

# **Financial Overview for Second Quarter of Fiscal Year Ending December 31, 2024 (January 1, 2024 to June 30, 2024)**

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August 8, 2024

**Satoshi Yamane**

**President and Chief Operating Officer**

**Kobayashi Pharmaceutical Co., Ltd.**

## 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.**

# | Number of Cases Related to *Beni-koji Choleste-Help* and Other Products

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As of August 4, 2024

Number of death-related inquiries*1	No actual intake*2		207
	Under confirmation of actual intake		5
	Subject to detailed investigation*3		107
	(Breakdown)	Investigation ongoing*4	32
		Investigation completed	21
		Other*5	54
(Total)		319	
Hospitalization*6			467 (301)
Hospital visit (including hospitalization for medical tests)*6			1,819 (1,394)
Total number of persons who received medical examinations (hospitalization + hospital visit)*6			2,286 (1,695)
Number of health consultations			Approx. 10,300
Number of all consultations received (including inquiries other than health consultations)			Approx. 147,000

\*1 Including 5 cases that were announced before the change in the way the number was shown

\*2 Number of cases where it was confirmed that *Beni-koji Choleste-Help* or other products were not actually taken

\*3 Number of cases subject to confirmation procedures

\*4 Number of cases currently under detailed investigation

\*5 Number of cases where it is difficult to conduct an investigation because consent for detailed investigation cannot be obtained or for other reasons

\*6 The figures in parentheses indicate the number of cases of renal-related diseases only.

("Hospitalization," "hospital visit," "total number of persons who received medical examinations," "number of health consultations," and "number of all consultations received" are total numbers.)

### Changes in Representative Directors (announced on July 23, 2024)

- **Kazumasa Kobayashi (former Chairman and Chief Executive Officer)**  
Resigned as Chairman and Chief Executive Officer and Director and assumed the position of Special Advisor on July 23.
- **Akihiro Kobayashi (former President and Chief Operating Officer)**  
Resigned as President and Chief Operating Officer and assumed the position of Director in charge of compensation on August 8.
- **Satoshi Yamane (former Senior Executive Director)**  
Assumed the position of President and Chief Operating Officer on August 8.

In consideration of the matters pointed out in the press release dated July 23, 2024, “Summary by the Board of Directors Based on the Investigation Report of the Fact-Finding Committee,” we will make company-wide efforts to work on the following five issues:

- (1) Apology and compensation to the victims**
- (2) Confirmation of quality and safety and prevention of recurrence**
- (3) Review of corporate philosophy and culture**
- (4) Fundamental reform of management structure**
- (5) Dialogue with employees**

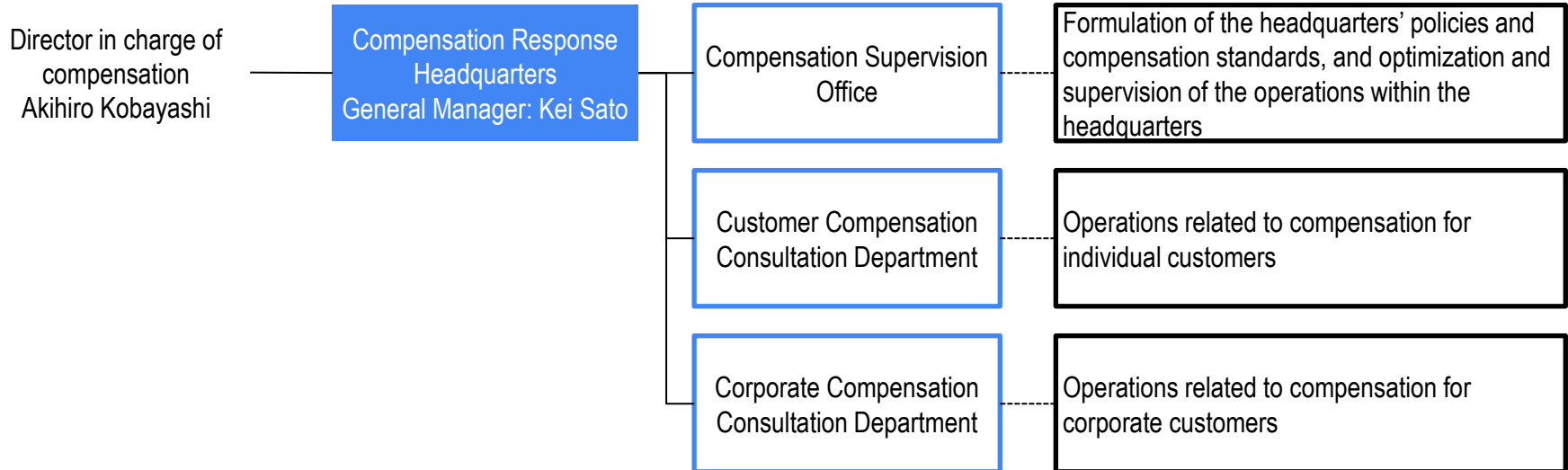
In order to further increase awareness of and sensitivity to the need to “put quality and safety first,” we will implement the following measures:

- **Ensure diverse viewpoints in our decision-making process.**
  - **Eliminate homogeneity.**
  - **Re-establish the risk management system.**
- 
- **Strengthen collaboration between the Board of Executive Officers and the Board of Directors.**
  - **Review and reorganize the organization to put quality and safety first.**
  - **Review the role of the Board of Executive Officers.**
  - **Select the chairperson of the Board of Directors from among outside directors.**

## Our Compensation Structure

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**The Compensation Response Headquarters was established on July 1 as an organization dedicated to compensation in order to respond to compensation issues in all earnestness and sincerity.**



Compensation-related operations have been consolidated and centralized in the Compensation Response Headquarters to enable prompt and appropriate response to customers.

**We will begin offering compensation to customers who have suffered health damage as a result of the intake of our products.**

### ■ Applicable products

Among our products (such as our *Beni-koji Cholest-Help*) for which we received a recall order from the Osaka City Public Health Center on March 27, 2024, those products that have been confirmed to contain or may possibly contain puberulic acid

### ■ Applicable customers

Customers for whom a causal relationship is found between the intake of applicable products and renal-related diseases or other symptoms, based on comprehensive consideration of such factors as the details of a physician's medical certificate to be submitted by customers

### ■ Scheduled start date of compensation / contact information

Scheduled to start accepting applications from August 19, 2024

Customer Support Center for Red Yeast Rice-Related Products: 0120-663-272

\* Reception hours: 9:00 a.m. to 9:00 p.m. (including Saturdays, Sundays, and public holidays)



**We will provide sincere and appropriate compensation to customers who have suffered health damage as a result of the intake of our products.**

①	Medical/transportation expenses	We will pay the actual amount of medical expenses (including the cost of the first consultation, examinations, and medical certificates) and transportation expenses required for the treatment of the customers' symptoms.* * Symptoms that have a causal relationship with the intake of applicable products. The same applies hereinafter.	Paid as needed
②	Damages for mental suffering	As compensation for mental suffering caused by the customers' symptoms, we will calculate and pay the amount individually, based on the standards that are set in reference to past court decisions, etc. and in consideration of the opinions of legal experts, after comprehensively examining the customers' symptoms and other relevant factors.	Paid as soon as the customers agree to the details of the compensation
③	Compensation for absence from work	As compensation for a decrease in income caused by the customers' having to be absent from work due to their symptoms, we will calculate and pay the amount individually in accordance with our prescribed procedures.	
④	Lost profits caused by permanent disease	As compensation for lost profits caused by permanent disease in the case of a decrease in income that should have been earned in the future due to the customers' permanent disease, we will calculate and pay the amount individually in accordance with our prescribed procedures, based on the standards that are set in reference to past court decisions, etc. and in consideration of the opinions of legal experts, after comprehensively examining the customers' symptoms and other relevant factors.	

