

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

**[Disclaimer:** Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 102nd 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)  
March 5, 2020

To our Shareholders:

**NOTICE OF CONVOCAION OF  
THE 102ND ORDINARY GENERAL MEETING OF  
SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 102nd Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. (the “Company”), which will be held as described below.

*If you attend the meeting, please submit the enclosed Voting Right Exercise Form<sup>1</sup> 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)<sup>2</sup>. In such a case, please review the attached “Reference Materials Concerning the General Meeting of Shareholders” and exercise your voting rights in writing or by electronic means no later than noon, March 26, 2020 (Thursday).*

Very truly yours,

KOBAYASHI PHARMACEUTICAL CO., LTD.

By:           /s/ KOBAYASHI AKIHIRO            
Akihiro Kobayashi  
President and Chief Operating Officer  
4-10, Doshomachi 4-chome, Chuo-ku, Osaka

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<sup>1</sup> Please note that the *Voting Right Exercise Form* is not enclosed in this translation material.

<sup>2</sup> 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:**

Thursday, March 27, 2020 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 102nd Business Year (January 1, 2019 to December 31, 2019)
2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 102nd Business Year (January 1, 2019 to December 31, 2019)

**Matters for Resolution:**

Proposal No. 1: Partial Amendment to the Articles of Incorporation

Proposal No. 2: Election of Six (6) Directors

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

**KOBAYASHI PHARMACEUTICAL CO., LTD.**

**REFERENCE MATERIALS CONCERNING  
THE GENERAL MEETING OF SHAREHOLDERS**

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

1. Reasons for Amendments

In order to strengthen the audit and supervisory system of the Company in light of further expansion of the Company's business activities, the Company proposes that the number of Audit & Supervisory Board Members be changed to "no more than five (5)" from "no more than four (4)".

2. Details of Amendments

The details of the amendments are as described below.

(Amendments are underlined.)

Present Articles of Incorporation	Proposed Amendments
Articles 1. – 31. (Text omitted)	Articles 1. – 31. (Unchanged)
(Number of Audit & Supervisory Board Members) Article 32.	(Number of Audit & Supervisory Board Members) Article 32.
The number of Audit & Supervisory Board Members of the Company shall be no more than <u>four (4)</u> .	The number of Audit & Supervisory Board Members of the Company shall be no more than <u>five (5)</u> .
Articles 33. – 44. (Text omitted)	Articles 33. – 44. (Unchanged)

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### Proposal No. 2: Election of Six (6) Directors

The term of office of all seven (7) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that six (6) Directors be elected. 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	Re-Election	Kazumasa Kobayashi	Representative Director, Chairman of the Board and Chief Executive Officer	100% (13 times /13 times)
2	Re-Election	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	100% (13 times /13 times)
3	Re-Election	Satoshi Yamane	Senior Executive Director and Senior General Manager of Corporate Headquarters	100% (13 times /13 times)
4	Re-Election	Haruo Tsuji	Outside Director Independent Director	100% (13 times /13 times)
5	Re-Election	Kunio Ito	Outside Director Independent Director	100% (13 times /13 times)
6	Re-Election	Kaori Sasaki	Outside Director Independent Director	100% (13 times /13 times)

## KOBAYASHI PHARMACEUTICAL CO., LTD.

### 1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned  
223,953 Shares

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

Mar. 1962	Joined the Company
Nov. 1966	Director
Nov. 1970	Executive Director
Dec. 1976	President and Representative Director
Jun. 2004	Chairman and Representative Director (to the present)



#### <Assumption of Important Positions>

Chairman of Board of Directors and Representative Director  
of Kiribai Chemical Co., Ltd. / President of Kobayashi Foundation

Re-Election

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

Mr. Kazumasa Kobayashi assumed his office as a Director in 1966, and thereafter served as the President and Representative Director for twenty eight (28) years since 1976. Further, since 2004, he has served as the Chairman and Representative Director and performed his duties as Chairperson at meetings of the Board of Directors. As such, he has led the overall management of the Company and has directed and supervised such management with a long-term perspective. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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### 2. 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	President and Representative Director (to the present)



