

**Corporate Profile** (As of September 2023)

<b>Company name</b>	Maruho Co., Ltd.
<b>Founded</b>	July 1915
<b>Incorporated</b>	October 1949
<b>Capital</b>	382.53 million yen (unlisted)
<b>Fiscal year</b>	Ends September
<b>Number of employees</b>	2,241 (Consolidated*1) / 1,566 (Non-consolidated*2)
	<small>*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</small>
	<small>*2 The number of employees (excluding those assigned from outside the Company), excluding part-time staff and temporary employees</small>
<b>Accounting auditor</b>	Deloitte Touche Tohmatsu LLC

**Status of shares** (As of September 2023)

<b>Number of authorized shares</b>	20,000,000 shares
<b>Number of outstanding shares</b>	7,650,720 shares
<b>Number of shareholders</b>	18
<b>Major shareholders</b>	<p>Maruho Group employee shareholding association (2,309 thousand shares / 30.18%)</p> <p>Maruho Takagi Dermatology Foundation (2,296 thousand shares / 30.01%)</p> <p>Maruho Group directors and corporate officers shareholding association (1,439 thousand shares / 18.81%)</p>

**Our Websites**

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



**Corporate website**

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



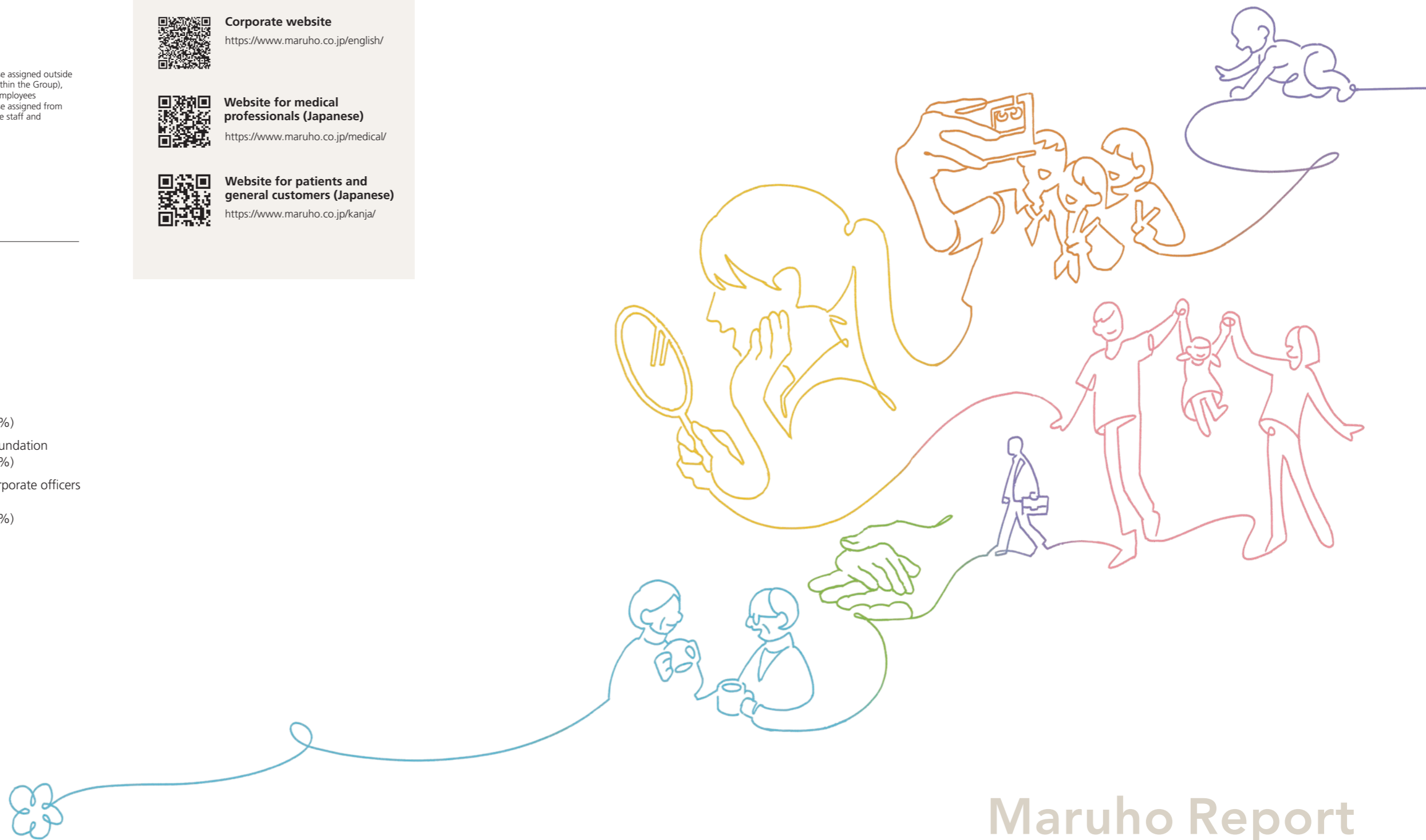
**Website for medical professionals (Japanese)**

<https://www.maruho.co.jp/medical/>



**Website for patients and general customers (Japanese)**

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



# Why is Maruho driven to be supportive?

**More smiles, brighter life for you.  
—Continuing to bring smiles to people through our contributions to society and sustainable growth**

Maruho's history began with its founder's long-cherished desire to "Contribute to society through medicine."  
This desire has been passed down for more than a century, enabling Maruho to remain a pharmaceutical company that brings smiles to people through its value proposition in the field of dermatology.

## Corporate Philosophy



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



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## Editorial policy

**Publication of Maruho Report 2023**  
Maruho Report 2023 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, 2022 to September 30, 2023  
This report includes some activities not conducted during this period.



# How does Maruho contribute to people's lives?

## Addressing needs across the entire value chain

The various symptoms caused by skin diseases have a significant impact on the quality of life of patients. We listen to all the needs of our patients every day and resolve their skin problems through the overall value provided by Maruho.



### Production and quality management

We actively invest management resources in strengthening our production bases and production systems to provide a stable supply of high-quality pharmaceuticals, and contribute to improve the quality of life of patients with our quality control system and top-class production capabilities of topical drugs in Japan.



### Reliability assurance

In all of our activities, we comply with laws, regulations, and international norms, and actively research and develop innovative pharmaceuticals that contribute to the advancement of medicine. We provide a stable supply of pharmaceuticals with excellent efficacy, safety, and quality. We also offer scientific information and promptly collect, evaluate, and communicate information post sales.

### Research and development

We are proactively working on the development of new treatments and therapeutic drugs to address the unmet needs of patients affected by various skin diseases.



### Information collection and provision

We collect and provide information on our pharmaceuticals to medical professionals to promote their proper use, and at the same time, we disseminate appropriate information about diseases to patients.



1. Maruho's Meaning of Existence | History and Strengths

How does Maruho make a difference?

Passing down a commitment to contribute to people's lives through medicine since its founding

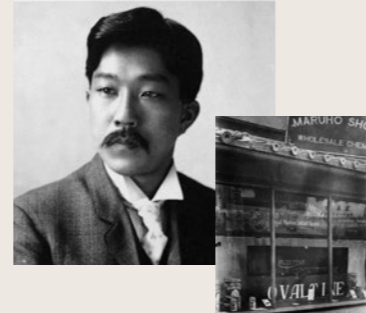
Over more than 100 years of evolution and development since its founding, Maruho has continued to support people's daily lives.

We now have an established reputation, having built a topical drug brand as well as our current business model, which is to be a leading company in the field of dermatology.

As long as there are patients around the world that need our medicines, we will continue to answer that call, achieving steady growth along the way.

1915  
A vision to "Contribute to society through medicine"

Maruho's history began with a commitment to "contribute to society through medicine" by Maruho founder Eikuma Koba. He went to the U.S. on his own in 1901 with the intent to modernize Japanese medicine. He returned to Japan and in 1915 in Doshomachi, Osaka, he founded Maruho Shouten, which is the precursor to Maruho Co., Ltd.



1920  
Maruho Shouten became a joint stock company

1925  
American-style pharmacy "Maruho Pharmacy" opened in Osaka



1939  
Maruho Shouten Co., Ltd. was established

1940  
Constructed a plant for production

1943  
Company was temporarily dissolved for the war effort

1949  
Maruho Shouten Co., Ltd. was refounded



1951  
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 postwar times, and instilled the "faith" that has taken root in Maruho today



1952  
Entry into the springs business

To continue business in the unstable post-war environment, Maruho entered into the springs business as springs could be produced domestically. Maruho Hatsujyo Kogyo Co., Ltd. was established in 1954, and has maintained a close collaborative relationship with other companies in the Maruho Group for more than 70 years



1965  
Company name was changed to Maruho Co., Ltd.

1972  
Hikone Plant (Shiga Prefecture) was completed



1997  
Headquarters was relocated to its current site (Nakatsu, Kita-ku, Osaka)



1998  
Research functions were consolidated in Kyoto Research Park (Currently: Kyoto R&D Center Drug Development Laboratories, Drug Discovery Research Laboratories)



Since 1915  
Bringing first-rate medicines to Japan from overseas

Initially, Maruho worked with pharmaceutical companies in Europe and the United States 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

Strategic alliances



Since 1950  
Achieving steady growth in orthopedics, surgery, and dermatology

With products such as intravenous agent for asthma *Asthmolysin*, hemorrhoid treatment ointment *Posterisan Forte*, transdermal multiple anti-inflammatory ointment *Mobilat*, and articular cartilage protective agent *Arteparon*, Maruho has achieved steady growth in establishing markets for high-quality drugs by providing useful information to those in orthopedics, surgery, and dermatology.

Appropriate information provision



Since 1930  
Working to reliably provide patients with medicines

To build a more reliable supply network, Maruho has focused on its domestic medicine production business. With the release of cough syrup *Co-fu Syrup* in 1931 and the mosquito repellent cream *Moskiton* the following year, Maruho achieved success in domestically producing foreign products and helped improve people's daily lives.

Stable supply



Since 1990  
Reaching new growth stages by leveraging formulation technologies

Maruho added the additional indication of asteatosis to its *Hirudoid* cream, relaunching the product as a skin moisturizer. As lifestyles change and the importance of skincare grows, *Hirudoid* has grown into a product that continues to help many people.

Formulation technology for topical drugs

**1999**  
**Establishing a strategy dedicated to topical drugs**  
 Koichi Takagi, who took over as president and CEO in 1999, established the current business model 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.



**2002**  
 In 2002, based on a decision to specialize in two businesses—topical drugs and the field of dermatology—Maruho declared that it would become a “leading company in dermatology related drugs” in its Long-Term Vision 2002.



**2007**  
 In recognition of our unique strategy, in 2007 Maruho received the Porter Prize, an award given to companies with exemplary business models.



**2010**  
 Completed the Nagahama Plant (Shiga Prefecture)

**2011**  
**Aiming to make a major difference in dermatology**  
 Separate from its existing pharmaceuticals business, in 2011 Maruho formulated Excellence in Dermatology, a new long-term vision that seeks to help improve quality of life for people with respect to preventing disease and providing follow-up support for dermatological issues.



**2014**  
 Tateyama Pharmaceutical Factory Co., Ltd. (Toyama Prefecture) was established



**2019**  
 Kose Maruho Pharma Co., Ltd. was established as a joint venture with KOSÉ Corporation Maruho Shonan Innovation Lab (MSIL) was opened as a research center in the Shonan Health Innovation Park (Kanagawa Prefecture)

**2020**  
 Roman Industries Co., Ltd. was acquired as a wholly-owned subsidiary and plant for producing pharmaceutical ingredients

**2020**  
**Contributing to people's precious everyday life**  
 In 2020, Atsushi Sugita was appointed Representative Director, President & CEO of Maruho. Based on Maruho's history of contributing to people's health for over 100 years, we aim to realize a society where everyone can live with a smile.



**2022**  
**Renewal of our Corporate Philosophy**  
 In October 2022, we renewed our Corporate Philosophy 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



# Maruho by the Numbers

**Prescription topical drugs Market share**

**No. 1 in Japan (37%)**

Copyright © 2024 IQVIA. In-house analysis based on IQVIA JPM 2022 Apr.–2023 Mar. (drug price base) / Reprinted with permission Topical drugs: ointments, liquids, creams, lotions, gels, sprays, and topical foam agents

**Annual topical drug production volume**  
**Approx. 3,000 tons**



**Net sales (Consolidated)**

Fiscal year ended September 2013 → Fiscal year ended September 2023  
**64,336 million yen → 96,184 million yen**

**Number of new products (prescription drugs)**  
 Fiscal year ended September 2013 to 2023

**20**

**Phase III clinical trial success rate\***  
\* Percentage of Phase III studies (randomized, double-blind studies) conducted between fiscal year ended September 2013 to 2023 that have transitioned to application for approval and acquisition

**84.6%**

**Equity-to-asset ratio (Consolidated)**  
 Fiscal year ended September 2023

**85.8%**

**R&I rating**  
 As of September 2023

**A-**



**For a wide range of skin diseases**



**Atopic dermatitis**



**Dry skin (asteatosis)**



**Rough hands (progressive palmo/plantar keratoderma)**



**Rosacea**



**Herpes zoster (shingles)**



**Primary axillary hyperhidrosis**



**Herpes simplex**



**Impetigo contagiosa**



**Psoriasis**



**Acne (Acne vulgaris)**



**Onychomycosis**



**Scabies**



**Infantile hemangioma**



**Pressure ulcers**



**Hemorrhoids**



**Pincer nails**

## From 2002 Establishment of topical drug brand and specialization in dermatology

Maruho has met a wide variety of needs through a focus on developing dermatological medications. These include Oxarol Ointment for treating keratosis and other conditions as well as Farom, an oral antibiotic for treating numerous conditions, and Penles Tape, a localized anesthetic patch.

**Specialization in topical drugs and dermatology**



## Currently Addressing unmet needs to bring more smiles to more people

Through a variety of products, we continue striving to satisfy unmet needs that only we can satisfy. These include *Rapifort Wipes*, a hyperhidrosis treatment, and *Mitchga Syringes*, and injectable solution to alleviate itching from atopic dermatitis, as well as *Bepio Lotion*, which was released in a new form to be easier for patients to use.

**Satisfying unmet needs**

## From 2011 Becoming a leading company in dermatology

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 have expanded treatment options through additional indications and dosage forms of existing products, thereby contributing to improving patients' QOL.

**Responding to a wide range of skin disorders**



**Maruho medical representatives ranked among dermatologists 18 consecutive times (9 years)\*1**

**No. 1 in Japan (62.1%\*2)**

Percentage of dermatologists who answered “No. 1 / High” in survey Rep-1 web survey for dermatologists in Japan (August 2023) by INTAGE Healthcare Inc. Aug. 2023 survey: 498 respondents

\*1 The survey has been conducted semiannually (18 times in total) during the period from 2015 to 2023.

\*2 Since the August 2023 survey

**Number of openly recruited positions internally**

Fiscal year ended September 2023 **41**

**Inquiries made to the Medical Information Center**

**About 30,000**

# Addressing skin concerns through multifaceted activities

Maruho is focusing on the expansion of its lineup of new products and the provision of information to patients. In the fiscal year ended September 2023, we contributed to society through continuously providing information on pharmaceuticals and diseases.

**February** (Product)  
**Acquired additional approval of recurrent herpes simplex for anti-herpes virus agent *Amenalief Tablets***  
 ▶pp. 23-24



**February** (Product)  
**Launched herpes simplex detection kit *DermaQuick HSV***  
 ▶p. 29



**April** (Licensing)  
**Entered into a license agreement to market a treatment for common warts in Japan**  
 ▶pp. 23-24



**May** (Providing information)  
**Released new video on "Underarm Sweat Clear Project," our general information website on underarm sweat treatment**

**June** (Product)  
**National Health Insurance begins coverage for home self-injections of human anti-human IL-31 receptor A monoclonal antibody *Mitchga Syringes***



**June** (Providing information)  
**Released new video on the information for acne treatment website "Project: Let's cure acne together."**



**September** (Licensing)  
**Succeeded marketing approval for Tinea unguium antigen kit *DermaQuick tinea unguium***



**September** (Licensing)  
**Signed licensing agreement with American pharmaceutical company for hyperhidrosis treatment in Asia**  
 ▶pp. 23-24, p. 30

**March** (Providing information)  
**Released new video on "What's Herpes?," a general information website on herpes treatment**



**March** (Product)  
**Launched sunscreen serum inks *Advanced Barrier Day Essence***  
 ▶p. 29



**April** (Product)  
**Launched *Renail Gel*, a treatment agent for pincer nails**  
 ▶pp. 23-24



**May** (Product)  
**Launched *BEPIO Lotion*, an acne vulgaris treatment agent**  
 ▶pp. 23-24



**June** (Providing information)  
**Launched "Mitchga Treatment Support Service" as a LINE official social media account in support of treating itchiness due to atopic dermatitis**  
 ▶pp. 27-28



**July** (Licensing)  
**Obtained exclusive license for ALDH2 activator**  
 ▶pp. 23-24

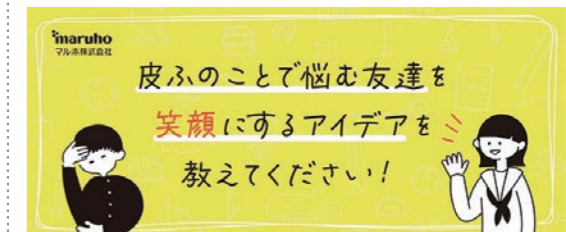
**July** (Providing information)  
**Launched "Don't Tolerate Pincer Nails Project"**  
 ▶p. 29



**September** (Providing information)  
**Launched "Rosacea Navi," a general information website on rosacea treatment**  
 ▶pp. 27-28



**September** (Sponsorship)  
**Through sponsorship of the 61st Sendenkaigi Award Junior and Senior High School Division, we collected ideas on bringing smiles to friends who are concerned with their skin issues**



2022 Oct. Nov. Dec. 2023 Jan.

Feb. Mar. Apr. May June July Aug. Sep.



## We are committed to working closely with each individual to identify and fulfill their unmet needs

### Commitment to shareholders

“ Now is the time to capture the momentum for further growth ”

Maruho contributes to society through its strong presence as a pharmaceutical company specializing in dermatology. When I became president in December 2020, I made it my mission to bring smiles to patients by identifying unmet needs overlooked in society and deliver solutions that only Maruho can develop. In October 2022, we renewed our Corporate Philosophy and declared our intention to make higher quality contributions in Japan and worldwide.

