

# KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer:** Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 107th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. and is prepared solely for the convenience of shareholders outside Japan with voting rights. In case of any discrepancy between the translation and the Japanese original, the latter will prevail. Certain omissions and modifications have been made from the original Japanese notice.]

(TSE Code 4967)

(Date of dispatch) March 13, 2025

(Date of commencement of measures for electronic provision) March 6, 2025

To our Shareholders:

## **NOTICE OF CONVOCAION OF THE 107TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 107th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. (the “Company”), which will be held as described below.

*In convening this meeting, the Company has electronically provided the information contained in the “Reference Documents for the General Meeting of Shareholders” and other related materials. Please access and view the Company’s website.*

【The Company’s Website】

<https://www.kobayashi.co.jp/ir/report/shm/>

(\*The posted information is written in Japanese)



*In addition to the Company’s Website above, you can also see the materials at the following websites.*

【Website for the General Meeting of Shareholders】

<https://d.sokai.jp/4967/teiji/>

【Tokyo Stock Exchange Website (TSE Listed Company Information Service)】

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(After accessing the website above, please enter “小林製薬” in the “銘柄名(会社名)” field or the Company’s securities code “4967” in the “コード” field, and then select “基本情報” and “縦覧書類/PR 情報” and click the “株主総会招集通知/株主総会資料” section under “縦覧書類.”)

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

Very truly yours,

KOBAYASHI PHARMACEUTICAL CO., LTD.

By:           /s/  YAMANE SATOSHI            
Satoshi Yamane  
President and Chief Executive Officer  
4-10, Doshomachi 4-chome, Chuo-ku, Osaka

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### To Our Shareholders

Representative  
Director,  
President and /s/ SATOSHI YAMANE  
Chief Executive  
Officer Satoshi Yamane



I would like to take this opportunity to express my sincerest gratitude for the continued support of our shareholders.

Kobayashi Pharmaceutical would also like to express our deepest apologies once again to our customers who have suffered health damage, businesses that have suffered losses, our shareholders, and all other concerned parties for any inconvenience and concern caused by our red yeast rice related products.

We are currently working in good faith to compensate customers who have suffered health damage and businesses that have suffered losses, while also working to determine the cause of the issue regarding the products concerned and prevent any recurrence.\* We will sincerely and steadily implement recurrence prevention measures based on the three pillars of (1) Changing Mindsets and Enhancing Systems concerning Quality and Safety, (2) Fundamental Changes to Corporate Governance, and (3) Rebuilding a New Kobayashi Pharmaceutical through Unity. We will also strive to fulfill our responsibilities by making any contributions we can to society.

As we strive to realize the “New Kobayashi Pharmaceutical,” we will once again return to our origins with a policy of “Customer First,” with the company and its employees working together in unity to implement our initiatives.

We look forward to receiving the continued support of our shareholders in the future.

\* Details on the status of the progress of recurrence prevention measures and the status of compensation are set out on the following pages.

March 2025

## ■ Recurrence Prevention Measures in response to the Issue and Status of Progress thereof

With respect to the issue in which it was found that some of the red yeast rice ingredients in the red yeast rice related products of the Company may have contained components that the Company did not anticipate (the “Issue”), the Company announced the implementation of a voluntary collection of the products in question on March 22, 2024, and then on March 27, 2024, the Company received an administrative disposition from the Osaka City Health Center ordering collections of the products in question on the grounds of violating the Food Sanitation Act.

Immediately following the occurrence of the Issue, the Company responded as necessary in order to resolve problems that had been identified, but as the Company announced in its press release titled “Notice Regarding the Formulation of the Recurrence Prevention Measures, Etc.” dated September 17, 2024, the Board of Directors of the Company decided on and publicly announced that, based on the opinions offered by the Fact Finding Committee through its Investigation Report, the Company would adopt recurrence prevention measures comprised of three pillars of policies, namely (1) “Changing Mindsets and Enhancing Systems concerning Quality and Safety,” (2) “Fundamental Changes to Corporate Governance,” and (3) “Rebuilding a New Kobayashi Pharmaceutical through Unity.”

Once again, we have included an outline of the recurrence prevention measures in line with the three pillars of policies below.

### Outline of the Recurrence Prevention Measures: The Three Pillars of Policies

#### (1) Changing Mindsets and Enhancing Systems concerning Quality and Safety

- We will work to thoroughly implement “quality and safety first” and change the mindsets concerning quality and safety of our officers and employees.
- We will clarify the roles and responsibilities of the departments responsible for quality and safety and enhance the quality assurance and management systems.

#### (2) Fundamental Changes to Corporate Governance

- We will reform the structure of the Board of Directors that will supervise the management of a new Kobayashi Pharmaceutical.
- With the aim of restoring the trust of all stakeholders and realizing a new Kobayashi Pharmaceutical, we will work to establish a system that will enable us to become a company that does the right thing in the right way.

#### (3) Rebuilding a New Kobayashi Pharmaceutical through Unity

- In order to enhance our sensitivity to risks and our ability to create new value, we will implement measures to eliminate the homogeneity inherent in us and strengthen diversity.
- We will rebuild our company through unity with all officers and employees to build a new Kobayashi Pharmaceutical.

In addition, based on the stringent external instructions the Company has been receiving up to now, we have been considering the realization of the recurrence prevention measures and believe it is necessary to continuously review the recurrence prevention measures that have already been implemented. Further, we will steadily and faithfully implement the recurrence prevention measures from now on to ensure that no incident like the Issue will ever happen again, and we will continue to make progress toward becoming a company that embodies a culture of “quality and safety first.”

In the following paragraphs, we will explain the outline of the recurrence prevention measures that the Company is currently implementing or considering with respect to each of the three policy pillars stated above.

Please see the press release titled “Notice Regarding the status of the progress of the Recurrence Prevention Measures, Etc.” dated February 10, 2025 for details.  
[https://www.kobayashi.co.jp/newsrelease/files/pdf/20250210\\_04.pdf](https://www.kobayashi.co.jp/newsrelease/files/pdf/20250210_04.pdf)



## KOBAYASHI PHARMACEUTICAL CO., LTD.

### (1) Changing Mindsets and Enhancing Systems concerning Quality and Safety

The outline for the activities pertaining to this category is as stated in Table 1. As for the main activities the Company has been conducting up to now, we have been promoting the change to a “quality and safety first” mindset by implementing company-wide education and increasing opportunities for two-way dialogue between the management team and on-site employees. Next, in order to clarify the roles and responsibilities of the departments responsible for quality and safety and have quality control systems that allow for greater demonstrations of staff expertise, the Company underwent corporate reorganization related thereto on January 1, 2025. Further, in addition to enhancing plant management systems, we have been accelerating collaborations between manufacturing and research departments, as well as strengthening *monozukuri* (manufacturing) collaboration systems and governance systems.

Going forward, in addition to both enhancing our on-site *monozukuri* capabilities and rebuilding our quality management systems, the Company will continue to refine areas such as our quality control standards and product inspections.

Table 1

1	Changing Mindsets and Enhancing Systems concerning Quality and Safety	
(1)	Changing Mindsets: “Quality and Safety First”	
(1)-(A)	Education and training on quality and safety	
	We will conduct education and training on quality and safety for all officers and employees	
(1)-(B)	Delivering a message from the Representative Director, President and Chief Executive Officer concerning quality and safety	
	The Representative Director, President and Chief Executive Officer will become the standard bearer and regularly deliver messages	
(1)-(C)	Increasing Opportunities for Dialogue with Employees	
	The management team will regularly hold dialogue with the employees involved in maintaining and managing quality and safety	
(1)-(D)	Formulating business plans that place the highest priority on “quality and safety first”	
	We will integrate the “quality and safety first” mindset into our business plans	
	We will position policies concerning quality and safety as key components in our Medium-Term Management Plan	
	We will create an environment in which we can carry out the investments required for improving quality and safety	
	We will select and concentrate resources on necessary businesses.	
(2)	System Enhancement (1): The Quality Assurance System	
(2)-(A)	Clarifying Responsible Departments	
	We will make clear the roles of the Pharmacovigilance & Consumer Relations Division	
(2)-(B)	Improving Quality Control Systems	
	We will strengthen the expertise in the First Line by:	Transitioning to a functional operating model;
		Specializing quality control in quality control sections in departments and divisions; and
		Reviewing personnel rotations
	We will strengthen the interactive collaboration between the First and Second Lines by:	Organizing quality control organizations; and
		Organizing quality control meeting bodies
(2)-(C)	Creating a New Specialized Department	
	We will create a new department that handles laws and regulations related to product development and manufacturing in a professional manner	

