

KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer:** Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 103rd 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 4, 2021

To our Shareholders:

**NOTICE OF CONVOCAION OF
THE 103RD ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 103rd 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 Form¹ 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 25, 2021 (Thursday).

Very truly yours,

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

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:

Friday, March 26, 2021 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 103rd Business Year (January 1, 2020 to December 31, 2020)
2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 103rd Business Year (January 1, 2020 to December 31, 2020)

Matters for Resolution:

- | | |
|-----------------|------------------------------------------------------|
| Proposal No. 1: | Reduction of Capital Reserve |
| Proposal No. 2: | Election of Seven (7) Directors |
| Proposal No. 3: | Election of One (1) Audit & Supervisory Board Member |

KOBAYASHI PHARMACEUTICAL CO., LTD.

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

Proposal No. 1: Reduction of Capital Reserve

1. Reasons for Reduction of Capital Reserve

In order to be resilient as to its future capital policies and ensure flexibility with respect to its financial management strategies, the Company proposes to reduce its capital reserve and transfer the amount of such reduction to other capital surplus in accordance with the provisions of Article 448, Paragraph 1 of the Company Law of Japan.

2. Details of Reduction of Capital Reserve

(1) Amount of capital reserve to be reduced

The current capital reserve of ¥4,183,793,241 will be reduced by ¥3,661,293,241. The full amount of such reduction will be transferred to “other capital surplus”. After the reduction, the capital reserve will be ¥522,500,000.

(2) Effective date of reduction of capital reserve

May 31, 2021

KOBAYASHI PHARMACEUTICAL CO., LTD.

Proposal No. 2: Election of Seven (7) Directors

The term of office of all six (6) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that the number of Directors be increased by one (1) in order to strengthen the Company's management structure and that seven (7) Directors be elected. The candidates for Directors are nominated through the Nomination Committee chaired by an Independent Outside Director. The candidates for Directors are as follows:

Candidate Number		Name	Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)
1	Re-Election	Kazumasa Kobayashi	Representative Director, Chairman of the Board and Chief Executive Officer	100% (13 times /13 times)
2	Re-Election	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	100% (13 times /13 times)
3	Re-Election	Satoshi Yamane	Senior Executive Director and Senior General Manager of Corporate Headquarters	100% (13 times /13 times)
4	New-Election	Kazuhiro Miyashita	Executive Officer and Senior General Manager of International Business Division	—
5	Re-Election	Haruo Tsuji	Outside Director Independent Director	100% (13 times /13 times)
6	Re-Election	Kunio Ito	Outside Director Independent Director	100% (13 times /13 times)
7	Re-Election	Kaori Sasaki	Outside Director Independent Director	100% (13 times /13 times)

Note: There are no special interests between each candidate and the Company.

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1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned
224,127 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>

President of Kobayashi 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, serving as the Chairman and Representative Director since 2004, he has performed his duties as Chairperson at meetings of the Board of Directors. As such, he has directed and supervised the management of the Company and has led the overall management of the Company over the years. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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2. Akihiro Kobayashi (May 13, 1971)

Number of Shares of the Company Owned
9,264,704 Shares

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

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



Re-Election

<Assumption of Important Positions>

President of Kobayashi Aoitori Foundation

Reasons for Nominating as a Candidate for Director

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

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3. Satoshi Yamane (April 16, 1960)

Number of Shares of the Company Owned
7,892 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 has gained through performing such functions, he has fulfilled the roles of participating in important decision-making and supervising business operations. Further, he has strengthened the corporate governance of the Company and properly 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.

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4. Kazuhito Miyanishi (June 9, 1962)

Number of Shares of the Company Owned
2,840 Shares

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

Apr. 1986	Joined the Company
Mar. 2007	General Manager of Household Marketing Department, Marketing Office
Mar. 2011	General Manager of International Sales Department, International Business Division
Jun. 2012	Executive Officer Senior General Manager of International Business Division (to the present)



New-Election

Reasons for Nominating as a Candidate for Director

Mr. Miyanishi has held key sales and marketing positions, both domestic and overseas, in the Household Marketing Department and International Business Division. Further, serving as the Senior General Manager of the International Business Division and Executive Officer, he has contributed greatly to the expansion of the Company's international business, especially in recent years. Based on such experiences and achievements, it is appropriate for him to further lead the expansion of the Company's international business, which the Company is focusing on. For the foregoing reasons, we have newly nominated him as a candidate for Director.

