KOBAYASHI Pharmaceutical Co., Ltd.

You make a wish
and we make it
happen.

Integrated Report
2026

Corporate mission

“You make a wish and we make it happen”

Responsive to the ever changing and evolving needs of our customers, we identify problems that our customers may not even be aware of to deliver high-quality products and services. We work every day to develop and refine products and services inspired by what consumers wish existed, aiming to make them a natural part of everyday life and something customers feel they cannot do without. This is the vision behind “You make a wish and we make it happen.” We will continue to contribute to society by delivering novel satisfaction to people around the globe.

KOBAYASHI Pharmaceutical Co., Ltd.

Our values

Management principles

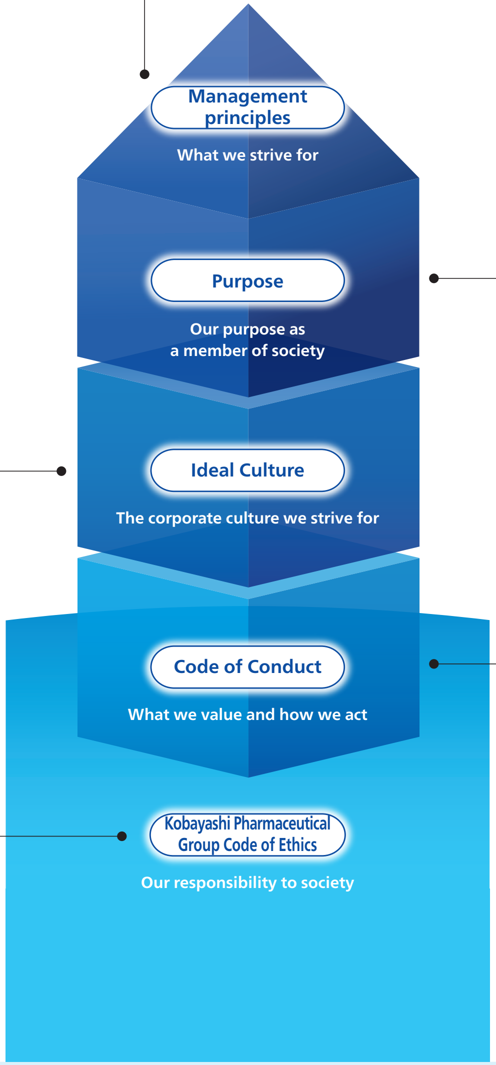
We never stop creating and innovating in our pursuit of something new to delight people and society.

Establishment of the Ideal Culture

1. A culture that places customers first
2. A culture in which both the Company and individuals actively take on both offensive and defensive challenges
3. A culture without barriers between departments, positions, or generations that fosters Company-wide collaboration
4. A culture in which each individual demonstrates initiative and autonomy
5. A culture that humbly learns from both within and outside the Company and continues to evolve
6. A culture in which people grow, support each other, and, in turn, strengthen the organization

Kobayashi Pharmaceutical Group Code of Ethics

- Compliance with laws and regulations, and integrity
- Sustainable economic growth and resolving social issues
- Fair business practices
- Fair information disclosure, constructive stakeholder dialogue
- Respect for human rights
- Relationships of trust with consumers and customers
- Work style reforms, enrichment of workplace environment
- Addressing environmental issues
- Social participation and contribution to development
- Thorough crisis management
- Role of top management and thorough implementation of this Code of Ethics



Purpose

Solve often-overlooked problems and help realize people’s potential.

We support the realization of a healthy and comfortable life and being active in society by discovering in people’s daily lives those obstacles that tend to be overlooked and solving them with innovative ideas and technologies.

We view the obstacles that hamper the achievement of comfortable lives and active participation in society as “residual social issues” and support the realization of people’s potential by helping to overcome them.

Code of Conduct

Our Core Values

- Uphold a customer-first mindset
- Continually ask what is right as a human being and act accordingly
- Fulfill our social responsibility
- Engage with one another with respect and express appreciation

Our Guiding Principles of Conduct

- Take on challenges in both offense and defense
- Act from a perspective of overall optimization and collaborate across functions
- Demonstrate initiative and follow through to completion
- Incorporate knowledge and insights from both within and outside the Company and translate them into organizational strength
- Learn, teach, and grow together
- Be uncompromising in our commitment to clarity and simplicity
- Something New & Something Different
- Embrace a hands-on, onsite, and reality-based approach

Code of Conduct (Japanese only)
https://www.kobayashi.co.jp/corporate/philosophy/norm.html

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Highlights

Message from the President

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There can be no sustainable growth without the restoration of trust. The President discusses Company-wide efforts to reform the corporate culture, prioritizing quality and safety, and the underlying commitments informing the new medium-term management plan.

Board of Directors: Roundtable Discussion

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The Chairman of the Board and the outside directors freely discuss the new auditing system, governance reforms, and enhancing corporate value from multiple perspectives. This is a glimpse of the real dialogues driving the Company's transformation.

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Message from the President

Ensuring Kobayashi Pharmaceutical's position as an indispensable part of customer's lives by making wishes happen through the establishment of the Ideal Culture and Code of Conduct

Representative Director,
President and Chief Executive Officer
Norikazu Toyoda

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Message from the President

The first step toward restoring trust: A comprehensive effort involving all employees to transform the organizational culture

Buoyed by a strong loyalty to Kobayashi Pharmaceutical and inspired by the support I, myself, had received, I was motivated to take on the role of president during this unprecedented, difficult time.

Since entering office, visiting our employees on the ground has made me truly realize how fortunate we are as a company. There are many highly motivated employees who truly love Kobayashi Pharmaceutical and have an insatiable spirit of challenge. As I spoke and worked with these people, my initial resolve transformed into an unshakeable determination to achieve a recovery and sustainable growth through the correct guidance of management and by maximizing our potential.

However, although the Company had grown in the past by adding value through ease of understanding, it cannot be denied that overreliance on precedents had come to hinder the flexibility of the organization as a whole. Despite priding ourselves on open communication, I recognized that one of the underlying causes of the red yeast rice-related issue was a structural problem in which important feedback from the ground was failing to reach management.

I believe that by transforming this corporate culture, the Company can truly change. With this belief in mind, I launched the Organizational Culture Transformation Project in December 2024, when I was still the head of the International Business, and I have continued to lead its implementation since becoming president.

To thoroughly comprehend the realities on the ground, we held direct discussions with employees from various departments, engaged seriously with the fact-finding committee's report, and held in passionate discussions with members of the project. We found that although the Company has great people and a welcoming atmosphere of mutual trust amongst employees, there were challenges, such as tendencies toward professional leniency and ambiguous lines of responsibility. Also, despite generally good communication within departments, it was clear that decision-making and the implementation of actions would slow down when multiple departments were involved, preventing effective collaboration.

To surmount these challenges, we conducted small-group interactive discussions centered on corporate culture across the Company. These discussions on what we want to preserve and what we want to change led to the formulation of new guiding principles oriented toward realizing the Ideal Culture as well as the Code of Conduct.

For further details, please see the roundtable discussion on the Organizational Culture Transformation Project on page 37.

This Ideal Culture and Code of Conduct also represent our commitment to restore trust and once again contribute to society. The below three concepts from our Code of Conduct are particularly relevant here.

The first is to continually ask what is right as a human being and to act accordingly. This encapsulates the idea of doing the right thing even when nobody is watching and is a fundamental value for the Company. Ensuring thorough compliance is a given, and we prioritize customer safety above all, without being swayed by short-term profit.

The second is to be uncompromising in our commitment to clarity and simplicity. This is intrinsic to Kobayashi Pharmaceutical's DNA, and something that I have rigorously trained in since joining the Company. This principle is symbolic of our customer-focused approach, which we treasure and must continue upholding going forward.

The third is to embrace a hands-on, reality-based, onsite in-person approach. Since becoming President, I have felt it is important to go to different departments—from our manufacturing sites, the foundation of our quality; to R&D sites paving the way for future value; and to our sales team at the front lines, where we engage directly with customers and our business partners. I have made it a priority to listen to the employees working hard in all of these areas. I personally make these visits to ensure the consistency of management decisions vis-à-vis the realities of conditions on the ground, an approach that demonstrates our commitment to reality-based decision-making.

Communicating our commitment to change to our employees on the ground

Further strengthening manufacturing processes, prioritizing quality and safety above all else, and upgrading systems

Based on the lessons learned from the red yeast rice-related issue, we have revised our quality and safety management system from the ground up. Specifically, in January 2025, we renamed and reorganized previous body as the auditing and regulatory Quality and Safety Assurance Headquarters to clarify its role and responsibilities and operating independently of business departments in such areas as development and manufacturing. Under this body, there is a system in place that prioritizes quality above business if

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even the slightest doubt regarding customer safety arises. The headquarters is positioned to quickly gather information for top management and promptly suspend production and sales when necessary.

Changing the system alone is not enough. Every employee's mindset must also evolve. When I toured the work sites, I keenly felt that throughout the growth process, the Company's core values of quality and safety had been supported by the assiduous efforts and expertise of staff on the ground. Going forward, rather than relying on individuals, we will evolve this mechanism into one in which management systemically upholds and supports these strengths.

The organizational transformation now in progress goes beyond simple restructuring. Through new efforts like those of the Quality and Safety Specialized Committee, established in March 2025, we are already seeing an uptick in significant discussions that go beyond departmental boundaries based on facts and data and focused on serving the best interests of customers, even if this results in going beyond the minimum legal requirements. Furthermore, we are restructuring the Quality Management System (QMS) to extend beyond specialized departments and integrate it into every employee's work.

This change in mindset is a concrete representation of understanding the realities on the ground, a shared sense of accountability, and the drive to invest the necessary resources and personnel. The specific measures laid out by the Senior General Managers of quality, manufacturing, and research in Chapter 3 are the result of direct dialogue between those of us on the management team and those on the ground, led by our strong resolution to fulfill our social responsibility. The road to restoring trust still lays before us, but I promise to drive these reforms and do my utmost to ensure that Kobayashi Pharmaceutical is reborn to restore trust.

Status of compensation and fulfillment of responsibilities to those who experienced ill health effects

The Company's top priority is providing compensation to customers affected by the red yeast rice-related issue and to our business partners who experienced losses, and this commitment will not change. Also, in January 2025, we created the new Customer Service Department within the Compensation Claim Management Headquarters to provide more personalized and swifter support for every individual.

As of May 31, 2026, approximately 1,350 people have submitted inquiries about compensation for ill health effects. Of which, approximately 510 people have been determined to be eligible for compensation, and approximately 350 have received payment.

In addition, regarding compensation for our business partners who supplied the raw materials for red yeast rice-related products, we are proceeding with compensation based on case-by-case dialogue with each partner.

We will work tirelessly and sincerely to complete compensation for every individual and business partner.

Gradually resuming advertising in Japan and taking steps for shared prosperity with our business partners

Along with the steady implementation of reoccurrence prevention measures, we have gradually resumed advertising in Japan following an approximately year-long suspension. We began with online advertisements for some products in May 2025 and fully resumed TV advertisements in July.

This year of advertising suspension truly tested the value of our brand, demonstrating just how long our customers would continue to choose our products without prompting. The fact that such household products as our *Shoshugen* deodorizing air freshener and *Bluelet* scented toilet cleaner continued to be products of choice in stores and supported the Company's sales even without advertising demonstrates the trust in our brands that has been built over the years. I would also like to express my gratitude for our business partners for their support, which helped maintain sales during this challenging time.

On the other hand, the suspension of advertising clearly impacted sales of the Company's healthcare products, so customers did not reach for our products when symptoms occurred. However, once advertising resumed we saw the success of combined digital and TV advertising strategies for such products as the herbal remedy *Inochi no Haha* expanding our customer base. I see this as more than a recovery in sales; it is a sign of reestablishing ourselves as trusted support for our customers' healthy, comfortable lives.

As we move forward, rather than undertaking a uniform approach to advertising, we will optimize our efforts by rigorously evaluating return on investment and acting strategically.

Business policy briefing with business partners

We hope that the results of these efforts will be enjoyed by our business partners who continued to support us even during the challenging time of suspended advertising. We aim to live up to that trust by delivering results, and work together with our partners to revitalize the market.

Formulation of and the determination behind the 2035 Vision

In August 2025, we announced the 2035 Vision, which has been formulated with contributing to society and securing long-term growth as its core aims. The vision is rooted in our determination to restore the trust critical for sustainable growth.

Building upon that foundation of trust, our mission is to identify our customers' unique needs and wants. This is truly the essence of what the Company does and its reason for existence in society. Our vision goes beyond simply discovering things that would be nice to have; rather, we want to offer products our customers truly feel they cannot do without, products that will eventually translate into lifestyle habits. In our ideal vision, our footprint will spread beyond Japan to the rest of the world.

Among our well-established products, *Netsusama Sheet* cooling gel sheets for the forehead and *Eyebon* eye wash are two perfect examples. Before we created these products, a sheet that could be applied to the forehead to cool a fever or a product for washing the eyes after removing contact lenses were unheard of. Both of these products are now considered indispensable by many customers.

A recent success, *Nightmin Nasal Breathing Tape,* which supports good sleep by reducing throat and mouth dryness as well as snoring, has joined this category as well. I myself love this product, and I even buy it on business trips if I don't already have it to hand. I truly can't do without it and it's become a firm part of my lifestyle.

These lifestyle habit products which began in Japan are now crossing borders around the world. Currently, *Netsusama Sheet,* which is available in over twenty countries and areas, is seeing a rapid increase in demand that began during the COVID-19 pandemic, especially in Southeast Asia, and it has become an indispensable part of our overseas expansion. In addition, we originally launched our body warmers for casual use, but people seeing them for the first time often remark how amazing they are.

Now, low winter temperatures in various regions have helped make these products a winter necessity, significantly contributing to our sales as a global brand and truly demonstrating how deeply popular they have become for daily use.

By accurately spotting and addressing such overlooked problems, I believe we can expand sales of habit-forming lifestyle products born in Japan to the rest of the world and lead global market creation. There are many such gaps with high potential in the markets overseas.

Turning to the mature domestic market, we offer a different take on Japan's declining birthrate and aging population, which many businesses view with fear and trepidation. The aging population is ever more urgently demanding products that support longer lifespans and self-medication trends, and this presents an excellent opportunity for us to identify new problems and expand our business by contributing to healthy living. In particular, our expertise in herbal medicines like *Inochi no Haha,* a brand with over 120 years of history, demonstrates our ability to address a broad range of physical and mental health-related complaints over every generation and support healthy life expectancy. In addition, feminine

care products targeting challenges associated with menstruation and menopause is a promising area in which we can utilize our strengths.

Our 2035 Vision sets a target of ¥300 billion in consolidated net sales by fiscal 2035. To achieve this, we will strive for steady growth in the Domestic Business while expanding overseas at an even faster pace, growing the International Business to a level that rivals sales in Japan. To further accelerate our efforts toward these goals, we will expand our portfolio, through strategic M&A as well as organic growth.

In addition, to realize our vision, we have reviewed our material issues from the ground up in line with our determination that there can be no sustainable growth without the restoration of trust.

Based on this, we have designed a cycle in which the restoration of trust and sustainable growth will work in tandem, and for the next three years we will allocate management resources accordingly toward restoring trust. We will further strengthen the effectiveness of the QMS and completely overhaul our quality and manufacturing processes, thus building a strong foundation for future sustainable growth.

For details, please see the section on material issues to realize the 2035 Vision on page 20.

2035 Vision

Will and Aspiration

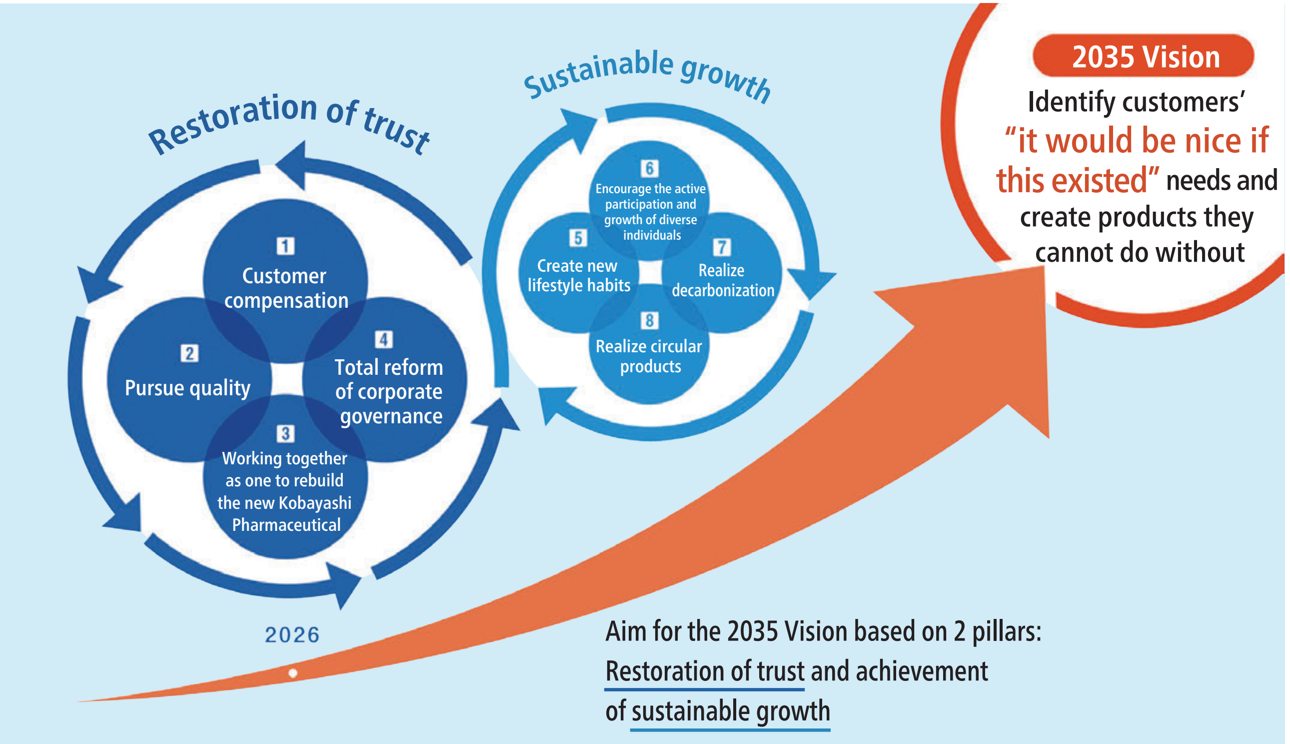
Identify customers' "it would be nice if this existed" needs and create products they cannot do without

Our Aim

Create products that thoroughly support customer satisfaction, expand them globally, and

become a leader in creating new lifestyles

Material issues to realize the 2035 Vision



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Build a foundation for the future over the next three years

To achieve this mission, we have formulated a new medium-term management plan for the next three years (fiscal 2026–2028) toward realizing our vision under the theme of building a foundation to achieve sustainable growth into the future. I will lead the way on implementing this plan. Specifically, we have created five strategic pillars, which include strengthen the management foundation to restore trust and implementing corporate transformation to once again achieve sustainable growth in the Domestic Business, alongside performance targets. We are not positioning the next three years as a time for rushing into short-term expansion—rather, we see this as an extremely crucial time for transformation and rebuilding the core Company values of quality and safety, a time for strengthening our foundation for sustainable growth for the future.

Three pillars of our investment strategy to achieve sustainable growth

I will now discuss the medium-term management plan's three major themes as we seek to secure sustainable growth: new product development, overseas expansion, and M&A.

The first theme is new product development, a core driver for the Company. To date, we have tended to focus on quickly creating new products to meet market needs. However, in the ever-intensifying market environment, it has become crucial to take on the challenge of establishing and nurturing products in the market over the long term. Going forward, we will evolve our development processes to create long-selling products that will firmly hold their market position by addressing our customers' needs in depth and understanding the target scale and probable usage frequency. As we transition to this process, the number of new products may see a short-term decrease, but I believe that this necessary change will drive our next leap forward.

The next theme is the acceleration of overseas expansion. Markets in Southeast Asia display particularly strong trust in Japanese quality and thus boast significant market potential. We will further strengthen our market presence overseas, including in nearby countries, with a focus on such global brands as *Netsusama Sheet* and *Ammeltz,* which are performing strongly in Thailand and Malaysia.

I believe there is still room for growth in the United States and Europe, and I have seen their market potential during my overseas experience. In the United States, we will maximize synergy by launching new products in niche healthcare brands with the two companies we acquired. In Europe, with a focus on the United Kingdom, we will expand body warmers and cooling gel sheets to neighboring countries.

New medium-term management plan themes

Build a foundation for sustainable
growth for the future

Strategic pillar 1:	Strengthen the management foundation to restore trust
Strategic pillar 2:	Corporate transformation to once again achieve sustainable growth
Strategic pillar 3:	Achieve sustainable growth in the Domestic Business
Strategic pillar 4:	Accelerate global expansion and establish foundation
Strategic pillar 5:	Promote management that emphasizes capital efficiency to enhance corporate value

Performance targets (FY2028)

	FY2025 (results)	FY2028 (targets)	CAGR
Net sales	¥165.7 billion	¥188.0 billion	+4.3%
Operating income	¥14.9 billion	¥22.0 billion	+13.8%
Operating income margin	9.0%	11.7%	—
EBITDA*1	¥23.6 billion	¥31.5 billion	+10.1%
ROE	1.7%	10%	—
Dividends	27th consecutive dividend increase	30th consecutive dividend increase	—
Domestic Business net sales	¥118.0 billion	¥131.5 billion	+3.7%
International Business net sales*2	¥46.9 billion	¥56.0 billion	+6.0%

*1 EBITDA = operating profit + depreciation + amortization *2 Foreign exchange rates: US$1=JP¥148;CN¥1=21.0

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Message from the President

In mainland China, we are in the midst of the transition from rapid growth in net sales of over 20% annually to a new phase in response to the changing market environment. Even with these changes, there is substantial potential for market development with the distribution of products across the huge country. As we move forward, we will target steady, sustainable annual growth of 5%–10% and implement cultivation strategies with depth to fully realize this potential.

We will execute strategies tailored to the characteristics of each market, steadily cultivate more global brands like our mainstay body warmers and *Netsusama Sheet,* and work beyond borders to create new lifestyles with products born in Japan.

The third theme is M&A with a focus on improving capital efficiency. Historically, the Company has maintained a strong financial foundation, but we need to dynamically allocate our cash reserves into a driving force for growth while meeting the expectations of our shareholders and maximize medium- to long-term corporate value. I see actively pursuing M&A on a larger scale than in the past to rapidly accelerate business expansion as an important option for the future.

For example, we will actively pursue M&A in Southeast Asia with a focus on countries and areas with significant market potential. Rather than simply increasing our scale, we will meticulously identify enterprises that will complement our strengths and generate synergy as well as execute investments with discipline and awareness of the cost of capital.

Bringing new essential products born from people's wishes to lifestyles around the world

There is one unforgettable moment that made me truly confident in the Company's purpose.

Fifteen years ago, I was on assignment in the United States and working tirelessly to promote our *HOTHANDS* brand of body warmers. At the time, body warmers were seen as a special-use product targeted at hunters and winter sports enthusiasts. In fact, they were sold only in the back of stores in the outdoor section, meaning that the average consumer was highly unlikely to even discover them.

Seeing this, I focused on progressively increasing customer touchpoints, for example, putting the product in more prominent displays near store checkouts and expanding distribution to other types of popular retail stores, thus increasing awareness. This tactic proved successful, and sales steadily increased.

Then, on the morning of the day after Halloween, I was out for a walk when I noticed a used *HOTHANDS* body warmer on the path. In my mind's eye, I could clearly picture a child in costume running around with it in their pocket to keep their hands warm. I felt so happy and accomplished at how our product had truly become ingrained in people's lives. This was truly an irreplaceable experience of delivering a new lifestyle habit to customers around the world that continues to motivate me today.

Our next step is to instill our Ideal Culture and Code of Conduct throughout the Company, and work together to create products that customers feel they can't do without.

With the march of time, new problems arise. Kobayashi Pharmaceutical will continue to solve consumers' problems as they emerge with tangible "nice-to-have" products. This unique attitude is cultivated by our corporate culture, and I believe it is our greatest strength. Over the next three years, we will solidify the organizational foundation underpinning this strength, and build a system to consistently deliver products that solve problems that customers may not even be aware of yet to achieve sustainable growth for the future.

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Business overview

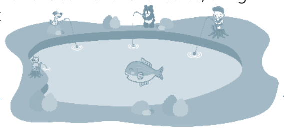
Combining our niche-focused **"a big fish in a small pond" strategy** with **our strength in product development** to create **numerous top market share brands**

Kobayashi Pharmaceutical's target market

There are few competitors in small ponds, so we can secure a large market share and high profit margins.

Kobayashi Pharmaceutical's non-targeted markets

Competition is fierce in large ponds where everyone comes to fish. Even with the same level of sales, a high profit margin cannot be attained.



For example, if we achieve our aim of sales of ¥500 million in a ¥1 billion market (a small pond with few competitors), we will achieve a 50% share, which is much more encouraging than a 5% share of a ¥10 billion market (large pond).

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Idea generation

Ideas submitted by employees

30,000+ per year

×

Easy to understand

Naming · Packaging

Consistent ease of understanding
Who will use it and when
What functions make it good

Advertising · Retail stores

We develop products that go beyond simply being "nice to have," rather, they become something that people feel they cannot do without.

=

Eye Washes — Share 60%

Breath Fresheners — Share 77%

Health Promoting Drugs for Women — Share 78%

Toilet Bowl Cleaners — Share 78%

Medicines for Empyema — Share 72%

Cooling Gel Sheets — Share 59%

Bringing Japan's innovative products to the world

* INTAGE SRI+ performance data for January–December 2025

International Business net sales ratio
28.4%

Net sales
¥165.7 billion
Operating income
¥14.9 billion

Domestic Business net sales ratio
71.2%

Group employees
3,713

Brands (domestic)
Approx. 150

Group companies
Domestic **11** (Production plants: 7)
Overseas **22** (Production plants: 3 in mainland China, 1 in the U.S., 1 in Thailand*)

* Thailand plant under construction

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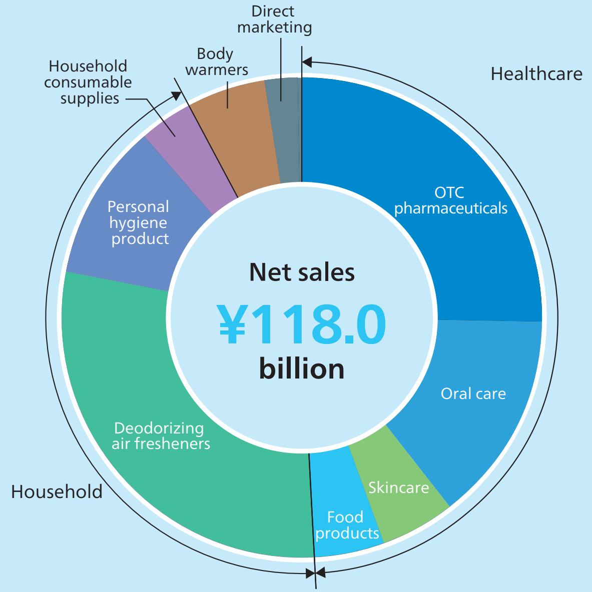
Domestic Business

(Fiscal 2025)



Healthcare
- OTC pharmaceuticals.... 25.4%
- Oral care........................ 14.3%
- Skincare...........................5.1%
- Food products.................4.7%

Household
- Deodorizing air fresheners 28.6%
- Personal hygiene products........ 10.5%
- Household consumable supplies ...3.8%

- Body warmers.................................5.3%
- Direct marketing............................2.3%

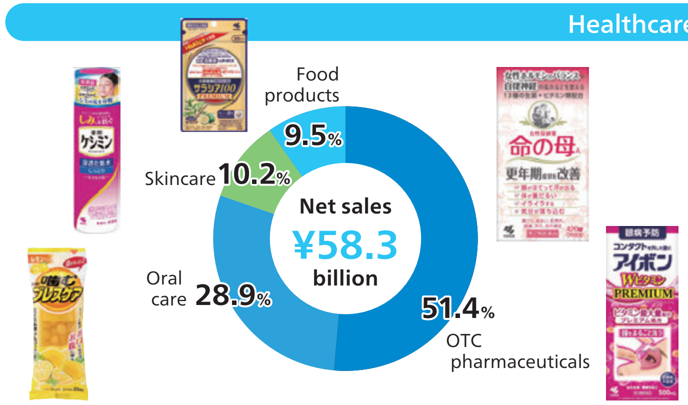
Note: Discontinued Company website sales and call center sales in fiscal 2025

Diversifying risk and realizing stable profit with a diverse portfolio

We handle a wide range of product categories, from healthcare to household.

Our business does not depend on one specific product; rather, our established system ensures stable business even if one category struggles. Our strategy of diverse varied products supports our stable profit base.

Healthcare

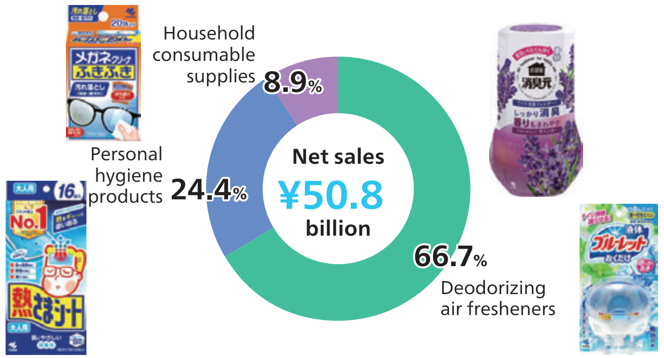


Capture diversifying needs and deliver products that improve quality of life

We create products that offer relief for customers' health anxieties while improving their quality of life and comfort level.

Our strength is our ability to develop products for niche health concerns that are often overlooked by other companies, and we continue to serve these needs. For example, we entered the feminine care market and are working to address health concerns specific to women.

Household



Responding to changing lifestyles with time- and labor-saving products

With the increase in dual-income households and diversification of values, we have seen a growing need for time- and labor-saving solutions for household chores. We are meeting this need by providing products that help create clean, comfortable living spaces. We offer a wide range of products in the area of deodorizing air fresheners as well as personal hygiene products and household items.

We are also accelerating such ESG initiatives as the reduction of plastic usage and CO_2 emissions. Through the transition to refillable packaging for our mainstay *Shoshugen* and the active use of recycled plastic, our manufacturing is contributing to the realization of a sustainable society

Body warmers

Harness the power of heat, from winter warmth to treatment and care

Our body warmers not only help users cope with winter weather, but can have healthcare applications. Among our new products are those that relieve discomfort in specific areas of the body and for specific times, such as Heat Pad for Neck Pain, a heated pad created to treat the modern "smartphone neck" condition, and Disposable Heating Pad with Dedicated Holder, which relieves stiffness and circulation in the fingers.

From the ESG perspective, we are researching ways to reduce the use of iron powder and thus lower our CO_2 emissions as we work to develop the next generation of body warmers.

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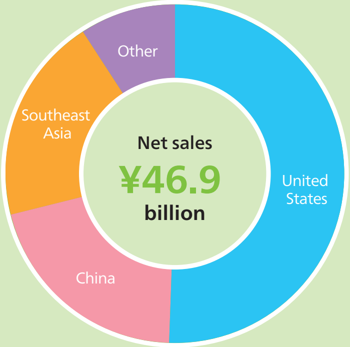
International Business (Fiscal 2025)



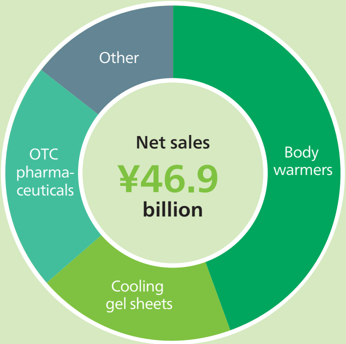
By region

- United States 50.7%
- China* 20.5%
- Southeast Asia 19.8%
- Other 9.1%

* Including Hong Kong

By product

- Body warmers 44.6%
- Cooling gel sheets 19.2%
- OTC pharmaceuticals 21.9%
- Other 14.3%

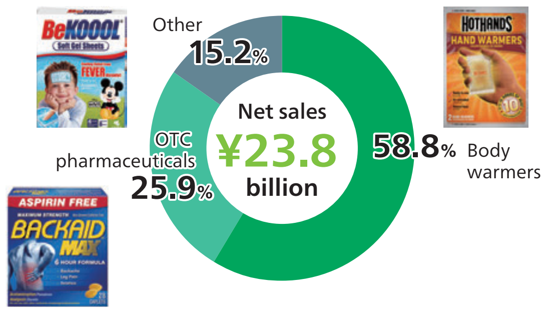


Establishing Japan's innovative products worldwide

The Company's International Business has grown to represent approximately 28% of our total sales. Its most unique feature is that rather than simply exporting products made for the Japanese market, the business reexamines successful niche products and translates them into products that will serve lifestyle needs and habits in other countries. These products then spread, establishing new habits around the world.

