

KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer:** Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 106th 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)

(Date of dispatch) March 6, 2024

(Date of commencement of measures for electronic provision) February 27, 2024

To our Shareholders:

NOTICE OF CONVOCATION OF THE 106TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 106th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. (the “Company”), which will be held as described below.

In convening this meeting, the Company has electronically provided the information contained in the “Reference Documents for the General Meeting of Shareholders” and other related materials. For the convenience of the shareholders, some of the information is attached in writing, but the entire information contained in the “Reference Documents for the General Meeting of Shareholders” and other related materials is posted on the Company’s website.

<p>【The Company’s Website】 https://www.kobayashi.co.jp/ir/report/shm/ (*The posted information is written in Japanese)</p>	
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In addition to the Company’s Website above, you can also see the materials at the following websites.

【Website for the General Meeting of Shareholders】

<https://d.sokai.jp/4967/teiji/>

【Tokyo Stock Exchange Website (TSE Listed Company Information Service)】

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(After accessing the website above, please enter “小林製薬” in the “銘柄名(会社名)” field or the Company’s securities code “4967” in the “コード” field, and then select “基本情報” and “縦

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覧書類/PR 情報” and click the “株主総会招集通知/株主総会資料” section under “縦覧書類.”)

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 Documents for the General Meeting of Shareholders” and exercise your voting rights in writing or by electronic means no later than noon, March 27, 2024 (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 28, 2024 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 106th Business Year (January 1, 2023 to December 31, 2023)
2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 106th Business Year (January 1, 2023 to December 31, 2023)

Matters for Resolution:

Proposal No. 1: Election of Seven (7) Directors

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

The meeting (excluding the Q&A session) will be posted on the Company’s website at a later date. Shareholders who were unable to attend the meeting are cordially invited to use this opportunity.

If there is any revision to the information to be provided electronically, reasons for the revision, information prior to the revision and information after the revision will be posted on the aforementioned websites (i.e., “The Company’s Website,” “Website for the General Meeting of Shareholders,” and “Tokyo Stock Exchange Website”).

We will send a document stating the information to be provided electronically to shareholders who have requested the delivery of the document, but such information will exclude the following in accordance with laws and regulations and Article 17, Paragraph 2 of the Company’s Articles of Incorporation:

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- Business Report: “Principal Business Offices and Plants,” “Status of Employees,” “Status of Principal Lenders,” “Matters Regarding Stock Acquisition Rights, etc.,” and “Systems to Ensure Proper Business Operations and Status of Operation of Such Systems”
- Consolidated Accounting Documents: “Consolidated Statements of Changes in Net Assets” and “Notes to Consolidated Financial Statements”
- Non-Consolidated Accounting Documents: “Statement of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements”

Accordingly, the Business Report, Consolidated Accounting Documents, and Non-Consolidated Accounting Documents included in this convocation notice are a part of the subject documents audited by the Independent Accounting Auditor in preparing the accounting audit report and by the Audit & Supervisory Board in preparing their audit report.

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REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Election of Seven (7) Directors

The term of office of all seven (7) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that 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 Male	Kazumasa Kobayashi	Representative Director, Chairman of the Board and Chief Executive Officer	100% (13 times /13 times)
2	Re-Election Male	Akihiro Kobayashi	Representative Director, President and Chief Operating Officer	100% (13 times /13 times)
3	Re-Election Male	Satoshi Yamane	Senior Executive Director and Senior General Manager of Sustainability Management Headquarters	100% (13 times /13 times)
4	Re-Election Male	Kunio Ito	Outside Director Outside Director Independent Director	100% (13 times /13 times)
5	Re-Election Female	Kaori Sasaki	Outside Director Outside Director Independent Director	100% (13 times /13 times)
6	Re-Election Female	Chiaki Ariizumi	Outside Director Outside Director Independent Director	100% (13 times /13 times)
7	Re-Election Male	Yoshiro Katae	Outside Director 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
224,882 Shares