Re-Election

#### <Assumption of Important Positions>

President of Kobayashi Aoitori Foundation

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

Since the assumption of the office as the President and Representative Director in 2013, Mr. Akihiro Kobayashi has strengthened the Company's new product development strategy and overseas businesses, increased employee engagement, and further enhanced the overall corporate values of the Company and its group companies. He has further sought the continuous growth of the group companies and prepared and promoted the Mid-Term Management Plan for 2020-2022. Based on such achievements and dealings, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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### 3. Satoshi Yamane (April 16, 1960)

Number of Shares of the Company Owned

7,837 Shares

< Brief Career Summary, Position and Duty at the Company >

Mar. 1983	Joined the Company
Mar. 2004	Executive Officer General Manager of Board of Directors Office and Business Development Office
Jun. 2006	Director Senior General Manager of Corporate Headquarters (to the present)
Jun. 2011	Executive Director
Jun. 2016	Senior Executive Director (to the present)



Re-Election

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

Mr. Yamane has been in charge of all administrative divisions at the headquarters (including management planning, finance, corporate communication and IR). From the broad perspectives gained through performing such functions, he has fulfilled the roles of participating in important decision-making and supervising business operations. Further, he has strengthened the corporate governance of the Company and properly identified changes in the management environment and then promptly responded to such changes, in addition to the planning and implementation of capital policy as the chief financial officer. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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### 4. Haruo Tsuji (December 6, 1932)

Number of Shares of the Company Owned  
0 Shares

< Brief Career Summary, Position and Duty at the Company >

Mar. 1955    Joined Hayakawa Electric Industry Co., Ltd.  
                  (currently, Sharp Corporation)  
Jun. 1986    President and Director of Sharp Corporation  
Jun. 1998    Corporate Advisor of Sharp Corporation  
Jun. 2008    Outside Director of the Company  
                  (to the present)



Re-Election

Outside Director

Independent  
Director

< Assumption of Important Positions >

Outside Director of TKP Corporation

< Term of Office >

Eleven (11) years and nine (9) months (at the close of this shareholders' meeting)

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

Mr. Tsuji has experience in serving as a company president, and thus has extensive experience and considerable insight into corporate management. He has a great understanding of all aspects of the Company's businesses and has contributed to the strength of the supervisory functions over corporate management. Precisely grasping changes in social circumstances, he has actively made remarks to enhance the transparency and fairness of the management and, in his position independent of the Company and based on the viewpoints of stakeholders, conveyed his opinions at Board Meetings of the Company. Based on such experiences and achievements, it is appropriate for him to continue serving as an Outside Director and we have nominated him for such office.

- Notes: 1. Mr. Haruo Tsuji is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.
2. After Mr. Haruo Tsuji was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his re-election is approved, the Company will extend such agreement. 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 failure to perform his duties as Outside Director, 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 Company Law, provided that such failure is not caused by his intentional act or gross negligence.



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### 5. Kunio Ito (December 13, 1951)

Number of Shares of the Company Owned  
0 Shares

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

Apr. 1992	Professor of the Faculty of Commerce and Management of Hitotsubashi University
Aug. 2002	Dean of the Graduate School of Commerce and Management and Dean of the Faculty of Commerce And Management of Hitotsubashi University
Dec. 2004	Vice President and Director of Hitotsubashi University
Dec. 2006	Professor of the Graduate School of Commerce and Management of Hitotsubashi University
Jun. 2007	Member of Independent Committee of the Company
Jun. 2013	Outside Director of the Company (to the present)
Jan. 2015	Head of CFO Training Course of Hitotsubashi University (to the present)
Apr. 2015	Adjunct Professor of the Graduate School of Commerce and Management of Hitotsubashi University
Apr. 2018	Adjunct Professor of the Graduate School of Business Administration of Hitotsubashi University (to the present)



Re-Election

Outside Director

Independent  
Director

#### <Assumption of Important Positions>

Adjunct Professor of the Graduate School of Business Administration of Hitotsubashi University  
/ Outside Director of Toray Industries, Inc. / Outside Director of Seven & i Holdings Co., Ltd.

