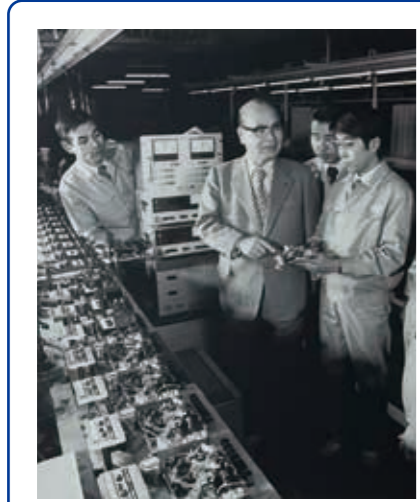
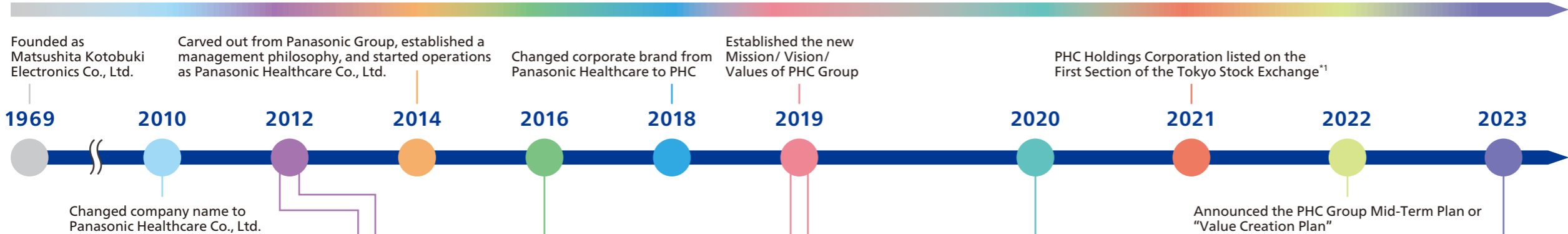


Since the establishment of our business in Japan in 1969, PHC Group has supported healthcare professionals and researchers at various stages of the healthcare journey. By providing high-quality products and services in the fields of diagnostics, medical devices, healthcare IT, and life sciences, PHC 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 businesses⁴, 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 umbrella³. Started manufacturing products such as preservation, storage, and cell culture equipment for research purposes in drug development

Added the Biomedical Division under the corporate umbrella³. Started manufacturing products such as preservation, storage, and cell culture equipment for research purposes in drug development

Established Wemex Corporation² 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.⁵ 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.

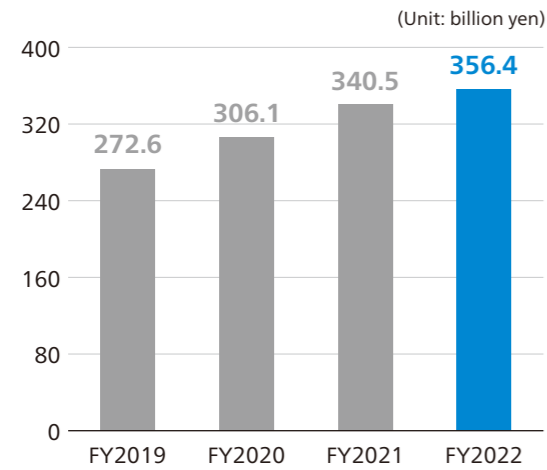
The world is constantly changing, and social issues are evolving along with these changes. PHC Group is committed to promptly identifying changing societal trends, setting high goals to boldly take on new challenges, and making pertinent business decisions from short-, medium-, and long-term perspectives. 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

