

Financial Overview for First Quarter of Fiscal Year Ending December 31, 2024 (January 1, 2024 to March 31, 2024)

Yumi Nakagawa
Executive Officer, General Manager, CFO Unit
Kobayashi Pharmaceutical Co., Ltd.

May 10, 2024

Statement Regarding Our *Benikoji* (Red Yeast Rice)-related Products

We deeply apologize again for the significant concerns and distress felt by our customers, business partners, and all those associated with us, in connection with our *benikoji*-related products.

We extend our prayers for the souls of those who have tragically passed away, and offer our sincere condolences to their families. We express our hopes for the swift recovery of all those currently hospitalized or undergoing treatment.

Chronology of events to date

We have taken the following actions in response to the incident. We will continue to address the incident with a company-wide effort under the leadership of the president, who serves as the head of the task force

Mid-January to early February	We received case reports of adverse reactions from persons who developed symptoms after taking <i>Benikoji CholesteHelp</i> , as well as from practitioners who examined such patients.
Following these reports, we took steps to analyze the situation and to evaluate potential explanations in identifying the root cause.	
Mid-March	Our analysis revealed the presence of unexpected components in certain product lots and <i>benikoji</i> raw material lots.
March 22	We convened an extraordinary meeting of the Board of Directors, announced a request to customers to refrain from taking <i>benikoji</i> -related products together with a voluntary collection of the products, and held the first press conference.
March 27	The City of Osaka issued an order to us to collect the products.
March 29	We held the second press conference.
March 30 and 31	Administrative authorities conducted an on-site inspection of our factory premises in accordance with the Food Sanitation Act.
April 26	At an extraordinary meeting of the Board of Directors, we resolved to set up a fact-finding committee.

Investigation and verification led by the Board of Directors

We will take strict action to address any shortcomings identified in our responses to the incident, taking into consideration feedback from within and outside of the Company regarding our compliance and corporate governance system.

■ Policy

The Board of Directors will take the lead in investigating the following issues and conducting follow-up verification:

- Can it be said that we took appropriate responsive actions after receiving the initial case reports of adverse reactions, from the viewpoint of preventing the spread of health problems and maintaining the trust of our stakeholders, including our customers, business partners, and shareholders?
- Have we ever had any problems complying with other laws and regulations, including any administrative penalty (collection order) for violation of the Food Sanitation Act?
- Have we ever had any problems complying with management decision making or corporate governance (one of the bases for management decision making) after receiving initial case reports of adverse reactions?

■ Important issues to be examined in the follow-up verification process

1. Investigation of the development of events after we received the initial case reports of adverse reactions
2. Close examination of the internal control system and the quality control system
3. Determination of conformance with laws and regulations
4. Appropriateness of the timing of the announcement

■ Investigation and verification system

- As to the issues mentioned in 1 and 2 above, findings of facts based on evidence are required. Thus, we set up a fact-finding committee composed of legal experts, and commissioned the committee to conduct an independent, objective, and effective investigation and verification as soon as possible.
- Regarding the issues mentioned in 3 and 4 above, the Board of Directors is committed to fulfilling its supervisory obligation by ensuring that we extend fair and full cooperation to investigations conducted by the authorities. Additionally, the Board of Directors will consider whether our conformance with laws and regulations and the timing of our announcement were appropriate by seeking the advice of external experts.

Members of the Fact-finding Committee

Chairperson	Makoto Kaiami	Lawyer (former President of the Tokyo District Court)
Member	Mikinao Kitada	Lawyer (former superintendent public prosecutor of the Osaka High Public Prosecutors' Office)
Member	Kengo Nishigaki	Lawyer

Domestic Business

(Figures in parentheses are year-on-year changes.)

Net sales increased by 1.2 billion yen (up 4.9%).

- Inbound tourism demand increased along with a rise in the number of overseas tourists to Japan (+1.3 billion yen).
- Sales of new products, such as *Sawaday+ & Emotion* and *Hipcure*, contributed to a growth in net sales (+0.8 billion yen).
- Sales of body warmers decreased due to mild winters (−0.4 billion yen).
- Sales of other existing goods declined (−0.2 billion yen).
- Sales in the Direct Marketing Business fell (−0.3 billion yen).



International Business

(Figures in parentheses are year-on-year changes.)

* Foreign currency translation effects are included.)

Net sales increased by 1.7 billion yen (up 21.0%) due to positive foreign currency translation effects.