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(3)	Enhancing Systems (2): Management Systems	
(3)-(A)	Improving Plant Governance Systems	
(3)-(A)-(a)	Performing regular auditing by the Quality Management Department and a third party	
	We will perform a regular auditing of each plant by the Manufacturing Headquarters by:	Implementing quality general inspections (self-inspections) *Oral products and products that come into contact with the skin; and
		Implementing regular internal auditing
	We will establish a system for checking by a third-party organization by:	Implementing plant auditing by third-party organizations; and
		Continuing regular auditing by third-party organizations
(3)-(A)-(a) and (b)	Newly establishing the “ <i>Monozukuri</i> (Factory Manufacturing) Promotion Office	
	We will enhance the supervision function of the plants (and establish the “ <i>Monozukuri</i> (Factory Manufacturing) Promotion Office)	
	We will reinforce collaboration/communication between the Manufacturing Headquarters and each plant	
(3)-(A)-(d)	Establishing comprehensive safety and health management standards	
	We will establish safety and health management standards for oral product lines (other than pharmaceuticals)	
	We will establish safety and health management standards for product lines that come into contact with the skin (other than pharmaceuticals)	
	We will establish safety and health management standards for all product categories	
(3)-(B)	Developing Relevant Rules	
	We will centralize all laws, regulations, guidelines, and other rules applicable to each product category	
	We will ensure dissemination of the quality assurance policy	
	We will synchronize quality control activities in all departments and divisions involved in manufacturing, R&D, and quality control/assurance by:	Documenting the “ <i>monozukuri</i> (manufacturing) quality-oriented action policy
(3)-(C)	Reviewing Workflows	
(3)-(C)-(a)	Collaboration Between Development Departments and Plants	
	We will regularly hold a “mass production review meeting”	
	We will establish a cross-departmental quality enhancement team comprised of members from development departments and the Manufacturing Headquarters	
(3)-(C)-(b)	Improvement of Manufacturing Management and Maintenance Control, Etc., in New Technology Area	
	We will reconsider the purchasing managers index (PMI) process upon entering into or expanding our business in any technological area that is new to us	
	We will nurture human resources involved in any business that we assumed from another company and establish a system for obtaining opinions of outside experts	
	We will strengthen the structure for manufacturing management and maintenance control of quality after the commencement of continued production related to any business that we assumed from another company	
(3)-(C)-(c)	Strengthening Product Inspections	
	We will consider and introduce multiple testing depending on the characteristics of a product and procedures to detect whether ingredients other than the specified ingredients are contained in a manufactured product	
(3)-(D)	Reforming Personnel Evaluation Systems	
	We will revise our personnel system to ensure more weight is placed on the evaluation of activities that contribute to quality and safety	

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### (2) Fundamental Changes to Corporate Governance

The outline for the activities pertaining to this category is as stated in Table 2. As for the main activities the Company has been conducting up to now, in light of the current state of the Company, we have reviewed what the composition of the Board of Directors should be, selected individuals from outside the Company with a variety of knowledge, and have submitted these individuals to you at this General Meeting of Shareholders as director candidates. With regard to our executive structure, we are reviewing our executive meeting bodies with the objective of strengthening our staff expertise and improving the quality and speed of our decision making.

On top of this, in terms of crisis management system enhancements, we have enhanced our emergency response organizations and risk information escalation systems.

Going forward, under the new Board of Directors, the Company will improve our supervision of internal controls and quality controls by further strengthening information sharing with Audit & Supervisory Board Members.

Table 2

2	Fundamental Changes to Corporate Governance	
(1)	Breaking Free of Dependence on the Founding Family in Managing the Company	
	The Chairman and CEO and the Representative Director, President and Chief Executive Officer have resigned	
	We will further strengthen the supervisory functions by the Board of Directors, in which Outside Directors will account for its majority	
(2)	Re-examining Organizational Structures	
	We will examine transitioning to a company with a nominating committee, etc. or the like	
	We will strengthen our supervisory functions by reforming the structure of the Board of Directors, increasing the number of Outside Directors, and externally soliciting the Director and Chairman of the Board	
(3)	Strengthening Supervision by Board of Directors	
(3)-(A)	Strengthening Supervision by Outside Directors	
	We will review the management of the Board of Directors by:	Changing the chairperson of the Board of Directors (which until now had been performed by the Chairman);
		Reviewing the agenda of the Board of Directors;
		Improving the system for information sharing between Outside Directors and Audit and Supervisory Board Members; and
		Establishing rules for the terms of Outside Directors
(3)-(B)	Strengthening Collaboration between the Board of Directors and the Executive Side (such as by setting regular meetings between them)	
	We will create a system to provide information to the Board of Directors in a timely and appropriate manner by:	Strengthening collaboration between the Board of Directors and the Executive Side; and
		Establishing an escalation system for risk information
(3)-(C)	Timely Sharing Information with Audit and Supervisory Board Members	
	We will promote communication between Audit and Supervisory Board Members and the Board of Directors and executive side	
(4)	Reviewing Executive Meeting Bodies (including abolishing the Group Operating Meeting (GOM))	
	We will restructure our meeting bodies by:	Creating a Management Executive Meeting (to clarify the decision-making body for business execution);
		Creating a Group Council (to collect a variety of opinions); and
		Creating various specialized committees (to enhance specialized discussions and adopt third-party perspectives)

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(5)	Establishing a Crisis Management System	
(5)-(A)	A Response System where the Representative Director, President and Chief Executive Officer is the Person in Charge	
	We will establish a system to enable prompt, expert decision-making (establishing a Quality and Safety Specialized Committee and Quality and Safety Emergency Meeting)	
(5)-(B)	A Risk Management System Assuming Emergencies	
	We will strengthen collaboration between the Risk Management Division and the secretariat of the Board of Directors by restructuring the organization	
	We will establish a risk management system for ordinary operations	
(5)-(C)	Internal Information Sharing System in case of an Emergency	
	We will redevelop escalation flows for risk information in case of an emergency	
	We will develop an approach toward risk information which should be escalated to the Board of Directors	
(6)	Enhancing Risk and Compliance Systems	
(6)-(A)	Reorganizing the Governance Promotion Meeting	
	We will establish a Risk and Compliance Specialized Committee	
(6)-(B)	Organizational Management with Integrity as a Code of Conduct	
	We will promote integrity management by:	Creating a specialized department to promote integrity management;
		Providing integrity training for officers; and
		Fostering a culture of integrity management
(7)	Improving External Communication and Information Distribution	
	We will stimulate internal and external communication through reorganization with increased expertise	
(8)	Business Management Prioritizing Quality and Safety	
	We will re-establish a business portfolio strategy and decide on what to discontinue (business selection and concentration of resources)	
	We will examine a reduction in the number of SKU	
	We will reallocate resources, such as necessary personnel and budgets	

### (3) Rebuilding a New Kobayashi Pharmaceutical through Unity

The outline for the activities pertaining to this category is as stated in Table 3. First off, we have begun to reform our HR systems in order to secure, assign, and train human resources that emphasize expertise and diversity. Next, we are launching company-wide projects for the purpose of building our ideal company structure as well as fostering a corporate culture that will allow us to realize this structure.

In addition, we will designate March 22nd, the day on which we announced the Issue, as “Quality and Safety Day” to ensure that the Issue is never forgotten, and we will build a “new Kobayashi Pharmaceutical” from the combined efforts of the entire management team and all employees.

Table 3

3	Rebuilding a New Kobayashi Pharmaceutical through Unity	
	We will secure, assign, and train personnel by giving priority to expertise and diversity	
	We will review our organizational culture (and promote the organizational culture transformation project)	
	We will be sure to continue to take actions to ensure that this Issue is never forgotten	
	We will designate “March 22nd,” the day on which we announced this Issue, as “Quality and Safety Day	

To reiterate, we have already started work in every category on the planning and proposals for each of the actions listed as recurrence prevention measures in the release published on September 17, 2024, and there are many initiatives that the Company has already implemented and adopted. However, we believe that this is not the end for initiatives to improve quality and safety, and even the actions that we have already implemented and adopted must be constantly revised, and we must continue to enact refinements thereto.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

Going forward, we will regularly report on the progress of these actions together when reporting our statement of accounts and the like.

### ■ Status of Compensation related to Red Yeast Rice Related Products

Immediately following the occurrence of the Issue, we asked customers who had consumed our red yeast rice related products to have their health condition checked at a medical institution, and we paid for costs such as the initial consultation fees and examination fees. We have also been paying for the medical expenses and other incurred expenses as a provisional measure for customers for whom it was suspected that there was a reasonable relationship between their symptoms and consumption of our red yeast rice related products. In order to steadily implement compensation responses for customers who have suffered health damage, on July 1, 2024, we established the Compensation Response Headquarters, which specializes in handling compensation related to the Issue, and established a compensation policy concerning health damage, and since August 19, 2024, in addition to payments for medical and transportation expenses, we began making payments in earnest with respect to consolation payments, compensation for loss of wages, and lost wages due to residual disability.

In addition, since March 25, 2024, we have been asking businesses that sell our red yeast rice ingredients or products using our red yeast rice ingredients to conduct voluntary collection of the products in question as a precautionary measure to prevent the spread of health damage among customers, and we are also accepting applications for compensation for the costs incurred in relation to the collection of products.

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

Please refer to the “Notice regarding our red yeast rice related products” on our website and “Financial Results Briefing for Fourth Quarter of Fiscal Year Ended December 31, 2024” respectively, for details on the number of cases reported concerning the Issue and the status of compensation for health damage.

Notice regarding our red yeast rice related products

<https://www.kobayashi.co.jp/notice/index.html>



Financial Results Briefing for Fourth Quarter of Fiscal Year Ended  
December 31, 2024

[https://www.kobayashi.co.jp/english/ir/overview/pdf/fye\\_2024\\_06.pdf](https://www.kobayashi.co.jp/english/ir/overview/pdf/fye_2024_06.pdf)



## PARTICULARS

**1. Date and Time of the Meeting:**

Friday, March 28, 2025 at 10:00 a.m. (doors open at 9:00 a.m.)

