

KOBAYASHI

PHARMACEUTICAL CO., LTD.

Summary Consolidated Financial Results for the First Half Ended September 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 Half Ended September 30, 2008

Kobayashi Pharmaceutical, Co., Ltd. (4967)

Exchange Listed:	Osaka and Tokyo, First Section
Principal Office:	Osaka, Japan
Homepage:	http://www.kobayashi.co.jp/english/index.shtml
President and COO:	Yutaka Kobayashi
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Telephone:	+81-6222-0084
Expected date of Quarterly Financial Report submission:	November 10, 2008
Scheduled dividend payment date:	December 10, 2008
U.S. (GAAP) accounting standard:	Not adopted for the purposes of these statements.

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

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	First Half ended September 30,			
	2008	%	2007	%
Net Sales.....	60,783	—	130,470	(0.2)
Operating Income.....	8,442	—	9,144	0.1
Ordinary Income.....	8,097	—	7,944	(0.8)
Net Income	4,969	—	4,668	(4.4)
Net Income per Share (yen).....	121.01		112.90	
Net Income per Share, diluted (yen)	120.98		112.77	

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half ended Sept 30,		FY ended March 31,
	2008	2008	
Total Assets	124,094		122,409
Net Assets	77,316		77,182
Shareholders' Equity Ratio	62.2%		63.0%
Shareholders' Equity per Share (yen).....	1,885.22		1,863.24
Note: Equity: First half ended Sept 30, 2008		77,195 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	
	Full Year	%
Net Sales	129,000	(43.6)
Operating Income	15,600	(16.0)
Ordinary Income	15,400	(1.8)
Net Income	8,800	3.5
Net Income per Share (yen)	212.66	

* Revisions to financial forecast in the quarter: None

KOBAYASHI PHARMACEUTICAL CO., LTD.

IV. Additional notes

- (1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanied 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.)

- (4) Number of outstanding shares (common shares)

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

First Half FY2009: 42,525,000 End Fiscal Year 2008: 42,525,000

- (ii) Number of shares of treasury stock issued and outstanding at end of period

First Half FY2009: 1,576,957 End Fiscal Year 2008: 1,143,617

- (iii) Average number of treasury stock during the period

First Half FY2009: 41,070,727 End Fiscal Year 2008: 41,355,451

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.

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

Through the first half of the current fiscal year, concerns of a slowdown in the Japanese economy intensified for various reasons including jumps in the price of crude oil and raw materials squeezing corporate earnings and household finances. In addition, there was continuing uncertainty about the future, including the impact of instability in the financial system stemming from the U.S. subprime mortgage problem.

In these circumstances, the Kobayashi Group sought to fully cultivate the spirit of the Group philosophy of "Creativity 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 second quarter ended September 30, 2008, likewise, fell 69,686 million yen (-53.4%) year on year to 60,783 million yen, and operating income fell 701 million yen (-7.7%) to 8,442 million yen.

Ordinary income, however, increased 152 million yen (+1.9%) year on year to 8,097 million yen, and net income expanded 301 million yen (+6.4%) year on year to 4,969 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 products, including the OTC medicine Doruchitoru, which reduces excess cholesterol in the blood, and the medicinal cosmetic water Keshimin Eki, which helps prevent freckles, went on sale this spring. In addition to firm sales of the toilet bowl cleaner Bluelet and the breath refreshener Breath Care, both of which are core products, sales of cooling gel sheets for foreheads Netsusama Sheets and Asewaki Pad, which are attached to clothes and prevent sweat stains, were healthy because of a heat wave that hit in July. Sales of food products, particularly mail order sales, were also strong.

As a result, sales in the first half increased 1,036 million yen (+1.9%) year on year to 54,531 million yen.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Operating income in the first half fell 825 million yen (-8.9%) year on year to 8,500 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 Half ended Sept 30, 2008		First Half ended Sept 30, 2007		Change	
	Amount	%	Amount	%	Amount	%
Pharmaceuticals	10,621	19.5	11,073	20.7	(452)	(4.1)
Oral hygiene products	6,563	12.0	6,288	11.8	275	4.4
Sanitary products	7,960	14.6	7,400	13.8	559	7.6
Deodorizing air fresheners	17,117	31.4	16,970	31.7	147	0.9
Household sundries	2,134	3.9	2,251	4.2	(116)	(5.2)
Food products	6,379	11.7	5,969	11.2	409	6.9
Body warmers	3,755	6.9	3,541	6.6	213	6.0
Total	54,531	100.0	53,495	100.0	1,036	1.9

Note: Sales include internal sales or transfers between segments, which amounted to 17,068 million yen for the previous first half consolidated cumulative period and 10 million yen for the current period.

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 Medical Inc. declined because of delays in the redesign of artificial ventilators that they sell.

