KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer**: Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 98th 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)
June 3, 2016

To our Shareholders:

NOTICE OF CONVOCATION OF THE 98TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 98th 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[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 Materials Concerning the General Meeting of Shareholders" and exercise your voting rights in writing or by electronic means no later than noon, June 28, 2016 (Tuesday).*

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

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, June 29, 2016 at 10:00 a.m. (doors open at 9:00 a.m.)

2. Place of the Meeting:

"Les Lumieres" at Shin-Osaka Washington Hotel Plaza 2F
5-15, Nishi-Nakajima 5-chome, Yodogawa-ku, Osaka

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 98th Business Year (April 1, 2015 to March 31, 2016)

2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Board of Audit & Supervisory Board Members for the 98th Business Year (April 1, 2015 to March 31, 2016)

Matters for Resolution:

Proposal No. 1:	Partial Amendments to the Articles of Incorporation
Proposal No. 2:	Election of Nine (9) Directors
Proposal No. 3:	Election of One (1) Substitute Audit & Supervisory Board Member
Proposal No. 4:	Extension of Plan for Countermeasures Against Large Purchases of Shares of Company (Takeover Defenses)

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

The business year of the Company starts on April 1 of each year and ends on March 31 of the following year. For continuing further growth of its overseas businesses, the Company will change its business year to the period starting on January 1 and ending on December 31 and make necessary amendments to its Articles of Incorporation in order to promote the globalization of its business operation and the efficiency of management associated therewith through having the same business year-end as overseas subsidiaries.

2. Details of Amendments

The details of the amendments are as described below.

(Amendments are underlined.)

Present Articles of Incorporation	Proposed Amendments
Articles 1. – 12. (Text omitted)	Articles 1. – 12. (Unchanged)
(Record Date) Article 13.	**(Record Date)** **Article 13.**
The record date of the voting rights at an ordinary General Meeting of Shareholders of the Company shall be March 31st of each year.	The record date of the voting rights at an ordinary General Meeting of Shareholders of the Company shall be **December** 31st of each year.
(Convocation) Article 14.	**(Convocation)** **Article 14.**
An ordinary General Meeting of Shareholders shall be convened in June of each year and an extraordinary General Meeting of Shareholders shall be convened whenever necessary.	An ordinary General Meeting of Shareholders shall be convened in **March** of each year and an extraordinary General Meeting of Shareholders shall be convened whenever necessary.
Articles 15. - 40. (Text omitted)	Articles 15. - 40. (Unchanged)
(Business Year) Article 41.	**(Business Year)** **Article 41.**
The business year of the Company shall start on April 1st of each year and end on March 31st of the immediately subsequent year.	The business year of the Company shall start on **January** 1st of each year and end on **December** 31st of **the same year**.
Article 42. (Text omitted)	Article 42. (Unchanged)
(Record Date of Dividend of Surplus) Article 43.	**(Record Date of Dividend of Surplus)** **Article 43.**
1. The record date for the year-end dividend of the Company shall be March 31st of each year.	1. The record date for the year-end dividend of the Company shall be **December** 31st of each year.

2. The record date for the interim dividend of the Company shall be September 30th of each year.	2. The record date for the interim dividend of the Company shall be **June** 30th of each year.
3. (Text omitted)	3. (Unchanged)
Article 44. (Text omitted)	Article 44. (Unchanged)
(Newly set forth)	**Supplementary Provisions**
(Newly set forth)	**(Term of 99th Business Year)** **Article 1.** **Notwithstanding Article 41, the 99th business year of the Company shall be for a period of nine months starting on April 1, 2016 and ending on December 2016.**
(Newly set forth)	**(Record Date for Interim Dividend during 99th Business Year)** **Article 2.** **Notwithstanding Article 43, the record date for the interim dividend of the Company during the 99th business year shall be September 30, 2016.**
(Newly set forth)	**(Effective Period of Supplementary Provisions)** **Article 3** **Articles 1 through Article 3 of these Supplementary Provisions shall continue to be effective until December 31, 2016 and shall be omitted upon the occurrence of such date.**

Proposal No. 2: Election of Nine (9) Directors

The term of office of all eight (8) Directors will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that nine (9) Directors including one (1) new Director 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% (15 times /15 times)
2	Re-Election	Yutaka Kobayashi	Representative Director and Vice Chairman of the Board	100% (15 times /15 times)
3	Re-Election	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	93% (14 times /15 times)
4	Re-Election	Takashi Tsujino	Senior Managing Director, Executive Vice President and Senior General Manager of Development and Marketing Department	100% (15 times /15 times)
5	Re-Election	Satoshi Yamane	Executive Director and Senior General Manager of Corporate Administration Headquarters	100% (15 times /15 times)
6	Re-Election	Susumu Horiuchi	Director and General Manager of Sales Division	100% (15 times /15 times)
7	Re-Election	Haruo Tsuji Outside Director Independent Director	Outside Director	100% (15 times /15 times)
8	Re-Election	Kunio Ito Outside Director Independent Director	Outside Director	100% (15 times /15 times)
9	New-Election	Kaori Sasaki Outside Director Independent Director	-	-

1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned
105,970 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)



Re-Election

<Assumption of Important Positions>
Chairman of Board of Directors and Representative Director of Kiribai Chemical Co., Ltd.
President of Kobayashi International Scholarship Foundation

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, he has served as the Chairman and Representative Director since 2014 and as the Chairperson at the Board of Directors Meetings. As such, he has undertaken the functions of control and supervision of the management for many years and led the overall management of the Company. Based on such achievements and experiences, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

2. Yutaka Kobayashi (May 28, 1945)

Number of Shares of the Company Owned
91,786 Shares

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

Mar. 1968	Joined the Company
Dec. 1976	Director General Manager of International Division
Dec. 1982	Executive Director
Dec. 1985	Senior Executive Director Senior General Manager of Wholesale Division
Dec. 1992	Executive Vice President and Director
Jun. 1999	Executive Vice President and Representative Director
Jun. 2004	President and Representative Director
Jun. 2013	Vice Chairman and Representative Director (to the present)



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Yutaka Kobayashi assumed his office as a Director in 1976 and, thereafter served as the President and Representative Director for nine (9) years since 2004. Further, he has served as the Vice Chairman and Representative Director since 2013. As such, he has fulfilled the roles of decision-making of important management matters and supervision of business operations and, in particular, contributed to the strength of the overseas business division supporting the globalization of the Company. He is familiar with the overall group businesses and has extensive experiences and business achievements. Based on such achievements and experiences, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

3. Akihiro Kobayashi (May 13, 1971)

Number of Shares of the Company Owned
4,632,352 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

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 contributed to the strength of the product development and the refinement of employees' morale, focusing on the future enhancement of overall corporate values of the group companies. By actively promoting the selection and concentration of businesses to be focused, and the investment in new businesses, in accordance with changes in surrounding environments, he has advanced the management and led to the continuous growth of the group companies. Based on his contribution to guiding the Company in such challenging business environment, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

4. Takashi Tsujino (February 21, 1949)

Number of Shares of the Company Owned
19,047 Shares

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

Apr. 1972	Joined the Company
Jun. 1999	Director
Jun. 2000	Executive Officer President of Research and Development Company
Jun. 2004	Senior Executive Officer
Jun. 2006	Executive Director
Mar. 2009	General Manager of Health Care Division
Jun. 2011	Senior Executive Director
Jun. 2013	Executive Vice President and Director (to the present)
Oct. 2013	Senior General Manager of Development and Marketing Department (to the present)
Mar. 2015	Director of Research and Development Center



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Tsujino has fulfilled the roles of decision-making in implementation of business activities and supervision of business operations as a Director, and has been in charge of the product research and development division for many years. He has accurately grasped the changes in environments surrounding consumers' life-style and led the Company's product development to create new markets. As such, he has extensive business knowledge and experiences. Based on such achievements and experiences, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

5. Satoshi Yamane (April 16, 1960)

Number of Shares of the Company Owned
3,736 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 Administration Headquarters (to the present)
Jun. 2011	Executive Director (to the present)



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Yamane has fulfilled the roles of decision-making in implementation of business activities and supervision of business operations as a Director, and has been in charge of the headquarters administration division for many years. He has implemented M&As and other growth strategies, promptly responded to changes in the economic conditions and businesses, and contributed to the promotion of efficient and effective corporate governance as the chief financial officer. As such, he has extensive business knowledge and experiences. Based on such achievements and experiences, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

6. Susumu Horiuchi (March 4, 1957)

Number of Shares of the Company Owned
1,426 Shares

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

Mar. 1979	Joined the Company
Mar. 2006	Executive Officer General Manager of the Business Administration of Sales Company
Mar. 2009	Senior Executive Officer General Manager of Sales Division (to the present)
Jun. 2014	Director (to the present)



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Horiuchi has fulfilled the roles of decision-making in implementation of business activities and supervision of business operations as a Director, and has been in charge of the sales division for many years. He has promoted the proactive planning and execution of sales strategies from the perspective of customers. As such, he has extensive business knowledge and experiences. Based on such achievements and experiences, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

7. 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)

<Term of Office>
Eight (8) years (at the close of this shareholders' meeting)



Re-Election

Outside Director

Independent Director

Reasons for Nominating as a Candidate for Outside Director

Mr. Tsuji has extensive experience and considerable insight into corporate management. He has contributed to the strength of the supervisory functions over corporate management, actively made remarks to enhance the transparency and fairness of the management and, in his position independent of the Company, conveyed stakeholders' views and opinions at Board Meetings of the Company. Based on such achievements and experiences, it is appropriate for him to continue serving as a 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.