**2. Place of the Meeting:**

“Sanraku” at RIHGA Royal Hotel Osaka (2<sup>nd</sup> Floor)  
5-3-68, Nakanoshima, Kita-ku, Osaka

Please see the map for the place of the meeting which is printed on the back cover of the Japanese original convocation notice.

**3. Matters to be dealt with at the Meeting:**

**Matters for Report:**

1. Report on the Business Report, the Consolidated Accounting Documents, and the Non-Consolidated Accounting Documents for the 107th Business Year (January 1, 2024 to December 31, 2024)
2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 107th Business Year (January 1, 2024 to December 31, 2024)

**Matters for Resolution:**

- Proposal No. 1: Partial Amendment to the Articles of Incorporation
- Proposal No. 2: Election of Ten (10) Directors
- Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member

The meeting (excluding the Q&A session) will be posted on the Company's website at a later date. Shareholders who were unable to attend the meeting are cordially invited to use this opportunity.

If there is any revision to the information to be provided electronically, reasons for the revision, information prior to the revision and information after the revision will be posted on the aforementioned websites (i.e., “The Company's Website,” “Website for the General Meeting of Shareholders,” and “Tokyo Stock Exchange Website”).

We will send this document stating the information to be provided electronically to shareholders, regardless of whether or not a shareholder has requested the delivery

## KOBAYASHI PHARMACEUTICAL CO., LTD.

of the document, but such information will exclude the following in accordance with laws and regulations and the Company's Articles of Incorporation:

- Business Report: "Principal Business Offices and Plants," "Status of Employees," "Status of Principal Lenders," "Matters Regarding Stock Acquisition Rights, etc.," and "Systems to Ensure Proper Business Operations and Status of Operation of Such Systems"
- Consolidated Accounting Documents: "Consolidated Statements of Changes in Net Assets" and "Notes to Consolidated Financial Statements"
- Non-Consolidated Accounting Documents: "Statement of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements"

The Audit & Supervisory Board Members and the Independent Accounting Auditor have audited the documents that are subject thereto, including the matters stated above.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposal No. 1: Partial Amendments to the Articles of Incorporation

#### 1. Reasons for the Proposal

With respect to the issue in which it was found that some of the red yeast rice ingredients in the red yeast rice related products of the Company may have contained components that the Company did not anticipate (the “Issue”), the Company announced the implementation of a voluntary collection of the products in question on March 22, 2024, and then on March 27, 2024, the Company received an administrative disposition from the Osaka City Health Center ordering collections of the products in question on the grounds of violating the Food Sanitation Act.

In response to the Issue, in the Company’s press release titled “Notice Regarding Establishment of Recurrence Prevention Measures” dated September 17, 2024, “strengthening supervision by Outside Directors” was raised as one of the fundamental changes to corporate governance, with the following being set as one of the actions therefor: “In order to ensure the effectiveness of the Board of Directors, the role of the chairman of the Board of Directors, which has until now been performed by the Chairman, will be taken by an Outside Director. The necessary amendment to the Articles of Incorporation will be made to make this arrangement permanent.”

These amendments to the Articles of Incorporation will be made to realize the action stated above.

#### 2. Details of Amendments

The details of the amendments are as described below.

(Amendments are underlined.)

Present Articles of Incorporation	Proposed Amendments
Articles 1. – 25. (Text omitted)	Articles 1. – 25. (Unchanged)
(Convener and Chairperson of Board of Directors)	(Convener and Chairperson of Board of Directors)
Article 26 1. Unless otherwise provided for in laws and regulations, <u>either the Chairperson of the Board or the President of the Company</u> shall convene a meeting of the Board of Directors and shall become the Chairperson for such meeting.	Article 26 1. Unless otherwise provided for in laws and regulations, <u>an Outside Director determined in advance by the Board of Directors</u> shall convene a meeting of the Board of Directors and shall become the Chairperson for such meeting.
2. If the <u>Chairperson of the Board and the President of the Company are</u> unable to act, one of the other Directors shall act instead in accordance with the order determined beforehand by the Board of Directors.	2. If the <u>Outside Director set forth in the preceding paragraph is</u> unable to act, one of the other <u>Outside Directors</u> shall act instead in accordance with the order determined beforehand by the Board of Directors, <u>and none of the Outside Directors are unable to act, one of the Directors who is not an Outside Director shall act instead in accordance with the order determined in advance by the Board of Directors.</u>
Articles 27. – 44. (Text omitted)	Articles 27. – 44. (Unchanged)

## Proposal No. 2: Election of Ten (10) Directors

The term of office of all six (6) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that ten (10) Directors be elected.

### Background and Reasons for Election of Director Candidates

As announced in the Company's press release titled "Notice Regarding the Formulation of the Reoccurrence Prevention Measures, Etc." dated September 17, 2024, the Company has raised "implementing fundamental changes to corporate governance" as one of its key issues in the measures for preventing recurrence in response to the Issue. During this process, the Company has caused the Nomination Committee and the Board of Directors to reexamine the ideal structure and/or composition of the Board of Directors that would contribute to the enhancement of the Company's corporate value and has been considering changes to the members of the Board of Directors.

As a result, based on matters such as the business environment in which the Company operates, the Company's business performance, and other situations in the various businesses, as well as the progress in preventing recurrence of the Issue, the Company has deemed it necessary to re-define the composition of the Board of Directors, including the skillsets of the members of the Board of Directors, as well as the size of the Board of Directors as a whole. Recently, in light of discussions within the Nomination Committee based on the following views, the Company selected ten (10) director candidates to be included in the proposal to elect directors to be proposed by the Company at the Annual General Meeting of Shareholders.

#### i. Drastic Reforms to the Composition of the Board of Directors and Strengthening of Supervisory Functions by Increasing the Number of Outside Directors

As part of our measures for preventing recurrence in response to the Issue, the Company has raised "Rebuilding a New Kobayashi Pharmaceutical through Unity" and is implementing measures to eliminate homogeneity and strengthen diversity. In order to restore stakeholders' trust in us and realize a "new Kobayashi Pharmaceutical," the Company has determined that it would be desirable to drastically reform the composition of the Board of Directors.

Therefore, the Company has recently determined that, of the ten (10) Director candidates who will compose the new Board of Directors after the Annual General Meeting of Shareholders, eight (8) Director candidates shall be newly elected.

In addition, in order to ensure the effectiveness of the supervisory functions of the Board of Directors, the Company will maintain the composition of the Board of Directors in which Outside Directors account for a majority of the Directors, and will also increase the number of Outside Directors from four (4) to six (6).

On the other hand, (i) Executive Director Akihiro Kobayashi, who is in charge of damage compensation, and (ii) Outside Director Yoshiro Katae, who has been involved in the discussions regarding prevention of recurrence and other matters in response to the occurrence of the Issue, will remain in their respective offices.

In this way, the Company will incorporate new perspectives into the Board of Directors by drastically reforming the composition of the Board of Directors and increasing the number of Outside Directors, while considering how to maintain the balance with the successiveness and continuity of the discussions at the Board of Directors regarding initiatives for damage compensation, prevention of recurrence, and other matters, in order to lead to the realization of a new Kobayashi Pharmaceutical.

#### ii. Strengthening Supervision of the Internal Control System and Quality Control System

The strengthening of the internal control system and quality control system at the Company is one of our key issues in the measures of preventing recurrence in response to the Issue.

In our recent selection of Director candidates, we have included (i) Mr. Masato Mori, who has extensive insight and knowledge regarding accounting, as well as risk management and internal control who also has extensive experience as an outside officer of other companies, and (ii) Mr. Shinsuke Matsumoto, who has broad insight and knowledge as a lawyer regarding corporate legal affairs who also has extensive experience as an outside officer of other companies, as candidates for

## KOBAYASHI PHARMACEUTICAL CO., LTD.

Outside Directors. In addition, (iii) Mr. Yoshiro Katae, who has a high level of insight and extensive experience in crisis management and compliance and has been supervising the responses for preventing recurrence and other matters in response to the Issue as an Outside Director of the Company, will remain in office.

In this way, by filling our Board of Directors with persons with a high level of legal expertise and persons with extensive experience in internal control and risk management, the Company will strengthen the supervision of the internal control system and quality control system.

iii. Exercise of supervisory functions incorporating experience and knowledge in the medical and pharmaceutical fields and the research and development fields

In order for the Company to continue our corporate activities while fulfilling our social responsibility as a manufacturer dealing in pharmaceutical and food products, as well as to promote initiatives including the damage compensation and prevention of recurrence of the Issue, we believe that it is essential to have persons with experience and knowledge in the medical and pharmaceutical fields. In addition, while the Company is promoting cross-departmental quality enhancement between development departments and manufacturing departments in order to enhance systems concerning quality and safety as part of our measures for preventing recurrence, we believe that the Board of Directors should also incorporate experience and knowledge in the research and development fields in exercising its supervisory functions.