With the conclusion of the Fourth Medium-Term Plan at the end of September 2023, we are now embarking on a period that will mark a major transformation for our Company. During the three years of the Fifth Medium-Term Plan starting in October 2023, we will set the course for ongoing growth by increasing our product offering, launching new businesses, and expanding our overseas businesses. We also will be cultivating a new corporate culture.

I would like to describe to stakeholders my own commitment to our objectives.

### Corporate philosophy and culture

“ Always advancing, never afraid to change ”

I have seen Maruho from the inside for over 10 years since joining the company in 2012. In its 108-year history, I truly feel that Maruho has been a company that is constantly advancing and not afraid of change. This ethos is symbolized by our change in direction in 2002 from the original focus on orthopedics and surgery to our specialization in dermatology. The Company set topical drugs as its strategic domain and concentrated its management resources into establishing our current business model as a pharmaceutical company specializing in dermatology. That must have been a bold move, and I think the Company's ability to put a unified effort behind a decision shows both the strength and appeal of Maruho.

The Company has also carefully passed down the importance of considering the long-term perspective and the patient's point of view. Dermatology still has many unknowns and patients have numerous unmet needs. A problem can be a very serious issue for a patient but may be neglected or



completely overlooked by society. As lifestyles and values diversify, we will continue to respond to unmet needs and to be sensitive to each person's desire to have a better life.

**Summary of business results for the fiscal year ended September 2023 and review of the Fourth Medium-Term Plan**

**“Solid results leading into a new stage”**

Consolidated results in the fiscal year from October 2022 to September 2023 included net sales up 0.8% year on year to 96,184 million yen, operating profit down 62.1% to 6,227 million yen, ordinary profit down 53.7% to 6,967 million yen, and profit attributable to owners of parent down 51.5% to 3,866 million yen. Our performance brought consolidated sales in sight of the 100 billion yen mark.

Non-consolidated sales amounted to 85.7 billion yen. We consider it a considerable achievement that our new products were able to raise sales from the previous year even amid headwinds that included revisions to National Health Insurance drug prices. Another major achievement was Maruho Hatsujyo Kogyo Industry Co., Ltd., raising sales above 10 billion yen for the first time.

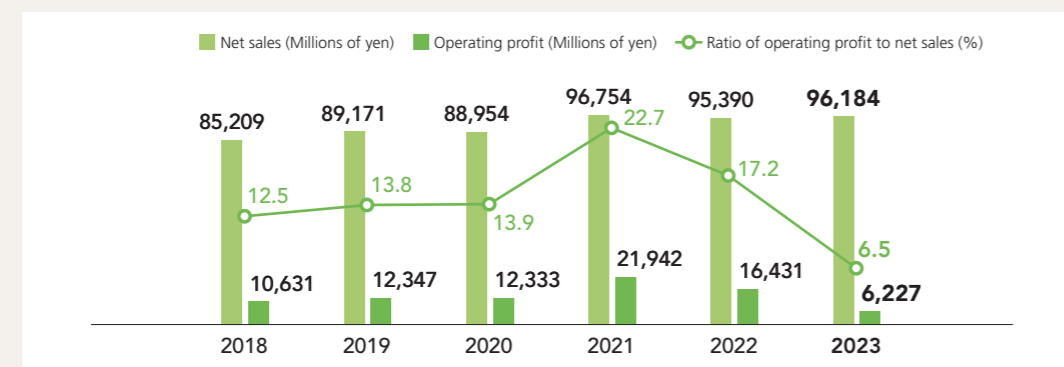
Core operating profit\*1 declined from the previous year but was in line with our expectations as we deliberately and actively invested to reestablish the growth trajectory for our businesses. We use core operating profit as an important indicator because it is a fundamental source of growth in the medium- to long-term.

During the three years of the Fourth Medium-Term Plan, we achieved solid results and put smiles on the faces of many patients. In the fiscal year ended September 2023, we achieved sales of 96.1 billion yen, and for all fiscal years of the plan, we achieved a core operating income of 30% or more. This performance will prove extremely important to our future as it has provided funds for the investment that will lead to our growth in the future.

Another achievement that sets us up for the future is the expansion of our lineup of our main product lines. During the plan's three years, we obtained approval nine products.\*2 We also advanced nine new projects to or beyond the development phase, which is another key performance indicator.\*3 We believe this strengthened late-stage development pipeline positions us for accelerated growth even in a challenging environment.

\*1 Operating profit before deducting R&D expenses  
 \*2 Zebiox Oily Cream, Comclo Shampoo, Rozex Gel, Rapifort Wipes, DermaQuick tinea unguium, Mitchga Syringes, DermaQuick HSV, Amenalief, Renail Gel, BEPIO Lotion († additional indication)  
 \*3 Projects in Phase II or later clinical development studies

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



**Thoughts on the new Corporate Philosophy**

**“Bringing more smiles into people's lives”**

In October 2022, we renewed our Corporate Philosophy. The revised philosophy is based on the principle that it takes all of us working together to deliver high quality. Our Mission and five Values describe our vision for the Company and reflect our corporate culture and daily conduct. We want every employee to apply these in their decision and actions. To lead by example, I send out CEO Monthly Message videos where I talk about how I put our Mission and Values into practice.

We also conduct an employee engagement survey that we call “More Smiles” with the aims of gauging the degree of permeation and implementation of the Corporate Philosophy and of identifying issues that employees confront in their daily activities. The survey results serve as a sort of report card for myself and the Company, and I consider them just as important as the financial figures. My job is to use the results to verify the current status and guide us in the best direction forward. We also hold town hall meetings where we can listen to and discuss people's opinions and thoughts. We will continue applying the cycle of understanding the current situation, engaging in dialogue, and taking action as a key way to deepen employee engagement and as a way for us all to continue improving.

**Outline of the Fifth Medium-Term Plan**

**“Refining Maruho's strengths and laying the groundwork for the future”**

At this moment, we have a tremendous opportunity to set the stage for further growth. I would like to share our understanding of the present situation and our view of where we stand.

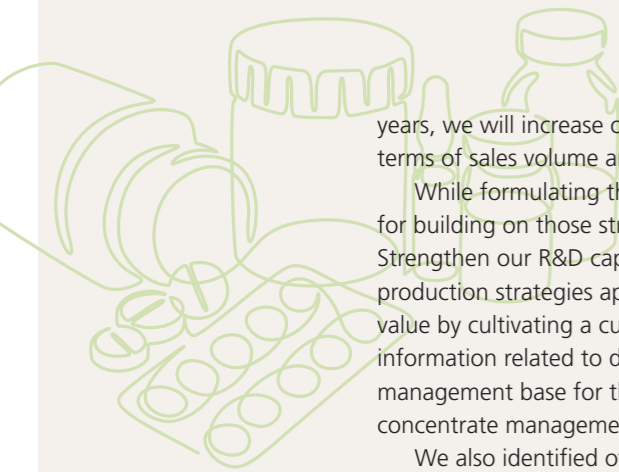
First, social security costs are skyrocketing. The sustainability of the social security system is being questioned as funds available for medical care diminish in a society that is aging, has declining birthrates, and has increasingly sophisticated medical care. These conditions are putting pressure on pharmaceutical companies to provide answers through innovation, including by creating new breakthrough drugs. At Maruho, we are seeking to create new value by offering new drugs and expanding our late-stage development pipeline of drugs. We are strengthening our activities in our areas of focus and eliminating waste to further refine our lean corporate structure and enable continuous growth.

The second is the development of a global division of labor. The pharmaceuticals industry has a long value chain, and division of labor from drug discovery all the way to sales has become standard. We will focus on collaboration in product creation with academia, venture companies, and other pharmaceutical companies around the world.

The third is the democratization of healthcare. Digitalization in healthcare will accelerate with the emergence of generative AI and other new technologies. The information gap between medical professionals and patients will narrow even further, and patients will play a greater role in treatment choices. We will make full use of digital technology and our network of medical professionals and patients to provide value to each person suffering from skin conditions.

These points are the backdrop for the new Fifth Medium-Term Plan (October 2023 to September 2026). As the first plan formulated under the new Corporate Philosophy, it includes measures to implement our Mission and to integrate the five Values into our corporate culture. Over the next three



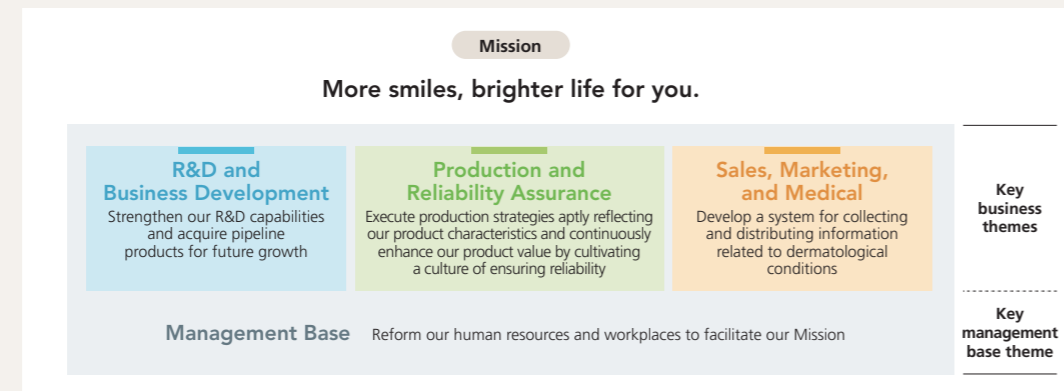


years, we will increase our new products and businesses and transform Maruho into a company both in terms of sales volume and product composition.

While formulating the plan, we asked ourselves what our strengths are and set three key themes for building on those strengths and developing new strengths that we will need. The themes are (1) Strengthen our R&D capabilities and acquire pipeline products for future growth, (2) Execute production strategies aptly reflecting our product characteristics and continuously enhance our product value by cultivating a culture of ensuring reliability, (3) Develop a system for collecting and distributing information related to dermatological conditions. To facilitate implementing our Mission, the management base for these will focus on reforming our human resources and workplaces, and we will concentrate management resources to raise both to a world-class level.

We also identified other specific priority themes for long-term measures, including global expansion and construction of a dermatology platform. I will be particularly focused on advancing our global expansion because there are still innumerable patients around the world who are overlooked or unable to obtain the medicines they need. We aim to be a global pharmaceutical company specializing in dermatology that listens to each and every patient.

**Outline of the Fifth Medium-Term Plan**



**Non-financial capital**

“Developing autonomous human resources and achieving carbon neutrality”

When embarking on a major endeavor to generate business growth, human resources are crucial. One of our Values as we create an organization where each person acts on their own volition and motivation is “Grow your curiosity and change the world.”

We are improving the quality and increasing the number of initiatives designed to encourage each employee to be autonomous in their work.

We also consider addressing climate change to be a vital management issue. We have declared that Maruho will be carbon neutral by 2050, and in March 2023 announced on our website that we will reduce CO<sub>2</sub> emissions by 46% from fiscal year 2013 by fiscal year 2030. The newly established Environment Committee lead the Company’s environmental efforts, which will include installing energy-efficient equipment and purchasing of renewable and carbon-free energy.

**Outlook for the fiscal year ending September 2024**

“Measures for growth in all directions”

We will invest resources with greater selectivity and focus to establish a clear trajectory for future growth. We are investing capital to maintain a stable supply of products, as well as to acquire new licenses for early- and late-stage products and further strengthen our development pipeline. We will also develop treatment plans based on the patient’s circumstances and location and link these plans to personalized, standard, and appropriate medical care. We are also actively seeking to improve the availability of information by enhancing the Skin Disease Regional Leader’s characteristics by field and region, and leveraging the digital platform to promote treatment suggestions in response to patient voices. Pharmaceutical supply and quality issues are becoming social issues, and we will continue to counter this trend by providing high-quality products and reliable information that everyone can trust.

We will also continue our efforts to secure and develop human resources. There are many challenges that we must face in order to create the next source of capital. We plan to increase the number of employees with the skills to lead the early market penetration of new products, to acquire development candidates with global rights, and to quickly launch acquired products.

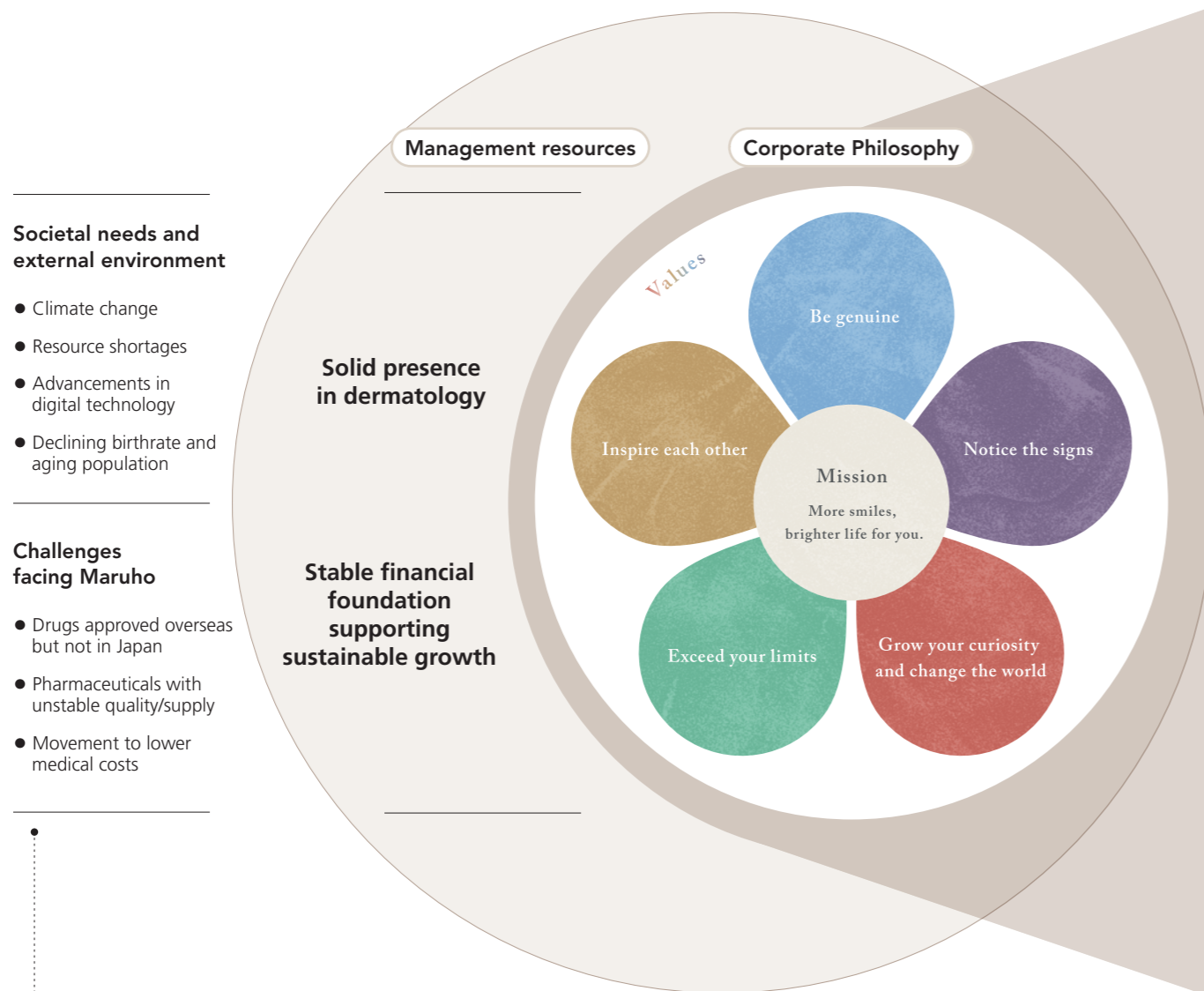
The dermatology field still has countless unmet needs, and initiatives in this area are vital to improving the lives of patients. We want to hear each person’s thoughts and concerns and help alleviate their distress so they can live their daily lives with peace of mind and smiles on their faces. We will continue to conduct our business with sincerity and integrity. I look forward to the continuing guidance and support of all of our stakeholders.

**Atsushi Sugita**  
Representative Director, President & CEO



# Creating value to bring smiles to the lives of people around the world

Starting from its management resources cultivated over more than a century, Maruho continues to enhance its corporate value, contribute to people's lives, and bring smiles to people's faces through its established track record of success.



**Societal needs and external environment**

- Climate change
- Resource shortages
- Advancements in digital technology
- Declining birthrate and aging population

**Challenges facing Maruho**

- Drugs approved overseas but not in Japan
- Pharmaceuticals with unstable quality/supply
- Movement to lower medical costs

**Long-Term Vision**

**Long-Term Vision 2011**  
**Excellence in Dermatology**

Create value centered on prescription drugs as a pharmaceutical company specializing in dermatology

**Fifth Medium-Term Plan**

Strengthen our R&D capabilities and acquire pipeline products for future growth

Execute production strategies aptly reflecting our product characteristics and continuously enhance our product value by cultivating a culture of ensuring reliability

Develop a system for collecting and distributing information related to dermatological conditions

Reform our human resources and workplaces to facilitate our Mission

ESG activities

**Value Proposition**

Patients and their families

Medical professionals

Employees

Local communities

Environment

**Commitment to life**

Maruho has contributed to society by listening closely to patients and sincerely addressing unmet needs in society. Our initiatives go beyond the field of dermatology to include business activities considerate of the natural environment as well as efforts to protect, maintain and improve the environment.

**Powerful foundation underpinning activities**

In October 2022, we renewed our Mission and Values with the desire to share the future vision that we should strive for and commitment to contribute to better health for people through the efforts of all employees. Based on our new Corporate Philosophy and the powerful strengths that we have cultivated over a century, we continue to be a leader in dermatology.

**Making outstanding contributions to dermatology**

Under Long-Term Vision 2011 "Excellence in Dermatology," we aim to make outstanding contributions in dermatology and provide the best possible solutions for all needs. In addition, the Fifth Medium-Term Plan includes challenges looking further ahead, such as our global expansion and establishment of a platform in dermatology.

**Achieving a society where everyone can live happily**

We have positioned our Mission of "More smiles, brighter life for you." as our new mission and meaning of existence. We will now create new value together with stakeholders inside and outside the Company with the goal of realizing our Mission.

