

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Summary of Financial Statements (Japanese GAAP) (Consolidated) Financial Results for the Fiscal Year Ended December 31, 2016

February 1, 2017

Listed exchanges	: Tokyo
Listed company name	: Kobayashi Pharmaceutical Co., Ltd.
Code	: 4967
URL	: <a href="http://www.kobayashi.co.jp/english/index.shtml">http://www.kobayashi.co.jp/english/index.shtml</a>
Representative officer	: Akihiro Kobayashi, President & COO
Contact	: Satoshi Yamane, Senior Executive Director & Senior General Manager, Corporate Administration Headquarters
Tel	: +81-6-6222-0142
Scheduled date of general meeting of shareholders:	March 30, 2017
Scheduled date of dividend payment commencement:	March 9, 2017
Schedule date of financial report filing with the Finance Ministry:	March 30, 2017
Preparation of the attachment of Financial Statements:	Yes
Holding of the results presentation:	Yes (For analysts and investors)

(Any fraction less than 1 million yen is rounded down to the nearest million yen.)

### 1. Consolidated Results for Fiscal Year Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

#### (1) Consolidated Operating Results

(% figures represent changes from previous period.)

	FY ended December 31, 2016		FY ended March 31, 2016	
Net sales	120,051	millions of yen — %	137,211	millions of yen 6.9 %
Operating income	17,409	—	18,260	1.9
Ordinary income	19,499	—	17,949	(4.7)
Net income attributable to owners of the parent	14,321	—	13,466	8.2
Earnings per share	179.12	yen	165.56	yen
Earnings per share after full dilution	178.86		165.30	
Return on equity		10.0		9.6
Return on assets		10.0		9.6
Ratio of operating income to net sales		14.5		13.3

(Note) Comprehensive income

FY ended December 31, 2016: 13,114 million yen (—%)

FY ended March 31, 2016: 12,537 million yen (-27.7%)

(Reference) Equity in earnings of affiliates

FY ended December 31, 2016: — million yen

FY ended March 31, 2016: -607 million yen

Following the approval of the proposal “Partial Amendment to the Articles of Incorporation” at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the current consolidated fiscal year is a transitional period for the change in accounting period, meaning an irregular period, in which the consolidated operating results cover nine months (April 1, 2016 to

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December 31, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to 12 months (January 1, 2016 to December 31, 2016) for consolidated subsidiaries that close their accounts in December. Therefore, the percentages for year-on-year changes have been omitted in the tables above. Furthermore, the Company implemented a two-for-one common stock split, effective July 1, 2016. Net income per share and net income per share after full dilution were calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

## (2) Consolidated Financial Position

	FY ended December 31, 2016	As of March 31, 2016
Total assets	201,234 millions of yen	188,997 millions of yen
Net assets	143,320	142,023
Shareholders' equity ratio	71.2 %	75.1 %
Net assets per share	1,818.10 yen	1,766.06 yen
(Reference) Shareholders' equity	FY ended December 31, 2016: 143,252 million yen As of March 31, 2016: 141,873 million yen	

The Company implemented a two-for-one common stock split, effective July 1, 2016. Net assets per share were calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year

## (3) Consolidated Cash Flow

	FY ended December 31, 2016	FY ended March 31, 2016
Net cash provided by (used in) operating activities	16,097 millions of yen	14,329 millions of yen
Net cash provided by (used in) investing activities	(519)	(10,932)
Net cash provided by (used in) financing activities	(11,922)	(10,199)
Cash and cash equivalents at period-end	28,322	25,428

## 2. Dividends

	FY ended March 31, 2016	FY ended December 31, 2016	FY ending December 31, 2017 (forecasts)
Dividends per share			
Q1 end	—	—	—
Q2 end	48.00 yen	25.00 yen	26.00 yen
Q3 end	—	—	—
Year-end	48.00	27.00	26.00
Total	96.00	52.00	52.00
Total dividends	3,893 millions of yen	4,124 millions of yen	—
Payout ratio (consolidated)	29.0 %	29.0 %	27.1 %
Ratio of dividends to net assets (consolidated)	2.8	2.9	—

The Company implemented a two-for-one common stock split, effective July 1, 2016. The dividends per share for the consolidated fiscal year ended December 31, 2016 and the consolidated fiscal year ending December 31, 2017 (forecasts) are stated taking into consideration the relevant stock split.

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3. Forecasts of Consolidated Operational Results for Year Ending December 31, 2017  
(January 1, 2017 to December 31, 2017)

(Percentages represent changes from previous year for full-year results, and changes from same period of previous year for quarterly results.)

	Interim (1st half)			Full year		
Net sales	63,500	millions of yen	— %	150,000	millions of yen	— %
Operating income	7,600		—	20,000		—
Ordinary income	7,100		—	21,000		—
Net income attributable to owners of the parent	5,000		—	15,100		—
Earnings per share	63.46	yen		191.64	yen	

The Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the current consolidated fiscal year is an irregular period, in which the consolidated operating results cover nine months (April 1, 2016 to December 31, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to 12 months (January 1, 2016 to December 31, 2016) for consolidated subsidiaries that close their accounts in December. Therefore, the percentages for year-on-year changes have been omitted in the tables above.

## [Reference]

The percentages shown below (adjusted changes) represent ratios of change by comparing the 12-month results for the current fiscal year for the Company and its consolidated subsidiaries that close their accounts in March (January 1, 2016 to December 31, 2016) with the full-year forecasts for the fiscal year ending December 31, 2017.

Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
150,000	3.6%	20,000	8.4%	21,000	3.1%	15,100	0.5%

(million yen)

## \* Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in consolidation scope): None  
Newly included: - (Name) ; Excluded: - (Name)
- (2) Change in accounting policies, change in accounting estimation, modification/restatement  
1) Changes in accounting policies due to revisions of accounting standards: No change  
2) Change in accounting policies for other reasons: No change  
3) Change in estimations in accounting: No change  
4) Modification/restatement: No change

## (3) Issued shares (common shares)

1) Number of shares issued at period-end (including treasury stock):	FY ended December 31, 2016	85,050,000 shares	As of March 31, 2016	85,050,000 shares
2) Number of shares of treasury stock at period-end:	FY ended December 31, 2016	6,257,437 shares	As of March 31, 2016	4,716,626 shares
3) Average number of shares outstanding:	FY ended December 31, 2016	79,955,009 shares	As of March 31, 2016	81,339,764 shares

The Company implemented a two-for-one common stock split, effective July 1, 2016. The number of issued shares (common shares) was calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

## \* Presentation of situation of audit procedures

Audit procedures under the Financial Instruments and Exchange Law of Japan have not been completed at the date of submission of this Summary of Financial Statements.

## \* Notes on proper use of forecasts and other matters

The forward-looking statements in this document are based on information available to the Company and assumptions considered reasonable by the Company. Please note that actual business results may differ significantly from the forecasts due to various factors. For matters concerning forecasts for business results, please refer to 1. Analysis of Operational Results and Financial Position (1) Analysis of Operational Results on pages 2 to 4 of the attachment.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(Method to obtain the attachment of Financial Statements)

The Company plans to post the attachment of Financial Statements on its website immediately after the results presentation scheduled for Thursday, February 2, 2017.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

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## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 1. Analysis of Operational Results and Financial Position

## (1) Analysis of Operational Results

## Overview of Consolidated Results

	Previous Year		Current Year	
	(FY ended March 31, 2016)		(FY ended December 31, 2016)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Net sales	137,211	100.0	120,051	100.0
Operating income	18,260	13.3	17,409	14.5
Ordinary income	17,949	13.1	19,499	16.2
Net income attributable to owners of the parent	13,466	9.8	14,321	11.9
Earnings per share (yen)	165.56		179.12	

Following approval of the proposal "Partial Amendment to the Articles of Incorporation" at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the current consolidated fiscal year is a transitional period for the change in accounting period, meaning an irregular period, in which the consolidated operating results cover nine months (April 1, 2016 to December 31, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to 12 months (January 1, 2016 to December 31, 2016) for its consolidated subsidiaries that close their accounts in December. Therefore, the percentages for year-on-year changes have been omitted in the tables above. Furthermore, the Company implemented a two-for-one common stock split effective July 1, 2016. Net income per share was calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

The Japanese economy during the current consolidated fiscal year under review showed a recovery trend as shown in the improvement of corporate earnings and employment, helped by the continued economic stimulus measures implemented by the government. On the other hand, however, consumer spending continued to face a tough situation due to concerns over rising prices.

Under these circumstances, the Group launched new products that satisfy customers' needs, strengthened its existing product lineups, and invested in businesses with high future growth potential, with the brand slogan "You make a wish and we make it happen."

As a result, net sales, operating income and ordinary income were 120,051 million yen, 17,409 million yen and 19,499 million yen, respectively, and net income attributable to owners of the parent was 14,321 million yen.

The following is an overview of segment performance.

Domestic Consumer Products Business

The Domestic Consumer Products Business launched 31 new products in the current consolidated fiscal year under review. The products that contributed to growth in sales were *Ammeltz NEO* (an external anti-inflammatory), *Bisrat Gold EX* (an obesity therapeutic drug), *Senacure* (a therapeutic drug for blotches on the back or decollete), *Oheya no Shoshugen Parfum* (a stylish deodorizer and freshener with a graceful fragrance), and *Inochi No Haha Skin Care* (a skincare product for the skin during menopause).

Existing healthcare products that recorded robust sales were skincare products such as *Attonon* (a scar concealer) and *Saiki* (a dry skin curative drug), kampo and herbal medicines, such as *Inochi No Haha A* (a women's health medicine), *Naicitol* (an obesity remedy), and *Dusmock* (a kampo medicine that ameliorates persistent coughing and bronchitis). In the household products category, *Sarasaty* (a sheet for absorbing vaginal discharge) and *Bluelet* (a toilet deodorizer and bowl bleach tablet) showed strong sales. In the skin care products category, *Keshimin* (a skincare product for spots) and *EAUDE MUGE* (a medicated lotion) sold well.

As a result, net sales and segment income (ordinary income) were 97,502 million yen and 16,325 million yen, respectively. Meanwhile, operating income was 16,456 million yen.

Net sales include inter-segment sales or transfers, which totaled 4,546 million yen in the consolidated fiscal year under review.

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(Breakdown of sales to external customers)

	Previous Year		Current Year	
	(FY ended March 31, 2016)		(FY ended December 31, 2016)	
	Amount (millions of yen)		Amount (millions of yen)	
Healthcare products	48,632		42,237	
Household products	48,034		41,045	
Skin care	4,673		4,181	
Body warmers	5,623		5,490	
Total	106,963		92,955	

Overseas Consumer Products Business

In the Overseas Consumer Products Business, the Company markets, mostly in the United States, China and Southeast Asia, body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory), and sought to expand sales by investing aggressively, principally in advertising and sales promotions. However, the Company faced an uphill battle in body warmer sales due to a warmer winter in the U.S., and the influence of a stronger yen

As a result, net sales and segment income (ordinary income) were 18,974 million yen and 638 million yen, respectively. Operating income was 706 million yen.

