KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer**: Please note that the following purports to be an accurate translation from the original Notice of Convocation of the Extraordinary 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) February 4, 2025
(Date of commencement of measures for electronic provision) January 28, 2025

To our Shareholders:

NOTICE OF CONVOCATION OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the Extraordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. (the "Company"), which will be held as described below.

The Extraordinary General Meeting of Shareholders will be held at the request of a shareholder (the "Proposing Shareholder"), and both of the presented proposals have been proposed by the Proposing Shareholder. The contents of the proposals are as stated in the "Reference Documents for the General Meeting of Shareholders" below, and **the Board of Directors of the Company opposes both Proposal No. 1 and Proposal No. 2 as proposed by the Proposing Shareholder**. See pages 12-16 of the Reference Documents for the General Meeting of Shareholders below for the opposition opinion of the Board of Directors of the Company.

The Company has electronically provided the information contained in the "Reference Documents for the General Meeting of Shareholders" and other related materials. Access and see the Company's Website below.

【The Company's Website】
https://www.kobayashi.co.jp/ir/report/extra/
(*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/4967/24207237/

【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.")

If you attend the meeting, please submit the enclosed Voting Right Exercise Form[1] *to the receptionist of the meeting. If you are unable to attend the meeting, please note that you may exercise your voting rights in writing or by electronic means (i.e., through the Internet)*[2]*. In such a case, please review the attached "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights in writing or by electronic means no later than 5:15 p.m. on February 18, 2025 (Tuesday).*

Very truly yours,

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

1 Please note that the *Voting Right Exercise Form* is not enclosed in this translation material.
2 For institutional investors: "Electronic Voting Platform" may be available for your exercise of voting rights.

KOBAYASHI PHARMACEUTICAL CO., LTD.

PARTICULARS

1. Date and Time of the Meeting:

Wednesday, February 19, 2025 at 10:00 a.m., JST (doors open at 9:00 a.m.)

2. Place of the Meeting:

"Sanraku" at RIHGA Royal Hotel Osaka (2nd 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 Resolution (Shareholder Proposals):

Proposal No. 1:	Election of a Person who will be Charged to Investigate the Status of the Operations and Property of the Company Provided for in Article 316, Paragraph 2 of the Companies Act of Japan
Proposal No. 2:	Election of Three (3) Directors

For this Extraordinary General Meeting of Shareholders, we will uniformly send to all shareholders a document stating the information to be provided electronically, regardless of whether or not a shareholder has requested the delivery of such document.

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").

REFERENCE DOCUMENTS FOR
THE EXTRAORDINARY MEETING OF SHAREHOLDERS

Outlines of the Proposals and Reasons for the Proposals

Both Proposal No. 1 and Proposal No. 2 of the Extraordinary General Meeting of Shareholders have been proposed by Oasis Japan Strategic Fund Ltd. (the "Proposing Shareholder") as a shareholder. The "Outlines of the Proposals and Reasons for the Proposals" as stated below are presented in the original text as notified by the Proposing Shareholder, except for the adjustment of the proposal and item numbers, etc. and additional note by the Company.

The Board of Directors of the Company opposes both Proposal No. 1 and Proposal No. 2 proposed by the Proposing Shareholder. See pages 12-16 for the opposition opinion of the Board of Directors of the Company.

The reasons for the proposals which are common to Proposal No. 1 and Proposal No. 2 are as follows. In light of the fact that the Company's share handling rules limit the length of the reason for proposal of one agenda item to 400 characters in Japanese, we have kept the total combined length of the reasons for the four proposals contained within Proposal No. 1 and Proposal No. 2 to within 1,600 characters in Japanese.

As stated in the Reasons for Convocation(*), after receiving reports of kidney problems and other harm to consumers of the functional food "Beni-Koji Choleste-Help" (the "Product"), the Company announced the discontinuation of use and voluntary recall of the Product and other products manufactured by the Company that contain red yeast rice ingredients (the "Beni-Koji Incident"). The harm caused by the Beni-Koji Incident was extremely serious, and a subsequent investigation revealed that "puberulic acid," the cause of the Beni-Koji Incident, was detected in some product lots at the Company's Osaka Plant.

