

# **Financial Results Briefing for Third Quarter of Fiscal Year Ending December 31, 2024 (January 1, 2024 to September 30, 2024)**

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November 8, 2024

**Yumi Nakagawa**

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

**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.**

Date	Outline
August 19	Began providing compensation to customers who have suffered health problems as a result of taking our <i>Beni-koji Choleste-Help</i> and other products.
September 17	Released “Notice regarding Formulation of Measures to Prevent Recurrence.”
September 18	The Ministry of Health, Labour and Welfare made an announcement on investigation into the causes, confirming that puberulic acid causes renal disorders while compounds Y and Z do not cause renal disorders.
October 8	Released “Notice regarding Partial Decline of Remuneration.”
October 10	Osaka City announced that it was “reasonable to determine that this was a food poisoning incident.”

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

4/29

As of November 3, 2024

Number of death-related inquiries*1	No actual intake*2		272
	Under confirmation of actual intake		0
	Subject to detailed investigation*3		125
	(Breakdown)	Investigation ongoing*4	10
		Investigation completed	43
		Other*5	72
	(Total)		397
Hospitalization*6			523 (329 )
Hospital visit (including hospitalization for medical tests)*6			2,069 (1,555 )
Total number of persons who received medical examinations (hospitalization + hospital visit)*6			2,592 (1,884 )
Number of health consultations			Approx. 11,200
Number of all consultations received (including inquiries other than health consultations)			Approx. 150,000

\*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

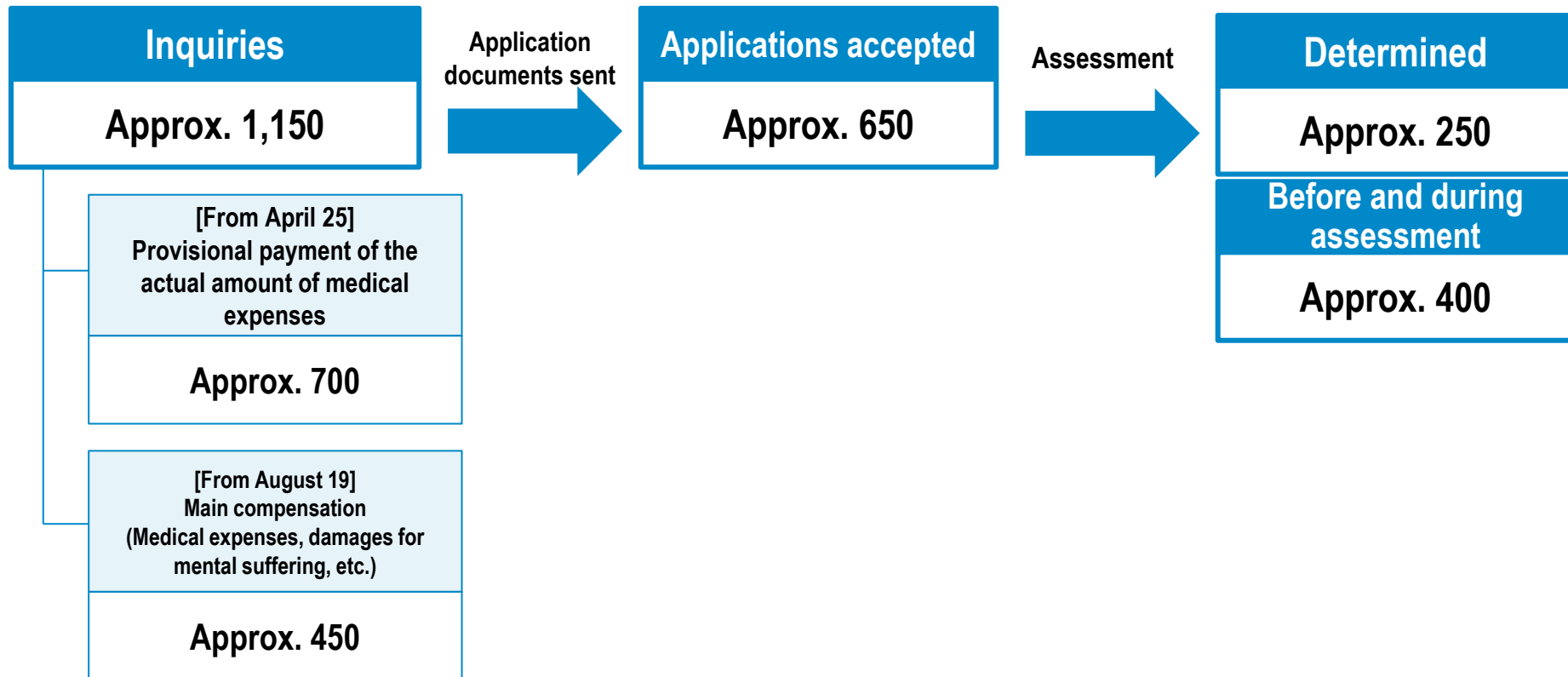
\*6 The figures in parentheses indicate the number of cases of renal-related diseases only.

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

# Progress of Compensation for Health Damage (for hospitalization and hospital visit) (as of October 31, 2024)

5/29

## ■ Status of compensation eligibility assessment \* The figures are total numbers.



## 1. Awareness Raising and Structural Enhancement regarding Quality and Safety

Item	Description and progress
(1) Raising awareness: “Quality and Safety First”	<ul style="list-style-type: none"> <li>• Establish an education and training system for all executives and employees regarding quality and safety.</li> <li>→ Conducted food hygiene training for Executive Officers.</li> <li>Educational contents for all executives and employees are currently being compiled.</li> <li>A new educational program will start in January 2025.</li> </ul>
(2) Structural enhancement (i): Quality assurance system	
A. Clarification of responsible departments	<ul style="list-style-type: none"> <li>• Position the Reliability Assurance Headquarters as a responsible department independent of Businesses.</li> <li>→ Under consideration to start under a new organizational structure from January 2025</li> </ul>
B. Improving quality control system	<ul style="list-style-type: none"> <li>• Clarify roles and responsibilities of the quality control department and the audit department.</li> <li>→ Under consideration to start under a new organizational structure from January 2025</li> </ul>
C. Establishment of a specialized department	<ul style="list-style-type: none"> <li>• Establish a new department to be specialized in dealing with laws and regulations related to development and manufacturing.</li> <li>→ Under consideration to start under a new organizational structure from January 2025</li> </ul>