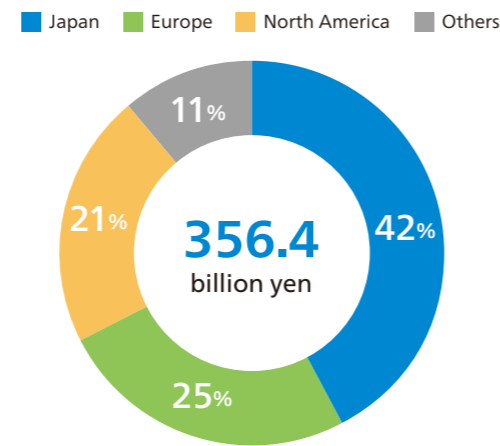


Financial

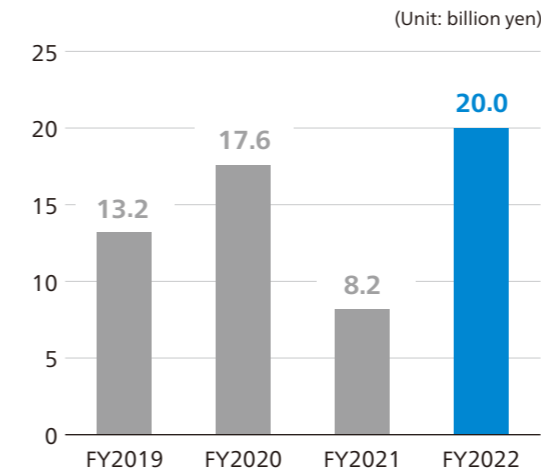
Consolidated revenue



Ratio of consolidated revenue



Consolidated operating profit