Our business is currently supported by three pharmaceutical products serving as pillars: body warmers, cooling gel sheets, and the topical analgesic *Ammeltz*. For example, we have created a culture of using cooling gel sheets for fevers in areas that had never used them before, and we popularized their use for the everyday as well in the United States and other places. The Company's niche-focused strategy, developed in Japan, has led us to our solid position in the global market.

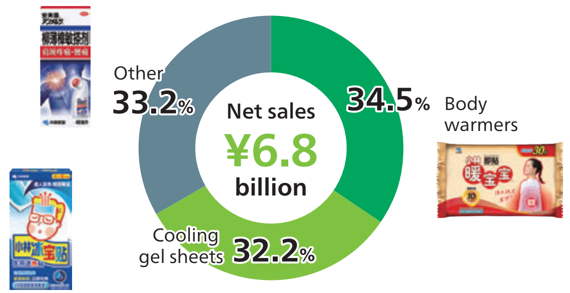
United States



HOTHANDS commands an overwhelming market share and this product line's use is expanding to include pharmaceutical products

HOTHANDS are widely used to protect against the cold at outdoor sports events or other such activities, and this accounts for a significant portion of sales in our International Business. Locally produced OTC pharmaceutical products acquired in past M&A transactions are also an important part of the foundation of our current business in the United States.

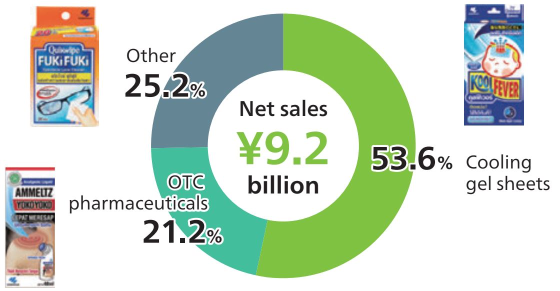
Mainland China



Body warmers and cooling gel sheets driving sales

We are currently marketing body warmers and cooling gel sheets as our mainstay products. Leveraging the distribution network we have established with the launch of body warmers and cooling gel sheets, we will also expand sales of other pharmaceutical products such as *Ammeltz*.

Southeast Asia



KOOLFEVER and *Ammeltz* boast high market shares

Our *KOOLFEVER* is widely recognized locally and boast a high market share. *Ammeltz* has also become a standard product in local drugstores and other retail outlets. There is still great potential for expanding sales channels in Southeast Asia, and we will further expand our products to those channels and focus our efforts on the region.

Other

Expanding to the U.K. and Australia

We are developing markets and establishing a foundation for our business in new areas, including in the U.K., other parts of Europe, Australia, and South Korea, with a focus on body warmers, cooling gel sheets, and lens cleaners.

Contents

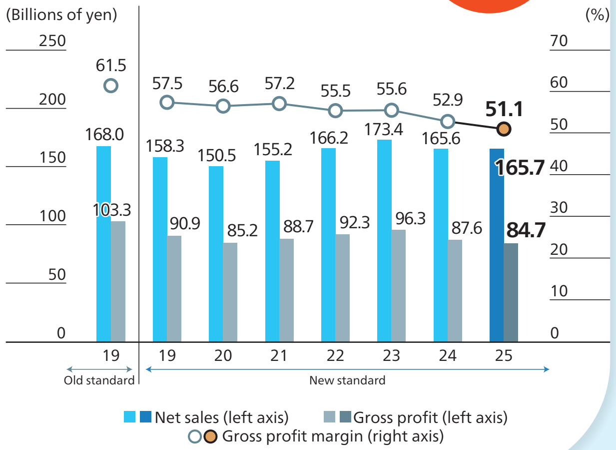
Financial highlights

Net sales

0.1% UP

¥165.7 billion

The Domestic Business saw significantly lower sales as a result of suspended advertising until the first half of the year. In the International Business, despite a sales decline in mainland China, an overall increase was seen thanks to strong performances in the United States and Southeast Asia.

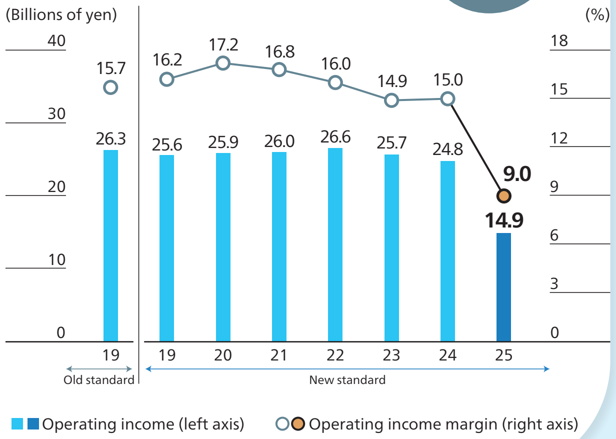


Operating income

40.0% DOWN

¥14.9 billion

Profits were lower due in part to higher expenses due to the resumption of advertising in July 2025 as well as higher manufacturing and administrative personnel expenses as a result of efforts to secure specialist human resources to improve quality.

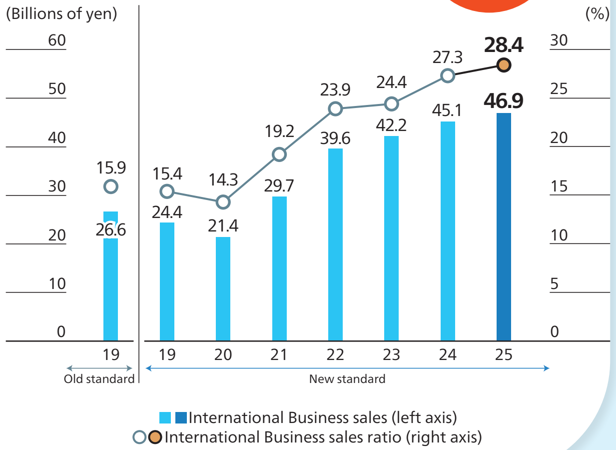


International Business sales

4.0% UP

¥46.9 billion

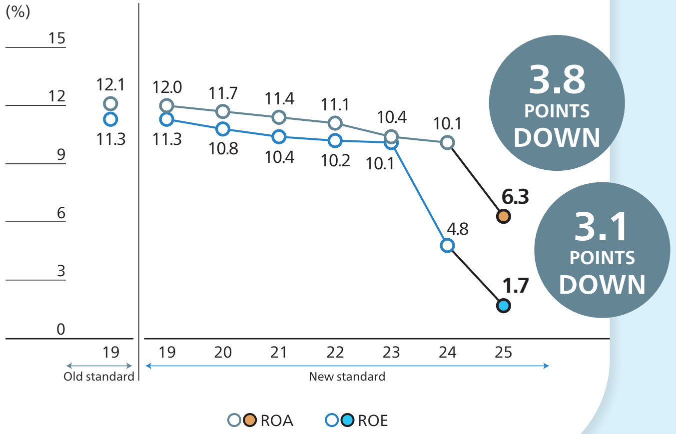
In mainland China, sales decreased due to lower levels of infectious disease, which led to a decrease in demand for cooling gel sheets. In the United States, however, lower temperatures drove strong sales of body warmers, and Southeast Asia saw robust performance for *Ammeltz,* particularly in Malaysia, resulting in overall sales growth in the International Business.



ROA / ROE

ROA **6.3%**
ROE **1.7%**

Due to the recording of an extraordinary loss related to red yeast rice-related products, as well as extraordinary losses at the new Sendai plant and the Thailand plant, both ROA and ROE were down year on year.



Contents

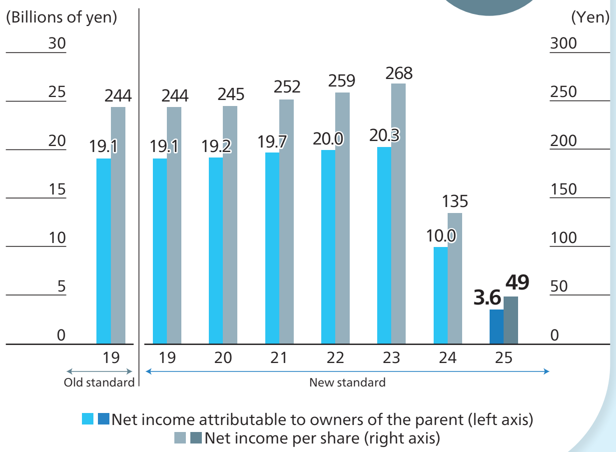
Financial highlights

Net income attributable to owners of the parent

63.7% DOWN

¥3.6 billion

There was an extraordinary loss related to red yeast rice-related products, as well as an extraordinary impairment loss of ¥14.6 billion due to losses at the new Sendai plant and the Thailand plant, resulting in lower profits.

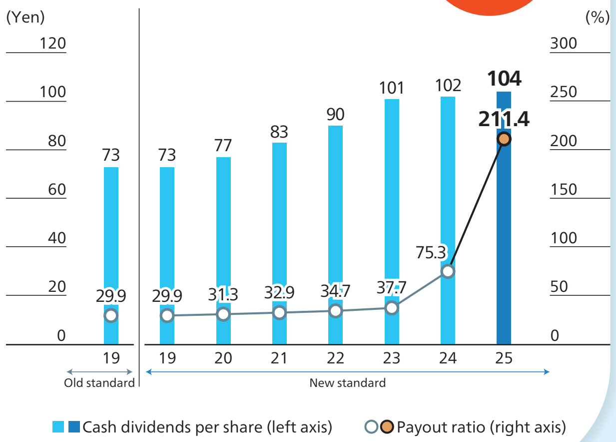


Cash dividends per share

2.0% UP

¥104

Returning profits to shareholders is positioned as one of our most important management policies, and we will continue paying steady dividends while maintaining a stable management structure and actively investing in high-potential businesses. In fiscal 2025, we increased our dividends for the 27th consecutive fiscal year.

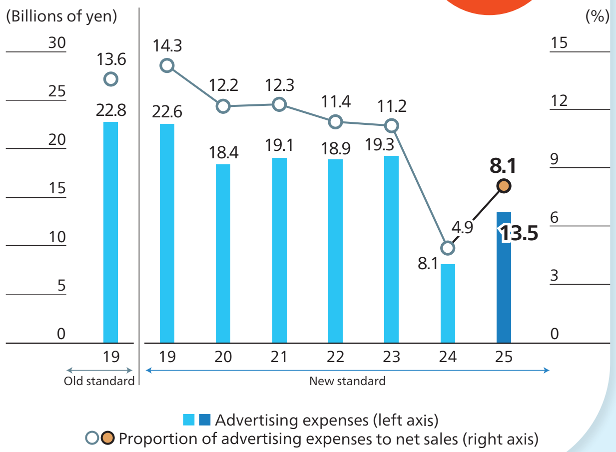


Advertising expenses

65.9% UP

¥13.5 billion

Following the red yeast rice-related issue, in March 2024 the Company suspended all domestic advertising, but we resumed TV advertisements in July 2025, resulting in higher advertising expenses.



R&D expenses / Capital expenditures

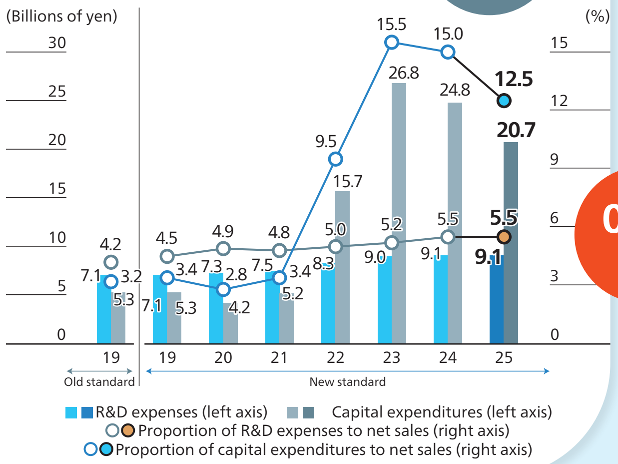
16.6% DOWN

¥9.1 billion

¥20.7 billion

0.1% UP

Reflecting our ongoing policy of investing strongly on an annual basis in the development of unique new products, R&D expenses rose 0.1% in FY2025. Although capital expenditures declined 16.6% in FY2025, in line with plans we saw advancement of large-scale investments aimed at medium- to long-term growth, including a new pharmaceutical product plant for the Sendai facility that began partial operations in March 2026.



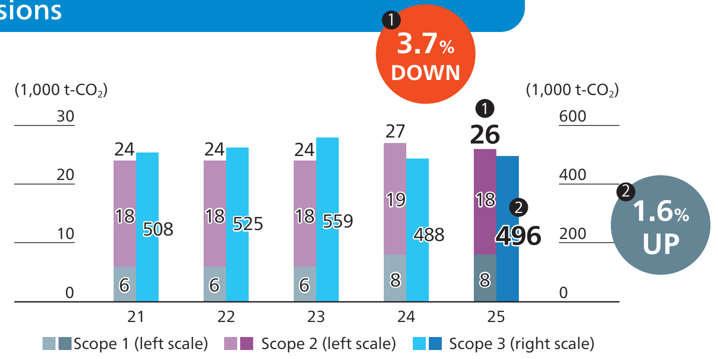
Contents

Non-financial highlights

Environment

Addressing global environmental issues and contributing to the realization of a sustainable society

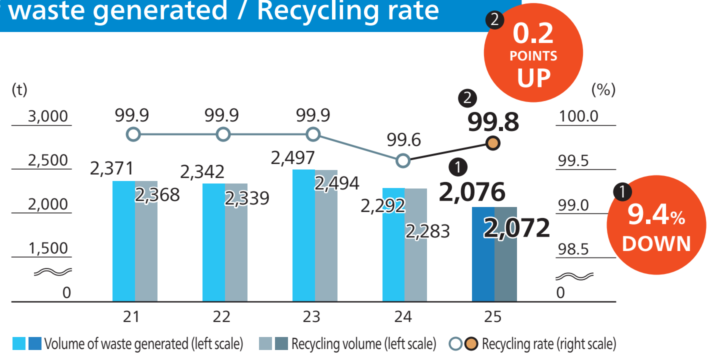
GHG emissions



In fiscal 2025, Scope 1 emissions remained level year on year and were higher than in fiscal 2018, the base year for the SBT reduction targets. Scope 2 emissions decreased year on year, and were also lower than in fiscal 2018, for the SBT reduction targets. Scope 3 emissions increased year on year, but were still down compared to fiscal 2018 targets. We will continue working on our initiatives as planned to reduce GHG emissions.

Note: Scope 1, 2, and 3 at domestic and overseas Group companies

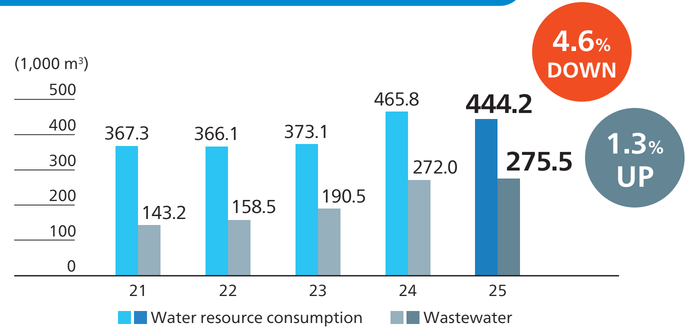
Volume of waste generated / Recycling rate



In fiscal 2025, the volume of waste generated at domestic production sites totaled 2,076 tons, a 9.4% decrease year on year, continuing the recent downward trend. In addition, our recycling rate increased by 0.2 points year on year to 99.8%, thus continuing to realize zero emissions. We will continue to utilize resources efficiently and contribute to the circular economy.

Note: Scope covers domestic production sites

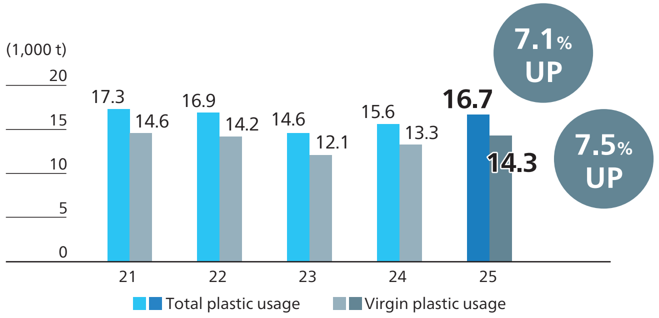
Water resource consumption / Wastewater



In fiscal 2025, water intake decreased due to such factors as lowered production volume at Hefei Kobayashi Daily Products Co., Ltd. in China. However, wastewater volume increased slightly with preparations for the full-scale launch of the new building at Sendai Kobayashi Pharmaceutical, Co., Ltd., which has been ongoing since fiscal 2024, with full-scale launch beginning in March 2026. We will continuously monitor water reduction activities to both expand production and reduce environmental impacts.

Note: Scope covers all domestic and overseas production sites

Total plastic usage / Virgin plastic usage



In fiscal 2025, total virgin plastic use increased due to higher sales volume and growth of sales in products that have yet to transition to environmentally friendly plastics such as recycled plastic and biomass plastic. To achieve our virgin plastic reduction target for 2030, we will accelerate product design revisions as well as the transition to alternative materials with the goal of optimizing resource recycling.

Note: Scope covers all Kobayashi Pharmaceutical products sold domestically and internationally (including containers, packaging, product bottles, etc.)

Contents

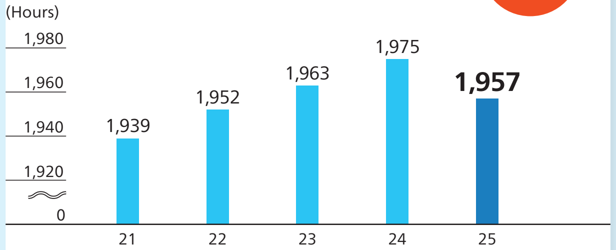
Non-financial highlights

Human resources

Implementing work-style reforms to maximize employee value and corporate value

Total actual work hours

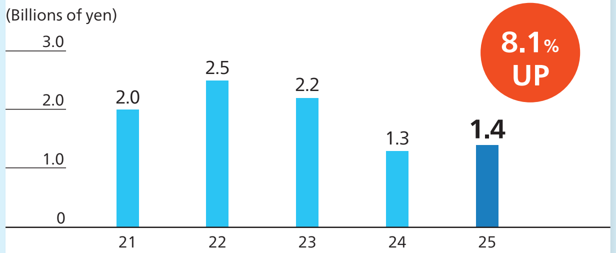
0.9% DOWN



The increase in total actual work hours* in fiscal 2024 is attributable to steady progress the implementation of reoccurrence prevention measures related to the red yeast rice-related issue, as well as an increase in challenges and projects in connection with opportunities arising from the transformation into the new Kobayashi Pharmaceutical. We are revising our business portfolio and evaluating how to enhance labor efficiency and, as labor productivity improves, will continue to realize working environments in which employees can create greater value.

* Yearly scheduled working hours + Overtime hours – Annual paid leave hours

Overall human resource development and training expenses

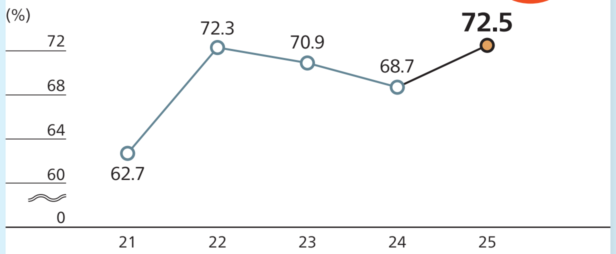


To place the highest priority on responses to the red yeast rice-related issue, we have revised many previously planned human resource development and training activities. So that reoccurrence prevention measures continue to be steadily implemented, we will continue to make the necessary investments in individual employees, our most vital form of capital.

Note: Kobayashi Pharmaceutical (non-consolidated)

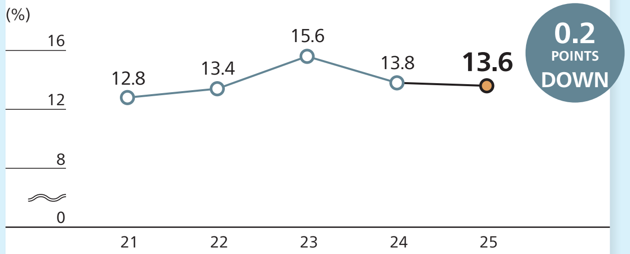
Rate of annual paid holidays taken

3.8 POINTS UP



Efficient work-styles contribute to further growth in employees' private lives as they bring such benefits as more personal time and play a foundational role in improving the Company lifestyle for workers. In 2021, the rate of paid holidays taken fell due to a reduced need for time off as workers stayed home during the COVID-19 pandemic, but in fiscal 2022 and since, the rate has remained around its original level. We will continue to recommend work-styles and ways of taking leave that are conscious of work-life balance.

Percentage of management positions held by women



We have set a target for the percentage of management positions held by women to be at least 16% in 2025 (by January 1, 2026). Our efforts have been hampered however as we work to revise future policies and target values in the wake of the red yeast rice-related issue, which led to the establishment of Compensation Headquarters, as well as large-scale organizational changes taken with the goal of making progress on reoccurrence prevention measures.

* Percentages are as of January 1 of the following year.

R&D by the numbers

Generating products that consumers wish for

Number of idea proposals

FY2025

Approx. 31,600

New product ideas
Approx. 18,400

Business improvement ideas
Approx. 13,200

Our idea proposal system, which has been in place since 1982, is a concrete management measure open to all employees. Ideas for new products and business improvements are proposed every day, with all employees free to participate regardless of job category or seniority. Many of the new product ideas originating from this program have grown into major hit products.

Number of brands (domestic)

Approx. 150 brands

Approx. 870 SKUs*

* SKU: Stock keeping unit

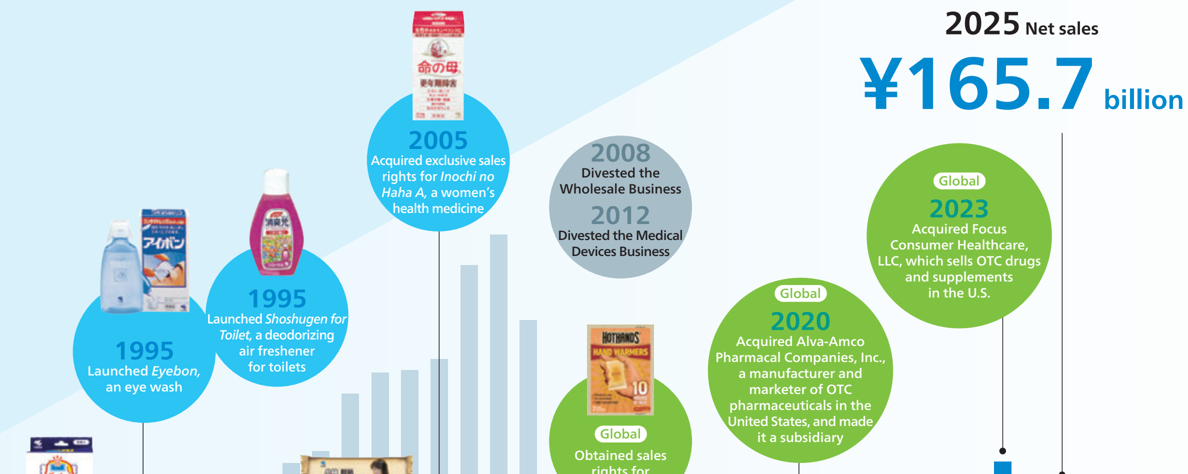
Since 2025, as part of our organization reforms, we have been optimizing SKUs with the goal of strengthening the business foundation, including improving production efficiency and ensuring a stable supply of mainstay products. We will concentrate newly freed resources on quality improvements and areas for growth, and continue to develop products that will be loved by our customers for a long time to come.

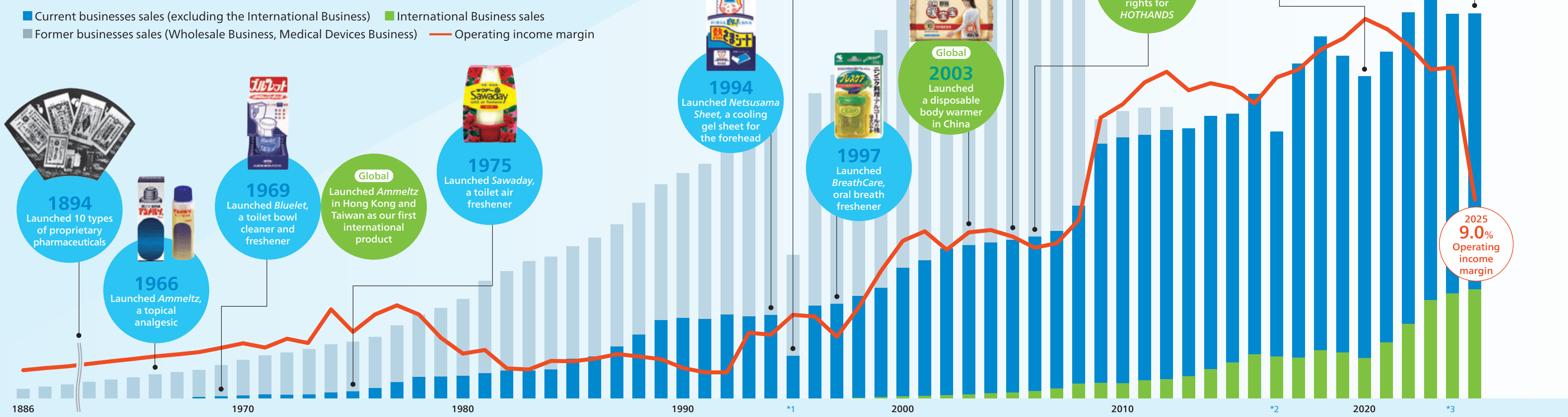
Contents

A century of value creation

Delivering indispensable products to the world that are loved for a long time

After selling off our founding wholesale business in 2008, we have successfully transitioned our portfolio into a highly profitable manufacturing and sales business. Since the red yeast rice-related issue in 2024, we have been working resolutely to restore trust. Today, we are supported by our many long-selling products cultivated over many years and our growing business overseas. With this operational base as our driving force, we will evolve from identifying products that customers wish for to creating products that customers feel they cannot do without.





1880s – 1950s
Popularized over-the-counter medicine as a medicine wholesaler

Building a solid business platform

Founded as a store selling general merchandise and cosmetics. Following an infectious disease outbreak in 1885, began focusing on medicine. With demand for medicine rising, built a solid business platform as a medicine wholesaler and began manufacturing proprietary pharmaceuticals.

1960s – 1990s
Market creation through the rapid integration of Western culture in Japan

Establishing a business model with a niche strategy

Committed fully to becoming a manufacturer while retaining mainstay wholesale business. Created new niche markets to avoid competition with wholesale partners. Origin of current business model.

2000s – 2010s
Constantly striving to accurately grasp changes in living environments and creating new domestic and international markets

Concentrating on core competencies

Divested original Wholesale Business and Medical Devices Business to facilitate the further development of new core businesses. By focusing our operating resources on manufacturing business, dramatically improved the operating income margin. Began aggressively pursuing M&A and accelerating expansion overseas.

2020s – present
Establish global base and fully expand the International Business

Toward the next pillar of growth

We have expanded our lineup of local products with the acquisition of Alva and Focus in the U.S., driving us toward a new stage of growth. We have seen substantial growth in net sales in the International Business centered on the U.S. and Southeast Asia.

*1, 2 Due to changes in fiscal year-end, fiscal 1995/3 was a six-month transitional period and fiscal 2016/12 was a nine-month transitional period. *3 A voluntary recall of red yeast rice-related products was conducted in 2024.

Contents

Value creation process

The Kobayashi Pharmaceutical Group has reviewed its material issues and established the Ideal Culture to achieve the 2035 Vision. This section introduces how these will connect to value creation in the future through the value creation process. Please see the next page for further details of each element.

Input / Origin of value creation

Management principles

We never stop creating and innovating in our pursuit of something new that will delight people and society.

Purpose

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

Establishment of the "Desired Culture"

- A culture that places customers first
- Actively taking on challenges on both the offensive and defensive sides
- Fostering Company-wide collaboration without barriers between departments
- Enabling every individual to demonstrate initiative and autonomy
- Learning with humility and continuing to evolve
- Cultivating individual growth, encouraging mutual development, and strengthening the organization

Revision of the Code of Conduct

- Our Core Values
- Our Guiding Principles of Conduct

Financial capital

A financial foundation that enables growth investment

Manufactured capital

Central R&D Lab supporting quality / Domestic and overseas plants / OEM partners

Intellectual capital

Ideas generated by all employees, and the trademarks and designs of the products created from them

Human capital

Human resources and structures that embody the Ideal Culture and the Code of Conduct

Social and relationship capital

Strong relationships of trust with partner companies

Natural capital

Raw materials and energy that are appropriately utilized and managed

Business model

Development of unique products

Idea generation → First in to new markets → Easy-to-understand marketing → Sales and product cultivation → Establishment and long-lasting sales → Overseas expansion

We work every day to develop and refine products and services inspired by what consumers wish existed, aiming to make them a natural part of everyday life and something customers feel they cannot do without.

Strategy, action

PDCA for 2035

2032-2035
2029-2031

2026-2028 Medium-term Management Plan

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

Sustainable growth of the Domestic Business

Portfolio management aligned with business phases

Allocating management resources with clear priorities and utilizing the resources generated

Evolution of new product development

Transforming the development process to create new products that address market needs five years into the future

Growth of existing brands

- Acquiring technologies that enhance product appeal
- Expanding the base of loyal users
- Optimizing advertising

■ Current brands

9 categories, approx. 150 brands

* FY2025 results

■ KPIs

	2025 performance	2028 targets
Achievement rate of first-year sales targets (Back-calculated from five-year sales projections)	Approximately 30% →	50% or more
3-year CAGR for existing products	±0% →	3% or more

Accelerating global expansion and establishing a foundation

Global brand structure

- Clarifying product brands to focus investment on
- Promoting efficient product development from a Company-wide perspective and managing brand strategies

Regional strategies

- Advancing semi-independent management in the United States
- Establishing and expanding distribution networks in Mainland China and Southeast Asia

■ KPIs

	2025 performance	2028 targets
Total international net sales	¥46.9 billion →	¥56.0 billion
United States	¥23.8 billion →	¥26.5 billion
Mainland China	¥6.8 billion →	¥8.5 billion
Southeast Asia	¥9.2 billion →	¥12.0 billion

Company-wide

Capital-efficient management for increasing corporate value

Strengthening the management foundation to rebuild trust

Corporate transformation to achieve sustainable growth once again

■ KPIs

	2025 performance	2028 targets
Consolidated net sales	¥165.7 billion →	¥188.0 billion
Operating income	¥14.9 billion →	¥22.0 billion
ROE	1.7% →	10.0%
Building a quality foundation	Serious quality accidents: 0	
Human capital management	Working with enthusiasm and vigor	
Organizational culture reform: Pride in working at the Company TOP2box	30% →	70% or more

Output / Performance, targets

Outcome Value creation

Realizing the 2035 Vision

Commitment and Aspiration

To identify customers' "it would be nice if this existed" needs and create products that they come to feel they "cannot do without."

Ideal State

To create products that thoroughly promote customer satisfaction, expand product lines globally, and become a company that leads the creation of new lifestyle habits.

Economic Value

Consolidated net sales ¥300.0 billion

Social Value

Contributing to the health and better lives of people in Japan and around the world

Material issues

Restoring trust	① Provide compensation to customers	② Enhance quality	③ Rebuild Kobayashi Pharmaceutical as a single, unified entity	④ Undertake fundamental corporate governance reform
Sustainable growth	⑤ Create new lifestyle habits	⑥ Empower diverse talent and support the growth of such talent	⑦ Achieve decarbonization	⑧ Realize circular products

Contents

Value creation process

Under the corporate slogan "You make a wish and we make it happen," we established a tradition of developing novel products never before seen in the world and thereby nurturing new lifestyle habits and markets. In 2024, the red yeast rice-related issue prompted us to return to our product creation roots as a manufacturer that places top priority on quality and safety. Based on this, we formulated our 2035 Vision with the goal of becoming a company that contributes to society.