- U.S.: Net sales increased due to the contribution of supplements and pharmaceuticals manufactured by Focus Consumer Healthcare (+1.1 billion yen).
- China (Mainland): Net sales decreased slightly due to a reaction to a huge rise in demand for *Netsusama Sheet* in the previous year (−0.02 billion yen).
- Hong Kong region: Net sales increased due to the contribution of inbound tourism demand from Mainland China (+0.1 billion yen).
- Southeast Asia: Net sales grew due to steady sales of *Netsusama Sheet* and *Ammeltz* in each country (+0.4 billion yen).

Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2024

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Net sales increased but operating profit decreased due to the posting of an extraordinary loss of 3.8 billion yen associated with the recall of *benikoji*-related products.

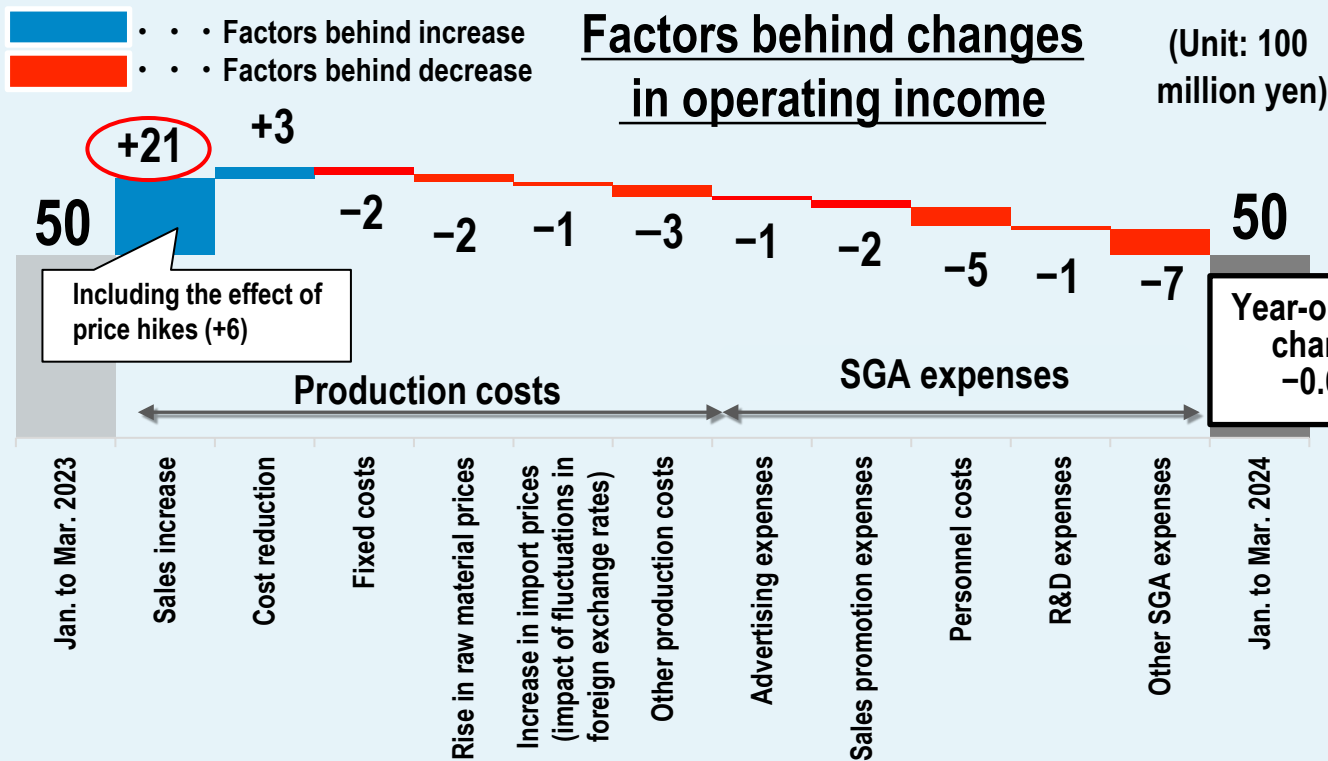
(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024		
	Amount	Amount	Year-on-year change	Percentage of net sales
Net sales	334	364	+9.0%	-
Operating income	50	50	-0.6%	13.8%
Ordinary income	51	54	+5.7%	15.0%
Net income	36	9	-72.9%	2.7%
EBITDA*	64	68	+5.9%	18.7%
Net sales of Domestic Business	249	261	+4.9%	-
Net sales of International Business	83	101	+21.4%	-

