



2021

Maruho Report

▶ For the fiscal year ended September 2021

Corporate Credo

Pursuit of Truth

Our philosophy and fundamental way of thinking

Understanding the way things actually are,
and envisioning the way they should be

Basic Management Policy

Using the common platform of Maruho, we will pursue Truth as individuals, employees, and members of society

The standard for determining our day-to-day actions

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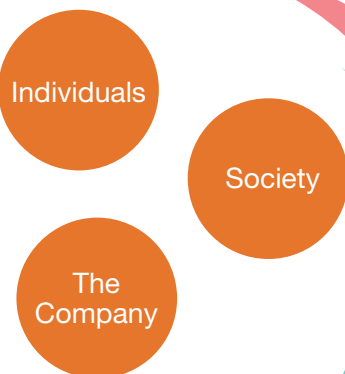
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Publication of Maruho Report 2021

Maruho Report 2021 is published by Maruho Co., Ltd. (hereinafter, "Maruho") to report its activities. The objective of this report is to provide its stakeholders with details of the activities conducted by Maruho, as well as its growth strategies, financial and non-financial information, business overview, and contributions to society, and to make them understood.

Report Period

From October 1, 2020 to September 30, 2021
This report includes some activities not conducted during this period.



Maruho's Co-creation



Maruho aims to help realize a society where everyone can live with a smile.

Maruho's history began with its founder, Eikuma Koba, who had a long-cherished desire to "Contribute to society through medicine."

Over the more than 100 years since our founding, we have developed various businesses, focusing mainly on prescription drugs.

Under our Corporate Credo and Basic Management Policy, using the common platform of Maruho, we will pursue Truth as individuals, employees, and members of society. Our corporate logo is based on this philosophy, and it also symbolizes individuals, the Company, and society as targets for our services.

Through co-creation of these three circles, we will work to increase the Group's value-creating power and aim for sustainable growth.

History of the Maruho Group

We respect autonomous and specialized business management of each of the Maruho Group companies, which are engaged in various businesses such as medical drugs, diagnostic drugs, medical devices, and self-care.

Through co-creation of technologies and know-how with the Group companies, we aim to help realize a society where everyone can live with a smile.

Maruho Hatsujiyo Kogyo Co.,Ltd.

Started as the springs division within Maruho in 1952, became a company in 1954. Maruho Hatsujiyo Kogyo conducts businesses in the three key areas of springs, medical devices and components, and machinery. With its strong consulting ability based on its precise metal processing technology and compact machinery design/manufacturing skills, the Company responds to the needs of customers in the automobile and other key industries in Japan, as well as the growing areas of pharmaceutical and medical device industries.



Springs business



Medical devices and components business



Machinery business

1915

1950

1990

2002

Leap into the fields of orthopedics and surgery



1922-1977

Asthma treatment injection Sales of Asthmolysin starts
Dr. Kade Pharmazeutische Fabrik GMBH (Germany) launched *Asthmolysin*, an intravenous drug for the treatment of asthma. It became Maruho Shouten's flagship product and contributed to establishing the Maruho brand.



1954-

Anticoagulant and blood circulation promoter Launched Hirudoid (currently Hirudoid Cream)

Launched *Hirudoid* made by Luitpold Welk Pharmaceuticals (Germany). At the time, it was used as an anticoagulant and blood circulation promoter for the treatment of orthopedic and surgical diseases.

Specializing in topical drugs



1965-

Hemorrhoids treatment agent Launched Posterisan forte (Ointment)

Japan's first single-use hemorrhoids treatment agent. It is clean, easy to use, and still prescribed for the treatment of patients.



1968-2006

Percutaneous compound anti-inflammatory agent Launched Mobilat Ointment

It was used by many doctors as Japan's first drug to reduce swelling and relieve pain in orthopedic diseases.

Establishment of topical drug brand and expansion into dermatology



1984-1993

Articular cartilage protective agent Launched Arteparon

Launched an articular cartilage protective agent as a new product in orthopedics.



1998-2017

Transdermal bronchodilator Launched Hokunalin Tape
Launched as the world's first patch-type long-acting bronchodilator.

Maruho Co., Ltd.



Eikuma Koba



Mulford Company buildings



Porter Prize

In 1915, founder Eikuma Koba opened Maruho Shouten as a manufacturer and wholesaler of drugs in Dosho-machi, Osaka. Through its initial business of introducing advanced drugs from overseas and manufacturing and selling them in Japan, the company contributed to the health and better lives of people.

In 1965, the company was renamed Maruho Co., Ltd., our present name. In recent years, Maruho has adopted the strategy of focusing on dermatology and evolved into a company that is trusted by medical professionals and patients.

The Company name Maruho comes from Mulford Company, U.S. (now Merck & Co., Inc.), a U.S. pharmaceutical company, with which Maruho entered into an agreement on dealership in Japan in 1915.

* In 2007, Maruho won the Porter Prize, a prize which recognizes outstanding business models, for its unique strategy specializing in dermatology.

Net sales (Consolidated)

96,754

(Millions of yen)

Tateyama Pharmaceutical
Factory Co., Ltd.Maruho Deutschland
GmbH (Germany)

Maruho Medical, Inc. (U.S.)

Kose Maruho Pharma Co., Ltd.

Maruho America Inc. (U.S.)

Roman Industries Co., Ltd.

2012

2013

2018

2019

2020

Establishment of
a dermatology brand

1996–

**Blood-flow accelerative/
skin-moisturizing agent
“Hirudoid” series**

In 1990, acquired additional indication of Asteatosis for *Hirudoid*. Launched numerous products, such as *Hirudoid Soft* (currently *Hirudoid Soft Ointment*) and *Hirudoid Lotion*.



2001–

**Treatment agent for keratosis
including psoriasis vulgaris
Launched Oxazol Ointment**

Widely accepted by dermatologists as a topical agent for the treatment of psoriasis vulgaris with high safety and effectiveness. This became an opportunity to establish Maruho's topical drug speciality.



2015–

**Acne vulgaris treatment agent
BEPIO Gel**

The first acne vulgaris treatment agent using benzoyl peroxide as an active ingredient in Japan, able to inhibit bacteria from developing resistance. Developed by Maruho in response to a request from related authorities.



2016–

**Infantile hemangioma treatment agent
Hemangioli Syrup for Pediatric**

The first treatment agent in Japan for infantile hemangioma (strawberry hemangioma), a kind of red birthmark that occurs from the neonatal period to early infancy, developed and launched in response to a request from related authorities.



2017–

**Anti-herpes virus agent
Amenalief Tablets**

Launched as the world's first treatment agent against herpes zoster effective when taken once a day.

Major Affiliated Companies

Maruho Hatsujyo Kogyo Co., Ltd.

Manufacture and sales of springs and packaging machines

Tateyama Pharmaceutical Factory Co., Ltd.

Manufacture of pharmaceutical products

Roman Industries Co., Ltd.

Manufacture and sales of pharmaceutical products

Kose Maruho Pharma Co., Ltd.

Planning, development, marketing, and sales of over-the-counter (OTC) drugs, quasi-drugs, and cosmetics

Maruho Deutschland GmbH

Development of pharmaceutical business in Europe

Biofrontera AG (Germany)

Mainly funding for group companies in the U.S. and Europe that develop and sell pharmaceutical products

Maruho Israel Innovation Fund

GmbH & Co. KG (Germany)
Investment in pharmaceutical venture companies, etc.

**Maruho Israel Innovation Labs Ltd.
(Israel)**

Operation and development support of investee companies

Maruho America Inc. (U.S.)

Development of pharmaceutical subsidiaries

Maruho Medical, Inc. (U.S.)

Manufacture and sales of medical affiliates

Consolidated subsidiaries

Equity-method affiliates

Financial Highlights

Net sales

(Consolidated): As of September 30 (Millions of yen)

	2016	2017	2018	2019	2020	2021
Net sales	76,722	86,902	85,209	89,171	88,954	96,754

Operating profit

	2016	2017	2018	2019	2020	2021
Operating profit	7,424	14,731	10,631	12,347	12,333	21,942
Ratio of operating profit to net sales (%)	9.7	17.0	12.5	13.8	13.9	22.7

Profit attributable to owners of parent

	2016	2017	2018	2019	2020	2021
Profit attributable to owners of parent	2,272	8,463	2,976	12,737	6,318	14,902

Total net assets / Total assets

	2016	2017	2018	2019	2020	2021
Total net assets	99,984	108,985	110,478	120,217	127,825	142,857
Total assets	137,554	145,096	143,286	142,908	151,394	164,257
Equity-to-asset ratio (%)	69.7	72.1	77.1	84.1	83.7	86.3

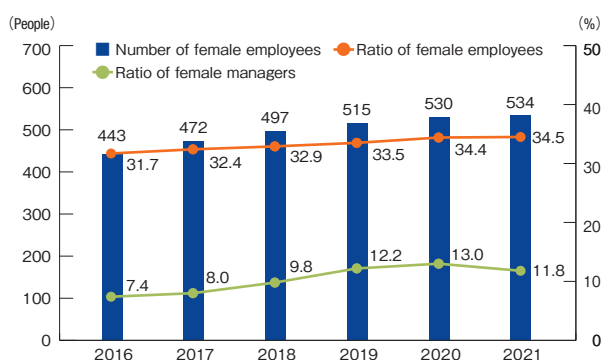
Pharmaceutical business net sales / R&D expenses

	2016	2017	2018	2019	2020	2021
Pharmaceutical business net sales	70,074	79,965	78,760	80,717	80,849	87,724
R&D expenses	18,019	14,405	13,203	12,276	15,168	12,273
Ratio of R&D expenses to net sales (%)	25.7	18.0	16.8	15.2	18.8	14.0

Non-financial Highlights

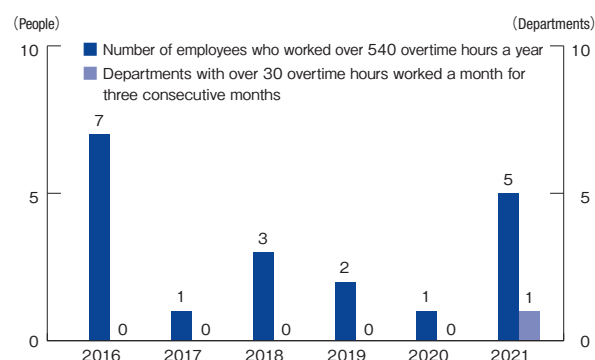
Number of female employees / Ratio of female managers

(Non-consolidated): As of September 30



Overtime work frequency (employees / departments)

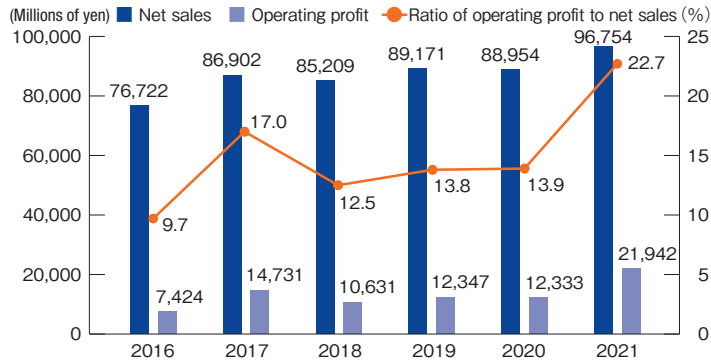
(Non-consolidated): As of September 30



Maruho strives to provide every employee with opportunities to autonomously grow and play an active role, while establishing a safe and healthy workplace environment.

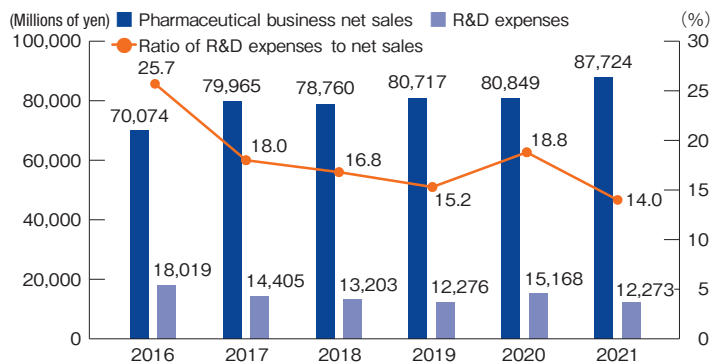
Starting from October 2021, the targets to be achieved by September 2024 are a female manager ratio of more than 15%, zero individuals working over 540 overtime hours a year, and zero departments with over 30 overtime hours worked a month for three consecutive months.

Net sales / Operating profit / Ratio of operating profit to net sales (Consolidated): As of September 30



Although net sales for the fiscal year ended September 2016 were 76,722 million yen, sales of new products (including in-licensed products) launched in and after 2015 showed a steady increase. In the fiscal year ended September 2021, despite the impact of the revision of drug prices and the replacement with generic drugs at medical institutions, both net sales and operating profit reached record highs of 96,754 million yen and 21,942 million yen, respectively, mainly due to an increase in sales of our main products and steady growth of new businesses.

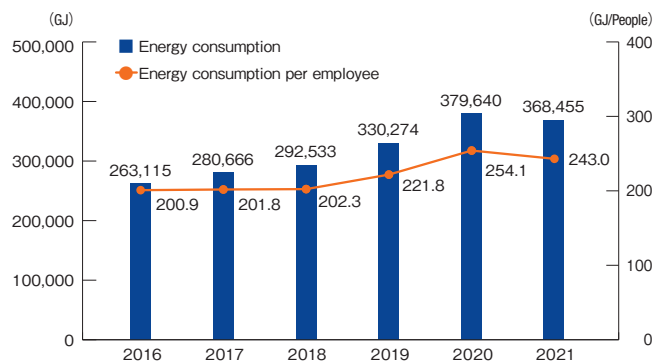
Pharmaceutical business net sales / R&D expenses / Ratio of R&D expenses to net sales (Consolidated): As of September 30



We set certain standards for R&D expenses and actively invest profits from our business operations in R&D activities conducted internally or through collaboration with partners both inside and outside Japan. As a result, we have launched eight items (including in-licensed products) since 2016. During the fiscal year under review, we made active investments and obtained favorable test results for recurrent herpes simplex treatment agent (M5220B) and primary axillary hyperhidrosis treatment agent (M6060), which are under development. We will continue to promote resource management with clear priorities and create products to satisfy the unmet medical needs of patients.

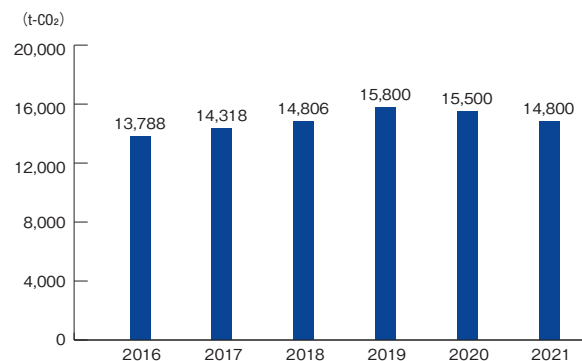
Energy consumption / Energy consumption per employee

(Non-consolidated): As of March 31



CO₂ emissions

(Non-consolidated): As of March 31



Energy consumption in fiscal 2020 (April 2019 to March 2020) increased due to construction of a new building at the Hikone Plant. However, we were able to reduce energy consumption in fiscal 2021 (April 2020 to March 2021) by 4.4% from the previous fiscal year by optimizing operation hours of air conditioning and utilizing energy-saving control. We were also able to reduce energy consumption at the Nagahama Plant by 1.5% from the previous fiscal year by improving production efficiency and streamlining manufacturing operations while optimizing operation hours of air conditioning. Emissions of the greenhouse gas CO₂ were reduced by 4.5% from the previous fiscal year due to the effect of energy-saving efforts. We will continue to make efforts for energy conservation and CO₂ emissions reduction.

Message from the President & CEO



Atsushi Sugita

Representative Director, President & CEO

As a pharmaceutical company specializing in dermatology, being considerate of the feelings of each and every patient, we aim to realize a society where everyone can live with a smile.

In December 2020, I was appointed Representative Director, President & CEO of Maruho Co., Ltd., a company with over 100 years of history. Since then, I have been devoting all my efforts to lead Maruho to a bright future, and I sincerely ask our stakeholders for their continued support.

In 2011, Maruho formulated Long-Term Vision 2011 “Excellence in Dermatology,” aiming to make further contributions in dermatology, clarifying the vision that we desire to realize by 2025. Since that time, under the four key phrases indicating the direction we should take—“Dermatological Network,” “Innovative Concepts,” “Universal Medications with Excellent Value,” and “Global Business”—and based on the strengths we have cultivated over our many years as a pharmaceutical company specializing in dermatology, we have been working to help improve the Quality of Life (QOL) of patients suffering from skin diseases and support the activities of medical professionals.

Long-Term Vision 2011

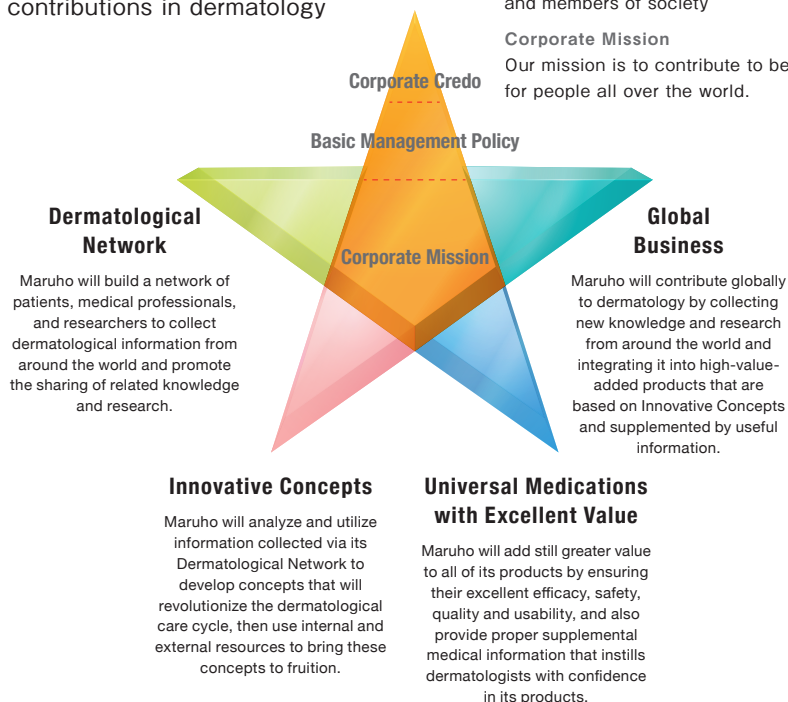
Excellence in Dermatology

Aiming to make outstanding contributions in dermatology

Corporate Credo
Pursuit of Truth

Basic Management Policy
Using the common platform of Maruho, we will pursue Truth as individuals, employees, and members of society

Corporate Mission
Our mission is to contribute to better health for people all over the world.



