KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer**: Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 101st 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 6, 2019

To our Shareholders:

NOTICE OF CONVOCATION OF THE 101ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 101st 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 27, 2019 (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.

KOBAYASHI PHARMACEUTICAL CO., LTD.

PARTICULARS

1. Date and Time of the Meeting:

Thursday, March 28, 2019 at 10:00 a.m. (doors open at 9:00 a.m.)

2. Place of the Meeting:

"Sanraku" at RIHGA Royal Hotel Osaka (2nd Floor)
5-3-68, Nakanoshima, Kita-ku, Osaka

Please see the map for the place of the meeting which is printed on the back cover of the Japanese original convocation notice.

3. Matters to be dealt with at the Meeting:

Matters for Report:

1. Report on the Business Report, the Consolidated Accounting Documents, and the Non-Consolidated Accounting Documents for the 101st Business Year (January 1, 2018 to December 31, 2018)

2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 101st Business Year (January 1, 2018 to December 31, 2018)

Matters for Resolution:

Proposal No. 1:	Election of Eight (8) Directors
Proposal No. 2:	Election of Four (4) Audit & Supervisory Board Members
Proposal No. 3:	Election of One (1) Substitute Audit & Supervisory Board Member

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

Proposal No. 1: Election of Eight (8) Directors

The term of office of all eight (8) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that eight (8) 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% (13 times /13 times)
2	Re-Election	Yutaka Kobayashi	Representative Director and Vice Chairman of the Board	100% (13 times /13 times)
3	Re-Election	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	100% (13 times /13 times)
4	Re-Election	Satoshi Yamane	Senior Executive Director and Senior General Manager of Corporate Headquarters	100% (13 times /13 times)
5	Re-Election	Susumu Horiuchi	Executive Director and Senior General Manager of Sales Division	100% (13 times /13 times)
6	Re-Election	Haruo Tsuji Outside Director Independent Director	Outside Director	100% (13 times /13 times)
7	Re-Election	Kunio Ito Outside Director Independent Director	Outside Director	100% (13 times /13 times)
8	Re-Election	Kaori Sasaki Outside Director Independent Director	Outside Director	100% (13 times /13 times)

KOBAYASHI PHARMACEUTICAL CO., LTD.

1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned
224,743 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 2004 and performed his duties 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 experiences and achievements, 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
173,375 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 important roles in decision-making regarding important management matters and supervision of business operations through making use of his experiences in being well versed in the overall group businesses. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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

<Assumption of Important Positions>
President of The Kobayashi Foundation

Reasons for Nominating as a Candidate for Director

Since the assumption of the office as the President and Representative Director in 2013, Mr. Akihiro Kobayashi has contributed to the strength of the product development and the refinement of employees' awareness, led the enhancement of overall corporate values of the group companies, and continued to achieve the improvement of business performance. He has further sought the continuous growth of the group companies and promoted the overall organization to strength the overseas business. Based on such achievements and dealings, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

4. Satoshi Yamane (April 16, 1960)

Number of Shares of the Company Owned
7,768 Shares

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

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



Re-Election

Reasons for Nominating as a Candidate for Director

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

5. Susumu Horiuchi (March 4, 1957)

Number of Shares of the Company Owned
5,135 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 been in charge of the sales division for many years. After his assumption of the office of Director, he has fulfilled the roles of important decision-making and supervisory function by utilizing the knowledge he gained at that division. Further, he has looked ahead to the changing distribution environment, promoted the proactive planning and execution of sales strategies from the perspective of customers, and significantly contributed to the establishment of good and healthy relationships with business partners. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

6. Haruo Tsuji (December 6, 1932)

Number of Shares of the Company Owned
0 Shares

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

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



Re-Election

Outside Director

Independent Director

<Assumption of Important Positions>
Outside Director of TKP Corporation

<Term of Office>
Ten (10) years and nine (9) months (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director

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

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

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

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

7. Kunio Ito (December 13, 1951)

Number of Shares of the Company Owned
0 Shares

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

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



Re-Election

Outside Director

Independent Director

<Assumption of Important Positions>

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

<Term of Office>

Five (5) years and nine (9) months (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director

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

Notes:

1. Mr. 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.

8. 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 Director of AGP Corporation / Outside Director of Japan Post Co., Ltd.

