



Chapter 3

PHC Group Sustainability

ESG Strategy	56
Environmental Initiatives	58
Social Initiatives	62
Governance/Compliance, Risk Management Initiatives	68
Governance/Corporate Governance	70
External Director Message	78

Sustainability

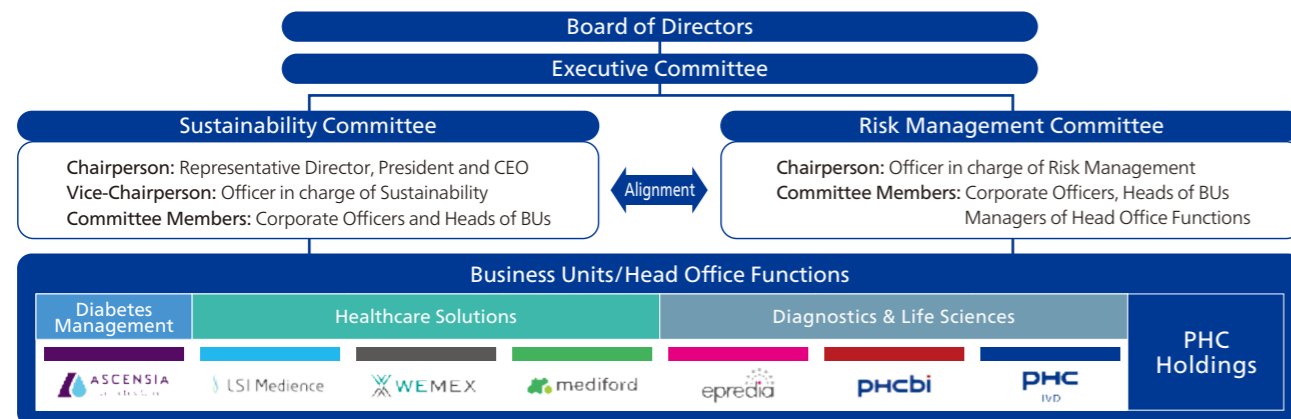


PHC Group is committed to long-term sustainability efforts. Our mission is to contribute to the health of society through our diligent efforts to create healthcare solutions that have a positive impact and improve the lives of people. We recognize that sustainability drives our ability to achieve this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

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

Scan this QR code for environment, hygiene, and safety 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



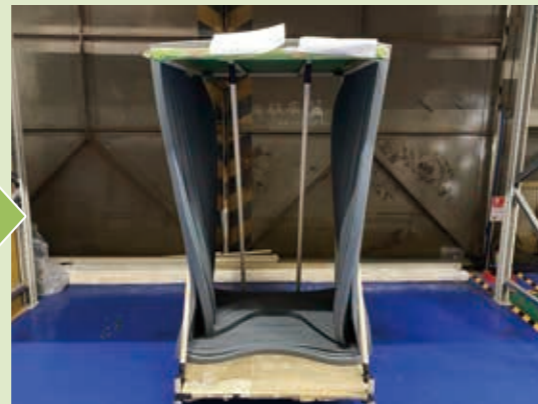
Masahiro Aono

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.



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.

MDF-DU700ZHS1-PJ(725L)

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 -

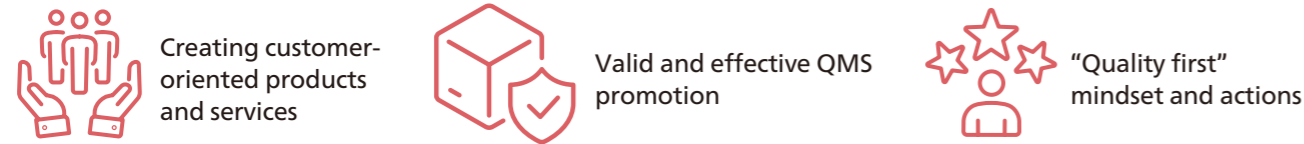
PHC Corporation is strengthening its strategic partnership with Cyfuse Biomedical K.K., with the aim of expanding the market in the regenerative and cellular medicine field. Utilizing Cyfuse's bio-3D printing technology, we are promoting the practical application of innovative regenerative medical products 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

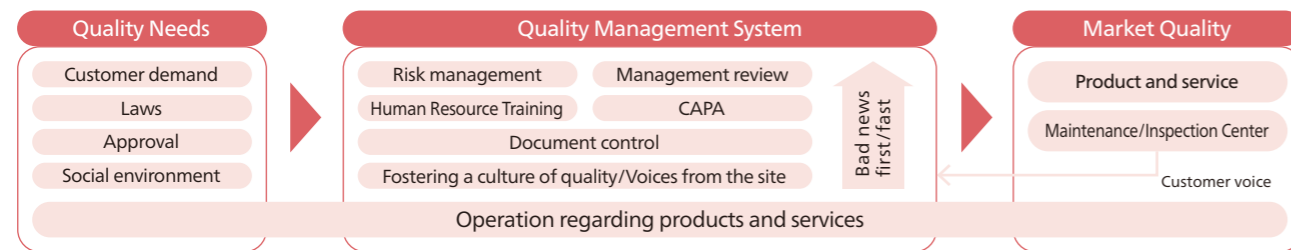
Safety and Quality Initiatives

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.

