

Financial Overview for First Quarter of Fiscal Year Ending December 31, 2025

Kobayashi Pharmaceutical Co., Ltd.

Norikazu Toyoda, President and Chief Executive Officer

Yumi Nakagawa, Executive Officer and General Manager, Finance Headquarters

May 9, 2025

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 give priority above all to apologizing to and compensating our customers who have suffered health damage and our suppliers who have suffered losses, and we will do so sincerely and appropriately.

Career highlights

1987: Joined the Company (Domestic Sales)

1995: Domestic Marketing

2006: International Sales Company

President, Kobayashi Healthcare Europe, Ltd.

**2012: General Manager, Europe, United States and China Strategy Dept.,
International Business Division**

**2015: General Manager, Europe and United States Strategy Dept.,
International Business Division, and
President, Kobayashi Healthcare International, Inc.**

2023: Executive Officer and Senior General Manager, International Business Division

**2025: Executive Officer and Senior General Manager,
International Business Headquarters**

2025: President and Chief Executive Officer (current position)

What I want to work on as the new president

- **Prioritize measures to prevent recurrence and compensation**
- **Promote well-balanced management**
 - **Focus on key investment areas and accelerate new product development and overseas growth**
 - **Improve profitability through structural reform efforts (reducing SKUs, improving advertising efficiency, etc.)**
 - **Ensure that cash generated will be used for further growth investments**
 - **Pay attention to capital efficiency (ROE) and strengthen shareholder returns**
- **Organizational culture reform**
 - **Review and dissemination of the corporate philosophy**



**Currently formulating a long-term vision for 2035 and
the medium-term management plan for 2026-28**

(1) Awareness Raising and Structural Enhancement regarding Quality and Safety

- Thoroughly implement “quality and safety first” to change the awareness of our executives and employees regarding quality and safety.
- Clarify roles and responsibilities and strengthen quality assurance and management systems.

(2) Fundamental Reform of Corporate Governance

- Revamp the composition of the Board of Directors that oversees the management of the new Kobayashi Pharmaceutical.
- To regain the trust of our stakeholders and realize a new Kobayashi Pharmaceutical, establish determination and the mechanisms to become a company that does the right thing in the right way.

(3) “New Kobayashi Pharmaceutical” to be re-created by all of us

- To enhance our risk sensitivity and our ability to create new value, implement measures to eliminate the homogeneity that exists within our company and ensure diversity.
- All executives and employees will work together as one to re-create a new Kobayashi Pharmaceutical.

Major progress of measures to prevent recurrence

6/24

1. Awareness Raising and Structural Enhancement regarding Quality and Safety

*  shows the updates from the previous financial results presentation in February.

[Progress] · The quality enhancement team jointly formed by the development unit and Manufacturing Headquarters carried out activities to identify areas for improvement at each plant.
→ After organizing the identified issues, started mass production review meetings in April.
· Both the development unit and manufacturing plants have begun to implement investment in quality, which was given a high priority for this fiscal year.

Description and progress		Status			Implementation/ introduction
		Planning	Start/ preparation for introduction	Imple- mented/ introduced	
Education and awareness reform	Provision of education and training on quality and safety for all executives and employees				Done (2024/6~)
	Regular transmission of messages and dialogue with employees by the president				Done (2024/8~)
Strengthening of quality assurance system	Clarification of the role of the Reliability Assurance Headquarters				Done (2025/1~)
	Shift to function-based headquarters to strengthen front-line expertise				Done (2025/1~)
Reinforcement of manufacturing management system	Self-inspection and third-party checking of each plant				Done (2024/10~) * Continued after this
	Establishment of the Manufacturing Promotion Office				Done (2025/1~)
	Establishment of comprehensive hygiene management standards for each product category				2025/7~ * Start with oral products
	Effective periodic holding of “mass production review meetings”				Done (2025/4~)
Inspection techniques	Consideration and introduction of procedures for detecting contamination by ingredients other than specified ingredients				2025/8~
Personnel evaluation	Introduction of a system in which activities that contribute to quality and safety are subject to evaluation				2025/12

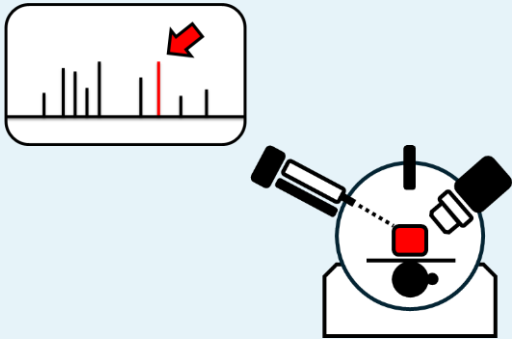
* Even for measures marked “Implemented/introduced,” we will continue to verify the effectiveness and constantly review the content.

Awareness Raising and Structural Enhancement regarding Quality and Safety

7/24

Examples of specific actions for quality enhancement

Developing specific techniques to rapidly analyze the structure of unintended components



Allocating additional workers depending on the manufacturing process



Online quality training for all executives and employees (monthly)



Major progress of measures to prevent recurrence

8/24

2. Fundamental Reform of Corporate Governance

*  shows the updates from the previous financial results presentation in February.

[Progress] • The composition of the Board of Directors has been revamped with members selected from both inside and outside the Company. The new structure took effect upon approval at the annual general meeting of shareholders on March 28. → Discussions under the new structure began in April on themes such as review of the Board of Directors' agenda and re-strengthening of the crisis management system.
• Four specialized committees have begun full-scale operations, leveraging their enhanced expertise to improve the quality and speed of decision-making.
• Establish a corporate governance committee to promote the review of the medium- to long-term governance structure.

