

PHC Group is a collection of strategically interconnected healthcare businesses and solutions

In this cover design, the precisely bundled collection of curves represents the synergy of our businesses, workflows, solutions, and colleagues. Colorfully woven threads create new, powerful shapes, colors, textures, and ideas. The individual curves are synchronized to show that the whole is greater than the sum of its parts.



PHC GROUP Integrated Report 2023

PHC Holdings Corporation

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PHC Holdings Corporation

PHC Holdings Corporation

PHC GROUP  
Integrated Report 2023

# PHC

## Healthcare with Precision

As a collection of global healthcare companies PHC Group has fostered a culture of respect for diverse perspectives. This culture is a strength of our organization. By leveraging the synergies generated from collaboration between businesses within our group, we support healthcare professionals and researchers around the world and ultimately contribute to better lives for patients.

We will diligently respond to our customers' needs by demonstrating the entrepreneurial spirit we have cultivated over the years. We strive to ensure thorough compliance, carry out business activities with the highest standards of integrity, and continuously work to deliver the highest quality. To achieve these goals, we recognize the importance of creating a culture that fosters an environment of collaboration, communication, and transparency. With an eye on the future, we are constantly exploring how to provide products and services that will support the needs of the society of tomorrow.

### MISSION

We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people

### VISION

Be the leading provider of best-in-class precision and digital solutions in Diagnostics and Life Sciences globally, and in Healthcare Services in Japan

### VALUES



Diversity & Collaboration



Innovative Thinking



Challenging Spirit



High Standards of Integrity

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#### Editorial Policy

This is the first Integrated Report published by PHC Group. The purpose of this report is to provide stakeholders with a deeper understanding of the positions and initiatives undertaken by PHC Group, a collection of global healthcare companies, to achieve our mission. In producing this report, departments in charge of reporting and management collaborated closely to ensure that the editorial process and published content were transparent and accurate.

#### Report Period

April 1, 2022 to March 31, 2023 (including some reports from after the report period)

#### Organizations Covered by the Report

PHC Holdings Corporation and its consolidated subsidiaries (collectively, PHC Group)

#### Guidelines Referenced

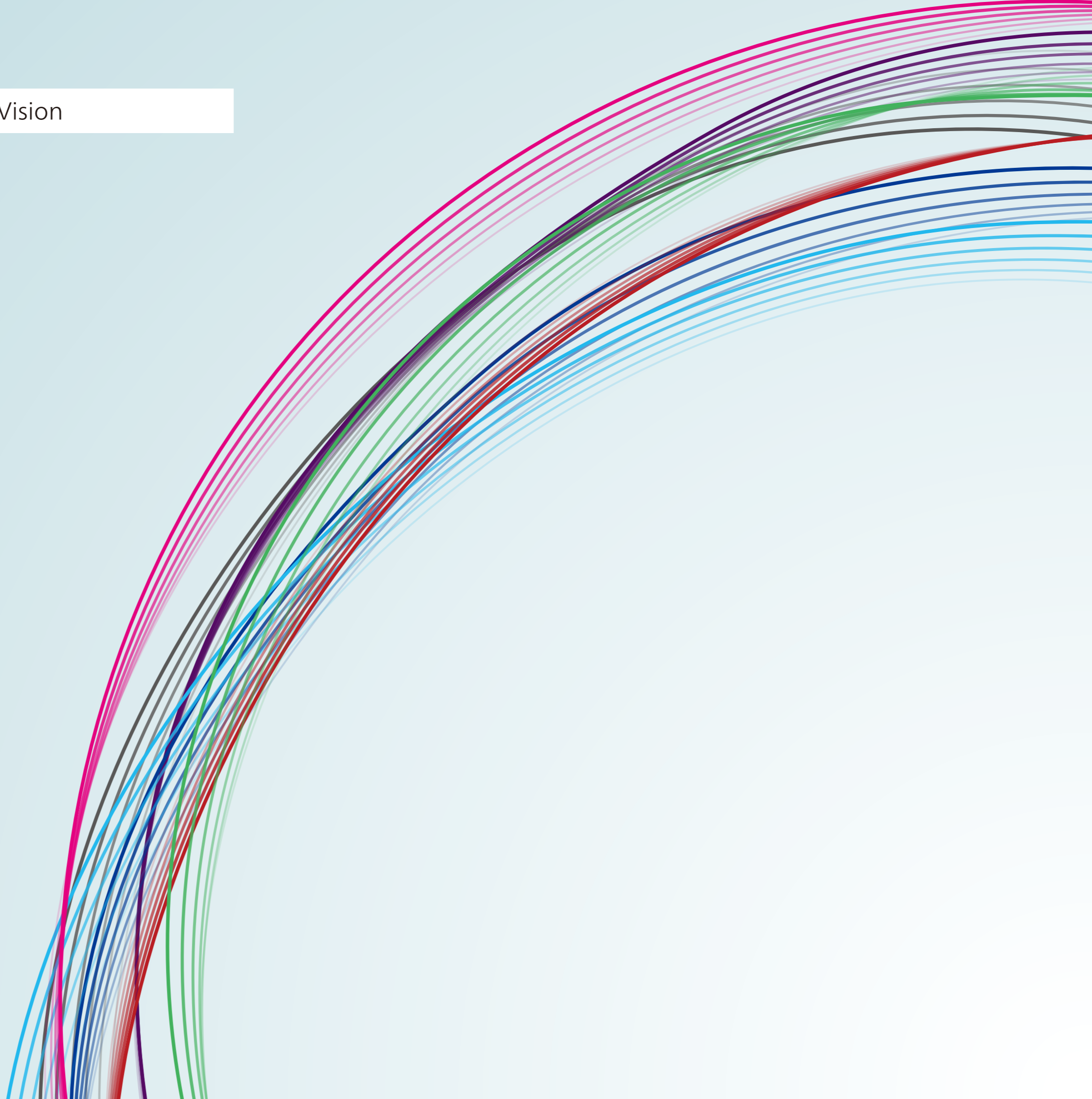
Integrated Reporting Framework, Guidance for Collaborative Value Creation

#### Publication Date

January 2024

#### Disclaimer

This report contains forward-looking statements regarding our plans, strategies, and performance forecasts. Unless otherwise stated, forward-looking statements include PHC Group's assumptions, future prospects, and estimates based on information available to PHC Group as of the date of publication, as well as PHC Group's plans and projections. There is no guarantee that the statements contained in this report will be achieved. Due to various factors, forward-looking statements may differ significantly from actual results. Therefore, investors are advised not to rely completely on these forward-looking statements. The information on products (including those under development) contained in this material is for the purpose of disclosing management information of the company and is not intended for advertising or promotional purposes.

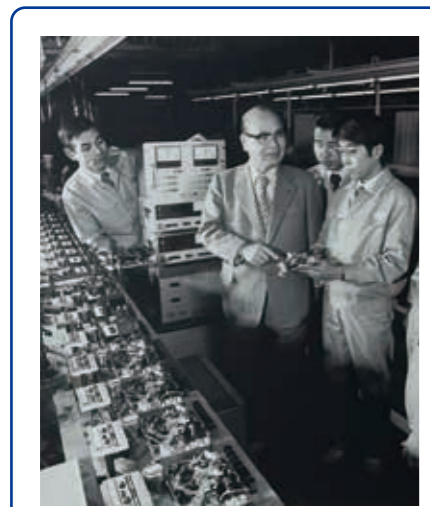
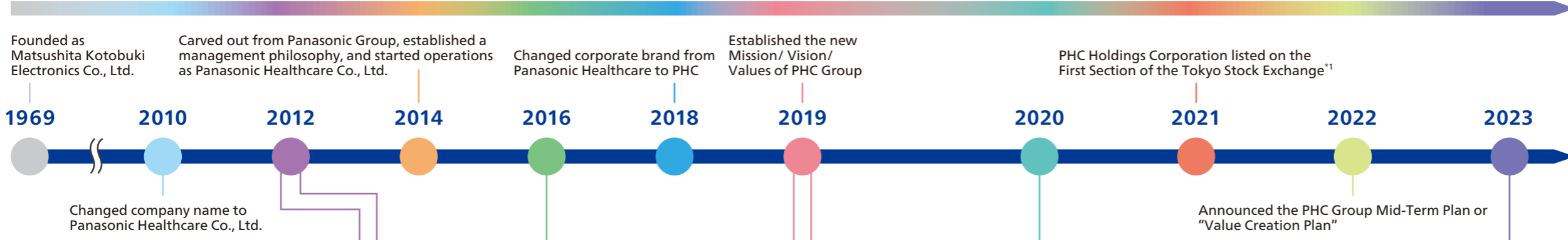




Since the establishment of our business in Japan in 1969, PHC Group has supported healthcare professionals and researchers at various stages of the healthcare journey. By providing high-quality products and services in the fields of diagnostics, medical devices, healthcare IT, and life sciences, PHC Group has grown into a global collection of healthcare companies. We will continue to provide best-in-class solutions through our businesses and contribute to addressing research and medical issues around the world.

Fiscal year ended  
March 31, 2023  
**Consolidated Revenue**  
**356.4** bn yen

March 31, 2023  
**Consolidated Number of Employees**  
**9,403**



At the time of its founding, Matsushita Kotobuki Electronics manufactured products such as miniature light bulbs for flashlights and household light bulbs. Later, the company expanded its business into household appliances such as infrared-heating kotatsu tables, videocassette recorders, and digital video cameras, as well as precision electrical products such as hard disk drives.

Today, PHC Group companies manufacture healthcare products. While our business has evolved in response to market changes, the manufacturing know-how and focus on precision that we cultivated throughout our history is firmly retained in PHC Group's DNA.

**Diabetes Management Business**

Acquired diabetes care business from Bayer AG

We combined the business with the BGM manufacturing business started in 1991, thereby strengthening the competitiveness of BGM through vertical integration

Entered into a strategic business alliance with Senseonics and invested USD 35 million. Obtained exclusive worldwide sales rights for Eversense® E3.

Providing personalized diabetes solutions through both BGM and CGM.

Integrated LSIM's Diagnostic Reagent business with PHC's IVD business

By developing point-of-care testing (POCT) devices, we aim to contribute to the ability to perform low-cost diagnoses and testing anytime, anywhere.



**Healthcare Solutions Business**

Added the LSIM Division, which had three businesses<sup>4</sup>, under the corporate umbrella and expanded products and services for hospitals and clinics.

- Clinical testing business for hospitals and clinics
- Diagnostic reagents business for hospitals and clinics
- Drug development support business for pharmaceutical companies, etc.

Added the Biomedical Division under the corporate umbrella<sup>3</sup>. Started manufacturing products such as preservation, storage, and cell culture equipment for research purposes in drug development

Established Wemex Corporation<sup>2</sup> by vertically integrating the Medicom Division and subsidiary sales company

We provide products and services (electronic medical record systems, clinical testing, etc.) that are closely related to people's well-being to hospitals, clinics, and pharmacies.



**Diagnostics & Life Sciences Business**

Established Epredia Holdings Ltd.<sup>5</sup> Started providing pathology-related products essential for cancer diagnosis and medical product development

Providing high-quality equipment unique to PHC Group for advanced medical practice, such as cancer diagnosis and medical product development



\*1 Newly listed on October 14, 2021 (TSE Prime 6523) \*2 Integration of Medical Information Systems (Medicom) Business Unit of PHC Corporation and PHC Medicom Corporation \*3 Integration of Panasonic Healthcare Co., Ltd. and the healthcare business of Sanyo Electric Co., Ltd.

\*4 One of the LSIM businesses acquired from Life Science Institute, Inc. (LSII) \*5 Acquired from Thermo Fisher Scientific, Inc.



Shoji Miyazaki

PHC Holdings Corporation  
President, Representative Director,  
and CEO

PHC Group contributes to the health of society through precision solutions to healthcare challenges

### The healthcare industry and the environment surrounding our group

As a global group of healthcare companies, we know that both healthcare costs and healthcare disparities continue to be critical challenges around the world. In the healthcare industry, the COVID-19 pandemic accelerated the movement to utilize valuable healthcare and financial resources most effectively and efficiently. In addition, awareness of health promotion, prevention, and pre-symptomatic diseases is growing. The need for diversified medical equipment and services, and cutting-edge treatments such as cell and gene therapy and regenerative medicine, are gaining momentum. As an approach to addressing these healthcare issues and responding to global trends, the concept of Value-Based Healthcare, which seeks to maximize patient outcomes while optimizing healthcare costs, is becoming increasingly popular.

For many years, PHC Group has provided numerous

high-quality precision products and services as leading brands to customers involved in a wide range of healthcare fields, from research to diagnosis, treatment, and prevention. Leveraging these strengths, we will contribute to Value-Based Healthcare and the health of society through our mission of creating new value for all stakeholders.

### Our long history builds on manufacturing excellence with precision

Our company was founded in 1969 as Matsushita Kotobuki Electronics Co., Ltd. At the time, the company started by manufacturing small light bulbs. We later moved into infrared-heating kotatsu tables, and eventually transitioned into an era in which our main products included TVs, videotape recorders, and hard disks. We then expanded to products and services in the healthcare field, including sensors for blood glucose monitoring. In this way, our

company has repeatedly transformed to develop products and provide services tailored to new challenges. In 2010, we changed our company name to Panasonic Healthcare Co., Ltd., and our company's "second founding" was to enter the healthcare industry as a business domain. In 2014, our company was carved out from the Panasonic Group. The year 2014 marked a turning point, as we became independent from a large corporation and moved forward as a new company. Other turning points in our company's history were in 2018, when we changed our corporate brand from Panasonic Healthcare to PHC, and in 2021, when we were listed on the Tokyo Stock Exchange. At the time of the carve-out in 2014, our revenue was approximately 90 billion yen. A decade after completing three large M&As, our revenue has grown to almost 350 billion yen, nearly four times higher than at our second founding. Even though the products we manufacture have changed, the source of our strength continues to be our history and DNA, which has enabled us to grow in response

to the times without changing our commitment to precision manufacturing.

Another strength of our group is our diverse product portfolio and the diverse experiences and skills of our employees who support those products. These strengths enable us to provide high-quality precision products and services that have captured a leading position in each field of medical care and healthcare. Our products and services have earned a high reputation and trust from healthcare professionals. Our unique strength is the diversity of our offerings from upstream to downstream healthcare, including research, diagnosis, treatment, and prevention. This allows us to connect directly to almost all healthcare stakeholders, including medical institutions, research institutes, testing facilities, pharmaceutical manufacturers, healthcare providers, and patients.

Our group operates businesses that leverage these strengths with a focus on three business domains: "Diabetes Management," which offers products such as blood glucose monitoring systems, "Healthcare Solutions," which deals with areas such as healthcare IT and clinical testing, and "Diagnostics & Life Sciences," which focuses on cancer diagnosis and equipment to support the development of new treatments and drugs. In this way, we provide a variety of types of value that contribute to Value-Based Healthcare, which seeks to maximize healthcare outcomes and optimize healthcare costs.

### The meaning behind our mission statement and new Growth Areas

Our group's mission is "We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people." Our "diligent efforts" date back to the founding of our company. The "people" mentioned in our mission are all stakeholders involved in healthcare. The phrases "positive impact" and "improved lives" refer to our approach of providing new value through innovation as a global healthcare corporation. The phrase "contribute to the health of society" refers to the contribution unique to our businesses. In November 2022, we announced our Mid-Term Plan, or "Value Creation Plan FY2022-2025," which embodies these concepts that underpin our mission.

PHC Group seeks to provide value by contributing to Value-Based Healthcare. In our Mid-Term Plan, in addition to working to realize Value-Based Healthcare across three Growth Areas, we outlined our approach to ESG (environmental, social, and governance) management. In Diabetes Management, we are shifting our focus from BGM to CGM. For Healthcare Solutions, we are promoting digital transformation in healthcare and expanding and strengthening our customer base. In Diagnostics & Life





Sciences, we are contributing to society by streamlining the development of cutting-edge treatments and growing as a company.

### Synergies created by the diverse companies of PHC Group

Since our group is a collective entity, it is an essential part of our business to create and foster synergies between our group companies.

We work on a health management business as the main business of Healthcare Solutions. In April 2023, we integrated health management-related businesses, such as those providing health checkup and preventive medicine support, which were previously divided into two operating companies, into Wemex. Furthermore, PHC Corporation and LSI Medience each previously had separate diagnostic reagent businesses, which we integrated into PHC's IVD Division in November 2023. We will quickly implement integration and restructuring within these organizations to create strategic synergies.

In terms of operations, we have enhanced the standards of our entire group by cultivating and sharing outstanding talent and technologies across our companies. For example, we strategically rotate team members from the Diagnostic Reagents Division to the LSIM business and engineers from the Biomedical Division to factories outside Japan in the Pathology business.

To help address issues related to physician shortages and the physician's work style reforms, that will be enforced in Japan from fiscal year 2024, we intend to promote digital transformation in healthcare, and utilize telemedicine by leveraging synergies within the group and with partners.

### Review of the fiscal year ended March 31, 2023, and our future plans

In the fiscal year ended March 31, 2023, although there were signs of economic recovery due to the relaxation of restrictions on economic activities as the number of new COVID-19 cases subsided, the future remained uncertain due to the worsening of the situation in Ukraine and soaring prices. Under these circumstances, our group's revenue was 356.4 billion yen (up 4.7% year-on-year).

By segment, revenue for Diabetes Management increased due to the favorable impact of exchange rates. While streamlining our BGM business, we are steadily investing in and seek to grow our CGM business.

Revenue for Healthcare Solutions decreased due to the significant impact of a decrease in the volume of PCR testing for COVID-19 and a reduction in reimbursement of medical fees. Moving forward, we will capture new demand, including electronic prescriptions and health management businesses.

In Diagnostics & Life Sciences, revenue increased in both the Pathology business and Biomedical Division. We recognize that improving the profitability of the Pathology business (Epredia), which recorded an impairment loss, is a top priority and are working for greater profitability. In the Biomedical Division we will seek to increase sales of new products (including live cell metabolic analyzers) as advanced therapy development solutions and invest in the development of solutions for cell and gene therapy.

### Establish high goals and meaningful direction as our foundations

I have said that our company's greatest strength is our

diverse product portfolio and the diverse skills and talents of our employees who contribute to those products. As a result we believe the development of each and every employee is the driving force behind the growth of our group. With this in mind, we aim to create a vibrant and dynamic workplace where diverse talents can learn new skills, solve problems as part of a team, and experience personal growth on a global scale. In order to create an environment that enables global collaboration and synergies among our businesses, we must build a corporate culture where each employee's ideas can inspire innovation. We will also establish a corporate environment in which each employee can actively expand their career opportunities and achieve their own goals and aspirations, while at the same time working with colleagues toward the same vision based on the group's growth strategy.

I sincerely hope that all stakeholders will learn how all of our employees make PHC Group unique and attractive. Obviously, it is important to communicate the strengths of our group to investors and our business partners and for customers to understand our group's business and initiatives. In terms of hiring, it is also essential to clearly communicate our value to future employees. To distribute information that is clearly communicated to all such stakeholders, we must operate a loop of improvement. We need to further enhance our strengths over competitors while constantly looking for new ways to improve.

In addition to these improvements, I believe that it is extremely important to have high goals in everything. Unchallenging goals will yield low-impact results. We ask management and each employee to set high goals and build up the mindset to take on challenges on their own. To encourage employees to set higher goals, we must ensure that they understand and share PHC Group's mission and

vision. We regularly communicate this message within our group by holding town hall meetings on a global scale. This new integrated report is also intended to convey this message to our employees.

I have worked for PHC Group for many years since the days of Matsushita Kotobuki Electronics. I have always set high goals for myself, with the ultimate goal of surpassing our competitors. Based on the motto of "work hard and play hard," many of my colleagues also took the initiative to challenge themselves to achieve high goals in their work. By always putting in our best effort, we have successfully transformed our company several times. I believe this is what enabled us to nearly quadruple our revenue from 90 billion yen at the time of our carve out to approximately 350 billion yen in about 10 years.

During a process of taking on challenging goals, anyone will make mistakes, encounter unexpected events, and have their plans disrupted. At such times, the most important thing is to notice mistakes and irregularities as soon as possible, determine how to proceed, and correct your course.

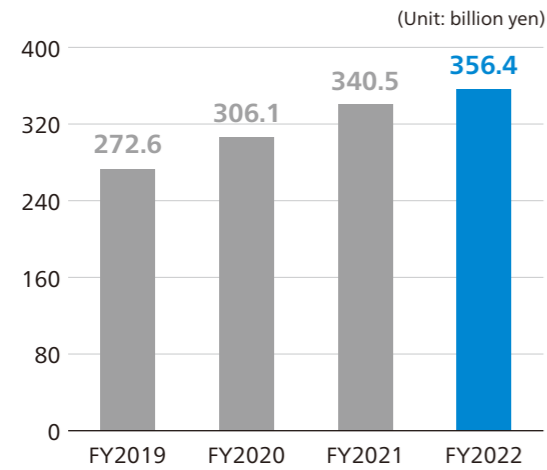
The world is constantly changing, and social issues are evolving along with these changes. PHC Group is committed to promptly identifying changing societal trends, setting high goals to boldly take on new challenges, and making pertinent business decisions from short-, medium-, and long-term perspectives. We will strive to contribute to Value-Based Healthcare and the health of society. We look forward to the further evolution and growth of PHC Group.

*Shoji Miyazaki*

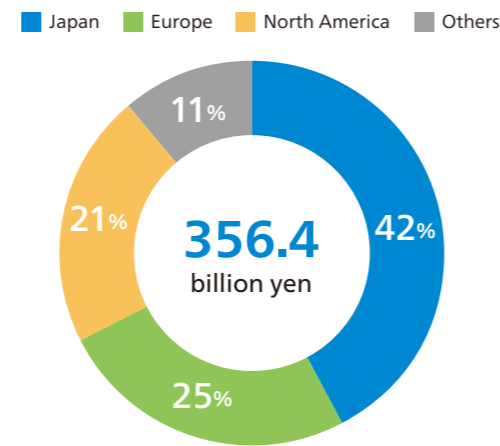


Financial

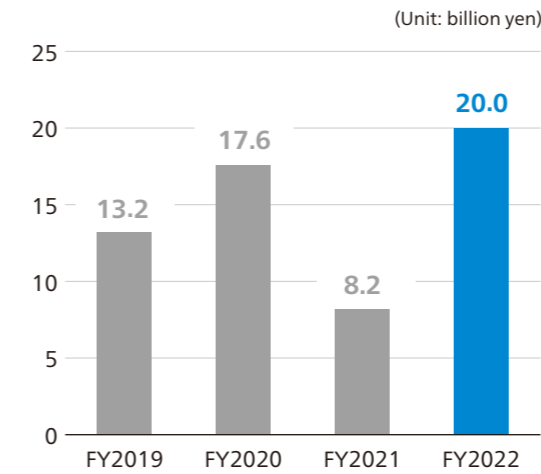
Consolidated revenue



Ratio of consolidated revenue



Consolidated operating profit

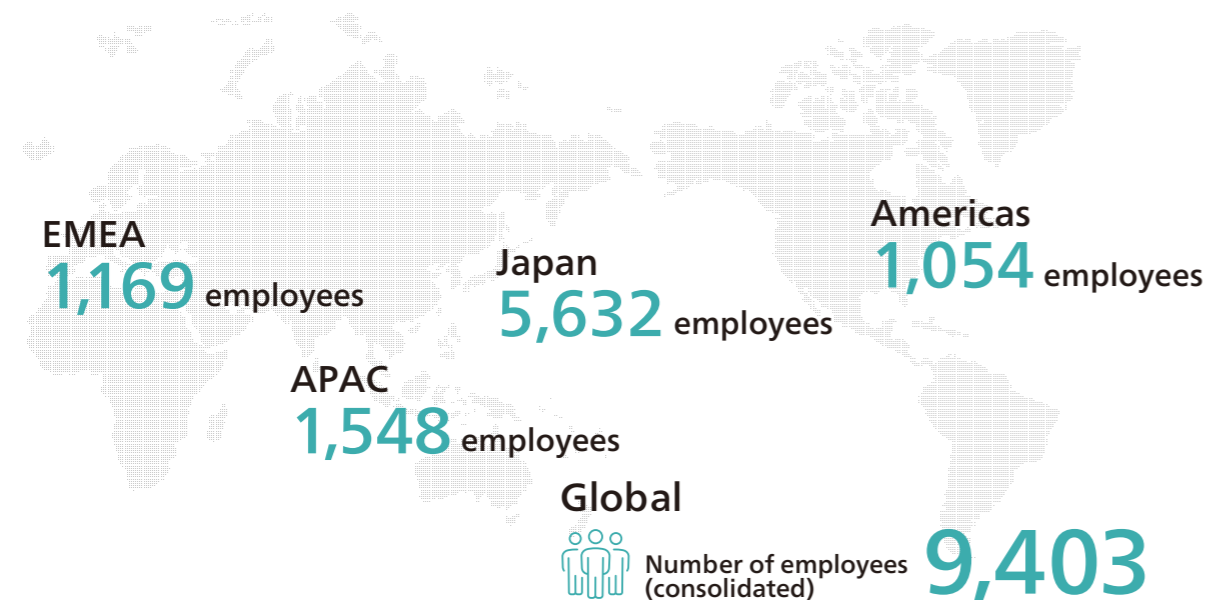


Cash based profit per share, dividends, dividend payout ratio

	FY2021	FY2022
Cash based profit attributable to owners of the parent per share *1 (yen)	207.7	180.2
Dividend per share (yen)	38	72
Dividend payout ratio *2 (%)	18.3	39.9

\*1 Cash based profit attributable to owners of the parent company = Profit attributable to owners of the parent + Impairment loss (excluding marketable securities) + M&A related income and expenses (depreciable assets) + mark-to-market gain/loss from convertible notes + tax effect for adjustment items. Per share calculation for FY21 and FY22 is based on the average number of shares outstanding during the period (net of treasury stock), and those for FY23 (forecast) are based on the number of shares outstanding at the end of the fiscal year ended March 31, 2023 (after deducting treasury stock at the end of the fiscal year).  
\*2 Dividend payout ratio (%) = Dividend per share/CBNI per share

Non-Financial



Ratio of employees outside Japan: **40%**

Ratio of female employees: **41%**

Ratio of female managers: **24%**

Employee engagement survey

Participation rate



Top 3 scores

**1st Brand**  
Proud of the company's outstanding products and services

**2nd Challenging work**  
My work in the company is rewarding

**3rd Team**  
I'm satisfied with my team in the workplace

**Supervisors**  
I would recommend my supervisor to others

**Plans to stay**  
I plan to be working at the same company two years from now.

Main manufacturing/laboratory locations



Sales countries/areas



Research and development expenses

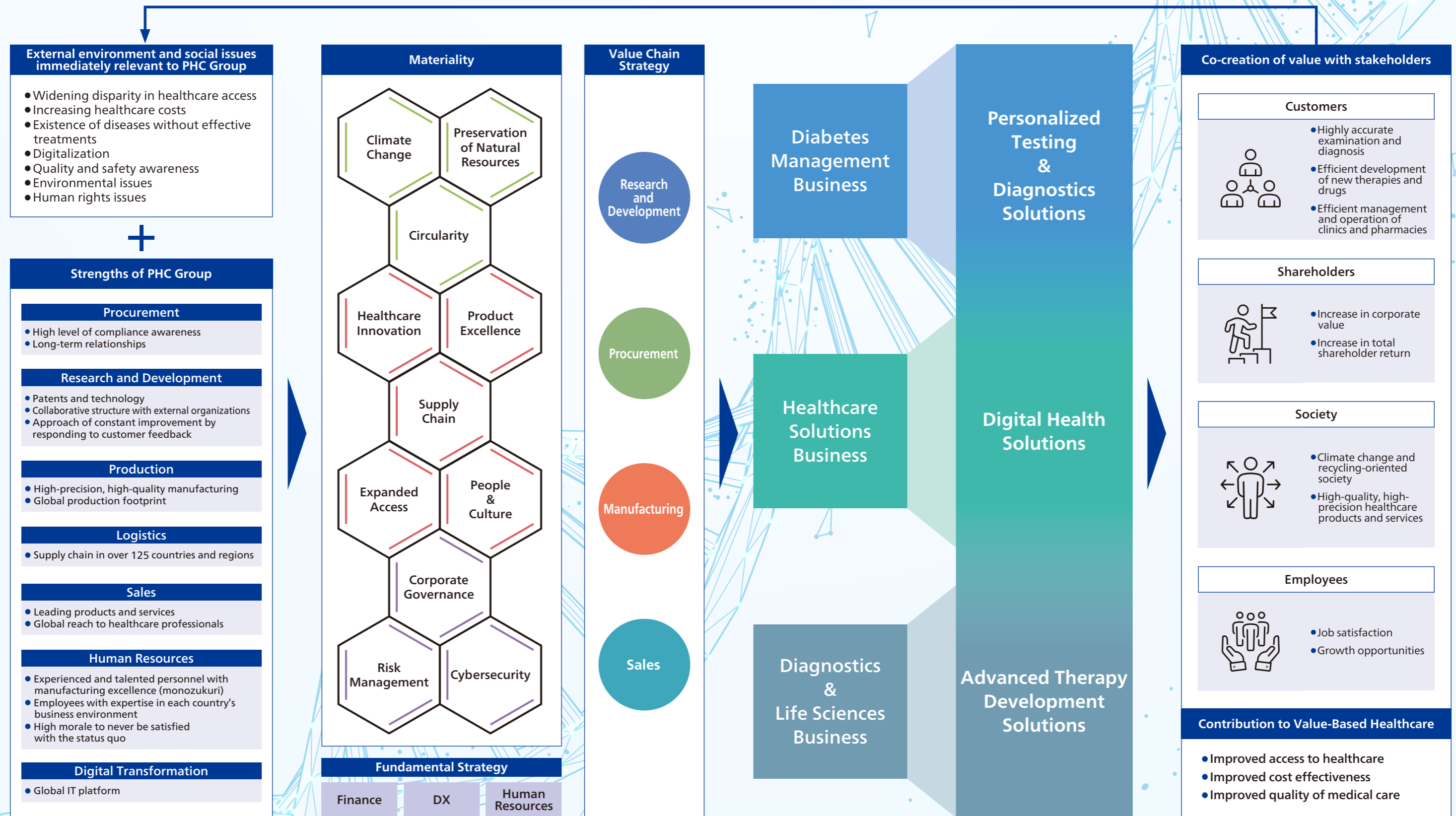


Total number of patents held



\*Figures as of March 31, 2023

We will contribute to the creation of a prosperous society based on our mission.

