



2022

Maruho Report ▶ For the fiscal year ended September 2022

Corporate Philosophy

Maruho’s history began with its founder, Eikuma Koba, who had a long-cherished desire to “Contribute to society through medicine.” For over 100 years since our founding, we have developed various businesses, focusing mainly on prescription drugs.

In 1971, we established our Corporate Credo in which the founder’s desire was clarified for the first time. Under the Credo, we have pursued contributions to society and sustainable growth.

Furthermore, believing that it is necessary to have a future-oriented corporate philosophy that keeps pace with changes in society, we renewed our Corporate Philosophy in October 2022 with the participation of all employees, aiming to help realize a society where everyone can live with a smile.

—Mission—

“More smiles, brighter life for you.”

Maruho is always searching for what brings your personal happiness. By listening to you and appreciating every moment of life, we will seek the truth that makes you smile.

—Values—

- “Be genuine”
- “Notice the signs”
- “Grow your curiosity and change the world”
- “Exceed your limits”
- “Inspire each other”

These five Values are the standards of behavior that each one of us should uphold in order to realize our Mission.



Contents

Maruho’s Strengths

- 01 Corporate Philosophy
- 02 History of the Maruho Group
- 04 Strengths of the Maruho Group
- 06 Financial/Non-financial Highlights

Maruho’s Activities and Growth Strategies

- 08 Message from the President & CEO
- 14 Renewal of Our Corporate Philosophy and Implementation by Employees
- 16 Research and Development
- 18 Manufacturing
- 20 Providing Information
- 22 Global Presence
- 23 Expanding Business Areas
- 25 Maruho Hatsujyo Kogyo Co., Ltd.

Strengths to Support Maruho’s Sustainable Growth—

- 28 Toward Realizing Our Mission – Management Base –
- 30 Social
- 32 Environment
- 33 Social Contribution
- 34 Corporate Governance
- 38 Board of Directors, Auditors, and Corporate Officers

Financial and Company Information

- 40 Consolidated Management Indicators, etc.
- 42 Business Performance and Financial Analysis
- 44 Consolidated Balance Sheet
- 46 Consolidated Statement of Income
- 47 Consolidated Statement of Changes in Equity
- 49 Consolidated Statement of Cash Flows
- 50 Major Maruho Group Companies
- 52 Product List
- 53 Corporate Profile

Publication of Maruho Report 2022

Maruho Report 2022 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. This report was prepared through cross-departmental cooperation among the Corporate Planning Dept. and other departments.

Report period

From October 1, 2021 to September 30, 2022
This report includes some activities not conducted during this period.

More smiles, brighter life for you.

In December 2020, Atsushi Sugita was appointed Representative Director, President & CEO of Maruho.

Based on Maruho's history of development over the past 100 years, we aim to realize a society where everyone can live with a smile.

Today, Maruho has a solid presence as a pharmaceutical company specializing in dermatology, engaged in the research, development, manufacturing, and sales of high-quality pharmaceuticals, and contributing to society.

Through active collaboration and partnerships with our Group companies both in Japan and overseas, Maruho provides appropriate solutions to diverse dermatological needs in a wider range of fields, such as diagnostic drugs, medical devices, and self-care.

In particular, we have maintained over 70 years of partnership with Maruho Hatsuijyo Kogyo Co., Ltd., and have implemented initiatives leveraging the strengths of the two companies.

We, the Maruho Group, will continue to work toward healthy growth and increased corporate value.

In October 2022, we renewed our Corporate Philosophy in a way that involved all employees as a compass to guide us confidently into the future. "More smiles, brighter life for you." is our Mission, and we have established five standards of behavior to be practiced as Values to realize the Mission, which will become Maruho's new unifying and driving force.



Atsushi Sugita

— History —

Introducing advanced drugs from overseas, contributing to improving the quality of people's daily lives

Maruho's history began in 1915, when its founder, Eikuma Koba, opened Maruho Shouten as a manufacturer and wholesaler of drugs in Osaka.

Koba, who had a long-cherished desire to "Contribute to society through medicine," went to the United States alone in 1901. He acquired advanced pharmaceutical knowledge while there, and after returning to Japan he worked as a partner for doctors, providing them with information on pharmaceuticals around the world. He was not only a business manager but also a Japanese medical representative (MR), and a pioneer in the Japanese pharmaceutical industry.



Eikuma Koba



H.K. Mulford Co.

Initially, Maruho worked with overseas pharmaceutical companies to deliver high-quality medicines to Japan, thereby supporting people's daily lives. The company name Maruho comes from H.K. Mulford Co. (now Merck & Co., Inc.), a U.S. pharmaceutical company, with which Maruho entered into a dealership agreement.

Koba also pursued domestic production of pharmaceuticals to establish a stable supply network. Maruho succeeded in domestic production of mosquito repellent cream *Moskiton* in 1931, and it became very common in people's daily lives, even appearing in *Sasameyuki*, a novel by Junichiro Tanizaki.



Advertisement for *Moskiton*

In 1939, the Company was renamed Maruho Shouten Co., Ltd. However, during World War II, the Company was temporarily dissolved for the reorganization of companies in the pharmaceutical industry. The Company was re-founded after the war.

Contributing to society through the pharmaceutical business
Working for health, the source of "life"

Jiro Takagi, who joined Maruho in 1950, was entrusted by Koba to manage Maruho. Based on his experience during the war, Takagi seriously believed in the value of "life," pursued the public good of companies, endured the difficult post-war times, and instilled the "faith" that has taken root in Maruho today.

The Corporate Credo of "Pursuit of Truth," which he presented in 1971, was our Corporate Philosophy to understand the way things actually are, and envisioning the way they should be in the future. This was also the fundamental spirit that supports society as a whole, aiming to "live better together with everyone" as the final goal.



Jiro Takagi

真実の追求

"Pursuit of Truth", written by Jiro Takagi

Takagi also presented the Basic Management Policy of "Using the common platform of Maruho, we will pursue Truth as individuals, employees, and members of society" as the standard for our daily behavior, while developing a "theory of workplace human development," emphasizing that the Company should be a place for human development. He also had a cultural side and continued to contribute to society through cultural and artistic activities, such as hosting a haiku journal and installing monuments at plant sites and other places, believing that culture fosters a beautiful mind and fruitful life.

As the post-war economic reconstruction progressed, Maruho resumed importing products from Germany and gradually solidified its business foundation. From the late 1960s, the Company began to develop its own brands and rapidly expanded its business by building factories, opening offices, and establishing research laboratories.

To continue business in the unstable post-war environment, Maruho entered into the springs business as springs could be produced domestically.

In 1952, the springs division was set up within Maruho, which became independent as Maruho Hatsuijyo Kogyo Co., Ltd. in 1954. For over 70 years since then, Maruho Hatsuijyo Kogyo has maintained a close cooperative relationship with Maruho as a Group company conducting businesses in the fields of springs, machinery, and medical devices and components, with strength in precise metal processing.

Springs division (1952)



Aiming to become a leading company in dermatology
Contributing to patients living with a variety of skin diseases

Koichi Takagi, who was appointed Representative Director, President in 1999 (now Representative Director, Chairman of the Board), declared the Corporate Mission "Contribute to better health for people all over the world," and launched the Long-Term Vision 2002 "A boutique company for dermatological drugs" with the intention of specializing in topical drugs in dermatology.

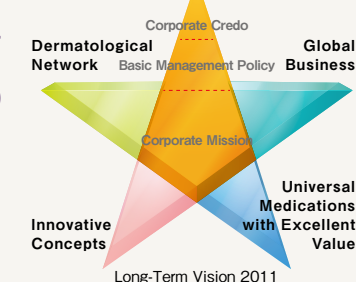
Maruho established its current business model "A leading company in dermatology" by obtaining the unique strategic domain of topical drugs and focusing its management resources on research and development, production, and sales activities for pharmaceutical products related to dermatology.



Koichi Takagi



Porter Prize

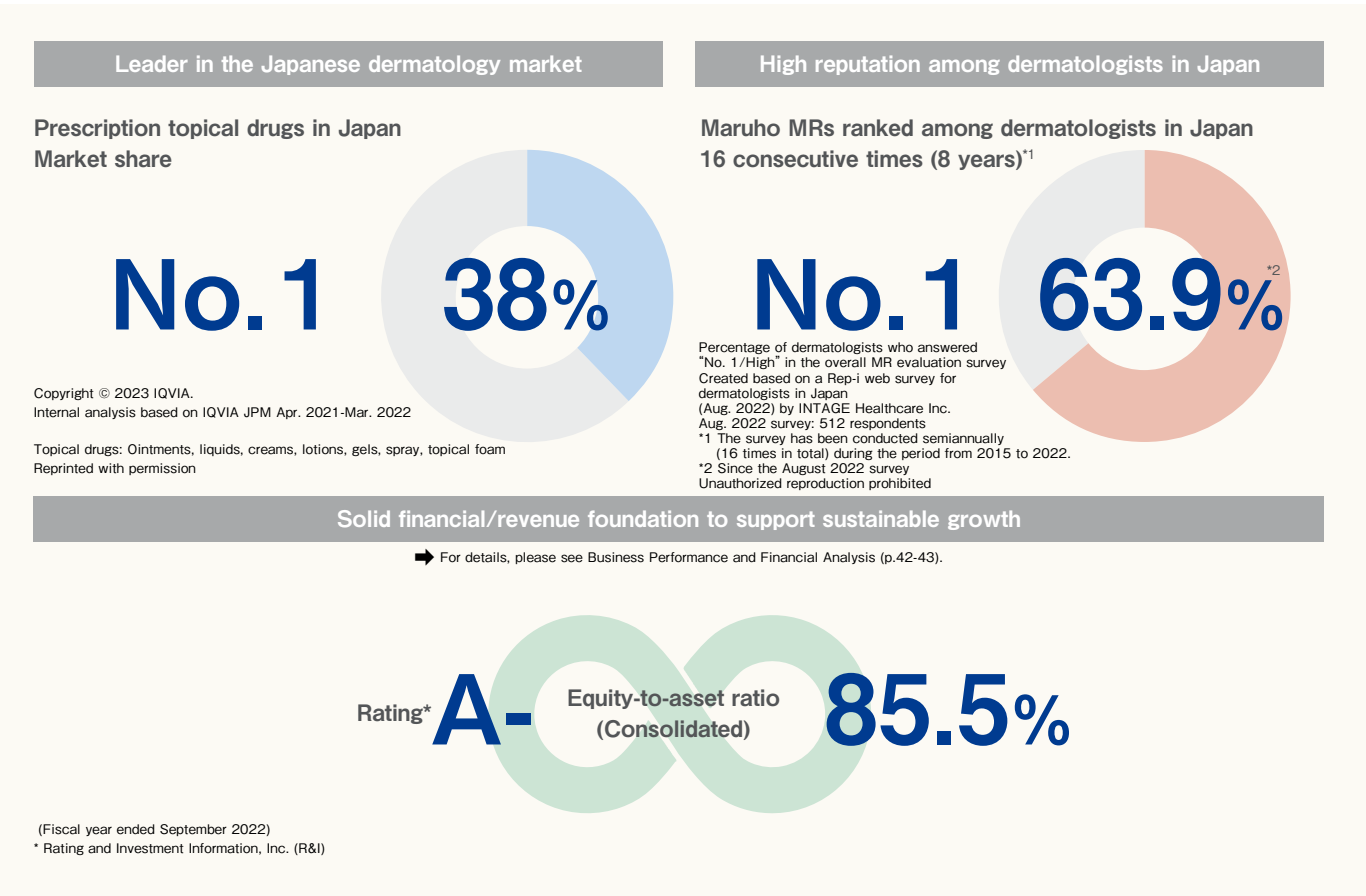


In recognition of this unique strategy, Maruho won the Porter Prize for outstanding business model in 2007. In 2011, Maruho formulated a new Long-Term Vision "Excellence in Dermatology," aiming to be continuously involved in the health of people by making contributions in dermatology, not only through the conventional pharmaceutical business but also by improving people's Quality of Life (QOL) from the perspective of prevention and after-care.

Today, Maruho contributes to patients suffering from a wide range of skin diseases, such as atopic dermatitis, acne, psoriasis, and virus, as well as rare diseases such as infantile hemangioma.

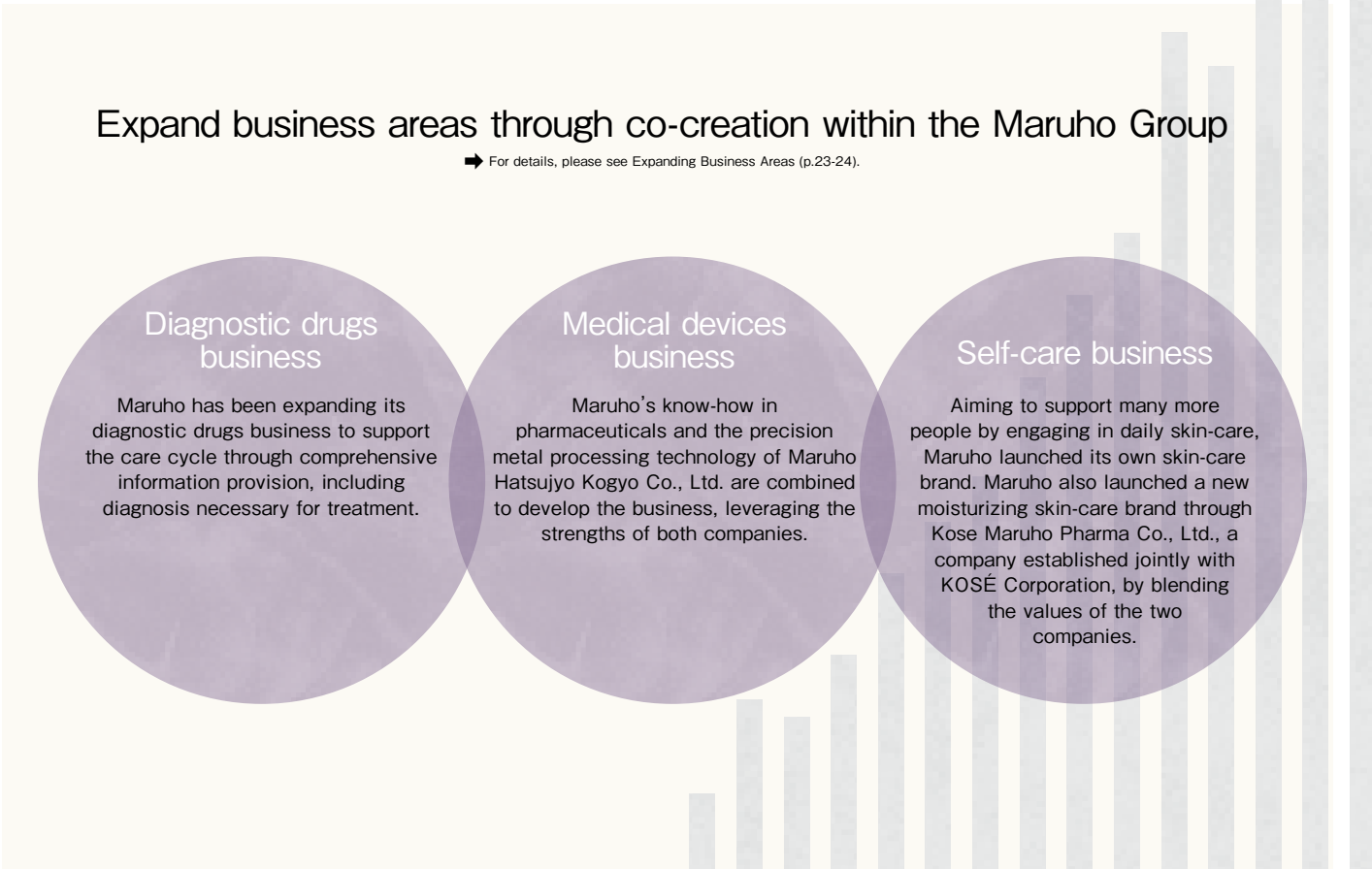
Strengths of the Maruho Group

Maruho was established with the founder’s desire to “Contribute to society through medicine,” and developed in the fields of orthopedics and surgery. After that, Maruho established a topical drug brand and expanded into dermatology. Maruho has achieved steady growth by creating pharmaceutical products that meet the expectations of patients and medical professionals through continuous research and development, thereby showing a solid presence as a leading company in dermatology and contributing to society.



Fiscal year ended September 2022
Net sales (Consolidated)
95,390million yen

Today, Maruho has evolved into a corporate group with seven companies in Japan, including Maruho Hatsuijyo Kogyo Co., Ltd., and 16 companies outside Japan, which are engaged in various businesses such as prescription drugs, diagnostic drugs, medical devices, and self-care.