Description and progress		Status			Implementation/ introduction
		Planning	Start/ preparation for introduction	Imple- mented/ introduced	
Departure from management dependent on the founding family	Change of Chairman of the Board and President				Done (2024/7)
Board of Directors reform	Strengthening supervisory functions by increasing the number of outside directors and inviting a chairman of the Board from outside				Done (2025/3)
	Reexamination of organizational design				2026/3
	Strengthening cooperation between the Board of Directors and the executive side				Done (2024/7~)
Review of executive meeting structure (Abolition of GOM)	Establishment of a new Executive Committee (clarification of the executive decision-making organ)				Done (2024/11)
	Establishment of four specialized committees (investment/human resources/ quality/risk)				Done (2025/3)
Reinforcement of risk response structure	Reorganization of existing risk and compliance-related committees				Done (2025/3)
	Building a risk escalation system in case of emergency				Done (2024/8~)
Review of business operations	Selection based on resources				2025/8~

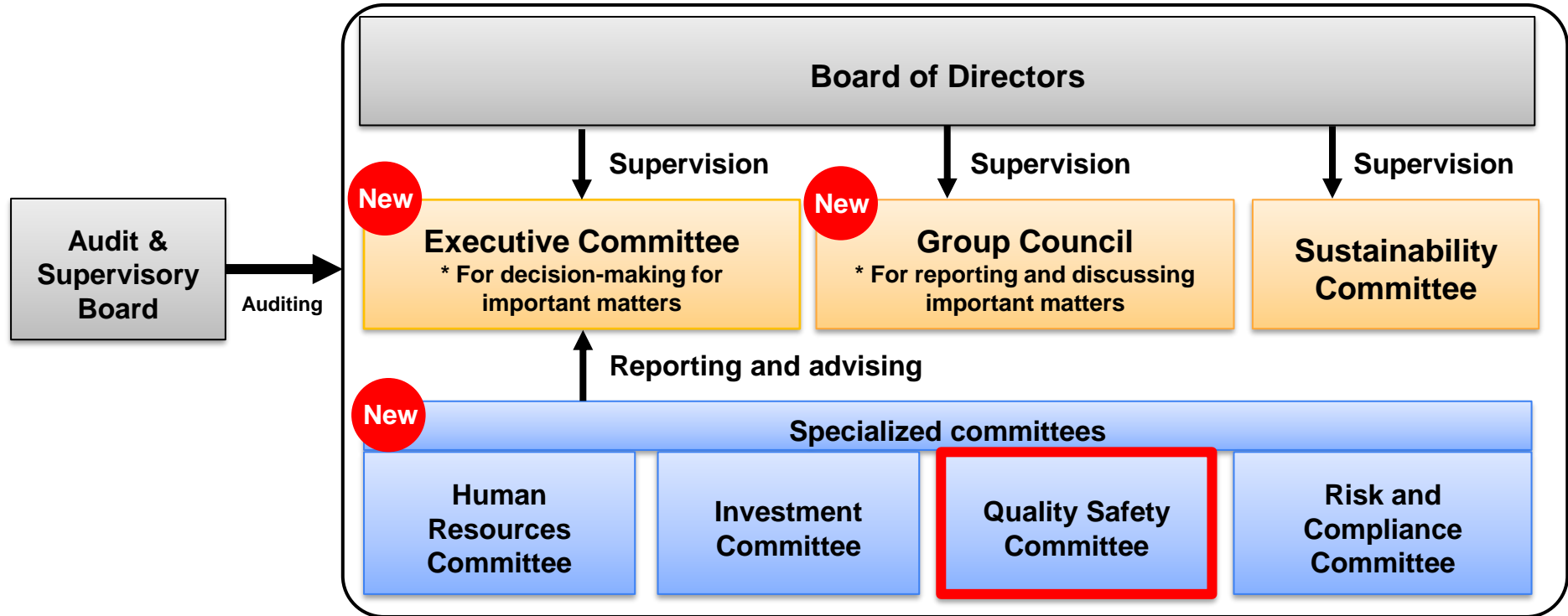
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Fundamental Reform of Corporate Governance

9/24

Changes to meeting structure and establishment of specialized committees

The range of on-site information that the executive unit needs to grasp can be expanded, and based on discussions there, clear and prompt decision-making will be enabled.



Major progress of measures to prevent recurrence

10/24

3. “New Kobayashi Pharmaceutical” to Be Re-created by All of Us

*  shows the updates from the previous financial results presentation in February.

[Progress] • Held Quality and Safety Day on March 21 and 22, one year after the incident was made public.
 • Launched on a full scale a company-wide project aimed at establishing our ideal state in the future and building an organizational culture capable of realizing it.
 → Going forward, discussions will be held among executives, managers, and frontline employees across organizational boundaries and titles.

Description and progress	Status			Implementation /introduction
	Planning	Start/ preparation for introduction	Imple- mented/ introduced	
Recruitment, placement, and development of human resources with an emphasis on expertise and diversity				2026/1
Review of organizational culture (organizational culture reform PJ)				2025/11
Developing an initiative to keep this incident from being forgotten (Establishment of “Quality and Safety Day” on March 22 (the day this case was made public))				Done (2025/3)

* Even for measures marked “Implemented/introduced,” we will continue to verify the effectiveness and constantly review the content.

“New Kobayashi Pharmaceutical” to Be Re-created by All of Us

11/24

Quality and Safety Day

March 22, the date on which the red yeast rice incident was made public, was designated as “Quality and Safety Day” for all executives and employees to engage in reflective activities to ensure that quality issues will never occur again.



