

Financial Results Briefing for Second Quarter of Fiscal Year Ending December 31, 2025 (January 1, 2025 to June 30, 2025)

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Yumi Nakagawa, Executive Officer and General Manager, Finance Headquarters

Kobayashi Pharmaceutical Co., Ltd.

August 5, 2025

Regarding red yeast rice-related products

We would like to reiterate our deepest apologies to our customers, business partners, and all other parties concerned with our company for the concerns and inconvenience caused by the incident of our red yeast rice-related products last year.

Under our new management structure, we continue to 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.

Overview of the Measures to Prevent Recurrence of the Red Yeast Rice Incident (Three Pillars)

3/46

- (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, which 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 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 create a new Kobayashi Pharmaceutical.

For details, including the progress on measures to prevent recurrence, please refer to today’s release.

1. Awareness raising and structural enhancement regarding quality and safety

*  indicates that the status has been newly completed after February 10, 2025.

Description and progress		Status			Implementation/ introduction
		Planning	Start/ preparation for introduction	Implemented/ 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				Done (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

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Status of major measures

Measures	Overview	Specific initiatives
Establishment of hygiene management standards	Establish comprehensive hygiene management standards for each product category to improve the maintenance and management of hygiene environment.	<ul style="list-style-type: none">Oral products: Guidelines for hygiene management have been established by July 2025. Detailed operational standards are scheduled to be created by around September.Products that come into contact with the skin: Hygiene management standards will be created by around December 2025.
Holding of “mass production review meetings”	For products after release, R&D unit and manufacturing unit work together to address issues at plants by tracing them back to the design stage.	<ul style="list-style-type: none">Discussions started focusing on important issues at regular “mass production review meetings” attended by the heads of the development and manufacturing units (meetings held in April and July 2025).To address the issues, actions are being taken from the perspectives of “establishing a communication system” and “accumulating technologies.”

Progress of joint research with University of Tokyo (announced in February 2025)

Establishment of a rapid analysis method for unexpected ingredients (Joint research with Fujita Laboratory, University of Tokyo)	Improve the accuracy and effectiveness of food quality management by combining HPLC, a component analysis method, with the crystalline sponge method, which can identify structures of trace components.	<ul style="list-style-type: none">Using the new “second-generation crystalline sponge method” technology, we have clarified the crystalline structure of puberulic acid.A series of analyses using HPLC and the second-generation sponge method enabled the identification of the structure of specific ingredients in food. As a result, we succeeded in verification of the concept of rapid structural identification in case of contamination by unexpected ingredients.Currently, verification is under way on the scope of application of the technology to multiple ingredients in food.
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2. Fundamental reform of corporate governance

*  indicates that the status has been newly completed after February 10, 2025.

Description and progress		Status			Implementation/ introduction
		Planning	Start/ preparation for introduction	Implemented/ 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

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

Status of major measures

Measures	Overview	Specific initiatives
Reexamination of organizational design	Reexamine the adequacy of organizational design that forms the basis of governance.	<ul style="list-style-type: none">• As an advisory body to the Board of Directors, established the Corporate Governance Committee with a majority of Outside Directors (March 2025).• Discussions are ongoing regarding the future organizational design (transition to a company with a nomination committee or an audit and supervisory committee).
Strengthening supervision by outside directors	Increase the effectiveness of the supervisory functions of the Board of Directors and strengthen supervision of execution.	<ul style="list-style-type: none">• The chairman of the Board of Directors, who was invited from outside the Company, was appointed as chairperson.• Prepared an “agenda calendar” based on important matters for discussions, such as laws and regulations, progress on measures to prevent recurrence and compensation, and formulation of a long-term vision, and held systematic deliberations.• To ensure the independence of Outside Directors, established a rule limiting their term of office to a maximum of six years (resolved in February 2025).
Risk management in preparation for emergencies	Review the system to respond to quality risks, etc., which was not sufficient, and strengthen the reporting system.	<ul style="list-style-type: none">• The rules for risk escalation in the event of an emergency was clearly stated in regulations.• We plan to analyze the agenda items of each specialized committee and Group Council, as well as the proposals submitted to the Board of Directors, and verify the adequacy of or revise standards.• Revised the risk management regulations to be able to address quality, safety and management risks.

3. “New Kobayashi Pharmaceutical” to be created by all of us

*  indicates that the status has been newly completed after February 10, 2025.

Description and progress	Status			Implementation/ introduction
	Planning	Start/ preparation for introduction	Implemented/ 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)

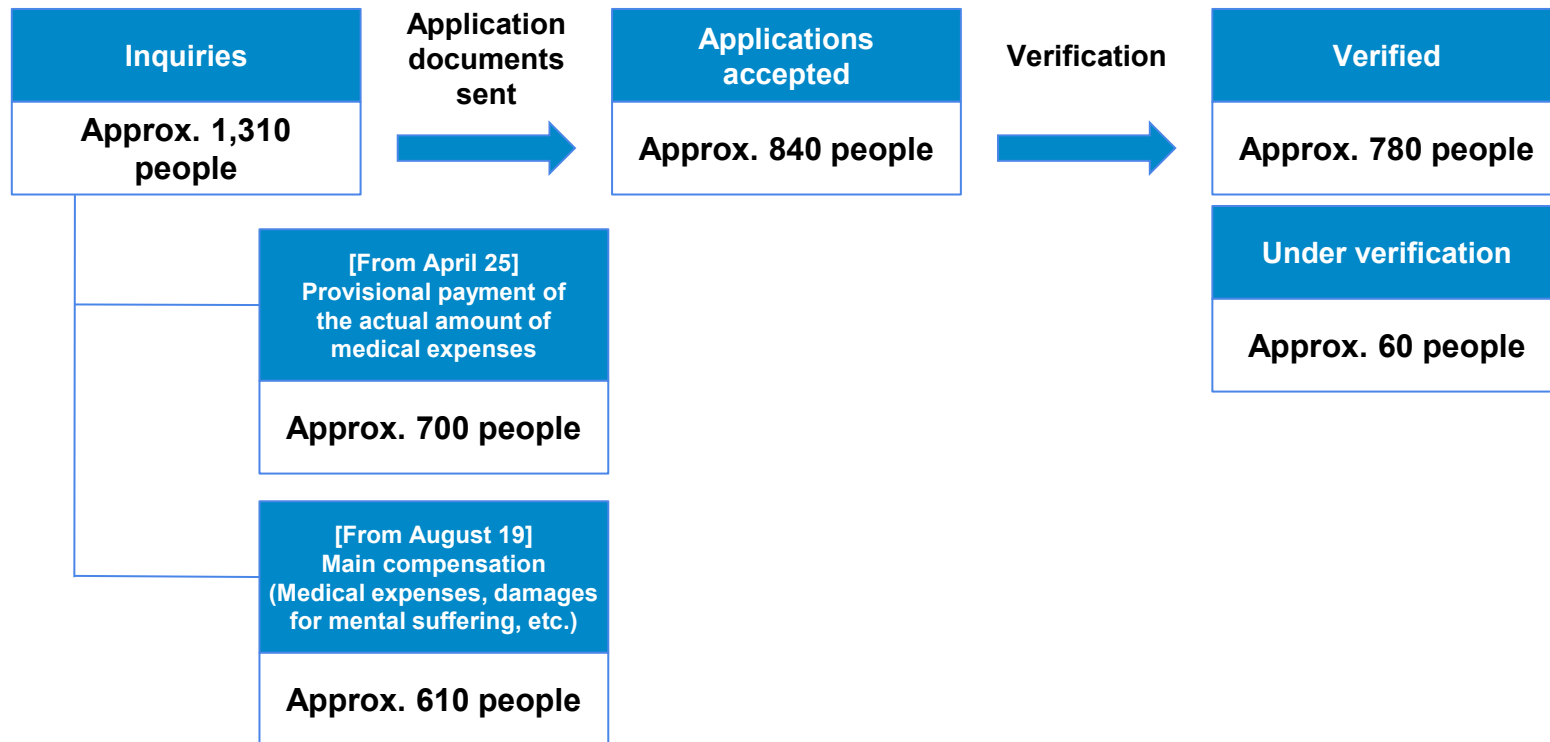
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Status of major measures

Measures	Overview	Specific initiatives
Recruitment, placement, and development of human resources with an emphasis on expertise and diversity	To eliminate homogeneity and enhance diversity, secure diverse human resources, and promote their placement to various departments.	<ul style="list-style-type: none">• For securing human resources (recruitment), the necessary budget has already been secured for recruiting high-priority personnel, such as those responsible for quality control in the Research and Development Headquarters and Manufacturing Headquarters, and quality assurance audits at the Quality and Safety Assurance Headquarters.• For placement, personnel changes were implemented in January 2025 with an emphasis on the skills and experience required for each position. Efforts will be continued to establish a system to ensure appropriate personnel placement.
Review of organizational culture	Launched the “organizational culture reform project,” led by the President and Chief Executive Officer, in December 2024.	<ul style="list-style-type: none">• From May to June 2025, a dialogue forum for all employees was held to gather frontline voices.• Based on feedback gathered at the management workshop attended by all executive officers and held from June to July 2025, discussions were held on the “desired corporate culture.”