## 1. Awareness Raising and Structural Enhancement regarding Quality and Safety

Item	Description and progress
(3) Structural enhancement (ii): Management system	
A. Enhancement of the governance structure of plants	<ul style="list-style-type: none"> <li>• Conduct regular audits (including third-party audits) of each plant. → Details are explained on the next page.</li> <li>• Establish a new “Plant Manufacturing Promotion Department (tentative name)” to be responsible for identifying and examining issues at each plant. → Under consideration to start under a new organizational structure from January 2025</li> </ul>
B. Development of related rules	<ul style="list-style-type: none"> <li>• Organize laws and regulations, various guidelines, and rules for each product category. → As a first step, discussions are being held on design quality and product quality standards in the food category. To be deployed to other categories under the new organizational structure starting in January 2025.</li> <li>• Disseminate the quality assurance policy throughout the company. → All executives and employees started chanting the policy together during morning meetings every week.</li> <li>• To enable all manufacturing departments to share the same vision in promoting quality enhancement activities, establish the “Manufacturing Quality Action Policy” as a concrete code of conduct for the quality assurance policy. → Establish a highly viable policy in the new organizational structure starting in January 2025.</li> </ul>

In addition to the self-inspection of “all products to be orally taken (supplements, pharmaceutical products, etc.)” reported at the Financial Results Briefing for 2Q of Fiscal Year Ending December 2024 on August 8, inspection was also conducted on “products that come in contact with the skin.”

### <Details of 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 serious risks were identified from the production lines of the products that come into contact with the skin.



# Audit Status of Each Plant (audit by a third-party organization)

9/29

Time: October 2024

Target plants: Four plants in Japan (Toyama Kobayashi, Aloe Pharmaceutical, Plax, Sendai Kobayashi)

Target lines: Production lines of products that are taken orally or come into contact with the skin (excluding pharmaceutical products)

Check items: Hygiene control (including insect and rat prevention), risk assessment, education, facility/equipment management (maintenance), etc.



### **<Audit results>**

**There were no findings that would immediately lead to the occurrence of serious quality defects. However, several professional and objective views were pointed out that could not be found in self-inspections, especially those related to hygiene management. (Details on the next page)**

### **<Future action>**

**Based on the results of self-inspections and third-party audits, we will continue to make improvements to achieve an even higher level of quality control.**

### <Major findings from the audit)

#### (i) Risk assessment

Process control has been designed based on quality risks from the company's own perspective, and certain control methods have been established for each process. However, there are points that need to be strengthened in the implementation of quality risk assessment covering the planned manufacturing process and manufacturing environment with a more professional and objective personnel structure.

#### (ii) Education and training

Rules for damaged or deteriorated tools and parts have been established at each worksite location, and they are checked at a set frequency. However, some were found being used in a damaged condition. There are areas where worker education should be strengthened, such as promoting awareness of hygiene management by informing workers about where risks exist at the worksite and what will happen if they do not follow the established rules.

#### (iii) Facility/equipment management

Although there are rules for daily or periodic facility inspection and maintenance, there are variations among plants in equipment improvement and maintenance/management activities from a specialized perspective tailored to product characteristics and also from a planned perspective in view of deterioration and other factors. This is an area that needs to be strengthened.

#### (iv) Eradication of harmful organisms

While monitoring of insect and rat prevention and emergency response to their outbreak are possible, including the use of outside contractors, the promotion of permanent responses (eradication) based on a comprehensive analysis of the causes of outbreaks needs to be strengthened.

## 1. Awareness Raising and Structural Enhancement regarding Quality and Safety

Item	Description and progress
(3) Structural enhancement (ii): Management system	
C. Review of work flow	
a) Collaboration between the development sector and plants	<ul style="list-style-type: none"> <li>• To strengthen collaboration between the development sector and plants, hold the “Mass Production Review Meeting (tentative name).”</li> <li>→ Test operation begins in November 2024 within the Manufacturing Headquarters. Aim for full-scale operation from January 2025.</li> </ul>
b) Improvement of manufacturing management, maintenance management, etc. in new technology fields	<ul style="list-style-type: none"> <li>• Reconsider the way of PMI when entering new technology fields or expanding business.</li> <li>→ Started inventory of existing technologies in a technology strategy project. After clarifying the company’s own strengths and weaknesses, review check items during PMI.</li> </ul>
c) Enhancement of product inspections	<ul style="list-style-type: none"> <li>• Consider and develop procedures and testing methods to check for unintended contamination</li> <li>→ Under consideration to introduce new procedures and inspections according to product characteristics from January 2025 onwards</li> </ul>
D. Renewal of personnel evaluation system	<ul style="list-style-type: none"> <li>• Introduce an evaluation system in which activities that contribute to quality and safety are subject to evaluation.</li> <li>→ Clarify quality activities to be evaluated and establish evaluation methods in human resources, research, and manufacturing, and aim to introduce the new evaluation system in January 2025 or later.</li> </ul>

## 2. Fundamental Reform of Corporate Governance

Item	Description and progress
(1) Departure from management dependent on the founding family	<ul style="list-style-type: none"><li>• The new president will take the lead in steering the company's management with "Quality and Safety First" as its guiding principle.<ul style="list-style-type: none"><li>→ Two representative directors from the founding family have already resigned.</li><li>→ The status of performance of Special Advisor, etc. is reported to the Board of Directors in a timely manner.</li></ul></li></ul>
(2) Reexamination of organizational design	<ul style="list-style-type: none"><li>• Verify the adequacy of organizational design and areas for improvement<ul style="list-style-type: none"><li>→ Under consideration for the annual general meeting of shareholders in March 2025</li></ul></li><li>• In-depth examination of the optimal board composition and skills matrix<ul style="list-style-type: none"><li>→ Under consideration for the annual general meeting of shareholders in March 2025</li></ul></li></ul>