The value we create goes beyond simply offering product.

With our commitment to thorough quality control, we deliver customers peace of mind and provide tangible value that ensures we will remain a favorite of customers for a long time. Moving forward, we intend to develop products that address a wider range of social issues in anticipation of rising customer desires to contribute to the realization of a sustainable society.

We continue to strive to take the lead in creating new markets on a global scale by bringing new lifestyle habits from Japan to the world.

Value creation process Every part of the process of value creation is explained in detail in the following five stages.

Input/Origin of value creation → Business model → Strategy, action → Output/ performance, targets

2 The origins of the Company's value creation are in our management principles, "We never stop creating and innovating in our pursuit of something new that will delight people and society," and our purpose, "Solve problems that tend to be overlooked and assist in the possibilities of people." Our recent organizational reforms are aimed at establishing a new Ideal Culture and Code of Conduct. The change in culture will take some time, but because it constitutes the very foundation of the Company's value creation, it will be time well spent. Moreover, at each stage of cultural development, from the establishment of principles to spreading awareness, we are looking forward to employee participation at the individual level.

In parallel with these organizational reforms, we are undertaking radical reforms involving transitioning to a Company with an Audit and Supervisory Committee in order to speed up decision-making and strengthen monitoring capabilities. In addition, we will undertake the reconstruction of the Quality Management System (QMS) with an eye to preventing any reoccurrence of the red yeast rice-related issue.

In addition, in building our new Saito R&D and Manufacturing Lab, which was completed in April 2026, we brought together our R&D Headquarters, Manufacturing Headquarters, and Quality and Safety Assurance Headquarters on a single floor, eliminating the physical distance between these organizations. The improved proximity allows risks to be quickly identified and data gathered by monitoring actual sites, goods, and conditions to be quickly shared from the initial development stage as well as the sharing of opinions reflecting diverse perspectives in a timely manner. This reinforcement of our manufactured capital will contribute to strengthening other capital, such as the intellectual and human capital that are the Company's fortes.

3 Our business, which draws on all such capital, involves the creation of products based on ideas generated from the starting point of addressing customer concerns. These products are quickly developed for markets where competition is low and nurtured via marketing focused on easy accessibility, leading to them becoming long-selling products and expanding overseas.

This integrated value chain is the core of our business and has become the source of strength enabling the development of products that bring wishes to life.

As such, we create products and brands across a wide breadth of categories and deliver them to customers.

4 When formulating medium-term management plans, we base them on this business model, revising strategies in accordance with changes in the internal and external environments. For example, in the medium-term management plan for 2026–2028, we will manage our portfolio to reflect changing business phases and implement a global branding system. In addition, we will implement new business strategies in such areas as capital efficiency management and strive to ensure reliable outputs that include returns to shareholders.

By faithfully executing PDCA cycles under this medium-term management plan, we will strengthen the various forms of capital contributing to value creation, the interaction of which will reinforce all capital. We are confident that this approach will further improve output.

Outcome
Value creation

5 These outputs will allow us to contribute to ever improved health not only in Japan but around the world. Such contributions constitute social value, and they will allow us to grow sustainably as a corporation that is needed by society. This is the story of our value creation.

Material issues

1 There are eight material issues that we consider important to the realization of the 2035 Vision. To restore social trust in the wake of the red yeast rice-related issue, we have placed the highest priority on compensating our customers and are conducting radical reforms in the areas of product quality, workplace culture, and corporate governance. In tandem with these efforts aimed at restoring trust, we are striving toward securing sustainable growth for both society and ourselves. To this end, we are pursuing initiatives regarding the creation of new lifestyle habits while reconsidering our approach to the human and environmental issues that form the foundation of our business activities.

Contents

Material Issues (Starting in 2026) to Achieve Our 2035 Vision

With the emergence of the red yeast rice-related issue in 2024, the sustainability management foundation we had relied on until that point crumbled. Therefore, in 2024 and 2025, we reviewed the sustainability initiatives and material issues we were facing. In the course of identifying our material issues, it became clear that, in the wake of the Issue, we would not be able to realize sustainable growth without also restoring trust. We therefore approached this task with this factor in mind.

By addressing these newly identified material issues, the Company aims to achieve the 2035 Vision while simultaneously restoring trust and realizing sustainable growth.

Material Issues before 2025

Material Issues 2 + 3

In order to continue realizing the theme of "You make a wish and we make it happen"	I. "I make a wish and I make it happen" Create a system of self-driven growth to enable each and every employee to make wishes happen
	II. Exploration of social issues that lie ahead for a wish Approach social issues with an attitude that extends beyond wishes to solve consumer problems
In order to contribute to a sustainable society	III. Respecting human rights throughout the supply chain Conduct human rights due diligence and promote CSR procurement
	IV. Tackling climate change problems Low-carbon product development by introducing renewable energy and collaborating with suppliers
	V. Governance that supports sustainable improvement of corporate value Create a system that can boost the strength of the Board of Directors with diversity and an open and transparent corporate culture

Business Foundation

Risk reduction as a company	Environment: Resource conservation Manage and reduce plastic resources, understand risks related to water, forests, and biodiversity
	Organization: Governance Strengthen internal control, thorough compliance, and risk management
	Employees: Health management Occupational health and safety and physical and mental health
	Products: Security and safety Safety and quality assurance, fair advertising, proper management of chemical substances

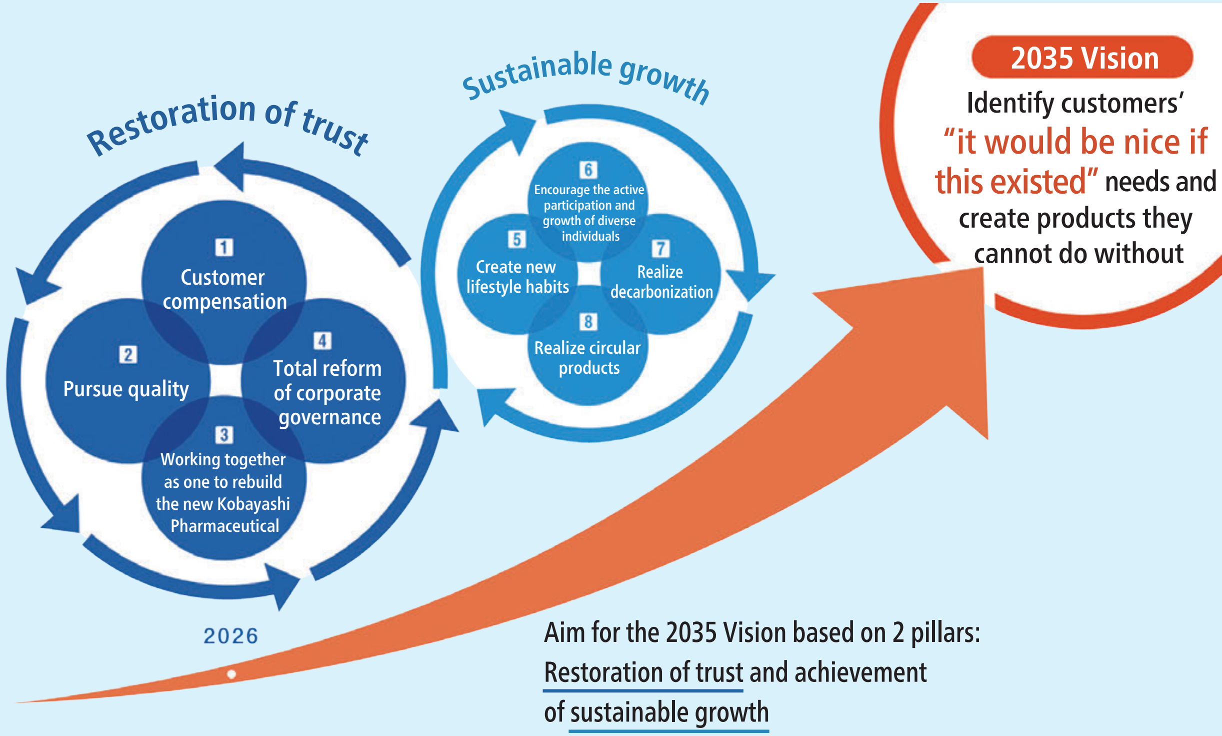
Material Issues for 2035

Major Points of the Review

Business and human resources strategies have been aligned with the 2035 Vision.

- Respecting human rights and addressing climate change are still priority social issues that we will continue to address
- Governance will be further strengthened to reflect red yeast rice-related issue lessons

Previously, conventional risk reduction activities were not considered to be material issues, but in light of the red yeast rice-related issue, this was revised and we identified key elements to strengthen



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Material Issues (Starting in 2026) to Achieve Our 2035 Vision

Materiality identification process

(I) Process of identifying material issues related to trust restoration

When we began planning the 2023–2025 medium-term management plan, we were operating very much on a default setting with regard to such foundational concepts as corporate culture, quality, and governance, but we then began treating them as material issues that needed to be firmly established alongside reforms. Sincere, appropriate compensation for customers who experienced ill health effects and business partners that incurred losses will continue to be our top priority, and this has also been incorporated as a material issue.

Material issues	Details	Main initiatives
1 Customer compensation	Sincere compensation	• Sincere compensation for customers who experienced ill health effects and for companies that had losses
2 Pursuit of quality	Thorough commitment to quality and safety	• Education and dialogue to establish quality- and safety-first approach • Establish and solidify QMS • Strengthen first-line quality awareness and expertise (i.e., on the ground)
3 Working together as one to build the new Kobayashi Pharmaceutical	Cultural reforms	• Measures to promote understanding of and engagement with corporate philosophy amongst all employees • Measures to encourage and maximize proactive efforts on the ground
4 Total reform of corporate governance	Establishment and operation of new corporate governance system	• Structural and operational reforms to the Board of Directors (Assess institutional design, strengthen oversight) • Evaluate the current effectiveness of the Board of Directors • Reconstruct and implement changes to the global governance system
	Internal controls	• Reconstruct and implement the crisis management system • Reconstruct and implement the risk and compliance system

(II) Identification process for material issues related to sustainable growth

In formulating our long-term strategy with an eye to 2035, we identified global social issues while prioritizing risks and opportunities in line with their relevance to the Company. We then evaluated said issues based on their importance to society as well as to the Company.

Identifying issues	Assessing and prioritizing issues	Confirm and verify the validity of material issues
• Comprehensively review current and future potential social issues • Organize the Company's risks and opportunities	• Organize along the two axes of importance to society and importance to the Company	• Deliberation by the Sustainability Committee and the Board of Directors

Material issues	Details	Main initiatives
5 Creation of new lifestyle habits	Maximize brand value and create new markets	• Secure a sustainable growth path for the Domestic Business • Accelerate global expansion and establish a solid business foundation • Increase product quality appeal (strengthen expertise and improve value creation capabilities with joint development)
6 Growth and active participation of diverse individuals	Respect for human rights	• Conduct human rights due diligence and operate relief mechanisms
	Promotion of health management	• Promote employees' mental and physical health
	Promotion of human resources' active participation	• Measures to establish an environment in which people thrive and work enthusiastically
	Contribution to society	• Social contribution activities with employee participation
7 Realization of decarbonization	Reduce GHGs toward carbon neutrality by 2050	• Reduce Company GHG emissions (Scopes 1, 2) • Reduce Company GHG emissions (Scope 3)
8 Realization of circular products	Reduce and reuse plastic resources	• Reduce petroleum-derived virgin plastics • Introduce recycled plastics

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Material Issues (Starting in 2026) to Achieve Our 2035 Vision

Materiality KPIs

Material issue	Details	KPIs by the numbers	Target year
1 Customer compensation	Sincere compensation	—	—
2 Pursuit of quality	Thorough commitment to quality and safety	0 serious quality incidents	Annual
3 Working together as one to build the new Kobayashi Pharmaceutical	Cultural reforms	• At least 70%*1 of employees are proud to work at the Company • Employees work with enthusiasm*2	2028
4 Total reform of corporate governance	Establishment and operation of new corporate governance system	Formulate and implement plans for improvement based on important areas identified in evaluations of effectiveness	Annual
	Internal controls	In accordance with the standards for crisis management and the regulations of the quality and safety emergency meeting, 100% of cases requiring escalation are successfully escalated to the Board of Directors	Annual
5 Creation of new lifestyle habits	Maximize brand value and create new markets	• 50% achievement of first-year targets for new products • 3% compound annual growth rate (CAGR) for existing brands	2028
6 Growth and active participation of diverse individuals	Respect for human rights	100% implementation rate of measures to identify and evaluate human rights risks in the Group's value chain	2028
		Implement effective corrective or preventive plans for human rights risks deemed to require intervention	2035
	Promotion of health management	Maintain standing as a Certified Health and Productivity Management Outstanding Organization (White 500)*3	Annual
	Promotion of human resources' active participation	Employees work with enthusiasm*2	2028
		(Based on progress under the medium-term management plan)	2035
	Contribution to society	(Based on progress under the medium-term management plan)	2035
7 Realization of decarbonization	Reduce GHGs toward carbon neutrality by 2050	• Scope 1 and 2: Reduce GHG emissions by 51% (vs. 2018) * Based on the SBT standards • Scope 3: Reduce GHG emissions by 15% (vs. 2018) * Based on the SBT standards	2030
8 Realization of circular products	Reduce and reuse plastic resources	Reduce petroleum-derived virgin plastics per unit of net sales by 33% compared with 2020	2030

*1 Percentage of people who select "agree" "somewhat agree" in surveys of Group employee awareness
*2 New questions will be added to surveys of employee awareness, and target numbers for fiscal 2028 will be set based on the first year's results
*3 Kobayashi Pharmaceutical, non-consolidated

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Message from the Senior General Manager of the Quality and Safety Assurance Headquarters

1. Realizing the new Kobayashi Pharmaceutical through the pursuit of quality and transformation

Enhance quality for customers and create a compass to serve our customers' safety and security

Executive Officer
Senior General Manager of Quality and Safety Assurance Headquarters
Hiroo Yamasaki

Just over one year had passed since I became Senior General Manager of the Quality and Safety Assurance Headquarters in January 2025. During this time, we established a system that ensures day-to-day quality issues or suggestions for improvements are promptly shared with management and, accordingly, the number of reports related to quality has increased. I see this as evidence that the Company-wide quality assurance system is stronger than ever, and the shift to focus on quality and safety first is proving effective.

Steady progress in building a solid foundation for protecting the quality we provide to our customers

Through our efforts thus far, we have seen an increase in quality awareness in the first line on the ground in the factories, such as in product design and manufacturing processes. The intermediate line (management) has simultaneously enabled effective quality control of the factory floor, thus allowing difficult decisions to be made without hesitation, such as discarding products that fail to meet our strict quality standards before shipment and ensuring the quality is of an appropriate level for our customers.

It will be crucial to continue to maintain this meticulous awareness in both the first line and the intermediate line. To this end, it will be essential for the second line (auditing) to thoroughly audit on-the-ground processes, identify issues, and take firm corrective action across functional lines.

To further solidify this as an organizational strength, I believe we must strengthen our day-to-day behavioral awareness, driven by continued strong focus on keeping our promise of quality for customers.

To support these systems, we have launched structural initiatives to develop specialists over the long term with career paths and skill maps. Going forward, we imagine a career path in which employees begin in the first line of R&D and manufacturing, then gain experience in pharmaceuticals and quality assurance to be developed as specialists. In this way, we will strengthen our personnel structure from a medium- to long-term perspective.

Accordingly, in 2025 we also strengthened our active recruitment of experienced professionals to strengthen diversity and elevate the expertise of the Manufacturing Headquarters, R&D Headquarters, and Quality and Safety Assurance Headquarters with their external experience.

Discussion of customer-focused action from multiple perspectives

Centered around the Manufacturing Headquarters, R&D Headquarters, and Quality and Safety Assurance Headquarters, which are directly responsible for manufacturing, the Quality and Safety Specialized Committee has met weekly since its establishment in March 2025 to thoroughly discuss quality-related risks and countermeasures, enabling both current and prevention-related issues for quality to be raised by every department.

Although the committee is primarily composed of members involved in manufacturing, it also includes representatives from the Marketing Headquarters, as well as members involved in various corporate functions such as general and legal affairs. Therefore, discussions go beyond the manufacturing perspective and are enhanced by questions that consider the customers' perspective objectively. The committee engages in constructive discussions from diverse perspectives and aims to confirm if each decision is fundamentally in the best interest of the customer.

Furthermore, I believe that it follows that integrity and our Ideal Culture and Code of Conduct are also crucial. Even when there are no issues in terms of quality and safety, we will still make decisions based on what is right from a human perspective and for the customer.

For example, we have been discussing whether the expressions we communicate to customers, while legally sound under the Act against Unjustifiable Premiums and

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Misleading Representations, may nevertheless create excessive expectations. To ensure quality meets or exceeds customer expectations, we will continue to evolve this beyond the existing framework and perspectives and bring together a wider range of expertise-holding members.

The Quality and Safety Assurance Headquarters leads this initiative, and we see our ideal role and purpose to be as a compass that works for the safety and security of our customers through a meticulous approach to quality that responsibly incorporates the perspectives of both our customers and society as a whole. Therefore, as individual members of this Headquarters, we will work to fulfill our roles with integrity. We will continue to create a system that enables everyone to share and encourage this awareness through workshops and other avenues with those on the ground.

Instilling quality consciousness throughout the organization

It will be key to shift mindsets through a sustainable system, rather than a temporary movement, therefore, we must rebuild the Company-wide the Quality Management System (QMS). Essentially, QMS is a management and improvement system for the Company to stably provide products and services, protect quality and safety, and strive to improve customer satisfaction.

At our in-house management policy presentation in December 2025, Mr. Toyoda positioned rebuilding the QMS as the Company's top priority. This reaffirmed our strong commitment to ensuring quality from the customer's perspective, as well as to continuously providing products and services that make customers genuinely glad to have used the Kobayashi Pharmaceutical brand. I believe that every employee, including those involved with manufacturing and those indirectly involved, has begun reflecting on the significance of the QMS in their work, and we are laying the groundwork for reconstruction.

The QMS visualizes and standardizes the connections between every part of the Company's business process up to when a product reaches the customers' hands and operates within these standard rules, enabling any necessary improvements to be introduced in a continuous cycle. To this end, it is essential for employees—even those in departments that do not directly interact with customers—understand their ultimate connection to the customer, keep collaborating, and remain committed to passing the baton along.

To ensure the QMS becomes fully embedded in this way, every individual working on the ground must be proactively independent in the context of the bigger picture of the whole Company. I believe that our next challenge will be in how to motivate each individual to take ownership of their own role in the QMS.

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Breaking free from overdependence on individuals: Creating a Company-wide QMS together with those on the ground

Previously, the Company had about 800 rules related to quality, but there was a lack of clarity regarding the relationships between concepts and standards that a single documented reference could provide. This resulted in a tendency to be overly dependent on individual judgement, and thus wide variations in procedures and their interpretation, a situation particularly confusing to new employees. To alleviate the situation, we began restructuring our QMS in line with the ISO 9001 International Standard.

The first challenge in determining a standard is to determine the necessary level of specificity. Because our QMS is intended for application across a wide range of industries, specific procedures cannot be defined, and there has been a lack of consistency on how to implement procedures even within the Quality Assurance Department responsible for their implementation. Since this inconsistency contributes to further confusion on the ground, we brought in an external consultant to help us deepen our understanding and ensure unity within the department.

Once we decided to involve the entire Company in creating the rules, the next challenge was ensuring they would be consistently understood by those on the ground. In response to questions about how day-to-day work will change, we elucidated and emphasized the importance of the rules that apply to the entire Company and how they are significant in each individual's work. Then, in April 2026, we created the QMS Management Council with 80 members from various departments. This body works to promote an understanding of the importance of the QMS, how it is directed, ensure appropriate education, and to share issues while striving to engage with those on the ground. We aim to ensure that effective rules are communicated on every level, with the council members acting as key personnel.

We aim to create a corporate culture in which every employee fully understands how the QMS improves their work and willingly takes ownership of quality. We will continue our dialogue with those on the ground to achieve this.

Quality and Safety Assurance Headquarters
QMS Management Department
Quality System Group
Quality Assurance Manager

Hajime Furuie

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Building a strong foundation that prioritizes quality and safety

Executive Officer
Senior General Manager of the Manufacturing Headquarters
Hiroya Nakamura

Over the past year, the Manufacturing Headquarters has focused on conducting comprehensive quality reviews and implementing corrective measures to prevent the recurrence of quality issues. These measures are based on third-party audits conducted at five domestic plants and one overseas plant that manufacture products that consumers ingest or use on the skin. The process of undertaking these measures has afforded us the opportunity to reconsider the hallmarks of good product quality as well as what our responsibilities are as a manufacturer.

In my view, this has been a very significant year for the Company, one in which we have seriously addressed issues in our quality control system, learned from this process, and built a foundation that will enable our transformation into a truly top-class manufacturer.

Continue to pursue the high-quality manufacturing that underpins our determination to exceed the expectations of our customers and society

Previously, our organization was structured in such a way that each plant had its own quality control coordinator focused on its independently determined definition of optimization. Therefore, to unify and strengthen quality control from a Company-wide perspective, in January 2025 we established the Quality Control Division with the authority to systematically establish and enforce uniform overall standards. In short, we have been working to refine and standardize previously inconsistent standards, and are working with the Quality and Safety Assurance Headquarters to enforce proper governance at every plant. We have seen exceptional success with the development of preservation and mold prevention technologies. Learning from the red yeast rice-related issue, we have set very high standards and invested in this area, resulting in the steady improvement of quality control and the guarantee of higher safety.

While we are already feeling the effects, we still have much work to do. Until now, we have freed up resources by reducing the number of SKUs, refining the focus and number of development projects, and reassigning development engineers to quality control. Going forward, to maximize the benefits of this selection and concentration strategy, and to create a system that enables continuous quality assurance, we must accelerate the development and securing of human resources who can implement needed changes on the ground while acquiring new technologies.

Furthermore, we established the new Factory Manufacturing Development Department to improve overall manufacturing levels. In fiscal 2025, this unit began functioning essentially as a single, unified entity, addressing site and equipment-related problems identified through third-party audits and taking corrective action. In January 2026, we increased its staff and elevated it to a department, promoting safety in the workplace.

Both the Quality Control Division and the Monozukuri (Manufacturing) Promotion Department actively hire mid-career professionals with specialist skills and utilize consultants, incorporating expert external knowledge to promote an objective, advanced quality control system.

Embrace a hands-on, onsite, and reality-based approach, and reinforce standardization to work with a customer-first approach

Among the various initiatives created as part of the reoccurrence prevention measures, I believe that the Quality and Safety Specialized Committee demonstrates the greatest functionality. The committee is a clearly defined, dedicated forum for management issues related to quality, enabling the comprehensive analysis of a product's technology under the guidance of technical experts to make decisions. There is also a system in place that ensures any issues that emerge are addressed by management.

When making a decision, we first ask ourselves and our team if we are putting the customer first. To this end, we have created the manufacturing quality action policy. I have actually seen our employees' approaches to decision-making evolve thanks to these efforts.

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Message from the Senior General Manager of the Manufacturing Headquarters

Manufacturing quality action policy

1. Create products with a focus on the quality that customers require
2. Improve awareness, knowledge, and capabilities related to quality and safety
3. Generate outputs that focus on the satisfaction of down-stream processes (synergy between design and manufacturing)
4. Hold proactive discussions in pursuit of meeting customer expectations
5. Create appropriate labeling and data integrity

Within the manufacturing division, the overall working environment has become more comfortable and conducive to people expressing their opinions. I, myself, am endeavoring to listen to as many varied opinions as possible, so I have seen the atmosphere of meetings change.

To translate these changes in awareness into concrete actions in the workplace, we have included improve awareness, knowledge, and capabilities related to quality and safety as one of the items in the manufacturing quality action policy. Accordingly, we are currently focusing on thoroughly implementing workplace safety, which is the foundation of all manufacturing.

Safety is very closely tied to quality control, and both require thorough and diligent adherence to rules.

From this perspective, and based on the slogan, "safety is the top priority," we engage in discussions on the topic on a monthly basis. This year, the Manufacturing Headquarters changed its evaluation system to prioritize quality and safety in line with this slogan. I feel that this demonstrates our commitment to safety throughout the Company.

The theme of the current medium-term management plan is to build a foundation that connects to the future and the Manufacturing Headquarters views the next three years as a time to strengthen the foundation by prioritizing quality and safety above all.

Aiming for growth in the next three years and beyond, we will take a thorough hands-on, onsite, and reality-based approach and put our customers first, diligently striving toward standardization. In these ways, we will eliminate any obstacles to growth and paint a picture of gradual growth, including offensive breakthroughs.


Conveying our top priorities of safety and quality

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Bridge connecting the plants with management

Manufacturing Headquarters, Factory Management Division Monozukuri (Manufacturing) Promotion Department Factory Production Support Group Group Manager

Makoto Aoki

I am part of the Factory Production Support Group, and we currently act as a bridge between the manufacturing sites and the Manufacturing Headquarters.

Previously, each plant was expected to generate profit independently, and the common view was that each plant had to solve their own on-site problems. However, because advanced quality control and large-scale capital expenditures cannot be implemented by plants acting individually, our top objective is to accurately communicate the realities of the manufacturing sites to management while implementing necessary reforms from an optimal Group-wide perspective. One example of this is the introduction across all production lines of inspection cameras to prevent foreign object contamination. Although some plants had already installed such equipment, the Manufacturing Headquarters is planning and allocating budgets and expanding installation to plants that do not yet have cameras while striving to review and standardize operational rules. We are working on both tangible and intangible initiatives to raise overall quality levels across the Company.

The key to advancing reforms like these is people. We recently began an initiative in which young plant leaders are invited to work at the Manufacturing Headquarters for a few years at a time, allowing them to directly experience operational processes and decision-making criteria that are often invisible at the plants. I believe that these young leaders will function as hubs of knowledge at their respective plants when they return, leading improvement efforts with a deep understanding of the intentions of both their plants and the Headquarters.

In the future, I will continue to act as a voice for those on the ground, communicating concerns to management, promoting quality and on-site improvements, and steadily building a manufacturing foundation worthy of trust from the ground up.

2. Maximizing brand value and creating new lifestyle habits

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Retaining customer dialogue as the key while evolving Kobayashi Pharmaceutical's unique product development process

Managing Executive Officer
Senior General Manager of Marketing Headquarters
Atsushi Onoyama

Over the past year, the Marketing Headquarters returned to its roots of putting the customer first and has been the chief driver of a fundamental revolution in the product development process.

The process of thoroughly analyzing every stage, covering idea generation all the way through concept development and post-launch redesign, proved much more challenging than we had anticipated. However, thanks to exhaustive discussion over the year, we were able to clarify what is important, what was lacking, and concretely define a path to real reforms.

At the end of these discussions, we identified three challenges in need of addressing to achieve true customer satisfaction: (1) idea generation, the core of our value creation; (2) our advertising strategy, which creates customer touchpoints; and (3) human resources organization, the foundation underpinning all operations.

We are now moving into the concrete implementation phase wherein we will take on the next challenges.

Uncovering insights with AI to create thinking time and understand our customers' motives better

The core of our value creation, idea generation, as identified by the comprehensive review, is a top-priority area. With the growth of such technologies as social media and AI, customer preferences are changing more rapidly than ever, and such needs often fail to be uncovered by surface-level data collection and conventional approaches. We therefore decided that we needed to enhance our ability to discern their true needs.

To tackle this challenge, we are widely promoting the use of digital transformation with a focus on AI across our organization. In particular, we are using AI to streamline routine information collection, data analysis, and large-scale idea formation. Our personnel are using the resources freed by this use of AI to engage in high-value tasks that only humans can complete. For example, our marketers look into what customers truly want and find insights hidden behind words, in turn using these insights to deepen their understanding. This results in a new modern system that enables the entire organization to effectively understand what customers actually want and gain deep insights.

This commitment to fully understanding customer needs is our greatest strength, and it is a deeply ingrained facet of our corporate culture that we have fostered through such initiatives as the Company-wide idea proposal system, which dates back over forty years. While continuing to nurture the customer-focused culture that underlies our strength, the Marketing Headquarters must ensure its insights keep pace with the changing times.

Rather than suspending operations, we are overhauling our current development processes while diligently facing the realities on the ground. I expect it will take another one to two years for the new processes to be fully cemented in place, but in the meantime we continue to steadily work toward building a development system responsive to customers' changing needs with our rather ambitious goal of inspiring repeat purchases of products with more than five years on the market.

Meticulously analyze customer purchase processes to optimize advertising media

We have also taken on the challenge of fundamentally reforming our advertising strategy, treating it as part of the product delivery phase. We temporarily suspended product advertising in March 2024. We resumed corporate advertising in May 2025 and TV advertising in June, and have been gradually increasing the range of products being advertised. In fact, this suspension of advertising unexpectedly helped us objectively understand what types of media are effective for which brands, and we are now integrating this valuable data into our strategies post-resumption.

Drawing on experience, we are meticulously analyzing the purchasing process, from how customers obtain information to how they make decisions with regard to every brand, so that, moving forward, the most effective advertising media is always chosen. Based on this analysis, we continuously visualize how information reaches its target audience and translates into purchasing intent. Simultaneously, we strive to minimize costs and thoroughly assess the role of every advertising medium objectively without the bias of past successes.

For example, we have found that online advertising (including through social media) is effective at driving conscious brand-based demand, and we have seen success trends in the form of increased sales by optimizing the ratio of online and social media to TV advertising.

By strategically combining data from online, social media, and TV advertising sources, we can improve the quality of communications to directly impact sales, and we are striving for a 20% increase in effectiveness across all advertising.

People: driving change for the new Kobayashi Pharmaceutical and its marketing vision

The greatest driving force behind process reforms, as well as a substantial challenge that needs to be addressed, is our workforce. In line with the theme of our new medium-term management plan, "Laying the groundwork for the future," we are prioritizing investing in strengthening education and are pursuing the internal development of the Marketing Headquarters' unique training programs.

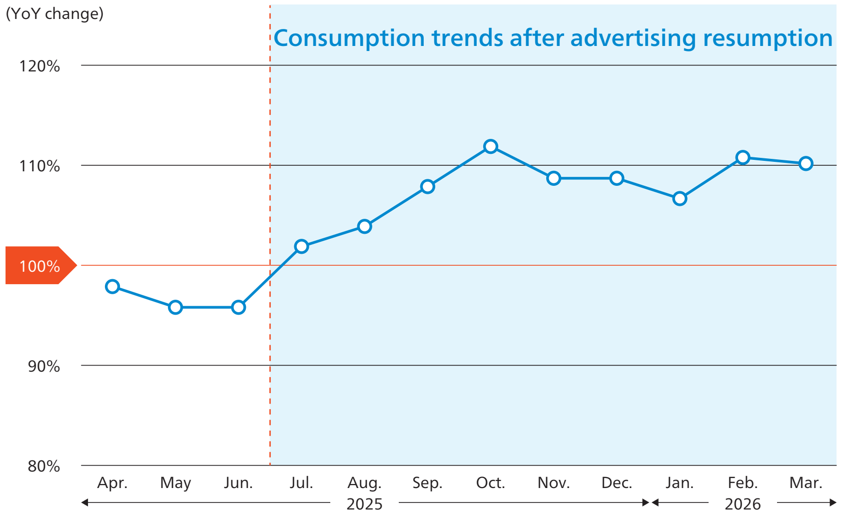
Even as we lay the groundwork for the new Kobayashi Pharmaceutical, the Marketing Headquarters is focusing on ensuring the permeation of the twelve mindsets from the Code of Conduct, including "Something New & Something Different," which is the basis of product development. In addition, we are embracing a hands-on, onsite, and reality-based approach, taking on challenges on both the offensive and defensive sides and demonstrating initiative and follow-through. By cultivating these mindsets and developing individuals who think independently and can make responsible decisions, we will strengthen the foundation to continuously cultivate human resources that reflects Kobayashi Pharmaceutical. In addition, with the simultaneous Company-wide advancement of such DX tools as AI, we will not only improve individual skillsets but also work to address the long-standing issue of work becoming too dependent on individual marketers.

