

# KOBAYASHI

## PHARMACEUTICAL CO., LTD.

### **Summary Consolidated Financial Results for the First Quarter Ended June 30, 2008**

*Note: This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice.*

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2008

### Kobayashi Pharmaceutical, Co., Ltd. (4967)

Exchange Listed:	Osaka and Tokyo, First Section
Principal Office:	Osaka, Japan
Homepage:	<a href="http://www.kobayashi.co.jp">http://www.kobayashi.co.jp</a>
President and COO:	Yutaka Kobayashi
Contact:	Satoshi Yamane, General Manager Group Corporate Business Headquarters
Telephone:	+81-6222-0084
Expected date of Quarterly Financial Report submission:	August 8, 2008
U.S. (GAAP) accounting standard:	Not adopted for the purposes of these statements.

### I. Consolidated Financial Results (April 1, 2008 – June 30, 2008)

#### (1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	First Quarter ended June 30,			
	2008	%	2007	%
Net Sales.....	28,488	—	62,777	0.2
Operating Income.....	3,767	—	3,783	4.8
Ordinary Income.....	3,673	—	3,148	1.3
Net Income .....	2,603	—	2,378	(2.1)
Net Income per Share (yen).....	63.20		57.53	
Net Income per Share, diluted (yen).....	63.18		57.45	

#### (2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	First Quarter ended June 30,	FY ended March 31,
	2008	2008
Total Assets .....	121,495	122,409
Net Assets.....	76,742	77,182
Shareholders' Equity Ratio .....	63.1%	63.0%
Shareholders' Equity per Share (yen).....	1,871.70	1,863.24
Note: Equity: Fiscal quarter ended June 30, 2008 .....		76,643 million yen
Fiscal year ended March 31, 2008 .....		77,103 million yen

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## II. Dividends

	Fiscal year ended March 31,		
	2008	2009	2009 (forecast)
Annual Dividends per Share			
First quarter (yen)	—	—	—
Interim (yen)	27.00	—	29.00
Third quarter (yen)	—	—	—
End of year (yen)	27.00	—	29.00
Annual Dividends (yen)	54.00	—	58.00

\* Revisions to dividend forecast in the quarter: None

## III. Outlook for the Fiscal Year Ending March 31, 2009 -- (April 1, 2008 – March 31, 2009)

Consolidated	Millions of Yen - Except Per Share Data and Percents			
	First Half	%	Full Year	%
Net Sales .....	61,500	(52.9)	129,000	(43.6)
Operating Income .....	7,900	(13.6)	15,600	(16.0)
Ordinary Income .....	7,700	(3.1)	15,400	(1.8)
Net Income .....	4,900	5.0	8,800	3.5
Net Income per Share (yen) .....	118.41		212.66	

\* Revisions to financial forecast in the quarter: None

## IV. Additional notes

(1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanies by changes in the scope of consolidation):

None  
 New: No companies  
 Excluded: No companies

(2) Application of simplified accounting treatment and unique accounting treatment when creating quarterly consolidated financial statements: Yes (please refer to pages 8-10.)

(3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements (Record under Changes to Significant Matters Forming the Basis for the Preparation of Quarterly Consolidated Financial Statements)

(i) Changes accompanying amendments to accounting standards: Yes  
 (ii) Changes other than those in (i) above: None  
 (please refer to pages 8-10.)

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(4) Number of outstanding shares (common shares)

(i) Number of shares issued and outstanding at end of period (including treasury stock)

First Quarter FY2009:	42,525,000	End Fiscal Year 2008:	42,525,000
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(ii) Number of shares of treasury stock issued and outstanding at end of period

First Quarter FY2009:	1,576,673	End Fiscal Year 2008:	1,143,617
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(iii) Average number of treasury stock during the period

First Quarter FY2009:	41,194,608	End Fiscal Year 2008:	41,354,200
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Note:

1.The outlook shown above is prepared based on information available as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors.

The main reason for the decline in sales was the removal of the affiliated company responsible for wholesale operations from the scope of consolidation as of January 1, 2008. In addition, changes in accounting treatment following the application of the Accounting for Inventory Valuation accounting standard impacted both operating income and the ordinary income.

Please refer to "Forecasts for Fiscal Year Ending March 31, 2008" in "Business Results and Financial Position" on pages 8-10 for information on the aforementioned forecasts.

