November 10, 2026 Kobayashi Pharmaceutical Co., Ltd.Summary of Q&A Session at the Financial Results Briefing for the Third Quarter of Fiscal Year Ending December 31, 2026

Q:Regarding the receipt of an initial joint proposal for a going-private transaction announced in September, are there any updates that can be disclosed at this time?

A:As announced in our timely disclosure on September 25, we received an initial joint proposal. However, no decisions have been made by the Company regarding this matter, and there is nothing further we can share at this point.

Q:Could you provide details on the factors behind the 2.5 billion yen shortfall against the plan in domestic net sales for the third quarter alone? Also, what was the impact of distribution inventory adjustments accompanying the price hikes, and what is your outlook for domestic sales in the fourth quarter?

A:The breakdown of the approximately 2.5 billion yen shortfall against our plan for domestic net sales in Q3 alone is as follows:

・Impact of the Middle East situation: approx. -0.3 billion yen
・Sluggish performance of cold-related products: approx. -0.5 billion yen
・Unseasonable weather (sluggish heat-relief products due to a cool summer): approx. -0.2 billion yen
・Delayed ramp-up of Body warmers due to a mild winter: approx. -0.2 billion yen
・Temporary distribution inventory adjustments accompanying product price hikes this autumn: approx. -0.4 billion yen
・Reactionary decline from the termination of our own direct marketing platform: approx. -0.1 billion yen
・Decrease in other existing products: approx. -0.8 billion yen

Regarding the distribution inventory adjustments accompanying price hikes, a certain level of adjustment occurred following the additional price hikes implemented this autumn for Body warmers and Liquid BLUELET. However, because store sell-out has remained firm for certain items, we view this impact as temporary. Regarding the decrease in other existing products, sales were primarily weighed down by items such as Naishitol and air fresheners.

For the fourth quarter, while sales are susceptible to temperatures and the prevalence of colds and influenza, our mainstay product groups—where we continue to invest in advertising—are performing steadily, and we aim to cover the shortfall through these products.

Q:Regarding surging raw material prices, what is your outlook on their impact heading into the next fiscal year and when do you expect this trend to run its course? Additionally, could you share the progress of additional price hikes since the autumn and the impact on sales volume?

A:Raw material prices are heavily influenced by crude oil market conditions. We expect the cost increase to have a larger impact in Q4 than in Q3, and we anticipate that this impact will continue into the next fiscal year.

Regarding when this will run its course, there is roughly a six-month time lag before higher crude oil prices are reflected in our raw material costs. Therefore, while we expect the impact to run its course at some point next year, it remains uncertain at this stage whether that will occur during the first half. Furthermore, because we operate a high-mix, low-volume product portfolio requiring a wide variety of packaging materials, price hike notifications from suppliers are dispersed across different times, making forecasting challenging.

Regarding the additional price hikes implemented this autumn, we expect a profit contribution of approximately 0.5 billion yen, primarily in Q4. The slight inventory adjustments observed in August and September have run their course, and we expect the positive effects to emerge going forward. The volume decline among consumers resulting from the price hikes has remained within our expectations, and we intend to more than offset this through higher unit selling prices.

Q:Expense control appears to be progressing well. Are these controls being managed within a range that will not adversely affect future sales, including marketing spend? Also, what will be the pace of new product launches once the red yeast rice incident has run its course?

A:Our expense control initiatives have been compiled bottom-up across divisions without impacting areas essential to enhancing quality and strengthening R&D. They consist of disciplined reductions in non-essential expenses—such as travel and transportation costs—as well as adjustments to postponeable personnel expenses and R&D expenditures. Consequently, we are confident that these measures will not negatively impact future sales.

Regarding the pace of new product launches, the number of launches decreased this autumn as some introductions were postponed in light of the Middle East situation. However, because the timing for some products was rescheduled to next spring or autumn, we plan to increase the number of launches from next year onward. That said, as we are now conducting product development processes with even greater rigor and care following the red yeast rice incident, the volume of launches will not increase drastically to previous levels.

Q:Regarding the International Business, could you explain the growth drivers behind the top-line expansion in Mainland China (+1.6 billion yen) and your outlook for next fiscal year? Also, what factors led to the significant upward swing in profits across the International Business as a whole?

A:The primary growth drivers in Mainland China were our mainstay Cooling gel sheets and AMMELTZ, which achieved substantial growth partly in reaction to the lower hurdle set in the previous year. In addition, expanded store distribution for air fresheners drove sales. Heading into next fiscal year and beyond, while we do not foresee rapid expansion on par with this term, we believe we can maintain a steady revenue growth trend.

Regarding the upward profit swing for the overall International Business, the primary factor is that our fundamental strategy of driving top-line growth expanded our business scale across various regions, allowing us to sufficiently absorb fixed costs. In addition, because our overseas subsidiaries procure a certain volume of products from Japan, the depreciation of the yen provided a slight benefit by lowering procurement costs in foreign currency terms.

By region, Mainland China and Southeast Asia had the most significant impact. Mainland China contributed to profit not only through strong sales but also by keeping sales promotion expenses relatively low and realizing the benefits of structural reforms, such as reducing fixed costs. In the U.S., despite the impact of shipment restrictions on healthcare products, Body warmers performed steadily and drove profits.

Q:Regarding the production issues at a contract manufacturer in the U.S. business, could you explain the background behind changing contract manufacturers and the timeline for normalizing shipments from the fourth quarter onward?

A:Following the occurrence of production issues at our previous contract manufacturer, we have been proceeding with the transition to an alternative contract manufacturer as initially planned. We expect production and shipments to resume smoothly around the fourth quarter; however, we anticipate that there may be a slight lag before we reach a state capable of fully meeting store demand.

[Notes] The contents described in this material are not a verbatim transcript of the Q&A session at the briefing, but rather a summary with additions and modifications based on our company's views. We do not guarantee the accuracy and completeness of the information, and it is subject to change without notice. In addition, the forward-looking statements, including forecasts of financial results, contained in these materials are based on information available to the Company and on certain assumptions deemed
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