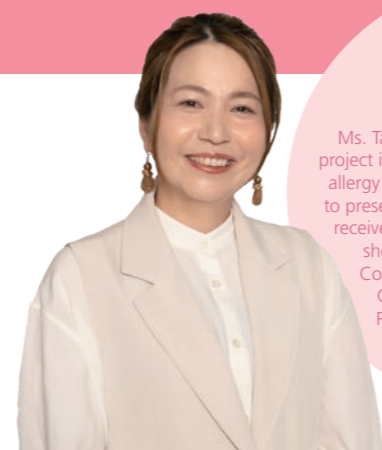


## Special Feature Expectations for Maruho

Maruho aims to contribute to achieving SDG Goal 3, Good Health and Well-being, by addressing the concerns of patients so society will be a place where everyone can live with a smile.

Our driving force is any need that has been overlooked, given up on, or remains unmet.

We talked with Narumi Tano, whose daughter suffers from food allergies, and who is a representative of the "Smile Smile" Osaka Sayama Food Allergy and Atopy Circle that supports parents and children with food allergies.



**Narumi Tano**  
 Representative  
 "Smile Smile" Osaka Sayama  
 Food Allergy and Atopy Circle

Ms. Tano is part of a citizen collaboration project in Sayama City, Osaka that works with allergy specialists and government agencies to present skin care workshops when infants receive medical examinations. Since 2022, she has served as a member of the Committee for the Creation Clinical Guidelines for the Treatment of Pediatric Atopic Dermatitis. She is the mother of two children.

Patient Voices

### Creating a society where the same information and same treatment is available anytime and anywhere

#### Looking ahead after being diagnosed with a food allergy

About 20 years ago when my second daughter was five months old, she went into anaphylactic shock because of powdered milk. It was the first time I had given it to her. After one or two drops, I noticed that she didn't like it, so I stopped immediately. A few minutes later, however, she started crying and crying until her voice became hoarse and her body and face started swelling. I had no idea what was happening.

A blood test at the hospital found she was allergic to powdered milk. Later tests revealed that she was allergic to a whole variety of foods, including eggs, milk, wheat, rice, and fish. Because medical care is based primarily on blood tests, we were forced to put her on an elimination diet to isolate the specific foods she was allergic to. I didn't know what to feed her to make sure she was getting the nutrition she needed, and I was worried about how she was going to live. There was no one I could talk to about it, and I couldn't find any books or online resources that could help me. For a while, I had no idea what was going to happen in the future.

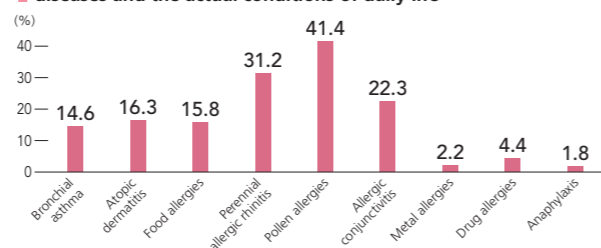
Even when it came time to introduce solid foods, she had so many allergies that I didn't know what I could feed her. I remember going to the supermarket and

standing at the entrance in tears because I didn't know what to buy. How would we keep her alive? How will this change the way we raise our older daughter? What is our family going to eat? I desperately needed information that would help us lead regular lives.

#### I wanted information so I would know everything was going to be all right

What I wanted most at that time was simply information that would make me feel like everything was going to be all right. I wanted to know that there are other children who have overcome food allergies and atopic dermatitis and are doing well. I wanted to know about their lives when they were in school, when they were adolescents, and when they were entering society—information that would show me what

2022 Ministry of Health, Labour and Welfare Administrative Survey "Epidemiological research to understand the diversity of allergic diseases and the actual conditions of daily life"



issues we can expect to face at every age. It's very lonely when you are worried like that. In our circle, people are always saying that it's the first time they've someone facing the same issues. It's reassuring to know that you're not alone.

It is also important to have information that leads to correct understanding, knowledge, and effective treatment. I was worried that my daughter's treatment was only addressing the symptoms, and that our efforts to create the best living environment would not lead to a cure.

My doctor taught me that skin care is very important when dealing with food allergies. Later, when I was volunteering to help with infant health examinations, I saw many babies with eczema. I started discussing with the health center staff about whether properly treating infant eczema could prevent food allergies. With the help of medical specialists, we began a skin care workshop. The health center provides information to help parents understand the situation both before and after the child is born. I think that is really important for parents. We created the "Smile Smile" Osaka Sayama Food Allergy and Atopy Circle in 2004 with the primary objective of providing the knowledge and support for "curing" allergies.

#### What society needs and how Maruho can contribute

"Smile Smile" is a discussion circle for parents of children with allergies and atopic dermatitis. My goal goes beyond that. I want to make a society that doesn't need patient groups—a society where discussions can take place anywhere, where the same information and treatments are available everywhere. I want local and national governments to support the people who care for patients. My hope is to create a structure where everyone can see when a patient is lonely or worried, and we can all look out for each other.

Patients rarely have direct contact with pharmaceutical companies, and we know very little about what they do. I felt like I, my family, and our doctors were fighting allergies on our own. I remember the relief I felt the moment I learned that, beyond the doctors, there were pharmaceutical companies who were also working to make drugs to help us. Knowing that the pharmaceutical companies had people providing the information we need for proper treatment, people making the drugs we need, and people researching new drugs renewed my motivation to do the best we can with our treatment.

From Maruho, the first thing I would want is for it to provide information. Our sessions focus mainly on moisturizing and caring for the skin, but I'd like more people to know how much lotion to use and how to apply it properly. For example, information like applying the lotions properly will completely change the skin condition in one month. I hope Maruho will continue providing this type of useful information through medical professionals and others.

I would also like to ask Maruho to join our support group for patients. I'd like all pharmaceutical companies, doctors, pharmacists, and everyone to join with patients so we can all work together to make all of our lives better.



# Sustainable growth and progressive challenge

In the fiscal year ended September 30, 2023, Maruho Group achieved solid results under the Fourth Medium-Term Plan. We formulated the Fifth Medium-Term Plan under the corporate mission of "More smiles, brighter life for you." with the aim of establishing a growth trend.

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

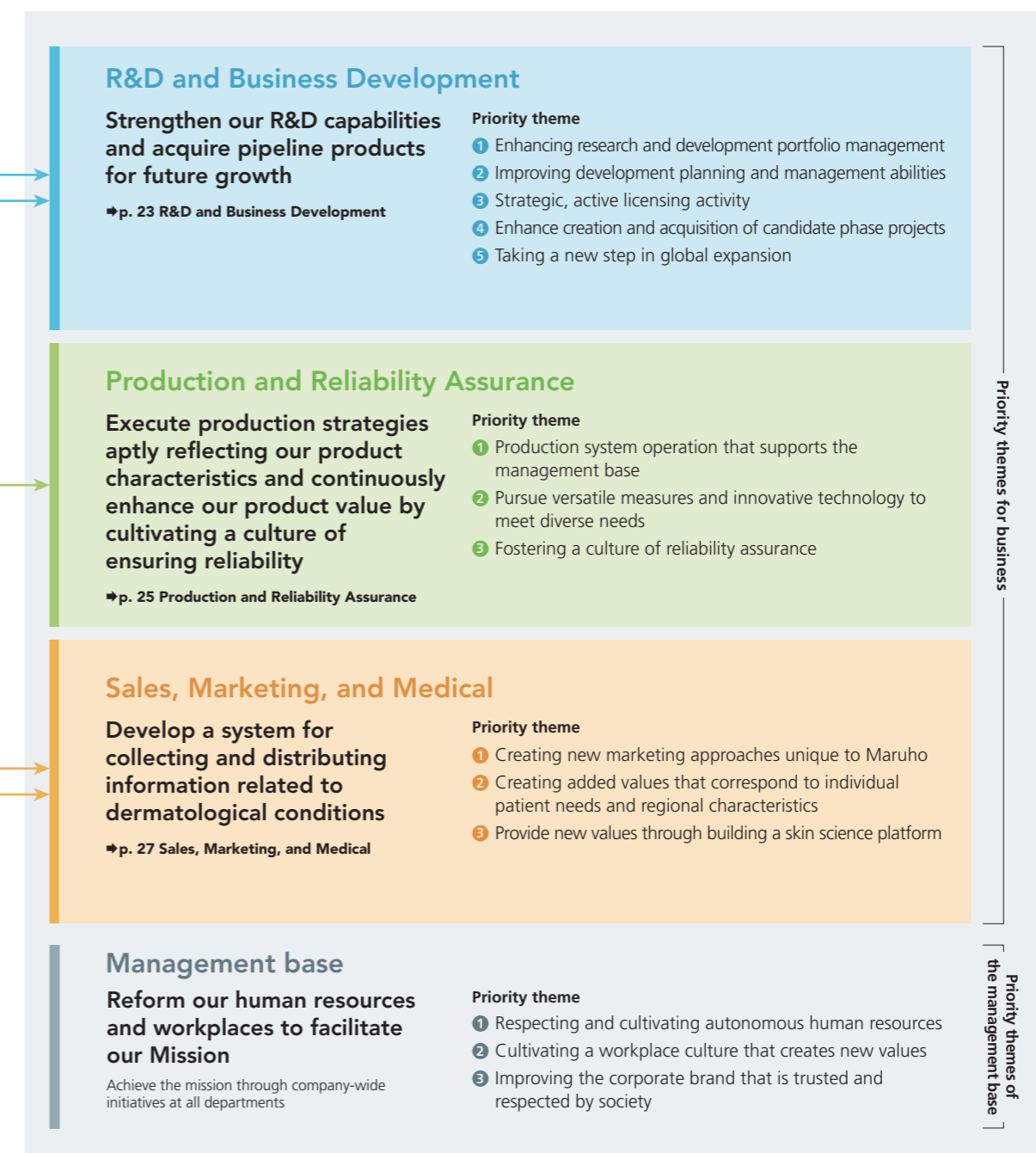
### Review of business activities

Pillars of strategy	Main initiatives and results
<b>Create products for the global market (Manufacturing)</b>	<ul style="list-style-type: none"> <li>● Manufacturing and marketing approval: 9 cases*</li> <li>● Strengthened late phase pipeline</li> <li>● Established a system for incubating candidates for in-licensing with external organizations</li> </ul> <p><small>* Zebiax Oily Cream, Comclo Shampoo, † Rozex Gel, † Rapifort Wipes, Mitchga Syringes, DermaQuick HSV, Amenalief, † Renail Gel, BEPIO Lotion († additional indication)</small></p>
<b>Products and manufacturing plants that are continuously chosen (Production)</b>	<ul style="list-style-type: none"> <li>● Increased production and strengthened stable supply structure through coordination between our four plants</li> <li>● Improved capabilities by meeting demand for new products and completed renovation of the filling and packaging building at Hikone Plant</li> <li>● Implemented risk-hedging measures including diversifying API procurement</li> </ul>
<b>High-quality information provision reflecting the voices of patients (Providing information)</b>	<ul style="list-style-type: none"> <li>● Established a system for digital and real-time information delivery in response to patients' voices</li> <li>● Established the function and structure for information provision as a leader in the area of skin disease</li> </ul>
<b>Establish processes for providing product value in the global market (Global presence)</b>	<ul style="list-style-type: none"> <li>● Formulated the Asia Dermatology Hub Concept for business to promote the growth of our business in Asia</li> <li>● Launched sales of <i>Farom</i> in China, which was registered on the national medical insurance reimbursement list</li> </ul>
<b>Expand business areas utilizing the strengths of the Maruho Group (Activities other than prescription drugs for skin diseases)</b>	<ul style="list-style-type: none"> <li>● Acquired new projects and made progress in new domains</li> <li>● Provided innovative therapeutic approach in the pincer nails business</li> <li>● Established the business base for cosmetics and quasi-pharmaceutical products with the <i>Carté HD</i> line of Kose Maruho Pharma Co., Ltd.</li> <li>● Promoted skin-care guidance to patients during treatment through the <i>iniks</i> skin-care brand</li> </ul>

### Review of management base

<b>Management base to support further growth (Management base)</b>	<ul style="list-style-type: none"> <li>● Formulated a new Corporate Philosophy and announced it internally and externally ➔p. 1 "Corporate Philosophy and Meaning of Existence"</li> <li>● Implemented measures related to career autonomy ➔p. 33 "Social—Working with employees"</li> <li>● Published Maruho Report as a business activity report for external dialogue and fostering trust</li> </ul>
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## The Fifth Medium-Term Plan (October 2023 to September 2026)



R&D and Business Development

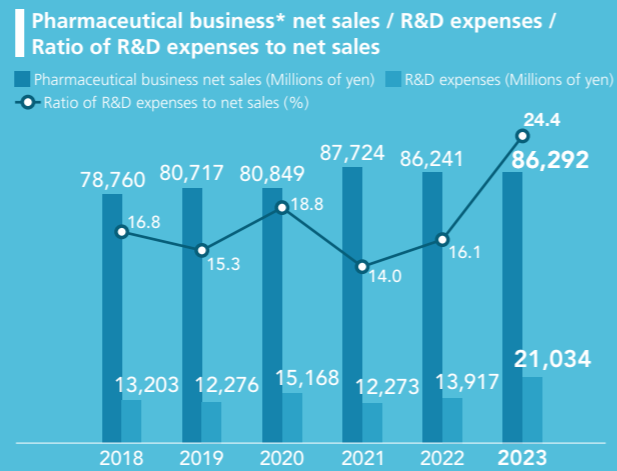
R&D capabilities paving the way for new treatments in dermatology



Maruho researches and develops prescription drugs mainly used in dermatology using an approach that is closely in tune with patient needs.

With the aim of creating novel drugs suited to global markets, we pursue optimal portfolio management that considers everything from development pipeline and R&D resources to market environment and unmet needs. We plan and execute a testing program with an eye toward promptness and enhanced value, focusing on the identification biomarkers linked to the appropriate use of drugs and acquisition of clinical and non-clinical data that contributes to appropriate use. Additionally, we are working on creating proprietary topical drug formulation technology. In addition to product development, we continue to plan and implement business strategies in new areas based on medical needs in new business fields and alliance strategies with partners with an eye toward maximizing the value of projects.

R&D expenses  
21,034 million yen



\* The pharmaceutical business includes Maruho's medical devices business, self-care business, and Maruho Medical, Inc.'s medical devices business.

Initiatives in the fiscal year ended September 2023

Key theme of strategy	Main results
Planning and creation of high-quality projects	<ul style="list-style-type: none"> <li>Two newly acquired candidate phase*1 projects; exclusive license agreement with Alchemedine, Inc. for an ALDH2 (aldehyde dehydrogenase 2) activator, etc.</li> </ul>
Diversified licensing activities	<ul style="list-style-type: none"> <li>Two newly acquired projects in development phase*2 Signed an exclusive license agreement with Nielsen BioSciences, Inc. for Candida albicans extract, a treatment for verruca vulgaris (common warts), etc.</li> <li>Signed an exclusive license agreement with Journey Medical Corporation for hyperhidrosis treatment glycopyrronium tosilate hydrate in South Korea, Taiwan, Hong Kong, Macau, and the 10 ASEAN member states</li> </ul>
Implementation of R&D projects with an emphasis on quality and speed	<ul style="list-style-type: none"> <li>Steady progress in R&amp;D</li> <li>Promotion of global projects in collaboration with partners</li> <li>Obtained approval for <i>BEPIO Lotion</i> (additional dosage form) for the treatment of acne vulgaris, <i>Renail Gel</i> for the treatment of pincer nails, and <i>Amenalief Tablets</i> (additional indication), an anti-herpes virus agent</li> </ul>

\*1 Prior to early phase II studies in clinical development \*2 After late phase II studies in clinical development

Assessment of the fiscal year ended September 2023

Positive results in licensing activities and development pipeline expansion

In the fiscal year ended September 2023, we planned and executed diversified licensing activities. In an effort to obtain rights, the entire company thoroughly explored candidates for in-licensed products and promoted science-based assessment, leading to the acquisition of multiple projects as well as the identification of multiple candidates for potential licensing in the fiscal year ending September 2024. We also expanded our development pipeline through integrated efforts between business development and R&D.

The business model of dividing research, development, and sales globally has now become mainstream, with the number of companies that have all of these functions domestically in Japan is shrinking. As such, one of the challenges we face going forward in terms of R&D is creating projects that involve partnerships with academia or venture companies inside or outside of Japan. Therefore, we need to enhance our development planning globally along with our management capabilities, i.e., functions to promote joint international clinical trials, while building a solid network with KOLs\*3 and CROs.\*4

\*3 Key Opinion Leader: In this context, KOL refers to specialist physicians who are at the forefront of disease diagnosis, treatment, and research.  
\*4 Contract Research Organization

Plan for the fiscal year ending September 2024 and beyond

Speeding up efforts to strengthen R&D capabilities and acquire development pipelines

In the Fifth Medium-Term Plan, we aim to strengthen our efforts in the creation and acquisition of candidate phase projects and the promotion function of R&D, in addition to the previous core functions of introduction of late-stage development drugs and late-stage clinical development. While strengthening our network with such partners as domestic and overseas pharmaceutical

companies, venture companies, and academia, we will work to identify and acquire new products that are also needed in global markets.

Anticipating market trends, we will formulate an R&D portfolio serving as a pillar for short-, medium-, and long-term earnings, prioritize and create products while appropriately managing resources. In terms of licensing activities, we will be mindful of strategy and activity, and aim to acquire new growth drivers that can leverage our knowledge in dermatology. We will also focus on drug repositioning to strengthen our ability to create new active ingredients that lead to application patents and formulation patents.

In regard to our business foundation in global markets, we will focus on China and other regions in Asia to expand our development and sales functions. In addition to collaborating with external parties, we will develop global human resources who can promote these new business strategies.



Deepening outside interactions for research and development with greater value

Masahiro Akatsuka  
Global Business Development,  
Research & Development

We focus on developing the skills to personalize our Mission and Values and to build our careers autonomously. We also encourage our employees to interact with partners and the companies we do business with to identify product development opportunities that address unmet needs, and to publish their research results externally. We aim to be an organization that continues to engage in R&D and business development that adds value by enhancing creativity through repeated future-oriented and hypothetical thinking, and by empowering our people to take action on their own.