2.Effective from the fiscal period under review, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and the Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14). In addition, the quarterly consolidated financial report is prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## V. Business Results and Financial Position

### (1) Business Results

During the first quarter of the current fiscal year, the deterioration in the corporate business environment accelerated, the economic slowdown deepened, and uncertainty about the Japanese economy surfaced as a result of various factors including concerns about a recession in the US and inflation following price hikes in products such as crude oil and raw materials.

In these circumstances, the Kobayashi Group sought to fully cultivate the spirit of the Group philosophy of "Creation and Innovation", and the development of customer needs by providing products and services to create new markets while offering new value products and services in existing markets.

Kobashou Co., Ltd., which was responsible for wholesale operations, became a wholly-owned subsidiary of Mediceo Paltac Holdings through a stock swap on January 2008. Kobashou's earnings were not included in consolidated figures for the affiliated companies doing wholesale operations starting in the fourth quarter ended in March 2008.

As a result, sales figures for the first quarter ended June 30, 2008, likewise, fell 34,288 million yen (-54.6%) year on year to 28,488 million yen, and operating income fell 15 million yen (-0.4%) to 3,767 million yen.

Ordinary income, however, increased 525 million yen (+16.7%) year on year to 3,673 million yen, and net income expanded 224 million yen (+9.4%) year on year to 2,603 million yen.

Operating income fell year on year because of factors that impacted the cost of sales and changes to the accounting treatment of inventory valuations and losses on the valuation and disposal of inventories following the application of the Accounting for Inventory Valuations accounting standard starting this fiscal year.

### Consumer Products Operation

Six new products were introduced and contributed to sales expansion in this segment, including Doruchitoru, a medicine to reduce excessive cholesterol in the blood, Inochi No Haha White, an OCT medicine to reduce menstrual discomfort, and Bluelet Hyouhakudama Plus, a toilet tank cleaner that maintains whiteness and shininess through the combined cleaning strength of Hyouhakudama and a concentrated cleaning liquid.

In addition, although sales of OTC pharmaceutical products for summer were flat as a result of unseasonable weather, the overseas body warmer business and business related to existing products, such as OTC pharmaceutical product Nicitol 85, which promotes the breakdown and consumption of abdominal fat, mouth freshener Breath Care, and the toilet cleaner Bluelet, were firm, which led to sales growing 1.4% (351 million yen) year on year to 25,574 million yen.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

Operating income fell 73 million yen (-1.9%) year on year to 3,818 million yen. This followed factors that impacted the cost of sales, changes in the accounting treatment of inventory valuations and losses on the valuation and disposal of inventories following application of the Accounting for Inventory Valuations accounting standard starting this fiscal year.

## Sales by Category

(Millions of Yen)

	First Quarter ended June 30, 2008		First Quarter ended June 30, 2007		Change	
	Amount	%	Amount	%	Amount	%
Pharmaceuticals	4,773	18.7	5,039	20.0	(265)	(5.3)
Oral hygiene products	3,225	12.6	2,975	11.8	250	8.4
Sanitary products	3,704	14.5	3,697	14.7	6	0.2
Deodorizing air fresheners	8,181	32.0	8,057	31.9	124	1.5
Household sundries	1,066	4.2	1,189	4.7	(122)	(10.3)
Food products	3,238	12.6	3,152	12.5	86	2.7
Body warmers	1,383	5.4	1,111	4.4	271	24.4
<b>Total</b>	<b>25,574</b>	<b>100.0</b>	<b>25,223</b>	<b>100.0</b>	<b>351</b>	<b>1.4</b>

Note: Sales include internal sales or transfers between segments, which amounted to 8,089 million yen for the first quarter a year ago and 1 million yen for the current quarter.

## Medical Devices Operation

Focus in the Medical Devices Operation segment was in the fields of orthopedic surgery and operating room related products, the domestic market for which is expected to grow, and sales were firm. However, sales for the eVent Company declined because of delays in the redesign of artificial ventilators that they sell.

As a result, sales rose 37 million yen (+1.5%) year on year to 2,490 million yen. The Group also recorded an operating loss of 172 million yen since aggressive investments were continuously made to grow the eVent Company's artificial ventilator business.