Upon recent formulation of the new Board of Directors, we have nominated (i) Mr. Yuji Matsushima as a candidate for a Director in charge of business execution; Mr. Matsushima has over 15 years of work experience at Astellas Pharma Inc. and experience working at the Office of Healthcare Strategy, Cabinet Secretariat, and since joining the Company has been a member of the Central R&D Laboratory and served as its Head, and from this year has been serving as the General Manager, Research and Development Headquarters. We have also nominated (ii) Mr. Toshiaki Monkawa as a candidate for Outside Director; Mr. Monkawa has served as a doctor and as a Vice Dean and Professor at Keio University School of Medicine, has extensive experience in the field of nephrology, endocrinology and metabolism and a proven track record in terms of therapeutic experience, research achievements, and organizational management, and who also has experience serving as a director of the Japanese Society of Nephrology and the Japan Society for Medical Education.

In this way, by adding persons with extensive experience and specialist knowledge in the medical and pharmaceutical fields and research and development fields to become both Executive Directors and Outside Directors, the Company will strengthen the Board of Directors' supervisory functions from a more professional and technical perspective.

iv. Supervision of Responses to Damage Compensation for which the Company is Responsible

The Company believes that while striving to realize a "new Kobayashi Pharmaceutical" from the perspective of corporate governance and management systems by reforming the composition of the Board of Directors and the management team, we should never let any damage which arose from the Issue be forgotten as a past event, and must continue offering compensation to those who have suffered damage in all earnestness and sincerity to the best of our abilities.

In this regard, Mr. Akihiro Kobayashi, who is from the Company's founding family and was serving as the Representative Director, President and Chief Operating Officer at the time of discovery of the Issue, has at present resigned from his position as the Representative Director, President and Chief Operating Officer, returned part of his compensation and the like, and is taking responsibility as the Director in charge of compensation claim management and handling damage compensation pertaining to the Issue.

Therefore, in order to continue to further implement responsible damage compensation responses, we have included Mr. Akihiro Kobayashi as a candidate for Director and we are anticipating having him fulfill his duties as the Director in charge of compensation claim management.

v. Realizing a Board of Directors Which will Implement Corporate Culture Reforms and Lead the Way to a Highly Transparent "New Kobayashi Pharmaceutical"

The Company has raised "Rebuilding a New Kobayashi Pharmaceutical through Unity" as one of its pillars of measures for preventing recurrence in response to the Issue. We believe that we must eliminate homogeneity inherent in the Company, and reform our corporate culture.

Therefore, in order to restore stakeholders' trust, implement recurrence prevention measures, and make operational improvements while incorporating new perspectives from outside the Company,

## KOBAYASHI PHARMACEUTICAL CO., LTD.

we are planning to externally solicit an experienced corporate manager with a proven track record of accomplishing corporate culture reforms. Namely, the Company has nominated Mr. Yoshihito Ota, who has managed KYOCERA Corporation, Japan Airlines Co., Ltd. and other companies, and has experience leading the recovery of Japan Airlines Co., Ltd., as a candidate for Director. We have also determined that, in order to implement corporate culture reforms, it is essential to be involved in the execution of business, including the production and product planning fields, and therefore the Company plans to have Mr. Yoshihito Ota perform his duties as the Director and Chairman of the Board, who is an Executive Director, rather than as an Outside Director.

In addition, in response to the occurrence of the Issue, the Company has acknowledged that there is an issue with our methods of external communication and information disclosure, and we are implementing various initiatives to address this. For the Board of Directors, we are strengthening the supervisory functions regarding external communication and information disclosure, including sharing and disclosure with capital markets and investors, by having Mr. Akio Takahashi, who has management experience at a major securities company group and has profound insight and extensive experience on matters such as dialogue by listed companies with capital markets, as a candidate for Outside Director.

In this way, by strengthening the checks-and-balances function on Executive Directors and the like by having a person brought in from outside the Company to serve as the Director and Chairman of the Board, and also by adding a person well acquainted with dialogue with capital markets and information disclosure, the Company will implement corporate culture reforms at the Board of Directors and lead the way toward the realization of a more open and highly transparent “new Kobayashi Pharmaceutical”.

### vi. Board of Directors Leading the Way toward Restoring the Brand Image of the Company under a new Business Strategy

At the Company, while we must seriously reflect on the occurrence of the Issue and work on damage compensation, at the same time, in order to rebuild the Company into a “new Kobayashi Pharmaceutical” from scratch, we must formulate and implement business strategies and the like that are future-oriented and aspire for future growth.

Therefore, the Company has added Mr. Norikazu Toyoda as a candidate for Director. Mr. Toyoda has held positions which include serving as the president of overseas affiliated companies in the UK and the United States after gaining experience in marketing positions in the Company, and also has contributed to the development of the International Business Division as its General Manager since 2023 by working to increase its sales channels and strengthen its international development and marketing capabilities. We are expecting him to assume the office of Representative Director, President and Chief Executive Officer.

In addition, because we must shape the way a “new Kobayashi Pharmaceutical” should be by incorporating new perspectives that are different from those of the former management team into our future marketing and branding strategies, the Company will strengthen the supervisory functions and advisory functions of the Board of Directors by adding Ms. Misa Kusumoto, who has been involved in marketing and branding for major cosmetics manufacturers, major pharmaceutical companies, and other companies, as a candidate for Outside Director.

As such, in response to the Issue, the Company believes that not only should we continue the initiatives to prevent recurrence and damage compensation in order to restore our stakeholders’ trust in us, including the trust of our shareholders, and meet their expectations, we must also move on to the regrowth phase as a “new Kobayashi Pharmaceutical.” This perspective has been taken into account when considering the balance of the skills of the ten (10) new Director candidates.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

The candidates for Directors are nominated through the Nomination Committee chaired by an Independent Outside Director. The candidates for Directors are as follows:

Candidate Number		Name	Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)
1	New Election Male	Yoshihito Ota	-	-
2	New Election Male	Norikazu Toyoda	-	--
3	New Election Male	Yuji Matsushima	-	-
4	Re-Election Male	Akihiro Kobayashi	Director in charge of compensation claim management	100% (17 times /17 times)
5	Re-Election Male	Yoshiro Katae	Outside Director Independent Director	100% (17 times /17 times)
6	New Election Male	Akio Takahashi	Outside Director Independent Director	-
7	New Election Male	Masato Mori	Outside Director Independent Director	-
8	New Election Male	Shinsuke Matsumoto	Outside Director Independent Director	-
9	New Election Female	Misa Kusumoto	Outside Director Independent Director	-
10	New Election Male	Toshiaki Monkawa	Outside Director Independent Director	-

Note: There are no special interests between each candidate and the Company.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

Number of Shares of the Company Owned  
0 Shares

### 1. Yoshihito Ota (June 26, 1954)

#### Brief Career Summary, Position and Duty at the Company

Mar. 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. (to the present)
Sep. 2019	Chairman, MTG Co., Ltd.
Dec. 2019	Director and Chairman, MTG Co., Ltd.
Dec. 2021	Director and Chairman, EVERING Corp.



#### Assumption of Important Positions

Outside Director of Konoike Transport Co., Ltd.

#### Reasons for Nominating as a Candidate for Director

Mr. Yoshihito Ota has been involved in management as a close adviser of Mr. Kazuo Inamaori, a founder of KYOCERA Corporation, and led the recovery of Japan Airlines Co., Ltd., which suffered a business failure in February 2010. He has extensive experience and broad insight cultivated through his many years as a management executive, including as the Senior Managing Executive Officer of Japan Airlines, Representative Director and Chairman of KYOCERA Communication Systems Co., Ltd., and Director and Chairman of MTG Co., Ltd. Based on such experience and achievements, we believe that it is appropriate for him to serve as the Director and Chairman of the Board who will supervise the management reforms and business operations of the Company as a chief officer, and therefore have nominated him for this post.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 2. Norikazu Toyoda (August 22, 1964)

Number of Shares of the Company Owned  
4,046 Shares

#### Brief Career Summary, Position and Duty at the Company

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 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 (to the present)



New Election

#### Assumption of Important Positions

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#### Reasons for Nominating as a Candidate for Director

Mr. Norikazu Toyoda has held important positions which include serving as the president of overseas affiliated companies in the UK and the United States after gaining experience in marketing positions in the Company, and he has contributed to the development of the International Business Division as its General Manager since 2023 by working to increase its sales channels and strengthen its international development and marketing capabilities. Based on such management experience and achievements, we believe that he is sufficiently able to lead the Company and that it is appropriate for him to serve as a Director, and therefore have nominated him for this post.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 3. Yuji Matsushima (July 12, 1975)

Number of Shares of the Company Owned  
232 Shares

#### Brief Career Summary, Position and Duty at the Company

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, Research and Development Headquarters (to the present)



New Election

#### Assumption of Important Positions

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#### Reasons for Nominating as a Candidate for Director

Mr. Yuji Matsushima joined the Company from Astellas Pharma Inc. in 2020 as a candidate for the Head of the Central R&D Laboratory and has served as the Head of the Central R&D Laboratory as an Executive Officer since 2023. He has planned and promoted large-scale investment strategies in the medium- and long-term and has strived to improve research and development capabilities and strengthen governance. Based on such experiences and achievements, we believe it is appropriate for him to serve as a Director, and therefore have nominated him for this post.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 4. Akihiro Kobayashi (May 13, 1971)