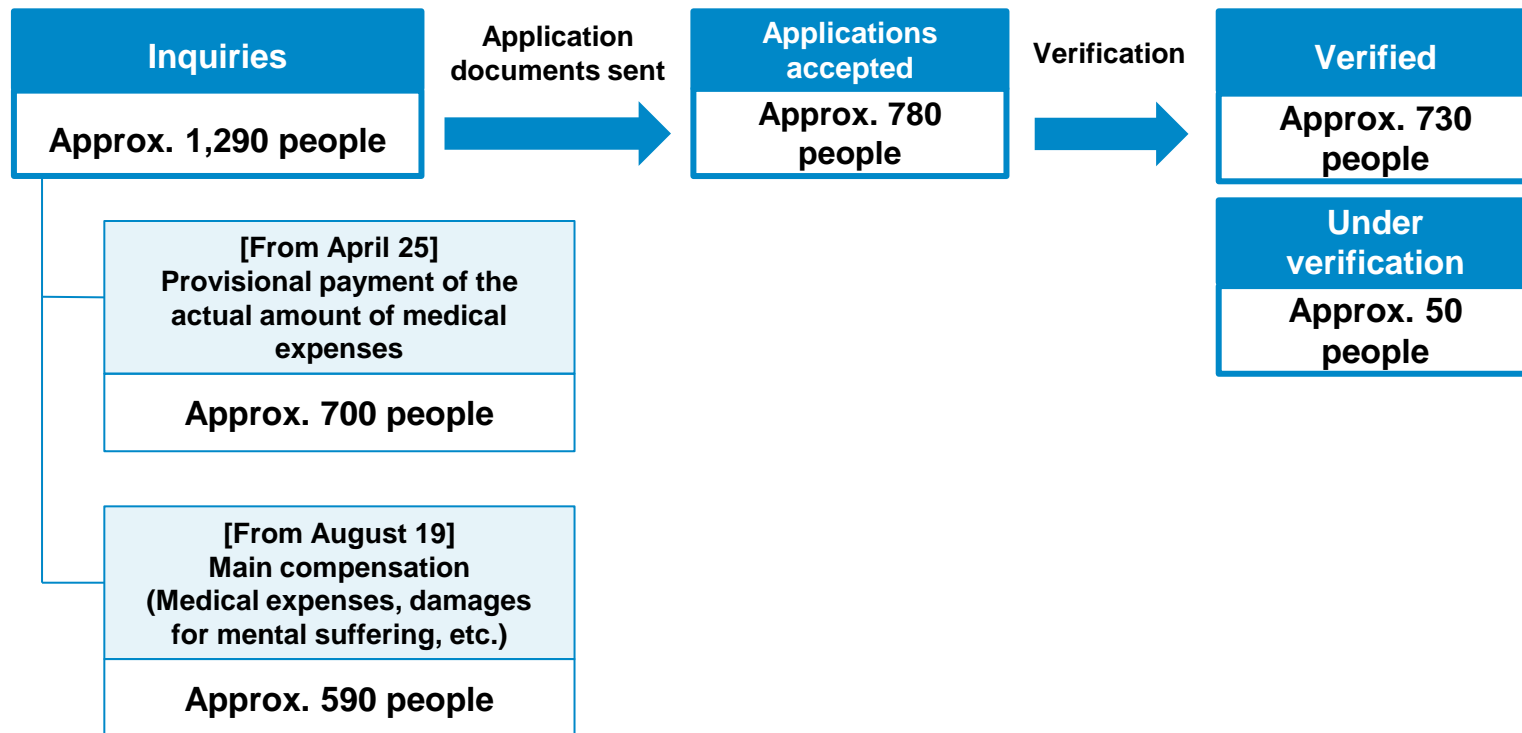
(Examples of activities)

- Review of the past year, thorough investigation of causes and reexamination of measures to prevent recurrence
- Lectures by external lecturers, workshops in each department
- Session of new and old executives at Osaka Plant for introspection, etc.

Progress of Compensation for Health Damage (as of May 4, 2025)

12/24

■ Status of verification of compensation application documents



Financial Results Briefing for First Quarter of Fiscal Year Ending December 31, 2025

Summary of Business Performance (For the First Quarter)

14/24

Domestic Business

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

Net sales decreased by 3.4 billion yen (down 12.9%).

- Inbound tourism demand increased along with a rise in the number of overseas tourists to Japan (+0.1 billion).
- New products, such as *Shoshugen ZERO* and *Gohonurse*, contributed (+0.5 billion).
- Sales of body warmers were strong due to lower temperatures from January to March 2025 (+0.2 billion)
- Sales of existing goods declined due to the impact from the recall of red yeast rice-related products and suspension of advertisements (−3.3 billion).
- Sales in the Direct Marketing Business fell due to the cancellation of regular subscriptions (−0.9 billion).



International Business

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

Net sales decreased by 0.5 billion yen (down 4.7%).

- U.S.: Sales of body warmers increased due to harsh winter, and supplements from Focus contributed to sales (+1 billion).
- China (Mainland): Net sales decreased due to lower demand for *Netsusama Sheet* resulting from fewer opportunities for fever to occur (−0.7 billion).
- Hong Kong region: Net sales slightly declined due to a decrease in inbound tourism demand from Mainland China (−0.1 billion).
- Southeast Asia: Net sales decreased due to backlash from the previous year's epidemic for *Netsusama Sheet* and the impact of sales carried over to 2Q (−0.7 billion).

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2025

15/24

An extraordinary loss of 0.7 billion yen was posted in association with the recall of red yeast rice-related products.