Progress of Compensation for Health Damage (as of July 31, 2025) 10/46

■ Status of verification of compensation application documents



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

Domestic Business

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

Net sales decreased by 2.9 billion yen (down 5.4%).

- Inbound tourism demand increased along with a rise in the number of overseas tourists to Japan (+0.4 billion).
- New products, such as *Shoshugen ZERO* and *Gohonurse*, contributed (+1.2 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 cancellation of advertisements (−3.5 billion).
- Sales in the Direct Marketing Business fell due to the cancellation of regular subscriptions (−1.2 billion).

International Business

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

Net sales decreased by 1.1 billion yen (down 6.2%).

- U.S.: Sales of body warmers increased due to a harsh winter, and new supplement products of Focus contributed to sales (+0.9 billion).
- China (Mainland): Net sales decreased due to lower demand for *Netsusama Sheet* resulting from fewer opportunities for fever to occur (−0.9 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 infectious disease-related special demand for *Netsusama Sheet* and inventory adjustments in each country (−0.8 billion).

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

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Q2 cumulative sales and income decreased. [Compared to plan, net sales were as expected and operating income exceeded the plan by approx. 4 billion yen (details on p. 22).]

Extraordinary loss on red yeast rice-related products totaled 2.2 billion yen in Q2 (Q2 cumulative total of 2.9 billion yen), including an additional provision of approx. 1.6 billion yen, as one year has passed since the incident was made public; with symptoms having calmed down, more people are now able to claim compensation.

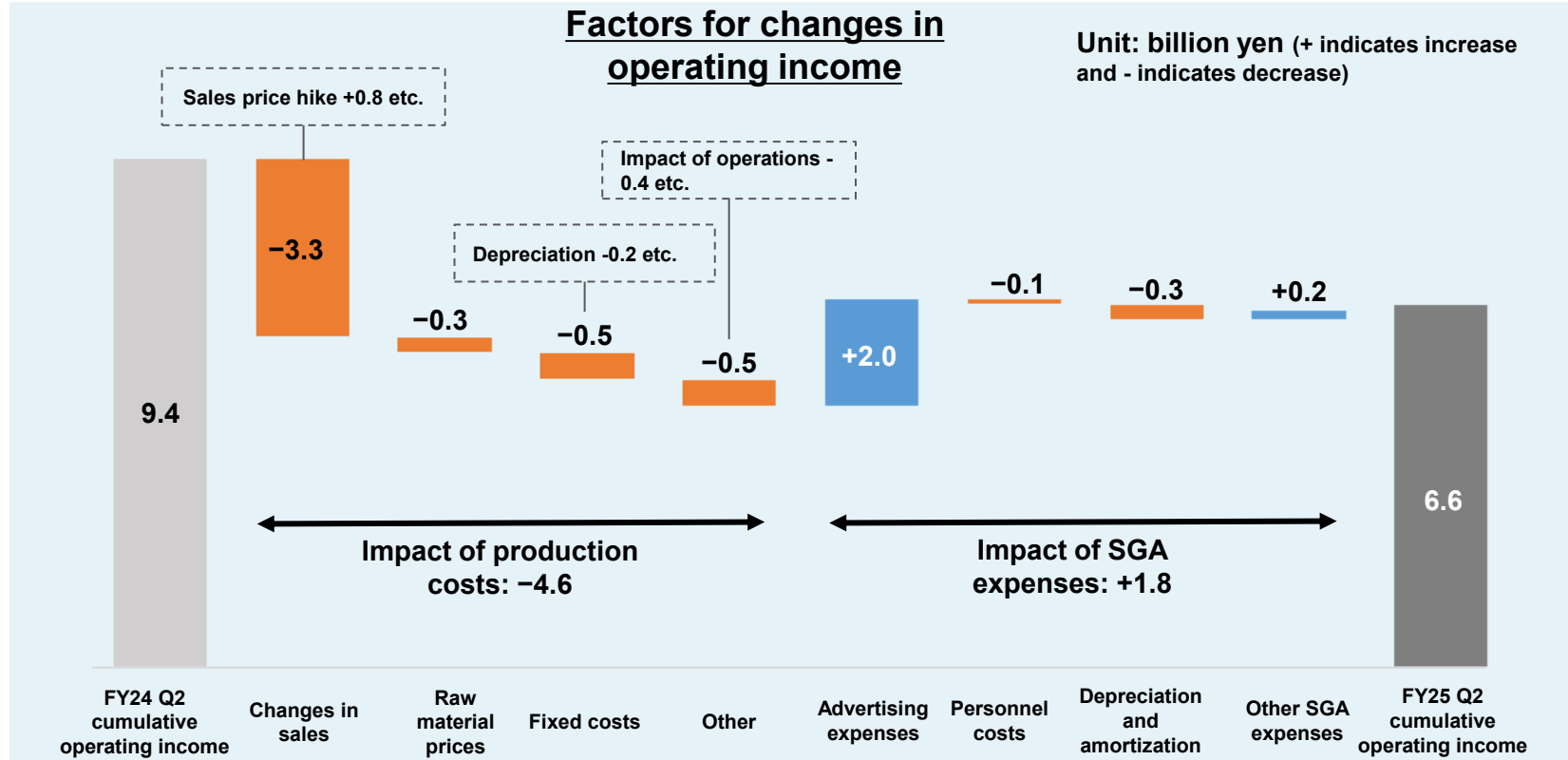
(Unit: billion yen)	Q2 (Apr. to Jun.)				Q2 cumulative (Jan. to Jun.)			
	Amount		Year-on-year change	Percentage of net sales	Amount		Year-on-year change	Percentage of net sales
	FY 24	FY 25			FY 24	FY 25		
Net sales	36.6	36.4	-0.7%	—	73.1	69.0	-5.6%	—
Gross profit	19.8	19.4	-1.7%	53.5%	40.7	36.1	-11.3%	52.4%
Operating income	4.4	4.1	-7.4%	11.3%	9.4	6.6	-29.8%	9.6%
Ordinary income	4.9	4.8	-3.6%	13.3%	10.4	7.2	-30.6%	10.5%
Net income	0.4	1.5	+235.4%	4.2%	1.4	3.1	+120.5%	4.6%
EBITDA*	6.4	6.2	-4.1%	17.1%	13.3	10.9	-17.8%	15.8%

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Factors behind Changes in Consolidated Operating Income

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Operating income decreased due to a decline in sales and an increase in the amortization of investment in new buildings, despite a positive effect on operating income from the suspension of advertisements until April.



External release on July 8, 2025

- Release outline

After reviewing the business portfolio as part of the structural reform, **it was decided to end sales of products through our own Direct Marketing Business website and call center in December 2025.**

- Future sales structure

This does not mean the complete discontinuation of sales of products handled in the Direct Marketing Business.

Sales of some products, such as *Edicare EX* and *Hifmid*, will continue through other companies' e-commerce sites.

Impact on business performance

- Fiscal year ending December 31, 2025 (consolidated)

The impact on net sales and operating income is expected to be minor.

An extraordinary loss (mainly loss on disposal of non-current assets, etc.) is planned to be recorded, but **the specific amount of the loss is currently being examined.**

- Fiscal year ending December 31, 2026 (consolidated) onward

Not decided at this time as **specific costs are currently being examined.**

Domestic Business (Sales Breakdown by Product Category)

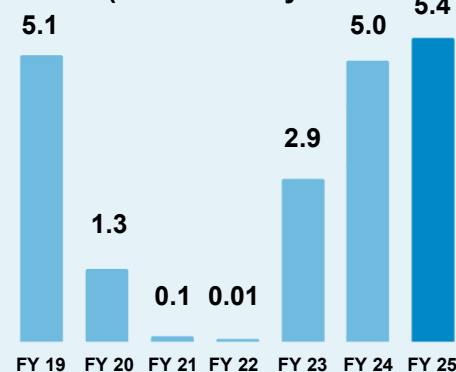
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Q2 cumulative sales and income decreased. (Compared to plan, both net sales and operating income exceeded the plan by approx. 1 billion yen and approx. 4 billion yen, respectively.)