Business results for the fiscal year ended September 2021

(October 2020 to September 2021)

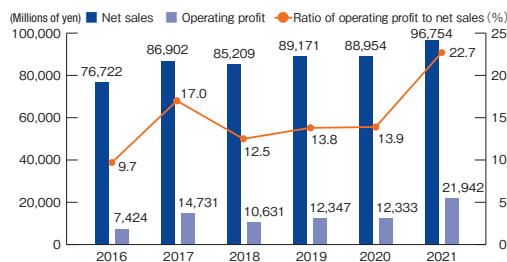
During the fiscal year ended September 2021, our business performance remained solid with both net sales and profits marking record highs. Consolidated net sales increased 8.8% from the previous fiscal year, to 96,754 million yen, and net sales in our pharmaceutical business reached 87,724 million yen (up 8.5% from the previous fiscal year). In terms of profits, we recorded operating profit of 21,942 million yen (up 77.9%) and profit attributable to owners of parent of 14,902 million yen (up 135.9%), both marking a significant increase from the previous fiscal year. It was a meaningful year as our strategic measures and initiatives worked effectively and gave momentum to our efforts to achieve sustainable growth.

Net sales of the Maruho Group

96.7 billion yen

(88.9 billion yen for the previous fiscal year)

Net sales / Operating profit / Ratio of operating profit to net sales



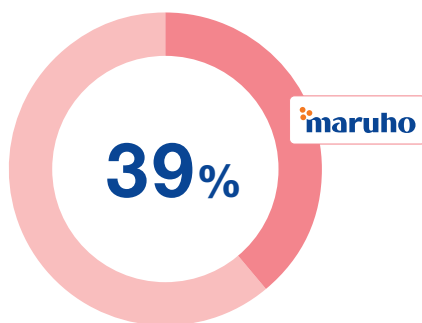
Maruho's expertise and strengths

With its unique know-how and expertise on topical drugs, Maruho contributes to the skin health of patients suffering from a variety of diseases, such as atopic dermatitis, acne, psoriasis, and infectious diseases. In addition to the high-quality products that we provide, information provision activities by our medical representatives (MRs) have also gained a high reputation and trust from dermatologists in Japan.

Another strength is our positive alliances with various partners. We have established partnerships with major pharmaceutical companies based overseas and promoted licensing activities with pharmaceutical companies and research institutes both in Japan and overseas, thereby broadening the possibility of dermatological disease treatment. We have also expanded our business areas through collaboration and partnerships with our Group companies both inside and outside Japan, to provide appropriate solutions to diverse dermatological needs in a wider range of fields, such as diagnostic drugs, medical devices, and self-care. In particular, Maruho Hatsujiyo Kogyo Co., Ltd., which started as a department within Maruho, still maintains close coordination with Maruho today. By utilizing its advanced precision processing technology, it is growing steadily and is engaged in a broad range of businesses, including springs, medical devices and components, and machinery.

No. 1 Sales of Prescription Topical Drugs in Japan

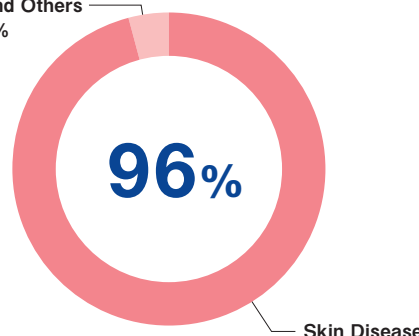
Market Share **No. 1**



Maruho's Sales Composition by Skin Disease Area (Prescription Drugs)

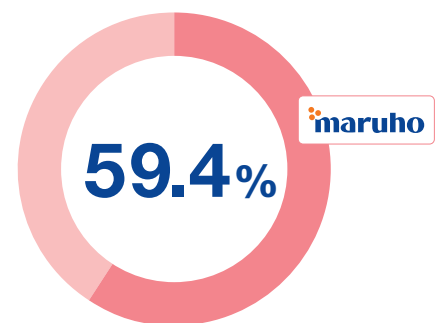
Dermatology **96%**

Coloproctology, Internal Medicine, and Others 4%



Maruho Medical Representatives Ranked No. 1 Overall among Dermatologists in Japan

No. 1



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Internal analysis based on IQVIA JPM Apr. 2020 – Mar. 2021

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Topical drugs: Ointments, liquids, creams, lotions, and gels

(Fiscal year ended September 2021)

Percentage of dermatologists who answered "No. 1 /High" in survey
Created based on a Rep-i web survey for dermatologists in Japan (Aug. 2021) by INTAGE Healthcare Inc.
Aug. 2021 survey: 544 respondents
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With the aim of achieving continuous growth and development, Maruho is establishing a solid management foundation to maintain accountable management. Maintaining a high equity-to-asset ratio, Maruho has received the high rating of “A-” by Rating and Investment Information, Inc. (R&I).

Our values, what only Maruho can provide

We conduct our business according to our Corporate Mission, to contribute to better health for people all over the world. Since before I was president, I repeatedly asked myself what it specifically meant to “contribute to better health for people.” I reached the conclusion that it means to find unmet medical needs, which are overseen or neglected in society, and provide solutions that only Maruho can find, thereby making people smile. This is our mission inherited from our predecessors, and it is what I wish to achieve most as president.

Let me present two examples of our addressing unmet medical needs. Previously, atopic dermatitis was believed to be just an allergic disease. However, in the 1990s, barrier dysfunction of skin became recognized as an important factor and therefore the need for a skin-moisturizing agent arose from medical professionals and patients. In response to such needs, Maruho added a new indication to *Hirudoid*, which had been used as an anticoagulant and blood circulation promoter, and launched it as a skin-moisturizing agent.

Maruho also responds to the needs of patients by providing correct information on diseases. For example, under the Third Medium-Term Plan from October 2017 to September 2020, we worked to promote the correct understanding of acne. We proactively communicated, in person and by digital media, that acne, which was often neglected as a symbol of youth, was a skin disease and that continued treatment is necessary to maintain clear skin without acne scars. Through this communication, we contributed to improving appropriate medical access for patients. Maruho is thus working to make many patients suffering from skin diseases smile by developing and proposing new treatments and by providing proper information.

Fourth Medium-Term Plan

To achieve sustainable growth and further improve our corporate value in the future, it is necessary to formulate strategies and initiatives to be implemented from a medium- to long-term perspective, and ensure the initiatives are implemented. Based on this understanding, in October 2020 Maruho launched the Fourth Medium-Term Plan targeting three years until September 2023 as a concrete step toward realizing Long-Term Vision 2011. In the Fourth Medium-Term Plan, we have set six key strategies. By making steady progress with these strategies, we aim to make further contributions in dermatology.





Strategy 1 Create products for the global market

P.12-13

As the environment surrounding prescription drugs in Japan has been rapidly changing, it is becoming standard to conduct development of new drugs on a global basis. With the appearance of antibody drugs, dermatological drugs are no longer excluded from this trend. To reinforce early-stage drug development for the enhancement of our pipeline, Maruho is undergoing a dynamic shift of its business model to one based on global collaboration, and promoting active alliances with drug discovery ventures and major global firms. We also aim to make our research and development globally competitive by restructuring our organizations related to business development and research and development, to enable prompt decision making in coordination with management.

As for collaboration with overseas firms, we are focusing on Israel, a country boasting high abilities and speed in research and development, where we have established Maruho Israel Innovation Fund GmbH & Co. KG to invest in promising research institutes and ventures overseas, and Maruho Israel Innovation Labs Ltd. to support the investees. So far, we have established a collaboration system to expand our development pipeline, and are currently evaluating and selecting projects from major academic institutions and ventures overseas as in-licensing candidates. To enhance early-stage development in Japan, we opened Maruho Shonan Innovation Lab (MSiL) in 2019 as our next-generation research base. MSiL is engaged in creating new products by establishing industry-academia-government networks and promoting collaborations.

At the same time, we are working to establish a system that can handle a wide range of modalities from small molecules to polymer drugs. We also make active investments in the in-licensing of late-stage development drugs to enhance our pipeline while working to maximize the value of existing products by expanding their indications and adding dosage forms.

Strategy 2 Products and manufacturing plants that are continuously chosen

P.14-15

To make our products and manufacturing plants always trusted and chosen by patients, business partners, and other stakeholders, we must build a system to supply safer and more reliable drugs. Understanding that the most important task of a healthcare company is to ensure a stable supply of products of proper quality, Maruho has been advancing internal production of active pharmaceutical ingredients (APIs) of its main products. At the same time, Maruho has decided to make significant investments in the enhancement of equipment at the Hikone Plant and Tateyama Pharmaceutical Factory Co., Ltd., to establish a solid production system composed of the four bases—Hikone Plant, Nagahama Plant, Tateyama Pharmaceutical Factory, and Roman Industries Co., Ltd.

Strategy 3 High-quality information provision reflecting the voices of patients

P.16-17

In addition to information provision by MRs for medical professionals, Maruho promotes information provision by digital media and various other means for patients and general consumers. In response to concerns that lack of correct understanding about diseases and treatments may lower the QOL of patients, Maruho will continue its commitment to establish close relationships with medical professionals and patients through the provision of correct and useful information.

Strategy 4 Establishing processes for providing value in the global market

P.18

We will globally develop our advanced business models and information provision system which we created in Japan. This strategy is aimed at maximizing our product value through collaborations with partners overseas and contributing to better health for patients around the world. We will focus our efforts on developing and enhancing business bases in the two large markets of China and the United States, with the aim of expanding business opportunities through partnerships and collaborations. We are also building a new development model in which discovered/in-licensed projects will be enhanced and promoted under global cooperation.

Strategy **5** Expand business areas
utilizing the strengths of the
Maruho Group P.19-20

The Maruho Group's growth has been driven mainly by its dermatological drug business. However, in order to continue growth in the future and respond to people's diversifying desires to live healthier, longer lives, it is necessary to venture into new business areas other than dermatology by combining the strengths of Maruho with those of its Group and partner companies. Based on this understanding, we are promoting joint research with academia and working to enhance alliances with overseas ventures to expand our pipeline in the area of cancer supportive care.

We have also expanded into the area of medical devices based on our collaboration with Maruho Hatsujyo Kogyo, one of our Group companies. We have built a business model utilizing the comprehensive capability of the Maruho Group. Knowledge and know-how created by Maruho, and the medical needs discovered and gathered through its broad information network, are utilized by Maruho Hatsujyo Kogyo for the development of medical devices. We also collaborate with Maruho Medical, Inc., which became a subsidiary in 2018, in modification and sales of their medical devices for active seniors. After confirming certain progress in the U.S. market, we plan to launch the business in Japan.

We have also launched a self-care business as the base for creating new value. We will enhance collaboration with dermatologists to increase sales of "iniks," a skin-care brand for sensitive skin launched in 2014. In addition, Kose Maruho Pharma Co., Ltd., a company established jointly with KOSÉ Corporation in 2019, launched the *Carté HD* series, a high-performance skin-care brand developed by combining the value of Maruho's medical know-how with KOSÉ's cosmetic expertise to provide total care for people with skin problems with a lineup unique to Maruho, ranging from quasi-pharmaceutical products to over-the-counter (OTC) drugs.

Maruho will continue to actively invest business resources into the enhancement of its medical device and self-care businesses to secure new revenue sources next to prescription drugs for skin diseases, while advancing diversification of its business portfolio through efforts such as enhancing its diagnostic drugs business.

Strategy **6** Management base to support
further growth P.21

We believe that people and organizations are the base of corporate management and the driving force of value creation. In the Fourth Medium-Term Plan, one of the strategic targets is the reform of people and organizations that support the growth engine of the Maruho Group, cultivation of corporate culture, and human resources development to accelerate reform.

In the era of VUCA (volatility, uncertainty, complexity, and ambiguity), when unexpected events occur one after another, the spread of COVID-19 has changed work styles considerably. In view of such changes in the social environment, Maruho launched an internal project to consider new work styles that will allow all employees to be autonomous, productive, and creative, under which various measures have been implemented. With regard to organizations, we aim to improve work efficiency by encouraging activities such as work-from-home and promoting paperless operations. For people, we have updated our internal job posting system to develop autonomous human resources, as well as introduced one-on-one meetings and other opportunities to help each employee confirm their career path with their supervisors or coworkers. We also conduct career training by age group with the aim of maintaining motivation and goal awareness.

Health management support

To deliver smiles to patients, we ourselves must be living an active life with a smile. To have a smile, we must be in good mental and physical health. Based on the belief that the health of employees is the health of the Company, Maruho has implemented various measures to promote the health of employees, such as providing physical and mental checkups on a regular basis and prohibiting smoking during work hours.

To continue to keep the smiles of our employees and to deliver smiles to patients, we will introduce an app to support health promotion activities and other initiatives, with the aim of realizing "health management support," in which efforts to promote health are the basis of corporate management.



Sustainable development and contributions to society

I believe our Corporate Credo, Basic Management Policy, and Corporate Mission “to contribute to better health for people all over the world” correspond with the philosophy of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. We will work to help achieve SDG 3 “Good Health and Well-being” through our business activities while contributing to the realization of a sustainable society. We will also communicate to society how our business activities contribute to resolving social issues and lead to the smiles of patients. To make ourselves aware of the significance of such activities, we will also listen to the voices of patients and medical professionals and reflect them in our future business activities.

Healthy growth of the Maruho Group and enhancement of its corporate value

I hope to make Maruho an organization that continues growing with individuals who keep on learning. Working toward this goal, I first had the internal training system revised, and then started updating the internal job posting system. Also, based on the awareness that teamwork

is a strength of Maruho, I take the initiative in promoting open communication. Using internal social media, I regularly communicate our management vision and business strategies in my own words, in addition to what I feel about daily operations for the Group. Anyone in the Company can post comments, so I can communicate with employees with whom I do not have regular contact with. Moreover, I started town hall meetings to have dialogue online or in person with employees at different sites around the country. By hearing opinions and questions about the direction and business of the Company directly from our employees, I hope the philosophy and goals of the Company can be shared.

Having close communication is important not only inside the Company. I believe it is crucial for the healthy growth of the Maruho Group and improvement of its corporate value to listen sincerely to the voices of all stakeholders, including patients, medical professionals, employees, customers, and local communities, and reflect them in our business management. I will work to share the information on Maruho’s value creation and the progress thereof with all our stakeholders, and continue to have dialogues with them. I sincerely ask for your continued support and understanding.

Research and Development

R&D capabilities rooted in knowledge and know-how regarding topical drugs in dermatology

In research and development, Maruho places emphasis on creating new products, which is to say, the ability to create new things.

Maruho is also committed to research and development of medical drugs focusing on topical treatments in dermatology. Maruho's strength is its capabilities in late-stage development including addition of various dosage forms and indications based on its unique topical drug formulation technology, also known as "nurturing capabilities." (► P.13 "Development Pipeline")

Moreover, taking advantage of its position as an unlisted company, Maruho allocates investments from a medium- to long-term perspective.

For research and development, we make active investments even in high-risk, high-return projects and rare diseases if they lead to social contributions.

Create products for the global market

Maruho has declared to reinforce its ability to create new products for the enhancement of its pipeline as the top-priority task in its research and development. In the Fourth Medium-Term Plan, we set "Create products for the global market" as a key strategy, demonstrating a significant shift from in-house drug discovery to drug discovery based on global collaborations in view of the escalating trend of globalization in new drug development.

For R&D activities in Japan, we will narrow down our target therapeutic areas so that resources can be concentrated. Both inside and outside Japan, we will deepen partnerships with companies and academia with the aim of developing globally competitive new drugs.

Initiatives to generate innovations

Maruho Shonan Innovation Lab (MSiL), opened in the Shonan Health Innovation Park as a next-generation research center in 2019, is engaged in creating new products through collaborations based on industry-academia-government networks both inside and outside Japan.

We are focused on Israel, a country referred to as the "Silicon Valley of the Middle East" boasting high abilities and speed in research and development. We established Maruho Israel Innovation Fund GmbH & Co. KG in 2018 to invest in promising research institutes and ventures overseas, and Maruho Israel Innovation Labs Ltd. to support the investees. To date, by utilizing local connections, we have established a collaboration system to expand our development pipeline, and are currently evaluating and selecting projects from major academic institutions and ventures overseas as in-licensing candidates.

Maruho is also focusing on initiatives to satisfy unmet medical needs, such as concluding new in-licensing agreements to enhance its pipeline in the area of cancer supportive care.

Development Pipeline (Includes late-stage development products after Phase II in Japan)

(As of September 30)

Product Code	Target Indication	Dosage Form	Development Phase	Notes
M1220	Rosacea	Topical	Filed for approval	Additional indication
M5250	Pruritus with atopic dermatitis (adults) * Phase III studies in progress for pediatric	Injection	Filed for approval	
M6060	Primary axillary hyperhidrosis	Topical	Filed for approval	
M1210	Ingrown nails	Topical	Phase III	
M5220B	Recurrent herpes simplex	Oral	Phase III	Additional indication
M5250B	Pruritus with prurigo nodularis	Injection	Phase III	Additional indication
M6050E	Acne vulgaris	Topical	Phase III	Additional dosage form
M1180C	Prurigo nodularis	Topical	Phase II	Additional indication
M6050C	Acne vulgaris	Topical	Phase II	

Maximizing product value by LCM^{*1} initiatives

Maruho actively promotes LCM by utilizing its “nurturing capabilities,” a strength Maruho has maintained since its founding.

In February 2021, we added indications of scalp eczema and dermatitis to *Comclo Shampoo*. The expansion of the indication for this shampoo, which had been limited to psoriasis, has enabled us to greatly contribute to relieving patients from their scalp itchiness and dandruff, troubles that undermine their QOL significantly.

Zebiox Oily Cream, an anti-microbial topical agent launched in June 2021, is an additional dosage form of the existing *Zebiox Lotion*. It can be indicated for the treatment of contagious impetigo and acne. For the treatment of impetigo, it is highly regarded by medical professionals as a mild, highly adhesive oily cream expected to protect patients' skin. As topical agents are required to have dosage forms appropriate for the patients' skin conditions, we believe that we can contribute to better health for patients suffering from skin diseases by adding dosage forms and expanding their choice.