#### <Term of Office>

Six (6) years and nine (9) months (at the close of this shareholders' meeting)

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

Mr. Ito has researched and studied the accounting and business management as a university professor for many years, served as an outside director of other companies, and fulfilled a central role in a governmental study group concerning continuous growth of companies. Based on the knowledge he has gained through such activities, he has served in a supervisory role at the Company exercising oversight over corporate management and focusing on the enhancement of corporate value (including the improvement of capital efficiency). Because of such experiences and achievements, it is appropriate for him to continue serving as an Outside Director and we have nominated him for such office.

- Notes:
1. Mr. Kunio Ito is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.
  2. After Mr. Kunio Ito was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his re-election is approved, the Company will extend such agreement. 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 failure to perform his duties as Outside Director, 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 Company Law, provided that such failure is not caused by his intentional act or gross negligence.

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3. Mr. Kunio Ito serves as an Outside Director of Seven & i Holdings Co., Ltd., the parent company of Seven Pay Co., Ltd. (“Seven Pay”). Some of the settlement service accounts operated by Seven Pay were subject to unauthorized access in July 2019. Mr. Ito was not aware of such incident prior to the public announcement. He has regularly expressed his view on the importance of proper business activities of Seven Pay and other group companies and, following the public announcement, has expressed his views on preventing the recurrence of such type of incident and has been duly performing his duties as an Outside Director.

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### 6. Kaori Sasaki (May 12, 1959)

Number of Shares of the Company Owned  
0 Shares

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

- |           |  |
|-----------|--|
| Jul. 1987 | President and Representative Director of UNICUL International, Inc. (to the present) |
| Mar. 2000 | President and Representative Director of ewoman, Inc. (to the present)               |
| Jun. 2016 | Outside Director of the Company (to the present)                                     |



#### <Assumption of Important Positions>

President and Representative Director of UNICUL International, Inc. /  
President and Representative Director of ewoman, Inc. / Outside Director  
of AGP Corporation / Outside Director of Japan Post Co., Ltd.

Re-Election

Outside Director

#### <Term of Office>

Three (3) years and nine (9) months (at the close of this shareholders' meeting)

Independent  
Director

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

In addition to her achievements and insight in managing companies, Ms. Sasaki has extensive experiences in corporate management as an outside director or auditor in other companies. Also, she has held the International Conferences for Women in Business for many years and has been the pioneer of actively supporting the success of women. She has contributed to the enhancement of corporate value of the Company by reflecting the perspectives of work style reform, consumers' viewpoints and diversity at Board Meetings of the Company. Based on such experiences and achievements, it is appropriate for her to continue serving as an Outside Director and we have nominated her for such office.

Notes: 1. Ms. Kaori Sasaki is a candidate for Outside Director. She has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If her re-election is approved, she will continue to serve as an Independent Director.

2. After Ms. Kaori Sasaki was elected as Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of her liability to the Company to the extent allowed by laws and regulations. If her re-election is approved, the Company will extend such agreement. 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 her failure to perform his duties as Outside Director, 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 Company Law, provided that such failure is not caused by her intentional act or gross negligence.

3. ewoman, Inc. for which Ms. Sasaki serves as the President and Representative Director tenders services to measure the understanding of diversity. While the Company is being provided with such services, the cost is less than 5 million Japanese Yen and the Company's standards regarding the election of an Outside Director are satisfied.
4. Ms. Sasaki serves as Outside Director of Japan Post Co., Ltd. ("Japan Post"). As of December 27, 2019, Japan Post was ordered, by the Ministry of Internal Affairs and Communications and the Financial Services Agency, to suspend certain of its business activities due to its improper sales of insurance products. Ms. Sasaki was not aware of such impropriety prior to the public announcement. She has regularly expressed her view

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on the importance of “user-friendly” business practices and strict legal compliance and, following the public announcement, has expressed her views on preventing the recurrence of such type of impropriety and has been duly performing her duties as an Outside Director.

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

### **Policy and Procedures for Appointment and Nomination of Directors**

While the Board of Directors has two functions: “decision-making on implementation of business activities” and “supervision of business operations”, we value the knowledge and experiences in business activities for the former function and the management perspective and experiences for the latter function. We also believe that not only the perspectives of women or foreigners but also the sense of value is one factor for diversity and we believe it is important to understand the value that we do not have.

In nominating Directors, candidates are selected from the perspective of having a broad-based knowledge and sound views regarding corporate management, are nominated through discussions at the Nomination Committee (consisting of outside advisors, Outside Directors, Representative Directors of the Company and others) and at the Board of Directors, and are presented to the Meeting of Shareholders for approval.