Net sales of healthcare products and total domestic net sales continued to decline after the red yeast rice incident was made public in March 2024 mainly due to the impact of the suspension of advertising. However, the impact has subsided and sales started to increase from Q2.

(Unit: billion yen)		Q2 (Apr. to Jun.)			Q2 cumulative (Jan. to Jun.)		
		Amount		Year-on-year change	Amount		Year-on-year change
		FY 24	FY 25		FY 24	FY 25	
Net sales	Healthcare products	14.3	14.4	+0.8%	29.8	27.1	-8.9%
	Household products	12.8	13.5	+5.0%	21.4	22.1	+3.2%
	Body warmers	0.2	0.3	+8.2%	0.7	0.9	+35.1%
	Direct Marketing Business	1.1	0.7	-35.0%	2.7	1.4	-45.8%
	Total	28.6	28.9	+1.3%	54.7	51.7	-5.4%
Total operating income		5.9	5.6	-4.8%	9.7	8.1	-16.3%
Margin (%)		20.8	19.5	-	17.9	15.8	-

Changes in inbound-tourism-demand-related sales
Q2 cumulative total
 (Unit: billion yen)



(Topics related to inbound tourism)

- Record-high Q2 sales
- The impact of the earthquake prediction was minor.

International Business (Performance by Region)

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Q2 cumulative sales and income decreased. (Compared to plan, net sales were approx. 1 billion yen lower than the plan, while operating income was as expected.)

Despite strong performance in the U.S., sales decreased mainly due to struggles in mainland China and the impact of inventory adjustments in Southeast Asia.

(The effect of foreign currency translation: -0.2 billion yen for net sales; +0.1 billion yen for operating income)

(Unit: billion yen)		Q2 (Apr. to Jun.)				Q2 cumulative (Jan. to Jun.)			
		Amount		Year-on-year change		Amount		Year-on-year change	
		FY 24	FY 25	Including effect of foreign currency translation	Excluding effect of foreign currency translation	FY 24	FY 25	Including effect of foreign currency translation	Excluding effect of foreign currency translation
Net sales	U.S.	3.0	3.0	+0.2%	+10.6%	6.9	7.9	+14.0%	+16.8%
	Mainland China	1.3	1.0	-21.5%	-15.4%	3.4	2.4	-28.8%	-27.0%
	Hong Kong	0.7	0.6	-9.9%	-3.8%	1.4	1.3	-12.5%	-10.6%
	Southeast Asia	1.7	1.5	-12.5%	-11.6%	4.4	3.6	-19.9%	-21.5%
	Other	1.1	1.0	-6.4%	-2.4%	1.9	1.9	-2.1%	±0%
	Total International Business	7.9	7.3	-8.1%	-3.0%	18.1	17.0	-6.2%	-4.8%
Total operating income		-1.5	-1.4	-	-	-0.4	-1.4	-	-
Margin (%)		-	-	-	-	-	-	-	-

U.S.

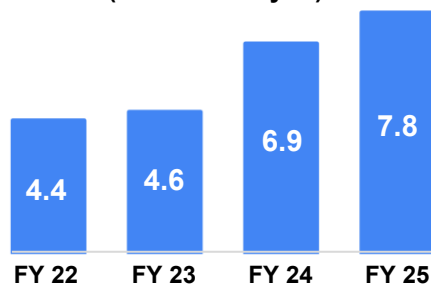
Q2 cumulative total
+0.9 billion yen year-on-year

[Major topics]

- Increase in sales of body warmers in Q1 due to harsh winter
- New product (supplement) of Focus contributed to sales.

Net sales trends (Q2 cumulative total)

(Unit: billion yen)



Mainland China

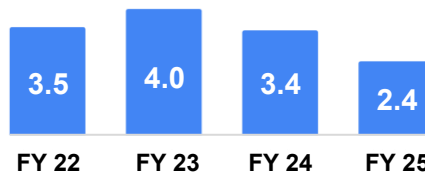
Q2 cumulative total
-0.9 billion yen year-on-year

[Major topics]

- Lower demand for *Netsusama Sheet* resulting from fewer opportunities for fever to occur
- Delay in shipping of *ANMERUTSU*

Net sales trends (Q2 cumulative total)

(Unit: billion yen)



Southeast Asia

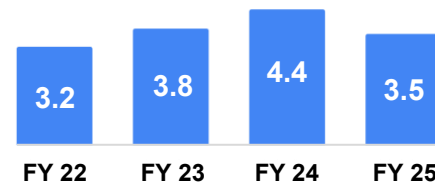
Q2 cumulative total
-0.8 billion yen year-on-year

[Major topics]

- Inventory adjustment due to price increase of *Netsusama Sheet* (Indonesia)
- Delay in import of *Netsusama Sheet* (Philippines)
- Decrease in sales of body warmers due to excess inventory caused by warm winter of the previous year (Taiwan region)

Net sales trends (Q2 cumulative total)

(Unit: billion yen)



Status of Resumption of Advertising in Japan

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Advertising, which had been suspended since the red yeast rice incident was made public (March 22, 2024), resumed in May 2025.

TV advertising resumed in June, and the effects are beginning to be seen.

■ Advertising resumption schedule

Date	Outline
May 13	Posted corporate advertisements.
May 15	Resumed <u>Web advertising</u> for 10 brands.
June 1	Resumed <u>TV advertising</u> for 9 brands.
July 1	Resumed <u>TV advertising for all suspended brands (with some exceptions)</u>
August 1	Resumed <u>TV advertising for all suspended brands</u>



■ Impact of advertising resumption

Some products, such as *INOCHINOHAHA* (pharmaceutical) and *Shoshugen ZERO* (FY24 new product), saw a significant increase in sales after the resumption of advertising.



Lessons Learned During the Advertising Suspension Period and Future Advertising Policy

20/46


Leveraging the lessons learned during the advertising suspension period, we aim to improve advertising efficiency by 20%.

■ Lessons learned from advertising suspension

Lesson 1: Advertising is often necessary to raise the recognition of healthcare products and new products.

Lesson 2: For household products, sales can be maintained by raising recognition at stores. However, new customers are likely to decrease.

■ Future advertising policy

	<ul style="list-style-type: none">• Mainly healthcare products• Mainly new products 	<ul style="list-style-type: none">• Mainly household products 
Advertising volume	Continue to <u>actively advertise</u> with the aim of maintaining and expanding brand recognition.	<u>Pursue optimization</u> to enable advertising linked to in-store activities.
Media mix	<p>We will not uniformly enhance web advertising for all products.</p> <ul style="list-style-type: none">• For products widely used in households and products for the elderly, we will utilize TV and newspapers.• For products targeting specific concerns and products for younger generations, we will enhance web advertising.	

Forecast of Consolidated Results for the Year Ending December 31, 2025 21/46

There are no revisions to the full-year outlook. Factors affecting future operating income are explained on the next page.

(Unit: billion yen)	December 2024 results	December 2025 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

First-half Operating Income Progress and Second-half Outlook

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Operating income for the first half exceeded the plan by approx. 4.0 billion yen. In the second half, additional investment will be made by allocating a part of the excess in the first half. However, this may change depending on the impact of changes in sales and the examination of expenses.

(1) 1H (YoY difference)

FY24 Q2 cumulative Operating income	9.4	
Changes in sales	-3.3	
Advertising expenses	+2.0	
Investment in new buildings	-1.0	
Investment in quality (Including personnel costs)	-0.2	
Rise in raw material prices	-0.3	
Other	-0.01	
FY25 Q2 cumulative Operating income	6.6	Unit: billion yen (+ indicates increase and - indicates decrease)

(2) 2H (vs. plan) Impact on operating income

As planned
+1.6 billion yen (Delay in advertising resumption)
+0.2 billion yen (Partial delay in new buildings in China)
+0.6 billion yen (Impact of partial revision)
+0.1 billion yen (roughly as expected)
+1.5 billion yen (Impact of partial revision)

Total +4.0 billion yen

(3) Outlook and assumptions for 2H

Due to delay in resumption of advertising and sales trends in China,
there is a risk of falling short of the plan in 2H.

Unspent advertising expenses in 1H
will be allocated for additional investment in 2H with a view to contributing to sales in the next fiscal year.
(* Whether to make additional investment will be actually decided based on advertising efficiency.)

Part of the amount in excess of the plan in 1H is assumed to remain as profit for the full year.

Items scheduled for 2H are assumed to be carried out as planned.
(* Examination will continue on whether they will be actually carried out or not.)