* EBITDA = Operating income + Depreciation + Amortization of goodwill

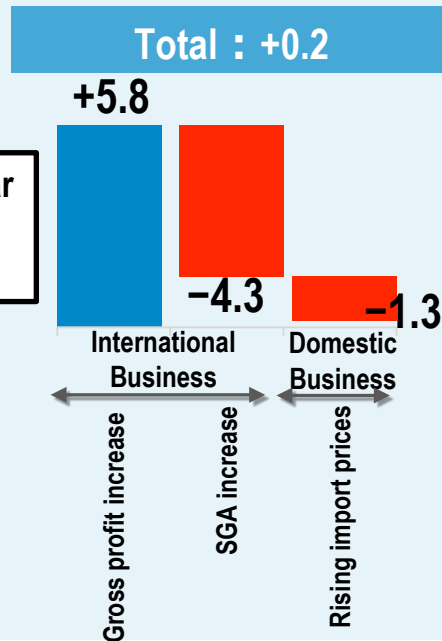
Factors behind Changes in Consolidated Operating Income

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Operating income decreased slightly due to the impact of rising raw material prices and personnel costs. An increase in the amortization of goodwill of Focus Consumer Healthcare, which we acquired in October 2023, also had a negative effect on operating income



Impact of fluctuations in foreign exchange rates



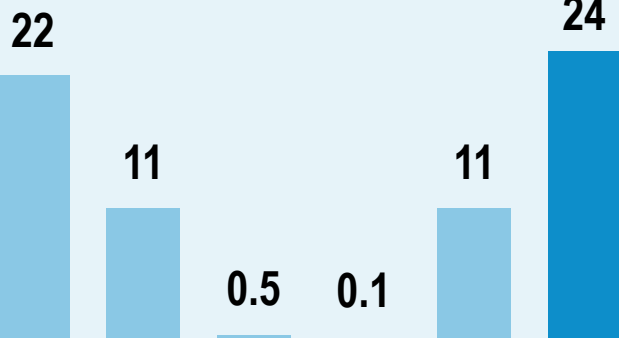
Sales of healthcare products and household products grew steadily, but sales of body warmers and sales in the Direct Marketing Business decreased.

(Unit: 100 million yen)		FY2023	FY2024	
		Jan. to Mar.	Jan. to Mar.	
		Amount	Amount	Year-on-year change
Net sales	Healthcare products	140	155	+10.6%
	Household products	81	85	+5.4%
	Body warmers	8	4	-49.6%
	Direct Marketing Business	19	16	-16.0%
	Total	249	261	+4.9%
Total operating income		36	38	+6.8%
(Margin)		14.5%	14.7%	-

Along with an increase in the number of visitors to Japan, inbound-tourism-demand-related sales exceeded those before the COVID-19 pandemic. Some new products were likely to sell well supported by inbound tourism demand. We installed point-of-purchase displays in multiple languages.

Changes in inbound-tourism-demand-related sales

(Unit: 100 million yen)



Jan. to Mar. 2019 Jan. to Mar. 2020 Jan. to Mar. 2021 Jan. to Mar. 2022 Jan. to Mar. 2023 Jan. to Mar. 2024

New products that were likely to sell well



Use of point-of-purchase displays in foreign languages



Inbound-tourism-demand-related sales ranking by brand

Rank	Jan. to Mar. 2019	Jan. to Mar. 2024
1	Inochi-no-haha	Naishitol
2	SakamuCare	Inochi-no-haha
3	BreathCare	Nodonool Spray
4	Nodonool Spray	Lens cleaner
5	Ammeltz	SakamuCare

International Business (Sales Breakdown by Region)

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Net sales increased steadily in the U.S. and Southeast Asia, but decreased slightly in Mainland China due to a reaction to a huge rise in demand for *Netsusama Sheet* in the previous year. Owing to the amortization of goodwill of Focus Consumer Healthcare, operating income declined.