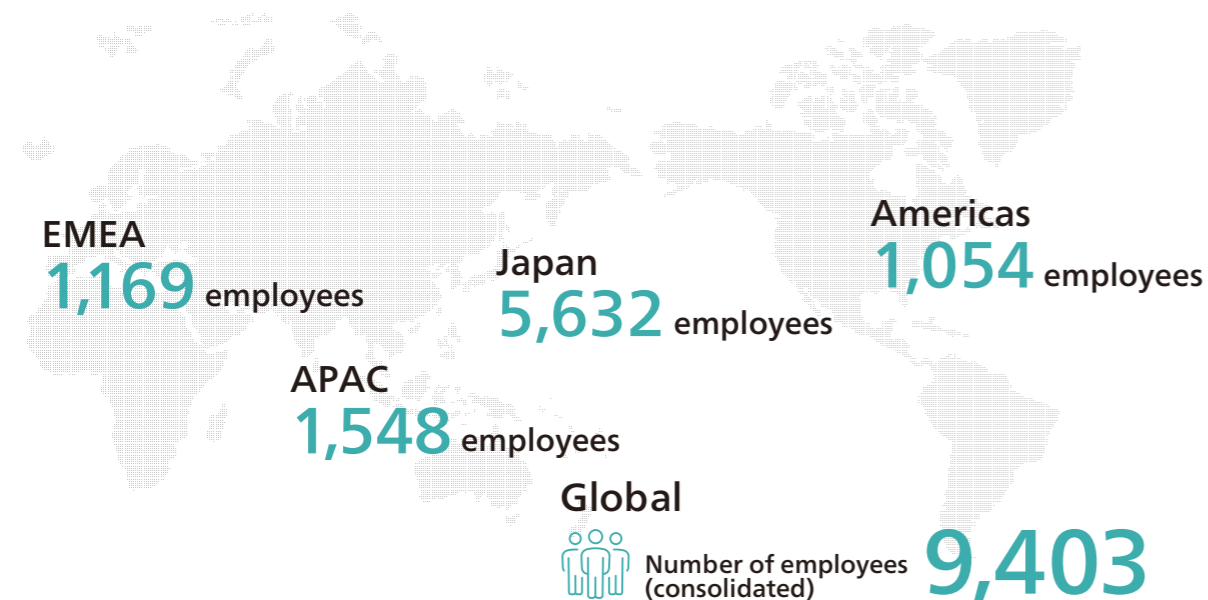


Cash based profit per share, dividends, dividend payout ratio

	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

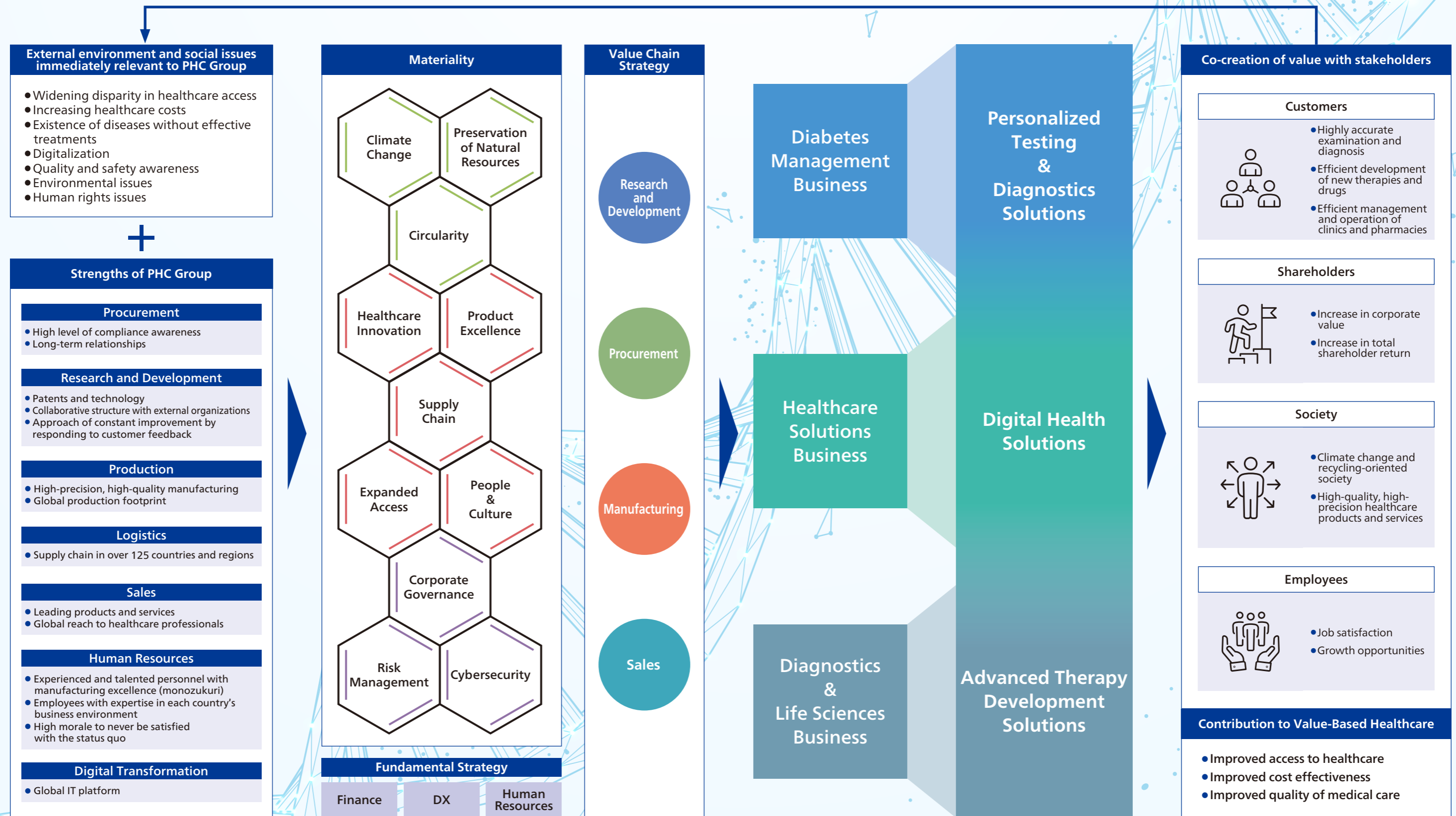


