KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer**: Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 99th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. and is prepared solely for the convenience of shareholders outside Japan with voting rights. In case of any discrepancy between the translation and the Japanese original, the latter will prevail. Certain omissions and modifications have been made from the original Japanese notice.]

(TSE Code 4967)
March 8, 2017

To our Shareholders:

NOTICE OF CONVOCATION OF THE 99TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 99th 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, March 29, 2017 (Wednesday).*

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.

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PARTICULARS

1. Date and Time of the Meeting:

Thursday, March 30, 2017 at 10:00 a.m. (doors open at 9:00 a.m.)

The date of the meeting for this business year is apart from the corresponding date of the meeting for the last business year (i.e., June 29, 2016) because the Company amended the end of its business year from March 31 to December 31 in the 99th business year and thereafter.

2. Place of the Meeting:

Orbit Hall at Hotel Hankyu Expo Park
1-5, Senri-Banpaku-Koen, Suita-City, Osaka

The place of the meeting for this business year is different from that for the last business year. Please carefully review the map for the place of the meeting to avoid any misunderstanding as to the place of the meeting.

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 99th Business Year (April 1, 2016 to December 31, 2016)

2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 99th Business Year (April 1, 2016 to December 31, 2016)

Matters for Resolution:

Proposal No. 1:	Election of Nine (9) Directors
Proposal No. 2:	Election of One (1) Audit & Supervisory Board Member
Proposal No. 3:	Election of One (1) Substitute Audit & Supervisory Board Member
Proposal No. 4:	Disposition of Treasury Stock through Third Party Allocation Mechanism for the Purpose of Supporting Activities of the Kobayashi Foundation

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

Proposal No. 1: Election of Nine (9) Directors

The term of office of all nine (9) Directors will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that all nine (9) Directors be re-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% (11 times /11 times)
2	Re-Election	Yutaka Kobayashi	Representative Director and Vice Chairman of the Board	100% (11 times /11 times)
3	Re-Election	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	100% (11 times /11 times)
4	Re-Election	Takashi Tsujino	Senior Managing Director, Executive Vice President and Senior General Manager of Product Development and Marketing Headquarters	100% (11 times /11 times)
5	Re-Election	Satoshi Yamane	Senior Executive Director and Senior General Manager of Corporate Administration Headquarters	100% (11 times /11 times)
6	Re-Election	Susumu Horiuchi	Executive Director and Senior General Manager of Sales Division	82% (9 times /11 times)
7	Re-Election	Haruo Tsuji Outside Director Independent Director	Outside Director	100% (11 times /11 times)
8	Re-Election	Kunio Ito Outside Director Independent Director	Outside Director	100% (11 times /11 times)
9	Re-Election	Kaori Sasaki Outside Director Independent Director	Outside Director	100% (7 times /7 times)

Note: For Ms. Kaori Sasaki, the table shows the number of meetings attended since her acceptance as an Outside Director on June 29, 2016.

KOBAYASHI PHARMACEUTICAL CO., LTD.

1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned
216,230 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
183,862 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
9,264,704 Shares

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

Mar. 1998	Joined the Company
Jun. 2001	Executive Officer President of Manufacturing Company
Jun. 2004	Director President of International Sales Company and Marketing Officer
Jun. 2007	Executive Director
Mar. 2009	Senior Executive Director Senior General Manager of Manufacturing and Sales Operations Department
Jun. 2013	President and Representative Director (to the present)



Re-Election

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 enhancement of overall corporate values of the group companies. He has sought the continuous growth of the group companies and actively promoted the selection and concentration of businesses to be focused, and the investment in new businesses, in accordance with changes in surrounding environments. Based on his dealing with 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
38,384 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 Product Development and Marketing Headquarters (to the present)



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
7,588 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
Jun. 2016	Senior 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
2,958 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 Senior General Manager of Sales Division (to the present)
Jun. 2014	Director
Jun. 2016	Executive 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 and nine (9) months (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 an Outside Director and we have nominated him for such office.