Number of Shares of the Company Owned  
9,264,704 Shares

#### Brief Career Summary, Position and Duty at the Company

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) (to the present)



Re-Election

#### Assumption of Important Positions

##### Reasons for Nominating as a Candidate for Director

Since the assumption of the office as the Representative Director, President and Chief Operating Officer in 2013, Mr. Akihiro Kobayashi has strengthened the Company's product development strategy and overseas businesses, increased employee engagement, and further enhanced the overall corporate values of the Company and other group companies. He has further sought the continuous growth of the group companies and actively promoted measures to strengthen their international business activities and measure implementing ESG, as well as DX (digital transformation). He resigned from his position as the Representative Director, President and Chief Operating Officer in August 2024 to clarify the responsibility of management regarding the series of responses taken by the Company toward the Issue, and as the Director in charge of compensation claim management (an Executive Officer), he has been engaging in compensation work in order to enable customers who were harmed as a result of the Issue to sufficiently recover therefrom. Based on such experience and achievements, we have determined that Mr. Kobayashi is an essential person who can promptly and appropriately provide compensation and restore consumer confidence in the Company, and therefore have nominated him to continue this post.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 5. Yoshiro Katae (October 28, 1956)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

Apr. 1981	Joined Komatsu Ltd.
Jan. 2003	Osaka Plant GM, General Affairs Department, Production Division of 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 (Jomu) of Komatsu Ltd.
Jul. 2019	Advisor of Komatsu Ltd. (to the present)
Mar. 2022	Outside Director of the Company (to the present)



Re-Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

Advisor of Komatsu Ltd.

#### Term of Office

Three (3) years (at the close of this shareholders' meeting)

#### **Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles**

Mr. Yoshiro Katae has served as an Executive Officer, Senior Executive Officer (Jomu), and Advisor of Komatsu Ltd., and has a high level of insight and extensive experience, especially in crisis management and compliance. By utilizing these skills and experiences to make proposals on the Company's overall management and perform the appropriate monitoring of the management strategy of the Company, we expect that he will contribute to the enhancement of the Company's corporate value over the medium to long term. In addition, we expect that Mr. Katae will continue to be involved in management as a person who understands details of the Company from before and after the Issue, and therefore we have nominated him as a candidate for an Outside Director. Although he has not experienced being involved in management as a director of a company other than as an outside officer in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 6. Akio Takahashi (March 15, 1956)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

Apr. 1978	Joined Daiwa Securities Co., Ltd.
Apr. 2009	Director, Senior 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.
Dec. 2015	Outside Director, Green Thermal Co., Ltd.
Mar. 2016	Outside Director, Kantatsu Co., Ltd.
Jul. 2017	Outside Director, Biomass Fuel Co., Ltd. (to the present)
Jun. 2019	Outside Director, Suzumo Machinery Co., Ltd. (to the present)
Dec. 2019	Outside Director, MTG Co., Ltd.



New Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

- Outside Director of Biomass Fuel Co., Ltd.
- Outside Director of Suzumo Machinery Co., Ltd.

#### Term of Office

#### Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

Mr. Akio Takahashi held important positions in companies including Daiwa Securities Co., Ltd. and Daiwa Securities Group Inc., and he has served as a Director and Executive Vice President of Daiwa Securities Group Inc. since June 2012 and as President and Representative Director of Daiwa Investment Management Co., Ltd. since April 2015. Mr. Takahashi also has extensive experience and broad insight regarding the securities business and the managing of listed companies. Based on such experience and abilities, we expect that he will contribute to the decision-making pertaining to disclosure to our capital markets and investors and the supervision of the management, and we have therefore nominated him as a candidate for Outside Director.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 7. Masato Mori (January 28, 1956)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

<p>Apr. 1979</p> <p>Sep. 2000</p> <p>Jul. 2005</p> <p>Jun. 2007</p> <p>Jul. 2010</p> <p>Oct. 2013</p> <p>Apr. 2017</p> <p>Jun. 2018</p> <p>Mar. 2019</p> <p>Jun. 2020</p> <p>Mar. 2023</p>	<p>Joined Kokusai Denshin Denwa K.K. (now KDDI CORPORATION)</p> <p>Joined Japan Telecom Co., Ltd. (now SoftBank Corp.)</p> <p>Joined Chuo Aoyama Audit Corporation</p> <p>Joined Tohmatsu Audit Corporation (now Deloitte Touche Tohmatsu LLC)</p> <p>Director, Deloitte Touche Tohmatsu LLC</p> <p>Representative Director, Crowe Horwath Global Risk Consulting K.K.</p> <p>Professor, Department of Global Innovation Studies, Faculty of Global and Regional Studies, Toyo University (to the present)</p> <p>Outside Audit &amp; Supervisory Board Member, Tecnos Japan Incorporated</p> <p>Outside Audit &amp; Supervisory Board Member, VELTRA Corporation</p> <p>Outside Director and Audit and Supervisory Committee Member, Tecnos Japan Incorporated</p> <p>Outside Director and Audit and Supervisory Committee Member, Pado K.K. (now Def Consulting, Inc.) (to the present)</p> <p>Outside Director and Audit and Supervisory Committee Member, VELTRA Corporation (to the present)</p>
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New Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

Professor of the Department of Global Innovation Studies of the Faculty of Global and Regional Studies of Toyo University

Outside Director and Audit and Supervisory Committee Member of Def Consulting, Inc.

Outside Director and Audit and Supervisory Committee Member of VELTRA Corporation

#### Term of Office

#### Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

As a university professor, Mr. Masato Mori has extensive insight and knowledge regarding accounting, as well as risk management and internal control. He has also extensive work experience, including working in operating companies and major accounting firms in addition to managing consulting companies. Further, based on his broad experience and knowledge as an outside officer of other companies, he has fulfilled the role to supervise the business operations from the independent position. Based on such experiences and achievements, we expect that Mr. Mori will strengthen our internal controls, corporate governance, and risk management and contribute to the supervision of effective management, and we therefore have nominated him as a candidate for an Outside Director.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 8. Shinsuke Matsumoto (April 17, 1970)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

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, Nakamura, Tsunoda & Matsumoto (to the present )
Dec. 2005	Registered with Tokyo Bar Association
Mar. 2017	Outside Audit & Supervisory Board Member, Betrend Corporation (to the present )
Jun. 2023	Outside Audit & Supervisory Board Member, Soken Chemical & Engineering Co., Ltd.(to the present)



New Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

Partner, Nakamura, Tsunoda & Matsumoto  
Outside Audit & Supervisory Board Member, Betrend Corporation  
Outside Audit & Supervisory Board Member, Soken Chemical & Engineering Co., Ltd.

#### Term of Office

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#### Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

In addition having broad insight and knowledge as a lawyer regarding corporate legal affairs, Mr. Matsumoto has assumed positions as the Outside Audit & Supervisory Board Member at Betrend Corporation since March 2017 and the Outside Audit & Supervisory Board Member at Soken Chemical & Engineering Co., Ltd. since June 2023, fulfilling the role to supervise business operations from the independent position based on his broad experience and knowledge as an outside officer of other companies. Based on such experiences and achievements, we expect that Mr. Matsumoto will strengthen our corporate governance and compliance and contribute to the supervision of effective management, and we therefore have nominated him as a candidate for an Outside Director. Although he has not experienced being involved in management as a director of a company other than as an outside officer in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 9. Misa Kusumoto (February 16, 1972)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

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 (to the present)
Oct. 2013	Outside Lecturer, GLOBIS Management School (to the present)
Feb. 2022	Director and CMO, Cell Factor Inc. (to the present)
Feb. 2024	Outside Director, Northsand, Inc. (to the present)



New Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

Marketing Consultant  
Outside Lecturer, GLOBIS Management School  
Director and CMO, Cell Factor Inc.  
Outside Director, Northsand, Inc.

#### Term of Office

#### Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

After gaining experience as a brand manager for cosmetics, food, beverages, etc. at The P&G Japan Limited, Ms. Kusumoto started her own marketing consultancy business and has been active as a marketing adviser for major cosmetics manufacturers, major pharmaceutical companies, and other companies. Based on such experiences and achievements, we expect that Ms. Kusumoto will be able to provide useful advice for promoting diversity management of the Company and that she will be able to contribute to improving the branding and managerial strategies of business and products of the Company, and we therefore have nominated her as a candidate for an Outside Director.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 10. Toshiaki Monkawa (December 5, 1965)

Number of Shares of the Company Owned  
0 Shares

#### Brief Career Summary, Position and Duty at the Company

Mar. 1996	Completed the Doctoral 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
Ap. 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 (to the present)
Jun. 2020	Board Member, Japanese Society of Nephrology
Oct. 2021	Vice Dean, School of Medicine, Keio University (to the present)
Jul. 2024	Director, Japan Society for Medical Education (to the present)



New Election

Outside Director

Independent  
Director

#### Assumption of Important Positions

Professor, Medical Education Center, Keio University School of Medicine  
Vice Dean, School of Medicine, Keio University  
Director, Japan Society for Medical Education

#### Term of Office

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#### Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

As a doctor at Keio University School of Medicine, Mr. Monkawa has extensive experience in the field of nephrology, endocrinology and metabolism, both in terms of therapeutic experience and research achievements. He also has experience in organizational management, serving as Vice Dean of School of Medicine at the same university and as a director of the Japanese Society of Nephrology and the Japan Society for Medical Education. Based on such experience and achievements, we expect that he will contribute to strengthening the supervisory function of the Board of Directors of the Company from a specialist and technical perspective, and we therefore have nominated him as a candidate for an Outside Director. Although he has not experienced being involved in the management as a director of a company, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

Notes:1 Mr. Yoshiro Katae, Mr. Akio Takahashi, Mr. Masato Mori, Mr. Shinsuke Matsumoto, Ms. Misa Kusumoto, and Mr. Toshiaki Monkawa are candidates for Outside Directors and each of them satisfies the requirements to serve as an independent officer as set forth by the Tokyo Stock Exchange. The Company has notified the Tokyo Stock Exchange that Mr. Yoshiro Katae serves as an independent officer as set forth by the Tokyo Stock Exchange, and if his reappointment is approved, he will continue to serve as an independent officer. In addition, if the election of Mr. Akio Takahashi, Mr. Masato Mori, Mr. Shinsuke Matsumoto, Ms. Misa Kusumoto, and Mr. Toshiaki Monkawa is approved, the Company will notify the Tokyo Stock Exchange that each of them serves as an independent officer.