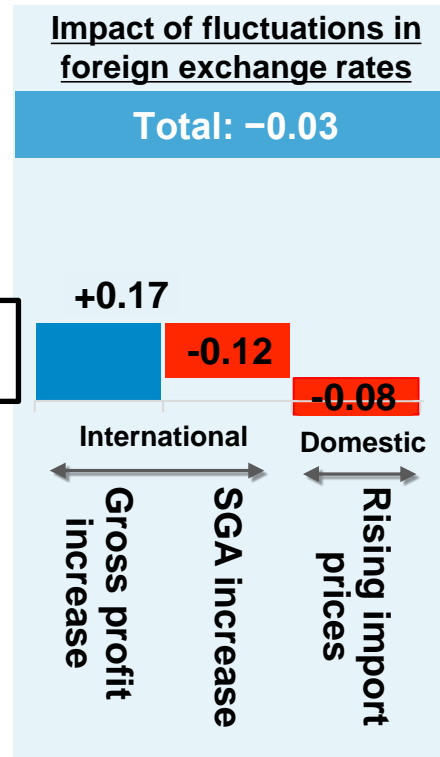
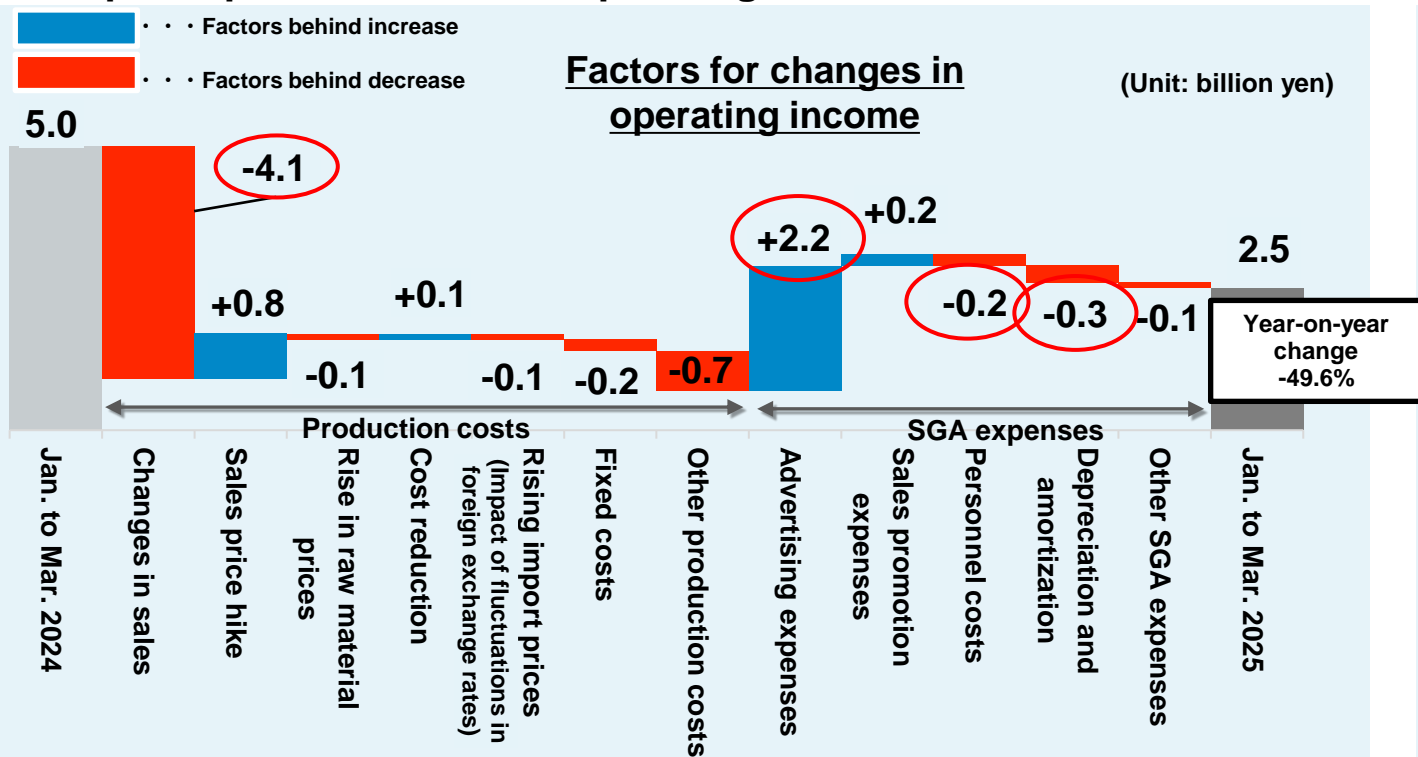
(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025		
	Amount	Amount	Year-on-year change	Percentage of net sales
Net sales	36.4	32.6	-10.6%	-
Operating income	5.0	2.5	-49.6%	7.8%
Ordinary income	5.4	2.4	-56.0%	7.4%
Net income	0.9	1.6	+66.5%	5.0%
EBITDA*	6.8	4.7	-30.8%	14.5%
Net sales of Domestic Business	26.1	22.7	-12.9%	-
Net sales of International Business	10.1	9.7	-4.7%	-

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Factors behind Changes in Consolidated Operating Income

16/24

Operating income decreased due to an increase in the amortization of investment in new buildings, 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.



Domestic Business (Sales Breakdown by Product Category)

17/24

Healthcare products and Direct Marketing Business continued to struggle, resulting in a decrease in net sales. Sales of household products and body warmers increased.

(Unit: billion yen)		2024	2025	
		Jan. to Mar.	Jan. to Mar.	
		Amount	Amount	Year-on-year change
Net sales	Healthcare products	15.5	12.7	-17.8%
	Household products	8.5	8.6	+0.4%
	Body warmers	0.4	0.6	+54.1%
	Direct Marketing Business	1.6	0.7	-53.3%
	Total	26.1	22.7	-12.9%
Total operating income		3.8	2.5	-34.0%
(Margin)		14.7%	11.2%	-

Domestic Business (Inbound Tourism Demand)

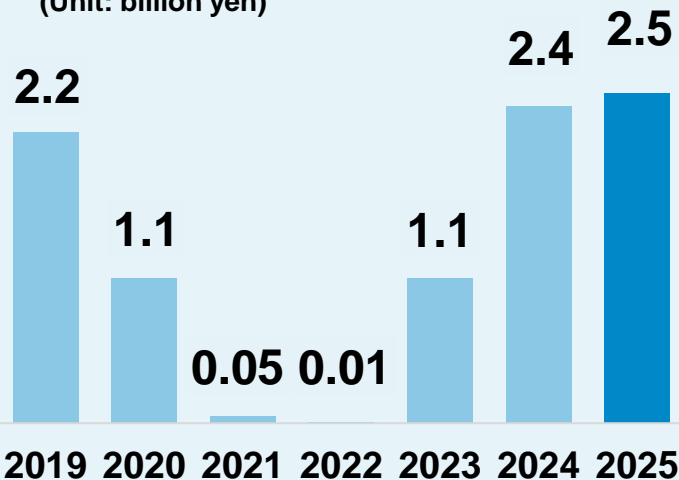
18/24

The impact of the red yeast rice incident was limited. Demand increased along with an increase in the number of visitors to Japan.

