Mochida Pharmaceutical Group

Integrated Report 2023

By meeting medical and healthcare needs, we aim to make an even greater contribution to the improvement of human health.

There are definitely things that we can do for patients.

We will continue developing innovative medicines by grasping medical and healthcare needs.

Motto

Farsighted, Innovative Research

Corporate Philosophy

Actively contributing to human health and well-being in the field of medicine, totally committed to the development of innovative products.

CONTENTS

Editorial Policy To increase understanding of the Mochida Pharmaceutical Group among all stakeholders, we have compiled this integrated report that includes non-financial information, such as our value creation story, business activities and ESG information, and financial information. When preparing this report, we referred to the Integrated Reporting Framework advocated by the IFRS Foundation.

Organizations covered Mochida Pharmaceutical Group (Mochida Pharmaceutical Co., Ltd. and its consolidated subsidiaries)

Period covered Centered on activities from April 1, 2022 through March 31, 2023, but also refers to more recent news

Published September 2023

The stained-glass window expresses a prayer for health and depicts St. Luke, the patron saint of the medical profession, administering medicine to people who are suffering.

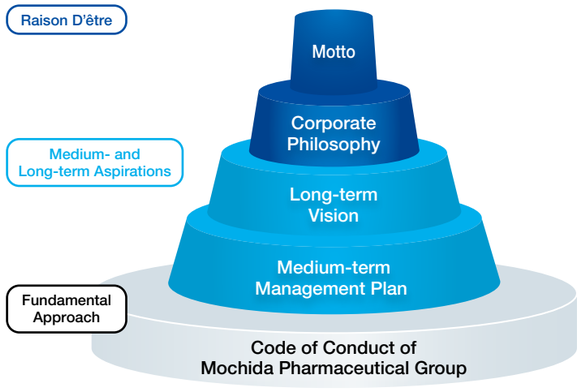
This stained-glass window is displayed in the lobby of Mochida headquarters building.

Basic Management Policies

Mochida Pharmaceutical Group expresses its raison d'être in its motto **"Farsighted, Innovative Research"** and its corporate philosophy **"Actively contributing to human health and well-being in the field of medicine, totally committed to the development of innovative products."**. Also, to achieve sustainable growth, we indicate our medium- and long-term aspirations in its long-term vision and three-year management plan.

We set out our fundamental approach for conducting corporate activities in an appropriate manner, striving for compliance, and contributing to the realization of a sustainable society in our Code of Conduct.

Basic Management Policies



Long-term Vision/Vision for 2031

Mochida Pharmaceutical Group's long-term vision is to **"Grow as a unique life and healthcare group whose raison d'être is recognized internationally and which meets medical and healthcare needs."**

In May 2022, to achieve sustainable growth by overcoming a business environment that is expected to become increasingly severe in the future, we have given shape to our long-term vision and developed the "Vision for 2031" that the Group aims to realize in 2031.

Amid the diversification and sophistication of medical care, such as addressing intractable and rare diseases that have been difficult to treat with conventional small molecules and antibody drugs alone, to take on the challenge of addressing unmet medical and health needs by incorporating new drug discovery modalities that are expected to grow in the future.

In addition to the current mainstay pharmaceutical and healthcare businesses, to work to position the biomaterials business as one of the pillars of the next generation.

Efforts toward 2031

Pharmaceutical business

- To incorporate new drug discovery modalities, such as cells, nucleic acids, and genes, to enhance our drug discovery pipeline and maintain the position as a core business;
- Among them, to position regenerative medicine products as one of our focus areas and give priority to projects using mesenchymal stem cells;
- To launch products from our pipeline that incorporate new drug discovery modalities, including regenerative medicine products, by FY2031.

Biomaterials business

- To promote each project based on alginate, which is expected to have various medical applications, and work for an early launch and business expansion. Also, to promote development with a view to global expansion.

Healthcare business

- To focus on developing high-performance, value-added dermatological skin care products through communications with physicians, pharmacists, and nurses etc.
- To steadily expand the scale of our business by improving our business structure via the investment of sales resources, etc., focusing on new areas, and introducing new and renewed products.

Global expansion

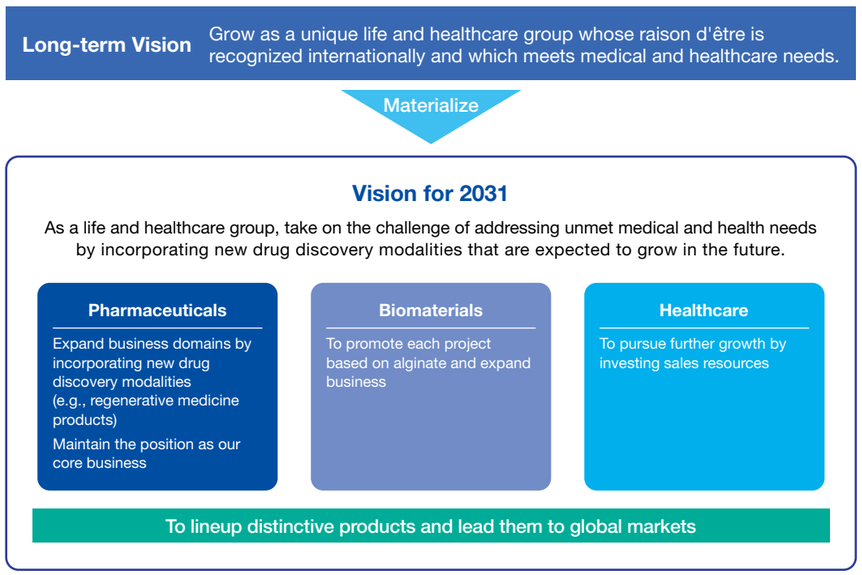
- To expand into overseas markets by offering a lineup of distinctive products that meet the needs in each business segment;
- To launch highly purified EPA drugs in Vietnam, China, the U.S., and other countries, subsequently to Thailand;
- Also, to promote the development of medical devices in our biomaterials business and regenerative medicine products in our pharmaceuticals business, which we aim to launch in the future, with a view to global expansion.

Scale of business targeted for 2031

We aim to achieve sales of approximately 40 billion yen, including product fields such as the biomaterials business products and regenerative medicine products in the pharmaceutical business, which are positioned as one of the pillars of the next generation.

With these new businesses as growth drivers, we aim to develop our business to achieve total net sales of 140 billion yen and an operating margin of 15%.

Vision for 2031



Medium-term Management Plan

To realize its “Vision for 2031,” Mochida Pharmaceutical Group has adopted the 22-24 Medium-term Management Plan (22-24 MTP) as an action plan for issues to be addressed over the three-year period from FY2022 to FY2024 from the perspective of the sustainable enhancement of corporate value and in alignment with its Group’s Basic Sustainability Policy.

The business environment surrounding the pharmaceutical industry is expected to become even more challenging going forward, given the continued promotion of policies to curb drug costs against the backdrop of the problem of securing financial resources for social security expenses. The Group will continue to invest in growth to realize its “Vision for 2031,” in spite of the expectation of a temporary deterioration in earnings during the 22-24 MTP period.

Medium-term Management Plan
Policy for the fiscal years 2022 through 2024

We will respond to medical and healthcare needs with concentration of the total power of the Group covering research and development, manufacturing and marketing, pursue sustainable growth by promoting selection and focusing processes, and restructure the earnings structure to respond to further environmental changes.

Key issues to be addressed

During the 22-24 MTP period, we will focus on the following issues under the theme of innovation creation and productivity improvement.

1. Maximization of profits in targeted areas with a focus on new drugs
   - To concentrate our resources on the targeted areas (cardiovascular medicine, obstetrics and gynecology, psychiatry, and gastroenterology) to maintain our prominence and maximize earnings from new drugs in our core pharmaceutical business;
   - To continually work to maintain a stable supply and proper quality of our products, while promoting improvements in our cost structure by reducing procurement costs and reviewing our product lineup.

2. Continuous investment in growth to realize the “Vision for 2031”
   To pursue investments in business activities that will lead to future competitiveness;
   - To work to expand and promote the biomaterials business and aim for an early launch;
   - To incorporate new drug discovery modalities, such as cells, nucleic acids, and genes. To give priority to development especially in the field of regenerative medicine products.

3. Strengthening of the corporate organization to create innovation and improve productivity
   - To harmonize and coordinate four approaches: optimization of business processes and business quality level, promotion of digital transformation, institutional reform, and the promotion of facility management, in order to achieve efficient organizational operations and increase corporate value;
   - To continue to support capacity development to improve performance and promote the development of human resources that will drive innovation;
   - To focus on strengthening our human resource management system to ensure development and vitalization of human resources;
   - To work to improve our organizational capabilities by optimizing our personnel strategy and allocation, while strengthening interdepartmental cooperation.

Shareholder returns

Mochida Pharmaceutical Group considers it important to continuously strive to increase corporate value by developing business performance and return appropriate profits to shareholders. Our basic policy is to maintain stable dividends while enhancing internal reserves for future business development, and we will determine dividends based on an awareness of the importance of returning profits to shareholders according to revenues.

The business environment is expected to become more severe, we intend to maintain the dividend of at least 80 JPY per share during the 22-24 MTP period.

We also intend to acquire treasury shares in a flexible manner in response to changes in the business environment.

Code of Conduct

Mochida Pharmaceutical Group sets forth its fundamental approach not only for conducting corporate activities appropriately from the ethical perspective as a life and healthcare business, but also for striving for compliance (i.e. sincerely responding to the needs of society including legal compliance), which is an absolute precondition for going concern as a social existence and for contributing to realization of a sustainable society, as follows.

Code of Conduct of Mochida Pharmaceutical Group

1. Fundamental Approach to Business Activities

(1) We contribute to human health/well-being through stable supply of highly effective and safe products as a life/healthcare business.

(2) Through appropriate business activities, we aim to gain the support of internal and external stakeholders.

(3) In all our corporate activities, we ensure fairness and transparency, and if ever our commercial interests are at odds with our ethical principles, we choose the ethical course of action.

(4) We always take environmental impacts into consideration in our business activities.

2. Fundamental Approach towards Social Demands

(1) We comply with laws, regulations and our rules established by each internal department, respond sincerely to the various demands of society, and conduct corporate activities with high ethical standards. We also pursue activities on an ongoing basis to nurture ethical awareness of all employees.

(2) We appropriately manage company information and disclose accurate information quickly and fairly to communicate openly with society.

(3) We respect the personality and individuality of all employees and aim to realize diverse work styles and to improve the skills of each employee. We also strive to maintain and improve safe and healthy environment at workplace.

(4) We make sure that risks which might affect our business activities are managed as an enterprise.

(5) We maintain a resolute attitude against anti-social forces.

3. Fundamental Approach of Senior Management (Led by Representative Director)

(1) Senior management will serve as a leading model to instill this Code of Conduct in the employees of Mochida Pharmaceutical Group, recognizing its responsibility to materialize the spirit of this Code of Conduct.

(2) Senior management will develop effective internal systems with comprehension of internal and external feedback and seek to materialize corporate ethics.

(3) Senior management will provide a whistleblowing hotline as one such effective internal system by which anyone who notices a violation or potential violation of this Code of Conduct may report quickly and easily. Further, we manage the facts and details known by whistleblowing in the strictest confidence and strictly preserve the interests of whistleblowers, prohibiting any retaliatory action or disadvantageous treatment against whistleblowers.

(4) In the event of violation of this Code of Conduct, senior management will take responsibility for resolving the issue and strive to investigate the cause and to prevent its recurrence.

Corporate development

Since its foundation, Mochida Pharmaceutical Group has consistently grown by contributing to medical advances in Japan as the first company in Japan to manufacture injections and a developer of “unique products” encompassing hormones, enzymes and immunology, in line with its motto “farsighted, innovative research.”

The Group will constantly pursue “unique value” and, as a group in the life and healthcare business, will strive to meet unmet medical and healthcare needs.

History

Mochida Pharmaceutical Group traces its origins back to 1913 when founder Ryokichi Mochida opened a pharmacy in Hongo, Tokyo and began manufacturing pharmaceuticals.

Starting with *Ogoko*, the first ophthalmic ointment developed in Japan, Mochida provided unique products, whilst branching out into new areas such as hormones, enzymes, immunology, biopharmaceuticals and *in-vitro* diagnostic agents.

We became a joint-stock company in 1945 and, with the launch of sales and marketing activities in 1949, we became a fully integrated pharmaceutical company covering everything from R&D through to sales and marketing.

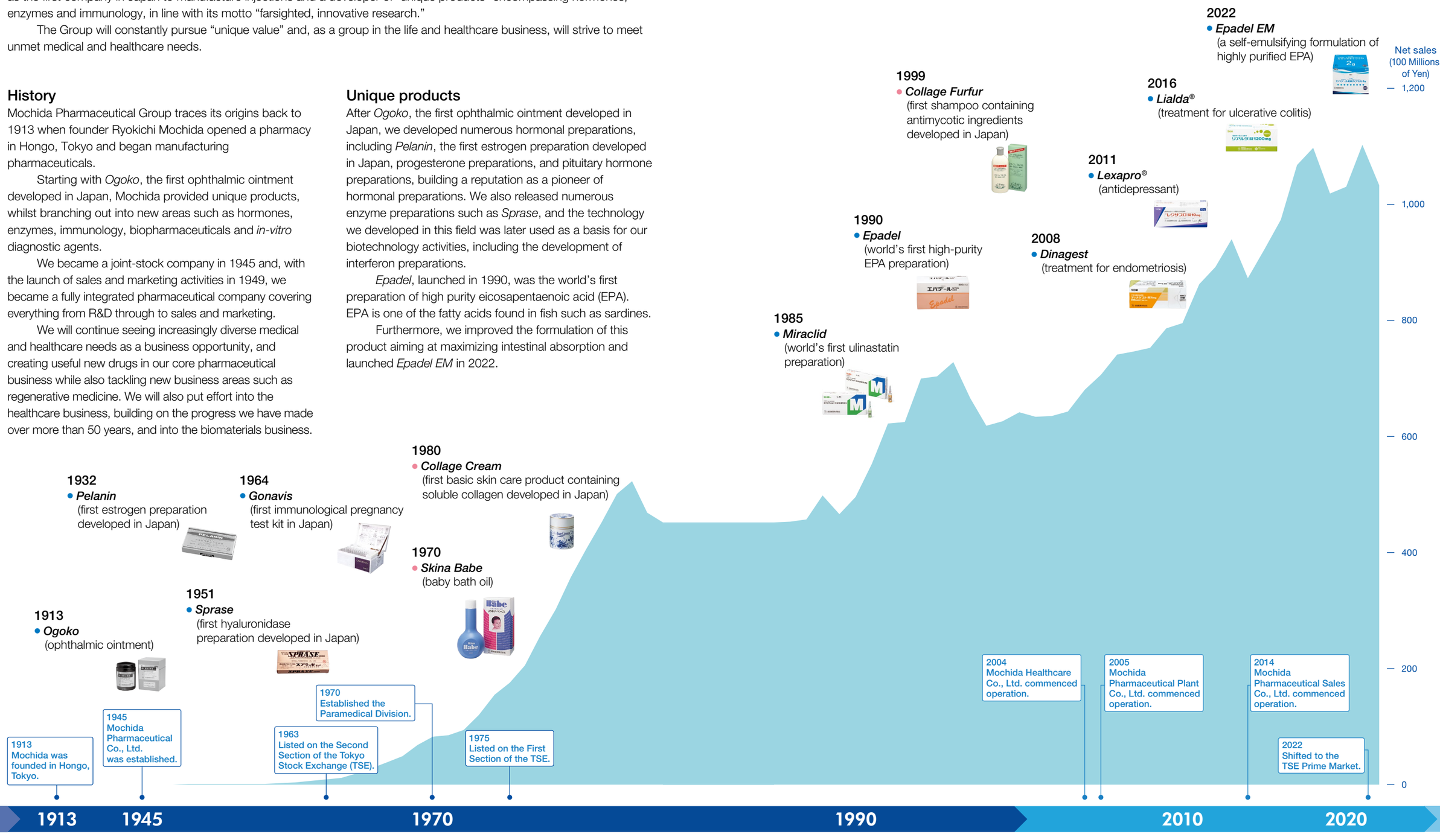
We will continue seeing increasingly diverse medical and healthcare needs as a business opportunity, and creating useful new drugs in our core pharmaceutical business while also tackling new business areas such as regenerative medicine. We will also put effort into the healthcare business, building on the progress we have made over more than 50 years, and into the biomaterials business.

Unique products

After *Ogoko*, the first ophthalmic ointment developed in Japan, we developed numerous hormonal preparations, including *Pelanin*, the first estrogen preparation developed in Japan, progesterone preparations, and pituitary hormone preparations, building a reputation as a pioneer of hormonal preparations. We also released numerous enzyme preparations such as *Sprase*, and the technology we developed in this field was later used as a basis for our biotechnology activities, including the development of interferon preparations.

Epadel, launched in 1990, was the world’s first preparation of high purity eicosapentaenoic acid (EPA). EPA is one of the fatty acids found in fish such as sardines.

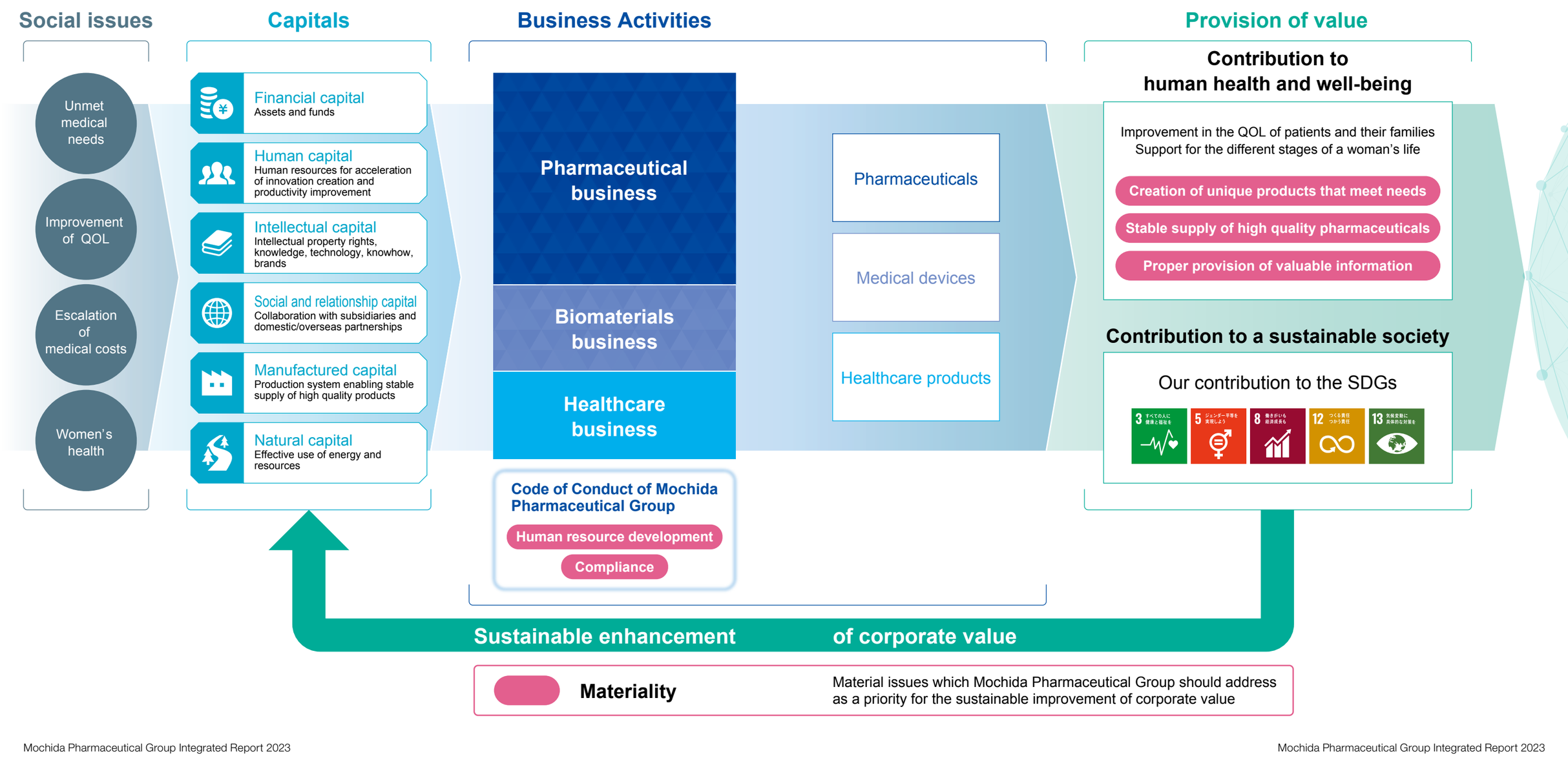
Furthermore, we improved the formulation of this product aiming at maximizing intestinal absorption and launched *Epadel EM* in 2022.