(Unit: 100 million yen)		FY2023	FY2024		
		Jan. to Mar.	Jan. to Mar.		
		Amount	Amount	Year-on-year change	Year-on-year change (excluding effect of foreign currency translation)
Net sales	U.S.	26	38	+44.6%	+28.8%
	Mainland China	21	21	-1.3%	-7.0%
	Hong Kong	6	7	+11.0%	-1.4%
	Southeast Asia	22	27	+20.7%	+12.3%
	Other	7	8	+13.7%	-0.7%
	Total International Business	83	101	+21.4%	+10.5%
Total operating income		13	10	-21.5%	-32.3%
(Margin)		16.1%	-	10.4%	-

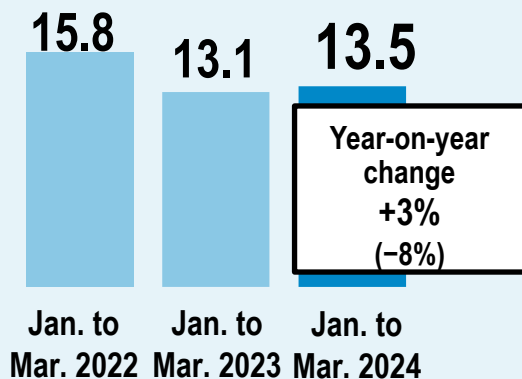
Sales of pharmaceuticals and others grew robustly due to the effects of consolidation of Focus Consumer Healthcare, which we acquired in October 2023, and foreign currency translation.

(Unit: 100 million yen)

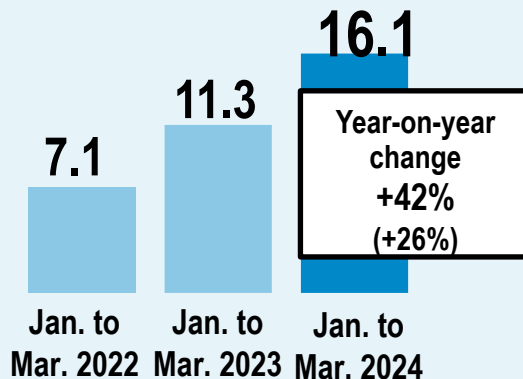
Net sales

*Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

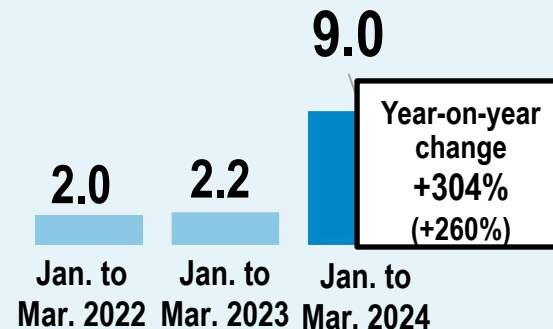
Body warmers



Pharmaceuticals



Other



Sales in Mainland China (by Product)

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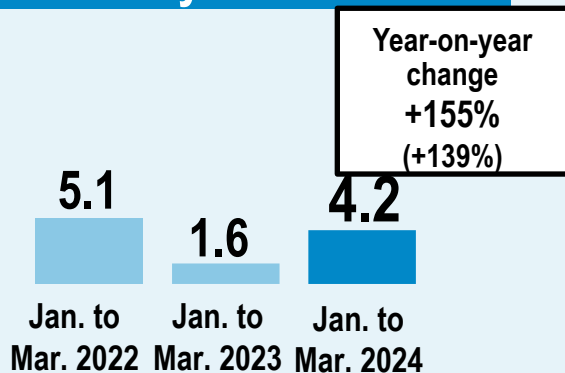
Sales of body warmers grew due a reaction to a fall in sales caused by the shipping adjustment associated with the switching to a non-returnable agreement in the previous year. Sales of *Netsusama Sheet* decreased due to a reaction to a huge rise in demand in the previous year.

(Unit: 100 million yen)