● Total number of patents held



*Figures as of March 31, 2023

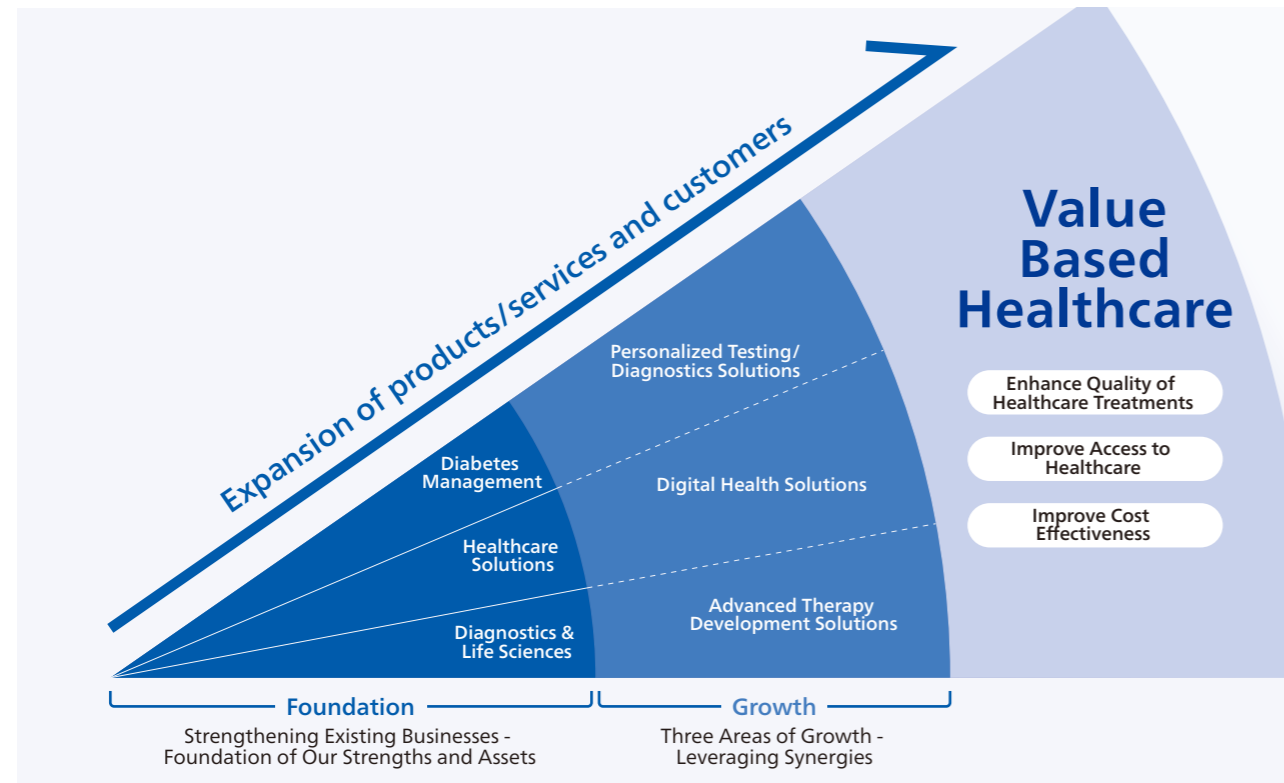
We will contribute to the creation of a prosperous society based on our mission.



