



PHC GROUP
Integrated Report 2024



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

VALUE



Diversity & Collaboration



Innovative Thinking



Challenging Spirit



High Standards of Integrity

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PHC GROUP Integrated Report 2024



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.

Editorial Policy

This report seeks to provide stakeholders with a deeper understanding of the initiatives undertaken by PHC Group, a collection of global healthcare companies founded in Japan, to achieve its vision. 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, 2023 to March 31, 2024 (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

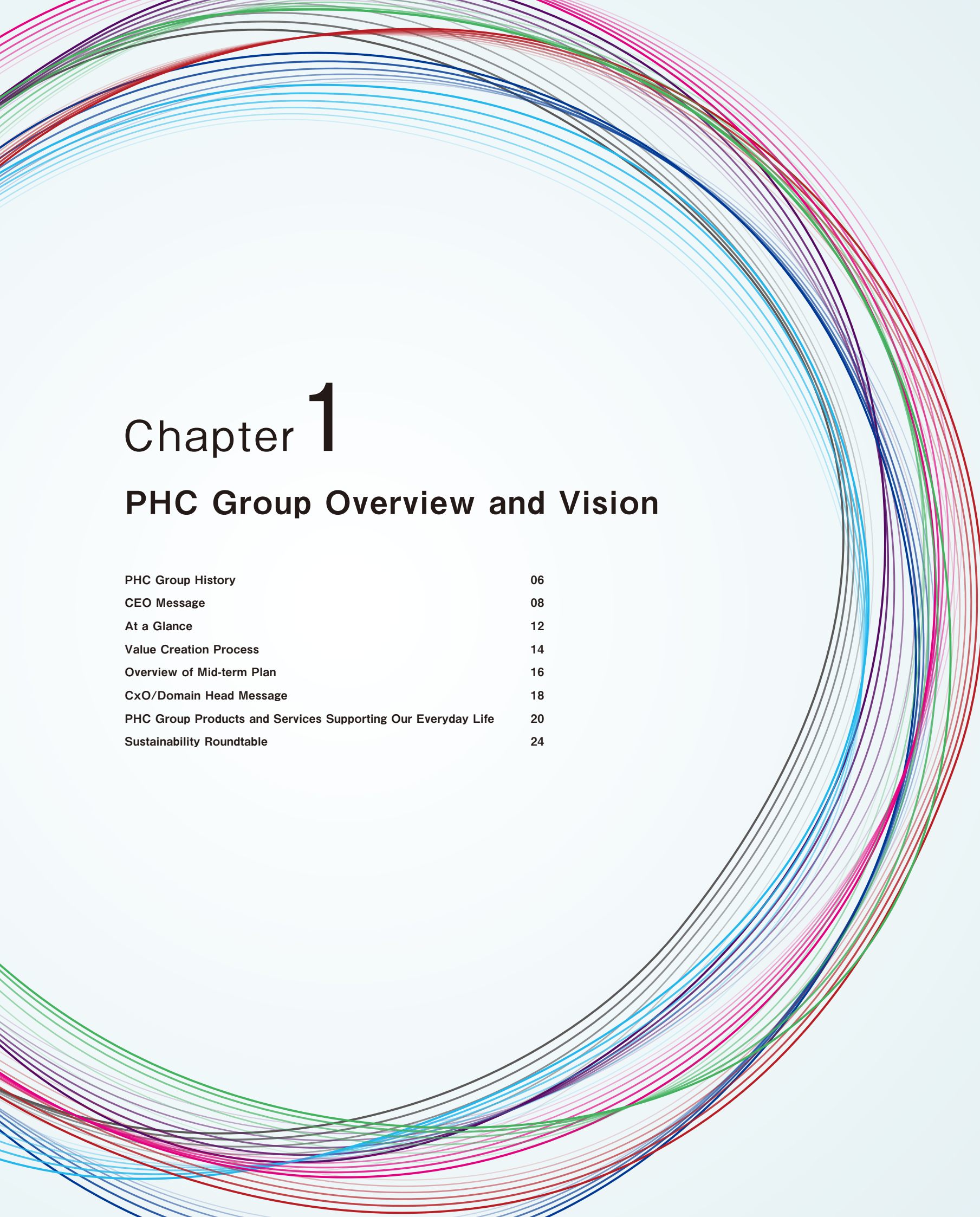
Publication Date

September 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.



Chapter 1

PHC Group Overview and Vision

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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.

Carved out from Panasonic Group, started operations as Panasonic Healthcare Holdings Co., Ltd.

In 2014, we carved out from Panasonic Group and started operations as Panasonic Healthcare Holdings Co., Ltd. Through this "Second Founding," we established a new mission statement and values to create a renewed corporate culture. We reorganized our subsidiaries under the core company, Panasonic Healthcare Holdings Co., Ltd., into a corporate group, completing a transformation process to form the foundation of our current business.



PHC Holdings Corporation Listed on the First Section (currently Prime Market) of the Tokyo Stock Exchange

On October 14, 2021, PHC Holdings Corporation was listed on the First Section of the Tokyo Stock Exchange (now called the "prime" market). Before the listing, we expanded our business portfolio by acquiring the diabetes care business from Bayer AG in 2016, the pathology business from Thermo Fisher Scientific, Inc. and LSI Medience Corporation from Life Science Institute, Inc. both in 2019.

In 2018, we also changed our corporate brand to "PHC" and structured our existing business brands. Upon listing on the Tokyo Stock Exchange, to enhance our investor relations and public relations functions, we separated and spun off them from the Corporate Planning Department as the IR/Corporate Communication Department. This allows us to improve awareness of our corporate brand and enhance the IR activities we undertake as a publicly listed company.



*1 Integration of Medical Information Systems (Medicom) Business Unit of PHC Corporation and PHC Medicom Corporation
*2 The clinical trial business of LSI Medience Corporation was integrated into a subsidiary of LSI Medience Corporation, and made the company a subsidiary of PHC Holdings Corporation.



**Creating synergies together as One PHC,
and accelerating technology for the future of healthcare**

K. Dezuichi

President, Representative Director and CEO
PHC Holdings Corporation

Unlocking the potential of PHC Group to create more value

For over 20 years in the healthcare industry, working to improve human life and health, I have engaged in a wide range of businesses, including drug development, chemical manufacturing, artificial joints, biotech, and orthopedic clinic management. Throughout my career, I have pursued patient-first approaches to address issues in medical care, such as healthcare disparities, uneven access, and quality improvement.

As CEO, my goal is to bring my diverse business experiences to unlock the potential of PHC Group. Today, the healthcare industry is undergoing rapid changes, including a digital transformation. We are determined to grow PHC Group by incorporating fresh insights from a range of businesses and sectors rather than limiting ourselves to industry norms.

PHC Group offers a wide range of products and services from research to diagnosis, treatment, and prevention of disease, with a global presence in three domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences. By fully leveraging our global business capabilities, PHC Group will create value for our customers as well as society and contribute to helping solve medical and healthcare issues in these areas.

Creating synergies through the concept of “One PHC,” as revealed by dialogue with over 500 employees

As CEO I am an advocater for the concept of “One PHC,” which is the idea that as a business we are stronger when we bring together the unique individual strengths of companies across our Group. Each of our operating companies has a different history and expertise, but they also share a common thread as part of PHC Group. In order to achieve the greatest collective impact, we encourage our employees at every level and business unit, from R&D to sales to customer service, to incorporate the idea of One PHC into their daily work.

In my first quarter as CEO in 2024, I visited all of PHC Group’s key business locations around the world and led small roundtable discussions with more than 550 employees to engage in direct dialogue about how we can make a greater impact in precision technology for healthcare. Through these lively discussions, I listened to employees voices and received many suggestions for how we can grow our business. I was inspired by these earnest thoughts and aspirations for the Group.

One of the PHC Group’s strengths lies in our many touch points across the healthcare field, and we seek to leverage this strength by creating synergies through collaboration among the Group’s businesses. Recent examples include joint bidding for hospital contracts, shared customer service in overlapping regions, and a collaboration between business units like Clinical Testing and Healthcare IT Solutions

to add new and improved services for our customers. We have also begun streamlining activities to standardize parts and reduce assembly labor hours among our adjacent businesses. Through collaborations between our interconnected businesses, we have expanded our geographic and customer coverage and ability to respond to customer needs.

Healthcare is becoming increasingly personalized

The digital transformation of the healthcare industry is of great interest to PHC Group. In some areas, digital technology is accelerating, helping researchers to automate and streamline their work processes and allowing healthcare providers to reach patients through telemedicine. Technologies such as AI-enhanced diagnostics and monitoring continue to be developed, and technology companies continue to enter the healthcare market.

In area like medical practice, the digital transformation has not progressed at the same rate. In Japan, tens of thousands of small medical clinics are operated by a single physician and a few staff members. These clinics face challenge like a lack of personnel and the inability to make substantial investments. We believe that in the medical frontlines closest to patients, digitization that automates tasks and saves time will be indispensable for increasing access to medical care, improving staff work environments, and reducing medical costs.

Moving forward, we believe that the nature of medical care itself will change to embrace more personalized medicine that tailors prevention, diagnosis, and treatment to each individual patient. While ten years ago, it may have been common to rely on an annual checkup for all health information, today more and more people wear smartwatches and other devices to measure blood pressure, heart rate, and sleep cycles and manage their health in real-time. We expect technological innovations and behavioral changes to manage health will continue, and we will continue to support it with innovations like the world’s first fully implantable continuous glucose monitoring (CGM) system.

As the global population ages, conditions like dementia and cancer are expected to grow, and it will become increasingly important to improve the access to and quality of treatment, prevention, and diagnosis. Treatments based on regenerative medicine are also expected to expand. To advance these opportunities, PHC Group has established a structure to engage in basic research related to regenerative medicine and non-clinical testing.



Each business domain has expertise in unique technology

PHC Group has three business domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences, and each offers unique value.

In the Diabetes Management business domain, the market has been shifting from blood glucose monitoring (BGM) systems to continuous glucose monitoring (CGM) systems in recent years. Our Ascensia BGM systems are distributed in more than 100 countries and regions, and this market is expanding in China, India, and Southeast Asia. At the same time, a shift to CGM is taking place in Europe and the United States. As the product mix changes, our challenge in the Diabetes Management domain is how we generate profits in the future.

The CGM system we offer, the Eversense® CGM developed by Senseonics, is the industry's first and only fully implantable system that enables the measurement of glucose levels over a long period. In April 2024, Eversense® received iCGM* designation from the U.S. Food and Drug Administration (FDA), making it possible to link it with an insulin pump. We hope to offer this integrated system to patients who require continuous insulin administration in the near future. Once this fully implantable CGM system becomes more widely recognized as an innovative option for people with diabetes, we are confident that it will be a key driver in the market.

In the Healthcare Solutions business domain, Mediford Corporation is engaged in drug development support and will enhance its support services for Contract Research Organization (CRO) and analytical needs in the non-clinical and clinical testing fields, as well as services for global pharmaceutical companies and analytical laboratories. Other factors for growth include partnerships with pharmaceutical and biotech companies in cutting-edge scientific fields such as regenerative medicine. Also in this business domain, Wemex develops, distributes, and services medical-receipt computers, electronic medical record systems, and electronic

medication history systems. One of its main strengths is the ability to serve a wide range of medical institutions such as clinics, pharmacies, and dental clinics across Japan. In the future, Wemex will offer data services to contribute to personalized medical care, including diagnosis, prescription of medicines tailored for patients, and guidance on medication.

The Diagnostics & Life Sciences business domain is a priority area for PHC Group's growth. Ultra-low temperature freezers made by our Biomedical Division offer industry-leading energy-saving performance to support researchers and laboratories. We will also accelerate our operations toward the practical application of cell & gene therapy and cancer genome medicine. One example is the Live Cell Metabolic Analyzer (LiCellMo), which tracks indicators of cell metabolism in real time. Traditionally, cell metabolism analysis in cell culture requires researchers to take periodic measurements, rather than receiving continuous metabolic data. Allowing cells to be evaluated without interruption can offer researchers a deeper understanding of how those cells perform or respond to drugs. LiCellMo is an example of horizontal deployment of our technology across multiple businesses, leveraging both our laboratory expertise and technologies for measuring blood glucose levels.

In the anatomical pathology field, EpreDia continues to offer digital pathology technology and has now begun manufacturing high-definition digitization technology for analyzing tissue specimens for research use. We are looking to offer this technology for integration with AI and other technologies to help aid in improving the speed and accuracy of cancer diagnosis.

In these examples and many others, PHC Group has a strong pipeline of unique and innovative technology, and integrating and expanding these capabilities will pave the way for our future growth. We are at a significant turning point in our evolution as a comprehensive healthcare company, where our companies work together as one united entity to address healthcare challenges.

Details on Mid-term Plan revisions to be released in November

In May 2024, we announced that we would conduct a revision of our Mid-term Plan (Value Creation Plan), which currently covers our goals through fiscal 2025. While the details of this revision will be released in November this year, our approach will have three parts. The first is a restructuring to enhance the earnings base. Over the course of 18 months, we will enhance our cash generation capability and improve our financial stability. The second is to improve portfolio management. We will examine our business units and new businesses with a mindset focused on Return on Invested Capital (ROIC). The third is to narrow the range of our growth strategies. While creating synergies across the businesses, we will focus on the Diagnostics & Life Sciences business domain, which is projected to grow significantly.

Creating a positive growth cycle through ESG management

PHC Group's ESG strategy is now a core part of our business operations. For example, developing equipment that does not emit chlorofluorocarbon gases creates value for customers while contributing to our profits by increasing the competitive advantage of our products in terms of environmental sustainability.

In August 2023, PHC Group defined and announced 11 sustainability topics that are material to our business. This year, we will take action to achieve the targets we set for each of these materiality topics. For instance, addressing climate change is a priority for our Group, so we have expressed our commitment to the Science Based Targets initiative (SBTi) and are preparing to obtain official validation in FY2025. We have also begun efforts to calculate Scope 3 greenhouse gas (GHG) emissions and will formulate GHG emission reduction targets and action plans this fiscal year.

Furthermore, in order to comply with EU chlorofluorocarbon gas regulations starting in 2025, we are accelerating plans to make our ultra-low temperature freezers chlorofluorocarbon-free. We will continue to move forward with sustainability activities that respond to the needs and requirements of each country where we do business.

Regarding social sustainability, PHC Group remains committed to our mission to create healthcare solutions that improve lives. We also continue to build a diverse and inclusive workforce, with specific targets for female leadership.

In terms of governance, we comply with the Corporate Governance Code and operate a Board of Directors with diverse experience and expertise. This year, an incidence of inappropriate quality management at the Central Laboratory of LSI Medience Corporation, our wholly owned subsidiary in Japan, resulted in regrettable concern for patients, medical providers, customers, shareholders, investors, and other stakeholders. Based on a proposal made in the final report by the external investigative committee, we have reaffirmed our mission to offer clinical testing services and are committed to preventing such inappropriate business practices in the future. PHC Group will continue to monitor and enforce compliance obligations across our global businesses.

Our greatest strength: Precision technology powered by exceptional talent

By creating synergies both within and across our businesses, PHC Group will continuously create new value to help improve the lives of people and the health of society. Our most significant strengths are our precision technology capabilities and our outstanding people who bring these capabilities to their full potential. Moving forward, with "One PHC" as our shared mindset, we will further unite as a group to contribute to the future of healthcare. We invite you to join us in the continued growth and innovation of PHC Group.

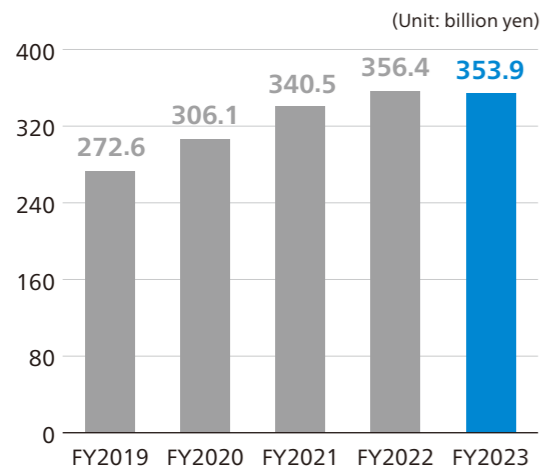


* The iCGM designation enables integration with compatible medical devices such as insulin pumps as an automated insulin delivery (AID) system.

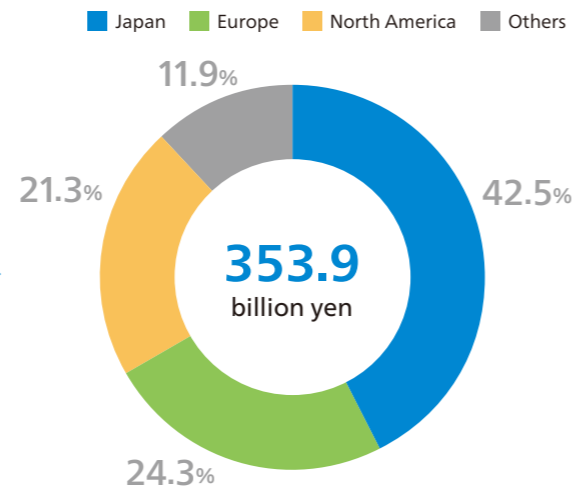
Financial

As of March 31, 2024

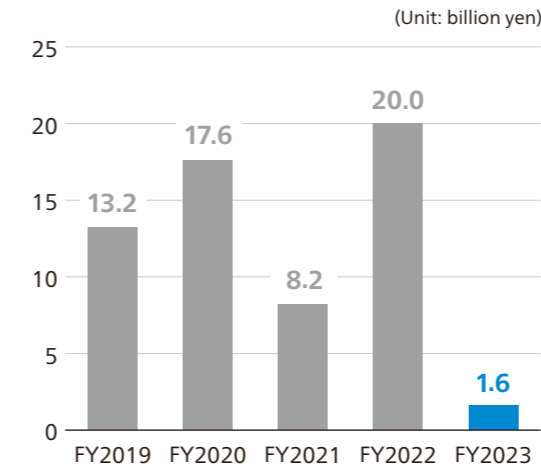
Consolidated revenue



Ratio of consolidated revenue



Consolidated operating profit



Cash based profit per share, dividends, dividend payout ratio

	FY2022	FY2023
Cash based profit attributable to owners of the parent per share*1 (yen)	180.2	84.7
Dividend per share (yen)	72	54
Dividend payout ratio*2 (%)	39.9	63.7

*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

As of March 31, 2024

PHC GROUP

Over **125** Countries and Regions

PHC Group's wide range of products and services are used in more than 125 countries and regions.

Ratio of employees outside Japan: **39%**

Ratio of female managers*: **25.9%**

*PHCHD

ASCENSIA

Around **10** million Users

An estimated 10 million people with diabetes use Ascensia's blood glucose monitoring (BGM) products worldwide.

ASCENSIA

Over **3** billion Sensors/Year

Each year, Ascensia distributes over 3 billion BGM sensors.

LSI Medience

120,000 Specimens/Day

LSI Medience accepts more than 120,000 specimens daily from hospitals and clinics across Japan.

LSI Medience

Around **950,000** Tests/Day

LSI Medience runs around 950,000 tests daily, outsourced by hospitals and clinics across Japan.

LSI Medience

Around **7,000** Places

LSI Medience provides clinical testing services to around 7,000 medical institutions (hospitals and clinics) in Japan.

WEMEX

Over **50,000** Medical Institutions and Pharmacies

More than 50,000 medical institutions and pharmacies in Japan are using Wemex medical-receipt computers. This means that every fifth medical institution or pharmacy in Japan has chosen Wemex.

WEMEX

Nearly **100,000** Users

Nearly 100,000 healthcare professionals in Japan are users of Wemex medical-receipt computers.

WEMEX

Around **1.2** million Cases/Day

The daily number of cases registered in Wemex's electronic medical record/medical-receipt systems at medical institutions, including dental clinics, across Japan is around 1.2 million.

mediford

Around **30%**

Around 30% of the drugs approved in Japan have passed rigorous testing by Mediford to ensure their safety and efficacy.

epredia

48 Products/Second

Every second of every hour of every day, 48 of Epredia's products are employed in the battle against cancer in laboratories and medical facilities.

phcbi

Over **150,000** Units

Today, more than 150,000 units of PHCbi's Ultra-Low Temperature Freezers are in use around the world.

phcbi

42 km

If we were to line up PHCbi's Ultra-Low Temperature Freezers, shipped globally to store vaccines for COVID-19, they would reach far enough to complete a full marathon.

phcbi

All Top **20** Companies

PHCbi is the trusted partner of all top 20 global pharmaceutical companies*, supplying them with unsurpassed technology and products.

*Top 20 in the 50 largest revenue pharma companies in the world in 2022

PHC IVD

6 million Cartridges/Year

If we were to stack all 6 million PATHFAST cartridges sold annually, they would reach 120 kilometers out into space.