### **Points of Focus on Appointment of Independent Outside Directors**

In appointing independent outside directors, we believe it is most important for such directors to be able to clearly state his or her opinion to the non-outside Directors and the management.

Also, we have established the objective standards that no Independent Outside Director shall fall into any of the following categories:

1. A person who implements the business activities at the parent company or any sister company of the Company;
2. A person with whom the Company is a major business partner or a person who implements the business activities at a company with which the Company is a major business partner;
3. A consultant, accounting expert or legal expert who receives money or other payment in an amount of 10 million yen or more from the Company (excluding the compensation as a director or an officer of the Company);
4. Any person who falls into any of items 1 through 3 above within the past two (2) years; or
5. 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 into any of the items 1 through 4 above;
  - (b) A person who implements business activities at the Company or any of its subsidiaries;  
or
  - (c) A person who fell into item (b) above until recently.

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

Currently there are four (4) Audit & Supervisory Board Members. In order to further expand the Company's business activities, it is essential to strengthen the audit and supervisory system of the Company. For that reason, it is proposed that one (1) additional Audit & Supervisory Board Member be elected, subject to the approval of Proposal No. 1 (Partial Amendment to the Articles of Incorporation) as proposed.

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

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

**Chiaki Ariizumi** (October 14, 1964)

Number of Shares of the Company Owned  
0 Shares

< Brief Career Summary >

Apr. 1987	Joined The Bank of Japan
May 1998	Deputy Director, Head of Europe & America Group, Global Economic Research Division, International Department, The Bank of Japan
Jul. 2009	Director, Head of Business Liaison Group, Secretariat of the Policy Board, The Bank of Japan
Jun. 2019	Director, Public Relations Department, The Bank of Japan
Jan. 2020	Personnel and Corporate Affairs Department, The Bank of Japan
Mar. 2020	Scheduled to Depart from The Bank of Japan



New-Election

Outside Audit &  
Supervisory  
Board Member

Independent  
Auditor

< Assumption of Important Positions >

Outside Statutory Auditor of IDEA Consultants, Inc. (scheduled to assume in March 2020)

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

Ms. Ariizumi has been actively involved, at The Bank of Japan, not only in analyzing the economic circumstances and financial markets of Japan and overseas countries, but also in discussions with management of various companies regarding such economic circumstances and The Bank of Japan's related policies and decision-making. Because of her knowledge and experiences gained through such involvement, as well as her constant consideration of how to promote the sound development of the Japanese economy, we believe she will contribute to the audit of and supervision over the Company's business activities. While she has no experience formally serving as a member of corporate management, for the above-mentioned reasons, we are confident that she can properly perform the audit and supervisory functions required of an Outside Audit & Supervisory Board Member of the Company.

- Notes: 1. Ms. Chiaki Ariizumi is a candidate for Outside Audit & Supervisory Board Member. She satisfies the requirements to serve as an Independent Auditor as set forth by the Tokyo Stock Exchange. If her election is approved, the Company will notify the Tokyo Stock Exchange that she will serve as an Independent Auditor.
2. After Ms. Ariizumi's assumption of office as Outside Audit & Supervisory Board Member, the Company will conclude an agreement with her pursuant to Article 427, Paragraph 1 of the

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Companies Act of Japan, to limit the amount of her 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 Audit & Supervisory Board Member causes damage to the Company because of her failure to perform her duties as Outside Audit & Supervisory Board Member, 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 her intentional act or gross negligence.

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(Reference)

Audit & Supervisory Board Members following approval of proposals (Scheduled)

	Name	Current Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)	Attendance Rate of Audit & Supervisory Board (Attendance / Held)
Re-Election	Hiroshi Goto	Full-time Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Akitoshi Yamawaki	Full-time Audit & Supervisory Board Member	100% (10 times /10 times)	100% (10 times /10 times)
Re-Election	Sakai Ryuji	Outside Audit & Supervisory Board Member	92% (12 times /13 times)	92% (12 times /13 times)
Re-Election	Yoko Hatta	Outside Audit & Supervisory Board Member Independent Auditor	100% (13 times /13 times)	100% (13 times /13 times)
New-Election	Chiaki Ariizumi	Outside Audit & Supervisory Board Member Independent Auditor	—	—