Sales reached around 2.5 billion yen, exceeding the level of 2019 before COVID-19 for the second consecutive year.

Inbound-tourism-demand-related sales (Jan. to Mar.)

(Unit: billion yen)



Well-selling products launched after COVID-19



Preparation of point-of-purchase displays in foreign languages



Inbound-tourism-demand-related sales ranking by brand

Rank	Jan. to Mar. 2019	Jan. to Mar. 2025
1	Inochi-no-Haha	Naishitol
2	SakamuCare	Inochi-no-Haha
3	BREATH CARE	Nodonool
4	Nodonool	BREATH CARE
5	ANMERUTSU	Lens cleaner

International Business (Sales Breakdown by Region)

19/24

Sales increased in the U.S. Sales in Mainland China, Hong Kong, and Southeast Asia decreased. The effect of foreign currency translation (+0.2 billion yen for net sales; +0.04 billion yen for operating income)

(Unit: billion yen)		2024	2025		
		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.	3.8	4.8	+24.9%	+21.6%
	Mainland China	2.1	1.3	-33.5%	-34.4%
	Hong Kong	0.7	0.5	-15.1%	-17.8%
	Southeast Asia	2.7	2.0	-24.6%	-27.8%
	Other	0.8	0.8	+4.0%	+3.2%
	Total International Business	10.1	9.7	-4.7%	-7.2%
Total operating income		1.0	0	-	-
(Margin)		10.4%	-	-	-

Sales in U.S. (by Product)

20/24

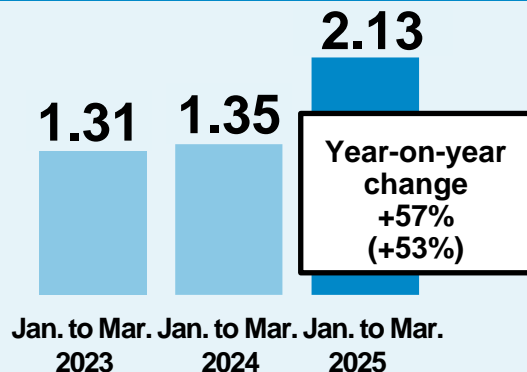
Sales of body warmers increased due to lower temperatures of this season. Sales of other items increased due partly to new supplement products of Focus, which we acquired in 2023.

(Unit: billion yen)

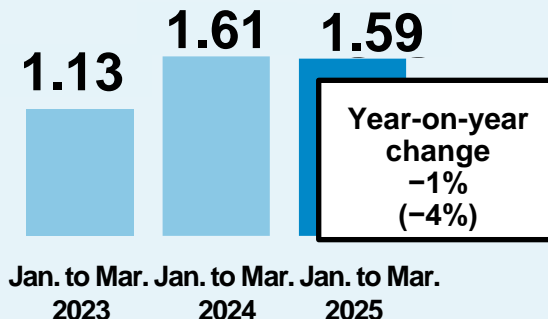
Net sales

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

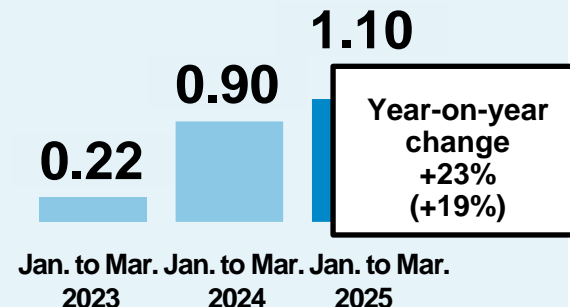
Body warmers



Pharmaceuticals



Other



Sales in Mainland China (by Product)

21/24

Sales of *Netsusama Sheet* decreased because infectious diseases accompanied by fever were not as prevalent as in the previous year.

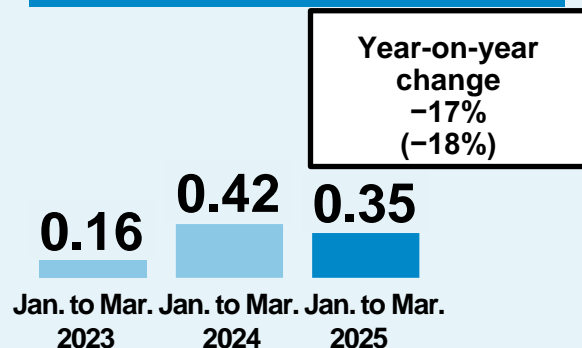
Sales of other items also decreased due to delays in the shipment of *ANMERUTSU*.

(Unit: billion yen)

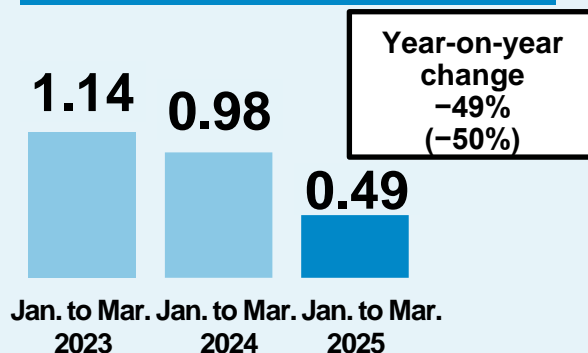
Net sales

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

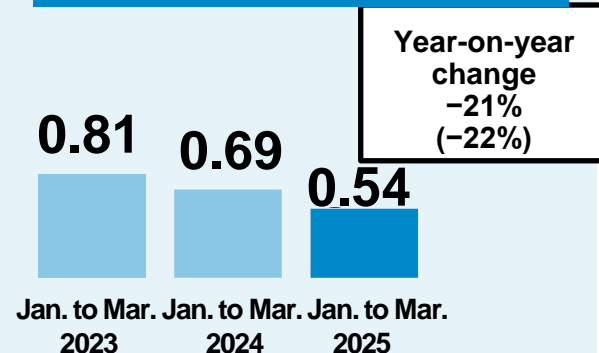
Body warmers



Netsusama Sheet



Other



Sales in Southeast Asia (by Product)