8. 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	Research Professor of the Graduate School of Commerce and Management of Hitotsubashi University (to the present)



Re-Election

Outside Director

Independent Director

<Assumption of Important Positions>

Research Professor of the Graduate School of Commerce and Management of Hitotsubashi University / Head of CFO Training Course of Hitotsubashi University / Outside Director of Akebono Brake Industry Co., Ltd. / Outside Director of Sumitomo Chemical Company, Limited / Outside Director of Seven & i Holdings Co., Ltd. / Outside Director of Toray Industries, Inc.

<Term of Office>

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

Reasons for Nominating as a Candidate for Outside Director

Mr. Ito has extensive experience as a university professor (accounting and business management) and as an outside director of companies and fulfilled a role of the supervisory functions over corporate management focusing on the continuous growth and the enhancement of corporate value. For these reasons, we have determined that he can properly perform the duties as a Director and 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.

9. Kaori Sasaki (May 12, 1959)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary >

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)



New-Election
Outside Director
Independent Director

<Assumption of Important Positions>

President and Representative Director of UNICUL International, Inc. / Chair, Committee for the International Conference for Women in Business / President and Representative Director of ewoman, Inc. / Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd. / Outside Director of NEC Corporation / Outside Director of AGP Corporation

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 acting as a member of administrative committee relating to people's life-style and 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. For these reasons, we have determined that she can properly perform the duties as a Director and have newly nominated her for such office.

Notes:

1. Ms. Kaori Sasaki is a candidate for Outside Director. If her election is approved, she will serve as an Independent Director.

2. If Ms. Kaori Sasaki is elected as Outside Director, the Company will conclude an agreement with her 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. 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.

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 and 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.

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.

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

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

The Board of Audit & Supervisory Board Members has agreed to this proposal in advance.

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

Yasuhiko Fujitsu (May 25, 1972)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary and Position at the Company >

Oct. 1994	Registered as Assistant Certified Public Accountant
Apr. 1999	Registered as Attorney-at-Law Joined Hamada & Matsumoto (currently, Mori Hamada & Matsumoto)
May 2004	Earned LL.M. at University of California, Davis
Sep. 2004	Debevoise & Plimpton LLP
Jan. 2008	Partner, Mori Hamada & Matsumoto (to the present)
Jun. 2008	Substitute Audit & Supervisory Board Member (to the present)



Candidate for Substitute Audit & Supervisory Board Member

<Assumption of Important Positions>
Partner, Mori Hamada & Matsumoto

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

The reason for Mr. Yasuhiko Fujitsu being a candidate for Substitute Audit & Supervisory Board Member is that the Company expects that he has significant expertise in accounting, and his legal expertise acquired as a lawyer can be utilized in the audit system of the Company if he is elected as Audit & Supervisory Board Member. Also, although he does not have any experience of being involved in corporate management, he is well versed in corporate legal practice as a lawyer and has adequate knowledge of corporate governance, and thus the Company expects that he can properly perform duties as Outside Audit & Supervisory Board Member.

Notes: If Mr. Yasuhiko Fujitsu is elected as Audit & Supervisory Board Member, the Company will conclude 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. 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 his failure to perform his duties as Outside Audit & Supervisory Board Member, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Company Law, provided that such failure is not caused by his intentional act or gross negligence.

Proposal No. 4: Extension of Plan for Countermeasures Against Large Purchases of Shares of Company (Takeover Defenses)

The Company introduced a "Plan for Countermeasures Against Large Purchases of Company Shares (Takeover Defenses)" with the approval of the shareholders of the Company at the 95th Ordinary General Meeting of Shareholders of the Company, and added one (1) member to the Independent Committee in 2013.

Thereafter, the Board of Directors has continued to review its existing takeover defenses in consideration of trends concerning takeover defenses and other factors. As a result, at the meeting of the Board of Directors held on May 20, 2016, the Board decided to extend its existing takeover defenses (such extended takeover defenses shall be hereinafter referred to as the "Plan") on the condition that the shareholders of the Company approve it at this Ordinary General Meeting of Shareholders of the Company.

The Plan sets forth rules that would enable the shareholders of the Company to make proper decision, by requiring the Large Purchaser (as defined below) of the shares in the Company to provide sufficient information and appropriate evaluation period to the Company. The Plan does not intend to prevent any Large Purchase Action (as defined below) or to deprive the shareholders of the Company of the opportunity to decide whether to approve such action.

The content of the Plan is as described below. There is no change from the existing takeover defenses.

The Plan has been consented to by all the Audit and Supervisory Board Members of the Company, on the condition that the shareholders of the Company approve it at this Ordinary General Meeting of Shareholders of the Company.

Therefore, it is proposed that the Plan be approved.

Fundamental Policy Regarding Persons Holding Control over Decisions on Policies Concerning the Finances and Business of the Company

1. Summary of Fundamental Policy

Kobayashi Pharmaceutical Group is engaged mainly in manufacturing and distributing daily consumer products under the management philosophy: "we continue to seek new things through creativity and innovation and provide people and society with wonderful delights". In the business of manufacturing and distributing daily consumer products, we always endeavor to uncover customers' hidden needs by providing products and services that create new markets.

Since we provide products and services relating to people's health and life, we are also endeavoring to enhance and thoroughly implement the quality management. In other words, we are providing customers with "being healthy", "being comfortable", and "being convenient" and engaging in business activities with the spirit of "You make a wish and we make it happen." This is our corporate mission as a general health-related company.

So long as the Company is a listed company, it is a matter of course that shares of the Company are freely traded on the markets. We would generally not oppose any and all large purchases of shares of the Company by any specific person if they contribute to securing and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders. Furthermore, in the event that a proposed purchase of shares of the Company would result in a change in the control of the Company, the final decision of whether to approve such purchase should be entrusted to the shareholders of the Company.

However, we believe that there are large purchase actions, such as those where the purchaser would exclusively pursue only his or her own profit, where the shareholders are de facto coerced to sell their shares, where sufficient time and information are not provided for the board of directors and shareholders of the target company to consider the details of the large purchase action and/or for the board of directors of the target company to prepare an alternative plan, any of which would prejudice the corporate value of the target company and common interests of its shareholders.

The Company believes that, in order to secure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders without losing its source of the corporate value, it is necessary to always take a medium-to-long-term perspective and strengthen its competitiveness so that the Company could become number one in each industry in which the Company is involved. We believe that, specifically, this would be the same as simultaneously implementing the strategy of creating new markets by providing customers with innovative and valuable products and services before competitors, as well as the strategy of strengthening existing businesses. The reasons our group companies can realize such strategies is that all personnel share the values of the Brand Charter (as mentioned below) and that a free-spirited corporate culture is in place where all personnel can take on new challenges and realize those values.

As of March 31, 2016, approximately 42 % of the already issued shares of the Company were held by officers of the Company and their related persons, some of whom are listed in "Major Shareholders of the Company" attached hereto as Appendix 4. However, it is possible that major shareholders of the Company also include individual shareholders who may transfer or otherwise dispose of their shares for their respective personal reasons. In addition, the Company may take actions in the future to further enhance the liquidity of shares of the Company and/or to increase the number of shareholders, by which the shareholding ratios of such major shareholders may be diluted. Accordingly, we believe it is possible that large-scale purchases of shares of the Company will be conducted in a manner contrary to the corporate value of the Company and, in turn, the common interests of its shareholders.

