

2026-2028 New Medium-term Management Plan

Kobayashi Pharmaceutical Co., Ltd.

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

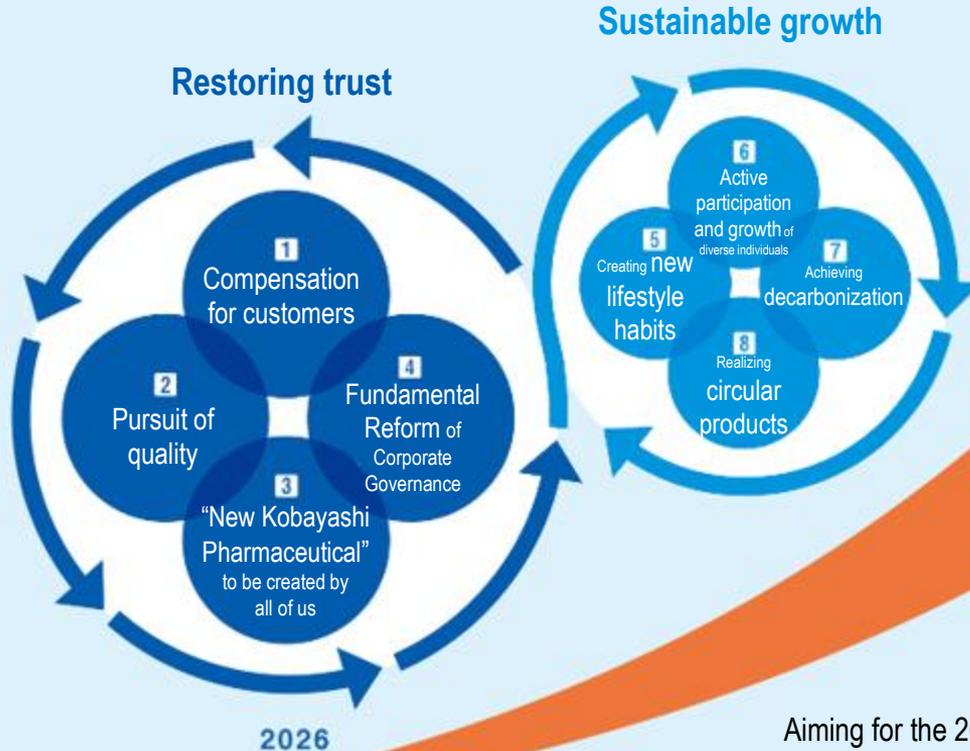
Long-term strategic policies

- (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



2035 Vision

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

Aiming for the 2035 Vision with two wheels of restoring trust and achieving sustainable growth

External environment

1. Changes in market and competitive environment

- Changes in distribution structure (consolidation of drug stores, etc.)
- Soaring raw material prices

2. Changes in social structure

- Declining birthrate and aging population
- New problems (femcare, mental health, etc.)
- Changes in customer contact points (acceleration of e-commerce purchasing, etc.)

3. Changes in the global market

- Growth shift to the U.S. and the Global South (Southeast Asia, etc.)
- Quality control system compliant with international standards



Impact on the Company

Impact on the revenue model

With “quantitative” growth of new products, securing profits will become difficult, **shifting to a situation where “qualitative” growth is necessary.**

Impact on Domestic Business

With the emergence of new problems, **shifting to a situation where domestic growth areas will change**

Impact on International Business

With need to sensitively capture changes in the global market, **shifting to a situation where flexible adjustments to growth investment targets are necessary.**

Theme of the new medium-term management plan

To achieve sustainable growth in the future
Build a foundation that connects to the future

Strategic pillar (1) Strengthening the management foundation to rebuild “**trust**”

Strategic pillar (2) Corporate transformation to achieve “**sustainable growth**” once again

Strategic pillar (3) Sustainable growth of “**Domestic Business**”