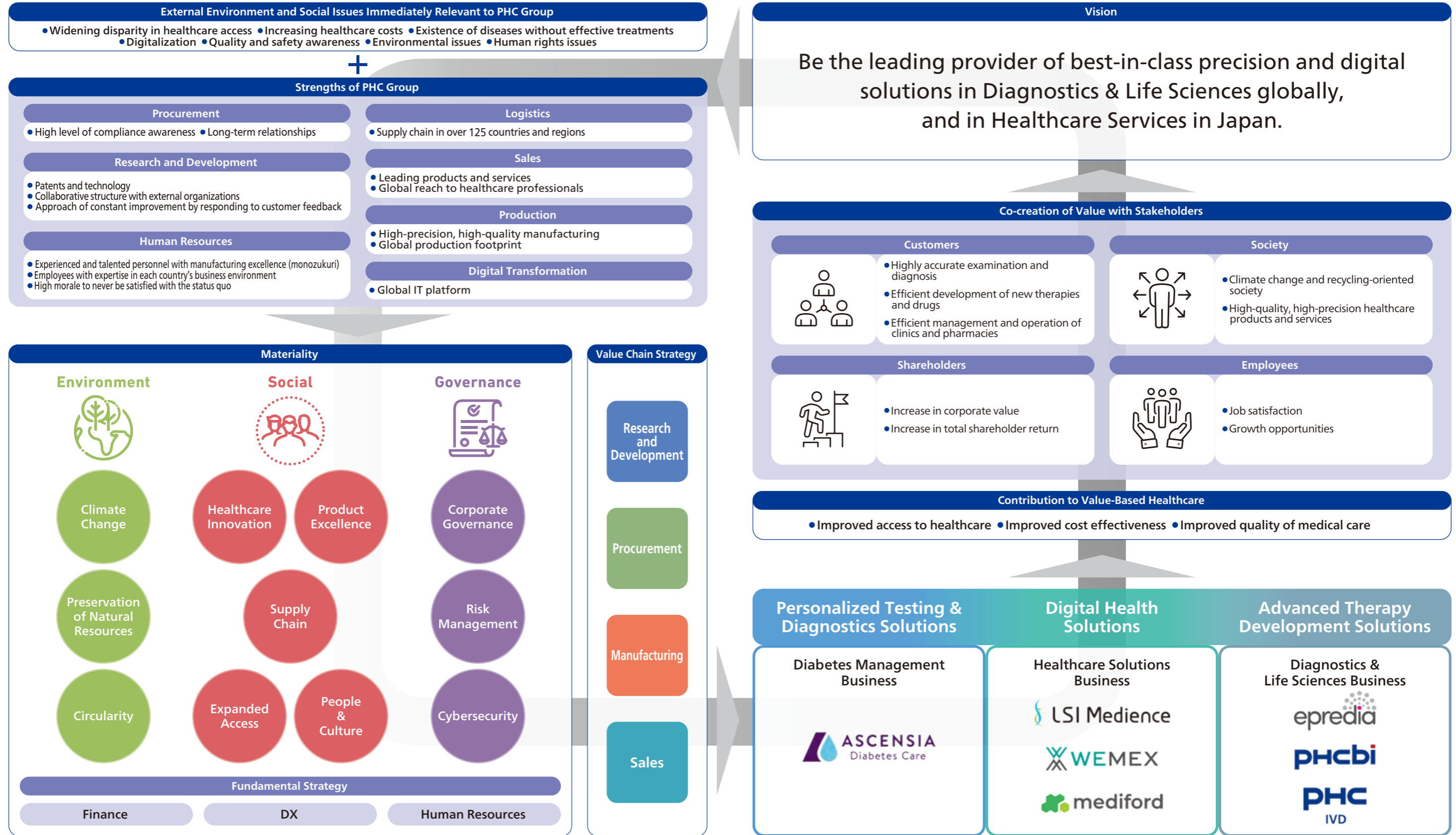
PHC IVD

Over **130,000** Units

Cumulative shipments of digital injectors exceeded 130,000 units. If we were to stack these injectors vertically, they would reach a height nearly triple that of Mt. Everest*.

*In some areas or countries, it may be called Chomolungma, Sagarmatha, or other names.

We will leverage the strengths of the PHC Group and work on the chosen materiality across the entire group to contribute to Value-Based Healthcare.

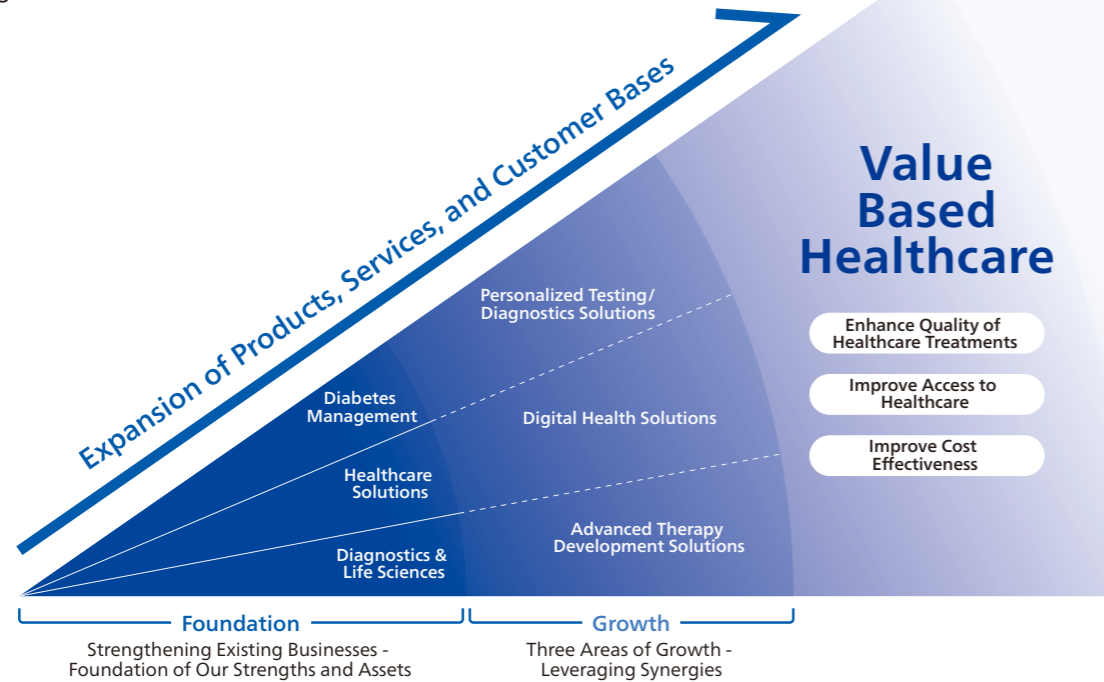


Mission

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

Overview of Mid-term Plan

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

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 Mid-term Plan was announced, the following initiatives have progressed, especially in our Growth Areas.

Drug Development Support Business (Clinical Trials and Other Drug Development Support Solutions): On November 1, 2023, we established Mediford Corporation to drive the integration of expertise and technologies from the non-clinical and clinical trial businesses. Technologies such as imaging mass spectrometry and anti-cancer drug testing using the Patient-Derived Xenograft (PDX) model will evolve, resulting in the enhancement of analytical and evaluation technologies required for new drugs and therapies.

Challenge in New Fields (Cell and Gene Therapy): PHC Group also focuses its efforts on the field of cell and gene therapy, seeking significant market growth. In cell culture, it has so far not been conventionally feasible to continuously monitor the metabolic condition of cells by manually measuring metabolites intermittently. The Live Cell Metabolic Analyzer (LiCellMo), developed by PHC Corporation, applies blood glucose measurement technology to continuously monitor cell metabolites and provide data about the condition of cells in real time. This technology will seek to enable researchers to uncover new insights and contribute to the stable production of cells for therapeutic use.

Business Restructuring within the Group and Business Domain Realignment

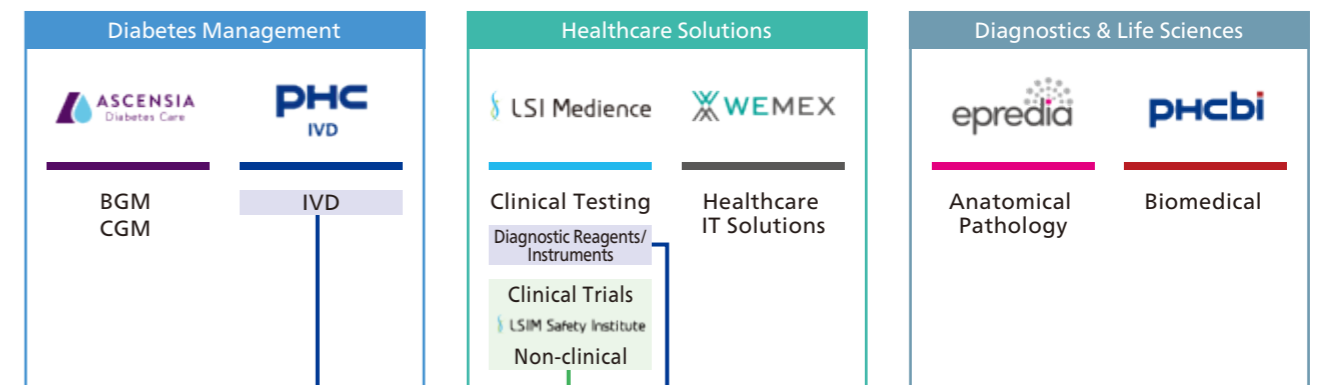
In the last year, PHC Group restructured our businesses and realigned business domains to enhance the Growth Areas defined in the Mid-term Plan.

In November 2023, we restructured the businesses of LSI Medience and PHC IVD to create further synergies and allocate resources more intensively and efficiently to priority areas.

In addition, we made LSI Safety Science Institute a wholly-owned subsidiary of PHC Holdings Corporation, enabling us to make strategic decisions more quickly and to create a business structure that will seek to further accelerate our growth.

In April 2024, the IVD Business Unit joined the Diagnostics & Life Sciences business domain. By optimizing our business domains to reflect this business restructuring, we will seek to accelerate synergies among our business units and increase efficiency of business operations.

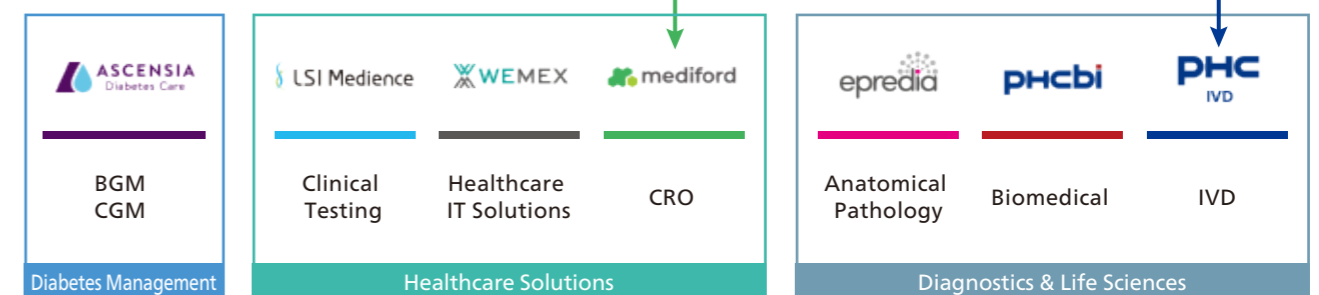
FY23



Business integration in November 2023

Newly established Mediford Corporation in November 2023

FY24





Koichiro Sato

Senior Executive Vice President, Representative Director
 Chief Operating Officer (COO)
 Chief Strategy Officer (CSO)
 Head of Diabetes Management domain
 Head of Healthcare Solutions domain

Business Strategy

In November 2022, PHC Group announced our Mid-term Plan, "Value Creation Plan FY2022-2025." Following this plan, we have been driving growth initiatives, such as restructuring the Group businesses including the business division split of LSI Medience, expanding our customer base through M&A in the Healthcare Solutions domain, and entering the cell and gene therapy field by developing a live cell metabolic analyzer.

On the other hand, the declining profitability of the BGM business, stagnating CGM user growth, delay of turnaround in the pathology business, inappropriate quality management at LSI Medience, and other factors have created a significant discrepancy between our current progress and the targets set in the Mid-term Plan. This situation has highlighted three critical issues: a decline in cash generation capability, deterioration in capital efficiency, and delays in achieving profitability in the three Growth Areas outlined in the plan.

As announced in May this year, we will revise our Mid-term Plan to prioritize addressing these challenges. Specifically, we will reassess the target values of the current Mid-term Plan, which concludes in FY2025, and implement a restructuring period until mid-FY2025 to focus on addressing the existing issues.

In the new Mid-term Plan, we will focus on three strategic initiatives: restructuring to enhance the earning base, improving portfolio management, and narrowing the scope of the Growth Areas.

Regarding restructuring to enhance the earning base, we see enhancing cash generation capability and improving financial stability as priority initiatives.

To improve our portfolio management, we will have a stricter capital cost mindset, introduce ROIC (return on invested capital) management, and proceed with a review and concentration of our portfolio. To narrow and focus the scope of Growth Areas, we will allocate more management resources to our Diagnostics & Life Sciences business.

In November this year, we plan to announce a new Mid-term Plan through FY27, including initiatives during the restructuring period.

PHC Group will seek to generate stable cash flow in our Foundation Areas and drive our growth primarily in the Diagnostics & Life Sciences domain.



Ryuichi Hirashima

Senior Executive Corporate Officer
 Chief Administrative Officer (CAO)
 Chief Human Resources Officer (CHRO)
 Chief Transformation Officer (CTO)

Commitment to Driving Diversity and Improving Engagement

In our ESG efforts, social and governance themes are integral elements. Our focus in social sustainability lies in cultivating a dynamic organizational culture. This involves prioritizing the promotion of gender diversity at leadership levels, pursuing diversity in nationality and race in our Board of Directors, and enhancing employee engagement while striving to enrich employee education and skill development. We are dedicated to building a fair and vibrant workplace and contributing to sustainable growth and the health of society through these efforts.

In late FY23, we experienced a significant compliance issue within one of our Group companies, and it caused considerable concern and inconvenience to our customers and stakeholders. We take the findings of the external investigation committee very seriously and will work diligently to prevent any recurrence, to regain the trust of our customers and all related parties.

Since 2021, PHC Group has been implementing a unified HR platform across our major Group companies in Europe, North America, and Japan. The purpose of this platform is to create a central employee database for information sharing, training, and internal networking. We regard this platform as the cornerstone of our Group's human capital management strategy. Furthermore, this year, we defined 208 skill categories for our engineers in Group companies and worked to build a skills database. We intend to utilize this skills database to support employee recruitment, placement, education training, retention, and new business initiatives. Through these efforts, we aim to enhance employee engagement and, ultimately, grow our corporate value from the perspective of human capital.



Kaiju Yamaguchi

Executive Corporate Officer
 Chief Financial Officer (CFO)

Enhancing Our Profitability and Financial Foundation to Achieve Sustainable Growth

Our consolidated revenue for FY2023 was JPY 353.9 billion (down 0.7% YoY), operating income was JPY 1.6 billion (down 92.2% YoY), and as for net profit/loss attributable to owners of the parent, we recorded a net loss of JPY 12.9 billion due to foreign exchange (FX) losses in addition to the decrease in operating profit.

In Diabetes Management, despite the positive impact of FX and revenue growth in blood glucose monitoring (BGM) markets in emerging countries, revenue and operating profit decreased due to the declining BGM market in developed countries. In Healthcare Solutions, despite capturing digital transformation-related demand and expanding the customer base through M&A, revenue and operating profit declined due to factors including the recovered demand for general and esoteric testing and the adoption rate of electronic prescriptions, both of which were lower than expected, and the recording of an impairment loss in the third quarter. As for Diagnostics & Life Sciences, declining demand for capital investment, mainly in the European and U.S. markets, had a negative impact. However, new product launches, price increases, and other factors mitigated the influence, and a tailwind from favorable FX resulted in higher revenue and operating profit despite the impact of increased costs related to FX and an impairment loss recorded in the second quarter.

Considering the lower financial results in FY2023 and decreased earning power, we need to improve our financial balance by enhancing our cash-generating ability. Consequently, we have decided to revise the Mid-term Plan (Value Creation Plan), which had targeted revenue of JPY 420 billion and operating profit of JPY 56 billion for the target year ending in FY2025, to enhance our earnings base, introduce return on invested capital (ROIC) to improve portfolio management, and to narrow the scope of our Growth Areas. We will announce the revised plan in November 2024, taking the opportunity to present specific initiatives and a portfolio-wide approach.

We will continue to enhance communications with our shareholders and investors and strive to continue to build their trust. We are truly grateful for your continued support.



Nobuaki Nakamura

Executive Corporate Officer
 Head of Diagnostics & Life Sciences domain

Advancing Precision Healthcare through High-Quality Solutions in the Diagnostics & Life Sciences Domain

We provide precision instruments, reagents, related materials, and operation and data management software designed to help enable faster and more accurate diagnostic processes, including in vitro diagnostics and anatomical pathology testing. Our goal is to support more precise treatment decisions made by healthcare professionals.

This domain also provides equipment and services to support R&D and manufacturing in drug development processes. In addition, we seek to contribute to improving quality, cost, and delivery of cell and gene therapy, which is a promising approach to treatment for a range of diseases.

The following are updates on the three business units within our Diagnostics & Life Sciences domain: Our Biomedical Division has launched a series of ultra-low temperature freezers with industry-leading energy efficiency and added security features, along with a series of freezers that significantly minimize frost accumulation, which may cause damage and deterioration of freezer components. Moreover, leveraging PHC's technological prowess in blood glucose monitoring systems, we have launched LiCellMo, a live-cell metabolic analyzer that continuously measures cellular metabolic changes, offering researchers a deeper understanding of how those cells perform or respond to drugs. This device represents our full-scale entry into the field of cell and gene therapy.

In our Pathology Division, we have introduced the SlideMate™ Laser printer, which enables high-resolution printing on microscope slides to improve patient sample traceability. This innovation received the "Best New Pathology Solution" award in the 8th annual MedTech Breakthrough Awards in 2024. Additionally, we launched the P480 Dx whole-slide digital scanner, a compact model of the P1000, the largest-capacity whole-slide scanner on the market. We also released the E1000 Dx™ Digital Pathology Solution, a new device for clinical use, in Europe and the UK. Through new technologies including digital pathology, we are committed to improving the efficiency of pathology processes and contributing to quicker and more precise diagnoses of cancer.

In our In-Vitro Diagnostics (IVD) Division, we integrated LSI Medience's diagnostic reagents and instruments business with the IVD business in fiscal year 2023. The PATHFAST® compact immunoanalyzer, which is distributed by PHC IVD, has obtained FDA clearance for a high-sensitivity cardiac Troponin I test used to aid in the diagnosis of acute myocardial infarction, which we expect to significantly boost sales in the U.S. market. In Japan, we will accelerate the transition to the fully automated blood coagulation system STACIA CN10, aiming to enhance sales by leveraging synergies within the domain.

PHC Group Products and Services Supporting Our Everyday Life

PHC Group is a global healthcare company offering precision technology in diverse settings, ranging from medical institutions such as hospitals and clinics to everyday locations like homes and restaurants. For these special pages, we use illustrations to explain how PHC Group's products and services are integrated into one's daily routine and life. We invite you to see how PHC Group is dedicated to enhancing your quality of life.

Hospital (laboratory, pathology laboratory)



In pathology laboratories, pathologists observe tissues and cells collected from patients and make diagnoses essential for the appropriate treatment of diseases like cancer. EpreDia offers equipment and reagents for preparing specimens, microscope slides, and slide scanners to process specimens into image data.



In pathology laboratories, blood and urine samples taken from patients are tested. LSI Medience operates testing laboratories in hospitals, and performs clinical testing, including for health checkups and cancer screening tests contracted by hospitals and clinics.



PHC IVD's PATHFAST, a compact immunoassay analyzer, quickly measures biomarkers to detect conditions such as heart failure, myocardial infarction, thrombosis, and sepsis. In addition, PHCbi offers Delicart, a food catering cart that enables hospitals to keep foods at the optimum temperature. This power-assisted cart carries up to 60 meals simultaneously with minimal manual effort required.

Home



Tailored to the lifestyles of patients from young children to seniors, PHC IVD's motorized drug delivery devices help patients continue treatment and improve their quality of life by minimizing the strain of self-injection.



Ascensia is the exclusive distributor of EVERSENSE®, a long-term implantable continuous glucose monitoring (CGM) system for people with diabetes. This system helps patients manage their condition and makes their daily lives more comfortable.



Pharmacy

Pharmacies in Japan use Wemex's electronic medication history systems^{*1} and PHCbi's automatic tablet counting and packaging systems^{*2}.



^{*1} The system is linked to medical-receipt computers at dispensing pharmacies and electronically records the prescription history, effects, side-effect history, medication guidance, and inquiries to physicians and dentists.
^{*2} A device that automatically pads pills into bags tailored to the contents of the prescription.

Remote area

Wemex provides a virtual care device, Teladoc HEALTH, that enables medical institutions with a limited number of onsite specialists to connect with remotely located specialists online. The system helps to address issues such as the shortage of medical resources in rural areas in Japan.



Sports competitions

LSI Medience

At international sports events, doping tests are conducted using athletes' blood and urine samples to ensure the fairness of competitions and official records. LSI Medience is the only World Anti-Doping Agency (WADA) accredited laboratory in Japan that analyzes samples for doping tests at sporting events.



Restaurant

LSI Medience

LSI Medience offers a wide range of food safety services, including microbiological, physiochemical, and pesticide residue testing for foods and ingredients.



Research lab

PHCbi offers life sciences equipment to support research activities at pharmaceutical companies and research and medical institutions. Mediford provides a variety of testing and analysis services in Japan to ensure the safety and efficacy of pharmaceutical products.