With a long-cherished desire to contribute to society through medicine

1915~
The experience and knowledge cultivated as a pharmaceutical trading company in the decades since our founding have become the base for the subsequent development of the Maruho Group.



A wide variety of product lineups, breathing new life into orthopedics and surgery

1950~
Released *Passpart Injection Liquid* for allergic disease treatment and *Hirudoid* (now *Hirudoid Cream*) in Japan. Also, by launching hemorrhoids treatment agent *Posterisan Forte (Ointment)*, percutaneous compound anti-inflammatory agent *Mobilat Ointment*, articular cartilage protective agent *Arteparon*, etc., Maruho achieved steady growth in the fields of orthopedics and surgery.



Specializing in topical drugs to advance to a new growth stage

1990~
Focusing on the moisture retention effect of *Hirudoid*, which had been used mainly to promote blood circulation, Maruho acquired the additional indication of asteatosis and launched *Hirudoid Soft Ointment* and *Hirudoid Lotion*. Along with changes in lifestyles, as the importance of moisturizing and other skin-care became increasingly recognized in various skin diseases, *Hirudoid* was accepted by many patients and grew into a key product series.



Establishment of topical drug brand and expansion into dermatology

2002~
Oxazol Ointment, a treatment for psoriasis and other conditions, was supported as a steroid-free medicine and contributed to the establishment of the foundation for Maruho’s topical drug development and manufacturing. Oral antibiotic *Farom* can be used for a variety of infectious diseases, and products for pediatric use have also been launched. In addition to topical products, we are also focusing on the development of oral and injection agents to meet a wide range of needs.



As a leading company in dermatology

2011~
In addition to establishing a wide product lineup for a variety of skin diseases such as atopic dermatitis, acne, psoriasis, and various infectious diseases, we are expanding treatment options through additional indications and dosage forms of existing products, thereby contributing to improving patients’ QOL.



Major Maruho Group Companies

Japan	
Maruho Hatsuijyo Kogyo Co., Ltd.	Consolidated subsidiaries
Tateyama Pharmaceutical Factory Co., Ltd.	Equity-method affiliates
Roman Industries Co., Ltd.	
Kose Maruho Pharma Co., Ltd.	
Overseas	
Maruho Deutschland GmbH (Germany)	
Biofrontera AG (Germany)	
Maruho Israel Innovation Fund GmbH & Co. KG (Germany)	
Maruho Israel Innovation Labs Ltd. (Israel)	
Maruho America Inc. (U.S.)	
Maruho Medical, Inc. (U.S.)	

➡ For details, please see Major Maruho Group Companies (p.50).

Financial Highlights

(Consolidated) Fiscal year ended September 2022

Net sales

(Millions of yen)

	2017	2018	2019	2020	2021	2022
Net sales	86,902	85,209	89,171	88,954	96,754	95,390

Operating profit

	2017	2018	2019	2020	2021	2022
Operating profit	14,731	10,631	12,347	12,333	21,942	16,431
Ratio of operating profit to net sales (%)	17.0	12.5	13.8	13.9	22.7	17.2

Profit attributable to owners of parent

	2017	2018	2019	2020	2021	2022
Profit attributable to owners of parent	8,463	2,976	12,737	6,318	14,902	7,972

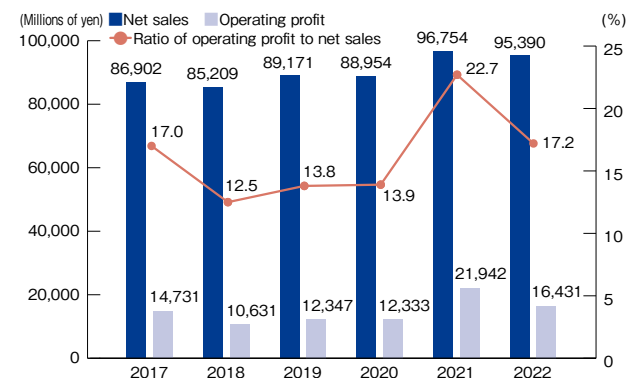
Total net assets / Total assets

	2017	2018	2019	2020	2021	2022
Total net assets	108,985	110,478	120,217	127,825	142,857	152,495
Total assets	145,096	143,286	142,908	151,394	164,257	177,219
Equity-to-asset ratio (%)	72.1	77.1	84.1	83.7	86.3	85.5

Pharmaceutical business net sales / R&D expenses

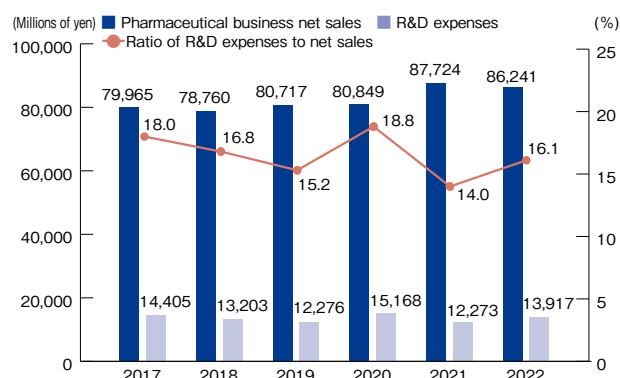
	2017	2018	2019	2020	2021	2022
Pharmaceutical business net sales	79,965	78,760	80,717	80,849	87,724	86,241
R&D expenses	14,405	13,203	12,276	15,168	12,273	13,917
Ratio of R&D expenses to net sales (%)	18.0	16.8	15.3	18.8	14.0	16.1

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



Net sales for the fiscal year ended September 2017 were 86,902 million yen. After that, sales steadily increased due mainly to the launch of new products and an increase in sales of our main products. In the fiscal year ended September 2022, despite the impact of the revision of drug prices and the replacement with generic drugs at medical institutions, net sales were 95,390 million yen, due to the launch of new products and addition of indications, as well as the steady growth of new businesses. Although profit decreased from the previous fiscal year due to aggressive investments for the enhancement of our development pipeline, operating profit maintained a high level of 16,431 million yen.

Pharmaceutical business net sales / R&D expenses / Ratio of R&D expenses to net sales



For our growth in the future, we actively invest profits from our business operations in R&D activities conducted internally or through collaboration with partners both inside and outside Japan.

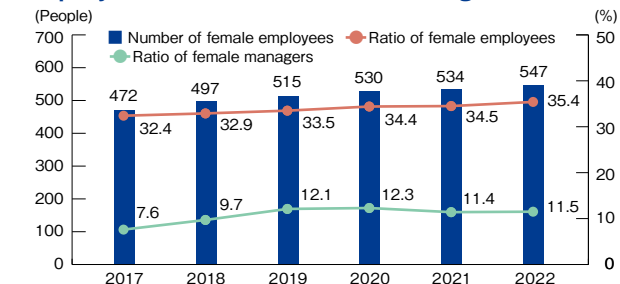
As a result, we have launched six items (including in-licensed products) since 2017. During the fiscal year ended September 2022 we launched *Rapifort Wipes*, a primary axillary hyperhidrosis treatment agent, and *Mitchga Syringes*, a treatment agent for pruritus associated with atopic dermatitis, and also added an indication of rosacea to *Rozex Gel*.

We will continue to promote resource management with clear priorities and create products to satisfy the unmet needs of patients.

Non-financial Highlights

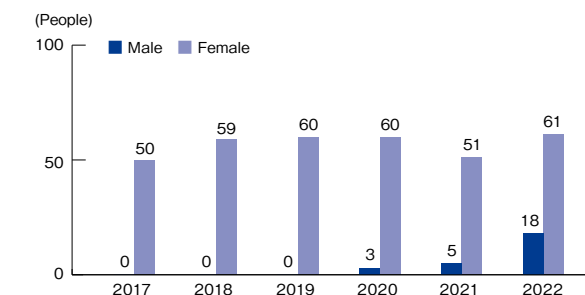
(Non-consolidated) As of September 30

Number of female employees / Ratio of female employees / Ratio of female managers



The number of female employees has increased year by year. In the fiscal year ended September 2022, their ratio to the total number of employees exceeded 35%. Starting from October 2021, a target to be achieved by September 2024 is a female manager ratio of more than 15%.

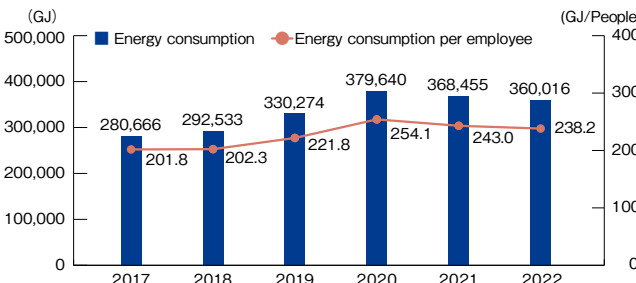
Number of employees who took childcare leave



There has been growing motivation for, and understanding of, men's participation in childcare. The number of male employees who took childcare leave was 18 in the fiscal year ended September 2022, which highlights that this is on an increasing trend.

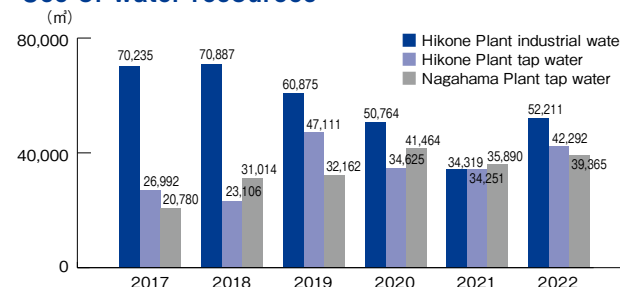
Energy consumption / Energy consumption per employee

* As of March 31



In the fiscal year ended September 2022, we were able to reduce energy use from the previous fiscal year mainly by utilizing energy-saving operation of air conditioning and carefully adjusting the set temperature.

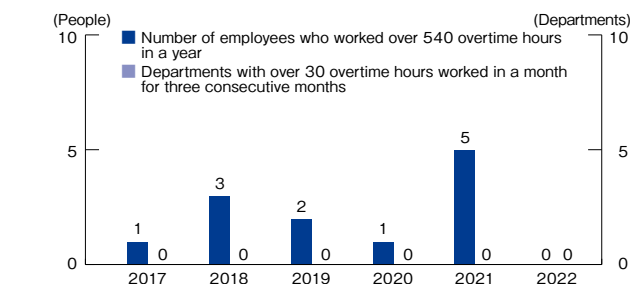
Use of water resources



At the Hikone Plant, due to an increase in production volume and the construction of a new building (2017 to 2019), water use was on an increasing trend. However, as a result of the recent improvement in the steam system, the plant was able to reduce the use of industrial water. The Nagahama Plant prevents the use of tap water from increasing by improving production efficiency through the revision of production processes and the construction of a new building (2019) to integrate manufacturing functions.

* Industrial water is not used at the Nagahama Plant.

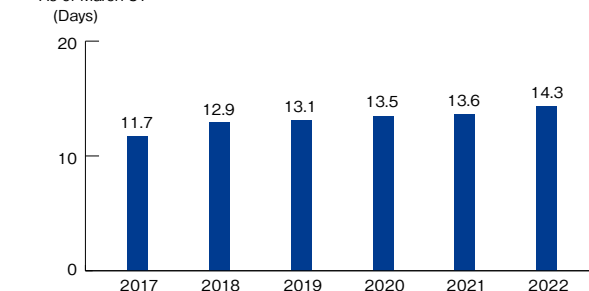
Overtime work frequency (employees / departments)



We set zero as the target for both the number of individuals working over 540 overtime hours in a year and the number of departments with over 30 overtime hours worked in a month for three consecutive months. In the fiscal year ended September 2022, both numbers were zero.

Number of paid leave days taken per employee

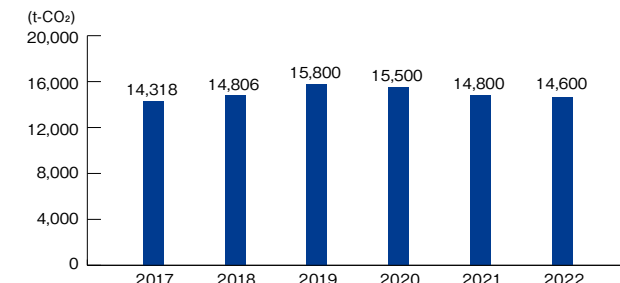
* As of March 31



To ensure a good work-life balance of employees, measures to encourage them to take paid leave are implemented.

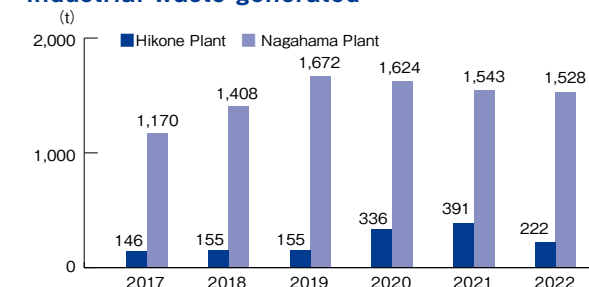
CO₂ emissions

* As of March 31



We aim to reduce emissions of greenhouse gases through energy conservation initiatives. We will introduce various measures, such as switching to renewable energy-derived electricity, toward realizing carbon neutrality.

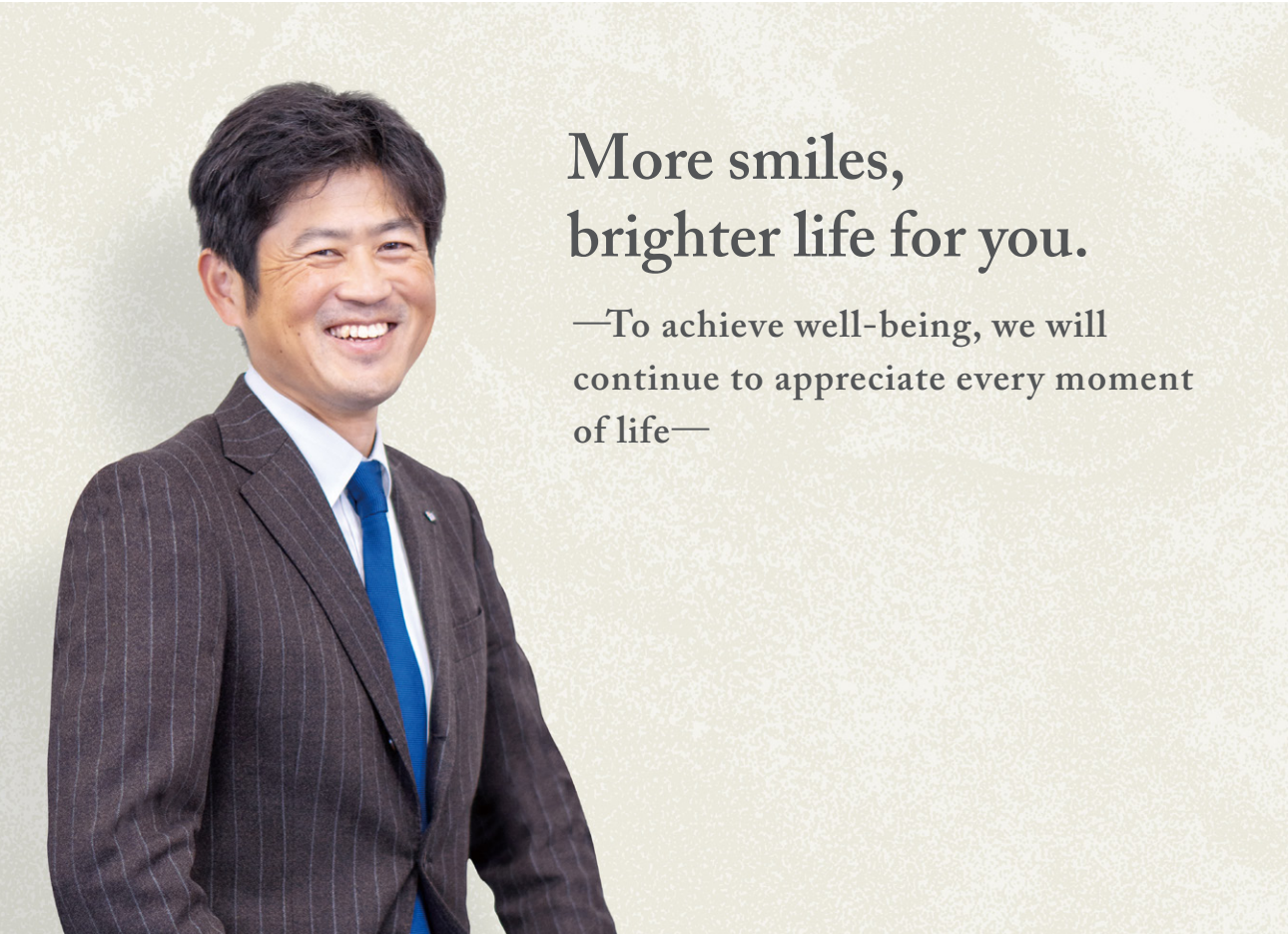
Industrial waste generated



At the Hikone Plant, although the amount temporarily increased due to unexpected product disposal (2019 to 2021), the amount of waste generated has been mostly maintained at a low level.