2. After Mr. Yoshiro Katae's assumption of office as Outside Director, the Company has concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit the amount of his liability to the Company to the extent allowed by laws and regulations, and if his reappointment is approved, the Company will renew this agreement. In addition, if the election of Mr. Akio Takahashi, Mr. Masato Mori, Mr. Shinsuke Matsumoto, Ms. Misa Kusumoto, and Mr. Toshiaki Monkawa is approved, the Company will conclude an agreement with each of them pursuant to Article 427, Paragraph 1 of the Companies Act Japan, to limit the amount of their liability to the Company to the extent allowed by laws and regulations. A summary of the agreement is as follows.

If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of his or her failure to perform his or her duties as Outside Director, his or her liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his or her intentional act or gross negligence.


3. If the election of each candidate for Director is approved, the Company will conclude an indemnity agreement with each candidate pursuant to Article 430-2, Paragraph 1 of the Companies Act of Japan. Under such indemnity agreement, the Company will compensate for any expenses under Item 1 of the same paragraph and any losses under Item 2 of the same paragraph within the extent allowed by laws and regulations.
4. With respect to the Issue, the Company announced the implementation of a voluntary collection of the products in question on March 22, 2024, and then on March 27, 2024, the Company received an administrative disposition from the Osaka City Health Center ordering collections of the products in question on the grounds of violating the Food Sanitation Act. Even before this Issue was discovered, Mr. Yoshiro Katae had been always making suggestions and recommendations at the meetings of the Board of Directors and other occasions from the perspective of risk management and legal compliance. In addition, after this Issue was discovered, Mr. Yoshiro Katae, together with the other Outside Directors, established a system under which the Board of Directors conducts an investigation led by the Board of Directors and subsequent verification regarding the series of responses taken by the Company in this Issue, while proceeding with, among others, the establishment of the Fact-Finding Committee consisting of experts from three elements of the judicial community, and he has been making suggestions and recommendations to the Board of Directors and other meeting bodies to ensure that the Company takes appropriate responses to this Issue, in respect of, among other things, determination of the cause, compensation to the victims, recurrence prevention, and other measures, and he has been fulfilling his duties appropriately.

### Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member

In preparation for the situation where the number of Audit & Supervisory Board Members becomes smaller than that required by laws and regulations, it is proposed that one (1) Substitute Audit & Supervisory Board Member be elected.

The Company has obtained approval from the members of the Audit & Supervisory Board with respect to this proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

<b>Shintaro Takai</b> (January 24, 1973)	Number of Shares of the Company Owned 0 Shares
<b>Brief Career Summary, Position at the Company</b>	
<div>Apr. 1999</div> <div>Joined Nagashima &amp; Ohno (now Nagashima Ohno &amp; Tsunematsu)</div> <div>Jun. 2004</div> <div>Earned LL.M. at the University of Chicago Law School</div> <div>Jan. 2007</div> <div>Partner, Nagashima Ohno &amp; Tsunematsu</div> <div>Jun. 2016</div> <div>Managing Partner, Takai &amp; Partners</div> <div>Jul. 2024</div> <div>Managing Partner, TXL Partners (to the present)</div>	
<b>Assumption of Important Positions</b>	
<div>Managing Partner, TXL Partners</div> <div>Outside Audit &amp; Supervisory Board Member, Miki Shoko Co., Ltd.</div>	
	Substitute Outside Audit & Supervisory Board Member
	Independent Auditor

#### Reasons for Nominating as a Candidate for Substitute Outside Audit & Supervisory Board Member

Mr. Shintaro Takai has extensive experience and highly specialized knowledge, particularly in the area of corporate governance as a lawyer. In addition, he has a deep knowledge of international legal affairs, which we believe will not only promote the Company's focus on internationalization but also strengthen our governance system. From this perspective, we expect that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member, and have nominated him as a candidate for the Substitute Outside Audit & Supervisory Board Member. Although he has no experience of being involved in the management of a company other than as an outside director/auditor in the past, we believe that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member for the reasons stated above.

Notes: 1. There are no special interests between Mr. Shintaro Takai and the Company.

2. Mr. Takai is a candidate for Substitute Outside Audit & Supervisory Board Member. If Mr. Takai assumes his office as Outside Audit & Supervisory Board Member, he satisfies the requirements to serve as an Independent Auditor as set forth by the Tokyo Stock Exchange, and the Company will notify the Tokyo Stock Exchange that he will serve as an Independent Auditor.
3. After Mr. Takai's assumption of office as Outside Audit & Supervisory Board Member, the Company will conclude an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit the amount of his liability to the Company to the extent allowed by laws and regulations. A summary of the agreement is as follows:

## **KOBAYASHI PHARMACEUTICAL CO., LTD.**

If, after the conclusion of this agreement, the Outside Audit & Supervisory Board Member causes damage to the Company because of his failure to perform his duties as Outside Audit & Supervisory Board Member, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

4. If Mr. Takai assumes his office as Audit & Supervisory Board Member, the Company will conclude an indemnity agreement with Mr. Takai pursuant to Article 430-2, Paragraph 1 of the Companies Act of Japan. Under such indemnity agreement, the Company will compensate for any expenses under Item 1 of the same paragraph and any losses under Item 2 of the same paragraph within the extent allowed by laws and regulations.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### **Directors' Liability Insurance Policy for Candidates for Directors and Substitute Audit & Supervisory Board Members**

In order to secure excellent human resources and support proactive and decisive management decisions for the Company's growth, the Company has concluded a Directors' liability insurance policy (the "Policy") with the following outline, which is scheduled to be renewed in July 2025. Among the candidates for the position of Director to be proposed in Proposal 2 (Election of Ten (10) Directors), the candidates for Directors to be re-elected are already insured under the Policy and will continue to be insured if their re-election is approved. New candidates for Directors will be insured under the Policy if their re-election is approved, and the candidate for the Substitute Audit & Supervisory Board Member to be proposed in Proposal 3 (Election of One (1) Substitute Audit & Supervisory Board Member) will be insured under the Policy if he assumes office as an Audit & Supervisory Board Member.

#### Summary of the Policy

##### i. Substantial premiums to be borne by the insured

Premiums are borne by the Company, including the rider portion, and there is no substantial premium burden on the insured.

##### ii. Summary of insured accidents subject to indemnity

Together with the rider portion, the insured Directors, etc. will be covered for expenses, court costs, etc. that may arise as a result of them being held liable for legal damages in relation to the performance of their duties or being subject to claims related to the pursuit of such liability.

##### iii. Measures to ensure that the adequacy of the duties of the Directors, etc. is not impaired

In order to ensure that the insured person's performance of his or her duties is not impaired, there are certain exclusions of liability, such as in the case of acts committed with knowledge that the acts are in violation of laws and regulations.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Reference

The following chart shows the expertise in knowledge, experience, and capabilities possessed by each of the candidates for Directors of the Company:

	Corporate Management	Global Business	Organizational Management & HR Development	ESG & Sustainability	Marketing & Sales	Finance & Accounting	Legal Affairs & Risk Management	DX & IT-Digital	Research and Development (New)	Medical and Pharmaceutical (New)
<b>Directors</b>										
Mr. Yoshihito Ohta	•	•	•	•						
Mr. Norikazu Toyoda		•	•		•					
Mr. Yuji Matsushima			•						•	•
Mr. Akihiro Kobayashi	•	•	•	•	•			•		
Mr. Yoshiro Katae		•	•	•			•			
Mr. Akio Takahashi	•		•			•				
Mr. Masato Mori	•	•	•	•		•	•			
Mr. Shinsuke Matsumoto			•	•			•			
Ms. Misa Kusumoto		•	•		•			•		
Mr. Toshiaki Monkawa			•						•	•

Note: The above chart does not represent all of the knowledge, experience, and capabilities, etc. possessed by each candidate for Director.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Composition of the Audit & Supervisory Board

Name		Current Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)	Attendance Rate of Audit & Supervisory Board (Attendance / Held)
<div>Current Position</div> <div>Male</div>	Akitoshi Yamawaki	Full-time Audit & Supervisory Board Member	100% (17 times /17 times)	100% (13 times /13 times)
<div>Current Position</div> <div>Male</div>	Takashi Kawanishi	Full-time Audit & Supervisory Board Member	100% (17 times /17 times)	100% (13 times /13 times)
<div>Current Position</div> <div>Female</div>	Yoko Hatta	<div>Outside Audit &amp; Supervisory Board Member</div> <div>Independent Auditor</div>	100% (17 times /17 times)	100% (13 times /13 times)
<div>Current Position</div> <div>Male</div>	Sumio Moriwaki	<div>Outside Audit &amp; Supervisory Board Member</div> <div>Independent Auditor</div>	100% (17 times /17 times)	100% (13 times /13 times)



## KOBAYASHI PHARMACEUTICAL CO., LTD.

### **Policy and Procedures for Appointment and Nomination of Directors and Audit & Supervisory Board Members**

The Board of Directors has two functions: “decision-making on implementation of business activities” and “supervision of business operations.” We value knowledge and experience in business activities for the former function and the managerial perspectives and experience for the latter function. We also believe that not only the perspectives of women or foreigners but also the values held by such persons are part of diversity and we believe it is important to understand views other than those held by the Company.