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5. 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>

Twelve (12) 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, and has contributed to the strength of the supervisory functions over corporate management. Greatly understanding all aspects of the Company's businesses and precisely grasping changes in social circumstances, he has actively made remarks to enhance the transparency and fairness of the management and, in his position independent of the Company and based on the viewpoints of stakeholders, conveyed his opinions at Board Meetings of the Company. Based on such experiences and achievements, it is appropriate for him to continue serving as an Outside Director and we have nominated him for such office.

- Notes: 1. Mr. Haruo Tsuji is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.
2. After Mr. Haruo Tsuji was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

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

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6. 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 Strategic Management of Chuo 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
Apr. 2020	Professor Emeritus of the Department of Business Administration of the Graduate School of Business Administration of Hitotsubashi University (to the present)



Re-Election

Outside Director

Independent
Director

<Assumption of Important Positions>

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

<Term of Office>

Seven (7) years and nine (9) months (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director

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

- Notes:
1. Mr. Kunio Ito is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.
 2. After Mr. Kunio Ito was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

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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.

3. Mr. Kunio Ito serves as an Outside Director of Seven & i Holdings Co., Ltd., the parent company of Seven Pay Co., Ltd. ("Seven Pay"). Some of the settlement service accounts operated by Seven Pay were subject to unauthorized access in July 2019. Mr. Ito was not aware of such incident prior to the public announcement. He has regularly expressed his view on the importance of proper business activities of Seven Pay and other group companies and, following the public announcement, has expressed his views on preventing the recurrence of such type of incident and has been duly performing his duties as an Outside Director.
4. Mr. Kunio Ito served as an Outside Director of Akebono Brake Industry Co., Ltd. ("Akebono Brake"), until June 2019. It has been discovered that some inappropriate actions were taken in connection with the periodic inspection reports of certain products manufactured by the domestic manufacturing subsidiary of Akebono Brake. Mr. Ito was not aware of such incident during his tenure as an Outside Director of Akebono Brake. He had regularly expressed his view on the importance of proper business practices at Akebono Brake and its group companies and duly performed his duties as an Outside Director of Akebono Brake.

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7. Kaori Sasaki (May 12, 1959)

Number of Shares of the Company Owned
0 Shares

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

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



<Assumption of Important Positions>

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

Re-Election

Outside Director

<Term of Office>

Four (4) years and nine (9) months (at the close of this shareholders' meeting)

Independent
Director

Reasons for Nominating as a Candidate for Outside Director

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

- Notes:
1. Ms. Kaori Sasaki is a candidate for Outside Director. She has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If her re-election is approved, she will continue to serve as an Independent Director.
 2. After Ms. Kaori Sasaki was elected as Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Company Law to limit the amount of her liability to the Company to the extent allowed by laws and regulations. If her re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of her failure to perform his duties as Outside Director, her liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Company Law, provided that such failure is not caused by her intentional act or gross negligence.
 3. ewoman, Inc. for which Ms. 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.
 4. Ms. Kaori Sasaki serves as Outside Director of Japan Post Co., Ltd. ("Japan Post"). As of December 27, 2019, Japan Post was ordered, by the Ministry of Internal Affairs and Communications and the Financial Services Agency, to suspend certain of its business activities due to its improper sales of insurance products. Ms. Sasaki was not aware of such impropriety prior to the public announcement. She has regularly expressed her view on the importance of "user-friendly" business practices and strict legal compliance and, following the public announcement, has expressed her views on preventing the recurrence of such type of impropriety and has been duly performing her duties as an Outside Director.