Furthermore, we remain uncompromising in our commitment to clarity and simplicity as part of our unique identity and as a pillar of our Code of Conduct. I am confident that consistently advancing this culture, from product development to naming and advertising, will be the greatest source of the Kobayashi identity as seen by both our customers and our business partners.

Regardless of how DX and other systems evolve, and how formal decision-making based on objective data becomes, passion and intuitive knowledge will still be the ultimate deciding factors when creating hit products that reflect the attention and thought given to each and every customer.

Combining these evolved processes and the power generated by people caring deeply about their customers is what supports the marketing of the new Kobayashi Pharmaceutical and sustainable growth. Today we are seeing a shift in the feedback from the ground alongside our own tangible accomplishments and are even more determined to move forward as one united force supported by ongoing dialogue with customers—the key factor behind all we do.

Consumption* of healthcare-related products after resuming TV advertising



* INTAGE SRI+ performance data for April 2025 to March 2026

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A new laboratory facility for co-creation of innovative new products that will inspire repeat purchasing

Director, Managing Executive Officer
Senior General Manager of R&D Headquarters
Yuji Matsushima

Over the last year, the R&D Headquarters has pursued the accelerated implementation of reoccurrence prevention measures. In addition to the restructuring of base technologies and standardization of evaluation criteria, we also established the Formulation Technology Department to consolidate and unify formulation development, a task previously undertaken separately within individual product categories. By ensuring a shared awareness of the elements of quality and safety across all departments and stepping up collaboration, we are reducing overreliance on individual skill and further entrenching the system for quality standardization. Our next challenge will be to further hone our expertise and use it to generate product appeal that translates into customer purchases.

Technology strategy and quality strengthening initiatives

Based on a review of our technology strategy and quality strengthening initiatives conducted by the Quality Strengthening Subcommittee, the Manufacturing Division, Quality and Safety Assurance Department, and R&D Division are working together to advance initiatives aimed at further increasing the sophistication of our quality management systems. Concentrating on creating a more robust system in response to domestic and international pharmaceutical regulatory changes along with product development safety verification systems, our present focus is on prioritizing areas where our efforts will be the most impactful. We have already begun implementing initiatives for strengthening product quality. By launching products created in line with the new strict standards to ensure long-term security and safety, we expect the results of our quality reforms to quickly become apparent and help in restoring trust.

Efforts to strengthen our on-site capabilities and expertise as outlined last year may not yield immediate results, but with the unified approach to the launch of function-oriented reforms, the speed of human resource development and technology improvement has dramatically increased.

Creating products that customers purchase over and over again is R&D's responsibility

Historically, product development has often been market led, with the focus being on clearly communicating product appeal. Of course, the R&D Headquarters plays a crucial role in providing the technical support needed to ensure that as many customers as possible find the quality of our products appealing in the first place, and in this capacity will continue to work with the marketing departments.

However, the core value of R&D is to ensure that a product truly solves a problem a customer is dealing with and makes them feel that they cannot do without it, leading to repeat purchases. It is thus necessary to revamp our development process as we move forward, meticulously verifying and building on the scientific basis of a product for a particular problem and what real value it offers to customers in their daily lives. The purpose of our R&D is to cultivate the expectation set the moment a customer picks up one of our products and translating that into repeat purchases—this is the driver of transformation that we are pursuing.

Cultivating a corporate culture that fosters mutual collaboration

A driving force behind this transformation is the spirit of mutual collaboration. To use a soccer analogy, Kobayashi Pharmaceutical has many forwards, all of whom want to take control of the ball, dribble past the other team, and score goals. Although this is a wonderful strength for a Japanese company, to be a winner, we must be able to pass the ball strategically and share responsibility. While we are unwavering in our commitment to strengthening expertise, we must maintain balance without overspecialization and retain a forward-driving spirit of challenge. However, if over-specialization means that our players are afraid to take the shot, it defeats the purpose. I believe that the ideal organization is one of strong collaboration in which the team's forwards take on challenges supported by expert defenders wielding advanced technology, and sometimes even score goals themselves.

From the Company's Code of Conduct, "Engage with one another with respect and express appreciation," "Learn, teach, and grow together," and "Act from a perspective of overall optimization and collaborate across functions" are the ones I personally value the most for the R&D Headquarters. No individual is capable of handling all contingencies, so I always encourage every employee to lean on their entire team and collaborate in the creation of something truly special.

New core site: Saito R&D Manufacturing Lab

To accelerate this mutual collaboration, we began operations at the Saito R&D Manufacturing Lab base for product development in April 2026. The new facility integrates R&D functions previously handled at the Central R&D Laboratory with technological functions previously handled by the Manufacturing Headquarters located within the Osaka Plant, thus creating a new home base for manufacturing.

I expect that the launch of activity-based working will break down unnecessary compartmentalization and improve communication over physical distance by enabling every employee to interact with a hands-on, onsite approach like workers in a well-run kitchen through dialogue and collaboration. Moreover, I expect data pertaining to sense-based feedback on our products, including touch and smell, will prove to be extremely important to our manufacturing operations moving forward, and that the quality of ideas proposed will improve.

By taking advantage of such facilities as the newly established co-creation room, I expect to see significant benefits in the form of collaboration amongst employees from different backgrounds as well as with external partners. Furthermore, we will implement initiatives aimed at encouraging creative thinking such as using this new open environment for presentations of ideas (i.e., development staff presenting new product ideas directly to the President and Senior General managers), which were previously done at the Head Office.

Building a new axis for growth

Previously, the Company achieved growth by introducing unique products, but to realize our medium- to long-term vision, we must create value through new mechanisms. As part of the new Kobayashi Pharmaceutical, we will revamp our R&D processes while establishing a system that enables us to swiftly take on new challenges. I believe that we should allocate about 70% of resources to existing areas of growth, stability and transformation to ensure profitability and quality, while investing the remaining 30% in building a new axis for growth and transformation that is not limited by conventional attitudes. We will maximize our ability to discover new needs and shape the next innovations that will exceed our customers' expectations.

Open meeting spaces at the Saito R&D Manufacturing Lab

Co-creation room at the Saito R&D Manufacturing Lab

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3. Creating new markets overseas through global brands

Take on the challenge of creating our fourth and fifth global brands through robust collaboration

Executive Officer
Senior General Manager of International Business Headquarters
Koji Akita

Kobayashi Pharmaceutical's International Business primarily focuses on selling products already successful in Japan, such as body warmers, *Netsusama Sheet,* and *Ammeltz.*

As we expand overseas, we are striving to deliver what customers wish for, to this end improving the effectiveness and functions of our products in meeting local needs and lifestyle preferences, regardless of market size, and are pursuing tailored packaging and advertising to grow further.

These efforts demonstrate the essence of our strengths. On the other hand, the number of SKUs has steadily grown, increasing the urgency of taking steps to further strengthen our global quality assurance system and optimize business efficiency.

As we take on the challenge of building a strong business foundation with quality and safety as our priorities, we have temporarily suspended new independent product development tailored to the needs of various countries. Going forward, we will shift our focus to promoting the market penetration of the nine core brands (global brands and new potential products) we expect to serve as the pillars of our future global expansion. Accordingly, we have decided to reduce the total number of SKUs by about 25%.

This does not mean that we are completely eliminating new product launches for local subsidiaries—we acknowledge that new launches can be a source of growth and are motivating for the employees there—however, we are pursuing a strategy aimed at solidifying our foundation by focusing on increasing customers of our mainstay *Netsusama Sheet* and *Ammeltz* products and are working hard to ensure that local employees understand and are on board with our intentions. Once that platform is established, we will together implement initiatives based on our proven record of success and begin launching new products in earnest.

GBMs, key to the cultivation of core brands and vertical and horizontal collaboration

Pursuing a steady shift in strategy toward overall optimization with quality and safety at the forefront, in fiscal 2026 we established the Global Brand Manager (GBM) position for operations involving body warmers and cooling gel sheets.

GBMs have been given significant authority to drive such practical work as efforts to standardize product specifications and quality requirements as well as formulate and implement globally optimized development policies. At the same time, my top priority as Senior General Manager of the International Business Headquarters is to act as the vertical link for projects in each country while simultaneously ensuring the smooth functioning of the horizontal links between the GBMs and thereby facilitating effective vertical and horizontal collaboration.

Before us there are a number of hurdles to get past, like acquiring necessary permits and licenses for operations in each country, that we will deal with as we solidify our future by building a robust collaborative system capable of launching new products under a unified global brand by 2035.

In addition, our next priority is to establish fourth and fifth global brands to follow body warmers, *Netsusama Sheet,* and *Ammeltz*. Focusing on products that already have a solid track record and proven safety in Japan, we have begun to cultivate potential products for our next global brand and are looking into areas where expectations are rising in Asia and elsewhere.

Tailor our overall growth strategy to advance our operations' developmental phase in individual countries

We will tailor our expansion to the particular developmental phase of our operations in individual countries with a focus on global brands and potential global products.

Turning first to Southeast Asia, in each country we have modified the focus of our strategy in accordance with our level of market penetration. In the Philippines, Indonesia, and Vietnam, where we are in the distribution network expansion phase, we will focus on growing the market for such global brands as *Netsusama Sheet* and *Ammeltz.*

Meanwhile, in Malaysia, Thailand, Taiwan, and Singapore, where we are in the distribution network establishment phase, we will leverage our global brand distribution networks to launch and cultivate new products on their way to becoming global brands.

3. Creating new markets overseas through global brands

In Southeast Asian markets, our prospects are strong overall with a very high potential for increases in both the number of distribution outlets and brand awareness. Southeast Asia is a crucial area for growth, and we have high expectations for it going forward.

In mainland China, we finally saw sluggish sales coming to an end in the second half of fiscal 2025 and the emergence of a recovery trend. This recovery is now strongly driving the overall International Business. Our operations in mainland China are in the distribution network establishment phase, and we are stepping up the horizontal expansion of existing brands while cultivating the development of potentially global brands to secure growth going forward.

In the United States, where our marketing operations started with *BeKOOOL* cooling gel sheets, we made a large-scale entry into the body warmer market with the acquisition of Heat Max, Inc. in 2006 and Grabber, Inc. in 2012. Unlike in Japan, the use of body warmers was quite uncommon in the United States when we entered the market, but as a result of our efforts to grow sales channels and our product lineup, body warmers now represent over half of our U.S. sales.

Looking to expand our OTC and supplement business base, we acquired Alva-Amco Pharmacal Companies, Inc. in 2020 and Focus Consumer Healthcare, LLC in 2023. Based on a strong foundation built on M&A, we see our operations in the United States as being in a unique phase, unlike elsewhere, where operations are still in what we call the semi-independent management phase. This strategy maximizes the brands and strong sales network acquired through previous M&A to independently develop and expand new products in the U.S. market. During the period of this medium-term management plan, I am confident that we will continue on this growth trajectory and achieve results that demonstrate the benefits of these acquisitions.

Localization and disseminating our philosophy are essential for successfully executing our strategy

Our people and the organization itself are the crucial elements enabling the successful execution of these strategies. For the International Business to achieve growth, appropriately localizing and delegating authority will be crucial. The question that remains is how best to develop human resources that will embody Kobayashi Pharmaceutical's philosophy while being capable of thinking independently and making decisions autonomously. Our focus must be on creating a system to disseminate the philosophy of the new Kobayashi Pharmaceutical while cultivating leadership in each country. We will embody the strengths boasted of in our slogan, "You make a wish and we make it happen," realizing next-generation innovations that surpass our customers' expectations.

Medium-term management plan strategies and sales targets by area

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

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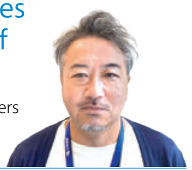
From local to global optimization: aim for sustainable growth and high profitability in the International Business, which serves as the command center for global strategy

In the International Business, which will drive our growth for the future, our biggest challenge is achieving both sustainable top-line growth and improved profitability. To date, our approach to developing overseas markets has been piecemeal, entailing quickly responding to local needs. However, as the scale of our business expands, it will be essential to achieve economies of scale and present a globally unified brand.

To lead this transformation, we established the Global Brand Manager (GBM) role in fiscal 2026. The GBMs are charged with acting as the playmakers for our global strategy, integrating our global development and strategies for each country. We are aiming to improve brand strength and profitability by going beyond organizational boundaries. Specifically, we will institute a three-part collaboration between our marketing, research, and manufacturing operations to support and further global optimization.

We will implement a strategy of selection and focus that maximizes profitability and the expansion of body warmers globally



Global Brand Manager, International Business Headquarters
Manabu Araki

I came back to Japan from an assignment in China. Whilst there, I came to see that having subsidiaries developing unique specifications driven by the local needs of their respective markets was resulting in production and inventory inefficiencies. One example of this is the wide range of variations in the configuration of the inner bag for body warmers around the world, resulting in considerable effort being put toward formulation and material management. My role as GBM is to reconnect these disconnected development processes.

In our product design philosophy, we first strictly define the core technologies that the brand must preserve. For body warmers, our R&D resources in Japan are focused on temperature control technology, and establishing globally consistent basic specifications to gain a competitive advantage while simultaneously enabling optimization. When evaluating new product themes for each country, we apply principles of economic rationality. We thoroughly evaluate if a product will be accepted in addition to whether it meets criteria for horizontal expansion to other countries and medium- to long-term profitability, thus circumventing the possibility of SKU increases.

In these ways, we are promoting the global standardization of formulations and materials and aiming for high profitability through economies of scale. We will simultaneously concentrate newly free resources into carefully selected themes for high-potential flagship and new products, accelerating the pace of expansion.

Different body warmers for menstrual cramps in various countries


United Kingdom


Thailand


Malaysia


Mainland China

Drive global optimization of cooling gel sheets with foundational, reliable strategy to maximize brand power and return on investment

Global Brand Manager, International Business Headquarters
Takaki Yagi

Kobayashi Pharmaceutical's cooling gel sheets are sold under many different brand names around the world, including *KOOL FEVER, BeKOOOL,* and *KOOL'n'SOOTHE.* Until now, the Company had prioritized local optimization, deferring to the discretion of the country's local subsidiary. To accomplish further growth as a global brand, we must ensure consistency in the brand's value, quality standards, and customer experience worldwide. Under the leadership of the GBMs, we will reduce subjective judgement and implement a data-driven decision making. Specifically, we will implement a new market research process with rigorous standards and select and concentrate resources on themes with high potential for success.

We will also establish unified standards for visual identity. Rather than streamlining branding, we will maximize investment efficiency by establishing visual and emotional core values associated with our products, ensuring that our products like cooling gel sheets are instantly recognizable anywhere in the world. We will refine the creativity of making wishes happen and integrate this approach with our new data-driven marketing technique. In this way, we will deliver essential value to people around the world while simultaneously achieving sustainable growth with high profitability.

Different cooling gel sheets in various countries

United Kingdom


Thailand


Mainland China (for adults)


Mainland China (for infants)

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4. Implementation of management that emphasizes capital efficiency

Pursue sustainable growth and restore trust through quantifiable results

Executive Officer
Senior General Manager of Finance Headquarters
Yumi Nakagawa

Reflection on and evaluation of fiscal 2025 performance

In the fiscal year ended December 31, 2025, net sales were ¥165.7 billion, a 0.1% increase year on year, while operating income was ¥14.9 billion, a 40.0% decrease.

In the Domestic Business, we resumed full-scale advertising in the second half of the year after a temporary suspension due to the red yeast rice-related issue. However, despite our best efforts, we were unable to offset the decline from the first half of the year, and overall profit for the year was down. In contrast, the International Business saw profit increase 4.0% thanks to strong performances in the United States and Southeast Asia. As a result, consolidated profit was up slightly even though results fell ¥5.3 billion short of initial plans.

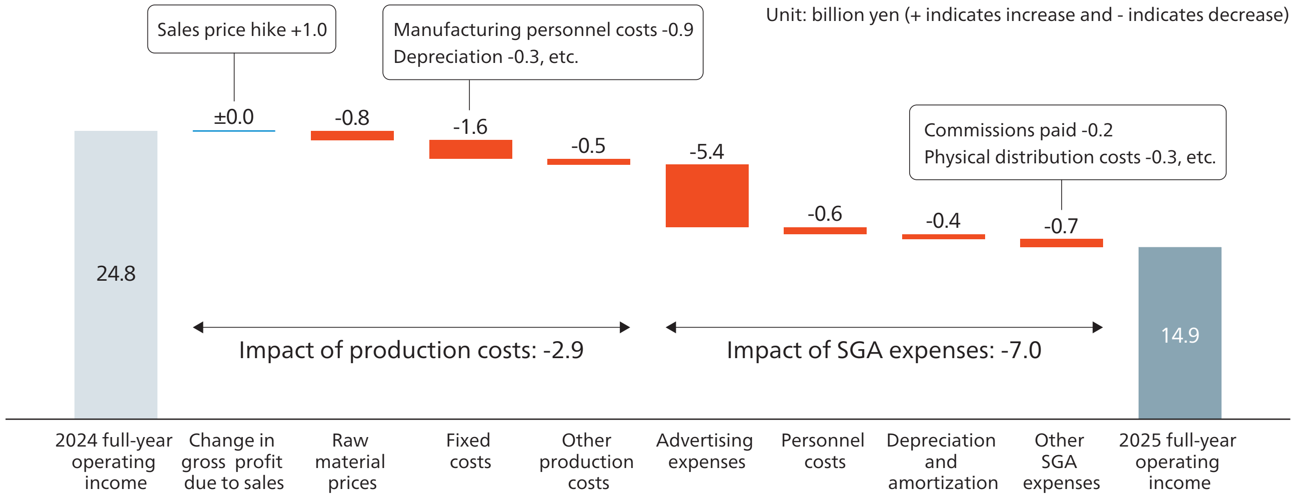
The significant dip in operating income is mainly attributable to two factors, the first of which is the resumption of advertising and associated expenses in July 2025. The second factor is the higher rate of investment in human resources undertaken with an eye to strengthening our roster of specialist personnel in order to help improve quality and safety systems——key pillars of the reoccurrence prevention measures.

Net income decreased significantly year on year to ¥3.6 billion largely due to lower operating income levels and the incurrence of an extraordinary fourth-quarter impairment loss of ¥14.6 billion related to the new Sendai and Thailand plants.

Specifically, the Sendai plant is carrying out verification to confirm compliance with various countries' manufacturing guidelines under the Pharmaceutical Inspection Cooperation Scheme while undertaking rigorous operating cost planning and overhauling the pharmaceutical product sales plan for mainland China. Meanwhile, the Thailand plant is working to establish quality control and stable production systems, a process that is taking longer than initially expected.

The resulting impairment loss was recorded in accordance with the relevant accounting standards after meticulous

Factors behind Changes in Consolidated Operating Income



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consultations with our audit firm, and cash flow forecasts were revised during the formulation of the new medium-term management plan. As the person responsible for the financial side, I see this as an opportunity for a strategic reset to eliminate uncertainties in advance, increase balance sheet transparency, and clarify prospects for profitability from fiscal 2026 and beyond. Although net income performance has been sluggish, I believe this is temporary and reflects appropriate financial decision-making aimed at reducing future risk and optimizing capital efficiency over the medium to long term.

Even as we address these structural and financial challenges, our steady efforts toward recovery are beginning to yield results. Looking at current sales trends, for example, we have been seeing the emergence of a smooth recovery track since the Domestic Business resumed advertising. In the International Business, we have confirmed favorable growth in the United States and Southeast Asia, and we are also seeing the first steps toward a "V-shaped recovery" as we move forward.

Performance forecast for FY2026

We have positioned fiscal 2026—the first year of the new medium-term management plan—as a temporary resting point in terms of operating income as we prepare for future growth. We will continue to make solid investments in quality, safety, and growth, establishing this as a preparatory phase in which the necessary groundwork for the second year of the plan and beyond will be laid.

With an eye to realizing a V-shaped recovery, we are prioritizing investment in effective advertising, meticulously evaluating the impacts of investment in each brand while simultaneously taking measures for top-line recovery and margin improvement. We expect the impacts of our advertising efforts in fiscal 2025 will translate to results in fiscal 2026, and we expect to achieve solid performance.

Forecast of Consolidated Results for the Year Ending December 31, 2026

(Unit: billion yen)

	FY2025 results	FY2026 forecast		
	Amount	Amount	Year-on-year change	Percentage of net sales
Net sales	165.7	173.0	+4.4%	—
Operating income	14.9	12.5	–16.2%	7.2%
Ordinary income	16.9	13.0	–23.5%	7.5%
Net income	3.6	10.0	+173.5%	5.8%
EBITDA*1	23.6	22.0	–6.9%	12.7%
Earnings per share (EPS)	¥4.919	¥13.452	+173.5%	—
ROE	1.7%	4.8%	—	—
Dividend	¥104 (interim: ¥44; year-end: ¥60)	¥106 (interim: ¥45; year-end: ¥61)	—	—
Net sales of Domestic Business	118.0	123.0	+4.2%	—
Net sales of International Business*2	46.9	49.4	+5.1%	—

*1 EBITDA = Operating income + Depreciation + Amortization of goodwill
*2 Foreign exchange rates: US$1 = JP¥148; CN¥1 = ¥21.0

In line with our forecast for fiscal 2026, we are striving to achieve ¥12.5 billion in operating income.

Evaluation of progress in structural reforms

The structural reforms currently under way are promoting efficiency and the migration of operations away from unprofitable areas. We are now starting to reallocate the management resources newly freed by these efforts to growth areas. We are also steadily optimizing operations in concrete terms by closing e-commerce platforms and cutting SKUs by 25%. These moves are part of our ongoing structural reforms, and we will continue to review our portfolio and operational efficiency in line with future changes in the business environment.

Thus, through structural reforms we are enhancing the speed and efficiency of operations, the results of which are being demonstrated to the market in the form of improved cash flows.

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Feasibility of the medium-term management plan

Critics have pointed to a discrepancy between the aim of returning profit to the fiscal 2023 level by the end of fiscal 2028 as presented at the results briefing held after the red yeast rice-related issue, and the actual targets announced in the new medium-term plan. We take this criticism very seriously. This discrepancy is primarily attributable to the fact that our starting point for the new medium-term management plan—net sales in fiscal 2025—fell short of expectations. Furthermore, instead of focusing on short-term profit, we decided to invest in quality and safety systems and strengthen the business foundation to realize sustainable future growth.

However, our goal is not merely to return to profitability by 2028. I believe that restoring a solid foundation and trust with an eye to long term gain will be essential to achieving our target of ¥300 billion in net sales for 2035, and this will genuinely enhance corporate value. To this end, we will clarify the priorities of our capital allocation as follows to enhance profitability to realize this 2035 target.

First, to realize continuous growth, within our strategic value creation framework we will actively consider large-scale M&A up to ¥100 billion as well as boldly reshape our business portfolio by pioneering new sales channels in U.S. and Asian OTC markets.

Next, we will improve our business foundation by placing top management priority on substantive investment in quality and safety while strategically allocating considerable resources to R&D and advertising to propel future growth.

In line with these efforts, we will engage in defensive and offensive investment to maximize the profitability of each product.

I believe that achieving our medium-term management plan targets for 2028 will be the first step on the way to reaping the fruits of our efforts and marking significant growth with an eye to 2035.

Reflecting market conditions and practicing management that takes into account the cost of capital and share prices

We have been working earnestly to restore business operations since the red yeast rice-related issue and are proceeding with compensation and reoccurrence prevention measures. In addition, we are striving to enhance corporate value by identifying customers' "it would be nice if this existed" needs and creating products they cannot do without.

Based on the results of these efforts, we are committed to recording at least ¥30 billion in total shareholder returns as a rule in our new medium-term management plan, and we remain committed to continuous dividend increases. Our overall goal remains to consistently deliver real returns that exceed the weighted average cost of capital (WACC) and thus enhance corporate value. To this end, we remain open to flexible share buybacks and aim to maximize total shareholder returns (TSR) through enhanced capital efficiency.

Realizing the Finance Headquarters 2.0 and the new Kobayashi Pharmaceutical

I believe that the Finance Headquarters should not be considered merely as a back-office operation, but should serve as a powerful management partner to propel sustainable value creation for the Company.

To this end, I view the Finance Headquarters "2.0" as having evolved beyond being a conventional corporate finance unit—it not only monitors and verifies the accuracy of figures, it also is a source of valuable insight that extends well past mere numerical data. Moving forward, we will evolve further into a team of professionals who implement improvements based on the facts and lead management with a Company-wide perspective.

This transformation will be driven by our people as they strive to ensure a workplace that develops professionals. The Finance Headquarters will actively offer training opportunities to foster high-value human resources excited to engage in brave, creative change.

Going forward, we expect the International Business to see increased activity, so we must strengthen our overseas human resources for the Finance Headquarters as well. I would also like to actively promote overseas experience to cultivate mindsets that transcend outdated frameworks.

As CFO, my principal role is to ensure the transparency of the Company's finances. It is also crucial to eliminate overly optimistic projections and to ensure rigorous governance. Finally, I must work to maximize corporate value by weaving together expertise with optimal management to meet stakeholders' expectations. In my capacity as CFO, I am determined to support the Company's ability to achieve and clearly demonstrate the financial results of its efforts to transform into the new Kobayashi Pharmaceutical.

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Roundtable discussion on the Organizational Culture Transformation Project

Weave a new organizational culture through dialogue


Saho Takajo
R&D Headquarters
General Manager of Healthcare Product Development Department


Hirokazu Noguchi
Manufacturing Headquarters,
Factory Manufacturing Development Department, Toyama Kobayashi
Head of Affiliated Company Pharmaceutical Production Department


Munehiko Doi
Sales Headquarters,
East Japan Headquarters,
Kanto Region Sales Department
Omiya Group 3 Manager


Miki Koide
Manufacturing Headquarters,
Manufacturing Management Department
Training and Workplace Planning Group


Toru Furiyoshi
Corporate Strategy Headquarters
Human Resources Department


Daijiro Tanohata
Public Relations & General Affairs Headquarters,
Public Relations & IR Department,
IR Group

Toward creating an organizational culture and code of conduct for all employees

Following the red yeast rice-related issue, we felt an urgent need for a fundamental transformation of our organizational culture. This Organizational Culture Transformation Project has involved every employee. We faced a number of obstacles along the way, including differences in perspectives and opinions between management and those on the ground. In this roundtable discussion, the members who led the reform reflect on their experiences in enacting reforms as well how Kobayashi Pharmaceutical is continuing to work on change.

Theme 1 Reforms amid confusion

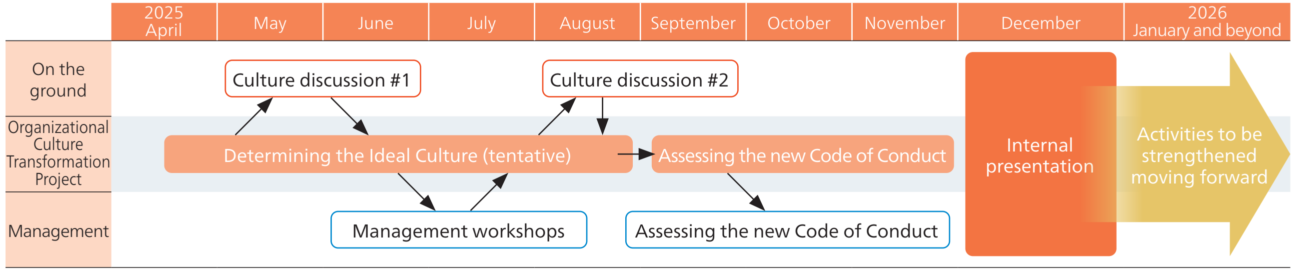
Taking ownership of this challenge


Tanohata When the project first started in December 2024, the fact-finding committee's report didn't specifically mention the corporate culture and I found myself wondering, if we hadn't received any particular complaints, was reform really necessary? What did everybody else think?


Furiyoshi If I'm honest, I wasn't sure about the need for cultural reform. It felt like a less immediate issue compared to more visible challenges like quality improvement, and I believe that many employees, like myself, were skeptical. However, after the project began, I reread the fact-finding committee's report to look at whether cultural issues were also at play, and I did come to believe that this incident occurred as a result of the Company's corporate culture. Eventually, I came to the conclusion that if the Company weren't to change now, would it ever be able to?


Takajo At first, we looked at hiring an external consultant, but during discussions, the president asserted that the true value of our culture will be realized only if we create it ourselves. These words really stuck with me, and we decided to make a major pivot in our approach and take on these reforms ourselves without relying on external help. This solidified our resolve to take a direct approach to defining our unique identity, and we became determined to get through it despite any difficulties along the way.

Process of creating the Code of Conduct



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Roundtable discussion on the Organizational Culture Transformation Project

Theme 2 Creating the shared Ideal Culture

Analyzing the heartfelt feedback of 3,000 on-the-ground employees

Tanohata

The project's biggest challenge was finding ways to involve every employee and get them to take ownership of the project. What particular challenges did you confront over the course of the culture discussions, which were designed to collect feedback from the ground?

Takajo

Our top priority was to have not just a select group but all employees to together envision the Ideal Culture for Kobayashi Pharmaceutical. We knew that some pretty words thought up by a few people would most likely fail to resonate across our workforce and that the corporate culture would remain unchanged. It was a daunting task to review feedback from 3,000 people, but we streamlined the process and obtained a balanced picture by judiciously using generative AI while also carefully capturing the weight of the individual opinions and motivations expressed.

Noguchi

We approached the scheduling of the culture discussions carefully. We were concerned that a forced schedule would disrupt normal work and worsen employee morale, so we strove to find a balance between daily productivity and making space for dialogue. We also wanted to avoid these discussions becoming a mere formality, so in advance of such discussions we made sure to contact key people at target sites and engaged in simulations in addition to conducting other activities aimed at increasing participation. Thanks to this meticulous preparation, the discussions were positive and active. For example, during discussions at one plant, some employees expressed candid opinions on such topics as profit competitions between factories, and these were relayed accurately to the Head Office without sugarcoating. I believe that this honesty led to genuine discussions without fear of friction.

Koide

We also worked hard to ensure that information on the project's objectives and progress was communicated across the Company. At the beginning, there were a lot of people who were indifferent, so we started by sharing more information to increase awareness. We were unprepared for the sheer volume and passion of the feedback on the project and the corporate culture that this generated. The unexpectedly high volume of opinions demonstrated the extreme degree of employee participation and reaffirmed the enthusiasm of each employee on the ground as one of Kobayashi Pharmaceutical's strengths. While not all the feedback was positive, we saw this as proof of our employees' high expectations, and we carefully addressed each opinion to gradually increase understanding.

Ideal Culture

The corporate culture we strive for to be an organization that fulfills its promises as set forth in the Company's management principles and purpose.

1. A culture that places customers first
2. A culture in which both the Company and individuals actively take on both offensive and defensive challenges
3. A culture without barriers between departments, positions, or generations, fostering Company-wide collaboration
4. A culture in which each individual demonstrates initiative and autonomy
5. A culture that humbly learns from both within and outside the Company and continues to evolve
6. A culture in which people grow, support each other, and, in turn, strengthen the organization

Theme 3 Giving concrete form to thought

Following extensive discussions, we have created a new Code of Conduct, every single word of which is instilled with passion.

Tanohata

After the first draft outlining the Ideal Culture was submitted by the Company's employees, the next step was for management to refine that vision and translate it into concrete guidelines. What was the vibe of the management workshop?

Doi

The management workshop really demonstrated employees' sense of involvement. And, we did more than just hear feedback, we genuinely paid attention and explored concepts until we fully comprehended the kind of corporate culture the Company should strive for. We were so passionate that we even had difficulty keeping up with making minutes of the meetings as we incorporated employee feedback into the Company's direction. That energy was huge.

Takajo

One example is we held a passionate debate on how to define the word "challenge." Employees were in favor of encouraging small forward-looking challenges but also of taking on defensive challenges aimed at protecting valued items from unnecessary change. Although there were many points of consensus amongst the management team, some reasoned that focusing overmuch on small challenges could cost the Company momentum for bigger challenges, so discussions took a good while, and there were even times when we came to an impasse. Nevertheless, despite the time consumed, I believe this debate was a crucial process for reconciling the perspectives of the management.

Tanohata

After the management team refined the Ideal Culture, we began the process of translating it into the Code of Conduct, including deciding how to change everyday behavior to realize that culture. We took the time needed and exercised extra care in choosing every word.

Doi

Yes, exactly. We meticulously considered every single word to make sure that the language would be satisfactory and easily absorbed without misunderstanding by those working on the ground. At first, we thought that the best way to ensure widespread adoption would be to narrow it down to a few key, simple phrases, but we quickly realized that oversimplification would result in a wide range of individual interpretations, so that wouldn't work as a guideline. Even for a single phrase, such as "comprehensive optimization," we held multiple discussions and carefully chose the wording to accurately convey its importance, including to Group companies.