The investigation report dated July 22, 2024 produced by the Fact-Finding Committee established by the Company (the "Investigation Report") criticized the deficient quality control and internal control systems and severe lack of food safety awareness at the Company. The report also stated that "in order to analyze the true cause of this matter and to implement effective measures for preventing recurrence, Kobayashi Pharmaceutical will be required to investigate and verify the appropriateness of its internal control system and quality control system in a broader sense ... the Committee expects the executives at Kobayashi Pharmaceutical to conduct serious investigation and verification of these matters under the supervision of the BOD, led by the Outside Directors."
In light of these facts, and in order to restore consumer confidence in the Company, it is necessary to conduct a full-scope investigation and verification of the appropriateness of the internal control system and quality management system, followed by fundamental system reforms based on the results of that verification. However, although the Company announced measures to prevent recurrence on September 17, 2024, there is no evidence that the Company conducted a full-scope investigation and verification of the appropriateness of its internal control system and quality management system as encouraged by the Fact-Finding Committee. In other words, the investigation by the Fact-Finding Committee seems to have been an attempt to close the case regarding the causes of the Beni-Koji Incident.

However, the investigation by the Fact-Finding Committee was limited in scope from the outset, in the interest of reaching a speedy conclusion. In addition, there are doubts about the independence of the investigation and the objectivity of the investigation results, because it was conducted with the support of attorneys from another firm who provided separate legal advice to the Company regarding the Beni-Koji Incident, and the results of the investigation and contents of the report were shared with the internal Directors of the Company and the report was finalized only after discussion with the Directors.

Furthermore, given that the Outside Directors were unable to do anything to prevent the Beni-Koji Incident or the spread of damage, and deliberately underreported the number of deaths, caving to

the strong resistance from the founding family, even after the Beni-Koji Incident became public, one cannot expect a fundamental reform of the Company's quality management and internal control systems to be accomplished by entrusting the task solely to the existing management team.

Therefore, in order to seriously address the fact that significant harm has been caused and to restore confidence in the Company, it is necessary to conduct an analysis of the causes of the Beni-Koji Incident (including an analysis of the appropriateness of the Company's overall internal control system and quality management system) following re-investigation and verification of the Beni-Koji Incident by a truly independent investigator. It is also necessary to appoint new Outside Directors to exercise supervision and checks and balances over the executive Directors and others. In order to achieve these objectives, Oasis recommends the election of Mr. Shin Ushijima as Investigator and Mr. Yoshio Nakamura, Mr. Richard Dols Young, and Dr. Tomoko Chubachi as Directors.

(*) Note by the Company: See the attachment (Request for Convocation of the Extraordinary General Meeting of Shareholders) to the press release of the Company dated December 2, 2024 and titled "Notice of Request for Convocation of the Extraordinary General Meeting of Shareholders Made by a Shareholder" for the "Reasons for Convocation" of the Proposing Shareholder.

1. **Proposal No. 1:** Election of a person who is charged to investigate the status of the operations and property of the Company under Article 316, Paragraph 2 of the Companies Act

Summary of the proposal

(1) Person who is charged to investigate the status of the operations and property

Mr. Shin Ushijima is elected as a person who is charged to investigate (the "Investigator") the status of the operations and property of the Company under Article 316, Paragraph 2 of the Companies Act to investigate the matters stated in "Purpose of the investigation." The appointment of the Investigator shall become effective upon the adoption of this proposal, and no separate agreement with the Company is required to be entered into.

Name (Date of birth)	Career summary, position, responsibilities, and material concurrent positions	
Shin Ushijima (February 30, 1949)	April 1977	Commissioned public prosecutor
	April 1979	Admitted as a lawyer
	April 1985	Established Ushijima & Associates (currently Ushijima & Partners, Attorneys-at-Law)
	February 2002	Statutory Auditor, Ladies Professional Golfers' Association of Japan (current position)
	June 2003	Outside Statutory Auditor, Asahi Kogyosha Co, Ltd.
	September 2004	Outside Director, Avex Group Holdings Inc. (currently Avex Inc.)
	October 2004	Supervisory Committee Member, UFJ Banking Limited (currently MUFG Bank, Ltd.)
	August 2006	Member of the Supervision and Compliance Committee, Sompo Japan Insurance Inc. (currently Sompo Japan Insurance Inc.)
	July 2007	Outside Director, Nippon Life Insurance Company (current position)
	June 2008	Chairman of the Management Supervisory Committee, ShinGinko Tokyo, Limited (currently Kiraboshi Bank, Ltd.)
	May 2010	Statutory Auditor, Association for Real Estate Securitization (current position)

	May 2011	Outside Statutory Auditor, Shochiku Co., Ltd.
	December 2013	Representative Director/President, Japan Corporate Governance Network (current position)
	March 2014	Outside Director, ASATSU-DK INC. (currently ADK Holdings Inc.)
	June 2015	Outside Director, Hokuetsu Kishu Paper Co., LTD. (currently Hokuetsu Corporation)
	April 2021	President, Tokyo Hiroshima Kenjinkai (current position)
	July 2022	Director, Foundation for Advancement of International Science (current position)
	Significant concurrent positions: Representative, Ushijima & Partners, Attorneys-at-Law Outside Director, Nippon Life Insurance Company (Chairman of the Supervisory Committee) Representative Director/President, Japan Corporate Governance Network President, Tokyo Hiroshima Kenjinkai Statutory Auditor, Ladies Professional Golfers' Association of Japan Statutory Auditor, Association for Real Estate Securitization Director, Foundation for Advancement of International Science	

Note: Mr. Ushijima does not hold any shares of the Company.