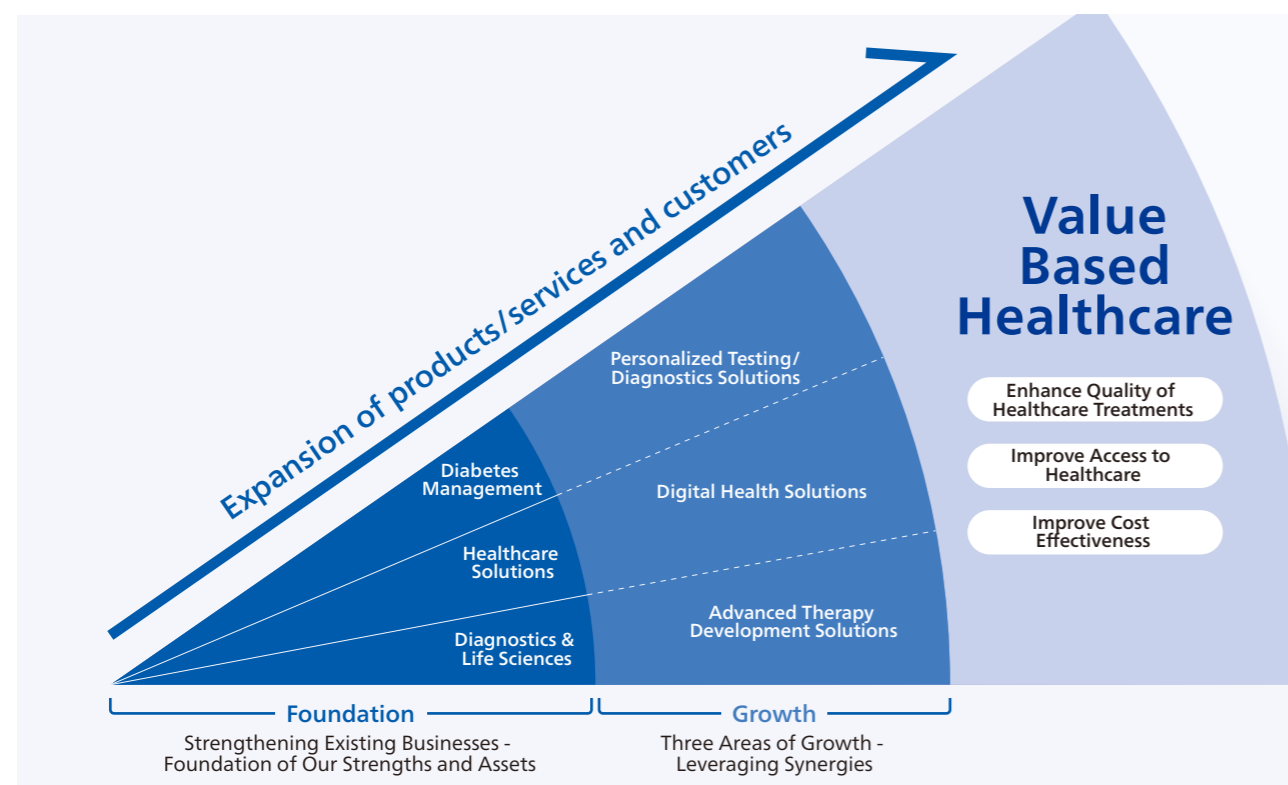


**Mission**

We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people



On November 16, 2022, PHC Group announced our Mid-Term plan, Value Creation Plan (FY2022-2025). We aim to achieve further growth by contributing to Value-Based Healthcare in the three Growth Areas listed below.



### Definition of Foundation Areas and Growth Areas

- In clarifying our growth strategy, PHC Group has classified our businesses into Foundation Areas and Growth Areas. The definitions of each are as follows.
  - Foundation Areas:** Businesses with core technologies and assets that generate revenue while the markets grow at a solid pace
  - Growth Areas:** Businesses that expand products, services, and customer bases around Foundation Areas and capture high market growth while expanding technologies and assets
- To expand Growth Areas, it is essential to fully utilize the strengths of each business in PHC Group. We currently have three business domains, and each has a related Growth Area. However, the boundaries between each Growth Area are not as clear as the boundaries between the Foundation Areas, and we will expand the Growth Areas while pursuing synergies among our businesses. The Foundation and Growth Areas of the current domains are as shown in the table below.

Business Domains	Foundation Areas	Growth Areas
Diabetes Management	<ul style="list-style-type: none"> <li>Blood glucose monitoring (BGM) systems</li> </ul>	<ul style="list-style-type: none"> <li>Continuous glucose monitoring (CGM) systems</li> <li>Point-of-care testing (POCT) devices</li> </ul>
Healthcare Solutions	<ul style="list-style-type: none"> <li>Healthcare business support solutions (medical-receipt computers, electronic medical record and electronic medication history systems, etc.)</li> <li>Clinical testing</li> </ul>	<ul style="list-style-type: none"> <li>Health management, big data analysis, etc. Digital health solutions</li> <li>Drug development support solutions for clinical trials, etc.</li> </ul>
Diagnostics & Life Sciences	<ul style="list-style-type: none"> <li>Life sciences equipment such as ultra-low temperature freezers and pharmaceutical refrigerators</li> <li>Anatomical pathology equipment, reagents, glass slides, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Products related to cell/gene therapy</li> <li>Digital pathology/immunohistochemistry (IHC) staining, etc.</li> </ul>

### Strategies for Foundation Areas and Growth Areas

- In our Foundation Areas, we develop strategies to align closely with the market trends in each product and country/region. For Growth Areas, we leverage synergies between our businesses to provide unconventional solutions through new technologies and services. Details are described on the pages for each business.
- Since the announcement of our Mid-Term Plan, the following initiatives have been progressing, especially in the Growth Areas.
  - Health Management Business:** In PHC Group, LSI Medience previously offered a health checkup support business for companies and organizations, and Wemex had a system called WellsPort to support corporate employees in improving their daily health awareness and providing health guidance. In recent years, investing in the health of employees has become widely recognized as a way to enhance vitality and productivity. Therefore, we integrated these two businesses on April 1, 2023, and now offer a new solution from the perspective of corporate health management.
  - Diagnostic Reagents Business:** PHC Group had an IVD business at PHC Corporation with strengths in equipment manufacturing, and a diagnostic reagents and instruments business at LSI Medience, which excelled in reagents. By integrating these two businesses on November 1, 2023, we aim to achieve even higher quality and lower cost of products, develop products that combine equipment and optimal reagents, and further expand sales outside Japan, which is an excellent opportunity for both companies.

### Growth Areas will drive future growth of PHC Group

- By expanding our business in both Foundation and Growth Areas, we aim to achieve revenue of 420 billion yen, operating profit of 56 billion yen, and cash based profit of 49 billion yen by fiscal year 2025.
- The breakdown of revenue growth is as follows, and we intend to expand our Growth Areas to a scale that will drive the future of PHC Group.
  - Foundation Areas:** Increase revenue by 27 billion yen with annual growth of 2% (FY2021-2025)
  - Growth Areas:** Increase revenue by 52.5 billion yen with annual growth of 27% (FY2021-2025)
- We are also forecasting operating cash flow to range between 200 to 250 billion yen from fiscal year 2022 to 2025.
  - Equipment/digital investment:** 40 to 50 billion yen
  - Loan repayment:** 50 to 60 billion yen
  - Shareholder return:** 50 to 60 billion yen
  - Search for M&A opportunities:** 60 to 80 billion yen

**Operating cash flow (FY2022 to FY2025)**

**200 to 250 billion yen**

**Equipment/digital investment: 40 to 50 billion yen**

Steady realization of growth

**Loan repayment: 50 to 60 billion yen**

Improve net leverage ratio (2.5 or less)

**Steady shareholder return: 50 to 60 billion yen**

Dividend payout ratio at the end of fiscal 2025: 30% to 40%\*

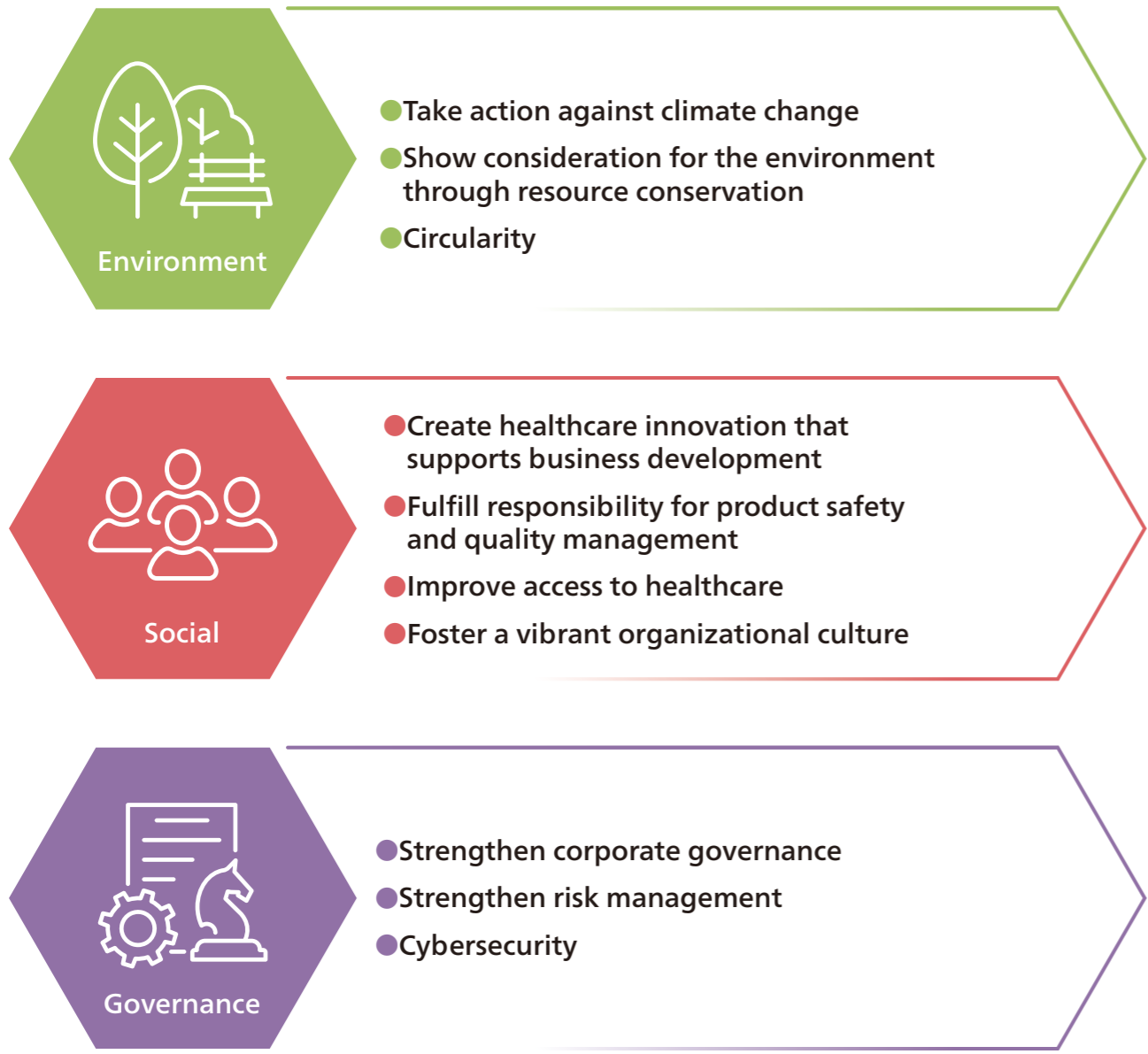
**Search for M&A opportunities: 60 to 80 billion yen**

In order to further increase growth

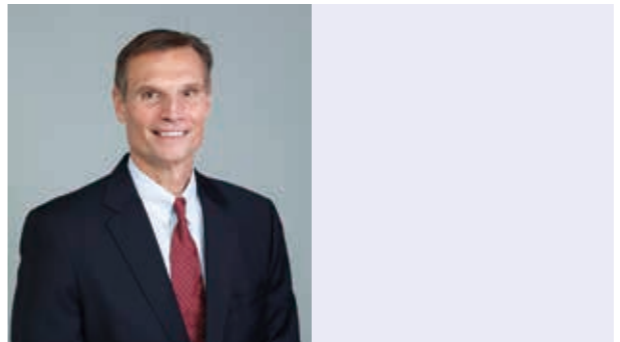
\*Dividend payout ratio is to the cash-based net income.

**Priority Measure: Strengthening ESG Management**

- Previously, each PHC Group company had been working on sustainability on their own. However, we have now announced our aim to achieve our management philosophy and advance Value-Based Healthcare by formulating and implementing group-wide ESG policies.
- After announcing our Mid-Term Plan, we immediately set up a group-wide project team, identified materiality topics for PHC Group, and set KPIs and target values. We announced the resulting pillars of our ESG strategy in August 2023. Going forward, we will promote group-wide efforts to address our materiality topics, including certification under the Science Based Targets (SBT) initiative, and will continue our efforts to contribute to the SDGs and realize Value-Based Healthcare through our business.



**Financial Strategies**



**Frederick Reidenbach**  
 PHC Holdings Corporation  
 Executive Corporate Officer  
 Chief Financial Officer (CFO)

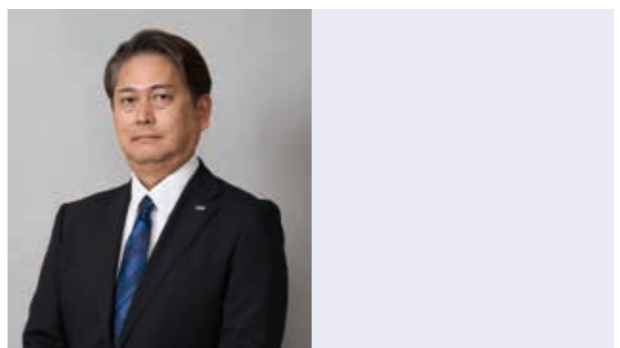
In our Mid-Term Plan, or Value Creation Plan, we have set three main indicators: sales revenue, operating profit, and cash based profit attributable to owners of the parent company. By fiscal 2025, we are aiming for 420 billion yen in sales revenue, 56 billion yen in operating profit, and 49 billion yen in cash based profit attributable to owners of the parent company. From fiscal 2021, we are pursuing 5% annual growth in revenue and 20% annual growth in operating profit (after deducting impairment losses for fiscal 2021). This will be driven by Growth

Areas. When examining Growth Areas alone, we are aiming for average annual growth of 27%. Furthermore, we expect Growth Areas to account for 52.5 billion yen of the approximately 80 billion yen in overall sales increase.

The growth rate in our Growth Areas far exceeds the market growth rate, and we are strongly promoting our Growth Areas with the target of increasing them to more than 20% of our overall sales. In terms of improving operating profit, although the external environment continues to be challenging, we are optimizing manufacturing operations across our companies, and are reducing costs by reviewing indirect costs, reducing procurement costs, and optimizing our head office location and personnel. By using these savings as a resource for focused investment in R&D and Growth Areas, we are working to improve operating profit margin by 5%, from approximately 8% (excluding impairment losses in fiscal 2021) to approximately 13% in fiscal 2025.

Next, regarding our capital allocation policy, we forecast operating cash flow of 200 to 250 billion yen for the period from fiscal 2022 to fiscal 2025. Of this amount, we plan to allocate 40 to 50 billion yen to investments in equipment and digital technology. We are also aiming for a net leverage ratio of 2.5 or less, and plan to repay 50 to 60 billion yen in debt. Furthermore, we plan to return 50 to 60 billion yen to shareholders, and to allocate 60 to 80 billion yen to M&A and other investments, which will accelerate growth.

**Human Resources and DX Strategy**



**Ryuichi Hirashima**  
 PHC Holdings Corporation  
 Senior Executive Corporate Officer  
 Chief Administrative Officer (CAO)  
 Chief Human Resources Officer (CHRO)  
 Chief Transformation Officer (CTO)

“Society” is a concept that is central to both our mission and our ESG materiality topics. Human resources are involved in all aspects of the background when setting our materiality topics related to society. As society changes and grows, the role of

human resources is becoming increasingly important. PHC Group is also committed to developing a vibrant organizational culture. Specifically, we are working to enhance employee education and skill development, with a focus on promoting diversity across areas like gender, nationality, and racial or ethnic backgrounds, and driving employee inclusion and engagement. We value diversity and collaboration within our organization, and we are committed to building a fair and vibrant workplace culture. Through these initiatives, we will achieve sustainable growth and contribute to society and continue our efforts to drive well-being.

We also recognize the importance of digital transformation (DX). As one initiative related to DX, we are introducing a Global HR Platform. Specifically, starting in 2021, we began operation of a unified HR platform at our main companies in Europe, North America, and Japan. We are positioning this platform as the foundation of our group’s human capital management. We will use this platform to disclose non-financial information and information on human capital, as well as to build a database of employee skills for more optimal collaboration and recruitment. Through these initiatives, we are striving to increase employee engagement and, in turn, actively contribute to increasing our corporate value through human capital.

**About Value-Based Healthcare**

The healthcare industry faces challenges such as diseases that are difficult to treat even with current medical care, regional differences in access to medical care, and healthcare costs. Value-Based Healthcare is an approach that aims to solve these issues by focusing on optimizing healthcare costs and maximizing healthcare outcomes for patients.

**Three Basic Concepts**

**Enhance quality of healthcare treatments**

Provide solutions using advanced therapies for diseases that are difficult to cure with conventional approaches.




**Improve access to healthcare**

Provide affordable treatment, diagnosis, and testing to anyone, anytime, anywhere.

**Improve cost effectiveness**

Develop highly-effective drugs and treatments tailored to individual patient needs and symptoms at the point of care.

**Challenges in the Healthcare Industry**

Challenges	Details
 <p><b>Quality of Healthcare</b></p>	Pharmaceutical companies and research institutes are progressing in the development of advanced medicine such as cell and gene therapies. Cell therapy includes regenerative medicine, which uses iPS cells to culture and produce tissues such as human organs and transplant them into patients. Gene therapy involves taking stem cells from a patient with a genetic abnormality and inserting normal genes from a healthy person into those cells. The modified cells can make the necessary proteins from normal genes, so these cells are proliferated and returned to the patient, and treatment is performed using the normal genes. The challenge is to accelerate the development of advanced medicine that can effectively treat and ameliorate diseases that were previously not adequately treated.
 <p><b>Disparities in Healthcare Access</b></p>	The treatments, medications, and healthcare that are available in developed countries can be inaccessible in developing countries. Even in developed countries, there are disparities in healthcare access, such as differences in the healthcare available in urban and rural areas. For this reason, it is imperative to popularize telemedicine using digital technology, develop products that enable more convenient testing and diagnosis and develop less expensive drugs.
 <p><b>Increase in Healthcare Costs</b></p>	According to OECD Health Statistics, healthcare costs across OECD countries were an average of just 5% of the GDP in 1970. However, in 2021, healthcare costs exceeded 10% of the GDP in Japan and 17% in the United States. The causes include aging populations, structural alterations in diseases, and the introduction of new technologies. Furthermore, rising healthcare costs are a common challenge in many countries, including developed countries.



**Contributing to Value-Based Healthcare through our unique strengths**

We believe that PHC Group can contribute to Value-Based Healthcare in the following roles, and are confident that our group's strengths can truly be demonstrated.

PHC Group has established strong relationships with pharmaceutical companies, universities, and research institutes that research and develop drugs and treatments; with hospitals, clinics, and pharmacies that are the forefront of diagnosis and treatment; and with various healthcare professionals from upstream to downstream and patients. Furthermore, our group's products and services are in leading positions and have earned deep trust in various healthcare fields. This position allows us to create products and services required for the future of healthcare by reflecting on dialogue and discussion with our valued users.

Our manufacturing capabilities with high precision and high quality enable us to realize precision and quality in our products and services. Since healthcare is directly related to people's health and lives, needless to say, precision and quality are extremely critical, and the manufacturing excellence we have cultivated over the years provides great support for our development and production.




PHC Group will fully leverage our unique strengths to contribute to Value-Based Healthcare.



**Koichiro Sato**

PHC Holdings Corporation  
Senior Executive Vice President, Representative Director,  
Chief Operating Officer (COO)

**Contributions by PHC Group**

Challenges	Details
 <p><b>Enhance Quality of Healthcare Treatments</b></p>	Maximizing healthcare outcomes requires the development of advanced therapies against diseases for which conventional medical treatments and therapies may not provide satisfactory results. Typical examples are cell therapy and gene therapy. PHC Group provides equipment and solutions necessary for sites developing such advanced therapies. These solutions include ultra-low temperature freezers, which are indispensable for producing and storing COVID-19 vaccines, and CO <sub>2</sub> incubators for cell culture. We hold the second largest market share* for these products globally. In cell culture, we support the research and development of cell medicine pharmaceuticals with equipment* that allows real-time cell metabolic analysis.
 <p><b>Improve Access to Healthcare</b></p>	PHC Group manufactures compact biochemical analyzers and sells cardiac biomarker-measuring devices. We will continue to focus on developing and manufacturing POCT devices and contribute to creating an environment where anyone can receive testing and diagnosis anytime, anywhere, and at affordable cost. In terms of digital transformation to improve access to healthcare, we provide a variety of solutions, including healthcare IT products and services.
 <p><b>Improve Cost Effectiveness</b></p>	Historically, it has been common to pay for a given treatment or medication. However, the approach to pay for the outcomes obtained from treatment is becoming more widespread. To implement this new approach, it is crucial to have deep knowledge about the effects of treatments and drugs, and to develop even more effective drugs and treatments. Since our business engages directly with healthcare data, PHC Group will analyze and leverage data to provide optimal healthcare that allows patients to choose treatments and drugs tailored to individual needs and symptoms, while providing valuable data for advancing drug development. Through these efforts, we will seek to contribute to improving cost effectiveness.

\*Global Assessment of Life Science Equipment Market and The Impact of COVID-19 (Frost & Sullivan, published November 1, 2021)



PHC Group is committed to long-term sustainability efforts. Our mission is “we contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people.” We recognize that sustainability is the highest priority issue in shaping our mission.

Considering the above, we have identified 11 key materiality topics and their respective KPIs, which we will address globally. We will contribute to the sustainable development of society through our Group-wide efforts coordinated with our Mid-Term Plan, or Value Creation Plan.