In light of these considerations, for the purpose of securing and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, the Company has decided to extend the "Plan for Countermeasures Against Large Purchases of Shares of Company (Takeover Defenses)" (hereinafter referred to as the "Plan") which, in the event that any purchase action falling under 3.a.(a) or (b) below (other than those deemed friendly by the Board of Directors; and hereinafter referred to as the "Large Purchase Action") is conducted against the Company, will clarify the procedures with which a person conducting a Large Purchase Action (hereinafter referred to as the "Large Purchaser") should comply, which will secure time and information necessary for the shareholders of the Company to make an appropriate decision, and which will enable the Company to present a management plan or alternative plan to the shareholders, negotiate with the Large Purchaser and take other appropriate steps.

2. Summary of Our Approaches for Achieving the Fundamental Policy

We have established the Brand Charter under which all personnel endeavor to enhance the corporate value of the Company. Our Brand Charter is as follows:

> Our mission is to not only make products that our customers want now but to also develop new and innovative products for our customer's future needs.
> True to our brand slogan of "You make a wish and we make it happen," we will strive to research, develop, manufacture, and deliver products as quickly as possible.
>
> Products and services will be developed to the highest standards and quality to exceed our customers' expectations.

Our dream is to share the small gifts from everyday life with people the world over.

We are committed to being an innovative, development focused company that contributes to society, builds lasting relationships with customers, and exceeds all expectations in customer satisfaction.

In such manner, we, Kobayashi Pharmaceutical Group, have the corporate slogan of "You make a wish and we make it happen" and pride ourselves on introducing an extraordinary number of new products that offer innovative value to our customers every year, which has not been seen in the industry. It is also one of our characteristics that we clarify the concept of each product and conduct easy-to-understand marketing so that our customers easily comprehend the specific characteristics of our products. We believe that business expansion and enhancement of corporate value can be achieved by continuously and thoroughly implementing these measures.

We acknowledge that our task is to enhance shareholder value in order to maximize the corporate value of the Company. Therefore, we endeavor for the prompt and accurate disclosure of information, as well as the enhancement of corporate governance to improve the transparency of management. Specifically, while the President and Executive Officers engage in the execution of business, the Board of Directors, chaired by the Chairman of the Board of Directors, assume the supervising function of the management. Furthermore, by electing Outside Directors and Outside Audit & Supervisory Board Members, we strengthen such supervising function.

In addition, our group companies have a very transparent corporate culture in which anyone can express his or her views to anyone else through, among other things, the arrangement of various settings in which staff can express their views directly to management. We believe that it is also an effective measure of enhancing corporate governance to maintain and develop such a corporate culture.

We believe that the above-mentioned various arrangements for enhancing corporate value contribute to the benefit of the shareholders and all other stakeholders of the Company.

3. Summary of Actions to Prevent Control by Inappropriate Persons over Decisions on Policies Concerning the Finances and Business of the Company in Light of the Fundamental Policy (Terms of the Plan)

a. Large Purchase Actions Subject to the Plan

The "Large Purchase Action" means any purchase action falling under item (a) or (b) below.

(a) As for "Share Certificates" (*1) for which the Company is the issuer, any "Purchase" (*2) which will result in the "Holding Ratio of Share Certificates" (*3) of the "Holder" (*4) being 20% or more; or

(b) As for "Share Certificates" (*5) for which the Company is the issuer, any "Tender Offer" (*6) which will result in the aggregate of the "Holding Ratio of Share Certificates" (*7) through the Tender Offer and the "Holding Ratio of Share Certificates" of the "Special Related Persons" (*8) being 20% or more.

(*1) As defined in Article 27-23(1) of the Financial Instruments and Exchange Act. Unless otherwise set forth herein, the same shall apply in the Plan.
(*2) As defined in Article 27-2(1) of the Financial Instruments and Exchange Act. The same shall apply in the Plan.
(*3) As defined in Article 27-23(4) of the Financial Instruments and Exchange Act. The same shall apply in the Plan. For the purpose of calculating the Holding

Ratio of Share Certificates, (i) "Special Related Persons" as defined in Article 27-2(7) of such Act and (ii) any investment bank, securities firm and other financial institution that is a party to a financial advisory agreement with the Large Purchaser and any tender offer agent and lead managing underwriter for the Large Purchaser will be deemed to be joint holders with the Large Purchaser. For the purpose of calculating the Holding Ratio of Share Certificates, the total number of issued shares of the Company may be determined by reference to the then-most current information published by the Company.

(*4) As referred to in Article 27-23(1) of the Financial Instruments and Exchange Act, including any person who is deemed to be a "Holder" pursuant to Article 27-23(3) of such Act (including any person deemed as such by the Board of Directors). The same shall apply in the Plan.

(*5) As defined in Article 27-2(1) of the Financial Instruments and Exchange Act. The same shall apply in the Plan.

(*6) As defined in Article 27-2(6) of the Financial Instruments and Exchange Act. The same shall apply in the Plan.

(*7) As defined in Article 27-2(8) of the Financial Instruments and Exchange Act. The same shall apply in the Plan.

(*8) As defined in Article 27-2(7) of the Financial Instruments and Exchange Act, including any person who is deemed by the Board of the Directors to be Special Related Persons, but, as for the persons falling under Article 27-2(7)-1 of the Act, excluding the persons listed in Article 3(2) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates by Persons Other than the Issuer. The same shall apply in the Plan.

b. Procedures Provided for in the Plan

(a) Request to Large Purchasers for Provision of Information

First, except for those Large Purchasers deemed friendly by the Board of Directors, a Large Purchaser must submit to the Representative Director of the Company a "letter of intent" in the form specified by the Company setting forth the name, address, governing law of incorporation, name of the representative and mailing address in Japan of the Large Purchaser, a summary of the Large Purchase Action and an undertaking to comply with the Plan.

Then, no later than ten (10) business days after the receipt of the letter of intent, the Board of Directors shall deliver to the Large Purchaser a list of information necessary for the shareholders of the Company to make decisions and for the Board of Directors to form its opinion (hereinafter referred to as the "Necessary Information") and request that the Large Purchaser provide such Necessary Information. If it is determined that, after the examination of information provided, such information is not sufficient as Necessary Information, the Board of Directors will request the Large Purchaser to provide supplemental information until the Board of Directors has all Necessary Information.

The specific content of the Necessary Information will vary depending on the characteristics of the Large Purchaser, and the objectives and particulars of the Large Purchase Action. Some of general items of the Necessary Information are as follows:

(1) Particulars (including the specific name, capital composition, financial condition, business objectives, information regarding holding and trading of Share Certificates, details and consequences of past transactions similar to the Large Purchase Action, and experience in engaging in businesses similar to the businesses engaged in by the Company) of the Large Purchaser and its group (including persons sharing the intention of the Large Purchaser in connection with the Large Purchase Action

(such as Joint Holders (*9), Special Related Persons and, in the case of a fund, partners and other members);

(2) Purposes, methods and particulars of the Large Purchase Action (including whether the Large Purchaser intends to participate in management, the amount and type of consideration for the Large Purchase Action, number of Share Certificates to be purchased, Holding Ratio of Share Certificates after the purchase is conducted, schedule of the Large Purchase Action, structure of relevant transactions, legality of the method of the Large Purchase Action, and information regarding feasibility of the Large Purchase Action);

(3) Basis for calculation of the amount of consideration for the Large Purchase Action (including the assumptions for the calculation, processes of the calculation, methods of calculation, information regarding values used in the calculation, description of synergies contemplated through the series of transactions relating to the Large Purchase Action, details of portion of such synergies to be distributed among other shareholders and, from this, the portion of such synergies to be distributed among minority shareholders);

(4) Proof of funds for the Large Purchase Action (including the names of providers (or substantial providers) of such funds, information regarding security interests in the Large Purchaser's Share Certificates of the Company and other assets in connection with such funds, methods of funding, and related transactions);

(5) Measures to sustainably and continuingly enhance the corporate value of the Company (including management policy, business plan, financing plan, capital policy, dividend policy, asset management plan, and concrete measures to achieve these plans), which are contemplated to be implemented after the Large Purchaser's participation in the management of the Company and its group companies, and the basis for enhancing corporate value through such plans and measures;

(6) Policy after the completion of the Large Purchase Action towards employees, labor union(s), business partners, customers, concerned local stakeholders, and other interested parties of the Company and its group companies;

(7) Concrete measures to avoid conflicts of interest with other shareholders of the Company, if any; and

(8) Other information which the Board of Directors or Independent Committee deems reasonably necessary.