(2) Purpose of the investigation

To conduct an analysis of the causes of the Beni-Koji Incident (including an analysis of the appropriateness of the Company's overall internal control system and quality management system) and verify the adequacy of the Company's response to the Beni-Koji Incident

(3) Methods of investigation and reporting

(i) The Investigator may appoint several assistants, such as outside experts, as he considers appropriate. In this case, by appointing an academic expert in the field of food hygiene as an assistant to the Investigator, who is a lawyer, the Investigator can verify the adequacy of the Company's hygiene management in light of the real-world standards for hygiene management by food manufacturers based on a professional perspective.

(ii) The Investigator will conduct the investigation independently from both the Company and the proposing shareholder, which is the person requesting this Extraordinary General Meeting of Shareholders.

(iii) The period for investigation shall be three months from the date on which the Investigator is elected at this Extraordinary General Meeting of Shareholders, but may be extended to six months as necessary in the opinion of the Investigator

(iv) The Investigator shall carry out the necessary investigation and issue a document stating the results (the "Investigation Report") by the end of the investigation period, and shall also make public the content of the Investigation Report. The Investigator shall also make a report on the content of the Investigation Report at the first General Meeting of Shareholders to be held after the publication of the Investigation Report.

(v) The Investigator may request the Company's officers and employees to disclose or issue documents as necessary for the investigation, or to report on any matters that the Investigator deems necessary for the investigation. The Company's officers and employees may not refuse such requests.

(vi) If any officer, employee or other person of the Company fails to cooperate or interferes with the investigation, or directly or indirectly puts pressure on an

assistant or the like, the Investigator shall report such actions in the Investigation Report.

(vii) The Investigator shall conduct interviews with Company officers and employees as necessary to determine the scope of the facts to be investigated (the "Scope of Investigation").

(viii) The Scope of Investigation shall be sufficient to achieve the purpose of the appointment of the Investigator. In addition, the Investigator can expand the Scope of Investigation or make changes at his discretion, if necessary, in which case he shall explain that decision in the Investigation Report.

(ix) The Investigator will set the Scope of the Investigation in consideration of the cost and resource allocation of the Company so as not to have a significant adverse effect on the Company's enterprise value.

(4) Compensation

(i) The Company shall reimburse the Investigator for expenses incurred in the investigation (including remuneration for the Investigator and assistants) to the extent reasonable under socially accepted norms. If the Investigator and assistants are compensated on the basis of a time charge in the ordinary course of their work, the compensation calculated on the basis of that time charge shall be an amount deemed reasonable under socially accepted norms.

(ii) If the Company refuses to pay all or part of the expenses incurred in the investigation upon request by the Investigator, the proposing shareholder, which is the person requesting this Extraordinary Shareholder Meeting, will reimburse the Investigator for the unpaid expenses.

(5) Reasons for the proposal

See the shared reasons for the proposals set out above.

2. **Proposal No. 2:** Election of Three (3) Directors

(1) Candidate No. 1

A. Summary of the proposal

Mr. Yoshio Nakamura is elected as Director.

B. Reasons for the proposal

See the shared reasons for the proposals set out above.