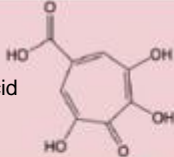
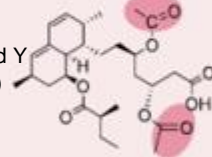
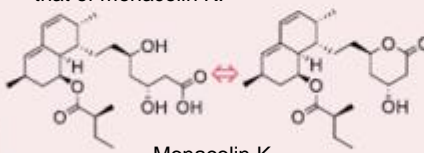
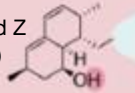
**As announced in a press release today, we have decided to withdraw from the red yeast rice business.**

(Reason for withdrawal)

- Since we have caused serious health damage and inconvenience to society through the red yeast rice business, we resolved to withdraw from this business at the Board of Directors meeting held on August 8, 2024.
- Even after the withdrawal, we will continue to take such measures as compensation to the affected customers and business partners and investigation of the causes. In addition, as we believe that it is our mission as a company to identify all problems on the production line for red yeast rice related products and to take measures to prevent recurrence, we will continually implement these efforts.

Although we have continued to cooperate in the investigation into the causes led by the Ministry of Health, Labour and Welfare and the National Institute of Health Sciences, **the causes have not yet been identified** at this point.

On May 28, the progress of the investigation into the causes was announced, and it was pointed out that **the contamination by and growth of blue mold during the incubation of red yeast rice may have resulted in the production of compounds such as puberulic acid**, which may have caused the health damage.

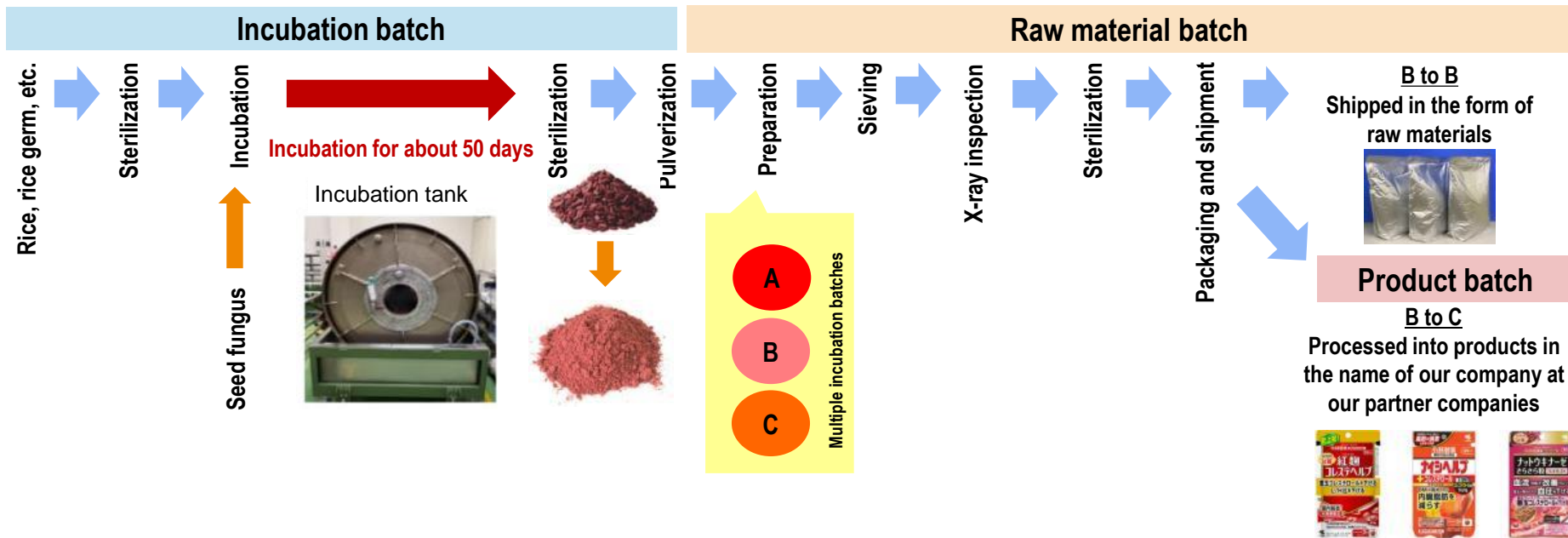
Compound	Characteristics	Mechanism of production	Nephrotoxicity
(1) Puberulic acid 		It is produced by blue mold ( <i>Penicillium adametzioides</i> ), which was collected from both the Wakayama and Osaka Plants, using rice medium as a nutrient source.	It has been confirmed in animal testing (rats) that (1) causes renal disorders.
(2) Compound Y $(C_{28}H_{42}O_8)$ 	<ul style="list-style-type: none"> <li>The basic molecular structure is similar to that of monacolin K.</li> </ul>  <p style="text-align: center;">Monacolin K</p> <p>(Acid form)                      (Lactone form)</p>	Although it is not produced by blue mold ( <i>Penicillium adametzioides</i> ) alone, which was collected from both the Wakayama and Osaka Plants, it is produced when <i>Penicillium adametzioides</i> is co-incubated with <i>Monascus</i> fungus and monacolin K is modified.	It has been confirmed in animal testing (rats) that products containing (1) to (3) cause renal disorders.
(3) Compound Z $(C_{23}H_{34}O_7)$  <p style="text-align: right;">TBD</p>	<ul style="list-style-type: none"> <li>It is presumed that compounds Y and Z are not known natural compounds.</li> </ul>	A mechanism similar to that of compound Y is under confirmation.	

# Investigation into the Causes of Health Damage from Red Yeast Rice Related Products

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The production line for red yeast rice is **characterized by an incubation period of about 50 days**, and it is assumed that puberulic acid and other substances were produced as a result of the contamination by and growth of blue mold during such a long incubation process.

Additionally, inadequate hygiene control and written procedures, as well as a lack of resources for quality control, are also considered as possible causes.



## **What we want to convey today**

**Although we should, ideally, determine the direct causes of the problem with red yeast rice and explain our measures to prevent recurrence, we will explain such measures later since we have not yet identified the causes.**

**In the meantime, as we have proceeded with the confirmation of whether there is any risk of similar health damage in terms of products other than red yeast rice, we would like to report the progress at this time.**

# Confirmation of Quality of Our Manufactured Products Other Than Red Yeast Rice (Self-inspection)

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## Confirmation of quality of other products manufactured at our plants (interim report)

Although our plants have been manufacturing products in compliance with certain public standards (GMP, ISO, etc.), we have conducted a self-inspection of the production lines for **products to be orally taken** in order to reconfirm the safety of the products.

**We plan to undergo an audit by a third-party organization by the end of this year.**

Kiribai Kobayashi Pharmaceutical  
ISO 9001 / ISO 13485  
(Body warmers\*)



Toyama Kobayashi Pharmaceutical  
GMP, GMP for health foods  
(Pharmaceutical products, supplements,  
consumable supplies,\* etc.)



Sendai Kobayashi Pharmaceutical  
GMP, QMS  
(Pharmaceutical products, medical devices,  
consumable supplies,\* etc.)



Ehime Kobayashi  
Pharmaceutical  
(Hygiene products,\* etc.)



**Osaka Plant: Closed**  
**(Red yeast rice incubation process)**



**Meitan Hongo: Production suspended (under inspection)**  
**(Red yeast rice incubation process, supplements)**



Aloe Pharmaceutical  
GMP  
(Pharmaceutical products, etc.)



\* Plants and production lines for body warmers, hygiene products, and consumable supplies are not subject to the self-inspection this time. The inspection is scheduled to be completed at the end of January 2025.