ESG Strategy



Kaiju Yamaguchi

PHC Holdings Corporation  
Executive Corporate Officer  
Chief Strategy Officer (CSO)

In November 2022, we announced our Mid-Term Plan, or Value Creation Plan (VCP). The VCP defines our business Growth Areas and clarifies our strategies to drive future business growth, while at the same time outlining our commitment to strengthening ESG management. Prior to the announcement of the VCP, PHC Group’s sustainability activities were individually performed by our subsidiaries. However, in August 2023, we identified “materiality topics” and we clarified the challenges which we prioritize as a group. Identifying these materiality topics has enabled our entire organization to work together to promote sustainability initiatives.

Our mission is “we contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people.” From a sustainability perspective, contributing to social issues through our business activities is consistent with our mission, and is one of our most important management themes. With this in mind, we have identified 11 materiality topics that should be prioritized throughout our entire company. For environment materiality topics, we are focusing on global environmental issues such as climate change, preservation of natural resources, and circularity. For social materiality topics, we are working to contribute to society by leveraging the characteristics and strengths of our products and services, promoting diversity, and providing employees with a vibrant workplace. For governance materiality topics, we are striving to strengthen corporate governance, risk management, and cybersecurity. When defining the above materiality topics, we also discussed ways that PHC Group can contribute to solving broader global issues. A summary of the content can be viewed in the SDGs matrix on page 24.

We aspire to be a company that sets ambitious goals for business growth and continues to embrace challenges for creating new value. Similarly, we have a strong desire for sustainability and will strive to contribute to the creation of a prosperous society in areas where our company can make a unique impact.

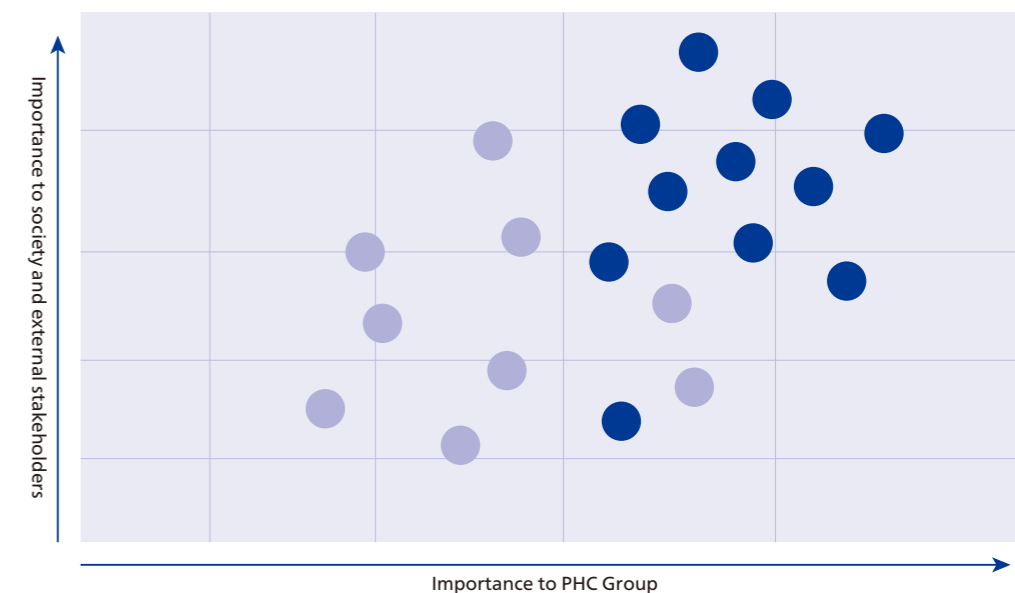
Materiality Topic Identification Process

STEP 1 Identification of Materiality Universe

We developed a comprehensive list of potential sustainability issues to consider addressing as a company, based on respected global sustainability standards and indices including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Sustainable Development Goals (SDGs), ISO26000, and other sustainability-related global standards.

STEP 2 Assessment of Importance

We evaluated the list of potential materiality topics based on two factors: importance for society and external stakeholders, and importance for PHC Group to realize our mission and achieve our stated business goals. To weigh these factors, we surveyed and interviewed customers, suppliers, business partners, and employees to collect insights on which topics most resonated with our stakeholders.



We also held internal workshops in each business division and corporate function globally. We combined feedback from surveys, interviews, and workshops to narrow the list of potential materiality topics to a final short list of topics that are highly relevant to PHC Group’s business and on which we can make a direct impact.

STEP 3 Target Setting

We conducted external research of industry trends and reviewed internal data from across our businesses to identify priority issues on our short list for which to set targets. We then collaborated closely with each of our business divisions and corporate functions to align on specific, measurable, time-bound targets.

STEP 4 Adoption

After approval by PHC Group’s Management Committee, we presented our ESG policy, materiality topics, KPIs, and targets to the Board of Directors for formal approval and adoption by PHC Group.

SDGs Matrix

ESG	Materiality	KPI	Target values	FY22 Actual	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Environment	Climate Change	Scope 1 & 2 CO <sub>2</sub> emission reduction	Carbon neutral by 2040	-							7.2	8.4	9.4			12.2	13.2,13.3							
		Scope 3 CO <sub>2</sub> emission reduction	TBD (set after identifying current scope 3 emission)	-								7.2	8.4	9.4			12.2	13.2,13.3						
	Preservation of Natural Resources	Percentage of reduction of water withdrawal at production sites / labs on a per revenue basis	15% reduction (vs. 2022) by 2030	-			3.9				6.3,6.4		8.4	9.4					14.1					
		Percentage of reduction of packaging material on a per revenue basis	10% reduction (vs. 2022) by 2030	-									8.4	9.4		11.6	12.5		14.1					
		Percentage of reduction of waste generated at production sites / labs on a per revenue basis	20% reduction (vs. 2022) by 2030	-			3.9				6.3		8.4	9.4		11.6	12.4,12.5							
	Circularity	Percentage of total waste recycled at production sites / labs (The recycling percentage does not include thermal recycling.)	90% by 2030	-			3.9						8.4	9.4		11.6	12.5							
Percentage of recycled content in plastic packaging materials		10% by 2030	-									8.4	9.4			12.5								
Social	Healthcare Innovation	Number of new patent applications	-	202 cases			3.4					8.1,8.2	9.4,9.5,9b									17.7,17.8,17.16		
		Number of registered patents	-	4,237 cases			3.4						8.1,8.2	9.4,9.5,9b								17.7,17.8,17.16		
		Number of new products and services launched	-	90			3.4						8.1,8.2	9.5,9b										
		Revenue from the "Growth Areas" (Advanced Therapy Development, Digital Health, Personalized Testing and Diagnostics)	86.0 bn/JPY by 2025	38.4 bn/JPY			3.4,3.8						8.1,8.2										17.16,17.17	
	Product Excellence	Number of warning letters issued (e.g., FDA warning letter)	0	0			3.4,3.8																	
		Number of recalls issued	-	2			3.4,3.8																	
	Supply Chain	Percentage of response rate to PHC Group supplier survey	95%	97%			3.9					8.4,8.5,8.7	9.4	10.2	11.6	12.1,12.4,12.5	13.2	14.1			16.2,16.5			
	Expanded Access	Consolidated sales in emerging and developing markets	-	47.2 bn/JPY			3.4,3.8						8.1											
	People & Culture	Ratio of gender diversity at manager level or above	Non-male ratio:30% or higher by 2030	23.5%					5.5				8.5,8.8		10.2,10.3								16.7	
		Employee Engagement Score: increase from the previous year	1 point+ improvement vs. PY	Year on year +1				4.4,4.7					8.3,8.5											
Enhanced employee learning and skill development		-	-				4.3,4.4,4.7					8.2		10.2										
Governance	Corporate Governance	Percentage of nationality diversity of the Board of Directors	-	27% (Non-Japanese member)																		16.7	17.16	
		Board effectiveness assessment	1/year	1																		16.6,16.7	17.16	
		Number of meetings with institutional investors and securities analysts	-	105																			16.7	17.16
	Risk Management	Number of Enterprise Risk Management Committee Meetings	2+/year	0																			16.6	
		Percentage of employees taking compliance training (e.g., code of conduct, insider trading)	100%	99.8%				4.4					8.8		10.3								16.5	
	Cybersecurity	Percentage of employees who participate in information security and data protection training	100%	99.4% <sup>*1</sup> / 97.0% <sup>*2</sup>				4.4					8.2	9.1									17.8	
		Biannual vendor security reviews - percentage of critical vendors reviewed	100%	80%									8.2	9.1										
Number of PHC Group Cybersecurity Committee Meetings		4+/year	2																			16.6,16.7		

\*1 Information security training (excluding employees seconded overseas/domestic and those on long vacations) \*2 Excluding employees who do not have an email address  
 \*We have prepared this matrix with the supervision of Mr. Hidemitsu Sasaya, an ESG/SDGs Consultant and Professor at Chiba University of Commerce.  
 The matrix is organized based on current status as of the reporting date, and will be updated in response to changes in business and other factors.  
 \*Except for CO<sub>2</sub> emissions, PHC Indonesia data are not included.  
 \*Emerging and developing markets are Central and South America, Southeast Asia (including China, India, and South Korea), Middle East, Africa and Eastern Europe (including Russia)

About the Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are the successor to the Millennium Development Goals (MDGs), which were established in 2001. As stated in "Transforming Our World: The 2030 Agenda for Sustainable Development," adopted unanimously by member states at the United Nations Summit in September 2015, the SDGs are international goals aimed at achieving a sustainable and better world by 2030. The SDGs consist of 17 goals and 169 targets and commit to "leave no one behind" on our planet. They are universal issues that everyone, from developing nations to developed nations, must address.





**Hidemitsu Sasaya**  
ESG/SDGs Consultant  
Professor, Chiba University  
of Commerce

**Shoji Miyazaki**  
PHC Holdings Corporation  
President, Representative Director,  
Chief Executive Officer (CEO)

**Koichiro Sato**  
PHC Holdings Corporation  
Senior Executive Vice President,  
Representative Director,  
Chief Operating Officer (COO)

## Our Commitment to Challenging Goals

PHC Group engages in sustainability management to contribute to realizing a sustainable society through our business practices. We recently invited Mr. Hidemitsu Sasaya, an ESG/SDGs Consultant, for a roundtable discussion on the theme of sustainability management with our CEO Shoji Miyazaki and COO Koichiro Sato.

### Organizing an ESG/SDGs matrix that addresses social needs

**Sato:** The healthcare industry faces many issues, including disparities in healthcare access and rising healthcare costs. Our strengths in addressing these issues include our leading position in the products and services within each of our businesses and our ability to quickly develop products and provide services through collaboration with various external partners. Our strength lies in the high precision and quality of our products, as well as in our commitment to constantly improving our products and services through listening the voices of customers. Furthermore, our strengths include procurement capabilities leveraged by long-term partnerships, sales outlets in over 125 countries and regions,

our wealth of manufacturing excellence, and sales teams with extensive expertise in the business environment of each country.

**Miyazaki:** Since we have many products to support the health of patients, we focus particularly on quality. High quality is at the core of PHC Group's strengths.

**Sato:** In order to leverage our strengths to solve environmental and social issues, we have identified 11 materiality topics that our group must prioritize and set respective KPIs. To identify the materiality topics, we established a cross-organizational and global team led by President Miyazaki, and supported by our CSO (Chief Strategy Officer) and myself, with all business divisions and head office functions to discuss the materiality topics. During the discussion, we emphasized embedding the concepts of SDGs in management and balancing economic and social values. The SDGs matrix was useful during this process. The matrix lists how each materiality topic is related to the SDGs. We delved not only into the 17 goals of the SDGs, but also into the more specific 169 targets. Through the process of this discussion, we discovered that many of our executives and employees have a high level of awareness of

sustainability issues. We gained a great deal of confidence in our ability to develop sustainable management in the future.

**Sasaya:** The SDGs define a set of 17 goals and 169 targets. Now that the SDGs have become a common language for social issues, Japan's Government Pension Investment Fund (GPIF), which holds the world's largest fund, has indicated that it will use the SDGs as a factor in determining whether companies are reflecting the SDGs to create their shared value. The impact of this move has been huge, and ESG and SDGs have become "two sides of the same coin," so to speak. In identifying materiality topics, PHC Group assigned numbers to the SDGs matrix to identify the relationship between every ESG item and SDG goal at the target level. Since there are only a few companies that apply the targets in such a comprehensive manner, the group can differentiate itself from competitors. As a result, a sustainability system was created as a competitive strategy.

### Sustainability initiatives indicating each SDG target by number

**Miyazaki:** Our group announced our Value Creation Plan, which is our Mid-Term Plan, in November 2022. This plan defined Growth Areas in our businesses, clarified measures to drive future business growth, and at the same time initiated enhancement of our sustainability management. Sustainability requires continuity in activities and contribution to society through innovation in our core businesses. During the COVID-19 pandemic, we were able to quickly provide products and services needed by society, such as contract services for PCR testing and ultra-low temperature freezers used to manufacture and store mRNA vaccines. We feel that our mission, "we contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people," is anchored in our minds. Moving forward, it is vital that we further enhance and constantly strive for sustainability management.

**Sasaya:** PHC Group has a technological advantage over its competitors and offers solutions from upstream to downstream in the healthcare industry. Therefore, it was only natural for the group to contribute broadly to society through its business activities during the COVID-19 pandemic.

The SDGs matrix clearly shows what PHC Group focuses on in its sustainability management. The main focus is on solutions for "Health" (No.3) and its supporting capabilities "Innovation" (No.9) and "Partnerships" (No.17) which are among PHC Group's strengths.

PHC Group goes into more depth by describing contributions to SDG 3.4, 3.8, and 3.9 under "Good Health



and Well-Being" (No.3). SDG 3.4 is "reduce by one third premature mortality from non-communicable diseases through prevention and treatment, and promote mental health and well-being." By focusing on this point, PHC Group can link related products and services to SDG measures, and understand PHC Group's specific contribution to the SDGs.

By carefully explaining these points to all parties, PHC Group will be more effectively perceived as a company that solves social issues, and its competitive advantage will be communicated. It also helps employees better understand which of the SDG targets their products and services are connected to, thus enhancing their sense of ownership. We hope that each and every member of PHC Group will become familiar with the matrix and utilize it for innovation in their core business.



### Active collaboration with stakeholders in each healthcare domain

**Sato:** In the healthcare industry, we see a trend called Value-Based Healthcare. Widening disparities in healthcare access based on region or income and increasing medical costs are serious social issues. In response, the approach of Value-Based Healthcare is to help people maximize their own healthcare outcomes and optimize healthcare costs. Our group operates in three domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences. Through our businesses, we communicate directly with a wide range of healthcare stakeholders, including pharmaceutical companies, universities and research institutes, hospitals, clinics, pharmacies, and patients. We collect feedback on our products and services from all





stakeholders on a daily basis and make improvements based on their needs and requests. We actively engage in this process as a VOC (Voice of Customer) activity and strive to create added value.

Furthermore, we actively collaborate with external partners. For example, in March of this year, our subsidiary Eprexia partnered with 3DHISTECH Ltd. to launch the Pathology Innovation Incubator in Hungary. This project aims to develop rapid and accurate methods and devices for diagnosing cancer and tumor lesions.

**Sasaya:** This is the perfect example of SDG No. 17, "Partnerships for the Goals." Collaboration creates innovation. SDG No. 3 is described as "Good Health and Well-Being" in English, and it will also lead to improving the "well-being" of people in society, which is an important issue. Well-being is a concept that focuses on improving individual happiness and quality of life, so it is necessary to pay attention to the expectations of each individual consumer. As a result, people say, "I'm thankful for what PHC Group offers," "The group is valuable to society," and "I hope that PHC Group will expand its businesses." This creates a recognition that PHC Group's business model is a strength and a source of value creation. Such evaluations become more objective and visible now that PHC Group has incorporated the SDGs into its business model.



**ESG elements that give a competitive advantage over other companies**

**Miyazaki:** Materiality is important set of topics that PHC

Group must prioritize. Going forward, we will delve even deeper into related activities. In the environmental aspect, we focus on three topics on a global scale: climate change, preservation of natural resources, circularity. We have set ambitious targets for KPIs such as reductions in CO<sub>2</sub> emissions, water intake, and packaging material usage.

**Sasaya:** The concept of sustainability in relation to the SDGs can be summarized as "for the world, for others, for ourselves, and for our descendants;" in other words, to leave something positive for the next generation. Among the topics introduced so far, climate change in the environmental category attracts the most attention from investors and other stakeholders. Further enhancing capability in this topic will lead to stronger trust from stakeholders.

**Miyazaki:** The energy-saving performance of our products is top class in the industry. For example, our VIP ECO Smart series of ultra-low temperature freezers was designed to minimize power consumption. Our Biomedical Division received the "Outstanding New Product Award" for the series at an international academic conference<sup>\*1</sup> in May 2023. In this way, we will contribute to solving problems on the research and healthcare frontlines and to evolving new treatment options by creating innovative solutions based on an accurate understanding of the diverse issues that researchers and healthcare professionals are facing.

**Sato:** In the category of society, we have aimed to be the first to develop products and provide services in line with healthcare policy, with a focus on our Healthcare Solutions business. I believe this has led to our current No. 1 market share in electronic medical record systems<sup>\*2</sup> in Japan. Furthermore, as digital transformation in healthcare becomes more pervasive, society will move toward more people leveraging their personal health data to help them improve their health. We have the advantage of being able to contribute to building the infrastructure of this new society. Our strengths in the Healthcare Solutions business are evidenced by our robust customer base, which can support the rapid adoption of IT technology in electronic medical records and electronic medication history systems and linked health insurance verification systems for pharmacies, as well as our 50 years of experience and trust.

**Sasaya:** Since PHC Group operates in the most important area of society, "people's health," I expect that the group will continue to work to solve challenging social issues by leveraging its technological and product development capabilities while carefully identifying the needs of customers. Promoting digital transformation in healthcare that responds to customer needs is an urgent issue. SDG No.

9, "Industry, Innovation, and Infrastructure" and No. 11, "Sustainable Cities and Communities," both require that PHC Group can fulfill an extremely important role in collaborating with healthcare communities and local communities.



**Miyazaki:** We employ more than 9,000 people around the world. Diversity in human capital is one of our strengths. We place great importance on ensuring that each and every employee can work with enthusiasm and vitality. We are also working to establish a culture of diversity and inclusion through the transfer and exchange of people across businesses and countries. Furthermore, we are building a global integrated human resources platform that promotes collaboration within our group and introducing a global evaluation system. As a global healthcare company based in Japan, PHC Group aims to create an environment that encourages diversity, facilitates collaboration, and has a highly transparent and dynamic organization and culture.

We also consider diversity in governance practices as an important factor. PHC Holdings' Board of Directors is comprised of eight members representing a mix of genders and diverse nationalities, including Japanese, American, and Spanish. Furthermore, six directors other than myself and Mr. Sato are outside directors.

**Sasaya:** Governance is the basis of everything, and PHC Group has formed a governance structure that leverages diversity.

We are reminded of the "5 Ps" set out in the preamble of the 2030 Agenda, the United Nations agreement that incorporates the SDGs. The 17 SDGs are organized according to the 5 Ps: People, Prosperity, Planet, Peace, and Partnership. All of these goals are synchronized with the management direction and activities that PHC Holdings is aiming for.

**Continue to set challenging corporate goals to address social issues**

**Miyazaki:** Social issues are constantly changing. While responding to these changes, we will regularly review our materiality topics and respective KPIs to increase transparency and proactively publicize our results. We seek continued growth as a group of companies that sets challenging goals and creates new value. Through

sustainability, we contribute to the health of society, which can be achieved through our unique impact.

**Sato:** We leverage our strengths of being a collective entity. We continue to contribute to advancing Value-Based Healthcare by thoroughly integrating our diverse businesses, working together with our group employees to accomplish our ambitious goals.

**Sasaya:** When summarizing the ESG approach of PHC Holdings, in the aspect of the environment, your ability to respond to climate change is extremely high. In the aspect of society, you promote Value-Based Healthcare and also focus on human capital, which has recently been emphasized. In the aspect of governance, the company embraces diversity and conducts innovative management. As a result of organizing ESG priorities in relation to the SDGs, PHC Group focuses on SDG No. 3 "Good Health and Well-Being," and accurately operates its businesses through the business model strengths of SDG No. 9 "Industry, Innovation, and Infrastructure" and No. 17 "Partnerships for the Goals." PHC Group also focuses on the urgent issue of SDG No. 13 "Climate Action," and is collectively deepening its sustainability management.

Going forward, it is imperative to communicate effectively to the world. In the Edo Period in Japan, the Omi Merchants operated with a philosophy of three-way satisfaction for sellers, buyers, and society. I advocate adding the concept of effective communication to this philosophy. PHC Group's sustainability system will differentiate it from other companies, and I look forward to its proactive communication to the world.



### Business Strategy



#### Koichiro Sato

PHC Holdings Corporation  
Senior Executive Vice President,  
Representative Director,  
Chief Operating Officer (COO)

In 2022, PHC Group announced our Mid-Term Plan, or Value Creation Plan. In the plan, we categorize each business into Foundation Areas and Growth Areas. The Foundation Areas are our main businesses with highly competitive core technologies and solid customer assets. These are the pillars of our earnings, and we will continue to focus on them.

On the other hand, many markets in the Foundation Areas are already mature. We recognize that securing greater market growth is an important priority for the growth of PHC Group. Therefore, we have defined Growth Areas as adjacent areas where we can leverage synergies among our businesses while capitalizing on our strengths in Foundation Areas. Specifically, we aim to provide value unique to PHC Group through the three Growth Areas: Personalized Testing and Diagnostics Solutions, Digital Health Solutions, and Advanced Therapy Development Solutions.

In Personalized Testing and Diagnostics Solutions, we offer a unique solution to people with diabetes in the United States and some countries in Europe, through expanding sales of an implantable CGM, which can be used continuously for up to 180 days. Until recently, the development of POCT had been separately led by PHC Corporation and LSI Medience. We integrated these businesses and combined PHC Group's strengths in order to develop and sell products unique to the group.

For Digital Health Solutions, we will vigorously promote digital transformation in healthcare by leveraging our customer base with the top market share among clinics for medical-receipt computers and electronic medical record systems for clinics.

In Advanced Therapy Development Solutions, we will leverage PHC Group's technological strengths to provide unique value, such as cell metabolism analyzers utilizing sensor technology developed alongside our BGM technology.

Additionally, in digital pathology and AI diagnostic support, we will provide new value to existing customers through collaborations with our partners.

These are the businesses that will drive PHC Group into the future. We will contribute to realizing Value-Based Healthcare while expanding our businesses with intensive investment.





As a global leader in diabetes technology, we have been helping people with diabetes improve their health and quality of life for over 80 years.



**Robert Schumm**

Corporate Officer, PHC Holdings Corporation  
President, Ascensia Diabetes Care Holdings AG

**Message**

Over 500 million people globally live with diabetes<sup>\*1</sup>, and this figure is predicted to rise to over 600 million by 2030. At Ascensia, we are committed to improving the health and quality of life for people with diabetes.

Our sole focus on diabetes means that we deeply understand people's needs, enabling us to develop, manufacture, and deliver innovative products that help make life with diabetes more manageable. From our high-precision glucose monitoring systems to our digital diabetes management solutions, we empower people to better manage their diabetes and help make their daily lives more comfortable.

**Overview**

In our diabetes management business, we offer high-quality blood glucose monitoring (BGM) systems, continuous glucose monitoring (CGM) systems, and digital diabetes management solutions that meet the diverse needs of people living with diabetes.

Our BGM products are developed and manufactured by PHC Corporation, and brought to people across the globe by Ascensia Diabetes Care, a PHC Group company. These BGM systems collect a small blood drop from a fingertip and measure the blood glucose level to give people with diabetes the information they need to make treatment or lifestyle decisions. Since launching the industry's first personal BGM in 1981, we have continued to improve our products through our innovation and manufacturing excellence, and we are proud to offer the highest level of accuracy<sup>\*3</sup> in the industry, at a competitive cost.

The CGM systems we provide are developed and manufactured by our business partner Senseonics, and brought to people with diabetes by Ascensia. As the exclusive global distributor of the Eversense<sup>®</sup> E3 Continuous Glucose Monitoring System as well as any future Eversense<sup>®</sup> products, Ascensia is able to leverage its commercial capabilities and network in BGM to offer a highly-differentiated CGM option.

The Eversense<sup>®</sup> CGM System is the industry's first and only fully implantable CGM system, and allows continuous measurement of glucose levels, with data automatically sent every five minutes to a mobile app on the user's smartphone. Unlike any other CGM on the market, the Eversense<sup>®</sup> sensor can be used continuously for up to six months. Sensors of other available CGM systems are short-term and need to be

replaced every seven to fourteen days.

This business and its people have been committed to supporting people with diabetes for more than 80 years. Looking ahead, we will continue to simplify and improve lives through our advanced diabetes management solutions.

**Strengths**

- **Global business operations and expertise**  
Our products are sold in more than 100 countries and regions, and are used by an estimated 10 million people. We respond to customer needs around the world through our experienced global sales network.
- **High-quality, high-precision, cost-competitive products**  
Our BGM products are manufactured in facilities using fully automated equipment. Optimized product technology and production processes enable us to achieve the industry's highest standards of precision and reliability, whilst maintaining low-cost manufacturing.
- **Innovative products/advanced technology**  
We support more effective self-management of diabetes through innovative products and digital solutions. The Eversense<sup>®</sup> E3 CGM System provides users with unparalleled reliability and flexibility and up to six months of real-time glucose readings with two sensor changes per year, a removable<sup>\*2</sup> transmitter and on-body vibratory alerts, including for high and low glucose values. Our BGM products are considered among the most accurate available, enabling people to identify blood glucose fluctuations with precision, and empowering them to make confident treatment and lifestyle decisions.

**FY2022 Snapshot**

Revenue: JPY **111.8** billion\*

\*Includes revenue of PHC IVD

**Main Products/Services**

Our highly accurate glucose monitoring systems<sup>\*3</sup>, designed for ease of use by people with diabetes, are used by an estimated 10 million people around the world. Through our integrated diabetes management technology platform, we provide solutions that help people use data to effectively manage diabetes.

**Main Customers**

- People with diabetes
- Dispensing pharmacies
- Hospitals/clinics

**Blood glucose monitoring (BGM) systems**

People with diabetes can easily and accurately measure their blood glucose levels at home. Systems allow users to sync data with smartphones and other devices.



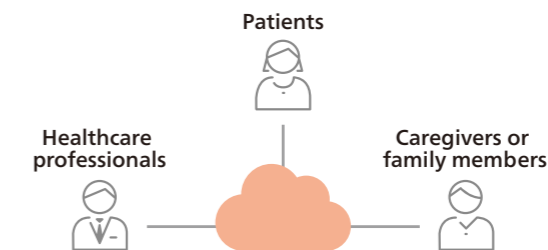
**Continuous glucose monitoring (CGM) systems**

Continuously measures glucose levels using the world's first fully implantable subcutaneous sensor that can be worn for up to six months. Able to notify users of rises and falls in glucose levels, with a removable<sup>\*2</sup> transmitter and the ability to provide unique on-body vibratory alerts.