At the Nagahama Plant, although waste generation has been on an increasing trend, it has been decreasing as a result of efforts to improve production efficiency.

Message from the President & CEO



Atsushi Sugita
Representative Director, President & CEO

Since its founding, Maruho has listened to the voices of many patients suffering from various diseases through its activities of research and development, production, and information provision of pharmaceuticals. At present, as a pharmaceutical company specializing in dermatology, Maruho is engaged mainly in the prescription drug business while promoting the businesses for diagnostic drugs, medical devices, and self-care, thereby responding broadly to dermatological needs.

However, there are still many unmet needs in the field of dermatology. As we are entering the era of 100-year lifespans, patients' attitudes to health and daily life have changed significantly. Patients' desires have been increasingly diversifying. They not only desire to "cure disease" or "live long" but also to "live their lives the way they want while facing their diseases," or to "ease pain so as to live with peace of mind." Initiatives in dermatology have been becoming extremely important in helping people live better.

Since I was appointed President, I have repeatedly asked myself what more we could do to contribute to society. I have come to the conclusion that it is about finding unmet needs that are overlooked in society, and providing solutions that only Maruho can find, making people smile. To demonstrate both internally and externally that we will contribute to better health for people in the future, we renewed our Corporate Philosophy in October 2022. In a rapidly changing world, we will continue to ask ourselves what contributions Maruho can make now and will use this renewal of our Corporate Philosophy as an opportunity to pursue further growth. With the new Corporate Philosophy as our unifying and driving force, we will work together with our stakeholders both inside and outside the Company to realize the newly defined Mission, "More smiles, brighter life for you."

Review of the fiscal year ended September 2022

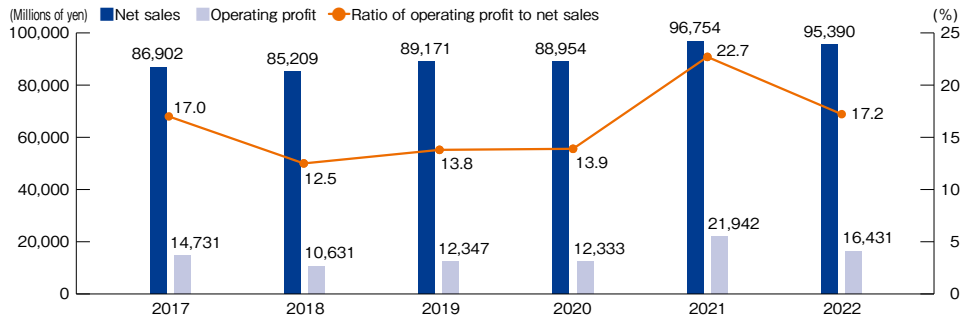
During the fiscal year ended September 2022 (October 2021 to September 2022), although consolidated net sales slightly decreased from the previous fiscal year, to 95,390 million yen (down 1.4% year on year), we were able to achieve our business plan. We thus believe that business performance was stable.

In terms of profits, we recorded operating profit of 16,431 million yen (down 25.1%), ordinary profit of 15,035 million yen (down 28.8%), and profit attributable to owners of parent of 7,972 million yen (down 46.5%). In the fiscal year ending September 2023,

we will aggressively make investments to recover the growth trend and effectively allocate resources, thereby pursuing business expansion in the medium- to long-term.

With the aim of achieving continuous growth and development as a company, Maruho is establishing a solid management foundation to maintain accountable management. Maintaining a high equity-to-asset ratio of 85.5%, Maruho has received the high rating of "A-" by Rating and Investment Information, Inc. (R&I) for eight consecutive years.

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



Main strategies of the Fourth Medium-Term Plan

Based on the strengths it has cultivated over many years as a pharmaceutical company specializing in dermatology, Maruho has been working to help improve the Quality of Life (QOL) of patients suffering from skin diseases and support the activities of medical professionals. Based on this experience in October

2020, we launched the Fourth Medium-Term Plan, a three-year plan clarifying strategies to be implemented from a medium to long term perspective. In the plan, we have set six key strategies, and have been actively investing management resources to make steady progress with these strategies.

Fourth Medium-Term Plan (October 2020 to September 2023)

1

Manufacturing
Create products for the global market

2

Production
Products and manufacturing plants that are continuously chosen

3

Providing information
High-quality information provision reflecting the voices of patients

4

Global presence
Establish processes for providing product value in the global market

5

Activities other than prescription drugs for skin diseases
Expand business areas utilizing the strengths of the Maruho Group

6

Management base
Management base to support further growth

Key strategy 1 Create products for the global market

We are making Companywide efforts to enhance our pipeline through active collaboration with drug discovery ventures and major global firms. We are also promoting competitive research and development by reinforcing resources for activities that will lead to improved product value after acquisition of approval, such as expansion of indications. During the fiscal year ended September 2022, we had significant achievements in terms of the acquisition of approval and market launch of products, and the enhancement of the pipeline for late-stage development. We launched *Rapifort Wipes*, a primary axillary hyperhidrosis treatment agent, and *Mitchga Syringes*, the world's first antibody drug targeting itch associated with atopic dermatitis, and also added an indication of rosacea to *Rozex Gel*. All of these are expected to not only contribute to Maruho's business expansion but also play a key role in solving unmet needs.

Since itch is invisible, treatment of itches has been an unmet need that has received less attention than skin symptoms.

Therefore, we received many words of thanks from not only patients who used *Mitchga Syringes* but also the medical professionals who prescribed them. We are proud that it is an innovative treatment that embodies our Mission of "More smiles, brighter life for you."

As an achievement of our licensing activities, we acquired the rights of development, manufacturing, and exclusive commercialization in Japan of ruxolitinib cream from Incyte Corporation of the United States. This cream is sold as a treatment agent for atopic dermatitis in the United States, and acquired approval for the indication of vitiligo vulgaris in July 2022. Vitiligo vulgaris is a difficult-to-cure disease for which no effective treatment drug has existed, though nearly a million people are suffering from this disease in Japan. Development on ruxolitinib cream for the indication of vitiligo vulgaris will be an initiative unique to Maruho, a pharmaceutical company specializing in dermatology.

In treatment of skin diseases, the recent emergence of antibody drugs has expanded treatment options. However, the majority of treatments launched by different companies still target psoriasis and atopic dermatitis. There are still many skin diseases that can significantly reduce QOL, but are not taken seriously and considered tolerable. Aiming to respond to these unmet needs and contribute to improving the QOL of patients suffering from various skin diseases, Maruho has been actively engaging in the development of new treatment methods and drugs.



"Miserere II" by Shinya Nakamura (Kyoto R&D Center, Drug Development Laboratories)
A bronze statue placed at the entrance. The stained glass windows in the back are decorated with 15 buds. Each time a new drug is developed, a magnolia flower blooms and the product name is written on a plate.



Key strategy 2 Products and manufacturing plants that are continuously chosen

Today, in addition to the rapidly growing public interest in securing the quality and stable supply of pharmaceuticals, the spread of COVID-19 and the intensifying situation in Ukraine have had a significant impact on the global supply chain. Despite these difficult circumstances, Maruho has been actively investing its management resources in the enhancement of its production sites and production systems to secure a stable supply of high-quality products as it has always done.

At the Hikone Plant, work has started on the renewal of the filling and packaging building to establish a new production

system, while Group company Tateyama Pharmaceutical Factory Co., Ltd. has decided to construct a new building. For its main products, Maruho continues to maintain integrated production, from active pharmaceutical ingredients (APIs) to final products, and is working to reinforce equipment for increasing API production. To be prepared for further increases in demand for our main products, we are accelerating initiatives to optimize our production systems, such as the integrated operation and management of the four plants and the use of artificial intelligence (AI) and the Internet of Things (IoT).

Key strategy 3 High-quality information provision reflecting the voices of patients

Maruho's medical representatives (MRs) have established a system in which they are able to properly provide information to dermatologists in Japan, while also working to contribute to multi-professional cooperation and team medical care suitable for each region. MRs specialized in each region or disease area work together to establish new medical networks tailored to the characteristics of each region. Digital technologies are also utilized for provision of information. Through "Dermado," a membership website (in Japanese) for medical professionals, we have created a system that makes the latest information

easily accessible to doctors. Maruho also promotes information provision for patients. In April 2022, we launched a "Check Your Skin Symptoms," page on our website (in Japanese,) to help people learn about skin diseases and their characteristics. We will continue to satisfy the diversifying needs of patients by pursuing more advanced use of information.

Key strategy 4 Establish processes for providing product value in the global market

In the United States and China, through collaborations with overseas partners, we are committed to establishing processes that deliver product value that is unique to Maruho. We also launched a new initiative in the United States and Israel to promote development projects under global cooperation. The initiative is making steady progress. With a view to expanding our business in the medium to longterm, we will continue work on developing new global business ideas and build a business model that is unique to Maruho.



Key strategy 5 Expand business areas utilizing the strengths of the Maruho Group

The goal of medicine has changed from “treatment” and “life extension” to “living better.” In order to respond to people’s needs to “reduce symptoms and problems that hinder daily life and the continuation of treatment,” Maruho is developing and cultivating business areas other than prescription drugs by combining the strengths of Group and partner companies with those of Maruho.

The fiscal year ended September 2022 saw two major advancements. One is the launch of *DermaQuick tinea unguium* in the diagnostic drugs business. This is the first tinea unguium antigen kit using immunochromatography in Japan, which assists the proper diagnosis of tinea unguium, enabling optimal treatment for patients.

The second achievement was the launch of *Advanced Barrier*, a new product line for *iniks*, a skin-care brand for sensitive skin. This product line was launched after a long period of preparation, including joint research with the Graduate School of Pharmaceutical Sciences, Osaka University. Kose Maruho Pharma Co., Ltd., a company established jointly with KOSÉ Corporation, is showing steady performance. Maruho will accelerate the expansion of businesses other than prescription drugs to create a new source of growth.



The new Corporate Philosophy was announced at a Companywide event, the National Conference, in October 2022.

Key strategy 6 Management base to support further growth

Maruho has pursued its sustainable growth mainly by enhancing its core specialized capabilities as a pharmaceutical manufacturer. However, in order to achieve further growth in the future, it is also crucial to carry out reform of our management base, focusing mainly on improving the efficiency of existing operations, fostering a corporate culture to accelerate such reform, and developing autonomous human resources.

Based on this understanding, we have greatly enhanced our personal development programs to support individual employees’ motivation for learning, and started offering them from October 2021. The internal job posting system, which we updated in the same year, also contributes to revitalizing organizations and promoting employee engagement. Maruho will continue to develop personnel systems and other environmental elements to improve employees productivity, and will seek for best practices in terms of work styles and workplaces that realize interdisciplinary and creative communication among employees. For Maruho, each employee is an asset, not a means to achieve the goal. Rather, our goal is to ensure that every employee

works actively with a smile. Based on this belief, we will also promote health management support, in which efforts to promote health are the basis of corporate management.

Having close communication to strengthen the management base is important not only within the Company. In order to communicate Maruho’s strategies and initiatives to our stakeholders and reflect their voices on our business management, we started publishing Maruho Report in February 2022, as the basis for our interactive communication. By continuously communicating Maruho’s vision for value creation and its progress, and by engaging with our current and future stakeholders, we aim to strengthen our relationships of trust and create new business opportunities.

Caring about the feelings and troubles of patients

Aiming to achieve further development and contribution to society as a leading company in dermatology, Maruho is committed to making Companywide efforts to steadily implement the strategies and measures set in the Fourth Medium-Term Plan.

Furthermore, in order to satisfy the diversifying needs of patients, it is necessary to pay more attention than ever to the feelings and concerns of each patient. Our goal is to increase

the “smiles” of patients who are filled with joy at being able to live their normal lives after their symptoms have improved. Imagining such smiling faces, under the new Corporate Philosophy, we will strive to create technical and medical innovations and build a corporate group capable of responding to society’s expectations. I sincerely ask our stakeholders for their continued support.



Mission movie “More smiles, brighter life for you.”



October 2022 Companywide event, the National Conference

Formulation of Mission and Values

At a time when society is changing so dramatically, we want to identify the Maruho original values that we should continue to cherish and the future vision of Maruho that we should strive for, and establish Maruho's new unifying and driving force. Based on these principles, we would like to contribute to better health for people through the efforts of all employees. With these thoughts in mind, we decided to renew our Corporate Philosophy.

The study and formulation of the new Corporate Philosophy took four years with the involvement of all employees, mainly project members selected from each department as well as management. The Mission and Values that comprise the Corporate Philosophy were developed through repeated discussions about the ideas that have been cultivated over Maruho's 100-year history and that we should continue to value, the environment we are in today, and our desired future vision.

The Mission represents our mission and meaning of existence. The five Values are the values and standards of behavior that each of us should uphold in order to achieve the Mission. They represent not only the ideas and values prevailing in Maruho but also the attitudes and initiatives needed to create a better corporate culture.

Mission

— Our mission and meaning of existence —

“More smiles, brighter life for you.”

Maruho is always searching for what brings your personal happiness. By listening to you and appreciating every moment of life, we will seek the truth that makes you smile.

Values

—Values and standards of behavior to be upheld —

“Be genuine”

“Notice the signs”

“Grow your curiosity and change the world”

“Exceed your limits”

“Inspire each other”

To promote understanding and encourage implementation by employees

In October 2022, at the strong desire of President Atsushi Sugita, the Corporate Philosophy was announced at a Companywide event gathering all employees, with careful measures implemented to prevent infection. At the event, President Sugita first announced the new Corporate Philosophy, followed by the project members who explained the background of the five Values.



After the event, we created a brand book and video tools to help employees understand the Mission and Values, and opened a portal site that covers them, creating opportunities for employees to interact with one another and talk about the Corporate Philosophy on a daily basis. At Maruho, all employees will work as a team to pursue the Mission of “More smiles, brighter life for you.”



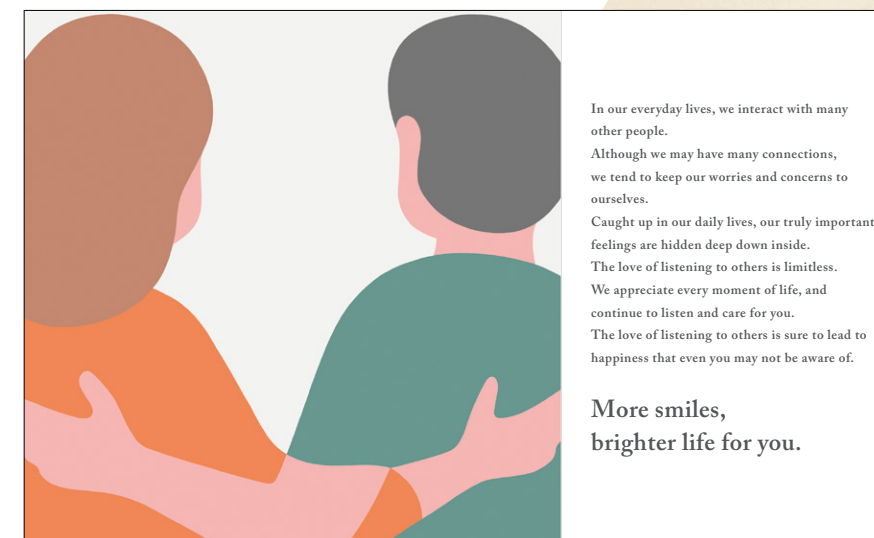
CEO Monthly Message



Brand book



Values movie



Key Visual and Message

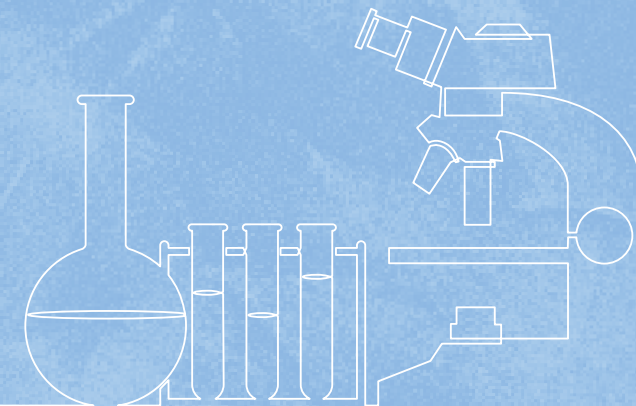
This key visual and message express Maruho's future vision, feeling people's thoughts and warmth, listening to them, and looking toward the same future.