As a result, sales in the first half rose 329 million yen (+6.5%) year on year to 5,393 million yen. The Group also recorded an operating loss of 249 million yen in the first half since aggressive investments were continuously made to grow the eVent Medical Inc.'s artificial ventilator business.

Sales by Category

	(Millions of Yen)					
	First Half ended Sept 30, 2008		First Half ended Sept 30, 2007		Change	
	Amount	%	Amount	%	Amount	%
Kobayashi Medical Company	4,505	83.5	4,085	80.7	419	10.3
eVent Medical Ltd.	377	7.0	471	9.3	(13)	(19.8)
Others	510	9.5	507	10.0	3	0.6
Total	5,393	100.0	5,064	100.0	329	6.5

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 in the first half fell 221 million yen (-5.5%) year on year to 3,844 million yen, but operating income rose 33 million yen (+17.8%) year on year to 223 million yen. However, sales include internal sales or transfers between segments, which totaled 3,114 million yen during the first half a year ago and 2,975 million for current quarter.

(2) Consolidated Financial Position

Current assets rose year on year to 68,088 million yen as a result of growth in trade notes and accounts receivable, an increase in finished goods, and a decline in cash and time deposits.

Fixed assets fell year on year slightly to 56,006 million yen since there was an increase in assets covered by lease accounting, a decrease in goodwill, and a decline in investments in securities.

Therefore, total assets equaled 124,094 million yen.

Liabilities rose year on year to 46,778 million yen for various reasons including an increase in lease liabilities due to the application of lease accounting, a rise in accrued income taxes, and a decline in accrued expenses.

Net assets grew year on year to 77,316 million yen as the earned surplus rose, net unrealized holdings on securities fell, and the foreign currency translation adjustments shrank.

(3) Forecasts for Fiscal Year Ending March 31, 2009

Sales for the first half were slightly below initial forecasts, but income generally came in as expected since sales of existing products with high profit margins were firm and costs were cut.

Both the Japanese and overseas economies are expected to continue to contract, and market conditions are projected to become even harsher. At the present time, earnings, however, are not expected to change substantially since various efforts are being made, including expanding sales of existing products, introducing new high added value products, and reducing costs. Therefore, consolidated earnings forecasts announced on May 8, 2008, have been left unchanged.

KOBAYASHI PHARMACEUTICAL CO., LTD.

(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: None

(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 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 719 million yen and ordinary income by 286 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.

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

Assets	Note	Millions of Yen		
		As of Sept 30,		
		2008	2008	
Current assets:				
Current assets:				
Cash and time deposits.....		11,222	17,164	
Trade notes and accounts receivable		30,799	26,231	
Securities.....		5,997	5,799	
Finished goods and products.....		12,727	9,934	
Work in progress.....		696	630	
Raw material and supply		2,047	1,788	
Other current assets		4,645	4,524	
Allowance for doubtful accounts		(48)	(3)	
Total Current Assets		68,088	66,069	
Fixed Assets:				
Tangible Fixed Assets:				
Buildings and structures (Net).....		7,268	7,399	
Machinery and equipment (Net).....		1,510	1,471	
Land		5,244	5,244	
Other (Net)		3,359	1,119	
Total Fixed Assets		17,382	15,235	
Intangible Assets:				
Goodwill		9,449	10,675	
Other		2,334	2,127	
Total Intangible Assets.....		11,784	12,803	
Investments and Other Assets:				
Investments in securities.....		21,898	24,677	
Other Assets.....		5,097	3,697	
Allowance for investment liability loss.....		(84)	—	
Allowance for doubtful accounts		(71)	(73)	
Total Investments and Other Assets		26,839	28,301	
Total Fixed Assets		56,006	56,340	
Total Assets		124,094	122,409	

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen	
	As of Sept 30, 2008	As of March 31, 2008
Liabilities		
Current Liabilities:		
Trade notes and accounts payable.....	14,992	15,317
Short-term loans payable.....	527	726
Accrued expenses	12,280	12,995
Accrued income taxes.....	4,584	3,690
Reserve for returned goods unsold	1,189	1,245
Allowance for bonus payable	1,831	1,755
Other current liabilities	2,409	2,210
Total Current Liabilities	37,815	37,940
Fixed Liabilities:		
Long term loans payable.....	212	—
Allowance for retirement benefits	4,577	4,486
Provision for allowances for directors and corporate auditors	1,510	1,451
Other fixed liabilities.....	2,663	1,348
Total Fixed Liabilities.....	8,963	7,286
Total Liabilities	46,778	45,226
Net Assets		
Shareholders' Equity		
Common stock.....	3,450	3,450
Capital surplus	4,219	4,213
Earned surplus	75,982	72,129
Cost of treasury stock	(4,705)	(3,230)
Total Shareholders' Equity	78,946	76,562
Appraisal and Translation Differences		
Net unrealized holdings on securities	(266)	1,571
Gain/loss on deferred hedge.....	(304)	(690)
Foreign currency translation adjustment.....	(1,179)	(339)
Total Appraisal and Translation Differences	(1,750)	540
Stock Acquisition Rights	105	63
Minority Interests.....	15	16
Net Assets	77,316	77,182
Total Liabilities and Net Assets.....	124,094	122,409