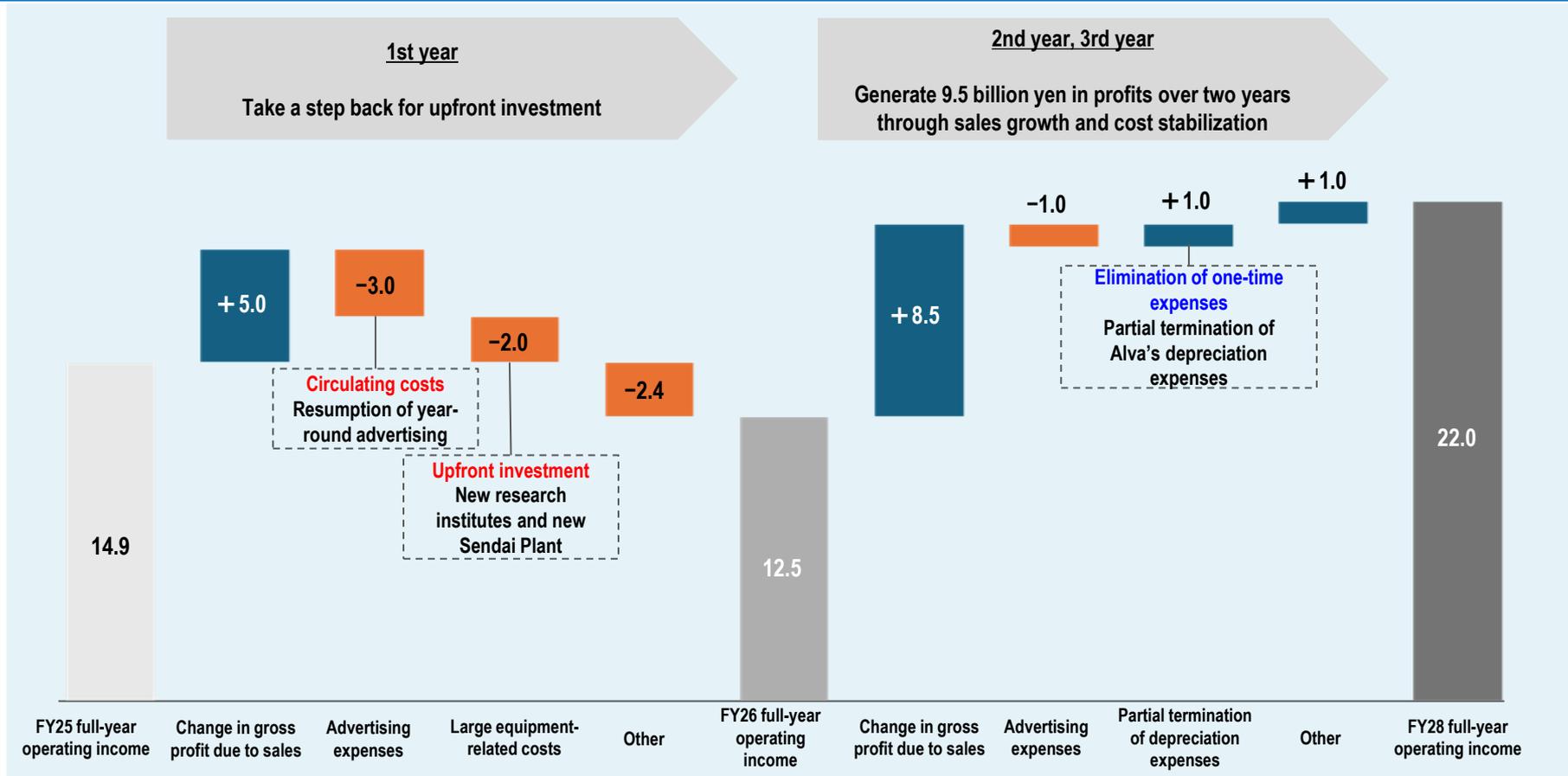
Strategic pillar (4) Accelerating “**global**” expansion and establishing a foundation