Clinics, Dental clinics

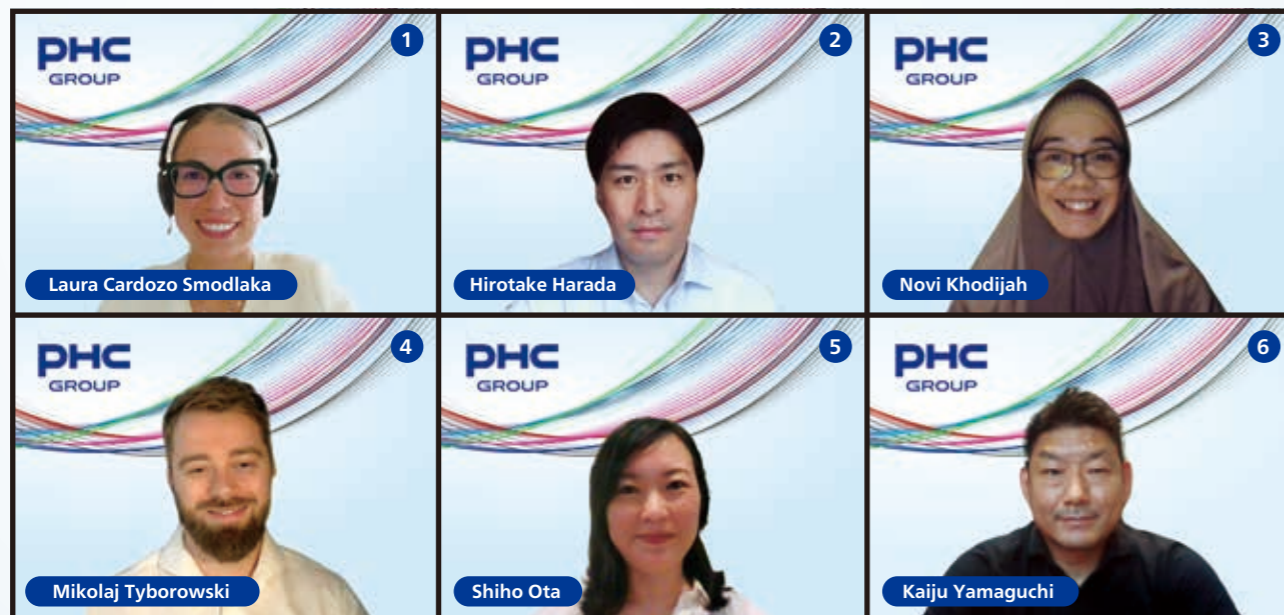


At medical and dental clinics, Wemex's electronic medical record systems³ and medical-receipt computers⁴ are widely used in medical and dental clinics in Japan.




³The system allows providers to input and manage medical records as electronic information.
⁴These computers prepare medical fee statements for billing payments to health insurance associations and other payment institutions.

PHC Group held an online roundtable with employees and management from major global sites to discuss the Group's sustainability initiatives, challenges, and prospects in each region (held on July 8, 2024).




Participants


1 Laura Cardozo Smodlaka PHC Europe B.V. ESG and Communication Specialist, Legal and Compliance, PHCEU. Joined PHCEU in September 2023 in the role of ESG and Communication Specialist. She resides in Italy.

2 Hirotake Harada  Vice President, Corporate Planning, Epredia (New Erie Scientific LLC). Currently stationed in the U.S., having transferred to Epredia in February 2024. Prior to his secondment, he was the head of the CEO Office at PHC Holdings Corporation and leader of the Project Management Office for PHC Group's ESG strategy.

3 Novi Khodijah PT PHC Indonesia Corporate Secretary, PHCbi. Joined PHC Indonesia in 1997. She leads the Kartini^{*1}, an employee team that promotes women's empowerment in Indonesia.

4 Mikolaj Tyborowski  ESG Manager, Quality Engineer EU, Ascensia Diabetes Care. Joined Ascensia in March 2023. He is based in Poland and promotes the company's sustainability activities.

5 Shiho Ota  Sustainability Promotion Office, Corporate Strategy Department, PHC Holdings Corporation. Since joining PHC Holdings Corporation in February 2024, she has led the sustainability activities of the entire Group.

6 Kaiju Yamaguchi  Executive Corporate Officer, Chief Financial Officer (CFO), PHC Holdings Corporation. Served as Vice Chairman of the Sustainability Committee while in the position of Chief Strategy Officer (CSO) of PHC Holdings Corporation. Since July 2024, he has served as CFO and a member of the committee.

*1 Kartini is a national leader of Indonesia who has worked hard to improve women's rights and education. She is known for her ideas and activism on women's education and empowerment.

● Introduction — Accelerating Sustainability Activities at PHC Group



Yamaguchi: Today, I hope we can have an open discussion about sustainability at PHC Group. Our Group's efforts for sustainability are gaining momentum as the entire Group has earnestly begun to address these initiatives to meet the demands of business partners and various regions. After listing on the Tokyo Stock Exchange in October 2021, we announced an amplified focus on sustainability activities in our Mid-term Plan disclosed in 2022. We defined materiality topics and KPIs for the entire Group in 2023, and issued our first integrated report early this year. We also enhanced our efforts by establishing a Sustainability Committee. Additionally, we are progressing in our responses to certifications such as SBTi^{*2}, which are becoming increasingly critical for our business.



Ota: At our meeting in April this year, the Sustainability Committee identified gaps between global ESG guidelines and requests from business partners and the Group's initiatives. Most recently, we shared the status of our response to CSRD^{*3} in Europe, which helped to deepen the understanding among our corporate officers, heads of each business unit, and other concerned parties.

● Employees' Understanding of Sustainability Initiatives



Yamaguchi: I'm curious to hear how the materiality topics and KPIs of PHC Group are being perceived at each site and how deeply they are being embraced. First off, how are things in the U.S.? How's it going at Epredia?



Harada: When I moved to the U.S. in February this year, my initial impression was that employees are really into sustainability initiatives. In April this year, the company held a kick-off meeting with all employees. Epredia is emphasizing sustainability. This makes me feel that there's a strong interest in sustainability at Epredia. Although the business unit is different, how about the situation in Europe where Laura is?



Cardozo Smodlaka: From our team's perspective, it seems that efforts to enhance ESG across PHC Group are widely supported by our employees in Europe. The challenge ahead is to further integrate ESG into our workforce, which can be supported by raising awareness. Increasing understanding of these topics, which may be new to many employees, will help them grasp the impact on our business and the reasons behind our practices. We hope that our efforts in Europe can serve as a model for other PHC Group locations globally. How is the situation in other regions?



Khodijah: Our company has been involved in ESG initiatives in Indonesia for many years. Recently, volunteer activities have also emerged, like the women's empowerment team "Kartini" that we launched in 2020. Although understanding of ESG among employees in Indonesia is still developing, the efforts of volunteer team members are gradually improving the situation. Since many employees have not felt connected to ESG before, we conducted an ESG training for all employees in fiscal year 2023. Moving forward, we aim to develop our activities in Indonesia further by leveraging the efforts of PHC Group.

*2 The abbreviation for Science Based Targets initiative. These targets are greenhouse gas emission reduction goals set by companies aiming for 5 to 15 years in the future, aligning with the standards outlined in the Paris Agreement to limit the rise in global temperature to well below 2 degrees Celsius (WB2°C) above pre-industrial levels, and to limit it to 1.5 degrees Celsius. Related links: https://www.env.go.jp/earth/ondanka/supply_chain/files/SBT_syousai_all_20210810.pdf (only in Japanese)

*3 Corporate Sustainability Reporting Directive, which refers to the EU's sustainability disclosure regulation, effective January 5, 2023. EU member states were required to take domestic legislative measures by July 6, 2024, to achieve the targets set out in the CSRD. The CSRD will be applicable to fiscal years starting as early as January 1, 2024.



Tyborowski: PHC Group defined its materiality topics and KPIs last year. These were very useful in prioritizing our initiatives in Europe, especially in the environment category. Today, responding to environmental needs is a most urgent issue. The defined materiality topics and KPIs clarified what we need to do while triggering the creation of our roadmap as we move forward. We were also able to share our goals with clients and other parties. We now have a clear picture of where we want to go and what we need to do to achieve our goals. This was a great starting point for preparing for CSRD compliance. Like for Laura's team which is based in the Netherlands, CSRD is an essential topic for us in Germany, one of Ascensia's main bases in Europe, and we want to ensure we respond to it.



Yamaguchi: We expect that efforts to respond to sustainability issues will expand in Europe first and then across the world. As a first step, we will proceed with our initiatives to continue to comply with CSRD at our subsidiaries in Europe. We started this work to establish a structure that will enable us to respond to various disclosure requests promptly. Then, in addition to our companies based outside of Europe, similar standards are scheduled to be issued in various countries, requiring a Group-wide response. More and more of our customers' requests improve sustainability throughout the supply chain, and ESG assessments and certifications are becoming increasingly important. We look forward to a successful initiative in Europe first, to accelerate our sustainability response throughout PHC Group.

● Sustainability Initiatives and Current Status in Each Region



Yamaguchi: Now, please tell us about unique efforts or approaches in your region. Mikolaj, how about in Europe?



Tyborowski: Lately, we have been striving to reduce the volume of packaging materials we use. We believe it will help reduce the environmental impact, improve customer satisfaction, and enhance our market competitiveness. Customers demand environmentally responsible products. Both we and our competitors are actively working to reduce packaging materials. It also improves sustainability throughout the value chain because it requires significant collaboration with suppliers and vendors. We believe the balance between environmental and social aspects is crucial and will be evaluated highly from a business perspective. Harada-san, how are things going in the U.S.?



Harada: EpreDia has manufacturing sites in Europe, as well as in the U.S. and China. Wherever we operate, our dedication to sustainability efforts is unwavering, with a strong focus on the U.S. After I started my current role, I set up a sustainability team within EpreDia. We hold monthly meetings to discuss our progress, and our management team shares and debates these updates. EpreDia's KPIs align with the goals of PHC Group, focusing on reducing CO₂ emissions, cutting waste, improving recycling rates, and minimizing packaging materials. We're taking a cross-functional approach, involving departments like R&D and procurement. Additionally, we're making specific strides at each manufacturing site, such as installing solar panels at our site in China and using renewable power at our UK site. As we continue to receive customer inquiries, we need to be diligent in addressing supply chain evaluations and product life cycle assessments. Novi-san, how do you engage in your initiatives in Indonesia?



Khodijah: Let me share a bit more about the team "Kartini" that we set up in 2020. This team consists of 18 female employees, including myself. Initially, our goal was to support the company's sustainability targets through seminars and campaigns and to keep employee motivation high, but we felt that wasn't enough. Given our long-standing experience in supporting an orphanage in Bekasi, Indonesia, we realized that to be more dedicated,

we needed to motivate our employees more effectively. With PHC Group's overall sustainability policy now outlined, we were able to focus more on activities closely related to ESG efforts. Our team aims to highlight the importance of protecting the planet, raise the consciousness among employees and the local community, and make us the top manufacturing site in PHC Group in sustainability promotion. We've just started with simple activities. But we are confident that we're making steady progress.



Cardozo Smodlaka: At PHCEU, our current main activities focus on CSRD compliance. While our efforts to reduce our environmental impact are in the early stages, we have already made significant strides. For instance, PHCEU has relocated to a new headquarters that operates on green energy. This is just one part of our ESG efforts and represents an important step towards reducing GHG^{*4} emissions.

Another key initiative is collaboration. For example, we are working closely with the HR department to improve social initiatives and corporate culture based on the results of our global employee engagement surveys. Additionally, we are enhancing collaboration among PHC Group ESG team members, focusing on the implementation of projects and activities that align with the overall ESG strategy of PHC Group.



Yamaguchi: With customer inquiries constantly increasing, with our good collaboration, it is vital that we also build effective management methods and responses within the organization.



Tyborowski: We work closely with the sales department to manage and respond to customer needs. By collaborating with the sales team, which interacts directly with customers, we prepare the best responses to meet their requirements. Additionally, we need to align our efforts not just regionally but with the entire PHC Group. For instance, it's vital to think about what is needed in the long-term from the customer's perspective and show something like a pipeline. As the pipeline progresses, it will involve not just the sales department but other stakeholders as well.

To improve our responsiveness, it's also essential to deepen our understanding and recognition of ESG. We plan to work with Laura's team at PHCEU to organize ESG training for employees. I think employee training is crucial, not just to answer the questions we frequently receive but also to help them understand how to address other questions they may have about ESG activities and what their customers are essentially looking for.



Cardozo Smodlaka: At PHCEU, I receive ESG-related customer inquiries through the sales team in my role as the ESG specialist. To improve our response, we began training the sales team, starting with our Sales Meeting this past June. This approach will ensure that they are equipped to handle general questions themselves, allowing us to consistently address inquiries and demonstrate to customers that we take sustainability seriously.



Harada: Creating a website or intranet that offers valuable information for the sales department would be a good idea. In responding to inquiries or questions from customers, the sales team often needs to search for information from various departments, so having a centralized source of information would save time and be convenient. It would be ideal if this source included aggregated ESG data, policies, a list of initiatives, and certificates from evaluation agencies to share with customers.



Yamaguchi: PHC Group has a global group intranet called One PHC, and I think it would be another good idea to promote information sharing on this intranet.

*4 Abbreviation for Green House Gas. It refers to emissions of greenhouse gases such as carbon dioxide and methane.



Ota: Wouldn't it be great if we could showcase our efforts on a two-way communication platform rather than just a one-way? Sharing progress in real-time and boosting communication and discussions will help us create an environment where all our global employees actively engage in sustainability.

● Challenges Ahead from Regional Perspectives



Cardozo Smodlaka: I recognize there are two challenges. Firstly, as ESG initiatives expand, it's necessary to invest time and effort to keep up with these initiatives and demonstrate progresses, which is not an easy task. Secondly, ESG-related topics are progressing at different speed in different countries and regions. While Europe is leading the pack, we need to consider when and how to take actions by referring to the situation in other regions.



Harada: I have two points to add. First, when discussing how to achieve KPIs, I think it's crucial to share how other teams in the Group are tackling the issues. For example, by brainstorming ideas for waste reduction or cutting down on packaging materials, we can learn from each other and share success stories. This way, the entire Group can respond more effectively and quickly. It's also a great opportunity to showcase the power of the concept of "One PHC." Second, we need to think about how to integrate our sustainability efforts with corporate growth. In order to operate our business sustainably, we should leverage sustainability as a growth driver. So, let us continue to discuss together a clear strategy and realize it in the best possible way.



Ota: As you all pointed out, sharing information, awareness, and best practices are crucial points, especially when progress varies by region. We're already working on this by regularly updating and discussing the latest EU information with Mikolaj and Laura through our internal ESG community site and weekly meetings. This approach is super effective in aligning our strategy up to speed, so we'd like to expand this effort by bringing in more participants.



Khodijah: The Indonesian government is assessing how much each company contributes to sustainable goals. So, even small initiatives are beneficial for obtaining business permits and import/export licenses. Last year, as part of our environmental activities, we ran a food waste reduction campaign and tree-planting activities. We would like to enhance our efforts in the coming years.



Tyborowski: ESG factors are often included as part of the terms and conditions when winning contracts through market bidding. It's fair to say that ESG initiatives can impact bidding. In any case, as we seek to advance our business, we must keep sustainability in mind, in addition to product quality and usability.

● Striving for Sustainability and What We Hope to Achieve as PHC Group



Harada: PHC Group's sustainability activities are still in their early stages, but we want to use momentum from enhancing these activities to grow the company. What are your expectations for the future of PHC Group?



Khodijah: I hope that PHC Group will go beyond its business and take serious global steps towards environmental protection for future generations.



Cardozo Smodlaka: I hope PHC Group will continue to contribute to a sustainable society. Adapting quickly to changes is crucial for this. I believe that this will not only drive innovation in healthcare but also enhance the company's overall sustainability.



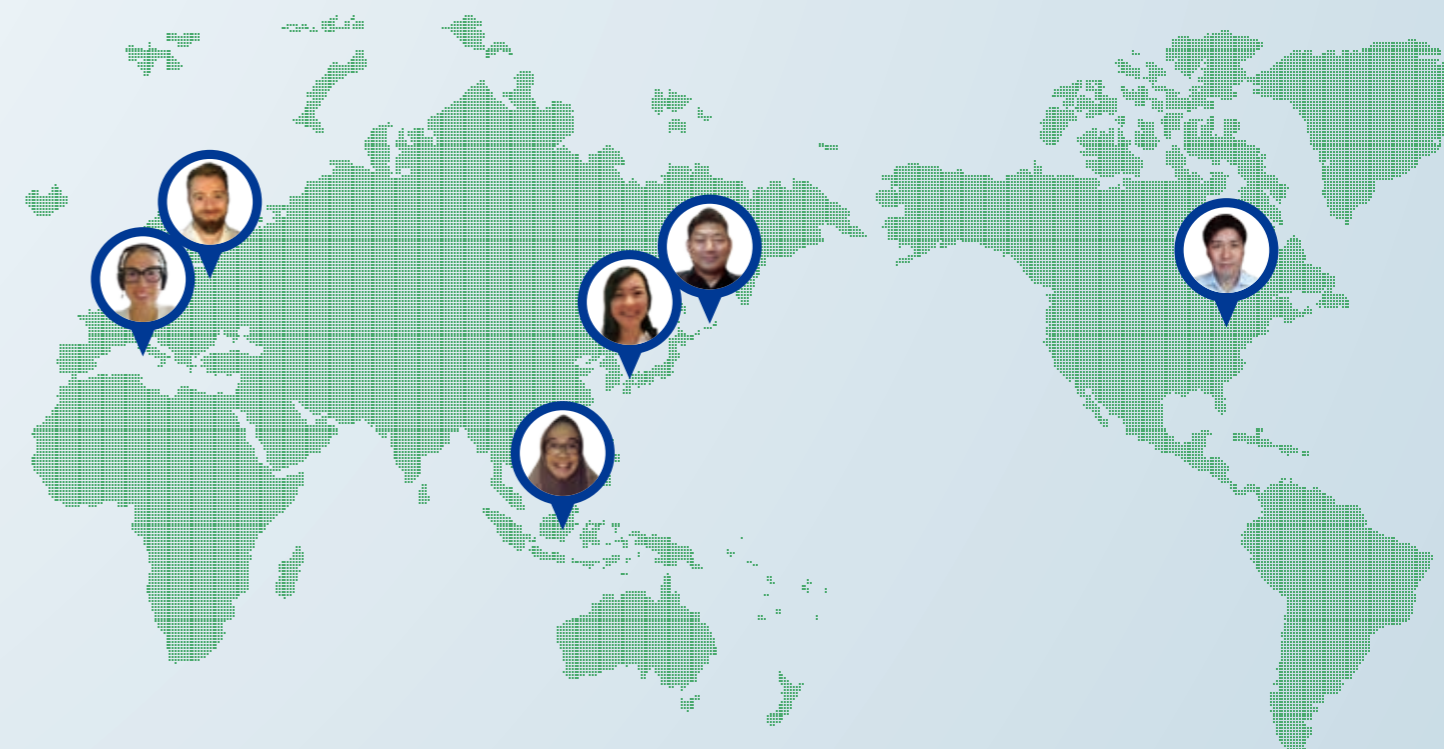
Tyborowski: We should take responsibility for the environmental and social aspects of the entire process of delivering products and services. In other words, we need to be sustainable and responsible throughout the lifecycle of our business.



Ota: PHC Group seeks fully sustainable management by 2030. We believe that integrating ESG into our management plan and its evaluation, and ensuring long-term financial strength, is critical to supporting sustainable growth. In addition, "precision manufacturing" is embedded in the DNA of PHC Group, and we expect that this will be part of the ESG activities that will be deeply rooted in the DNA of PHC Group in the future.



Yamaguchi: Moving forward, PHC Group will strive to improve lives and provide excellent services in the healthcare industry. To aim for sustainable growth, we will also collaborate with our stakeholders, including suppliers and customers around the world. Today's discussion has revealed a lot of learning and insights. We also realized that there is a lot of potential for us to grow as a Group. We appreciate all of your efforts. Thank you very much for your participation today.



We are promoting sustainability activities worldwide with the "One PHC" mindset.



Chapter 2

PHC Group Business Strategy

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Diabetes Management



Robert Schumm

Corporate Officer, PHC Holdings /
President and CEO, Ascensia Diabetes Care

As a global leader in diabetes technology, serving millions of people, we are committed to helping people with diabetes improve their health and quality of life through our industry-leading products and solutions.



Brian Hansen

President CGM, Ascensia Diabetes Care

Main Customers

- People with Diabetes
- Healthcare Professionals
- Dispensing Pharmacies

Rob's Message

Today, more than one in 10 adults in the world (540 million people) are living with diabetes.^{*1} At Ascensia, our mission is to make a positive difference for people living with the condition and we have been at the forefront of diabetes innovation for more than 80 years.

Our sole focus on diabetes means that we have a deep appreciation for the needs of people with diabetes, which enables us to develop, manufacture, and deliver innovative products that can help make life with diabetes more manageable. From our high-precision glucose monitoring systems to our digital diabetes management solutions, we provide tools to empower people to better manage their diabetes.

Brian's Message

Continuous glucose monitoring (CGM) is transforming diabetes care, significantly reducing the burden faced by people with the condition. We're proud to be at the forefront of this innovation.

Developed by Senseonics, our Eversense® E3 CGM System is the longest-lasting CGM available, offering six months of continuous glucose readings. This unique capability significantly reduces interruptions, ensuring that users receive the consistent data needed for optimal diabetes management.

We are dedicated to advancing CGM technology to provide solutions that offer reliability, flexibility and empowerment to individuals living with diabetes, helping them manage their condition more effectively and improve their quality of life.

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 world-renowned CONTOUR® range of BGM systems is known for its remarkable accuracy and ease of use, enabling people with diabetes to easily get the data they need to make informed treatment or lifestyle decisions. Since launching the industry's first personal BGM in 1981, we have continuously evolved our BGM product offering through innovation and manufacturing excellence, and we are proud to offer the highest level of accuracy^{*2} in the industry, at a competitive cost.

Developed by our partner Senseonics, the Eversense® CGM System represents a groundbreaking advancement in diabetes technology, as the industry's first and only long-term CGM system with an implantable sensor. The system 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 CGMs on the market, the Eversense® 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 14 days.

Senseonics also has an exciting pipeline of further CGM innovations that we will bring to people with diabetes in the future, including a 365-day Eversense® sensor that has been submitted to the U.S. FDA for review. This further increase in sensor longevity would be a significant milestone for the diabetes industry.

This business has been committed to supporting people with diabetes for more than 80 years and has been responsible for many firsts in diabetes technology. Looking ahead, we will continue to push the boundaries in diabetes management solutions as we aim to simplify and improve life for millions of people.

*1 <https://diabetesatlas.org/> *2 Pleus S. et al. User Performance Evaluation and System Accuracy of Four Blood Glucose Monitoring System With Color Coding of Measurement Results. 2022

Strengths

● Global business operations and expertise

Our products are sold in more than 100 countries 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 state-of-the-art equipment. Optimized product technology and production processes enable us to achieve the industry's highest standards of precision and reliability, while maintaining low-cost manufacturing.