C. Career summary of the candidate

Yoshio Nakamura	Born February 12, 1966 Number of Company shares held: 0 shares
Career summary, position, responsibilities, and material concurrent positions	
April 1993	Commissioned public prosecutor
April 1997	Public prosecutor, Special Investigation Division, Saitama District Prosecutors Office
June 1998	Researcher, University of Washington School of Law as a delegate from the Ministry of Justice
July 1999	Public prosecutor, Special Investigation Division, Saitama District Prosecutors Office
April 2000	Public prosecutor, Legal Training and Research Institute, Supreme Court of Japan
April 2001	Public prosecutor, Criminal Affairs Bureau, Ministry of Justice Official, National Tax Agency (additional post)
April 2005	Public prosecutor, Special Investigation Division, Nagoya District Prosecutors Office
April 2007	Public prosecutor, Special Investigation Division, Tokyo District Prosecutors Office
July 2008	Personnel Division, Ministry of Justice
July 2009	Counsellor, Criminal Affairs Bureau, Ministry of Justice Official, National Tax Agency (additional post)
April 2011	Public prosecutor, Special Investigation Division, Tokyo District Prosecutors Office
April 2012	Deputy Director General, Special Investigation Division, Tokyo District Prosecutors Office
April 2013	Counsellor, Cabinet Secretariat
April 2015	Special Criminal Director, Kyoto District Prosecutors Office
July 2017	Director of the Research Department, Legal Research Institute (research on corporate fraud prevention, etc.)
July 2019	Retired as public prosecutor
August 2019	Admitted as a lawyer (also registered as a certified public tax accountant and patent attorney)
September 2019	Special Adviser, Koto Hospital (current position)
February 2021	Outside statutory auditor, Farmship, Inc. (current position)
March 2022	Member of Investigation Committee, SMBC Nikko Securities Inc. (Financial Instruments and Exchange Act violations)
July 2022	Outside statutory auditor, Hiratsuka Metal MFG. Co., Ltd. (current position)
January 2024	Adjunct Researcher, Institute for Business and Finance, Waseda University (current position)
February 2024	Expert Committee on Measures to Prevent Recurrence of Bid Rigging, Chiyoda-ku

	Significant concurrent positions: Special Adviser, Koto Hospital Outside statutory auditor, Farmship, Inc. Outside statutory auditor, Hiratsuka Metal MFG. Co., Ltd. Adjunct Researcher, Institute for Business and Finance, Waseda University
Special conflict of interest: Mr. Yoshio Nakamura has no special conflict of interest with the Company.	
Reasons for candidacy as Director: Mr. Nakamura has had a long career in charge of large special investigations as a public prosecutor and an advisor and counsellor to the Criminal Affairs Bureau of the Ministry of Justice. While at the Cabinet Secretariat, the Ministry of Justice, and the Tokyo District Prosecutors Office, he was involved in reviewing the organizational structure of the organizations under his control and has deep knowledge of organizational management. After retiring from the Public Prosecutor's Office, he has been providing guidance to various companies as an attorney on system restructuring and post-scandal management, and has served as a member of investigation committees and expert panels in several cases of misconduct. Radical reform is essential given that the Company has caused harm through its red yeast rice products, and that according to the Fact-Finding Committee's investigation report, there are serious deficiencies in the quality control system and the company-wide emergency response system. Mr. Nakamura has handled and studied numerous misconduct cases in his capacity as a prosecutor, lawyer, and educator, and his knowledge and experience in handling and managing misconduct cases can be expected to provide useful advice and supervision to the Company's management. For the above reasons, Oasis proposes the election of Mr. Nakamura as a candidate for Independent Outside Director.	

Note: Mr. Yoshio Nakamura is a candidate for Outside Director.

(2) Candidate No. 2

A. Summary of the proposal

Mr. Richard Dols Young is elected as Director.

B. Reasons for the proposal

See the shared reasons for the proposals set out above.

C. Career summary of the candidate

Richard Dols Young	Born August 6, 1959
	Number of Company shares held: 0 shares
Career summary, position, responsibilities, and material concurrent positions	
April 1993	Associate Lawyer, Law Offices of Fujii Ikuya (Tokyo Office)
October 1996	North America Product liability lawsuits management lawyer, Tokio Marine & Nichido Fire Insurance Co., Ltd. (North America headquarters in Los Angeles)
December 1999	Partner lawyer, Bowman and Brooke LLP (Headquarters in Minnesota)
July 2008	Legal Director of Product Safety Compliance and Dispute Resolution, Johnson Controls, Inc. (Headquarters in Wisconsin)
August 2013	Founder and Advisor, LegalKaizen Advisory (current position)
	Significant concurrent positions: Advisor, LegalKaizen Advisory
Special conflict of interest: Mr. Richard Dols Young has no special conflict of interest with the Company.	
Reasons for candidacy as Director: Mr. Young has handled numerous North American product liability cases for Tokio Marine. He was also a partner at a large law firm specializing in product liability defense. After serving as Legal Director of Product Safety Compliance and Dispute Resolution at a major company, he founded LegalKaizen Advisory, which provides systematic problem solving, risk mitigation, process and gap analysis, litigation cost mitigation, litigation budget management, and case studies, through which he has been involved in cause investigation and recurrence prevention for defective products at numerous companies. He has also served as a special advisor to business and insurance companies and has been a speaker at numerous seminars and international conferences. As stated in the Investigation Report, the Company needs to examine the deficiencies in its quality management system and internal controls and formulate measures to prevent recurrence. Mr. Young has been involved in product safety and product liability practice for approximately 30 years at numerous organizations, and his extensive experience and knowledge can be expected to provide useful advice and oversight as the Company develops its systems.	