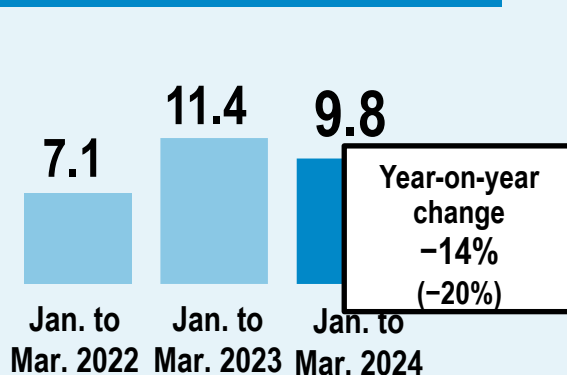
Net sales

*Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

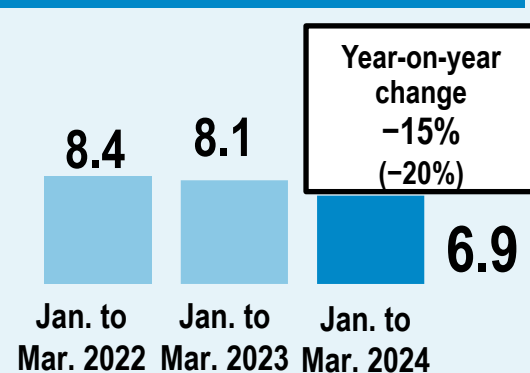
Body warmers



Netsusama Sheet



Other



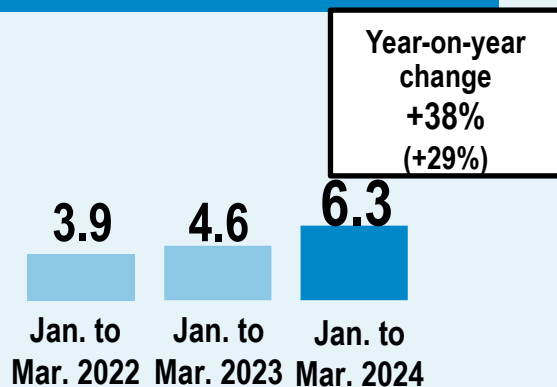
Among pharmaceuticals, *Ammeltz* sold well. Sales of *Netsusama Sheet* grew due to increased demand driven by the spread of various infectious diseases.

(Unit: 100 million yen)

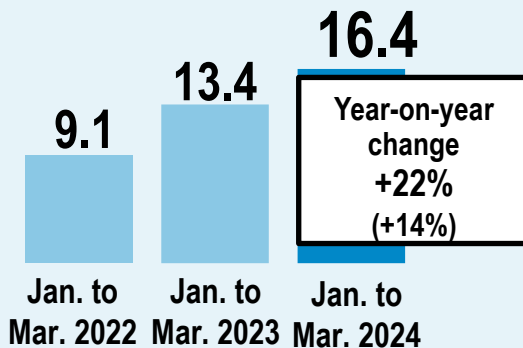
Net sales

*Percentages in parentheses exclude the effect of fluctuations in foreign exchange rates.

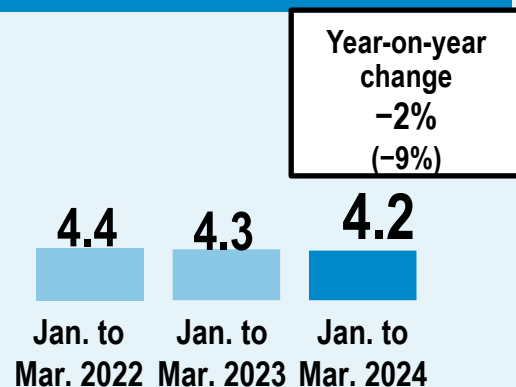
Pharmaceuticals



Netsusama Sheet



Other



In Japan and overseas, the recall of *benikoji*-related products had negative effects on sales performance in some product categories and areas.

*All figures are on a shipment basis.

Domestic Business (excluding Direct Marketing Business)

- Net sales stood at 92.0% of the previous year (Healthcare products at 83%; Household products at 104%).
- Sales in the food sector were particularly affected.
- Negative effects of the recall of *benikoji*-related products were seen in some inbound tourism demand, such as demand for supplements.

Direct Marketing Business

- Net sales stood at 66% of the previous year.

International Business

- Net sales stood at 128% of the previous year (111% excluding Focus Consumer Healthcare).
- Negative effects of the recall of *benikoji*-related products were seen in some areas (such as Mainland China).

We have temporarily withdrawn the forecast of our consolidated results for the fiscal year ending December 31, 2024 announced on February 9, 2024, due to the current difficulty for us to determine the impact of the recall of *benikoji*-related products on our business performance.

We will announce the forecast again once we are able to accurately calculate the forecast of our business performance.

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income attributable to owners of parent (million yen)	Earnings per share (yen)
Previous forecast (A) (announced on February 9, 2024.)	185,600	26,300	27,500	20,500	275.76
Revised forecast (B)	Not fixed	Not fixed	Not fixed	Not fixed	Not fixed
Changes (B minus A)	-	-	-	-	-
Changes (%)	-	-	-	-	-
(Reference) Results for the previous year (FY ended December 2023)	173,455	25,780	27,330	20,338	268.16



<Note>

• Of the Company's current business performance, plans, and strategies included in this material, items that are not historical facts are outlooks on future performance, which are based on the judgment of the Company's management according to currently available information. Therefore, please note that actual performance may differ significantly from the future outlook described in this material due to changes in various factors.