## Sales by Category

(Millions of Yen)

	First Quarter ended June 30, 2008		First Quarter ended June 30, 2007		Change	
	Amount	%	Amount	%	Amount	%
Kobayashi Medical Company	2,148	86.2	1,922	78.4	225	11.7
eVent Medical Ltd.	57	2.3	251	10.2	(193)	(77.2)
Others	285	11.5	278	11.4	6	2.3
<b>Total</b>	<b>2,490</b>	<b>100.0</b>	<b>2,453</b>	<b>100.0</b>	<b>37</b>	<b>1.5</b>

Note: Sales excludes internal sales or transfers between segments.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Other Operations

Other Operations (transportation, sales promotion, market research, etc.) are conducted on a financially independent basis by Kobayashi Pharmaceutical's subsidiaries in support of the Company's two principal businesses and to contribute to the profits of those businesses. The Group reviewed the transfer values of the materials and services these operations provide.

Therefore, sales fell 34 million yen (-1.7%) year on year to 1,924 million yen, but operating income rose 24 million yen (+25.0%) year on year to 123 million yen. However, sales include internal sales or transfers between segments, which totaled 1,511 million yen during the first quarter a year ago and 1,499 million for current quarter.

## (2) Consolidated Financial Position

### Cash Flows from Operating Activities

Net cash used in operating activities increased by 528.2% compared to the previous first quarter to 1,604 million yen. This was due to income before provision for income taxes of 4,670 million yen, an increase in inventories of 2,625 million yen, and corporate tax paid of 3,221 million yen.

### Cash Flows from Investing Activities

Net cash provided by investing activities totaled 302 million yen. This was mainly due to purchases of securities of 6,493 million yen, proceeds from redemption of securities of 6,800 million yen, purchases of property, plants and equipment of 184 million yen, purchase of intangible assets of 278 million yen, purchases of investment securities of 514 million yen, and proceeds from sale of goodwill of 1,102 million yen.

### Cash Flows from Financing Activities

Net cash used in financing activities totaled 2,474 million yen, a decrease of 47.3% compared to the first quarter a year ago. This was mainly due to proceeds from long-term debt of 210 million yen, payment for purchase of treasury stock of 1,672 million yen, and dividends paid of 1,100 million yen.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Forecasts for Fiscal Year Ending March 31, 2008

Sales in the current first quarter decreased compared to the first quarter a year ago. This is mainly because of the following reason. Kobashou Co., Ltd., which was responsible for wholesale operations, was turned into a wholly-owned subsidiary of Mediceo Paltac Holdings through a stock swap on January 2008. Kobashou's earnings were not included in consolidated figures for the affiliated companies doing wholesale operations starting in the fourth quarter ended in March 2008.

Sales and profits were generally in line with projections although there was a decline in operating income as a result of factors that affected cost of sales and changes in the accounting treatment of inventory valuations and losses on the valuation and disposal of inventories with the application of the *Accounting for Inventory Valuation* accounting standard.

At the present time, earnings are not expected to change dramatically, and there were no changes in the earnings forecast for the first half and full fiscal year, which were released on May 8, 2008.

## (4) Other

(1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of simplified accounting procedures and specific accounting procedures in preparing quarterly consolidated financial statements:

### 1. Simplified accounting

#### i) Method for calculating the projected value of bad debts for general debts

Since there were no obvious changes in items such as the actual default rate at the end of the first quarter of the current fiscal year compared to figures calculated at the end of the previous fiscal year, the projected value of bad debts was calculated using items such as the default rate calculated at the end of the previous fiscal year.

#### ii) Method for valuing inventories

The amount of inventory at the end of the first quarter of the current fiscal year was calculated not through physical inventory taking but using a logical method based on the amount of inventory determined during the physical inventory taking conducted at the end of the previous fiscal year.

In addition, the book value of inventories is only written down for items whose profitability has clearly deteriorated, and an estimate is made of the net sales price.



# KOBAYASHI PHARMACEUTICAL CO., LTD.

## iii) Method for calculating deferred and accrued accounts

Items that have a strong fixed nature and entail only insignificant discrepancies between the budget value and actual value are recorded using a rough estimated calculated in a logical manner.

## iv) Method for calculating corporate income, local, and business taxes

The amount of corporate income, local, and business tax payments is calculated using a method that limits additions, subtractions, exceptions to material ones.