Long-term Vision and Medium- to Long-term Strategy Direction

For many years, under the slogan “You make a wish and we make it happen,” Kobayashi Pharmaceutical has generated products that have never existed before and created new lifestyles, thereby creating new markets.

Corporate Philosophy

MANAGEMENT PRINCIPLES

**Providing people and society with comfort
by constantly pursuing new ideas through
continuous Creativity and Innovation**


Purpose

**Solve problems that tend to be overlooked
and assist in the possibilities of people.**

We support the realization of a healthy and comfortable life and being active in society by discovering problems that tend to be overlooked in people's daily lives and solving them with innovative ideas and technologies. We will assist in people's possibilities by considering “problems” that hamper a comfortable life and active participation in society as “social issues left behind” and by contributing to solving them.

Returning to the original point of “manufacturing that places the highest priority on quality and safety,” we are pushing ahead with reforms.

Initiatives in response to the red yeast rice incident



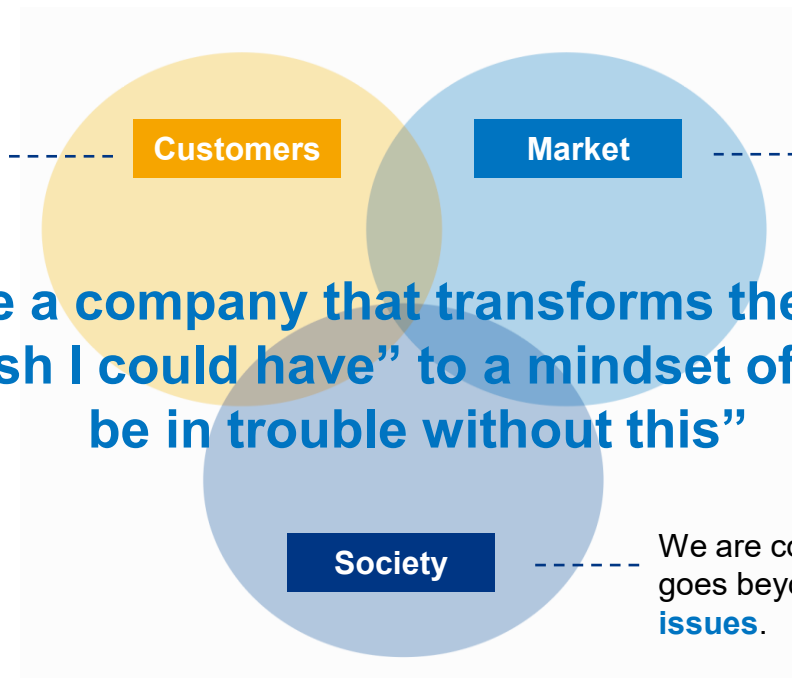
March 2024: Red yeast rice incident occurred
September 2024: Measures to prevent recurrence formulated
November 2024: “Kobayashi Pharmaceutical Group Anti-Corruption Policy” formulated
January 2025: “Kobayashi Pharmaceutical Group CSR Procurement Policy” formulated
February 2025: Joint research on food analysis technology began
March 2025: “Quality and Safety Day” initiatives implemented by all employees to prevent quality issues from recurring
March 2025: The Corporate Governance Committee established

**Self-inspection of all processes
and inspection by external
organizations**



We will promote management that puts customers first, with the aim of becoming a company that can once again contribute to society.

- ▶ From thorough quality to peace of mind
- ▶ From feeling the effects to continued use



Delivering Japanese lifestyles to the world and **leading the creation of new global markets**

Become a company that transforms the mindset of “I wish I could have” to a mindset of “I would be in trouble without this”

We are committed to product development that goes beyond solving and **addresses social issues**.

2035 Vision

[Will and Aspiration]

Upon discovering products that evoke “I wish I could have” in our customers, we will create ones that make them feel “I would be in trouble without this.”

[What we aim for]

We create products that thoroughly pursue customer satisfaction, expand them globally, and **become a leader in creating new lifestyles.**

Long-term strategic policies

- (1) Thorough pursuit of quality and transformation toward new Kobayashi Pharmaceutical
- (2) Maximization of brand value and creation of new lifestyles
- (3) Creation of new markets overseas through global brands (GB)
- (4) Promotion of management that emphasizes capital efficiency

We create products that thoroughly pursue customer satisfaction, expand them globally, and become a leader in creating new lifestyles.

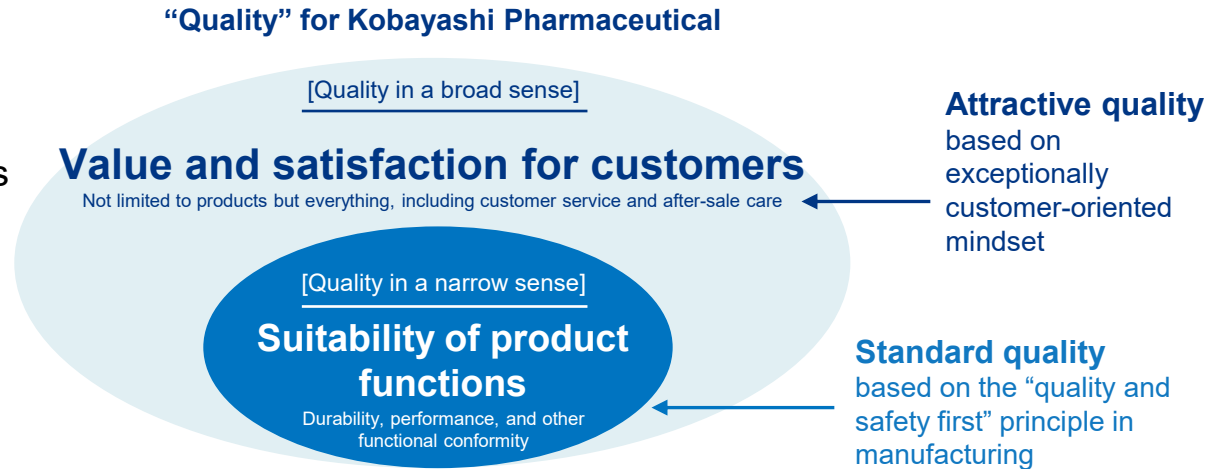
for 2035 target

Net sales: 300 billion yen

Strategic policy 1

Thorough pursuit of quality and transformation toward new Kobayashi Pharmaceutical

- Under the spirit of
“Quality is for customers,”
we will meet customer expectations
by building an organizational
structure based on a consistent
policy that goes from ensuring
standard quality to achieving
attractive quality.



Steadily implement measures to prevent recurrence and establish competitive advantage with Kobayashi quality achieved by improving technical and professional capabilities.

Strategic policy 1

Thorough pursuit of quality and transformation toward new Kobayashi Pharmaceutical



Employees are happy and can work with pride
in their company

Improving performance and increasing corporate value

Facing the red yeast rice issue head-on in order to become a Kobayashi
Pharmaceutical that we can be proud of more than ever,

Desired corporate culture of Kobayashi Pharmaceutical in the future

Thought by all employees

Achieved by all employees

Management with participation of all members

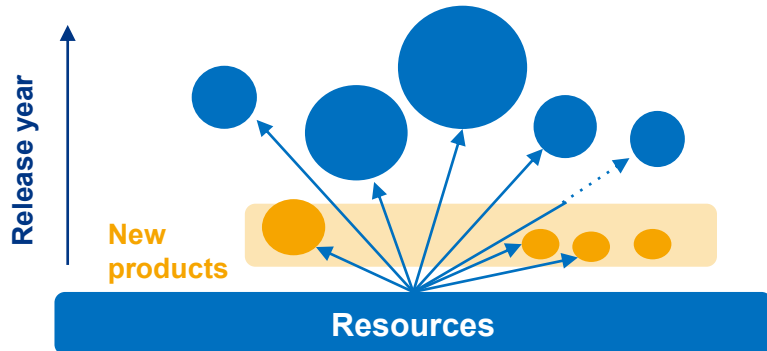
Strategic policy 2

Maximization of brand value and creation of new lifestyles

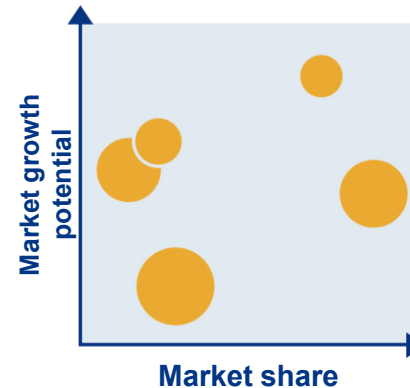
Break away from small-scale product development that is overly focused on individual optimization, and adopt a company-wide business portfolio management approach to efficiently launch new products, expand brands, and increase profitability.