Maruho is also committed to promoting digital research

and development using artificial intelligence (AI) technology, with the aim of accelerating DR^{*2}. We will continue to make efforts to create high-quality products and enhance our development pipeline for the purpose of contributing to the improved QOL of patients seeking better health.

^{*1} LCM (Life Cycle Management): An approach to maximizing product value by expanding indications for, adding dosage forms to, and modifying dosage and administration of, existing products

^{*2} DR (Drug Repositioning): A process of finding the therapeutic efficacy of an existing drug available for other diseases

C O L U M N

In August 2021, it was decided to use Fugaku, one of the world's most powerful supercomputers, for our formulation design simulation. In line with activities at the Life Intelligence Consortium (LINC), the largest-scale consortium in the field of life sciences in Japan established mainly for the development of AI for drug discovery, we will make use of the knowledge and technologies obtained to dramatically accelerate and improve the efficiency of our R&D activities, and thereby create innovative products.

(From front left)

Research Dept. Hiromi Baba (Board member of LINC), Misuzu Takahashi

(From rear left)

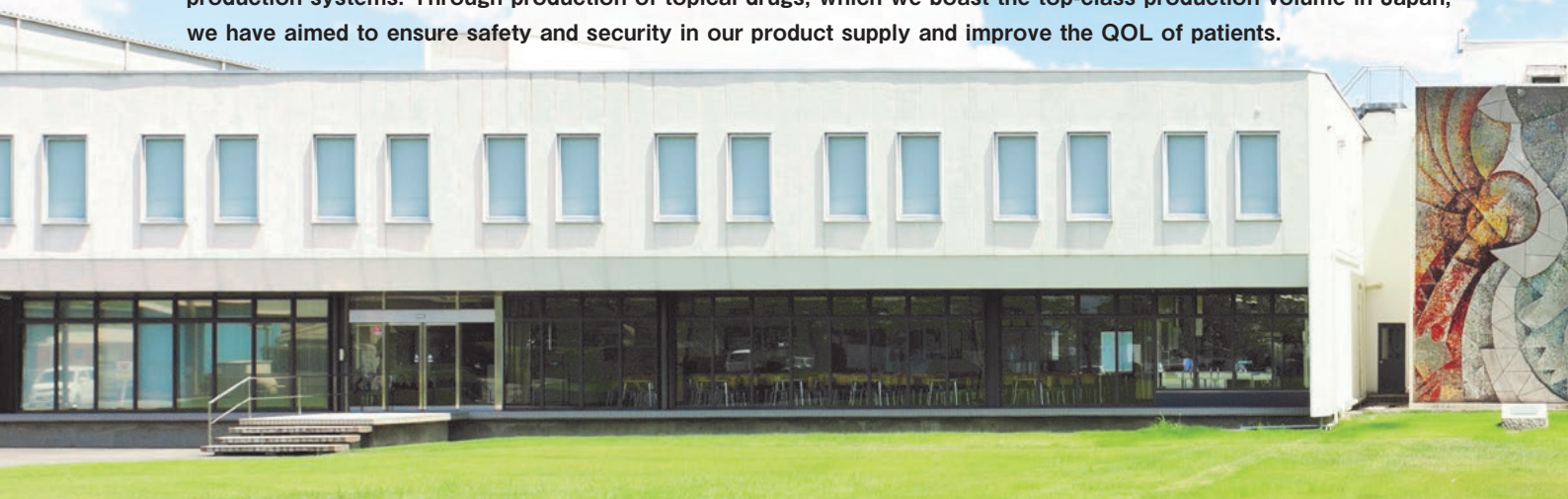
Kotaro Iwasaki, Ryosuke Yoshimune, Tomoya Maeda



Manufacturing

One of the best integrated production systems in Japan, pursuing trust from patients

Maruho's corporate mission is "to contribute to better health for people all over the world." To this end, ensuring the quality of pharmaceutical products and establishing a stable supply system is one of our highest-priority tasks in business management. Since the completion of the Hikone Plant in 1972, to provide a stable supply of high-quality topical drugs, we have been actively investing management resources to strengthen our production bases and production systems. Through production of topical drugs, which we boast the top-class production volume in Japan, we have aimed to ensure safety and security in our product supply and improve the QOL of patients.



Aiming for "Products and manufacturing plants that are continuously chosen"

The Fourth Medium-Term Plan positions "Products and manufacturing plants that are continuously chosen" as a priority theme. For Maruho's further advancement, it is crucial to make our plants and pharmaceuticals continuously trusted and chosen by everyone, including patients, medical professionals, and business partners.

We are working to accumulate production know-how and expand functions to provide safe and reliable drugs while aiming to establish a flexible and efficient production system capable of responding to the increasingly diverse needs of customers.

Stable supply realized by four manufacturing plants, utilizing Group resources

Maruho has established a solid production system composed of four bases: Hikone Plant and Nagahama Plant, our main plants for drug formulation and preparation, filling, packaging, and labelling, and the two Group companies Tateyama Pharmaceutical Factory Co., Ltd. and Roman

Industries Co., Ltd. By managing and operating the Group's resources, including production plans and maintenance data of each production site, in an integrated manner, we aim to stabilize quality and optimize the production system.

In contrast to the recent trend in the pharmaceutical industry of outsourcing manufacturing, Maruho continues to maintain an integrated production system for its main products, from the APIs to final products. When assigning a part of the production processes to our partner companies, we are enhancing our involvement in the manufacturing processes and GMP* of the partners.

* GMP (Good Manufacturing Practice): A ministerial order concerning standards for manufacturing control and quality control of pharmaceuticals and quasi-pharmaceutical products

Flexible production system satisfying diverse needs

Maruho is committed to the continuous quality improvement of drugs and product modification, as well as the establishment of a flexible production system, with the aim of satisfying a wide range of diverse customer needs.



Hikone Plant



Nagahama Plant



Tateyama Pharmaceutical Factory



Roman Industries

We regularly hold internal meetings to listen to the voices of patients and frontline medical professionals, find new medical needs, and examine innovative ideas. In addition to the existing integrated filling and packaging lines, which are suitable for mass production, we will establish a flexible production system for high-mix, low-volume production, with the aim of further improving QCDF*.

* QCDF: Abbreviation for Quality, Cost, Delivery, and Flexibility, which is an evaluation indicator for production activities

To contribute to the realization of a sustainable society

These days, the manufacturing industry, like so many other industries, has been increasingly expected to contribute to the SDGs. Maruho is contributing to the realization of a sustainable society through a prompt and stable supply of products by its four production bases and efforts to reduce the environmental impact at each site.

Moreover, we have introduced an hourly based paid leave system and other measures to help raise employee motivation, with the aim of invigorating the production sites as a whole. Maruho will continue to contribute to the realization of a society where everyone can live in health by providing a stable supply of safe, high-quality products.

COLUMN

We organize meetings for members from various departments and listen to their frontline voices for the quality improvement of drugs and product modification. By hearing needs that we have not already considered, we get new ideas for product modification and quality improvement.

(From left)

CMC Planning & Coordination Dept.

Yuko Kimura, Masahiro Fujii,
Takumi Itsuzaki, Chiaki Iio,
Takaaki Kubota



Providing Information

Contributing to dermatology by providing appropriate information for patients and medical professionals

In order to contribute to society through our pharmaceutical business, we must not only develop, manufacture, and provide a stable supply of high-quality products but also provide appropriate information for patients and medical professionals. Maruho contributes to improving the QOL of patients with its MRs, who have excellent insight and knowledge about products and diseases, and timely information provision using digital technologies.

High-quality information provision reflecting the voices of patients

Maruho has approximately 500 MRs, who lead Maruho's information provision activities and maintain close relationships with nearly all of the roughly 9,000 dermatologists in Japan. Not only providing information on our products, they are working sincerely to respond to the diverse needs of medical front lines. In an MR evaluation survey targeting dermatologists around Japan, Maruho MRs have won the highest general evaluation 14 consecutive times (seven years). Their comprehensive information provision utilizing both written documents and digital media contributes to the QOL of patients. The Fourth Medium-Term Plan positions "High-quality information provision reflecting the voices of patients" as an important theme, aiming to respond to the diverse needs of customers by supporting networking of medical professionals involved in skin disease treatment.

Helping patients have access to appropriate medical treatment

Regarding skin diseases, lack of correct knowledge and treatment methods is a factor that undermines the QOL of patients. In order to improve patients' satisfaction with treatment and QOL, Maruho has been making efforts to help patients have access to appropriate medical treatment.

Acne is a disease that occurs repeatedly if not treated

properly, and may sometimes leave scars. To encourage patients to receive appropriate treatment, Maruho has distributed leaflets and posters with basic knowledge about acne to elementary and junior high schools around Japan since 2017. The Company also released a YouTube video featuring actor Tomoya Nakamura as part of the information communication initiatives targeting mainly young people. We also formed a team of "acne coordinators" to be engaged in providing information exclusively on acne. The team is promoting information provision both in person and through digital media. Specifically, distributing knowledge obtained through communication with dermatologists via digital means. These efforts resulted in an increase in the treatment continuation rate at medical institutions, contributing to the improved QOL of patients.

Herpes simplex infections, such as oral herpes, are caused by fatigue or stress and often recur. However, many patients ignore signs of recurrence and put off receiving treatment because of the inconvenience of visiting a doctor. Maruho has acquired the indication of PIT* for recurrent herpes simplex for the first time in Japan, working to increase understanding of this, with the aim of contributing to improving the QOL of patients.

For psoriasis, since its treatment is often provided at multiple medical institutions, we promote



Special information website for acne treatment (Project: Let's cure acne together) (Japanese)
<https://www.maruhco.jp/kanja/nikibi/special-music/>



General website for patients with psoriasis (Kansen.com) (Japanese)
<https://www.maruhco.jp/kanja/kansen/>



Special information website for herpes treatment (What's Herpes?) (Japanese)
<https://www.maruhco.jp/kanja/herpes/special/>



LINE official social media account (Support service for Hemangioid[®]) (Japanese)

community-based initiatives, such as hosting lectures by dermatologists and open seminars for citizens to hear the experiences of patients.

In order to provide such disease-specific information for as many relevant patients as possible, Maruho has launched various initiatives, including renewing the corporate website for patients and using the LINE social media app to communicate information. In the future, expecting the dissemination of online clinical consultation, we are planning to accelerate development of tools and solutions to connect medical professionals and patients.

* PIT (Patient Initiated Therapy): A therapy for recurrent herpes simplex, allowing patients to take a previously prescribed drug at their discretion when a symptom of herpes develops

Interactive communication widely with medical professionals

Maruho is working to establish a new system of information provision for medical professionals in order to promptly respond to diverse medical needs. Starting from 2020, Maruho has evolved MRs into “area leaders” specialized in providing information based on regional characteristics and “medical specialists” who provide professional information on specific diseases, in the hope that close cooperation between them will help expedite sharing and analysis of cases and networking.

In response to the shift in information channels due to the spread of COVID-19, the Company is also making efforts to promote the use of digital media, such as standardizing remote interviews and updating the corporate website for medical professionals. Moreover, we are working to provide information for other medical professionals involved in the treatment of skin diseases, not only for dermatologists.

COLUMN

We use YouTube, the Company website, and social media to communicate information.

We aim to provide information in an easy-to-understand and friendly manner to help patients feel comfortable about visiting medical institutions and give some hints for their better life in the future.



(From left)
 Marketing & Digital Strategy Dept.
 Hatsune Ito, Saori Onda,
 Yohei Iwahashi

Contributing to better health for patients around the world in collaboration with partners overseas

As the environment surrounding prescription drugs is rapidly changing both in Japan and overseas, expectations for drugs that satisfy the unmet medical needs of patients are growing all over the world. Utilizing the exceptional information provision capabilities it has cultivated in Japan, Maruho aims to maximize product value by collaborating with partners and to contribute to better health for patients around the world.

Establish processes for providing product value in the global market

Under the Fourth Medium-Term Plan, aiming to “Establish processes for providing product value in the global market,” Maruho is committed to maximizing product value and expanding business in China and the United States by contributing to the growth of local business through collaborations with local partners based on Maruho’s information provision capabilities. Today, the medical drug market is increasingly active in China in line with the steady growth of the economy. *Farom Dry Syrup*, an oral penem antibiotic being sold by our partner Beijing Golden Tang Medical Science & Technology Development Co., Ltd., and its subsidiaries since 2020, has acquired a strong reputation in the local market. It was included in China’s National Reimbursement Drug List (NRDL) in 2021.

In the U.S. market, Biofrontera Inc., a subsidiary of our partner Biofrontera AG, funded by Maruho in 2013, sells *Xepi*, a treatment for skin infections. Although growth is currently slowing due to the impact of COVID-19, we will continue to provide support for their sales promotion activities with the aim of further expanding sales and maximizing product value.

Developing a new business model for global development

Aiming to become a leading global company in dermatology, Maruho is striving to establish a global business model centering around three bases—Japan, the United States, and Europe. At the same time, in order to develop globally competitive human resources, Maruho assigns some of its employees to work in the United States and Europe. By increasing the number of personnel working overseas and establishing closer ties with partners, we will endeavor to expand our presence in the global market and enhance our business base.

COLUMN

We were involved in the launch of a new global business in collaboration with our partners. Our goal is to establish a new development model capable of becoming a growth driver for Maruho in the future.

(From left)

Yuka Utsumi, Global Business Development Dept.; Keigo Baba, Legal Dept.; Steven Evans, Global Business Development Dept.



Activities Other than Prescription Drugs for Skin Diseases —

Venturing into new businesses through collaborations with Group companies and partner companies

In addition to the rising life expectancy in Japan, people's awareness about health and daily life is changing rapidly and their needs are increasingly diversifying. Maruho's growth has been driven mainly by its prescription drug business for skin diseases. However, to continue the growth of the entire Maruho Group in the future, collaboration with Group companies and partner companies is essential. By combining strengths of all partner companies, we will venture into new businesses beyond the current operation locations and business areas.

Expand business areas utilizing the strengths of the Maruho Group

To respond to people's desires to "live better," such as the desire to live with clear skin, to live an active life, and to live in peace without pain, the Fourth Medium-Term Plan has a priority theme, "Expand business areas utilizing the strengths of the Maruho Group."

This theme is associated with business activities in areas other than prescription drugs for skin diseases. We expanded our business areas to prescription drugs other than those for skin diseases, diagnostic drugs, medical devices, and self-care.

By collaborating with Group companies and partner companies with strengths not found in Maruho, we will provide the best solutions to the needs of a wide range of people, not only medical professionals, and contribute to realizing people's desires.

Enhancing businesses other than prescription drugs for skin diseases

For prescription drugs other than those for skin diseases, Maruho is working on the early-stage introduction of candidate drugs to enhance the pipeline in the area of cancer supportive care while also searching to discover new candidate products. In the area of cancer supportive care, Maruho has contributed to improving the QOL of cancer patients with *Rozex Gel* for the reduction of malodor generated in cancerous cutaneous ulcers. Maruho entered into a joint research agreement with National Cancer Center Japan in October 2018, under which a joint study on new pain relief drugs for stomatitis associated with cancer treatment and examination of the possibility of their clinical application are ongoing.

We will continue to develop new business areas with no exclusions, focusing on how we can properly respond to patients' needs.

Developing the diagnostic drugs business

Maruho launched its diagnostic drugs business in 2015 to support the care cycle through comprehensive information provision, including diagnosis necessary for treatment. Maruho currently markets *DermaQuick VZV*, a diagnostic kit to assist the differential diagnosis of viral skin diseases herpes zoster and varicella. Maruho has also ventured into the market of diagnostic drugs for diseases other than skin diseases with the launch of *MLine StrepA* in 2021, a kit to assist diagnosis of adenovirus infection and hemolytic streptococcal infection.



Varicella-zoster virus antigen kit
DermaQuick VZV



Adenovirus kit
MLine Adeno



Group A beta-hemolytic streptococcal antigen kit
MLine StrepA

Developing the medical devices business

For medical devices, Maruho's know-how in pharmaceuticals and Maruho Hatsujiyo Kogyo's precision metal processing technology are combined to develop the business, leveraging the strengths of the two companies. In 2020, Maruho Hatsujiyo Kogyo's business for *MAKIZUME MEISTER*, a device for pincer nails, was assigned to Maruho. Maruho launched *Meister Aid*, a nail cuticle remover to assist wearing of *MAKIZUME MEISTER*, in April 2021. *Meister Aid* is a product unique to the Maruho Group. Maruho identified and analyzed medical needs, to which Maruho Hatsujiyo Kogyo gave shape using its metal processing technology.

In 2020, Maruho made Maruho Medical, Inc. (U.S.), a subsidiary of Maruho Hatsujiyo Kogyo, a fully owned subsidiary of Maruho. After advancing the development

of a modified version of Maruho Medical's arthroscopic rotator cuff repair instrument, Maruho released the *itto CSP v2* to be used mainly for shoulder joint surgeries of active seniors. Maruho plans to expand the product lineup in Japan after confirming that surgeries using this instrument have been established as a standard in the U.S. market.



Arthroscopic rotator cuff repair instrument
itto CSP v2

Developing the self-care business

Aiming to support many more people by engaging not only pharmaceuticals but also day-to-day skin care, in 2014 Maruho launched *iniks*, a skin-care brand for people with sensitive skin or acne. The brand covers the three skin-care steps of "wash," "moisturize," and "protect," collectively named the "Skin Care Trinity," and provides care for common skin troubles in adults, such as dry skin, sensitive skin, acne, and other problems caused by emotional changes and stress.

The lineup currently includes makeup remover, facial wash, toner, milky lotion, sunscreen, and foundation, and will be expanded in close cooperation with dermatologists to properly respond to the needs of people suffering from skin troubles.



iniks series

iniks official social media account



facebook



instagram

In July 2019, Maruho established Kose Maruho Pharma Co., Ltd. jointly with KOSÉ Corporation, a major cosmetics manufacturer in Japan. Kose Maruho Pharma aims to support comprehensive skin care, from daily maintenance and preventive care with quasi-pharmaceuticals to self-treatment with OTC drugs, tailored to every customer according to their symptoms and needs, as well as their skin condition, which changes every day.

The *Carté HD* series, a high-performance skin-care brand released in September 2020 achieved a profit in its first year. The series has won over 40 cosmetics awards for its excellent moisturizing effect and usability.