**Digital diabetes management solutions**

Integrated diabetes management solutions that support more effective self-management and data sharing.



\*1 IDF <https://diabetesatlas.org/> \*2 There is no glucose data generated when the transmitter is removed  
PHC GROUP Integrated Report 2023

\*3 Klaff LJ, Brazg R, Hughes K, Tideman AM, Schachner HC, Stenger P, Pardo S, Dunne N, Parkes JL. Accuracy evaluation of contour next compared with five blood glucose monitoring systems across a wide range of blood glucose concentrations occurring in a clinical research setting. *Diabetes Technol Ther.* 2015 Jan;17(1):8-15. doi: 10.1089/dia.2014.0069. PMID: 25260047.





The IVD Division contributes to the advancement of medical care by providing high-precision medical equipment and diagnostic reagents.

**Hiroyuki Tokunaga**

Director and Member of Board,  
Director of In Vitro Diagnostics Division,  
PHC Corporation



**Message**

The IVD Division of PHC Corporation developed Japan's first clinical diagnostic reagents in 1962 and the industry's first electrochemical blood glucose monitoring (BGM) system in 1991.

Currently, we offer various products such as blood glucose monitoring systems, POCT devices, biochemical analyzers, diagnostic reagents, and motorized drug injection devices.

Based on the mission of PHC Group, we have defined the mission of our division as "We contribute to the advancement of medical care as one of the leading global healthcare companies by providing high-precision, highly reliable, high-value-added medical equipment, and diagnostic reagents."

We will accelerate further growth of our IVD business centered on point-of-care testing (POCT), which is defined as one of the Growth Areas in PHC Group's Mid-Term Plan, "Value Creation Plan FY2022-2025."

**Overview**

The IVD Division was formerly the healthcare business of Matsushita Kotobuki Electronics, established in 1969.

Since launching the industry's first electrochemical blood glucose monitoring (BGM) system in 1991, we have developed and manufactured a variety of healthcare products, including motorized drug injection devices and POCT (point-of-care testing) devices. Leveraging our strength in manufacturing excellence, we provide a variety of medical devices that support the early detection and effective treatment of disease.

Through a business restructuring within PHC Group, the IVD Division integrated the Diagnostic Reagents and Instrument Division of LSI Medience Corporation on November 1, 2023.

We will continue to maximize our manufacturing capabilities to promote further improvement of the quality and cost of our products while addressing the unmet needs of our customers in the development of diagnostic equipment and reagents.

**Strengths**

- **Product design that reflects market needs**  
After thoroughly researching user pain points and requests, we carefully consider how to improve products and reflect the results in the product design. Even with OEM products, we provide unique value, such as ease of use and precision of diagnosis and treatment.
- **Efficient product development process**  
We seek to improve the efficiency of the product development process by adopting two concepts: concurrent engineering, in which multiple processes proceed simultaneously, and front-loading, in which items and processes normally evaluated at a later stage are brought forward as far as possible, so that any issues can be identified and addressed as early as possible.
- **Our Japanese heritage of manufacturing excellence**  
Our manufacturing expertise and culture of continuous improvements, which have continued since the days of Matsushita Kotobuki Electronics, are the foundation of our high-quality, high-precision manufacturing technology. For instance, the disk rotation technology we developed when the company manufactured computer hard disks is now applied to centrifugation technology for specimens in our healthcare products.

**FY2022 Snapshot**

Revenue: JPY **20** billion

\*Combined revenues of PHC IVD's business and LSI Medience's diagnostic reagents and instruments business.

**Main Products/Services**

We develop diabetes care products centered on blood glucose monitoring systems, continuous glucose monitoring systems, equipment used for real-time testing in medical settings, and motorized drug injection devices.

**Main Customers**

- Hospitals/clinics
- Medical device manufacturers
- Pharmaceutical companies

**Blood Glucose Monitoring (BGM) Systems**

Supplied to: ARKRAY Co., Ltd.



**POC biochemical analyzer (measures HbA1c, lipids and CRP)**

Supplied to: Roche Diagnostics



**Blood Glucose Monitoring systems for Hospitals/Clinics**

Supplied to: SANWA KAGAKU KENKYUSHO CO., LTD.



**Motorized Drug Injection Devices**

Supplied to: JCR Pharmaceuticals Co., Ltd.



**Blood Sampling Device/ Dedicated Blood Sampling Needle**

Supplied to: Sanwa Kagaku Kenkyusho Co., Ltd.



**Exhaled Nitric Oxide Measuring Devices\***

Supplied to: NIOX Group PLC

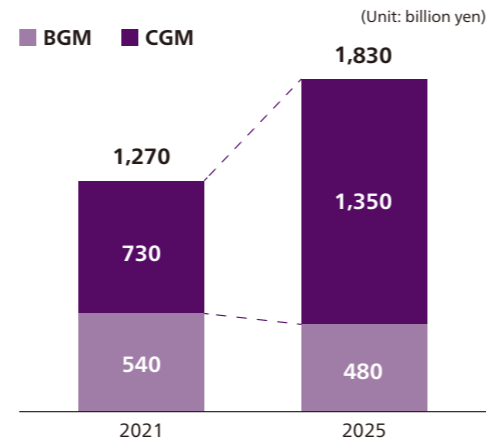


\*\*Exhaled nitric oxide measuring device" has been approved by the U.S. FDA

## Diabetes Management



The glucose monitoring market for diabetes is expanding, but a shift from Blood Glucose Monitoring (BGM) to Continuous Glucose Monitoring (CGM) is in progress, particularly in Europe and the United States. The BGM segment is expected to shrink 3% by 2025, while CGM is expected to grow substantially.



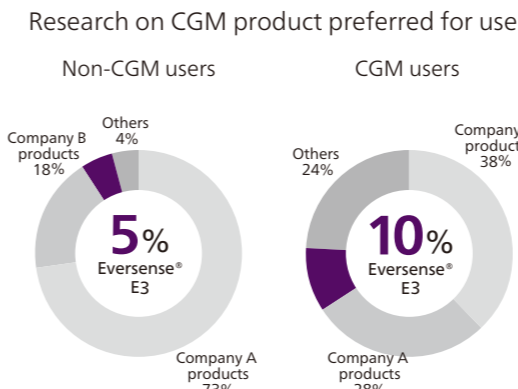
Source: In-house analysis

While continuing to enhance focused segments within BGM, we are investing heavily in Growth Areas centered on CGM. Specifically, for BGM, we seek to maintain profitability by increasing sales in growth segments such as the over-the-counter drug sales channel in the United States, and by introducing low-priced products mainly in emerging markets, while expanding our market share in mature markets.

We have defined CGM as one of our Growth Areas and are focused on strengthening this business. We will accelerate growth by increasing sales of the Senseonics Eversense® E3 CGM System, which provides users with unparalleled reliability and flexibility with a unique sensor providing up to six months of real-time glucose readings, the need for only two sensor changes per year, and a removable<sup>\*2</sup> transmitter with on-body vibratory alerts.

The Eversense® CGM System, which we exclusively distribute, is the industry's first and only fully implantable CGM system, and allows continuous measurement of glucose levels, with data automatically sent every five minutes to a mobile app on the user's smartphone. Unlike any other CGM on the market, the Eversense® E3 sensor can be used continuously for up to six months. Sensors of other available CGM systems are short-term and need to be replaced every seven to fourteen days. In addition, our partner Senseonics announced on January 2, 2024 that it would soon be seeking approval for a 365-day Eversense® system\*.

### Potential needs for implantable CGM Eversense®



Source: In-house analysis

### Eversense® E3 subcutaneous implantable sensor and removable transmitter



\*Senseonics Holdings, Inc. Announces Business Updates – Senseonics <https://www.senseonics.com/investor-relations/news-releases/2024/01-02-2024-210523872> \*2 There is no glucose data generated when the transmitter is removed

## IVD Division



The IVD Division is focusing on the POCT market. POCT is expected to grow in the mid- to high-single digit range due to factors such as the increasing demand for comprehensive medical care (or primary care), which provides consultation services for all kinds of medical needs, and demand for faster testing and diagnosis. By region, high growth rates are expected particularly in the United States and other markets outside Japan.

Currently, our primary focus is on motorized drug delivery devices, mobile immunoanalyzers, and diagnostic reagents.

Motorized drug injection devices are designed to automatically administer the correct amount of drug, allow users to check the administration history, and support treatment at home. Since they are electronically operated, they can be used with high-viscosity formulations and have a wider range of applications than spring-type products.

The immunoanalyzer uses an all-in-one reagent cartridge, can examine multiple items in parallel, and has features such as a compact immunochemiluminescence system, contributing to rapid sample analyses in hospitals and clinics.

By combining the technology we have cultivated to date with the technologies of PHC and LSI Medience, the IVD Division strives to develop next-generation cardiac biomarker measurement devices as well as devices and reagents that meet unmet needs, and seeks to achieve significant growth in this field.







LSI Medience contributes to creating a healthy and safe society through medical science.



Haruo Watanabe

Corporate Officer, PHC Holdings Corporation  
President and Representative Director, LSI Medience Corporation

Message

LSI Medience's mission is "We are the Good Health Creator, contributing to the creation of a healthy and safe society through Medical Science (MEDlcal+sciENCE)." Through this mission, we seek to deliver accurate clinical test results to medical facilities promptly, based on the analytical technology we have cultivated over 45 years of providing clinical testing services. In addition to clinical tests for disease diagnosis and health checkups, we actively leverage new technologies and strive to provide even better services. Recently, we have introduced cutting-edge next-generation sequencers and have begun offering cancer genome profiling tests, which are essential for new cancer treatments.

We will contribute to advancing healthcare while ensuring high quality and speed of testing and utilizing new technologies.

Overview

Established in 1975, LSI Medience has operated various clinical testing and diagnostic reagents and instruments businesses.

In our clinical testing business, we offer contract clinical testing services, in which patient samples are collected from clinics and hospitals and transferred to our clinical testing centers for a variety of tests. Our testing spans a wide range of categories, including hematology, biochemical, microbiological, and gene-related testing, and we reliably deliver accurate test results quickly.

In addition, we are one of 30 laboratories in the world that conduct doping testing, and the only sample analysis laboratory in Japan certified by the World Anti-Doping Agency (WADA).

We aim to create new solutions by combining our core analytical capabilities accumulated over a long period of time in these diverse testing fields with our expertise in analyzing test results.

In the diagnostic reagents and instruments business, since developing Japan's first clinical test reagents, we have supported the advancement of medical care by providing world-class, high-speed, high-precision in vitro diagnostic test equipment and reagents, such as POCT and latex reagents. LSI Medience's diagnostic reagents and instruments business has been integrated with PHC Corporation's IVD Division

through a PHC Group business restructuring on November 1, 2023. In the future, we will pursue synergies within the group and respond to customers' unmet needs by providing in vitro diagnostic testing equipment and reagents.

Strengths

● One of the top clinical testing platforms in Japan

In the clinical testing business, we have a nationwide network in Japan, covering a wide variety of more than 4,000 types of tests. Additionally, we have built strong relationships and trust with our customers, including medical associations, based on our many years of experience.

● Thorough quality management

We have obtained international certification and carry out thorough quality control in all business areas.

● Advanced initiatives

Over the years, we have advanced technological capabilities in genetic analysis and mass spectrometry in testing and have promoted a variety of advanced initiatives, including the first industry-academia collaboration in Japan.

FY2022 Snapshot

Revenue: JPY 95.6 billion

\*Revenues from clinical business, Mediford Corporation (11 billion yen), and diagnostic reagents and instruments business

Main Products/Services

We develop clinical tests such as cancer diagnosis and genetic testing based on innovative technology. Furthermore, we will promote global anti-doping activities and contribute to the healthy development of sports.

Main Customers

- Hospitals/clinics
- Pharmaceutical companies
- Food manufacturers

Clinical testing services

Respond to advanced and diverse clinical testing needs with laboratory automation systems



Diagnostic reagents and instruments

Achieve quick and accurate testing with a wide range of product lineups

Immunoanalyzer



Mycoplasma antigen kit



On November 1, 2023, the diagnostic reagents and instruments business was integrated under PHC Corporation.

Doping testing service

Promoting global anti-doping activities as the only WADA<sup>\*2</sup> certified laboratory in Japan



\*1 In-house research \*2 World Anti-Doping Agency

Industry's first product

World's first latex agglutination chemiluminescent immunoassay analyzer (LPIA-1) (1982)



On November 1, 2023, the diagnostic reagents and instruments business was integrated under PHC Corporation.





As a healthcare solutions company that seeks to help transform the medical industry, we address issues faced by healthcare professionals and contribute to the well-being of society.

**Takayuki Otsuka**

Corporate Officer, PHC Holdings Corporation  
President and Representative Director, WEMEX Corporation

**Message**

Current social issues such as population decline, an aging population, and financial constraints are becoming major areas of focus in the medical industry. The challenges of overworked physicians, imbalances in the number of physicians by region, and medical disparities in less populated areas are expected to become more pressing in the future, as will the shortages of healthcare professionals and the challenges they face in the working environment. To help address these issues, we will respond to the Japanese government's medical policies and leverage our digital technology to improve the efficiency of medical operations and support preventive healthcare.

We at Wemex have been supporting the digitalization of the healthcare industry in Japan for more than 50 years. In the future, we will further strengthen our efforts in this area.

In the long term, we will continue to focus on medical institutions and consumers, seeking to contribute to improved overall well-being.

**Overview**

Wemex provides medical-receipt computers and electronic medical record systems for clinics and hospitals, as well as medical-receipt computers and electronic medication history systems for dispensing pharmacies.

Since the launch of Japan's first medical-receipt computer in 1972, we have led the way in IT solutions to improve the efficiency of management and operations at medical institutions and pharmacies. Currently, we hold the number-one market share in Japan for medical-receipt computers and electronic medical record systems in clinics and pharmacies.

On April 1, 2023, Wemex was established by integrating PHC Corporation's Medicom Division and its sales companies, PHC Medicom Corporation, and the health checkup support businesses of LSI Medience. Additionally, on October 1, 2023, we acquired the electronic medical record and medical-receipt systems-related business from FUJIFILM Healthcare Systems corporation. In addition to further expanding existing products such as medical-receipt computers and electronic medical record systems, we will also advance efforts in telemedicine and medical data to further promote the ongoing digital transformation of healthcare in Japan.

Our mission is to continue creating value essential to society with our purpose of "Exploring the mind and body and creating a society where everyone can seek personal happiness."

**Strengths**

- **Abundant knowledge and experience**  
We have introduced a variety of innovations since the launch of Japan's first medical-receipt computer in 1972. We have accumulated extensive knowledge and experience assessing what our customers need and reflecting it in our products and services.
- **Robust customer base**  
We have the largest market share in Japan for medical-receipt computers and electronic medical record system in clinics and pharmacies. While some policy-related demands in Japan are expected, such as the online eligibility verification system for insurance card usage with the My Number Card and support for electronic prescriptions, our robust customer base with deep relationships and trust is our major strength.
- **Prompt support service**  
We provide user support through a network of 140 locations nationwide. We respond to medical fee and legal revisions in a timely manner and hold product seminars. We lead the industry in support quality, as the first in the healthcare industry to receive KCS awards and HDI ratings.

**FY2022 Snapshot**

Revenue: JPY **37.9**billion

**Main Products/Services**

We develop solutions to promote the digital transformation of healthcare in Japan. Our electronic medical record and electronic medication history systems can be linked with the online eligibility verification systems and electronic prescriptions, as well as API linkage with other companies' services.

**Healthcare Business Operation Support Systems**

**Medical receipt computers**

Market share for clinics/hospitals in Japan:



**Medicom-HRf core**

Automatically import insurance card information. Facilitate accounting work.

**Electronic medical record systems**

Market share for clinics in Japan:



**Medicom-HRf Hybrid Cloud**

Improve the operational efficiency of the medical frontline by reducing the workload required to input medical records.

**Electronic medication history systems**



Support pharmacists' work with medication history lists on screen and other functions.

**Electronic medical records for dental clinics**



Replicate the flexibility and usability of handwritten medical records. Reduce work stress.

**Receipt checking support solution**



Combine high-speed digital processing with easy-to-read analog interface.

**Preventive Health Solutions**

**Health management solution**



Provide detailed and efficient support for health guidance to health insurance association members (i.e., corporate employees) and seek to help improve the health of lifestyle habits for approximately 100,000 people each year.

**Digital Health Solutions**

**Telemedicine solution**



Teladoc HEALTH, a virtual care device that supports team medical care.

\* In-house research



**Mediford supports all stages of its customers' research and development, contributing to the development of new therapies.**



**Kei Shimizu**

Mediford Corporation  
Representative Director and President

**Message**

Mediford seeks to present new possibilities for society. This new company is based on the combination of our advanced analytical skills and deep knowledge of disease states, our abundant experience in developing methods to accomplish our goals, the wide range of services we provide, and trusted relationships with our stakeholders. We believe that delivering new value and options to society will contribute to the evolution of medical care and drug discovery and lead to more diverse and flexible approaches to treatment. We envision a world where each person can choose for themselves how to achieve their mental and physical health, peace of mind, and fulfillment in life. This is what we are aiming for.

**Overview**

Mediford Corporation was established on November 1, 2023, through the integration of the clinical trial business of LSI Medience Corporation and LSIM Safety Institute Corporation, which was responsible for our non-clinical business.

In our non-clinical business, we provide contract services for non-clinical safety trials, such as safety and efficacy for candidate substances for pharmaceuticals and regenerative medicine products before they proceed to clinical trials. We conduct testing at contract testing facilities that comply with the Good Laboratory Practice (GLP) Standards, a sign of quality and reliable data.

In our clinical trial business, we provide clinical trial testing services required to develop new drugs and treatments for pharmaceutical companies and drug discovery ventures. In particular, we offer bioanalysis services with advanced analysis technology and a series of processes related to testing in clinical trials as central laboratory services.

Through the integration, Mediford has combined the knowledge and technology in pharmaceutical research and development that both businesses have accumulated, strengthening its analytical technology in both the non-clinical and clinical trial fields for diversifying new treatments and expanding its services to pharmaceutical companies and analytical laboratories within and outside Japan. We will seek to enhance our partnerships with pharmaceutical companies and venture academia in the field of advanced analysis, aiming for further growth.

**Strengths**

- **High quality and reliable trial services**  
Each testing site is a GLP compliant facility and conducts high-quality and reliable trials. We also conduct animal trials and have obtained certification from the International Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC International). This Association is an international non-governmental organization promoting the humane treatment of animals in scientific research, and at Mediford, we are committed to world-class standards in the care and use of our animals.
- **Cutting-edge analytical equipment and technology that also supports personalized medicine**  
We maintain and manage a PDX library in which patient tumor tissues are transplanted into mice, allowing us to conduct cutting-edge tests such as anti-cancer drug screening tests using PDX. We also have the latest equipment such as imaging mass spectrometry.
- **Providing solutions that meet customer needs**  
For clinical trial testing, we design the tests required by our customers and provide optimized solutions. We also provide consulting services in the field of non-clinical trials, from planning to implementation of trial strategies, allowing us to provide custom solutions for each customer.

**FY2022 Snapshot**

Revenue: JPY **11** billion

\*Combined revenues of LSIM's clinical trial business and LSIM Safety Institute

**Main Customers**

- Pharmaceutical companies
- Manufacturers
- Research institutions/universities
- Drug discovery venture companies

**Main Products/Services**

We provide research and development support services in a wide range of fields, from basic research including the discovery phase of drug development to clinical trials, by combining the reliability of tests cultivated through our clinical trials and non-clinical trials businesses with the high analytical capabilities gained from our years of experience.

**Nonclinical Contract Research Service**

Utilizing facilities that meet state-of-the-art GLP standards, we conduct a wide variety of activities from tests for pharmaceutical approval applications to exploratory studies in the early stages of research and development and consulting.



**Bioanalysis Service**

Development of analytical methods for drugs, such as their metabolites and biomarkers, in biological samples, validation of analytical methods, and measurement of actual samples.



**Central Laboratory Services**

We support a series of processes from specimen collection to bulk testing for clinical research (clinical studies) conducted at medical institutions across Japan, responding to the globalization of drug development.





## LSIM Division



The overall clinical testing market in Japan continued to be driven by demand for COVID-19 related tests from 2020 to 2022, but the medium-term growth rate is around 1%. Genetic and genomic tests are expected to grow by double digits compared to general hematology and biochemical tests.

Samples are collected from clinics and hospitals and tested centrally, mainly at the Central Laboratory in Tokyo, but a common issue in the industry is how to streamline these operations.

Our company, which is responsible for the clinical testing contract business and boasts one of the largest business scales in Japan, covers a wide variety of more than 4,000 types of tests and conducts thorough accuracy and quality control in all of these testing business areas. We report highly reliable test results using advanced technology, strict accuracy control, and a mature information processing platform based on our extensive experience.

In addition, we support a variety of large-scale industry-academia collaboration projects, including the Tsukuba i-Laboratory, which is Japan's first example of industry-academia collaboration.

The Growth Areas that LSI Medience is focusing on are cancer gene testing used at the start of anti-cancer drug treatment, cancer genome/genetic testing such as cancer panel testing that can examine multiple genes simultaneously, and medical treatment for healthy people. We aim to expand the contracts for uninsured testing for healthy people, a new market that is not limited to medical care. In addition, we will promote strategic partnerships with regional hospitals and academic institutions, and utilize the laboratory capabilities of regional partners to reduce investment and efficiently undertake clinical testing to develop regional strategies.

## Healthcare IT Solutions Division



The healthcare IT market in Japan is expected to grow steadily at 2% annually. The penetration rate of electronic medical records is still less than 50%. Traditionally, on-premises products have been the mainstream, but demand for cloud-based products and services is expected to increase in the future.

In addition, the government of Japan is currently promoting policies to drive the digital transformation of healthcare, such as the introduction of the online eligibility verification system using the My Number card insurance card system and the introduction of electronic prescriptions. Wemex has already introduced an online eligibility verification system for more than 35,000 facilities, which is approximately 27%\* of the facilities that have started operation.

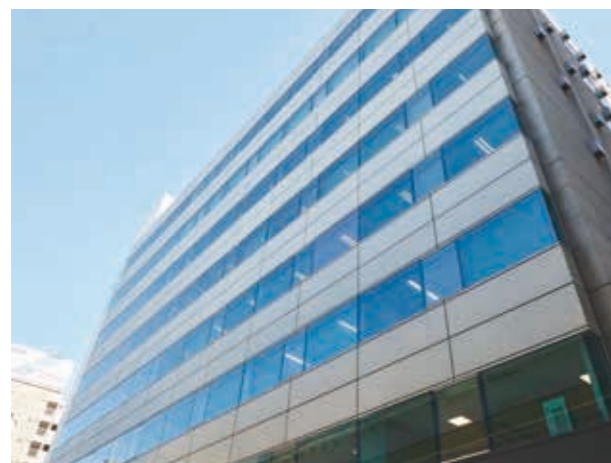
Additionally, the market that utilizes medical data is expanding, with double-digit annual growth expected in areas such as health management and data analysis.

We offer a variety of products and services that contribute to operational efficiency and digitalization in clinics, hospitals, and pharmacies in Japan, leveraging our strengths in responding quickly to policies and advancing related product development. We have a strong foundation of responding to medical policy trends in Japan, such as the introduction of the online eligibility verification system in fiscal 2022, the introduction of electronic prescriptions from fiscal 2023 onward, and efforts to achieve a 100% electronic medical record penetration rate by 2030 with the standardization of electronic medical records. Additionally, in April 2023, we acquired the electronic medical record and medical receipt related business from FUJIFILM Healthcare Systems. With an eye toward inorganic growth, we will continue to accelerate business growth by expanding our high-value-added product lineup and customer base.

We will continue to enhance our cloud services. By connecting AirWAIT®, an online order reception system, with Wemex's medical-receipt computer, users can streamline waiting time management at clinics, and use a cloud service called "digicare analytics" to visualize and analyze pharmacy management, such as daily sales and visitors. We will continue to connect medical-receipt computers and electronic medication history systems with various cloud services to provide solutions for streamlining the management and operation of clinics and pharmacies.

We also approach our medical data business from a range of perspectives. In addition to promoting health management for corporate employees through analysis of medical examination data and specific health guidance, we are also working to address issues in the healthcare industry, such as improving the cost-effectiveness of medical expenses by analyzing medical data. Additionally, we will use the power of digital technology to create new value by providing an online telemedicine system that connects doctors with patients in remote locations.

## Mediford



The non-clinical and clinical trial market in Japan is worth more than 200 billion yen, and is expected to grow by 4% annually due to increased government support for drug discovery ventures and academia, as well as an increase in international joint clinical trials.

By disease state, the focus has traditionally been on lifestyle-related diseases, but in the future there may be conditions such as dementia where the target molecules are not fully understood, and diseases such as cancer where the effects may vary between individuals even if the target is known. We expect the proportion of some diseases to increase. In drug development, due to changes in treatment methods, non-clinical and clinical trials of new drugs and treatments are expected to increase, from small molecule drugs to antibody/nucleic acid drugs and cell- or gene-related drugs.

With the launch of Mediford on November 1, 2023, we aim to achieve even greater growth by combining the knowledge and technology in pharmaceutical research and development that previously existed in our separate non-clinical and clinical trial businesses.

We will further advance our analysis technologies such as image mass spectrometry and anti-cancer drug testing using PDX models, and further strengthen the analysis technologies required for new drugs and treatments such as cell and gene therapies.

In addition, by leveraging the advanced analysis technology mentioned above, we will pursue testing for clinical trials in Japan from pharmaceutical companies in other countries, as well as tests for international joint clinical trials from global contract research organizations (CROs) with which we are already collaborating.

\*Wemex provided support for 35,000 installations out of 126,771 hospitals, medical clinics and pharmacies excluding dental facilities.

\*Airweight and AirWAIT are trademarks or registered trademarks of Recruit Co., Ltd.





**Contributing to improved medical outcomes for patients through groundbreaking technology**



**Steven Lynum**

Corporate Officer, PHC Holdings Corporation  
President, Epredia Holdings Ltd.

**Message**

Epredia's name comes from our mission: to improve lives by "enhancing precision cancer diagnostics." We provide solutions for anatomical pathology testing related to cancer diagnostics. We have a strategic vision to be the best provider of end-to-end precision diagnostics solutions, and our work will seek to reduce the burden of disease and the environmental impact of medical care. We are committed to serving our customers, and ultimately the patients they serve, with the highest quality products and services in laboratories around the world.