22/24

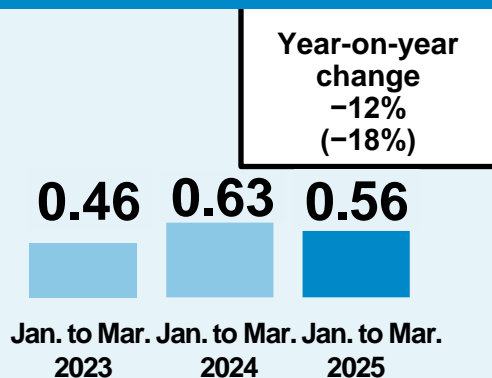
Sales of pharmaceuticals and *Netsusama Sheet* decreased due to sales carried over. The decrease in sales of *Netsusama Sheet* was partly a backlash from outbreaks of various infectious diseases in the previous year. In the Other category, sales of body warmers decreased due to excess inventory in Taiwan in the previous year (due to the warm winter).

(Unit: billion yen)

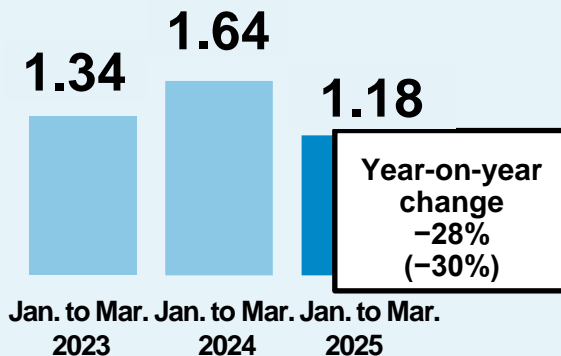
Net sales

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

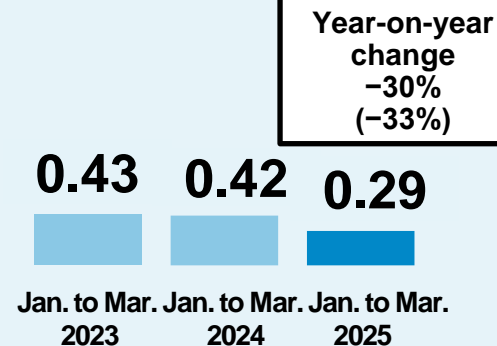
Pharmaceuticals



Netsusama Sheet



Other



Forecast of Consolidated Results for the Year Ending December 31, 2025 23/24

Advertising will be resumed for some products from May onward.

We aim to achieve the following announced figures.

(Unit: billion yen)	FY2024 results	FY2025 forecast		
	Amount	Amount	Year-on-year change	Percentage of net sales
Net sales	165.6	171.0	+3.3%	-
Operating income	24.8	14.0	-43.7%	8.2%
Ordinary income	26.8	15.3	-43.0%	8.9%
Net income	10.0	10.5	+4.3%	6.1%
EBITDA*1	32.8	22.8	-30.5%	13.3%
EPS	135.42 yen	141.25 yen	+4.3%	-
ROE	4.8%	5.0%	-	-
Dividend	102 yen (43 yen for interim, 59 yen for year-end)	104 yen (44 yen for interim, 60 yen for year-end)	-	-
Net sales of Domestic Business	119.9	120.0	+0.1%	-
Net sales of International Business*2	45.1	50.5	+11.8%	-

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

*2 Foreign exchange rates: US\$ 1 = 140 yen; Chinese yuan 1 = 19.7 yen

Progress in structural reform initiatives are as follows (partial excerpt):

[Reduction of the number of SKUs]

We will promote SKU optimization and aim for a 25% reduction both in Japan and overseas. The list of domestic SKUs has been completed, and we will carefully examine overseas SKUs and gradually streamline them.

(Reduction example: BLUELET)



[Closure of Kinokawa Plant] (Released on April 14, 2025)

After reviewing the growth potential and profitability of the manufacturing and sales business of Meitan Hoppo products, as well as the various investments required therefore, we have concluded that there are no prospects for the business at this point. Therefore, we have decided to continue sales suspension of Meitan Hoppo products and announced the closure of the Kinokawa Plant, the plant for the products.