**Purpose of the self-inspection: To confirm whether there is any risk of health damage similar to that posed by the problem with red yeast rice**

**First, we reconfirmed that the production lines for our other products do not have an incubation process similar to that of red yeast rice (a process in which mold can easily grow).**

**Then, we conducted a self-inspection on the following three points.**

- 1. Inspection of the hygiene control and management/operation of written procedures, etc. at our plants  
(All products to be orally taken: supplements, pharmaceutical products, etc.)**
  - Is there any operational risk in manufacturing that could lead to the occurrence of serious health damage?
- 2. Implementation of an actual condition investigation for all employees working at our plants**
  - Is there any potential quality control risk that could lead to serious health damage?
- 3. Chemical testing (blue mold growth test, puberulic acid analysis test)**
  - Confirmation that blue mold does not grow in “products to be orally taken” that are manufactured at our plants and that our products distributed in the market do not contain puberulic acid

# Confirmation of Quality of Our Manufactured Products Other Than Red Yeast Rice (Self-inspection)

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## 1. Inspection of the hygiene control and management/operation of written procedures, etc., at our plants

### <Products subject to the self-inspection>

All products to be orally taken (supplements, pharmaceutical products, etc.)

#### <Details of the self-inspection>

- Is there any risk of contamination by foreign substances or bacteria or of production of unknown substances such as mycotoxins?
- Are the hygiene standards of the plants properly set and operated?  
(Implementation of GMP standards and equivalent standards, education on hygiene control, etc.)
- Are procedures established and are operations performed in such a way that manufacturing records are kept?  
(Status of establishment of written procedures, records, etc.)
- Is manufacturing performed in accordance with the contents of written procedures?

### <Results>

No risks that could immediately cause serious health damage were identified.

However, some points where operations need to be reviewed were found in some manufacturing processes and control standards, and we are currently working to make improvements.



# Confirmation of Quality of Our Manufactured Products Other Than Red Yeast Rice (Self-inspection)

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## 2. Implementation of an actual condition investigation for all employees working at our plants

The investigation report by the Fact-Finding Committee **pointed out that quality control was partially left to on-site operators and manpower was regularly in short supply on the production line of red yeast rice.**

Accordingly, we conducted an investigation for all plant employees to determine whether similar risks existed.

<Investigation items>

- Is there any case where **quality-related judgements are made based on ambiguous standards?**
- Is there any case where quality-related **judgments are made by a single person**, such as when **there are no rules for double-checking or the like?**
- **Is there a personnel shortage** at a manufacturing site that may cause problems in quality control?
- Is there any other problem in quality control that an employee has actually experienced?

<Results>

At this point, **no serious quality defects or events leading to health damage have been found.**

However, **since some issues have been pointed out, such as shortage of manpower and unclear test items on some production lines, we will take these issues seriously as a company and make improvements one by one.**

Example: Increased burden on operators due to labor saving and pursuit of production efficiency

→ Proposed countermeasures: Reduce production speed, etc.

# Confirmation of Quality of Our Manufactured Products Other Than Red Yeast Rice (Self-inspection)

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## 3. Chemical testing (blue mold growth test, puberulic acid analysis test)

We have conducted the following tests on “products to be orally taken” that are manufactured at our plants.

1. Confirmation that blue mold does not grow even if it is experimentally planted on our products (A to E below)
2. Confirmation that our products distributed in the market do not contain “puberulic acid” (A to D below)

<Test products>

- A: Products that are manufactured at Osaka Plant (before closure)
- B: Products that are manufactured at Meitan Hongo
- C: Supplements, etc. that are manufactured at our other plants
- D: Chinese herbal medicines that are manufactured at our other plants
- E: Products to be orally taken, other than the above, that are manufactured at our other plants

<Results>

In “products to be orally taken,” 1. blue mold did not grow, and 2. puberulic acid was not detected in the products distributed in the market.

The results of the self-inspection of our plants up to today have shown that there is no risk of the occurrence of serious health damage in any product other than red yeast rice at this point.

However, we do not believe that we have identified all problems, and thus we will continue our company-wide efforts to build a system that enables us to address any issues at the manufacturing site and make further improvements.

(Specific examples)

- Temporarily suspend activities to improve production efficiency and reduce costs, and instead allocate resources to activities to enhance quality with a top priority on safety and security.
- Set up a cross-sectional (headquarters, plants, research, etc.) quality enhancement team, which will start activities in late August to identify issues and make improvements in manufacturing at plants.
- Strengthen the perspective of audits by a third-party organization and further promote safety confirmation and improvements.

**As for the measures to prevent recurrence, which are currently under consideration, we will formulate them in a comprehensive manner based on the results of the self-inspection we conducted this time and announce them as soon as the details are finalized.**

# **Financial Overview for Second Quarter of Fiscal Year Ending December 31, 2024 (January 1, 2024 to June 30, 2024)**

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August 8, 2024

**Yumi Nakagawa**

**Executive Officer, General Manager, CFO Unit**

**Kobayashi Pharmaceutical Co., Ltd.**

## Domestic Business

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

Net sales decreased by 3.0 billion yen (down 5.2%).

- Inbound tourism demand increased along with a rise in the number of overseas tourists to Japan (+2.1 billion yen).
- Sales of new products, such as *Sawaday+ & Emotion* and *Hipcure*, contributed to a growth in net sales (+1.9 billion yen).
- Sales of existing goods declined due to the impact from the recall of red yeast rice related products and cancellation of advertisement (−4.8 billion yen).
- Sales of body warmers decreased due to an increase in returns related to mild winters (−1.0 billion yen).
- Sales in the Direct Marketing Business fell due to the cancellation of regular subscriptions (−1.1 billion yen).



## International Business

(Figures in parentheses are year-on-year changes. \* Foreign currency translation effects are included.)

Net sales increased by 2.6 billion yen (up 16.7%) due to positive foreign currency translation effects.

- U.S.: Net sales increased due to the contribution of Focus Consumer Healthcare, LLC acquired in the previous year (+2.2 billion yen).
- China (Mainland): Net sales decreased due to the impact from the suspension of advertisements (−0.6 billion yen).
- Hong Kong region: Net sales slightly declined due to a reaction to a rise in inbound tourism demand from Mainland China (−0.02 billion yen).
- Southeast Asia: Net sales grew due to steady sales of *Netsusama Sheet* in each country (+0.6 billion yen).

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

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An extraordinary loss of 4.0 billion yen (7.9 billion yen in the first half) was posted in association with the recall of red yeast rice related products.