## 2. Fundamental Reform of Corporate Governance

Item	Description and progress
(3) Strengthening supervision by the Board of Directors	
A. Strengthening supervision by outside directors	<ul style="list-style-type: none"> <li>• Revise the Articles of Incorporation to allow an outside director to serve as chairperson of the Board of Directors.               <ul style="list-style-type: none"> <li>→ Under consideration for the annual general meeting of shareholders in March 2025</li> </ul> </li> <li>• Under the chairperson, set an agenda to contribute to strengthening corporate governance.               <ul style="list-style-type: none"> <li>→ Under consideration to decide the agenda for the Board of Directors' meetings</li> </ul> </li> <li>• Enhance the mechanism for collaboration between outside directors and corporate auditors.               <ul style="list-style-type: none"> <li>→ Under consideration to decide how information should be provided to outside board members.</li> </ul> </li> </ul>
B. Regular meetings between the Board of Directors and the executive side  C. Timely information sharing with corporate auditors	<ul style="list-style-type: none"> <li>• Hold regular meetings between the Board of Directors and the executive side.               <ul style="list-style-type: none"> <li>→ Under consideration to decide the details of the regular meetings (members, timing, etc.)</li> </ul> </li> <li>• Re-establish a mechanism for providing risk information to the Board of Directors and the Board of corporate auditors.               <ul style="list-style-type: none"> <li>→ Under consideration to start operation of the newly established “Group Council,” which picks up risk information that should be brought up to the Board of Directors</li> </ul> </li> <li>• Adhere to the “Bad News First” principle.               <ul style="list-style-type: none"> <li>→ Risk issues are reported to the Board of Directors more broadly and promptly than in the past, and we are considering deciding on additional measures to further raise awareness.</li> </ul> </li> </ul>

## 2. Fundamental Reform of Corporate Governance

Item	Description and progress
(4) Abolition of GOM	<ul style="list-style-type: none"> <li>• Establish a “Group Council” to discuss issues of each department from diverse perspectives and a “Executive Management Meeting” as the final decision-making body.</li> <li>→ Test operation began in October 2024 with five executive members (President, CFO, etc.). Together with the Group Council, aim to begin full-scale operations as soon as possible.</li> </ul>
(5) Establishment of a crisis management system	
A. Response system with the president as the person in charge	<ul style="list-style-type: none"> <li>• Establish a system in which a “Quality and Safety Emergency Meeting (tentative name)” is held in the event of an emergency to enable rapid decision making on how to respond.</li> <li>→ The outline of the existing recall examination committee (meeting requirements, members, etc.) is currently under review.</li> </ul>
B. Risk management system in preparation for emergencies	<ul style="list-style-type: none"> <li>• Enhance the risk management system.</li> <li>→ Company-wide risks are re-identified and key risk themes are being re-selected. After that, emergency response scenarios (contingency plans) for key risk themes will be formulated.</li> </ul>
C. Internal information sharing system in the event of an emergency	<ul style="list-style-type: none"> <li>• Establish an information sharing system that prioritizes quality safety in the event of an emergency.</li> <li>→ Under consideration to build the system as soon as possible</li> </ul>

## 2. Fundamental Reform of Corporate Governance

Item	Description and progress
(6) Enhancement of risk and compliance systems	
A. Reorganization of the Governance Promotion Council	<ul style="list-style-type: none"><li>• Bring quality-related issues that have not been raised in the past to the Governance Promotion Council, which oversees internal control and compliance, to provide supervision from the perspective of the corporate sector.</li><li>→ Decide the purpose and operation details (members, frequency of meetings, etc.) of the Governance Promotion Council by the end of 2024, and start operating the new council structure in January 2025.</li></ul>
B. Organizational management based on integrity as a code of conduct	<ul style="list-style-type: none"><li>• Establish a dedicated department to promote “integrity management.”</li><li>→ Set up a dedicated department in January 2025.</li><li>Specific action plans will be examined by the new organization.</li></ul>



## 2. Fundamental Reform of Corporate Governance

Item	Description and progress
(7) Improving external communication and information dissemination	<ul style="list-style-type: none"><li>• Reorganize R&amp;D and quality assurance sectors so that members are able to enhance their expertise.</li><li>→ Under consideration to start under a new organizational structure from January 2025</li></ul>
(8) Selection based on resources	<ul style="list-style-type: none"><li>• Ensure adequate staffing with emphasis on quality and safety.</li><li>→ Examination is underway to organize and streamline operations being done in each department.</li></ul>

**Financial Overview for Third Quarter of  
Fiscal Year Ending December 31, 2024  
(January 1, 2024 to September 30, 2024)**

## Domestic Business

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

Net sales decreased by 7.1 billion yen (down 7.9%).

- Inbound tourism demand increased along with a rise in the number of overseas tourists to Japan (+2.4 billion yen).
- Sales of new products, such as *SHOSHUGEN Zero* and *Hipcure*, contributed to a growth in net sales (+3.3 billion yen).
- Sales of existing goods declined due to the impact from the recall of red yeast rice-related products and cancellation of advertisements (−9.7 billion yen).
- Sales of body warmers decreased due to an increase in returns related to mild winters (−1.2 billion yen).
- Sales in the Direct Marketing Business fell due to the cancellation of regular subscriptions (−1.9 billion yen).



## International Business

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

\*Foreign currency translation effects are included.)

Net sales increased by 2.5 billion yen (up 9.2%) 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 (+3.4 billion yen).
- China (mainland): Net sales decreased due to inability to fully cover the impact from the suspension of advertisements until July (−1.5 billion yen).
- Hong Kong region: Net sales slightly declined due to a reaction to a rise in inbound tourism demand from Mainland China (−0.2 billion yen).
- Southeast Asia: Net sales increased despite backlash from last year's special demand for *Netsusama Sheet* (+0.3 billion yen).
- Other regions: Net sales grew due to steady sales of body warmers and *Netsusama Sheet* in each country (+0.5 billion yen).

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

20/29

An extraordinary loss of 2.2 billion yen (10.1 billion yen in the first three quarters) was posted in association with the recall of red yeast rice-related products.

