against COVID-19.

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 166,258 million yen (+7.1% year on year), 26,669 million yen (+2.3% year on year) and 28,281 million yen (+1.0% year on year), respectively, and net income attributable to owners of the parent was 20,022 million yen (+1.6% year on year).

Business results by segment were as follows:

Domestic Business

In the Domestic Business, the Company launched 15 new products in the spring and another 10 in the fall. The products that contributed to growth in sales were *Naripitan Tokishakuyakusanjyo* (Kampo, a Chinese medicine, effective for alleviating ringing ears), *Shoshugen for Toilet Antibacterial+* (a compact deodorizer that fully eliminates persistent odors and inhibits the growth of bacteria on the floor), *Bisrat Gran EX* (Kampo, a Chinese medicine, effective for reducing obesity by activating lipid metabolism, which falls due to a decrease in hormones, and removing excess fat often sticking out from the lower abdomen in women aged 55 or older), and *Inochi no Haha Active* (a herbal medicine, effective for alleviating symptoms, such as stiff shoulders, lower-back pain, heavy weariness, and cold-sensitivity, after the menopause).

Furthermore, demand for *Nodonoool Spray* (a medicine that disinfects viruses and germs in the affected area of the throat) and *Netsusama Sheet* (a cooling gel sheet for the forehead) increased along with the spread of the COVID-19 omicron variant.

In addition, the number of foreigners visiting Japan gradually increased from October 2022 after the relaxation of the limit on the number of people allowed to enter Japan. Consequently, demand for our products from inbound tourists rose, contributing to sales growth.

Concerning other existing products, *Hananoa* (a product that enables the easy rinsing of the nasal cavity without pain) and foods with functional claims among supplements led the growth of sales.

However, sales of *BreathCare* (an oral breath freshener capsule that refreshes the breath from the stomach) continued to be sluggish from the previous year caused by a fall in the number of people who worry about bad breath due to the lingering habit of daily mask-wearing.

Consequently, the Company reported net sales of 124,242 million yen (+1.9% year on year) and segment income of 22,434 million yen (−6.3% year on year).

Net sales include inter-segment sales or transfers, which totaled 5,983 million yen in the previous consolidated fiscal year and 6,702 million yen in the consolidated fiscal year under review.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(Breakdown of sales to external customers)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2021)	Current Year (FY ended December 31, 2022)	Change	
			Amount	Change (%)
Healthcare products	53,593	55,497	1,903	3.6
Household products	49,487	49,503	16	0.0
Skin care	7,306	6,785	(520)	(7.1)
Body warmers	5,584	5,753	168	3.0
Total	115,972	117,540	1,567	1.4

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.

In the United States, sales of pharmaceuticals were sluggish since a dearth in stock of some Alva products occurred mainly in the first quarter due to a delay in the supply of ingredients caused by disruption to its supply chain. Alva (Alva-Amco Pharmacal Companies, LLC) is an OTC pharmaceutical manufacturer that the Company acquired in 2020. On the other hand, sales of *Netsusama Sheet* grew steadily since many people made a habit of using the product to cope with fever after the COVID-19 pandemic and the number of patients suffering from influenza increased after the move to make mask-wearing optional gathered momentum. In addition, growth in sales owing to the impact of the depreciation of the yen also contributed to the increase in net sales.

In China, from March 2022, COVID-19 outbreaks put millions under lockdown in Chinese cities, snarling supply chains. Consequently, shipments of the Company's products were delayed temporarily. Thereafter, lockdowns continued intermittently in various parts of China, causing demand to remain low. On the other hand, demand for *Netsusama Sheet* grew as a treatment for fever since the number of patients suffering from COVID-19 increased after the government eased its zero COVID-19 policy in December 2022. In December 2022, the Company saw net sales grow from the previous year, since the weaker yen caused net sales to increase in yen terms.

In Southeast Asia, demand for *Netsusama Sheet* expanded as a treatment for fever because the number of patients suffering from various infectious diseases, such as influenza and dengue, as well as new coronavirus, increased. Furthermore, a rise in sales due to the influence of weaker yen also led to the growth in net sales.