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

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



<Assumption of Important Positions>

President of Kobayashi Foundation

Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Kazumasa Kobayashi assumed his office as a Director in 1966, and thereafter served as the Representative Director and President for twenty-eight (28) years since 1976. Further, serving as the Representative Director, Chairman of the Board and Chief Executive Officer 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 Representative Director, President and
 Chief Operating Officer (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 Representative Director, President and Chief Operating Officer 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 other group companies. He has further sought the continuous growth of the group companies and actively promoted measures to strengthen their international business activities and measure implementing ESG, as well as DX (digital transformation). 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
8,124 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
Jun. 2011 Executive Director
Jun. 2016 Senior Executive Director (to the present)
Jan. 2024 Senior General Manager of Sustainability
 Management Headquarters (to the present)



Re-Election

<Assumption of Important Positions>

None

Reasons for Nominating as a Candidate for Director

Mr. Yamane has been in charge of administrative divisions, 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, in the recent years, he has played a leading role in sustainability management and properly and promptly responded to changes in the management environment with a view to develop the group companies from a long-term perspective. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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Number of Shares of the Company Owned
0 Shares

4. Kunio Ito (December 13, 1951)

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

- Apr. 1992 Professor of the Faculty of Commerce and Management of Hitotsubashi University
- Apr. 2000 Professor of the Graduate School 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
- 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
- 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
Outside Director of Toray Industries, Inc.

<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 and Summary of Expected Roles

Mr. Ito has researched and studied accounting and business management as a university professor for many years, has extensive experience in corporate management through serving as an outside director of other companies, and fulfilled a central role in a governmental study group concerning the 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, realization of human capital management, and DX (digital transformation)). Based on such experiences and achievements, we expect him to continue to fulfill his supervisory role to contribute to the enhancement of corporate value of the Company and we have nominated him for such office. Although he has no experience of being involved in the management of a company other than as an outside director in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

- 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 Companies Act of Japan to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his

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re-election is approved, the Company will renew 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 Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

3. (1) Mr. Kunio Ito served as an Outside Director of Seven & i Holdings Co., Ltd., the parent company of Seven Pay Co., Ltd. (“Seven Pay”) until May 2023. 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 regularly expressed his view on the importance of proper business activities of Seven Pay and other related group companies and, following the public announcement, expressed his views on preventing the recurrence of such type of incident and duly performed his duties as an Outside Director. (2) Mr. Ito served as an Outside Director of Akebono Brake Industry Co., Ltd. (“Akebono Brake”) until June 2019. It was 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 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. (3) Mr. Ito serves as an Outside Director of Toray Industries, Inc. (“Toray”). It was discovered that some inappropriate actions were taken in the registration of resin products sold by Toray for standard certification, and in March and August of the same year, the certification registrations for some products were revoked. Mr. Ito was not aware of such incident during his tenure as an Outside Director of Toray. He has regularly expressed his view on the importance of proper business practices at Toray and its group companies and duly performed his duties as an Outside Director of Toray.

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Number of Shares of the Company Owned
0 Shares

5. Kaori Sasaki (May 12, 1959)

< 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 TV TOKYO Holdings Corporation
- Outside Director of The Maruetsu, Inc.

<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 and Summary of Expected Roles

In addition to her achievements and insight in managing companies, Ms. Sasaki has extensive experiences in corporate management as an outside director in other companies. Also, she has held the International Conferences for Women in Business for many years and has been a pioneer of diversity management. She has contributed to the enhancement of the corporate value of the Company by providing advice and supervision in areas such as product development from consumers' viewpoints and DX (digital transformation), in addition to supporting the success of women and reform of work styles which are important in promoting diversity management at the Company. Based on such experiences and achievements, we expect her to continue to provide advice and supervision that will contribute to the enhancement of the corporate value of the Company, and we have nominated her for such office.

- Notes:
- 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.
 - After Ms. Kaori Sasaki was elected as Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Companies Act of Japan 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 renew 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 her 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 Companies Act of Japan, provided that such failure is not caused by her intentional act or gross negligence.
 - ewoman, Inc., for which Ms. Kaori Sasaki serves as the President and Representative Director, tenders services to measure the understanding of diversity, and the Company is being provided with such services. We also endorse and sponsor the idea of diversity at the "International Conferences for Women in Business" hosted by ewoman, Inc. The total amount of these costs is no more than 10 million Japanese Yen per year and the Company's standards regarding the election of an Outside Director are satisfied.