Strategic pillar (5) Capital-efficient management for increasing “**corporate value**”

	FY2025 (Results)	FY2028 (Targets)	CAGR
Net sales	165.7 billion yen	188.0 billion yen	+ 4.3%
Operating income	14.9 billion yen	22.0 billion yen	+ 13.8%
(Margin)	9.0%	11.7%	—
EBITDA ^{*1}	23.6 billion yen	31.5 billion yen	+ 10.1%
ROE	1.7%	10%	—
Dividend	27th consecutive dividend increase	30th consecutive dividend increase	—
Net sales of Domestic Business	118.0 billion yen	131.5 billion yen	+ 3.7%
Net sales of International Business ^{*2}	46.9 billion yen	56.0 billion yen	+ 6.0%

^{*1} EBITDA = Operating income + Depreciation + Amortization of goodwill ^{*2} Foreign exchange rates: US\$ 1 = 148 yen; Chinese yuan 1 = 21.0 yen

Progress Toward Achieving the 2028 Operating Income Target



**Strategic pillar
(1)
Concept**

By further enhancing quality, we will strengthen our management foundation for restoring trust and achieving sustainable growth, thereby building a foundation that connects to the future.

Reconstruction of the 39 processes through the promotion of QMS

[Task]

Get rid of the personalization of work and improve quality

[Action]

- **Standardization of all 39 work processes:**
Rebuild our quality management system (QMS) in accordance with ISO 9001 to clarify and systematize quality processes both domestically and internationally.

Preventing defects during mass production through improved mass production technology

[Task]

Improve design quality and mass production technology

[Action]

- **Establishment of the Formulation Technology Dept.:**
Establish a specialized department to prevent mass production issues and quality risks and improve product quality, aiming to enhance mass production technology.

Promising not to cause any serious quality incidents, we will rebuild our customer-first quality foundation.

**Strategic pillar
(2)
Concept**

Through profit improvement activities, we generate the management resources of “people, products, and money” necessary to achieve sustainable growth.

[FY2025 results] Implementation of structural reform

SKU reduction

- Decided to reduce approximately 25% of all SKUs
- Most of the reduction is scheduled to be completed by the end of 2026.

Review of business portfolio

- **Securing management resources through effective business selection**
(Ex.) Termination of sales through the company’s direct marketing website, call center, etc.

[From FY2026 onward] Strengthening the revenue structure to generate resources for growth investment

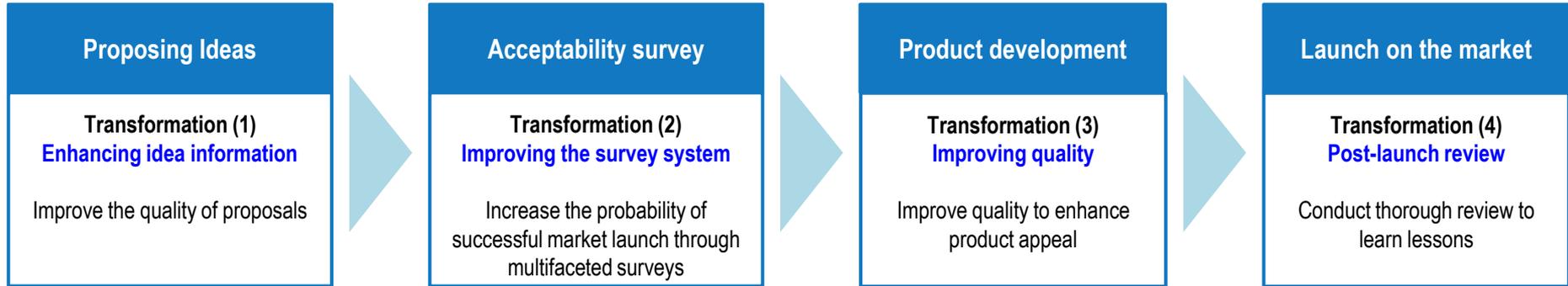
By continuously managing SKU counts and reviewing the business portfolio based on established criteria, we will generate the “people, products, and money” necessary for growth.