As a result, net sales and segment income were 41,554 million yen (+33.4% year on year) and 3,234 million yen (+255.0% year on year), respectively.

Net sales include inter-segment sales or transfers, which totaled 1,400 million yen in the previous consolidated fiscal year and 1,877 million yen in the consolidated fiscal year under review.

(Breakdown of sales to external customers)

(Unit: millions of yen)

	Previous Year (FY ended December 31, 2021)	Current Year (FY ended December 31, 2022)	Change	
			Amount	Change (%)
United States	13,009	16,474	3,465	26.6
China	10,066	12,482	2,416	24.0
Southeast Asia	4,206	7,493	3,287	78.1
Others	2,456	3,225	769	31.3
Total	29,739	39,676	9,937	33.4

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove to win new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, such as advertisements and direct mail. The Company saw sales decrease from the previous year since it failed to launch new products that would greatly contribute to sales growth. However, it managed to achieve operating income growth through its cost cutting efforts, including the reduction of sales promotion expenses.

Consequently, the Company reported net sales of 8,439 million yen (−6.2% year on year) and segment income of 420 million yen (+5.6% year on year).

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

## KOBAYASHI PHARMACEUTICAL CO., LTD.

Other Businesses

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 6,844 million yen (+1.3% year on year) and 528 million yen (−35.6% year on year), respectively.

Net sales include inter-segment sales or transfers, which totaled 6,211 million yen in the previous consolidated fiscal year and 6,243 million yen in the consolidated fiscal year under review.

**(2) Overview of Financial Position for FY Ended December 31, 2022**

(Consolidated Financial Position)

	Previous Year (FY ended December 31, 2021)	Current Year (FY ended December 31, 2022)	Change
Total assets	252,554	255,827	3,273
Net assets	195,600	197,900	2,299
Shareholders' equity ratio	77.4%	77.3%	(0.1%)
Net assets per share (yen)	2,515.53	2,600.04	84.51

(Unit: millions of yen)

The Company's financial position in the consolidated fiscal year under review is as follows:

Total assets increased by 3,273 million yen from the balance as of the end of the previous consolidated fiscal year to 255,827 million yen. This was attributable mainly to an increase of 1,209 million yen in cash and deposits, a decrease of 7,288 million yen in notes and accounts receivable-trade, a decrease of 5,722 million yen in short-term investment securities, a rise of 1,132 million yen in merchandise and finished goods, an increase of 1,522 million yen in raw materials and supplies, an increase of 1,349 million yen in buildings and structures, net, and a rise of 10,426 million yen in construction in progress.

Liabilities rose by 973 million yen from the balance as of the end of the previous consolidated fiscal year to 57,927 million yen. This was attributable mainly to an increase of 854 million yen in electronically recorded obligations-operating.

Net assets grew by 2,299 million yen from the balance as of the end of the previous consolidated fiscal year to 197,900 million yen, bringing the shareholders' equity ratio to 77.3%. This was attributable mainly to a decrease of 6,248 million yen in retained earnings and a fall of 9,223 million yen in treasury stock.

**(3) Overview of Cash Flows for FY Ended December 31, 2022**

(Consolidated Cash Flow)

	Previous Year (FY ended December 31, 2021)	Current Year (FY ended December 31, 2022)	Change
Net cash provided by (used in) operating activities	22,419	31,914	9,495
Net cash provided by (used in) investing activities	7,991	(14,312)	(22,303)
Free cash flow	30,410	17,601	(12,808)
Net cash provided by (used in) financing activities	(10,377)	(20,759)	(10,382)
Cash and cash equivalents at period-end	81,987	79,480	(2,506)

(Unit: millions of yen)

**Cash flows from operating activities**

Net cash provided by operating activities totaled 31,914 million yen. The major factors were: income before income taxes of 27,950 million yen, depreciation of 4,360 million yen, a decrease in notes and accounts receivable-trade of 8,296 million yen, an increase in inventories of 1,977 million yen, an increase in notes and accounts payable-trade of 1,240 million yen, and income taxes paid of 8,003 million yen.