(For some products, the year of launch is given)

Value Creation Process

Mochida Pharmaceutical Group aims to grow as a unique life and healthcare group which meets medical and healthcare needs, gaining global recognition for its raison d'être, in accordance with its corporate philosophy "Actively contributing to human health and well-being in the field of medicine, totally committed to the development of innovative products." We are committed to the "creation of unique products to meet needs," the "stable supply of high quality pharmaceuticals" and the "proper provision of valuable information" through our activities in the pharmaceutical, biomaterials and healthcare businesses. Through the above activities, we aim to provide value as a pharmaceutical company in the form of "improvement in the QOL of patients and their families," "support for the different stages of a woman's life" and "contribution to human health and well-being." We are also committed to contributing to the realization of a sustainable society through these activities, which will, in turn, lead to achievement of the SDGs, and we will strive for sustainable enhancement of corporate value through continuous growth as a company needed by society.



Materiality

Mochida Pharmaceutical Group has formulated Basic Sustainability Policy to contribute to the realization of a sustainable society through its efforts to provide value as a pharmaceutical company.

We recognize action to address sustainability issues as an important management issue and have identified material matters which the Group should address as a priority for the sustainable improvement of corporate value as materiality (material issues). In FY2022, we established targets and key initiatives for addressing these material issues.

Basic Sustainability Policy

Mochida Pharmaceutical Group aims to grow as a unique and globally recognized life and healthcare group via meeting medical and healthcare needs in accordance with its corporate philosophy; "Actively contributing to human health and well-being in the field of medicine, continuously committed to the development of innovative products."

For enhancing the value of corporate sustainability, we will strive to provide value as a pharmaceutical company "contributing to human health and well-being" under appropriate corporate governance in accordance with the Code of Conduct of Mochida Pharmaceutical Group. We will also contribute to realize a sustainable society while making efforts to lessen our impact on the global environment.

Identifying material issues

Through an assessment focusing on the two aspects of "importance to society" and "importance to the Group," we identified "development of human resources," "compliance," "creation of unique products to meet needs," "stable supply of high quality pharmaceuticals" and "proper provision of valuable information" as material issues.

Process for identifying material issues

The Group identified material issues through the process shown in the figure on the right, with reference to various principles and guidelines. We will review our material issues as appropriate, with adapting flexibly to future changes in society.

[Identification Process]

Step1 Identifying issues

Identify a wide range of issues which are potential material issues, taking various principles and guidelines (SDGs, GRI Index, ISO26000, etc.) into consideration.

Step2 Organizing potential material issues

Map the identified issues on two axes: importance to society and importance to the Group, and narrow down the most important matters.

Step3 Identifying material issues

Identify the Group's material issues through internal discussion of the issues organized according to the above criteria, primarily at meetings of the Board of Directors and Sustainability Committee.

The Five Material Issues

Among the Group's five material issues, the Group will work on "development of human resources" and "compliance" as material issues underpinning the management foundations and on "creation of unique products to meet needs," "stable supply of high quality pharmaceuticals" and "proper provision of valuable information" as material issues in relation to our businesses.

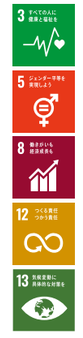
Material issues underpinning the management foundations

- We believe that a major driver underpinning corporate value creation is "human resources" and we will, therefore, strive to create company and workplaces where every employee can demonstrate their full potential and grow.
- We are committed to promoting "compliance," which is an absolute condition for corporate survival.

Material issues in relation to our businesses

- We will continue working on the "creation of unique products to meet needs," perceiving increasingly diverse medical and healthcare needs as a business opportunity and adapting to changes of the business environment.
- Through the "stable supply of high quality pharmaceuticals" and "proper provision of valuable information," we will contribute to human health and well-being and seek enhancement in our corporate value.

[Material issues underpinning the management foundations]

Material issues	Target	Main initiatives	Related SDGs
Human resource development	Develop human resources for acceleration of innovation creation and productivity improvement	• Support for performance-enhancing skills development • Training and education for human resource development for driving innovation • Revision of personnel systems for the realization of work styles that allow employees to take on challenges • Implementation of initiatives that help women to stay in good health and to actively participate	
Compliance	Seek to increase compliance awareness as an organization	• Provision of compliance training • Operation of whistleblowing and consulting	

[Material issues in relation to our businesses]

Material issues	Target	Main initiatives	Related SDGs

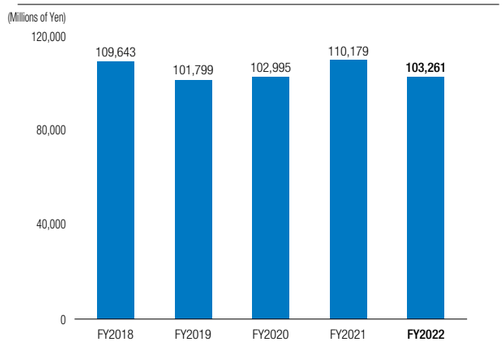
Creation of unique products that meet needs	Create farsighted, distinctive products and meet diversifying medical and healthcare needs	• Initiatives for new modalities
		  • Implementation of research and development projects
		  • Development of science & technology infrastructure
		• Active utilization of open innovation
			

Stable supply of high quality pharmaceuticals	Properly implement product quality management and endeavor to maintain a stable supply	• Implementation of supply chain management • Pursuit of stable operation at manufacturing sites • Maintenance and strengthening of reliability assurance system	
Proper provision of valuable information	Provide valuable information in compliance with the Guidelines for Sales Information Provision Activities for Ethical Drugs	• Achieve highly useful medical information provision through a mix of physical and digital channels • Implementation of supervision and monitoring of sales information provision activities	

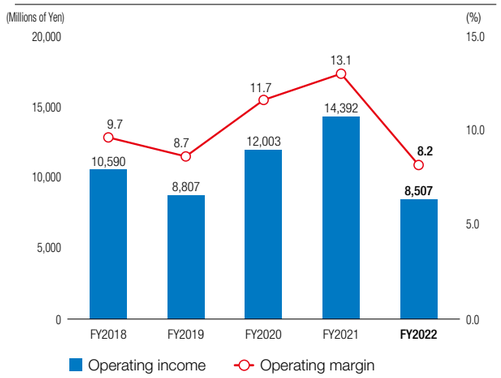
Financial and Non-Financial Highlights

Financial data (consolidated)

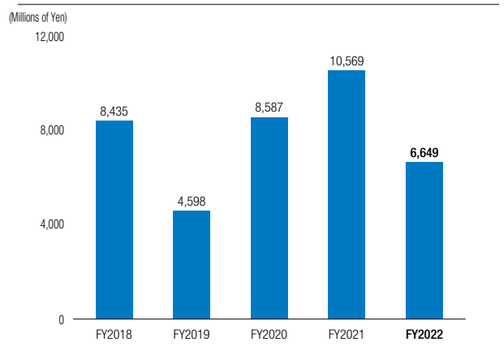
Net sales



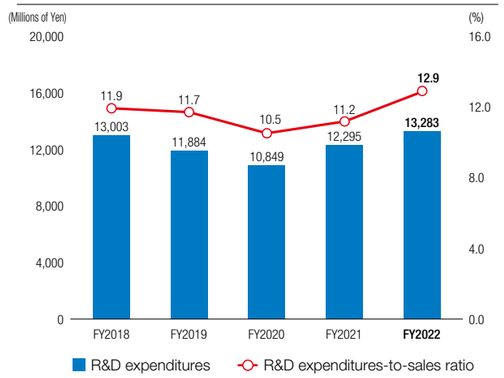
Operating income and operating margin



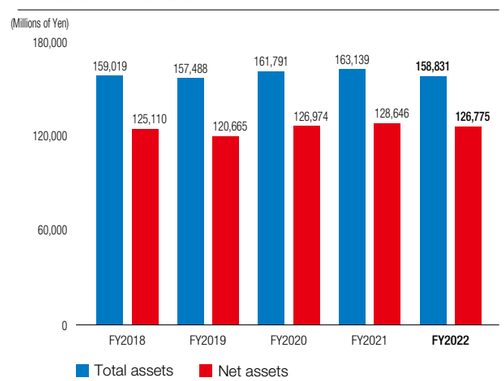
Profit attributable to owners of parent



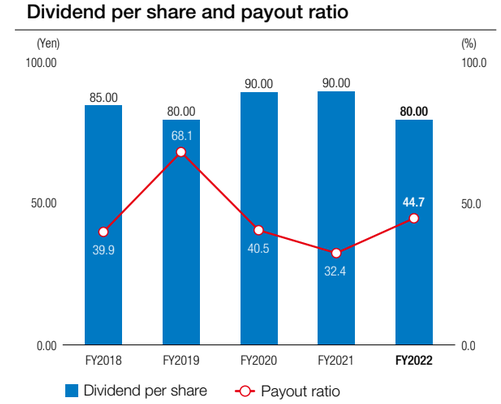
R&D expenditures and R&D expenditures-to-sales ratio



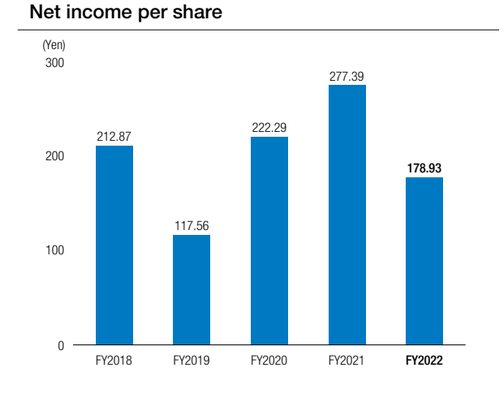
Total assets and net assets



Dividend per share and payout ratio



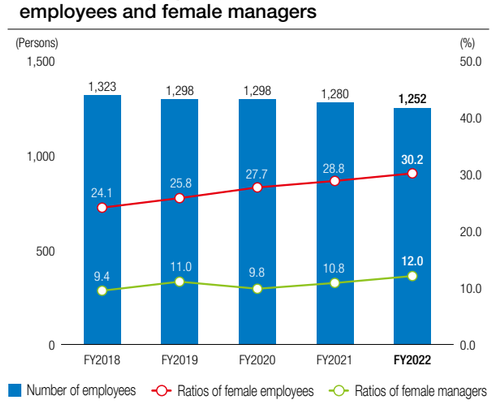
Net income per share



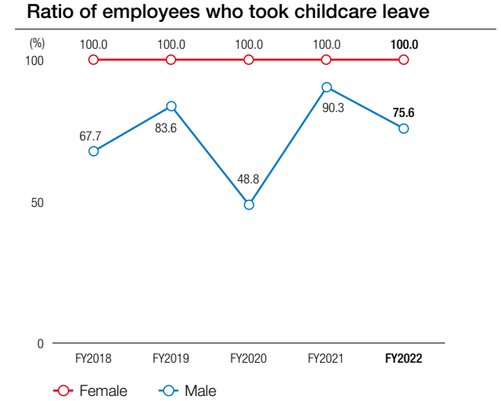
(Note) The Company also conducted a two-for-one share split of its common shares on April 1, 2019. Per-share information is calculated on the assumption that the share consolidation and share split were conducted on April 1, 2018.

Human resources (non-consolidated)

Number of employees, and ratios of female employees and female managers

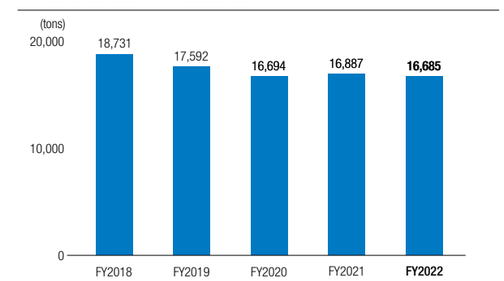


Ratio of employees who took childcare leave



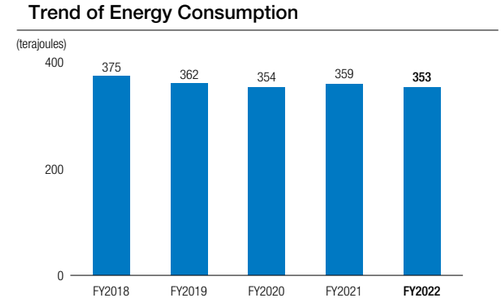
Environment

Trend of CO_2 Emissions



Sites covered; Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.
CO_2 emissions; Total amount of energy-related CO_2 emissions from fuel and electricity consumption

Trend of Energy Consumption



Sites covered; Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.
Energy consumption; Total consumption of all types of energy including electricity, fuel oil (until FY2019), gasoline, LNG and city gas

Contributing to human health and well-being through our business activities is our mission.

We intend to focus on the development of regenerative medicine products as advanced therapies for intractable and rare diseases to help improve the QOL of patients.

At the same time, we will provide support for the different stages of a woman's life, aiming to realize a society in which women enjoy good health and can actively participate.

We are also committed to the realization of a sustainable society, integrating ESG into our business activities, including operating under appropriate corporate governance, giving consideration to environmental issues such as climate, respecting human rights, and working to develop workplaces where diverse human resources can participate.

Naoyuki Mochida,
Representative Director, President

Interview with the President

Q Tell us about the business results and achievements in fiscal year 2022.

A In a challenging business environment, we started FY2022 expecting declines in sales and income, and our results were in line with our initial expectations.

In the Japanese pharmaceutical industry, the business environment remained harsh as the government continued to advance measures to reduce drug costs against the background of securing fiscal sources for social security expenses and competition among companies intensified.

The year before, in FY2021, we posted record high sales and net income, mainly reflecting growth in sales of new drugs and royalties received. However, in a challenging business environment, we started FY2022 expecting declines in sales and income, and our results were in line with our initial expectations.

The pharmaceutical business segment was impacted by NHI drug price revisions and the launch of generics for *Lexapro*® and posted decreased sales, with decline in sales of long-listed products offsetting growth in sales of new drugs.

Operating income fell, reflecting a decrease in gross profit as a result of lower sales in the pharmaceutical business segment and a year-on-year increase in SG&A expenses mainly attributable to higher R&D expenditure. Profitability was also impacted by a one-off increase in expenditure associated with the rebuilding of the new headquarters building and exchange rate fluctuation.

In terms of new products, we launched *Epadel EM Capsules*, a self-emulsifying formulation of highly purified EPA, *MOVICOL*® *Combination Powder HD* for the treatment of chronic constipation, and *Dienogest Tablets 0.5mg MOCHIDA* for the treatment of dysmenorrhea. Mochida Healthcare Co., Ltd. released *Collage Furfur Barrier Cream*.

Looking at our development pipelines, we obtained marketing approval for *Treprost*® *Inhalation Solution*, a treatment for pulmonary arterial hypertension (PAH), and released it in May 2023. We believe that the provision of an inhalation solution, which has a different clinical positioning from *Treprost*® *Injection*, which we released in 2014, further increases the options available for treatment of PAH and can help improve patients' QOL.

Regarding a pediatric indication of *Lexapro*® and the antidepressant MD-120, both of which were in the development pipeline, we completed phase III clinical trials for these drugs but decided to terminate their development. As regards business partnerships, we in-licensed *Omvoh*® from Eli Lilly Japan K. K. and *Cortiment*® from Ferring Pharmaceuticals Co., Ltd. Both drugs are indicated for the treatment of ulcerative colitis.

In regenerative medicine products, we entered into an alliance agreement with PuREC relating to the manufacturing process development of high purity mesenchymal stem cells or RECs (Rapidly Expanding Cells). Meanwhile, with respect to human umbilical cord-derived cell products, we entered into a joint commercialization agreement with Human Life CORD Japan Inc. and started a new project.

Q Tell us about progress on the 22-24 Medium-term Management Plan (22-24 MTP).

A In FY2022, which is the first fiscal year of the 22-24 MTP, we focused on the three priority issues and made good progress.

In May 2022, the Group established its "Vision for 2031," which embodies its long-term vision, and the three-year "22-24 MTP," which begins in FY2022. We aim to achieve sustainable growth through expansion of the biomaterials business, which is one of the pillars of the next generation, and business areas using new modalities such as regenerative medicine products, and we aim to develop our business to achieve total net sales of 140 billion yen and an operating margin of 15% in 2031. Our 22-24 MTP is the first step towards the realization of our "Vision for 2031" and the three-year period will be spent

laying the groundwork. Over this three-year period, we are focusing on three issues under the theme of innovation creation and productivity improvement.

In FY2022, which is the first fiscal year of the 22-24 MTP, we focused on these three priority issues and made good progress.

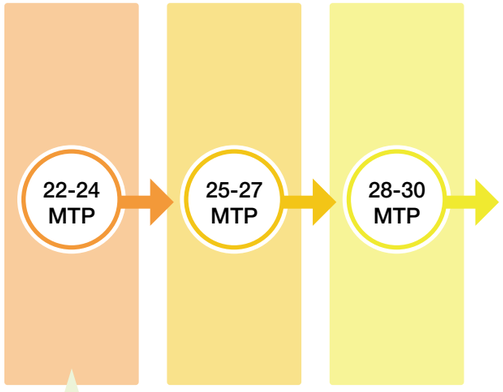
In progress on the first issue of "maximization of profits in targeted areas with a focus on new drugs," we released three products in FY2022: *Epadel EM Capsules, MOVICOL® Combination Powder HD,* and *Dienogest Tablets 0.5mg MOCHIDA.* Also, we enhanced our lineup of treatments for ulcerative colitis by in-licensing two products: *Omvoh®* and *Cortiment®*. We believe that a lineup of treatments for all degrees of ulcerative colitis, from mild to severe cases, will give more prescribing options based on patient symptoms and disease severity and will be even more helpful for improving the QOL of patients experiencing difficulties in their daily life. While we will focus on all our targeted areas, that is, cardiovascular medicine, obstetrics and gynecology, psychiatry, and gastroenterology, gastroenterology will be a particular focus of our efforts going forward.

Moving onto the second issue of "continuous investment in growth to realize the 'Vision for 2031," the biomaterials business, which we have positioned as one of the pillars of the next generation, is making good progress. We have made headway with each project, including preparation for a 510(k) application relating to limb nerve regeneration in the US, in addition to dMD-001, an articular cartilage lesion restoration material, and dMD-002, a treatment for cavernous nerve injury. Meanwhile, in the field of regenerative medicine products, we strengthened collaboration with partners and enhanced our product lineup. In addition, we have also made progress developing our business globally, marketing our high-purity EPA products worldwide, with emphasis on Asia. Preparations are also underway for the global expansion of our biomaterials business and regenerative medicine products.

As regards the third issue of "strengthening of the corporate organization to create innovation and improve productivity," we sought to strengthen our corporate structure through the utilization of digital technology to transform business processes. We also focused on transitioning to new personnel and wage systems, strengthening our management structure, and acquiring specialist human resources. Since September 2022, we have been working at our new headquarters building, which was designed based on the concept of a "connecting office."

Going forward, we will continue striving for sustainable improvement in our corporate value by focusing on these three priority issues and expanding our business. We also intend to maintain market dialogue by continuing to disclose information about our initiatives for the realization of "Vision for 2031" and our progress on the "22-24 MTP."

The 22-24 Medium-term Management Plan



Laying the foundation for "Vision for 2031"
Key issues to be addressed

1. Maximization of profits in targeted areas with a focus on new drugs
2. Continuous investment in growth to realize the "Vision for 2031"
3. Strengthening of the corporate organization to create innovation and improve productivity

Vision for 2031

As a life and healthcare group, take on the challenge of addressing unmet medical and health needs by incorporating new drug discovery modalities that are expected to grow in the future.

Pharmaceuticals
Expand business domains by incorporating new drug discovery modalities (e.g., regenerative medicine products)
Maintain the position as our core business

Biomaterials
To promote each project based on alginate and expand business

Healthcare
To pursue further growth by investing sales resources

To lineup distinctive products and lead them to global markets

To create innovation and improve productivity

Q Tell us about your initiatives to address materiality (material issues).

A In FY2022, we established targets and key initiatives for identified material issues.

In FY2021, the Group identified material matters which it should address as a priority as materiality (material issues). We identified five material issues, namely "development of human resources" and "compliance" as material issues underpinning the management foundations and "creation of unique products to meet needs," "stable supply of high quality pharmaceuticals" and "proper provision of valuable information" as material issues in relation to our businesses.

In FY2022, we established targets and main initiatives to address these material issues. We believe this will make it easier for employees to understand the direction in which we aim to move as a company and make the issues we all need to address more easily recognizable. We also hope that our efforts to achieve sustainable improvement in our corporate value will gain greater recognition among our various stakeholders.

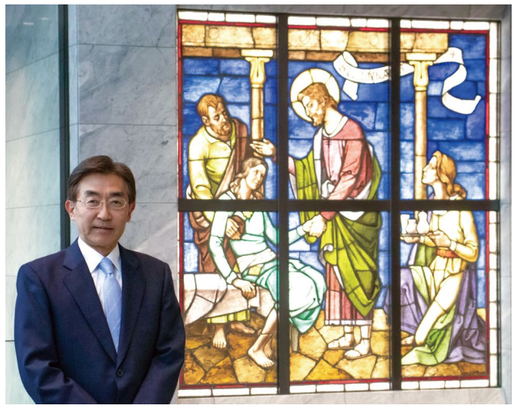
We are committed to initiatives to address our material issues and to our broader responsibility, that is, "contribution to human health and well-being."