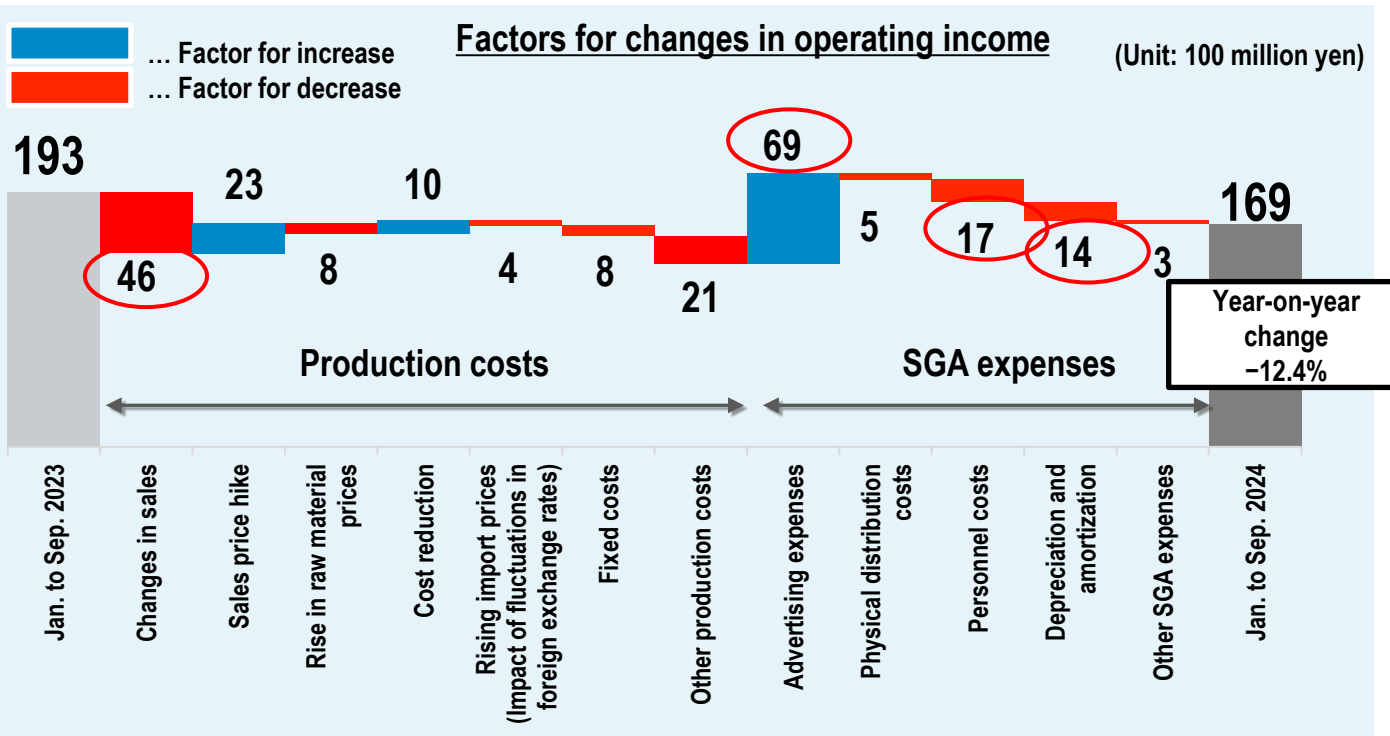
(Unit: 100 million yen)	FY2023		FY2024					
	Jul. to Sep.	Jan. to Sep.	Jul. to Sep.			Jan. to Sep.		
	Amount	Amount	Amount	Year-on-year change	Percentage of net sales	Amount	Year-on-year change	Percentage of net sales
Net sales	454	1,191	413	-9.2%	-	1,144	-3.9%	-
Gross profit	256	681	219	-14.3%	53.1%	626	-7.9%	54.8%
Operating income	89	193	75	-16.4%	18.2%	169	-12.4%	14.8%
Ordinary income	96	208	74	-22.5%	18.1%	179	-14.0%	15.7%
Net income	76	154	39	-48.8%	9.5%	53	-65.5%	4.7%
EBITDA*	104	236	95	-8.6%	23.1%	228	-3.3%	20.0%

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

# Factors for Changes in Consolidated Operating Income

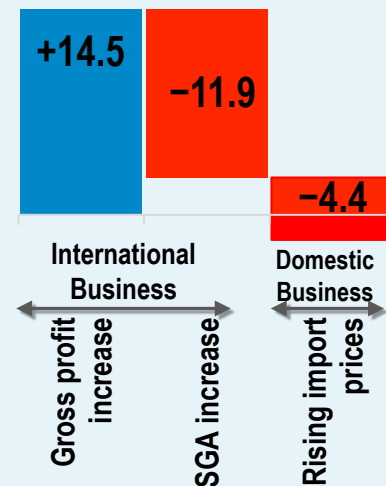
21/29

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: -1.8



## Domestic Business (Sales Breakdown by Product Category)

22/29

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			
		Jul. to Sep.	Jan. to Sep.	Jul. to Sep.		Jan. to Sep.	
		Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	Healthcare products	165	474	132	-19.7%	431	-9.2%
	Household products	136	348	138	+1.2%	352	+1.2%
	Body warmers	7	25	6	-16.5%	13	-46.7%
	Direct Marketing Business	18	56	9	-47.8%	36	-34.9%
	Total	328	905	287	-12.5%	834	-7.9%
Total operating income		66	160	62	-7.2%	159	-0.1%
(Margin)		20.4%	17.7%	21.6%	-	19.2%	-

\* A voluntary recall of ITOYOUJI, soft interdental brushes, etc. was conducted on September 13. This had a negative impact of approx. 0.3 billion yen on operating income.

## Domestic Business (Inbound Tourism Demand)

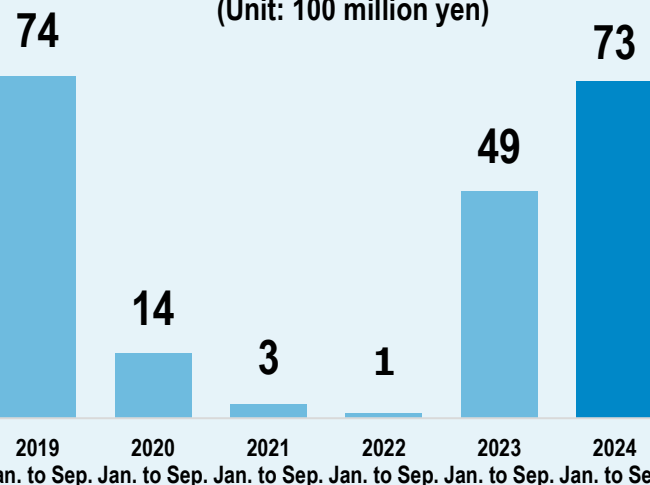
23/29

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	FY2019 Jan. to Sep.	FY2024 Jan. to Sep.
1	Inochi-no-Haha	Naishitol
2	SakamuCare	Inochi-no-Haha
3	Ammeltz	Dietary supplement
4	BreathCare	Nodonool
5	Eyebon	Lens cleaner

# International Business (Sales Breakdown by Region)

24/29

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: +2.3 billion yen for net sales; +2.6 billion yen for operating income)

(Unit: 100 million yen)		FY2023		FY2024					
		Jul. to Sep.	Jan. to Sep.	Jul. to Sep.			Jan. to Sep.		
		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.	57	103	68	+20.0%	+12.8%	137	+32.7%	+21.2%
	Mainland China	29	69	20	-30.8%	-34.1%	54	-21.8%	-26.6%
	Hong Kong region	8	22	6	-20.5%	-23.0%	20	-8.2%	-16.4%
	Southeast Asia	21	59	18	-15.0%	-18.3%	62	+5.1%	-1.3%
	Other	9	24	11	+22.9%	+16.4%	30	+23.1%	+11.7%
	Total International Business	125	280	125	-0.2%	-5.5%	306	+9.2%	+0.7%