Kose Maruho Pharma will continue to enhance the *Carté HD* series and work to increase its brand appeal.



Carté HD series



Meeting at Kose Maruho Pharma

Carté HD official social media account



facebook



instagram



twitter

Management Base

“New normal,” leading to creativity

As represented by the term VUCA (volatility, uncertainty, complexity, and ambiguity), the environment surrounding society is changing rapidly, irreversibly, and unpredictably. In particular, the spread of COVID-19 has dramatically changed our lifestyles, including work styles. To make continuous efforts to maximize its corporate value, Maruho flexibly responds to changes in industry and society, and endeavors to establish a management base that allows all employees to work autonomously, creatively, and productively.



Management base to support future growth

In order to achieve the new tasks in the Fourth Medium-Term Plan and continue steady growth, it is necessary for Maruho to strengthen its management base, including human resources and corporate culture. Maruho has set “Management base to support further growth” as a strategic goal and is advancing initiatives to improve productivity by allowing all employees to be autonomous and creative.

The “new normal era” project to propose new work styles

After the spread of COVID-19 in 2020, Maruho accelerated work-style reform, which it had promoted since before the pandemic. The Company launched a “project to examine new work styles in the new normal era” in June 2020, to formulate the Company-wide policies on new work styles that benefit the new normal. The project focused on “exercise of creativity,” “improvement in productivity,” “autonomy of employees,” and “enhancement of management capabilities,” and

determined four key work-style concepts: “Anywhere,” “Autonomous,” “Connected,” and “Happy.” Specific initiatives include encouraging work-from-home, promoting paperless procedures for various applications to improve work efficiency, updating the internal job-posting system, holding one-on-one meetings to promote autonomous action by employees, and conducting career training by age group.

Also, to realize work-life balance, in addition to the existing initiatives to promote flexible work styles, Maruho has introduced an hourly based paid leave system for production departments. (Please see “Maruho’s Co-creation—Society” on page 29.)

In order to advance these initiatives, workplace discussions are held to exchange opinions on this project at each department. Maruho will continue efforts to realize new work styles while proactively introducing opinions and ideas from employees.

Maruho Hatsujyo Kogyo Co., Ltd.

Aiming to help realize a society where everyone can live happily

I was appointed president on December 1, 2021.
As the new representative of our company,
I would like to explain my vision for business
management and future business policies for
the new Maruho Hatsujyo Kogyo.

Kunihiro Iwase
President
Maruho Hatsujyo Kogyo Co., Ltd.

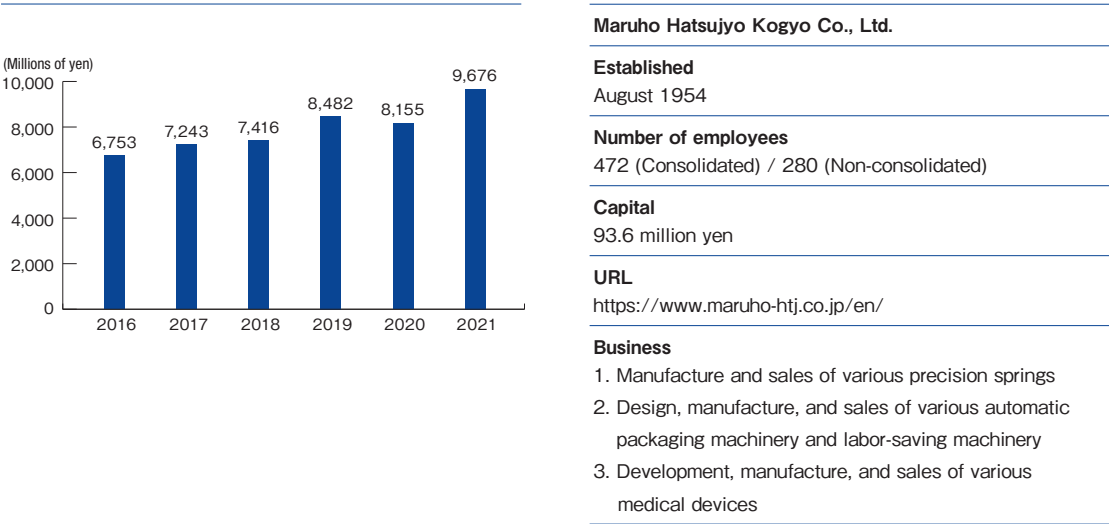


As a technologically creative company, we have led the Maruho Group’s growth.

Maruho Hatsujyo Kogyo Co., Ltd. has the longest relationship with Maruho among the Maruho Group companies. The company started in 1952 as the springs division within Maruho Shoten, the predecessor of Maruho, and became independent using the present company name in 1954. Since then, as a technologically creative company, we have created innovative products and services, contributing to

the development of Japanese industry and the improvement of everyday life for people. Starting from the fiscal year ended September 2019, all the Maruho Hatsujyo Kogyo group companies have been included in Maruho’s consolidated accounting, and the medium-term plans of the two companies have been linked to each other, with a view to increasing the synergy and consolidated revenue of the Group.

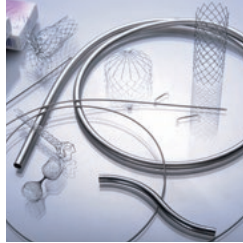
Net sales of the Maruho Hatsujyo Kogyo Group





Springs business

Metal Components
Japan, Asia



Medical devices and components business

Less Invasive Medical Device & Components
Japan, the United States, Europe



Machinery business

Medical-Related Machines
Japan, the United States, Europe

**Precision metal processing technology consultation
know-how based on technology to produce more compact machines**

Maruho Hatsujyo Kogyo is currently engaged in the three key businesses of springs, medical devices and components, and machinery, providing appropriate products and services to satisfy the diverse needs of client companies. For the springs business, we have established a solid business base in Japan, while at the same time establishing “optimal location production” at Maruho Hatsujyo (Thailand) Co., Ltd. and PT. Maruho Hatsujyo Batam (Indonesia), thereby further developing and deepening our position in the global market. In the medical devices and components business, which we launched in full scale in 2013, we are working on high-value-added products used for minimally invasive

treatments, such as embolization coils and drive shafts.

In the machinery business segment, we propose a variety of packaging solutions based mainly on Press Through Packaging (PTP) packaging machines for medical drugs, and we have an over 70% market share of small packaging machines in Japan.

In terms of financial performance, we have achieved steady progress according to the Third Medium-Term Plan started in October 2020. Net sales of the Maruho Hatsujyo Kogyo Group for the fiscal year ended September 2021 reached 9,676 million yen, an increase of 18.6% from the previous fiscal year.

Adopting to the “new normal” through DX

In the fiscal year ended September 2021, the first year of our Third Medium-Term Plan, we endeavored to adapt ourselves to the “new normal” through digital transformation (DX) of Maruho Hatsujyo Kogyo’s own style in accordance with the principle of “lean & powerful.” By utilizing AI, the internet of things (IoT), and other advanced technologies, we will pursue four strategic goals: (1) integration of online and in-person services, (2) high-efficiency production, (3) technology development, and (4) lean, high-efficiency, and low-cost organizations and systems. In the springs business, we have been working to enhance our business base in Japan while expanding our presence in the Asian market. In the medical devices and components business, we are focusing efforts on expanding our business areas to new items such as stents and marker coils and enhancing

business in North America while endeavoring to reinforce our main items. In the machinery business, based on the “EAGLE small platform” developed by gathering Maruho Hatsujyo Kogyo’s technologies and know-how, we are working to not only expand sales for pharmaceutical purposes but also develop market in non-pharmaceutical fields.

In the Third Medium-Term Plan, we set the targets of achieving an annual growth rate of 112% for the target period of the plan and net sales of 11.6 billion yen in the fiscal year ending September 2023, the final year of the plan. We strongly promote our overseas businesses and plan to make them profitable by the fiscal year ending September 2023.

By advancing ESG management, we will contribute to achieving the SDGs.

Under the Corporate Credo of “Pursuit of Truth,” Maruho Hatsujiyo Kogyo aims to help realize a society where everyone can live happily. This management stance corresponds with the philosophy of the Sustainable Development Goals (SDGs) adopted at the United Nations in 2015. Maruho Hatsujiyo Kogyo contributes to achieving SDG 3 “Good Health and Well-being” through its business activities and aims to increase the social value of the Maruho Group through a variety of initiatives to promote diversity, reinforce the corporate governance system, contribute to conservation of the global environment, and ensure compliance.

For Maruho Hatsujiyo Kogyo, a company with many production sites both inside and outside Japan, contribution to the global environment is an important management issue to ensure the sustainability of the Company and society. Under strict environmental policies, we are working toward conservation of the natural environment through various measures and initiatives, including reducing industrial waste, active introduction of recycled products, and reducing substances with environmental impact. Maintaining

relationships with many companies overseas, we are striving to ensure that our business activities conform to the United Nations Global Compact, a global initiative to realize sustainable growth. Moreover, we participated in FOOMA JAPAN 2021 (International Food Machinery & Technology Exhibition) by exhibiting our sustainable blister packaging machine effective in reducing the use of plastic, demonstrating our commitment to improving the environment through our products and services.

Maruho Hatsujiyo Kogyo will continue to create innovative solutions that will support the development of industry and society with its R&D center as the core organization, while aiming to further advance environmental, social, and governance (ESG) management by optimizing its management structure. We will also pursue both material and spiritual happiness of all our employees by continuing to do our jobs in a fair (correctly identifying customer needs), logical (collecting wisdom to have discussions), and speedy (taking prompt action as a professional) manner.



Kameoka Plant



Environmental policy

As a member of global society, Maruho Hatsujyo Kogyo has defined its environmental policy and is promoting environmental management activities to protect the regional and global environments. By properly managing the environmental aspects of our activities, products, and services, we contribute to preventing environmental pollution.

Moreover, through its environmental management system, Maruho Hatsujyo Kogyo actively works to ensure environmental protection by continuously improving initiatives to prevent pollution. Specifically, from among the 17 SDGs, we have selected five priority tasks related to the environment (SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, SDG 11: Sustainable Cities and Communities, SDG 13: Climate Action, and SDG 14: Life Below Water). We formulated specific measures for these goals (including measures to be considered or implemented in the future) and have been implementing these measures.

1. Promote prevention of environmental pollution based on appropriate management of environmental aspects related to our activities, products, and services.
2. We comply with environmental laws and regulations, including environmental ordinances, and other requirements on which we agree. We strive to reduce our environmental impact by establishing our own voluntary standards.
3. We observe the following items as particularly important themes for the continuous reduction of environmental impact.
 - 3-1 We reduce electricity and paper consumption as much as possible.
 - 3-2 We reduce and promote the appropriate management of industrial waste.
 - 3-3 We actively promote the use of recycled products.
 - 3-4 We control any chemical substances contained in our products. We provide products with reduced environmental load substances.

To achieve this environmental policy, we establish environmental objectives and targets. We regularly review them through internal environmental audits and promote environmental management activities.
4. This environmental policy has been shared with all Maruho Hatsujyo Kogyo employees and stakeholders, and has been made available to the public.

Quality policy

Based on the Corporate Credo of "Pursuit of Truth," in order to take each product seriously and continue to provide products that satisfy customers, Maruho Hatsujyo Kogyo has established four principles in its quality policy, striving to guarantee quality products.

1. We have established a quality management system in order to continue to provide products that satisfy our customers.
2. We actively comply with laws, regulations, standards, requirements exchanged with customers, and internal regulations related to our products.
3. We have established and implement specific actions and evaluation indicators to realize the practice in the quality policy.
4. We regularly evaluate the results of our quality management system and make continuous improvements to the system.

Message from the Chairman



Koichi Takagi

Representative Director,
Chairman of the Board

Responding to maintain
trust from all our
stakeholders

Corporate Credo

Pursuit of Truth

It is our Corporate Philosophy to understand the way things actually are, and envisioning the way they should be in the future.

This is also the fundamental spirit that supports all elements of society, including politics, economy, science, art, and religion.

Basic Management Policy

Using the common platform of Maruho, we will pursue Truth as individuals, employees, and members of society

- 1** As individuals, we must devote ourselves to our company business while working to achieve personal growth, thereby pursuing happiness and improvement both materially and spiritually.
- 2** As employees, we must devote ourselves to our company business while working to hone our professional skills, thereby contributing to the enhancement and development of the Company.
- 3** As members of society, we must devote ourselves to our company business while having a broad social perspective, thereby contributing to the health and progress of society.

Greetings

I was appointed Representative Director, President & CEO of Maruho Co., Ltd. in December 1999. For 21 years since then, I worked to contribute to the development of an industrial society and the prosperous lives of people through our high-quality initiatives in dermatology.

Upon assuming the position of Chairman in December 2020, I have chaired the Board of Directors, engaged in promoting initiatives to gain stakeholder trust while working to improve functions to further enhance our corporate governance.

Corporate Philosophy underlying our growth

Maruho's history began in Osaka in 1915 under its founder's desire to "Contribute to society through medicine."

Maruho's Corporate Philosophy represents the founder's aspirations in a clear, universal manner, indicating our basic stance toward social contributions.

Our Corporate Credo of "Pursuit of Truth" expresses our determination to make continuous efforts to "understand the way things actually are, and envisioning the way they should be in the future" and advance toward realizing our vision. It represents the principle and the way of thinking that

we should have no matter where we are. In implementing the Corporate Credo, the Basic Management Policy indicates the standard for determining values and making decisions, based on which we pursue happiness and growth as "individuals," contribute to the development of the place (Maruho) where we realize them as "employees," and contribute to realizing a better society as "members of society."

While firmly maintaining its Corporate Credo and Basic Management Policy, Maruho contributes to society through its business activities.

Maruho's contributions to society

Initially, Maruho contributed to the health and better lives of people by introducing advanced drugs from overseas, then manufacturing and selling them in Japan. After the 1960s, while gradually increasing research and production sites in Japan, we established partnerships with pharmaceutical companies mainly in Europe and promoted collaborations and licensing activities with pharmaceutical companies and research institutes both in Japan and overseas.

Today, Maruho maintains a solid presence as a pharmaceutical company specializing in dermatology that is engaged in research, development, manufacture, and sales of high-quality pharmaceuticals. Recently, through co-creation of technologies and know-how with Group companies, which are engaged in various businesses beyond pharmaceuticals, the Maruho Group aims to help realize a society where everyone can live with a smile.

Aiming to become a company constantly growing, advancing, and contributing to society

To contribute to a sustainable society, we ourselves must be a company that maintains soundness in management and grows continuously. These days, as companies are required to be actively committed to social issues, such as ESG and the SDGs, we are determined to contribute to society by properly identifying society's needs through our business activities and various measures to sophisticate our management systems, with the aim of building a robust management base and enhancing our corporate value.

Maruho aims to become a company that is constantly growing, advancing, and contributing to society while responding to the trust of its stakeholders. I sincerely ask for your continued support.

Maruho's Co-creation

— Social, Environmental,
and Social Contribution —



Individuals

Society

The Company

At Maruho, we pursue Truth as individuals, as employees, and as members of society. From this standpoint as the standard for value and decision making, we will enhance our value creating power through co-creation within the Group, seek solutions to social issues, and aim to help realize a sustainable society where everyone can live with a smile.

This approach corresponds with the philosophy of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, namely the 17 goals that should be achieved by 2030 in such areas as poverty, health and well-being, and climate change. Under our Corporate Mission to contribute to better health for people all over the world, Maruho will contribute to achieving SDG 3 “Good Health and Well-being” through our business activities, and will also create products that can satisfy the needs of patients that have been overlooked or given up on, and deliver appropriate products to patients, with the aim of realizing a society where everyone can live with a smile.



Maruho strives to provide every employee with opportunities to autonomously grow and play an active role, and to establish a safe and healthy workplace environment for everyone. At the same time, Maruho encourages its employees to take voluntary action in order to protect the regional and global environments as members of society and to incorporate social contribution activities in our corporate culture. We will also contribute to society by maintaining and enhancing our corporate governance through initiatives to pursue fair and transparent corporate activities and ensure compliance.



The SDGs are the 17 goals that should be achieved by the international community by 2030 for sustainable development, adopted by the United Nations in 2015.

Social More smiles for more people



Maruho strives to provide every employee with opportunities to autonomously grow and play an active role, and to establish a safe and healthy workplace environment.

Promoting diversity

● Promoting active participation of women

As a Companywide common indicator, the target to be achieved by September 2024 is a female manager ratio of more than 15%. We also set tasks and visions to achieve for each department while forming a cross-departmental task force, holding unique seminars and educational programs and implementing other measures to achieve targets.

● Promoting next-generation development

Maruho encourages employees to take childcare leave to help them balance childcare and work for future generations. We have made efforts to encourage male employees to take childcare leave.

This includes communicating information from top management and issuing Company newsletter articles to familiarize them with the system, designing a system that makes it easier to take childcare leave, and delivering notices to eligible employees. Also paying attention to the working hours of employees, we are making efforts to reduce overtime hours in each department.

● Initiatives to respect diversity in individuals

From the perspective of diversity and inclusion to understand and accept differences, Maruho has launched initiatives focusing on a more global viewpoint.



Eruboshi certification (2nd stage)

Acquired in 2019 as a company that creates an environment where women can work comfortably in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace



Kurumin certification

Acquired in 2007 as a "childcare supportive company" in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children

Promoting work-life balance

● Promoting diverse work styles

Maruho has established a system and environment to promote and support diverse work styles that fit the individual lifestyles of all employees.

Support for flexible work styles	● Work-from-home ● Flextime ● Annual paid leave on a half-day or hourly basis ● Volunteer leave ● For life events, limited sales employee program and retirees re-employment registration system
Support for balancing childcare and work	● Maternity support leave and short working hours program, paid outpatient leave during work hours ● Childbirth preparation leave ● Paternity leave ● Childcare leave and short working hours program (up to children in the 4th grade) ● Sick/injured childcare leave, family nursing care leave (can be taken by the hour) ● Program to allow use of reserved leave for fertility treatment ● Setting up "Marugamo Community" website for employees on childcare leave ● Permission to commute by Company vehicles for employees using nurseries ● Nursery concierge service ● Nursery and babysitter subsidies
Support for career development	● Internal job postings ● Career training ● Personal development program

Promoting health management support

Aiming to help employees maintain and improve their health, Maruho promotes health management support.