Q How do you view human capital?

A We consider "human resources" to be the driving force behind value creation.

We believe that a major driver underpinning the Mochida Pharmaceutical Group's value creation is "human resources" and, in our view, it is essential that every employee can demonstrate their full potential so that we can grow as a company. To increase our corporate competitiveness, we must attract, retain and develop human resources that can thrive amid dramatic changes in the environment and we also need the active participation of diverse human resources, including older individuals and women.

Our aim is that all our employees demonstrate creativity and autonomy in their work. Accordingly, we foster a challenging spirit and develop environments in which employees can grow and fulfil their potential.



Pharmaceutical business

Research & Development and Licensing Activities

Research

In our research, we maximize foresight and originality in all processes, based on our unique research and development capabilities and diverse technological know-how cultivated over many years. We are also taking on the challenge of addressing unmet medical and health needs, including addressing intractable and rare diseases that have been difficult to treat with conventional small molecules and antibody drugs alone.

Through open innovation and drug discovery utilizing external resources to incorporate new modalities that are expected to grow in the future such as cells, nucleic acids, and genes, we aim to enhance our drug discovery pipeline. Especially in the field of regenerative medicine products, we are giving priority to projects using mesenchymal stem cells, and are currently in the process of developing therapies using stem cells from human exfoliated deciduous teeth (SHED), high purity mesenchymal stem cells (RECs: Rapidly Expanding Cells), and umbilical cord-derived mesenchymal stromal cells (HLC-001). We are also making progress with the selection of nucleic acid drug development candidates.

The Group is also focusing on the in-licensing of new drug discovery seeds and technologies. Since 2019, we have implemented MOIRe (Mochida Open Innovation Research), our open innovation program for drug discovery research based on proposals from academic researchers.

Research Center (Gotemba, Shizuoka)

Development

By promoting in-licensing of drug candidates, we are working to enhance the pipeline in targeted areas and the fields in which we specialize and also promoting the in-licensing and development of biosimilars. At the same time, we are working to maximize values of current products through initiatives such as new indications and new formulations, and the discovery of evidence through post-marketing studies. We are optimizing organization and resource allocation to accelerate developmental activities with improved accuracy and pushing ahead with drug development in close cooperation with outside partners and contract research organizations (CROs).

With regard to our development pipelines, we obtained manufacturing and marketing approval for *Treprost® Inhalation Solution* (development code: MD-711), a therapeutic agent for pulmonary arterial hypertension. A pediatric indication of *Lialda®*, MND-21, a therapeutic agent for hypertriglyceridemia, being developed in collaboration with Sumitomo Pharmaceuticals (Suzhou) Co., Ltd. in China, ACT-541468, a therapeutic agent for insomnia, being developed in collaboration with Idorsia Pharmaceuticals Japan Ltd., and a pediatric indication of *Urece®* are all in the Phase III clinical trial stage. Development of *Treprost® Inhalation Solution* for the indication of pulmonary hypertension in interstitial lung disease is in the Phase II/III clinical trial stage. In addition, we obtained manufacturing and marketing approval for biosimilar *Pegfilgrastim BS MOCHIDA* in September 2023.

[Pipeline]

As of August 4, 2023

Development Code	Generic Name	Stage	Indications	Formulation	Remarks <Development country>
MD-711	treprostinil	Approved	Pulmonary arterial hypertension	Inhalant	Licensed-in from United Therapeutics Corporation In-house development <Japan>
MD-0901	mesalazine	Phase Ⅲ	Ulcerative colitis(pediatric indication)	Oral	Licensed-in from Takeda Pharmaceuticals U.S.A., Inc. In-house development <Japan>
MND-21	icosapent	Phase Ⅲ	Hypertriglyceridemia	Oral	Collaboration with Sumitomo Pharma (Suzhou) Co., Ltd. <China>
ACT-541468	daridorexant	Phase Ⅲ	Insomnia	Oral	Co-development with Idorsia Pharmaceuticals Japan <Japan>
FYU-981	dotinurad	Phase Ⅲ	Gout and hyperuricemia (pediatric indication)	Oral	Co-development with FUJI YAKUHIN Co., Ltd. <Japan>
MD-711	treprostinil	Phase Ⅱ / Ⅲ	Pulmonary hypertension associated with interstitial lung disease	Inhalant	Licensed-in from United Therapeutics Corporation In-house development <Japan>

New drug-discovery modalities

- Initiatives for the realization of “Vision for 2031” -

Dental pulp stem cells

Dental pulp stem cells are stem cells taken from the pulp cavity inside the tooth and are a type of mesenchymal stem cell. Stem cells collected from deciduous teeth are particularly active and have a high capacity for tissue repair and regeneration. As they can be collected from deciduous teeth, collection can be performed at any time, reducing the invasiveness on the donor. Therefore, it is expected to be utilized in the future source of cells for regenerative medicine products that can be stably supplied domestically.

We are working on the commercialization of regenerative medicine products with Kidswell Bio Corporation, which is an expert in human dental pulp-derived stem cells.

RECs

High purity mesenchymal stem cells or RECs (Rapidly Expanding Cells) are isolated from bone marrow aspirate and purified by a unique method established by PuREC Co., Ltd. (hereinafter “PuREC”). These cells have superior proliferative, differentiation, and migratory capacities compared to mesenchymal stem cells isolated by conventional methods.

Mochida Pharmaceutical and PuREC are conducting collaborative research into new therapies for spinal diseases with Hokkaido University.

An investigator-initiated clinical trial in patients undergoing surgery for lumbar spinal stenosis began at Hokkaido University in April 2022. The therapy being studied targets lumbar intervertebral disc herniation in patients with lumbar spinal stenosis, and involves filling the cavity created after discectomy with RECs and alginate gel.

We are also involved in collaborative research with PuREC and Shimane University into new therapies for arthritic disorders utilizing RECs.

HLC-001

HLC-001 is a cell therapy product using mesenchymal stromal cells obtained from the umbilical cord, which is the tissue connecting the placenta and the fetus. Utilization of the human umbilical cord, which is typically discarded after birth, is non-invasive for the donor and can also reduce negative impacts on the environment.

Currently, Human Life CORD Japan Inc. is using HLC-001 in research and development targeting multiple intractable diseases and is implementing a phase II clinical trial of HLC-001 for the treatment of non-infectious pulmonary complications (NIPCs) after hematopoietic stem cell transplantation. Mochida Pharmaceutical is working with Human Life CORD Japan Inc. on the commercialization of HLC-001.

Licensing Activities

Most of our activities are being conducted in alliance with partners including academia-industry cooperation and industry collaboration in Japan and overseas. We promote the in-licensing activity of development programs and developed products in our strong areas and focused fields, the in-licensing and out-licensing of useful products which contribute to the society, including unique drug formulations with additional value which meet customer needs as well as medical needs.

We are also leveraging our alliances to globally expand our EPA drug with high purity in China, Thailand, Vietnam and the United States. In Thailand, the subsidiary of Meiji Seika Pharma Co., Ltd. obtained approval to import and market our EPA drug for the treatment of hypertriglyceridemia in October 2020 and commenced sales in April 2021. In Vietnam, an alliance partner of Meiji Seika Pharma is in the process of applying for approval to import and market our EPA drug.

Intellectual Property (IP) Management

In our business activities, we endeavor to obtain, protect and utilize IP rights, including patents, in anticipation of global commercialization, licensing, collaborative research and other technical alliances. We also regularly conduct searching and evaluation of third-party's IP rights from the viewpoint of respecting their rights, and work to prevent IP risks in our businesses. We also carry out various IP-related assessments, especially when making important decisions, for example when deciding whether to move to the next stage of drug development.

Also with respect to new drug discovery modalities, including regenerative medicine products, we encourage the creation of intellectual property in anticipation of global expansion and promote the strategic utilization of intellectual property.

The intellectual property of subsidiaries is also collectively managed and applied to facilitate utilization of intellectual property within the Group.

[Major Alliances]

Alliance Partner	Country	Subjects	Year of Conclusion
Nissui Corporation*1	Japan	Purchasing of API of *Epadel*	1990
Bayer AG	Germany	Development, manufacturing and exclusive distribution of *Dinagest*	1992
EA Pharma Co., Ltd.	Japan	Purchasing and exclusive distribution of *Atelec®*	1997
Lundbeck A/S	Denmark	Development, manufacturing and exclusive distribution of *Lexapro®*	2001
United Therapeutics Corporation	U.S.	Development and exclusive distribution of *Treprost®*	2007
Nichi-Iko Pharmaceutical Co., Ltd.	Japan	Purchasing and distribution of *Heparinoid Nichi-iko*	2007
Takeda Pharmaceuticals U.S.A., Inc.*2	U.S.	Development and exclusive distribution of *Lialda®*	2009
Gedeon Richter Plc.	Hungary	Development and exclusive distribution of biosimilars, including *Teriparatide BS MOCHIDA*	2010
LG Chem Ltd.	South Korea	Development and exclusive distribution of *Etanercept BS MA*	2012
EA Pharma Co., Ltd.	Japan	Purchasing and exclusive distribution of *Atedio®*	2013
Janssen Pharmaceutical K.K.	Japan	Purchasing and exclusive distribution of *Tramcet®*	2013
LG Chem Ltd.	South Korea	Development and exclusive distribution of *Adalimumab BS MA*	2014
EA Pharma Co., Ltd.	Japan	Co-development and co-distribution of *Goofice®*	2016
FUJI YAKUHIN Co., Ltd.	Japan	Co-development and exclusive distribution of *Urece®*	2017
United Therapeutics Corporation	U.S.	Development and exclusive distribution of *Treprost® Inhalation Solution*	2017
EA Pharma Co., Ltd.	Japan	Co-development and co-distribution of *Movicol®*	2017
Pfizer Japan Inc.*3	Japan	Co-development and co-distribution of MD-120	2019
Idorsia Pharmaceuticals Ltd.	Switzerland	Co-development and co-distribution of ACT-541468	2019
Kidswell Bio Corporation	Japan	Co-development and exclusive distribution of regenerative medicines products	2020
PuREC Co., Ltd.	Japan	Tripartite collaborative research, involving academia using high-purity mesenchymal stem cells (RECs-Rapidly Expanding Cells) and ultra-purified sodium alginate	2020 2021
Ferring Pharmaceuticals Co., Ltd.	Japan	Purchasing and exclusive distribution of *Cortiment®*	2022
Eli Lilly Japan K.K.	Japan	Purchasing and exclusive distribution of *Omvoh®*	2022
Human Life CORD Japan Inc.	Japan	Co-development and exclusive distribution of regenerative medicines product HLC-001	2023

*1 The name of Nippon Suisan Kaisha, Ltd. changed to Nissui Corporation on December 1, 2022.
*2 This agreement was transferred from Shire Pharmaceuticals Group to Takeda Pharmaceuticals U.S.A., Inc. in April 2023.
*3 This agreement ended in April 2023.

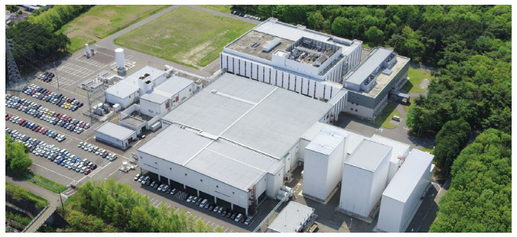
Production

Mochida Pharmaceutical Group's medical products are mainly manufactured by Mochida Pharmaceutical Plant Co., Ltd. ("MPP"). The Head Office Plant in Ohtawara, Tochigi Prefecture manufactures injectable, solid (tablets, capsules, etc.) and semi-solid (creams, ointments, gels, etc.) medicines.

Whilst paying attention to safety, we continuously strive to maintain stable operation, stable supply and appropriate quality. We also pursue reliable and efficient drug manufacturing, meeting diverse needs through state-of-the-art manufacturing facilities and cutting-edge technologies, all of which are compliant with global standards.

Production of High Quality Pharmaceuticals

MPP's production facilities meet requirements under Japanese Good Manufacturing Practice (JGMP) and international guidelines such as the pharmaceuticals Good Manufacturing Practice guidelines provided by the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S GMP). In addition, computer-integrated systems control all the processing stages, from the receipt of raw materials to final shipping, to ensure that all products are manufactured to the highest standards of quality.



Mochida Pharmaceutical Plant Co.,Ltd. (Ohtawara, Tochigi)

State-of-the-art Drug Manufacturing Technologies

Like research & development, pharmaceutical manufacturing processes demand a high level of technological capability. We utilize decades of manufacturing know-how to provide technologically high value products such as the enzyme/protein preparations and biological products at which we excel and products which are considered difficult to manufacture such as freeze-dried injectables.

Freeze dryers and automatic guided vehicles (AGV)

Packaging to Meet Healthcare Needs

In our production activities, we constantly strive to meet healthcare needs, and have introduced a definitive total-quantity confirmation system with material code displays and a unified bar code system, to increase the efficiency of drug management. We also consider the healthcare settings in which our products are used and are focusing on initiatives such as the use of plastic bottles made from one type of material to facilitate sorting and disposal and the development of container designs with different shapes to prevent medical errors.

Tablet press for the production of solid dosage forms

Contracted Manufacturing

Besides manufacturing Mochida Pharmaceutical Group's products, MPP is also actively involved in contracted manufacturing for other companies. Leveraging the experience built up as the manufacturing subsidiary of a pharmaceutical company, MPP reliably manufactures and supplies high quality products at reasonable prices, accommodating a wide variety of product specifications and scale requirements.

Sterility test

Quality Control and Safety Management

Drugs affect human life and health. Accordingly, in the various processes from drug manufacturing to their distribution and use, pharmaceutical companies are required to exercise quality control and post-marketing safety management by methods in compliance with the Ministerial Ordinance on Standards of Quality Assurance for Drugs, Quasi-drugs, Cosmetics and Medical Devices (GQP Ministerial Ordinance) and the Ministerial Ordinance on Standards for Post-Marketing Safety Control of Drugs, Quasi-drugs, Cosmetics, Medical Devices, and Regenerative Medicine Products (GVP Ministerial Ordinance) issued by the Ministry of Health, Labour and Welfare.

In Mochida Pharmaceutical Group, the RA, QA and PV divisions strive to ensure reliability through management and evaluation of the quality of products handled, collection, analysis and evaluation of safety information, and other necessary measures. These divisions also support business activities related to the stable supply of drugs by, for example, working to ensure appropriate manufacturing control and quality control and working to manage market shipments.

Sales and Information Provision Activities

Appropriate Information Provision Activities

Pharmaceuticals achieve the desired effects only when used correctly. Pharmaceutical companies are required to provide healthcare professionals with accurate information about pharmaceuticals quickly, to collect and evaluate information about efficacy, safety and adverse drug reactions from doctors who have prescribed them and relay this information back to healthcare professionals. Mochida Pharmaceutical contributes to the treatment of patients by providing healthcare professionals with information through information provision activities by medical representatives, medical and pharma seminars, dissemination of information about prescription drugs online, and active use of webinars and other digital marketing tools.

Four Targeted Areas

Above all, we are currently putting effort into new drugs, concentrating our resources on four targeted areas: cardiovascular medicine, especially treatments for lifestyle diseases such as hyperlipidemia, hypertension, and hyperuricemia; obstetrics and gynecology, including treatments for endometriosis and dysmenorrhea, and pregnancy test kits; psychiatry, with emphasis on treatments for depression and social anxiety disorder; and gastroenterology, including treatments for ulcerative colitis and chronic constipation.

Cardiovascular medicine

Product Name
International Nonproprietary Name (INN)
Main Indications

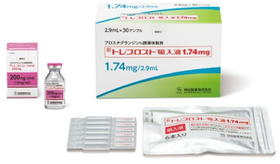
Epadel EM
icosapent
Hyperlipidemia

Urece®
dotinurad
Gout and hyperuricemia

Epadel
icosapent
Arteriosclerosis obliterans, Hyperlipidemia
(World's first high purity EPA drug)

Atelec®
cilnidipine

Atedio®
valsartan/cilnidipine
Hypertention



Treprost®
treprostinil
Pulmonary arterial hypertension (PAH)

Cardiovascular medicine

Urece®, a selective urate reabsorption inhibitor (SURI) released in 2020, is a therapeutic agent for gout and hyperuricemia. *Urece®* is expected to be more efficient at lowering serum uric acid levels than existing uricosuric agents because it selectively inhibits URAT1, a transporter presents in the proximal tubules of the human kidney which promotes the reabsorption of uric acid, whilst having a small effect on other transporters.

We are also making our presence felt in the cardiovascular field as a leading manufacturer of highly purified EPA drugs. In addition to *Epadel*, a high-purity EPA drug, which, through various mechanisms, slows atherosclerotic plaque progression, we launched *Epadel EM*, a new self-emulsifying formulation of *Epadel*, in September 2022. *Epadel EM* is a new formulation of *Epadel* for the treatment of hyperlipidemia. It uses self-emulsifying formulation technology in order to improve gastrointestinal absorption. As the world's first high-purity EPA drug that can be given in a single daily dose, we expect *Epadel EM* to help improve the QOL of patients.

In May 2023, we launched an inhaled formulation of *Treprost®*, a therapeutic agent for the rare disorder pulmonary arterial hypertension, as an additional option to the injection that is already available. Through these and other products such as *Atelec®*, a long-acting calcium channel blocker antihypertensive agent, we aim to increase our involvement in cardiovascular area.

Obstetrics and Gynecology

Mochida Pharmaceutical has made available an array of products related to women's health, ranging from hormone preparations for women, pharmaceuticals and diagnostic tests related to pregnancy and childbirth, pharmaceuticals for infertility, and treatments for endometriosis and osteoporosis. We are currently engaged in information provision activities, focusing on *Dinagest®*, indicated for endometriosis, the reduction of pain caused by adenomyosis, and dysmenorrhea. Additionally, we are working to provide women with comprehensive health support at every stage of their lives by proposing use of our products to treat constipation and depression which negatively affect women's QOL.

Dinagest was launched as treatment for endometriosis in 2008. In 2016, we obtained approval for the additional indication of reduction of pain caused by adenomyosis, offering a treatment option for adenomyosis for the first time. In 2020, we launched *Dinagest Tablets 0.5mg* specifically for dysmenorrhea, helping improve the QOL of patients suffering from dysmenorrhea.

Also, at the request of the Japan Society of Obstetrics and Gynecology, we also offer the *Heparin Calcium Subcutaneous Injection MOCHIDA*, enabling patients undergoing fertility treatment to administer injections themselves at home. We will continue making our presence felt in the obstetrics and gynecology field by contributing more widely to women's health.

Obstetrics and Gynecology

Dinagest
dienogest
Endometriosis, Pain caused by adenomyosis, Dysmenorrhea

Heparin Calcium Subcutaneous Injection MOCHIDA
heparin calcium
Thromboembolism, infertility

Gonacard W
hCG
Pregnancy test kit

Psychiatry

Lexapro®
escitalopram
Depression and depressive symptoms, Social anxiety disorder

Psychiatry

Lexapro® is a selective serotonin reuptake inhibitor (SSRI), which we launched as an antidepressant in 2011. The treatment received the approval of an additional indication, social anxiety disorder, in 2015. Low levels of neurotransmitters (specifically serotonin) are thought to be one of the causes of depression. *Lexapro*® increases levels of serotonin in the brain by selectively inhibiting the reuptake of serotonin. This improves the transmission of messages between neurons, alleviating depression and reducing anxiety. With *Lexapro*® and other products such as *Tecipul*, a tetracyclic antidepressant, and *Grandaxin*, an autonomic nerve regulator, we are working to improve the QOL of patients in the psychiatric field.

Gastroenterology

In the gastroenterology field, we are focusing on *Lialda*®, *Omvoh*® and *Cortiment*®, all treatments for ulcerative colitis, and *Goofice*® and *Movicol*®, both treatments for chronic constipation.

Launched in 2016, *Lialda*® is a drug delivery system (DDS) formulation of mesalazine for oral administration. It is designed to continuously release the active ingredient mesalazine to and throughout the colon. Approved as a once-daily oral therapeutic agent in both active and remission phases of ulcerative colitis and efficacious, *Lialda*® improves patient adherence and has been well received by gastroenterologists who treat ulcerative colitis.

Launched in June 2023, *Omvoh*® is the world's first anti-IL-23p19 monoclonal antibody to be used for the treatment of ulcerative colitis. *Omvoh*® alleviates symptoms by binding to the p19 subunit of the inflammatory human IL-23 cytokine and blocking the action of IL-23. It is used as an induction and maintenance therapy in patients with moderate to severe ulcerative colitis who have an inadequate response to conventional therapy or therapies.