Total operating income	20	29	12	-40.3%	-48.5%	7	-74.3%	-83.2%
(Margin)	16.7%	10.6%	10.0%	-	-	2.5%	-	-



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

25/29

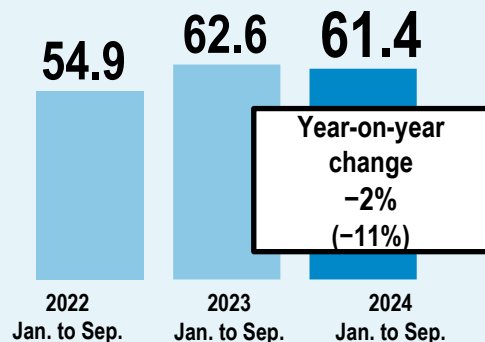
Sales of body warmers were sluggish due to mild winters. However, sales of pharmaceuticals and others grew robustly due to the effects of consolidation of Focus Consumer Healthcare, which we acquired in October 2023, and foreign currency translation.

(Unit: 100 million yen)

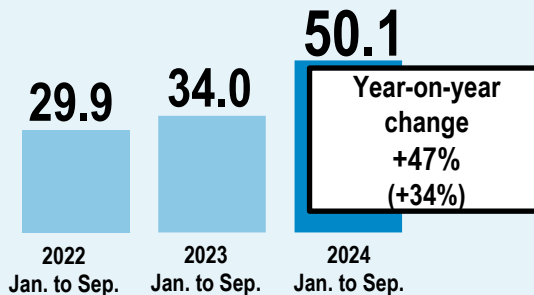
### Net sales

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

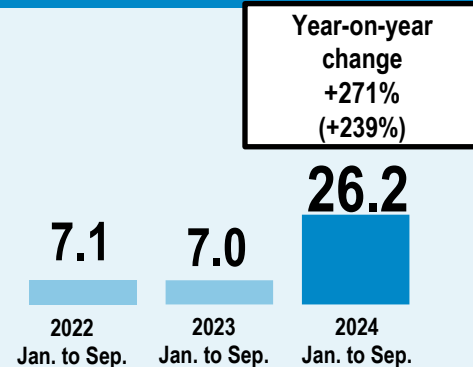
#### Body warmers



#### Pharmaceuticals



#### Other



## Sales in Mainland China (by Product)

26/29

Overall sales were sluggish due to inability to fully cover the impact from the suspension of advertisements until July.

Sales of body warmers increased due to a rebound from the decline in demand caused by last year's warm winter and the expansion of sales at mass retailers.

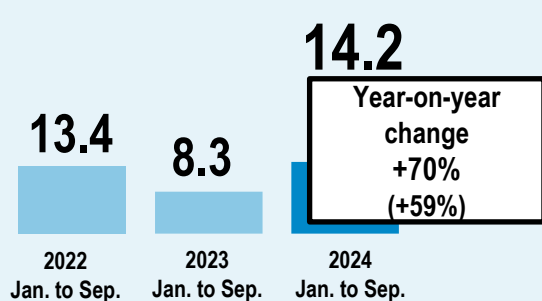
Sales of *Netsusama Sheet* decreased partly due to a backlash from last year's special demand.

(Unit: 100 million yen)

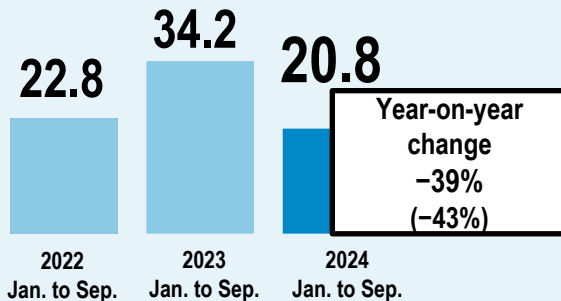
### Net sales

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

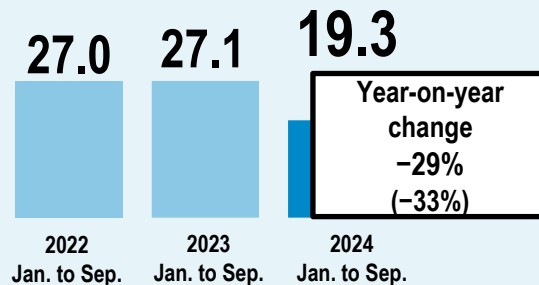
#### Body warmers



#### Netsusama Sheet



#### Other



## Sales in Southeast Asia (by Product)

27/29

Among pharmaceuticals, Ammeltz sold well.

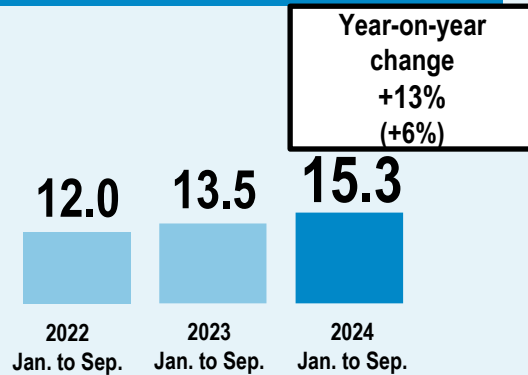
Sales of *Netsusama Sheet* grew despite a backlash from last year's special demand driven by the spread of various infectious diseases. Sales of body warmers decreased due to a warm winter in the Taiwan region.

(Unit: 100 million yen)

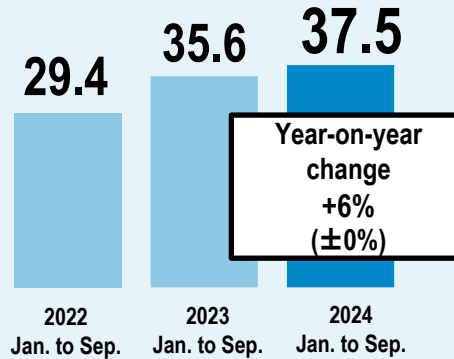
### Net sales

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

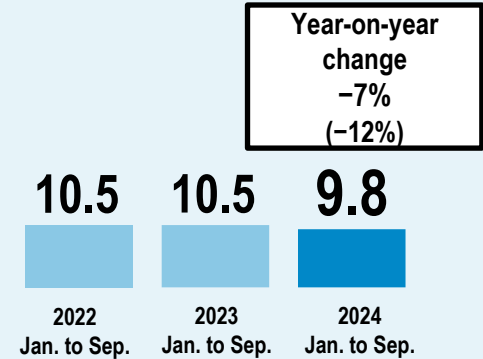
#### Pharmaceuticals



#### Netsusama Sheet



#### Other



Net income was revised due to additional extraordinary loss recorded in connection with recall of red yeast rice-related products.