<Note

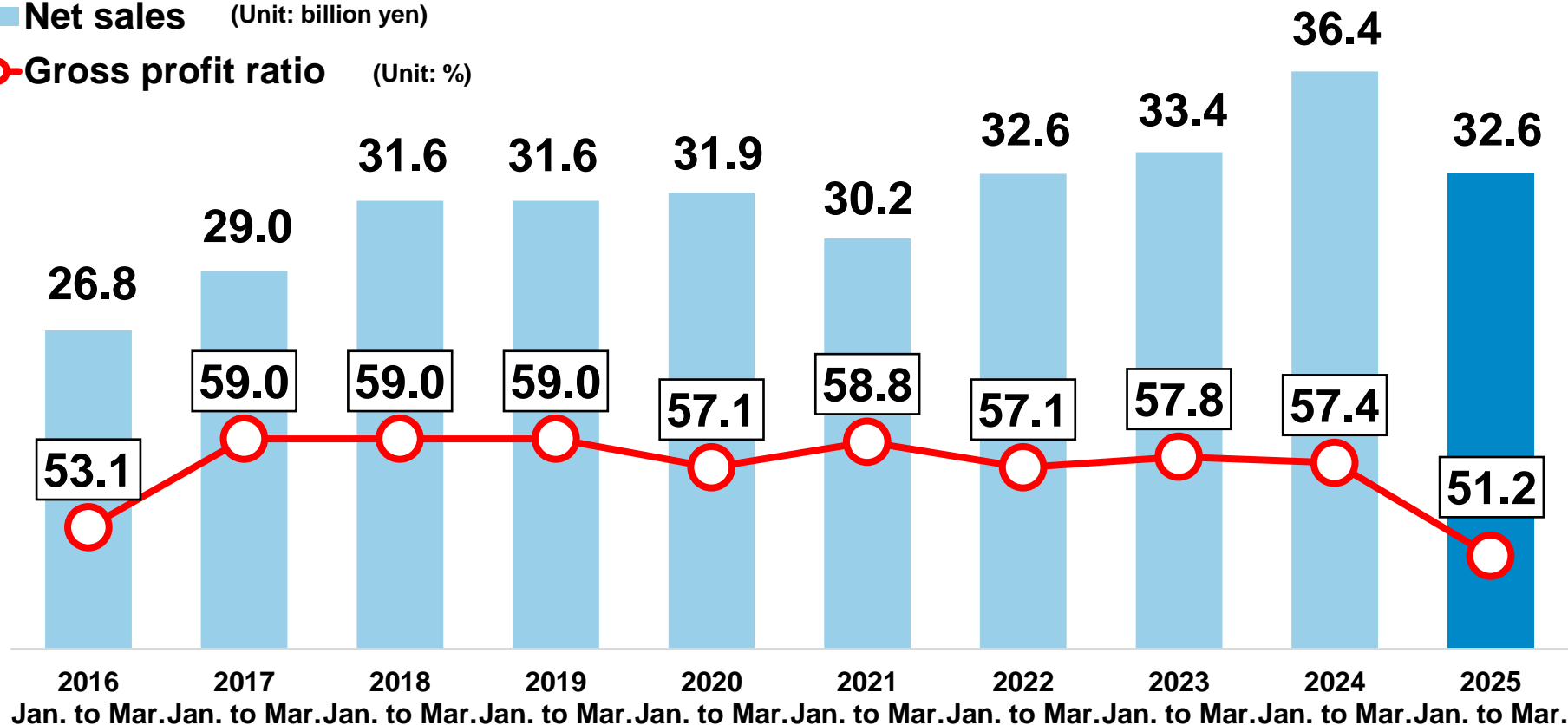
Of the Company's current business performance, plans, and strategies included in this material, items that are not historical facts are outlooks on future performance, which are based on the judgment of the Company's management according to currently available information.

Therefore, please note that actual performance may differ significantly from the future outlook described in this material due to changes in various factors.

Reference

1

- Gross profit ratio (Unit: %)

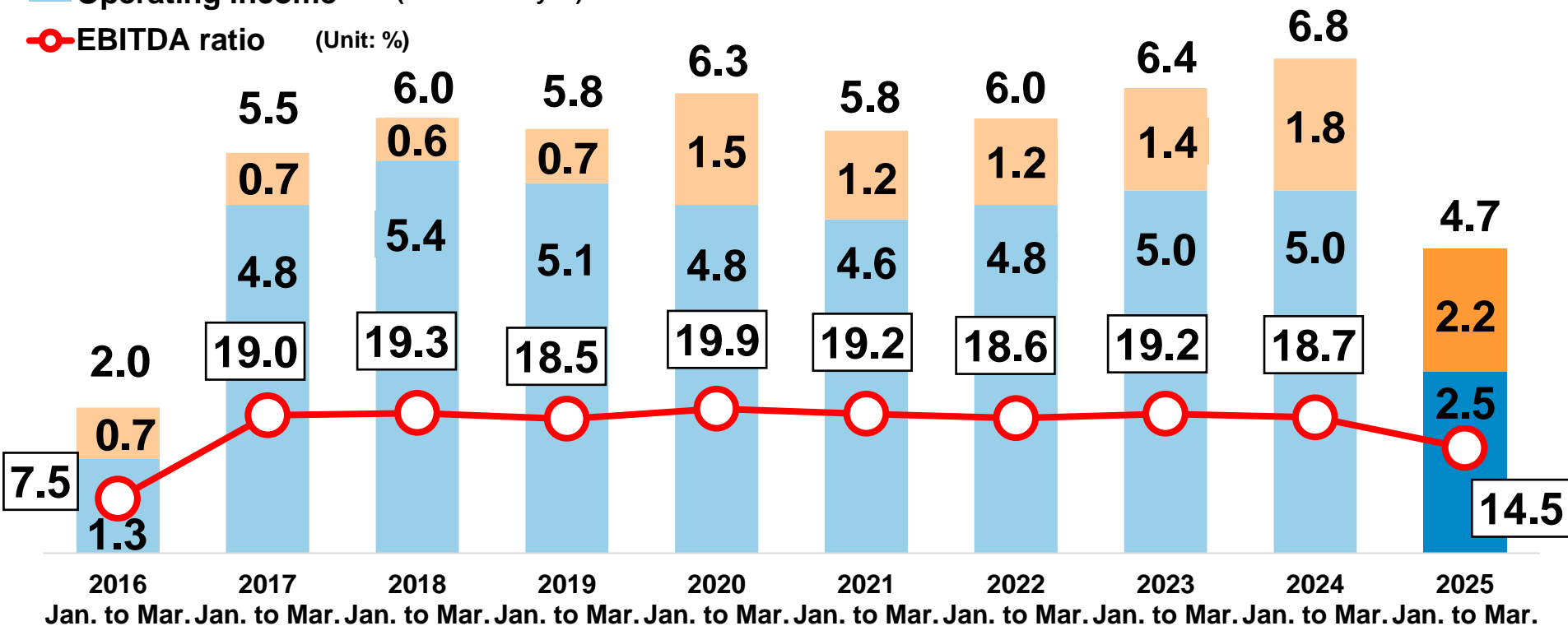


Changes in EBITDA

Depreciation and amortization (Unit: billion yen)