We conduct a stress check annually for the purpose of prevention, early discovery, and early treatment of mental disorders. Smoking is prohibited throughout the Company. To properly manage working hours and eliminate excessive overtime hours, we aim for zero departments with over 30 overtime hours worked a month for three consecutive months and zero individuals working over 540 overtime hours a year. We will expand our initiatives to help employees and their family members maintain and improve their health, such as introducing an app to support health promotion activities.

Initiatives at Maruho Hatsujyo Kogyo

● Measures to promote active participation of women and support next-generation development

We formed a task force with members gathered through recommendation and open invitation, working to raise the awareness of women's participation and promote personnel exchanges and networking through group discussions and lunch meetings. Opinions raised at discussions of the task force are reported and discussed at management meetings to be adopted as initiatives to promote women's participation. We supported the "childcare support festa" held by the Nantan Area Promotion Bureau by exhibiting panels and giving a presentation as a panelist.

● Promoting employment and engagement of people with disabilities

We support employment of people with disabilities by offering an environment where they feel safe in working and assigning a job coach for employees with developmental disabilities, thereby enabling them to make full use of their individual abilities. We accept interns from special needs schools for jobs appropriate for their aptitude and preference, and promote them to the position of regular employees after three years. For these initiatives, Maruho was certified by Kyoto Prefecture as a company promoting employment of people with disabilities "Kyoto Heartful Company" in 2020, and received the Prefectural Governor's award for excellent enterprises in employment of people with disabilities in 2021.

As a member of society, we promote activities to protect the regional and global environments.

To promote the efficient use of energy, we set Companywide target temperatures for air conditioning to be 28°C in summer and 20°C in winter and put up posters to raise the energy-saving awareness of employees.

Initiatives at production sites

The Hikone Plant and the Nagahama Plant have acquired ISO 14001 international certification for environmental management systems (EMS). They have organized an EMS implementation committee to engage in various activities.



● Introducing LED lighting

As an initiative to help reduce CO₂ emissions and save energy, Maruho has been gradually introducing LED lighting, not only to production sites but also to R&D facilities and Tateyama Pharmaceutical Factory Co., Ltd.

● Regional environmental measures in case of a flood

Based on the hazard map of Shiga Prefecture, where our two plants are located, we are examining the inundation risk due to heavy rains.



Inundation risk drill (Hikone Plant in 2020)

We periodically conduct flood drills for the purpose of avoiding risk on production and preventing environmental damage to neighborhood residents.

● Cleaning campaign

In Hikone City and Nagahama City, where our plants are located, we launched a volunteer cleaning campaign contributing to conservation of the environment.

Initiatives at R&D sites

At the Kyoto R&D Center, based on the awareness that all activities related to research and development of pharmaceuticals have an impact on the environment, we promote environmental management activities to minimize this impact, aiming to achieve harmony with the global environment.

● Energy conversion

We are working to help reduce greenhouse gas emissions through initiatives such as using the energy-saving mode for air conditioning, introducing CO₂ concentration control, and adjusting seasonal humidification settings to reduce the burden of humidification and dehumidification.

● Saving resources

We are working to improve efficiency in operations and reduce use of paper by promoting the use of electronic meeting materials and introducing electronic signatures/confirmation.

● Green procurement

We are promoting the replacement of products used in R&D activities with eco-friendly goods and biodegradable plastics.

● Waste reduction

We thoroughly separate waste generated in our R&D activities while working to reduce the amount of industrial waste such as chemical substances and materials generated.

Initiatives at Maruho Hatsujyo Kogyo

As a member of global society, Maruho Hatsujyo Kogyo has acquired ISO 14001 and ISO 9001, as well as ISO 13485, an international certification for quality management systems related to medical devices.

● Initiatives for conservation of energy and resources

To promote efficient use of energy, we have gradually introduced LED lighting. We also encourage setting the temperatures for air conditioning at 28°C in summer and 20°C in winter throughout the Company, and promote "Cool Biz" during winter. We will continue to make efforts to reduce CO₂ emissions through introducing hybrid vehicles for sales activities and promoting eco-driving.

● Initiatives to reduce plastic use

The machinery business division is working to develop, manufacture, and sell sustainable blister packaging machines made of paper and stone materials. To help inhibit mass consumption of resources and resolve waste problems, we thoroughly separate plastic waste while recommending the use of personal bottles and bags via Company newsletter articles.



Flat blister packaging machine EAGLE-MULTI

Social Contribution To realize a better society

Maruho encourages its employees to take part in voluntary activities in order to incorporate efforts to contribute to society in its corporate culture.

Matching gift program

As a system to support employees' motivation for social contribution, Maruho has the matching gift program "Maru-hotto Gift" that makes donations in April each year. For internally selected social and public NPOs and organizations, the Company matches the amount donated by employees to such NPOs. In 2021, the sixth year of the program, 271 employees participated and Maruho donated a total of approximately 2,600,000 yen to four organizations.



Donation ceremony for the Guiding Dog & Service Dog & Hearing Dog Association of Japan (2021)

Support for research contributing to health

● Maruho Research Award

Established in 1999 as the "Galderma Award" to support upcoming researchers in dermatology, and renamed the "Maruho Research Award" in 2020. The award is granted to research papers selected through a strict screening process from among fundamental and clinical research papers related to dermatology.

● Master of Dermatology (Maruho)

Maruho established this prize in 2010 to recognize dermatologists who have made outstanding achievements in clinical dermatology and contributed to the development of the field of clinical dermatology in Japan. From the fiscal year ended 2017, the prize was renamed "Master of Dermatology (Maruho)" featuring people who have made a great contribution to the development of dermatology in Japan through clinical, dermatological research, human resources development, social contributions, etc., and is jointly operated with the Japanese Dermatological Association.

Participation in a women's health education promotion project

Since 2021, Maruho has participated in "Kagayaki School," a women's health education promotion project operated by Bayer Yakuhin, Ltd. Kagayaki School dispatches gynecologists to high schools nationwide to provide on-site lessons on women's health so that high school students can acquire correct knowledge about their health and future life plans.



School: Koubun Gakuen Girl's High School (Osaka City)
Lecturer: Dr. Yoko Kunishige of Kunishige Ladies Clinic

Initiatives at Maruho Hatsujyo Kogyo

● Support for employability development

Besides offering plant tours and internship programs for students of senior high schools, technical colleges, and universities, we sponsor "Spring Robocon Kansai," a robot competition in which students of universities and technical colleges in the Kansai region participate.

We also participate as a partner company in "Nantan Kid's Park," an event held at Kyoto Prefectural Nantan High School (Kameoka City, Kyoto) to introduce local elementary school students and their parents to local companies and manufacturing. At this event, we exhibit core components of an endoscope and models of combination faucets, and introduce our company activities through hands-on learning of the mechanism of core components and the effect of shape memory alloys.

● Supporting environmental protection and diverse work styles

As an initiative to help protect the forests of Kyoto and support diverse work styles of people with disabilities, we wear wooden SDGs badges made using local timber of "Miyako Somagi" Japanese cypress generated from forest thinning and finished by users of job assistance facilities in Kyoto.



SDGs badge of "Miyako Somagi" local wood

● Declaration on conflict minerals

We respect human rights, and we declare that we do not use minerals that are produced in the Congo Democratic Republic and neighboring countries and fund armed forces as set out in U.S. financial regulatory reform legislation, in order to avoid direct and indirect imposition on any inhumane act. For more details, please see the Maruho Hatsujyo Kogyo corporate website.

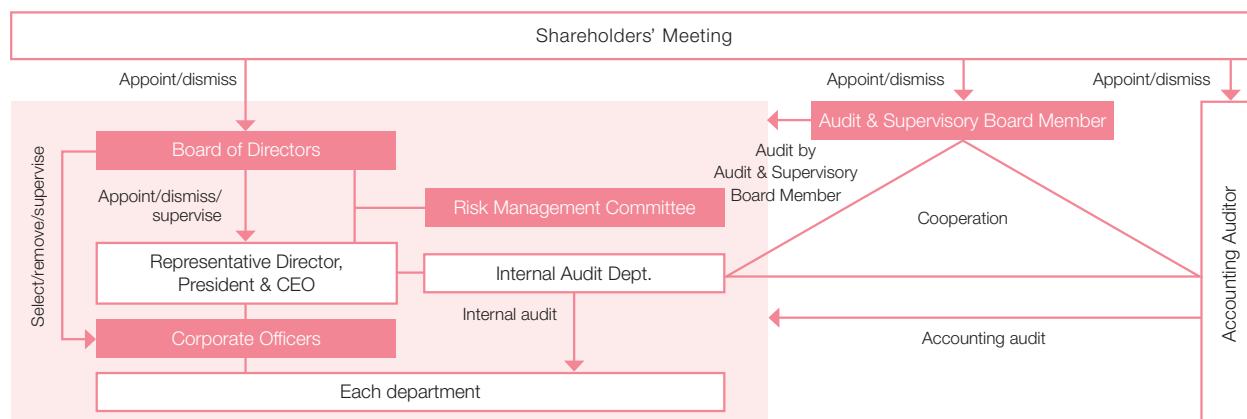
<https://www.maruho-htj.co.jp/en/>

Corporate Governance To become a more trusted company

Maruho aims to respond to the trust and expectations of all stakeholders by working to enhance its sustainable corporate value. To this end, one of our priority tasks is to improve and enhance our corporate governance.

Corporate governance system

The relationships between the Company's organizations and internal control are as shown below.



Internal control systems

Maruho has established systems to ensure that the execution of duties by directors comply with laws and regulations, and the articles of incorporation, and systems necessary to ensure the appropriateness of operations.

1) Action guideline for the realization of our Corporate Mission

- Under the Corporate Credo of "Pursuit of Truth" and the Basic Management Policy, upholding our Corporate Mission "To contribute to better health for people all over the world," we pursue the way a pharmaceutical company should be and provide doctors with pharmaceuticals that are truly needed by patients. To this end, we always base our business management on conscientious, fair, proper, and highly transparent corporate activities.

2) Systems to ensure that the execution of duties by directors and employees comply with laws and regulations, and the articles of incorporation

- The Board of Directors makes proper decisions in accordance with the Rules for the Board of Directors, and supervises business execution to prevent violation of laws/regulations or the articles of incorporation. Directors shall report any violation of laws/regulations or the articles of incorporation by any other director that they have discovered to the Audit & Supervisory Board Member and the Board of Directors for the correction thereof.
- Based on the Compliance Program (Maruho Corporate Conduct Charter, Maruho Code of Compliance Standards, promotion systems and specific initiatives, etc.), the Company shall establish a compliance promotion framework, conduct compliance education and training in organic cooperation with other compliance-related departments, and implement various other measures, thereby promoting compliance management.

- The Company shall set up and operate the Maruho Hotline as the contact point for internal reporting to accept direct consultation and reporting both from inside and outside the Company on suspicious activities concerning compliance. It shall be utilized for the implementation of compliance management.

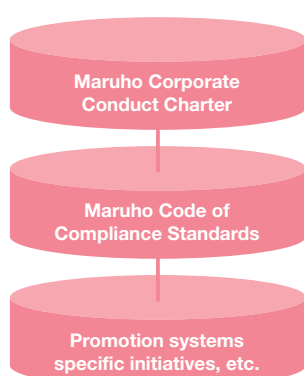
- In order to ensure reliability of financial reports, the Company shall develop, operate, evaluate, report, and improve internal control related to financial reports.

3) System for storage and management of information concerning execution of duties by directors

- For minutes of the Board of Directors' meetings, minutes of the Corporate Officers' meetings, circulars for approval, and any other information concerning the execution of duties by directors, the Company shall set rules for preparation, storage, disposal, etc., of each type of information in accordance with the rules on document management and information security, and properly control them in written or electromagnetic form and in a state available for inspection

4) Rules and other systems related to management of the risk of loss

- For risks with uncertain matters that may affect our profit or loss and that require Companywide management using the Plan-Do-Check-Act (PDCA) cycle approach (compliance risk, information management risk, personnel risk, reputation risk, disaster risk, etc.), the Company shall set up a Risk Management Committee chaired by the director supervising the Corporate



Maruho Compliance Program

Specific corporate actions representing Maruho's Corporate Credo, Basic Management Policy, and Corporate Mission are described.

Applicable to:

Maruho and the Group companies taking on some of the functions of the Company ^{*1}

Specific individual actions representing the Maruho Corporate Conduct Charter are described.

Applicable to:

Maruho's executives and employees

^{*1} Group companies taking on some of the functions of the Company: Tateyama Pharmaceutical Factory Co., Ltd., Roman Industries Co., Ltd., Maruho Deutschland GmbH, Maruho America Inc., and Maruho Medical, Inc.

Planning Dept., to manage such risks from a Companywide perspective.

- For risks specific to each business, corporate officers shall take the initiative in evaluating the risks under their control in the course of formulating and implementing their medium-to long-term plan and business plan, while implementing measures to avoid, reduce, or transfer the risks according to the type of risk.
- The Company shall formulate a BCP², and appoint a risk management manager and secretariat and set up risk management organizations to ensure that prompt, proper, and coordinated risk management actions be taken in case of an emergency.

^{*2} BCP (Business Continuity Plan): A plan to be formulated for an emergency such as a natural disaster, based on which the Company will minimize damage and work to continue or restore its business operations

5) Systems to ensure efficient execution of duties by directors

- By adopting the corporate officer system, the Company shall establish a framework in which directors make decisions properly and promptly while corporate officers execute business effectively and efficiently under supervision of directors.
- The Company shall establish a system to ensure that authority be properly delegated in accordance with the Rules for the Board of Directors and other rules for meetings, rules for organizations, rules for division of duties, rules for official authority, and rules for approval, and that decision making, delivery of instruction and notification to heads of relevant departments, and business execution take place promptly.

6) Systems to ensure the appropriateness of operations of the corporate group composed of the Company and its subsidiaries

- In accordance with the basic principles for Group management based on the Rules for Management of Subsidiaries, the Company shall manage the entire Group business, respecting the independence of subsidiaries and in a highly ethical manner.
- For management of subsidiaries, the Company shall send some of its directors or employees to each subsidiary as their directors, and manage their business operation and risk of loss via the board of directors of the subsidiaries, thereby ensuring the appropriateness of business. Moreover, the Company appoints one of the directors sent from the Company as the management representative of the subsidiary for integrated management.

The appointed subsidiary management representative will report on important decision making, status of business execution, and other important matters that may affect business management of the subsidiary to the Board of Directors of the Company in a timely manner.

- To promote compliance of subsidiaries, the Company shall advise and instruct each subsidiary to establish a system appropriate for the characteristics, scale, and environment of its business, and ask them to report on the status of operation of the system on a periodic basis.

7) Internal audit system

- The Internal Audit Dept. shall be set up independent from the executive division under direct control of the Representative Director, President & CEO, and the status of development and operation of internal control systems shall be audited by a management representative of each department and the Internal Audit Dept.
- To ensure appropriateness in Group business management, the Company shall conduct surveys on the status of business implementation at subsidiaries as necessary.

8) Systems to ensure effective auditing by the Audit & Supervisory Board Member

- When an Audit & Supervisory Board Member requests that an employee be assigned to assist their duties, the Company shall assign such employee and ensure their independence from directors. For appointment, evaluation, transfer, etc., of said assistant employee, approval of the Audit & Supervisory Board Member shall be obtained in advance.
- Directors shall notify the Audit & Supervisory Board Member of matters related to basic policies and plans of business management and other important matters in advance.
- The Audit & Supervisory Board Member shall attend Board of Directors' meetings and other important meetings to understand the processes of priority decision making and the status of business execution.
- The Audit & Supervisory Board Member shall inspect important documents related to business execution and ask directors or employees for explanation thereof as necessary.

- Directors shall establish a system to report to the Audit & Supervisory Board Member on every important matter that may affect management.
- The Audit & Supervisory Board Member shall share information and exchange opinions with the management representative and the audit & supervisory board member of each subsidiary, thereby maintaining close ties with them.
- The Audit & Supervisory Board Member shall conduct audits effectively and efficiently in cooperation with the compliance promotion departments, etc.
- The Company shall ensure that anyone who has made a report to the Audit & Supervisory Board Member will not be treated disadvantageously on the grounds of making such a report.
- Expenses necessary for the execution of duties of the Audit & Supervisory Board Member shall be incorporated in the budget based on the opinions of the Audit & Supervisory Board Member, and paid promptly whenever necessary.

9) Cooperation among the Audit & Supervisory Board Member, Accounting Auditor, and Internal Audit Dept.

- The Audit & Supervisory Board Member, Accounting Auditor, and Internal Audit Dept. shall share information on issues or future risks they recognize through audits and, as necessary, consult and exchange opinions with each other to enhance ties.

The Company has commissioned Deloitte Touche Tohmatsu LLC, an auditing firm, to conduct its accounting audits in accordance with the Companies Act of Japan. The auditing firm has confirmed that the status of the Company's properties and profits and losses for this fiscal year is adequately presented in all material respects in accordance with the business accounting standards generally accepted as fair and appropriate in Japan.

For more details, please see Financial Highlights on our corporate website.
<https://www.maruho.co.jp/english/>

The contents of the financial statements included in this Report (pages 42-50) are completely the same as those of the consolidated financial statements and the non-consolidated financial statements disclosed under the Companies Act. Results of the previous fiscal year and the consolidated statement of cash flows are not included in the target of the accounting audit of this year but presented as reference information.

10) Basic approach to eliminating antisocial forces

- The Company declares as its basic policy in the Maruho Code of Compliance Standards that it shall resolutely confront antisocial forces or groups that threaten the order and safety of civil society and firmly reject all unreasonable or illegal demands, and ensures that this policy is fully known by all officers and employees.
- The Company shall gather information in cooperation with police authorities and other external specialist organizations such as the National Center for Removal of Criminal Organizations, develop a system to enable organizational actions, and eliminate all relationships with antisocial forces, including normal trading relationships.

Risk management

Basic approach

In order to maximize Maruho's corporate value, the Company works to avoid or reduce risks by identifying the risks that the Company is facing or is likely to face in the future, and establishing and operating an appropriate risk management cycle (PDCA cycle) for each of the identified risks.

The Risk Management Regulations established by the Company defines that a risk is an uncertain event that may affect the Company's profit or loss and that requires Companywide management using the PDCA cycle framework and is designated by the Risk Management Committee.

1) Code of Practice, etc.

Risks related to compliance with laws and social norms, corporate social responsibilities, and compliance with voluntary rules such as the JPMA Code of Practice established by the Japan Pharmaceutical Manufacturers Association (JPMA) and the Fair Competition Code concerning Restriction on Premium Offers in the Ethical Pharmaceutical Drugs Marketing Industry.