Net sales include inter-segment sales or transfers, which totaled 947 million yen in the consolidated fiscal year under review.

(Breakdown of sales to external customers)

	Previous Year		Current Year	
	(FY ended March 31, 2016)		(FY ended December 31, 2016)	
	Amount (millions of yen)		Amount (millions of yen)	
United States	8,574		6,783	
China	5,072		5,378	
Southeast Asia	3,513		4,218	
Others	1,837		1,646	
Total	18,997		18,026	

Direct Marketing Business

The Direct Marketing Business markets nutritional supplements and skin care products. The Company strove to attract new customers while encouraging existing customers to continue to place orders for its products through sales promotional campaigns, such as advertising and direct mail.

Consequently, the Company reported net sales of 7,159 million yen and segment loss (ordinary loss) of 283 million yen. Meanwhile, operating loss was 287 million yen.

Net sales do not include inter-segment sales or transfers.

Other Businesses

Businesses in this segment include the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, advertisement planning and production, etc. The companies in this business segment operate individually on a financially independent basis, and their delivery prices of materials and services were reviewed and revised as necessary.

As a result, the Company posted net sales of 5,525 million yen and segment income (ordinary income) of 2,809 million yen. Operating income was 305 million yen.

Net sales include inter-segment sales or transfers, amounting to 3,615 million yen in the consolidated fiscal year under review.

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## Forecast for Year Ending December 31, 2017

Following approval of the proposal "Partial Amendment to the Articles of Incorporation" at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the current consolidated fiscal year is a transitional period for the change in accounting period, meaning an irregular period, in which the consolidated operating results cover nine months (April 1, 2016 to December 31, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to 12 months (January 1, 2016 to December 31, 2016) for its consolidated subsidiaries that close their accounts in December. Therefore, the percentages for year-on-year changes have been omitted in the following table.

	Current Year (FY ended December 31, 2016)		Next Year (FY ending December 31, 2017)		Adjusted percentage change (%)
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)	
Net sales	120,051	100.0	150,000	100.0	3.6
Operating income	17,409	14.5	20,000	13.3	8.4
Ordinary income	19,499	16.2	21,000	14.0	3.1
Net income attributable to owners of the parent	14,321	11.9	15,100	10.1	0.5
Earnings per share (yen)	179.12		191.64		

\* The adjusted percentage changes represent ratios of change by comparing the 12-month results for the current fiscal year for the Company and its consolidated subsidiaries that close their accounts in March (January 1, 2016 to December 31, 2016) with the full-year forecasts for the fiscal year ending December 31, 2017.

The Japanese economy is forecast to continue recovering, supported by continuation of the government's economic recovery program, which is expected to lead to the improvement of corporate earnings and employment. However, we expect the business environment will remain severe due to the unstable global situation.

Under these circumstances, the Kobayashi Pharmaceutical Group will try to develop and deliver new products with unprecedented added value to its customers, with the brand slogan "You make a wish and we make it happen."

In the Domestic Consumer Products Business segment, the Company will launch 11 new products this spring with the aim of stimulating new demand and also strengthen its existing product lineup to accelerate the market. The new products include *Kurocure* (a remedy for darkened elbows and chapped knees) and *Nightomin Nose Breathing Tape* (a nose breathing tape to help bring about a good night's sleep by reducing the sound of snoring). Furthermore, the Company will focus on the skincare business and try to increase sales, mainly of *Keshimin* (skin care series for spots) and *EAUDE MUGE* (a medicated lotion). Overseas, especially in the United States, China and Southeast Asia, the Company will follow a marketing strategy of expanding sales mainly of body warmers, *Netsusama Sheet* (a cooling gel sheet for the forehead) and *Ammeltz* (an external anti-inflammatory).

In the Direct Marketing Business segment, the Company will aggressively carry out a sales promotion campaign using advertisements and direct-mail, mainly for nutritional supplements and skin care products, to cultivate new customers and encourage existing customers to reorder and boost sales.

Through these efforts, the Company is forecast to achieve consolidated net sales of 150,000 million yen (adjusted percentage change +3.6%), operating income of 20,000 million yen (+8.4%), ordinary income of 21,000 million yen (+3.1%) and net income attributable to owners of the parent of 15,100 million yen (+0.5%) in the fiscal year ending December 31, 2017.



## KOBAYASHI PHARMACEUTICAL CO., LTD.

**(2) Analysis of Financial Position**

## Overview of Consolidated Results

Following approval of the proposal “Partial Amendment to the Articles of Incorporation” at the 98th Ordinary General Meeting of Shareholders held on June 29, 2016, the Company changed the book-closing date from March 31 to December 31, effective FY 2016. Accordingly, the current consolidated fiscal year is a transitional period for the change in accounting period, meaning an irregular period, in which the consolidated operating results cover nine months (April 1, 2016 to December 31, 2016) for the Company and its consolidated subsidiaries that close their accounts in March, as opposed to 12 months (January 1, 2016 to December 31, 2016) for its consolidated subsidiaries that close their accounts in December. Therefore, the percentages for year-on-year changes have been omitted in the following tables. Furthermore, the Company implemented a two-for-one common stock split, effective July 1, 2016. Net assets were calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

**(Consolidated Financial Position)**

	Previous Year	Current Year
	(FY ended March 31, 2016)	(FY ended December 31, 2016)
	Amount	Amount
	(millions of yen)	(millions of yen)
Total assets	188,997	201,234
Net assets	142,023	143,320
Shareholders' equity ratio	75.1%	71.2%
Net assets per share (yen)	1,766.06 yen	1,818.10 yen