Note: Mr. Richard Dols Young is a candidate for Outside Director.

(3) Candidate No. 3

A. Summary of the proposal

Dr. Tomoko Chubachi is elected as Director.

B. Reasons for the proposal

See the shared reasons for the proposals set out above.

C. Career summary of the candidate

Tomoko Chubachi	Born November 25, 1964
	Number of Company shares held: 0 shares
Career summary, position, responsibilities, and material concurrent positions	
May 1991	Trained as a dermatologist at Department of Dermatology, Osaka University Hospital
July 1995	Postdoctoral Fellow, Boston University (USA)
October 1998	Dermatologist, Osaka Kosei Nenkin Hospital
November 1999	Postdoctoral Fellow, University of Alberta (Canada)
May 2002	Director, Japan Development Team Lead, Pfizer
October 2006	Senior Director, Global Clinical Lead, Pfizer (USA)
August 2011	Senior Medical Advisor, Clinical Research Physician, Eli Lilly (USA)
March 2014	Senior Medical Director, Physician Project Lead, GSK (USA)
September 2017	Vice President, Medical Dermatology, Novan (currently Pelthos Therapeutics)
September 2020	Part-time lecturer, Osaka University (current position)
March 2021	Senior Vice President, Medical, Novan (currently Pelthos Therapeutics)
February 2022	Chief Medical Officer, Novan (currently Pelthos Therapeutics)
April 2024	President, TMC Clinical Development Consulting, Inc. (current position)
	Significant concurrent positions: President, TMC Clinical Development Consulting, Inc. Founding Director, The Institute of Drug Development Career Promotion Part-time lecturer, Osaka University
Special conflict of interest: Dr. Tomoko Chubachi has no special conflict of interest with the Company.	
Reasons for candidacy as Director: Dr. Chubachi's experience as a medical doctor and in the clinical development and launch of new drugs, regulatory affairs and negotiations, crisis management, and internal and partner governance at a number of global pharmaceutical companies enables her to view pharmaceuticals from the standpoint of a medical professional, pharmaceutical company, or regulator. In addition, she has an MBA and has a perspective on how to apply her expertise in pharmaceuticals and medicine in management. Dr. Chubachi's experience and knowledge of the pharmaceutical business, which she has cultivated over more than 20 years, will be particularly useful in establishing policies for the detection and correction of deficiencies in the Company's quality control system and compliance, reporting to authorities, and information disclosure, which are top priorities for a food and drug manufacturer. In addition, her experience as a clinician can be expected to provide extremely useful advice and supervision in the development of a system for initial response after a problem is discovered. For the above reasons, Oasis proposes the election of Dr. Chubachi as a candidate for Independent Outside Director.	

Note: Dr. Tomoko Chubachi is a candidate for Outside Director.

End

Opinion of the Board of Directors of the Company

The Board of Directors of the Company opposes both shareholder proposals Proposal No. 1 and Proposal No. 2 and recommends the shareholders to exercise their voting rights against such proposals.

Summary of the opposition opinion of the Board of Directors

Proposal No. 1 calls for Mr. Shin Ushijima to be appointed as an Investigator as prescribed in Article 316, Paragraph 2 of the Companies Act in order to reinvestigate the matters for which a multilateral and multilayered investigation has already been conducted. However, because the investigation proposed under Proposal No. 1 (the "Investigation") is not necessary and would also significantly hinder the operations of the Company and interrupt the Company's initiatives to promote the restoration of stakeholders' trust as well as recurrence prevention measures and operational improvements, the Board of Directors of the Company is opposed to Proposal No. 1.

Proposal No. 2 calls for the election of three additional directors. The Board of Directors of the Company is also opposed to Proposal No. 2 because the composition of the Board of Directors of the Company going forward is a matter that is planned to be decided by the shareholders of the Company after they are informed of the full picture of the director candidates at the annual general meeting of shareholders to be held in March 2025, and it is inappropriate to ask the shareholders of the Company for the approval or disapproval of the election of only the three candidates proposed (the "Three Proposed Director Candidates") by the shareholder which requested to convene this Extraordinary General Meeting of Shareholders and made the shareholder proposal (the "Proposing Shareholder").