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4. Ms. Kaori Sasaki served as Outside Director of Japan Post Co., Ltd. (“Japan Post”) until June 2023. 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. In addition, in November 2020, Japan Post announced that it had lost the “Financial Instruments Brokerage Auxiliary Book” and other related documents containing customer information and their transactions about financial instruments. Ms. Sasaki was not aware of such impropriety prior to the public announcement. She regularly expressed her view on the importance of “user-friendly” business practices and strict legal compliance and made remarks on appropriate business execution. Following the public announcement of these incidents, she focused on making proposals for business improvement, supervised the progress of measures to prevent the recurrence of such type of impropriety and duly performed her duties as an Outside Director.

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Number of Shares of the Company Owned
0 Shares

6. Chiaki Ariizumi (October 14, 1964)

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

Apr. 1987	Joined The Bank of Japan
May 1998	Deputy Director, Head of Europe & America Group, Global Economic Research Division, International Department, The Bank of Japan
Jul. 2009	Director, Head of Business Liaison Group, Secretariat of the Policy Board, The Bank of Japan
Jun. 2019	Director, Public Relations Department, The Bank of Japan
Jan. 2020	Personnel and Corporate Affairs Department, The Bank of Japan
Mar. 2020	Outside Audit & Supervisory Board Member, of the Company
Mar. 2022	Outside Director of the Company (to the present)



Re-Election

Outside Director

Independent
Director

<Assumption of Important Positions>

Outside Statutory Auditor of IDEA Consultants, Inc.
Outside Statutory Auditor of Kiraboshi Bank, Ltd.
Outside Director of Ushio Inc.

<Term of Office>

Four (4) years (at the close of this shareholders' meeting, and two (2) years as an Outside Audit & Supervisory Board Member)

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

Ms. Ariizumi had been actively involved at The Bank of Japan, not only in analyzing the economic circumstances and financial markets of Japan and overseas countries, but also in discussions with management of various companies regarding such economic circumstances and The Bank of Japan's related policies and decision-making. She was an Outside Audit & Supervisory Board Member at the Company from March 2020 to March 2022. Based on her extensive knowledge and experiences gained through such involvement at The Bank of Japan, and her attitude of constant consideration of how to promote the sound development of the Japanese economy as a whole, as well as her experience to serve as an Outside Audit & Supervisory Board Member at the Company, she has provided accurate proposals and advice on the Company's management from an objective standpoint, and contributed to the increase of the corporate value of the Company. In light of these experiences and achievements, we expect that she will continue to provide advice and supervision to increase the corporate value of the Company and have nominated her as a candidate for an Outside Director. Although she has no experience of being involved in the management of a company other than as an outside director/auditor in the past, we believe that she will be able to appropriately perform her duties as an Outside Director for the reasons stated above.

Notes: 1. Ms. Chiaki Ariizumi is a candidate for Outside Director. She has been designated as an Independent Auditor 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. Ariizumi's assumption of office as an Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, 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 renew 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 her failure to perform her 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 Companies Act of Japan, provided that such failure is not caused by her intentional act or gross negligence.

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Number of Shares of the Company Owned
0 Shares

7. Yoshiro Katae (October 28, 1956)

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

Apr. 1981 Joined Komatsu Ltd.
Jan. 2003 Osaka Plant GM, General Affairs Department,
Production Division of Komatsu Ltd.
Jul. 2007 GM, General Affairs Department of Komatsu Ltd.
Apr. 2013 Executive Officer,
GM, General Affairs Department
(in Charge of Risk Management) of Komatsu Ltd.
Jul. 2013 Secretary General (in Charge of Risk Management)
of Komatsu Ltd.
Oct. 2015 Secretary General (in Charge of Risk Management)
of Komatsu Ltd.
and GM, Komatsu Economic Strategy Research Center
Apr. 2017 Secretary General
(Supervising General Affairs & Compliance and
Risk Management) of Komatsu Ltd.
Apr. 2018 Senior Executive Officer (Jomu) of Komatsu Ltd.
Jul. 2019 Advisor of Komatsu Ltd. (to the present)
Mar. 2022 Outside Director of the Company (to the present)



Re-Election

Outside Director

Independent
Director

<Assumption of Important Positions>

Advisor of Komatsu Ltd.