<Term of Office>

Two (2) years and 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 corporate management as an outside director or auditor in other companies. Also, she has held the International Conferences for Women in Business for many years and has been the pioneer of actively supporting the success of women. She is well versed in work style reform and 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 experiences and achievements, it is appropriate for her to continue serving as an Outside Director and we have nominated her for such office.

Notes:

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

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

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

3. ewoman, Inc. for which Ms. Kaori Sasaki serves as the President and Representative Director tenders services to measure the understanding of diversity. While the Company is being provided with such services, the cost is less than 5 million Japanese Yen and the Company's standards regarding the election of an Outside Director are satisfied.

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.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Proposal No. 2: Election of Four (4) Audit & Supervisory Board Members

The term of office of all four (4) Audit & Supervisory Board Members to the present will expire at the close of this General Meeting of Shareholders. It is proposed that four (4) Audit & Supervisory Board Members be elected.

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

The candidates for Audit & Supervisory Board Members are as follows:

1. Hiroshi Goto (February 24, 1957)

Number of Shares of the Company Owned
10,610 Shares

< Brief Career Summary and Position at the Company >

Mar. 1979	Joined the Company
Mar. 2003	General Manager of Advertising and Sales Promotion Department
Mar. 2007	General Manager of Corporate Communication Department
Mar. 2009	General Manager of General Affairs Department
Jun. 2011	Audit & Supervisory Board Member (to the present)



Re-Election

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

Mr. Goto was in charge of the sales division and marketing division and, thereafter, the corporate communication division and general affairs division. As such, he is well versed in both business divisions and administrative divisions. After his assumption of the office of Audit & Supervisory Board Member, based on such knowledge and experiences and diversified viewpoints reflecting changes in the social situation, he has implemented auditing activities and significantly contributed to the supervision of business operations. With the expectation that he will continue to properly fulfill his duties, we have nominated him for the office of Audit & Supervisory Board Member.

Notes: After Mr. Goto's assumption of office as Audit & Supervisory Board Member, 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 the re-election of Mr. Goto is approved, the Company will continue such agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company. 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.

2. Akitoshi Yamawaki (July 31, 1959)

Number of Shares of the Company Owned
1,660 Shares

< Brief Career Summary and Position at the Company >

Apr. 1983	Joined Sunstar Inc.
July. 2003	Joined the Company
Mar. 2008	General Manager of Production Engineering Department
Mar. 2009	President and Representative Director of Toyama Kobayashi Pharmaceutical Co., Ltd.
Mar. 2011	General Manager of Quality Assurance Department
Mar. 2014	General Manager of Procurement Department
Mar. 2016	General Manager of Daily Goods Technology Development Department



New-Election

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

Mr. Yamawaki has been in charge of manufacturing division and technology development division of the Company for many years, after working at a major manufacturing company. With an expectation that the knowledge he gained through such experiences and his capability of reasonable and objective judgment will be utilized in the course of strengthening the manufacturing and development functions in the future, as well as supervision of the overall business operations, we have nominated him for the office of Audit & Supervisory Board Member.

Notes: After Mr. Yamawaki's assumption of office 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.

3. Ryuji Sakai (August 7, 1957)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary and Position at the Company >

Apr. 1985	Registered as Attorney-at-Law (Dai-Ichi Tokyo Bar Association)
	Joined Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu)
May 1990	Earned LL.M. at University of Pennsylvania
Sep. 1990	Wilson, Sonsini, Goodrich & Rosati
Jan. 1995	Partner, Nagashima & Ohno (currently Nagashima Ohno & Tsunematsu) (to the present)
Jun. 2005	Outside Audit & Supervisory Board Member of the Company (to the present)