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

(As of September 2023)

Product Code	Target Indication	Dosage Form	Development Phase
M5250	Pruritus with atopic dermatitis (pediatric)	Injection	Filed for approval
M5250B	Prurigo nodularis	Injection	Filed for approval
M5250E	Pruritus with atopic dermatitis (infants)	Injection	PIII
M6050C	Acne vulgaris	Topical	PIII
M6100	Atopic dermatitis	Topical	PIII
M6110	Verruca vulgaris	Injection	PIII
M6050F	Axillary osmidrosis	Topical	PII

\*Please visit our corporate website for the latest information. (<https://www.maruho.co.jp/english/about/activities/pipeline/>)

Production and Reliability Assurance

Implementing a production strategy based on product characteristics and fostering an even greater culture of reliability assurance



Maruho has established a production system consisting of four plants: the main Hikone Plant, Nagahama Plant, Tateyama Pharmaceutical Factory Co., Ltd., and Roman Industries Co., Ltd. We offer a stable supply of high-quality pharmaceuticals with one of the highest production capacities of topical formulations in Japan, and we are actively investing management resources to strengthen our bases and systems. We are also focusing on improving the containers and packaging of our products to increase usability and reduce environmental impacts.

We are committed to improving reliability assurance. We ensure an honest and open regulatory process from development to application for approval, as well as a reliable supply of products post approval. In addition to preventing quality risks, including in our processes, we guarantee reliability in all of our business activities, including production, and aim to continue contributing to patients through the supply of products and the provision of relevant information.

Capital expenditure



Initiatives in the fiscal year ended September 2023

Key theme of strategy	Main results
Accumulation of API manufacturing know-how and expansion of functions	<ul style="list-style-type: none"> <li>Systematically implemented work to increase the production capacity of APIs at Roman Industries Co., Ltd.</li> <li>Involved in the manufacturing process of outsourcing partners. Promoted consideration of diversification for a stable supply of APIs and raw materials for existing products</li> </ul>
Completion of flexible production system and functions	<ul style="list-style-type: none"> <li>Completed the renewal of the filling and packaging building at the Hikone Plant, and introduced new equipment that can accommodate a variety of container sizes and formats</li> <li>Established a system and mechanism enabling easy identification and mutual searches for spare parts management at the four plants</li> <li>Completed GS1 barcode reposition and 2D code addition to improve customer satisfaction</li> <li>Provided tactile labels for reasonable accommodation of patients with skin diseases</li> </ul>
Honest and open activities to ensure reliability	<ul style="list-style-type: none"> <li>Issued new procedures for market research and provision of analytical reagents, and conducted training companywide on the Personal Information Protection Act</li> <li>Disclosed the number of adverse effects to medical professionals on our website</li> <li>Continued high-level reliability assurance activities</li> </ul>

Assessment of the fiscal year ended September 2023

Completed large-scale renewal of main plant and made progress with integrated operations of the four plants

In our production activities, we continue to make capital investments to build a robust and flexible production system. In the fiscal year ended September 2023, we completed the renewal of the filling and packaging building of the Hikone Plant. Over the course of about three years, we completed this work as planned while continuing the production of existing products. In addition, we established a system and mechanism for visualizing spare parts at all plants for the integrated operation of the four plants. We are also steadily reducing quality risks through automation and workload reduction measures using new and digital technologies.

In the manufacturing of APIs, we have accumulated know-how by being involved in the manufacturing methods and prototyping processes of our outsourcing partners. In order to establish a stable supply system, we have also started work to increase the production capacity of Roman Industries Co. Ltd..



Plan for the fiscal year ending September 2024 and beyond

Expand production system and acquire technologies for producing unique products

In order to achieve the Fifth Medium-Term Plan, we aim to pursue a production strategy unique to Maruho that leverages our thorough knowledge of the external environment and our own strengths. We will also acquire advanced production technology and production management know-how.

We will support our management base by appropriately controlling the supply and procurement risks of products and raw materials, and by always providing a stable supply of products. In addition, we will independently improve the containers and packaging of products to flexibly respond to needs and utilize new technologies. As part of these efforts, we plan to establish a production strategy for each product based on its long-term development and achieve highly efficient production.

Focusing on fostering a culture of reliability assurance

With the aim of realizing its Mission, Maruho conducts all business activities, including R&D, manufacturing, and sales, in full compliance with all relevant laws and regulations, as well as the general spirit of international standards, both in Japan and overseas. We actively and continuously engage in the R&D of innovative pharmaceuticals that contribute to the advancement of medicine, and provide a stable supply of pharmaceuticals with excellent efficacy, safety, and quality. To ensure the proper use of pharmaceuticals, we provide accurate, scientifically based information of Japan and international markets on efficacy, safety, and quality, and promptly collect, evaluate, and communicate information post manufacturing and marketing.

We have reaffirmed our reliability assurance activities as a strength that needs to be further deepened and have positioned them as one of the priority themes of our operations in the Fifth Medium-Term Plan. We aim to ensure that our reliability assurance culture becomes a code of conduct for all employees and becomes established as a brand power of Maruho. We will build a culture where all employees understand the importance of reliability, how it contributes to patients, and can discuss why reliability must be ensured.

In the fiscal year ending September 2024, we plan to clearly document our companywide policy and communicate it both internally and externally as Maruho's commitment. In businesses other than pharmaceuticals, we aim to establish a robust reliability assurance system by accumulating practical experience in reliability assurance at an appropriate level and scale. In order to steadily advance each of these measures, we plan to systematically develop and acquire human resources.



Expertise in production technologies and broad perspectives

Masahiro Takeda  
Corporate Strategy,  
CMC Research & Production

Maruho is deeply committed to continuing to reliably deliver high-quality products to patients. Based on this commitment, we aim to develop human resources with a broad perspective who can enhance their expertise in production technology and who can give back to society by promoting a wide range of collaboration both inside and outside the company and promoting environmental considerations.

## Sales, Marketing, and Medical Building and evolving systems for gathering and providing information on people's skin troubles



Maruho provides and communicates appropriate information about products and diseases in a variety of ways, depending on the characteristics of each region. The information obtained through communication with medical professionals and people with skin problems is used not only for product development, but also for the provision of tools and mechanisms that lead to optimal treatment for each patient. Additionally, we identify in-demand information and unmet needs, and based on evidence such as clinical trials, we identify medical issues and create new knowledge and value regarding the efficacy and safety of treatments and products.

With one of the most complete systems in Japan, we always aim to contribute to medical care and improve the Quality of Life of patients by promoting proper use of our products and disseminating correct knowledge about diseases.

**Number of dermatologists in Japan to whom Maruho provides information through medical representatives (MRs)**

Approx. **10,000**

**Number of medical professionals registered as Maruho Web members\***

Approx. **36,000**

\* Knowledge service for reading, knowing, and learning about dermatology

### Initiatives in the fiscal year ended September 2023

Key theme of strategy	Main results
Actions to improve both the quality and quantity of two-way communication with patients and medical professionals	<ul style="list-style-type: none"> <li>Engaged in activities to raise awareness about diseases (area DTC*) tailored to regional characteristics with a focus on social media</li> <li>Set up an official LINE account for patients with atopic dermatitis to support itch treatment</li> <li>Launched "Rosacea Navi," a comprehensive and informative rosacea treatment website for patients</li> </ul>
Evolution of information provision using Skin Disease Regional Leaders who specialize in providing information based on regional characteristics and Medical Area Specialists who specialize in providing information on specific diseases	<ul style="list-style-type: none"> <li>Started operating a system to certify targeted Skin Disease Regional Leaders in order to make advanced proposals for personalized medicine and standard medical care</li> <li>Visited dermatologists and home health care physicians and area-specific lectures to contribute to regional healthcare systems</li> <li>Concluded an agreement Collaboration and Cooperation for the Promotion of Home Health Care with Osaka Prefecture</li> </ul>
Dissemination of evidence-based product information and creation of new value based on data from clinical trials and other sources	<ul style="list-style-type: none"> <li>Disclosed the number of adverse effects after the launch of <i>Rapifort Wipes</i>, <i>Mitchga Syringes</i>, and <i>Rozex Gel</i> on a website for medical professionals, and built a system to respond immediately to treatment plans and when adverse effects occur                             <ul style="list-style-type: none"> <li>Recognized by dermatologists as the "most highly rated company" in safety-related information on pharmaceutical company websites*2</li> </ul> </li> <li>In activities to create evidence, we improved the accuracy of research questions by collecting patient feedback using quick surveys and social media from the research planning stage, and adopted PRO*3 as evaluation items. Published 16 papers and made nine presentations for academic societies</li> </ul>

\*1 Direct to Consumer: indicates pharmaceutical advertising directly targeting general consumers \*2 Source: 2023 *Multimedia White Paper on Physicians Summer Edition (MCI DIGITAL)* \*3 Patient Reported Outcome: A method and indicator used in clinical trials where a patient reports on their health condition subjectively

### Assessment of the fiscal year ended September 2023 Contributed to acne treatment with unique information provision based on regional characteristics

In the fiscal year ended September 2023, we conducted a wide range of activities to raise disease awareness for patients (area DTC), and achieved significant results in providing high-quality information that reflects the voices of patients. To solve the problems of acne patients, we identified the characteristics of each region based on open data and analysis results of each information provision channel. This is an initiative unique to Maruho, which continues to listen to the voices of acne patients. We discuss the information we obtain with dermatologists to contribute to solving acne problems.

As these results show, Maruho's strength is not in providing uniform information on individual products, but in providing a variety of information according to the characteristics of the region, such as the patient's background and medical situation. In the future, we will further deepen our strengths in activities that meet the true needs of patients and medical care, as well as in each specialized function such as sales, marketing, and medical.



Specialty website supporting people to clear up their acne

### Plan for the fiscal year ending September 2024 and beyond

#### Aiming for information gathering and provision closely in tune with skin issues

We will implement the following initiatives under the Fifth Medium-Term Plan.

From pre-illness to diagnosis, treatment, prevention, and aftercare, we will ensure that we are in tune with each individual's skin problems at every stage of life, build a system to solve these problems, and expand the scope of our contributions to self-care. We will also focus on creating a system to support patients when they undergo a medical consultation and enhancing disease information sites for patients with the aim of disseminating information on appropriate use that is easy to convey to patients.

We will evolve our provision of information according to the characteristics of each region to increase added

value unique to Maruho. Skin Disease Regional Leaders will play a central role in collaborating with internal and external networks to help us establish a high level of expertise and problem-solving capabilities. We plan to strengthen our focus areas, while clarifying the division of functions in fields, areas, and digital.

In addition to these, we will leverage synergies with the diagnostics, medical devices, and cosmetics businesses and collaboration with external partners to build a dermatology platform to connect with individuals facing skin problems. Through this platform, we intend to provide new awareness and experiences to medical professionals and all people facing skin problems. At the same time, we will further strengthen our digital information provision system and enhance content that enables us to connect with patients.

Based on the above approaches, from the fiscal year ending September 2024, we will efficiently allocate resources to new drug fostering and evolution as well as ensure the growth trend of the domestic prescription drug business remains intact. In our information provision activities, Skin Disease Regional Leaders will play a central role in providing custom-made information according to the background of each patient and the characteristics of the region by making the most of digital technology.



**Empowering each and every employee to disseminate information in their own words**

**Takashi Kitagawa**  
Japan Business Operations

In order to truly address skin concerns, each and every one of our employees must be able to communicate information to medical professionals and patients in their own words. We will create a work environment where employees can improve each other while developing autonomous and motivated human resources. Additionally, we will strengthen the system for sharing information and making recommendations within the company. At the same time, we will also use digital technology to increase the efficiency of information provision activities and the accuracy of analysis of collected information. As a leading company in dermatology, we will continue to promote the Maruho brand and contribute to advancements in medical care and society.

## Business activities outside of prescription drugs

In addition to prescription drugs, Maruho is challenging itself to create new value closely in tune with people's skin concerns, from presymptomatic to diagnosis, treatment, prevention, and aftercare, through products and services other than prescription drugs, i.e., diagnostic drugs, medical devices, cosmetics, and others.

### 1 Diagnostic drugs

Maruho is taking on the challenge of cultivating and deepening its presence in the in-vitro diagnostic pharmaceuticals market centered on skin diseases.

#### Launch of *DermaQuick HSV*

Maruho launched *DermaQuick HSV*, a detection kit for herpes simplex, in February 2023. Herpes simplex is an infection caused by the herpes simplex virus (HSV), which is characterized by recurring symptoms. When it appears, herpes simplex causes small reddish blisters and tingling pain, affecting both the patient's physical and mental wellbeing. Since early medication is important for the treatment of herpes simplex, a simple and rapid test that diagnose the condition on an outpatient basis is required. *DermaQuick HSV* provides a finding in 5 to 10 minutes using a specimen taken from a blister and assists in an appropriate diagnosis. Following on from *DermaQuick HSV*, we aim to develop products that contribute to the appropriate diagnosis and treatment of skin diseases through the introduction of new technologies.



DermaQuick HSV

### 2 Medical devices

Maruho aims to further improve the patients' Quality of Life by identifying their needs as well as developing and improving products.

#### Launch of *Renail Gel*

In April 2023, Maruho launched the prescription drug *Renail Gel* to aid in the correction of pincer nails. Pincer nails are a condition where the toe nail or finger nail curls inwards, causing pain and inflammation. Treatment with a corrector usually takes three to six months, but by using *Renail Gel* concomitantly, the treatment period can be shortened and the corrective effect can be maintained after the corrector is removed.

Together with *MAKIZUME MEISTER*, the pincer nail corrector which we manufacture and market in-house, we contribute to the treatment of patients suffering from pincer nails.



Renail Gel

#### Launch of the "Don't Tolerate Pincer Nails Project"

Pincer nails are a condition that is not well known and people tend to tolerate it even if it hurts. As part of our efforts to raise awareness of this condition, in July 2023, Maruho launched the "Don't Tolerate Pincer Nails Project" to encourage people to treat their pincer nails.



Screenshot of the "Don't Tolerate Pincer Nails Project" website

### 3 Cosmetics

Maruho offers new proposals for daily skin care closely in tune with individual skin troubles.

#### Launched three novel items under *Carté HD*

In March 2023, Maruho launched three items in the "Dry Skin Balance Care" line under the quasi-pharmaceutical high-performance skincare brand *Carté HD* offered by Kose Maruho Pharma Co., Ltd. By adding acne prevention to the conventional function of high moisturizing effect, these items support skin care for people who suffer from both dryness and oily skin.



Three items from "Dry Skin Balance Care"

#### *Advanced Barrier Day Essence* receives award from popular magazine

#### New products in the *iniks* brand

Maruho's skincare cosmetics brand *iniks* was born from the voices of medical professionals who treat skin problems. Launched in March 2023, *Advance Barrier Day Essence*, a sunscreen serum that protects sensitive skin from ultraviolet rays, has been highly evaluated. The product has received awards from several popular magazines, including the Sunscreen Award in the LEE's Best Cosmetics 2023 SS (the First Half).



Advance Barrier Day Essence



Maruho's cosmetics website called "Skin & Beauty Information by Maruho"

→ p. 23 R&D and Business Development

## Sharing knowledge gained in Japan with Asia

Maruho takes on the challenge of unmet needs around the world with the desire to bring a smile to the many people around the world who are suffering from skin problems. The Global Business Development Dept. takes the lead in the global expansion of our business.

In September 2023, Maruho signed a licensing agreement for the development, manufacture, and marketing of *Rapifort Wipes*, a primary axillary hyperhidrosis treatment agent, in South Korea, Taiwan, Hong Kong, Macau, and the 10 ASEAN member states. By providing new treatment options to the medical frontlines, we expect to make further contributions to patients suffering from this disease.

### Countries and regions covered in the licensing agreement



Maruho has cultivated a variety of knowledge in the Japanese market to meet the needs of diverse skin diseases. The "you" in our Mission includes people outside of Japan. In order to bring smiles to patients around the world who are eagerly awaiting drugs, we will work on unmet needs not only in Japan but also around the world.

### Members of the Global Business Development Dept.

Having specialized in the field of dermatology for two decades, contributing to patients in Asia by leveraging our strengths cultivated in the Japanese market is something that only Maruho can accomplish and this also represents our Mission. This licensing agreement represents the first step for Maruho in taking on new challenges. Believing that our products can bring smiles to patients in Asia, we will expand our licensing to other products and regions.



### Special Feature

## Achieving Maruho's vision for the future

Maruho continues to evolve day by day to realize its Mission of "More smiles, brighter life for you." With its Values that serve as standards of conduct, Maruho contributes to patients and society.

Employees, who are responsible for business activities, work diligently together as part of the same team to create a society where everyone can smile.

Here we will share several examples of these activities.



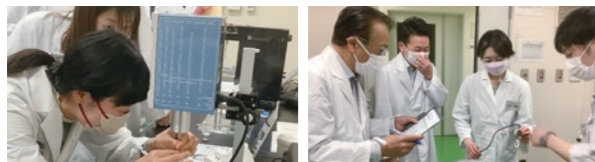


→ p. 25 Production and Reliability Assurance

### Communicating our strengths in topical treatments internally and externally

Maruho is committed to producing high quality products and supplying them in a stable manner. Providing employees and medical professionals with an understanding of formulation technology and quality will help patients use our products with peace of mind.

The Hikone Plant, our main production site, has been providing training for employees since 2011. More than 500 people including plant workers, MRs, and others have learned about the Company's topical formulation technology, formulation process, and quality control system. Through experience and detailed explanations of the formulation process, employees in other departments have deepened their understanding of the Company's technologies, which is useful for explaining and providing information to the outside world.



We also conduct plant tours for physicians, pharmacists, and other medical professionals. We share Maruho's production technology and commitment to a high level of quality awareness among employees.

**Ryoichi Onishi**

Hikone Plant (Pictured in the middle of the front row)

In addition to ensuring quality and stable supply, which is Maruho's mission in production, we have conducted on-site training for related departments, mainly MRs, to equip them with a deeper understanding of technology and manufacturing quality. With integrity as our motto, we will continue our activities to convey the technologies of our plants and Maruho's concept of quality to as many people as possible.



→ p. 27 Sales, Marketing, and Medical

### The "face of Maruho" connecting the Company with customers

Bringing smiles to people troubled by their skin requires that we listen to the voices of many stakeholders and identify the latent needs found in this feedback.

The Medical Information Center, which is one of the functions of the Medical Affairs Dept., receives inquiries from patients, their families, and medical professionals. These number around 30,000 every year. The content ranges from questions and requests for information related to pharmaceuticals to medical devices and diagnostic drugs other than pharmaceuticals.