<Term of Office>

Two (2) years (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

As the Executive Officer of Komatsu Ltd., Mr. Katae has a high level of insight and extensive experiences especially in risk management and compliance at global companies. Based on such experiences and achievements, by making proposals on the Company's overall management, we expect that he will contribute to the appropriate monitoring of the management strategy of the Company which promotes the strengthening of its international business, and the enhancement of its corporate value over the medium to long term. Based on these experiences and achievements, we expect that he will continue providing advice and supervision to increase the corporate value of the Company and have nominated him as a candidate for an Outside Director. Although he has no experience of being involved in the management as a director of a company other than as an outside director in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

- Notes:
1. Mr. Yoshiro Katae is a candidate for Outside Director. He has been designated as an Independent Auditor and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as an Independent Director.
 2. After Mr. Katae's assumption of office as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, 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 renew 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

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under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

Proposal No. 2: 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 Company has obtained approval from the members of the Audit & Supervisory Board with respect to this proposal.

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

Shintaro Takai (January 24, 1973)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary, Position at the Company >

Apr. 1999 Joined Nagashima & Ohno
 (currently, Nagashima Ohno & Tsunematsu)
Jun. 2004 Earned LL.M. at the University of Chicago Law School
Jan. 2007 Partner, Nagashima Ohno & Tsunematsu
Jun. 2016 Managing Partner, Takai & Partners
 (to the present)



<Assumption of Important Positions>

Managing Partner, Takai & Partners
Outside Audit & Supervisory Board Member, Miki Shoko Co., Ltd.
Outside Director, Seino Holdings Co., Ltd.

Substitute
Outside Audit &
Supervisory
Board Member

Independent
Auditor

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

Mr. Shintaro Takai has extensive experience and highly specialized knowledge, particularly in the area of corporate governance as a lawyer. In addition, he has a deep knowledge of legal affairs in the international area, which we believe will not only promote the Company's focus on internationalization but also strengthen our governance system. From this perspective, we expect that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member, and have nominated him as a candidate for the Substitute Outside Audit & Supervisory Board Member. Although he has no experience of being involved in the management of a company other than as an outside director/auditor in the past, we believe that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member for the reasons stated above.

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

2. Mr. Takai is a candidate for Substitute Outside Audit & Supervisory Board Member. If Mr. Takai assumes his office as Outside Audit & Supervisory Board Member, he satisfies the requirements to serve as an Independent Auditor as set forth by the Tokyo Stock Exchange, and the Company will notify the Tokyo Stock Exchange that he will serve as an Independent Auditor.
3. After Mr. Takai's assumption of office as Outside Audit & Supervisory Board Member, the Company will conclude an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act 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:

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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 Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

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Directors' Liability Insurance Policy for Candidates for Directors and Substitute Audit & Supervisory Board Members

In order to secure excellent human resources and support proactive and decisive management decisions for the Company's growth, the Company has concluded a directors' liability insurance policy (the "Policy") with the following outline, which is scheduled to be renewed in July 2024. Each candidate for the position of director to be proposed in Proposal 1 (Election of Seven (7) Directors) are already insured under the Policy and will continue to be insured if their reappointment is approved. The candidate for the substitute audit & supervisory board member to be proposed in Proposal 2 (Election of One (1) Substitute Audit & Supervisory Board Member) will be insured under the Policy if he assumes office as an audit & supervisory board member.

Summary of the Policy

① Actual premiums to be borne by the insured

Premiums are borne by the Company, including the rider portion, and there is no substantial premium burden on the insured.

② Summary of insured accidents subject to indemnity

Together with the rider portion, the insured directors, etc. will be covered for damages, legal expenses, etc. that may arise as a result of them being held liable for the performance of their duties or being subject to claims related to the pursuit of such liability.

③ Measures to ensure that the adequacy of the duties of the directors, etc. is not impaired

In order to ensure that the insured person's performance of his/her duties is not impaired, there are certain exclusions of liability, such as in the case of acts committed with knowledge that the acts are in violation of laws and regulations.