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

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%*

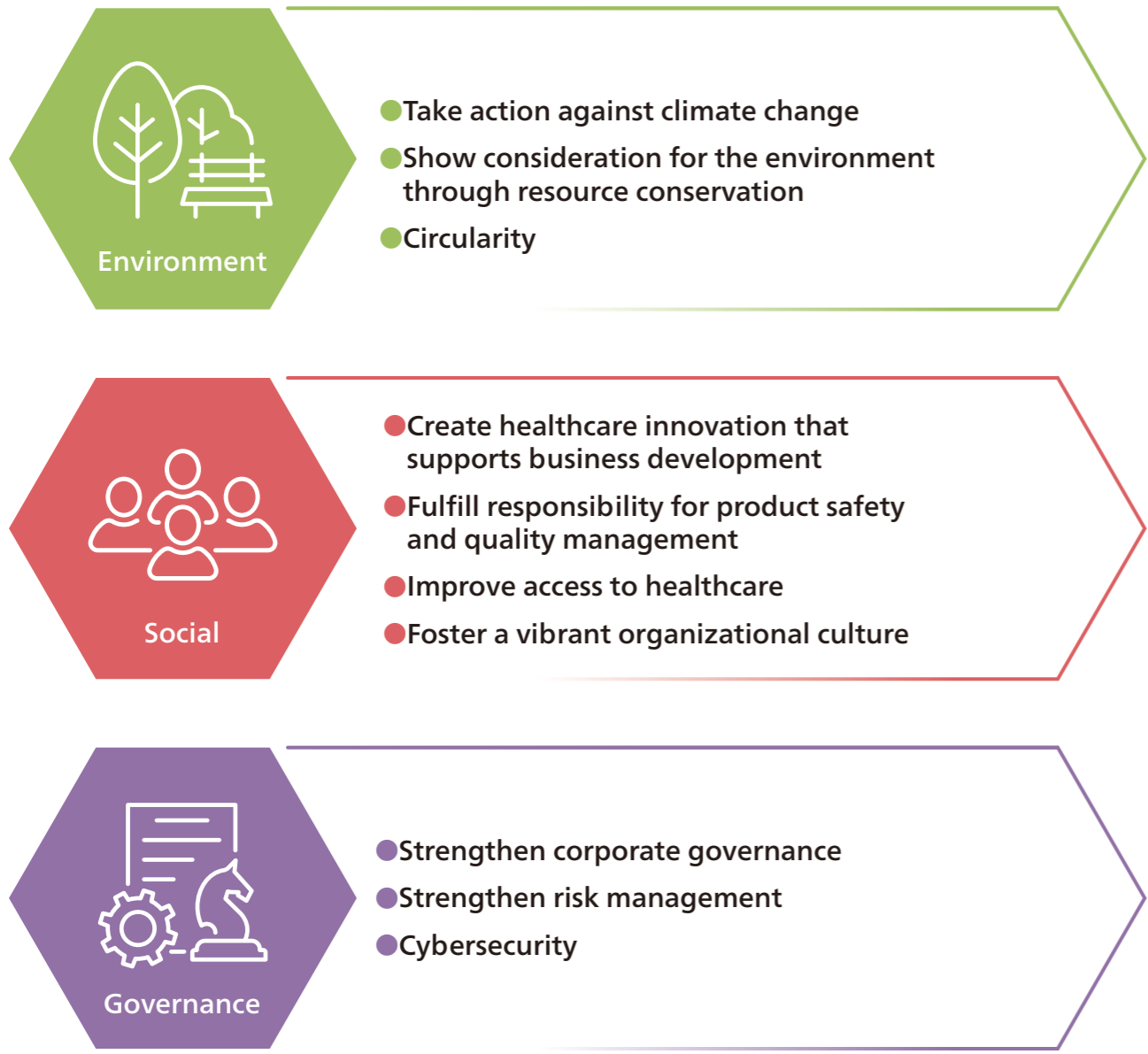
Search for M&A opportunities: 60 to 80 billion yen

In order to further increase growth

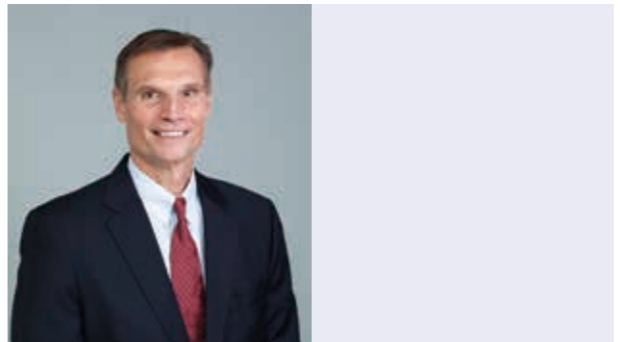
*Dividend payout ratio is to the cash-based net income.