Conventional new product development and expansion

Management as a collection of individual optimizations
Small-scale products are proliferating and resources are scattered.



Business feasibility evaluation



Financial evaluation



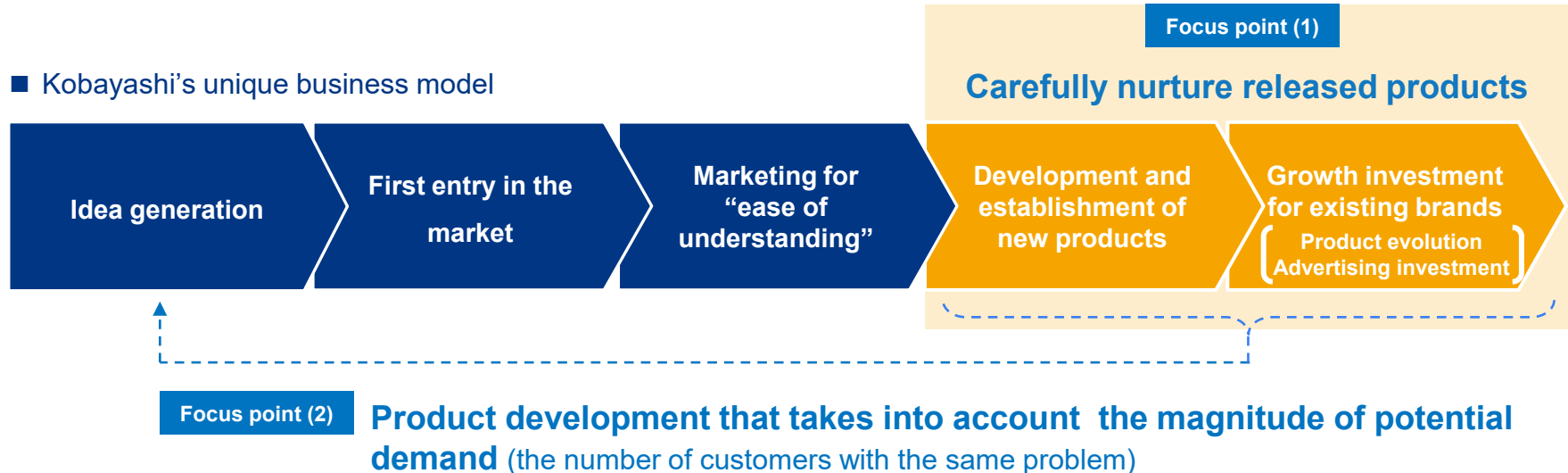
► Efficient launch and expansion of new products

Strategic policy 2

Maximization of brand value and creation of new lifestyles

Invest in and grow the brands so that many customers feel that they would be in trouble without them (maximizing brand value).

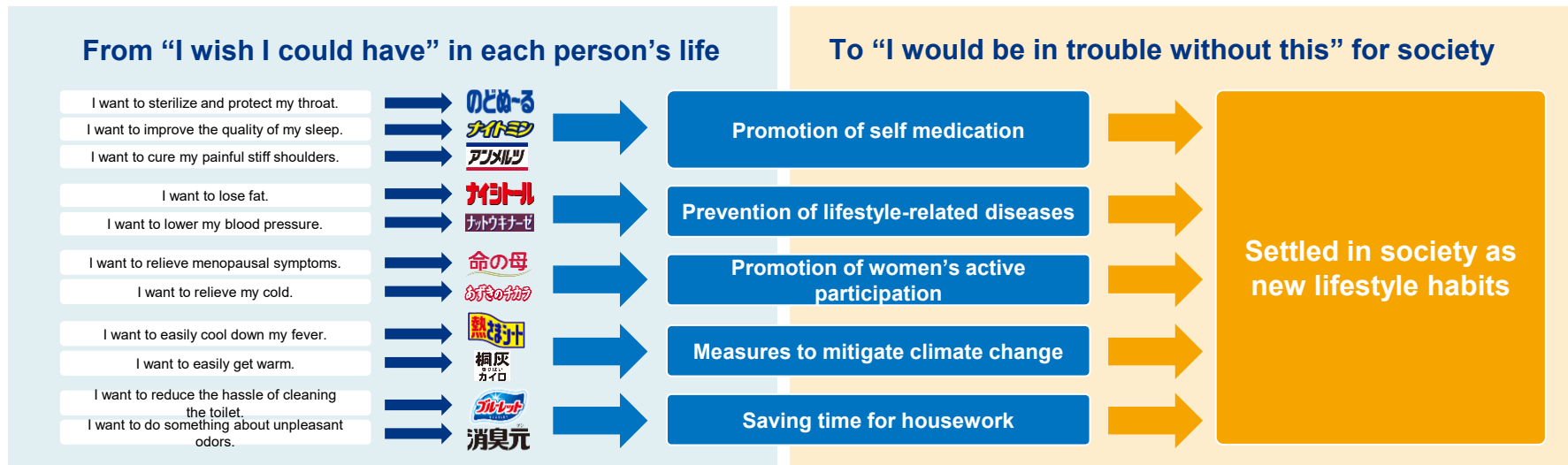
■ Kobayashi's unique business model



Strategic policy 2

Maximization of brand value and creation of new lifestyles

By addressing social issues beyond N=1 (each individual), create products that make customers feel “I would be in trouble without this” (creating new lifestyle habits).



Strategic policy 3

Creation of new markets overseas through global brands (GB)

By adapting products that are loved and established in Japan to suit the lifestyles of each country, create new lifestyles globally one by one.

Social problems in Japan

Ex.) Advancing aging and declining birthrate

Ex.) Serious labor shortage

Overseas, the declining birthrate, aging population, and labor shortages are also progressing with a time lag, causing related social issues.

Expanding products developed in Japan overseas to create and lead new markets

A successful case of
“from Japan to the
world”



- ▶ **Discovered a new habit that is common in Japan but still unknown overseas.**
Expanded the new habit of removing excess body heat to overseas
- ▶ **Appealing to the needs of each region**
Cooling down: Singapore, the Philippines
Heat prevention: Malaysia
Migraine relief: Europe, the U.S., etc.
- ▶ **Proposed sales methods that suited local customs**
Rolled out packages, content volumes, etc. according to region

Strategic policy 3

Creation of new markets overseas through global brands (GB)

Determine global brands (GB) and concentrate investment in each country, with the aim of ensuring efficiency in brand development.

Global brands established in the domestic market (overseas release under consideration)

- ▶ Major brands established in the domestic market



Products of “I would be in trouble without this” in Japan

Global brand candidates

- ▶ Brands with potential for market creation in multiple countries overseas



Aim to develop overseas through advertising and sales investment

Global brands

- ▶ Major brands established also in overseas markets



Continue to aim for further market expansion globally, including emerging countries.

Strategic policy 4

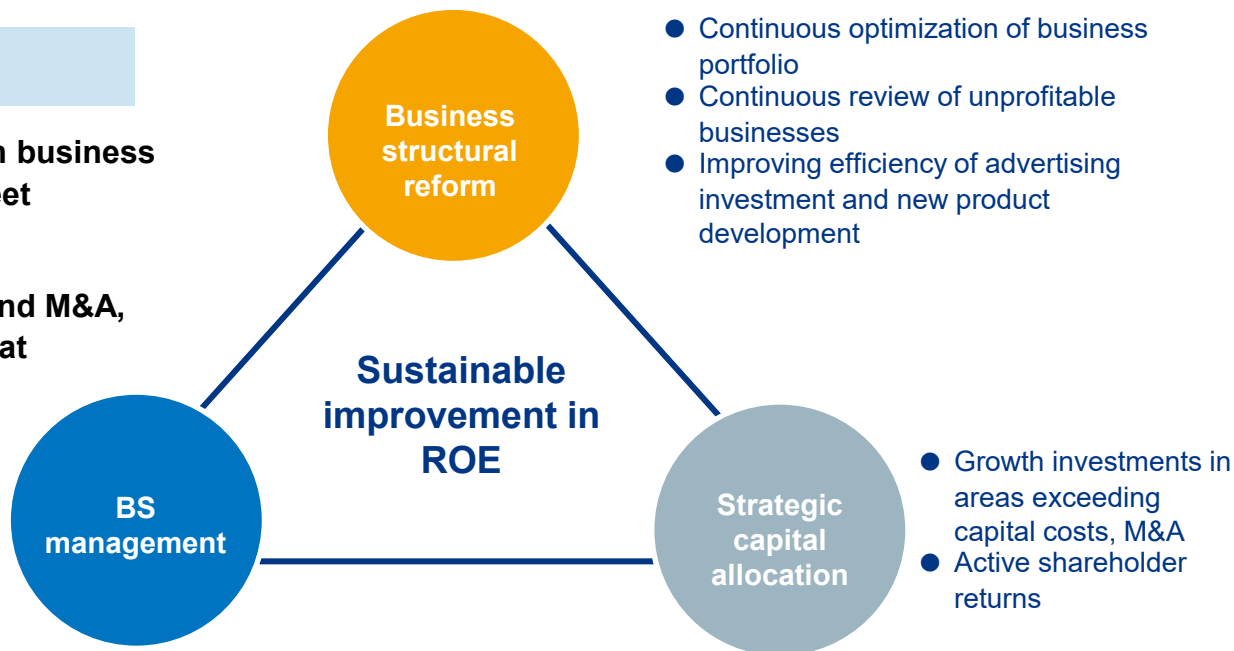
Promotion of management that emphasizes capital efficiency