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Reference

The following chart shows the expertise in knowledge, experience and capability possessed by each of the candidates for Directors of the Company:

	Corporate Management	Global Business	Organizational Management & HR Development	ESG & Sustainability	Marketing & Sales	Finance & Accounting	Legal Affairs & Risk Management	DX & IT-Digital
Directors								
Mr. Kazumasa Kobayashi	●	●	●	●	●			
Mr. Akihiro Kobayashi	●	●	●	●	●			●
Mr. Satoshi Yamane			●	●		●	●	●
Mr. Kunio Ito			●	●		●	●	●
Ms. Kaori Sasaki	●	●	●	●	●			●
Ms. Chiaki Ariizumi			●	●		●	●	●
Mr. Yoshiro Katae		●	●	●			●	

Note: The above chart does not represent all of the knowledge, experience, abilities, etc. possessed by each director candidate.

Composition of the Audit & Supervisory Board

Name		Current Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)	Attendance Rate of Audit & Supervisory Board (Attendance / Held)
<div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Re-Election</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Male</div>	Akitoshi Yamawaki	Full-time Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
<div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Re-Election</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Male</div>	Takashi Kawanishi	Full-time Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
<div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Re-Election</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Female</div>	Yoko Hatta	<div style="background-color: #800080; color: white; padding: 2px; font-size: 8px;">Outside Audit & Supervisory Board Member</div> <div style="background-color: #008000; color: white; padding: 2px; font-size: 8px;">Independent Auditor</div>	100% (13 times /13 times)	100% (13 times /13 times)
<div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Re-Election</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Male</div>	Sumio Moriwaki	<div style="background-color: #800080; color: white; padding: 2px; font-size: 8px;">Outside Audit & Supervisory Board Member</div> <div style="background-color: #008000; color: white; padding: 2px; font-size: 8px;">Independent Auditor</div>	100% (10 times /10 times)	100% (10 times /10 times)

Note: For Mr. Sumio Moriwaki, the number of meetings of the Board of Directors and the Audit & Supervisory Board differs from other Audit & Supervisory Board Members because he was elected at the 105th Ordinary General Meeting of Shareholders held on March 30, 2023.

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Policy and Procedures for Appointment and Nomination of Directors and Auditors

While the Board of Directors has two functions: “decision-making on implementation of business activities” and “supervision of business operations”, we value knowledge and experience in business activities for the former function and the managerial perspectives and experience for the latter function. We also believe that not only the perspectives of women or foreigners but also the values held by such persons are part of diversity and we believe it is important to understand the value that the Company does not have.

Based on the above, the Company has established the following policies and procedures for the appointment and nomination of Directors and Auditors, which has been discussed by the Nomination Committee and decided by the Board of Directors.

① Criteria for Appointment of Internal Directors

As individuals who will ensure the effectiveness of corporate governance at the Board of Directors and contribute to the enhancement of the Company’s corporate value over the medium to long term, candidates for Directors and management (including Chairman and President) shall be appointed based on the following criteria:

- A person who is well versed in the Company’s business, and has extensive experiences and a high level of insight.
- A person who embodies the Company’s management philosophy and code of conduct.
- A person with a high level of compliance awareness and an outstanding character
- The composition of the Board of Directors should take diversity into consideration, taking into account the balance of expertise, without relying on individual attributes such as gender and nationality.

② Criteria for Appointment of Outside Directors

For the purpose of strengthening the supervisory function of business execution from an independent standpoint outside the Company and at the same time providing appropriate advice on the Company’s management strategies and business execution, multiple candidates for Outside Directors shall be selected in principle based on the following criteria:

- A person with the ability to provide appropriate supervision and advice on business execution and management strategies, such as having extensive experiences and a high level of insight in specialized fields which are valuable to the Company.
- A person who is not likely to cause a conflict of interest with general shareholders.
- In principle, one of the Outside Directors must have corporate management experience.

③ Criteria for Appointment of Auditors

In principle, more than one corporate auditor shall be elected based on the following criteria, with the aim of ensuring the sound and sustainable growth of the Company and establishing a high-quality corporate governance system that can respond to social trust by auditing the duties of the directors from a standpoint independent of the execution of business operations.