2) Other risks

Risks that are significant for the Company or occur frequently, and that require Companywide management using the PDCA cycle approach, such as information management risk, personnel risk, reputation risk, and disaster risk. Initiatives to promote risk management include planning, implementation, and reporting of educational programs and self-inspections concerning risk management. Also, the Internal Audit Dept. conducts monitoring according to the internal audit regulations to objectively evaluate whether the PDCA cycle concerning risk management is working effectively.

Compliance

Basic approach

Executives and employees shall comply with the Maruho Code of Compliance Standards in their own conduct and their business activities. Its Fundamental Policy declares as follows: our mission, as one who handles pharmaceutical products, i.e., products that impact health and life, is to contribute to a high quality of life and the health of people.

For that purpose, in carrying out business activities, we shall comply with general laws and regulations such as civil codes, corporate laws, and anti-monopoly laws, as well as the various business-related laws and regulations such as pharmaceutical laws, GLP, GCP, GMP, GQP, GVP, and GPSP*, and will have no relationships with antisocial forces and groups and adamantly refuse and oppose their unreasonable demands. We shall act with high ethical standards, including bioethics, and good sense, and each individual shall conduct themselves with self-awareness and an understanding of one's own mission.

When we commission work to Group companies or outside vendors in regard to various processes, such as product research, development, manufacture, and sales, we shall be aware that we are the ones that bear the ultimate responsibility, and shall handle situations with a sense of unity with the Group company or outside vendor.

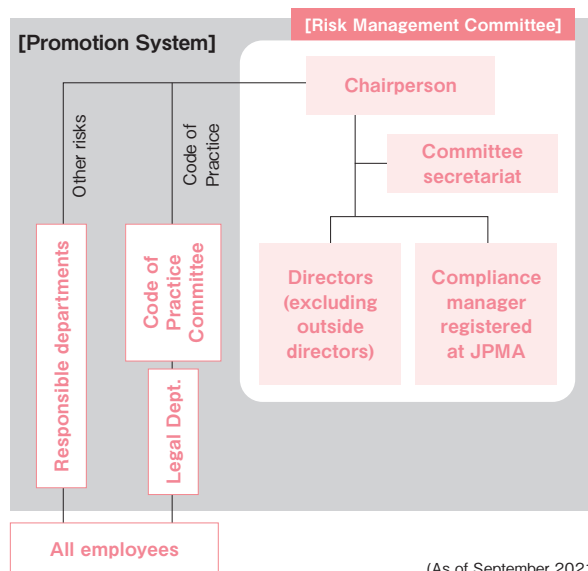
* GLP (Good Laboratory Practice): Standards to ensure the safety and appropriateness of facility equipment/devices, organization/staff, examination/procedure/results, etc., of non clinical tests
 GCP (Good Clinical Practice): A ministerial order providing the standards that companies and medical institutions should comply with in conducting clinical tests of drugs
 GMP (Good Manufacturing Practice): Standards for manufacturing control and quality control of pharmaceuticals and quasi-pharmaceutical products
 GQP (Good Quality Practice): A ministerial order concerning standards for quality control over pharmaceuticals, quasi-pharmaceutical products, cosmetics, and regenerative medicine products
 GVP (Good Vigilance Practice): Standards that manufacturers and sellers of pharmaceuticals, quasi-pharmaceutical products, cosmetics, or medical devices shall comply with regarding the collection and examination of information related to the quality, effectiveness, and safety of, and for the proper use of, the products, as well as the matters related to necessary measures based on the results thereof
 GPSP (Good Post-marketing Study Practice): Standards for studies and tests after manufacture and sales

Promotion systems

At Maruho, the Risk Management Committee plays the central role in activities to promote compliance.

The Risk Management Committee designates risks that require Companywide control* and instructs the Code of Practice Committee and responsible departments to control such risks by the PDCA cycle approach, with the aim of promoting compliance in an integrated manner throughout the Company.

* Compliance risk related to the Code of Practice and the like, and other risks



Quality policy

The quality policy of Maruho Co., Ltd. is to provide a stable supply of pharmaceutical products together with science-based information to people of the world who wish for good health.

- With a global perspective, Maruho shall strictly comply with all relevant quality-related laws and regulations.
- Maruho shall gather information on medical needs and create innovation to provide pharmaceutical products and information of superior quality.
- Maruho shall construct an international standard quality management system (such as PQS*) to promote continuous improvement toward a higher level of quality.
- Maruho shall properly allocate operational resources in order to realize this quality policy.

* PQS (Pharmaceutical Quality System): A comprehensive model of an effective pharmaceuticals quality system for pharmaceutical companies, applicable to different stages of the product life cycle. It is aimed at "establishing and maintaining the proper product quality," "establishing and maintaining a controlled state," and "promoting continuous improvements."

Board of Directors, Auditors, and Corporate Officers

(As of December 2021)



Representative Director,
Chairman of the Board
Koichi Takagi

Representative Director,
President & CEO
Atsushi Sugita

Director of the Board (Outside)
Akihiro Watanabe

Director of the Board (Outside)
Yoshihiko Akagi

Director of the Board (Outside)
Toshio Asano

Representative Director, Chairman of the Board

Koichi Takagi

Biography

April 1980 Joined Nihon Shoji Co., Ltd. (now Alfresa Corporation)
January 1983 Joined Maruho Co., Ltd.
April 1988 General Manager, Development and Planning Dept.
December 1988 Director of the Board, General Manager, Development and Planning Dept.
December 1992 Managing Director, Sales
January 1995 Managing Director, General Manager, Research & Development Dept.
December 1996 Executive Managing Director
December 1998 Representative Director, Executive Vice President
December 1999 Representative Director, President
October 2014 Representative Director, President & CEO
December 2020 Representative Director, Chairman of the Board (Current position)

Representative Director, President & CEO

Atsushi Sugita

Biography

April 1997 Joined Sumitomo Corporation
October 2009 Janssen Pharmaceutical K.K., General Manager, Tramcet Marketing Dept.
March 2012 Joined Maruho Co., Ltd.
October 2013 Associate General Manager, Global Business Development Dept.
October 2014 Corporate Officer, North American Region
December 2014 Director of the Board, Corporate Officer, North American Region
January 2016 Director of the Board, Corporate Officer, Corporate Planning, Global Business Management
December 2016 Director of the Board, Senior Corporate Officer, Global Strategy & Business Development, Finance & Accounting, Human Resources
October 2018 Director of the Board, Executive Corporate Officer, Business Operations & Administration
January 2020 Director of the Board, Executive Vice President, Corporate Officer
April 2020 Director of the Board, Executive Vice President, Corporate Officer, Medical Device Business
June 2020 Director of the Board, Executive Vice President, Corporate Officer
December 2020 Representative Director, President & CEO (Current position)

Director of the Board (Outside)

Akihiro Watanabe

Biography

July 1990 Peat Marwick Mitchell & Co. (now KPMG LLP), New York Office Partner
April 1997 Representative Director, KPMG Corporate Finance Co., Ltd.
April 2004 Founded GCA Corporation, Representative Director (now Director and Chairman of the Board) (Current position)
December 2015 Director of the Board, Maruho Co., Ltd. (Current position)

Director of the Board (Outside)

Yoshihiko Akagi

Biography

April 1980 Joined Nihon Shoji Co., Ltd. (now Alfresa Corporation)
September 1983 Joined Maruho Co., Ltd.
March 1991 Left Maruho Co., Ltd.
September 1991 Joined SRL, Inc.
April 1992 Representative Director, Akagi Trading Co., Ltd. (Current position)
January 2006 Representative Director, DiaSys Japan K.K. (Current position)
January 2012 DiaSys Diagnostics Systems GmbH, Area Business Director (Current position)
December 2015 Director of the Board, Maruho Co., Ltd. (Current position)

Director of the Board (Outside)

Toshio Asano

Biography

April 1975 Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation)
April 2008 Director and Senior Executive Officer, Asahi Kasei Pharma Corporation
April 2010 President & Representative Director, Presidential Executive Officer, Asahi Kasei Pharma Corporation
April 2010 Concurrently served as Director, Asahi Kasei Medical Co., Ltd.
May 2013 Concurrently served as Director, ZOLL Medical Corporation
April 2014 Director and Presidential Executive Officer, Asahi Kasei Corporation
June 2014 President & Representative Director, Presidential Executive Officer, Asahi Kasei Corporation
April 2016 Director and full-time advisor, Asahi Kasei Corporation
June 2016 Full-time advisor, Asahi Kasei Corporation (Current position)
December 2016 Director of the Board, Maruho Co., Ltd. (Current position)
June 2017 Outside Director, Medipal Holdings Corporation (Current position)
June 2019 Outside Director, Daicel Corporation (Current position)
June 2019 Outside Director, Tokyo Century Corporation (Current position)
June 2021 Chairman, Japanese Foundation for Cancer Research (Current position)

Corporate Officer, General Manager, Research Dept.

Kazumasa Hirata

Corporate Officer, Clinical Development

Yutaka Ishihama

Corporate Officer, Reliability Assurance & Medical Affairs

Yoshimi Kakiuchi



Director of the Board, Executive
Corporate Officer
Yasuyuki Ishimaru

Director of the Board, Senior
Corporate Officer, Reliability
Assurance & Medical Affairs
Yasuhiko Kito

Director of the Board, Senior Corporate
Officer, Corporate Planning, Business
Operations, CMC Research & Production
Masahiro Takeda

Director of the Board, Senior
Corporate Officer, Japan Business
Operations
Takashi Kitagawa

Director of the Board, Senior
Corporate Officer, Global Business
Development
Masahiro Akatsuka

Corporate Audit & Supervision
Hiroaki Miura

Director of the Board, Executive Corporate Officer

Yasuyuki Ishimaru

Biography

April 1984 Joined Maruho Co., Ltd.
August 2007 General Manager, Yokohama Branch
July 2009 General Manager, Tokyo Branch
December 2010 Corporate Officer, Japan Sales Operations
December 2012 Director of the Board, Corporate Officer, Japan Business Operations
October 2014 Director of the Board, Corporate Officer, Sales Operations
January 2016 Director of the Board, Corporate Officer, Sales, West Japan Sales Operations
October 2017 Director of the Board, Corporate Officer, Sales
October 2018 Director of the Board, Corporate Officer, Sales
December 2020 Director of the Board, Executive Corporate Officer (Current position)

Director of the Board, Senior Corporate Officer, Japan Business Operations

Takashi Kitagawa

Biography

April 1985 Joined Maruho Co., Ltd.
August 2008 Manager, Area Marketing Dept., Kyoto Branch
December 2010 General Manager, Kyoto Branch
December 2012 General Manager, Nagoya Branch
May 2014 General Manager, Nagoya Branch, and General Manager, Shizuoka Office
October 2015 General Manager, Sales Management Dept.
July 2016 Corporate Officer, Sales Staff
October 2018 Corporate Officer, Reliability Assurance & Medical Affairs
June 2020 Corporate Officer, Marketing, Sales Strategy, Sales Human Resources Development
October 2020 Corporate Officer, Marketing and Diagnostic Drugs
December 2020 Director of the Board, Senior Corporate Officer, Japan Business Operations (Current position)

Corporate Officer, Sales

Yoshihiko Sato

Director of the Board, Senior Corporate Officer, Reliability Assurance & Medical Affairs

Yasuhiko Kito

Biography

April 1986 Joined Maruho Co., Ltd.
March 2008 General Manager, Clinical Development Dept.
July 2011 General Manager, Academic Dept.
December 2012 Corporate Officer, Pharmaceutical and Medical Affairs
March 2014 Corporate Officer, Product Quality Assurance and Medical Affairs
October 2014 Senior Corporate Officer, Business Operations
December 2014 Director of the Board, Senior Corporate Officer, Business Operations
December 2016 Director of the Board, Senior Corporate Officer, Japan Business Operations, Cosmeceutical Business Development
October 2017 Director of the Board, Senior Corporate Officer, Research & Development, Research, Japan Business Operations, Cosmeceutical Business Development
October 2018 Director of the Board, Executive Corporate Officer, Research & Development, Reliability Assurance & Medical Affairs, Research
October 2019 Director of the Board, Executive Corporate Officer supervising Research & Development and Science
December 2020 Director of the Board, Senior Corporate Officer supervising Research & Development, Reliability Assurance & Medical Affairs
April 2021 Director of the Board, Senior Corporate Officer, Reliability Assurance & Medical Affairs (Current position)

Director of the Board, Senior Corporate Officer, Global Business Development

Masahiro Akatsuka

Biography

April 1989 Joined Maruho Co., Ltd.
July 2009 General Manager, Research Dept.
December 2012 Corporate Officer, Research, General Manager, Research Dept.
October 2015 Corporate Officer, Research, General Manager, Research Planning and Promotion Dept.
December 2016 General Manager, Marketing Research Dept.
June 2020 General Manager, Market Research and Evaluation for Senior Corporate Officer, Global Business Development, Drug Discovery Research
April 2021 General Manager, Market Research and Evaluation for Senior Corporate Officer, Global Business Development
December 2021 Director of the Board, Senior Corporate Officer, Global Business Development (Current position)

Corporate Officer, Business Operations

Koichi Nishioka

Director of the Board, Senior Corporate Officer, Corporate Planning, Business Operations, CMC Research & Production

Masahiro Takeda

Biography

April 1992 Joined the Health and Welfare Ministry (now the Ministry of Health, Labour and Welfare)
July 2003 Benesse Corporation, General Manager, Childcare Business Dept.
April 2004 Benesse Style Care Co., Ltd., General Manager, Childcare Business Dept.
August 2005 Benesse Style Care Co., Ltd., General Manager, Legal Affairs and Compliance Dept.
October 2009 Benesse Style Care Co., Ltd., Part-time Director
June 2010 Janssen Pharmaceutical K.K., General Manager, Foreign Affairs Dept.
November 2010 Janssen Pharmaceutical K.K., General Manager, Policy Analysis Dept.
May 2014 Joined Maruho Co., Ltd., General Manager, Corporate Planning Dept.
January 2016 Corporate Officer, Corporate Planning
December 2016 Director of the Board, Corporate Officer, Corporate Planning and Legal, General Affairs
October 2017 Director of the Board, Corporate Officer, Corporate Planning and Legal, Future Design and General Affairs
October 2018 Director of the Board, Corporate Officer, CMC Research & Production, and in charge of Legal and Regulatory Compliance
January 2020 Director of the Board, Senior Corporate Officer, Corporate Planning, Business Operations, CMC Research & Production, Legal and Regulatory Compliance
June 2020 Director of the Board, Senior Corporate Officer, Corporate Planning, Business Operations, CMC Research & Production (Current position)

Corporate Audit & Supervision

Hiroaki Miura

Biography

April 1983 Joined Maruho Co., Ltd.
March 2005 General Manager, Project Promotion Dept.
July 2009 General Manager, U.S. Development Dept.
October 2011 Maruho North America Inc., Deputy President
January 2013 Maruho North America Inc., President
December 2013 Maruho Co., Ltd., Corporate Officer, Human Resources and General Affairs
October 2014 Corporate Officer, Business Operations
December 2016 Corporate Audit & Supervision (Current position)

Corporate Officer, Production

Katsunori Hiratsuka

Consolidated Management Indicators, etc.

	2011.9	2012.9	2013.9	2014.9
Fiscal year				
Net sales	59,055	62,007	64,336	69,367
Operating profit	10,939	12,961	10,862	6,256
Ordinary profit	11,064	13,262	11,115	6,202
Profit attributable to owners of parent	7,014	8,304	7,136	3,639
As of fiscal year-end				
Total net assets	68,454	76,661	84,057	93,878
Total assets	81,973	94,180	100,042	124,750
Amount per share (Yen)				
Net assets per share	8,985.77	10,063.13	11,034.01	11,533.32
Basic earnings per share	920.83	1,090.09	936.82	476.44
Cash flows				
Cash flows from operating activities	9,992	12,940	5,384	4,641
Cash flows from investing activities	(2,760)	19,674	2,083	(8,980)
Cash flows from financing activities	(133)	(135)	(137)	10,687
Financial indicators				
Equity-to-asset ratio (%)	83.5	81.4	84.0	70.7
Return on equity (%)	10.2	10.8	8.5	4.1
Number of employees	1,096	1,190	1,287	1,526

(Notes)

1. For accounting audits, please refer to "Corporate Governance Internal Control System's 9) Cooperation among the Audit & Supervisory Board Member, Accounting Auditor, and Internal Audit Dept." (Page 34)
2. The "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been applied since the beginning of the fiscal year ended September 2019. For the fiscal year ended September 2018, the amended accounting standard has been applied retroactively.

(Millions of yen)

2015.9	2016.9	2017.9	2018.9	2019.9	2020.9	2021.9
73,538	76,722	86,902	85,209	89,171	88,954	96,754
7,682	7,424	14,731	10,631	12,347	12,333	21,942
7,151	7,483	14,577	10,284	12,433	10,721	21,112
3,288	2,272	8,463	2,976	12,737	6,318	14,902
96,592	99,984	108,985	110,478	120,217	127,825	142,857
134,484	137,554	145,096	143,286	142,908	151,394	164,257
12,117.75	12,531.01	13,675.28	14,440.31	15,713.18	16,569.98	18,531.20
429.85	297.00	1,106.30	389.09	1,664.83	825.81	1,947.92
10,117	10,433	11,923	11,385	11,573	20,042	18,063
(7,906)	(15,554)	(10,824)	(13,595)	(11,706)	(4,817)	(4,591)
2,600	(3,024)	(583)	(681)	(10,245)	(686)	(570)
68.9	69.7	72.1	77.1	84.1	83.7	86.3
3.6	2.4	8.4	2.8	11.0	5.1	11.1
1,588	1,716	1,838	1,930	2,093	2,150	2,181

Business Performance and Financial Analysis

Business performance

During the consolidated fiscal year under review (October 1, 2020 to September 30, 2021), the Japanese economy remained in a severe condition due to the impact of COVID-19, though some signs of recovery began to be seen. The pharmaceutical business, the field on which the Maruho Group is based, suffered a stagnant market partly due to the “off-year” revision of drug prices. The fields of springs, medical devices and components, and machinery, which are the businesses of Maruho Hatsuiyo Kogyo Co., Ltd., were also affected by the COVID-19 pandemic.

Under these circumstances, upholding our Corporate mission “to contribute to better health for people all over the world”, we promoted the initiatives of the first year of the Fourth Medium-Term Plan (October 2020 to September 2023) to accelerate further growth under Long-Term Vision 2011 “Excellence in Dermatology,” aiming to make outstanding contributions in dermatology.