**Cash flows from investing activities**

Net cash used in investing activities totaled 14,312 million yen. The major factors affecting this cash flow were: payments into time deposits of 47,567 million yen, proceeds from withdrawal of time deposits of 45,996 million yen, proceeds from sales and redemption of securities of 5,713 million yen, and purchase of property, plant and equipment of 14,747 million yen.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Cash flows from financing activities

Net cash used in financing activities totaled 20,759 million yen. The major factor affecting this cash flow were: purchase of treasury stock of 14,056 million yen and cash dividends paid of 6,509 million yen.

Consequently, cash and cash equivalents as of December 31, 2022 totaled 79,480 million yen, a decrease of 2,506 million yen from the end of the previous fiscal year.

## (4) Forecast for Year Ending December 31, 2023

(Unit: millions of yen)

	Current Year (FY ended December 31, 2022)		Next Year (FY ending December 31, 2023)		Percentage change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Net sales	166,258	100.0	172,000	100.0	3.5
Operating income	26,669	16.0	25,500	14.8	(4.4)
Ordinary income	28,281	17.0	26,500	15.4	(6.3)
Net income attributable to owners of the parent	20,022	12.0	20,200	11.7	0.9
Net income per share (yen)	259.63		265.74		2.4

In line with the resumption of economic activities in many countries owing to the diffusion of vaccines against COVID-19, the Japanese economy is also expected to pick up since the limit on the number of people allowed to enter Japan and restrictions on people's movements have been relaxed. On the other hand, the outlook for the business environment is forecast to remain uncertain due to concerns about stagnant personal consumption due to soaring raw material prices and a hike in energy costs as well as rising geopolitical risks.

Under these circumstances, Kobayashi Pharmaceutical will try to develop and deliver new products with unprecedented added value to its customers, under the brand slogan "You make a wish and we make it happen." Moreover, in the fiscal year ending December 31, 2023, the Company's new medium-term management plan, which will end in the fiscal year ending December 31, 2025, will start. We have set the theme for the new three-year plan as "I make a wish and I make it happen," encouraging employees to "take on challenges beyond boundaries." We will aim to achieve sustainable growth by steadily implementing each strategy formulated in the management plan.

In the Domestic Business, we will further encourage employees to generate ideas for new product development to commercialize new products by promptly identifying niche problems, since people have gradually been returning to the life before the COVID-19 pandemic. In addition, we will work harder so that we can stably launch many new products each year by accelerating the speed of product development.

Furthermore, launching new products is not the only goal of new product development. We have fostered competitive brands by not only creating superior technologies and punchy advertising messages but also repeatedly revamping products and broadening their lineups after their launch. We have previously developed new products under the four-pronged system, which consists of the Marketing Brand Management Department, Marketing Development Planning Department, R&D Department, and Technology Development Department. From this fiscal year, we will try to improve existing products by creating more competitive technologies and advertising messages with the technical support of the Central R&D Laboratory, which has been mainly engaged in medium- to long-term product development.

Moreover, we will also focus on the creation of new businesses. We have accumulated findings about potential new businesses through identifying various needs, including *KOBA-GUARD*, a long-acting antibacterial agent, and *Nintest*, a cognitive function screening kit. Using these findings, we will develop products in the fields of *FemTech*, *digital HealthTech*, and *D2C* with the aim of creating new businesses with net sales of 8.0 billion yen in total in fiscal year 2030.

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). Particularly in mainland China, it will run trial advertisements on products sold in Japan targeted for EC in China and increase advertisements for products that sell well. To that end, Kobayashi Pharmaceutical will strengthen its online marketing and increase its ability to capture consumers who make trial purchases via e-commerce. Furthermore, the Company will boost sales of OTC pharmaceuticals in mainland China, principally *Ammeltz*, for which it launched full scale sales in mainland China from spring 2022. In North America, the Company will strive to expand the OTC pharmaceutical business by focusing on developing and fostering new products at Alva-Amco Pharmacal Companies, Inc. that it acquired in October 2020. After the acquisition, Kobayashi Pharmaceutical had initially forecast sales of Alva's existing products to remain flat. However, the Company is now confident that it can boost sales by fostering existing products, since it found that the Kobayashi-style advertising is very suited also for Alva's products. Therefore, the Company will increase Alva's product lineups under the wing of existing brands with the aim of expanding sales of OTC pharmaceuticals in North America, as in China.