Strategic pillar (3) Concept	By flexibly allocating management resources and utilizing the resources created, we aim to enhance the quality of new product development and further grow existing brands.
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	Growth area	Stable area	Transformation area
Role	Aggressively invest management resources to achieve significant business growth	Make effective use of resources to maintain stable growth and high revenue	Aim for sustainable growth by improving profitability
Products	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Chinese herbal medicines</div> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Wellness</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Western medicine</div> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Oral care products</div> </div>	<div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Cooling</div> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6;">Beauty</div> </div> <div style="background-color: #ADD8E6; padding: 5px; border: 1px solid #ADD8E6; text-align: center; margin: 5px auto; width: 60%;">Detergent</div>	<div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="background-color: #FFDAB9; padding: 5px; border: 1px solid #FFDAB9;">Heating</div> <div style="background-color: #FFDAB9; padding: 5px; border: 1px solid #FFDAB9;">Food</div> </div> <div style="background-color: #FFDAB9; padding: 5px; border: 1px solid #FFDAB9; text-align: center; margin: 5px auto; width: 60%;">Deodorizing air fresheners</div>
Activity examples	<ul style="list-style-type: none"> Develop large-scale new products Capture new growth opportunities, such as Switch OTC 	<ul style="list-style-type: none"> Secure competitive advantage primarily through key brands (such as <i>Netsusama Sheet</i> and <i>BLUELET</i>) 	<ul style="list-style-type: none"> Promote measures to improve revenue structure (in-house production, cost reduction, development to increase added value, etc.)
KPI	3-year CAGR of 5% or more	Operating margin improved by more than 2% (compared to 2025)	Moving out of the transformation area within 3 years

To create products of “I would be in trouble without this,” we will reexamine our new product development processes and aim to create new products that will remain in the market five years from now.

[New product development processes]



We will transform the development processes to create new products that will remain in the market five years from now.

First, we aim to achieve at least 50% of the first-year sales target for new products, calculated backward from the projected sales five years from now.

*** 2025 target achievement rate: approx. 30%**

By shifting from product development focused solely on new products to maximizing our abundant brand assets, we will achieve sales expansion for existing products.

Technical aspect

Real-world environment reproduction technology

Achieving product development aligned with actual customer usage

Biological evaluation technology

Strengthening the basis for appeal to enhance the product appeal

Affective engineering technology

Enhance the visualization of effects to improve appeal

Formulation technology

Enhancing the ability to realize various dosage forms



Marketing aspect

In-depth analysis of loyal users

Based on past data, use AI to **thoroughly analyze loyal users for each brand**

Ad optimization

Deploy advertisements targeting loyal users of each brand to **optimize advertising**

By acquiring technologies that enhance product appeal and expanding the base of loyal users, we aim for a 3-year CAGR of over 3% for existing products.

Strategic pillar
(4)
Concept

We aim to accelerate global expansion by optimizing development and marketing resources of the International Business and implementing strategies tailored to each region.

Global Brand (GB)

Clarify the product brands to focus investment on (Body warmers, *Netsusama Sheet*). Prevent the dispersion of quality resources and promote brand development with emphasis on efficiency.