• This English translation is for reference purposes only and not a legally definitive translation of the original Japanese texts. In the event a difference arises regarding the meaning herein, the original Japanese version shall prevail as the official authoritative version.

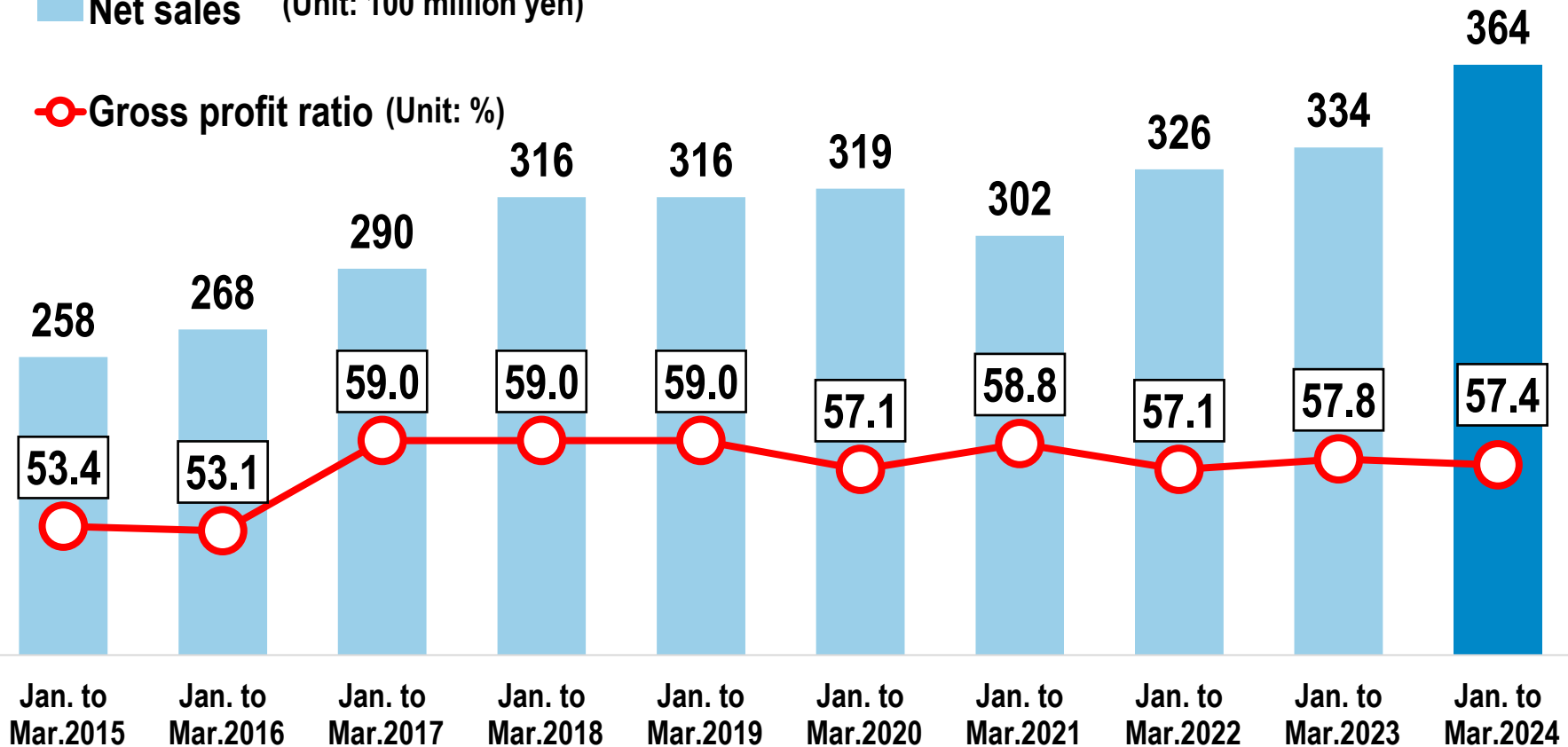
Reference

Changes in Consolidated Net Sales and Gross Profit Ratio

1

Net sales (Unit: 100 million yen)