Through these efforts, the Company is forecast to achieve consolidated net sales of 172,000 million yen, operating income of 25,500 million yen, ordinary income of 26,500 million yen and net income attributable to owners of the parent of 20,200 million yen in the fiscal year ending December 31, 2023.



# KOBAYASHI PHARMACEUTICAL CO., LTD.

## **(5) Basic Policy for Profit Distribution and Dividend Payments for Fiscal Year Ended December 31, 2022 and Fiscal Year Ending December 31, 2023**

The Company regards returns to shareholders as one of its most important management tasks, 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 90 yen, up 5 yen from the previous forecast (including the interim dividend of 38 yen per share already paid and a year-end dividend of 52 yen per share) for the year ended December 31, 2022. For the year ending December 31, 2023, the Company plans to pay a regular dividend of 92 yen per share (including an interim dividend of 39 yen per share and a year-end dividend of 53 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, 2021)	Current consolidated fiscal year (December 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	95,024	96,233
Notes and accounts receivable-trade	55,169	47,881
Short-term investment securities	14,022	8,300
Merchandise and finished goods	8,853	9,985
Work in process	1,388	1,304
Raw materials and supplies	4,866	6,389
Other	2,587	2,825
Allowance for doubtful accounts	(22)	(28)
Total current assets	181,889	172,892
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,158	9,507
Machinery, equipment and vehicles, net	5,055	5,361
Tools, furniture and fixtures, net	1,450	1,453
Land	4,695	4,703
Leased assets, net	608	771
Construction in progress	2,555	12,982
Total property, plant and equipment	22,524	34,778
Intangible assets		
Goodwill	7,189	7,147
Trademark rights	3,721	3,274
Software	1,538	2,399
Other	207	485
Total intangible assets	12,658	13,307
Investments and other assets		
Investment securities	29,466	28,509
Long-term loans receivable	816	975
Deferred tax assets	1,489	1,750
Real estate for investment, net	2,735	2,707
Other	1,840	1,932
Allowance for doubtful accounts	(866)	(1,026)
Total investments and other assets	35,482	34,848
Total non-current assets	70,664	82,934
Total assets	252,554	255,827

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	9,293	9,051
Electronically recorded obligations-operating	8,151	9,005
Short-term loans payable	1	—
Accounts payable-other	21,187	20,409
Lease obligations	169	261
Income taxes payable	3,836	3,987
Accrued consumption taxes	639	921
Provision for bonuses	2,486	2,553
Other	4,936	5,619
Total current liabilities	50,703	51,809
Non-current liabilities		
Lease obligations	460	531
Deferred tax liabilities	1,564	1,310
Net defined benefit liability	1,978	2,034
Other	2,247	2,242
Total non-current liabilities	6,250	6,118
Total liabilities	56,954	57,927
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,183	522
Retained earnings	200,534	194,285
Treasury stock	(23,706)	(14,482)
Total shareholders' equity	184,461	183,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,953	10,346
Foreign currency translation adjustment	1,166	4,352
Re-measurements of retirement benefit plans	(1,034)	(834)
Total accumulated other comprehensive income	11,085	13,864
Share acquisition rights	53	260
Total net assets	195,600	197,900
Total liabilities and net assets	252,554	255,827