In addition to answering individual inquiries, the Medical Information Center also plays an important role in analyzing information obtained from dialogue with customers to understand unmet needs and share them with relevant departments. Utilizing this information in new R&D and planning leads to the dissemination of useful medical and scientific information.



**Members of the Medical Affairs Dept.**

In addition to striving to respond quickly and accurately to various inquiries, we uncover the needs hidden in the "voices" of our customers and use them to develop and improve our products and services. Every voice we hear is important. In the future, we will also consider the use of generative AI technology, and further pursue the value of "notice the signs" in our Corporate Philosophy. We aim to continue contributing to solutions that make people smile.

→ p. 29 Business activities outside of prescription drugs

### Providing appropriate treatment and care for pincer nails

Maruho aims to solve skin problems using a variety of approaches. One such example is *MAKIZUME MEISTER*, a pincer nail corrector developed by Maruho Hatsujyo Kogyo Co., Ltd. and sold by Maruho.

In April 2023, Maruho launched a topical drug called *Renail Gel*. Based on an idea from Keio University, this product was developed in collaboration with Maruho Hatsujyo Kogyo Co., Ltd., and represents the world's first prescription drug for the purpose of aiding in the correction of pincer nails. When used in concomitantly with *MAKIZUME MEISTER*, it is possible to shorten the wear time of the corrector and delay any recurrence after the corrector is removed. It is expected to alleviate patient worries such as wanting to get rid of pain and discomfort as soon as possible or delay recurrence as much as possible.

In July 2023, we launched the "Don't Tolerate Pincer Nails Project" to encourage people to treat their pincer nails. In order to raise awareness that corrective treatment is an option for pincer nails.

Looking ahead, Maruho, together with Maruho Hatsujyo Kogyo Co., Ltd. will leverage the strengths of both companies to develop products that bring smiles to people troubled by pincer nails.



**Manabu Oishi**

Medical Devices Dept.



Patients with pincer nails are faced with pain that takes a toll on their daily lives. It is common for them to be hesitant about going out or to hurt their knees and lower back because they walk with the affected area covered.

We hope to contribute to improving the patients' Quality of Life with pincer nails through "appropriate treatment and care" such as hospital visits and corrective treatment.

Management base

### Unlocking greater growth through improved IT infrastructure

The Information Systems Department provides the IT infrastructure and services powering Maruho's business activities.

In addition to system operation and maintenance, we have developed a network usage environment that maintains a smooth and highly secure network regardless of time or place. In 2023, we introduced Secure Access Service Edge (SASE), a next-generation solution, to quickly respond to changes in the internal and external environment, improving employee productivity and business efficiency.

In addition, we developed MaruhoGAI, a generative AI environment dedicated to Maruho, which protects company information. Many employees use it to generate minutes and summaries for meetings, or to produce ideas for creating materials. In the future, we aim to evolve the system so that it can provide answers using information from inside Maruho.

We also have a thorough risk management system for information that adopts solutions to mitigate the risk of information leakage and server downtime due to cyberattacks, including ransomware.



**Members of the Information Systems Dept.**

We are implementing strategies that balance proactive and defensive approaches, such as introducing functions to autonomously protect and recover data as an information asset. Going forward, we will continue to actively roll out new technologies and continuously strengthen our IT infrastructure to contribute to Maruho's growth in a new era.

# Social

## Working with employees

### Respect & cultivate autonomous human resources

The growth of our employees is important as they are responsible for enhancing our medium- to long-term corporate value. Maruho Group is establishing systems to promote the autonomous career development of each employee and encourage their active participation.

In today's world full of uncertainties and change occurring at an accelerated speed, human resources that can think independently and yield results efficiently are indispensable for us to continue growing and meeting the needs of society.

Maruho Group is cultivating human resources with an emphasis on the three points of autonomy: conduct work with a sense of ownership, share the Corporate Philosophy and vision in pursuing social value, and develop one's own career. Our goal is to invigorate the company, improve productivity and increase employee engagement by promoting employee autonomy.

### Respecting diversity & inclusion

We are working to create an environment where diverse and unique human resources can work with enthusiasm.

### Promoting the active participation of women

Maruho Group has set a target of having women account for at least 15% of all managerial positions to be achieved by September 2024. The result for the fiscal year ended September 2023 was 12.3%, a 0.8-point increase from the previous year.

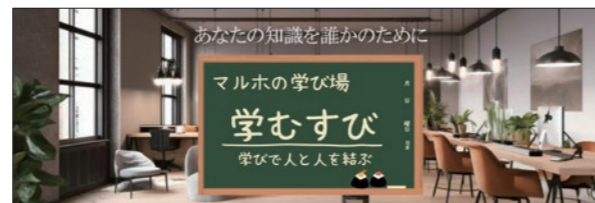
### Supporting next-generation development

We strive to reduce regular overtime work so that employees can easily balance work and childcare. Up to September 30, 2024, our goals are for (1) zero departments to accumulate over 30 hours in overtime for three consecutive months or more and (2) zero individuals that accumulate 540 hours in overtime per year. The results in the fiscal year ended September 2023 were zero departments for goal (1) and one individual for goal (2).

The new system of newborn leave (post-partum parental leave) that encourages male employees to take childcare leave was launched at the same time as the Child Care and Family Care Leave Law in October 2022. In the fiscal year ended September 2023, 28 employees took the leave (46.8%). We share articles internally on interviews with male employees who have taken parental leave as part of our efforts to encourage eligible employees to utilize this leave.

### Supporting employee career development

We are expanding on programs and opportunities that enable each employee to choose their own career path, leading to greater motivation. In the fiscal year ended September 2023, we launched an in-house internship program, *Job Challenge*, and a mutual learning companywide platform among employees, *Mana Musubi* on our internal portal site.



In addition, new long-term vision planning members were recruited internally. With a strong desire to participate in management, they began full-scale deliberations in October 2023.



New long-term vision planning members

### Main career support systems

Name	Detail
Job Challenge	An in-house internship system that allows employees to try working in a department of interest while still working for their current department at the same time. Results in the fiscal year ended September 2023: 16 employees applied for four positions and 13 employees were already assigned
One-on-one Interviews	One-on-one interviews are conducted for employees to engage in direct dialogue with their supervisor which improves awareness of one's autonomy and results in improved performance
Career Training	A training program administered by age that allows participants to consider their career path. Results in the fiscal year ended September 2023: 36 employees participated
Internal Job Posting	A system that allows employees to transfer to a different position or project that is openly recruited by going through an application and interview process. Results in the fiscal year ended September 2023: 37 employees applied for 41 openly recruited positions, of whom 21 were transfers

### Encouraging diverse working styles

Maruho believes it is desirable to have a workplace environment that enables diverse and flexible work styles for employees to achieve a better work-life balance as well as high productivity and creativity. In addition to diversifying the everyday workplace, the Group also offers a support system that corresponds to different stages in life.

### Diversification of work locations

We promote the most suitable work style tailored to employee needs at each department, including combinations of in-person and remote work. We operate a system that enables employees to submit expenses, approval documents, among others, from their company laptop or smartphone. Moreover, some offices have adopted free address office seating in order to encourage communication between employees.



Office at the Kyoto R&D Center



Sales office

### Promoting health management support

Maruho positions health management as an important management task. For us to realize our Mission of "More smiles, brighter life for you." it is essential for our employees and their families to live a healthy and fulfilled life. Through our systematic and strategic health management, we focus on approaches that allow each employee to pursue happiness and growth from three perspectives: as an individual, as a member of the Maruho Group, and as a member of society.

### Use of health management support tool

Maruho has launched a health support app called KENPOS for all employees to access. The app can be used for setting personal goals and recording activities in order to prevent lifestyle diseases as well as to maintain and improve one's health. In addition, Maruho also distributes tips from experts and practical ideas that can be incorporated into everyday living through the app. Moreover, we also hold a walking campaign (115 participants in the fiscal year ended September 2023) and online smoking-cessation program (4 participants in the fiscal year ended September 2023).



Pamphlets on understanding health checkup results to improve one's health

### Occupational safety and health

As an occupational safety and health initiative, Maruho strives to prevent occupational accidents and mental health diseases. The initiative has two phases: phase one is to break away from poor health and phase two is to maintain better health. There are five targets for the initiative as follows (number of occupational accidents: 3 as of the fiscal year ended September 2023).

1. Rate of participation in regular health checkups 100%
2. 100% action follow-up rate for those with findings in the regular health checkups
3. Expand industrial health staff by contracting public health nurses
4. Health promotion and increased opportunities to stay active through introduction of a health app
5. Enhance collaboration between the head office, R&D Center, and plants on occupational safety and health activities

## Relationship with society

### Improving healthcare access

#### Communicating appropriate treatment information

Maruho provides information to medical professionals and patients using social media and its website. We offer Dermado, a membership-based website with useful information in the field of dermatology for medical professionals. We also provide information on skin diseases and treatment on our website or through social media to promote accurate understanding and support access to daily care and appropriate treatment for patients suffering from skin problems.



Online pathology diagnosis quiz for physicians appearing in Dermado

### Held public lectures in collaboration with dermatologists

In collaboration with dermatologists, we hold lectures on skin diseases nationwide that are open to the general public. In addition to information on diseases, the event was framed as an opportunity for patients to share their own personal experiences. We held a total of 45 lectures in 23 prefectures (including online) in the fiscal year ended September 2023.



### Participation in adolescent health education promotion project

Maruho supports the Kagayaki School, an adolescent health education promotion project for junior high and high school students. The project aims to promote correct understanding of health issues that accompany changes in life stages as well as diseases specific to women in order to help young people plan their lives and achieve career plans.

As a supporting company of the project, Maruho provides outreach lectures and teaching materials, as well as conducts seminars for teachers. In addition to the existing gynecology-related program, we have started the Dermatology Class initiated by Maruho in July 2023. This is a program of outreach classes by dermatologists for junior high and high school students who are troubled with adolescent skin issues. The program is scheduled to be delivered to eight schools across Japan by April 2024, with a plan to expand it going forward.



Visiting lecture at Shigakukan Junior High / High School in Kagoshima (July 2023)

## Social contribution

### Social contribution

Maruho continues to take part in activities that are closely related to its business characteristics in an effort to integrate social contribution into its corporate culture. We also promote activities that employees can participate in voluntarily.

### "Maru-hotto Gift" matching gift program

Maruho's matching gift program "Maru-hotto Gift," a system for employees to donate money starting at 500 yen, has been running since 2015. Maruho makes a donation to a non-profit organization chosen by the company by matching the amount of employee donations.

In the fiscal year ended September 2023, a total of 492 employees, or 24% of our workforce, participated in the program. A total donation of approximately 3,800,000 yen was made, which includes the company's contribution after the gift-match. Both the donated amount and participation rate were record highs.

The donation was provided to four organizations: Guide Dog & Service Dog & Hearing Dog Association of Japan, Special Olympics Nippon Osaka, NPO CliniClowns Japan, and Children's Hospice Project TSURUMI Children's Hospice.

### Maruho Research Award supporting upcoming researchers

The Maruho Research Award is given to outstanding research papers to help foster young researchers. The award is granted to research papers selected through a strict screening process by the selection committee comprised of university professors from among basic and clinical research papers on dermatology.

### Award honoring dermatologists, Master of Dermatology (Maruho)

Maruho and the Japanese Dermatological Association jointly administer Master of Dermatology (Maruho), an award that recognizes dermatologists who have contributed to the development of the field of clinical dermatology. It was first established in 2010 to recognize those with outstanding achievements in clinical dermatology. The prize has since been renamed in 2017 to follow its current structure.

#### Related information Master of Dermatology (Maruho)

[https://www.dermatol.or.jp/modules/biologics/index.php?content\\_id=21/](https://www.dermatol.or.jp/modules/biologics/index.php?content_id=21/) (Japanese)

### Participation in charity at the Osaka Marathon 2023

Two members representing Maruho, including President and CEO Sugita, participated in a charity run during Osaka Marathon 2023 held in February. The participation is a new initiative to support Approved Specified Nonprofit Corporation CliniClowns Japan, a charity partner of the marathon, as well as a benefactor of the "Maru-hotto Gift" matching gift program. Maruho employees were also present to provide support on the day of the event. Donations collected from employees were forwarded to the organization at a later date.



### Activities by volunteer members

In October 2023, 12 volunteer employees used volunteer leave to visit the Aflac Parents House operated by Children's Cancer Association of Japan. The team cleaned up the rooms, kitchen, dining area, restrooms, and garbage station used by children and their families to support the families spending quality time together at the house. These autonomous social contributions and interactions of employees increase morale in their day-to-day jobs.



# Environment

## Basic approach to the environment

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.

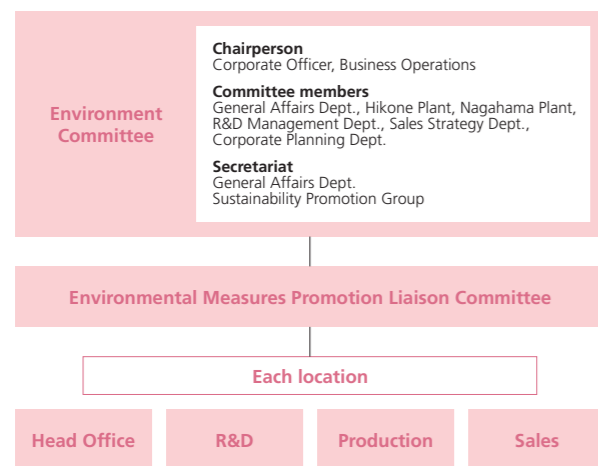
**Toward Carbon Neutrality in 2050**

**CO<sub>2</sub> Emission Reduction Targets for 2030 and 2050**  
 Reduce CO<sub>2</sub> emissions\* by 46% by FY2030 compared to FY2013. Reduce CO<sub>2</sub> emissions to zero by FY2050.  
 \* Target for laboratories, plants, offices, and sales vehicles.

## Promotion framework

We established the Environment Committee to appropriately and effectively promote initiatives related to environmental issues. Through the Environmental Measures Promotion Liaison Committee, we collect information on initiatives related to environmental issues, identify issues in promotion activities, report to the chairperson as necessary, and promote understanding of promotion activities and within the company.

## Environment Committee framework

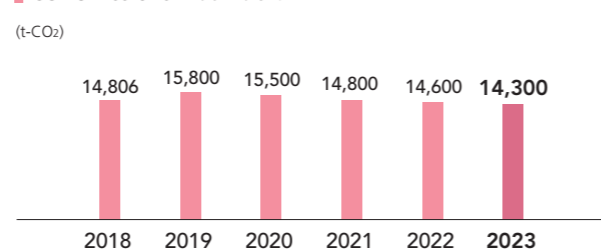


## CO<sub>2</sub> emissions reduction

In March 2023, Maruho established the goal of achieving net-zero CO<sub>2</sub> emission by 2050. To achieve this, we will make efforts to bring in innovative technology and gather information. As an intermediate goal, we have set CO<sub>2</sub> emissions of 6,534 tons in 2030 in aiming to reduce

emissions from 14,600 tons as of March 31, 2022, by 8,077 tons (approximately 55%). Furthermore, Maruho's CO<sub>2</sub> emissions as of March 2023 totaled 14,300 tons (2% reduction YoY).

## CO<sub>2</sub> emissions



## Energy conservation initiatives

In terms of our energy conservation initiatives, as of March 31, 2023, we have maintained energy consumption at around the same level as the previous year.

For manufacturing locations, we have completed the switch over to LED lighting for parts of the manufacturing, filling and packaging building at Hikone Plant and at the administrative building of Nagahama Plant.

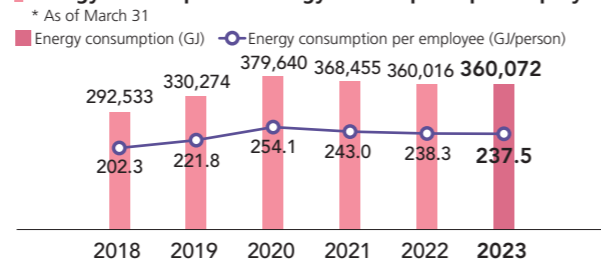
At the Kyoto R&D Center, which is our research and development site, we have installed LED lighting in all areas of the Drug Development Laboratories and some areas of the Drug Discovery Research Laboratories, while changes have been made to the operating hours of air conditioning in certain rooms.

Additionally, at the Drug Development Laboratories, we have introduced a CO<sub>2</sub> concentration control system that reduces the workload on air conditioning equipment. In addition, we are adjusting the thermostat setting in research labs according to each season.

At sales locations, we are gradually switching over to hybrid vehicles for sales use, with the adoption rate remaining at the elevated level of 91.3% as of September 2023.

We have improved energy efficiency at each business site across Japan, such as by adjusting the temperature setting for air conditioning.

## Energy consumption / Energy consumption per employee

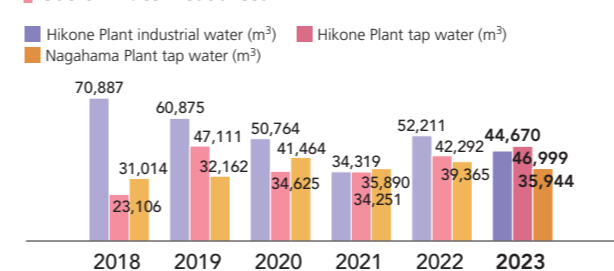


## Reducing our use of water resources

The Hikone Plant saw an increase in industrial water used due to equipment problems in 2022. This problem was resolved and industrial water usage returned to normal levels in 2023, resulting in a 14.5% decrease from the previous fiscal year.

At the Nagahama Plant, tap water consumption decreased by 8.6% year-on-year due to the use of equipment with higher production efficiency and the shutdown of heat sources when not in operation.

## Use of water resources



## Industrial waste reduction

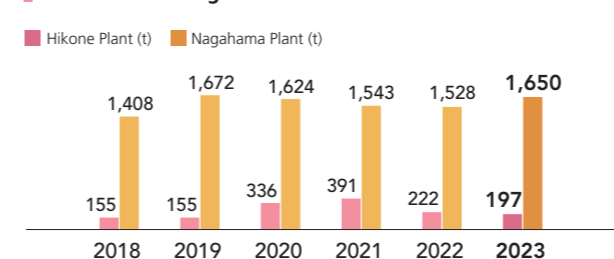
At Maruho, we are implementing the three R's (Reduce, Reuse, and Recycle) to contribute to a recycling-oriented society.