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Policy and Procedures for Appointment and Nomination of Directors

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

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

Points of Focus on Appointment of Independent Outside Directors

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

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

1. A person who implements the business activities at the parent company or any sister company of the Company;
2. A person with whom the Company is a major business partner or a person who implements the business activities at a company with which the Company is a major business partner;
3. A consultant, accounting expert or legal expert who receives money or other payment in an amount of 10 million yen or more from the Company (excluding the compensation as a director or an officer of the Company);
4. Any person who falls into any of items 1 through 3 above within the past two (2) years; or
5. Any person who is a relative to any of the following persons (other than those who are determined not to be important by the Company):
 - (a) A person who falls into any of the items 1 through 4 above;
 - (b) A person who implements business activities at the Company or any of its subsidiaries;
or
 - (c) A person who fell into item (b) above until recently.

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

Mr. Hiroshi Goto, 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. Goto'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 newly elected Audit & Supervisory Board Member will expire at the end of the term of office of the resigning Audit & Supervisory Board Member.

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

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

Takashi Kawanishi (August 6, 1965)

Number of Shares of the Company Owned
1 Share

< Brief Career Summary, Position at the Company >

Apr. 1990	Joined the Company
Mar. 2014	General Manager of R&D Planning and Administration Department, the Central R&D Laboratory
Jan. 2020	General Manager of the General Affairs Department, the Corporate Headquarters
Jan. 2021	Assigned to the Corporate Headquarters



New-Election

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

After joining the Company, Mr. Kawanishi's career has been focused on research and development and new projects in the area of immunology. Further, most recently, as the General Manager of the General Affairs Department of the Company, he has dealt with a wide range of matters, including leading the crisis management team at the Company's corporate headquarters to take countermeasures against new coronavirus infections. We expect to utilize his knowledge and ability to make rational and objective judgments, which were gained through the above-mentioned experiences, to strengthen a high-quality corporate governance system and audit the overall management of the Company. For the foregoing reasons, we have newly nominated him as a candidate for Audit & Supervisory Board Member.

Notes: 1. There are no special interests between Mr. Kawanishi and the Company.

2. After Mr. Takashi Kawanishi'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 of Japan, 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 of Japan, provided that such failure is not caused by his intentional act or gross negligence.

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(Reference)

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

	Name	Current Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)	Attendance Rate of Audit & Supervisory Board (Attendance / Held)
Re-Election	Akitoshi Yamawaki	Full-time Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
New-Election	Takashi Kawanishi	Assigned to the Corporate Headquarters	-----	-----
Re-Election	Ryuji Sakai	Outside Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Yoko Hatta	Outside Audit & Supervisory Board Member Independent Auditor	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Chiaki Ariizumi	Outside Audit & Supervisory Board Member Independent Auditor	100% (10 times /10 times)	100% (10 times /10 times)

Note: Ms. Chiaki Ariizumi, an Audit & Supervisory Board Member, was approved at the 102nd Ordinary General Meeting of Shareholders of the Company held on March 27, 2020. Thus, the number of times she could attend meetings of the Board of Directors and the Audit & Supervisory Board is different from the other Audit & Supervisory Board Members.

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CONSOLIDATED BALANCE SHEETS

(As of December 31, 2020)

(Unit: millions of yen)