GB Manager

Responsible for promoting efficient product development from a company-wide perspective and managing brand strategies for Global Brands (GBs)

(Expected effects)

New products: Consideration of products that can be released simultaneously in Japan and overseas

Existing products: Reduction of management and other costs through standardized specifications



[Specification example: Body warmers for menstrual pain available in different countries]



Strategic pillar (4) Accelerating “global” expansion and establishing a foundation: Regional strategies 15/18

	Role	Target countries	2028 net sales KPI
U.S.	<p>Semi-independent management</p> <p>Create new products through local development Improve profitability</p>	U.S.	<p>26.5 billion yen (23.8 billion yen in 2025)</p>
Mainland China	<p>Distribution network establishment phase</p> <p>Expand GB distribution and launch additional GB candidate items</p>	Mainland China	<p>8.5 billion yen (6.8 billion yen in 2025)</p>
Southeast Asia	<p>Distribution network establishment phase</p> <p>Launch additional GB candidate items and develop them</p>	<p>Malaysia Thailand</p> <p>Taiwan region Singapore</p>	<p>12.0 billion yen (9.2 billion yen in 2025)</p>
	<p>Distribution network expansion phase</p> <p>Focus investment on GB products Expand distribution network</p>	<p>Philippines Vietnam</p> <p>Indonesia</p>	

By implementing strategies tailored to each phase, we aim to achieve the international net sales target for 2028 of 56 billion yen. * 2025 result: 46.9 billion yen

**Strategic pillar
(5)
Concept**

By generating funds through optimizing cash and cash deposit levels and selling non-business assets, we will implement strategic capital allocation for achieving sustainable growth and increasing corporate value.

Funds

* Total for 3 years

Operating cash flow
(before advertising expenses and R&D expenses deductions)
140 billion yen

Optimization of cash and deposit levels
(approx. 3-4 months of monthly sales)
25 billion yen

Sale of non-business assets
(strategically held shares, etc.)
15 billion yen

Borrowing for large-scale M&A deals
(Implement flexibly within the scope of financial rules)
+ α

Strategic allocation

* Total for 3 years

Fundamental business investment
(Establishing competitive advantage in existing businesses)
110 billion yen

- **Advertising expenses: 50 billion yen** (Marketing investment)
- **R&D expenses: 30 billion yen** (New product development, quality enhancement)
- **Capital investment: 30 billion yen** (Quality enhancement, maintenance and update)

Strategic value creation category
(Maximize TSR through discontinuous growth and returns)
70 billion yen + α

- **M&A: up to 100 billion yen**
For large-scale deals, utilize also borrowing to achieve profit growth
- **Shareholder returns: from 30 billion yen**
In addition to consecutive dividend increases, funds not allocated to M&A will be used for flexible share buybacks to enhance TSR.

List of KGIs and KPIs for Achieving the New Medium-term Management Plan

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Medium-term management plan KGIs

Classification	Item	2028 targets (2025 results)
Company-wide performance/ theme + Strategic pillar (5): Capital-efficient management	Consolidated net sales	188.0 billion yen (165.7 billion yen)
	Operating income	22.0 billion yen (14.9 billion yen)
	ROE	10% (1.7%)
	Vision Creating products of "I would be in trouble without this"	(KGI at launch) Target achievement rate for the first year: 50% (30%) (Expanded KGI) Growth of existing brands: CAGR 3% (±0%)
Strategic pillar (1): Strengthening the management foundation	Building a quality foundation	Serious quality accidents: 0
	Human capital management	Being able to work vigorously
Strategic pillar (2): Corporate transformation	Organizational culture reform	Pride in working at the Company TOP2box: 70% or more (30%)

Medium-term management plan KPIs

Classification	Item	2028 targets (2025 results)
Strategic pillar (3): Growth of domestic business	Portfolio management	Growth: 3-year CAGR 5.8% Stability: Operating margin +2.4% Transformation: Rebuilding business plans
	Distribution channel strategy	E-commerce ratio in terms of net sales: 10% (7.8%)
Strategic pillar (4): Global deployment	Promoting deployment strategies for each country	Net sales target U.S.: 26.5 billion yen (23.8 billion yen) Mainland China: 8.5 billion yen (6.8 billion yen) Southeast Asia: 12.0 billion yen (9.2 billion yen)

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<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.