We are reducing emissions of industrial waste generated during the research and development process as well as thoroughly implementing waste separation at the Kyoto R&D Center. We are making efforts to resell machines that are scheduled for disposal for their reuse and to support scientific research in Japan. In addition, we strive to raise awareness about resource conservation by visualizing the number of copier sheets used, which resulted in less paper being purchased compared to the previous year.

At the Nagahama Plant, the risk of waste leakage from one tank in the event of an emergency has been mitigated by connecting two tanks installed outdoors.

Moreover, we continue to implement efforts to reduce paper use by digitizing various documents at each business location.

## Industrial waste generated



**Koichi Nishioka**  
Corporate Officer,  
Business Operations

Sustainability management with an emphasis on environmental and social issues is essential for a company to survive in the world today.

As the theme of our management foundation in the Fifth Medium-Term Plan, we have set out to reform our people and workplaces in order to realize our Mission of "More smiles, brighter life for you." When tackling environmental and social issues, the first point is employee autonomy. Rather than making "have to" demands from outside the company or instructions from within the company, we value the "satisfaction" of each and every employee and encourage them to "want to" take on challenges.

The second point is to strengthen the three ties between individuals, the company, and society. In the business world, there is a deep-rooted tendency to neglect initiatives for environmental and social issues as "for show only" or "factors that increase costs." Based on the recognition that the realization of a better life for employees and a better society will lead to a better company and the fulfillment of our Mission, we will harmonize the three interests of individuals, the company, and society.

Finally, the last point is to avoid objectifying the means. Setting numerical targets is also essential when addressing environmental and social issues. However, if the achievement of these numerical targets becomes an inalienable goal, realization of the company's true purpose may be hindered. We will strive for flexibility in our activities as a focal point for the realization of our Mission.

We are committed to business operations without using employees as a means. In December 2022, we launched an engagement survey (nicknamed More Smiles) and since then we have continued to engage in dialogue between management and employees. In the future, we will promote broader dialogue with society among employees and aim to improve employee engagement, corporate value, and social value in an integrated manner.

# Corporate Governance Policies and Activities

## Basic philosophy

In order for Maruho to continue to contribute to the development of society, the company must be managed from a medium- to long-term perspective based on the long-term vision and the Fifth Medium-Term Plan under Maruho's Corporate Philosophy. At the same time, Maruho must also further evolve its corporate governance.

The key to this is the effective operation of the Board of Directors. In order to improve its effectiveness, the company will need to access external perspectives by having directors fulfill their roles and responsibilities. In addition, the objective monitoring, supervision, and advice of outside directors on management, together with audits by the Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Audit Dept., ensures the proper execution of duties by directors and enables prompt and bold decision-making by management. Through the promotion of effective corporate governance, we aim to achieve Maruho's sustainable growth and enhance its corporate value.

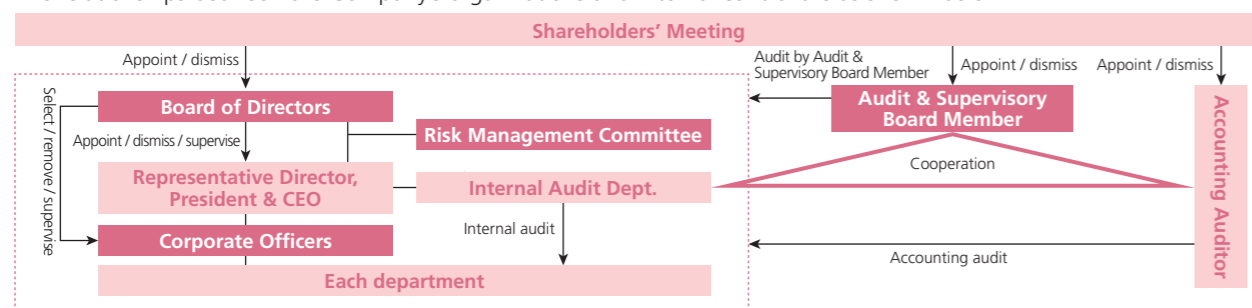
## Board of Directors

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, outside directors equipped with diverse knowledge and specializations related to finance, accounting, and/or risk management play a role in supervising management and providing advice for enhancing corporate value over the medium- to long-term through discussions during board meetings. As a result, we seek to create a highly effective Board of Directors 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.

The attendance of outside directors in the fiscal year ended September 2023 was 100%.

## Corporate governance system

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



## Overview of the Board of Directors

<b>Structure</b>	9 directors, 2 outside director, and 1 auditor
<b>Board meeting</b>	Oct., Nov., Dec., Jan., Apr., May, Jul., Aug., and Sept.
<b>Major agenda</b>	<b>Business plans</b> <ul style="list-style-type: none"> <li>Group management, business plan achievement, basic policy for the following fiscal year's business plan, a scheme for evaluation of achievements</li> <li>Overview of account settlement, internal audit findings, results of whistleblowing, internal and external trends</li> </ul>
	<b>Shareholders' meeting</b> <ul style="list-style-type: none"> <li>Proposals for the ordinary general meeting of shareholders</li> </ul>
	<b>Officers</b> <ul style="list-style-type: none"> <li>Election of officers, appointment of the Representative Director, appointment of directors with special titles</li> </ul>
	<b>Stock</b> <ul style="list-style-type: none"> <li>Stock transfer between shareholding associations</li> <li>Allocation of transfer shares</li> </ul>

## 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).

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.

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 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.

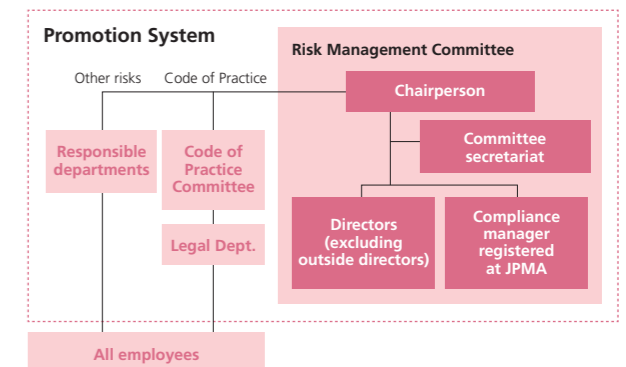
In carrying out our business activities, we shall comply with general laws and regulations such as civil codes, corporate laws, and antimonopoly laws, as well as the various business-related laws and regulations such as pharmaceutical laws and will have no relationships with antisocial forces and groups 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. In the fiscal year ended September 2023, there were a total of 16 whistleblowing reports (16 from within the Company and 0 from outside the Company).

## Quality policy

Maruho has established a policy on quality in order to provide 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 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 to promote continuous improvement toward a higher level of quality.
- We shall properly allocate operational resources in order to realize this quality policy.

Information about our internal control systems can be found on our website. <https://www.maruho.co.jp/english/>

Note: 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 financial statements present fairly, in all material respects, the financial position and the financial performance in accordance with Japanese generally accepted accounting principles. The contents of the financial statements included in this report 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.

**Board of Directors and Auditors** (As of December 2023)



**Corporate Officers** (As of December 2023)

**Koichi Nishioka**  
Corporate Officer,  
Business Operations

**Kazumasa Hirata**  
Corporate Officer,  
Research

**Yutaka Ishihama**  
Corporate Officer,  
Clinical Development

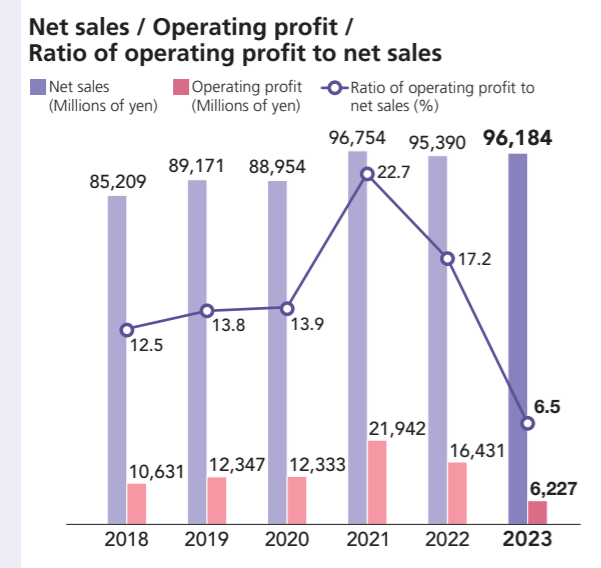
**Satoko Sugawara**  
Corporate Officer,  
Regulatory Science

**Yoshimi Kakiuchi**  
Corporate Officer,  
Reliability Assurance &  
Medical Affairs

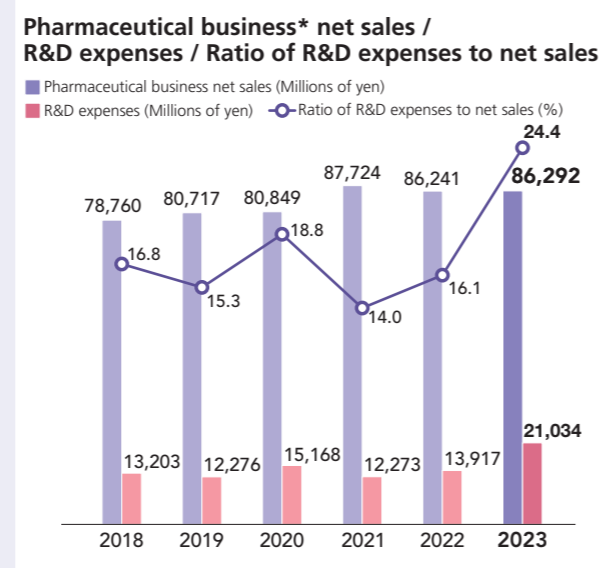
**Kazuhiko Aita**  
Corporate Officer,  
Marketing

**Yoshihiko Sato**  
Corporate Officer,  
Sales

Financial Highlights (Consolidated) Fiscal year ended September 2023

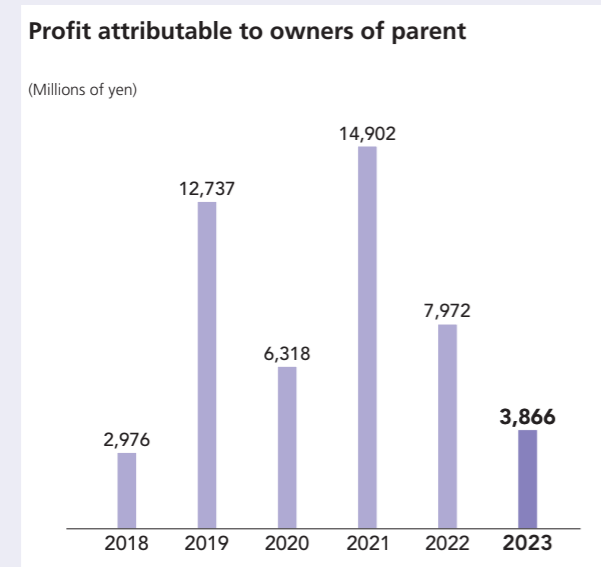


Net sales for the fiscal year ended September 2018 were 85,209 million yen. After that, sales steadily increased due mainly to the launch of new products and an increase in sales of our main products. Net sales for the fiscal year ended September 2023 totaled 96,184 million yen (up 0.8% year on year) while operating profit came in at 6,227 million yen (down 62.1%).

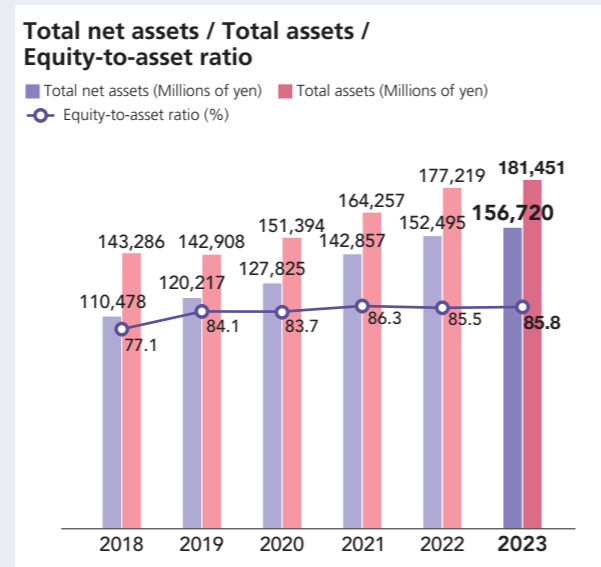


In our R&D activities, we have expanded our collaboration with companies and universities in Japan and overseas to create and launch new products. This has led to the release of *BEPIO Lotion* for the treatment of acne vulgaris and the herpes simplex detection kit *DermaQuick HSV* using the immunochromatography method.

\* Includes Maruho's medical devices business, self-care business, and Maruho Medical, Inc.'s medical devices business.



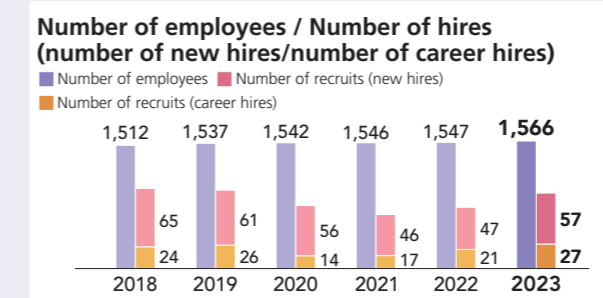
In the fiscal year ended September 2023, profit attributable to owners of parent amounted to 3,866 million yen (down 51.5% year on year) due to the impact of aggressive investment activities aimed at returning to a growth trajectory.



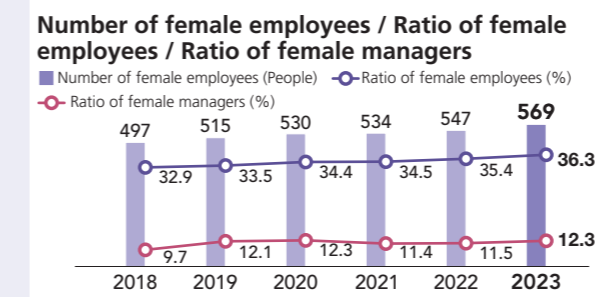
Total assets as of September 30, 2023 increased by 4,231 million yen from the previous fiscal year to 181,451 million yen. Current assets decreased by 2,584 million yen, mainly due to a decrease in cash and deposits of 10,469 million yen and an increase in merchandise and finished goods of 3,447 million yen. Fixed assets increased by 6,816 million yen, mainly due to an increase in construction in progress of 1,943 million yen and an increase in investment securities of 2,426 million yen. Total net assets increased by 4,224 million yen compared to the previous fiscal year to 156,720 million yen, mainly owing to an increase in retained earnings of 3,732 million yen.

Non-financial Highlights (Non-consolidated) Fiscal year ended September 2023

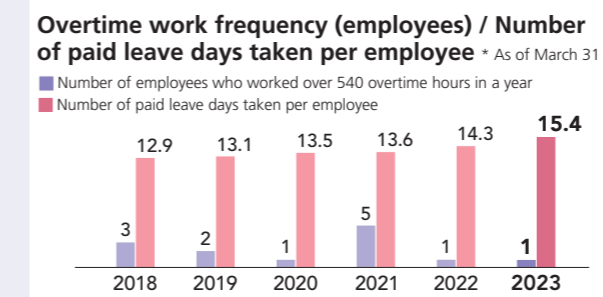
Human resources



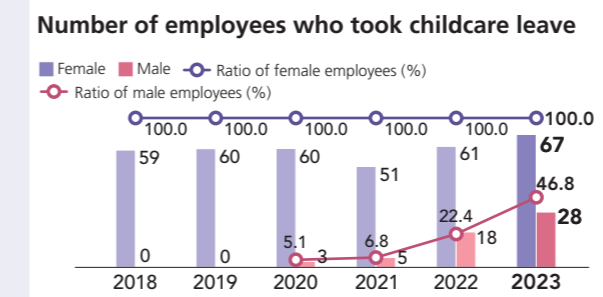
Both the number of employees and the number of new hires are increasing. In terms of recruitment, we are actively seeking human resources to take on the various challenges necessary to realize our Mission.



The number of female employees has increased year by year, reaching 36.3% of our total workforce in the fiscal year ended September 2023. We have set a goal to increase the ratio of female managers to at least 15% by September 2024.

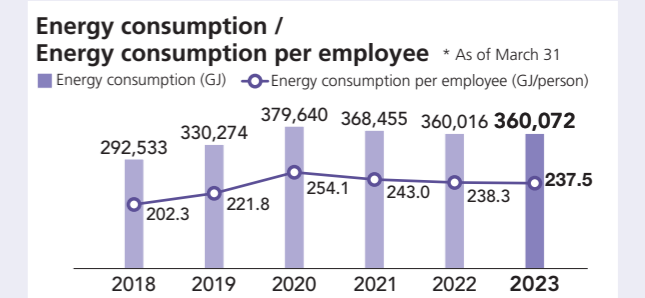


In order to enhance the work-life balance of employees, we are working to encourage employees to take paid leave and reduce overtime work.

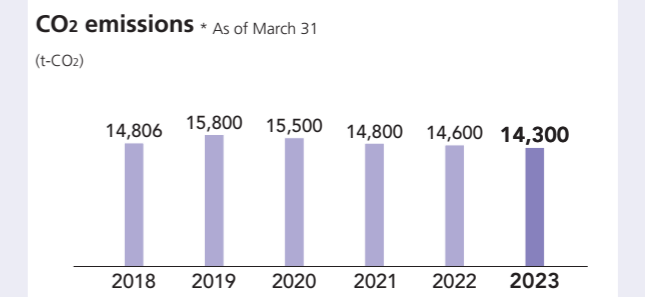


The number of male employees taking childcare leave is increasing. There is an understanding and culture within our workforce that encourages men to participate in childcare.