In our everyday lives, we interact with many other people. Although we may have many connections, we tend to keep our worries and concerns to ourselves. Caught up in our daily lives, our truly important feelings are hidden deep down inside. The love of listening to others is limitless. We appreciate every moment of life, and continue to listen and care for you. The love of listening to others is sure to lead to happiness that even you may not be aware of.

**More smiles,
brighter life for you.**

Based on our excellent R&D capabilities, we create innovative products and pioneer new treatments in dermatology.

Placing emphasis on creating new products, which is to say, the ability to create new things, Maruho is committed to research and development focusing on medical drugs mainly in dermatology. Also, with its capabilities in late-stage development, including the addition of various dosage forms and indications, based on its unique topical drug formulation technology, as well as its nurturing capabilities, the Company is striving to develop drugs that take into consideration the needs and feelings of every patient. Moreover, taking advantage of its position as an unlisted company, Maruho properly allocates its management resources from a medium- to long-term perspective. We also make active investments in projects that will lead to social contributions by expanding business areas and tackling rare diseases.



Create products for the global market

Maruho has declared the creation of high-quality projects and the enhancement of its development pipeline as top priority tasks in its research and development.

In the Fourth Medium-Term Plan, which started in October 2020, we set “Create products for the global market” as a key strategy, and have been working to establish a new R&D model based on global collaborations.

In addition to activities that improve product value after approval, such as the expansion of indications, we are working with pharmaceutical companies and external research institutes in Japan and overseas to develop high-value-added drugs that address potential patient needs.

Research and development to satisfy the needs of patients suffering from skin diseases

Maruho focuses on the development of new products that will satisfy the unmet needs of patients, which are not sufficiently recognized in society. In May 2022, the Company launched *Rapifort Wipes*, a primary axillary hyperhidrosis treatment agent. Since only limited drugs are covered by health insurance for the disease in Japan, *Rapifort Wipes* have paved a new way for improving the QOL of patients. In May 2022, we added an indication of rosacea to *Rozex Gel*. Maruho promoted the development of *Rozex Gel* in Japan in response to a request from the Ministry of Health, Labour and Welfare for development as a “drug with high medical needs.” The world’s first antibody drug targeting itch associated with atopic dermatitis, *Mitchga Syringes*, was launched in August, offering a new treatment option for patients whose itch is not fully controlled with existing treatments.

Maruho has been making active efforts to expand its development pipeline, which is the base for its sustainable growth. In April 2022, we acquired the rights of development, manufacturing, and exclusive commercialization in Japan of ruxolitinib cream, a new topical agent developed by Incyte Corporation based in the United States. This cream is recognized as an effective treatment agent for atopic dermatitis in the United States, and acquired approval for the indication of vitiligo vulgaris in July 2022. It is expected to be approved in Europe soon. In Japan, there is no effective treatment method for vitiligo vulgaris, indicating that there is a significant unmet need. With our extensive experience and expertise in

dermatology, we are committed to providing effective treatment options.

Maruho also focuses on creating new value based on unique ideas. The Company published a paper on various pharmacological effects of heparinoid, the main ingredient of *Hirudoid*. We will continue to create new solutions for the treatment of skin diseases through the effective application of unique ideas.



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

(As of September 2022)

Product Code	Target Indication	Dosage Form	Development Phase	Notes
M1210	Pincer nails	Topical	Filed for approval	
M5220B	Recurrent herpes simplex	Oral	Filed for approval	Additional indication
M6050E	Acne vulgaris	Topical	Filed for approval	Additional dosage form
M5250	Pruritus with atopic dermatitis (pediatric)	Injection	Phase III	
M5250B	Prurigo nodularis	Injection	Phase III	Additional indication
M6050C	Acne vulgaris	Topical	Phase III	
M1180C	Prurigo nodularis	Topical	Phase II	Additional indication
M6050F	Axillary osmidrosis	Topical	Phase II	Additional indication

Establishing a new structure to create products

Aiming to create innovative products, Maruho has been working to build advanced R&D infrastructures and formulate strategic schemes. In 2018, we established Maruho Israel Innovation Fund GmbH & Co. KG to invest in promising research institutes and ventures around the world, and Maruho Israel Innovation Labs Ltd. to support the investees. At both companies, local staff members and expatriates from Japan work together to support the projects of major academic institutions and ventures overseas and to promote the development of new products.

In Japan, starting from September 2021, Maruho has been using Fugaku, one of the world’s most powerful supercomputers,

to develop a method for formulation design simulation. With the computational scientific approach, we have been gradually discovering a method to fully predict various formulation properties. Maruho promotes 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. While promoting these activities at the LINC, Maruho aims to realize “virtual formulation modeling,” which allows researchers to freely design formulations and evaluate their properties on a computer.

COLUMN

Maruho Shonan Innovation Lab (MSiL) was opened in the Shonan Health Innovation Park as a next-generation research center in November 2019. As the leader for Maruho’s open innovation activities, MSiL is committed to creating new value unique to Maruho by evaluating/introducing new technologies and promoting joint research with researchers from other companies with different perspectives.

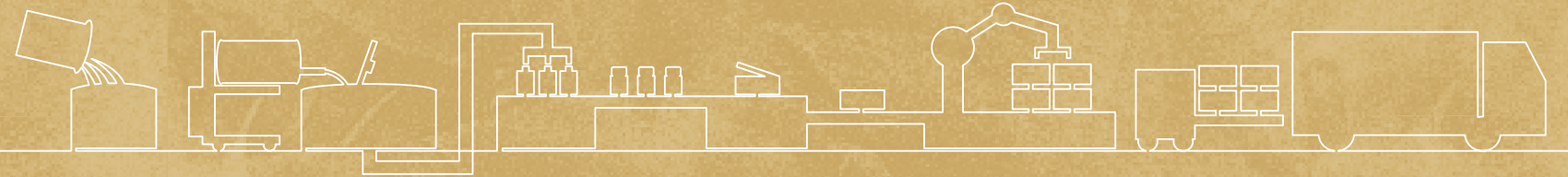
(From the left)
Research Dept. Yukiko Shimizu, Masahiro Sakata, Ryosuke Oyabu, Takashige Hirano

MSiL members



Ensuring quality assurance and a stable supply of pharmaceutical products through a stable and flexible production system

Since the completion of the Hikone Plant in 1972, Maruho has actively invested management resources to strengthen its production bases and production systems under the mission of providing a stable supply of high-quality pharmaceutical products. Today, with a thorough quality management system and the top-class production capacity in Japan supported by four plants, including those of the Group companies, Maruho contributes to ensuring safety and security in its product supply of topical drugs and improving the QOL of patients.



Aiming for “manufacturing plants that are continuously chosen”

In order to continue to contribute to better health for people, Maruho must strive for better quality than ever before and establish a stable supply system capable of responding to any contingency. The Fourth Medium-Term Plan positions “Products and manufacturing plants that are continuously chosen” as a priority theme, declaring that Maruho’s goal is to continuously deliver better products to patients and their families, and medical professionals. We are working to establish a stable and flexible production system capable of responding to

the increasingly diversifying market needs through efforts such as accumulating production know-how to provide stable, high-quality drugs, enhancing our management structure, reinforcing production capacity, and preparing for high-mix, low-volume production.

Optimizing the production system by integrated operation of four manufacturing plants in Japan

Maruho’s production activities are carried out at four manufacturing plants in Japan: the Hikone Plant, the Company’s main site which celebrated its 50th anniversary in 2022, along with the Nagahama Plant and the two Group companies Tateyama Pharmaceutical Factory Co., Ltd. and Roman Industries Co., Ltd. By managing and operating the resources of each site, including production plans and maintenance data, in an integrated manner, we have stabilized

quality and optimized the production system. In April 2022, a new administration building at Roman Industries Co., Ltd. was completed based on the concept of “comfortable and friendly.”

Maruho will continue to maintain a stable supply of products by enhancing the production system with four manufacturing plants.



Hikone Plant



Nagahama Plant



Tateyama Pharmaceutical Factory Co., Ltd.



Roman Industries Co., Ltd.

Initiatives to ensure a stable, long-term supply

Although Maruho has been affected by supply chain disruptions caused by the unstable international situation, it is strengthening its initiatives to ensure a long-term, stable supply of pharmaceutical products of high quality. Our major products are manufactured in Japan through all processes from the APIs to the finished product. For *Hirudoid*, in particular, active investments are being made at each manufacturing site to ensure a long-term, stable supply. When we outsource a part of the production processes, such as API production, to our partner companies within or outside Japan, we secure multiple partners so that stable production activities can be maintained at all times. At the same time, we are increasing our involvement in partners’ manufacturing and quality management processes to ensure high quality.

Maruho is also working to establish a production system that can respond flexibly and promptly to rapid fluctuations in demand and the diversifying needs of patients, and to reinforce its production functions. At the Hikone Plant, work began on the renewal of the filling and packaging building to establish a new production system, while Tateyama Pharmaceutical Factory Co., Ltd. decided to construct a new building to expand its production capacity.

Maruho also holds cross-departmental meetings to review ideas for quality improvement and modification of pharmaceutical products. By listening to the voices of patients and frontline medical professionals, and incorporating these voices into changes in containers and improvements in packaging and labeling, we strive to offer products that meet patients’ expectations.

Contributing to society through manufacturing

With the prolonging impact of COVID-19, rising raw material prices, the weakening of the yen, the shortage of generic drugs, and the expansion of the over-the-counter (OTC) drug market, the Japanese pharmaceuticals market is facing a major turning point. However, despite any change in the market, society’s needs for quality and a stable supply of pharmaceuticals will never decrease. Maruho will continue to accumulate manufacturing skills and know-how and reinforce its production systems, to provide high-quality products in a timely and flexible manner.

While working to reduce the environmental impact of its production activities, Maruho is also promoting initiatives to reduce the burden on plant workers and help them realize flexible work styles. The initiatives include using AI and the IoT to save labor and provide remote support for plant operations. Maruho will continue to provide a stable supply of safe and reliable products through improving technologies and productivity of each of the four plants, thereby contributing to the realization of a society where everyone can live with a smile.

COLUMN

A special cross-departmental team is engaged in securing multiple suppliers of APIs. The team opened a new manufacturing site, contributing to a stable supply of existing products and optimization of production cost management.

(From upper left)
Research Dept. Hiroyuki Maeda, Yuki Takehana Nagahama Plant Hiroaki Ito
CMC Planning & Coordination Dept. Yusuke Tsuchidate, Masahiro Fujii

(From lower left)
Regulatory Compliance Dept. Yohei Hayashi, Kazuhiro Maeda
Product Quality Assurance Dept. Kenichi Asada CMC Planning & Coordination Dept. Yuko Kimura



Performance contribution award ceremony (October 2022)

Providing high-quality information to satisfy the needs of patients and establishing communication infrastructure

In order to contribute to society through our pharmaceutical business, not only research and development of drugs but also appropriate provision of information on diseases and products are necessary. Maruho aims to contribute to medical care and improving the QOL of patients by collecting and providing information on pharmaceutical products for medical professionals to promote their proper use while communicating correct knowledge on diseases for patients.



Promoting high-quality information provision reflecting the voices of patients

Maruho has approximately 500 MRs, who provide information for nearly all of the roughly 10,000 dermatologists in Japan. They also provide a broad range of medical information, not limited to information on Maruho's products, for doctors and other medical professionals engaging in treatment of skin diseases, placing the highest priority on providing optimal treatment for patients. Furthermore, efforts have been made to establish a new information provision system integrating websites and digital channels such as the LINE mobile messaging app.

For patients, we are enhancing the provision of information using websites and social media to help them acquire correct knowledge about their diseases. To further promote these activities, Maruho positions "High-quality information provision reflecting the voices of patients" as a theme of the Fourth Medium-Term Plan and aims to continuously respond to the diverse needs of customers with high accuracy by engaging in the collection and provision of information appropriate for every patient and contributing to regional skin medical care as a whole.

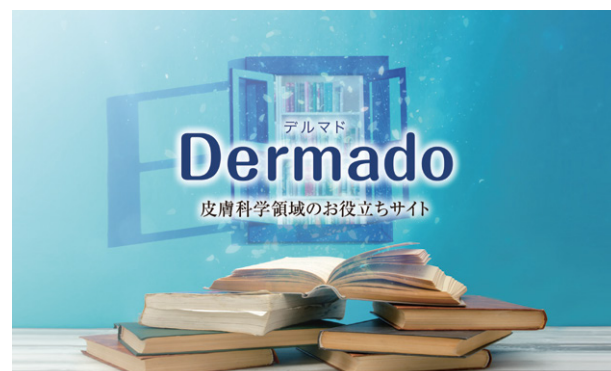
Enhancing information provision for medical professionals using digital technologies

Due to the impact of COVID-19, use of digital tools rapidly expanded in the collection and provision of information on pharmaceuticals. Maruho is focusing on the online provision of medical information, as well as conventional activities such as in-person interviews. In 2022, the Company provided information through online interactive communication for approximately 14,000 dermatologists and other doctors treating skin diseases.

Maruho is also actively supporting doctors in their lifelong learning. Through "Dermado," Maruho's membership website for medical professionals, dermatology seminars, the latest news and papers, clinical case quizzes, and other dermatology updates are available.

In order to promote the proper use of Maruho's pharmaceutical products and ensure the safety of their use in the medical field, it is necessary to collect and properly evaluate safety information and provide feedback to the medical field. Maruho evaluates and accumulates safety information collected mainly through MRs and the Medical Information Center, and implements necessary safety measures. Information provided from medical frontlines is posted as

needed on the Company website's page for medical professionals for more effective use by medical professionals. From 2022, in addition to safety information, new content such as information on post-marketing adverse effects and results of early post-marketing vigilance have been provided on our Company website, to enhance information disclosure to medical professionals.



Membership website for medical professionals "Dermado"

Promoting proper treatment by providing useful information for patients

Maruho has been focusing on strengthening its information provision activities to meet the unmet needs of patients suffering from various skin diseases. In acne, for example, we strive to improve QOL not only

through symptomatic treatment but also through ongoing care aimed at "clear skin without acne scars." For recurrent herpes simplex, such as oral herpes, we have proposed a new treatment method called

PIT (Patient Initiated Therapy), which allows patients to take pre-prescribed medication at their own discretion based on the initial symptoms at the time of recurrence.

In April 2022, we launched a "Check Your Skin Symptoms" page on our website (in Japanese) for people concerned about skin diseases. This page allows people to learn about possible skin diseases and their characteristics based on the area of their body and their specific skin symptoms. It is also possible to search for medical institutions that can offer treatment, which will hopefully lead to appropriate skin-care and consultation at medical institutions.

In May 2022, we set up the website "Underarm Sweat Clear Project" to provide comprehensive information on underarm sweat treatment, and in September launched the website "Atopy no mikata" to provide information on atopic dermatitis.

Through the active communication of information, we will continue to support patients suffering from skin diseases and their family members, promote understanding of disease and daily skin-care, and improve access to appropriate treatment.



"Check Your Skin Symptoms"



"Atopy no mikata"

Promoting provision of medical information suitable for the characteristics of each region

Maruho works to provide information suitable for the characteristics of each region in which patients live, with the aim of delivering appropriate treatment for all people suffering from skin diseases. MRs specialized in each region or each skin disease field closely cooperate with medical professionals and share cases of different information provision channels and the analysis results, with the aim of establishing new medical networks tailored to the characteristics of each region, and realizing an environment for appropriate and prompt

provision of medical treatment in response to the needs of patients.

Based on the websites for patients and medical professionals, we will gather information on products and services related to skin diseases and further enhance our information provision structure. At the same time, based on the voices of patients, we will visualize issues in regional medical situations and seek solutions in cooperation with dermatologists, thereby contributing to improving access to medical services and the QOL of patients.

COLUMN

Aiming to solve regional issues in dermatology, Maruho concluded a partnership agreement with Shiga Prefecture in March 2021 concerning initiatives to promote home health care by sharing information on skin diseases in the prefecture. Under this agreement, in 2022 we formulated a model for collaboration with municipalities to realize appropriate skin disease treatment for home health care and have been promoting relevant activities by utilizing regional networks, which are expected to lead to further contribution to patients.

(From left) * As of September 30, 2022
Kyoto No. 2 Office Kei Kuroda
Regional Collaboration Promotion Dept. Yudai Tanaka, Shuichi Kubo, Kazuhiro Ogura



Signing ceremony for the partnership agreement with Shiga Prefecture

Global Presence

Collaborating with overseas partners by utilizing the strengths of Maruho, to expand global presence in the medium to long term

Utilizing the technologies and information provision capabilities it has cultivated in Japan, Maruho aims to maximize product value by collaborating with overseas partners and contribute to better health for patients not only in Japan but around the world.