**(Consolidated Cash Flow)**

	Previous Year	Current Year
	(FY ended March 31, 2016)	(FY ended December 31, 2016)
	Amount	Amount
	(millions of yen)	(millions of yen)
Net cash provided by (used in) operating activities	14,329	16,097
Net cash provided by (used in) investing activities	(10,932)	(519)
Free cash flow	3,396	15,577
Net cash provided by (used in) financing activities	(10,199)	(11,922)
Cash and cash equivalents at period-end	25,428	28,322

The Company's financial position on a consolidated basis is as follows:

Total assets increased by 12,236 million yen from the balance as of the end of the previous fiscal year to 201,234 million yen. This was mainly attributable to a decrease of 3,255 million yen in cash and deposits, an increase of 10,956 million yen in notes and accounts receivable-trade, a rise of 1,000 million yen in securities, a decline of 1,156 million yen in merchandise and finished goods, and a growth of 1,187 million yen in goodwill, etc.

Liabilities increased by 10,939 million yen from the balance as of the end of the previous fiscal year to 57,914 million yen. This was mainly attributable to an increase of 1,027 million yen in notes and accounts payable-trade, a rise of 1,330 million yen in electronically recorded obligations—operating, a growth of 5,773 million yen in accounts payable-other, and an increase of 1,568 million yen in income taxes payable, etc. Net assets increased by 1,296 million yen from the balance as of the end of the previous consolidated fiscal year to 143,320 million yen, bringing the capital adequacy ratio to 71.2%. This was mainly attributable to an increase of 10,414 million yen in retained earnings, a rise of 7,908 million yen in treasury shares, and a decrease of 987 million yen in foreign currency translation adjustment, etc.

## Cash flows from operating activities

Net cash provided by operating activities totaled 16,097 million yen. Major factors affecting this cash flow were: income before income taxes of 19,802 million yen, depreciation of 2,112 million yen, decrease in net defined benefit liability of 1,582 million yen, increase in notes and accounts receivable-trade of 11,045 million yen, decrease in inventories of 1,147 million yen, increase in notes and accounts payable-trade of 2,327 million yen, increase in accounts payable-other of 5,955 million yen, interest and dividend income received of 528 million yen, and income taxes paid of 3,703 million yen.

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## Cash flows from investing activities

Net cash used in investing activities totaled 519 million yen. Major factors affecting this cash flow were: payments into time deposits of 63,870 million yen, proceeds from the withdrawal of time deposits of 69,021 million yen, the purchase of property, plant and equipment of 2,850 million yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 2,469 million yen.

## Cash flows from financing activities

Net cash used in financing activities totaled 11,922 million yen. Major factors affecting this cash flow were: purchase of treasury shares of 8,054 million yen, proceeds from disposal of treasury shares of 91 million yen, and dividend payment of 3,919 million yen.

Consequently, cash and cash equivalents as of December 31, 2016 totaled 28,322 million yen, an increase of 2,894 million yen from the end of the previous fiscal year.

## Forecast for Year Ending December 31, 2017

Although the business environment will remain severe, we will make further efforts to improve the operating cash flow, including inventory reduction, in accordance with the policy to improve the efficiency of investment capital.

As for the facility investments constantly needed for product development, we plan to make the same level of investment as in the fiscal year ending December 31, 2017. As for investments other than facility investments, we plan to make the same level of investment as in the fiscal year ending December 31, 2017 since we currently do not have major investment plans.

## Trend of Cash Flow Indicators

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015	As of March 31, 2016	As of December 31, 2016
Shareholders' equity ratio (%)	73.1	74.2	74.8	75.1	71.2
Shareholders' equity ratio on a market price basis (%)	118.5	142.5	187.9	210.0	195.8
Ratio of net cash to interest-bearing liabilities (year)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	503.4	1,492.3	929.4	740.5	738.6

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market price basis: Total market value of shares/Total assets

Ratio of net cash to interest-bearing liabilities: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

\* These indicators are calculated based on consolidated financial results.

\* Total market value of stock is calculated by the following formula: closing price at period-end x outstanding shares at period-end (excluding treasury shares).

\* Operating cash flow is based on net cash provided by operating activities reported on the consolidated statement of cash flow. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the consolidated statement of cash flow.

## (3) Basic Policy for Profit Distribution and Dividend Payments for Fiscal Year Ended December 31, 2016 and Fiscal Year Ending December 31, 2017

The Company regards returns to shareholders as one of its most important management programs, and has been striving to enhance corporate value by generating higher cash flow. To that end, it will maintain healthy management and actively invest in businesses with high growth potential. While setting the stable payment of dividends as its basic policy, the Company aims to enhance returns to shareholders by paying reasonable dividends based on the consolidated operational results of the company.

According to the above policy, the Company pays dividends twice a year (an interim dividend and a year-end dividend) and proposes to pay a regular dividend to shareholders of 52 yen, up 4 yen from the previous forecast (including an interim dividend of 25 yen per share already paid and a year-end dividend of 27 yen per share) for the year ended December 31, 2016. For the year ending December 31, 2017, the Company plans to pay a regular dividend of 52 yen per share (including an interim dividend of 26 yen per share and a year-end dividend of 26 yen per share).

## KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Consolidated Financial Statements  
(1) Consolidated Balance Sheet

	(millions of yen)	
	Previous consolidated fiscal year (March 31, 2016)	Current consolidated fiscal year (December 31, 2016)
<b>ASSETS</b>		
Current assets		
Cash and deposits	61,428	58,173
Notes and accounts receivable-trade	36,088	47,045
Short-term investment securities	4,500	5,500
Merchandise and finished goods	10,378	9,222
Work in process	777	751
Raw materials and supplies	2,796	2,832
Deferred tax assets	2,772	2,899
Other	1,681	2,267
Allowance for doubtful accounts	(75)	(45)
Total current assets	120,347	128,646
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,082	8,377
Machinery, equipment and vehicles, net	3,131	3,478
Tools, furniture and fixtures, net	1,351	1,407
Land	3,380	3,552
Leased assets, net	675	628
Construction in progress	1,564	388
Total property, plant and equipment	17,187	17,833
Intangible assets		
Goodwill	3,542	4,729
Trademark rights	29	21
Software	1,078	962
Other	684	1,509
Total intangible assets	5,334	7,223
Investments and other assets		
Investment securities	39,656	40,281
Long-term loans receivable	643	171
Deferred tax assets	321	383
Real estate for investment, net	2,992	2,967
Other	2,653	3,991
Allowance for doubtful accounts	(139)	(265)
Total investments and other assets	46,128	47,529
Total non-current assets	68,650	72,587
Total assets	188,997	201,234

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Current consolidated fiscal year (December 31, 2016)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	7,141	8,169
Electronically recorded obligations—operating	6,519	7,849
Short-term loans payable	181	192
Accounts payable-other	14,417	20,191
Lease obligations	66	56
Income taxes payable	1,788	3,357
Accrued consumption taxes	751	1,090
Provision for sales returns	1,478	1,409
Provision for bonuses	1,996	1,147
Asset retirement obligations	24	37
Other	2,114	3,472
Total current liabilities	36,481	46,975
Non-current liabilities		
Lease obligations	618	581
Deferred tax liabilities	3,184	3,841
Net defined benefit liability	4,477	4,337
Provision for directors' retirement benefits	31	33
Asset retirement obligations	86	80
Other	2,093	2,063
Total non-current liabilities	10,492	10,938
Total liabilities	46,974	57,914
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,450	3,450
Capital surplus	4,953	4,958
Retained earnings	137,486	147,901
Treasury stock	(13,179)	(21,088)
Total shareholders' equity	132,710	135,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,860	9,481
Deferred gains or losses on hedges	(38)	40
Foreign currency translation adjustment	1,668	680
Re-measurements of retirement benefit plans	(1,327)	(2,171)
Total accumulated other comprehensive income	9,163	8,031
Subscription rights to shares	75	67
Noncontrolling interests	75	—
Total net assets	142,023	143,320
Total liabilities and net assets	188,997	201,234

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement  
(Consolidated Income Statement)

(millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to December 31, 2016)
Net sales	137,211	120,051
Cost of sales	57,518	48,638
Gross profit	79,693	71,412
Selling, general and administrative expenses		
Promotion expenses	9,653	8,159
Freight and warehousing expenses	5,629	4,521
Advertising expenses	15,994	17,049
Provision of allowance for doubtful accounts	18	31
Salaries, allowances and bonuses	9,778	8,018
Retirement benefit expenses	620	544
Provision for directors' retirement benefits	4	2
Taxes and dues	404	453
Depreciation	635	525
Amortization of goodwill	484	513
Rent	1,454	1,129
Commission fees	4,800	4,069
Research and development expenses	5,788	4,121
Other	6,166	4,863
Total selling, general and administrative expenses	61,432	54,003
Operating income	18,260	17,409
Non-operating income		
Interest income	267	184
Dividend income	371	355
Real estate rent	290	221
Foreign exchange gains	—	50
Compensation income	—	1,900
Other	609	234
Total non-operating income	1,537	2,946
Non-operating expenses		
Interest expenses	33	21
Sales discounts	688	583
Rent cost of real estate	70	59
Share of loss of entities accounted for using equity method	607	—
Foreign exchange losses	222	—
Provision of allowance for doubtful accounts	45	86
Other	181	105
Total non-operating expenses	1,847	855
Ordinary income	17,949	19,499

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to December 31, 2016)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	8	4
Gain on sales of investment securities	7	1,795
Gain on sales of subsidiaries and affiliates' stocks	1,378	7
Other	0	0
Total extraordinary income	1,395	1,807
<b>Extraordinary loss</b>		
Loss on disposal of non-current assets	85	118
Impairment loss	126	1,342
Loss on business liquidation	110	9
Loss on valuation of subsidiaries and affiliates' stocks	50	—
Loss on defective products	195	—
Other	22	35
Total extraordinary loss	589	1,505
Income before income taxes	18,755	19,802
Income taxes - current	4,915	5,223
Income taxes - deferred	384	321
Total income taxes	5,300	5,544
Net income	13,455	14,257
Net income (loss) attributable to noncontrolling interests	(10)	(64)
Net income attributable to owners of the parent	13,466	14,321

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (Consolidated Comprehensive Income Statement)

(millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to December 31, 2016)
Net income	13,455	14,257
Other comprehensive income		
Valuation difference on available-for-sale securities	1,308	620
Deferred gains or losses on hedges	(187)	78
Foreign currency translation adjustment	(210)	(998)
Adjustment for retirement benefits	(474)	(843)
Share of other comprehensive income of associates accounted for using equity method	(1,354)	—
Total other comprehensive income	(917)	(1,142)
Comprehensive income	12,537	13,114
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	12,552	13,189
Comprehensive income attributable to noncontrolling interests	(15)	(75)