Future earnings forecasts or tax planning used in the previous fiscal year are used to determine recoverability of deferred tax assets as there were no significant changes in the operating environment or temporary discrepancies since the end of the previous consolidated fiscal year.

## v) Netting of credits and liabilities and transactions between consolidated companies

As for the netting of credits and liabilities between companies within the consolidated group, if there are discrepancies between the particular credits and liabilities, the items are netted without adjusting the discrepancy within a reasonable amount. As for the netting of transactions between companies within the consolidated group, if the discrepancy between the transaction amounts lack materiality, the amounts are netted based on a method such as using the figure for the parent company.

## (3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements

### 1. Changes in accounting principles

#### i) Application of Accounting Standard for Quarterly Financial Reporting

Effective from the fiscal period under review, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and the Guidance on Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No.14). In addition, the quarterly consolidated financial report is prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.

#### ii) Material changes in the criteria and method for valuing assets

##### Inventories

Inventories held for the purpose of sales, which have traditionally and mainly been accounted for using a cost method based on the period average, will mainly be accounted for using the cost method based on the period average (a method for reducing the balance sheet book value due to a decline in profitability) following the

# KOBAYASHI PHARMACEUTICAL CO., LTD.

application of the Accounting for Inventory Valuation accounting standard (ASBJ Statement No.9; July 5, 2006).

This had only a minor impact on income and segment information.

Following application of this standards, the loss on valuation and disposal of inventories, which have traditionally been recorded as non-operating expenses and extraordinary losses, are included as cost of sales.

While this reduced operating income by 240 million yen and ordinary income by 130 million yen, it had no effect on net income before provision for income taxes. The effect on segment information is discussed in the relevant location.

## iii) Application of items such as accounting standards related to leases

Finance leases in which ownership is not transferred have traditionally been accounted for in a manner equivalent to that for leases. Accounting Standard for Lease Transactions (ASBJ Statement No.13; June 17, 1993 (Business Accounting Council - No. 1 Subcommittee); revised March 30, 2007) and Implementation Guidelines for Accounting Standard for Lease Transactions (ASBJ Guidance No.16; January 18, 1994 (Japanese Institute of Certified Public Accountants - Accounting System Committee); revised March 30, 2007) can be applied to the quarterly financial statements for the consolidated fiscal year starting on April 1, 2008, or later. These accounting standards have been applied starting with the first quarter of the current fiscal year, and finance leases are accounted for as normal sales.

In addition, finance leases assets without transfer of ownership are amortized by the straight-line method at rates based on lease term, without any residual value.

This had only a minor impact on income and segment information.

## (4) Supplementary Data

As of the first quarter of the current fiscal year, the useful life of equipment at the Company and its Japanese consolidated subsidiaries was reviewed and changed for some equipment following revisions to the Corporate Tax Law.