**Overview**

Epredia is a global leader in the field of anatomical pathology, providing comprehensive solutions for precision cancer diagnostics with the goal of ultimately contributing to better outcomes for patients.

Anatomical pathology involves observing organs and tissues and diagnosing whether they are benign or malignant, and is essential for cancer diagnostics and treatment. A collected tissue specimen goes through many processing steps in a pathology lab before being placed on a glass slide for observation and diagnosis, and Epredia offers a wide range of products to make the laboratory workflow more efficient and effective. Known for product brands such as Shandon, Richard-Allan Scientific, Microm, and Menzel Glaser, the company has been providing solutions for precision cancer diagnostics since its founding in 1937.

Currently, 44 Epredia products are used every second in medical institutions and research facilities around the world. We will continue to drive innovation to help improve the lives of cancer patients worldwide.

**Strengths**

**Comprehensive, state-of-the-art technology for laboratories**

Epredia provides high-quality instrumentation and consumables necessary for pathology laboratories working with tissue samples. Key products include glass microscope slides that are recognized for their excellent adhesion quality and exceptional clarity. Each piece of equipment is designed with pathologists' needs in mind such as ergonomics and ease of use, with the goal of contributing to efficient and accurate cancer diagnosis for the patient.

**Innovative products powered by digital technology**

Typically, specimens prepared on glass slides are observed by pathologists using a microscope, but in recent years digital pathology technology has emerged in which tissue specimens can be scanned as digital images and viewed on a computer screen. Technology may soon be developed to use AI image recognition to analyze these digital images to support cancer diagnostics. Epredia is offering AI solutions to our customers through our partnership with page and aiforia.

**Strong customer base and high market share**

Epredia has trusted relationships with customers and a high market share that has been cultivated over the last 85 years. In particular, we are often viewed as the worldwide leader for slide glasses and tissue processors.

**FY2022 Snapshot**

Revenue: JPY **49.5** billion

**Main Customers**

- Hospitals/clinics
- Research institutions/universities
- Pharmaceutical companies

**Main Products/Services**

- **Slide glass**  
High-quality pathological diagnosis requires high-quality microscope slides. Our unique glass manufacturing technology enables smooth surfaces and uniform thickness, supporting high-quality specimen analysis and highly accurate diagnosis.
- **Pathology reagents**  
Cytology staining, which provides clear contrast between cytoplasm and nuclear chromatin, is an important component in cancer diagnostics. Epredia's staining equipment is designed to stain tissue samples with high transparency and sharpness, and can be used in combination with a variety of staining solutions.
- **Pathology equipment**  
Tissue processing is critical to obtaining reliable results in the histology laboratory. Laboratories are under pressure to speed up processes, reduce costs, and prevent operational errors. Epredia's tissue processing solutions are designed to efficiently produce high-quality paraffin blocks to enable pathologists to make an accurate diagnosis.
- **Labeling and management solutions**  
To prevent operational errors in the histology laboratory, cassettes and slide glasses must be labeled, properly recorded, and tracked. Epredia's cassette printers and slide printers with laser technology and on-demand printing capabilities provide an automated way of labeling and tracking laboratory samples and slides, to increase accuracy while streamlining workflow.

**Slide Glass**

Achieve more accurate diagnosis with the highest level of optical clarity



Global market share:  
**1**

**Pathology Reagent**

Streamline microscopic observation of cytoplasm and chromatin with a highly transparent and cost-effective staining solution



**Pathology Instruments**

Streamline the work of applying reagents to samples and reduce reagent costs



**Labeling solutions**

Automate printing of samples and slides to streamline workflow



**Digital Pathology**

Contributing to the future of digital pathology solutions through partnership with 3DHISTECH.



\* In-house research



## Contributing to the evolution of new treatments



**Nobuaki Nakamura**

Corporate Officer, PHC Holdings Corporation  
President and Representative Director, Director of Biomedical Division, PHC Corporation

### Message

The Biomedical Division of PHC Corporation entered the life science field in 1966 with the sale of medical refrigerators designed and developed for the purpose of storing pharmaceuticals.

By providing high-quality and highly reliable products and services, we are working to realize the division's mission of "creating new value in life sciences and medicine and contributing to the creation of a healthy and prosperous society."

In the future, in the growing cell culture field, PHC Group will strengthen its in-house development by leveraging the target compound detection technology cultivated in blood glucose monitoring (BGM) systems. We will expand the areas in which we contribute to the therapeutic manufacturing process of cell and gene therapy (CGT) and contribute to the evolution of new treatment options.

### Overview

The Biomedical Division primarily provides products and services to medical institutions, universities, and pharmaceutical companies, from solutions for sample storage to cell culture, maintaining a sterile research environment, and research and development of cell and gene therapy. We provide innovative equipment and services needed for scientific research around the world.

The predecessor of this business was Sanyo Electric's Biomedical Division, which joined PHC Group in 2012 when Sanyo Electric was integrated into Panasonic. The manufacturing strengths of both companies have since fused and become even stronger together.

Our products, which are based on sophisticated designs that pursue efficiency and ease of use, feature advanced technology, high quality and reliability, and excellent performance and energy efficiency.

We will continue to be a research partner in the life science field with our cutting-edge products and services.

### Strengths

#### ● Products with industry-leading quality and energy-saving performance

Ultra-low temperature freezers have the industry's highest level of temperature accuracy, and their energy efficiency is also world-class. Our CO<sub>2</sub> incubator features a unique contamination prevention function, and its quality, energy saving, and ease of use are highly rated.

#### ● Manufacturing power that supports high-quality products

In the welding process, which requires concentration and precision craftsmanship, we strive to minimize the impact of the welder's condition on the day's performance. Our operations team has the deep knowledge necessary to support high-quality manufacturing, enhanced by an on-site training system within the factory that enables us to further build our expertise.

#### ● High market share and customer reach

Our mainstay ultra-low temperature freezers and CO<sub>2</sub> incubators have the number-one market share in Japan and the number-two market share globally. Leveraging this position and the trusted relationships we have built with customers, we will continue to develop new products and services in new areas.

### FY2022 Snapshot

Revenue: JPY **59.3** billion

### Main Customers

- Hospitals/clinics
- Pharmaceutical companies
- Research institutions/universities
- Dispensing pharmacies

### Main Products/Services

#### ● Ultra-low temperature freezer

This product uses highly efficient refrigerant and heat exchangers and insulation technology to achieve world-class energy-saving performance, and is equipped with two independent refrigeration circuits that maintain the temperature at -70°C even if one breaks down. The ULT freezer provides safe and secure storage.

#### ● CO<sub>2</sub> incubator

Industry-leading products featuring hydrogen peroxide technology that significantly shortens decontamination time, copper alloy stainless steel that prevents contamination while culturing without interrupting customer research, and UV sterilization technology.

#### ● Pharmacy solutions

Equipment that meticulously supports operations from dispensing to administration in pharmacies and hospitals, using automation technology that enables high-speed, accurate, and stable operation and human error prevention.

#### ● Food catering

The Delicart, which contributes to the proper temperature of meals at medical facilities, supports safe and efficient meal delivery with advanced functions such as power assist.

#### Ultra-Low Temperature Freezer

Long-term stable storage of specimens with highly accurate temperature control.



Japan market share:



Global market share:



#### CO<sub>2</sub> Incubator

Provides an optimal culture environment to improve cell culture productivity.



Japan market share:



Global market share:



#### Medicinal Cold Storage

Equipped with natural refrigerant and inverter-controlled compressor, providing significant energy savings.



Japan market share:



Global market share:



#### Wireless Monitoring System

Stores internal temperature data on the cloud and centrally manages operating status in real time.



#### Automatic Tablet Packaging Machine

Automates the counting, dispensing, and packaging of prescription drugs. Contributes to improving pharmacist work efficiency and reducing dispensing errors.



#### Delicart

Heat and cold insulation function and power assist driving function. Reduces the burden of serving hospital food.



\*1, 2 In-house research



## Pathology Division



The number of cancer diagnoses is increasing worldwide, and as a result, cancer-related drug development activities are expanding, especially among pharmaceutical companies. In this environment, the market for pathology testing equipment and consumables is expected to grow at a mid-single-digit rate.

We are also focusing on the areas of digital pathology and immunohistochemical staining. Digital pathology supports cancer diagnostics using digital images rather than a microscope. Additionally, when it is necessary to confirm what kind of proteins are distributed in cells and tissues, a technique called immunohistochemical staining is used. These technologies are attracting attention for their potential to greatly improve the efficiency of cancer diagnostics and pharmaceutical research and development, and are expected to grow by double digits annually.

Pathology is an area where high quality and stability are especially critical, and we will continue to develop new high-quality products and increase our market share.

Additionally, in the growing field of digital pathology, we offer digital pathology products made by our partner 3DHISTECH. As a partner in immunohistochemical staining with 3DHISTECH, we jointly operate a research and development laboratory, the Pathology Innovation Incubator, and we will also invest heavily in the growth of digital pathology and immunohistochemical staining.

The flagship PANNORAMIC 1000, developed through the experience and knowledge of doctors, can load up to 1,000 slides at once and automatically scan them in about half a day.

This enables, for example, slides to be scanned overnight and shared with multiple pathologists, allowing large amounts of data to be viewed quickly regardless of the location of the pathologists. This contributes to making the diagnostics process more efficient.



## Biomedical Division



In the life sciences field, though economic activity has been affected by inflation among private companies, government investment continues to be strong, especially in new treatment options and cutting-edge technologies such as cell and gene therapy (CGT), mRNA medicine, and nucleic acid medicine.

In particular, research and development in the field of CGT involves processes such as cell culture, analysis, and preservation, and with considerable room for market growth in all of these, the overall market is expected to grow by double digits annually.

On the other hand, even in a global inflationary environment, price competition is progressing in some commodity equipment due to the rise of Chinese manufacturers.

For high-value-added products such as ULT freezers and CO<sub>2</sub> incubators, we will advance the development of new products to differentiate us from our competitors. As for general-purpose products, we will promote cost reductions by improving manufacturing operations, including leveraging our plant in Indonesia.

We will also focus on the field of cell and gene therapy, which is expected to see significant market growth. In cell culture, cell metabolites are important indicators in determining the health of cells. Previously, it was difficult to constantly monitor the state of the cells due to manual, intermittent measurement of metabolites. Our cell metabolism analyzer, which uses technology for quantifying specific compounds that we have cultivated through our blood glucose monitoring systems, can continuously measure cell metabolites and visualize the state of cells in real time. This technology allows us to gain new knowledge never obtainable by conventional methods, and through this knowledge, we can contribute to the reliable and stable production of therapeutic cells.





Based on our mission, PHC Group conducts business activities with an eye on realizing materiality. By addressing materiality throughout the value chain in the Foundation Areas of our three business domains, Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences, we will create synergies among businesses and expand each business. By doing so, we will expand our

range of products, services, and customer base, and further accelerate our efforts toward our goal of advancing Value-Based Healthcare.

\*Excerpt only of materiality topic related to supply chain

Our Value Chain Initiatives

### Research and Development



- Develop products that are friendly to the global environment and resources, such as products with the world's highest level of energy-saving performance and high durability.
- Proactive investment in areas that require different capabilities from conventional ones, such as digital health initiatives.
- Innovation initiatives that do not rely on proprietary technologies, such as the establishment of our joint R&D center with 3DHISTECH and joint research with universities.



### Procurement



- Build a robust supply chain through meetings and other communication with suppliers.
- Promote sustainability initiatives throughout the supply chain.



### Manufacturing



- Promote development and improvement of production technologies that significantly reduce carbon dioxide emissions and waste, as well as water and packaging material consumption.
- Reduce waste, improve efficiency, and lower costs by optimizing manufacturing footprint and operations.



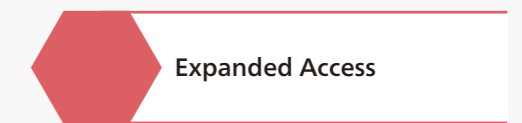
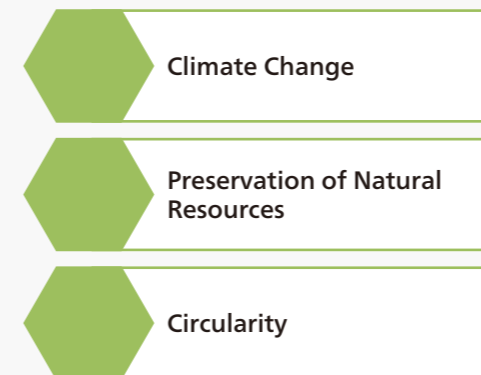
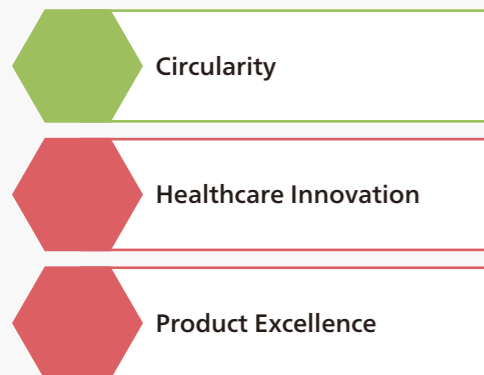
### Sales

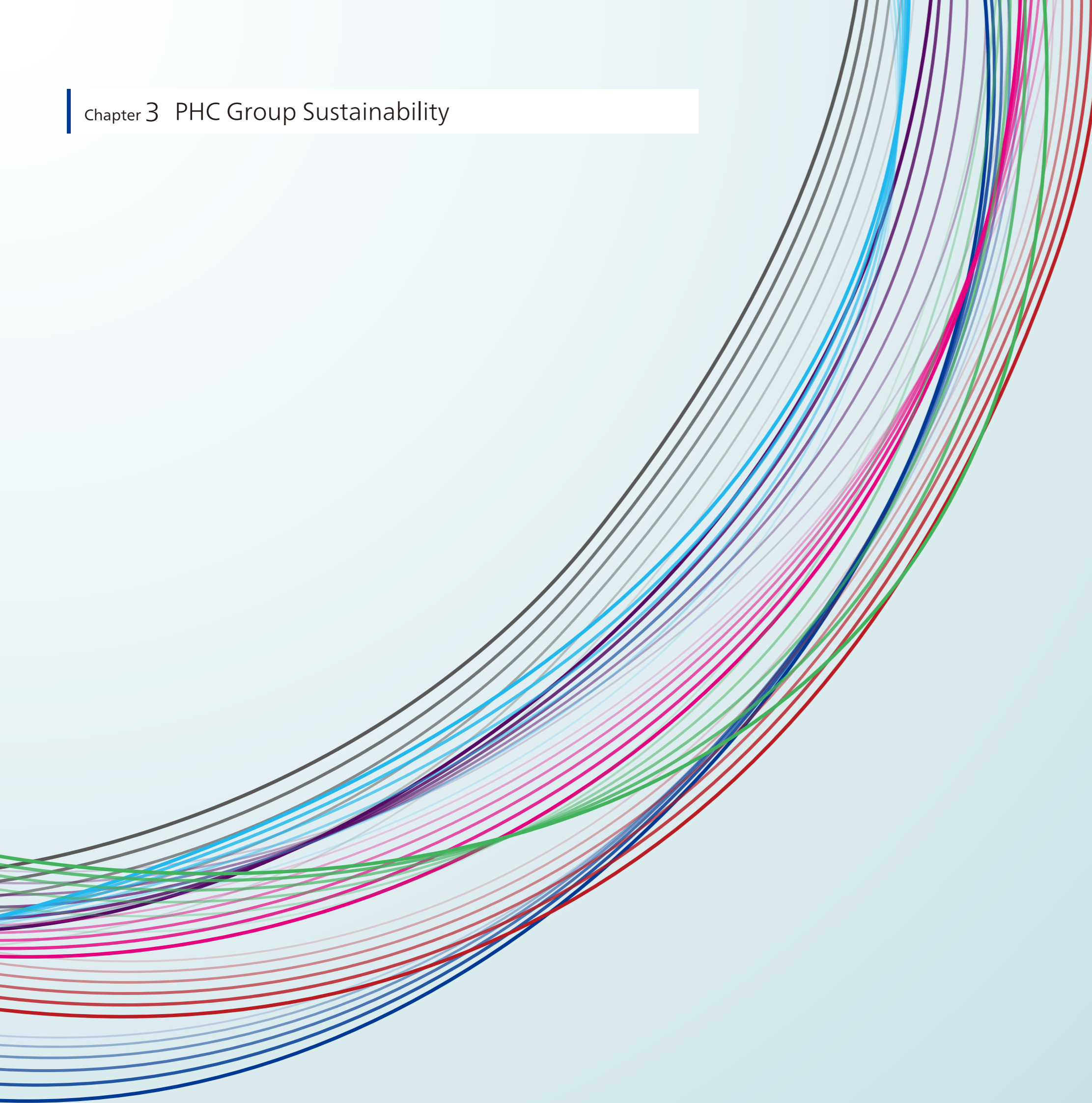


- Further sales expansion in emerging markets and developing countries and regions where healthcare is needed.
- Respond to recalls in good faith, including appropriate recalls and disclosure of necessary information.



Develop business activities with a focus on realizing materiality\*





Basic Philosophy and Materiality Topics on Environmental Sustainability

Materiality Topic	KPI	Targets
Climate Change	Scope 1 & 2 CO <sub>2</sub> emission reduction	Carbon neutral by 2040
	Scope 3 CO <sub>2</sub> emission reduction	TBD (set after identifying current scope 3 emission)
Preservation of Natural Resources	Percentage of reduction of water withdrawal at production sites / labs on a per revenue basis	15% reduction (vs. 2022) by 2030
	Percentage of reduction of packaging material on a per revenue basis	10% reduction (vs. 2022) by 2030
	Percentage of reduction of waste generated at production sites / labs on a per revenue basis	20% reduction (vs. 2022) by 2030
Circularity	Percentage of total waste recycled at production sites / labs (The recycling percentage does not include thermal recycling.)	90% by 2030
	Percentage of recycled content in plastic packaging materials	10% by 2030

Environmental Initiatives

PHC Group recognizes environmental sustainability as one of the most important challenges that businesses face today. In accordance with our environmental policy, we implement initiatives to support our business activities while helping contribute to environmental sustainability.

Employee Education to Improve Environmental Awareness

To encourage each employee to take action in support of environmental sustainability, we work to enhance environmental knowledge and awareness. Every year in June, which is Environment Month in Japan, we conduct outreach to employees to raise awareness about our environmental priorities. We aim to deepen employee understanding especially of the environmental priorities outlined in our global ESG strategy.

Environmental Policy

PHC Group contributes to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people.

Compliance, integrity, and high ethical standards are fundamental principles in our business. As part of this philosophy, we believe that environmental consciousness is essential not only for the present but also for future generations and that it is necessary to minimize the impact of our business activities on the environment.

In order to support our business activities and contribute to the realization of a sustainable society, PHC Group implements environmental initiatives and complies with the laws and regulations in the countries and regions where the group is expanding our business.

We recognize the importance of positioning environmental factors as a core part of our business activities.

Targets and Goals

PHC Group focuses our efforts on three global environmental issues: climate change, preservation of natural resources, and circularity.

PHC Group strives to maintain a sustainable environment at our manufacturing bases around the world. In Japan and the outsides, we have obtained ISO 14001 certification and are engaged in activities to conserve the environment; for example, efficient energy use and environmentally friendly product development. In particular, our ESG strategy is focused on climate change, preservation of natural resources, and circularity as important global environmental issues that must be addressed.

Climate Change

Background of Materiality Assessment, Past Initiatives, and KPIs

The impact of climate change on the health of society is a major issue for communities and businesses globally. Therefore the healthcare industry must take responsibility for addressing climate change, especially efforts to reduce greenhouse gas emissions. To contribute to this global priority, each company in PHC Group is working to reduce greenhouse gases (Scope 1 and 2), mainly CO<sub>2</sub>.

At each of our plant locations, we are switching to LED lighting to reduce electricity use and therefore CO<sub>2</sub> emissions. The Biomedical Division of PHC Corporation has adopted LED lighting in the Gunma site. Starting in fiscal 2019, the IVD Division of PHC Corporation converted factory lighting to LED lights and was able to reduce power consumption by 334 MWh by fiscal 2022. To date, the division's manufacturing site at Narita has converted approximately 96% of its lighting to LED.

We have also reduced power consumption by updating facilities and equipment to energy-efficient specifications. For example, the IVD Division of PHC Corporation has progressively updated its air conditioning equipment since fiscal 2018 and reduced electricity consumption by 80 MWh by fiscal 2022. The Narita Site of IVD Division, PHC Corporation reduced annual power consumption by 137 MWh by updating its air conditioning facilities to individual air conditioning units, enabling each room to control temperature, turn units off, and operate heating/cooling functions. PHC Indonesia's plant is saving energy by updating its compressor to an inverter type, thereby reducing power consumption by 225 MWh in fiscal 2021 compared to the

previous year, and by a further 169 MWh in fiscal 2022. EpreDia has also reduced CO<sub>2</sub> emissions by replacing old equipment with new equipment which is more energy efficient.

We have also taken measures to reduce energy consumption by eliminating unnecessary use of lighting and equipment. For example, EpreDia has installed timers on select equipment and lighting so unused equipment can be turned off when the facility is not in operation. LSI Medience has also introduced timer control for air supply and exhaust fans at Shimura Central Laboratory and the IVD Division of PHC Corporation shortened the operating time of blower pumps for wastewater treatment equipment at its Narita Manufacturing Site.

Furthermore, the Biomedical Division of PHC Corporation has expanded its product lineup by developing an ultra-low temperature freezer that contributes to reducing the burden on the global environment by using CFC-free refrigerants and by reducing power consumption. By leveraging natural refrigerants with higher energy efficiency and employing a new type of high-output compressor, the ULT freezer is designed to help laboratories minimize their power consumption and achieve their sustainability goals.

PHC Group will promote initiatives to further reduce greenhouse gas emissions and aims to achieve carbon neutrality by 2040.



Inverter-compatible compressors



CFC-free ultra-low temperature freezer certified under the International ENERGY STAR program (a model for North America)



**Preservation of Natural Resources**

**Background of Materiality Assessment, Past Initiatives, and KPIs**

A global culture of mass production, mass consumption, and mass waste has contributed to the depletion of natural resources and disruption of ecosystems. It has become essential for companies to use resources efficiently in all stages of business, from procurement of raw materials to disposal of waste. PHC Group designs products with environmental consideration in mind, including the effective use of natural resources and non-use of environmentally hazardous substances. In manufacturing processes, we are also actively working to reduce water consumption and waste emissions through improvements in each of our processes.

PHC Group will continue to promote the reductions of environmental impact in our business activities in alignment with the materiality topics listed on page 56 as the targets.

**Reduction of Packaging Materials**

We continue to work on improving the packaging efficiency of manufactured goods at all of our manufacturing sites. For example, the Biomedical Division of PHC Corporation has reduced cardboard waste by eliminating filling materials. EpreDia works with its customers and vendors to reduce the amount of packaging required to transport products to end users and to identify points in its value chain where packaging can be reused. EpreDia also reuses pallets received from vendors and intercompany transportation and has introduced a delivery system that utilizes reusable containers for its main vendors.

**Reduction of Water Withdrawal at Production Sites, Laboratories, and Other Sites**

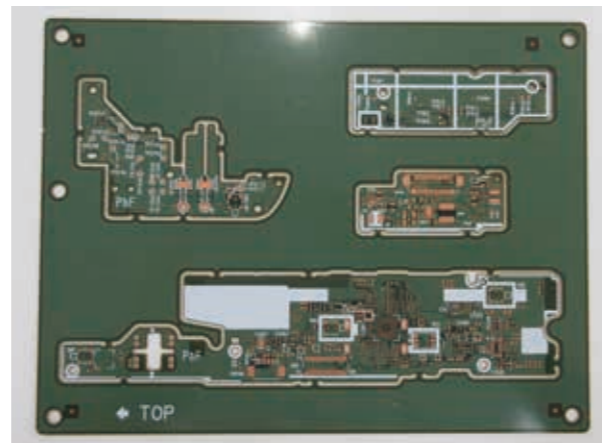
We have taken steps to recycle water and reduce the intake of water at our manufacturing sites and laboratories. For example, EpreDia has reduced its water consumption by implementing water recycling initiatives at its manufacturing facilities. PHC Indonesia saves water by performing regular maintenance on its water pumps and implementing timed shut-offs on holidays.



Water Pump Operation

**Reduction of Waste at Manufacturing Sites, Laboratories, and Other Sites**

We are actively working to reduce waste and recycle resources and are exploring zero-waste manufacturing processes, as well as the introduction of materials that do not generate harmful substances. The IVD Division of PHC Corporation actively uses halogen-free materials that do not emit dioxins and other substances and has achieved an adoption rate of over 90% for halogen-free materials.



Halogen-Free Circuit Board

**Circularity**

**Background of Materiality Assessment and Basic Approach to Circularity**

Recycling and reusing our limited natural resources to minimize waste reduces the burden on the environment and supports sustainable economic growth. PHC Group has set goals for waste recycling. We are working to achieve these goals in order to contribute to a more sustainable society.

**Percentage Recycled Content in Plastic Packaging Materials**

By simultaneously expanding our business and increasing the proportion of recycled plastic in packaging materials, we will seek to balance economic growth with the efficient use of petroleum resources used as raw materials for plastics.

Increasing the proportion of recycled plastics in packaging materials allows for less wasteful use of resources, and leads to adopting environmentally-friendly technologies and production methods.

By implementing these measures, we will strive to reduce the amount of waste generated and protect the environment by promoting the recycling and reuse of plastics.

**Percentage of Total Waste Recycled at Production Sites / Labs**

Reducing waste at production sites also reduces the risk of environmental pollution from waste containing any hazardous substances.

By simultaneously expanding our business and increasing the proportion of waste that is recycled in manufacturing activities, we aim to balance efficient resource utilization, economic growth, and preservation of the environment.

Promoting the recycling of waste at production sites, and adopting more environmentally-friendly technologies and production methods helps us reduce the amount of waste generated. This will reduce the environmental impact caused by our production sites and consumers, including our customers.

By implementing these measures, we will reduce the amount of waste generated at our production sites by promoting waste recycling, thereby helping to protect the global environment.