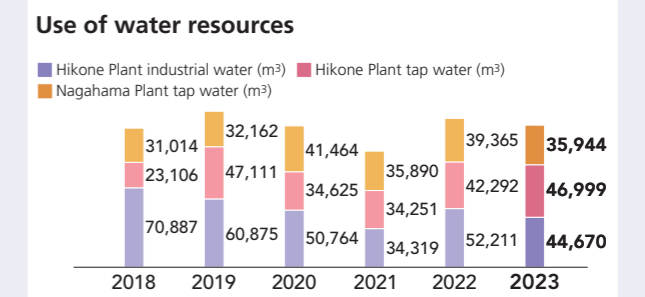
Environment



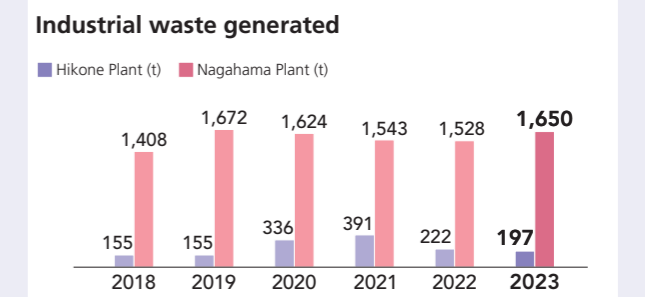
In 2023, the number of operating lines increased due to improvements made to the Hikone Plant, but we were able to control the slight increase in energy consumption by switching to LED lighting and promoting various energy savings.



We have set a target of zero CO2 emissions by fiscal 2050. As of March 2023, our CO2 emissions totaled 14,300 tons (down 2% year on year).



We are making efforts to reduce the amount of water used at each plant. As of September 2023, we reduced our water usage by 4.6% compared to 2022.



At the Hikone Plant, we have been able to maintain a low level of industrial waste generated since 2022. At the Nagahama Plant, the amount of industrial waste generated increased due to an increase in production volume.

## 11-year financial summary

(Millions of yen)

	2013.9	2014.9	2015.9	2016.9	2017.9	2018.9	2019.9	2020.9	2021.9	2022.9	2023.9
<b>Fiscal year</b>											
Net sales	64,336	69,367	73,538	76,722	86,902	85,209	89,171	88,954	96,754	95,390	96,184
Operating profit	10,862	6,256	7,682	7,424	14,731	10,631	12,347	12,333	21,942	16,431	6,227
Ordinary profit	11,115	6,202	7,151	7,483	14,577	10,284	12,433	10,721	21,112	15,035	6,967
Profit attributable to owners of parent	7,136	3,639	3,288	2,272	8,463	2,976	12,737	6,318	14,902	7,972	3,866
<b>As of fiscal year-end</b>											
Total net assets	84,057	93,878	96,592	99,984	108,985	110,478	120,217	127,825	142,857	152,495	156,720
Total assets	100,042	124,750	134,484	137,554	145,096	143,286	142,908	151,394	164,257	177,219	181,451
<b>Amount per share (Yen)</b>											
Net assets per share	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	20,348.96
Basic earnings per share	936.82	476.44	429.85	297.00	1,106.30	389.09	1,664.83	825.81	1,947.92	1,042.12	505.43
<b>Cash flows</b>											
Cash flows from operating activities	5,384	4,641	10,117	10,433	11,923	11,385	11,573	20,042	18,063	16,651	(1,732)
Cash flows from investing activities	2,083	(8,980)	(7,906)	(15,554)	(10,824)	(13,595)	(11,706)	(4,817)	(4,591)	(7,597)	(8,029)
Cash flows from financing activities	(137)	10,687	2,600	(3,024)	(583)	(681)	(10,245)	(686)	(570)	(589)	(617)
<b>Financial indicators</b>											
Equity-to-asset ratio (%)	84.0	70.7	68.9	69.7	72.1	77.1	84.1	83.7	86.3	85.5	85.8
Return on equity (%)	8.5	4.1	3.6	2.4	8.4	2.8	11.0	5.1	11.1	5.4	2.5
Number of employees	1,287	1,526	1,588	1,716	1,838	1,930	2,093	2,150	2,181	2,213	2,241

(Notes)

- For accounting audits, please refer to the note for internal control systems in "Corporate Governance Policies and Activities" section. (p. 40)
- 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.



## Consolidated Balance Sheet

(Millions of yen)

	2022.9	2023.9
<b>Assets</b>		
<b>Current assets</b>	<b>125,932</b>	<b>123,348</b>
Cash and deposits	69,533	59,063
Notes and accounts receivable-trade	30,125	31,524
Merchandise and finished goods	13,644	17,092
Work in progress	4,910	6,301
Raw materials and supplies	5,608	6,370
Income taxes refund receivable	—	403
Other	2,109	2,592
<b>Non-current assets</b>	<b>51,286</b>	<b>58,103</b>
<b>Property, plant and equipment</b>	<b>25,591</b>	<b>28,148</b>
Buildings and structures	15,529	16,558
Machinery, equipment and vehicles	4,810	4,125
Tools, furniture and fixtures	1,086	1,337
Land	2,125	2,145
Construction in progress	2,039	3,982
<b>Intangible assets</b>	<b>7,663</b>	<b>6,366</b>
Software	2,423	2,279
Goodwill	331	10
Sales rights	3,858	3,116
Other	1,049	960
<b>Investments and other assets</b>	<b>18,032</b>	<b>23,588</b>
Investment securities	7,472	9,899
Long-term loans receivable from subsidiaries and associates	294	98
Retirement benefit asset	3,906	6,857
Deferred tax assets	4,939	5,185
Other	1,418	1,547
<b>Total assets</b>	<b>177,219</b>	<b>181,451</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>23,254</b>	<b>23,268</b>
Notes and accounts payable-trade	5,145	7,184
Short-term borrowings	200	200
Current portion of long-term borrowings	392	—
Accounts payable-other	7,376	9,552
Income taxes payable	4,150	456
Provision for bonuses	3,739	3,710
Other	2,251	2,165
<b>Non-current liabilities</b>	<b>1,469</b>	<b>1,461</b>
Deferred tax liabilities	18	63
Provision for retirement benefits for directors (and other officers)	1,075	1,019
Asset retirement obligations	195	198
Other	180	180
<b>Total liabilities</b>	<b>24,723</b>	<b>24,730</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>149,097</b>	<b>152,830</b>
Share capital	382	382
Capital surplus	4,251	4,251
Retained earnings	144,463	148,196
<b>Accumulated other comprehensive income</b>	<b>2,344</b>	<b>2,853</b>
Valuation difference on available-for-sale securities	623	298
Deferred gains or losses on hedges	67	95
Foreign currency translation adjustment	1,653	2,459
<b>Non-controlling interests</b>	<b>1,053</b>	<b>1,036</b>
<b>Total net assets</b>	<b>152,495</b>	<b>156,720</b>
<b>Total liabilities and net assets</b>	<b>177,219</b>	<b>181,451</b>

Note: 2022.9 is not subject to audit.

## Consolidated Statement of Income

(Millions of yen)

	2022.9	2023.9
<b>Net sales</b>	<b>95,390</b>	<b>96,184</b>
<b>Cost of sales</b>	<b>33,363</b>	<b>35,614</b>
<b>Gross profit</b>	<b>62,027</b>	<b>60,570</b>
<b>Selling, general and administrative expenses</b>	<b>45,596</b>	<b>54,342</b>
<b>Operating profit</b>	<b>16,431</b>	<b>6,227</b>
<b>Non-operating income</b>	<b>760</b>	<b>2,971</b>
Interest income	32	15
Dividend income	15	17
Compensation income	67	1
Rental income	27	27
Insurance claim income	55	59
Subsidy income	45	34
Gain on valuation of investment securities	—	2,626
Foreign exchange gains	476	—
Other	39	189
<b>Non-operating expenses</b>	<b>2,155</b>	<b>2,231</b>
Interest expenses	15	10
Commission expenses	8	8
Share of loss of entities accounted for using equity method	1,892	1,994
Foreign exchange losses	—	205
Other	239	12
<b>Ordinary profit</b>	<b>15,035</b>	<b>6,967</b>
<b>Extraordinary income</b>	<b>—</b>	<b>15</b>
Gain on change in equity	—	15
Gain on sales of investment securities	—	0
<b>Extraordinary losses</b>	<b>2,370</b>	<b>763</b>
Loss on sales and retirement of non-current assets	89	58
Loss on valuation of investment securities	2,001	459
Impairment loss	279	244
<b>Profit before income taxes</b>	<b>12,665</b>	<b>6,219</b>
Income taxes-current	5,367	2,631
Income taxes-deferred	(659)	(254)
<b>Total income taxes</b>	<b>4,708</b>	<b>2,377</b>
<b>Profit</b>	<b>7,956</b>	<b>3,841</b>
Loss attributable to non-controlling interests	(16)	(25)
<b>Profit attributable to owners of parent</b>	<b>7,972</b>	<b>3,866</b>

Note: 2022.9 is not subject to audit.

## Consolidated Statement of Changes in Equity

2022.9

(Millions of yen)

	Shareholders' equity				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity		
<b>Balance at beginning of period</b>	382	4,251	136,624	141,258		
<b>Changes during period</b>						
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		
<b>Balance at end of period</b>	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		
<b>Balance at beginning of period</b>	0	38	479	518	1,080	142,857
<b>Changes during period</b>						
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
<b>Balance at end of period</b>	623	67	1,653	2,344	1,053	152,495

2023.9

(Millions of yen)

	Shareholders' equity				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity		
<b>Balance at beginning of period</b>	382	4,251	144,463	149,097		
<b>Changes during period</b>						
Dividends of surplus			(133)	(133)		
Profit attributable to owners of parent			3,866	3,866		
Net changes in items other than shareholders' equity						
Total changes during period	–	–	3,732	3,732		
<b>Balance at end of period</b>	382	4,251	148,196	152,830		

	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		
<b>Balance at beginning of period</b>	623	67	1,653	2,344	1,053	152,495
<b>Changes during period</b>						
Dividends of surplus				–		(133)
Profit attributable to owners of parent				–		3,866
Net changes in items other than shareholders' equity	(325)	27	806	508	(16)	491
Total changes during period	(325)	27	806	508	(16)	4,224
<b>Balance at end of period</b>	298	95	2,459	2,853	1,036	156,720

## Consolidated Statement of Cash Flows

(Millions of yen)

	2022. 9	2023. 9
<b>Cash flows from operating activities</b>		
Profit before income taxes	12,665	6,219
Depreciation	5,123	5,068
Impairment loss	279	244
Amortization of goodwill	120	65
Gain on change in equity	–	(15)
Increase (decrease) in provision for bonuses	(143)	(33)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	30	(56)
Interest and dividend income	(47)	(32)
Interest expenses	15	10
Share of loss (profit) of entities accounted for using equity method	1,892	1,994
Loss (gain) on valuation of investment securities	2,001	(2,166)
Loss (gain) on sales and retirement of non-current assets	82	1
Decrease (increase) in trade receivables	319	(1,335)
Decrease (increase) in inventories	(1,317)	(5,578)
Increase (decrease) in trade payables	235	2,024
Decrease (increase) in other current assets	(332)	(478)
Increase (decrease) in other current liabilities	448	1,828
Other, net	(1,592)	(2,897)
Subtotal	19,779	4,864
Interest and dividends received	47	31
Interest paid	(14)	(11)
Income taxes (paid) refund	(3,161)	(6,617)
<b>Net cash provided by (used in) operating activities</b>	<b>16,651</b>	<b>(1,732)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,037)	(5,717)
Purchase of intangible assets	(2,998)	(1,044)
Decrease (increase) in time deposits	24	164
Purchase of investment securities	(2,101)	(1,584)
Purchase of shares of subsidiaries and associates	(282)	(346)
Proceeds from redemption of investment securities	300	–
Other, net	497	500
<b>Net cash provided by (used in) investing activities</b>	<b>(7,597)</b>	<b>(8,029)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(393)	(392)
Dividends paid	(133)	(133)
Other, net	(62)	(90)
<b>Net cash provided by (used in) financing activities</b>	<b>(589)</b>	<b>(617)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>731</b>	<b>51</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,194</b>	<b>(10,327)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>59,547</b>	<b>68,741</b>
<b>Cash and cash equivalents at end of period</b>	<b>68,741</b>	<b>58,414</b>

\* 2022.9 is not subject to audit.

## Business performance

### Results in the fiscal year ended September 2023

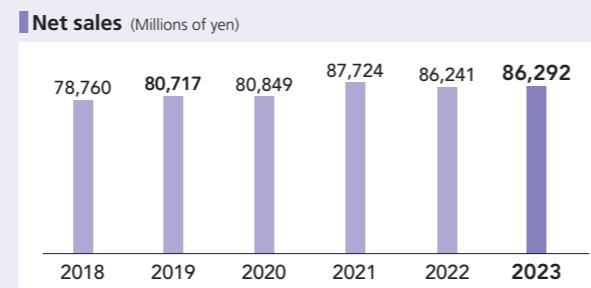
Japan's prescription drug market showed a gradual recovery trend despite the impact of COVID-19 due mainly to increases in sales of anticancer drugs and immunosuppressive agents. In addition, the springs, medical devices and components, and machinery industries, which correspond to our other businesses, were affected by soaring prices of materials and parts. As a result, net sales for the fiscal year increased 0.8% from the previous fiscal year to 96,184 million yen. We recorded operating profit of 6,227 million yen (down 62.1% year on year), ordinary profit of 6,967 million yen (down 53.7%), and profit attributable to owners of parent of 3,866 million yen (down 51.5%).

### Outlook for the fiscal year ending September 2024

With atopic dermatitis, acne, hyperhidrosis, and herpes zoster (shingles) as our focus areas, we will compensate for the decline in net sales caused by drug price revisions and maintain our growth trajectory by efficiently allocating resources and carefully responding to the unmet needs of individual patients. In the fiscal year ending September 2024, we forecast net sales to increase to 98,885 million yen (up 2.8% year on year). This is because we plan to obtain additional indications for pediatric use of the antibody drug *Mitchga Syringes*, a treatment agent for pruritus associated with atopic dermatitis, as well as its use for prurigo nodularis, expect early market penetration, and achieve further growth in new businesses such as diagnostic drugs.

### Analysis of pharmaceutical business

Product name	Reason	Change in sales
Blood-flow accelerative/skin moisturizing agent <i>Hirudoid</i>	Drug price revisions	Down
Human anti-human IL-31 receptor A monoclonal antibody <i>Mitchga Syringes</i>	Provision of new treatment methods	Up
Primary axillary hyperhidrosis treatment agent <i>Rapifort Wipes</i>	Continuous provision of new treatment methods	Up



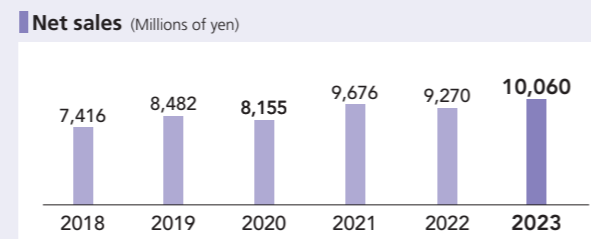
Net sales ..... **86,292 million yen** (up 0.1% year on year)  
 Operating profit ..... **6,373 million yen** (down 61.9% year on year)

### Analysis of 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 10,060 million yen (up 8.5% from the previous fiscal year), achieving over 10,000 million yen for the first time, with operating loss of 167 million yen (operating loss of 325 million yen recorded in the previous fiscal year).

In the fiscal year ending September 2024, we forecast that net sales will rise by 10,600 million yen (up 5.4% year on year). This will result from winning more new orders in the springs business, assembling medical devices in the medical devices

business, and building mass production technology for stents, standardization and unitization in the machinery business, and taking on the challenge of reforming productivity.



Net sales ..... **10,060 million yen** (up 8.5% year on year)  
 Operating loss ..... **167 million yen** (158 million yen decrease in operating loss from the previous fiscal year)

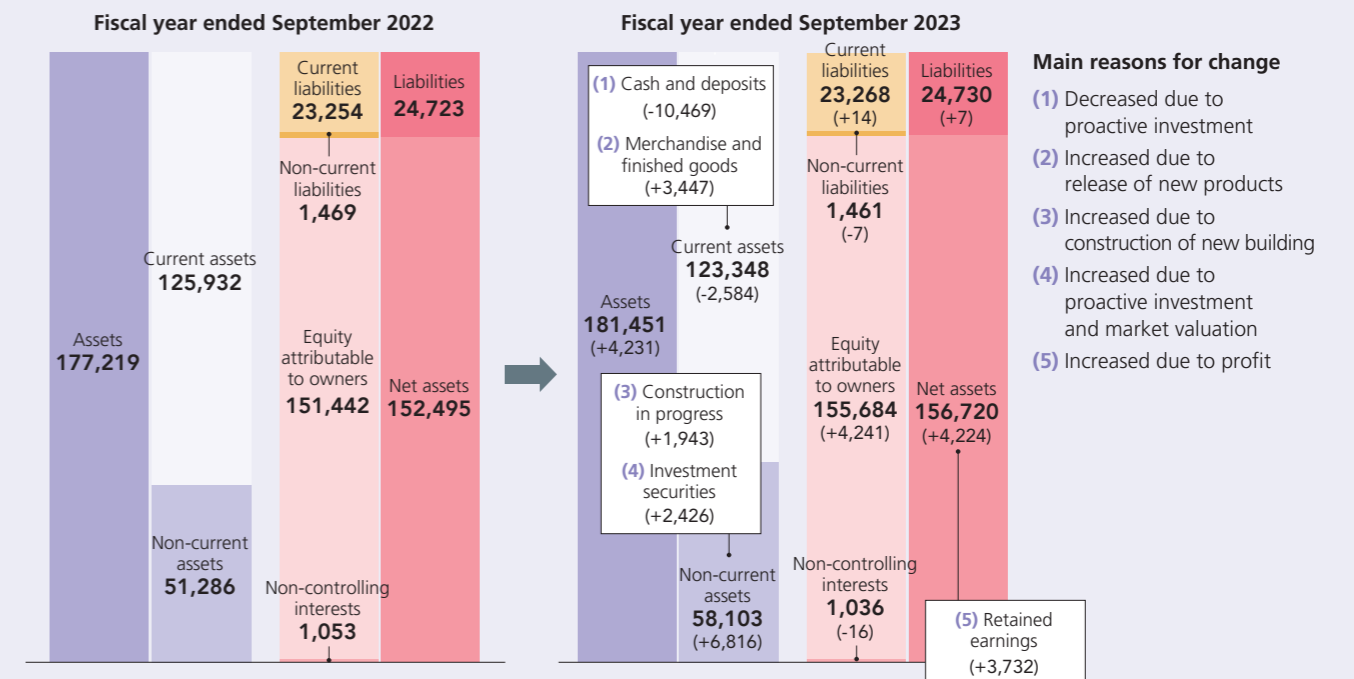
## Financial position

Total assets as of September 30, 2023 increased by 4,231 million yen from September 30, 2022 to 181,451 million yen. Current assets decreased by 2,584 million yen, mainly due to a decrease in cash and deposits of 10,469 million yen and an increase in merchandise and finished goods of 3,447 million yen. Fixed assets increased by 6,816 million yen, mainly due to increases in construction in progress of 1,943 million yen and in investment securities of 2,426 million yen. Total liabilities increased by 7 million yen year on year to 24,730 million yen. This was due to an increase in current liabilities of 14 million yen and a decrease in non-current liabilities of

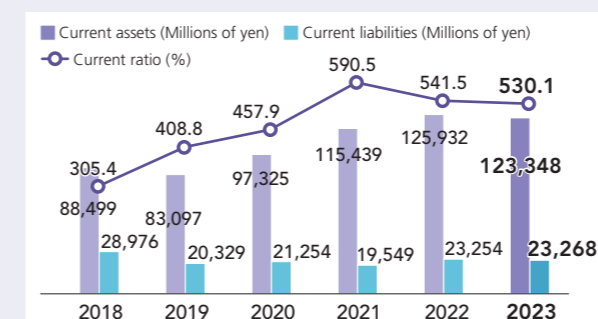
7 million yen. Total net assets increased by 4,224 million yen compared to September 30, 2022 to 156,720 million yen, mainly due to an increase in retained earnings of 3,732 million yen.