Expanding Business Areas

Expanding new businesses through collaborations with Group companies and partner companies

To accelerate the growth of the entire Maruho Group, we must acquire a new growth driver. Maruho will venture into new businesses beyond the current business areas through collaboration with Group companies and partner companies.



Establish processes for providing product value in the global market

The Fourth Medium-Term Plan sets “Establish processes for providing product value in the global market” as one of its important themes. Maruho is committed to maximizing product value and expanding business in the United States and China through close collaborations with local partners utilizing Maruho’s information provision capabilities.

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 strive to expand our presence in the global market as well as our business base.

United States	Biofrontera Inc., an affiliate of our partner Biofrontera AG (Germany), funded by Maruho in 2013, sells <i>Xepi</i> , a treatment for skin infections, and <i>Ameluz</i> , a treatment for solar keratoses.
China	<i>Farom Dry Syrup</i> , an oral penem antibiotic 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.



Xepi



Ameluz



Farom Dry Syrup

COLUMN

We have business development bases in Germany and the United States and are conducting various licensing activities overseas for the purpose of expanding and enhancing our development pipelines. We have also established networks with multiple organizations, including academia, research institutes, start-ups, and funds, as the foundation for expanding our overseas presence.

(From left)
Global Business Development Dept. (Assigned to Maruho Medical Inc.) Kazuhiro Suzuki, Yohei Tonomura



Participating in an academic conference in the United States

Expand business areas utilizing the strengths of the Maruho Group

The Fourth Medium-Term Plan declares as a strategic pillar to “Expand business areas utilizing the strengths of the Maruho Group” in fields other than prescription drugs for skin diseases. To respond to a wide range of people’s needs not limited to the field of dermatology, such as the desire to live with clear skin, to live an active life, to live in peace without pain, and to improve daily life, Maruho will expand its business areas by collaborating with Group companies and partner companies with strengths not found in Maruho, and thereby offer best solutions.

For prescription drugs, Maruho is working on the early-stage introduction of candidate drugs to enhance the R&D pipeline in areas

other than skin diseases while searching to discover new candidate products and formulating strategies for market entry.

In the area of cancer supportive care, Maruho entered into a joint research agreement with National Cancer Center Japan in October 2018, under which examinations of clinical applications are jointly conducted. We will continue to offer new treatment proposals in all areas with no exclusions, focusing on how we can properly respond to patients’ needs.

Diagnostic drugs business

Maruho has been actively investing management resources to expand the diagnostic drugs business to support the care cycle through comprehensive information provision, including diagnosis necessary for treatment. Following the launch of *DermaQuick VZV*, a varicella/herpes zoster virus antigen kit in 2018, and *MLine Adeno*, an adenovirus antigen kit in 2021, Maruho released *DermaQuick tinea unguium**, the first tinea unguim antigen kit using immunochromatography in Japan, in June 2022. Maruho will exploit and develop the in-vitro diagnostic pharmaceuticals market, mainly for skin diseases, aiming to support prompt and accurate diagnoses.

* *DermaQuick tinea unguium* is manufactured and sold by JNC Corporation, and sold by Maruho.



DermaQuick VZV



DermaQuick tinea unguium



MLine Adeno



MLine Strep A

Medical devices business

Maruho's know-how in pharmaceuticals and the precision metal processing technology of Maruho Hatsujiyo Kogyo Co., Ltd. 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. Under the new framework, we are working to expand the business. In August 2021, Maruho set up a new website specializing in pincer nails, "Know, Cure, and Prevent Pincer Nails." Under the supervision of medical specialists, the website provides easy-to-understand explanations with photos and illustrations of the symptoms and causes of pincer nails, treatments, and methods of self-care that can be practiced in daily life, in order for patients to receive appropriate treatment. Maruho will continue to actively promote understanding of the treatment of pincer nails, and thereby contribute to improving the QOL of patients.

Maruho Medical, Inc. (U.S.), which became a fully owned subsidiary of Maruho in 2020, has developed *itto CSP*, a new arthroscopic rotator cuff repair instrument. Under the new market entry strategy in the United States, we aim to establish a new method for shoulder rotator cuff surgery using this product.



Website specializing in pincer nails, "Know, Cure, and Prevent Pincer Nails"

Self-care business

Aiming to support many more people by offering new proposals for day-to-day skin-care, Maruho has launched *iniks*, a skin-care brand to support people with *sensitive* skin with skin barrier science. In addition to the Sensitive skin-care line focusing on skin roughness and the *AC Moist* skin-care line effective for recurrent acne, Maruho launched *Advanced Barrier*, an aging-care line developed by applying the results of joint research with the Graduate School of Pharmaceutical Sciences, Osaka University in September 2022. Through a wide range of efforts to highlight the effectiveness of *iniks*, such as presenting products and providing information at dermatology-related academic conferences, hosting skin-care seminars by dermatologists for the media, and delivering web content created in collaboration with dermatologists, Maruho aims to establish the status as a brand that is recommended by dermatologists for their patients.

In July 2019, Maruho established Kose Maruho Pharma Co., Ltd. jointly with KOSÉ Corporation, a major cosmetics manufacturer in Japan. The *Carté HD* line, a high-performance moisturizing skin-care brand released in September 2020, has won over 100 cosmetics awards*. Highly appreciated for its excellent moisturizing effect and usability, sales have been growing steadily. Kose Maruho Pharma will continue to pay attention to the skin symptoms and worries of each customer and work to increase the brand appeal and value through enhancing the *Carté HD* line.

In September 2022, "Skin & Beauty Information by maruho," a webpage on the Company website through which the products of both brands can be purchased, was launched within Maruho's corporate website.

* From September 2020 to June 2022. Including awards for second or lower places and personal awards.



iniks Advanced Barrier series (released in September 2022)



Carté HD Moisture face & body lotion (released in August 2022)



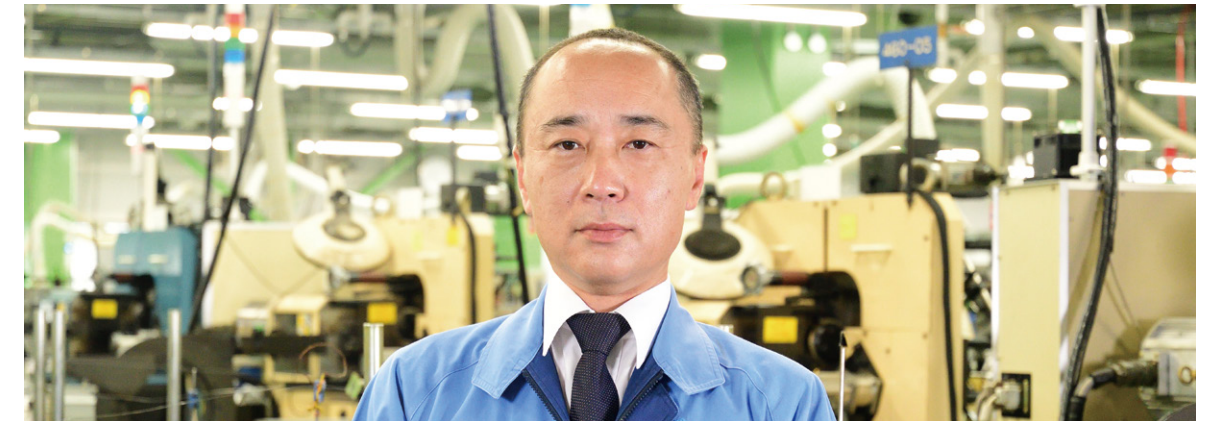
Maruho's cosmetics webpage "Skin & Beauty Information by maruho" (launched in September 2022)

Maruho Hatsujiyo Kogyo Co., Ltd.

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

— Aiming to help realize a society where everyone can live with a smile —

Maruho Hatsujiyo Kogyo will continue to do our jobs from the viewpoint of customers, under the slogan of "being fair, logical, and speedy."



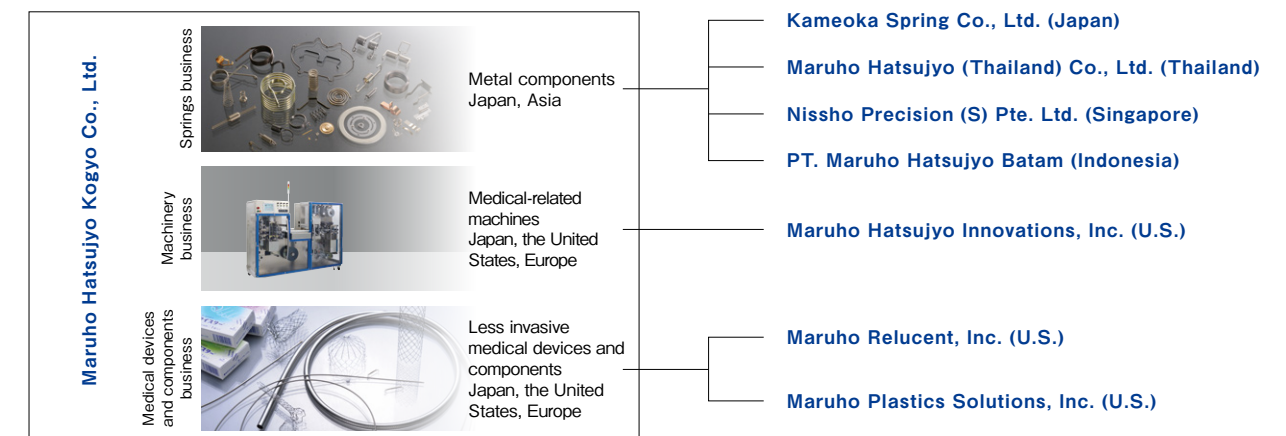
President
Maruho Hatsujiyo Kogyo Co., Ltd.
Kunihiro Iwase

Maruho Hatsujiyo Kogyo Co., Ltd. started in 1952 as the springs division within Maruho Shouten, the predecessor of Maruho, and became independent using the present company name in 1954.

As a technologically creative company that focuses on the key businesses of springs, machinery, and medical devices and components, we provide appropriate products and services to satisfy the diverse needs of client companies both within Japan and abroad, by taking advantage of our consulting capability based on our precise metal processing technology and compact machinery design/manufacturing skills. We have maintained close coordination with Maruho mainly in the area of medical devices and built a business model by taking full advantage of the strengths of the two companies and utilizing the comprehensive capability of the Maruho Group.

In cooperation with its Group companies consisting of two companies in Japan and six companies abroad (three in the United States and three in Asia), Maruho Hatsujiyo Kogyo will continue to develop and deepen its position in the global market, thereby contributing to the realization of a society where everyone can live with a smile.

Maruho Hatsujiyo Kogyo Group



As of September 2022

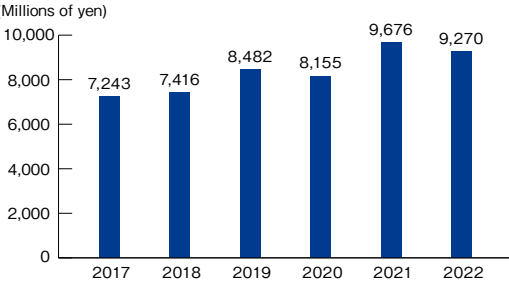
Maruho Hatsujiyo Kogyo Co., Ltd.	
Establishment	1954
Number of employees	492 (Consolidated) / 295 (Non-consolidated)
Capital	93.6 million yen
Business	1. Manufacture and sales of various precision springs 2. Design, manufacture, and sales of various automatic packaging machinery and labor-saving machinery 3. Development, manufacture, and sales of various medical devices

Review of the fiscal year ended September 2022 and initiatives for sustainable growth

In the fiscal year ended September 2022, the second year of our Third Medium-Term Plan, we focused our efforts on further promoting development, manufacture, and sales in an integrated manner, under the basic management policy of “strengthening our on-site capabilities.” With an eye toward business expansion in Asia, we increased production capability in the springs business and further enhanced our business base by developing and launching new products in the machinery business and the medical devices and components business. These efforts increased net sales in the medical devices and components business to 2,581 million yen (up 6.5% year on year). Net sales in the springs business amounted to

5,126 million yen (up 0.1% year on year), virtually unchanged from the previous fiscal year, despite the impact of COVID-19. The machinery business saw a decrease in net sales to 1,562 million yen (down 26.6% year on year) due to the impact of semiconductor shortages and soaring raw material prices. In the fiscal year ended September 2022, the Maruho Hatsuijyo Kogyo Group posted net sales of 9,270 million yen (down 4.2% year on year).
For the fiscal year ending September 2023, the final year of our Third Medium-Term Plan, we have set the basic policy of “horizontally expanding our on-site capabilities.” We will expand the on-site capabilities in the three areas of manufacture, sales, and quality, which were all reinforced in the previous fiscal year, to the three businesses to strengthen our response to new needs, with an eye toward realizing 10.7 billion yen in net sales for the Maruho Hatsuijyo Kogyo Group. We will also focus our efforts on reforming our corporate culture and operations, both of which are a foundation for sustainable growth. We will seek to use the technology platform of each business on a Companywide basis by revitalizing people-to-people exchange between businesses.

Net sales of the Maruho Hatsuijyo Kogyo Group



Major initiatives

On-site capabilities in manufacture

- Increasing productivity by removing unreasonableness, inconsistency, and waste
- Providing global education/training on Japanese “*monozukuri*” (manufacturing and production) for overseas expansion

On-site capabilities in sales

- Promoting online and offline marketing activities by using a marketing automation system
- Strengthening workflow control to achieve the goals set

On-site capabilities in quality

- Standardizing manufacturing tools
- Improving written instructions to make key points of quality clear
- Promoting manufacturing with own-process completion*

* The concept of each worker inspecting and ensuring quality in each process and not letting defects go on to the downstream process

As a member of global society

To contribute to realizing a sustainable society, Maruho Hatsuijyo Kogyo has been engaging in global business activities while fulfilling its social responsibility. We are promoting initiatives for the environment, society, and governance (ESG) by setting quality policy and environmental policy, obtaining three global ISO certifications for quality and environmental management systems, and ensuring CSR activities and compliance.

Identification of materiality (priority issues)

We have made clear, as materiality, the social value that Maruho Hatsuijyo Kogyo offers and social challenges to be tackled. We will fulfill our public and social responsibilities and play a leading role in building more affluent local communities.

Maintenance and enhancement of product reliability and stable supply

Priority Issues	Major Initiatives
Ensuring of quality and safety and the building of an appropriate supply system	● Strengthen the quality assurance system involving subcontracting companies ● Strengthen the stable supply system involving subcontracting companies
Provision of appropriate product information	● Promote marketing, advertising, and sales activities
Supply chain management	● Promote CSR procurement ● Promote green procurement

Enhancement of governance and corruption prevention

Priority Issues	Major Initiatives
Corporate governance	● Build an internal control system ● Promote the utilization of AI and the IT
Compliance	● Respect human rights ● Ensure compliance with laws and regulations ● Enhance awareness of compliance ● Publicize the Company’s hotline and strengthen its function
Risk management	● Implement BCM* ● Reinforce information security

* Business Continuity Management (BCM) : A holistic management method to, in case of an emergency, such as a natural disaster, minimize damage to a company and continue or recover the business

Building a corporate culture to promote the creation of value

Priority Issues	Major Initiatives
Promotion of diversity and inclusion	● Advance women’s empowerment ● Promote work-life balance ● Promote employment of persons with disabilities
Creation of a highly productive work environment with high added value	● Enhance productivity with digital transformation (DX), etc. ● Promote reform of working practices ● Support the development of the next generation ● Promote good health (mental health) ● Prevent prolonged work ● Promote health and safety activities ● Prevent industrial accidents ● Implement risk assessment
Human resource development	● Develop leaders ● Personnel transfers and the right person in the right position ● Implement career interviews ● Promote education and training

➡ For concrete initiatives, please see “Society” (p.31).

Environmental initiatives

Priority Issues	Major Initiatives
Prevention of global warming	● Curb greenhouse gas emissions
Climate change strategy	● Reduce electricity use and waste
Promotion of resources recycling	
Reduction of environmental load	● Reduce the use and release of environmental pollutants



Toward Realizing Our Mission — Management Base —

At Maruho, 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.

Mission
“More smiles,
brighter life for you.”

Maruho will contribute to achieving Goal 3 (“Good Health and Well-being”) of the SDGs* through its 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.