(Unit: 100 million yen)	FY2023 results (Jan. to Dec. 2023)	FY2024 forecast (Jan. to Dec. 2024) (Released on Aug. 8, 2024)		FY2024 forecast (Jan. to Dec. 2024) (Released on Nov. 8, 2024)		
	Amount	Amount	Year-on-year change	Amount	Year-on-year change	Percentage of net sales
Net sales	1,734	1,690	-2.6%	1,690	-2.6%	-
Operating income	257	240	-6.9%	240	-6.9%	14.2%
Ordinary income	273	255	-6.7%	255	-6.7%	15.1%
Net income	203	121	-40.5%	107	-47.4%	6.3%
EBITDA*1	317	319	+0.4%	319	+0.4%	18.9%
EPS	268.16 yen	162.77 yen	-29.3%	143.94 yen	-46.3%	-
ROE	10.1%	5.7%	-	5.2%	-	-
Net sales of Domestic Business	1,304	1,205	-7.7%	1,205	-7.7%	-
Net sales of International Business*2	422	480	+13.5%	480	+13.5%	-

\*1 EBITDA = Operating income + Depreciation + Amortization of goodwill

\*2 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.**



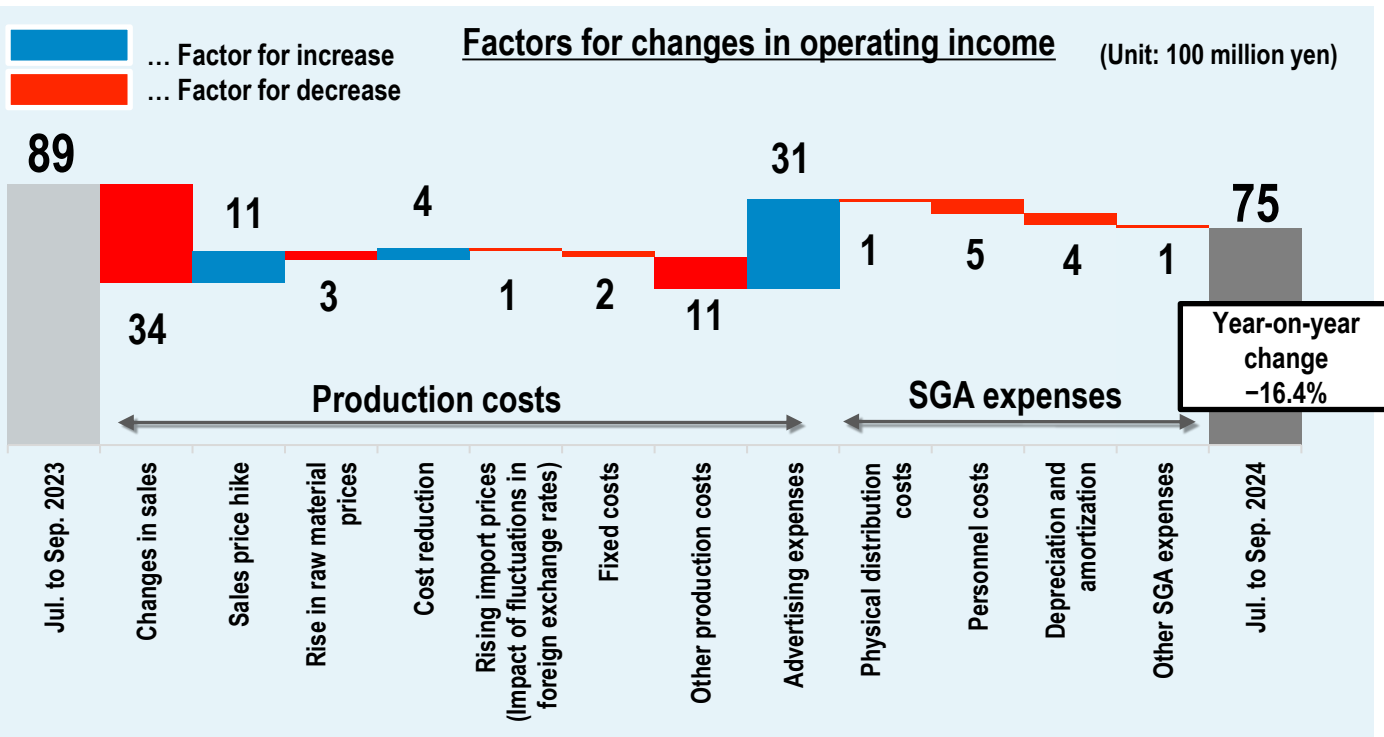
<Note>

• 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.

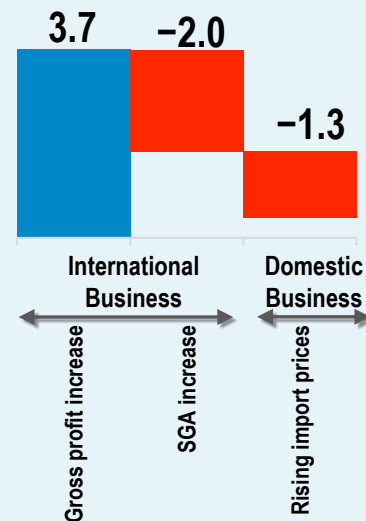
# Reference

## Results for the third quarter of FY2024 (July 1, 2024 to September 30, 2024)



### Impact of fluctuations in foreign exchange rates

Total: +0.4





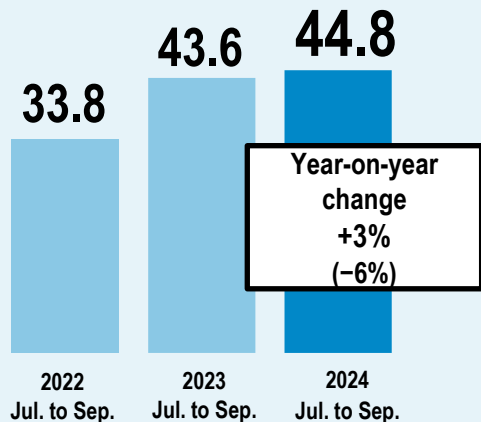
## Results for the third quarter (Jul. to Sep. 2024)