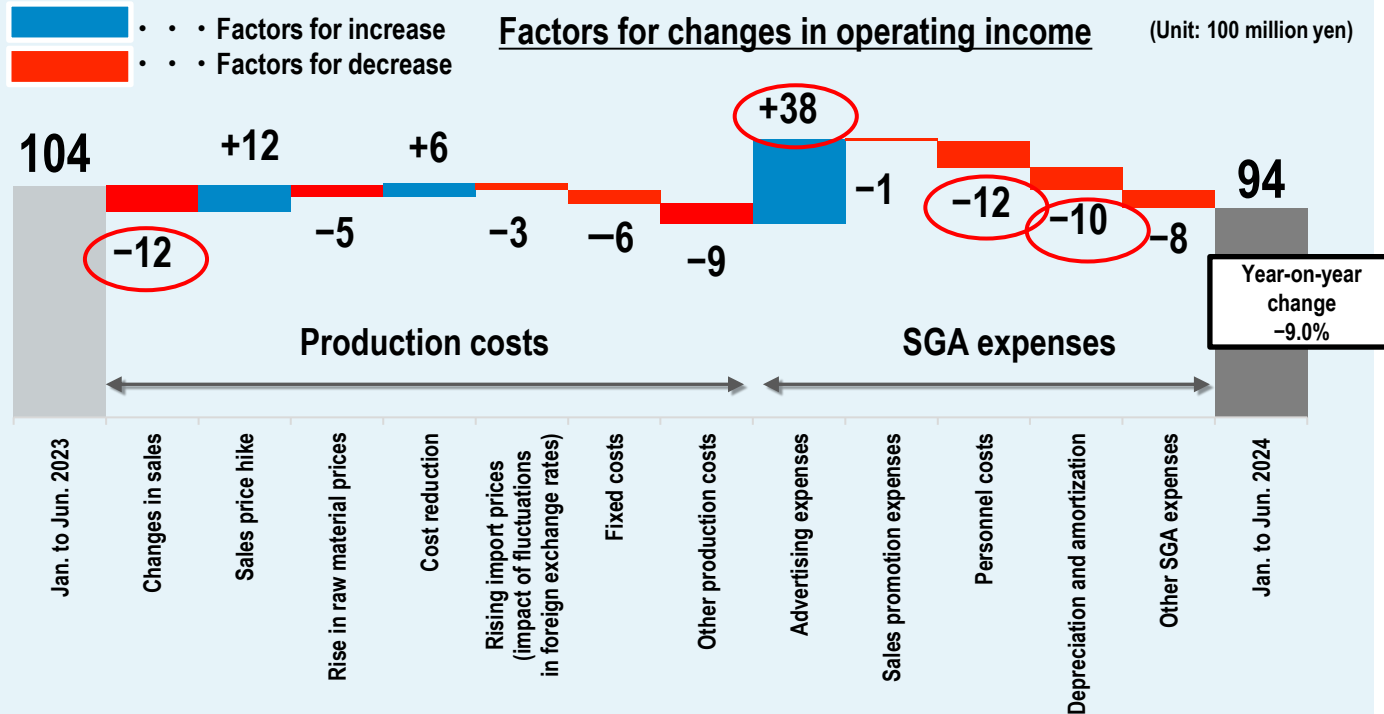
(Unit: 100 million yen)	FY2023		FY2024					
	Apr. to Jun.	Jan. to Jun.	Apr. to Jun.			Jan. to Jun.		
	Amount	Amount	Amount	Year-on-year change	Percentage of net sales	Amount	Year-on-year change	Percentage of net sales
Net sales	401	736	366	-8.7%	-	731	-0.7%	-
Gross profit	231	424	198	-14.5%	54.0%	407	-4.1%	55.7%
Operating income	53	104	44	-16.9%	12.1%	94	-9.0%	13.0%
Ordinary income	60	111	49	-17.2%	13.6%	104	-6.6%	14.3%
Net income	42	78	4	-89.2%	1.3%	14	-81.7%	2.0%
EBITDA*	67	131	64	-3.7%	17.7%	133	+1.0%	18.2%

\* EBITDA = Operating income + Depreciation + Amortization of goodwill

## Factors for Changes in Consolidated Operating Income

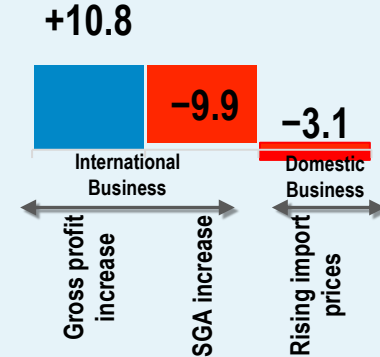
23/34

Operating income decreased due to an increase in the amortization of goodwill of Focus Consumer Healthcare, which we acquired in October 2023, in addition to the impact of a decline in sales and a rise in personnel costs, despite a positive effect on operating income from the cancellation of advertisements.



### Impact of fluctuations in foreign exchange rates

Total: -2.2



## Domestic Business (Sales Breakdown by Product Category)

24/34

Although sales of healthcare products were weak, sales of household products grew. Sales of body warmers and sales in the Direct Marketing Business decreased.

(Unit: 100 million yen)		FY2023		FY2024			
		Apr. to Jun.	Jan. to Jun.	Apr. to Jun.		Jan. to Jun.	
		Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	Healthcare products	168	309	143	-15.3%	298	-3.5%
	Household products	130	212	128	-1.6%	214	+1.1%
	Body warmers	9	17	2	-69.2%	7	-60.1%
	Direct Marketing Business	19	38	11	-41.4%	27	-28.7%
	Total	328	577	286	-12.9%	547	-5.2%
Total operating income		57	93	59	+4.0%	97	+5.1%
(Margin)		17.4%	16.1%	20.8%	-	17.9%	-

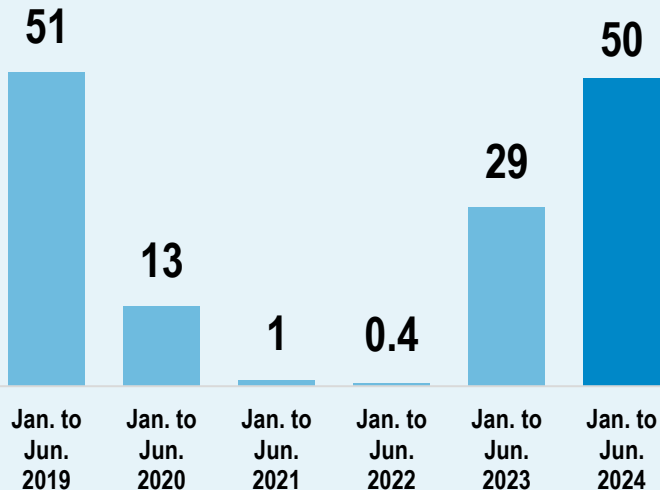


Along with an increase in the number of visitors to Japan, inbound-tourism-demand-related sales remained flat compared to those before the COVID-19 pandemic, despite being partially affected by the recall of red yeast rice related products.

Some new products, which were launched during the pandemic, were likely to sell well, supported by inbound tourism demand.

### Changes in inbound-tourism-demand-related sales

(Unit: 100 million yen)



### New products that showed signs of a pickup



### Preparation of point-of-purchase displays in foreign languages



### Inbound-tourism-demand-related sales ranking by brand

Rank	Jan. to Jun. 2019	Jan. to Jun. 2024
1	Inochi-no-haha	Naishitol
2	SakamuCare	Inochi-no-haha
3	BreathCare	Dietary supplement products
4	Ammeltz	Nodonool
5	Nodonool	Lens cleaner

## International Business (Sales Breakdown by Region)

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Net sales increased but operating income decreased due to a fall in sales in Mainland China and the Hong Kong region and the amortization of goodwill of Focus Consumer Healthcare. (The effect of foreign currency translation: +1.7 billion yen for net sales; +0.08 billion yen for operating income)

(Unit: 100 million yen)		FY2023		FY2024					
		Apr. to Jun.	Jan. to Jun.	Apr. to Jun.			Jan. to Jun.		
		Amount	Amount	Amount	Year-on-year change	Year-on-year change (excluding effect of foreign currency translation)	Amount	Year-on-year change	Year-on-year change (excluding effect of foreign currency translation)
Net sales	U.S.	19	46	30	+53.5%	+35.0%	69	+48.4%	+31.4%
	Mainland China	19	40	13	-31.1%	-36.9%	34	-15.5%	-21.2%
	Hong Kong region	8	14	7	-10.7%	-21.4%	14	-1.3%	-12.8%
	Southeast Asia	15	38	17	+10.8%	+2.8%	44	+16.6%	+8.4%
	Other	8	15	11	+31.2%	+16.6%	19	+23.2%	+8.7%
	Total International Business	71	155	79	+11.3%	-0.2%	181	+16.7%	+5.6%
Total operating income		-4	8	-15	-	-	-4	-	-
(Margin)		-	5.6%	-	-	-	-	-	-

## Sales in U.S. (by Product)

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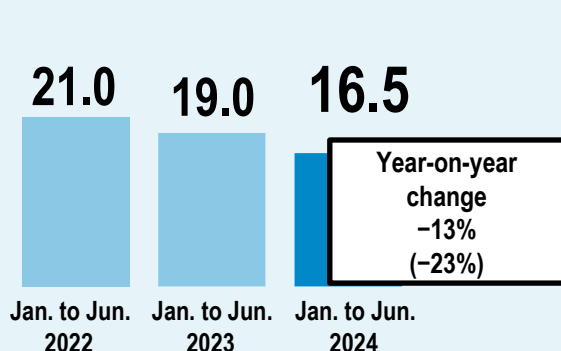
Sales of body warmers were sluggish due to mild winters. However, sales of pharmaceuticals and others grew robustly due to the effects of consolidation of Focus Consumer Healthcare, which we acquired in October 2023, and foreign currency translation.