(*9) As defined in Article 27-23(5) of the Financial Instruments and Exchange Act, including any person who is deemed to be a Joint Holder pursuant to Article 27-23(6) of such Act (including any person deemed as such by the Board of Directors). The same shall apply in the Plan.

The Board of Directors will, at the time it deems appropriate, disclose all or part of information concerning the fact that a letter of intent has been submitted and the Necessary Information provided to the Board of Directors that is deemed necessary for the decision of the shareholders of the Company.

(b) Establishment of Independent Committee

The Company will establish an Independent Committee in accordance with the "Regulations of Independent Committee" attached hereto as Appendix 1, in order to properly implement the Plan and to prevent arbitrary decision-making by the Board of Directors or Directors. The Independent Committee will be composed of three (3) or more members. In order to make it possible for them to make a fair and impartial decision, the members of the Independent Committee will be appointed from among Outside Directors, Outside Audit & Supervisory Board Members and outside experts (*10) who are, in each case, independent from the management of the Company assigned to execute the business of the Company. The names and brief career summary of the members of the Independent Committee, if Proposal No. 4 is approved, are set forth in Appendix 3 attached hereto.

(*10) Outside experts will be appointed from among business managers having extensive experience in corporate management, persons who are familiar with the investment banking business, lawyers, certified public accountants, academic experts with a main research focus in the areas such as corporate law and corporate management, and other persons having similar experience and expertise.

If the Board of Directors receives the Necessary Information from the Large Purchaser, it will submit such information to the Independent Committee without delay.

The Plan sets forth objective requirements for the Company to implement a defensive measure against a Large Purchase Action: as described in 3.c.(a) below, if the Large Purchaser complies with the procedures described in the Plan, the Company will not, in principle, implement a defensive measure against the Large Purchase Action, while, as described in 3.c.(b), if the Large Purchaser fails to comply with the procedures described in the Plan, the Company may implement a defensive measure. However, if the Board of Directors intends to take exceptional actions as described in 3.c.(a) below or implement a defensive measure as described in 3.c.(b) below, it will consult with the Independent Committee in order to ensure the reasonableness of the decision to be made by the Board of Directors.

The Independent Committee will, in accordance with the procedures set forth in the "Regulations of Independent Committee", evaluate and review the details of the Large Purchase Action by the Large Purchaser and make a recommendation to the Board of Directors. The Board of Directors will give its fullest consideration to such recommendation and promptly resolve whether to implement a defensive measure or not. If a resolution passed, the Board of Directors will promptly disclose information as to such resolution.

(c) Evaluation Period for Board of Directors

After the Large Purchaser has provided the Necessary Information to the Board of Directors, the Board of Directors will establish a period set forth in either item (i) or (ii) below depending on the particulars of the Large Purchase Action (hereinafter referred to as the "Evaluation Period"), during which the Board of Directors will evaluate and review the provided information, negotiate with the Large Purchaser, form its opinions on the Large Purchase Action and design an alternative plan. The Large Purchase Action shall be commenced only after the Large Purchaser has provided the Necessary Information to the Board of Directors, the Evaluation Period has expired, and, if the Board of Directors deems necessary, the "Shareholder Intent Confirmation Procedure" (as set forth in item 3.b.(d) below) has been performed.

(i) A sixty (60) day period in case of purchase of shares through a Tender Offer with the consideration being cash (in the currency of Japanese yen) only; or

(ii) A ninety (90) day period in case of any other Large Purchase Action.

However, if the Board of Directors deems it necessary to extend the Evaluation Period of item (i) or (ii) above, it will consult with the Independent Committee and may extend the Evaluation Period for up to 30 days as necessary after giving its fullest consideration to the recommendation issued by the Independent Committee.

During the Evaluation Period, the Board of Directors will consult with the Independent Committee and fully evaluate and review the Necessary Information provided to it while receiving advice from outside professionals as necessary. The Board of Directors may also negotiate with the Large Purchaser to obtain better terms or present an alternative plan to the shareholders, as necessary, from the perspective of securing and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

If the Necessary Information has been fully provided, the Board of Directors will, at an appropriate time, disclose such fact and the expiration date of the Evaluation Period. If the Evaluation Period is extended based on the recommendation of the Independent Committee, the length of such extension and the reasons therefor will also be disclosed at an appropriate time.

(d) Procedures for Confirming Shareholders' Intent

Before the Board of Directors implements any defensive measures against any Large Purchase Action, it may, for the purpose of respecting shareholders' intent, with the recommendation of the Independent Committee, obtain a decision by the shareholders of the Company as to whether defensive measures may be implemented against the Large Purchase Action and what conditions are to be imposed on implementing such measures.

The shareholders' intent in this regard shall be confirmed by way of a resolution at a General Meeting of Shareholders of the Company convened under the Company Law or procedures similar thereto (hereinafter referred to as the "Shareholders' Intent Confirmation Procedure"). If the Shareholders' Intent Confirmation Procedure is performed, the Board of Directors shall comply with the resulting resolution of the Shareholders' Intent Confirmation Procedure and will either implement or not implement defensive measures in response to a proposed Large Purchase Action.

If the Board of Directors designates a record date (the "Record Date") to determine the shareholders who are entitled to exercise voting rights in connection with the Shareholders' Intent Confirmation Procedure, it shall give public notice no later than two (2) weeks prior to the Record Date by such means as provided for in the Articles of Incorporation of the Company.

(1) Shareholders who may exercise the voting rights in connection with the Shareholders' Intent Confirmation Procedure shall be those who are recorded in the last shareholders registry as of the Record Date.

(2) If the Shareholders' Intent Confirmation Procedure is performed, a notice of convocation shall be dispatched to the shareholders who are entitled to exercise voting rights no later than two (2) weeks prior to the Shareholders' Intent Confirmation Procedure.

If any important change occurs with respect to the information based on which the shareholders will make a decision in connection with the Shareholders' Intent Confirmation Procedure, the Board of Directors may change the Record Date or extend or suspend the Shareholders' Intent Confirmation Procedure, even after the Record Date for the Shareholders' Intent Confirmation Procedure has been designated.

c. Defensive Measures Against Large Purchase Actions

(a) Large Purchaser to Comply with the Plan

If the Large Purchaser complies with the procedures set forth in the Plan, the Board of Directors will, in principle, not implement defensive measures against the Large Purchase Action, but will only seek to persuade the shareholders of the Company to reject the Large Purchase Action by issuing a statement of objection against the proposal for the Large Purchase Action and proposing an alternative plan. Whether to accept the proposal for the Large Purchaser Action will be decided by the shareholders of the Company in consideration of such proposal, the Board of Directors' opinion on such proposal, alternative plans and other relevant factors.

However, if it is determined by the Board of Directors or through the Shareholder Intent Confirmation Procedure that the Large Purchase Action falls into any of the categories of actions listed in items (1) through (7) below or would otherwise prejudice the corporate value of the Company and, in turn, the common interests of its shareholders and that it is appropriate for the Board of Directors to implement defensive measures, then the Board of Directors may implement defensive measures against the Large Purchase Action by allotment of stock acquisition rights without consideration or any other measures permitted to be taken by the Board of Directors under the applicable laws and regulations or the Articles of Incorporation of the Company.

The specific defensive measure to be implemented will be chosen from among those deemed appropriate at that point of time. A summary of allotment of stock acquisition rights without consideration that may be undertaken as a defensive measure is set forth in "Summary of Stock Acquisition Rights" attached hereto as Appendix 2. In the event that such allotment of stock acquisition rights without consideration is implemented, the terms and conditions of the stock acquisition rights may be modified (such as limiting the acquisition or exercise of the stock acquisition rights to persons other than those belonging to a "Designated Group of Shareholders" (*11); hereinafter referred to as an "Ineligible Person") and allowing the free transferability of stock acquisition rights) in consideration of the effect of such rights as a defensive measure, the convenience to shareholders of the Company for recoupment of invested capital and other relevant factors.