(Unit: 100 million yen)

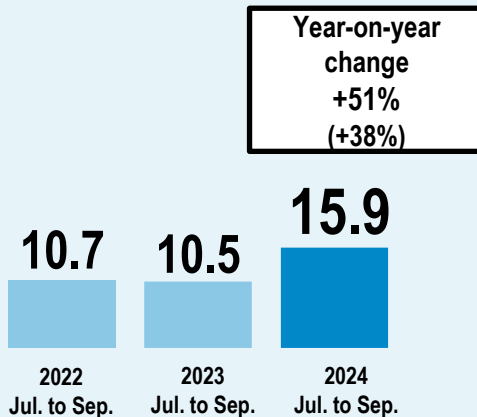
### Net sales

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

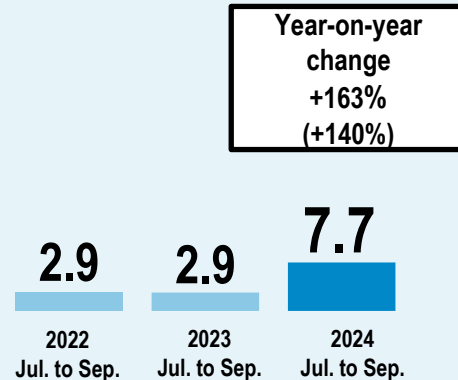
#### Body warmers



#### Pharmaceuticals



#### Other



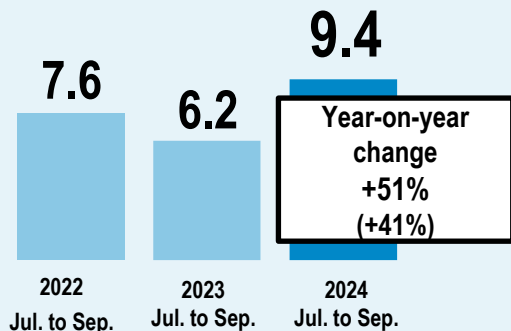
## Results for the third quarter (Jul. to Sep. 2024)

(Unit: 100 million yen)

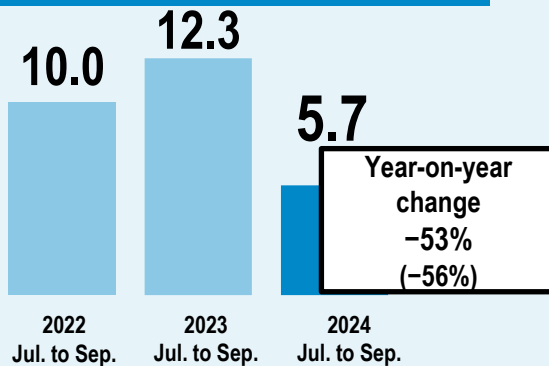
### Net sales

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

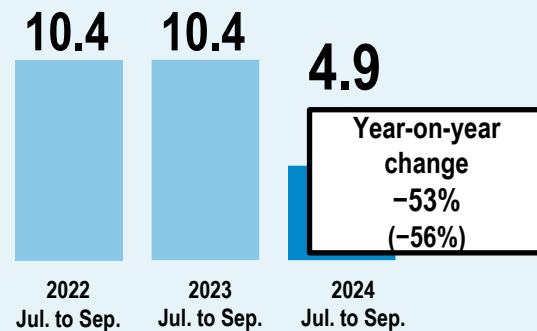
#### Body warmers



#### Netsusama Sheet



#### Other



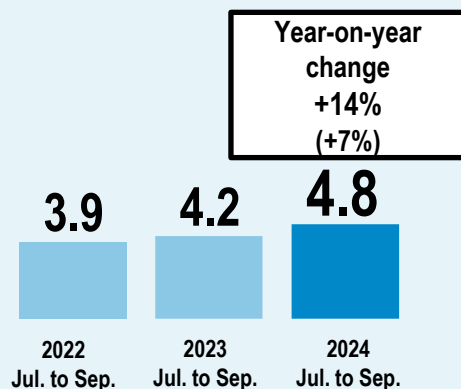
## Results for the third quarter (Jul. to Sep. 2024)

(Unit: 100 million yen)

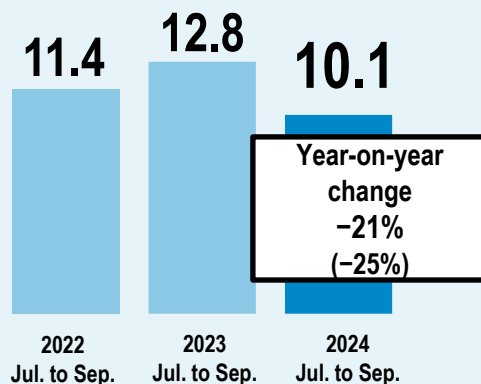
### Net sales

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

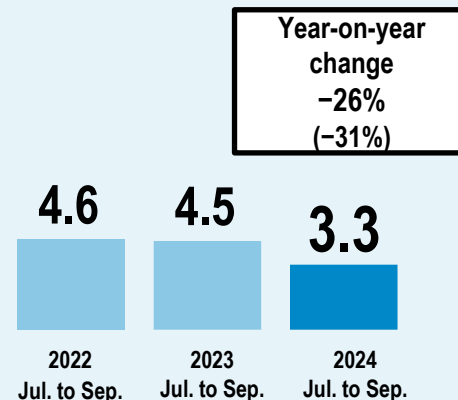
#### Pharmaceuticals



#### Netsusama Sheet



#### Other



## Consolidated Income Statement (1)

5

(Unit: 100 million yen)	FY2024					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	364	366	413	-9.2%	1,144	-3.9%
Gross profit	209	198	219	-14.3%	626	-7.9%
Margin	57.4%	54.0%	53.1%	-	54.8%	-
Operating income	50	44	75	-16.4%	169	-12.4%
Margin	13.8%	12.1%	18.2%	-	14.8%	-
Ordinary income	54	49	74	-22.5%	179	-14.0%
Margin	15.0%	13.6%	18.1%	-	15.7%	-
Net income	9	4	39	-48.8%	53	-65.5%
Margin	2.7%	1.3%	9.5%	-	4.7%	-

## Consolidated Income Statement (2)

6

(Unit: 100 million yen)	FY2024					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Advertising expenses	32	15	11	-73.5%	59	-53.8%
Margin	9.0%	4.2%	2.7%	-	5.2%	-
Sales promotion expenses	9	8	7	-11.5%	25	+2.0%
Margin	2.5%	2.4%	2.2%	-	2.2%	-