Reasons for Board of Directors' Opposition Opinion

With respect to the issue in which some of the red yeast rice related products contained components that the Company did not anticipate (the "Issue"), as the Fact-Finding Committee has conducted an investigation, the Audit and Supervisory Board members of the Company have investigated the execution of the duties of the directors, and governmental authorities and other bodies have conducted an investigation, a multilateral and multilayered investigation has already been carried out. Based on the results of such investigation, the Company has been taking various measures for recurrence prevention and other matters. Under these circumstances, the appointment of an Investigator who is recommended by a particular shareholder for the purpose of having another third party further conduct a redundant investigation will significantly hinder the operations of the Company, and will delay compensation to the victims as well as the Company's initiatives to promote the restoration of stakeholders' trust, recurrence prevention measures, and operational improvements. Further, the election of the Three Proposed Director Candidates at this Extraordinary General Meeting of Shareholders is not appropriate, and both Proposal No. 1 and Proposal No. 2 will obstruct the improvement of the Company's corporate value. The details for such opinion are described below.

(1) The Fact-Finding Committee has appropriately conducted an investigation and verification.

The Board of Directors of the Company publicly announced the Issue on March 22, 2024. Then, as announced in the Company's press release titled "Verification of the Company's Response to the Red Yeast Rice Related Products" dated April 26, 2024, as a series of responses taken by the Company with respect to the Issue, the Board of Directors of the Company decided on April 26, 2024 that (a) the Board of Directors that was elected at the general meeting of shareholders and given a mandate by the shareholders would conduct an investigation led by the Board of Directors and the subsequent verification, (b) on the other hand, for the purpose of ensuring the independence and objectivity of the Board of Directors' subsequent verification, the Board of Directors deemed that the three executive directors (at that time) had special interests in this matter and thus established a system in which the three executive directors

would not participate in deliberations or resolutions in the subsequent verification regarding the Issue, and only the remaining four outside directors would proceed with the investigation and verification, and (c) for the purpose of effectively conducting the investigation and verification, the Board of Directors would appoint independent legal advisers.

Given the above, the Board of Directors of the Company established a Fact-Finding Committee consisting of experts from three elements of the judicial community (Committee Chairperson: Attorney-at-law Makoto Kaiami (Former President of the Tokyo District Court and Chief Judge at the Tokyo High Court); Committee Member: Attorney-at-law Mikinao Kitada (Former Superintending Prosecutor at the Osaka High Public Prosecutors Office); and Committee Member: Attorney-at-law Kengo Nishigaki) in order to conduct independent, objective, and effective investigations and verification with respect to, among the above key objectives, (i) an investigation into the factual events that took place after the cases were reported, and (ii) a careful examination of the internal control system and quality control system, as these would form the foundation of the subsequent verification regarding the series of responses taken.

As publicly disclosed on June 23, 2024, the Fact-Finding Committee conducted investigations by critically and objectively verifying the results of the ascertainment of facts and other work conducted by the external attorneys retained by the Company from an independent perspective. In addition, the Fact-Finding Committee conducted interviews in connection with the awareness of the Board of Directors of the Company about the Issue, which did not affect the independence of the investigation in any manner.

(2) The Company is taking recurrence prevention measures and implementing other various reforms based on the investigation report of the Fact-Finding Committee.

As announced in the Company's press release titled "Summary Conclusion Issued by the Board of Directors Based on the Fact-Finding Committee's Investigation Report" dated July 23, 2024, the Fact-Finding Committee submitted an investigation report (the "Investigation Report") to the Board of Directors of the Company on July 22, 2024. The Investigation Report describes the specific factual events that took place after the first case was reported and before the Issue was publicly announced, as well as the causes for why more than two months were required to publicly announce the Issue and the matters that the Fact-Finding Committee pointed out regarding the Company's internal control system and quality control system.

As described in (1) above, in response to the investigations of the Fact-Finding Committee, the Board of Directors of the Company established a system in which four outside directors would proceed with the investigation and verification, appointed independent legal advisers, and conducted examinations based on their advice. Then, on July 23, 2024, based on the Investigation Report and in order to clarify the responsibility of management, the Board of Directors of the Company decided to remove Mr. Akihiro Kobayashi from his then position as the Company's Representative Director, President and Chief Operating Officer, and also came to the conclusion that they would cause Mr. Kazumasa Kobayashi to resign from his position as director. After that, directors, Audit and Supervisory Board members, and executive officers either voluntarily returned their compensation or resigned from their positions one after another.