Initiatives to Address Sustainability

Materiality Topics	KPI	Targets
Healthcare Innovation	Number of new patent applications	—
	Number of registered patents	—
	Number of new products and services launched	—
	Revenue from the “Growth Areas” (Advanced Therapy Development, Digital Health, Personalized Testing and Diagnostics)	86.0 bn/JPY by 2025
Product Excellence	Number of warning letters issued (e.g., FDA warning letter)	0
	Number of recalls issued	—
Supply Chain	Percentage of response rate to PHC Group supplier survey	95%
Expanded Access	Consolidated sales in emerging and developing markets	—
People & Culture	Ratio of gender diversity at manager level or above	Non-male ratio: 30% or higher by 2030
	Employee Engagement Score: increase from the previous year	1 point+ improvement vs. PY
	Enhanced employee learning and skill development	—

Social Initiatives

The social materiality topics that PHC Group has defined in our ESG strategy express how we seek to achieve our mission of “contributing to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people” and help advance Value-Based Healthcare through our business.

As we create new value through healthcare innovation, we recognize the magnitude of our potential impact on people’s health as a healthcare company. First and foremost, it is of the utmost importance to fulfill our responsibility for product safety and quality. We contribute to improving the quality of healthcare by providing high-quality, cutting-edge products and contributing to the development of new treatments. We also believe that expanding our sales in emerging and developing markets will enable us to help offer health technology and therapies to more people, thereby leading to improved access to healthcare.

We also view strengthening our supply chain as an important social issue to ensure that we are providing products and services that our customers can use with confidence. As a group, we will work together to fulfill our supply responsibilities as a manufacturer and to ensure responsible procurement practices.

Employees play a leading role in business activities that deliver value to society. It is vital to create a workplace where people with diverse backgrounds and experiences, one of our strengths, can work together collaboratively. We will continue to pursue the development of a vibrant organization and culture for our employees.

Healthcare Innovation

■ Vision

As stated in our mission, creating new healthcare solutions is the source of our value to society. PHC Group possesses unique technologies that we have developed and accumulated over the years. However, our commitment to innovation means we will continue to advance digital and precision technologies in the pursuit of better health. Furthermore, if we can create new value by combining our technologies with others, we will actively collaborate with universities, research institutes, and business partners to realize these synergies.

By developing and combining healthcare technologies in this way, we will seek to create innovative new products and services.

■ Initiative Example (1)

**Ultra-low temperature freezer: VIP ECO® SMART**  
The PHCbi brand VIP ECO SMART series of ultra-low temperature freezers is capable of achieving industry-leading energy-saving performance and improved convenience.

PHCbi has developed a wide range of life science equipment, including class-leading ultra-low temperature freezers. The VIP ECO SMART series pushes the limit of energy-saving performance, reducing power consumption approximately 30% compared to current models and putting the VIP ECO SMART series (the North American models) in the top position<sup>\*1</sup> among ultra-low temperature freezers as ranked by ENERGY STAR®.

Regarding new functions that improve convenience, the VIP ECO SMART series offers enhanced security through password authentication, facial recognition, or an optional near-field communication (NFC) authentication<sup>\*2</sup>, to accommodate a variety of facility and customer needs. Furthermore, sensors are installed for more accurate monitoring of equipment status, enabling centralized management of the equipment’s condition. Also, the cloud-connectable monitoring device allows updating of the software in the main unit. These features are designed to reduce the burden on users in terms of operation monitoring and maintenance management, while also supporting safer and more secure operations<sup>\*3</sup>.

Furthermore, by developing a new platform with a shared design, we have reduced man-hours and easily expanded the platform to develop a global scale and to support various life science equipment.



\*1 Global Assessment of Life Science Equipment Market 2022 (Frost & Sullivan) \*2 Applicable only to models for Japan, North America, and Europe \*3 The products are currently available only in the U.S.

■ Initiative Example (2)

**Accelerating R&D activities by establishing the Pathology Innovation Incubator with 3DHISTECH Ltd.**

The Pathology Innovation Incubator was established in March 2023 through a joint investment between EpreDia and 3DHISTECH Ltd., our partner in the digital pathology business. By sharing knowledge and technology accumulated over many years, the two companies will seek to drive research and development forward mainly in immunohistochemical staining (IHC) with the aim of turning today’s ideas into tomorrow’s diagnostic solutions.

Cancer diagnostics requires precision and is becoming more complex. Diagnosis is normally performed by staining tissues and observing the morphology of cells and tissues. IHC is a process that allows proteins in living tissues to be stained and visualized individually with markers. By examining the types of protein expression, pathologists can determine the stage of cancer diagnosis, detect the organ from which cancer has metastasized, and assess the effectiveness of drugs. These capabilities make IHC an extremely important diagnostic method.

Previously, tissue suspected of being a tumor was diagnosed by observation under a microscope. However, in recent years, digital pathology, which is a method for scanning tissue and viewing digital images on computers, has become more popular. 3DHISTECH is a leading global provider of high-quality devices in the field of digital pathology. EpreDia is a global leader in the equipment, reagents, and microscope slides necessary to process and stain biological tissue for diagnosis. Together, the two companies have formed a partnership in digital pathology to contribute to the advancement of healthcare by improving the accuracy of cancer diagnosis. This partnership seeks to advance research into IHC solutions and promote other new innovations in precision cancer diagnostics.





### Product Excellence

**■ Vision**

PHC Group promotes effective quality management by reflecting customer needs, legal and licensing requirements, and other product needs in the creation of our products and services. We particularly focus on the following three points.

- Customer-centric manufacturing and service
- Driving effective and efficient quality management
- Quality-first approach

**■ Initiative Example**

**Promoting an effective quality management system based on a quality-first philosophy**

Each of our businesses has acquired international quality certifications, such as ISO 9001 and ISO 13485. Our business operates by incorporating the important elements of the ISO

quality management system into our systems. For instance, each business holds meetings such as quality management reviews with participation from management to reinforce quality as a top priority. We value the voices of customers and on-site employees and seek to create systems and environments that facilitate corrective and preventive action (CAPA) if needed, such as a commitment to voluntary recall at the earliest sign of a problem.

**“Customer-centric” manufacturing and service**

In each of our businesses, we collect data reflecting the voice of customers (VOC) using a range of mechanisms. We reflect the feedback we receive in the development of our products and services.



### Supply Chain

**■ Vision**

When it comes to our supply chain, PHC Group believes that our supplier companies are partners in creating products and services that deliver value to our customers. We work to ensure that our suppliers understand our group's management philosophy and to advance supply chain quality initiatives together.

**■ Initiative Examples**

**CSR procurement guidelines**

Reflecting the demands of the international community, clarified CSR items outlined supply chain priorities such as human rights and labor, health and safety, the environment, corporate ethics and compliance, information security, quality and safety, social contribution, and quality management systems. By working together with supplier companies to promote business activities that comply with these CSR priorities, we seek to ensure that our core principles related to human rights, environmental protection, and fair business dealings are reflected throughout our supply chain.

These guidelines seek to promote responsible and transparent corporate activities in PHC Group's supply chain, and are designed to inform and improve our collaboration with supplier companies.

**Supplier survey**

**(CSR Procurement Self-Assessment Questionnaire)**

Based on the results of a supplier survey, we work with our supplier companies to identify any potential social and environmental issues and monitor the progress of efforts by suppliers.

**Supplier Meeting (in Japan)**

We invite our direct suppliers in Japan to an annual meeting held to share updates about activities across PHC Group and

topics related to each business. We work to increase opportunities for improved inter-business unit communication.



Supplier Meeting (fiscal 2023 results) Number of companies attending: 138  
Number of attendees: 207

**Supplier meeting (in Indonesia)**

PHC Indonesia invites its major supplier companies to an annual meeting to share PHC Group updates and procurement activities in Indonesia. The meetings are attended by both local and Japanese suppliers. In this way, we strive to provide opportunities for information gathering and communication across borders.



Supplier Meeting (fiscal 2023 results) Number of companies attending: 52

### Expanded Access

**■ Vision**

Disparities in healthcare access are a top challenge facing the healthcare industry. In addition to disparities in the quality of medical care available from country to country, there are also differences within developed countries between urban areas and rural or less populated areas.

By expanding sales of a range of products to emerging and developing markets, PHC Group will seek to contribute to creating a society in which health technologies and therapies can reach more people. We are also working to address disparities in healthcare access by promoting telemedicine initiatives that allow people in rural or less-populated areas to connect with doctors through digital devices. This makes it possible for people to receive diagnoses and medical treatment regardless of where they live.

**■ Initiative Example**

Teladoc HEALTH is a real-time telemedicine system that can be remotely controlled by a physician. Based on the concept of providing peace of mind by easily connecting with physicians at any time in any setting, the system provides online connection for healthcare institutions that have few specialists and with specialists in remote areas. Teladoc HEALTH is used in a variety of telemedicine situations such as the following:

- Remote area healthcare
- Perinatal/neonatal care
- Emergency/intensive care
- Disaster medical care
- Infectious disease control
- Home care

Examples of uses include online diagnosis to provide D to P with N<sup>1</sup> in areas with challenges such as an aging population of residents or physicians and a lack of medical resources. Benefits include reducing the burden of travel on patients and creating a backup system in the absence of physicians.

The limited healthcare resources in rural or remote areas

<sup>1</sup> D to P with N: Abbreviation for "Doctor to Patient with Nurse." This refers to online healthcare treatment conducted by a doctor for a patient in a remote location via a local nurse.  
<sup>2</sup> A medical MaaS vehicle produced by Toyota Auto Body Co., Ltd. This vehicle helps maintain and improve the health of people who are unable to travel to medical examinations or health checkups.

can mean lack of access to a wide range of specialties, and the burden of travel on patients in order to visit a physician can be significant. To address these healthcare issues in remote areas, we are conducting a pilot program of online diagnosis using the healthcare Mobility as a Service (MaaS) vehicle MEDICAL MOVER<sup>2</sup>, which is equipped with a telemedicine system.

We expect MEDICAL MOVER to contribute to an evolution in the ways physicians can work, adding flexibility without diminishing the quality of healthcare.

As for future developments in telemedicine technology, we will expand our collaboration with healthcare institutions and also work on collaborations with other companies where we identify synergistic effects.



### People & Culture

**■ Vision**

We believe that the growth of individual employees is the driving force behind the development of our group. To encourage such growth, we aim to create a vibrant and inclusive workplace environment where people with diverse backgrounds and experiences can learn new skills and technologies, create new innovations, solve problems as part of a team, and experience personal growth on a global scale. To realize this goal, we have established three pillars of our activity policy: "respect for diversity," "creation of a foundation for collaboration," and "activation of human resources."

**■ Initiative Examples**

**Respect for diversity**

- To support the creation of synergies among businesses, we are implementing talent exchanges both in-country and internationally, as well as between different companies and business divisions.
- We will strengthen global recruitment, increase the number of employees with diverse abilities and experiences, and further enhance our working environment to ensure that a

diverse workforce can thrive.

**Creation of a foundation for collaboration**

- By introducing a global human resources management system, we will build a structure that supports collaboration of teams across countries and businesses, including the professional development of future managers and executives.

**Employee engagement**

- We conduct groupwide employee engagement surveys and regular global town hall meetings hosted by executives, and are working to strengthen job satisfaction through ongoing two-way communication with employees around the world.
- Through a mentorship system, we support the development and growth of individuals who are interested in building and shaping unique career paths at PHC Group.
- In addition to in-house training programs, we support self-directed challenges and growth and provide opportunities for skill development through subsidies for external training and certifications.

List of Directors and Officers (as of April 1, 2023)

Directors



**Shoji Miyazaki**

Representative Director, President and CEO

Date of Birth July 12, 1967  
 April 1990 Matsushita Kotobuki Electronics Co., Ltd.  
 April 2009 Head of BU diagnostics BU, Panasonic Shikoku Electronics Co., Ltd.  
 April 2014 Director, Corporate Officer and General Manager of Diagnostics Business Division, Panasonic Healthcare Co., Ltd. (currently PHC Corporation)  
 April 2015 Director, Associate Senior Corporate Officer and General Manager of Diagnostics Business Division, Panasonic Healthcare Co., Ltd.  
 June 2018 Managing Executive Officer, PHC Holdings Corporation  
 June 2018 Representative Director, President and CEO, PHC Holdings Corporation  
 June 2018 Director, PT PHC Indonesia  
 April 2019 Representative Director, Senior Executive Vice President, COO, PHC Holdings Corporation  
 April 2020 Director, PHC Holdings Corporation  
 April 2020 Director, LSI Medience Corporation  
 April 2022 Representative Director, President and CEO, PHC Holdings Corporation (incumbent)

In Charge of Group Management and Internal Audit



**Koichiro Sato**

Representative Director, Senior Executive Vice President, COO

Date of Birth May 25, 1973  
 April 1997 MITSUI & CO., LTD.  
 February 2007 Vice President of Planning, Secondment to Novus International, Inc. (USA)  
 June 2011 Assistant to Representative Corporate Officer, President, Die and Mold Business Company, MISUMI Corporation  
 May 2012 Director in charge of Die and Mold Business for India, MISUMI Corporation (India)  
 April 2014 Deputy General Manager, Die and Mold Business for China, MISUMI Corporation (China)  
 November 2015 MITSUI & CO., LTD.  
 April 2016 General Manager, Healthcare Business 1st Department, Healthcare Business Division, MITSUI & CO., LTD.  
 March 2017 Outside Director, PHC Holdings Corporation  
 April 2017 General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD.  
 April 2018 DeVita Care Pte. Ltd, Director  
 April 2021 General Manager, Asia Business Department, Healthcare Business MITSUI & CO., LTD.  
 June 2021 MBK HEALTHCARE MANAGEMENT PTE. LTD., Hong Kong Branch Chief Executive Officer  
 June 2021 Director, ALM Inc. (incumbent)  
 July 2022 Representative Director, Senior Executive Vice President, COO, PHC Holdings Corporation (incumbent)

In Charge of Business Domain, Technology, Manufacturing, Procurement, Risk Management

External Directors



**Hirofumi Hirano**

External Director

Date of Birth March 14, 1961  
 April 1983 Nikko Securities Co., Ltd. (Currently: SMBC Nikko Securities Inc.)  
 October 1998 President, Nikko Europe PLC (Currently: Citigroup Capital Partners Japan Ltd.) (concurrent assignment as) General Manager of Asset Management Department, Nikko Cordial Corporation  
 April 1999 CEO and Chairman, Nikko Principal Investments Ltd.  
 June 2003 Member of Board, Nikko Cordial Corporation  
 April 2008 AllPartners Asia LLC  
 January 2010 Representative of Japan, AllPartners Asia LLC  
 October 2010 Head of Financial Services of Asia, AllPartners Asia LLC  
 April 2013 Chief Executive Officer, KKR Japan Ltd. (incumbent)  
 August 2013 Outside Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation) (incumbent)  
 March 2015 Outside Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)  
 May 2017 CK Holdings Corporation (Currently: Marelli Holdings Co., Ltd.) (incumbent)  
 October 2017 Outside Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)  
 June 2019 Outside Director, Hitachi Kokusai Electric Inc.  
 September 2019 Chief Executive Officer, KKR Japan Ltd. (concurrent assignment as) Co-Head of Private Equity for KKR Asia Pacific (incumbent)  
 March 2021 Outside Director, KOKUSAI ELECTRIC CORPORATION (incumbent)  
 April 2022 Director, KJR Management (incumbent)  
 March 2023 Outside Director, Hitachi Transport System, Ltd. (currently Logisteed, Ltd.) (incumbent)



**Eiji Yatagawa**

External Director

Date of Birth January 20, 1978  
 April 2002 Goldman Sachs Japan  
 August 2006 KKR Japan Ltd. (incumbent)  
 August 2013 Outside Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation) (incumbent)  
 March 2015 Outside Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)  
 June 2015 Transphorm Inc. Board Director (incumbent)  
 September 2015 Outside Director, Transphorm Japan Inc. (incumbent)  
 October 2016 Outside Director, CK Holdings Co., Ltd. (Currently: Marelli Holdings Co., Ltd.)  
 June 2017 Outside Director, Transphorm Japan Alzu Co., Ltd.  
 October 2017 Outside Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)  
 June 2018 Outside Director, KOKUSAI ELECTRIC CORPORATION  
 August 2019 Outside Director, From Scratch Corporation (Currently: dataX Inc.) (incumbent)  
 September 2020 Director, GANOVATION, PTE. LTD. (incumbent)  
 March 2021 Director, Sanyo Holdings Co., Ltd. (incumbent)  
 April 2021 Director, NETSTARS Co., Ltd. (incumbent)  
 June 2021 Outside Director, PHC Holdings Corporation (incumbent)  
 March 2022 Outside Director, Yayoi Co., Ltd. (incumbent)  
 March 2022 Director, Altoa, Inc. (incumbent)  
 June 2022 Outside Director, PHC Holdings Corporation (incumbent)  
 March 2023 Outside Director, Hitachi Transport System, Ltd. (currently Logisteed, Ltd.) (incumbent)



**Sen Sakaguchi**

External Director

Date of Birth October 31, 1969  
 April 1992 MITSUI & CO., LTD.  
 June 1995 Medical Equipment Dept., Health Industry Div.  
 February 2002 Rossignol Co., Ltd. (seconded)  
 August 2003 Bussan Marketing Service Co., Ltd. (seconded)  
 April 2004 Kansai Lifestyle Dept., Lifestyle Business Unit  
 November 2006 Manager, Mitsui & Co. Italia S.p.A.  
 December 2011 General Manager, Global Service Business Dept., Service Div., Mitsui & Co., Ltd.  
 April 2016 General Manager, Strategic Planning Dept., Healthcare & Service Business Unit, Mitsui & Co., Ltd.  
 June 2019 General Manager, Pharmaceutical Business Division, Healthcare & Service Business Unit, Mitsui & Co., Ltd.  
 April 2021 General Manager, Wellness Business Division, Mitsui & Co., Ltd.  
 April 2021 Director, HOKENDOHINSHA Inc. (Currently HOKENDOHIN FRONTIER Inc.) (incumbent)  
 April 2022 Director, HUMAN ASSOCIATES HOLDINGS, Inc. (Currently: MBK Wellness Holdings & Co., Ltd.) (incumbent)  
 April 2022 Director, Raxi Co., Ltd. (incumbent)  
 June 2022 Outside Director, PHC Holdings Corporation (incumbent)  
 October 2022 THINKIE Inc. Director (incumbent)  
 April 2023 General Manager, Wellness Solution Business Division, MITSUI & CO., LTD. (incumbent)



**Kyoko Deguchi**

External Director Independent

Date of Birth December 12, 1965  
 April 1989 Bain & Company Japan Inc.  
 February 1998 Planning Senior Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)  
 February 1999 Senior Finance Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)  
 March 2001 Director and CFO, GE Plastics Japan Ltd.  
 April 2004 Janssen Pharmaceuticals Inc. (Currently: Ontho Neurologics Inc.) (USA) Product Director  
 September 2005 General Manager, Gastroenterology, Pain and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia)  
 January 2007 Deputy General Manager, Marketing Headquarters, Janssen Pharmaceutical K.K.  
 August 2009 Director and Vice President, Global Marketing, Stryker Japan K.K.  
 January 2012 President, Stryker Japan K.K.  
 March 2013 General Manager, Senior Corporate Officer and President's Office (concurrent assignment as) Head of Accounting and Finance Headquarters, BELLSYSTEM24, Inc.  
 March 2014 President, AbbVie GK  
 July 2014 Outside Director, Nippon Ski Resort Development Co., Ltd.  
 February 2015 Chief Operating Officer, Shikoku Medical Corporation  
 April 2015 Professor, Kenichi Ohmae Graduate School, BBT University (incumbent)  
 March 2016 Outside Director, Cookpad Inc.  
 June 2016 Outside Director, T-Gaia Corporation (incumbent)  
 August 2017 Vice President, Shikoku Medical Corporation  
 June 2019 Outside Director, NIKK Technologies, Inc. (incumbent)  
 January 2020 Outside Director, Heartseed Inc. (incumbent)  
 June 2021 Outside Director, PHC Holdings Corporation (incumbent)  
 September 2022 Vice Director, Doya Rehabilitation and Orthopedic Clinic (incumbent)



**Ivan Tornos**

External Director Independent

Date of Birth July 29, 1975  
 June 1995 CEO, Operating Partner, Audibest Bausch and Lomb Group Iberia (Currently: Bausch Health Companies Inc.)  
 July 1997 Johnson & Johnson  
 May 2008 Vice President, General Manager, Corvis, Johnson & Johnson  
 August 2008 Head Strategy & Business Development, Renal/Life Sciences / Medication Delivery Businesses AMERICAS, Baxter International Inc.  
 August 2011 Head of Emerging Markets /South Group, Becton Dickinson and Company  
 January 2017 Group President of Urology/Ischemic Tech/ Critical Care/Medical Group, Becton Dickinson and Company  
 November 2018 Group President, Zimmer Biomet Group  
 February 2021 Chief Operating Officer, Zimmer Biomet Group (incumbent)  
 September 2021 Outside Director, PHC Holdings Corporation (incumbent)



**David Sneider**

External Director Independent

Date of Birth July 25, 1957  
 July 1984 Associate, Paul, Weiss, Rifkind, Wharton & Garrison  
 December 1987 Director and Counsel, Legal Department, Salomon Brothers Inc.  
 December 1992 Associate, Simpson Thacher & Bartlett LLP  
 December 1994 Partner, Simpson Thacher & Bartlett LLP  
 June 2022 Outside Director, PHC Holdings Corporation (incumbent)

Audit and Supervisory Board Members



**Koichi Ikeuchi**

Audit and Supervisory Board Member

Date of Birth December 3, 1963  
 April 1986 Matsushita Kotobuki Electronics Co., Ltd. (currently PHC Corporation)  
 January 2010 Director, ODD Technology Center, Optical Device Company, Panasonic System Networks Co., Ltd. (currently Panasonic System Solutions Japan Co., Ltd.)  
 January 2012 Director, Panasonic Precision Devices Co., Ltd. (liquidated), Planning / New Business Oversight  
 April 2013 Director, Incubation Center, Panasonic Healthcare Co., Ltd. (Currently: PHC Corporation)  
 June 2016 Audit & Supervisory Board Member, Panasonic Healthcare Holdings Co., Ltd. (Currently: PHC Holdings Corporation) Audit & Supervisory Board Member (incumbent), Panasonic Healthcare Co., Ltd. (Currently: PHC Corporation)

External Audit and Supervisory Board Members



**Shannon Hansen**

External Audit and Supervisory Board Member Independent

Date of Birth May 27, 1965  
 July 1987 E. I. DU PONT DE NEMOURS & CO  
 January 1994 Kirkland & Ellis  
 January 1997 Foreign Legal Specialist, Mori Sogo Law Firm (Currently: Mori Hamada & Matsumoto)  
 June 1998 Kirkland & Ellis, Associate  
 October 2000 Kirkland & Ellis, Partner  
 August 2006 Associate Solicitor, United States Patent & Trademark Office  
 May 2009 Division Counsel, Patents, Diabetes Division, Abbott Laboratories  
 January 2013 Division Counsel, Commercial and Patents, Diabetes Division, Abbott Laboratories  
 June 2015 Division Vice President and Associate General Counsel, Medical Devices, Abbott Laboratories  
 June 2017 Division Vice President and Associate General Counsel, Patents, Abbott Laboratories  
 April 2020 General Counsel & Corporate Secretary & Chief Privacy Officer, Alto Pharmacy (incumbent)  
 August 2021 External Audit and Supervisory Board Member, (Currently: PHC Holdings Corporation) (incumbent)

External Audit and Supervisory Board Members



**Tetsuo Kitagawa**

External Audit and Supervisory Board Member Independent

Date of Birth August 17, 1961  
 September 1985 Aoyama Audit Corporation  
 March 1989 Received CPA license  
 July 2002 Representative Employee, Chuo-Aoyama Audit Corporation  
 September 2006 Representative Employee, Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC), Group Leader of Risk Management and Compliance Division, Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC)  
 July 2013 Vice Chairperson of the Ethics Committee of the Japanese Institute of CPA  
 June 2016 Resigned from Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC)  
 July 2016 Representative, Tetsuo Kitagawa Certified Accountant Office (incumbent)  
 June 2017 External Auditor, T-Gaia Corporation (incumbent)  
 December 2017 Member of the Committee for CPA Examination at the Financial Services Agency  
 June 2019 External and Independent Director, Daio Paper Corporation  
 June 2022 External Audit and Supervisory Board Member, PHC Holdings Corporation (incumbent)

Corporate Officers

Shoji Miyazaki

Koichiro Sato

Ryuichi Hirashima

Frederick Reidenbach

Kaiju Yamaguchi

Robert Schumm

Nobuaki Nakamura

Takayuki Otsuka

Haruo Watanabe

Steven Lynum

Skill Matrix

Name	Position	Independence	Expertise and Experience							
			Medical device industry	Life science industry	Pharmaceutical industry	Finance/accounting	M&A	Production/supply chain management	R&D	Legal & risk management
Shoji Miyazaki	Director		○						○	○
Koichiro Sato	Director			○				○	○	
Hirofumi Hirano	Director					○		○		
Eiji Yatagawa	Director					○		○		○
Sen Sakaguchi	Director		○	○				○	○	
Kyoko Deguchi	Director	○	○		○	○				
Ivan Tornos	Director	○				○		○	○	
David Sneider	Director	○					○	○		○
Koichi Ikeuchi	Audit and Supervisory Board Member		○						○	○
Shannon Hansen	Audit and Supervisory Board Member	○	○		○					○
Tetsuo Kitagawa	Audit and Supervisory Board Member	○					○		○	



Corporate Governance

Materiality Topics	KPI	Targets
Corporate Governance	Percentage of nationality diversity of the Board of Directors	—
	Board effectiveness assessment	1/year
	Number of meetings with institutional investors and securities analysts	—
Risk Management	Number of Enterprise Risk Management Committee Meetings	2+/year
	Percentage of employees taking compliance training (e.g., code of conduct, insider trading)	100%
Cybersecurity	Percentage of employees who participate in information security and data protection training	100%
	Biannual vendor security reviews - percentage of critical vendors reviewed	100%
	Number of PHC Group Cybersecurity Committee Meetings	4+/year

Basic Philosophy for Corporate Governance

Our basic philosophy for corporate governance is based on our mission: "We contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people." To put this philosophy into practice, we have built a governance system that enables management to efficiently confirm compliance with applicable laws and regulations and the Articles of Incorporation. Furthermore, we prioritize corporate governance from the perspective of ensuring management soundness, efficiency, transparency, and sustainably increasing corporate value.

Strengthening Corporate Governance

Strong corporate governance is essential to ensure transparency, fairness, and timeliness in management, and to achieve sustainable corporate growth and improvement in corporate value. One concept related to these goals is the establishment of a system for management execution and supervision. In order to increase the timeliness of corporate

management decisions and activities, we have introduced an executive officer system with an Audit and Supervisory Board. This structure promotes accountability and creates two layers of auditing for legal compliance through supervision by the Board of Directors and the Audit and Supervisory Board.