Based on the above, the Company has established the following policies and procedures for the appointment and nomination of Directors and Audit & Supervisory Board Members, which has been discussed by the Nomination Committee and decided by the Board of Directors.

#### i. Criteria for Appointment of Internal Directors

As individuals who will ensure the effectiveness of corporate governance at the Board of Directors and contribute to the enhancement of the Company’s corporate value over the medium to long term, candidates for Directors and management (including Chairman and President) shall be appointed based on the following criteria:

- The candidate must be a person who is well versed in the Company’s business, and has extensive experience and a high level of insight.
- The candidate must be a person who embodies the Company’s management philosophy and code of conduct.
- The candidate must be a person with a high level of compliance awareness and an outstanding character.
- The composition of the Board of Directors should take diversity into consideration, taking into account the balance of expertise, without relying on individual attributes such as gender and nationality.

#### ii. Criteria for Appointment of Outside Directors

For the purpose of strengthening the supervisory function of business execution from an independent standpoint outside the Company and at the same time providing appropriate advice on the Company’s management strategies and business execution, multiple candidates for Outside Directors shall be appointed in principle based on the following criteria:

- The candidate must be a person with the ability to provide appropriate supervision and advice on business execution and management strategies, such as having extensive experiences and a high level of insight in specialized fields which are valuable to the Company.
- The candidate must be a person who is not likely to cause a conflict of interest with general shareholders.
- In principle, one of the Outside Directors must have corporate management experience.

#### iii. Criteria for Appointment of Audit & Supervisory Board Members

With the aim of ensuring the sound and sustainable growth of the Company and establishing a high-quality corporate governance system that can respond to the trust placed in it by society by auditing the duties of the Directors from a standpoint independent of the execution of business operations, more than one Audit & Supervisory Board Member in principle shall be appointed based on the following criteria:

- The candidate must have abundant experience and the ability to conduct audits with a fair and unbiased attitude from a company-wide perspective.
- At least one of the Audit & Supervisory Board Members must have considerable knowledge of finance and accounting.

#### iv. Procedures for the Appointment of Directors (Internal and Outside Directors)

The Nomination Committee shall deliberate on the proposed candidates, confirm the appropriateness of the candidates based on their experience and knowledge and past performance, and then nominate the

## **KOBAYASHI PHARMACEUTICAL CO., LTD.**

candidates for appointment at the Board of Directors meeting for approval at the General Meeting of Shareholders.

v.      **Criteria and Procedures for the Dismissal of Directors (Internal and Outside Directors)**

The dismissal of a Director shall be resolved by the Board of Directors and submitted to the General Meeting of Shareholders, after receiving a report from the Nomination Committee, in cases where it is recognized that the Director is not fulfilling his or her functions based on an evaluation of business performance, etc., or where it is recognized that it will be difficult for the Director to properly perform his or her duties in the future, or where it is recognized that the Director has acted improperly or in violation of laws, regulations, or the Articles of Incorporation.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### Points of Focus on Appointment of Independent Outside Directors/Auditors

In appointing Independent Outside Directors/Auditors (i.e., Outside Directors and Outside Audit & Supervisory Board Members), we believe it is most important for such Directors/Auditors to be able to clearly state his or her opinion to the Internal Directors and the management. Also, we have established objective standards that no Independent Outside Director/Auditor shall fall under any of the following categories:

1. a person who executes business at the parent company or any sister company of the Company;
2. a person with whom the Company or its group companies is a major business partner (see Note 1) or a person who executes the business of such person, or major business partners of the Company or its group companies (see Note 2) or a person who executes business at such major business partners of the Company or its group companies;
3. a consultant, accounting expert, or legal expert who receives a large sum of money or other payment (see Note 3) from the Company or its group companies (excluding compensation as a Director or Audit & Supervisory Board Member of the Company) (meaning, if the person who receives such property is a corporation, partnership, or other organization, the person who belongs to the organization);
4. a person who receives a large sum of donation (see Note 4) from the Company or its group companies or a person who executes the business of such person;
5. a major shareholder (a person who directly or indirectly holds 10% or more of the total voting rights) of the Company or a person who executes the business of such major shareholder;
6. a person who executes the business of a person in which the Company or its group companies is a major investor (a person who directly or indirectly holds 10% or more of the total voting rights)
7. any person who falls under any of the items 1 through 6 above within the past two years; or
8. any person who is a relative to any of the following persons (other than those who are determined not to be important by the Company):
  - (a) a person who falls under any of the items 1 through 7 above;
  - (b) a person who executes business at the Company or any of its subsidiaries (this includes, in the case of designating an Outside Audit & Supervisory Board Member as an Independent Auditor, a Director or Accounting Advisor who does not execute business); or
  - (c) a person who fell under item (b) above until recently.

Note 1: A person with whom the Company or its group companies is a major business partner means a person with whom the total amount of transactions between the Company or its group companies and the relevant business partner in each applicable fiscal year exceeds 10 million yen per fiscal year or 2% of the consolidated net sales of the relevant business partner in the consolidated fiscal year ending in the relevant fiscal year, whichever is higher.

Note 2: A major business partner of the Company or its group companies means a person with whom the total amount of the Company or its group companies' transactions with the relevant business partner in each applicable fiscal year exceeds 10 million yen per fiscal year or 2% of the Company's consolidated sales for the relevant fiscal year, whichever is higher.

Note 3: A large sum of money or other payment means that the total amount of money or other payment exceeds 10 million yen in the case of an individual, or 10 million yen or 2% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

Note 4: A large sum of donation means a donation whose total amount exceeds 5 million yen in the case of an individual, or 5 million yen or 1% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

**CONSOLIDATED BALANCE SHEETS**

(As of December 31, 2024)

(Unit: millions of yen)

Item	107th	106th (reference)	Item	107th	106th (reference)
Assets			Liabilities		
<b>Current Assets</b>	<b>144,468</b>	<b>158,331</b>	<b>Current Liabilities</b>	<b>46,423</b>	<b>56,111</b>
Cash and Deposits	50,873	71,536	Notes and Accounts Payable-Trade	8,264	8,745
Notes and Accounts Receivable-Trade	49,442	53,028	Electronically Recorded Obligations-Operating	6,424	8,560
Securities	14,872	8,300	Other Accounts Payable	17,117	25,037
Inventories	24,164	22,083	Lease Obligations	343	379
Other	5,174	3,427	Income Taxes Payable	1,913	4,059
Allowance for Doubtful Accounts	(58)	(44)	Accrued Consumption Taxes	346	788
			Provision for Bonuses	2,840	2,705
			Provision for losses related to product recall	3,970	—
			Other	5,202	5,836
<b>Non-Current Assets</b>	<b>120,900</b>	<b>109,142</b>	<b>Non-Current Liabilities</b>	<b>5,473</b>	<b>6,545</b>
<b>Property, Plant and Equipment</b>	<b>67,448</b>	<b>47,665</b>	Lease Obligations	503	608
Buildings and Structures, <b>net</b>	32,461	10,611	Deferred Tax Liabilities	1,554	2,594
Machinery, Equipment and Vehicles, <b>net</b>	6,476	5,152			
Land	5,947	4,900	Retirement Benefit Liability	1,005	939
Leased Assets, <b>net</b>	815	964			
Construction in Progress	19,261	24,534	Other	2,409	2,403
Other	2,485	1,501			
<b>Intangible Assets</b>	<b>20,674</b>	<b>21,614</b>			
Goodwill	9,260	9,655	<b>Total Liabilities</b>	<b>51,896</b>	<b>62,656</b>
Trademark Rights	8,220	8,792	<b>Net Assets</b>		
Other	3,193	3,165	<b>Shareholders' Equity</b>	<b>187,445</b>	<b>184,887</b>
<b>Investments and Other Assets</b>	<b>32,777</b>	<b>39,862</b>	Common Stock	3,450	3,450
Investments Securities	24,617	32,124	Capital Surplus	522	522
Long-Term Loans Receivable	1,269	1,132	Retained Earnings	208,240	205,681
Retirement Benefit Asset	750	292	Treasury Stock	(24,767)	(24,766)
Deferred Tax Assets	3,087	2,647	<b>Accumulated Other Comprehensive Income</b>	<b>25,333</b>	<b>19,483</b>
Investment Properties	2,650	2,678	Valuation Difference on Available-for- Sale Securities	12,469	12,819
Other	1,730	2,163	Foreign Currency Translation Adjustment	12,300	6,403
Allowance for Doubtful Accounts	(1,328)	(1,176)	Re-measurements of Defined Benefit Plans	563	259
			<b>Share Acquisition Rights</b>	<b>688</b>	<b>446</b>
			<b>Non-controlling interests</b>	<b>4</b>	<b>—</b>
			<b>Total Net Assets</b>	<b>213,471</b>	<b>204,816</b>
<b>TOTAL ASSETS</b>	<b>265,368</b>	<b>267,473</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>265,368</b>	<b>267,473</b>

Note: Any amount less than ¥1 million is rounded down.