● Innovative products/advanced technology

We support more effective self-management of diabetes through innovative products and digital solutions. The Eversense® E3 CGM System provides users with unparalleled reliability and flexibility, the longest-lasting sensor available, and a removable transmitter^{*3} with 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.

Employee Voices

Our Commitment to the Diabetes Community

At Ascensia, we are passionate about diabetes. We're proud that our products make a difference for people with diabetes every day, but we take even more pride in being a trusted member of the diabetes community. By being truly connected with those who live with the condition, we can make the most impact as a business. Our strong company culture, lived daily by our purpose-driven colleagues, significantly influences why people choose to work for us. Treating our team members with utmost respect, being forward thinking, and trusting each other are core values we are proud of. Over the years, we've actively supported various community initiatives that are advocating, educating, and striving to make a better world for those living with diabetes. As part of our commitment to the diabetes community, we are proud to engage with various awareness campaigns and educational initiatives. One example is our work for World Diabetes Day, an annual global awareness initiative from the International Diabetes Federation. Our most recent campaign was a three-year art and photography competition that gave people living with the condition a platform to highlight the real-life struggles and successes of life with diabetes. We had more than 800 submissions from more than 40 countries, and were able to donate €32,000 to charities supporting the diabetes community. Each year, we have been blown away by the powerful stories and the artistic expression of this global community. These campaigns are important to our employees and demonstrate the passion there is at Ascensia for having a positive impact on the people we serve.

Head of Corporate Communications, Ascensia
Diabetes Care (Basel, Switzerland)

Lorraine Chandler



*3 There is no glucose data generated when the transmitter is removed.

Main Products/Services

Our highly accurate glucose monitoring systems, 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.

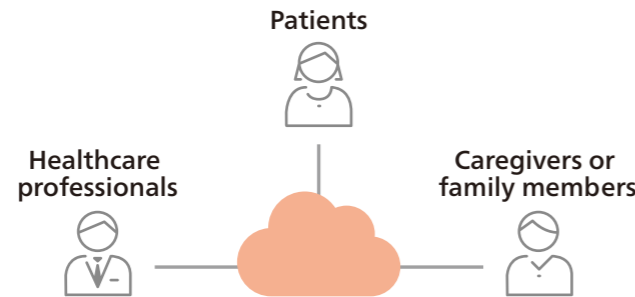
Blood Glucose Monitoring (BGM) Systems

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.



Digital Diabetes Management Solutions

Integrated diabetes management solutions that support more effective self-management and data sharing. GlucoContro.online⁴ offers a quick and easy way for people with diabetes to remotely share their blood glucose readings with their healthcare professionals.



Continuous Glucose Monitoring (CGM) Systems

Systems continuously measure 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 transmitter³ and the ability to provide unique on-body vibratory alerts.



⁴ SdNcenter is the legal manufacturer and developer of GlucoContro.online and is partnering with Ascensia to market and deliver the tool to HCP and patient users

Ascensia (BGM/CGM Division)

Market

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.

Strategy

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 in some 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[®] CGM System.

⁵ Senseonics Holdings, Inc. Reports First Quarter 2024 Financial Results – Senseonics

About CGM

The Eversense[®] CGM System, which we exclusively distribute, is the industry's first and only long-term CGM system with an implantable sensor 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 14 days.

In addition, our partner Senseonics announced on May 13, 2024 that it has filed a submission with the U.S. FDA for clearance of the next-generation Eversense 365-day system for iCGM designation⁵. This potential advance would double the sensor lifetime of an already differentiated product proposition, representing a significant milestone for the diabetes industry.

What's New

Developed by Senseonics, the Eversense[®] CGM System is highly differentiated from other products as the longest-lasting CGM system available.

It's been a strong year of progress for Eversense. The Eversense[®] system recently received iCGM designation from the U.S. FDA, which means that it now has the potential to be integrated with insulin pumps as part of an automated insulin delivery system. Senseonics also recently filed a submission with U.S. regulators for review of our next-generation Eversense 365-day system, and we plan to submit it for regulatory review in Europe soon. Pending clearance, Eversense 365 will offer people with diabetes the possibility to have just one sensor replacement per year, compared to between 26 and 52 for other available CGM systems.

We are resolutely focused on ensuring that we can make Eversense available to as many people as possible. In the U.S., access to Eversense was recently expanded when Medicare policies were updated to include coverage for Eversense for all people with diabetes using insulin. Another important step was introducing the Eversense Remote Patient Monitoring program, which combines long-term implantable CGM technology with advanced analytics and personalized health services into a comprehensive diabetes solution. Leveraging

this new program, Ascensia and Senseonics have partnered with St. Louis-based Mercy Healthcare Organization, one of the largest healthcare systems in the U.S., on a first-of-its-kind program for diabetes population management. The future looks very bright for Eversense, and for people with diabetes. (As of May 2024)

#1 CGM in Sensor Survivability & Longevity ⁶⁻⁸

Most Accurate in Low Glucose Ranges ⁶⁻⁸

Most Dependable Detection Alerts ⁶⁻⁸

Almost No Skin Reactions from Adhesive ⁹

⁶ Senseonics. (2023) Eversense[®] E3 Continuous Glucose Monitoring System User Guide. LBL-6002-01-001_Rev C

⁷ Senseonics. (2022) Eversense[®] E3 Continuous Glucose Monitoring System User Guide. LBL-4002-01-001_Rev B

⁸ Abbott. (2022) FreeStyle Libre 3 Flash Glucose Monitoring System User Manual. ART43911-001 Rev. B 06/22

⁹ Deiss D., et al. Real-World Safety of an Implantable Continuous Glucose Sensor Over Multiple Cycles of Use: A Post-Market Registry Study. Diabetes Technol & Ther, 2020, 22(1):48-52. DOI: .1089/dia.2019.0159.



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

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



Main Customers

- Hospitals/clinics ● Food manufacturers

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 (MEDical+sciENCE)." Through this mission, we seek to deliver accurate clinical test results to medical facilities promptly, based on the analytical technology we have cultivated for some 50 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. We introduced cutting-edge, next-generation sequencers and 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.

Regarding the inappropriate quality management at our Central Laboratory, we deeply apologize for the inconvenience and concern caused by this matter. We are taking corrective actions and thoroughly reinforcing compliance awareness. Press release.

https://ssl4.eir-parts.net/doc/6523/ir_material3/219432/00.pdf

Overview

Established in 1975, LSI Medience has operated various clinical testing businesses.

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 leveraging our core analytical capabilities accumulated over time in these diverse testing fields and our expertise in analyzing test results.

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 university hospitals, clinics, and administrative institutions, 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.

What's New

Cancer genome profiling testing, which comprehensively assesses genetic abnormalities and guides treatment choices, currently offers five types of panel tests in Japan. These tests are only available at 264 facilities, primarily core medical centers for cancer genome medicine. Since introducing its health coverage for treatment, from June 2019 to April 2024, the number of individuals registered for the panel has reached 70,000, with approximately 2,000 new registrants per month. LSI Medience Corporation has collaborated with analysis companies to offer the OncoGuide™ NCC OncoPanel System since 2019 and the GenMineTOP® Cancer Genome Profiling System since 2023 to provide testing to healthcare organizations. As of May 2024, our service for the GenMineTOP® has penetrated 92% of core medical centers for cancer genome medicine, 88% of hospitals for cancer genome medicine, and 67% of the 264 medical institutions that perform the test, including the affiliated hospitals. (As of May 2024)

Employee Voices

LSI Medience has engaged in unique industry-academia collaboration initiatives and has developed social projects by leveraging advanced analytical technologies of academia. For example, we have established proprietary technology for comprehensive protein quantification, the iMPAQT Method, as a contracted analytical service in collaboration with Kyushu University to support researchers. Since 2023, we have expanded the range of applications for this service by introducing a new developmental technology, called iMPAQT2 (<https://doi.org/10.26508/lsa.202302498>). We are pleased to report positive feedback on our analysis, such as "Our paper was accepted, thanks to your analysis." In the future, we plan to further enhance our network of industry-academia partnerships across Japan and make it one of our strengths.

Business Development Department,
Advanced Product Development Office



Kazuhiro Kunimi

Kyushu Pro Search Limited Liability Partnership
(KPSL) Executive Officer, Research and
Development Department Manager



Wataru Igami

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.

Clinical Testing Services

Respond to advanced and diverse clinical testing needs with laboratory automation systems. Third-largest provider in Japan based on market share*1



Doping Testing Services

Promoting global anti-doping activities as the only WADA*2 certified laboratory in Japan.



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



Hideaki Takahashi
Corporate Officer, PHC Holdings Corporation /
President and Representative Director, Wemex 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.



Main Customers

- Hospitals/clinics
- Pharmacies ●Dental clinics
- Companies and health insurance associations

Message

The business root of Wemex Corporation dates back to 1972 when the company launched Japan's first medical-receipt computer, the Medicom MC-1. Since then, for more than 50 years, we have transformed operations related to the healthcare sector with the power of digital technology and led the way in responding to changes in society and policy. We have extended our sales offices across Japan to support the smooth operation of medical institutions and pharmacies through a support system with close relationships in local communities.

In addition, our telemedicine services help to alleviate the personnel shortage in remote areas and reduce the travel burden of medical specialists. We also promote corporate employee health management through our health management solutions.

While helping to solve the problems that medical institutions and healthcare professionals face, we will contribute to the well-being of consumers in the future. We continue to actively work on supporting the health of society based on the Purpose and Values that we stand for.

Overview

Through the restructuring of the Medicom Division of PHC Corporation and the merger with PHC Medicom Corporation, Wemex Corporation began operations in April 2023 with a new structure providing one-stop services from planning and development to sales. In addition to Medicom brand electronic medical record systems and medical computers, we offer pharmacy management support, specified health guidance support, and telemedicine systems.

Our purpose is to "Explore the mind and body and create a society where everyone can seek personal happiness." Furthermore, we are committed to creating values essential to a society based on our values of "Pioneering x Co-creation," "Challenge x Evolution," and "Sincerity x Passion."

Strengths

- Abundant knowledge and experience
We have introduced a variety of innovations since the launch of Japan's first medical-receipt computer. 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 electronic medical record systems for clinics and medical-receipt computers for clinics and hospitals*. In addition, we have partnered with more than 2,900 health checkup and medical institutions across Japan for health management solutions. While some policy-related demands in Japan are expected, such as electronic prescription support and the fourth phase of specified health checkups and specified health guidance by government, our robust customer base with deep relationships and trust is our major strength.
- Prompt support service
We provide customer support to medical institutions, pharmacies, and others through a network of 157 locations across Japan. We also carefully respond to medical fee and legal revisions. We lead the industry in customer support quality, as the first in the healthcare IT industry to receive KCS awards and HDI ratings.

* Source: 2020 Company Share and Volume Base Medical-Receipt Computer (PHC Results) in "2022 Current Status and Future Perspective of the Medical Collaboration and Medical Platform Related Market" by Fuji Keizai Group Co., Ltd.
* Source: 2022 Company Share and Value Base Electronic Medical Records Systems for Clinics (PHC Results) in "2023 Current Status and Future Perspective of the Medical and Healthcare DX Related Market" by Fuji Keizai Group Co., Ltd.

What's New

In October 2023, we acquired the electronic medical record and medical-receipt systems related business from FUJIFILM Healthcare Systems Corporation, and Wemex Healthcare Systems Corporation was established. In addition to expanding our existing product portfolio, we will accelerate the development of high-value-added product lineups to promote the Japanese government's "digital transformation in medical care" by combining the technologies and know-how that both companies have accumulated.

Since acquiring this business, we are also exploring new directions for our healthcare IT business that combine the knowledge of both companies and align with the government's healthcare policies, such as by reviewing our product portfolio, sharing activities among divisions (sales, quality, procurement, etc.), and studying ways to improve efficiency. (As of March 2024)

Employee Voices

At Wemex Corporation, we defined our company purpose and value to foster employee engagement and build human capital. During the first year, employee champions in each department began activities to promote awareness of the Purpose Value. The goal of these promotional activities was to ensure that every employee understood our values, and we divided the department into several teams to enable two-way dialogue. We also held meetings for the younger members who were newer to the company and less experienced, to help them deepen their understanding of our values.

For everyone to see the values as an integral part of their responsibility, we believe that we must take the lead as internal advocates and set an example for others to follow.



Healthcare IT Division, Sales Headquarters, Tokai
Sales Department, Aichi 1st Sales Office
Yukina Sakano

Main Products/Services

We develop solutions to promote the digital transformation of healthcare in Japan. We offer a variety of electronic medical record and electronic medication history systems and medical-receipt computers. We also enable integration with online eligibility verification systems and electronic prescriptions, as well as API linkage with various services provided by collaborative partners.

Healthcare IT Business Operation Support Systems

Medical-Receipt Computers

Market share for clinics/
hospitals in Japan:



medicom-HRf core

Equipped with six typing assist functions to create accurate medical receipts and prevent input errors, allowing for a smooth transition to an electronic medical record system.

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

PharnesX-MX

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

Electronic Medical Record System for Dental Clinics

fine-SEED

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

Receipt Checking Support Service

べてらん君 collaboration Plus

High-speed digital processing makes billing operations more efficient. Equipped with easy-to-customize support functions, it assists in-hospital review of receipts.

Health Management Solution

Specified Health Guidance Support System

WellPort Step

Support both the instructor and recipient to promote specified health guidance. Communicate to promote continuous health development and disease prevention.

Digital Health Solutions

Real-Time Telemedicine System



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



Kei Shimizu
Mediford Corporation
Representative Director and President

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



Main Customers

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

Message

Mediford Corporation 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 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.

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.

Through the integration, Mediford Corporation 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 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 animals.

● Cutting-edge analytical equipment and technology that also supports personalized medicine

We maintain and manage a patient-derived xenograft (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. In addition, we are developing and examining technologies and devices useful for solving issues in drug development, such as 3D culture technologies, including organoids and Microphysiological Systems (MPS), as well as options for collaboration with other companies and introducing such technologies and devices into our services.

● 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.

What's New

Today, we face an ever-increasing need to reduce the time required for drug development and to improve the probability of success, in response to the declining market share of Japanese drugs in the global market. We are actively collaborating with other companies to solve these issues. The study with the Central Institute for Experimental Medicine and Life Science (CIEM), a partnership that began in March 2024, aims to bring the results of basic medical research into the marketplace utilizing our proprietary drug development technology platform, and to popularize and share the results outside Japan in the future.

Additionally, the Shonan Drug Discovery Support Consortium, launched in March 2024 with four partner companies gathered at the Shonan Health Innovation Park (Fujisawa City, Kanagawa Prefecture), will support drug discovery and development by pharmaceutical companies, venture companies, and academia, and offer a level of assistance not possible through the efforts of a single company alone. (As of March 2024)

Employee Voices

Mediford Corporation presented a poster at the 97th Annual Meeting of the Japan Pharmacological Society in Kobe, Hyogo Prefecture, in December 2023. Preparing the experiments and presentations in parallel with daily work was challenging but rewarding. For preparation, we explored using a newly introduced device for an evaluation system. I learned to use the new device by referring to the paper and succeeded in establishing a new evaluation system. To perfect our presentation, I had repeated discussions with my managers about interpreting data and drawing conclusions to shape the research results. On the day of the poster presentation, we received questions from many visitors, and we exchanged opinions on the results interpretation and future potential issues. So many visitors expressed interest in our exhibit, I was pleased and felt our efforts had paid off. I will continue to pursue my research vigorously, present papers at conferences, and strive to grow as a researcher at Mediford Corporation.



Department of Pharmacology Pharmacology Group 2
Kumamoto Research Institute Non-Clinical Division
Business Management Division

Nahoko Matsuki

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.

Non-Clinical 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.



LSI Medience (LSIM Division)



The clinical testing market in Japan was driven by demand for COVID-19 related tests from 2020 to 2022.

Due to a significant drop in demand for COVID-related testing, the overall clinical testing market in Japan has shrunk. However, there are signs of a gradual recovery in general testing demand. The overall clinical testing market is expected to grow by 1-2% year-on-year, reflecting the recovering demand for general testing to pre-COVID levels and an expansion of new technologies and demand, such as genetic and genomic testing.

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

Our company, which is responsible for the clinical testing contract business of PHC Group and boasts one of the largest such businesses in Japan, covers a wide variety of more than 4,000 types of tests.

In addition, we promote a variety of large-scale industry-academia collaboration projects, including the Tsukuba i-Laboratory, which is the first such collaboration in Japan.

The three 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 contracts for uninsured

testing, a new market that is not limited to medical care. In addition, we plan to promote strategic partnerships with regional hospitals and academic institutions, utilize the laboratory capabilities of our regional partners to reduce cost, and develop regional strategies to efficiently undertake clinical testing.

Wemex (Healthcare IT Solutions Division)



The healthcare IT market in Japan is expected to grow steadily at 2% annually. The usage rate of electronic medical records systems for clinics, our core product category, is about 50% of the over 100,000 clinics across Japan. Until recently, on-premises products have been the mainstream, but demand for cloud-based products and services is expected to increase in the future, especially among physicians considering opening new clinics.

Furthermore, with the implementation of the online eligibility verification system, which verifies the validity of insurance qualifications online through My Number Cards or health insurance cards, the cumulative installations of medical-receipt computer software linked to the system at medical institutions like hospitals, clinics, and pharmacies has exceeded 50,000* for Wemex Corporation and Wemex Healthcare Systems Corporation. In the future, we will seek to continue to expand the installation of management software linked to e-prescriptions, which convert paper prescriptions into digital form.

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 organize our business to align with medical policy trends in Japan, such as the introduction of the online eligibility verification system starting in 2021, the introduction of electronic prescriptions from 2023 onward, and efforts to achieve a 100% electronic medical record usage rate by 2030. Furthermore, Wemex Healthcare Systems Corporation, which launched as part of PHC Group in October 2023, operates in the the electronic medical record and medical-receipt systems related business and has established a significant market presence, particularly in receipt checking services. We will continue to accelerate business growth by developing and providing high-value-added products and expanding our customer base.

Our electronic medical record system for clinics employs the cloud integration system Medicom Connect API, which links with various other systems provided by partners, such as appointments, medical interviews, and accounting services. We will continue to seek to expand solutions to improve the management and business

operation efficiencies at medical institutions and pharmacies by connecting various cloud services with our medical-receipt computers, electronic medical records, and electronic medication history systems.

The market related to medical data, which has lately gained attention, is also expanding, with double-digit annual growth expected in both corporate management and data analysis areas. We will strive to solve a range of issues in the healthcare industry, such as optimizing healthcare costs, through analyzing data and other information that we hold. Furthermore, we will use the power of digital technology to create new value for the healthcare industry through an online telemedicine system that connects doctors with patients in remote locations.

* As of March 13, 2024

Mediford (CRO Division)



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 Corporation on November 1, 2023, we aimed to work toward 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 Patient-derived xenografts (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.



Contributing to improved patient outcomes through groundbreaking technology to support cancer diagnostics

Steven Lynum

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

Main Customers

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

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 seeks to ultimately reduce the burden of disease and the environmental impact of medical care by improving the pathology laboratory workflow. 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 contributing to better outcomes for patients.

Anatomical pathology involves observing organs and tissues and diagnosing whether tissues 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, 48 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 companies Paige 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 microscope slides and tissue processors.

What's New

EpreDia is a global leader in precision cancer diagnostics solutions. With a foundation built on high-quality and reliable instruments, reagents, and microscope slides, we strive to deliver new value in the clinical and research fields through digital imaging using digital scanners and supporting AI-driven diagnostics.

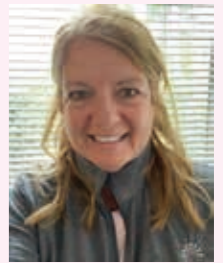
In FY2023, we introduced the award-winning SlideMate Laser printer, designed to improve tissue sample tracking and efficiency by enabling laboratories to embed more detailed information directly on the slides used in the cancer diagnostics workflow. Additionally, we launched the E1000 Dx™ Digital Pathology Solution designed to maximize laboratory productivity for diagnostic use in the United Kingdom.

On the manufacturing front, we commenced the production of equipment made specifically for the Chinese market at our 100,000 square-foot Shanghai facility. We are now working to optimize the efficiency of our production systems globally by deploying engineers from other PHC Group companies to share and implement best practices from our rich legacy in Japanese manufacturing.

As a frontrunner in anatomical pathology products designed to improve the laboratory workflow, we remain committed to providing cutting-edge value that enhances precision diagnostics. (As of March 2024)

Employee Voices

For the past twenty years, the EpreDia Portsmouth team has been delivering innovative, quality OEM microscope slides used specifically for cervical cancer screening. This type of product must be free of any fungal contamination, which could result in a misdiagnosis or even worse, unnecessary treatment. Our team takes great pride in meticulously processing the slides to meet this critical healthcare need. The packing department, which is currently comprised of all women, can personally relate to how important this slide is as part of an annual gynecological visit. With that in mind, they have a deep understanding and appreciation of the quality criteria we must meet every day.



Deputy Site Leader
Lisa Julian

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 microscope slides 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:



Pathology Reagents

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



Pathology Equipment

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



Labeling Solutions

Automate printing of slides and cassettes to streamline workflow.



Digital Pathology

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



* In-house research



We create new values in life science research and medical practice.



Chikara Takauo

Corporate Officer, PHC Holdings Corporation
Director of Biomedical Division, PHC Corporation

Main Customers

- Pharmaceutical and biotech companies
- Hospitals/clinics ●Research institutions/universities
- Dispensing pharmacies

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."

For the 30 years since I joined Matsushita Kotobuki Electronics Co., Ltd. the predecessor of PHC Corporation, I have engaged primarily in technology and production engineering. I have always believed our company is "technology-driven" and would not grow without new products. The Biomedical Division is committed to developing attractive new products moving forward. We will also contribute to the therapeutic manufacturing process for cell and gene therapy (CGT) by developing and producing new products leveraging our sensor technology accumulated through the development of our blood glucose meters and other products.