As a result, net sales of the consolidated fiscal year under review marked a record high of 96,754 million yen (up 8.8% from the previous fiscal year). In terms of profits, all profit items also marked record highs, with operating profit of 21,942 million yen (up 77.9%), ordinary profit of 21,112 million yen (up 96.9%), and profit attributable to owners of parent of 14,902 million yen (up 135.9%).

(1) Pharmaceutical business

Sales of acne vulgaris treatment agent *BEPIO* and blood-flow accelerative/skin-moisturizing agent *Hirudoid* both increased as a result of the efforts to promote continuous treatment for *BEPIO Gel* and to encourage proper use for *Hirudoid*. Sales of anti-herpes virus agent *Amenalief* showed steady performance due to the co-promotion in Japan with Meiji Seika Pharma Co., Ltd. Besides these, sales of medical devices and other new items have also been expanding. As a result, net sales in our pharmaceutical business reached 87,724 million yen (up 8.5% from the previous fiscal year), with operating profit of 21,815 million yen (up 70.6%).

(2) Other businesses

With regard to the businesses of Maruho

Hatsuiyo Kogyo, etc., orders for springs related to automobiles increased, while overseas sales of medical devices and components, and sales of machinery both inside and outside Japan, increased steadily. As a result, net sales in the springs, medical devices and components, and machinery businesses reached 9,676 million yen (up 18.6 from the previous fiscal year), with operating profit of 226 million yen (a segment loss of 455 million yen was recorded in the previous fiscal year).

Please note that the above segment net sales and operating profit figures include intersegment transactions, and therefore their total amounts are not consistent with the figures of net sales and operating profit provided in the consolidated statement of income.

Pharmaceutical business (Mainly manufacture and marketing of prescription drugs)

(Millions of yen)

	2020.9	2021.9	Increase (Decrease)
Sales			
Revenues from external customers	80,849	87,721	6,872
Transactions with other segments	–	2	2
Net sales	80,849	87,724	6,874
Operating profit	12,789	21,815	9,026

Other businesses (Springs, medical devices and components, and machinery)

(Millions of yen)

	2020.9	2021.9	Increase (Decrease)
Sales			
Revenues from external customers	8,105	9,033	927
Transactions with other segments	49	642	592
Net sales	8,155	9,676	1,520
Operating profit (loss)	(455)	226	681

Financial position

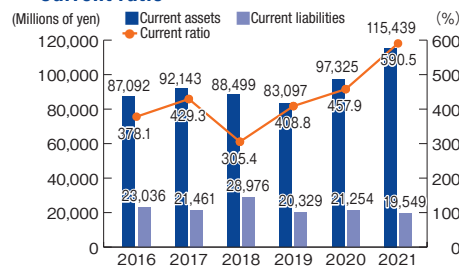
Total assets at the end of the consolidated fiscal year under review increased 12,863 million yen from the previous fiscal year, to 164,257 million yen. Fixed assets decreased 5,250 million yen mainly because the amount of depreciation exceeded capital investment, while current assets increased 18,113 million yen due to the significant increase in sales and profits, which resulted in increases in

cash and deposits as well as notes and accounts receivable. Total liabilities decreased 2,168 million yen from the previous fiscal year, to 21,400 million yen. Specifically, the decrease is composed of a 1,704 million yen decrease in current liabilities and a 463 million yen decrease in non-current liabilities. Total net assets increased 15,031 million yen, to 142,857 million yen, mainly due to the increase

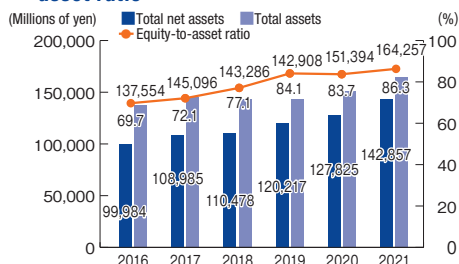
as a result of the recording of profit attributable to owners of parent.

The current ratio increased 132.6 percentage points from the previous fiscal year, to 590.5%, and the equity-to-asset ratio increased 2.6 percentage points year on year, to 86.3%, both maintaining a high level. We thus maintain sufficient health in terms of both short-term and long-term solvency.

Current assets / Current liabilities / Current ratio

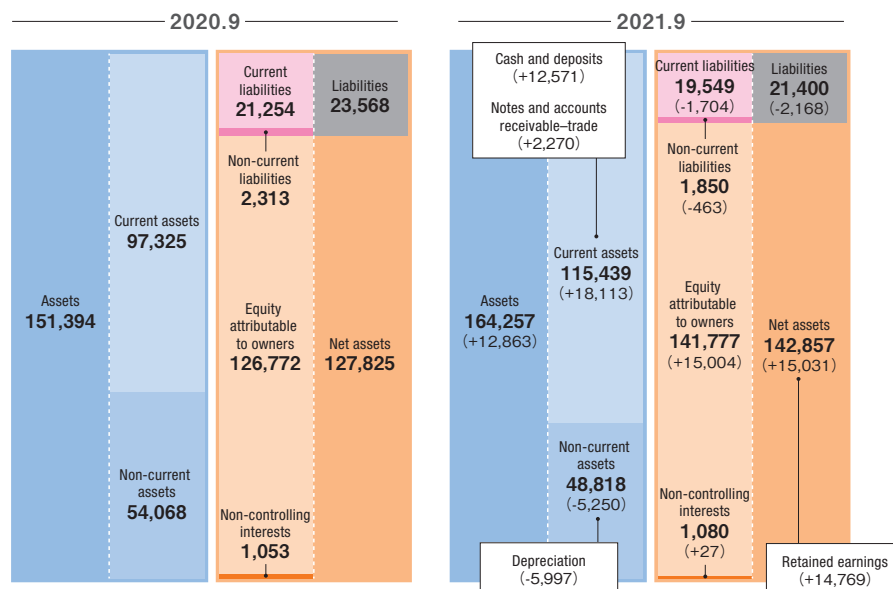


Total net assets / Total assets / Equity-to-asset ratio



Overview of Consolidated Balance Sheet

(Millions of yen)



Cash flows

The balance of cash and cash equivalents at the end of the consolidated fiscal year under review was 59,547 million yen (up 28.1% from the previous fiscal year).

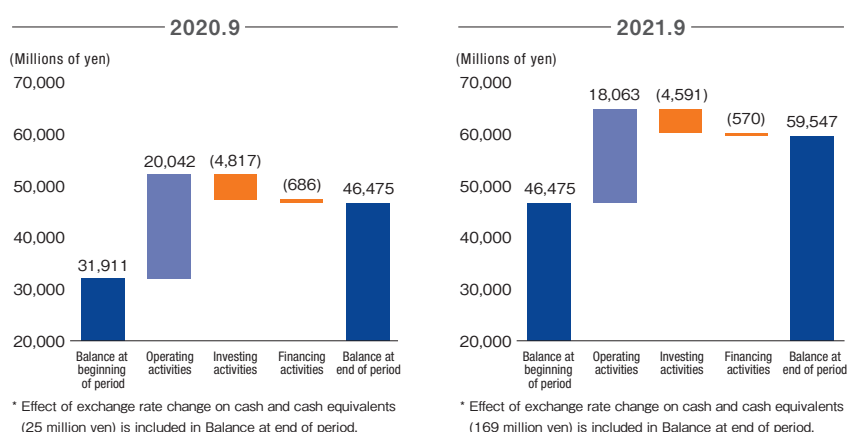
Cash flows from operating activities decreased 9.9% from the previous fiscal year, to 18,063 million yen. This was due to a decrease of 2,308 million yen resulting from the increase in trade receivables, as well as profit before income taxes of 21,134 million yen and the recording of non-cash items such as Depreciation of goodwill. Cash flows from investing activities decreased 4.7% from the previous fiscal year, to 4,591 million yen, mainly due to capital investment and purchase of intangible assets. Cash flows from financing activities decreased 17.0% from the previous fiscal year, to 570 million yen.

The Maruho Group's demand for funds is mainly for the purpose of investment in research and development, as well as

investments in tangible/intangible fixed assets, such as construction of new manufacturing facilities, enhancement of R&D functions, and acquisition of sales rights. The Maruho Group ensures a level of cash and deposits sufficient not only to finance these investments but also to respond to certain strategic investment opportunities.

Incidentally, the Maruho Group has been rated "A-" by Rating and Investment Information, Inc. (R&I) as of September 30, 2021. We have also established commitment lines totaling 10 billion yen with financial institutions in Japan, making us prepared for liquidity support.

Overview of Consolidated Statement of Cash Flows

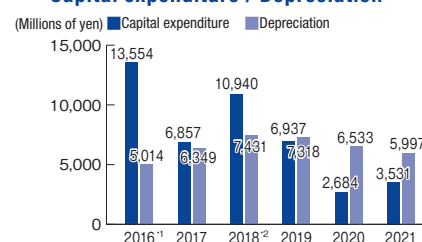


Capital expenditure, etc. (Tangible assets and intangible assets)

During the fiscal year under review, we carried out an acquisition of manufacturing equipment for the Hikone Plant, our base of manufacturing for pharmaceuticals; renovation of the existing building of the Nagahama Plant; acquisition of experimental equipment for the Kyoto R&D Center;

introduction of software to improve internal work efficiency; and acquisition of the sales rights related to introduction of R&D products. We will continue to pay attention to trends in the market and make focused, strategic investments, with the aim of taking every opportunity for growth.

Capital expenditure / Depreciation



¹ We proactively implemented strategic corporate alliances and the introduction of R&D products in order to further increase corporate value by expanding our business.

² New buildings were constructed at the main plants, Hikone and Nagahama, to ensure the quality of pharmaceutical products and stabilize supply.

Consolidated Balance Sheet

(Millions of yen)

	2020.9	2021.9
Assets		
Current assets	97,325	115,439
Cash and deposits	47,775	60,347
Notes and accounts receivable-trade	28,059	30,329
Securities	—	301
Merchandise and finished goods	11,510	13,032
Work in process	4,374	5,232
Raw materials and supplies	4,050	4,425
Other	1,555	1,770
Non-current assets	54,068	48,818
Property, plant and equipment	26,349	25,078
Buildings and structures	16,308	15,527
Machinery, equipment and vehicles	6,471	5,645
Tools, furniture and fixtures	1,225	1,091
Land	2,031	2,125
Construction in progress	313	687
Intangible assets	7,813	6,536
Software	1,496	1,343
Goodwill	685	617
Sales rights	4,295	3,010
Other	1,335	1,565
Investments and other assets	19,905	17,203
Investment securities	8,836	7,879
Long-term loans receivable from subsidiaries and associates	196	441
Retirement benefit asset	1,459	2,621
Deferred tax assets	7,581	4,394
Other	1,831	1,867
Total assets	151,394	164,257

* 2020.9 is not subject to audit.

(Millions of yen)

	2020.9	2021.9
Liabilities		
Current liabilities	21,254	19,549
Notes and accounts payable-trade	4,105	4,865
Short-term borrowings	200	200
Current portion of long-term borrowings	393	393
Accounts payable-other	6,852	5,692
Income taxes payable	2,197	2,133
Provision for bonuses	3,697	3,870
Provision for sales returns	2	12
Provision for business restructuring	241	—
Other	3,563	2,382
Non-current liabilities	2,313	1,850
Long-term borrowings	962	392
Deferred tax liabilities	—	36
Provision for retirement benefits for directors (and other officers)	980	1,044
Asset retirement obligations	189	192
Other	182	184
Total liabilities	23,568	21,400
Net assets		
Shareholders' equity	126,489	141,258
Share capital	382	382
Capital surplus	4,251	4,251
Retained earnings	121,855	136,624
Accumulated other comprehensive income	282	518
Valuation difference on available-for-sale securities	323	0
Deferred gains or losses on hedges	36	38
Foreign currency translation adjustment	(77)	479
Non-controlling interests	1,053	1,080
Total net assets	127,825	142,857
Total liabilities and net assets	151,394	164,257

* 2020.9 is not subject to audit.

Consolidated Statement of Income

(Millions of yen)

	2020.9	2021.9
Net sales	88,954	96,754
Cost of sales	31,185	32,550
Gross profit	57,769	64,203
Provision for sales returns	—	10
Reversal of provision for sales returns	7	—
Gross profit-net	57,776	64,193
Selling, general and administrative expenses	45,442	42,251
Operating profit	12,333	21,942
Non-operating income	185	419
Interest income	18	22
Dividend income	11	12
Commission income	16	16
Rental income	30	26
Insurance claim income	—	17
Subsidy income	16	202
Interest on tax refund	26	—
Foreign exchange gains	—	17
Other	64	104
Non-operating expenses	1,797	1,248
Interest expenses	25	16
Commission expenses	8	8
Foreign exchange losses	206	—
Share of loss of entities accounted for using equity method	1,545	1,216
Other	11	8
Ordinary profit	10,721	21,112
Extraordinary income	1,587	35
Gain on sales of investment securities	1,516	—
Reversal of business restructuring expenses	56	—
Reversal of provision for business restructuring	15	—
Gain on change in equity	—	35
Extraordinary losses	2,024	13
Loss on sales and retirement of non-current assets	42	13
Loss on valuation of investment securities	28	—
Impairment loss	1,701	—
Contract cancellation loss	250	—
Profit before income taxes	10,284	21,134
Income taxes-current	1,935	2,868
Income taxes-deferred	2,041	3,359
Total income taxes	3,976	6,227
Profit	6,307	14,906
Profit (loss) attributable to non-controlling interests	(10)	3
Profit attributable to owners of parent	6,318	14,902

* 2020.9 is not subject to audit.

Consolidated Statement of Changes in Equity

2020.9

(Millions of yen)

	Shareholders' equity			Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	
Balance at beginning of period	382	4,251	115,671	120,305
Changes during period				
Dividends of surplus			(133)	(133)
Profit attributable to owners of parent			6,318	6,318
Net changes in items other than shareholders' equity				
Total changes during period	—	—	6,184	6,184
Balance at end of period	382	4,251	121,855	126,489

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency transaction adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	128	(1)	(215)	(88)	0	120,217
Changes during period						
Dividends of surplus						(133)
Profit attributable to owners of parent						6,318
Net changes in items other than shareholders' equity	194	38	137	371	1,053	1,424
Total changes during period	194	38	137	371	1,053	7,608
Balance at end of period	323	36	(77)	282	1,053	127,825

* 2020.9 is not subject to audit.

Consolidated Statement of Changes in Equity

2021.9

(Millions of yen)

	Shareholders' equity			Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	
Balance at beginning of period	382	4,251	121,855	126,489
Changes during period				
Dividends of surplus			(133)	(133)
Profit attributable to owners of parent			14,902	14,902
Net changes in items other than shareholders' equity				
Total changes during period	—	—	14,769	14,769
Balance at end of period	382	4,251	136,624	141,258

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency transaction adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	323	36	(77)	282	1,053	127,825
Changes during period						
Dividends of surplus						(133)
Profit attributable to owners of parent						14,902
Net changes in items other than shareholders' equity	(323)	1	557	235	27	262
Total changes during period	(323)	1	557	235	27	15,031
Balance at end of period	0	38	479	518	1,080	142,857

Consolidated Statement of Cash Flows

(Millions of yen)

	2020.9	2021.9
Cash flows from operating activities		
Profit before income taxes	10,284	21,134
Depreciation	6,533	5,997
Impairment loss	1,701	-
Amortization of goodwill	514	104
Increase (decrease) in provision for bonuses	77	169
Increase (decrease) in provision for business restructuring	(1,167)	(241)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	46	64
Interest and dividend income	(30)	(34)
Interest expenses	25	16
Share of loss (profit) of entities accounted for using equity method	1,545	1,216
Loss (gain) on sales of investment securities	(1,516)	-
Loss (gain) on valuation of investment securities	28	-
Loss (gain) on sales and retirement of non-current assets	42	(3)
Decrease (increase) in trade receivables	(1,042)	(2,308)
Decrease (increase) in inventories	(225)	(2,725)
Increase (decrease) in trade payables	(1,073)	773
Decrease (increase) in other current assets	220	(133)
Increase (decrease) in other current liabilities	2,130	(1,592)
Other, net	(115)	(1,393)
Subtotal	17,980	21,043
Interest and dividends received	31	36
Interest paid	(24)	(18)
Income taxes (paid) refund	2,055	(2,998)
Net cash provided by (used in) operating activities	20,042	18,063
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,408)	(2,190)
Purchase of intangible assets	(1,621)	(1,262)
Decrease (increase) in time deposits	500	500
Purchase of investment securities	(1,845)	(267)
Proceeds from sales of investment securities	2,379	-
Purchase of shares of subsidiaries and associates	(433)	(1,095)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,101)	-
Loan advances to subsidiaries and associates	(196)	-
Other, net	(90)	(276)
Net cash provided by (used in) investing activities	(4,817)	(4,591)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,400	-
Repayments of short-term borrowings	(1,700)	-
Proceeds from long-term borrowings	180	-
Repayments of long-term borrowings	(393)	(393)
Dividends paid	(133)	(133)
Other, net	(40)	(43)
Net cash provided by (used in) financing activities	(686)	(570)
Effect of exchange rate change on cash and cash equivalents	25	169
Net increase (decrease) in cash and cash equivalents	14,564	13,071
Cash and cash equivalents at beginning of period	31,911	46,475
Cash and cash equivalents at end of period	46,475	59,547

* Consolidated statement of cash flows is not subject to audit.

(Reference) Balance Sheet (Non-consolidated)

(Millions of yen)

	2020.9	2021.9
Assets		
Current assets	87,404	104,682
Cash and deposits	39,830	53,100
Accounts receivable-trade	26,087	28,214
Merchandise and finished goods	11,150	12,530
Work in process	3,712	4,319
Raw materials and supplies	3,495	3,749
Prepaid expenses	96	140
Short-term loans receivable from subsidiaries and associates	1,546	946
Other	1,483	1,680
Non-current assets	52,905	49,892
Property, plant and equipment	19,281	18,185
Buildings	12,340	11,803
Structures	278	247
Machinery and equipment	4,405	3,733
Vehicles	11	7
Tools, furniture and fixtures	1,029	924
Land	863	863
Construction in progress	352	605
Intangible assets	7,006	5,817
Software	1,387	1,265
Sales rights	4,295	3,010
Other	1,324	1,540
Investments and other assets	26,618	25,889
Investment securities	2,973	2,409
Shares of subsidiaries and associates	12,662	14,255
Investments in capital of subsidiaries and associates	285	285
Long-term loans receivable from subsidiaries and associates	196	441
Long-term prepaid expenses	90	61
Prepaid pension costs	1,459	2,621
Deferred tax assets	7,389	4,198
Other	1,562	1,617
Total assets	140,310	154,574

* 2020.9 is not subject to audit.