## 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, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net sales	155,252	166,258
Cost of sales	66,478	73,927
Gross profit	88,773	92,331
Selling, general and administrative expenses		
Promotion expenses	3,336	3,405
Freight and warehousing expenses	4,091	4,195
Advertising expenses	19,163	18,984
Salaries, allowances and bonuses	12,911	13,797
Retirement benefit expenses	864	913
Taxes and dues	718	767
Depreciation	1,533	1,668
Amortization of goodwill	862	998
Rent	1,363	1,462
Commission fees	5,200	5,024
Research and development expenses	7,522	8,327
Other	5,139	6,117
Total selling, general and administrative expenses	62,707	65,662
Operating income	26,065	26,669
Non-operating income		
Interest income	131	85
Dividend income	457	493
Real estate rent	300	300
Foreign exchange gains	481	231
Compensation income	600	400
Other	419	501
Total non-operating income	2,390	2,011
Non-operating expenses		
Interest expenses	18	18
Rent cost of real estate	128	99
Provision of allowance for doubtful accounts	116	163
Compensation expenses	—	48
Other	177	68
Total non-operating expenses	441	399
Ordinary income	28,015	28,281

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Extraordinary income		
Gain on sales of non-current assets	1	3
Gain on sales of investment securities	1	44
Gain on sale of shares of subsidiaries and associates	150	—
Insurance claim income	—	8
Total extraordinary income	153	56
Extraordinary loss		
Loss on disposal of non-current assets	71	55
Impairment loss	309	69
Loss on valuation of investment securities	67	133
Business restructuring expenses	—	85
Other	82	43
Total extraordinary loss	531	387
Income before income taxes	27,636	27,950
Income taxes - current	7,923	8,260
Income taxes - deferred	(2)	(332)
Total income taxes	7,920	7,927
Net income	19,715	20,022
Net income attributable to owners of the parent	19,715	20,022

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net income	19,715	20,022
Other comprehensive income		
Valuation difference on available-for-sale securities	504	(607)
Foreign currency translation adjustment	2,683	3,186
Adjustment for retirement benefits	255	200
Total other comprehensive income	3,444	2,778
Comprehensive income	23,160	22,801
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	23,160	22,801
Comprehensive income attributable to non-controlling interests	—	—

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Consolidated Statement of Shareholders' Equity

Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	187,071	(19,763)	(174,941)
Change during current period					
Dividends from surplus			(6,253)		(6,253)
Net income attributable to owners of the parent			19,715		19,715
Purchase of treasury stock				(3,943)	(3,943)
Net changes of items other than shareholders' equity					
Total change during current period	—	—	13,462	(3,943)	9,519
Balance at current period-end	3,450	4,183	200,534	(23,706)	184,461

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of retirement benefit plans	Accumulated other comprehensive income total		
Balance at period start	10,449	(1,517)	(1,290)	7,641	—	182,583
Change during current period						
Dividends from surplus						(6,253)
Net income attributable to owners of the parent						19,715
Purchase of treasury stock						(3,943)
Net changes of items other than shareholders' equity	504	2,683	255	3,444	53	3,497
Total change during current period	504	2,683	255	3,444	53	13,016
Balance at current period-end	10,953	1,166	(1,034)	11,085	53	195,600



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Current consolidated fiscal year (January 1, 2022 to December 31, 2022)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,183	200,534	(23,706)	184,461
Change during current period					
Dividends from surplus			(6,512)		(6,512)
Net income attributable to owners of the parent			20,022		20,022
Purchase of treasury stock				(14,056)	(14,056)
Cancellation of treasury stocks		(23,280)		23,280	—
Transfer from retained earnings to capital surplus		19,619	(19,619)		—
Increase (decrease) due to changes in fiscal year-end of consolidated subsidiaries			(140)		(140)
Net changes of items other than shareholders' equity					
Total change during current period	—	(3,661)	(6,248)	9,223	(686)
Balance at current period-end	3,450	522	194,285	(14,482)	183,775

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of retirement benefit plans	Accumulated other comprehensive income total		
Balance at period start	10,953	1,166	(1,034)	11,085	53	195,600
Change during current period						
Dividends from surplus						(6,512)
Net income attributable to owners of the parent						20,022
Purchase of treasury stock						(14,056)
Cancellation of treasury stocks						—
Transfer from retained earnings to capital surplus						—
Increase (decrease) due to changes in fiscal year-end of consolidated subsidiaries						(140)
Net changes of items other than shareholders' equity	(607)	3,186	200	2,778	207	2,986
Total change during current period	(607)	3,186	200	2,778	207	2,299
Balance at current period-end	10,346	4,352	(834)	13,864	260	197,900