Overview

The Biomedical Division primarily provides products and services to medical institutions, universities, and pharmaceutical companies, including solutions for sample storage, cell culture, maintaining a sterile research environment, and research and development for 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 Corporation. 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 CO₂ incubators feature a unique contamination prevention function, and their quality, energy savings, 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 maximize the performance of each welder. 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 CO₂ 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.

What's New

The Biomedical Division has been promoting a cross-functional team (CFT) improvement activity called the Achieving Biomedical's Cost Down (ABCD) Project since FY2022.

Over the past two years, we have implemented approximately 150 improvements by forming small teams across divisions to identify opportunities to improve.

An award system is in place for particularly significant improvements that contribute to our business unit, providing an incentive for employees to take on new challenges.

In addition, improvement activities often include themes such as appropriate use of raw materials, power savings for facilities, reduction of packaging materials, and streamlining logistics.

We renamed this initiative the ABCD+ESG Project in FY2024 to reflect its contribution to ESG strategy and re-launched it as a cross-divisional activity for sustainability, not just a profitable contribution to the company. (As of March 2024)



Deputy General Manager, Procurement Department,
Biomedical Division, PHC Corporation
Masashi Desaki

Employee Voices

This fiscal year, we will enter the field of cell and gene therapy (CGT). We were proud to launch the Live Cell Metabolic Analyzer (LiCellMo) with the support of many people over the last six years. After global testing, many researchers have provided high praise for the instrument, which is capable of continuously monitoring changes in cell metabolism, without interrupting an experiment. Following the launch of LiCellMo, which can be used for basic CGT research and process development, we will seek to further contribute to the production of CGT drugs. CGT is a game-changing field that contributes to treating diseases previously hard to cure, such as cancer and rare diseases. We take great pride in contributing to society through this technology and will seek to grow our impact by mobilizing all of the Biomedical Division's strengths.



PHC North America CGT Team in
Wood Dale, Illinois, USA.

Main Products/Services

●Ultra-Low Temperature Freezer

This product uses highly efficient refrigerant, 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 minus 70°C. The ULT freezer provides safe and secure storage.

●CO₂ Incubator

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

UV sterilization technology.

●Pharmacy Solutions

Equipment, including an automatic tablet counting and packaging system, 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 Solution

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.



CO₂ Incubator

Provides an optimal culture environment to improve cell culture productivity.



Medicinal Cold Storage

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



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 food.



* In-house research



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

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



Main Customers

- Hospitals/clinics
- Medical device manufacturers
- Pharmaceutical companies

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 BGM systems, Point Of Care Testing (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 POCT.

Overview

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

Since launching the industry's first electrochemical BGM system in 1991, we have developed and manufactured a variety of healthcare products including motorized drug injection devices and POCT 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 was integrated with 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**

We carefully consider how to improve products and reflect the results in the product design. Through the study on how we can support accurate diagnosis and treatment and contribute to maximal efficacy, we offer high value-added products unique to our company.

● **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 early.

● **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 designed and manufactured optical disk drivers is now applied to centrifugation and measurement technology for specimens in our healthcare products.

What's New

In November 2023, the Diagnostic Reagents & Instruments Business of LSI Medience was integrated with PHC IVD through an absorption-type split. By combining the culture of manufacturing of BGM systems and other products, which is one of the strengths of the Diagnostics Division, with new technologies, knowledge, and know-how in the development and manufacture of in vitro diagnostics and medical devices, we have been able to provide high-performance, high-quality products to a wide range of customers both in Japan and internationally. In addition, we will further accelerate the development and manufacture of products to meet customers' unmet needs by creating synergy across PHC Group companies, through enhancing diagnostic reagents manufacturing plants, research facilities, and sales offices and promoting collaboration and talent exchanges. The IVD Division will continue to contribute to advancing healthcare by providing medicines and devices that support early detection and effective treatment of diseases. (As of Nov. 2023)



At the kick-off meeting of the new diagnostic reagents division

Employee Voice

Synergies and innovations emerge from the space where separate businesses coexist.

The Hokkaido office where I work is home to seven people from the Sapporo sales office of the Diagnostic Reagent Division and three people from the Hokkaido sales office of the Biomedical Division. The office has an open atmosphere, with shared desks, creating an interaction across divisions and opportunities to exchange information.

The product lineup and information network of the IVD Division specialize in clinical testing, and the Biomedical Division has a wide range of customers and information networks.

I feel that the synergy and innovation created through the interaction of businesses and employees, who otherwise may have had no opportunity to interact with each other, allowed us to accelerate our mutual strengths and allow personal growth. We will continue to share various information and strive to create new role models and business value together as "One PHC."



IVD Division,
Domestic Sales Department,
East Japan Sales Department
Sapporo Sales Office Manager
Nobuhiko Nishizawa

Main Products/Services

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

Compact Immunoassay Analyzer (PATHFAST)



Automatic Blood Coagulation Analyzing System (CN10)



Reagents for General-Purpose Automated Analyzers



Blood Glucose Monitoring (BGM) Systems

Supplied to: ARKRAY Co., Ltd.



BGM Systems for Hospitals/Clinics

Supplied to: SANWA KAGAKU KENKYUSHO CO., LTD.



Blood Sampling Device/Dedicated Blood Sampling Needle

Supplied to: Sanwa Kagaku Kenkyusho Co., Ltd.



POC Biochemical Analyzer (measures HbA1c, lipids and CRP)

Supplied to: Roche Diagnostics



Motorized Drug Injection Devices

Supplied to: JCR Pharmaceuticals 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

Epredia (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 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 kinds 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 seek to increase our market share.

Additionally, in the growing field of digital pathology, we offer digital pathology products including those 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 (Pi2), and we will invest heavily in the growth of digital pathology and immunohistochemical staining.

The E1000 Dx™ Digital Pathology Solution, developed from a practitioner's perspective and based on the experience and knowledge of physicians, is now available in the UK. The scanner can load up to 1,000 slides at once and automatically scan them in about half a day.

Scanning during the night and sharing the data among pathologists the next day, for example, enables high volume and rapid observation irrespective of the pathologist's location. This contributes to making the diagnostics process more efficient.



PHCbi (Biomedical Division)



The Biomedical Division seeks to improve profitability by enhancing product competitiveness in our Foundation Areas, where it provides life science equipment such as ultra-low temperature freezers and pharmaceutical refrigerators. Meanwhile, research and development of new therapies and cutting-edge technologies, such as cell and gene therapy (CGT), mRNA medicine, and nucleic acid medicine, are active and overall they seem to grow double-digit annually. The Biomedical Division defines CGT as a Growth Area and will accelerate research, development, and launch of products that contribute to improving manufacturing QCD.

[Foundation Areas]

For high-value-added products such as ULT freezers and CO₂ incubators, we will advance the development of new products to differentiate us from our competitors. As for other products, we will leverage our Indonesian manufacturing base to enhance price competitiveness through more efficient development, design, and manufacturing operations.

[Growth Areas]

We will focus on the field of CGT. In cell culture, cell metabolites are especially 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 new Live Cell Metabolic Analyzer (LiCellMo), which applies technology for quantifying biological compounds that we have cultivated through our blood glucose monitoring systems, can continuously measure cell metabolism and share data about the state of cells in real time. This technology allows us to gain a new level of knowledge unobtainable through conventional methods, and through this knowledge, we can contribute to the reliable and stable production of therapeutic cells.



PHC IVD (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.



In pursuit of our mission to create healthcare solutions that improve lives, PHC Group is working to advance Value-Based Healthcare by addressing sustainability issues throughout the value chain in our

three business domains: Diabetes Management, Healthcare Solutions, and Diagnostics & Life Sciences.

Our Value Chain Initiatives


Research and Development




- Promote the development of products that reduce environmental impact, including environmentally conscious design combining energy-saving performance with high durability.
- Pursue improvements in healthcare quality, cost reduction, and efficient use of medical resources by engaging in new fields like digital health and cell and gene therapy.
- Combine expertise from specialists across business units to respond to customer feedback and market needs.
- Develop products that comply with global chemical regulations and product safety standards and meet cybersecurity requirements.




Procurement




- Build a robust supply chain based on sustainable procurement principles through communication with suppliers, including supplier surveys and guidelines.
- Promote sustainability initiatives throughout the supply chain, including streamlining logistics, selecting environmentally friendly materials, and reducing packaging materials.
- Enhance risk management in compliance with procurement-related regulations, such as Japan's Subcontract Act, by leveraging purchasing systems.



Manufacturing



- Promote efforts to reduce waste and increase recycling by more efficiently sorting recyclable materials.
- Develop and improve production technologies to reduce carbon dioxide emissions, water, and packaging material consumption.
- Reduce waste and lower costs by optimizing our manufacturing and operations footprint.
- Ensure that employees involved in manufacturing excellence can produce high-quality products by providing technical and safety training and upgrading and certifying their skills.



Sales



- Distribute a wide range of products and services in more than 125 countries and regions and promote further sales expansion in emerging and developing countries where medical care is needed.
- Expand Internet of Things (IoT) services to provide timely user support, collect customer feedback, and build strong partnerships.
- Reduce environmental impact by improving the efficiency of business travel, such as replacing air travel with train travel on specific routes in Japan.



Related Materiality*

- Climate Change
- Preservation of Natural Resources
- Circularity
- Healthcare Innovation
- Product Excellence
- Supply Chain
- Expanded Access
- People & Culture
- Corporate Governance
- Risk Management
- Cybersecurity

- Climate Change
- Preservation of Natural Resources
- Circularity
- Product Excellence
- Supply Chain
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- Climate Change
- Preservation of Natural Resources
- Circularity
- Healthcare Innovation
- Product Excellence
- Expanded Access
- People & Culture
- Risk Management

- Climate Change
- Healthcare Innovation
- Product Excellence
- Expanded Access

* Excerpts only from materiality topics related to initiatives in our Value Chain.



Chapter 3

PHC Group Sustainability

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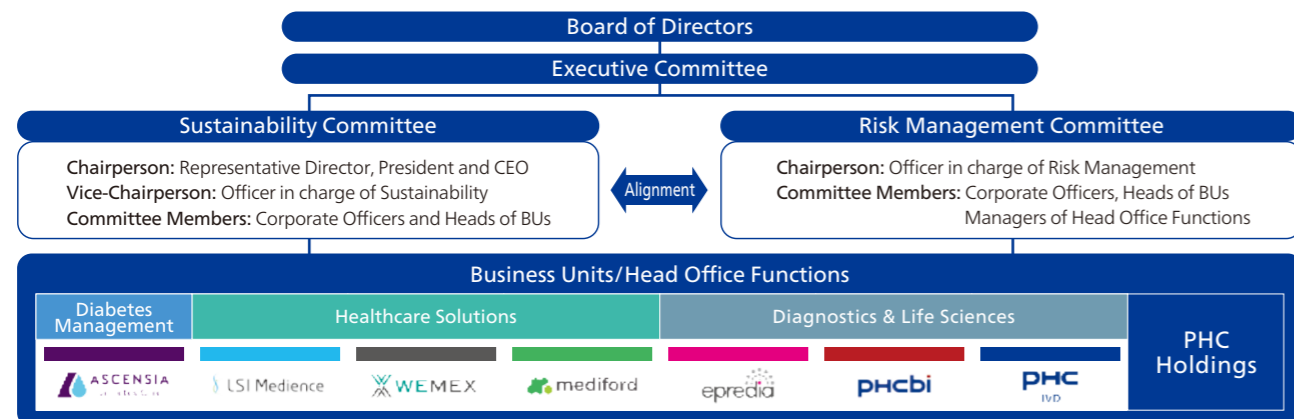


PHC Group is committed to long-term sustainability efforts. Our mission is to contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people. We recognize that sustainability drives our ability to achieve this mission and create a lasting impact.

Sustainability Promotion Structure and Risk Management

PHC Group has established a Sustainability Committee chaired by our Representative Director, President and CEO and including our Corporate Officers and Heads of Business Units. The Committee identifies materiality topics, determines KPIs and targets, evaluates performance, directs improvements, and manages, discusses, and approves sustainability-related activities including those necessary under new regulations and guidelines. Sustainability matters are directed to the Sustainability Team, comprised of leaders selected from each Business Unit and head office functions, to make recommendations on a structure and process that will enable the entire Group to implement sustainability activities including initiatives to achieve the targets for each KPI. Reports, discussions, and deliberations made by the Sustainability Committee are submitted and reported to the Executive Committee and the Board of Directors to the extent required in the "Rules on Group Rules Management." The Sustainability Committee seeks to meet four times a year and report its deliberations to the Board of Directors at least once a year. The Board of Directors manages and supervises appropriateness, effectiveness, and risks of sustainability activities. Regarding risk management, PHC Group identifies critical risks each year by examining risk areas such as the environment, natural disasters, geopolitics, cybersecurity, and technology transfer, based on the "Basic Rules on Risk Management." For critical risks, the Risk Management Committee implements countermeasures to avoid occurrence or minimize the impact of risks and reports the results to the Board of Directors. Risks related to sustainability are evaluated by the Sustainability Committee and managed jointly with the Risk Management Committee. In addition, the Group analyzes scenarios regarding climate change and will disclose risks and opportunities, as well as relevant initiatives.

Sustainability Management Structure Chart



Materiality, KPI, Target and Progress

Mid-term Plan (VCP) announced in November 2022, PHC Group defined our business Foundation and Growth Areas to drive future business growth, and announced plans to strengthen ESG management. The Group has identified "materiality topics" to advance 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," and set respective KPIs and targets. We will promote sustainability management through Groupwide efforts.

ESG Matrix	Materiality	KPI	Targets ^{*1}	FY23 Actual, Progress
Environment	Climate Change	Scope 1 & 2 CO ₂ emission reduction	Carbon neutral by 2040	Under calculation ^{*2}
		Scope 3 CO ₂ emission reduction	TBD (set after identifying current Scope 3 emission)	Under calculation
	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	Under calculation
		Percentage of reduction of packaging material on a per revenue basis	10% reduction (vs. 2022) by 2030	Under calculation
		Percentage of reduction of waste generated at production sites / labs on a per revenue basis	20% reduction (vs. 2022) by 2030	Under calculation
	Circularity	Percentage of total waste recycled at production sites / labs (recycling percentage does not include thermal recycling)	90% by 2030	Under calculation
Percentage of recycled content in plastic packaging materials		10% by 2030	Under calculation	
Social	Healthcare Innovation	Number of new patent applications	-	155
		Number of registered patents	-	4,306
		Number of new products and services launched	-	93
		Revenue from the "Growth Areas" (Advanced Therapy Development, Digital Health, Personalized Testing and Diagnostics)	86.0 bn JPY by 2025	41.0 bn JPY
	Product Excellence	Number of warning letters issued (e.g., FDA warning letter)	0	0 (achieved)
		Number of recalls issued	-	2
	Supply Chain	Percentage of response rate to PHC Group supplier survey	95%	95% (achieved)
	Expanded Access	Consolidated sales in emerging and developing markets	-	49.3 bn JPY
	People & Culture	Ratio of gender diversity at manager level or above	Non-male ratio: 30% or higher by 2030	Stated in Status of employees ^{*3}
		Employee Engagement Score: increase from the previous year	1 point+ improvement vs. PY	62
Enhanced employee learning and skill development		-	PHC Academy Skill Database	
Governance	Corporate Governance	Percentage of nationality diversity of the Board of Directors	-	25%
		Board effectiveness assessment	1/year	1 (achieved)
		Number of meetings with institutional investors and securities analysts	-	95
	Risk Management	Number of Enterprise Risk Management Committee meetings	2/year	Kick-off held
		Percentage of employees taking compliance training (e.g., code of conduct, insider trading)	100%	100% (achieved)
	Cybersecurity	Percentage of employees who participate in information security and data protection training	100%	100% (achieved)
Biannual vendor security reviews - percentage of critical vendors reviewed		100%	100% (achieved) ^{*4}	
		Number of PHC Group Cybersecurity Committee meetings	4+/year	4 (achieved)

^{*1} KPIs for which it is difficult to set appropriate targets are displayed as "-". Targets for items under discussion will be disclosed as soon as they are set.
^{*2} Actual values for materiality "Climate Change," "Preservation of Natural Resources," and "Circularity" are currently under calculation. We plan to disclose this information on our website in the fall.
^{*3} Annual Securities Report for the fiscal year ending March 2024
^{*4} From the viewpoint of information security, the scope applicable to ISMS certification is under review, and we plan to expand the scope in the future.

Process for identifying materiality topics <https://www.phcd.com/global/sustainability/materiality>

SDGs matrix https://www.phcd.com/~Media/phcd_g/sustainability/pdf/PHC_SDGs-matrix_EN_PDF.pdf

Disclosure of the environment data <https://www.phcd.com/global/sustainability/environment>

Environmental Initiatives

Environment

PHC Group's global sustainability strategy addresses environmental, social, and governance issues. In terms of the environment, we are focused on three materiality topics – Climate Change, Preservation of Natural Resources, and Circularity – with the aim of becoming carbon neutral by 2040. In June 2024, we announced a new environmental policy to support our work to accelerate sustainability issues across the Group.

Scan this QR code for environment, hygiene, and safety policy



<https://www.phcd.com/global/sustainability/environment/policy>

Climate Change

Vision

PHC Group has set a carbon neutral goal to reduce greenhouse gas emissions to virtually zero by 2040. This goal is based on global frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement, and the entire Group is working to achieve this goal by prioritizing energy efficiency and climate change countermeasures.

The Paris Agreement, adopted in 2015, has led to a growing movement among companies to set science-based greenhouse gas emission reduction targets (SBT: Science Based Targets) on their own initiative in support of global efforts to combat climate change. PHC Group made an SBT commitment in December 2023 and is in the process of setting near-term targets based on SBT. In this way, we are promoting operational efficiency and energy-saving measures, and are currently formulating a plan to switch the power used in our offices to renewable energy sources.

PHC Group is also working to enhance information disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Specifically, we are evaluating risks and opportunities through Scope 3 (direct and indirect emissions) calculations and scenario analysis, and are formulating countermeasures and transition plans.

Through these initiatives, PHC Group is making steady progress toward addressing climate change and advancing a sustainable society through our business.

Initiative

Carbon Neutral Initiatives - Biomedical Division -

Climate change is a global issue, and reducing greenhouse gas (GHG) emissions is important in the healthcare industry. In the Gunma area of Japan, where our Biomedical Division is located, we have undertaken various initiatives for energy saving and preservation of natural resources at the factory and the office in order to achieve carbon neutrality by 2040. In particular, we are implementing capital investment and

eco-actions at the factory, energy savings through streamlining manufacturing processes, and energy savings in the product development.

We are making efforts to reduce CO₂ emissions in our factory equipment by switching to LED lighting, reducing the pressure of air compressors in the manufacturing process, and replacing chillers (cooling water circulation devices) in the foaming process.

Additionally, we utilized AI to streamline the manufacturing process and the final product inspection process for ultra-low temperature (ULT) freezers. By reducing

the inspection time per ULT freezer, we have achieved a reduction in CO₂ emissions.

We are also carrying out initiatives in product development, where we are steadily progressing toward realization of CFC-free products. The VIP ECO SMART ULT freezer in particular boasts industry-leading energy-saving performance and has received International Energy Star certification^{*1}, an international certification given to products with excellent energy efficiency. In May 2023, the VIP ECO SMART received the "Outstanding New Product Award" at ISBER (International Society for Biological and Environmental Repositories) 2023^{*2}. We will continue to promote reductions in GHG emissions through our business activities and product development.

^{*1} The Energy Star-certified products with US specification are as follows: MPR-S1201XH-PA, MDF-DU703VHPA. Other product numbers MDF-DU703VHA-PA, MDF-DU702VH-PA, and MDF-DU901VHA-PA are also applicable.
^{*2} VIP ECO SMART (product number: MDF-DU703VH/VHA-PA)

Reduction of Dry Ice (CO₂) Use for Specimen Transportation

Previously, LSIM used dry ice to transport frozen specimens received from hospitals and clinics across Japan. The difficulty of reusing dry ice, accompanying CO₂ emissions, unstable supply, and the risks of air transportation all presented challenges.

To address these issues, we introduced a new cold storage agent as a substitute for dry ice. After establishing an operational method, we began transporting items using the cold storage agent at five locations, successfully reducing the amount of dry ice used by 30% and saving approximately 5.7 million yen compared to the previous year. In the future, we will introduce the new cold storage agent in our Group companies nationwide, aiming to ultimately reduce the amount of dry ice used to zero.



Members of the Nagoya Office who participated in consideration

VIP ECO SMART



PHCbi's -85°C CFC-free ultra-low temperature freezer VIP ECO SMART series with industry-leading energy-saving performance

Employee Voices



Yuuko Hoshi

Process Technology Strategy Group and Department
LSI Medience Corporation

Led by the Process Technology Strategy Department, we collaborated with the Sales department and the manufacturer of a cold storage agent to consider transportation boxes and management methods for the new cooling approach. We discussed how best to store the agent, and after exchanging opinions and cooperating with the people collecting the agent many times, we were able to establish a unified, easy-to-understand and easy-to-use method.



Preservation of Natural Resources

Vision

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 has identified preservation of natural resources as one of our sustainability materiality topics, and set KPIs and targets to reduce the amount of water used and amount of waste created per unit of consolidated sales at manufacturing sites and laboratories, as well as the amount of packaging materials per unit of consolidated sales.

Initiative

Reconsideration of Packaging Materials - Biomedical Division -

In the Gunma area of Japan, where the PHC Biomedical Division is located, we are promoting initiatives to reduce packaging materials such as waste plastic, starting from the product development stage. In procurement, by eliminating cardboard packaging for packing delivery and switching to hanging packaging, as shown in the image below, we were

able to reduce the amount of cardboard waste by 3,856kg in fiscal year 2023. In addition, due to the revision of our Quality Management System (QMS), our product assessment process has included questions related to packaging for products developed since April 2024.