(*11) A "Designated Group of Shareholders" means (i) if the person is a Large Purchaser who conducts the Large Purchase Action as described in 3.a.(a) above, the Holder having a Holding Ratio of Share Certificates of 20 % or more and its Joint Holders and (ii) if the person is a Large Purchaser who conducts a Large Purchase Action as described in 3.a.(b) above, such Large Purchaser and its Special Related Persons, if the total of their Holding Ratios of Share Certificates is 20 % or more.

To ensure the objectivity and reasonableness of a decision made by the Board of Directors to implement a defensive measure, the Board of Directors will, based on the Necessary Information provided by the Large Purchaser and with advice obtained from outside professionals, consider the particulars of the Large Purchaser and Large Purchase Action and the possible results that may affect the overall interests of the shareholders, and then make a decision after giving its fullest consideration to the recommendation of the Independent Committee and the result of Shareholder Intent Confirmation Procedure.

(1) In the case of a Large Purchase Action without intention to participate in the management of the Company, but for the purpose of merely raising the stock price and demanding that persons related to the Company purchase the Share Certificates of the Company at higher prices;

(2) In the case of a Large Purchase Action for the purpose of so-called scorched earth management, such as causing to be transferred to the Large Purchaser or its group companies intellectual property, know-how, confidential information, major suppliers, customers, and other items, which are necessary for the Company's business operations, through temporary control of the Company's management;

(3) In the case of a Large Purchase Action for the purpose of appropriating the Company's assets as collateral for debts, or to repay debts, of the Large Purchaser or its group companies, once the Large Purchaser acquires the control over the Company's management;

(4) In the case of a Large Purchase Action for the purpose of, through its temporary control of the Company's management, causing to be sold or otherwise disposed of real estate, securities and other highly-valued assets not having any immediate relation to the business activities of the Company's group companies and causing the Company to distribute temporarily high dividends with the proceeds from such disposal, or selling the shares of the Company at a high price that has occurred rapidly due to such temporarily high dividends;

(5) In the case of a Large Purchase Action where the offering to purchase shares at the first stage through a Tender Offer is not made for all of the shares and where the terms and conditions of purchase at the second stage are unfavorable or not clarified at the time of the first tier offering (a so-called coercive two-tier offer);

(6) In case of a Large Purchase Action where the terms and conditions of such Large Purchase Action (including the amount and type of consideration, timing of the Large Purchase Action, legality of the method of Large Purchase Action, feasibility of the Large Purchase Action, corporate management policy and business plan after the Large Purchase Action, policy after the Large Purchase Action towards other shareholders, employees, customers, business partners, and other stakeholders of the Company) can be, with reasonable grounds, deemed insufficient or inappropriate in light of the fundamental value of the Company;

(7) In the case of a Large Purchase Action that is likely to disrupt the relationships with employees, customers, business partners and others of the Company and its group, or the value of corporate brand or corporate culture of the Company, any of which would be imperative for generating the corporate value of the Company, and thereby cause material damage to the corporate value of the Company and, in turn, the common interests of its shareholders.

(b) Large Purchaser Not to Comply with the Plan

If the Large Purchaser fails to comply with the procedures set forth in the Plan, regardless of how the purchase will be actually conducted, the Board of Directors may implement a defensive measure (such as making an allotment of stock acquisition rights without consideration) in order to protect the corporate value of the Company and, in turn, the common interests of its shareholders. Referring to advice from outside professionals and giving its fullest consideration to the recommendation made by the Independent Committee and the result of the Shareholder Intent Confirmation Procedure, the Board of Directors will determine whether the Large Purchaser has complied with the procedures set forth in the Plan and whether it is appropriate to implement the defensive measure (and, in case of implementation, on what terms the defensive measure will be implemented).

The specific defensive measure to be implemented will be chosen from among those deemed appropriate at that point of time. A summary of the allotment of stock acquisition rights without consideration that may be implemented as a defensive measure is set forth in "Summary of Stock Acquisition Rights" attached hereto as Appendix 2. In the event that such allotment of stock acquisition rights is implemented, the exercise period and other terms and conditions for the stock acquisition rights, such as the limitation of the exercise or acquisition of stock acquisition

rights to persons other than Ineligible Persons, may be put in place in consideration of its effect as a defensive measure.

(c) Suspension and Change of Defensive Measure

If the Board of Directors believes that the implementation of a defensive measure is not appropriate because the Large Purchaser withdraws or changes the Large Purchase Action or for other reasons, then the Board of Directors may suspend or change the implementation of the defensive measure after giving fullest consideration to the recommendation by the Independent Committee. For example, in the case where the Company allots stock acquisition rights without consideration as a defensive measure against a Large Purchase Action, such defensive measure may be suspended or changed as follows:

(1) Prior to the effective date of the allotment of stock acquisition rights, the allotment may be suspended upon the recommendation of the Independent Committee; and

(2) On or after the effective date of the allotment of stock acquisition rights, the stock acquisition rights may be acquired without consideration upon the recommendation of the Independent Committee.

In case of such suspension or change in the implementation of a defensive measure, the Board of Directors will promptly disclose relevant information together with matters the Independent Committee deems necessary.

d. Effect on Shareholders and Investors

(1) Effect of the Plan on Shareholders and Investors

As noted in a. above, the objective of the Plan is, in the event that any Large Purchase Action is attempted, to secure time and information necessary for the shareholders of the Company to decide whether to accept the Large Purchase Action and for the Board of Directors to present an alternative plan. According to the Plan, the shareholders of the Company may be able to make an appropriate decision on whether to accept the Large Purchase Action which, in turn, will secure and enhance the interests of all the shareholders of the Company.

As mentioned in c. above, the response of the Company to a Large Purchase Action will depend on whether the Large Purchaser complies with the procedures set forth in the Plan. Accordingly, shareholders of the Company and investors should pay careful attention to the actions of the Large Purchaser.

(2) Effect on Shareholders and Investors upon Introduction of the Plan

At the time when the Plan is introduced, no defensive measures, such as the allotment of stock acquisition rights without consideration, will be implemented. Accordingly, the rights and economic interests of the shareholders of the Company and investors will not be directly affected.

(3) Effect on Shareholders and Investors upon Implementation of Defensive Measures

If the Large Purchaser does not comply with the procedures set forth in the Plan, the Board of Directors may, through the Shareholder Intent Confirmation Procedure as applicable, implement defensive measures permitted under the applicable laws and regulations or the Articles of Incorporation of the Company, in order to secure the corporate value of the Company and, in turn, the common interests of its shareholders. Because of the structure of the defensive measures, it is not contemplated that the shareholders of the Company (other than a Large Purchaser who violates the procedures set forth in the Plan or if, despite the fact that such Large

Purchaser complied with the procedures set forth in the Plan, it is determined by the Board of Directors or through the Shareholder Intent Confirmation Procedure that the Large Purchaser would likely impair the corporate value of the Company and, in turn, the common interests of its shareholders through the Large Purchase Actions falling within any of 3.c.(a)(1) through (7) or otherwise and that it is appropriate to implement defensive measures) would incur particular losses to their legal rights or in any economic respect. If it is determined by the Board of Directors or through the Shareholder Intent Confirmation Procedure that a particular defensive measure will be implemented, the Company will make timely and proper disclosure in accordance with the applicable laws and regulations and exchange rules.

In the event that the Board of Directors resolves to make an allotment of stock acquisition rights without consideration as a defensive measure, stock acquisition rights will be allotted without consideration to the shareholders of the Company as of the date of allotment which is separately fixed by such resolution, in principle, in proportion of one stock acquisition right for each share held by such shareholder. If any shareholder of the Company fails to complete the procedures for the exercise of stock acquisition rights that are described in detail in 3.d.(4)(a) below (such as payment of an exercise price within the exercise period), shares held by such shareholder would be diluted by the exercise of stock acquisition rights by other shareholders of the Company.

In the event that, based on the recommendation made by the Independent Committee, the Board of Directors cancels the allotment of the stock acquisition rights or causes the already issued stock acquisition rights to be acquired without consideration, the value per share will not be diluted. In such case, shareholders of the Company or investors who sell or purchase shares of the Company on the assumption that shares of the Company would be diluted after the ex-rights date might incur unexpected losses due to a change in stock price.