## Consolidated Balance Sheet (1)

7

(Unit: 100 million yen)	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024	End of Jun. 2024	End of Sep. 2024
<b>Current assets</b>	<b>1,713</b>	<b>1,583</b>	<b>1,384</b>	<b>1,323</b>	<b>1,267</b>
Cash and deposits	871	715	624	520	411
Notes and accounts receivable-trade	445	530	376	351	396
Short-term investment securities	83	83	83	83	104
Inventories	284	220	269	308	294
<b>Non-current assets</b>	<b>996</b>	<b>1,091</b>	<b>1,228</b>	<b>1,299</b>	<b>1,237</b>
Property, plant and equipment	451	476	603	657	654
Intangible assets	133	216	219	225	195
Investment and other assets	410	398	405	416	388
<b>Total assets</b>	<b>2,709</b>	<b>2,674</b>	<b>2,612</b>	<b>2,622</b>	<b>2,504</b>

## Consolidated Balance Sheet (2)

(Unit: 100 million yen)	End of Sep. 2023	End of Dec. 2023	End of Mar. 2024	End of Jun. 2024	End of Sep. 2024
<b>Current liabilities</b>	<b>475</b>	<b>561</b>	<b>509</b>	<b>459</b>	<b>396</b>
Notes and accounts payable-trade	102	87	94	87	79
Short-term loans payable	0	0	0	0	0
Accounts payable-other	184	250	177	171	142
<b>Non-current liabilities</b>	<b>88</b>	<b>65</b>	<b>53</b>	<b>65</b>	<b>61</b>
<b>Total net assets</b>	<b>2,146</b>	<b>2,048</b>	<b>2,049</b>	<b>2,097</b>	<b>2,046</b>
Capital surplus	5	5	5	5	5
Retained earnings	2,017	2,056	2,023	2,028	2,035
Treasury stock	-136	-247	-247	-247	-247
<b>Total liabilities and net assets</b>	<b>2,709</b>	<b>2,674</b>	<b>2,612</b>	<b>2,622</b>	<b>2,504</b>

(Unit: yen)	Jan. to Dec. 2023	Jan. to Mar. 2024	Jan. to Jun. 2024	Jan. to Sep. 2024	Jan. to Dec. 2024 forecast
US dollar	140.6	148.6	152.2	151.2	150.0
Chinese yuan	19.8	20.6	21.0	20.9	21.0



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

10

(Unit: 100 million yen)	FY2024					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	261	286	287	-12.5%	834	-7.9%
Gross profit	147	155	151	-19.9%	454	-13.0%
Margin	56.6%	54.4%	52.6%	-	54.5%	-
Operating income	38	59	62	-7.2%	159	-0.1%
Margin	14.7%	20.8%	21.6%	-	19.2%	-

Advertising expenses	25	4	2	-93.4%	32	-70.1%
Margin	9.8%	1.4%	0.8%	-	3.8%	-
Sales promotion expenses	4	4	2	-40.4%	11	-14.7%
Margin	1.7%	1.5%	0.8%	-	1.3%	-

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

11

(Unit: 100 million yen)	FY2024					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Healthcare products	155	143	132	-19.7%	431	-9.2%
Pharmaceuticals	82	72	71	-15.1%	226	-7.0%
Food	17	13	13	-38.3%	44	-30.4%
Oral care products	39	41	34	-17.4%	115	-2.7%
Skin care products	15	16	13	-24.9%	45	-8.4%
Household products	85	128	138	+1.2%	352	+1.2%
Sanitary products	24	30	29	-5.7%	83	+0.6%
Deodorizing air fresheners	52	87	97	+4.7%	237	+2.5%
Household articles	8	10	11	-7.9%	31	-6.9%
Body warmers	4	2	6	-16.5%	13	-46.7%
Direct Marketing Business	16	11	9	-47.8%	36	-34.9%

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

12

(Unit: 100 million yen)	FY2024					
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.		Jan. to Sep.	
	Amount	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	101	79	125	-0.2%	306	+9.2%
Gross profit	59	41	67	+3.2%	168	+10.3%
Margin	58.8%	51.7%	53.8%	-	54.9%	-
Operating income	10	-15	12	-40.3%	7	-74.3%
Margin	10.4%	-	10.0%	-	2.5%	-

Advertising expenses	7	11	8	+21.5%	27	+29.0%
Margin	7.1%	10.1%	8.8%	-	8.8%	-
Sales promotion expenses	4	4	5	+18.2%	14	+23.1%
Margin	4.5%	5.3%	4.4%	-	4.7%	-

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

13

(Unit: 100 million yen)	FY2024							
	Jan. to Mar.	Apr. to Jun.	Jul. to Sep.			Jan. to Sep.		
	Amount	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	68.5	+20.0%	+12.8%	137.7	+32.7%	+21.2%
China	28.0	20.6	26.6	-28.5%	-31.6%	75.3	-18.5%	-24.1%
Mainland China	21.0	13.3	20.1	-30.8%	-34.1%	54.4	-21.8%	-26.6%
(Stores)	13.3	6.1	11.5	-23.2%	-	31.0	-18.9%	-
(Mainland EC)	6.2	4.8	8.9	-23.3%	-	20.0	-20.9%	-
(Cross-border EC)	1.4	2.3	-0.3	-	-	3.4	-44.1%	-
(EC percentage)	36.5%	54.0%	42.8%	-	-	43.1%	-	-
Hong Kong region	7	7.2	6.5	-20.5%	-23.0%	20.8	-8.2%	-16.4%
Southeast Asia	27.0	17.3	18.3	-15.0%	-18.3%	62.8	+5.1%	-1.3%
Singapore	1.9	0.7	1.3	-12.4%	-11.4%	3.9	+1.1%	-7.9%
Malaysia	8.6	4.7	3.9	-30.6%	-35.6%	17.2	-5.3%	-11.2%
Thailand	7.0	4.9	4.4	+2.8%	-0.7%	16.4	+21.4%	+14.8%
Indonesia	2.7	4.0	3.2	-7.6%	-7.4%	10.0	+14.3%	+9.6%
Philippines	3.5	1.7	2.9	-6.0%	-14.2%	8.2	+20.5%	+9.8%
Taiwan region	3.2	1.1	2.4	-29.0%	-30.2%	6.8	-18.5%	-23.0%
Other	8.0	11.0	11.5	+22.9%	+16.4%	30.6	+23.1%	+11.7%