In addition, we are working on product development with an eye toward environmental considerations, such as improving recycling through thorough separation of materials and increasing the effective usage rate of materials to minimize waste.

Employee Voices



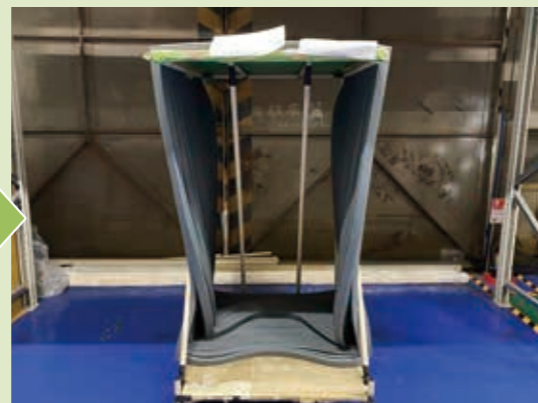
Masahiro Aono

Material Management Section
Assembly Manufacturing Group
Biomedical Plant, Biomedical Division
PHC Corporation

While considering delivery materials using trolleys, we had to solve three challenges: 1) the dimensions of the supplier's elevator, 2) the ability to switch between three types of packing, and 3) the minimum number of trolleys we needed to function. It took us a year to perfect the design, making many prototypes and seeking collaboration from other departments. We also visited the supplier many times to gather feedback on our operation, which was achieved with cooperation from all these stakeholders.



Conventional cardboard packaging



Hanging packaging

Plastic Recycling - IVD Division -

In April 2022, the "Plastic Resource Circulation Promotion Act" was enforced, and "Renewable substitution" was added to the original 3Rs (Reduce, Reuse, Recycle). In the Matsuyama area of Japan, where the PHC IVD Division is located, we are not only reconsidering the design and

materials of products that use plastic, but also considering more thorough separation methods internally and identifying a waste processing company that can help us recycle more materials by turning them into raw materials. As a result, in fiscal year 2023, we recycled an additional two tons of material per year in the Matsuyama area, achieving a recycling rate of approximately 45% of the total plastic used, contributing to a reduction of the burden on the environment.

Circularity

Vision

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

Initiative

Recycling Rate at Production Sites/Labs - PHC Corporation in the Matsuyama Area -

As a specific initiative, at the PHC Corporation location in the Matsuyama area of Japan, we increased manufacturing efficiency by improving the effective usage rate of plastic film. We accomplished this by optimizing manufacturing specifications in the manufacturing process of blood glucose level sensors, combining advanced production technology and strict quality standards. This contributed to a sustainable business model that reduces environmental impact by reducing the generation of defective products and related amount of waste while also improving cost efficiency. In addition, in the Matsuyama area, employees of PHC

Associates, a special subsidiary that employs adults with developmental disabilities, work to collect, separate, and manage office waste. As a result, at PHC Corporation in the Matsuyama area, we have achieved a recycling rate of more than 90%. Waste storage sites are neatly separated, and much of the waste is sold. We also have organized a system where employees can find reusable supplies at the "Recycle Corner."

Employee Voices



Motohiko Soga

PHC Associates Corporation

The role of the Eco Station in the Matsuyama area is not only to separate the waste collected from each workplace into items for disposal and items for sale. We have also organized a system where reusable items are placed in the Recycle Corner so that employees can take them to their workplaces for reuse. All of our staff members are encouraged to always be thinking, "What else can we do?" and are working together to reduce waste.



Photo of waste sorting site (Matsuyama area)



Sorting work

Building Employee Skills ~ Monozukuri Dojo~

PHC Group provides company-wide education regarding environmental issues, safety, and quality. At the Biomedical Division, we provide the skills and safety training needed to create our high-quality products through our Monozukuri Dojo (On-site Manufacturing Training Site).

At the Dojo, all employees have an opportunity to acquire new skills and improve their safety awareness by experiencing actual manufacturing work.

Furthermore, we have created a skills map for our employees to help visualize how skills can be applied in new areas like effective team formation, clarify skills that should be acquired in the future, and request collaboration from people with the complementary skills. This system is effective and is useful for the operation of the entire organization.



Social Initiatives

Social

PHC Group is working on sustainability throughout our supply chain to realize our mission to create healthcare solutions that improve lives. We recognize the importance of social responsibility in the healthcare industry and the necessity to foster an organizational culture to build a sustainable future for our business and society.

Social Initiatives

Overview

PHC Group has identified materiality topics and set KPIs and targets that are linked to our Mid-term Plan (VCP). In terms of social initiatives, we are focusing on healthcare innovation, product excellence, supply chain, expanded access, and people & culture, and are committed to promoting these goals throughout the Group.

PHC Group creates new value in our business through healthcare innovation, prioritizing product safety and quality. By providing high-quality, cutting-edge products, we contribute to the development of new treatments and the quality of medical care. We are also working to improve access to healthcare by expanding markets in emerging and developing countries. We believe that strengthening our supply chain should include addressing environmental and human rights issues, and we strive to conduct responsible procurement and supply chain activities.

Furthermore, we believe in creating a workplace environment where people with diverse backgrounds and perspectives can work together to deliver value to society. We seek to foster a dynamic global culture for our employees to better serve our customers.

Manufacturing Conference Supports Continuous Learning



PHC Group's annual Manufacturing Conference, which involves all divisions of the company, was held for the 25th time in fiscal year 2023. This internal conference is essential for passing down the manufacturing DNA that has been shared across PHC Group since our founding as Matsushita Kotobuki Electronics Co., Ltd. in Japan in 1969. At the conference, PHC Group businesses share information on best practices, reflections, and discoveries regarding time savings, cost reductions, quality improvements, and new processes. The meeting concludes with a review from management on key trends and lessons learned. This annual meeting of the minds has strengthened the manufacturing capabilities of the entire Group, and the long-term accumulation of knowledge has become a strength that is unique to PHC Group.

Creating Healthcare Innovation that Supports Business Development

Vision

As indicated in our mission, creating innovative healthcare solutions is the source of our corporate value. PHC Group has cultivated unique health technology over the last 55 years, and we seek to continually improve upon our own best efforts. When the opportunity arises to create new value by combining our technology with external partners, we seek to actively collaborate with universities, research institutes, and business partners.

Through this approach to innovation, we seek to create new patented products and unique services to improve healthcare.

Initiative

FrostLess Ultra-Low Temperature Freezers Achieve Energy-Saving Performance and Significantly Reduced Frost Formation - Biomedical Division -

The PHC Biomedical Division's -85°C CFC-free FrostLess ultra-low temperature freezer is a new product that builds upon the energy-saving performance of the VIP ECO SMART series and tackles the long-standing challenge of minimizing frost formation.

Demand for ultra-low temperature freezers is increasing for vaccine and cell and gene therapy research and development. In the laboratory setting, frequent opening and closing of the freezer door can cause frost to form inside the freezer and cause issues at research sites. The FrostLess line significantly reduces frost buildup on the inner door by adding vacuum insulation panels to the insulation material on the inner door to improve insulation performance. This reduces the frequency of defrosting work and reduces work time by up to 60%^{*1} compared to conventional models^{*2}, reducing the workload at research sites. In addition, by utilizing highly energy-efficient natural refrigerants and unique technologies such as a new inverter compressor and two-dimensional refrigeration inverter control^{*3}, the power consumption per day is reduced to 7.1

kWh^{*4}, and power consumption is reduced by approximately 32% compared to the conventional model^{*5}.

We will seek to continue to provide products that meet the needs of research sites while contributing to global environmental conservation.

Comparison of frost formation with conventional model ^{*2}		
Position	Conventional models	FrostLess
Inner door		
Around the inner door latch		

^{*1} Based on PHCbi's internal verification results (comparison with conventional model MDF-U76V. Environmental conditions = temperature/humidity: 30°C/80%
Operation period: 30 days, Load: No load, Number of product door opening/closing: 150 times in total during verification period, 30 seconds/time)
^{*2} MDF-U76V
^{*3} Patent No. 6603394 obtained. Received the 2021 Kanto Regional Invention Award "Gunma Prefecture Governor Award"
^{*4} Actual value of MDF-DU700ZHS1 (100V/60Hz) at room temperature 23°C, set temperature -80°C, and with no load.
^{*5} MDF-DU700VH

Contributing to Regenerative and Cellular Medicine by Strengthening Strategic Partnership with Cyfuse Biomedical K.K. - PHC Corporation -

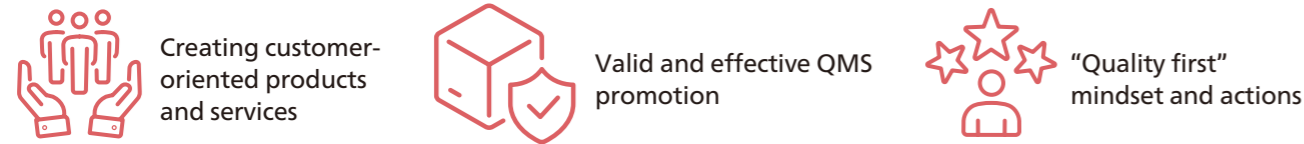
PHC Corporation is strengthening its strategic partnership with Cyfuse Biomedical K.K., with the aim of expanding the market in the regenerative and cellular medicine field. Utilizing Cyfuse's bio-3D printing technology, we are promoting the practical application of innovative regenerative medical products such as nerve regeneration, osteochondral regeneration, and blood vessel regeneration. We utilize PHC's proprietary traceability system to establish a high-quality production environment and rational production management, and are building a production system for commercialization.



Product Excellence

Vision

To protect human health, strict safety and quality control measures based on global laws and regulations and approval are essential. In order to promote health and safety in our products, PHC Group prioritizes product risk management, management of chemical substances contained in products, full compliance with laws and regulations at the design stage, and supplier audits. In addition, we are focusing on three points to promote an effective Quality Management System (QMS) that reflects global requirements as well as customer requests and quality needs in the creation of products and services:



Initiative

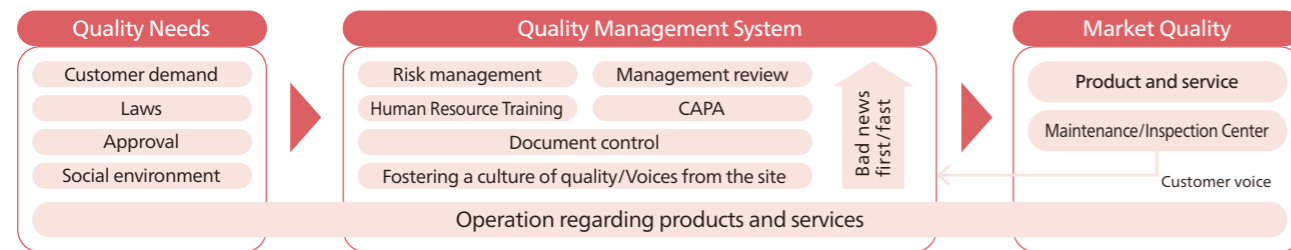
Safety and Quality Initiatives

Based on the concept of "quality first," each PHC Group business has acquired certifications such as ISO 9001 and ISO 13485, and operates by incorporating these quality management systems into their internal system. The coverage rate of our manufacturing bases has reached 100% and we strive to maintain the highest quality standards.

In each business, we hold quality management review meetings including participation from management, to ensure that quality is our top priority. We have established a system of "corrective action and preventive action" (CAPA), which enables us to prevent or correct problems at the first

sign of an issue based on feedback from employees and customers.

Our product testing includes preventive testing for emerging quality and safety concerns. In addition, in order to create customer-oriented products and services, we collect customer feedback in each business and utilize the feedback we receive in product and service development. Furthermore, we have enhanced the scope and frequency of employee training, with all employees receiving training at least once a year to ensure that quality is our top priority.



Ascensia Diabetes Care's Activity to Support the Diabetes Community



Ascensia Diabetes Care demonstrates its commitment to the diabetes community and supports people with diabetes and their families through campaigns and educational activities. A variety of initiatives are underway, including an image competition related to the International Diabetes Federation's official theme of "Access to Diabetes Care" and a campaign celebrating the importance of nurses. Through a digital art campaign focused on supporting families, Ascensia contributes to raising awareness of diabetes and promotion of support, in close collaboration with the diabetes community.

<https://www.ascensia.com/community/campaigns/>

Enhancement of Supply Chain Management

Vision

PHC Group aims to support Corporate Social Responsibility (CSR) in our supply chain by working together with our suppliers to advance our policy of being a "partner in creating products and services that deliver value to our customers."

Initiative

CSR Procurement Guidelines

Reflecting the demands of the international community, we have updated our procurement guidelines to include CSR indicators such as human rights and labor, health and safety, the environment, corporate ethics and compliance, information security, quality and safety, social contribution, and management systems, and have also posted these guidelines on our website. By working with our suppliers to promote business activities that comply with these CSR

priorities, we will work to advance issues such as respect for human rights, environmental protection, and fair trade. These guidelines aim to promote best practices in sustainability across PHC Group, and are aligned with our ESG goals through collaboration with suppliers.

PHC Group Procurement Guidelines

https://www.phchd.com/global/~/_Media/phchd_g/sustainability/pdf/PHC_CSR_Procurement_Guideline.pdf

Supply Chain Management

PHC Group conducted a supplier CSR assessment survey with its major business partners, and achieved a response rate of over 90%. The contents of the survey are reviewed every year and updated as appropriate. Additionally, as part of environmental audits, our procurement department and quality management department collaborated to formulate a supplier checklist for auditing the management system for chemical substances contained in products, and conduct

audits accordingly.

PHC Group checks supplier responses for the parts each supplier provides, informs suppliers about relevant social and environmental issues, and monitors supplier changes. Additionally, we are promoting internal procurement initiatives that seek cost optimization and reduction of environmental impact, as part of our efforts to realize a sustainable society.

Social Activities for PHC Indonesia



PHC Indonesia aims to contribute to a sustainable future through work with its local communities. About 20 volunteers have visited local elementary schools to provide environmental education, plant trees, and donate trash cans. The team has also planted mangrove trees on Tidung Island and repaired ceilings and walls at a nearby elementary school. Other activities include visiting orphanages and providing environmental education and donations.

Expanded Access

Vision

Disparities in healthcare access are a top challenge facing the healthcare industry. In addition to differences 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

Outlook for Teladoc HEALTH: Collaboration with Medical Institutions and Pursuit of Synergy - Wemex Corporation -

Teladoc HEALTH is a real-time telemedicine system that can be remotely controlled by a physician. Designed to provide peace of mind by enabling 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

In regions of Japan that are experiencing both an aging of the population and a shortage of medical resources, the travel burden of visiting a doctor may be higher and it is necessary to cover a wide range of specialized fields efficiently. To help address these issues, we are promoting the introduction and operation of telemedicine after pilot tests.

In the Tokuji region of Yamaguchi Prefecture, Japan, a medical MaaS vehicle "MEDICAL MOVER"^{*1} equipped with a telemedicine system has been introduced. A nurse rides in the vehicle and the system enables medical examinations by a remote doctor, with the aim of improving access to medical care for local residents.

Oshima Clinic in Hagi City, also in Yamaguchi Prefecture, has introduced the real-time telemedicine system "Doctor Cart"^{*2}, which connects new doctors on remote Japanese islands with more experienced doctors on the mainland to provide medical support. The clinic seeks to improve the quality of medical care in remote areas and reduce the burden on doctors.

"Doctor Cart" and "Teladoc HEALTH Viewpoint"^{*3} have also been introduced at Hokkaido's public Memuro Hospital, where they are being used for virtual home visits and emergency room care. We believe that these systems will contribute to a sustainable system for local medical care and help reform the way doctors work.

As for future developments, we will seek to expand our collaboration with medical institutions and also work on seeking synergies with other companies.



Scene of MEDICAL MOVER's visit



Conversation via Doctor Cart

Employee Voices



Takeo Kogure

General Manager
Telemedicine Solution Department
Digital Health Division
Wemex Corporation

The introduction of a telemedicine systems has the potential to fundamentally change the way conventional medical care works. Our work began by searching for doctors who would be willing to take the first step together. We first had to demonstrate through concrete operations that the telemedicine system can not only improve access to medical care, but also significantly contribute to improving the quality of medical care and reduce the burden on doctors. Every time I hear stories about how telemedicine systems have played an important role, especially in emergency medicine, neonatal care, and remote medical care, I am inspired to work even more passionately to promote the use of telemedicine systems.

We seek to continue working with doctors to further popularize telemedicine systems and build the future of medical care.

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 human resources policy: respect for diversity, creation of a initiative foundation for collaboration, and activation of human resources.

Initiative

Engagement Survey - PHC Group -

Every year, PHC Group conducts an employee engagement survey of all of our global employees. The most recent survey achieved a response rate of 89%, with over 9,900 employees participating in the survey. This response rate was higher than last year and 14% higher than the global benchmark. Each Group company takes actions to improve employee engagement based on the survey results.

Brand Identity - Epredia -

Epredia recently refreshed its global brand identity. Through brand research and workshops involving customers, we identified that passionate people and strong relationships are key points of differentiation for Epredia. The company introduced an updated brand that focuses on people and demonstrates how this brand adds value to the products.



Developing the Next-Generation of Leaders - PHC Group -

At the end of last fiscal year, we launched the PHC Group Executive Development Program, internally referred to as PHC Academy. Twenty participants selected from a range of countries are participating in the first cohort of the program over a period of one-and-a-half years. The program aims to support potential future executive to help build sustainable organizations. PHC Academy participants join continuous leader development activities with a view to developing the next-generation of leaders.

Values and Standards of Conduct - Mediford Corporation -

At Mediford Corporation, early- to mid-career employees played a central role in formulating our Values and Standards of Conduct.

Click here for more information about Mediford's values (Japanese only)

<https://www.mediford.com/company/>

Employee Voices



Shuuhei Aoyama

West Japan Sales Group
Sales Management Department
Mediford Corporation

We are focused on team building to encourage active communication between colleagues who were previously part of separate business units, for instance before Mediford Corporation was established as a PHC Group subsidiary. In the future, we plan to carry out activities to educate employees about Mediford's values and Standards of Conduct so that all employees can collaborate to embody these principles.

*1 TOYOTA AUTO BODY CO., LTD.'s "Medical MaaS Vehicle," which aims to reach people who are unable to travel to medical examinations or health checkups.
*2 <https://www.phchd.com/jp/bx/telehealth/services/doctorcart>
*3 <https://www.phchd.com/jp/bx/telehealth/services/teladoc-health-viewpoint>

Governance



PHC Group aims for sustainable growth and improved corporate value, and has identified compliance and risk management as materiality topics. We will ensure the trust of our stakeholders through compliance with laws, ethical conduct, early detection of risks, and appropriate responses.

Compliance

Code of Conduct

PHC Group's Code of Conduct 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 to 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 laws, 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 applicable regulation.

Please click here to learn more about our Code of Conduct:

<https://www.phcd.com/en/phcd/sustainability/governance/code-of-conduct>

Training and education

Continuous training and education activities are essential for promoting compliance with company policies. In fiscal 2023, we conducted training on the critical topic of preventing insider trading for all employees of the PHC Group. The attendance rate for the training was 100% (excluding employees who were unable to attend due to leave of absence, maternity leave, childcare leave, etc.).

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.

Human Rights Policy

The PHC Group has established, based on its Mission, the "3 Rules of Compliance" ("Compliance with laws and regulations," "Fair trade," and "Respect for human rights") as a guideline to be followed when conducting its business activities. Please click here to learn more about our Human Rights Policy:

<https://www.phcd.com/en/phcd/sustainability/social/humanrights>

Risk Management

PHC Group identifies risks such as natural disasters, geopolitical risks, cybersecurity issues, and technology inheritance based on the "Basic Rules on Risk Management," and has designated risk managers and implemented countermeasures.

The Group established a Risk Management Committee in fiscal 2023 and the COO serves as the Officer in charge of Risk Management. The Committee conducts Group-wide activities and creates and implements countermeasures to avoid occurrence of risks and mitigate the impact in case of occurrence based on the Rules. The Risk Management Committee meets regularly to evaluate risks and review the countermeasures, and reports to the Board of Directors. Please click here for details about business risks:

<https://www.phcd.com/global/ir/risk>

Business Continuity Plan (BCP) Initiative

BCP for critical systems

PHC Group is preparing to establish the system at our backup center in the event of a large-scale disaster.

Evacuation drills

Evacuation drills for an event such as natural disaster are held once a year in the Matsuyama and Gunma areas in Japan.



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 here to learn more about our company's cybersecurity efforts:

<https://www.phcd.com/global/sustainability/governance/compliance>

Training and education

As part of cybersecurity training in fiscal 2023, 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 100% for (1) and 100% for (2), excluding employees without email addresses.

From fiscal 2023, we provide training on data protection to employees globally across the entire Group. The training attendance rate was 100%, including workers without individual computer.

The attendance rate of training and education related to cybersecurity and data protection has increased due to the active participation of employees. This shows that our cybersecurity efforts are widely disseminated among our employees, and we will continue to work together to build a safe digital environment.