Notes: 1. Mr. Haruo Tsuji is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.

2. After Mr. Haruo Tsuji was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

> If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of his failure to perform his duties as Outside Director, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Company Law, provided that such failure is not caused by his intentional act or gross negligence.

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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 and nine (9) months (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 continue properly performing the duties as an Outside 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.

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9. Kaori Sasaki (May 12, 1959)

Number of Shares of the Company Owned
0 Shares

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

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



Re-Election

Outside Director

Independent Director

<Assumption of Important Positions>

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

<Term of Office>

Nine (9) months (at the close of this shareholders' meeting)

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. She has contributed to the enhancement of corporate value by reflecting stakeholders' views and opinions at Board Meetings of the Company from a perspective of diversity and in other ways. Based on such achievements and experiences, it is appropriate for her to continue serving as an Outside Director and we have nominated her for such office.

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

2. After Ms. Kaori Sasaki was elected as Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of her liability to the Company to the extent allowed by laws and regulations. If her re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

> If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of her failure to perform his duties as Outside Director, her liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Company Law, provided that such failure is not caused by her intentional act or gross negligence.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Policy and Procedures for Appointment and Nomination of Directors

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

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

Points of Focus on Appointment of Independent Outside Directors

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

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

1. A person who implements the business activities at the parent company or any sister company of the Company;

2. A person with whom the Company is a major business partner or a person who implements the business activities at a company with which the Company is a major business partner;

3. A consultant, accounting expert or legal expert who receives money or other payment in an amount of 10 million yen or more from the Company (excluding the compensation as a director or an officer of the Company);

4. Any person who falls into any of items 1 through 3 above within the past two (2) years; or

5. Any person who is a relative to any of the following persons (other than those who are determined not to be important by the Company):

   (a) A person who falls into any of the items 1 through 4 above;

   (b) A person who implements business activities at the Company or any of its subsidiaries; or

   (c) A person who fell into item (b) above until recently.

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Proposal No. 2: Election of One (1) Audit & Supervisory Board Member

Mr. Kazuyuki Katsuki, an Audit & Supervisory Board Member, will resign at the close of this General Meeting of Shareholders. It is proposed that one (1) Audit & Supervisory Board Member be elected to fill Mr. Katsuki's position. By adopting new perspectives, the Company aims to continue strengthening its supervisory functions.

In accordance with the Company's Articles of Incorporation, the term of office of the Audit & Supervisory Board Member will expire at the end of the term of office of the resigning Audit & Supervisory Board Member. The Audit & Supervisory Board has agreed to this proposal in advance.

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

Kazuhiro Shiratsuchi (October 22, 1958)

Number of Shares of the Company Owned
8,781Shares

< Brief Career Summary and Position at the Company >

Mar. 1982	Joined the Company
May 2004	President and Representative Director of Toyama Kobayashi Pharmaceutical Co., Ltd., Manufacturing Company
Mar. 2008	General Manager of Human Resources Development Department, Corporate Administration Headquarters
Mar. 2014	General Manager of Financial and Accounting Department, Corporate Administration Headquarters (to the present)



New-Election

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

Mr. Shiratsuchi has assumed key positions, such as President of a group company, General Manager of Human Resources Development Department and General Manager of Financial and Accounting Department, and is well-qualified to serve as an Audit & Supervisory Board Member. Further, in the field of accounting audit, which is one of the roles of Audit & Supervisory Board Members, it is expected that he will fully utilize his ability to serve as an Audit & Supervisory Board Member since he possesses high expertise and deep insight gained from his present position. For these reasons, we have determined that he can properly sustain the healthy and continuous growth of the Company and strengthen the effective and socially-reliable corporate governance and nominated him for such office.

Notes: If Mr. Kazuhiro Shiratsuchi 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 Audit & Supervisory Board Member causes damage to the Company because of his failure to perform his duties as 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.