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Roundtable discussion on the Organizational Culture Transformation Project

Takajo

We were especially particular about defining the word "customer." Our previous Code of Conduct contained the phrase, "customer-focused perspective," which we viewed as extremely important. However, we found that the definition of "customer" in this context was being interpreted differently by each department. To eliminate these discrepancies, we have chosen to emphasize our philosophy of prioritizing the end consumer with the phrase "uphold a customer-first mindset." The management team was very particular about this, and we made sure to refine it carefully.

Noguchi

I think it's a great achievement that we were able to retain the phrase, "embrace a hands-on, onsite, and reality-based approach" within the new refined standards, and this phrase is already well-known to those on the ground. The spirit of those on the ground was not lost even through this refinement process, but instead transcended into a shared language. I believe this is why it was so widely accepted by those on the ground.

Furiyoshi

Having said that, we didn't change our entire Code of Conduct. Many people from both the ground staff and management thought that our corporate culture had good parts worth preserving. I see it as a great strength of the Company that there was a great deal of agreement between those on the ground and management on this matter. One thing we did modernize was our core strength of continuing to challenge ourselves despite failure and incorporated it into the new code of conduct.

Code of Conduct

This Code of Conduct outlines our values and actions to achieve our management principles and purpose, as well as to cultivate the ideal corporate culture.

Our Core Values

Uphold a customer-first mindset
We shall always put our customers (those who use our products and services) first, prioritize quality and safety, pursue customer satisfaction, and continuously meet their expectations and thereby earn their trust.

Continually ask what is right as a human being and act accordingly
We shall continuously ask whether as human beings our actions are honest and right and act accordingly. We shall not become overconfident of our own opinions but humbly listen to diverse perspectives and engage in dialogue.

Fulfill our social responsibility
To remain a trusted company, we, as a member of society, shall act in compliance with legal regulations, ethical considerations, environmental protection, and respect for human rights.

Engage with one another with respect and express appreciation
Regardless of role or status, we shall respect each other and strive to deeply understand others' opinions and context. We shall interact with respect, actively express gratitude to each other, and build better relationships.

Our Guiding Principles of Conduct

Take on challenges in both offense and defense
We value both offensive and defensive challenges equally as they all connect to the future. Rather than doing nothing out of fear of failure, we shall learn from mistakes and continuously challenge ourselves.

Act from a perspective of overall optimization and collaborate across functions
We shall collaborate through constructive dialogue that is respectful of all participants and aim to achieve enhanced results with a perspective aimed at comprehensive optimization.

Demonstrate initiative and follow through to completion
Every employee will take ownership, think for themselves, and make their own decisions, especially when taking the initiative.

Incorporate knowledge and insights from both within and outside the Company and translate them into organizational strength
We shall humbly collect insights from both within and outside of the Company, resist limiting ourselves to proven or habitual paths to success, and transform insights into strengths while ensuring these strengths last into the future.

Learn, teach, and grow together
We value proactive learning and growth and support this approach within our organization. We shall grow together by actively sharing and expanding our experiences and knowledge.

Be uncompromising in our commitment to clarity and simplicity
We shall constantly strive to understand others' perspectives and act with clarity at the forefront of our minds.

Something New & Something Different
We shall always focus on valuable novelty and meaningful differences as we approach new ideas and concepts.

Embrace a hands-on, onsite, and reality-based approach
We shall go to real sites, examine real products, and face real circumstances before making decisions and taking action based on those facts.

Theme 4 Transforming words into culture

Taking the first step toward self-sustaining permeation with driving leaders

Tanohata

The new Code of Conduct has been created, but it will be truly important to see what happens next. What sort of systems will be established to ensure its widespread permeation across worksites?

Furiyoshi

With the Organizational Culture Transformation Project, we are currently in the process of transitioning to a new system with about one hundred project leaders from each headquarters. First, we are training new members on the background of the project and our passion for it, so that they can engage the ground staff with the same level of enthusiasm. Going forward, the new leaders will take the initiative and implement strategies tailored to the specific characteristics of their sites.

Postscript and summary

In this roundtable discussion, we shared the creative process behind the new Code of Conduct. We believe that the time spent collecting feedback from employees at all levels and engaging in direct dialogue with management have been the first steps toward real change at Kobayashi Pharmaceutical.

Of course, simply creating a new code of conduct is not the end of the matter. Our next objective will be for every employee to incorporate this code into their everyday work. The real transformation of Kobayashi Pharmaceutical's organizational culture starts now.

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Message from the Chairman

Chairman of the Board
Yoshihito Ota

Cultivate leaders who believe in business and achieve unprecedented growth

When I became Chairman in March 2025, the Company seemed to still be in a state of flux. My first word of advice to the then-new President Toyoda was to project a firm attitude and confidence. As we spoke, I drew on past experience to emphasize what should be done for both our customers and for our employees, and how that mindset and judgement need to be expressed in a natural way.

In May and June 2025, we gradually resumed newspaper and TV advertising and also held new product launch events for our distributors. As these activities progressed, internal operations steadily stabilized. By autumn, when performance began to show signs of recovery, the Company had committed to its responsibilities and begun laying the foundation for addressing business challenges under the new structure.

Now, I feel that we have created an environment in which the President can demonstrate his strength—the vitality to drive change on the ground. As the Chief Executive Officer, President Toyoda has always been at the forefront of restoring trust. I am confident that he will continue robustly leading Kobayashi Pharmaceutical's reconstruction and transformation.

Our strong conviction toward growth, and breaking away from inward-focused mindsets

The challenge we were faced with was that while active discussions with diverse opinions were taking place, final decision-making was often influenced by the founding family—the top management at the time. We have thus been tasked with finding a way to evolve into a unified organization that enables individuals to act with autonomy and responsibility, even in difficult situations. Every employee should feel a sense of ownership and strong determination to support the Company's growth.

Kobayashi Pharmaceutical's corporate culture is one in which employees are energetic and passionate about their work, and we nurture a strong sense of unity in every workplace, as evidenced by our high level of employee retention. This environment is one that fosters a level of creativity that has led to numerous new, unique, and unconventional products, which is our greatest strength. We will further develop this extraordinary DNA and refine the Company's ability to drive dynamic challenges that transcend existing business and departmental boundaries.

Without resting on the laurels of our past successes, we must now shift our focus outwards and take on the challenges of ever-changing society. This will be key to overcoming the difficulties of the red yeast rice-related issue, and evolving into an organization that is essential for society.

To realize this transformation, our leaders must first demonstrate initiative. Unless leaders are able to confidently take the lead and show their complete and utter commitment to breaking from past ways of doing things and adopting a fundamentally different approach, the Company will never transform into a high-growth, high-profit enterprise. Beyond that, we must be able to envision a dream for our future as an exemplary company in Japan and Asia a whole.

We launched operations at the Saito R&D Manufacturing Lab in April 2026 as a base for creating the future to which we aspire. Equipped with cutting-edge facilities, this first-class lab accelerates the new product development behind the Company's quality and safety. What sort of company would befit such a research center? By following this question to its conclusion, I believe that our ideas and perspective will evolve.

Steady progress in building a foundation to restore trust

In its efforts to restore trust, the management team must first face the realities on the ground and demonstrate initiative by making prompt, appropriate decisions. I believe this is the most important point, and I think progress has thus far been steady.

As a result of Company-wide quality control training, even minor issues at plants are now reported promptly to the Group Council, allowing management to make informed decisions. A system facilitating understanding of the situation on the ground is being put in place, a move crucial to the restoration of trust, and similar practical measures are steadily progressing.

Because we are taking things one step at a time, it may take a little longer for the culture to become deeply rooted, but we are steadily building a system on par with those of our competitors.

Developing leaders and cultivating an organization in which people think and make decisions autonomously

In these ways, the corporate culture is also created by management. This kind of change in an organization can only happen from the top down.

For an organization to develop a culture of autonomous thinking and decision-making, there has to be a fundamental shared understanding that leaders are responsible for their decisions and will not deviate from this mindset moving forward. How do we make decisions with this in mind?

To align the decision-making criteria of the management team, we introduced a leadership training sessions aimed at cultivating necessary skills. In addition to directors, the sessions included Senior General Managers, Audit and Supervisory Committee members, and some general managers, with a total of 10 sessions held biweekly between July and December 2025.

Over the course of these sessions, I was the facilitator for a number of discussions with the team, with the topic of one session being on the management philosophy of the

late Kazuo Inamori, who executed the renowned turnaround of Japan Airlines. Our goal was not simply knowledge sharing, but rather, the cultivation of true unity of leadership. We often talk about cross-boundary coordination, but unless those in management can speak openly and build relationships of trust and cooperation amongst themselves, we can never have unity on the front lines. This is why I wanted to first focus on building a foundation for open-minded cooperation.

On top of that, I was most emphatic about the need for management to clearly define the purpose and significance of their own work. Leaders must understand the importance of their own departments more deeply than anybody else, and furthermore take pride in their work and its value to the Company and society. By converting that pride into shared passion, our workplace can become the strong backbone of our organization with a mission, one in which everyone wants to contribute. My goal in this is not to simply have my colleagues attend lectures on principles, but to see these principles applied practically in the workplace.

In October, we began holding business review meetings in addition to the leadership training sessions. Participants included directors, Senior General Managers, and presidents of manufacturing companies (including those overseas). We meticulously compared monthly budgets to actual results and

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examined the factors behind any discrepancies. The purpose of these meetings is to enable management to express their results by the numbers, as well as to increase their sensitivity and responsibility for numerical performance—and we saw these meetings delivering exactly these results. By going through the details as a team, I hope that every individual will gain a high level of managerial awareness and approach their work in a new light.

A business's success is entirely dependent on its people. Accordingly, a company needs a management team capable of taking on that responsibility so as to become a thing that people can't do without. Through the leadership training sessions, our management team is being cultivated to grow into its best possible form, and I am confident that the Company will become even stronger in both tangible and intangible aspects of its business as we embody our vision and become essential to the world.

I would like to ask our stakeholders to provide their opinions and feedback regarding our management. Constructive dialogue is the most crucial force for improvement management and continuously enhancing corporate value.

Kobayashi Pharmaceutical has outstanding employees, in terms of both ability and character, and under the leadership of a driven management, I believe that we can achieve unprecedented growth if everyone can be enabled to thrive freely. I will personally support this transformation by focusing on strengthening governance, developing leaders, and reforming the corporate culture to exceed the expectations of all of our stakeholders. I humbly ask for your continued support as we take on new challenges to test the true worth of Kobayashi Pharmaceutical.

COLUMN

Top management changes first, and their enthusiasm inspires the entire Company

The leadership training sessions were designed to realize the true participation of employees in management, with Chairman Ota attending every single session and continuously leading the debate on how leaders should fulfill their roles as both managers and individuals. While cherishing a positive corporate culture, the Company is determined to shift into an autonomous organization in which individuals are empowered to embrace a wider perspective and to make decisions independently. We have therefore devoted ample time to clarifying the purpose and significance of every department. The sessions became an essential forum for discussion, and participants looked deeply inward to articulate this concept in their own words to truly create the ideal vision and purpose for our organization.

Chairman Ota reviewed and provided feedback on every post-session assignment in addition to conducting one-on-one sessions with each participant on the project's key objectives. Through a repeating cycle of writing, speaking, and getting feedback, every leader's outlook was enhanced.

At the final leadership training session held in 2025, the management team presented their own ideas of the purpose and significance of their departments, followed by a candid question and answer session.

Leadership training session

Transition to a Company with an Audit and Supervisory Committee

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Basic approach to corporate governance

We believe that increasing shareholder value is a top priority to realize the Company's fundamental management policy of maximizing corporate value. To achieve this, we believe that prompt and accurate disclosure and increased management transparency are crucial. Thus, we are implementing a number of initiatives to enhance corporate governance.

Kobayashi Pharmaceutical's corporate culture is one of openness, in which anyone can express their opinions, and we actively create opportunities for employees to discuss their views with top management. We believe that developing and maintaining this corporate culture contributes to effective corporate governance.

Purpose and key aspects of the transition to a Company with an Audit and Supervisory Committee

In the reoccurrence prevention measures announced in September 2024, the Company identified making a "fundamental change to corporate governance" as a key issue in our reoccurrence prevention measures. As part of this effort, we conducted a comprehensive review of our institutional design, which forms the foundation of corporate governance. As a result of careful consideration, the Board of Directors has determined that transitioning to a Company with an Audit and Supervisory Committee is appropriate in order to strengthen its corporate governance structure.

Accordingly, at the 108th Annual Shareholders' Meeting held on March 27, 2026, the Company resolved to transition from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee. By transitioning to a Company with an Audit and Supervisory Committee, the Company will include Audit and Supervisory Committee Members, who are responsible for auditing the execution of duties by Directors, as members of the Board of Directors, while clearly separating the supervisory and execution functions of management. This will enable the Board of Directors to further enhance its supervisory function by deepening deliberations on medium- to long-term management strategies and responses to material risks. At the same time, by delegating authority from the Board of Directors to the executive side, the Company aims to accelerate decision-making and enhance managerial agility. Through these reforms, we aim to sustainably enhance corporate value.

Explanation of the appointment of the Audit and Supervisory Committee members

To ensure objective and transparent management, the Board of Directors is composed of ten directors in total with a majority of six comprising independent outside directors. Furthermore, all three of the Audit and Supervisory Committee members under the recently established Company with an Audit and Supervisory Committee structure are outside directors. We expect these individuals to utilize their respective expertise and experience to realize more effective management oversight and conduct audits from an independent, objective perspective. The reasons for the appointment of each individual are as shown to the right.

Masato Mori — Outside Director, Audit and Supervisory Committee Member

Mr. Masato Mori possesses specialized knowledge not only in finance and accounting but also in risk management and internal control as a university professor. In addition, he has extensive practical experience, including serving in senior positions at a major audit firm and other organizations, as well as his substantial experience as an Outside Corporate Auditor and as an Outside Director who is an Audit and Supervisory Committee member at other companies, he has fulfilled the role of supervising and auditing business execution from an independent standpoint. At Kobayashi Pharmaceutical, he has provided valuable comments at meetings of the Board of Directors based on his professional expertise. In addition, as Chair of the Company's Compensation Advisory Committee, he has led the operation of the Committee and provided involvement and advice to ensure objective and transparent remuneration procedures, thereby fulfilling the role expected of an Outside Director. The Board of Directors expects that he will continue to leverage his expertise to strengthen the Company's corporate governance and risk management and to perform effective management oversight and audit functions and has therefore appointed him as an Outside Director who is an Audit and Supervisory Committee Member.

Yoshiro Katae — Outside Director, Audit and Supervisory Committee Member

Mr. Yoshiro Katae has served as Executive Officer and Senior Executive Officer at Komatsu Ltd. and possesses extensive experience and a high level of expertise, particularly in the areas of crisis management and compliance. At Kobayashi Pharmaceutical, he has provided valuable recommendations at meetings of the Board of Directors based on the knowledge he cultivated at a global enterprise. In addition, as a member of the Compensation Advisory Committee and the Corporate Governance Committee, he has contributed and provided advice to ensure objective and transparent resolution procedures, thereby fulfilling the role expected of an Outside Director. Given his thorough familiarity with the circumstances of the red yeast rice-related issue, the Board of Directors expects that he will contribute to the enhancement of medium- to long-term corporate value through appropriate monitoring and will continue to supervise and audit management from an independent standpoint and has therefore appointed him as an Outside Director who is an Audit and Supervisory Committee Member.

Shinsuke Matsumoto — Outside Director, Audit and Supervisory Committee Member

Mr. Shinsuke Matsumoto possesses extensive knowledge and expertise in corporate legal affairs as an attorney-at-law. In addition, he has broad experience as an outside officer, having served as an outside audit and supervisory board member for several operating companies and investment corporations. Based on such experience and knowledge, he has fulfilled the role of supervising and auditing business execution from an independent standpoint. At Kobayashi Pharmaceutical, he has provided valuable comments at meetings of the Board of Directors from his professional expertise in corporate law. In addition, as Chair of the Corporate Governance Committee, he has led the operation of the Committee and provided involvement and advice to ensure objective and transparent resolution procedures, thereby fulfilling the role expected of an Outside Director in supervising the Company's business execution. The Board of Directors expects that he will continue to help strengthen the Company's corporate governance and compliance and to perform effective management oversight and audit functions and has therefore appointed him as an Outside Director who is an Audit and Supervisory Committee Member.

For further details on the directors' expertise and experience, please see the skills matrix on page 66.

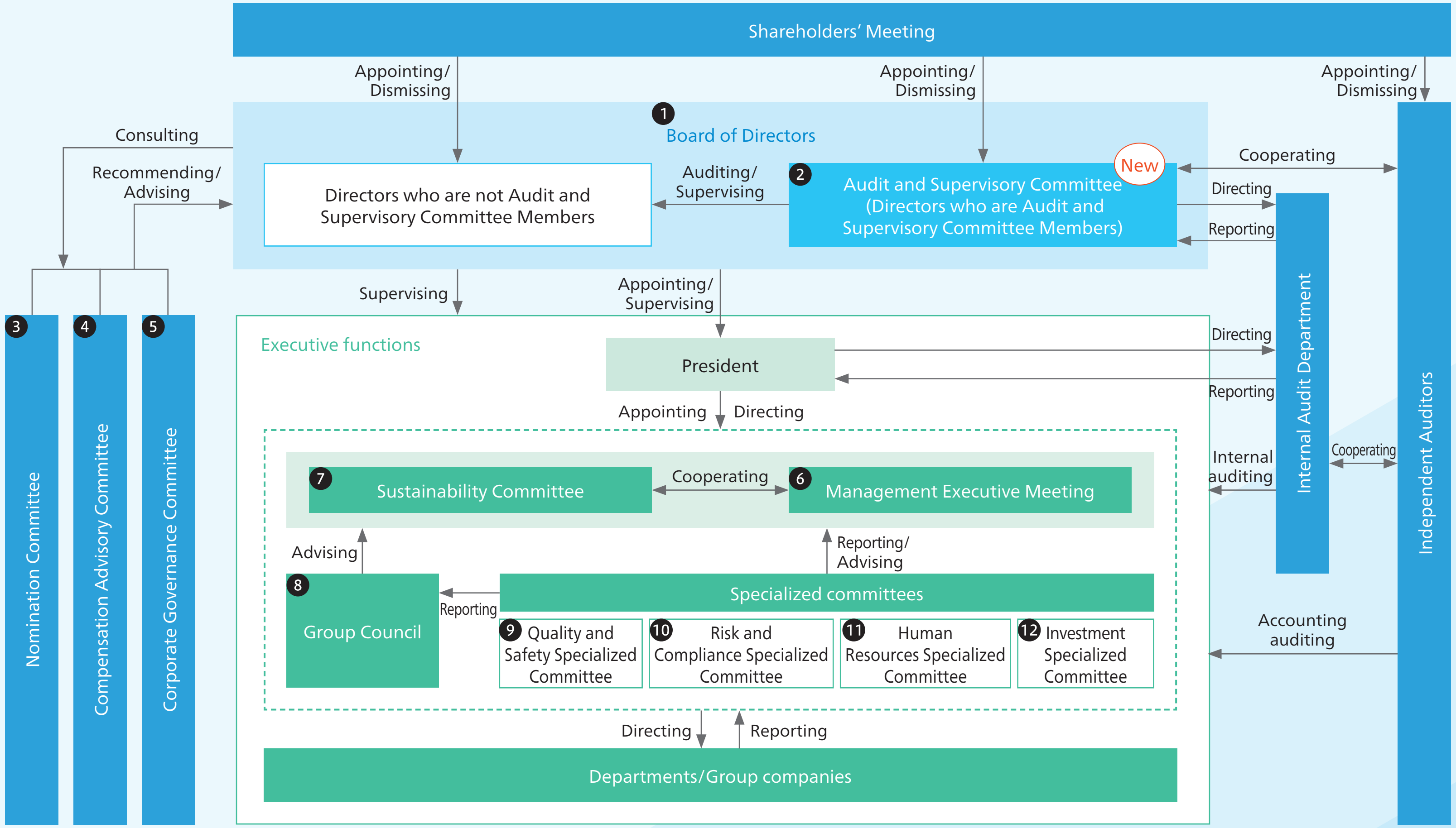
Transition to a Company with an Audit and Supervisory Committee

Governance System

In line with our transition to a Company with an Audit and Supervisory Committee in March 2026, we established the Audit and Supervisory Committee within the Board of Directors to oversee the directors' execution of duties, thus realizing a system that clearly separates management oversight and execution. Furthermore, to strengthen the independence of and enforcement of checks and balances by the Company's Internal Audit Office, we reorganized said office in order to establish the Internal Audit Department in March 2026. We have also established a dual reporting line to the president and the Audit and Supervisory Committee, thus improving the effectiveness of the Company's audit system.

In addition, we have voluntarily established the Nomination Committee, Compensation Advisory Committee, and Corporate Governance Committee as advisory bodies to assist the Board of Directors with the goal of ensuring highly objective and transparent management.

Corporate governance system



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Transition to a Company with an Audit and Supervisory Committee

Major meetings and expert committees

	Role	Frequency*	Members
1 Board of Directors	The Management Executive Committee makes decisions on important management matters and conducts monitoring by receiving reports on important issues and evaluating said progress.	Once per month in principle	Chair: Yoshihito Ota Akio Takahashi, Misa Kusumoto, Toshiaki Monkawa, Masato Mori, Yoshiro Katae, Shinsuke Matsumoto, Norikazu Toyoda, Yuji Matsushima, Akihiro Kobayashi
2 Audit and Supervisory Committee New	Working from a perspective independent of business operations, every director who also serves as an Audit and Supervisory Committee Member conducts audits to assess whether directors' execution of their duties is appropriate and complies with laws and regulations as well as with the Company's Articles of Incorporation.	Once per month in principle	Chair: Masato Mori Members: Yoshiro Katae, Shinsuke Matsumoto
3 Nomination Committee	This committee, which reports to the Board of Directors, deliberates on matters related to nomination and dismissal, succession planning, and skill matrices.	At least twice per year	Chair: Akio Takahashi Members: Misa Kusumoto, Yoshiro Katae, Yoshihito Ota, Norikazu Toyoda
4 Compensation Advisory Committee	This committee, which reports to the Board of Directors, deliberates on compensation system policies as well as the details of directors' individual compensation packages to ensure transparency in the determination of said compensation for directors and executive officers.	At least twice per year	Chair: Toshiaki Monkawa Members: Akio Takahashi, Masato Mori, Yoshihito Ota, Akihiro Kobayashi
5 Corporate Governance Committee	This committee discusses the structure of the corporate governance system, policies for investor and shareholder dialogue, policies governing evaluations of the effectiveness of the Board of Directors, and submits its recommendations to the Board.	At least twice per year	Chair: Shinsuke Matsumoto Members: Misa Kusumoto, Toshiaki Monkawa, Norikazu Toyoda, Yuji Matsushima
6 Management Executive Meeting	As the final decision-making body for the Group's executive department, this is a forum for the timely, intensive discussion of critical management matters and for making prompt decisions.	Twice per month in principle	Chair: Representative Director, President and Chief Executive Officer Full-time Audit and Supervisory Board members, and others chosen by the chairperson (a small number of executive officers and the General Manager of the Internal Audit Office)
7 Sustainability Committee	This committee discusses and exchanges opinions on reports on important issues related to materiality, including the environment, society, and governance.	Held according to the annual agenda	Chair: Representative Director, President and Chief Executive Officer Vice Chair: Senior General Manager of Corporate Strategy Headquarters Members: All Senior General Managers, and others chosen by the chairperson (including a small number of executive officers and the General Manager of the Internal Audit Office)
8 Group Council	This council is a space where information from each department is exchanged and issues are discussed from a variety of perspectives. It has been positioned as a forum for the expression of opinions on improving the quality of deliberations at the Management Executive Committee and various other management matters.	Twice per month in principle	Chair: Representative Director, President and Chief Executive Officer Others chosen by the CEO (including the heads of each department and the General Manager of the Internal Audit Office)
9 Quality and Safety Specialized Committee	Examine and respond to management issues related to quality	Once per week	Chair: Senior General Manager of R&D Headquarters Vice chair: Senior General Manager of Quality and Safety Assurance Headquarters Members: Senior General Manager of the Manufacturing Headquarters, Public Relations & General Affairs Headquarters, General Manager of the Quality Assurance Department, Head of Quality Control Division, General Manager of the Research QC Department, Fundamental Research Department, Legal Department, and other department managers
10 Risk and Compliance Specialized Committee	Internal controls and medium- to long-term risk management	Once per month	Chair: Senior General Manager of the Public Relations & General Affairs Headquarters Vice Chair: Senior General Manager of Corporate Strategy Headquarters Members: General Manager of the Legal Department, Management Planning Department, Human Resources Department, Corporate Headquarters, etc.
11 Human Resources Specialized Committee	Considers and plans human resources strategies, considers succession plans	Twice per month	Chair: Representative Director, President and Chief Executive Officer Members: Senior General Manager of Corporate Strategy Headquarters, General Manager of the Human Resources Department, etc.
12 Investment Specialized Committee	Examines the profitability of investments and the soundness of business plans	Twice per month	Chair: Senior General Manager of the Finance Headquarters Members: General Manager of the Finance Department, Senior General Manager of Corporate Strategy Headquarters

Notes:
1. To realize the quality and safety first approach we are striving for, we have established direct reporting lines for important matters related to product quality and safety and compliance between the Quality and Safety Specialized Committee and the Risk and Compliance Specialized Committee to the Board of Directors, bypassing the Management Executive Committee.
2. Names highlighted in yellow indicate outside directors.
* Scheduled meetings; additional meetings will be held when necessary.

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Board of Directors: Roundtable Discussion

Reform both offensive and defensive strategies and advance dialogue with our shareholders and investors

Chairman of the Board
Yoshihito Ota

Outside Director
Misa Kusumoto

Outside Director
Audit and Supervisory Committee Member
Masato Mori

Outside Director
Audit and Supervisory Committee Member
Yoshiro Katae

How has the new Board of Directors system been working?

Ota: It's often taken for granted, but we really strive to create an atmosphere in which every person feels free to express their honest opinion on the right course of action. I understand that the greatest management challenge previously faced by the Board was that discussions of agenda items would often run over their allotted times, leading to delays and disorganization.

To address this, our first thought was to group agenda items by theme in order to make discussions more efficient and easier to organize.

It's common for meeting participants to feel the need to say something even if the topic lies outside their expertise, but such contributions often distract from the focus of the discussion and can delay or even hinder reaching a conclusion. To address this, we now suggest that members refrain from expressing their opinions at length on subjects outside their areas of expertise while identifying those individuals possessing relevant specialist knowledge on the particular subject under discussion.

We also group agenda items according to theme and carefully examine them in advance so as to encourage diverse opinions.

Katae: Typically, the members of the Board are proactive about participating in discussions. Often, when a topic calls for deeper exploration, the Chairman, as the mediator, will ask someone more knowledgeable on the topic to jump in. Previous Board discussions were by no means lacking in depth of content, but with the new structure, we are benefiting from the input of more outside directors with a greater breadth of specialist expertise, resulting in meaningful dialogue reflecting a truly multifaceted perspective.

Furthermore, although Mr. Ota isn't an outside director, he does bring an external perspective. In addition, the executive team aids constructive discussion by proposing

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Board of Directors: Roundtable Discussion

agenda items without being overly deferential. I believe these changes show how the Company has been earnestly working on reforms since the occurrence of the red yeast rice-related issue.

I was on the Corporate Governance Committee until March 2026, and we looked at things from the investor's point of view and whether the Company is acting with integrity.

Mori: I was appointed as an outside director under the new management structure, so I'm especially focused on the execution of quality and safety and internal control monitoring to ensure we are meeting the expectations of all our stakeholders, including customers and shareholders.

Shifting away from management dependent on the founding family is of great importance to investors, and I believe that Mr. Kobayashi, one of the directors, strives to be impartial despite the large influence of his stake in the Company. In that way, I think that ownership and management have been clearly separated.

Kusumoto: Yes, I feel that the Board meetings have become a forum without that sort of pressure, and we exchange diverse opinions with high-quality insights.

Katae: I agree completely. I feel that the Board is steadily becoming even more effective under this corporate culture. A great example of this during the year just past is a particularly memorable discussion culminating in a heated debate in which the executive team was pushing for prioritizing short-term results while the outside directors advocated for the medium- to long-term perspective.

Mori: It was great to see the executive side taking the opposition of the outside directors seriously. In the end, after repeatedly looking at all the proposals and counter-proposals, we reached consensus. I believe that this well-balanced dialogue led to a better, more effective decision.

Katae: Yes, one of the major improvements we have achieved is open and forthright discussions that consider diverse perspectives.

Ota: In our discussions, we are also delving even deeper into the reformed quality control system with a focus on the progress of the reoccurrence prevention measures and prompt risk assessment. As the executive team advances on-the-ground reforms, the outside directors offer candid, sometimes critical, opinions from the external perspectives reflecting growing societal expectations and the need for faster implementation. The executive team is committed to these efforts, but the heightened sense of urgency brought by the outside directors has substantially improved discussion quality, and their objectivity is extremely important to us.

Mori: I would also like to add that the support of the secretariat of the Board of Directors has been invaluable in enabling these diverse opinions. Its provision of thorough explanations of materials in advance to ensure that everyone fully comprehends the agenda before the discussions take place allows us to fully discuss the pros and cons of a matter effectively.

Of course, not every proposal is passed unanimously. In the course of our active discussions, although we are often in agreement, opposition to the majority view has been expressed on multiple different occasions. This fact truly demonstrates that more democratic, effective discussions are happening prior to a matter's final resolution.

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Board of Directors: Roundtable Discussion

Turning to the Organizational Culture Transformation Project, has it yielded results?

Katae: We all take the red yeast rice-related issue very seriously, and have repeatedly asked ourselves how we ought to address the challenges presented by our corporate culture. The Company has many highly competent and diligent employees and it is often those on the ground who identify problems. In the past, the Board's role was limited to information gathering and discussion of these problems.

Now, however, problems are presented to the Board very early on—even if they are still under review. Today's Board is positioned to determine how to concretely address problems as the Company moves forward into the next phase.

Now that we are striving for progress with this in mind, our next challenge is raising quality and other standards as well as enforcing the shift from an inward-oriented to a wider, society-focused perspective. I would like to advise on this approach and see the team proceed with this sort of attitude.

Mori: Looking at it from the perspective of internal control and risk management, while Kobayashi Pharmaceutical's open-minded culture that makes people's wishes happen is wonderful, I think there has often been an overemphasis on doing things in a unique way.

With respect to global standards for internal controls such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework and the Three Lines Model from the Institute of Internal Auditors (IIA), our goal is to preserve the Company's unique culture while helping to adopt a management system that is considered global standard practice.

Kusumoto: As Mr. Mori said, I also think that we should continue to protect the culture of making wishes happen. Previously, we thought our main strengths were our ability to quickly create many new products and our extensive brand holdings. Previously, I worked at a global household product company, and one of the lessons I learned there was that nurturing a product after its launch is most crucial. To be frank, I think the Company needs to reaffirm its commitment to creating love and loyalty for its products.

In the new medium-term management plan, we have expanded beyond "it would be nice if this existed" into focusing on creating products that customers cannot do without. If we fully adopt this mindset and further refine the quality of our products, I believe that our customers will remain loyal and love our products for a long time, which will also be great for our shareholders. I will also strongly support the development of this important mindset.

Implementing management that considers the cost of capital and share price

Ota: Over the two years since the emergence of the red yeast rice-related issue, it's not an exaggeration to say that the primary focus of our dialogue with shareholders has been strengthening our systems for governance and quality control.

We are aiming for the Board of Directors to function as a monitoring body. It is therefore charged with gathering and presenting data that clearly maps the effects of reforms. At the same time, we must transform our dialogue with shareholders and investors with a focus on such themes as how we are perceived and how our management approach helps us earn their trust.

Mori: I think our shareholders expect us to focus on both offense and defense, that is, defending against negative

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issues such as fraud or misconduct and monitoring controls for significant risks based on evidence from auditing activities.

An offensive approach would be, as Ms. Kusumoto said, to prioritize loyal customers over the medium to long term while shifting financial management from overemphasis on profit and loss to a focus on the balance sheet and cash flows. I would like to see the Company sustainably enhance corporate value by improving ROA, maintaining the necessary financial leverage to increase ROE, and shortening the cash conversion cycle (CCC).