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 (the implementation rate in fiscal 2023 was 100% within the operational scope):

- 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

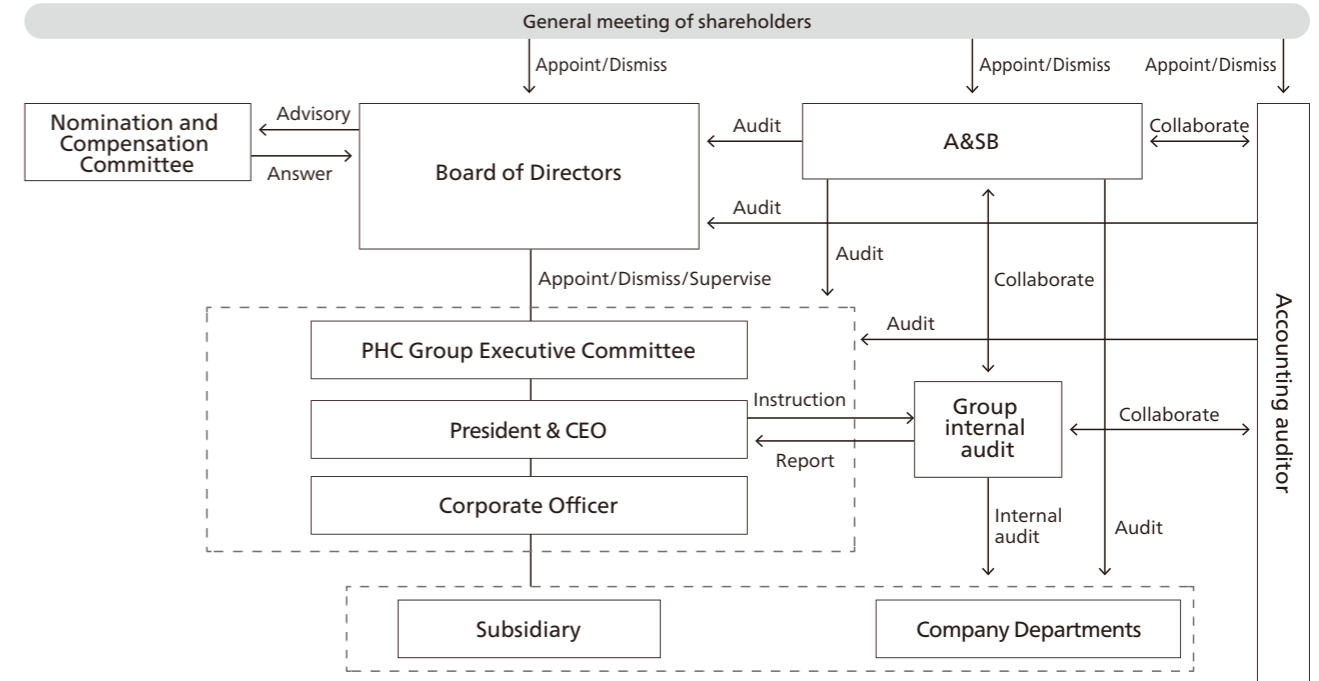
PHC Group convenes a Cybersecurity Committee to discuss the Group's cybersecurity policy, KPI reviews, incident reports, and correction of security vulnerabilities. The meetings are attended by all Corporate Officers, including the President. At the meetings, members discuss any cybersecurity concerns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

Corporate Governance



<https://www.phcd.com/global/ir/governance>

PHC Group Governance Structure



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.

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 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 2023, the Committee held a total of seven meetings, and the attendance rate of Committee members at each meeting was 100%. The main topics of deliberations and reports were as follows:

- Status of executive's 2022 individual evaluations, succession plans, and in-house training program review
- Setting of performance targets
- Evaluation of potential successors
- Performance indicators for a post-delivery performance-based stock compensation plan and interim evaluation of directors and officers
- Progress of executive appointment, executive compensation, and in-house training programs
- Nomination of candidates for new independent external director
- Granting of retirement benefits to retiring directors and officers

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: Kyoko Deguchi (Chairman), Koichiro Sato, Ryuichi Hirashima, 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.

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

In addition, for active deliberations of the Board of Directors, we provide opportunities to acquire and update the knowledge necessary for management supervision, and the Company bears the cost of seminars/networking events, etc., in which each officer voluntarily participates according to his or her needs.

Support System for External Directors (External Auditors)

For external directors and external auditors, the Legal and 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

In March 2024 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
- (5) Audit function
- (6) Nomination and Compensation Committee
- (7) Others (Status of responses to issues pointed out in the previous effectiveness evaluation, etc.)

In order to ensure objectivity, we received support from a third-party organization in setting the survey content 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. In addition, with regard to "Expediting the timing of bringing important proposals to the Board of Directors and the distribution of documents for the meeting," which was identified as a major issue in the previous effectiveness evaluation, the deadline for submission of proposal materials has been tightened and improvement has been seen through efforts such as promoting the provisional submission of drafts. However, to further improve effectiveness, we recognize the following points as the main priorities going forward.

- Conducting periodic follow-up after implementation of investment projects
- Analyzing the achievement status of the mid-term plan, revising the plan, and utilizing it for the next plan
- Reports and discussions at board meetings regarding investments, etc.
- Monitoring ESG initiatives and discussing materiality topics of sustainability

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.
- To stakeholders, the details can be explained and transparency is ensured.

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 fiscal year 2024, the Company introduced a stock compensation plan for independent external directors

consisting of Restricted Stock Units (RSU) and a post-delivery performance-based stock compensation plan for internal directors consisting of Performance Stock Units (PSU). The purpose of these plans is to incentivize the directors to enhance sustainable corporate value and to promote further value-sharing between directors and 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 Annual Securities Report for the fiscal year ending March 2024 for the total amount of compensation, etc., for officers and consolidated remuneration, etc., for each officer (100 million yen or more) in fiscal 2023. <https://ssl4.eir-parts.net/doc/6523/announcement1/89942/00.pdf> (in Japanese)

Compensation structure

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 ^{*1}	Performance-linked compensation ^{*2}	Retirement benefits	Others	Of the columns listed on the left, non-monetary compensation, etc.	
Directors (excluding external directors)	217	120	—	63	33	—	— ^{*3}	2
Audit and Supervisory Board Members (excluding external auditors)	23	21	—	—	1	—	—	1
External directors	68	58	10	—	—	—	10 ^{*4}	3 ^{*5}
External auditors	29	29	—	—	—	—	—	2

*1 The stated amount of stock options is the calculated price as of the end of March 2024.

*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. The operating profit below is the adjusted operating profit excluding one-time expenses.

*3 The stated amount of stock options is the calculated price as of the end of March 2024, and is recorded as non-monetary compensation.

*4 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 three), 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 2024, and is recorded as non-monetary compensation.

*5 The number of external directors excludes the number of unpaid external directors.

*6 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.

*7 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.

Short-term performance-linked compensation

	Evaluation index	Weight	Goals for fiscal year ended March 31, 2023	Achievements	Level of achievement
1	Core sales	26.0%	335,547 million yen	329,737 million yen	93%
2	Operating profit	30.0%	32,684 million yen	21,747 million yen	67%
3	Net profit	19.0%	15,586 million yen	△12,893 million yen	△83%
4	Individual performance goals	25.0%	Set for each person	Set for each person	Set for each person

Internal Control System

The company will implement the following systems in accordance with our basic policy regarding the implement 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
- Rules for 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.

Employee Stock Purchase Program

PHC Group offers an employee stock purchase program for eligible employees in 14 countries, including Japan. Due to regulations in various countries, it can be challenging for individuals outside Japan to invest in companies listed on the Tokyo Stock Exchange, so this plan provides eligible employees opportunities to become shareholders at PHC Holdings Corporation. The purpose of the plan is to create a culture of ownership in the Company's business management, to create demand for the Company's shares, to improve liquidity in the stock market, and to enhance employee benefits by providing incentive payments for participation.



Cover (left) and inside pages (right) of the English booklet. The booklet is available in various languages.

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 and 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 also serves as the executive officer in charge of investor relations, with support from the IR and PR Department.
- As a support system for dialogues, the IR and PR Department collaborates with each business department and management department on a regular basis.
- We 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. Other directors and auditors receive internal audit reports through the Board of Directors and the Audit and Supervisory Board, and improve the effectiveness of the audit by providing their opinions. Additionally, as necessary, we maintain appropriate collaborative relationships with auditors, directors, and external auditors of subsidiaries and affiliates, and strive to efficiently conduct internal audits.

List of Directors and Officers (as of June 26, 2024)

Directors



Kyoko Deguchi

Representative Director, President and CEO

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.)
 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 Product Director, Janssen Pharmaceuticals Inc. (Currently: Ortho Neurologics Inc.) (USA)
 September 2005 General Manager, Gastroenterology, Pain and OTC Business Division, Janssen-Glag 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 External Director, Nippon Ski Resort Development, Co., Ltd.
 February 2015 Chief Operating Officer, Shikoku Medical Corporation
 April 2015 Professor, Kimihiro Ohmura Graduate School of Business (incumbent)
 March 2016 External Director, Cookpad Inc.
 June 2016 External Director, T-Gaia Corporation (incumbent)
 August 2017 Vice president, Shikoku Medical Corporation
 June 2019 External Director, NHK Technologies, Inc.
 January 2020 External Director, Heartseed Inc. (incumbent)
 June 2021 External Director, PHC Holdings Corporation
 September 2022 Vice Director, Doya Rehabilitation and Orthopedic Clinic
 April 2024 President/CEO and Representative Director of PHC Holdings Corporation (incumbent)



Koichiro Sato

Representative Director, Senior Executive Vice President, COO

Date of Birth May 25, 1973
 April 1997 MITSUI & CO., LTD.
 February 2007 Vice President Planning, Secondment to Novus International, Inc. (in USA)
 June 2011 Assistant of 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 (in India)
 April 2014 Deputy General Manager, Die and Mold Business for China, MISUMI Corporation (in China)
 October 2015 MITSUI & CO., LTD.
 April 2016 General Manager, Healthcare Business 1st Department, Healthcare Business Division, MITSUI & CO., LTD.
 March 2017 External Director, PHC Holdings Corporation
 April 2017 General Manager, Healthcare Business 3rd Department, Healthcare Business Division, MITSUI & CO., LTD. External Director
 April 2018 DaVita Care Pte. Ltd. Director
 April 2021 General Manager of Asia Business, Healthcare Business Division, 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)
 May 2023 Director, Senseonics Holdings, Inc. (incumbent)

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

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 Associate, Kirkland & Ellis LLP
 January 1997 Foreign Legal Specialist, Mori Sogo Law Firm (Currently: Mori Hamada & Matsumoto)
 June 1998 Associate, Kirkland & Ellis LLP
 October 2000 Partner, Kirkland & Ellis LLP
 August 2006 Associate Solicitor, United States Patent & Trademark Office
 May 2009 Division Counsel, Patents, Diabetes Division, Abbott Laboratories
 January 2013 Head of Legal, 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 Holdings, Inc.
 August 2021 External Audit and Supervisory Board Member, PHC Holdings Corporation (incumbent)
 January 2022 Senior Vice President, General Counsel & Chief Compliance Officer, and Corporate Secretary, Tandem Diabetes Care, Inc.
 August 2023 Senior Vice President, Chief Legal, Privacy & Compliance Officer and Corporate Secretary, Tandem Diabetes Care, Inc.
 April 2024 Executive Vice President, Chief Legal, Privacy & Compliance Officer and Corporate Secretary, Tandem Diabetes Care, Inc. (incumbent)

External Directors



Hirofumi Hirano

External Director

Date of Birth March 14, 1961
 April 1983 Nikko Securities Co., Ltd. (Currently: SMBC Nikko Securities Inc.)
 April 1988 President, Nikko Europe P.C. (Currently: Citigroup Capital Partners Japan Ltd.)
 (concurrent assignment as) General Manager of Asset Management Department, Nikko Cordial Corporation
 October 1999 CEO and Chairman, Nikko Principal Investments Ltd.
 June 2003 Member of Board, Nikko Cordial Corporation
 April 2008 AlixPartners Asia LLC
 January 2010 Representative of Japan, AlixPartners Asia LLC
 October 2010 Head of Financial Services for Asia, AlixPartners Asia LLC
 April 2013 Chief Executive Officer, KKR Japan Ltd. (incumbent)
 August 2013 External Director, Orion Investment Co., Ltd. (incumbent) (Currently: PHC Holdings Corporation)
 March 2015 External Director, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
 May 2017 Director, CK Holdings Corporation (Currently: Marelli Holdings Co., Ltd.) (incumbent)
 October 2017 External Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
 June 2019 External 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)
 August 2021 External Director, KOKUSAI ELECTRIC CORPORATION (incumbent)
 April 2022 Director, KIR Management (incumbent)
 March 2023 External Director, Hitachi Transport System, Ltd. (Currently: Logisteed, Ltd.) (incumbent)



Eiji Yatagawa

External Director

Date of Birth January 20, 1978
 April 2002 Goldman Sachs & Co.'s investment
 April 2008 KKR Japan Ltd. (incumbent)
 August 2013 External Director, Orion Investment Co., Ltd. (Currently: PHC Holdings Corporation)
 March 2015 External Director, Board, Pioneer DJ Corporation (Currently: AlphaTheta Corporation)
 June 2015 Board Director, Transphorm Inc. (incumbent)
 September 2015 External Director, Transphorm Japan Inc. (incumbent)
 October 2016 External Director, CK Holdings Co., Ltd. (Currently: Marelli Holdings Co., Ltd.)
 June 2017 External Director, Transphorm Aizu Inc.
 October 2017 External Director, Hitachi Koki Co., Ltd. (Currently: Koki Holdings Co., Ltd.) (incumbent)
 June 2018 External Director, KOKUSAI ELECTRIC CORPORATION
 August 2019 External Director, From Scratch Corporation (Currently: dataX Inc.) (incumbent)
 December 2020 Director, GANOVATION, PTE. LTD. (incumbent)
 March 2021 Director, Seiyu Holdings Co., Ltd. (incumbent)
 April 2021 Director, NETSTARS Co., Ltd. (incumbent)
 June 2021 Resigned from the External Director of PHC Holdings Corporation
 March 2022 External Director, Yayoi Co., Ltd. (incumbent)
 March 2022 Director, Alcoa, Inc. (incumbent)
 June 2022 External Director, PHC Holdings Corporation (incumbent)
 March 2023 External Director, Hitachi Transport System, Ltd. (Currently: Logisteed, Ltd.) (incumbent)



Sen Sakaguchi

External Director

Date of Birth October 31, 1969
 April 1992 MITSUI & Co., Ltd.
 April 1995 Medical Equipment Dept., Health Industry Div.
 February 2002 Rosigonal Co., Ltd. (seconded)
 August 2003 Busian 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, MITSUI & Co., Ltd.
 April 2021 General Manager, Wellness Business Division, MITSUI & Co., Ltd.
 April 2021 Director, HOKENDOHIN-FRONTIER Inc. (Currently: HOKENDOHIN-FRONTIER Inc.) (incumbent)
 April 2022 Director, HUMAN ASSOCIATES HOLDINGS, Inc.
 April 2022 Director, Raxi Co., Ltd. (incumbent)
 April 2022 Director, MBK Wellness Holdings & Co., Ltd. (incumbent)
 June 2022 External Director, PHC Holdings Corporation (incumbent)
 October 2022 Director, HOKENDOHIN-FRONTIER Inc. (incumbent)
 October 2022 Director, THINKIE Inc. (incumbent)
 April 2023 General Manager, Wellness Solution Business Division, MITSUI & CO., LTD. (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, Cordis, 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 2016 General Manager, Pharmaceutical Biomet Group
 February 2021 Chief Executive Officer, Zimmer Biomet Group
 September 2021 External Director, PHC Holdings Corporation (incumbent)
 August 2023 Director, President and Chief Executive Officer, Zimmer Biomet Group (incumbent)



David Sneider

External Director **Independent**

Date of Birth July 25, 1957
 December 1984 Associate, Paul, Weiss, Rifkind, Wharton & Garrison
 July 1987 Director and Counsel, Legal Department, Salomon Brothers Inc.
 February 1992 Associate, Simpson Thacher & Bartlett LLP
 January 1994 Partner, Simpson Thacher & Bartlett LLP
 June 2022 External Director, PHC Holdings Corporation (incumbent)
 June 2023 External Director, Mitsubishi UFJ Financial Group, Inc. (incumbent)



Misa Yamashita

External Director **Independent**

Date of birth December 24, 1964
 September 1990 Birdland Co., Ltd.
 March 1993 Associate editor, Time Warner Inc.
 February 1994 Account director/account manager, Hill and Knowlton Japan
 September 1998 Account manager, PRAP Japan, Inc.
 October 1999 Communication manager, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
 July 2000 General manager of Human Resources, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
 July 2001 General Manager and executive officer of Human Resources, GE Toshiba Silicones Co., Ltd. (Currently: Momentive Performance Materials Japan KK)
 April 2005 Director of Human Resources, General Electric Japan, Ltd.
 October 2008 Executive officer and general manager of Human Resources, General Manager of Asia Pacific Human Resources, GE Yokogawa Medical Systems Ltd. (Currently: GE HealthCare Japan)
 June 2011 Executive officer and general manager of Human Resources, Director of Asia Pacific Human Resources, GE Yokogawa Medical Systems Ltd. (Currently: GE HealthCare Japan)
 November 2015 Divisional Vice President (DVP), HR Coach Asia, COACH Japan
 February 2016 DVP HR Coach Japan and Asia, COACH Japan
 March 2017 Executive officer and head of Human Resources, AXA Life Insurance Co., Ltd. (Name change to executive officer and head of Human Resources owing to change in governance system)
 April 2020 Managing executive officer for special missions, AXA Life Insurance Co., Ltd.
 April 2021 Global HR Advisor, JERA Co., Ltd.
 April 2022 External Director, Business Coach, Inc. (incumbent)
 April 2024 DBI Advisor, JERA Co., Ltd. (incumbent)
 June 2024 External Director, PHC Holding 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 Pharmaceuticals, Chemicals, and Industrial Products Sector
 July 2013 Group leader of Risk Management and Compliance Division, Arata Audit Corporation (Currently: PricewaterhouseCoopers Arata LLC)
 August 2014 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, Dialo Paper Corporation
 June 2022 External Audit and Supervisory Board Member, PHC Holdings Corporation (incumbent)

Corporate Officers (as of July 1, 2024)

- Kyoko Deguchi
- Koichiro Sato
- Ryuichi Hirashima
- Kaiju Yamaguchi
- Nobuaki Nakamura
- Robert Schumm
- Steven Lynum
- Kenichi Uchino
- Chikara Takauo
- Hideaki Takahashi

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
Kyoko Deguchi	Director		○		○	○				
Koichiro Sato	Director			○				○	○	
Hirofumi Hirano	Director					○	○			
Eiji Yatagawa	Director					○	○		○	
Sen Sakaguchi	Director		○	○				○	○	
Ivan Tornos	Director	○			○			○	○	
David Sneider	Director	○					○	○		○
Misa Yamashita	Director	○	○	○				○		
Koichi Ikeuchi	Audit and Supervisory Board Member		○						○	○
Shannon Hansen	Audit and Supervisory Board Member		○	○	○					○
Tetsuo Kitagawa	Audit and Supervisory Board Member	○					○	○		

The company's independent external directors and independent external auditors 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 and two Independent external auditors 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.



Pursuing sustainable growth and competitive advantages through ESG initiatives

PHC Group is committed to Environmental, Social, and Governance (ESG) activities to contribute to a sustainable future. Having been engaged in corporate ESG metrics globally for many years, I see the potential for the Group's management team to recognize ESG as an essential driver of its competitive advantage.

In terms of the environment, our manufacturing sites obtained ISO14001 certification, and we are steadily working to reduce CO₂ emissions at all our locations globally. Furthermore, we have identified environmental materiality topics, set specific KPIs targets, and executed concrete action plans to contribute to environmental sustainability.

From a social responsibility standpoint, PHC Group advances healthcare innovation and contributes to society through our products and services. We also emphasize promoting diversity, and our Board of Directors and management team seek to create a collaborative work environment where employees of all backgrounds can thrive. In addition, we strive to improve employee engagement across Group companies as "One PHC."

Lastly, to achieve robust governance, PHC Group has established committees under the Board of Directors and continues to fulfill its responsibilities across the Group. As an Independent External Director, I am proud to be part of PHC Group and will continue to support these efforts.

Ivan Tornos

Director (Independent External Director)

PHC Group Continues to Proactively Address the Challenges and Opportunities it Encounters in its Diverse Portfolio of Healthcare Businesses

PHC Holdings Corporation possesses a unique and diverse portfolio of healthcare companies, which it operates across three business segments. PHC Group has both opportunities and challenges across its businesses, which it is addressing proactively and energetically under the leadership of our new chief executive officer.

Our Healthcare Solutions segment is representative of the opportunities and challenges facing PHC Group. In the past year, LSI Medience Corporation, which operates the Group's clinical testing business, encountered the challenge of inappropriate quality management issues. PHC Group has addressed the issues forthrightly and aggressively to remediate the issues and restore the trust and confidence of LSIM's customers. On the positive side, PHC Group was excited to complete the acquisition of FUJIFILM Healthcare Systems Corporation's electronic medical record and medical-receipt systems-related business and combine it with its existing business to create Wemex Healthcare Systems Corporation. Wemex Corporation is now a leader in Japan in electronic medical record and medical-receipt systems for clinics and electronic medication history systems for pharmacies, with a strong customer base.

I am looking forward to working with PHC Group's new chief executive officer, Kyoko Deguchi. I have worked with Kyoko as a fellow board member since I joined the board of directors of PHC Group. She brings deep experience and expertise from having worked at global pharmaceutical and plastic engineering companies, as well as healthcare companies in Japan. Kyoko has tremendous energy and enthusiasm, which I am confident will help PHC Group to address challenges and leverage the opportunities that lay ahead.



David Sneider

Director (Independent External Director)

People, Organization, and Corporate Culture are Key in Making PHC Group a Strong Global Company

PHC Group consists of a strong mix of long-standing companies that started as part of what was then Matsushita Kotobuki Electronics Co., Ltd. and globally acquired healthcare businesses, and has offered a wide range of solutions to various stakeholders in the healthcare industry. We have built our strength especially in precision technologies, and have further opportunities to grow the company by taking the 'One PHC' approach, whereby we can create more synergies internally to serve our customers more innovatively. We now have directed ourselves to focus more on diagnostics and life sciences, where we have a strong contribution to make in creating a healthier society.

We also have opportunities to grow as a global company. As an independent board member, I would like to contribute in continuing to enhance our governance which I believe enables timely decisions and stable execution.