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

**CONSOLIDATED STATEMENTS OF INCOME**

(From January 1, 2024 to December 31, 2024)

(Unit: millions of yen)

Item	107th	106th (reference)
<b>Net Sales</b>	<b>165,600</b>	<b>173,455</b>
<b>Cost of Sales</b>	<b>77,997</b>	<b>77,079</b>
<b>Gross Profit</b>	<b>87,603</b>	<b>96,375</b>
<b>Selling, General and Administrative Expenses</b>	<b>62,742</b>	<b>70,595</b>
<b>Operating Income</b>	<b>24,860</b>	<b>25,780</b>
<b>Non-Operating Income</b>	<b>2,477</b>	<b>2,187</b>
Interest Income	207	214
Dividend Income	608	548
Rental Income from Real Estate	300	295
Foreign Exchange Gains	330	40
Compensation Income	347	451
Other	683	636
<b>Non-Operating Expenses</b>	<b>476</b>	<b>637</b>
Interest Expense	28	29
Rental Costs on Real Estate	106	105
Provision of Allowance for Doubtful Accounts	151	154
Other	189	347
<b>Ordinary Income</b>	<b>26,861</b>	<b>27,330</b>
<b>Extraordinary Income</b>	<b>662</b>	<b>461</b>
Gain on Sales of Property, Plant and Equipment	21	11
Gain on Sales of Investment Securities	635	436
Other	4	14
<b>Extraordinary Loss</b>	<b>13,609</b>	<b>232</b>
Loss on Sales and Retirement Property, Plant and Equipment	72	70
Product recall related losses	12,524	—
Other	1,012	161
<b>Income Before Income Taxes</b>	<b>13,914</b>	<b>27,559</b>
Income Taxes Current	5,240	8,297
Income Taxes Deferred	(1,398)	(1,076)
<b>Total Income Taxes</b>	<b>3,842</b>	<b>7,221</b>
<b>Net Income</b>	<b>10,071</b>	<b>20,338</b>
<b>Profit attributable to non-controlling interests</b>	<b>4</b>	<b>—</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>10,067</b>	<b>20,338</b>

Note: Any amount less than ¥1 million is rounded down.

KOBAYASHI PHARMACEUTICAL CO., LTD.

**BALANCE SHEETS**

(As of December 31, 2024)

(Unit: millions of yen)

Item	107th	106th (reference)	Item	107th	106th (reference)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current Assets</b>	<b>115,085</b>	<b>129,384</b>	<b>Current Liabilities</b>	<b>42,451</b>	<b>49,909</b>
Cash and Deposits	37,666	57,505	Trade Notes Payable	429	696
Trade Notes Receivable	0	16	Trade Accounts Payable	14,670	14,052
Trade Accounts Receivable	39,279	44,972	Electronically Recorded Obligations-operating	2,464	3,774
Securities	14,872	8,300	Short-Term Loans Payable to Affiliates	1,422	2,742
Merchandise and Finished Goods	8,618	7,721	Lease Obligations	49	49
Work in Process	1,082	618	Other Accounts Payable	13,536	20,256
Raw Materials and Supplies	1,446	1,419	Accrued Expenses	842	1,021
Prepaid Expenses	721	890	Income Taxes Payable	1,539	3,270
Short-Term Loans Receivable from Affiliates	7,201	6,473	Accrued Consumption Taxes	—	507
Other	4,206	1,543	Deposits Received	57	54
Allowance for Doubtful Accounts	(10)	(77)	Provision for Bonuses	1,989	1,950
<b>Non-Current Assets</b>	<b>102,847</b>	<b>94,551</b>	Reserve for losses related to product recall	3,970	—
<b>Property, Plant and Equipment</b>	<b>35,049</b>	<b>22,776</b>	Other	1,478	1,534
Buildings	15,446	2,196	<b>Non-Current Liabilities</b>	<b>2,931</b>	<b>4,399</b>
Structures	557	51	Security Deposits	436	455
Machinery, equipment and Vehicles	347	127	Lease Obligations	171	221
Tools, Furniture and Fixtures	964	846	Deferred Tax Liabilities	588	1,967
Land	2,942	2,942	Long-Term Accounts Payable	1,103	1,106
Leased Assets	208	255	Provision for Retirement Benefits	201	221
Construction in Progress	14,574	16,351	Other	430	427
Other	8	4			
<b>Intangible Assets</b>	<b>2,050</b>	<b>2,168</b>	<b>Total Liabilities</b>	<b>45,383</b>	<b>54,309</b>
Software	2,021	2,134	<b>Net Assets</b>		
Other	29	34	<b>Shareholders' Equity</b>	<b>159,392</b>	<b>156,359</b>
<b>Investments and Other Assets</b>	<b>65,747</b>	<b>69,605</b>	<b>Common Stock</b>	<b>3,450</b>	<b>3,450</b>
Investment Securities	24,595	32,102	<b>Capital Surplus</b>	<b>522</b>	<b>522</b>
Shares of Affiliates	26,465	24,639	Legal Capital Surplus	522	522
Contribution of Capital to Affiliates	7,436	7,436	<b>Retained Earnings</b>	<b>180,187</b>	<b>177,154</b>
Long-Term Loans Receivable from Affiliates	5,406	2,729	Legal Retained Earnings	340	340
Long-Term Prepaid Expenses	41	254	Other Retained Earnings	179,847	176,814
Investment Properties	2,153	2,163	Reserve for Development	330	330
Other	1,561	1,739	General Reserve	172,162	162,562
Allowance for Doubtful Accounts	(1,913)	(1,460)	Retained Earnings Brought Forward	7,354	13,921
			<b>Treasury Stock</b>	<b>(24,767)</b>	<b>(24,766)</b>
			<b>Valuation and Translation Adjustments</b>	<b>12,469</b>	<b>12,819</b>
			<b>Valuation Difference on Available- for-Sale Securities</b>	<b>12,469</b>	<b>12,819</b>
			<b>Share Acquisition Right</b>	<b>688</b>	<b>446</b>
			<b>Total Net Assets</b>	<b>172,549</b>	<b>169,626</b>
<b>TOTAL ASSETS</b>	<b>217,933</b>	<b>223,936</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>217,933</b>	<b>223,936</b>

Note: Any amount less than ¥1 million is rounded down.

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

**STATEMENTS OF INCOME**

(From January 1, 2024 to December 31, 2024)

(Unit: millions of yen)

Item	107th	106th (reference)
<b>Net Sales</b>	<b>126,658</b>	<b>139,303</b>
<b>Cost of Sales</b>	<b>61,431</b>	<b>64,881</b>
<b>Gross Profit</b>	<b>65,227</b>	<b>74,422</b>
<b>Selling, General and Administrative Expenses</b>	<b>41,544</b>	<b>53,014</b>
<b>Operating Income</b>	<b>23,682</b>	<b>21,407</b>
<b>Non-Operating Income</b>	<b>3,517</b>	<b>3,214</b>
Interest Income	175	102
Dividend Income	1,621	1,664
Rental Income from Real Estate	666	518
Rental Income from Other Assets	61	97
Foreign Exchange Gain	283	157
Other	709	675
<b>Non-Operating Expenses</b>	<b>856</b>	<b>375</b>
Interest Expense	6	7
Rental Costs on Real Estate	266	141
Rental Costs on Other Assets	61	97
Provision of Allowance for Doubtful Accounts	386	76
Other	135	52
<b>Ordinary Income</b>	<b>26,343</b>	<b>24,246</b>
<b>Extraordinary Income</b>	<b>658</b>	<b>17</b>
Gain on Sales of Property, Plant and Equipment	18	12
Gain on Sales of Investment Securities	635	4
Other	4	—
<b>Extraordinary Loss</b>	<b>13,321</b>	<b>110</b>
Loss on Sales and Retirement Property, Plant and Equipment	26	19
Product recall related losses	12,459	—
Other	835	91
<b>Income Before Income Taxes</b>	<b>13,680</b>	<b>24,153</b>
Income Taxes Current	4,443	6,274
Income Taxes Deferred	(1,304)	(175)
<b>Total Income Taxes</b>	<b>3,139</b>	<b>6,098</b>
<b>Net Income</b>	<b>10,541</b>	<b>18,055</b>

Note: Any amount less than ¥1 million is rounded down.