Re-Election

Outside Audit & Supervisory Board Member

<Assumption of Important Positions>
Partner, Nagashima Ohno & Tsunematsu /
Outside Audit Supervisory Board Member of Tokyo Electron Limited

<Term of Office>
Thirteen (13) years and nine (9) months (at the close of this shareholders' meeting)

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

Mr. Sakai, being an attorney-at-law, has sufficient legal expertise in assessing the appropriateness of the Company's business activities and has experiences in many cases involving important business judgement. He does not have any experience of being involved in corporate management; however, he has utilized the above-mentioned expertise and experiences during the audit concerning the business activities of the Company, and actively made perceptive and discerning remarks during Board of Directors' Meetings and Audit & Supervisory Board Members' Meetings of the Company in the past. Thus we expect that he can continue to properly perform his duties as Outside Audit & Supervisory Board Member and we have nominated him for the office of Outside Audit & Supervisory Board Member.

Notes: 1. After Mr. Sakai's assumption of office as Outside Audit & Supervisory Board Member, 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 the re-election of Mr. Sakai is approved, the Company will continue such agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company. 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.

2. Mr. Sakai also serves as a partner at Nagashima, Ohno & Tsunematsu. Although the Company obtains legal advisory services from the law firm, Mr. Sakai is not in charge of such services and the total amount of fees paid by the Company to the law firm during the current fiscal year is less than 0.05% of the net sales of the Company. Therefore, we consider that there is no issue with respect to Mr. Sakai's independence from the Company. However, Nagashima, Ohno & Tsunematsu to which Mr. Sakai belongs has a policy that the Tokyo Stock Exchange shall not be notified regarding the appointment of an Independent Auditor with respect to any lawyer of the firm serving as Outside Audit & Supervisory Board Member. Thus, the Company does not designate Mr. Sakai as an Independent Auditor as stipulated by the Tokyo Stock Exchange.

3. There are no transactions or other relationship between the Company and the entities for which Mr. Sakai is serving other than that stated in item 2 above.

4. Yoko Hatta (June 8, 1952)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary>

Aug. 1988	Joined Peat Marwick Main & Co. (currently KPMG LLP New York)
Aug. 1997	Partner, Peat Marwick Main & Co. (currently KPMG LLP New York)
Sep. 2002	Partner, KPMG Peat Marwick LLP (currently KPMG LLP)
Jun. 2008	Auditor of International Christian University (to the present)
Jun. 2015	Outside Audit & Supervisory Board Member of the Company (to the present)



Re-Election

Outside Audit & Supervisory Board Member

Independent Auditor

<Assumption of Important Positions>
Auditor of International Christian University /
Audit & Supervisory Board Member of IHI Corporation /
Outside Statutory Auditor of Nippon Paper Industries Co., Ltd.

<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 Audit & Supervisory Board Member

Ms. Hatta worked at a tax accounting firm and has significant expertise in international tax matters. Ms. Hatta serves as an outside director of companies and has served as an auditor of a university for many years. She does not have any experience of being involved in corporate management; however, based on the above-mentioned expertise and experiences, she has properly implemented the audit with respect to the global business activities of the Company. We expect that she can continue to properly perform duties as Outside Audit & Supervisory Board Member and we have nominated her for the office of Outside Audit & Supervisory Board Member.

Notes: 1. Ms. Yoko Hatta is a candidate for Outside Audit & Supervisory Board Member. The Tokyo Stock Exchange has been notified that she is an Independent Auditor as set forth by the Tokyo Stock Exchange. If her re-election is approved, she will continue to be an Independent Auditor.

2. After Ms. Hatta's assumption of office as Outside Audit & Supervisory Board Member, 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 the re-election of Ms. Hatta is approved, the Company will continue such agreement with her pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of her liability to the Company. A summary of the agreement is as follows:

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

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 (Daini Tokyo Bar Association)
	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 of the Company (to the present)



Substitute Outside Audit & Supervisory Board Member

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

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

Mr. Yasuhiko Fujitsu is well versed in fraud investigation and risk management as a lawyer and has adequate knowledge of corporate governance and significant expertise in accounting. As such, we expect that he can properly perform duties as Outside Audit & Supervisory Board Member, and have nominated him as Substitute Outside Audit & Supervisory Board Member.