## KOBAYASHI PHARMACEUTICAL CO., LTD.

**CONSOLIDATED BALANCE SHEETS**

(As of December 31, 2019)

(Unit: millions of yen)

Item	102nd	101st (reference)	Item	102nd	101st (reference)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current Assets</b>	<b>162,712</b>	<b>151,824</b>	<b>Current Liabilities</b>	<b>53,433</b>	<b>55,053</b>
Cash and Time Deposits	75,580	74,456	Trade Notes and Accounts Payable	8,276	8,706
Trade Notes and Accounts Receivable	54,818	53,386	Electronically Recorded Obligations-Operating	8,836	9,070
Securities	14,977	8,300	Short-Term Loans	19	506
Inventories	15,086	13,644	Other Accounts Payable	23,814	25,126
Other	2,293	2,167	Lease Obligations	190	53
Allowance for Doubtful Accounts	(45)	(131)	Income Taxes Payable	4,962	4,423
			Consumption Taxes Payable	1,224	1,187
			Provision for Sales Returns	1,607	1,638
			Accrued Bonuses	2,368	2,355
			Asset Retirement Obligations	42	42
			Other	2,089	1,940
<b>Fixed Assets</b>	<b>70,685</b>	<b>76,963</b>	<b>Fixed Liabilities</b>	<b>7,307</b>	<b>7,485</b>
<b>Tangible Fixed Assets</b>	<b>21,180</b>	<b>19,024</b>	Lease Obligations	682	472
Buildings and Structures	8,520	8,447	Defined Benefit Liabilities for Employees	2,024	2,057
Machinery, Equipment and Vehicles	4,751	4,466	Deferred Income Taxes Obligations	2,779	2,812
Land	4,248	3,625	Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members	39	38
Leased Assets	856	515	Asset Retirement Obligations	78	77
Other	2,803	1,970	Other	1,703	2,027
<b>Intangible Fixed Assets</b>	<b>3,112</b>	<b>4,823</b>	<b>Total Liabilities</b>	<b>60,740</b>	<b>62,538</b>
Goodwill	1,582	3,241	<b>Net Assets</b>		
Other	1,529	1,582	<b>Shareholders' Equity</b>	<b>161,521</b>	<b>155,728</b>
<b>Investments and Other Assets</b>	<b>46,392</b>	<b>53,115</b>	<b>Common Stock</b>	<b>3,450</b>	<b>3,450</b>
Investments in Securities	39,533	45,916	<b>Capital Surplus</b>	<b>4,183</b>	<b>4,183</b>
Long-Term Loans Receivable	572	386	<b>Retained Earnings</b>	<b>173,650</b>	<b>159,857</b>
Deferred Income Taxes	2,028	1,627	<b>Treasury Stock</b>	<b>(19,762)</b>	<b>(11,763)</b>
Investment Properties	2,727	2,956	<b>Accumulated Other Comprehensive Income</b>	<b>11,136</b>	<b>10,520</b>
Other	2,150	2,697	<b>Net Unrealized Holding Gain (Loss) on Securities</b>	<b>13,212</b>	<b>12,636</b>
Allowance for Doubtful Accounts	(619)	(469)	<b>Unrealized Gain (Loss) on Deferred Hedges</b>	<b>—</b>	<b>2</b>
			<b>Translation Adjustments</b>	<b>(586)</b>	<b>(318)</b>
			<b>Retirement Benefit Liability Adjustments</b>	<b>(1,489)</b>	<b>(1,798)</b>
			<b>Total Net Assets</b>	<b>172,657</b>	<b>166,249</b>
<b>TOTAL ASSETS</b>	<b>233,398</b>	<b>228,787</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>233,398</b>	<b>228,787</b>

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

**KOBAYASHI PHARMACEUTICAL CO., LTD.****CONSOLIDATED STATEMENTS OF INCOME**

(From January 1, 2019 to December 31, 2019)

(Unit: millions of yen)