(Unit: 100 million yen)

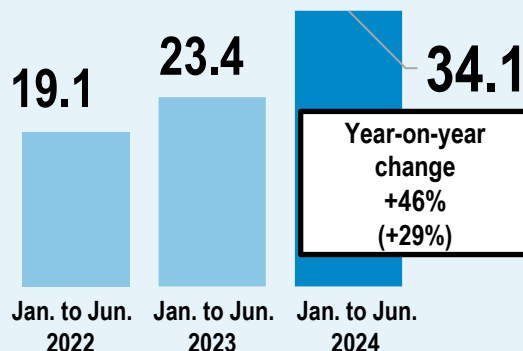
### Net sales

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

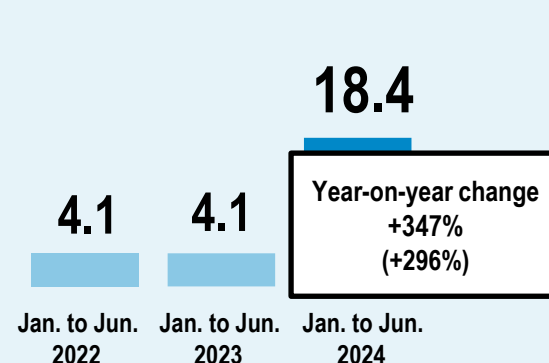
#### Body warmers



#### Pharmaceuticals



#### Other



In mainland China, we had difficulty increasing sales across-the-board due to the suspension of advertisements.

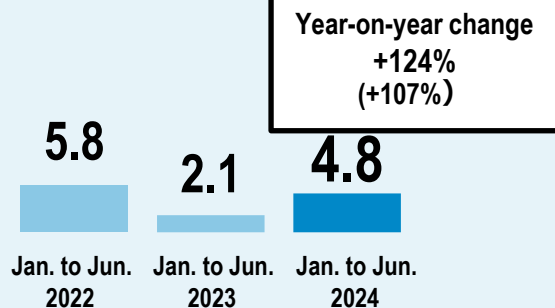
Sales of body warmers increased due to a reaction to a fall in sales caused by the shipping adjustment associated with the switching to a non-returnable agreement in the previous year.

(Unit: 100 million yen)

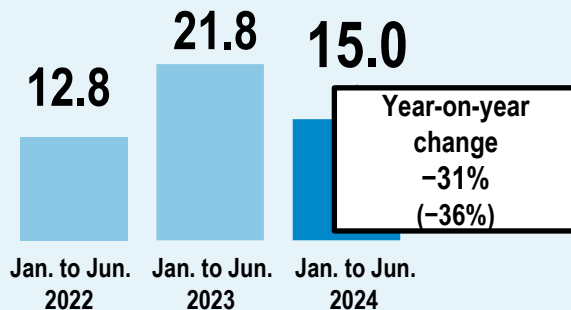
## Net sales

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

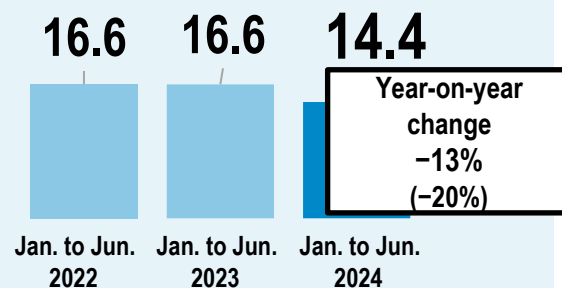
### Body warmers



### Netsusama Sheet



### Other



Among pharmaceuticals, *Ammeltz* sold well.

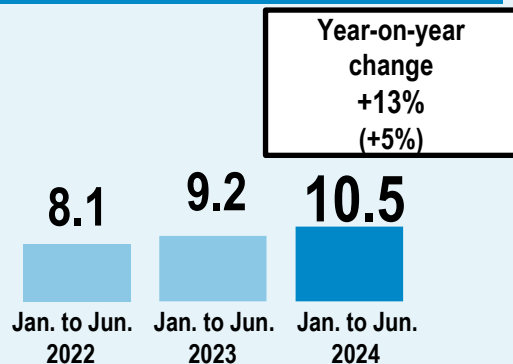
Sales of *Netsusama Sheet* grew due to increased demand driven by the spread of various infectious diseases.

(Unit: 100 million yen)

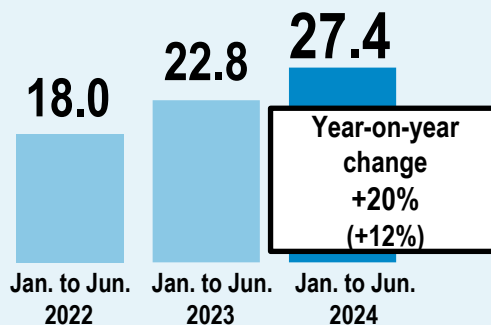
## Net sales

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

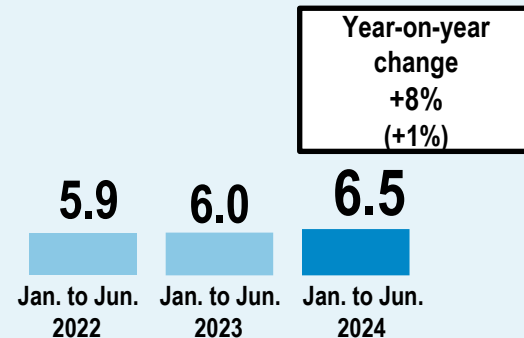
### Pharmaceuticals



### Netsusama Sheet



### Other



Effects on retail prices and sales volume from price hikes of our products in FY2023 were within our estimation. In FY2024, we are scheduled to raise the prices of our products (208SKU).