Basic policies

► **Improve capital efficiency through business structural reform and balance sheet management**

► **Aggressive growth investments and M&A, strategic capital allocation aimed at shareholder returns**

- Optimization of cash and deposit levels
- Reduction of cross-shareholdings and non-business assets
- Improving working capital efficiency



Concept of Medium-term Management Plan

Corporate transformation and enhancement of management foundation to restore trust and regrow



We create products that thoroughly pursue customer satisfaction, expand them globally, and become a leader in creating new lifestyles.

for 2035 target

Net sales: 300 billion yen

* Details of the Medium-term Management Plan will be announced at the financial results briefing in February 2026.

Direction of the Medium-term Management Plan

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Putting the customer first, we prioritize investment in people and things that meet each quality standards.
In the medium to long term, we will turn quality costs into competitiveness by enhancing professional capabilities.

Value and satisfaction for customers



Renewal and expansion of equipment

“Strategic investment in quality aimed at strengthening our production base”

- ▶ Redefine required levels for each product.
 - ▶ Renew and expand equipment to meet the requirements of each important process.
- (Planned for FY2025: 3.1 billion yen *)

* Including personnel costs



Human resources development and recruitment

“Ensure standard quality, and also enhance the attractive quality.”

- ▶ Train and hire personnel to be engaged in quality-related work (increase by approx. 10%).
- ▶ Improve competitiveness by improving technical capabilities and building a quality control foundation.



Building a new QMS

“Everyone, from management to field workers, works together to promote quality improvement.”

- ▶ Review the current quality system and strengthen the QMS in accordance with ISO9001.
- ▶ Reconstruct all quality-related business processes.

(2) Domestic Strategy: Realizing Portfolio Management

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Based on policies for each area, we will implement and promote resource allocation to restore domestic growth from a management perspective.

Growth area	Stable area	Transformation area
Aggressively invest management resources to achieve business growth.	Make effective use of resources to achieve high revenue through stable growth.	Aim for sustainable growth through reform of revenue structure.
Chinese herbal medicines	Beauty	Deodorizing air fresheners
Western medicine	Cooling	Heating
Oral care products	Detergent	Food
Wellness		

(3) International Strategy: GB Integration to Promote Global Management

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Select global brands (GB) and develop them in accordance with the strategies of each country under appropriate investment decisions, thereby establishing a framework for creating new markets globally.

01 Setting of GBs

- ▶ Designate key products as GBs on a global basis, including Japan, and roll them out in each country.

02 Set investment criteria for each country in line with growth expectations

- ▶ Setting priority investment areas in line with growth expectations
 - (1) Strengthening sales functions
 - (2) Local fit
 - (3) Creation of new products and improving profitability

03 Promotion structure to accelerate deployment of GBs

- ▶ Appoint GB managers to oversee the expansion and penetration of GB from a global perspective.



Products of “I wish I could have” and “I would be in trouble without this” in Japan

(3) International Strategy: Growth Strategy Models for Each Country/Region

43/46

Establish a distribution network with global brands (GBs) and launch additional GB candidate products to expand sales.



Direction of the Medium-term Management Plan Strategies		
Building a quality foundation	Thorough pursuit of customer-first quality	<ul style="list-style-type: none">▶ Examine and strengthen quality standards for each product.▶ Everyone, from management to field workers, works together to rebuild structures.
Shift to human capital management	Reform of personnel system to emphasize professional skills and diversity	<ul style="list-style-type: none">▶ Develop highly specialized human resources and establish an appropriate evaluation system.▶ Build a culture that accumulates knowledge within the organization.
Organizational culture reform	Formulating and fostering the desired corporate culture	<ul style="list-style-type: none">▶ Thorough pursuit of customer-first quality▶ Implement measures to ensure permeation of the desired culture and code of conduct.
Decisive implementation of structural reform	Optimization of the number of SKUs	<ul style="list-style-type: none">▶ Domestically and internationally, reduced the number of SKUs by approx. 25% in two years.▶ Manage optimal number of SKUs through continuous review.
	Review, including withdrawal from unprofitable businesses	<p>[Results] Withdrawal from businesses of direct marketing business and the Kinokawa Plant</p> <ul style="list-style-type: none">▶ Business optimization through resource allocation

Direction of the Medium-term Management Plan Strategies		Major issues and measures
International growth strategy	GB integration to promote global management	<ul style="list-style-type: none">▶ Setting of GBs▶ Set investment criteria for each country in line with growth expectations.▶ Promotion structure to accelerate deployment of GBs <hr/> <ul style="list-style-type: none">▶ Classified into growth/stable/transformation areas based on financial and business evaluation.▶ Implement strategies based on policies for each area. <hr/> <ul style="list-style-type: none">▶ Strengthen the promotion system for creating concepts outside of existing areas. <hr/> <ul style="list-style-type: none">▶ Disposal of non-business assets that cannot expect sufficient returns▶ Investing in quality and future growth▶ Actively return excess cash (assuming growth investment). (Details of capital allocation are expected to be disclosed when the medium-term plan is announced.)
Domestic growth strategy	Realizing portfolio management	
	Expanding into new areas	
ROE-focused management	Implementing capital policies to improve ROE	

2035 Vision

[Will and Aspiration]

Upon discovering products that evoke “I wish I could have” in our customers, we will create ones that make them feel “I would be in trouble without this.”

[What we aim for]

We create products that thoroughly pursue customer satisfaction, expand them globally, and **become a leader in creating new lifestyles.**



<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

List of New Products for Autumn

1

With the launch of 12 items, we aim for first-year sales of 1.9 billion yen.