Item	102nd	101st (reference)
<b>Net Sales</b>	<b>168,502</b>	<b>167,479</b>
<b>Cost of Sales</b>	<b>64,705</b>	<b>64,359</b>
<b>Gross Profit</b>	<b>103,346</b>	<b>103,119</b>
<b>Selling, General and Administrative Expenses</b>	<b>76,991</b>	<b>76,830</b>
<b>Operating Income</b>	<b>26,355</b>	<b>26,289</b>
<b>Other Income</b>	<b>2,736</b>	<b>2,528</b>
Interest Income	338	289
Dividend Income	646	426
Income from Lease of Real Estate	293	293
Compensation Income	1,000	1,200
Other	457	319
<b>Other Expenses</b>	<b>1,239</b>	<b>1,443</b>
Interest Expense	20	35
Sales Discounts	700	745
Real Estate Lease Cost	101	75
Foreign Currency Exchange Loss	150	328
Provision for Allowance for Doubtful Accounts	147	99
Other	118	158
<b>Ordinary Income</b>	<b>27,851</b>	<b>27,374</b>
<b>Extraordinary Income</b>	<b>982</b>	<b>7</b>
Gain on Sales of Property, Plant and Equipment	7	1
Gain on Sales of Investments in Securities	365	0
Gain on Reversal of Subscription Rights to Shares	—	5
Gain on Transfer of Business	600	—
Other	10	—
<b>Extraordinary Loss</b>	<b>2,029</b>	<b>2,078</b>
Loss on Disposal or Sales of Property, Plant and Equipment	147	106
Loss on Impairment of Fixes Assets	1,663	1,956
Loss on Revaluation of Shares in Affiliates	50	—
Business Structure Improvement Expenses	165	—
Other	2	15
<b>Income Before Income Taxes and Minority Interests</b>	<b>26,804</b>	<b>25,304</b>
Income Taxes Current	8,378	7,676
Income Taxes Deferred	(713)	(396)
Total Income Taxes	7,665	7,280
<b>Net Income</b>	<b>19,139</b>	<b>18,023</b>
<b>Net Income Attributable to Parent Shareholder</b>	<b>19,139</b>	<b>18,023</b>

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

## KOBAYASHI PHARMACEUTICAL CO., LTD.

**BALANCE SHEETS**

(As of December 31, 2019)

(Unit: millions of yen)

Item	102nd	101st (reference)	Item	102nd	101st (reference)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current Assets</b>	<b>134,986</b>	<b>127,438</b>	<b>Current Liabilities</b>	<b>50,153</b>	<b>51,868</b>
Cash and Time Deposits	60,898	62,497	Trade Notes Payable	764	778
Trade Notes Receivable	15	16	Trade Accounts Payable	14,221	14,729
Trade Accounts Receivable	47,057	44,872	Electronically Recorded	4,558	4,197
Securities	14,977	8,300	Obligations-operating		
Commodities and Finished Goods	5,123	5,027	Short-Term Loans Payable to	2,401	3,987
Work in Process	540	460	Affiliates		
Raw Materials and Supplies	648	620	Lease Obligations	50	50
Prepaid Expenses	659	568	Other Accounts Payable	21,017	21,319
Short-Term Loans Receivable	4,161	4,403	Accrued Expenses	503	573
from Affiliates			Income Taxes Payable	3,498	3,316
Other	996	764	Consumption Taxes Payable	703	618
Allowance for Doubtful Accounts	(92)	(91)	Deposits Received	20	57
			Accrued Bonuses	1,648	1,642
<b>Fixed Assets</b>	<b>74,647</b>	<b>80,409</b>	Provision for Sales Returns	705	543
<b>Tangible Fixed Assets</b>	<b>7,239</b>	<b>7,080</b>	Other	61	52
Buildings	2,845	2,983			
Structures	120	146	<b>Fixed Liabilities</b>	<b>5,406</b>	<b>5,533</b>
Machinery and Equipment	302	312	Security Deposits	429	458
Tools and Equipment	729	863	Lease Obligations	419	469
Land	2,498	2,042	Deferred Income Tax Obligations	2,911	3,035
Leased Assets	454	506	Other Long-Term Liabilities	1,122	1,422
Other	289	224	Accrued Retirement Benefits for	85	70
<b>Intangible Fixed Assets</b>	<b>940</b>	<b>752</b>	Employees		
Software	915	723	Other	78	77
Other	25	28			
			<b>Total Liabilities</b>	<b>55,200</b>	<b>57,402</b>
			<b>Net Assets</b>		
<b>Investments and Other Assets</b>	<b>66,466</b>	<b>72,577</b>	<b>Shareholders' Equity</b>	<b>141,382</b>	<b>137,928</b>
Investments in Securities	39,062	45,192	<b>Common Stock</b>	<b>3,450</b>	<b>3,450</b>
Investments in Shares of Affiliates	18,051	17,898	<b>Capital Surplus</b>	<b>4,183</b>	<b>4,183</b>
Contribution of Capital to	3,580	3,580	Capital Reserve	4,183	4,183
Affiliates			<b>Retained Earnings</b>	<b>153,511</b>	<b>142,057</b>
Long-Term Loans Receivable	17	18	Retained Reserve	340	340
Long-Term Loans Receivable	3,351	2,633	Other Retained Earnings	153,171	141,717
from Affiliates			Development Reserve	330	330
Long-Term Prepaid Expenses	1,077	1,383	General Reserve	138,592	127,192
Investment Properties	2,130	2,271	Retained Earnings Brought	14,248	14,195
Other	1,535	1,709	Forward		
Allowance for Doubtful Accounts	(2,339)	(2,110)	<b>Treasury Stock</b>	<b>(19,762)</b>	<b>(11,763)</b>
			<b>Valuation and Translation Adjustments</b>	<b>13,051</b>	<b>12,518</b>
			<b>Unrealized Holding Gain (Loss) on</b>	<b>13,051</b>	<b>12,515</b>
			<b>Securities</b>		
			<b>Unrealized Gain (Loss) on Deferred</b>		
			<b>Hedges</b>	—	2
			<b>Total Net Assets</b>	<b>154,433</b>	<b>150,446</b>
<b>TOTAL ASSETS</b>	<b>209,634</b>	<b>207,848</b>	<b>TOTAL LIABILITIES AND</b>	<b>209,634</b>	<b>207,848</b>
			<b>NET ASSETS</b>		