For our continuous, steady growth in the future, greater commitment to society, the environment, and governance is crucial. Under this belief, to enhance the fundamentals of our management base, such as human resources and corporate culture, we set “management base to support further growth” as a pillar of the Fourth Medium-Term Plan, and have been promoting initiatives to reform personnel and organizations, cultivate a corporate culture to accelerate the reform, and develop human resources, which are the source of our growth potential.

Maruho strives to establish a workplace environment where every employee can work autonomously and healthily, while also implementing initiatives to protect the regional and global environments as a member of society. We will also continue voluntary activities to incorporate initiatives to help resolve social issues in our corporate culture. At the same time, we aim to expand the social value that Maruho creates by maintaining and enhancing our corporate governance through initiatives to pursue fair and transparent corporate activities and ensure compliance.

* Sustainable Development Goals (SDGs): “17 goals that the international community should achieve for sustainable development by 2030,” adopted at the United Nations (UN) Summit in 2015

What I expect of Maruho

Pharmaceuticals
are rays of hope



Freelance announcer, clinical psychologist, and certified public psychologist
Ms. Tomomi Sekine

I have high hopes for Maruho to suggest appropriate pharmaceuticals that will make patients smile and provide information about diseases and treatments.



I first developed atopic dermatitis in my early childhood, which became fulminant when I was in elementary school. Since then, I have suffered from various types of allergic diseases. In those days, there was no standard treatment for atopic dermatitis, and my parents and I searched for the most appropriate treatment method through trial and error. Later, I was able to control the condition of my skin with a moisturizer. However, when I look back at the long path until then, I often feel the emotional pain of the patients who are suffering from similar skin diseases like my own pain.

A person with an atopic disposition often develops various allergic diseases one after the other as they grow up. This is often referred to as “the allergic march.” I myself started with atopic dermatitis, followed by allergic rhinitis and atopic cataract. While working as an announcer at a broadcasting station, I developed bronchial asthma, which seriously affected me both physically and mentally. However, thanks to doctors and other medical professionals, the appropriate medication for my symptoms, and the correct information about the diseases and their treatment, I believe I have learned to manage my condition.

When my daughter entered the fifth grade of elementary school, I enrolled in graduate school to qualify as a clinical psychologist. At present, while working as a freelance announcer, I meet various patients as a counselor in psychiatry and psychosomatic medicine. In counseling, I feel strongly that the body and mind are connected. Especially since skin diseases are visible to other people, many patients have some pain in the back of their mind without knowing. I think it is important not only for us as therapists but also for pharmaceutical companies to notice the hidden SOS signals of patients, understand them, and support them.

For people who are suffering from various skin diseases, not limited to atopic dermatitis, medicines and treatment methods that relieve their symptoms are milestones for survival and rays of hope. I hope that Maruho will continue to produce effective products that can make each patient’s life happier.

In order to enhance corporate value and achieve sustainable growth in the medium to long term, Maruho strives to provide systems and opportunities that enable every employee to build a career and play an active role, and to create a safe and healthy workplace environment.

Creating systems for autonomous career development

Maruho promotes the creation of systems to allow every employee to develop their career autonomously, with the aim of revitalizing organizations, improving productivity, and strengthening the bond between the Company and its employees.

● Internal job posting system

Internal job postings are offered as an opportunity for employees to seriously consider their own careers and realize what they want to achieve. During the fiscal year ended September 2022, 30 positions were posted throughout the Company, and a total of 11 employees were successfully transferred.

● Career training by age group

To help employees autonomously build their careers, we conduct training in which participation is voluntary, at each milestone in their career. During the fiscal year ended September 2022, a total of 134 employees participated in the training.

● Expanding personal development programs

In order to support employees who are motivated to learn, we have greatly expanded the training programs available to them.

Promoting health management support

Based on the belief that the health of employees means the health of the Company, Maruho promotes health management support, in which efforts to promote health are the basis of corporate management.

● Offering a health counseling service by a public health nurse

Maruho offers a health counseling service that allows employees to easily consult about their physical and mental health four times every month at the head office. (In person or online)

● Introducing “KENPOS,” a health support website

We have introduced a web service with which users can manage various information related to their health, such as the number of steps taken and dietary record, by themselves. Various events to support health management, such as a Walking Campaign, are held regularly.

● Supporting employees to undergo re-examination after a health checkup

If an employee is recommended for re-examination as a result of a health examination, Maruho allows the employee to visit the medical facility during working hours.

Initiatives for diversity and inclusion

Maruho aims to create new value by establishing an environment in which all its employees can play active roles, making effective use of their diverse ways of thinking and different backgrounds.

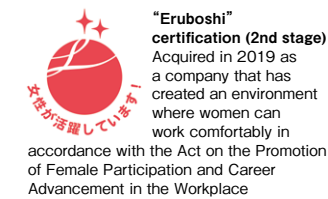
● Promoting the active participation of women

Starting from October 2021, as a Companywide common indicator, the target to be achieved by September 2024 is a female manager ratio of more than 15%.

➔ For details on the ratio of female managers, please refer to Non-financial Highlights (p.7).

● Promoting next-generation development

Maruho promotes initiatives to allow employees to balance childcare and work for future generations. We especially encourage male employees to take childcare leave. In addition, to reduce overtime hours worked, we aim for zero departments with over 30 overtime hours worked in a month for three consecutive months and zero individuals working over 540 overtime hours in a year.



● Interactions within the Maruho Group

Interactions between Group companies engaged in different types of business are expected to help discover new value and deepen mutual understanding.

Systems and initiatives to support diverse work styles

Maruho promotes flexible, diverse work styles with the aim of enhancing the work-life balance of employees and improving productivity and creativity.

● Introducing remote work

Maruho actively promotes working from home.

● Introducing free-address offices

Maruho has introduced a free-address system in some of its offices to encourage creativity among employees.

● Digitization of various application systems

Maruho has introduced a system to enable payment of expenses and application for management approval via Company PCs and smartphones, as part of its initiatives to promote digitization of operations.

Specific initiatives

Interactions within the Maruho Group

In June and August 2022, exchange meetings were held between Maruho’s Yokohama No. 2 Office, (then) in charge of provision of information on prescription drugs, and Roman Industries Co., Ltd., engaged in the production of APIs for pharmaceuticals. The meetings were opportunities for the participating members to change their views of their products and companies through the new interactions and the discovery of new values. We believe that the cumulative experience of such interactions will lead to respect for different values and opinions across existing organizational/ environmental boundaries, in other words, promoting diversity.



Participants of the meeting, at Roman Industries Co., Ltd. (June 2022)

Promoting health management support

Beginning in November 2021, Maruho offers a health counseling service by inviting a public health nurse. Four times a month, a public health nurse visits our head office so that employees can easily consult about their mental or physical health either in person or online.

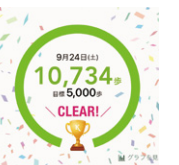
Using our internal social media “Yammer,” employees posted photos of the “KENPOS” Walking Campaign. In this way, “KENPOS” not only supports health management but also contributes to active internal communication.



Photo of the Walking Campaign posted on internal social media



Public health nurse Miki Minami



Initiatives at Maruho Hatsujyo Kogyo Co., Ltd.

Initiatives to create a comfortable workplace environment

We promote work-life balance for employees so that they can work in good health and make full use of their abilities. Aiming for 10 days or more of average paid leave taken, we encourage employees to take “refreshing holidays (consecutive paid holidays).” In addition, a suggestion box will be installed inside the Company from September 2021. Suggestions and requests from employees will be effectively reflected in the improvement of our workplace environment.

Contribution to an inclusive society – Promoting employment of people with disabilities

We support the employment of people with disabilities by offering an environment where everyone feels safe at work and by assigning a job coach for employees with developmental disabilities, thereby enabling all employees to make full use of their individual abilities. In addition, we not only accept interns from special education schools for jobs that match their aptitude and preference but also promote them to regular employees after the internship. For these initiatives, Maruho has been certified by Kyoto Prefecture as a company promoting employment of people with disabilities (a “Kyoto Heartful Company”) since 2020. We also received the Prefectural Governor’s award as an excellent enterprise in employment of people with disabilities in November 2021.



View of a workplace



The award ceremony for the Kyoto Prefecture excellent enterprises in employment of people with disabilities (November 2021)

As a member of society, Maruho actively promotes activities to protect the regional and global environments, such as reducing environmental impact of its R&D, sales, and production activities. At the same time, Maruho pursues business activities in harmony with the global environment by raising the environmental awareness of its employees.

Promoting the efficient use of energy

To promote energy saving, we set the target temperatures for air conditioning to be 28°C in summer and 20°C in winter at all offices including the head office. We are also working to reduce the use of paper by promoting the use of electronic meeting materials and introducing electronic signatures/confirmation.

Initiatives in R&D activities

At the Kyoto R&D Center, to minimize the impact of our pharmaceutical R&D activities on the global environment, we promote environment-friendly initiatives such as energy/resource saving, green purchasing, reduction of industrial waste generation, and raising environmental awareness.

● Saving energy/resources

We are working to help reduce greenhouse gas emissions through initiatives such as introducing LED lighting to the Drug Development Laboratories, using the energy-saving mode of air conditioners, introducing CO₂ concentration control, and adjusting seasonal humidification settings for laboratories. We are also working to reduce the use of paper in confirmation of test results and various procedures by promoting the switch from paper documents to electronic materials.

● Green purchasing

We have launched an initiative to replace office equipment and supplies used in our R&D activities with environmentally friendly products in order to help preserve the environment.

● Reducing industrial waste generated

Aiming to contribute to a recycling-oriented society, we are making continuous efforts to reduce generation of industrial waste. We also thoroughly separate waste generated in our R&D activities.

● Raising environmental awareness

Employees working at the Kyoto R&D Center voluntarily hold roundtable discussions on the SDGs to raise their awareness of environmental conservation, share knowledge and ideas on environmentally friendly actions, and work to embody the ideas.



Roundtable discussion on the SDGs
(July 2022)

Initiatives in sales activities

● Introducing hybrid vehicles

Since 2009, we have been gradually replacing our vehicles used for sales promotion activities with hybrid vehicles. As of March 2022, hybrid vehicles account for 87.0%. With these vehicles, we will reduce the use of fuels in sales activities and also reduce emissions of CO₂.

Initiatives in production activities

The Hikone Plant and Nagahama Plant have acquired ISO 14001 international certification for environmental management systems. They also promote various energy efficiency and CO₂ reduction initiatives to reduce the environmental impact of their production activities.

● Energy saving

The two plants have been gradually replacing fluorescent lighting in the plants with LED lighting to reduce electricity consumption. At the Hikone Plant, in anticipation of future electricity demand, a new charger transformer was installed in December 2022 with 40% improved energy-saving performance compared with 1999. We will continue activities to save energy, such as using the low airflow mode for air conditioning during non-operating hours and suspending air conditioning in areas where air conditioning is not necessary.

● Reducing CO₂ emissions

In 2022, the two plants emitted a total of 10,410 tons of CO₂. The plants aim to further reduce CO₂ emissions by switching to renewable electricity.

● Cleanup campaign

At the Hikone Plant, a cleanup campaign is held each year between April and June and between August and October to collect trash in the area surrounding the plant. This was the first year that our partner companies also participated in the campaign.

➔ For details on use of water resources and industrial waste generated, please refer to Non-financial Highlights (p.7).



Cleanup campaign
(August 2022)

Maruho encourages employees to take part in volunteer activities in order to integrate efforts to contribute to society into its corporate culture.

Matching gift program

Maruho's matching gift program "Maru-hotto Gift," a system that supports employees' motivation for social contribution, celebrated its seventh year in 2022. With Maruho Hatsujiyo Kogyo Co., Ltd. and Tateyama Pharmaceutical Factory Co., Ltd. taking part for the first time in 2022, a total of 428 people participated in the program. To the amount donated by them, the Company added the same amount and donated a total of approximately 3,800,000 yen to four NPOs that were internally selected.

Donation recipients in 2022

- Special Olympics Nippon Osaka
- TSURUMI Children's Hospice
- Guiding Dog & Service Dog & Hearing Dog Association of Japan
- Japan CliniClowns Association

Specific initiatives

The Japan CliniClowns Association, an authorized NPO, has sent red-nosed cliniclowns to children's hospitals since 2005 to help hospitalized children recover their power to live and smile through playing and communicating with them under the slogan "Children's time for all children." In agreement with this purpose, Maruho has supported the organization since 2018.



Donation ceremony for Japan CliniClowns Association (July 2022)

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 from among fundamental and clinical research papers related to dermatology.

● Master of Dermatology (Maruho)

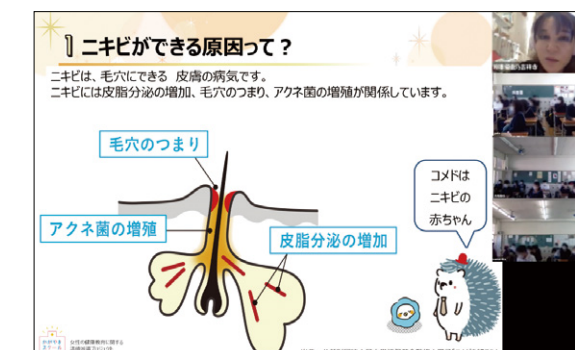
Maruho established this prize in 2010 to recognize dermatologists who have made outstanding achievements in clinical dermatology and contributed to the development of the field of clinical dermatology in Japan. From the fiscal year ended September 2017, the prize was renamed Master of Dermatology (Maruho), 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

In modern society, where the greater participation of women is expected, in order to realize the life design or career plans desired by women, it is necessary to correctly understand the health problems unique to women and their physical changes at different life stages. Based on this understanding, since 2021 Maruho has participated in "Kagayaki School," a women's health education promotion project established by Bayer Yakuin, Ltd.

In the fiscal year ending March 2023, the Kagayaki School is scheduled to be held at 12 schools around Japan (including online and visiting lessons). In addition to female students, male students also participated in the lessons, accounting for about 40% of the total number of participants.

Maruho will continue to support the development of women's health and the environment for their active participation.



Lesson at Shimotsuma 2nd High School, Ibaraki Prefecture (by Dr. Noriko Yanagimoto, Felice Ladies Clinic Kichijoji) (October 2022)

Toward more effective corporate governance

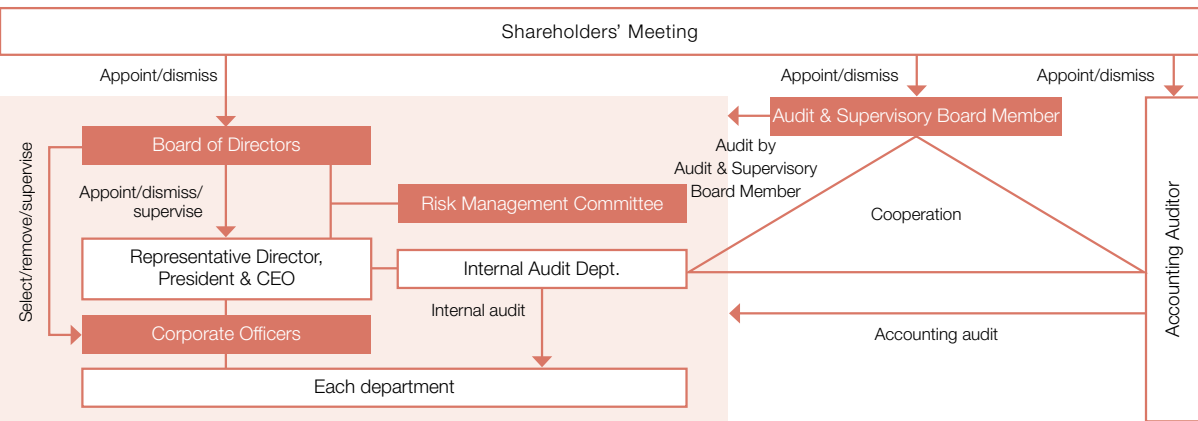
As a pharmaceutical company specializing in dermatology, Maruho has long been working to help improve the QOL of patients suffering from skin diseases and support the activities of medical professionals. To respond to such social needs appropriately, we have been engaged in various businesses such as prescription drugs, diagnostic drugs, medical devices, and self-care, thereby achieving steady business growth.

To continue to contribute to the development of society, we need to advance our corporate governance to support the decision making of our management team and respond to the expectations of stakeholders. The key to this is the effective operation of the Board of Directors, and an external perspective from an outside director is essential for improving effectiveness.

Receiving advice on governance and business management from outside directors from an objective perspective and based on their supervision, experience, and knowledge, we seek to promote more effective corporate governance to realize sustainable growth and enhance our corporate value.