This had only a minor impact on income and segment information.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## VI. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Millions of Yen			
	As of June 30,		As of March 31,	
	2008		2008	
	Note		Note	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits.....		13,221		17,164
Trade notes and accounts receivable .....		25,202		26,231
Securities.....		5,498		5,799
Finished goods.....		2,782		2,553
Finished products.....		9,332		7,380
Raw material .....		1,720		1,518
Work in progress.....		779		630
Deferred income taxes .....		3,283		3,199
Other current assets.....		1,515		1,594
Allowance for doubtful accounts .....		(21)		(3)
<b>Total Current Assets .....</b>		<b>63,315</b>		<b>66,069</b>
<b>Fixed Assets:</b>				
<b>Tangible Fixed Assets:</b>				
Buildings and Structures (Net) .....	1	7,314	1	7,399
Machinery and equipment (Net).....	1	1,413	1	1,471
Land .....		5,244		5,244
Other (Net) .....	1	3,169	1	1,119
<b>Total Fixed Assets .....</b>		<b>17,141</b>		<b>15,235</b>
<b>Intangible Assets:</b>				
Goodwill .....		9,330		10,675
Other .....		2,336		2,127
<b>Total Intangible Assets .....</b>		<b>11,666</b>		<b>12,803</b>
<b>Investments and Other Assets:</b>				
Investments in securities.....		25,873		24,677
Other Assets.....		3,636		3,697
Allowance for investment liability loss.....		(47)		—
Allowance for doubtful accounts .....		(91)		(73)
<b>Total Investments and Other Assets .....</b>		<b>29,371</b>		<b>28,301</b>
<b>Total Fixed Assets .....</b>		<b>58,179</b>		<b>56,340</b>
<b>Total Assets .....</b>		<b>121,495</b>		<b>122,409</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen	
	As of June 30,	As of March 31,
	2008	2008
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Trade notes and accounts payable.....	15,179	15,317
Short-term loans payable.....	716	726
Accrued expenses .....	10,587	12,995
Accrued income taxes.....	2,822	3,690
Reserve for returned goods unsold .....	1,054	1,245
Allowance for bonus payable.....	2,666	1,755
Other current liabilities .....	2,640	2,210
<b>Total Current Liabilities .....</b>	<b>35,668</b>	<b>37,940</b>
<b>Fixed Liabilities:</b>		
Long term loans payable .....	200	—
Allowance for retirement benefits .....	4,546	4,486
Provision for allowances for directors and corporate auditors.....	1,480	1,451
Other fixed liabilities.....	2,856	1,348
<b>Total Fixed Liabilities.....</b>	<b>9,084</b>	<b>7,286</b>
<b>Total Liabilities.....</b>	<b>44,752</b>	<b>45,226</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock.....	3,450	3,450
Capital surplus.....	4,219	4,213
Earned surplus .....	73,615	72,129
Cost of treasury stock.....	(4,704)	(3,230)
<b>Total Shareholders' Equity .....</b>	<b>76,580</b>	<b>76,562</b>
<b>Appraisal and Translation Differences</b>		
Net unrealized holdings on securities.....	2,058	1,571
Gain/loss on deferred hedge .....	(102)	(690)
Foreign currency translation adjustment .....	(1,894)	(339)
<b>Total Appraisal and Translation Differences .....</b>	<b>62</b>	<b>540</b>
<b>Stock Acquisition Rights .....</b>	<b>84</b>	<b>63</b>
<b>Minority Interests .....</b>	<b>15</b>	<b>16</b>
<b>Net Assets .....</b>	<b>76,742</b>	<b>77,182</b>
<b>Total Liabilities and Net Assets.....</b>	<b>121,495</b>	<b>122,409</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (2) Consolidated Statements of Income

	Millions of Yen
	April 1 to June 30, 2008
	Note
<b>Net Sales</b> .....	<b>28,488</b>
Cost of sales .....	12,315
Gross income.....	16,173
Selling, general & administrative expenses.....	*1 12,405
<b>Operating Income</b> .....	<b>3,767</b>
<b>Non-Operating Income:</b>	
Dividend income .....	120
Royalty income .....	105
Miscellaneous income .....	118
<b>Non-Operating Income</b> .....	<b>344</b>
<b>Non-Operating Expenses:</b>	
Sales discount .....	274
Investment loss on equity method.....	91
Miscellaneous expenses .....	71
<b>Non-Operating Expenses</b> .....	<b>438</b>
<b>Ordinary Income</b> .....	<b>3,673</b>
<b>Extraordinary Gain and Loss:</b>	
Goodwill transfer benefit.....	1,102
Other extraordinary gains .....	42
<b>Extraordinary Gains</b> .....	<b>1,144</b>
Non-recurring expenses accompanying the collection of products.....	79
Provision for allowance for investment loss .....	47
Other extraordinary losses .....	20
<b>Extraordinary Losses</b> .....	<b>147</b>
<b>Income Before Provision for Income Taxes</b> .....	<b>4,670</b>
Corporate Income, Local and Business Taxes....	2,388
Adjustments to Income Taxes .....	(320)
Total Income Taxes, etc. ....	2,067
Minority loss in Net Income of Consolidated Subsidiaries.....	(1)
<b>Net Income</b> .....	<b>2,603</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Consolidated Statements of Cash Flows