Item	103rd	102nd (reference)	Item	103rd	102nd (reference)
Assets			Liabilities		
Current Assets	164,225	163,046	Current Liabilities	50,107	53,767
Cash and Time Deposits	78,253	75,580	Trade Notes and Accounts Payable	7,558	7,979
Trade Notes and Accounts Receivable	52,850	54,150	Electronically Recorded Obligations-Operating	8,368	8,836
Securities	16,085	14,977	Short-Term Loans	13	19
Inventories	14,140	15,327	Other Accounts Payable	20,968	24,160
Other	2,917	3,056	Lease Obligations	170	190
Allowance for Doubtful Accounts	(21)	(45)	Income Taxes Payable	4,371	4,962
			Consumption Taxes Payable	1,417	1,224
			Accrued Bonuses	2,797	2,368
			Other	4,441	4,024
Fixed Assets	74,141	70,685	Fixed Liabilities	5,675	7,307
Tangible Fixed Assets	20,821	21,180	Lease Obligations	505	682
Buildings and Structures	7,961	8,520	Deferred Income Taxes Obligations	1,357	2,779
Machinery, Equipment and Vehicles	4,729	4,751	Defined Benefit Liabilities for Employees	1,920	2,024
Land	4,739	4,248	Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members	40	39
Leased Assets	656	856	Other	1,852	1,781
Other	2,734	2,803			
Intangible Fixed Assets	12,794	3,112	Total Liabilities	55,783	61,074
Goodwill	7284	1,582	Net Assets		
Trademarks	4,030	92			
Other	1,478	1,436	Shareholders' Equity	174,941	161,521
Investments and Other Assets	40,525	46,392	Common Stock	3,450	3,450
Investments in Securities	34,474	39,533	Capital Surplus	4,183	4,183
Long-Term Loans Receivable	700	572	Retained Earnings	187,071	173,650
Deferred Income Taxes	1,443	2,028	Treasury Stock	(19,763)	(19,762)
Investment Properties	2,765	2,727	Accumulated Other Comprehensive Income	7,641	11,136
Other	1,908	2,150	Net Unrealized Holding Gain (Loss) on Securities	10,449	13,212
Allowance for Doubtful Accounts	(766)	(619)	Translation Adjustments	(1,517)	(586)
			Retirement Benefit Liability Adjustments	(1,290)	(1,489)
			Total Net Assets	182,583	172,657
TOTAL ASSETS	238,366	233,732	TOTAL LIABILITIES AND NET ASSETS	238,366	233,732

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

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the related implementation guidance since the current fiscal year, and the consolidated financial statements for the previous fiscal year show the figures calculated after the retroactive application of the said accounting standard.

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

(From January 1, 2020 to December 31, 2020)

(Unit: millions of yen)

Item	103rd	102nd (reference)
Net Sales	150,514	158,340
Cost of Sales	65,248	67,364
Gross Profit	85,265	90,975
Selling, General and Administrative Expenses	59,322	65,317
Operating Income	25,943	25,658
Other Income	2,346	2,736
Interest Income	279	338
Dividend Income	468	646
Income from Lease of Real Estate	302	293
Compensation Income	600	1,000
Insurance Income	321	45
Other	374	412
Other Expenses	563	542
Interest Expense	21	20
Real Estate Lease Cost	96	101
Foreign Currency Exchange Loss	216	150
Provision for Allowance for Doubtful Accounts	135	147
Other	94	122
Ordinary Income	27,726	27,851
Extraordinary Income	265	982
Gain on Sales of Property, Plant and Equipment	4	7
Gain on Sales of Investments in Securities	261	365
Gain on Transfer of Business	—	600
Other	—	10
Extraordinary Loss	1,356	2,029
Loss on Disposal or Sales of Property, Plant and Equipment	68	147
Loss on Impairment of Fixes Assets	1,122	1,663
Other	165	218
Income Before Income Taxes and Minority Interests	26,635	26,804
Income Taxes Current	7,818	8,378
Income Taxes Deferred	(388)	(713)
Total Income Taxes	7,430	7,665
Net Income	19,205	19,139
Net Income Attributable to Parent Shareholder	19,205	19,139

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

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the related implementation guidance since the current fiscal year, and the consolidated financial statements for the previous fiscal year show the figures calculated after the retroactive application of the said accounting standard.

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BALANCE SHEETS

(As of December 31, 2020)

(Unit: millions of yen)