In addition, based on the Investigation Report, on July 23, 2024 the Board of Directors of the Company decided with respect to the Issue to take measures for (a) apologizing to and compensating the victims, (b) ascertaining product quality and safety and preventing recurrence, (c) implementing fundamental corporate governance reforms, (d) reconsidering the Company's corporate mission and corporate culture, (e) communicating with employees, and (f) ascertaining the Company's compliance with laws and regulations. Then, on September 17, 2024, the Board of Directors of the Company established and publicly announced its recurrence prevention measures based on three pillars consisting of (i) a change of consciousness and the strengthening of the system regarding product quality and safety, (ii) fundamental corporate governance reforms, and (iii) the recreation of a new Kobayashi Pharmaceutical with all members together (see the Company's press release titled " Notice Regarding the Formulation of the Reoccurrence Prevention Measures, Etc." dated September 17, 2024). Further, on December 2, 2024, the Board of Directors of the Company publicly announced personnel and

organizational changes with the aim of implementing the recurrence prevention measures (such as the new establishment of a special division to be in charge of visiting customers for compensation purposes, the reorganization of the Pharmacovigilance & Consumer Relations Division into the Quality and Safety Assurance Headquarters, the new establishment of the Quality Control Division (for company-wide controls over quality management of various products), and the abolishment of the divisional system by business unit) (see the Company's press release titled "Notice Regarding Personnel and Organizational Changes" dated December 2, 2024).

In order to further promote the fundamental corporate governance reforms, the Company will reform the composition of the Board of Directors. The Company will submit a proposal to elect directors to the annual general meeting of shareholders to be held in March 2025 based on the new composition of the Board of Directors (see (6) below).

As stated above, the investigation and verification were appropriately conducted based on the results of the investigation of facts conducted by the independent and objective Fact-Finding Committee that was led by the four outside directors. Based on the results of such investigation and verification, the Company publicly announced the recurrence prevention measures and realized the contents thereof and is in the process of taking various measures. The Board of Directors of the Company believes that it is essential to promote these reforms going forward without delay in order to restore trust in the Company.

(3) The Audit and Supervisory Board members of the Company have conducted their own investigation in accordance with their legal authority by utilizing independent outside counsel, and have concluded that they have found no violation of laws on the part of the directors including their duties of due care of a prudent manager.

As part of their audit of the directors' execution of duties, the Audit and Supervisory Board members of the Company have been investigating the directors' execution of duties from an independent standpoint in accordance with their legal authority and in their capacity as Audit and Supervisory Board members. Further, upon receiving a request on November 22, 2024 from the Proposing Shareholder (the "Proposal Request") to file an action to pursue liability seeking compensation for damages related to the Issue against seven (7) directors of the Company (including one resigned and former Director), the Audit and Supervisory Board members of the Company have also been conducting an investigation as part of their efforts in considering whether or not to file an action against those directors.

Specifically, as announced in the Company's press release titled "Notice Regarding the Company's Responses to the Proposal Request from a Shareholder" dated January 21, 2025, the Audit and Supervisory Board members of the Company have independently commissioned two external attorneys that are independent from the Company (namely, Attorney-at-law Tsutomu Arai (special partner of Tanabe & Partners and former President of the Fukuoka High Court) and Attorney-at-law Satoru Mitsumori (partner of Asahi Law Offices)) to provide legal advice to the Audit and Supervisory Board members. Accordingly, both prior to and following the receipt of the Proposal Request, these two external attorneys have, from the perspective of the legitimacy of the directors' execution of their duties, conducted investigations on matters such as the Company's responses from when it first received a report of the first case to the announcement of the Issue, the structure and operation of the internal control system including quality management, and the Company's responses and the like after the announcement of the Issue. These investigations were conducted using methods including conducting interviews with the Company's executives and employees, reviews of related materials, on-site inspections of the manufacturing facilities for the red yeast rice products, and the like.

As a result of these investigations, all four members of the Audit and Supervisory Board of the Company unanimously determined that because there was no violation of laws on the part of any of the seven (7) directors, including of their duties of due care of a prudent manager, the Audit and Supervisory Board members of the Company would not file an action against those directors with regard to the Proposal Request.

In addition, the Audit and Supervisory Board members of the Company are in the process of preparing the audit report for the fiscal year ended December 31, 2024, and at the annual general meeting of shareholders to be held in March 2025, the Audit and Supervisory Board members expect to report on the results of the audit with respect to the duties executed by directors in the entire fiscal year.

(4) Investigations have been conducted by governmental authorities such as the Ministry of Health, Labour and Welfare and Osaka City.

Up to date, governmental authorities with supervisory authorities such as the Ministry of Health, Labour and Welfare and Osaka City have been continuing their own investigations regarding the Issue, and the Company has been cooperating with these investigations.

Because the Company is being investigated by those governmental authorities, it cannot make the detailed contents of those investigations public without first obtaining consent from the relevant governmental authorities. However, the Company received an administrative disposition ordering product recalls immediately after the announcement of the Issue on March 22, 2024, was visited multiple times by the governmental authorities for on-site inspections and the like on and after March 30, 2024, and fully cooperated with the instructions, etc. for the submission of materials and data by the relevant governmental authorities. The Company will continue to cooperate with these investigations by the relevant governmental authorities, and will further respond in good faith to instructions, directions, and other demands therefrom.