Corporate governance system

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



Board of Directors

To further improve Maruho's corporate value in the future, the Board of Directors endeavors to increase management transparency and fairness, speed up decision making concerning important managerial issues, receive reports on the business execution of Maruho and its Group companies, and supervise the execution of duties by directors and corporate officers. In addition, we seek to create a highly effective Board of Directors by providing appropriate information to outside directors equipped with diverse knowledge and specializations related to finance, accounting, risk management, or compliance with laws and regulations, by ensuring directors' sharing and understanding of the Company's basic management policies and important managerial matters, and by reaching consensus and making policy decisions based on consultations and discussions from a multilateral perspective.

In the fiscal year ended September 2022 as well, we selected and discussed the matters requiring intensive deliberations—including business plans, shareholders' meetings, directors, and stock—and operated the Board of Directors effectively. The average attendance of outside directors was 96%.

Overview of the Board of Directors

(Fiscal year ended September 2022)

Structure	7 directors, 3 outside directors, and 1 auditor	Board meeting	Oct., Nov., Dec., Jan., Apr., May, Jul., Aug., and Sept. * An extraordinary Board meeting was held in June.
Major agenda	Business plans	- Group management, business plan achievement, basic policy for the following fiscal year's business plan, a scheme for evaluation of achievements - Overview of account settlement, internal audit findings, whistleblowing, internal and external trends	
	Shareholders' meeting	- Proposals for the ordinary general meeting of shareholders	
	Officers	- Election of officers, appointment of the Representative Director, appointment of directors with special titles	
	Stock	- Stock transfer between shareholding associations - Allocation of transfer shares	

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) Toward realization of our Corporate Mission

- To achieve our Corporate Mission ("More smiles, brighter life for you"), each director and employee shall engage in business activities based on the Values set ("Be genuine," "Notice the signs," "Grow your curiosity and change the world," "Exceed your limits," and "Inspire each other"). To implement these values, the Company shall establish an internal control system, and all directors and employees shall respect it.

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 shall make proper decisions in accordance with the Rules for the Board of Directors, and supervise business execution to prevent violation of laws and regulations or the articles of incorporation. Directors shall report any violation of laws and 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 for each department 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 within and outside the Company on suspicious activities concerning compliance. It shall be utilized for the implementation of compliance management.
- To ensure the 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 the Company's 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 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 BCP*, 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.

*Business Continuity Plan (BCP): 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.

Risk management

In order to maximize its corporate value, Maruho 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.

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 44-48) are completely the same as those of the 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.

In addition, we manage potential risks by categorizing them into two groups: "Companywide risk (risks requiring Companywide management)" and "business risk (risks entailed in implementing/promoting strategies and business plans)." The Companywide initiatives by the Risk Management Committee to increase directors' and employees' awareness of "potential Companywide risks" include posting awareness-raising articles by the department responsible for each type of risk on the internal portal site, and conducting e-learning tests.

List of potential Companywide risks

- Labor management
- Disasters, infections
- Information security
- Patent/trademark infringement
- Code of Practice, etc.
- Management of a conflict of interest
- Clinical Trials Act
- Rumors/reputation by the mass media
- Company vehicle operation management
- Harassment

Compliance

All officers and employees shall comply with the Maruho Code of Compliance Standards in their own conduct and their business activities.

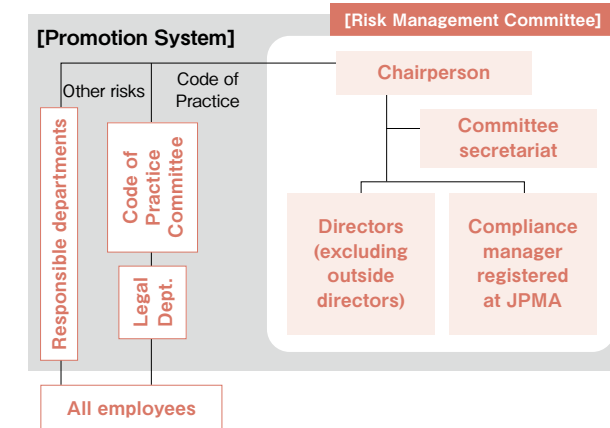
As a company that handles pharmaceutical products, i.e., products that impact health and life, we have set forth "More smiles, brighter life for you" as our Mission. For that purpose, in carrying out our business activities, we shall comply with general laws and regulations such as civil codes, corporate laws, and antimonopoly laws, as well as the various business-related laws and regulations such as pharmaceutical laws, GLP, GCP, GMP, GQP, GVP, and GPSP^{*1}, 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.

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.



Internal reporting system (Maruho Hotline)

To ensure the implementation of compliance management, we have established the Maruho Hotline as the contact point for internal reporting to accept direct consultation and reporting both from within and outside the Company on suspicious activities concerning compliance. We disseminate information on the importance of the internal reporting system, confidentiality, and the protection of whistleblowers, provide e-learning programs to promote an understanding of the system, and continually make all employees aware of the contact point for internal reporting. Detailed information on the contact point for internal reporting is made available on the internal portal site. In the fiscal year ended September 2022, there were a total of 18 whistleblowing reports (17 from within the Company and 1 from outside the Company).

Quality policy

Maruho provides a stable supply of high-quality pharmaceutical products together with science-based information to people of the world who wish for good health. To this end, we have established the quality policy below.

- With a global perspective, we shall strictly comply with all relevant quality-related laws and regulations.
- We shall gather information on medical needs and create innovation to provide pharmaceutical products and information of superior quality.
- We shall construct an international standard quality management system (such as PQS^{*2}) to promote continuous improvement toward a higher level of quality.
- We shall properly allocate operational resources in order to realize this quality policy.

^{*1} GLP (Good Laboratory Practice): A ministerial order concerning standards for conduct of non-clinical trials regarding the safety of pharmaceuticals

GCP (Good Clinical Practice): A ministerial order concerning standards for conduct of clinical trials of pharmaceuticals

GMP (Good Manufacturing Practice): A ministerial order concerning 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): A ministerial order concerning standards for safety management after manufacturing and sales of pharmaceuticals, quasi-pharmaceutical products, cosmetics, medical devices, and regenerative medicine products

GPSP (Good Post-marketing Study Practice): A ministerial order concerning standards for studies and tests after manufacturing and sales of pharmaceuticals

^{*2} PQS (Pharmaceutical Quality System): A comprehensive model of an effective pharmaceutical 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 and Auditors
(As of December 2022)



Corporate Audit & Supervision
Hiroaki Miura



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,
Executive Corporate Officer
Yasuyuki Ishimaru



Director of the Board,
Senior Corporate Officer
Masahiro Akatsuka



Director of the Board,
Senior Corporate Officer
Takashi Kitagawa



Director of the Board,
Senior Corporate Officer
Masahiro Takeda



Director of the Board,
Senior Corporate Officer
Yasuhiko Kito



Director of the Board,
Corporate Officer
Yutaka Tomita



Director of the Board,
Corporate Officer
Katsunori Hiratsuka



Corporate Officer, Business Operations
Koichi Nishioka



Corporate Officer, General Manager, Research Dept.
Kazumasa Hirata



Corporate Officer, Clinical Development
Yutaka Ishihama



Corporate Officer, Sales
Yoshihiko Sato



Corporate Officer, Marketing
Kazuhiko Aita



Corporate Officer, Reliability Assurance & Medical Affairs
Yoshimi Kakiuchi

More smiles,
brighter life for you

Corporate Officers
(As of December 2022)

Corporate Officer, Business Operations

Koichi Nishioka

Corporate Officer, Reliability Assurance & Medical Affairs

Yoshimi Kakiuchi

Corporate Officer, General Manager, Research Dept.

Kazumasa Hirata

Corporate Officer, Marketing

Kazuhiko Aita

Corporate Officer, Clinical Development

Yutaka Ishihama

Corporate Officer, Sales

Yoshihiko Sato

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)

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, Senior Corporate Officer, Corporate Strategy, 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
October 2022 Director of the Board, Senior Corporate Officer, Corporate Strategy, CMC Research & Production (Current position)

Director of the Board, Corporate Officer, Production

Katsunori Hiratsuka

Biography

April 1990 Joined Maruho Co., Ltd.
March 2014 Manager, Hikone Plant
April 2017 General Manager, CMC Planning & Coordination Dept.
October 2017 Corporate Officer, Production
December 2022 Director of the Board, Corporate Officer, Production (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, 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, Nagoya Branch, 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)

Director of the Board, Corporate Officer, Global Business Development

Yutaka Tomita

Biography

June 2005 Joined Sysmex Corporation
June 2021 Joined Maruho Co., Ltd.
October 2022 Corporate Officer, Global Business Development
December 2022 Director of the Board, Corporate Officer, Global Business Development (Current position)

Director of the Board (Outside)

Akihiro Watanabe

Biography

July 1990 Peat Marwick Mitchell & Co. (now KPMG LLP), New York Office Partner
July 1994 Representative Director, KPMG Corporate Finance Co., Ltd.
April 2004 Founded GCA Corporation, Representative Director
December 2015 Director of the Board, Maruho Co., Ltd. (Current position)
February 2022 Chairman, Houlihan Lokey K.K.
June 2022 Outside Director, Toshiba Corporation (Current position)

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, Senior 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, Research & 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
October 2022 Director of the Board, Senior Corporate Officer, Global Business Development, Research & Development (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)

Consolidated Management Indicators, etc.

	2012.9	2013.9	2014.9	2015.9	2016.9	2017.9	2018.9	2019.9	2020.9	2021.9	2022.9
(Millions of yen)											
Fiscal year											
Net sales	62,007	64,336	69,367	73,538	76,722	86,902	85,209	89,171	88,954	96,754	95,390
Operating profit	12,961	10,862	6,256	7,682	7,424	14,731	10,631	12,347	12,333	21,942	16,431
Ordinary profit	13,262	11,115	6,202	7,151	7,483	14,577	10,284	12,433	10,721	21,112	15,035
Profit attributable to owners of parent	8,304	7,136	3,639	3,288	2,272	8,463	2,976	12,737	6,318	14,902	7,972
As of fiscal year-end											
Total net assets	76,661	84,057	93,878	96,592	99,984	108,985	110,478	120,217	127,825	142,857	152,495
Total assets	94,180	100,042	124,750	134,484	137,554	145,096	143,286	142,908	151,394	164,257	177,219
Amount per share (Yen)											
Net assets per share	10,063.13	11,034.01	11,533.32	12,117.75	12,531.01	13,675.28	14,440.31	15,713.18	16,569.98	18,531.20	19,794.54
Basic earnings per share	1,090.09	936.82	476.44	429.85	297.00	1,106.30	389.09	1,664.83	825.81	1,947.92	1,042.12
Cash flows											
Cash flows from operating activities	12,940	5,384	4,641	10,117	10,433	11,923	11,385	11,573	20,042	18,063	16,651
Cash flows from investing activities	19,674	2,083	(8,980)	(7,906)	(15,554)	(10,824)	(13,595)	(11,706)	(4,817)	(4,591)	(7,597)
Cash flows from financing activities	(135)	(137)	10,687	2,600	(3,024)	(583)	(681)	(10,245)	(686)	(570)	(589)
Financial indicators											
Equity-to-asset ratio (%)	81.4	84.0	70.7	68.9	69.7	72.1	77.1	84.1	83.7	86.3	85.5
Return on equity (%)	10.8	8.5	4.1	3.6	2.4	8.4	2.8	11.0	5.1	11.1	5.4
Number of employees	1,190	1,287	1,526	1,588	1,716	1,838	1,930	2,093	2,150	2,181	2,213

(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." (P.36)

2. The "Partial Amendments to the Accounting Standards 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 retrospectively.

Business Performance and Financial Analysis

Business performance

During the consolidated fiscal year under review (October 2021 to September 2022), the Japanese economy showed signs of gradual recovery despite the ongoing impact of COVID-19. Meanwhile, the rising prices of raw materials and energy resources due mainly to the intensifying situation in Ukraine make the future outlook uncertain. In the pharmaceutical business, the Maruho Group's main business area, the prescription drug market showed a gradual recovery trend despite the impact of COVID-19 due mainly to increases in sales of anticancer drugs and immunosuppressive agents. Other businesses, particularly businesses in the springs, medical devices and components, and machinery industries were significantly affected by COVID-19, and the prolonged delivery periods of semiconductors and raw materials.

Under these circumstances, to achieve its Long-Term Vision 2011 "Excellence in Dermatology," aiming to make outstanding contributions in dermatology, the Maruho Group is committed to promoting the Fourth Medium-Term Plan (October 2020 to September 2023) through cooperation among the Group companies, utilizing the strengths of each company.

As a result, net sales for the consolidated fiscal year under review decreased 1.4% from the previous fiscal year, to 95,390 million yen. In terms of profits, we recorded operating profit of 16,431 million yen (down 25.1%), ordinary profit of 15,035 million yen (down 28.8%), and profit attributable to

owners of parent of 7,972 million yen (down 46.5%).

(1) Pharmaceutical business

Sales of blood-flow accelerative/skin-moisturizing agent *Hirudoid* decreased partly due to the impact of the revision of drug prices. Sales of human anti-human IL-17A monoclonal antibody injection for psoriasis treatment *Cosentyx* increased by continuously providing academic information. Sales of topical acne vulgaris treatment agent *BEPIO Gel* decreased due to the impact of competitive products.

As a result, net sales of this segment were 86,241 million yen (down 1.7% from the previous fiscal year), with operating profit of 16,742 million yen (down 23.3%).

Pharmaceutical business

(Mainly manufacture and marketing of prescription drugs)

	2021.9	2022.9	Increase (Decrease)
Net sales			
Revenues from external customers	87,721	86,241	(1,480)
Transactions with other segments	2	—	(2)
Total	87,724	86,241	(1,483)
Operating profit (loss)	21,815	16,742	(5,072)

Other businesses

(Springs, medical devices and components, and machinery)

	2021.9	2022.9	Increase (Decrease)
Net sales			
Revenues from external customers	9,033	9,149	116
Transactions with other segments	642	120	(521)
Total	9,676	9,270	(405)
Operating profit (loss)	226	(325)	(552)

(2) Other businesses

With regard to the businesses of Maruho Hatsujyo Kogyo Co., Ltd., etc., net sales of the springs, medical devices and components, and machinery businesses were 9,270 million yen (down 4.2% from the previous fiscal year) with operating loss of 325 million yen (operating profit of 226 million yen 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.

Financial position

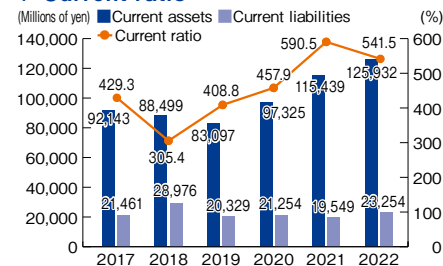
Total assets at the end of the consolidated fiscal year under review increased 12,961 million yen from the previous fiscal year, to 177,219 million yen. Current assets increased by 10,493 million yen due to an increase in cash and deposits as a result of securing profits mainly from operating activities. Fixed assets increased 2,468 million yen due to active capital investment.

Total liabilities increased 3,323 million yen from the previous fiscal year, to 24,723 million yen. Specifically, the increase is composed of a 3,704 million yen increase in current liabilities and a 380 million yen decrease in non-current liabilities. Total net assets increased 9,638 million yen, to 152,495 million yen, mainly due to the increase as a result of the recording of

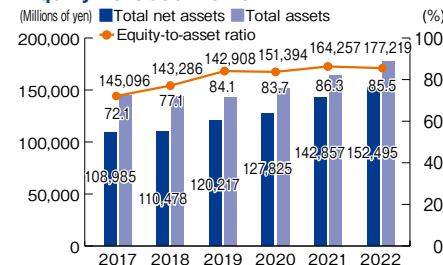
profit attributable to owners of parent.

With both the current ratio and the equity-to-asset ratio at a high level of 541.5% and 85.5%, respectively, we 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



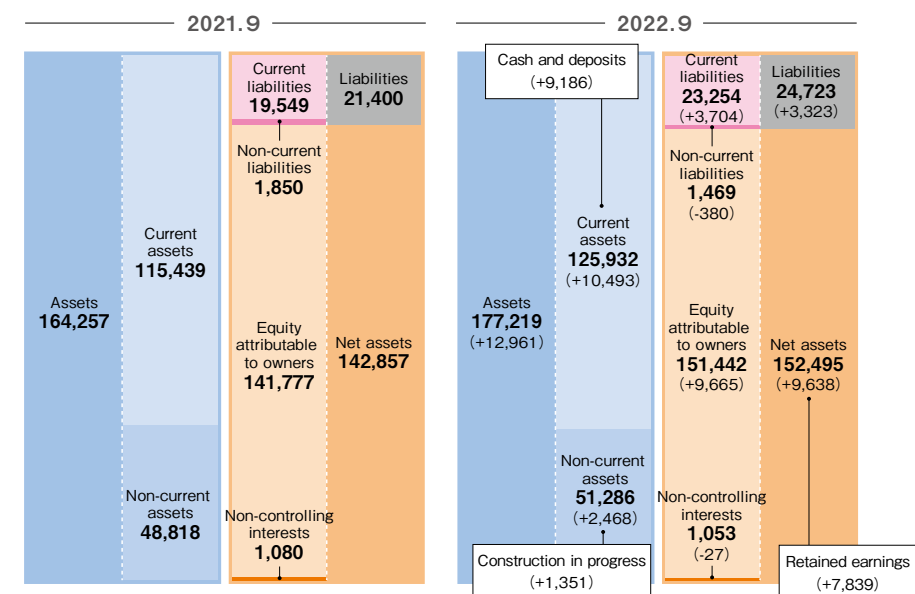
Cash flows

The balance of cash and cash equivalents at the end of the consolidated fiscal year under review was 68,741 million yen (up 15.4% from the previous fiscal year).