## Price revision in FY2023 (204SKU)



## Price revision in FY2024

(208SKU \* Including products whose prices are planned to be hiked)

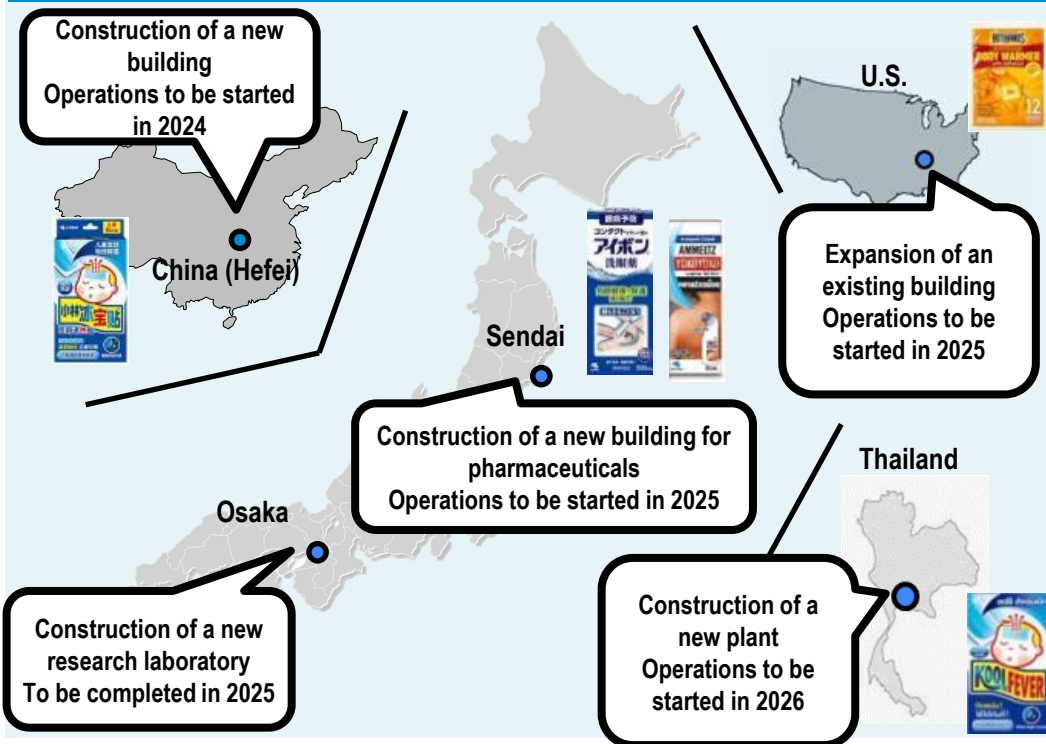


# Progress of Large-scale Capital Expenditure and New Product Development

31/34

Both large-scale capital expenditure and new product development have progressed as scheduled.

## Large-scale capital expenditure



## New product development

Number of new products to be launched annually (KPI): 30 products

15 items launched in Spring 2024



17 items to be launched in Fall 2024





## Assumptions for the Forecast of Consolidated Results

- We intend to continue the suspension of advertisements in Japan within this year.
- Inbound tourism demand will reach the level as initially estimated (annual sales of 9.5 billion yen).
- Extraordinary loss for FY2024 is estimated to be 7.9 billion yen, which we have already recorded in the first half of FY2024.  
\* If additional costs arise in the future, there is a possibility that they will be posted as extraordinary loss.
- We estimate that the yen will depreciate further against the U.S. dollar compared to our initial forecast (US dollar: 150 yen; our initial forecast for FY2024: 135 yen).

## Main differences from the initial assumptions

(Figures represent differences from the initial forecasts.)

- **Net sales:** Consolidated basis      Decrease of 16.5 billion yen in consolidated net sales  
(Domestic Business: decrease of 14.5 billion yen;  
International Business: decrease of 2.0 billion yen)
- **Operating income:** Decrease in net sales      Decrease of 12.0 billion yen in operating income  
\* Including the effect of the suspension of operations and changes in product mix  
Decrease in advertising expenses      Increase of 12.5 billion yen in operating income  
Other      Decrease of 2.8 billion yen in operating income  
\* Main factors include the effect of fluctuations in foreign exchange rates, disposal fees, and distribution expenses.



# Forecast of Consolidated Results for Fiscal Year Ending December 2024

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(Unit: 100 million yen)	FY2023 results (Jan. to Dec. 2023)	FY2024 forecast (Jan. to Dec. 2024) (latest)			FY2024 forecast (Jan. to Dec. 2024) (initial)
	Amount	Amount	Year-on-year change	Percentage of net sales	Amount
Net sales	1,734	1,690	-2.6%	-	1,856
Operating income	257	240	-6.9%	14.2%	263
Ordinary income	273	255	-6.7%	15.1%	275
Net income	203	121	-40.5%	7.2%	205
EBITDA <sup>*1</sup>	317	319	+0.4%	18.9%	342
EPS	268.16 yen	162.77 yen	-29.3%	-	275.76 yen
ROE	10.1%	5.7%	-	-	10.0%
Dividend	101 yen (Interim: 43 yen; Year-end: 58 yen)	102 yen (Interim: 43 yen; Year-end: 59 yen)	-	-	103 yen (Interim: 44 yen; Year-end: 59 yen)
Net sales of Domestic Business	1,304	1,205	-7.7%	-	1,350
Net sales of International Business <sup>*2</sup>	422	480	+13.5%	-	500

<sup>\*1</sup>. EBITDA = Operating income + Depreciation + Amortization of goodwill

<sup>\*2</sup>. Foreign exchange rates: US\$1 = 150 yen; Chinese yuan 1 = 21.0 yen

**First, we will concentrate our efforts on ensuring compensation to the victims and formulating and implementing measures to prevent recurrence. We will give first priority to the quality and safety of our products, steadily building the trust of our stakeholders step by step.**

**Then, towards future announcements, we will review our decision-making approach that prioritizes quality and human capital, the reorganization of our business portfolio, and the directions of cash allocation and returns to shareholders with a long-term perspective aimed at improving corporate value.**



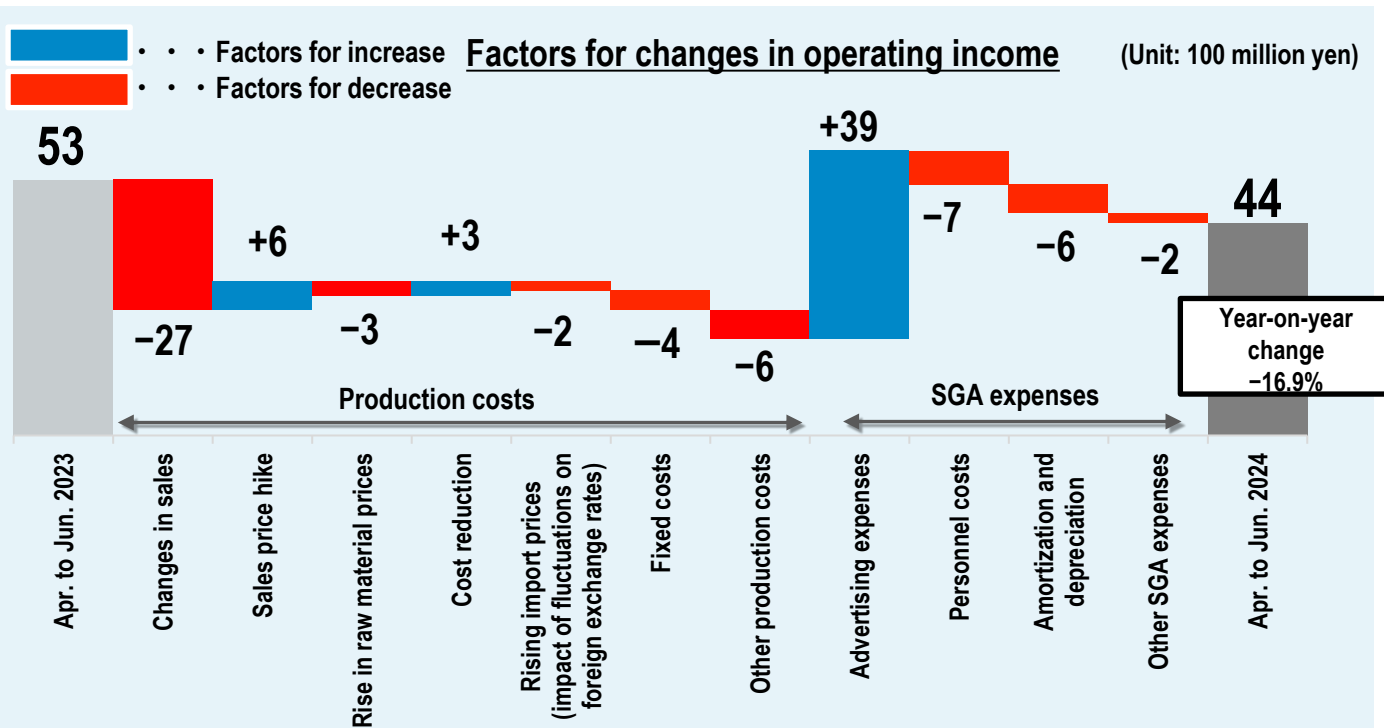
<Note>

• 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.