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Cash flow from operating activities		
Income before income taxes	27,636	27,950
Depreciation	3,973	4,360
Impairment loss	309	69
Amortization of goodwill	862	998
Interest and dividends income	(588)	(579)
Interest expenses	18	18
Loss (gain) on sale of shares of subsidiaries and associates	(150)	—
Loss (gain) on sales of investment securities	(1)	(44)
Loss (gain) on valuation of investment securities	67	133
Loss (gain) on sales and retirement of non-current assets	69	52
Decrease (increase) in notes and accounts receivable-trade	(1,523)	8,296
Decrease (increase) in inventories	(462)	(1,977)
Increase (decrease) in notes and accounts payable-trade	813	1,240
Increase (decrease) in accounts payable-other	(177)	(1,002)
Increase (decrease) in accrued consumption taxes	(794)	277
Other	193	(431)
Total	30,247	39,363
Interest and dividend income received	654	572
Interest expenses paid	(17)	(18)
Income taxes paid	(8,464)	(8,003)
Net cash provided by operating activities	22,419	31,914
Cash flow from investing activities		
Payments into time deposits	(49,285)	(47,567)
Proceeds from withdrawal of time deposits	53,432	45,996
Purchase of securities	—	(2,000)
Proceeds from sales and redemption of securities	7,728	5,713
Purchase of property, plant and equipment	(3,663)	(14,747)
Proceeds from sales of property, plant and equipment	10	3
Purchase of intangible assets	(522)	(1,482)
Purchase of investment securities	(182)	(19)
Proceeds from sales of investment securities	402	45
Proceeds from sale of shares of subsidiaries and associates	200	—
Other	(129)	(253)
Net cash provided by (used in) investing activities	7,991	(14,312)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(12)	(1)
Purchase of treasury stock	(3,943)	(14,056)
Cash dividends paid	(6,251)	(6,509)
Other	(169)	(191)
Net cash provided by (used in) financing activities	(10,377)	(20,759)
Effect of exchange rate change on cash and cash equivalents	797	673
Net increase (decrease) in cash and cash equivalents	20,830	(2,484)
Cash and cash equivalents at beginning of period	61,157	81,987
Net increase (decrease) in cash and cash equivalents due to changes in fiscal year-end of consolidated subsidiaries	—	(22)
Cash and cash equivalents at end of period	81,987	79,480

## 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, 2021 to December 31, 2021)

(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	115,972	29,739	8,994	154,706	546	155,252	—	155,252
Inter-segment sales and transfers	5,983	1,400	—	7,384	6,211	13,596	(13,596)	—
Total	121,956	31,140	8,994	162,090	6,758	168,848	(13,596)	155,252
Segment income	23,935	911	397	25,244	820	26,064	1	26,065
Segment assets	80,712	38,829	1,599	121,141	5,666	126,807	125,746	252,554
Other items (Note) 4								
Depreciation	2,356	1,319	47	3,724	220	3,945	—	3,945
Goodwill depreciation	—	862	—	862	—	862	—	862
Increase in property, plant, and equipment and intangible assets	3,566	1,146	48	4,761	86	4,848	429	5,278

- (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) Adjustment of 1 million yen in segment income is eliminations among segments.
    - (2) Adjustment of 125,746 million yen in segment assets is assets of group companies and eliminations among segments, 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) The standards for allocation of non-current assets to segments are different from those for allocation of related depreciation to segments.
    - (4) Adjustment of 429 million yen for increase in property, plant, and equipment and intangible assets 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, 2022 to December 31, 2022)