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (3) Consolidated Statement of Shareholders' Equity Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,219	127,858	(6,207)	129,320
Change during current period					
Dividends from surplus			(3,838)		(3,838)
Net income attributable to owners of the parent			13,466		13,466
Change of scope of consolidation					
Purchase of treasury stock				(8,002)	(8,002)
Disposal of treasury shares		733		1,029	1,763
Net changes of items other than shareholders' equity					
Total change during current period	—	733	9,627	(6,972)	3,389
Balance at current period-end	3,450	4,953	137,486	(13,179)	132,710

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of retirement benefit plans	Accumulated other comprehensive income total			
Balance at period start	7,553	1,359	1,874	(710)	10,076	191	22	139,611
Change during current period								
Dividends from surplus								(3,838)
Net income attributable to owners of the parent								13,466
Change of scope of consolidation								
Purchase of treasury stock								(8,002)
Disposal of treasury shares								1,763
Net changes of items other than shareholders' equity	1,307	(1,398)	(205)	(616)	(913)	(116)	52	(977)
Total change during current period	1,307	(1,398)	(205)	(616)	(913)	(116)	52	2,412
Balance at current period-end	8,860	(38)	1,668	(1,327)	9,163	75	75	142,023



# KOBAYASHI PHARMACEUTICAL CO., LTD.

Current consolidated fiscal year (April 1, 2016 to December 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at period start	3,450	4,953	137,486	(13,179)	132,710
Change during current period					
Dividends from surplus			(3,925)		(3,925)
Net income attributable to owners of the parent			14,321		14,321
Change of scope of consolidation			18		18
Purchase of treasury stock				(8,003)	(8,003)
Disposal of treasury stock		5		94	99
Net changes of items other than shareholders' equity					
Total change during current period	—	5	10,414	(7,908)	2,511
Balance at current period-end	3,450	4,958	147,901	(21,088)	135,221

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Accumulated other comprehensive income total			
Balance at period start	8,860	(38)	1,668	(1,327)	9,163	75	75	142,023
Change during current period								
Dividends from surplus								(3,925)
Net income attributable to owners of the parent								14,321
Change of scope of consolidation								18
Purchase of treasury stock								(8,003)
Disposal of treasury stock								99
Net changes of items other than shareholders' equity	620	78	(987)	(843)	(1,131)	(7)	(75)	(1,214)
Total change during current period	620	78	(987)	(843)	(1,131)	(7)	(75)	1,296
Balance at current period-end	9,481	40	680	(2,171)	8,031	67	—	143,320

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## (4) Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to December 31, 2016)
<b>Cash flow from operating activities</b>		
Income before income taxes	18,755	19,802
Depreciation	2,587	2,112
Loss on valuation of subsidiaries and affiliates' stocks	50	—
Impairment loss	126	1,342
Amortization of goodwill	484	513
Increase (decrease) in allowance for doubtful accounts	38	102
Increase (decrease) in net defined benefit liability	(1,808)	(1,582)
Decrease (increase) in net defined benefit assets	286	—
Interest and dividends income	(638)	(539)
Interest expenses	33	21
Equity in (earnings) losses of affiliates	607	—
Loss (gain) on sales of shares of subsidiaries and associates	(1,378)	(7)
Loss (gain) on sales of investment securities	(7)	(1,795)
Loss (gain) on sales and retirement of non-current assets	81	113
Decrease (increase) in notes and accounts receivable-trade	(282)	(11,045)
Decrease (increase) in inventories	(1,534)	1,147
Increase (decrease) in notes and accounts payable-trade	164	2,327
Increase (decrease) in accounts payable-other	1,882	5,955
Increase (decrease) in accrued consumption taxes	(705)	346
Other	1,318	481
<b>Total</b>	<b>20,059</b>	<b>19,294</b>
Interest and dividend income received	705	528
Interest expenses paid	(19)	(21)
Income taxes paid	(6,416)	(3,703)
<b>Net cash provided by (used in) operating activities</b>	<b>14,329</b>	<b>16,097</b>
<b>Cash flow from investing activities</b>		
Payments into time deposits	(83,000)	(63,870)
Proceeds from withdrawal of time deposits	73,000	69,021
Purchase of property, plant and equipment	(3,381)	(2,850)
Proceeds from sales of property, plant and equipment	20	6
Purchase of intangible assets	(666)	(635)
Purchase of investment securities	(23)	(18)
Proceeds from sales of investment securities	338	315
Purchase of investment assets and other assets	(106)	(63)
Proceeds from sales of investment assets and other assets	42	96
Decrease (increase) in short-term loans receivable	(97)	2
Payments of long-term loans receivable	—	(73)
Collection of long-term loans receivable	28	1
Proceeds from sales of stocks of subsidiaries and affiliates	2,961	19
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,469)
Other	(49)	0
<b>Net cash provided by (used in) investing activities</b>	<b>(10,932)</b>	<b>(519)</b>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to December 31, 2016)
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term loans payable	140	11
Purchase of treasury stock	(8,109)	(8,054)
Proceeds from disposal of treasury stock	1,624	91
Cash dividends paid	(3,837)	(3,919)
Repayments of lease obligations	(94)	(52)
Proceeds from share issuance to noncontrolling interests	76	—
Net cash provided by (used in) financing activities	(10,199)	(11,922)
Effect of exchange rate change on cash and cash equivalents	(167)	(760)
Net increase (decrease) in cash and cash equivalents	(6,971)	2,894
Cash and cash equivalents at beginning of period	32,399	25,428
Increase in cash and cash equivalents from newly consolidated subsidiary	—	0
Cash and cash equivalents at end of period	25,428	28,322