(4) Necessary Procedures for Shareholders in Case of Allotment of Stock Acquisition Rights Without Consideration

(a) Procedures for Exercise of Stock Acquisition Rights

The Company will send to the shareholders of the Company recorded in the last shareholders registry of the Company on the date of allotment, in principle, a form for the exercise of stock acquisition rights (in the form prescribed by the Company and containing the terms and number of stock acquisition rights to be exercised, date of exercise and other necessary matters, and clauses including representations and warranties that the shareholder is not an Ineligible Person, indemnification and other covenants) and other documents necessary for the exercise of stock acquisition rights.

After the allotment of stock acquisition rights, within the exercise period and before the Company acquires the stock acquisition rights, the shareholders of the Company will submit the said necessary documents to the Company and pay to the designated payee an amount determined by the Board of Directors that is one (1) yen or more for exercise of each stock acquisition right.

(b) Procedures for Acquisition of Stock Acquisition Rights by the Company

In the event that the Board of Directors determines that the Company will acquire the stock acquisition rights, the Company may deliver new shares to the shareholders of the Company in consideration of the Company's acquisition of the stock acquisition rights, without payment of an amount equal to the exercise price. In such case, the Company will promptly deliver the shares to the shareholders of the Company. Also, in such case, the Company may separately request that the shareholders of the Company submit documents in the form prescribed by the Company containing clauses including representations and warranties that the shareholder is not an Ineligible Person, indemnification and other covenants.

e. Term, Extension and Termination of the Plan

As the approval of the shareholders of the Company at this Ordinary General Meeting of Shareholders of the Company is a condition precedent to the effectiveness of the Plan, the Plan will take effect on the date of such approval and will continue in effect until the close of the 101st Ordinary General Meeting of Shareholders of the Company to be held on or before March 31, 2019; provided, however, that the term of the Plan may be extended for an additional three (3) years if the extension of the Plan is approved at an Ordinary General Meeting of Shareholders of the Company. Upon approval on the extension of the Plan, the Board of Directors will promptly notify the shareholders thereof.

Even during the term of the Plan, if a General Meeting of the Shareholders of the Company or the Board of Directors resolves to terminate the Plan, the Plan shall terminate at such time. Accordingly, it is possible that the Plan may be terminated in accordance with the intent of the shareholders of the Company.

Further, even during the term of the Plan, the Board of Directors may amend or change the Plan with approval of the Independent Committee to the extent not contrary to the intent of the resolution of the General Meeting of the Shareholders of the Company (including where laws and regulations relating to the Plan, as well as exchange rules, are enacted or amended on or after May 20, 2016 and it would be appropriate for such enactment or amendment to be reflected in the Plan, where it would be appropriate to correct the wording of the Plan because of typos and omitted words, and where the amendment or change would not create any disadvantage to the shareholders of the Company).

In the event that the Plan is terminated or amended, the Company will promptly disclose information with respect to the fact of such termination or amendment (including the terms of such amendment), as well as any other matters deemed appropriate by the Board of Directors.

4. Decision Made by the Board of Directors and Reasons Therefor

The Plan will conform to the above-mentioned fundamental policy, will not impair the common interests of the shareholders, and will not intend to maintain the status of incumbent directors and officers by addressing the following:

a. Full Satisfaction of Requirements for Takeover Defense under Guidelines

The Plan fully satisfies all of the three principles described in the "Guidelines Regarding Takeover Defenses for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (1) the principle of securing the corporate value and shareholders' common interests; (2) the principle of prior disclosure and shareholders' intent; and (3) the principle of necessity and suitability. Further, the Plan is consistent with the views described in "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group on June 30, 2008.

b. Purpose of Securing and Enhancing the Common Interests of Shareholders

The Plan will be introduced for the purpose of securing and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders because, in the event that any Large Purchase Action is conducted against the Company, the Plan will secure information and time necessary for the shareholders of the Company to decide whether the Large Action Plan should be approved, and/or for the Board of Directors to present alternative plans, negotiate with the Large Purchaser and take other appropriate steps for the benefit of the shareholders of the Company.

c. Emphasis on Shareholders' Intent (Resolution at Shareholders' Meeting and Sunset Clause)

Since the term of office of each Director is one year, the shareholders of the Company may show their intent through election of the Directors even during the term of the Plan. Further, the intent of the shareholders of the Company may be confirmed in connection with the implementation of defensive measures. The Plan will terminate if and when a resolution to terminate the Plan is adopted at a General Meeting of Shareholders of the Company even during the term of the Plan. Accordingly, the intent of the shareholders of the Company will be reflected with respect to the termination and extension of the Plan.

d. Establishment of Reasonable and Objective Requirements

The principal of the Plan is that the ultimate decision on whether to accept the proposal for Large Purchase Action from a Large Purchaser or not should be made by the shareholders of the Company, and the Plan provides that defensive measures will not be implemented unless reasonable and detailed objective requirements are satisfied. Accordingly, the Plan ensures an arrangement that prevents the Board of Directors from arbitrarily implementing defensive measures.

e. Full Consideration to Independent Outsiders' Decision and Disclosure of Information

In order to prevent any arbitrary decision by the Board of Directors or by individual Directors, the Company will establish the Independent Committee that will objectively make substantive decisions in the implementation of defensive measures and the operation of the Plan (including its termination) for the benefit of the shareholders of the Company. If a Large Purchase Action is conducted against the Company, then, in accordance with the Regulations of Independent Committee, the Independent Committee will evaluate and review as to whether the Large Purchase Action may impair the corporate value of the Company and, in turn, the common interests of its shareholders, and will make a recommendation to the Board of Directors. The Board of Directors shall make a decision giving fullest consideration to such recommendation. Thus, the Independent Committee will strictly monitor any arbitrary conduct of the Board of Directors and a summary of the decision of the Independent Committee will be disclosed to the shareholders of the Company, which will ensure the transparent operation of the Plan to the extent beneficial to the corporate value of the Company and, in turn, the common interests of its shareholders.

f. Not a Dead-Hand or Slow-Hand Type Takeover Defense

The Plan may be terminated at any time by the Board of Directors composed of Directors who have been elected at a General Meeting of Shareholders of the Company. It is possible for a Large Purchaser to have Directors elected at a General Meeting of Shareholders from among candidates nominated by the Large Purchaser and to have the Plan terminated by the Board of Directors composed of the Directors so elected.

Therefore, the Plan is not a dead-hand type of takeover defense (i.e., a takeover defense for which implementation could not be prevented even if a majority of the members of the Board of Directors are replaced). Also, because the Company has not adopted staggered terms, the Plan is not a slow-hand type of takeover defense (i.e., a takeover defense for which the prevention of implementation is time-consuming, because the simultaneous replacement of all members of the Board of Directors cannot be made).

Appendix 1

Regulations of Independent Committee

1. The Independent Committee shall be established by resolution of the Board of Directors.

2. The Independent Committee will be composed of three (3) or more members. In order to make it possible for them to make fair and impartial decisions, the members of the Independent Committee shall be appointed by the Board of Directors from among Outside Directors, Outside Audit & Supervisory Board Members and outside experts who are, in each case, independent from the management of the Company assigned to execute the business of the Company. Outside experts shall be corporate managers having proven experience, persons who are familiar with the investment banking business, lawyers, certified public accountants, academic experts with a main research focus in the areas such as corporate law and corporate management, and other persons having similar experience and expertise.

3. Unless otherwise resolved by the Board of Directors, the term of office of a member of the Independent Committee shall expire upon the close of the 101st Ordinary General Meeting of Shareholders of the Company which will be held by March 31, 2019.

4. The Independent Committee shall make decisions regarding any of the matters listed below and provide the Board of Directors with a recommendation of such decision with the reasons for such decision. The Board of Directors shall give the fullest consideration to such recommendation of the Independent Committee and resolve whether to implement defensive measures, such as the allotment of stock acquisition rights without consideration.

Each member of the Independent Committee and each Director shall make any such decision solely from the perspective of whether it contributes to the corporate value of the Company and, in turn, the common interests of its shareholders, and shall not act for the purpose of benefiting himself or herself or the management of the Company.

(1) Qualification of an action at issue as a Large Purchase Action subject to the Plan;

(2) Extension of Evaluation Period by the Board of Directors;

(3) Implementation of a defensive measure;

(4) Suspension or change of a defensive measure;

(5) Termination or change of the Plan; and

(6) Any other matters that are to be determined by the Board of Directors and that are referred by the Board of Directors to the Independent Committee.