Cash flows from operating activities decreased 7.8% from the previous fiscal year, to 16,651 million yen. This was due to profit before income taxes of 12,665 million yen and the recording of non-cash items such as depreciation, and amortization of goodwill. Cash flows from investing activities increased 65.5% from the previous fiscal year, to 7,597 million yen, mainly due to payment of 6,035 million yen for active capital investment to purchase tangible and intangible fixed assets. Cash flows from financing activities increased 3.4% from the previous fiscal year, to 589 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 and intangible fixed assets, such as construction of new

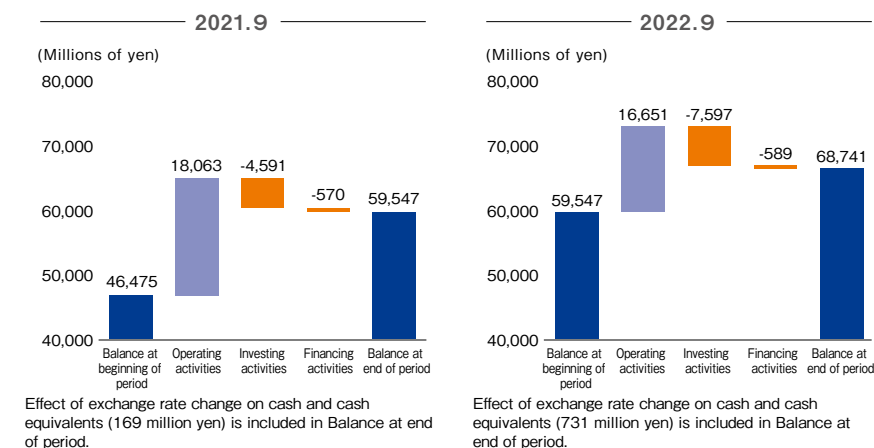
Overview of Consolidated Balance Sheet (Millions of yen)



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), and the Rating Outlook was changed from "Stable" to "Positive" in September 2022. 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

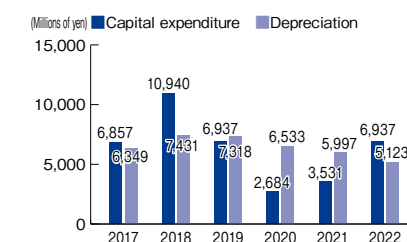


Capital expenditure, etc. (Tangible assets and intangible assets)

During the consolidated fiscal year under review, we carried out active capital investments totaling 6,937 million yen, including an acquisition of manufacturing equipment and renovation of the existing building for the Hikone Plant, our base of manufacturing for pharmaceuticals; acquisition of laboratory equipment and

renovation of existing buildings for the Kyoto R&D Center; introduction and modification of software to improve internal work efficiency; and acquisition of the sales rights related to introduction of R&D products. We will continue to monitor market trends and make diversified, strategic investments to capitalize on growth opportunities.

Capital expenditure / Depreciation



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

*2 We acquired the sales rights related to introduction of R&D products. We will continue to monitor market trends and make diversified, strategic investments to capitalize on growth opportunities.

Consolidated Balance Sheet

(Millions of yen)

	2021. 9	2022. 9
Assets		
Current assets	115,439	125,932
Cash and deposits	60,347	69,533
Notes and accounts receivable-trade	30,329	30,125
Securities	301	—
Merchandise and finished goods	13,032	13,644
Work in progress	5,232	4,910
Raw materials and supplies	4,425	5,608
Other	1,770	2,109
Non-current assets	48,818	51,286
Property, plant and equipment	25,078	25,591
Buildings and structures	15,527	15,529
Machinery, equipment and vehicles	5,645	4,810
Tools, furniture and fixtures	1,091	1,086
Land	2,125	2,125
Construction in progress	687	2,039
Intangible assets	6,536	7,663
Software	1,343	2,423
Goodwill	617	331
Sales rights	3,010	3,858
Other	1,565	1,049
Investments and other assets	17,203	18,032
Investment securities	7,879	7,472
Long-term loans receivable from subsidiaries and associates	441	294
Retirement benefit asset	2,621	3,906
Deferred tax assets	4,394	4,939
Other	1,867	1,418
Total assets	164,257	177,219

* 2021.9 is not subject to audit.

(Millions of yen)

	2021. 9	2022. 9
Liabilities		
Current liabilities	19,549	23,254
Notes and accounts payable-trade	4,865	5,145
Short-term borrowings	200	200
Current portion of long-term borrowings	393	392
Accounts payable-other	5,692	7,376
Income taxes payable	2,133	4,150
Provision for bonuses	3,870	3,739
Provision for sales returns	12	—
Other	2,382	2,251
Non-current liabilities	1,850	1,469
Long-term borrowings	392	—
Deferred tax liabilities	36	18
Provision for retirement benefits for directors (and other officers)	1,044	1,075
Asset retirement obligations	192	195
Other	184	180
Total liabilities	21,400	24,723
Net assets		
Shareholders' equity	141,258	149,097
Share capital	382	382
Capital surplus	4,251	4,251
Retained earnings	136,624	144,463
Accumulated other comprehensive income	518	2,344
Valuation difference on available-for-sale securities	0	623
Deferred gains or losses on hedges	38	67
Foreign currency translation adjustment	479	1,653
Non-controlling interests	1,080	1,053
Total net assets	142,857	152,495
Total liabilities and net assets	164,257	177,219

* 2021.9 is not subject to audit.

Consolidated Statement of Income

	(Millions of yen)	
	2021. 9	2022. 9
Net sales	96,754	95,390
Cost of sales	32,550	33,363
Gross profit	64,203	62,027
Provision for sales returns	10	—
Gross profit-net	64,193	62,027
Selling, general and administrative expenses	42,251	45,596
Operating profit	21,942	16,431
Non-operating income	419	760
Interest income	22	32
Dividend income	12	15
Commission income	16	—
Compensation income	0	67
Rental income	26	27
Insurance claim income	17	55
Subsidy income	202	45
Foreign exchange gains	17	476
Other	103	39
Non-operating expenses	1,248	2,155
Interest expenses	16	15
Commission expenses	8	8
Share of loss of entities accounted for using equity method	1,216	1,892
Other	8	239
Ordinary profit	21,112	15,035
Extraordinary income	35	—
Gain on change in equity	35	—
Extraordinary losses	13	2,370
Loss on sales and retirement of non-current assets	13	89
Loss on valuation of investment securities	—	2,001
Impairment loss	—	279
Profit before income taxes	21,134	12,665
Income taxes-current	2,868	5,367
Income taxes-deferred	3,359	(659)
Total income taxes	6,227	4,708
Profit	14,906	7,956
Profit (loss) attributable to non-controlling interests	3	(16)
Profit attributable to owners of parent	14,902	7,972

* 2021.9 is not subject to audit.

Consolidated Statement of Changes in Equity

	(Millions of yen)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings		Total shareholders' equity
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 translation 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

* Not subject to audit.

Consolidated Statement of Changes in Equity (continued)

2022.9 (Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	382	4,251	136,624	141,258
Changes during period				
Dividends of surplus			(133)	(133)
Profit attributable to owners of parent			7,972	7,972
Net changes in items other than shareholders' equity				—
Total changes during period	—	—	7,839	7,839
Balance at end of period	382	4,251	144,463	149,097

	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 translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	38	479	518	1,080	142,857
Changes during period						
Dividends of surplus				—		(133)
Profit attributable to owners of parent				—		7,972
Net changes in items other than shareholders' equity	623	29	1,173	1,826	(27)	1,799
Total changes during period	623	29	1,173	1,826	(27)	9,638
Balance at end of period	623	67	1,653	2,344	1,053	152,495

Consolidated Statement of Cash Flows

(Millions of yen)

	2021. 9	2022. 9
Cash flows from operating activities		
Profit before income taxes	21,134	12,665
Depreciation	5,997	5,123
Impairment loss	—	279
Amortization of goodwill	104	120
Increase (decrease) in provision for bonuses	169	(143)
Increase (decrease) in provision for business restructuring	(241)	—
Increase (decrease) in provision for retirement benefits for directors (and other officers)	64	30
Interest and dividend income	(34)	(47)
Interest expenses	16	15
Share of loss (profit) of entities accounted for using equity method	1,216	1,892
Loss (gain) on valuation of investment securities	—	2,001
Loss (gain) on sales and retirement of non-current assets	(3)	82
Decrease (increase) in trade receivables	(2,308)	319
Decrease (increase) in inventories	(2,725)	(1,317)
Increase (decrease) in trade payables	773	235
Decrease (increase) in other current assets	(133)	(332)
Increase (decrease) in other current liabilities	(1,592)	448
Other, net	(1,393)	(1,592)
Subtotal	21,043	19,779
Interest and dividends received	36	47
Interest paid	(18)	(14)
Income taxes (paid) refund	(2,998)	(3,161)
Net cash provided by (used in) operating activities	18,063	16,651
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,190)	(3,037)
Purchase of intangible assets	(1,262)	(2,998)
Decrease (increase) in time deposits	500	24
Purchase of investment securities	(267)	(2,101)
Purchase of shares of subsidiaries and associates	(1,095)	(282)
Proceeds from redemption of investment securities	—	300
Other, net	(276)	497
Net cash provided by (used in) investing activities	(4,591)	(7,597)
Cash flows from financing activities		
Repayments of long-term borrowings	(393)	(393)
Dividends paid	(133)	(133)
Other, net	(43)	(62)
Net cash provided by (used in) financing activities	(570)	(589)
Effect of exchange rate change on cash and cash equivalents	169	731
Net increase (decrease) in cash and cash equivalents	13,071	9,194
Cash and cash equivalents at beginning of period	46,475	59,547
Cash and cash equivalents at end of period	59,547	68,741

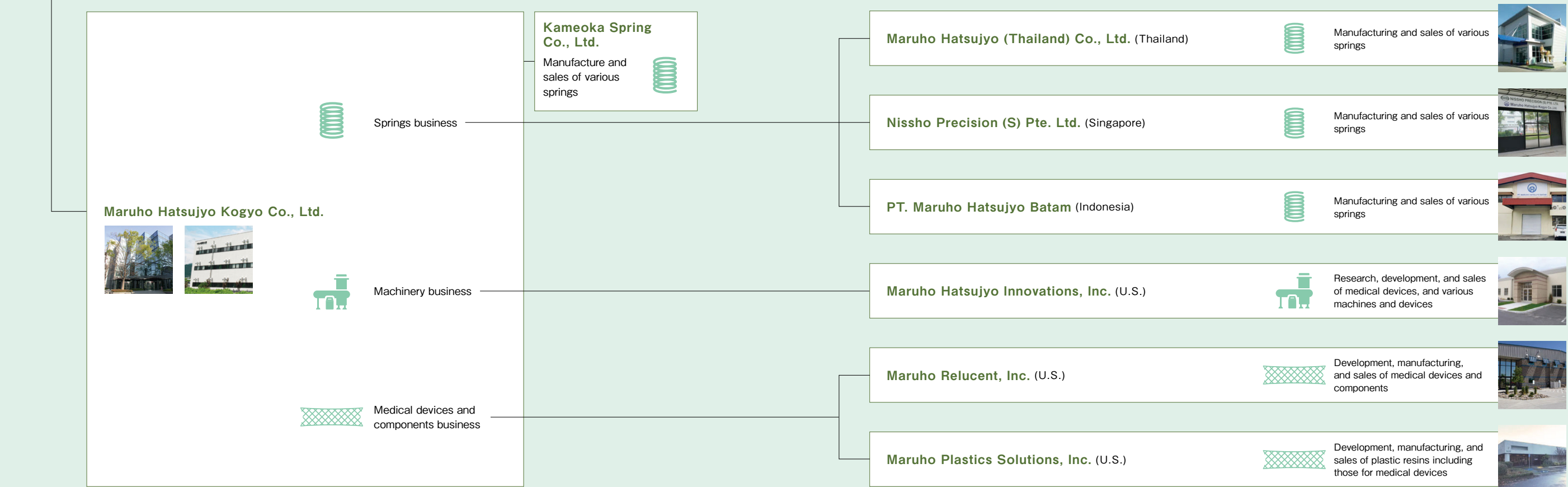
* Not subject to audit.

Major Maruho Group Companies

Japan



Overseas



Product List

(As of September 2022)

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

■ Prescription drugs

Therapeutic Category	Product Name (Abbreviated) / Non-Proprietary Name		Year Launched*
Human anti-human IL-31 receptor A monoclonal antibody	Mitchga Syringes	Nemolizumab (genetical recombination)	2022
Primary axillary hyperhidrosis treatment agent	Rapifort Wipes	Glycopyrronium tosilate hydrate	2022
Reduction of malodor generated in cancerous cutaneous ulcers / rosacea treatment agent	Rozex Gel	Metronidazole	2018
Anti-herpes virus agent	Amenalief Tablets	Amenamevir	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	Hemangirol Syrup for Pediatric	Propranolol hydrochloride	2016
Psoriasis vulgaris treatment agent	Marduox Ointment	Maxacalcitol/ Betamethasone butyrate propionate	2016
Quinolone anti-microbial topical agent	Zebiax Lotion	Ozenoxacin	2016
	Zebiax Oily Cream		2021
Human anti-human IL-17A monoclonal antibody	Cosentyx for s.c. injection 150 mg syringe	Secukinumab (genetical recombination)	2015
	Cosentyx for s.c. injection 150 mg 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	Lanocanazole	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
	Voalla Ointment		1986
Topical cortical hormone agent	Voalla Cream	Dexamethasone valerate	1986
	Posterisan Forte (Ointment)		1965
Hemorrhoids treatment agent	Posterisan Forte (Ointment)	Killed escherichia coli suspension/ Hydrocortisone	1965
Topical dermal disease treatment agent	Eksalb	Mixed killed bacterial suspension	1962
	Hirudoid Cream		1954
Blood-flow accelerative/skin-moisturizing agent	Hirudoid Soft Ointment	Heparinoid	1996
	Hirudoid Lotion		2001
	Hirudoid Foam		2018
	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

■ In-vitro Diagnostic Pharmaceuticals

Tinea unguium antigen kit	DermaQuick tinea unguium
Adenovirus kit	MLine Adeno
Group A beta-hemolytic streptococcal antigen kit	MLine Strep A
Varicella-zoster virus antigen kit	DermaQuick VZV

■ Medical Devices

Device for pincer nails	MAKIZUME MEISTER
Sterilized skin punch device	Dermapunch

■ Cosmetics, Quasi-pharmaceutical Products *iniks*

	Product Name	
Sensitive	Sensitive deep moist lotion (Medicated)	
	Sensitive moist barrier milk (Medicated)	
AC Moist	AC moist clear lotion (Medicated)	
	AC moist clear milk (Medicated)	
Advanced Barrier	Advanced barrier lotion	
	Advanced barrier serum	
Makeup remover	Advanced barrier cream	
	Cleansing emulsion	
Facial wash	Creamy foam	
Sunscreen for face	UV protection	
Foundation	Liquid foundation	10: Light ocre
		20: Ocre

Corporate Profile

(As of September 2022)

Company name — Maruho Co., Ltd.

Founded — July 1915

Incorporated — October 1949

Capital — 382.53 million yen (unlisted)

Fiscal year — Ends September

Number of employees — 2,213 (Consolidated^{*1}) / 1,547 (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

Status of shares

Number of authorized shares — 20,000,000 shares

Number of outstanding shares — 7,650,720 shares

Number of shareholders — 18

Major shareholders — Maruho Group employee shareholding association (2,307 thousand shares / 30.16%)

Maruho Takagi Dermatology Foundation (2,296 thousand shares / 30.01%)

Maruho Group directors and corporate officers shareholding association

(1,441 thousand shares / 18.83%)

Our Websites

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



■ Corporate website



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

■ 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/>

Printed in Japan
Published March 2023