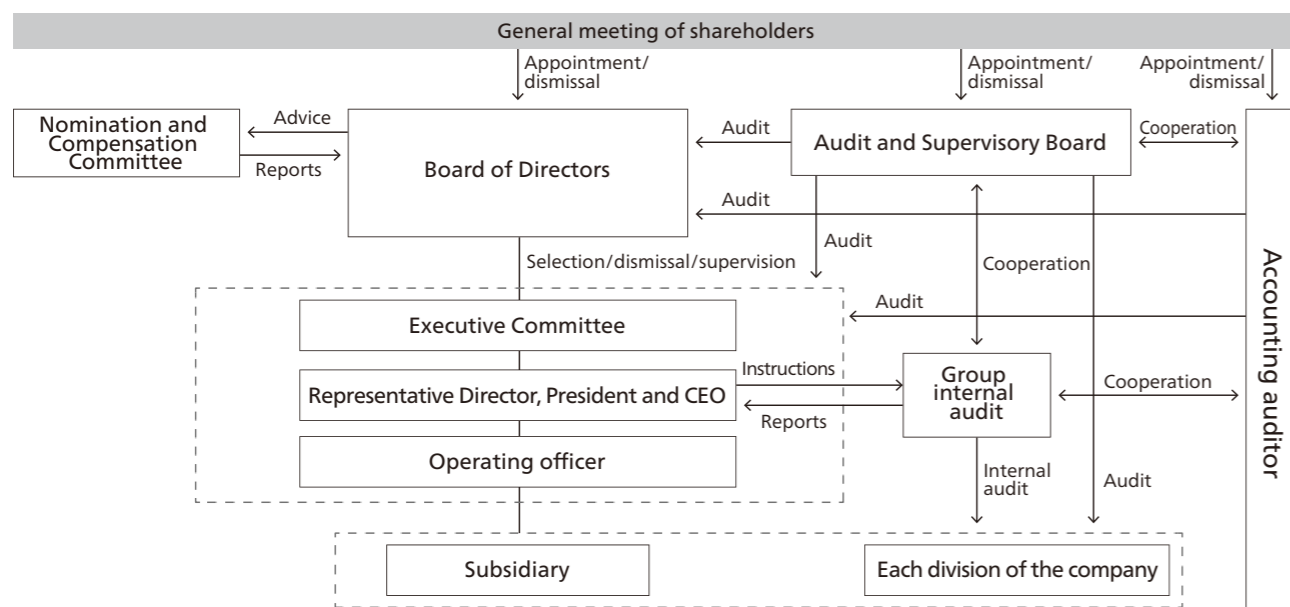
We have strengthened our governance functions by separating the business supervisory and business execution functions in corporate management and by clearly defining the responsibilities of directors.

Regarding the supervisory system, PHC Group strives for effective supervisory functions and highly transparent management by appointing multiple independent external directors to the Board of Directors.

The majority of members on our Audit and Supervisory Board are external auditors, and we have established a highly independent auditing system for the execution of duties by directors. In this way, we have established a system to monitor and advise the overall effectiveness of the Board of Directors from an objective and neutral standpoint.

Also, in order to support the Board of Directors, PHC Group has established a voluntary Nomination and Compensation Committee, whose main members are independent external directors.

PHC Group Governance Structure Chart



Board of Directors

The Board of Directors is composed of eight directors, including six external directors. In addition to regular monthly meetings, the Board also holds extraordinary meetings as necessary. The Board makes decisions on important business matters related to overall management, and supervises the execution of duties by directors. The Board shares the company's management philosophy, vision, and values. Based on these principles, the Board discusses and decides on mid-term management plans, single-year plans, and other important measures.

The Board of Directors also receives regular reports from management on the status of business activities and makes decisions on important business matters based on these reports.

Nomination and Compensation Committee

To support the Board of Directors, PHC Group has established a voluntary Nomination and Compensation Committee, whose main members are independent external directors. The Nomination and Compensation Committee deliberates and makes recommendations on matters related to the appointment and dismissal of directors, succession plans for representative directors and executive officers, and matters related to compensation of directors and executive officers to be submitted to the general meeting of shareholders.

Regarding the position of Representative Director and President (CEO), the Nomination and Compensation Committee is responsible for selecting a person who demonstrates leadership in realizing our corporate mission and management philosophy and achieving sustainable growth of the company.

Activities of the Nomination and Compensation Committee

In fiscal 2022, the Committee held a total of eight meetings, and the attendance rate of Committee members at each meeting was 100%. The main topics of deliberations and reports were as follows:

- Succession plan following retirement of business managers
- Appointment of new executive officers, new compensation, and setting of performance targets
- Report on the status of review for skill matrix revisions, succession plans, and new remuneration systems
- Report on status of review for in-house training programs

Executive Committee

PHC Group has established an Executive Committee for the purpose of streamlining management-related decision-making and clarifying decision-making procedures. Meetings of the committee are held monthly. The Executive Committee is an executive meeting body that decides on important matters related to the management of the group (including all capital subordinate companies) and manages the objectives and progress of plans for the entire group.

The current composition of the Executive Committee is as follows: Members: Shoji Miyazaki (Chairman), Koichiro Sato, Ryuichi Hirashima, Frederick Reidenbach, Kaiju Yamaguchi, and Koichi Ikeuchi (Observer).

Appointment of Officers

The Articles of Incorporation stipulate that resolutions for the appointment of officers shall be made by a majority of votes at a general meeting of shareholders attended by at least one-third of the shareholders who are eligible to exercise their voting rights. Moreover, the Articles of Incorporation stipulate that cumulative voting shall not be used for resolutions to elect officers.

When selecting external officers, our basic policy is to consider the skills and experience of full-time officers and executive officers, and then select individuals who have the skills and experience to supplement the company's needs as external officers.

Criteria and Qualities for Evaluating the Independence of Independent External Directors

When appointing external directors and external auditors, the company determines its independence based on the independence standards set by the Tokyo Stock Exchange and the "Standards for Independence of Outside Directors" stated by the company based on specific figures or amounts. The company appoints individuals who are capable of making appropriate contributions to its management from an objective perspective based on their extensive knowledge and experience. When appointing external directors and external auditors, the Nomination and Compensation Committee shall deliberate on compatibility with independence standards and policies, and the results shall be escalated to the Board of Directors, which will deliberate upon those results and make a decision.

### Officer Training Policy

The company provides various training opportunities not only for directors and members of the Audit and Supervisory Board, but also for all employees to acquire and appropriately update the knowledge necessary for their responsibilities and work. Training for officers is also based on the same policy.

In addition to providing opportunities for directors and members of the Audit and Supervisory Board to acquire and update necessary knowledge, the company will bear the costs of seminars, networking events, etc., in which each officer voluntarily participates according to his or her needs.

When new external directors are appointed, in addition to the legal roles and responsibilities of directors and members of the Audit and Supervisory Board, the company also provides information necessary for those officers to effectively supervise the company's management from the perspective of transparency and fairness (for example, industry information, company history, business overview, financial information, strategy, organization, etc.).

### Support System for External Directors (External Auditors)

For external directors and external auditors, the Legal & Compliance Department provides support such as advance explanations of proposals for meetings of the Board of Directors and information to enable sufficient discussion at those meetings. For external auditors, information and other support is provided by members of the Audit and Supervisory Board and by the Auditing Office, which is comprised of full-time staff and functions as the secretariat for the Audit and Supervisory Board.

### Evaluation of the Effectiveness of the Board of Directors

From February to March 2023, the company conducted a questionnaire survey and individual interviews regarding the effectiveness of the Board of Directors as a whole among all directors (eight people) and members of the Audit and Supervisory Board (three people). The survey covered the following topics:

- (1) Composition of the Board of Directors
- (2) Matters related to the operation of the Board of Directors
- (3) Effectiveness of the Board of Directors as a whole
- (4) System related to support and cooperation with external directors

In order to ensure objectivity, we received support from a third-party organization in setting the survey content, conducting individual interviews, and analyzing and assessing evaluation results. Based on the results of the analysis by the third-party organization, the Board of Directors assessed the current situation and issues.

#### 1. Summary of evaluation results

We believe that the Board of Directors as a whole is functioning appropriately and effectively. However, to further improve effectiveness, we recognize the following points as the main priorities going forward.

- Expediting the timing of bringing important proposals (particularly, investment projects, etc.) to the Board of Directors and the distribution of documents for the meeting
- Conducting periodic follow-up after implementation of investment projects

#### 2. Future measures

In addition to taking steps to advance the priorities identified above, we will continue to conduct effectiveness evaluations every year and continue efforts to improve the effectiveness of the Board of Directors as a whole.

### Regarding Executive Compensation

#### 1. Basic policy

- Compensation is appropriate, and is linked to the growth and improvement of performance by our group.
- Compensation takes into account the link between company performance and individual performance.
- Industry benchmarking is conducted and measures are taken to ensure that decision making is transparent and can be explained to stakeholders; for example, deliberation is conducted by the Nomination and Compensation Committee, for which more than half of the members are independent external directors.

#### 2. Compensation structure

- Director compensation consists of monthly compensation, short-term performance-linked compensation, and retirement benefits.
- Compensation for external directors consists of monthly remuneration only, while the compensation of independent external directors consists of monthly remuneration and stock compensation.
- The compensation of external auditors consists only of monthly remuneration.

#### 3. Basic compensation

This is a regular monthly compensation that is determined depending on roles and responsibilities, as based on the results of a survey by an external organization.

#### 4. Short-term performance-linked compensation

- We provide short-term performance-based compensation as an incentive for achieving business performance goals.
- The evaluation indicators for short-term performance-linked compensation are "core sales" as an indicator for evaluating business growth potential, and "operating income" and "net income" as indicators for evaluating profitability.

#### 5. Medium- to long-term performance-linked compensation (stock compensation)

In order to provide incentives for sustainable improvement of corporate value and to promote further sharing of value between directors and shareholders, we allocate stock options as stock compensation within the compensation limit resolved at the general meeting of shareholders.

#### 6. Compensation governance

- The compensation structure, compensation composition ratio, base compensation level, and performance indicators

and evaluation methods for performance-linked compensation are determined based on deliberations and reports from the voluntary Nomination and Compensation Committee.

- The amount of compensation for each director is determined by a resolution of the Board of Directors, based on the deliberations and reports of the voluntary Nomination and Compensation Committee, of which more than half are independent external directors.

\*Please refer to the Convocation Notice for the 10th Ordinary General Meeting of Shareholders for the total amount of compensation, etc., for officers and consolidated remuneration, etc., for each officer (100 million yen or more) in fiscal 2022.

<https://ssl4.eir-parts.net/doc/6523/announcement1/89942/00.pdf>

Officer classification	Total amount of compensation, etc. (million yen)	Total amount of compensation by type (million yen)						Number of eligible officers (persons)
		Fixed compensation	Stock options <sup>*1</sup>	Performance-linked compensation <sup>*2</sup>	Retirement benefits	Others	Of the columns listed on the left, non-monetary compensation, etc.	
Directors (excluding external directors)	1,898	116	15	268	902 <sup>*3</sup>	595	15 <sup>*4</sup>	3
Audit & Supervisory Board Members (excluding external auditors)	23	21	—	—	1	—	—	1
External officers	87	79	7	—	—	—	7 <sup>*5</sup>	7 <sup>*6</sup>

\*1 The stated amount of stock options is the calculated price as of the end of March 2023.

\*2 The targets and results of indicators related to performance-linked compensation for the current consolidated fiscal year are as follows. Each index was reviewed by the Nomination and Compensation Committee and approved by the Board of Directors, taking into consideration the balance and comprehensiveness of the company's business growth potential, profitability, and efficiency.

\*3 Retirement benefits for directors (excluding external officers) include a retirement allowance of 739 million yen for Mr. John Marotta, who retired as director on April 28, 2022, as per the resolution of the ordinary general meeting of shareholders held on June 29, 2022.

\*4 The stated amount of stock options is the calculated price as of the end of March 2023, and is recorded as non-monetary compensation.

\*5 The limit for stock option compensation for independent external directors will be 70 million yen or less per year (the number of independent external directors at the time of the resolution is 3), as determined by a resolution at the ordinary general meeting of shareholders held on June 29, 2022. The stated amount of stock options is the calculated price as of the end of March 2023, and is recorded as non-monetary compensation.

\*6 The number of external officers includes external directors who retired during the period, but excludes the number of unpaid external directors and external auditors.

\*7 The maximum amount of compensation for directors is 1,500 million yen or less per year (the number of directors at the time of the resolution is 7), as per the resolution of the extraordinary general meeting of shareholders held on November 30, 2020.

\*8 The maximum amount of compensation for corporate auditors is set at 60 million yen or less per year (the number of corporate auditors at the time of the resolution is 3), as per the resolution of the extraordinary general meeting of shareholders held on August 13, 2021.

	Evaluation index	Weight	Goals for fiscal year ended March 31, 2023	Achievements	Level of achievement
1	Core sales	26.0%	335,264 million yen	356,434 million yen	107%
2	Adjusted EBITDA	30.0%	64,504 million yen	64,882 million yen	101%
3	ROIC	19.0%	10%	Δ3%	Δ30%
4	Individual performance goals	25.0%	Set for each person	Set for each person	Set for each person



### Internal Control System

The company will develop the following systems in accordance with our basic policy regarding the development of internal control systems.

- Systems for ensuring that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation
- A system for storing and managing information related to the execution of duties by directors
- Rules and other systems for managing the risk of loss
- Efficient execution of duties by directors
- Systems for ensuring that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation
- Systems for ensuring the appropriateness of operations within the corporate group consisting of the Company and its subsidiaries
- Matters related to employees who assist the duties of members of the Audit and Supervisory Board and the independence of those employees from directors
- Matters related to ensuring the effectiveness of instructions from members of the Audit and Supervisory Board to employees who assist those members in their duties
- Systems for directors and employees of the company as well as directors, corporate auditors and employees of subsidiaries to report to the members of the company's Audit and Supervisory Board
- Systems to prevent unfavorable treatment if a person has made a report to members of the Audit and Supervisory Board
- Policies for processing expenses or debts arising from the execution of duties by members of the Audit and Supervisory Board
- Other systems to ensure that audits by members of the Audit and Supervisory Board are conducted effectively

### Cross-Shareholdings

In principle, the company has a policy of not holding cross-shareholdings. However, if cross-shareholdings are held from the perspective of business strategy, the significance of the holdings must be confirmed by the Board of Directors at the time of acquisition. In addition, the Finance Department regularly conducts an inventory to determine the significance of cross-shareholdings, and if it is determined that holding the shares is not meaningful, the company will consider selling the stock. The results of the review are reported to the Board of Directors every year.

In regard to exercising voting rights, we do not set uniform standards, but rather respect the management policies and strategies of investee companies, and exercise voting rights after making a comprehensive judgment of whether doing so will contribute to improving the company's corporate value over the medium to long term.

### Policy Regarding Constructive Dialogue with Shareholders

In building a relationship of trust with our shareholders and other stakeholders, we believe that it is important to understand shareholder expectations and reflect them appropriately in management, and we will proactively respond to IR/SR activities.

#### Activity results

- At our company, the executive officer in charge of IR is in charge of the group's IR activities. We have established an IR & PR Department, which proactively accepts telephone interviews and small meetings with investors. We also hold financial results briefings for analysts and institutional investors, where

the president and CFO provide explanations. Dialogues (interviews) with shareholders are conducted by the President and Representative Director, the CFO, and the executive officer in charge of IR, with support from the IR & PR Department.

- As a support system for dialogues, the IR & PR Department collaborates with each business department and management department on a regular basis.
- We will hold financial results briefings for shareholders and investors, and will also hold roadshows and other events for investors outside Japan as appropriate. In addition, we will continue to hold small meetings with investors.
- Feedback on IR/SR activities is regularly reported to the Board of Directors by the executive officer in charge of IR.
- When communicating with investors, whether at financial results briefings or small meetings, we manage insider information by focusing on matters related to the company's sustainable growth and increasing corporate value over the medium to long term.

### Audit and Supervisory Board

The Audit and Supervisory Board is composed of three members, including two external auditors. In addition to regular meetings, the Audit and Supervisory Board holds extraordinary meetings as necessary to discuss the state of governance and to hold audits of daily management activities related to the status of execution of duties by directors and the status of assets. Based on our management philosophy, we fully consider the positions of various stakeholders, including not only shareholders but also employees, customers, business partners, creditors, and local communities, and ensure appropriate collaboration with those stakeholders. At the same time, we strive to fulfill our fiduciary responsibilities to our shareholders, enhance the shared interests of the company and its shareholders, and strive for sustainable growth and the creation of medium- to long-term value.

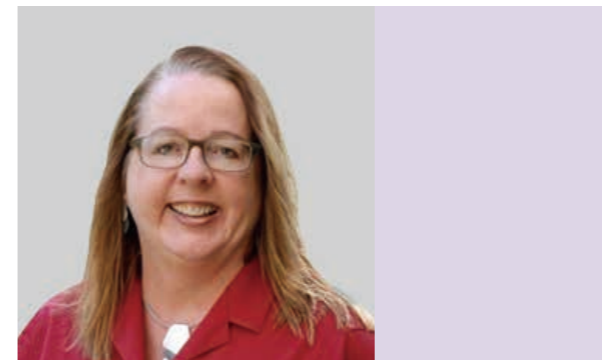
If deemed necessary by members of the Audit and Supervisory Board, they will have the opportunity to interview directors or employees of the company and the group. Members of the Audit and Supervisory Board hold regular meetings to collaborate with accounting auditors and the corporate auditors of important subsidiaries, and attend important meetings.

### Status of Internal Audits

The company has established the Group Internal Audit Department as an organization under the direct control of the Representative Director, President and CEO. A total of 15 members, including the Group Internal Audit Manager, conduct internal audits (operational audits and internal control audits) of all divisions and subsidiaries of the company in a planned manner. Audit results are reported in writing (audit report) by the Group Internal Audit Department to the Representative Director, President and CEO, and related officers.

The Group Internal Audit Department reports on the status of internal audit activities to the Representative Director, President and CEO once per quarter, and reports on the status of each audit, exchanges information, and exchanges opinions with members of the Audit and Supervisory Board once per month. External officers receive reports on internal audits through the Board of Directors and the Audit and Supervisory Board, and provide their opinions to improve the practicality of audits.

## Message from External Audit and Supervisory Board Member



### Shannon Hansen

Audit and Supervisory Board Member  
(Independent External Audit and Supervisory Board Member)

**It is critically important for PHC to continue to invest in internal and external programs to fuel growth, and to continue to invest in PHC Group's human capital.**

As we navigate an increasingly complex and competitive landscape, the imperative for PHC Group to persistently invest in both internal and external programs for fueling growth, as well as in our human capital, cannot be overstated.

Growth is the lifeblood of our organization. It is not merely about expanding our market footprint or enhancing profitability; it is about continually evolving to meet the ever-changing needs of the healthcare sector. By investing in internal programs, we continue to strengthen our core competencies, drive innovation, and maintain or strengthen our competitive edge. This includes enhancing our technological capabilities, improving our operational and structural efficiencies, and continually advancing our product offerings.

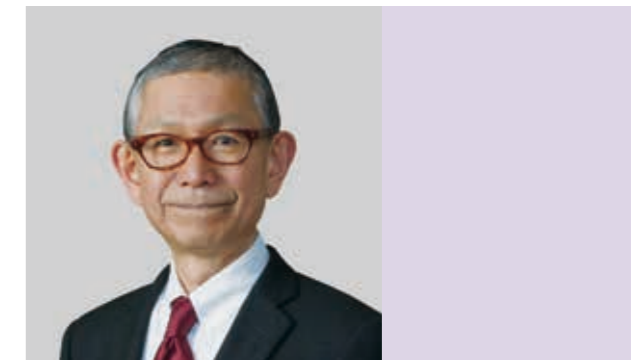
Simultaneously, external programs open doors to new opportunities for PHC Group. They allow us to forge strategic partnerships, expand into new markets, and gain valuable insights into emerging trends and consumer needs. Such investments ensure we are not just participants but leaders in the healthcare industry, shaping its future direction.

However, the cornerstone of our growth strategy is a focus on our people, who are our most valuable asset. Investing in human capital is investing in the future of PHC Group. This means not only attracting top talent but also nurturing and retaining it. Through continuous learning and development programs, we can empower our employees, fostering an environment of innovation, creativity, and excellence. By doing so, we ensure that our team is not only equipped to meet the challenges of today but is also prepared to seize the opportunities of tomorrow.

Our commitment to human capital also reflects our values as an organization. By supporting our employees' growth, we build a culture of trust and respect, enhancing our reputation as an employer of choice and positively impacting our overall organizational performance.

The dual strategy of investing in growth-driving programs and human capital is not just a business imperative; it's a commitment to our future. As we continue on this journey, we should embrace these investments with the conviction that they are pivotal to our enduring success and the betterment of the healthcare landscape.

I will use my expertise and experience in strategic insights, leadership, ESG, risk management and governance to help PHC's efforts in improving its sustainability, governance, and overall success, ensuring its long-term viability and positive impact on society.



### Tetsuo Kitagawa

Audit and Supervisory Board Member  
(Independent External Audit and Supervisory Board Member)

**Under a strong governance system, we will set high goals and embrace challenges in order to use our technology and innovation for the health of people around the world.**

PHC Group's revenue is well-balanced and diversified, with 55% of our revenue coming from markets outside of Japan and over 30% coming from each of our three business segments. This business composition is the result of a series of significant M&A activities both in Japan and globally over the past eight years.

PHC Group has a corporate culture of setting high goals and constantly embracing challenges. Under the Mid-Term Plan, or VCP, we are forecasting operating cash flow of 200 to 250 billion yen from FY2022 to FY2025. Of this cash flow, we plan to allocate 100 to 130 billion yen to business investments, including M&A. During the process of formulating the VCP, many independent external directors raised numerous points regarding changes in the business environment and future risks, and we incorporated these insights into the plan.

PHC Group carefully considers each investment. At board meetings, there are very lively discussions about investment projects. While the passion and aspirations of executives is conveyed at these meetings, there are also many incisive opinions from external directors to help ensure that plans are achievable. It is not uncommon for agenda items to be carried over to the next board meeting, whereupon the items are revisited by executives, the investment plan is reinforced, and then discussed again at the next board meeting. There is a high degree of uncertainty in today's business environment. Even after extensive discussion and careful consideration, business results may fall short of business plans due to environmental changes which were impossible to predict at the time of making investment decisions. If we determine that recovery to the original plan cannot be expected even after analyzing causes and devising improvement measures, we maintain a high degree of discipline in writing off impairment losses.

PHC Group's most important task is to steadily implement our VCP and use business investment to generate profits that exceed the cost of capital. We believe that steadily accumulating profits and creating a corporate structure that is capable of continuous profit increases will create confidence in our future growth.

I encourage all stakeholders to support PHC Group's robust management efforts, centered on our corporate philosophy and medium- to long-term management strategy.

## Compliance and Risk Management

### Compliance

#### Code of Conduct

We have the PHC Group Code of Conduct, which applies to all countries and employees. It is organized by each of our values: "Diversity & Collaboration," "Innovative Thinking," "Challenging Spirit," and "High Standards of Integrity." We focus on the key risks of our business and key principles for acting ethically and in compliance with company policies.

In addition to our Code of Conduct, we also comply with applicable local, national, regional, and international rules, regulations, and legal doctrines. If there is a conflict between our policies, standards and Code of Conduct, and applicable laws and regulations, we will follow the most stringent regulation.

Please click the following link to learn more about our Code of Conduct.

 [https://www.phchd.com/-/media/phchd/csr/activities/code-of-conduct/PHC\\_Code\\_Conduct\\_EN.pdf](https://www.phchd.com/-/media/phchd/csr/activities/code-of-conduct/PHC_Code_Conduct_EN.pdf)

#### Training and education

Continuous training and education activities are essential for promoting compliance with company policies. In fiscal 2022, the year following our listing on the Tokyo Stock Exchange, we hosted a training on the critical topic of preventing insider trading. We provided the training to executives, managers, and employees who have opportunities to come into contact with insider information, as specified in our group policy. The attendance rate for the training was 99.8% (excluding employees who were unable to attend due to leave of absence, maternity leave, childcare leave, etc.). We also implemented a system in which employees who do not fall under one of the categories above can voluntarily attend training on insider trading.

We will continue to provide training necessary to ensure compliance.

#### Internal control systems

PHC Group has introduced a group-wide compliance helpline for use by employees. Compliance issues such as potential fraud or human rights violations can be reported by phone and email. The helpline can be used anonymously. In addition to contact points at each company, third-party reporting points such as law firms are also available in various regions around the world, thereby creating an environment which facilitates consultation and reporting by employees. Each company responds to any reported cases of noncompliance, and PHC Group has an escalation policy in place to handle any serious cases.

### Risk Management

We manage various risks based on the PHC Group Risk Management Policy, which defines the basic policies, systems, and initiatives for the entire group. Every year, the entire group identifies risks that affect business continuity, such as natural disasters, geopolitical risks, cybersecurity issues, and technology inheritance. For priority risk areas, we have designated risk managers, and have created and implemented mitigation plans to avoid their occurrence and minimize their impact should they occur.

The Chief Operating Officer (COO) of PHC Holdings serves as the officer in charge of risk, conducts group-wide activities based on regulations, and reports to the Board of Directors on risk details and response policies.

We will establish a Risk Management Committee in fiscal 2023 to further systematize and promote these initiatives.

### Business Continuity Plan (BCP) Initiatives

Under business continuity management (BCM), our company has established business continuity plans (BCPs) in each business division and department to manage situations that may threaten business continuity, such as earthquakes, floods, snow damage, typhoons, pandemics, cyberattacks, or acts of terrorism. In this way, we are prepared for emergencies at all times. The basic policies of the BCM guidelines established by PHC Group are as follows:

- (1) **Prioritize the lives of employees;**
- (2) **Maintain product supply quantities or service levels acceptable to stakeholders;** and
- (3) **Restore business and operations within the deadline permitted by stakeholders.**

We have established these as our basic policies and are preparing for potential emergencies through the development of various countermeasures and education initiatives. We also conduct practical training at plants, laboratories and sales offices. This includes disaster prevention drills conducted by fire prevention and disaster prevention teams organized within workplaces and offices, training by the IT Department to operate websites in the event of a core system outage, and review of procedure manuals through desk training. Through such training, we are instilling emergency preparedness within the company and our operations.