5. In addition to the above, the Independent Committee is authorized to take any of the following actions:

(1) Determination of the information that should be provided by the Large Purchaser and the Board of Directors to the Independent Committee and the deadline for the provision of such information;

(2) Review and consideration of the particulars of any Large Purchase Action;

(3) Request for the Board of Directors to provide an alternative plan and review of such alternative plan;

(4) Any other action that the Independent Committee is authorized to take under the Plan; and

(5) Any action that the Independent Committee is separately authorized to take by the Board of Directors.

6. If the Independent Committee believes that the letter of intent and information provided by the Large Purchaser is insufficient as Necessary Information, then the Independent Committee may request, through the Board of Directors, that the Large Purchaser provides supplemental Necessary Information. Further, if the Large Purchaser provides a letter of intent and the Necessary Information requested by the Board of Directors, then the Independent Committee may also request the Board of Directors to provide, within the prescribed period, its opinion on particulars of the Large Purchase Action, materials supporting for such opinion, alternative plans and any other information and materials the Independent Committee deems necessary from time to time.

7. In order to collect necessary information, the Independent Committee may request attendance at a meeting of the Independent Committee of any Director, Audit and Supervisory Board Member, employee of the Company and any other person the Independent Committee deems necessary, and may request explanation from them on matters requested by the Independent Committee.

8. The Independent Committee may, at the Company's expense, request for advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals).

9. Each member of the Independent Committee may convene a meeting of Independent Committee in the event that a Large Purchase Action takes place or at any time for any reason.

10. Resolutions of the Independent Committee shall be adopted, in principle, at a meeting attended by all the members and by the affirmative vote of a majority of the members present; provided, however, that if there is any unavoidable reason, resolutions may be adopted at a meeting attended by a majority of the members and by the affirmative vote of a majority of such members present.

Appendix 2

Summary of Stock Acquisition Rights

1. Shareholders to Whom Stock Acquisition Rights are Granted; and Terms and Conditions of Issuance

One (1) stock acquisition right will be allotted to each shareholder of the Company recorded in the last shareholders registry of the Company on the date of allotment, as determined by the Board of Directors, for each share of common stock in the Company (except for shares of common stock held by the Company) that is held by such shareholder.

2. Types and Number of Shares Underlying Stock Acquisition Rights

The shares underlying the stock acquisition rights shall be shares of common stock in the Company. The number of shares underlying one (1) stock acquisition right shall be, in principle, one (1) share, but may be more than one (1) share within the limits of the authorized shares of the Company. Notwithstanding the foregoing, if the Company performs a stock split or reverse stock split, necessary adjustment shall be made.

3. Total Number of Stock Acquisition Rights to be Issued

The total number of stock acquisition rights to be issued shall be determined by the Board of Directors. The Board of Directors may allot stock acquisition rights on multiple occasions.

4. Issuance Price of Stock Acquisition Rights

Zero.

5. Amount to be Paid upon Exercise of each Stock Acquisition Right

The amount to be paid upon exercise of each stock acquisition right shall be one (1) yen or more as determined by the Board of Directors.

6. Restriction on Transfer of Stock Acquisition Rights

Transfer of stock acquisition rights shall be subject to approval by the Board of Directors.

7. Terms and Conditions for Exercise of Stock Acquisition Rights

An Ineligible Person may not exercise the stock acquisition rights. Other terms and conditions for exercise of stock acquisition rights shall be set forth by the Board of Directors in detail.

8. Exercise Period for Stock Acquisition Rights

The exercise period for the stock acquisition rights, grounds for purchase of the stock acquisition rights, terms and conditions of purchase of the stock acquisition rights, and any other necessary matters concerning the stock acquisition rights shall be separately determined by the Board of Directors.

Appendix 3

Names and Brief Career Summary of Members of Independent Committee

Akihiro Kuroda

1972	Graduated from Faculty of Economics of Keio University
	Joined KOKUYO Co., Ltd. ("KOKUYO")
1977	Director of KOKUYO
1981	Executive Director of KOKUYO
1985	Senior Executive Director of KOKUYO
1987	Representative Director, Vice President of KOKUYO
1989	Representative Director, President of KOKUYO
2011	Representative Director, President and CEO of KOKUYO
2015	Representative Director, Chairman of KOKUYO (to the present)

Takahisa Takahara

1986	Graduated from Faculty of Economics of Seijo University
	Joined Sanwa Bank Limited (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
1991	Joined Unicharm Corporation ("Unicharm")
1995	Director of Unicharm
1997	Managing Director of Unicharm
2001	Representative Director and President of Unicharm
2004	Representative Director, President and CEO of Unicharm (to the present)

Shigekazu Torikai

1970	Graduated from Faculty of Law of Chuo University
1990	Completed courses at the Legal Training and Research Institute
	Registered as Attorney-at-Law
	Joined Hideo (Takunosuke) Suzuki Law Office
1991	Joined Kenjiro Taga Law Office
1994	Representative Partner, Torikai Management and Law Office (currently Torikai Law Office) (to the present)

Haruka Matsuyama

1993	Graduated from Faculty of Law of Tokyo University
1995	Became Assistant Judge in the Tokyo District Court
2000	Registered as Attorney-at-Law
	Joined Hibiya Park Law Offices
2002	Partner, Hibiya Park Law Offices (to the present)
2012	Outside Auditor of VITEC Co., Ltd.
2013	Outside Director of T&D Holdings, Inc. (to the present)
2014	Outside Auditor of Mitsui & Co., Ltd. (to the present)
	Outside Director of Mitsubishi UFJ Financial Group, Inc. (to the present)
2015	Outside Director of VITEC Holdings Co., Ltd. (to the present)

Appendix 4

Major Shareholders of the Company

Major shareholders of the Company as of March 31, 2016 are as follows.

Name of Shareholder	Number of Shares Held (000s)	Shareholding Ratio
Akihiro Kobayashi	4,632	11.5%
Kobayashi International Scholarship Foundation	3,000	7.5%
Yukako Iue	2,583	6.4%
State Street Bank and Trust Company 505223	2,525	6.3%
Ikuko Watanabe	1,264	3.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,123	2.8%
Ootori Co., Ltd.	1,089	2.7%
Forum Co., Ltd.	1,035	2.6%
Teruhisa Miyata	1,018	2.5%
The Master Trust Bank of Japan (trust account)	1,011	2.5%

(Notes)

1. The Company holds 2,358,313 shares as treasury stock, which is excluded from the list above.

2. The shareholding ratio in the list above is calculated excluding the shares of treasury stock held by the Company.

CONSOLIDATED BALANCE SHEETS

(As of March 31, 2016)

(Unit: millions of yen)

Item	98th	97th (reference)	Item	98th	97th (reference)
Assets			**Liabilities**		
Current Assets	**120,347**	**115,990**	**Current Liabilities**	**36,481**	**35,890**
Cash and Time Deposits	61,428	58,449	Trade Notes and Accounts Payable	7,141	10,239
Trade Notes and Accounts Receivable	36,088	35,969	Electronically Recorded Obligations-Operating	6,519	3,282
Securities	4,500	4,500	Short-Term Loans	181	40
Inventories	13,952	12,485	Other Accounts Payable	14,417	12,723
Deferred Income Taxes	2,772	2,724	Lease Obligations	66	82
Other	1,681	1,909	Income Taxes Payable	1,788	3,191
Allowance for Doubtful Accounts	(75)	(46)	Consumption Taxes Payable	751	1,476
			Provision for Sales Returns	1,478	1,272
			Accrued Bonuses	1,996	1,915
			Asset Retirement Obligations	24	19
			Other	2,114	1,646
Fixed Assets	**68,650**	**70,340**	**Fixed Liabilities**	**10,492**	**10,829**
Tangible Fixed Assets	**17,187**	**16,023**	Lease Obligations	618	513
Buildings and Structures	7,082	7,340	Defined Benefit Liabilities for Employees	4,477	5,496
Machinery, Equipment and Vehicles	3,131	2,851			
Land	3,380	3,380	Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members	31	27
Leased Assets	675	582			
Other	2,915	1,867	Asset Retirement Obligations	86	90
Intangible Fixed Assets	**5,334**	**5,582**	Other	5,277	4,702
Goodwill	3,542	4,023	**Total Liabilities**	**46,974**	**46,720**
Other	1,792	1,558	**Net Assets**		
Investments and Other Assets	**46,128**	**48,735**	**Shareholders' Equity**	**132,710**	**129,320**
Investments in Securities	39,656	41,580	**Common Stock**	**3,450**	**3,450**
Long-Term Loans Receivable	643	668	**Capital Surplus**	**4,953**	**4,219**
Deferred Income Taxes	321	318	**Retained Earnings**	**137,486**	**127,858**
Investment Properties	2,992	3,025	**Treasury Stock**	**(13,179)**	**(6,207)**
Other	2,653	3,275	**Accumulated Other Comprehensive Income**	**9,163**	**10,076**
Allowance for Doubtful Accounts	(139)	(133)			
			Net Unrealized Holding Gain (Loss) on Securities	**8,860**	**7,553**
			Unrealized Gain (Loss) on Deferred Hedges	**(38)**	**1,359**
			Translation Adjustments	**1,668**	**1,874**
			Retirement Benefit Liability Adjustments	**(1,327)**	**(710)**
			Stock Acquisition Rights	**75**	**191**
			Non-Controlling Interests	**75**	**22**
			Total Net Assets	**142,023**	**139,611**
TOTAL ASSETS	**188,997**	**186,331**	**TOTAL LIABILITIES AND NET ASSETS**	**188,997**	**186,331**