With both the current ratio and the equity-to-asset ratio at a high level of 530.1% and 85.8%, respectively, we maintain sufficient health in terms of both short-term and long-term solvency.

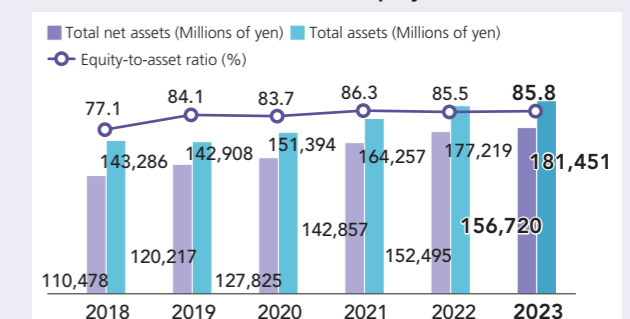
### Overview of Consolidated Balance Sheet (Millions of yen)



### Current assets / Current liabilities / Current ratio



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



## Cash flows

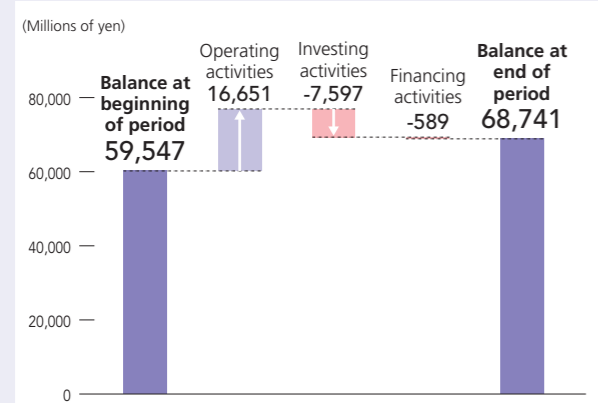
The balance of cash and cash equivalents as of September 30, 2023 was 58,414 million yen (down 15.0% from September 30, 2022). Detailed changes in each cash flow are presented in the graph below.

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 manufacturing facilities, enhancement of R&D functions, and acquisition of sales rights. In addition to these investments, the Maruho Group maintains a level of cash and deposits that can be used for 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 2023. We have also established commitment lines totaling 10 billion yen with financial institutions in Japan, making us prepared for liquidity support.

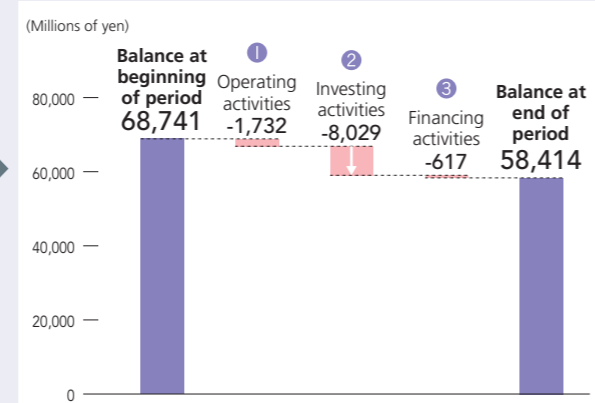
### Overview of Consolidated Statement of Cash Flows

#### Fiscal year ended September 2022



Note: Effect of exchange rate change on cash and cash equivalents (731 million yen) is included in Balance at end of period.

#### Fiscal year ended September 2023



Note: Effect of exchange rate change on cash and cash equivalents (51 million yen) is included in Balance at end of period.

#### 1 Cash flows used in operating activities

Cash flows used in operating activities totaled 1,732 million yen, (net cash inflow of 16,651 million yen in the previous fiscal year.) This was due to profit before income taxes of 6,219 million yen, which decreased year-on-year due to proactive investments, an increase in inventories in preparation for new product launches and payment of income taxes.

#### 2 Cash flows used in investing activities

Cash flows used in investing activities increased 5.7% from the previous fiscal year, to 8,029 million yen, mainly due to payment of 6,762 million yen for active capital investment to purchase tangible and intangible fixed assets.

#### 3 Cash flows used in financing activities

Cash flows used in financing activities increased 4.6% from the previous fiscal year, to 617 million yen.

## Investments

### Investment decisions

Our approach to investments is to make well-balanced investments for sustainable growth and aspire to maximize net sales. For this reason, we regularly monitor our financial position and promote operational efficiency and the reduction of unnecessary operations, with the aim of acquiring funds that will lead to new investments in the future.

Opportunities to invest in startup companies are on the rise, and we are gradually seeing results in the form of strengthening the early development pipeline, reducing development costs and speeding up the process, and increasing the level of experience in R&D.

We make investment decisions based on an awareness of whether the investment can generate stable cash and enable us to clear the management indicator of securing core operating profit of 35% or more. On the other hand, since it is the responsibility of pharmaceutical companies to build a system that can provide a high-quality and stable supply under any circumstances, we will continue to invest in IoT and new technologies.

### Capital expenditure

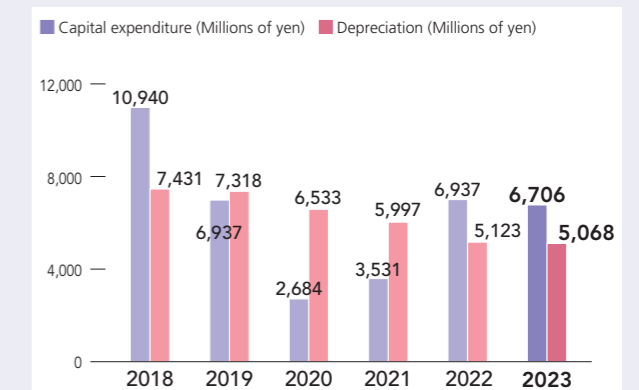
The Group is continuously carrying out capital investments, focusing on the expansion of pharmaceutical manufacturing facilities and the enhancement and strengthening of R&D functions.

Total capital expenditures for the fiscal year ended September 30, 2023 amounted to 6,706 million yen. In the pharmaceutical business, capital expenditures totaled 6,183 million yen.

The main investments were the acquisition of manufacturing facilities and renovation of existing buildings at the Hikone Plant, the acquisition of laboratory equipment at the Kyoto R&D Center, the renovation of existing buildings, the introduction and modification of software for the purpose of improving internal work efficiency, and the construction of a new building for Tateyama Pharmaceutical Factory Co., Ltd.

In other businesses, capital expenditures totaled 523 million yen. The main investments were the acquisition of manufacturing facilities such as at Maruho Hatsujyo Kogyo Co., Ltd.

### Capital expenditure / Depreciation





# Maruho Hatsujyo Kogyo Co., Ltd. Honing technologies and creating business opportunities to grow further into a value-creating company

## Addressing customer needs while growing with precision processing technologies

**Kunihiro Iwase** President Maruho Hatsujyo Kogyo Co., Ltd.

At Maruho Hatsujyo Kogyo, we constantly consider better methods, incorporating the skills of our artisans, and doing our best to deliver safe, secure, and high-quality products to meet the needs of our customers.

We believe that the workplace is where each and every employee can boost their efforts and achievements and feel a sense of job satisfaction and growth. We will continue to provide products with a sense of speed by making the most of the technology we have, from traditional manual labor to the use of the latest equipment, while maintaining reliable technology and a mindset unafraid of change.



### Maruho Hatsujyo Kogyo and Maruho

Maruho Hatsujyo Kogyo Co., Ltd. (below, "Maruho Hatsujyo Kogyo") was established in 1952 as the springs division of Maruho Shouten, the predecessor of Maruho Co., Ltd. In the unstable economic environment after World War II, Maruho Shouten entered the springs business hoping to generate funds to sustain its pharmaceutical business. Later, in 1954, the springs business was spun off from Maruho Shouten as Maruho Hatsujyo Kogyo. Today, Maruho Hatsujyo Kogyo is growing into a global manufacturing company with strengths in precision metal processing, centered on the springs, machinery, and medical devices and components businesses. Headquartered in Kyoto, Maruho Hatsujyo Kogyo operates as a corporate group with two domestic and seven overseas companies.

Maruho Hatsujyo Kogyo and Maruho have maintained a close cooperative relationship for about 70 years. The two companies mainly collaborate in the development of medical devices, and they actively engage in personnel exchanges.

### Maruho Hatsujyo Kogyo Co., Ltd. (As of September 2023)

<b>Establishment</b>	1954
<b>Number of employees</b>	494 (Consolidated) / 291 (Non-consolidated)
<b>Capital</b>	93.6 million yen
<b>Business</b>	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

### Group companies

<b>Japan</b>	Kameoka Spring Co., Ltd. (Springs business)
<b>Asia</b>	Maruho Hatsujyo (Thailand) Co. Ltd. (Springs business, Thailand) Maruho Hatsujyo Asia Pte. Ltd. (Springs business, Singapore) Pt. Maruho Hatsujyo Batam (Springs business, Indonesia)
<b>U.S.</b>	Maruho Hatsujyo Innovations, Inc. (North American regional headquarters) Maruho Machinery Solutions, Inc. (Machinery business) Maruho Relucent, Inc. (Medical devices and components business, metal components) Maruho Plastics Solutions, Inc. (Medical devices and components business, resin components)

### Assessment of the fiscal year ended September 2023

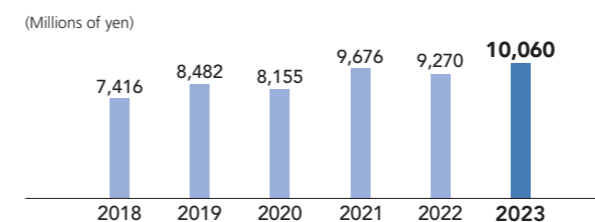
The fiscal year ended September 2023 marked the final year of Maruho Hatsujyo Kogyo's Third Medium-Term Plan and 70th anniversary.

Based on our newly formulated Mission, we focused on improving our ability to respond to the diverse needs of our customers. Under the banner of "horizontally expanding our on-site capabilities," we promote manufacturing that transcends the boundaries between businesses. We have formed a company-wide cross-functional team called the Ameba Project for themes that cannot be handled by a single department alone. This team is responding to needs by bringing together our technologies and know-how. At the same time, we promoted the creation of a more inclusive work environment through in-house internships so that employees can take an interest in other businesses. Going forward, we will continue to integrate and utilize the resources within the Group to create new value and expand our business.

In addition, with the aim of increasing production capacity, we started construction of a new building at the Kameoka Plant in June 2023.

In terms of business performance, the Maruho Hatsujyo Kogyo Group achieved total net sales of 10,060 million yen (up 8.5% year on year), exceeding 10,000 million yen for the first time.

### Net sales of the Maruho Hatsujyo Kogyo Group



### Initiatives for the fiscal year ending September 2024 and beyond

In the Fourth Medium-Term Plan, which will span the three-year period from the fiscal year ending September 2024, we will further promote the "mobilization of Group strengths." We have set the following as challenges: improve profitability in global markets, expand sales of core products, standardize design and manufacturing processes, further develop our processing technologies, and create new product businesses. With our basic policy of "honing technologies and creating business opportunities," the five main themes are "digital marketing (expand sales using marketing automation)," "productivity reform," "technological reform," "human resource development and work style reform," and "global management development."

We will conduct business based on our new Corporate Philosophy announced in December 2022, and aim to achieve consolidated net sales of 12,500 million yen in the fiscal year ending September 2026 globally.

### Sustainability initiatives

Since its founding, Maruho Hatsujyo Kogyo has always been closely in tune with its customers and has contributed to solving their problems through technological development that accurately captures their needs. In order to continue to live up to the trust of society, we are



Maruho Hatsujyo Kogyo's Sustainability Report

practicing management that aims to contribute to sustainable growth and the achievement of the SDGs based on the 10 principles of the United Nations Global Compact.

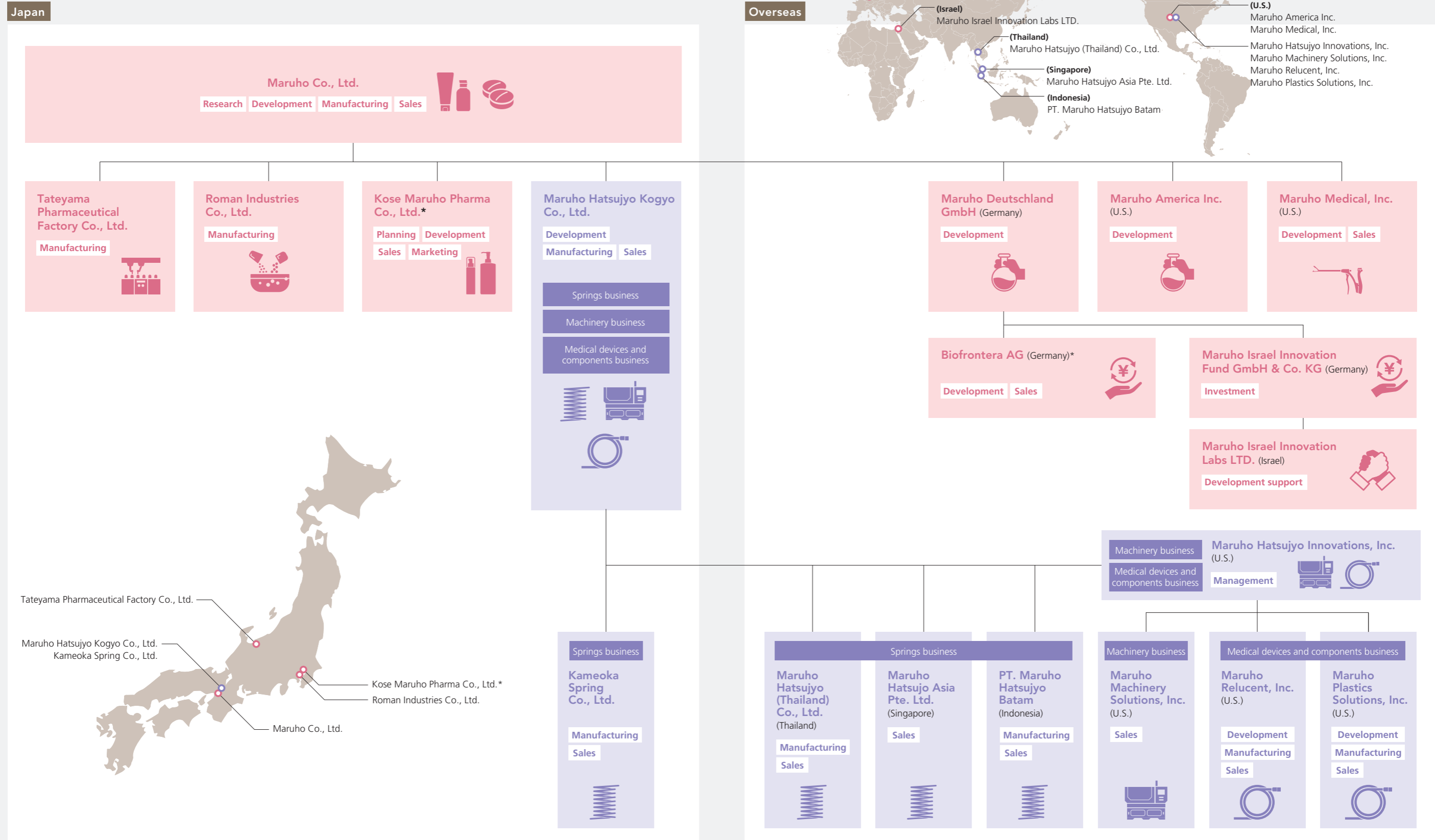
In order to deepen employees' understanding of our sustainability initiatives, we have been issuing a Sustainability Report geared toward employees since December 2022.

### Initiatives in each business in the fiscal year ended September 2023

Business	Specific initiatives
<b>Springs business</b>	<ul style="list-style-type: none"> <li>•<b>Expanded sales of domestic business:</b> Created high added value businesses and expanded sales into growth markets</li> <li>•<b>Grew businesses in Asia:</b> Pursued sales and marketing localized for Asia, conducted production at an optimum location, and expanded sales in ASEAN</li> </ul>
<b>Machinery business</b>	<ul style="list-style-type: none"> <li>•<b>Strengthening core business:</b> In addition to the pharmaceutical business, expanded sales to food, cosmetics, and medical devices, etc.</li> <li>•<b>New businesses:</b> Developed and marketed tube filling machine</li> <li>•<b>North American Region:</b> Developed and marketed Eagle LP (standard model)</li> </ul>
<b>Medical devices and components business</b>	<ul style="list-style-type: none"> <li>•<b>Strengthened core business:</b> Expanded business dealings with new major customers</li> <li>•<b>New businesses:</b> Expanded the stents business</li> <li>•<b>North American Region:</b> Strengthened collaboration between operations in Japan and North America</li> </ul>

## Major Maruho Group Companies

Red : Pharmaceutical business    Purple : Other businesses (springs, medical devices and components, and machinery)



\* Equity method affiliates