(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								
Japan	117,540	—	8,439	125,980	601	126,581	—	126,581
United States	—	16,474	—	16,474	—	16,474	—	16,474
China	—	12,482	—	12,482	—	12,482	—	12,482
Southeast Asia	—	7,493	—	7,493	—	7,493	—	7,493
Other	—	3,225	—	3,225	—	3,225	—	3,225
Revenue from contracts with customers	117,540	39,676	8,439	165,657	601	166,258	—	166,258
Net sales to outside customers	117,540	39,676	8,439	165,657	601	166,258	—	166,258
Inter-segment sales or transfers	6,702	1,877	—	8,580	6,243	14,823	(14,823)	—
Total	124,242	41,554	8,439	174,237	6,844	181,082	(14,823)	166,258
Segment income	22,434	3,234	420	26,089	528	26,617	52	26,669
Segment assets	84,922	49,574	1,549	136,047	5,943	141,990	113,837	255,827
Other items (Note) 4								
Depreciation	2,479	1,594	57	4,131	200	4,332	—	4,332
Goodwill depreciation	—	998	—	998	—	998	—	998
Increase in property, plant, and equipment and intangible assets	11,363	3,076	44	14,484	197	14,681	1,112	15,794

- (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) Adjustment of 52 million yen in segment income is eliminations among segments.
    - (2) Adjustment of 113,837 million yen in segment assets is assets of group companies and eliminations among segments, 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) The standards for allocation of non-current assets to segments are different from those for allocation of related depreciation to segments.
    - (4) Adjustment of 1,112 million yen for increase in property, plant, and equipment and intangible assets 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, 2021 to December 31, 2021)		Current consolidated fiscal year (January 1, 2022 to December 31, 2022)	
Net assets per share	2,515.53 yen	Net assets per share	2,600.04 yen
Net income per share	252.36 yen	Net income per share	259.63 yen
Diluted net income per share is omitted, since there are no potential ordinary shares with dilutive effect.		Diluted net income per share	259.59 yen

(Note) 1. Net income per share was calculated based on the figures below.

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net income per share		
Net income attributable to owners of the parent (Millions of yen)	19,715	20,022
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)	19,715	20,022
Average number of shares of common stock during the period (1,000 shares)	78,125	77,122
Diluted net income per share		
Diluted net income per share attributable to owners of the parent (Millions of yen)	—	—
Number of ordinary shares increased (1,000 shares)	—	10
(of which share acquisition rights)	—	(10)
Outline of dilutive shares not included in calculation of net income per share after full dilution due to the absence of dilutive effects	Resolution at Board of Directors' meeting held on August 25, 2021 Stock option plan (share acquisition rights: 3,519 units) Common stock: 351,900 shares	Resolution at Board of Directors' meeting held on August 25, 2021 Stock option plan (share acquisition rights: 3,442 units) Common stock: 344,200 shares

2. The Company resolved to acquire its own shares at the meeting of the Board of Directors held on November 1, 2022 and completed the acquisition on November 2, 2022. It purchased its own shares through a Fully Committed Share Repurchase (FCSR). Furthermore, as a result of the acquisition through FCSR, share acquisition rights (ordinary shares are issued by exercising the share acquisition rights) were allotted. Diluted net income per share is calculated by the following formula:

Diluted net income per share = Net income / (average number of shares outstanding during the period + the number of ordinary shares increased)

3. The number of ordinary shares increased mentioned in the above 2 is calculated by the following formula:

The average number of shares acquired (a fraction less than one share rounded down) = Repurchase amount (\*1) / Average share price (\*2)

The number of new potential ordinary shares to be issued (shares less than a basic lot rounded down) = The number of shares acquired – The average number of shares acquired

The number of ordinary shares increased = The number of new potential ordinary shares to be issued x Period during which potential ordinary shares existed (\*3) / Consolidated fiscal year ended December 31, 2022

(\*1) The repurchase amount totals 9,991,920,000.

(\*2) The average share price is calculated by multiplying the arithmetic average of the volume weighted average price (VWAP) on each trading day from the day following the day the Company acquired its own shares (November 4, 2022) to the end of the consolidated fiscal year (December 31, 2022) by 99.9%.

(\*3) This refers to the period from the allotment day of the share acquisition rights (November 16, 2022) to the end of the consolidated fiscal year (December 31, 2022).

## (Important subsequent event)

Not applicable