Launched in September 2023, *Cortiment*® is an oral drug delivery system (DDS) formulation with budesonide, a locally acting steroid, as the active ingredient. It is designed to achieve colon-specific delivery of budesonide and sustained release of budesonide to the colon.

Launched in 2018, *Goofice*® is the world's first bile acid transporter inhibitor, indicated for the treatment of chronic constipation. *Goofice*® inhibits the bile acid transporter that regulates reabsorption of bile acids thereby increasing the flow of bile acids to the colon. The dual action of moisture secretion and bowel movement promotion enhances natural defecation. Other advantages include that *Goofice*® is administered once daily and the dosage may be adjusted according to patient symptoms.

Also launched in 2018, *Movicol*® is a polyethylene glycol preparation indicated for treatment of chronic constipation. The drug increases the moisture in the stool thereby raising the volume of stool to promote defecation. Overseas, *Movicol*® has been widely used in both children and adults.

Gastroenterology

Lialda®
mesalazine
Ulcerative colitis

Cortiment®
budesonide
Ulcerative colitis

Movicol®*LD* *Movicol*®*HD*
macrogol 4000, sodium chloride, sodium bicarbonate, potassium chloride
Chronic constipation

Omvoh®
mirikizumab
Ulcerative colitis

Goofice®
elobixibat
Chronic constipation

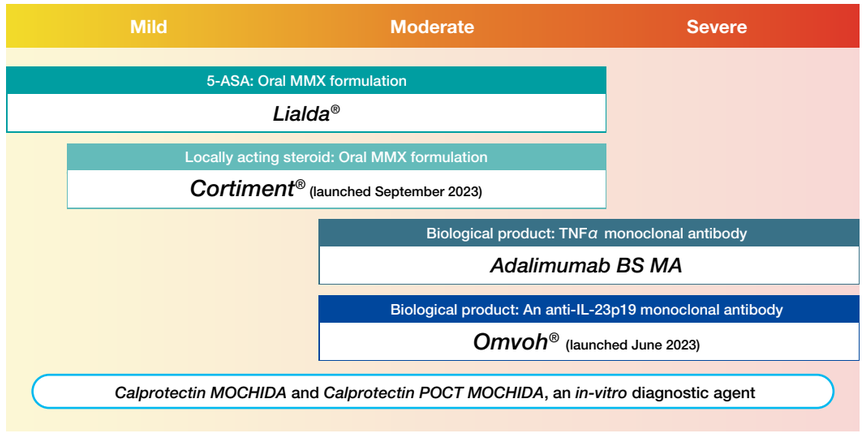
Initiatives for the Treatment of Ulcerative Colitis

Ulcerative colitis is classified as an "intractable disease" by the Japanese government. The disease repeats an "active phase," when the intestinal mucosa becomes inflamed and symptoms such as diarrhea and abdominal pain appear, and a "remission phase," when the inflammation subsides and no symptoms appear. The number of patients with ulcerative colitis in Japan is estimated at 220,000* and is increasing year by year.

With a lineup consisting of *Lialda*®, *Cortiment*®, *Omvoh*® and the biosimilar *Adalimumab BS MA*, Mochida Pharmaceutical has products to treat all degrees of ulcerative colitis, from mild to severe cases. We also provide products that can help doctors diagnose and monitor the condition such as *Calprotectin MOCHIDA*, an *in-vitro* diagnostic agent. We are committed to helping improve patient QOL by proposing prescription according to symptoms and severity and increasing treatment options for ulcerative colitis.

*Murakami Y. et al.: J Gastroenterol., 54, 1070-7 (2019)

Lineup of treatments for all degrees of ulcerative colitis, from mild to severe cases (including intractable cases)

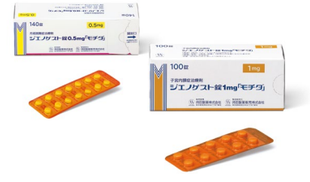


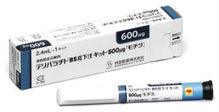
Generic Drugs

Mochida Pharmaceutical Group is working on the generic drug business, focusing on lines with strong business potential such as authorized generic drugs and biosimilars in cooperation with Mochida Pharmaceutical Sales Co., Ltd. and other business partners.

Mochida Pharmaceutical Sales Co., Ltd. ("MPS") is the company which handles generic drugs within the Group. In its activities associated with generics, MPS focuses on quality assurance, the provision of information and reliable supply and also gives consideration to the prevention of medical errors, the safety of healthcare professionals, and improvement of patient adherence. Going forward, MPS will continue to play a central role in developing and providing generic drugs which meet the needs of patients and healthcare professionals.

Authorized generic in the obstetrics and gynecology field





Teriparatide BS MOCHIDA

Biomaterials Business

In addition to the current mainstay pharmaceutical and healthcare businesses, we are focusing on the biomaterials business, which is positioned as one of the pillars of the next generation. In particular, we are promoting and developing various projects in the biomaterials business based on alginate, which has numerous potential applications in the medical and biotechnological field.

With regard to the development pipeline, we submitted the application for manufacturing and marketing approval for the cartilage repair material dMD-001 in May 2023. Meanwhile, dMD-002, a treatment for cavernous nerve injury, is in the therapeutic exploratory study stage. In addition, we are preparing to submit a 510(k) application related to limb nerve regeneration in the US.

We are also working on the development of intervertebral disc tissue restorative materials using alginate gelation technology in the affected area and tissue adhesion prevention materials for tissue resection using alginate sheets. We are also examining the feasibility of alginate-based pharmaceutical materials such as alginate fibers for antibody production*1 and alginate pancreatic islet capsules*2.

*1 Alginate fibers which are embedded with antibody-producing cells and used to improve antibody productivity
*2 Pancreatic islets encapsulated in alginate capsules used for implantation in type-I diabetic patients

[Medical device]

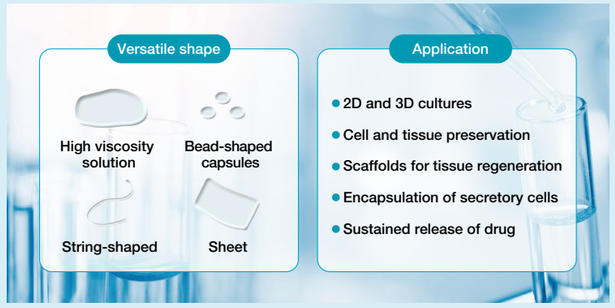
As of August 4, 2023

Development code	Generic name	Stage	Intended use or indications	Remarks <Development country>
dMD-001	sodium alginate	Filed	Articular cartilage lesion	In-house development <Japan>
dMD-002	sodium alginate	Therapeutic exploratory study	Cavernous nerve injury	In-house development <Japan>

Properties and potential applications of alginate

- Initiatives for the realization of “Vision for 2031” -

- Sodium alginate is a high polymeric substance derived from brown algae. It becomes a highly viscous aqueous solution, and it becomes a gel with calcium ions, which are divalent cations, being added. This property can be used to process the material into various forms and hardness during gelation.
- Possible applications of alginate in the biotechnological and medical fields include 2D and 3D culture, cell and tissue preservation, scaffolds for tissue regeneration, encapsulation of secretory cells, and sustained release of drugs.
- We are working on various applications of endotoxin-free sodium alginate that can be used in living organisms. Alginate, which is a polysaccharide, can be a nutrient source for cells. It has also been shown that when a gel is formed on the affected area, the alginate gel remains in the area for a certain period of time because no enzymes exist in the body to break it down and it has little impact on cells due to its similarity to biological components. The relationship of alginate to native cells when implanted in a wound or other sites is also currently being studied: we expect further potential applications.



Healthcare Business

As a member of Mochida Pharmaceutical Group, Mochida Healthcare Co., Ltd. (MHC) has developed high value-added skin care products under the motto “farsighted, innovative research.” We will continue developing innovative products using the capabilities we have fostered through the development of pharmaceuticals.

Main activities

Our main activities in the healthcare business are the development, production, distribution and sales, providing scientific information and marketing of skincare products.

Development

In order to deliver skin care products that are both low irritating and functioning based on dermatology, MHC gains an understanding of needs through communication with physicians, pharmacists, and nurses and develops products supported by clinical trial data conducted by dermatologists. MHC is committed to developing products that make an impression on customers, striving for “Japan-first” products, unique products in Japan, and “No.1” products, rather than run-of-the-mill products that can be found anywhere.

Production

To deliver high quality products, MHC manufactures its products based on a strict quality control system, mainly at the Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd. When manufacturing products, MHC is constantly aware of the need to maintain a stable supply of products and the need to reassess manufacturing practices, including raw materials and containers, in light of environmental concerns.

Distribution and Sales

Precisely because MHC’s products have been developed through close collaboration with dermatologists, MHC wants its products to be recommended by experts at the point of sale. With this in mind, MHC gives top priority to pharmacies and drug stores which have pharmacists and beauty advisors working at them. MHC puts effort not only into store sales but also into mail order sales, aiming to make its products widely available to customers with sensitive skin and other skin problems. Going forward, MHC aims to raise awareness of its skincare products among care facilities, etc. in the hope of being able to contribute to skincare in the care domain.

Scientific Information

MHC has established a free call and email based counselling service, which customers can use to make inquiries about products and skincare regimes or give feedback directly. MHC also actively participates in relevant academic societies and seminars to gather the latest information about skincare and also provides scientific information about products to hospitals, pharmacies, and drug stores.

Marketing

MHC strives to gain an understanding of skincare-related consumer trends and market conditions through paper-based and online surveys, and other means. Taking the feedback and requests of people suffering with skin problems and sensitive skin seriously, MHC also engages in information provision and promotional activities to ensure that information about its products and skincare is readily available. MHC’s website features not only product information but also advice from medical professionals on how people can care for their skin properly, ranging from skin care in atopic dermatitis to skincare as part of nursing care.

■ Skin Care Course (Advice from medical professionals)
https://hc.mochida.co.jp/skincare/

Major Skin Care Product lines

Major skin care product lines include the *Collage* series, which provides total skin care for sensitive skin, the *Collage Furfur* series developed from skin research, which are the first haircare and bodycare products in Japan to contain an antimycotic (antifungal) agent, *Skina Babe*, which is the first skin care product that babies experience, and the *Skina* series of easy hygiene products for the bedridden.

Total skin care for sensitive skin

Collage series

In 1980, before the expression “sensitive skin” was in common use, we succeeded in developing *Collage Cream*, Japan’s first basic skin care product containing natural soluble collagen (S-Collagen), through repeated testing in cooperation with dermatologists. Focusing on low-irritating, fragrance-free, color-free products for delicate skin, we continued to launch dermatological skin care products one after another as a pioneer of skin care products for sensitive skin.

Focusing on sensitive skin for half a century, MHC now offers gentle, high-performance basic skin care products such as the *Collage Repair* series, which, through “far-sighted care*1” and “routine care*2,” achieves “sensitive skin management*3,” and the *Collage B.K. Age* series for those with “sensitive, dry aging skin*4,” which provides “anti-aging skincare*5.”

MHC also has an extensive line-up of products to cater for different customer lifestyles and needs, including the *Collage Soap* series of nonirritating soap formulated for each specific skin type and use, and *Collage D Medi Power* series of moisturizing products for dry skin (including people with atopic eczema).

*1 A daily skin care regimen to prevent skin roughness and dryness (applies to quasi-drugs only)
*2 Routine skin care, usually morning and night
*3 A consistent skincare regimen for sensitive, dry skin
*4 Aging skin with a tendency to become dry and sensitive
*5 Age-appropriate moisturizing and skin care regimen

Collage Repair series

Collage B.K. Age series

Collage Soap series

Collage D Medi Power series

Haircare and bodycare products containing antimycotic (antifungal) agent

Collage Furfur series

Collage Furfur, Japan’s first medicated shampoo containing an antimycotic (antifungal) agent (miconazole nitrate), was developed based on the novel concept of caring for the scalp, given that dandruff is triggered by the growth of fungus on the scalp. MHC currently offers a lineup of hair care products containing an antimycotics for different scalp problems, offering *Collage Furfur Next Shampoo* and *Rinse* for dandruff or an itchy scalp, *Collage Furfur Premium Shampoo* for scalp odor, and *Collage Furfur Scalp Shampoo* for excess sebum. MHC’s products have been welcomed by people worried about scalp issues such as dandruff, an itchy scalp, scalp odor and excess sebum.

Meanwhile, MHC provides *Collage Furfur Soap*, a bodywash containing an antimycotics, for those suffering from skin problems, *Collage Furfur Hair Growth* series*6 containing a female hormone*7 for women worried about hair thinning and hair loss, and *Collage Furfur Barrier Cream**6 for preventative skincare for those wearing diapers to protect the skin from moisture, soiling and other irritants.

*6 Does not contain an antimycotics
*7 Ethinylestradiol

Collage Furfur series

Skina Babe series

Skina series

The first skincare babies experience

Skina Babe series

Special care is needed when bathing a baby with soap as soapy hands are slippery. *Skina Babe* bath lotion for babies was developed in response to calls from obstetricians and gynacologists for a less slippery, safer bath lotion for washing babies without using soap. Today, more than 50 years after its launch, *Skina Babe* still enjoys wide popularity.

In 2018, we launched *Skina Babe Milky Lotion*, which protects the skin from birth by providing very rich moisture.

Easy hygiene products for the bedridden

Skina series

The *Skina* series is a series of hygiene products for those who are bedridden either in hospital or at home. We developed hygiene products for washing the skin without water in 1970, after listening to nurses working on hospital wards and striving to develop products only a pharmaceutical company could develop. Wanting to put smiles on the faces of carers and patients alike, MHC has continued providing these popular products for many years.

Today, MHC offers an extensive line-up of products for different scenarios, including dilution type products and dry shampoo.

Basic Policy on Corporate Governance

Mochida Pharmaceutical strives to increase Mochida Pharmaceutical Group's corporate value by placing the fulfillment of corporate governance and the reinforcement of compliance at the axis of Group management, to better respond to our stakeholders' trust and expectations.

Basic Policy

As part of Mochida Pharmaceutical Group policy on reinforcing corporate governance, important management decisions are discussed thoroughly by the Management Policy Meeting, if necessary, and are then made through discussion by the Board of Executive Managing Officers and the Board of Group Management, both of which meet on a weekly basis.

Mochida Pharmaceutical's Board of Directors includes Outside Directors, and the executive officer system has also been introduced to clearly separate the functions of the Board of Directors into management decision-making and the supervision of business operations so as to expedite management decision-making and business operations.

For the purpose of strengthening objectivity and accountability for the nomination of Members of the Board, Executive Officers and Audit & Supervisory Board Members and for the determination of remuneration for Members of the Board and Executive Officers, Mochida Pharmaceutical has established the Nomination and Compensation Advisory Committee, a majority of which comprises Outside Directors, as a voluntary advisory body to Representative Directors, and our corporate decisions on such nomination and compensation are made in light of the opinions of said Committee.

Mochida Pharmaceutical maintains, operates and evaluates its internal control system based on resolutions by the Board of Directors under the Companies Act and on the Financial Instruments and Exchange Act. Specifically, we maintain a companywide risk management system based on the "Mochida Pharmaceutical Group Risk Management Rules" to manage major risks affecting our overall business, as part of our internal control system based on the Companies Act.

As measures for reinforcing compliance, Mochida Pharmaceutical has established the "Code of Conduct of Mochida Pharmaceutical Group" and seeks to embody the spirit of the code through regular meetings of the Ethics Committee, which is chaired by the President and includes the Compliance Officer (a Member of the Board who is the officer in charge of corporate ethics or the supervisor for corporate ethics) and outside experts, and the performance of internal checks and the deliberation of issues. We have also developed a framework for compliance across the Mochida Pharmaceutical Group, including the establishment of an Ethics and Compliance Committee Working Group, chaired by the Compliance Officer and including the general managers of operations and presidents of subsidiaries, and the Corporate Ethics & Compliance, and we provide regular ethics training to Mochida Pharmaceutical Group officers and employees.

Mochida Pharmaceutical Group will continuously strive to ensure thorough compliance, and to respond rapidly to various changes in the business environment, while incorporating appropriate advice from our attorneys, certified public accountants and other experts.

In addition, we will further examine our actions to address sustainability issues at the Sustainability Committee established in March 2022 as an advisory body to the Representative Directors so as to promote sustainability activities across Mochida Pharmaceutical Group.

Mochida Pharmaceutical has established the Internal Audit Department as an internal audit organization. The Internal Audit Department ensures the effectiveness of internal audits mainly by implementing internal audits of the business operations of Mochida Pharmaceutical Group in its entirety from the viewpoint of compliance and risk management, reporting the results of such audits and providing advice to the Board of Executive Managing Officers and the Board of Directors, reporting to the Audit & Supervisory Board Members, and holding meetings with all Audit & Supervisory Board Members on a regular basis. The Audit & Supervisory Board comprises two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members, making a total of five members. To secure lawfulness and transparency of management decision-making and business operations, in accordance with fiscal year auditing policy and plans, each Audit & Supervisory Board Member strives to smoothly communicate with Members of the Board, including Outside Directors, the Internal Audit Department and others, collect the relevant information and improve the auditing environments. Each Audit & Supervisory Board Member also attends meetings of the Board of Directors and other pivotal meetings, and examines business operations and assets at the headquarters, main business offices and subsidiaries of Mochida Pharmaceutical, including supervision and verification of the internal control system, the independence of the Accounting Auditor, and the appropriateness of audits performed by the Accounting Auditor.

The Internal Audit Department, Audit & Supervisory Board Members, and Accounting Auditor work closely to ensure the effectiveness of the audits.

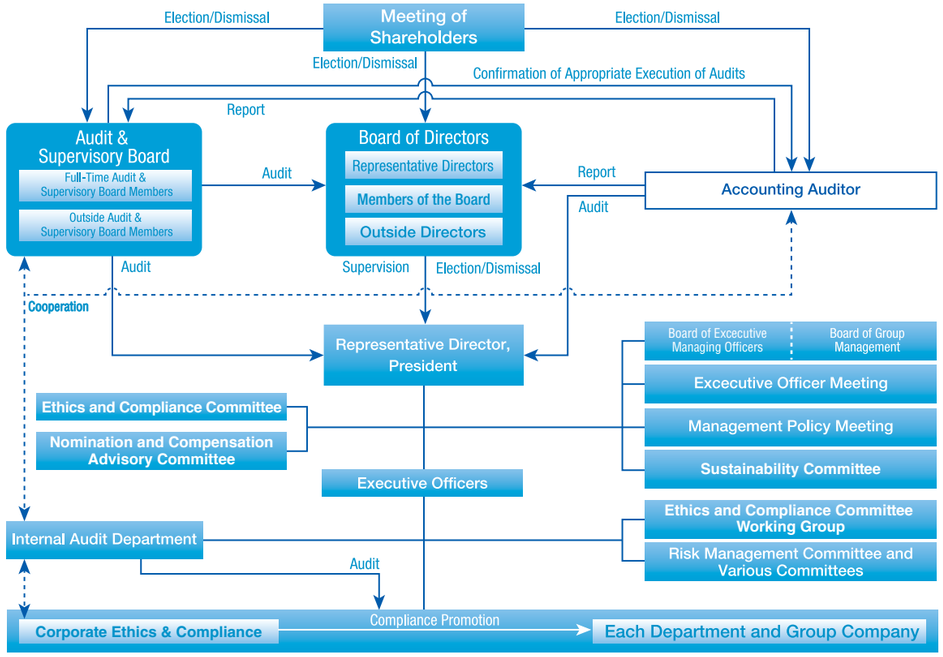
Corporate Governance Structure

Overview of the corporate governance system

Mochida Pharmaceutical Group has the Board of Directors and the Audit & Supervisory Board as corporate organizations under the Companies Act. The Board of Directors is composed of 11 Members of the Board, including four Outside Directors. The Audit & Supervisory Board is composed of five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.

As reasons for adopting the current corporate governance structure, considering Mochida Pharmaceutical's size and business nature, we judge that at this point in time, the most suitable governance structure to pursue management efficiency and to ensure the appropriate function of checking the management simultaneously requires: (1) management decision-making by the Board of Directors with a reasonable number of members, comprising inside Members of the Board with thorough knowledge of Mochida Pharmaceutical and its business and Outside Directors with abundant knowledge and experience in specialized fields, and (2) a system for checking the management by Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members.

Corporate Governance Structure



Specific matters considered at Board of Directors' meetings

The Board of Directors deliberates and determines important matters in accordance with the standards for Board Meeting agenda. Main agenda items include proposals for the general meeting of shareholders, important personnel changes and organizational changes, establishment, revision and abolition of important internal regulations, acquisition and cancellation of own shares, medium-term and single-year management and business plans (including state of progress), sustainability initiatives (including status of activities), evaluation of effectiveness of Board of Directors, risk management and compliance structure, and disposition of important property. In terms of specific matters considered, in FY2022, the Board of Directors deliberated on and established the "Vision for 2031" and the "22-24 Medium-term Management Plan" and also deliberated and determined matters such as the conclusion of a purchasing and exclusive distribution agreement for *Omvoh*®, an anti-IL-23p19 monoclonal antibody, with Eli Lilly Japan K.K.