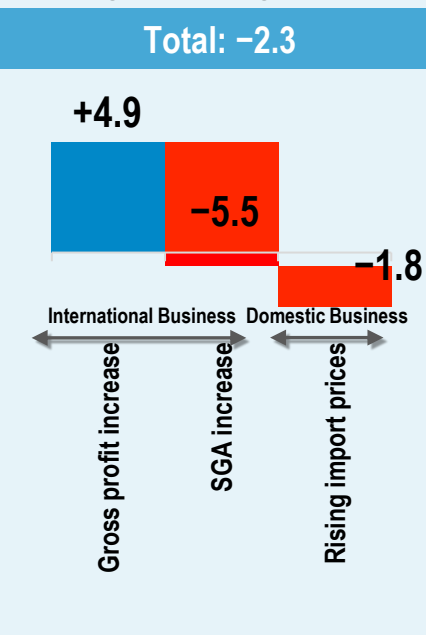
• This English translation is for reference purposes only and not a legally definitive translation of the original Japanese texts. In the event a difference arises regarding the meaning herein, the original Japanese version shall prevail as the official authoritative version.

# Reference

## Results for the second quarter of FY2024 (April 1, 2024 to June 30, 2024)



### Impact of fluctuations on foreign exchange rates



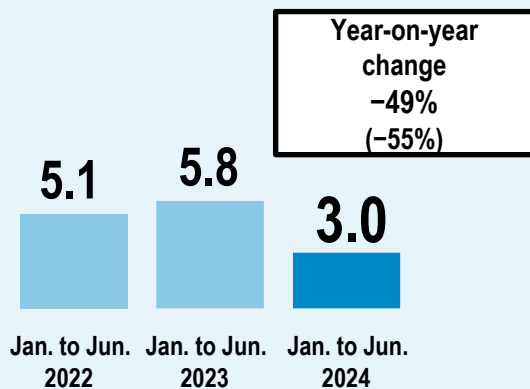
## Results for the second quarter (Apr. to Jun. 2024)

(Unit: 100 million yen)

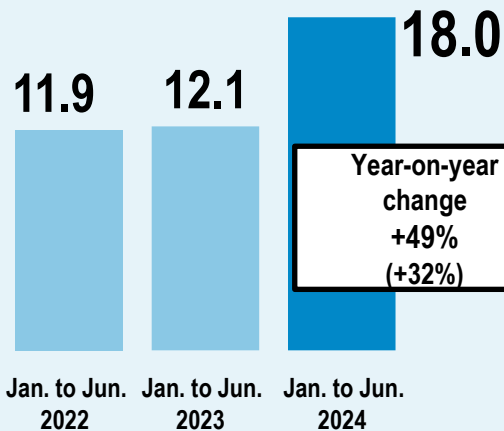
### Net sales

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

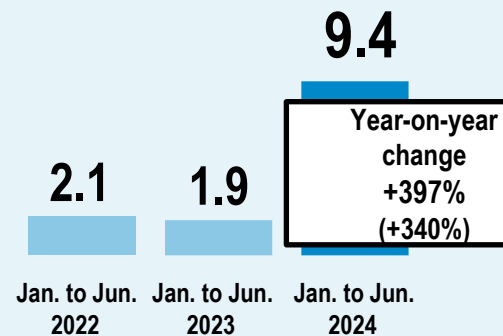
#### Body warmers



#### Pharmaceuticals



#### Other



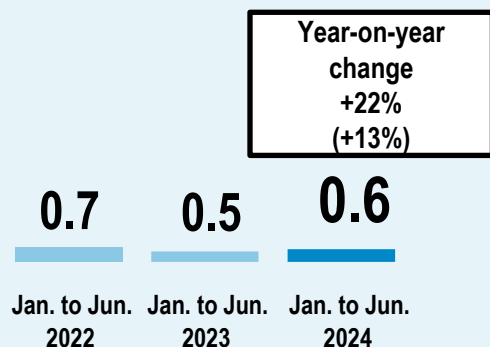
## Results for the second quarter (Apr. to Jun. 2024)

(Unit: 100 million yen)

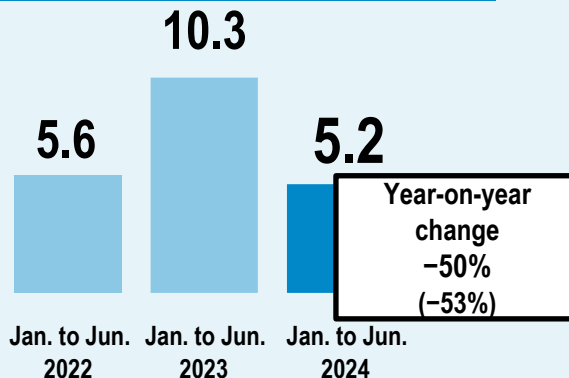
### Net sales

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

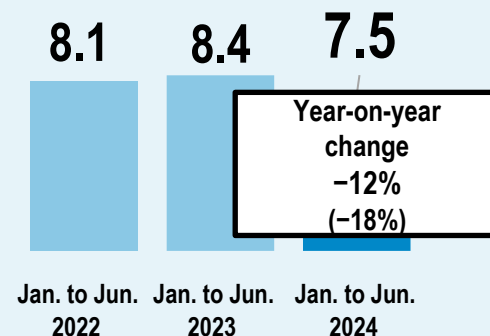
#### Body warmers



#### Netsusama Sheet



#### Other



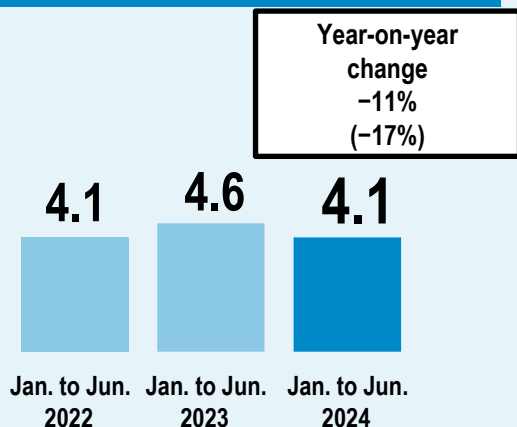
## Results for the second quarter (Apr. to Jun. 2024)

(Unit: 100 million yen)