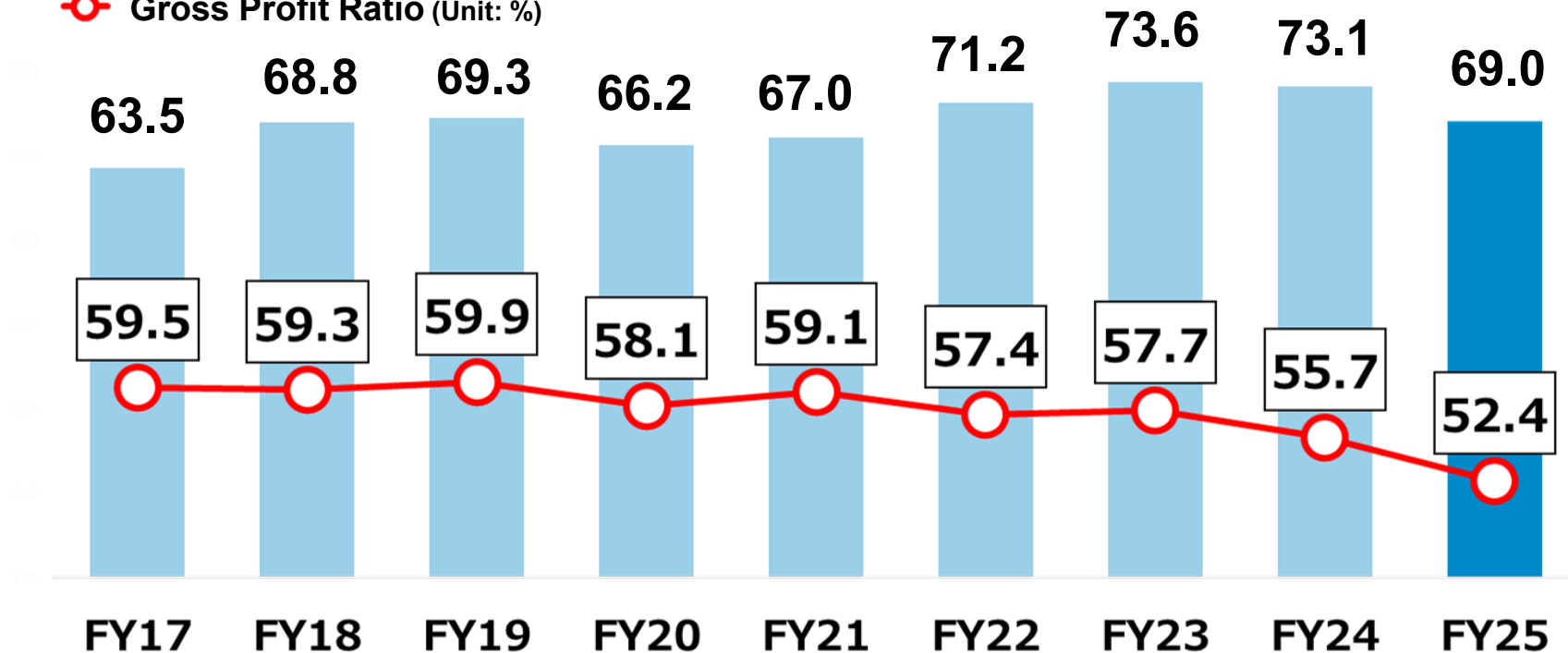


Changes in Consolidated Net Sales and Gross Profit Ratio (Q2 Cumulative Total)

2

■ Net sales (Unit: billion yen)

● Gross Profit Ratio (Unit: %)



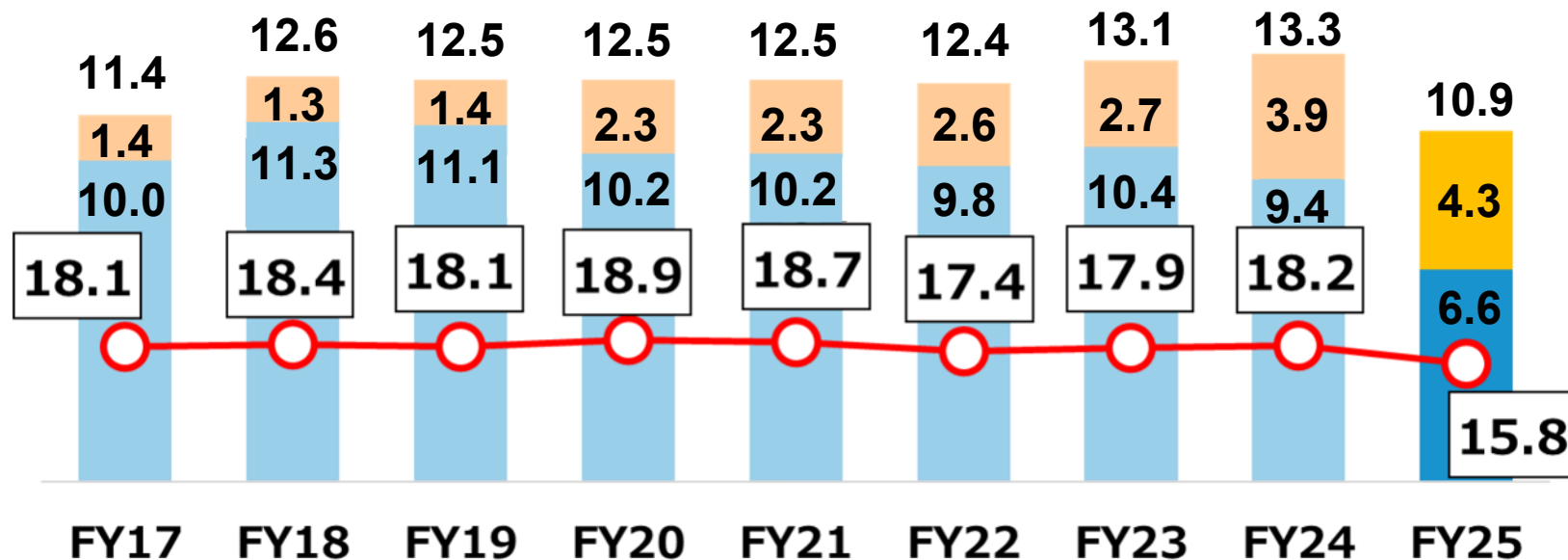
Changes in EBITDA (Q2 Cumulative Total)

3

Depreciation and amortization (Unit: billion yen)

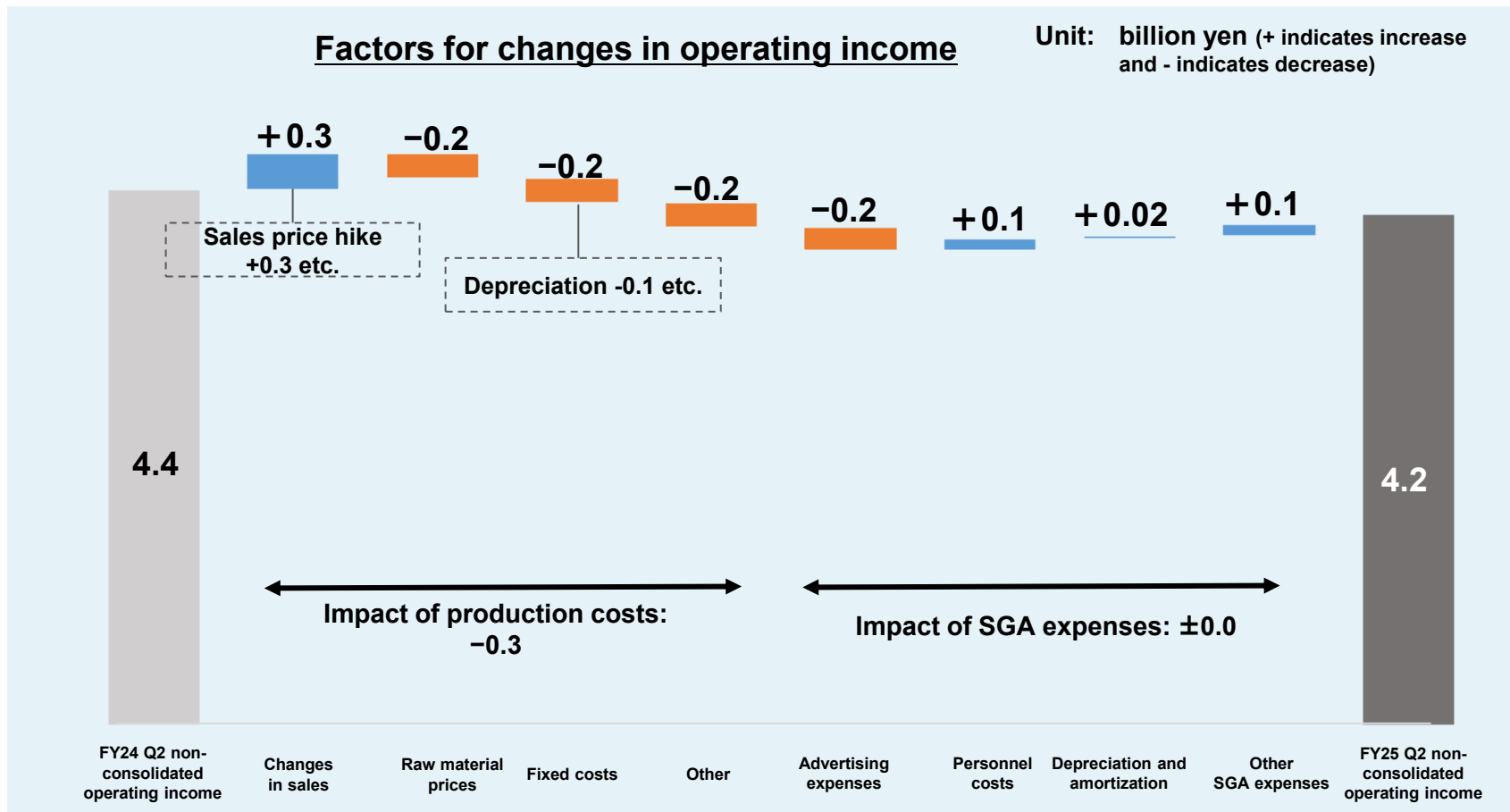
Operating income (Unit: billion yen)

EBITDA ratio (Unit: %)



Factors behind Changes in Consolidated Operating Income

4



Consolidated Income Statement (1)