[Details of Main Meetings Held]

Meeting	Members	Details
Board of Directors	10 Members of the Board (including 3 Outside Directors)	13 meetings held Attendance rate of Members of the Board including Outside Directors was 97%.
Audit & Supervisory Board	5 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)	16 meetings held The attendance rate of Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members was 100%.
Board of Executive Managing Officers	Representative Directors, and Directors and Executive Officers	50 meetings held
Board of Group Management	Representative Directors, Directors and Executive Officers, and Presidents of Mochida Pharmaceutical Plant Co., Ltd. and Mochida Healthcare Co., Ltd.	26 meetings held
Ethics and Compliance Committee	4 Members of the Board (including 1 Outside Director), 2 Audit & Supervisory Board Members (including 1 Outside Audit & Supervisory Board Member) and 1 outside expert	1 meeting held
Nomination and Compensation Advisory Committee	3 Members of the Board (including 2 Outside Directors)	5 meetings held Attendance rate of Members of the Board including Outside Directors was 87%.
Management Policy Meetings	Representative Directors, and Directors and Executive Officers	113 meetings held
Executive Officer Meeting	Representative Director & President and Executive Officers	12 meetings held
Sustainability Committee	5 Directors, 2 Managing Executive Officers	3 meetings held

[Main Expertise and Careers of Members of the Board and Audit & Supervisory Board Members]

	Name	Corporate Management	Research and Development	Business Strategy, Marketing	International Experience	IT	Finance, Accounting	Legal Affairs, Compliance	Certification
Members of the Board	Naoyuki Mochida	○		○	○		○		
	Chu Sakata	○		○	○	○	○	○	
	Keiichi Sagisaka			○					Pharmacist
	Junichi Sakaki		○	○	○				Pharmacist
	Kiyoshi Mizuguchi		○						Pharmacist
	Yutaka Kawakami		○						Pharmacist
	Motoi Mitsuishi	○			○	○	○	○	Attorney in the State of New York, U.S.A.
	Tomoo Kugisawa				○			○	Attorney-at-law
	Nana Otsuki	○			○		○		
	Tomoaki Sonoda	○			○		○		Certified public accountant
	Shigeaki Yoshikawa	○			○	○		○	
Audit & Supervisory Board Members	Yoshiharu Hashimoto			○	○	○	○	○	
	Masayoshi Takeda						○		
	Kyosuke Wagai					○	○		Certified public accountant
	Akiko Suzuki				○			○	Attorney-at-law
	Yoshifumi Miyata	○			○		○		

(Note) The list above does not cover all the experience, Knowledge, and capability, etc., of each Member of the Board of the Company and each Audit & Supervisory Board Member / candidate.

Analysis and evaluation of the effectiveness of the Board of Directors

Every year, Mochida Pharmaceutical conducts a survey targeting all Members of the Board and all Audit & Supervisory Board Members including Outside Directors and Outside Audit & Supervisory Board Members and the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole based on the survey results.

The results of the surveys targeting Audit & Supervisory Board Members are used as reference.

Results of analysis and evaluation in FY2022 confirmed that the Board of Directors functioned effectively.

We will continue making improvements to maintain and increase the effectiveness of the Board of Directors in light of the analysis and evaluation results, such as continuing to hold more substantive discussions on the direction of management including corporate strategy.

Outside Directors and Outside Audit & Supervisory Board Members

In Mochida Pharmaceutical's standards and policies on independence of Outside Directors, we appoint individuals who have no special interests in the company, who have extensive knowledge and experience in management, legal affairs or another specialist area, and who can be expected to incorporate deep management insights into Mochida Pharmaceutical's management and operations. In Mochida Pharmaceutical's independence standards and policies on independence for Outside Audit & Supervisory Board Members, we appoint individuals who have no special interests in the company, who have a considerable degree of knowledge and experience of finance and accounting or extensive knowledge and experience of corporate management, legal affairs or another specialist area, and who can be expected to incorporate deep management insights into the audits on Mochida Pharmaceutical.

[Reasons for the Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Expected Role, and Details of Major Activities in FY2022]

Name	Reasons for Appointment and Expected Role	Attendance at meetings of the Board of Directors (13 times in total)	Attendance at meetings of the Audit & Supervisory Board (16 times in total)
Tomoo Kugisawa	As an attorney-at-law, Tomoo Kugisawa is an expert in corporate legal affairs and incorporates deep management insights into Mochida Pharmaceutical's management and operations. He is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors. Tomoo Kugisawa is a member of the Nomination and Compensation Advisory Committee, which is an advisory body to the Representative Directors.	13	–
Nana Otsuki	Nana Otsuki worked for many years as an analyst at financial institutions, has extensive specialist knowledge and experience gained as a university professor and has also held many public offices. She is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors.	12	–
Tomoaki Sonoda	Tomoaki Sonoda has extensive specialist knowledge and experience gained as a university professor in accounting. He is expected to fulfill the management supervisory function by using deep management insights to make appropriate remarks and comments at meetings of the Board of Directors. Tomoaki Sonoda is a member of the Nomination and Compensation Advisory Committee, which is an advisory body to the Representative Directors.	11*	–
Shigeaki Yoshikawa	Shigeaki Yoshikawa has extensive experience and expertise in Japan and overseas at a general trading company and also has corporate management experience as Representative Director of a think-tank consulting firm. He is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors.	(New appointment)	–
Kyosuke Wagai	As a certified public accountant, Kyosuke Wagai has extensive specialist knowledge and experiences of audits, etc. and incorporates deep management and audit insights into Mochida Pharmaceutical's audits. He is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors.	13	16
Akiko Suzuki	As an attorney-at-law, Akiko Suzuki is an expert in corporate legal affairs, and incorporates deep management insights into Mochida Pharmaceutical's audits. She is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors.	13	16
Yoshifumi Miyata	Yoshifumi Miyata has gained extensive experience (including management experience) working at financial institutions, etc. and has also served as an Outside Audit & Supervisory Board Member at another company (manufacturing industry). He is expected to fulfill the management supervisory function by using such deep insights to make appropriate remarks and comments at meetings of the Board of Directors.	13	16

* During FY2022, the total number of meetings of the Board of Directors held on or after June 29, 2022 when Tomoaki Sonoda assumed office was 11.

Message from Outside Director

I have served as an Outside Director of Mochida Pharmaceutical for many years. Leveraging the experience gained from more than 30 years' involvement in corporate legal affairs as an attorney-at-law, I actively give feedback and advice, focusing on whether meetings of the Board of Directors are run in an appropriate manner, whether each Director performs his or her duties properly, and whether comfortable workplaces for employees are maintained.

A pharmaceutical company also has a responsibility to bring benefits to its shareholders, creditors, business partners, employees and other stakeholders, whilst giving due consideration to the environment, local communities and other factors. Moreover, a pharmaceutical company has a responsibility to maintain a stable supply of high quality drugs for patients, and a manufacturer of new drugs like Mochida Pharmaceutical has the additional responsibility of developing or in-licensing and continuously providing new drugs aimed at enhancing and improving the health and quality of life of patients who are struggling due to a lack of effective drugs. This necessitates the efficient generation of profit and the payment of dividends to shareholders on the one hand and a huge amount of expenditure on the other, to maintain high quality and a stable supply and to develop new drugs, including expenditure on equipment, quality control, talented human resources and R&D.

To ensure that a good balance between Mochida Pharmaceutical's two responsibilities is maintained, corporate governance for sound management needs to be upheld and all employees -- not only directors and executive officers involved in management -- need to uphold a spirit of compliance with laws and regulations. As Outside Directors, we intend to contribute to Mochida Pharmaceutical's sound and sustainable development by drawing on our own knowledge to actively make proposals and give advice at meetings of the Board of Directors and other meetings, to ensure that sound management is maintained and all officers and employees feel a sense of responsibility for maintaining and improving patient's lives and health in the performance of their duties.

Tomoo Kugisawa, Outside Director

Officers

Members of the Board

1 Representative Director, President
Naoyuki Mochida

Apr. 1981 Joined the Company
May 1986 Earned an MBA from Indiana University in the U.S.
Apr. 1988 Joined Ajinomoto Co., Inc.
Apr. 1991 Joined the Company
Apr. 1996 General Manager, Head of the Clinical Development Planning Department
Apr. 1997 General Manager, Head of the Finance Department
Jun. 1997 Member of the Board
Jan. 1998 Senior Executive Managing Officer, Head of the Corporate Planning Department
Jan. 1999 Representative Director, President (to the present)
Apr. 2010 Vice-chairman of Mochida Memorial Foundation for Medical and Pharmaceutical Research
Jun. 2016 Chairman of Mochida Memorial Foundation for Medical and Pharmaceutical Research (to the present)

2 Representative Director, Senior Executive Vice President
Chu Sakata

Apr. 1982 Joined the Mitsubishi Bank, Ltd.
May 2007 General Manager of Syndicated Finance Division and the Global Head of Syndication at the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
Feb. 2009 Regional Head for the Middle East at BTMU
Jun. 2011 Advisor of the Company
Jun. 2011 Member of the Board, Executive Officer and Assistant Officer, Planning & Administration
Apr. 2012 Executive Officer and Assistant Officer, Planning & Administration, Head of Planning & Administration Division
Jun. 2012 Executive Officer, Planning & Administration, Head of Planning & Administration Division
Jun. 2013 Member of the Board, Executive Managing Officer
Jun. 2016 Representative Director, Senior Executive Managing Officer, Supervisor for Planning & Administration, Audits and Corporate Ethics
Jun. 2017 Assistant to President, Senior Executive Managing Officer, Operations in general (to the present)
Jun. 2021 Representative Director, Senior Executive Vice President (to the present)

3 Member of the Board, Senior Executive Managing Officer
Keiichi Sagisaka

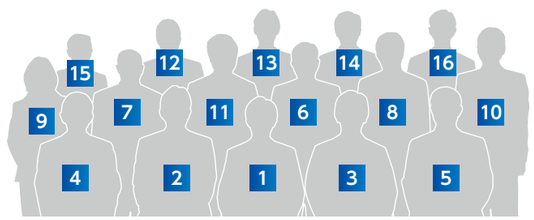
Apr. 1980 Joined the Company
Apr. 2003 Head of Metropolitan Branch Office
Apr. 2005 Head of Tokyo Branch Office
Jun. 2007 Executive Officer
Apr. 2008 Deputy Head of Pharmaceutical Business Division
Jun. 2009 Head of Pharmaceutical Business Division
Jun. 2010 Member of the Board, Executive Officer
Jun. 2013 Member of the Board, Executive Managing Officer, Pharmaceutical Business, Head of Pharmaceutical Business Division
Apr. 2015 Executive Managing Officer, Pharmaceutical Business
Jun. 2016 Member of the Board, Senior Executive Managing Officer (to the present)
Jun. 2021 Senior Executive Managing Officer, Pharmaceutical Business and Mochida Healthcare (to the present)

4 Member of the Board, Senior Executive Managing Officer
Junichi Sakaki, Ph.D.

Mar. 1993 Joined Ciba-Geigy AG
Jul. 2005 General Manager, Research Strategy and Alliances at Novartis Pharma K.K.
Dec. 2006 Joined Banyu Pharmaceutical Co., Ltd. Director, Chemistry Department, Tsukuba Research Laboratories
Jul. 2009 Joined the Company General Manager, Head of Research Planning and Management Department
Apr. 2010 Head of Discovery Research
Jun. 2012 Executive Officer, Deputy Head of Business Development Division
Jun. 2014 Member of the Board, Executive Officer, Business Development
Jun. 2016 Member of the Board, Executive Managing Officer
Oct. 2018 Executive Managing Officer, Business Development and Biomaterials Business
Jun. 2021 Member of the Board, Senior Executive Managing Officer (to the present)
Jun. 2022 Senior Executive Managing Officer, Business Development, Supervisor for Biomaterials Business
Jan. 2023 Senior Executive Managing Officer, Business Development and Business Promotion, Supervisor for Biomaterials Business
Jun. 2023 Senior Executive Managing Officer, Business Development, Supervisor for Business Promotion and Biomaterials Business (to the present)

5 Member of the Board, Executive Managing Officer
Kiyoshi Mizuguchi, Ph.D.

Apr. 1982 Joined the Company
Apr. 2003 Head of Development Research
Apr. 2010 General Manager, Head of Clinical Research Department
Jun. 2012 Executive Officer, Head of Clinical Research and Development Division
Jun. 2015 Member of the Board, Executive Officer
Jun. 2017 Member of the Board, Executive Managing Officer (to the present), Research and Development
Jun. 2021 Executive Managing Officer, Research and Development, Supervisor for Mochida Pharmaceutical Plant
Sep. 2022 Executive Managing Officer, Research and Development, Supervisor for Mochida Pharmaceutical Plant, Head of Research Division
Jun. 2023 Executive Managing Officer, Research, Supervisor for Development and Mochida Pharmaceutical Plant
Aug. 2023 Executive Managing Officer, Supervisor for Research, Development and Mochida Pharmaceutical Plant (to the present)



6 Member of the Board, Executive Managing Officer
Yutaka Kawakami, Ph.D.

Apr. 1985 Joined Eisai Co., Ltd.
Apr. 1998 Joined Pfizer Japan, Inc.
Oct. 2003 Transferred to Office of Pharmaceutical Industry Research of Japan Pharmaceutical Manufacturers Association
Oct. 2005 Director of Clinical Submissions Department at Pfizer Japan Inc.
Dec. 2012 Joined the Company Deputy Head of Clinical Research and Development Division
Jun. 2015 Executive Officer
Jun. 2017 Head of Clinical Research and Development Division
Apr. 2019 Head of RA, QA and PV Division (to the present)
Jun. 2019 Member of the Board, Executive Officer, RA, QA and PV (to the present)
Jun. 2022 Member of the Board, Executive Managing Officer (to the present)

7 Member of the Board, Executive Managing Officer
Motoi Mitsuishi

Apr. 1987 Joined the Mitsubishi Bank, Ltd.
May 2012 Regional Head for Thailand, Bangkok Branch Manager at the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
Jun. 2013 Executive Officer, Regional Head for Thailand, Bangkok Branch Manager at BTMU
Jul. 2015 Executive Officer, Deputy Head of Asia & Oceania Group (in charge of special projects), General Manager of Asia & Oceania Sales Division, Singapore Branch Manager at BTMU
May 2017 Managing Executive Officer, Head of Transaction Banking Group at BTMU
Jun. 2019 Representative Director, Deputy President at Mitsubishi UFJ Research and Consulting Co., Ltd.
Jun. 2020 Outside Corporate Auditor at the Nanto Bank, Ltd. (to the present)
May 2023 Advisor of the Company
Jun. 2023 Member of the Board, Executive Managing Officer, Planning & Administration and Technonet, Head of Planning & Administration Division (to the present)

8 Outside Director
Tomoo Kugisawa

Apr. 1987 Registered as an attorney-at-law (to the present) Joined Tokyo Fuji Law Office
Apr. 1995 Partner at Tokyo Fuji Law Office
Apr. 2005 Professor at Omiya Law School
Jun. 2006 Outside Corporate Auditor at OG Corporation
Jun. 2012 Member of the Board of the Company (to the present)
Apr. 2019 Visiting professor at Chuo University Law School (to the present)
Jan. 2023 Representative at Tokyo Fuji Law Office (to the present)

9 Outside Director
Nana Otsuki

Dec. 2005 Managing Director at UBS Securities Japan Co., Ltd.
Jun. 2011 Managing Director at Merrill Lynch Japan Securities Co., Ltd.
Sep. 2015 Professor in Division of Management at Graduate School of Management, Nagoya University of Commerce & Business (to the present)
Jan. 2016 Executive Officer at Monex, Inc.
Sep. 2016 Member of Operating Committee of Agricultural and Fishery Co-operative Savings Insurance Corporation
Apr. 2017 Member of Fiscal System Council of Ministry of Finance (to the present)
Jun. 2017 Outside Director of Credit Saison Co., Ltd. (to the present)
Jun. 2018 Outside Audit & Supervisory Board Member of Tokio Marine Holdings, Inc. (to the present)
Oct. 2019 Member of Regulatory Reform Promotion Council (to the present)
Apr. 2021 Expert Director at Monex, Inc.
Jun. 2021 Member of the Board of the Company (to the present)
Sep. 2022 Senior Fellow of Pictet Asset Management (Japan) Ltd. (to the present)

10 Outside Director
Tomoaki Sonoda

Apr. 2004 Certified public accountant (to the present)
Apr. 2006 Professor at Keio University Faculty of Business and Commerce (to the present)
Oct. 2009 Member of Contract Surveillance Committee, Ministry of Internal Affairs and Communications (to the present)
Apr. 2018 Visiting Professor at Musashino University (to the present)
Jan. 2020 Member of Third Bidding Surveillance Commission, Ministry of Finance (to the present)
Jun. 2022 Member of the Board of the Company (to the present)

11 Outside Director
Shigeaki Yoshikawa

Apr. 1977 Joined Mitsubishi Corporation
Apr. 2008 Executive Officer, General Manager of Global Strategy & Coordination Department at Mitsubishi Corporation
Apr. 2010 Executive Officer, Chief Regional Officer for the Europe, Middle East and Africa CIS at Mitsubishi Corporation
Apr. 2013 Executive Vice President, Regional CEO, Middle East & Central Asia at Mitsubishi Corporation
Oct. 2016 Executive Vice President at Mitsubishi Research Institute, Inc.
Dec. 2016 Executive Vice President, Representative Director at Mitsubishi Research Institute, Inc.
Jun. 2017 Management Council Member at Fukushima Medical University (to the present)
Dec. 2020 Full-time Senior Corporate Advisor at Mitsubishi Research Institute, Inc.
Apr. 2021 Visiting Professor in Department of Business Design; Research Fellow at Institute of Current Business Studies, Showa Women's University (to the present)
Jan. 2022 Senior Corporate Adviser at Mitsubishi Research Institute, Inc. (to the present)
Jun. 2022 Outside Director at Azbil Corporation (to the present)
Jun. 2023 Member of the Board of the Company (to the present)

Audit & Supervisory Board Members

12 Full-time Audit & Supervisory Board Member
Yoshiharu Hashimoto

Apr. 1985 Joined the Mitsubishi Bank, Ltd.
Jan. 2009 General Manager of Yotsuya Commercial Banking Office at the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
May 2011 General Manager of Osaka Corporate Banking Division No. 2 of Osaka Corporate Banking Group at BTMU
Jun. 2013 Vice President, Head of Business Development Unit at Sharp Corporation
Jun. 2016 Full-time Corporate Auditor at Mitsubishi UFJ Capital Co., Ltd.
Jun. 2017 Joined the Company
Jun. 2017 Full-time Audit & Supervisory Board Member
Jun. 2019 Member of the Board, Executive Officer, Planning & Administration and Technonet, Head of Planning & Administration Division
Jun. 2022 Member of the Board, Executive Managing Officer
Jun. 2023 Full-time Audit & Supervisory Board Member (to the present)

13 Full-time Audit & Supervisory Board Member
Masayoshi Takeda

Apr. 1985 Joined Nippon Sheet Glass Co., Ltd.
Jun. 2008 Joined the Company
Apr. 2015 General Manager, Head of Finance & Accounting Department
Jun. 2016 Executive Officer
Jun. 2022 Full-time Audit & Supervisory Board Member (to the present)

14 Outside Audit & Supervisory Board Member
Kyosuke Wagai

Oct. 1977 Joined Tohmatsu Awoki & Co
Sep. 1982 Registered as a certified public accountant (to the present)
Jul. 1991 Partner at Deloitte Touche Tohmatsu LLC
Jul. 2010 Executive Board Member of the Japanese Institute of Certified Public Accountants (JICPA)
Jun. 2016 Outside Audit & Supervisory Board Member of the Company (to the present)
Jul. 2016 Audit & Supervisory Board Member of JICPA
Jun. 2017 Outside Audit & Supervisory Board Member at Tokyo Electron Limited (to the present)
Jun. 2017 Representative Director and Chairman at XBRL Japan Inc. (to the present)
Jun. 2023 Auditor of Japan Federation of Shiho-Shoshi Lawyer's Associations (to the present)

15 Outside Audit & Supervisory Board Member
Akiko Suzuki

Apr. 1974 Registered as an attorney-at-law (to the present) Joined Anderson Mōri & Rabinowitz
Sep. 1990 Joined the Company
Sep. 1998 Joined Tokyo Eiwa Law Office
Sep. 2002 Joined Tokyo Office of Oh-Ebashi LPC & Partners Partner (Member of the LPC)
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (to the present)

16 Outside Audit & Supervisory Board Member
Yoshifumi Miyata

Apr. 2006 Executive Officer and General Manager of Financial Institution Relations Department at the Dai - ichi Mutual Life Insurance Company.
Apr. 2009 Managing Executive Officer of the Dai - ichi Mutual Life Insurance Company
Jun. 2010 Outside Audit & Supervisory Board Member of Tsugami Corporation
Jun. 2012 Representative Director and Vice-President of Trust & Custody Services Bank, Ltd.
Oct. 2018 Outside Director at Wellness Communications Corporation (to the present)
Jun. 2021 Outside Audit & Supervisory Board Member of the Company (to the present)

Executive Officers

Hitoshi Mizuno
Executive Managing Officer,
Biomaterials Business
Head of Biomaterials Business Division

Masaaki Naotsuka
Executive Managing Officer,
Mochida Pharmaceutical Plant

Yoshitaka Hosaka, Ph.D.
Executive Managing Officer,
Business Promotion
Head of Business Promotion Division

Junichi Nezu, Ph.D.
Executive Managing Officer,
Research

Taiji Hayano
Executive Officer,
Development
Head of Clinical Research and Development Division

Tomokazu Matsusue
Executive Officer
Head of Business Development Division

Kenji Miyajima
Executive Officer
Head of Pharmaceutical Business Division

Yasushi Taguchi
Executive Officer
Head of Research Division and Head of Research Center

Takeshi Mochida
Executive Officer
Deputy Head of Clinical Research and Development Division

Reiko Nakano
Executive Officer
Deputy Head of Business Development Division

Junichi Makino
Executive Officer
Deputy Head of Planning & Administration Division and General Manager, Head of Human Resources Department

Shinji Ninomiya
Executive Officer
Deputy Head of Pharmaceutical Business Division

Masaaki Yokosuka
Executive Officer
General Manager, Head of Legal & Compliance Department

Officers' Compensation

Directors

Mochida Pharmaceutical has set a total amount of compensation, etc. for Members of the Board approved at a General Meeting of Shareholders, and the decision (approved by the meeting of the Board of Directors on June 29, 2021) on the policy for determining the details of compensation, etc. of individual Members of the Board (hereinafter, the "determination policy") was made based on the opinion of the Nomination and Compensation Advisory Committee, which is made up of a majority of independent Outside Directors, in order to ensure fairness and transparency. Mochida Pharmaceutical has decided (by resolution of the Board of Directors) to delegate matters such as the monthly compensation of individual Members of the Board, and the payment timing, payment method and individual amounts of bonuses, etc. to the Representative Directors (President and Vice President) to decide through discussion, taking the determination policy and opinion of the Nomination and Compensation Advisory Committee into consideration. These matters were delegated to the Representative Directors based on the judgment that the Representative Directors are the right people to determine the details of individual compensation, etc. by evaluating contribution of Members of the Board and wider performance, while taking into account the performance of the Group as a whole.