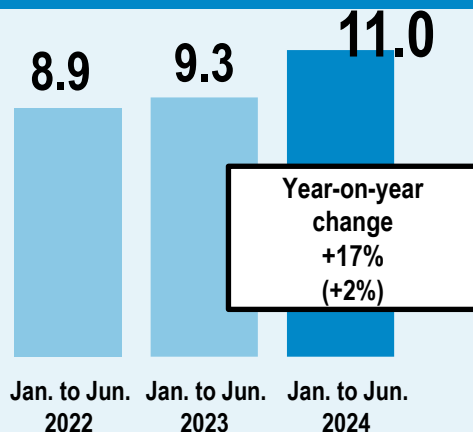
### Net sales

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

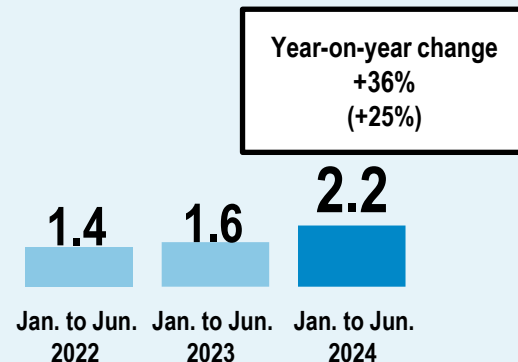
#### Pharmaceuticals



#### Netsusama Sheet



#### Other





## Consolidated Income Statement (1)

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(Unit: 100 million yen)	FY2024				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	364	366	-8.7%	731	-0.7%
Gross profit	209	198	-14.5%	407	-4.1%
Margin	57.4%	54.0%	-	55.7%	-
Operating income	50	44	-16.9%	94	-9.0%
Margin	13.8%	12.1%	-	13.0%	-
Ordinary income	54	49	-17.2%	104	-6.6%
Margin	15.0%	13.6%	-	14.3%	-
Net income	9	4	-89.2%	14	-81.7%
Margin	2.7%	1.3%	-	2.0%	-

## Consolidated Income Statement (2)

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(Unit: 100 million yen)	FY2024				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Advertising expenses	32	15	-71.7%	48	-44.2%
Percentage of net sales	9.0%	4.2%	-	6.6%	-
Sales promotion expenses	9	8	-2.2%	17	+9.0%
Percentage of net sales	2.5%	2.4%	-	2.4%	-

## Consolidated Balance Sheet (1)

(Unit: 100 million yen)	End of Jun. 2023	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024	End of Jun. 2024
Current assets	1,686	1,713	1,583	1,384	1,323
Cash and deposits	911	871	715	624	520
Notes and accounts receivable-trade	379	445	530	376	351
Short-term investment securities	83	83	83	83	83
Inventories	278	284	220	269	308
Non-current assets	979	996	1,091	1,228	1,299
Property, plant and equipment	431	451	476	603	657
Intangible assets	134	133	216	219	225
Investment and other assets	413	410	398	405	416
Total assets	2,665	2,709	2,674	2,612	2,622

## Consolidated Balance Sheet (2)

(Unit: 100 million yen)	End of Jun. 2023	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024	End of Jun. 2024
<b>Current liabilities</b>	<b>489</b>	<b>475</b>	<b>561</b>	<b>509</b>	<b>459</b>
Notes and accounts payable-trade	105	102	87	94	87
Short-term loans payable	0	0	0	0	0
Accounts payable-other	184	184	250	177	171
<b>Non-current liabilities</b>	<b>90</b>	<b>88</b>	<b>65</b>	<b>53</b>	<b>65</b>
<b>Total net assets</b>	<b>2,085</b>	<b>2,146</b>	<b>2,048</b>	<b>2,049</b>	<b>2,097</b>
Capital surplus	5	5	5	5	5
Retained earnings	1,973	2,017	2,056	2,023	2,028
Treasury stock	-136	-136	-247	-247	-247
<b>Total liabilities and net assets</b>	<b>2,665</b>	<b>2,709</b>	<b>2,674</b>	<b>2,612</b>	<b>2,622</b>

(Unit: yen)	Jan. to Dec. 2023	Jan. to Mar. 2024	Jan. to Jun. 2024	Jan. to Dec. 2024 forecast
US dollar	140.6	148.6	152.2	150.0
Chinese yuan	19.8	20.6	21.0	21.0

## Results by Segment (Domestic Business) (1)

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(Unit: 100 million yen)	FY2024				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	261	286	-12.9%	547	-5.2%
Gross profit	147	155	-18.3%	303	-9.2%
Margin	56.6%	54.4%	-	55.5%	-
Operating income	38	59	+4.0%	97	+5.1%
Margin	14.7%	20.8%	-	17.9%	-

Advertising expenses	25	4	-90.6%	29	-59.0%
Percentage of net sales	9.8%	1.4%	-	5.4%	-
Sales promotion expenses	4	4	-16.1%	8	-4.0%
Percentage of net sales	1.7%	1.5%	-	1.6%	-

## Results by Segment (Domestic Business) (2)

11

(Unit: 100 million yen)	FY2024				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Healthcare products	155	143	-15.3%	298	-3.5%
Pharmaceuticals	82	72	-14.0%	154	-2.7%
Food	17	13	-43.7%	30	-26.4%
Oral care products	39	41	-4.9%	81	+5.2%
Skin care products	15	16	-9.8%	31	+1.2%
Household products	85	128	-1.6%	214	+1.1%
Sanitary products	24	30	+2.7%	54	+4.2%
Deodorizing air fresheners	52	87	-2.1%	140	+1.1%
Household articles	8	10	-8.1%	19	-6.3%
Body warmers	4	2	-69.2%	7	-60.1%
Direct marketing business	16	11	-41.4%	27	-28.7%

## Results by Segment (International Business) (1)

12

(Unit: 100 million yen)	FY2024				
	Jan. to Mar.	Apr. to Jun.		Jan. to Jun.	
	Amount (100 million yen)	Amount (100 million yen)	Year-on-year change (%)	Amount (100 million yen)	Year-on-year change (%)
Net sales	101	79	+11.3%	181	+16.7%
Gross profit	59	41	+4.4%	101	+15.5%
Margin	58.8%	51.7%	-	55.7%	-
Operating income	10	-15	-	-4	-
Margin	10.4%	-	-	-	-

Advertising expenses	7	11	+9.5%	18	+33.0%
Percentage of net sales	7.1%	10.1%	-	10.1%	-
Sales promotion expenses	4	4	+19.4%	8	+26.4%
Percentage of net sales	4.5%	5.3%	-	4.9%	-



## Results by Segment (International Business) (2)

13

(Unit: 100 million yen)	FY2024						
	Jan. to Mar.	Apr. to Jun.			Jan. to Jun.		
	Amount	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
U.S.	38.7	30.4	+53.5%	+35.0%	69	+48.4%	+31.4%
China	28.0	20.6	-25.0%	-32.3%	48.6	-11.7%	-19.0%
Mainland China	21.0	13.3	-31.1%	-36.9%	34.3	-15.5%	-21.2%
(Stores)	13.3	6.1	-35.2%	-	19.5	-16.2%	-
(Mainland EC)	6.2	4.8	-50.9%	-	11.1	-18.8%	-
(Cross-border EC)	1.4	2.3	-	-	3.7	+1.6%	-
(EC percentage)	36.5%	54.0%	-	-	43.3%	-	-
Hong Kong region	7	7.2	-10.7%	-21.4%	14.2	-1.3%	-12.8%
Southeast Asia	27.0	17.3	+10.8%	+2.8%	44.4	+16.6%	+8.4%
Singapore	1.9	0.7	-24.2%	-40.2%	2.6	+10.1%	-5.4%
Malaysia	8.6	4.7	-25.7%	-32.9%	13.3	+6.1%	-0.3%
Thailand	7.0	4.9	+35.0%	+26.6%	12.0	+30.1%	+22.1%
Indonesia	2.7	4.0	+141.1%	+134.1%	6.7	+29.0%	+20.9%
Philippines	3.5	1.7	-21.2%	-27.8%	5.2	+43.1%	+30.3%
Taiwan region	3.2	1.1	+41.7%	+32.1%	4.4	-11.4%	-18.1%
Other	8.0	11.0	+31.2%	+16.6%	19.1	+23.2%	+8.7%