Item	103rd	102nd (reference)	Item	103rd	102nd (reference)
Assets			Liabilities		
Current Assets	147,371	135,054	Current Liabilities	48,173	50,220
Cash and Time Deposits	69,560	60,898	Trade Notes Payable	701	764
Trade Notes Receivable	20	15	Trade Accounts Payable	13,562	13,923
Trade Accounts Receivable	47,721	46,389	Electronically Recorded Obligations-operating	4,082	4,558
Securities	16,085	14,977	Short-Term Loans Payable to Affiliates	1,690	2,401
Commodities and Finished Goods	5,788	5,123	Lease Obligations	49	50
Work in Process	718	671	Other Accounts Payable	19,188	21,363
Raw Materials and Supplies	881	863	Accrued Expenses	885	503
Prepaid Expenses	798	659	Income Taxes Payable	3,549	3,498
Short-Term Loans Receivable from Affiliates	4,598	4,161	Consumption Taxes Payable	926	703
Other	1,280	1,385	Deposits Received	50	20
Allowance for Doubtful Accounts	(82)	(92)	Accrued Bonuses	1,993	1,648
Fixed Assets	67,769	74,647	Other	1,491	784
Tangible Fixed Assets	7,415	7,239	Fixed Liabilities	3,513	5,046
Buildings	2,593	2,845	Security Deposits	470	429
Structures	101	120	Lease Obligations	368	419
Machinery and Equipment	189	302	Deferred Income Tax Obligations	1,390	2,911
Tools and Equipment	893	729	Other Long-Term Liabilities	1,119	1,122
Land	2,991	2,498	Accrued Retirement Benefits for Employees	99	85
Leased Assets	402	454	Other	65	78
Other	243	289	Total Liabilities	51,686	55,267
Intangible Fixed Assets	1,088	940	Net Assets		
Software	1,044	915	Shareholders' Equity	153,091	141,382
Other	43	25	Common Stock	3,450	3,450
Investments and Other Assets	59,266	66,466	Capital Surplus	4,183	4,183
Investments in Securities	34,231	39,062	Capital Reserve	4,183	4,183
Investments in Shares of Affiliates	13,380	18,051	Retained Earnings	165,221	153,511
Contribution of Capital to Affiliates	3,580	3,580	Retained Reserve	340	340
Long-Term Loans Receivable from Affiliates	4,823	3,351	Other Retained Earnings	164,881	153,171
Long-Term Prepaid Expenses	769	1,077	Development Reserve	330	330
Investment Properties	2,194	2,130	General Reserve	149,692	138,592
Other	1,635	1,552	Retained Earnings Brought Forward	14,858	14,248
Allowance for Doubtful Accounts	(1,349)	(2,339)	Treasury Stock	(19,763)	(19,762)
			Valuation and Translation Adjustments	10,363	13,051
			Unrealized Holding Gain (Loss) on Securities	10,363	13,051
			Total Net Assets	163,454	154,433
TOTAL ASSETS	215,141	209,701	TOTAL LIABILITIES AND NET ASSETS	215,141	209,701

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

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the related implementation guidance since the current fiscal year, and the consolidated financial statements for the previous fiscal year show the figures calculated after the retroactive application of the said accounting standard.

KOBAYASHI PHARMACEUTICAL CO., LTD.

STATEMENTS OF INCOME

(From January 1, 2020 to December 31, 2020)

(Unit: millions of yen)

Item	103rd	102nd (reference)
Net Sales	129,733	135,763
Cost of Sales	57,727	62,450
Gross Profit	72,005	73,313
Selling, General and Administrative Expenses	49,493	53,054
Operating Income	22,512	20,258
Other Income	3,370	3,597
Interest Income	222	246
Dividend Income	1,443	1,544
Income from Lease of Real Estate	537	530
Income from Lease of Other Assets	11	13
Compensation Income	600	1,000
Other	555	262
Other Expenses	568	613
Interest Expense	8	11
Real Estate Lease Cost	288	275
Other Lease Cost	11	13
Foreign Currency Exchange Loss	217	31
Provision for Allowance for Doubtful Accounts	—	226
Other	41	54
Ordinary Income	25,314	23,242
Extraordinary Income	252	367
Gain on Sales of Property, Plant and Equipment	0	2
Gain on Sales of Investment Securities	241	365
Other	10	0
Extraordinary Loss	1,876	802
Loss on Disposal or Sales of Property, Plant and Equipment	18	38
Loss on Impairment of Fixed Assets	—	4
Loss on Revaluation of Shares in Affiliates	867	759
Loss on Extinguishment of Tie-in Shares	810	—
Other	179	0
Income Before Income Taxes	23,691	22,807
Income Taxes Current	6,169	6,262
Income Taxes Deferred	27	(255)
Net Income	17,494	16,800

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

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the related implementation guidance since the current fiscal year, and the consolidated financial statements for the previous fiscal year show the figures calculated after the retroactive application of the said accounting standard.