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 3. Information on the Amount of Net Sales, Income or Loss, Assets and Other Items by Reportable Segments

Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	106,963	18,997	8,538	134,500	2,711	137,211	—	137,211
Inter-segment sales and transfers	5,068	1,875	—	6,943	4,624	11,568	(11,568)	—
Total	112,032	20,872	8,538	141,443	7,335	148,779	(11,568)	137,211
Segment income	16,599	675	39	17,314	908	18,223	(273)	17,949
Segment assets	64,713	21,361	1,407	87,481	9,670	97,152	91,845	188,997
Other items								
Depreciation	1,740	250	44	2,035	152	2,188	398	2,587
Goodwill depreciation	4	480	—	484	—	484	—	484
Interest income	35	15	1	52	250	302	(35)	267
Interest expenses	—	36	—	36	32	68	(35)	33
Equity in losses of affiliates	—	—	—	—	(607)	(607)	0	(607)
Increase in property, plant, and equipment and intangible assets	3,190	334	46	3,571	318	3,889	428	4,317

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, and advertisement planning and production.
  2. Adjustment details are as follows:
    - (1) Adjustments of -273 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (2) Assets of group companies included in Adjustment totaled 97,314 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
    - (3) Depreciation of 398 million yen posted in Adjustment is depreciation related to the assets of group companies.
    - (4) Interest income of -35 million yen and interest expenses of -35 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (5) Equity in losses of affiliates of 0 million yen posted in Adjustment is the adjustment of inventory.
    - (6) Increase in property, plant, and equipment and intangible assets of 428 million yen posted in Adjustment is an increase in the assets of group companies.
  3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
  4. Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

Current consolidated fiscal year (April 1, 2016 to December 31, 2016)

(millions of yen)

	Reportable Segments				Other (Note 1)	Grand Total	Adjustment (Note 2)	Consolidated (Note 3)
	Domestic Consumer Products Business	Overseas Consumer Products Business	Direct Marketing Business	Total				
Net sales								
Net sales to outside customers	92,955	18,026	7,159	118,141	1,910	120,051	—	120,051
Inter-segment sales and transfers	4,546	947	—	5,494	3,615	9,110	(9,110)	—
Total	97,502	18,974	7,159	123,636	5,525	129,161	(9,110)	120,051
Segment income	16,325	638	(283)	16,680	2,809	19,489	10	19,499
Segment assets	74,096	24,414	1,561	100,071	11,559	111,631	89,602	201,234
Other items								
Depreciation	1,384	284	26	1,695	134	1,829	283	2,112
Goodwill depreciation	14	498	—	513	—	513	—	513
Interest income	16	32	—	48	186	234	(50)	184
Interest expenses	5	42	0	47	25	72	(51)	21
Equity in losses of affiliates	—	—	—	—	—	—	—	—
Increase in property, plant, and equipment and intangible assets	2,831	3,118	31	5,981	155	6,137	132	6,269

- (Notes)
1. *Other* represents businesses that are not included in reportable segments, such as the medical devices business, transportation business, manufacture and sale of plastic containers, insurance agency, real estate management, and advertisement planning and production.
  2. Adjustment details are as follows:
    - (1) Adjustments of 10 million yen in segment income are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (2) Assets of group companies included in Adjustment totaled 97,971 million yen, mainly consisting of extra funds for investment by the parent company (cash and securities), funds for long-term investment (investment securities), and assets related to administrative departments.
    - (3) Depreciation of 283 million yen posted in Adjustment is depreciation related to the assets of group companies.
    - (4) Interest income of -50 million yen and interest expenses of -51 million yen posted in Adjustment are eliminations among segments, and profits and expenses not distributed to the relevant business segment.
    - (5) Increase in property, plant, and equipment and intangible assets of 132 million yen posted in Adjustment is an increase in the assets of group companies.
  3. Segment income is adjusted with ordinary income presented in Consolidated Financial Statements.
  4. Increase in depreciation, property, plant, and equipment and intangible assets includes an increase in long-term prepaid expenses and amortization of long-term prepaid expenses.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

(Important subsequent events)

(Retirement of treasury stock and reversal of the general reserve)

At its meeting held on February 1, 2017, the board of directors of the Company resolved that the treasury stock held by the company be retired in accordance with Article 178 of the Companies Act, and that the general reserve be reversed in accordance with Article 452 and Article 459 (1) of the Companies Act.

## 1. Retirement of treasury stock

- (1) Type of stock to be retired: Common stock shares of the Company
- (2) Number of shares to be retired: 3,000,000 shares  
(Ratio to total outstanding shares before retirement: 3.53%)
- (3) Scheduled retirement date: February 17, 2017
- (4) Total outstanding shares after retirement: 82,050,000 shares
- (5) Objective: Increase shareholders' interest by reducing the total number of outstanding shares

## 2. Reversal of general reserve

- (1) Description of transaction: Reserve to be reduced and amount to be reversed  
General reserve 6,000,000,000 yen  
Reserve to be increased and amount to be provided  
Retained earnings carried forward 6,000,000,000 yen
- (2) Objective: A transaction corresponding to the retirement of treasury stock
- (3) Effective date: February 1, 2017

(Disposition of treasury stock by a private placement and buy-back of the Company stock)

At its meeting held on February 1, 2017, the board of directors of the Company resolved that the Company establish the Kobayashi Pharmaceutical Bluebird Foundation (hereinafter, the "Foundation") as a general incorporated foundation, that its treasury stock be disposed of by a private placement (hereinafter, the "Treasury Stock Disposition") and that the company buy back its stock shares in accordance with Article 156 of the Companies Act, which shall be applied by replacing certain words in accordance with Article 165 (3) of the same Act (hereinafter, the "Buy-Back").