Upon joining PHC Group, I have also been appointed as the Chair of the Nomination and Compensation Committee. I cannot emphasize enough the importance of strengthening our Human Capital to increase our competitiveness. Given my long and rich experiences in human resources, I would like to fully leverage the Committee not only to discuss succession planning and diverse next-generation leadership development, but also to discuss other important strategic topics related to people, organization, and corporate culture, so that our employees and companies can experience a win-win relationship, which I believe will contribute to enhancing our corporate value.



Misa Yamashita

Director (Independent External Director)



It is important for the PHC Group to continue to invest in talent and growth initiatives that will allow it to succeed in an increasingly competitive environment

Continually investing in talent is indispensable to drive the growth of the PHC Group. This investment in talent also reflects our values as an organization. To accelerate growth, it is vital to develop an environment that encourages innovation, creativity, and excellence in all employees through continual learning and skill development. Supporting employees' professional growth builds a corporate culture rooted in trust and respect, enhances our reputation as an employer of choice and, in turn, drives positive business results across the Group.

Growth is the lifeblood of PHC Group, which means not only expanding our market footprint and increasing profitability, but also responding to the ever-changing needs of the healthcare sector and maintaining the dynamics of our organization. Investing in growth strengthens core competencies, drives innovation, and enhances competitiveness. It also enables us to advance our technological capabilities, improve operational efficiencies, and deliver superior products. Also, initiatives such as strategic partnerships open opportunities for PHC Group to expand into new markets and gain valuable insights into the latest trends and customer needs. Continuing to make these investments is not just a business imperative; it is a commitment to our future. PHC Group should embrace investments that are pivotal to our enduring growth 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 Group's efforts in improving its sustainability, governance, and overall success, ensuring its long-term viability and positive impact on society.

Shannon Hansen

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

PHC Group continues to pursue 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."

We are facing rapid changes in the business environment across all three of our business segments, including technological innovation, new laws and regulations, and evolving market trends. One approach to responding to such a business environment may be to avoid large-scale M&A and proceed with technological development and market exploration on our own. However, we do not believe this gradualist approach is the only answer. Our mission is to contribute to the health of people around the world through healthcare technology and innovation. In order to achieve this, we must continue to strive for business investment, including M&A.

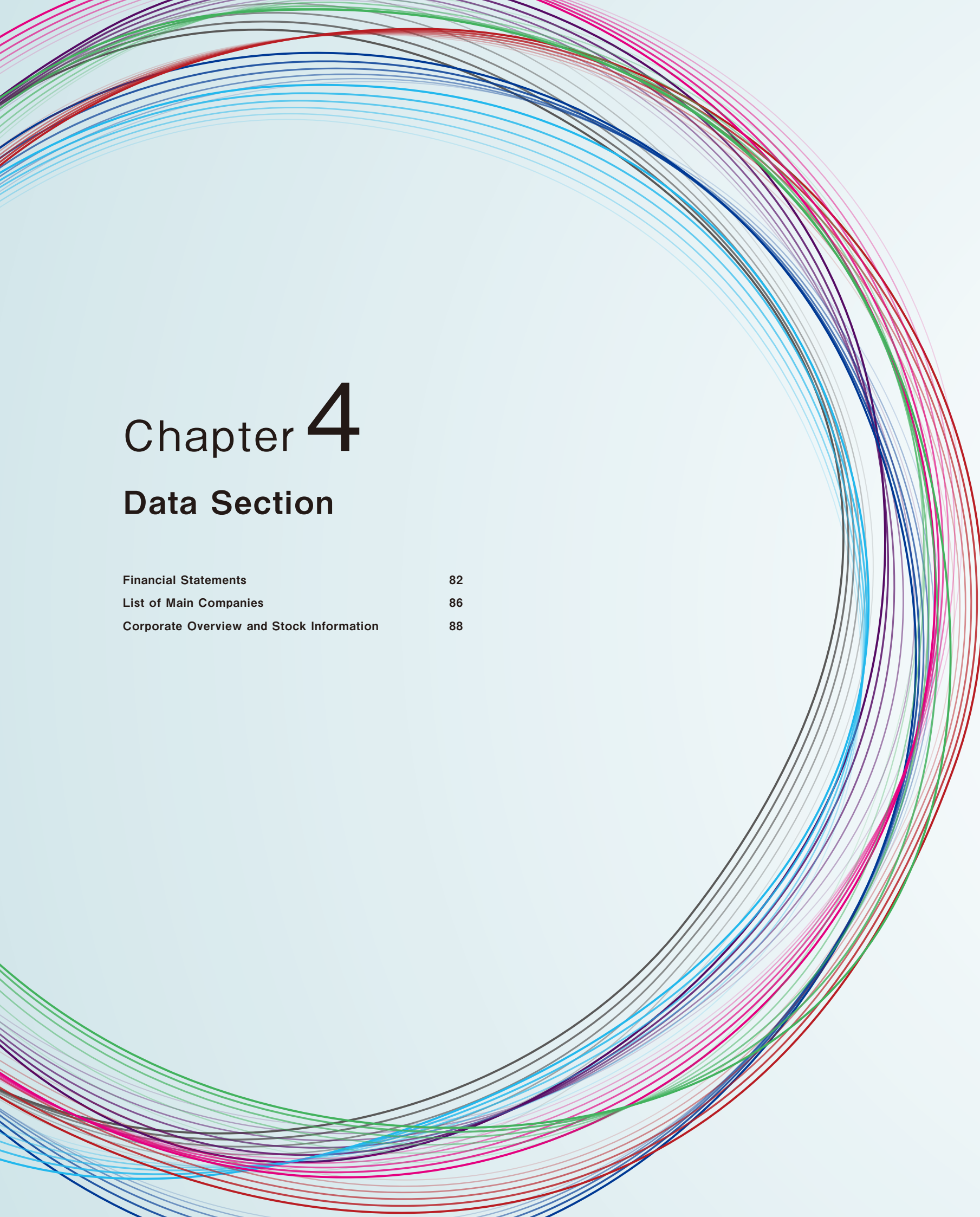
As we continue to take on challenges, the number of challenges, large and small, will increase. Consider the old saying that failure is the mother of success. When a situation arises that we could not anticipate in investment decision-making (such as an impairment loss), we examine the process and factors that led to such an event in detail and build knowledge and experience for future management.

Just as the effect of compound interest works in financial asset investment, increasing management knowledge creates a compound effect, and it forms the foundation for building a corporate structure that enables steady and continuous profit growth. We hope that all of our stakeholders will continue to support our management as we work to achieve our mission.



Tetsuo Kitagawa

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



Chapter 4

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Consolidated Statement of Financial Position

(Unit: million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	60,933	47,044
Trade receivables	69,280	73,802
Inventories	51,732	52,651
Other financial assets	2,321	4,775
Other current assets	13,314	9,575
Total current assets	197,583	187,849
Non-current assets		
Property, plant and equipment	47,593	49,708
Goodwill	199,707	208,719
Intangible assets	91,123	91,388
Investments accounted for using equity method	3,697	2,188
Other financial assets	16,107	13,987
Deferred tax assets	4,425	7,058
Other non-current assets	1,328	3,426
Total non-current assets	363,984	376,477
Total assets	561,567	564,327
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	65,639	69,881
Borrowings	30,212	36,922
Income taxes payable	2,393	2,311
Provisions	4,715	6,587
Other financial liabilities	5,554	6,251
Other current liabilities	21,325	25,445
Total current liabilities	129,842	147,400
Non-current liabilities		
Trade and other payables	1,230	847
Borrowings	262,403	248,123
Retirement benefit liability	7,875	5,709
Provisions	3,180	3,431
Other financial liabilities	9,225	9,200
Deferred tax liabilities	7,312	9,109
Other non-current liabilities	1,670	1,340
Total non-current liabilities	292,898	277,763
Total liabilities	422,740	425,163
Equity		
Share capital	47,946	48,423
Capital surplus	43,641	41,797
Retained earnings	17,081	(2,773)
Treasury shares	(568)	(568)
Other components of equity	29,906	52,635
Equity attributable to owners of the parent	138,008	139,515
Non-controlling interests	819	(351)
Total equity	138,827	139,163
Total liabilities and equity	561,567	564,327

Consolidated Statement of Profit or Loss

(Unit: million yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Revenue	356,434	353,900
Cost of sales	187,302	195,925
Gross profit	169,132	157,975
Selling, general and administrative expenses	140,657	149,663
Other income	1,656	6,254
Other expenses	9,616	12,828
Share of profit (loss) of investments accounted for using equity method	(514)	(170)
Operating profit	20,000	1,566
Finance income	411	648
Finance costs	20,231	15,464
Profit (loss) before taxes	179	(13,249)
Income tax expense	3,228	△391
Profit (loss)	(3,048)	(12,857)
Profit (loss) attributable to		
Owners of the parent	(3,222)	(12,893)
Non-controlling interests	173	35
Earnings (loss) per share		
Basic earnings per share attributable to owners of the parent (Unit: JPY)	(25.84)	(102.48)
Diluted earnings per share attributable to owners of the parent (Unit: JPY)	(25.84)	(102.48)

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit (loss)	(3,048)	(12,857)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of defined benefit plans	614	1,853
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	179	(1,471)
Items that may be reclassified to profit or loss		
Effective portion of cash flow hedges	39	49
Exchange differences on translation of foreign operations	13,056	24,664
Share of other comprehensive income of investments accounted for using equity method	333	(297)
Other comprehensive income, net of taxes	14,223	24,798
Comprehensive income	11,174	11,940
Comprehensive income attributable to		
Owners of the parent	10,933	11,878
Non-controlling interests	241	61
Comprehensive income	11,174	11,940

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 change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Effective portion of cash flow hedges
As of April 1, 2022	47,065	44,118	28,353	(568)	—	412	(92)
Comprehensive income							
Profit (loss)	—	—	(3,222)	—	—	—	—
Other comprehensive income	—	—	—	—	614	179	39
Total comprehensive income	—	—	Δ3,222	—	614	179	39
Issuance of new shares	881	(431)	—	—	—	—	—
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	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	655	—	(614)	(41)	—
Other	—	—	—	—	—	—	—
Transactions with the owners	881	(476)	(8,049)	—	(614)	(41)	—
As of March 31, 2023	47,946	43,641	17,081	(568)	—	550	(52)
Comprehensive income							
Profit (loss)	—	—	(12,893)	—	—	—	—
Other comprehensive income	—	—	—	—	1,853	(1,471)	49
Total comprehensive income	—	—	(12,893)	—	1,853	(1,471)	49
Issuance of new shares	476	(249)	—	—	—	—	—
Dividends to owners of the parent	—	—	(9,043)	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	—
Forfeiture of share acquisition rights and Restricted Stock Unit	—	(34)	34	—	—	—	—
Share-based payment transactions	—	7	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(1,566)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	2,043	—	(1,853)	(190)	—
Other	—	—	3	—	—	—	—
Transactions with the owners	476	(1,843)	(6,961)	—	(1,853)	(190)	—
As of March 31, 2024	48,423	41,797	(2,773)	Δ568	—	(1,110)	(3)

(Unit: million yen)

	Equity attributable to owners of the parent					
	Other components of equity			Total	Non-controlling interests	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, 2022	15,753	333	16,406	135,374	690	136,065
Comprehensive income						
Profit (loss)	—	—	—	(3,222)	173	(3,048)
Other comprehensive income	12,989	333	14,156	14,156	67	14,223
Total comprehensive income	12,989	333	14,156	10,933	241	11,174
Issuance of new shares	—	—	—	450	—	450
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
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(655)	—	—	—
Other	—	—	—	—	—	—
Transactions with the owners	—	—	(655)	(8,300)	(112)	(8,412)
As of March 31, 2023	28,742	666	29,906	138,008	819	138,827
Comprehensive income						
Profit (loss)	—	—	—	(12,893)	35	(12,857)
Other comprehensive income	24,638	(297)	24,772	24,772	25	24,798
Total comprehensive income	24,638	(297)	24,772	11,878	61	11,940
Issuance of new shares	—	—	—	227	—	227
Dividends to owners of the parent	—	—	—	(9,043)	—	(9,043)
Dividends to non-controlling interests	—	—	—	—	(187)	(187)
Forfeiture of share acquisition rights and Restricted Stock Unit	—	—	—	(0)	—	(0)
Share-based payment transactions	—	—	—	7	—	7
Changes in ownership interest in subsidiaries	—	—	—	(1,566)	(1,044)	(2,611)
Transfer from other components of equity to retained earnings	—	—	(2,043)	—	—	—
Other	—	—	—	3	—	3
Transactions with the owners	—	—	(2,043)	(10,372)	(1,232)	(11,604)
As of March 31, 2024	53,380	369	52,635	139,515	(351)	139,163

Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit (loss) before taxes	179	(13,249)
Depreciation	29,015	27,933
Impairment losses	9,568	16,657
(Gain) or loss from financial assets measured at fair value through profit or loss	9,088	(247)
Interest expenses	6,814	8,771
Decrease (increase) in trade receivables	(969)	3,062
Decrease (increase) in inventories	(4,493)	4,369
Increase (decrease) in trade payables	(7,424)	(1,476)
Other	(1,544)	894
Subtotal	40,235	46,715
Interest and dividends received	761	682
Interest paid	(5,177)	(5,939)
Income taxes paid	(15,403)	(6,849)
Income taxes refund	960	6,694
Net cash provided by operating activities	21,376	41,304
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(11,516)	(14,630)
Proceeds from sales of property, plant and equipment, and intangible assets	297	351
Payments for acquisition of subsidiaries resulting in change in scope of consolidation	(1,797)	(11,500)
Purchase of investments accounted for using equity method	(441)	(351)
Proceeds from sale of investments accounted for using equity method	—	3,821
Purchase of investments	(3,064)	—
Other	(998)	1,236
Net cash used in investing activities	(17,520)	(21,072)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(265)	5,000
Proceeds from long-term borrowings	—	62,215
Repayments of long-term borrowings	(25,931)	(88,241)
Repayments of lease liabilities	(5,749)	(6,180)
Proceeds from issuance of shares	450	231
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(2,611)
Dividends paid to owners of the parent	(9,196)	(9,040)
Other	(139)	(511)
Net cash used in financing activities	(40,832)	(39,139)
Effect of exchange rate changes on cash and cash equivalents	2,676	5,017
Net increase (decrease) in cash and cash equivalents	(34,298)	(13,889)
Beginning balance of cash and cash equivalents	95,232	60,933
Ending balance of cash and cash equivalents	60,933	47,044

List of Main Companies (as of June 30, 2024)

*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 *Gunma, Chiba, Tokushima, Ehime
	Japan	LSI Medience Corporation	100%	Clinical testing business *Tokyo
	Japan	Wemex Corporation	100%	Healthcare Solutions business
	Japan	Mediford Corporation	100%	Drug discovery support business *Ibaraki, Kumamoto
	Japan	Wemex Healthcare Systems Corporation	100%	Healthcare Solutions business
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 *Portsmouth
	USA	Richard-Allan Scientific LLC	100%	Overseas development and manufacturing base for the pathology business's pathology and diagnosis products *Kalamazoo
	USA	PHC Corporation of North America	100%	Sales and maintenance services for PHCbi products in North America

PHC Group Overview and Vision

PHC Group Business Strategy

PHC Group Sustainability

Data Section

*Production facilities

Region	Country	English name	Participating interest (including indirect shipping through subsidiaries)	Main business content
EMEA	Switzerland	Ascensia Diabetes Care Holdings AG	100%	Sales of diabetes care products and provision of services
	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
	UK	Shandon Diagnostics Limited	100%	Manufacturing and sales of pathology equipment *Runcorn
	Netherlands	PHC Europe B.V.	100%	Sales and maintenance services for PHCbi products in Europe
APAC	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 *Shanghai
	Indonesia	PT PHC Indonesia	95%	Manufacturing of diabetes care and life science products *Bekasi
	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	1-13-2 Yurakucho, Chiyoda-ku, Tokyo 100-8403, Japan (From April 1, 2024)
Founded	1969 (Founded as Matsushita Kotobuki Electronics Co., Ltd.)
Representative	President, Representative Director and CEO Kyoko Deguchi (From April 1, 2024)
Capital	48,423 million yen
Listed Market	Tokyo Stock Exchange Prime Market (TSE 6523)
Main Business	<ul style="list-style-type: none"> ● Diabetes Management ● Healthcare Solutions ● Diagnostics & Life Sciences

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

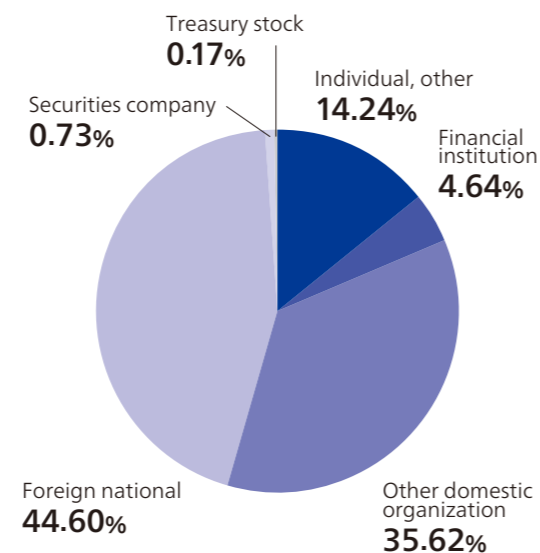
Financial information	▶ https://www.phchd.com/global/ir	
Products/services information	▶ https://www.phchd.com/global/products	
Sustainability	▶ https://www.phchd.com/global/sustainability	

Stock Information

Shares
 Total number of authorized shares 460,000,000 shares
 Total number of shares outstanding 126,244,271 shares
 Top 10 shareholders

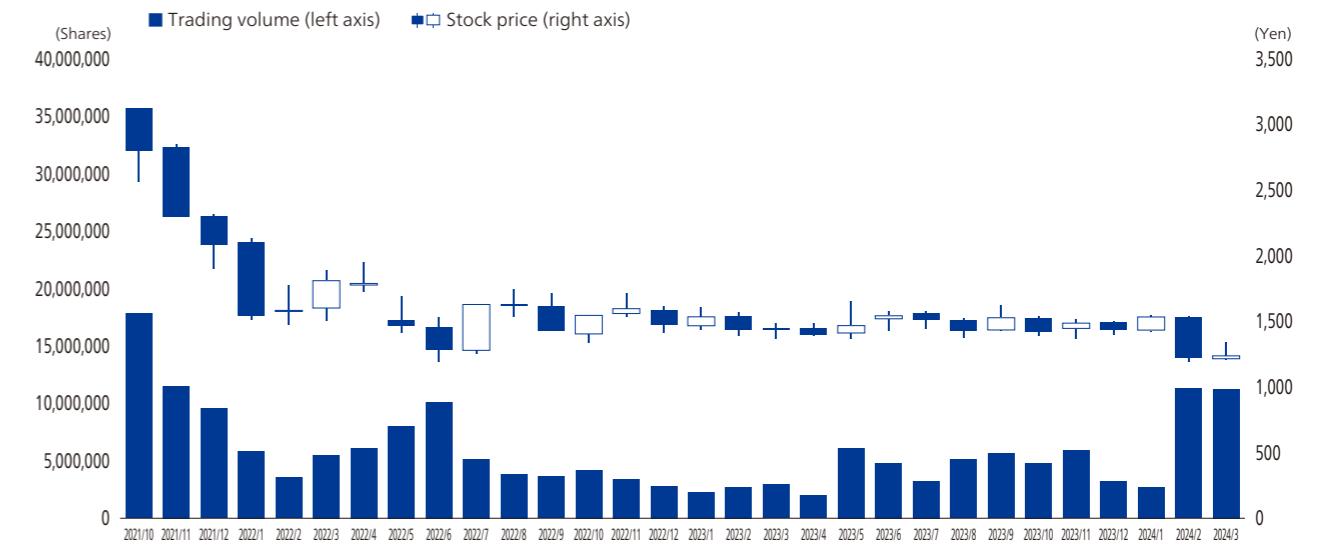
Shareholder names	Shareholding (thousand shares)	Shareholding ratio
KKR PHC Investment L.P.	47,994	38.08%
Mitsui & Co., Ltd.	21,870	17.35%
Life Science Institute, Inc.	12,297	9.76%
Panasonic Holdings Corporation	9,766	7.75%
LCA 3 Moonshot LP	5,714	4.53%
The Master Trust Bank of Japan, Ltd. (Investment account)	5,198	4.12%
PHC Holdings Employee Stock Ownership Plan	756	0.60%
Hidetomo Oka	626	0.50%
GSESL PHC CLIENT ASSET ACCOUNT	507	0.40%
Custody Bank of Japan, Ltd. (Investment account)	451	0.36%

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



The main editorial members of Integrated Report 2024

Editorial Note: PHC Group Integrated Report 2024

On behalf of PHC Group, we appreciate your interest in our Integrated Report 2024. We prepared this report for our shareholders, investors, customers, and other stakeholders to introduce PHC Group in its entirety, including the depth and breadth of our interconnected businesses, our current activities and performance, and ongoing sustainability initiatives. This report also describes our medium- to long-term growth strategies and efforts to continue enhancing our corporate value. In this issue, we have expanded our content on sustainability to explore the ESG strategy we launched in 2023, including insights from our newly expanded Sustainability Promotion Office. In Chapter 1, we introduce a global sustainability roundtable discussion between PHC Group executives and employees from across our businesses. In Chapter 3, we explain in detail how our key performance indicators (KPIs) and target values for each of our 11 materiality topics are related to initiatives at each business unit and how PHC Group employees around the world are engaged in sustainability activities. Throughout the report, we have also incorporated illustrations to bring to life the corporate values that drive our Group's products and services. In future reports, we will continue our efforts to communicate the shared impact of PHC Group businesses and the synergies they create together. As a company we are committed to helping realize "Value-Based Healthcare" and contributing to the health of society, and we see this report as an opportunity to open a dialogue on these topics with our stakeholders. We hope this Integrated Report will help you better understand PHC Group and encourage you to connect with us.

PHC Holdings Corporation

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