Compensation for Members of the Board consists of fixed monthly compensation and bonuses, which are performance-based. The percentages of fixed compensation (monthly compensation) and performance-based compensation (bonus) have been set at a level the company deems appropriate in order to incentivize Members of the Board to strive for improvement in corporate value.

Fixed compensation (monthly compensation) is a predetermined amount of base compensation plus an additional amount based on the position or skills etc. of Members of the Board and it is paid on a monthly basis.

Performance-based compensation (bonus) is an amount based on monthly compensation adjusted to reflect a comprehensive evaluation of the company's key performance indicators (consolidated net income and consolidated operating income; hereinafter "consolidated results") as well as the contribution of each Members of the Board. More specifically, two separate bonuses are paid: the winter bonus, which is calculated based on the monthly compensation, and the summer bonus, which is the amount calculated based on monthly compensation adjusted to reflect the consolidated results and individual performance.

Such consolidated results is evaluated by the consolidated results for the relevant fiscal year in comparison with past consolidated results including the consolidated results for the previous fiscal year.

The compensation of Outside Directors consists of fixed monthly compensation.

In addition, a fixed amount of the monthly compensation determined according to each position of Members of the Board is paid as stock-based compensation through contribution to a shareholders' association for Members of the Board and Audit & Supervisory Board Members and continuous acquisition of the Company's shares. Members of the Board are generally required to hold such acquired shares throughout their term of office.

Audit & Supervisory Board Members

Mochida Pharmaceutical has set a total amount of compensation, etc. for Audit & Supervisory Board Members approved at a General Meeting of Shareholders and allocations to each Audit & Supervisory Board Member are determined through consultation between the Audit & Supervisory Board Members.

Compensation for Audit & Supervisory Board Members consists of fixed monthly compensation and bonuses, which are performance-based. The performance-based compensation (bonus) is determined based on the duties each Audit & Supervisory Board Member is expected to perform, considering the consolidated results and reflecting on the contribution of the particular Audit & Supervisory Board Member.

The compensation of Outside Audit & Supervisory Board Members consists of fixed monthly compensation.

In addition, a fixed amount of the monthly compensation is paid as stock-based compensation through contribution to a shareholders' association for Members of the Board and Audit & Supervisory Board Members Officers and continuous acquisition of the Company's shares. Audit & Supervisory Board Members are generally required to hold such acquired shares throughout their term of office.

[Total amount of compensation, total amount of compensation for eligible Members of the Board and Audit & Supervisory Board Members by type and number]

Classification of Members of the Board/Audit & Supervisory Board Members	Total amount of compensation (millions of yen)	Total amount of compensation by type (millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-based compensation	Non-monetary compensation of the Performance-based compensation	
Members of the Board (excluding Outside Directors)	323	175	147	–	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	44	29	14	–	3
Outside Officers	46	46	–	–	7

Business Risks

Mochida Pharmaceutical Group enacted Risk Management Rules applicable to Mochida Pharmaceutical Group and also established the Risk Management Committee composed of the Heads of Divisions, the presidents of subsidiaries and other relevant members, putting in place a structure for recognizing risks which might have a considerable adverse impact on Mochida Pharmaceutical Group's business and management (major risks) and for considering, assessing and discussing measures and policies for addressing such risks.

[Major Risks and Risk Description]

Major Risks	Risk Description
Risks associated with research and development	Researching and developing pharmaceuticals and other products requires a huge amount of capital and time. However, development may be suspended or delayed due to reasons such as a failure to prove the initially anticipated efficacy or the emergence of unforeseen adverse drug reactions in the process. This may necessitate further development attempts or additional trials or lead to the loss of future revenue opportunities or other consequences and earnings may be lower than initially anticipated as a result.
Risks associated with production and procurement	Mochida Pharmaceutical Group does its best to ensure the quality of its products, including in its supply chain requirements, in accordance with regulations based on applicable laws. However, the quality issues such as defects of products produced at Mochida Pharmaceutical Group plants or the delay or suspension of supply of products or raw materials by a specific supplier on which the Group depends due to some factor, despite the procurement management divisions and the implementation of procurement management, could lead to the recall of products, the delay or suspension of shipments or supply shortages, the revocation of a license, the suspension of operations or other administrative disposition, decreased revenue or other consequences, and the Group's operating results and financial position may be severely impacted as a result.
Risks associated with business alliances	Mochida Pharmaceutical Group forms business alliances with other companies across all its operations, including joint research, development and marketing and the in-licensing and out-licensing of products. Future circumstances may put an end to such alliances, affecting the revenue outlook and resulting in lost opportunities and causing earnings to be lower than initially forecast or expected.
Risks associated with laws and regulations and system reforms	The research and development, manufacture and marketing of pharmaceuticals is subject to pharmaceutical-related laws and regulations and other regulations (including measures to reduce healthcare costs such as healthcare system reforms, encouragement of the use of generics and NHI drug price reductions) and any changes such as tighter regulation could severely impact the Group's operating results and financial position. Failure to comply with such regulations could lead to the recall of our products, revocation of our license, the suspension of our business operations or other administrative disposition or a claim for compensation against us and decreased revenue due to a loss of trust, and our operating results and financial position could be severely impacted.
Risks associated with adverse drug reactions	Mochida Pharmaceutical Group does its best to ensure the reliability of clinical trials and the quality of products, in accordance with strict regulations based on pharmaceutical-related laws and regulations concerning the quality and safety of pharmaceuticals, and endeavors to mitigate associated risks by taking out insurance to cover damage compensation claims. However, the unforeseen adverse drug reactions could lead to the recall of products, the suspension of sales and marketing, litigation and compensation for damages, decreased revenue due to a loss of trust and other consequences, and our operating results and financial position could be severely impacted.
Risks associated with business continuity	In case major natural disasters or accidents could seriously affect or damage Mochida Pharmaceutical Group's plants, laboratories, branches, offices and other sites (including the shutdown or failure of information systems) or events such as epidemic could lead to the stagnation of business activities and/or supply shortages caused by the suspension of operations at plants, the Group's operating results and financial position could be seriously impacted as a result.

Compliance

Mochida Pharmaceutical Group is working to promote compliance through the structure and activities described below.

In addition, the Group provides training to those in Pharmaceutical Business Division on a regular basis to encourage fair competition.

Ethics and Compliance Committee

The Committee comprises the President of Mochida Pharmaceutical, the Compliance Officer (the officer in charge of corporate ethics or the supervisor for corporate ethics), and outside experts. It is chaired by the President. The Committee carries out internal checks and deliberates issues, striving to incorporate the spirit of the Code of Conduct of Mochida Pharmaceutical Group into Group activities.

Ethics and Compliance Committee Working Group

The Committee comprises general managers of operations, presidents of subsidiaries and other relevant members and is chaired by the Compliance Officer. It is responsible for the review of internal rules and systems for preventing fraud and improper conduct, and for raising necessary issues and reporting specific issues. Each member is responsible for ethics and compliance within their area of operations, including compliance with the Code of Conduct (including compliance training) and prevention of improper conduct.

Establishment of compliance-related units

We have established the Internal Audit Department and the Corporate Ethics & Compliance independent from our business units and business subsidiaries, to promote the observation of compliance.

Communication of message from the President

We distribute a message from the President to employees in the form of video news. The video news distributed in autumn each year always focus on latest incidents of non-compliance such as corporate misconducts of other companies and the President himself always stresses the importance of compliance.

Compliance training and awareness-raising activities

The Group provides compliance training to meet all training needs, for example, the Corporate Ethics & Compliance provides ethics and compliance training to employees upon entry to our company and upon appointment to a managerial post as well as rank-based, companywide and officers-oriented training, all related to ethics and compliance, and the staff in charge of ethics and compliance within each business unit provide ethics and compliance training in consistency with the operational characteristics of such business unit. We also endeavor to raise awareness of compliance, by, for example, disseminating information about compliance through the intranet on a regular basis.

Corporate ethics and compliance helpline

We install a hotline via which any officer or employee (including who has left the company within one year) who has discovered an actual or potential non-compliance incident or issue may make whistleblowing reports or seek advice. Through the hotline, any officer and employee may either report to or consult with the staff or the officer in charge of corporate ethics and compliance within the company or directly report to or consult with an outside lawyer or other expert. We have also established standards for handling whistleblowing reports within Mochida Pharmaceutical Group and take appropriate measures to ensure that anyone making a whistleblowing report or seeking advice does not suffer disadvantageous treatment.

Initiatives concerning medical and health research involving human subjects

We have enacted “Ethical rules on life science and medical research involving human subjects” to ensure that life science and medical research involving human subjects respects human dignity and human rights and is conducted appropriately with understanding and cooperation of society. In accordance with these rules, we established the Research Ethics Committee.

Ethical response to the treatment of laboratory animals

Mochida Pharmaceutical has established guidelines in accordance with the “Basic guidelines for the conduct of animal experiments in implementing agencies under the jurisdiction of the Ministry of Health, Labour and Welfare” and gives due consideration to animal dignity and the principles of the 3Rs*. In terms of inspection and evaluation by an independent third party, we undergo onsite inspections by the Center for Accreditation of Laboratory Animal Care and Use in Japan Health Science Foundation and have obtained accreditation.

*Replacement: methods which avoid or replace the use of animals; Reduction: methods which minimize the number of animals used for experiment; and Refinement: methods which minimize suffering and improve welfare of animals

Development and Use of Human Resources

Strengthening our human resource management system

Mochida Pharmaceutical Group considers “human resources” to be a major driver underpinning corporate value creation. By developing human resources for the acceleration of innovation creation and productivity improvement, we will strive for sustainable improvement in corporate value driven by the personal growth of our employees and our own corporate growth.

The Group is in the progress of strengthening its human resource management system to ensure development and vitalization of human resources. We revised the personnel system that forms the basis for human resource management and put the new system into operation from April 2023. The new system incorporates mechanisms for reflecting the role and contribution of individuals in their treatment and mechanisms for encouraging diverse human resources to actively participate. The Group has clarified and reorganized the role of each position and this enables early promotion. In addition, we conducted a review of our treatment of elderly persons with expertise. We also focus on securing the human resources required to expand our operations overseas.

Development of human resources

Mochida Pharmaceutical Group sees the development of human resources as an important issue, and provides training by rank and by job and focuses on employees’ skills development and the development of leaders. In terms of training by rank, we encourage general employees to improve their business knowledge and skills through new employee training and mid-level employee training and support performance-enhancing skill development. Additionally, we identify and develop human resources that will contribute to innovation creation through leadership training and management candidate training. In manager training, we seek to share our strategic vision and further develop leadership skills in addition to further enhancing basic skills.

In training by job, employees acquire specialist knowledge and master higher level business skills through training programs designed for each specific business unit.

We have also introduced domestic and overseas training programs for the development of core human resources. Each year, we conduct open recruitment and selected employees study abroad at business schools in Japan and receive degrees. In addition, we operate a self-development support system aimed at encouraging employees to use their initiative and nurturing a challenging spirit through support for the acquisition of qualifications and participation in educational programs.

Through such education and training, we seek to raise the level of competence and skills of human resources and grow and become stronger as a group.

[Groupwide Training Structure]

	Tiered program	Job-specific program	Open application basis	Self-development
For managers	Manager training Practical training for newly appointed managers, new manager training(1st year, 2nd year), deputy general manager training, general manager training, etc.	Business unit-specific training	Domestic training and overseas study program	Support for self-development and acquisition of qualifications
For general employees	Assessment training			
	Leadership training			
	Mid-level employee training			
	New employee training			

Use of diverse human resources

Female participation and career advancement in the workplace

Mochida Pharmaceutical Group is working to hire and train women and increase the ratio of female managers. We are also developing programs to support women in their various life stages and working to solve any issues through a working group consisting mainly of female employees to support women’s health. Under an action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, Mochida Pharmaceutical has set a target ratio of female managers of 12% or higher (FY2021- FY2025). Aiming to be a company that empowers women in the workforce, we are working to develop female employees and to change mindsets, including showcasing female manager role models, preparing career plans for female candidates, and providing career training and seminars for female employees.

Promotion of mid-career recruitment

Mochida Pharmaceutical Group recruits human resources with the skills, knowledge and experience we need and highly skilled professionals needed for business growth, global expansion and the execution of strategies to help increase its corporate value. Especially in the biomaterials business, which we are focusing on as one of the pillars of the next generation, we are actively recruiting professionals. The ratio of mid-career hires increases year by year and many mid-career hires play an active part in a wide variety of departments.

Employment of persons with disabilities

Mochida Pharmaceutical Group is working to expand employment of persons with disabilities. Mochida Pharmaceutical's employment ratio of persons with disabilities stood at 2.4% in FY2022 (the legal employment quota for persons with disabilities is 2.3%), and all such employees play an active part in various departments.

Employment of elderly persons

With the mandatory retirement age set at 60, we have introduced a system under which all employees who have reached mandatory retirement age and wish to continue working are reemployed until the age of 65. Through initiatives such as changing the treatment of elderly employees in FY2013 to increase their motivation to work and changing their treatment in FY2020 in response to enactment of the Act on Improvement of Personnel Management and Conversion of Employment Status for Part-Time Workers and Fixed-Term Workers, we have put in place a system which gives elderly persons even more motivation to work. Mochida Pharmaceutical Group also gives 55-year-old employees the opportunity to reassess their future plans including their professional lives and management of their assets through the provision of life plan seminars and support for diverse work styles.

Life plan seminar (Held in December 2022)

[Diversity of human resources*1]

	FY2020	FY2021	FY2022
Ratio of new female recruits (%)	64.3	63.2	62.2
Ratio of female managers (%)	9.8	10.8	12.0
Ratio of female employees who took childcare Leave (%)	100.0	100.0	100.0
Ratio of male employees who took childcare leave (%)	48.8	90.3	75.6
Ratio of disabled employees (%)	2.4	2.6	2.4
Ratio of mid-career hires*2 (%)	32.3	35.6	35.1

*1 Figures of Mochida Pharmaceutical only (not the ones of the Group)
*2 Percentage of people employed as mid-career employees that became permanent employees in accordance with the Comprehensive Promotion of Labor Measures Act

Aiming to be a great place to work

Developing a pleasant workplace

Mochida Pharmaceutical Group is constantly working to achieve work-life balance and diverse, flexible working styles. We have also been working on creating an environment where employees can work efficiently with high motivation, including compliance with the Work Style Reform related law (such as setting limit on overtime work and grasping of working hours by managers and supervisors), encouraging employees to use flextime and rolling out flextime to non-office-based employees as well, operating a discretionary working system at Research Laboratories, expanding the scope of telework, and developing and enhancing business communication tools. In FY2022, we considered a system of annual paid leave on an hourly basis and put the system into operation from FY2023.

Meanwhile the rebuilding of the headquarters office building was completed and we began operating out of the new building from September 2022. We also developed more comfortable office environments in a bid to further improve productivity through initiatives such as the introduction of digital technologies.

Employee engagement

We conduct an employee survey of all Mochida Pharmaceutical Group employees every year, mainly to assess employee engagement. The survey findings are disclosed to all employees and used to consider and implement measures to solve issues and increase employee motivation. We also implement a range of initiatives aimed at increasing job satisfaction including conducting interviews with employees to obtain feedback about their work and workplace, listen to their requirements and give advice on any concerns or issues raised.

Child care and nursing care

Mochida Pharmaceutical Group has been working to realize workplaces which make it easier for employees to balance child care and nursing care with work. We have increased support for child care and nursing care, having thus far implemented initiatives such as longer child care leave, introducing some paid childcare leave, introducing nursing care leave that exceeds the statutory requirements, introducing a reduced working hour system, establishing leave for maternity hospitalization, more widespread use of accumulated paid leave for child care and nursing care, expanding flextime to those working shorter working hours due to child care, operating telework, and revising child care leave regulations as a measure to prevent maternity harassment.

Moreover, we have set target percentages for those taking child care leave of 90% or higher for women and 30% or higher for men (FY2021-FY2025). We implement a range of initiatives to encourage employees to take child care leave, including providing training to raise awareness and increase understanding about childcare-related systems and working to encourage male employees to take advantage of childcare-related systems.

In recognition of our efforts to support childcare at the workplaces of Mochida Pharmaceutical, Mochida Healthcare and Mochida Pharmaceutical Plant, we received the Minister of Health, Labour and Welfare's "Kurumin" certification, which is awarded to companies that meet the standards of the Act on Advancement of Measures to Support Raising Next-Generation Children.

Occupational health and safety

Health and safety

Aiming to create a workplace where employees can work with peace of mind, we have built a structure for managing and promoting health and safety across Mochida Pharmaceutical Group and, as well as holding health and safety committee meetings at each site, we are working to prevent occupational accidents and ensure workplace health and safety.

Mental health and health consultations

Based on the "Guidelines for Maintaining and Improving Worker's Mental Health" issued by the Ministry of Health, Labour and Welfare, Mochida Pharmaceutical Group strives to enhance the structure and systems for supporting employees from four standpoints: selfcare, care provided by Human Resources Department, care provided by onsite occupational health professionals, and care utilizing outside resources.

1. Selfcare
   - Mental health training (for all employees)
   - Stress checks to assess mental health (carried out annually)
   - Establishment of internal and external consultation service
2. Care provided by Human Resources Department
   - Mental health training (training for newly appointed managers and manager training, etc.)
   - Personnel interviews
3. Care provided by onsite occupational health professionals
   - Health consultations provided by occupational health physicians
   - Mental and physical health consultations provided by public health nurses
   - Support for employees returning to work from leave provided by personnel staff and introduction of a provisional return-to-work system
4. Care utilizing outside resources
   - Referral to outside consultation service, counselling facility or specialist

Respect for Human Rights

Human rights policy

Mochida Pharmaceutical Group has established and disclosed a Basic Policy on Human Rights to further strengthen initiatives to prevent and mitigate human rights risks. We will work to protect and respect human rights through the implementation of human rights due diligence and the establishment of a remedy framework, in line with the UN Guiding Principles on Business and Human Rights.

Basic policy on human rights

Mochida Pharmaceutical Group sets out in the Code of Conduct of Mochida Pharmaceutical Group and the Employee Behavior Standards of Mochida Pharmaceutical Group that officers and employees will respect human rights and will not engage in behavior such as unfair discrimination, sexual harassment or power harassment. The Group's Sustainable Procurement Guidelines also clearly specify the consideration for human rights that business partners are expected to demonstrate. Recognizing that companies have a responsibility to pursue management which respects the human rights of all human beings, we are committed to implementing initiatives to promote respect for human rights in all our business activities and contributing to realization of a sustainable society.