The Treasury Stock Disposition and the Buy-Back will be proposed to shareholders at a general meeting of shareholders of the Company to be held in March 2017, and will be implemented upon obtaining shareholders' approval for each proposal at that meeting.

## 1. Establishment of the Foundation

### (1) Purpose of establishing the Foundation

The Foundation will be established with the aim of contributing to improving quality of people's lives and enhancing the COMFORTS of the whole of society by commending and providing financial support widely and stably to individuals and organizations engaged in research and activities that realize the idea of "*Attara lina* (You make a wish and we make it happen)" in the areas of Health (such as disease prevention and actions against lifestyle-related diseases) and Welfare (such as providing support to socially vulnerable persons and needy persons).

### (2) Outline of the Foundation

- (1) Name: The Kobayashi Pharmaceutical Bluebird Foundation
- (2) Address: 1-7-27 Roppongi, Minato-ku, Tokyo
- (3) Director: Akihiro Kobayashi
- (4) Activities: Providing financial support and commendation
- (5) Source fund for activities: Approx. 40 million yen annually

\* The Foundation will conduct its activities by using the source fund comprising money that it will receive as a beneficiary of the trust to which the Company's shares are allocated by the Treasury Stock Disposition described in the following Item 2.

- (6) Scheduled establishment date: May 2017

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 2. Treasury Stock Disposition

### Description of the disposition

- (1) Number of stock shares to be disposed of: 850,000 shares of the Company's common stock
- (2) Disposition value: One yen for one share
- (3) Funds acquired: 850,000 yen
- (4) Method of placement or disposition: Disposition by a private placement
- (5) Acquirer of stock shares (scheduled): The Master Trust Bank of Japan, Ltd.
- (6) Scheduled disposition date: to be determined
- (7) The Treasury Stock Disposition will be proposed to, and requires the special approval for advantageous stock issuance of, the shareholders at the general meeting of shareholders of the Company to be held in March 2017. The exact date of disposition and other matters will be determined by the board of directors after the proposal is approved at the general meeting of shareholders.

## 3. Objective and reason for the disposition

Under the brand slogan of "You make a wish and we make it happen," the Company has realized its management principle to "deliver great COMFORTS to people and society" through the provision of medical drugs, fragrances and deodorizers, skin care products, supplements, daily goods and other items across extensive fields.

The extension of the healthy life expectancy is one of the major social issues facing Japan as the aging of the population has been progressing and living environments are undergoing change. The issues of poverty and social inequality pertaining to the physically challenged, single parents and other socially vulnerable people are also becoming increasingly serious. Under these circumstances, the Company has carried out various social activities as part of its ESG (Environment, Society and Governance) activities, including food aid for single-mother families, support for the training of guide dogs, and support for earthquake disaster reconstruction.

The Foundation will be established as a memorial business to celebrate the 100th anniversary of the Company, with the aim of contributing to making people's lives more affluent and enhancing COMFORTS for the whole of society, by commending and providing financial support to researches and activities that realize the idea of "You make a wish and we make it happen" in the Health and Welfare areas. We believe these activities will contribute to the continuous business growth and mid- and long-term corporate value of the Kobayashi Pharmaceutical Group.

To support the social activities of the Foundation on an ongoing basis, the Company will form a third-party benefit trust (hereinafter, the "Trust"), naming Mitsubishi UFJ Trust and Banking Corporation as a trustee, the Master Trust Bank of Japan, Ltd. as a co-trustee, and the Foundation as the beneficiary, and the Trust will acquire stock shares of the Company. The Trust will deliver its revenues, including stock dividends received from the Company, to the Foundation, and the Foundation will add these trust revenues to its source funds for the activities and use them for its activities.

The Treasury Stock Disposition will be implemented to allocate the Company's shares to the Trust to be formed in order to provide source funds for the social activities of the Foundation.

## 4. Amount to be procured, purpose and scheduled timing of payment

### (1) Amount to be procured

- (i) Total amount to be paid: 850,000 yen
- (ii) Approximate issuance expenses: 0 yen
- (iii) Approximate net proceeds: 850,000 yen

### (2) Specific use purpose of the procured fund

The approximate net proceeds above are planned to be used to pay for services of lawyers and other expenses necessary for establishing this program.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 5. Treasury Stock Buy-Back

### (1) Reason for Buy-Back

The Buy-Back will be implemented to avoid dilution of the stock value by the Treasury Stock Disposition described in Item 2 above, and to improve the capital efficiency and implement agile capital policies according to the business environment.

### (2) Description of the scheduled buy-back

- (i) Type of stock to be bought back: Common stock shares of the Company
- (ii) Total numbers of stocks allowed to be bought back: 1,000,000 shares (upper limit)  
(The ratio to the total outstanding shares (excluding the treasury stock): 1.27%)
- (iii) Total amount of the Buy-Back: 5,000,000,000 yen (upper limit)
- (iv) Buy-back period: Since the closing of the annual general shareholders' meeting to be held in March 2017 to June 23, 2017
- (v) Buy-back method: Market trading on the Tokyo Stock Exchange
- (vi) Others: This Buy-Back will be implemented on the condition that the Treasury Stock Disposition described in Item 2 is approved by shareholders at the general meeting of shareholders.

(Reference) Treasury stock status as of December 31, 2016  
Total outstanding shares: 85,050,000 shares  
Treasury stock: 6,257,437 shares