	Millions of Yen
	April 1 to June 30, 2008
<b>I. Cash flows from operating activities</b>	
Income before provision for income taxes.....	4,670
Depreciation or amortization.....	656
Amortization of goodwill.....	336
Increase (decrease) in allowance of doubtful accounts .....	37
Increase (decrease) in allowance for retirement benefits .....	59
Interest and dividend income.....	(153)
Interest expenses .....	32
Investment loss on equity method .....	91
Goodwill transfer benefit.....	(1,102)
Loss (gain) on sales and disposal of fixed assets .....	(15)
Provision for allowance for investment loss .....	47
Decrease (increase) in trade notes and accounts receivable .....	(818)
Decrease (increase) in inventories.....	(2,625)
Increase (decrease) in trade notes and accounts payable .....	(46)
Increase (decrease) in accrued expenses .....	(2,352)
Increase (decrease) in consumption taxes payable.....	50
Other .....	842
<b>Sub Total.....</b>	<b>1,347</b>
Interest and dividends received.....	293
Interest paid .....	(23)
Income taxes paid.....	(3,221)
<b>Net cash used in operating activities .....</b>	<b>(1,604)</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

Millions of Yen

April 1 to June 30, 2008

## II. Cash flows from investing activities

Purchases of securities .....	(6,493)
Proceeds from sales and redemption of securities .....	6,800
Purchases of property, plants and equipment .....	(184)
Proceeds from sales of property, plants and equipment .....	16
Purchases of intangible assets .....	(278)
Purchases of investment securities .....	(514)
Purchases of investments and other assets .....	(87)
Proceeds from sales of investments and other assets .....	27
Disbursement for long-term loans payable .....	(90)
Proceeds from collection of long term loan .....	6
Proceeds from sale of goodwill .....	1,102

<b>Net cash provided by investing activities .....</b>	<b>302</b>
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## III. Cash flows from financing activities

Increase (decrease) in short-term loans, net .....	60
Proceeds from long-term debt.....	210
Purchase of treasury stock.....	(1,672)
Proceeds from disposal of treasury stock .....	204
Dividends paid .....	(1,100)
Repayment of finance lease obligations .....	(177)

<b>Net cash used in financing activities .....</b>	<b>(2,474)</b>
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<b>IV Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(166)</b>
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<b>V. Net increase (decrease) in cash and cash equivalents .....</b>	<b>(3,942)</b>
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<b>VI. Cash and cash equivalents at beginning of year .....</b>	<b>17,164</b>
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<b>VII. Cash and cash equivalents at end of year .....</b>	<b>*1 13,221</b>
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# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Notes regarding continuing concern

None

## (5) Segment Information

### Segment Information by Business Category

#### Current Consolidated First Quarter - (April 1, 2008 - June 30, 2008)

(Millions of Yen)

	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
(1) Sales from external clients	25,572	2,490	425	28,488	—	28,488
(2) Internal sales or transfers between segments	1	—	1,499	1,501	(1,501)	—
<b>Total</b>	<b>25,574</b>	<b>2,490</b>	<b>1,924</b>	<b>29,990</b>	<b>(1,501)</b>	<b>28,488</b>
Operating income / losses	3,818	(172)	123	3,769	(1)	3,767

### 1. Classification of Business

Businesses segments are classified following the product line, and the markets in which the products are distributed.

### 2. Main Products by Business Segment

Segment	Main Products
Consumer products operation	Pharmaceuticals, oral hygiene products, sanitary products, deodorizing air fresheners, household sundries, food products, and body warmers
Medical device operation	Medical devices
Others	Transport, synthetic resin products manufacturing, insurance agency business, real estate management, advertising plan and creation

### 3. Changes in Accounting Principles

(Accounting for Inventory Valuation accounting standard)

As noted in 1.(2) "Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements", the Accounting for Inventory Valuation accounting standard (ASBJ Statement No. 9; July 5, 2006), was applied starting in the first quarter of the current fiscal year, which resulted in operating income for the wholesale operations declining 253 million yen, operating income for the medical devices operations growing 11 million yen, and operating income for "other operations" increasing 1 million yen compared to when the previous method was used.

### 4. Omission of segment information

As for wholesale operations, which have traditionally been an important segment, the segment was omitted from segment information starting from the first quarter of the current fiscal year since Kobashou Co., Ltd., which



# KOBAYASHI PHARMACEUTICAL CO., LTD.

handled wholesale operations, was turned into a wholly-owned subsidiary of Mediceo Paltac Holdings, through a stock swap in the fourth quarter of the fiscal year ending March 31, 2008, and excluded from the scope of consolidation.