Sustainable procurement

Sustainable procurement policy

We have established a Sustainable Procurement Policy, to promote fair procurement that is compliant with laws and regulations and addresses human rights and environmental

Sustainable Procurement Policy

1. Equitable and Fair Transactions
   We will select business partners based on an equitable and fair assessment from various perspectives including quality, delivery time, capacity for stable supply, technical expertise, reliability and price. We will build positive relationships of trust with business partners that are based on mutual understanding and are aimed at supporting each other's sustainable development.
2. Compliance with Laws and Societal Norms
   We will comply with the laws and regulations of each country, and conduct ourselves with high ethical standards and in accordance with socially accepted norms.
3. Consideration for the Environment
   We will endeavor to realize a sustainable society by integrating consideration for environmental impact into our procurement activities.
4. Respecting Human Rights
   We will strive to build a decent society by integrating respect for human rights into our procurement activities.

considerations. Our business partners will be informed about the Group policy and will be required to understand it and put it into practice. We will integrate sustainability throughout our entire supply chain to prevent problems from occurring which will cause disruption to business and have a severe impact on society.

Sustainable procurement guidelines

We have established the Sustainability Procurement Guidelines for the purpose of building fair and transparent relationships with our business partners. We will distribute these Guidelines to our business partners and also assess and analyze the status of sustainability initiatives at business partners through a questionnaire aimed at verifying the status of initiatives to address sustainability issues such as human rights and the environment.

Workplace Initiatives

Mochida Pharmaceutical Group sets out rules such as that officers and employees will respect each other's human rights and will not engage in behavior such as unfair discrimination, sexual harassment or power harassment in the Employee Behavior Standards. We work continuously and assiduously to raise awareness about the prevention of harassment and other human rights issues, including appointing persons in charge of raising awareness about human rights in each division and providing all employees with training to raise awareness about human rights once a year. In addition, every year, we issue a call to employees and their families for slogans to raise awareness about human rights, providing them with the opportunity to reflect on human rights issues as something which concerns them.

We are also implementing initiatives to increase job satisfaction and become an even better place to work, including conducting an employee survey to assess employee engagement and use the findings in various measures to strengthen engagement.

Relationship with Society

Contributing to patients with ulcerative colitis

Mochida Pharmaceutical and Eli Lilly Japan K.K. have launched a joint project "Promoting a society in which patients can talk openly about living with ulcerative colitis." We hope that this project will raise awareness about "bowel urgency (sensation of an urgent need to have a bowel movement)", which is identified by patients with ulcerative colitis as the symptom they would most like to have resolved and prompts people to think about how they can support ulcerative colitis patients.

We have made information about ulcerative colitis and "bowel urgency" available on a dedicated website.

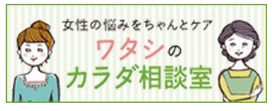
■ Dedicated website "For you who is living with Ulcerative Colitis"
https://www.mochida.co.jp/withuc/

Information about diseases

Mochida Pharmaceutical provides a wide range of information to increase patient understanding of illness. We produce guides for patients explaining diseases and giving them lifestyle tips, and we distribute them through medical institutions. We have also created information pages about diseases on our website for patients and the general public, highlighting in particular, through videos and other means, information offering "support for the different stages of a woman's life."

■ Information page about diseases
https://www.mochida.co.jp/patient/

■ Information about women's health issues
https://www.mochida.co.jp/woman/



Hosting company visits

We host company visits by students to raise awareness about the social significance of pharmaceutical companies and the relevance of pharmaceuticals to everyday life. Senior high school and junior high school students who are interested in careers in medicine or pharma visit us on school excursions and are keen to listen to presentations about the contribution that pharmaceutical companies make to medical care and the development of new drugs.

Company visits by students (Held in December 2022)

Support for the Turkey-Syria Earthquake

In March 2023, Mochida Pharmaceutical donated 3 million yen through the Japanese Red Cross Society to support relief activities for those affected by the earthquake in Turkey and Syria.

Relationship with Local Community

Gotemba site (Gotemba, Shizuoka Prefecture)

Participation in activities of Gotemba City Water Quality Preservation Council

Every year in June, which is Environment Month, the Gotemba site takes part in the cleaning activities organized by Gotemba City Water Quality Preservation Council, cleaning up the surrounding roads. The Gotemba site also takes part in the "amago salmon release party" organized by the Gotemba City Water Quality Preservation Council every October.

Blood donation activities

Every year, the Gotemba site cooperates with the blood donation event organized by the Japanese Red Cross Society.

In FY2022, the blood donation campaign took place in September and February. At the Shizuoka Prefecture Blood Donation Promotion Convention in 2022, the Gotemba site received a letter of appreciation from the Minister of Health, Labour and Welfare in recognition of its steadfast cooperation with blood donations for many years.

Fujieda site (Fujieda, Shizuoka Prefecture)

Activities to clean up around Fujieda site and the banks of Oi River

Adjacent to the Oi River, which is officially classified as a Class 1 river, the Fujieda site takes part in Oi River Cleanup Activities, including weeding and picking up litter on the banks near the site, to coincide with Environment Month in June and River Conservation Month in July.

Blood donation activities

Every year, the Fujieda site cooperates with the blood donation event organized by the Japanese Red Cross Society.

In FY2022, the blood donation campaign took place in June.

Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd.

(Ohtawara, Tochigi Prefecture)

Communication with the local community to protect the environment

The Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd. sees communication with the local community as important for protecting the environment and reports any changes in the water quality of rivers and groundwater around the plant and the plant's initiative to protect the environment to the local government (Ohtawara City) and to representatives of local residents. In FY2022, the plant distributed hard copies of its reports.

Clean-up activities around the plant

Once a month, plant employees pick up litter around the plant, especially in the adjacent area and the area bordering the city road, inspect plants and take measures as necessary and maintain good communication with the local residents.

Hosting plant visits

The Head Office Plant welcomes students on visits to give them an insight into the special feature of a pharmaceuticals plant so that they can use this knowledge when making career choices in the future.

Blood donation activities

Every year, the Head Office Plant cooperates with the blood donation event organized by the Japanese Red Cross Society. In FY2022, the event was postponed to prevent the spread of the COVID-19 infection.

Consideration for the Environment

Mochida Pharmaceutical Group has established a Basic Environmental Policy to promote business activities which take environmental impact into consideration, in accordance with the Code of Conduct of Mochida Pharmaceutical Group and the Basic Sustainability Policy.

Basic Environmental Policy

As a life and healthcare group, Mochida Pharmaceutical Group is committed to action on climate change countermeasures, the effective use of resources, the protection of biodiversity and so on, develops business activities with always taking the environmental impact into consideration, and endeavors to contribute to the realization of a sustainable society.

Environmental Management

Mochida Pharmaceutical Group has established the Environmental Measures Committee, chaired by the officer in charge of planning and administration, as an organization which examines important matters related to the environment. The Committee formulates a medium-to-long-term environmental action plan, examines measures to address environmental issues, makes recommendations to management, promotes environmental activities at each business site and also verifies the results of activities to protect the environment including annual reduction in CO_2 emissions. The committee also formulates a training schedule and conducts environmental training and awareness-raising activities for the further promotion and integration of environmental activities.

The Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., which is the Mochida Pharmaceutical Group's production center, was awarded ISO 14001 certification by the International Standards Organization for its environmental management system and implements activities to protect the environment on an ongoing basis.

[Targets And Results]

Environmental Policy		FY2022 Target	FY2022 Result	FY2023 Target	FY2030 Target
Reduction of CO_2 emissions		16,690t-CO_2 or less	16,685t-CO_2	16,520t-CO_2 or less	9,660t-CO_2 or less
Reduction and recycling of waste	Waste generated	582t or less	524t	582t or less	582t or less
	Waste recycling ratio	98% or more	99.2%	98% or more	98% or more
	Plastic waste recycling ratio	65% or more	78.4%	65% or more	65% or more

Sites covered: Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.
However, rented buildings every other business site of Mochida Pharmaceutical Co., Ltd. are not included in the waste data.

ISO14001 renewal audit certificate

Waste training
(Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd.)

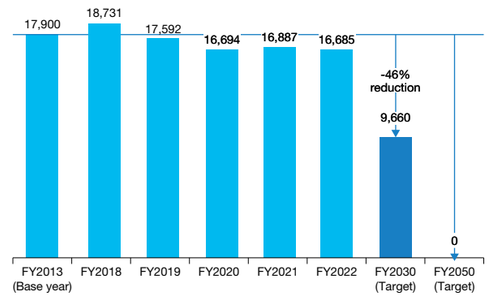
Environmental Initiatives

Climate Change Countermeasures

Mochida Pharmaceutical Group has set a target of reducing carbon emissions by 46% from FY2013 levels by FY2030, and reaching carbon neutrality by 2050. We are working to reduce CO_2 emissions through initiatives such as improvement of energy efficiency across Mochida Pharmaceutical Group as a whole, to fulfill our social responsibility and help realize a carbon-free society. In FY2022, we continued our efforts to replace our commercial fleet with hybrid vehicles and installed more efficient air conditioning systems at all sites. Meanwhile, the new headquarters building (which began operating out from September 2022) received a top-level BELS 5-star rating in the "Building-Housing Energy-efficiency Labeling System (BELS)" evaluation and was certified as "ZEB Ready" which means the building achieves energy savings of greater than 50%, thanks to an environmentally friendly design which uses site conditions to reduce the environmental impact of air conditioning and deploys energy efficient lighting and air-conditioning systems. Additionally, we are working to reduce CO_2 emissions through the adoption of CO_2 free electricity.

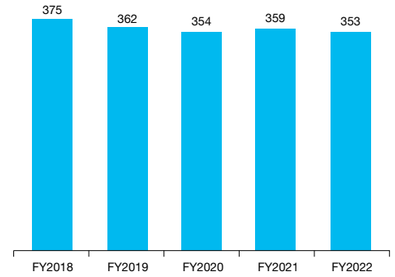
CO_2-free electricity purchase certificate

[Trend of CO_2 Emissions] (tons)



Sites covered: Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.
CO_2 emissions: Total amount of energy-related CO_2 emissions from fuel and electricity consumption

[Trend of Energy Consumption] (terajoules)



Sites covered: Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.
Energy consumption: Total consumption of all types of energy including electricity, fuel oil (until FY2019), gasoline, LNG and city gas

Gas-fired once-through boilers
(Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd.)

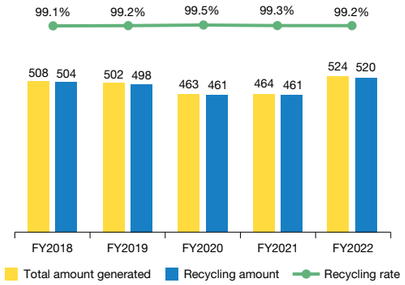
Heat pumps
(Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd.)

Reduction and recycling of waste

Mochida Pharmaceutical Group is working on the reduction and recycling of waste generated in its business activities. We promote the 3Rs (Reduce, Reuse, Recycle) and are committed to reducing the amount of waste we generate to 582 tons or lower by FY2030, increasing our waste recycling rate to 98% or higher, and maintaining a plastic waste recycling rate of 65% or higher.

[Trends of Amount of Waste Generated and Recycling Rate]

(tons)



Sites covered: Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.*

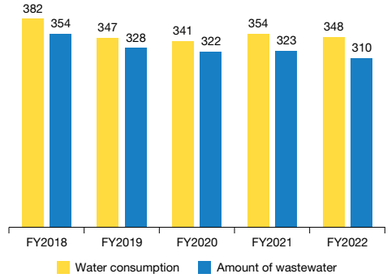
Recycling amount: Total amount of waste generated which was the subject of reuse, material recycling or thermal recycling (heat recovery and residue use)

Water resources and water quality

Mochida Pharmaceutical Group strives to comply with laws and regulations and water standards agreed with each local government and is working to use water resources efficiently and to manage wastewater properly. In addition, Mochida Pharmaceutical Plant Co., Ltd. has completely replaced the below ground drainage system with an above ground drainage system at its Head Office Plant to prevent soil contamination due to leakages.

[Trends of Water Consumption and Amount of Wastewater]

(thousand m³)



Sites covered: Head Office, Gotemba site, Fujieda site and every other business site of Mochida Pharmaceutical Co., Ltd., Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd.*

Water consumption: Total of extraction of groundwater and water purchased from public water supply

*The data for FY2020 and FY2021 excludes data from Mochida Pharmaceutical Co., Ltd.'s headquarters, which was temporarily relocated.
The data for FY2022 includes some data from Mochida Pharmaceutical Co., Ltd.'s headquarters (beginning operating out of the new office building from September 2022).

Prevention of air pollution

In efforts to prevent air pollution, Mochida Pharmaceutical Group completed the switch from fuel oil to LNG and city gas in FY2019. This move reduced the Group's particulate matter, oxides of nitrogen and sulfur (NOx and SOx) emissions to zero. We will continue striving to comply with laws and regulations and the standards agreed with each local government.

Proper management of chemical substances

The Gotemba and Fujieda sites, the Head Office Plant of Mochida Pharmaceutical Plant Co., Ltd., and the Saitama Plant of Mochida Pharmaceutical Plant Co., Ltd. fully recognize the impact that the chemical substances needed to develop and manufacture pharmaceuticals and healthcare products have on human health and the ecosystem, and they use and manage chemical substances properly.

Activities to revitalize forests

From 2013, to commemorate the 100th anniversary of its founding, Mochida Pharmaceutical Group has been joining a partner program implemented by Kanagawa Prefecture to revitalize forests. Under the program, we lease an area of forest in Kanagawa Prefecture, which we named Mochida Memorial Forest, and employees volunteer to take part in activities to develop the forest such as tree thinning, pruning and clearing underbrush. We will continue focusing on the revitalization of forests and are committed to passing on the blessings of the forest to the next generation.

Information Disclosure Based on the TCFD Recommendation

Mochida Pharmaceutical Group declared support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations in June 2023, and evaluates and manages climate-related risks and opportunities to make disclosures in accordance with the TCFD recommendations. Going forward, we will seek to further enhance information disclosure.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

Mochida Pharmaceutical Group has established the Environmental Measures Committee (convened twice a year) as an organization which examines important matters related to the environment. The Committee is responsible mainly for establishing medium-to-long-term environmental action plans and considering measures to address environmental issues. We have also established the Risk Management Committee (convened twice a year), which develops systems for managing major risks related to the Group's business operations in general, including climate change risk.

In collaboration with the Environmental Measures Committee and the Risk Management Committee, initiatives to address climate change are considered at meetings of the Sustainability Committee, which was established to promote sustainability activities across the Group. The Sustainability Committee meets once every six months (and whenever necessary).

The activities of these committees are reported to and discussed with a view to improvement at the Board of Directors at least once a year.

Strategy

Going forward, we will carry out an assessment of the impact of climate-related risks and profit-earning opportunities arising from global warming on our business activities and earnings, implement long-term and sustainable initiatives, and promote the disclosure of information about such initiatives.

Risk management

We have established Risk Management Rules applicable to Mochida Pharmaceutical Group, and have also developed a framework for managing risks related to Mochida Pharmaceutical Group's business management in general and manage climate change as one of our key risks. The business units and companies responsible for each major risk have developed measures to prevent the materialization of the risks and measures to be taken in the event of materialization and, as the committee responsible for risk management, the Risk Management Committee deliberates on and supervises the measures. These activities are reported to the Board of Directors and discussed with a view to improvement at least once a year.

Metrics and targets

Mochida Pharmaceutical Group has set a target of reducing carbon emissions by 46% from FY2013 levels by FY2030, and reaching carbon neutrality by 2050.

10-Year Consolidated Financial Summary

	FY2013	FY2014	FY2015	FY2016	FY2017*2	FY2018	FY2019	FY2020	FY2021	FY2022
For the fiscal year (Millions of Yen)										
Net sales	93,947	87,252	92,272	97,349	106,761	109,643	101,799	102,995	110,179	**103,261**
Cost of sales	34,364	33,913	37,273	41,043	53,182	55,477	49,882	48,203	50,626	**48,146**
Selling, general and administrative expenses	42,987	41,658	42,845	44,936	41,904	43,584	43,112	42,788	45,161	**46,607**
R&D expenditures	11,961	11,777	13,454	15,226	11,912	13,003	11,884	10,849	12,295	**13,283**
Operating income	16,600	11,689	12,154	11,374	11,662	10,590	8,807	12,003	14,392	**8,507**
Recurring income	16,799	11,909	12,392	11,648	12,008	10,928	9,154	12,260	14,799	**9,085**
Profit attributable to owners of parent	9,892	7,544	8,150	8,526	9,023	8,435	4,598	8,587	10,569	**6,649**
Comprehensive income	11,514	8,860	9,121	9,686	11,257	11,467	873	11,412	7,619	**5,001**
Net cash provided by (used in) operating activities	12,478	5,122	15,211	5,583	3,283	12,565	9,347	9,198	7,459	**7,297**
Net cash provided by (used in) investing activities	△ 4,359	△ 1,953	△ 15,576	△ 1,835	△ 426	△ 1,121	△ 1,760	△ 880	△ 2,007	**△ 2,949**
Net cash provided by (used in) financing activities	△ 6,089	△ 5,288	△ 2,917	△ 3,291	△ 3,483	△ 6,094	△ 5,328	△ 5,112	△ 5,956	**△ 6,884**
Capital investment	2,598	1,272	1,539	1,060	1,001	1,299	1,889	1,335	2,806	**2,105**
Depreciation and amortization	2,741	3,006	2,764	2,734	2,618	2,917	2,731	2,742	2,689	**2,672**
Cash and cash equivalents at end of year	35,753	33,635	30,351	30,808	30,182	35,532	37,791	40,987	40,515	**38,010**
End of the fiscal year (Millions of Yen)										
Total assets	130,669	127,557	137,713	148,372	155,047	159,019	157,488	161,791	163,139	**158,831**
Net assets	93,688	98,670	104,929	111,869	119,687	125,110	120,665	126,974	128,646	**126,775**
Per-Share Information*1 (Yen)										
Net assets (BPS)	2,332.58	2,484.20	2,642.32	2,817.36	3,014.53	3,189.15	3,113.69	3,317.92	3,424.21	**3,470.18**
Net income (EPS)	244.33	188.63	205.23	214.73	227.27	212.87	117.56	222.29	277.39	**178.93**
Dividends	80.00	75.00	75.00	77.50	85.00	85.00	80.00	90.00	90.00	**80.00**
Financial Indicators										
Ratio of operating income to net sales (%)	17.7	13.4	13.2	11.7	10.9	9.7	8.7	11.7	13.1	**8.2**
Ratio of R&D expenditures to net sales (%)	12.7	13.5	14.6	15.6	11.2	11.9	11.7	10.5	11.2	**12.9**
Shareholders' equity ratio (%)	71.7	77.4	76.2	75.4	77.2	78.7	76.6	78.5	78.9	**79.8**
Return on equity (ROE) (%)	10.9	7.8	8.0	7.9	7.8	6.9	3.7	6.9	8.3	**5.2**
Payout ratio (%)	32.7	39.8	36.5	36.1	37.4	39.9	68.1	40.5	32.4	**44.7**
Price to earnings ratio (PER) (times)	15.1	20.9	20.4	19.2	16.5	26.7	35.5	19.3	13.5	**18.7**
Number of employees (Average number of part-time employees)	1,726 (402)	1,746 (417)	1,726 (420)	1,713 (418)	1,666 (420)	1,617 (448)	1,581 (482)	1,558 (504)	1,544 (503)	**1,529 (515)**

*1 The Company conducted the consolidation of shares of its common shares at a rate of one share for every five shares on October 1, 2013. The Company also conducted a two-for-one share split of its common shares on April 1, 2019. Per-share information is calculated on the assumption that the share consolidation and share split were conducted on April 1, 2013.
*2 From April 1, 2018, our company has applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The relevant accounting standards have been applied retroactively to the main management indicators for fiscal 2017.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Assets		
Current assets		
Cash and time deposits	48,415	**47,010**
Accounts receivable	31,676	**27,806**
Marketable securities	13,499	**13,499**
Merchandise and finished goods	15,110	**14,644**
Work in process	1,355	**1,453**
Raw materials and supplies	6,662	**8,307**
Other current assets	4,727	**4,656**
Total current assets	121,448	**117,379**
Fixed assets		
Property, plant and equipment		
Buildings and other structures, net	4,769	**7,069**
Machinery and equipment and transportation equipment, net	1,759	**1,854**
Land	4,990	**4,990**
Others, net	3,009	**1,135**
Total property, plant and equipment	14,528	**15,049**
Intangible fixed assets	713	**797**
Investments and other assets		
Investments in securities	16,474	**14,246**
Deferred income taxes	3,691	**3,883**
Others	6,283	**7,476**
Total investments and other assets	26,449	**25,605**
Total fixed assets	41,691	**41,452**
Total assets	163,139	**158,831**