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)

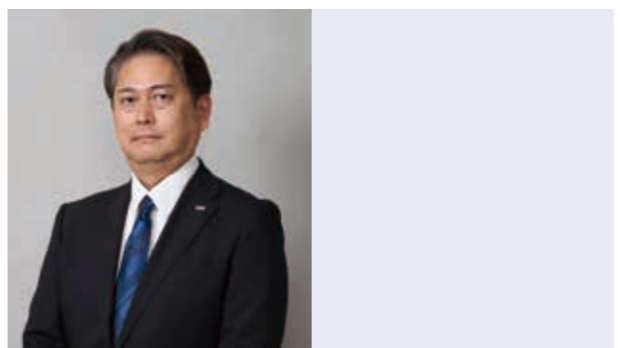
In our Mid-Term Plan, or Value Creation Plan, we have set three main indicators: sales revenue, operating profit, and cash based profit attributable to owners of the parent company. By fiscal 2025, we are aiming for 420 billion yen in sales revenue, 56 billion yen in operating profit, and 49 billion 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>Quality of Healthcare</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>Disparities in Healthcare Access</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>Increase in Healthcare Costs</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.

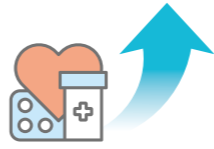


PHC Group will fully leverage our unique strengths to contribute to Value-Based Healthcare.

Koichiro Sato

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



Contributions by PHC Group

Challenges	Details
 <p>Enhance Quality of Healthcare Treatments</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 ₂ 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>Improve Access to Healthcare</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>Improve Cost Effectiveness</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.

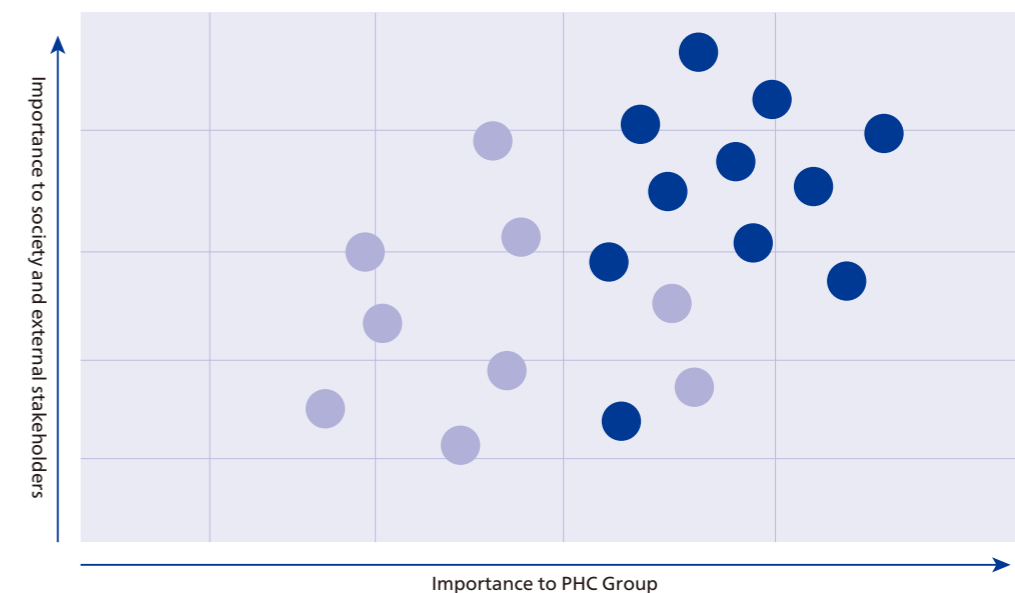
Materiality Topic Identification Process

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 ₂ emission reduction	Carbon neutral by 2040	-							7.2	8.4	9.4			12.2	13.2,13.3							
		Scope 3 CO ₂ 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% ^{*1} / 97.0% ^{*2}				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 CO₂ 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 EpreDia 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 CO₂ 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^{*1} 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^{*2} 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.