## Segment Information by Area

Since sales in Japan account for more than 90% of total sales for all segments, segment information by region has been omitted.

## Overseas Sales

In this term, overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.

## (6) Significant change in shareholders' equity

None

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## VII. Notes to Consolidated Financial Statements

### (Related to consolidated balance sheet)

Current First Quarter (As of June 30, 2008)	Previous Fiscal Year (As of March 31, 2008)
*1 Accumulated depreciation of property, plant and equipment amounts to 17,317million yen.	*1 Accumulated depreciation of property, plant and equipment amounts to 16,928 million yen.
2. In order to provide access to a stable and effective source of operating capital, the Company and consolidated subsidiaries Toyama Kobayashi Pharmaceutical, Sendai Kobayashi Pharmaceutical, Ehime Kobayashi Pharmaceutical, Kobayashi Seiyaku Plax, SP-Planning, Kobayashi Pharmaceutical Distribution, Kobayashi Healthcare Europe, Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., Shanghai Kobayashi Daily Chemicals, eVent Medical Inc., and HeatMax Inc. have entered into commitment-line and overdraft contracts with five trading banks. The balance of un-realized debt based on these contracts at the end of the current first quarter consolidated reporting period is as shown below.	2. In order to provide access to a stable and effective source of operating capital, the Company and consolidated subsidiaries Toyama Kobayashi Pharmaceutical, Sendai Kobayashi Pharmaceutical, Ehime Kobayashi Pharmaceutical, Kobayashi Seiyaku Plax, SP-Planning, Kobayashi Pharmaceutical Distribution, Kobayashi Healthcare Europe, Shanghai Kobayashi Daily Chemicals, event Medical Inc., and HeatMax Inc. have entered into commitment-line and overdraft contracts with five trading banks. The balance of un-realized debt based on these contracts at the end of the current fiscal year is as shown below.
Total debt commitment	22,780 million yen
Realized debt balance	721 million yen
Balance	22,058 million yen
Total debt commitment	22,665 million yen
Realized debt balance	916 million yen
Balance	21,748 million yen

### (Related to consolidated statement of income)

Related to consolidated statement of income

Current First Quarter (April 1, 2008 to June 30, 2008)	
*1 The major components of selling, general & administrative expenses were as follows.	
Sales promotion	1,224 million yen
Advertising	3,406 million yen
Fees for payments	1,149 million yen
Freight & storage	1,032 million yen
Salaries & bonuses	2,117 million yen
Retirement benefit expenses	185 million yen
R&D	724 million yen

### (Related to consolidated statement of cash flows)

Related to consolidated statement of cash flows

Current First Quarter (April 1, 2008 to June 30, 2008)	
*1. A reconciliation of cash and time deposits in the consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the first half is as follows:	
Cash & time deposits	13,221 million yen
Time deposits with original maturity of more than 3 months	— million yen
<hr/>	
Total	13,221 million yen

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## VIII. Reference

### (1) Consolidated Statements of Income (Summary)

Previous Consolidated First Quarter - (April 1, 2007 - June 30, 2007)

	Millions of Yen First Quarter Ended June 30, 2007
<b>Net Sales</b> .....	<b>62,777</b>
Cost of Sales .....	42,633
Gross income.....	20,143
Selling, General, and Administrative Expense.....	16,360
<b>Operating Income</b> .....	<b>3,783</b>
<b>Non-Operating Income</b> .....	<b>310</b>
Dividend income .....	47
Royalty income .....	102
Investment gain on equity method.....	(31)
Other income .....	192
<b>Non-Operating Expenses</b> .....	<b>945</b>
Sales Discount .....	282
Losses on disposal of inventory evaluation .....	592
Other .....	70
<b>Ordinary Income</b> .....	<b>3,148</b>
<b>Extraordinary Gains</b> .....	<b>1,520</b>
Goodwill transfer benefit .....	1,277
Other extraordinary gains .....	242
<b>Extraordinary Losses</b> .....	<b>417</b>
Losses on disposal of fixed assets .....	5
Losses on variation of disposal of inventory.....	178
Other extraordinary losses.....	232
<b>Income Before Provision for Income Taxes</b> .....	<b>4,251</b>
<b>Tax Expense</b> .....	<b>1,906</b>
<b>Minority loss in Net Income of Consolidated Subsidiaries</b> .....	<b>(34)</b>
<b>First Quarter Net Income</b> .....	<b>2,378</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (2) Consolidated Statements of Cash Flows (Summary)