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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 Audit & Supervisory Board 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.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Proposal No. 4: Disposition of Treasury Stock through Third Party Allocation Mechanism for the Purpose of Supporting Activities of the Kobayashi Foundation

With the brand slogan of "You Make a Wish and We Make It Happen", the Company has been implementing its management philosophy of "wonderful "*comfort*" to the society and people" through supplying a wide range of products, such as pharmaceuticals, deodorizing air fresheners, skin-care products, nutritional supplements, and household products.

With the aging of population and the change in a life-style environment, the extension of life expectancy has recently become a major social challenge. Also, the issues of poverty and disparity involving socially vulnerable individuals, such as the disabled and fatherless families have been becoming more serious. In light of such situation, the Company has engaged in various social and volunteer activities, such as "supply of foods to fatherless families", "support for training of guide dogs for the blind" and "support for restoration from earthquake disasters" as part of strengthening its efforts for ESG (environmental, social and governance).

The Kobayashi Foundation (the "Foundation") is to be formed as a memorial project for the Company welcoming its 100th business year. The objective of the Foundation is to improve people's life-styles and contribute to the expansion of "wonderful comfort" at the overall society through aiding and commending activities and research that implement our slogan "You Make a Wish and We Make It Happen" in the area of life-styles primarily associated with "health" and "welfare". The Company believes that such activities will help implementing the management philosophy, and lead to the continuous growth and mid-term and long-term enhancement of corporate value, of the group companies.

Therefore, to make funds available to the Foundation from the dividend distribution of the Company and support the Foundation's social and volunteer activities on a stable basis, the Company will establish a third-party-benefit trust (the "Trust") with the Mitsubishi UFJ Trust and Banking Corporation being the trustee of the Trust (The Master Trust Bank of Japan, Ltd. to jointly serve as the co-trustee of the Trust) and the Foundation being the beneficiary of the Trust, and will dispose of its treasury stock to the Trust by using a third party allocation mechanism at an amount specifically favorable to the Trust.

Subject to the approval of this Proposal, the Board of Directors of the Company resolved on February 1, 2017 that the Company acquire its own shares in a volume of no more than 1,000,000 shares at an aggregate price of no more than 5 billion Yen during a period from the conclusion of this shareholders meeting through June 23, 2017.

For the reasons and purposes described above, the Board of Directors of the Company believes that the paid-in amount of one Japanese Yen per share is appropriate. The Company thus requests an approval on the delegation, to the Board of Directors of the Company, of the authority to determine the offering terms and conditions with respect to the disposition of its treasury stock by way of a third party allocation mechanism in accordance with Articles of 199 and 200 of the Company Law.

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Details of Treasury Stock to be Disposed

Types and maximum number of shares to be disposed of:	850,000 Shares of Common Stock (1.00 % of total shares already issued*)
Minimum paid-in amount:	One Japanese Yen per share
Total paid-in amount:	850,000 Japanese Yen
Method of disposition:	Disposition through a third party allocation mechanism
Party receiving disposed shares:	The Master Trust Bank of Japan, Ltd.
Date of disposition:	To be determined
Delegation:	Any other matters necessary to be determined concerning the offering terms and conditions with respect to the disposition of the Company's treasury stock will be determined by the Board of Directors of the Company.

* It is calculated against the total number of issued shares as of December 31, 2016 (i.e., 85,050,000).

Summary of the Foundation

Name:	The Kobayashi Foundation
Founder:	Kobayashi Pharmaceutical Co., Ltd.
Activities:	To aid and commend activities and research that implement our slogan "You Make a Wish and We Make It Happen" in the area of life-styles primarily associated with "health" and "welfare"
Funds for activities	40 million Yen per year*
Date of formation	May 2017 (scheduled)

* An amount to be received as the beneficiary of a trust to which the Company's treasury stock will be allocated will be used for the funds for activities.