The Company shall appoint two or more corporate auditors in principle based on the following criteria:

- Abundant experience and the ability to conduct audits with a fair and unbiased attitude from a company-wide perspective
- At least one of the Auditors must have considerable knowledge of finance and accounting

④ Appointment Procedure of Directors (Internal and Outside Directors)

The Nomination Committee shall deliberate on the proposed candidates, confirm the appropriateness of the candidates based on their experience and knowledge and past performance, and then nominate the

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candidates for appointment at the Board of Directors meeting for approval at the General Meeting of Shareholders.

⑤ Dismissal Criteria and Procedure of Directors (Internal and Outside)

The dismissal of a Director shall be resolved by the Board of Directors and submitted to the General Meeting of Shareholders, after receiving a report from the Nomination Committee, in cases where it is recognized that the Director is not fulfilling his or her functions based on an evaluation of business performance, etc., or where it is recognized that it will be difficult for the Director to properly perform his or her duties in the future, or where it is recognized that the Director has acted improperly or in violation of laws, regulations or Articles of Incorporation.

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Points of Focus on Appointment of Independent Outside Directors/Auditors

In appointing independent outside directors/auditors (i.e., Outside Directors and Outside Audit & Supervisory Board Members), we believe it is most important for such directors/auditors 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 and/or its group companies is a major business partner (see Note 1) and a person who implements the business activities at a company with which the Company and/or its group companies is a major business partner, or major business partners of the Company and/or its group companies (see Note 2) and a person who implements the business activities at such major business partners of the Company and/or its group companies;
3. A consultant, accounting expert or legal expert who receives a large sum of money or other payment (see Note 3) from the Company and/or its group companies (excluding the compensation as a director or auditor of the Company) (If the person who receives such property is a corporation, partnership, or other organization, the person who belongs to the organization.);
4. A person who receives a large sum of donation (see Note 4) from the Company and/or its group companies or a person who implements the business activities of such person;
5. A major shareholder (a person who directly or indirectly holds 10% or more of the total voting rights) of the Company or a person who implements the business activities of such major shareholder;
6. A person who implements the business activities of a company in which the Company and/or its group companies is a major investor (a person who directly or indirectly holds 10% or more of the total voting rights)
7. Any person who falls into any of the items 1 through 6 above within the past two (2) years; or
8. 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 7 above;
 - (b) A person who implements business activities at the Company or any of its subsidiaries (and, in the case of designating an Outside Audit & Supervisory Board Member as an Independent Auditor, a Director or Accounting Advisor who does not implement the business activities to be included as such); or
 - (c) A person who fell into item (b) above until recently.

(Note 1) A person with whom the Company and/or its group companies is a major business partner means a person with whom the total amount of transactions between the Company and/or its group companies and the relevant business partner in each fiscal year exceeds 10 million yen per fiscal year or 2% of the consolidated net sales of the relevant business partner in the consolidated fiscal year ending in the relevant fiscal year, whichever is higher.

(Note 2) A major business partner of the Company and/or its group companies means a person with whom the total amount of the Company and/or its group companies' transactions with the relevant business partner in each applicable fiscal year exceeds

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10 million yen per fiscal year or 2% of the Company's consolidated net sales for the relevant fiscal year, whichever is higher.

(Note 3) A large sum of money or other payment means that the total amount of money or other payment exceeds 10 million yen in the case of an individual, or 10 million yen or 2% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

(Note 4) A large sum of donation is a donation whose total amount exceeds 5 million yen in the case of an individual, or 5 million yen or 1% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED BALANCE SHEETS

(As of December 31, 2023)

(Unit: millions of yen)