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable	10,656	**9,047**
Electronically recorded obligations - operating	1,243	**910**
Income taxes payable	1,652	**501**
Contract liabilities	—	**50**
Provision for bonuses	2,663	**2,313**
Other provisions	171	**169**
Other current liabilities	13,470	**14,266**
Total current liabilities	29,856	**27,258**
Long-term liabilities		
Retirement benefits liability	4,270	**4,133**
Other long-term liabilities	365	**664**
Total long-term liabilities	4,636	**4,798**
Total liabilities	34,493	**32,056**
Net assets		
Shareholders' equity		
Paid-in capital	7,229	**7,229**
Capital surplus	1,871	**1,871**
Retained earnings	121,668	**118,943**
Treasury shares	△9,617	**△7,114**
Total shareholders' equity	121,153	**120,930**
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	7,308	**5,655**
Remeasurements of defined benefit plans	184	**189**
Total accumulated other comprehensive income	7,493	**5,844**
Total net assets	128,646	**126,775**
Total liabilities and net assets	163,139	**158,831**

Consolidated Statements of Income and Comprehensive Income Consolidated Statements of Income

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Net sales	110,179	**103,261**
Cost of sales	50,626	**48,146**
Gross profit	59,553	**55,114**
Selling, general and administrative expenses	45,161	**46,607**
Operating income	14,392	**8,507**
Other income		
Interest income	2	**2**
Dividend income	284	**338**
Real estate rent	82	**86**
Gain on forgiveness of debts	6	**165**
Others	79	**73**
Total other income	455	**665**
Other expenses		
Interest expenses	—	**0**
Interest and charge (commission) expense	43	**45**
Foreign exchange losses	—	**36**
Others	5	**6**
Total other expenses	48	**87**
Recurring income	14,799	**9,085**
Extraordinary gains		
Gain on sales of fixed assets	—	**0**
Settlement received	—	**8**
Gain on sales of investment securities	526	—
Insurance claim income	38	**4**
Total extraordinary gains	564	**13**
Extraordinary losses		
Loss on sales and disposal of fixed assets	5	**54**
Impairment losses	107	—
Loss on disaster	22	—
Removal expenses for fixed assets	535	—
Settlement expenses	100	—
Total extraordinary losses	771	**54**
Income before income taxes	14,591	**9,044**
Income taxes - current	3,215	**2,014**
Income taxes - deferred	807	**380**
Total income taxes	4,022	**2,395**
Net income	10,569	**6,649**
Profit attributable to owners of parent	10,569	**6,649**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Net income	10,569	6,649
Other comprehensive income, net of tax		
Unrealized gain on available-for-sale securities	△ 3,002	△ 1,653
Remeasurements of defined benefit plans, net of tax	53	5
Total other comprehensive income, net of tax	△ 2,949	△ 1,648
Total comprehensive income	7,619	5,001
Total comprehensive income attributable to:		
Owners of parent	7,619	5,001

Consolidated Statements of Changes in Net Assets

FY2021 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of year	7,229	1,871	116,288	△8,857	116,532	10,311	131	10,442	126,974
Changes in the fiscal year:									
Dividends from surplus			△3,444		△3,444				△3,444
Profit attributable to owners of parent			10,569		10,569				10,569
Purchase of treasury shares				△2,504	△2,504				△2,504
Cancellation of treasury shares		△0	△1,744	1,744	—				—
Net changes of items other than shareholders' equity						△3,002	53	△2,949	△2,949
Total	—	△0	5,380	△759	4,620	△3,002	53	△2,949	1,671
Balance at end of year	7,229	1,871	121,668	△9,617	121,153	7,308	184	7,493	128,646

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of year	7,229	1,871	121,668	△9,617	121,153	7,308	184	7,493	128,646
Changes in the fiscal year:									
Dividends from surplus			△3,370		△3,370				△3,370
Profit attributable to owners of parent			6,649		6,649				6,649
Purchase of treasury shares				△3,502	△3,502				△3,502
Cancellation of treasury shares			△6,004	6,004	—				—
Net changes of items other than shareholders' equity						△1,653	5	△1,648	△1,648
Total	—	—	△2,725	2,502	△223	△1,653	5	△1,648	△1,871
Balance at end of year	7,229	1,871	118,943	△7,114	120,930	5,655	189	5,844	126,775

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities:		
Income before income taxes	14,591	**9,044**
Depreciation and amortization	2,689	**2,672**
Loss (gain) on sales of investment securities	△526	**—**
Gain on forgiveness of debts	△6	**△165**
Insurance claim income	△38	**△4**
Loss (gain) on sale and disposal of fixed assets	5	**53**
Impairment losses	107	**—**
Loss on disaster	22	**—**
Removal expenses for fixed assets	535	**—**
Settlement expenses	100	**—**
Increase (decrease) in provision for bonuses	166	**△349**
Increase (decrease) in retirement benefits liability	△305	**△129**
Interest and dividend income	△287	**△340**
Interest and charge (commission) expense	43	**45**
Decrease (increase) in notes and accounts receivable-trade	△2,486	**3,869**
Decrease (increase) in inventories	△521	**△1,277**
Decrease (increase) in other current assets	△899	**817**
Increase (decrease) in notes and accounts payable-trade	2,176	**△1,941**
Increase (decrease) in other current liabilities	△1,658	**1,183**
Other	△783	**△2,304**
Subtotal	12,925	**11,173**
Interest and dividends received	286	**340**
Interest and commission paid	△36	**△35**
Proceeds from insurance income	—	**42**
Settlement paid	△100	**—**
Payments for contract loss	△2,000	**△1,000**
Income taxes paid	△3,616	**△3,224**
Net cash provided by operating activities	7,459	**7,297**

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Cash flows from investing activities:		
Payments into time deposits	△10,900	**△12,000**
Proceeds from withdrawal of time deposits	16,500	**10,900**
Purchase of short-term investment securities	△10,500	**△10,500**
Proceeds from sales of short-term investment securities	6,000	**10,500**
Payment for purchases of tangible and intangible fixed assets	△2,988	**△2,166**
Proceeds from sales of property, plant and equipment	0	**0**
Payment for removal of fixed assets	△108	**—**
Proceeds from sales of investment securities	538	**—**
Purchase of investment securities	△540	**—**
Other	△8	**316**
Net cash used in investing activities	△2,007	**△2,949**
Cash flows from financing activities:		
Dividends paid	△3,445	**△3,372**
Purchase of treasury shares	△2,511	**△3,512**
Other	△0	**△0**
Net cash used in financing activities	△5,956	**△6,884**
Effect of exchange rate changes on cash and cash equivalents	31	**32**
Net increase (decrease) in cash and cash equivalents	△472	**△2,504**
Cash and cash equivalents at beginning of year	40,987	**40,515**
Cash and cash equivalents at end of year	40,515	**38,010**

Corporate Data (As of June 29, 2023)

Mochida Pharmaceutical Co., Ltd.

Founded: April 16, 1913
Incorporated: April 28, 1945
Representative: Naoyuki Mochida, President
Main Business: Sale, import and export of pharmaceuticals, etc.
Paid-in Capital: ¥7,229 million
Head Office: 7, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8515, Japan
TEL +81-3-3358-7211
Number of Employees: 1,252 (Consolidated: 1,529)

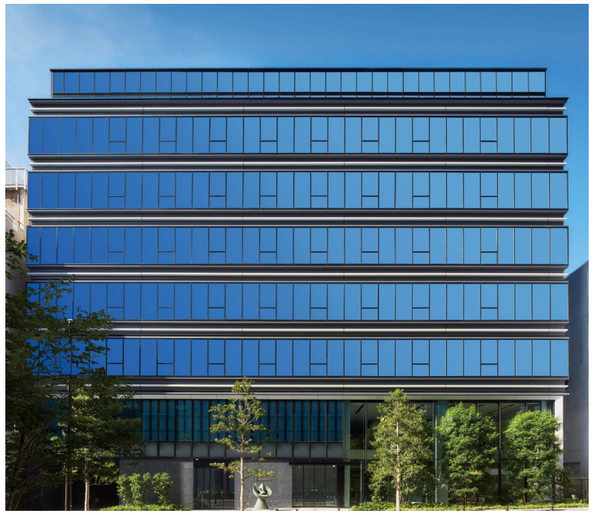
Sites and Research Laboratories

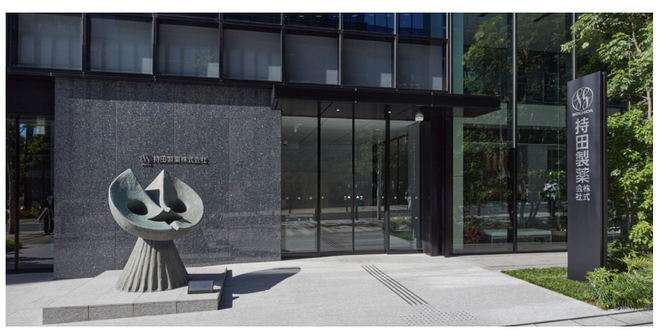
Branche Offices
Sapporo, Sendai, Kanto Koshinetsu, Metropolitan, Chubu, Kansai, Hiroshima, Fukuoka

Other Operating Sites
Asahikawa, Hakodate, Aomori, Morioka, Akita, Koriyama, Kawagoe, Takasaki, Utsunomiya, Mito, Tsuchiura, Niigata, Matsumoto, Kofu, Tama, Chiba, Matsudo, Yokohama, Atsugi, Shizuoka, Hamamatsu, Hokuriku, Kyoto, Osaka-kita, Sakai, Kobe, Yonago, Okayama, Yamaguchi, Takamatsu, Matsuyama, Tokushima, Kochi, Kitakyushu, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa

Research Laboratories
Research Center (Gotemba), Pharmaceutical Laboratory (Fujieda)

■ Mochida headquarters building





Share Information (As of March 31, 2023)

Current Share Status

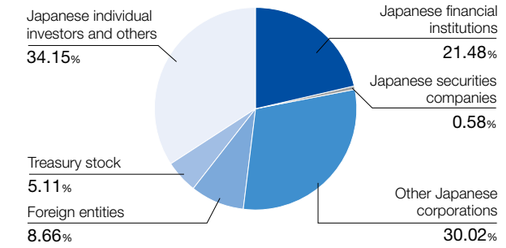
Total number of authorized share	120,000,000 shares
Total number of shares issued and outstanding	38,500,000 shares
Number of shareholders	6,807

Major Shareholders (top 10)

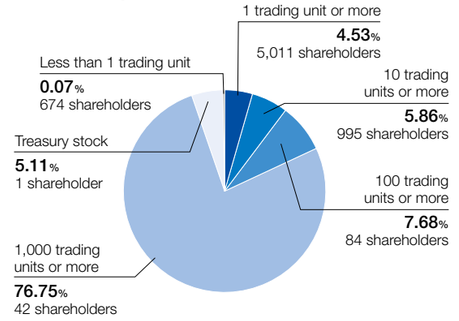
Name of Shareholder	Number of Shares Held (thousand)	Percentage of Shares Held (excluding treasury shares)
Mochida Memorial Foundation for Medical and Pharmaceutical Research	5,688	15.57
The Master Trust Bank of Japan, Ltd. (Trust account)	3,055	8.36
MUFG Bank, Ltd.	1,786	4.89
Princess Takamatsu Cancer Research Fund	1,683	4.61
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust (Mizuho Bank Account) Re-trust Trustee: Custody Bank of Japan, Ltd.	1,614	4.42
Nissui Corporation	1,200	3.28
Naoyuki Mochida	1,141	3.13
Takeshi Mochida	949	2.60
Kazue Mochida	937	2.57
Yutaka Mochida	886	2.43

(Note) The Company holds 1,967 thousand shares of treasury stock, not included in the above.

Distribution by Type of Shareholder



Distribution by Number of Shares Held



Group Companies

Mochida Pharmaceutical Plant Co., Ltd.

Operations Commenced: April 1, 2005
Representative: Tadashi Morikawa, President
Main Business: Manufacture of pharmaceuticals and healthcare products
Paid-in Capital: ¥500 million (wholly owned by Mochida Pharmaceutical)
Head Office Plant: 431, Nakadawara, Ohtawara City, Tochigi 324-0062, Japan
TEL +81-287-24-1111
Sites: Saitama Plant/Tokyo Site

Mochida Pharmaceutical Sales Co., Ltd.

Operations Commenced: June 2, 2014
Representative: Kazumasa Fukuchi, President
Main Business: Sale of pharmaceuticals
Paid-in Capital: ¥10 million (wholly owned by Mochida Pharmaceutical)
Head Office: PAXXS Bldg., 2-12 Ichigayahonmuracho, Shinjuku-ku, Tokyo 162-8451, Japan
TEL +81-3-5229-3929

Mochida Healthcare Co., Ltd.

Operations Commenced: April 1, 2004
Representative: Shinji Akita, President
Main Business: Sale of healthcare products
Paid-in Capital: ¥100 million (wholly owned by Mochida Pharmaceutical)
Head Office: PAXXS Bldg., 2-12 Ichigayahonmuracho, Shinjuku-ku, Tokyo 162-8451, Japan
TEL +81-3-5229-3940
Sites: Sapporo Sales Office, Sendai Sales Office, Higashi Nihon Branch Office, Yokohama Sales Office, Nagoya Sales Office, Nishi Nihon Branch Office, Hiroshima Sales Office, Fukuoka Sales Office, Saitama Plant

Technonet Co., Ltd.

Head Office: 7, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8515, Japan
TEL +81-3-3353-7511

Technofine Co., Ltd.

Head Office: 342, Gensuke, Fujieda, Shizuoka 426-8640, Japan
TEL +81-54-636-7032

Our History

1900

1913
- Mochida was established by Ryokichi Mochida in Hongo, Bunkyo-ku, Tokyo.

- Started producing pharmaceuticals.
- Started producing and marketing *Ogoko*, an ophthalmic ointment.
- Started producing and marketing *Luestin*, an injectable antiluetic.

1929
- Developed *Thrombrin*, Japan's first organ-derived hemostatic agent.

1932
- Completed and launched *Pelanin*, the first estrogen preparation developed in Japan.

1935
- Launched *Testinon*, a male hormone preparation.

1945
- Mochida Pharmaceutical Co., Ltd. was incorporated.

1951
- Launched *Sprase*, the first hyaluronidase preparation developed in Japan.

1952
- Launched *Estropan*, a complex natural female functional hormone.

1956
- Succeeded in producing *Thrombin*, a hemostatic enzyme, in Japan.

1960
- Launched *Partan*, a hemostatic drug that contributes to uterine contraction.

1963
- Listed on the Second Section of the Tokyo Stock Exchange (TSE).

1964
- Nobuo Mochida was appointed president.
- Launched *Gonavis*, Japan's first immunological pregnancy test kit.
- Launched *Kimotab*, an anti-inflammatory enzyme preparation.

1970
- Launched *Gonavislide*, a pregnancy test kit.
- Took part in "Life" Theme Pavilion at Japan World Exposition and exhibited DNA structure model.
- Established the Paramedical Division and entered the quasi-drugs business.
- Launched *Uronase*, a fibrinolytic enzyme preparation.
- Launched *Skina Babe*, baby bath oil.

1972
- Established the Medical Electronics and Equipment Division.
- Completed and started operating the Shizuoka Plant.

1975
- Launched *Neutrogena*, soap for sensitive skin.
- Completed and started operating the Saitama Plant.
- Listed on the First Section of the TSE.

1976
- Completed and relocated to the new headquarters building in Yotsuya.

1977
- Launched, *SONOVISTA*, the first ultrasonic diagnostic scanner developed in Japan.

1979
- Launched *Rocornal*, a circulatory function activator.

1980
- Launched *Collage Cream*, the first basic skin care product containing soluble collagen developed in Japan.

- Launched *Medilaser-S*, the first carbon dioxide laser surgical unit produced in Japan.

1981
- Signed an agreement with Hayashibara Biochemical Laboratory, Inc. for joint research of interferon.

1982
- Completed and opened the Fuji Central Research Laboratory (Gotemba).

1983
- Established the Mochida Memorial Foundation for Medical and Pharmaceutical Research.

1984
- Launched *Arasena-A*, a treatment for viral encephalitis.
- Their Imperial Highnesses Prince and Princess Takamatsu visited Fuji Central Research Laboratory.

1985
- Ei Mochida was appointed president.
- Launched *Miraclid*, the world's first ulinastatin preparation.

1986
- Launched *Florid®-F* injection for the treatment of deep-seated mycoses.
- Launched *Grandaxin*, an autonomic nerve regulator.

1988
- Launched the *Collage Soap* series of low-irritating soap formulated for each specific skin type.
- Launched *Isoprinosine®*, a chemotherapeutic agent.
- Launched natural-type interferon preparations *IFN α MOCHIDA 500* and *IFN β MOCHIDA*.

1989
- Launched *Tecipul*, a tetracyclic antidepressant.

1990
- Susumu Watanabe appointed president.
- Launched *Epadel Capsule 300*, the world's first high-purity EPA preparation.

1991
- Completed Ohtawara Plant.

1992
- Launched *Arasena-A Ointment*, the first topical antiviral agent developed in Japan.

1996
- Commenced JELIS (EBM study for *Epadel*).

1997
- Launched *Atelec®*, a calcium channel blocker.

1999
- Naoyuki Mochida appointed president.
- Launched EPA preparations *Epadel S 300* and *600*.
- Launched low-dose oral contraceptives *Ortho 777-28* and *Ortho M-21*.
- Launched *Collage Furfur*, the first shampoo containing antimycotic ingredients developed in Japan.

2000

2001
- Launched *Gonastick 25*, a pregnancy test kit.
- Launched *Arasena-A Cream*, an antiviral agent.

2002
- Obtained the certification of ISO 14001 for Ohtawara Plant.
- Launched the *Vitacollage* series of health supplements.
- Launched *Spurecur®*, a GnRH derivative preparation.

2003
- Launched *Liquid Thrombin Mochida Soft Bottle*, a hemostatic agent.

- Launched the *Collage S* series of basic skin products.
- Mochida Medical Systems Co., Ltd. commenced operations.

2004
- Mochida Healthcare Co., Ltd. commenced operations.
- Launched *Epadel S 900*, a stick-type EPA preparation.

- Mochida Medical Systems Co., Ltd. commenced operations as Mochida Siemens Medical Systems Co., Ltd.
(Excluded from affiliated companies accounted for by the equity method in 2009.)

2005
- Mochida Pharmaceutical Plant Co., Ltd. commenced operations.
- Launched the *Collage Whitening* series, the first whitening skincare products for sensitive skin developed in Japan.
- Results of JELIS (EBM study for *Epadel*) announced by American Heart Association (AHA).

2006
- Launched *Collage Furfur Liquid Soap*.

2007
- Commenced co-promotion of *Diovan®*, an antihypertensive.
(Agreement terminated end of 2008.)
- Launched *Beselna*, the first treatment for condyloma acuminatum developed in Japan.

2008
- Launched *Dinagest*, a treatment for endometriosis.
- Launched *Collage White Peel*, an enzyme powder face wash.
- Launched *Divigel®* transdermal estrogen gel.

2009
- Launched *Gonastick W*, a pregnancy test kit.
- Launched *Collage Furfur Next Shampoo* and *Rinse* which contain antimycotic ingredients.

2011
- Launched *Lexapro®*, an anti-depressant.

2012
- Launched *Fastic®*, a fast-acting postprandial antihyperglycemic agent.
- Launched *glucoriina*, a food for specified health uses (FOSHU).

2013
- Launched a switch-OTC version of *Epadel*.
- Launched the *Collage B.K.AGE* series.
- Launched biosimilar *Filgrastim BS MOCHIDA*.

- Launched *Tramcet®* tablets, an analgesic.

2014
- Launched *Atedio®* tablets for treatment of hypertension.
- Mochida Pharmaceutical Sales Co., Ltd. commenced operations.
- Renewed and relaunched the *Collage Skincare* series.

- Launched *Treprost®*, a therapeutic agent for pulmonary arterial hypertension.

2016
- Launched *Lialda®*, a treatment for ulcerative colitis.

2017
- Launched *Calprotectin MOCHIDA*, an *in-vitro* diagnostic agent for ulcerative colitis.

2018
- Launched *Doxil®*, an anticancer agent.
- Launched *Goofice®*, a treatment for chronic constipation.

- Launched biosimilar *Etanercept BS MA*.
- Launched *Collage Furfur Premium Shampoo*.
- Launched *Movicol®*, a treatment for chronic constipation.

2019
- Launched the *Collage Repair* series.
- Launched *biosimilar Teriparatide BS MOCHIDA*.

2020
- Launched *Gonacard W*, a pregnancy test kit.
- Launched *Urece®*, a treatment of gout and hyperuricemia.

2021
- Launched biosimilar *Adalimumab BS MA*.

2022
- Shifted to the TSE Prime Market.
- Launched *Epadel EM*, a self-emulsifying formulation of highly purified EPA.

- Completed and started operating at the new headquarters building in Yotsuya.

2023
- Launched *Omvoh®* and *Cortiment®*, a treatment for ulcerative colitis.

MOCHIDA PHARMACEUTICAL GROUP

https://www.mochida.co.jp

2023.10