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED BALANCE SHEETS

(As of December 31, 2016)

(Unit: millions of yen)

Item	99th	Item	99th
Assets		**Liabilities**	
Current Assets	**128,646**	**Current Liabilities**	**46,975**
Cash and Time Deposits	58,173	Trade Notes and Accounts Payable	8,169
Trade Notes and Accounts Receivable	47,045	Electronically Recorded Obligations-Operating	7,849
Securities	5,500	Short-Term Loans	192
Inventories	12,806	Other Accounts Payable	20,191
Deferred Income Taxes	2,899	Lease Obligations	56
Other	2,267	Income Taxes Payable	3,357
Allowance for Doubtful Accounts	(45)	Consumption Taxes Payable	1,090
		Provision for Sales Returns	1,409
		Accrued Bonuses	1,147
		Asset Retirement Obligations	37
		Other	3,472
Fixed Assets	**72,587**	**Fixed Liabilities**	**10,938**
Tangible Fixed Assets	**17,833**	Lease Obligations	581
Buildings and Structures	8,377	Defined Benefit Liabilities for Employees	4,337
Machinery, Equipment and Vehicles	3,478		
Land	3,552	Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members	33
Leased Assets	628		
Other	1,796	Asset Retirement Obligations	80
Intangible Fixed Assets	**7,223**	Other	5,905
Goodwill	4,729	**Total Liabilities**	**57,914**
Other	2,494	**Net Assets**	
Investments and Other Assets	**47,529**	**Shareholders' Equity**	**135,221**
Investments in Securities	40,281	**Common Stock**	**3,450**
Long-Term Loans Receivable	171	**Capital Surplus**	**4,958**
Deferred Income Taxes	383	**Retained Earnings**	**147,901**
Investment Properties	2,967	**Treasury Stock**	**(21,088)**
Other	3,991	**Accumulated Other Comprehensive Income**	**8,031**
Allowance for Doubtful Accounts	(265)	**Unrealized Holding Gain on Securities**	**9,481**
		Unrealized Gain on Deferred Hedges	**40**
		Translation Adjustments	**680**
		Retirement Benefit Liability Adjustments	**(2,171)**
		Stock Acquisition Rights	**67**
		Non-Controlling Interests	**-**
		Total Net Assets	**143,320**
TOTAL ASSETS	**201,234**	**TOTAL LIABILITIES AND NET ASSETS**	**201,234**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2016 to December 31, 2016)

(Unit: millions of yen)

Item	99th
Net Sales	**120,051**
Cost of Sales	**48,638**
Gross Profit	**71,412**
Selling, General and Administrative Expenses	**54,003**
Operating Income	**17,409**
Other Income	**2,946**
Interest Income	184
Dividend Income	355
Income from Lease of Real Estate	221
Foreign Currency Exchange Gain	50
Compensation Income	1,900
Other	234
Other Expenses	**855**
Interest Expense	21
Sales Discounts	583
Real Estate Lease Cost	59
Provision for Allowance for Doubtful Accounts	86
Other	105
Ordinary Income	**19,499**
Extraordinary Income	**1,807**
Gain on Sales of Property, Plant and Equipment	4
Gain on Sales of Investments in Securities	1,795
Gain on Sales of Shares of an Affiliate	7
Other	0
Extraordinary Loss	**1,505**
Loss on Disposal or Sales of Property, Plant and Equipment	118
Loss on Impairment of Fixes Assets	1,342
Loss on Business Liquidation	9
Other	35
Income Before Income Taxes	**19,802**
Income Taxes Current	5,223
Income Taxes Deferred	321
Total Income Taxes	5,544
Net Income	**14,257**
Net Loss Attributable to Non-controlling Shareholders (△)	**(64)**
Net Income Attributable to Parent Shareholder	**14,321**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

BALANCE SHEETS

(As of December 31, 2016)

(Unit: millions of yen)