Kusumoto: I also believe that rigorously managing the quality and profitability of each brand and SKU is fundamental to the transformation of the Company's defensive and offensive approaches. I look forward to supporting these endeavors, both for the Company and for our loyal customers.

Transition to a Company with an Audit and Supervisory Committee and expectations for the future

Ota: I see this transition as a great leap forward for the Company. I believe we must entrust the responsibility for taking the next step to our executive team with rigorous oversight from the Board of Directors. I am looking to the outside directors to evaluate and offer constructive criticism to ensure the system is functioning effectively and that the right investments are being made for the right kind of profits.

Katae: Although the system now ensures that risks and potential issues are promptly reported, we still must ensure their detection through the system's mechanisms. The question is then how to create a sufficiently sensitive system without overly burdening those on the ground, and this will be a key issue for the Audit and Supervisory Committee going forward.

Mori: I also see this fundamental change in approach as a meaningful step forward for our governance. It is also critical to utilize independent auditors for accounting audits and to direct the Internal Audit Office to enhance the effectiveness of operational audits. We are now able to delegate more authority to the executive side than when the Company had an Audit and Supervisory Board. I expect the executive team to leverage this authority to enhance corporate value, and we will meticulously monitor their efforts in this direction.

Kusumoto: We solemnly recognize the gravity of the impacts of the red yeast rice-related issue in the community, and are striving to transform the lessons learned into a system of explicit knowledge—one previously lacking—so that this mistake is never repeated. This is our most important task.

We must also cultivate beloved brands that customers feel they can't do without. As outside directors, we must provide uncompromising supervision and support to ensure that shareholders and investors are confident in the transformation into the new Kobayashi Pharmaceutical, and our commitment to the continued enhancement of corporate value.

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Progress of compensation procedures

Progress of compensation related to the red yeast rice-related issue

Director (in charge of compensation claim management)
Executive Officer
Senior General Manager of Compensation Claim Management Headquarters
Akihiro Kobayashi

We once again sincerely apologize to our valued customers who experienced ill health effects, our business partners, and all other Company stakeholders for the significant inconvenience and concern they have experienced in connection with red yeast rice-related products.

On July 1, 2024, the Company established the Compensation Claim Management Headquarters to prioritize apologies and provide compensation to all those affected, and we have been moving forward with an earnest and appropriate response.

When we have spoken with customers who experienced ill health effects, they often share their intense feelings about the Company, and we feel a profound sense of responsibility that leaves us at a loss for words. We take all feedback to heart and have gained many valuable insights as a result. With a commitment to never allowing something like this to happen again, we are fulfilling our responsibility to continuously communicate feedback from our customers and business partners to all of our employees, and we take on our daily tasks with this at the forefront of our minds.

As of May 31, 2026, we had received approximately 1,350 applications for compensation. Of these, approximately 900 were backed by documentation and among these approximately 510 have been deemed eligible for compensation. Approximately 350 people have agreed to compensation terms and have received payment.

When providing compensation, we inquire with the attending doctors on the status of treatment and recovery or stabilization of symptoms before proceeding with discussions carefully with each individual.

For those engaged in ongoing compensation discussions—a group that includes individuals currently undergoing treatment as well as a number whose treatment has ended (approximately 160 people)—we will continue the system of in-person, individualized, and sincere dialogues as much as possible.

We are also diligently addressing compensation related to recalls and disposals of red yeast rice-related products for our business partners, while taking their specific circumstances into account. The Company's raw materials were used by a wide range of business partners, from local

Progress of compensation for ill health effects with hospitalization, outpatient treatment, etc. (as of May 31, 2026)

(Figures are approximate)

Persons who have contacted the Compensation Response Desk	1,350
Persons whose compensation application documents have been received	900
Persons whose compensation application documents are under review	20
Persons whose compensation application documents have been reviewed	880
Persons eligible for compensation	510
Persons currently undergoing medical treatment or in discussions regarding compensation details	160
Persons for whom payment of consolation payments and other compensation has been completed	350

Note: Regarding inquiries about deaths, based on our investigation to date, the Company has not identified any cases in which it has been clearly established that a person died as a result of consuming the products in question.

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confectionary shops to large corporations and overseas manufacturers. After the issue occurred, we heard heart-breaking stories from our business partners who received many phone calls and returns, saying that it was painful to watch their employees go through this hardship. We are currently promptly processing payments to our business partners who submitted claims, but our responsibility does not end there. We shall not forget the magnitude of the issue's impact on our business partners, and all of us will carry these unchanging lessons in our hearts.

We are able to approach each and every compensation claim with sincerity and dedication thanks to the diligent and tireless efforts of the members of our Compensation Claim Management Headquarters. I truly feel the weight of the responsibility of compensation being a task that directly impacts the lives of those that have been affected. A survey of the entire Company found that the members of the Compensation Claim Management Headquarters feel the strongest sense of mission across the organization, and this reflects the deep permeation of the Headquarters' policy of pursuing honest and appropriate compensation, and providing fair, equitable, and just compensation with empathy. I would like to express my heartfelt gratitude and deep respect for every member of the Compensation Claim Management Headquarters. We will all continue to fulfill our responsibilities and ensure sincere service is provided to every single individual and every single business partner.

VOICE

Listening to customer concerns and restoring trust through sincere compensation response

Compensation Claim Management Headquarters
Customer Compensation & Care Department
General Manager

Hiroyuki Omori

Ensuring the effectiveness of our efforts to deliver sincere apologies and prompt compensation to customers who experienced ill health effects due to red yeast rice-related products, we established the Customer Service Department in January 2025. Over the year since its creation, we have made more than 300 in-person visits to over 200 customers.

During the visits, rather than presenting a corporate face with bureaucratic explanations about the compensation procedure, we find it infinitely more valuable to listen intently to individual customers as they speak from the heart on such topics as problems with their physical condition, anxieties regarding daily life, and the suffering they experienced from the onset of symptoms.

We often hear harsh criticisms during such discussions, such as feeling betrayed by a product brand they had trusted for many years, as well as pressing worries about their future health. The entire experience has made us acutely aware of our responsibility. There have even been times when we have been refused or asked to leave, with customers indicating a lack of faith in more talking yielding any progress. However, our efforts to take the time to visit in person or speak with individuals over the telephone and to sincerely address every question and concern have resulted in a gradual increase in customer response. As they come to understand and appreciate our approach, we have also been able to proceed with discussions on compensation. Each such engagement with a customer serves as a reminder of the mission we must complete.

In January 2026, we integrated the Customer Service Department and the Customer Compensation & Consultation Department, creating the new Customer Compensation & Care Department. This new department enables us to propose flexible communication tailored to every customer's individual needs and circumstances. We will continue to sincerely provide support for compensation by carefully attending to the concerns of each and every customer until the very end.

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Environment

Basic approach

In its management principles, the Company states its aim to provide outstanding comfort to people and society. With awareness of the importance of sustainability increasing worldwide every year, we must contribute to the realization of a sustainable society through sincere efforts to fulfill our social responsibility. We will strongly promote environmental conservation activities based on the Kobayashi Pharmaceutical Group Environmental Statement 2030 and the New Environmental Action Guidelines, both established in 2019.

Management system

To strengthen the management of sustainability material issues and accelerate decision-making, in 2024 we established the Sustainability Committee under the supervision of the Board of Directors.

With regard to the environment, we have identified decarbonization and circular production as the Company's most relevant material issues, and we are examining medium- to long-term strategies to address these challenges.

Kobayashi Pharmaceutical Group Environmental Statement 2030

We at the Kobayashi Pharmaceutical Group never rest in our pursuit of something new that will delight people and society. We believe that we are able to deliver what consumers wish for because we have the support of a rich natural environment.

Together with customers, business partners, and communities, we will make a strong commitment to global environmental issues, such as the prevention of global warming and the preservation of resources and biodiversity, and generate ideas to solve those issues.

New Environmental Action Guidelines

1. Legal and regulatory compliance; independent, proactive task-setting; and implementing a PDCA cycle
In addition to abiding by environment-related laws, regulations, and agreements in each of our business areas, we set our own tasks, establish medium- and long-term environmental targets and standards, generate ideas, and implement a PDCA cycle.

2. Response to climate change
We recognize that climate change can have a significant impact on our business. At each stage of our business operations we will implement greenhouse gas reduction measures, including more efficient energy usage and conversion to renewable energy.

3. Consideration for resources and biodiversity
To reduce the depletion and contamination of underground, biological, and water resources and mitigate other environmental impacts, we will give consideration to resource conservation, the use of alternative resources, and biodiversity at each stage of our business operations.

4. Reduction and recycling of waste; appropriate chemical substance management
We will recycle waste generated at each stage of our business operations, reduce the volume of waste, and improve our recycling rate. In addition, we will ensure the proper management of chemical substances used in our research and development and manufacturing operations.

5. Development and provision of eco-friendly products and services
We work to develop environmentally friendly products by establishing indicators and standards for the reduction of environmental impact in the design, procurement, manufacturing, and use of products and services. We also strive to deliver environmental value in tandem with new value for customers.

6. Initiatives throughout the supply chain
We set procurement standards and promote environmental initiatives throughout the entire supply chain, including at our suppliers.

7. Sharing of action guidelines and enhancement of environmental awareness
We share these guidelines with management and all employees, and we work to raise their awareness of environmental conservation through various initiatives and educational activities. In addition, we disclose targets and details of initiatives based on these guidelines, as well as progress updates, to stakeholders.

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TCFD Declaration (Japanese only)
https://www.kobayashi.co.jp/contribution/environment/tcfd.html

Decarbonization

GHG emission reduction targets

Kobayashi Pharmaceutical deems responding to climate change to be the most important issue it faces and has set targets of lowering GHG emissions for the entire Group by 51% for Scopes 1 and 2, and by 15% for Scope 3, by 2030.

These targets were certified for the 1.5°C level by the SBT Initiative* as of October 2022.

* SBTi website https://sciencebasedtargets.org/

Additionally, the Company strives for carbon neutrality across Scopes 1 and 2 for the entire Group by 2050.

- Reduce Scope 1 and 2 GHG emissions by 51% by 2030 (compared to 2018)
- Reduce Scope 3 GHG emissions by 15% by 2030 (compared to 2018)

Changes in the Group's GHG emissions (domestic and overseas)

(Unit: 1000 t-CO_2)

	2018	2019	2020	2021	2022	2023	2024	2025
Scope 1	7	6	6	6	6	6	8	8
Scope 2	23	24	18	18	18	18	19	18
Scope 3	528	518	447	508	525	559	488	496

Scope 3 represents approximately 95% of the Group's total GHG emissions, and we view the reduction of these emissions to be a critical issue.

Initiatives regarding reduction in Scope 1 and 2

Energy efficiency improvements and energy conservation activities

At our production sites, we are systematically implementing improvements to energy efficiency through capital expenditures, for example, by upgrading air conditioners and switching over to LEDs for lighting. We are also steadily increasing on-the-ground initiatives such as improving the insulation of refrigeration equipment, installing motion sensors, and preventing air leaks.

Transition to renewable energy

While we are working to reduce electricity consumption at our plants, we anticipate an increase in consumption as we step up production. Therefore, we are switching the electricity used at our major domestic plants to renewable energy.

Sendai Kobayashi Pharmaceutical transitioned to zero CO_2 emission electricity in 2020 and, in 2023, Toyama Kobayashi Pharmaceutical and Kobayashi Pharmaceutical Plax did the same for a portion of the electricity they consume. Going forward, we will continue to work toward our long- term reduction targets for 2030 by switching to zero CO_2 emission electricity in stages.

Initiatives to reduce Scope 3 emissions

Changes in product design and development

We have long prioritized environmental considerations in product development. Our internal standards, Product Development Eco Indicators, and Kobayashi Pharmaceutical Product Development Eco Standards were all designed to reduce environmental impacts, and we are actively developing eco-friendly products by utilizing raw materials with low GHG emissions, as well as reducing the volume of packaging and packing materials when designing new or relaunching products.

One example of reducing GHG emissions is manufacturing smaller-sized pills and tablets. This reduces the amount of raw materials being handled and therefore less resources used, including electricity, both during the raw material procurement and manufacturing stages, thus reducing GHGs across multiple phases. This initiative is a great example of achieving equal or better effectiveness while at the same time improving convenience for customers during use and reducing environmental impact.

Partial Denture Cleanser tablet size reduction (24.6mm to 21.6mm)

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Environment

Reducing waste (Japanese only)
https://www.kobayashi.co.jp/contribution/environment/recycle.html

Circular production

Plastic reduction target

Many of the Company's products use plastic. The processing of conventional fossil fuel-derived virgin plastics emits large quantities of GHGs, which are said to be a factor in the progression of climate change.

In addition, plastic waste in the oceans has also become a problem, and because reducing the amount of virgin plastic made from fossil fuels is one of our responsibilities to society as a corporation, we set a plastic reduction target in 2024.

Plastic reduction target

33% reduction from the 2020 level in the use of fossil fuel-derived virgin plastic per unit of net sales by 2030

The Group's plastic* usage (domestic)

	2020	2021	2022	2023	2024	2025
Total plastic used (1000 t)	16.7	17.3	16.9	14.6	15.6	16.7
Virgin plastic used (1000 t)	16.7	14.6	14.2	12.1	13.3	14.3
Consolidated net sales (¥100 billion)	1.5	1.6	1.7	1.7	1.7	1.7
Ratio of virgin plastic used per unit of net sales (kg/millions of yen) Virgin plastic usage / consolidated net sales	111.2	94.3	85.3	69.8	80.1	86.1
Reduction rate since base year (2020)	—	-15%	-23%	-37%	-28%	-23%

* Container packaging plastic

Initiatives regarding reducing plastic

▼ Reduce

Abolish eye-catching plastic stickers

Regarding the Kobayashi Pharmaceutical Product Development Eco Indicators, conditions for launching products used as standards to be met during product development, the Company has announced that it will abolish the use of the eye-catching plastic stickers it has attached to products to date in line with its drive to reduce its plastic use. By devising new package designs, switching to eco-friendly materials and other such efforts, we can maintain visibility to customers while developing products that help mitigate environmental load.

Removing shrink labels from *Hananoa*

For *Hananoa* nasal rinse, instead of using plastic shrink labels we are laser printing logos and product information directly onto the bottles, thereby reducing our plastic usage. Laser printing allows us to maintain manufacturing line speed while creating whatever decorative effect the process of commercialization calls for. This initiative was awarded the Daily Necessities and General Merchandise Packaging Award in the Japan Packaging Contest 2022 for being the first initiative of its kind in the healthcare products industry.

Environment

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▼ Reuse

Shoshugen SAVON brand reduces plastic use by approximately 76% with the introduction of its first refillable products

We launched *Shoshugen SAVON* air freshener as the first refillable large-capacity liquid product in the *Shoshugen* brand line. The main body of the product previously needed to be disposed of after use, however, by making the main body of *Shoshugen SAVON* refillable, we were able to reduce the amount of plastic used for packaging by 76%.* There were many challenges in developing a refillable product, including the unique structure of *Shoshugen* products and the fact that the concept of refillable products was slow to catch on in this category, leading to a total development period of 12 years.

* Compared to plastic usage of continuously repurchasing a new container

▼ Recycle

Taking on the challenge of "horizontal recycling" with refill packs through collaboration that goes beyond the boundaries of competition

Kobayashi Pharmaceutical is participating in Kobe Plastic Next: Joining Forces to Recycle Refill Packs, a collaborative project involving the city of Kobe, retailers, household product manufacturers, and recyclers. This project aims to implement horizontal recycling, by recycling used pouches collected from retail stores in Kobe into refill packs.

To realize the commercialization of refill pack horizontal recycling, it is essential to evaluate the quality and safety of the filled packs. Currently, we are jointly testing prototypes of a horizontal recycling pouch made with collected refill packs as part of its raw materials and evaluations are under way.

KOBE PLASTIC NEXT みんなでつなげよう。つめかえパック リサイクル

Collecting used disposable body warmers and beginning pilot tests on reusing iron powder

In collaboration with the city of Kobe, we have been collecting used disposable body warmers at resource recovery stations and conducting pilot tests on recycling them since 2024. In the first phase (February to May 2025), we collected a total of 3.3 tons of used disposable body warmers and recycled them as raw materials for steel production.

The second phase of the project began in December 2025, and we plan to continually implement such recycling annually.

Product display hangings for _BreathCare_ utilizing recycled _Ammeltz_ materials

In October 2025, we launched *BreathCare Chewable Tamagotchi,* and we utilized waste caps from *Ammeltz* (another Kobayashi Pharmaceutical product) in its display hangings, thus realizing 100% material recycling. This initiative reduced virgin plastic use by approximately 200 kilograms. We kept the original various colors of the caps for the display hooks without dyes. In the future, we will continue to collect waste generated at every stage of our business for recycling wherever possible, aiming for quantitative waste reduction and improved recycling volume.

▼ Renewable: Transitioning to renewable resources

Eyebon, first* eye wash on the market using bottles made with biomass raw materials

Compared with our other pharmaceutical products, the *Eyebon* bottle uses a particularly large amount of plastic, so we have changed the bottle body to one made from plastic that contains biomass raw materials. With this change, we expect to see a 19-ton annual reduction in our oil-based plastic use while maintaining the same functionality and quality as conventional packaging.

*First eye wash in the OTC pharmaceutical product market (as of December 2022, Kobayashi Pharmaceutical survey)

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Environment

Nature-related dependencies and impacts (disclosures based on the TNFD framework, in Japanese only)
https://www.kobayashi.co.jp/contribution/environment/biodiversity.html#nature-capital

Water resources (Japanese only)
https://www.kobayashi.co.jp/contribution/environment/water_resources.html

Biodiversity conservation

Procurement targets for sustainable palm oil

The Kobayashi Pharmaceutical Group conducts business activities utilizing a variety of ecosystem services, primarily in the area of plant-based raw materials. We believe that the natural gifts created by biodiversity, fundamental to the vitality of the Earth, is the source of the well-being that the Group generates. Therefore, we recognize that conserving biodiversity is critical to ensuring the ongoing sustainability of our business activities. Every one of our employees respects the importance of biodiversity, and, through deep engagement with both local and international communities, we are building strong relationships that contribute to a sustainable society by ensuring we fulfill our social responsibility to nurture biodiversity.

Transition to 100% RSPO-certified oil by 2030
Transition to 100% RSPO-certified oil by 2030 Target: within Japan (excluding OEM/ODM; Toyama Kobayashi Pharmaceutical, Sendai Kobayashi Pharmaceutical, Ehime Kobayashi Pharmaceutical, Kiribai Kobayashi Pharmaceutical, Aloe Pharmaceutical)

Initiatives regarding sustainable procurement

One of the plant-based raw materials the Group uses is a derivative of palm oil, the world's leading vegetable oil. Palm oil is primarily produced in Malaysia and Indonesia, where the establishment of large-scale plantations has led to issues related to tropical rainforest destruction and the resulting reduction of wildlife habitats. Human rights and labor issues resulting from inappropriate plantation management also remain a challenge.

To address these issues, the Group participates in the Roundtable on Sustainable Palm Oil (RSPO).*1 We have obtained RSPO supply chain certification*2 at Toyama Kobayashi Pharmaceutical Co., Ltd., and we began sourcing RSPO-certified oil for some raw materials in 2025. Going forward, we will strive to expand RSPO Supply Chain Certification and utilize RSPO-certified oil to ensure sustainable palm oil procurement.

*1 RSPO requests compliance with laws and regulations, economic sustainability, and environmental and social profitability in the production of sustainable palm oil.
These requirements are set out in the RSPO Principles and Criteria (P&C), which encompass seven principles and 40 criteria. Only palm oil produced in a manner that satisfies these criteria may be RSPO certified.
*2 RSPO Supply Chain Certification: This system certifies that a chain of custody system has been created to ensure that the entire supply chain utilizes RSPO-certified materials and has been audited by a third party.

Analysis of nature-related dependencies and impacts

We have conducted an analysis of the Group's nature-related dependencies and impacts as well as nature-related risks and opportunities and have published a report summarizing the results in line with the TNFD framework.*

* Taskforce on Nature-related Financial Disclosures (TNFD): An international organization that has developed a framework of disclosure recommendations and guidance that encourages and enables private companies and financial institutions to properly evaluate, disclose, and act on nature- and biodiversity-related dependencies, impacts, risks and opportunities. The organization was officially launched in June 2021 through the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Development Programme (UNDP), World Wildlife Fund (WWF), and Global Canopy (a U.K.-based NGO).

Kobayashi Pharmaceutical Group TNFD Report (published April 2026)

Social

Relationships with stakeholders

Basic approach toward employees

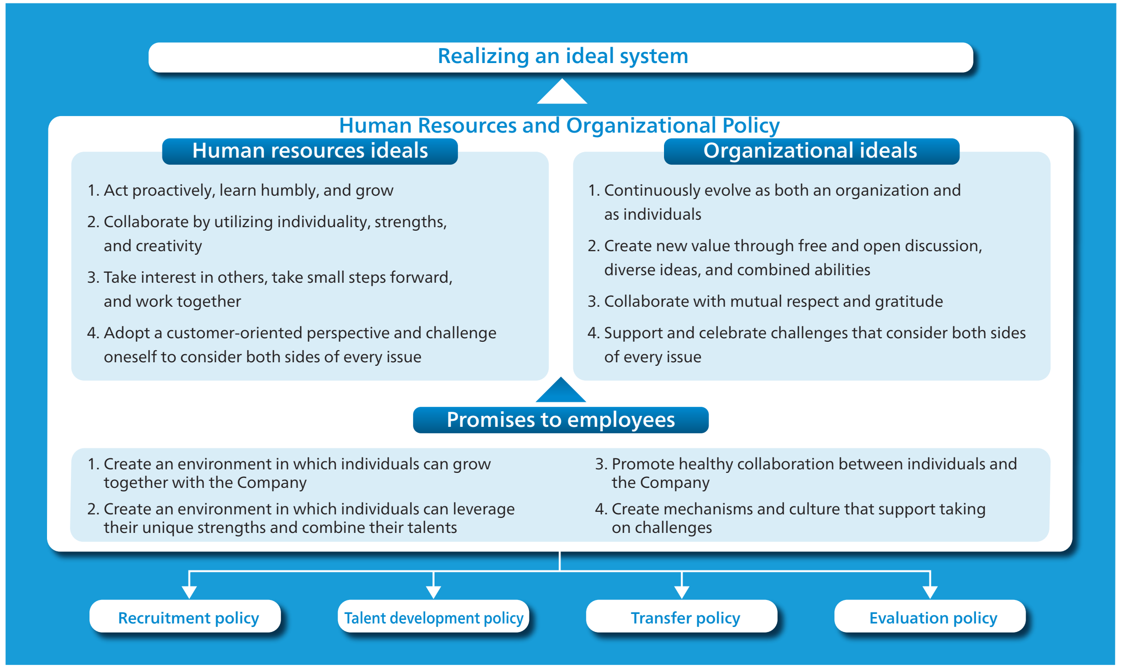
The Kobayashi Pharmaceutical Group has adopted "You make a wish and we make it happen" as its corporate slogan. On an international basis, we are continuing to create never-before-seen products based on this brand slogan. The most important factor empowering our business model of pursuing niches is our ability to listen to the many voices of society and consumers and thereby find the things they wish they could have and give shape to them. This ability comes from our people, so we are implementing various human capital initiatives.

With the voluntary recall of red yeast rice-related products underlining the need for us to re-examine our organizational culture, we made progress with initiatives and launched the Organizational Culture Transformation Project.

This project includes dialogue between management and all employees aimed at reformulating the Group's Ideal Culture and devising a new Code of Conduct for the Group to strive toward moving forward, and every employee is working together to realize these goals.

In line with activities aimed at organizational culture reform, we have formulated a Human Resources and Organizational Policy to guide the consistent advancement of related activities based on a system of principles that incorporates the Ideal Culture and new Code of Conduct.

The Human Resources and Organizational Policy consists of three elements: the aspirational ideals of individuals, the aspirational ideals of the Group as an organization, and the promises the Group makes to its employees to achieve those ideals. Accordingly, we will redefine our hiring, training, transfer, and evaluation policies, and incorporate them into specific measures for the future.



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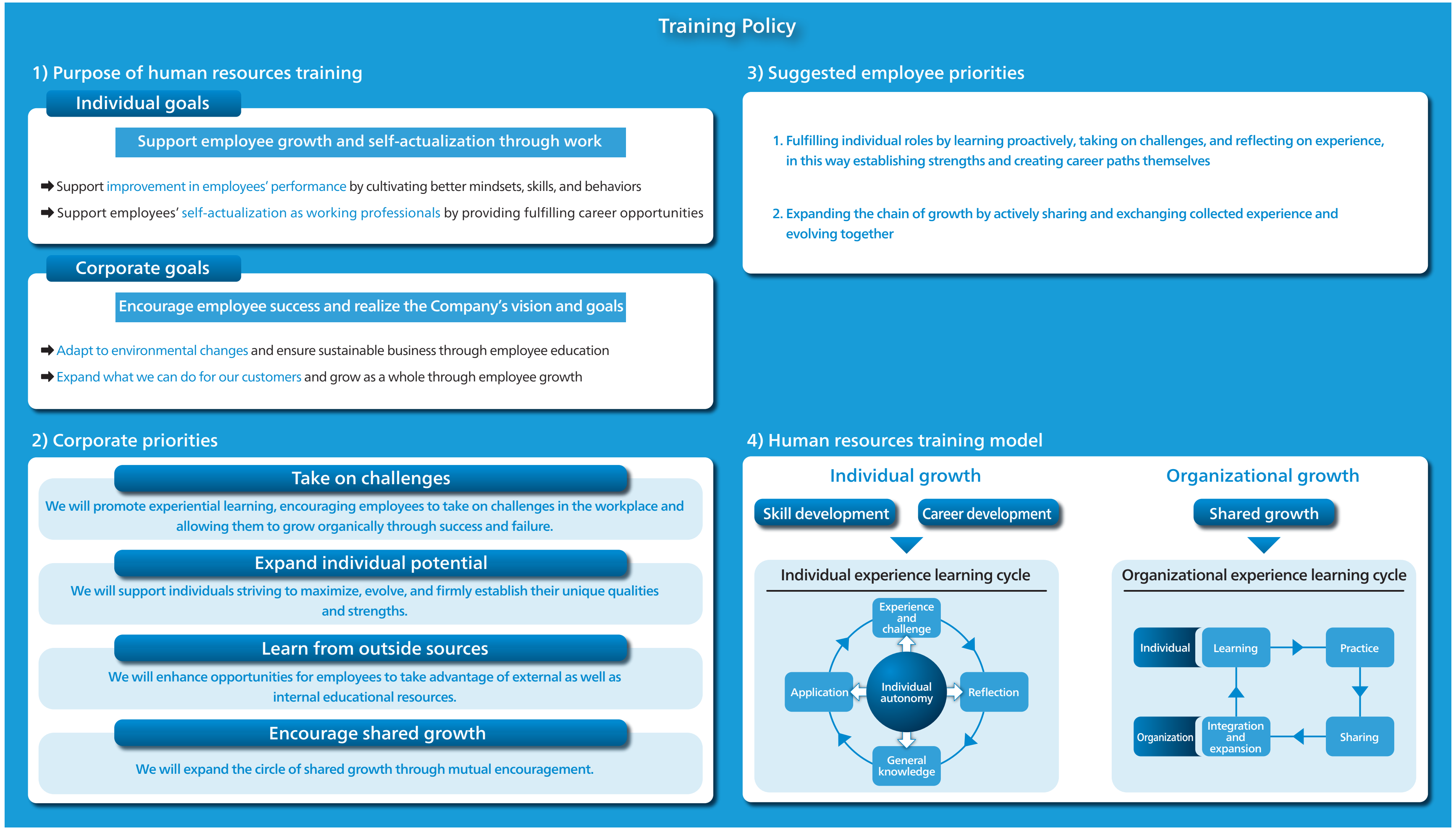
Formulation of the Training Policy

To fulfill the promises made to employees outlined in the Human Resources and Organizational Policy, as well as to encourage proactive transformation on the part of every employee who will help lead the Kobayashi Pharmaceutical Group to its future, we have begun formulating a training policy that will become the foundation for a number of human resources initiatives (see following diagram).

By promoting the combination of the Company's growth opportunities with individual employees' proactive learning efforts and experience exchanges, this policy aims to connect individual growth with that of the entire organization, thereby realizing an ideal corporate culture and philosophy.



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Reform of the personnel evaluation system

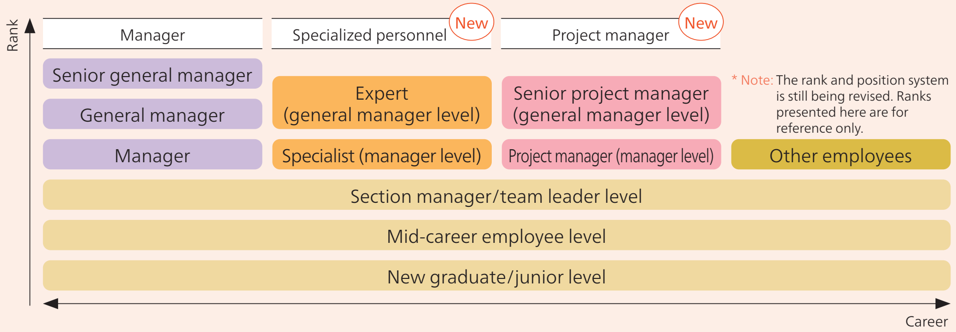
In the wake of the red yeast rice-related issue, the Company has been working to reform its personnel evaluation systems to prevent reoccurrence and strengthen its quality assurance system. The previous focus of the evaluation system on performance and cost indicators failed to motivate employees to undertake quality improvement and preventive actions, and this, in turn, led to quality control often being given lower priority. To remedy the situation, we have been working to reform the personnel evaluation system with a focus on quality and safety-related activities. Furthermore, we informed employees that from fiscal 2025, targets would incorporate reoccurrence prevention measures.

We have also incorporated the reoccurrence prevention measures into the newly revised personnel evaluation system to prevent similar incidents. The two main pillars of the new system are as follows.

1. Strengthening expertise

We will clarify the roles of specialist human resources and create new positions where needed. In evaluations, we will add a question regarding level of expertise with the goals of improving specialization and furthering the development of human resources.

New positions: Specialist personnel, project manager



2. Action-based evaluations to realize the Ideal Culture

To realize the transformation of our corporate culture, we have incorporated our new Code of Conduct into evaluations and have created a system that appropriately assesses individuals' actions and contributions to the cultivation of a healthy corporate culture. Our revisions to the evaluation system have been completed and we have begun implementing them as of fiscal 2026. Moving forward, we will design a human resources strategy that clearly lays out areas of focus to achieve both our vision and medium-term management plan. We will strive to maximize corporate value by investing strategically in human capital while retaining efficiency through the use of such technologies as AI.

In addition, in fiscal 2026 we expect to publish an update of our *Human Capital Report,* a vehicle created to present our approach to human capital, activities, and personnel strategy in a clear and systematic way. This will be the first update since its initial publication in 2023.

Reflections on the 2025 Kobayashi Engagement Survey results

Kobayashi Pharmaceutical views employee feedback as a key management indicator and has been conducting surveys of employee awareness on such topics as compliance through the consolidated Kobayashi Engagement Survey since 2024. The results for 2025 indicated year-on-year improvement in engagement criteria (pride in one's work, desire to continue, willingness to recommend, prospects for the future), but engagement has yet to return to the levels recorded before the incident involving red yeast rice-related products, and we recognize that further improvement is still needed. While trust in management is trending toward improvement, negative responses continued to outweigh positive responses, indicating lingering anxieties about the Company.

Starting in 2026, we are also incorporating factor analysis that enables the visualization of Company-wide conditions in addition to comparing numerical values. These results showed that true improvements in engagement require addressing more than just a single issue—a complex mesh of factors must be addressed. To this end, we identified that our top priorities were cultivating a collaborative corporate culture and increasing internal trust and empathy, and we held a management workshop focused on these priorities. The workshops reaffirmed that engagement improvement requires vertical connections between management and employees in addition to interdepartmental horizontal connections. This led to us introducing gamification for the first time at the Management Meeting as a strategic method to loosen up rigid discussions, encourage various perspectives, and build swift consensus.