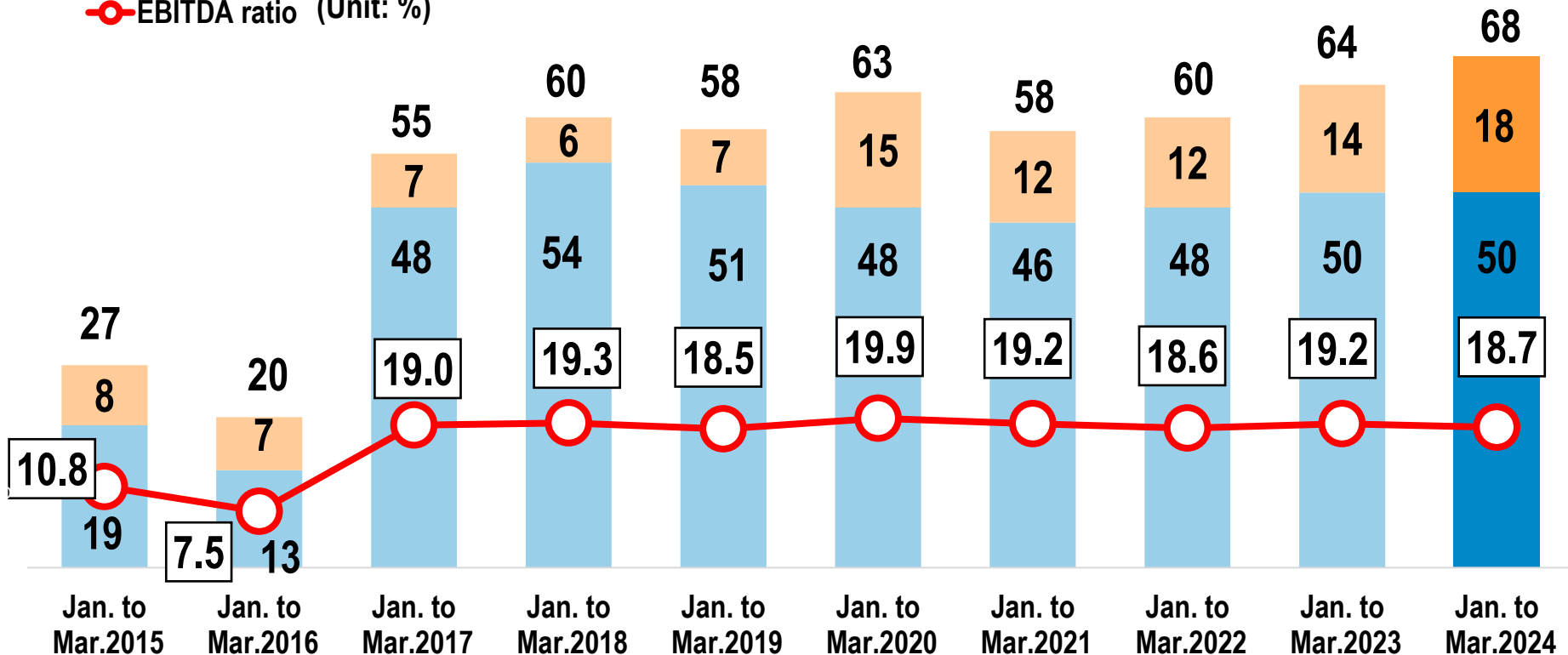
Gross profit ratio (Unit: %)



Changes in EBITDA

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- Depreciation and amortization of goodwill (Unit: 100 million yen)
- Operating income (Unit: 100 million yen)
- EBITDA ratio (Unit: %)



Consolidated Income Statement (1)

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(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	
	Amount	Amount	Year-on-year change
Net sales	334	364	+9.0%
Gross profit	193	209	+8.4%
Margin	57.8%	57.4%	-
Operating income	50	50	-0.6%
Margin	15.1%	13.8%	-
Ordinary income	51	54	+5.7%
Margin	15.4%	15.0%	-
Net income	36	9	-72.9%
Margin	10.8%	2.7%	-

Consolidated Income Statement (2)

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(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	
	Amount	Amount	Year-on-year change
Advertising expenses	32	32	+1.8%
Percentage of net sales	9.6%	9.0%	-
Sales promotion expenses	7	9	+22.2%
Percentage of net sales	2.2%	2.5%	-

| Consolidated Balance Sheet (1)