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)		FY 25 Q2 cumulative (Jan. to Jun.)	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	32.6	36.4	-0.7%	69.0	-5.6%
Gross profit	16.6	19.4	-1.7%	36.1	-11.3%
Margin	51.2%	53.5%	-	52.4%	-
Operating income	2.5	4.1	-7.4%	6.6	-29.8%
Margin	7.8%	11.3%	-	9.6%	-
Ordinary income	2.4	4.8	-3.6%	7.2	-30.6%
Margin	7.4%	13.3%	-	10.5%	-
Net income	1.6	1.5	+235.4%	3.1	+120.5%
Margin	5.0%	4.2%	-	4.6%	-

Consolidated Income Statement (2)

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)		FY 25 Q2 cumulative (Jan. to Jun.)	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Advertising expenses	1.0	1.7	+ 14.1%	2.8	-41.9%
Margin	3.2%	4.8%	-	4.1%	-
Sales promotion expenses	0.7	0.7	-8.7%	1.5	-14.8%
Margin	2.2%	2.2%	-	2.2%	-

Consolidated Balance Sheet (1)

(Unit: billion yen)	FY 24 End of Jun.	FY 24 End of Sep.	FY 24 End of Dec.	FY 25 End of Mar.	FY 25 End of Jun.
Current assets	132.3	126.7	144.4	132.3	135.9
Cash and deposits	52.0	41.1	50.8	52.4	56.2
Notes and accounts receivable-trade	35.1	39.6	49.4	32.6	32.9
Short-term investment securities	8.3	10.4	14.8	14.8	13.3
Inventories	30.8	29.4	24.1	27.3	30.6
Non-current assets	129.9	123.7	120.9	119.4	124.7
Property, plant and equipment	65.7	65.4	67.4	67.6	73.4
Intangible assets	22.5	19.5	20.6	19.0	17.8
Investments and other assets	41.6	38.8	32.7	32.7	33.4
Total assets	262.2	250.4	265.3	251.7	260.7

| Consolidated Balance Sheet (2)

(Unit: billion yen)	FY 24 End of Jun.	FY 24 End of Sep.	FY 24 End of Dec.	FY 25 End of Mar.	FY 25 End of Jun.
Current liabilities	45.9	39.6	46.4	39.6	46.5
Notes and accounts payable-trade	8.7	7.9	8.2	9.0	9.1
Accounts payable-other	17.1	14.2	17.1	9.6	15.7
Non-current liabilities	6.5	6.1	5.4	5.0	5.9
Total net assets	209.7	204.6	213.4	207.0	208.2
Capital surplus	0.5	0.5	0.5	0.5	0.5
Retained earnings	202.8	203.5	208.2	205.4	207.0
Treasury stock	-24.7	-24.7	-24.7	-24.7	-24.7
Total liabilities and net assets	262.2	250.4	265.3	251.7	260.7

| Foreign Exchange

(Unit: yen)	FY 24 Jan. to Dec.	FY 25 Jan. to Mar.	FY 25 Jan. to Jun.	FY 25 Jan. to Dec. Forecast
US dollar	151.5	152.6	148.6	140.0
Chinese yuan	21.0	20.9	20.4	19.7

| Results by Segment (Domestic Business) (1)

10

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)		FY 25 Q2 cumulative (Jan. to Jun.)	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	22.7	28.9	+1.3%	51.7	-5.4%
Gross profit	11.1	15.7	+1.1%	26.9	-11.3%
Margin	49.1%	54.3%	-	52.0%	-
Operating income	2.5	5.6	-4.8%	8.1	-16.3%
Margin	11.2%	19.5%	-	15.8%	-
Advertising expenses	0.2	0.8	+97.8%	1.0	-65.6%
Margin	0.9%	2.8%	-	2.0%	-
Sales promotion expenses	0.2	0.4	-8.2%	0.6	-22.2%
Margin	1.2%	1.4%	-	1.3%	-

Results by Segment (Domestic Business) (2)

11

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)		FY 25 Q2 cumulative (Jan. to Jun.)	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Healthcare products	12.7	14.4	+0.8%	27.1	-8.9%
Pharmaceuticals	6.8	7.3	+1.2%	14.1	-8.4%
Food	1.1	1.4	+7.9%	2.5	-17.1%
Oral care products	3.4	4.2	+1.7%	7.6	-5.7%
Skin care products	1.3	1.4	-9.4%	2.7	-11.8%
Household products	8.6	13.5	+5.0%	22.1	+3.2%
Sanitary products	2.2	3.0	+0.1%	5.3	-2.4%
Deodorizing air fresheners	5.4	9.3	+7.2%	14.8	+5.8%
Household articles	0.8	1.1	+1.5%	1.9	-0.1%
Body warmers	0.6	0.3	+8.2%	0.9	+35.1%
Direct Marketing Business	0.7	0.7	-35.0%	1.4	-45.8%

| Results by Segment (International Business) (1)

12

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)		FY 25 Q2 cumulative (Jan. to Jun.)	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	9.7	7.3	-8.1%	17.0	-6.2%
Gross profit	5.4	3.7	-9.9%	9.1	-9.6%
Margin	55.9%	50.7%	-	53.6%	-
Operating income	0.0	-1.4	-	-1.4	-
Margin	-	-	-	-	-
Advertising expenses	0.8	0.9	-14.3%	1.7	-2.8%
Margin	8.5%	10.4%	-	10.4%	-
Sales promotion expenses	0.4	0.3	-6.6%	0.8	-4.1%
Margin	4.6%	5.4%	-	5.0%	-

Results by Segment (International Business) (2)

13

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)			FY 25 Q2 cumulative (Jan. to Jun.)		
	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)
U.S.	4.83	3.05	+0.2%	+10.6%	7.88	+14.0%	+16.8%
China	1.99	1.70	-17.4%	-11.2%	3.69	-24.0%	-22.2%
Mainland China	1.39	1.04	-21.5%	-15.4%	2.44	-28.8%	-27.0%
(Stores)	1.02	0.68	+11.6%	-	1.70	-12.5%	-
(Mainland EC)	0.27	0.23	-51.4%	-	0.50	-54.2%	-
(Cross-border EC)	0.10	0.12	-46.3%	-	0.22	-38.6%	-
(EC percentage)	27.0%	34.6%	-	-	30.2%	-	-
Hong Kong	0.59	0.65	-9.9%	-3.8%	1.25	-12.5%	-10.6%
Southeast Asia	2.03	1.52	-12.5%	-11.6%	3.55	-19.9%	-21.5%
Singapore	0.11	0.10	+50.9%	+67.1%	0.21	-16.1%	-13.8%
Malaysia	0.58	0.56	+18.9%	+16.9%	1.15	-13.7%	-18.1%
Thailand	0.48	0.51	+3.8%	+1.0%	1.00	-16.3%	-20.5%
Indonesia	0.39	0.13	-66.1%	-59.9%	0.53	-21.3%	-17.0%
Philippines	0.24	0.18	+5.3%	+6.3%	0.42	-19.6%	-20.0%
Taiwan	0.21	0.01	-86.6%	-85.7%	0.22	-48.8%	-47.6%
Other	0.83	1.03	-6.4%	-2.4%	1.87	-2.1%	+0.0%

By Country/Region and Item

(Unit: billion yen)	FY 25 Q1 (Jan. to Mar.)	FY 25 Q2 (Apr. to Jun.)			FY 25 Q2 cumulative (Jan. to Jun.)		
	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
U.S.	4.83	3.05	+0.2%	+10.6%	7.88	+14.0%	+16.8%
Body warmers	2.13	0.58	+94.5%	+99.3%	2.71	+63.8%	+67.9%
Pharmaceuticals	1.59	1.60	-10.9%	-8.7%	3.20	-6.3%	-4.0%
Other	1.10	0.86	-8.7%	-6.5%	1.97	+6.8%	+9.4%
Mainland China	1.39	1.04	-21.5%	-15.4%	2.44	-28.8%	-27.0%
Body warmers	0.35	0.02	-62.2%	-61.2%	0.37	-22.3%	-20.1%
<i>Netsusama Sheet</i>	0.49	0.41	-21.7%	-19.4%	0.90	-39.8%	-38.1%
Other	0.54	0.61	-18.1%	-15.8%	1.16	-19.5%	-17.4%
Southeast Asia	2.03	1.52	-12.5%	-11.6%	3.55	-19.9%	-21.5%
Pharmaceuticals	0.56	0.35	-13.3%	-17.0%	0.91	-12.8%	-15.7%
<i>Netsusama Sheet</i>	1.18	0.94	-14.4%	-16.0%	2.12	-22.5%	-22.9%
Other	0.25	0.22	-2.9%	+3.1%	0.51	-20.6%	-23.3%