Management Meeting incorporating gamification techniques

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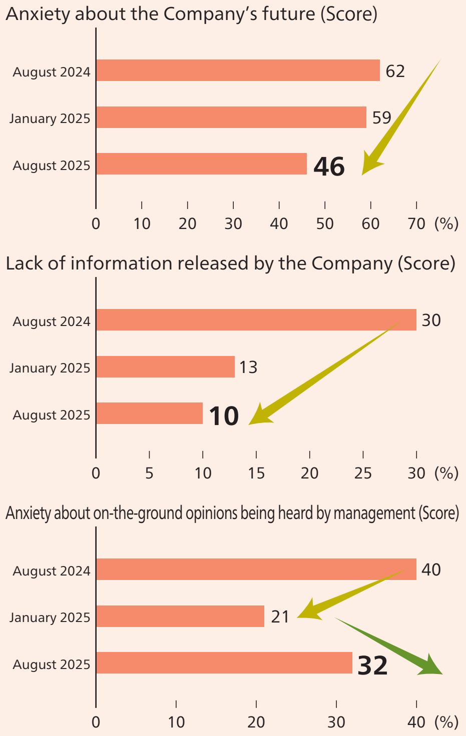
Detailed discussions from multiple perspectives were able to determine seven specific communication measures, including the creation of opportunities for dialogue across departments. We will swiftly implement these measures in fiscal 2026.

Changes to employee awareness

Since the red yeast rice-related product incident, the Company has been working to strengthen systems by conducting periodic employee surveys to determine conditions on the ground and reflecting the feedback thus obtained in management decision-making. The lowest scores were recorded in August 2024, when the Company's president changed, and since then substantial improvements have been made in areas relating to anxiety about the future and corporate information communication as of August 2025. However, we are now seeing concerns about whether the feedback from the ground is truly reaching management. We have determined that this is an issue of poor visibility regarding management decision-making that is attributable to the improvements in the speed of information dissemination; by improving the latter, we have raised expectations regarding the reflection of employees' opinions and understanding of on-the-ground circumstances in decision-making.

To meet these expectations, our management team embarked on an unprecedented initiative: they personally reviewed and responded earnestly to almost every opinion and question (about 320) sent in by employees. The team did not merely collect these submissions, it responded directly to individual feedback and acknowledged the challenges and suggestions from the ground with the goal of making employees feel heard. By engaging in this thorough two-way dialogue, employees and management were able to exchange perspectives and build a relationship of trust through which they are able to work together to create the future and evolve into a stronger unified company.

Results of employee awareness surveys



Taking on new challenges with the Internal Communications Group (ICG)

We created the new Internal Communications Group (ICG) in January 2025 within the previous public relations department. Then, in January 2026, to foster trust in management and advance the transformation to a collaborative corporate culture, we reorganized the ICG as an independent organization working directly under the Senior General Manager of the Public Relations & General Affairs Headquarters. This strategic reorganization stemmed from the desire to reform our internal communication system, taking it beyond simple information exchange and establishing it as management infrastructure that supports sustainable growth. The ICG is taking a leading role in implementing multi-tiered initiatives to improve employee engagement aimed at challenges illuminated by the Kobayashi Engagement Survey. The main initiatives are as follows.

- Build trust between management and employees: create opportunities for live streaming and dialogue with management
- Cultivate shared understanding among employees: create opportunities for dialogue across departments and expression of gratitude
- Infuse external expertise: host seminars featuring speakers from other companies, publish articles about visiting other companies (web-based in-house newsletter)
- Cultivate Company loyalty and unity: further develop the museum that tells the Company's story about its founding spirit, family events, etc.
- Ensure that the issue with red yeast rice-related products is not forgotten

As we move forward, the ICG will ensure the swift, transparent communication of information while facilitating two-way communication across the entire organization, connecting management and those on the ground. The ICG will also work to "translate" the feedback of every employee on the ground to management without bias, while simultaneously disseminating strategies and goals amidst an increasingly complex business environment in an easy-to-understand manner for employees to incorporate into their work.

This two-way communication between management and employees will foster an environment in which employees feel heard by management. Thus, we aim to transform into a highly engaged organization in which every employee takes pride in their work, finds it fulfilling, and continuously challenges themselves.

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Respect for human rights

Basic approach

One aspect of Kobayashi Pharmaceutical's management principles is providing "something new that will delight people and society." We recognize that respect for human rights in line with our management principles is a precondition for our business activities, and that it must be treated as a corporate responsibility. In August 2019, Kobayashi Pharmaceutical announced that it would participate in the United Nations Global Compact (UNGC) and support its 10 principles, including human rights.

Establishment of an external consulting center

At the Group, we believe that the establishment and operation of a relief center benefits human rights due diligence while supporting the Group's commitment to respecting human rights. Furthermore, such a center can play an important role in ensuring that the human rights of stakeholders who are difficult to reach through typical due diligence are respected.

The Group has established an internal reporting system for all Group directors and employees that enables them to report any actual or potential violations of Company rules (including the Kobayashi Pharmaceuticals Group Human Rights Policy) or applicable laws and regulations in each country or area.

In July 2024, the Company established an external consultation service for possible human rights violations in the Group's business activities. In fiscal 2025, the service received nine inquiries regarding human rights. At this time, the Company has not identified any human rights violations that would have significant impact on its business.

	FY2024	FY2025
Human rights inquiries	4	9

Going forward, we will continue to strive for an environment that makes it easier for stakeholders to use these consultation services, and we will continuously review the systems and implementation of each service.

Responsible procurement

Policy

The Kobayashi Pharmaceutical Group has established and constantly adheres to a CSR Procurement Policy incorporating social responsibility. We believe in the importance of collaborating with our business partners to realize a sustainable society, and in 2024, we created a Supplier Sustainability Code of Conduct that we ask all of our partners to follow. By putting this policy and code of conduct into practice as well as helping to realize a sustainable society, the Kobayashi Pharmaceutical Group aims to provide something new that will delight people and society.

Employee training

We have incorporated CSR procurement into basic employee training for the Purchasing Department and continuously conduct training as planned to deepen the understanding of Company-wide CSR procurement.

CSV activities (Japanese only)
https://www.kobayashi.co.jp/contribution/customer/social_problem.html

Social contribution activities (Japanese only)
https://www.kobayashi.co.jp/contribution/society/contribution.html

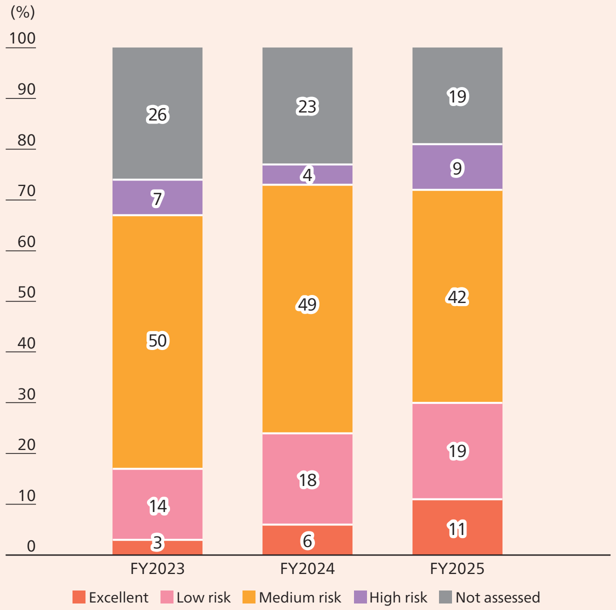
Social

Supply chain monitoring

The Group uses the services of EcoVadis, an international sustainability assessment firm, and internal surveys to monitor its dealings with major domestic business partners. In fiscal 2025, suppliers accounting for approximately 80% of our domestic purchasing value participated in this monitoring.

While we provide business partners with feedback based on the results, including advice on corrective measures where needed, thus far the monitoring has not uncovered any serious social issues.

Annual trends in risk assessment results



Note: Transaction amount proportion

Procurement policy briefing

We hold annual procurement policy briefings for our major domestic business partners. During these briefings we explain our business strategy and the direction of new product development and strive to ensure that all participants understand how the activities we undertake address environmental and social issues. We also hold dialogues on methods for improvement and share best practices.

Health and Productivity Management initiatives

Health management declaration

Based on the 2022 Health Management®* Declaration, we view employee health to be an important management resource and are conducting various initiatives to enable employees to proactively maintain and improve their health.

* "Health Management" is a registered trademark of the NPO Kenko Keiei Kenkyukai.

Kobayashi Pharmaceutical Group Health Management Declaration

The Kobayashi Pharmaceutical Group has adopted "You make a wish and we make it happen" as its corporate brand slogan. Products and services aligned with the "You make a wish and we make it happen" concept are born from individual employees' ideas. We regard the health of each and every employee as an important management resource and will strive to improve our health management.

Health management system

The Health Management Promotion Department works under the direction of the president (Chief Health Management Officer) to implement health management initiatives, working together with the Work-Style Reform Department, the ESG Promotion Department, the Safety and Health Committee, labor unions, and health insurance associations.

For further details about the Company's health management initiatives, please see the following website (Japanese only).
https://www.kobayashi.co.jp/contribution/employee/healthmanage.html

Certified as a Health & Productivity Management Outstanding Organization 2026

Kobayashi Pharmaceutical Co., Ltd. and consolidated subsidiaries Ehime Kobayashi Pharmaceutical Co., Ltd. And Kobayashi Pharmaceutical Distribution Co., Ltd. were certified as the Health & Productivity Management Outstanding Organizations 2026 under the large enterprise category in recognition of their efforts to strategically promote employee health from a management perspective. In addition, Kobayashi Pharmaceutical was certified as a White 500 company for the second year in a row, an award given to the top 500 companies implementing excellent health and productivity initiatives.

Kobayashi Pharmaceutical Co., Ltd.

Ehime Kobayashi Pharmaceutical Co., Ltd. and Kobayashi Pharmaceutical Distribution Co., Ltd.

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Health management goals

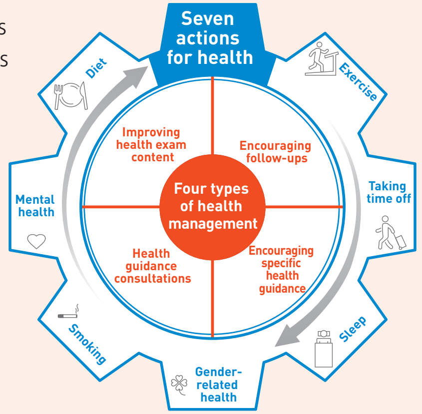
Our goals are to help every employee identify customers' "it would be nice if this existed" needs and generate ideas for products that they come to feel they cannot do without. Also we strive to ensure that our employees are robust in regard to both the passion they bring to their work and their health, both physical and mental. Accordingly, we have prioritized the following issues: preventing lifestyle-related diseases, instituting mental health measures, and encouraging work- style diversity. Based on these and using relevant indicators, we evaluate employee effectiveness. Among the indicators, we prioritize those that contribute to organizational productivity and vitality to ensure constant improvement and employ PDCA cycles to realize improvements based on results and surveys.

Our end goal is to raise health awareness among employees, and to this end we strive to create a Company environment in which every employee feels content and can pursue better physical and mental health while bringing passion to their work.

Please see the Kobayashi Pharmaceutical website for further details on priority indicators and performance (Japanese only).
https://www.kobayashi.co.jp/contribution/employee/healthmanage.html

Health management and autonomous initiatives

We believe that health and productivity management is a joint endeavor involving a company and its employees voluntarily working toward mutual goals, and we have categorized the efforts entailed into four types of management and seven actions. We have named this the Kobayashi Pharmaceutical Health Cycle.



Four types of health management

We once again achieved a 100% participation rate for complete medical exams and brain exams. In addition, we have a system in place for conducting health exam follow-ups and thoroughly encourage employees to pursue further testing as recommended in addition to providing health guidance consultations (in fiscal 2025, the employee follow-up rate was 98.3% while the health guidance consult rate was 100%).

Conducting health checkups that go beyond legal requirements

To swiftly detect and prevent diseases that are not easy to detect through regular health exams, we provide complete medical exams , brain exams and at the Company's expense. In fiscal 2024, we added lung CT scans*1 and bone density tests,*2 expanding the system to allow employees to undertake these tests with no out-of-pocket expenses. If follow-up is required, both exam and travel costs will be covered by the Company, and we proactively encourage employees to complete follow-up exams.

*1 For people over 50 years old *2 For women over 40 years old

Promoting health guidance consultations and the improvement of health literacy

In-house public health nurses, registered dieticians, and other specialists provide health guidance to employees whose exams turn up findings needing follow-up and who need to improve their lifestyle habits. In addition, we offer information on quitting smoking, diet, exercise, and more and promote the improvement of employees' health awareness and health literacy.

(Kobayashi Pharmaceutical, non-consolidated)

	FY2023	FY2024	FY2025
Regular health exams (including complete medical exams)	100%	100%	100%
Follow-up exam rate	87.1%	90.6%	98.3%
Health guidance interview rate	100%	100%	100%

Seven actions for health

We have determined seven areas of priority, including lifestyle factors such as exercise, diet, sleep, smoking, in addition to mental health, gender-related health, and taking sufficient time off, and we are implementing initiatives that encourage employees to take charge of their own health.

Providing exercise opportunities

In 2026, Kobayashi Pharmaceutical was certified as a Sports Yell Company for the third consecutive year by the Japan Sports Agency in recognition of its commitment to promoting sports activities aimed at contributing to the health of its employees. As part of our initiatives, we hold walking events in the spring and fall, have designated an exercise month, promote secondary exercise activities, provide exercise videos (on such subjects as stretching and yoga) as part of physical seminars, and have implemented "walking Fridays," in which employees are permitted to wear sneakers to work. In a survey conducted after the introduction of these activities, 65% of employees said they make efforts to exercise.

SPORTS YELL COMPANY 2026

Mental health support

We operate an internal consultation service called the Health Center for Mind and Body and have developed an external consultation service (employee assistance program) to assist in dealing with stress and help prevent mental health problems; provide interview-based guidance for those who work long hours; and offer support and treatment for those returning to work after a break as well as those and balancing treatment and work.

We will continue to promote health management from multiple perspectives so that our employees continue to enjoy good physical and mental health.

Governance

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Management team (As of March 27, 2026)

Directors

Chairman of the Board

Yoshihito Ota

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	1,116
Existence of special interests	None

Apr. 1978 Joined KYOCERA Corporation
Jun. 2003 Executive Officer, KYOCERA Corporation
Feb. 2010 Deputy Trustee and Assistant to the Chairman, Japan Airlines Co., Ltd.
Jun. 2010 Director and Managing Executive Officer, KYOCERA Corporation
Dec. 2010 Senior Managing Executive Officer, Japan Airlines Co., Ltd.
Feb. 2012 Assistant to the President and Senior Managing Executive Officer, Japan Airlines Co., Ltd.
Dec. 2015 Representative Director and Chairman, KYOCERA Communication Systems Co., Ltd.
Jun. 2018 Outside Director, Konoike Transport Co., Ltd. (current)
Sep. 2019 Chairman, MTG Co., Ltd.
Dec. 2019 Director and Chairman, MTG Co., Ltd.
Dec. 2021 Director and Chairman, EVERING Co., Ltd.
Mar. 2025 Chairman of the Board of the Company (current)

Representative Director, President and Chief Executive Officer

Norikazu Toyoda

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	4,046
Existence of special interests	None

Dec. 1987 Joined the Company
Jan. 2006 President, Kobayashi Healthcare Europe, Ltd. (international sales company)
Dec. 2012 Manager, Europe, America & China Strategy Department, International Business Division
Mar. 2015 Manager, Europe & America Strategy Department, International Business Division
Jul. 2015 Manager, Europe & America Strategy Department, International Business Division and President, Kobayashi Healthcare International, Inc.
Mar. 2023 Executive Officer and General Manager, International Business Division
Jan. 2025 Executive Officer and General Manager, International Business Headquarters
Mar. 2025 Representative Director, President and Chief Executive Officer (current)

Director, Managing Executive Officer
Senior General Manager of R&D Headquarters

Yuji Matsushima

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	252
Existence of special interests	None

Apr. 2003 Joined Fujisawa Pharmaceutical Co., Ltd. (now Astellas Pharma Inc.)
Apr. 2014 Seconded to Office of Healthcare Strategy, Cabinet Secretariat
Oct. 2017 Manager, Advanced Chemistry Laboratory, Modality Research Center, Research Division, Astellas Pharma Inc.
Apr. 2020 Joined the Company
Jul. 2020 Manager, Research and Development Department, Central R&D Laboratory
Jan. 2023 Head of Central R&D Laboratory
Mar. 2023 Executive Officer and Head of Central R&D Laboratory
Jan. 2025 Executive Officer and General Manager, R&D Headquarters
Mar. 2025 Director and Managing Executive Officer, R&D Headquarters (current)

Director, Executive Officer, Senior General Manager of Compensation Claim Management Headquarters

Akihiro Kobayashi

Attendance at Board meetings	100% (18 out of 18 times)
Number of Company shares held	9,264,704
Existence of special interests	None

Mar. 1998 Joined the Company
Jun. 2001 Executive Officer, President of Manufacturing Company
Jun. 2004 Director, President of International Sales Company and Marketing Officer
Jun. 2007 Executive Director
Mar. 2009 Senior Executive Director, Senior General Manager of Manufacturing and Sales Operations Department
Jun. 2013 Representative Director, President and Chief Operating Officer
Aug. 2024 Director in charge of compensation claim management, Executive Officer
Jan. 2026 Director in charge of compensation claim management (Executive Officer); General Manager, Compensation Response Headquarters (current)

Outside Director

Akio Takahashi

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	123
Existence of special interests	None

Apr. 1978 Joined Daiwa Securities Co. Ltd.
Apr. 2009 Senior Executive Managing Director, Daiwa Securities SMBC Co. Ltd. (now Daiwa Securities Co. Ltd.)
Jun. 2012 Director and Executive Vice President, Daiwa Securities Group Inc.
Apr. 2015 President and Representative Director, Daiwa Investment Management Co., Ltd.
Jun. 2019 Outside Director, Suzumo Machinery Co., Ltd. (current)
Dec. 2019 Outside Director, MTG Co., Ltd.
Mar. 2025 Outside Director of the Company (current)

Outside Director

Misa Kusumoto

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	—
Existence of special interests	None

Apr. 1994 Joined P&G Far East Inc. (now The P&G Japan Limited)
Oct. 1997 Senior Assistant Brand Manager for "SK-II," P&G Far East Inc.
Oct. 1999 New Brand Development Manager, Food & Beverage Category, P&G Far East Inc.
Oct. 2001 Marketing Consultant (current)
Oct. 2013 Outside Lecturer, GLOBIS Management School (current)
Feb. 2022 Director and CMO, Cell Factor Inc. (current)
Feb. 2024 Outside Director, Northsand, Inc. (current)
Mar. 2025 Outside Director of the Company (current)

Outside Director

Toshiaki Monkawa

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	—
Existence of special interests	None

Mar. 1996 Completed the Doctorate Program, Graduate School of Medicine, Keio University
Jan. 1999 Research Associate, Keio University School of Medicine
Jul. 1999 Research Fellow, Division of Nephrology, University of Washington
Apr. 2002 Research Associate, Department of Nephrology, Endocrinology and Metabolism, Keio University School of Medicine
Apr. 2007 Assistant Professor, Department of Nephrology, Endocrinology and Metabolism, Keio University School of Medicine
Jul. 2014 Professor, Medical Education Center, Keio University School of Medicine (current)
Jun. 2020 Board Member, Japanese Society of Nephrology
Oct. 2021 Vice Dean, School of Medicine, Keio University (current)
Jul. 2024 Director, Japan Society for Medical Education (current)
Mar. 2025 Outside Director of the Company (current)

Notes:
1. Attendance at Board of Directors meetings in fiscal 2025
2. The number of Board of Directors meetings held refers to those held during fiscal 2025. For Yoshihito Ota, Norikazu Toyoda, Yuji Matsushima, Akio Takahashi, Misa Kusumoto, Toshiaki Monkawa, the base number refers to meetings held subsequent to their appointment on March 28, 2025.
3. Company shares held as of December 31, 2025
4. The Company has adopted an executive officer system. Director Norikazu Toyoda serves as an executive officer, Yuji Matsushima serves as managing executive officer, and Akihiro Kobayashi serves as an executive officer.

Governance

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Director and Audit and Supervisory Committee Members

Outside Director
Audit and Supervisory Committee Member
Masato Mori

Newly Appointed

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	—
Existence of special interests	None

Apr. 1979 Joined Kokusai Denshin Denwa K.K. (now KDDI CORPORATION)
Sep. 2000 Joined JAPAN Telecom Co., Ltd. (now SoftBank Corp.)
Jul. 2005 Joined Chuo Aoyama Audit Corporation
Jun. 2007 Joined Tohmatsu Audit Corporation (now Deloitte Touche Tohmatsu LLC)
Jul. 2010 Director, Deloitte Touche Tohmatsu LLC
Oct. 2013 Representative Director, Crowe Horwath Global Risk Consulting K.K.
Apr. 2017 Professor, Department of Global Innovation Studies, Faculty of Global and Regional Studies, Toyo University
Jun. 2018 Outside Audit & Supervisory Board Member, Tecnos Japan Incorporated
Mar. 2019 Outside Audit & Supervisory Board Member, VELTRA Corporation
Jun. 2020 Outside Director and Audit & Supervisory Committee Member, Tecnos Japan Incorporated, Outside Director and Audit & Supervisory Committee Member, Pado K.K. (now Def Consulting, Inc.)
Mar. 2023 Outside Director and Audit & Supervisory Committee Member, VELTRA Corporation (current)
Mar. 2025 Outside Director of the Company
Jun. 2025 Auditor, Ferris University (current)
Sep. 2025 Visiting Professor, Global Business Program, Akita International University (current)
Mar. 2026 Outside Director (Audit and Supervisory Committee Member) (current)

Outside Director
Audit and Supervisory Committee Member
Yoshiro Katae

Newly Appointed

Attendance at Board meetings	94% (17 out of 18 times)
Number of Company shares held	—
Existence of special interests	None

Apr. 1981 Joined Komatsu Ltd.
Jan. 2003 General Manager, General Affairs Department, Production Division of Osaka Plant, Komatsu Ltd.
Jul. 2013 Executive Officer, Secretary General (in charge of Crisis Management) of Komatsu Ltd.
Oct. 2015 Executive Officer and Secretary General (in charge of Crisis Management) of Komatsu Ltd. and GM, Komatsu Economic Strategy Research Center
Apr. 2017 Executive Officer and Secretary General (Supervising General Affairs & Compliance and Crisis Management) of Komatsu Ltd.
Apr. 2018 Senior Executive Officer of Komatsu Ltd.
Mar. 2022 Outside Director of the Company
Mar. 2026 Outside Director (Audit and Supervisory Committee Member) (current)

Outside Director
Audit and Supervisory Committee Member
Shinsuke Matsumoto

Newly Appointed

Attendance at Board meetings	100% (12 out of 12 times)
Number of Company shares held	—
Existence of special interests	None

Apr. 1997 Registered with Dai-Ichi Tokyo Bar Association; Nishimura & Partners (now Nishimura & Asahi [Gaikokuho Kyodo Jigyo])
Oct. 1999 Nagashima & Ohno (now Nagashima Ohno & Tsunematsu)
Sep. 2002 New York Office, Skadden, Arps, Slate, Meagher & Flom LLP
Mar. 2003 Admitted to the New York State Bar
Apr. 2004 Nakamura & Tsunoda
Jan. 2005 Partner Attorney, Nakamura, Tsunoda & Matsumoto (current)
Dec. 2005 Registered with Tokyo Bar Association
Jun. 2023 Outside Audit & Supervisory Board Member, Soken Chemical & Engineering Co., Ltd. (current)
Mar. 2025 Outside Director of the Company
Nov. 2025 Supervisory Director of Japan Hotel REIT Investment Corporation (current)
Mar. 2026 Outside Director (Audit and Supervisory Committee Member) (current)

Note:
The number of Board of Directors meetings held refers to those held during fiscal 2025. For Masato Mori, Yoshiro Katae, and Shinsuke Matsumoto, the base number refers to meetings held subsequent to their appointment on March 28, 2025.

Executive Officers (Excluding Those Also Serving as Directors)

Managing Executive Officer
Senior General Manager of Marketing Headquarters
Atsushi Onoyama

Executive Officer
Senior General Manager of Quality and Safety Assurance Headquarters
Hiroo Yamasaki

Executive Officer
Senior General Manager of Manufacturing Headquarters
Hiroya Nakamura

Executive Officer
Senior General Manager of Sales Headquarters
Kenji Kobori

Executive Officer
Senior General Manager of International Business Headquarters
Koji Akita

Executive Officer
Senior General Manager of Corporate Strategy Headquarters
Kei Sato

Executive Officer
Senior General Manager of Finance Headquarters
Yumi Nakagawa

Executive Officer
Senior General Manager of Public Relations & General Affairs Headquarters
Takayuki Kimura

Executive Officer
Internal Audit Department General Manager
Takashi Kawanishi

Newly Appointed

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Governance

Skills matrix

Director/Position	Corporate management	Global business	Organizational management, human resources development	ESG, sustainability	Marketing, sales	Finance and accounting	Legal affairs, risk management	DX IT/Digital	R&D	Medical/ Pharmaceutical
Yoshihito Ota Director	●	●	●	●						
Norikazu Toyoda Director	●	●	●		●					
Yuji Matsushima Director			●						●	●
Akihiro Kobayashi Director	●	●	●	●	●			●		
Akio Takahashi Outside Director	●		●			●				
Misa Kusumoto Outside Director		●	●		●			●		
Toshiaki Monkawa Outside Director			●						●	●
Masato Mori Outside Director (Audit and Supervisory Committee Member)		●	●	●		●	●	●		
Yoshiro Katae Outside Director (Audit and Supervisory Committee Member)		●	●	●			●			
Shinsuke Matsumoto Outside Director (Audit and Supervisory Committee Member)			●	●			●			

* The above list does not encompass all of the knowledge, experience, or abilities possessed by the Company's directors.

Contents

Corporate governance

Officer compensation

Policies, etc., for the determination of such content as officer compensation

At a meeting of the Board of Directors held on February 18, 2026, Kobayashi Pharmaceutical enacted a policy for determining the content of such items as compensation for individual directors. The Board consults with the Compensation Advisory Committee in advance on the content of resolutions it adopts and receives reports on these from the Committee.

1. Basic policy

(a) The compensation system motivates the Group to achieve sustainable growth and improve corporate value in the medium to long term
(b) The compensation system must be strongly linked to Company performance, and should motivate directors to achieve the results desired in the performance of duties to which they are assigned
(c) The compensation system must share common interests with shareholders and improve awareness of shareholder-focused management
(d) Processes for deciding compensation must be highly transparent and objective
(e) To build and improve competitiveness, compensation levels must be conducive to obtaining outstanding management personnel

2. Compensation system structure

The compensation for directors who are responsible for business execution is composed of fixed compensation, which is their basic compensation, and performance-linked compensation, specifically short-term incentive compensation and long-term incentive compensation. Basic compensation itself is divided into supervisory and executive sections. Outside directors and directors also serving as Audit and Supervisory Committee members only receive fixed compensation (basic compensation) in light of their roles.

Directors with representative authority receive an additional representative bonus, the Chairman of the Board of Directors receives an additional chairman's bonus, and the chairperson of any committee receives an additional chairperson's bonus.

3. Calculation policy for determining basic compensation

The portion of the compensation attributed to supervisory roles shall be paid according to position and relevant experience.

The portion of the compensation attributed to executive roles shall be calculated by multiplying the basic compensation corresponding to the director's role and responsibility by the compensation increase rate based on the previous fiscal year's evaluation of Company-wide performance and individual qualitative evaluations. The indicators used for Company-wide director compensation and corporate governance performance evaluation are net sales, operating income, ROA, ROE, and operating cash flows (this is also applied for the following matters).

4. Policy on calculation of and indicators for performance-linked compensation

Short-term incentive compensation is calculated by multiplying the standard amount of basic compensation by a compensation rate listed in a matrix table based on an evaluation of Company-wide performance in the previous fiscal year and individual qualitative evaluations. Long-term incentive compensation is based on points, which are calculated by dividing the standard amount of basic compensation by the average closing price of the Company's common stock for each day in the December immediately preceding the start of the medium-term management plan. Cumulative points for the three years of the medium-term management plan are then multiplied by the average closing price on each day of the last December covered by the medium-term management plan and the compensation rate as listed in a matrix table based on an evaluation of Company-wide performance over the three years of the management plan and medium-term key goal indicators (KGIs).

5. Policy on the ratio of basic and performance-linked compensation

Under typical conditions, the compensation structure shall comprise 50% basic compensation, 35% short-term compensation, and 15% long-term incentive compensation. Compensation levels shall be compared to benchmarks of other companies of similar scale in related industries based on director compensation surveys conducted by external experts.

6. Policy on timing or conditions for providing compensation, etc., to directors

Basic compensation and short-term incentive compensation for the year under review will be determined based on the previous year's performance and paid out monthly in cash calculated as the sum of amounts obtained by dividing each type of compensation by 12. Long-term incentive compensation shall be paid out in cash once every three years, immediately after the Shareholders' Meeting following the end of the medium-term management plan (typically in April).

7. Method for determining details of individual compensation

To ensure transparency and fairness in director compensation (excluding those serving as Audit and Supervisory Committee members), we have established a voluntary Compensation Advisory Committee. This committee is chaired by an independent outside director, and the majority of its members are also independent outside directors. The Board of Directors then delegates the determination of individual compensation details to the Compensation Advisory Committee. The Compensation Advisory Committee determines individual compensation according to the results of qualitative evaluations (such as management performance interviews) conducted by the president and other objective performance data. For the chairman of the Board and the president, only Company-wide performance evaluations are considered since they do not hold any specific department-related responsibilities and qualitative management performance evaluations are not conducted.

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Evaluation of the effectiveness of the Board of Directors

To ensure its effectiveness, every fiscal year the directors analyze and evaluate the functionality of the Board of Directors. In fiscal 2025, to ensure objectivity and accelerate governance reform, we engaged Board Advisors Japan, Inc., a third-party organization, to carry out the evaluation. The process and summary of the results of this evaluation are as follows.

1. Evaluation process and methodology

From October to December 2025, the following methods were used to conduct a survey of all directors (10 people) and members of the previous Audit and Supervisory Board (4 people).

- Survey: Questions on the Board's composition, operations, discussions, and monitoring (non-anonymous)
- Individual interviews: Detailed analyses of survey responses and extraction of qualitative issues
- Documents: Confirmation of operations by reviewing meeting minutes and other documentation

2. Summary of the evaluation

The third-party evaluation determined that the Board of Directors is working under its current system to establish the motivations and structures needed to achieve a fundamental reform of corporate governance in response to the governance crisis arising from the red yeast rice-related issue in March 2024. Further, it deemed the effectiveness of the Board's efforts are sufficient. The following three points were identified as strengths underpinning this effectiveness.

(1) Diverse outside directors with strong commitment: Every director actively participates in discussions and contributes with their expertise to improve corporate value
(2) Prompt and appropriate sharing of important information: The executive team proactively reports both positive and negative information to the Board of Directors
(3) Earnest management by the Chairman and secretariat: The Chairman's time management and the secretariat's support are functioning effectively despite a large number of items on the agenda

3. Identified issues

The following issues to be addressed in order to realize the transition to a monitoring Board and further strengthen governance functions were identified.

- Delegation of authority to the executive side and tighter focus on strategic agenda items
- Further improvements to Board meetings (for example, focusing on specific important issues in meetings and clarifying document details)
- Strengthen monitoring of the development of next-generation management

4. Future action policy

The Board of Directors will implement the following measures based on the results of the evaluation.

(1) Enhance strategic discussions and delegate authority: Clarify the topics to be discussed at Board meetings (medium- to long-term strategy, capital strategy, etc.) and strengthen oversight by revising proposal submission criteria and delegating authority to the executive team
(2) Improve Board management: Strengthen advance coordination between the Chairman, President, and secretariat to ensure that discussions of important matters are thorough
(3) Strengthen nomination governance: Monitor succession plans for developing next-generation management talent, including for the President, and accelerate related discussions

The Company views these evaluation results as very important and will strive to restore stakeholders' trust and continuously enhance corporate value through ongoing improvements.

Contents

Communication with shareholders and investors

At Kobayashi Pharmaceutical, we recognize that shareholders and investors ("shareholders, etc.") are important stakeholders, and we emphasize constructive dialogue with them to secure the Company's sustainable growth. We have systems in place for ensuring that valuable opinions, centering on those arising from dialogue with shareholders, etc., are shared with top management and reflected in improvements to the running of the Company.

