

May 8, 2026 Kobayashi Pharmaceutical Co., Ltd. Summary of Q&A Session at the Financial Results Briefing for First Quarter of Fiscal Year Ending December 31, 2026

Q: What were the factors behind the operating income exceeding the company's plan by 0.5 billion yen in the Q1 results?

A: There was an upward swing of approximately 0.2 billion yen in the Domestic Business and approximately 0.3 billion yen in the International Business. In the Domestic Business, the higher production volume improved the capacity utilization rate (cost reduction), which boosted profits. In the International Business, sales of products that require less sales promotion expenses performed well, allowing us to secure sales efficiently. Advertising expenses in the Domestic Business for Q1 were used mostly as planned.

Q: Advertising expenses were increased by 2.0 billion yen. How do you view the effect on sales?

A: The spending of the budget is progressing relatively smoothly. Also, since advertising tends to take effect gradually, we believe that the cumulative effects will become apparent in the future, including in Q2.

Q: Regarding the International Business, could you tell us the reasons for the decrease in sales in the U.S. and Southeast Asia, the reasons for the increase in sales in Mainland China in Q1, and the outlook for Q2 and beyond?

A: In the U.S., the decrease was due to the impact of temporary production delays at contract manufacturers. While it may take some time to recover, we consider this to be temporary. The decrease in sales in Southeast Asia is also temporary. Due to timing differences in shipments, quarterly sales tend to fluctuate, but the actual sell-out at local stores continues to be solid, and we do not see any concerns regarding the actual sales situation itself. On the other hand, Mainland China, which had been struggling until last year, has hit bottom and entered a recovery trend, and we expect a strong performance from Q2 onwards.

Q: Could you provide details on the negative impact on business performance caused by the Middle East situation (decrease in net sales of 0.5 billion yen, decrease in operating income of 1.5 billion yen) and the countermeasures you plan to take?

A: At present, we anticipate that the negative impact will primarily affect the Domestic Business. Specifically, this is due to the loss of sales opportunities caused by shipment control of standard products and the cancellation of promotional products, as well as requests for raw material price increases. No stockouts are confirmed at this point, but we are adjusting shipments to suppress future stockouts, and we expect the impact on net sales to appear in Q2, when shipment controls and the cancellation of promotional products are confirmed. On the other hand, the negative impact on profit, which will mainly affect the second half, is not calculated based on forecasts of future crude oil and naphtha prices, but rather based on specific requests for price increases already received from suppliers at this point. We aim to cover these impact amounts by increasing sales, and we will try to minimize the impact on profits by taking multiple countermeasures. Specifically, we are already promoting alternative procurement by switching to alternative raw materials and developing new suppliers to stabilize supply, and we are gradually implementing overall expense control where possible. We plan to keep the impact on profits to a minimum by implementing measures at the appropriate timing, such as flexibly adjusting advertising expenses according to the supply status and considering the optimization of product prices with a view to implementation from the fall onwards.

Q: Regarding the impact of the Middle East situation on the supply chain, is there a risk that procurement will fail and affect new products? Also, how much inventory is currently secured?

A: Currently, we are still receiving raw materials, but the situation is such that suppliers also cannot foresee future procurement. Regarding the inventory status of raw materials, while we have secured several months' worth for some, the confirmed supply period from suppliers varies, with some only confirmed for 1 to 2 months ahead. For the latter, the suppliers themselves cannot confirm delivery feasibility until the last minute, but we are striving to ensure stable supply while continuously scrutinizing the supply outlook. In the future, if the supply of raw materials stagnates, we will prioritize the allocation of raw materials to existing standard products, which may delay the launch of new products, but nothing has been decided at this point. If the situation is prolonged, there is a risk of receiving additional requests for price increases, but conversely, if it is resolved early, we plan to negotiate for cost reductions.

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