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Statements of Income

	Millions of Yen
	April 1 to Sept 30, 2008
Net Sales.....	60,783
Cost of sales.....	26,786
Gross income.....	33,997
Selling, general, and administrative expenses	25,554
Operating Income	8,442
Non-Operating Income:	
Interest income	70
Dividend income	123
Royalty income	217
Other.....	124
Non-Operating Income.....	535
Non-Operating Expenses:	
Interest expenses.....	62
Sales discount.....	574
Investment loss on equity method	101
Other.....	141
Non-Operating Expenses.....	881
Ordinary Income	8,097
Extraordinary Gain and Loss:	
Goodwill transfer benefit	1,102
Gain on sales of fixed assets.....	16
Gain on sales of investments in securities.....	2
Other.....	26
Extraordinary Gains	1,146
Non-recurring expenses accompanying the collection of products	84
Loss on sales and disposal of fixed assets	55
Provision for allowance for investment loss.....	84
Impairment loss.....	9
Other.....	14
Extraordinary Losses	248
Income Before Provision for Income Taxes	8,995
Corporate Income, Local and Business Taxes.....	3,996
Adjustments to Income Taxes	30
Total Income Taxes, etc.	4,027
Minority loss in Net Income of Consolidated Subsidiaries.....	(1)
Net Income	4,969

KOBAYASHI PHARMACEUTICAL CO., LTD.

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(3) Notes regarding continuing concern

None

(4) Segment Information

Segment Information by Business Category

Current Consolidated First Half - (April 1 - September 30, 2008)						(Millions of Yen)
	Consumer products operation	Medical device operation	Other	Total	Elimination / corporate	Consolidated
Sales						
I. Sales from external clients	54,521	5,393	868	60,783	—	60,783
II. Internal sales or transfers between segments	10	—	2,975	2,985	(2,985)	—
Total	54,531	5,393	3,844	63,769	(2,985)	60,783
Operating income / losses	8,500	(249)	223	8,474	(31)	8,442

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. (1) "Important Matters in the Preparation of Consolidated Financial Statements", the Accounting for Inventory Valuation accounting standard (ASBJ Statement No. 9; July 5, 2006), was applied starting in the consolidated first quarter. This resulted in operating income for the consumer products operation declining 724 million yen, operating income for others declining 1 million yen, and operating income for the medical device operation growing 6 million yen, as compared with the application of the previous method.

KOBAYASHI PHARMACEUTICAL CO., LTD.

4. Omission of some business in segment information

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

(5) Significant change in shareholders' equity

None

KOBAYASHI PHARMACEUTICAL CO., LTD.

VII. Reference

(1) Consolidated Statements of Income (Summary)

Previous Consolidated First Half - (April 1 - September 30, 2007)

	Millions of Yen First Half Ended September 30, 2007
Net Sales.....	130,470
Cost of sales	88,384
Gross income.....	42,086
Selling, general, and administrative expense	32,941
Operating Income	9,144
Non-Operating Income	864
Royalty income.....	213
Interest income	86
Other.....	564
Non-Operating Expenses.....	2,064
Losses on disposal of inventory evaluation	1,248
Sales discount.....	600
Other.....	215
Ordinary Income	7,944
Extraordinary Gains	1,559
Goodwill transfer benefit	1,277
Gain on the transfer to a defined contribution pension system	215
Other extraordinary gains	66
Extraordinary Losses	1,186
Losses on disposal of fixed assets	30
Losses on variation of disposal of inventory	519
Provision for allowance for investment loss.....	119
Impairment loss.....	15
Other extraordinary losses.....	502
Income Before Provision for Income Taxes.....	8,318
Corporate Income, Local and Business Taxes	3,749
Adjustments to Income Taxes.....	(83)
Minority loss in Net Income of Consolidated Subsidiaries	(16)
First Half Net Income.....	4,668

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Segment Information

1) Segment Information by Business Category

Previous Consolidated First Half (April 1 - September 30, 2007)						(Millions of Yen)	
Sales and operating income	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations		Elimination/corporate	Consolidated
I. Sales from external clients	36,426	88,027	5,064	952	130,470	--	130,470
II. Internal sales or transfers between segments	17,068	234	--	3,114	20,416	(20,416)	--
Total net sales	53,495	88,261	5,064	4,066	150,887	(20,416)	130,470
Operating expense	44,168	88,249	5,381	3,876	141,675	(20,349)	121,326
Operating income / losses	9,326	12	(316)	189	9,211	(67)	9,144

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.