Operating income (Unit: billion yen)

EBITDA ratio (Unit: %)



Consolidated Income Statement (1)

(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	
	Amount	Amount	Year-on-year change
Net sales	36.4	32.6	-10.6%
Gross profit	20.9	16.6	-20.4%
Margin	57.4%	51.2%	-
Operating income	5.0	2.5	-49.6%
Margin	13.8%	7.8%	-
Ordinary income	5.4	2.4	-56.0%
Margin	15.0%	7.4%	-
Net income	0.9	1.6	+66.5%
Margin	2.7%	5.0%	-

Consolidated Income Statement (2)

(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	
	Amount	Amount	Year-on-year change
Advertising expenses	3.2	1.0	-68.1%
Margin	9.0%	3.2%	-
Sales promotion expenses	0.9	0.7	-20.3%
Margin	2.5%	2.2%	-

Consolidated Balance Sheet (1)

5

(Unit: billion yen)	End of Mar. 2024	End of Jun. 2024	End of Sep. 2024	End of Dec. 2024	End of Mar. 2025
Current assets	138.4	132.3	126.7	144.4	132.3
Cash and deposits	62.4	52.0	41.1	50.8	52.4
Notes and accounts receivable-trade	37.6	35.1	39.6	49.4	32.6
Short-term investment securities	8.3	8.3	10.4	14.8	14.8
Inventories	26.9	30.8	29.4	24.1	27.3
Non-current assets	122.8	129.9	123.7	120.9	119.4
Property, plant and equipment	60.3	65.7	65.4	67.4	67.6
Intangible assets	21.9	22.5	19.5	20.6	19.0
Investments and other assets	40.5	41.6	38.8	32.7	32.7
Total assets	261.2	262.2	250.4	265.3	251.7

Consolidated Balance Sheet (2)

(Unit: billion yen)	End of Mar. 2024	End of Jun. 2024	End of Sep. 2024	End of Dec. 2024	End of Mar. 2025
Current liabilities	50.9	45.9	39.6	46.4	39.6
Notes and accounts payable-trade	9.4	8.7	7.9	8.2	9.0
Short-term loans payable	0	0	0	0	0
Accounts payable-other	17.7	17.1	14.2	17.1	9.6
Non-current liabilities	5.3	6.5	6.1	5.4	5.0
Total net assets	204.9	209.7	204.6	213.4	207.0
Capital surplus	0.5	0.5	0.5	0.5	0.5
Retained earnings	202.3	202.8	203.5	208.2	205.4
Treasury stock	-24.7	-24.7	-24.7	-24.7	-24.7
Total liabilities and net assets	261.2	262.2	250.4	265.3	251.7

| Foreign Exchange

(Unit: yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	Jan. to Dec. 2025 forecast
US dollar	148.6	152.6	140.0
Chinese yuan	20.6	20.9	19.7

Results by Segment (Domestic Business) (1)

8

(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	
	Amount	Amount	Year-on-year change
Net sales	26.1	22.7	-12.9%
Gross profit	14.7	11.1	-24.5%
Margin	56.6%	49.1%	-
Operating income	3.8	2.5	-34.0%
Margin	14.7%	11.2%	-

Advertising expenses	2.5	0.2	-91.9%
Margin	9.8%	0.9%	-
Sales promotion expenses	0.4	0.2	-36.2%
Margin	1.7%	1.2%	-

Results by Segment (Domestic Business) (2)

(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	
	Amount	Amount	Year-on-year change
Healthcare products	15.5	12.7	-17.8%
Pharmaceuticals	8.2	6.8	-16.8%
Food	1.7	1.1	-35.3%
Oral care products	3.9	3.4	-13.5%
Skin care products	1.5	1.3	-14.3%
Household products	8.5	8.6	+0.4%
Sanitary products	2.4	2.2	-5.4%
Deodorizing air fresheners	5.2	5.4	+3.4%
Household articles	0.8	0.8	-2.0%
Body warmers	0.4	0.6	+54.1%
Direct Marketing Business	1.6	0.7	-53.3%

Results by Segment (International Business) (1)

10

(Unit: billion yen)	Jan. to Mar. 2024	Jan. to Mar. 2025	
	Amount	Amount	Year-on-year change
Net sales	10.1	9.7	-4.7%
Gross profit	5.9	5.4	-9.5%
Margin	58.8%	55.9%	-
Operating income	1.0	0	-
Margin	10.4%	-	-

Advertising expenses	0.7	0.8	+14.8%
Margin	7.1%	8.5%	-
Sales promotion expenses	0.4	0.4	-1.8%
Margin	4.5%	4.6%	-

Results by Segment (International Business) (2)

11

(Unit: billion yen)	2024	2025		
	Jan. to Mar.	Jan. to Mar.		
	Amount	Amount	Year-on-year change	Year-on-year change (excluding the effect of foreign currency translation)
U.S.	3.87	4.83	+24.9%	+21.6%
China	2.80	1.99	-28.9%	-30.3%
Mainland China	2.10	1.39	-33.5%	-34.4%
(Stores)	1.33	1.02	-23.5%	-
(Mainland EC)	0.62	0.27	-56.5%	-
(Cross-border EC)	0.14	0.10	-26.0%	-
(EC percentage)	36.5%	27.0%	-	-
Hong Kong	0.70	0.59	-15.1%	-17.8%
Southeast Asia	2.70	2.03	-24.6%	-27.8%
Singapore	0.19	0.11	-40.7%	-42.3%
Malaysia	0.86	0.58	-31.5%	-37.3%
Thailand	0.70	0.48	-30.5%	-35.6%
Indonesia	0.27	0.39	+44.2%	+45.8%
Philippines	0.35	0.24	-32.1%	-32.0%
Taiwan	0.32	0.21	-34.7%	-33.5%
Other	0.80	0.83	+4.0%	+3.2%