Previous Consolidated First Quarter - (April 1, 2007 – June 30, 2007)

	Millions of Yen
	First Quarter Ended June 30, 2007
<b>I. Cash Flows from Operating Activities</b>	
Income before income taxes and minority interests .....	4,251
Depreciation or amortization.....	578
Depreciation of goodwill .....	320
Allowance of doubtful accounts .....	(200)
Allowance for retirement benefits.....	(1,100)
Interest and dividend income.....	(105)
Interest expenses .....	20
Proceeds from investment by equity method .....	31
Losses on variation of disposal of inventory.....	771
Proceeds from transfer of goodwill.....	(1,277)
Losses on disposal of fixed assets.....	5
Decrease (increase) in trade notes and accounts receivable .....	(3,031)
Decrease (increase) of inventory assets.....	(2,243)
Increase (decrease) of purchase liabilities .....	4,672
Increase (decrease) in consumption taxes payable.....	(110)
Other .....	1,322
<b>Sub Total.....</b>	<b>3,905</b>
Interest and dividends received.....	105
Interest paid .....	(20)
Income taxes paid .....	(4,246)
<b>Net cash provided by operating activities .....</b>	<b>(255)</b>

(Continued on next page)

# KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen
	First Quarter Ended June 30, 2007
<b>II. Cash Flows from Investing Activities</b>	
Purchases of securities .....	(3,300)
Proceeds from sales and redemption of securities .....	1,800
Purchases of property, plants and equipment .....	(375)
Purchases of intangible assets .....	(576)
Purchases of investment securities .....	(13)
Proceeds from sales of investments and other assets .....	(83)
Increase in short-term loans receivable.....	(70)
Disbursement for long-term loans payable .....	(15)
Proceeds from collection of long term loan .....	15
Proceeds from sale of goodwill.....	1,277
Other .....	129
<b>Net cash from investing activities .....</b>	<b>(1,211)</b>
<b>III. Cash Flows from Financing Activities</b>	
Net increase (decrease) in short-term loans .....	(2,559)
Payment of long-term debt .....	(76)
Purchase of treasury stock .....	(1)
Proceeds from disposal of treasury stock.....	10
Dividends paid .....	(2,067)
<b>Net cash used in financing activities.....</b>	<b>(4,694)</b>
<b>IV. Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<b>(10)</b>
<b>V. Net Increase (Decrease) in Cash &amp; Cash Equivalents .....</b>	<b>(6,172)</b>
<b>VI. Cash and Cash Equivalents at Beginning of Year .....</b>	<b>19,090</b>
<b>VII. Cash and Cash Equivalents at End of Year .....</b>	<b>12,918</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Segment Information

### 1) Segment Information by Business Category

Previous Consolidated First Quarter (April 1, 2007 - June 30, 2007)

(Millions of Yen)

Sales and operating income	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Elimination/corporate	Consolidated
I. Sales from external clients	17,133	42,742	2,453	447	62,777	--	62,777
II. Internal sales or transfers between segments	8,089	--	--	1,511	9,600	(9,600)	--
<b>Total net sales</b>	<b>25,223</b>	<b>42,742</b>	<b>2,453</b>	<b>1,958</b>	<b>72,377</b>	<b>(9,600)</b>	<b>62,777</b>
Operating expense	21,330	42,910	2,603	1,859	68,704	(9,709)	58,994
Operating income / losses	3,892	(167)	(150)	98	3,673	109	3,783

#### Method of business classification:

Businesses segments are classified following the product line, and the markets in which the products are distributed.

#### Main products of each business operation:

Consumer Products Operations --- pharmaceuticals, oral hygiene products, sanitary products, deodorizing air fresheners, household sundries, food products, and body warmers.

Wholesale Operation --- household pharmaceuticals, household sundries and foods

Medical Devices Operation --- medical devices

Other Operation --- transport, synthetic resin products manufacturing, insurance agency business, real estate management, advertising plan and creation.

### 2) Segment Information by Area

Since sales in Japan account for more than 90% of total sales for all segments, segment information by region has been omitted.

### 3) Overseas Sales

In this term, overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.