Policies for dialogue with shareholders

- We actively engage in dialogue with shareholders, etc., to contribute to the Company's sustainable growth.
- Senior management, the IR officer, the IR Department, the director in charge of the Public Relations & General Affairs Department, the Public Affairs Department, or the General Affairs Department conduct dialogue with shareholders, etc., taking into account their attributes, the timing of the dialogue, the Company's business resources, and other factors.
- In dialogue with shareholders, etc., feedback is provided to the Board of Directors on shareholders' views regarding the Company's sustainable growth.

Results of dialogue with shareholders (fiscal 2025)

Annual Shareholders' Meeting (held in March 2026)	
Attendance	112
Voting participation rate	86.98%

Dialogue with individual investors	
Number of times held	0
Participants	0

Meetings with institutional investors and analysts	
Number of times held	261

Risk management system

1. Company-wide risk management system (day-to-day administration)

The Company values quality and safety above all else in its management and has established a system to identify and handle risks from a Company-wide perspective.

At the core of our day-to-day risk management activities is the Risk and Compliance Committee established in February 2025. The committee meets more often than its predecessor, the Risk Management Committee, and aggregates risk information from every department. The committee is charged with identifying, evaluating, and prioritizing risks, based on which it formulates and rigorously monitors the implementation of specific countermeasures.

The committee reports its findings to the Management Meeting, which is composed primarily of executive officers, and also reports to the Board of Directors when necessary. This governance system ensures that management is always up-to-date on risk conditions and enables swift business decision-making.

Based on this system, the categories of major risk recognized by the Company are as follows.

Major risk categories

(1) Product safety risks (2) Legal and regulatory risk (3) Risks to reputation
(4) Risks of securing and utilizing human capital
(5) Risks associated with employee occupational health and safety
(6) Risks associated with compliance awareness among directors and employees
(7) Environment risks for business
(8) Risks of business models that introduce new products aggressively
(9) Risks of demand fluctuations due to climate change and unseasonable weather
(10) Financial risks for overseas business (11) Capital investment risks
(12) Risks associated with business acquisitions and alliances
(13) Risks associated with the procurement of raw materials and products
(14) Risks due to natural and human-caused disasters
(15) Risks associated with information security
(16) Risks associated with litigation and intellectual property

Please visit the Company's website for further details on risks related to business and the status of countermeasures.

Major risks (Japanese only)
https://www.kobayashi.co.jp/contribution/governance/risk.html

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2. Crisis management and information escalation system (emergency response)

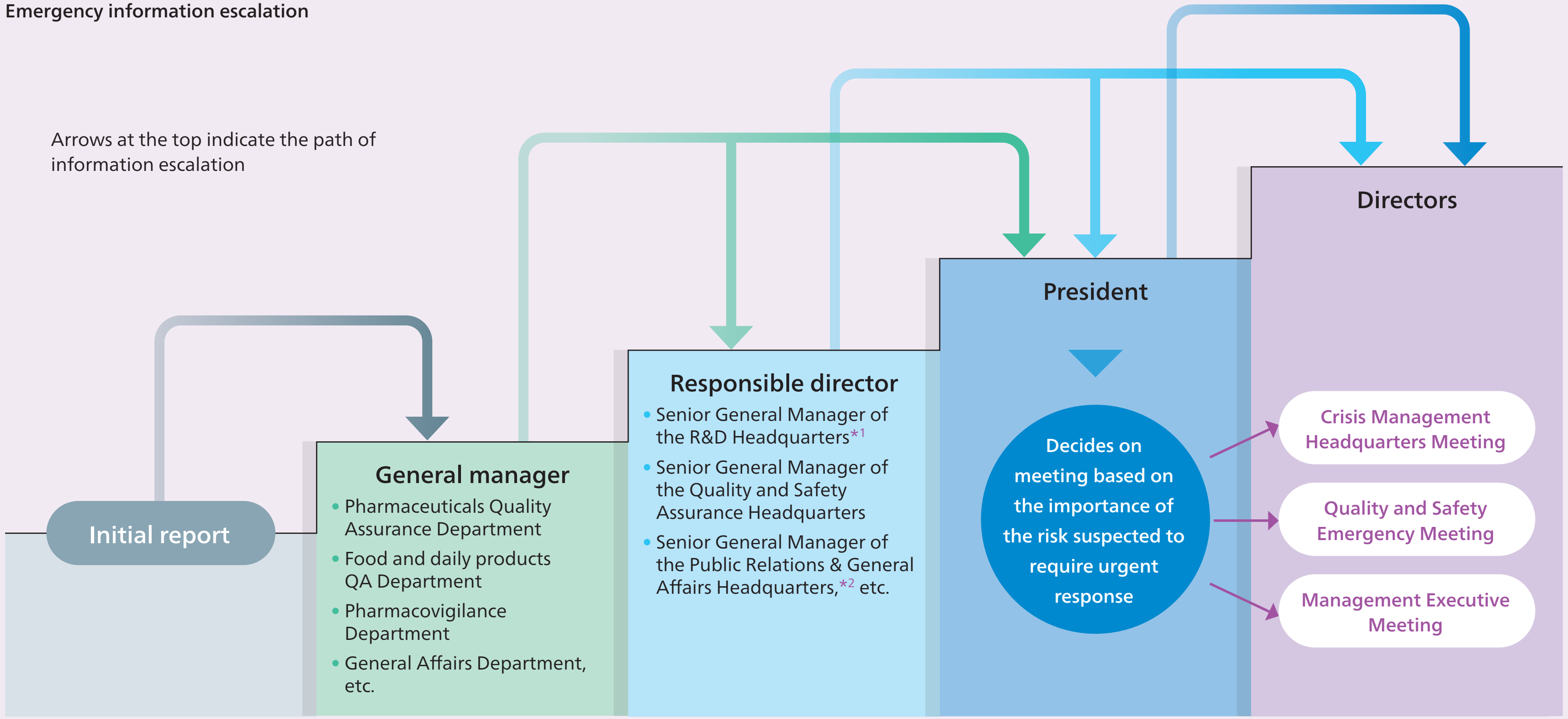
The Company has strengthened its emergency response system with the aim of minimizing damage and prioritizing customer safety in the event of unforeseen circumstances, and has been operating rigorously in line with regulations since March 2025.

If any concerns about the quality or safety of a product arise, the Quality and Safety Emergency Meeting will be held immediately, with the Representative Director, President and Chief Operating Officer serving as chair. If a serious risk to consumer health or potential for a large-scale product recall arises, we will promptly establish a lateral Company-wide Crisis Management Headquarters to enact a swift top-down response.

We have also revised the system of risk escalation to the Board to prevent communication stagnation and realize highly transparent governance. Rather than sole responsibility for deciding whether to escalate resting with the President, the authority and responsibility to escalate directly to the Board has been given to the heads of the R&D Headquarters, the Quality and Safety Assurance Headquarters, and the Public Relations & General Administration Headquarters.

This system enables prompt information sharing to the Board of Directors from the earliest stages before a matter is determined to be a significant risk based on expert knowledge from diverse perspectives.

Emergency information escalation



*1 The Senior General Manager of the R&D Headquarters chairs the Quality and Safety Specialized Committee.
*2 The Senior General Manager of the Public Relations & General Affairs Headquarters chairs the Risk and Compliance Committee.

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Governance

Management of intellectual property / Compliance

Management of intellectual property

1. Basic policy

In line with our corporate slogan, "You make a wish and we make it happen," we design and launch totally unique innovative products found nowhere else in the world. We consider the distinct brand identities of these products to be important intangible assets and are developing intellectual property strategies to maximize their value in line with the overarching aim of improving our competitiveness and enhancing corporate value.

2. Intellectual property strategy

At each stage of product development that delivers what consumers wish for, the Company conducts the following activities.

- First into new markets: Starting with the earliest stages of development, the business and intellectual property departments coordinate closely to anticipate new market forecasts and formulate and implement an intellectual property strategy accordingly for new developed products.
- Easy-to understand marketing: We are committed to product naming, packaging, and advertising that clearly communicates the value offered by our products and we strategically protect these elements with a combination of design and trademark rights.
- Establishment and long-lasting sales: We continuously revamp our products to preserve our top market share while striving to protect associated intellectual property rights, including patents, to solidify a place in the market and secure long-term sales.
- Overseas expansion: We work to maximize the international potential of our uniquely developed products and maintain a global intellectual property network to ensure a competitive advantage in relevant countries.

3. Governance

We have assigned a specialist in intellectual property for every product category and country or region. We verify that no development project we undertake infringes upon a third party's intellectual property rights and strive to ensure those rights remain respected. At the same time, to ensure the safety and trust of customers using Kobayashi Pharmaceutical brand products, we work across the globe to eliminate counterfeit and other products that infringe upon our own intellectual property rights.

4. Organization and foundation

The Legal and Intellectual Property Department operates within the Corporate Strategy Headquarters, which functions independently of the business departments. This arrangement ensures that the department maintains objectivity in its audits and is able to bring a Company-wide perspective to its support of other departments. Furthermore, this department underpins sustainable value creation across the entire Group through collaboration that transcends divisional boundaries. We believe that human resources are the foundation of the Group's business, and we invest in their training and development. In fiscal 2020, these activities earned us the Intellectual Property Achievement Award from the Commission of the Japan Patent Office.

Internal controls

Kobayashi Pharmaceutical has established a Risk and Compliance Committee that meets once a month to discuss, report on, and exchange opinions about important topics including risks, compliance, governance, and internal controls to better implement its internal control system with regard to such topics and to monitor the systems in place.

The Senior General Manager of the Public Relations & General Affairs Headquarters acts as chair, and the Senior General Manager of the Corporate Strategy Headquarters acts as vice chair. Committee members include the general managers of the Corporate Department, as well as members of the Audit and Supervisory Board. The committee deliberates on internal control, governance, and compliance systems, and regularly reports the contents of its discussions to the Board of Directors, Executive Committee, and Group Council.

For details, see the Basic Policy on Internal Control Systems (in Japanese only).
https://www.kobayashi.co.jp/corporate/governance/#Governance_policy

In addition, the Company lays out its internal control activities so that any oversights can be easily spotted, and we are working to monitor and manage them from a top-down perspective. The Risk and Compliance Committee regularly reviews these activities.

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Compliance promotion system

With the knowledge that promoting "quality and safety first" is one of the Company's most pressing issues, top management periodically sends messages to all directors and employees encouraging them to prioritize quality and safety while taking appropriate action.

To increase compliance awareness and spread knowledge of compliance we also systematically conduct job category-related training for officers, managers, new employees, etc., as well as training covering topics tailored to participants' experience levels for new graduates and mid-career hires. Furthermore, all domestic Group employees are provided with e-learning programs designed to instill compliance awareness. Also, every month managers at each department serve as instructors, holding 15-minute compliance training sessions and leading compliance-themed discussions for employees. These sessions ensure that every employee is aware of compliance issues.

In January 2025, we initiated a new Quality and Safety Training program for all directors and employees to ensure that the necessary mindset and skills are thoroughly instilled.

E-learning: Themes in 2025

January:	Kobayashi Pharmaceutical Group Code of Ethics
February:	Personal information protection
March:	Harassment
April:	Information security measures
May:	The Pharmaceuticals and Medical Devices Act
June:	Rules for importing goods from abroad
July:	E-mail security measures
August:	Health management
September:	Act against Unjustifiable Premiums and Misleading Representations
October:	Preventing insider trading
November:	Anti-malware measures
December:	Fair trade and business partnerships

15-minute training sessions: Themes in 2025

January:	Microaggressions
February:	Compliance
March:	The importance of sleep for occupational health and safety
April:	Preventing organizational misconduct
May:	Points of caution in using outsourcing with personal information
June:	Harassment
July:	Interacting appropriately with civil servants
August:	Employee Consulting Center (whistleblowing system)
September:	Preparing for a major earthquake at home
October:	Our integrity
November:	Business and human rights
December:	Distinction versus discrimination

Internal reporting and consultation system

The Kobayashi Pharmaceutical Group has established Employee Consulting Centers as dedicated points of contact for employees to submit compliance-related reports, ask questions, voice concerns, and receive consultations.

In Japan, two of these centers are internal, with one handling compliance, including such issues as violations of laws and regulations as well as internal rules in addition to instances of bribery, corruption, and other conduct counter to corporate ethics, and the other handling harassment. We have also set up an external consulting center (through a law office) and are striving to improve employee satisfaction by accepting consultations not limited to such business matters as compliance and harassment but including private issues. At the internal centers in Japan, reports and consultations can be engaged in anonymously. At the external centers, anonymity from the Company is assured for those engaged in reports and consultations. In addition to full-time employees, such personnel as contract employees, temporary workers, part-time workers, retired employees, and employees of business partners and others can also use this service to make reports or receive consultations.

Once a whistleblower submits a report or engages in consultation, a counselor designated by the general manager of the General Affairs Department, who also oversees the Employee Consultation Centers, will investigate the case. During the course of this investigation, interviews and other examinations will be conducted while ensuring the content of the report or consultation and the identity of the person coming forward are protected. If a suspected compliance violation is confirmed, corrective and preventive measures will be implemented and communicated with the person who came forward, along with the results of the investigation.

Retaliation or other detrimental actions against any person who has submitted a report or requested consultation are prohibited by internal Company regulations as is any investigation aimed at identifying a person who comes forward in such manner.

Overseas, every local subsidiary has established similar compliance reporting points of contact (including for anonymous submission), and investigations and responses are handled by the departments in charge of internal reporting (Public Relations & General Administration Headquarters, and Corporate Headquarters).

In 2025, of the 74 reports received, three cases involved compliance issues, and the Company swiftly took corrective action.

Number of reports and consultations in the past five years (excluding private cases at external consulting centers)

	2021	2022	2023	2024	2025
Number of reports and consultations	39	55	91	80	74

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11-year summary

	Old standard					New standard*7						
	2016.3	2016.12*6	2017.12	2018.12	2019.12	2019.12	2020.12	2021.12	2022.12	2023.12	2024.12	2025.12
For the fiscal period												(Millions of yen)
Net sales	137,211	120,051	156,761	167,479	168,052	158,340	150,514	155,252	166,258	173,455	165,600	**165,742**
Gross profit	79,693	71,412	95,522	103,119	103,346	90,975	85,265	88,773	92,331	96,375	87,603	**84,711**
Operating income	18,260	17,409	22,925	26,289	26,355	25,658	25,943	26,065	26,669	25,780	24,860	**14,923**
Ordinary income	17,949	19,499	24,191	27,374	27,851	27,851	27,726	28,015	28,281	27,330	26,861	**16,995**
Net income attributable to owners of the parent	13,466	14,321	15,863	18,023	19,139	19,139	19,205	19,715	20,022	20,338	10,067	**3,656**
Cash flow from operating activities	14,329	16,097	22,350	20,007	20,089	20,089	23,986	22,419	31,914	18,360	11,246	**25,590**
Free cash flow*1	3,396	15,577	29,390	11,944	15,017	15,017	11,330	30,410	17,601	(1,216)	(7,169)	**25,435**
Depreciation	2,544	2,112	2,926	2,967	3,583	3,583	3,837	3,973	4,360	4,929	6,615	**7,355**
Capital expenditures*2	4,448	4,352	3,360	3,796	5,315	5,315	4,265	5,278	15,794	26,887	24,861	**20,723**
Research and development expenses	5,788	4,121	7,239	7,031	7,110	7,110	7,338	7,522	8,327	9,004	9,109	**9,122**
At year-end												(Millions of yen)
Net assets	142,023	143,320	153,811	166,249	172,657	172,657	182,583	195,600	197,900	204,816	213,471	**211,008**
Total assets	188,997	201,234	218,831	228,787	233,398	233,732	238,366	252,554	255,827	267,473	265,368	**275,329**
Working capital*3	83,865	81,670	88,072	96,771	109,279	109,279	114,118	131,186	121,083	102,220	98,045	**88,683**
Per-share data*4												(Yen)
Net income	165.56	179.12	201.31	228.05	244.08	244.08	245.71	252.36	259.63	268.16	135.42	**49.19**
Cash dividends	48.00	52.00	58.00	66.00	73.00	73.00	77.00	83.00	90.00	101.00	102.00	**104.00**
Payout ratio (%)	29.0	29.0	28.8	28.9	29.9	29.9	31.3	32.9	34.7	37.7	75.3	**211.4**
Financial ratios												(%)
Gross profit margin	58.1	59.5	60.9	61.6	61.5	57.5	56.6	57.2	55.5	55.6	52.9	**51.1**
Operating income margin	13.3	14.5	14.6	15.7	15.7	16.2	17.2	16.8	16.0	14.9	15.0	**9.0**
Ordinary income margin	13.1	16.2	15.4	16.3	16.6	17.9	18.4	18.0	17.0	15.8	16.2	**10.3**
Net margin	9.8	11.9	10.1	10.8	11.4	12.1	12.8	12.7	12.0	11.7	6.1	**2.2**
Return on assets (ROA)	9.6	10.0	11.5	12.2	12.1	12.0	11.7	11.4	11.1	10.5	10.1	**6.3**
Return on equity (ROE)	9.6	10.0	10.7	11.3	11.3	11.3	10.8	10.4	10.2	10.1	4.8	**1.7**
Equity ratio	75.1	71.2	70.3	72.7	73.9	73.9	76.6	77.4	77.3	76.4	80.2	**76.3**
Price-earnings ratio (PER) (times)*5	29.8	27.9	36.4	32.8	38.0	38.0	51.3	35.8	34.8	25.3	46.0	**110.6**

1. Cash flow from operating activities + Cash flow from investing activities
2. Increase in property, plant and equipment + Increase in intangible assets
3. Current assets – Current liabilities
4. Including impact of stock split
5. Current share price ÷ Earnings per share
6. The Company changed its fiscal year-end to December 31 from March 31 effective from the fiscal year ended March 31, 2016. Consequently, the fiscal year ended December 31, 2016 is a transitional period comprising the nine months from April 1, 2016 to December 31, 2016.
7. The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and "Implementation Guidance on the Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) have been applied from the beginning of the fiscal year ended December 31, 2020.

Contents

Our history

1886
- Founder Chubei Kobayashi established Kobayashi Seidaido, an unlimited partnership company, in Monzen-cho, Naka-ku, Nagoya
- The Company sold general merchandise and cosmetics

1894
- Launched 10 types of proprietary pharmaceuticals, including Daikomaru, Ichinichimaru, and Tamushichinki

1912
- Established Kobayashi Daiyakubou, a limited partnership company, in Hiranomachi, Higashi-ku, Osaka

1919
- Incorporated as Kobayashi Daiyakubou, Co., Ltd. in Kyomachibori, Nishi-ku, Osaka, through a merger involving unlimited partnership company Kobayashi Seidaido and limited partnership company Kobayashi Daiyakubou
- Kichitaro Kobayashi was appointed as the first president

1939
- Launched *Hakkiri,* a headache medicine

1940
- Spun off the manufacturing division of Kobayashi Daiyakubou to establish Kobayashi Pharmaceutical Co., Ltd.
- Juso Plant began operations in Higashi-yodogawa-ku, Osaka (currently Yodogawa-ku)

1948
- Saburo Kobayashi, the Company's second president, was appointed

1956
- Kobayashi Daiyakubou Co., Ltd. and Kobayashi Pharmaceutical Co., Ltd. were merged and renamed Kobayashi Pharmaceutical Co., Ltd.
- Relocated the Head Office to Dosho-machi, Higashi-ku, Osaka (currently Dosho-machi, Chuo-ku)

1958
- Teruko Kobayashi, the Company's third president, was appointed

1966
- Launched *Ammeltz,* a topical analgesic

1969
- Launched *Bluelet*, a toilet bowl cleaner and freshener, entering the household products market

1972
- Formed partnership with U.S.-based C.R. Bard, Inc. to establish medical devices importer Japan Medico, Inc., entering the medical devices market

1975
- Launched *Sawaday,* a toilet air freshener, entering the air freshener market

1976
- Kazumasa Kobayashi, the Company's fourth president, was appointed
- Japan Medico, Inc. became Medicon, Inc., a joint venture company with C.R. Bard, Inc.

1983
- Established Toyama Kobayashi Pharmaceutical Co., Ltd. (Toyama City, Toyama Prefecture)

1988
- Made Angel Ltd. a consolidated subsidiary of Kobayashi Pharmaceutical Co., Ltd. and thereby acquired a manufacturing site (Niihama City, Ehime Prefecture)

1992
- Established Kobayashi Medical as part of the Medical Devices Business

1993
- Established Sendai Kobayashi Pharmaceutical Co., Ltd. (Kurokawa-gun, Miyagi Prefecture)

1996
- Launched *Toughdent,* a denture cleanser

1998
- Established Shanghai Kobayashi Friendship Daily Chemicals Co., Ltd., a joint venture company in China
- Established Kobayashi Healthcare, LLC in the U.S.

1999
- Listed on the Second Section of the Osaka Securities Exchange
- Launched mail order sales of nutritional supplements, marking the start of the Direct Marketing Business

2000
- Listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange
- Established the Central R&D Laboratory in Ibaraki City, Osaka Prefecture
- Spun off the trade division to form Kobashou Co., Ltd.

2001
- Made Kiribai Chemical Co., Ltd., a body warmer manufacturer, a subsidiary (Yodogawa-ku, Osaka)
- Established Kobayashi Healthcare Europe, Ltd. in the U.K.

2002
- Established Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. in Hong Kong
- Made Shanghai Kobayashi Friendship Daily Chemicals Co., Ltd. a wholly owned subsidiary, changing the company name to Shanghai Kobayashi Daily Chemicals Co., Ltd.
- Took over the health food business, mainly operations related to *Tochucha* (eucommia leaf tea), from Hitachi Zosen Corporation

2003
- Angel Ltd. renamed Ehime Kobayashi Pharmaceutical Co., Ltd.

2004
- Yutaka Kobayashi, the Company's fifth president, was appointed

2005
- Obtained exclusive sales rights to the women's health medicine *Inochi no Haha A* from Sasaokayakuhin Corporation

2006
- Made eVent Medical Ltd., a medical device manufacturer in Ireland, a subsidiary
- Made Heat Max, Inc., a body warmer manufacturer in the U.S., a subsidiary

2008
- Kobashou Co., Ltd. and Mediceo Paltac Holdings Co., Ltd. conducted a share exchange
- Spun off the manufacturing division of Kiribai Chemical Co., Ltd., establishing Kiribai Kobayashi Pharmaceutical Co., Ltd.
- Obtained trademark rights for Bisrat Gold from Ishihara Chemical Co., Ltd.

2009
- Established Kobayashi Pharmaceutical (Singapore) Pte. Ltd. in Singapore

2010
- Spun off the medical device division into Kobayashi Medical Co., Ltd.

2011
- Transferred all eVent Medical Ltd. shares in a management buy-out
- Established Kobayashi Healthcare (Malaysia) Sdn. Bhd. in Malaysia
- Established Kobayashi Pharmaceutical (Taiwan) Co., Ltd. in Taiwan

2012
- Made Grabber, Inc., a body warmer manufacturer in the U.S., a subsidiary
- Established PT. Kobayashi Pharmaceutical Indonesia in Indonesia
- Established Hefei Kobayashi Daily Products Co., Ltd. in China
- Sold 80% of Kobayashi Medical Co., Ltd. shares to Mitsubishi Corporation

2013
- Made Rokuyo Pharmaceutical Co., Ltd., a manufacturer of pharmaceutical products, quasi-pharmaceutical products, and cosmetics, a subsidiary
- Established Kobayashi Healthcare Australia Pty., Ltd. in Australia
- Transferred all Japan Medicalnext Co., Ltd. (formerly Kobayashi Medical Co., Ltd.) shares to Mitsubishi Corporation
- Established Hefei Kobayashi Pharmaceutical Co., Ltd. in China
- Akihiro Kobayashi, the Company's sixth president, was appointed
- Established Kobayashi Healthcare (Thailand) Co., Ltd. in Thailand
- Made Juju Cosmetics Co., Ltd., a cosmetics manufacturer, into a subsidiary

2015
- Acquired Ganyaku Hitifuku brand from Hitifuku Inc.
- Dissolved the joint venture with U.S. company Bard International Inc. and sold all its shares to Medicon, Inc.

2016
- Acquired *Monascus purpureus* business from Gunze Limited
- Made Perfecta Products, Inc., a company engaged in the planning and sale of OTC pharmaceuticals and cosmetics in the U.S., a subsidiary

2017
- Acquired exclusive marketing rights in Japan for Bioil from Union-Swiss (Pty) Ltd. (headquartered in South Africa)

2018
- Made Jiangsu Zhongdan Pharmaceutical Co., Ltd. a subsidiary, changing the company name to Jiangsu Kobayashi Pharmaceutical Co., Ltd.

2019
- Made Meitan Hompo Co., Ltd., a manufacturer of health and other products made using Japanese plums, a subsidiary

2020
- Made Alva-Amco Pharmacal Companies, Inc. a subsidiary to develop and grow the OTC pharmaceutical business in North America, changing its name to Alva-Amco Pharmacal Companies, LLC

2022
- Transitioned to Prime Market in line with the market reorganization of the Tokyo Stock Exchange

2023
- Made Focus Consumer Healthcare, LLC a subsidiary to expand and develop supplements and OTC pharmaceutical products in North America

2024
- Established KOBAYASHI Pharmaceutical Manufacturing (Thailand) Co., Ltd. in Thailand to ensure a stable supply of household products in Southeast Asia
- Satoshi Yamane, the Company's seventh president, was appointed

2025
- Norikazu Toyoda, the Company's eighth president, was appointed
- Acquired Meitan Hompo Co., Ltd. through a merger
- Discontinued the Direct Marketing Business through internal e-commerce and call center

Contents

Corporate data / Investor information (As of December 31, 2025)

Corporate data

Corporate Name	KOBAYASHI PHARMACEUTICAL CO., LTD.
Incorporated	August 22, 1919
Head Office	4-4-10 Doshomachi, Chuo-ku, Osaka 541-0045, Japan
Representative	Norikazu Toyoda, Representative Director, President and Chief Executive Officer
Employees	3,731 (consolidated), 1,737 (non-consolidated)
Consolidated Subsidiaries	33 (11 domestic, 22 overseas)

Investor information

Common stock	¥3,450 million
Shares authorized	340,200,000
Shares issued	78,050,000
Shareholders	68,319
Stock exchange listing	Prime Market, Tokyo Stock Exchange
Transfer agent / Account management institution for special accounts	Mitsubishi UFJ Trust and Banking Corporation

Major shareholders

Name	Percentage of total shares held (%)
Akihiro Kobayashi	12.46
The Kobayashi Foundation	8.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.06
Oasis Japan Strategic Fund Ltd.	5.19
Ikuko Watanabe	3.13
Forum Co., Ltd.	2.79
OASIS JAPAN STRATEGIC FUND Y LTD.	2.74
Oasis Investments II Master Fund Ltd.	2.62
Yukako Iue	2.51
Eko Co.	2.29

Notes:
1. The Company holds 3,711,236 shares of treasury stock but is excluded from the above list of major shareholders.
2. Percentage of total shares held is calculated excluding treasury stock.

Group companies

● Domestic Business ● International Business ● Other Business

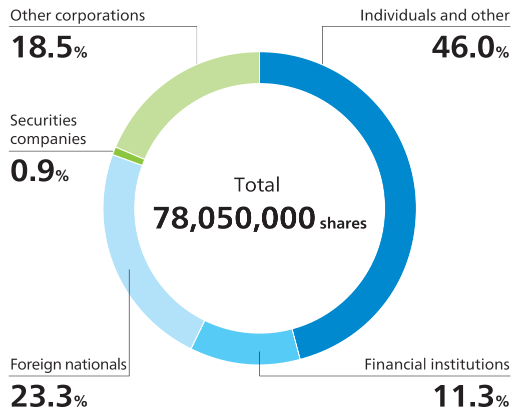
Consolidated subsidiaries (domestic)

- Toyama Kobayashi Pharmaceutical Co., Ltd.
- Sendai Kobayashi Pharmaceutical Co., Ltd.
- Ehime Kobayashi Pharmaceutical Co., Ltd.
- Kiribai Kobayashi Pharmaceutical Co., Ltd.
- Aloe Pharmaceutical Co., Ltd.
- Kobayashi Pharmaceutical Plax Co., Ltd.
- SP-Planning, Inc.
- Archer Corporation
- Suehiro Sangyo Co., Ltd.
- Kobayashi Pharmaceutical Distribution Co., Ltd.
- Kobayashi Pharmaceutical Value Support Co., Ltd.

Consolidated subsidiaries (overseas)

- Kobayashi Healthcare, LLC
- Hefei Kobayashi Daily Products Co., Ltd.
- Kobayashi Pharmaceutical (Hong Kong) Co., Ltd.
- Jiangsu Kobayashi Pharmaceutical Co., Ltd.
- Kobayashi Pharmaceutical (Singapore) Pte. Ltd.
- Kobayashi Pharmaceutical (Taiwan) Co., Ltd.
- Kobayashi Healthcare (Malaysia) Sdn. Bhd.
- PT. Kobayashi Pharmaceutical Indonesia
- Kobayashi Healthcare Australia Pty., Ltd.
- Kobayashi Healthcare (Thailand) Co., Ltd.
- KOBAYASHI Pharmaceutical Manufacturing (Thailand) Co., Ltd.
- Kobayashi Healthcare International, Inc.
- Kobayashi Consumer Products, LLC
- Kobayashi America Manufacturing, LLC
- Mediheat, Inc.
- Berlin Industries, Inc.
- Perfecta Products, Inc.
- Alva-Amco Pharmacal Companies, LLC
- Focus Consumer Healthcare, LLC
- Kobayashi Healthcare Europe, Ltd.
- Hefei Kobayashi Pharmaceutical Co., Ltd.
- Kobayashi (China) Co., Ltd.

Shareholder composition



Contents

Editorial policy and information disclosure

Editorial policy

To inform readers about the Kobayashi Pharmaceutical Group's management and corporate activities, this integrated report comprehensively covers non-financial information such as ESG activities in addition to management's direction and strategy and a review of operations. The International Integrated Reporting Framework provided by the International Financial Reporting Standards Foundation and the Guidance for Collaborative Value Creation formulated by Japan's Ministry of Economy, Trade and Industry were used as references in compiling this report.

Reporting scope
Kobayashi Pharmaceutical Co., Ltd. and its consolidated subsidiaries

Reporting covered
January 1, 2025–December 31, 2025
Note: Certain subsequent information is also included.

Regarding forward-looking statements
This integrated report contains forward-looking statements formulated based on information available to Kobayashi Pharmaceutical at the time of the report's preparation and reflecting certain assumptions considered reasonable by the Company. Actual results may differ materially from the information presented in these forward-looking statements.

External recognition (As of December 31,2025)

For the latest updates to external evaluations of the Company, please see the following website (Japanese only).
https://www.kobayashi.co.jp/contribution/external-evaluation/

FTSE JPX Blossom Japan Sector Relative Index	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)
FTSE Blossom Japan Sector Relative Index	2025 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数	2025 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)
CDP	**Health and Productivity Management**	**Kurumin Certification**
Climate: A- Forests: B Water: B		

Publication of this integrated report

This *Integrated Report 2026* was formulated to provide information on how Kobayashi Pharmaceutical is transforming and progressing toward renewed growth.

Our primary focus in creating this report was to deliver the authentic voices of management and employees working on the ground. Please be sure to read the Message from the President, in which President Toyoda speaks on his strong commitment to the new medium-term management plan and the Company's long-term vision. Another highlight is the Board of Directors' Roundtable Discussion, which provides a candid view on the active—sometimes even intense—dialogues held by the Board.

We would also like to emphasize our wealth of human capital to our investors. From passionate Company-wide dialogues on reforming the corporate culture to the phenomenon of leadership autonomously driving change in every department, the steady evolution of mindsets, and progress in the rebuilding of the organization are things that we hope our readers will appreciate. It is clear that the source of the Company's transformation and sustainable growth lies with the power of our people on the ground.

We hope that this report will deepen our readers' understanding of the new Kobayashi Pharmaceutical and serve as an opportunity for constructive dialogue with our stakeholders.

Information disclosure framework

Financial information / **Non-financial information**

- Integrated Report (Financial and Non-financial)
- Financial information: Financial Results; Financial results presentation materials; Shareholders' Meeting materials; Investor information website
- Non-financial information: Corporate Governance Report; Human Capital Report; TNFD Report; Sustainability website
- Securities Report (Financial and Non-financial)

Integrated Report survey
Thank you for reading the *Integrated Report 2026*. We would appreciate any comments or feedback that would help us improve our future business activities and reporting.

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