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

**KOBAYASHI PHARMACEUTICAL CO., LTD.****STATEMENTS OF INCOME**

(From January 1, 2019 to December 31, 2019)

(Unit: millions of yen)

Item	102nd	101st (reference)
<b>Net Sales</b>	<b>143,016</b>	<b>141,456</b>
<b>Cost of Sales</b>	<b>60,609</b>	<b>60,317</b>
<b>Gross Profit</b>	<b>82,406</b>	<b>81,139</b>
<b>Selling, General and Administrative Expenses</b>	<b>61,533</b>	<b>61,149</b>
<b>Operating Income</b>	<b>20,872</b>	<b>19,989</b>
<b>Other Income</b>	<b>3,597</b>	<b>4,053</b>
Interest Income	246	235
Dividend Income	1,544	1,817
Income from Lease of Real Estate	530	529
Income from Lease of Other Assets	13	12
Compensation Income	1,000	1,200
Other	262	258
<b>Other Expenses</b>	<b>1,227</b>	<b>1,399</b>
Interest Expense	11	18
Sales Discounts	614	609
Real Estate Lease Cost	275	191
Other Lease Cost	13	12
Foreign Currency Exchange Loss	31	155
Provision for Allowance for Doubtful Accounts	226	265
Other	54	145
<b>Ordinary Income</b>	<b>23,242</b>	<b>22,643</b>
<b>Extraordinary Income</b>	<b>367</b>	<b>6</b>
Gain on Sales of Property, Plant and Equipment	2	—
Gain on Sales of Investment Securities	365	0
Gain on Reversal of Subscription Rights to Shares	—	5
Other	0	—
<b>Extraordinary Loss</b>	<b>802</b>	<b>42</b>
Loss on Disposal or Sales of Property, Plant and Equipment	38	32
Loss on Impairment of Fixed Assets	4	9
Loss on Revaluation of Shares in Affiliates	759	—
Other	0	0
<b>Income Before Income Taxes</b>	<b>22,807</b>	<b>22,606</b>
Income Taxes Current	6,262	5,957
Income Taxes Deferred	(255)	(9)
<b>Net Income</b>	<b>16,800</b>	<b>16,659</b>

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