Notes: If Mr. Yasuhiko Fujitsu is elected as Outside 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.

CONSOLIDATED BALANCE SHEETS

(As of December 31, 2018)

(Unit: millions of yen)

Item	101st	Item	101st
Assets		**Liabilities**	
Current Assets	**155,058**	**Current Liabilities**	**55,215**
Cash and Deposits	74,456	Trade Notes and Accounts Payable	8,706
Trade Notes and Accounts Receivable	53,386	Electronically Recorded Obligations-Operating	9,070
Securities	8,300	Short-Term Loans	506
Inventories	13,644	Other Accounts Payable	25,126
Deferred Income Taxes	3,234	Lease Obligations	53
Other	2,167	Income Taxes Payable	4,423
Allowance for Doubtful Accounts	(131)	Accrued Consumption Taxes	1,187
		Provision for Sales Returns	1,638
		Provision for Bonuses	2,355
		Asset Retirement Obligations	42
		Other	2,103
Non-Current Assets	**75,930**	**Non-Current liabilities**	**9,524**
Property, Plant and Equipment	**19,024**	Lease Obligations	472
Buildings and Structures	8,447	Net Defined Benefit Liability	2,057
Machinery, Equipment and Vehicles	4,466	Provision for Directors' Retirement Benefits	38
Land	3,625	Asset Retirement Obligations	77
Leased Assets	515	Other	6,878
Other	1,970	**Total Liabilities**	**64,740**
Intangible Assets	**4,823**	**Net Assets**	
Goodwill	3,241	**Shareholders' Equity**	**155,728**
Other	1,582	**Capital Stock**	**3,450**
Investments and Other Assets	**52,082**	**Capital Surplus**	**4,183**
Investments Securities	45,916	**Retained Earnings**	**159,857**
Long-Term Loans Receivable	386	**Treasury Shares**	**(11,763)**
Deferred Income Taxes	594	**Accumulated Other Comprehensive Income**	
Investment Properties	2,956		
Other	2,697	**Valuation Difference on Available-for-Sale Securities**	**12,636**
Allowance for Doubtful Accounts	(469)	**Deferred Gains or Losses on Hedges**	**2**
		Foreign Currency Translation Adjustment	**(318)**
		Remeasurements of Defined Benefit Plans Adjustments	**(1,798)**
		Total Net Assets	**166,249**
TOTAL ASSETS	**230,989**	**TOTAL LIABILITIES AND NET ASSETS**	**230,989**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

(From January 1, 2018 to December 31, 2018)

(Unit: millions of yen)

Item	101st
Net Sales	**167,479**
Cost of Sales	**64,359**
Gross Profit	**103,119**
Selling, General and Administrative Expenses	**76,830**
Operating Income	**26,289**
Other Income	**2,528**
Interest Income	289
Dividend Income	426
Real Estate Rent	293
Compensation Income	1,200
Other	319
Other Expenses	**1,443**
Interest Expense	35
Sales Discounts	745
Rent Cost of Real Estate	75
Foreign Currency Exchange Losses	328
Provision for Allowance for Doubtful Accounts	99
Other	158
Ordinary Income	**27,374**
Extraordinary Income	**7**
Gain on Sales of Non-Current Assets	1
Gain on Sales of Investments Securities	0
Gain on Reversal of Subscription Rights to Shares	5
Extraordinary Loss	**2,078**
Loss on Disposal of Non-Current Assets	106
Impairment Loss	1,956
Other	15
Profit Before Income Taxes	**25,304**
Income Taxes Current	7,676
Income Taxes Deferred	(396)
Total Income Taxes	7,280
Profit	**18,023**
Profit Attributable to Owners of Parent	**18,023**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

BALANCE SHEETS

(As of December 31, 2018)

(Unit: millions of yen)