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

CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2015 to March 31, 2016)

(Unit: millions of yen)

Item	98th	97th (reference)
Net Sales	**137,211**	**128,344**
Cost of Sales	**57,518**	**54,718**
Gross Profit	**79,693**	**73,626**
Selling, General and Administrative Expenses	**61,432**	**55,708**
Operating Income	**18,260**	**17,917**
Other Income	**1,537**	**1,965**
Interest Income	267	229
Dividend Income	371	322
Royalty Income	327	719
Income from Lease of Real Estate	290	285
Foreign Currency Exchange Gain	-	142
Other	281	265
Other Expenses	**1,847**	**1,039**
Interest Expense	33	22
Sales Discounts	688	690
Real Estate Lease Cost	70	76
Equity in Loss of an Affiliate	607	150
Foreign Currency Exchange Loss	222	-
Other	226	99
Ordinary Income	**17,949**	**18,843**
Extraordinary Income	**1,395**	**1,349**
Gain on Sales of Property, Plant and Equipment	8	0
Gain on Sales of Investments in Securities	7	1,013
Gain on Sales of Shares of an Affiliate	1,378	-
Reversal of Provision for Loss on Business Liquidation	-	179
Compensation Income	-	155
Other	0	-
Extraordinary Loss	**589**	**136**
Loss on Disposal or Sales of Property, Plant and Equipment	85	82
Loss on Impairment of Fixes Assets	126	20
Loss on Business Liquidation	110	-
Loss on Revaluation of Shares of a Subsidiary	50	-
Loss on Defective Inventories	195	23
Other	22	9
Income Before Income Taxes and Minority Interests	**18,755**	**20,056**
Income Taxes Current	4,915	5,911
Income Taxes Deferred	384	1,696
Total Income Taxes	5,300	7,608
Net Income	**13,455**	**12,448**
Net Loss Attributable to Non-controlling Shareholders (△)	**(10)**	(0)
Net Income Attributable to Parent Shareholder	**13,466**	**12,448**

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

BALANCE SHEETS

(As of March 31, 2016)

(Unit: millions of yen)

Item	98th	97th (reference)	Item	98th	97th (reference)
Assets			**Liabilities**		
Current Assets	**99,547**	**96,031**	**Current Liabilities**	**35,163**	**35,478**
Cash and Time Deposits	52,595	50,913	Trade Notes Payable	640	1,118
Trade Notes Receivable	21	29	Trade Accounts Payable	10,313	10,804
Trade Accounts Receivable	31,438	30,013	Electronically Recorded Obligations-operating	3,162	1,752
Securities	4,500	4,500			
Commodities and Finished Goods	4,892	5,723	Short-Term Loans Payable to Subsidiaries	4,583	5,585
Work in Process	381	324			
Raw Materials and Supplies	569	611	Lease Obligations	57	46
Prepaid Expenses	568	620	Other Accounts Payable	11,940	10,699
Deferred Income Taxes	1,770	1,781	Accrued Expenses	673	663
Short-Term Loans Receivable from Subsidiaries	2,339	1,008	Income Taxes Payable	1,050	1,956
			Consumption Taxes Payable	442	836
Other	575	520	Deposits Received	107	94
Allowance for Doubtful Accounts	(105)	(16)	Accrued Bonuses	1,348	1,299
			Provision for Sales Returns	757	600
			Asset Retirement Obligations	24	19
Fixed Assets	**72,029**	**71,344**	Other	60	2
Tangible Fixed Assets	**7,337**	**7,321**	**Fixed Liabilities**	**7,409**	**8,868**
Buildings	2,952	3,113	Security Deposits	465	467
Structures	117	124	Lease Obligations	607	497
Machinery and Equipment	322	356	Deferred Income Tax	2,933	2,232
Tools and Equipment	968	902	Other Long-Term Liabilities	1,442	1,437
Land	2,043	2,043	Accrued Retirement Benefits for Employees	1,869	4,146
Leased Assets	655	533			
Other	278	248	Other	90	86
Intangible Fixed Assets	**1,313**	**1,168**	**Total Liabilities**	**42,572**	**44,346**
			Net Assets		
			Shareholders' Equity	**120,182**	**115,215**
Software	977	901	**Common Stock**	**3,450**	**3,450**
Other	336	266	**Capital Surplus**	**4,953**	**4,219**
Investments and Other Assets	**63,378**	**62,855**	Capital Reserve	4,183	4,183
Investments in Securities	38,881	37,264	Other Capital Surplus	769	35
Investments in Shares of Subsidiaries and Affiliates	17,150	17,160	**Retained Earnings**	**124,958**	**113,753**
Contribution of Capital to Affiliates	2,195	2,195	Retained Reserve	340	340
			Other Retained Earnings	124,618	113,413
Long-Term Loans Receivable	19	21	Development Reserve	330	330
Long-Term Loans Receivable from Subsidiaries	2,230	2,148	General Reserve	111,192	104,092
			Retained Earnings Brought Forward	13,096	8,990
Long-Term Prepaid Expenses	46	1,139			
Investment Properties	2,253	2,263	**Treasury Stock**	**(13,179)**	**(6,207)**
Other	1,583	1,550	**Valuation and Translation Adjustments**	**8,746**	**7,623**
Allowance for Doubtful Accounts	(983)	(890)	**Unrealized Holding Gain (Loss) on Securities**	**8,784**	**7,474**
			Unrealized Gain (Loss) on Deferred Hedges	**(38)**	**148**
			Stock Acquisition Rights	**75**	**191**
			Total Net Assets	**129,004**	**123,029**
TOTAL ASSETS	**171,577**	**167,376**	**TOTAL LIABILITIES AND NET ASSETS**	**171,577**	**167,376**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

STATEMENTS OF INCOME

(From April 1, 2015 to March 31, 2016)

(Unit: millions of yen)

Item	98th	97th (reference)
Net Sales	**118,528**	**111,502**
Cost of Sales	**55,254**	**52,620**
Gross Profit	**63,274**	**58,881**
Selling, General and Administrative Expenses	**48,614**	**45,632**
Operating Income	**14,660**	**13,249**
Other Income	**3,384**	**3,771**
Interest Income	255	237
Dividend Income	2,107	1,958
Royalty Income	361	757
Income from Lease of Real Estate	453	442
Income from Lease of Other Assets	15	16
Other	191	358
Other Expenses	**1,227**	**832**
Interest Expense	23	22
Sales Discounts	576	556
Real Estate Lease Cost	140	157
Other Lease Cost	15	16
Foreign Currency Exchange Loss	136	-
Other	334	79
Ordinary Income	**16,817**	**16,188**
Extraordinary Income	**2,949**	**159**
Gain on Sales of Shares of an Affiliate	2,941	-
Gain on Sales of Investment Securities	7	-
Other	0	159
Extraordinary Loss	**388**	**68**
Loss on Disposal or Sales of Property, Plant and Equipment	27	31
Loss on Revaluation of Shares of a Subsidiary	50	-
Loss on Impairment of Fixed Assets	112	5
Loss on Defective Inventories	194	23
Other	3	7
Income Before Income Taxes	**19,378**	**16,278**
Income Taxes Current	3,873	4,539
Income Taxes Deferred	460	1,186
Net Income	**15,044**	**10,552**

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