In addition, the governmental authorities have announced the results of their investigations, and the Company expects that they will continue making such announcements at any time and at their discretion, including the results of the investigation expected to be compiled by Osaka City around March 2025.

As such, the Issue has been the subject of various investigations by governmental authorities and their results have been publicly announced, and the Company, based on the investigation results of those governmental authorities, plans to continue proceeding with its efforts of preventing the recurrence of the Issue, including improving and enhancing the quality management system, as set out in (2) above.

(5) The investigations proposed by the Proposing Shareholder, if conducted, will significantly hinder the Company's operations and delay the Company's initiatives to promote matters such as the restoration of stakeholders' trust and operational improvements.

As described in (1) through (4) above, the Investigation proposed by the Proposing Shareholder overlaps with the concluded and ongoing investigations and the initiatives carried out in response to such investigations, and if the Investigator conducts an investigation, it will unnecessarily impose an excessive burden on the officers and employees of the Company and also result in decreased engagement by the Company's officers and employees and confusion both inside and outside the Company.

The Company is promptly advancing reforms such as establishing measures for recurrence prevention based on the investigations performed to date and promoting the specific implementation thereof, and there is concern that starting another investigation from now would conversely hinder the Company's prompt advancement of reforms.

In addition, Proposal No. 1, which is the shareholder proposal, states with regard to the "methods of investigation and reporting" that "the Investigator will conduct the investigation independently from both the Company and the proposing shareholder, which is the person requesting this Extraordinary Shareholder Meeting." However, Mr. Shin Ushijima, the candidate for the Investigator, has an interest in the Proposing Shareholder, which includes his serving as a legal representative of the Proposing Shareholder in a number of litigation cases, and thus has some issues in terms of independence. As such, the Board of Directors of the Company has doubts as to whether an investigation contributing to the corporate value of the Company and the common interests of shareholders will be conducted through the appointment of Mr. Ushijima.

The Board of Directors of the Company considers that the mission for which the Company has been tasked is to promote efforts to realize and implement, etc. recurrence preventive measures toward restoring the stakeholders' trust under the new management system following a change in the composition of the Board of Directors as described in (6) below. The Board of Directors of the Company has therefore decided that the appointment of an Investigator who is expected to cause significant hindrance to the business operations of the Company as well as delay the Company's initiatives to promote matters such as the restoration of stakeholders' trust and operational improvements is not necessary.

(6) The Company plans to propose a new composition of the board of directors at the annual general meeting of shareholders to be held in March 2025.

The Company has upheld "implementing fundamental corporate governance reforms" as one of its key issues in the measures of preventing recurrence. In this context, 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. Based on matters such as the business environment in which the Company operates, business performance and other situations in the various businesses, and progress in preventing recurrence of the Issue, the Company considers it necessary to re-define the composition of the Board of Directors, including the skillset of the members of the Board of Directors, as well as the size of the Board of Directors as a whole. Further, based on this new composition, the Company will determine the details of a proposal to elect directors at the Board of Directors meeting to be held in February 2025 and will submit the proposal to the annual general meeting of shareholders to be held in March 2025.

Consequently, the Board of Directors of the Company believes that the new composition of the Board of Directors going forward is a matter that should be decided by the shareholders of the Company after they are informed of the full picture of the director candidates at the annual general meeting of shareholders to be held in March 2025. Thus, the Board of Directors considers it inappropriate to ask the shareholders of the Company for the approval or disapproval of the election of only the Three Proposed Director Candidates at this Extraordinary General Meeting of Shareholders, which was separately requested to be convened immediately prior to the general meeting of shareholders of the Company.

Please note that, as announced in the Company's press release titled "Notice of Change of Representative Director and Director" dated January 21, 2025, the Company has, upon deciding to call this Extraordinary Shareholder Meeting, tentatively decided on nine (9) director candidates to be included in the proposal to elect directors to be submitted to the annual general meeting of shareholders to be held in March 2025, and further, is arranging to have candidates with experience and knowledge in the medical and pharmaceutical fields to be included in the proposal. In addition, the outside directors who are members of the Nomination Committee of the Company have conducted interviews with each of the Three Proposed Director Candidates; however, even after carefully evaluating the contents of these interviews, the Committee and the Board of Directors found no grounds which would necessitate an election of the Three Proposed Director Candidates at this Extraordinary General Meeting of Shareholders.

Accordingly, the Board of Directors of the Company is opposed to Proposal No. 1 that has requested for the appointment of an Investigator, as well as is opposed to Proposal No. 2 that calls for the election of three additional directors.

End