(Millions of yen)

	2020.9	2021.9
Liabilities		
Current liabilities	17,820	16,885
Accounts payable-trade	3,412	4,118
Accounts payable-other	5,685	5,260
Accrued expenses	1,060	937
Income taxes payable	2,149	2,005
Deposits received	97	90
Provision for bonuses	3,384	3,564
Provision for sales returns	2	12
Provision for business restructuring	241	—
Other	1,786	893
Non-current liabilities	1,524	1,105
Provision for retirement benefits for directors (and other officers)	858	914
Asset retirement obligations	187	190
Provision for loss on business of subsidiaries and associates	475	—
Other	2	0
Total liabilities	19,345	17,990
Net assets		
Shareholders' equity	120,625	136,634
Share capital	382	382
Retained earnings	120,243	136,252
Legal retained earnings	95	95
Other retained earnings	120,147	136,156
Reserve for tax purpose reduction entry of non-current assets	13	13
General reserve	113,360	119,760
Retained earnings brought forward	6,774	16,383
Accumulated other comprehensive income	339	(50)
Valuation difference on available-for-sale securities	302	(88)
Deferred gains or losses on hedges	36	38
Total net assets	120,965	136,583
Total liabilities and net assets	140,310	154,574

* 2020.9 is not subject to audit.

(Reference) Statement of Income (Non-consolidated)

(Millions of yen)

	2020.9	2021.9
Net sales	80,345	87,033
Cost of sales	25,694	26,401
Gross profit	54,651	60,631
Provision for sales returns	—	10
Reversal of provision for sales returns	7	—
Gross profit-net	54,659	60,621
Selling, general and administrative expenses	41,803	38,875
Operating profit	12,855	21,746
Non-operating income	107	120
Interest income	11	18
Dividend income	6	6
Outsourcing service income	—	18
Commission income	16	16
Rental income	12	12
Insurance claim income	—	14
Interest on tax refund	26	—
Other	33	33
Non-operating expenses	74	35
Commission expenses	8	7
Foreign exchange losses	61	20
Other	5	6
Ordinary profit	12,888	21,831
Extraordinary income	1,587	—
Gain on sales of investment securities	1,516	—
Reversal of business restructuring expenses	56	—
Reversal of provision for business restructuring	15	—
Extraordinary losses	4,266	4
Loss on sales and retirement of non-current assets	30	4
Loss on valuation of shares of subsidiaries and associates	3,388	—
Loss on sales of shares of subsidiaries and associates	120	—
Provision for loss on business of subsidiaries and associates	475	—
Contract cancellation loss	250	—
Profit before income taxes	10,209	21,827
Income taxes-current	1,540	2,321
Income taxes-deferred	2,098	3,363
Total income taxes	3,638	5,684
Profit	6,571	16,142

* 2020.9 is not subject to audit.

Product List

(As of September 2021)

Maruho offers approximately 50 products specializing in dermatology to a wide range of patients.

■ Prescription Drugs

Therapeutic Category	Product Name (Abbreviated)	Non-Proprietary Name	Year Launched *
Reduction of malodor generated in cancerous cutaneous ulcers	Rozex Gel	Metronidazole	2018
Anti-herpes virus agent	Amenalief Tablets	Amenamivir	2017
	Famvir Tablets	Famciclovir	2008
Topical scalp psoriasis treatment	Comclo Shampoo	Clobetasol propionate	2017
Acne vulgaris treatment agent	Epiduo Gel	Adapalene/Benzoyl peroxide	2016
	Differin Gel	Adapalene	2016
	BEPIO Gel	Benzoyl peroxide	2015
Infantile hemangioma treatment agent	Hemangioli Syrup for Pediatric	Propranolol hydrochloride	2016
Psoriasis vulgaris treatment agent	Marduox Ointment	Maxacalcitol/Betamethasone butyrate propionate	2016
Quinolone anti-microbial topical agent	Zebias Lotion	Ozenoxacin	2016
	Zebias Oily Cream		2021
Human anti-human IL-17A monoclonal antibody	Cosentyx for s.c. injection 150mg syringe	Secukinumab (genetical recombination)	2015
	Cosentyx for s.c. injection 150mg pen		2016
Atopic dermatitis treatment agent	Protopic Ointment	Tacrolimus hydrate	2014
	Protopic Ointment for Pediatric		2014
Treatment agent for pressure ulcers/skin ulcers	Actosin Ointment	Bucladesine sodium	2010
Antifungal agent	Astat Cream	Lanconazole	2009
	Astat Solution		2009
	Astat Ointment		2009
Local anesthetic patch	Penles Tape	Lidocaine	2007
Anthelmintic (anti-parasitic) agent	STROMECTOL Tablets	Ivermectin	2006
Oral penem antibiotic	Farom Tablets	Faropenem sodium hydrate	2005
	Farom Dry Syrup for Pediatric		2005
Treatment agent for keratosis including psoriasis vulgaris	Oxarol Ointment	Maxacalcitol	2001
	Oxarol Lotion		2007
Non-chemical debriding agent	Bromelain Ointment	Bromelain	1999
Anti-inflammatory and blood-flow accelerating agent	Hirudoid Gel	Heparinoid	1988
Topical cortical hormone agent	Voalla Ointment	Dexamethasone valerate	1986
	Voalla Cream		1986
Hemorrhoids treatment agent	Posterisan Forte (Ointment)	Killed escherichia coli suspension/Hydrocortisone	1965
Topical dermal disease treatment agent	Eksalb	Mixed killed bacterial suspension	1962
Blood-flow accelerative/skin-moisturizing agent	Hirudoid Cream	Heparinoid	1954
	Hirudoid Soft Ointment		1996
	Hirudoid Lotion		2001
	Hirudoid Foam		2018
Anti-allergy agent	Olopatadine Hydrochloride OD Film (Maruho)	Olopatadine hydrochloride	2012
Oral allylamine antifungal agent	Terbinafine Tablets (Takata)	Terbinafine hydrochloride	2006
Anti-virus agent	Vidarabine Cream (Maruho)	Vidarabine	2000

* Year launched by Maruho

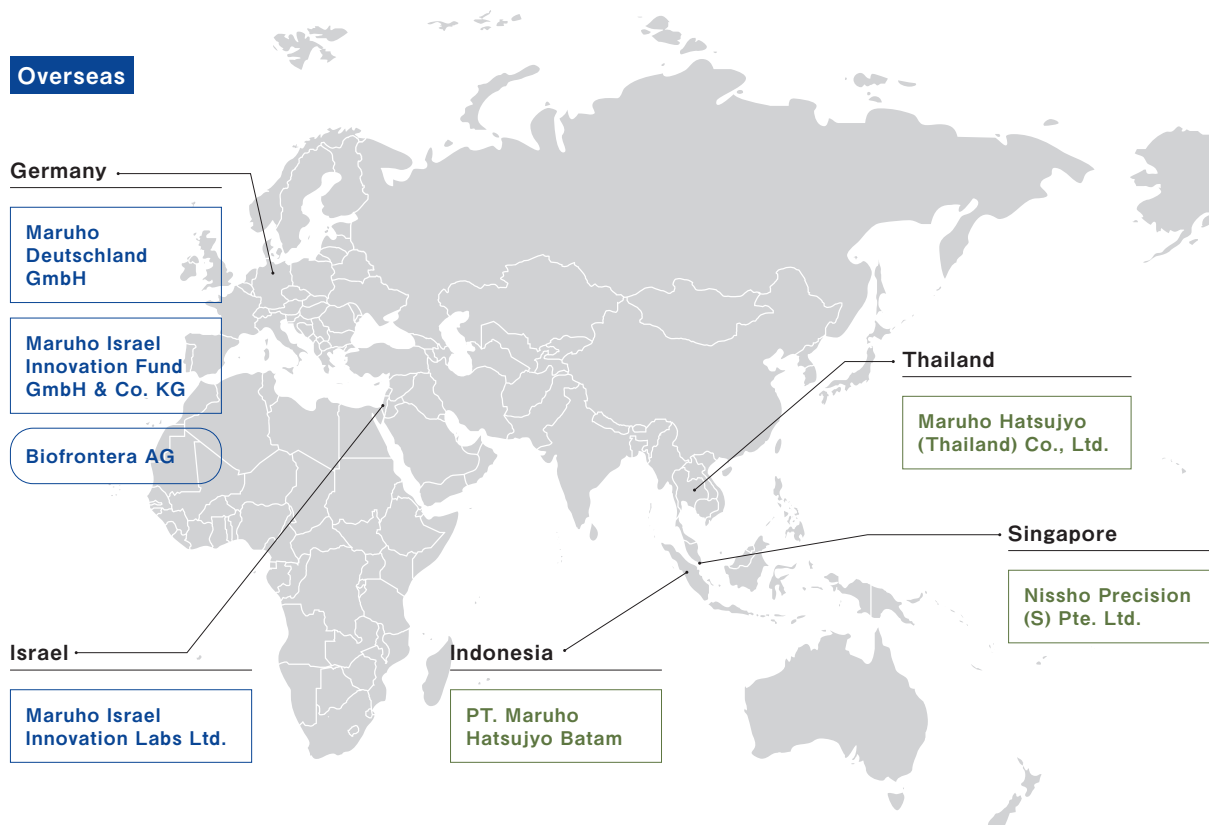
■ Products Other than Prescription Drugs

Adenovirus kit	MLine Adeno
Group A beta-hemolytic streptococcal antigen kit	MLine StrepA
Medical devices	DermaQuick VZV
Device for pincer nails	MAKIZUME MEISTER
Sterilized skin punch device	Dermapunch
Disposable cooling type hemorrhoid treatment device	Poscool

Makeup remover	iniks	Cleansing emulsion
Facial wash		Creamy foam
Toner for sensitive skin		Sensitive deep moist lotion (Medicated)
		AC moist clear lotion (Medicated)
Milky lotion for sensitive skin		Sensitive moist barrier milk (Medicated)
		AC moist clear milk (Medicated)
Sunscreen		UV protection
Foundation	Liquid foundation	

Maruho Group

Through co-creation using the technologies and know-how of each of the Group companies expanding globally, the Maruho Group aims to realize a society where everyone can live with a smile.



Europe

Maruho Deutschland GmbH

Location: Leverkusen, Germany

Activities: Development of pharmaceutical business

Maruho Israel Innovation Fund GmbH & Co. KG

Location: Leverkusen, Germany

Activities: Investment in pharmaceutical venture companies, etc.

Maruho Israel Innovation Labs Ltd.

Location: Rehovot, Israel

Activities: Operation and development support of investee companies

Biofrontera AG

Location: Leverkusen, Germany

Activities: Development of pharmaceutical business (holding company)

Asia

Maruho Hatsujyo (Thailand) Co., Ltd.

Location: Chonburi, Thailand

Activities: Manufacture and sales of various springs

Nissho Precision (S) Pte. Ltd.

Location: Singapore

Activities: Manufacture and sales of various springs

PT. Maruho Hatsujyo Batam

Location: Batam, Indonesia

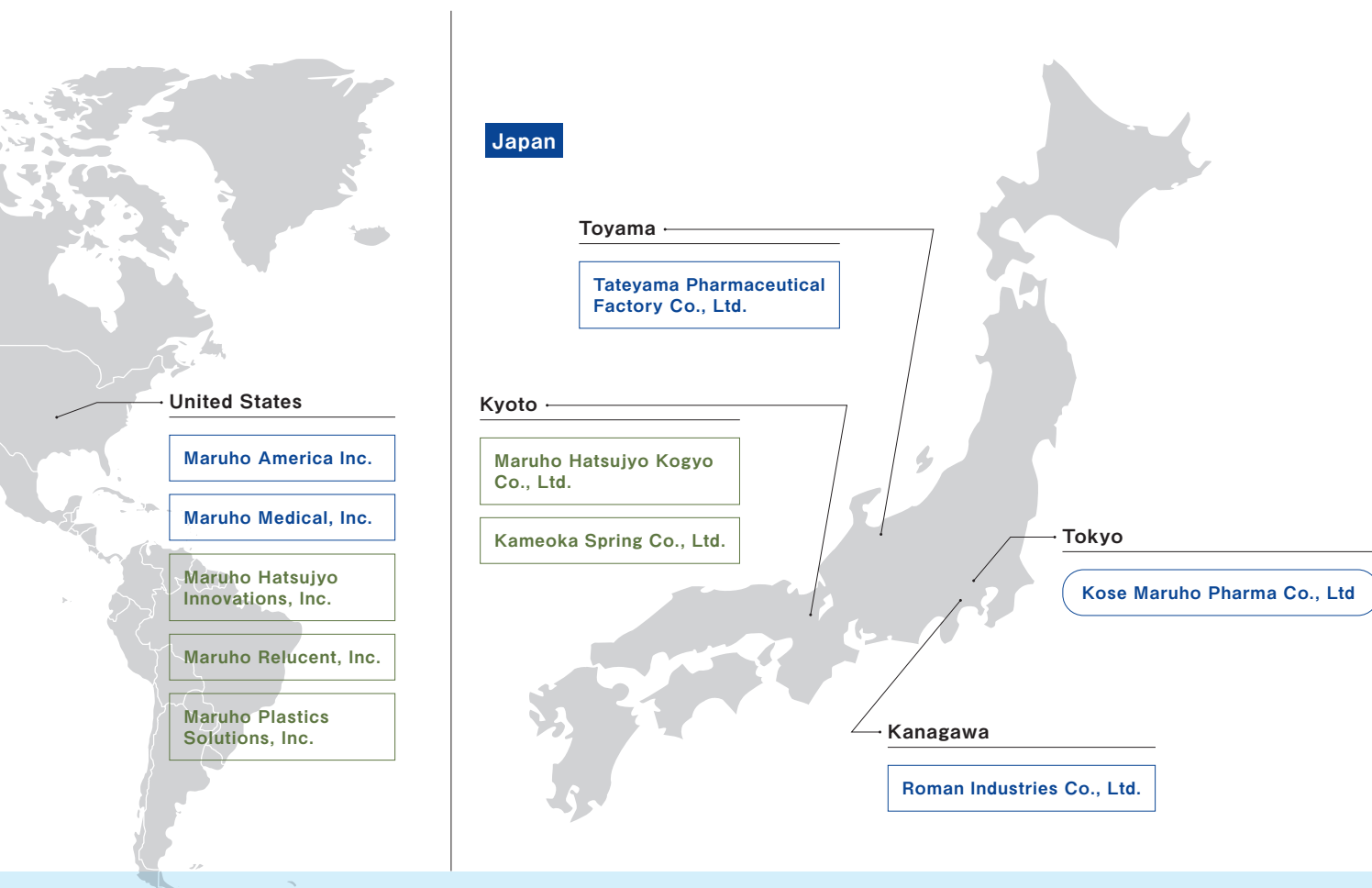
Activities: Manufacture and sales of various springs

Consolidated subsidiaries

Equity-method affiliates

Blue : Pharmaceutical business

Green : Other businesses
(Springs, medical devices and components, and machinery)



United States

Maruho America Inc.

Location: Massachusetts, USA

Activities: Development of pharmaceutical business

Maruho Medical, Inc.

Location: Georgia, USA

Activities: Manufacture and sales of medical devices

Maruho Hatsujyo Innovations, Inc.

Location: Massachusetts, USA

Activities: Manufacture and sales of springs and packaging machines

Maruho Relucent, Inc.

Location: California, USA

Activities: Development, manufacture, and sales of medical device parts

Maruho Plastics Solutions, Inc.

Location: Colorado, USA

Activities: Development, manufacture, and sales of plastic resins including those for medical devices

Japan

Tateyama Pharmaceutical Factory Co., Ltd.

Location: Nakashikawa-gun, Toyama

Activities: Manufacture of pharmaceutical products

Roman Industries Co., Ltd.

Location: Kanazawa-ku, Yokohama City

Activities: Manufacture and sales of pharmaceutical products

Maruho Hatsujyo Kogyo Co., Ltd.

Location: Shimogyo-ku, Kyoto City

Activities: Manufacture and sales of springs and packaging machines

Kameoka Spring Co., Ltd.

Location: Kameoka City, Kyoto

Activities: Manufacture and sales of various springs

Kose Maruho Pharma Co., Ltd.

Location: Chuo-ku, Tokyo

Activities: Planning, development, marketing, and sales of over-the-counter (OTC) drugs, quasi-drugs, and cosmetics

Corporate Profile

(As of September 2021)

Company name — Maruho Co., Ltd.

Founded — July 1915

Incorporated — October 1949

Capital — 382.53 million yen (Unlisted)

Fiscal year — Ends September

Number of employees

2,181 (Consolidated^{*1}) / 1,546 (Non-consolidated^{*2})

^{*1} The number of employees (excluding those assigned outside of the Group, including those assigned within the Group), excluding part-time staff and temporary employees

^{*2} The number of employees (excluding those assigned from outside the Company), excluding part-time staff and temporary employees

Accounting auditor

Deloitte Touche Tohmatsu LLC

Our Websites

■ Corporate website

Information on Maruho's business activities and various initiatives is provided for our wide range of stakeholders.

The website was renewed in October 2021 with enhanced corporate information, improved accessibility, and a new design.

URL — <https://www.maruho.co.jp/english/>



About Maruho (Japanese)

Figures and graphs are used to make it easy to understand what kind of company Maruho is.



History of Maruho (Japanese)

Maruho's over 100 years of history is introduced for products and for the Company, separately.



Company outline

Maruho's corporate profile, overview of business performance, financial highlights, etc., are provided. A digital book version of the Company pamphlet is also available for more detailed information.



Activities for sustainable growth

Our activities and initiatives for better health for people all over the world and the resolution of social issues contributing to the realization of a sustainable society, such as efforts to promote diversity and conserve the environment, are introduced.



■ Website for patients and general customers (Japanese)

URL — <https://www.maruho.co.jp/kanja/>

■ Website for medical professionals (Japanese)

URL — <https://www.maruho.co.jp/medical/check.html>



1-5-22 Nakatsu, Kita-ku, Osaka 531-0071, Japan
TEL: +81-6-6371-8876
URL: <https://www.maruho.co.jp/english/>



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