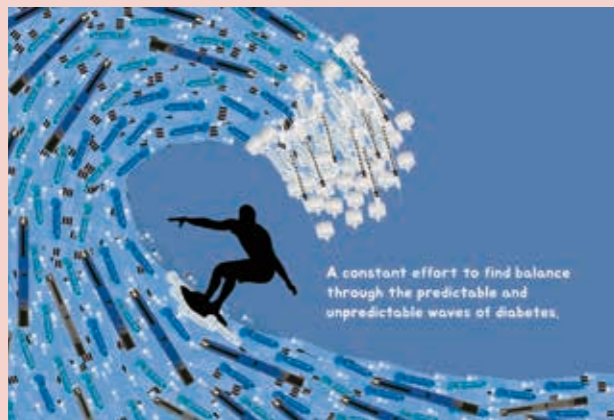
In each business, we hold quality management review meetings including participation from management, to ensure that quality is our top priority. We have established a system of "corrective action and preventive action" (CAPA), which enables us to prevent or correct problems at the first

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

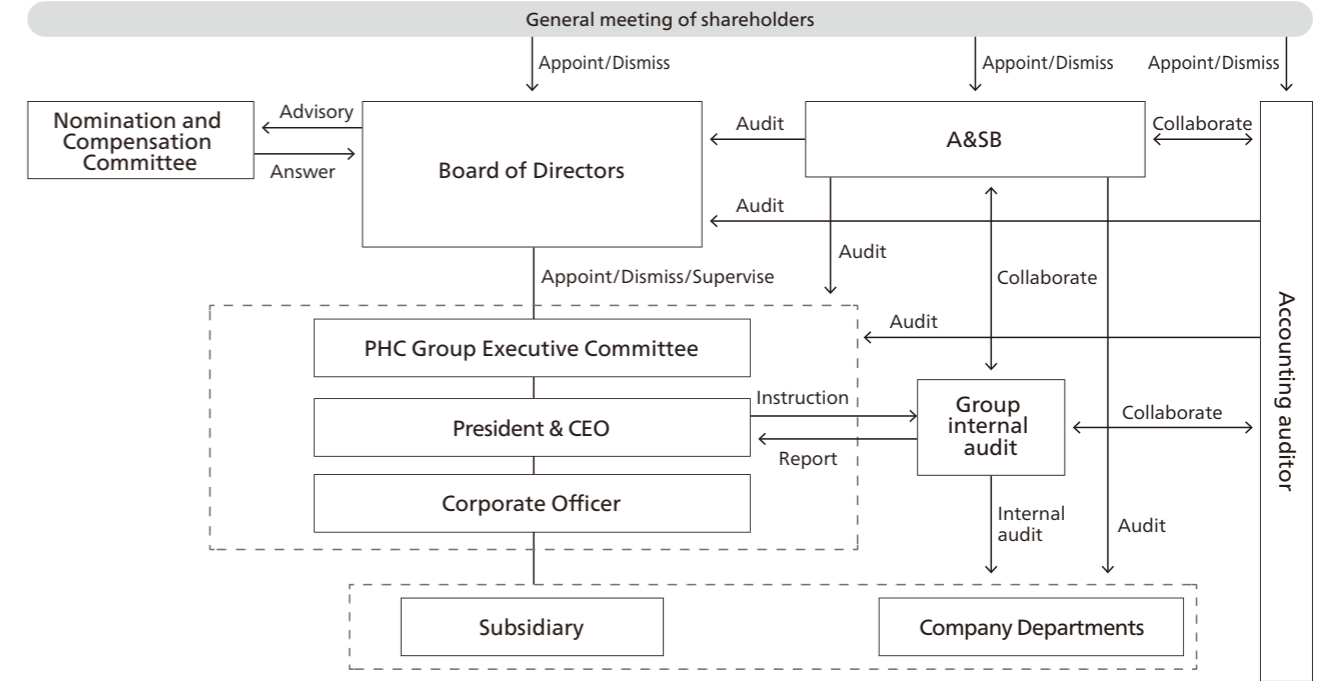
PHC Group convenes a Cybersecurity Committee to discuss the Group's cybersecurity policy, KPI reviews, incident reports, and correction of security vulnerabilities. The meetings are attended by all Corporate Officers, including the President. At the meetings, members discuss any cybersecurity concerns 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.)
 February 1999 Senior Finance Director, Disney Store Japan Ltd. (Currently: The Walt Disney Company (Japan) Ltd.)
 March 2001 Director and CFO, GE Plastics Japan Ltd.
 April 2004 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, Kimiichi 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)
 November 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.)
 October 1988 President, Nikko Europe P.C. (Currently: Citigroup Capital Partners Japan Ltd.) (concurrent assignment as) General Manager of Asset Management Department, Nikko Cordial Corporation
 April 1999 CEO and Chairman, Nikko Principal Investments Ltd.
 June 2003 Member of Board, Nikko Cordial Corporation
 April 2008 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
 August 2006 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)

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 Takao
- 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	○					○	○		



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)
 December 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)

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)