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(Unit: 100 million yen)	End of Mar. 2023	End of Jun. 2023	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024
Current assets	1,616	1,686	1,713	1,583	1,384
Cash and deposits	929	911	871	715	624
Notes and accounts receivable - trade	344	379	445	530	376
Short-term investment securities	83	83	83	83	83
Inventories	231	278	284	220	269
Non-current assets	912	979	996	1,091	1,228
Property, plant and equipment	410	431	451	476	603
Intangible assets	131	134	133	216	219
Investment and other assets	370	413	410	398	405
Total assets	2,529	2,665	2,709	2,674	2,612

Consolidated Balance Sheet (2)

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(Unit: 100 million yen)	End of Mar. 2023	End of Jun. 2023	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024
Current liabilities	481	489	475	561	509
Notes and accounts payable - trade	104	105	102	87	94
Short-term loans payable	0	0	0	0	0
Accounts payable - other	168	184	184	250	177
Non-current liabilities	59	90	88	65	53
Total net assets	1,988	2,085	2,146	2,048	2,049
Capital surplus	5	5	5	5	5
Retained earnings	1,931	1,973	2,017	2,056	2,023
Treasury stock	-136	-136	-136	-247	-247
Total liabilities and net assets	2,529	2,665	2,709	2,674	2,612

Consolidated Cash Flow

(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	Jan. to Dec. 2024 forecast
U.S. dollar	132.3	148.6	135.0
Chinese yuan	19.3	20.6	19.4

Results by Segment (Domestic Business) (1)

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(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	
	Amount	Amount	Year-on-year change
Net sales	249	261	+4.9%
Gross profit	143	147	+2.9%
Margin	57.7%	56.6%	-
Operating income	36	38	+6.8%
Margin	14.5%	14.7%	-

Advertising expenses	28	25	-10.6%
Percentage of net sales	11.5%	9.8%	-
Sales promotion expenses	3	4	+12.3%
Percentage of net sales	1.6%	1.7%	-

Results by Segment (Domestic Business) (2)

(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	
	Amount	Amount	Year-on-year change
Healthcare products	140	155	+10.6%
Pharmaceuticals	74	82	+10.1%
Food	18	17	-5.2%
Oral care products	33	39	+18.4%
Skin care products	13	15	+15.9%
Household products	81	85	+5.4%
Sanitary products	22	24	+6.2%
Deodorizing air fresheners	49	52	+6.8%
Household articles	9	8	-4.0%
Body warmers	8	4	-49.6%
Direct marketing business	19	16	-16.0%

Results by Segment (International Business) (1)

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(Unit: 100 million yen)	Jan. to Mar. 2023	Jan. to Mar. 2024	
	Amount	Amount	Year-on-year change
Net sales	83	101	+21.4%
Gross profit	48	59	+24.6%
Margin	57.3%	58.8%	-
Operating income	13	10	-21.5%
Margin	16.1%	10.4%	-

Advertising expenses	3	7	+98.1%
Percentage of net sales	4.3%	7.1%	-
Sales promotion expenses	3	4	+33.7%
Percentage of net sales	4.1%	4.5%	-

Results by Segment (International Business) (2)

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(Unit: 100 million yen)	FY2023	FY2024		
	Jan. to Mar.	Jan. to Mar.		
	Amount	Amount	Year-on-year change	Year-on-year change (excluding effect of foreign currency translation)
U.S.	26.7	38.7	+44.6%	+28.8%
China	27.6	28.0	+1.5%	-5.7%
Mainland China	21.2	21.0	-1.3%	-7.0%
(Stores)	13.7	13.3	-3.1%	-
(Mainland EC)	3.7	6.2	+66.3%	-
(Cross-border EC)	3.7	1.4	-62.2%	-
(EC percentage)	35.2%	36.5%	-	-
Hong Kong	6.3	7	+11.0%	-1.4%
Southeast Asia	22.4	27.0	+20.7%	+12.3%
Singapore	1.4	1.9	+32.1%	+16.7%
Malaysia	6.2	8.6	+38.5%	+33.0%
Thailand	5.5	7.0	+26.8%	+18.9%
Indonesia	3.5	2.7	-23.4%	-31.5%
Philippines	1.4	3.5	+141.0%	+118.4%
Taiwan	4.1	3.2	-22.3%	-28.4%
Other	7.0	8.0	+13.7%	-0.7%