Item	106th	105th (reference)	Item	106th	105th (reference)
Assets			Liabilities		
Current Assets	158,331	172,892	Current Liabilities	56,111	51,809
Cash and Deposits	71,536	96,233	Notes and Accounts Payable-Trade	8,745	9,051
Notes and Accounts Receivable-Trade	53,028	47,881	Electronically Recorded Obligations-Operating	8,560	9,005
Securities	8,300	8,300	Other Accounts Payable	25,037	20,409
Inventories	22,083	17,679	Lease Obligations	379	261
Other	3,427	2,825	Income Taxes Payable	4,059	3,987
Allowance for Doubtful Accounts	(44)	(28)	Accrued Consumption Taxes	788	921
			Provision for Bonuses	2,705	2,553
			Other	5,836	5,619
Non-Current Assets	109,142	82,934	Non-Current Liabilities	6,545	6,118
Property, Plant and Equipment	47,665	34,778	Lease Obligations	608	531
Buildings and Structures	10,611	9,507	Deferred Tax Liabilities	2,594	1,310
Machinery, Equipment and Vehicles	5,152	5,361	Retirement Benefit Liability	939	2,034
Land	4,900	4,703	Other	2,403	2,242
Leased Assets	964	771			
Construction in Progress	24,534	12,982			
Other	1,501	1,453			
Intangible Assets	21,614	13,307			
Goodwill	9,655	7,147	Total Liabilities	62,656	57,927
Trademark Rights	8,792	3,274	Net Assets		
Other	3,165	2,884	Shareholders' Equity	184,887	183,775
Investments and Other Assets	39,862	34,848	Common Stock	3,450	3,450
Investments Securities	32,124	28,509	Capital Surplus	522	522
Long-Term Loans Receivable	1,132	975	Retained Earnings	205,681	194,285
Retirement Benefit Asset	292	—	Treasury Stock	(24,766)	(14,482)
Deferred Tax Assets	2,647	1,750	Accumulated Other Comprehensive Income	19,483	13,864
Investment Properties	2,678	2,707	Valuation Difference on Available-for-Sale Securities	12,819	10,346
Other	2,163	1,932	Foreign Currency Translation Adjustment	6,403	4,352
Allowance for Doubtful Accounts	(1,176)	(1,026)	Re-measurements of Defined Benefit Plans	259	(834)
			Stock Acquisition Rights	446	260
			Total Net Assets	204,816	197,900
TOTAL ASSETS	267,473	255,827	TOTAL LIABILITIES AND NET ASSETS	267,473	255,827

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

(From January 1, 2023 to December 31, 2023)

(Unit: millions of yen)

Item	106th	105th (reference)
Net Sales	173,455	166,258
Cost of Sales	77,079	73,927
Gross Profit	96,375	92,331
Selling, General and Administrative Expenses	70,595	65,662
Operating Income	25,780	26,669
Non-Operating Income	2,187	2,011
Interest Income	214	85
Dividend Income	548	493
Rental Income from Real Estate	295	300
Foreign Exchange Gains	40	231
Compensation Income	451	400
Other	636	501
Non-Operating Expenses	637	399
Interest Expense	29	18
Rental Costs on Real Estate	105	99
Provision of Allowance for Doubtful Accounts	154	163
Non-Deductible Consumption Taxes	227	48
Other	120	68
Ordinary Income	27,330	28,281
Extraordinary Income	461	56
Gain on Sales of Property, Plant and Equipment	11	3
Gain on Sales of Investment Securities	436	44
Insurance Claim Income	14	8
Extraordinary Loss	232	387
Loss on Sales and Retirement Property, Plant and Equipment	70	55
Impairment Losses	59	69
Loss on Defective Products	80	—
Other	21	261
Income Before Income Taxes	27,559	27,950
Income Taxes Current	8,297	8,260
Income Taxes Deferred	(1,076)	(332)
Total Income Taxes	7,221	7,927
Net Income	20,338	20,022
Net Income Attributable to Owners of Parent	20,338	20,022

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

BALANCE SHEETS

(As of December 31, 2023)

(Unit: millions of yen)