Item	101st	Item	101st
Assets		**Liabilities**	
Current Assets	**129,555**	**Current Liabilities**	**51,868**
Cash and Deposits	62,497	Trade Notes Payable	778
Trade Notes Receivable	16	Trade Accounts Payable	14,729
Trade Accounts Receivable	44,872	Electronically Recorded Obligations-Operating	4,197
Securities	8,300		
Merchandise and Finished Goods	5,027	Short-Term Loans Payable to Subsidiaries and Associates	3,987
Work in Process	460		
Raw Materials and Supplies	620	Lease Obligations	50
Prepaid Expenses	568	Other Accounts Payable	21,319
Deferred Income Taxes	2,116	Accrued Expenses	573
Short-Term Loans Receivable from Subsidiaries	4,403	Income Taxes Payable	3,316
		Accrued Consumption Taxes	618
Other	764	Deposits Received	57
Allowance for Doubtful Accounts	(91)	Provision for Bonuses	1,642
		Provision for Sales Returns	543
Non-Current Assets	**80,409**	Other	52
Property, Plant and Equipment	**7,080**	**Non-Current Liabilities**	**7,650**
Buildings	2,983	Long-Term Guarantee Deposited	458
Structures	146	Lease Obligations	469
Machinery and Equipment	312	Deferred Income Tax	5,151
Tools, Furniture and Fixtures		Other Long-Term Accounts Payable	1,422
Land	2,042	Provision for Retirement Benefits	70
Leased Assets	506	Other	77
Other	224	**Total Liabilities**	**59,518**
Intangible Assets	**752**	**Net Assets**	
Software	723	**Shareholders' Equity**	**137,928**
Other	28	**Capital Stock**	**3,450**
Investments and Other Assets	**72,577**	**Capital Surplus**	**4,183**
Investments Securities and Capital	45,192	Legal Capital Surplus	4,183
Shares of Subsidiaries and Associates	17,898	**Retained Earnings**	**142,057**
		Legal Retained Earnings	340
Investments in Capital of Subsidiaries and Associates	3,580	Other Retained Earnings	141,717
		Reserve for Research and Development	330
Long-Term Loans Receivable	18	General Reserve	127,192
Long-Term Loans Receivable From Subsidiaries and Associates	2,633	Retained Earnings Brought Forward	14,195
		Treasury Shares	**(11,763)**
Long-Term Prepaid Expenses	1,383	**Valuation and Translation Adjustments**	**12,518**
Real Estate for Investment	2,271	**Valuation Difference on Available-for-Sale Securities**	**12,515**
Other	1,709	**Deferred Gains or Losses on Hedges**	**2**
Allowance for Doubtful Accounts	(2,110)		
		Total Net Assets	**150,446**
TOTAL ASSETS	**209,964**	**TOTAL LIABILITIES AND NET ASSETS**	**209,964**

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

STATEMENTS OF INCOME

(From January 1, 2018 to December 31, 2018)

(Unit: millions of yen)

Item	101st
Net Sales	**141,456**
Cost of Sales	**60,317**
Gross Profit	**81,139**
Selling, General and Administrative Expenses	**61,149**
Operating Income	**19,989**
Other Income	**4,053**
Interest Income	235
Dividend Income	1,817
Real Estate Rent	529
Other Rent income	12
Compensation Income	1,200
Other	258
Other Expenses	**1,399**
Interest Expense	18
Sales Discounts	609
Rent Cost of Real Estate	191
Other Rent Cost	12
Foreign Currency Exchange Losses	155
Provision for Allowance for Doubtful Accounts	265
Other	145
Ordinary Income	**22,643**
Extraordinary Income	**6**
Gain on Sales of Investment Securities	0
Gain on Reversal of Share Acquisition Rights	5
Extraordinary Loss	**42**
Loss on Disposal of Non-Current Assets	32
Impairment Loss	9
Other	0
Profit Before Income Taxes	**22,606**
Income Taxes Current	5,957
Income Taxes Deferred	(9)
Profit	**16,659**

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