### Cybersecurity and Data Protection

#### Company-wide policy

PHC Group has prepared standard documents such as information security management standards for group companies based on the framework of the international information security standard ISO 27001. We operate and manage these standards on a global scale by using a unified system and rules.

Please click the following link to learn more about our company's cybersecurity efforts.

 <https://www.phchd.com/global/sustainability/activities/security>

#### Training and education

As part of cybersecurity training in fiscal 2022, we conducted two e-learning training sessions for group employees in Japan: (1) Information security training (general education) and (2) Targeted email attack countermeasures training. The training attendance rate was 99.4% for (1), excluding employees transferred internationally or within Japan and those on long-term leave, and 97.0% for (2), excluding employees without email addresses.

From fiscal 2023, we will provide training on data protection to employees across the entire group, including outside Japan.

#### Vendor review

We aim to conduct cybersecurity reviews at 100% of our outsourced vendors, and conduct annual measures for management of vendors. Based on the degree of cybersecurity impact, we target high-risk outsourced vendors from the following three perspectives.

- **Data:** Vendors who receive, store, process and transmit "strictly confidential" or "confidential" information
- **System/network access:** Vendors who directly access the networks or systems of PHC Group
- **Business processes:** Vendors who support important business processes or require certain qualifications

Specifically, we investigate the status of ISO 27001 and Privacy Mark certifications for outsourced vendors. If vendors are not certified, we use a cybersecurity standard checklist and require that they have a score of 90 or higher, or that they have security standards that are equivalent to or higher than those of PHC Group. If compliance standards are not met, we consult with the outsourced vendors and take measures to avoid and reduce risks. We also conduct regular reviews and strive to maintain security standards.

#### Cybersecurity Committee

PHC Group convenes a Cybersecurity Committee to discuss the group's cybersecurity policy, KPI reviews, incident reports, and correction of security vulnerabilities. The meetings are attended by all executive officers, including the President. At the meetings, members discuss any cybersecurity concerns and responses surrounding our business, and determine and implement necessary measures.



Message from External Directors

When appointing external directors, the company's basic policy is to consider the skills and experience of full-time directors and officers, and then select individuals who possess the skills and experience to supplement the company's needs. Through the appointment of external directors, PHC Group aims to achieve sustainable growth and strengthen its corporate governance by obtaining recommendations on the management of PHC Group from objective perspectives that are based on the extensive experience and knowledge of external directors.

The company's independent external directors possess a wealth of experience and knowledge from numerous companies based in Japan and globally, and fulfill an important role in achieving sustainable growth for the group. Below are messages from our three independent external directors on topics including our company's unique characteristics and strengths our future and possibilities, and how personal skills and experience can be utilized in management.



**Kyoko Deguchi**

Director (Independent External Director)

**My role in supporting PHC Group as a truly global company**

PHC Holdings Corporation was listed on the Tokyo Stock Exchange in 2021 with three core business segments as its pillars. Each segment has a growth strategy, but the company is prioritizing continuous glucose monitoring (CGM) systems in the growing diabetes market and digital transformation services for healthcare providers. Our future challenge is to create synergies amongst business units. We need to accelerate collaboration across business units as well as to raise awareness of the "One PHC" concept, where we aim to become a true global company that harnesses diversity, inclusion and strong business results.

In addition to my experience working at global pharmaceutical and plastic engineering manufacturing companies I also leverage my experience in managing biotech and medical material manufacturers as well as operating medical institutions. Based on my healthcare background, I monitor and advise PHC Group's key businesses on compliance operating efficiencies, and business strategies. I actively engage in dialogue with employees, thereby conveying the voices of on-site employees to management, and candidly offer recommendations to the Board of Directors. As M&A activities are expected to increase in the future, we will need to pay close attention to potential compliance issues that can be detected through on-site visits. The three independent external directors have a diverse background and skill sets as depicted in the skill matrices. Each director complements each other in supporting the management team.

Currently, as chairperson of the Nomination and Compensation Committee, I am focusing on succession planning and talent development for the next generation. As a result, PHC Group will launch the first global talent development program in 2024, with the aim of building a solid skillset foundation and creating a cross divisional global career path for next-generation executives.



**Ivan Tornos**

Director (Independent External Director)

**Through ESG initiatives, I will contribute to the competitive advantage of PHC Group.**

Our company's commitment to ESG is very strong, as demonstrated by the investments made in this area and the results obtained so far. Having been around ESG metrics around the world for quite some time, it is clear to me that our management is deeply focused on making ESG a key competitive advantage for our company and the potential and benefits to society are limitless.

On the environmental side, CO<sub>2</sub> emissions are expected to be reduced steadily in both our Japan sites and international locations. Manufacturing sites both within and outside Japan have gained ISO14001 certifications and now have very concrete goals for further improvement to identify "materiality" and set specific KPIs for all ESG items.

From a social commitment standpoint, we are contributing to society through products and service launches that are advancing healthcare innovation at a very rapid pace. Furthermore, the company is committed to advancing diversity both at the board and management levels as evidenced by the most recent hirings across key leadership and board positions. We take engagement with employees seriously and we track it with the same meticulous rigor as we track all of our operating activities.

Lastly, but equally important, from a governance standpoint the company has advanced at a relentless pace in the last few years creating board committees for strong governance across critical areas for the enterprise, from talent to rigor in financial management and overall corporate responsibility. I am proud to be a member of the team!



**David Sneider**

Director (Independent External Director)

**Based on PHC Group's management philosophy, I will utilize my own experience to contribute to achieving the company's goals.**

I have been an external director at PHC Holdings Corporation for approximately 18 months. I was elected to the external director role around the same time that our new management team, led by Shoji Miyazaki and Koichiro Sato, assumed the leadership of the company. I have been impressed by the energy and enthusiasm with which management has been addressing the significant challenges facing PHC Group.

PHC Group has an honorable mission to contribute to the health of society through efforts to create healthcare solutions that have a positive impact and improve the lives of people. The company and its shareholders can take pride that during the COVID-19 crisis, LSI Medience processed PCR tests for many people in Japan who had symptoms and PHC's cutting-edge ULTs were utilized extensively to store vaccinations to protect against COVID-19.

PHC Group is seeking to enhance its value through its diverse portfolio of healthcare solution companies. In each of its businesses, PHC Group is addressing distinct challenges with respect to competition, technology and other factors. For example, in Diabetes Management, Ascensia Diabetes Care seeks to leverage its position in the established blood glucose monitoring market while working with Senseonics to grow sales of the innovative Eversense continuous glucose monitoring system. And in Japan, Wemex has recently strengthened its position in the Healthcare IT market through its acquisition of FUJIFILM Healthcare Systems' electronic medical record and medical-receipt systems business.

As an external director with long experience as a lawyer working with Japanese companies on their capital markets and M&A strategies, I am working to assist the board and management in achieving their ambitious goals for the future of PHC Group.





## Consolidated Statement of Financial Position

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	95,232	60,933
Trade receivables	63,727	69,280
Inventories	44,509	51,732
Other financial assets	2,393	2,321
Other current assets	10,498	13,314
<b>Total current assets</b>	<b>216,361</b>	<b>197,583</b>
<b>Non-current assets</b>		
Property, plant and equipment	48,276	47,593
Goodwill	197,754	199,707
Intangible assets	99,139	91,123
Investments accounted for using equity method	3,484	3,697
Other financial assets	22,257	16,107
Deferred tax assets	3,245	4,425
Other non-current assets	802	1,328
<b>Total non-current assets</b>	<b>374,959</b>	<b>363,984</b>
<b>Total assets</b>	<b>591,320</b>	<b>561,567</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	68,802	65,639
Borrowings	27,251	30,212
Income taxes payable	3,219	2,393
Provisions	5,019	4,715
Other financial liabilities	5,707	5,554
Other current liabilities	27,745	21,325
<b>Total current liabilities</b>	<b>137,745</b>	<b>129,842</b>
<b>Non-current liabilities</b>		
Trade and other payables	1,942	1,230
Borrowings	280,685	262,403
Retirement benefit liability	8,214	7,875
Provisions	3,277	3,180
Other financial liabilities	10,076	9,225
Deferred tax liabilities	11,789	7,312
Other non-current liabilities	1,524	1,670
<b>Total non-current liabilities</b>	<b>317,509</b>	<b>292,898</b>
<b>Total liabilities</b>	<b>455,255</b>	<b>422,740</b>
<b>Equity</b>		
Share capital	47,065	47,946
Capital surplus	44,118	43,641
Retained earnings	28,353	17,081
Treasury shares	(568)	(568)
Other components of equity	16,406	29,906
<b>Equity attributable to owners of the parent</b>	<b>135,374</b>	<b>138,008</b>
Non-controlling interests	690	819
<b>Total equity</b>	<b>136,065</b>	<b>138,827</b>
<b>Total liabilities and equity</b>	<b>591,320</b>	<b>561,567</b>

## Consolidated Statement of Profit or Loss

(Unit: million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	340,452	356,434
Cost of sales	175,214	187,302
<b>Gross profit</b>	<b>165,237</b>	<b>169,132</b>
Selling, general and administrative expenses	142,201	140,657
Other income	3,013	1,656
Other expenses	17,520	9,616
Share of profit (loss) of investments accounted for using equity method	(355)	(514)
<b>Operating profit</b>	<b>8,174</b>	<b>20,000</b>
Finance income	2,348	411
Finance costs	7,520	20,231
<b>Profit before taxes</b>	<b>3,002</b>	<b>179</b>
<b>Income tax expense</b>	<b>11,302</b>	<b>3,228</b>
<b>Profit (loss)</b>	<b>(8,300)</b>	<b>(3,048)</b>
Profit (loss) attributable to		
Owners of the parent	(8,460)	(3,222)
Non-controlling interests	160	173
Earnings (loss) per share		
Basic earnings per share attributable to owners of the parent (Unit: JPY)	(70.78)	(25.84)
Diluted earnings per share attributable to owners of the parent (Unit: JPY)	(70.78)	(25.84)

## Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	(8,300)	(3,048)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of defined benefit plans	1,601	614
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	11	179
Items that may be reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(59)	39
Exchange differences on translation of foreign operations	10,144	13,056
Share of other comprehensive income of investments accounted for using equity method	341	333
<b>Other comprehensive income, net of taxes</b>	<b>12,038</b>	<b>14,223</b>
<b>Comprehensive income</b>	<b>3,738</b>	<b>11,174</b>
Comprehensive income attributable to		
Owners of the parent	3,506	10,933
Non-controlling interests	231	241
<b>Comprehensive income</b>	<b>3,738</b>	<b>11,174</b>

## Consolidated Statement of Changes in Equity

(Unit: million yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Re-measurements of defined benefit plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges
As of April 1, 2021	36,409	31,035	35,158	(1,624)	—	400	(32)
Comprehensive income	—	—	(8,460)	—	—	—	—
Profit (loss)	—	—	(8,460)	—	—	—	—
Other comprehensive income	—	—	—	—	1,601	11	(59)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(8,460)</b>	<b>—</b>	<b>1,601</b>	<b>11</b>	<b>(59)</b>
Issuance of new shares	10,656	10,495	—	—	—	—	—
Purchase of treasury shares	—	—	—	(359)	—	—	—
Disposal of treasury shares	—	(128)	—	164	—	—	—
Cancellation of treasury shares	—	(1,250)	—	1,250	—	—	—
Dividends to owners of the parent	—	—	—	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	—
Forfeiture of share acquisition rights and Restricted Stock Unit	—	(73)	68	—	—	—	—
Share-based payment transactions	—	4,039	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	1,601	—	(1,601)	—	—
Other	—	—	(13)	—	—	—	—
<b>Transactions with the owners</b>	<b>10,656</b>	<b>13,082</b>	<b>1,655</b>	<b>1,055</b>	<b>(1,601)</b>	<b>—</b>	<b>—</b>
As of March 31, 2022	47,065	44,118	28,353	(568)	—	412	(92)
Comprehensive income	—	—	(3,222)	—	—	—	—
Profit (loss)	—	—	(3,222)	—	—	—	—
Other comprehensive income	—	—	—	—	614	179	39
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(3,222)</b>	<b>—</b>	<b>614</b>	<b>179</b>	<b>39</b>
Issuance of new shares	881	(431)	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—
Cancellation of treasury shares	—	—	—	—	—	—	—
Dividends to owners of the parent	—	—	(9,201)	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	—
Forfeiture of share acquisition rights and Restricted Stock Unit	—	(500)	496	—	—	—	—
Share-based payment transactions	—	455	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	655	—	(614)	(41)	—
Other	—	—	—	—	—	—	—
<b>Transactions with the owners</b>	<b>881</b>	<b>(476)</b>	<b>(8,049)</b>	<b>—</b>	<b>(614)</b>	<b>(41)</b>	<b>—</b>
As of March 31, 2023	47,946	43,641	17,081	(568)	—	550	(52)

(Unit: million yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total
	Other components of equity			Total	Total	Total		
	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using equity method	Total					
As of April 1, 2021	5,680	(8)	6,040	107,018	542	107,561		
Comprehensive income	—	—	—	(8,460)	160	(8,300)		
Profit (loss)	—	—	—	(8,460)	160	(8,300)		
Other comprehensive income	10,072	341	11,967	11,967	71	12,038		
<b>Total comprehensive income</b>	<b>10,072</b>	<b>341</b>	<b>11,967</b>	<b>3,506</b>	<b>231</b>	<b>3,738</b>		
Issuance of new shares	—	—	—	21,151	—	21,151		
Purchase of treasury shares	—	—	—	(359)	—	(359)		
Disposal of treasury shares	—	—	—	36	—	36		
Cancellation of treasury shares	—	—	—	—	—	—		
Dividends to owners of the parent	—	—	—	—	—	—		
Dividends to non-controlling interests	—	—	—	—	(76)	(76)		
Forfeiture of share acquisition rights and Restricted Stock Unit	—	—	—	(4)	—	(4)		
Share-based payment transactions	—	—	—	4,039	—	4,039		
Transfer from other components of equity to retained earnings	—	—	(1,601)	—	—	—		
Other	—	—	—	(13)	(7)	(20)		
<b>Transactions with the owners</b>	<b>—</b>	<b>—</b>	<b>(1,601)</b>	<b>24,849</b>	<b>(83)</b>	<b>24,765</b>		
As of March 31, 2022	15,753	333	16,406	135,374	690	136,065		
Comprehensive income	—	—	—	(3,222)	173	(3,048)		
Profit (loss)	—	—	—	(3,222)	173	(3,048)		
Other comprehensive income	12,989	333	14,156	14,156	67	14,223		
<b>Total comprehensive income</b>	<b>12,989</b>	<b>333</b>	<b>14,156</b>	<b>10,933</b>	<b>241</b>	<b>11,174</b>		
Issuance of new shares	—	—	—	450	—	450		
Purchase of treasury shares	—	—	—	—	—	—		
Disposal of treasury shares	—	—	—	—	—	—		
Cancellation of treasury shares	—	—	—	—	—	—		
Dividends to owners of the parent	—	—	—	(9,201)	—	(9,201)		
Dividends to non-controlling interests	—	—	—	—	(112)	(112)		
Forfeiture of share acquisition rights and Restricted Stock Unit	—	—	—	(4)	—	(4)		
Share-based payment transactions	—	—	—	455	—	455		
Transfer from other components of equity to retained earnings	—	—	(655)	—	—	—		
Other	—	—	—	—	—	—		
<b>Transactions with the owners</b>	<b>—</b>	<b>—</b>	<b>(655)</b>	<b>(8,300)</b>	<b>(112)</b>	<b>(8,412)</b>		
As of March 31, 2023	28,742	666	29,906	138,008	819	138,827		

## Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before taxes	3,002	179
Depreciation	31,077	29,015
Impairment losses	18,405	9,568
(Gain) or loss from financial assets measured at fair value through profit or loss	1,235	9,088
Interest expenses	2,890	6,814
Share of loss (profit) of investments accounted for using equity method	355	514
Loss (gain) on sales of fixed assets	(34)	(20)
Decrease (increase) in trade receivables	107	(969)
Decrease (increase) in inventories	(3,819)	(4,493)
Increase (decrease) in trade payables	(354)	(7,424)
Increase (decrease) in retirement benefit liability	(461)	(124)
Other	7,984	(1,913)
<b>Subtotal</b>	<b>60,387</b>	<b>40,235</b>
Interest and dividends received	746	761
Interest paid	(3,006)	(5,177)
Income taxes paid	(7,094)	(15,403)
Income taxes refund	20	960
<b>Net cash from operating activities</b>	<b>51,053</b>	<b>21,376</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment, and intangible assets	(11,736)	(11,516)
Proceeds from sales of property, plant and equipment, and intangible assets	138	297
Payments of loans receivable	(601)	—
Payments for acquisition of subsidiaries resulting in change in scope of consolidation	—	(1,797)
Payments for acquisition of businesses	(330)	—
Proceeds from sale of businesses	700	—
Purchase of investments accounted for using equity method	(1,466)	(441)
Purchase of investments	(753)	(3,064)
Proceeds from sale and redemption of investments	2,003	60
Other	(475)	(1,059)
<b>Net cash from investing activities</b>	<b>(12,521)</b>	<b>(17,520)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(870)	(265)
Proceeds from long-term borrowings	311,348	—
Repayments of long-term borrowings	(332,912)	(25,931)
Repayments of lease liabilities	(5,358)	(5,749)
Proceeds from issuance of shares	21,152	450
Purchase of treasury shares	(359)	—
Proceeds from sale of treasury shares	36	—
Dividends paid to owners of the parent	—	(9,196)
Other	(52)	(139)
<b>Net cash from financing activities</b>	<b>(7,015)</b>	<b>(40,832)</b>
Effect of exchange rate changes on cash and cash equivalents	2,954	2,676
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>34,470</b>	<b>(34,298)</b>
Beginning balance of cash and cash equivalents	60,762	95,232
Ending balance of cash and cash equivalents	95,232	60,933



\*Production facilities

Region	Country	English name	Production ratio (including indirect shipping through subsidiaries)	Main business content
Japan	Japan	PHC Corporation	100%	Development, manufacturing, and sales of various healthcare devices and services <b>*Gunma, Chiba, Tokushima, Ehime</b>
	Japan	LSI Medience Corporation	100%	Clinical testing business <b>*Tokyo</b>
	Japan	Wemex Corporation	100%	Healthcare solutions business
	Japan	Mediford Corporation	100%	Drug discovery support business <b>*Ibaraki, Kumamoto</b>
North America	Canada	Ascensia Diabetes Care Canada Inc.	100%	Sales of diabetes care products and provision of services
	USA	Ascensia Diabetes Care US, Inc.	100%	Sales of diabetes care products and provision of services
	USA	New Erie Scientific LLC	100%	Development, manufacturing, and sales of slide glass for the pathology business <b>*Portsmouth</b>
	USA	Richard-Allan Scientific LLC	100%	Overseas development and manufacturing base for the pathology business's pathology and diagnosis products <b>*Kalamazoo</b>
	USA	PHC Corporation of North America	100%	Sales and maintenance services for PHCbi products in North America
EMEA	Switzerland	Ascensia Diabetes Care Holdings AG	100%	Sales of diabetes care products and provision of services

\*Production facilities

Region	Country	English name	Production ratio (including indirect shipping through subsidiaries)	Main business content
EMEA	Germany	Ascensia Diabetes Care Deutschland GmbH	100%	Sales of diabetes care products and provision of services
	Italy	Ascensia Diabetes Care Italy S.R.L.	100%	Sales of diabetes care products and provision of services
	Poland	Ascensia Diabetes Care Poland Sp.z.o.o.	100%	Sales of diabetes care products and provision of services
	UK	Shandon Diagnostics Limited	100%	Manufacturing and sales of pathology equipment <b>*Runcorn</b>
APAC	Netherlands	PHC Europe B.V.	100%	Sales and maintenance services for PHCbi products in Europe
	Australia	Ascensia Diabetes Care Australia Pty Limited	100%	Sales of diabetes care products and provision of services
	China	Ascensia Diabetes Care Shanghai Co., Ltd.	100%	Sales of diabetes care products and provision of services
	China	Epredia Laboratory Products Manufacturing (Shanghai) Co., Ltd.	100%	Overseas development and manufacturing base for the pathology business's pathology and diagnosis products <b>*Shanghai</b>
	Indonesia	PT PHC Indonesia	95%	Manufacturing of diabetes care and life science products <b>*Bekasi</b>
Singapore	SciMed (Asia) Pte Ltd	100%	Sales and maintenance services for life science products, including PHCbi products, in areas such as Southeast Asia, the Middle East, and Central Asia	

PHC Group Overview

**Company Name** PHC Holdings Corporation  
**Business Address/ Head Office** 2-38-5 Nishishimbashi, Minato-ku, Tokyo 105-8433, Japan  
**Founded** 1969 (Founded as Matsushita Kotobuki Electronics Co., Ltd.)  
**Representative** President, Representative Director and CEO Shoji Miyazaki  
**Capital** 47,946 million yen  
**Listed Market** Tokyo Stock Exchange Prime Market (TSE 6523)  
**Main Business**  
 ● Diabetes Management  
 ● Healthcare Solutions  
 ● Diagnostics & Life Sciences

For more information related to this report, see the links below.

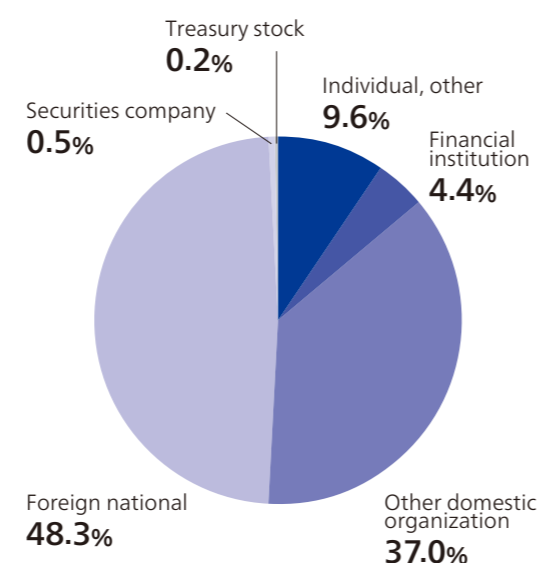
Financial information	▶ <a href="https://www.phchd.com/global/ir">https://www.phchd.com/global/ir</a>	
Products/services information	▶ <a href="https://www.phchd.com/global/products">https://www.phchd.com/global/products</a>	
Sustainability	▶ <a href="https://www.phchd.com/global/sustainability">https://www.phchd.com/global/sustainability</a>	

Stock Information

**Shares**  
 Total number of authorized shares 460,000,000 shares  
 Total number of shares outstanding 125,522,074 shares  
 Top 10 shareholders

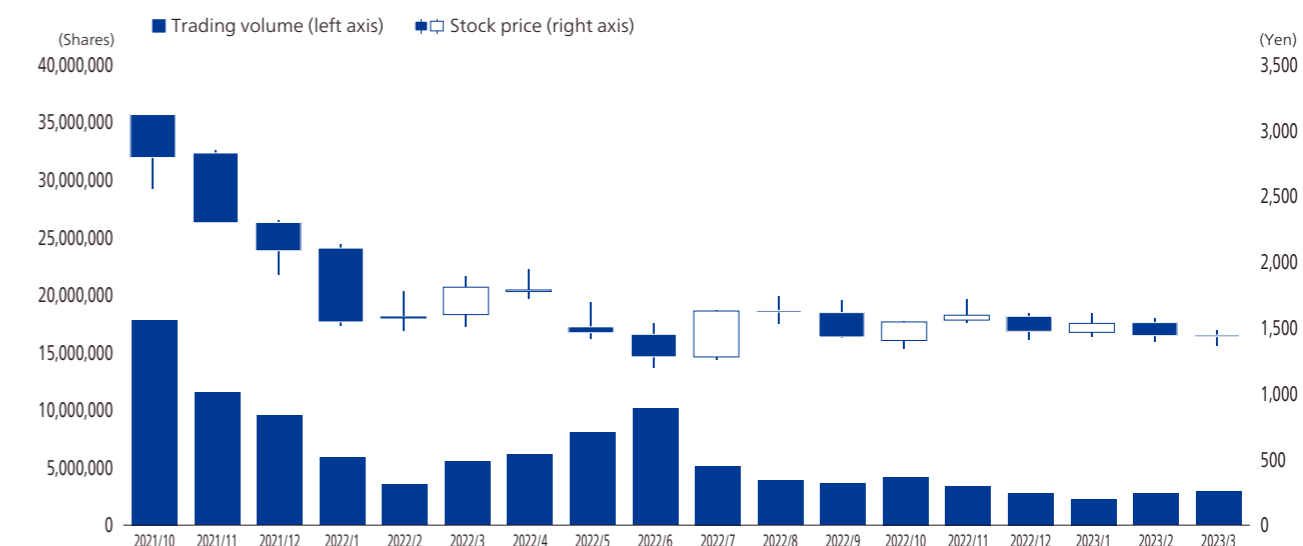
Shareholder names	Shareholding (thousand shares)	Shareholding ratio
KKR PHC Investment L.P.	47,994	38.30%
Mitsui & Co., Ltd.	21,870	17.45%
Life Science Institute, Inc.	12,297	9.81%
Panasonic Holdings Corporation	11,266	8.99%
LCA 3 Moonshot LP	5,714	4.56%
The Master Trust Bank of Japan, Ltd. (Investment account)	3,884	3.10%
Custody Bank of Japan, Ltd. (Investment account)	1,337	1.07%
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	892	0.71%
PHC Holdings Employee Stock Ownership Plan	683	0.55%
STATE STREET BANK AND TRUST COMPANY 505001	500	0.40%

Stock Share Distribution Status by Owner



(Note) The shareholding ratio is calculated after deducting treasury shares (211,941 shares).

Stock Price and Trading Volume Trends



Editorial Note



Release of the Integrated Report 2023

We hope that our first Integrated Report provides a helpful overview of PHC Group.  
 This report was prepared for our shareholders, investors, and other stakeholders to introduce the entire PHC Group in depth and breadth, focusing on our businesses, present status, and ESG initiatives. It also describes our medium-to long-term growth strategies and efforts to enhance our corporate value.  
 Since this is our first publication, we formed a group-wide project team to discuss how we can communicate the value of PHC Group and what we are committed to. We still have opportunity for improvement, but we strive to provide easy-to-understand and valuable information in the coming years through Kaizen (continuous improvement), which is part of our corporate culture.  
 We value opportunities for productive dialogue with our stakeholders through appropriate information disclosure and commit ourselves to helping realize "Value-Based Healthcare" and contributing to the health of society. We sincerely hope that this Integrated Report will help you better understand our group and encourage you to connect with our company.