Item	106th	105th (reference)	Item	106th	105th (reference)
Assets			Liabilities		
Current Assets	129,384	146,519	Current Liabilities	49,909	48,117
Cash and Deposits	57,505	81,264	Trade Notes Payable	696	684
Trade Notes Receivable	16	17	Trade Accounts Payable	14,052	14,962
Trade Accounts Receivable	44,972	41,200	Electronically Recorded Obligations-operating	3,774	3,838
Securities	8,300	8,300	Short-Term Loans Payable to Affiliates	2,742	2,873
Merchandise and Finished Goods	7,721	6,460	Lease Obligations	49	48
Work in Process	618	481	Other Accounts Payable	20,256	17,269
Raw Materials and Supplies	1,419	1,569	Accrued Expenses	1,021	1,113
Prepaid Expenses	890	615	Income Taxes Payable	3,270	3,347
Short-Term Loans Receivable from Affiliates	6,473	5,417	Accrued Consumption Taxes	507	408
Other	1,543	1,267	Deposits Received	54	54
Allowance for Doubtful Accounts	(77)	(76)	Provision for Bonuses	1,950	1,836
Non-Current Assets	94,551	72,880	Other	1,534	1,679
Property, Plant and Equipment	22,776	17,740	Non-Current Liabilities	4,399	3,387
Buildings	2,196	2,371	Security Deposits	455	472
Structures	51	64	Lease Obligations	221	270
Machinery, equipment and Vehicles	127	258	Deferred Tax Liabilities	1,967	1,002
Tools, Furniture and Fixtures	846	882	Long-Term Accounts Payable	1,106	1,111
Land	2,942	2,942	Provision for Retirement Benefits	221	126
Leased Assets	255	303	Other	427	403
Construction in Progress	16,351	10,907	Total Liabilities	54,309	51,505
Other	4	9	Net Assets		
Intangible Assets	2,168	2,181	Shareholders' Equity	156,359	157,530
Software	2,134	2,144	Common Stock	3,450	3,450
Other	34	36	Capital Surplus	522	522
Investments and Other Assets	69,605	52,958	Legal Capital Surplus	522	522
Investment Securities	32,102	28,034	Retained Earnings	177,154	168,041
Shares of Affiliates	24,639	13,112	Legal Retained Earnings	340	340
Contribution of Capital to Affiliates	7,436	7,436	Other Retained Earnings	176,814	167,701
Long-Term Loans Receivable from Affiliates	2,729	1,777	Reserve for Development	330	330
Long-Term Prepaid Expenses	254	113	General Reserve	162,562	152,073
Investment Properties	2,163	2,173	Retained Earnings Brought Forward	13,921	15,297
Other	1,739	1,693	Treasury Stock	(24,766)	(14,482)
Allowance for Doubtful Accounts	(1,460)	(1,383)	Valuation and Translation Adjustments	12,819	10,103
			Valuation Difference on Available-for-Sale Securities	12,819	10,103
			Share Acquisition Rights	446	260
			Total Net Assets	169,626	167,895
TOTAL ASSETS	223,936	219,400	TOTAL LIABILITIES AND NET ASSETS	223,936	219,400

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

KOBAYASHI PHARMACEUTICAL CO., LTD.

STATEMENTS OF INCOME

(From January 1, 2023 to December 31, 2023)

(Unit: millions of yen)

Item	106th	105th (reference)
Net Sales	139,303	132,167
Cost of Sales	64,881	60,652
Gross Profit	74,422	71,514
Selling, General and Administrative Expenses	53,014	50,262
Operating Income	21,407	21,252
Non-Operating Income	3,214	3,520
Interest Income	102	85
Dividend Income	1,664	1,950
Rental Income from Real Estate	518	518
Rental Income from Other Assets	97	15
Foreign Exchange Gain	157	357
Compensation Income	403	400
Other	271	193
Non-Operating Expenses	375	237
Interest Expense	7	8
Rental Costs on Real Estate	141	155
Rental Costs on Other Assets	97	15
Provision of Allowance for Doubtful Accounts	76	23
Other	52	34
Ordinary Income	24,246	24,535
Extraordinary Income	17	45
Gain on Sales of Property, Plant and Equipment	12	0
Gain on Sales of Investment Securities	4	44
Extraordinary Loss	110	245
Loss on Sales and Retirement Property, Plant and Equipment	19	19
Impairment Losses	5	0
Loss on Defective Products	84	—
Other	1	225
Income Before Income Taxes	24,153	24,335
Income Taxes Current	6,274	6,326
Income Taxes Deferred	(175)	(158)
Total Income Taxes	6,098	6,167
Net Income	18,055	18,168

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