Item	99th	Item	99th
Assets		**Liabilities**	
Current Assets	**109,842**	**Current Liabilities**	**45,846**
Cash and Time Deposits	51,189	Trade Notes Payable	746
Trade Notes Receivable	20	Trade Accounts Payable	14,488
Trade Accounts Receivable	41,021	Electronically Recorded Obligations-operating	3,748
Securities	5,500		
Commodities and Finished Goods	4,643	Short-Term Loans Payable to Subsidiaries	3,821
Work in Process	260		
Raw Materials and Supplies	498	Lease Obligations	52
Prepaid Expenses	587	Other Accounts Payable	17,385
Deferred Income Taxes	1,547	Accrued Expenses	830
Short-Term Loans Receivable from Subsidiaries	3,864	Income Taxes Payable	2,173
		Consumption Taxes Payable	518
Other	782	Deposits Received	592
Allowance for Doubtful Accounts	(72)	Accrued Bonuses	727
		Provision for Sales Returns	708
		Asset Retirement Obligations	37
Fixed Assets	**71,460**	Other	13
Tangible Fixed Assets	**7,596**	**Fixed Liabilities**	**6,410**
Buildings	3,366	Security Deposits	446
Structures	170	Lease Obligations	572
Machinery and Equipment	320	Deferred Income Tax	3,390
Tools and Equipment	956	Other Long-Term Liabilities	1,440
Land	2,043	Accrued Retirement Benefits for Employees	481
Leased Assets	615		
Other	123	Other	80
Intangible Fixed Assets	**1,154**	**Total Liabilities**	**52,256**
		Net Assets	
Goodwill	249	**Shareholders' Equity**	**119,545**
Software	854	**Common Stock**	**3,450**
Other	50	**Capital Surplus**	**4,958**
Investments and Other Assets	**62,709**	Capital Reserve	4,183
Investments in Securities	39,670	Other Capital Surplus	775
Investments in Shares of Subsidiaries and Affiliates	17,138	**Retained Earnings**	**132,225**
Contribution of Capital to Affiliates	1,385	Retained Reserve	340
		Other Retained Earnings	131,885
Long-Term Loans Receivable	18	Development Reserve	330
Long-Term Loans Receivable from Subsidiaries	2,334	General Reserve	122,292
		Retained Earnings Brought Forward	9,262
Long-Term Prepaid Expenses	36		
Investment Properties	2,244	**Treasury Stock**	**(21,088)**
Other	1,606	**Valuation and Translation Adjustments**	**9,433**
Allowance for Doubtful Accounts	(1,727)	**Unrealized Holding Gain on Securities**	**9,393**
		Unrealized Gain on Deferred Hedges	**40**
		Stock Acquisition Rights	**67**
		Total Net Assets	**129,046**
TOTAL ASSETS	**181,303**	**TOTAL LIABILITIES AND NET ASSETS**	**181,303**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

STATEMENTS OF INCOME

(From April 1, 2016 to December 31, 2016)

(Unit: millions of yen)

Item	99th
Net Sales	**101,157**
Cost of Sales	**45,523**
Gross Profit	**55,633**
Selling, General and Administrative Expenses	**42,597**
Operating Income	**13,036**
Other Income	**4,858**
Interest Income	177
Dividend Income	2,023
Income from Lease of Real Estate	359
Income from Lease of Other Assets	7
Foreign Currency Exchange Gain	171
Compensation Income	1,900
Other	219
Other Expenses	**822**
Interest Expense	16
Sales Discounts	466
Rent Cost of Real Estate	128
Other Lease Cost	7
Provision for Allowance for Doubtful Accounts	110
Other	94
Ordinary Income	**17,072**
Extraordinary Income	**17**
Gain on Sales of Property, Plant and Equipment	2
Gain on Sales of Shares of an Affiliate	7
Gain on Sales of Investment Securities	6
Other	0
Extraordinary Loss	**1,801**
Loss on Disposal or Sales of Property, Plant and Equipment	65
Loss on Revaluation of Shares of a Subsidiary	810
Loss on Impairment of Fixed Assets	308
Provision for Allowance for Doubtful Accounts	593
Other	24
Income Before Income Taxes	**15,288**
Income Taxes Current	3,669
Income Taxes Deferred	427
Net Income	**11,191**

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